Tankerska Next Generation

ANNUAL REPORT 2020

Zadar, April 2021

Annual financial report of TNG is also available in iXBRL format

ESMA (European Securities and Markets Authority) has adopted a new single form of electronic reporting to improve the reporting system according to the established International Financial Reporting Standards (IFRS) by adopting the ESEF regulation (European Single Electronic Format).

Tankerska Next Generation d.d. has recognized and seized the opportunity to adapt to the new regulations even before its entry into force, therefore you can find our annual financial statements (statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows) for 2020 in iXBRL format.

Contents

Tankerska Next Generation

Total number of vessels: 6

ECO design MR Product tankers: 4

ICE class MR Product tankers: 2

TNG's MR average age –
owned vessels **6,7 years**

World fleet MR average age -
10,6 years

MT Vukovar, built: 2015

Shipyard: Hyundai Mipo,
S. Korea

ECO design MR product tanker

Length/width: 183/32 m

Cargo capacity: 49,990 dwt

MT Pag, built: 2015

Shipyard: SPP Shipyard,
S. Korea

ECO design MR product tanker

Length/width: 183/32 m

Cargo capacity: 49,990 dwt

MT Zoilo, built: 2015

Shipyard: Hyundai Mipo,
S. Korea

ECO design MR product tanker

Length/width: 183/32 m

Cargo capacity: 49,990 dwt

MT Velebit, built: 2011

Shipyard:
3. maj, Croatia

ICE class MR product tanker

Length/width: 195/32 m

Cargo capacity: 52,554 dwt

MT Dalmacija, built: 2015

Shipyard: SPP Shipyard,
S. Korea

ECO design MR product tanker

Length/width: 183/32 m

Cargo capacity: 49,990 dwt

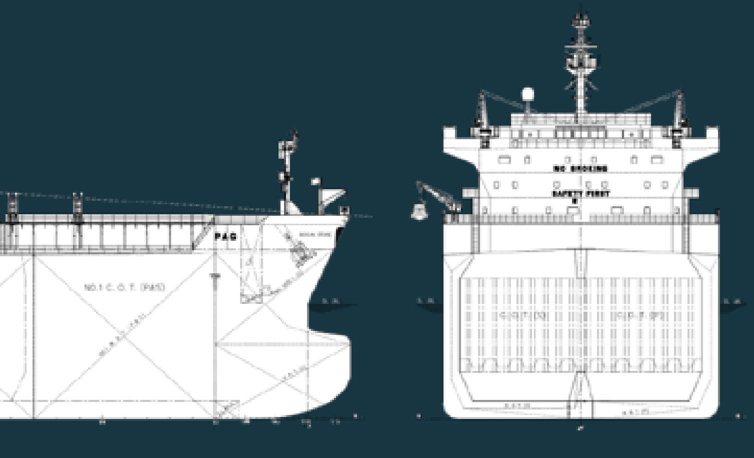
MT Vinjerac, built: 2011

Shipyard:
3. maj, Croatia

ICE class MR product tanker

Length/width: 195/32 m

Cargo capacity: 51,935 dwt



About us

Tankerska Next Generation ("TNG" or "Company") is a shipping company focused exclusively on the MR product tanker segment. The initiator of its incorporation was Tankerska Plovidba, an established Croatian shipping company with a tradition and experience of many years standing in shipping, which is providing technical, crew and commercial management to TNG.

The main markets in which the Company operates is the international maritime transport of oil products and edible oil, and therefore provides transport services to large energy companies, large oil retailers and large manufacturers of oil and oil products and various other entities that depend on sea transport.

TNG was incorporated in August 2014, followed by Tankerska Plovidba contributing its two existing conventional MR product tankers, cash and one fully funded eco-design newbuild with expected delivery in Q4 2015 – m/t Dalmacija. In February 2015 other investors had the opportunity to partake in the IPO of TNG. Through IPO, TNG gained strong partners in institutional and private investors as HRK 208 million (USD 31 million) was raised in the process.

The funds raised through the IPO, together with bank debt, were utilized to acquire two newbuilding contracts for MR vessels. First of two – m/t Vukovar was delivered in April, and the second – m/t Zoilo in July 2015, both vessels are fully operational from the day of delivery.

Capital raising continued in Q2 2015. when the management saw a good opportunity for the acquisition of another newbuilding vessel; the major shareholders contributed another HRK 104 million (USD 16 million) in June 2015. TNG has utilized raised funds in July and acquired the contract for a newbuilding vessel – m/t Pag which was delivered in December 2015, days after delivery of m/t Dalmacija.

TNG conducts it business operations in a manner that is believed will enhance its ability to follow its strategy and maximize value to its shareholders. TNG aims to timely acquire its vessels, which ensures efficient use of the capital and minimizes the leverage.

Goal of the fleet management strategy is to increase cash flow and profitability through outsourcing most of the management functions to a fleet manager which will improve the measurability and cost competitiveness of business because it will allow TNG to keep its flexible and simple organizational structure without realizing significant additional overheads. This will enable the efficient management of assets and liabilities of the company and ensure a stable return to the shareholders.

Key drivers for product tanker companies include among other global economic recovery and the shift in refining capacities from West to East. Namely, the current global trend is dislocating refineries, mainly from Europe and Australia to the Middle East and Asia, increasing routes the product tankers must take in order to connect supply and demand.

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. The Company intends to realize these objectives by pursuing the following:

Focus on the development of the fleet, and the acquisition and management of vessels in the product tanker segment, focusing on product tankers of medium capacity, which are the main labor force in the petroleum derivatives market. MR tankers are flexible because they are small enough that they can access a wide range of ports, and because of this flexibility and the possibility of handling the most common quantities of cargo, are popular with charterers.

Maintain superior customer service by maintaining high standards of reliability, safety, environmental protection, and quality.

Timely procure modern used and/or re-sale tankers and/or reasonably arrange the newbuildings and timely sell vessels in line with market conditions.

Increase cash flow and profitability by outsourcing most of the management functions to a fleet manager. Management believes that the agreement with an external management will improve the measurability and cost competitiveness of business because it will allow the TNG to expand its fleet without realizing significant additional overheads.

Maintain a strong balance sheet through moderate debt in a way to tray to finance future purchases of with approximately 35-45% of equity capital. This would facilitate the possibility of using a substantial part of the cash flow to pay dividends, but also improve conditions in the market as banks, shipyards and outsourcers prefer better capitalized Contracting Parties.

Comments from the CEO

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 capitalized 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 fleet's ECO vessels carrying amounts were 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.

Comments from the CEO

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.

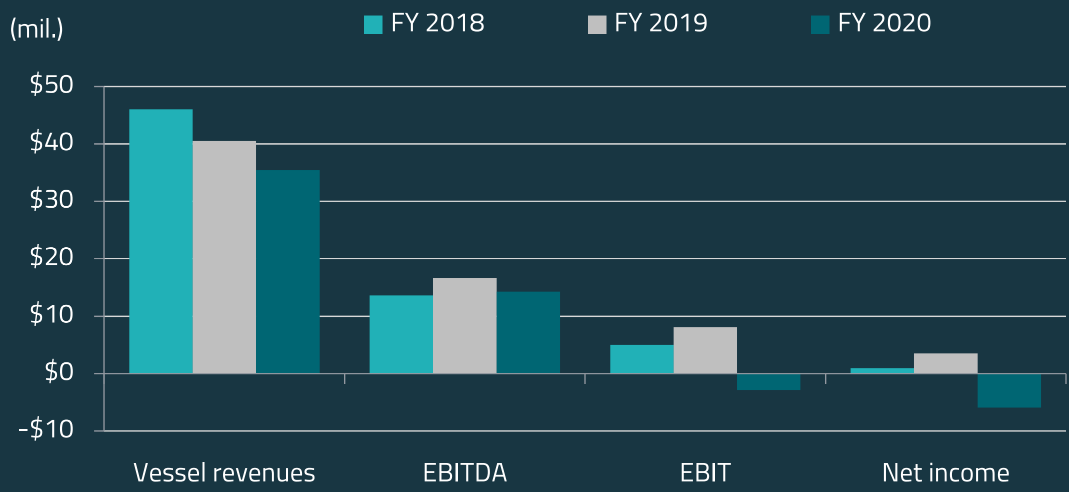
The net loss of Tankerska Next Generation in 2020 was HRK 31.7 million (USD 5.9m) and is compounded of:

- 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

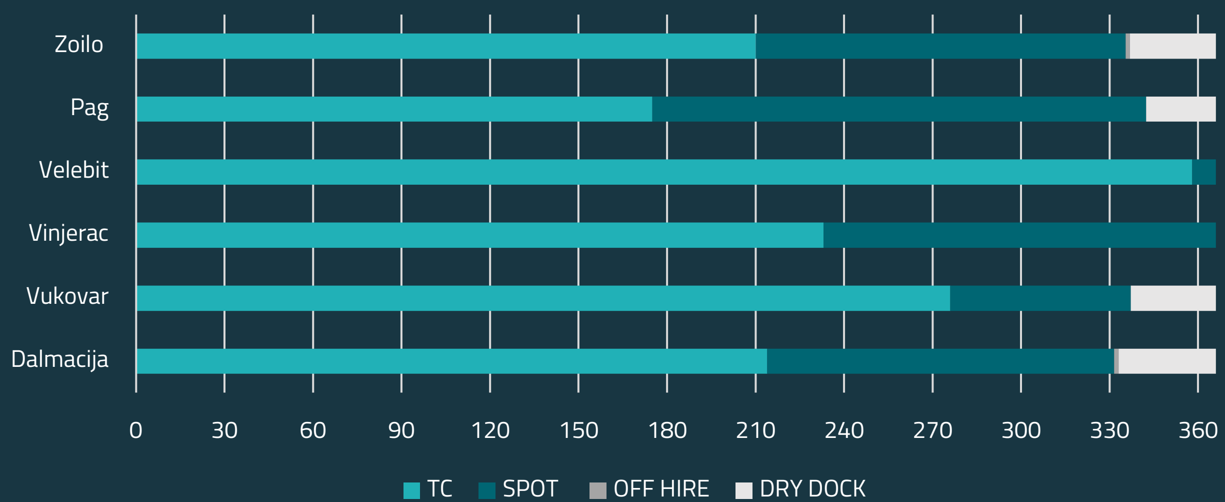
John Karavanić, CEO

Tankerska Next Generation

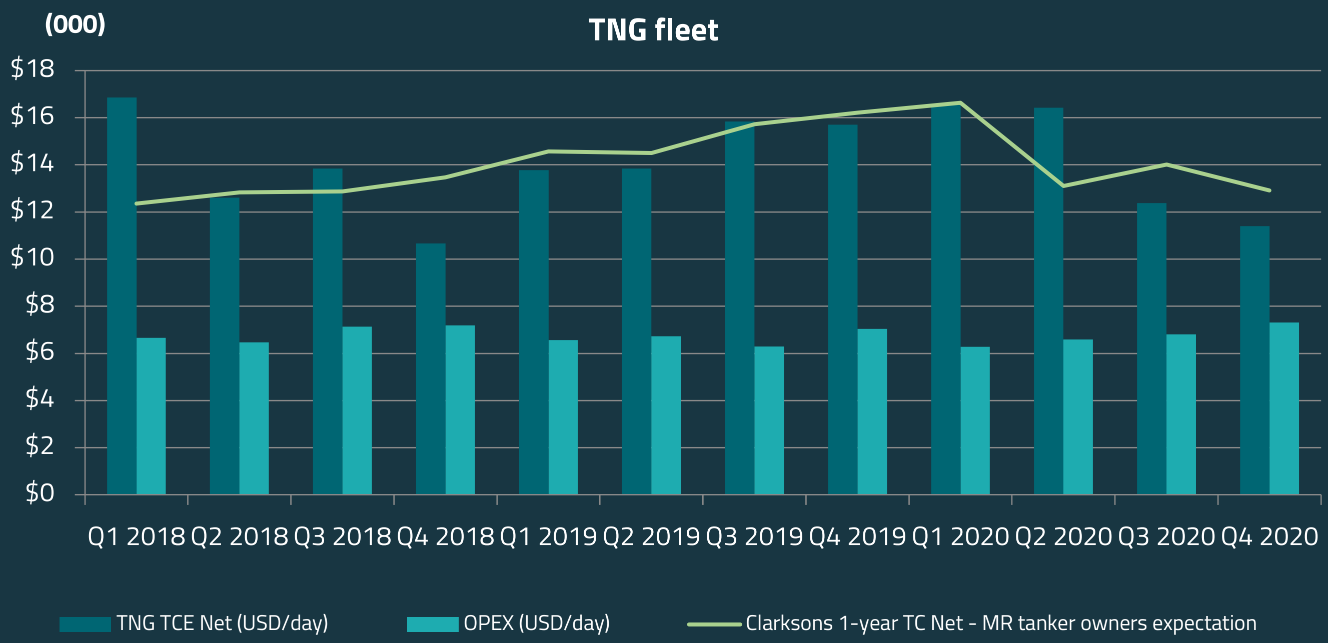
Summary of financial results over the last 3 years

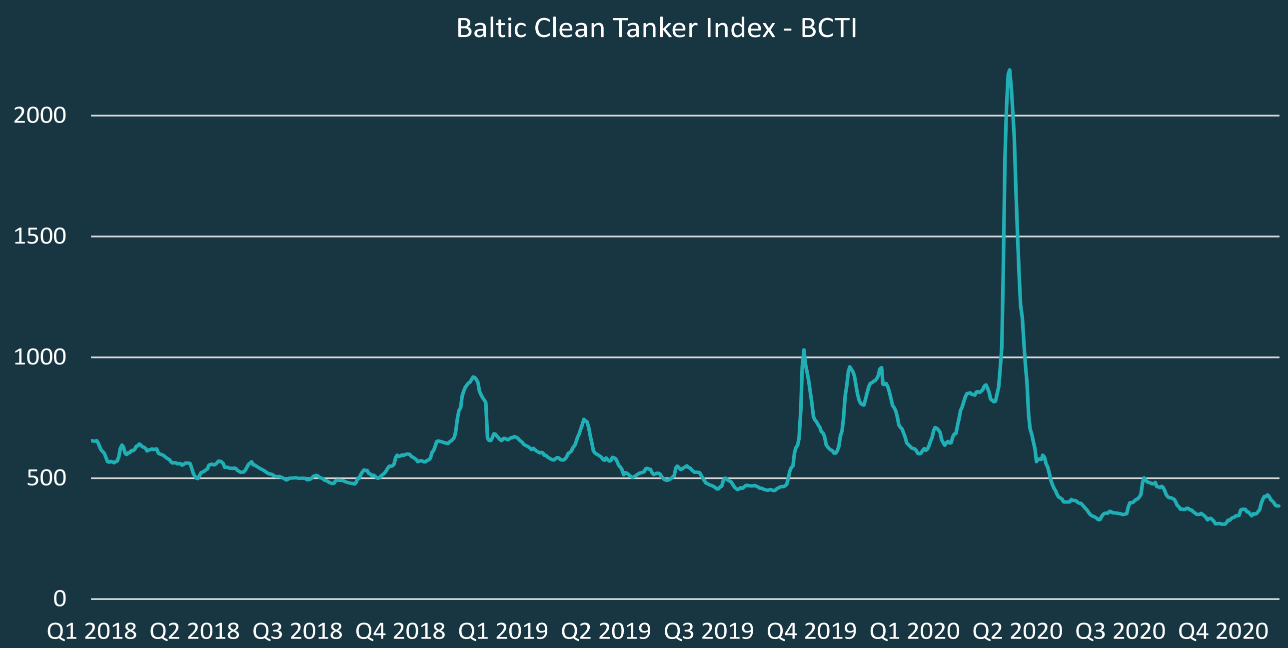


Revenue days structure in 2020



Commercial results





"During 2020. the shipping markets presented all its volatility with first half of the year recording its highest spot earnings in years, while the second half of the year recorded multi year lows, which in turn negatively impacted the asset value of shipowners"

Market environment

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. levels.

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 affect 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.

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.

EIA (US Energy Information Administration), Feb 2021
New York Times, Feb 2021
Clarksons Platou, Jan 2021
Allied MR tanker review, Jan 2021 ->.

World MR fleet

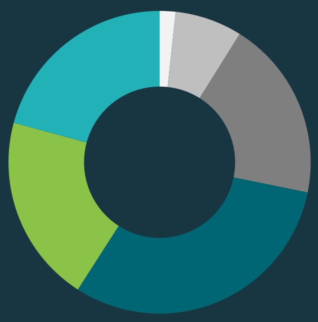
The product tanker fleet grew by 3.3% in 2020 which shows slowing down from last years growth which amounted to 3.6%.

About 4.7 million DWT in the MR segment was delivered in 2020, which is 12% less than in 2019 (5.3 million DWT) which presents a potential long-term positive impact on the product tanker market.

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.

World MR fleet age profile 31st December 2020



World MR fleet on 31st Dec 2020

2,618 tankers in service

Total dwt capacity: 114,925,965 dwt

234 tankers over 20 years

8.94% of the fleet

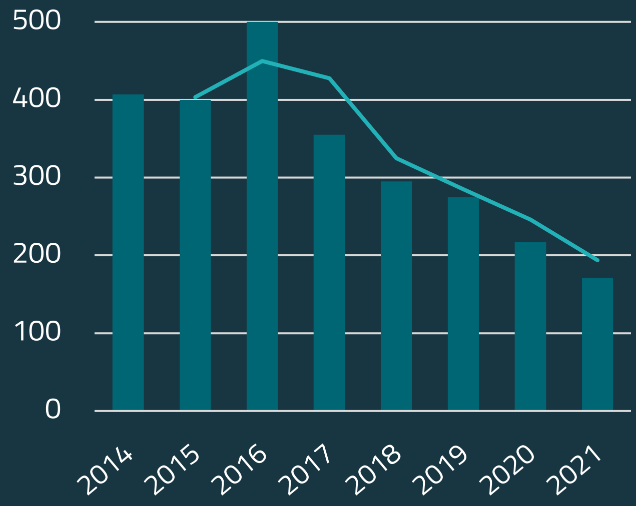
171 tankers on order

6.53% of the fleet

127 planned deliveries in 2021

4.85% of the fleet

MR orderbook at the year beginning



Market environment (continued)

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.

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 barrels 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.

EIA (US Energy Information Administration), Feb 2021.->
BIMCO, OPEC, Feb 2021
S&P Global Platts, Jan 2021

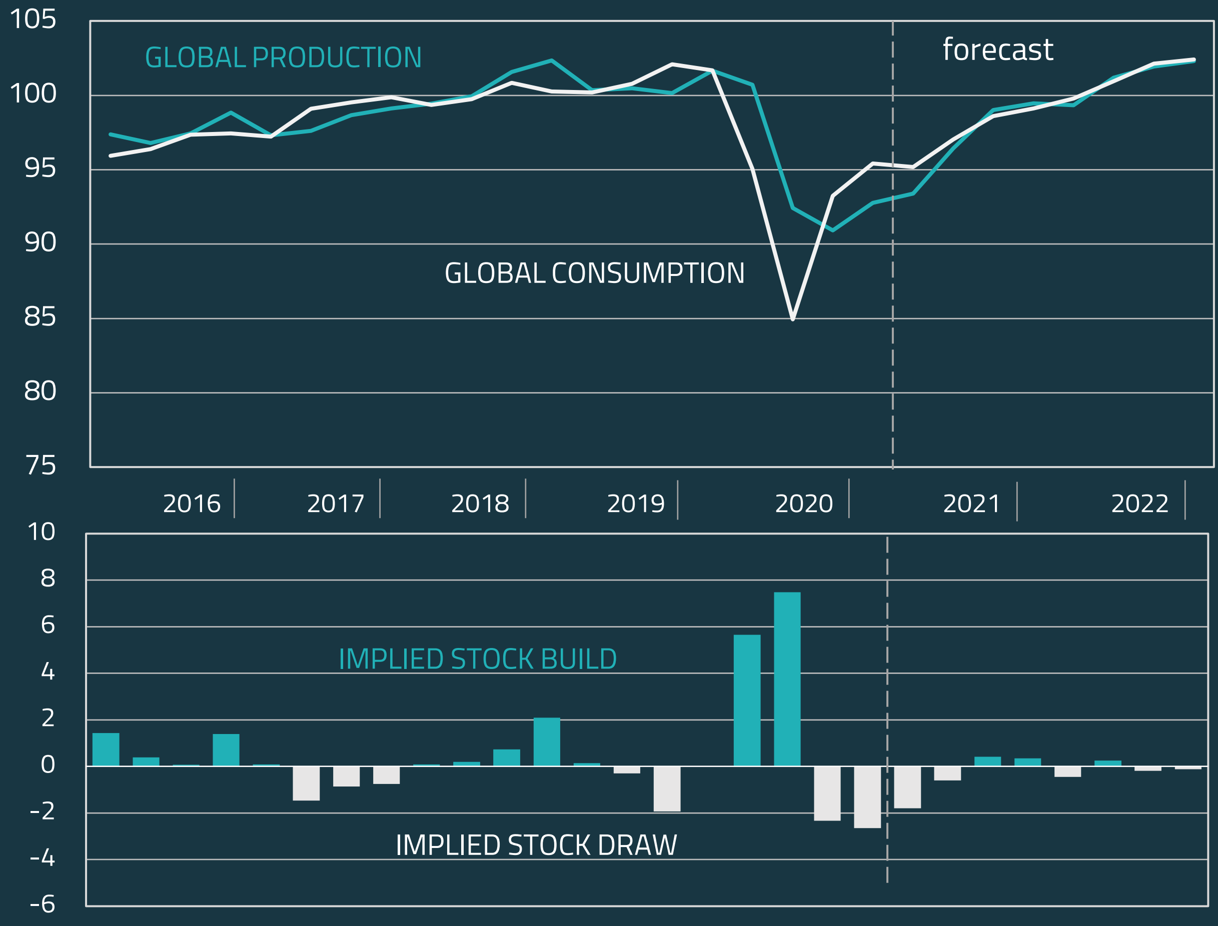
MARKET ENVIRONMENT

Global oil demand 2019 -2021 (expected)

million barrels per day

Global liquid fuels production and consumption balance

million barrels per day



Market environment (continued)

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 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.

EIA (US Energy Information Administration), Feb 2021
BIMCO, Feb 2021

Share TPNG-R-A

Share capital: 436,667,250 kn

Issued shares: 8,733,345

Treasury shares: 26,920 (31 Dec 2020)

Total turnover in 2020: 17,174,262 kn

Total volume in 2020: 353,423 shares

Total trading days: 200 days

Highest price in 2020: 60.00 kn

Lowest price in 2020: 36.00 kn

Average price in 2020: 48.59 kn

Market Capitalization on 31 Dec 2020:

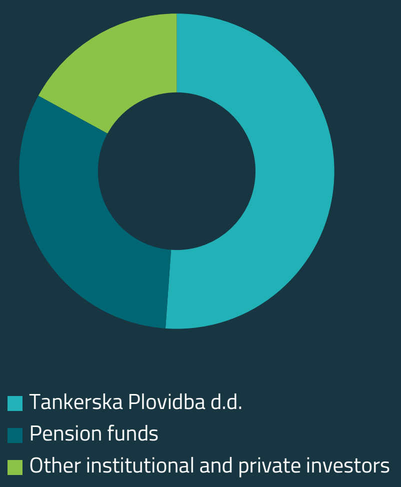
374.4 million kn @ 43.00 kn

Share buyback programme
(24 Feb -31 Dec 2020)

Shares bought in 2020
13,720 (0,16% total)

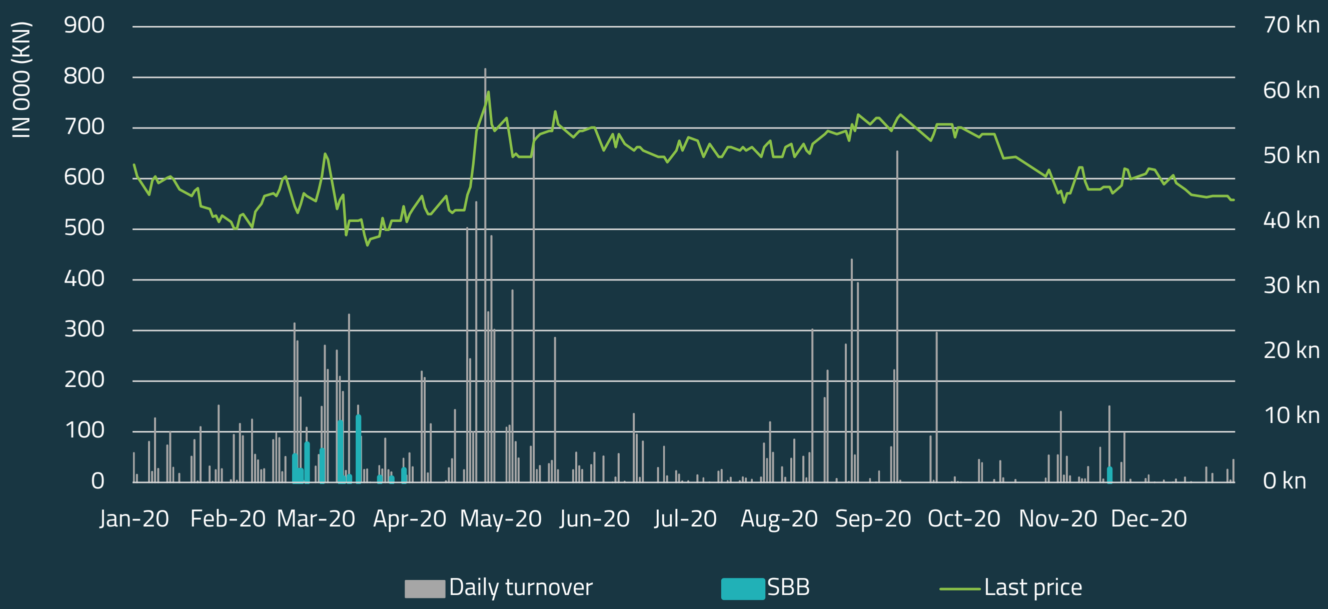
Share buyback funds used in 2020
581.5 thousand HRK

Shareholder structure
31st Decemeber 2020



Top shareholders 31 Dec 2020	No.shares	%
Tankerska plovidba d.d.	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
Croatia Osiguranje d.d	261,065	2.99
Treasury shares	26,920	0.31
Others	1,222,809	14.01
Total	**8,733,345**	**100.00**

Daily turnover and share price at ZSE



Results for the year 2020

TNG's revenues in 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 53.7 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 two additional off-hire days.

