

UNAUDITED FINANCIAL STATEMENTS FOR Q3 AND FIRST NINE MONTHS OF 2016

Zadar, October 28th 2016**Highlights of the first nine months of 2016:**

- Vessel revenues in the amount of HRK 189.9 million (USD 28.36 million)
- EBITDA in the amount HRK 97.7 million (USD 14.59 million)
- EBIT in the amount of HRK 58.9 million (USD 8.80 million)
- Net profit in the amount of HRK 36.5 million (USD 5.45 million)

Comments from the CEO

"Tankerska Next Generation Inc. ended the first nine months of 2016 with revenues of nearly HRK190 million which went up in comparison to 2015 thanks to the stable high employment rate of the fleet, and a significant increase in revenue days. The positive effects of the fully integrated fleet resulted in strengthening of the financial stability of TNG in the first nine months of the year, while the increase in cash generating capacity enabled EBITDA to reach almost HRK 98 million. The main driver of the increase in revenue and profitability are the four fully employed newbuild vessels, which are stabilizing the midterm revenue potential of TNG through multi-year time charters, for the third consecutive quarter.

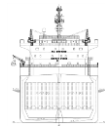
The period of integrated operations of all six tankers continued in the third quarter, including m/t Vinjerac which has been transferred to the "spot market" at the end of the second quarter. In the past quarter TNG recorded revenues of HRK 64.5 million, reaching a net profit of 9.6 million HRK, which cumulates into net profit of HRK 36.5 million for the first nine months.

During the first nine months of 2016 TNG recorded the results of the previous commercial efforts of management with a goal to implement the strategy of ensuring stable cash flows, which enabled TNG to register strong average daily revenues per vessel of USD 17,070. Following the market conditions and taking into account the present market volatilities m/t Vinjerac whose time charter contract expired during the second quarter has been transferred to the "spot market" with a goal to achieve the beneficial effect for the operational efficiency and optimal geographical positioning of the vessel before the expected 5-year drydock.

Stability of the business operations in the first nine months was brought in by the time charter strategy of employment of the fleet which prefers multi-year contracts and thus minimizes the volatility of the spot rates and the varying value of the company's assets. The first nine months of the year were in that sense a part of the usual shipping cycle in which the hire rates and vessels value varied and ended on the lower level in comparison to last year, but the well-timed contracting secured the stability of business operations. During the third quarter a certain correction in the spot market was recorded as a result of slightly reduced level of derivatives trading on the global market. This short-term change in the market is not supported by basic indicators and trends in the segment of product tankers, which show a significant reduction in the growth of the total product tanker fleet in the next two-year period and the stability of the supply and demand for this type of ship.

The focus of the management will remain on monitoring the development of the market conditions and the activities which should result in securing the optimal terms of employment for the vessels whose time charters expire by the end of the year. The trend of high efficiency backed by the stable level of income is the result of the Company's business model aimed at creating new value and minimizing the risks of a cyclical industry."

John Karavanić, CEO



Market environment

The expected growth of the global economy in 2016 is forecasted at 3.1%, which follows the growth rate recorded in the previous year. These forecasts published by the International Monetary Fund are slightly revised (-0.1%), compared to forecasts published in April 2016, due to an unexpected Brexit, and weaker than expected growth rate in the United States. The forecasts are revised due to the uncertainty which is expected to further negatively influence the investment climate, conditions on the financial markets and the global economic trends. Stronger economic recovery is expected during 2017 when the main drivers of the recovery should be the emerging and developing markets, and overall stabilization of the currently imbalanced economies.

The rate of recovery will be driven by the changes and balanced return of the Chinese economy, which is trying to ensure more stable growth after a decade of strong credit and investment growth. During the first nine months the growth of economic activity on the Chinese market was registered, mainly as a consequence of intensified infrastructural operations and the recovery of the oil prices. The findings suggest that addressing the general weakness in economic activity, especially in investments and further trade reforms that lower barriers, will stimulate trade, which in turn could help strengthen productivity and growth. Uncertainty of the recovery will be further underpinned by the development of the emerging markets, particularly due to falling commodity prices (including uncertainties associated with the movement of crude oil prices), as well as the uncertainties connected to Brexit, which brought additional macroeconomic and financial instabilities.

Crude oil prices recovered during the first six months of the year from a long term minimum recorded in January 2016. Price of Brent crude oil in the third quarter fluctuated from 41 USD in the end of July towards USD 50 per barrel, the level on which it finished the quarter. The recovery of the oil prices drove the growth of economic activities in the exporting countries, which are still in the process of fiscal consolidation and adapting to the structurally low prices of oil.

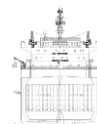
In the segment of product tankers the market showed a certain level of volatility which is a result of the increase in fleet capacity in the segment of product tankers, increased levels of oil derivatives supply due to the mild winter and increased refining activities because of the lower price of crude oil. The trend of unstable market rates is backed by the uncertainties connected to the recovery of world economy on one hand and the slower growth of the tanker fleet on the other hand, backed by the forecasts of strengthening of the oil derivatives market in the fourth quarter.

During the first nine months of 2016 total of 78¹ new units were delivered in the product tanker segment which shows an increase of 5,2% in global product tanker fleet compared to 2015, with expectations that by the end of the year there will be an additional 31 newbuildings delivered. The trend of increase in units in this segment is slowing down in comparison to 2015, while a significant drop in deliveries of new vessels is expected in the two year period 2017-2018 when the total number of new vessels should be no more than 86 units. This kind of slowing down in vessel supply alongside with the positive trends on the oil derivatives market, plus the expected drop in oil supply should result in a positive trend in 2017.

Current MR ship-owner expectations for one year hire with immediate delivery are at a level of USD 13,250² per day.

¹ Maersk Broker – Tanker market report, October 2016

² Clarksons, Tanker Matrix Report, October 2016



Management discussion for Q3 and first nine months 2016

SELECTED FINANCIALS	July -	January -	July -	January -	July -	January -	July -	January -
	September	September	September	September	September	September	September	September
	2015	2015	2016	2016	2015	2015	2016	2016
	(HRK 000)	(HRK 000)	(HRK 000)	(HRK 000)	(USD 000)	(USD 000)	(USD 000)	(USD 000)
Vessel revenues.....	36,918	79,953	64,542	189,901	5,469	11,770	9,902	28,360
EBITDA.....	19,947	37,978	29,528	97,729	2,952	5,592	4,553	14,595
EBIT.....	12,352	21,031	16,815	58,943	1,826	3,097	2,600	8,804
Net income.....	8,951	27,180	9,593	36,493	1,333	4,002	1,489	5,451

Results for the nine months ending September 30, 2016

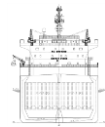
For the nine months ending September 30, 2016, the Company's revenues amounted to HRK 189.9 million (USD 28.4 million), EBITDA amounted to HRK 97.7 million (USD 14.6 million), while the net income amounted to HRK 36.5 million (USD 5.45 million) for the same period. TNG's financial results are a consequence of an increase in the volume of business operations as a result of the full integration of the fleet built in 2015.

