

---

**UNAUDITED FINANCIAL STATEMENTS FOR THE FIRST THREE MONTHS OF 2017**

---

Zadar, April 26th 2017

**Highlights of the first three months of 2017:**

- Operating revenues in the amount of HRK 86.5 million (USD 12.5 million)
- EBITDA in the amount HRK 38.5 million (USD 5.6 million)
- EBIT in the amount of HRK 24.9 million (USD 3.6 million)
- Net profit in the amount of HRK 17.7 million (USD 2.6 million)

**Comments from the CEO**

The first quarter of the year was marked by challenging business environment and volatile hire rates, requiring additional engagement by Tankerska Next Generation Inc. in order to maximize the commercial potential of the fleet. Thanks to the stable high employment rate of the fleet and the favourable geographic positioning of the three vessels employed on the spot market, TNG achieved revenues of HRK 86.5 million and repeated the profitability of the first quarter of 2016 when the entire fleet had guaranteed revenues through time charter contracts.

Increased revenues are partly a result of a change in strategy of employment due to the changed market environment and volatilities presented throughout the last quarters. 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. During the quarter, the company's financial position was strengthened through an increased level of revenue, creating a level of liquidity that supported the smooth operation of the half of the fleet employed on the spot market.

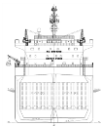
The effects of a stronger fleet engagement in the spot market have resulted in strengthening of the financial position and slightly increased net profit, which reached HRK 17.7 million in a challenging business environment that continued in the first quarter of 2017.

During the first quarter of the year a certain positive correction in the spot market was recorded as a result of the seasonally increased levels of derivatives trading on the global market in the winter months. 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.

During the next period TNG's management will focus on activities aimed at achieving the optimal structure of employment and providing the resources needed to continue with balanced business operations, while monitoring changes in the regulatory environment related to the entry into force of sulphur emission regulations and the application of the ballast water management convention.

A handwritten signature in blue ink, appearing to read 'John Karavanić'.

John Karavanić, CEO



## Market environment

The expected growth of the world economy is projected to pick up pace in 2017 and 2018 with 3.5 percent and 3.6 percent respectively, which is a higher growth rate in comparison to 2016, especially in emerging markets and developing economies. IMF projections are based on floating financial markets and started cyclical recovery of the world trade but should be taken with a certain amount of reserve due to mid-term uncertainties associated with protectionist announcements that could trigger unexpected responses to global markets.

Aggregate growth estimates and projections for the next two years show a certain improvement relative to the previously published projections by the IMF, especially for the year 2017. 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, and a positive market sentiment in Europe and Japan. Growth prospects have worsened for emerging market and developing economies, which result from a weaker outlook in several large economies, especially in Latin America and the Middle East, where the financial markets tightened and the volumes of trade declined, while the growth forecasts for Russia and China were positively revised.

During the first quarter of 2017 the price of Brent crude oil fluctuated from 51 USD to USD 57 per barrel, while the level on which it ended the quarter remained around 53 USD. The recovery of the oil prices from the long-time low of USD 27 per barrel recorded in the first quarter of 2016 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 last 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, and especially in the first quarter of 2017 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<sup>1</sup> new units were delivered in the product tanker segment which shows an increase of 5,4%<sup>1</sup> 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<sup>2</sup> 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.

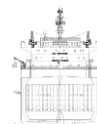
Current MR ship-owner expectations for one year hire with immediate delivery are at a level of USD 14,750<sup>3</sup> per day. Brokerage publications point to the recovery of the hire rates during the first quarter of 2017, following a correction recorded in the fourth quarter of 2016. This positive trend is mainly attributable to the increased seasonal activity of petroleum products trading associated with lower temperatures and increased fuel consumption, which should be slightly corrected through the second quarter of the year.

---

<sup>1</sup> Banchero Costa, Product Tanker Market Outlook, February 2017

<sup>2</sup> Maersk Broker monthly, January 2017

<sup>3</sup> Clarksons, Tanker Matrix report, April 2017



## Management discussion for the first three months of 2017

SELECTED FINANCIALS	October -	January -	October -	January -	October -	January -	October -	January -
	December	March	December	March	December	March	December	March
	2015	2016	2016	2017	2015	2016	2016	2017
	(HRK 000)	(HRK 000)	(HRK 000)	(HRK 000)	(USD 000)	(USD 000)	(USD 000)	(USD 000)
Vessel revenues.....	56,111	63,735	79,570	84,821	7,691	9,587	9,231	12,243
EBITDA.....	22,900	37,014	30,158	38,543	3,115	5,568	3,245	5,564
EBIT.....	12,965	24,253	13,419	24,864	1,765	3,648	1,291	3,590
Net income.....	7,340	17,044	4,115	17,663	935	2,564	574	2,550

### Results for the first three months of 2017

In 2016 the vessel revenues in the first quarter amounted to HRK 86.5 million (USD 12.5 million) and were 35% higher than the previous year, EBITDA amounted to HRK 38.5 million, which is a 4% increase in comparison to HRK 37.0 million recorded in the first three months of 2016. The net income for the first three months amounted to HRK 17.7 million (USD 2.55 million) as a result of (i) favourable geographic positioning of the vessels, (ii) stability brought in by the time charter contracts and (ii) beneficial commercial terms on the spot market, which were driven by the increased seasonal activity of petroleum products trading during the quarter. These positive trends were slightly moderated by the (iv) 9 revenue days lost due to 5-year drydocking for m/t Vinjerac which started in December 2016, and finished in January 2017.

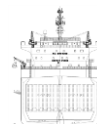
The operating profit of the Q1 was HRK 24,8 million and it is a result of (i) high employment rate for the fleet, (ii) the revenues of m/t Vinjerac, Velebit and Pag realized the "spot market", and it is slightly moderated (iii) by the one off costs associated with drydocking of m/t Velebit which spent 9 days in the shipyard.

The vessels' revenues for the three months ending March 31, 2017 reached HRK 84.8 million, which is a significant increase in comparison to HRK 63.7 million recorded in the first quarter of 2016. This increase primarily reflects revenues generated from the fully operational fleet of six vessels during Q1 and the change in strategy of employment of m/t Vinjerac, Velebit and Pag which is positively reflected in the strong average TCE daily revenues in Q1 of 17.455 USD.

The first quarter of 2017 was predominately marked with usual operating costs, except for the one off costs associated with drydocking of m/t Velebit which spent 9 days in the shipyard in January. Fees and voyage associated costs amounted to HRK 20.6 million in the first quarter of 2017, which is a significant increase from HRK 2.8 million in Q1 2016. 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 March 31, 2017, amounting to HRK 25.6 million significantly increased compared to HRK 23.0 million for the Q1 2016. 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, and the one off costs associated with m/t Velebit drydocking.

Depreciation expenses for the three months ending March 31, 2017 were HRK 13.6 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 March 31, 2017 were HRK 1.74 million.



## Operational data of the fleet

OPERATIONAL DATA OF THE FLEET	January - March 2016	October- December 2016	January - December 2016	January - March 2017
Gross Time Charter rates (USD, per day).....	17,559	17,031	17,436	18,078
Time Charter Equivalent rates (USD, per day).....	16,874	13,803	15,583	17,455
Daily vessel operating expenses (USD).....	6,348	7,594	6,885	6,844
Operating days (number).....	546	552	2,196	540
Revenue days (number).....	546	542	2,156	531
Fleet utilization (%).....	100.0%	98.2%	98.2%	98.4%
Average number of vessels in the period.....	6.0	6.0	6.0	6.0
Number of vessels at period end.....	6.0	6.0	6.0	6.0

TNG's operating fleet consists of Velebit, Vinjerac, Vukovar, Zoilo, Dalmacija and Pag, and all six vessels were almost fully operational during the first three months of 2017. 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.

