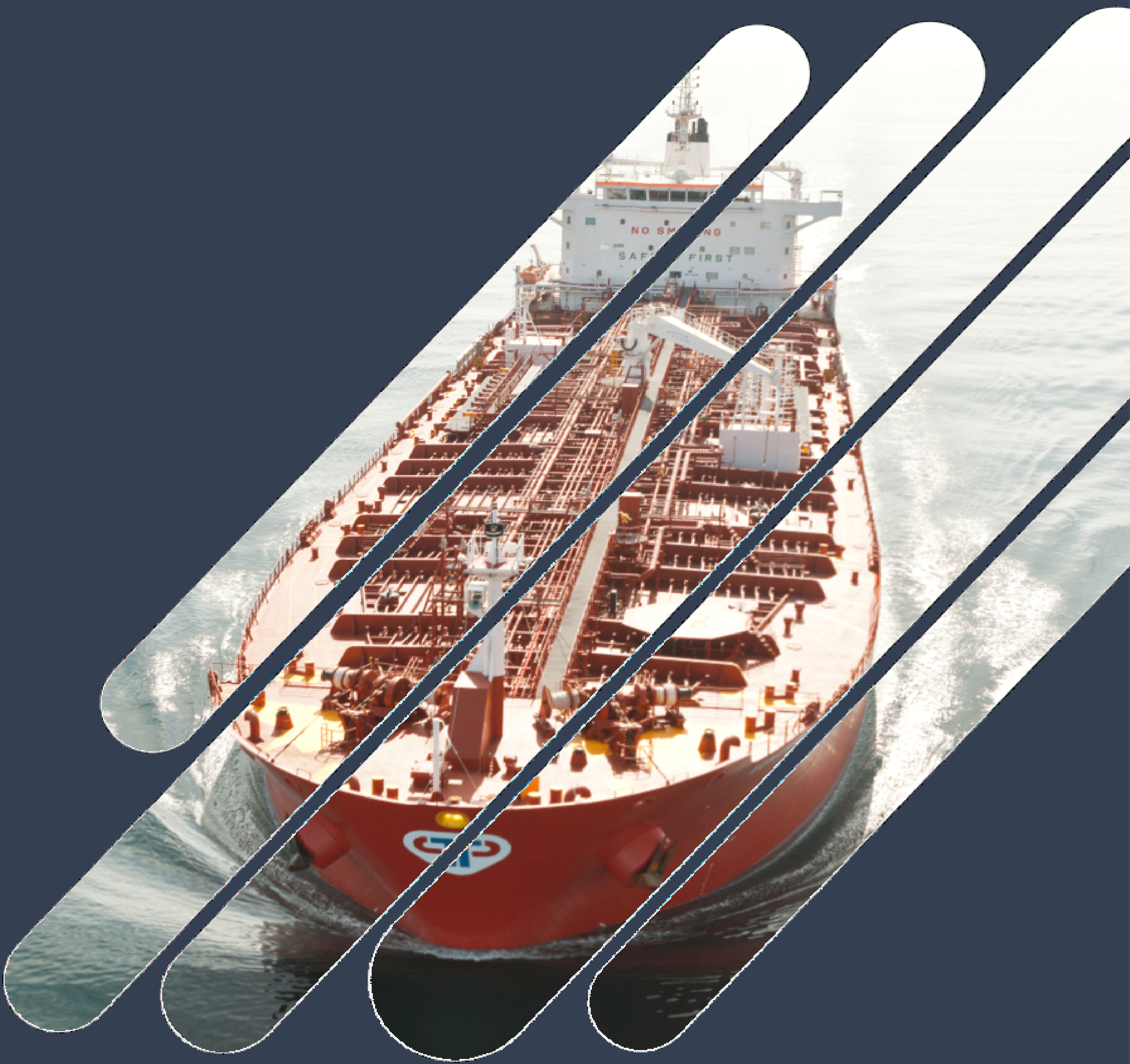
TNG
Tankerska Next Generation



ANNUAL REPORT 2019

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DECISION ON UTILIZATION OF PROFIT FOR THE YEAR 2019

Tankerska Next Generation

Total number of vessels: 6

Total loading capacity: 304,449 dwt

ECO design MR Product tankers: 4

ICE class MR Product tankers: 2

TNG's MR average age – owned vessels December 31st, 2019 - **5.7 years**

World fleet MR average age December 31st, 2019 - **10.1 years**

MT Vukovar, built: 2015

ECO design MR product tanker

Length/width: 183/32 m

Cargo capacity: 49,990 dwt

MT Zoilo, built: 2015

ECO design MR product tanker

Length/width: 183/32 m

Cargo capacity: 49,990 dwt

MT Dalmacija, built: 2015

ECO design MR product tanker

Length/width: 183/32 m

Cargo capacity: 49,990 dwt

MT Pag, built: 2015

ECO design MR product tanker

Length/width: 183/32 m

Cargo capacity: 49,990 dwt

MT Velebit, built: 2011

ICE class MR product tanker

Length/width: 195/32 m

Cargo capacity: 52,554 dwt

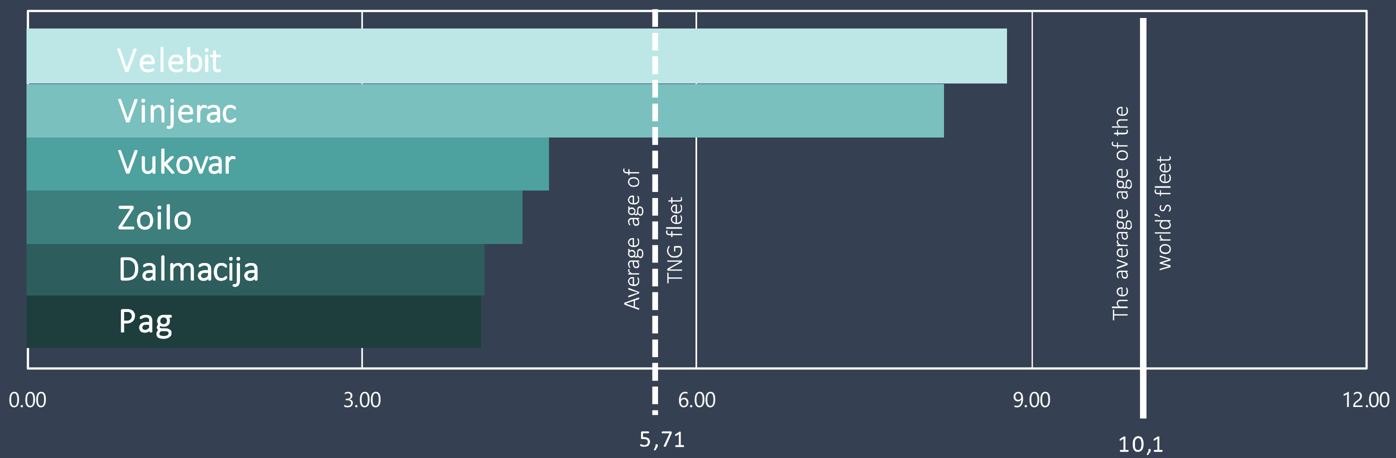
MT Vinjerac, built: 2011

ICE class MR product tanker

Length/width: 195/32 m

Cargo capacity: 51,935 dwt

Average age of MR fleet



About us

Tankerska Next Generation is a shipping company focused exclusively on the MR product tanker segment. The initiator of its incorporation was Tankerska Plovidba, an established Croatian shipping company with 60-year tradition, which is providing technical, crew and commercial management to TNG.

The main markets in which the Company operates is the international maritime transport of oil products and edible oil, and therefore provides transport services to large energy companies, large oil retailers and large manufacturers of oil and oil products and various other entities that depend on sea transport.

TNG was incorporated in August 2014, followed by Tankerska Plovidba contributing its 2 existing conventional MR product tankers, cash and one fully funded eco-design newbuilding contract with expected delivery in Q4 2015 – m/t Dalmacija. In February 2015 other investors had the opportunity to partake in the IPO of TNG. Through the IPO, TNG gained strong partners in institutional and private investors whereby HRK 208 million (USD 31million) was raised in the process (HRK 65 per share).

The funds raised through the IPO, together with bank debt, were utilized to acquire two newbuilding contracts for MR vessels. First of two – m/t Vukovar was delivered in April, and the second – m/t Zoilo in July 2015. Both vessels are fully operational from the day of delivery.

Furthermore, capital raising continued in Q2 2015. The management saw a good opportunity for the acquisition of another newbuilding vessel; the major shareholders contributed another HRK 104 million (USD16million) in June 2015. TNG utilized raised funds in July and acquired the contract for a newbuilding vessel – m/t Pag which was delivered in December 2015., days after delivery of m/t Dalmacija.

At the end of 2018 TNG operates a fleet of 6 vessels, and holds four medium-term time charter contract, which was signed in accordance with usual market conditions and is based on industry standard terms for such agreements. During 2018 the time charter contracts for most vessels expired, and the vessels were more strongly engaged in the spot market during 2019, thus achieving a better commercial result than it could have been achieved by contracting them on time charter during the past period.

TNG conducts it business operations in a manner that is believed will enhance its ability to maximize value to its shareholders. TNG aims to timely acquire its vessels, which ensures efficient use of the capital and minimizes the leverage. The goal of the fleet management strategy is to increase cash flow and profitability through outsourcing most of the management functions to a fleet manager which will improve the measurability and cost competitiveness of business because it will allow TNG to keep its flexible and simple organizational structure without realizing significant additional overheads. This will enable the efficient management of assets and liabilities of the company and ensure a stable return to the shareholders.

Key drivers for product tanker companies include among other global economic recovery and the shift in refining capacities from West to East. Namely, the current global trend is dislocating refineries, mainly from Europe to the Middle East and Asia, increasing routes the product tankers have to take in order to connect supply and demand. At the same time, the level of trade in petroleum products has been increasing.

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

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

To maintain superior customer service by maintaining high standards of reliability, safety, environment and quality.

Timely procure modern used and/or re-sale tankers and/or reasonably arrange the newbuildings and timely sell vessels in line with market conditions.

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

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

Comments from the CEO

For Tankerska Next Generation, this particular space within the report has, on a periodical basis, been reserved to reflect on the world's economic trends, state of the shipping industry, the company's overall economic endurance and its recent achievements. All usually described in the past tense with a touch of current trends and events. This time, global events in Q1 of 2020 and beyond, up to the date of writing, have overthrown some, if not all, industry drivers scheduled to take the stage early this year. IMO 2020 regulations, the orderbook, global trade wars; all seem to have marginalized.

COVID-19, the contagious, harmful virus, was covered in our preceding report as a disruption geographically associated with China and the Far East. It has since been declared as a pandemic by the World Health Organization. Within weeks it has reached the shores of the western hemisphere without exception causing havoc and unprecedented lockdown in society with unforeseeable damage and over 3 million cases so far.

Trade conflicts and geopolitical instability were key drivers of the world economy and its markets in 2019 but have subsequently taken a back seat due to the recent outbreak. While the sudden increase of a rare infectious disease has left only traces in 2019's reports due to its early stage, it has quite certainly already left a remarkable footprint in 2020 worldwide.

In spite of tariff escalation between China and the United States which dominated the headlines in 2018 and early 2019 (nearly 2% of world maritime trade volume was estimated to be affected by tariff hikes applied in September 2018 and May and June 2019), the tanker markets managed to make an outstanding comeback in Q4/19.

So just about when the Owners got comfortable in their driving position towards the final days of 2019; 2020 has brought us new concerns. The equation, however, is by no means one dimensional.

Market conditions in 2019 offered Tankerska Next Generation an opportunity to retreat back to its fundamentals. The company's strategic concept continued to focus on the efforts to secure a strong employment balance between voyage charter and period business. Prioritizing the latter.

In this respect, Tankerska Next Generation secured a 12-month time charter employment for one of the ECO class product tankers in March to a prominent charterer at USD 16,000 with an option for maximum 365 days at USD 16,800 per day After that, one year employment for the conventional ice class product tanker MT Velebit, at USD 14,500 per day was concluded, leading to yet an additional eight months at approximately USD 15,500 per day in due course. In May, TNG secured an additional minimum 6 month time charter employment for one of the ECO class product tankers at USD 17,000 per day while yet another deal was concluded that same month for minimum 6-months for another one of its ECO class product tankers with charterers' option to extend for up to 12 months chartered out to a leading U.S. charterer at approximately USD 17,100 per day.

The vessel Dalmacija's carrying amount was reduced by 2% of the estimated market value since her book value by the Management's estimates exceeded the estimated DCF value. A loss of 4.688 million HRK (USD 0.705m) is shown as an expense in the profit and loss sheet and will be exhibited under the financial notes report.

As we have passed beyond the end of the first quarter of 2020, we are facing a new reality, somewhat different to what the market has long expected; stringently scheduled ship repairs and modifications in 2019 were not flourishing

The net profit of TNG for 2019 was HRK 23.3m (USD 3.5m) which is, among other things, the direct result of:

- **well-timed time charter executions,**
- **but also the consequence of the impairment decision and**
- **a strong spot market recovery mainly attributed to the fourth quarter, more so towards the final stages of the year.**

as expected and while shipyards try to do their best, delays at present are heavily impacting market fundamentals, BWTS instalments and scrubber economics.

While the current objective is to stay safe by all means and to financially keep our heads above the water until there is light at the end of the tunnel, it helps to have a buoyant product tanker market worldwide generating liquidity within the tanker industry which is due to:

- the contango we are witnessing in both the crude and the product markets creating space for opportunistic trade.

- the low crude oil prices in general not seen in years

- low bunker prices which are directly impacting commercial costs of running vessels on the spot market

- the run for floating storage due to a lack of shore storage

In the long term, the announced future GHG (Greenhouse gas) emission regulations; as opposed to the above macro factors, should become a key determinant that will in many ways affect the new market balance in the tanker market or transportation by sea in general. This has, beyond any doubt, brought more uncertainty to the table and will once again put the order book in the limelight; which is at its lowest level since 1997.

The uncertainty in the markets will result in the absence or eventually conservative and sporadic ordering of newbuildings which should translate to an obvious dwindling in global fleet size.

IMO need to establish what the rules of the game are and set the goalposts before we see owners commit themselves to reach the IMO 2030 targets and make pricing of green fuels attractive or at least feasible.

The human element

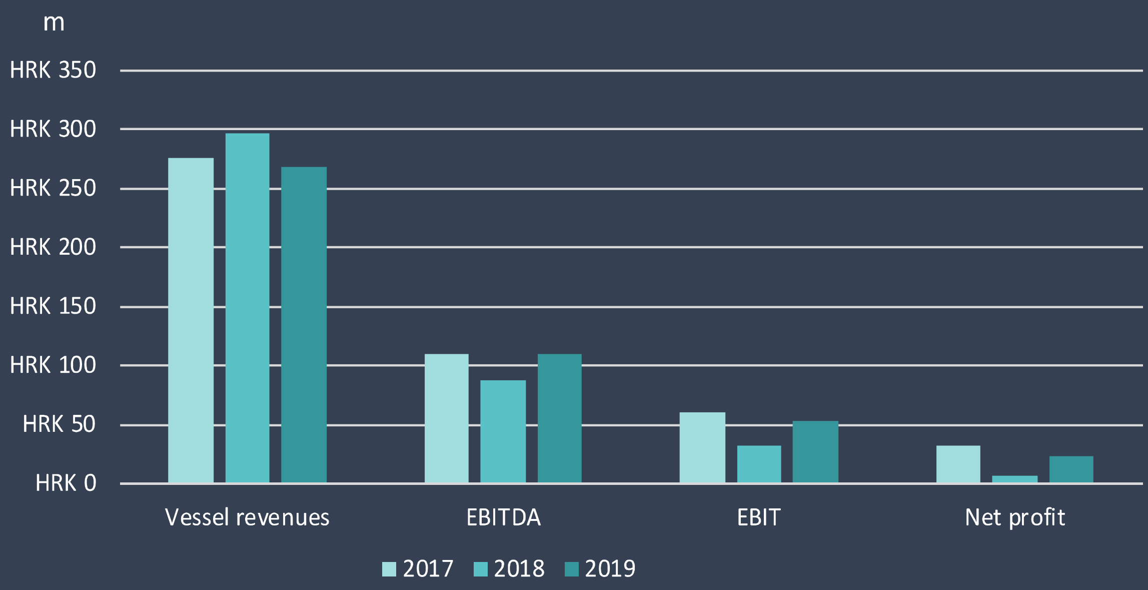
Piracy remains a concern but we are pleased to note no incident has been reported off the coast of Somalia in 2019. Nevertheless, Somali pirates continue to possess the capacity to carry out attacks in the Somali basin and wider Indian Ocean and therefore all seafarers must remain cautious and vigilant while transiting these waters. However, there was an alarming increase in crew kidnappings across the Gulf of Guinea. The region accounted for 90% of global kidnappings reported. The fleet, by coincidence, has not been heavily exposed to this area with the uprise of hostilities but it still remains a focal point of risk.

Although piracy remains a concern, since becoming aware of the outbreak, our highest priority has been to safeguard the physical and mental health of our seafarers while minimizing the risk of the virus spreading onboard the vessels. We remain confident our fleet manager, Tankerska Plovidba is following developments extremely closely and have also taken a number of preventive measures, including continuous risk assessments and drills. A large number of special procedures have been put into place in this respect. In addition, there are also established procedures in the unsought event someone on board is diagnosed as ill.

We praise both crew and officers on board for their understanding and professional conduct in these difficult times for all.

John Karavanić,
CEO

Selected financials



267.9 mil. HRK ~ USD 40.5 mil.

Vessel revenues

110.3 mil. HRK ~ USD 16.7 mil.

EBITDA

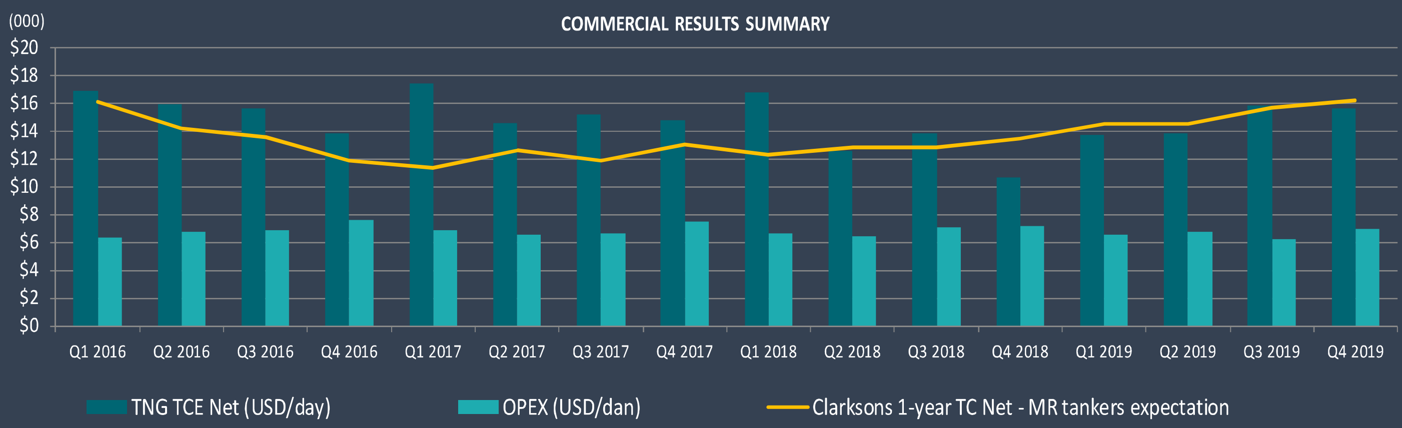
53.1 mil. HRK ~ USD 8.1 mil.

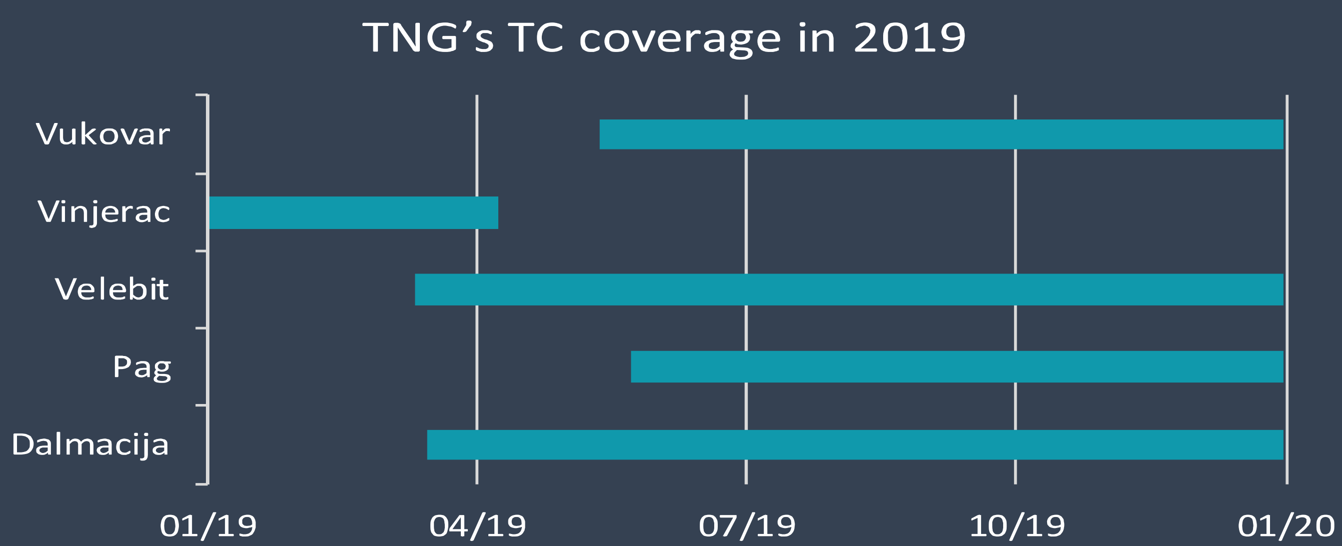
EBIT

23.3 mil. HRK ~ USD 3.5 mil.

Net profit

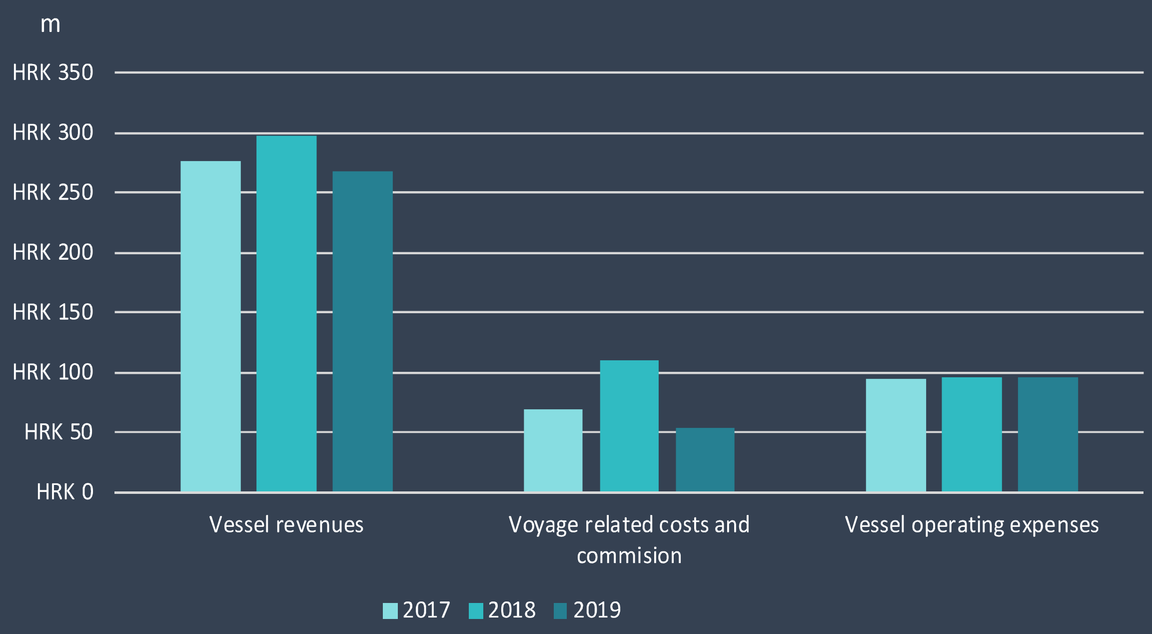
Commercial results





"Market conditions in 2019 offered Tankerska Next Generation an opportunity to retreat back to its fundamentals. The company's strategic concept continued to focus on the efforts to secure a strong employment balance between voyage charter and period business. Prioritizing the latter."