The vessels' revenues for nine months ending September 30, 2016 reached HRK 189.9 million and are mostly a result of time charters for all operational vessels. The revenue increase was slightly moderated by the 5-year dry dock of m/t Velebit, which was done in June and lasted for 21 days. Three secured midterm time charters stabilized the income potential of TNG and significantly mitigated the volatility of the hire rates which were seen during this year. Towards the end of the nine month period a certain correction in the spot market was recorded as a result of slightly reduced level of derivatives trading on the global market. This short-term change in the market is not supported by the basic indicators and trends in the segment of product tankers, which show a significant reduction in the growth of the total product tanker fleet in the next two-year period and the stability of the supply and demand for this type of ship.

The vessels' operating expenses for six months ending September 30, 2016 reached HRK 93.5 million (USD 13.9 million), and are related to the expenses of a fully operational fleet of 6 vessels throughout the period. The operational expenses increased slightly due to one off costs of m/t Velebit's 5-year dry dock and the initial demands because of the change in strategy of employment of m/t Vinjerac. Voyage related costs and commissions were HRK 15.0 million (USD 2.25 million) for the nine months ending September 30, 2016, or 7.8% of the vessels revenues, or 5% respectively when the additional port and fuel charges connected to voyage charter are excluded.

The depreciation expense for the nine months ending September 30, 2016 was HRK 38.8 million (USD 5.8 million), which shows an increase in comparison to the first nine months of 2015 due to the delivery of newbuildings in the second half of 2015. Interest expenses and finance costs, amounted to HRK 21.8 million (USD 3.25 million) for the nine months ending 30 September, 2016 and are connected to the loans for financing of the operational fleet. The total indebtedness of the company gradually decreases with each repayment tranche and the ratio of debt was reduced by one percentage point compared to the first six months of 2016 and amounts to 53%.

General and administrative expenses for the nine months ending September 30, 2015 reached HRK 5.3 million (USD 0.79 million). During the first nine months of 2016, m/t Velebit underwent its 5-year drydock, and spent twenty-one days in the shipyard, which slightly moderated the profitability of the past period. Using the commercial potential of the vessel, and the possibilities provided by the time charter, m/t Velebit was positioned in the Far East ahead of the drydock which enabled significant savings with maximum operational efficiency.



Results for the three months ending September 30, 2016

For the three months ending September 30, 2016, the Company's revenues amounted to HRK 64.5 million (USD 9.9 million), EBITDA amounted to HRK 29.53 million (USD 4.55 million), which is a significant increase compared to HRK 19.95 million in the second quarter of 2015. The Company's net income in the third quarter of 2016 amounted to HRK 9.6 million (USD 1.5 million).

The operating profit of the Q3 was HRK 16.8 million (USD 2.6 million) and it is a result of full integration of the newbuildings to the fleet which significantly increased the revenues, and the absence of initial costs of furnishing and delivery of newbuildings which were included in the results during the most part of 2015.

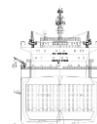
The vessels' revenues for the three months ending September 30, 2016 reached HRK 64.5 million (USD 9.9 million), which is a significant increase in comparison to the revenues recorded in the third quarter of 2015. This increase primarily reflects revenues generated from the fully operational fleet of six vessels during Q3. Average daily revenues in Q3 were recorded at the level of 16.746 USD. During the second quarter one of the vessels' (m/t Vinjerac) time charter contract expired, and its new employment is secured matching current market conditions and the company's chartering strategy. Vinjerac was transferred to the "spot market" with a goal to achieve the beneficial effect of operational efficiency and optimal geographical positioning of the vessel before the expected drydock.

The vessels' operating expenses for the three months ending September 30, 2016, amounting to HRK 35.3 million (USD 5.4 million) significantly increased, compared to HRK 17.2 million (USD 2.5 million) for the Q3 2015. The third quarter of 2016 was predominately marked with usual operating costs, contrary to Q3 2015 where results which were burdened with initial costs of furnishing the ships with material, equipment and lubricants, as well as additional funding costs of the acquired vessels. Fees and voyage associated costs amounted to HRK 9.2 million (USD 1.8 million) in the third quarter of 2016, which is an increase from USD 1.8 million (USD 0.27 million) in Q3 2015.

This significant increase came as a result of intensified operations of the fully operational fleet in the quarter and the transfer of m/t Vinjerac to the "spot market" where the voyage-related costs are paid by the ship owner, contrary to the time-charter contracts where the charterer covers the voyage-related costs.

Depreciation expenses for the three months ending September 30, 2016 were HRK 12.7 million (USD 1.95 million). All the vessels in operation are depreciated over an estimated useful life span of 25 years on a straight line basis to their residual value, which represents their scrap value on the international market.

General and administrative expenses for the three months ending September 30, 2016 were HRK 1.54 million (USD 0.24 mil.), the increased expenses compared to Q3 2015 are a result of the increased volume of the operations.



Financial position summary

FINANCIAL POSITION	30 Jun 2015	30 Sep 2015	30 Jun 2016	30 Sep 2016	30 Jun 2015	30 Sep 2015	30 Jun 2016	30 Sep 2016
	(HRK 000)	(HRK 000)	(HRK 000)	(HRK 000)	(USD 000)	(USD 000)	(USD 000)	(USD 000)
Bank debt.....	369,056	520,486	794,670	767,812	54,039	76,620	117,010	114,664
Cash and cash equivalents.....	118,888	36,240	76,027	57,367	17,408	5,335	11,194	8,567
Net debt.....	250,168	484,246	718,643	710,445	36,631	71,285	105,816	106,097
Capital and reserves.....	616,189	621,781	620,006	621,316	90,226	91,531	91,292	92,787
Gearing ratio (*).....	29%	44%	54%	53%	29%	44%	54%	53%

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

The gearing ratio by the end of the nine month period decreased by 2 basis points to 53% in comparison to the end of 2015, despite the reduction in the cash position and the dividend distribution of HRK 34.5 million to shareholders. This decreasing debt trend is in accordance with the loan repayment plans of TNG and regular decrease in indebtedness, and a further decrease in company's debt is expected in the future.

The year 2015 was a capital expenditure intensive period for the company, however in line with its ambitious capital expenditures plan and growth strategy during which the Company secured necessary funds for acquisitions of new tankers both on the capital market and with the business banks. With these funding transactions TNG has secured a strong capital base while maintaining a moderately leveraged capital structure and remaining in line with current ratios.

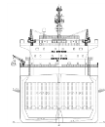
Securing both sufficient levels of debt and equity financing, provided stable foundations for delivering company strategy and increasing distributable cash flow, the ability to pay dividends and maximizing shareholder's value, while lowering the risk of the business by focusing on medium to long term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

Operational data of the fleet

OPERATIONAL DATA OF THE FLEET	Siječanj - Rujan 2015	January - March 2016	April - June 2016	July - September 2016	January - September 2016
Gross Time Charter rates (USD, per day)*	15,426	17,559	16,897	16,746	17,070
Time Charter Equivalent rates (USD, per day).....	14,619	16,874	15,968	15,689	16,180
Daily vessel operating expenses (USD).....	6,596	6,348	6,753	6,839	6,647
Operating days (number).....	763	546	546	552	1,644
Revenue days (number).....	763	546	525	543	1,614
Fleet utilization (%).....	100.0%	100.0%	96.2%	98.4%	98.2%
Average number of vessels in the period.....	2.8	6.0	6.0	6.0	6.0
Number of vessels at period end.....	4.0	6.0	6.0	6.0	6.0

* For comparison purposes, revenues of the units on voyage charters ("spot market") are adjusted for the expenses which are covered by the charterer on time charters

TNG's operating fleet consists of Velebit, Vinjerac, Vukovar, Zoilo, Dalmacija and Pag, and all six vessels were almost fully operational during the first half of 2016. The vessel employment strategy secured a stable level of income in the midterm where three ships are employed on a three year contract, while others are employed on shorter contracts. Following the regulatory demands and the best market practice m/t Velebit conducted the 5-year drydock which decreased the



operating days of the fleet by 21 days, but with an optimal positioning before the drydock which accomplished significant cost savings.

