



TANKERSKA NEXT GENERATION

Božidara Petranovića 4
23 000 Zadar, Hrvatska

TANKERSKA NEXT GENERATION UNAUDITED FINANCIAL STATEMENTS FOR Q4 AND THE FULL YEAR 2015

Zadar, February 25th 2015

Highlights of the year 2015:

- Vessel revenues in the amount of HRK 136 million (USD 19.5 million; USD 16,340 per day per vessel)
- EBITDA in the amount HRK 61 million (USD 8.7 million)
- EBIT in the amount of HRK 34 million (USD 4.8 million)
- Net profit in the amount of HRK 34.5 million (USD 4.9 million)
- Four newbuildings added to the fleet, fully operational fleet achieved in December
- 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

"Year 2015 was an extremely intensive period for the development of TNG's fleet and was marked by extensive capital investments and the integration of newbuilding activities and securing their employment. By accomplishing its plan of investments and development of the fleet, TNG had four newbuildings delivered during the year and managed to secure the employment of the vessels with prominent charterers, which increased the total capital investments in the previous year up to 960 million kuna.

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 USD 31 million was raised which gave strong support in our intention of expanding the initial fleet and sizing market sentiment. TNG visited capital markets for the second offering in Q2 2015 raising an additional USD 15 million. This transaction further strengthened TNG's financial position, while enabling the company's management to promptly react in future strategy of delivery and acquisitions. All together with just over USD 46 million raised, we maintained our strategically conservative approach tuned to moderate leverage.

Late in the first quarter of 2015 TNG successfully acquired newbuilding (Vukovar and Zoilo) 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. During the third quarter, the funds raised on the capital market were used according to plans, and the program of gaining newbuildings was successfully concluded in July by acquiring the third contract for the delivery of an eco-design product tanker.

Out of the first four planned and contracted newbuildings, during 2015. TNG took over and employed all of them. Vukovar was delivered to TNG on April 29 and was employed immediately afterwards on a three year time charter with STI Chartering and Trading (Scorpio) at USD 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 USD 17,750 per day. The two last newbuildings, Dalmacija and Pag were delivered on November 25 and December 4 from South Korean shipyard SPP shipbuilding, and were immediately handed over to its charterer, Trafigura with whom they have secured employment. Dalmacija is chartered out on a three year charter deal for USD 17,750 per day, while Pag is chartered out on a 12 month deal for USD 19,300 per day.

At the end of the third quarter, TNG secured employment for MT Velebit, the ice class product tanker for 12 months straight following the redelivery from her current charterer Stena Weco, whose contract expired at the end of September. The tanker is chartered out to a prominent charterer, „CCI“ Castleton Commodities UK Ltd., with usual market terms and an increased hire rate at approximately USD 18,500 per day.

By completing the aforementioned acquisitions and their employment, we have fulfilled the goals set prior to both public offers in terms of vessel quality, purchase price, timing of operational engagement and the contracted charter rate which fully surpassed our initial plans. Considering the fact that all newbuildings, with its deliveries during the year and integration into the fleet were not operational during the whole 2015., we expect the full effect on the business results during 2016.

In 2015. TNG has delivered cumulated vessels revenues of HRK 136 million and EBITDA of HRK 61 million with a growing quarterly dynamics linked to increasing number of operational vessels during the year. Additionally, we have successfully completed the process of integrating the newbuildings into the fleet, which now consists of six operational vessels. Despite a very intensive investment period, TNG generated a net profit of HRK 34.5 million as a result of the business model aimed at the creating of new value, while a very strong financial position at the end of the period gives the management the ability to propose the return on the investment to the company's shareholders.

With funds that we raised through the capital increase in February and June we successfully completed the acquisition of three companies which had contracts to build modern eco-design product tankers in Korean shipyards. With a delivery of the latest acquisition, with the capacity of 50,000 dwt, we have reached the planned capacity of 300,000 dwt.

A period of complete integration of the fleet is ahead of us, we expect the normalization of the level of costs and revenues due to the fact that all six vessels of the fleet will be fully operational and will generate revenues, consequently creating new value for the company and its shareholders."

John Karavanić, TNG's CEO



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

MBS (registration number) 110046753 Commercial Court in Zadar
Share capital: 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

Market terms

The activity of the global economy during 2015 was characterized by restrictive factors that ultimately resulted in lower than expected growth rate, ie, a slower pace of recovery, mainly as a result of the many challenges faced by the national economies. According to the latest forecasts published by the International Monetary Fund, the world economy should grow in 2015 by 3.1%, while the forecasts for 2016 and 2017 are revised to 3.4% and 3.6% respectively, compared to forecasts of 3.6% and 3.8%¹ posted in October 2015. Although the recovery in developed economies is more powerful in recent years, the growth rate of emerging and developing markets mitigate the overall economic recovery.

Key factors that have left a significant mark on the recovery and growth of the world economy were a gradual slowing down and the rebalancing of the Chinese economy, and a significant drop in prices of energy and raw materials and the gradual tightening of monetary policy in the United States.

In 2015 after an initial rise in crude oil prices in the spring, from the levels recorded in January, crude oil prices fell strongly, reflecting a strong offer. On the other hand, contracts for future delivery of crude oil shows relatively modest recovery in oil prices in the next two years. These levels of crude oil prices are on the one hand a significant burden on the budgets of oil producing countries and oil exporters limiting potential growth and recovery of these economies, and on the other hand an additional support to households which can redirect spending towards other goods, which can help the economic recovery, especially in emerging economies.

In the first half of 2015, freight rates for some of the tankers that transport crude oil registered high levels, due to the creation of additional reserves of crude oil lead by China. A number of tankers were used as floating warehouses, used by energy companies and traders awaiting repairs in crude oil prices. Volatility of hire rates strongly underlined the market trends in mid-third quarter, affected by the seasonal drop in demand for crude oil on the eve of the period of regular maintenance of refinery plants.

In the segment of product tankers the market shows stable trends in expected hire rates for both conventional and eco-design MR tankers. This trend is mainly supported by slow growth of the fleet in recent years and partly by the low price of oil, which influenced the increase in demand for petroleum products.

Structural changes in the wake of relocation refining capacities supported the demand for vessels of this type. The new refinery capacities in the Middle and Far East spurred demand in the segment of product tankers, which is further supported by the long-term trend of shifting of the refineries from the west to the east, which moves the production of refined petroleum products away from the place of consumption and increases the need for transportation of these products.

During 2015, In the segment of product tankers there was a delivery of total 177² new units, which shows an increase of 6% in global product tanker fleet compared to 2014, at a rate higher than the average in recent years. This increase with the deliveries expected to follow during 2016 could affect the level of fares, but on the other hand the trend of opening of the new refining capacity in the East and the increased demand for oil products underline the positive expectations in the segment of product tankers.

Current ship-owner expectations of MR tankers, for one year hire with immediate delivery are at a level of USD 18,000³ per day.

¹ IMF, World Economic Outlook, October 2015.

² Banchero costa – Product Tanker outlook 2016

³ Clarksons, Tanker Matrix Report, 2016

Management discussion and analysis for Q4 and full year 2015

SELECTED FINANCIALS	July -	October -	January -	July-	October -	January-
	September	December	December	September	December	December
	2015	2015	2015	2015	2015	2015
	(HRK 000)	(HRK 000)	(HRK 000)	(USD 000)	(USD 000)	(USD 000)
Vessel revenues.....	36,918	56,111	136,064	5,469	7,691	19,461
EBITDA.....	19,947	22,782	60,878	2,952	3,098	8,707
EBIT.....	12,352	12,847	33,996	1,826	1,748	4,862
Net income.....	8,951	7,222	34,520	1,333	918	4,937

Results for the year 2015

In 2015, the Company's revenues amounted to HRK 136 million (USD 19.5 million), EBITDA amounted to HRK 61 million (USD 8.7 million), while the net income amounted to HRK 34.5 million (USD 4.9 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. The exchange difference was much more pronounced in the first quarter of 2015.

