TANKERSKA NEXT GENERATION Inc.

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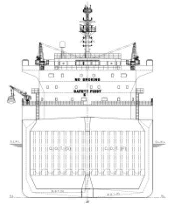


UNAUDITED FINANCIAL STATEMENTS FOR Q4 AND THE FULL YEAR 2016

Zadar, February 27th 2017

Highlights of the year 2016:

- Operating revenues in the amount of HRK 272.1 million (USD 37.9 million)
- EBITDA in the amount HRK 127.9 million (USD 17.8 million)
- EBIT in the amount of HRK 72.4 million (USD 10.1 million)
- Net profit in the amount of HRK 40.6 million (USD 5.7 million)

Comments from the CEO

"Tankerska Next Generation Inc. ended the year 2016 with operating revenues of HRK 272 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 with more vessels employed on the spot market. The positive effects of the fully integrated fleet resulted in strengthening of the financial stability of TNG with the increase in net profit which reached HRK 40.6 million. The main driver of the increase in revenue and profitability are the four fully employed newbuild vessels, which continuously recorded high employment rates while stabilizing the midterm revenue potential of TNG through multi-year time charters.

The fourth quarter of 2016 was marked with more TNG presence on the spot market. In the past quarter TNG recorded revenues of HRK 80.8 million, with EBITDA of HRK 30.2 million. Profitability of the last quarter was slightly moderated by one off costs of m/t Vinjerac docking, and higher expenses and liquidity requirements of the vessels which operated on the spot market during the quarter.

Commercial efforts of the management with a goal to implement the strategy of ensuring stable cash flows enabled TNG to register strong average daily revenues per vessel of USD 17,031 in the fourth quarter. Following the market conditions and taking into account the present market volatilities m/t Vinjerac, Velebit and Pag whose time charters expired at different times during the year have been transferred to the spot market with a goal to achieve the beneficial effect for the operational efficiency and optimal geographical positioning for Vinjerac and Velebit before their 5-year drydock. This model of employment at the current market conditions offers management enough flexibility to timely react to the positive changes in hire rates, while it simultaneously requires higher liquidity requirements due to the fact that the ship owner covers the voyage related expenses.

Stability of the business operations was brought in by the time charter strategy of employment of the fleet which prefers multi-year contracts and thus minimized the volatility of the spot rates and the varying value of the company's assets during the third and fourth quarter. In that sense, year 2016 was a part of the usual shipping cycle in which the hire rates and vessels value varied and ended the year at 5-year averages, and at a slightly lower level in comparison to 2015. During the third and at the start of fourth quarter a certain correction in the spot market was recorded as a result of slightly reduced level of derivatives trading on the global market, which bounced back by the end of the year recording higher levels of trading and a slight upturn on the product market segment. Basic indicators and trends in the segment of product tankers 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 which indicates further stabilization of the market and positive trends in the midterm.

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 both in time charter and on the spot market, while ensuring the necessary resources for the continuation of balanced operations. 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 world economy is projected to pick up pace in 2017 and 2018 with 3.4 percent and 3.6 percent respectively, which is a higher growth rate in comparison to 2016, especially in emerging markets and developing economies. However, there is a wide dispersion of possible outcomes around the IMF projections, given uncertainty surrounding the policy stance of the incoming U.S. administration and its global ramifications. The assumptions underpinning the forecast should be more specific by the time of the IMF's April 2017 World Economic Outlook, as more clarity emerges on U.S. policies and their implications for the global economy.

With these caveats, aggregate growth estimates and projections for the next two years remain unchanged relative to the October 2016 World Economic Outlook. The outlook for advanced economies has improved reflecting somewhat stronger activity in the second half of 2016 as well as a projected fiscal stimulus in the United States. Growth prospects have marginally worsened for emerging market and developing economies, where financial conditions have generally tightened. Near-term growth prospects were revised up for China, due to expected policy stimulus, but were revised down for a number of other large economies—most notably India, Brazil, and Mexico.

Crude oil prices recovered during 2016 from a long term minimum recorded in January 2016 when the price of barrel of Brent crude oil fell under 30 USD. During the fourth quarter of 2016 the price fluctuated from 43 USD towards USD 55 per barrel, the level on which it ended 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 during 2016 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. After a strong start of 2016, the trend of unstable market rates continued through the second and third quarter, while a certain growth in hire rates was recorded toward the end of the year as a result of typical winter market activity which indicates a close balance of supply and demand.

Meanwhile, MR product tanker supply is decelerating as the pace of deliveries is slowing and scrapping continues at constant rate of 20-25 vessels per year. During 2016 a total of 95[1] new units were delivered in the product tanker segment which shows an increase of 5,4%[1] in global product tanker fleet compared to 2015, while a significant drop in deliveries of new vessels is expected in 2017 when the total number of new vessels should be no more than 72[2] 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 13,500[3] per day.

1 Banchero Costa, Product Tanker Market Outlook,February 2017
2 Maersk Broker monthly, January 2017
3 Clarksons, Tanker Matrix report, February 2017

Management discussion for Q4 and the full year 2016

SELECTED FINANCIALS	October - December 2015 (HRK 000)	January - December 2015 (HRK 000)	October - December 2016 (HRK 000)	January - December 2016 (HRK 000)	October - December 2015 (USD 000)	January- December 2015 (USD 000)	October - December 2016 (USD 000)	January- December 2016 (USD 000)
Vessel revenues	56,111	136,064	79,570	269,471	7,691	19,461	9,231	37,591
EBITDA	22,900	60,878	30,158	127,887	3,115	8,707	3,245	17,840
EBIT	12,965	33,996	13,419	72,362	1,765	4,862	1,291	10,094
Net income	7,340	34,520	4,115	40,608	935	4,937	574	5,665

Results for the full year 2016

In 2016 the vessel revenues amounted to HRK 269.5 million (USD 37.59 million), EBITDA amounted to HRK 127.9 million (USD 17.8 million), while the net income for the same period amounted to HRK 40.6 million (USD 5.7 million), which is an increase of 17.6% in comparison to 2015 as a result of (i) an increase in the volume of business operations as a result of the full integration of the fleet, and (ii) the absence of one off costs of newbuilding's delivery. Compared to net profit of 2015, the result of 2016 is almost doubled if the positive foreign exchange gains are excluded from the last year's results which would amount to HRK 21.7 million.