Average gross daily freight rates in the first nine months of 2016 amounted to USD 17,070, and show an increase from the same period of 2015, while the average daily vessel operating expenses (OPEX) amounted to USD 6,647. The third quarter of 2016 recorded an average gross daily freight rate of USD 16,746.

The third quarter of 2016 continues the period of nearly full operations of the fleet, which came after a developing year 2015. The efforts of the management in developing the fleet and securing employment for the vessels resulted in an average daily gross revenue per vessel of USD 17,070 for the nine months of 2016, which surpasses the average of the same period of 2015 by 10,7%. During the second quarter of 2016 the time charter contract for m/t Vinjerac worth USD 14,800 per day has expired, and the new employment of the vessel was adjusted to the current market terms and expected hire rates. Vinjerac was transferred to the "spot market" with a goal to achieve the beneficial effect to the operational efficiency and optimal geographical positioning of the vessel before the expected 5-year drydock, which will result in lower expenses of the drydock itself.

According to the plan, during the second quarter of 2016 the conventional m/t Velebit built in 2011 has undergone its 5-year drydock, while m/t Vinjerac is scheduled for a 5-year drydock at the latest in Q1 2017, which will impact the number of operating days in the respective quarter by approximately twenty days.

M/t Zoilo spent nine days during the third quarter docked in Cape Town due to repairs to the hull which was damaged by a third party during STS ("ship to ship transfer") earlier this year. Proceeds from the repair costs and off-hire will be shown in the following reporting periods, once they are reimbursed. Despite the reduction in the number of revenue days due to the docking of m/t Zoilo, the fleet utilization of 98.4% in the third quarter highlights the high efficiency of TNG's fleet.

Average daily vessel operating expenses of USD 6.839 USD for the third quarter of 2016 shows an increase from the results recorded in second quarter (USD 6.753). The level of average daily operating expenses during the third quarter was 1,3% higher than the average daily operating expense during the second quarter of 2016, due to the m/t Vinjerac transfer to new strategy of employment which incurred higher costs. TNG expects normalized operating expenses to be recorded after the first fully operational year of the fleet.



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 Q4 2016)
Vinjerac	51,935	Medium Range Product Tanker	Q4 2011	Treći Maj Brodogradilište d.d.	Croatia	SPOT market	Voyage charter
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)

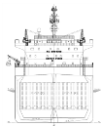
TNG's fleet development in 2015

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.

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.

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.

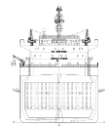
Dalmacija was handed over to its charterer in a three year deal at the daily hire rate of USD 17,750 per day, while the 12-month commercial exploitation of Pag began in early December at the daily hire rate of USD 19,300 per day.



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 labour 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 creates favourable conditions, management may decide to hire ships to shipping contracts on a journey and thus further enhance the company's business and financial operations.



Current chartering strategy

The Group currently has five Time Charter contracts, and 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 plovdba and TNGI (TNG's a fully owned operating company) commenced the Management Agreement under which Tankerska plovdba will operate TNG's fleet in the name and for the account of TNGI. During the second quarter the time charter contract for m/t Vinjerac with Stena Weco has expired, and the new employment for the vessel was contracted following the current market terms and taking into account the present market volatilities. M/t Vinjerac was transferred to the "spot market" with a goal to achieve the beneficial effect on commercial efficiency and optimal geographical positioning of the vessel before the expected 5-year drydock, which is scheduled to be conducted by the end of January 2017.

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 the Q3 2015, with the earliest redelivery in Q4 2016. After exercising the put option for m/t Vinjerac its contract expired and the vessel was transferred to the spot market where every single voyage will be contracted individually in accordance with the employment strategy and operational requirements of the following dry dock.

Vukovar

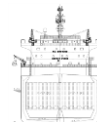
TNG took delivery of Vukovar on 29 April 2015 from Hyundai Mipo Dockyard Co., Ltd., South Korea after which it begun its commercial exploitation on a three year time charter (from 1 May onwards). The current charter rate for Vukovar is USD 17,250 per day with the earliest contract termination in May 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 has an option to extend both time charters for additional 12 months at USD 19,750 per day.

Pag

Vessel Pag was delivered on 4 December 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 December 2016. The Charterer has an option to extend the time charters for additional 6 months at USD 19,500 per day.



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 plovodba Inc. under the terms of the Management agreement which has been in place since 1 January 2015. Due to Tankerska plovodba'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 plovodba Inc. is expected to provide significant benefits to TNG. Under the terms of the Management agreement Tankerska plovodba 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 plovodba Inc. which also came into force on 1 January 2015. TNG and Tankerska plovodba Inc. have agreed that neither Tankerska plovodba Inc. nor any of its affiliates (other than TNG and its affiliates) will own, lease, commercially operate or charter any MR product tanker.

Structure of TNG Group as of 30 September 2016

TNG's directly and indirectly owned subsidiaries

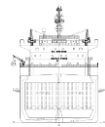
Subsidiary	Jurisdiction of incorporation	Shareholder	Ownership interest	Proportion of voting power
Tankerska Next Generation International Ltd.	Marshall Islands	Tankerska Next Generation Inc.	100%	100%
Pag Shipping LLC	Marshall Islands	Tankerska Next Generation International Ltd	100%	100%
Zoilo Shipping 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 plovodba

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 favourable rates.

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

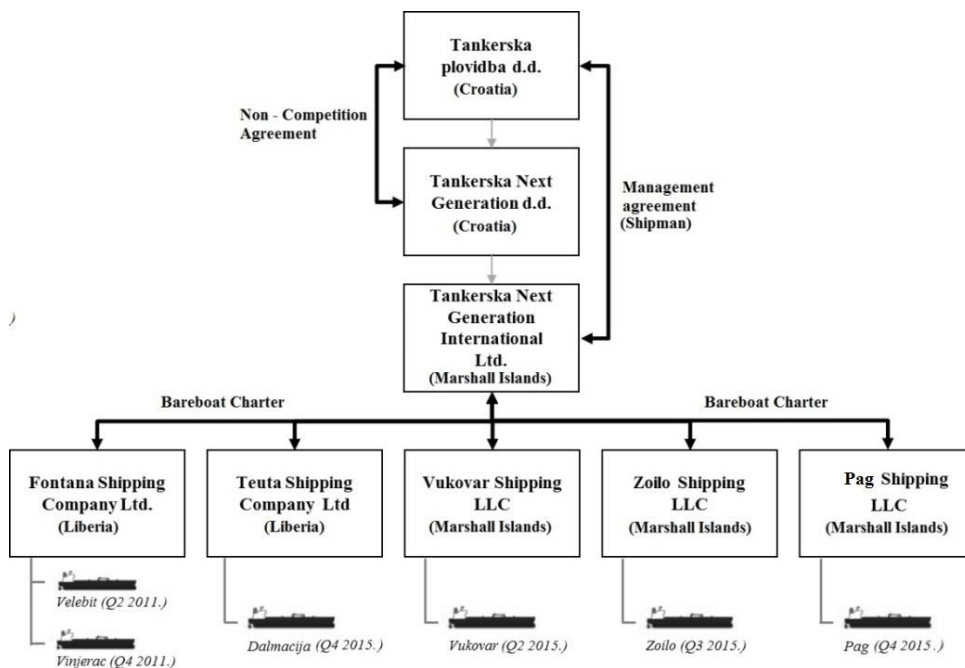
- *Commercial management services fee.* TNGI pays a fee to the Fleet Manager for commercial services it provides to the Group equal to 1.5% of the gross vessel revenues
- *Bunkering.* All bunkering arrangements will be charged at USD 1.00 per metric ton. Any cost directly or indirectly incurred in the 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 450 daily for 2016 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

