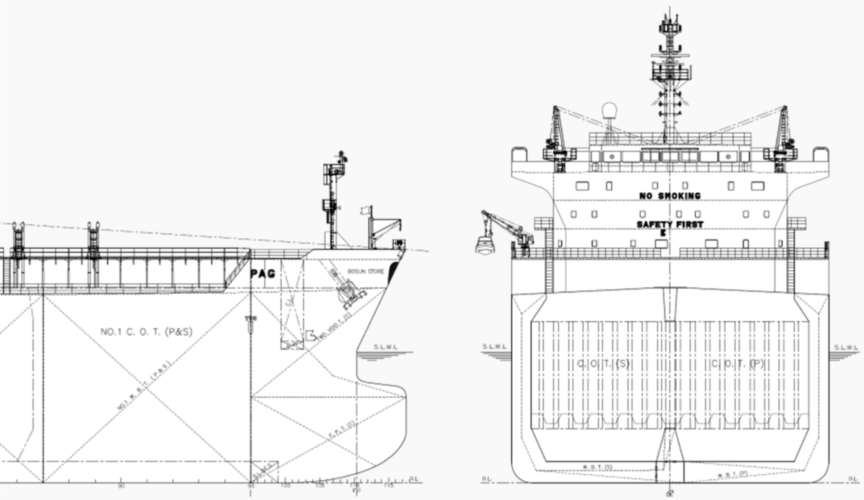
ENGLISH VERSION



Tankerska
Next Generation

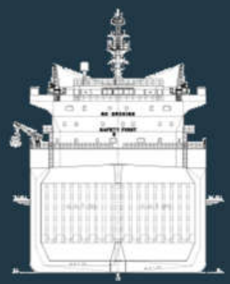
I – IX 2019

Contents

Total number of vessels: 6

ECO design MR Product tankers: 4

ICE class MR Product tankers: 2



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

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

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

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

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

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

Comments from the CEO

Interim management report

Trade conflicts and geopolitical instability have become key drivers of the world economy and its markets.

In these circumstances, and under the strain of the announced new regulatory environment, the Company has been able to optimally employ its vessels facing existing market challenges. Out of a total of 552 maximum possible exploitation days in Q3 2019 Tankerska Next Generation generated 368 days on time charter with an average gross daily hire of USD 16,162.50 in a rather anaemic spot market where a slight recovery was felt only after the quarter and somewhat more in the second half of October.

Future global market conditions will largely depend on the US-China trade conflict. President Trump recently expressed optimism that a positive outcome will be achieved soon. Indeed, what is happening in the US and the PRC is more important for the financial markets than what is happening in the rest of the world, so a deal or economic truce between the US and China could give a significant boost to the mood despite the poor European and Asian economic data.

The Brexit saga continues. The UK should leave the EU in "x" days. It's hard to say what happens next. The outcome of an election or referendum would be extremely uncertain. But what is clear now is that the European Union wants Britain to finally close the chapter of EU history by leaving, so that members of the old continent can move on to burning issues, from migration and enlargement to the controversial seven-year budget after Brexit.

From 1 January 2020, sulfur oxide emissions from ships will be significantly reduced under the forthcoming IMO regulation. This will undoubtedly have significant benefits for human health and the environment globally - but will also present a challenge for industry. This "IMO 2020" rule means that the sulfur limit for fuels used on ships operating in the high seas is reduced to 0.50%, while within the ECAs (emission controlled areas) the limit will remain at a very strictly controlled 0. 10%. The current limit for navigation on the high seas is 3.50%, so the change is significant and will mean the transition to new types of compatible fuels for most ships; very low sulfur (VLSFO) fuel or more expensive diesel. VLSFO blends are new to the market and are only just beginning to be commercially available.

As we approach the end of the year, we face what the market has long expected; ship repairs and modifications are flourishing, while shipyards try to do their best. At present, the sole task of all ship repair yards is to adapt to as many projects as possible and “push” them in as short a time as possible, despite the prevailing limitations on berth capacities, free dry-dock capacities and human resources.

Another, but this time unexpected, factor that has recently created an even more turmoil in the shipyards is the unprecedented rise in freight rates in the VLCC sector. This has created a one-sided effort by shipowners to delay scheduled installations and modifications, to take full advantage of the extraordinarily high market, which obviously cannot last at these levels. These postponement attempts come with a very short notice and are expected to cause an even more pronounced bottleneck during the upcoming Chinese New Year.

In conclusion, the order book is also worth mentioning; which is at its lowest level since 1997; U.S. exports continuing to grow; then the announced future GHG (Greenhouse gas) emission regulations; which should, in addition to the above macro factors, become key determinants that will in many ways affect the new market balance in the product tankers market or transportation by sea in general.

Results for the first nine months of 2019:

Vessel revenues:	30.553 mil. USD
EBITDA:	12.133 mil. USD
EBIT:	6.199 mil. USD
Net profit:	2.642 mil. USD
TCE Net:	14,490 USD/day
OPEX:	6,529 USD/day

John Karavanić, CEO

Market environment

Interim management report

Global market conditions and trade

Trade policies led by Donald Trump have become increasingly unpredictable since the start of 2019 with some signs of relief moving towards the end of the third quarter of this year. Recent geopolitical volatility –including attacks on Saudi oil infrastructure and counter attacks in the Middle East have sparked surging tensions worldwide, which seem to have dominated media attention lately.

The overall escalation in the U.S.-China conflict and unpredictability of U.S. trade actions have created additional hesitance, which has led into caution business planning, threatening to weaken economic activity.

All US headlines focus on the Democrats starting the impeachment against Trump. If Trump is impeached but is acquitted by the Senate and then goes on to win a second term in the 2020 election, it would be unprecedented in U.S. history. Political experts conclude that if that happened, it might be politically impossible to impeach Trump again because of the political blowback. Which sets the tone for a mid-term US outlook. Having said this, US economy seems to be on firm ground, with the rest of the world struggling. As the US consumer is still in a good mood and not particularly financially vulnerable, a recession in the US (which is undoubtedly coming at some stage) is unlikely to start during the next couple of quarters.

On the other hand the general outlook for the global economy in the next couple of quarters is looking mild. European and Asian data looks weak and it is hard to foresee what could lead to a material improvement any time soon.

China GDP slows further

The most direct effect China has on the rest of the world is through trade. China's GDP was up 6.0% yoy in Q3, down from 6.2% in Q2 and the lowest growth rate in a long time. The number was slightly lower than expected but the trend of slowing growth has been visible for a while.

A resolution of the conflict with the US would be very helpful. Chinese authorities have taken a lot of relatively small measures to prop up growth in response to the slowdown and the effect of the trade conflict in particular. So far, however, the effects are not overwhe-lming.

The escalation of trade/tech tensions between the US and China since early 2018 has proven a key headwind for global growth, including for China and emerging Asia. After a re-escalation of US-China tensions since May 2019 – with new tariffs introduced, existing tariffs raised and all kinds of non-tariff measures taken as well – over the past month we have seen some goodwill gestures by both sides suggesting a potential shift in political calculus in both Washington and Beijing. The two countries have been working to resolve their trade dispute, with the United States announcing a "phase 1" deal with China on trade matters and suspending a scheduled tariff hike for October, hopefully to be concluded in a future meeting at the APEC Summit in November.

Global shipping

Adopted in April last year, the IMO's GHG Strategy (Green House Gas Strategy) outlines the shipping sector's required contribution to emissions reduction in the context of the Paris Agreement. Many shipping stakeholders expect that a binding commitment on CO_2 emissions will be the next big regulatory priority on the IMO's environmental agenda following the implementation of the sulphur cap in 2020.

Some countries are already drawing up plans to reach the GHG Strategy's goal of a 50% reduction in CO2 emissions by 2050. The UK has been an early mover, announcing that it aims to ensure that all new ships ordered for use in coastal and inland waters are equipped with zero emission propulsion capability as early as the year 2025. But there are practical, technical and financial challenges that will need to be overcome before these ambitions can become a reality.

Energy outlook and the US Energy shift Oil markets in September withstood a large-scale supply disruption as the attacks on Saudi Arabia temporarily affected about 5.7 mb/d of crude production capacity. On Monday 16 September, the first trading day following the attacks, Brent prices fell back as it became clear that the damage would not cause significant disruption. Saudi Aramco managed to promptly restore operations and maintain customer confidence.

Blackrock, October 2019
ABN AMRO/Reuters, October 2019
Fortune Marine, October 2019
IEA, October 2019

Market environment

Interim management report

The recent attacks in Saudi Arabia were a sharp reminder that the world cannot take oil security for granted, even when markets are well supplied. But there have also been suggestions that this kind of disruption to oil supply could have less impact in the future, either because of changes in oil markets or because oil itself is set to be side-lined by accelerated transitions to other energy sources.

The short answer is that there is little room for complacency. The market and policy environment may be changing, rapidly in some areas, but oil security concerns do not disappear. Whether we like it or not, what happens in oil markets will still matter for all of us – for decades to come.

