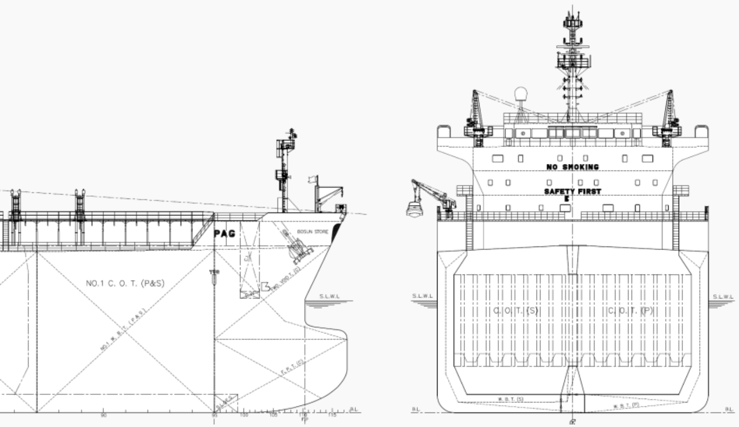
ENGLISH VERSION

Tankerska Next Generation

X-XII & I-XII 2018

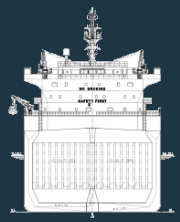


Contents

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

After three bleak quarters, the market took a long awaited upward turn towards the end of the fourth quarter i.e. effectively in December 2018. The development was largely unforeseen but according to some, due to an overlapping of increased transport demand as a result of OPEC, the United States and Russia gradually increasing oil production. In addition, somewhat increased phasing-out of older vessels also contributed to a generally better balance between supply and demand.

Overall, with the exception of the final weeks' runaway, 2018 was a weak year for the tanker market; although somewhat less for Tankerska Next Generation. As a result, during the course of the year, financial effects of a poor market were somewhat overcome due to previously signed time charters which meant that, on the other hand, the market development in Q4 was not picked up until the very end of the quarter. The financial result was influenced, inter alia, by the decision of the Management Board on value adjustments of tangible assets, whereby the Company found that there are reasons to change the carrying value of the vessels (see Financial Note ad 3.) Looking at the tanker market as a whole, limited activities brought limited freight rates and just before all hopes were abandoned the year ended on an exuberant note. The first three quarters of the year were greatly affected by OPEC's reduced production and the stock withdrawals in consuming countries that have been taking place since summer 2016. Overall, this resulted in reduced transport demand, which, in combination with extensive Far East ship deliveries, led to mainly miserable freight rates.

Since October, there has been a sharp rise in virtually all tanker segments, with freight rates at levels we have not seen in several years. On closing, 2018 finally presented a market situation that some had long predicted but all awaited. It should be pointed out that the market is still volatile, with relatively strong upward and downward fluctuations, but at a higher level than before looking to land on firm ground.

While opportunities in a dull market offered not much more than a restrained performance in terms of revenue, the focus during the last year has turned to more efficient cost control monitoring and continuing to adapt and position the fleet according to the current market conditions.

Maritime safety has been improving in recent years, driven by continually evolving regulation and the development of a more robust safety culture. Many ship-owners are now much more proactive around safety than they were in the past. The decline in the number of total losses and incidents year-on-year, is likely to be a reflection of this improving safety culture and this bodes well for the shipping industry. However, it should not be complacent. Economic strains have led to cost-cutting in the sector, which could potentially have negative implications for maintenance, training and qualified personnel. Operationally, TNG continued to have an efficient and well-functioning professional operation. 2018 was another year in which there were no serious incidents on any of our vessels. Management continues to make efforts in finding ways on how to utilise the competitive advantage of its ICE class and ECO fleet in which it manages to outpreform peers.

We were pleased to see improvement in the rates on the spot market late in the year, with MR average TCE levels reaching high teens in late December and with even better markets anticipated in 2019 as the impact of IMO 2020 begins to move in. The view among peers is that recent strength in the spot market only re-enforces the view that we are in the early stages of a market recovery.

IMO 2020 should have significant implications for the product tanker market. While much of the focus on the IMO 2020 regulations has been related to the scrubber debate, we believe the new low sulfur regulations will have significant implications for shipping.
The shift to low-sulfur fuel oil is expected to result in a significant increase in demand for compliant fuels together with the dislocation of global refining capacity. We believe increased trade flows and volumes will result in shifting trading patterns and have positive implications for ton-mile demand.

Results for the 12 months of 2018:

Vessel revenues:	46.000 mil. USD
EBITDA:	13.589 mil. USD
EBIT:	5.040 mil. USD
Net profit:	971,000 USD
TCE Net:	13,201 USD/day
OPEX:	6,755 USD/day

John Karavanić, CEO

Market environment

Interim management report

The key points to where uncertainty has revolved around are and still prevail are the increased protectionism and trade tariffs, in particular between the US and China. The common view is that the given 90 day period is too short to iron out fundamental issues and has effectively contributed to uncertain market conditions surrounding the US-China relationship. Iran sanctions also had an impact on shipping markets namely crude oil routes but in general await the outcome of waivers to (or not) be renewed in May 2019.

The lingering debate in wake of the preparations for IMO 0.5% sulphur emission restrictions set to be effective on January 1st 2020 directing the majority of ship in a new low sulphur fuel burning future. According to reports users of scrubber technology are likely to remain in the minority. A relatively small number of scrubber installations is in fact a vote of confidence in refiners and oil majors to produce adequate low-sulphur fuel. However we expect only a handful of countries will be ready to supply sufficient quantities of low sulphur marine bunker fuel before reaching the deadline. Scrubbers essentially represent a mature technology for cleaning industrial exhausts but remain unproven in shipping. As things develop, shipowners and operators have no option but to start spending large amounts of money on either installing expensive scrubbers or testing more expensive low-sulphur fuels emerging onto the market in preparation for the January 2020 deadline.

On the other hand, as the enforcement deadline for the Ballast Water Management Convention is beginning to draw near, the expected 2019-2021 peak installation period for BWTS (ballast water treatment systems) is looming as yet another operational challenge, apart from the fact it will put an additional dent in to Owners' pocketbooks.

Geopolitically, the impact of the US sanctions on Venezuela on the tanker market is yet to be seen. However, the measure comes at a time when tankers are finally seeing a recovery of freight rates as demand-supply balance continued to be tight.

For almost two decades now, China's emergence as an economic powerhouse, with vast needs for raw materials imports to feed this growth, has immensely benefited the shipping industry.

1 Lloyd's list, December 2018
2 Vantage Shipbrokers PTE Ltd., December 2018
3 ABN AMRO, December 2018
4 Reuters, December 2018
5 Baltic exchange, BCTI, December 2018

Market environment

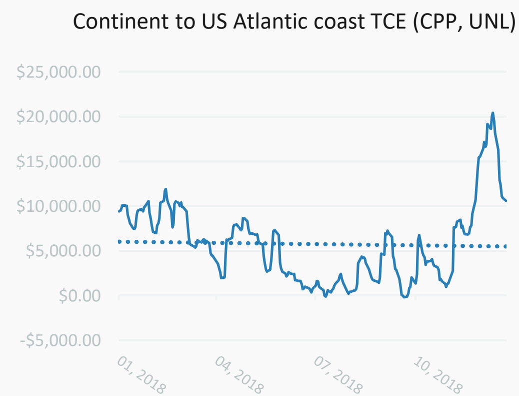
Interim management report

However, while the country is still the most important market for global transit shipping, the apparent economical slowdown, triggered by the trade war of the past year, is starting to put strain to the maritime industry as well.