The vessels' revenues for 2015 reached HRK 136 million and are result of time charter contracts for all six operational vessels. Vinjerac and Velebit were chartered out at an average of USD 14,800 per day and USD 14,000⁴ per day, respectively. While Vukovar was employed through a time charter at the daily rate of USD 17,250 which started in May, Zoilo, which was integrated into fleet in the end of July, was completely operational since then increasing the TNG's revenues by USD 17,750 per day. The last two newbuildings Dalmacija and Pag were delivered in the fourth quarter, and are operational from the end of November and start of December respectively. Dalmacija is chartered out at USD 17,750 per day, while Pag is chartered out at USD 19,300 per day.

The vessels' operating expenses for 2015 reached HRK 57.5 million (USD 8.2 million) and are predominately related to the expenses of Velebit and Vinjerac which have been fully operational throughout the year. For TNG 2015 is characterized by ambitious fleet development which burdened the expenditures with the additional costs related to the delivery and initial furnishing of four newbuildings. Fully standardized results are expected upon delivery of all the vessels. According to expectations, The Group took delivery and employed all of its newbuildings by the start of December 2015, when it took the delivery of the newbuilding Pag. With the delivery and securing of employment for the latest tanker in Q4 2015, the Q1 2016 will be the first fully operational quarter for the fleet. Commissions and voyage related costs were HRK 9.0 million (USD 1.3 million) in 2015, or at the level of 6.6% of vessels revenues, which is a standard for the industry and forecasted by the Company.

The depreciation expenses in 2015 amount to HRK 26.9 million (USD 3.8 million), and were continuously increasing every quarter following the dynamics of delivery and employment of the newbuildings.. The average number of vessels in operation increased from 2.8 after nine months to 3.26 throughout 2015. TNG expects that the deprecation cost will be increasing in the future according to dry-docking of the vessels which happens in five year cycles.

Interest expenses and finance costs, amounted to 12.3 million (USD 1.8 million) for 2015, and are connected with loans for financing of the operational vessels. TNG was in an investment phase which subsequently increased its debt balance. The

⁴ From the end of September 2015, m/t Velebit is chartered out to „CCI „ at USD 18,500 per day for 12 months straight

debt balance increased with every newbuilding delivery, consequently increasing this group of costs. 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 2015 reached HRK 6.5 million (USD 0.9 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 December 31, 2015

For the three months ending December 31, 2015, the Company's revenues amounted to HRK 56.1 million (USD 7.7 million), EBITDA amounted to HRK 22.8 million (USD 3.1 million), which is an increase of 14.5% compared to HRK 19.9 million for the three months ending September 30, 2015. The Company's net income in Q4 amounted to HRK 7.2 million (USD 0.9 million).

The operating profit of the Q4 was HRK 12.8 million (USD 1.75 million) and was higher than in the third quarter due to increased number of operational vessels as a result of integrating newbuildings, with higher contracted hire rates. This positive trend results from full operational quarter for four vessels (Velebit, Vinjerac, Vukovar and Zoilo) and additional revenues from two newbuildigs delivered in Q4, but was moderated by higher initial costs of furnishing Dalmacija and Pag.

The vessels' revenues for the three months ending December 31, 2015 reached HRK 56.1 million (USD 7.7 million), which is an increase of 53% in comparison to HRK 36.9 million (5.5 mil USD) for the three months ending September 30, 2015. This increase is primarily reflected in the revenue attributable to Zoilo that was operational for the full quarter at a daily rate of USD 17,250, along with the additional revenue generated by Velebit which had a higher hire rate since the end of September, and the revenues of Dalmacija and Pag in the last month of the year.

Operations were accompanied by initial costs of furnishing the ships with material, equipment and lubricants, as well as additional funding costs of the acquired vessels, which is reflected in the increased costs of the fourth quarter of 2015. Fees and voyage associated costs amounted to HRK 4.8 million (USD 0.67 million) in the fourth quarter of 2015, while in the third quarter of 2015 they amounted to HRK 1.8 million (USD 0.27 million).

The vessels' operating expenses for the three months ending December 31, 2015, amounting to HRK 23.4 million (USD 3.2 million) increased significantly compared to HRK 13.7 million (USD 2.04 million) for the three months ending September 30. The change was driven by the delivery of Dalmacija and Pag and the associated additional costs of furnishing the vessels, including deck and cabin equipment and lubricant supply, as well as crew salaries during familiarization and different mandatory inspections.

The depreciation expenses for the three months ending December 31, 2015 were HRK 9.9 million (USD 1.35 million). The depreciation plan for the current fleet has not been modified, and the increase comes from a newly added vessels. The average number of vessels in operation increased to 4.7 for the three months ending December 31, 2015, which is 27% above Q3 average of 3.7 vessels. All vessels in operation are depreciated over an estimated useful life of 25 years on a straight line basis to their residual value.

General and administrative expenses for the three months ending December 31, 2015 were HRK 3.85 million (USD 0.54 mil.). The increased expenses compared to Q3 are a result of insurance, legal and other one-off costs associated with financing arrangements.

Financial position summary

FINANCIAL POSITION	31 Mar 2015	30 Jun 2015	30 Sep 2015	31 Dec 2015	31 Mar 2015	30 Jun 2015	30 Sep 2015	31 Dec 2015
	(HRK 000)	(HRK 000)	(HRK 000)	(HRK 000)	(USD 000)	(USD 000)	(USD 000)	(USD 000)
Bank debt.....	228,071	369,056	520,486	848,104	32,350	54,039	76,620	121,300
Cash and cash equivalents.....	46,374	118,888	36,358	71,465	6,578	17,408	5,352	10,221
Net debt.....	181,697	250,168	484,128	776,639	25,772	36,631	71,268	111,079
Capital and reserves.....	524,758	616,188	621,780	645,794	74,431	90,225	91,531	92,364
Gearing ratio (*).....	26%	29%	44%	55%	26%	29%	44%	55%

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

The year 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 by the end of the year increased to 55%. This level of debt differs from the level after first three quarters due to the need to secure additional debt for the deliveries of the two newbuild vessels in the fourth quarter. We expect the gearing ratio to decrease in accordance with the loan repayment plans of TNG and the decrease in company's debt.

During 2015, the Company acquired a total of 13,200 own shares worth almost one million kuna, estimating that the strong financial position of the company and current market terms support that kind of transaction.

With successful negotiation on the demanding international market, TNG managed to secure financing for the newbuildings with credit lines with NORD/LB and ABN Amro bank. Financing facility of USD 47.5 million was concluded for its newbuildings Dalmacija and Zoilo with a renowned international bank NORD/LB, while the loan arrangement for financing of the newbuilding Pag is concluded with ABN Amro. With these agreements 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 2015	January - June 2015	January - September 2015	January - December 2015
Gross Time Charter rates (USD, per day).....	14,400	14,896	15,426	16,340
Time Charter Equivalent rates (USD, per day).....	13,756	14,073	14,619	15,257
Daily vessel operating expenses (USD).....	5,978	7,080	6,596	6,911
Operating days (number).....	180	423	763	1,191
Revenue days (number).....	180	423	763	1,191
Fleet utilization (%).....	100.0%	100.0%	100.0%	100.0%
Average number of vessels in the period.....	2.0	2.3	2.8	3.26
Number of vessels at period end.....	2.0	3.0	4.0	6.0

TNG's operating fleet consists of Velebit, Vinjerac, Vukovar, Zoilo, Dalmacija and Pag, out of which Velebit and Vinjerac were operating throughout the whole year, while other vessels started its operations and the generation of income after the delivery from the shipyards. The vessel employment strategy secured stable level of income in the mid term where three ships are employed on a three year contract, while others are employed on shorter contracts with two options for extension.

Average gross daily freight rates in 2015 amounted to USD 16,340, while the average daily vessel operating expenses (OPEX) amounted to USD 6,911.

The fourth quarter of 2015 significantly contributed to the improvement of key operating indicators on the revenue level, as the daily rate of the modern eco-design vessel Vukovar of USD 17,250 and Zoilo of USD 17,750 significantly supersedes the contracts concluded for the conventional MR tankers built in 2011. Charter rates for the two newbuildings delivered in the end of the year also contributed to the positive trend (Dalmacija at USD 17,750 per day, Pag at USD 19,300 per day). The successful securing of employment for conventional tanker Velebit, who following the redelivery from its previous charterer at the end of September, is chartered to „CCI“ Castleton Commodities UK Ltd at USD 18,500 per day contributed to the business results during the last quarter of the year, as well as to the year average.

Revenue days and operating days increased significantly by the expanding of the 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.

