TANKERSKA NEXT GENERATION

Božidara Petranovića 4
23 000 Zadar, Croatia

TANKERSKA NEXT GENERATION
FINANCIAL STATEMENTS FOR 2014

Financial Report for 2014

Zadar (30 April 2015)

Key highlights:

- Vessel revenues in the amount of HRK 9.5 mln (USD 1.6 mln)
- EBITDA in the amount HRK 8.3 mln (USD 1.4 mln)
- EBIT in the amount of HRK 4.7 mln (USD 0.8 mln)
- Net profit in the amount of HRK 11.9 mln (USD 2.0 mln)
- Secured financing for the newbuild Dalmacija with German DVB Bank

Comments from the CEO

„As a newly incorporated company, 2014 was our first year in operations and I am pleased to highlight the activities we carried out both on the operational level as well as on the capital markets in February 2015. In 2014, our primary focus was to furnish the solid foundations we established through the contribution of three modern product tankers by Tankerska plovidba and to create a company with superior operational and commercial experience. We are proud that our goals were successfully achieved as planned and more importantly fully recognized by the domestic and international investor community from which we raised USD 31 mln in our Initial Public Offering.

In terms of our strategy, we have to further emphasize that on one side our operations are strongly benefiting and relying on almost 60 years of tradition and valuable operational shipping experience of Tankerska Plovidba while on the other we have focused on creating a flexible and lean management structure within TNG. We believe that this synergy of direct access to premium fleet management service company coupled with the cost efficient and lean operations create an unique shipping platform with strong fundamentals to maximize the long term value for our shareholders.

In 2014, two of our vessels were fully in operations since their initial contribution while one of our vessels is a newbuild with an expected delivery in Q4 of 2015. Our operating vessels were employed on the bareboat charter and generated revenues in the amount of HRK 9.5 mln and EBITDA of HRK 8.3 mln. Furthermore, TNG generated strong financial results due to exchange difference on translation of foreign operations and gains attributable to monetary balance sheet items. The indicated gains are a result of exchanging our dollar assets on the reporting date into the Croatian Kuna in market circumstances when the US dollar strengthened in relation to the local currency. As such, these gains are not attributable to operating performance of our company. Given the US dollar is our operating currency while Croatian Kuna is the reporting one, the indicated foreign exchange results are unavoidable. However, the foreign exchange effect on the net profit tends to be more pronounced in early stages of operations.

Furthermore, in 2015 we should have a fully operational fleet of five vessels as a result of three additions - the initially contributed newbuild Dalmacija and two newbuilds, Vukovar and Zoilo, which we acquired after our successful IPO. Our focus for the coming year will be placed on employing the fleet intelligently and profitably and to continuously create additional value for our shareholders through lean management, operational excellence and strict financial discipline.

Lastly, we appreciate the strong support we have received from our shareholders, customers and business partners and we will continue to develop TNG as the leading product tanker shipping company."

John Karavanić, CEO of Tankerska Next Generation

Tankerska Next Generation Shipping Joint Stock Company
Božidara Petranovića 4, 23000 Zadar, Croatia
Short name of the company: Tankerska Next Generation Inc.
Incorporated 22 August 2014
Company's Bank Account:
Privredna Banka Zagreb Inc. Zagreb
IBAN HR86 2340 0091 1106 7758 7
Swift code: PBZGHR2X

MBS (registration number) 110046753 Commercial Court in Zadar
Share capital: 360.000.000,00 HRK paid completely
Issued shares: 7.200.000 ordinary shares with no par value
The President of Supervisory Board: Ivica Pijaca
The Management Board: John Karavanić
OIB (personal identification number): 30312968003

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INDEPENDENT AUDITOR'S REPORT

To the Owners of Tankerska Next Generation d.d.:

Report on the financial statements

Based on the audit we performed, we issued our report on the audit of the financial statements of Tankerska Next Generation d.d., Zadar and its subsidiaries ("TNG") at 31 December 2014, dated 30 April 2015.

We have audited financial statements of company Tankerska Next Generation d.d., Zadar and its subsidiaries ("TNG") which comprise statement of financial position as of 31 December 2014, the income statement and statement of other comprehensive income, statement of changes in equity statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the preparation and fair presentation of the financial statements 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 internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the TNG, as of 31 December 2014, their financial performance and their cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Auditor's report on the Annual Report

We have also audited the consistency of the Annual Report as at 31 December 2014 with the aforementioned financial statements The accuracy of the information presented in the Annual Report is the responsibility of the Company's Management. Our responsibility is to issue an opinion on the consistency of the Annual Report with the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that the Auditor plan and perform the audit to obtain reasonable assurance that the information disclosed in the Annual Report and presented in the financial statements is consistent, in all material respects, with the relevant financial statements. We assessed the consistency of the information presented in the Annual Report with the information presented in the financial statements as at 31 December 2014. We have not audited any data or information other than the financial information obtained from the unconsolidated and consolidated financial statements and accounting ledgers. We believe that the performed audit provides a reasonable basis for our audit opinion.

In our opinion, the financial information presented in the Annual Report is consistent, in all material respects, with the aforementioned financial statements as of 31 December 2014.

Branislav Vrtačnik
President of the Management Board and certified auditor

Deloitte d.o.o.
Zagreb, 30 April 2015

Selected financials

SELECTED FINANCIALS	Aug - Dec 2014 (HRK 000)	Aug - Dec 2014 (USD 000)
Vessel revenues	9.509	1.573
EBITDA	8.333	1.378
EBIT	4.700	778
Net income	11.888	1.967

Operational data of the Fleet

OPERATIONAL DATA OF THE FLEET	Aug - Dec 2014.
Daily bareboat rate (USD)	8,200
Revenue days (number)	182
Fleet utilization (%)	100.0%
Average number of vessels in the period	2.0

Starting from 1 October 2014, both vessels were engaged on a bareboat charter and had a 100% utilization in the Q4 2014. Furthermore, the average daily bareboat rate amounted to USD 8,200 per vessel.

Financial position

FINANCIAL POSITION	31 Dec 2014 (HRK 000)	31 Dec 2014 (USD 000)
Bank debt	208.483	33.082
Cash and cash equivalents	23.273	3.693
Net debt	185.210	29.389
Capital and reserves	277.251	43.993
Gearing ratio	40%	40%

Tankerska Next Generation

Tankerska Next Generation Inc. (TNG) is a company incorporated in Zadar, Croatia. The Group is the owner and operator of medium range product tanker fleet and provides seaborne transportations of petroleum products and chemicals worldwide to oil majors, national oil companies and oil and chemical traders.

During 2014, the Group's fleet currently consists of two product tanker vessels in operation and one ordered. M/t Velebit and m/t Vinjerac have been operated since 2011 while an eco-design product tanker is expected to be delivered by the SPP Shipbuilding Co., Ltd. in the second half of 2015.

Vessel	Capacity (dwt)	Type	Built	Yard	Employment
Velebit	52,554	Medium Range Product Tanker	2011	Treći Maj Brodogradilište Inc.	Stena Weco TC
Vinjerac	51,935	Medium Range Product Tanker	2011	Treći Maj Brodogradilište Inc.	Stena Weco TC
Hull 5065, Dalmacija	50,300	Medium Range Product Tanker (eco design)	2015	SPP Shipbuilding Co., Ltd.	n/a

Note: The Newbuild is scheduled to be delivered in October 2015 and will be under Croatian flag upon delivery to the Group

Since their delivery, both m/t Velebit and m/t Vinjerac have been bareboated to Tankerska who in turn has time chartered them to third parties. Both vessels are currently on time charter with Stena Weco. From 1 January 2015 both revenues and costs in the full amounts are attributable to TNG which in turn becomes fully operational shipping company.

TNG's development since the date of incorporation

Milestones:

- The Company was incorporated in Zadar, Croatia on 22 August 2014 by Tankerska plovidba
- On 30 September 2014 TNG acquired the company Fontana (which owns the vessels m/t Velebit and m/t Vinjerac) and the company Teuta (which holds a binding contract for the newbuild Dalmacija)
- On 24 November the Group signed a loan agreement with the German bank DVB SE regarding financing m/t Dalmacija
- On 5 February 2015 the Company successfully completed its initial public offering (IPO) through which it raised HRK 208 mln via the sale of 3.2 mln shares at a price of HRK 65.00 per share
- On 12 February 2015 all of Company's 7.2 mln shares have been admitted for trading on the Official Market of Zagreb Stock Exchange under the ticker TPNG-R-A
- On 12 March 2015 TNG acquired two newbuild contracts for the construction of two 50,000 dwt eco-designed product tankers, scheduled for delivery to the Company in April and July of 2015 from the Hyundai Mipo Dockyard in South Korea. These vessels will be managed by Tankerska Plovidba d.d. and added to the existing Management Agreement

Structure of TNG Group on 31 December 2014

Subsidiary	Jurisdiction of incorporation	Sharholder	Ownership interest	Proportion of voting power
Tankerska Next Generation International Ltd.	Marshall Islands	Tankerska Next Generation d.d.	100%	100%
Fontana Shipping Company Ltd.	Liberia	Tankerska Next Generation International Ltd	100%	100%
Teuta Shipping Company Ltd.	Liberia	Tankerska Next Generation International Ltd	100%	100%

Credit Facility DVB Bank SE

Teuta Shipping Company Ltd. ("Teuta") has signed on 24 November 2014 a Credit Facility agreement with DVB Bank SE for a loan which will partly finance the newbuild MR product tanker Dalmacija contracted in the SPP shipyard.