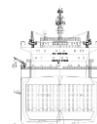
Following the regulatory demands and the best market practice m/t Vinjerac conducted the 5-year drydock which (started in December 2016) decreased the operating days of the fleet by 9 days, but with an optimal positioning before the drydock which accomplished significant cost savings. Depreciation is 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. With the completion of the drydocking for m/t Vinjerac and Velebit, the first drydocking cycle is completed, and the first forthcoming drydocking projects are expected in 2020.

Average TCE net rate for the first three months of 2017 amounted to USD 17,455 and show an increase from the same period of 2016, while the average daily vessel operating expenses (OPEX) amounted to USD 6,844. 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 first quarter of 2017 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 TCE net rate of USD 17,455 in Q1 2017, which significantly surpasses the average of 2016. The new employment for all three vessels was secured on the spot market and adjusted to the current market terms and expected hire rates which in first three months recorded positive trends.

According to the plan, during the fourth quarter of 2016 the conventional m/t Vinjerac built in 2011 started its 5-year drydock, and finished it in January 2017. Vinjerac has spent 10 days in the shipyard in December 2016, and 9 days in January 2017.

Average daily vessel operating expenses of USD 6.844 USD show an increase from the results recorded in first three months of 2016, but the level of average daily operating expenses in Q1 2017 is still lower than the average daily vessel operating expenses of 6.885 USD recorded in 2016.



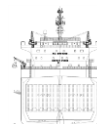
## **TNG's current fleet**

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.

<b>Vessel</b>	<b>Capacity (dwt)</b>	<b>Type</b>	<b>Built</b>	<b>Shipyard</b>	<b>Flag</b>	<b>Employment</b>	<b>Daily rate (USD)</b>
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

## **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. On 1 January 2015 Tankerska plovdba and TNGI (TNG's a fully owned operating company) commenced the Management Agreement under which Tankerska plovdba will operate TNG's fleet 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 drydock, which resulted in lower expenses of the drydocks themselves.



## Financial position summary

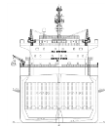
FINANCIAL POSITION	31 Dec 2015	31 Mar 2016	31 Dec 2016	31 Mar 2017	31 Dec 2015	31 Mar 2016	31 Dec 2016	31 Mar 2017
	(HRK 000)	(HRK 000)	(HRK 000)	(HRK 000)	(USD 000)	(USD 000)	(USD 000)	(USD 000)
Bank debt.....	848,104	793,490	805,162	761,876	121,300	119,355	112,319	109,973
Cash and cash equivalents.....	71,465	63,773	43,915	54,857	10,221	9,593	6,126	7,918
Net debt.....	776,639	729,717	761,247	707,019	111,079	109,762	106,193	102,055
Capital and reserves.....	645,794	631,111	666,502	661,851	92,364	94,931	92,976	95,535
Gearing ratio (*).....	55%	54%	53%	52%	55%	54%	53%	52%

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

The gearing ratio by the end of the three months ending March 31<sup>st</sup>, 2017 decreased by 1 basis points to 52% in comparison to the end of 2016 when it amounted to 53%. This decreasing debt trend is in accordance with the loan repayment plans of TNG and regular decrease in indebtedness, and a further decrease in company's debt is expected in the future. 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 which can be in range between USD 600.000 to one million dollars per boat, 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.



## **TANKERSKA NEXT GENERATION**

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

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

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

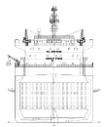
### **TNG's directly and indirectly owned subsidiaries**

<b>Subsidiary</b>	<b>Jurisdiction of incorporation</b>	<b>Shareholder</b>	<b>Ownership interest</b>	<b>Proportion of voting power</b>
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%

### **TNG's strategy**

The Company's strategy is to be a reliable, efficient and responsible provider of seaborne refined petroleum product transportation services and to manage and expand the Group in a manner that is believed will enable the Company to increase its distributable cash flow, enhance its ability to pay dividends and maximize value to its shareholders. The Company intends to realize these objectives by pursuing the following:

- Focus on the development of the fleet, and the acquisition and management of vessels in the product tanker segment, focusing on product tankers of medium capacity, which are the main labour force in the petroleum derivatives market. MR tankers are flexible because they are small enough that they can access a wide range of ports, and because of this flexibility and the possibility of handling the most common quantities of cargo, are popular with charterers.
- Maintain superior customer service by maintaining high standards of reliability, safety, environmental and quality
- Timely procure modern used and/or re-sale tankers and/or reasonably arrange the newbuildings and timely sell vessels in line with market conditions



- Increase cash flow and profitability by outsourcing most of the management functions to a fleet manager. Management believes that the agreement with an external management will improve the measurability and cost competitiveness of business because it will allow the TNG to expand its fleet without realizing significant additional overheads
- Maintain a strong balance sheet through moderate debt in a way to try to finance future purchases of with approximately 35-45% of equity capital. This would facilitate the possibility of using a substantial part of the cash flow to pay dividends, but also improve conditions in the market as banks, shipyards and outsourcers prefer better capitalized Contracting Parties
- Employment of the fleet in the long-term shipping contracts on time in order to maintain the predictability of revenue. However, if the market creates favourable conditions, management may decide to charter ships on spot voyages and thus further enhance the company's business and financial operations.

### **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](http://www.tng.hr)).

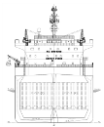
#### ***Management Agreement***

Under the careful supervision of the Management Board, the Group's operations are managed by Tankerska (Fleet Manager) and the Group has entered into a long-term agreement with the Fleet Manager (Management Agreement). Pursuant to the Management Agreement, the Fleet Manager shall provide to the Group commercial, crewing, technical, and certain administrative and corporate services in exchange for management services fees. The Management Agreement shall continue until the 31 December 2020. Management Board believes that the Group will greatly benefit from the relationship with Tankerska as it is a vastly experienced and highly reputable tanker operator which can offer premium services at 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 468 daily for 2017 or pro-rata on daily basis for the part of a month.
- *S&P fee.* In the event of a definitive agreement for the direct purchase, acquisition, sale or disposition of any vessels entered into by or on behalf of the Group or its affiliates or their owners, the Fleet Manager shall be entitled to a fee in the amount of 1% of the aggregate consideration