Average daily vessel operating expenses of USD 6,911 USD for 12 months, shows a moderate increase from the results in the first nine months, which is connected with the delivery of two new vessels and one-off operating costs of the delivery and financing of the vessels. Higher expenses are a consequence of Vukovar, Zoilo, Dalmacija and Pag delivery and the higher additional costs incurred during the delivery that are associated with the initial furnishing of the vessels. 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. TNG expects normalized operating expenses to be recorded in the first operating period following the delivery of all newbuildings.

TNG's current fleet

Current TNG's fleet consists of six MR tankers in operation (Velebit, Vinjerac, Vukovar, Zoilo, Dalmacija and Pag). In accordance to the expectations, and the initial schedule of integration of the newbuild vessels into the fleet, the delivery of Dalmacija took place in November, while Pag was delivered in December. Following these deliveries and employments the Group owns an operating fleet which consists of two conventional ice class tankers, and four eco-design modern product tankers with a total capacity of 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	Castleton Commodities "CCI" Time Charter	18,500 (until Q3/Q4 2016)
Vinjerac	51.935	Medium Range Product Tanker	Q4 2011	Treći Maj Brodogradilište d.d.	Croatia	Stena Weco Time Charter	14,800 (until Q1/Q2 2016)
Vukovar	49.990	Medium Range Product Tanker (eco design)	Q2 2015	Hyundai Mipo Dockyard Co., Ltd.	Croatia	Scorpio Time Charter	17,250 (until Q2 2018)
Zoilo	49.990	Medium Range Product Tanker (eco design)	Q3 2015	Hyundai Mipo Dockyard Co., Ltd.	Croatia	Trafigura Time Charter	17,750 (until Q3 2018)
Dalmacija	49.990	Medium Range Product Tanker (eco design)	Q4 2015	SPP Shipbuilding Co., Ltd.	Croatia	Trafigura Time Charter	17,750 (until Q4 2018)
Pag	49.990	Medium Range Product Tanker (eco design)	Q4 2015	SPP Shipbuilding Co., Ltd.	Croatia	Trafigura Time Charter	19,300 (until Q4 2016)

TNG's fleet development in 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, and with the acquisition of newbuilding contract for eco-designed MR tanker Pag during third quarter from the South Korean shipyard SPP. Newbuilding Vukovar was delivered at the end of April 2015., and newbuilding Zoilo was delivered at the end of July 2015, and newbuilding Pag was delivered in early December 2015.

At the end of first nine months of 2015 TNG's fleet consisted of four MR tankers in operation (Velebit, Vinjerac, Vukovar and Zoilo), and two tankers under construction in SPP shipbuilding, which were later delivered in late November and early December (Dalmacija and Pag).

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, and commercial exploitation of Zoilo at the end of July 2015 with a hire rate of USD 17,750. Total capacity of the operational fleet at the end of the first half of 2015 amounted to approximately 200,000 tones dwt.

TNG has secured employment for Vukovar, Zoilo and Dalmacija during the second quarter of the year. The vessels are 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 for Zoilo and Dalmacija.

During the third quarter TNG secured 12 month employment for Velebit whose previous contract expired at the end of September, and it was immediately chartered out to the new charterer at the daily hire rate of USD 18,500. The agreed hire rate further strengthened the financial position of the company, and enforced TNG on the path towards its initial plan, while allowing employment in direct continuation offering maximum utilization of the ship.

In the last quarter of 2015 TNG took delivery of two newbuildings with which operational fleet reached the planned capacity of 300,000 dwt and the company started generating income from all six operational vessels. Dalmacija was handed over to its charterer in a three year deal at the daily hire rate of USD 17,750 per day, while the 12-month commercial exploitation of Pag began in early December at the daily hire rate of USD 19,300 per day

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 2015

Agreement with ABN Amro bank (Q4)

Tankerska Next Generation Inc. and the distinguished Dutch bank ABN AMRO Bank NV have concluded a loan agreement which will secure the necessary funding for three vessels in TNG's fleet. Part of the transaction worth 52.65 million USD, will be used to finance the delivery installment for Pag, which has been initially funded by the proceeds from the secondary public offering, while the balance of the financing from the transaction will be used to substitute the existing sources of funding for Velebit and Vinjerac.

The loan tenor is six years and is secured at competitive market conditions for ship financing. It will be repaid in 24 consecutive quarterly installments based on 14,5 year repayment profile and a balloon repayment of the remaining balance bringing the outstanding balance to zero which is due together with the final installment.

Delivery and start of commercial exploitation of new vessels (Q4)

TNG took delivery of Dalmacija and Pag, its third and fourth newbuildings from the SSPP Shipyard Cp. on November 27th and December 4th 2015, after which the commercial exploitation of the vessels started. Dalmacija entered into a 3 year time charter with Trafigura for a daily hire fare of USD 17,750, while Pag entered into 12 month deal with the same charterer for a daily hire fare of USD 19,300 per day.

Time charter for Pag secured (Q4)

Tankerska Next Generation Inc. has secured 12 month employment for MT Pag. The vessel will be chartered out to a prominent charterer at approximately USD 19,300 per day with usual market terms. Charterers' option allows for an additional maximum six month extension of the deal at approximately USD 19,500 per day, to be declared the latest 60 days prior to expiration of the time charter.

Continuous time charter for Velebit secured (Q3)

During the third quarter TNG managed to secure 12 month continuous employment for Velebit whose three year contract with Stena Weco expired in late September, and it was immediately handed over to its new charterer („CCI“ Castleton Commodities UK Ltd) with a hire rate of USD 18,500

Delivery and start of the commercial exploitation of the new vessel (Q3)

Zoilo was delivered to TNG as the second newbuilding from the South Korean shipyard Hyundai Mipo Dockyard Co., on 27 July 2015, after which the commercial exploitation of the ship began. Zoilo has a three-year time charter contract with Trafigura for a daily hire fare of USD 17,750.

The acquisition York Maritime Holdings IV, LLC (Q3)

On 29 July 2015 TNG acquired York Maritime Holdings IV LLC, which owns the contract for the construction of an eco-design product tanker, deadweight 50,000 dwt, in the Korean SPP Shipbuilding Co., Ltd. shipyard. The acquisition was financed from funds collected in a secondary public offering (SPO).

Financing arrangement with NORD/LB (Q3)

On 17 July 2015 Zoilo Shipping LLC ("Zoilo Shipping") and Teuta Shipping Company Ltd. ("Teuta") signed an agreement with NORD/LB bank which will be partly used to finance Zoilo and newbuilding Dalmacija, vessels from the South Korean shipyards. The loan has a maturity of six years after the delivery of the ship and was concluded at competitive market conditions for ship financing. It will be repaid in 24 consecutive quarterly installments, around 0.4 mil. USD each, based on the 15-year repayment profile and ballon payment of the remaining amount. The ballon payment would repay the outstanding balance completely together with the last installment. Zoilo Shipping LLC ("Zoilo Shipping") used this loan to settle the payment for the delivery of Zoilo before taking 27 July 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. 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.

Delivery and the beginning 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.

Time Charter contracts for Zoilo and Dalmacija secured (Q2)

TNG contracted vessels Zoilo and Dalmacija (first already operational 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.

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

On 17 March 2015⁴, using the proceeds from the Initial Public Offering the Group acquired two companies, York Maritime Holdings VI LLC⁵ and York Maritime Holdings IX LLC⁶. Both of the companies were in possession of a contract for the construction of a 50,000 dwt eco-designed product tanker in the Korean Hyundai Mipo Shipyard.

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. The initial public offer was successfully finished by listing of the shares on the Official market of the ZSE.

⁴ York Maritime Holdings VI LLC with its HQ in Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands, on September 3th 2015 changed its name into Vukovar Shipping LLC

⁵ York Maritime Holdings IX LCC with its HQ in Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands, on September 3th 2015 changed its name into Zoilo Shipping LLC

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 Inc. 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 Inc. is expected to provide significant benefits to TNG. Under the terms of the Management agreement Tankerska plovidba Inc. 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 Inc. which also came into force on 1 January 2015. TNG and Tankerska plovidba Inc. have agreed that neither Tankerska plovidba Inc. 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 of 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 shipyard
- 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 shipyard
- 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
- On 18 September 2015 the shares of Tankerska Next Generation Inc. (TPNG-R-A) have achieved conditions for inclusion in CROBEX[®] index
- On 27 November 2015 Dalmacija was delivered from SPP shipbuilding shipyard
- On 4 December 2015 Pag was delivered from SPP shipbuilding shipyard
- On 4 December 2015 loan agreement with ABN AMRO Bank NV which will secure the necessary funding for three vessels in TNG's fleet.