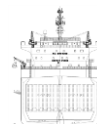
Non-Competition Agreement

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 30 September 2016



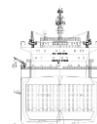

Tankerska Next Generation Inc.
**INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME
 FOR PERIOD STARTING 1 JANUARY 2016 TILL 30 SEPTEMBER 2016**
Unaudited

INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME FOR Q3 2016 unaudited	July - September 2015 (HRK 000)	January - September 2015 (HRK 000)	July - September 2016 (HRK 000)	January - September 2016 (HRK 000)	July - September 2015 (USD 000)	January - September 2015 (USD 000)	July - September 2016 (USD 000)	January - September 2016 (USD 000)
Vessel revenues.....	36,918	79,953	64,542	189,901	5,469	11,770	9,902	28,360
Other revenues.....	200	406	300	1,366	30	60	47	204
Sales revenues	37,118	80,359	64,842	191,267	5,499	11,830	9,949	28,564
Commission and voyage related costs.....	(1,808)	(4,184)	(9,177)	(15,030)	(268)	(616)	(1,383)	(2,245)
Vessel operating expenses.....	(13,740)	(34,193)	(24,597)	(73,176)	(2,038)	(5,033)	(3,775)	(10,928)
General and administrative	(1,210)	(2,741)	(1,540)	(5,332)	(179)	(403)	(238)	(796)
Newbuildings expenses.....	(413)	(1,263)	-	-	(62)	(186)	-	-
Total operating expenses	(17,171)	(42,381)	(35,314)	(93,538)	(2,547)	(6,238)	(5,396)	(13,969)
EBITDA	19,947	37,978	29,528	97,729	2,952	5,592	4,553	14,595
Depreciation and amortization.....	(7,595)	(16,947)	(12,713)	(38,786)	(1,126)	(2,495)	(1,953)	(5,792)
Vessel impairment.....	-	-	-	-	-	-	-	-
Operating profit (EBIT)	12,352	21,031	16,815	58,943	1,826	3,097	2,600	8,803
Net interest expenses.....	(3,397)	(6,666)	(7,061)	(21,790)	(502)	(981)	(1,085)	(3,254)
Net foreign exchange gains (losses).....	(4)	12,815	(161)	(660)	9	1,886	(26)	(99)
Tonnage Tax.....	-	-	-	-	-	-	-	-
Net income	8,951	27,180	9,593	36,493	1,333	4,002	1,489	5,450
Other comprehensive income.....	(3,230)	12,242	(8,283)	(26,527)	(463)	1,803	(1,276)	(3,962)
Total comprehensive income	5,721	39,422	1,310	9,966	870	5,805	213	1,488
Weighted average number of shares outstanding, basic & diluted (thou.)	8,733	7,360	8,720	8,720	8,733	7,360	8,720	8,720
Net income (loss) per share, basic & diluted	1.02	3.69	1.10	4.18	0.15	0.54	0.17	0.63

Key comments:

- Daily revenues per operating vessel in the first six months of USD 17,070
- Voyage related costs and commission amounted to 7.8% of total vessel revenues or 5% respectively when the additional port and fuel charges connected to voyage charter are excluded.
- Daily vessel operating expenses (OPEX) in the first nine months of 2016 of USD 6,647 which includes the ship management services fee in the amount of USD 450 per vessel per day
- Foreign exchange gains (losses) are a result of exchanging dollar assets on the reporting date into the Croatian Kuna

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 (30 September 2016; 1 USD = 6.696176 HRK).



Tankerska Next Generation Inc.
BALANCE SHEET AT THE DATE OF 30 SEPTEMBER 2016
unaudited

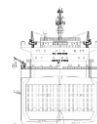
BALANCE SHEET						
At the date of 30 September 2016						
unaudited	31 Dec 2015	30 Jun 2016	30 Sep 2016	31 Dec 2015	30 Jun 2016	30 Sep 2016
	(HRK 000)	(HRK 000)	(HRK 000)	(USD 000)	(USD 000)	(USD 000)
Non-Current Assets	1,442,352	1,374,954	1,347,108	206,292	202,453	201,176
Vessels.....	1,442,327	1,374,931	1,347,087	206,288	202,450	201,173
Vessels under construction.....	-	-	-	-	-	-
Other Non-Current Assets.....	25	23	21	4	3	3
Current Assets	82,267	91,136	76,415	11,766	13,419	11,411
Inventory.....	4,928	6,599	6,441	705	972	962
Accounts receivable.....	203	800	1,080	29	118	161
Cash and cash equivalents.....	71,465	76,027	57,367	10,221	11,194	8,567
Other current assets.....	5,671	7,710	11,527	811	1,135	1,721
Total Assets	1,524,619	1,466,090	1,423,523	218,058	215,872	212,587
Shareholders Equity	645,794	620,006	621,316	92,364	91,292	92,787
Share capital.....	436,667	436,667	436,667	62,454	64,296	65,211
Reserves.....	163,715	145,472	137,189	23,415	21,420	20,488
Retained earnings.....	45,412	37,867	47,460	6,495	5,576	7,088
Non-Current Liabilities	785,311	762,812	752,107	112,319	112,319	112,319
Bank debt.....	785,311	762,812	752,107	112,319	112,319	112,319
Current Liabilities	93,514	83,272	50,100	13,375	12,261	7,481
Bank debt.....	62,793	31,858	15,705	8,981	4,691	2,345
Accounts payable.....	10,481	3,241	1,547	1,499	477	231
Other current liabilities.....	20,240	48,173	32,848	2,895	7,093	4,905
Total Liabilities and Shareholders Equity	1,524,619	1,466,090	1,423,523	218,058	215,872	212,587

Tankerska Next Generation Inc.

