



## TANKERSKA NEXT GENERATION

Božidara Petranovića 4  
23 000 Zadar, Hrvatska

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### TANKERSKA NEXT GENERATION Q2 and H1 2015 UNAUDITED FINANCIAL STATEMENTS

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Zadar (31 July 2015)

#### Key highlights of H1 2015:

- Vessel revenues in the amount of HRK 43 million (USD 6.3 million; USD 14.896 per day per vessel)
- EBITDA in the amount HRK 18.1 million (USD 2.7 million)
- EBIT in the amount of HRK 8.8 million (USD 1.3 million)
- Net profit in the amount of HRK 18.3 million (USD 2.7 million)
- Successfully concluded IPO on the Official Market of the Zagreb Stock Exchange and follow-on offering in total amount of HRK 312 million (USD 46 million)

#### **Comments from the CEO**

„The first six months of 2015 have been a double fold challenging period for TNG's operations, having in mind the need for establishing the company on the one hand and strong management efforts in securing financing for an ambitious capital expenditure plan implementation on the other hand. The beginning of the year was markedly effected by the successful completion of the initial public offering followed by the listing of company shares on the Zagreb's Stock Exchange Official market. With the support of its subscribers Tankerska Next Generation raised USD 31 million which gave strong backwind to our intention of expanding the initial fleet and sizing current market sentiment. Coming from a strong initial public offering and positive feedback on the delivery of initially outlined strategy, TNG visited capital markets for the second offering in Q2 2015 raising an additional USD 15 million. This transaction further strengthens TNG's financial position, while enabling the company's management to promptly react in future strategy delivery and acquisitions. With all together just over USD 46 million raised, we are maintaining our conservative approach and moderate leverage.

Late in the first quarter of 2015 TNG successfully acquired newbuilding contracts for the delivery of two 50,000 dwt eco-designed tankers built in South Korea's Hyundai Mipo, the world's leading shipyard for these types of vessels. The first of two, Vukovar, was delivered to TNG on 29 April and was employed immediately afterwards on a three year time charter with STI Chartering and Trading (Scorpio) at \$17,250 per day. Zoilo, the second of two vessels was delivered in July, while a contract for its employment has been secured for a minimum period of three years with Trafigura at \$17,750 per day. Dalmacija, the third expected ship from the Korean shipyard has employment with Trafigura for USD 17,750 per day.

By completing the aforementioned acquisitions we have fulfilled the goals set prior to the IPO. We have to highlight that the vessel quality, purchase price, timing of operational engagement and the contracted charter rate fully surpassed our initial plans.

Our operating results for the H1 of 2015 are aligned with our expectations. TNG has delivered cumulated H1 USD 43.04 million top line with the EBITDA of USD 18.2 million for the period ending 30 June 2015. Semiannual results have been especially supported

in Q2 by MT Vukovar's revenue contribution, which was delivered in April and employed for two months during the quarter.

TNG has successfully continued to execute the existing strategy and development of the fleet, which now consists of four operational vessels with a total capacity of 200,000 dwt. With funds that we raised through the capital increase in June we successfully completed the acquisition of York Maritime Holdings IV LLC, which has a contract to build a modern eco-design product tanker in SPP, the Korean shipyard. Delivery of this latest acquisition, with the capacity of 50,000 dwt, is expected in the fourth quarter of 2015. After this delivery, the operational fleet of TNG will count six product tankers with a total capacity of 300,000 dwt."

John Karavanić, TNG's CEO



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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

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MBS (registration number) 110046753 Commercial Court in Zadar  
Share capital: 436,667,250.00 HRK paid completely  
Issued shares: 8,733,345 ordinary shares with no par value  
The President of Supervisory Board: Ivica Pijaca  
The Management Board: John Karavanić  
OIB (personal identification number): 30312968003  
VAT identification number: HR30312968003

## Management discussion and analysis of operations

SELECTED FINANCIALS	January - March	April - June	January - June	January - March	April - June	January - June
	2015	2015	2015	2015	2015	2015
	(HRK000)	(HRK000)	(HRK000)	(USD 000)	(USD 000)	(USD 000)
Vessel revenues.....	18,274	24,761	43,035	2,592	3,709	6,301
EBITDA.....	8,886	9,263	18,149	1,261	1,396	2,657
EBIT.....	4,821	3,976	8,797	684	604	1,288
Net income.....	16,833	1,514	18,347	2,387	299	2,686

### Results for the six months ending June 30, 2015

For the six months ending June 30, 2015, the Company's revenues amounted to HRK 43.0 million (USD 6.3 million), EBITDA amounted to HRK 18.1 million (USD 2.7 million), while the net income amounted to HRK 18.3 million. TNG's financial results were additionally supported by the 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. The exchange difference was much more pronounced in the first quarter of 2015.

The vessels' revenues for six months ending June 30, 2015 reached HRK 43 million and are result of time charter contracts for the three operational vessels. Vinjerac and Velebit were chartered out at an average of USD 14.000 per day and USD 14.800 per day, respectively. Vukovar was employed through a time charter at the daily rate of USD 17.250, running through May and June.

The vessels' operating expenses for six months ending June 30, 2015 reached HRK 20.5 million (USD 3.0 million), and are predominately related to the expenses of Velebit and Vinjerac which have been fully operational throughout the period. For TNG 2015 is characterized by ambitious fleet development which burdened six months of 2015 expenditures with the additional costs of HRK 1.8 million (USD 0.3 million) related to the delivery and initial furnishing of Vukovar. Fully normalized results are expected upon delivery of all vessels. The Group expects to take delivery and employ all of its newbuildings by the end of 2015, making Q1 2016 the first fully operational quarter for the fleet. Commissions and voyage related costs were HRK 2.4 million for the six months ending June 30, 2015. This cost is made up of usual commercial and brokerage fees in the relative amount of 3.8%, while the remaining 1.7% relates to the different port, agency, tanks cleaning cost and other small costs associated with voyages.

The depreciation expense for the six months ending June 30, 2015 was HRK 9.4 million (USD 1.4 million), increased in the Q2 by the Vukovar depreciation cost in the amount of HRK 1.2 million. The average number of vessels in operation increased from 2.0 to 2.3 for the six months ending June 30, 2015. TNG expects that the deprecation cost will be increasing with the delivery of new vessels and would reach the expected level with the final delivery.

Interest expenses and finance costs, amounted to HRK 3.3 million (USD 0.5 million) for the six months ending 30 June, 2015. TNG is currently in an investment phase which subsequently increases its debt balance. The debt balance is expected to increase with each new delivery, raising these expenses. TNG is currently in strong investment cycle, which reflects in an increased company's debt. It is expected that the debt balance would increase with every newbuilding delivery, consequently increasing this group of costs. However, the company diversified debt financing sources through arranging credit lines with a number of international banks, allowing

the realization of optimum loan conditions available on the market. However, the Company has diversified its debt source by arranging financing facilities through a number of international banks allowing it to maximize on available market terms and conditions.

General and administrative expenses for the six months ending June 30, 2014 reached HRK 1.4 million (USD 0.2 million). Since the beginning of the year TNG had successfully concluded the initial public offering listing the shares on the Zagreb Stock Exchange and in Q2 had approached the capital market again with a secondary public offering. Raising capital through such transactions and arranging additional loans incurred certain one-off costs, typical for an initial period of operations.

### **Results for the three months ending June 30, 2015**

For the three months ending June 30, 2015, the Company's revenues amounted to HRK 24.8 million (USD 3.7 million), EBITDA amounted to HRK 9.3 million (USD 1.4 million), which is an increase of 4.55% compared to HRK 8.9 million for the three months ending March 30, 2015. The Company's net income amounted to HRK 16.8 million (USD 2.7 million), or HRK 2.3 per share in Q1. Q2's net income amounted to HRK 1.5 million (USD 0.6 million).

The operating profit of the Q2 was HRK 4 million (USD 0,6 mil.) and was lower than in the first quarter due to higher initial costs of furnishing the Vukovar, which was delivered in April.

The vessels' revenues for the three months ending June 30, 2015 reached HRK 24.8 million (USD 3.7 million), an increase of HRK 6.5 million from HRK 18.3 million for the three months ending March 31, 2015. This increase is primarily reflected in the revenue attributable to Vukovar that was chartered out from the beginning of May this year at a daily rate of USD 17,250.

Operations were accompanied by initial costs of furnishing the ship with material, equipment and lubricants, as well as additional funding costs of the acquired vessel, which is reflected in the increased costs of the second quarter of 2015. Fees and voyage associated costs amounted to HRK 1.6 million (USD 0.2 million) in the second quarter of 2015, while in the first quarter of 2015 they amounted to HRK 0.8 million.

The vessels' operating expenses for the three months ending June 30, 2015, amounting to HRK 12.9 million (USD 1.9 million) increased significantly compared to HRK 7.6 million (USD 1.1 million) for the three months ending March 31. The change was driven by the delivery of Vukovar and the associated additional costs of furnishing the vessel, including deck and cabin equipment and lubricant supply, as well as crew salaries during familiarization and different mandatory inspections. Additional costs that are not typical for this three-month period amounted to HRK 1.8 million (USD 0.3 million).

The depreciation expense for the three months ending June 30, 2015 was HRK 5.3 million (USD 0.8 million), higher by the Vukovar depreciation cost in the amount of HRK 1.2 million. The depreciation plan for the current fleet has not been modified, and the increase of HRK 1.2 million (USD 0.2 million) came from a newly added vessel. The average number of vessels in operation increased to 2.7 for the three months ending June 30, 2015, what is 33% above Q1 average of 2.0 vessels. All vessels in operation are depreciated over an estimated useful life of 25 years on a straight line basis to their residual value of USD 410 per lightweight ton.

General and administrative expenses for the three months ending June 30, 2015 were HRK 0.3 million. The decreased costs are a result of higher G&A Q1 costs driven by the one-off costs associated with listing a public company.