Structure of TNG Group as of 31 December 2015

TNG's Directly and Indirectly Owned Subsidiary

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%
York Maritime Holdings IV LLC	Marshall Islands	Tankerska Next Generation International Ltd	100%	100%
Zoilo Shipping LLC	Marshall Islands	Tankerska Next Generation International Ltd	100%	100%
Vukovar Shipping LLC	Marshall Islands	Tankerska Next Generation International Ltd	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%

Contracts with Tankerska plovdba

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 publicly available on TNG's website (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.

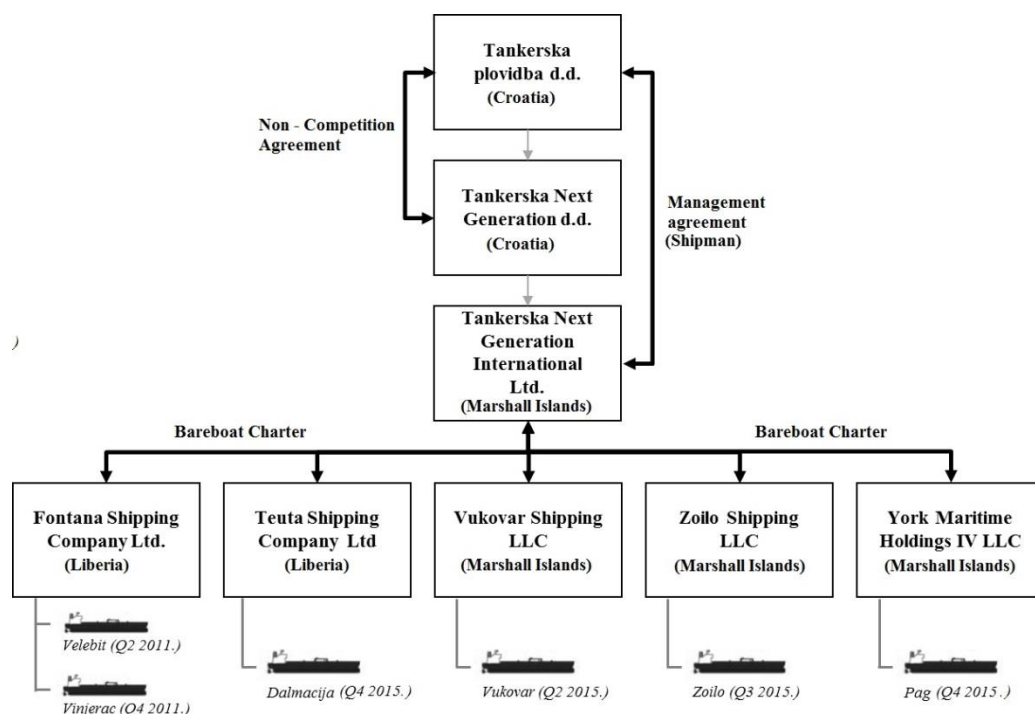
- *S&P fee.* In the event of a definitive agreement for the direct purchase, acquisition, sale or disposition of any vessels entered into by or on behalf of the Group or its affiliates or their owners, the Fleet Manager shall be entitled to a fee in the amount of 1% of the aggregate consideration

Non-Competition Agreement

According to the Non-Competition agreement between TNG Group and Tankerska Group, the parties have agreed that Tankerska plovdba 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 31 December 2015



Significant contracts

Agreement with ABN Amro bank

Tankerska Next Generation Inc. and the distinguished Dutch bank ABN AMRO Bank NV have concluded a loan agreement which will secure the necessary funding for three vessels in TNG's fleet. Part of the transaction worth 52.65 million USD, will be used to finance the delivery installment for MT Pag, which has been initially funded by the proceeds from the secondary public offering, while the balance of the financing from the transaction will be used to substitute the existing sources of funding for MT Velebit and MT Vinjerac.

The loan tenor is six years and is secured at competitive market conditions for ship financing. It will be repaid in 24 consecutive quarterly installments based on 14,5 year repayment profile and a balloon repayment of the remaining balance bringing the outstanding balance to zero which is due together with the final installment.

NORD/LB

On 17 July 2015 Zoilo Shipping LLC ("Zoilo Shipping") and Teuta Shipping Company Ltd. ("Teuta") signed a financing agreement with NORD/LB bank in total amount of USD 47.45 mil. which will be partly used to finance Zoilo and newbuilding Dalmacija, vessels from the South Korean shipyards.

The loan has a maturity of six years after the delivery of the ship and was concluded at competitive market conditions for ship financing. It will be repaid in 24 consecutive quarterly installments, around 0.4 mil. USD each, based on the 15-year repayment profile and balloon payment of the remaining amount. The balloon payment would repay the outstanding balance completely together with the last installment.

Zoilo Shipping used this loan to settle the payment for the delivery of Zoilo before taking 27 July 2015.

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 Vukovar Shipping LLC ("Vukovar shipping"). All other terms and conditions to the Credit Facility remained unchanged.

Vukovar Shipping LLC 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.

Newbuild 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 currently has six 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 plovidba and TNGI (TNG's a fully owned operating company) commenced the Management Agreement under which Tankerska plovidba will operate TNG's fleet in the name and for the account of TNGI.

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. The contract for m/t Velebit was USD 14,000 per day till the end of contract in late September, and after the redelivery of the vessel, Velebit is chartered out to „CCI“ Castleton Commodities UK Ltd. The secured charter rate for Velebit is USD 18,500 per day for 12 months, and it was contracted at the end of Q3 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 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 (Zoilo delivered on 27 July 2015 and Dalmacija delivered on 27 November 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.

Pag

Vessel Pag was delivered on December 4th 2015 from South Korean SPP Shipbuilding Co. Lt. The commercial exploitation of the vessel started on a 12-month time charter deal with Trafigura Maritime Logistics PTE. Ltd. („Trafigura“) with the charter rate of USD 19,300 per day with earliest contract termination in April 2016. The Charterer has an option to extend the time charters for additional 6 months at USD 19,500 per day.

Tankerska Next Generation d.d.

INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR PERIOD STARTING 1 JANUARY 2015 TILL 31 DECEMBER 2015

unaudited

INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME FOR Q4 2015 <i>unaudited</i>	July - September 2015 (HRK 000)	October - December 2015 (HRK 000)	January - December 2015 (HRK 000)	July - September 2015 (USD 000)	October - December 2015 (USD 000)	January- December 2015 (USD 000)
Vessel revenues.....	36,918	56,111	136,064	5,469	7,691	19,461
Other revenues.....	200	327	733	30	45	105
Sales revenues	37,118	56,438	136,797	5,499	7,736	19,566
Commission and voyage related costs.....	(1,808)	(4,834)	(9,018)	(268)	(674)	(1,290)
Vessel operating expenses.....	(13,740)	(23,358)	(57,551)	(2,038)	(3,198)	(8,231)
Drydocking, special and intermediate surveys.....	-	-	-	-	-	-
General and administrative	(1,210)	(3,855)	(6,478)	(179)	(541)	(927)
Newbuildings expenses.....	(413)	(1,609)	(2,872)	(62)	(225)	(411)
Ukupni operativni troškovi	(17,171)	(33,656)	(75,919)	(2,547)	(4,638)	(10,859)
EBITDA	19,947	22,782	60,878	2,952	3,098	8,707
Depreciation and amortization.....	(7,595)	(9,935)	(26,882)	(1,126)	(1,350)	(3,845)
Vessel impairment.....	-	-	-	-	-	-
Operating profit (EBIT)	12,352	12,847	33,996	1,826	1,748	4,862
Net interest expenses.....	(3,397)	(5,640)	(12,306)	(502)	(779)	(1,760)
Net foreign exchange gains (losses).....	(4)	15	12,830	9	(51)	1,835
Tonnage Tax.....	-	-	-	-	-	-
Net income	8,951	7,222	34,520	1,333	918	4,937
Other comprehensive income.....	(3,230)	17,684	29,926	(463)	2,478	4,281
Total comprehensive income	5,721	24,906	64,446	870	3,396	9,218
Weighted average number of shares outstanding, basic & diluted (thou.)	8,733	8,731	8,168	8,733	8,731	8,168
Net income (loss) per share, basic & diluted	1.02	0.83	4.23	0.15	0.11	0.60