The operating revenues for 2016 reached HRK 272.1 million and are mostly a result of hire rates for all 6 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, and by the 5-year dry dock of m/t Vinjerac which started in December and finished in January, thus spending 10 days in the dockyard in 2016. 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 third and in the beginning of the fourth 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 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 2016 reached HRK 108.4 million (USD 15.1 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 and Vinjerac 5-year dry dock and the initial demands of the change in strategy of employment of the vessels whose time charter employment ended during the second half of the year. Voyage related costs and commissions were HRK 28.6 million (USD 3.9 million) for 2016, or 10.6% of the vessels revenues.

The depreciation expense for 2016 was HRK 55.5 million (USD 7.7 million), and it shows an increase in comparison to the 2015 due to the delivery of newbuildings in the second half of 2015. Interest expenses and finance costs in 2016, amounted to HRK 31 million (USD 4.3 million) and are connected to the loans for financing the operational fleet. The total indebtedness of the company has gradually decreased with each repayment tranche and the ratio of debt was reduced by two percentage points compared to the 2015 and amounts to 53%.

General and administrative expenses for 2016 reached HRK 7.2 million (USD 1.0 million). During 2016 m/t Velebit underwent its 5-year drydock, and spent twenty-one days in the shipyard, while m/t Vinjerac started it 5-year drydock in December and spent ten days in the shipyard which moderated the profitability of the past period, and increased the general and administrative expenses. Using the commercial potential of the vessels, and the possibilities provided by the hire contracts, m/t Velebit an m/t Vinjerac were positioned in the Far East ahead of the drydock which enabled significant savings with maximum operational efficiency.

Results for the three months ending December 31, 2016

For the three months ending December 31, 2016, the Company's revenues amounted to HRK 80.8 million, and were 43% higher than in the same period last year, EBITDA amounted to HRK 30.2 million, which is a significant increase compared to HRK 22.9 million in the fourth quarter of 2015. The Company's net income in the fourth quarter of 2016 amounted to HRK 4.1 million and it was moderated by (i) the drydocking costs of m/t Vinjerac, (ii) one off costs of m/t Pag shifting to the spot market, and (iii) slightly unfavourable commercial market conditions.

The operating profit of the Q4 was HRK 13.42 million and it is a result of (i) full integration of the newbuildings to the fleet which significantly increased the revenues, (ii) the absence of initial costs of furnishing and delivery of newbuildings which were included in the results during the most part of 2015, (iii) slightly unfavourable commercial market conditions, and (iv) one off costs associated with m/t Vinjerac drydocking (spent 10 days in the shipyard).

The vessels' revenues for the three months ending December 31, 2016 reached HRK 79.6 million, which is a significant increase in comparison to HRK 56.1 million recorded in the fourth quarter of 2015. This increase primarily reflects revenues generated from the fully operational fleet of six vessels during Q4 and the change in strategy of employment of m/t Vinjerac, Velebit and Pag. Average TCE daily revenues in Q4 were recorded at the level of 13.803 USD. During the quarter two of the vessels' (m/t Velebit and m/t Pag) time charter contracts expired, and the new employment for the vessels was secured on the spot market matching current market conditions and the company's chartering strategy.

The fourth quarter of 2016 was predominately marked with usual operating costs, contrary to Q4 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 13.6 million in the fourth quarter of 2016, which is a significant increase from HRK 4.8 million in Q4 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, Velebit and Pag 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.

The vessels' operating expenses for the three months ending December 31, 2016, amounting to HRK 50.7 million significantly increased compared to HRK 33.5 million for the Q4 2015. The increase came as a result of delivery and integration of all vessels into the fleet, and the transfer of m/t Vinjerac, Velebit and Pag to the spot market where the voyage-related costs are paid by the ship owner.

Depreciation expenses for the three months ending December 31, 2016 were HRK 16.7 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 December 31, 2016 were HRK 1.84 million.

Financial position summary

FINANCIAL POSITION	30 Sep 2015 (HRK 000)	31 Dec 2015 (HRK 000)	30 Sep 2016 (HRK 000)	31 Dec 2016 (HRK 000)	30 Sep 2015 (USD 000)	31 Dec 2015 (USD 000)	30 Sep 2016 (USD 000)	31 Dec 2016 (USD 000)
Bank debt	520,486	848,104	767,812	805,162	76,620	121,300	114,664	112,319
Cash and cash equivalents	36,360	71,465	57,367	43,915	5,353	10,221	8,567	6,126
Net debt	484,126	776,639	710,445	761,247	71,267	111,079	106,097	106,193
Capital and reserves	621,781	645,794	621,316	666,502	91,531	92,364	92,787	92,976
Gearing ratio (*)	44%	55%	53%	53%	44%	55%	53%	53%

** Gearing ratio: Net debt / (Capital and reserves + Net debt)*

The gearing ratio by the end of the year 2016 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 indebtness, 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. With a goal to maximize the commercial benefits to the fleet, three vessels whose time charter contracts expired during the year have been transferred to the spot market. This model of employment at the current market conditions offers management enough flexibility to timely react to the positive changes in hire rates, while simultaneously requires a higher liquidity requirements due to the fact that the ship owner covers the voyage related expenses before payment of the hire rates, while on time charter the owner receives the hire rate upfront.