## Financial position summary

FINANCIAL POSITION	31 Mar 2015	30 Jun 2015	31 Mar 2015	30 Jun 2015
	(HRK 000)	(HRK 000)	(USD 000)	(HRK 000)
Bank debt.....	228,071	369,056	32,350	54,039
Cash and cash equivalents.....	46,374	118,888	6,578	17,408
Net debt.....	181,697	250,168	25,772	36,631
Capital and reserves.....	524,758	616,188	74,431	90,225
Gearing ratio (*).....	26%	29%	26%	29%

\* Gearing ratio:  $\text{Net debt} / (\text{Capital and reserves} + \text{Net debt})$

The first half of 2015 has been a capital expenditure intensive period for the company, however in line with its ambitious capital expenditures plan and growth strategy. In order to implement its strategy, TNG has successfully turned to capital markets and completed two fund raising processes, an initial public offering together with the listing at Zagreb Stock Exchange and the secondary offering to current shareholders totaling HRK 312 million (USD 46 million). With these two transactions TNG has secured a strong capital base for financing expected vessel acquisitions while maintaining a moderately leveraged capital structure and remaining in line with current ratios. The gearing ratio has slightly increased from 26% to 29%. This level of debt is similar to that in the first quarter due to the fact that similar changes occurred on the basis of a) the capital increase as a result of the secondary public offering and b) engaging the loan for Vukovar. Due to the need to secure additional debt for the vessel delivery, we expect the gearing ratio to reach a higher level, but in accordance with the plans of the Group.

TNG has successfully negotiated and concluded a USD 47.5 million financing facility for its Dalmacija newbuild and Zoilo with a renowned international bank NORD/LB, in the competitive international market. With NORD/LB we have gained strong support for our growth and development, which contributes to diversifying loan arrangements and a stronger financial stability of the company.

Securing both sufficient levels of debt and equity financing, provided strong foundations for delivering company strategy and increasing distributable cash flow, the ability to pay dividends and maximizing shareholder value, while lowering the risk of the business by focusing on medium to long term time charter periods.

## Operational data of the fleet

OPERATIONAL DATA OF THE FLEET	January - March	January - June
	2015	2015
Gross Time Charter rates (USD, per day).....	14,400	14,896
Time Charter Equivalent rates (USD, per day).....	13,756	14,073
Daily vessel operating expenses (USD).....	5,978	7,080
Operating days (number).....	180	423
Revenue days (number).....	180	423
Fleet utilization (%).....	100.0%	100.0%
Average number of vessels in the period.....	2.0	2.3
Number of vessels at period end.....	2.0	2.0

TNG's operating fleet consisting out of Velebit, Vinjerac and Vukovar, had two fully utilized vessels during the first six months of the year employed with Stena Weco. After its delivery, Vukovar has been employed with Scorpio Tankers, as of 01 May 2015.

Average gross daily freight rates in the first half of the 2015 amounted to USD 14,896, while the average daily vessel operating expenses (OPEX) amounted to USD 7,080.

The second quarter of 2015 significantly contributed to the improvement of key operating indicators on the revenue level, as the daily rate of the last modern eco-design vessel of USD 17,250 significantly supersedes the contracts concluded for the conventional MR tankers built in 2011.

Revenue days and operating days increased significantly by the expanding fleet. Employment of the fleet of 100% is due to the fact that the charter parties ran uninterrupted and there were no off hire deductions, characterizing TNG's fleet as highly efficient.

H1 2015 average daily vessel operating expenses of USD 7.080 USD are above USD 5.978 realized in in the first quarter. Unfavorable changes in expenses are a consequence of Vukovar's delivery and the higher additional costs incurred during the delivery that are associated with the initial furnishing of the vessel. These costs include the furnishing the ship's cabins, supplying the deck with required material, the purchase of lubricants, as well as the initial inspections and education expenses and salaries of the crew in the period prior to delivery. The average daily vessel expense adjusted for the initial costs associated with this delivery, which are not typical for the regular operations, amounts to USD 6,302. TNG expects normalized operating expenses to be recorded in the first operating period following the delivery all newbuildings by the end of 2015.

## TNG's current fleet

Current TNG's fleet consists of three MR tankers in operation (Velebit, Vinjerac and Vukovar), one MR tanker which has been delivered on 27 July 2015 (Zoilo) and two tankers which are under construction (Dalmacija and Pag). At the end of the year, by which time we expect that deliveries of all new vessels and commencement of their commercial exploitation will have taken place, the Group will own an operating fleet with a capacity of 300,000 dwt.

Vessel	Capacity (dwt)	Type	Built	Yard	Flag	Employment	Daily rate (USD)
Velebit	52,554	Medium Range Product Tanker	Q2 2011	Treći Maj Brodogradilište d.d.	Croatia	Stena Weco Time Charter	14,000 (until August 2015)
Vinjerac	51,935	Medium Range Product Tanker	Q4 2011	Treći Maj Brodogradilište d.d.	Croatia	Stena Weco Time Charter	14,800 (until April 2016)
Vukovar	50,040	Medium Range Product Tanker (eco design)	Q2 2015	Hyundai Mipo Dockyard Co., Ltd.	Croatia	Scorpio Time Charter	17,250 (until May 2018)
Zoilo	50,020	Medium Range Product Tanker (eco design)	Q3 2015	Hyundai Mipo Dockyard Co., Ltd.	Croatia	Trafigura Time Charter	17,750 (until August 2018)
Hull 5065, Dalmacija	50,300	Medium Range Product Tanker (eco design)	Q4 2015 (expected)	SPP Shipbuilding Co., Ltd.	Croatia	Trafigura Time Charter	17,750 (expected until November 2018)
Hull 5120, Pag	50,300	Medium Range Product Tanker (eco design)	Q4 2015 (expected)	SPP Shipbuilding Co., Ltd.	Croatia	n/a	n/a

*Note: Dalmacija and Pag are scheduled to be delivered in the last quarter of 2015 and all vessels will be under Croatian flag upon their delivery*

## TNG's fleet development in the first half of 2015

During the first quarter the fleet was expanded by acquiring contracts for two newbuild eco-designed MR tankers (Vukovar and Zoilo) from Hyundai Mipo Shipyard, increasing the full fleet to five vessels.

At the end of first half of 2015 TNG's fleet consisted of three MR tankers in operation (Velebit, Vinjerac and Vukovar), and two tankers which were on order and expected to be delivered during H2 this year (Zoilo and Dalmacija).

Vessels Velebit and Vinjerac have been operational since 1 January 2015 at a rate of USD 14,000 and 14,800 per day respectively, while the commercial exploitation of Vukovar started at the beginning of May at the daily rate of USD 17,250. Total capacity of the operational fleet at the end of the first half 2015 amounted to approximately 150,000 tones dwt.

TNG has secured employment for Vukovar, Zoilo and Dalmacija during the second quarter of the year. The vessels will be chartered out to prominent charterers for a minimum period of three years with an additional charterer's option to extend the contract for one year at USD 19,750 for Zoilo and Dalmacija.

**TNG's 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. The Company intends to realize these objectives by pursuing the following:

- Focus on the development of the fleet, and the acquisition and management of vessels in the product tanker segment, focusing on product tankers of medium capacity, which are the main labor force in the petroleum derivatives market. MR tankers are flexible because they are small enough that they can access a wide range of ports, and because of this flexibility and the possibility of handling the most common quantities of cargo, are popular with charterers.
- Maintain superior customer service by maintaining high standards of reliability, safety, environmental and quality
- Timely procure modern used and/or re-sale tankers and/or reasonably arrange the newbuildings and timely sell vessels in line with market conditions
- Increase cash flow and profitability by outsourcing most of the management functions to a fleet manager. Management believes that the agreement with an external management will improve the measurability and cost competitiveness of business because it will allow the TNG to expand its fleet without realizing significant additional overheads
- Maintain a strong balance sheet through moderate debt in a way to try to finance future purchases of with approximately 35-45% of equity capital. This would facilitate the possibility of using a substantial part of the cash flow to pay dividends, but also improve conditions in the market as banks, shipyards and outsourcers prefer better capitalized Contracting Parties
- Employment of the fleet in the long-term shipping contracts on time in order to maintain the predictability of revenue. However, if the market create favorable conditions, management may decide to hire ships to shipping contracts on a journey and thus further enhance the company's cash flow



## **Key Events in the H1 2015**

### ***Secondary shares offering (Q2)***

Swift and efficient new capital rising in the amount of HRK 104 million (approx. USD 15.3 million) for funding fleet development was completed on 11 June, in order to size supportive market circumstances as they might arise. With the share capital increase, the Company gets to reinforce its financial standings with all presumptions to expand its fleet to 6 vessels amounting approximately 300,000 dwt. The shareholders have recognized and supported this investment opportunity by subscribing slightly over 1.5 million new shares. Increase of share capital and amendments of the Articles of Association have been carried out with the Decision of the Commercial Court in Zadar, as of 11 June 2015. The Company's share capital was increased to just over HRK 436 million.

### ***Time Charter contracts for Zoilo and Dalmacija (Q2)***

TNG contracted vessels Zoilo and Dalmacija (first recently delivered and later with expected delivery in Q4 2015), both on a three year time charter with Trafigura with the daily rate of USD 17,750 starting from delivery dates. Charterers have an option to extend both time charters for additional 12 months at USD 19,750 per day.

### ***Delivery and the begining of commercial exploitation of Vukovar (Q2)***

TNG took delivery of m/t Vukovar on 29 April 2015 from Hyundai Mipo Dockyard Co., Ltd., South Korea shipyard after which it began its commercial exploitation. TNG contracted the vessel on a three year time charter with Scorpio with the daily rate of USD 17,250.