Key comments:

- Daily revenues in 2015 per operating vessel of USD 16,340
- Commission and voyage related costs amounted to 6.6% of total vessel revenues
- Daily vessel operating expenses (OPEX) in 2015 of USD 6,911, which includes the ship management services fee in the amount of USD 503 per vessel per day
- G&A cost amounted to HRK 6.5 million (USD 927 thousand), of which a significant part is related to costs associated with the IPO and SPO which were accounted through the Profit and Loss statement (travelling, marketing and other miscellaneous costs)
- Foreign exchange gains are a result of exchanging dollar assets on the reporting date into the Croatian Kuna in market circumstances when the US dollar strengthened in relation to the local currency
- Newbuilding expenses are related to the costs of undelivered newbuildings and include bank services costs, crew cost and other expenses of newbuildings prior to their delivery

The financial statements expressed in 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 (31 December 2015; 1 USD = 6.99HRK).

Tankerska Next Generation d.d.

BALANCE SHEET AT THE DATE OF 31 DECEMBER 2015.

unaudited

BALANCE SHEET	30 Sep 2015	31 Dec 2015	30 Sep 2015	31 Dec 2015
At the date of 31 December 2015	(HRK 000)	(HRK 000)	(USD 000)	(USD 000)
unaudited				
Non-Current Assets	1,111,927	1,442,352	163,686	206,292
Vessels (1).....	884,578	1,442,327	130,218	206,288
Vessels under construction (2).....	227,323	-	33,464	-
Other Non-Current Assets.....	26	25	4	4
Current Assets	45,089	82,267	6,637	11,766
Inventory.....	4,036	4,928	594	705
Accounts receivable.....	820	203	121	29
Cash and cash equivalents.....	36,360	71,465	5,353	10,221
Other current assets.....	3,873	5,671	569	811
Total Assets	1,157,016	1,524,619	170,323	218,058
Shareholders Equity	621,780	645,794	91,531	92,364
Share capital.....	436,667	436,667	64,281	62,454
Reserves.....	145,927	163,715	21,482	23,415
Retained earnings.....	39,186	45,412	5,768	6,495
Non-Current Liabilities	509,993	785,311	75,075	112,319
Bank debt (3).....	509,993	785,311	75,075	112,319
Current Liabilities	25,243	93,514	3,717	13,375
Bank debt (3).....	10,493	62,793	1,545	8,981
Accounts payable.....	3,014	10,481	444	1,499
Other current liabilities.....	11,736	20,240	1,728	2,895
Total Liabilities and Shareholders Equity	1,157,016	1,524,619	170,323	218,058

(1) Operating vessels relate to m/t Velebit, m/t Vinjerac, m/t Vukovar and m/t Zoilo, m/t Dalmacija and m/t Pag

(2) Vessels under construction relate to m/t Dalmacija and m/t Pag which were still under construction on 30 September 2015

Tankerska Next Generation d.d.

CASH FLOW STATEMENT FOR PERIOD FROM 1 JANUARY 2015 TO 31 DECEMBER

unaudited

CASH FLOW STATEMENT FOR Q4 2015 unaudited	January - September 2015 (HRK 000)	January - December 2015 (HRK 000)	January - September 2015 (USD 000)	January - December 2015 (USD 000)
Profit before tax.....	27,298	34,520	4,018	4,937
Depreciation and Amortisation.....	16,947	26,886	2,495	3,845
Changes in working capital.....	(3,379)	22,818	(497)	3,264
Other	-	-	-	-
Cash flow from operating activities	40,866	84,224	6,016	12,046
Cash inflows from investing activities.....	-	-	-	-
Cash outflows from investing activities.....	(627,591)	(956,535)	(92,386)	(136,808)
Cash flow from investing activities	(627,591)	(956,535)	(92,386)	(136,808)
Cash inflows from financing activities.....	619,233	951,996	91,156	136,159
Cash outflows from financing activities.....	(19,423)	(31,493)	(2,859)	(4,504)
Cash flow from financing activities	599,810	920,503	88,297	131,655
Net changes in cash	13,085	48,192	1,926	6,892
Cash and cash equivalents (beginning of period)	23,273	23,273	3,426	3,329
Cash and cash equivalents (end of period)	36,358	71,465	5,352	10,221

Tankerska Next Generation d.d.

STATEMENT OF CHANGES IN EQUITY FOR PERIOD FROM 1 JANUARY 2015 TO 31 DECEMBER 2015

Unaudited

STATEMENT OF CHANGES IN EQUITY <i>unaudited</i>	Share capital	Retained Earnings	Foreign exchange translation reserves	Other reserves and comprehensive	Total
For the period from 1 Jan to 31 Mar 2015	<i>HRK 000</i>	<i>HRK 000</i>	<i>HRK 000</i>	<i>HRK 000</i>	<i>HRK 000</i>
Balance at 1 January 2015	200,000	11,888	55,000	10,363	277,251
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
Balance at 31 March 2015	360,000	28,721	96,663	39,374	524,758
For the period from 1 Apr to 30 Jun 2015	<i>HRK 000</i>	<i>HRK 000</i>	<i>HRK 000</i>	<i>HRK 000</i>	<i>HRK 000</i>
Balance at 31 March 2015	360,000	28,721	96,663	39,374	524,758
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)
Balance at 30 June 2015	436,667	30,235	123,451	25,835	616,188
For the period from 1 Jul to 30 Sep 2015	<i>HRK 000</i>	<i>HRK 000</i>	<i>HRK 000</i>	<i>HRK 000</i>	<i>HRK 000</i>
Balance at 30 Jun 2015	436,667	30,235	123,451	25,835	616,188
Net profit for the period		8,951			8,951
Change in capital					-
Change in other reserves			(129)		(129)
Changes in other comprehensive income				(3,230)	(3,230)
Balance at 30 Sep 2015	436,667	39,186	123,322	22,605	621,780
For the period from 1 Oct to 31 Dec 2015	<i>HRK 000</i>	<i>HRK 000</i>	<i>HRK 000</i>	<i>HRK 000</i>	<i>HRK 000</i>
Balance at 30 Sep 2015	436,667	39,186	123,322	22,605	621,780
Net profit for the period		7,222			7,222
Change in capital					-
Purchase of own shares		(996)			(996)
Change in other reserves			104		104
Changes in other comprehensive income				17,684	17,684
Balance at 31 Dec 2015	436,667	45,412	123,426	40,289	645,794
For the period from 1 Jan to 31 Mar 2015	<i>USD 000</i>	<i>USD 000</i>	<i>USD 000</i>	<i>USD 000</i>	<i>USD 000</i>
Balance at 1 January 2015	33,556	1,886	8,971	(420)	43,993
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)
Balance at 31 March 2015	57,268	4,274	15,145	(2,256)	74,431
For the period from 1 Jan to 31 Mar 2015	<i>USD 000</i>	<i>USD 000</i>	<i>USD 000</i>	<i>USD 000</i>	<i>USD 000</i>
Balance at 31 March 2015	57,268	4,274	15,145	(2,256)	74,431
Net profit for the period		222			222
Change in capital	11,466				11,466
Change in other reserves			4,006		4,006
Changes in other comprehensive income				100	100
Balance at 30 June 2015	68,734	4,496	19,151	(2,156)	90,225
For the period from 1 Jul to 30 Sep 2015	<i>USD 000</i>	<i>USD 000</i>	<i>USD 000</i>	<i>USD 000</i>	<i>USD 000</i>
Balance at 30 June 2015	68,734	4,496	19,151	(2,156)	90,225
Net profit for the period		1,333			1,333
Change in capital					-
Change in other reserves			(19)		(19)
Changes in other comprehensive income				(8)	(8)
Balance at 30 September 2015	68,734	5,829	19,132	(2,164)	91,531
For the period from 1 Oct to 31 Dec 2015	<i>USD 000</i>	<i>USD 000</i>	<i>USD 000</i>	<i>USD 000</i>	<i>USD 000</i>
Balance at 30 Sep 2015	68,734	5,829	19,132	(2,164)	91,531
Net profit for the period		1,033			1,033
Change in capital					-
Purchase of own shares		(142)			(142)
Change in other reserves			15		15
Changes in other comprehensive income				(72)	(72)
Balance at 31 Dec 2015	68,734	6,720	19,147	(2,236)	92,365