Last week, the International Energy Agency (IEA) cut its estimate for global oil demand growth in 2019 to 1.0 million barrels per day (mb/d), a reduction of 65,000 b/d. For 2020, they now expect 1.2 mb/d growth, about 100,000 b/d less than their previous forecast. The IEA cited a weakening outlook for the major global economies as the main reason for its outlook revision. The short-term outlook of the U.S. Energy Information Administration (EIA) is also more bearish.

OPEC has also slightly reduced its 2019 estimate, although it did not change the 2020 growth outlook in its latest report. To top it off, the IMF has also reduced its outlook for the world economy. It expects that growth this year will be the weakest since the 2008 global financial crisis. After 3.6% growth in 2018, this year’s global expansion falls to 3.0%, with a slight rebound to 3.4% in 2020.

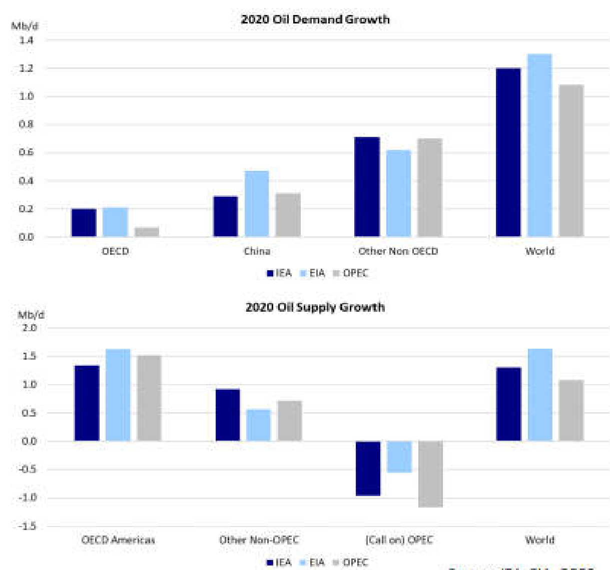
These numbers are 0.2% (2019) and 0.1% (2020) lower than the previous World Economic Outlook Projections from July 2019.

While the latest oil demand projections only paint part of the picture. The oil supply situation looks more promising from a tanker owner’s perspective. Rapid growth from non-OPEC producers in the Atlantic basin will drive tanker ton-miles. U.S. crude production and exports are expected to continue their rapid growth in 2020. While with different views on the exact volumes, the industry agrees that there will be substantial growth.

OPEC expects 1.5 mb/d more from North America, while the EIA sees expansion of 1.6 mb/d. While some U.S. crude will end up in Europe, most of it will be exported long-haul to Asia.

The U.S. energy revolution has effectively provided spare oil production capacity to the world, and it has shortened the time between initial drilling and delivery to market to days or weeks versus months or years, as in the past.

The revelation that significant Saudi Arabian production capacity was lost was almost immediately offset in part by efforts to soothe global markets – first by the Saudis announcing they would bring additional offshore production capacity to market, and second by the Trump Administration indicating it would release an undetermined amount of the U.S. strategic petroleum reserve.



Source: IEA, EIA, OPEC

World Economic Outlook, October 2019
IEA, October 2019
EIA, October 2019
Poten, October 2019
Maritime executive, October 2019

Market environment

Interim management report

Tanker markets

While tanker rates went through a record-breaking, supercharging ride during the last two weeks, reports from the main agencies that forecast oil demand growth were notably less bullish. Seasonality, geopolitics and the enforcement of sanctions on a fair share of the fleet are the main drivers behind these extraordinary highs.

On the tanker supply side, the risk of fleet growth is limited in the short term.

The orderbook of all the major vessel classes has dropped below 10% of the existing fleet (for delivery between now and 2022). At this time last year, the orderbook for VLCCs stood at 15%. Obviously, if the market remains strong, owners will order more tankers, but these vessels will not deliver until 2021.

Other factors that will influence supply include scrapping, "slow steaming" and scrubber installations. Scrapping has been on standby mode this year and, as long as earnings remain high, older vessels will manage to stay employed.

Scrubber installations will continue to play a role in reducing fleet supply throughout 2020. In the first half of next year, the new IMO 2020 bunker fuel regulations will also create uncertainty, dislocations and market inefficiencies.

In summary, the industry expects a relatively strong tanker market in 2020 despite the previously mentioned global oil demand headwinds.

After the U.S. ended sanction waivers for Iran's oil importers back in May, there has been significant pressure put on China to halt purchases of Iranian crude.

In 2018, the National Iranian Oil Company had delivered approximately 20 million barrels to the region in Northern China in order to facilitate retrieval of the nation's oil in the region after sanctions were issued. Last month, China received about 200,000 bbl/d to 250,000 bbl/d of Iranian oil resulting in sanctions imposed by the U.S. to six Chinese shipping firms. The Chinese state-owned Zhuhai Zhenrong and two affiliates of COSCO shipping are among some of the major firms sanctioned. Iran's exports of oil for the months of August and September have plummeted below 500,000 bbl/day in contrast with the 1.7 million bbl/day average in March. Iran is expected to be hit with an annual loss of oil revenues worth US $50 billion. The U.S. has expressed aversion to negotiations with Iran regarding the sanctions.

Product tankers

QUICK OVERVIEW — MR (25-59,999DWT)

Key fleet figures
as at 01st October 2019

In Service:	2,507	vessels
total dwt capacity:	110,004,164	dwt
year to date growth:	2.91	%
Over 20yrs:	214	vessels
total dwt capacity:	8,662,488	dwt
as a percentage of fleet:	8.54	%
On Order:	185	vessels
total dwt capacity:	8,370,572	dwt
as a percentage of fleet:	7.38	%

Remaining deliveries for 2019
as at 01st October 2019

Scheduled:	41	vessels
total dwt capacity:	1,910,620	dwt
as a percentage of fleet:	1.64	%

Changes in 2019
as at 01st October 2019

Deliveries:	92	vessels
total dwt capacity:	4,246,772	dwt
as a % of starting fleet:	3.78	%
of which latest month:	10	vessels
and in dwt terms:	463,444	dwt
New Orders:	46	vessels
total dwt capacity:	2,004,000	dwt
as a % of starting fleet:	1.89	%
of which latest month:	0	vessels
and in dwt terms:	0	dwt
Scrapped:	20	vessels
total dwt capacity:	823,271	dwt
as a % of starting fleet:	0.82	%
of which latest month:	2	vessels
and in dwt terms:	81,073	dwt

Allied shipping inc. October 2019.

Market environment

Interim management report

Undoubtedly, the decision of the US administration to impose sanctions to two subsidiary companies of COSCO has affected the market massively. It is estimated that the Chinese giant has under management approximately 40 VLCC units (along with other smaller tankers) which translates to around 5% of the total VLCC fleet.

Even so, there is no expectation that the effect of the sanctions will be fade out or that the sanctions will be lifted any time soon. In addition to these sanctions, there are mounting concerns from charterers regarding tankers that have a trading history with Venezuela, which in effect has essentially taken out of the market a further 200 – 250 crude and oil products tankers.

On top of these, several units were already out of market due to scrubber installations, while there had been rumors that there had been a fair increase of fixing for storage contracts before the sanctions were put in place. Given these updates, charterers seem to be in a rush to find tonnage for their cargoes before freight rates increase even higher, while the cards seem to be currently stacked in the owners' favor, allowing them to request ever higher premiums. In the meantime, the demand may not seem to be playing an equally strong role on the current boom, but it has been doing its bit. The final quarter of the year tends to typically be a seasonal peak, as the northern hemisphere prepares for the winter period.

Product tanker shipping

The product tanker spot charter rates have increased steeply in the last one month on account of the US sanctions on Cosco's tanker subsidiaries and the onset of winter demand, in addition to other regulation and environmental drivers. The earnings of product tanker companies have benefited from improved spot charter rates. (as shown below)

The orderbook-to-fleet ratio dropped from 9.4% at end-2018 to 8.1% in September 2019.

So, has the tanker market reached a turning point?

With just over two months to go before the IMO 2020 regulation on low sulfur fuel takes effect, there is still considerable uncertainty regarding how smooth the transition to the new regime will be.

Baltic Exchange, October 2019

Market environment

Interim management report

In its latest Oil Market Report, the International Energy Agency highlighted what it expects to be a relatively smooth transition to very low sulfur fuels. In particular, the IEA noted that a variety of factors have combined to ease the transition, compared to what it expected six months ago. Among the major factors are:

- *Lower global oil demand, due to slower economic growth*
- *Lower bunker fuel demand, due to lower trade demand*
- *Rising production of low sulfur US crude oil, which should increase low sulfur bunker fuel availability*
- *The restart of previously mothballed refineries in the Caribbean and Germany, with the specific aim of producing low sulfur fuel*
- *Increased scrubber retrofitting*

Combined with seasonal fluctuations in refinery activity, the IEA now sees a relatively balanced market for 0.5% sulfur fuel (VLSFO) by January 2020, although they are worried that shortages could become more of an issue by April.