### ***Acquisition of York Maritime Holdings IX LLC and York Maritime Holdings VI LCC (Q1)***

On 17 March 2015, using the proceeds from the Initial Public Offering the Group acquired two companies, York Maritime Holdings IX LLC and York Maritime Holdings VI LLC. Both of the companies are in possession of a contract for the construction of a 50,000 dwt eco-designed product tanker in the Korean Hyundai Mipo Shipyard.

The first vessel, Vukovar, was delivered on 29 April 2015 while the second Zoilo was delivered on 27 July 2015.

### ***Initial Public Offering (Q1)***

On 5 February 2015 Tankerska Next Generation Inc. has successfully completed its HRK 208 million (approximately USD 31 million) Initial Public Offering (IPO) through the sale of 3.2 million shares at a price of HRK 65.00 per share. The proceeds from the Offering have been fully paid into the 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 million for the amount of HRK 160 million to the amount of HRK 360 million while HRK 48 million 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 million to 7.2 million. All of the Company's TPNG-R-A shares have been listed on the Official Market of the Zagreb Stock Exchange on 12 February, 2015.

As of 30 June 2015, the Company did not own any treasury shares.

**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.

Vessels are managed by Tankerska plovidba under the terms of the Management agreement which has been in place since 1 January 2015. Due to Tankerska plovidba's long track record of high quality tanker management under competitive terms and due to its good reputation on the market, the Management agreement with Tankerska plovidba is expected to provide significant benefits to TNG. Under the terms of the Management agreement Tankerska plovidba provides commercial, crewing, technical, and certain administrative and corporate services in exchange for management services fees.

TNG has entered into a non-competition agreement with Tankerska plovidba which also came into force on 1 January 2015. TNG and Tankerska plovidba have agreed that neither Tankerska plovidba nor any of its affiliates (other than TNG and its affiliates) will own, lease, commercially operate or charter any MR product tanker.

**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 the Group acquired Fontana (which owns the vessels Velebit and Vinjerac) and Teuta (holding a binding contract for the newbuild Dalmacija)
- On 24 November loan agreement signed 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 million via the sale of 3.2 million shares at a price of HRK 65.00 per share
- On 12 February 2015 all of Company's 7.2 million shares have been admitted for trading on the Official Market of Zagreb Stock Exchange under the ticker TPNG-R-A
- On 17 March 2015 the Group acquired two newbuilds contracts for the construction of 50,000 dwt eco-designed product tankers from the Hyundai Mipo in South Korea (Vukovar and Zoilo) with the funds raised through the IPO
- On 29 April 2015 Vukovar was delivered from Hyundai Mipo
- On 11 June 2015 the Company successfully completed follow-on offering (SPO) to institutional investors through which it raised HRK 104 million via the issue of slightly over 1.5 million new shares at a price of HRK 68.00 per share
- On 27 July 2015 Zoilo was delivered from Hyundai Mipo
- On 30 July 2015 the Group acquired newbuild contract for the construction of 50,000 dwt eco-designed product tanker from the SPP in South Korea (Pag) with the funds raised through the SPO

## Structure of TNG Group as of 30 June 2015

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%
York Maritime Holdings IX LLC	Marshall Islands	Tankerska Next Generation International Ltd	100%	100%
York Maritime Holdings VI LLC	Marshall Islands	Tankerska Next Generation International Ltd	100%	100%

## Contracts with Tankerska plovidba

As of 1 January 2015 the Management agreement and Non-Competition Agreement have commenced. More information on the scope and contents of contracts can be found in Company's Prospectus dated 8 December 2014 which is publically available on TNG's website ([www.tng.hr](http://www.tng.hr)).

### **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. The Management Agreement shall continue until the 31 December 2020. Management Board believes that the Group will greatly benefit from the relationship with Tankerska as it is a vastly experienced and highly reputable tanker operator which can offer premium services at favorable rates.

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

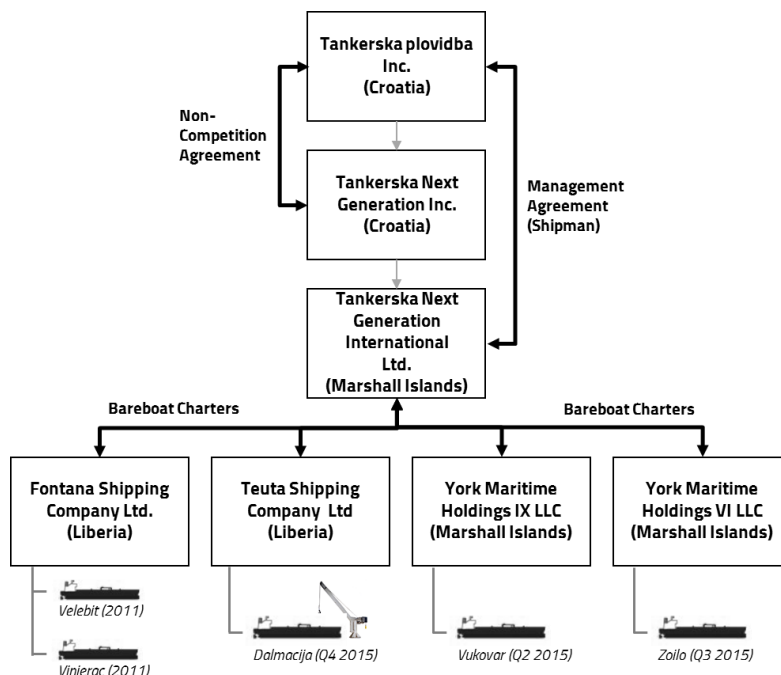
- *Commercial management services fee.* TNGI pays a fee to the Fleet Manager for commercial services it provides to the Group equal to 1.5% of the gross vessel revenues
- *Bunkering.* All bunkering arrangements will be charged at USD 1.00 per metric ton. Any cost directly or indirectly incurred in the process of providing the bunkering services (including but not limited to agency costs, bunker samples analysis, bunker surveys, etc.) will be off-budget and charged to TNGI as contingency costs
- *Ship management services fee.* TNGI pays a fee to the Fleet Manager for the ship management services. The fee is related to Moore Stephens' publication which provides an average daily expense for each type of vessel. The fee TNGI pays to the Fleet Manager is equal to 67% of the management fee published in Moore Stephens' latest OpCost for Handysize Product Tankers and amounts to USD 503 daily for 2014 or pro-rata on daily basis for the part of a month.
- *S&P fee.* In the event of a definitive agreement for the direct purchase, acquisition, sale or disposition of any vessels entered into by or on behalf of the Group or its affiliates or their owners, the Fleet Manager shall be entitled to a fee in the amount of 1% of the aggregate consideration

**Non-Competition Agreement**

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

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

**Overview of related party transactions as of 30 June 2015**



**Significant contracts**

**Commerzbank AG**

Fontana Shipping Company Ltd. ("Fontana") has signed on 11 April 2011 a Credit Facility agreement with Commerzbank AG for a loan which had partly financed Velebit and Vinjerac.

The outstanding term loan at the end of the first half of 2015 amounted to USD 31.6 million and is repayable in 23 consecutive quarterly installments of approximately USD 0.7 million each, together with a balloon payment of USD 14 million payable together with the last installment.

**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. 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 partly financing of vessel Vukovar, owned by York Maritime Holdings IX LLC ("York IX"). All other terms and conditions to the Credit Facility remained unchanged.

York IX used USD 22.4 million of the Credit Facility for the delivery tranche of Vukovar. The outstanding term loan at the end of the first half of 2015 amounted to USD 22.4 million and is repayable in 24 consecutive quarterly installments of

approximately USD 0.4 million each, based on 14 years full payout profile and balloon payment payable together with a balloon payment of USD 13.2 million payable together with the last installment so as to cover the total outstanding amount.

#### ***Newbuild contract with SPP***

TNG's wholly owned subsidiary Teuta 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. On 30 June 2015 the outstanding instalment under the contract includes delivery tranche in the amount of USD 20.05 million.

#### ***New build contract with Hyundai Mipo***

Contracts for with South Korean shipyard Hyundai Mipo Dockyard Co., Ltd. for the construction of two MR tankers, Vukovar and Zoilo were executed in April and July 2015. The delivery of Vukovar was on 29 April 2015 and Zoilo on 27 July 2015. Outstanding installments have been settled in parallel with the delivery.

#### **Current chartering strategy**

The Group has currently five Time Charter contracts. All the Group's time charter contracts have been signed in line with usual market practice and have been based on standard industry terms for such contracts. Charterers have a +/- 30 day option on vessels for redelivery at the end of the time charter.

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

#### ***Velebit and Vinjerac***

As of 1 January 2015 the vessels Velebit and Vinjerac continued to furnish time charter contracts with Stena Weco and TNGI has become the contracting party with Stena Weco. 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.

#### ***Vukovar***

TNG took delivery of Vukovar on 29 April 2015 from Hyundai Mipo Dockyard Co., Ltd., South Korea shipyard after which it begun its commercial exploitation on a three year time charter (from 1 May onwards). The current charter rate for Vukovar is USD 17,250 per day with the earliest contract termination in May 2018. The charterer is STI Chartering and Trading Ltd ("Scorpio").

#### ***Zoilo and Dalmacija***

TNG contracted vessels Zoilo and Dalmacija (first recently delivered and later with expected delivery in Q4 2015), both on a three year time charter with the daily rate of USD 17,750, starting from delivery dates. The charterer is Trafigura Maritime Logistics PTE. Ltd. („Trafigura“) which have an option to extend both time charters for additional 12 months at USD 19,750 per day.