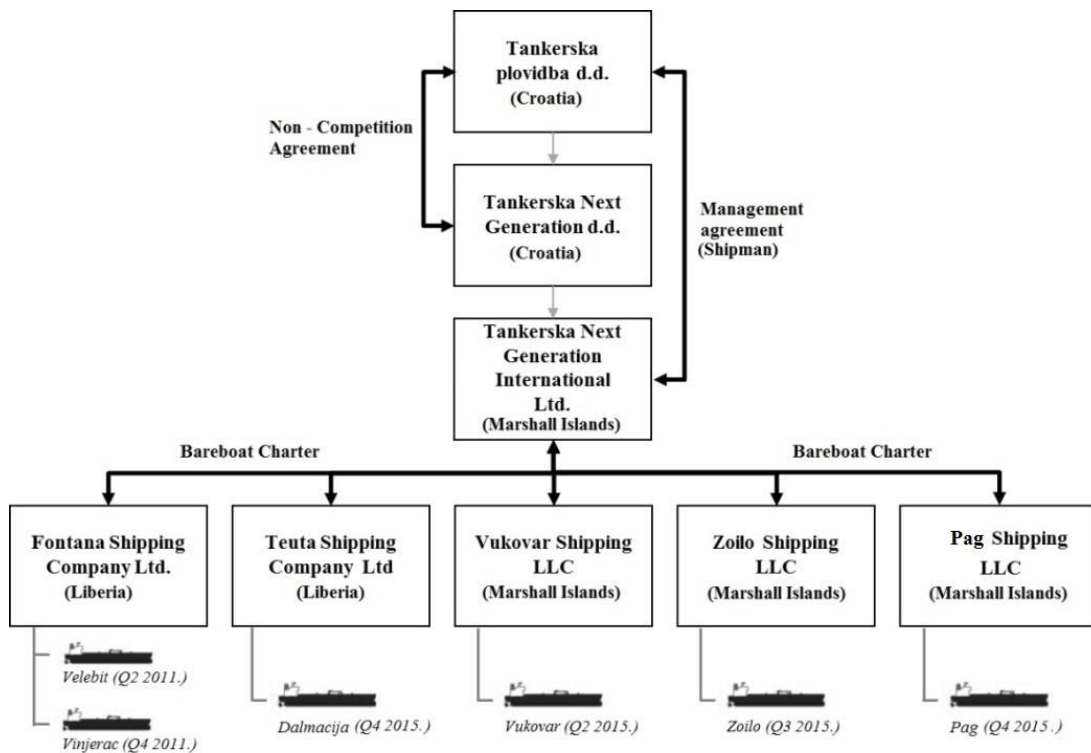


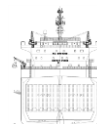
**Non-Competition Agreement**

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

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

**Overview of related party transactions as of 31 March 2017**




**Tankerska Next Generation Inc.**
**INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME  
 FOR PERIOD STARTING 1 JANUARY 2017 TILL 31 MARCH 2017**
**Unaudited**

<b>INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME FOR Q1 2017 unaudited</b>	<b>October - December 2015 (HRK 000)</b>	<b>January - March 2016 (HRK 000)</b>	<b>October - December 2016 (HRK 000)</b>	<b>January - March 2017 (HRK 000)</b>	<b>October - December 2015 (USD 000)</b>	<b>January - March 2016 (USD 000)</b>	<b>October - December 2016 (USD 000)</b>	<b>January - March 2017 (USD 000)</b>
Vessel revenues.....	56,111	63,735	79,570	84,821	7,691	9,587	9,231	12,243
Other revenues.....	327	457	1,249	1,654	45	69	161	239
<b>Sales revenues</b>	<b>56,438</b>	<b>64,192</b>	<b>80,819</b>	<b>86,475</b>	<b>7,736</b>	<b>9,656</b>	<b>9,392</b>	<b>12,482</b>
Commission and voyage related costs.....	(4,834)	(2,485)	(13,605)	(20,586)	(674)	(374)	(1,750)	(2,971)
Vessel operating expenses.....	(23,358)	(23,044)	(35,212)	(25,604)	(3,198)	(3,466)	(4,192)	(3,696)
General and administrative .....	(3,737)	(1,649)	(1,844)	(1,742)	(524)	(248)	(205)	(251)
Newbuildings expenses.....	(1,609)	-	-	-	(225)	-	-	-
<b>Total operating expenses</b>	<b>(33,538)</b>	<b>(27,178)</b>	<b>(50,661)</b>	<b>(47,932)</b>	<b>(4,621)</b>	<b>(4,088)</b>	<b>(6,147)</b>	<b>(6,918)</b>
<b>EBITDA</b>	<b>22,900</b>	<b>37,014</b>	<b>30,158</b>	<b>38,543</b>	<b>3,115</b>	<b>5,568</b>	<b>3,245</b>	<b>5,564</b>
Depreciation and amortization.....	(9,935)	(12,761)	(16,739)	(13,679)	(1,350)	(1,919)	(1,954)	(1,974)
Vessel impairment.....	-	-	-	-	-	-	-	-
<b>Operating profit (EBIT)</b>	<b>12,965</b>	<b>24,253</b>	<b>13,419</b>	<b>24,864</b>	<b>1,765</b>	<b>3,648</b>	<b>1,291</b>	<b>3,590</b>
Net interest expenses.....	(5,640)	(7,194)	(9,224)	(7,168)	(779)	(1,082)	(1,072)	(1,035)
Net foreign exchange gains (losses).....	15	(15)	(80)	(33)	(51)	(2)	355	(5)
Tonnage Tax.....	-	-	-	-	-	-	-	-
<b>Net income</b>	<b>7,340</b>	<b>17,044</b>	<b>4,115</b>	<b>17,663</b>	<b>935</b>	<b>2,564</b>	<b>574</b>	<b>2,550</b>
Other comprehensive income.....	17,684	(31,727)	41,072	(22,314)	2,478	(4,772)	5,991	(3,221)
<b>Total comprehensive income</b>	<b>25,024</b>	<b>(14,683)</b>	<b>45,187</b>	<b>(4,651)</b>	<b>3,413</b>	<b>(2,209)</b>	<b>6,206</b>	<b>(671)</b>
Weighted average number of shares outstanding, basic & diluted (thou.)	8,731	8,720	8,720	8,720	8,731	8,720	8,720	8,720
Net income (loss) per share, basic & diluted	0.84	1.95	0.47	2.03	0.11	0.29	0.07	0.29

**Key comments:**

- Daily TCE net rates per operating vessel in Q1 2017 of USD 17,455
- Voyage related costs and commission amounted to 23% of total vessel revenues
- Daily vessel operating expenses (OPEX) in the first three months of 2017 of USD 6,844 which includes the ship management services fee in the amount of USD 468 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 March 2017; 1 USD = 6.927810 HRK).