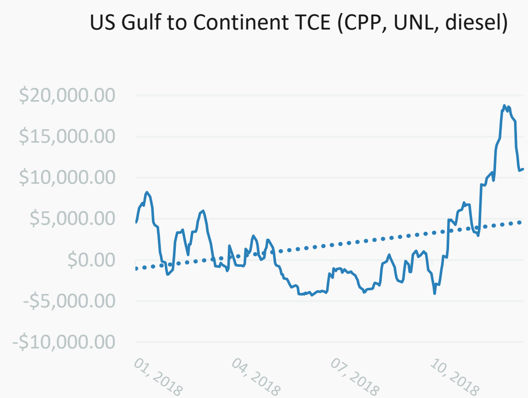
China has been the top driver of global growth for nearly two decades now, pushing demand for seaborne trade and being the key influencer for demand of several major trading commodities. The annual data of this Asian giant were revealed just a few weeks ago, sparking concerns for the economic state of the country. China's GDP expanded in the previous year by 6.6%, a rate that may sound impressive compared to other OECD countries, but it is the lowest pace the country has seen since 1990.

In addition, the latest quarterly growth figure stands at 6.4%, the weakest rate since the global financial crisis. With China accounting for one-third of global growth, it is no surprise that the International Monetary Fund revised its global economic growth forecast for 2019 by -0.2% and pointed out that risks for further downward corrections are high.

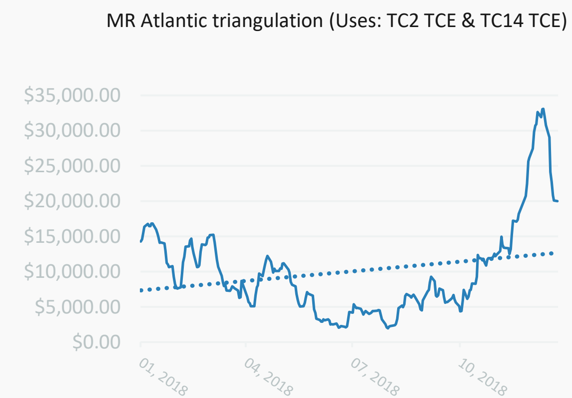
It is fair to point out that this slowdown has been expected by most including Beijing itself. The declining trend in China's economic growth has been in the works since 2010, with the local government making steps to slowly transform from primarily a manufacturing based economy to a service based one. Of course, the impacts on global trade from this will be slow and gradual. An economic poll conducted by Reuters showed that the majority of economists expect China to slowdown further in 2019 down to 6.3%, while the IMF predicts a 6.2% growth rate.



Full Route Description - TC2_37 37,000mt CPP/UNL. Continent to US Atlantic coast (Rotterdam to New York).



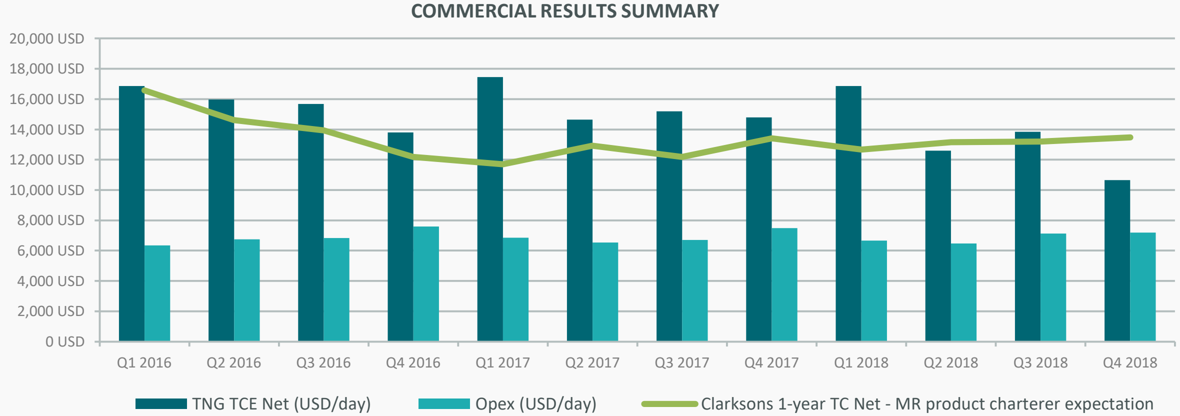
Full Route Description - TC14 38,000mt CPP/UNL/diesel. US Gulf to Continent (Houston to Amsterdam).

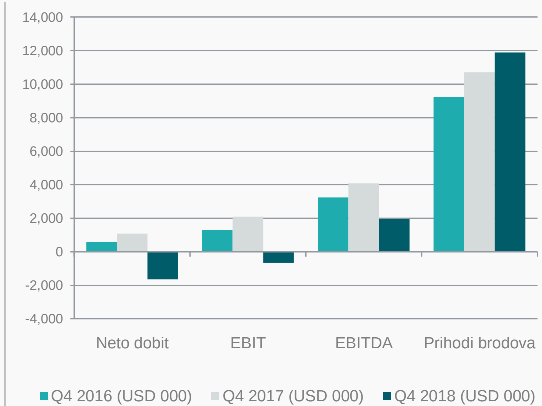


Full Route Description - MR Atlantic Basket Contributing routes: TC2 TCE & TC14 TCE

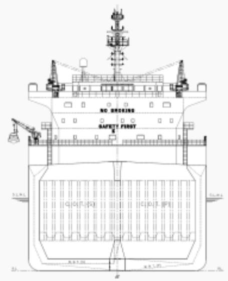
Results

Interim management report





SELECTED FINANCIALS	October - December 2017 (HRK 000)	January - December 2017 (HRK 000)	October - December 2018 (HRK 000)	January - December 2018 (HRK 000)	October - December 2017 (USD 000)	January - December 2017 (USD 000)	October - December 2018 (USD 000)	January - December 2018 (USD 000)
Vessel revenues	64,277	276,491	79,179	297,586	10,701	44,099	11,889	46,000
EBITDA	24,480	110,156	13,294	87,909	4,085	17,569	1,936	13,589
EBIT	12,536	60,439	(3,822)	32,603	2,100	9,639	(658)	5,040
Net profit	6,456	32,132	(10,466)	6,284	1,083	5,124	(1,645)	971



Results for the 2018

Interim management report

TNG has completed its business year in 2018 with USD 300m HRK in revenue (USD 46.4m), which increased by 4.1 percent in comparison the previous year 2017, while EBITDA amounted to HRK 87.9m (USD 13.6 million), which in kunas compared to HRK 110.2m realized in 2017 is a decrease of 21.3%.

The net profit of TNG was 6.3 million HRK (USD 0.97m), which is along with the unforeseen slow recovery in the market among other things, the consequence of the impairment decision. The vessel Dalmacija's carring amount was reduced by just under 2% of the estimated market value since her book value by the Management's estimates exceeded the estimated DCF value. A loss of USD 0.609m is shown as an expense in the profit and loss sheet and will be shown under the financial notes report.

EBIT in 2018 amounts to HRK 32.6m (USD 5.1m) and is the result of stable income of two time charter contracts, contributions from the spot market and it corresponding increased costs as a result of the greater exposure to the spot market. Increased ship revenue during 2018 primarily reflects a customised employment strategy whereas a higher number of units are on the spot market (for most of the year) in which TNG as a company reconciles fuel, port costs and other costs associated with the voyages. This business strategy covers a significant part of the cost, which, for the units that are employed on time charter, are absorbed by the charterer and compensated through increased revenues.

The average vessel's TCE net daily rate during 2018 was recorded at USD 13,201 and shows a decrease compared to a level of USD 15,525 per day in 2017, and are in line with changes in market conditions.