Teuta will drawdown the amount which is the lesser of a) USD 23.1 mln; or b) 60% of the vessel's Dalmacija market value at delivery if that amount is less than USD 23.1 mln. The Credit Facility will be repaid in 24 consecutive quarterly repayment instalments of approximately USD 0.41 mln each based on 14 years full payout profile and balloon payment payable with the last instalment so as to cover the total outstanding amount. Credit Facility matures six years after delivery of the vessel and bears interest of LIBOR plus 3.50%.

In April 2015 the Company agreed with DVB bank the modification to the purpose of the Credit Facility. Under the new terms, the Credit Facility will be used for the financing of the acquired newbuild Vukovar, owned by York Maritime Holdings IX LLC. All other terms and conditions to the Credit Facility remain unchanged.

Newbuild contract with SPP

TNG has entered into a shipbuilding contract with Korean SPP Shipbuilding Co., Ltd. (SPP) for a 50,300 DWT Product Oil / Chemical tanker (Hull No. 5065) named Dalmacija. The outstanding instalments under the contract include Keel laying tranche (USD 4.0 mln) and Delivery tranche (USD 20.05 mln).

Bareboat charter with Tankerska plovidba

After the acquisition of Fontana, on 1 October 2014 Fontana has entered into a bareboat charter with Tankerska plovidba which was effective in the interim period until the end of the year 2015. In this period the Company re-contracted all the commercial and crewing activities from Tankerska plovidba to TNG.

According to the bareboat charter, Tankerska plovidba paid the daily bareboat charter rate in the amount of USD 7,800 for m/t Velebit and USD 8,600 for m/t Vinjerac. The contracted charter rates covered all the financing costs of the vessels (principal and interest payments) and contributed to profit generation on an arm-length basis i.e. as if TNG independently accounted for the entire vessel revenue and cost base in the indicated period. The bareboat charter was in force from 1 October until 31 December 2014.

Income Statement and Statement of Other Comprehensive Income

INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME *audited*	August - December 2014 (HRK 000)	August - December 2014 (USD 000)
Vessel revenues (*)	9,509	1,573
Sales revenues	**9,509**	**1,573**
Commission and voyage related costs (*)	n/a	n/a
Vessel operating expenses (*)	n/a	n/a
Drydocking, special and intermediate surveys	-	-
General and administrative	(1,176)	(194)
Total operating expenses	**(1,176)**	**(194)**
EBITDA	**8,333**	**1,378**
Depreciation and amortisation	(3,633)	(601)
Operating profit (EBIT)	**4,700**	**778**
Net interest expenses	(594)	(98)
Net foreign exchange gains (losses)	7,782	1,287
Net income	**11,888**	**1,967**
Other comprehensive income	10,363	(755)
Total comprehensive income	**22,251**	**1,212**
Weighted average number of shares outstanding, basic & diluted (thou.)	4,000	4,000
Net income (loss) per share, basic & diluted	2.97	0.49

(*) Under the bareboat charter between TNG and Tankerska plovidba, in Q4 2014 Tankerska plovidba paid a daily bareboat rate in the amount of USD 7,800 for m/t Velebit and USD 8,600 for m/t Vinjerac. In the indicated period, all operating and voyage expenses were accounted on Tankerska plovidba's level.

Balance Sheet

BALANCE SHEET *audited*	31.12.2014. (HRK 000)	31.12.2014. (USD 000)
Non-Current Assets	**460,139**	**73,013**
Vessels (1)	368,191	58,423
Vessels under construction (2)	91,948	14,590
Current Assets	**28,404**	**4,507**
Inventory	-	-
Accounts receivable	3,812	605
Cash and cash equivalents	23,273	3,693
Other current assets	1,319	209
Total Assets	**488,543**	**77,520**
Shareholders Equity	**277,251**	**43,993**
Share capital	200,000	33,810
Reserves	65,363	8,971
Foreign exchange changes	-	(755)
Retained earnings	11,888	1,967
Non-Current Liabilities	**190,026**	**30,153**
Bank debt (3)	190,026	30,153
Current Liabilities	**21,266**	**3,374**
Bank debt (3)	18,457	2,929
Accounts payable	1,032	163
Other current liabilities	1,777	282
Total Liabilities and Shareholders Equity	**488,543**	**77,520**

(1) Vessels m/t Velebit and m/t Vinjerac were acquired by TNG on 30 September 2014

(2) In November 2014 TNG paid for Dalmacija (newbuild) a steel cutting tranche and a ballast water treatment tranche in the amount of USD 2.0 mln and USD 0.14 mln, respectively.

(3) Outstanding loan amount with Commerzbank AG (Fontana Shipping Company Ltd. as a debtor)

Cash Flow Statement

CASH FLOW STATEMENT *audited*	**Current period (HRK 000)**	**Current period (USD 000)**
Profit before tax	11,888	1,967
Depreciation and Amortisation	3,633	601
Changes in working capital	(5,169)	(855)
Other	(6,095)	(1,164)
Cash flow from operating activities	**4,257**	**549**
Cash inflows from investing activities	35,267	5,832
Cash outflows from investing activities	(199,478)	(32,989)
Cash flow from investing activities	**(164,211)**	**(27,157)**
Cash inflows from financing activities	188,715	31,209
Cash outflows from financing activities	(5,488)	(908)
Cash flow from financing activities	**183,227**	**30,301**
Net changes in cash	23,273	3,693
Cash and cash equivalents (beginning of period)	-	-
Cash and cash equivalents (end of period)	**23,273**	**3,693**

Statement of Changes in Equity

STATEMENT OF CHANGES IN EQUITY *audited*	**Share capital**	**Retained Earrings**	**Foreign exchange translation reserves**	**Other reserves and comprehensive income**	**Total**
For the period from 22 Aug (date of inc.) to 31 Dec 2014	***HRK 000***	***HRK 000***	***HRK 000***	***HRK 000***	***HRK 000***
Balance at 22 August 2014	**69,000**	**-**	**-**	**-**	**69,000**
Net profit for the period		11,888			11,888
Foreign exchange changes					-
Change in capital	131,000				131,000
Change in other reserves				55,000	55,000
Changes in other comprehensive income			10,363		10,363
Balance at 31 December 2014	**200,000**	**11,888**	**10,363**	**55,000**	**277,251**
For the period from 22 Aug (date of inc.) to 31 Dec 2014	***USD 000***	***USD 000***	***USD 000***	***USD 000***	***USD 000***
Balance at 22 August 2014	**12,032**	**-**	**-**	**-**	**12,032**
Net profit for the period		1,967			1,967
Foreign exchange changes			(755)		(755)
Change in capital	21,778				21,778
Change in other reserves				8,971	8,971
Changes in other comprehensive income					-
Balance at 31 December 2014	**33,810**	**1,967**	**(755)**	**8,971**	**43,993**

Key events after the Balance Sheet date

Management Agreement

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. More information on the scope and contents of the Management Agreement can be found in Company's Prospectus dated 8 December 2014 which is publically available on TNG's website (www.tng.hr).

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 favourable rates. The Management Agreement came into effect on 1 January 2015 and shall continue until the 31 December 2020.

Non-Competition Agreement

The Company has entered into a non-competition agreement with Tankerska plovidba which came into force on 1 January 2015. 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.

Time charter contract for vessels Velebit and Vinjerac

On 1 January 2015 Tankerska plovidba and TNGI (TNG's a fully owned operating company) commenced the Management Agreement under which Tankerska plovidba will operate TNG's fleet in the name and for the account of TNGI.

As of 1 January 2015 the vessels m/t Velebit and m/t Vinjerac will continue to furnish the contract with Stena Weco and TNGI will be the contracting party with Stena Weco.

Tankerska's current charter rate for m/t Velebit is USD 14,000 per day with earliest contract termination in August 2015. In March 2015 TNG has exercised the put option for m/t Vinjerac and thus the current charter rate is USD 14,800 per day with earliest contract termination in April 2016. Charterers have a +/- 30 day option on both vessels for redelivery at the end of the time charter. Both time charter contracts have been signed in line with usual market practice and have been based on standard industry terms for such contracts.

Initial Public Offering

On 5 February 2015 Tankerska Next Generation Inc. has successfully completed its HRK 208 mln (appx. USD 31 mln) Initial Public Offering (IPO) through the sale of 3.2 mln shares at a price of HRK 65.00 per share. The proceeds from the Offering have been fully paid into Company's capital on 9 February 2015 by Tankerska plovidba.

On 9 February 2014 the Commercial court in Zadar registered the capital increase of the Company. The Company's share capital has increased from HRK 200 mln for the amount of HRK 160 mln to the amount of HRK 360 mln while HRK 48 mln has been allocated to capital reserves of the Company. As per the indicated IPO, the total number of issued shares has increased from 4.0 mln to 7.2 mln.

All of the Company's shares have been listed on the Official Market of the Zagreb Stock Exchange on 12 February, 2015.

As of 31 December 2014, the Company does not own any treasury shares.

Acquisition of York Maritime Holdings IX LLC and York Maritime Holdings VI LCC

On 17 March 2015 the Group acquired two companies, York Maritime Holdings IX LLC and York Maritime Holdings VI LCC., which are each in possession of a contract for the construction of a 50,000 dwt eco-designed product tanker in the Korean Hyundai Mipo Shippyard. The acquisitions were financed from the proceeds raised in the Initial Public Offering.