**Tankerska Next Generation Inc.**  
**BALANCE SHEET AS OF 31 MARCH 2017**  
*unaudited*

<b>BALANCE SHEET</b>								
<b>At the date of 31 March 2017</b>	<b>31 Dec 2015</b>	<b>31 Mar 2016</b>	<b>31 Dec 2016</b>	<b>31 Mar 2017</b>	<b>31 Dec 2015</b>	<b>31 Mar 2016</b>	<b>31 Dec 2016</b>	<b>31 Mar 2017</b>
<b>unaudited</b>	<b>(HRK 000)</b>	<b>(HRK 000)</b>	<b>(HRK 000)</b>	<b>(HRK 000)</b>	<b>(USD 000)</b>	<b>(USD 000)</b>	<b>(USD 000)</b>	<b>(USD 000)</b>
<b>Non-Current Assets</b>	<b>1,442,352</b>	<b>1,358,696</b>	<b>1,428,140</b>	<b>1,370,903</b>	<b>206,292</b>	<b>204,372</b>	<b>199,223</b>	<b>197,884</b>
Vessels.....	1,442,327	1,358,674	1,428,111	1,370,876	206,288	204,369	199,219	197,880
Vessels under construction.....	-	-	-	-	-	-	-	-
Other Non-Current Assets.....	25	22	29	27	4	3	4	4
<b>Current Assets</b>	<b>82,267</b>	<b>80,888</b>	<b>70,160</b>	<b>75,140</b>	<b>11,766</b>	<b>12,167</b>	<b>9,788</b>	<b>10,846</b>
Inventory.....	4,928	4,879	10,806	13,853	705	734	1,507	2,000
Accounts receivable.....	203	202	8,558	1,952	29	30	1,194	282
Cash and cash equivalents.....	71,465	63,773	43,915	54,857	10,221	9,593	6,126	7,918
Other current assets.....	5,671	12,034	6,881	4,478	811	1,810	961	646
<b>Total Assets</b>	<b>1,524,619</b>	<b>1,439,584</b>	<b>1,498,300</b>	<b>1,446,043</b>	<b>218,058</b>	<b>216,539</b>	<b>209,011</b>	<b>208,730</b>
<b>Shareholders Equity</b>	<b>645,794</b>	<b>631,111</b>	<b>666,502</b>	<b>661,851</b>	<b>92,364</b>	<b>94,931</b>	<b>92,976</b>	<b>95,535</b>
Share capital.....	436,667	436,667	436,667	436,667	62,454	65,683	60,914	63,031
Reserves.....	163,715	131,988	178,260	155,946	23,415	19,853	24,867	22,510
Retained earnings.....	45,412	62,456	51,575	69,238	6,495	9,395	7,195	9,994
<b>Non-Current Liabilities</b>	<b>785,311</b>	<b>746,712</b>	<b>737,909</b>	<b>713,130</b>	<b>112,319</b>	<b>112,319</b>	<b>102,937</b>	<b>102,937</b>
Bank debt.....	785,311	746,712	737,909	713,130	112,319	112,319	102,937	102,937
<b>Current Liabilities</b>	<b>93,514</b>	<b>61,761</b>	<b>93,889</b>	<b>71,062</b>	<b>13,375</b>	<b>9,289</b>	<b>13,098</b>	<b>10,258</b>
Bank debt.....	62,793	46,778	67,253	48,746	8,981	7,036	9,382	7,036
Accounts payable.....	10,481	3,027	7,912	6,450	1,499	455	1,104	931
Other current liabilities.....	20,240	11,956	18,724	15,866	2,895	1,798	2,612	2,291
<b>Total Liabilities and Shareholders Equity</b>	<b>1,524,619</b>	<b>1,439,584</b>	<b>1,498,300</b>	<b>1,446,043</b>	<b>218,058</b>	<b>216,539</b>	<b>209,011</b>	<b>208,730</b>

**Tankerska Next Generation Inc.**
**CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 MARCH 2017**
*unaudited*

CASH FLOW STATEMENT FOR Q1 2017 unaudited	January - December 2015 (HRK 000)	January - March 2016 (HRK 000)	January - December 2016 (HRK 000)	January - March 2017 (HRK 000)	January - December 2015 (USD 000)	January - March 2016 (USD 000)	January - December 2016 (USD 000)	January - March 2017 (USD 000)
Profit before tax.....	34,520	17,044	40,608	17,663	4,937	2,564	5,665	2,550
Depreciation and Amortisation.....	26,886	12,763	55,532	13,681	3,845	1,920	7,747	1,975
Changes in working capital.....	22,818	1,536	(18,098)	1,952	3,264	231	(2,525)	282
Other .....	-	(17,343)	1,126	(1,788)	-	(2,609)	157	(258)
<b>Cash flow from operating activities</b>	<b>84,224</b>	<b>14,000</b>	<b>79,168</b>	<b>31,508</b>	<b>12,046</b>	<b>2,106</b>	<b>11,044</b>	<b>4,549</b>
Cash inflows from investing activities.....	-	-	-	-	-	-	-	-
Cash outflows from investing activities.....	(956,535)	(8,763)	(7,924)	(4,317)	(136,808)	(1,318)	(1,105)	(623)
<b>Cash flow from investing activities</b>	<b>(956,535)</b>	<b>(8,763)</b>	<b>(7,924)</b>	<b>(4,317)</b>	<b>(136,808)</b>	<b>(1,318)</b>	<b>(1,105)</b>	<b>(623)</b>
Cash inflows from financing activities.....	951,996	-	210,903	-	136,159	-	29,420	-
Cash outflows from financing activities.....	(31,493)	(12,929)	(309,697)	(16,249)	(4,504)	(1,945)	(43,202)	(2,345)
<b>Cash flow from financing activities</b>	<b>920,503</b>	<b>(12,929)</b>	<b>(98,794)</b>	<b>(16,249)</b>	<b>131,655</b>	<b>(1,945)</b>	<b>(13,782)</b>	<b>(2,345)</b>
Net changes in cash	48,192	(7,692)	(27,550)	10,942	6,892	(1,157)	(3,843)	1,579
Cash and cash equivalents (beg. of period)	23,273	71,465	71,465	43,915	3,329	10,750	9,969	6,339
<b>Cash and cash equivalents (end of period)</b>	<b>71,465</b>	<b>63,773</b>	<b>43,915</b>	<b>54,857</b>	<b>10,221</b>	<b>9,593</b>	<b>6,126</b>	<b>7,918</b>

**Tankerska Next Generation Inc.**
**STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 MARCH 2017**
**Unaudited**

STATEMENT OF CHANGES IN EQUITY unaudited	Share capital	Retained Earnings	Other reserves and compreheni	Foreign exchange translation	Total
<b>For the period from 1 Jan to 31 Mar 2016</b>	<b>HRK 000</b>	<b>HRK 000</b>	<b>HRK 000</b>	<b>HRK 000</b>	<b>HRK 000</b>
<b>Balance at 1 January 2016</b>	<b>436,667</b>	<b>45,412</b>	<b>123,426</b>	<b>40,289</b>	<b>645,794</b>
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)
<b>Balance at 31 March 2016</b>	<b>436,667</b>	<b>62,456</b>	<b>123,426</b>	<b>8,562</b>	<b>631,111</b>
<b>For the period from 1 Apr to 30 Jun 2016</b>	<b>HRK 000</b>	<b>HRK 000</b>	<b>HRK 000</b>	<b>HRK 000</b>	<b>HRK 000</b>
<b>Balance at 1 January 2017</b>	<b>436,667</b>	<b>51,575</b>	<b>123,426</b>	<b>54,834</b>	<b>666,502</b>
Net profit for the period		17,663			17,663
Change in capital					-
Change in other reserves					-
Changes in other comprehensive income				(22,314)	(22,314)
<b>Balance at 31 March 2017</b>	<b>436,667</b>	<b>69,238</b>	<b>123,426</b>	<b>32,520</b>	<b>661,851</b>
<b>For the period from 1 Jan to 31 Mar 2017</b>	<b>USD 000</b>	<b>USD 000</b>	<b>USD 000</b>	<b>USD 000</b>	<b>USD 000</b>
<b>Balance at 1 January 2016</b>	<b>68,734</b>	<b>6,720</b>	<b>19,147</b>	<b>(2,236)</b>	<b>92,365</b>
Net profit for the period		2,564			2,564
Change in capital					-
Change in other reserves					-
Changes in other comprehensive income				2	2
<b>Balance at 31 March 2016</b>	<b>68,734</b>	<b>9,284</b>	<b>19,147</b>	<b>(2,234)</b>	<b>94,931</b>
<b>For the period from 1 Apr to 30 Jun 2016</b>	<b>USD 000</b>	<b>USD 000</b>	<b>USD 000</b>	<b>USD 000</b>	<b>USD 000</b>
<b>Balance at 1 January 2017</b>	<b>68,734</b>	<b>7,761</b>	<b>19,147</b>	<b>(2,666)</b>	<b>92,976</b>
Net profit for the period		2,550			2,550
Change in capital					-
Change in other reserves					-
Changes in other comprehensive income				9	9
<b>Balance at 31 March 2017</b>	<b>68,734</b>	<b>10,311</b>	<b>19,147</b>	<b>(2,657)</b>	<b>95,535</b>