Expenses summary



99.3m HRK ~ USD 15.0m

Vessel operating expenses

53.7m HRK ~ USD 8.1m

Voyage related costs and commision

5.4m HRK ~ USD 0.8m

General and administrative

TPNG-R-A SHARES

Share capital: 436,667,250.00 kn

Issued shares: 8,733,345

Treasury shares: 13,200

Trading data:

Total turnover in 2019:
5,871,724.40 HRK

Total volume in 2019:
146,855 shares

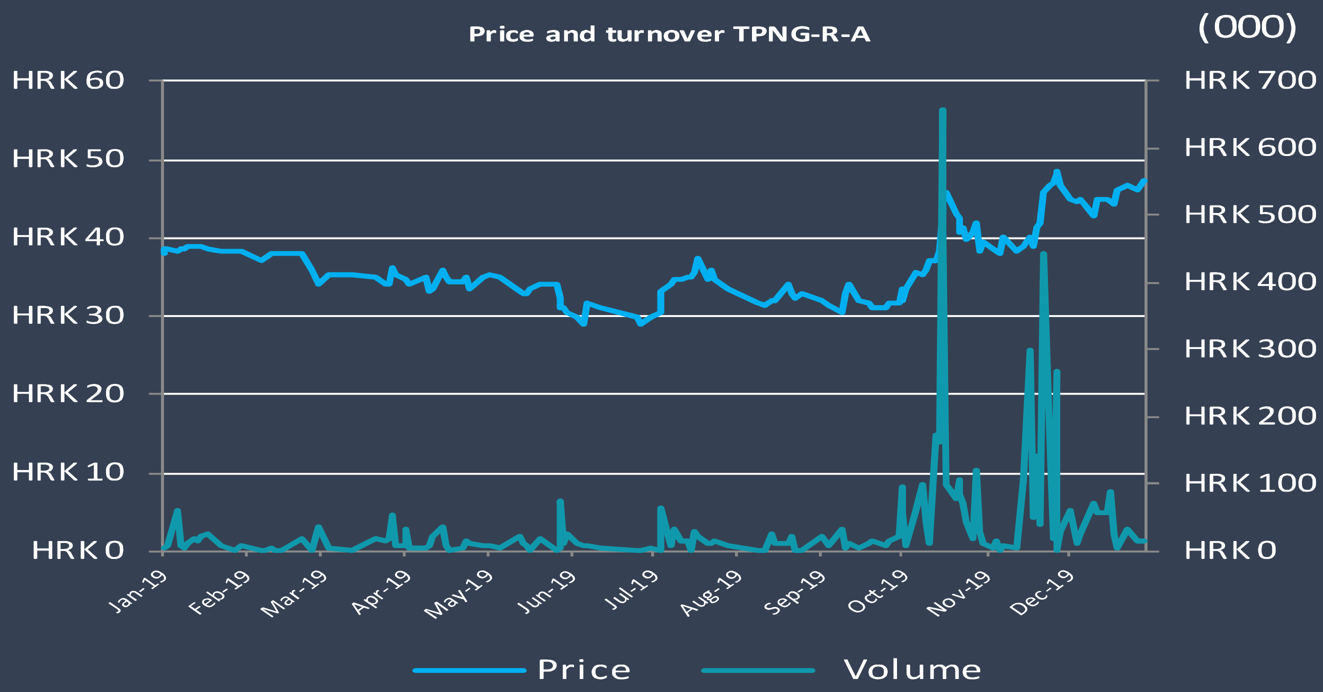
Trading days in 2019:
143

Highest price in 2019:
49.60 HRK (November 27th)

Lowest price in 2019:
28.90 HRK (June 6th)

Market Capitalization 31st December 2019:
412,213,884.00 HRK

Top shareholders 31 Dec 2019	No.shares	%
Tankerska plovidba d.d.	4,454,994	51.01
PBZ Croatia Osiguranje OMF	839,000	9.61
Erste Plavi OMF	808,000	9.25
Raiffeisen OMF	752,036	8.61
Raiffeisen DMF	372,103	4.26
Other	1,494,012	17.11
Treasury shares	13,200	0.15
Total	**8.733.345**	**100.00**



Market conditions

World – this is a crisis like no other

"Covid-19 is causing tragic loss of life; and the measures needed to fight it have turned our world upside down—affecting billions of people and stopping economies in their tracks.

We anticipate the worst economic downturn since the Great Depression. While there is tremendous uncertainty around the forecast, we project global growth to fall to -3 percent this year. And we project a partial recovery in 2021, with growth expected at 5.8 percent.

That is our baseline scenario. We know that it could get much worse depending on many variable factors, including the depth and duration of the pandemic." – as presented by Kristalina Georgieva, IMF Managing Director, in her opening remarks for Spring Meetings Press Conference.

To illustrate the outreach of this crisis, it is worth noting the IMF together with the G20, the World Bank and many others, are calling for a standstill of debt service to official bilateral creditors for the world's poorest countries.

With factories beginning to ramp up manufacturing in China and the Far East, the supply side appears to be gradually resuscitated so the question is how soon will the demand side rise to a previously seen equilibrium.

The extension and widening of the lockdown in the Eurozone and the US has driven analysts to make further downward revisions to their baseline expectations for the economy in 2020. These commonly include a negative and positive scenario, with the former slightly more likely than the latter. A common denominator to all these scenarios can be recognized; however, they all are subject to extreme uncertainty.

IMO 2020 underway, come what may

This is the biggest change in global fuel regulations since leaded gas was abandoned.

The shipping industry has now crossed the line of speculation and confronted the new IMO rules. As if IMO 2020 regulation and its associated compliancy cash out did not add enough spice to the overall shipping equation, we have added a global outbreak.

Bunker prices have reacted in line with crude oil prices making commercial voyages more viable while the availability and quality of the various fuel types seem to be adequate if not abundant.

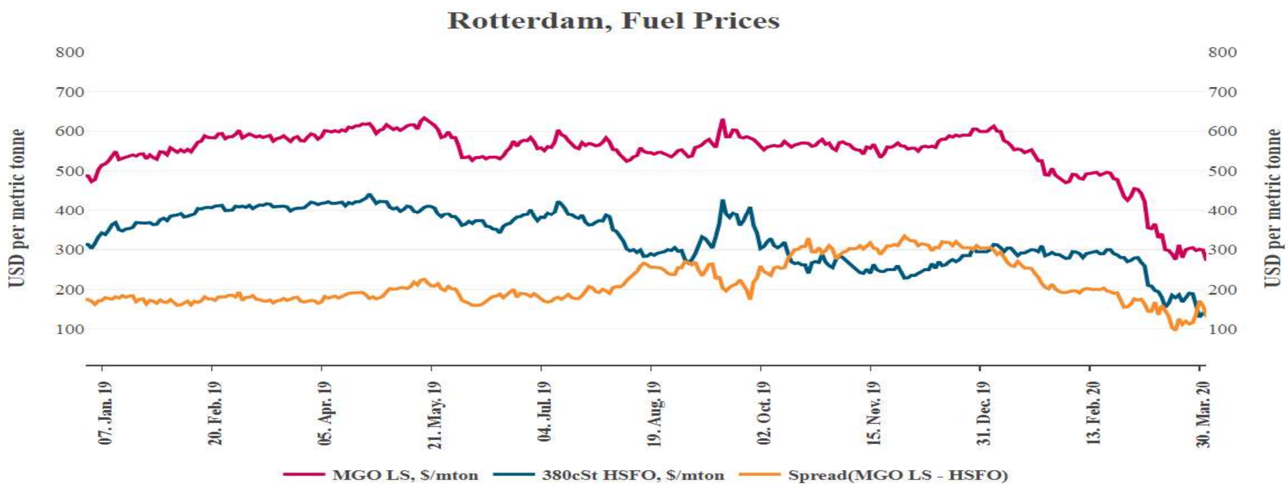
The availability of the various compliant fuels does not seem to be making headlines (providing there is a chance of competing with COVID-19).

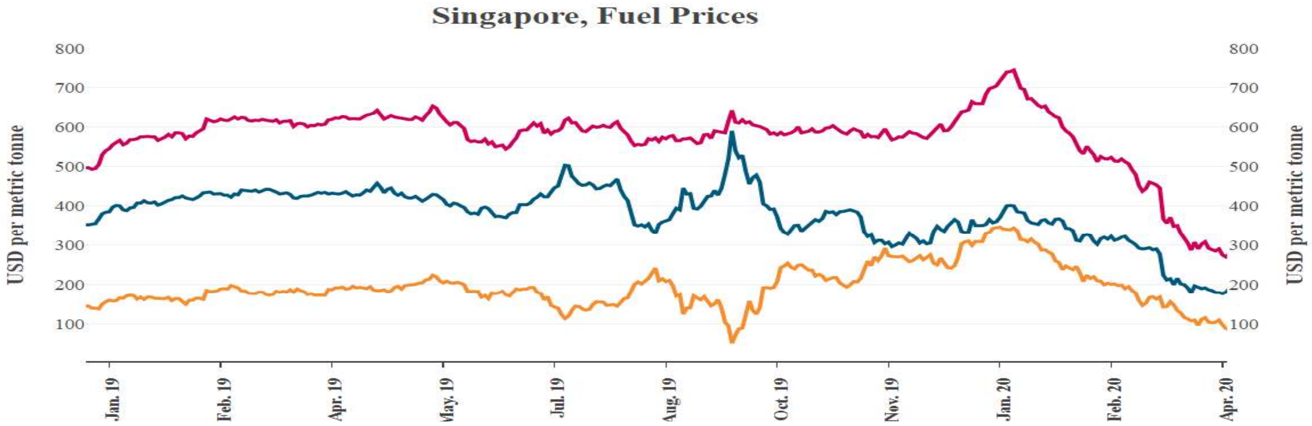
After all, oil and shipping markets have had time to prepare for the implementation of IMO 2020. Oil companies, bunker providers and other market participants have built inventories to be able to handle a surge in demand for compliant fuels.

A new set of IMO's emission regulations has come into force in accordance with the deadline, January 1st, 2020. The new standard means that the world's fleet (some 60,000 vessels) must switch to low-sulphur and bear the price of more expensive fuel – or continue to use high-sulphur fuel instead, providing they have installed Exhaust Gas Cleaning Systems (EGCS), so

BCTI (Baltic Exchange Clean Tanker Index)

Baltic exchange, April 2020





BIMCO, April 2020

called scrubbers, i.e. air pollution control devices that use generally use liquid to remove particulate matter or the exhaust gases.

Tankerska Next Generation has opted against investing in scrubbers, but rather adapting to low-sulphur fuels instead. The company has taken the view of how the availability of compliant fuels will be satisfactory and will increase over time. The price differential between VLSFO and HSFO worldwide has indeed shrunk and is even hovering below USD 50.00 pmt in major European hubs.

Since the end of January, the main issue with scrubber installations has been the lack of available shipyards which can bring the installation to an end. Especially in China, lockdown measures have left yards without enough workers, having as an immediate outcome the delay of ongoing installations as well as the increase of the backlog for new ones.

The proportion of vessels that have had or will have scrubbers installed varies between different vessel segments. In the VLCC segment, the proportion is expected to be about 35 percent, in the Suezmax segment of about 25 percent and in the MR/LR1 product tanker segment about 10 percent. In theory, vessels with scrubbers have lower fuel costs, but on the other hand, they have to make an investment of about USD 3 to 5 million depending on vessel size. Most have to finance the device upfront in the amount of about 80%.

The decision not to go for scrubbers has so far proven not only to be prudent for the company but also insightful, considering the fuel price spread range from the beginning of this year which directly affects the payback time of the device. In parallel, scrubber owners have been confronted with unforeseen installation delays, technical and maintenance difficulties, environmental social backlash and bans on usage in certain locations worldwide.

Furthermore, the IMO is now studying all available options to advance decarbonisation talks amid the coronavirus pandemic, after the organisation indefinitely postponed all meetings scheduled at its London headquarters between early March and the end of June and so the rules can be concluded within this year and come into force by 2023, as originally planned. This came after the organization was strongly confronted by Greenpeace International and its associates fearing significant delay and calling for virtual meetings on short-term decarbonisation measures.

OPEC+ cuts

Major oil producers agreed to slash output as members of the OPEC+ coalition buried differences in an effort to revive the market from a pandemic-driven collapse.

The Organization of Petroleum Exporting Countries and its allies, now have a deal to cut production by about 10 million barrels a day effective from May 1 until June 30 this year, with October 2018 output levels used as the baseline for all members except for Saudi Arabia and Russia.

The production cuts would reduce to 7.7m barrels per day, effective from July 1, 2020 for the rest of the year and then decrease further to 5.8m barrels a day effective January 1, 2021 until April 30, 2022. This is subject to review in December 2021. However, Iran, Venezuela and Libya are exempt from the cuts.

In short, the global demand declines generated by the pandemic, are going to be greater than the production cuts. An estimated demand decline would be down 25 million barrels a day, or about one-quarter of normal consumption, in April.

In addition, the new cuts won't begin until May, allowing oil supplies to increase. There are also doubts about whether some of the countries parties to the cuts, like Iraq, which often produces whatever it can, will really observe them. With the sharp decline in demand, global producers will be forced to shut down some production because we will run out of storage space, or use floating storage as an alternative.

This means that May onwards cargo loadings will definitely see significant declines and this will most likely have a negative impact on the tanker freight market.

Because of this expectation, we could possibly see producing countries trying to pump out as much product as possible before the agreement enters into effect, which could offer some support to the tanker market before we reach May 1st. Experts claim that there are a few possible scenarios in which neither the oil market dries up, nor prices manage to stabilize at much higher levels and push freights down. We have seen many times during previous output cuts that there have been some non-compliant members and we won't be surprised to see certain producing countries eventually ramping up production above what was agreed this time as well. Not only would such a development restore part of the cargoes lost, but it would also cause great dissatisfaction to compliant members that would start losing market share due to non-compliance and this could eventually lead to a new price war as a result. In addition to that, global demand for oil will gradually begin to increase as countries around the world eventually start to exit the pandemic emergency state and return to normality, while let's not forget the amount of tonnage that has been used for storage and will not be competing for business in the tanker market.

Still, the meeting appears to be at least a start at confronting the serious problem the oil industry and OPEC countries have encountered in decades.

Against an estimated onshore spare storage capacity of approximately 900m barrels as of end-March, Cleaves forecast 948m barrels of petroleum oversupply by end-August. According to the Clarksons Daily Market Survey at April 24, 2020, 96 VLCCs were used as floating storage. 40 million dwt, or 7.8% of the capacity of the ship's space exceeding 25,000 dwt, was used for this purpose. The share of fleet capacity used as a floating storage could be tripled by June 2020.

Tanker markets see dramatic turn in Q4 of 2019 continued in Q1 of 2020

After an uninspiring decade full of dull performance and much the same in the first nine months of 2019, Q4 tanker markets soared to their highest levels since 2008. VLCC rates were at the forefront of this bonanza starting off in the middle of September, reaching nearly $300,000 per day. Although rates fell back from their peak, they still averaged over $100,000 per day for the fourth quarter. Suezmax rates followed, often reaching $150,000 per day and averaging more than $50-60,000 per day during 19Q4.

Aframax gained almost as respectively for the entire quarter. With the imminent IMO 2020 regulations and a ban on the COSCO fleet becoming key drivers, October saw the tanker market rebound, assisted by a rising number of vessels out of service due to scrubber installations, floating storage and sanctions. While the surge in product tanker rates was not as spectacular, spot earnings gradually reached a multi-year high in 19Q4.

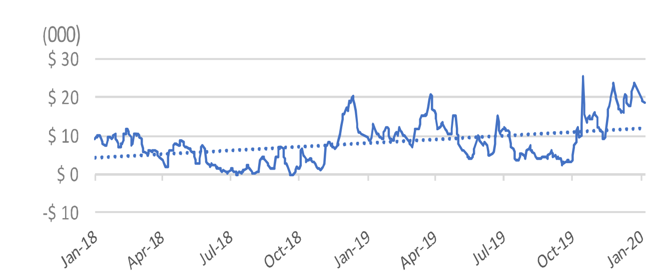
Oil inventories in 2020 are building quickly and the use of tankers for floating storage in the near-term is likely to support tanker earnings and sentiment. In the meantime, tanker companies are positioned to benefit from very strong cash flows and time charter demand for floating storage purposes.
It seems likely, however, that oversupply in the near-term is inevitable, causing a continued wave of oil stockpiling. On-land storage facilities are

likely to reach limits within 2Q20, underpinning the need for floating storage. The expectation is this will maintain a higher level of inquiry in the tanker market, supporting tanker rates at healthy levels. However, a drop in crude oil production of 9.7 mb/d is extremely significant (not to mention the additional 5 mb/d from other G-20 members) given the crude oil tanker trade is 40 mb/d. Without the contango and the need for floating storage, this type of cut would have an overwhelmingly negative effect on tanker demand and charter rates according to Clarksons.

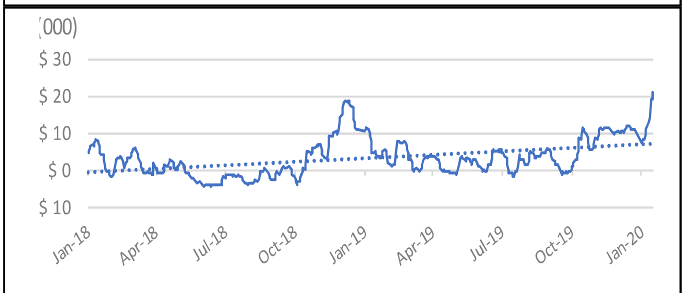
MR Tanker market

Overall clean markets in 2019 were up from 2018. According to Clarksons Platou the average spot earning for an MR in 2019 was USD/day 16,500 . It is worth noticing the 5 and 10 year spot averages were USD/day 15,800 and 14,800 respectively while the 20 year spot average is USD/day 17,300.

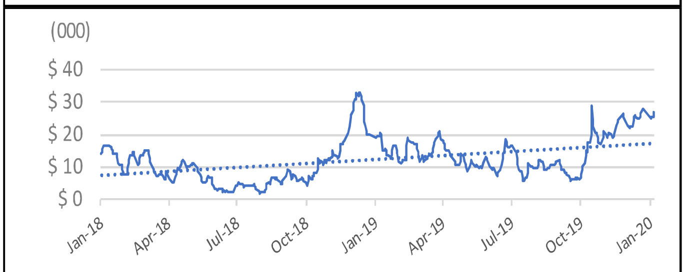
The impressive Q4 rally in spot charter rates for product tankers has turned this year from a reasonably OK one into one of the best years in a decade. In the first 9 months of 2019 the benchmark Baltic Exchange TC1, TC5, TC2_37 and TC11 TCE indices



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



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



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

Baltic exchange, April 2020

averaged respectively 13,940 USD/day ; 11,128 USD/day ; 8,783 USD/day ; and 8,660 USD/day as opposed to Q4 which showed 33,796 USD/day ; 23,375 USD/day ; 15,340 USD/day ; and 14,040 USD/day. The order book is at 20-year low; product tanker building yards are closed and for the first time in history we have a product market with an ageing fleet which will be even more so in the months to come to due to the pandemic.

Crew Repatriation

Crew changes have become almost impossible, leading to fears that overstressed seafarers may have a negative impact on vessel safety.

Despite high-level industry inter-ventions urging governments to recognise the growing crisis of seafarers stranded at sea due to coronavirus restrictions, crew changeover plans have so far failed to gain political attention.

Leading shipowners and managers warn that over 100,000 seafarers are effectively "stranded at sea" because coronavirus shutdowns are preventing them from entering or transiting countries or finding flights on which to return home. Many are now urging immediate governmental and intergovernmental action to enable the resumption of crew changes, including the designation of seafarers as 'key workers'.

Despite attempts to get the crew transfer appeals into the hands of the key senior government officials, other priorities are preventing action.

The coronavirus is a black swan event. But measures aimed at protecting society were never intended to prevent key workers from carrying out tasks essential to the ongoing wellbeing of society.

Every month about 100,000 seafarers are rotated on or off vessels worldwide in accordance with international safety and working hours regulations. However, the closure of borders and strict quarantine rules are preventing crew changes from being completed in accordance with employment contracts and international conventions, including the Maritime Labour Convention, leaving thousands at sea for periods far beyond their contracts.

While flag states have been extending the contracts, there is a general industry consensus that a pragmatic approach to the regulatory enforcement will have to be applied.

Results for the year 2019

Vessel revenues in the 2019 amounted to HRK 267.9m and was 10.0% lower in comparison to the same period of 2018, while EBITDA was recorded at HRK 110.3m, which is 25.4% higher in comparison to last year's HRK 87.9m.

The Company's net profit in 2019 amounted to HRK 23.3m and it is a result of the positive contributions from four time charter fixtures concluded this year, a strong spot market recovery in Q4 and the result of the impairment decision.

	('000 USD)		('000 HRK)	
Selected financials	**2018**	**2019**	**2018**	**2019**
Vessel revenues	47,399	**40,508**	297,586	**267,944**
EBITDA	14,003	**16,686**	87,919	**110,270**
EBIT	5,193	**8,067**	32,603	**53,076**
Net profit	1,001	**3,545**	6,284	**23,340**

The operating profit for this year was HRK 53.1m and is the result of the stable income generated from the time charters. The average TCE during the first nine months of the year was recorded at USD 14,794.

The 2019 was marked by the usual operating expenses, as a result of the efforts of management to optimize the operations.

Commissions and voyage associated costs amounted to HRK 53.7m, while in the same period of 2018 they amounted to HRK 104.9m given that in 2019 more vessels were under TC compared to the previous year.

Total operating costs of the fleet amounted to HRK 158.2m in the 2019 and were lower 25.4% than in the same period in 2018 when they amounted to USD 212.1m. This decrease is a result the change of employment strategy of Vukovar, Velebit, Pag and Dalmacija which by operating on time charter have lower voyage associated costs e.g. port costs, bunker, which is accountable to the charterer. In the operating currency, operating costs are showing the same trend in comparison to 2018. This trend is a result of the increased operational efficiency.

Depreciation costs in 2019 amounted to HRK 52.5m. All the vessels in operation are depreciated over an estimated useful life span of 25 years on a straight line basis to their residual value, which represents their scrap value on the international market.

General and administrative expenses were lowered to HRK 5.4m and are a result of continued cost control efficiency.

	('000 USD)		('000 HRK)	
Financial position	**31.12.2018.**	**31.12.2019.**	**31.12.2018.**	**31.12.2019.**
Bank debt	97,556	**84,174**	631,106	**559,749**
Cash and cash equivalents	8,716	**10,182**	56,389	**67,712**
Net debt	88,840	**73,992**	574,717	**492,037**
Capital and reserves	96,491	**100,037**	624,227	**665,234**
Gearing ratio Net debt / (capital and reserves + Net debt)	48%	**43%**	48%	**43%**

Tankerska Next Generation concluded 2019 with 5 percentage points less gearing or 43% in comparison to the end of 2018. 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, m/t Vinjerac and m/t Zoilo, 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.

	('000 USD)		('000 HRK)	
Expenses summary	**2018**	**2019**	**2018**	**2019**
Commission and voyage related costs	(16,709)	**(8,124)**	(104,903)	**(53,686)**
Vessel operating expenses	(15,143)	**(14,996)**	(95,076)	**(99,333)**
General and administrative	(933)	**(819)**	(5,855)	**(5,420)**
Other expenses	(1,000)	**-**	(6,276)	**-**
Total operating expenses	(32,785)	**(23,939)**	(212,110)	**(158,439)**

Financials

INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME FOR PERIOD FROM DEC 31ST, 2018 TO DEC 31ST, 2019 audited	('000 USD)		('000 HRK)	
	2018	2019	2018	2019
Vessel revenues	47,399	40.508	297.586	267.944
Other revenues	389	117	2.443	765
Total revenues	**47,788**	**40.625**	**300.029**	**268.709**
Commission and voyage related costs	(16,709)	(8.124)	(104.903)	(53.686)
Vessel operating expenses	(15,143)	(14.996)	(95.076)	(99.333)
General and administrative	(933)	(819)	(5.855)	(5.420)
Other expenses	(1,000)	-	(6.276)	-
Total operating expenses	**(32,785)**	**(23.939)**	**(212.110)**	**(158.439)**
EBITDA	**14,003**	**16.686**	**87.919**	**110.270**
Depreciation and amortization	(8,183)	(7.914)	(51.377)	(52.506)
Impairement	(627)	(705)	(3.939)	(4.688)
Operating profit (EBIT)	**5,193**	**8.087**	**32.603**	**53.076**
Financial expenses	(4,073)	(4.512)	(25.577)	(29.686)
Net foreign exchange gains (losses)	(119)	(10)	(742)	(50)
NET INCOME	**1,001**	**3.545**	**6.284**	**23.340**
Other comprehensive income	(1,542)	1	19.757	17.667
Total comprehensive income	**(541)**	**3.545**	**26.041**	**41.007**
Weighted average number of shares outstanding basic & diluted (thou.)	8,720,145	8.720.145	8.720.145	8.720.145
Net income (loss) per share, basic & diluted	0.11	0,41	0,72	2,68

BALANCE SHEET AT THE DATE OF DECEMBER 31ST,2019 audited	('000 USD)		('000 HRK)	
	2018	2019	2018	2019
Non-current Assets	**183,393**	**175,191**	**1,186,408**	**1,165,009**
Vessels	183,377	175,175	1,186,302	1,164,900
Newbuildings	-	-	-	-
Other Non-current Assets	16	16	106	109
Current Assets	**15,538**	**13,892**	**100,517**	**92,377**
Inventory	2,130	807	13,779	5,361
Accounts receivable	3,990	2,416	25,806	16,063
Cash and cash equivalents	8,716	10,182	56,389	67,712
Other current assets	702	487	4,543	3,241
TOTAL ASSETS	**198,931**	**189,083**	**1,286,925**	**1,257,386**
Shareholders equity	**96,491**	**100,037**	**624,227**	**665,234**
Share capital	68,988	68,988	436,667	436,667
Reserves	15,081	15,131	120,390	138,370
Retained earnings	12,422	15,918	67,170	90,197
Non-current Liabilities	**86,174**	**74,792**	**557,476**	**497,362**
Bank debt	86,174	74,792	557,476	497,362
Current liabilities	**16,266**	**14,254**	**105,222**	**94,790**
Bank debt	11,382	9,382	73,630	62,387
Accounts payable	4,053	1,789	26,216	11,896
Other current liabilities	831	3,083	5,376	20,507
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**198,931**	**189,083**	**1,286,925**	**1,257,386**

Financials

CASH FLOW STATEMENT FOR PERIOD FROM DEC 31ST, 2018 TO DEC 31ST, 2019 audited	('000 USD)		('000 HRK)	
	2018	2019	2018	2019
Profit for the period	1.001	3.545	6.284	23.340
Depreciation and amortisation	8.183	7.914	51.377	52.506
Impairement	627	705	3.939	4.688
Changes in working capital	(692)	3.117	(4.617)	20.959
Cash flow from operating activities	**9.119**	**15.281**	**56.983**	**101.493**
Cash inflows from investing activities	-	-	-	-
Cash outflows from investing activities	(55)	(417)	(346)	(2.780)
Cash flow from investing activities	**(55)**	**(417)**	**(346)**	**(2.176)**
Cash inflows from financing activities	-	-	-	-
Cash outflows from financing activities	(10.500)	(13.382)	(65.920)	(88.264)
Cash flow from financing activities	**(10.500)**	**(13.382)**	**(65.920)**	**(88.264)**
Net changes in cash	(1.436)	1.482	(9.283)	10.449
Effect of exchange rate changes on the balance of cash	(23)	(16)	1.880	874
Cash and cash equivalents (start of period)	10.175	8.716	63.792	56.389
Cash and cash equivalents (end of period)	**8.716**	**10.182**	**56.389**	**67.712**

STATEMENT OF CHANGES IN EQUITY FOR PERIOD FROM DEC 31ST, 2018 TO DEC 31ST, 2019 audited	Paid-in Capital	Retained Earning Account	Foreign exchange translation reserves	Other reserves	Share premium	Purchase of treasury shares	Total
	('000 USD)						
Balance at December 31st, 2018	**68,988**	**12,422**	**(4,124)**	**9,169**	**10,179**	**(143)**	**96,491**
Profit for the period	-	3,545	-	-	-	-	3,545
Exchange difference on foreign operations	-	-	1	-	-	-	1
Total comprehensive income	**-**	**3,545**	**1**	**-**	**-**	**-**	**(3,546)**
Transfered to reserves in yearly schedule	-	(49)	-	49	-	-	-
Declared dividend	-	-	-	-	-	-	-
Balance at December 31st, 2019	**68,988**	**15,918**	**(4,123)**	**9,218**	**10,179**	**(143)**	**100,037**

STATEMENT OF CHANGES IN EQUITY FOR PERIOD FROM DEC 31ST, 2018 TO DEC 31ST, 2019 audited	Paid-in Capital	Retained Earning Account	Foreign exchange translation reserves	Other reserves	Share premium	Purchase of treasury shares	Total
	('000 HRK)						
Balance at December 31st, 2018	**436,667**	**67,170**	**(6,673)**	**59,634**	**68,426**	**(997)**	**624,227**
Profit for the period	-	23,340	-	-	-	-	23,340
Exchange difference on foreign operations	-	-	17,667	-	-	-	17,667
Total comprehensive income	**-**	**23,340**	**17,667**	**-**	**-**	**-**	**41,007**
Transfered to reserves in yearly schedule	-	-	-	-	-	-	-
Declared dividend	-	(314)	-	314	-	-	-
Balance at December 31st, 2019	**436,667**	**90,196**	**10,944**	**59,948**	**68,426**	**(997)**	**665,234**

Fleet operating data

Currently TNG's fleet consists of six MR tankers in operation (Velebit, Vinjerac, Vukovar, Zoilo, Dalmacija and Pag). The Group owns a 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, 2019 the average age of the vessels in TNG's fleet is 5.7 years.