Operational data of the fleet

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 were employed on a three year contract, while others were employed on the spot market after their time charter contracts expired during the year.

OPERATIONAL DATA OF THE FLEET	October - December 2015	January-December 2015	October-December 2016	January - December 2016
Gross Time Charter rates (USD, per day)	17,970	16,340	17,031	17,436
Time Charter Equivalent rates (USD, per day)	16,395	15,257	13,803	15,583
Daily vessel operating expenses (USD)	7,472	7,180	7,594	6,885
Operating days (number)	428	1,191	552	2,196
Revenue days (number)	428	1,191	542	2,156
Fleet utilization (%)	100.0%	100.0%	98.2%	98.2%
Average number of vessels in the period	4.7	3.26	6.0	6.0
Number of vessels at period end	6.0	6.0	6.0	6.0

5-year drydock

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. M/t Vinjerac started its 5-year drydock at the end of December 2016, and it has finished in January 2017. Depreciation is calculated monthly, starting from the first day of the month following the month when the five-year drydock was carried out until the next 5-year drydock. 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.

Average gross daily freight rates in the 2016 amounted to USD 17,436 and show an increase from the same period of 2015, while the average daily vessel operating expenses (OPEX) amounted to USD 6,885. The increase in average gross daily freight rates is a result of the transfer of m/t Vinjerac, Velebit and Pag to the spot market, but it should be noted that the voyage expenses also went up due to the fact that the port costs, fuel, pilotage and other voyage-related costs are paid by the ship owner while operating on spot.

The fourth quarter of 2016 continues the period of nearly full operations of the fleet, which was slightly moderated by the beginning of m/t Vinjerac drydocking. The efforts of the management in developing the fleet and securing employment for the vessels resulted in average daily gross revenue per vessel of USD 17,436 in 2016, which significantly surpasses the average of 2015. During the 2016 the time charter contracts for m/t Vinjerac, Velebit and Pag expired. The new employment for all three vessels was secured on the spot market and adjusted to the current market terms and expected hire rates. M/t Vinjerac and m/t Velebit were transferred to spot with the goal to achieve the beneficial effect to the operational efficiency and optimal geographical positioning of the vessels before the expected 5-year dryock, which resulted in lower expenses of the drydocks 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 started its 5-year drydock in December 2016, and finished it in January 2017. Vinjerac has spent 10 days in the shipyard in December 2016, while Velebit spent 21 days in the shipyard in June 2016.

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, and 5-year drydocks of m/t Vinjerac and m/t Velebit the fleet utilization of 98.2% in 2016 highlights the high efficiency of TNG's fleet.

Average daily vessel operating expenses of USD 6.885 USD show a decrease from the results recorded in 2015 when the average daily vessel operating expenses amounted to 7.180 USD. Average daily vessel operating expenses could be moderated by the amount reimbursed in 2016 for m/t Zoilo's repair costs, and thus would amount to 6.847 USD. The level of average daily operating expenses during 2016 is lower than the average daily operating expense during 2015 due to the absence of expenses related to the delivery of newbuild vessels which was partly moderated by higher costs of m/t Vinjerac, Velebit and Pag transfer to the new strategy of employment.

TNG's current fleet

Currently 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, TNG had four vessels delivered in 2015. The delivery of Vukovar took place in April, Zoilo was delivered in July, Dalmacija was delivered in November, while Pag was delivered in December 2015. 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	Shipyard	Flag	Employment	Daily rate (USD)
Velebit	52,554	Medium Range Product Tanker	Q2 2011	Treći Maj Brodogradilište d.d.	Croatia	SPOT market	Voyage charter
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	SPOT market	Voyage charter

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. The newbuilding Vukovar was delivered at the end of April 2015., and the newbuilding Zoilo was delivered at the end of July 2015, while the 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 tray to finance future purchases of with approximately 35-45% of equity capital. This would facilitate the possibility of using a substantial part of the cash flow to pay dividends, but also improve conditions in the market as banks, shipyards and outsourcers prefer better capitalized Contracting Parties
- 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 charter ships on spot voyages and thus further enhance the company's business and financial operations.

Current chartering strategy

The Group currently has three 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 plovidba and TNGI (TNG's a fully owned operating company) commenced the Management Agreement under which Tankerska plovidba will operate TNG's fleet for and on behalf of TNGI. During 2016 the time charter contracts for m/t Vinjerac, Velebit and Pag expired, and the new employment for the vessels was contracted in accordance with the current market terms and expected hire rates, while taking into account the operational needs of m/t Vinjerac and m/t Velebit 5-year drydocking. The vessels were transferred to spot market with goal to achieve the beneficial effect to the operational efficiency and optimal geographical positioning of the vessels before the expected 5-year dryock, which resulted in lower expenses of the drydocks themself.

Vinjerac, Velebit and Pag

M/t Vinjerac's time charter contract with Stena Weco (14.800 USD per day) expired in May 2016. After the redelivery of the vessel, Vinjerac was transferred to the spot market in accordance with the employment strategy and the operational requirements of the dry dock.

The charter rate for Velebit was USD 18,500 per day for 12 months, and it was contracted with „CCI" Castleton Commodities UK ltd at the end of the Q3 2015. Its contract expired in November 2016, and after the redelivery from its charterer the vessel was transferred to the spot market where every single voyage is negotiated individually in accordance with the employment strategy.

The commercial exploitation of the vessel m/t Pag started on a 12-month time charter deal with Trafigura Maritime Logistics PTE. ltd. with the charter rate of USD 19,300 per day. After the redelivery from the charterer in Novemeber 2016 m/t Pag was transferred to the spot market, where employment is negotiated individually in accordance with the current market conditions.