But it is worth noting that the forward market for low sulfur fuel prices suggests that many market participants are not as confident in the supply/demand balance for the start of 2020. As recently as August, the forward curve showed the market expecting a $250/tonne differential between 3.5% sulfur fuel oil (HSFO) and VLSFO. But in early September, even before the drone attack on Saudi Arabia, the spread had widened to nearly $300/tonne. So, there is obviously still a great deal of concern about how much VLSFO will be available come January.

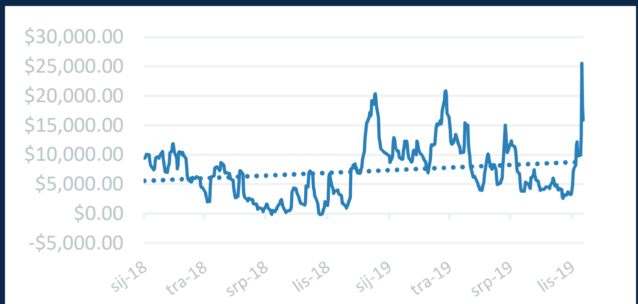
Meanwhile, the rapid increase in scrubber installation that is currently underway should play a significant role in helping the market to meet the IMO 2020 regulation.

The IEA expects a total of 2,500 scrubbers to be installed by the end of 2019, leading to HSFO demand of 0.5 mbd (since vessels with scrubbers will be able to burn cheaper HSFO). By the end of 2020, nearly 4,000 scrubbers are expected to be installed, with HSFO demand rising to more than 0.8 mbd.

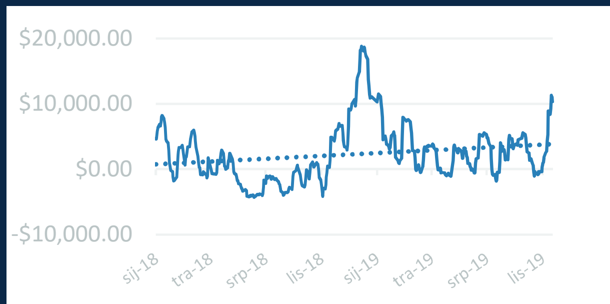
This may prove a bit optimistic, as many reports point to longer installation times than anticipated, but nevertheless, the fact that many larger ships (including VLCCs, Capesize, and large containerships), which tend to have high fuel consumption, will have scrubbers will help to limit the demand for VLSFO.

Combined with rising VLSFO production over the next two years, this helps to explain why the VLSFO/HSFO price differential is projected to fall to $220/tonne by the end of 2020, and to narrow further by 2023.

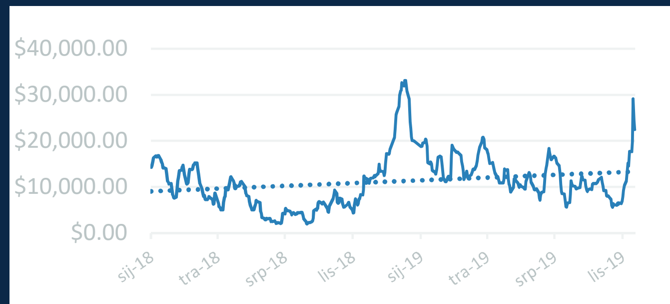
Baltic Exchange, October 2019



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



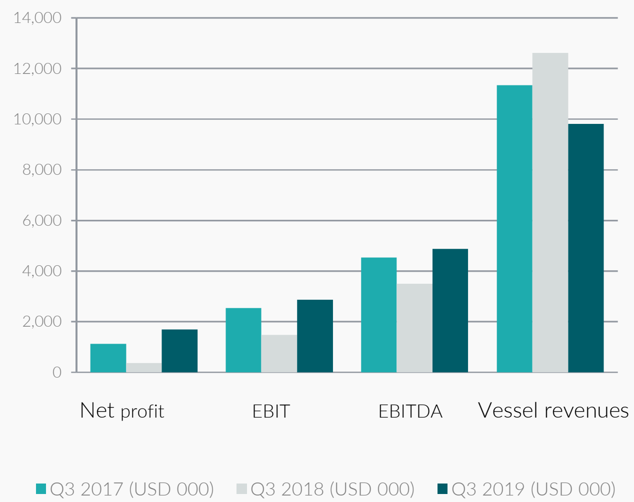
Full Route Description - TC14 38,000mt CPP/UNL/diesel. US Gulf to Continent (Houston to Amsterdam).



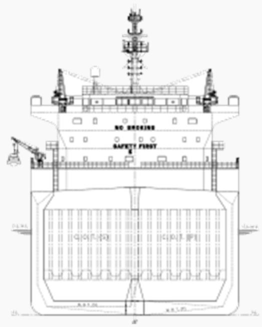
Full Route Description - MR Atlantic Basket Contributing routes: TC2 TCE & TC14 TCE

Results

Interim management report



SELECTED FINANCIALS	July – September 2018 (HRK 000)	January - September 2018 (HRK 000)	July - September 2019 (HRK 000)	January - September 2019 (HRK 000)	July - September 2018 (USD 000)	January - September 2018 (USD 000)	July - September 2019 (USD 000)	January - September 2019 (USD 000)
Vessel revenues	80,785	218,407	**65,029**	**201,155**	12,617	34,111	**9,809**	**30,553**
EBITDA	22,405	74,615	**32,309**	**79,744**	3,499	11,653	**4,902**	**12,133**
EBIT	9,432	36,485	**18,465**	**40,505**	1,473	5,698	**2,892**	**6,199**
Net profit	2,295	16,750	**11,179**	**17,562**	358	2,616	**1,689**	**2,642**



Results for the first nine months of 2019

Interim management report

Vessel revenues in the first nine months of 2019 amounted to HRK 201.2m and were 7,9% lower in comparison to the same period of 2018, while EBITDA was recorded at HRK 79.4m, which is 6.4% higher in comparison to last year's HRK 74.6m.

The Company's net profit in the first nine months of 2019 amounted to HRK 17.6m and it is a result of the positive contributions from four time charter fixtures concluded this year.

The operating profit for the first three quarters of this year was HRK 40.5m 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 14,490.

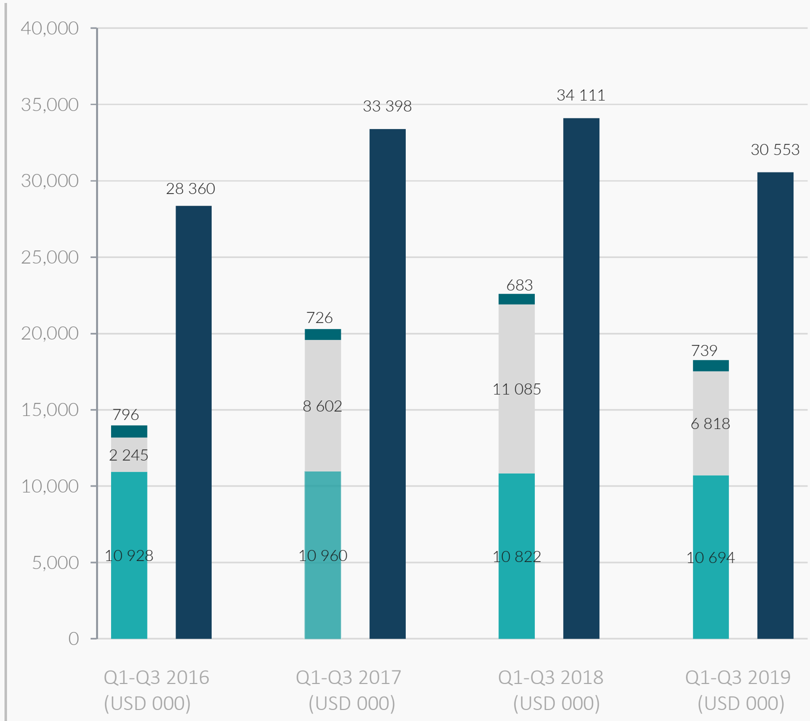
The first three quarters of 2019 were marked by the usual operating expenses, as a result of the efforts of management to optimize the operations.

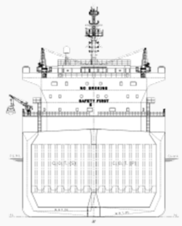
Commissions and voyage associated costs amounted to HRK 44.9m, while in the first nine months of 2018 they amounted to HRK 71.0m. This decrease is a result the change of employment strategy of Vukovar, Velebit, Pag and Dalmacija which by operating on time charter contract have lower voyage associated costs e.g. port costs, bunker, which is accountable to the charterer.

Total operating costs of the fleet amounted to HRK 70.5m in the nine months of 2019 and were at the same level as in the same period in 2018 when they amounted to USD 69.3m. 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 the first three quarters of 2019 amounted to HRK 39.2m. 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 at the similar level as in the first three quarters of 2018 (HRK 4.2m) as a result of continued cost control efficiency.