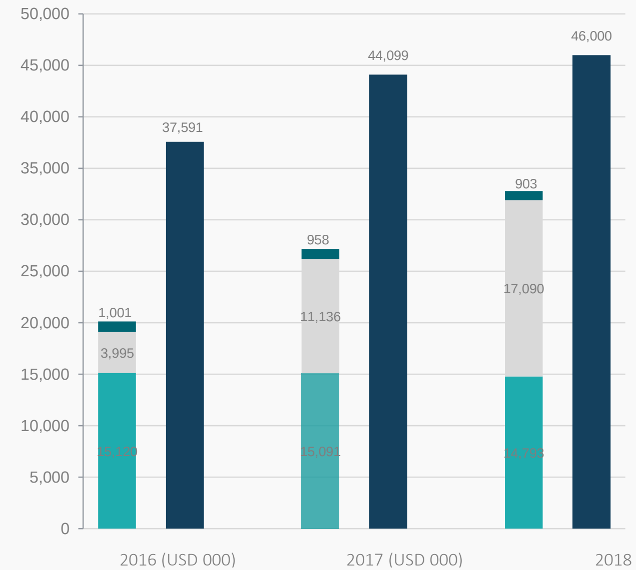
2018, which is now behind us, was also, for the most part, characterized with the usual vessel's operating costs i.e. costs were slightly reduced to USD 14.79 million.

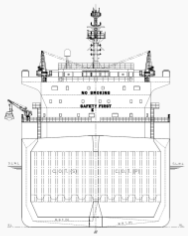
Commissions and costs associated with vessel's voyages amounted to HRK 110.6 million, unlike the same period in 2017 when they amounted to HRK 69.8m.
This significant increase is a consequence of a modified employment structure whereas Dalmacija, Velebit and Pag were shifted on the spot market, facing higher voyage associated costs e.g. port costs and bunkers, which are absorbed by the charterer while operating on time charter.

Total annual operating costs in 2018 were HRK 212.1m (USD 32.8m). These costs indicate a sharp increase compared to 2017 (+19.7%) which is again the consequence of the employment structure namely M/T Dalmacija, Velebit and Pag and their associated commissions and voyage expenses.

Depreciation costs in 2018 added up to HRK 51.4m (USD 7.9m).
All the vessels in operation are depreciated over an estimated useful life span of 25 years on a linear basis to their residual value, which represents their scrap value on the international market.

The period's general and administrative expenses were equal to HRK 5.8m (USD 0.9m) and have been decreased by 2.8% in comparision to 2017 as a result of increased cost control efficiency.





Results for the quarter of 2018

Interim management report

Total revenues of the fourth quarter of 2018 amounted to HRK 80.8m (USD 12.1m), while EBITDA reached HRK 13.3m (USD 1.9m).

The loss for the fourth quarter of 2018 amounts to HRK 10.5 million (USD 1.6m).
Fourth quarter EBIT was HRK 3.9m (USD 0.66m.) and it is a result of stronger vessels' spot market presence in a extremely dissapointing market with the exception of the final several weeks which could not have significantly impacted fourth quarter results.

In the fourth quarter of 2018, vessels revenues reached HRK 79.2 million (USD 11.9m), which is an increase expressed in Kuna from the same period last year.

This level of revenue 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.

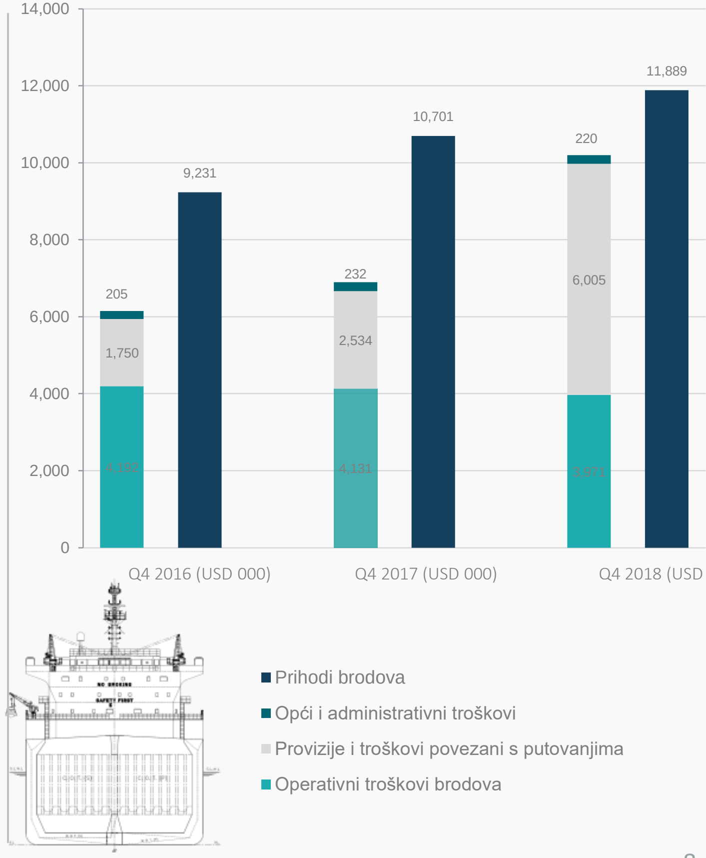
The average daily TCE of the fleet during the fourth quarter was recorded at USD 10,659, which is a 31.4% decrease in comparision to the same quarter the year before due to poorer utilization and insuficient performance in a more demanding spot market than in 2017.

Operating expenditures of the fleet amounted to HRK 26.4m (USD 3.97m) in the fourth quarter of 2018 and have somewhat decreased from the fourth quarter of 2017 when they were USD 4.13m. The fourth quarter of 2018 was marked by the standard operating expenses, in line with last year's, which are a result of management's efforts to optimize business in syncronicity with the, earlier mentioned, efforts being made by seafarers through time.

Commissions and voyage associated costs amounted to HRK 39.6 million (USD 6.0 million) in the fourth quarter of 2018, while in the fourth quarter of 2017 they added up to HRK 15.1 million (USD 2.5m). The increase in these expenses is due the higher exposure of the TNG fleet in the spot market.

Depreciation costs in the fourth quarter of 2018 amounted to HRK 13.3m (USD 1.99m). All the vessels in operation are depreciated over an estimated useful life span of 25 years on a linear basis to their residual value, which represents their scrap value on the international market.

General and administrative expenses were recorded at HRK 1.47m (USD 0,22m) and were maintained at a similar level recorded in 2017.



Operational data of the fleet

Interim management report

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 December 31st, 2018 the average age of the vessels in TNG's fleet is 4.7 years.

CURRENT CHARTERING STRATEGY

Dalmacija

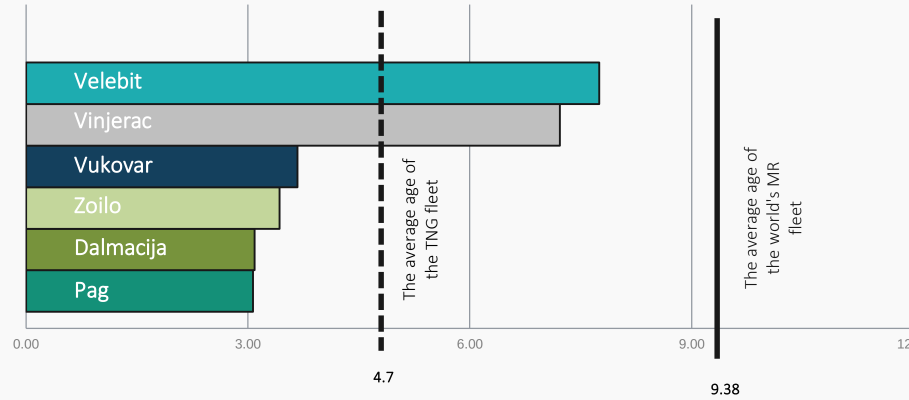
Dalmacija was delivered on 27th November 2015, and chartered out on a three year time charter with the daily rate of USD 17,750, starting from her delivery date. The time charter was mutually concluded in September 2018 with compensation for earlier redelivery.

Vinjerac

During the first quarter of 2018, TNG secured a time charter with the daily rate of USD 14,500 with Clearlake Shipping Pte Ltd („Clearlake") who already previously chartered Vinjerac both on spot and short time charters. With the expiration of the current in Q2/19, the charterer has the option to extend the charter for 12 months at USD 15,500 per day.