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 an additional 12 months at USD 19,750 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 plovidba Inc. under the terms of the Management agreement which has been in place since 1 January 2015. Due to Tankerska plovidba's long track record of high quality tanker management under competitive terms and due to its good reputation on the market, the Management agreement with Tankerska plovidba Inc. is expected to provide significant benefits to TNG. Under the terms of the Management agreement Tankerska plovidba Inc. provides commercial, crewing, technical, and certain administrative and corporate services in exchange for management services fees.

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

Structure of TNG Group as of 31 December 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 plovidba

As of 1 January 2015 the Management agreement and Non-Competition Agreement have commenced. More information on the scope and contents of contracts can be found in Company's Prospectus dated 8 December 2014 which is 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:

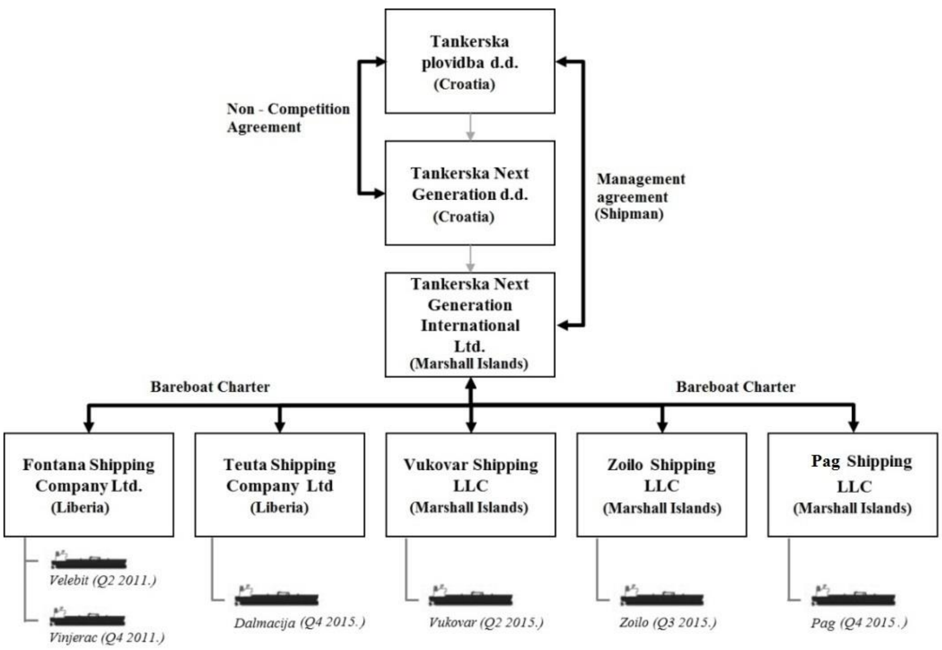
- *Commercial management services fee*. TNGI pays a fee to the Fleet Manager for commercial services it provides to the Group equal to 1.5% of the gross vessel revenues
- *Bunkering*. All bunkering arrangements will be charged at USD 1.00 per metric ton. Any cost directly or indirectly incurred in the 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 plovidba nor its affiliates (other than the Company and its affiliates) shall own, lease, commercially operate or charter any MR product tanker.

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

Overview of related party transactions as of 31 December 2016



Tankerska Next Generation Inc.

INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR PERIOD STARTING 1 JANUARY 2016 TILL 31 DECEMBER 2016

Unaudited

INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME FOR Q4 2016 unaudited	October - December 2015 (HRK 000)	January - December 2015 (HRK 000)	October - December 2016 (HRK 000)	January - December 2016 (HRK 000)	October - December 2015 (USD 000)	January- December 2015 (USD 000)	October - December 2016 (USD 000)	January- December 2016 (USD 000)
Vessel revenues	56,111	136,064	79,570	269,471	7,691	19,461	9,231	37,591
Other revenues	327	733	1,249	2,615	45	105	161	365
Sales revenues	**56,438**	**136,797**	**80,819**	**272,086**	**7,736**	**19,566**	**9,392**	**37,956**
Commission and voyage related costs	(4,834)	(9,018)	(13,605)	(28,635)	(674)	(1,290)	(1,750)	(3,995)
Vessel operating expenses	(23,358)	(57,551)	(35,212)	(108,388)	(3,198)	(8,231)	(4,192)	(15,120)
General and administrative	(3,737)	(6,478)	(1,844)	(7,176)	(524)	(927)	(205)	(1,001)
Newbuildings expenses	(1,609)	(2,872)	-		(225)	(411)	-	-
Total operating expenses	**(33,538)**	**(75,919)**	**(50,661)**	**(144,199)**	**(4,621)**	**(10,859)**	**(6,147)**	**(20,116)**
EBITDA	**22,900**	**60,878**	**30,158**	**127,887**	**3,115**	**8,707**	**3,245**	**17,840**
Depreciation and amortization	(9,935)	(26,882)	(16,739)	(55,525)	(1,350)	(3,845)	(1,954)	(7,746)
Vessel impairment	-	-	-	-	-	-	-	-
Operating profit (EBIT)	**12,965**	**33,996**	**13,419**	**72,362**	**1,765**	**4,862**	**1,291**	**10,094**
Net interest expenses	(5,640)	(12,306)	(9,224)	(31,014)	(779)	(1,760)	(1,072)	(4,326)
Net foreign exchange gains (losses)	15	12,830	(80)	(740)	(51)	1,835	355	(103)
Tonnage Tax	-	-	-		-	-	-	-
Net income	**7,340**	**34,520**	**4,115**	**40,608**	**935**	**4,937**	**574**	**5,665**
Other comprehensive income	17,684	29,926	41,072	14,545	2,478	4,281	5,991	2,029
Total comprehensive income	**25,024**	**64,446**	**45,187**	**55,153**	**3,413**	**9,218**	**6,206**	**7,694**
Weighted average number of shares outstanding, basic & diluted (thou.)	8,731	8,168	8,720	8,720	8,731	8,168	8,720	8,720
Net income (loss) per share, basic & diluted	0.84	4.23	0.47	4.66	0.11	0.60	0.07	0.65

Key comments:

- Daily revenues per operating vessel in 2016 of USD 17,436
- Voyage related costs and commission amounted to 10.6% of total vessel revenues
- Daily vessel operating expenses (OPEX) in the first nine months of 2016 of USD 6,885 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 (31 December 2016; 1 USD = 7.168536 HRK).