Results for the third quarter of 2019

Interim management report

Total revenues for the third quarter of 2019 amounted to HRK 65.2m (USD 9.83m), while EBITDA reached HRK 32.3m (USD 4.90m).

The net profit for the third quarter of 2019 amounts to HRK 11.2 million (USD 1.69m).
Third quarter EBIT was HRK 18.5m (USD 2.9m) and is a result of market exposures at which freight rates stabilized at much higher level than 2018.

In the third quarter of 2019, vessels' revenues reached HRK 65.0 million (USD 9.81m), which is a decrease expressed in Kuna from the same period last year.

This level of revenue is the result of less exposure of the TNG fleet on the spot market, where the ship-owner achieves nominally higher revenue, but at the same time has increased voyage-related costs.

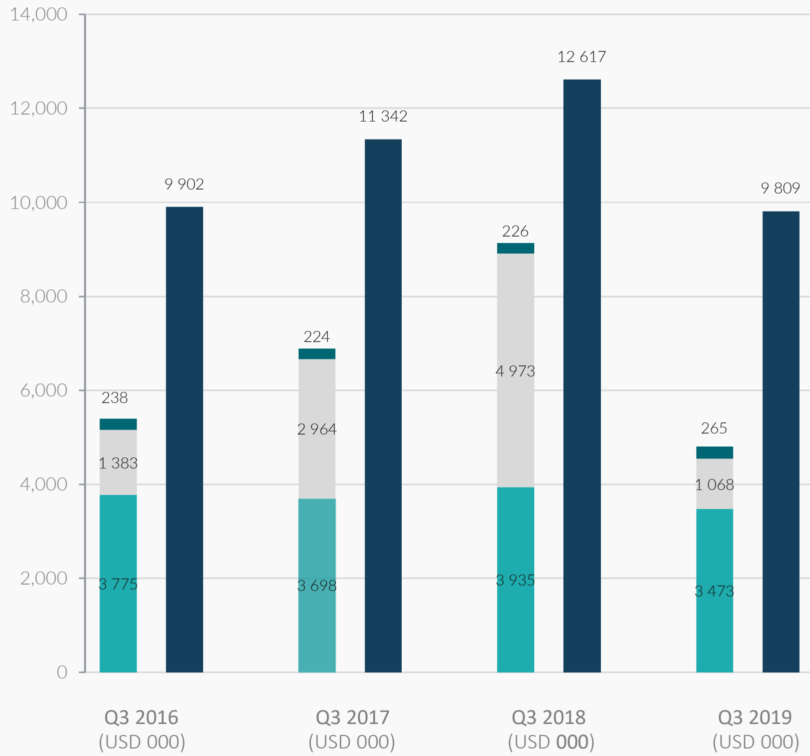
The average daily TCE of the fleet during the third quarter was recorded at USD 15,835.

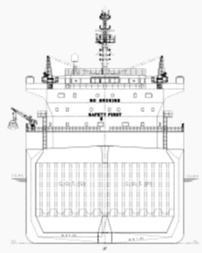
Operating expenditures of the fleet amounted to HRK 23.2m (USD 3.47m) in the third quarter of 2019 and have somewhat decreased from the last quarter when they were USD 3.94m.

Commissions and voyage associated costs amounted to HRK 7.16 million (USD 1.07 million) in the third quarter of 2019, while in the third quarter of 2018 they added up to HRK 31.8 million (USD 4.97m). The decrease in these expenses is due to less exposure of TNG's fleet in the spot market.

Depreciation costs in the third quarter of 2019 amounted to HRK 13.8m (USD 2.0m). All the vessels in operation are depreciated over an estimated useful life span of 25 years on a linear basis to their residual value, which represents their scrap value on the international market.

General and administrative expenses were recorded at HRK 1.54m (USD 0,265m) are slightly up against the same period last year.





Operational data of the fleet

Interim management report

TNG's CURRENT FLEET

Currently TNG's fleet consists of six MR tankers in operation (Velebit, Vinjerac, Vukovar, Zoilo, Dalmacija and Pag). The Group owns an operating fleet which consists of two conventional ice class tankers and four eco-design modern product tankers with a total capacity of 300,000 dwt. On September 30th, 2019 the average age of the vessels in TNG's fleet is 5.52 years.

CURRENT CHARTERING STRATEGY

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 TCP DTD ("Trafigura").

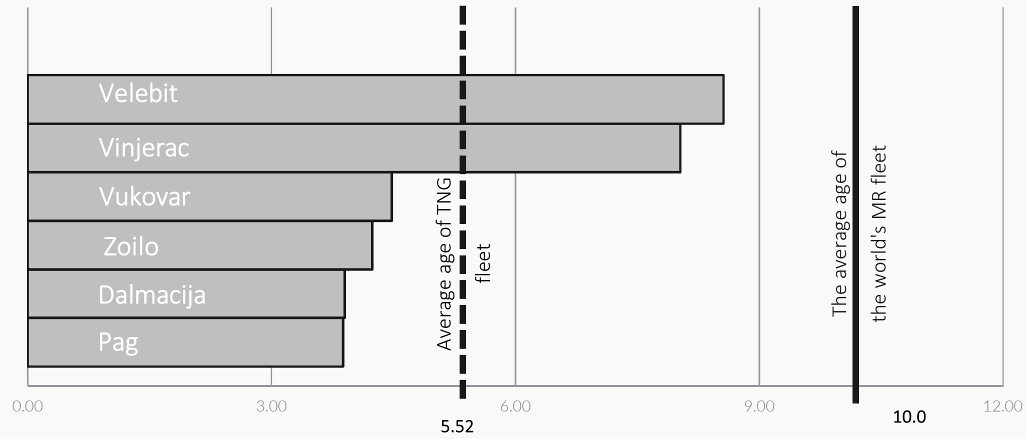
Upon expiration of the current contract in Q1 2020 , the charterer has an option to extend the contract for an additional (maximum) 385 days at a similar rate.

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 the option to extend the contract for an additional 8 months with an approximate USD 1,000 premium.

Vessel	Capacity (dwt)	Employment	Hire rate (USD)
Velebit	52,554	Clearlake Time charter	14,500 (until Q2 2020)
Vinjerac	51,935	SPOT market	Voyage charter
Vukovar	49,990	KOCH Time charter	17,000 (with charterers' option to extend for up to 12 months)
Zoilo	49,990	SPOT market	Voyage charter
Dalmacija	49,990	Trafigura Time charter	16,000 (until Q2 2020)
Pag	49,990	KOCH Time charter	17,150 (with charterers' option to extend for up to 12 months)

Average age of MR fleet



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.

Operational data of the fleet

Interim management report

OPERATIONAL DATA OF THE FLEET	I-IX 2017	I-IX 2018	I-IX 2019
Time Charter Equivalent rates (USD/day)	15,782	14,057	**14,490**
Daily vessel operating expenses (USD/day)	6,691	6,607	**6,529**
Operating days (number)	1,638	1,638	**1,638**
Revenue days (number)	1,571	1,638	**1,638**
Fleet utilization (%)	95.9%	100.0%	**100.0%**

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 the first nine months of 2019 added up to USD 14,490.

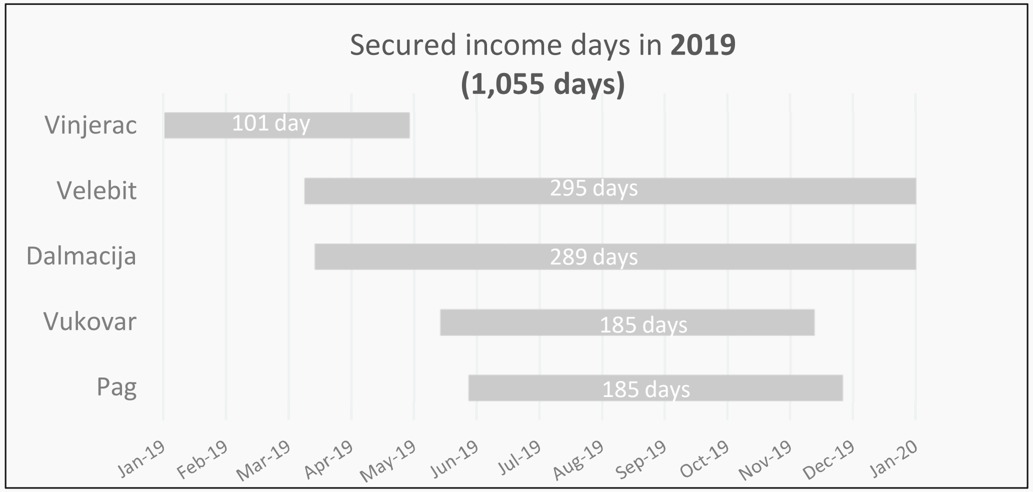
The average daily vessel operating expenses (OPEX) in the first nine months of 2019 amounted to USD 6,529 per vessel, which is a moderate decrease in comparison to the same period last year.