Selected financials	2020 ('000 USD)	2020 ('000 HRK)	2019 ('000 USD)	2019 ('000 HRK)
Vessel revenues	35,445	236,956	40,508	267,944
EBITDA	14,259	97,165	16,686	110,270
EBIT	(2,839)	(11,317)	8,067	53,076
Net profit	(5,907)	(31,683)	3,545	23,340

Operating expenses of the fleet amounted to HRK 99.5 million (USD 15.0m) and have slightly increased from the level recorded in 2019 when they amounted to HRK 99.3 million (USD 15.0m), while general and administrative expenses were recorded at HRK 6.3 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 97.2 million (USD 14.3m) and decreased compared to the previous year when it amounted to HRK 110.3 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 20.7 million HRK (3.1m USD) and decreased compared to 2019 when they amounted to HRK 30.2 million (USD 4.6m) 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 11.3 million (USD 2.8m), while the Company's net loss in 2020 amounts to HRK 31.7 million (USD 5.9m).

Results for the year 2020

Financial position	31.12.2020 ('000 USD)	31.12.2020 ('000 HRK)	31.12.2019 ('000 USD)	31.12.2019 ('000 HRK)
Bank debt	76,792	471,431	84,174	559,749
Cash and cash equivalents	5,669	34,804	10,182	67,712
Net debt	71,123	436,627	73,992	492,037
Capital and reserves	94,233	578,496	100,037	665,234
Gearing ratio Net debt/(capital and reserves + Net debt)	43%	43%	43%	43%

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,

Expenses summary	2020 ('000 USD)	2020 ('000 HRK)	2019 ('000 USD)	2019 ('000 HRK)
Commission and voyage related costs	(5,838)	(38,132)	(8,124)	(53,686)
Vessel operating expenses	(15,045)	(99,486)	(14,996)	(99,333)
General and administrative	(946)	(6,290)	(819)	(5,420)
Total operating expenses (without amortization)	**(21,829)**	**(143,908)**	**(23,939)**	**(158,439)**

Results for the year 2020

Income statement and statement of other comprehensive income for period from Dec 31st 2019 to Dec 31st 2020

Audited	2020 ('000 USD)	2020 ('000 HRK)	2019 ('000 USD)	2019 ('000 HRK)
Vessel revenues	35,445	236,956	40,508	267,944
Total revenues	**36,088**	**241,073**	**40,625**	**268,709**
Commission and voyage related costs	(5,838)	(38,132)	(8,124)	(53,686)
Vessel operating expenses	(15,045)	(99,486)	(14,996)	(99,333)
General and administrative	(946)	(6,290)	(819)	(5,420)
Total operating expenses	**(21,829)**	**(143,908)**	**(23,939)**	**(158,439)**
EBITDA (Earnings before interest, taxes, depreciation, and amortization)	**14,259**	**97,165**	**16,686**	**110,270**
Depreciation and amortization	(8,029)	(52,806)	(7,914)	(52,506)
Impairment	(9,069)	(55,676)	(705)	(4,688)
EBIT (Earnings before interest and taxes)	**(2,839)**	**(11,317)**	**8,067**	**53,076**
Financial gains	37	307	64	419
Financial expenses	(3,105)	(20,673)	(4,586)	(30,155)
NET iNCOME	**(5,907)**	**(31,683)**	**3,545**	**23,340**
Net foreign exchange gains (losses)	189	(54,474)	1	17,667
Other comprehensive income	**(5,718)**	**(86,157)**	**3,546**	**41,007**
Weighted average number of shares outstanding basic & diluted (thou,)	8,720,145	8,720,145	8,709,407	8,709,407
Net income (loss) per share, basic & diluted	**(0.68)**	**(3.63)**	**0.41**	**2.68**

Balance sheet at the date of December 31st 2020

Audited	31.12.2020 ('000 USD)	31.12.2020 ('000 HRK)	31.12.2019 ('000 USD)	31.12.2019 ('000 HRK)
NON-CURRENT ASSETS	**163,290**	**1,002,441**	**175,191**	**1,165,009**
Vessels and equipment	163,290	1,002,441	175,175	1,164,900
Financial assets	-	-	16	109
CURRENT ASSETS	**13,340**	**81,896**	**13,892**	**92,377**
Inventory	1,469	9,023	807	5,361
Accounts receivable	5,572	34,204	2,416	16,063
Prepaid expenses and accrued income	630	3,865	487	3,241
Cash and cash equivalents	5,669	34,804	10,182	67,712
UKUPNO IMOVINA	**176,630**	**1,084,337**	**189,083**	**1,257,386**
Shareholders' equity and reserves	**94,233**	**578,496**	**100,037**	**665,234**
Share capital	68,988	436,667	68,988	436,667
Share premium	10,179	68,426	10,179	68,426
Reserves	9,252	60,118	9,075	58,951
Exchange differences	(3,934)	(43,480)	(4,123)	10,994
Retained earnings	9,748	56,765	15,918	90,196
NON-CURRENT LIABILITIES	**64,473**	**395,803**	**74,792**	**497,362**
Interest bearing loans and liabilities	64,473	395,803	74,792	497,362
CURRENT LIABILITIES	**17,924**	**110,038**	**14,254**	**94,790**
Interest bearing loans and liabilities	12,319	75,628	9,382	62,387
Accounts payable	3,780	23,205	1,789	11,896
Accrued expenses and deferred income	1,825	11,205	3,083	20,507
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**176,630**	**1,084,337**	**189,083**	**1,257,386**

Results for the year 2020

Cash flow statement for period from Dec 31st 2019 to Dec 31st 2020

Audited	2020 ('000 USD)	2020 ('000 HRK)	2019 ('000 USD)	2019 ('000 HRK)
Profit before tax	(5,907)	(31,683)	3,545	23,340
Depreciation and amortization	8,029	52,806	7,914	52,506
Impairment	9,069	55,676	705	4,688
Changes in working capital	(3,176)	(24,055)	3,117	20,959
Cash flow from operating activities	**8,015**	**52,744**	**15,281**	**101,493**
Cash inflows from investing activities	-	-	-	-
Cash outflows from investing activities	(5,092)	(33,115)	(417)	(2,780)
Cash flow from investing activities	**(5,092)**	**(33,115)**	**(417)**	**(2,780)**
Cash flow from financing activities	2,000	12,319	-	-
Cash outflows from financing activities	(9,468)	(63,189)	(13,382)	(88,264)
Cash flow from financing activities	**(7,468)**	**(50,870)**	**(13,382)**	**(88,264)**
Net changes in cash	(4,545)	(31,241)	1,482	10,449
Cash and cash equivalents (beginning of period)	32	(1,667)	(16)	874
Effects of exchange rate changes on the balance of cash	10,182	67,712	8,716	56,389
CASH AND CASH EQUIVALENTS (END OF PERIOD)	5,669	34,804	10,182	67,712

Statement of changes in equity for period from Dec 31st 2019 to Dec 31st 2020

Statement of changes in equity for the year ended 31 Dec 2020	Paid-in Capital	Retained Earnings Account	Foreign exchange translation reserves	Other reserves	Share premium	Purchase of treasury shares	Total
	('000 USD)	('000 USD)	('000 USD)	('000 USD)	('000 USD)	('000 USD)	('000 USD)
Balance at 31 December 2019	**68,988**	**15,918**	**(4,123)**	**9,218**	**10,179**	**(143)**	**100,037**
Profit for the period	-	(5,907)	-	-	-	-	(5,907)
Exchange difference on foreign operations	-	-	189	-	-	-	189
Total comprehensive income	**-**	**(5,907)**	**189**	**-**	**-**	**-**	**(5,718)**
Transferred to reserves in yearly schedule	-	(177)	-	177	-	-	-
Purchase of own shares	-	(86)	-	86	-	(86)	(86)
Declared dividend	-	-	-	-	-	-	-
Balance at 31 December 2020	**68,988**	**9,748**	**(3,934)**	**9,481**	**10,179**	**(229)**	**94,233**

Statement of changes in equity for the year ended 31 Dec 2020	Paid-in Capital	Retained Earnings Account	Foreign exchange translation reserves	Other reserves	Share premium	Purchase of treasury shares	Total
	('000 HRK)	('000 HRK)	('000 HRK)	('000 HRK)	('000 HRK)	('000 HRK)	('000 HRK)
Balance at 31 December 2019	**436,667**	**90,196**	**10,994**	**59,948**	**68,426**	**(997)**	**665,234**
Profit for the period	-	(31,683)	-	-	-	-	(31,683)
Exchange difference on foreign operations	-	-	(54,474)	-	-	-	(54,474)
Total comprehensive income	**-**	**(31,683)**	**(54,474)**	**-**	**-**	**-**	**(86,157)**
Transferred to reserves in yearly schedule	-	(1,167)	-	1,167	-	-	-
Purchase of own shares	-	(581)	-	581	-	(581)	(581)
Declared dividend	-	-	-	-	-	-	-
Balance at 31 December 2020	**436,667**	**56,765**	**(43,480)**	**61,696**	**68,426**	**(1,578)**	**578,496**

Fleet operating data

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.

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 until the end of time charter in July 2020. After that, the vessel has been employed on the spot market, while in August 2020 a regular five-year drydock was performed.

Vukovar

During the first part of the year m/t Vukovar exercised its previously arranged time charter contract with Koch Shipping („Koch") in the amount of USD 17,000 per day which finished in May 2020. During July 2020, the tanker performed a regular five-year drydock, after which it was delivered to Seariver Maritime; 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

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 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 contract, the vessel was employed on a short term time charter contract with Bryggen Shipping International AS ("Bryggen") with a hire rate of USD 16,000 per day.

Zoilo

M/t Zoilo continued its employment with a combination of time charter and spot during 2020 until the end of Q3/20, when a regular five-year drydocking was performed. After the drydock 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 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.

CURRENT CHARTERING STRATEGY

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 2020 tankers were employed on time charter contracts for 1.466 days out of 2.079 revenue days, which gives 70,5% of revenue days (reduced by off hire days) which mitigated the softer spot market rates in the second part of the year.

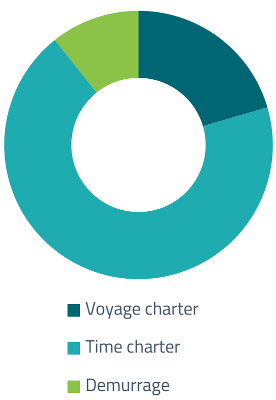
The average TCE net daily rate for 2020 equates to USD 14,250, while the average daily vessel operating expenses (OPEX) in the same period amounted to USD 6,823 per vessel, which is an increase in comparison to the last years result, primarily due to higher cost of crew changes in regards to the difficulties brought in by the pandemic.

The business year 2020 is characterized by a slightly lower level of employment of the fleet of 94.7%, which is moderated by the drydocking of m/t Dalmatia, m/t Vukovar, m/t Zoilo and m/t Pag; which accounted for 114.5 of a total of 117 days without revenue.

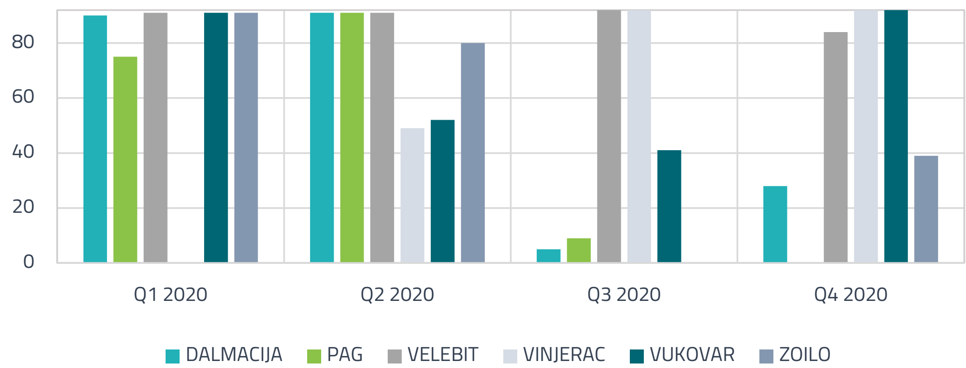
Vessel	Capacity (dwt)	Type	Built	Shipyard	Flag	Employment 31 Dec 2020	Daily rate (USD)
Velebit	52,554	ICE class MR product	2011	Treći Maj Croatia	Croatian	Time Charter Bryggen	16,000 (until Q1 2021)
Vinjerac	51,935	ICE class MR product	2011	Treći Maj Croatia	Croatian	Time Charter Clearlake	15,250 (until Q2 2022)
Vukovar	49,990	Eco MR product	2015	Hyundai Mipo S.Korea	Croatian	Time Charter Seariver	17,050 (until Q3 2023.)
Zoilo	49,990	Eco MR product	2015	Hyundai Mipo S.Korea	Croatian	Time Charter CSSA	11,850 ->12,840 ->13,825 (do Q2 2021)
Dalmacija	49,990	Eco MR product	2015	SPP Shipbuilding S.Korea	Croatian	Voyage Charter	SPOT
Pag	49,990	Eco MR product	2015	SPP Shipbuilding S.Korea	Croatian	Drydock	-

Fleet operating data	2018	2019	2020
Time Charter Equivalent rates (USD/day)	13,201	14,794	14,250
Revenue days	2,190	2,190	2,079
Daily vessel operating expenses (USD/day)	6,775	6,657	6,823
Fleet utilization (%)	100%	100%	94.7%
Share of time charter revenues in total revenues	32.5%	57.5%	68.8%

Vessel revenue structure in 2020



Number of days in time charter in 2020



Key events in 2020

Time charter expires for m/t Pag, TC contract extended from m/t Velebit (Q1)

The time charter for the ECO product tanker M/T Pag has expired after a period of 8 months, out of a maximum of 12, and in accordance with the contractual terms, the vessel was redelivered from the charterer with whom it successfully operated during the specified period.

Furthermore, the charterer of the conventional product tanker m/t Velebit declared the previously agreed option of USD 15,500 per day for 8 months starting mid-March.

Time charter coverage secured for two tankers - m/t Vinjerac and m/t Pag (Q1)

Two-year employment is secured for the conventional ice-class product tanker MT Vinjerac, the contracted employment commencing March 2020. The tanker is chartered out to a prominent charterer at approximately USD 15,250 per day under standard market terms and conditions. The charterer has an option to extend the deal, in direct continuation, for the third year at approximately USD 15,750.

Furthermore, additional time charter coverage is secured for the ECO tanker m/t Pag at USD 16,850 per day for three to six months.

Treasury Share Buy-Back Programme adopted (Q1)

Tankerska Next Generation plans to repurchase up to 110.000 of own Shares and the aggregate purchase price of all Shares acquired under the Programme will be no greater than 5.000.000 HRK. A new programme with the same characteristics was adopted in Q3 and will last max. 12 months.

TNG's shares included in CROBEX® and CROBEXtr® indices (Q1)

Index Committee of Zagreb Stock Exchange revision has determined that the shares of Tankerska Next Generation Inc. (TPNG) have achieved conditions for inclusion in CROBEX ® and CROBEXtr® indices, and will be included in the indices after closing of trading on the ZSE, March 20th, 2020. The calculation of indices with a new composition started as of March 23rd, 2020.

Time charter employment secured for ECO tanker m/t Vukovar (Q2)

Three-year time charter employment is secured for ECO tanker m/t Vukovar with charterers' option to extend for an additional year. The contracted employment started after the regular 5-year drydocking of the vessel.

The tanker is chartered out to a leading US oil major at approximately USD 17,000 per day (approximately USD 18,000 per day for the option) under regular market terms.

Redelivery of time charters; MT Dalmacija i MT Pag (Q3)

The time charter for the ECO product tanker m/t Dalmacija has expired after a period of 16 months, out of a maximum of 24, and in accordance with the contractual terms, the vessel was redelivered on the beginning of July 2020 Furthermore, the ECO product tanker m/t Pag was redelivered after nearly six months from its Charterer in accordance with the contractual terms.

Annual General Assembly held (Q3)

Tankerska Next Generation's annual General Assembly was held at the Company's headquarters in Zadar on August 21st, 2020 at 11:00 hours. At the annual General Assembly 7,622,298 votes were present, representing 87.54% of the total share capital with voting power. All the passed decisions were adopted with necessary majority of votes.

Five-year drydockings performed for three ECO product tankers (Q3)

During Q3, three five-year drydockings were performed for the product tankers m/t Vukovar and m/t Zoilo, during which a ballast water treatment system (BWTS) was installed, while m/t Dalmacija performed a classic five-year drydock since it had the system installed as a newbuilding. Prior to the regular five-year drydocks, the vessels were strategically repositioned to the Far East, enabling cost-effective drydock contracting.

Secured long-term loan facility agreement in the amount of USD 44 million (Q4)

Tankerska Next Generation has signed a long-term loan facility agreement in an aggregate amount of up to USD 44 million. The loan agreement was concluded with CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK and HAMBURG COMMERCIAL BANK AG for a loan tenor of 5 years. The funds will be utilized 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.

Five-year drydock for ECO product of tanker MT Pag (Q4) started (Q4)

In mid-December 2020, a five-year drydock and installation of ballast water treatment system (BWTS) for the ECO product tanker MT Pag began.

Outlook

Tankerska Next Generation is a shipping company focused exclusively on the MR product tanker segment and owns and operates 6 product tankers, the main markets in which the Company operates is the international maritime transport of oil products and edible oils. Therefore, TNG provides transport services to oil majors, national oil companies, oil and chemical traders and various other entities that depend on sea transport worldwide.

At the end of 2020 TNG holds four time charter contracts, which were signed in accordance with usual market conditions and are based on industry standard terms for such agreements. The fleet employment strategy provided a stable level of income over the medium term, in which two vessels are employed on time charters longer than one year, two are employed on shorter time charters while the remaining two vessels are operating on the spot market.

Placing the vessels on the spot market maximized the commercial potential of the vessels in the given moment and it was also beneficial to the operational efficiency since it enabled optimal geographical positioning of the vessels before the dryocks, which resulted in lower expenses of the five year drydocks itself.

The company continues with intent to employ the majority of its fleet through a medium to long-term time charter contracts in order to achieve predictable business results and cash flows that support risk mitigation for the shareholders. In terms of duration, future employment strategies will depend on market conditions and the management approach to optimum fleet management strategy.

The Company is subject to numerous laws and regulations in the form of international conventions and treaties, national, state and local laws and national, state and international regulations in force in the jurisdictions in which the Company's vessels operate or are enrolled. The International Maritime Organization's Ballast Water Convention stipulates that after September 2017, an approved ballast water treatment system must be installed by the time the IOPP (International Oil Pollution Prevention) certificate needs to be renewed, which for TNG means that the systems were installed on vessels following a cycle of five-year regular drydocks carried out in 2020 and following in 2021.

The ballast water treatment system actively removes, kills or deactivates reproduction systems of organisms in ballast waters before returning them to the ecosystem. Expected cost of deployment can range up to USD 1 mil. per ship depending on the preparation and existing ship installations.

Following the strategy of five-year drydocks, m/t Vukovar and m/t Zoilo had their ballast water treatment systems installed during regular five-year drydocks in Q3 /020, while MT Pag started its five-year drydock and installation of BWTS in Q4 2020, which was concluded in the first days of 2021.

After completing four five-year drydocks and three BWTS installations in the previous period, the Company continues to focus intensively on carrying out mandatory five-year drydocks. According to the plan, drydocks are planned for m/t Velebit and m/t Vinjerac in 2021, during which a ballast water treatment system ("BWTS") will be installed, which would achieve full compliance of the fleet with the International Maritime Organization's ballast water convention.

According to the provisions of MARPOL from 1 January 2020 the Sulphur content in motor fuel is not allowed to be greater than 0.50%, and emissions into the environment will not be allowed to be higher than that. Following its fleet management strategy TNG opted to replace cheaper high-sulfur fuel with more expensive low-sulfur fuel, which has so far proved to be a better option than installing scrubbers that allow ship operators to continue using higher-sulfur fuels which would in turn bring significant capital expenditures.

These changes in the regulatory environment affected the operations of TNG in the past period, and other effects on 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.

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.

On the corporate side, following its strategy of maintaining financial stability and liquidity, the Company has now fully implemented the plan to refinance its credit liabilities maturing in 2021 and 2022 thus avoiding possible tighter financial conditions on the horizon by securing competitive refinancing for the fleet for the upcoming five-year period.

In the forthcoming period, the Company aims to ensure the sustainability of the business and maximize business efficiency by managing the Company in a way that is believed to provide consistent and continuous returns to its shareholders.

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.
Potential 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 relished 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. The volatility influences day-to-day operations in the following ways:

- when rates are low TNG sees it as an opportunity to increase market exposure, and

- when rates are high TNG will seek to hedge short-term to medium-term exposure by chartering-out vessels or by actively trading freight-related derivatives.

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.

Risk management (continued)

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 comited to the following standards, strategies and insurance:

("ISO") 9001 for quality assurance,

ISO 14001 for environmental management systems,

ISO 50001 for energy management systems and Occupa-

tional 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 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, labor 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.

Related parties

As of 1 January 2015 the Management agreement and Non-Competition Agreement have commenced.

Management Agreement (Shipman)

Under the careful supervision of the Management Board, the Group's operations are managed by Tankerska (Fleet Manager) and the Group has entered into a long-term agreement with the Fleet Manager (Management Agreement). Pursuant to the Management Agreement, the Fleet Manager shall provide to the Group commercial, crewing, technical, and certain administrative and corporate services in exchange for management services fees. The Management Agreement shall continue until the 31 December 2026. Management Board believes that the Group will greatly benefit from the relationship with Tankerska as it is a vastly experienced and highly reputable tanker operator which can offer premium services at favorable rates.

In return for providing the services under the Management Agreement, TNGI pays the Fleet Manager fees comprised of the following key components:

Commercial management services fee. TNGI pays a fee to the Fleet Manager for commercial services it provides to the Group equal to 1.5% of the gross vessel revenues

Bunkering. All bunkering arrangements will be charged at USD 1.00 per metric ton. Any cost directly or indirectly incurred in the process of providing the bunkering services (including but not limited to agency costs, bunker samples analysis, bunker surveys, etc.) will be off-budget and charged to TNGI as contingency costs.

Ship management services fee. TNGI pays a fee to the Fleet Manager for the ship management services. The fee is related to the annual international publication BDO LLP (ex. Moore Stephens) available on the website https://www.opcostonline.com, which with the use of Shipping Opcost tool provides an average daily expense for each type of vessel. The fee TNGI pays to the Fleet Manager is equal to 67% of the management fee publishe paid daily or pro-rata on daily basis for the part of a month.

S&P fee. In the event of a definitive agreement for the direct purchase, acquisition, sale or disposition of any vessels entered into by or on behalf of the Group or its affiliates or their owners, the Fleet Manager shall be entitled to a fee in the amount of 1% of the aggregate consideration

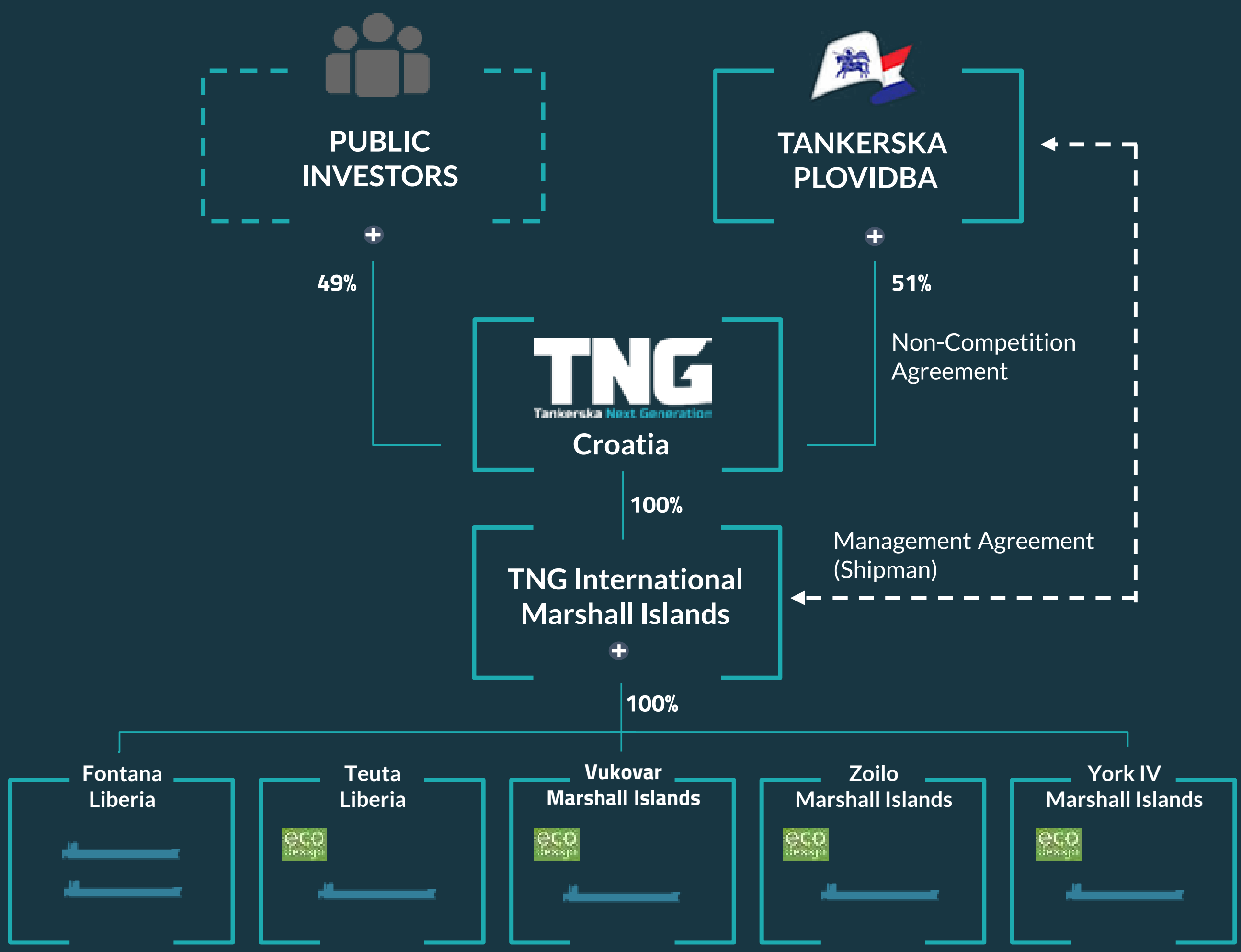
Non-Competition Agreement

According to the Non-Competition agreement between TNG Group and Tankerska Group, the parties have agreed that Tankerska plovidba nor its affiliates (other than the Company and its affiliates) shall own, lease, commercially operate or charter any MR product tanker.