**Tankerska Next Generation d.d.**  
**INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME**  
*unaudited*

INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME FOR H1 2015 <i>unaudited</i>	January - March 2015 (HRK 000)	April - June 2015 (HRK 000)	January - June 2015 (HRK 000)	January - March 2015 (USD 000)	April - June 2015 (USD 000)	January - June 2015 (USD 000)
Vessel revenues.....	18,274	24,761	43,035	2,592	3,709	6,301
Other revenues.....	136	70	206	19	11	30
<b>Sales revenues</b>	<b>18,410</b>	<b>24,831</b>	<b>43,241</b>	<b>2,611</b>	<b>3,720</b>	<b>6,331</b>
Commission and voyage related costs.....	(821)	(1,555)	(2,376)	(116)	(232)	(348)
Vessel operating expenses.....	(7,586)	(12,867)	(20,453)	(1,076)	(1,919)	(2,995)
Drydocking, special and intermediate surveys.....	-	-	-	-	-	-
General and administrative .....	(1,117)	(296)	(1,413)	(158)	(49)	(207)
Newbuildings expenses.....	-	(850)	(850)	-	(124)	(124)
<b>Total operating expenses</b>	<b>(9,524)</b>	<b>(15,568)</b>	<b>(25,092)</b>	<b>(1,350)</b>	<b>(2,324)</b>	<b>(3,674)</b>
<b>EBITDA</b>	<b>8,886</b>	<b>9,263</b>	<b>18,149</b>	<b>1,261</b>	<b>1,396</b>	<b>2,657</b>
Depreciation and amortization.....	(4,065)	(5,287)	(9,352)	(577)	(792)	(1,369)
Vessel impairment .....	-	-	-	-	-	-
<b>Operating profit (EBIT)</b>	<b>4,821</b>	<b>3,976</b>	<b>8,797</b>	<b>684</b>	<b>604</b>	<b>1,288</b>
Net interest expenses.....	(1,140)	(2,129)	(3,269)	(162)	(317)	(479)
Net foreign exchange gains (losses).....	13,152	(333)	12,819	1,865	12	1,877
Tonnage Tax.....	-	-	-	-	-	-
<b>Net income</b>	<b>16,833</b>	<b>1,514</b>	<b>18,347</b>	<b>2,387</b>	<b>299</b>	<b>2,686</b>
Other comprehensive income.....	29,011	(13,539)	15,472	4,115	(1,849)	2,266
<b>Total comprehensive income</b>	<b>45,844</b>	<b>(12,025)</b>	<b>33,819</b>	<b>6,502</b>	<b>(1,550)</b>	<b>4,952</b>
Weighted average number of shares outstanding, basic & diluted (thou.)	7,200		7,421	7,200		7,421
Net income (loss) per share, basic & diluted	2.34		2.47	0.33		0.36

**Key comments:**

- Daily revenues per vessel for the two operating vessels of USD 14.896
- Commission and voyage related costs amounted to 5.5% of total vessel revenues
- Daily vessel operating expenses (OPEX) of USD 7.080, which includes the ship management services fee in the amount of USD 503 (HRK per vessel per day payable to Tankerska plovidba)
- G&A cost amounted to HRK 1.4 million (USD 207 thousand), of which HRK 409 thousand (USD 59 thousand) related to costs associated with the IPO which were accounted through the Profit and Loss statement (travelling, marketing and other costs)
- Foreign exchange 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
- Newbuildings expenses are related to the costs of undelivered newbuildings Zoilo and Dalmacija and include bank services costs, crew cost and other expenses of newbuildings prior to their delivery

The financial statements expressed HRK have been converted from USD amounts by applying the mid foreign exchange rate published by the Croatian National Bank and valid on the date of reporting (30 June 2015; 1 USD = 6.829423 HRK).

**Tankerska Next Generation d.d.**  
**BALANCE SHEET**  
*unaudited*

<b>BALANCE SHEET</b>	<b>31 Mar 2015</b>	<b>30 Jun 2015</b>	<b>31 Mar 2015</b>	<b>30 Jun 2015</b>
<b>At the date of 30 June 2015</b>	<b>(HRK000)</b>	<b>(HRK000)</b>	<b>(USD 000)</b>	<b>(HRK000)</b>
<i>unaudited</i>				
<b>Non-Current Assets</b>	<b>720,537</b>	<b>873,030</b>	<b>102,200</b>	<b>127,834</b>
Vessels (1).....	407,835	640,937	57,847	93,850
Vessels under construction (2).....	312,702	232,073	44,353	33,981
Other Non-Current Assets.....	-	20	-	3
<b>Current Assets</b>	<b>48,287</b>	<b>123,054</b>	<b>6,849</b>	<b>18,018</b>
Inventory.....	1,628	3,434	231	503
Accounts receivable.....	242	542	34	79
Cash and cash equivalents.....	46,375	118,889	6,578	17,409
Other current assets.....	42	189	6	27
<b>Total Assets</b>	<b>768,824</b>	<b>996,084</b>	<b>109,049</b>	<b>145,852</b>
<b>Shareholders Equity</b>	<b>524,758</b>	<b>616,188</b>	<b>74,431</b>	<b>90,225</b>
Share capital.....	360,000	436,667	51,062	63,939
Reserves.....	136,037	149,287	19,295	21,859
Retained earnings.....	28,721	30,234	4,074	4,427
<b>Non-Current Liabilities</b>	<b>212,585</b>	<b>353,421</b>	<b>30,153</b>	<b>51,750</b>
Bank debt (3).....	212,585	353,421	30,153	51,750
<b>Current Liabilities</b>	<b>31,481</b>	<b>26,475</b>	<b>4,466</b>	<b>3,877</b>
Bank debt (3).....	15,486	15,635	2,197	2,289
Accounts payable.....	1,896	2,313	269	339
Other current liabilities.....	14,099	8,527	2,000	1,249
<b>Total Liabilities and Shareholders Equity</b>	<b>768,824</b>	<b>996,084</b>	<b>109,050</b>	<b>145,852</b>

(1) Operating vessels m/t Velebit and m/t Vinjerac and m/t Vukovar

(2) Vessels under construction relate to the newbuild m/t Dalmacija and m/t Zoilo,

(3) Outstanding loan amount with Commerzbank AG (Fontana Shipping Company Ltd as debtor) and DVB (York Maritime Holdings IX LLC)

**Tankerska Next Generation d.d.**  
**CASH FLOW STATEMENT**  
*unaudited*

<b>CASH FLOW STATEMENT</b>	<b>January - March</b>	<b>January - June</b>	<b>January - March</b>	<b>January-June</b>
<b>FOR H1 2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>
<b>unaudited</b>	<b>(HRK000)</b>	<b>(HRK000)</b>	<b>(USD 000)</b>	<b>(USD 000)</b>
Profit before tax.....	16,833	18,347	2,388	2,686
Depreciation and Amortisation.....	4,065	9,352	577	1,369
Changes in working capital.....	13,990	(879)	1,984	(129)
Other .....	-	-	-	-
<b>Cash flow from operating activities</b>	<b>34,888</b>	<b>26,820</b>	<b>4,949</b>	<b>3,926</b>
Cash inflows from investing activities.....	-	-	-	-
Cash outflows from investing activities.....	(209,856)	(381,398)	(29,766)	(55,846)
<b>Cash flow from investing activities</b>	<b>(209,856)</b>	<b>(381,398)</b>	<b>(29,766)</b>	<b>(55,846)</b>
Cash inflows from financing activities.....	203,230	461,614	28,826	67,592
Cash outflows from financing activities.....	(5,161)	(11,421)	(732)	(1,672)
<b>Cash flow from financing activities</b>	<b>198,069</b>	<b>450,193</b>	<b>28,094</b>	<b>65,920</b>
Net changes in cash	23,101	95,615	3,277	14,000
Cash and cash equivalents (beginning of period)	23,273	23,273	3,301	3,408
<b>Cash and cash equivalents (end of period)</b>	<b>46,374</b>	<b>118,888</b>	<b>6,578</b>	<b>17,408</b>



**Tankerska Next Generation d.d.**  
**STATEMENT OF CHANGES IN EQUITY**  
**Unaudited**

<b>STATEMENT OF CHANGES IN EQUITY</b> <i>unaudited</i>	<b>Share capital</b>	<b>Retained Earnings</b>	<b>Foreign exchange translation reserves</b>	<b>Other reserves and comprehensive income</b>	<b>Total</b>
<b>For the period from 1 Jan to 31 Mar 2015</b>	<i>HRK000</i>	<i>HRK000</i>	<i>HRK000</i>	<i>HRK000</i>	<i>HRK000</i>
<b>Balance at 1 January 2015</b>	<b>200,000</b>	<b>11,888</b>	<b>55,000</b>	<b>10,363</b>	<b>277,251</b>
Net profit for the period		16,833			16,833
Change in capital	160,000				160,000
Change in other reserves			41,663		41,663
Changes in other comprehensive income				29,011	29,011
<b>Balance at 31 March 2015</b>	<b>360,000</b>	<b>28,721</b>	<b>96,663</b>	<b>39,374</b>	<b>524,758</b>
<b>For the period from 1 Apr to 30 Jun 2015</b>	<i>HRK000</i>	<i>HRK000</i>	<i>HRK000</i>	<i>HRK000</i>	<i>HRK000</i>
<b>Balance at 31 March 2015</b>	<b>360,000</b>	<b>28,721</b>	<b>96,663</b>	<b>39,374</b>	<b>524,758</b>
Net profit for the period		1,514			1,514
Change in capital	76,667				76,667
Change in other reserves			26,788		26,788
Changes in other comprehensive income				(13,539)	(13,539)
<b>Balance at 30 June 2015</b>	<b>436,667</b>	<b>30,235</b>	<b>123,451</b>	<b>25,835</b>	<b>616,188</b>
<b>For the period from 1 Jan to 31 Mar 2015</b>	<i>USD000</i>	<i>USD000</i>	<i>USD000</i>	<i>USD000</i>	<i>USD000</i>
<b>Balance at 1 January 2015</b>	<b>33,556</b>	<b>1,886</b>	<b>8,971</b>	<b>(420)</b>	<b>43,993</b>
Net profit for the period		2,388			2,388
Change in capital	23,712				23,712
Change in other reserves			6,174		6,174
Changes in other comprehensive income				(1,836)	(1,836)
<b>Balance at 31 March 2015</b>	<b>57,268</b>	<b>4,274</b>	<b>15,145</b>	<b>(2,256)</b>	<b>74,431</b>
<b>For the period from 1 Jan to 31 Mar 2015</b>	<i>USD000</i>	<i>USD000</i>	<i>USD000</i>	<i>USD000</i>	<i>USD000</i>
<b>Balance at 31 March 2015</b>	<b>57,268</b>	<b>4,274</b>	<b>15,145</b>	<b>(2,256)</b>	<b>74,431</b>
Net profit for the period		222			222
Change in capital					-
Change in other reserves	11,466		4,006		15,472
Changes in other comprehensive income				100	100
<b>Balance at 30 June 2015</b>	<b>68,734</b>	<b>4,496</b>	<b>19,151</b>	<b>(2,156)</b>	<b>90,225</b>