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.

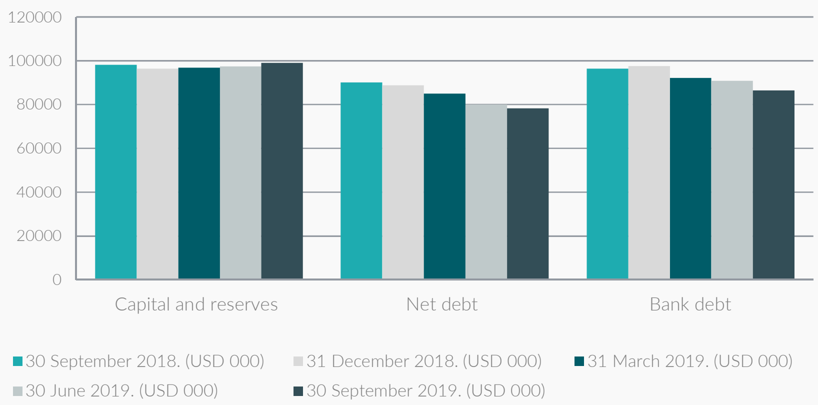
The ballast water treatment system actively removes, kills or deactivates reproduction systems of organisms in ballast waters before returning them to the ecosystem. The expected cost of system itself will be ranked at around USD 450,000 to 550,000 per vessel which does not include the costs of delivery and installation, bearing in mind that ECO tanker Dalmacija was delivered with an already installed ballast water treatment system.



Financial position summary

Interim management report

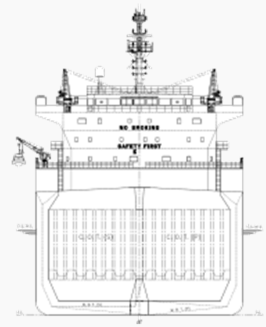
FINANCIAL POSITION SUMMARY	31st Mar 2019 (HRK 000)	30th Jun 2019 (HRK 000)	30th Sep 2019 (HRK 000)	31st Mar 2019 (USD 000)	30th Jun 2019 (USD 000)	30th Sep 2019 (USD 000)
Bank debt	609,513	590,196	**586,161**	92,210	90,865	**86,519**
Cash and cash equivalents	47,947	70,653	**55,364**	7,254	10,876	**8,171**
Net debt	561,566	519,543	**530,797**	84,956	79,989	**78,348**
Capital and reserves	640,212	632,964	**671,398**	96,853	97,445	**99,121**
Gearing ratio Net debt / (Capital and reserves + Net debt	47%	45%	**44%**	47%	45%	**44%**



Tankerska Next Generation concluded the first nine months of 2019 with 4 percentage points less gearing, down to 44% in comparison to the end of 2018. This decreasing debt 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's strategy and increasing distributable cash flow, while lowering the risk of the business by focusing on medium to long term time charter periods.

With a goal to maximize the commercial benefits to the fleet, the vessels, whose time charter contracts expired during the year, MT Vinjerac and MT Zoilo have been transferred to the spot market. This model of employment at the current market conditions offers management enough flexibility to timely react to the positive changes in hire rates, while it simultaneously requires a higher liquidity, due to the fact that the ship owner covers the voyage related expenses in advance of being compensated, while on time charter the Owner receives the hire upfront.



INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME

Interim management report

KEY COMMENTS:

Daily TCE net rates per operating vessel in first three quarters of 2019 were USD 14,490 per day on average.

Voyage related costs and commission equalled to 22.3% of total vessel revenues, including bunkers and port expenses related to spot voyages.

Vessel operating costs in first nine months of 2019 amount to USD 10.7m which includes the ship management services fee awarded to Tankerska Plovidba in the amount of USD 468 per vessel per day.

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

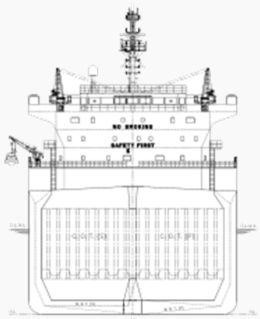
The financial statements expressed in HRK have been converted from USD amounts by applying the middle foreign exchange rate published by the Croatian National Bank and valid on the date of transaction.

INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE FIRST NINE MONTHS OF 2019 unaudited	July – September 2018 (HRK 000)	January – September 2018 (HRK 000)	July – September 2019 (HRK 000)	January – September 2019 (HRK 000)	July – September 2018 (USD 000)	January – September 2018 (USD 000)	July – September 2019 (USD 000)	January – September 2019 (USD 000)
Revenues	80,785	218,407	65,029	201,155	12,617	34,111	9,809	30,553
Other revenues	102	845	124	686	16	132	19	105
Sales revenues	**80,887**	**219,252**	**65,153**	**201,841**	**12,633**	**34,243**	**9,828**	**30,658**
Commission and voyage related costs	(31,843)	(70,973)	(7,156)	(44,918)	(4,973)	(11,085)	(1,068)	(6,818)
Vessel operating expenses	(25,192)	(69,288)	(23,148)	(70,531)	(3,935)	(10,822)	(3,473)	(10,694)
General and administrative	(1,447)	(4,376)	(1,541)	(4,185)	(226)	(683)	(234)	(637)
Other expenses	-	-	(999)	(2,463)	-	-	(151)	(376)
Total operating expenses	**(58,482)**	**(144,637)**	**(32,844)**	**(122,097)**	**(9,134)**	**(22,590)**	**(4,926)**	**(18,525)**
EBITDA	**22,405**	**74,615**	**32,309**	**79,744**	**3,499**	**11,653**	**4,902**	**12,133**
Depreciation and amortization	(12,973)	(38,130)	(13,844)	(39,239)	(2,026)	(5,955)	(2,010)	(5,934)
Impairment	-	-	-	-	-	-	-	-
Operating profit (EBIT)	**9,432**	**36,485**	**18,465**	**40,505**	**1,473**	**5,698**	**2,892**	**6,199**
Net interest expenses	(6,432)	(18,927)	(7,281)	(22,995)	(1,005)	(2,956)	(1,106)	(3,510)
Net foreign exchange gains (losses)	(705)	(808)	(5)	52	(110)	(126)	(97)	(47)
Net income	**2,295**	**16,750**	**11,179**	**17,562**	**358**	**2,616**	**1,689**	**2,642**
Other comprehensive income	7,006	13,494	27,254	29,608	1,094	2,108	(13)	(14)
Total comprehensive income	**9,301**	**30,244**	**38,433**	**47,170**	**1,452**	**4,724**	**1,676**	**2,628**
Weighted average number of shares outstanding, basic & diluted (thou,)	8,720	8,720	8,720	8,720	8,720	8,720	8,720	8,720
Net income (loss) per share, basic & diluted	0.26	1.92	1.28	2.01	0.04	0.30	0.19	0.30

BALANCE SHEET

Interim management report

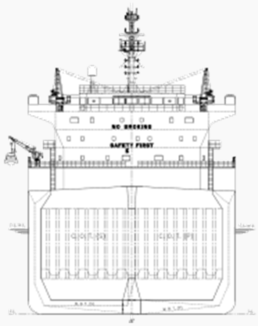
BALANCE SHEET At the date of 30th September 2019 unaudited	31st Mar 2019 (HRK 000)	30th Jun 2019 (HRK 000)	30th Sep 2019 (HRK 000)	31st Mar 2019 (USD 000)	30th Jun 2019 (USD 000)	30th Sep 2019 (USD 000)
Non-Current Assets	**1,199,337**	**1,165,712**	**1,204,435**	**181,442**	**179,469**	**177,778**
Vessels	1,199,221	1,165,599	1,202,148	181,424	179,452	177,441
Vessels under construction	-	-	2,171	-	-	320
Other Non-Current Assets	116	113	116	18	17	17
Current Assets	**98,392**	**101,963**	**94,362**	**14,885**	**15,697**	**13,950**
Inventory	10,346	6,619	6,096	1,565	1,019	923
Accounts receivable	35,916	22,924	31,289	5,433	3,529	4,618
Cash and cash equivalents	47,947	70,653	55,364	7,254	10,876	8,171
Other current assets	4,183	1,767	1,613	633	273	238
Total Assets	**1,297,729**	**1,267,675**	**1,298,797**	**196,327**	**195,166**	**191,728**
Shareholders Equity	**640,212**	**632,964**	**671,398**	**96,853**	**97,445**	**99,121**
Share capital	436,667	436,667	436,667	67,500	67,500	67,500
Reserves	133,988	122,743	150,312	18,609	18,609	18,644
Retained earnings	69,557	73,554	84,419	10,744	11,336	12,977
Non-Current Liabilities	**556,393**	**559,728**	**570,271**	**84,174**	**86,174**	**84,174**
Bank debt	556,393	559,728	570,271	84,174	86,174	84,174
Current Liabilities	**101,124**	**74,983**	**57,128**	**15,300**	**11,547**	**8,433**
Bank debt	53,120	30,468	15,890	8,036	4,691	2,345
Accounts payable	11,856	5,792	4,466	1,795	895	658
Other current liabilities	36,148	38,723	36,772	5,469	5,961	5,430
Total liabilities and shareholders equity	**1,297,729**	**1,267,675**	**1,298,797**	**196,327**	**195,166**	**191.728**