Vessel	Capacity (dwt)	Employment	Hire rate (USD)
Velebit	52,554	SPOT market	Voyage charter
Vinjerac	51,935	Clearlake Time charter	14,500 (until Q2 2019)
Vukovar	49,990	SPOT market	Voyage charter
Zoilo	49,990	SPOT market	Voyage charter
Dalmacija	49,990	Trafigura Time charter/ Q4 SPOT market	17,750 (until Q4 2019.) / Voyage charter
Pag	49,990	SPOT market	Voyage charter

Average MR fleet age in years



Vukovar and Zoilo

Since their 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 on the end of April 2018, while Zoilo was redelivered at the begining of July 2018. The vessels continue to be employed on the spot market in order to maximize their commercial potential at present market terms, or until the awaited time charter recovery.

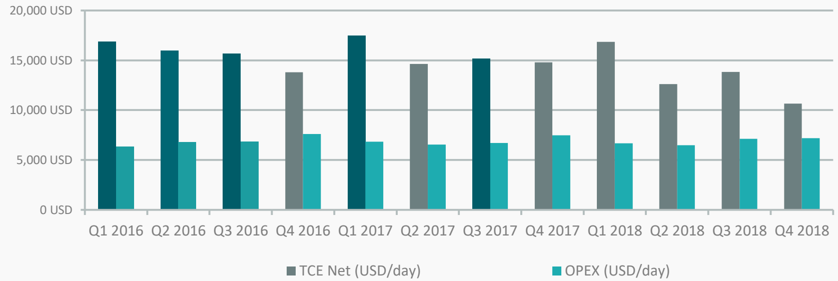
Velebit and Pag

TNG currently operates Velebit and Pag on the spot market, estimating how this mode of employment currently represents the most favourable strategy of using the fleet's commercial potential by timely adapting to the market conditions, awaiting the recovery of time charter market.

Operational data of the fleet

Interim management report

OPERATIONAL DATA OF THE FLEET	I-XII 2016	I-XII 2017	I-XII 2018
Time Charter Equivalent rates (USD/day)	15,583	15,525	13,201
Daily vessel operating expenses (USD/day)	6,885	6,891	6,755
Operating days (number)	2,196	2,190	2,190
Revenue days (number)	2,156	2,123	2,190
Fleet utilization (%)	98.2	96.9	100



Tankerska Next Generation takes on the conservative approach of fixing medium-term employment time charters for its fleet, which became apparent in the escalating market conditions in 2015 when key time charters were concluded. At the time, the concluded time charter contracts enabled TNG to achieve results above the market average. At present, the majority, or five out of six units, are employed on the spot market due to unfavourable conditions on the time charter market, which currently provide inadequate levels of cash flow. By positioning most of the fleet on the spot market, management has secured sufficient flexibility for future employment, relying on publicly available industry forecasts and analysis, which indicate a medium term freight rate recovery.

We believe that the first indications of fundamental market recovery for product tankers have become apparent in the final weeks of the 2018.
During the first quarter m/t Vinjerac was contracted on a 12-month time charter with a daily rate of USD 14,500, while during Q2 m/t Vukovar's time charter expired, in addition to Q3 when m/t Zoilo and m/t Dalmacija's TCs expired and subsequently all units was transferred to spot market.

The average TCE net rate for Q4 2018 added up to USD 10,659. Compared to the last few quarters and an average 2018 TCE of USD 13,201, an obvious decrease from the levels recorded due to the seasonal decrease in oil derivatives trade combined with charter pressures in light of expected lower demand.

The average daily vessel operating expenses (OPEX) in the 2018 amounted to USD 6,755 per vessel, which is a moderate decrease in comparison to the same period last year.

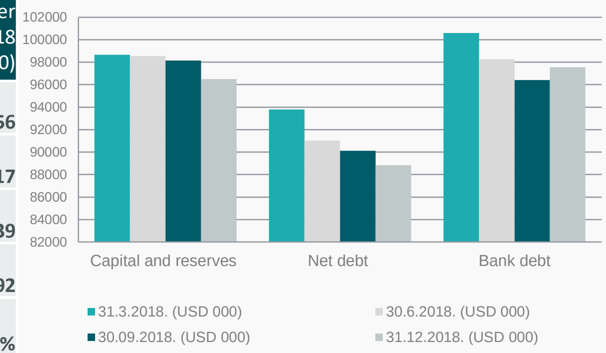
The Ballast Water Convention of the International Maritime Organization entered into force on September 8, 2017. After September 2017, the approved ballast water treatment system will have to be installed by the time it is necessary to renew the International Oil Pollution Prevention (IOPP) certificate, 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.
Ecological control is growing with record-breaking penalties issued for pollution. New ballast water management rules aimed at halting the spread of harmful aquatic organisms are welcome, but will also add significant costs and potentially bring new risks for shipping.

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

Financial position summary

Interim management report

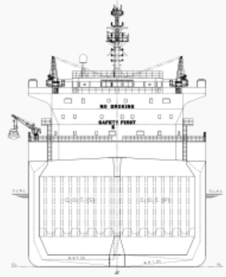
FINANCIAL POSITION SUMMARY	31st March 2018 (HRK 000)	30th June 2018 (HRK 000)	30th September 2018 (HRK 000)	31st December 2018 (HRK 000)	31st March 2018 (USD 000)	30th June 2018 (USD 000)	30th September 2018 (USD 000)	31st December 2018 (USD 000)
Bank debt	670,467	622,546	**617,234**	**631,106**	106,938	98,247	96.401	**97,556**
Cash and cash equivalents	63,792	45,806	**40,157**	**56,389**	10,174	7,229	6.272	**8,717**
Net debt	606,675	576,740	**577,077**	**574,717**	96,764	91,018	90.129	**88,839**
Capital and reserves	603,418	624,361	**628,431**	**624,227**	96,243	98,533	98.150	**96,492**
Gearing ratio Net debt / (Capital and reserves + Net debt	50%	48%	**48%**	**48%**	50%	48%	48%	**48%**



Tankerska Next Generation Plc concluded 2018 with 2 percentage points less gearing or 48% in comparison to the end of 2017. This decreasing debt trend is in accordance with the loan repayment plans of TNG and regular decrease in indebtedness, while a further decrease in the company's debt is expected in the future.

Securing sufficient levels of financing (both debt and equity financing), provides stable foundations for delivering the company strategy and increasing distributable cash flow, 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 it simultaneously requires a higher liquidity, due to the fact that the ship owner covers the voyage related expenses in advance of being compensated, while on time charter the Owner receives the hire upfront.



INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME

Interim management report

KEY COMMENTS:

Daily TCE net rates per operating vessel in 2018 were USD 13,201 per day on average.

Voyage related costs and commission equaled 37% of total vessel revenues, including bunkers and port expenses related to spot voyages.

Vessel operating costs in 2018 amount to USD 14.79m which includes the ship management services fee awarded to Tankerska Plovidba in the amount of USD 468 per vessel per day.

The quoted foreign exchange gains (losses) are a result of exchanging dollar assets on the reporting date into the Croatian Kuna.

