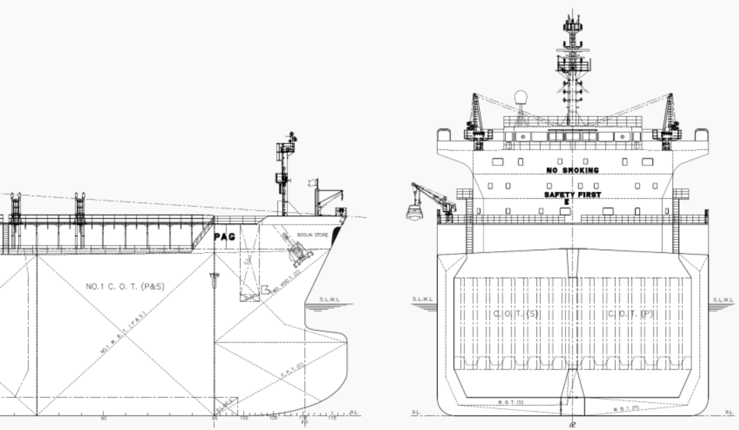


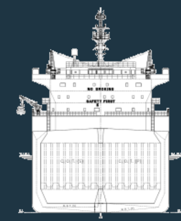
Tankerska
Next Generation
I-VI 2018

Contents

Total number of vessels: 6

ECO design MR Product tankers: 4

ICE class MR Product tankers: 2



ECO design MR product tanker
Lenght/width: 183/32 m
Cargo capacity: 49,990 dwt

ECO design MR product tanker
Lenght/width: 183/32 m
Cargo capacity: 49,990 dwt

MT Zoilo, built: 2015
ECO design MR product tanker
Lenght/width: 183/32 m
Cargo capacity: 49,990 dwt

MT Velebit, built: 2011
ICE class MR product tanker
Lenght/width: 195/32 m
Cargo capacity: 52,554 dwt

MT Dalmacija, built: 2015
ECO design MR product tanker
Lenght/width: 183/32 m
Cargo capacity: 49,990 dwt

MT Vinjerac, built: 2011
ICE class MR product tanker
Lenght/width: 195/32 m
Cargo capacity: 51,935 dwt

Comments from the CEO

Interim management report

During the first half of the year, the product tanker's market segment was characterized by a changing market environment, which were outlined by a seasonally stronger first and moderate second quarter.

In these challenging business conditions we achieved EBITDA of HRK 52.2 million and net profit of HRK 14.5 million. By making additional efforts to maximize the commercial fleet potential and a slight reduction in operating costs, TNG has mitigated part of the volatile trends in the market.

The oil derivatives market in the second quarter was affected by adverse changes, such as truckers and industrial workers strike in Brazil and trade disputes between the United States and Mexico. These changes have resulted in falling US exports of exports and reduced demand for maritime transport in the tanker product segment.

During the last quarters, the management seeks to provide a sufficient level of flexibility to timely react to positive changes in the freight market. Relying on such an employment strategy where part of the fleet uses time charters and positive market fundamentals, a one-year shipping contract was concluded for m/t Vinjerac, which should be free for re-contracting during the first half of next year, when a stronger positive market sentiment is expected.

Positive trends that marked the first quarter were moderated as a result of the seasonally lower trading levels of derivatives in the global market, further depressed by lower demand for derivatives in South America.

In TNG there are visible positive effects of additional management engagement in boosting business efficiency resulting in reduced daily operating costs.

Adapting the employment strategy to current market conditions has resulted in stable revenue in the second quarter of the year. With the combination of fleet employment with shipping contracts on time charter and shipping contracts on spot management ensures a stable foundation and flexibility needed to implement the company's strategy.

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 adapting to the changes in the regulatory environment related to the entry into force of Sulphur emission regulations and the application of the ballast water management convention, and securing the resources for the implementation of the regulatory requirements.

Results for the first 6 months of 2018:

Vessel revenues:	21,719 mil. USD
EBITDA:	8,238 mil. USD
EBIT:	4,268 mil. USD
Net profit:	2,280 mil. USD
TCE Net:	14,313 USD/day
OPEX:	6,408 USD/day

John Karavanić, CEO

Market environment

Interim management report

Global growth is projected to reach 3.9[1] percent in 2018 and 2019 which is in line with the forecast from April 2018, which is a growth of 1/2 percentage point in comparison to 2016, and is the highest rate of growth since 2011.

As the global cyclical upswing approaches its two-year mark, the pace of expansion in some economies appears to have peaked and growth has become less synchronized across countries. Among advanced economies, growth divergences between the United States on one side, and Europe and Japan on the other, are widening. Growth is also becoming more uneven among emerging market and developing economies, reflecting the combined influences of rising oil prices, higher yields in the United States, sentiment shifts following escalating trade tensions, and domestic political and policy uncertainty. [1]

The price of the crude oil rose above 77 USD per barrel during June, which is the highest level since 2015. The price growth was backed by declining capacity in Venezuela and US sanctions on Iran. In June, the Organization of Petroleum Exporting Countries (OPEC) and non-OPEC oil producers agreed to raise oil production by about 1 million barrels per day.

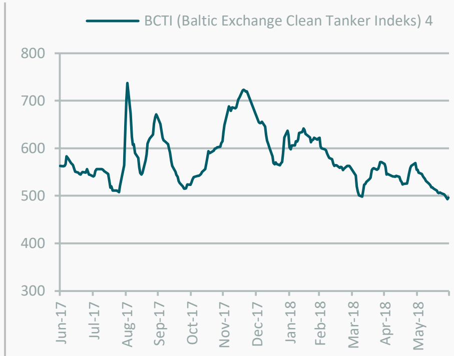
In the segment of product tankers during the second quarter the market showed negative trends in the Atlantic despite an increase in US gasoline imports for the summer driving season as this was mitigated by tonnage oversupply in the US gulf.

MRs in the East fared slightly better although it took some hits largely due to weak Arabian Gulf / West Coast India demand for MR tankers and because the occasional Suezmax and VLCC newbuild delivering gasoil from South Korea to Europe inadvertently ate into the MR loadings.

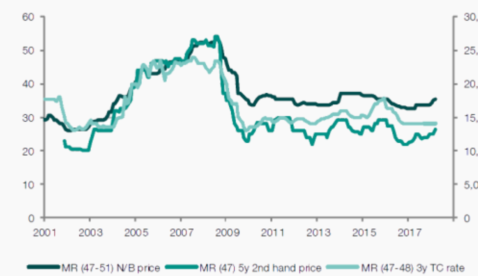
Meanwhile, MR product tanker supply is still significantly decelerating, with 39[2] new build units delivered in the first six months, and with 31[2] vessels scrapped during the course of the quarter. By the end of the year 51[2] new units are expected to be delivered, with a constant rate of tankers scheduled for scrapping.

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 the mid term.

Current eco MR2 ship-owner expectations for one year hire with immediate delivery are at a level of USD 15,250[3] per day, while a conventional MR2 is expected to charter out at USD 13,250[3].



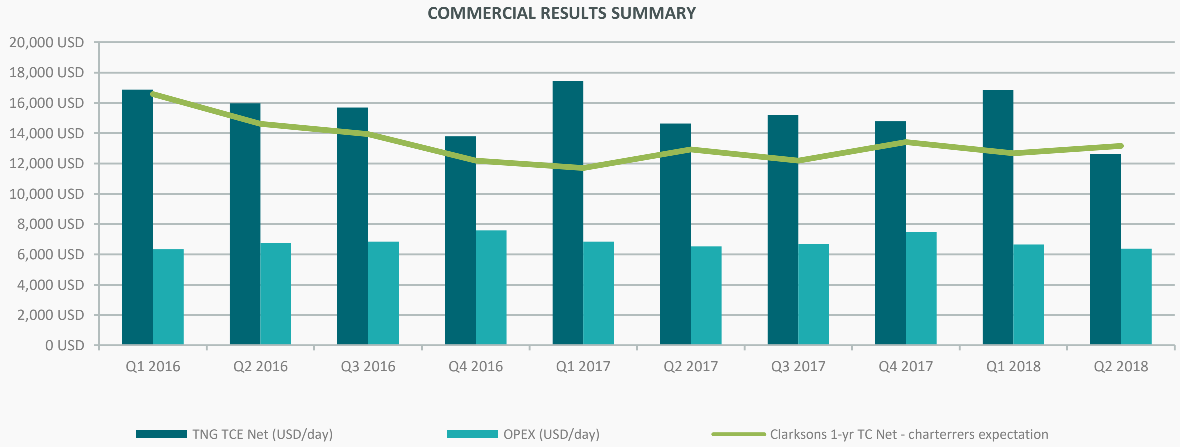
Newbuild price, 2nd hand price and 3 year time charter [5]