Dalmacija
During the first quarter of 2019, a twelve-month contract was secured for the period at USD 16,000 per day with Trafigura Maritime Logistics ("Trafigura"). Upon expiration of the current contract in Q1 2020 , the charterer has an option to extend the contract for an additional (maximum) 385 days at a similar rate.

Velebit
Tankerska Next Generation in mid-March secured the one year employment of the conventional ice class product tanker MT Velebit. The tanker will be under a shipping contract with Clearlake Shipping Pte Ltd ("Clearlake") with a contracted rate of USD 14,500 per day and upon expiry of the current contract, the charterer has activated the option of the contract for an additional 8 months with commencement in March for approximate USD 1,000 premium.

Vukovar and Pag
Tankerska Next Generation in mid-May secured 6-month employment for 2 ECO class product tankers MT Vukovar and MT Pag. The vessels will be under a shipping contract with Koch Shipping Pte Ltd. with charterer's option to extend for up to 12 months.

Vinjerac and Zoilo
The short-term time charter with Clearlake Shipping Pte Ltd ("Clearlake") expired at the beginning of Q2 2019 and TNG continued employment of the ship on the spot market, assessing that this type of employment represents an optimal strategy for using the fleet's commercial potential. Since MT Zoilo's redelivery in July 2018, she has been operating on the "spot" market, estimating that this type of employment is at present an optimum strategy for using the fleet's commercial potential.

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 four out of six units, are employed on time charter which currently provide adequate levels of cash flow.

By positioning part 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.

The average TCE net rate for 2019 added up to USD 14,794.

The average daily vessel operating expenses (OPEX) in the 2019 amounted to USD 6,657 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 middle of 2020, 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.

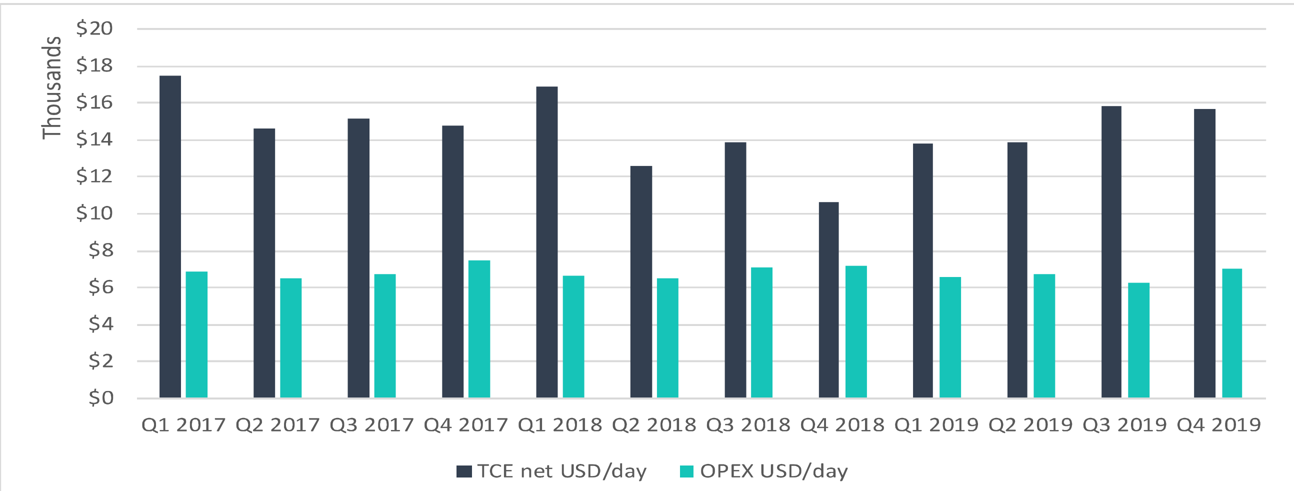
The ballast water treatment system actively removes, kills or deactivates reproduction systems of organisms in ballast waters before returning them to the ecosystem. The expected cost of system itself will range up to approximately 550,000 per vessel which does not include the costs of delivery and installation, bearing in mind that ECO tanker Dalmacija was delivered with an already installed ballast water treatment system.

Vessel	Capacity (dwt)	Type	Built	Shipyard	Flag	Employment 31/12/2019	Daily rate (USD)
Velebit	5,.554	ICE class MR product	2011	Treći Maj Hrvatska	Croatia	Clearlake Time charter	14,500 (until 12/03/2020)
Vinjerac	51,935	ICE class MR product	2011	Treći Maj Hrvatska	Croatia	Voyage charter	SPOT
Vukovar	49,990	Eco MR product	2015	Hyundai Mipo J.Korea	Croatia	KOCH Time charter	17,000 (with charterers' option to extend for up to 12 months)
Zoilo	49,990	Eco MR product	2015	Hyundai Mipo J.Korea	Croatia	Voyage charter	13,500* (until 03/06/2020)
Dalmacija	49,990	Eko MR product	2015	SPP Shipbuilding J.Korea	Croatia	Trafigura Time charter	16,000 (until Q2 2020)
Pag	49,990	Eco MR product	2015	SPP Shipbuilding J.Korea	Croatia	KOCH Time charter	17,150 (with charterers' option to extend for up to 12 months)

* Minimum daily hire with profit share above the minimum in a 50:50 split with the charterer

Operational data of the fleet	2017	2018	2019
Time Charter Equivalent rate (USD/day)	15,525	13,201	14,794
Operating days (number)	2,190	2,190	2,190
Daily vessel operating expenses (USD/day)	6,891	6,755	6,657
Fleet utilization (%)	96	100	100
Average number of vessels in the period	6.00	6.00	6.00

TCE Net vs. OPEX, 2017, 2018 and 2019:



Key events in 2019

Unaudited financial statements for Q4 and FY 2018 adopted

The meeting of the Management and Supervisory Board of Tankerska Next Generation was held on February 25th 2019 and the unaudited financial statements for the fourth quarter of 2018 were adopted.

Audited financial statements for 2018 and unaudited financial statements for Q1 2019 adopted

The meeting of the Management and Supervisory Board of Tankerska Next Generation was held on 30 April 2019.

Supervisory Board considered and adopted the Financial statements for the year ended 31 December 2018 together with the Independent auditor's report, and the Annual Company status report.

Furthermore, on the aforementioned session the Supervisory board considered and adopted the unaudited financial statements for the first three months of 2019.

General assembly held

Tankerska Next Generation General assembly was held at the Company headquarters in Zadar on July 4th 2019 at 11:00 hours. At the General assembly 6,790,159 votes were present, representing 77.8675 % of the total share capital (with voting power).

All decisions of the General Assembly were passed with the necessary majority. Agenda items 3, 4, 5 and 7 were passed in the form proposed by the Management Board and the Supervisory Board in the annual General Assembly invitation published on the Zagreb Stock Exchange's website, the Company's website and with the Croatian Financial Services Supervisory Agency, whilst items 6 and 8 of the agenda were passed in the form presented by shareholder's Croatia Osiguranje's counterproposal at the General Assembly.

Unaudited financial statements for Q2 and H1 2019 adopted

The meeting of the Management and Supervisory Board of Tankerska Next Generation was held on July 29th 2019 and the unaudited financial statements for the second quarter and the first six months of 2019 were adopted.

Management and Supervisory Board meeting held

The constituent meeting of the Supervisory Board of Tankerska Next Generation was held on Wednesday, August 21, 2019 by Ivica Pijaca, Mario Pavić, Nikola Koščica, Joško Miliša and Dalibor Fell whereafter Mr. Pijaca was elected President and Mr. Pavić was elected Vice President of the Supervisory Board.

Unaudited financial statements for Q3 and 9m of 2019 adopted

The meetings of the Management and Supervisory Board of Tankerska Next Generation was held on November 28th 2019 and the unaudited financial statements for the third quarter and the first nine months of 2019 were adopted.

Outlook

Tankerska Next Generation Is a shipping company focused exclusively on the MR product tanker segment and ownns and operates 6 product tankers, the main markets in which the Company operates is the international maritime transport of oil products and edible oils. Therefore, TNG provides transport services to oil majors, national oil companies, oil and chemical traders and various other entities that depend on sea transport worldwide.

At the end of 2019 TNG holds four time charter contracts, which were signed in accordance with usual market conditions and are based on industry standard terms for such agreements.

The company continues with intent to employ the majority of its fleet through a medium to long-term time charter contracts in order to achieve predictable business results and cash flows that support risk mitigation for the shareholders. In terms of duration, future employment strategies will depend on market conditions and the management approach to optimum fleet management strategy.

The Group is subject to numerous laws and regulations in the form of international conventions and treaties, national, state and local laws and national, state and international regulations in force in the jurisdictions in which the Group's vessels operate or are enrolled.

The Ballast Water Convention of the International Maritime Organization entered into force on September 8, 2017, while at the last IMO meeting, a postponement of implementation was granted for a certain part of the existing fleet.

After September 2017, the approved ballast water treatment system will have to be installed by the time when it is necessary to renew the International Oil Pollution Prevention (IOPP) certificate, which for TNG means that the systems will be installed on vessels following a five-year drydock cycle that should start from the middle of 2020, depending on the binding deadlines and future business conditions. The ballast water treatment system actively removes, kills or deactivates reproduction systems of organisms in ballast waters before returning them to the ecosystem. The expected cost of procurement and installation can range up to approximately USD 550,000 per ship depending on the preparation and existing ship installations.

According to the provisions of MARPOL by 1 January 2020 the sulphur content in fuel will not be allowed to be greater than 0.50%, and emissions into the environment will not be allowed to be higher than that. Compliance of operational performance with these regulations can result in significant capital expenditures in the case of installing equipment to reduce sulphur emissions or can raise the operating costs in order to substitute a cheaper high sulphur fuels with more expensive low sulphur fuel.

These changes in the regulatory environment will affect the operations of TNG in the medium term through the requirements for investments in new technology in order to achieve full compliance of the fleet with these conventions. TNG completed its first five-year drydocking for the two conventional tankers, and we expect that the investments associated with these regulations will have an impact in the next five-year drydocking cycle, which we expect by the end of 2019.

The main trends and indicators related to the product tanker market in the medium term show stability and balance of supply of newbuildings and demand for a tonne mile, while the relocation of production capacity of oil products to the Far East continues, which could all together indicate a slight recovery of the market hire rates in the future. In that period, the company aims to ensure the sustainability of the business and maximize business efficiency by managing the Group in a way that is believed to provide the Company a consistent and continuous dividend policy.

Risk management

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. The volatility influences day-to-day operations in the following ways:

- when rates are low TNG sees it as an opportunity to increase market exposure, and

- when rates are high TNG will seek to hedge short-term to medium-term exposure by chartering-out vessels or by actively trading freight-related derivatives.

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:

("ISO") 9001 for quality assurance,

ISO 14001 for environmental management systems,

ISO 50001 for energy management systems and Occupational Health and Safety

"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 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.


NO SMOKING
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STATEMENT ON APPLICATION OF THE CODE OF CORPORATE GOVERNANCE

According to the Croatian Companies Act, (OG 111/93, 34/99, 121/99, 52/00 – Decision CCRC, 118/03, 107/07, 146/08, 137/09, 152/11 – lectured text, 111/12, 68/13 i 110/15 and 40/19) and pursuant to Article 22 of the Accounting Act (Official Gazette 78/15, 134/15, 120/16 and 116/18 hereinafter: ZOR), those companies whose shares are traded on the regulated market are obliged to apply codes of corporate governance. Given that the total of 8.733.345 shares of the Company are listed under ticker TPNG-R-A and ISIN HRTPNGRA0000 are listed on the Official market of ZSE, the Company has adopted codes of corporate governance prepared by ZSE and CFSSA. The Code is published on the Zagreb Stock Exchange (www.zse.hr). Top shareholders are listed on the page 8 of the Annual report. Taking into account the specifics of the business model TNG Inc. complies with the provisions of the Code as reported to the public through the annual survey of corporate governance which is published on the website of the company (www.tng.hr).

With a goal to reach the high standards of corporate governance the Company has adopted its own Code of corporate governance, and it has been prepared according to the Code of Zagreb Stock Exchange and CFSSA. The Code recognizes the accountability of the Supervisory Board and Management Board and the importance of transparency to all the Company's shareholders, including customers, investors and regulatory authorities.

Exceptions are the following:

- The company has not ensured that the shareholders of the company who, for whatever reason, are not able to vote at the General assembly in person, have proxies who are obliged to vote in accordance with instructions received from the shareholders, with no extra costs for those shareholders, because the Company did not receive that kind of request from any of its shareholders
- The shareholders are not allowed to participate and to vote at the General assembly using modern communication technology, because that kind of participation is not provided by the Articles of association. The benefits of the implementation of that kind of system and its cost efectivness will be examined in the future.
- Legal and statutory application for the General assembly are met, as well as the power of attorney and registration for participation in advance. All in order to protect the interests of shareholders and maintain appropriate technical quality of the general assembly.
- Supervisory board is composed of 3 members of the majority shareholder, and two independent members
- Succession planning will be carried out through early detection and identification of needs for successors.
- The detailed data on all earnings and renumerations is published in the Annual report.
- Due to organizational specifics of the company, the Supervisory Board has not established appointment and renumeration commission but it will be an "ad hoc body" in case of need, considering the questions in this area.
- The amount of charges paid to the independent external auditors for the audit carried out is protected by the confidentiality of the audit contracts

Internal audit and risk management

The Audit commitee of the company prepares and monitors the implementation of decisions of the Supervisory Board relating to the system of financial reporting, risks related to financial reporting and supervises control and quality assurance mechanisms and the process of financial reporting of Tankerska Next Generation. Through continuous access to auditors the commitee oversees the reporting process, discusses key issues for the business set out by the auditors, management or the Supervisory Board by giving advice, recommendations or guidelines. The Audit Committee is responsible for ensuring the objectivity and credibility of the information and reports to be submitted to the Supervisory Board. Obligations and responsibilities of the audit committee include the responsibility to monitor and review the integrity of financial reporting of the Company's internal financial control system and the Company's internal control and compliance of operations of the Company. The Audit Committee also monitors the function of the external auditors (including the effectiveness of the external audit and the appointment of auditors and fees) and evaluates the effectiveness of internal audit activities.

Appointment and funcitions of the Mangement Board

Management Board is appointed and recalled by the Supervisory Board for a term that lasts up to five years, after which the members of the Board can be re-appointed. Management board currently consists of one member and can count up to three members. The powers of the members of the Board are defined by the Companies Act and the Articles of Association and include management activities at their own risk by taking all actions and decisions it deems necessary for the successful management of the Company. For certain decisions Management is obligated to ensure the approval of the Supervisory Board (among other things - changes to the Articles of Association, the acquisition and disposal of treasury shares). The Company is represented independently by the member of the Board. The sole member of the Management board is Mr. John Karavanić.

Supervisory Board

The Supervisory Board consists of five members appointed by the General Assembly. The Supervisory Board is responsible for appointing and recalling of members of the Management board and for supervising the operations of the Company. In accordance with the provisions of the Articles of Association the Supervisory Board gives prior approval for significant transactions and activities that the Management Board can not execute without their consent. The Supervisory Board established the Audit Committee.

Corporate management

MANAGEMENT

John Karavanić

Chief Executive Officer

Mr. John Karavanić graduated from the Faculty of Economics in Zagreb in 1992. After graduation, he was employed with Tankerska plovidba as trainee in the Commercial Division. From 1993 – 1997 he was a senior officer in Tanker Division in Tankerska plovidba, and from 1997 -1999 Department Manager in Tanker Department in the Commercial Division. Between 1999 - 2004 he was a broker in Alan Shipping (a Tankerska plovidba subsidiary). He returned to Tankerska plovidba in 2004 to the position of Chartering Manager and Deputy Commercial Director within the company. Since 2014 he held a position of a Project Manager and Deputy Commercial Director in Tankerska plovidba. Since August 2014 Mr. Karavanić is the CEO of TNG.

SUPERVISORY BOARD

Ivica Pijaca

President of the Supervisory board

Mr.Ivica Pijaca began his professional career in Tankerska plovidba as a deck cadet from 1992–1993. He graduated from the Faculty of Maritime Studies in Rijeka in 1998. The same year he was employed as a 3rd mate in the Tankerska plovidba fleet. In 1999 he became Assistant Chartering Manager in Product Tanker Department in Tankerska plovidba, advancing to the position of Chartering Manager in Tanker Department in Tankerska plovidba in 2003. Between 2004-2005, Mr Pijaca was a broker in Alan Shipping (a Tankerska plovidba subsidiary) and a Managing Director in the same company from 2005-2006. From 2006-2013 Mr Pijaca was Chartering Manager in Tanker Department in Tankerska plovidba. In 2013 Mr Pijaca became a Director of Commercial Division, a position he currently holds in Tankerska plovidba.

Mario Pavić

Member of the Supervisory board and Audit committee

Mr Mario Pavić began his professional career in Tankerska plovidba as cadet between 1993 –1994. He graduated from the Faculty of Maritime Studies in Split in 1996 with the degree of nautical engineer. From 1997 to 2002 he was employed as a deck officer in Tankerska plovidba fleet. In 2002 he obtained a master degree in Maritime Engineering Management at the Faculty of Maritime Studies in Split. Between 2003-2007 he was Tanker Operations Manager in Tanker Department in Tankerska plovidba. Between 2007-2012, Mr Pavić was a broker in Alan Shipping (a Tankerska plovidba subsidiary) and a Managing Director in the same company from 2012-2013. Since 2013, Mr Pavić is the Management Board member of Tankerska plovidba. Since 2015 Mr. Pavić is the CEO of Tankerska Plovidba.

Nikola Koščica

Member of the Supervisory board

Mr. Nikola Koščica graduated in Financial Economics at London Guildhall University in 1996. After the graduation, he was employed with Dalmatinska banka Inc. between 1997-2001, first as a trainee, later as an analyst in Risk Management Department of the same bank. Between 2001-2003, he was initially employed as an account manager and later as head of Corporate Lending Department in Zadar Branch of Raiffeisenbank Austria Inc. He became an employee of Tankerska plovidba in 2004 as a Risk Manager and since 2013 he holds a position of Director of Financial Division. Since August 2015, Mr Koščica is the Management Board member of Tankerska plovidba.

Joško Miliša

Member of the Supervisory board

Mr. Joško Miliša graduated from the Faculty of Electrical Engineering in Zagreb and in 1992 he started working as a broker at a brokerage firm Medis, after that he worked in the consulting companies Consult Invest and ICF as a consultant on business acquisitions and general consultancy. At Erste Securities Ltd. he occupied the position of the Head of securities trading and the introduction of portfolio management. He was appointed in 2000 as vice-president of the Croatian Privatisation Fund. In early 2002, he co-founded the investment firm ŠTED-CAPITAL Ltd., which he independently and successfully lead till mid-2009. Currently he is the CEO of the investment firm Prosperus Invest Ltd.

Nikola Mišetić

Member of the Supervisory board until August 21st, 2019

Mr. Nikola Mišetić graduated in 2002 from the Faculty of Economics in Zagreb, and he finished an MBA program in 2009 at ISEAD business school, France. He began his professional career in 2003 as an macroeconomist at Volksbank Inc. Zagreb, from where he went to Kreditna banka Zagreb Inc. where he was employed as a deputy director for retail from 2004. till 2005. At McKinsey & Company Inc. he was a project manager from 2004. till 2011 when he entered Adris Grupa Inc. as an executive director of development. In April 2014. Mr. Mišetić is named to the Management Board of Croatia osiguranje following acquisition of Croatia osiguranje by Adris group.

Dalibor Fell

Member of the Supervisory board since August 21st, 2019

Mr. Dalibor Fell graduated at the Faculty of Economics and Business in Zagreb and in 2000 is employed at Raiffeisenbank Austria, Treasury and Investment Banking Sector where, within 8 years,goes from the trainee through the Director of the Directorate to the Deputy Executive Director. After that he started his own company and spent 8 years as a director in a company for business consulting services. In 2016, he joins Croatia osiguranje as director of the Investment Division responsible for managing the assets of the company. During this time, he served as the chairman of the Supervisory board of mandatory pension fund management companies owned by Croatia osiguranje d.d. During his career, he attended numerous seminars in the country and abroad in the fields of finance, investment and management. He also appeared at seminars as a lecturer on derivative financial instruments organized by the Zagreb Stock Exchange.

AUDIT COMMITTEE

Sergej Dolezil

President of the Audit Commitee until July 4th, 2019

Mr. Sergej Dolezil graduated in 2004 at Webster University Vienna, Management with a focus on international business, he also completed the MBA program in

2009. at the IEDC Business School in Bled, Slovenia. In 2004 he got employed as a supervisor in the Tax Department of KPMG Croatia. From 2010 he is employed at the INA oil & gas industry at the position of Lead Internal Auditor, and in that position he remained until 2013 when he was promoted to Head of Internal Audit. In April 2015 he moved to Croatia Osiguranje d.d., where occupied the position of board member financial advisor. In January 2016 he became the Head of Internal audit at Croatia Osiguranje, and from January 2018 unit June he is the CEO of CO Zdravlje d.o.o. From June 2018 until April 2019 he is Head of Mergers and Acquisitions at Croatia Osiguranje. As of April 2019 he is CFO at Amodo, an insurtech company focusing on creating digital channels and insurance products based on usage and behaviour data.

Genarij Sutlović

Member of the Audit Commitee

Mr. Genarij Sutlović graduated from the Faculty of Economics in Rijeka in 1986. After graduation, he was employed in Tankerska plovidba as an officer from 1987 to 1989. Since 1990, he was employed on the position of Chief financial accountant from where he was promoted to Chief Accounting Officer in February 1991. At the position of Chief Accounting Officer at Tankerska Plovidba he remained until December 2001 when he moved to Stambeno Gospodarstvo Tanker, where he occupies the position of the Director of the company ever since.

Luka Babić

President of the Audit Commitee since July 4th, 2019

Mr. Luka Babić graduated from the Faculty of Economics and Business in Zagreb. He started his career with Deloitte Financial Advisory in 2007, focusing on engagements corporate finance (M&A), restructuring and feasibility studies within the region. In 2013 Luka joined Croatia osiguranje. Following the successful privatisation, in 2014 Luka first served as company transformation Project manager and then continued his career leading the controlling department. In parallel to this role, from 2017 until the merger with Croatia osiguranje in 2018 Luka served as a management board member with Croatia osiguranje kredita (formerly BNP Paribas Cardif Croatia). He is currently Director of controlling department for Croatia osiguranje. As of this date, Mr. Babić is a member of the Management Board of Croatia osiguranje.

Compensations for members of board's and commitee's

Compensation for the members of Supervisory Board:

Compensation for the members of supervisory board amounts to 7,600 HRK gross monthly, while President of the Supervisory board has a compenstaion of 9,500 HRK gross monthly.

Supervisory board members as per 31st December 2019:

Mr. Ivica Pijaca, president
Mr. Mario Pavić, deputy president
Mr. Joško Miliša, member
Mr. Dalibor Fell, member
Mr. Nikola Koščica, member

Compensation for the members of Audit commitee:

Compensation for the members of Audit commitee amounts to 2,000 kn net per session, members of the Audit commitee who are also members of the Supervisory board do not receive a compensation.

Audit commitee as per 31st December 2019:

Mr. Luka Babić, president
Mr. Mario Pavić, member
Mr. Genarij Sutlović, member

Members of the Management, Supervisory board and Audit commitee who own the shares of the company as per 31st December 2019:

Mr. John Karavanić, CEO, 1,633 company shares,

Mr. Ivica Pijaca, Supervisory board president, 1,840 company shares,

Mr. Mario Pavić, member of the Supervisory board and Audit commitee 1,165 company shares,

Mr. Nikola Koščica, member of the Supervisory board 1,840 company shares,

Mr. Genarij Sutlović, member of the Audit Commitee, 1,001 company shares.

Dividend policy

Tankerska Next Generation d.d. business policy is guided by the best practice in achieving benefits for its shareholders in an effort to maximize the profit from operations, while the dividend payment policy which follows the example of the most successful global shipping companies in the same business segment, will be guided by efforts to ensure continuity and consistency in dividend payments policy. Management is further obliged to maximize profit devoting particular attention to effective management of vessels, strengthening its comparative advantages in relation to similar shipping companies operating in the global market, while keeping operating costs at low, but without compromising safety, quality of transport services and the environment.

In determining proposals for dividend payment TNG management shall be guided by the Company's earnings, financial position, needs and levels of available funds, fulfilling the commitments under agreements on loans for financing the construction of the fleet and market conditions and changes in the regulatory environment. Management will strive to maintain the continuity in the dividend payment to shareholders by proposing payment of normalized company earnings as part of the profit in the amount of available funds above the minimum requirements of working capital needed for the fleet, in line with the needs of the strategy of commercial exploitation of ships, which can range from 600,000 to one million dollars depending on whether ships are employed on time charters or on a voyage basis, and in accordance with the mandatory financial indicators of the loan agreements.