CASH FLOW STATEMENT

Interim management report

CASH FLOW STATEMENT FOR THE FIRST NINE MONTHS OF 2019 unaudited	January – March 2019 (HRK 000)	January – June 2019 (HRK 000)	January – September 2018 (HRK 000)	January – March 2019 (USD 000)	January – June 2019 (USD 000)	January – September 2019 (USD 000)
Profit before tax	2,386	6,383	17,562	361	953	2,642
Depreciation and Amortisation	12,630	25,399	39,239	1,951	3,924	5,934
Changes in working capital	9,038	25,030	14,286	1,367	3,854	2,207
Other	2,430	1,427	441	203	119	35
Cash flow from operating activities	**26,484**	**58,239**	**71,528**	**3,882**	**8,850**	**10,818**
Cash inflows from investing activities	-	-	-	-	-	-
Cash outflows from investing activities	-	-	(2,177)	-	-	(327)
Cash flow from investing activities	**-**	**-**	**(2,177)**	**-**	**-**	**(327)**
Cash inflows from financing activities	-	13,019	-	-	2,000	-
Cash outflows from financing activities	(34,926)	(56,994)	(72,553)	(5,345)	(8,691)	(11,036)
Cash flow from financing activities	**(34,926)**	**(43,975)**	**(72,553)**	**(5,345)**	**(6,691)**	**(11,036)**
Net changes in cash	(8,442)	14,264	(1,025)	(1,463)	2,159	(545)
Cash and cash equivalents (beg, of period)	56,389	59,389	56,389	8,717	8,717	8,717
Cash and cash equivalents (end of period)	**47,947**	**73,653**	**55,364**	**7,254**	**10,876**	**8,171**



STATEMENT OF CHANGES IN EQUITY

Interim management report

STATEMENT OF CHANGES IN EQUITY unaudited	Share capital	Retained Earnings	Other reserves and comprehensive income	Foreign exchange translation reserves	Total
For the period from 1 Jan to 31 Mar 2019	***HRK 000***	***HRK 000***	***HRK 000***	***HRK 000***	***HRK 000***
Balance at 1 January 2019	**436,667**	**67,171**	**127,063**	**(6,673)**	**624,228**
Net profit for the period	-	2,386	-	-	2,386
Change in capital	-	-	-	-	-
Change in other reserves	-	-	-	-	-
Changes in other comprehensive income	-	-	-	13,598	13,598
Balance at 31 March 2019	**436,667**	**69,557**	**127,063**	**6,925**	**640,212**
For the period from 1 April to 30 June 2019	***HRK 000***	***HRK 000***	***HRK 000***	***HRK 000***	***HRK 000***
Balance at 1 April 2019	**436,667**	**69,557**	**127,063**	**6,925**	**640,212**
Net profit for the period	-	3,997	-	-	3,997
Change in capital	-	-	-	-	-
Change in other reserves	-	-	-	-	-
Changes in other comprehensive income	-	-	-	(11,245)	(11,245)
Balance at 30 June 2019	**436,667**	**73,554**	**127,063**	**(4,320)**	**632,964**
For the period from 1 July to 30 September 2019	***HRK 000***	***HRK 000***	***HRK 000***	***HRK 000***	***HRK 000***
Balance at 1 July 2019	**436,667**	**73,554**	**127,063**	**(4,320)**	**632,964**
Net profit for the period	-	11,179	-	-	11,179
Change in capital	-	-	-	-	-
Change in other reserves	-	-	-	-	-
Changes in other comprehensive income	-	-	-	27,255	27,255
Balance at 30 September 2019	**436,667**	**84,419**	**127,063**	**23,249**	**671,398**

STATEMENT OF CHANGES IN EQUITY unaudited	Share capital	Retained Earnings	Other reserves and comprehensive income	Foreign exchange translation reserves	Total
For the period from 1 Jan to 31 Mar 2019	***USD 000***	***USD 000***	***USD 000***	***USD 000***	***USD 000***
Balance at 1 January 2019	**67,500**	**10,383**	**19,641**	**(1,031)**	**96,493**
Net profit for the period	-	361	-	-	361
Change in capital	-	-	-	-	-
Change in other reserves	-	-	-	-	-
Changes in other comprehensive income	-	-	-	2,057	2,057
Balance at 31 March 2019	**67,500**	**10,744**	**19,641**	**1,026**	**98,911**
For the period from 1 April to 30 June 2019	***USD 000***	***USD 000***	***USD 000***	***USD 000***	***USD 000***
Balance at 1 April 2019	**67,500**	**10,744**	**19,641**	**1,026**	**98,911**
Net profit for the period	-	592	-	-	592
Change in capital	-	-	-	-	-
Change in other reserves	-	-	-	-	-
Changes in other comprehensive income	-	-	-	(2,058)	(2,058)
Balance at 30 June 2019	**67,500**	**11,336**	**19,641**	**(1,032)**	**97,445**
For the period from 1 July to 30 September 2019	***USD 000***	***USD 000***	***USD 000***	***USD 000***	***USD 000***
Balance at 1 July 2019	**67,500**	**11,336**	**19,641**	**(1,032)**	**97,445**
Net profit for the period	-	1,689	-	-	1,689
Change in capital	-	-	-	-	-
Change in other reserves	-	-	-	-	-
Changes in other comprehensive income	-	-	-	(13)	(13)
Balance at 30 September 2019	**67,500**	**12,977**	**19,641**	**(997)**	**99,121**

NET ASSET VALUE CALCULATION

Interim management report

NET ASSET VALUE CALCULATION estimate	At the date 30 Sep 2018 (000 USD)	At the date 31 Dec 2018 (000 USD)	At the date 31 Mar 2019 (000 USD)	At the date 30 Jun 2019 (000 USD)	At the date 30 Sep 2019 (000 USD)
Total fleet value	**162,860**	**166,250**	**175,700**	**164,770**	**165,360**
Investments	-	-	-	-	-
Current assets	5,774	6,821	7,631	4,821	5,779
Other non-current assets	55	18	18	17	17
Total value of other assets	**5,829**	**6,839**	**7,649**	**4,838**	**5,796**
Cash and cash equivalents	6,272	8,717	7,254	10,876	8,171
Bank debt	(96,401)	(97,556)	(92,210)	(90,865)	(86,519)
Net debt	**(90,129)**	**(88,839)**	**(84,956)**	**(79,989)**	**(78,348)**
Other non-current liabilities	-	-	-	-	-
Current liabilities	(3,521)	(4,884)	(7,264)	(6,856)	(6,088)
Total value of other liabilities	**(3,521)**	**(4,884)**	**(7,264)**	**(6,856)**	**(6,088)**
NET ASSET VALUE	**75,039**	**79,366**	**91,129**	**82,763**	**86,720**
Weighted average number of shares outstanding, basic & diluted	8,720,145	8,720,145	8,720,145	8,720,145	8,720,145
Net asset value per share (USD)	8.61	9.10	10.45	9.49	9.94

KEY COMMENTS:

The calculation of the value of the operational fleet of the Company, which is based on the average values in the industry for a specific type of vessel basically contains assumptions and revenue generating ability of each unit, taking into account the currently obtainable daily hire, which can be achieved by employing a specific type of vessel at the time of evaluation.

The prevailing hire rates fluctuate depending on the season and the year, and thus reflect changes in freight rates, expectations of future freight rates and other factors. The degree of volatility of time charter hire rates is lower for long-term contracts than the ones fixed in the shorter term. TNG currently employs the majority of its fleet on time charter.

The revenue potential of TNG has usually been backed by secured contracts, which significantly alleviated the usual volatility of hire rates which were seen during last years.

Stability of operations was significantly contributed by the employment strategy of the fleet which preferred medium-term time charter employment, which mitigated the short-term volatility which is reflected in the changing freight rates, and volatility in the value of Company's assets.

Corrections on the freight rate market are also reflected in the current estimates of the S&P value of vessels. Value of the fleet at the end of quarter is USD 165.36m, what with all other unchanged parameters gives a NPV per share of USD 9.94.

Assessment of net asset value is based on current market conditions, and revenue and cost assumptions of typical or average product tanker and does not reflect specifics of TNG fleet, or the expectations of management related to the changes and recovery in the hire rates and the market of petroleum products, as well as the growth and development of the fleet in this segment in the available sectoral analysis.