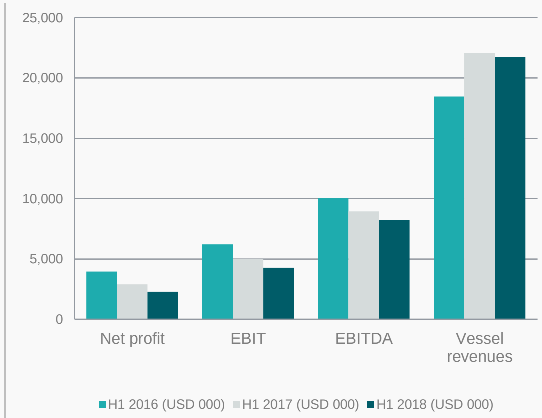


1 IMF World economic outlook, July 2018
2 Allied tankers MR report, July 2018
3 Clarksons,Tanker Matrix Report, July 2018
4 Baltic exchange, BCTI, July 2018
5 ABN AMRO shipping daily chartbook, July 2018

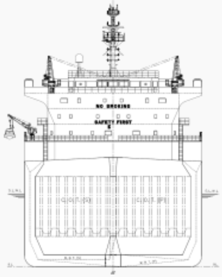
Results

Interim management report





SELECTED FINANCIALS	April – June 2017 (HRK 000)	January – June 2017 (HRK 000)	April – June 2018 (HRK 000)	January - June 2018 (HRK 000)	April – June 2017 (USD 000)	January - June 2017 (USD 000)	April – June 2018 (USD 000)	January - June 2018 (USD 000)
Vessel revenues	58,328	143,149	64,715	137,622	9,813	22,056	10,213	21,719
EBITDA	19,591	58,134	20,011	52,210	3,393	8,957	3,158	8,238
EBIT	7,572	32,436	6,824	27,053	1,408	4,998	1,077	4,268
Net profit	1,254	18,917	49	14,455	365	2,915	7	2,280



Results for the first six months of 2018

Interim management report

Vessel revenues in the first six months of 2018 amounted to HRK 137.6 mil. and were 3,96% lower in comparison to the same period of 2017, EBITDA was recorded at HRK 52.2 mil., which is 10% lower in comparison to last years HRK 58.1 mil.

The Company's net profit in the first quarter of 2018 amounted to HRK 14.5 mil. and it is a result of (i) the positive contributions from the time charter contracts contracted in 2015 and 2018, (ii) and it is moderated by the corrections in the spot market, and (iii) appreciation of Croatian kuna against US dollar. These trends were moderated by the 1% decrease in the operating costs.

The operating profit for the first six months of this year was HRK 27.1 mil. and is the result of (i) the income stability of the time charter contracts, and was moderated by (ii) the correction in the spot market during the second quarter, and (iii) appreciation of the Croatian kuna against US dollar. The average TCE during the first half of the year was recorded at USD 14,313.

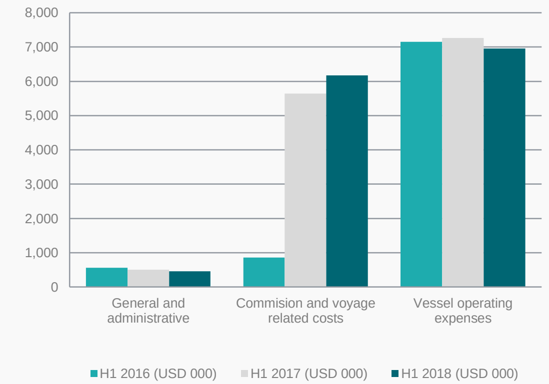
The first quarter of 2018 was marked by the usual operating expenses, which were slightly lowered as a result of the efforts of management to optimize the operations.

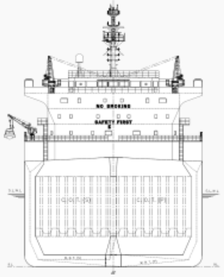
Commissions and voyage associated costs amounted to HRK 39.1 million, while in the first six months of 2017 they amounted to HRK 36.6 million. This significant increase is a result (i) of a higher volume of fleet operations due to the high operating efficiency of the fleet in the first half of the year, and (ii) the change of employment strategy of Vukovar, Velebit and Pag which by operating on spot have higher voyage associated costs e.g. port costs, bunker, which is accountable to the charterer while operating on time charter.

Total operating costs of the fleet amounted to HRK 86.2 mil. in the six months of 2018 and were at the same level as in the first six months of 2018 when they amounted to 86.9 mil. USD. In the operating currency, operating costs are showing the same trend in comparison to 2017. This trend is a result of the increased operational efficiency .

Depreciation costs in the fourth quarter of 2018 amounted to HRK 25.7 mil. 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 were recorded at HRK 2.92 mil. and have been reduced as a result of increased cost control efficiency.





Results for the second quarter of 2018

Interim management report

Total revenues in the second quarter of 2018 amounted to HRK 64.9 mil. (USD 10.24 mil.), EBITDA was recorded at HRK 20.01 mil. (USD 3.20 mil.).

Operating profit for the second quarter of 2018 amounts to HRK 6.8 million (USD 1.08 mil.) and it is a result of (i) stronger contributions from the spot market, (ii) lowered operating costs, (iii) income stability brought in by the time charter contracts, and it is moderated by (iv) lower TCE equivalent in comparison to first quarter of 2018, and (v) appreciation of Croatian kuna against US dollar.

In the second quarter of 2018, vessels revenues reached HRK 64.7 million (USD 10.2 mil.), which is an increase from the same period last year.

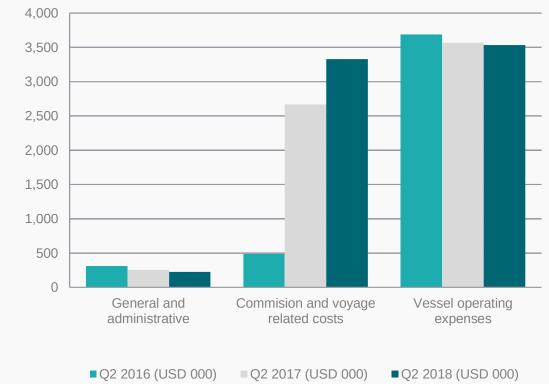
This level of revenues is the result of a greater presence of the TNG fleet in the spot market, where the ship-owner achieves nominally higher revenue, but at the same time has increased voyage-related costs.

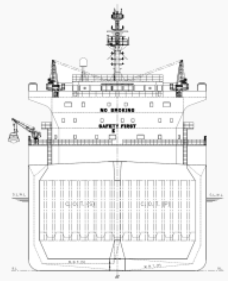
The average daily TCE of the fleet during the second quarter was recorded at USD 12.608, which is a decrease due to the different structure of voyage charter contracts, and the correction in the spot market.

Vessel operating costs of the fleet amounted to HRK 22.4 mil. (USD 3.5 mil.) in the second quarter of 2018 and were slightly lower than in the first quarter of 2017 when they amounted to 3.6 mil. USD. The second quarter of 2018 was marked by the usual operating expenses, which were slightly lowered as a result of the efforts of management to optimize the operations. Commissions and voyage associated costs amounted to HRK 21.1 million (USD 3.3 million) in the second quarter of 2018, while in the second quarter of 2017 they amounted to HRK 16 million (USD 2.7 mil.). The increase in these expenses is due the higher engagement of the TNG fleet in the spot market.

Depreciation costs in the second quarter of 2018 amounted to HRK 13.2 mil. (USD 2.1 mil.). 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 were recorded at HRK 1.4 mil. (0,22 mil. USD) and are held at the same level recorded in 2017.



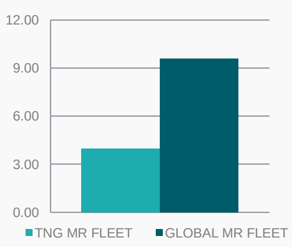


Operational data of the fleet

Interim management report

Vessel	Capacity (dwt)	Year built	Flag	Employment	Hire rate (USD)
Velebit	52,554	Q2 2011	Croatia	SPOT market	Voyage charter
Vinjerac	51,935	Q4 2011	Croatia	Clearlake Time charter	14,500 (until Q2 2019)
Vukovar	49,990	Q2 2015	Croatia	SPOT market	Voyage charter
Zoilo	49,990	Q3 2015	Croatia	SPOT market	Voyage charter
Dalmacija	49,990	Q4 2015	Croatia	Trafigura Time charter	17,750 (until Q4 2018)
Pag	49,990	Q4 2015	Croatia	SPOT market	Voyage charter

Average MR fleet age in years



TNG's CURRENT FLEET

Currently TNG's fleet consists of six MR tankers in operation (Velebit, Vinjerac, Vukovar, Zoilo, Dalmacija and Pag). 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. On June 30th 2018, the average age of the vessel in TNG fleet is 4.20 years.

CURRENT CHARTERING STRATEGY

Velebit and Pag

TNG currently operates Velebit and Pag on the spot market, estimating how this mode of employment represents the current optimal strategy of using the fleet's commercial potential to timely adapt to the market conditions, until the recovery of time charter market.

Dalmacija

Dalmacija was delivered on 27 November 2015, and chartered out on three zear time charter with the daily rate of USD 17,750, starting from delivery date.

The charterer is Trafigura Maritime Logistics PTE. ltd. („Trafigura") which has an option to extend time charter contract for an additional 12 months at USD 19,750 per day.

Vinjerac

During the first quarter TNG has secured a time charter contract with the daily rate of USD 14,500 with Clearlake Shipping Pte Ltd („Clearlake") who previously already chartered Vinjerac both on spot and time charter.