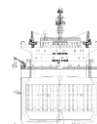
CASH FLOW STATEMENT FOR PERIOD FROM 1 JANUARY 2016 TO 30 SEPTEMBER 2016

unaudited

CASH FLOW STATEMENT FOR Q3 2016 unaudited	January - September 2015 (HRK 000)	January - September 2016 (HRK 000)	January - September 2015 (USD 000)	January - September 2016 (USD 000)
Profit before tax.....	27,180	36,493	4,001	5,450
Depreciation and Amortisation.....	16,949	38,791	2,495	5,793
Changes in working capital.....	(3,261)	3,961	(480)	592
Other	-	(13,678)	-	(2,044)
Cash flow from operating activities	40,868	65,567	6,016	9,791
Cash inflows from investing activities.....	-	-	-	-
Cash outflows from investing activities.....	(627,591)	(13,739)	(92,386)	(2,052)
Cash flow from investing activities	(627,591)	(13,739)	(92,386)	(2,052)
Cash inflows from financing activities.....	619,233	197,006	91,156	29,421
Cash outflows from financing activities.....	(19,423)	(262,932)	(2,859)	(39,266)
Cash flow from financing activities	599,810	(65,926)	88,297	(9,845)
Net changes in cash	13,087	(14,098)	1,927	(2,106)
Cash and cash equivalents (beginning of period)	23,273	71,465	3,426	10,673
Cash and cash equivalents (end of period)	36,360	57,367	5,353	8,567


Tankerska Next Generation Inc.
STATEMENT OF CHANGES IN EQUITY FOR PERIOD FROM 1 JANUARY 2016 TO 30 SEPTEMBER 2016
Unaudited

STATEMENT OF CHANGES IN EQUITY unaudited	Share capital	Retained Earnings	Foreign exchange translation reserves	Other reserves and comprehensive income	Total
For the period from 1 Jan to 31 Mar 2016	HRK 000	HRK 000	HRK 000	HRK 000	HRK 000
Balance at 1 January 2016	436,667	45,412	123,426	40,289	645,794
Net profit for the period		17,044			17,044
Change in capital					-
Change in other reserves					-
Changes in other comprehensive income				(31,727)	(31,727)
Balance at 31 March 2016	436,667	62,456	123,426	8,562	631,111
For the period from 1 Apr to 30 Jun 2016	HRK 000	HRK 000	HRK 000	HRK 000	HRK 000
Balance at 31 March 2016	436,667	62,456	123,426	8,562	631,111
Net profit for the period		9,856			9,856
Change in capital		(34,445)			(34,445)
Change in other reserves					-
Changes in other comprehensive income				13,484	13,484
Balance at 30 June 2016	436,667	37,867	123,426	22,046	620,006
For the period from 1 Jul to 30 Sep 2016	HRK 000	HRK 000	HRK 000	HRK 000	HRK 000
Balance at 30 June 2016	436,667	37,867	123,426	22,046	620,006
Net profit for the period	-	9,593			9,593
Change in capital					-
Change in other reserves	-				-
Changes in other comprehensive income	-			(8,283)	(8,283)
Balance at 30 Sep 2016	436,667	47,460	123,426	13,763	621,316
For the period from 1 Jan to 31 Mar 2016	USD 000	USD 000	USD 000	USD 000	USD 000
Balance at 1 January 2016	68,734	6,720	19,147	(2,236)	92,365
Net profit for the period		2,564			2,564
Change in capital					-
Change in other reserves					-
Changes in other comprehensive income				2	2
Balance at 31 March 2016	68,734	9,284	19,147	(2,234)	94,931
For the period from 1 Apr to 30 Jun 2016	USD 000	USD 000	USD 000	USD 000	USD 000
Balance at 31 March 2016	68,734	9,284	19,147	(2,234)	94,931
Net profit for the period		1,451			1,451
Change in capital		(4,981)			(4,981)
Change in other reserves					-
Changes in other comprehensive income				(109)	(109)
Balance at 30 June 2016	68,734	5,754	19,147	(2,343)	91,292
For the period from 1 Jul to 30 Sep 2016	USD 000	USD 000	USD 000	USD 000	USD 000
Balance at 30 June 2016	68,734	5,754	19,147	(2,343)	91,292
Net profit for the period		1,433			1,433
Change in capital					-
Change in other reserves					-
Changes in other comprehensive income				62	62
Balance at 30 Sep 2016	68,734	7,187	19,147	(2,281)	92,787



Tankerska Next Generation Inc.
NET ASSET VALUE CALCULATION
estimate

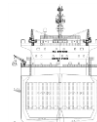
Net asset value calculation estimate	At the date of 30.6.2016 (USD 000)	At the date of 30.9.2016 (USD 000)
Value of the operating fleet.....	177,350	180,540
Deposits / Newbuildings value.....	-	-
Contracted vessels profit (loss).....	-	-
Total fleet value	177,350	180,540
Investments.....	-	-
Other non-current assets (excl. Intangibles and goodwill).....	3	3
Current assets.....	2,225	2,844
Total value of other assets	2,228	2,847
Cash and cash equivalents.....	11,194	8,567
Bank debt.....	(117,010)	(114,664)
Net debt	(105,816)	(106,097)
Other non-current liabilities.....	-	-
Current liabilities.....	(7,570)	(5,136)
Non-controlling interest.....	-	-
Total value of other liabilities	(7,570)	(5,136)
Net asset value	66,192	72,154
Weighted average number of shares outstanding, basic & diluted (thou.)	8,720,145	8,720,145
Net asset value per share (USD)	7.59	8.27

Key Comments:

The calculation of the value of the operational fleet (1) of the Company, which is based on the average values in the industry for a specific type of vessel basically contains assumptions and revenue generating ability of each unit, taking into account the current realizable hire fare, which can be achieved by employing a specific type of vessel at the time of evaluation. Time charter contracts are usually fixed to a certain hire rate for the whole duration of the contract, as is the case with TNG's contracts, which prefers multiyear employment and holds three three-year contracts with hire rates above the currently achievable. The hire rates fluctuate depending on the season and the year, and thus reflect changes in freight rates, expectations of future freight rates and other factors. The degree of volatility of time charter hire rates is lower for long-term contracts than the ones fixed in shorter term.

The revenue potential of TNG is backed by three secured medium-term contracts, currently fixed at a premium compared to the market conditions, which significantly alleviated the usual volatility of hire rates which were seen during this year. Stability of operations in the first nine months was significantly contributed by the employment strategy of the fleet which preferred medium-term time charter employment, which mitigated the short-term volatility which is reflected in the changing freight rates, and volatility in the value of Company's assets.

In that sense, the first nine months of this year were an often seen shipping cycle during which both the freight rates and vessel values recorded the correction and ended at levels below the ones recorded last year, but the timely contracting of employment gave a balanced and sustainable level of cash flow at a premium considering current market conditions. During the third quarter there was a certain correction on the spot market as a result of slightly reduced level of derivatives trading on global markets. This short-term changes in the market are not supported by basic indicators and trends in the segment of product tankers, which show a significant reduction in the growth of the total product tanker fleet in the next two-year period and the stability of the supply and demand for this type of vessels. The current market conditions have reflected on the S&P market in a way that the reduced activity does not offer any reference transactions in terms of sale/purchase price for product tankers that could support the process of valuation of assets. Assessment of net (1) asset value is based on current market conditions, and revenue and cost assumptions of typical or average product tanker and does not reflect specifics of TNG fleet, or the expectations of management related to the changes and recovery in the hire rates and market petroleum products, as well as the growth and development of the fleet in this segment in the available sectoral analysis.



Announcements in 2016.