## Tankerska Next Generation Inc. NET ASSET VALUE CALCULATION

*estimate*

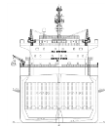
<b>Net asset value calculation <i>estimate</i></b>	<b>At the date of 31.12.2016 (USD 000)</b>	<b>At the date 31.03.2017. (u tis. USD)</b>
Value of the operating fleet.....	194,630	177,080
Deposits / Newbuildings value.....	-	-
Contracted vessels profit (loss).....	-	-
<b>Total fleet value</b>	<b>194,630</b>	<b>177,080</b>
Investments.....	-	-
Other non-current assets (excl. Intangibles and goodwill).....	4	4
Current assets.....	3,662	2,928
<b>Total value of other assets</b>	<b>3,666</b>	<b>2,932</b>
Cash and cash equivalents.....	6,126	7,918
Bank debt.....	(112,319)	(109,973)
<b>Net debt</b>	<b>(106,193)</b>	<b>(102,055)</b>
Other non-current liabilities.....	-	-
Current liabilities.....	(3,716)	(3,222)
Non-controlling interest.....	-	-
<b>Total value of other liabilities</b>	<b>(3,716)</b>	<b>(3,222)</b>
<b>Net asset value</b>	<b>88,387</b>	<b>74,735</b>
Weighted average number of shares outstanding, basic & diluted (thou.)	8,720,145	8,720,145
Net asset value per share (USD)	10.14	8.57

### **Key Comments:**

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

The revenue potential of TNG is backed by three secured medium-term contracts, currently fixed at a premium compared to the market conditions, which significantly alleviated the usual volatility of hire rates which were seen during this year. Stability of operations in the first quarter of 2017 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, previous 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 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.



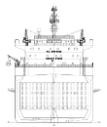
## Announcements in 2017

10.4.2017	Agreed cooperation in conducting specialist trading activities
31.3.2017	Agreement for conducting specialist's activities expires
27.2.2017	Management and Supervisory Board meetings held
22.2.2017	Announcement of the Management and the Supervisory Board sessions
25.1.2017	Disposal of shares

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

Shareholder	No. of shares	Share (in %)	Shareholder	No. of shares	Share (in %)
	31 Mar 2017	31 Mar 2017		31 Mar 2016	31 Mar 2016
Tankerska Plovidba d.d.....	4,454,994	51.01%	Tankerska Plovidba d.d.....	4,454,994	51.01%
PBZ Croatia Osiguranje OMF.....	839,000	9.61%	PBZ Croatia Osiguranje OMF.....	839,000	9.61%
Erste Plavi OMF.....	808,000	9.25%	Erste Plavi OMF.....	808,000	9.25%
Raiffeisen OMF.....	752,036	8.61%	Raiffeisen OMF.....	750,036	8.59%
Raiffeisen DMF.....	361,695	4.14%	Raiffeisen DMF.....	292,239	3.35%
Other institutional and private investors...	1,517,620	17.38%	Other institutional and private investors...	1,589,076	18.20%
<b>Total</b>	<b>8,733,345</b>	<b>100.00%</b>	<b>Total</b>	<b>8,733,345</b>	<b>100.00%</b>

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.



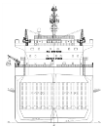
**TANKERSKA NEXT GENERATION Inc.**

**INTERIM FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM 1 JANUARY UNTIL 31 MARCH 2017**

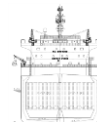
**(UNAUDITED)**





## TABLE OF CONTENTS

- I. Report of the Management Board on the Company's operations for the period from 1 January until 31 March, 2017
  
- II. Unaudited condensed quarterly financial statements
  - Balance Sheet per as at 31 March, 2017
  - Profit and Loss Account for the period from 1 January until 31 March, 2017
  - Cash Flow Statement for the period from 1 January until 31 March, 2017
  - Statement of Changes in Equity for the period from 1 January until 31 March, 2017
  - Notes to the Financial Statements
  
- III. Statement of Responsibility for the Financial Statements



**I. REPORT OF THE MANAGEMENT BOARD ON THE COMPANY'S OPERATIONS FOR THE PERIOD FROM 1 JANUARY UNTIL 31 MARCH 2017**

During the reporting period the Company reported HRK 86.5 million of operating revenues, attributed predominantly to revenue generated from sales.

In the same period, the Company reported HRK 61.6 million of operating costs. The majority of operating expenses are the material costs HRK 29.6 million, depreciation in the amount of HRK 13.7 million (including HRK 381.1 thousand of dry dock expenses), and also other expenses in the amount of HRK 4.7 million.

In the period ending 31 March 2017 financial income amounted to HRK 57.7 thousand while financial expenses amounted to HRK 7.3 million.

The Company reported HRK 17.7 million of cumulated net profit in the reporting period.

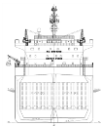
Company's share capital, amounting to HRK 436.7 million has been divided into 8.7 million approved, issued and fully paid ordinary shares with no par value. During 2016 there were no corporate activities of acquiring treasury shares of the Company. As at 31 March, 2017 the Company had 13,200 treasury shares.

As at 31 March, 2017 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 Mar 2016	1 Jan - 31 Mar 2017
Total revenues.....	HRK 64.202.384	HRK 86,535,952
Operating revenues / Total revenues.....	99%	98%
Other revenues / Total revenues.....	1%	2%
International market / Total revenues.....	99%	98%
Domestic market / Total revenues.....	0%	0%
Material costs / Operating expenses.....	25%	48%
Employee costs / Operating expenses.....	31%	22%
Financial expenses / Total Expenses.....	15%	11%
Gross margin.....	HRK 26,74	20.82%
Accounting profit.....	HRK 17.043.539	HRK 17,662,887
Operating profit (EBIT).....	HRK 24.253.373	HRK 24,863,666



**II. UNAUDITED CONDENSED QUARTERLY FINANCIAL STATEMENTS**

**Attachment 1.**

Reporting period:

1/1/2017

to

3/31/2017

**Quarterly 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 address: [tng@tng.hr](mailto:tng@tng.hr)

Internet address: [www.tng.hr](http://www.tng.hr)

Municipality/city code and name: 520 ZADAR

County code and name: 13 ZADARSKA COUNTY

Number of employees 136

(year end)

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: 023/250-58

E-mail address: [tng@tng.hr](mailto:tng@tng.hr)

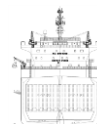
Family name and name: KARAVANIĆ JOHN  
(person authorized to represent the company)

**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.

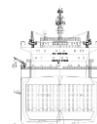
(signature of the person authorized to represent the company)



## BALANCE SHEET

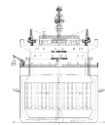
as at 31.03.2017.