**Tankerska Next Generation d.d.**  
**NET ASSET VALUE CALCULATION**  
*estimate*

Net asset value calculation <i>estimate</i>	At the date of 31.3.2015 (USD 000)	At the date of 30.6.2015 (USD 000)
Value of the operating fleet .....	57,990	97,500
Deposits / Newbuildings value.....	44,353	33,981
Contracted vessels profit (loss).....	-	-
<b>Total fleet value</b>	<b>102,343</b>	<b>131,481</b>
Investments.....	-	-
Other non-current assets (excl. Intangibles and goodwill).....	3	3
Current assets.....	271	609
<b>Total value of other assets</b>	<b>274</b>	<b>612</b>
Cash and cash equivalents.....	6,578	17,409
Bank debt .....	(32,350)	(54,039)
<b>Net debt</b>	<b>(25,772)</b>	<b>(36,630)</b>
Other non-current liabilities.....	-	-
Current liabilities.....	(2,269)	(1,588)
Non-controlling interest.....	-	-
<b>Total value of other liabilities</b>	<b>(2,269)</b>	<b>(1,588)</b>
<b>Net asset value</b>	<b>74,576</b>	<b>93,875</b>
Number of shares outstanding, at the end of the period	7,200,000	8,733,345
Net asset value per share (USD)	10.36	10.75

**Key Comments**

- The value of the operating fleet has been based on current industry mid-range bid values for such type of vessels (Velebit and Vinjerac have been valued at USD 29.5 million and Vukovar at USD 38.5 million)
- The value of newbuilds have been based on purchase price (recognized balance sheet amounts)
- Other inputs are based at their net book values

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**Key events after the Balance Sheet date*****Delivery and start of commercial exploitation of the new vessel (Time charter)***

TNG took delivery of the second newbuild m/t Zoilo on 27 July 2015 in Hyundai Mipo Dockyard Co., Ltd., South Korea shipyard after which it will begin its commercial exploitation. TNG contracted the vessel on a three year time charter with Trafigura, with the daily rate of USD 17,750.

***Acquisition of York Maritime Holdings IV, LLC***

On 29 July 2015 the Group acquired York Maritime Holdings IV LLC, which is in possession of a contract for the construction of a 50,000 dwt eco-designed product tanker in the Korean SPP Shipbuilding Co., Ltd. The acquisition was financed from the proceeds raised in the Secondary shares offering. The vessel (m/t Pag) is expected to be delivered in Q4 2015.

***Conclusion of the USD 47.45 million loan facility with NORD/LB***

York Maritime Holdings VI LLC ("YORK VI") and Teuta Shipping Company Ltd. ("Teuta") have signed on 17 July 2015 a Credit Facility agreement with NORD/LB for a loan which will partly finance vessels Zoilo and newbuild Dalmacija contracted in the South Korean shipyards.

The loan tenor is six years after the delivery of the vessels and was concluded with competitive market conditions for ship financing. It will be repaid in 24 consecutive quarterly installments of 0.4 million each, based on a 15 year repayment profile and a balloon repayment of the remaining balance bringing the outstanding balance to zero and which is due together with the final installment.

York VI used this Credit Facility to settle the delivery tranche of Zoilo, prior the delivery that was on July 27 2015.

## Announcements in 2015

30 July	Newbuilding contract acquired
27 July	M/t Zoilo delivery and commercial exploitation
27 July	Loan Agreement with NORD/LB signed
8 July	Invitation to the General Assembly
23 June	MT Dalmacija's medium term time charter employment secured
19 June	Notification of major holdings
12 June	Complete share capital increase
11 June	Equity increase notice
8 June	Increase of share capital of the Company
2 June	Announcement of the Meetings
29 May	Invitation to Submit Indication of Interest for New ordinary shares
26 May	Eco designed mt Zoilo medium term time charter employment secured
30 April	Code of Corporate Governance Questionnaire for 2014
27 April	M/t Vukovar - vessel delivery and medium term time charter employment
21 April	The management has recruited a Chief Financial Officer
17 March	Notification on results of stabilization of financial instrument-TPNG-R-A
16 March	Agreed cooperation in conducting specialist's activities
13 March	Announces the acquisition of two newbuilds contracts
12 March	Managing Board member mandate prolongation
12 Feb	Stabilization notice
10 Feb	TPNG-R-A Listing resolution
10 Feb	Equity increase notice

## Tankerska Next Generation Inc. - shareholder structure by numbers of shares

Shareholder	No. of shares	No. of shares	No. of shares	Share (in %)	Share (in %)	Share (in %)
	31.12.2014	31.3.2015	30.6.2015	31.12.2014	31.3.2015	30.6.2015
Tankerska plovidba d.d.	4,000,000	4,000,000	4,454,994	100.00%	55.56%	51.01%
PBZ Croatia Osiguranje OMF	n/p	568,000	838,000	n/p	7.89%	9.60%
Erste Plavi OMF	n/p	530,000	808,000	n/p	7.36%	9.25%
Raiffeisen OMF	n/p	460,386	750,636	n/p	6.39%	8.60%
Croatia Osiguranje d.d.	n/p	240,769	292,239	n/p	3.34%	3.35%
Other institutional and private investors	n/p	1,400,845	1,589,476	n/p	19.46%	18.20%
<b>Total</b>	<b>4,000,000</b>	<b>7,200,000</b>	<b>8,733,345</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

The Management Board, with the consent of the Supervisory Board, and based on the Decision to increase the share capital, determined the exact number of new shares increasing the share capital by issuing 1,533,345 new dematerialized ordinary registered shares, without par value, at a price of 68.00 HRK per share. Increase of share capital and amendments of the Articles of Association have been carried out with the Decision of the Commercial Court in Zadar, as of 11 June 2015. The Company's share capital was increased from HRK 360,000,000.00 by the amount of HRK 76,667,250.00 and equals to HRK 436,667,250.00, divided into 8,733,345 ordinary dematerialized registered shares, without par value.

**TANKERSKA NEXT GENERATION Inc.**

**INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY UNTIL 30  
JUNE 2015  
(UNAUDITED)**

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- I. Report of the Management Board on the Company's operations for the period from 1 January until 30 June, 2015
- II. Unaudited condensed quarterly financial statements
  - Balance Sheet per as at 30 June, 2015
  - Profit and Loss Account for the period from 1 January until 30 June , 2015
  - Cash Flow Statement for the period from 1 January until 30 June , 2015
  - Statement of Changes in Equity for the period from 1 January until 30 June, 2015
  - Notes to the Financial Statements
- III. Statement of Responsibility for the Financial Statements

**I. REPORT OF THE MANAGEMENT BOARD ON THE COMPANY'S OPERATIONS FOR THE PERIOD FROM 1 JANUARY UNTIL 30 JUNE 2015**

During the reporting period the Company reported HRK 43.2 million of operating revenues, attributed in total to revenue generated from sales.

In the same period, the Company reported HRK 34.4 million of operating costs. The majority of operating expenses are comprised of staff costs HRK 10.9 million, material costs HRK 10.8 million, depreciation in the amount of HRK 9.3 million and also other expenses in the amount of HRK 3.4 million.

In the period ending 30 June 2015 reported financial income amounted to HRK 12.8 million while financial expenses amounted to HRK 3.3 million.

The Company reported HRK 18.3 million of net profit in the reporting period.

Company's share capital, amounting to HRK 436.7 million has been divided into 8.7 million approved, issued and fully paid ordinary shares with no par value. As at 30 June, 2015 the Company had no treasury shares.

As at 30 June, 2015 the Company owned following subsidiaries abroad:

1. Tankerska Next Generation International Ltd., Majuro, Marshall Islands;
2. Fontana Shipping Company Limited, Monrovia, Liberia;
3. Teuta Shipping Company Ltd., Monrovia, Liberia;
4. York Maritime Holdings VI, LLC, Majuro, Marshall Islands;
5. York Maritime Holdings IX, LLC, Majuro, Marshall Islands.