Proposal for the decision of the Management for the Company's use of profit in 2019

As evidenced by recent trends, a slowdown in the global economy due to the impact and consequences of COVID-19, seems like an inevitable outcome. The Company's operations, which are extremely international, where we continuously generate 99% of our operating revenues, confront us with many challenges in a completely new, unpredictable economic environment.

Tankerska Next Generation continuously strives to minimize business risk by negotiating a combination of spot market employment with time charters, but the volatility of the freight market requires increased responsibility for managing liquidity risk.

The Company has taken a number of preventative measures to minimize business risks such as a timely focus on securing revenue based on diversified long-term time charters with first-class charterers, but the risks of business and eventual termination and even the likelihood that even the biggest names could financially stumble cannot be disregarded. The Company continually monitors its cash flow, however TNG must be prepared to bear the risk of facing potential difficulties in collecting funds.

The Management Board has established an appropriate framework for managing liquidity risk in order to manage short-term, medium-term and long-term financing and liquidity requirements with refinancing risk, arising from long-term loans with variable interest rates. The Company is considering holding liquidity at a higher level in order to minimize potential breaches of financial liabilities.

The company also relies on international refinancing, which is currently subject to a kind of moratorium among potential candidates, and it is expected that their return to the market will be less favorable due to impaired monetary stability and increased credit risks. Continuous and objective risk assessment will become crucial in the next 6 to 12 months.

In the next two years, the Company also expects regulatory requirements that include the cost of ballast water treatment instalments, which we can classify at approximately $ 550,000 per vessel (which does not include transportation and installation costs).

In addition to significant amounts of long-term loan commitments that affect cash flow risk, TNG also has liabilities to banks that require minimum liquidity in transaction accounts per vessel.

From all the foregoing and as a precautionary principle, the proposal of the Management Board is not to distribute the Company's profit from the previous 2019 but retain the full amounts into retained earnings and legal reserves.

The decision not to pay the dividend in 2020 for 2019 is based on the business results achieved last year and the market forecasts for the product tanker segment in 2020 and the estimated costs related to refinancing and monitoring of the regulatory environment, but primarily due to the impact of COVID-19 on the world economy and the unpredictable duration and scale of recovery.

Economic downturn and recession bring many challenges with it. Companies that manage to overcome them can take better advantage of opportunities to overcome competition and prepare for growth in the future.

We believe that the proposal presented is in the mutual interest of both the Company and its shareholders, and that it will be accepted by the Supervisory Board of the Company.

Sustainability and social responsability

The main goals of sustainabilty and social responsability are: corporate social responsibility as integral part of business strategy, environmental protection, economic sustainability, market relations, work environment and community relations

The concept of Corporate Social Responsibility (CRS) implies the integration of responsibility for the society and environment into the business development strategy.

TNG's key stakeholder groups comprise of customers, suppliers, employees, shareholders, financiers, industry associations, regulators and the community, and our continous goal is to nurture partnership and dialogue with each of these groups.

Corporate social responsibility as integral part of business strategy

The shipping industry handles about 90% of the world's transported goods. In this way, shipping links production, people and companies in global trade and contributes to development and growth all over the world. Developing efficient, reliable and smart solutions for transporting goods from producers to buyers is increasingly a key component in ensuring sustainable development through trade. Recognising that smarter global trade is closely tied to sustainability, we discover the premise that working with the linkages between social and economic progress holds potential to increase value for customers, for communities and long term competitiveness to the Company.

Maritime transport is associated with a potential risk of large losses and liabilities, death or injuries to persons and damage to property caused by adverse weather conditions, mechanical failures, human error, war, terrorism, piracy and other circumstances or events. Transportation of petroleum products is associated with the risk of contamination, as well as business interruption due to political unrest, hostilities, strikes and boycotts. In addition, there is always an inherent possibility of maritime disasters, which include oil spills and other environmental impacts.

The quality of the crew and the vessel determines the safety of the cargo, reliability of operations and the flexibility to deal with unexpected situations. By putting the focus on quality crew and equipment we reduce operating costs for the company, but we also reduce the possible negative consequences for society as a whole, and guarantee the safety of the crew and the cargo being transported.

To achieve continuous reliability, shipping companies are required to entrust its operations to employees with the right competencies, which will with responsible management successfully conclude each trip. Our sailors and employees are key to achieving these objectives and therefore TNG is determined to attract and retain the best candidates. In addition to quality and motivated employees well maintained vessels are the key to successful and timely completed voyages. Good maintenance of ships and ship systems is crucial to minimize the possibility of failures, delays and errors that can manifest in negative externalities for the society.

TNG key stakeholder group:

Goals of UN's Sustainable development.

UN sustainable development goals achievement

Environmental protection

The Policy of managing TNG fleet is to ensure that all owned or managed vessels are operated to comply with all necessary requirements to protect the Environment and in compliance with the existing International Conventions, Administration or other applicable Regulations, which will further help to achive the 17 goals of UN's Sustainable development.

It shall be accomplished through the implementation of the following:

- Taking precautions to protect through the environment in which the Company's ships operate.
- High standards in operating and maintaining Company's ships.
- Responding to hazards quickly, efficiently and with the minimum possible impact to the environment and natural resources.
- Commitment to continuous improvements in our environmental performance and pollution prevention across all our activities.
- Correct treatment and handling of cargo products being transported, bunker and lubrication oils purchased, paints, chemicals, solvents, other consumables materials and in order to comply with statutory rules and regulations.
- Assessing identified risks for possible environmental impacts originating from the various environmental aspects of shipping business.
- Train crew to prevent accidental and whenever possible operational discharges of pollutants to the environment.

All shore based and shipboard personnel of Tankerska group are strictly required to adhere to this Policy by fully complying with all requirements of the Company as well as all applicable industry, administration, national and international regulations.

Tankerska Next Generation is committed to make efficient use of energy aboard its ships with the purpose of preserving natural resources, reducing atmospheric emissions and helping to mitigate the effects of climate change.

These objectives are mainly achieved through the delivery of four Eco-Design product tankers in 2015. Eco ships have various improvements to its operating system, such as improved engines and improved larger propellers which reduce fuel consumption. The new generation of engines and other improvements in the operating system on the eco-designed ships can provide a significant reduction in fuel consumption and emissions into the atmosphere, including CO_2.

Climate change caused by CO_2 emissions pose a threat to the environment and wildlife and can pose operational and commercial challenges for the business operations of Tankerska Next Generation.

Work on reducing CO_2 emissions into the air and our commitment to curb CO_2 emissions and other harmful gases in the atmosphere has proved positive for the fleet, since in the same way it helped reduce fuel consumption, and thereby increase the efficiency of the fleet.

Eco-design of our fleet allows compliance with various regulatory issues, including emissions (NO, CO, C02, C), and ease of implementation of the ballast water treatment system (BWT), in order to meet the regulatory requirements and thus further reduce the environmental impact.

Economic sustainability

Contribution to economic prosperity

Tankerska Next Generation regularly and transparently calculates and pays taxes, contributions and other fees pursuant to the regulations of the Republico of Croatia. By doing this, the Company contributes substantially to the functioning and development of numerous activities important to everyday life in the community.

TNG keeps proper accounting records, which will at any time with reasonable accuracy present the financial position of the Company and comply with the Croatian Accounting Law.

Our financial obligations towards suppliers are executed within the set deadlines, and in this way we contribute to the optimization of delivery channels.

Optimization of delivery channels

Tankerska Next Generation seeks to optimize the delivery chains in which it operates and thus contribute to the efficiency of its operations, and the operations of all parties, and interest groups involved in the delivery channels. Every day lost due to barriers in the supply chain drives up the costs, but if coupled with understanding and customer experiences from the field, inefficiencies can be eliminated. TNG endures on it through the adjustment of its business with a variety of industrial protocols and by adopting quality standards. Furthermore, we are looking for the highest quality standards from our suppliers, as well as to comply with ethical guidelines that must include respect for fundamental human rights, labor standards, the attitude towards the environment and employees.

Market relations

Good practices of Corporate governance

Tankerska Next Generation as a business entity that operates and develops its business in the Croatian and international market, is aware of the importance of responsible and ethical conduct of business entities as a necessary precondition for developing quality relations and loyal competition between business partners, and for the effective functioning of the market and the integration of the Croatian economy. The Company is developing and operating in accordance with good corporate governance practice and strives to practice business strategies and business policies which result in transparent and efficient business operations and quality relations with the business environment in which it operates.

Corporate responsibility

Alongside with compliance with good practices of corporate governance, the key of successful and timely conducted transport is vessel maintenance. That is the cornerstone of good market relations with our clients. Well maintained vessels are key to ensure on-time delivery and a smooth voyage. It can prevent expensive delays, idle costs and repairs, and ultimately keep crew and cargo from undue risks.

All our vessels are equipped with modern technologies that are safer for the nature and the environment. Technology is considered as good as the people who operate it. That is precisely the reason we take care that all our employees are well aware of the ship's equipment and systems, and that is the reason why we constantly hold trainings and lectures. We build new vessels in close cooperation with shipyards, sharing our experience and know how in the design process as well as during the actual construction. We order our vessels exclusively in shipyards which can achieve the highest world standards.

Anti corruption

Corruption impedes access to global markets and constitutes barriers for economic and social development around the world. For businesses in the maritime sector, corruption also escalates costs, endangers the safety and well-being of the crew and poses legal and reputational risk.

Although good business relations in different parts of the world are differently defined and denominated, Tankerska Next Generation adopted a zero tolerance on corruption and this attitude is held in our business relationships. Anticorruption program obliges all employees of Tankerska Next Generation, regardless of the level and position that they have to report any attempt of corruptive behavior towards them or others. In achieving these goals, employee training, alongside control is a key tool. Anti-corruption training sessions are conducted through daily individual training of our employees, while the code of conduct of our employees is defined in the Code of Corporate Governance Tankerska Next Generation.

In order to ensure an efficient fight against corruption employees of Tankerska Next Generation, whether on land or at sea, have continuous access to local intranet through which they can promptly report any form of corruption to the designated department.

Work environment

Stimulating workplace

Tankerska Next Generation is actively involved in creating a positive, safe and motivating working environment for all employees through: Opportunities for lifelong learning and investment in the competence of its employees through professional training, incentives for innovation, recognizing individuals and teams which achieve best results, the system of rewarding the employees and the possibility of career development within the Group, a high degree of safety in the workplace, recreation and socializing through sports, flexible working hours and modern workplace with all necessary tools to work.

Culture of diversity

Even though shipping is considered a male dominated area, the Group encourages employment of women, both on land and sea. TNG and its fleet manager Tankerska Plovidba through 60 years of tradition developed a culture that appreciates differences which is manifested in equal opportunities for all employees, regardless of sex, race or religion. We see diversity of our employees as an advantage which brings added value to business, and helps achieving Company objectives.

Zero accidents

Operating at sea involves health, safety and security risks that must always be managed carefully to safeguard the crew, the cargo, the environment and the vessel. A healthy and safe working environment for employees comes before anything else. All employees must return home from work safely.

This means that TNG's ambition is zero accidents and that the Company operates by the principle that no injury or environmental incident is acceptable.

To support our safety culture, TNG has in place a safety management system and safety policy, compliant with the International Safety Management Code. Each year Tankerska Plovidba conducts monitoring of standards of Health, Safety, Quality, Environmental & Energy Management for the fleet.

The product tankers of TNG are constantly tested by the inspectors of large oil companies and the port authorities to determine that the fleet is in according to regulatory and safety requirements of navigation.

Care for health, safety and future

Regular medical check-ups are organized for all employees in the Company once a year, the check-ups include the highest level of diagnostics at a prominent hospital. The results of medical examinations are thoroughly analysed, and preventive health measures are undertaken to reduce diseases of employees.

The company contracted the collective accident insurance with hospital days for all employees, which provides additional employees safety in the workplace and outside of it, as are insured in case of accident, illness, disability, serious neurological condition, and death.

A monthly payment of the Company in the voluntary pension fund for each employee ensures the long-term savings and additional benefits that are thus achieved, so that our employees can better dedicate their business tasks. In this way, our employees provide independent savings with regular returns.

Community relations

Proffesionals who contribute the community

Continuous service reliability requires that shipowners are able to bring the right competencies and leadership skills into play on each trip. Recognising that the workforce at sea is instrumental in this ambition, NORDEN wants to attract and retain the best people and be the preferred employer in the market.

On-board training, early action on maintenance and high-quality workmanship are continuous priorities to TNG to deliver a consistent and safe service to customers. Reliability and customer understanding have been strong contributory factors in TNG landing a series of long term contracts.

Our crew is highly qualified, they pride themselves on being team players who are motivated and dedicated to the company. The crew is homogeneous, as most of them have worked on Tankerska plovidba's vessels throughout their careers.

Most of the crew on board graduated in Zadar's Nautical high school and the Zadar Nautical College. They frequently serve on the same teams, knowing their colleagues and the ship's operations thoroughly, which contributes to their homogeneousness and success as a team.

Tankerska Next Generation employees a crew of over 250 seafarers, mostly from the Zadar region which certainly contributes to the development of our region as the gross wages of seamen employed on ships of TNG are significantly above the Croatian average.

Cooperation with the academic community

Tankerska Next Generation is always happy to respond to numerous inquiries from the academic community, we participate in many polls, and our employees are happy to provide assistance to students dealing with maritime and economic topics in their presentations and dissertations. Member of the Board, Mr. John Karavanić, during 2017 participated in the debate club of Faculty of Economics in Zagreb, giving a lecture as part of the "Uhvati me za riječ" programme ("Take my word" programme).

Annual company status report for the year 2019

Signed on behalf of the Management Board by:

John Karavanić
Member of the Management Board
Tankerska Next Generation

Zadar, April 24th, 2020

SUPERVISORY BOARD REPORT FOR 2019
TANKERSKA NEXT GENERATION d.d.

Pursuant to Article 263, paragraph 3, Article 280, paragraph 3, and Article 300c and d. of the Companies Act (Official Gazzette, no. 152/11 - consolidated text, 111/12 and 68/13), the Supervisory Board TANKERSKA NEXT GENERATION Inc. at its 29. session held on 29th April 2020 adopted the

THE SUPERVISORY BOARD OF TANKERSKA NEXT GENERATION'S REPORT ON THE EXECUTED SUPERVISION OF THE COMPANY'S OPERATIONS IN 2019

Tankerska Next Generation (TNG) is a company incorporated in August 2014. which owns and operates a fleet of MT product tankers which provides international seaborne transportation services of derivates, chemicals, and oil to the national oil companies, oil majors, and derivates, chemicals and oil traders. The main markets in which the Company operates is the international maritime transport of oil products and edible oil, and therefore provides transport services to large energy companies, large oil retailers and large manufacturers of oil and oil products and various other entities that depend on sea transport.

Today TNG operates a fleet of 6 vessels, two conventional MR ice class product tankers MT Velebit and MT Vinjerac, and four modern ECO designed MR product tankers; MT Zoilo, MT Vukovar, MT Dalmacija i MT Pag.

During 2019, until August 21st the Supervisory board had the following structure which was set up in 2016.: Mr. Ivica Pijaca, president, Mr. Mario Pavić, deputy president, Mr. Joško Miliša, member, Mr. Nikola Mišetić, member, Mr. Nikola Koščica, member. As of August 21st the Supervisory board consists of Mr. Ivica Pijaca, president, Mr. Mario Pavić, deputy president, Mr. Nikola Koščica, member Mr. Joško Miliša, member, and Mr. Dalibor Fell member with four-year mandates.

As of 31.12.19. the Group held five time charterss, while six time charters are currently held, of which five were signed in accordance with customary market practices and are based on industry standard conditions for such contracts while one has a minimum daily hire with profit share above the minimum in a 50:50 split with the charterer. During the first quarter of 2019, a 12 month time charter contract for MT Dalmacija was concluded at USD 16,000 per day with Trafigura Maritime Logistics as the charterer.
In mid-March 2019 Tankerska Next Generation concluded one-year employment for the conventionally designed ice class product tanker MT Velebit. The tanker was on time charter with Clearlake Shipping as the charterer with a contracted rate of USD 14,500 daily. In mid-May the company concluded employment for the ECO class MT Vukovar and MT Pag. The tankers were on time charter with Koch Shipping for a period of 6 to 12 months.
A short term time charter MT Vinjerac has with Clearlake Shipping expired at the beginning of Q2 2019 after which the vessel was employed on the spot market.
MT Zoilo was redelivered in July of 2018 after which she was employed in direct continuation in the already mentioned profit sharing modality with a minimum hire rate, evaluating this as an employment mode which represents and optimum strategy in using the commercial potential of the fleet.

Despite relatively grim market conditions that characterized the first three quarters of 2019, Tankerska Next Generation generated an EBITDA of US $ 16.7 million, relying on vessels that held chartered contracts on time, with a solid input from vessels operating on the spot market.

The vessel Dalmacija's carrying amount was reduced by 2% of the estimated market value since her book value by the Management's estimates exceeded the estimated DCF value. A loss of 4.688 million HRK (USD

0.705m) was shown as an expense in the profit and loss statement and will be exhibited under the financial notes report.

TNG has completed its business year in 2019 with USD 268m HRK in revenue (USD 40.5m), which slightly decreased in comparison to the previous year , while EBITDA amounted to HRK 110.4m (USD 16.7 million), which in kunas compared to HRK 87.9m realized in 2018 is an increase of 25.0%. The net profit of TNG was 23.34 million HRK (USD 3,55m).

EBIT in 2019 amounted to HRK 53.2m (USD 8.1m) and is the result of (i) stable income of time charters, (ii) contributions from the spot market and (iii) the loss generated from the evaluation of MT "Dalmacija".

The average vessel's TCE net daily rate during 2019 was recorded at USD 14,794 and shows a significant increase compared to a level of USD 13,201 per day in 2018 and is in line with changes in market conditions with less spot market exposure.

Adjusting the fleet employment strategy to the current market conditions offered management enough flexibility to ease the current market volatilities and resulted in an increase of revenues during the reporting period. Using this mix between voyage and time charter contracts allows Tankerska Next Generation to timely react to the expected long-term positive changes in the freight rate market. An intensive focus on the cost effectiveness of the fleet operations allowed TNG to maintain expenses on last year's level which helped to build solid foundations for the business operations in 2020.

Following some of the key indicators during the first quarter of 2020, mostly caused by the pandemic and the trade conflict between S. Arabia and Russia, such as a fall in oil demand, which shows volatility and a fall in price, which in turn leads to the leasing of vessels as storage space, the collapse of global economic activity and the unprecedented increase in oil and petroleum products reserves, it is possible to expect additional demand of tonne miles in the product tanker segment in search of storage capacity. With the return to the post-pandemic period and the market analyses and projections of the order book available in the market, we expect the market to rise in the medium term. In the coming quarters, TNG management will focus on activities aimed at achieving the optimal structure of employment and securing the necessary resources to continue a balanced business and changes in the regulatory environment related to the entry into force of regulations on the application of the ballast water convention and the provision of the necessary resources to implement the current regulations.

The Supervisory Board report was prepared for 2019 and includes the period of business operations of Tankerska Next Generation Inc. (The Company) from 1st January 2019 to 31st December 2019.

The Supervisory Board of the Company (Supervisory Board), in accordance with the powers established by the Companies Act and the Articles of Association of the Company, continuously supervised the conduct of the Company's business operations during 2019, making decisions and conclusions on the six meetings held in 2019. Through the Auditing committee, the Board focused on the area of internal and external auditing and thus further emphasized and considered the minimization of business risk.

By supervising the Company's business operations during 2019, the Supervisory Board discussed key issues related to the operations of the Company and its subsidiaries and was regularly reported by the Company's Management. Management reported to the Supervisory Board on all major business events, income and expenses, capital investments, and the current business status. The Management Board regularly submitted written business reports to the Supervisory Board on quarterly, semi-annual and annual basis.

During 2015, regular shares of the Company were included in the regulated capital market and the Code of Corporate Governance of the Zagreb Stock Exchange and HANFA began to apply. The Supervisory Board established the Audit Committee. Remuneration and appointment committees have not been appointed during the business year 2019 given the totality of the operations and the specifics of the Company's organization and will be established as "ad hoc" bodies of the Supervisory Board, according to the needs and guidelines of the new codex of corporate governance of the ZSE. The Supervisory Board discussed and received a report on the work of the Audit Committee for 2019. (Luka Babić, President, Genarij Sutlovic, member, Mario Pavić, member).

By reviewing the Company's business operations, the Supervisory Board found that in 2019 the Company operated in compliance with the law, the Company's Articles of Association, and the decisions of the Company's General Assembly.

Within the statutory deadline pursuant to Article 300 C. of the Companies Act, the Supervisory Board examined the Annual Financial Statements of the Company and Subsidiaries for the year ended 31 December 2019 together with the opinion of the Independent Auditor Deloitte d.o.o. Zagreb, Zagrebtower, Radnička 80 (Auditor), filed by the Management of the Company.

The Supervisory Board has also received the Related Party Transactions Report from the Management in accordance with Article 497 of the Companies Act.

The Supervisory Board has determined that the Company's Annual Financial Statements for the year ended 31 December 2019 have been prepared in accordance with the Company's business records and show the Company's and its affiliated companies' fair and good business standing.

The Company operates in a specific business environment where business processes and reporting methods are regulated by a special regulation, the national maritime law, which prescribes how to conduct business books, reporting and other regulatory obligations to the government bodies.

In accordance with such findings, the Supervisory Board agrees with the Annual Financial Statements for 2019 and the opinion of the Auditor, and pursuant to the Article 300.d of the Companies Act, the Management and the Supervisory Board accept and establish the Company's Annual Financial Statements.

An integral part of the Annual Financial Statements of the Company and its subsidiaries for the business year ended 31 December 2019 are:

1. Statement of profit and loss and other comprehensive income;
2. Statement of financial position of the company;
3. Statement of cash flows;
4. Statement of changes in shareholders' equity;
5. Notes to the financial statements:
6. Annual Report of the Company and its subsidiaries and
7. Independent Auditor's opinion

The Supervisory Board examined the Annual Report of the Management Board of the Company and its subsidiaries for 2019 and found that it is accurate and objective in presenting the current business situation and the situation of the Company and its subsidiaries. In accordance with such findings, the Supervisory Board accepted the Management Board's report on the Company's and subsidiary's status for the business year 2019.

The Management Board presented to the Supervisory Board a proposal of the Decision on the distribution of the Company's Profit for the Year 2019 which determines that the Company's profit for 2019 is 23.340m HRK should be allocated to mandatory reserves and to retained profit.

The Supervisory Board agrees with the proposed proposal of the Decision on the distribution of the Company's Profit for 2019 and proposes to the General Assembly of the Company the adoption of such a decision.

Ivica Pijaca
President of the Supervisory board


NO SMOKING

Tankerska Next Generation d.d. Zadar

Annual report

For the year ended 31 December 2019

together with Independent Auditor's Report

This version of the auditor`s report is translation from the original, which was prepared in the Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over this translation.

Content

Responsibility for the financial statements

Pursuant to the Accounting Act of the Republic of Croatia, the Managing Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union (the EU) which give a true and fair view of the financial position at the reporting date and results of operations of Tankerska Next Generation d.d. and its subsidiaries (hereinafter: “TNG”) for that period.

After making enquiries, the Management Board has a reasonable expectation that TNG has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Management Board has prepared these financial statements under the assumption that TNG will continue as a going concern.

In preparing those financial statements, the Management Board is responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making reasonable and prudent judgments and estimates;
- following applicable accounting standards and disclosing and explaining any material departures in the financial statements; and
- preparing the financial statements under the going-concern assumption unless the assumption is inappropriate.

The Management Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of TNG and for its compliance with the Croatian Accounting Act. The Management Board is also responsible for safeguarding the assets of TNG, and hence for taking reasonable steps for the prevention and detection of embezzlement and other illegal acts.

The Management Board authorised these financial statements for issue on 24th of April 2020.

Signed on behalf of the Management Board by:

John Karavanić,
Member of the Management Board

Tankerska Next Generation d.d.
Božidara Petranovića 4
23000 Zadar
Republic of Croatia

24th of April 2020

Deloitte.

Deloitte d.o.o.
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Tankerska Next Generation d.d.

Opinion

We have audited the accompanying financial statements of Tankerska Next Generation d.d., Zadar and its subsidiaries (hereinafter jointly referred to as "TNG"), which comprise the statement of financial position at 31 December 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies ("financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of TNG at 31 December 2019, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditing and International Standards on Auditing (ISAs). Our responsibilities under those standards are described further in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of TNG in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 1 *General information*, which describes that these financial statements comprise of the financial statements of Tankerska Next Generation d.d. and its foreign subsidiaries that Tankerska Next Generation d.d. controls and for which it is in obligation to keep business records and prepare financial statements for the full operations in the country and abroad according to the article 429.a paragraph 4. of the Maritime Code (Official Gazette of the Republic of Croatia "Narodne novine" nos. 181/04., 76/07., 146/08., 61/11., 56/13., 26/15. and 17/19.) has the obligation to maintain business records and prepare financial statements for integrated domestic and foreign operations, including all shipping companies in its majority ownership that perform the economic activities using the ships the net tonnage of which is included in the tonnage tax assessment. Our opinion is not modified in respect of this matter.

Key Audit Matters

The key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

This version of the auditor`s report is translation from the original, which was prepared in the Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over this translation.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Key audit matter	***Valuation of vessels*** *For accounting policies regarding the identified key audit matter reffer to Note 2e, 2i, 2v, 2w, 2x and 2bb, for additional information reffer to Note 7 and 14 in the financial statements.*

As at 31 December 2019 the carrying amount of the vessels managed by TNG was HRK 1,162,133 thousand e.g. USD 174,759 thousand.

As per IAS 36 "Impairment of assets" at the end of each reporting period, Management is required to assess whether there is any indication that an asset may be impaired (i.e. its carrying amount may be higher than its recoverable amount). If there is an indication that an asset may be impaired, then the asset's recoverable amount must be calculated.

An impairment loss is recognized in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

The Management Board prepares impairment based on discounted cash flows, at least when preparing the annual financial statements. Testing is based on the estimated recoverable amounts per cash generation units, defined as the higher of fair value less estimated costs of disposal and value in use.

The most critical assumption regarding valuation of vessels are the long-term freight time charter rates and voyage charted, as well as the weighted average cost of capital (WACC).