TANKERSKA NEXT GENERATION

Interim management report

ANNOUNCEMENTS IN 2019

28.10.2019 Management and Supervisory Board meeting held
23.10.2019 Management and Supervisory Board meeting announcement
21.08.2019 Management and Supervisory Board meeting held
29.07.2019 Management and Supervisory Board meeting held
23.07.2019 Management and Supervisory Board meeting announcement
04.07.2019 General Assembly Decisions
24.05.2019 Additional time charter coverage secured for ECO tanker
23.05.2019 Invitation to the General Assembly
17.05.2019 Time charter employment secured for our ECO tanker
03.05.2019 Managing Board Member new mandate
30.04.2019 Management and Supervisory Board meetings held
25.02.2019 Announcement of Management and Supervisory Board sessions
14.04.2019 Time charter employment secured for MT Velebit
06.03.2019 Time charter employment secured for ECO tanker
26.02.2019 Management and Supervisory Board meetings held
20.02.2019 Announcement of Management and Supervisory Board sessions

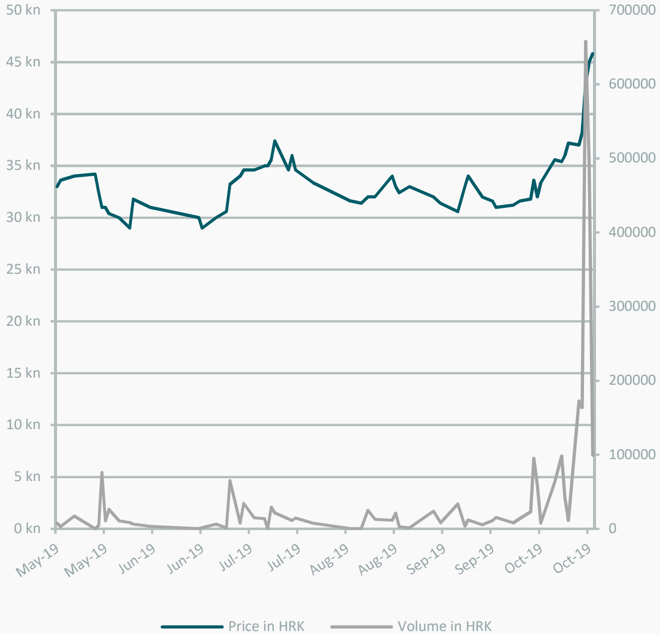
SHAREHOLDER STRUCTURE

Shareholder 30 September 2019	No. of shares	Share (in %)
Tankerska Plovidba Plc.	4,454,994	51.01%
PBZ Croatia Osiguranje OMF	839,000	9.61%
Erste Plavi OMF	808,000	9.25%
Raiffeisen OMF	752,036	8.61%
Raiffeisen DMF	372,103	4.26%
Other institutional and private investors	1,507,212	17.26%
Total	8,733,345	100.00%

MANAGEMENT AND SUPERVISORY BOARD

During 2019 there was some changes in the Supervisory board. As of 30 September 2019 the sole member of the Management board is Mr. John Karavanić. Supervisory board consists of Mr. Ivica Pijaca, president, Mr. Mario Pavić, deputy president, and members Mr. Joško Miliša, Mr. Nikola Koščica and Mr. Dalibor Fell in place of Mr. Nikola Mišetić.

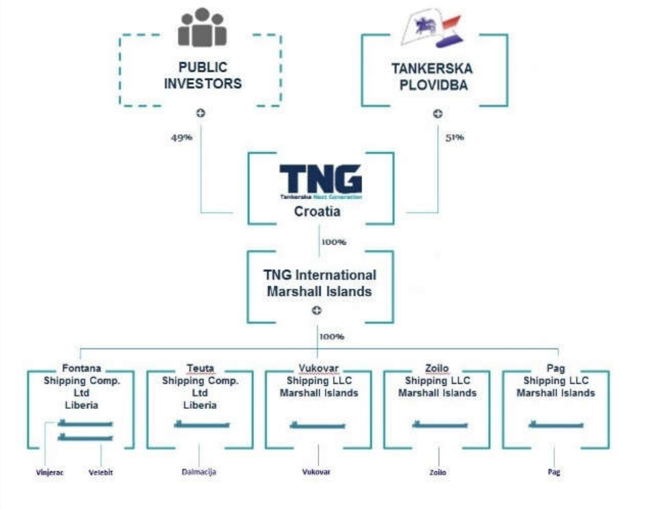
TPNG-R-A STOCK



Company shares with the ticker TPNG-R-A are listed on the Zagreb Stock Exchange. During 2019 there were no corporate activities of acquiring treasury shares of the Company. As at 30 September, 2019 the Company had 13,200 treasury shares.

The share capital of the Company equals to HRK 436,667,250.00, divided into 8,733,345 ordinary dematerialized registered shares, without par value, and each share gives one vote at the General assembly of the Company.

OVERVIEW OF RELATED PARTY TRANSACTIONS:



Risk management

Interim management report

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

Foreign exchange risk

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

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

Interest rate risk

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

Credit risk

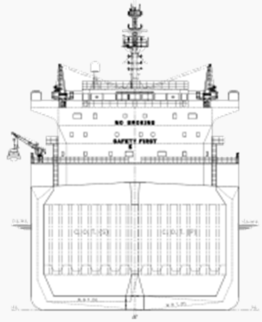
Credit risk is the risk of failure by one party to meet commitments to the financial instruments, what could cause the financial loss to the other party. Maximum exposure to credit risk is expressed in the highest value of each of the financial asset in statement of financial position. Basic financial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

Liquidity risk

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

Price risk

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



Risk management

Interim management report

Operational risk

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

Daily rates

Time charter rates are usually fixed during the term of the charter. Vessels operating on time charters for a certain period of time provide more predictable cash flows over that period of time and yield conservative profitability margins. Prevailing time charter rates fluctuate on a seasonal and year-to-year basis reflecting changes in spot charter rates, expectations about future spot charter rates and other factors. The degree of volatility in time charter rates is lower for longer-term time charters as opposed to shorter term time charters.

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

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

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

ISO 14001 for environmental management systems,

ISO 50001 for energy management systems and Occupational Health and S

"OHSAS"18001 Safety Advisory Services

ISM Code - International safety management code

Company strategy

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

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

Chartering strategy

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

Insurance

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

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

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

INTERIM FINANCIAL STATEMENTS

FOR THE FIRST NINE MONTHS OF 2019 (UNAUDITED)

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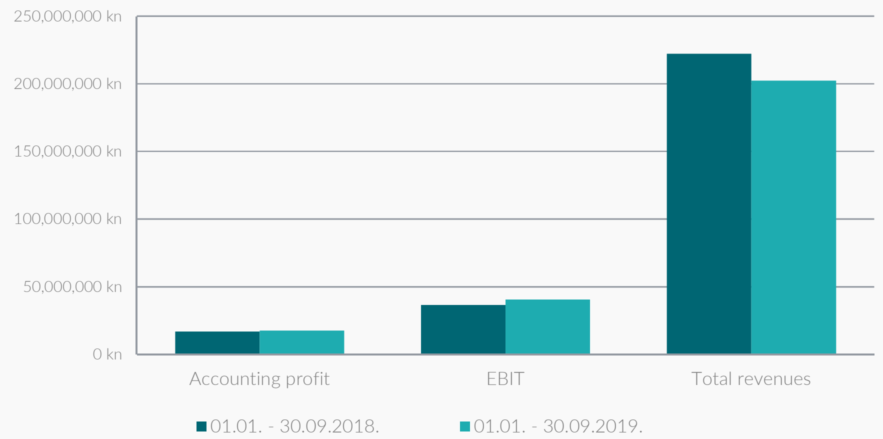
Report of the management board on the company's operations

FOR THE PERIOD FROM
1st JANUARY UNTIL 30th SEPTEMBER 2019

DESCRIPTION	Period 1st Jan - 30th Sep 2018	Period 1st Jan – 30th Sep 2019
Total revenues	HRK 222,203,081	**HRK 202,307,104**
Operating revenues / Total revenues	98%	**100%**
Other revenues / Total revenues	0%	**0%**
International market / Total revenues	98%	**100%**
Domestic market / Total revenues	0%	**0%**
Material costs / Operating expenses	52%	**42%**
Employee costs / Operating expenses	21%	**23%**
Financial expenses / Total Expenses	11%	**13%**
Gross margin	7.67%	**8.70%**
Accounting profit	HRK 16,750,293	**HRK 17,561,674**
Operating profit (EBIT)	HRK 36,484,413	**HRK 40,376,898**



During the reporting period the Company reported HRK 201.9 million of operating revenues, attributed predominantly to revenue generated from sales.

In the same period, the Company reported HRK 161.5 million of operating costs. The majority of operating expenses are the material costs HRK 68.1 million, depreciation in the amount of HRK 39.2 million (including HRK 1,3m of drydock expenses), employee costs in the amount HRK 37.8 million and other expenses in the amount of HRK 16.4 million.

In the period ended 30th September 2019, financial income amounted to HRK 419 thousand, while financial expenses amounted to HRK 23.2 million.

In the reporting period, the Company achieved cumulative profit in the amount of HRK 17.6m.