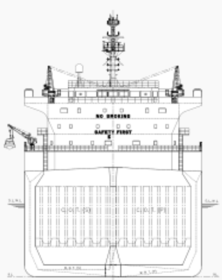
The financial statements expressed in HRK have been converted from USD amounts by applying the middle foreign exchange rate published by the Croatian National Bank and valid on the date of reporting:
(31 Dec 2018, 1 USD = 6,469192 HRK)
(30 Sep 2018, 1 USD = 6.402773 HRK)
(30 Jun 2018, 1 USD = 6.336577 HRK)
(31 Mar 2018, 1 USD = 6.029552 HRK)

INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME FOR Q4 2018 unaudited	October–December 2017 (HRK 000)	January–December 2017 (HRK 000)	October–December 2018 (HRK 000)	January–December 2018 (HRK 000)	October–December 2017 (USD 000)	January–December 2017 (USD 000)	October–December 2018 (USD 000)	January–December 2018 (USD 000)
Revenues	64,227	276,491	79,179	297,586	10,701	44,099	11,889	46,000
Other revenues	1,729	4,104	1,576	2,421	281	655	243	375
Sales revenues	**66,006**	**280,595**	**80,755**	**300,007**	**10,982**	**44,754**	**12,132**	**46,375**
Commission and voyage related costs	(15,161)	(69,821)	(39,584)	(110,557)	(2,534)	(11,136)	(6,005)	(17,090)
Vessel operating expenses	(24,975)	(94,614)	(26,410)	(95,698)	(4,131)	(15,091)	(3,971)	(14,793)
General and administrative	(1,390)	(6,004)	(1,467)	(5,843)	(232)	(958)	(220)	(903)
Total operating expenses	**(41,526)**	**(170,439)**	**(67,461)**	**(212,098)**	**(6,897)**	**(27,185)**	**(10,196)**	**(32,786)**
EBITDA	**24,480**	**110,156**	**13,294**	**87,909**	**4,085**	**13,484**	**1,936**	**13,589**
Depreciation and amortization	(11,944)	(49,717)	(13,237)	(51,367)	(1,985)	(5,945)	(1,985)	(7,940)
Impairment	-	-	(3,939)	(3,939)	-	-	(609)	(609)
Operating profit (EBIT)	**12,536**	**60,439**	**(3,882)**	**32,603**	**2,100**	**7,539**	**(658)**	**5,040**
Net interest expenses	(6,073)	(25,944)	(6,650)	(25,577)	(1,011)	(4,138)	(998)	(3,954)
Net foreign exchange gains (losses)	(7)	(2,363)	(66)	(742)	(6)	(377)	11	(115)
Net income	**6,456**	**32,132**	**(10,466)**	**6,284**	**1,083**	**5,124**	**(1,645)**	**971**
Other comprehensive income	(7,611)	(81,264)	6,263	19,757	(1,369)	(12,961)	946	3,054
Total comprehensive income	**(1,155)**	**(49,132)**	**4,203**	**26,041**	**(286)**	**(7,837)**	**(699)**	**4,025**
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	0.74	3.68	1.20	0.72	0.12	0.59	0.19	0.11

BALANCE SHEET

Interim management report

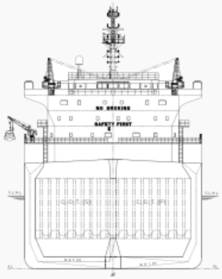
BALANCE SHEET At the date of 31 December 2018 unaudited	31 Dec 2017 (HRK 000)	30 Sep 2018 (HRK 000)	31 Dec 2018 (HRK 000)	31 Dec 2017 (USD 000)	30 Sep 2018 (USD 000)	31 Dec 2018 (USD 000)
Non-Current Assets	**1,203,337**	**1,191,076**	**1,186,408**	**191,928**	**186,026**	**183,394**
Vessels	1,203,318	1,190,721	1,186,292	191,925	185,971	183,376
Other Non-Current Assets	19	355	116	3	55	18
Current Assets	**92,597**	**77,131**	**100,517**	**14,769**	**12,046**	**15,538**
Inventory	8,370	13,307	13,779	1,335	2,078	2,130
Accounts receivable	17,574	20,278	25,806	2,803	3,167	3,989
Cash and cash equivalents	63,792	40,157	56,389	10,175	6,272	8,717
Other current assets	2,861	3,389	4,543	456	529	702
Total Assets	**1,295,934**	**1,268,207**	**1,286,925**	**206,697**	**198,072**	**198,932**
Shareholders Equity	**603,418**	**628,431**	**624,227**	**96,243**	**98,150**	**96,492**
Share capital	436,667	436,667	436,667	69,647	68,200	67,499
Reserves	99,026	114,128	120,390	15,794	17,825	18,610
Retained earnings	67,725	77,636	67,170	10,802	12,125	10,383
Non-Current Liabilities	**611,647**	**602,217**	**557,476**	**97,556**	**94,056**	**86,174**
Bank debt	611,647	602,217	557,476	97,556	94,056	86,174
Current Liabilities	**80,869**	**37,559**	**105,222**	**12,898**	**5,866**	**16,226**
Bank debt	58,820	15,017	73,630	9,382	2,345	11,382
Accounts payable	9,338	5,037	10,588	1,489	787	1,637
Other current liabilities	12,711	17,505	21,004	2,027	2,734	3,247
Total liabilities and shareholders equity	**1,295,934**	**1,268,207**	**1,286,925**	**206,697**	**198,072**	**198,932**



CASH FLOW STATEMENT

Interim management report

CASH FLOW STATEMENT FOR THE 2018 unaudited	January–December 2017 (HRK 000)	January–December 2018 (HRK 000)	January–December 2017 (USD 000)	January–December 2018 (USD 000)
Profit before tax	32,132	6,284	5,125	971
Depreciation and Amortisation	49,727	51,377	7,931	7,942
Changes in working capital	(6,217)	(5,624)	(992)	(869)
Other	(4,107)	6,826	(655)	1,055
Cash flow from operating activities	**71,535**	**58,863**	**11,409**	9,099
Cash inflows from investing activities	-	-	-	-
Cash outflows from investing activities	(3,983)	(346)	(635)	(53)
Cash flow from investing activities	**(3,983)**	**(346)**	**(635)**	(53)
Cash inflows from financing activities	25,079	-	4,000	-
Cash outflows from financing activities	(72,754)	(65,920)	(11,604)	(10,190)
Cash flow from financing activities	**(47,675)**	**(65,920)**	**(7,604)**	(10,190)
Net changes in cash	19,877	(7,403)	3,170	(1,144)
Cash and cash equivalents (beg. of period)	43,915	63,792	7,004	9,861
Cash and cash equivalents (end of period)	**63,792**	**56,389**	**10,174**	8,717



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
For the period from 1 Jul to 30 Sep 2018	*HRK 000*	*HRK 000*	*HRK 000*	*HRK 000*	*HRK 000*
Balance at 1 July 2018	436,667	82,180	125,456	(19,942)	624,361
Net profit for the period		2,295			2,295
Change in capital		(5,232)			(5,232)
Change in other reserves		(1,607)	1,607		-
Changes in other comprehensive income				7,007	7,007
Balance at 30 September 2018	436,667	77,636	127,063	(12,935)	628,431
For the period from 1 Oct to 31 Dec 2018	*HRK 000*	*HRK 000*	*HRK 000*	*HRK 000*	*HRK 000*
Balance at 1 October 2018	436,667	77,636	127,063	(12,936)	628,430
Net profit for the period		(10,466)			(10,466)
Change in capital					-
Change in other reserves					-
Changes in other comprehensive income				6,263	6,263
Balance at 31 December 2018	436,667	67,170	127,063	(6,673)	624,227

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
For the period from 1 Jul to 30 Sep 2018	*USD 000*	*USD 000*	*USD 000*	*USD 000*	*USD 000*
Balance at 1 July 2018	68,734	12,818	19,466	(2,485)	98,533
Net profit for the period	-	358	-		358
Change in capital	-	(817)	-		(817)
Change in other reserves	-	(251)	251		-
Changes in other comprehensive income	-	-	-	76	76
Balance at 30 September 2018	68,734	12,108	19,717	(2,409)	98,150
For the period from 1 Oct to 31 Dec 2018	436,667	77,636	127,063	(12,936)	628,430
Balance at 1 October 2018	436,667	77,636	127,063	(12,936)	628,430
Net profit for the period		(1,645)			(1,645)
Change in capital					
Change in other reserves					
Changes in other comprehensive income				(13)	(13)
Balance at 31 December 2018	68,734	10,463	19,717	(2,422)	96,492

NET ASSET VALUE CALCULATION

Interim management report

NET ASSET VALUE CALCULATION estimate	At the date 31 Mar 2018 (000 USD)	At the date 30 Jun 2018 (000 USD)	At the date 30 Sep 2018 (000 USD)	At the date 31 Dec 2018 (000 USD)
Total fleet value	**177,200**	**170,460**	**162,860**	**166,250**
Investments	-	-	-	-
Current assets	5,246	3,801	5,774	6,821
Other non-current assets	56	56	55	18
Total value of other assets	**5,302**	**3,857**	**5,829**	**6,839**
Cash and cash equivalents	6,798	7,229	6,272	8,717
Bank debt	(93,556)	(98,247)	(96,401)	(97,556)
Net debt	**(86,758)**	**(91,018)**	**(90,129)**	**(88,839)**
Other non-current liabilities	-	-	-	-
Current liabilities	(2,804)	(2,261)	(3,521)	(4,884)
Total value of other liabilities	**(2,804)**	**(2,261)**	**(3,521)**	**(4,884)**
NET ASSET VALUE	**92,940**	**81,038**	**75,039**	**79,366**
Weighted average number of shares outstanding, basic & diluted	8,720	8,720	8,720	8,720
Net asset value per share (USD)	10.66	9.29	8.61	9.10

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.