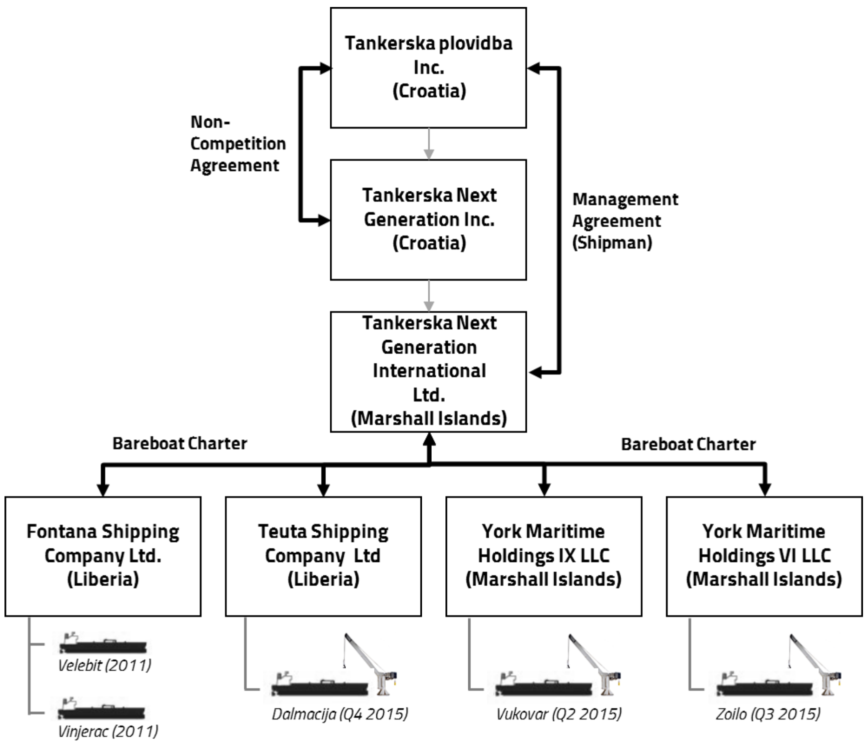
The first vessel is expected to be delivered in April (m/t Vukovar), while the second vessel (m/t Zoilo) is expected to be delivered in July. Total investment per vessel will amount to USD 36.5 mln.

With this transaction TNG management confirms its strong dedication to strategy execution and shareholders' value creation. TNG fleet is to be increased to five vessels with these latest acquisitions, while the fleet capacity is to be increased for current 150,000 dwt to 250,000 dwt.

M/t Vukovar time charter agreement

After its delivery m/t Vukovar is expected to be employed from 1 May 2015 on the three-year time charter agreement with a prominent charterer Scorpio Tankers with the daily rate of USD 17,250. The contact was signed in line with the best market practices and is based on standard industry terms and conditions for such type of contracts.

Overview of related party transactions after the Balance Sheet date



Corporate governance – Corporate governance Code

Tankerska Next Generation d.d. shares have been listed in the Official market of the Zagreb stock exchange and as such require from TNG to implement and adhere to the Corporate governance Code issued by Zagreb Stock Exchange and Croatian Financial Services Regulatory Agency (available at Zagreb Stock Exchange web site at www.zse.hr).

The Company has been incorporated in August 2014 and listed on the Zagreb stock Exchange on 12 February 2015. In order to comply with the best market practices, the Company has accepted the Code and is currently in process of aligning its operations with its provisions. The Questionnaire on the Corporate governance which relates to the implementation of the Code has been published alongside of this report and is fully available at the company web site (www.tng.hr).

Expected development

TNG is an international owner and operator of a modern medium range product tankers fleet. In 2014, fleet was comprised of two medium range tankers at sea and one contracted eco-design tanker which is to be delivered by SPP Shipbuilding Co., Ltd. in the second half of 2015. The Company successfully completed its IPO in February of 2015 through which it raised USD 31 mln and subsequently used the raised proceeds for the acquisition of two additional modern product tanker newbuilds. It is expected that the Company will have five fully operational vessels in 2015.

TNG will focus on providing services of worldwide seaborne transportation of refined petroleum and some chemical products and intends to serve major corporations, publicly-traded shipping companies, reputable vessel owners and operators, large trading houses (including commodities traders), major producers and government owned entities. In the execution of the strategy the Group will have significant support from the Fleet Manager who is a recognized and respected player in the tanker segment with a 60 year long-lasting tradition and strong reputation as well as access to key clients such as Chevron-a, British Petroleum-a, Shell-a, ExxonMobil-a, Phillips-a 66, OMV-a, Galp Energia.

The Company intends to employ majority of the fleet on multi-year time charters which in turn supports the predictability of business results and cash flows as well as mitigates the risk for Company's shareholders. Future chartering strategies in terms of duration will depend upon market conditions and the Management Board's view(s) of an optimal chartering 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.

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 forms of communication. 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 are 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 the new information, future events or otherwise, other than as required by the 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.

Contact:

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Tankerska Next Generation d.d. Zadar

Financial statements

for the period 22 August to 31 December 2014

Together with Independent Auditor's Report

Contents

Responsibility for the financial statements

The Board is responsible for ensuring that financial statements as of 31 December 2014 are prepared in accordance with International Financial Reporting Standards as adopted by the European Union which give a true and fair view of the financial position and the result of operations of the Tankerska Next Generation d.d., Zadar and its subsidiaries based in Zadar (the "TNG") for that period.

After making the inquiries, the Board has a reasonable expectation that the TNG have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Board continues to adopt the going concern basis in preparing the consolidated and unconsolidated financial statements.

In preparing those financial statements, the responsibilities of the Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any departures disclosed and explained in the financial statements; and
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the TNG will continue in business.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position and the business results of the TNG, as well as their adjustment with Accounting Act.

The Board is also responsible for safeguarding the assets of the TNG and hence for taking reasonable steps for the prevention and detection of fraud and other illegality.

The Board approved the financial statements to be issued on 30th April 2015.

Signed on behalf of the Board

John Karavanić,
Management Board

Tankerska Next Generation d.d.

Božidara Petranovića 4

23000 Zadar

Republic of Croatia

30 April 2015

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INDEPENDENT AUDITOR'S REPORT

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the preparation and fair presentation of the financial statements 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 internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Društvo upisano u sudski registar Trgovačkog suda u Zagrebu: MBS 030022053; uplaćen temeljni kapital: 44.900,00 kuna; članovi uprave: Eric Daniel Olcott and Branislav Vrtačnik; poslovna banka: Zagrebačka banka d.d., Paromlinska 2, 10 000 Zagreb, ž. račun/bank account no. 2360000-1101896313; SWIFT Code: ZABAHR2X IBAN: HR27 2360 0001 1018 9631 3; Privredna banka Zagreb d.d., Račkoga 6, 10 000 Zagreb, ž. račun/bank account no. 2340009–1110098294; SWIFT Code: PBZGHR2X IBAN: HR38 2340 0091 1100 9829 4; Raiffeisenbank Austria d.d., Petrinjska 59, 10 000 Zagreb, ž. račun/bank account no. 2484008–1100240905; SWIFT Code: RZBHHR2X IBAN: HR10 2484 0081 1002 4090 5

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the TNG, as of 31 December 2014, their financial performance and their cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Branislav Vrtačnik, Certified Auditor, President of the Management Board

Deloitte d.o.o.

Zagreb, Republic of Croatia

30 April 2015

Income statement and statement of other comprehensive income

For the period from 22 August (date of inception) to 31 December 2014

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

	Notes	For the period from August 22 (date of inception) to 31 December **2014**	For the period from August 22 (date of inception) to 31 December **2014**
		USD '000	**HRK '000**
REVENUES			
Vessel revenues	3	1,573	9,509
Total revenues		**1,573**	**9,509**
OPERATING EXPENSES			
Vessel operating expenses		-	-
Depreciation and amortization	4	601	3,633
Vessel impairment		-	-
General and administrative	5, 18	194	1,176
Total operating expenses		**795**	**4,809**
Income / loss from operations		**778**	**4,700**
OTHER ITEMS			
Financial income	6, 18	1,458	8,816
Interest expense and finance costs	7, 18	(269)	(1,628)
Net income / loss		**1,189**	**7,188**
Tonnage Tax	8	-	-
Net income		**1,967**	**11,888**
Income tax	9	0	0
Net income / loss		**1,967**	**11,888**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(755)**	**10,363**
Total comprehensive income		**1,212**	**22,251**
Net income / loss per share, basic & diluted USD and HRK	10	0.49	2.97
Number of shares outstanding, basic & diluted		4,000,000	4,000,000

The accompanying notes form an integral part of these financial statements

Statement of financial position

As at 31 December 2014

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

	Notes	31 December 2014 USD '000	31 December 2014 HRK '000
NON-CURRENT ASSETS			
Vessels and equipment	11	58,423	368,191
Vessels under construction	11	14,590	91,948
Total non-current assets		**73,013**	**460,139**
CURRENT ASSETS			
Related party receivables	18	605	3,812
Prepaid expenses and accrued income	12	209	1,319
Cash and cash equivalents	13	3,693	23,273
Total current assets		**4,507**	**28,404**
Total assets		**77,520**	**488,543**
CAPITAL AND RESERVES			
Paid-in capital	14	33,810	200,000
Reserves	14	8,971	65,363
Retained earnings		1,967	11,888
Exchange differences		(755)	-
Total capital and reserves		**43,993**	**277,251**
NON-CURRENT LIABILITIES			
Long-term financial debt and loan	15	30,153	190,026
Total non-current liabilities		**30,153**	**190,026**
CURRENT LIABILITIES			
Short-term financial debt and loan	15	2,929	18,457
Other current liabilities	16	163	1,032
Related party payables	18	139	873
Prepayments, unearned revenue and other current liabilities	17	143	904
Total current liabilities		**3,374**	**21,266**
Total liabilities		**33,527**	**211,292**
Total capital and liabilities		**77,520**	**488,543**