For the purposes of assessing the key assumption are established on the average derived from available estimates of the value of independent naval agents.

Auditor's approach to the Key Audit Matters

Our procedures in relation to management's impairment assessment of vessels included:

• assessing the value-in-use models developed by the Management Board, including the consideration of the valuation methodology and the reasonableness of the underlying key assumptions and inputs based on our knowledge of the operations and the relevant industry and relying on the available supporting evidence such as cost budgets and forecasts and data observed on the market, which relate to future freigh hires, interests rates and other. Furthermore, we reviewed the commitments contained in the underlying contracts;

• assessing the key assumptions made by the Management, including its consideration of the expected future short- and long-term rates, daily running costs, WACC, useful lives, residual values and macroeconomic assumptions;

• examining, on a test-basis, the committed cash inflows and cash outflows in the value-in-use calculation;

• checking the calculations of fair value less cost of disposal for vessels done by the Management Board, including a comparison of the carrying amounts of the vessels with available valuations prepared by an external and independent ship valuation broker;

• assessing the useful lives and residual values applied by the Management.

INDEPENDENT AUDITOR'S REPORT (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. With respect to the Management Report and the Corporate Governance Statement, which are included in the Annual Report, we have also performed the procedures prescribed by the Accounting Act. These procedures include examination of whether the Management Report includes required disclosures as set out in the Articles 21, 22 and 24 of the Accounting Act and whether the Corporate Governance Statement includes the information specified in the Articles 22 and 24 of the Accounting Act.

Based on the procedures performed during our audit, to the extent we are able to assess it, we report that:

1. Information included in the other information is, in all material respects, consistent with the attached annual financial statements.

2. Management Report has been prepared, in all material respects, in accordance with Article 21 and 24 of the Accounting Act.

3. Corporate Governance Statement has been prepared, in all material aspects, in accordance with the Article 22, paragraph 1, items 3 and 4 of the Accounting Act, and includes also the information from Article 22, paragraph 1, point 2, 5, 6 and 7, and Article 24, paragraph 2 of the noted Act.

Based on the knowledge and understanding of the Company and its environment, which we gained during our audit of the financial statements, we have not identified material misstatements in the other information. We have nothing to report in this respect.

Responsibilities of the Management and Supervisory Boards for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs adopted by the European Union and for such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Board is responsible for assessing the ability of TNG to continue as a going concern, including, where appropriate, whether the use of the going concern basis of accounting is appropriate. The use of the going concern basis of accounting is appropriate unless the Management Board either intends to liquidate TNG or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing TNG's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Other reporting obligations prescribed by EU Regulation no. 537/2014 of the European Parliament and of the Council and the Audit Act

The General Assembly of TNG appointed us an Auditor of the Company on July 4, 2019 for the purpose of auditing the accompanying financial statements. Our uninterrupted engagement lasts for a total of six years and relates to the period from 1 January 2014 to 31 December 2019.

We affirm the following:

- Our audit opinion on the accompanying financial statements is consistent with an additional report issued to the TNG Audit Committee on April 24, 2020, in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council;

- No unauthorized non-broadcasting services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

In addition to the services provided by the TNG and the companies under its control, we did not provide services other than those services that were published in the Annual Report.

The engagement partner on the audit resulting in this independent auditor's report is Marina Tonžetić.

For signatures, please refer to the original Croatian auditor`s report, which prevails.

Marina Tonžetić,

Director and Certified Auditor

Deloitte d.o.o.

Radnička cesta 80,

10 000 Zagreb,

Republic of Croatia

Zagreb, 24th of April 2020

Statement of profit or loss and other comprehensive income
for the year ended 31 December 2019

(all amounts are expressed in thousands of USD and thousands of HRK)

	Notes	2019 *USD*	2019 *HRK*	2018 *USD*	2018 *HRK*
REVENUE					
Vessel revenue	3	40,508	267,944	47,399	297,586
Other income	3	117	765	389	2,443
Total income		**40,625**	**268,709**	**47,788**	**300,029**
OPERATING EXPENSES					
Voyage expenses	4	8,124	53,686	16,709	104,903
Vessel operating expenses	5	14,996	99,333	15,143	95,076
Cost of fuel sold to charterers		-	-	1,000	6,276
Amortisation	6	7,914	52,506	8,183	51,377
Vessel value adjustment	7	705	4,688	627	3,939
General and administrative expenses	8	819	5,420	933	5,855
Total operating expenses		**32,558**	**215,633**	**42,595**	**267,426**
Profit from operations		**8,067**	**53,076**	**5,193**	**32,603**
Financial income	9	64	419	689	4,327
Financial expenses	10	(4,586)	(30,155)	(4,881)	(30,646)
Net financial (income)/expense		**(4,522)**	**(29,736)**	**(4,192)**	**(26,319)**
Tax tonnage per ship	11	-	-	-	-
Net income		**3,545**	**23,340**	**1,001**	**6,284**
Income tax	12	-	-	-	-
Profit of the year		**3,545**	**23,340**	**1,001**	**6,284**
Earning per share, basic and diluted	13	0.41	2.68	0.11	0.72
Other comprehensive income					
Items not reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		1	17,667	(1,542)	19,757
Total comprehensive income		**3,546**	**41,007**	**(541)**	**26,041**

The accompanying notes form an integral part of these financial statements.

Statement of financial position

for the year ended 31 December 2019

(all amounts are expressed in thousands of USD and thousands of HRK)

	Notes	At 31 December 2019 *USD*	At 31 December 2019 *HRK*	At 31 December 2018 *USD*	At 31 December 2018 *HRK*
NON-CURRENT ASSETS					
Vessels and equipment	14	175,175	1,164,900	183,377	1,186,302
Financial assets		16	109	16	106
Total non-current assets		**175,191**	**1,165,009**	**183,393**	**1,186,408**
CURRENT ASSETS					
Inventories	15	807	5,361	2,130	13,779
Trade and other receivables	16	2,416	16,063	3,990	25,806
Prepaid expenses and accrued income	17	487	3,241	702	4,543
Cash and cash equivalents	18	10,182	67,712	8,716	56,389
Total current assets		**13,892**	**92,377**	**15,538**	**100,517**
Total assets		**189,083**	**1,257,386**	**198,931**	**1,286,925**
SHAREHOLDERS' EQUITY AND RESERVES					
Share capital	19	68,988	436,667	68,988	436,667
Share premium		10,179	68,426	10,179	68,426
Reserves	19	9,075	58,951	9,026	58,637
Exchange differences	19	(4,123)	10,994	(4,124)	(6,673)
Retained earnings		15,918	90,196	12,422	67,170
Total capital and reserves		**100,037**	**665,234**	**96,491**	**624,227**
NON-CURRENT LIABILITIES					
Interest-bearing loans and borrowings	20	74,792	497,362	86,174	557,476
Total non-current liabilities		**74,792**	**497,362**	**86,174**	**557,476**
CURRENT LIABILITIES					
Interest-bearing loans and borrowings	20	9,382	62,387	11,382	73,630
Trade and other payables	21	1,789	11,896	4,053	26,216
Accrued expenses and deferred income	22	3,083	20,507	831	5,376
Total current liabilities		**14,254**	**94,790**	**16,266**	**105,222**
Total liabilities		**89,046**	**592,152**	**102,440**	**662,698**
Total shareholders' equity and liabilities		**189,083**	**1,257,386**	**198,931**	**1,286,925**

The accompanying notes form an integral part of these financial statements.

Statement of cash flows

for the year ended 31 December 2019

(all amounts are expressed in thousands of USD and thousands of HRK)

	Notes	2019 USD	2019 HRK	2018 USD	2018 HRK
OPERATING ACTIVITIES					
Profit for the year		3,545	23,340	1,001	6,284
Adjusted by:					
Amortisation	14	7,914	52,506	8,183	51,377
Vessel value adjustment	14	705	4,688	627	3,939
Interest expense	10	4,570	30,067	4,757	29,868
Interest income	9	(58)	(381)	(684)	(4,291)
Exchange differences from related-party transactions	9	(6)	(38)	124	778
Net change in foreign exchange differences	9, 10	20	979	95	322
		16,690	**111,161**	**14,103**	**88,277**
Changes in working capital					
Increase in current receivables		690	3,932	(1,452)	(9,115)
Increase/(decrease) in inventories	15	1,324	8,418	(861)	(5,409)
Decrease in current liabilities	21, 22	988	7,152	1,418	8,900
Interest paid		(4,599)	(30,399)	(4,101)	(25,745)
Interest received		188	1,229	12	75
Cash flows from operating activities		**15,281**	**101,493**	**9,119**	**56,983**
INVESTING ACTIVITIES					
Cash paid for purchases of vessels and equipment	21, 14	(416)	(2,776)	-	-
Other expenditures		(1)	(4)	(55)	(346)
Cash flows from investing activities		**(417)**	**(2,780)**	**(55)**	**(346)**
FINANCING ACTIVITIES					
Received loans		-	-	-	-
Repayments of received loans		(13,382)	(88,264)	(9,667)	(60,692)
Dividends paid		0	0	(833)	(5,228)
Cash flows from financing activities		**(13,382)**	**(88,264)**	**(10,500)**	**(65,920)**
Net (decrease)/increase in cash and cash equivalents		**1,482**	**10,449**	**(1,436)**	**(9,283)**
Effects of exchange rate changes on the balance of cash		**(16)**	**874**	**(23)**	**1,880**
Cash and cash equivalents at beginning of period		**8,716**	**56,389**	**10,175**	**63,792**
Cash and cash equivalents at end of period	18	**10,182**	**67,712**	**8,716**	**56,389**

The accompanying notes form an integral part of these financial statements.

Statement of changes in shareholders' equity

for the year ended 31 December 2019

(all amounts are expressed in thousands of USD and thousands of HRK)

	Share capital	Retained earnings	Foreignexchange differences reserve	Other reserves	Share premium	Purchase of own shares	Total
	USD	USD	USD	USD	USD	USD	USD
Balance at 31 December 2017	**68,988**	**10,388**	**(2,582)**	**9,412**	**10,179**	**(143)**	**96,242**
Profit for the year	-	1,001	-	-	-	-	1,001
Exchange differences on translation of foreign operations	-	-	(1,542)	-	-	-	(1,542)
Total comprehensive income	**-**	**1,001**	**(1,542)**	**-**	**-**	**-**	**(541)**
Transfer to other reserves	-	243	-	(243)	-	-	-
Paid dividend	-	790	-	-	-	-	790
Balance at 31 December 2018	**68,988**	**12,422**	**(4,124)**	**9,169**	**10,179**	**(143)**	**96,491**
Profit for the year	-	3,545	-	-	-	-	3,545
Exchange differences on translation of foreign operations	-	-	1	-	-	-	1
Total comprehensive income	**-**	**3,545**	**1**	**-**	**-**	**-**	**3,546**
Transfer of other reserves	-	(49)	-	49	-	-	-
Paid dividend	-	-	-	-	-	-	-
Balance at 31 December 2019	**68,988**	**15,918**	**(4,123)**	**9,218**	**10,179**	**(143)**	**100,037**

The accompanying notes form an integral part of these financial statements.

(all amounts are expressed in thousands of USD and thousands of HRK)

	Share capital	**Retained earnings**	**Foreign-exchange differences reserve**	**Other reserves**	**Share premium**	**Purchase of own shares**	**Total**
	HRK	**HRK**	**HRK**	**HRK**	**HRK**	**HRK**	**HRK**
Balance at 31 December 2017	**436,667**	**67,725**	**(26,430)**	**58,027**	**68,426**	**(997)**	**603,418**
Profit for the year	-	6,284	-	-	-	-	6,284
Exchange differences on translation of foreign operations	-	-	19,757	-	-	-	19,757
Total comprehensive income	**-**	**6,284**	**19,757**	**-**	**-**	**-**	**26,041**
Paid dividend	-	(5,232)	-	-	-	-	(5,232)
Transfer to other reserves	-	(1,607)	-	1,607	-	-	-
Balance at 31 December 2018	**436,667**	**67,170**	**(6,673)**	**59,634**	**68,426**	**(997)**	**624,227**
Profit for the year	-	23,340	-	-	-	-	23,340
Exchange differences on translation of foreign operations	-	-	17,667	-	-	-	17,667
Total comprehensive income	**-**	**23,340**	**17,667**	**-**	**-**	**-**	**41,007**
Paid dividend	-	-	-	-	-	-	-
Transfer to other reserves	-	(314)	-	314	-	-	-
Balance at 31 December 2019	**436,667**	**90,196**	**10,994**	**59,948**	**68,426**	**(997)**	**665,234**

The accompanying notes form an integral part of these financial statements.

1. GENERAL INFORMATION

History and incorporation

Tankerska Next Generation d.d. is a public limited company established and registered in the Republic of Croatia on 22nd of August 2014. The Company's registered seat is in Zadar, Božidara Petranovića 4.

The Company's registered activities comprise the following:

1. Sea and coastal cargo transport
2. Sea and coastal passenger water transport
3. Services in sea transport:
   - Service activities incidental to sea transportation;
   - Rescue or removal of vessels or other propertythat may be subject to rescue on the sea surface, or if it is immersed, on the sea bottom;
   - Salvage and towage of ships and other maritime activities;
   - Supply of ships, boat and yachts with motor fuel;
   - Pilotage in coastal waters of the Republic of Croatia;
   - Intermediation incidental to water transportation;
   - Rental of vessels;
   - Domestic and international road passenger and freight transport;
   - Agency activities involved in the domestic and international sale of machinery, industrial equipment, ships and aircraft;
   - Wholesale of liquid and gaseous oils and related products;
   - Building of ships and floating structures;
   - Supervision services to building of ships and floating structures;
   - Repair and maintenance of ships and boats.

The Company conducts its activities through its related party Tankerska Next Generation International Ltd., Marshall Islands.

Governance and management

In the period from 1 January 2019 to the 20 August 2019 of these financial statements the members of the Supervisory Board were as follows:

Ivica Pijaca	Chairman of the Supervisory Board
Mario Pavić	Deputy Chairman of the Supervisory Board
Nikola Koščica	Member of the Supervisory Board
Joško Miliša	Member of the Supervisory Board
Nikola Mišetić	Member of the Supervisory Board

(All amounts are expressed in thousands of USD and thousands of HRK)

1. GENERAL INFORMATION (CONTINUED)

Governance and management (continued)

In the period from 21 August 2019 to the issuance of these financial statements the members of the Supervisory Board were as follows:

Ivica Pijaca	Chairman of the Supervisory Board
Mario Pavić	Deputy Chairman of the Supervisory Board
Nikola Koščica	Member of the Supervisory Board
Joško Miliša	Member of the Supervisory Board
Dalibor Fell	Member of the Supervisory Board

The Management Board consists of one member - Mr. John Karavanić.

In the period from 1 January 2019 to the 4 July 2019 of these financial statements the members of the Audit Commitee were as follows:

Sergej Dolezil	Chairman of the Audit Commitee
Mario Pavić	Member of the Audit Commitee
Genarij Sutlović	Member of the Audit Commitee

In the period from 5 July 2019 to the issuance of these financial statements the members of the Audit Commitee were as follows:

Luka Babić	Chairman of the Audit Commitee
Mario Pavić	Member of the Audit Commitee
Genarij Sutlović	Member of the Audit Commitee

At 31 December 2019, there were 3 persons employed at the Company's administration (31 December 2018: 2 employees). At 31 December 2019 the crew of subsidiary Tankerska Next Generation International Ltd. consisted of 133 seamen on a contract basis (31 December 2018: 133 seamen on a contract basis).

(All amounts are expressed in thousands of USD and thousands of HRK)

1. GENERAL INFORMATION (CONTINUED)

The ownership structure as at 31 December 2019 is set out below:

	Number of shares	Ownership interest in %
Tankerska plovidba d.d.	4,454,994	51.01
PBZ Croatia Osiguranje Mandatory pension fund	839,000	9.61
Erste Plavi Mandatory pension fund	808,000	9.25
Raiffeisen Mandatory Ppension fund	752,036	8.61
Raiffeisen Voluntary pension fund	372,103	4.26
Other institutional and private investors	1,507,212	17.26
	8,733,345	**100.00**

These financial statements for the period ended 31 December 2019 comprise of the financial statements of Tankerska Next Generation d.d. and its foreign subsidiaries (shipping companies operating internationally) that Tankerska Next Generation d.d. controls from a single administrative seat and under single governance body, and for which it is in obligation to keep business records and prepare financial statements for the full operations in the country and abroad according to the article 429.a paragraph 4. of the Maritime Code (Official Gazette of the Republic of Croatia "Narodne novine" nos. 181/04., 76/07., 146/08., 61/11., 56/13., 26/15. and 17/19.) has the obligation to maintain business records and prepare financial statements for integrated domestic and foreign operations, including all shipping companies in its majority ownership that perform the economic activities using the ships the net tonnage of which is included in the tonnage tax assessment.

As subsidiaries of Tankerska Next Generation d.d. may not have the obligation, pursuant to the applicable legislation in the relevant domicile countries, to maintain business records and prepare financial statements in the respective countries of domicile, Tankerska Next Generation d.d. presents the assets and liabilities, revenue and expenses of its subsidiaries in its financial statements, as specified in the Accounting Act and the Profit Tax Act.

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with the underlying decision of the Management Board. Pursuant to the Croatian Companies Act, they have to be approved by the Supervisory Board.

The accounting policies set out below were applied consistently to all the periods presented.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union.

Initial application of new amendments to the existing standards effective for the current reporting period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **IFRS 16 "Leases" –** adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation **–** adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement **–** adopted by the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures **–** adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015 -2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording **–** adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019),

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **IFRIC 23 "Uncertainty over Income Tax Treatments" –** adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

This is the first set of financial statements adapting the applied IFRS 16 „Leases“. Except for the aforementioned, TNG has consistently applied the accounting policies on all periods presented in the financial statements.

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any significant changes in the Company's financial statements of TNG.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of initial application of IFRS 16 "*Leases*"

TNG initially applied IFRS 16 at 1 January 2019. The Company has used the following practical expedients when applying the cumulative approach to leases previously classified as operating leases applying IAS 17. The effects of the IFRS 16 application on financial statements of TNG are listed below.

i. Definition of a lease

Before, TNG declared initially whether a contract was a subject of an agreement or a lease in terms of "IFRIC 4 — Determining Whether an Arrangement Contains a Lease". Now, TNG assesses whether an agreement is a lease or determined as a lease through the definition of a lease. Before the transition to IFRS 16, TNG made use of available practical approaches to determine whether a contract was a lease contract, i.e. included a lease. TNG only adopted IFRS 16 for contracts which were initially determined as a lease. Contracts, that were initially not determined as leases in accordance with IAS 17 and IFRIC 4, were not again assessed whether they were a lease in accordance with IFRS 16.

ii. As a lessee

As a lessee, TNG leases office spaces and an automobile. Before these leases were in accordance with IAS 17 classified as operative leases on basis of whether all risks and advantages related to the asset were transferred to TNG.

The Company has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17, TNG:

- has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application;
- has not recognized the the right-of-use asset and liabilities for leases of assets with a low value;
- has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Initial application of new amendments to the existing standards effective for the current reporting period (continued)

Impact of initial application of IFRS 16 "*Leases" (continued)*

Payments related to short-term leases and leases with a low value are disclosed as an expense in profit or loss.

iii. As a lessor

TNG leases vessels. The lease contracts of the vessels are usually set on a fixed time period with the common option of extension. These leases were defined as operative leases. The options of extension or termination of the contract are included in these contracts, where it is certain that the lessee is going to accept the option. These circumstances are included to maximize the operative flexibility in the governance of contracts. During the determination of the contractual period, the management takes all details and circumstances into account, that generate an economic incentive for the lessee to extend or terminate the contract. The option of extension (or period extension after termination) are included in the lease circumstances, only if it is certain that the lease will be extended (or not terminated).

When a lease contract inherits a component that is related to the lease and a component that is not related to the lease, TNG separates the two components on basis of their relatively independent prices. For the allocation of payments in leasing contracts, TNG adopted IFRS 15 — Revenue from Contracts with Customers.

Before the transition to IFRS 16, TNG did not have to make any adjustments for leases in which TNG acts as the lessor.

iv. Impact on financial statements

The Adaption of IFRS 16 did not have an effect on the financial statements.

The accounting policies of leases are disclosed in note 2.p.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** - Interest Rate Benchmark Reform - adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Amendments to References to the Conceptual Framework in IFRS Standards** adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

TNG predicts that the initial apllication of the amendments to the existing standards will not lead to any material changes in the Company's financial statements.

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU at the date of issuing financial statements (The effective dates set out below apply to IFRSs as a whole):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

a) Functional and presentation currency

The functional currency of TNG is the Croatian kuna (HRK).

TNG presents its financial statements in two currencies, the Croatian kunas (HRK) according to the regulation of the Republic of Croatia and the US dollars (USD) according to the industry and business practice. The conversion of USD into HRK as the functional currency and the currency in which all business events are recorded, is performed in accordance with the relevant accounting standards. (note 2.d).

(All amounts are expressed in thousands of USD and thousands of HRK)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Functional and presentation currency (continued)

Accordingly, financial statements are stated in Croatian kunas and converted to US dollars as follows:

- Current exchange rate effective at the end of the financial year was applied for all asset and liability items except for the positions of the share capital and reserves which are carried at historical cost converted into USD as of the transaction date.
- For profit and loss and other comprehensive income items such as cash flow statements, the exchange rate on the transaction date was applied (in 2018: the average annual exchange rate was used).

In the financial statements stated in USD, the exchange differences arising from the conversion are credited or debited to Shareholders' equity and reserves.

The exchange rates applied in the conversion of the financial statements presented in Croatian kunas to US dollars were as follows:

USD/HRK	2019
31 December	6.649911

USD/HRK	2018
31 December	6.469192
2018 average exchange rate*	6.278406

*The average rate was determined for the period 1 January 2018 – 31 December 2018

The amounts in the financial statements are rounded to the nearest thousand.

b) Use of estimates and judgements

The preparation of the financial statements in accordance with IFRSs requires from management to make own judgements, estimates and assumptions that affect the application of accounting policies as well as reported amounts of assets and liabilities, income and expenses. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.
Key sources of estimation uncertainty and assumptions that affect the application of policies with significant effect on the amounts recognized in the financial statements are disclosed in paragraph 2.cc) of this note.

(All amounts are expressed in thousands of USD and thousands of HRK)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Basis of preparation

The financial statements are prepared on the basis of historical expense, with the exception of financial instruments that are stated at fair value.

The financial statements have been prepared under the going-concern assumption.

The financial statements TANKERSKA NEXT GENERATION d.d. include the assets, liabilities, revenues and expenses of the following subsidiaries fully (100 %) owned by Tankerska Next Generation d.d.:

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

Items of assets and liabilities, profit or loss are translated at the middle exchange rate of the Croatian National Bank, which was HRK 6.649911 for USD 1 at 31 December 2019 (31 December 2018: HRK 6.469192).

The carrying amount of direct and indirect investments of Tankerska Next Generation d.d. in its subsidiaries at 31 December 2019:

	USD	HRK	ownership share%
1. Tankerska Next Generation International Ltd., Majuro, Marshall Islands	75,938	508,398	100.00
2. Fontana Shipping Company Limited, Monrovia, Liberia	25,088	167,962	100.00
3. Teuta Shipping Company Ltd., Monrovia, Liberia	6,280	42,044	100.00
4. Vukovar Shipping, LLC, Majuro, Marshall Islands	15,170	101,562	100.00
5. Zoilo Shipping, LLC, Majuro, Marshall Islands	14,571	97,552	100.00
6. Pag Shipping, LLC, Majuro, Marshall Islands	14,003	93,749	100.00
Total	**151,050**	**1,011,267**	**100.00**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Foreign currencies

Transactions denominated in a foreign currency are converted into the domestic currency using the official middle exchange rate of the Croatian National Bank effective at the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated at the official middle exchange rate of the Croatian National Bank in effect at the reporting date. Any gain or loss arisen from a change in the exchange rate subsequent to the transaction date is included in the profit and loss account and reported within financial income and financial expenses respectively.

Transactions of foreign operations denominated in a foreign currency are translated to the functional currency at the transaction-date exchange rates. At each date of the statement of financial position, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Any gain or loss arisen from a change in the exchange rate subsequent to the transaction date is included in the profit and loss account and reported within financial income and financial expenses respectively.

Assets and liabilities of foreign operations are translated into domestic currency according to the middle exchange rate of Croatian National Bank valid on the reporting date, while for revenues and expenses and cash flows the middle exchange rate on the transaction date is applied. All exchange differences arisen on the retranslation are recognised in a separate component of equity.

Exchange differences resulting from the retranslation of the net investment in foreign entities are included in equity under translation reserve. On the sale of a foreign operation, the exchange differences are transferred to profit or loss.

e) Property, plant and equipment

Individual items of property, plant and equipment, including vessels (see 2.w and 2.bb), that meet the recognition requirements for assets are measured at cost. Cost includes the purchase price and all costs directly associated with bringing an asset to a working condition for its intended use. Items and equipment are recognised as non-current assets if their useful life is longer than one year and their unit cost exceeds HRK 3,500.

Subsequent to initial recognition, items of property, plant and equipment are recognised at cost less accumulated depreciation and any accumulated impairment losses.

Gains and losses from the disposal of the property, plant and equipment are recognised within other revenues or expenses in the statement of profit or loss and other comprehensive income depending on the result.

Subsequently incurred expenditure on an already recognised item of property, plant and equipment is capitalised, i.e. added to the cost when it is probable that the expenditure will bring further economic benefits and improve the item's performance beyond the one previously assessed. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Property, plant and equipment (continued)

Depreciation is provided separately for each major asset (vessels) based on a depreciable period of 25 years, whereas for minor assets it is provided on the basis of the relevant groups of assets. Depreciation is accounted for according to the expected useful life and the rates derived from it, depending on the group and subgroup of property, plant and equipment, using the straight-line method.