Tankerska Next Generation Inc.

BALANCE SHEET AS OF 31 DECEMBER 2016

unaudited

BALANCE SHEET At the date of 31 December 2016 unaudited	30 Sep 2015 (HRK 000)	31 Dec 2015 (HRK 000)	30 Sep 2016 (HRK 000)	31 Dec 2016 (HRK 000)	30 Sep 2015 (USD 000)	31 Dec 2015 (USD 000)	30 Sep 2016 (USD 000)	31 Dec 2016 (USD 000)
Non-Current Assets	**1,111,927**	**1,442,352**	**1,347,108**	**1,428,140**	**163,686**	**206,292**	**201,176**	**199,223**
Vessels	884,578	1,442,327	1,347,087	1,428,111	130,218	206,288	201,173	199,219
Vessels under construction	227,323	-	-	-	33,464	-	-	-
Other Non-Current Assets	26	25	21	29	4	4	3	4
Current Assets	**45,090**	**82,267**	**76,415**	**70,160**	**6,637**	**11,766**	**11,411**	**9,788**
Inventory	4,036	4,928	6,441	10,806	594	705	962	1,507
Accounts receivable	821	203	1,080	8,558	121	29	161	1,194
Cash and cash equivalents	36,360	71,465	57,367	43,915	5,353	10,221	8,567	6,126
Other current assets	3,873	5,671	11,527	6,881	569	811	1,721	961
Total Assets	**1,157,017**	**1,524,619**	**1,423,523**	**1,498,300**	**170,323**	**218,058**	**212,587**	**209,011**
Shareholders Equity	**621,781**	**645,794**	**621,316**	**666,502**	**91,531**	**92,364**	**92,787**	**92,976**
Share capital	436,667	436,667	436,667	436,667	64,281	62,454	65,211	60,914
Reserves	146,045	163,715	137,189	178,260	21,499	23,415	20,488	24,867
Retained earnings	39,069	45,412	47,460	51,575	5,751	6,495	7,088	7,195
Non-Current Liabilities	**509,993**	**785,311**	**752,107**	**737,909**	**75,075**	**112,319**	**112,319**	**102,937**
Bank debt	509,993	785,311	752,107	737,909	75,075	112,319	112,319	102,937
Current Liabilities	**25,243**	**93,514**	**50,100**	**93,889**	**3,717**	**13,375**	**7,481**	**13,098**
Bank debt	10,493	62,793	15,705	67,253	1,545	8,981	2,345	9,382
Accounts payable	3,014	10,481	1,547	7,912	444	1,499	231	1,104
Other current liabilities	11,736	20,240	32,848	18,724	1,728	2,895	4,905	2,612
Total Liabilities and Shareholders Equity	**1,157,017**	**1,524,619**	**1,423,523**	**1,498,300**	**170,323**	**218,058**	**212,587**	**209,011**

Tankerska Next Generation Inc.

CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY 2016 TO 31 DECEMBER 2016

unaudited

CASH FLOW STATEMENT FOR Q4 2016 unaudited	January - September 2015 (HRK 000)	January - December 2015 (HRK 000)	January - September 2016 (HRK 000)	January - December 2016 (HRK 000)	January - September 2015 (USD 000)	January - December 2015 (USD 000)	January - September 2016 (USD 000)	January - December 2016 (USD 000)
Profit before tax	27,180	34,520	36,493	40,608	4,001	4,937	5,450	5,665
Depreciation and Amortisation	16,949	26,886	38,791	55,532	2,495	3,845	5,793	7,747
Changes in working capital	(3,261)	22,818	3,961	(18,098)	(480)	3,264	592	(2,525)
Other	-	-	(13,678)	1,126	-	-	(2,044)	157
Cash flow from operating activities	**40,868**	**84,224**	**65,567**	**79,168**	**6,016**	**12,046**	**9,791**	**11,044**
Cash inflows from investing activities	-	-	-	-	-	-	-	-
Cash outflows from investing activities	(627,591)	(956,535)	(13,739)	(7,924)	(92,386)	(136,808)	(2,052)	(1,105)
Cash flow from investing activities	**(627,591)**	**(956,535)**	**(13,739)**	**(7,924)**	**(92,386)**	**(136,808)**	**(2,052)**	**(1,105)**
Cash inflows from financing activities	619,233	951,996	197,006	210,903	91,156	136,159	29,421	29,420
Cash outflows from financing activities	(19,423)	(31,493)	(262,932)	(309,697)	(2,859)	(4,504)	(39,266)	(43,202)
Cash flow from financing activities	**599,810**	**920,503**	**(65,926)**	**(98,794)**	**88,297**	**131,655**	**(9,845)**	**(13,782)**
Net changes in cash	13,087	48,192	(14,098)	(27,550)	1,927	6,892	(2,106)	(3,843)
Cash and cash equivalents (beg. of period)	23,273	23,273	71,465	71,465	3,426	3,329	10,673	9,969
Cash and cash equivalents (end of period)	**36,360**	**71,465**	**57,367**	**43,915**	**5,353**	**10,221**	**8,567**	**6,126**

Tankerska Next Generation Inc.