Vukovar and Zoilo

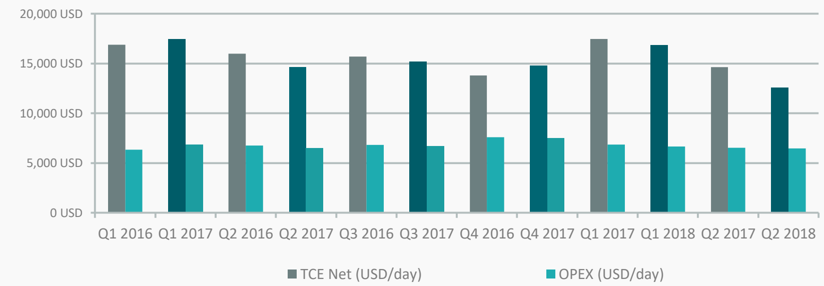
Since the delivery in 2015 from the shipyards both vessels were chartered out on three year time charter deals with prominent charterers.

Vukovar was redelivered to the Company end April 2018, while Zoilo was redelivered in the start of July 2018. The vessels continued its employment in the spot market in order to maximize their commercial potential at the present market terms, or until the awaited recovery in time charter rates.

Operational data of the fleet

Interim management report

OPERATIONAL DATA OF THE FLEET	I-VI 2016	I-VI 2017	I-VI 2018
Time Charter Equivalent rates (USD/day)	16,430	16,109	**14,313**
Daily vessel operating expenses (USD/day)	6,753	6,687	**6,408**
Operating days (number)	1,092	1,086	**1,086**
Revenue days (number)	1,071	1,019	**1,086**
Fleet utilization (%)	98.1%	98.4%	**100.0%**



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 shorter time charter contracts expired. During the first quarter m/t Vinjerac was contracted on a 12-month time charter contract with a daily rate of 14,500 USD, while during April m/t Vukovar time charter expired, and the vessel was transferred to spot market.

The average TCE net rate for the first six months of 2018 amounted to USD 14,313 and shows a lower level than it was recorded during the first six months of last year.

The average TCE net rate of the vessels during 2017 was recorded at 15,525 USD, and the current results show a slight decrease from the levels recorded in 2017 due to the seasonal decrease in oil derivates trade and decreased demand in South America.

Average daily vessel operating expenses (OPEX) in H1 2018 amounted to USD 6,408 per vessel, which is a moderate decrease in comparison to the same period last year.

First six months of the year were characterized by the full fleet utilization, as no vessels recorded off hire days during the period.

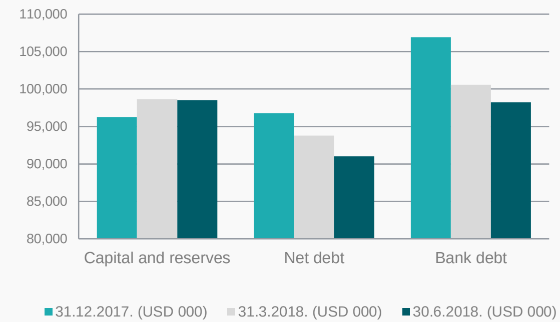
The Ballast Water Convention of the International Maritime Organization entered into force on September 8, 2017. After September 2017, the approved ballast water treatment system will have to be installed by the time when it is necessary to renew the International Oil Pollution Prevention (IOPP) certificate, which for TNG means that the systems will be installed on vessels following a five-year drydock cycle that should start from the end of 2019, depending on the binding deadlines and future business conditions.

The ballast water treatment system actively removes, kills or deactivates reproduction systems of organisms in ballast waters before returning them to the ecosystem. Expected cost of deployment can range from USD 500,000 to USD 1 mil. per ship depending on the preparation and existing ship installations.

Financial position summary

Interim management report

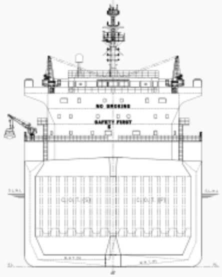
FINANCIAL POSITION SUMMARY	31 Dec 2017 (HRK 000)	31 Mar 2018 (HRK 000)	30 Jun 2018 (HRK 000)	31 Dec 2017 (USD 000)	31 Mar 2018 (USD 000)	30 Jun 2018 (USD 000)
Bank debt	670,467	606,523	**622,546**	106,938	100,592	**98,247**
Cash and cash equivalents	63,792	40,990	**45,806**	10,174	6,798	**7,229**
Net debt	606,675	565,533	**576,740**	96,764	93,794	**91,018**
Capital and reserves	603,418	594,781	**624,361**	96,243	98,644	**98,533**
Gearing ratio Net debt / (Capital and reserves + Net debt	50%	49%	**48%**	50%	49%	**48%**



The gearing ratio by the end of Q1 2018 decreased by 2 basis points to 48% in comparison to the end of 2017 when it amounted to 50%. This decreasing debt trend is in accordance with the loan repayment plans of TNG and regular decrease in indebtness, and a further decrease in the company's debt is expected in the future.

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, the 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, 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.



About TNG

Interim management report

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 STRATEGY

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

Focus on the development of the fleet, and the acquisition and management of vessels in the product tanker segment, focusing on product tankers of medium capacity, which are the main labour force in the petroleum derivatives market. MR tankers are flexible because they are small enough that they can access a wide range of ports, and because of this flexibility and the possibility of handling the most common quantities of cargo, are popular with charterers.

Maintain superior customer service by maintaining high standards of reliability, safety, environmental and quality
Timely procure modern used and/or re-sale tankers and/or reasonably arrange the newbuildings and timely sell vessels in line with market conditions.

Increase cash flow and profitability by outsourcing most of the management functions to a fleet manager. Management believes that the agreement with an external management will improve the measurability and cost competitiveness of business because it will allow the TNG to expand its fleet without realizing significant additional overheads

Maintain a strong balance sheet through moderate debt in a way to tray to finance future purchases of with approximately 35-45% of equity capital. This would facilitate the possibility of using a substantial part of the cash flow to pay dividends, but also improve conditions in the market as banks, shipyards and outsourcers prefer better capitalized Contracting Parties

Employment of the fleet in the long-term shipping contracts on time in order to maintain the predictability of revenue. However, if the market creates favourable conditions, management may decide to charter ships on spot voyages and thus further enhance the company's business and financial operations.

About TNG

Interim management report

CONTRACTS WITH TANKERSKA PLOVIDBA

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

Management Agreement

Under the careful supervision of the Management Board, the Group's operations are managed by Tankerska (Fleet Manager) and the Group has entered into a long-term agreement with the Fleet Manager (Management Agreement). Pursuant to the Management Agreement, the Fleet Manager shall provide to the Group commercial, crewing, technical, and certain administrative and corporate services in exchange for management services fees. The Management Agreement shall continue until the 31 December 2020. Management Board believes that the Group will greatly benefit from the relationship with Tankerska as it is a vastly experienced and highly reputable tanker operator which can offer premium services at favourable rates.

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

Commercial management services fee. TNGI pays a fee to the Fleet Manager for commercial services it provides to the Group equal to 1.5% of the gross vessel revenues

Bunkering. All bunkering arrangements will be charged at USD 1.00 per metric ton. Any cost directly or indirectly incurred in the process of providing the bunkering services (including but not limited to agency costs, bunker samples analysis, bunker surveys, etc.) will be off-budget and charged to TNGI as contingency costs

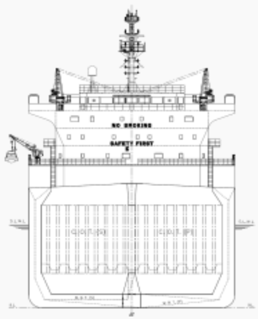
Ship management services fee. TNGI pays a fee to the Fleet Manager for the ship management services. The fee is related to Moore Stephens' publication which provides an average daily expense for each type of vessel. The fee TNGI pays to the Fleet Manager is equal to 67% of the management fee published in Moore Stephens' latest OpCost for Handysize Product Tankers and amounts to USD 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 plovidba nor its affiliates (other than the Company and its affiliates) shall own, lease, commercially operate or charter any MR product tanker.

The Non-Competition Agreement will be in power until the date when Tankerska and its affiliates no longer retain direct or indirect ownership of at least an aggregate of 33% of Company's shares.



INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME

Interim management report

KEY COMMENTS:

Daily TCE net rates per operating vessel in H1 2018 of USD 14,313.

Voyage related costs and commission amounted to 28% of total vessel revenues, including bunker and port expenses.