28.7.2016	Management and Supervisory Board meetings held
26.7.2016	Announcement of the Management and the Supervisory Board sessions
10.6.2016	New member of the Supervisory Board appointed
10.6.2016	Annual General Assembly meeting held
23.5.2016	MT Vinjerac - time charter contract expires
29.4.2016	Management and Supervisory Board meetings held
28.4.2016	Invitation to the General Assembly of the Company
26.4.2016	Announcement of the Management and the Supervisory Board sessions
15.4.2016	Code of Corporate Governance Questionnaire for 2015
15.4.2016	Decisions from the Supervisory Board session
12.4.2016	Announcement of the Management and the Supervisory Board sessions
1.3.2016	Resignation of a Supervisory Board member
25.2.2016	Notification about the held sessions of Management and the Supervisory Board
23.2.2016	Information of home member state
23.2.2016	Announcement of the Management and the Supervisory Board sessions
5.2.2016	Agreed extension in cooperation in conducting specialist's activities

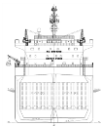
Tankerska Next Generation Inc. – shareholder structure by numbers of shares

Shareholder	No. of shares	Share (in %)	Shareholder	No. of shares	Share (in %)
	31 Dec 2015	31 Dec 2015		30 Sep 2016	30 Sep 2016
Tankerska Plovidba d.d.....	4,454,994	51.01%	Tankerska Plovidba d.d.....	4,454,994	51.01%
PBZ Croatia Osiguranje OMF.....	839,000	9.61%	PBZ Croatia Osiguranje OMF.....	839,000	9.61%
Erste Plavi OMF.....	808,000	9.25%	Erste Plavi OMF.....	808,000	9.25%
Raiffeisen OMF.....	752,036	8.61%	Raiffeisen OMF.....	752,036	8.61%
Croatia Osiguranje d.d.....	292,239	3.35%	Raiffeisen DMF.....	345,466	3.96%
Ostali institucionalni i privatni investitori..	1,587,076	18.17%	Ostali institucionalni i privatni investitori..	1,533,849	17.56%
Ukupno	8,733,345	100.00%	Ukupno	8,733,345	100.00%

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

Tankerska Next Generation Inc. – Management and Supervisory board

At the Annual general assembly meeting of Tankerska Next Generation Inc. held on June 10th 2016. Mr. Nikola Mišetić was appointed as a new member of the Supervisory board, with a mandate which lasts till August 21st 2019.



TANKERSKA NEXT GENERATION Inc.

INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY UNTIL 30 SEPTEMBER 2016

(UNAUDITED)

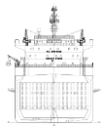
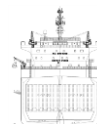


TABLE OF CONTENTS

- I. Report of the Management Board on the Company's operations for the period from 1 January until 30 September, 2016

- II. Unaudited condensed quarterly financial statements
 - Balance Sheet per as at 30 September, 2016
 - Profit and Loss Account for the period from 1 January until 30 September, 2016
 - Cash Flow Statement for the period from 1 January until 30 September, 2016
 - Statement of Changes in Equity for the period from 1 January until 30 September, 2016
 - Notes to the Financial Statements

- III. Statement of Responsibility for the Financial Statements



I. REPORT OF THE MANAGEMENT BOARD ON THE COMPANY'S OPERATIONS FOR THE PERIOD FROM 1 JANUARY UNTIL 30 SEPTEMBER 2016

During the reporting period the Company reported HRK 191.3 million of operating revenues, attributed in total to revenue generated from sales.

In the same period, the Company reported HRK 132.3 million of operating costs. The majority of operating expenses are the material costs HRK 41.1 million, staff costs HRK 39.2 million, depreciation in the amount of HRK 38.8 million (including HRK 226.5 thousand of dry dock expenses), and also other expenses in the amount of HRK 13.2 million.

In the period ending 30 September 2016 reported financial income amounted to HRK 0.5 million while financial expenses amounted to HRK 22.9 million.

The Company reported HRK 36.5 million of cumulated net profit in the reporting period.

Dividend in gross amount of HRK 3.95 per share was paid out to the Company's shareholders who were registered in the Central Depository & Clearing Company Inc. (CDCC) as of 10 June 2016. The dividend payment was conducted on 8 July 2016.

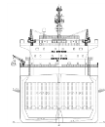
Company's share capital, amounting to HRK 436.7 million has been divided into 8.7 million approved, issued and fully paid ordinary shares with no par value. During 2016 there were no corporate activities of acquiring treasury shares of the Company. As at 30 September, 2016 the Company had 13,200 treasury shares.

As at 30 September, 2016 the Company owned following subsidiaries abroad:

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

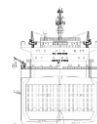
Herein below are some of the most significant data from the Financial Statements for the period:

OPIS	Period	Period
	1 Jan - 30 Sep 2015	1 Jan - 30 Sep 2016
Total revenues.....	HRK 93,227,850	HRK 191,749,602
Operating revenues / Total revenues.....	85%	99%
Other revenues / Total revenues.....	1%	1%
International market / Total revenues.....	85%	99%
Domestic market / Total revenues.....	0%	0%
Material costs / Operating expenses.....	28%	31%
Employee costs / Operating expenses.....	38%	30%
Financial expenses / Total Expenses.....	10%	15%
Gross margin.....	34.26%	19.22%
Accounting profit.....	HRK 27,180,485	HRK 36,492,780
Operating profit (EBIT).....	HRK 21,030,421	HRK 58,942,467



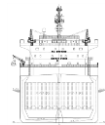
BALANCE SHEET
as at 30.09.2016.

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	1,442,351,624	1,347,108,455
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	1,442,351,624	1,347,108,455
1. Land	011	0	0
2. Buildings	012	0	0
3. Plant and equipment	013	1,442,327,184	1,347,087,171
4. Instruments, plant inventories and transportation assets	014	24,440	21,284
5. Biological assets	015	0	0
6. Prepayments for tangible assets	016	0	0
7. Tangible assets in preparation	017	0	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	76,596,715	71,583,577
I. INVENTORIES (036 to 042)	035	4,928,176	6,440,553
1. Raw material	036	4,928,176	6,440,553
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	203,520	1,079,916
1. Receivables from related parties	044	17,724	7,893
2. Accounts receivable	045	3,496	92,156
3. Receivables from participating entrepreneurs	046	0	0
4. Receivables from employees and shareholders	047	5,005	5,062
5. Receivables from government and other institutions	048	169,150	27,694
6. Other receivables	049	8,145	947,111
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	050	0	6,696,176
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	6,696,176
7. Other financial assets	057	0	0
IV. CASH AT BANK AND IN CASHIER	058	71,465,019	57,366,932
D) PREPAID EXPENSES AND ACCRUED INCOME	059	5,670,522	4,830,890
E) TOTAL ASSETS (001+002+034+059)	060	1,524,618,861	1,423,522,922
F) OFF-BALANCE SHEET NOTES	061	0	0



LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	645,794,429	621,316,037
I. SUBSCRIBED CAPITAL	063	436,667,250	436,667,250
II. CAPITAL RESERVES	064	68,425,976	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	
2. Reserves for treasury stocks	067	996,600	996,600
3. Treasury stocks and shares (deduction)	068	996,600	996,600
4. Statutory reserves	069	0	0
5. Other reserves	070	55,000,000	55,000,000
IV. REVALUATION RESERVES	071	40,289,284	13,762,684
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	10,892,273	10,967,347
1. Retained earnings	073	10,892,273	10,967,347
2. Accumulated loss	074	0	0
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	075	34,519,646	36,492,780
1. Profit for the current year	076	34,519,646	36,492,780
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	785,311,255	752,106,986
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	785,311,255	752,106,986
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	89,769,711	45,216,204
1. Liabilities to related parties	094	420,173	8,292,131
2. Liabilities for loans, deposits etc.	095	0	0
3. Liabilities to banks and other financial institutions	096	62,792,836	15,705,292
4. Liabilities for received prepayments	097	11,760,664	14,876,394
5. Accounts payable	098	10,482,170	1,546,836
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	4,183,437	4,633,555
9. Liabilities for taxes, contributions and similar fees	102	78,573	63,842
10. Liabilities to share - holders	103	0	55,106
11. Liabilities for long term assets held for sale	104	0	0
12. Other short - term liabilities	105	51,858	43,048
E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	106	3,743,466	4,883,695
F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)	107	1,524,618,861	1,423,522,922
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		

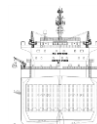
Note 1.: Appendix to balance sheet is filled out only by entrepreneurs who consolidate financial reports.