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY 2016 TO 31 DECEMBER 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 Oct to 31 Dec 2016	***HRK 000***	***HRK 000***	***HRK 000***	***HRK 000***	***HRK 000***
Balance at 01 Oct 2016	**436,667**	**47,460**	**123,426**	**13,763**	**621,316**
Net profit for the period		4,115			4,115
Change in capital					-
Change in other reserves					-
Changes in other comprehensive income				41,071	41,071
Balance at 31 Dec 2016	**436,667**	**51,575**	**123,426**	**54,834**	**666,502**
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**
For the period from 1 Oct to 31 Dec 2016	***USD 000***	***USD 000***	***USD 000***	***USD 000***	***USD 000***
Balance at 01 Oct 2016	**68,734**	**7,187**	**19,147**	**(2,281)**	**92,787**
Net profit for the period		574			574
Change in capital					
Change in other reserves					
Changes in other comprehensive income				(385)	(385)
Balance at 31 Dec 2016	**68,734**	**7,761**	**19,147**	**(2,666)**	**92,976**

Tankerska Next Generation Inc.

NET ASSET VALUE CALCULATION

estimate

Net asset value calculation *estimate*	At the date of 30.9.2016 (USD 000)	At the date of 31.12.2016 (USD 000)
Value of the operating fleet	180,540	194,630
Deposits / Newbuildings value	-	-
Contracted vessels profit (loss)	-	-
Total fleet value	**180,540**	**194,630**
Investments	-	-
Other non-current assets (excl. Intangibles and goodwill)	3	4
Current assets	2,844	3,662
Total value of other assets	**2,847**	**3,666**
Cash and cash equivalents	8,567	6,126
Bank debt	(114,664)	(112,319)
Net debt	**(106,097)**	**(106,193)**
Other non-current liabilities	-	-
Current liabilities	(5,136)	(3,716)
Non-controlling interest	-	-
Total value of other liabilities	**(5,136)**	**(3,716)**
Net asset value	**72,154**	**88,387**
Weighted average number of shares outstanding, basic & diluted (thou.)	8,720,145	8,720,145
Net asset value per share (USD)	8.27	10.14

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 2016 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, this year was 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 and fourth 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

23.11.2016	MT Pag - time charter contract expires
7.11.2016	MT Velebit - time charter contract expires
28.10.2016	Management and Supervisory Board meetings held
24.10.2016	Announcement of the Management and the Supervisory Board sessions
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

	No. of shares 31 Dec 2015	Share (in %) 31 Dec 2015
Tankerska Plovidba d.d.	4,454,994	51.01%
PBZ Croatia Osiguranje OMF	839,000	9.61%
Erste Plavi OMF	808,000	9.25%
Raiffeisen OMF	752,036	8.61%
Croatia Osiguranje d.d.	292,239	3.35%
Other institutional and private investors	1,587,076	18.17%
Ukupno	**8,733,345**	**100.00%**

	No. of shares 31 Dec 2016	Share (in %) 31 Dec 2016
Tankerska Plovidba d.d.	4,454,994	51.01%
PBZ Croatia Osiguranje OMF	839,000	9.61%
Erste Plavi OMF	808,000	9.25%
Raiffeisen OMF	752,036	8.61%
Raiffeisen DMF	361,695	4.14%
Other institutional and private investors	1,517,620	17.38%
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 31 DECEMBER 2016
(UNAUDITED)

TABLE OF CONTENTS

I. REPORT OF THE MANAGEMENT BOARD ON THE COMPANY'S OPERATIONS FOR THE PERIOD FROM 1 JANUARY UNTIL 31 DECEMBER 2016

During the reporting period the Company reported HRK 272.1 million of operating revenues, attributed predominantly to revenue generated from sales.

In the same period, the Company reported HRK 199.7 million of operating costs. The majority of operating expenses are the material costs HRK 67.6 million, staff costs HRK 57.8 million, depreciation in the amount of HRK 55.5 million (including HRK 485 thousand of dry dock expenses), and also other expenses in the amount of HRK 18.8 million.

In the period ending 31 December 2016 financial income amounted to HRK 0.5 million while financial expenses amounted to HRK 32.2 million.

The Company reported HRK 40.6 million of cumulated net profit in the reporting period.

Company's share capital, amounting to HRK 436.7 million has been divided into 8.7 million approved, issued and fully paid ordinary shares with no par value. During 2016 there were no corporate activities of acquiring treasury shares of the Company. As at 31 December, 2016 the Company had 13,200 treasury shares.

As at 31 December, 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:

DESCRIPTION	**Period 1 Jan - 31 Dec 2015**	**Period 1 Jan - 31 Dec 2016**
Total revenues	HRK 149,690,526	HRK 272,589,228
Operating revenues / Total revenues	89%	99%
Other revenues / Total revenues	2%	1%
International market / Total revenues	89%	99%
Domestic market / Total revenues	0%	0%
Material costs / Operating expenses	32%	34%
Employee costs / Operating expenses	31%	29%
Financial expenses / Total Expenses	10%	14%
Gross margin	25.93%	15.07%
Accounting profit	HRK 34,519,646	HRK 40,607,823
Operating profit (EBIT)	HRK 33,571,495	HRK 72,361,602

II. UNAUDITED CONDENSED QUARTERLY FINANCIAL STATEMENTS

Attachment 1.