Daily vessel operating costs in H1 2018 of 6,408 USD 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

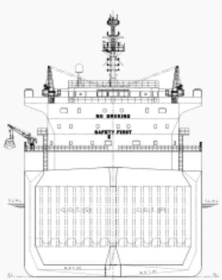
The financial statements expressed in HRK have been converted from USD amounts by applying the mid foreign exchange rate published by the Croatian National Bank and valid on the date of reporting:

(30 Jun 2018, 1 USD = 6,336577 HRK)
(31 Mar 2018 , 1 USD = 6,029552 HRK)

INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME FOR H1 2018 unaudited	April – June 2017 (HRK 000)	January – June 2017 (HRK 000)	April – June 2018 (HRK 000)	January – June 2018 (HRK 000)	April – June 2017 (USD 000)	January – June 2017 (USD 000)	April – June 2018 (USD 000)	January – June 2018 (USD 000)
Revenues	58,328	143,149	64,715	137,622	9,813	22,056	10,213	21,719
Other revenues	314	1,968	204	743	64	303	32	116
Sales revenues	**58,642**	**145,117**	**64,919**	**138,365**	**9,877**	**22,359**	**10,245**	**21,835**
Commission and voyage related costs	(16,009)	(36,595)	(21,093)	(39,130)	(2,667)	(5,638)	(3,329)	(6,175)
Vessel operating expenses	(21,530)	(47,134)	(22,396)	(44,096)	(3,566)	(7,262)	(3,534)	(6,959)
General and administrative	(1,512)	(3,254)	(1,419)	(2,929)	(251)	(502)	(224)	(463)
Total operating expenses	**(39,051)**	**(86,983)**	**(44,908)**	**(86,155)**	**(6,484)**	**(13,402)**	**(7,087)**	**(13,597)**
EBITDA	**19,591**	**58,134**	**20,011**	**52,210**	**3,393**	**8,957**	**3,158**	**8,238**
Depreciation and amortization	(12,019)	(25,698)	(13,187)	(25,157)	(1,985)	(3,959)	(2,081)	(3,970)
Operating profit (EBIT)	**7,572**	**32,436**	**6,824**	**27,053**	**1,408**	**4,998**	**1,077**	**4,268**
Net interest expenses	(6,239)	(13,407)	(6,562)	(12,495)	(1,031)	(2,066)	(1,036)	(1,972)
Net foreign exchange gains (losses)	(79)	(112)	(213)	(103)	(12)	(17)	(34)	(16)
Net income	**1,254**	**18,917**	**49**	**14,455**	**365**	**2,915**	**7**	**2,280**
Other comprehensive income	(40,602)	(62,916)	29,531	6,488	(6,473)	(9,694)	4,660	1,025
Total comprehensive income	**(39,348)**	**(43,999)**	**29,580**	**20,943**	**(6,108)**	**(6,779)**	**4,667**	**3,305**
Weighted average number of shares outstanding, basic & diluted (thou,)	8,720	8,720	8,720	8,720	8,720	8,720	8,720	8,720
Net income (loss) per share, basic & diluted	0.14	2.17	0.01	1.66	0.04	0.33	0.00	0.26

BALANCE SHEET

Interim management report

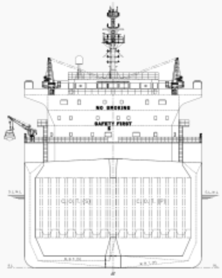


BALANCE SHEET At the date of 30 June 2018 unaudited	31 Dec 2017 (HRK 000)	31 Mar 2018 (HRK 000)	30 Jun 2018 (HRK 000)	31 Dec 2017 (USD 000)	31 Mar 2018 (USD 000)	30 Jun 2018 (USD 000)
Non-Current Assets	**1,203,337**	**1,145,591**	**1,191,343**	**191,928**	**189,996**	**188,011**
Vessels	1,203,318	1,145,251	1,190,990	191,925	189,940	187,955
Other Non-Current Assets	19	340	353	3	56	56
Current Assets	**92,597**	**72,621**	**69,893**	**14,769**	**12,044**	**11,030**
Inventory	8,370	10,060	11,239	1,335	1,668	1,774
Accounts receivable	17,574	18,437	9,261	2,803	3,058	1,461
Cash and cash equivalents	63,792	40,990	45,807	10,175	6,798	7,229
Other current assets	2,861	3,134	3,586	456	520	566
Total Assets	**1,295,934**	**1,218,212**	**1,261,236**	**206,697**	**202,040**	**199,041**
Shareholders Equity	**603,418**	**594,781**	**624,361**	**96,243**	**98,644**	**98,533**
Share capital	436,667	436,667	436,667	69,647	72,421	68,912
Reserves	99,026	75,983	105,514	15,794	12,602	16,652
Retained earnings	67,725	82,131	82,180	10,802	13,621	12,969
Non-Current Liabilities	**611,647**	**564,098**	**592,822**	**97,556**	**93,556**	**93,556**
Bank debt	611,647	564,098	592,822	97,556	93,556	93,556
Current Liabilities	**80,869**	**59,333**	**44,053**	**12,898**	**9,840**	**6,952**
Bank debt	58,820	42,425	29,724	9,382	7,036	4,691
Accounts payable	9,338	7,560	5,012	1,489	1,254	791
Other current liabilities	12,711	9,348	9,317	2,027	1,550	1,470
Total liabilities and shareholders equity	**1,295,934**	**1,218,212**	**1,261,236**	**206,697**	**202,040**	**199,041**

CASH FLOW STATEMENT

Interim management report

CASH FLOW STATEMENT FOR THE FIRST SIX MONTHS OF 2018 unaudited	January – December 2017 (HRK 000)	January – March 2018 (HRK 000)	January – June 2018 (HRK 000)	January – December 2017 (USD 000)	January – March 2018 (USD 000)	January – June 2018 (USD 000)
Profit before tax	32,132	14,406	14,455	5,125	2,389	2,281
Depreciation and Amortisation	49,727	11,972	25,162	7,931	1,986	3,971
Changes in working capital	(6,217)	(7,639)	(2,984)	(992)	(1,267)	(471)
Other	(4,107)	(2,958)	790	(655)	(491)	125
Cash flow from operating activities	**71,535**	**15,781**	**37,423**	**11,409**	**2,617**	**5,906**
Cash inflows from investing activities	-	-	-	-	-	-
Cash outflows from investing activities	(3,983)	(323)	(339)	(635)	(54)	(53)
Cash flow from investing activities	**(3,983)**	**(323)**	**(339)**	**(635)**	**(54)**	**(53)**
Cash inflows from financing activities	25,079	-	-	4,000	-	-
Cash outflows from financing activities	(72,754)	(38,260)	(55,070)	(11,604)	(6,345)	(8,691)
Cash flow from financing activities	**(47,675)**	**(38,260)**	**(55,070)**	**(7,604)**	**(6,345)**	**(8,691)**
Net changes in cash	19,877	(22,802)	(17,986)	3,170	(3,782)	(2,838)
Cash and cash equivalents (beg, of period)	43,915	63,792	63,792	7,004	10,580	10,067
Cash and cash equivalents (end of period)	**63,792**	**40,990**	**45,806**	**10,174**	**6,798**	**7,229**



STATEMENT OF CHANGES IN EQUITY

Interim management report

STATEMENT OF CHANGES IN EQUITY unaudited	Share capital	Retained Earnings	Other reserves and comprehensive income	Foreign exchange translation reserves	Total
For the period from 1 Jan to 31 Mar 2018	***HRK 000***	***HRK 000***	***HRK 000***	***HRK 000***	***HRK 000***
Balance at 1 January 2018	**436,667**	**67,725**	**125,456**	**(26,430)**	**603,418**
Net profit for the period		14,406			14,406
Change in capital					-
Change in other reserves					-
Changes in other comprehensive income				(23,043)	(23,043)
Balance at 31 March 2018	**436,667**	**82,131**	**125,456**	**(49,473)**	**594,781**
For the period from 1 Apr to 30 Jun 2018	***HRK 000***	***HRK 000***	***HRK 000***	***HRK 000***	***HRK 000***
Balance at 1 April 2018	**436,667**	**82,131**	**125,456**	**(49,473)**	**594,781**
Net profit for the period		49			49
Change in capital					-
Change in other reserves					-
Changes in other comprehensive income				29,531	29,531
Balance at 30 June 2018	**436,667**	**82,180**	**125,456**	**(19,942)**	**624,361**

STATEMENT OF CHANGES IN EQUITY unaudited	Share capital	Retained Earnings	Other reserves and comprehensive income	Foreign exchange translation reserves	Total
For the period from 1 Jan to 31 Mar 2018	***USD 000***	***USD 000***	***USD 000***	***USD 000***	***USD 000***
Balance at 1 January 2018	**68,734**	**10,422**	**19,466**	**(2,379)**	**96,243**
Net profit for the period		2,389			2,389
Change in capital					-
Change in other reserves					-
Changes in other comprehensive income				12	12
Balance at 31 March 2018	**68,734**	**12,811**	**19,466**	**(2,367)**	**98,644**
For the period from 1 Apr to 30 Jun 2018	***USD 000***	***USD 000***	***USD 000***	***USD 000***	***USD 000***
Balance at 1 April 2018	**68,734**	**12,811**	**19,466**	**(2,367)**	**98,644**
Net profit for the period		7			7
Change in capital					-
Change in other reserves					-
Changes in other comprehensive income				(118)	(118)
Balance at 30 June 2018	**68,734**	**12,818**	**19,466**	**(2,485)**	**98,533**

NET ASSET VALUE CALCULATION

Interim management report

NET ASSET VALUE CALCULATION estimate	At the date 30 June 2017 (000 USD)	At the date 31 Dec 2017 (000 USD)	At the date 31 Mar 2018 (000 USD)	At the date 30 Jun 2018 (000 USD)
Total fleet value	**176,620**	**168,960**	**177,200**	**170,460**
Investments	-	-	-	-
Current assets	3,040	4,594	5,246	3,801
Other non-current assets	4	3	56	56
Total value of other assets	**3,044**	**4,597**	**5,302**	**3,857**
Cash and cash equivalents	12,629	10,175	6,798	7,229
Bank debt	(111,628)	(97,556)	(93,556)	(98,247)
Net debt	**(98,999)**	**(87,381)**	**(86,758)**	**(91,018)**
Other non-current liabilities	-	-	-	-
Current liabilities	(4,026)	(3,516)	(2,804)	(2,261)
Total value of other liabilities	**(4,026)**	**(3,516)**	**(2,804)**	**(2,261)**
NET ASSET VALUE	**76,639**	**82,660**	**92,940**	**81,038**
Weighted average number of shares outstanding, basic & diluted	8,720,145	8,720,145	8,720,145	8,720,145
Net asset value per share (USD)	8.79	9.48	10.66	9.29

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 currently obtainable daily hire, 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 two t 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 the shorter term.