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)	At the date of 30.9.2015 (USD 000)	At the date of 31.12.2015 (USD 000)
Value of the operating fleet.....	57,990	97,500	134,100	206,292
Deposits / Newbuildings value.....	44,353	33,981	33,464	-
Contracted vessels profit (loss).....	-	-	-	-
Total fleet value	102,343	131,481	167,564	206,292
Investments.....	-	-	-	-
Other non-current assets (excl. Intangibles and goodwill).....	3	3	4	4
Current assets.....	271	609	1,284	1,545
Total value of other assets	274	612	1,288	1,549
Cash and cash equivalents.....	6,578	17,409	5,353	10,221
Bank debt.....	(32,350)	(54,039)	(76,620)	(103,338)
Net debt	(25,772)	(36,630)	(71,267)	(93,117)
Other non-current liabilities.....	-	-	-	-
Current liabilities.....	(2,269)	(1,588)	(2,172)	(4,394)
Non-controlling interest.....	-	-	-	-
Total value of other liabilities	(2,269)	(1,588)	(2,172)	(4,394)
Net asset value	74,576	93,875	95,413	110,330
Total number of shares	7,200,000	8,733,345	8,733,345	8,733,345
Net asset value per share (USD)	10.36	10.75	10.93	12.63

Key Comments:

- The value of the operating fleet has been based on current industry mid-range bid values for such types of vessels
- The value of newbuildings have been based on purchase price (recognized balance sheet amounts)
- Other inputs are based at their net book values

Key events after the Balance Sheet date

Tankerska Next Generation Inc. and Interkapital vrijednosni papiri Ltd. on 5th February 2016 signed an Addendum to the Agreement for conducting specialist's activities from March 16th 2015, according to which Interkapital vrijednosni papiri Ltd. will continue to perform specialist activities for shares of Tankerska Next Generation Inc., TPNG-R-A, ISIN: HRTPNGRA0000, included on the Official market of the Zagreb Stock Exchange Inc.

The specialist will continue to perform its activities according to the newly signed Addendum to the Agreement until March 31st 2017. The specialist shall submit simultaneous buy and sell orders within the order book on each trading day under the terms and in the manner stipulated by the Rules of Zagreb Stock Exchange

Announcements in 2015

18 December	Notice on acquisition of own shares
4 December	Secured source of funding for three tankers from Tankerska Next Generation's fleet
4 December	MT Pag delivered and handed over to its charterer
27 November	Eco designed MT Dalmacija delivery and start of commercial exploitation
11 November	Time charter employment for MT Pag secured upon vessel's delivery from the yard
27 October	Announcement of the sessions of Management and Supervisory board
21 October	ZSE resolution on listing newly issued shares TPNG-R-A
20 October	CCDC Notice on securities conversion
19 October	Notice on publishing of the Prospectus
18 Sept	TPNG-R-A shares included in CROBEX [®] index
11 Sept	MT Velebit employment secured
21 August	First meeting of the new Supervisory board
21 August	Decisions of the general assembly
30 July	Newbuilding contract acquired
27 July	MT Zoilo delivery and commercial exploitation
27 July	Loan Agreement with NORD/LB signed
8 July	Invitation to the General Assembly
23 June	M/t 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 M/t 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 %)
	30.06.2015.	30.09.2015.	31.12.2015.	30.06.2015.	30.09.2015.	31.12.2015.
Tankerska Plovidba d.d.....	4,454,994	4,454,994	4,454,994	51.01%	51.01%	51.01%
PBZ Croatia Osiguranje OMF.....	838,000	838,590	838,590	9.60%	9.60%	9.60%
Erste Plavi OMF.....	808,000	808,000	808,000	9.25%	9.25%	9.25%
Raiffaisen OMF.....	750,636	750,636	752,036	8.60%	8.60%	8.61%
Croatia Osiguranje d.d.....	292,239	292,239	292,239	3.35%	3.35%	3.35%
Other institutional and private investor.....	1,589,476	1,588,886	1,587,076	18.20%	18.19%	18.17%
Ukupno	8,733,345	8,733,345	8,732,935	100.00%	100.00%	100.00%

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 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 31 DECEMBER
2015

(UNAUDITED)

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- 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 31 DECEMBER 2015

During the reporting period the Company reported HRK 136.8 million of operating revenues, attributed in total to revenue generated from sales.

In the same period, the Company reported HRK 103.2 million of operating costs. The majority of operating expenses are comprised of staff costs HRK 33.5 million, material costs HRK 26.9 million, depreciation in the amount of HRK 26.9 million and also other expenses in the amount of HRK 11.0 million.

In the period ending 31 December 2015 reported financial income amounted to HRK 12.9 million while financial expenses amounted to HRK 12.0 million.

The Company reported HRK 34.5 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 31 December, 2015 the Company had 13,200 treasury shares.

As at 31 December, 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. Vukovar Shipping, LLC, Majuro, Marshall islands (prior to 03.09.2015. named York Maritime Holdings VI, LLC)
5. Zoilo Shipping, LLC, Majuro, Marshall islands (prior to 03.09.2015 named York Maritime Holdings IX, LLC)
6. York Maritime Holdings IV, LLC, Majuro, Marshall Islands.

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

Description	Period
	1 Jan - 31 December 2015
Total revenues.....	HRK 149,690,526
Operating revenues / Total revenues.....	89%
Other revenues / Total revenues.....	2%
International market / Total revenues.....	89%
Domestic market / Total revenues.....	0%
Material costs / Operating expenses.....	32%
Employee costs / Operating expenses.....	31%
Financial expenses / Total Expenses.....	10%
Gross margin.....	25.93%
Accounting profit.....	HRK 34,519,646

BALANCE SHEET

as at 31.12.2015.

Company: 30312968003; TANKERSKA NEXT GENERATION D.D.			
Position	AOP code	Previous year	Current year (net)
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED AND NON - PAID CAPITAL	001	0	0
B) LONG - TERM ASSETS (003+010+020+029+033)	002	460,139,311	1,442,351,624
I. INTANGIBLE ASSETS (004 to 009)	003	0	0
1. Assets development	004	0	0
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	0	0
3. Goodwill	006	0	0
4. Prepayments for purchase of intangible assets	007	0	0
5. Intangible assets in preparation	008	0	0
6. Other intangible assets	009	0	0
II. TANGIBLE ASSETS (011 to 019)	010	460,139,311	1,442,351,624
1. Land	011	0	0
2. Buildings	012	0	0
3. Plant and equipment	013	368,190,814	1,442,327,184
4. Instruments, plant inventories and transportation assets	014	0	24,440
5. Biological assets	015	0	0
6. Prepayments for tangible assets	016	0	0
7. Tangible assets in preparation	017	91,948,497	0
8. Other material assets	018	0	0
9. Investment in buildings	019	0	0
III. LONG-TERM FINANCIAL ASSETS (021 to 028)	020	0	0
1. Shares (stocks) in related parties	021	0	0
2. Loans given to related parties	022	0	0
3. Participating interests (shares)	023	0	0
4. Loans to entrepreneurs in whom the entity hold participating interests	024	0	0
5. Investment in securities	025	0	0
6. Loans, deposits and similar assets	026	0	0
7. Other long - term financial assets	027	0	0
8. Investments accounted by equity method	028	0	0
IV. RECEIVABLES (030 to 032)	029	0	0
1. Receivables from related parties	030	0	0
2. Receivables based on trade loans	031	0	0
3. Other receivables	032	0	0
V. DEFERRED TAX ASSETS	033	0	0
C) SHORT- TERM ASSETS (035+043+050+058)	034	27,203,637	76,596,715
I. INVENTORIES (036 to 042)	035	0	4,928,176
1. Raw material	036	0	4,928,176
2. Work in progress	037	0	0
3. Finished goods	038	0	0
4. Merchandise	039	0	0
5. Prepayments for inventories	040	0	0
6. Long - term assets held for sale	041	0	0
7. Biological assets	042	0	0
II. RECEIVABLES (044 to 049)	043	3,930,535	203,520
1. Receivables from related parties	044	3,811,514	17,724
2. Accounts receivable	045	0	3,496
3. Receivables from participating entrepreneurs	046	0	0
4. Receivables from employees and shareholders	047	0	5,005
5. Receivables from government and other institutions	048	119,021	169,150
6. Other receivables	049	0	8,145
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	050	0	0
1. Shares (stocks) in related parties	051	0	0
2. Loans given to related parties	052	0	0
3. Participating interests (shares)	053	0	0
4. Loans to entrepreneurs in whom the entity hold participating interests	054	0	0
5. Investment in securities	055	0	0
6. Loans, deposits and similar assets	056	0	0
7. Other financial assets	057	0	0
IV. CASH AT BANK AND IN CASHIER	058	23,273,102	71,465,019
D) PREPAID EXPENSES AND ACCRUED INCOME	059	1,201,244	5,670,522
E) TOTAL ASSETS (001+002+034+059)	060	488,544,192	1,524,618,861
F) OFF-BALANCE SHEET NOTES	061	0	0

LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	277,252,117	645,794,429
I. SUBSCRIBED CAPITAL	063	200,000,000	436,667,250
II. CAPITAL RESERVES	064	0	68,425,976
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	55,000,000	55,000,000
1. Reserves prescribed by law	066	0	0
2. Reserves for treasury stocks	067	0	996,600
3. Treasury stocks and shares (deduction)	068	0	996,600
4. Statutory reserves	069	0	0
5. Other reserves	070	55,000,000	55,000,000
IV. REVALUATION RESERVES	071	10,363,244	40,289,284
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	0	10,892,273
1. Retained earnings	073	0	10,892,273
2. Accumulated loss	074	0	0
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	075	11,888,873	34,519,646
1. Profit for the current year	076	11,888,873	34,519,646
2. Loss for the current year	077	0	0
VII. MINORITY INTEREST	078	0	0
B) PROVISIONS (080 to 082)	079	0	0
1. Provisions for pensions, severance pay and similar liabilities	080	0	0
2. Reserves for tax liabilities	081	0	0
3. Other reserves	082	0	0
C) LONG TERM LIABILITIES (084 to 092)	083	190,026,197	785,311,255
1. Liabilities to related parties	084	0	0
2. Liabilities for loans, deposits etc.	085	0	0
3. Liabilities to banks and other financial institutions	086	190,026,197	785,311,255
4. Liabilities for received prepayments	087	0	0
5. Accounts payable	088	0	0
6. Liabilities arising from debt securities	089	0	0
7. Liabilities to entrepreneurs in whom the entity holds participating interests	090	0	0
8. Other long-term liabilities	091	0	0
9. Deferred tax liability	092	0	0
D) SHORT - TERM LIABILITIES (094 to 105)	093	20,361,903	89,769,711
1. Liabilities to related parties	094	873,472	420,173
2. Liabilities for loans, deposits etc.	095	0	0
3. Liabilities to banks and other financial institutions	096	18,457,309	62,792,836
4. Liabilities for received prepayments	097	0	11,760,664
5. Accounts payable	098	1,010,532	10,482,170
6. Liabilities arising from debt securities	099	0	0
7. Liabilities to entrepreneurs in whom the entity holds participating interests	100	0	0
8. Liabilities to employees	101	0	4,183,437
9. Liabilities for taxes, contributions and similar fees	102	5,719	78,573
10. Liabilities to share - holders	103	0	0
11. Liabilities for long term assets held for sale	104	0	0
12. Other short - term liabilities	105	14,871	51,858
E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	106	903,975	3,743,466
F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)	107	488,544,192	1,524,618,861
G) OFF-BALANCE SHEET NOTES	108	0	0
APPENDIX TO BALANCE SHEET (only for consolidated financial statements)			
A) CAPITAL AND RESERVES			
1. Attributed to equity holders of parent company	109		
2. Attributed to minority interests	110		

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 31.12.2015.

Company: 30312968003; TANKERSKA NEXT GENERATION D.D.

Position	AOP code	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
I. OPERATING REVENUES (112+113)	111	9,508,619	9,508,619	136,796,866	56,438,360
1. Sales revenues	112	9,508,619	9,508,619	133,127,902	53,781,683
2. Other operating revenues	113	0	0	3,668,964	2,656,677
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	4,807,104	4,754,688	103,225,371	43,897,287
1. Changes in the value of work in progress and finished goods	115	0	0	0	0
2. Material costs (117 to 119)	116	150,909	143,494	33,503,024	16,923,098
a) Raw material and material costs	117	614	614	11,082,879	6,263,377
b) Costs of goods sold	118	0	0	2,914,094	2,307,336
c) Other external costs	119	150,295	142,880	19,506,051	8,352,385
3. Staff costs (121 to 123)	120	0	0	31,843,730	11,976,029
a) Net salaries and wages	121	0	0	31,253,483	11,769,975
b) Costs for taxes and contributions from salaries	122	0	0	422,300	147,523
c) Contributions on gross salaries	123	0	0	167,947	58,531
4. Depreciation	124	3,633,499	3,633,499	26,886,139	9,936,847
5. Other costs	125	1,022,696	977,695	10,941,030	5,082,572
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	51,448	-21,259
III. FINANCIAL INCOME (132 to 136)	131	8,815,809	2,421,048	12,893,660	24,315
1. Interest income, foreign exchange gains, dividends and similar income from related	132	7,423,057	1,028,296	0	0
2. Interest income, foreign exchange gains, dividends and similar income from non-	133	1,392,752	1,392,752	12,893,660	24,315
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
IV. FINANCIAL EXPENSES (138 to 141)	137	1,628,451	1,628,451	11,945,509	5,226,228
1. Interest expenses, foreign exchange losses and similar expenses from related	138	569,589	569,589	0	0
2. Interest expenses, foreign exchange losses and similar expenses from non - related	139	1,058,862	1,058,862	11,945,509	5,226,228
3. Unrealized losses (expenses) on financial assets	140	0	0	0	0
4. Other financial expenses	141	0	0	0	0
V. INCOME FROM INVESTMENT SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS	142	0	0	0	0
VI. LOSS FROM INVESTMENT SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS	143	0	0	0	0
VII. EXTRAORDINARY - OTHER INCOME	144	0	0	0	0
VIII. EXTRAORDINARY - OTHER EXPENSES	145	0	0	0	0
IX. TOTAL INCOME (111+131+142 + 144)	146	18,324,428	11,929,667	149,690,526	56,462,675
X. TOTAL EXPENSES (114+137+143 + 145)	147	6,435,555	6,383,139	115,170,880	49,123,515
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	11,888,873	5,546,528	34,519,646	7,339,160
1. Profit before taxation (146-147)	149	11,888,873	5,546,528	34,519,646	7,339,160
2. Loss before taxation (147-146)	150	0	0	0	0
XII. PROFIT TAX	151	0	0	0	0
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	11,888,873	5,546,528	34,519,646	7,339,160
1. Profit for the period(149-151)	153	11,888,873	5,546,528	34,519,646	7,339,160
2. Loss for the period (151-148)	154	0	0	0	0
APPENDIX TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Attributed to equity holders of parent company	155				
2. Attributed to minority interests	156				
STATEMENT OF COMPREHENSIVE INCOME (IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	11,888,873	5,546,528	34,519,646	7,339,160
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 to 165)	158	10,363,244	10,363,244	29,926,040	17,684,056
1. Exchange differences on translation of foreign operations	159	10,363,244	10,363,244	29,926,040	17,684,056
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
III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166	0	0	0	0
IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)	167	10,363,244	10,363,244	29,926,040	17,684,056
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	22,252,117	15,909,772	64,445,686	25,023,216
APPENDIX to Statement of comprehensive income (only for consolidated financial statements)					
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD					
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 31.12.2015.