The Non-Competition Agreement automatically terminates, expires and has no further force and effect on the date that Tankerska and its affiliates no longer retain direct or indirect ownership of at least an aggregate of 33% of Company's shares.

Subsidiary	Jurisdiction of incorporation	Shareholder	Ownership interest	Voting power
TNG International Ltd.	Marshall islands	TNG d.d.	100%	100%
Pag Shipping LLC	Marshall islands	TNG International Ltd.	100%	100%
Zoilo Shipping LLC	Marshall islands	TNG International Ltd.	100%	100%
Vukovar Shipping LLC	Marshall islands	TNG International Ltd.	100%	100%
Fontana Shipping Company Ltd.	Liberia	TNG International Ltd.	100%	100%
Teuta Shipping Company Ltd.	Liberia	TNG International Ltd.	100%	100%

Overview of related party transactions



Tankerska Next Generation International, a subsidiary of Tankerska Next Generation holds bareboat contracts with companies which own a total of 6 product tankers

STATEMENT ON APPLICATION OF THE CODE OF CORPORATE GOVERNANCE

Pursuant to Article 272p, in conjunction with Article 250a of the Croatian Companies Act (Official Gazette No. 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137 / 09, 125/11, 152/11, 111/12, 68/13, 110/15 and 40/19, hereinafter: ZTD) and in accordance with Article 22 of the Croatian Accounting Act (Official Gazette No. 78/15, 134 / 15, 120/16 and 116/18 hereinafter: ZOR) the Management Board of TANKERSKA NEXT GENERATION dd, Zadar, Božidara Petranovića 4 (hereinafter: the Company or TNG), on 28 April 2021, gives the following

Statement on the application of the Code of Corporate Governance

The Company's shares have been listed on the Official Market of the Zagreb Stock Exchange since 12 February 2015. From the moment the shares are listed on the Official Market of the Zagreb Stock Exchange, the Company applies the Corporate Governance Code, which was jointly developed by Croatian Financial Services Supervisory Agency (hereinafter: CFSSA) and the Zagreb Stock Exchange d.d. Zagreb, (hereinafter: ZSE) adopted by the CFSSA Decision of 26 April 2007, class: 011-02 / 07-04 / 28, reg. No .: 326-01-07-2 (Official Gazette No. 46/07, hereinafter: Code), and the integral text of the Code was published on the website of the Zagreb Stock Exchange. Taking into account the specifics of the business model TNG Inc. complies with the provisions of the Code as reported to the public through the annual survey of corporate governance which is published on the website of the company (www.tng.hr) and through other regulated channels.

With a goal to reach the high standards of corporate governance the Company has adopted its own code of corporate governance, and it has been prepared according to the Code of Zagreb Stock Exchange and CFSSA. TNG's code recognizes the accountability of the Supervisory Board and Management Board and the importance of transparency to all the Company's shareholders, including customers, investors and regulatory authorities.

During 2020, the Company essentially applied the recommendations set out in the Code, publishing all information the disclosure of which is provided by positive regulations and the disclosure of which information is primarily in the interest of the Company's shareholders. During the previous year, the Company published all information, the publication of which is required by positive regulations, through the Zagreb Stock Exchange website and on its own website, and informing the public about the availability of information was carried out through Croatian News Agency's OTS service. It also submitted these publications to the official register of prescribed information at CFSSA.

Supervision over the conduct of the Company's operations is carried out by the Supervisory Board in accordance with the provisions of the Croatian Companies Act. The role of the Supervisory Board is also regulated by the Company's Articles of Association and the Rules of Procedure of the Supervisory Board. Members of the Supervisory Board regularly receive detailed information on the management and work of the Company in order to be able to effectively fulfill their supervisory role. The report of the Supervisory Board on the performed supervision of business operations is part of the Annual Report of the Company submitted to the General Assembly.

The Supervisory Board established the Audit Committee as a body that assists the Supervisory Board and the Management Board in the effective execution of the tasks of corporate governance, financial reporting and control of the operations of TNG d.d.

The Company applies the rules of Accounting Policy, harmonized with International Financial Reporting Standards adopted by the European Union, which regulate the application of procedures and techniques in disclosing assets, liabilities, principal, income, expenses and financial results of the Company in the basic financial statements. The audit of the annual financial statements of the Company is performed by an independent auditor, appointed by the General Assembly of the Company.

The Company has established and applies rules and procedures for receiving, recording, approving and circulating financial and other business documentation, which ensures multiple supervision and transparency in the recognition of the Company's income and expenses. The Company has not yet established a corporate internal audit that would perform the function of independent audit and control and inform the Management Board through audit reports in the form of findings and proposals for improvement. The Management Board personally supervises all processes of recognizing the Company's income and expenses and participates in the preparation of quarterly, semi-annual and annual financial statements of the Company.

The corporate governance structure of the Company is based on a dualistic system, which consists of the Management Board and the Supervisory Board and together with the General Assembly they represent the three basic bodies of the Company.

Exceptions to compliance with the application of the Corporate Governance Code are the following:

- The supervisory board has not adopted a decision in which it stated categories of decisions and legal transactions that require prior approval by the supervisory board and those decisions about which management board must consult with the supervisory board before making a decision, since the Company's Articles of Association stipulate the circumstances and conditions when the Supervisory Board's consent is required.
- The fair value of each material transaction does not have to be confirmed by an independent expert prior to any such transaction.
- The company has not adopted procedures for the approval and disclosure of transactions between members of the management or supervisory board and the company (or a person affiliated with any party). Therefore, the the Audit Committee does not evaluate the effectiveness of these procedures.
- The supervisory board has not set as a target percentage of female members of the supervisory board and the management board, which must be achieved in the next five years and adopted a plan for the implementation of this goal. Notwithstanding the absence of such a goal and plan, if in the future a female candidate who meets the required qualifications of expertise appears as a potential candidate for the Management or Supervisory Board, the candidate will not be discriminated against in any way in relation to other candidates.
- The supervisory board has not developed a supervisory board profile which specifies the minimum number of members and combination of skills, knowledge and education, as well as professional and practical experience required in the Supervisory Board.
- The Chairman or Deputy Chairman of the Supervisory Board is not independent, as the Company believes that the Supervisory Board should reflect the interests of the majority shareholders, therefore it does not consider it appropriate to comply with this provision of the Code.
- The minimum expected time of commitment of each supervisory board member is not specified on their appointment.

STATEMENT ON APPLICATION OF THE CODE OF CORPORATE GOVERNANCE (continued)

- The Company has not adopted internal rules of procedure adopted by the management board. The position of the Company is that there is no need to adopt the above rules of procedure while the Management Board is one member. For the same reason, the Management Board does not evaluate its own effectiveness and cooperation with the Supervisory Board
- Internal company documents do not provide that the members of the management board must obtain the prior consent of the supervisory board before accepting appointment to the management board or supervisory board which is not part of the same group.
- Remuneration policy does not provide that a management board member may not dispose of the shares assigned to it as part of the remuneration at least two years from the date on which the shares were assigned to him or her.
- The Company believes that there is no need to adopt a policy that determines the nature and scope of risks that the Company must and is willing to take in order to achieve long-term strategic goals, given that the Articles of Association, employment contracts and internal regulations define the scope and powers of the Company.
- Due to the organizational specifics, the Company does not have an established system of internal audit, risk management and internal control.
- The Company's Articles of Association did not provide for the possibility for shareholders to exercise their voting right electronically without restrictions
-Questions raised at the general meeting the company are not available on its website

General Assembly

The General Assembly of the Company is regularly convened and held in accordance with legal regulations and the Articles of Association. All shareholders may participate in the work of the General Assembly in person or through a proxy. The General Assembly may make valid decisions if it is attended by shareholders or their representatives whose shares represent at least 50 (fifty) percent of the share capital of the Company. Decisions are made at the General Assembly by a majority of the votes cast, unless a law or Articles of Association stipulates that another decision is required for a particular decision, ie the fulfillment of additional conditions. The General Assembly is chaired by the President of the Supervisory Board of the Company, who may authorize another person by a special power of attorney. The General Assembly has the authority or makes decisions in accordance with the provisions of the Companies Act and the Company's Articles of Association.

Shareholders have the same rights in the Company under equal conditions. Each share entitles to one vote. Ordinary shares give shareholders the following fundamental rights: the right to participate and the right to vote at the General Assembly of the Company; the right to dividend payment; the right to the payment of the remaining liquidation or bankruptcy estate of the Company; other rights determined by law.

Amendments to the Company's Articles of Association are adopted in the manner determined by the Croatian Companies Act (ZTD).

The ownership structure of the Company as at 31 December 2020 can be found on page 15. of the Annual Report of the Company for 2020

Management Board

Management Board on 31 Dec 2020 consists of the sole member, Mr. John Karavanić, who represents the Company independently and individually, in accordance with the Company 's Articles of Association. Management Board is appointed and recalled by the Supervisory Board for a term that lasts up to four years, after which the members of the Board can be re-appointed. Management board can count up to five members.

The member of the Management Board must meet the conditions for performing the function of a member of the Management Board prescribed by the Croatian Companies Act (ZTD), and relevant bylaws and the Company's Articles of Association. The member of the Management Board must have the professional knowledge, skills and experience necessary for the independent and autonomous management of the Company's business, and in particular for understanding the business and significant risks of the Company.The suitability of an individual member of the Management Board for the performance of the respective function represents the extent to which that person has the characteristics and meets the prescribed conditions which ensure that he will professionally, legally, safely and stably perform tasks within his competence.

Supervisory Board

The Supervisory Board of the Company is composed out of five members. The Supervisory Board can count from three up to nine members, and each 4 year term of office is decided by the General Assembly of the Company by a majority of votes. In accordance with the provisions of the Articles of Association the Supervisory Board gives prior approval for significant transactions and activities that the Management Board cannot execute without their consent

The Supervisory Board acts as a collegial body at meetings held at least once a quarter, at which it discusses and decides on all issues within its competence prescribed by the Croatian Companies Act (ZTD) and the Company's Articles of Association. Decisions of the Supervisory Board are made by a majority vote of the members present. In 2020, six meetings of the Supervisory Board were held.

The members of the Supervisory Board are noted on the page 33 of the Annual Report.

Audit Committee

At the 3rd meeting of the Supervisory Board held on January 28, 2016, the Audit Committee of Tankerska Next Generation d.d. was appointed. This body was established with the aim of supporting the Management Board and the Supervisory Board in the effective execution of corporate governance, financial reporting and control of the Company. In 2020, the body held four sessions, at which it discussed the financial results of the Company.

The members of the Supervisory Board are noted on the page 33 of the Annual Report.

In accordance with the provisions of Art. 250a paragraph 4 and Art. 272.p paragraph I. of ZTD, this Statement is a special section and an integral part of the Company's Annual Report for 2020.

Corporate Management

John Karavanić
Chief Executive Officer

Mr. John Karavanić graduated from the Faculty of Economics in Zagreb in 1992. After graduation, he was employed with Tankerska plovidba as trainee in the Commercial Division. From 1993 – 1997 he was a senior officer in Tanker Division in Tankerska plovidba, and from 1997 -1999 Department Manager in Tanker Department in the Commercial Division. Between 1999 - 2004 he was a broker in Alan Shipping (a Tankerska plovidba subsidiary). He returned to Tankerska plovidba in 2004 to the position of Chartering Manager and Deputy Commercial Director within the company. Since 2014 he held a position of a Project Manager and Deputy Commercial Director in Tankerska plovidba. Since August 2014 Mr. Karavanić is the CEO of TNG.

Ivica Pijaca
President of the Supervisory board

Mr.Ivica Pijaca began his professional career in Tankerska plovidba as a deck cadet from 1992–1993. He graduated from the Faculty of Maritime Studies in Rijeka in 1998. The same year he was employed as a 3rd mate in the Tankerska plovidba fleet. In 1999 he became Assistant Chartering Manager in Product Tanker Department in Tankerska plovidba, advancing to the position of Chartering Manager in Tanker Department in Tankerska plovidba in 2003. Between 2004-2005, Mr Pijaca was a broker in Alan Shipping (a Tankerska plovidba subsidiary) and a Managing Director in the same company from 2005-2006. From 2006-2013 Mr Pijaca was Chartering Manager in Tanker Department in Tankerska plovidba. In 2013 Mr Pijaca became a Director of Commercial Division, a position he currently holds in Tankerska plovidba.

Nikola Koščica
Member of the Supervisory board
Mr. Nikola Koščica graduated in Financial Economics at London Guildhall University in 1996. After the graduation, he was employed with Dalmatinska banka Inc. between 1997-2001, first as a trainee, later as an analyst in Risk Management Department of the said bank. Between 2001-2003, he was initially employed as an account manager and later as head of Corporate Lending Department in Zadar Branch of Raiffeisenbank Austria Inc. He became an employee of Tankerska plovidba in 2004 as a Risk Manager and since 2013 he holds a position of Director of Financial Division. Since August 2015, Mr Koščica is the Management Board member of Tankerska plovidba.

Joško Miliša
Member of the Supervisory board

Mr. Joško Miliša graduated from the Faculty of Electrical Engineering in Zagreb and in 1992 he started working as a broker at a brokerage firm Medis, after that he worked in the consulting companies Consult Invest and ICF as a consultant on business acquisitions and general consultancy. At Erste Securities Ltd. he occupied the position of the Head of securities trading and the introduction of portfolio management. He was appointed in 2000 as vice-president of the Croatian Privatisation Fund. In early 2002, he co-founded the investment firm ŠTED-CAPITAL Ltd., which he independently and successfully lead till mid-2009. Currently he is the CEO of the investment firm Prosperus Invest Ltd.

Dalibor Fell
Member of the Supervisory board

Mr. Dalibor Fell graduated at the Faculty of Economics and Business in Zagreb and in 2000 is employed at Raiffeisenbank Austria, Treasury and Investment Banking Sector where, within 8 years,goes from the trainee through the Director of the Directorate to the Deputy Executive Director. After that he started his own company and spent 8 years as a director in a company for business consulting services. In 2016, he joins Croatia osiguranje as director of the Investment Division responsible for managing the assets of the company. During this time, he served as the chairman of the Supervisory board of mandatory pension fund management companies owned by Croatia osiguranje d.d. During his career, he attended numerous seminars in the country and abroad in the fields of finance, investment and management. He also appeared at seminars as a lecturer on derivative financial instruments organized by the Zagreb Stock Exchange.

Mario Pavić
Member of the Supervisory board and Audit committee

Mr. Mario Pavić began his professional career in Tankerska plovidba as cadet between 1993 –1994. He graduated from the Faculty of Maritime Studies in Split in 1996 with the degree of nautical engineer. From 1997 to 2002 he was employed as a deck officer in Tankerska plovidba fleet. In 2002 he obtained a master degree in Maritime Engineering Management at the Faculty of Maritime Studies in Split. Between 2003-2007 he was Tanker Operations Manager in Tanker Department in Tankerska plovidba. Between 2007-2012, Mr Pavić was a broker in Alan Shipping (a Tankerska plovidba subsidiary) and a Managing Director in the same company from 2012-2013. Since 2013, Mr Pavić is the Management Board member of Tankerska plovidba.

Corporate Management

Ante Gavran

President of the Audit committee
from 21 Aug 2020

Mr Ante Gavran graduated in 2005 from the Faculty of Economics and Business in Zagreb, after which in 2009 he finalized the ACCA certification for certified chartered accountants. He started his professional career in KPMG Croatia, where he worked in audit as well as financial advisory. From 2008 – 2013, Mr. Gavran leads risk management and controlling departments in Basler osiguranje Zagreb. He currently works in Croatia osiguranje, where he is heading the finance and accounting department of the company, after joining in 2014.

Genarij Sutlović

Member of the Audit committee

Mr. Genarij Sutlović graduated from the Faculty of Economics in Rijeka in 1986. After graduation, he was employed in Tankerska plovidba as an officer from 1987 to 1989. Since 1990, he was employed on the position of Chief financial accountant from where he was promoted to Chief Accounting Officer in February 1991. At the position of Chief Accounting Officer at Tankerska Plovidba he remained until December 2001 when he moved to Stambeno Gospodarstvo Tanker, after which he occupied the position of the Director of the company ever since. Mr. Sutlović was also a member of the Audit Committee in Viktor Lenac shipyard in Rijeka.

Luka Babić

President of the Audit Commitee
until 21 Aug 2020

Mr. Luka Babić graduated from the Faculty of Economics and Business in Zagreb. He started his career with Deloitte Financial Advisory in 2007, focusing on engagements corporate finance (M&A), restructuring and feasibility studies within the region. In 2014 Mr. Babić joined Croatia osiguranje. Following the successful privatisation, in 2014 Mr. Babić first served as company transformation Project manager and then continued his career leading the controlling department. In parallel to this role, from 2017 until the merger with Croatia osiguranje in 2018 mr. Babić served as a management board member with Croatia osiguranje kredita (formerly BNP Paribas Cardif Croatia). He is currently a member of the Management Board of Croatia osiguranje.

Supervisory board members as per 31st December 2020:

Mr. Ivica Pijaca, president
Mr. Mario Pavić, deputy president
Mr. Joško Miliša, member
Mr. Dalibor Fell, member
Mr. Nikola Koščica, member

Compensation for the members of supervisory board are described in the Report on receipts of the Management Board and the Supervisory Board which is available on TNG website.

Audit committee as per 31st December 2020:

Mr. Ante Gavran, president from - 21 Aug 2020
Mr. Mario Pavić, member
Mr. Genarij Sutlović, member
Mr. Luka Babić, president until - 21 Aug 2020

Compensation for the members of Audit commitee amounts to 2,000 kn net per session, members of the Audit commitee who are also members of the Supervisory board do not receive a compensation.

Attendance of the Supervisory and Audit commitee members during 2020:

All sessions of Supervisory board (6 sessions) and Audit commitee (4 sessions) which were held during 2020 were attended by all members, except at the 28th session of the Supervisory Board held on 21 Feb 2020 which was not attended by Mr. Mario Pavić and Mr. Nikola Koščica.

Members of the Management and Supervisory board and Audit commitee who own the shares of the company as per 31st December 2020:

Mr. John Karavanić, CEO,
1,633 company shares,

Mr. Ivica Pijaca, Supervisory board president,
1,840 company shares,

Mr. Nikola Koščica, member of the Supervisory board
1,840 company shares,

Mr. Genarij Sutlović, member of the Audit Commitee,
1,001 company shares.

Non-financial reporting

Sustainability and social responsibility

The Code of Corporate Governance prescribes the obligation to publish policies for assessing the impact of the Company on the environment and the community, preserving human and workers' rights, and preventing and sanctioning bribery and corruption.

Sustainable and socially responsible business is the strategic goal of Tankerska Next Generation, and in this part of the report the Company publishes non-financial data related to the implementation of strategic guidelines in Company operations related to:

E S G

- Environmental and community effects (Environmental),
- Ethical behavior and stimulating work environment (Social),
- Good corporate governance (Governance)

Sustainable financing is the process of considering and taking into account environmental ("E"), social ("S") and governmental ("G") factors when making investment decisions or giving investment advice, focus of investments are transferred to companies and projects that will improve or change existing business models in order to achieve sustainable business.

In the next few pages, Tankerska Next Generation publishes non-financial data related to the implementation of environmental and community impact strategies (E), a strategy to encourage ethical behavior and a stimulating work environment (S), and good governance strategies (G).

All these strategies are implemented through the concept of corporate social responsibility, which implies a synergy of care for society and the environment, and the company's business development strategy, which should ultimately result in creating the preconditions for sustainable development of all parties involved.

TNG's key stakeholder groups comprise of customers, suppliers, employees, shareholders, financiers, industry associations, regulators and the community, and our continuous goal is to nurture partnership and dialogue with each of these groups.

The shipping industry handles about 90% of the world's transported goods. In this way, shipping links production, people and companies in global trade and contributes to development and growth all over the world. Developing efficient, reliable and smart solutions for transporting goods from producers to buyers is increasingly a key component in ensuring sustainable development through trade. Recognizing that smarter global trade is closely tied to sustainability, we discover the premise that working with the linkages between social and economic progress holds potential to increase value for customers, for communities and long-term competitiveness to the Company.

Maritime transport is associated with a potential risk of large losses and liabilities, death or injuries to persons and damage to property caused by adverse weather conditions, mechanical failures, human error, war, terrorism, piracy and other circumstances or events. Transportation of petroleum products is associated with the risk of contamination, as well as business interruption due to political unrest, hostilities, strikes and boycotts. In addition, there is always an inherent possibility of maritime disasters, which include oil spills and other environmental impacts.

The quality of the crew and the vessel determines the safety of the cargo, reliability of operations and the flexibility to deal with unexpected situations. By putting the focus on quality crew and equipment we reduce operating costs for the company, but we also reduce the possible negative consequences for society as a whole, and guarantee the safety of the crew and the cargo being transported.

To achieve continuous reliability, shipping companies are required to entrust its operations to employees with the right competencies, which will with responsible management successfully conclude each trip. Our sailors and employees are key to achieving these objectives and therefore TNG is determined to attract and retain the best candidates. In addition to quality and motivated employees well maintained vessels are the key to successful and timely completed voyages. Good maintenance of ships and ship systems is crucial to minimize the possibility of failures, delays and errors that can manifest in negative externalities for the society.

Sustainable development goals achievement

(E) ENVIRONMENTAL AND COMMUNITY EFFECTS

Energy efficiency and environmental protection

Efficient use of energy onboard Tankerska Next Generation fleet's vessels is one of the primary goals set by the Company in order to preserve natural resources and reduce emissions of harmful gases into the atmosphere in order to help reduce the effects of climate change.

The policy of managing the TNG fleet is that all vessels and operations comply with all necessary requirements to protect the environment and operate in accordance with international conventions, administration and other applicable regulations, which would help to achieve the goals of sustainable development of the United Nations.

Environmental protection and energy efficiency are achieved through the implementation of the following guidelines and strategic goals:

Reduction of CO2 emissions

Tankerska Next Generation has 4 Eco-Design product tankers in its fleet. Eco vessels have various improvements to its operating systems, such as improved engines and improved larger propellers which reduce fuel consumption. The new generation of engines and other improvements in the operating system on the eco-designed ships can provide a significant reduction in fuel consumption and emissions into the atmosphere, including CO2.

Climate change caused by CO2 emissions pose a threat to the environment and wildlife and can pose operational and commercial challenges for the business operations of Tankerska Next Generation. Work on reducing CO2 emissions into the air and our commitment to curb CO2 emissions and other harmful gases in the atmosphere has proved positive for the fleet, since in the same way it helped reduce fuel consumption, and thereby increase the efficiency of the fleet. Eco-design of our fleet allows compliance with various regulatory issues, including emissions (NO, CO, CO2, C).

Reduction of Sulfur emissions

Using low-sulfur fuel oil up to max. 0.5% sulfur concentration in accordance with the "IMO 2020 Sulfur Regulation" in order to reduce emissions of harmful gases into the atmosphere. This strategy has been implemented to TNG fleet since the end of 2019.

Ballast Water Treatment

By realizing the plan to implement the ballast water treatment system (BWTS) on m/t Vukovar, m/t Zoilo and m/t Pag during 2020 and with the upcoming installations of BWTS on m/t Vinjerac and m/t Velebit which are expected to be achieved in accordance with the plan of 5-year drydocks by the end of 2021, our fleet will significantly reduce its environmental impact.

Other guidelines and strategic goals for environmental protection are achieved by:

- Taking precautions to protect through the environment in which the Company's ships operate and high standards in operating and maintaining Company's ships.

- Commitment to continuous improvements in our environmental performance and pollution prevention across all our activities while responding to hazards quickly, efficiently and with the minimum possible impact to the environment and natural resources.

- Correct treatment and handling of cargo products being transported, bunker and lubrication oils purchased, paints, chemicals, solvents, other consumables materials and in order to comply with statutory rules and regulations.

- Assessing identified risks for possible environmental impacts originating from the various environmental aspects of shipping business.

- Training the crew to prevent accidental and whenever possible operational discharges of pollutants to the environment.

- All shore based and shipboard personnel of Tankerska group are strictly required to adhere to this Policy by fully complying with all requirements of the Company as well as all applicable industry, administration, national and international regulations.

Sustainable development goals achievement (continued)

Goals of UN's Sustainable development and TNG's key stakeholder groups

(S) ETHICAL BEHAVIOR AND STIMULATING WORK ENVIRONMENT

Stimulating workplace

Tankerska Next Generation is actively involved in creating a positive, safe and motivating working environment for all employees through: Opportunities for lifelong learning and investment in the competence of its employees through professional training, incentives for innovation, recognizing individuals and teams which achieve best results, the system of rewarding the employees and the possibility of career development within the Group, a high degree of safety in the workplace, recreation and socializing through sports, flexible working hours and modern workplace with all necessary tools to work.

Culture of diversity

Even though shipping is considered a male dominated area, the Group encourages employment of women, both on land and sea. TNG and its fleet manager Tankerska Plovidba through 60 years of tradition developed a culture that appreciates differences which is manifested in equal opportunities for all employees, regardless of sex, race, or religion. We see diversity of our employees as an advantage which brings added value to business and helps achieving Company objectives.

(S) ETHICAL BEHAVIOR AND STIMULATING WORK ENVIRONMENT (continued)

Professionals who contribute the community

Continuous service reliability requires that shipowners are able to bring the right competencies and leadership skills into play on each trip. Recognizing that the workforce at sea is instrumental in this ambition, TNG wants to attract and retain the best people and be the preferred employer in the market.

On-board training, early action on maintenance and high-quality workmanship are continuous priorities to TNG to deliver a consistent and safe service to customers. Reliability and customer understanding have been strong contributory factors in TNG landing a series of long-term contracts.