The revenue potential of TNG is backed by secured 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 was significantly contributed by the employment strategy of the fleet which preferred medium-term time charter employment, which mitigated the short-term volatility which is reflected in the changing freight rates, and volatility in the value of Company’s assets.

In that sense, the 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.

Corrections on the freight rate market are also reflected in the current estimates of the S&P value of vessels.

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 the market of petroleum products, as well as the growth and development of the fleet in this segment in the available sectoral analysis.

TANKERSKA NEXT GENERATION

Interim management report

ANNOUNCEMENTS IN 2018

18.07.2018 Counterproposal to the decision proposal for the AGM
02.07.2018 MT Zoilo - Time charter expires
20.06.2018 Invitation to the General Assembly of TNG Inc.
27.04.2018 Decisions from the Supervisory and Management board
23.04.2018 Time charter employment secured for MT Vinjerac
23.04.2018 Management and Supervisory Board meetings held
13.03.2018 Time charter employment secured for MT Vinjerac
26.02.2018 Management and Supervisory Board meetings held
21.02.2018 Announcement of the Management and the Supervisory Board sessions

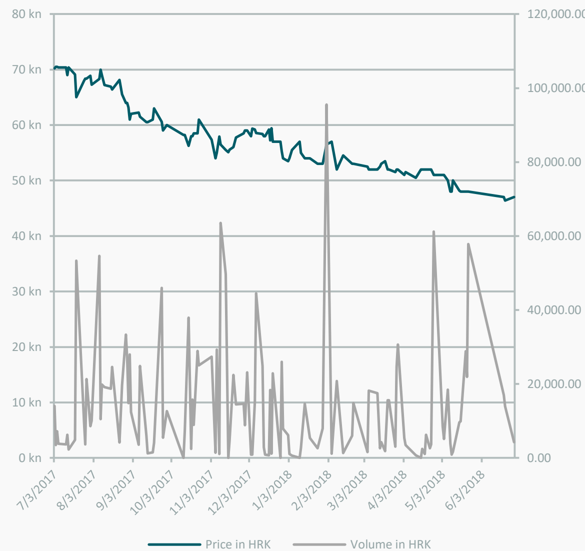
SHAREHOLDER STRUCTURE

Shareholder	No. of shares 30 Jun 2018	Share (in %)
Tankerska Plovidba d.d.	4,454,994	51.01%
PBZ Croatia Osiguranje OMF	839,000	9.61%
Erste Plavi OMF	808,000	9.25%
Raiffeisen OMF	752,036	8.61%
Raiffeisen DMF	367,521	4.21%
Other institutional and private investors	1,511,794	17.31%
Total	8,733,345	100.00%

MANAGEMENT AND SUPERVISORY BOARD

During 2018 there was no changes in the Management board or the Supervisory board. The sole member of the Management board is Mr. John Karavanić. Supervisory board consists of Mr. Ivica Pijaca, president, Mr. Mario Pavić, deputy president, and members Mr. Joško Miliša, Mr. Nikola Mišetić and Mr. Nikola Koščica.

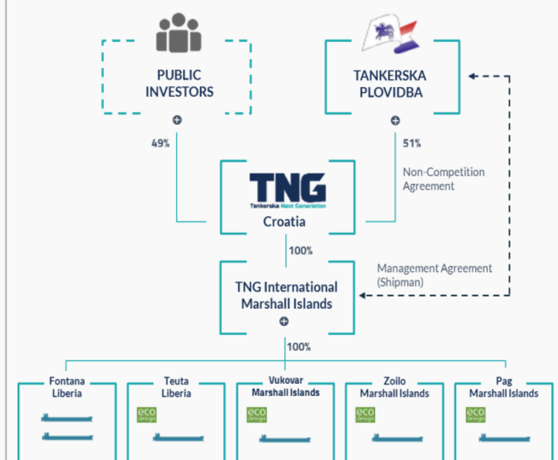
TPNG-R-A STOCK



Company shares with the ticker TPNG-R-A are listed on the Zagreb Stock Exchange. During 2018 there were no corporate activities of acquiring treasury shares of the Company. As at 30 June, 2018 the Company had 13,200 treasury shares.

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.

OVERVIEW OF RELATED PARTY TRANSACTIONS:



Risk management

Interim management report

TNG's risk management policy in connection to managing its financial assets can be summarized as follows:

Foreign exchange risk

TNG is exposed to the following currency risks: the transaction risk, which is the risk of a negative impact of fluctuations in foreign exchange rates against the Croatian kuna on TNG's cash flows from commercial activities; and the balance sheet risk, which is the risk that the net value of monetary assets on retranslation of kuna-denominated balances becomes lower as a result of changes in foreign exchange rates.

TNG operates internationally and is exposed to changes of US currency as significant amount of receivables and foreign revenues are stated in this currency. Current TNG policies do not include active hedging.

Interest rate risk

Interest rate risk is the risk of change in value of financial instruments due to changes in market interest rates. The risk of interest rate in cash flow is a risk that the interest expenditure on financial instruments will be variable during the period. As TNG has no significant interest-bearing assets, its operating income and cash flows from operations are not significantly exposed to fluctuations in market interest rates. TNG's interest rate risk arises from long-term borrowings. TNG is exposed to interest rate risk on its long-term borrowings that bear interest at variable rates.
Arranging interest rate swaps with the key lenders provides for easing the risk of volatility in the variable interest rate, allowing the company, which operates in terms of pre-fixed income contracted to manage the profitability of operations fixing one of the major cost components.

Credit risk

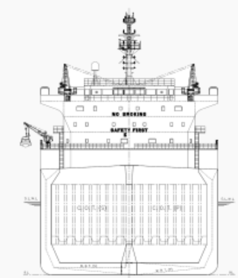
Credit risk is the risk of failure by one party to meet commitments to the financial instruments, what could cause the financial loss to the other party. Maximum exposure to credit risk is expressed in the highest value of each of the financial asset in statement of financial position. Basic financial assets of TNG consist of cash and of account balance with banks, trade receivables and other receivables, and of investments. Credit risk in liquid funds is limited as the counterparty is often the bank that most international agencies assessed with high credit ratings.

Liquidity risk

The responsibility for managing liquidity risk rests with the Management Board which sets an appropriate liquidity risk management framework for the purpose of managing its short-term, medium-term and long-term funding and liquidity requirements. Liquidity risk, which is considered the risk of financing, is the risk of difficulties which the TNG may encounter in collecting funds to meet commitments associated with financial instruments. TNG has significant interest bearing non-current liabilities for loans with variable interest that expose TNG to the risk of cash flows. Company manages liquidity risk through maintaining adequate reserves and loan facilities, in parallel to continuously comparing planned and relished cash flow and maturity of receivables and liabilities.

Price risk

TNG's activities expose it to price risk associated with changes in the freight rate. The daily freight rate (the spot rate) measured in USD per day, has historically been very volatile. In addition, TNG trades its spot exposed vessels in different pools that reduces the sensitivity to freight rate volatility by economies of scale and optimization of the fleet's geographical position.



Risk management

Interim management report

Operational risk

Due to the risks involved in seaborne transportation of oil products as well as due to very stringent requirements by the "oil majors", safety and environmental compliance are TNG's top operational priorities. The Fleet Manager will operate TNG's vessels in a way so as to ensure maximum protection of the safety and health of staff, the general public and the environment. TNG and the Fleet Manager actively manage the risks inherent in TNG's business and are committed to eliminating incidents that would threaten safety and the integrity of the vessels. Fleet Manager uses a risk management program that includes, among other, computer-aided risk analysis tools, maintenance and assessment programs, seafarers competence training program, and seafarers workshops.

Daily rates

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 and yield conservative profitability margins. Prevailing time charter rates fluctuate on a seasonal and year-to-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.

Employment strategy based on longer than one year time charter enables the mitigation of this type of risk.

TNG and its fleet manager are committed to the following standards, strategies and insurance:

International Standards Organization's ("ISO") 9001 for quality assurance,

ISO 14001 for environmental management systems,

ISO 50001 for energy management systems and Occupational Health and S

"OHSAS"18001 Safety Advisory Services

ISM Code - International safety management code

Company 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.

Business operations are based on the timely acquisition of tankers, ensuring efficient use of raised capital and debt minimization. Basically, fleet management is directed towards increasing cash flow and profitability through outsourcing majority of functions and services, maintaining a flexible and simple organizational structure unencumbered with additional overheads. This enables efficient assets and liabilities management and ensures a stable dividend return to shareholders.