The estimated useful life for individual categories of assets is as follows:

- computers and telecom equipment	4 years

Depreciation of those assets commences when they are ready for use.

f) Financial assets

TNG initially recognizes financial asset allocation into business models and accordingly conducts a test of contractual cash flows. Subsequent measurement depends on allocation and test of contracted cash flows. Classification depends on the purpose for which the financial asset has been acquired. The Management determines the classification of financial assets at initial recognition and evaluates that decision at each reporting date. Given the characteristics and management of credit risk, TNG classifies its financial assets into the following business models, and consequently certain categories of measurements:

i. Financial assets in the business model held to collect - receivables from customers and other receivables, cash and cash equivalents. With the requirement of passing the cash flow test, which consists solely of principal payments and interest on the outstanding principal, financial assets are measured at amortized cost in this business model.

ii. Financial assets in the business model held to collect and sell - In this business model TNG holds financial assets managing liquidity risk. In this business model, subject to the requirement of passing the cash flow test, which consists solely of principal payments and interest on the outstanding principal, financial assets are measured at fair value through other comprehensive income.

iii. Financial assets in the business model held to collect and sell - in this business model TNG holds the financial assets it trades. In this business model, financial assets are measured at fair value through profit or loss.

(I) Financial assets measured at amortized cost

TNG measures financial assets at amortized cost if both of the following conditions are met:

• Financial assets are held within the business model for the purpose of holding financial assets for the purpose of collecting contractual cash flows,

• Contractual terms of financial assets arise from certain dates for cash flows that are solely principal payments and interest on the outstanding principal amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial assets (continued)

Financial assets at amortized cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognized in the income statement when the property ceases to be recognized, changed or reduced.

Financial assets at amortized cost include receivables from customers and other receivables, payable costs for the future period and accrued income, as well as deposits.

(II) Financial assets at fair value through profit or loss

This category includes financial assets held for trading. Financial assets are classified in this category if they are acquired primarily for the purpose of short-term sales or if so determined by the Management Board. Assets in this category are classified as short-term assets other than derivative financial instruments.

(III) Financial assets at fair value through other comprehensive income

TNG measures financial assets at fair value through other comprehensive income if both of the following conditions are met:

• Financial assets are held within the business model for the purpose of holding financial assets for the purpose of collecting or selling contractual cash flows,

• Contractual terms of financial assets arise from certain dates for cash flows that are solely principal payments and interest on the outstanding principal amount.

For debt instruments at fair value through other comprehensive income, interest income, exchange rate differences, write-downs or write-offs are recognized in the income statement and are calculated in the same way as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. After the cessation of recognition, the cumulative change in fair value recognized in other comprehensive income is recognized in the income statement and included under "Financial income / (expense)".

Financial assets at fair value through other comprehensive income are included in fixed assets unless the Management intends to sell an investment within a period of 12 months from the balance sheet date.

Financial assets at fair value through other comprehensive income are stated at fair value, except for investments in equity instruments that are not quoted in an active market and whose fair value can not be measured reliably; then it is stated at the cost of the investment.

All purchased and sold financial assets are recognized on the date of the transaction, ie on the date on which the TNG is obliged to buy or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets that are not stated at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investment are expired or when the TNG has transferred all the material risks and rewards of ownership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial assets (continued)

Changes in the fair value of monetary securities denominated in foreign currencies and classified as available for sale are used to analyze exchange rate differences resulting from changes in the amortized cost of securities and other changes in book value of securities.

Interest income and revaluation differences are recognized in the income statement and other changes in the carrying amount of other comprehensive income. Changes in the fair value of a financial asset that is allocated to a business model of holding for the purpose of billing and sale and, consequently, measured at fair value through other comprehensive income.

The fair value of listed equity investments is based on current bid prices. If the market for a financial asset is not active, the TNG establishes fair value using valuation techniques that take into account recent transactions under normal trading conditions and comparison with other similar instruments, discounted cash flow analysis and price setting models, maximum using market information and minimally relying on information specific to the business entity.

TNG recognizes an Expected Credit Loss (ECL) for all debt instruments that are not measured at fair value through profit or loss. Expected loan losses are based on the difference between contractual cash flows and all cash flows that TNG expects to receive. Expected loan losses are calculated on the basis of the historical loss rate, resulting from uncollected cash flows per financial instrument. This loss rate applies to the financial assets of the degree defined below.

For credit exposures for which there has been no significant increase in credit risk from initial recognition, expected credit losses are recognized for credit losses arising from the probability of default in the next 12 months (expected 12-month credit losses). For credit exposures with a significant increase in credit risk from initial recognition, a correction is required for expected credit losses throughout the life of the facility, regardless of the time of borrowing (lifelong expected credit losses). For customer and contractual receivables, TNG applies a simplified approach to calculating expected credit losses and therefore does not monitor credit risk changes but recognizes a value adjustment based on expected life-long expected credit loss at the end of each reporting period. Financial assets are written off when there is no reasonable expectation of collection.

g) Receivables

Receivables represent the right to receive certain amounts from customers or other debtors as a result of TNG's operations. Receivables from customers and other receivables are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate method, less any impairment losses for expected credit losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Inventories

Inventories are carried at the lower of cost and net realisable value. Stocks of materials, spare parts and small inventory are carried at purchase costs. Cost of material and spare parts are based on first-in, first-out basis (FIFO). Small items are written off when put into use. Cost includes the cost of the inventory purchase and other costs directly attributable to bringing inventories to their present location and condition.

i) Impairment of non-current intangible and tangible assets

At each reporting date, the carrying amounts of TNG's assets are reviewed to identify whether there is any indication that the assets may be impaired. If any such indication exists, the recoverable amount of an asset is estimated.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Assets with the right of use in accordance with IFRS 16 are considered to be non-financial assets. Therefore, they are within the scope of the application of IAS 36.

Impairment losses are recognised whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.

The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use are estimated at each reporting date.

Impairment losses recognised in respect of individual cash generating units are allocated so as to, first, reduce the carrying amount of goodwill allocated to the cash generating unit (or groups of units) and then proportionally the carrying amounts of other assets within the unit (or group of units).

The Management Board performs impairment tests based on discounted cash flows for the entire fleet, at least annually when preparing the year-end financial statements. Tests are based on the estimated recoverable amounts, defined as the higher of fair value less estimated costs of disposal and value in use.

Key assumptions regarding valuation of vessels are the long-term freights from time and voyage charter rates and the weighted average cost of capital (WACC).

Impairment losses on goodwill are not reversed.
In respect of other assets, an impairment loss is reversed when there is an indication that the previously recognised impairment loss is either reduced or no longer exists, based on a review performed at each reporting date. and if there has been a change in the estimates used to determine the recoverable amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Impairment of non-current intangible and tangible assets (continued)

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of accumulated depreciation or amortisation, if no impairment loss had been recognised.

j) Cash and cash equivalents

For the purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash in hand and balances with banks as well as of other highly liquid investments with initial maturities less than three months that are subject to an insignificant risk of changes in their value.

k) Share capital

The share capital consists of ordinary shares. Costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Consideration paid to redeem own capital stock, including directly attributable costs, is recognised as a deduction in equity. Redeemed stock is classified as own (treasury) shares and represents a deduction from the total equity.

l) Dividends

Dividends are recognised in the statement of changes in shareholders' equity as a liability in the period in which they are approved by the Company's shareholders General Assembly.

m) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value of the proceeds received, less attributable transaction costs. In subsequent periods, interest-bearing loans and borrowings are stated at amortised cost using the effective interest method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings on an effective interest basis.

n) Provisions

Provisions are recognized only when TNG has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
Provisions are determined by discontinuing the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Trade and other payables

Trade payables are measured initially at fair value and are carried subsequently at amortised cost.

p) Employee benefits

Contributions payable into mandatory pension funds are recognised in profit or loss as an expense as incurred.

Provisions for bonuses to employees are recognised based on TNG's formal plan and when past practice has created a valid expectation by the management or key employees that they will receive a bonus and the amount if bonus can be determined before the financial statements are issued. Liabilities for bonuses are expected to be settled within 12 months from the reporting date and are measured at the expected amount payable.

Short-term employee benefits are not discounted and are recognised as expenses when the related service is provided.

A provision is recognised in an amount expected to be paid as a current cash bonus or profit distribution plan if TNG has a present legal or constructive obligation to pay that amount on the grounds of a past service of the employee and if the obligation can be reliably measured.

q) Leases

This accounting policy is effectively applied for contracts within annual periods beginning on or after 1 January 2019.

Before each contract, TNG assesses whether a contract is subject to a lease. The contract includes or is a lease, if it transfers the right of control of usage for the given asset in a certain period in exchange of a compensation. In the assessment of the right of control of usage for the given asset, TNG makes use of the lease definition in IFRS 16.

Before the start or modification of a contract that contains a lease, TNG allocates a compensation in the contract for each part of the lease on basis of its relatively independent price.

(I) Initial recognition

When TNG acts as a lessee in a lease, usually both the asset with the right of use and the associated liability are presented in the statement of the financial position at the day when the asset was made available to TNG.

(II) Initial measurement of the right-of- use asset

The lessee is obligated to measure the right-of-use asset at its cost at the beginning of the lease. The cost of the right-of-use asset includes the following:

- The amount of the initial measurement of the liability per lease,
- All lease payments made at the beginning of the lease or before that day, reduced to the amount of the subventions received for the lease,
- All initial direct costs that occur for the lessee, and

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Leases (continued)

- A cost estimation, that the lessee will pay before the release of the asset, the renovation of the location of the asset or the return of the asset in the condition which was predetermined by the circumstances of the lease. The lessee's liability for these costs occur at the date of the beginning of the lease or as a consequence of usage of the certain asset over time.

(III) Initial liability measurement per lease

On the starting date of the lease, the lessee has the obligation to measure the liability per lease at its carrying amount which have not been paid until this date. The payment has to be discounted with the interest rate emerging from the lease, if it is possible to determine it directly. It the interest rate cannot be determined directly, the lessee is obligated to use the marginal interest rate of the lessee's debt.
At the beginning of a lease, the payments included in the measurement of the liability per lease include the following payments for the certain right-of-use asset during the lease period, which were not paid until the beginning of the lease:

- Fixed payments reduced by the amount of subventions received for the lease,
- Variable lease payments that depend of the index or rate, initially measured with the index or rate that were prevailing at the date of the lease beginning,
- Amounts that are expected to be paid by the lessee based on guarantees for the remaining value,
- The price of the potential acquisition, if it is certain that the lessee will realize his option,
- The penalty payment for the termination of the lease, if the lease period inherits the possibility that the lessee will terminate the lease.

(IV) Subsequent measurement of the right-of-use-asset

The lessee acknowledges the right-of-use asset subsequently in accordance with the applied cost model of IAS 16 — Property, Plant and Equipment. Upon amortization of the right-of-use asset, the lessee is obligated to apply the amortization requirements of IAS 16 — Property, Plant and Equipment.

(V) Subsequent measurement of liabilities per lease

After the beginning date of the lease, the lessee is obligated to measure the liability:
(a) Increasing the carrying amount to maintain the interest on the liability per lease,
(b) Decreasing the carrying amount to maintain the lease payments, and
(c) Repeated carrying amount measurement to maintain changes of the lease, or to maintain revised lease payments that were fixed.

(VI) Lease changes

Lease changes can be:
(a) Changes (modifications) of the contract which are considered as a separate lease, and
(b) Changes (modifications) of the contract which are not considered as a separate lease

Contractual changes which are considered as a separate lease occur in two situations:
(a) If with the change (modification) increases the leasing amount resulting in additional right-of-use asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Leases (continued)

(b) If the compensation for the lease increases by the amount which reflects the individual price of the increase of extent and all adaquate refinements such as the individual price to maintain the circumstances of the contract.

In the occurence of a change (modification) of the lease contract which are considered a separate lease, it is essential to reassess the intiial recognition in accordance with (I) the initial recognition, (II) the initial measurement of the right-of-use asset and (III) the initial measurement of liabilities per lease. The repeated recognition is essentially to be conducted by the day the changes (modifications) enter in force.

Changes (modifications) which are not considered as a separate lease concern:
(a) If the change (modification) decreases the extent of the lease,
(b) Every other change (modification) of a lease contract.
In the occurence of a decreased lease extent, it is essential to decrease the right-of-use asset and the liabilities with the new discount rate. The difference between the initial amount and the new recognition is acknowledged through the Statement of profit or loss. The remaining changes (modifications) of the lease contract lead to the revision of liabilities with the new discount rate, such as adjustments in the identical amount in the position of right-of-use assets. From the caption of these changes, there are no direct effects on the statement of profit or loss.

(VII) TNG does not apply this standard on:
(a) Short-term leases, and
(b) Leases of low value assets.
For short-term leases (lease period is 12 months or less) and leases of low value assets, TNG has decided on a straight presentation of the lease expense in accordance with IFRS 16. These expenses are presented in the section of „General and administrative expenses“ in the statement of profit or loss and other comprehensive income.

For leases, where TNG is the lessor, the differences in financial leases and operative leases are executed in accordance with IFRS 16. Leases are classified as a financial lease, if nearly all risks and advantages related to asset ownership are transferred to the lessee during the lease period. The remaining leases are classified as operative leases.

r) Taxation

TNG assesses its corporate income tax in accordance with Croatian laws.

Income tax expense comprises current and deferred taxes. Income tax expense is recognised in the income statement to the extent of the tax relating to items within equity when the expense is also recognised in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Taxation (continued)

Current tax represents tax expected to be paid on the basis of taxable profit for the year, using the tax rate enacted at the reporting date and adjusted by any tax liabilities from prior-years. Deferred tax is provided using the balance sheet liability method, taking into account temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax arises from the expected realisation or settlement of the carrying amounts of assets and liabilities measured at the tax rates in enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

TNG is under the tonnage tax regime for a period of ten years, starting from 1 January 2014. Companies qualifying under the relevant provisions of the Maritime Code that have opted for the tonnage tax must remain subject to this regime for a period of 10 years. The qualifying requirement is that the company must be a shipping company subject to corporate income tax in Croatia based on any profits that accrue to it. It must also operate qualifying ships, and most importantly, it must carry out the strategic and commercial management of the qualifying ships in Croatia.

s) Vessel revenue

In accordance with IFRS 15, the entity recognizes revenue when (or to the extent that) the entity fulfils the obligation to execute by transferring the promised goods or service to the customer (ie the asset). Assets have been transferred when (or to the extent that) the buyer obtains control over that asset. Property control refers to the ability to manage the use of property and to realize virtually all the remaining benefits of it. Control includes the ability to prevent other entities from managing the use of the property and benefiting from it. Control can be transferred over time or at a particular time.

Charter (hire) revenues are realized from the business activities from charter contracts which can be time charter and voyage charter type of contracts.

A contract based on a time charter consists of placing a vessel at a disposal for a specified period of time and used by the charterer as a replacement for the payment of a certain daily hire. The contractual obligation at time charter is fulfilled during the term of the charter, starting from the moment the vessel is delivered to the charterer until it is redelivered to TNG. Time charters are considered as operating leases and therefore do not fall within the scope of IFRS 15 because (i) the vessel is a recognizable asset (ii) the TNG has no right to be replaced and (iii) the charterer has the right to control the vessel 's use during the term of the charter hire and acquires economic benefits of such use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Vessel revenue (continued)

For a business on the basis of voyage charter, the vessel is engaged in a voyage between two or more ports. TNG transfers control over the service over the time and hence, over the time, fulfils the obligation to execute and recognizes revenue, since the client simultaneously receives and uses the benefits resulting from TNG's execution while TNG performs the execution. The obligation to perform a voyage charter begins to fulfil when the vessel commences loading the cargo. TNG has determined that its voyage charters consist of a sole obligation to carry the cargo within a certain timeframe. Consequently, the obligation to execute the charter is equally satisfied as voyage is progressing and, as a result, the revenue is recognized linearly during the day of voyage from the beginning of the loading of the cargo to the end of the cargo discharging.

TNG uses output (output) method of progress measurement to complete fulfilment of past performance obligations. By way of income tax, income is recognized on the basis of a direct measurement of the value of the goods or services transferred to a particular date for the charterer in relation to the remaining goods or services promised by the contract.

TNG uses a practical solution from IFRS 15.B16 since it has the right to a charge from a shipping agent in an amount that directly corresponds to the value - recognizes revenue in the amount that has the right to invoice.

Commission costs are amortized over the term of the charter (hire) unless the depreciation period is one year or less, which is recognized as the expense when incurred.

Costs arising from the discharge port of the previous voyage charter to the loading port of the next charter hire (the so-called ballast leg), and voyage expenses incurred through the fulfillment of the voyage charter, are capitalized as the costs of the charter fulfillment and are written off (depreciated) over the term of the charter starting on the date of loading of the cargo until the day on which the cargo is unloaded, on a systematic basis consistent with the transfer of the service to which those costs relate, unless the amortization period is one year or less, in which case it is recognized as the expense when incurred. Costs are delayed only if they (i) relate directly to the signed or expected voyage charter, (ii) create or increase the resources to be used to meet the obligations under the contract, and (iii) the cost recovery is expected.

The voyage charter arrangements contain terms and conditions in relation to time period given for loading and unloading. Demurage represents a form of variable fee (which increases or reduces the compensation promised by the charter). It is necessary to estimate it at the beginning of the charter using the expected value method or the most probable amount, and update its estimate of variable fees during the charter period.

t) Other vessel revenue

The other revenue consists mainly of revenue from from charterers for other services and revenues from profit commission on insurance policies. Other revenues are recognised as they arise.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u) Commissions and voyage related costs

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

The address commission is the commission payable by the ship owner to the charterer regardless of the charter type and is expressed as a percentage of the freight or hire. The 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 it is recovered by some other means. A commission under a voyage charter is payable on freight, and may be payable on dead freight and demurrage.

Voyage-related costs are typically paid by the ship owner under voyage charters and by the customer (charterer) under time charters. Voyage-related costs represent all expenses that pertain to a specific voyage. TNG distinguishes between 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 costs, such as draft surveys, tank cleaning, postage and other minor miscellaneous costs incidental to a voyage, are typically paid by TNG. All voyage-related costs are recognised on an accrual basis of accounting.

v) Vessel operating costs

TNG is responsible for vessel operating costs, which include crewing, repairs and maintenance, lubricants, insurance, spares, stores, registration and communication, sundries and management fees (technical management, crew management and insurance arrangements).

w) Depreciation of vessels

The carrying amount of each vessel is its initial cost at the time of delivery or acquisition (except for vessels acquired in a business combination, which are measured at the acquisition-date fair value) less accumulated depreciation and impairment. Depreciation of vessels is provided to write down the cost to the residual value over the estimated useful life of a ship by applying the straight-line method, starting from the date of the original delivery i.e. acquisition. The estimated useful life of TNG's vessels is 25 years from the date of accepting a ship from the shipyard, in line with the industry practice for identical ships. The estimated useful life of a ship takes into account the ship design, the commercial characteristics and factors as well as any regulatory restrictions. Because of volatile and cyclical tendencies of the scrap prices, the estimated residual values of a vessel does not need to represent the market value at a certain point of time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

w) Depreciation of vessels (continued)

Extending the estimated useful life of a vessel or increasing the residual value will result in a reduced depreciation charge for the year and extended future depreciable periods. A reduced useful life of a ship or a lower residual value will result in a higher depreciation charge for the year.

x) Drydocking, special and intermediate surveys

TNG performs periodical dry-dock surveys, repairs and certain modifications to its ships. The dry-docking costs include all costs directly attributable to the dry-docking for the purpose of meeting the regulatory requirements, improvements that may extend the economic life of a ship, enhance its ability to generate revenue or its overall performance. The direct costs include shipyard costs, the costs of the hull preparation and painting, hull and mechanical component inspection, the inspection of the steel construction, mechanical and electrical works. The costs associated with regular maintenance and repairs during dry-docking are recognised as expenses as incurred.

y) Vessel impairment and dry-docking costs

TNG reviews the carrying amounts of the vessels, including the dry-docking costs, whenever events or market circumstances indicate that the carrying amount of the assets or the related inputs, i.e. time charters, if any, may not be recoverable.

Where a need to recognise an impairment is identified, the recoverable amount of a vessel is estimated as the higher of value in use, determined on the basis of the discounted future cash flows or vessels fair value less selling costs (mostly based on the market price).

Where, as a result of the review, the recoverable amount is identified to be lower than the carrying amount of an asset, the carrying amount is reduced to the asset's estimated recoverable amount.

Impairment losses are included in profit or loss whenever the carrying amount of a ship exceeds the ship's recoverable amount. An impairment loss is reversed when there is an indication that the impairment loss recognised in a prior period is either reduced or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised. A reversal of impairment is recognized as income immediately.

z) General and administrative expenses

General and administrative expenses, which comprise of administrative staff costs, management costs, office expenses, audit, legal and professional fees, travel and other expenses associated with the administration, are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

aa) Net financial income/(expense)

Net financial income/(expense) comprises interest accrued on loans and borrowings, interest income on deposits and advances, dividend income, foreign exchange gains and losses, gains and losses on financial assets at fair value through profit or loss.

Interest income is recognised in the statement of profit or loss on an accrual basis of accounting taking into account the effective yield (i.e. using the effective interest rate). Dividend income is recognised in the statement of profit or loss at the date when the right of TNG to receive dividends is established.

bb) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in net profit or loss for the period in which they are incurred.

cc) Significant accounting estimates and judgements

In applying TNG's accounting policies, the key areas of management judgement, other than those involving estimates, that have the most significant impact on the amounts reported in the financial statements are as follows:

<u>Revenue recognition</u>

In accordance with IFRS 15, TNG uses the output method of progress measurement to fully fulfil its performance obligations. By way of income tax, income is recognized on the basis of a direct measurement of the value of the goods or services transferred to a particular date for the buyer in relation to the remaining goods or services promised by the contract.

The Company uses a practical solution from IFRS 15.B16 since it has the right to a client's compensation in the amount that directly corresponds to the value -responsive income in the amount that has the right to invoice.

When the (or to the extent to which) execution obligation is met, the TNG recognizes as revenue the amount of the transaction price (excluding variable fee estimates that are limited) allocated to that commitment. The transaction price is the amount of compensation the entity is expecting to exercise the right in return for the transfer of the promised goods or services to the buyer, excluding the amounts charged on behalf of third parties. The compensation promised in the contract with the customer may include fixed amounts, variable amounts or both.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

cc) Significant accounting estimates and judgements (continued)

Income tax

The income tax calculation is performed in accordance with the current interpretations of the applicable legislation. TNG is under the tonnage tax regime for a period of ten years, starting from 1 January 2014. Companies qualifying under the relevant provisions of the Maritime Code that have opted for the tonnage tax must remain subject to this regime for a period of 10 years. The qualifying requirement is that the company must be a shipping company subject to corporate income tax in Croatia based on any profits that accrue to it. It must also operate qualifying ships, and most importantly, it must carry out the strategic and commercial management of the qualifying ships in Croatia.

Impairment of financial assets

At each reporting date, TNG estimates whether there has been a significant increase in credit risk for financial instruments from initial recognition. When making an estimate, the TNG uses changes in the risk of default due to the expected life of the financial instrument rather than the change in expected loan losses. To make an estimate, it compares the risk of non-payment arising from the financial instrument to the reporting date with the risk of default being incurred for the financial instrument at the date of initial recognition and takes into account reasonable and acceptable information.

Provisions for contingent liabilities

TNG recognises a provision based on legal actions initiated against it that are probable of requiring an outflow of TNG's resources to settle its obligation, and a reliable estimate of the amount can be made. In assessing the provision, TNG takes into account the professional legal advice.

Depreciation of vessels

The residual value is estimated as the lightweight tonnage (lwt) of each vessel multiplied by an estimated scrap value (cost of steel) per ton, which is USD 410 per ton, representing a five-year average market price of steel scrap for the Indian subcontinent for 2014, determined based on the data publicly available on the Clarksons Shipping Intelligence Network website (http://www.clarksons.net/sin2010) hosted by Clarkson Research Services Limited, London, England, determined as the arithmetic mean of the scrap steel price expressed in USD/ldt for a five-year time horizon that includes years prior to 2014, as follows:

for the data type 78038 - Indian Sub Continent Handysize Bulker Demolition Prices; and
for the data type 42653 - Indian Sub Continent Handysize Bulker Demolition Prices: Other Tankers.

The arithmetic mean calculated by the individual data type, depending on the lower value, is used as the five-year average market price of scrap steel for Indian subcontinent for the purpose of calculating the scrap value of a ship. If the five-year average market price of scrap steel for Indian subcontinent increases or decreases by 20 percent from the price applied in the previous year, this is identified as a change in the estimate of the residual value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

cc) Significant accounting estimates and judgements (continued)

Vessel impairment and dry-docking costs

The fair value less costs to sell is estimated based on the inputs from independent brokers, and the value in use is determined as the net present value of future cash flows from a ship over the ship's useful life. In determining the value in use, certain inputs into the estimated future cash flow calculations are predictable in their nature (including expected daily freights, vessel`s operating expenses, discounting interest rate and the average steel price as a secondary raw material), including revenue estimates under the existing contracts. Certain assumptions underlying the future cash flow estimates are less predictable, such as the expected daily hires beyond the periods specified in the existing contracts and residual values, as they rely on inputs such as spot hires and time charter market rates and the expected residual value, which are volatile due to their long-term nature.

dd) Operating segments

In accordance with IFRS 8: Operating segments requirements, TNG monitors its business in one segment only, according to the specifics of the industry. Vessel revnue recognition and measurement is disclosed in Note 2.r, whereas vessel revenue is disclosed in Note 3, and other disclosures related to the operating segment in note 2.e and Note 14.

(All amounts are expressed in thousands of USD and thousands of HRK)

3. REVENUE

VESSEL REVENUE	**USD 2019**	**HRK 2019**	**USD 2018**	**HRK 2018**
Charter (hire) revenue	40,508	267,944	46,424	291,465
- *Voyage charter*	*12,232*	*80,519*	*26,828*	*168,436*
- *Time charter*	*23,287*	*154,417*	*15,421*	*96,817*
- *Demurrage*	*4,989*	*33,008*	*3,493*	*21,930*
- *Demurrage from previous years*	-	-	*682*	*4,282*
Revenue from fuel sale to charterers	-	-	975	6,121
Total	**40,508**	**267,944**	**47,399**	**297,586**

OTHER REVENUE	**USD 2019**	**HRK 2019**	**USD 2018**	**HRK 2018**
Other vessel revenue	105	688	385	2,421
Other management revenue	12	77	4	22
Total	**117**	**765**	**389**	**2,443**

The obligation to execute a contract based on a voyage charter is fulfilled during the voyage duration or upon disloading of cargo. The tanker market does not recognize the form of a typical contract in an international application that defines the fulfilment of the obligation under item "demurrage" within the defined time frame. Pursuant to the aforementioned demurrage, it receives a liability treatment with an undefined maturity. As the Company performs thoroughbackground check of the counterparty at the moment of making the deal on the spot market, there is a very high degree of certainty that the claim will be settled, but at the same time such obligations of the charterer will have a longer time horizon of settlement.