Company: 30312968003; TANKERSKA NEXT GENERATION D.D.			
Position	AOP code	Previous year	Current year (net)
1	2	3	4
<b>A) RECEIVABLES FOR SUBSCRIBED AND NON - PAID CAPITAL</b>	<b>001</b>	0	0
<b>B) LONG - TERM ASSETS (003+010+020+029+033)</b>	<b>002</b>	1,428,139,813	1,370,902,705
I. INTANGIBLE ASSETS (004 to 009)	<b>003</b>	0	0
1. Assets development	<b>004</b>	0	0
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	<b>005</b>	0	0
3. Goodwill	<b>006</b>	0	0
4. Prepayments for purchase of intangible assets	<b>007</b>	0	0
5. Intangible assets in preparation	<b>008</b>	0	0
6. Other intangible assets	<b>009</b>	0	0
II. TANGIBLE ASSETS (011 to 019)	<b>010</b>	1,428,139,813	1,370,902,705
1. Land	<b>011</b>	0	0
2. Buildings	<b>012</b>	0	0
3. Plant and equipment	<b>013</b>	1,428,110,638	1,370,875,967
4. Instruments, plant inventories and transportation assets	<b>014</b>	29,175	26,738
5. Biological assets	<b>015</b>	0	0
6. Prepayments for tangible assets	<b>016</b>	0	0
7. Tangible assets in preparation	<b>017</b>	0	0
8. Other material assets	<b>018</b>	0	0
9. Investment in buildings	<b>019</b>	0	0
III. LONG-TERM FINANCIAL ASSETS (021 to 028)	<b>020</b>	0	0
1. Shares (stocks) in related parties	<b>021</b>	0	0
2. Loans given to related parties	<b>022</b>	0	0
3. Participating interests (shares)	<b>023</b>	0	0
4. Loans to entrepreneurs in whom the entity hold participating interests	<b>024</b>	0	0
5. Investment in securities	<b>025</b>	0	0
6. Loans, deposits and similar assets	<b>026</b>	0	0
7. Other long - term financial assets	<b>027</b>	0	0
8. Investments accounted by equity method	<b>028</b>	0	0
IV. RECEIVABLES (030 to 032)	<b>029</b>	0	0
1. Receivables from related parties	<b>030</b>	0	0
2. Receivables based on trade loans	<b>031</b>	0	0
3. Other receivables	<b>032</b>	0	0
V. DEFERRED TAX ASSETS	<b>033</b>	0	0
<b>C) SHORT- TERM ASSETS (035+043+050+058)</b>	<b>034</b>	63,278,551	70,662,196
I. INVENTORIES (036 to 042)	<b>035</b>	10,805,560	13,852,860
1. Raw material	<b>036</b>	10,805,560	13,852,860
2. Work in progress	<b>037</b>	0	0
3. Finished goods	<b>038</b>	0	0
4. Merchandise	<b>039</b>	0	0
5. Prepayments for inventories	<b>040</b>	0	0
6. Long - term assets held for sale	<b>041</b>	0	0
7. Biological assets	<b>042</b>	0	0
II. RECEIVABLES (044 to 049)	<b>043</b>	8,558,419	1,952,142
1. Receivables from related parties	<b>044</b>	0	0
2. Accounts receivable	<b>045</b>	6,146,398	98,759
3. Receivables from participating entrepreneurs	<b>046</b>	0	0
4. Receivables from employees and shareholders	<b>047</b>	16,753	14,227
5. Receivables from government and other institutions	<b>048</b>	42,356	42,594
6. Other receivables	<b>049</b>	2,352,912	1,796,562
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	<b>050</b>	7,168,536	6,927,810
1. Shares (stocks) in related parties	<b>051</b>	0	0
2. Loans given to related parties	<b>052</b>	0	0
3. Participating interests (shares)	<b>053</b>	0	0
4. Loans to entrepreneurs in whom the entity hold participating interests	<b>054</b>	0	0
5. Investment in securities	<b>055</b>	0	0
6. Loans, deposits and similar assets	<b>056</b>	7,168,536	6,927,810
7. Other financial assets	<b>057</b>	0	0
IV. CASH AT BANK AND IN CASHIER	<b>058</b>	36,746,036	47,929,384
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>059</b>	6,881,560	4,478,021
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	1,498,299,924	1,446,042,922
<b>F) OFF-BALANCE SHEET NOTES</b>	<b>061</b>	0	0



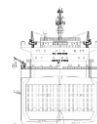
<b>LIABILITIES AND CAPITAL</b>			
<b>A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	666,502,232	661,851,147
I. SUBSCRIBED CAPITAL	<b>063</b>	436,667,250	436,667,250
II. CAPITAL RESERVES	<b>064</b>	68,425,976	68,425,976
III. RESERVES FROM PROFIT (066+067-068+069+070)	<b>065</b>	55,000,000	55,000,000
1. Reserves prescribed by law	<b>066</b>	0	0
2. Reserves for treasury stocks	<b>067</b>	996,600	996,600
3. Treasury stocks and shares (deduction)	<b>068</b>	996,600	996,600
4. Statutory reserves	<b>069</b>	0	0
5. Other reserves	<b>070</b>	55,000,000	55,000,000
IV. REVALUATION RESERVES	<b>071</b>	54,833,836	32,519,865
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	<b>072</b>	10,967,347	51,575,169
1. Retained earnings	<b>073</b>	10,967,347	51,575,169
2. Accumulated loss	<b>074</b>	0	0
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	<b>075</b>	40,607,823	17,662,887
1. Profit for the current year	<b>076</b>	40,607,823	17,662,887
2. Loss for the current year	<b>077</b>	0	0
VII. MINORITY INTEREST	<b>078</b>	0	0
<b>B) PROVISIONS (080 to 082)</b>	<b>079</b>	0	0
1. Provisions for pensions, severance pay and similar liabilities	<b>080</b>	0	0
2. Reserves for tax liabilities	<b>081</b>	0	0
3. Other reserves	<b>082</b>	0	0
<b>C) LONG TERM LIABILITIES (084 to 092)</b>	<b>083</b>	737,909,247	713,129,579
1. Liabilities to related parties	<b>084</b>	0	0
2. Liabilities for loans, deposits etc.	<b>085</b>	0	0
3. Liabilities to banks and other financial institutions	<b>086</b>	737,909,247	713,129,579
4. Liabilities for received prepayments	<b>087</b>	0	0
5. Accounts payable	<b>088</b>	0	0
6. Liabilities arising from debt securities	<b>089</b>	0	0
7. Liabilities to entrepreneurs in whom the entity holds participating interests	<b>090</b>	0	0
8. Other long-term liabilities	<b>091</b>	0	0
9. Deferred tax liability	<b>092</b>	0	0
<b>D) SHORT - TERM LIABILITIES (094 to 105)</b>	<b>093</b>	88,461,404	66,222,719
1. Liabilities to related parties	<b>094</b>	55,566	4,739,073
2. Liabilities for loans, deposits etc.	<b>095</b>	0	0
3. Liabilities to banks and other financial institutions	<b>096</b>	67,252,685	48,745,709
4. Liabilities for received prepayments	<b>097</b>	7,811,867	1,561,624
5. Accounts payable	<b>098</b>	7,911,957	6,450,620
6. Liabilities arising from debt securities	<b>099</b>	0	0
7. Liabilities to entrepreneurs in whom the entity holds participating interests	<b>100</b>	0	0
8. Liabilities to employees	<b>101</b>	5,300,988	4,594,335
9. Liabilities for taxes, contributions and similar fees	<b>102</b>	61,921	64,538
10. Liabilities to share - holders	<b>103</b>	30,909	30,909
11. Liabilities for long term assets held for sale	<b>104</b>	0	0
12. Other short - term liabilities	<b>105</b>	35,511	35,911
<b>E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD</b>	<b>106</b>	5,427,041	4,839,477
<b>F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	1,498,299,924	1,446,042,922
<b>G) OFF-BALANCE SHEET NOTES</b>	<b>108</b>	0	0
<b>APPENDIX TO BALANCE SHEET (only for consolidated financial statements)</b>			
<b>A) CAPITAL AND RESERVES</b>			
1. Attributed to equity holders of parent company	<b>109</b>		
2. Attributed to minority interests	<b>110</b>		

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


**PROFIT AND LOSS ACCOUNT**  
 for period 01.01.2017. to 31.03.2017.

Company: 30312968003; TANKERSKA NEXT GENERATION D.D.