Chartering strategy

Charterer's financial condition and reliability is an important factor in counterparty risk. TNG generally minimizes such risks by providing services to major energy corporations, large trading houses (including commodities traders), major crude and derivatives producers and other reputable entities with extenuating tradition in in seaborne transportation.

Insurance

The operation of any ocean-going vessel represents a potential risk of major losses and liabilities, death or injury of persons, as well as property damage caused by adverse weather conditions, mechanical failures, human error, war, terrorism, piracy and other circumstances or events. The transportation of oil is subject to the risk of pollution and to business interruptions due to political unrest, hostilities, labour strikes and boycotts. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade.

As an integral part of operating the vessels, TNG maintains insurance with first class international insurance providers to protect against the majority of accident-related risks in connection with the TNG's marine operations.

The Company believes that the TNG's current insurance program, is adequate to protect TNG against the majority of accident-related risks involved in the conduct of its business and that an appropriate level of protection and indemnity against pollution liability and environmental damage is maintained. TNG's goal is to maintain an adequate insurance coverage required by its marine operations and to actively monitor any new regulations and threats that may require the TNG to revise its coverage.

INTERIM FINANCIAL STATEMENTS

FOR THE FIRST SIX MONTHS OF 2018 (UNAUDITED)

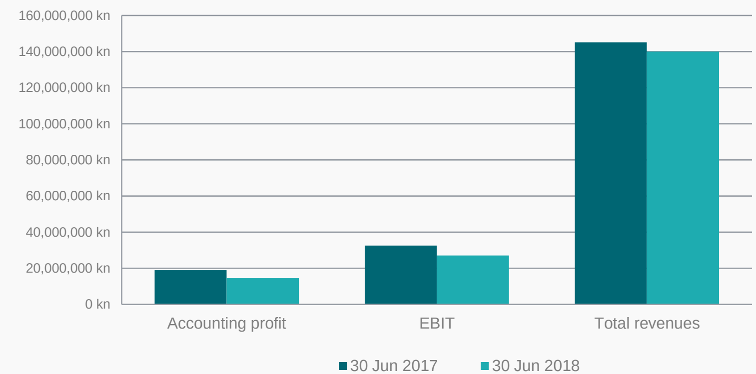
TNG
Tankerska Next Generation

Table of contents

Report of the management board on the company's operations

FOR THE PERIOD FROM
1 JANUARY UNTIL 30 JUNE 2018

DESCRIPTION	Period 1 Jan - 30 Jun 2017	Period 1 Jan – 30 Jun 2018
Total revenues	HRK 145,181,539	HRK 139,950,809
Operating revenues / Total revenues	99%	98%
Other revenues / Total revenues	1%	1%
International market / Total revenues	99%	98%
Domestic market / Total revenues	0%	0%
Material costs / Operating expenses	47%	49%
Employee costs / Operating expenses	23%	21%
Financial expenses / Total Expenses	11%	11%
Gross margin	13,21%	10,50%
Accounting profit	HRK 18,916,845	HRK 14,455,281
Operating profit (EBIT)	HRK 32,436,381	HRK 27,053,068



During the reporting period the Company reported HRK 138.4 million of operating revenues, attributed predominantly to revenue generated from sales.

In the same period, the Company reported HRK 111.3 million of operating costs. The majority of operating expenses are the material costs HRK 54.2 million, depreciation in the amount of HRK 25.2 million (including HRK 831.3 thousand of dry dock expenses), employee costs in the amount HRK 23.9 million and other expenses in the amount of HRK 8.0 million.

In the period ending 30 June 2018 financial income amounted to HRK 1.6 million while financial expenses amounted to HRK 14.2 million.

The Company reported HRK 14.5 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 2018 there were no corporate activities of acquiring treasury shares of the Company. As at 30 June, 2018 the Company had 13,200 treasury shares.

As at 30 June, 2018 the Company owned following subsidiaries abroad:

Tankerska Next Generation International Ltd., Majuro, Marshall Islands;
Fontana Shipping Company Ltd., Monrovia, Liberia;
Teuta Shipping Company Ltd., Monrovia, Liberia;
Vukovar Shipping, LLC, Majuro, Marshall islands;
Zoilo Shipping, LLC, Majuro, Marshall islands;
Pag Shipping, LLC, Majuro, Marshall Islands.

Attachment 1.

Reporting period: **1/1/2018** **to** **6/30/2018**

Quaterly financial statement of the entrepreneur TFI-POD

Tax Number (MB):	**04266838**		
Company registration number (MBS):	**110046753**		
Personal identification number (OIB):	**30312968003**		
Issuing company:	**TANKERSKA NEXT GENERATION D.D.**		
Postal code and place:	**23000**	**ZADAR**	
Street and house number:	**BOŽIDARA PETRANOVIĆA 4**		
E-mail adress:	tng@tng.hr		
Internet adress:	www.tng.hr		
Municipality/city code and name:	**520**	**ZADAR**	
County code and name:	**13**	**ZADARSKA COUNTY**	Number of employees (year end): **138**
Consolidated report:	**NO**		NKD code: **5020**

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

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

Documents to be published:

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

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

BALANCE SHEET

as at 30.6.2018.

Company: 30312968003; TANKERSKA NEXT GENERATION D.D.			
Position	AOP code	Previous year	Current year (net)
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED AND NON - PAID CAPITAL	001	0	0
B) LONG - TERM ASSETS (003+010+020+029+033)	002	1,203,337,183	1,191,343,077
I. INTANGIBLE ASSETS (004 to 009)	003	0	0
1. Assets development	004	0	0
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	0	0
3. Goodwill	006	0	0
4. Prepayments for purchase of intangible assets	007	0	0
5. Intangible assets in preparation	008	0	0
6. Other intangible assets	009	0	0
II. TANGIBLE ASSETS (011 to 019)	010	1,203,337,183	1,191,004,056
1. Land	011	0	0
2. Buildings	012	0	0
3. Plant and equipment	013	1,203,317,758	1,190,989,506
4. Instuments, plant inventories and transportation assets	014	19,425	14,550
5. Biological assets	015	0	0
6. Prepayments for tangible assets	016	0	0
7. Tangible assets in preparation	017	0	0
8. Other material assets	018	0	0
9. Investment in buildings	019	0	0
III. LONG-TERM FINANCIAL ASSETS (021 to 028)	020	0	339,021
1. Shares (stocks) in related parties	021	0	0
2. Loans given to related parties	022	0	0
3. Participating interests (shares)	023	0	0
4. Loans to entrepreneurs in whom the entity hold participating interests	024	0	0
5. Investment in securities	025	0	0
6. Loans, deposits and similar assets	026	0	339,021
7. Other long - term financial assets	027	0	0
8. Investments accounted by equity method	028	0	0
IV. RECEIVABLES (030 to 032)	029	0	0
1. Receivables from related parties	030	0	0
2. Receivables based on trade loans	031	0	0
3. Other receivables	032	0	0
V. DEFERRED TAX ASSETS	033	0	0
C) SHORT- TERM ASSETS (035+043+050+058)	034	89,735,865	66,306,637
I. INVENTORIES (036 to 042)	035	8,370,175	11,238,732
1. Row material	036	8,370,175	11,238,732
2. Work in progress	037	0	0
3. Finished goods	038	0	0
4. Merchandise	039	0	0
5. Prepayments for inventories	040	0	0
6. Long - term assets held for sale	041	0	0
7. Biological assets	042	0	0
II. RECEIVABLES (044 to 049)	043	17,573,947	9,261,522
1. Receivables from related parties	044	0	6,254
2. Accounts receivable	045	16,700,445	8,613,262
3. Receivables from participating entrepreneurs	046	0	0
4. Receivables from employees and shareholders	047	6,212	3,111
5. Receivables from government and other institutions	048	31,888	35,941
6. Other receivables	049	835,402	602,954
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	050	6,269,733	6,336,577
1. Shares (stocks) in related parties	051	0	
2. Loans given to related parties	052	0	
3. Participating interests (shares)	053	0	
4. Loans to entrepreneurs in whom the entity hold participating interests	054	0	
5. Investment in securities	055	0	
6. Loans, deposits and similar assets	056	6,269,733	6,336,577
7. Other financial assets	057	0	
IV. CASH AT BANK AND IN CASHIER	058	57,522,010	39,469,806
D) PREPAID EXPENSES AND ACCRUED INCOME	059	2,860,484	3,586,638
E) TOTAL ASSETS (001+002+034+059)	060	1,295,933,532	1,261,236,352
F) OFF-BALANCE SHEET NOTES	061	0	0

LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	603,418,822	624,361,354
I. SUBSCRIBED CAPITAL	063	436,667,250	436,667,250
II. CAPITAL RESERVES	064	68,425,976	68,425,976
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	57,030,391	57,030,391
1. Reserves prescribed by law	066	2,030,391	2,030,391
2. Reserves for treasury stocks	067	996,600	996,600
3. Treasury stocks and shares (deduction)	068	996,600	996,600
4. Statutory reserves	069	0	0
5. Other reserves	070	55,000,000	55,000,000
IV. REVALUATION RESERVES	071	-26,429,776	-19,942,525
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	35,592,546	67,724,981
1. Retained earnings	073	35,592,546	67,724,981
2. Accumulated loss	074	0	0
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	075	32,132,435	14,455,281
1. Profit for the current year	076	32,132,435	14,455,281
2. Loss for the current year	077	0	0
VII. MINORITY INTEREST	078	0	0
B) PROVISIONS (080 to 082)	079	0	0
1. Provisions for pensions, severance pay and similar liabilities	080	0	0
2. Reserves for tax liabilities	081	0	0
3. Other reserves	082	0	0
C) LONG TERM LIABILITIES (084 to 092)	083	611,647,455	592,822,153
1. Liabilities to related parties	084	0	0
2. Liabilities for loans, deposits etc.	085	0	0
3. Liabilities to banks and other financial institutions	086	611,647,455	592,822,153
4. Liabilities for received prepayments	087	0	0
5. Accounts payable	088	0	0
6. Liabilities arising from debt securities	089	0	0
7. Liabilities to entrepreneurs in whom the entity holds participating interests	090	0	0
8. Other long-term liabilities	091	0	0
9. Deferred tax liability	092	0	0
D) SHORT - TERM LIABILITIES (094 to 105)	093	76,112,878	38,899,584
1. Liabilities to related parties	094	259,441	56,810
2. Liabilities for loans, deposits etc.	095	0	0
3. Liabilities to banks and other financial institutions	096	58,820,431	29,723,769
4. Liabilities for received prepayments	097	3,416,201	0
5. Accounts payable	098	9,337,468	5,012,507
6. Liabilities arising from debt securities	099	0	0
7. Liabilities to enterpreneurs in whom the entity holds participating interests	100	0	0
8. Liabilities to employees	101	4,114,044	3,961,971
9. Liabilities for taxes, contributions and similar fees	102	58,966	58,843
10. Liabilities to share - holders	103	49,674	49,674
11. Liabilities for long term assets held for sale	104	0	0
12. Other short - term liabilities	105	56,653	36,010
E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	106	4,754,377	5,153,261
F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)	107	1,295,933,532	1,261,236,352
G) OFF-BALANCE SHEET NOTES	108	0	0
APPENDIX TO BALANCE SHEET (only for consolidated financial statements)			
A) CAPITAL AND RESERVES			
1. Attributed to equity holders of parent company	109		
2. Attributed to minority interests	110		

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

PROFIT AND LOSS ACCOUNT

for period 1.1.2018. to 30.6.2018.

Company: 30312968003; TANKERSKA NEXT GENERATION D.D.

Position	AOP code	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quater
1	2	3	4	5	6
I. OPERATING REVENUES (112+113)	111	145,123,255	58,645,044	138,374,115	64,925,688
1. Sales revenues	112	143,149,024	58,327,246	137,621,637	64,714,101
2. Other operating revenues	113	1,974,231	317,798	752,478	211,587
II. OPERATNG EXPENSES (115+116+120+124+125+126+129+130)	114	112,686,874	51,072,330	111,321,047	58,102,008
1. Changes in the value of work in progress and finished goods	115	0	0	0	0
2. Material costs (117 to 119)	116	52,616,929	22,982,604	54,170,279	28,939,874
a) Raw material and material costs	117	20,319,051	9,802,087	27,266,021	13,527,624
b) Costs of goods sold	118	2,867,068	1,053,310	2,132,445	2,132,445
c) Other external costs	119	29,430,810	12,127,207	24,771,813	13,279,805
3. Staff costs (121 to 123)	120	25,687,749	12,121,737	23,882,424	12,108,036
a) Net salaries and wages	121	25,306,660	11,936,067	23,541,140	11,933,270
b) Costs for taxes and contributions from salaries	122	263,732	128,353	235,394	120,665
c) Contributions on gross salaries	123	117,357	57,317	105,890	54,101
4. Depreciation	124	25,703,437	12,022,072	25,162,154	13,190,547
5. Other costs	125	7,821,405	3,618,164	7,073,741	3,521,091
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	857,354	327,753	1,032,449	342,460
III. FINANCIAL INCOME (132 to 136)	131	58,284	543	1,576,694	1,164,744
1. Interest income, foreign exchange gains, dividends and similar income from related	132	15,731	15,731	0	0
2. Interest income, foreign exchange gains, dividends and similar income from non-	133	42,553	-15,188	1,576,694	1,164,744
3. Share in income from affiliated entrepreneurs and participating interests	134	0	0	0	0
4. Unrealized gains (income) from financial assets	135	0	0	0	0
5. Other financial income	136	0	0	0	0
IV. FINANCIAL EXPENSES (138 to 141)	137	13,577,820	6,319,299	14,174,481	7,938,801
1. Interest expenses, foreign exchange losses and similar expenses from related	138	0	0	24,697	14,299
2. Interest expenses, foreign exchange losses and similar expenses from non - related	139	13,577,820	6,319,299	14,149,784	7,924,502
3. Unrealized losses (expenses) on financial assets	140	0	0	0	0
4. Other financial expenses	141	0	0	0	0
V. INCOME FROM INVESTMENT SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS	142	0	0	0	0
VI. LOSS FROM INVESTMENT SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS	143	0	0	0	0
VII. EXTRAORDINARY - OTHER INCOME	144	0	0	0	0
VIII. EXTRAORDINARY - OTHER EXPENSES	145	0	0	0	0
IX. TOTAL INCOME (111+131+142 + 144)	146	145,181,539	58,645,587	139,950,809	66,090,432
X. TOTAL EXPENSES (114+137+143 + 145)	147	126,264,694	57,391,629	125,495,528	66,040,809
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	18,916,845	1,253,958	14,455,281	49,623
1. Profit before taxation (146-147)	149	18,916,845	1,253,958	14,455,281	49,623
2. Loss before taxation (147-146)	150	0	0	0	0
XII. PROFIT TAX	151	0	0	0	0
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	18,916,845	1,253,958	14,455,281	49,623
1. Profit for the period(149-151)	153	18,916,845	1,253,958	14,455,281	49,623
2. Loss for the period (151-148)	154	0	0	0	0
APPENDIX TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Attributed to equity holders of parent company	155				
2. Attributed to minority interests	156				
STATEMENT OF COMPREHENSIVE INCOME (IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	18,916,845	1,253,958	14,455,281	49,623
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 to 165)	158	-62,915,624	-40,601,653	6,487,251	29,530,264
1. Exchange differences on translation of foreign operations	159	-62,915,624	-40,601,653	6,487,251	29,530,264
2. Movements in revaluation reserves of long-term tangible and intangible assets	160	0	0	0	0
3. Profit or loss from revaluation of financial assets available for sale	161	0	0	0	0
4. Gains or losses on efficient cash flow hedging	162	0	0	0	0
5. Gains or losses on efficient hedge of a net investment in foreign countries	163	0	0	0	0
6. Share in other comprehensive income / loss of associated companies	164	0	0	0	0
7. Actuarial gains / losses on defined benefit plans	165	0	0	0	0
III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166	0	0	0	0
IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)	167	-62,915,624	-40,601,653	6,487,251	29,530,264
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	-43,998,779	-39,347,695	20,942,532	29,579,887
APPENDIX to Statement of comprehensive income (only for consolidated financial statements)					
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD					
1. Attributed to equity holders of parent company	169				
2. Attributed to minority interests	170				

CASH FLOW STATEMENT - Indirect method

period 1.1.2018. to 30.6.2018.

Company: 30312968003; TANKERSKA NEXT GENERATION D.D.

Position	AOP code	Previous period	Current Period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	001	18,916,845	14,455,281
2. Depreciation	002	25,703,437	25,162,154
3. Increase in short-term liabilities	003	238,368	0
4. Decrease in short term receivables	004	3,481,505	8,418,963
5. Decrease in inventories	005	3,018,870	0
6. Other cash flow increases	006	0	1,782,530
I. Total increase in cash flow from operating activities (001 to 006)	007	51,359,025	49,818,928
1. Decrease in short - term liabilities	008	0	8,533,736
2. Insrease in short - term receivables	009	0	0
3. Increase in inventories	010	0	2,868,557
4. Other cash flow decreases	011	4,704,464	992,897
II. Total decrease in cash flow from operating activities (008 to 011)	012	4,704,464	12,395,190
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	46,654,561	37,423,738
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash flow from sale of long - term tangible and intangible assets	015	0	0
2. Cash inflows from sale of equity and debt financial instruments	016	0	0
3. Interest receipts	017	0	0
4. Dividend receipts	018	0	0
5. Other cash inflows from investing activities	019	0	0
III. Total cash inflows from investing activities(015 to 019)	020	0	0
1.Cash outflows for purchase of long - term tangible and intangible assets	021	4,123,504	0
2. Cash outflows for purchase of equity and debt financial instruments	022	0	0
3. Other cash outflows from investing activities	023	0	339,021
IV. Total cash outflows from investing activities (021 to 023)	024	4,123,504	339,021
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES (020-024)	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES (024-020)	026	4,123,504	339,021
CASH FLOW FROM FINANCING ACTIVITIES			
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	25,960,900	0
3. Other cash inflows from financing activities	029	0	0
V. Total cash inflows from financing activities (027 to 029)	030	25,960,900	0
1. Cash outflows for repayment of loans and bonds	031	30,444,505	55,070,077
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
VI. Total cash outflows from financing activities (031 do 035)	036	30,444,505	55,070,077
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	038	4,483,605	55,070,077
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	039	38,047,452	0
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	0	17,985,360
Cash and cash equivalents at the beginning of period	041	43,914,572	63,791,743
Increase in cash and cash equivalents	042	38,047,452	0
Decrease in cash and cash equivalents	043	0	17,985,360
Cash and cash equivalents at the end of period	044	81,962,024	45,806,383

STATEMENT OF CHANGES IN EQUITY
period 1.1.2018. to 30.6.2018.