(All amounts are expressed in thousands of USD and thousands of HRK)

3. REVENUES (CONTINUED)

The following tables briefly outline the terms of time charter during the period ending 31 December 2019 and 31 December 2018:

2019

R.B.	Name of the vessel	Year of construction	Type	Date delivered	Expiration date of the contract	Price ($/Day)
1.	Dalmacija	2015.	MR PRODUKT TANKER	17.03.2019	17.03.2020	16,000
2	Pag	2015.	MR PRODUKT TANKER	24.05.2019	05.02.2020	17,150
3.	Velebit	2011.	MR PRODUKT TANKER	12.03.2019	12.03.2020	14,500
4.	Vukovar	2015.	MR PRODUKT TANKER	14.05.2019	14.05.2020	17,000
5.	Zoilo	2015.	MR PRODUKT TANKER	03.12.2018	31.05.2020	13,500*

* Minimum daily hire with profit share above the minimum in a 50:50 split with the charterer

2018

R.B.	Name of the vessel	Year of construction	Type	Date delivered	Expiration date of the contract	Price ($/Day)
1.	Vinjerac	2011.	MR PRODUKT TANKER	11.04.2018	08.04.2019	14,500
2.	Zoilo	2015.	MR PRODUKT TANKER	03.12.2018	03.06.2019	12,250*

* Minimum daily hire with profit share above the minimum in a 50:50 split with the charterer

The total future minimum payments on these irrevocable charter hires, net of commission to the charterer whish is deducted from gross payments, are as follows:

	USD	HRK	USD	HRK
	31.12.2019	**31.12.2019**	**31.12.2018**	**31.12.2018**
Up to 1 year	7,150	47,547	3,266	21,128

(All amounts are expressed in thousands of USD and thousands of HRK)

Total	**7,150**	**47,547**	**3,266**	**21,128**

4. VOYAGE EXPENSES

	USD 2019	HRK 2019	USD 2018	HRK 2018
Fuel oil (Bunker)	4,062	26,852	9,788	61,452
Port costs	2,046	13,491	4,795	30,102
Commissions to brokers and agents	1,065	7,048	1,214	7,622
Fee for managing commercial operations - related parties	639	4,236	718	4,509
Other voyage-related costs	312	2,059	194	1,218
Total	**8,124**	**53,686**	**16,709**	**104,903**

5. VESSEL OPERATING EXPENSES

	USD 2019	HRK 2019	USD 2018	HRK 2018
/i/ Crew costs	8,758	58,121	9,049	56,815
/ii/ Consumables	1,199	7,924	1,245	7,819
/iii/ Maintenance costs	1,849	12,251	1,677	10,531
Management fee for other activities – related parties	1,226	8,110	1,282	8,047
/iv/ General vessel expenses	1,427	9,416	1,281	8,043
Insurance costs	537	3,511	609	3,821
Total	**14,996**	**99,333**	**15,143**	**95,076**

Under the Management Agreement, the Fleet Manager has the obligation to provide operational and commercial management, crewing, insurance arrangements, accounting services, vessel purchases and sale, required vessels supplies, including fuels. Under the Management Agreement, the Fleet Manager also receives a vessel management fee based on a More Stephens publication, which specified the average daily cost for each type of vessel, which is determined as 67 percent of the amount specified in the publication. Seamen forming ship crews are hired in accordance with the underlying agreements with the fleet manager or its related parties performing seamen recruiting activities. The fee is calculated monthly or daily on a pro-rata basis for a period below one month, and the Fleet Manager charges the actual crew expenses to operating expenses of TNG.

(All amounts are expressed in thousands of USD and thousands of HRK)

5. VESSEL OPERATING EXPENSES (CONTINUED)

/i/ Crew costs	USD 2019	HRK 2019	USD 2018	HRK 2018
Crew salaries	7,566	50,218	7,785	48,879
Crew travel expenses	630	4,172	678	4,260
Victuals	495	3,285	496	3,111
Other crew expenses	67	446	90	565
Total	**8,758**	**58,121**	**9,049**	**56,815**

/ii/ Consumables	USD 2019	HRK 2019	USD 2018	HRK 2018
Small inventory items, paints and varnishes, chemicals and gases	792	5,234	835	5,244
Lubricants and greases	407	2,690	410	2,575
Total	**1,199**	**7,924**	**1,245**	**7,819**

/iii/ Maintenance costs	USD 2019	HRK 2019	USD 2018	HRK 2018
Spare parts	1,182	7,829	1,178	7,396
Maintenance and repairs	667	4,422	499	3,135
Total	**1,849**	**12,251**	**1,677**	**10,531**

/iv/ Overheads	USD 2019	HRK 2019	USD 2018	HRK 2018
Postage, telephone and telecommunications	214	1,422	215	1,347
Other overhead costs	641	4,208	471	2,961
Other overhead costs – related parties	572	3,786	595	3,735
Total	**1,427**	**9,416**	**1,281**	**8,043**

(All amounts are expressed in thousands of USD and thousands of HRK)

6. DEPRECIATION

	USD	HRK	USD	HRK
	2019	**2019**	**2018**	**2018**
Depreciation of vessels (Note 14)	7,913	52,499	8,181	51,367
Depreciation of other tangible assets (Note 14)	1	7	2	10
Total	**7,914**	**52,506**	**8,183**	**51,377**

The 2019 vessel depreciation charge includes the depreciation charge on dry-docking costs for the “Velebit” and “Vinjerac” vessels in the amount of HRK 1.7 million, i.e. USD 262 thousand (2018: Velebit vessel in the amount of HRK 1.7 million, i.e. USD 270 thousand).

7. VESSEL VALUE ADJUSTMENT

	USD	HRK	USD	HRK
	2019	**2019**	**2018**	**2018**
Vessel value adjustment (Note 14)	705	4,688	627	3,939
Total	**705**	**4,688**	**627**	**3,939**

The Company has determined that there are reasons for the impairment of the asset - vessel "Dalmacija" and the impairment loss is recognized in the income statement in the amount of HRK 4.7 million or USD 705 thousand (2018: HRK 3.9 million or USD 627 thousand).

The recoverable amount of the ship is estimated as the value in use determined on the basis of the discounted future cash flow (Notes 2i, 2y and 2cc).

(All amounts are expressed in thousands of USD and thousands of HRK)

8. GENERAL AND ADMINISTRATIVE EXPENSES

	USD 2019	HRK 2019	USD 2018	HRK 2018
Costs of guarantees for bank loans – related companies	296	1,950	337	2,115
Staff expenses /i/	188	1,246	261	1,642
Corporate services – related companies	72	477	72	453
Bank charges	26	174	38	235
Statutory audit services	23	154	20	126
Rental costs	9	59	9	60
Rental costs – related companies	8	55	9	55
Services provided by outsourced staff	-	-	-	-
Marketing services	-	-	-	-
Insurance premiums	-	-	2	15
Other external services	27	177	37	226
Other expenses	169	1,124	148	928
Other expenses – related parties	1	4	-	-
Total	**819**	**5,420**	**933**	**5,855**

/i/ Staff expenses	USD 2019	HRK 2019	USD 2018	HRK 2018
Net salaries	91	607	125	789
Taxes and contributions	73	483	114	717
Reimbursement of costs to employees	21	137	17	105
Professional education	3	19	5	31
Total	**188**	**1,246**	**261**	**1,642**

Costs reimbursed to employees comprise daily allowances, overnight accommodation and transport related to business travels, commutation allowance, and reimbursement of costs for the use of personal cars for business purposes, and similar.

(All amounts are expressed in thousands of USD and thousands of HRK)

9. FINANCIAL INCOME

	USD 2019	HRK 2019	USD 2018	HRK 2018
Foreign exchange gains	-	-	5	36
Foreign exchange gains – Group companies	6	38	-	-
Interest income	58	381	684	4,291
Total	**64**	**419**	**689**	**4,327**

10. FINANCIAL EXPENSES

	USD 2019	HRK 2019	USD 2018	HRK 2018
Foreign exchange losses	16	88	-	-
Foreign exchange losses – Group companies	-	-	124	778
Interest expense	4,570	30,067	4,757	29,868
Total	**4,586**	**30,155**	**4,881**	**30,646**

11. TONAGE TAX

The tonnage tax regime has been introduced into the Croatian maritime legislation by amendments to the Maritime Code effective since 1 January 2014. According to the relevant provisions of the Maritime Code, qualifying companies may choose to have their shipping activities taxed based on the net tonnage of their fleet or based on their actual profits. Companies qualifying under the relevant provisions of the Maritime Code that have opted for the tonnage tax must remain subject to this regime for a period of 10 years. The qualifying requirement is that the company must be a shipping company subject to corporate income tax in Croatia based on any profits that accrue to it. It must also operate qualifying ships, and most importantly, it must carry out the strategic and commercial management of the qualifying ships in Croatia.

TNG is under the tonnage tax regime for a period of ten years, starting from 1 January 2014.

(All amounts are expressed in thousands of USD and thousands of HRK)

11. TONAGE TAX (CONTINUED)

TNG is subject to tonnage taxation for the following ships:

	Date of entry into the regime	Annual tax prepayment in HRK
Velebit	1 January 2014	31,329
Vinjerac	1 January 2014	31,329
Vukovar	29 April 2015	28,236
Zoilo	27 July 2015	28,236
Dalmacija	27 November 2015	28,863
Pag	4 December 2015	29,058
Total		**177,051**

According to the ruling of the Ministry of Maritime Affairs, Transport and Infrastructure, the tax per tonnage of ships of TNG for 2019 is included in the liabilities of Tankerska Plovidba d.d. as the controlling (parent) company.

TONNAGE TAX CALCULATION	
Net tonnage of ship	**Annual tonnage tax based on ships' tonnage for every 100 units of net tonnage**
0 -1,000 net tonnage	HRK 270
1,001-10,000 net tonnage	HRK 230
10,001 – 25,000 net tonnage	HRK 150
25,001 – 40,000 net tonnage	HRK 95
Over 40,000 net tonnage	HRK 55

A taxpayer pays a tax advance on the basis of a tax return for the previous tax period. The advance is paid monthly at the end of the month for the previous month in the installment that is received when the tax liability for the previous tax period is divided by the number of months of the same period or in the case of the first tax period after entering the taxation system on the basis of a tax liability assessment. Data from the application to the tonnage tax system. The taxpayer is obliged to submit a tax return to the Tax administration office for the previous calendar year at the latest four months after the end of the calendar year. In the same period tonnage tax needs to be paid for the previous year.

12. INCOME TAX

According to the relevant provisions of the Maritime Code, qualifying companies may choose to have their shipping activities taxed based on the net tonnage of their fleet or based on their actual profits. According to 2019 corporate income tax return, TNG had no income tax liability for the year in Croatia as the Company is subject to tonnage taxation.

(All amounts are expressed in thousands of USD and thousands of HRK)

13. EARNINGS PER SHARE

	USD	HRK	USD	HRK
	31.12.2019	**31.12.2019**	**31.12.2018**	**31.12.2018**
Net profit for the year	3,545	23,340	1,001	6,284
Weighted average number of shares outstanding at the year-end, basic and diluted:	8,720,145	8,720,145	8,720,145	8,720,145
Earnings per share, basic and diluted	**0.41**	**2.68**	**0.11**	**0.72**

Basic and diluted earnings per share are same, as TNG has no potentially dilutive shares.

14. PROPERTY, PLANT AND EQUIPMENT

Vessels and equipment

	Vessels and equipment		Assets in preparation		Total	
	USD	HRK	USD	HRK	USD	HRK
COST						
At 31 December 2018	**210,021**	**1,358,668**	**-**	**-**	**210,021**	**1,358,668**
Additions	-	-	1	4	1	4
Activation of asset	1	4	-1	-4	-	-
Write-offs	(842)	(5,601)	-	-	(842)	(5,601)
Exchange differences (Note 2.d)	-	37,954	-	-	-	37,954
At 31 December 2019	**209,180**	**1,391,025**	**-**	**-**	**209,180**	**1,391,025**
ACCUMULATED DEPRECIATION						
At 31 December 2018	**27,374**	**177,090**	**-**	**-**	**27,374**	**177,090**
Depreciation	7,652	50,765	-	-	7,652	50,765
Write-offs	(137)	(913)	-	-	(137)	(913)
Exchange differences (Note 2.d)	-	5,060	-	-	-	5,060
At 31 December 2019	**34,889**	**232,002**	**-**	**-**	**34,889**	**232,002**
CARRYING AMOUNT						
At 31 December 2018	**182,647**	**1,181,578**	**-**	**-**	**182,647**	**1,181,578**
At 31 December 2019	**174,291**	**1,159,023**	**-**	**-**	**174,291**	**1,159,023**

(All amounts are expressed in thousands of USD and thousands of HRK)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Dry-docking costs

	Vessels and equipment		Assets in preparation		Total	
	USD	HRK	USD	HRK	USD	HRK
COST						
At 31 December 2018	**1,313**	**8,487**	**-**	**-**	**1,313**	**8,487**
Additions	-	-	416	2,767	416	2,767
Exchange differences	-	236	-	-	-	236
At 31 December 2019	**1,313**	**8,723**	**416**	**2,767**	**1,729**	**11,490**
ISPRAVAK VRIJEDNOSTI						
At 31 December 2018	**583**	**3,763**	**-**	**-**	**583**	**3,763**
Depreciation	262	1,741	-	-	262	1,741
Exchange differences	-	109	-	-	-	109
At 31 December 2019	**845**	**5,613**	**-**	**-**	**845**	**5,613**
CARRYING AMOUNT						
At 31 December 2018	**730**	**4,724**	**-**	**-**	**730**	**4,724**
At 31 December 2019	**468**	**3,110**	**416**	**2,767**	**884**	**5,877**

Grand total:

	Vessels and equipment		Assets in preparation		Total	
	USD	HRK	HRK	USD	USD	HRK
CARRYING AMOUNT						
At 31 December 2018	**183,377**	**1,186,302**	**-**	**-**	**183,377**	**1,186,302**
At 31 December 2019	**174,759**	**1,162,133**	**416**	**2,767**	**175,175**	**1,164,900**

(All amounts are expressed in thousands of USD and thousands of HRK)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Vessels and equipment

	Vessels and equipment		Total	
	USD	HRK	USD	HRK
COST				
At 31 December 2018	**210,716**	**1,321,134**	**210,716**	**1,321,134**
Write-offs	(716)	(4,494)	(716)	(4,494)
Exchange differences (Note 2.d)	21	42,028	21	42,028
At 31 December 2019	**210,021**	**1,358,668**	**210,021**	**1,358,668**
ACCUMULATED DEPRECIATION				
At 31 December 2018	**19,781**	**124,019**	**19,781**	**124,019**
Depreciation	7,913	49,680	7,913	49,680
Write-offs	(88)	(554)	(88)	(554)
Exchange differences (Note 2.d)	(232)	3,945	(232)	3,945
At 31 December 2019	**27,374**	**177,090**	**27,374**	**177,090**
CARRYING AMOUNT				
At 31 December 2018	**190,935**	**1,197,115**	**190,935**	**1,197,115**
At 31 December 2019	**182,647**	**1,181,578**	**182,647**	**1,181,578**

Dry-docking costs

	Vessels and equipment	
	USD	HRK
COST		
At 31 December 2018	**1,313**	**8,225**
Additions	-	-
Exchange differences	-	262
At 31 December 2019	**1,313**	**8,487**
ACCUMULATED DEPRECIATION		
At 31 December 2018	**320**	**2,003**
Depreciation	270	1,697
Exchange differences	(7)	63
At 31 December 2019	**583**	**3,763**
CARRYING AMOUNT		
At 31 December 2018	**993**	**6,222**
At 31 December 2019	**730**	**4,724**

Grand total:

	Vessels and equipment		Total	
	USD	HRK	USD	HRK
CARRYING AMOUNT				
At 31 December 2018	**191,928**	**1,203,337**	**191,928**	**1,203,337**
At 31 December 2019	**183,377**	**1,186,302**	**183,377**	**1,186,302**

(All amounts are expressed in thousands of USD and thousands of HRK)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In line with the adopted docking policy, the dry-docking costs (including class renewal surveys) for m/t "Vinjerac" and m/t "Velebit" were capitalised, i.e. added to the carrying amount of the ship recognised in the accounts of Tankerska Next Generation International Ltd. and are amortised on a straight-line basis over the five-year period until the next survey.

In 2019, TNG invested HRK 2,767 thousand, i.e. USD 416 thousand, through the acquisition of BWT equipment.

At 31 December 2019 no borrowing costs were capitalised (31 December 2018: HRK 0).

At 31 December 2019 the total net book value of assets pledged as collateral for received loans amounts to HRK 1,159,016 thousand, i.e. USD 174,290 thousand (31 December 2018: HRK 1,181,569 thousand, i.e. USD 182,645 thousand).

15. INVENTORIES

	USD	**HRK**	**USD**	**HRK**
	31.12.2019	**31.12.2019**	**31.12.2018**	**31.12.2018**
Lubricants and greases	548	3,643	575	3,719
Fuel	123	810	1,403	9,079
Food supplies	136	908	152	981
Small inventory	3	19	-	3
Value adjustment of small inventory	(3)	(19)	-	(3)
Total	**807**	**5,361**	**2,130**	**13,779**

16. TRADE AND OTHER RECEIVABLES

	USD	**HRK**	**USD**	**HRK**
	31.12.2019	**31.12.2019**	**31.12.2018**	**31.12.2018**
Trade receivables	2,403	15,977	3,737	24,176
Receivables from the State and other institutions	4	26	5	29
Receivables from employees	1	7	-	-
Other receivables	8	53	246	1,589
Other receivables – related companies	-	-	2	12
Total	**2,416**	**16,063**	**3,990**	**25,806**

(All amounts are expressed in thousands of USD and thousands of HRK)

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Aging structure of due receivables:

	USD 31.12.2019	HRK 31.12.2019	USD 31.12.2018	HRK 31.12.2018
1 -90 days	1,028	6,833	1,938	12,536
91 -180 days	646	4,293	667	4,313
181 - 365 days	262	1,745	61	396
Over 365 days	-	-	-	-
Total	**1,936**	**12,871**	**2,666**	**17,245**

The financial stability of the charterer and his reliability are important factors, which influence the contracting risk. The aforementioned risk is minimized by TNG through the cooperation with large energy companies, large petroleum dealers and their derivatives, large manufacturers of petroleum and its derivatives and others – but exclusively reputable entities with a good reputation and a long-lasting tradition of maritime transport. Credit risk on the reporting date is low. There was no significant increase in credit risk, although the maturity of contractual payments was overdue for more than 30 days, as the delay in payment was common practice in shipping. Accordingly In accordance with this, the Board does not detect any indications for depreciations of receivables.

17. PREPAID EXPENSES AND ACCRUED INCOME

	USD 31.12.2019	HRK 31.12.2019	USD 31.12.2018	HRK 31.12.2018
Prepaid expenses	185	1,233	326	2,113
Accrued income	302	2,008	376	2,430
Total	**487**	**3,241**	**702**	**4,543**

(All amounts are expressed in thousands of USD and thousands of HRK)

18. CASH AND CASH EQUIVALENTS

	USD	HRK	USD	HRK
	31.12.2019	**31.12.2019**	**31.12.2018**	**31.12.2018**
Cash with banks	9,068	60,302	7,627	49,343
Deposits	1,000	6,650	1,000	6,469
Cash in hand	114	760	89	577
Total	**10,182**	**67,712**	**8,716**	**56,389**

19. SHARE CAPITAL AND RESERVES

As of 31 December 2019, the authorised, issued and paid-up share capital comprised of 8,733,345 ordinary shares with no par value (31 December 2018: 8,733,345 shares). The ordinary shareholders are entitled to receive dividends, as declared from time to time and are entitled to one vote per share at meetings of TNG Shareholders General Assembly. The immediate parent of Tankerska Next Generation d.d. is Tankerska plovidba d.d. The ultimate parent is Foundation-Betriebsstiftung Tankerska Plovidba d.d. Privatstiftung Privatstiftung, a private foundation with the registered office in Austria. Beneficiaries of the foundation are the employees of Tankerska plovidba d.d.

At 31 December 2019, there were 13,200 own shares held by the Company (31 December 2018: 13,200). Reserves for own shares were formed out of the Company's profit.

As at 31 December 2019 the amount of regulatory reserves within other reserves amounts to HRK 3,951 thousand (31 December 2018: HRK 3,637 thousand). The regulatory reserve arised according to Croatian law that prescribes 5% profits for the year, decreased by the amount of losses from the previous year, to be transferred to the respective reserve until it, along with other reserves, reaches 5% issued shareholders` equity. As at 31 December 2019, the balance of other reserves was HRK 55,000 thousand (31 December 2018: HRK 55,000 thousand).

Exchange differences includes all foreign exchange differences arisen on the conversion of the financial statements of foreign operations.

(All amounts are expressed in thousands of USD and thousands of HRK)

20. INTEREST BEARING LOANS AND BORROWINGS

Interest-bearing loans and borrowings in 2019:

Long-term interest-bearing loans and borrowings	**USD 31.12.2019**	**HRK 31.12.2019**
Secured bank loans	84,174	559,749
Total	**84,174**	**559,749**
Current portion	(9,382)	(62,387)
Long-term portion	**74,792**	**497,362**

Short-term interest-bearing liabilities	**USD 31.12.2019**	**HRK 31.12.2019**
Current portion of long-term interest bearing loans and borrowings		
Secured bank loans	9,382	62,387
Total	**9,382**	**62,387**

Interest-bearing loans and borrowings in 2018:

Long-term interest-bearing loans and borrowings	**USD 31.12.2018**	**HRK 31.12.2018**
Secured bank loans	97,556	631,106
Total	**97,556**	**631,106**
Current portion	(11,382)	(73,630)
Long-term portion	**86,174**	**557,476**

Short-term interest-bearing liabilities	**USD 31.12.2018**	**HRK 31.12.2018**
Current portion of long-term interest bearing loans and borrowings		
Secured bank loans	11,382	73,630
Total	**11,382**	**73,630**

(All amounts are expressed in thousands of USD and thousands of HRK)

20. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Repayment terms and conditions for interest bearing liabilities at 31 December 2019 are as follows:

	Total	1 year or less	2 -5 years	HRK After 5 years
Secured bank loans	559,749	62,387	497,362	-
At 31 December 2019	**559,749**	**62,387**	**497,362**	**-**

	Total	1 year or less	2 -5 years	USD After 5 years
Secured bank loans	84,174	9,382	74,792	-
At 31 December 2019	**84,174**	**9,382**	**74,792**	**-**

Repayment terms and conditions for interest bearing liabilities at 31 December 2018 are as follows:

	Total	1 year or less	2 -5 years	HRK After 5 years
Secured bank loans	631,106	73,630	557,476	-
At 31 December 2018	**631,106**	**73,630**	**557,476**	**-**

	Total	1 year or less	2 -5 years	USD After 5 years
Secured bank loans	97,556	11,382	86,174	-
At 31 December 2018	**97,556**	**11,382**	**86,174**	**-**

(All amounts are expressed in thousands of USD and thousands of HRK)

20. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Long-term loan debt written off is analysed below:

2019

				31 December 2019	
Financial institution	**Original currency**	**Loan amount**	**Maturity**	**USD**	**HRK**
ABN AMRO BANK N.V.	USD	52,653	16.01.2022	34,927	232,261
NORD LB BANK	USD	23,725	27.07.2021	16,925	112,550
NORD LB BANK	USD	23,725	24.11.2021	17,325	115,209
DVB BANK N.V	USD	22,422	24.04.2021	14,997	99,729
ERSTE BANK	USD	2,000	05.06.2019	-	-
ZAGREBAČKA BANKA	USD	2,000	10.05.2020	-	-
				84,174	**559,749**
Short-term				(9,382)	(62,387)
Long-term				74,792	497,362

2018

				31 December 2018	
Financial institution	**Original currency**	**Loan amount**	**Maturity**	**USD**	**HRK**
ABN AMRO BANK N.V.	USD	52,653	16.01.2022	39,459	255,265
NORD LB BANK	USD	23,725	27.07.2021	18,525	119,842
NORD LB BANK	USD	23,725	24.11.2021	18,925	122,430
DVB BANK N.V	USD	22,422	24.04.2021	16,647	107,693
ERSTE BANK	USD	2,000	05.06.2019	2,000	12,938
ZAGREBAČKA BANKA	USD	2,000	10.09.2020	2,000	12,938
				97,556	**631,106**
Short-term				(11,382)	(73,630)
Long-term				86,174	557,476

Average interest rate calculated based on paid interest for the year ended 2019 amounts to 5.303%, whereas average interest rate calculated based on paid interest for the year ended 2018 amounted to 4.053%.

The security instruments for the loans consist of common and typical instruments provided for this type of transactions and include, but are not limited to the first priority mortgage of the ships , assignment of the first-priority security, revenue and earnings of the ship, the time charter and business accounts andfirst priority pledge over the shares of the ship owner .

(All amounts are expressed in thousands of USD and thousands of HRK)

20. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

During the repayment period, Tankerska plovidba d.d. issued a corporate guarantee in 2015 to guarantee for the repayment of the loan and maintain the minimum ownership interest in TNG of over 50 percent.

The loan covenants specify the minimum market value of the ship and of each additional credit enhancement, which may range from 125 % to 140 % of the outstanding loan balance, depending on the particular loan and year of repayment. The loan beneficiary may resolve its non-compliance with the covenant by furnishing an additional guarantee or repaying the loan earlier. In addition, depending on the particular loan, the loan beneficiary must maintain on its transaction account minimum USD 250,000.00 to USD 500,000.00 for liquidity purposes, depending on the particular lender.