Reporting period: 1/1/2016 to 12/31/2016

Quaterly financial statement of the entrepreneur TFI-POD

Tax Number (MB):	04266838		
Company registration number (MBS):	110046753		
Personal identification number (OIB):	30312968003		
Issuing company:	TANKERSKA NEXT GENERATION D.D.		
Postal code and place:	23000	ZADAR	
Street and house number:	BOŽIDARA PETRANOVIĆA 4		
E-mail adress:	tng@tng.hr		
Internet adress:	www.tng.hr		
Municipality/city code and name:	520	ZADAR	
County code and name:	13	ZADARSKA COUNTY	Number of employees (year end): 137
Consolidated report:	NO		NKD code: 5020

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

Bookkeeping service:	TANKERSKA PLOVIDBA d.d.	BOŽIDARA PETRANOVIĆA 4, 23000 ZADAR
Contact person:	DEVOŠIĆ MARIO (input only surname and name of contact person)	
Telephone:	023/202-137	Telefax: 023/250-580
E-mail adress:	tng@tng.hr	
Family name and name:	KARAVANIĆ JOHN (person authorized to represent the company)	

Documents to be published:

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

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

BALANCE SHEET

as at 31.12.2016.

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	1,428,139,813
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	1,428,139,813
1. Land	**011**	0	0
2. Buildings	**012**	0	0
3. Plant and equipment	**013**	1,442,327,184	1,428,110,638
4. Instuments, plant inventories and transportation assets	**014**	24,440	29,175
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	63,278,551
I. INVENTORIES (036 to 042)	**035**	4,928,176	10,805,560
1. Row material	**036**	4,928,176	10,805,560
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	8,558,419
1. Receivables from related parties	**044**	17,724	0
2. Accounts receivable	**045**	3,496	6,146,398
3. Receivables from participating entrepreneurs	**046**	0	0
4. Receivables from employees and shareholders	**047**	5,005	16,753
5. Receivables from government and other institutions	**048**	169,150	42,356
6. Other receivables	**049**	8,145	2,352,912
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	**050**	0	7,168,536
1. Shares (stocks) in related parties	**051**	0	
2. Loans given to related parties	**052**	0	
3. Participating interests (shares)	**053**	0	
4. Loans to entrepreneurs in whom the entity hold participating interests	**054**	0	
5. Investment in securities	**055**	0	
6. Loans, deposits and similar assets	**056**	0	7,168,536
7. Other financial assets	**057**	0	
IV. CASH AT BANK AND IN CASHIER	**058**	71,465,019	36,746,036
D) PREPAID EXPENSES AND ACCRUED INCOME	**059**	5,670,522	6,881,560
E) TOTAL ASSETS (001+002+034+059)	**060**	1,524,618,861	1,498,299,924
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	666,502,232
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	54,833,836
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	40,607,823
1. Profit for the current year	**076**	34,519,646	40,607,823
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	737,909,247
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	737,909,247
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	88,461,404
1. Liabilities to related parties	**094**	420,173	55,566
2. Liabilities for loans, deposits etc.	**095**	0	0
3. Liabilities to banks and other financial institutions	**096**	62,792,836	67,252,685
4. Liabilities for received prepayments	**097**	11,760,664	7,811,867
5. Accounts payable	**098**	10,482,170	7,911,957
6. Liabilities arising from debt securities	**099**	0	0
7. Liabilities to enterpreneurs in whom the entity holds participating interests	**100**	0	0
8. Liabilities to employees	**101**	4,183,437	5,300,988
9. Liabilities for taxes, contributions and similar fees	**102**	78,573	61,921
10. Liabilities to share - holders	**103**	0	30,909
11. Liabilities for long term assets held for sale	**104**	0	0
12. Other short - term liabilities	**105**	51,858	35,511
E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	**106**	3,743,466	5,427,041
F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)	**107**	1,524,618,861	1,498,299,924
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 enterpreneurs who consolidate financial reports.

PROFIT AND LOSS ACCOUNT

for period 01.01.2016. to 31.12.2016.

Company: 30312968003; TANKERSKA NEXT GENERATION D.D.

Position	AOP code	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quater
1	2	3	4	5	6
I. OPERATING REVENUES (112+113)	111	136,796,866	56,438,360	272,097,834	80,822,082
1. Sales revenues	112	133,127,902	53,781,683	269,470,721	79,569,652
2. Other operating revenues	113	3,668,964	2,656,677	2,627,113	1,252,430
II. OPERATNG EXPENSES (115+116+120+124+125+126+129+130)	114	103,225,371	43,897,287	199,736,232	67,402,947
1. Changes in the value of work in progress and finished goods	115	0	0	0	0
2. Material costs (117 to 119)	116	33,503,024	16,923,098	67,571,271	26,471,847
a) Raw material and material costs	117	11,082,879	6,263,377	24,613,664	10,120,673
b) Costs of goods sold	118	2,914,094	2,307,336	0	0
c) Other external costs	119	19,506,051	8,352,385	42,957,607	16,351,174
3. Staff costs (121 to 123)	120	31,843,730	11,976,029	57,800,024	18,619,901
a) Net salaries and wages	121	31,253,483	11,769,975	56,701,774	18,424,246
b) Costs for taxes and contributions from salaries	122	422,300	147,523	789,780	135,021
c) Contributions on gross salaries	123	167,947	58,531	308,470	60,634
4. Depreciation	124	26,886,139	9,936,847	55,532,111	16,740,701
5. Other costs	125	10,941,030	5,082,572	17,430,803	5,450,271
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	51,448	-21,259	1,402,023	120,227
III. FINANCIAL INCOME (132 to 136)	131	12,893,660	24,315	491,394	17,544
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	12,893,660	24,315	63,898	17,544
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	11,945,509	5,226,228	32,245,173	9,321,636
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	11,945,509	5,226,228	32,245,173	9,321,636
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	149,690,526	56,462,675	272,589,228	80,839,626
X. TOTAL EXPENSES (114+137+143 + 145)	147	115,170,880	49,123,515	231,981,405	76,724,583
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	34,519,646	7,339,160	40,607,823	4,115,043
1. Profit before taxation (146-147)	149	34,519,646	7,339,160	40,607,823	4,115,043
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	34,519,646	7,339,160	40,607,823	4,115,043
1. Profit for the period(149-151)	153	34,519,646	7,339,160	40,607,823	4,115,043
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	34,519,646	7,339,160	40,607,823	4,115,043
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 to 165)	158	29,926,040	17,684,056	14,544,552	41,071,151
1. Exchange differences on translation of foreign operations	159	29,926,040	17,684,056	14,544,552	41,071,151
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	29,926,040	17,684,056	14,544,552	41,071,151
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	64,445,686	25,023,216	55,152,375	45,186,194
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 31.12.2016.