Most of the crew on board graduated in Zadar's Nautical high school and the Zadar Nautical College. They frequently serve on the same teams, knowing their colleagues and the ship's operations thoroughly, which contributes to their homogeneousness and success as a team. Tankerska Next Generation employees a crew of over 250 seafarers, mostly from the Zadar region which certainly contributes to the development of our region as the gross wages of seamen employed on ships of TNG are significantly above the Croatian average.

Cooperation with the academic community

Tankerska Next Generation and its employees make themselves available to respond to numerous inquiries from the academic community, we participate in many polls, and our employees are disposed to provide assistance to students researching maritime and economic topics in their presentations and dissertations.

Care for health, safety and future

Regular medical check-ups are organized for all employees in the Company once a year, the check-ups include the highest level of diagnostics at a prominent hospital. The results of medical examinations are thoroughly analyzed, and preventive health measures are undertaken to reduce diseases of employees.

The company contracted the collective accident insurance with hospital days for all employees, which provides additional employees safety in the workplace and outside of it, as are insured in case of accident, illness, disability, serious neurological condition, and death.

A monthly payment of the Company in the voluntary pension fund for each employee ensures the long-term savings and additional benefits that are thus achieved, so that our employees can better dedicate their business tasks. In this way, our employees provide independent savings with regular returns.

Zero accidents

Operating at sea involves health, safety and security risks that must always be managed carefully to safeguard the crew, the cargo, the environment and the vessel. A healthy and safe working environment for employees comes before anything else. All employees must return home from work safely.

This means that TNG's ambition is zero accidents and that the Company operates by the principle that no injury or environmental incident is acceptable. To support our safety culture, TNG has in place a safety management system and safety policy, compliant with the International Safety Management Code. Each year we monitor the standards of Health, Safety, Quality, Environmental & Energy Management for the fleet.

TNG's product tankers are constantly tested by the inspectors of large oil companies and the port authorities to determine that the fleet is maintained according to regulatory and safety requirements of navigation.

Company operations during 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.

TNG supports the implementation of the Neptune Declaration on Seafarer Wellbeing and Crew Change.

The initiative 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.

Sustainable development goals achievement (continued)

(G) GOOD CORPORATE GOVERNANCE

Good practices of Corporate governance

Tankerska Next Generation as a business entity that operates and develops its business in the Croatian and international market, is aware of the importance of responsible and ethical conduct of business entities as a necessary precondition for developing quality relations and loyal competition between business partners, and for the effective functioning of the market and the integration of the Croatian economy. The Company is developing and operating in accordance with good corporate governance practice and strives to practice business strategies and business policies which result in transparent and efficient business operations and quality relations with the business environment in which it operates.

Corporate responsibility

Alongside with compliance with good practices of corporate governance, the key of successful and timely conducted transport is vessel maintenance. That is the cornerstone of good market relations with our clients. Well maintained vessels are key to ensure on-time delivery and a smooth voyage. It can prevent expensive delays, idle costs and repairs, and ultimately keep crew and cargo from undue risks.

All our vessels are equipped with modern technologies that are safer for the nature and the environment. Technology is considered as good as the people who operate it. That is precisely the reason we take care that all our employees are well aware of the ship's equipment and systems, and that is the reason why we constantly hold trainings and lectures. We build new vessels in close cooperation with shipyards, sharing our experience and know how in the design process as well as during the actual construction. We order our vessels exclusively in shipyards which can achieve the highest world standards.

Anti-corruption

Corruption impedes access to global markets and constitutes barriers for economic and social development around the world. For businesses in the maritime sector, corruption also escalates costs, endangers the safety and well-being of the crew and poses legal and reputational risk. Although good business relations in different parts of the world are differently defined and denominated, Tankerska Next Generation adopted a zero tolerance on corruption and this attitude is held in our business relationships.

Anticorruption program obliges all employees of Tankerska Next Generation, regardless of the level and position that they have to report any attempt of corruptive behavior towards them or others. In achieving these goals, employee training, alongside control is a key tool. Anti-corruption training sessions are conducted through daily individual training of our employees, while the code of conduct of our employees is defined in the Code of Corporate Governance of Tankerska Next Generation.

In order to ensure an efficient fight against corruption employees of Tankerska Next Generation, whether on land or at sea, have continuous access to local intranet through which they can promptly report any form of corruption to the designated department.

Contribution to economic prosperity and optimization of delivery channels

Tankerska Next Generation regularly and transparently calculates and pays taxes, contributions and other fees pursuant to the regulations of the Republic of Croatia. By doing this, the Company contributes substantially to the functioning and development of numerous activities important to everyday life in the community. TNG keeps proper accounting records, which will at any time with reasonable accuracy present the financial position of the Company and comply with the Croatian Accounting Law and IFRS, and adjusts its reporting to new standards according to the current regulation i.e. ESEF (European Single Electronic Format).

Tankerska Next Generation seeks to optimize the delivery chains in which it operates and thus contribute to the efficiency of its operations, and the operations of all parties, and interest groups involved in the delivery channels. Every day lost due to barriers in the supply chain drives up the costs, but if coupled with understanding and customer experiences from the field, inefficiencies can be eliminated. TNG endures on it through the adjustment of its business with a variety of industrial protocols and by adopting quality standards.

Furthermore, we are looking for the highest quality standards from our suppliers, as well as to comply with ethical guidelines that must include respect for fundamental human rights, labor standards, the attitude towards the environment and employee standards. Furthermore, we are looking for the highest quality standards from our suppliers, as well as to comply with ethical guidelines that must include respect for fundamental human rights, labor standards, the attitude towards the environment and employees.

Annual company status report for the year 2020

Signed on behalf of the Management Board by:

John Karavanić,

Member of the Management Board

Tankerska Next Generation d.d.

Zadar, April 28th, 2021

SUPERVISORY BOARD REPORT FOR 2020
TANKERSKA NEXT GENERATION d.d.

Pursuant to Article 263, paragraph 3, Article 280, paragraph 3, and Article 300c and d. of the Companies Act (Official Gazzette, no. 152/11 - consolidated text, 111/12 and 68/13), the Supervisory Board TANKERSKA NEXT GENERATION Inc. at its 35. session held on 28th April 2021 adopted the

THE SUPERVISORY BOARD OF TANKERSKA NEXT GENERATION'S REPORT ON THE EXECUTED SUPERVISION OF THE COMPANY'S OPERATIONS IN 2020

Tankerska Next Generation (TNG) is a company incorporated in August 2014. which owns and operates a fleet of MT product tankers which provides international seaborne transportation services of derivates, chemicals, and oil to the national oil companies, oil majors, and derivates, chemicals and oil traders. The main markets in which the Company operates is the international maritime transport of oil products and edible oil, and therefore provides transport services to large energy companies, large oil retailers and large manufacturers of oil and oil products and various other entities that depend on sea transport.

Today TNG operates a fleet of 6 vessels, two conventional MR ice class product tankers MT Velebit and MT Vinjerac, and four modern ECO designed MR product tankers; MT Zoilo, MT Vukovar, MT Dalmacija i MT Pag.

In 2020, as of August 21, 2019, the Supervisory Board performed consisting of the following members: Ivica Pijaca - President, Mario Pavić, Deputy President; Nikola Koščica, Joško Miliša and Dalibor Fell, members. The Supervisory Board's mandate is over a four year term.

During 2020, shipping markets showed exceptional volatility, and displayed record high spot rates in the first half of the year, and record low in the second half of the year, which ultimately reflected on the value of the shipowner's assets.

While currently holding three time charters, in 2020 the Group held a total of eight time charters of various periods, three of which were from 2019; all signed in accordance with usual market practices and based on standard industry terms for such contracts while one contained a minimum daily rate with a profit distribution above the said minimum in a ratio of 50:50 with the Charterer. During the first quarter of 2020, Pag was secured with a several month time charter with Mjolner as the Charterer, while in the second quarter a minimum two-year contract was signed for Vinjerac with Clearlake Shipping. In the first half of the year, a minimum three-year contract was signed for Vukovar with the prominent American charterer ExxonMobil, while at the end of 2020, a multi-month time charter for Zoilo with the French oil major Total (CSSA) was signed. In the fourth quarter of 2020, the time contract for Velebit with Clearlake Shipping expired after a total duration of 20 months.

Tankerska Next Generation d.d. had a total of 1,466 time charter days in 2020, which was slightly lower than in 2019 (1501 days), which was achieved despite the increased scheduled regular five-year drydockings in 2020.

Since 4 out of 6 tankers were planned for regular drydockings in 2020, we believe that employment in the mentioned modality represented an optimal strategy for utilizing the commercial potential of the fleet.

Despite the relatively poor market conditions that characterized the second half of 2020 and a significant number of days out of service due to regular five-year repairs, Tankerska Next Generation achieved EBITDA of 14.259 million US dollars, relying on ships that kept time charter running, with a noticeable contribution of ships operating in the spot market in the first half of the year.

During 2020, and partly in Q1 / 2021., four ships from TNG's fleet successfully completed their five-year docking.

The business year 2020 will go down with a slightly lower level of employment of the fleet at 94.7%, which is moderated by the drydockings of m/t Dalmacija, m/t Vukovar and m/t Zoilo, and the commenced drydocking of m/t Pag; which accounts for 114.5 out of a total of 117 recorded days with no revenue.

Days out of service due to regular drydockings were recorded as follows:

Vukovar in Q3 / 2020, including the installation of BWTS,
lasting 28.79 days, initially planned for 23 days
Zoilo in Q3 / 2020, including the installation of BWTS,
lasting 29.15 days, initially planned for 23 days
Dalmacija in Q3 / 2020
lasting 32.97 days, initially planned for 20 days
Pag in Q4 / 20 on to Q1 / 21, including installation of BWTS,
lasting 42.94 days, initially planned for 25 days

Total number of drydocking days in 2020: 114.5

During the first session in 2021, the Supervisory Board was presented with the decision of the Management Board on the value adjustment of tangible assets. This decision establishes that there are reasons for impairment of assets - ships owned by subsidiaries as of December 31st 2020, as a result, the provisions of IAS 36 "Impairment of assets" should apply.

Significant impairment losses on ships are recognized as an expense in the income statement. The impairment loss is USD 9,069,096.36.

Impairment losses will be disclosed in the Notes to the financial statements in accordance with International Financial Reporting Standards. Entry in the books of account in accordance with this Decision take place on 31 December 2020.

TNG ended the business year 2020 with HRK 237.0 million (USD 35.4 million) in ship revenues, which is a decrease of 11.6% compared to ship revenues generated in 2019 in the amount of HRK 267.9 million (40.5 million USD). This change is the result of docking four tankers during the second part of the year, but also a significantly worse "spot" market in the latter six months, which had a negative impact on the overall results in 2020.

Earnings before interest, taxes, depreciation and amortization (EBITDA) in 2020 amounted to HRK 97.2 million (USD 14.3 million), and decreased compared to the previous year when it amounted to HRK 110.3 million. million) and is moderated by the impairment loss of the fleet.

Average TCE net daily freight rates in 2020 were $ 14,250, and average daily operating ship costs for 2020 were $6,823, and are higher than the previous year's level, primarily due to higher seafarer repatriation costs caused by the pandemic.

By adapting the strategy to current market conditions, management seeks to ensure a sufficient level of flexibility and mitigate current volatility. The ratio of ship employment the spot market and on time charters enabled Tankerska Next Generation to reposition ships in geographically more favorable regions for more adequate and successful drydockings and the ability to respond to expected long-term positive trends in the freight market in a timely manner. Intensive focus on operational operations and cost efficiency of the fleet, keeping costs at last year's level are building a stable foundation for operations in 2021.

Following adjustments and technical changes related to the regulatory environment, during the next quarters, TNG’s management will focus on activities aimed at achieving an optimal employment structure and providing the necessary resources to continue a balanced business.

The report of the Supervisory Board was compiled for 2020 and covers the period of operation of Tankerska Next Generation d.d. (Company) from January 1, 2020 to December 31, 2020.

The Supervisory Board of the Company (Supervisory Board), according to the powers established by the provisions of the Companies Act and the Articles of Association, continuously monitored the conduct of the Company during 2020, making decisions and conclusions during six meetings held in 2020. Through the Audit Committee, additional emphasis was placed on the area of external audit and comprehensive consideration and minimization of business risks.

Supervising the management of the Company's operations during 2020, the Supervisory Board discussed key issues related to the operations of the Company and its subsidiaries and was regularly reported by the Company's Management Board. The Supervisory Board was informed by the Company's Management Board about all important business events, the refinancing of existing credit liabilities, business flow, income and expenses, partial write-off of assets, and the state of business in general. The Management Board regularly submitted quarterly, semi-annual and annual oral and written business reports to the Supervisory Board.

Based on the proposal of the Management Board, the Supervisory Board made a unanimous decision to accept the share buy-back program.

The Supervisory Board was presented with the key predispositions for the implementation of the Company's share buy-back program in the amount of up to HRK 5 million for a period of one year. Considering that, according to the Management Board's assessment, the market price of the Company's shares was significantly undervalued in relation to the intrinsic value, the positive financial effects that the Company plans to achieve by purchasing treasury shares were stated.

It was also pointed out that the implementation of the program will have a positive impact on increasing demand and liquidity in the capital market, which is ultimately a multiple gain for all stakeholders involved.

The Supervisiory board was presented with the new Corporate Governance Code of the Zagreb Stock Exchange (“Code”), with effect from 1.1.2020. and the provisions of the Code and proposals of Decisions that need to be made / adopted in order for the Company to fully harmonize its operations with the new Code were also presented to the Supervisory Board.

The Supervisory Board gave its consent to the proposal of the Management Board of the Company on the development and adoption of the Ordinance on Behavior and Ethics. At the same meeting in February, the Supervisory Board approved the proposal of the Management Board to appoint Marko Znaor as the Secretary of the Company.

At the same time, the Supervisory Board gives its consent to the position of the Management Board of the Company whereby there is no need to adopt the “Rules of procedure” for the Management Board while it has a single member.

The Supervisory Board adopts the proposal of the Management Board of the Company’s Policies related to the assessment of the impact of the Company's activities on the environment and the community and the management of related risks; related to the preservation of human and workers' rights; and related to the prevention and sanctioning of bribery and corruption covered by the Ordinance on Conduct and Ethics and the ZOR and other applicable laws of the Republic of Croatia.

Board assembly

Based on the guidelines of the new Corporate Governance Code of the Zagreb Stock Exchange (the “Code”), members of the Audit Committee by Mr. Karavanić and Mr. Znaor introduced the formation process of two new subcommittees of the Supervisory Board, namely the Remuneration Committee and the Nomination Committee.

Together with the members of the Audit Committee of the Company, the following members were unanimously nominated to the committees:

Nomination Committee: Mario Pavić, Joško Miliša and Ivica Pijaca
Remuneration Committee: Nikola Koščica, Genarij Sutlović and Dalibor Fell

At its meeting in June 2020, the Supervisory Board unanimously adopted the Company's Remuneration Policy and adopted the decision to prepare the first Report on Remuneration of Members of the Management Board and the Supervisory Board for the financial year 2020. At the same session, the Supervisory Board approved the proposal of the Management Board to appoint Marko Znaor as the Company's procurator.

At its meeting in July, the Supervisory Board unanimously adopted the Compliance Questionnaire for issuers shares and the Questionnaire on Management Practices for Share Issuers for 2019.

The members of the Supervisory Board were informed about the news related to the application of the new regulation of ESMA and HANFA in accordance with the EU Transparency Directive which prescribes the obligation (subsequent revision of regulations or deadlines) of preparation of primary annual financial statements from 2020 in the iXBRL format (a digital reporting standard that, unlike the XBRL format, can be read by humans and machines) and the introduction of an automated financial publication system in electronic form called ESEF (European Single Electronic Format) for all listed companies. Based on the above, the Supervisory Board unanimously decided on the nomination of the auditing company Ernst Young d.o.o. for the implementation of the ESEF report for 2020.

The Supervisory Board approved the offers of the CA-CIB and HCOB syndicate regarding the refinancing of DVB and Nord LB Bank loans for the ships M/T Vukovar, M/T Zoilo and M / T Dalmacija and the ABN AMRO Bank offer regarding the refinancing of ABN AMRO loans for M/T Pag, M/T Vinjerac and M/T Velebit.

Reviewing the management of the Company, the Supervisory Board determined that the Company in 2020 operated in accordance with the laws, the Articles of Association and the decisions of the General Assembly of the Company.

The Supervisory Board, within the legal deadlines and in accordance with the provisions of Article 300. c. of the Companies Act, examined the Annual Financial Statements of the Company and its subsidiaries for the year ending December 31st 2020 together with the opinion of the independent auditor Deloitte d.o.o. Zagreb, Zagrebtower, Radnička 80 (Auditor), submitted to the Supervisory Board by the Management.

The Supervisory Board also received a Report on Related Party Transactions in accordance with Article 497 of the Companies Act from the Management Board.

The Supervisory Board determined that the Annual Financial Statements of the Company for the year ended 31 December 2020 were prepared in accordance with the balance in the Company's books of account and show the correct asset and business condition of the Company and its subsidiaries.

The company operates in a specific business environment where business processes and the manner of reporting are regulated by special regulations, the Maritime Code, which prescribes the manner of keeping business books, reporting and other regulatory obligations to state administration bodies.

In accordance with this finding, the Supervisory Board approves the Annual Financial Statements for 2020 and the Auditor's opinion, whereby pursuant to Article 300d of the Companies Act, the Management Board and the Supervisory Board determined the Annual Financial Statements of the Company.

An integral part of the Annual Financial Statements of the Company and its subsidiaries for the business year ended 31 December 2020 are:

1. Statement of profit or loss and other comprehensive income;
2. Report on the financial position of the company;
3. Cash flow statement;
4. Report on changes in equity;
5. Notes to the financial statements:
6. Annual report on the condition of the Company and its subsidiaries
7. Independent auditor's opinion.

The Supervisory Board examined the Annual Report of the Management Board on the operations of the Company and its subsidiaries for 2020 and determined that it has accurately and objectively presented the current business situation and the state of the Company and its subsidiaries. In accordance with such a finding, the Supervisory Board approved the report of the Management Board and the state of the Company and its subsidiaries for the business year 2020.

The Management Board presented to the Supervisory Board a proposal for a decision on loss reconcile for 2020, which determines that the company Tankerska Next Generation d.d. in the business year ending 31 December 2020, generated a loss in the amount of HRK 31,682,842.82 and proposes that the loss in the amount of HRK 31,682,842.82 be compensated from retained earnings from previous years.

The Supervisory Board agrees with the above proposal of the Decision on covering the loss of Tankerska Next Generation d.d. for 2020 and proposes to the General Assembly of the Company to obtain such a decision.

Ivica Pijaca
President of the Supervisory board

Tankerska Next Generation d.d. Zadar

Annual report

For the year ended 31 December 2020

together with Independent Auditor's Report

This version of the auditor`s report is translation from the original, which was prepared in the Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over this translation.

Content

Responsibility for the financial statements

Pursuant to the Accounting Act of the Republic of Croatia, the Managing Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union (the EU) which give a true and fair view of the financial position at the reporting date and results of operations of Tankerska Next Generation d.d. and its subsidiaries (hereinafter: "TNG") for that period.

After making enquiries, the Management Board has a reasonable expectation that TNG has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Management Board has prepared these financial statements under the assumption that TNG will continue as a going concern.

In preparing those financial statements, the Management Board is responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making reasonable and prudent judgments and estimates;
- following applicable accounting standards and disclosing and explaining any material departures in the financial statements; and
- preparing the financial statements under the going-concern assumption unless the assumption is inappropriate.

The Management Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of TNG and for its compliance with the Croatian Accounting Act. The Management Board is also responsible for safeguarding the assets of TNG, and hence for taking reasonable steps for the prevention and detection of embezzlement and other illegal acts.

The Management Board authorised these financial statements for issue on 27th of April 2021.

Signed on behalf of the Management Board by:

John Karavanić,
Member of the Management Board

Tankerska Next Generation d.d.

Božidara Petranovića 4

23000 Zadar

Republic of Croatia

27th of April 2021

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Tankerska Next Generation d.d., Zadar

Opinion

We have audited the accompanying financial statements of Tankerska Next Generation d.d., Zadar and its subsidiaries (hereinafter jointly referred to as "TNG"), which comprise the statement of financial position at 31 December 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies ("financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of TNG at 31 December 2020, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditing and International Standards on Auditing (ISAs). Our responsibilities under those standards are described further in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of TNG in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 1 *General information*, which describes that these financial statements comprise of the financial statements of Tankerska Next Generation d.d. and its foreign subsidiaries that Tankerska Next Generation d.d. controls and for which it is in obligation to keep business records and prepare financial statements for the full operations in the country and abroad according to the article 429.a paragraph 4. of the Maritime Code (Official Gazette of the Republic of Croatia "Narodne novine" nos. 181/04., 76/07., 146/08., 61/11., 56/13., 26/15. and 17/19.) has the obligation to maintain business records and prepare financial statements for integrated domestic and foreign operations, including all shipping companies in its majority ownership that perform the economic activities using the ships the net tonnage of which is included in the tonnage tax assessment. Our opinion is not modified in respect of this matter.

Key Audit Matters

The key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

This version of the auditor`s report is translation from the original, which was prepared in the Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over this translation.

INDEPENDENT AUDITOR'S REPORT (continued)

Key audit matter	*Valuation of vessels* *For accounting policies regarding the identified key audit matter refer to Note 2e, 2f, 2h, 2i and 2j. For additional information refer to Note 7 and 14 in the financial statements.*

As at 31 December 2020 the carrying amount of the vessels managed by TNG was HRK 993,491 thousand (2019: HRK 1,162,133 thousand) e.g. USD 161,832 thousand (2019: 174,759 thousand).

As per IAS 36 "Impairment of assets" at the end of each reporting period, Management is required to assess whether there is any indication that an asset may be impaired (i.e. its carrying amount may be higher than its recoverable amount). If there is an indication that an asset may be impaired, then the asset's recoverable amount must be calculated.

An impairment loss is recognized in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

The Management Board prepares impairment based on discounted cash flows, at least when preparing the annual financial statements. Testing is based on the estimated recoverable amounts per cash generation units, defined as the higher of fair value less estimated costs of disposal and value in use.

The key assumptions for estimating the value of ships relate to, among the other assumptions, to the expected long-term freight rates under time and voyage charter contracts and the average expected number of days in service, the daily expected operating cost within the medium-capacity tanker product sector (MR2) in which the Company operates both the discount rate and the estimated value of the steel at the time of depreciation. For valuation purposes, key assumptions are determined based on the average derived from the available valuations of independent shipping brokers.

Auditor's approach to the Key Audit Matters

Our procedures in relation to management's impairment assessment of vessels included:

• assessing the value-in-use models developed by the Management Board, including the consideration of the valuation methodology and the reasonableness of the underlying key assumptions and inputs based on our knowledge of the operations and the relevant industry and relying on the available supporting evidence such as cost budgets and forecasts and data observed on the market, which relate to future freight hires, interests rates and other. Furthermore, we reviewed the commitments contained in the underlying contracts;

• assessing the key assumptions made by the Management, including its consideration of the expected future short- and long-term rates, daily running costs, WACC, useful lives, residual values and macroeconomic assumptions;

• examining, on a test-basis, the committed cash inflows and cash outflows in the value-in-use calculation;

• checking the calculations of fair value less cost of disposal for vessels done by the Management Board, including a comparison of the carrying amounts of the vessels with available valuations prepared by an external and independent ship valuation broker;

• assessing the useful lives and residual values applied by the Management.

INDEPENDENT AUDITOR'S REPORT (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. With respect to the Management Report and the Corporate Governance Statement, which are included in the Annual Report, we have also performed the procedures prescribed by the Accounting Act. These procedures include examination of whether the Management Report includes required disclosures as set out in the Articles 21, 22 and 24 of the Accounting Act and whether the Corporate Governance Statement includes the information specified in the Articles 22 and 24 of the Accounting Act.

Based on the procedures performed during our audit, to the extent we are able to assess it, we report that:

1. Information included in the other information is, in all material respects, consistent with the attached annual financial statements.

2. Management Report has been prepared, in all material respects, in accordance with Article 21 and 24 of the Accounting Act.

3. Corporate Governance Statement has been prepared, in all material aspects, in accordance with the Article 22, paragraph 1, items 3 and 4 of the Accounting Act, and includes also the information from Article 22, paragraph 1, point 2, 5, 6 and 7, and Article 24, paragraph 2 of the noted Act.

Based on the knowledge and understanding of the Company and its environment, which we gained during our audit of the financial statements, we have not identified material misstatements in the other information.

Responsibilities of the Management and Supervisory Boards for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs adopted by the European Union and for such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Board is responsible for assessing the ability of TNG to continue as a going concern, including, where appropriate, whether the use of the going concern basis of accounting is appropriate. The use of the going concern basis of accounting is appropriate unless the Management Board either intends to liquidate TNG or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing TNG's financial reporting process.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Reporting on Compliance with the Commission Delegated Regulation (EU) No. 2018/815 for the Presentation of the Annual Report and Audited Financial Statements in European Single Electronic Format (ESEF)

We undertook a reasonable assurance engagement on whether the financial statements in electronic form (ESEF documents), included in the electronic file *74780000Y04HB9CIA883-2020-12-31.zip,* representing the audited financial statements of TNG for the financial year ended 31 December 2020, are prepared in accordance with the requirements of the ESEF Regulation.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and content of ESEF documents and, within that framework, for correct presentation of audited financial statements in electronic form in accordance with the requirements of the ESEF Regulation. This also includes responsibility for establishing appropriate internal control as determined necessary by the management, to enable the preparation of ESEF documents that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the preparation of ESEF documents.

Auditor's Responsibility

Our responsibility is to carry out a reasonable assurance engagement and to express the conclusion on whether the ESEF documents mentioned in the first paragraph of this part of the report, included in the electronic file *74780000Y04HB9CIA883-2020-12-31.zip*, are prepared in accordance with the requirements of the ESEF Regulation. We conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements 3000 – *Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000)* published by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform the engagement to obtain reasonable assurance for providing a conclusion.

We have conducted the engagement in compliance with independence and ethical requirements as provided by the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants. The code is based on the principles of integrity, objectivity, professional competence and due diligence, confidentiality and professional conduct. We are in compliance with the International Standard on Quality Control (ISQC 1) and accordingly maintain an overall management control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and statutory requirements.