The prevailing 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. As TNG currently employs the majority of its fleet on the spot basis, the future expected commercial fleet potential is based on industry specialists and brokers that give out medium-term market sentiment and freight rate expectations.

The revenue potential of TNG has usually been backed by secured contracts, 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.

Corrections on the freight rate market are also reflected in the current estimates of the S&P value of vessels. Value of the fleet at the day of publication of this report amounts to USD 166.25m, what with all other unchanged parameters gives a NPV per share of USD 9.10.

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

29.10.2018 Management and Supervisory Board meetings held
23.10.2018 Announcement of Management and Supervisory Board sessions
28.09.2018 Mt Dalmacija – TC contract expiry
01.08.2018 AGM decisions
27.07.2018 Management and Supervisory Board meetings held
20.07.2018 Announcement of Management and Supervisory Board sessions
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

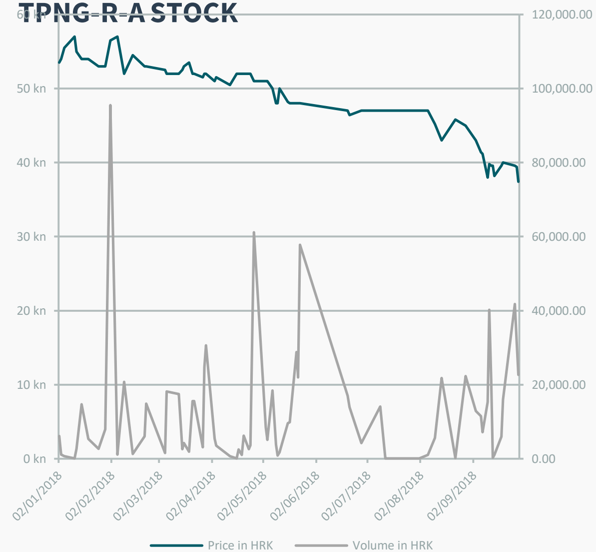
SHAREHOLDER STRUCTURE

Shareholder	No. of shares 31 Dec 2018	Share (in %)
Tankerska Plovidba Plc.	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.

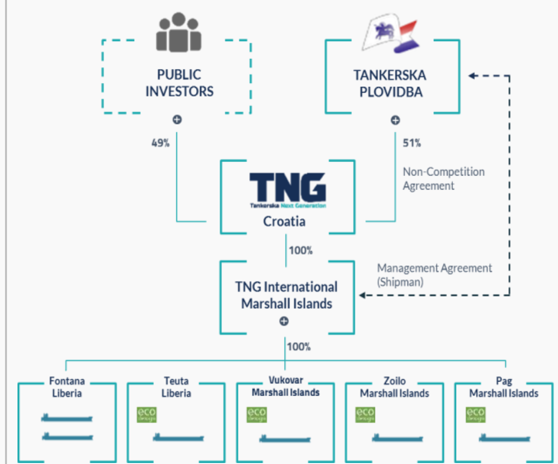
TPNG-R-A STOCK



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 September, 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

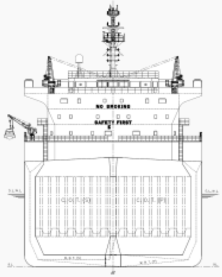
Credit risk is the risk of failure by one party to meet commitments to the financial instruments, what could cause the financial loss to the other party. Maximum exposure to credit risk is expressed in the highest value of each of the financial asset in statement of financial position. Basic financial 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

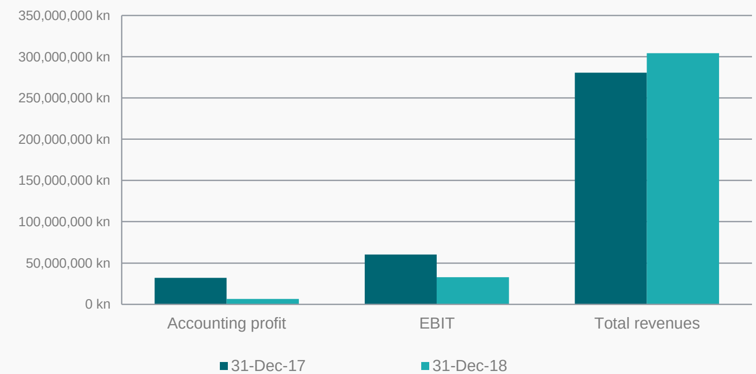
FOR Q4 AND THE FULL YEAR 2018 (UNAUDITED)

Table of contents

Report of the management board on the company's operations

FOR THE PERIOD FROM
1st JANUARY UNTIL 31st DECEMBER 2018

DESCRIPTION	Period 1st Jan - 31st Dec 2017	Period 1st Jan– 31st Dec 2018
Total revenues	280,759,340	304,356,578
Operating revenues / Total revenues	98%	98%
Other revenues / Total revenues	1%	1%
International market / Total revenues	98%	98%
Domestic market / Total revenues	0%	0%
Material costs / Operating expenses	47%	54%
Employee costs / Operating expenses	23%	19%
Financial expenses / Total Expenses	11%	10%
Gross margin	11.62%	2.11%
Accounting profit	32,132,435	6,284,498
Operating profit (EBIT)	60,438,683	32,603,760



During the reporting period the Company reported HRK 300 million of operating revenues, attributed predominantly to revenue generated from sales.

In the same period, the Company reported HRK 267.4 million of operating costs. The majority of operating expenses are the material costs HRK 144.3 million, depreciation in the amount of HRK 51.4 million (including HRK 1.3 million of dry dock expenses), employee costs in the amount HRK 51.0 million and other expenses in the amount of HRK 15.5 million.

In the period ended 31st December 2018, financial income amounted to HRK 304.4 million, while financial expenses amounted to HRK 30.6 million. In the reporting period, the Company achieved cumulative profit in the amount of HRK 6.3m.

Dividends in the amount of HRK 0.60 per share are payed on 31st August 2018 to the Company's shareholders who were registered on August 16th, 2018 in the depository of the Central Depository Clearing Company as holders of ordinary shares.

The Company 's equity capital in the amount of HRK 436.7 million was allocated to 8.7 million of approved, issued and fully paid ordinary shares without nominal value. During 2018 there was no activity of redemption of own shares. On December 31st, 2018, the Company had 13,200 own shares.

On December 31st, 2018, the Company has the following companies abroad:

Tanker Next Generation International Ltd., Majuro, Marshal Islands;
Fontana Shipping Company Limited, Monrovia, Liberia;
Teuta Shipping Company Ltd., Monrovia, Liberia;
Vukovar Shipping, LLC, Majuro, Marshal Islands;
Zoilo Shipping, LLC, Majuro, Marshal Islands;
Pag Shipping, LLC, Majuro, Marshal Islands.

The table above shows some of the most significant financial report data for the observed period.

Attachment 1.