Herein below are some of the most significant data from the Financial Statements for the period:

Description	Period
	1 Jan - 30 June 2015
Total revenues.....	56,084,554 kn
Operating revenues / Total revenues.....	76%
Other revenues / Total revenues.....	1%
International market / Total revenues.....	76%
Domestic market / Total revenues.....	0%
Material costs / Operating expenses.....	31%
Employee costs / Operating expenses.....	32%
Financial expenses / Total Expenses.....	9%
Gross margin.....	42.92 kn
Accounting profit.....	18,346,656 kn
Operating profit (EBIT).....	8,796,727 kn

**II. UNAUDITED CONDENSED QUARTERLY FINANCIAL STATEMENTS**

**Attachment 1.**  
Reporting period:  to

**Quarterly financial statement of the entrepreneur TFI-POD**

Tax Number (MB):

Company registration number (MBS):

Personal identification number (OIB):

Issuing company:

Postal code and place:

Street and house number:

E-mail address:

Internet address:

Municipality/city code and name:

County code and name:   Number of employees (year end)

Consolidated report:  NKD code:

Companies of the consolidation subject (according to IFRS):      Seat:      MB:


Bookkeeping service:

Contact person:   
(input only surname and name of contact person)

Telephone:       Telefax:

E-mail address:

Family name and name:   
(person authorized to represent the company)

**Documents to be published:**

1. Financial reports (balance sheet, profit and loss account, cash-flow statement, statement of changes in equity and notes to financial reports)
2. Interim management report,
3. Statement form persons responsible for preparation of reports

M.P.      \_\_\_\_\_  
(signature of the person authorized to represent the company)



## BALANCE SHEET

as at 30.06.2015.

Company: 30312968003; TANKERSKA NEXT GENERATION D.D.			
Position	AOP code	Previous year (net)	Current year (net)
1	2	3	4
<b>A) RECEIVABLES FOR SUBSCRIBED AND NON - PAID CAPITAL</b>	<b>001</b>	0	0
<b>B) LONG - TERM ASSETS (003+010+020+029+033)</b>	<b>002</b>	460.139.311	873.030.453
I. INTANGIBLE ASSETS (004 to 009)	<b>003</b>	0	0
1. Assets development	<b>004</b>	0	0
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	<b>005</b>	0	0
3. Goodwill	<b>006</b>	0	0
4. Prepayments for purchase of intangible assets	<b>007</b>	0	0
5. Intangible assets in preparation	<b>008</b>	0	0
6. Other intangible assets	<b>009</b>	0	0
II. TANGIBLE ASSETS (011 to 019)	<b>010</b>	460.139.311	873.030.453
1. Land	<b>011</b>	0	0
2. Buildings	<b>012</b>	0	0
3. Plant and equipment	<b>013</b>	368.190.814	640.937.306
4. Instruments, plant inventories and transportation assets	<b>014</b>	0	19.822
5. Biological assets	<b>015</b>	0	0
6. Prepayments for tangible assets	<b>016</b>	0	0
7. Tangible assets in preparation	<b>017</b>	91.948.497	232.073.325
8. Other material assets	<b>018</b>	0	0
9. Investment in buildings	<b>019</b>	0	0
III. LONG-TERM FINANCIAL ASSETS (021 to 028)	<b>020</b>	0	0
1. Shares (stocks) in related parties	<b>021</b>	0	0
2. Loans given to related parties	<b>022</b>	0	0
3. Participating interests (shares)	<b>023</b>	0	0
4. Loans to entrepreneurs in whom the entity hold participating interests	<b>024</b>	0	0
5. Investment in securities	<b>025</b>	0	0
6. Loans, deposits and similar assets	<b>026</b>	0	0
7. Other long - term financial assets	<b>027</b>	0	0
8. Investments accounted by equity method	<b>028</b>	0	0
IV. RECEIVABLES (030 to 032)	<b>029</b>	0	0
1. Receivables from related parties	<b>030</b>	0	0
2. Receivables based on trade loans	<b>031</b>	0	0
3. Other receivables	<b>032</b>	0	0
V. DEFERRED TAX ASSETS	<b>033</b>	0	0
<b>C) SHORT- TERM ASSETS (035+043+050+058)</b>	<b>034</b>	27.084.616	122.865.023
I. INVENTORIES (036 to 042)	<b>035</b>	0	3.433.692
1. Raw material	<b>036</b>	0	3.433.692
2. Work in progress	<b>037</b>	0	0
3. Finished goods	<b>038</b>	0	0
4. Merchandise	<b>039</b>	0	0
5. Prepayments for inventories	<b>040</b>	0	0
6. Long - term assets held for sale	<b>041</b>	0	0
7. Biological assets	<b>042</b>	0	0
II. RECEIVABLES (044 to 049)	<b>043</b>	3.811.514	542.212
1. Receivables from related parties	<b>044</b>	3.811.514	0
2. Accounts receivable	<b>045</b>	0	0
3. Receivables from participating entrepreneurs	<b>046</b>	0	0
4. Receivables from employees and shareholders	<b>047</b>	0	24
5. Receivables from government and other institutions	<b>048</b>	0	542.188
6. Other receivables	<b>049</b>	0	0
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	<b>050</b>	0	0
1. Shares (stocks) in related parties	<b>051</b>	0	0
2. Loans given to related parties	<b>052</b>	0	0
3. Participating interests (shares)	<b>053</b>	0	0
4. Loans to entrepreneurs in whom the entity hold participating interests	<b>054</b>	0	0
5. Investment in securities	<b>055</b>	0	0
6. Loans, deposits and similar assets	<b>056</b>	0	0
7. Other financial assets	<b>057</b>	0	0
IV. CASH AT BANK AND IN CASHIER	<b>058</b>	23.273.102	118.889.119
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>059</b>	1.318.892	188.369
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	488.542.819	996.083.845
<b>F) OFF-BALANCE SHEET NOTES</b>	<b>061</b>	0	0

<b>LIABILITIES AND CAPITAL</b>			
<b>A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	277.250.744	616.187.785
I. SUBSCRIBED CAPITAL	<b>063</b>	200.000.000	436.667.250
II. CAPITAL RESERVES	<b>064</b>	0	68.450.578
III. RESERVES FROM PROFIT (066+067-068+069+070)	<b>065</b>	55.000.000	55.000.000
1. Reserves prescribed by law	<b>066</b>	0	0
2. Reserves for treasury stocks	<b>067</b>	0	0
3. Treasury stocks and shares (deduction)	<b>068</b>	0	0
4. Statutory reserves	<b>069</b>	0	0
5. Other reserves	<b>070</b>	55.000.000	55.000.000
IV. REVALUATION RESERVES	<b>071</b>	10.363.244	25.835.801
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	<b>072</b>	0	11.887.500
1. Retained earnings	<b>073</b>	0	11.887.500
2. Accumulated loss	<b>074</b>	0	0
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	<b>075</b>	11.887.500	18.346.656
1. Profit for the current year	<b>076</b>	11.887.500	18.346.656
2. Loss for the current year	<b>077</b>	0	0
VII. MINORITY INTEREST	<b>078</b>	0	0
<b>B) PROVISIONS (080 to 082)</b>	<b>079</b>	0	0
1. Provisions for pensions, severance pay and similar liabilities	<b>080</b>	0	0
2. Reserves for tax liabilities	<b>081</b>	0	0
3. Other reserves	<b>082</b>	0	0
<b>C) LONG TERM LIABILITIES (084 to 092)</b>	<b>083</b>	190.026.197	353.421.302
1. Liabilities to related parties	<b>084</b>	0	0
2. Liabilities for loans, deposits etc.	<b>085</b>	0	0
3. Liabilities to banks and other financial institutions	<b>086</b>	190.026.197	353.421.302
4. Liabilities for received prepayments	<b>087</b>	0	0
5. Accounts payable	<b>088</b>	0	0
6. Liabilities arising from debt securities	<b>089</b>	0	0
7. Liabilities to entrepreneurs in whom the entity holds participating interests	<b>090</b>	0	0
8. Other long-term liabilities	<b>091</b>	0	0
9. Deferred tax liability	<b>092</b>	0	0
<b>D) SHORT - TERM LIABILITIES (094 to 105)</b>	<b>093</b>	20.361.903	24.295.285
1. Liabilities to related parties	<b>094</b>	873.472	4.064.152
2. Liabilities for loans, deposits etc.	<b>095</b>	0	0
3. Liabilities to banks and other financial institutions	<b>096</b>	18.457.309	15.635.117
4. Liabilities for received prepayments	<b>097</b>	0	0
5. Accounts payable	<b>098</b>	1.010.532	2.313.015
6. Liabilities arising from debt securities	<b>099</b>	0	0
7. Liabilities to entrepreneurs in whom the entity holds participating interests	<b>100</b>	0	0
8. Liabilities to employees	<b>101</b>	0	2.222.665
9. Liabilities for taxes, contributions and similar fees	<b>102</b>	5.719	60.336
10. Liabilities to share - holders	<b>103</b>	0	0
11. Liabilities for long term assets held for sale	<b>104</b>	0	0
12. Other short - term liabilities	<b>105</b>	14.871	0
<b>E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD</b>	<b>106</b>	903.975	2.179.473
<b>F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	488.542.819	996.083.845
<b>G) OFF-BALANCE SHEET NOTES</b>	<b>108</b>	0	0
<b>APPENDIX TO BALANCE SHEET (only for consolidated financial statements)</b>			
<b>A) CAPITAL AND RESERVES</b>			
1. Attributed to equity holders of parent company	<b>109</b>		
2. Attributed to minority interests	<b>110</b>		

Note 1.: Appendix to balance sheet is filled out only by entrepreneurs who consolidate financial reports.

**PROFIT AND LOSS ACCOUNT**  
for period 01.01.2015. to 30.06.2015.

Company: 30312968003; TANKERSKA NEXT GENERATION D.D.