Within the scope of the work performed, we have carried out the following audit procedures:

- we have identified and assessed the risk of material misstatement in ESEF documents and their major non-compliance with the requirements of the ESEF Regulation;
- we have obtained understanding of the internal control processes considered important for our reasonable assurance engagement in order to design appropriate procedures in given circumstances, however, not with the purpose of expressing an opinion on the effectiveness of internal control;
- we have assessed whether the ESEF documents we received satisfy the conditions as set in paragraphs 1 and 2 of the Annex II to the ESEF Regulation;
- we have obtained reasonable assurance that the audited financial statements (from the first paragraph of this part of the report) are presented correctly in the electronic XHTML format;

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor’s Reporting on Compliance with the Commission Delegated Regulation (EU) No. 2018/815 for the Presentation of the Annual Report and Audited Financial Statements in European Single Electronic Format (ESEF) (continued)

- we have obtained reasonable assurance that the values and disclosures in the electronic version of the audited financial statements (from first paragraph of this report) in the XHTML format are tagged correctly and within the scope as anticipated for the financial year audited as well as in the Inline XBRL technology (iXBRL), so that machine reading of ESEF documents can ensure complete and correct information that is included in the audited financial statements.

Conclusion

Based on the procedures performed and the evidence obtained we confirm that the ESEF documents stated in the first paragraph of this part of report are, in all material respects, the correct reflection of the audited financial statements of TNG for the financial year ended 31 December 2020, and are prepared in accordance with the requirements of the ESEF Regulation and within the extent proper for the audited financial year, and that the information is correctly and fully included in the XHTML format.

Our conclusion does not represent an opinion on true and fair view of the financial statements presented in the electronic form. We also do not provide any assurance of other information published together with the ESEF documents.

INDEPENDENT AUDITOR'S REPORT (continued)

Other reporting obligations prescribed by EU Regulation no. 537/2014 of the European Parliament and of the Council and the Audit Act

The General Assembly of TNG appointed us an Auditor of the Company on August 21, 2020 for the purpose of auditing the accompanying financial statements. Our uninterrupted engagement lasts for a total of seven years and relates to the period from 1 January 2014 to 31 December 2020.

We affirm the following:

- Our audit opinion on the accompanying financial statements is consistent with an additional report issued to the TNG Audit Committee on April 27, 2021, in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council;
- No unauthorized non-broadcasting services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided.

In addition to the services provided by the TNG and the companies under its control, we did not provide services other than those services that were published in the Annual Report.

The engagement partner on the audit resulting in this independent auditor’s report is Marina Tonžetić.

Marina Tonžetić,
Director and Certified Auditor

Zagreb, 27th of April 2021

For signatures, please refer to the original Croatian auditor`s report, which prevails.

Deloitte d.o.o.
Radnička cesta 80
10 000 Zagreb
Republic of Croatia

Statement of profit or loss and other comprehensive income
for the year ended 31 December 2020

(all amounts are expressed in thousands of USD and thousands of HRK)

	Notes	2020 USD	2020 HRK	2019 USD	2019 HRK
REVENUE					
Vessel revenue	3	35,445	236,956	40,508	267,944
Other income	3	643	4,117	117	765
Total income		**36,088**	**241,073**	**40,625**	**268,709**
OPERATING EXPENSES					
Voyage expenses	4	5,838	38,132	8,124	53,686
Vessel operating expenses	5	15,045	99,486	14,996	99,333
Amortisation	6	8,029	52,806	7,914	52,506
Vessel value adjustment	7	9,069	55,676	705	4,688
General and administrative expenses	8	946	6,290	819	5,420
Total operating expenses		**38,927**	**252,390**	**32,558**	**215,633**
Profit from operations		**(2,839)**	**(11,317)**	**8,067**	**53,076**
Financial income	9	37	307	64	419
Financial expenses	10	(3,105)	(20,673)	(4,586)	(30,155)
Net financial (income)/expense		**(3,068)**	**(20,366)**	**(4,522)**	**(29,736)**
Tax tonnage per ship	11	-	-	-	-
Earning before tax		**(5,907)**	**(31,683)**	**3,545**	**23,340**
Income tax	12	-	-	-	-
Profit of the year		**(5,907)**	**(31,683)**	**3,545**	**23,340**
Attributable to:					
Owners of the parent		(5,907)	(31,683)	3.545	23.340
Non-controlling interests		-	-	-	-
		(5,907)	**(31,683)**	**3,545**	**23,340**
Earnings per share, basic and diluted	13	(0.68)	(3.63)	0.41	2.68
Other comprehensive income					
Items not reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		189	(54,474)	1	17,667
Total comprehensive income		**(5,718)**	**(86,157)**	**3,546**	**41,007**
Attributable to:					
Owners of the parent		**(5,718)**	**(86,157)**	**3,546**	**41,007**
Non-controlling interests		-	-	-	-
		(5,718)	**(86,157)**	**3,546**	**41,007**

The accompanying notes form an integral part of these financial statements.

Statement of financial position

for the year ended 31 December 2020

(all amounts are expressed in thousands of USD and thousands of HRK)

	Notes	At 31 December 2020 *USD*	At 31 December 2020 *HRK*	At 31 December 2019 *USD*	At 31 December 2019 *HRK*
NON-CURRENT ASSETS					
Vessels and equipment	14	163,290	1,002,441	175,175	1,164,900
Financial assets		-	-	16	109
Total non-current assets		**163,290**	**1,002,441**	**175,191**	**1,165,009**
CURRENT ASSETS					
Inventories	15	1,469	9,023	807	5,361
Trade and other receivables	16	5,572	34,204	2,416	16,063
Prepaid expenses and accrued income	17	630	3,865	487	3,241
Cash and cash equivalents	18	5,669	34,804	10,182	67,712
Total current assets		**13,340**	**81,896**	**13,892**	**92,377**
Total assets		**176,630**	**1,084,337**	**189,083**	**1,257,386**
SHAREHOLDERS' EQUITY AND RESERVES					
Share capital	19	68,988	436,667	68,988	436,667
Share premium		10,179	68,426	10,179	68,426
Reserves	19	9,252	60,118	9,075	58,951
Exchange differences	19	(3,934)	(43,480)	(4,123)	10,994
Retained earnings		9,748	56,765	15,918	90,196
Total capital and reserves		**94,233**	**578,496**	**100,037**	**665,234**
NON-CURRENT LIABILITIES					
Interest-bearing loans and borrowings	20	64,473	395,803	74,792	497,362
Total non-current liabilities		**64,473**	**395,803**	**74,792**	**497,362**
CURRENT LIABILITIES					
Interest-bearing loans and borrowings	20	12,319	75,628	9,382	62,387
Trade and other payables	21	3,780	23,205	1,789	11,896
Accrued expenses and deferred income	22	1,825	11,205	3,083	20,507
Total current liabilities		**17,924**	**110,038**	**14,254**	**94,790**
Total liabilities		**82,397**	**505,841**	**89,046**	**592,152**
Total shareholders' equity and liabilities		**176,630**	**1,084,337**	**189,083**	**1,257,386**

The accompanying notes form an integral part of these financial statements.

Statement of cash flows

for the year ended 31 December 2020

(all amounts are expressed in thousands of USD and thousands of HRK)

	Notes	2020 USD	2020 HRK	2019 USD	2019 HRK
OPERATING ACTIVITIES					
Profit for the year		(5,907)	(31,683)	3,545	23,340
Adjusted by:					
Amortisation	14	8,029	52,806	7,914	52,506
Vessel value adjustment	14	9,069	55,676	705	4,688
Interest expense	10	2,926	19,570	4,570	30,067
Interest income	9	(12)	(82)	(58)	(381)
Exchange differences from related-party transactions	9	179	1,103	(6)	(38)
Net change in foreign exchange differences	9, 10	(41)	(4,362)	20	979
		14,243	**93,028**	**16,690**	**111,161**
Changes in working capital					
Increase in current receivables		(3,437)	(19,659)	690	3,932
Increase/(decrease) in inventories	15	(663)	(3,661)	1,324	8,418
Decrease in current liabilities	21, 22	898	3,351	988	7,152
Interest paid		(3,040)	(20,411)	(4,599)	(30,399)
Interest received		14	96	188	1,229
Cash flows from operating activities		**8,015**	**52,744**	**15,281**	**101,493**
INVESTING ACTIVITIES					
Cash paid for purchases of vessels and equipment	21, 14	(5,014)	(32,612)	(416)	(2,776)
Other expenditures		(78)	(503)	(1)	(4)
Cash flows from investing activities		**(5,092)**	**(33,115)**	**(417)**	**(2,780)**
FINANCING ACTIVITIES					
Received loans		2,000	12,319	-	-
Repayments of received loans		(9,382)	(62,608)	(13,382)	(88,264)
Dividends paid		-	-	-	-
Share buy-back		(86)	(581)	-	-
Cash flows from operating activities		**(7,468)**	**(50,870)**	**(13,382)**	**(88,264)**
Net (decrease)/increase in cash and cash equivalents		**(4,545)**	**(31,241)**	**1,482**	**10,449**
Effects of exchange rate changes on the balance of cash		**32**	**(1,667)**	**(16)**	**874**
Cash and cash equivalents at beginning of period		**10,182**	**67,712**	**8,716**	**56,389**
Cash and cash equivalents at end of period	18	**5,669**	**34,804**	**10,182**	**67,712**

The accompanying notes form an integral part of these financial statements.

Statement of changes in shareholders' equity

for the year ended 31 December 2020

(all amounts are expressed in thousands of USD and thousands of HRK)

	Share capital	Retained earnings	Foreign exchange differences reserve	Other reserves	Share premium	Purchase of own shares	Total
	USD	USD	USD	USD	USD	USD	USD
Balance at 31 December 2018	**68,988**	**12,422**	**(4,124)**	**9,169**	**10,179**	**(143)**	**96,491**
Profit for the year	-	3,545	-	-	-	-	3,545
Exchange differences on translation of foreign operations	-	-	1	-	-	-	1
Total comprehensive income	**-**	**3,545**	**1**	**-**	**-**	**-**	**3,546**
Transfer of other reserves	-	(49)	-	49	-	-	-
Paid dividend	-	-	-	-	-	-	-
Balance at 31 December 2019	**68,988**	**15,918**	**(4,123)**	**9,218**	**10,179**	**(143)**	**100,037**
Profit for the year	-	(5,907)	-	-	-	-	(5,907)
Exchange differences on translation of foreign operations	-	-	189	-	-	-	189
Total comprehensive income	**-**	**(5,907)**	**189**	**-**	**-**	**-**	**(5,718)**
Transfer of other reserves	-	(177)	-	177	-	-	-
Share buy-back	-	(86)	-	86	-	(86)	(86)
Paid dividend	-	-	-	-	-	-	-
Balance at 31 December 2020	**68,988**	**9,748**	**(3,934)**	**9,481**	**10,179**	**(229)**	**94,233**

The accompanying notes form an integral part of these financial statements.

Statement of changes in shareholders' equity (continued)

for the year ended 31 December 2020

(all amounts are expressed in thousands of USD and thousands of HRK)

	Share capital	Retained earnings	Foreign-exchange differences reserve	Other reserves	Share premium	Purchase of own shares	Total
	HRK	HRK	HRK	HRK	HRK	HRK	HRK
Balance at 31 December 2018	**436,667**	**67,170**	**(6,673)**	**59,634**	**68,426**	**(997)**	**624,227**
Profit for the year	-	23,340	-	-	-	-	23,340
Exchange differences on translation of foreign operations	-	-	17,667	-	-	-	17,667
Total comprehensive income	**-**	**23,340**	**17,667**	**-**	**-**	**-**	**41,007**
Paid dividend	-	-	-	-	-	-	-
Transfer to other reserves	-	(314)	-	314	-	-	-
Balance at 31 December 2019	**436,667**	**90,196**	**10,994**	**59,948**	**68,426**	**(997)**	**665,234**
Profit for the year	-	(31,683)	-	-	-	-	(31,683)
Exchange differences on translation of foreign operations	-	-	(54,474)	-	-	-	(54,474)
Total comprehensive income	**-**	**(31,683)**	**(54,474)**	**-**	**-**	**-**	**(86,157)**
Transfer of other reserves	-	(1,167)	-	1,167	-	-	-
Share buy-back		(581)	-	581	-	(581)	(581)
Paid dividend	-	-	-	-	-	-	-
Balance at 31 December 2020	**436,667**	**56,765**	**(43,480)**	**61,696**	**68,426**	**(1,578)**	**578,496**

The accompanying notes form an integral part of these financial statements.

1. GENERAL INFORMATION

History and incorporation

Tankerska Next Generation d.d. is a public limited company established and registered in the Republic of Croatia on 22nd of August 2014. The Company's registered seat is in Zadar, Božidara Petranovića 4.

The Company's registered activities comprise the following:

1. Sea and coastal cargo transport
2. Sea and coastal passenger water transport
3. Services in sea transport:
   - Service activities incidental to sea transportation;
   - Rescue or removal of vessels or other property that may be subject to rescue on the sea surface, or if it is immersed, on the sea bottom;
   - Salvage and towage of ships and other maritime activities;
   - Supply of ships, boat and yachts with motor fuel;
   - Pilotage in coastal waters of the Republic of Croatia;
   - Intermediation incidental to water transportation;
   - Rental of vessels;
   - Domestic and international road passenger and freight transport;
   - Agency activities involved in the domestic and international sale of machinery, industrial equipment, ships and aircraft;
   - Wholesale of liquid and gaseous oils and related products;
   - Building of ships and floating structures;
   - Supervision services to building of ships and floating structures;
   - Repair and maintenance of ships and boats.

The Company conducts its activities through its related party Tankerska Next Generation International Ltd., Marshall Islands.

Governance and management

In the period from 1 January 2020 to the issuance of these financial statements the members of the Supervisory Board were as follows:

Ivica Pijaca	Chairman of the Supervisory Board
Mario Pavić	Deputy Chairman of the Supervisory Board
Nikola Koščica	Member of the Supervisory Board
Joško Miliša	Member of the Supervisory Board
Dalibor Fell	Member of the Supervisory Board

(All amounts are expressed in thousands of USD and thousands of HRK)

1. GENERAL INFORMATION (CONTINUED)

The Management Board consists of one member - Mr. John Karavanić.

In the period from 1 January 2020 to the 20 August 2020 of these financial statements the members of the Audit Committee were as follows:

Luka Babić	Chairman of the Audit Committee
Mario Pavić	Member of the Audit Committee
Genarij Sutlović	Member of the Audit Committee

In the period from 21 August 2020 to the issuance of these financial statements the members of the Audit Commitee were as follows:

Ante Gavran	Chairman of the Audit Committee
Mario Pavić	Member of the Audit Committee
Genarij Sutlović	Member of the Audit Committee

At 31 December 2020, there were 3 persons employed at the Company's administration (31 December 2019: 3 employees). At 31 December 2020 the crew of subsidiary Tankerska Next Generation International Ltd. consisted of 132 seamen on a contract basis (31 December 2019: 133 seamen on a contract basis).

The ownership structure as at 31 December 2019 is set out below:

	Number of shares	**Ownership interest in %**
Tankerska plovidba d.d.	4,454,994	51.01
PBZ Croatia Osiguranje Mandatory pension fund	839,000	9.61
Erste Plavi Mandatory pension fund	808,000	9.25
Raiffeisen Mandatory pension fund	752,036	8.61
Raiffeisen Voluntary pension fund	372,103	4.26
Other institutional and private investors	1,507,212	17.26
	8,733,345	**100.00**

1. GENERAL INFORMATION (CONTINUED)

These financial statements for the period ended 31 December 2020 comprise of the financial statements of Tankerska Next Generation d.d. and its foreign subsidiaries (shipping companies operating internationally) that Tankerska Next Generation d.d. controls from a single administrative seat and under single governance body, and for which it is in obligation to keep business records and prepare financial statements for the full operations in the country and abroad according to the article 429.a paragraph 4. of the Maritime Code (Official Gazette of the Republic of Croatia “Narodne novine” nos. 181/04., 76/07., 146/08., 61/11., 56/13., 26/15. and 17/19.) has the obligation to maintain business records and prepare financial statements for integrated domestic and foreign operations, including all shipping companies in its majority ownership that perform the economic activities using the ships the net tonnage of which is included in the tonnage tax assessment.

As subsidiaries of Tankerska Next Generation d.d. may not have the obligation, pursuant to the applicable legislation in the relevant domicile countries, to maintain business records and prepare financial statements in the respective countries of domicile, Tankerska Next Generation d.d. presents the assets and liabilities, revenue and expenses of its subsidiaries in its financial statements, as specified in the Accounting Act and the Profit Tax Act and in accordance with the requirements of International Financial Reporting Standard adopted by the European Union ("IFRS").

The financial statements for the year ended 31 December 2020 were authorised for issue in accordance with the underlying decision of the Management Board. Pursuant to the Croatian Companies Act, they have to be approved by the Supervisory Board.

The accounting policies set out below were applied consistently to all the periods presented.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union.

Initial application of new amendments to the existing standards effective for the current reporting period

TNG adopted following new standards and amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period or after January 1, 2020.

Adoption of amendments to existing standards and interpretations of standards are not material to TNG's operations and do not have a material impact on the financial statements.

- **Amendments to IAS 1 "Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Error"** - definition of 'material', adopted by the European Union on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- Revised Conceptual Framework in IFRS standards, adopted by the European Union on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business – adopted by the EU on 21 April 2020 (effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),
- **Amendments to IFRS 9 "Financial Instruments" IAS 39 and IFRS 7** - Interest Rate Benchmark Reform – adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),
- **IFRS 16 "Leases"** – relief to lessees as a direct consequence of the Covid-19 pandemic, adopted by the EU on 9 October 2020 (effective on or after 1 June 2020 for annual reporting periods beginning on or after 1 January 2020).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards, amendments and interpretations issued but not yet effective

At the date of authorization of these financial statements the following standards, amendments and interpretations were issued by IASB and adopted by the EU but not yet effective. Where applicable, TNG intends to adopt these standards at the time of entry into force. TNG does not expect the application of standards or interpretations to affect the financial statements or the result of TNG.

- **Amendments to IFRS 4 "Insurance Contracts" - Extension of the temporary exemption from the application of IFRS 9**, adopted by the European Union on 15 December 2020 (the expiry date of the temporary exemption from the application of IFRS 9 has been moved from 1 January 2021. for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16: "Leases" -** Interest Rate Benchmark Reform - Phase 2, adopted by EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021).

New standards and amendments to the existing standards issued but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU at the date of issuing financial statements (The effective dates set out below apply to IFRSs as a whole issued by IASB):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) – The European Commission has decided to postpone the process of adopting this interim standard until the publication of its final version
- **IFRS 17 "Insurance Contracts"**, including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of current and non-current liabilities (effective for annual periods beginning on or after 1 January 2023)
- **Amendments to IAS 16 "Property, Plant and Equipment"** - Revenue before Intended Use (effective for annual periods beginning on or after 1 January 2022),

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU (continued)

- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" -** Harmful Contracts - Costs of Meeting Contractual Obligations (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 3 "Business Combinations"** - References to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Interests in Associates and Joint Ventures"** - Sale or investment of assets between an investor and its associate or joint venture and further amendments (initially the effective date is deferred until the completion of the research project on the application of the equity method),
- **amendments to various standards "Revision of IFRS from the cycle 2018-2020"**, resulting from the project of annual revision of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41), primarily in order to eliminate inconsistencies and clarifications (Amendments to IFRS 1, IFRS 9 and IAS 41 effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 is for illustrative purposes only, so the effective date is not specified.),
- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of accounting estimates (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements" and the Practice Report of IFRS 2** - Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

a) Functional and presentation currency

The functional currency of TNG is the Croatian kuna (HRK).

TNG presents its financial statements in two currencies, the Croatian kunas (HRK) according to the regulation of the Republic of Croatia and the US dollars (USD) according to the industry and business practice of its foreign subsidiaries. The conversion of USD into HRK as the functional currency and the currency in which all business events are recorded, is performed in accordance with the relevant accounting standards and as requirement by IAS 21: The Effects of Changes in Foreign Exchange Rates. (note 2.d)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Functional and presentation currency (continued)

Accordingly, financial statements are stated in Croatian kunas and converted to US dollars as follows:

- Current exchange rate effective at the end of the financial year was applied for all asset and liability items except for the positions of the share capital and reserves which are carried at historical cost converted into USD as of the transaction date.
- For profit and loss and other comprehensive income items such as cash flow statements, the exchange rate on the transaction date was applied (in 2018: the average annual exchange rate was used).

In the financial statements stated in USD, the exchange differences arising from the conversion are credited or debited to Shareholders' equity and reserves.

The exchange rates applied in the conversion of the financial statements presented in Croatian kunas to US dollars were as follows:

USD/HRK	2020
31 December	6.139039

USD/HRK	2019
31 December	6.649911

The amounts in the financial statements are rounded to the nearest thousand.

b) Use of estimates and judgements

The preparation of the financial statements in accordance with IFRSs requires from management to make own judgements, estimates and assumptions that affect the application of accounting policies as well as reported amounts of assets and liabilities, income and expenses. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

Key sources of estimation uncertainty and assumptions that affect the application of policies with significant effect on the amounts recognized in the financial statements are disclosed in paragraph 2.cc) of this note.

(All amounts are expressed in thousands of USD and thousands of HRK)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Basis of preparation

The financial statements are prepared on the basis of historical expense, with the exception of financial instruments that are stated at fair value.

The financial statements have been prepared under the going-concern assumption.

The financial statements TANKERSKA NEXT GENERATION d.d. include the assets, liabilities, revenues and expenses of the following subsidiaries fully (100 %) owned by Tankerska Next Generation d.d.:

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

Items of assets and liabilities, profit or loss are translated at the middle exchange rate of the Croatian National Bank, which was HRK 6.139039 for USD 1 at 31 December 2020 (31 December 2019: HRK 6.649911).

The carrying amount of direct and indirect investments of Tankerska Next Generation d.d. in its subsidiaries at 31 December 2020:

	USD	HRK	ownership share%
1. Tankerska Next Generation International Ltd., Majuro, Marshall Islands	75,938	491,258	100.00
2. Fontana Shipping Company Limited, Monrovia, Liberia	25,088	162,298	100.00
3. Teuta Shipping Company Ltd., Monrovia, Liberia	6,280	40,625	100.00
4. Vukovar Shipping, LLC, Majuro, Marshall Islands	15,170	98,140	100.00
5. Zoilo Shipping, LLC, Majuro, Marshall Islands	14,571	94,263	100.00
6. Pag Shipping, LLC, Majuro, Marshall Islands	14,003	90,586	100.00
Total	**151,050**	**977,170**	**100.00**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Foreign currencies

Transactions of foreign operations denominated in a foreign currency are translated to the functional currency at the transaction-date exchange rates. At each date of the statement of financial position, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Any gain or loss arisen from a change in the exchange rate subsequent to the transaction date is included in the profit and loss account and reported within financial income and financial expenses respectively.

Assets and liabilities of foreign operations are translated into domestic currency according to the middle exchange rate of Croatian National Bank valid on the reporting date, while for revenues and expenses and cash flows the middle exchange rate on the transaction date is applied. All exchange differences arisen on the retranslation are recognised in a separate component of equity.

Exchange differences resulting from the retranslation of the net investment in foreign entities are included in equity under translation reserve. On the sale of a foreign operation, the exchange differences are transferred to profit or loss.

e) Property, plant and equipment

Individual items of property, plant and equipment, including vessels (see 2.w and 2.bb), that meet the recognition requirements for assets are measured at cost. Cost includes the purchase price and all costs directly associated with bringing an asset to a working condition for its intended use. Items and equipment are recognised as non-current assets if their useful life is longer than one year and their unit cost exceeds HRK 3,500.

Subsequent to initial recognition, items of property, plant and equipment are recognised at cost less accumulated depreciation and any accumulated impairment losses.

Gains and losses from the disposal of the property, plant and equipment are recognised within other revenues or expenses in the statement of profit or loss and other comprehensive income depending on the result.

Subsequently incurred expenditure on an already recognised item of property, plant and equipment is capitalised, i.e. added to the cost when it is probable that the expenditure will bring further economic benefits and improve the item's performance beyond the one previously assessed. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Property, plant and equipment (continued)

Depreciation is provided separately for each major asset (vessels) based on a depreciable period of 25 years, whereas for minor assets it is provided on the basis of the relevant groups of assets. Depreciation is accounted for according to the expected useful life and the rates derived from it, depending on the group and subgroup of property, plant and equipment, using the straight-line method.

The estimated useful life for individual categories of assets is as follows:

- company vehicle	5 years
- computers and telecom equipment	4 years

Depreciation of those assets commences when they are ready for use.

f) Impairment of non-current intangible and tangible assets

At each reporting date, the carrying amounts of TNG's assets are reviewed to identify whether there is any indication that the assets may be impaired. If any such indication exists, the recoverable amount of an asset is estimated.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Assets with the right of use in accordance with IFRS 16 are considered to be non-financial assets. Therefore, they are within the scope of the application of IAS 36. Impairment losses are recognised in the income statement whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.

The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use are estimated at each reporting date.

Impairment losses recognised in respect of individual cash generating units are allocated so as to, first, reduce the carrying amount of goodwill allocated to the cash generating unit (or groups of units) and then proportionally the carrying amounts of other assets within the unit (or group of units).

The Management Board performs impairment tests based on discounted cash flows for the entire fleet, at annually when preparing the year-end financial statements. Tests are based on the estimated recoverable amounts, defined as the higher of fair value less estimated costs of disposal or value in use. Key assumptions regarding valuation of vessels are long-term charter rates from time charter and the average expected number of working days, the daily expected operating cost within the medium range tanker product sector (MR2) in which TNG operates, the discount rate and the estimated scrap value of the steel at the time of demolition.