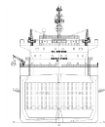
Position	AOP code	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
<b>I. OPERATING REVENUES (112+113)</b>	<b>111</b>	64,194,720	64,194,720	86,478,210	86,478,210
1. Sales revenues	112	63,734,750	63,734,750	84,821,777	84,821,777
2. Other operating revenues	113	459,970	459,970	1,656,433	1,656,433
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	39,941,347	39,941,347	61,614,544	61,614,544
1. Changes in the value of work in progress and finished goods	115	0	0	0	0
2. Material costs (117 to 119)	116	10,052,536	10,052,536	29,634,325	29,634,325
a) Raw material and material costs	117	2,520,352	2,520,352	10,516,964	10,516,964
b) Costs of goods sold	118	0	0	1,813,759	1,813,759
c) Other external costs	119	7,532,184	7,532,184	17,303,602	17,303,602
3. Staff costs (121 to 123)	120	12,553,683	12,553,683	13,566,012	13,566,012
a) Net salaries and wages	121	12,350,641	12,350,641	13,370,593	13,370,593
b) Costs for taxes and contributions from salaries	122	145,088	145,088	135,379	135,379
c) Contributions on gross salaries	123	57,954	57,954	60,040	60,040
4. Depreciation	124	12,762,725	12,762,725	13,681,366	13,681,366
5. Other costs	125	3,594,620	3,594,620	4,203,240	4,203,240
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	977,783	977,783	529,601	529,601
<b>III. FINANCIAL INCOME (132 to 136)</b>	<b>131</b>	7,664	7,664	57,742	57,742
1. Interest income, foreign exchange gains, dividends and similar income from related	132	0	0	0	0
2. Interest income, foreign exchange gains, dividends and similar income from non-	133	7,664	7,664	57,742	57,742
3. Share in income from affiliated entrepreneurs and participating interests	134	0	0	0	0
4. Unrealized gains (income) from financial assets	135	0	0	0	0
5. Other financial income	136	0	0	0	0
<b>IV. FINANCIAL EXPENSES (138 to 141)</b>	<b>137</b>	7,217,498	7,217,498	7,258,521	7,258,521
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	7,217,498	7,217,498	7,258,521	7,258,521
3. Unrealized losses (expenses) on financial assets	140	0	0	0	0
4. Other financial expenses	141	0	0	0	0
<b>V. INCOME FROM INVESTMENT SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS</b>	<b>142</b>	0	0	0	0
<b>VI. LOSS FROM INVESTMENT SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS</b>	<b>143</b>	0	0	0	0
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>	0	0	0	0
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>	0	0	0	0
<b>IX. TOTAL INCOME (111+131+142 + 144)</b>	<b>146</b>	64,202,384	64,202,384	86,535,952	86,535,952
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	47,158,845	47,158,845	68,873,065	68,873,065
<b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	17,043,539	17,043,539	17,662,887	17,662,887
1. Profit before taxation (146-147)	149	17,043,539	17,043,539	17,662,887	17,662,887
2. Loss before taxation (147-146)	150	0	0	0	0
<b>XII. PROFIT TAX</b>	<b>151</b>	0	0	0	0
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	17,043,539	17,043,539	17,662,887	17,662,887
1. Profit for the period(149-151)	153	17,043,539	17,043,539	17,662,887	17,662,887
2. Loss for the period (151-148)	154	0	0	0	0
<b>APPENDIX TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)</b>					
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>					
1. Attributed to equity holders of parent company	155				
2. Attributed to minority interests	156				
<b>STATEMENT OF COMPREHENSIVE INCOME (IFRS)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (= 152)</b>	<b>157</b>	17,043,539	17,043,539	17,662,887	17,662,887
<b>II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 to 165)</b>	<b>158</b>	-31,727,298	-31,727,298	-22,313,971	-22,313,971
1. Exchange differences on translation of foreign operations	159	-31,727,298	-31,727,298	-22,313,971	-22,313,971
2. Movements in revaluation reserves of long-term tangible and intangible assets	160	0	0	0	0
3. Profit or loss from revaluation of financial assets available for sale	161	0	0	0	0
4. Gains or losses on efficient cash flow hedging	162	0	0	0	0
5. Gains or losses on efficient hedge of a net investment in foreign countries	163	0	0	0	0
6. Share in other comprehensive income / loss of associated companies	164	0	0	0	0
7. Actuarial gains / losses on defined benefit plans	165	0	0	0	0
<b>III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>166</b>	0	0	0	0
<b>IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)</b>	<b>167</b>	-31,727,298	-31,727,298	-22,313,971	-22,313,971
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)</b>	<b>168</b>	-14,683,759	-14,683,759	-4,651,084	-4,651,084
<b>APPENDIX to Statement of comprehensive income (only for consolidated financial statements)</b>					
<b>VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b>					
1. Attributed to equity holders of parent company	169				
2. Attributed to minority interests	170				



**CASH FLOW STATEMENT - Indirect method**  
 period 01.01.2017. to 31.03.2017.

Company: 30312968003; TANKERSKA NEXT GENERATION D.D.