PROFIT AND LOSS ACCOUNT
for period 01.01.2016. to 30.09.2016.

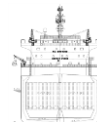
Company: 30312968003; TANKERSKA NEXT GENERATION D.D.

Position	AOP code	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
I. OPERATING REVENUES (112+113)	111	80,358,505	37,117,420	191,275,752	64,845,188
1. Sales revenues	112	79,346,218	36,603,720	189,901,069	64,541,888
2. Other operating revenues	113	1,012,287	513,700	1,374,683	303,300
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	59,328,084	24,766,057	132,333,285	48,030,563
1. Changes in the value of work in progress and finished goods	115	0	0	0	0
2. Material costs (117 to 119)	116	16,579,926	5,688,184	41,099,425	18,689,757
a) Raw material and material costs	117	4,819,503	378,425	14,492,992	8,648,198
b) Costs of goods sold	118	606,758	314,010	0	0
c) Other external costs	119	11,153,665	4,995,749	26,606,433	10,041,559
3. Staff costs (121 to 123)	120	19,867,701	8,969,164	39,180,123	12,806,070
a) Net salaries and wages	121	19,483,507	8,779,461	38,277,528	12,615,876
b) Costs for taxes and contributions from salaries	122	274,778	136,519	654,759	132,366
c) Contributions on gross salaries	123	109,416	53,184	247,836	57,828
4. Depreciation	124	16,949,292	7,596,132	38,791,409	12,715,683
5. Other costs	125	5,858,458	2,490,124	11,980,532	3,790,355
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	72,707	22,453	1,281,796	28,698
III. FINANCIAL INCOME (132 to 136)	131	12,869,345	25,876	473,850	29,468
1. Interest income, foreign exchange gains, dividends and similar income from related	132	0	0	427,496	0
2. Interest income, foreign exchange gains, dividends and similar income from non-	133	12,869,345	25,876	46,354	29,468
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	6,719,281	3,425,742	22,923,537	7,251,241
1. Interest expenses, foreign exchange losses and similar expenses from related	138	0	0	0	0
2. Interest expenses, foreign exchange losses and similar expenses from non - related	139	6,719,281	3,425,742	22,923,537	7,251,241
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	93,227,850	37,143,296	191,749,602	64,874,656
X. TOTAL EXPENSES (114+137+143 + 145)	147	66,047,365	28,191,799	155,256,822	55,281,804
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	27,180,485	8,951,497	36,492,780	9,592,852
1. Profit before taxation (146-147)	149	27,180,485	8,951,497	36,492,780	9,592,852
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	27,180,485	8,951,497	36,492,780	9,592,852
1. Profit for the period(149-151)	153	27,180,485	8,951,497	36,492,780	9,592,852
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	27,180,485	8,951,497	36,492,780	9,592,852
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 to 165)	158	12,241,984	-3,230,573	-26,526,600	-8,282,871
1. Exchange differences on translation of foreign operations	159	12,241,984	-3,230,573	-26,526,600	-8,282,871
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	12,241,984	-3,230,573	-26,526,600	-8,282,871
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	39,422,469	5,720,924	9,966,180	1,309,981
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 01.01.2016. to 30.09.2016.

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	27,180,485	36,492,780
2. Depreciation	002	16,949,292	38,791,409
3. Increase in short-term liabilities	003	5,675,885	4,309,096
4. Decrease in short term receivables	004	0	1,163,877
5. Decrease in inventories	005	0	0
6. Other cash flow increases	006	1,926,863	1,334,467
I. Total increase in cash flow from operating activities (001 to 006)	007	51,732,525	82,091,629
1. Decrease in short - term liabilities	008	0	0
2. Increase in short - term receivables	009	763,618	0
3. Increase in inventories	010	4,036,166	1,512,378
4. Other cash flow decreases	011	6,064,388	15,012,402
II. Total decrease in cash flow from operating activities (008 to 011)	012	10,864,172	16,524,780
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	40,868,353	65,566,849
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	0	0
III. Total cash inflows from investing activities(015 to 019)	020	0	0
1. Cash outflows for purchase of long - term tangible and intangible assets	021	330,431,774	7,042,773
2. Cash outflows for purchase of equity and debt financial instruments	022	297,159,101	0
3. Other cash outflows from investing activities	023	0	6,696,176
IV. Total cash outflows from investing activities (021 to 023)	024	627,590,875	13,738,949
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	627,590,875	13,738,949
CASH FLOW FROM FINANCING ACTIVITIES			
1. Cash receipts from issuance of equity and debt financial instruments	027	304,989,578	0
2. Cash inflows from loans, debentures, credits and other borrowings	028	314,242,911	197,005,623
3. Other cash inflows from financing activities	029	0	0
V. Total cash inflows from financing activities (027 to 029)	030	619,232,489	197,005,623
1. Cash outflows for repayment of loans and bonds	031	19,422,992	228,542,144
2. Dividends paid	032	0	34,389,466
3. Cash outflows for finance lease	033	0	0
4. Cash outflows for purchase of own stocks	034	0	0
5. Other cash outflows from financing activities	035	0	0
VI. Total cash outflows from financing activities (031 do 035)	036	19,422,992	262,931,610
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	599,809,497	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	038	0	65,925,987
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	039	13,086,975	0
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	0	14,098,087
Cash and cash equivalents at the beginning of period	041	23,273,102	71,465,019
Increase in cash and cash equivalents	042	13,086,975	0
Decrease in cash and cash equivalents	043	0	14,098,087
Cash and cash equivalents at the end of period	044	36,360,077	57,366,932

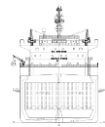


STATEMENT OF CHANGES IN EQUITY
Period from 1.1.2016 to 30.9.2016

Position	AOP code	Previous year	Current year
1	2	3	4
1. Subscribed capital	001	436,667,250	436,667,250
2. Capital reserves	002	68,439,976	68,425,976
3. Reserves from profit	003	55,000,000	55,000,000
4. Retained earnings or accumulated loss	004	11,888,873	10,967,347
5. Profit or loss for the current year	005	27,180,485	36,492,780
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	599,176,584	607,553,353
11. Currency gains and losses arising from net investments in foreign operations	011	22,605,228	13,762,684
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	22,605,228	13,762,684
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 in 2014 in the Republic of Croatia. It's headquarter is at Božidara Petranovića 4, Zadar, Croatia.