Impairment losses on goodwill are not reversed. In respect of other assets, an impairment loss is reversed when there is an indication that the previously recognised impairment loss is either reduced or no longer exists, based on a review performed at each reporting date. Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of accumulated depreciation or amortisation, if no impairment loss had been recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Vessel operating costs

TNG is responsible for vessel operating costs, which include crewing, repairs and maintenance, lubricants, insurance, spares, stores, registration and communication, sundries and management fees (technical management, crew management and insurance arrangements).

h) Depreciation of vessels

The carrying amount of each vessel is its initial cost at the time of delivery or acquisition (except for vessels acquired in a business combination, which are measured at the acquisition-date fair value) less accumulated depreciation and impairment. Depreciation of vessels is provided to write down the cost to the residual value over the estimated useful life of a ship by applying the straight-line method, starting from the date of the original delivery i.e. acquisition. The estimated useful life of TNG's vessels is 25 years from the date of accepting a ship from the shipyard, in line with the industry practice for identical ships. The estimated useful life of a ship takes into account the ship design, the commercial characteristics and factors as well as any regulatory restrictions.

Because of volatile and cyclical tendencies of the scrap prices, the estimated residual value of a vessel does not need to represent the market value at a certain point of time.

Extending the estimated useful life of a vessel or increasing the residual value will result in a reduced depreciation charge for the year and extended future depreciable periods. A reduced useful life of a ship or a lower residual value will result in a higher depreciation charge for the year.

i) Dry-docking, special and intermediate surveys

TNG performs periodical dry-dock surveys, repairs and certain modifications to its ships. The dry-docking costs include all costs directly attributable to the dry-docking for the purpose of meeting the regulatory requirements, improvements that may extend the economic life of a ship, enhance its ability to generate revenue or its overall performance. The direct costs include shipyard costs, the costs of the hull preparation and painting, hull and mechanical component inspection, the inspection of the steel construction, mechanical and electrical works. The costs associated with regular maintenance and repairs during dry-docking are recognised as expenses as incurred.

j) Vessel impairment and dry-docking costs

TNG reviews the carrying amounts of the vessels, including the dry-docking costs, whenever events or market circumstances indicate that the carrying amount of the assets or the related inputs, i.e. time charters, if any, may not be recoverable.

Where a need to recognise an impairment is identified, the recoverable amount of a vessel is estimated as the higher of value in use, determined on the basis of the discounted future cash flows or vessels fair value less selling costs (mostly based on the market price).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Vessel impairment and dry-docking costs (continued)

Where, as a result of the review, the recoverable amount is identified to be lower than the carrying amount of an asset, the carrying amount is reduced to the asset's estimated recoverable amount.

Impairment losses are included in profit or loss whenever the carrying amount of a ship exceeds the ship's recoverable amount. An impairment loss is reversed when there is an indication that the impairment loss recognised in a prior period is either reduced or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised. A reversal of impairment is recognized as income immediately.

k) Financial assets

TNG initially recognizes financial asset allocation into business models and accordingly conducts a test of contractual cash flows. Subsequent measurement depends on allocation and test of contracted cash flows. Classification depends on the purpose for which the financial asset has been acquired. The Management determines the classification of financial assets at initial recognition and evaluates that decision at each reporting date. Given the characteristics and management of credit risk, TNG classifies its financial assets into the following business models, and consequently certain categories of measurements:

i. Financial assets in the business model held to collect - receivables from customers and other receivables, cash and cash equivalents. With the requirement of passing the cash flow test, which consists solely of principal payments and interest on the outstanding principal, financial assets are measured at amortized cost in this business model.

ii. Financial assets in the business model held to collect and sell - In this business model TNG holds financial assets managing liquidity risk. In this business model, subject to the requirement of passing the cash flow test, which consists solely of principal payments and interest on the outstanding principal, financial assets are measured at fair value through other comprehensive income.

iii. Financial assets in the business model held to collect and sell - in this business model TNG holds the financial assets it trades. In this business model, financial assets are measured at fair value through profit or loss.

(I) Financial assets measured at amortized cost

TNG measures financial assets at amortized cost if both of the following conditions are met:

- Financial assets are held within the business model for the purpose of holding financial assets for the purpose of collecting contractual cash flows,
- Contractual terms of financial assets arise from certain dates for cash flows that are solely principal payments and interest on the outstanding principal amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Financial assets (continued)

Financial assets at amortized cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognized in the income statement when the property ceases to be recognized, changed or reduced.

Financial assets at amortized cost include receivables from customers and other receivables, payable costs for the future period and accrued income, as well as deposits.

If the contractual terms of a financial asset change significantly or a partial or full write-off of contracted cash flows occurs, the financial asset is derecognised, and new financial assets that are subject to retest are initially recognized.

The significance of a change in contractual terms is calculated by applying the original effective interest rate to cash flows due to a change in contractual terms. The difference arising from the original contracted cash flows and calculated in this way is recorded in the statement of comprehensive income if it is insignificant, while in the case of significant cash, derecognition is performed as previously stated. TNG defines the significance of a change in contractual terms at the qualitative and quantitative level during each change in the terms of an individual contract.

(II) Financial assets at fair value through profit or loss

This category includes financial assets held for trading. Financial assets are classified in this category if they are acquired primarily for the purpose of short-term sales or if so determined by the Management Board. Assets in this category are classified as short-term assets other than derivative financial instruments.

(III) Financial assets at fair value through other comprehensive income

TNG measures financial assets at fair value through other comprehensive income if both of the following conditions are met:

- Financial assets are held within the business model for the purpose of holding financial assets for the purpose of collecting or selling contractual cash flows,
- Contractual terms of financial assets arise from certain dates for cash flows that are solely principal payments and interest on the outstanding principal amount.

For debt instruments at fair value through other comprehensive income, interest income, exchange rate differences, write-downs or write-offs are recognized in the income statement and are calculated in the same way as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. After the cessation of recognition, the cumulative change in fair value recognized in other comprehensive income is recognized in the income statement and included under "Financial income / (expense)".

Financial assets at fair value through other comprehensive income are included in fixed assets unless the Management intends to sell an investment within a period of 12 months from the balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Financial assets (continued)

Financial assets at fair value through other comprehensive income are stated at fair value, except for investments in equity instruments that are not quoted in an active market and whose fair value cannot be measured reliably; then it is stated at the cost of the investment.

All purchased and sold financial assets are recognized on the date of the transaction, i.e. on the date on which the TNG is obliged to buy or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets that are not stated at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investment are expired or when the TNG has transferred all the material risks and rewards of ownership.

Changes in the fair value of monetary securities denominated in foreign currencies and classified as available for sale are used to analyse exchange rate differences resulting from changes in the amortized cost of securities and other changes in book value of securities.

Interest income and revaluation differences are recognized in the income statement and other changes in the carrying amount of other comprehensive income. Changes in the fair value of a financial asset that is allocated to a business model of holding for the purpose of billing and sale and, consequently, measured at fair value through other comprehensive income.

The fair value of listed equity investments is based on current bid prices. If the market for a financial asset is not active, the TNG establishes fair value using valuation techniques that take into account recent transactions under normal trading conditions and comparison with other similar instruments, discounted cash flow analysis and price setting models, maximum using market information and minimally relying on information specific to the business entity.

TNG recognizes an Expected Credit Loss (ECL) for all debt instruments that are not measured at fair value through profit or loss. Expected loan losses are based on the difference between contractual cash flows and all cash flows that TNG expects to receive. Expected loan losses are calculated on the basis of the historical loss rate, resulting from uncollected cash flows per financial instrument. This loss rate applies to the financial assets of the degree defined below.

For credit exposures for which there has been no significant increase in credit risk from initial recognition, expected credit losses are recognized for credit losses arising from the probability of default in the next 12 months (expected 12-month credit losses). For credit exposures with a significant increase in credit risk from initial recognition, a correction is required for expected credit losses throughout the life of the facility, regardless of the time of borrowing (lifelong expected credit losses). For customer and contractual receivables, TNG applies a simplified approach to calculating expected credit losses and therefore does not monitor credit risk changes but recognizes a value adjustment based on expected life-long expected credit loss at the end of each reporting period. Financial assets are written off when there is no reasonable expectation of collection.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Receivables

Receivables represent the right to receive certain amounts from customers or other debtors as a result of TNG's operations. Receivables from customers and other receivables are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate method, less any impairment losses for expected credit losses

m) Inventories

Inventories are carried at the lower of cost and net realisable value. Stocks of materials, spare parts and small inventory are carried at purchase costs. Cost of material and spare parts are based on first-in, first-out basis (FIFO). Small items are written off when put into use. Cost includes the cost of the inventory purchase and other costs directly attributable to bringing inventories to their present location and condition.

n) Cash and cash equivalents

For the purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash in hand and balances with banks as well as of other highly liquid investments with initial maturities less than three months that are subject to an insignificant risk of changes in their value.

o) Share capital

The share capital consists of ordinary shares. Costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Consideration paid to redeem own capital stock, including directly attributable costs, is recognised as a deduction in equity. Redeemed stock is classified as own (treasury) shares and represents a deduction from the total equity.

p) Dividends

Dividends are recognised in the statement of changes in shareholders' equity as a liability in the period in which they are approved by the Company's shareholders General Assembly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value of the proceeds received, less attributable transaction costs. In subsequent periods, interest-bearing loans and borrowings are stated at amortised cost using the effective interest method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings on an effective interest basis.

s) Provisions

Provisions are recognized only when TNG has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
Provisions are determined by discontinuing the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

t) Trade and other payables

Trade payables are measured initially at fair value and are carried subsequently at amortised cost.

u) Employee benefits

Contributions payable into mandatory pension funds are recognised in profit or loss as an expense as incurred.
Provisions for bonuses to employees are recognised based on TNG’s formal plan and when past practice has created a valid expectation by the management or key employees that they will receive a bonus and the amount if bonus can be determined before the financial statements are issued. Liabilities for bonuses are expected to be settled within 12 months from the reporting date and are measured at the expected amount payable.
Short-term employee benefits are not discounted and are recognised as expenses when the related service is provided.
A provision is recognised in an amount expected to be paid as a current cash bonus or profit distribution plan if TNG has a present legal or constructive obligation to pay that amount on the grounds of a past service of the employee and if the obligation can be reliably measured.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) Leases

Before each contract, TNG assesses whether a contract is subject to a lease. The contract includes or is a lease, if it transfers the right of control of usage for the given asset in a certain period in exchange of a compensation. In the assessment of the right of control of usage for the given asset, TNG makes use of the lease definition in IFRS 16.

Before the start or modification of a contract that contains a lease, TNG allocates a compensation in the contract for each part of the lease on basis of its relatively independent price.

(I) Initial recognition

When TNG acts as a lessee in a lease, usually both the asset with the right of use and the associated liability are presented in the statement of the financial position at the day when the asset was made available to TNG.

(II) Initial measurement of the right-of- use asset

The lessee is obligated to measure the right-of-use asset at its cost at the beginning of the lease. The cost of the right-of-use asset includes the following:

- The amount of the initial measurement of the liability per lease,
- All lease payments made at the beginning of the lease or before that day, reduced to the amount of the subventions received for the lease,
- All initial direct costs that occur for the lessee, and
- A cost estimation, that the lessee will pay before the release of the asset, the renovation of the location of the asset or the return of the asset in the condition which was predetermined by the circumstances of the lease. The lessee's liability for these costs occur at the date of the beginning of the lease or as a consequence of usage of the certain asset over time.

(III) Initial liability measurement per lease

On the starting date of the lease, the lessee has the obligation to measure the liability per lease at its carrying amount which have not been paid until this date. The payment has to be discounted with the interest rate emerging from the lease, if it is possible to determine it directly. If the interest rate cannot be determined directly; the lessee is obligated to use the marginal interest rate of the lessee's debt.

At the beginning of a lease, the payments included in the measurement of the liability per lease include the following payments for the certain right-of-use asset during the lease period, which were not paid until the beginning of the lease:

- Fixed payments reduced by the amount of subventions received for the lease,
- Variable lease payments that depend of the index or rate, initially measured with the index or rate that were prevailing at the date of the lease beginning,
- Amounts that are expected to be paid by the lessee based on guarantees for the remaining value,
- The price of the potential acquisition, if it is certain that the lessee will realize his option,
- The penalty payment for the termination of the lease, if the lease period inherits the possibility that the lessee will terminate the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) Leases (continued)

(IV) Subsequent measurement of the right-of-use-asset

The lessee acknowledges the right-of-use asset subsequently in accordance with the applied cost model of IAS 16 — Property, Plant and Equipment. Upon amortization of the right-of-use asset, the lessee is obligated to apply the amortization requirements of IAS 16 — Property, Plant and Equipment.

(V) Subsequent measurement of liabilities per lease

After the beginning date of the lease, the lessee is obligated to measure the liability:

(a) Increasing the carrying amount to maintain the interest on the liability per lease,
(b) Decreasing the carrying amount to maintain the lease payments, and
(c) Repeated carrying amount measurement to maintain changes of the lease, or to maintain revised lease payments that were fixed.

(VI) Lease changes

Lease changes can be:

(a) Changes (modifications) of the contract which are considered as a separate lease, and
(b) Changes (modifications) of the contract which are not considered as a separate lease

Contractual changes which are considered as a separate lease occur in two situations:

(a) If with the change (modification) increases the leasing amount resulting in additional right-of-use asset.
(b) If the compensation for the lease increases by the amount which reflects the individual price of the increase of extent and all adequate refinements such as the individual price to maintain the circumstances of the contract.

In the occurrence of a change (modification) of the lease contract which are considered a separate lease, it is essential to reassess the initial recognition in accordance with (I) the initial recognition, (II) the initial measurement of the right-of-use asset and (III) the initial measurement of liabilities per lease. The repeated recognition is essentially to be conducted by the day the changes (modifications) enter in force.

Changes (modifications) which are not considered as a separate lease concern:

(a) If the change (modification) decreases the extent of the lease,
(b) Every other change (modification) of a lease contract.

In the occurrence of a decreased lease extent, it is essential to decrease the right-of-use asset and the liabilities with the new discount rate. The difference between the initial amount and the new recognition is acknowledged through the Statement of profit or loss. The remaining changes (modifications) of the lease contract lead to the revision of liabilities with the new discount rate, such as adjustments in the identical amount in the position of right-of-use assets. From the caption of these changes, there are no direct effects on the statement of profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) Leases (continued)

(VII) TNG does not apply this standard on:

(a) Short-term leases, and

(b) Leases of low value assets.

For short-term leases (lease period is 12 months or less) and leases of low value assets, TNG has decided on a straight presentation of the lease expense in accordance with IFRS 16. These expenses are presented in the section of „General and administrative expenses“ in the statement of profit or loss and other comprehensive income.

For leases, where TNG is the lessor, the differences in financial leases and operative leases are executed in accordance with IFRS 16. Leases are classified as a financial lease, if nearly all risks and advantages related to asset ownership are transferred to the lessee during the lease period. The remaining leases are classified as operative leases.

z) Taxation

TNG assesses its corporate income tax in accordance with Croatian laws.

Income tax expense comprises current and deferred taxes. Income tax expense is recognised in the income statement to the extent of the tax relating to items within shareholder’s equity and reserves when the expense is recognised under shareholder’s equity and reserves.

Current tax represents tax expected to be paid on the basis of taxable profit for the year, using the tax rate enacted at the reporting date and adjusted by any tax liabilities from prior-years. Deferred tax is provided using the balance sheet liability method, taking into account temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax arises from the expected realisation or settlement of the carrying amounts of assets and liabilities measured at the tax rates in enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

z) Taxation (continued)

TNG is under the tonnage tax regime for a period of ten years, starting from 1 January 2014. Companies qualifying under the relevant provisions of the Maritime Code that have opted for the tonnage tax must remain subject to this regime for a period of 10 years. The qualifying requirement is that the company must be a shipping company subject to corporate income tax in Croatia based on any profits that accrue to it. It must also operate qualifying ships, and most importantly, it must carry out the strategic and commercial management of the qualifying ships in Croatia.

aa) Vessel revenue

In accordance with IFRS 15, the entity recognizes revenue when (or to the extent that) the entity fulfils the obligation to execute by transferring the promised goods or service to the customer (i.e. the asset). Assets have been transferred when (or to the extent that) the buyer obtains control over that asset. Property control refers to the ability to manage the use of property and to realize virtually all the remaining benefits of it. Control includes the ability to prevent other entities from managing the use of the property and benefiting from it. Control can be transferred over time or at a particular time.

Charter (hire) revenues are realized from the business activities from charter contracts which can be time charter and voyage charter type of contracts.

A contract based on a time charter consists of placing a vessel at a disposal for a specified period of time and used by the charterer as a replacement for the payment of a certain daily hire. The contractual obligation at time charter is fulfilled during the term of the charter, starting from the moment the vessel is delivered to the charterer until it is redelivered to TNG. Time charters are considered as operating leases and therefore do not fall within the scope of IFRS 15 because (i) the vessel is a recognizable asset (ii) the TNG has no right to be replaced and (iii) the charterer has the right to control the vessel 's use during the term of the charter hire and acquires economic benefits of such use.

For a business on the basis of voyage charter, the vessel is engaged in a voyage between two or more ports. TNG transfers control over the service over the time and hence, over the time, fulfils the obligation to execute and recognizes revenue. The obligation begins to be satisfied by handing over a notice of readiness within dates agreed with the charterer. TNG has determined that its voyage charters consist of a sole obligation to carry the cargo within a certain timeframe. Consequently, the obligation to execute the charter is equally satisfied as voyage is progressing and, as a result, the revenue is recognized linearly during the day of voyage from the beginning of the loading of the cargo to the end of the cargo discharging.

TNG uses output (output) method of progress measurement to complete fulfilment of past performance obligations. By way of income tax, income is recognized on the basis of a direct measurement of the value of the goods or services transferred to a particular date for the charterer in relation to the remaining goods or services promised by the contract.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

aa) Vessel revenue (continued)

Commission costs are amortized over the term of the charter (hire) unless the depreciation period is one year or less, which is recognized as the expense when incurred.

Costs arising from the discharge port of the previous voyage charter to the loading port of the next charter hire (the so-called ballast leg), and voyage expenses incurred through the fulfilment of the voyage charter, are capitalized as the costs of the charter fulfilment and are written off (depreciated) over the term of the charter starting on the date of loading of the cargo until the day on which the cargo is unloaded, on a systematic basis consistent with the transfer of the service to which those costs relate, unless the amortization period is one year or less, in which case it is recognized as the expense when incurred. Costs are delayed only if they (i) relate directly to the signed or expected voyage charter, (ii) create or increase the resources to be used to meet the obligations under the contract, and (iii) the cost recovery is expected.

The voyage charter arrangements contain terms and conditions in relation to time period given for loading and unloading. Demurrage represents a form of variable fee (which increases or reduces the compensation promised by the charter). It is necessary to estimate it at the beginning of the charter using the expected value method or the most probable amount, and update its estimate of variable fees during the charter period.

Revenue from Time charter is usually fixed over the life of the contract. Vessels sailing under Time charter contracts over a period of time allow for more predictable cash flows during that time period.

The structure of the fright rate in the case of a Time charter consists of a pre-agreed fixed daily fright rate for the use of the vessel, which is paid to the ship-owner semi-monthly or monthly in advance during a certain period.

Voyage charter revenue can be fixed or can be defined in such a way that the ship-owner receives the freight calculated by multiplying the ton of loaded cargo with the freight rate per ton of cargo for pre-determined loading or unloading ports, based on which the ship-owner at the beginning of the contract using the expected value method or the most probable amount can reliably estimate the expected amount of compensation to which they will be entitled in exchange for the performance of a contractual obligation or service to the charterer.

bb) Other vessel revenue

The other revenue consists mainly of revenue from demurrage realized from the charterer in court proceedings. Other revenues are recognised as they arise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

cc) Commissions and voyage related costs

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

The address commission is the commission payable by the ship owner to the charterer regardless of the charter type and is expressed as a percentage of the freight or hire. The 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. A commission under a voyage charter is payable on freight, and may be payable on dead freight and demurrage.

Voyage-related costs are typically paid by the vessel owner under voyage charters and by the customer (charterer) under time charters. TNG distinguishes between 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 costs, such as draft surveys, tank cleaning, postage and other minor miscellaneous costs incidental to a voyage, are typically paid by TNG. All voyage-related costs are recognised on an accrual basis of accounting.

dd) General and administrative expenses

General and administrative expenses, which comprise of administrative staff costs, management costs, office expenses, audit, legal and professional fees, travel and other expenses associated with the administration, are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ee) Net financial income/(expense)

Net financial income/(expense) comprises interest accrued on loans and borrowings, interest income on deposits and advances, dividend income, foreign exchange gains and losses, gains and losses on financial assets at fair value through profit or loss.

Interest income is recognised in the statement of profit or loss on an accrual basis of accounting taking into account the effective yield (i.e. using the effective interest rate). Dividend income is recognised in the statement of profit or loss at the date when the right of TNG to receive dividends is established.

ff) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in net profit or loss for the period in which they are incurred.

gg) Significant accounting estimates and judgements

In applying TNG's accounting policies, the key areas of management judgement, other than those involving estimates, that have the most significant impact on the amounts reported in the financial statements are as follows:

<u>Income tax</u>

The income tax calculation is performed in accordance with the current interpretations of the applicable legislation. TNG is under the tonnage tax regime for a period of ten years, starting from 1 January 2014. Companies qualifying under the relevant provisions of the Maritime Code that have opted for the tonnage tax must remain subject to this regime for a period of 10 years. The qualifying requirement is that the company must be a shipping company subject to corporate income tax in Croatia based on any profits that accrue to it. It must also operate qualifying ships, and most importantly, it must carry out the strategic and commercial management of the qualifying ships in Croatia.

<u>Impairment of financial assets</u>

At each reporting date, TNG estimates whether there has been a significant increase in credit risk for financial instruments from initial recognition. When making an estimate, the TNG uses changes in the risk of default due to the expected life of the financial instrument rather than the change in expected loan losses. To make an estimate, it compares the risk of non-payment arising from the financial instrument to the reporting date with the risk of default being incurred for the financial instrument at the date of initial recognition and takes into account reasonable and acceptable information..

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

gg) Significant accounting estimates and judgements (continued)

Provisions for contingent liabilities

TNG recognises a provision based on legal actions initiated against it that are probable of requiring an outflow of TNG's resources to settle its obligation, and a reliable estimate of the amount can be made. In assessing the provision, TNG takes into account the professional legal advice.

Depreciation of vessels

The residual value is estimated as the lightweight tonnage (lwt) of each vessel multiplied by an estimated scrap value (cost of steel) per ton, which is USD 410 per ton, representing a five-year average market price of steel scrap for the Indian subcontinent for 2014, determined based on the data publicly available on the Clarksons Shipping Intelligence Network website (http://www.clarksons.net/sin2010) hosted by Clarkson Research Services Limited, London, England, determined as the arithmetic mean of the scrap steel price expressed in USD/ldt for a five-year time horizon that includes years prior to 2014, as follows:

for the data type 78038 - Indian Sub Continent Handysize Bulker Demolition Prices; and
for the data type 42653 - Indian Sub Continent Handysize Bulker Demolition Prices: Other Tankers.

The arithmetic mean calculated by the individual data type, depending on the lower value, is used as the five-year average market price of scrap steel for Indian subcontinent for the purpose of calculating the scrap value of a ship. If the five-year average market price of scrap steel for Indian subcontinent increases or decreases by 20 percent from the price applied in the previous year, this is identified as a change in the estimate of the residual value.

Vessel impairment and dry-docking costs

The fair value less costs to sell is estimated based on the inputs from independent brokers, and the value in use is determined as the net present value of future cash flows from a ship over the ship's useful life. In determining the value in use, certain inputs into the estimated future cash flow calculations are predictable in their nature (including expected daily freights, vessel`s operating expenses, discounting interest rate and the average steel price as a secondary raw material), including revenue estimates under the existing contracts. Certain assumptions underlying the future cash flow estimates are less predictable, such as the expected daily hires beyond existing contracts and residual values, as they rely on inputs such as spot and time charter market rates and the expected residual value, which are volatile due to their long-term nature.

hh) Operating segments

In accordance with IFRS 8: Operating segments requirements, TNG monitors its business in one segment only, according to the specifics of the industry. Vessel revenue recognition and measurement is disclosed in Note 2.r, whereas vessel revenue is disclosed in Note 3, and other disclosures related to the operating segment in note 2.e and Note 14.

(All amounts are expressed in thousands of USD and thousands of HRK)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

hh) Operating segments (continued)

GEOGRAPHICAL REPRESENTATION OF CUSTOMERS AND ASSOCIATED REVENUES

Country	**(%)**
Singapore	48.78%
USA	28.42%
Mexico	9.70%
Switzerland	4.72%
Republic of Korea	2.89%
United Kingdom	1.67%
Malta	1.62%
Norway	1.26%
Bermuda	0.78%
Panama	0.10%
Italy	0.05%
Total	**100,00%**

The Company does business with international customers who, in accordance with the specifics of the industry, do business in (or with) other countries, therefore, the above geographical representation of customers does not necessarily correlate with the directions of movement, loading or unloading of cargo and/or provided transport services.

(All amounts are expressed in thousands of USD and thousands of HRK)

3. REVENUE

VESSEL REVENUE	**USD 2020**	**HRK 2020**	**USD 2019**	**HRK 2019**
Charter (hire) revenue	35,445	236,956	40,508	267,944
- *Voyage charter*	*7,262*	*47,582*	*12,232*	*80,519*
- *Time charter*	*24,389*	*163,522*	*23,287*	*154,417*
- *Demurrage*	*3,794*	*25,852*	*4,989*	*33,008*
Total	**35,445**	**236,956**	**40,508**	**267,944**

The total number of days of income from Time charter in 2020 was 1,466 days, which is 70.5% of the total revenue days in that year. The number of operating days in 2020 was lower by 115 days due to the implementation of mandatory 5-year dry docking and installation of ballast water treatment purifiers on 4 MR tankers, which affected the reduction of available revenue days for employment on the spot market through Voyage charter.

The Company has no variable payments based on Time charter revenue.

OTHER REVENUE	**USD 2020**	**HRK 2020**	**USD 2019**	**HRK 2019**
Other vessel revenue	619	3,965	105	688
Other management revenue	24	152	12	77
Total	**643**	**4,117**	**117**	**765**

The obligation to execute a contract based on a Voyage charter is fulfilled during the voyage duration or upon discharging of cargo. The tanker market does not recognize the form of a typical contract in an international application that defines the fulfilment of the obligation under item "demurrage" within the defined time frame. Pursuant to the aforementioned demurrage, it receives a liability treatment with an undefined maturity. Income from demurrage is defined as the time spent loading or unloading cargo over the time specified in the Voyage charter party. The average maturity of receivables from demurrage is from 3 to 6 months. As the Company performs thorough background check of the counterparty at the moment of making the deal on the spot market, there is a very high degree of certainty that the claim will be settled, but at the same time such obligations of the charterer will have a longer time horizon of settlement.