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

Statement of cash flows

For the period from 22 August (date of inception) to 31 December 2014

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

	Notes	For the period from August 22 (date of inception) to December 31 **2014** **USD '000**	For the period from August 22 (date of inception) to December 31 **2014** **HRK '000**
Operating Activities			
Income for the current year		1,967	11,888
Adjusted for:			
Depreciation of vessels and equipment		601	3,633
Interest expense		269	1,628
Interest income		(171)	(1,034)
Net foreign exchange gains		(1,262)	(6,689)
		1,404	**9,426**
Changes in working capital			
Increase in current receivables		(848)	(5,130)
Increase in current liabilities		172	1,041
Paid intrests		(179)	(1,080)
Cash Flow from Operating Activities		**549**	**4,257**
INVESTING ACTIVITIES			
Outflows for purchase of vessels and equipment		(2,229)	(13,478)
Acquisition of subsidiaries, net of cash acquired		51	310
Loans given		(30,760)	(186,000)
Repayment of given loans		5,781	34,957
Cash Flow from Investing Activities		**(27,157)**	**(164,211)**
FINANCIAL ACTIVITIES			
Loans received		289	1,747
Proceeds for initial capital		84	507
Proceeds from issuance of equity financial instruments		30,760	186,000
Interest received		76	461
Repayment of interest bearing liabilities		(908)	(5,488)
Cash Flow from Financial Activities		**30,301**	**183,227**
Net increase in cash and cash equivalents		**3,693**	**23,273**
Cash and cash equivalents, beginning of period		**-**	**-**
Cash and cash equivalents, end of period	13	**3,693**	**23,273**

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

Statement of changes in equity

For the period from 22 August (date of inception) to 31 December 2014

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

	Paid-in Capital	Retained Earnings Account	Foreign exchange translation reserves	Other reserves	Total
	USD '000	**USD '000**	**USD '000**	**USD '000**	**USD '000**
Balance at 22 August 2014	**12,032**	-	**-**	**-**	**12,032**
Net profit for the period	-	1,967	-	-	**1,967**
Exchange difference on foreign operations	-	-	(755)	-	**755**
Total comprehensive income	**-**	**1,967**	**(755)**	**-**	**1,212**
Capital increase	21,778	-	-	-	**21,778**
Other reserves	-	-	-	8,971	**8,971**
Balance at 31 December 2014	**33,810**	**1,967**	**(755)**	**8,971**	**43,993**

	Paid-in Capital	Retained Earnings Account	Foreign exchange translation reserves	Other reserves	Total
	HRK '000	**HRK '000**	**HRK '000**	**HRK '000**	**HRK '000**
Balance at 22 August 2014	**69,000**	-	**-**	**-**	**69,000**
Net profit for the period	-	11,888	-	-	**11,888**
Exchange difference on foreign operations	-	-	10,363	-	**10,363**
Total comprehensive income	**-**	**11,888**	**10,363**	**-**	**22,251**
Capital increase	131,000	-	-	-	**131,000**
Other reserves	-	-	-	55,000	**55,000**
Balance at 31 December 2014	**200,000**	**11,888**	**10,363**	**55,000**	**277,251**

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

1. GENERAL INFORMATION

History and incorporation

Tankerska Next Generation d.d. Zadar ("the Company") is a joint stock company incorporated and domiciled in the Republic of Croatia as at 22nd August 2014. The registered office is at Zadar, Božidara Petranovića 4.

The core business of the Company is:

1. Sea and coastal freight water transport
2. Sea and coastal passenger water transport
3. Service activities incidental to sea transportation:

   - Service activities related to water transportation;;
   - Rescue and removing the ship or other property that may be subject rescue on the sea surface or if it is immersed, or 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;
   - Renting and leasing of water transport equipment;
   - Freight transport domestic and international by road;
   - Agents 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.

Corporate governance

Members of Supervisory Board from 22nd of August 2014 to 2nd of October 2014 were:

Mario Pavić	President of the Supervisory Board
Nikola Koščica	Vice president of the Supervisory Board
Ivica Pijaca	Member of the Board
Ivan Pupovac	Member of the Board
Luka Kolanović	Member of the Board

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

1. GENERAL INFORMATION (CONTINUED)

Members of Supervisory Board from 2nd of October 2014 and up to publishing of these reports were:

Ivica Pijaca	President of the of the Supervisory Board
Nikola Koščica	Vice president of the Supervisory Board
Mario Pavić	Member of the Board
Ivan Pupovac	Member of the Board
Luka Kolanović	Member of the Board

From 1st July 2014 and up to publishing of these reports the Management Board is consisted of one member of the Board - Mr. John Karavanić.

For the period covered by the historical financial information, the TNG did not have any employees.

The ownership structure of the Company at 31 December 2014 was as follows:

	Number of shares	**Share of ownership**
Tankerska plovidba d.d.	4,000,000	100.00

These financial statements for the period ended 31 December 2014 comprise of the financial statements of Tankerska Next Generation d.d., its subsidiaries abroad (shipping companies operating internationally) that Tankerska Next Generation d.d. operates from a single headquarter, under a unique name and management, and for which it is in obligation to keep business books 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" nos. 181/04., 76/07., 146/08., 61/11. and 56/13.).

Given that, pursuant to the applicable legislation in the relevant domicile countries, neither subsidiary of Tankerska Next Generation d.d. has the obligation to maintain business books 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.

At 30th April 2015 the Board approved the financial statements.

Accounting policies given below were applied consistently for all periods presented in these financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of accounting policies applied in the financial statements are listed below:

a) Statement of compliance

The financial statements of the TNG have been prepared in accordance with legal regulations of the Republic of Croatia and International Financial Reporting Standards applied in the European Union.

Standards, amendments and interpretations issued by IASB and adopted by the European Union and therefore being effective:

- **IFRS 10 “Consolidated Financial Statements”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 11 “Joint Arrangements”,** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 12 “Disclosure of Interests in Other Entities”,** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 27 (revised 2011)“Consolidated and Separeta Financial Statements”,** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 28 (revised 2011)“Investments in Associates”,** adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosures of Interests in Other Entities”** – “Transition Guidance”, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 (revised in 2011) “Separate Financial Statements”** – “Investment Entities”, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 32 “Financial instruments: presentation”** – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 36 “Impairment of assets”** - Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

- **Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"** – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).
  The adoption of these amendments to the existing standards has not led to any changes in the TNG's accounting policies and has not affected either its current or prior-year profits
  Standards and Interpretations issued by IASB and adopted by the EU but not yet effective:

The adoption of these amendments to the existing standards has not led to any changes in theTNG's accounting policies and has not affected either its current or prior-year profits.

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective
At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the European Union on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),

- **Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015),

- **Amendments to IAS 19 "Employee Benefits"** - Defined Benefit Plans: Employee Contributions - adopted by the European Union on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),

- **IFRIC 21 "Levies**" adopted by the European Union on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Standards and Interpretations issued by IASB but not yet adopted by the European Union

At present, IFRS as adopted by the European Union do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in European Union as at 27 February 2015 (the effective dates stated below is for IFRS in full):

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016),
- **IFRS 15 "Revenue from Contracts with Customers"** (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 11 "Joint Arrangements" -** Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016)
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 27 "Separate Financial Statements"** - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016),

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The adoption of these amendments to the existing standards has not led to any changes in the TNG's accounting policies and has not affected either its current or prior-year profits.

b) Basis of reporting

Financial statements of the TNG are presented in Croatian Kuna (HRK) rounded to nearest thousend.

c) of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The preparation of financial statements in accordance with IFRS requires Management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these 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 and in any future periods affected.

Key sources of estimation uncertainty and assumptions that affect the application of policies with significant effect on the amounts recognised in the financial statements are discussed in Note ee.

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

2. PREGLED TEMELJNIH RAČUNOVODSTVENIH POLITIKA (NASTAVAK)

d) Basis of reporting

The financial statements have been prepared using the historical cost convention except for available-for sale financial assets which are stated at fair value.

Financial statements have been prepared on a going concern basis. Financial statements of the TNG are presented in Croatian Kuna (HRK) and United States Dollars (USD). Conversion of USD into HRK as the functional currency and the currency all business events are recorded in, is done in accordance with the relevant accounting standards.

Accordingly, financial statements are stated in HRK and converted into USD as follows:

- Current exchange rate effective at the end of the financial year was used for all asset and liabilities items except for the positions of the share capital and reserves which were stated in the historical cost converted into USD as of the transaction date.
- For profit and loss and other comprehensive income items the period exchange rate was used.

Exchange differences arising from conversion are in financial statements stated in USD recorded on the credit, debit side respectively.

Applied exchange rates were as follows:

USD/HRK	**2014**
31 December	6.302107
Average exchange rate 22.8. -31.12.2014	6.046796

* Average exchange rate 22 August – 31 December 2014 6.046796

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the starting point for making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may be differed from these estimates.