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	34,519,646	40,607,823
2. Depreciation	002	26,886,139	55,532,111
3. Increase in short-term liabilities	003	23,756,412	0
4. Decrease in short term receivables	004	0	0
5. Decrease in inventories	005	0	0
6. Other cash flow increases	006	5,936,660	1,448,464
I. Total increase in cash flow from operating activities (001 to 006)	007	91,098,857	97,588,398
1. Decrease in short - term liabilities	008	0	2,671,230
2. Insrease in short - term receivables	009	1,943,507	9,550,317
3. Increase in inventories	010	4,928,176	5,877,384
4. Other cash flow decreases	011	0	322,356
II. Total decrease in cash flow from operating activities (008 to 011)	012	6,871,683	18,421,287
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	84,227,174	79,167,111
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	650,684,848	7,923,814
2. Cash outflows for purchase of equity and debt financial instruments	022	305,849,912	0
3. Other cash outflows from investing activities	023	0	0
IV. Total cash outflows from investing activities (021 to 023)	024	956,534,760	7,923,814
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	956,534,760	7,923,814
CASH FLOW FROM FINANCING ACTIVITIES			
1. Cash receipts from issuance of equity and debt financial instruments	027	305,660,732	0
2. Cash inflows from loans, debentures, credits and other borrowings	028	646,331,968	210,902,745
3. Other cash inflows from financing activities	029	0	0
V. Total cash inflows from financing activities (027 to 029)	030	951,992,700	210,902,745
1. Cash outflows for repayment of loans and bonds	031	30,496,597	275,282,825
2. Dividends paid	032	0	34,413,664
3. Cash outflows for finance lease	033	0	0
4. Cash outflows for purchase of own stocks	034	996,600	0
5. Other cash outflows from financing activities	035	0	0
VI. Total cash outflows from financing activities (031 do 035)	036	31,493,197	309,696,489
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	920,499,503	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	038	0	98,793,744
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	039	48,191,917	0
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	0	27,550,447
Cash and cash equivalents at the beginning of period	041	23,273,102	71,465,019
Increase in cash and cash equivalents	042	48,191,917	0
Decrease in cash and cash equivalents	043	0	27,550,447
Cash and cash equivalents at the end of period	044	71,465,019	43,914,572

STATEMENT OF CHANGES IN EQUITY
period 01.01.2016. to 31.12.2016.

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	68,425,976	68,425,976
3. Reserves from profit	003	55,000,000	55,000,000
4. Retained earnings or accumulated loss	004	10,892,273	10,967,347
5. Profit or loss for the current year	005	34,519,646	40,607,823
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**	605,505,145	611,668,396
11. Currency gains and losses arising from net investments in foreign operations	011	40,289,283	54,833,836
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**	40,289,283	54,833,836
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 31 December, 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 31 December, 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 31 December, 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. Vessels and equipment

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 reporting period totalling USD 55.5 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 484.980HRK (USD 67.654).

4. Earnings per Share

EARNINGS PER SHARE	Period 1 Jan - 31 Dec 2015	Period 1 Jan - 30 Dec 2016
Net (loss) / profit to shareholders	HRK 34,519,646	HRK 40,607,823
Weighted average number of shares	8,167,815	8,720,145
Basic (loss) / earnings per share	HRK 4.23	HRK 4.66

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

5. Transactions with the Related Parties

TRANSACTIONS WITH THE RELATED PARTIES	Period 1 Jan - 30 Dec 2015	Period 1 Jan - 30 Dec 2016
Sales to related parties	HRK 0	HRK 0
Purchase from related parties	HRK 25,111,332	HRK 20,054,797
Receivables from related parties	HRK 17,724	HRK 0
Liabilities towards related parties	HRK 420,173	HRK 55,566
Given loans to related parties	HRK 0	HRK 0
Received loans from related parties	HRK 0	HRK 0

6. Subsequent events after Balance Sheet date

There were no subsequent events after Balance Sheet date which would significantly affect the financial statements on 31 December 2016.

III. STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The financial statements for the three month period starting 1 January 2016 and ending 31 December 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 31 December 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, 27th February 2017

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:

	Time Charter	Voyage Charter
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 referes 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 primarly to scheduled and unscheduled repairs and drydockings

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

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

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

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

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

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

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

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

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

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

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

Vessel operating costs also includes management fees paid to the Fleet Manager, under the Management Agreement, for providing the Group with technical and crew management, insurance arrangements and accounting services.
The largest components of vessel operating costs are generally crews and repairs and maintenance. Expenses for repairs and maintenance tend to fluctuate from period to period because most repairs and maintenance typically occur during periodic drydocking. These expenses may tend to increase as these vessels mature and thus the extent of maintenance requirements expands.

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

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

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

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

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

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

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

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

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

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

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

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

Ship-owner payments   Charterer payments   * fees paid to the Fleet Manager, under the Management Agreements

Cautionary note regarding forward-looking statements

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

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

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

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

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