(All amounts are expressed in thousands of USD and thousands of HRK)

3. REVENUES (CONTINUED)

The following tables briefly outline the terms of time charter during the period ending 31 December 2020 and 31 December 2019:

2020

R.B.	Name of the vessel	Year of construction	Type	Date delivered	Expiration date of the contract	Price ($/Day)
1.	Vinjerac	2011	MR PRODUKT TANKER	13.05.2020	14.05.2022	15,250
2	Velebit	2011	MR PRODUKT TANKER	05.12.2020	17.01.2021	16,000
3.	Vukovar	2015	MR PRODUKT TANKER	21.08.2020	21.08.2023	17,050
4.	Zoilo	2015	MR PRODUKT TANKER	23.11.2020	21.02.2021	12,421

2019

R.B.	Name of the vessel	Year of construction	Type	Date delivered	Expiration date of the contract	Price ($/Day)
1.	Dalmacija	2015	MR PRODUKT TANKER	17.03.2019	17.03.2020	16,000
2	Pag	2015	MR PRODUKT TANKER	24.05.2019	05.02.2020	17,150
3.	Velebit	2011	MR PRODUKT TANKER	12.03.2019	12.03.2020	14,500
4.	Vukovar	2015	MR PRODUKT TANKER	14.05.2019	14.05.2020	17,000
5.	Zoilo	2015	MR PRODUKT TANKER	03.12.2018	31.05.2020	13,500*

* Minimum daily hire with profit share above the minimum in a 50:50 split with the charterer

(All amounts are expressed in thousands of USD and thousands of HRK)

3. REVENUES (CONTINUED)

The total future minimum payments on these irrevocable charter hires, net of commission to the charterer which is deducted from gross payments, are as follows:

	USD 31.12.2020	HRK 31.12.2020	USD 31.12.2019	HRK 31.12.2019
Up to 1 year	12,552	77,057	7,150	47,547
Between 1 and 5 years	12,086	74,196		
Total	**24,638**	**151,253**	**7,150**	**47,547**

4. VOYAGE EXPENSES

	USD 2020	HRK 2020	USD 2019	HRK 2019
Fuel oil (Bunker)	2,800	18,357	4,062	26,852
Port costs	1,472	9,422	2,046	13,491
Commissions to brokers and agents	822	5,464	1,065	7,048
Fee for managing commercial operations - related parties	534	3,508	639	4,236
Other voyage-related costs	210	1,381	312	2,059
Total	**5,838**	**38,132**	**8,124**	**53,686**

5. VESSEL OPERATING EXPENSES

	USD 2020	HRK 2020	USD 2019	HRK 2019
/i/ Crew costs	8,907	58,577	8,758	58,121
/ii/ Consumables	1,163	8,055	1,199	7,924
/iii/ Maintenance costs	2,103	13,814	1,849	12,251
Management fee for other activities – related parties	1,238	8,195	1,226	8,110
/iv/ General vessel expenses	1,144	7,564	1,427	9,416
Insurance costs	490	3,281	537	3,511
Total	**15,045**	**99,486**	**14,996**	**99,333**

(All amounts are expressed in thousands of USD and thousands of HRK)

5. VESSEL OPERATING EXPENSES (CONTINUED)

Under the Management Agreement, the Fleet Manager has the obligation to provide operational and commercial management, crewing, insurance arrangements, accounting services, vessel purchases and sale, required vessels supplies, including fuels. Under the Management Agreement, the Fleet Manager also receives a vessel management fee based on an international publication BDO LLP (ex. Moore Stephens) also available on the website *https://www.opcostonline.com*, with regards to Shipping Opcost tool, specifies the average daily cost for each type of vessel, which is determined as 67 percent of the amount specified in this publication. Seamen forming ship crews are hired in accordance with the underlying agreements with the Fleet Manager or its related parties performing seamen recruiting activities. The fee is calculated monthly or on a pro-rata daily basis for a period below one month, and the Fleet Manager charges the actual crew expenses to operating expenses of TNG.

/i/ Crew costs	**USD 2020**	**HRK 2020**	**USD 2019**	**HRK 2019**
Crew salaries	7,536	49,582	7,566	50,218
Crew travel expenses	796	5,221	630	4,172
Victuals	472	3,105	495	3,285
Other crew expenses	103	669	67	446
Total	**8,907**	**58,577**	**8,758**	**58,121**

/ii/ Consumables	**USD 2020**	**HRK 2020**	**USD 2019**	**HRK 2019**
Small inventory items, paints and varnishes, chemicals and gases	726	4,838	792	5,234
Lubricants and greases	437	3,217	407	2,690
Total	**1,163**	**8,055**	**1,199**	**7,924**

/iii/ Maintenance costs	**USD 2020**	**HRK 2020**	**USD 2019**	**HRK 2019**
Spare parts	1,294	8,519	1,182	7,829
Maintenance and repairs	809	5,295	667	4,422
Total	**2,103**	**13,814**	**1,849**	**12,251**

(All amounts are expressed in thousands of USD and thousands of HRK)

5. VESSEL OPERATING EXPENSES (CONTINUED)

/iv/ Overheads	**USD 2020**	**HRK 2020**	**USD 2019**	**HRK 2019**
Postage, telephone and telecommunications	231	1,518	214	1,422
Other overhead costs	337	2,236	641	4,208
Other overhead costs – related parties	576	3,810	572	3,786
Total	**1,144**	**7,564**	**1,427**	**9,416**

6. DEPRECIATION

	USD 2020	**HRK 2020**	**USD 2019**	**HRK 2019**
Depreciation of vessels (Note 14)	8,028	52,800	7,913	52,499
Depreciation of other tangible assets (Note 14)	1	6	1	7
Total	**8,029**	**52,806**	**7,914**	**52,506**

The 2020 vessel depreciation charge includes the depreciation charge on dry-docking costs for the „Velebit“, „Vinjerac“, „Vukovar“, „Dalmacija“ and „Zoilo“ vessels in the amount of HRK 2.5 million, i.e. USD 382 thousand (2019: „Velebit“ and „Vinjerac“ vessels in the amount of HRK 1.7 million, i.e. USD 262 thousand).

7. VESSEL VALUE ADJUSTMENT

	USD 2020	**HRK 2020**	**USD 2019**	**HRK 2019**
Vessel value adjustment (Note 14)	9,069	55,676	705	4,688
Total	**9,069**	**55,676**	**705**	**4,688**

The Company has determined that there are reasons for the impairment of the asset - vessels „Dalmacija“, „Pag“, „Vukovar“ and „Zoilo“ and the impairment loss is recognized in the income statement in the amount of HRK 55.7 million or USD 9.1 million (2019: HRK 4.7 million or USD 705 thousand).

(All amounts are expressed in thousands of USD and thousands of HRK)

7. VESSEL VALUE ADJUSTMENT (CONTINUED)

COMPANY	VESSEL	MARKET VALUE	BOOK VALUE	DIFFERENCE
1	2	3	4	5 (3-4)
Vukovar Shipping LLC	Vukovar	29,292	31,337	(2,045)
Zoilo Shipping LLC	Zoilo	29,495	31,627	(2,132)
Pag Shipping LLC	Pag	29,158	30,995	(1,836)
Teuta Shipping Company Ltd.	Dalmacija	29,013	32,069	(3,056)
Impairment loss as an expense in the income statement				**(9,069)**

The recoverable amount of the ship is estimated as the value in use determined on the basis of the discounted future cash flow (Notes 2i, 2y and 2cc). When calculating the recoverable amount in 2020, discount rates ranging from 5.999% to 6.167% were used depending on the age and specificity of each vessel. When calculating the recoverable amount in 2019, a discount rate ranging from 6.420% to 6.529% was used.

(All amounts are expressed in thousands of USD and thousands of HRK)

8. GENERAL AND ADMINISTRATIVE EXPENSES

	USD 2020	HRK 2020	USD 2019	HRK 2019
Costs of guarantees for bank loans – related companies	265	1,775	296	1,950
Staff expenses /i/	249	1,635	188	1,246
Corporate services – related companies	72	475	72	477
Bank charges	29	190	26	174
Statutory audit services	23	158	23	154
Rental costs	7	49	9	59
Rental costs – related companies	8	56	8	55
Other external services	64	435	27	177
Other expenses	229	1,517	169	1,124
Other expenses – related parties	-	-	1	4
Total	**946**	**6,290**	**819**	**5,420**

/i/ Staff expenses	USD 2020	HRK 2020	USD 2019	HRK 2019
Net salaries	134	880	91	607
Taxes and contributions	105	688	73	483
Reimbursement of costs to employees	9	61	21	137
Professional education	1	6	3	19
Total	**249**	**1,635**	**188**	**1,246**

Costs reimbursed to employees comprise daily allowances, overnight accommodation and transport related to business travels, commutation allowance, and reimbursement of costs for the use of personal cars for business purposes and similar,.

(All amounts are expressed in thousands of USD and thousands of HRK)

9. FINANCIAL INCOME

	USD 2020	HRK 2020	USD 2019	HRK 2019
Foreign exchange gains	25	225	-	-
Foreign exchange gains – Group companies	-	-	6	38
Interest income	12	82	58	381
Total	**37**	**307**	**64**	**419**

10. FINANCIAL EXPENSES

	USD 2020	HRK 2020	USD 2019	HRK 2019
Foreign exchange losses	-	-	16	88
Foreign exchange losses – Group companies	179	1,103	-	-
Interest expense	2,926	19,570	4,570	30,067
Total	**3,105**	**20,673**	**4,586**	**30,155**

11. TONAGE TAX

The tonnage tax regime has been introduced into the Croatian maritime legislation by amendments to the Maritime Code effective since 1 January 2014. According to the relevant provisions of the Maritime Code, qualifying companies may choose to have their shipping activities taxed based on the net tonnage of their fleet or based on their actual profits. Companies qualifying under the relevant provisions of the Maritime Code that have opted for the tonnage tax must remain subject to this regime for a period of 10 years. The qualifying requirement is that the company must be a shipping company subject to corporate income tax in Croatia based on any profits that accrue to it. It must also operate qualifying ships, and most importantly, it must carry out the strategic and commercial management of the qualifying ships in Croatia.

TNG is under the tonnage tax regime for a period of ten years, starting from 1 January 2014.

(All amounts are expressed in thousands of USD and thousands of HRK)

11. TONAGE TAX (CONTINUED)

TNG is subject to tonnage taxation for the following ships:

	Date of entry into the regime	Annual tax prepayment in HRK
Velebit	1 January 2014	31,329
Vinjerac	1 January 2014	31,329
Vukovar	29 April 2015	28,236
Zoilo	27 July 2015	28,236
Dalmacija	27 November 2015	28,863
Pag	4 December 2015	29,058
Total		**177,051**

According to the ruling of the Ministry of Maritime Affairs, Transport and Infrastructure, the tax per tonnage of ships of TNG for 2020 is included in the liabilities of Tankerska Plovidba d.d. as the controlling (parent) company.

TONNAGE TAX CALCULATION	
Net tonnage of ship	**Annual tonnage tax based on ships' tonnage for every 100 units of net tonnage**
0 -1,000 net tonnage	HRK 270
1,001-10,000 net tonnage	HRK 230
10,001 – 25,000 net tonnage	HRK 150
25,001 – 40,000 net tonnage	HRK 95
Over 40,000 net tonnage	HRK 55

A taxpayer pays a tax advance on the basis of a tax return for the previous tax period. The advance is paid monthly at the end of the month for the previous month in the installment that is received when the tax liability for the previous tax period is divided by the number of months of the same period or in the case of the first tax period after entering the taxation system on the basis of a tax liability assessment data from the application to the tonnage tax system. The taxpayer is obliged to submit a tax return to the Tax administration office for the previous calendar year at the latest four months after the end of the calendar year. In the same period tonnage tax needs to be paid for the previous year.

12. INCOME TAX

According to the relevant provisions of the Maritime Code, qualifying companies may choose to have their shipping activities taxed based on the net tonnage of their fleet or based on their actual profits. According to 2020 corporate income tax return, TNG had no income tax liability for the year in Croatia as the Company is subject to tonnage taxation.

(All amounts are expressed in thousands of USD and thousands of HRK)

13. EARNINGS PER SHARE

	USD	HRK	USD	HRK
	31.12.2020	31.12.2020	31.12.2019	31.12.2019
Net profit for the year	(5,907)	(31,683)	3,545	23,340
Weighted average number of shares outstanding at the year-end, basic and diluted:	8,720,145	8,720,145	8,720,145	8,720,145
Earnings per share, basic and diluted	**(0.68)**	**(3.63)**	**0.41**	**2.68**

Basic and diluted earnings per share are same, as TNG has no potentially dilutive shares.

14. PROPERTY, PLANT AND EQUIPMENT

Vessels and equipment

	Vessels and equipment		Assets in preparation		Total	
	USD	HRK	USD	HRK	USD	HRK
COST						
At 31 December 2019	**209,180**	**1,391,025**	**416**	**2,767**	**209,596**	**1,393,792**
Additions	-	-	2,892	17,754	2,892	17,754
Activation of asset	2,014	12,361	(2,014)	(12,361)	-	-
Write-offs	(11,497)	(70,580)	-	-	(11,497)	(70,580)
Exchange differences (Note 2,d)	-	(106,861)	-	(213)	-	(107,074)
At 31 December 2019	**199,697**	**1,225,945**	**1,294**	**7,947**	**200,991**	**1,233,892**
ACCUMULATED DEPRECIATION						
At 31 December 2019	**34,889**	**232,002**	**-**	**-**	**34,889**	**232,002**
Depreciation	7,647	50,323	-	-	7,647	50,323
Write-offs	(2,428)	(14,904)	-	-	(2,428)	(14,904)
Exchange differences (Note 2,d)	-	(21,197	-	-	-	(21,197)
At 31 December 2020	**40,108**	**246,224**	**-**	**-**	**40,108**	**246,224**
CARRYING AMOUNT						
At 31 December 2019	**174,291**	**1,159,023**	**416**	**2,767**	**174,707**	**1,161,790**
At 31 December 2020	**159,589**	**979,721**	**1,294**	**7,947**	**160,883**	**987,668**

(All amounts are expressed in thousands of USD and thousands of HRK)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Net book value of equipment as of 31.12.2020 amounts to HRK 495.8 thousand. The largest item within the equipment is the company vehicle, while the rest refers to the computers and other office equipment of the TNG office. The depreciation cost of this equipment amounts to HRK 14.4 thousand in 2020.

Vessels and equipment include vessels in the Time charter. The net book value of vessels chartered in Time charter as at 31 December 2020 amounted to HRK 641,786 thousand (2019: HRK 1,004,201 thousand). The cost of depreciation of vessels in the Time charter for 2020 amounted to HRK 34,864 thousand (2019: HRK 43,962 thousand). The cost of value adjustment of these vessels amounted to HRK 25,642 thousand for 2020 (2019: HRK 4,687 thousand).

Dry-docking costs

	Vessels and equipment		Assets in preparation		Total	
	USD	HRK	USD	HRK	USD	HRK
COST						
At 31 December 2019	**1,313**	**8,723**	**-**	**-**	**1,313**	**8,723**
Additions	-	-	2,321	14,246	2,321	14,246
Activation of asset	2,157	13,243	(2,157)	(13,243)	-	-
Exchange differences	-	(670)	-	-	-	(670)
At 31 December 2020	**3,470**	**21,296**	**164**	**1,003**	**3,634**	**22,299**
ACCUMULATED DEPRECIATION						
At 31 December 2019	**845**	**5,613**	**-**	**-**	**845**	**5,613**
Depreciation	382	2,483	-	-	382	2,483
Exchange differences	-	(570)	-	-	-	(570)
At 31 December 2020	**1,227**	**7,526**	**-**	**-**	**1,227**	**7,526**
CARRYING AMOUNT						
At 31 December 2019	**468**	**3,110**	**-**	**-**	**468**	**3,110**
At 31 December 2020	**2,243**	**13,770**	**164**	**1,003**	**2,407**	**14,773**

Grand total:

	Vessels and equipment		Assets in preparation		Total	
	USD	HRK	HRK	USD	USD	HRK
CARRYING AMOUNT						
At 31 December 2019	**174,759**	**1,162,133**	**416**	**2,767**	**175,175**	**1,164,900**
At 31 December 2020	**161,832**	**993,491**	**1,458**	**8,950**	**163,290**	**1,002,441**

(All amounts are expressed in thousands of USD and thousands of HRK)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During 2019, TNG contracted with suppliers for the purchase of ballast water treatment system ("BWTS") equipment to be installed during 5-year regular dry dockings during 2020 and 2021 on all TNG's vessels except on vessels M/T Dalmacija, which already has this BWTS installed.

Pursuant to the contract with suppliers, the total contracted amount for the purchase of the said equipment amounts to USD 2,954 thousand USD, of which USD 2,018 thousand was realized during 2020. The difference of 874 thousand USD to the amount stated in the increase of assets in preparation of 2,892 thousand USD falls on related costs installation of the specified equipment and other dependent costs.

Vessels and equipment

	Vessels and equipment		Assets in preparation		Total	
	USD	HRK	USD	HRK	USD	HRK
COST						
At 31 December 2018	**210,021**	**1,358,668**	**-**	**-**	**210,021**	**1,358,668**
Additions	-	-	417	2,771	417	2,771
Activation of asset	1	4	(1)	(4)	-	-
Write-offs	(842)	(5,601)	-	-	(842)	(5,601)
Exchange differences (Note 2,d)	-	37,954	-	-	-	37,954
At 31 December 2019	**209,180**	**1,391,025**	**416**	**2,767**	**209,596**	**1,393,792**
ACCUMULATED DEPRECIATION						
At 31 December 2018	**27,374**	**177,090**	**-**	**-**	**27,374**	**177,090**
Depreciation	7,652	50,765	-	-	7,652	50,765
Write-offs	(137)	(913)	-	-	(137)	(913)
Exchange differences (Note 2,d)	-	5,060	-	-	-	5,060
At 31 December 2019	**34,889**	**232,002**	**-**	**-**	**34,889**	**232,002**
CARRYING AMOUNT						
At 31 December 2018	**182,647**	**1,181,578**	**-**	**-**	**182,647**	**1,181,578**
At 31 December 2019	**174,291**	**1,159,023**	**416**	**2,767**	**174,707**	**1,161,790**

(All amounts are expressed in thousands of USD and thousands of HRK)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Dry-docking costs

	Vessels and equipment		Assets in preparation		Total	
	USD	HRK	USD	HRK	USD	HRK
COST						
At 31 December 2018	**1,313**	**8,487**	**-**	**-**	**1,313**	**8,487**
Additions	-	-	-	-	-	-
Exchange differences	-	236	-	-	-	236
At 31 December 2019	**1,313**	**8,723**	**-**	**-**	**1,313**	**8,723**
ACCUMULATED DEPRECIATION						
At 31 December 2018	**583**	**3,763**	**-**	**-**	**583**	**3,763**
Depreciation	262	1,741	-	-	262	1,741
Exchange differences	-	109	-	-	-	109
At 31 December 2019	**845**	**5,613**	**-**	**-**	**845**	**5,613**
CARRYING AMOUNT						
At 31 December 2018	**730**	**4,724**	**-**	**-**	**730**	**4,724**
At 31 December 2019	**468**	**3,110**	**-**	**-**	**468**	**3,110**

Grand total:

	Vessels and equipment		Assets in preparation		Total	
	USD	HRK	USD	HRK	USD	HRK
CARRYING AMOUNT						
At 31 December 2018	**183,377**	**1,186,302**	**-**	**-**	**183,377**	**1,186,302**
At 31 December 2019	**174,759**	**1,162,133**	**416**	**2,767**	**175,175**	**1,164,900**

In line with the adopted docking policy, the dry-docking costs (including class renewal surveys) are capitalised, i.e. added to the carrying amount of the vessel recognised in the accounts of Tankerska Next Generation International Ltd., and are amortised on a straight-line basis over the five-year period until the next survey.

In 2020, TNG invested HRK 14,246 thousand, i.e. USD 2,321 thousand for the dry-docking expenses (2019: HRK 2,767 thousand or USD 416 thousand).

(All amounts are expressed in thousands of USD and thousands of HRK)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

At 31 December 2020 no borrowing costs were capitalised (31 December 2019: HRK 0).

At 31 December 2020 the total net book value of assets pledged as collateral for received loans amounts to HRK 979,225 thousand, i.e. USD 159,508 thousand (31 December 2019: HRK 1,159,016 thousand, i.e. USD 174,290 thousand).

15. INVENTORIES

	USD	HRK	USD	HRK
	31.12.2020	31.12.2020	31.12.2019	31.12.2019
Lubricants and greases	594	3,652	548	3,643
Fuel	732	4,490	123	810
Food supplies	143	881	136	908
Small inventory	4	25	3	19
Value adjustment of small inventory	(4)	(25)	(3)	(19)
Total	**1,469**	**9,023**	**807**	**5,361**

TNG expects the settlement of the presented inventory items within twelve months from the date of this report.

16. TRADE AND OTHER RECEIVABLES

	USD	HRK	USD	HRK
	31.12.2020	31.12.2020	31.12.2019	31.12.2019
Trade receivables	5,512	33,838	2,403	15,977
Receivables from the State and other institutions	11	68	4	26
Receivables from employees	4	27	1	7
Other receivables	44	264	8	53
Other receivables – related companies	1	7	-	-
Total	**5,572**	**34,204**	**2,416**	**16,063**

(All amounts are expressed in thousands of USD and thousands of HRK)

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Aging structure of due receivables:

	USD 31.12.2020	HRK 31.12.2020	USD 31.12.2019	HRK 31.12.2019
1 -90 days	1,445	8,870	1,028	6,833
91 -180 days	311	1,912	646	4,293
181 - 365 days	2,490	15,289	262	1,745
Over 365 days	-	-	-	-
Total	**4,246**	**26,071**	**1,936**	**12,871**

The financial stability of the charterer and his reliability are important factors, which influence the contracting risk. The aforementioned risk is minimized by TNG through the cooperation with large energy companies, large petroleum dealers and their derivatives, large manufacturers of petroleum and its derivatives and other exclusively reputable entities that have a strong reputation and a long-lasting tradition of maritime transport. Although the maturity of contractual payments is exceeded by more than 30 days, the Management Board considers that the expected credit losses do not have a material impact on the financial statements, as there is no specific maturity date for receivables other than for Time charter and Voyage charter freight. Consequently, the Management of TNG has calculated and estimated that the expected credit losses are not material, given that these are primarily demurrages from reputable charterers with whom TNG has been cooperating for many years. The amount of receivables in the period of 180-365 days of USD 2,490 thousand refers entirely to the demurrage of one prominent charterer who does not dispute the amount of receivables and in accordance with industry practice it is expected to be settled within a reasonable time (see Note 26 for more detailed explanation). Trade and other receivables are allocated to Tier 2 in accordance with the requirements of IFRS 9: *Financial Instruments*.

17. PREPAID EXPENSES AND ACCRUED INCOME

	USD 31.12.2020	HRK 31.12.2020	USD 31.12.2019	HRK 31.12.2019
Prepaid expenses	630	3,865	185	1,233
Accrued income	-	-	302	2,008
Total	**630**	**3,865**	**487**	**3,241**

Prepaid expenses relate to the amounts of financing costs paid in the current period, and relate to future periods and are accrued in the loan repayment period.

(All amounts are expressed in thousands of USD and thousands of HRK)

18. CASH AND CASH EQUIVALENTS

	USD	HRK	USD	HRK
	31.12.2020	**31.12.2020**	**31.12.2019**	**31.12.2019**
Cash with banks	4,561	27,998	9,068	60,302
Deposits	1,000	6,139	1,000	6,650
Cash in hand	108	667	114	760
Total	**5,669**	**34,804**	**10,182**	**67,712**

19. SHARE CAPITAL AND RESERVES

As of 31 December 2020, the authorised, issued and paid-up share capital comprised of 8,733,345 ordinary shares with no par value (31 December 2019: 8,733,345 shares). The ordinary shareholders are entitled to receive dividends, as declared from time to time and are entitled to one vote per share at meetings of TNG's Shareholders General Assembly. The immediate parent of Tankerska Next Generation d.d. is Tankerska plovidba d.d. The ultimate parent is Foundation-Betriebsstiftung Tankerska Plovidba d.d. Privatstiftung, a private foundation with the registered office in Austria. Beneficiaries of the foundation are the employees of Tankerska plovidba d.d.

In February 2020, based on the authorization of the General Assembly from 2016, the Company launched the Treasury Share Buy-Back Programme (hereinafter: The Programme), with the intention to acquire up to 110,000 shares, with a monetary amount allocated in the Program in a maximum of 5,000.000 kuna and completion no later than February 24, 2021. In October 2020, the Management Board adopted a decision to launch Treasury Share Buy-Back Programme (hereinafter: The New Programme) in accordance with the resolution adopted by the Annual General Meeting of Shareholders from 2020. The New Programme commenced on November 2, 2020 and will last until November 2, 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 New Program is HRK 5,000,000.00.

By accepting the New Programme, the Share Buy-Back Programme adopted on February 21, 2020 has been relinquished. During the Programme, the Company acquired 13,123 shares, and during the New Programme, 597 shares. As at 31 December 2020, the Company held 26,920 treasury shares (31 December 2019: 13,200). Reserves for own shares were formed out of the Company's profit in the amount of HRK 1,578 thousand (31 December 2019: HRK 997 thousand). As at 31 December 2020 the amount of regulatory reserves within other reserves amounts to HRK 5,118 thousand (31 December 2019: HRK 3,951 thousand). The regulatory reserve arised according to Croatian law that prescribes 5% profits for the year, decreased by the amount of losses from the previous year, to be transferred to the respective reserve until it, along with other reserves, reaches 5% issued shareholders` equity. As at 31 December 2019, the balance of other reserves was HRK 55,000 thousand (31 December 2018: HRK 55,000 thousand). Exchange differences includes all foreign exchange differences arisen on the conversion of the financial statements of foreign operations.