2. PREGLED TEMELJNIH RAČUNOVODSTVENIH POLITIKA (NASTAVAK)

d) Basis of reporting (continued)

The mentioned estimates and associated assumptions are the subject of regular reviewed. The influence of the estimate correction is recognized in the period in which the correction of estimate is done if the correction affects only that period, or in the period of correction and future periods if the correction affects both current and future periods.

Financial statements include the financial statement of TANKERSKA NEXT GENERATION d.d. ZADAR and of the following subsidiaries 100% owned by Tankerska Next Generation d.d.:

1. Tankerska Next Generation International Ltd., Majuro, Maršalovi Otoci;
2. Fontana Shipping Company Limited, Monrovia, Liberija and
3. Teuta Shipping Company Ltd., Monrovia, Liberija.

Accounting of the companies with registered office in Liberia is conducted in US$ according to the regulations of the Republic of Croatia. Items of balance sheet and of profit or loss are translated at the mean exchange rate the National Bank of Croatia on the balance sheet date, which as of 31 December 2014 was 6,302107 HRK for 1 USD.

Knjigovodstvena vrijednost izravnih I neizravnih udjela društva Tankerska Next Generation d.d. u ovisnim društvima:

		Amount in thousands of USD	Amount in thousands of HRK	Ownership %
1	Tankerska Next Generation International Ltd., Majuro, Maršalovi Otoci (ex. Riva Tanker Shipping Company Ltd., Monrovija, Liberija)	27,238	171,658	100
2	Fontana Shipping Company Limited, Monrovija, Liberija	25,089	158,115	100
3	Teuta Shipping Company Ltd., Monrovija, Liberija	2,139	13,481	100
	Total	**54,466**	**343,254**	**-**

On 26th September 2014, the Company acquired 100% of shares in Riva Tanker Shipping Company LTD. On 30th September Riva Tanker Shipping LTD. acquired 100% of shares in Fontana Shipping Company Limited and 100% of shares in Teuta Shipping Company LTD.

In course of October 2014, Riva Tanker Shipping Company Ltd., Monrovia, Liberia changed its name and headquarters to Tankerska Next Generation International Ltd., Majuro, Marshall Islands.

2. PREGLED TEMELJNIH RAČUNOVODSTVENIH POLITIKA (NASTAVAK)

d) Basis of reporting (continued)

Acquisition of Tankerska Next Generation International Ltd. (TNGI) by the Company

Pursuant to Share Purchase and Transfer Agreement dated 26 September 2014, the Company as the purchaser acquired from Tankerska plovidba as the seller 100% of the shares in Tankerska plovidba subsidiary Tankerska Next Generation International Ltd. (at the time of the said agreement under the name: Riva Tanker Shipping Company Ltd.). The purchase price amounted to US$ 9,808.04 payable in HRK counter value, and has been paid in full on 23 October 2014. The agreement contains standard contract terms and has been concluded on arm's length basis.

Acquisition of Fontana Shipping Company Limited (Fontana) by TNGI

After the Company's acquisition of shares in TNGI as described above, TNGI now as fully owned subsidiary of the Company, concluded as the purchaser on 30 September 2014 with Tankerska plovidba as the seller the Sale and Purchase and Transfer of Shares Agreement relating to shares of Tankerska plovidba vessel-owning Liberian incorporated subsidiary Fontana which owns two MR tankers from the Initial Fleet, m/t Velebit and m/t Vinjerac.

The purchase price amounted to US$ 25,089,239.27 payable in HRK counter value. The agreement further stipulated that the Company (as the only shareholder of TNGI) may pay the purchase price for and on behalf of TNGI. For this purpose, the Company assumed to pay the purchase price on behalf of TNGI based on Delegation of Payment Agreement concluded on 15 October 2014 between the Company and TNGI. The purchase price has been paid in full on 30 October 2014. The agreement contains standard contract terms and has been concluded on arm's length basis.

TNGI accepted indebtedness amounted to approximately USD 33.8 million under the loan agreement provided to Fontana by financing bank (Commerzbank Aktiengesellschaft) for the purpose of partly financing acquisition price of the vessels Velebit and Vinjerac.

Acquisition of Teuta Shipping Company Ltd. (Teuta) by TNGI

Apart from the acquisition of Fontana, TNGI concluded as the purchaser on 30 September 2014 with Tankerska plovidba as the seller the Sale and Purchase and Transfer of Shares Agreement relating to shares of Tankerska plovidba Liberian incorporated subsidiary Teuta which holds a contract for newbuild eco-designed MR-IMO III, no. S-5065.

The purchase price amounted to US$ 500 payable in HRK countervalue. The agreement allowed that the Company (as the only shareholder of TNGI) pays the purchase price for and on behalf of TNGI. For this purpose, the Company assumed to pay the purchase price on behalf of TNGI based on Delegation of Payment Agreement concluded on 15 October 2014 between the Company and TNGI. The purchase price has been paid in full on 30 October 2014. The agreement contains standard contract terms and has been concluded on arm's length basis.

2. PREGLED TEMELJNIH RAČUNOVODSTVENIH POLITIKA (NASTAVAK)

e) Foreign currencies

Transactions in foreign exchanges are translated in domestic currency using middle exchange rate of Croatian National Bank currency prevailing at the date of transaction. Monetary assets and liabilities in foreign currency are translated into domestic currency according to middle exchange rate of the Croatian National Bank valid at the date of reporting. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss within financial revenues or financial expenses.

Assets and liabilities, revenues and expenses and cash flows of foreign entities are translated into domestic currency according to the middle exchange rate of Croatian National Bank valid at 31 December 2014, except in the case of significant currency fluctuations during the period, when the currency exchange rate on transaction date is applied. All resulting exchange differences are recognized in a separate component of equity. Exchange differences resulting from the translation of the net investment in foreign entities are included in equity under translation reserve. At the sale of foreign entity, exchange differences are recognized in profit or loss.

f) Intangible assets

Intangible assets acquired by the TNG, with a finite life of application, are stated at cost less accumulated depreciation and impairment of assets. Intangible assets consists of software whose estimated use and the expected lifetime is 5 years. Subsequent expenditure is capitalized only if it is probable that it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as an expense as incurred.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of intangible assets from the date on which they are available for use.

g) Property, plant and equipment

Items of property, plant and equipment, that meet the criteria for recognition as an asset, are stated at cost. Cost includes all costs directly attributable to bring the asset to a working condition for its intended use.

Items and equipment are accounted as non-current assets, if life of application is longer than one year and single value is greater than HRK 2,000.

After the initial recognition as assets, a single item of property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

g) Property, plant and equipment (continued)

Gains and losses from disposal of the property, plant and equipment are recognized within other revenues or expenses in the statement of profit or loss and other comprehensive income depending on achieved results. When revaluated assets are sold, the amounts included in revaluation reserves are transferred to retained earnings.

Subsequent expenditures related to the already recognized item of property, plant and equipment, are capitalized as an increase in value of property when it is probable, that because of these additional costs, will accrue additional future economic benefits and when these expenditures improve the condition of the property beyond the originally recognized. All other subsequent expenditure is recognized as an expense in the period incurred.

Depreciation is carried out separately for each major asset (vessels) according to the depreciation age of 25 years whereas depreciation for minor assets is carried out in groups.

Depreciation is calculated according to the expected lifetime of use and rates derived from it, depending on the group and subgroup of property, plant and equipment, applying the straight-line method.

- Buildings	2%
- Transport vehicles	20%
- Computers and telecommunications equipment	25%
- Office equipment	20%
- Furniture	10%

Depreciation starts when the asset is ready for its intended use.

2. PREGLED TEMELJNIH RAČUNOVODSTVENIH POLITIKA (NASTAVAK)

h) Non-current assets held for sale

Non-current asset classified as held for sale is measured at the lower of its carrying amount and fair value less cost to sell. Non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

This condition is met only if the sale is highly probable and if the asset is available for immediate sale in its present condition.

Non-current assets classified as held for sale are not depreciated from the date of reclassification.

i) Financial assets

Investments are classified in the following categories: investments held-to-maturity, investments held-for-trading and investments available-for-sale.

Investments with fixed or determinable payments and with fixed maturity in which the TNG has a positive intent and ability to hold to maturity, with exception of loans and receivables derived from the TNG, are classified as held-to-maturity.

Investments acquired principally for the purpose of generating a profit from short term fluctuations in price, are classified as investments held-for-trading. All other investments, except loans and receivables derived from the TNG, are classified as available-for-sale. Each investment sale and purchase is recognized on settlement date. Investments are first recorded at cost, and that is fair value of compensation given for them, including transaction costs.

Investments available-for-sale and investment held-for-trading, after the initial recognition are recorded at their fair value with no reduction for transaction cost, based on their market price at the reporting date.

Gains or losses arising from fair value adjustment of investments available-for-sale, are recognized directly in TNG's reserves which are recorded for this purpose, until the investment is sold or otherwise disposed, or till it is considered impaired. At the time of sale the cumulative gain or loss previously recognized in capital (reserves) is recognized in net profit or loss for the corresponding period.

Financial assets and financial liabilities are recognized in the TNG's statement of financial position when they become party to the contract of financial instrument. Although, in the case of normal sale or purchase (sale or purchase of financial assets under the contract which terms require delivery of the assets within the period established by legislation or agreement on the organized market), the date of settlement is essential for initial recognition or non-recognition. Financial assets are derecognized when the money is collected or the rights to receive the money from assets expired. Financial liabilities are derecognized when the contracted liabilities are cancelled or the term for recognition expired.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

j) Inventories

Inventories are measured at the lower of cost or net realizable value. Stocks of materials, spare parts and small inventory are stated at purchase costs.