Reporting period: ######## **to** **31/12/2018**

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) **135**
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:	**KARAVANIĆ JOHN** (input only surname and name of contact person)	
Telephone:	**023/202-132**	Telefax: **023/250-580**
E-mail adress:	tng@tng.hr	
Family name and name:	**KARAVANIĆ JOHN** (person authorized to represent the company)	

Documents to be published:

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

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

BALANCE SHEET

as at 31.12.2018.

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	1.186.407.950
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	1.186.301.689
1. Land	011	0	0
2. Buildings	012	0	0
3. Plant and equipment	013	1.203.317.758	1.186.292.014
4. Instuments, plant inventories and transportation assets	014	19.425	9.675
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	106.261
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	106.261
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	95.973.771
I. INVENTORIES (036 to 042)	035	8.370.175	13.778.960
1. Row material	036	8.370.175	13.778.960
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	25.805.522
1. Receivables from related parties	044	0	11.555
2. Accounts receivable	045	16.700.445	24.175.791
3. Receivables from participating entrepreneurs	046	0	0
4. Receivables from employees and shareholders	047	6.212	0
5. Receivables from government and other institutions	048	31.888	29.355
6. Other receivables	049	835.402	1.588.821
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	050	6.269.733	6.469.192
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	6.469.192
7. Other financial assets	057	0	
IV. CASH AT BANK AND IN CASHIER	058	57.522.010	49.920.097
D) PREPAID EXPENSES AND ACCRUED INCOME	059	2.860.484	4.542.884
E) TOTAL ASSETS (001+002+034+059)	060	1.295.933.532	1.286.924.605
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	624.227.623
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	58.637.013
1. Reserves prescribed by law	066	2.030.391	3.637.013
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	-6.673.387
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	35.592.546	60.886.273
1. Retained earnings	073	35.592.546	60.886.273
2. Accumulated loss	074	0	0
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	075	32.132.435	6.284.498
1. Profit for the current year	076	32.132.435	6.284.498
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	557.475.725
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	557.475.725
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	99.844.775
1. Liabilities to related parties	094	259.441	5.928.044
2. Liabilities for loans, deposits etc.	095	0	0
3. Liabilities to banks and other financial institutions	096	58.820.431	73.630.070
4. Liabilities for received prepayments	097	3.416.201	5.328.229
5. Accounts payable	098	9.337.468	10.587.863
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	4.193.404
9. Liabilities for taxes, contributions and similar fees	102	58.966	32.267
10. Liabilities to share - holders	103	49.674	53.774
11. Liabilities for long term assets held for sale	104	0	0
12. Other short - term liabilities	105	56.653	91.124
E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	106	4.754.377	5.376.482
F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)	107	1.295.933.532	1.286.924.605
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 31.12.2018.

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	280.607.388	66.009.580	300.029.773	80.766.234
1. Sales revenues	112	276.491.028	64.277.350	297.585.818	79.179.031
2. Other operating revenues	113	4.116.360	1.732.230	2.443.955	1.587.203
II. OPERATNG EXPENSES (115+116+120+124+125+126+129+130)	114	220.168.704	53.474.447	267.426.013	84.646.887
1. Changes in the value of work in progress and finished goods	115	0	0	0	0
2. Material costs (117 to 119)	116	103.554.775	24.858.671	144.324.018	49.701.012
a) Raw material and material costs	117	43.235.735	12.670.343	73.683.208	25.415.174
b) Costs of goods sold	118	5.065.360	-68.101	6.275.832	4.121.110
c) Other external costs	119	55.253.680	12.256.429	64.364.978	20.164.728
3. Staff costs (121 to 123)	120	49.941.362	12.243.297	50.994.268	13.473.608
a) Net salaries and wages	121	49.208.995	12.066.686	50.277.460	13.350.733
b) Costs for taxes and contributions from salaries	122	505.988	121.829	501.655	85.318
c) Contributions on gross salaries	123	226.379	54.782	215.153	37.557
4. Depreciation	124	49.727.153	11.947.292	51.377.315	13.239.870
5. Other costs	125	15.430.926	3.906.407	15.458.113	4.160.378
6. Impairment (127+128)	126	0	0	3.939.323	3.939.323
a) Impairment of long-term assets (excluding financial assets)	127	0	0	3.939.323	3.939.323
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	1.514.488	518.780	1.332.976	132.696
III. FINANCIAL INCOME (132 to 136)	131	151.951	74.850	4.326.805	1.417.151
1. Interest income, foreign exchange gains, dividends and similar income from related	132	15.731	0	0	0
2. Interest income, foreign exchange gains, dividends and similar income from non-	133	136.220	74.850	4.326.805	1.417.151
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	28.458.200	6.153.646	30.646.067	8.002.292
1. Interest expenses, foreign exchange losses and similar expenses from related	138	0	0	777.876	0
2. Interest expenses, foreign exchange losses and similar expenses from non - related	139	28.458.200	6.153.646	29.868.191	8.002.292
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	280.759.339	66.084.430	304.356.578	82.183.385
X. TOTAL EXPENSES (114+137+143 + 145)	147	248.626.904	59.628.093	298.072.080	92.649.179
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	32.132.435	6.456.337	6.284.498	-10.465.794
1. Profit before taxation (146-147)	149	32.132.435	6.456.337	6.284.498	0
2. Loss before taxation (147-146)	150	0	0	0	10.465.794
XII. PROFIT TAX	151	0	0	0	0
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	32.132.435	6.456.337	6.284.498	-10.465.794
1. Profit for the period(149-151)	153	32.132.435	6.456.337	6.284.498	0
2. Loss for the period (151-148)	154	0	0	0	10.465.794

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	32.132.435	6.456.337	6.284.498	-10.465.794
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 to 165)	158	-81.263.612	-7.610.657	19.756.391	6.262.628
1. Exchange differences on translation of foreign operations	159	-81.263.612	-7.610.657	19.756.391	6.262.628
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	-81.263.612	-7.610.657	19.756.391	6.262.628
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	-49.131.177	-1.154.320	26.040.889	-4.203.166
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 31.12.2018.

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	32.132.435	6.284.498
2. Depreciation	002	49.727.153	51.377.315
3. Increase in short-term liabilities	003	0	8.900.260
4. Decrease in short term receivables	004	0	0
5. Decrease in inventories	005	2.435.384	0
6. Other cash flow increases	006	1.632.304	9.161.892
I. Total increase in cash flow from operating activities (001 to 006)	007	85.927.276	75.723.965
1. Decrease in short - term liabilities	008	3.696.907	0
2. Insrease in short - term receivables	009	4.955.138	9.115.287
3. Increase in inventories	010	0	5.408.785
4. Other cash flow decreases	011	5.739.676	2.336.558
II. Total decrease in cash flow from operating activities (008 to 011)	012	14.391.721	16.860.630
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	71.535.555	58.863.335
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	3.983.417	0
2. Cash outflows for purchase of equity and debt financial instruments	022	0	0
3. Other cash outflows from investing activities	023	0	346.116
IV. Total cash outflows from investing activities (021 to 023)	024	3.983.417	346.116
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	3.983.417	346.116
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	25.078.932	0
3. Other cash inflows from financing activities	029	0	0
V. Total cash inflows from financing activities (027 to 029)	030	25.078.932	0
1. Cash outflows for repayment of loans and bonds	031	58.820.431	60.691.686
2. Dividends paid	032	13.933.468	5.227.987
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	72.753.899	65.919.673
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	47.674.967	65.919.673
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	039	19.877.171	0
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	0	7.402.454
Cash and cash equivalents at the beginning of period	041	43.914.572	63.791.743
Increase in cash and cash equivalents	042	19.877.171	0
Decrease in cash and cash equivalents	043	0	7.402.454
Cash and cash equivalents at the end of period	044	63.791.743	56.389.289

STATEMENT OF CHANGES IN EQUITY

period 01/01/2018 to 31/12/2018

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	57.030.391	58.637.013
4. Retained earnings or accumulated loss	004	35.592.546	60.886.273
5. Profit or loss for the current year	005	32.132.435	6.284.498
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	629.848.598	630.901.010
11. Currency gains and losses arising from net investments in foreign operations	011	-26.429.776	-6.673.387
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	-26.429.776	-6.673.387
17 a. Attributed to equity holders of parent company	018		
17 b. Attributed to minority interest	019		

Items decreasing the capital are entered w ith 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 2018 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 31st December, 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 December, 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 31st December 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 31st December, 2017.