Management Board:

- John Karavanić, the sole member of the Board

Supervisory Board members until 29 February 2016:

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

Mr. Andrej Koštomaj resigned from its position of deputy chairman and members of the TNG Supervisory Board and ceased to be its member on 29th February 2016. Pursuant to the Companies Act, a new member of the Supervisory Board was elected by a decision of the Tankerska Next Generation Inc. General Assembly held on 10 June 2016.

Supervisory board members from 29 February 2016 till 10 June:

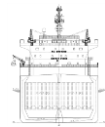
- Ivica Pijaca, chairman
- Mario Pavić, vice chairman
- Nikola Koščica, member
- Joško Miliša, member

Supervisory board members from 10 June 2016 till the date of the issue of these reports:

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

As of 30 September, 2016 Tankerska Next Generation's Inc. share capital amounted to HRK 436,667,250 divided into 8,733,345 TPNG-R-A ordinary shares with no par value.

The Financial Statements for the period ending 30 September, 2016 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 Ltd., Monrovia, Liberia;
3. Teuta Shipping Company Ltd., Monrovia, Liberia;
4. Vukovar Shipping, LLC, Majuro, Marshall Islands;
5. Zoilo Shipping, LLC, Majuro, Marshall Islands;
6. Pag Shipping, LLC, Majuro Marshall Islands.

The Financial statements for the period ending 30 September, 2016 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, 2015.

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 2015, except for the part which relates to the docking policy. Description of the nature and effect of this change in accounting policy is given below.

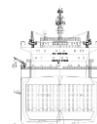
The vessels are required to undergo planned drydocking for replacement of certain components, major repairs and maintenance of other components, which cannot be carried out while the vessels are operating, approximately every 60 months depending on the nature of work and external requirements.

The expenses of the drydock (including the expenses of the review and renewal of the class) are capitalized when incurred as part of the vessel in the Company's business records on a straight-line basis over the five-year period until the next drydock. Depreciation is calculated monthly, starting from the first day of the month following the month when the five-year drydock was carried out. In the case that the drydock appears before the expiry of 60 months, the remainder of the cost of will be fully accounted to the period within which the docking has been carried out.

The value of the cost of docking include the direct costs incurred as part of the docking in order to meet regulatory requirements, costs that can extend the economic life of the ship, increase the ability to generate income and improve the efficiency of the ship. Direct costs include costs of the shipyard, preparing and painting of the hull, hull and mechanical components inspection, steel structures, mechanical and electrical works.

Expenses of the usual maintenance and repairs, no matter if they appeared in the docking period or not, are recognized as expenses of the period when they incurred.

The change of docking policy had no effect on the financial position and performance of the Company for 2015, since the cost of docking appeared only in 2016.



3. Principal accounting policies

The Company performed the planned five-year overhaul (docking) product tanker m/t "Velebit" in the observed period. The total value of docking expenses (including the costs of its class renewal) according to the final calculation amounts to USD 676,540.

In accordance with the adopted docking policy, the docking expenses (including expenses of its class renewal) of m/t "Velebit" are capitalized as part of the vessel in the business records of "Tankerska Next Generation International Ltd" and are depreciated on a straight-line basis over the five-year period until the next docking, which is expected in 2021.

The depreciation expenses for the first nine months totalling USD 38.8 million include the expenses related to the depreciation of the dry-docking during the five-year period until the next docking in the amount of 226,511 HRK (USD 33,827).

4. Shareholder equity and reserves

The dividend payout from the net profit realized in 2015 in gross amount of HRK 3.95 per share was carried out on 8 July 2016.

5. Earnings per Share

EARNINGS PER SHARE	Period	Period
	1 Jan - 30 Sep	1 Jan - 30 Sep
	2015	2016
Net (loss) / profit to shareholders.....	HRK 27,180,485	HRK 36,492,780
Weighted average number of shares.....	7,360,200	8,720,145
Basic (loss) / earnings per share.....	HRK 3.69	HRK 4.18

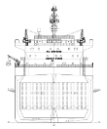
Since the Company has no potential dilutable ordinary shares, basic and diluted earnings per share are identical.

6. Transactions with the Related Parties

TRANSACTIONS WITH THE RELATED PARTIES	Period	Period
	1 Jan - 30 Sep	1 Jan - 30 Sep
	2015	2016
Sales to related parties.....	HRK 0	HRK 0
Purchase from related parties.....	HRK 16,742,891	HRK 14,105,107
Receivables from related parties.....	HRK 0	HRK 7,893
Liabilities towards related parties.....	HRK 5,873,890	HRK 8,292,131
Given loans to related parties.....	HRK 0	HRK 0
Received loans from related parties.....	HRK 0	HRK 0

7. Subsequent events after Balance Sheet date

There were no subsequent events after Balance Sheet date which would significantly affect the financial statements on 30 September 2016.



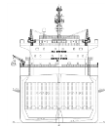
III. STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The financial statements for the three month period starting 1 January 2016 and ending 30 September 2016 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 January 2016, and ending on 30 September 2016, 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, 28th October 2016.

John Karavanić, CEO



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.

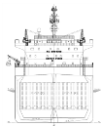
The Group's vessels may be out of service, that is, off-hire, for several reasons: scheduled drydocking, special surveys, vessel upgrade or maintenance or inspection, which are referred to as scheduled off-hire; and unscheduled repairs, maintenance, operational deficiencies, equipment breakdown, accidents/incidents, 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.

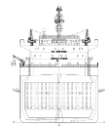
Daily vessel operating expenses. Daily vessel operating expenses is a metric used to evaluate the Group's ability to efficiently operate vessels incurring operating expenses and to limit these expenses.

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:

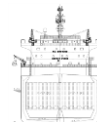
Time charter. Time charter is a contract under which a charterer pays a fixed daily hire rate on a semi-monthly or monthly basis for a fixed period of time for using the vessel. Subject to any restrictions in the charter, the charterer decides the type and quantity of cargo to be carried and the ports 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

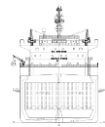
(2) See 'Important Financial and Operational Terms and Concepts' below

(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.

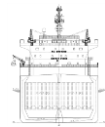
Vessel operating costs. The Group is responsible for vessel operating costs which include crewing, repairs and maintenance, lubricants, insurance, spares, stores, registration and communication and sundries.

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 depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. The carrying values of the vessels may not represent their fair market value at any point in time since the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuilds. Historically, both the charter rates and vessel values have been cyclical in nature.

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

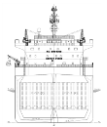
General and administrative expenses. General and administrative expenses comprise of the administrative staff costs, management costs, office expenses, audit, legal and professional fees, travel expenses and other expenses relating to administration.

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

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

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

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



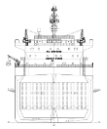
The table below illustrates the payment responsibilities of the ship owner and charterer under a time and voyage charter.

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



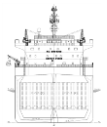
Cautionary note regarding forward-looking statements

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.



Contact:

TANKERSKA NEXT GENERATION Inc.

Božidara Petranovića 4

23 000 Zadar

Croatia

Tel: +385 23 202 135

Fax: +385 23 250 580

e-mail: tng@tng.hr

www.tng.hr