Cost of material and spare parts are based on first-in, first-out basis. Small inventory is written off entirely following the start of use.

The purchase cost includes the costs of purchase of inventory and the costs incurred in bringing the inventories to their present location and condition.

k) Receivables

Receivables represent the right to collect determined amounts from customers or other debtors with regard to the TNG's operations. Receivables from the customers and other receivables are stated at fair value of given compensation and are recorded at depreciation cost, after correction for impairment value. Impairment correction of bad and disputed receivables is done individually for each receivable when the payment of partial or total due amount of receivables based on management estimates is uncertain.

l) Impairment of assets

The carrying amounts of the assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indications exists, the asset’s recoverable amount is estimated.

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

An impairment loss is recognized in profit or loss whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Such impairment losses are shown in the statement of profit or loss and other comprehensive income.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

Impairment losses recognized in respect to cash generating units, are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units), and then proportionally to reduce the carrying amount of other assets in the units (or group of units).

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

l) Impairment of assets (continued)

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

The recoverable amount of investment in held-to-maturity securities and receivables carried at depreciation cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (that is, the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated cash flows are discounting to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss related to held-to-maturity security or receivables carried at cost or amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed directly in profit or loss. Reversal of the impairment loss of assets is directly approved to the equity.

If the fair value of a debt instrument classified as available-for–sale increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, and the reversed amount is recognized in profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect to other assets, an impairment loss is reversed when there is an indication that the impairment losses recognized in prior period (assessed at each balance sheet date) have decreased or may no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to extent that the asset`s carrying amount does not exceed the carrying amount that would have been determined, net of deprecation or amortization, if no impairment loss had been recognized.

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

m) Cash and cash equivalents

Cash and cash equivalents, for the purpose of the statement of financial position and the statement of cash flows, consist of cash on hand and balances with banks, and highly liquid investments that are easily converted to known cash amounts with original maturities of three months or less, and which are subject to insignificant risk of changes in value.

n) Share capital

Share capital consists of ordinary shares. Direct dependent costs associated with issuance of ordinary shares are recognized as a reduction of capital.

The amount paid for the purchase of share capital, including direct dependent costs, is recognized as a reduction in capital and reserves. Purchased own shares are classified as treasury shares and are a deductible item of the total capital and reserves.

o) Dividends

Dividends are recognized in the statement of changes in equity and disclosed as liability in the period in which were approved by the shareholders.

Interest bearing liabilities are measured initially at fair value of the proceeds received, less attributable transaction costs. In subsequent periods, they are stated at amortized cost using the effective interest method. All differences between proceeds (net of transaction costs) and the redemption value are recognized in profit or loss over the period of the borrowings using the effective interest rate method.

p) Provisions

A provision is recognized when the TNG has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources which constitute the economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

The amounts of provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and, where applicable, the risk specific to the liability.

q) Trade and other payables

Trade and other payables are initially measured at fair value and then subsequently at amortised cost

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

r) Employee benefits

Contributions to the mandatory pension fund are included as cost in profit or loss at the period in which they are incurred.

A liability for employees benefits is recognized in provisions based on the TNG`s formal plan and when past practice has created a valid expectation by the Management Board or key employees that they will receive a bonus and the amount if bonus can be determined before the time of issuing the financial statements. Liabilities for bonus are expected to be settled within 12 months of the reporting date and are measured at the amounts expected to be paid when they are settled.

Short-term employee liabilities are not discounted and are recognized as an expense when the service is provided.

Provision is recognized in an amount which is expected to be paid as a current cash bonus or profit distribution plan if the TNG has a present legal or constructive obligation to pay that amount as a result of performed service in the past by the employee and if the obligation can be reliably measured.

s) Leases

Leases of property, plant, equipment and intangible assets where the TNG accepts all the benefits and risks of ownership are classified as financial leasing. Financial leasing is capitalized at the estimated present value of the related lease payments. Each lease payment is allocated to the liability and financial expenses in order to obtain a constant rate on the remaining financial situation. The corresponding liability for the rent, reduced for the financial expenses are recorded in other non-current liabilities. Interest component of the financial expenses is charged to profit or loss over the lease period. Property, plant, equipment and intangible assets acquired according to the contract of financial leasing are depreciated over the useful life of assets.

Leases of assets where lessor retains the benefits and risks of ownership are classified as operating leasing. Operating lease payments are recognized as an expense on a straight-line basis over the lease term. If the operating lease terminates before the expiration of the lease term, all payments to the lessor in the form of penalty, are recognized as an expense in the period in which the termination occurred.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

t) Taxes

TNG's income taxes are computed under Croatian law.

Income tax for the year comprises current tax and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and all adjustments to tax payable in respect of previous periods. Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax is based on the expected realization or settlement of the carrying value of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

u) Vessel revenues

Vessel revenues are recorded when (i) services are rendered, (ii) a charter agreement or other evidence of an arrangement has been signed, (iii) the price is fixed or determinable, and (iv) collection is reasonably assured.

Sales, which are reported net of returns, rebates and discounts, as well as net of taxes directly connected with the sale of products and services rendered, represent amounts invoiced to third parties.

Revenue is recognized at the time when services are rendered, and the TNG dispatches goods, or performs service as this is the point at which significant risks and rewards of ownership of the goods are transferred to the customer. Revenue from services is recognized according to the stage of performed service, namely when there is no significant uncertainty regarding the provision of service or associated costs.

Revenues from hire are realized through time charter and revenues from freight are realized through voyage charter. Revenues from time charter are covered by the method of the contract completion as there is no uncertainty concerning the compensation for done service since time charter rent is paid in advance for the agreed period of 15 days or for a month. The same method is applied to voyage charter.

A time charter involves placing a vessel at the charterers' disposal for a period of time during which the charterer uses the vessel in return for the payment of a specified daily hire rate. In the case of voyage charters, the vessel is contracted for a voyage between two or more ports. Based upon the terms of the customer agreement a voyage is deemed to commence upon the completion of discharge of the vessel's previous cargo and is deemed to end upon the completion of discharge of the current cargo.

All freight revenues from vessels are recognized on a percentage of completion bases. For voyages in progress at the end of a reporting period the TNG recognizes a percentage of the estimated revenue for the voyage equal to the percentage of the estimated duration of the voyage completed at the financial position date. The estimate of revenue is based on the expected duration and destination of the voyage.

Revenues from time charter contracts are recognized at pro-rata tempora basis over the rental periods of such charters, as service is performed.

Freight contracts contain conditions regarding the amount of time available for loading and discharging of the vessel. Demurrage revenues, recognized upon delivery of service in accordance with the terms and conditions of the charter parties, represent the compensation estimated for the additional time incurred for discharging a vessel. Revenue received from demurrage is recognized at the completion of the voyage. These revenues are accounted for net of any provision made in respect of demurrage claims where full recovery is not anticipated.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

v) Other revenues

Other revenues primarily include revenues from charterers for other services and revenues from profit commission on insurance policies. Other Revenue is recognized at the time when incurred.

w) Commissions and voyage related costs

Commissions are realized in two basic forms: address 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 it is recovered by some other means. Commission under a voyage charter is payable on freight, and may also be payable on dead freight and demurrage.

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 TNG 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 afreightment). 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 TNG. All voyage related costs are recognized as incurred.

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2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

x) Vessel operating expenses

The 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).

y) Depreciation and amortization

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.

Depreciation is calculated according to the expected lifetime of use and rates derived from it, applying the straight-line method.

Depreciation starts when the asset is ready for its intended use.

The residual value is estimated as the lightweight tonnage (lwt) of each vessel multiplied by an estimated scrap value (cost of steel) per ton.

The TNG reviews the estimated useful life of vessels at the end of each annual reporting period.

z) Dry-docking, special and intermediate survey

The vessels are required to undergo planned dry-docks 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.

Vessels are periodically dry-docked for inspection, repairs and maintenance and any modifications to comply with industry certification or governmental requirements.

Costs incurred during dry-docking that do not improve or extend the useful lives of the assets are expensed as incurred.

The number of dry-dockings undertaken in a given period and the nature of the work performed determine the level of dry-docking expenditures.

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2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

aa) 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 new buildings. Historically, both charter rates and vessel values tend to be cyclical.

The carrying value is compared to its recoverable amount - defined as the higher of the vessel's value in use, which is based on discounted future cash flows or the vessel's fair value less costs to sell (generally based on the market price), and if higher the vessel is written down to the recoverable amount.

If there is an indication at a reporting date that the recoverable amount of the impaired vessel increases, the impairment of the vessel is reversed.

An impairment loss is recognized in profit or loss whenever the carrying amount of a vessel unit exceeds its recoverable amount.

An impairment loss is reversed when there is an indication that the impairment losses recognized in prior period (assessed at each balance sheet date) have decreased or may no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to extent that the vessel`s carrying amount does not exceed the carrying amount that would have been determined, net of deprecation or amortization, if no impairment loss had been recognized.

A reversal of impairment is recognized as income immediately.