(All amounts are expressed in thousands of USD and thousands of HRK)

20. INTEREST BEARING LOANS AND BORROWINGS

Interest-bearing loans and borrowings in 2020:

Long-term interest-bearing loans and borrowings	**USD 31.12.2020**	**HRK 31.12.2020**
Secured bank loans	76,792	471,431
Total	**76,792**	**471,431**
Current portion	(12,319)	(75,628)
Long-term portion	**64,473**	**395,803**

Short-term interest-bearing liabilities	**USD 31.12.2020**	**HRK 31.12.2020**
Current portion of long-term interest bearing loans and borrowings		
Secured bank loans	12,319	75,628
Total	**12,319**	**75,628**

Interest-bearing loans and borrowings in 2019:

Long-term interest-bearing loans and borrowings	**USD 31.12.2019**	**HRK 31.12.2019**
Secured bank loans	84,174	559,749
Total	**84,174**	**559,749**
Current portion	(9,382)	(62,387)
Long-term portion	**74,792**	**497,362**

Short-term interest-bearing liabilities	**USD 31.12.2019**	**HRK 31.12.2019**
Current portion of long-term interest bearing loans and borrowings		
Secured bank loans	9.382	62.387
Total	**9.382**	**62.387**

(All amounts are expressed in thousands of USD and thousands of HRK)

20. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Repayment terms and conditions for interest bearing liabilities at 31 December 2020 are as follows:

	Total	1 year or less	2 -5 years	HRK After 5 years
Secured bank loans	471,431	75,628	395,803	-
At 31 December 2020	**471,431**	**75,628**	**395,803**	**-**

	Total	1 year or less	2 -5 years	USD After 5 years
Secured bank loans	76,792	12,319	64,473	-
At 31 December 2020	**76,792**	**12,319**	**64,473**	**-**

Repayment terms and conditions for interest bearing liabilities at 31 December 2019 are as follows:

	Total	1 year or less	2 -5 years	HRK After 5 years
Secured bank loans	559,749	62,387	497,362	-
At 31 December 2019	**559,749**	**62,387**	**497,362**	**-**

	Total	1 year or less	2 -5 years	USD After 5 years
Secured bank loans	84,174	9,382	74,792	-
At 31 December 2019	**84,174**	**9,382**	**74,792**	**-**

(All amounts are expressed in thousands of USD and thousands of HRK)

20. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Long-term loan debt written off is analysed below:

2020

Financial institution	Original currency	Loan amount	Maturity	31 December 2020 USD	31 December 2020 HRK
ABN AMRO BANK N,V,	USD	52,653	16.01.2022	30,395	186,598
NORD LB BANK	USD	23,725	27.07.2021	15,325	94,081
NORD LB BANK	USD	23,725	24.11.2021	15,725	96,536
DVB BANK N,V	USD	22,422	24.04.2021	13,347	81,938
ERSTE BANK	USD	2,000	30.09.2021	2,000	12,278
ZAGREBAČKA BANKA	USD	2,000	13.11.2021	-	-
				76,792	**471.431**
Short-term				(12,319)	(75,628)
Long-term				64,473	395,803

2019

Financial institution	Original currency	Loan amount	Maturity	31 December 2019 USD	31 December 2019 HRK
ABN AMRO BANK N.V.	USD	52,653	16.01.2022	34,927	232.261
NORD LB BANK	USD	23,725	27.07.2021	16,925	112.550
NORD LB BANK	USD	23,725	24.11.2021	17,325	115.209
DVB BANK N.V	USD	22,422	24.04.2021	14,997	99.729
ERSTE BANK	USD	2,000	05.06.2019	-	-
ZAGREBAČKA BANKA	USD	2,000	10.09.2020	-	-
				84,174	**559.749**
Short-term				(9,382)	(62,387)
Long-term				74,792	497,362

Average interest rate calculated based on paid interest for the year ended 2020 amounts to 4,134%, whereas average interest rate calculated based on paid interest for the year ended 2019 amounted to 5,303%

On December 21, 2020, Tankerska Next Generation d.d. has signed a new long-term loan facility with international banks Crédit Agricole Corporate and Investment Bank and Hamburg Commercial Bank AG in an aggregate amount of up to USD 44.0 million, at a variable interest rate of 3M LIBOR + interest margin, payable in 20 quarterly installments, for refinancing existing loans for the vessels “Vukovar” (DVB BANK DV), “Zoilo” (NORD LB BANK) and “Dalmacija” (NORD LB BANK).

The security instruments for the loans consist of common and typical instruments provided for this type of transactions and include, but are not limited to the first priority mortgage of the vessel, assignment of the first-priority security, revenue and earnings of the vessel, the time charter and business accounts and first priority pledge over the shares of the vessel owner.

(All amounts are expressed in thousands of USD and thousands of HRK)

20. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

During the repayment period, Tankerska plovidba d.d. issued a corporate guarantee in 2015 to guarantee for the repayment of the loan and maintain the minimum ownership interest in TNG of over 50 percent.

The loan covenants specify the minimum market value of the ship and of each additional credit enhancement, which may range from 125% to 140% of the outstanding loan balance, depending on the particular loan and year of repayment. The loan beneficiary may resolve its non-compliance with the covenant by furnishing an additional guarantee or repaying the loan earlier. In addition, depending on the particular loan, the loan beneficiary must maintain on its transaction account minimum USD 250,000.00 to USD 500,000.00 for liquidity purposes, depending on the particular lender.

21. TRADE AND OTHER PAYABLES

	USD 31.12.2020	**HRK 31.12.2020**	**USD 31.12.2019**	**HRK 31.12.2019**
Trade payables	1,215	7,460	771	5,129
Liabilities to employees	705	4,329	717	4,769
Taxes, contributions and other duties payable	10	56	17	111
Trade payables – related parties	1,829	11,228	269	1,788
Liabilities in respect of profit distributions	9	54	8	54
Other current liabilities	11	74	7	45
Other current liabilities – related parties	1	4	-	-
Total	**3,780**	**23,205**	**1,789**	**11,896**

Structure of trade payables by currency:

	USD 31.12.2020	**HRK 31.12.2020**	**USD 31.12.2019**	**HRK 31.12.2019**
USD	2,687	16,498	895	5,950
EUR	246	1,511	117	780
HRK	11	66	18	118
GBP	-	-	-	-
OTHER CURRENCIES	100	613	10	69
Total	**3,044**	**18,688**	**1,040**	**6,917**

(All amounts are expressed in thousands of USD and thousands of HRK)

22. ACCRUED EXPENSES AND DEFERRED INCOME

	USD 31.12.2020	HRK 31.12.2020	USD 31.12.2019	HRK 31.12.2019
Accrued loan interest	351	2.155	660	4.388
Other accrued expenses	38	236	1	8
Deferred income	1.436	8.814	2.422	16.111
Total	**1.825**	**11.205**	**3.083**	**20.507**

Deferred income is revenue from freight from voyage charter contracts paid on time or calculated in the current period, which relates to the next accounting period. The accounting policies disclosed in Note 2 and Note 3 are also applicable to deferred income.

23. RELATED-PARTY TRANSACTIONS

TNG has no related parties other than Tankerska plovidba d.d., Croatia and Donat Maritime Corporation, Liberia. Set out below are transactions carried out during the year between TNG and Tankerska plovidba d.d.

Subsidiaries and key shareholders	**USD 2020**	**HRK 2020**	**USD 2019**	**HRK 2019**
Purchases from related parties				
Tankerska plovidba d.d.	2,693	17,819	2,815	18,622
Total	**2,693**	**17,819**	**2,815**	**18,622**
Receivables form related parties				
Tankerska plovidba d.d.	1	7	-	-
Total	**1**	**7**	**-**	**-**
Liabilities to related companies				
Tankerska plovidba d.d.	1,829	11,228	269	1,788
Donat Maritime Corporation	1	4	-	-
Total	**1,830**	**11,232**	**269**	**1,788**

The transactions between related parties are carried out under usual market terms and conditions.

The vessels of TNG are managed by Tankerska plovidba d.d. as the Fleet Manager, which provides to TNG commercial, HR, technical and certain administrative and corporate services for a fee. Tankerska plovidba d.d. ensures a crew to the TNG fleet through its related party Donat Maritime Corporation Liberia.

(All amounts are expressed in thousands of USD and thousands of HRK)

23. RELATED-PARTY TRANSACTIONS (CONTINUED)

Key management personnel

The key management personnel consist of the sole member of the Board. The total management remuneration paid for 2020 amounts HRK 1,113 thousand, i.e. USD 170 thousand (2019: HRK 877 thousand, i.e., USD 132 thousand). The fees of the Supervisory Board for the year amount to HRK 515 thousand, i.e. USD 78 thousand (2019: HRK 515 thousand, or USD 78 thousand), On 31 December 2020, the members of the executive management and the Supervisory Board held 5,313 shares of the Company (at 31 December 2019: HRK 6,478 shares), The Company did not provide any loans to the members of its Supervisory Board (31 December 2019: HRK 0).

24. FINANCIAL INSTRUMENTS

TNG's activities expose the Company to a variety of financial risks, including the effects of: market risk (including foreign exchange risk, interest rates and price risk), credit risk and liquidity risk. The exposure to credit risk, interest rate risk and foreign exchange risk arises in the usual course of TNG's operations.

Risk management policies associated with managing financial resources may be briefly 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 the US dollar, as significant amounts of receivables and foreign revenues are denominated in this currency. TNG currently does not use any active hedging against the changes in the foreign exchange rates.

TNG undertakes certain transactions in a foreign currency and is hence exposed to the foreign exchange risk. The carrying amounts of TNG's foreign-currency denominated monetary assets and liabilities at the end of the reporting period are provided in the table below:

2020			**HRK**
	Assets 2020	**Liabilities 2020**	**Assets - Liabilities 2020**
USD	68,491	494,605	(426,114)
EUR	50	1,511	(1,461)
Other foreign currencies	16	618	(602)
Total	**68,557**	**496,734**	**(428,177)**

(All amounts are expressed in thousands of USD and thousands of HRK)

24. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign exchange risk (continued)

2019		**HRK**	
	Assets 2019	**Liabilities 2019**	**Assets - Liabilities 2019**
USD	76,183	574,793	(498,610)
EUR	9,564	786	8,778
Other foreign currencies	23	69	(46)
Total	**85,770**	**575,648**	**(489,878)**

The impact of a 10-percent change in the USD exchange rate on cash items denominated in USD (10-percent strengthening/weakening against the Croatian kuna):

2020	**HRK**	
	Impact of the USD changes	
Effect on:	+10%	-10%
(Loss)/profit	43	(43)
Cash flow (outflow) / inflow	(42,655)	42,655

2019	**HRK**	
	Impact of the USD changes	
Effect on:	+10%	-10%
(Loss)/profit	60	(60)
Cash flow (outflow) / inflow	(49,921)	49,921

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes of market interest rates. The cash-flow interest rate risk is a risk that the interest expense on financial instruments may vary 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 its long-term borrowings. TNG is exposed to interest rate risk on its long-term borrowings at variable rates (see Note 20).

(All amounts are expressed in thousands of USD and thousands of HRK)

24. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk (continued)

2020

One-year interest expense

Current interest expense in HRK	Libor rate change	Interest expense (increase)/decrease in USD	Interest expense (increase)/decrease in HRK
12,776	1%	(501)	(3,078)
	-1%	119	729

2019

One-year interest expense

Current interest expense in HRK	Libor rate change	Interest expense (increase)/decrease in USD	Interest expense (increase)/decrease in HRK
23,785	1%	(803)	(5,340)
	-1%	803	5,340

Price risk

TNG's activities expose it to price risk associated with changes in the freight rate (hire). The daily hire rate (the spot rate) measured in USD per day, has historically been very volatile. The volatility influences day-to-day operations.

Through time charter hires with reputable charterers in the short and medium term, TNG is capable to prevent exposures to price risk changes of the volatile sport market.

TNG seeks to minimise its exposure to price changes of daily hire rates by basing its business activity on the years of experience of the Fleet Manager which, through timely reactions and positioning of vessels, results in optimal utilization of the fleet and maximization of hire rates in the given market circumstances.

Credit risk

Credit risk is the risk of failure by one party to meet its commitments to the other party under a financial instruments, resulting in a loss to the other party. Maximum exposure to credit risk is represented by the highest amount of each financial asset reported in the statement of financial position. The key financial assets of TNG consist of cash and balances on accounts with banks, trade and other receivables. Credit risk associated with liquid funds is limited, as the counterparty is often a bank receiving a high credit rating from most international rating agencies.

(All amounts are expressed in thousands of USD and thousands of HRK)

24. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

As noted in Note 16, although the maturity of contractual payments is exceeded by more than 30 days, the Management Board considers that expected credit losses do not have a material impact on the financial statements, as late payment is a common practice in shipping. Consequently, the Management of TNG has calculated and estimated that the expected credit losses are not material, given that these are primarily demurrages from reputable charterers with whom TNG has been cooperating for many years.

Allocation of financial assets by degrees as at 31 December 2020 and 31 December 2019, as required by IFRS 9:

	Degree	**31. December 2020**		**31. December 2019**	
		USD	**HRK**	**USD**	**HRK**
Financial assets at amortized cost:					
Receivables from customers and other receivables	Degree 2	5,572	34,204	2,416	16,063
Cash and cash equivalents	Degree 1	5,669	34,804	10,182	67,712
Deposits for a period exceeding three months	Degree 1	-	-	16	109
Total financial assets		**11,241**	**69,008**	**12,614**	**83,884**

There were no transitions by degrees during 2020, compared to 2019.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Management, which has built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. Liquidity risk, which is considered the risk of financing, is the risk that TNG may encounter difficulties in recovering the funds owed to it to meet its commitments associated with financial instruments. TNG has significant long-term loan debt at variable rates, which exposes it to the cash-flow risk. TNG manages liquidity risk by maintaining adequate reserves and lines of credit, by continuously monitoring forecast and actual cash flows as well as the maturities of its receivables and payables.

Liquidity and interest rate risk tables

The following tables detail the remaining contractual maturities of TNG's non-derivative financial liabilities and the expected maturities for its non-derivative financial assets. The contractual maturity is defined as the earliest date on which TNG can be required to make the payment. Disclosures of non-derivative financial assets and liabilities are necessary for understanding the manner in which TNG manages its liquidity risk, as it is managed based on net amounts of financial assets and liabilities.

(All amounts are expressed in thousands of USD and thousands of HRK)

24. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

2020 **HRK**

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
ASSETS						
2020 year						
Interest-bearing	-	6,140	-	-	-	6,140
Non-interest bearing	62,551	-	-	-	-	62,551
TOTAL	**62,551**	**6,140**	**-**	**-**	**-**	**68,691**
LIABILITIES						
2020 year						
Interest-bearing	26,713	31,570	30,664	426,589	-	515,536
Non-interest bearing	23,073	40	306	-	-	23,419
TOTAL	**49,786**	**31,610**	**30,970**	**426,589**	**-**	**538,955**
Net liquidity gap	**12,765**	**(25,470)**	**(30,970)**	**(426,589)**	**-**	**(470,264)**

2019 **HRK**

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
ASSETS						
2019 year						
Interest-bearing	-	6,667	-	-	-	6,667
Non-interest bearing	79,243	-	-	-	-	79,243
TOTAL	**79,243**	**6,667**	**-**	**-**	**-**	**85,910**
LIABILITIES						
2019 year						
Interest-bearing	18,087	16,913	49,187	568,210	-	652,397
Non-interest bearing	14,645	1,316	332	-	-	16,293
TOTAL	**32,732**	**18,229**	**49,519**	**568,210**	**-**	**668,690**
Net liquidity gap	**46,511**	**(11,562)**	**(49,519)**	**(568,210)**	**-**	**(582,780)**

(All amounts are expressed in thousands of USD and thousands of HRK)

24. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Categories of financial instruments

	31. December 2020		**31. December 2019**	
	USD	**HRK**	**USD**	**HRK**
Financial assets at amortized cost:				
Receivables from customers and other receivables	5,572	34,204	2,416	16,063
Cash and cash equivalents	5,669	34,804	10,182	67,712
Deposits over three months	-	-	16	109
Total financial assets	**11,241**	**69,008**	**12,614**	**83,884**
Financial liabilities at amortized cost:				
Borrowings on which interest is charged	76,792	471,431	84,174	559,749
Trade and other payables	3,780	23,205	1,789	11,896
Total financial liabilities	**80,572**	**494,636**	**85,963**	**571,645**

Fair value of financial instruments

Methods of estimation and assumptions in determining fair value

The fair values of financial assets and financial liabilities are determined as follows:

• the fair value of financial assets and financial liabilities traded on active liquid markets, under standard conditions, is determined at the prices quoted on the market;

• the fair value of other financial assets and other financial liabilities is determined in accordance with pricing models based on the analysis of discounted cash flows using prices from known market transactions and prices offered for similar instruments;

• the fair value of interest rate swaps is calculated as the present value of estimated future cash flows and discounted on the basis of the yield curves derived from the quoted interest rates,

In 2020, TNG did not have the financial assets to be reduced to fair value (2019: 0).

(All amounts are expressed in thousands of USD and thousands of HRK)

24. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial instruments (continued)

Fair value indicators are recognized in the statement of financial position

The fair value of financial instruments is recognized on the underlying of the following indicators:

1. indicator level - fair value indicators are derived from (non-harmonized) prices quoted on active markets for equities and similar liabilities;

2. indicator level - fair Value Indicators are derived from other data on assets or liabilities that are not quoted at level 1, either directly (i.e. as prices), either indirectly (i.e. derived from their prices) and

3. indicator level - indicators derived using valuation methods in which inputs or assets are used as input data, which are not based on available market data.

On December 31, 2020 the amounts presented in the statement of cash, short-term deposits, receivables, short-term liabilities, accrued expenses and other financial instruments correspond to their market value.

Capital management

The primary objective of TNG in managing its capital is to ensure financial support to the operations and maximize shareholder value. TNG manages its capital by taking into account changes in the economic conditions. In order to maintain or adjusts the capital structure, TNG may adjust dividend payable to the shareholders, the return on investment, or issue new shares. There were no changes to objectives, policies and processes during the period ended 31 December 2020 and 31 December 2019. TNG supervises its capital through the gearing ratio calculated as follows:

2020

	USD	HRK
Total interest-bearing debt (long-term and short-term borrowings) (Note 20)	76,792	471,431
Less: Cash and cash equivalents (Note 18)	5,669	34,804
Net debt	71,123	436,627
Equity and reserves	94,233	578,496
Total equity, reserves and net debt	**165,356**	**1,015,123**
Gearing ratio	**43%**	

(All amounts are expressed in thousands of USD and thousands of HRK)

24. FINANCIAL INSTRUMENTS (CONTINUED)

Capital management (continued)

2019

	USD	HRK
Total interest-bearing debt (long-term and short-term borrowings) (Note 20)	84,174	559,749
Less: Cash and cash equivalents (Note 18)	10,182	67,712
Net debt	73,992	492,037
Equity and reserves	100,037	665,234
Total equity, reserves and net debt	**174,029**	**1,157,271**
Gearing ratio	**43%**	

25. CONTINGENT LIABILITIES AND COMMITMENTS

Operating lease commitments, with the Company as the lessee

The Company has operating lease commitments for the properties it uses under operating lease arrangements, Total future minimum payments under operating leases are as follows:

	USD	HRK	USD	HRK
	31.12.2020	**31.12.2020**	**31.12.2019**	**31.12.2019**
Up to 1 year	9	56	14	93
Between 1 and 5 years	37	224	33	221
After 5 years	46	280	42	277
Total	**92**	**560**	**89**	**591**

Legal cases

TNG has no significant litigations.

26. EVENTS AFTER THE BALANCE SHEET DATE

Financing of the Company

In February 2021, Tankerska Next Generation d.d. based on the loan agreement signed on 21 December 2020, with Crédit Agricole Corporate and Investment Bank and Hamburg Commercial Bank AG, withdrew in full the loan funds for refinancing of existing loans for the vessels "Vukovar", "Zoilo" and "Dalmacija" amounting to USD 14.4 million per vessel.

On March 12, 2021, Fontana Shipping Company Limited and Pag Shipping LLC entered into a new long-term loan facility with ABN AMRO Bank N.V. in the total amount of 35.3 million USD, at a variable interest rate 3M LIBOR increased by the margin, with quarterly repayment, for a period of 5 years, to refinance the existing loan for the ships "Velebit", "Vinjerac" and "Pag" with the same creditor. The loan funds were withdrawn in full on March 22, 2021.

Receivables from the customers

Of the stated USD 4,246 thousand trade receivables as at 31 December 2020, as at the date of issue of this report, USD 4,123 thousand or 97.1% were settled. According to the stated age structure of overdue receivables in Note 16, all receivables older than 181 days were settled.

Share Buy-Back Programme

Under the adopted New Share Buy-Back Programme, by decision of the Management Board of the Company held on 29th October 2020, from January 1 to April 19, 2021, the Company had acquired a total of 1,099 own shares on the Zagreb Stock Exchange, representing 0,01% of the Company's share capital. The Company paid the equivalent of HRK 50,019.35 for the acquisition of above mentioned treasury shares.

Impact of COVID-19 on the Company's business activities

Currently, the COVID-19 pandemic has a greater impact on the Company's operations in the form of difficult repatriation of seafarers, inability to replace crew in a timely manner, difficult operational procurement and delivery of consumables and equipment. The impact of the pandemic on the financial operations of the Company is present, but it is less significant in the part where the Company secured revenues based on Time charter.The Company has taken a number of preventive measures in order to minimize operational risks, protect the interests of the Company and individuals on board and enable uninterrupted operations.

In addition to the foregoing, no other events or transactions have occurred after December 31, 2020 that would have a material effect on TNG's financial statements as at or for the period thereafter or are of such significance to TNG's business activities that they would require disclosure in the notes to the financial statements.

27. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements, set out on pages 9 to 69, were approved by the Management and authorised for issue on 27th April 2021.

Signed on behalf of TNG on 27th April 2021 by:

John Karavanić,
Member of the Management Board

Addtional information

IMPORTANT INDUSTRY TERMS AND CONCEPTS

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.

(Net) 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.

TCE earnings is a measure of performance of a vessel or a fleet, achieved on a given voyage or voyages and it is expressed in US dollars per day. The Group's definition of TCE earnings may not be the same as that used by other companies in the shipping or other industries.

(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.

Important chartering contracts

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.

The table below illustrates the primary distinctions among these types of charters and contracts:

	Time Charter	Voyage Charter
Typical contract lenght	1-5 years	Single voyages, consecutive voyages and contracts of affreighment (COA)
Hire rate basis	Daily	Varies
Commercial fee	The Group pays	The Group pays
Commissions	The Group pays	The Group pays
Major Vessel related costs	Customer pays	The Group pays
Minor Vessel related costs	The Group pays	The Group pays
Vessel operating costs	The Group pays	The Group pays
Off-hire	Customer does not pay	Customer does not pay

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.

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 deprecation 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.

The table below illustrates the payment responsibilities of the ship owner and charterer under a time and voyage charter.

EXPENSE TYPE	MAIN COMPONENTS	TIME CHARTER	VOYAGE CHARTER
Capital	Capital Principal Repayment Interest		
Operating	Crewing Repairs and Maintenance Lubricants Insurance Spares and stores Registration, communication and sundries *Management fee** - *technical management* - *crew management* - *insurance arrangements* - *accounting services*		
Commisions	Address Brokerage		
Commercial fee*	*Chartering and commerical management services*		
Voyage (minor)	Draft surveys Tank cleaning Postage Other minor miscellaneous expenses		
Voyage (major)	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.

Zadar, April 28th, 2021

Pursuant to the article 300.d, and in accordance with the provisions of Article 300.c of the Croatian Companies Act, the Supervisory Board of Tankerska Next Generation Inc., at its meeting held on April 28th, 2021, passed the following

DECISION
on determining annual financial statements

I

Supervisory board approves the Annual Report for 2020 of Tankerska Next Generation Inc. which consists of: Income Statement and statement of other comprehensive income, Statement of financial position, Statement of cash flows, Statement of changes in equity, Notes to the financial statements, Company status report and Independent auditors report by Deloitte Ltd. audit company from Zagreb.

II

Following approval from the first paragraph of this Decision, the Annual Financial Statements of Tankerska Next Generation for the year 2020 are determined by the Management Board and the Supervisory Board.

President of the Supervisory Board
Ivica Pijaca

Zadar, April 28th, 2021

Pursuant to the Croatian Companies Act and the Articles of association of the Company, the Management Board and the Supervisory Board of Tankerska Next Generation Inc., at its meeting held on April 28th 2021, passed the following

DECISION
on the proposal to reconcile the of loss for the year 2020

I

It has been determined that Tankerska Next Generation Inc. in the year ending December 31st, 2020 realized a loss in the amount of HRK 31,682,842.82.

The loss in the amount of HRK 31,682,842.82 shall be offset through non-allocated profits from previous years.

II

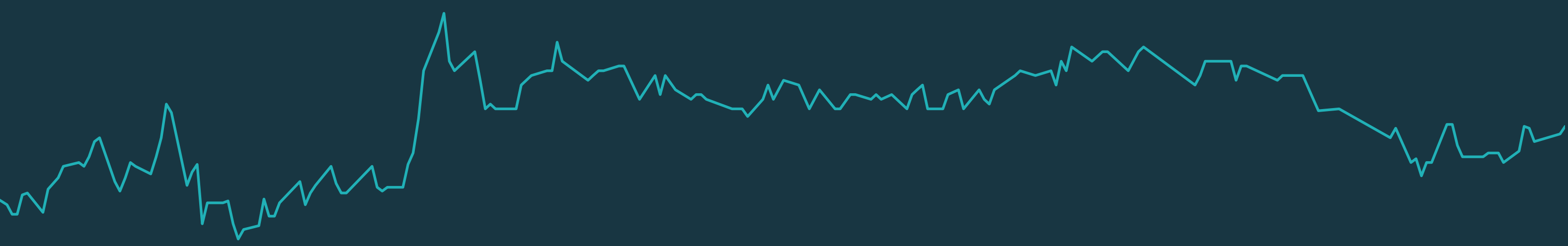
This proposal will be proposed to the General Assembly by the Management Board and the Supervisory Board of the Company.

Management Board John Karavanić	President of the Supervisory Board Ivica Pijaca

TNG

Tankerska Next Generation

TPNG-R-A 2020



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