Position	AOP code	Previous period	Current Period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	001	17,043,539	17,662,887
2. Depreciation	002	12,762,725	13,681,366
3. Increase in short-term liabilities	003	0	0
4. Decrease in short term receivables	004	1,486,943	8,994,196
5. Decrease in inventories	005	49,176	0
6. Other cash flow increases	006	1,001,173	0
<b>I. Total increase in cash flow from operating activities (001 to 006)</b>	<b>007</b>	<b>32,343,556</b>	<b>40,338,449</b>
1. Decrease in short - term liabilities	008	14,338,144	3,995,089
2. Increase in short - term receivables	009	0	0
3. Increase in inventories	010	0	3,047,301
4. Other cash flow decreases	011	4,005,432	1,323,045
<b>II. Total decrease in cash flow from operating activities (008 to 011)</b>	<b>012</b>	<b>18,343,576</b>	<b>8,365,435</b>
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)</b>	<b>013</b>	<b>13,999,980</b>	<b>31,973,014</b>
<b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)</b>	<b>014</b>	<b>0</b>	<b>0</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Cash flow from sale of long - term tangible and intangible assets	015	0	0
2. Cash inflows from sale of equity and debt financial instruments	016	0	0
3. Interest receipts	017	0	0
4. Dividend receipts	018	0	0
5. Other cash inflows from investing activities	019	0	0
<b>III. Total cash inflows from investing activities(015 to 019)</b>	<b>020</b>	<b>0</b>	<b>0</b>
1. Cash outflows for purchase of long - term tangible and intangible assets	021	2,114,965	4,317,116
2. Cash outflows for purchase of equity and debt financial instruments	022	0	0
3. Other cash outflows from investing activities	023	6,648,143	0
<b>IV. Total cash outflows from investing activities (021 to 023)</b>	<b>024</b>	<b>8,763,108</b>	<b>4,317,116</b>
<b>B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES (020-024)</b>	<b>025</b>	<b>0</b>	<b>0</b>
<b>B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES (024-020)</b>	<b>026</b>	<b>8,763,108</b>	<b>4,317,116</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1. Cash receipts from issuance of equity and debt financial instruments	027	0	0
2. Cash inflows from loans, debentures, credits and other borrowings	028	0	0
3. Other cash inflows from financing activities	029	0	0
<b>V. Total cash inflows from financing activities (027 to 029)</b>	<b>030</b>	<b>0</b>	<b>0</b>
1. Cash outflows for repayment of loans and bonds	031	12,928,564	16,248,570
2. Dividends paid	032	0	0
3. Cash outflows for finance lease	033	0	0
4. Cash outflows for purchase of own stocks	034	0	0
5. Other cash outflows from financing activities	035	0	0
<b>VI. Total cash outflows from financing activities (031 do 035)</b>	<b>036</b>	<b>12,928,564</b>	<b>16,248,570</b>
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)</b>	<b>037</b>	<b>0</b>	<b>0</b>
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)</b>	<b>038</b>	<b>12,928,564</b>	<b>16,248,570</b>
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	039	0	11,407,328
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	7,691,692	0
Cash and cash equivalents at the beginning of period	041	71,465,019	43,914,572
Increase in cash and cash equivalents	042	0	10,942,622
Decrease in cash and cash equivalents	043	7,691,692	0
Cash and cash equivalents at the end of period	044	63,773,327	54,857,194



**STATEMENT OF CHANGES IN EQUITY**

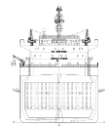
period 1/1/2017 to 3/31/2017

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	45,411,919	51,575,169
5. Profit or loss for the current year	005	17,043,539	17,662,887
6. Revaluation of long - term tangible assets	006	0	0
7. Revaluation of intangible assets	007	0	0
8. Revaluation of financial assets available for sale	008	0	0
9. Other revaluation	009	0	0
<b>10. Total capital and reserves (AOP 001 to 009)</b>	<b>010</b>	<b>622,548,684</b>	<b>629,331,282</b>
11. Currency gains and losses arising from net investments in foreign operations	011	8,561,985	32,519,865
12. Current and deferred taxes (part)	012	0	0
13. Cash flow hedging	013	0	0
14. Changes in accounting policies	014	0	0
15. Correction of significant errors in prior periods	015	0	0
16. Other changes in capital	016	0	0
<b>17. Total increase or decrease in capital (AOP 011 to 016)</b>	<b>017</b>	<b>8,561,985</b>	<b>32,519,865</b>
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. Its headquarter is at Božidara Petranovića 4, Zadar, Croatia.

Management Board:

- John Karavanić, the sole member of the Board

Supervisory board members from 1<sup>st</sup> January 2017 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 March, 2017 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.

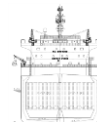
The Financial Statements for the period ending 31 March, 2017 include assets and liabilities, revenues and expenses respectively of Tankerska Next Generation Inc. and its international subsidiaries (companies engaged in international shipping). All companies are managed by Tankerska Next Generation Inc. 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 March, 2017 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, 2016.

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 2016.

### 3. Vessels and equipment

The Company performed the planned five-year overhaul (docking) product tanker m/t "Vinjerac" 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 635.341.

In accordance with the adopted docking policy, the docking expenses (including expenses of its class renewal) of m/t "Vinjerac" 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 13.7 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 381.064 HRK (USD 55.005).

### 4. Earnings per Share

#### EARNINGS PER SHARE

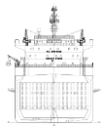
	Period	Period
	1 Jan - 31 Mar 2016	1 Jan - 31 Mar 2017
Net (loss) / profit to shareholders.....	HRK 17.043.539	HRK 17,662,887
Weighted average number of shares.....	8,720,145	8,720,145
Basic (loss) / earnings per share.....	HRK 1,95	HRK 2.03

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	Period
	1 Jan - 31 Mar 2016	1 Jan - 31 Mar 2017
Sales to related parties.....	HRK 0	HRK 0
Purchase from related parties.....	HRK 4.638.158	HRK 4,819,108
Receivables from related parties.....	HRK 39.651	HRK 0
Liabilities towards related parties.....	HRK 215.977	HRK 4,739,073
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 March 2016.

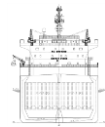
## **III. STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The financial statements for the three month period starting 1 January 2017 and ending 31 March 2017 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 2017, and ending on 31 March 2017, 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, 26<sup>th</sup> April 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.

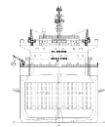
The Group's vessels may be out of service, that is, off-hire, for several reasons: scheduled drydocking, special surveys, vessel upgrade or maintenance or inspection, which are referred to as scheduled off-hire; and unscheduled repairs, maintenance, operational deficiencies, equipment breakdown, accidents/incidents,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

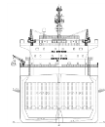
**Daily vessel operating expenses.** Daily vessel operating expenses is a metric used to evaluate the Group's ability to efficiently operate vessels incurring operating expenses and to limit these expenses.

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:

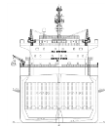
**Time charter.** Time charter is a contract under which a charterer pays a fixed daily hire rate on a semi-monthly or monthly basis for a fixed period of time for using the vessel. Subject to any restrictions in the charter, the charterer decides the type and quantity of cargo to be carried and the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

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

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

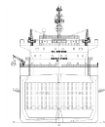
(2) See 'Important Financial and Operational Terms and Concepts' below

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

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

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

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



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

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

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

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

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

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

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

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

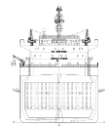
Vessel operating costs also includes management fees paid to the Fleet Manager, under the Management Agreement, for providing the Group with technical and crew management, insurance arrangements and accounting services.

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

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

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





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

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

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

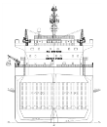
**General and administrative expenses.** General and administrative expenses comprise of the administrative staff costs, management costs, office expenses, audit, legal and professional fees, travel expenses and other expenses relating to administration.

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

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

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

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



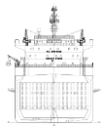
The table below illustrates the payment responsibilities of the ship owner and charterer under a time and voyage charter.

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

Ship-owner payments

Charterer payments

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



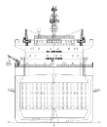
## **Cautionary note regarding forward-looking statements**

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

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

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

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



**Contact:**

TANKERSKA NEXT GENERATION Inc.

Božidara Petranovića 4

23 000 Zadar

Croatia

Tel: +385 23 202 135

Fax: +385 23 250 580

e-mail: [tng@tng.hr](mailto:tng@tng.hr)

[www.tng.hr](http://www.tng.hr)