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

bb) General and administrative

General and administrative expenses, which comprise administrative staff costs, management costs, office expenses, audit, legal and professional fees, travel expenses and other expenses relating to administration, are expensed as incurred.

cc) Net financial (expenses) / revenues

Net financial (expenses) / revenue comprise of interest payable on borrowings and loans, interest on invested funds, dividend income, foreign exchange gains and losses, gains and losses of financial property fair value changed stated in profit or loss at fair value.

Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset. Dividend income is recognized in profit or loss on the date that the TNG`s right to receive dividend payments is established.

ff) Borrowing costs

Borrowing costs can be directly attributable to the acquisition, construction or production of qualified assets which require a considerable time to get ready for its intended use, or sale. These costs are added to the assets’ cost until the assets get ready for the intended use or sale. Income from investment earned on the temporary investment of specific borrowings pending their expenditure for qualified assets are deducted from borrowing costs that may be capitalized. All other borrowing costs are recognized in the net profit or loss for the period in which they were incurred.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

ee) Significant accounting estimates and judgments

TNG makes estimates and judgments related to future events. Accounting estimates will, by definition, rarely match the actual results. Estimates and judgments with a significant risk of causing material changes in assets and liabilities in the next financial year are listed below:

Revenue

Revenue from the sale of goods is recognised in the statement of comprehensive income when the significant risks and rewards of ownership are transferred to the buyer. Revenues are stated net of taxes, discounts and volume rebates. Provisions for rebates to customers are recognised in the same period in which the sales are recognised, based on the underlying contract terms.

Income tax

Income tax calculations are performed based on the TNG's interpretation of current tax laws and regulations.

Impairment of receivables

Irrecoverable amounts receivable from the sale of goods and services are estimated at balance sheet date (also monthly) based on the assessed collectability of doubtful accounts. Each customer is assessed individually by considering its status (e.g. a blocked debtor, legal proceedings have been instituted,), the amount past due, the stage of the legal action, and the security instrument furnished (e.g. a bill of exchange).

Provisions

A provision is recognized when the TNG has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. In assessing the provision, TNG takes into account the professional legal advice.

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

3. VESSEL REVENUE

	USD '000	HRK '000
Charter revenue	1,573	9,509
Total	**1,573**	**9,509**

Revenues from the charter, are fully realized by leasing vessels m / t "Velebit" and m / t "Vinjerac" subsidiary Tanker sailing Inc. on the basis of shipping contracts on the lease (bareboat charter).

The average daily income of the charter was $ 8,200 per ship.

4. DEPRECIATION

	USD '000	HRK '000
Depreciation of vessels	601	3,633
Total	**601**	**3,633**

5. GENERAL AND ADMINISTRATIVE

	USD '000	HRK '000
Management board wages	15	89
Insurance premiums	5	32
Banking services	145	879
Founding expenses – related parties	14	84
Other costs	15	92
Total	**194**	**1.176**

6. FINANCIAL REVENUE

	USD '000	HRK '000
Interest	1	6
Interest – related parties	170	1,028
Net foreign exchange gains	1,287	7,782
Total	**1,458**	**8,816**

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

7. FINANCIAL EXPENSES

	USD '000	HRK '000
Interest	175	1,059
Interest – related parties	94	569
Total	**269**	**1,628**

8. TONNAGE TAX

The tonnage tax regime is introduced into the Croatian maritime legislation by new amendments to the Maritime Act and it is applicable from January 1, 2014. According to the relevant provisions of the 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 a period of 10 years. The qualifying TNG has to be a shipping TNG liable to the Croatian corporation tax on any profits that accrue to it. It must also operate qualifying ships, and most importantly, the TNG must carry out the strategic and commercial management of the qualifying ships in Croatia.

Vessels Velebit and Vinjerac were entered into the Croatian tonnage tax system on 1 January 2014. The tonnage tax per ship currently amounts to 31.329 HRK yearly in total, and is payable instead of the corporate tax on profit, regardless whether the applicant TNG trades with profit or loss.

The TNG opted for taxation based on tonnage tax for vessels Velebit and Vinjerac.

According to the decision of the Ministry of Maritime Affairs, Transport and Infrastructure, tonnage tax for 2014 for the vessels Velebit and Vinjerac is included in liabilities of ultimate owner – Tankerska plovidba d.d.

9. INCOME TAX

According to tax return, the TNG had no income tax liability for 2014.

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

10. EARNINGS PER SHARE

	Thousands of USD	Thousands of HRK
Profit /(loss) for the period	1,967	11,888
Total numbers of shares at period end	4,000,000	4,000,000
Profit /(loss) per share (USD and HRK)	**0.49**	**2.97**

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

11. PROPERTY, PLANT AND EQUIPMENT

	Vessels and equipment		**Assets under construction**		**Total**	
	USD '000	**HRK '000**	**USD '000**	**HRK '000**	**USD '000**	**HRK '000**
At 22 August 2014						
Additions	59,000	371,824	14,590	91,948	73,590	463,772
At 31 December 2014	**59,000**	**371,824**	**14,590**	**91,948**	**73,590**	**463,772**
Accumulated depreciation						
At 22 August 2014	**-**	**-**	**-**	**-**	**-**	**-**
Charge for the period	577	3,633	-	-	577	3,633
Exchange differeence	(24)	-	-	-	(24)	-
At 31 December 2014	**577**	**3,633**	**-**	**-**	**577**	**3,633**
Carrying value						
At 22 August 2014	**-**	**-**	**-**	**-**	**-**	**-**
At 31 December 2014	**58,423**	**368,191**	**14,590**	**91,948**	**73,013**	**460,139**

No borrowing costs have been capitalized on 31 December 2014.

Vessels under construction include costs of building ships – product tanker S-5065 TBN Dalmacija in the amount of HRK 91,948 thousends (14,590,000 USD).

Vessels and equipment include net book value of vessels Velebit and Vinjerac in the amount of HRK 368,191 thousends (58,423,000 USD).

Total net carrying amount of the assets over which there is a mortgage as security for the loans is HRK 368.191,00 (59,000,000 USD).

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

12. PAID DEFERRED EXPENSES AND ACCRUED REVENUE

	USD '000	HRK '000
Paid deferred expenses	209	1,318
Accrued revenue	-	1
Total	**209**	**1,319**

The transactions costs of the IPO in the amount of HRK 1,318 thousand, the equivalent of USD 209 thousand, have been accrued until such the shares have been subscribed at which point they will be deducted from equity.

13. CASH AND CASH EQUIVALENTS

	USD '000	HRK '000
Cash with banks	3,693	23,273
Total	**3,693**	**23,273**

14. CAPITAL AND RESERVES

(i) As 31 December 2014 the authorized, issued and paid-up share capital comprised 4,000,000 ordinary shares with no par value.

The holders of ordinary shares are entitled to receive dividends, as declared from time to time and are entitled to one vote per share at meetings of the TNG.

The immediate parent TNG of Tankerska Next Generation d.d. is Tankerska plovidba d.d. The ultimate parent TNG is Foundation-Betriebsstiftung Tankerska Plovidba d.d. Privatstiftung with registered office in Austria. Beneficiaries of this trust are the employees of Tankerska plovidba d.d.

At the General Assembly held on 25 September 2014, the Resolution on increase of the share capital by payment in cash and issuance of new shares was passed. The TNG's share capital was increased from HRK 69,000 thousand by HRK 131,000 thousand to HRK 200,000 thousand. The share capital increase was registered at the Commercial Court on 7 October 2014.

15. CAPITAL AND RESERVES (CONTINUED)

(i) At 31 December 2014, the TNG held no treasury shares. Pursuant to the Decision of the TNG's General Shareholders' Assembly of 19 November 2014, Tankerska plovidba d.d. paid HRK 55,000,000 into the other reserves of the TNG on the arrangement involving debt-to-equity swap.

(ii) The translation reserve comprises all exchange differences arisen from the converesion of the financial statements of foreign operations.

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

16. INTEREST BEARING LIABILITIES

Non-current interest bearing liabilities	**USD ‘000**	**HRK ‘000**
Secured bank loans	33,082	208,483
Total	33,082	208,483
Current	(2,929)	(18,457)
Long term	**30,153**	**190,026**

Current interest bearing liabilities	**USD ‘000**	**HRK ‘000**
Current portion of non-curent interest bearing liabilities		
Secured bank loans	2,929	18,457
Total	**2,929**	**18,457**

Terms and conditions for repayment of interest bearing liabilities at 31 December 2014 are as follows:

Thousands of HRK

	Total	**Total**	**Total**	**Total**	**Total**	**Total**	**Total**
Secured bank loans	208,483		18,457		73,829		116,197
At 31 December 2014	**208,483**		**18,457**		**73,829**		**116,197**

Terms and conditions for repayment of interest bearing liabilities at 31 December 2014 are as follows:

Thousands of USD

	Total	**Total**	**Total**	**Total**	**Total**	**Total**	**Total**
Secured bank loans	33,082		2,929		11,715		18,438
At 31 December 2014	**33,082**		**2,929**		**11,715**		**18,438**

15. INTEREST BEARING LOANS AND BORROWINGS

Long-term borrowings are analysed as follows:

Financial institution	Original currency	Loan amount (in thousands)	Annual interest rate, in %	Maturity	At 31 December 2014 USD '000	At 31 December 2014 HRK '000
Commerzbank AG	USD	42,600	LIBOR+1.75%	14.04.2021	33,082	208,483
					33,082	**208,483**
Current portion					(2,929)	(18,457)
Long-term portion					30,153	190,026

In addition to the liabilities of Fontana Shipping Company Limited for the ships "Velebit“ and "Vinjerac“, Teuta Shipping Company Ltd. signed with DVB Bank SE a loan agreement on 24 November 2014, the funds of which will be used to finance a part of the contracted new tanker to be built – Tanker S-5065 TBN Dalmacija. Upon the delivery, Teuta Shipping Company Ltd. will draw the lower of USD 23.1 million and representing 60% of the market value of the new tanker. The loan is repayalbe six years from the tanker delivery and bears interest at the LIBOR rate plus 3.50%. On 31 December 2014, there was no withdrawal of funds of this loan.