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 31st December 2017.

3. Decision of the Management Board of the vessel impairment

Management's decision on value adjustments to tangible assets

The Company has determined that there are reasons for changing the carrying amount of the vessels and impaired the value of the vessel MT Dalmacija in the amount of USD 608,935.87. The provisions of IFRS 36 "Impairment of Assets" have been applied, after which the adjusted amount is comparable to the recoverable amount. Impairment losses are recognized in the income statement in the amount of USD 608,935.87.
For the recoverable amount of the asset, the estimated value of the discounted cash flow method was determined as at 31st December 2018, based on the information published on the website www.VesselsValue.com. An impairment loss on assets - the ship should be recognized as an expense in the income statement.

SOURCE:
1 VesselsValue Ltd., London, 1 February 2019

Notes to the financial statements

Interim management report

Although the Management believes that the principles used for impairment are reasonable and recognized as relevant, they are subject to a subjective assessment. While testing values indicated the need for impairment of the vessel Dalmacija, testing with the same principles did not indicate the need to update the book values for the remaining units of the TNG fleet.

4. Equity principal and reserves

On 31st August 2018, shareholders of Tankerska Next Generation Inc. received profit from dividend realized in 2017 in the amount of HRK 0.60 per share

5. Earnings per Share

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

6. Transactions with the Related Parties

See table on the right

7. Subsequent events after Balance Sheet date

There were no subsequent events after Balance Sheet date which would significantly affect the financial statements on 31st December 2018.

EARNINGS PER SHARE	Period 1st Jan - 31st Dec 2017	Period 1st Jan - 31st Dec 2018
Net (loss) / profit to shareholders	HRK 32,132,435	HRK6,284,498
Weighted average number of shares	8,720,145	8,720,145
Basic (loss) / earnings per share	HRK 3.68	HRK 0.72

RELATED PARTY TRANSACTIONS	Period 1st Jan –31st Dec 2017	Period 1st Jan – 31st Dec 2018
Sales to related parties	HRK 0	HRK 0
Purchase from related parties	HRK 18,292,905	HRK 18,913,909
Receivables from related parties	HRK 0	HRK 11,555
Liabilities towards related parties	HRK 259,441	HRK 5,928,044
Given loans to related parties	HRK 0	HRK 0
Received loans from related parties	HRK 0	HRK 0

Notes to the financial statements

Interim management report

III. STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The financial statements for the period starting 1st January 2018 and ending 31st December 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 1st January 2018, and ending on 31st December 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, 25th February 2019.

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.

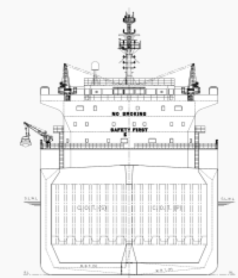
The Group's vessels may be out of service, that is, off-hire, for several reasons: scheduled drydocking, special surveys, vessel upgrade or maintenance or inspection, which are referred to as scheduled off-hire; and unscheduled repairs, maintenance, operational deficiencies, equipment breakdown, accidents/incidents,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

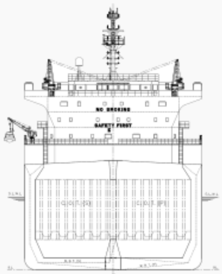
Daily vessel operating expenses. Daily vessel operating expenses is a metric used to evaluate the Group's ability to efficiently operate vessels incurring operating expenses and to limit these expenses.

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).

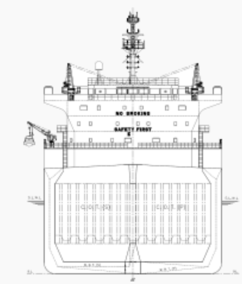
Time charter rates are usually fixed during the term of the charter. Vessels operating on time charters for a certain period of time provide more predictable cash flows over that period of time, but can yield lower profit margins than vessels operating under voyage charters in the spot market during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

Interim management report

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

Interim management report

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.

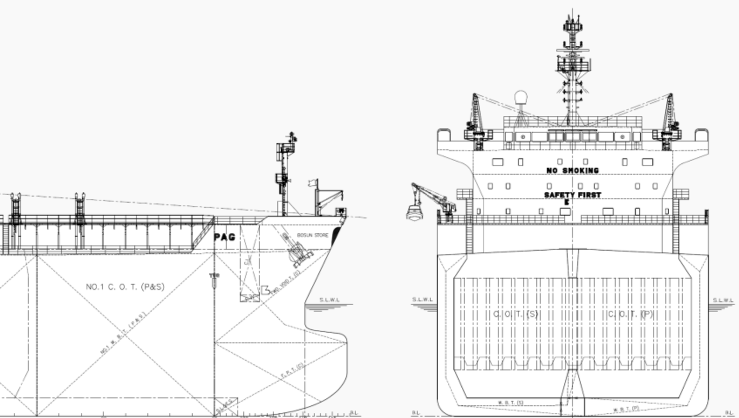
Important financial and operating terms and concepts

Interim management report

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

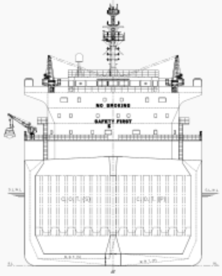
Certain statements in this document are not historical facts and are forward-looking statements. They appear in a number of places throughout this document. From time to time, the Group may make written or oral forward-looking statements in reports to shareholders and in other communications. Forward-looking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



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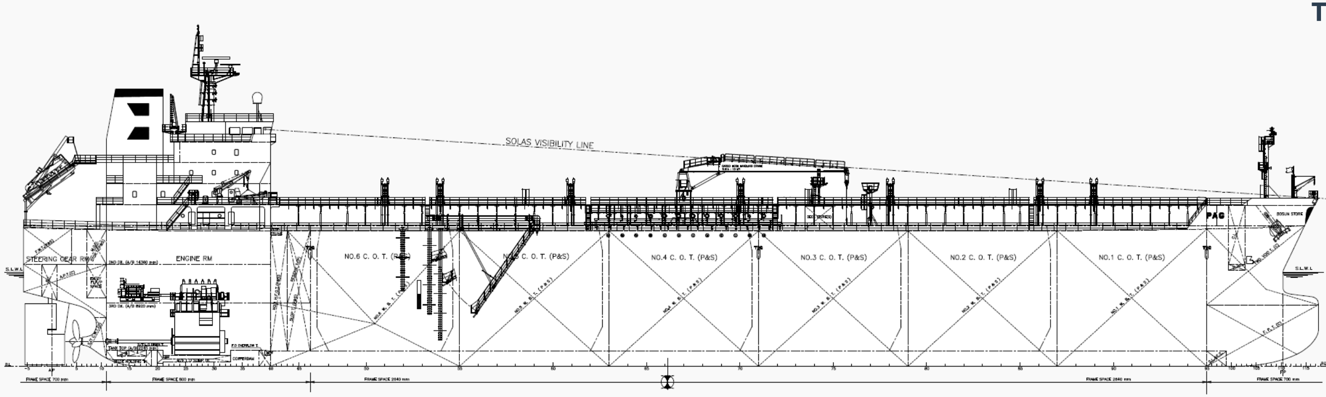
Interim management report



TANKERSKA NEXT GENERATION Inc.

Božidara Petranovića 4

23 000 Zadar

Croatia

Tel: +385 23 202 135

Fax: +385 23 250 580

e-mail: tng@tng.hr

www.tng.hr