Position	AOP code	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
		3	4	5	6
1	2	3	4	5	6
<b>I. OPERATING REVENUES (112+113)</b>	<b>111</b>	0	0	43.241.086	24.830.744
1. Sales revenues	112	0	0	42.742.499	24.468.227
2. Other operating revenues	113	0	0	498.587	362.517
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	0	0	34.444.359	20.854.877
1. Changes in the value of work in progress and finished goods	115	0	0	0	0
2. Material costs (117 to 119)	116	0	0	10.774.074	6.954.982
a) Raw material and material costs	117	0	0	4.441.077	3.266.221
b) Costs of goods sold	118	0	0	292.748	292.748
c) Other external costs	119	0	0	6.040.249	3.396.013
3. Staff costs (121 to 123)	120	0	0	10.898.537	6.433.136
a) Net salaries and wages	121	0	0	10.704.046	6.267.810
b) Costs for taxes and contributions from salaries	122	0	0	138.259	118.323
c) Contributions on gross salaries	123	0	0	56.232	47.003
4. Depreciation	124	0	0	9.353.160	5.288.312
5. Other costs	125	0	0	3.368.334	2.180.072
6. Impairment (127+128)	126	0	0	0	0
a) Impairment of long-term assets (excluding financial assets)	127	0	0	0	0
b) Impairment of short-term assets (excluding financial assets)	128	0	0	0	0
7. Provisions	129	0	0	0	0
8. Other operating expenses	130	0	0	50.254	-1.625
<b>III. FINANCIAL INCOME (132 to 136)</b>	<b>131</b>	0	0	12.843.468	-312.852
1. Interest income, foreign exchange gains, dividends and similar income from related	132	0	0	0	0
2. Interest income, foreign exchange gains, dividends and similar income from non-related	133	0	0	12.843.468	-312.852
3. Share in income from affiliated entrepreneurs and participating interests	134	0	0	0	0
4. Unrealized gains (income) from financial assets	135	0	0	0	0
5. Other financial income	136	0	0	0	0
<b>IV. FINANCIAL EXPENSES (138 to 141)</b>	<b>137</b>	0	0	3.293.539	2.149.612
1. Interest expenses, foreign exchange losses and similar expenses from related parties	138	0	0	0	0
2. Interest expenses, foreign exchange losses and similar expenses from non - related	139	0	0	3.293.539	2.149.612
3. Unrealized losses (expenses) on financial assets	140	0	0	0	0
4. Other financial expenses	141	0	0	0	0
<b>V. INCOME FROM INVESTMENT SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS</b>	<b>142</b>	0	0	0	0
<b>VI. LOSS FROM INVESTMENT SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS</b>	<b>143</b>	0	0	0	0
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>	0	0	0	0
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>	0	0	0	0
<b>IX. TOTAL INCOME (111+131+142 + 144)</b>	<b>146</b>	0	0	56.084.554	24.517.892
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	0	0	37.737.898	23.004.489
<b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	0	0	18.346.656	1.513.403
1. Profit before taxation (146-147)	149	0	0	18.346.656	1.513.403
2. Loss before taxation (147-146)	150	0	0	0	0
<b>XII. PROFIT TAX</b>	<b>151</b>	0	0	0	0
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	0	0	18.346.656	1.513.403
1. Profit for the period(149-151)	153	0	0	18.346.656	1.513.403
2. Loss for the period (151-148)	154	0	0	0	0
<b>APPENDIX TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)</b>					
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>					
1. Attributed to equity holders of parent company	155				
2. Attributed to minority interests	156				
<b>STATEMENT OF COMPREHENSIVE INCOME (IFRS)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (= 152)</b>	<b>157</b>	0	0	18.346.656	1.513.403
<b>II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 to 165)</b>	<b>158</b>	0	0	15.472.557	-13.538.723
1. Exchange differences on translation of foreign operations	159	0	0	15.472.557	-13.538.723
2. Movements in revaluation reserves of long-term tangible and intangible assets	160	0	0	0	0
3. Profit or loss from revaluation of financial assets available for sale	161	0	0	0	0
4. Gains or losses on efficient cash flow hedging	162	0	0	0	0
5. Gains or losses on efficient hedge of a net investment in foreign countries	163	0	0	0	0
6. Share in other comprehensive income / loss of associated companies	164	0	0	0	0
7. Actuarial gains / losses on defined benefit plans	165	0	0	0	0
<b>III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>166</b>	0	0	0	0
<b>IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)</b>	<b>167</b>	0	0	15.472.557	-13.538.723
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	0	0	33.819.213	-12.025.320
<b>APPENDIX to Statement of comprehensive income (only for consolidated financial statements)</b>					
<b>VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b>					
1. Attributed to equity holders of parent company	169				
2. Attributed to minority interests	170				

**CASH FLOW STATEMENT - Indirect method**  
period 01.01.2015. to 30.06.2015.

Company: 30312968003; TANKERSKA NEXT GENERATION D.D.

Position	AOP code	Previous period	Current Period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	001	0	18.346.656
2. Depreciation	002	0	9.353.160
3. Increase in short-term liabilities	003	0	2.642.599
4. Decrease in short term receivables	004	0	3.082.107
5. Decrease in inventories	005	0	0
6. Other cash flow increases	006	0	1.043.500
<b>I. Total increase in cash flow from operating activities (001 to 006)</b>	<b>007</b>	0	34.468.022
1. Decrease in short - term liabilities	008	0	0
2. Increase in short - term receivables	009	0	0
3. Increase in inventories	010	0	3.433.692
4. Other cash flow decreases	011	0	4.213.489
<b>II. Total decrease in cash flow from operating activities (008 to 011)</b>	<b>012</b>	0	7.647.181
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)</b>	<b>013</b>	0	26.820.841
<b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)</b>	<b>014</b>	0	0
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Cash flow from sale of long - term tangible and intangible assets	015	0	0
2. Cash inflows from sale of equity and debt financial instruments	016	0	0
3. Interest receipts	017	0	0
4. Dividend receipts	018	0	0
5. Other cash inflows from investing activities	019	0	0
<b>III. Total cash inflows from investing activities(015 to 019)</b>	<b>020</b>	0	0
1. Cash outflows for purchase of long - term tangible and intangible assets	021	0	178.280.909
2. Cash outflows for purchase of equity and debt financial instruments	022	0	203.116.761
3. Other cash outflows from investing activities	023	0	0
<b>IV. Total cash outflows from investing activities (021 to 023)</b>	<b>024</b>	0	381.397.670
<b>B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES (020-024)</b>	<b>025</b>	0	0
<b>B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES (024-020)</b>	<b>026</b>	0	381.397.670
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1. Cash receipts from issuance of equity and debt financial instruments	027	0	307.723.169
2. Cash inflows from loans, debentures, credits and other borrowings	028	0	153.891.133
3. Other cash inflows from financing activities	029	0	0
<b>V. Total cash inflows from financing activities (027 to 029)</b>	<b>030</b>	0	461.614.302
1. Cash outflows for repayment of loans and bonds	031	0	11.421.456
2. Dividends paid	032	0	0
3. Cash outflows for finance lease	033	0	0
4. Cash outflows for purchase of own stocks	034	0	0
5. Other cash outflows from financing activities	035	0	0
<b>VI. Total cash outflows from financing activities (031 do 035)</b>	<b>036</b>	0	11.421.456
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)</b>	<b>037</b>	0	450.192.846
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)</b>	<b>038</b>	0	0
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	039	0	95.616.017
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	0	0
Cash and cash equivalents at the beginning of period	041	0	23.273.102
Increase in cash and cash equivalents	042	0	95.616.017
Decrease in cash and cash equivalents	043	0	0
Cash and cash equivalents at the end of period	044	0	118.889.119

## STATEMENT OF CHANGES IN EQUITY

period **1.1.2015** to **30.6.2015**

Position	AOP code	Previous year	Current year
1	2	3	4
1. Subscribed capital	001	0	436.667.250
2. Capital reserves	002	0	68.450.578
3. Reserves from profit	003	0	55.000.000
4. Retained earnings or accumulated loss	004	0	11.887.500
5. Profit or loss for the current year	005	0	18.346.656
6. Revaluation of long - term tangible assets	006	0	0
7. Revaluation of intangible assets	007	0	0
8. Revaluation of financial assets available for sale	008	0	0
9. Other revaluation	009	0	0
<b>10. Total capital and reserves (AOP 001 to 009)</b>	<b>010</b>	0	590.351.984
11. Currency gains and losses arising from net investments in foreign operations	011	0	25.835.801
12. Current and deferred taxes (part)	012	0	0
13. Cash flow hedging	013	0	0
14. Changes in accounting policies	014	0	0
15. Correction of significant errors in prior periods	015	0	0
16. Other changes in capital	016	0	0
<b>17. Total increase or decrease in capital (AOP 011 to 016)</b>	<b>017</b>	0	25.835.801
17 a. Attributed to equity holders of parent company	018		
17 b. Attributed to minority interest	019		

Items decreasing the capital are entered with a negative number sign

Data entered under AOP marks 001 to 009 are entered as situation on the Balance Sheet date

**NOTES TO THE FINANCIAL STATEMENTS****1. General information**

Tankerska Next Generation Inc. is incorporated on 22 August, 2014 in the Republic of Croatia. It's headquarter is at Božidara Petranovića 4, Zadar, Croatia.

All of the TPNG-R-A Tankerska Next Generation, Inc. shares have been listed on the Official Market of the Zagreb Stock Exchange on 12 February, 2015. Tankerska Next Generation, Inc. TPNG-R-B shares have been issued, paid up in full, and are not listed on the regulated market.

Management Board:

- John Karavanić, the sole member of the Board

Supervisory Board members:

- Ivica Pijaca, chairman
- Nikola Koščica, vice chairman
- Mario Pavić, member
- Ivan Pupovac, member
- Luka Kolanović, member

As of 30 June, 2015 Tankerska Next Generation's Inc. share capital amounted to HRK 436,667,250 divided into 7,200,000 TPNG-R-A ordinary shares with no par value and 1,533,345 TPNG-R-B ordinary shares with no par value.

The Financial Statements for the period ending 30 June, 2015 include assets and liabilities, revenues and expenses respectively of Tankerska Next Generation Inc. and its international subsidiaries (companies engaged in international shipping). All companies are managed by Tankerska Next Generation Inc. from the sole headquarters and by the same Management Board. Pursuant to the Article 429.a, section 4 of the Maritime Code ("Official Gazette" No. 181/04., 76/07., 146/08., 61/11., 56/13. and 26/15.) Tankerska Next Generation Inc. is obliged to conduct accounting and prepare financial statements for all domestic and international business operations, including all shipping companies in which it holds the majority ownership and which are engaged in vessel operations with their net tonnage being included in the tonnage tax calculation.