Company: 30312968003; TANKERSKA NEXT GENERATION D.D.			
Position	AOP code	Previous period	Current Period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	001	11,888,873	34,519,646
2. Depreciation	002	3,633,499	26,886,139
3. Increase in short-term liabilities	003	1,040,703	23,753,548
4. Decrease in short term receivables	004	0	0
5. Decrease in inventories	005	0	0
6. Other cash flow increases	006	548,216	5,936,661
I. Total increase in cash flow from operating activities (001 to 006)	007	17,111,291	91,095,994
1. Decrease in short - term liabilities	008	0	0
2. Increase in short - term receivables	009	5,131,176	1,943,507
3. Increase in inventories	010	0	4,928,176
4. Other cash flow decreases	011	7,262,239	0
II. Total decrease in cash flow from operating activities (008 to 011)	012	12,393,415	6,871,683
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	4,717,876	84,224,311
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	0
CASH FLOW FROM INVESTING ACTIVITIES			
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	35,326,349	0
III. Total cash inflows from investing activities(015 to 019)	020	35,326,349	0
1. Cash outflows for purchase of long - term tangible and intangible assets	021	13,477,686	650,684,848
2. Cash outflows for purchase of equity and debt financial instruments	022	59,180	305,849,912
3. Other cash outflows from investing activities	023	186,000,000	0
IV. Total cash outflows from investing activities (021 to 023)	024	199,536,866	956,534,760
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES (020-024)	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES (024-020)	026	164,210,517	956,534,760
CASH FLOW FROM FINANCING ACTIVITIES			
1. Cash receipts from issuance of equity and debt financial instruments	027	186,000,000	305,660,732
2. Cash inflows from loans, debentures, credits and other borrowings	028	1,746,944	646,334,831
3. Other cash inflows from financing activities	029	0	0
V. Total cash inflows from financing activities (027 to 029)	030	187,746,944	951,995,563
1. Cash outflows for repayment of loans and bonds	031	5,487,799	30,496,597
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	996,600
5. Other cash outflows from financing activities	035	0	0
VI. Total cash outflows from financing activities (031 do 035)	036	5,487,799	31,493,197
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	182,259,145	920,502,366
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	038	0	0
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	039	22,766,504	48,191,917
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	0	0
Cash and cash equivalents at the beginning of period	041	506,598	23,273,102
Increase in cash and cash equivalents	042	22,766,504	48,191,917
Decrease in cash and cash equivalents	043	0	0
Cash and cash equivalents at the end of period	044	23,273,102	71,465,019

STATEMENT OF CHANGES IN EQUITY
period 01.01.2015. to 31.12.2015.

Position	AOP code	Previous year	Current year
1	2	3	4
1. Subscribed capital	001	200,000,000	436,667,250
2. Capital reserves	002	0	68,425,976
3. Reserves from profit	003	55,000,000	55,000,000
4. Retained earnings or accumulated loss	004	0	10,892,273
5. Profit or loss for the current year	005	11,888,873	34,519,646
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
10. Total capital and reserves (AOP 001 to 009)	010	266,888,873	605,505,145
11. Currency gains and losses arising from net investments in foreign operations	011	10,363,244	40,289,284
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
17. Total increase or decrease in capital (AOP 011 to 016)	017	10,363,244	40,289,284
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.

7,200,000 TPNG-R-A Tankerska Next Generation, Inc. shares have been listed on the Official Market of the Zagreb Stock Exchange on 12 February, 2015. In the process of the secondary public offer TPNG-R-B shares have been issued, paid up in full, but were not listed on the Official market. On October 23th 2015 the conversion of shares was conducted and 1,533,345 shares with ticker TPNG-R-B were converted into 1,533,345 ordinary shares with the ticker TPNG-R-A and have been listed on the Official Market of the Zagreb Stock Exchange.

As of 31 December, 2015 Tankerska Next Generation's Inc. share capital amounted to HRK 436,667,250 divided into 8,733,345 TPNG-R-A ordinary shares with no par value.

Management Board:

- John Karavanić, the sole member of the Board

Supervisory Board members until 21 August 2015:

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

Supervisory board members from 21 August 2015 till the date of the issue of these reports:

- Ivica Pijaca, chairman
- Andrej Koštomaj, vice chairman
- Nikola Koščica, member
- Joško Miliša, member
- Mario Pavić, member

The Financial Statements for the period ending 31 December, 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. Vukovar Shipping, LLC, Majuro, Marshall islands (prior to 03.09.2015. named York Maritime Holdings VI, LLC, Majuro, Marshall Islands);
5. Zoilo Shipping, LLC, Majuro, Marshall islands (prior to 03.09.2015 named York Maritime Holdings IX, LLC, Majuro, Marshall Islands);
6. York Maritime Holdings IV, LLC, Majuro Marshall Islands

The Financial statements for the period ending 31 December, 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 Vukovar), and on 27 July 2015 the Company took delivery of another eco-designed MR tanker, with 50,000 dwt capacity (hull number 2472, m/t Zoilo). The vessels were delivered by Hyundai Mipo Dockyard Co., Ltd.

On 27 November 2015 the company took delivery of an eco-designed MR tanker, with 50,000 dwt capacity (hull number S5056, m/t Dalmacija), and on 4 December 2015 the Company took deliver of another eco-designed MR tanker, with 50,000 dwt capacity (hull number S5120, m/t Pag). The vessels were delivered by SPP shipbuilding.

The acquisition price of the vessels amounts to USD 151.6 million (1,060.7 million HRK)

During the period ending 31 December, 2015, the Company invested HRK 650.7 million in acquisition of intangible assets, property, plant and equipment.

4. Investments in subsidiaries

On 29 July 2015, Tankerska Next Generation International Ltd., a subsidiary of Tankerska Next Generation Inc., acquired York Maritime Holdings IV, LLC, Marshall Islands, for a price of 14.0 mil. USD and thus acquired a contract to build eco-design product tanker, with capacity of 50,300 dwt (hull no. S5120), which will be delivered from the South Korean shipyard SPP Shipbuilding Co., Ltd.

5. 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 plovdba 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 6,2 million and secondary public offer transaction costs of HRK 1 million have been recorded as a deduction from share capital.

6. Interest bearing debt

During Q2 Vukovar Shipping 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.

During Q3 Zoilo Shipping LLC. Received a loan to finance Zoilo's delivery in the amount of USD 23.7 million (HRK 165.9 million). The loan is payable in 24 quarterly installments.

During Q3 Teuta Shipping Company Ltd. received a loan to finance Dalmacija's delivery in the amount of USD 23.7 million (HRK 165.9 million). The loan is payable in 24 quarterly installments.

During Q4 York Maritime Holdings IV, LLC. received a loan to finance Pag's delivery in the amount of USD 22.5 million (HRK 157.5 million). The loan is payable in 24 quarterly installments.

During Q1 2016. Fontana Shipping Company Ltd. received a loan to finance Dalmacija's delivery in the amount of USD 30.1 million (HRK 211 million). The loan is payable in 24 quarterly installments.

7. Earnings per Share

EARNINGS PER SHARE	Period
	1 Jan - 31
	December 2015
Net (loss) / profit to shareholders.....	HRK 34,519,646
Weighted average number of shares.....	8,167,815
Basic (loss) / earnings per share.....	HRK 4.23

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

8. Transactions with the Related Parties

TRANSACTIONS WITH THE RELATED PARTIES	Period
	1 Jan - 31
	December 2015
Sales to related parties.....	HRK 0
Purchase from related parties.....	HRK 25,111,332
Receivables from related parties.....	HRK 17,724
Liabilities towards related parties.....	HRK 420,173
Given loans to related parties.....	HRK 0
Received loans from related parties.....	HRK 0

9. Subsequent events after Balance Sheet date

There was no subsequent events after Balance Sheet date which would significantly affect the financial statements on 31st December 2015.

3. STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The financial statements for the three month period starting 1 October 2015 and ending 31 December 2015 and for the year starting from 1 January 2015 and ending 31 December 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 starting on 1 October 2015, and ending on 31 December 2015, and for the year starting from 1 January 2015 and ending 31 December 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, 25th February 2016.

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
Capital	Capital Principal Repayment Interest		
Operating	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>		
Commissions	Address Brokerage		
Commercial fee*	<i>Chartering and commercial management services</i>		
Voyage (minor)	Draft surveys Tank cleaning Postage Other minor miscellaneous expenses		
Voyage (major)	Bunker fuel expenses Port fees Cargo loading and unloading expenses Canal tolls Agency fees Extra war risks insurance Other expenses related to the cargo		

 Ship-owner payments

 Charterer payments

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

Cautionary note regarding forward-looking statements

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

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

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

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



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