21. TRADE AND OTHER PAYABLES

	USD 31.12.2019	HRK 31.12.2019	USD 31.12.2018	HRK 31.12.2018
Trade payables	771	5,129	1,636	10,588
Advances received	-	-	824	5,328
Liabilities to employees	717	4,769	649	4,193
Taxes, contributions and other duties payable	17	111	5	33
Trade payables – related parties	269	1,788	908	5,874
Liabilities in respect of profit distributions	8	54	8	54
Other current liabilities	7	45	14	91
Other current liabilities – related parties	-	-	9	55
Total	**1,789**	**11,896**	**4,053**	**26,216**

Structure of trade payables by currency:

	USD 31.12.2019	HRK 31.12.2019	USD 31.12.2018	HRK 31.12.2018
USD	895	5,950	2,290	14,813
EUR	117	780	230	1,490
HRK	18	118	13	84
GBP	-	-	1	8
OTHER CURRENCIES	10	69	10	67
Total	**1,040**	**6,917**	**2,544**	**16,462**

(All amounts are expressed in thousands of USD and thousands of HRK)

22. ACCRUED EXPENSES AND DEFERRED INCOME

	USD 31.12.2019	HRK 31.12.2019	USD 31.12.2018	HRK 31.12.2018
Accrued loan interest	660	4,388	806	5,217
Other accrued expenses	1	8	25	159
Deferred income	2,422	16,111	-	-
Total	**3,083**	**20,507**	**831**	**5,376**

23. RELATED-PARTY TRANSACTIONS

TNG has no related parties other than Tankerska plovidba d.d., Zadar. Set out below are transactions carried out during the year between TNG and Tankerska plovidba d.d., Zadar.

Subsidiaries and key shareholders	USD 2019	HRK 2019	USD 2018	HRK 2018
Purchases from related parties				
Tankerska plovidba d.d. Zadar	2,815	18,622	3,013	18,914
Total	**2,815**	**18,622**	**3,013**	**18,914**
Receivables form related parties				
Tankerska plovidba d.d. Zadar	-	-	2	12
Total	**-**	**-**	**2**	**12**
Liabilities to related companies				
Tankerska plovidba d.d.	269	1,788	909	5,880
Donat Maritime Corporation	-	-	8	49
Total	**269**	**1,788**	**917**	**5,929**

The transactions between related parties are carried out under usual market terms and conditions.

The vessels of TNG are managed by Tankerska plovidba d.d., as the Fleet Manager, which provides to TNG commercial, HR, technical and certain administrative and corporate services for a fee. Tankerska plovidba d.d. ensures a crew to the TNG fleet through its related party Donat Maritime Corporation Liberia.

(All amounts are expressed in thousands of USD and thousands of HRK)

23. RELATED-PARTY TRANSACTIONS (CONTINUED)

Key management personnel

The key management personnel consists of the sole member of the Board. The total management remuneration paid for 2019 amounts HRK 877 thousand, i.e. USD 132 thousand (2018: HRK 1,380 thousand, i.e. USD 220 thousand). The fees of the Supervisory Board for the year amount to HRK 515 thousand, i.e. USD 78 thousand (2018: HRK 453 thousand, or USD 72 thousand). On 31 December 2019, the members of the executive management and the Supervisory Board held 6,478 shares of the Company (at 31 December 2018: HRK 5,314 shares). The Company did not provide any loans to the members of its Supervisory Board (31 December 2018: HRK 0).

24. FINANCIAL INSTRUMENTS

TNG's activities expose the Company to a variety of financial risks, including the effects of: market risk (including foreign exchange risk, interest rates and price risk), credit risk and liquidity risk. The exposure to credit risk, interest rate risk and foreign exchange risk arises in the usual course of TNG's operations.

Risk management policies associated with managing financial resources may be briefly 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 the US dollar, as significant amounts of receivables and foreign revenues are denominated in this currency. TNG currently does not use any active hedging against the changes in the foreign exchange rates.

TNG undertakes certain transactions in a foreign currency and is hence exposed to the foreign exchange risk. The carrying amounts of TNG's foreign-currency denominated monetary assets and liabilities at the end of the reporting period are provided in the table below:

2019			**HRK**
	Assets 2019	**Liabilities 2019**	**Assets - Liabilities 2019**
USD	76,183	574,793	(498,610)
EUR	9,564	786	8,778
Other foreign currencies	23	69	(46)
Total	**85,770**	**575,648**	**(489,878)**

(All amounts are expressed in thousands of USD and thousands of HRK)

24. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign exchange risk (continued)

2018	**HRK**		
	Assets 2018	**Liabilities 2018**	**Assets - Liabilities 2018**
USD	84,532	660,857	(576,325)
EUR	42	1,490	(1,448)
Other foreign currencies	26	75	(49)
Total	**84,600**	**662,422**	**(577,822)**

The impact of a 10-percent change in the USD exchange rate on cash items denominated in USD (10-percent strengthening/weakening against the Croatian kuna):

2019	**HRK**	
	Impact of the USD changes	
Effect on:	+10%	-10%
(Loss)/profit	60	(60)
Cash flow (outflow) / inflow	(49,921)	49,921

2018	**HRK**	
	Impact of the USD changes	
Effect on:	+10%	-10%
(Loss)/profit	52	(52)
Cash flow (outflow) / inflow	(57,684)	57,684

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The cash-flow interest rate risk is a risk that the interest expense on financial instruments may vary 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 its long-term borrowings. TNG is exposed to interest rate risk on its long-term borrowings at variable rates (see Note 20).

(All amounts are expressed in thousands of USD and thousands of HRK)

24. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk (continued)

2019

One-year interest expense

Current interest expense in HRK	Libor rate change	Interest expense (increase)/decrease in USD	Interest expense (increase)/decrease in HRK
23,785	1%	(803)	(5,340)
	-1%	803	5,340

2018

One-year interest expense

Current interest expense in HRK	Libor rate change	Interest expense (increase)/decrease in USD	Interest expense (increase)/decrease in HRK
26,868	1%	(832)	(5,380)
	-1%	832	5,380

Given the significant exposure of TNG to interest rate risk, which arises from its variable-rate loans, TNG uses derivative financial instruments (such as interest rate swap) to hedge its exposure to the interest rate risk on loans received from Norddeutsche Landesbank Girozentrale and ABN AMRO Bank N.V.

2019

	Fair value of IRS, in USD	Loan debt, in USD	Date of the interest-rate swap conclusion	Interest-rate swap validity period		Variable interest rate before the swap	Fixed interest rate under the swap
Loan	**31.12.2019**	**31.12.2019**		**From**	**To**		
ABN AMRO BANK N.V.	34,927	34,927	16.12.2015	16.01.2016	16.01.2019	3M USD LIBOR	1.33%
NORD LB BANK	16,925	16,925	15.12.2015	27.10.2015	27.01.2019	3M USD LIBOR	1.33%
Total	**51,852**	**51,852**					

(All amounts are expressed in thousands of USD and thousands of HRK)

24. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk (continued)

2018

Loan	Fair value of IRS, in USD 31.12.2018	Loan debt, in USD 31.12.2018	Date of the interest-rate swap conclusion	Interest-rate swap validity period From	To	Variable interest rate before the swap	Fixed interest rate under the swap
ABN AMRO BANK N.V.	39,459	39,459	16.12.2015	16.01.2016	16.01.2019	3M USD LIBOR	1.325%
NORD LB BANK	18,525	18,525	15.12.2015	27.10.2015	27.01.2019	3M USD LIBOR	1.330%
NORD LB BANK	18,525	18,525	15.12.2015	24.11.2015	27.11.2018	3M USD LIBOR	1.330%
Total	**76,509**	**76,509**					

By entering into interest-rate swaps with Nord LB and ABN Amro Bank, TNG has swapped the difference between the amount of fixed and variable interest calculated based on the agreed value of the principal. These contracts enable mitigating the risk of volatility in the variable interest rate, allowing TNG, which operates in terms of pre-fixed income, to manage the profitability of operations by fixing one of the major cost components. The liabilities under the interest rate swaps are settled on a quarterly basis, while the proceeds from the swap are expected when the variable interest rate component becomes converted to the fixed rate agreed in the underlying swap contract.

Price risk

TNG's activities expose it to price risk associated with changes in the freight rate (hire). The daily hire rate (the spot rate) measured in USD per day, has historically been very volatile. The volatility influences day-to-day operations.

Through time charter hires with reputable charterers in the short and medium term, TNG is capable to prevent exposures to price risk changes of the volatile sport market.

TNG seeks to minimise its exposure to price changes of daily hire rates by basing its business activity on the years of experience of the Fleet Manager which, through timely reactions and positioning of vessels, results in optimal utilization of the fleet and maximization of hire rates in the given market circumstances.

24. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

Credit risk is the risk of failure by one party to meet its commitments to the other party under a financial instruments, resulting in a loss to the other party. Maximum exposure to credit risk is represented by the highest amount of each financial asset reported in the statement of financial position. The key financial assets of TNG consist of cash and balances on accounts with banks, trade and other receivables, and investments. Credit risk associated with liquid funds is limited, as the counterparty is often a bank receiving a high credit rating from most international rating agencies.

Credit risk on the reporting date is low. There was no increase in credit risk.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Management, which has built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. Liquidity risk, which is considered the risk of financing, is the risk that TNG may encounter difficulties in recovering the funds owed to it to meet its commitments associated with financial instruments. TNG has significant long-term loan debt at variable rates, which exposes it to the cash-flow risk. TNG manages liquidity risk by maintaining adequate reserves and lines of credit, by continuously monitoring forecast and actual cash flows as well as the maturities of its receivables and payables.

(All amounts are expressed in thousands of USD and thousands of HRK)

24. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Liquidity and interest rate risk tables

The following tables detail the remaining contractual maturities of TNG's non-derivative financial liabilities and the expected maturities for its non-derivative financial assets. The contractual maturity is defined as the earliest date on which TNG can be required to make the payment. Disclosures of non-derivative financial assets and liabilities are necessary for understanding the manner in which TNG manages its liquidity risk, as it is managed based on net amounts of financial assets and liabilities.

2019 **HRK**

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
ASSETS						
2019 year						
Interest-bearing	-	6,650	-	-	-	6,650
Non-interest bearing	79,243	-	-	-	-	79,243
TOTAL	**79,243**	**6,650**	**-**	**-**	**-**	**85,893**
LIABILITIES						
2019 year						
Interest-bearing	12,937	15,597	33,854	497,362	-	559,750
Non-interest bearing	14,645	1,316	332	-	-	16,293
TOTAL	**27,582**	**16,913**	**34,186**	**497,362**	**-**	**576,043**
Net debt	**51,661**	**(10,263)**	**(34,186)**	**(497,362)**	**-**	**(490,150)**

2018 **HRK**

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
ASSETS						
2018 year						
Interest-bearing	-	6,469	-	-	-	6,469
Non-interest bearing	78,261	-	-	-	-	78,261
TOTAL	**78,261**	**6,469**	**-**	**-**	**-**	**84,730**
LIABILITIES						
2018 year						
Interest-bearing	12,585	9,057	51,988	557,476	-	631,106
Non-interest bearing	31,135	457	-	-	-	31,592
TOTAL	**43,720**	**9,514**	**51,988**	**557,476**	**-**	**662,698**
Net debt	**34,541**	**(3,045)**	**(51,988)**	**(557,476)**	**-**	**(577,968)**

(All amounts are expressed in thousands of USD and thousands of HRK)

24. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments

	31 December 2019		**31 December 2018**	
	USD	**HRK**	**USD**	**HRK**
Financial assets at amortized cost:				
Receivables from customers and other receivables	2,416	16,063	3,990	25,806
Payments for future periods and accrued income	487	3,241	702	4,543
Cash and cash equivalents	10,182	67,712	8,716	56,389
Deposits over three months	16	109	16	106
Total financial assets	**13,101**	**87,125**	**13,424**	**86,844**
Financial liabilities at amortized cost:				
Borrowings on which interest is charged	84,174	559,749	97,556	631,106
Trade and other payables	1,789	11,896	4,053	26,216
Deferred payment of expenses and revenue for the future period	3,083	20,507	831	5.376
Total financial liabilities	**89,046**	**592,152**	**102,440**	**662,698**

Fair value of financial instruments

Methods of estimation and assumptions in determining fair value

The fair values of financial assets and financial liabilities are determined as follows:

• the fair value of financial assets and financial liabilities traded on active liquid markets, under standard conditions, is determined at the prices quoted on the market;

• the fair value of other financial assets and other financial liabilities is determined in accordance with pricing models based on the analysis of discounted cash flows using prices from known market transactions and prices offered for similar instruments;

• the fair value of interest rate swaps is calculated as the present value of estimated future cash flows and discounted on the basis of the yield curves derived from the quoted interest rates.

In 2019, TNG did not have the financial assets to be reduced to fair value.

(All amounts are expressed in thousands of USD and thousands of HRK)

24. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial instruments (continued)

Fair value indicators are recognized in the statement of financial position

The fair value of financial instruments is recognized on the underlying of the following indicators:

1. indicator level - the fair value indicators are derived from (non-harmonized) prices quoted on active markets for equities and similar liabilities;

2. indicator level - Fair Value Indicators are derived from other data on assets or liabilities that are not quoted at level 1, either directly (ie as prices), either indirectly (ie derived from their prices) and

3. indicator level - Indicators derived using valuation methods in which inputs or assets are used as input data, which are not based on available market data.

On December 31, 2019, the amounts presented in the statement of cash, short-term deposits, receivables, short-term liabilities, accrued expenses and other financial instruments correspond to their market value.

Capital management

The primary objective of TNG in managing its capital is to ensure financial support to the operations and maximize shareholder value. TNG manages its capital by taking into account changes in the economic conditions. In order to maintain or adjusts the capital structure, TNG may adjust dividend payable to the shareholders, the return on investment, or issue new shares. There were no changes to objectives, policies and processes during the period ended 31 December 2019 and 31 December 2018. TNG supervises its capital through the gearing ratio calculated as follows:

2019

	USD	HRK
Total interest-bearing debt (long-term and short-term borrowings) (Note 20)	84,174	559,749
Less: Cash and cash equivalents (Note 18)	10,182	67,712
Net debt	73,992	492,037
Equity and reserves	100,037	665,234
Total equity, reserves and net debt	**174,029**	**1,157,271**
Gearing ratio	**43%**	

(All amounts are expressed in thousands of USD and thousands of HRK)

24. FINANCIAL INSTRUMENTS (CONTINUED)

Capital management (continued)

2018

	USD	HRK
Total interest-bearing debt (long-term and short-term borrowings) (Note 20)	97,556	631,106
Less: Cash and cash equivalents (Note 18)	8,716	56,389
Net debt	88,840	574,717
Equity and reserves	96,491	624,227
Total equity, reserves and net debt	**185,331**	**1,198,944**
Gearing ratio	**48%**	

25. CONTINGENT LIABILITIES AND COMMITMENTS

Operating lease commitments, with the Company as the lessee

The Company has operating lease commitments for the properties and personal cars it uses under operating lease arrangements. Total future minimum payments under operating leases are as follows:

	USD	HRK	USD	HRK
	31.12.2019	**31.12.2019**	**31.12.2018**	**31.12.2018**
Up to 1 year	14	93	16	101
Between 1 and 5 years	33	221	40	259
After 5 years	42	277	43	276
Total	**89**	**591**	**99**	**636**

Legal cases

The Entity has no significant litigations.

26. EVENTS AFTER THE BALANCE SHEET DATE

Share Buy-Back Programme

In February 2020, the Management Board adopted a decision to launch Treasury Share Buy-Back Programme (hereinafter: the Programme) in accordance with the resolution adopted by the Annual General Meeting of Shareholders from 2016. The Programme commenced on February 24, 2020 and will last until February 24, 2021. The maximum number of shares intended to be acquired during the Programme is 110,000, and the largest amount of money allocated to the Program is HRK 5,000,000.00.

By March 31, 2020, the Company had repurchased a total of 13,123 treasury shares on the Zagreb Stock Exchange, representing 0.15% of the Company's share capital. The Company paid the equivalent of HRK 554,667.51 for the acquisition of above mentioned treasury shares.

Impact of COVID-19 on the Company's business activities

Beyond doubt, we can confirm that the global spread of the virus will be a powerful test from a social point of view, as well as the fact that it will hamper future economic perspectives.

The Company has no intention of making any forward-looking statements or assumptions about how long the pandemic could affect various market aspects and does not have mechanisms in place to analyze this unique situation in depth. A global economic slowdown seems like an inevitable outcome, as is evident from recent trends that have emerged in the capital markets.

We emphasize that the Company's 99% operating income comes from international business operations. In line with previous announcements, the Company has taken a number of preventive measures to minimize business risks. We have set our focus on securing revenue based on time charter terms with renowned global corporations. Most of the fleet have valid contracts concluded with worldwide prominent corporations.

As of March 31, 2020, the Company has secured a total of 1,145 revenue days in 2020 through multiple contracts on time charter (+ 12.4% compared to the same day of the previous year for 2019), which represents a minimum of USD 17.8 million vessel revenues (+ 21.1% compared to the same day of the previous year for 2019). Based on the above circumstances, we consider that the pandemic's impact on the Company's finanacial operations is minimal.

Currently, the COVID-19 pandemic has the greatest impact on the Company's operational activities in the form of repatriation of seafarers, the inability to replace crew on time, the operational procurement and delivery of consumables and equipment, and the forthcoming planned dry dockings of 4 vessels in 2020.

The potential risk of spreading contagion among seafarers on board has been reduced to an operational minimum since the Company has taken all preventive measures in a timely manner to protect the interests of the Company and individuals on board and to facilitate smooth operation.

27. EVENTS AFTER THE BALANCE SHEET DATE (continued)

Impact of COVID-19 on the Company's business activities (continued)

In addition to the foregoing, no other events or transactions have occurred after December 31, 2019 that would have a material effect on TNG's financial statements as at or for the period thereafter or are of such significance to TNG's business activities that they would require disclosure in the notes to the financial statements.

28. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements, set out on pages 7 to 66, were approved by the Management and authorised for issue on 24th April 2020.

Signed on behalf of TNG on 24th April 2020 by:

John Karavanić,
Member of the Management Board


NO SMOKING
SAFETY FIRST

Tankerska Next Generation

Additional information

IMPORTANT INDUSTRY TERMS AND CONCEPTS

The Group uses a variety of industry terms and concepts when analysing its own performance. These include the following:

Revenue Days. Revenue Days represent the total number of calendar days the Group's vessels were in possession of the Group during a period, less the total number of Off-Hire Days during that period generally associated with repairs, drydocking or special or intermediate surveys.

Consequently, Revenue Days represent the total number of days available for a vessel to earn revenue. Idle days, which are days when a vessel is available to earn revenue, yet is not employed, are included in Revenue Days. The Group uses Revenue Days to explain changes in its net voyage revenues (equivalent to time charter earnings) between periods.

Off-Hire Days. Off-Hire Days refer to the time a vessel is not available for service due primarily to scheduled and unscheduled repairs or drydocking.

When a vessel is off-hire, or not available for service, the charterer is generally not required to pay the charter hire rate and the Group will be responsible for all costs, including the cost of fuel bunkers unless the charterer is responsible for the circumstances giving rise to the lack of availability. Prolonged off-hire may obligate the vessel owner to provide a substitute vessel or permit the charter termination.

The Group's vessels may be out of service, that is, off-hire, for several reasons: scheduled drydocking, special surveys, vessel upgrade or maintenance or inspection, which are referred to as scheduled off-hire; and unscheduled repairs, maintenance, operational deficiencies, equipment breakdown, accidents/incidents, crewing strikes, certain vessel detentions or similar problems, or charterer's failure to maintain the vessel in compliance with its specifications and contractual and/or market standards (for example major oil company acceptances) or to man a vessel with the required crew, which is referred to as unscheduled off-hire.

Operating Days. Operating Days represent the number of days the Group's vessels are in operation during the year. Operating Days is a measurement that is only applicable to owned and not bareboated or chartered-in vessels. Where a vessel is under the Group's ownership for a full year, Operating Days will generally equal calendar days. Days when a vessel is in a dry dock are included in the calculation of Operating Days as the Group still incurs vessel operating expenses.

Operating Days are an indicator of the size of the fleet over a period of time and affect both revenues and expenses recorded during that period.

(Net) Time Charter Equivalent (TCE). TCE is a standard shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters, because charter hire rates for vessels on voyage charters are generally not expressed per day as charter hire rates for vessels on time charters are. Therefore the net equivalent of a daily time voyage rate is expressed in net daily time charter rate.

(Net) TCE earnings. The Group defines time charter equivalent earnings, or TCE earnings, as vessel revenues less commissions and voyage-related costs (both major and minor) during a period.

TCE earnings is a measure of performance of a vessel or a fleet, achieved on a given voyage or voyages and it is expressed in US dollars per day. The Group's definition of TCE earnings may not be the same as that used by other companies in the shipping or other industries.

(Net) TCE rates. The Group defines time charter equivalent rates, or TCE rates, as vessel revenues less commission and voyage related costs (both major and minor) during a period divided by the number of Revenue Days during that period.

TCE rates is a measure of the average daily revenue performance of a vessel or a fleet, achieved on a given voyage or voyages and it is expressed in US dollars per day. TCE rates correspond to the net voyage earnings per day. The

Group's definition of TCE rates may not be the same as that used by other companies in the shipping or other industries.

The Group uses the foregoing methodology for calculating TCE rates and TCE earnings in cases of both time charter and voyage charter contracts.

Gross Time Charter rates (GTC rates). The Group defines gross time charter rates, or GTC rates, as vessel revenues during a period divided by the number of Revenue Days during that period.

GTC rates should reflect the average daily charter rate of a vessel or a fleet and is expressed in US dollars per day. The Group's definition of GTC rate may not be the same as that used by other companies in the shipping or other industries.

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

Daily vessel operating expenses represent vessel operating expenses divided by the number of Operating Days of vessels incurring operating expenses and is expressed in US dollars per day.

Average number of vessels. Historical average number of owned vessels consists of the average number of vessels that were in the Group's possession during a period. The Group uses average number of vessels primarily to highlight changes in vessel operating costs.

Fleet utilization. Fleet utilization is the percentage of time that the Group's vessels generate revenues. The shipping industry uses fleet utilization to measure a company's efficiency in finding employment for its vessels and in minimizing the number of days that its vessels are off-hire for reasons such as scheduled repairs, drydocking, surveys or other reasons other than commercial waiting time.

Fleet utilization is calculated by dividing the number of Revenue Days during a period by the number of Operating Days during that period.

Important chartering contracts

The Group's performance can be affected by some of the following types of charter contracts:

Time charter. Time charter is a contract under which a charterer pays a fixed daily hire rate on a semi-monthly or monthly basis for a fixed period of time for using the vessel. Subject to any restrictions in the charter, the charterer decides the type and quantity of cargo to be carried and the ports of loading and unloading. Under a time charter the charterer pays substantially all of the voyage-related costs (etc. port costs, canal charges, cargo manipulation expenses, fuel expenses and others). The vessel owner pays commissions on gross voyage revenues and the vessel operating expenses (etc. crew wages, insurance, technical maintenance and other).

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

Voyage charter. Voyage charter involves the carriage of a specific amount and type of cargo from a specific loading port(s) to a specific unloading port(s) and most of these charters are of a single voyage nature. The owner of the vessel receives one payment derived by multiplying the tonnes of cargo loaded on board by the cost per cargo tonne. The owner is responsible for the payment of all expenses including commissions, voyage-related costs, operating expenses and capital costs of the vessel. The charterer is typically responsible for any costs associated with any delay at the loading or unloading ports. Voyage charter rates are volatile and fluctuate on a seasonal and year-on-year basis.

Other charters. Besides the two most common charters (time and voyage) the shipping industry provides other types of contracts between the ship owner and the charterer.

Bareboat charter. Bareboat charter is a contract pursuant to which the vessel owner provides the vessel to the charterer for a fixed period of time at a specified daily rate, and the charterer provides for all of the vessel's operating expenses in addition to the commissions and voyage related costs, and generally assumes all risk of operation. The charterer undertakes to maintain the vessel in a good state of repair and efficient operating condition and drydock the vessel during the term of the charter consistent with applicable classification society requirements.

Time charter trip. Time charter trip is a short term time charter where the vessel performs a single voyage between loading port(s) and unloading port(s). Time charter trip has all the elements of a time charter including the upfront fixed daily hire rate.

Important financial and operating terms and concepts

The Group uses a variety of financial and operational terms and concepts when analysing its own performance. These include the following:

Vessel revenues. The Group generates revenues by charging customers for the transportation of their oil products using its own vessels. Historically, the Operating Fleet's services have generally been provided under time charters although the Group may enter into voyage charters in the future. The following describes these basic types of contractual relationships:

Time charters, under which the vessels are chartered to customers for a fixed period of time at rates that are generally fixed; and

Voyage charters, under which the vessels are chartered to customers for shorter intervals that are priced on a current or "spot" market rate.

The table below illustrates the primary distinctions among these types of charters and contracts:

	Time Charter	Voyage Charter
Typical contract lenght	1-5 years	Single voyages, consecutive voyages and contracts of affreighment (COA)
Hire rate basis	Daily	Varies
Commercial fee	The Group pays	The Group pays
Commissions	The Group pays	The Group pays
Major Vessel related costs	Customer pays	The Group pays
Minor Vessel related costs	The Group pays	The Group pays
Vessel operating costs	The Group pays	The Group pays
Off-hire	Customer does not pay	Customer does not pay

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cautionary note regarding forward-looking statements

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

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

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

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

Pursuant to the article 300.d, and in accordance with the provisions of Article 300.c of the Croatian Companies Act, the Supervisory Board of Tankerska Next Generation Inc., at its meeting held on April 29th, 2020, passed the following

DECISION

on determining annual financial statements

I

Supervisory board approves the Annual Report for 2019 of Tankerska Next Generation Inc. which consists of: Income Statement and statement of other comprehensive income, Statement of financial position, Statement of cash flows, Statement of Changes in equity, Notes to the financial statements, Company status report and Independent auditors report by Deloitte Ltd. audit company from Zagreb.

II

Following approval from the first paragraph of this Decision, the Annual Financial Statements of Tankerska Next Generation for the year 2019 are determined by the Management Board and the Supervisory Board.

Zadar, April 29th, 2020

President of the Supervisory Board
Ivica Pijaca

Zadar, April 29th, 2020

Pursuant to the Croatian Companies Act and the Articles of association of the Company, the Management Board and the Supervisory Board of Tankerska Next Generation Inc., at its meeting held on 29th April 2020, passed the following

DECISION
on the utilization of profit for the year 2019

I

It is determined that Tankerska Next Generation Inc. in the year ending with December 31st, 2019 realized net profit in the amount of HRK 23,340,242.00.

A part of net profit in the amount of HRK 22,173,229.90 shall be allocated to retained reserves.

A part of net profit in the amount of HRK 1,167,012.10 shall be allocated to mandatory earnings.

II

This proposal will be proposed to the General Assembly by the Management Board and the Supervisory Board of the Company.

Management Board
John Karavanić

President of the Supervisory Board
Ivica Pijaca

TNG
Tankerska Next Generation

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TNG

Tankerska Next Generation

TPNG-R-A 2019

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