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

**2. Principal accounting policies**

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

1. Tankerska Next Generation International Ltd., Majuro, Marshall Islands;
2. Fontana Shipping Company Limited, Monrovia, Liberia;
3. Teuta Shipping Company Ltd., Monrovia, Liberia;
4. York Maritime Holdings VI, LLC, Majuro, Marshall Islands; and
5. York Maritime Holdings IX, LLC, Majuro, Marshall Islands.

The Financial statements for the period ending 30 June, 2015 do not include all information important for comprehension of the current period in the course of the year and should be read together with the Company's Financial Statements as at 31 December, 2014.

Financial statements have been prepared based on the same accounting policies, presentations and calculation methods as the ones used during preparation of the financial statements for the period ending 31 December 2014.

### **3. Intangible Assets, Property, Plant And Equipment**

On 29 April 2015 the Company took delivery of an eco-designed MR tanker, with 50,000 dwt capacity (hull number 2491, m/t Zoilo). The vessel was delivered by Hyundai Mipo Dockyard Co., Ltd. Acquisition price of the vessel amounts to USD 36.8 million (HRK 251 million).

During the three-month period ending 30 June, 2015, the Company invested HRK 178.3 million in acquisition of intangible assets, property, plant and equipment.

On 26 May 2015, commitments for the newbuilding S-5065 have been reduced for USD 4 million, and amount to USD 20.05 million. Settled amount stands for the keel laying tranche of this newbuilding.

### **4. Capital and Reserves**

Following the Tankerska Next Generation Inc. invitation to submit indication of interest to subscribe new ordinary shares, on 8 June 2015 Tankerska plovidba Inc. made a decision to participate in Tankerska Next Generation Inc. share capital increase with payment of HRK 27.2 million and subscription of 400.000 shares. The total amount raised was HRK 104.267.460 and 1.533.345. shares were subscribed. The share capital increase was registered with the Commercial Court of Zadar register on 11 June 2015. Tankerska Next Generation Inc. has remained in the major ownership of Tankerska plovidba Inc., which holds 51.01% of shares.

Initial public offering transaction costs of HRK 7.1 million have been recorded as a deduction from share capital.

### **5. Interest bearing debt**

During Q2 York Maritime Holdings IX LLC. Received a loan to finance Vukovar's delivery in the amount of USD 22 million (HRK 153 million). The loan is payable in 24 quarterly installments.

### **6. Earnings per Share**

EARNINGS PER SHARE	Period
	1 Jan - 30 June 2015
Net (loss)/ profit to shareholders.....	18,346,656 kn
Weighted average number of shares.....	7,420,625
Basic (loss)/ earnings per share.....	2.47 kn

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

**7. Transactions with the Related Parties**

TRANSACTIONS WITH THE RELATED PARTIES	Period 1 Jan - 30 June 2015
Sales to related parties.....	0 kn
Purchase from related parties.....	3,093,486 kn
Receivables from related parties.....	0 kn
Liabilities towards related parties.....	3,776,396 kn
Given loans to related parties.....	0 kn
Received loans from related parties.....	287,756 kn

**8. Subsequent events after Balance Sheet date**

**Delivery and beginning of commercial exploitation of the new vessel (Time charter)**

Tankerska Next Generation Inc. took delivery of the second newbuild m/t Zoilo on 27 July 2015 in Hyundai Mipo Dockyard Co., Ltd., South Korea shipyard after which it will begin its commercial exploitation. Tankerska Next Generation Inc. contracted the vessel on a three year time charter with Trafigura, with the daily rate of USD 17,750.

**Acquisition of York Maritime Holdings IV LLC**

On 29 July 2015 Tankerska Next Generation International Ltd., a subsidiary of Tankerska Next Generation Inc., acquired York Maritime Holdings IV LLC, which is in possession of a contract for the construction of a 50,000 dwt eco-designed product tanker in the Korean SPP Shipbuilding Co., Ltd. for the price of USD 14 million. The acquisition was financed from the proceeds raised in the Secondary shares offering. The vessel (hull no. S-5120) is to be named Pag.

**Conclusion of the USD 47.45 million loan facility with NORD/LB**

York Maritime Holdings VI LLC ("YORK VI") and Teuta Shipping Company Ltd. ("Teuta") have signed on 17 July 2015 a Credit Facility agreement with NORD/LB for a loan which will partly finance the newbuild m/t Dalmacija and m/t Zoilo contracted in Korean shipyards.

The loan tenor is six years after the delivery of the vessels and was concluded with competitive market conditions for ship financing. It will be repaid in 24 consecutive quarterly installments based on a 15 year repayment profile and a balloon repayment of the remaining balance bringing the outstanding balance to zero and which is due together with the final installment.



**III. STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The financial statements for the three month period ending 30 June 2015 and the six month period ending 30 June, 2015 have been prepared by applying the International Financial Reporting Standards and provide an accurate and truthful review of assets, liabilities, profit and loss, financial position and operating of the Company.

The report of the Management Board on the Company's operations for the three months period ending 30 June 2015 and the six month period ending 30 June, 2015 contains a fair presentation of the Company's development, operating results and position with the description of significant risks and uncertainty the Company is exposed to.

Zadar, 31 July 2015

John Karavanić, CEO of Tankerska Next Generation Inc.



## Important industry terms and concepts

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

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

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

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

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

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

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

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

**(Net) Time Charter Equivalent (TCE).** TCE is a standard shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters, because charter hire rates for vessels on voyage charters are generally not expressed per day as charter hire rates for vessels on time charters are. Therefore the net equivalent of a daily time voyage rate is expressed in net daily time charter rate.

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

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

**Net) TCE rates.** The Group defines time charter equivalent rates, or TCE rates, as vessel revenues less commission and voyage related costs (both major and minor) during a period divided by the number of Revenue Days during that period.

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

The Group uses the foregoing methodology for calculating TCE rates and TCE earnings in cases of both time charter and voyage charter contracts.

**Gross Time Charter rates (GTC rates).** The Group defines gross time charter rates, or GTC rates, as vessel revenues during a period divided by the number of Revenue Days during that period.

GTC rates should reflect the average daily charter rate of a vessel or a fleet and is expressed in US dollars per day. The Group's definition of GTC rate may not be the same as that used by other companies in the shipping or other industries.

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

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

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

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

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

### **Important chartering contracts**

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

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

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

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

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

- *Bareboat charter.* Bareboat charter is a contract pursuant to which the vessel owner provides the vessel to the charterer for a fixed period of time at a specified daily rate, and the charterer provides for all of the vessel's operating expenses in addition to the commissions and voyage related costs, and generally assumes all risk of operation. The charterer undertakes to maintain the vessel in a good state of repair and efficient operating condition and drydock the vessel during the term of the charter consistent with applicable classification society requirements.
- *Time charter trip.* Time charter trip is a short term time charter where the vessel performs a single voyage between loading port(s) and unloading port(s). Time charter trip has all the elements of a time charter including the upfront fixed daily hire rate.

### **Important financial and operating terms and concepts**

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

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

- *Time charters,* under which the vessels are chartered to customers for a fixed period of time at rates that are generally fixed; and
- *Voyage charters,* under which the vessels are chartered to customers for shorter intervals that are priced on a current or "spot" market rate.

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

	<u>Time Charter</u>	<u>Voyage Charter</u>
Typical contract length.....	1-5 years	Single voyages, consecutive voyages and contracts of affreightment (COA)
Hire rate basis (1).....	Daily	Varies
Commercial fee (2).....	The Group pays	The Group pays
Commissions (2).....	The Group pays	The Group pays
Major Vessel related costs (2).....	Customer pays	The Group pays
Minor Vessel related cost (2).....	The Group pays	The Group pays
Vessel operating costs (2).....	The Group pays	The Group pays
Off-hire (3).....	Customer does not pay	Customer does not pay

(1) "Hire" rate refers to the basic payment from the charterer for the use of the vessel

(2) See "Important Financial and Operational Terms and Concepts" below

(3) "Off-hire" refers to the time a vessel is not available for service due primarily to scheduled and unscheduled repairs and drydockings

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

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

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

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

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

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

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

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

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

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

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

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

The largest components of vessel operating costs are generally crews and repairs and maintenance. Expenses for repairs and maintenance tend to fluctuate from period to period because most repairs and maintenance typically occur during periodic drydocking. These expenses may tend to increase as these vessels mature and thus the extent of maintenance requirements expands.

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

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

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

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

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

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

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

**Tonnage tax.** The tonnage tax regime is introduced into the Croatian maritime legislation by new amendments to the Maritime Act and is applicable from January 1, 2014. According to the relevant provisions of the Maritime Act ("Maritime Act"), qualifying companies may choose to have their shipping activities taxed on the basis of the net tonnage of their fleet instead of on the basis of their actual profits. Companies, having opted for the tonnage tax, must remain subject to this regime for the following 10 years. The qualifying company has to be a shipping company liable under the Croatian corporate tax on any profits it generates. Furthermore, it must operate the vessels which satisfy all applicable requirements, and most importantly, the qualifying company must be carrying out the strategic and commercial management activities of vessels in Croatia.

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

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

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

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



Ship-owner payments



Charterer payments

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



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**Cautionary note regarding forward-looking statements**

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

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

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

When relying on forward-looking statements, investors should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Group operates. Such forward-looking statements speak only as of the date on which they were made. Accordingly, the Company does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise, other than as required by applicable laws and the Zagreb Stock Exchange Rules. The Company makes no representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.



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