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	57,030,391
4. Retained earnings or accumulated loss	004	51,575,169	67,724,981
5. Profit or loss for the current year	005	18,916,845	14,455,281
6. Revaluation of long - term tangible assets	006	0	0
7. Revaluation of intangible assets	007	0	0
8. Revaluation of financial assets available for sale	008	0	0
9. Other revaluation	009	0	0
10. Total capital and reserves (AOP 001 to 009)	010	630,585,240	644,303,879
11. Currency gains and losses arising from net investments in foreign operations	011	-8,081,787	-19,942,525
12. Current and deferred taxes (part)	012	0	0
13. Cash flow hedging	013	0	0
14. Changes in accounting policies	014	0	0
15. Correction of significant errors in prior periods	015	0	0
16. Other changes in capital	016	0	0
17. Total increase or decrease in capital (AOP 011 to 016)	017	-8,081,787	-19,942,525
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

Interim management report

1. General information

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

Management Board:
John Karavanić, the sole member of the Board

Supervisory board members from 1st 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, 2018 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, 2018 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.

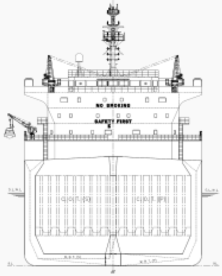
2. Principal accounting policies

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

Tankerska Next Generation International Ltd., Majuro, Marshall Islands;
Fontana Shipping Company Ltd., Monrovia, Liberia;
Teuta Shipping Company Ltd., Monrovia, Liberia;
Vukovar Shipping, LLC, Majuro, Marshall Islands;
Zoilo Shipping, LLC, Majuro, Marshall Islands;
Pag Shipping, LLC, Majuro Marshall Islands.

The Financial statements for the period ending 31 March, 2018 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.



Notes to the financial statements

Interim management report

EARNINGS PER SHARE	Period 1 Jan - 31 Jun 2017	Period 1 Jan - 31 Jun 2018
Net (loss) / profit to shareholders	HRK 18,916,845	HRK 14,455,281
Weighted average number of shares	8,720,145	8,720,145
Basic (loss) / earnings per share	HRK 2,17	HRK 1,66

RELATED PARTY TRANSACTIONS	Period 1 Jan – 30 Jun 2017	Period 1 Jan – 30 Jun 2018
Sales to related parties	HRK 0	HRK 0
Purchase from related parties	HRK 9,324,952	HRK 8,868,718
Receivables from related parties	HRK 1,356,715	HRK 6,254
Liabilities towards related parties	HRK 6,910,290	HRK 56,810
Given loans to related parties	HRK 0	HRK 0
Received loans from related parties	HRK 0	HRK 0

3. Earnings per Share

See table above

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

4. Transactions with the Related Parties

See table above

5. Subsequent events after Balance Sheet date

There were no subsequent events after Balance Sheet date which would significantly affect the financial statements on 30 June 2018

Notes to the financial statements

Interim management report

III. STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The financial statements for the period starting 1 January 2018 and ending 30 June 2018 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 period starting on 1 January 2018, and ending on 30 June 2018, contains a fair presentation of the Company's development, operating results and position with the description of significant risks and uncertainty the Company is exposed to.

Zadar, 27th July 2018

John Karavanić, CEO

Important industry terms and concepts

Interim management report

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.

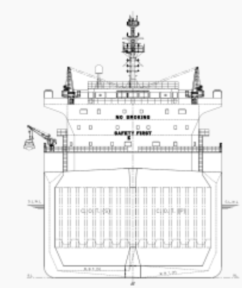
The Group's vessels may be out of service, that is, off-hire, for several reasons: scheduled drydocking, special surveys, vessel upgrade or maintenance or inspection, which are referred to as scheduled off-hire; and unscheduled repairs, maintenance, operational deficiencies, equipment breakdown, accidents/incidents,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



Important industry terms and concepts

Interim management report

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.

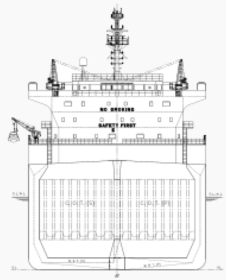
Daily vessel operating expenses. Daily vessel operating expenses is a metric used to evaluate the Group's ability to efficiently operate vessels incurring operating expenses and to limit these expenses.

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

Interim management report

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).

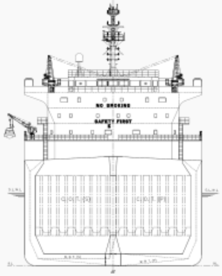
Time charter rates are usually fixed during the term of the charter. Vessels operating on time charters for a certain period of time provide more predictable cash flows over that period of time, but can yield lower profit margins than vessels operating under voyage charters in the spot market during 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

Interim management report

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

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.

Primary distinction among these types of charters and contracts

	Time charter	Voyage charter
Typical contract length	1-5 years	Single voyages, consecutive voyages and contracts of affreightment (COA)
Hiire 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)	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 primarly to scheduled and unscheduled repairs and drydockings

Important financial and operating terms and concepts

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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.

Important financial and operating terms and concepts

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

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

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

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

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

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

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

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

Important financial and operating terms and concepts

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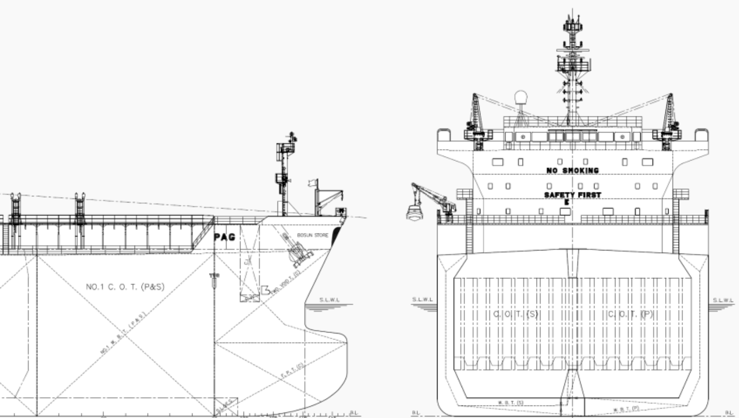
The table below illustrates the payment responsibilities of the ship owner and charterer under a time and voyage charter.

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

Ship-owner payments

Charterer payments

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



Cautionary note regarding forward-looking statements

Interim management report

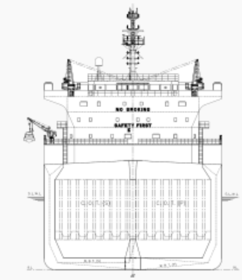
Certain statements in this document are not historical facts and are forward-looking statements. They appear in a number of places throughout this document. From time to time, the Group may make written or oral forward-looking statements in reports to shareholders and in other communications. Forward-looking 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

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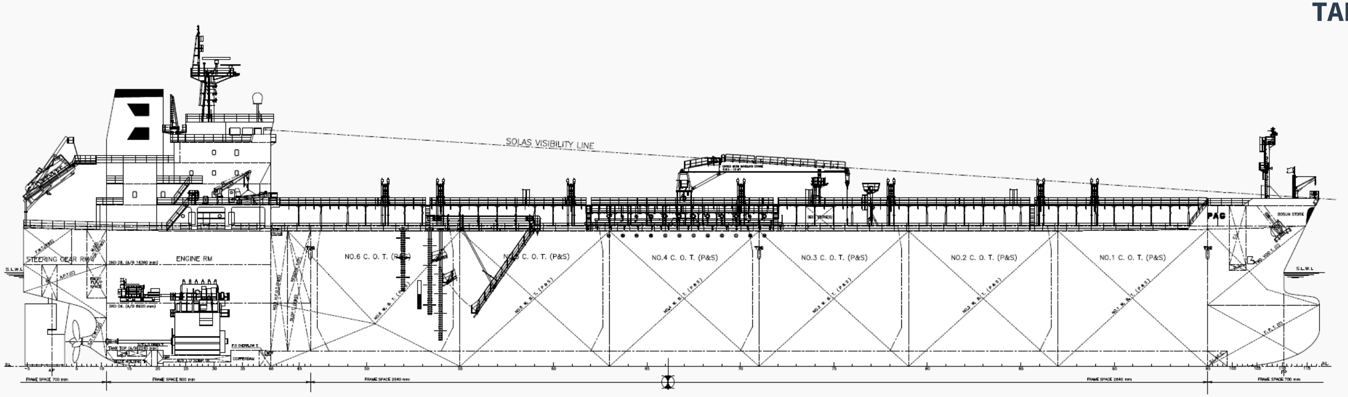

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