16. TRADE AND OTHER PAYABLES

	USD '000	HRK '000
Trade payables	160	1,011
Taxes, contributions and other duties payable	1	6
Other payables	2	15
Total	**163**	**1,032**

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

17. ACCRUED EXPENSES AND DEFERRED INCOME

	USD '000	HRK '000
Accrued loan interests	142	894
Other accrued expenses	1	10
Total	**143**	**904**

18. TRANSACTIONS WITH THE RELATED PARTIES

The TNG has no other related parties except for Tankerska plovidba d.d. Zadar and its subsidiaries and associates. Set out below are transactions carried out during the year between the TNG and Tankerska plovidba d.d., Zadar, and its subsidiaries and associates.

Subsidiaries and key shareholders	**USD '000**	**HRK '000**
Sales to related companies		
Tankerska plovidba d.d. Zadar	1,833	10,537
Total	**1,833**	**10,537**
Purchase from related companies		
Tankerska plovidba d.d. Zadar	114	653
Total	**114**	**653**
Receivables from related companies		
Tankerska plovidba d.d. Zadar	605	3,812
Total	**605**	**3,812**
Corisles Shipping Corporation Limited	139	873
Total received loans to related companies	**139**	**873**

Transactions between related companies are carried out by normal market rates.

18. TRANSACTIONS WITH THE RELATED PARTIES (CONTINUED)

Key management

Key management of the TNG includes executive management which consists of one Member of the Board.

Total amount of compensation to the key management on 31 December amounts to 89,000 HRK (15,000 USD). On 31 December 2014 the members of the Management Board and the Supervisory Board did not own shares of the TNG. The TNG did not have any loans to the members of the Management or Supervisory Board.

19. FINANCIAL INSTRUMENTS

TNG`s activities expose it 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. Exposure to currency, interest rate and credit risk, arises in the ordinary course of Group`s operations.

Risk management policies associated with managing financial resources, may be briefly summarized as follows:

Foreign exchange risk

Foreign exchange risk is the risk of changes of value financial instruments due to change in exchange rate changes. TNG operates internationally and is exposed to changes of US currency as significant amount of receivables and foreign revenues are stated in this currency. Additionally, the TNG has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risks. Current TNG policies do not include active hedging.

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

19. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign exchange risk (continued)

The following table presents the carrying amounts of monetary assets and monetary liabilities denominated in foreign currencies at the end of the reporting period:

	Asstes 2014	**Liabilities 2014**	**Assets - Liabilities 2014**
USD	26,693	210,261	(183,568)

A fluctuation of 10% in the exchange rate for USD on outstanding USD denominated monetary items would not have a material impact on the TNG`s profit.

HRK ‘000	**FX rate impact**	
	+10%	-10%
Gain or (loss)	(18,345)	18,345

19. FINANCIJSKI INSTRUMENTI (nastavak)

Kamatni rizik

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 the 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.

The TNG's interest rate risk arises from long-term borrowings. The TNG is exposed to interest rate risk on its long-term borrowings that bear interest at variable rates (see Note 16).

One year interest cost

tisuće kuna

Current interest cost	Libor rate change	Interest cost (increase) /decrease USD	Interest cost (increase) /decrease HRK
701	1%	(353)	(2,029)
	-1%	353	2,029

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 the 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.

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

19. FINANCIJSKI INSTRUMENTI (nastavak)

Liquidity risk

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. The TNG has significant interest bearing non-current liabilities for loans with variable interest that expose the TNG to the risk of cash flows.

Liquidity tables

The following tables detail the TNG remaining contractual maturity for its non-derivative financial liabilities. The contractual maturity has been defined as the earliest date on which the TNG can be required to pay. Disclosures of non-derivative financial assets and liabilities are necessary for understanding the manner in which the TNG manage their liquidity risk, as it is managed on the basis of net amounts of financial assets and liabilities.

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	After 5 years	Total
ASSETS						
2014						
Interest bearing	-	-	-	-	-	-
Non-interest bearing	1,319	-	-	-	3,812	5,131
TOTAL	**1,319**	**-**	**-**	**-**	**3,812**	**5,131**
LIABILITIES						
2014						
Interest bearing	5,625	-	13,843	73,829	116,197	**209,494**
Non-interest bearing	925	-	-	-	873	**1,798**
TOTAL	**6,550**	**-**	**13,843**	**73,829**	**117,070**	**211,292**
Net liabilities	**(5,231)**	**-**	**(13,843)**	**(73,829)**	**(113,258)**	**(206,161)**

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

19. FINANCIJSKI INSTRUMENTI (nastavak)

Fair value

The fair value estimates of financial assets and financial liabilities determined by the Management Board are set out below, together with the carrying amounts of those instruments from the statement of financial position.

				At 31 December 2014	
		Carrying amount		*Fair value*	
	Notes	**USD '000**	**HRK '000**	**USD '000**	**HRK '000**
Receivables from related companies	18	605	3,812	605	31,812
Prepaid expenses and accrued income	12	209	1,319	209	1,319
Interest-bearing loans and borrowings	15	33,082	208,483	33,082	208,483
Trade and other payables	16	163	1,032	163	1,032
Liabilities to related parties	18	139	873	139	873
Accrued expenses and deferred income	17	143	904	143	904

The fair values of financial assets and financial liabilities are based on prices quoted on the observable market at the balance sheet date. Where the quoted prices are not observable, the TNG estimates fair values based on the publicly available external sources of information or by applying the discounted cash flow method, as appropriate.

The fair values of receivables/payables with a remaining period to maturity less than one year are considered to reflect their fair values. All other balances receivable and payable are discounted to arrive at their fair values.

Capital management

The primary goal of the TNG in managing its capital is to ensure financial support to the operations and maximise the shareholder value. The TNG manages capital by taking into accounts changes in the economic conditions. In order to maintain or adjusts the capital structure, the TNG y may adjust dividend payable to the shareholders, the return on investment or issue new shares.

19. FINANCIAL INSTRUMENTS (continued)

Capital management (continued)

Gearing ratio is presented below:

	USD '000	HRK '000
Total interest-bearing debt (long-term and short-term borrowings) (Note 15)	33,082	208,483
Less: Cash and cash equivalents (Note 13)	3,693	23,273
Net debt	29,389	185,210
Capital and reserves	43,993	277,251
Total equity	**73,382**	**462,461**
Gearing ratio	**40%**	

20. COMMITMENTS AND CONTINGENCIES

Capital commitments

These capital commitments are relating to new building contract for a product tanker with SPP Shipbuilding Co. Ltd. in Korea:

	Date	Amount in Thousands of USD	Amount in Thousands of HRK
Keel laying	21.05.2015	4,000	25,208
Delivery tranche	30.10.2015	20,050	126,357
TOTAL COMMITMENTS FOR NEWBUILDING		**24,050**	**151,565**

On 11 November 2014 capital commitments involving the construction of new ships were reduced by USD 2.00 million, from USD 26.05 million to USD 24.05 million as a result of an instalment paid for sheet cutting.

21. EVENTS AFTER THE BALANCE SHEET DATE

On 5 February 2015, the Initial Public Offering (IPO) of the shares of Tankerska Next Generation d.d. was successfully completed. HRK 208 million were raised from the IPO. A total of 3.2 million shares were subscribed, with a per-share price achieved in the amount of HRK 65. The funds collected have been invested in expanding the fleet with two modern product tankers, as a result of which the number of ships included in the TNG's flee will be increased to 5, with a total capacity of 250,000 DWT.

On 9 February 2015 an increase of the share capital of Tankerska Next Generation d.d. by HRK 160,000,000 from HRK 200,000,000 to HRK 360,000,000 on the issue of new 3,200,000 ordinary no-par value shares (TPNG-R-A) was registered.

After the share capital increase, the share capital of Tankerska Next Generation d.d. amounts to HRK 360,000,000 and consists of 7,200,000 ordinary no-par value shares with a ticker TPNG-R-A.

Tankerska Next Generation d.d. has remained under control of its majority shareholder Tankerska plovidba d.d. holding 55.56 percent of the TNG's shares.

The shares of Tankerska Next Generation d.d. were listed on the Official Market of the Zagreb Stock Exchange on 12 February 2015.

On 17 March 2015 the TNG acquired two entities: York Maritime Holdings VI, LLC, Marshall Islands, and York Maritime Holdings IX, LLC, Marshall Islands, at a price of USD 29,741 thousand. As a result, it acquired construction contracts for two new 50,000 DWT MR Eco Tankers in the South Korean shipyard Hyundai Mipo Dockyard Co., Ltd.

The delivery of the first ship (2491 TBN Vukovar) was done at 29 April 2015, and of the second (2472 TBN Zolio) is expecteda on 20 July 2015.

22. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated and unconsolidated financial statements, set out on pages 4 to 46, were approved by the Management Board and authorised for issue on 30 April 2015

Signed on behalf of the Board, 30 April 2015

John Karavanić,
Management Board