The Company 's equity capital in the amount of HRK 436.7 million was allocated to 8.7 million of approved, issued and fully paid ordinary shares without nominal value. During 2019 there was no activity of redemption of own shares. On September 30, 2019, the Company had 13,200 own shares.

On September 30th, 2019, the Company has the following companies abroad:

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

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

Annex 1

ISSUER'S GENERAL DATA

Reporting period: **01/01/2019** to **30/09/2019**

Year: **2019**

Quarter: **3.**

Quarterly financial statements

egistration number (MB): **04266838**

Issuer's home Member State code: **HR**

Entity's registration number (MBS): **110046753**

Personal identification number (OIB): **30312968003**

LEI:

Institution code:

Name of the issuer: **Tankerska Next Generation d.d.**

Postcode and town: **23000** **Zadar**

treet and house number: **Božidara Petranovića 4**

E-mail address: tng@tng.hr

Web address: www.tng.hr

Number of employees (end of the reporting: **140**

Consolidated report: **KN** (KN-not consolidated/KD-consolidated)

Audited: **RN** (RN-not audited/RD-audited)

Names of subsidiaries (according to IFRS):	Registered office:	MB:

Bookkeeping firm: **Yes** (Yes/No) **Tankerska plovidba d.d.**

(name of the bookkeeping firm)

Contact person:	**John Karavanić**
	(only name and surname of the contact person)
Telephone:	**023202132**
E-mail address:	tng@tng.hr
Audit firm:	
	(name of the audit firm)
Certified auditor:	
	(name and surname)

BALANCE SHEET
balance as at 30.09.2019

in HRK

Submitter:

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID	001	0	0
B) FIXED ASSETS (ADP 003+010+020+031+036)	002	1.186.407.950	1.204.434.798
I INTANGIBLE ASSETS (ADP 004 to 009)	003	0	0
1 Research and development	004	0	0
2 Concessions, patents, licences, trademarks, software and other rights	005	0	0
3 Goodwill	006	0	0
4 Advances for the purchase of intangible assets	007	0	0
5 Intangible assets in preparation	008	0	0
6 Other intangible assets	009	0	0
II TANGIBLE ASSETS (ADP 011 to 019)	010	1.186.301.689	1.204.323.516
1 Land	011	0	0
2 Buildings	012	0	0
3 Plant and equipment	013	1.186.301.689	1.202.152.491
4 Tools, working inventory and transportation assets	014	0	0
5 Biological assets	015	0	0
6 Advances for the purchase of tangible assets	016	0	2.171.025
7 Tangible assets in preparation	017	0	0
8 Other tangible assets	018	0	0
9 Investment property	019	0	0
III FIXED FINANCIAL ASSETS (ADP 021 to 030)	020	106.261	111.282
1 Investments in holdings (shares) of undertakings within the group	021	0	0
2 Investments in other securities of undertakings within the group	022	0	0
3 Loans, deposits, etc. to undertakings within the group	023	0	0
4. Investments in holdings (shares) of companies linked by virtue of participating interests	024	0	0
5 Investment in other securities of companies linked by virtue of participating interests	025	0	0
6 Loans, deposits etc. to companies linked by virtue of participating interests	026	0	0
7 Investments in securities	027	0	0
8 Loans, deposits, etc. given	028	106.261	111.282
9 Other investments accounted for using the equity method	029	0	0
10 Other fixed financial assets	030	0	0
IV RECEIVABLES (ADP 032 to 035)	031	0	0
1 Receivables from undertakings within the group	032	0	0
2 Receivables from companies linked by virtue of participating interests	033	0	0
3 Customer receivables	034	0	0
4 Other receivables	035	0	0
V DEFERRED TAX ASSETS	036	0	0
C) CURRENT ASSETS (ADP 038+046+053+063)	037	95.973.771	92.846.576
I INVENTORIES (ADP 039 to 045)	038	13.778.961	6.095.614
1 Raw materials and consumables	039	13.778.961	6.095.614
2 Work in progress	040	0	0
3 Finished goods	041	0	0
4 Merchandise	042	0	0
5 Advances for inventories	043	0	0
6 Fixed assets held for sale	044	0	0
7 Biological assets	045	0	0
II RECEIVABLES (ADP 047 to 052)	046	25.805.521	31.386.658
1 Receivables from undertakings within the group	047	11.555	0
2 Receivables from companies linked by virtue of participating interests	048	0	0
3 Customer receivables	049	24.175.791	31.288.538
4 Receivables from employees and members of the undertaking	050	0	8.025
5 Receivables from government and other institutions	051	29.355	36.321

6 Other receivables	052	1.588.820	53.774
III CURRENT FINANCIAL ASSETS (ADP 054 to 062)	053	6.469.192	6.774.908
1 Investments in holdings (shares) of undertakings within the group	054	0	0
2 Investments in other securities of undertakings within the group	055	0	0
3 Loans, deposits, etc. to undertakings within the group	056	0	0
4 Investments in holdings (shares) of companies linked by virtue of participating interests	057	0	0
5 Investment in other securities of companies linked by virtue of participating interests	058	0	0
6 Loans, deposits etc. to companies linked by virtue of participating interests	059	0	0
7 Investments in securities	060	0	0
8 Loans, deposits, etc. given	061	6.469.192	6.774.908
9 Other financial assets	062	0	0
IV CASH AT BANK AND IN HAND	063	49.920.097	48.589.396
D) PREPAID EXPENSES AND ACCRUED INCOME	064	4.542.884	1.514.780
E) TOTAL ASSETS (ADP 001+002+037+064)	065	1.286.924.605	1.298.796.154
OFF-BALANCE SHEET ITEMS	066	0	0
LIABILITIES			
A) CAPITAL AND RESERVES (ADP 068 to	067	624.227.623	671.397.489
I INITIAL (SUBSCRIBED) CAPITAL	068	436.667.250	436.667.250
II CAPITAL RESERVES	069	68.425.976	68.425.976
III RESERVES FROM PROFIT (ADP 071+072-073+074+075)	070	51.963.626	81.886.043
1 Legal reserves	071	3.637.013	3.951.238
2 Reserves for treasury shares	072	996.600	996.600
3 Treasury shares and holdings (deductible item)	073	-996.600	-996.600
4 Statutory reserves	074	0	0
5 Other reserves	075	48.326.613	77.934.805
IV REVALUATION RESERVES	076	0	0
V FAIR VALUE RESERVES (ADP 078 to 080)	077	0	0
1 Fair value of financial assets available for sale	078	0	0
2 Cash flow hedge - effective portion	079	0	0
3 Hedge of a net investment in a foreign operation - effective portion	080	0	0
VI RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 082-083)	081	60.886.273	66.856.546
1 Retained profit	082	60.886.273	66.856.546
2 Loss brought forward	083	0	0
VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)	084	6.284.498	17.561.674
1 Profit for the business year	085	6.284.498	17.561.674
2 Loss for the business year	086	0	0
VIII MINORITY (NON-CONTROLLING) INTEREST	087	0	0
B) PROVISIONS (ADP 089 to 094)	088	0	0
1 Provisions for pensions, termination benefits and similar obligations	089	0	0
2 Provisions for tax liabilities	090	0	0
3 Provisions for ongoing legal cases	091	0	0
4 Provisions for renewal of natural resources	092	0	0
5 Provisions for warranty obligations	093	0	0
6 Other provisions	094	0	0
C) LONG-TERM LIABILITIES (ADP 096 to 106)	095	557.475.725	570.270.659
1 Liabilities to undertakings within the group	096	0	0
2 Liabilities for loans, deposits, etc. of undertakings within the group	097	0	0
3 Liabilities to companies linked by virtue of participating interests	098	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	099	0	0
5 Liabilities for loans, deposits etc.	100	0	0
6 Liabilities to banks and other financial institutions	101	557.475.725	570.270.659
7 Liabilities for advance payments	102	0	0
8 Liabilities to suppliers	103	0	0
9 Liabilities for securities	104	0	0
10 Other long-term liabilities	105	0	0
11 Deferred tax liability	106	0	0
D) SHORT-TERM LIABILITIES (ADP 108 to 121)	107	99.844.775	40.872.599
1 Liabilities to undertakings within the group	108	5.928.044	10.511.155

2 Liabilities for loans, deposits, etc. of undertakings within the group	**109**	0	0
3 Liabilities to companies linked by virtue of participating interests	**110**	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	**111**	0	0
5 Liabilities for loans, deposits etc.	**112**	0	0
6 Liabilities to banks and other financial institutions	**113**	73.630.070	15.889.951
7 Liabilities for advance payments	**114**	5.328.229	0
8 Liabilities to suppliers	**115**	10.587.864	4.465.993
9 Liabilities for securities	**116**	0	0
10 Liabilities to employees	**117**	4.193.405	4.987.838
11 Taxes, contributions and similar liabilities	**118**	32.267	38.085
12 Liabilities arising from the share in the result	**119**	53.773	53.774
13 Liabilities arising from fixed assets held for sale	**120**	0	0
14 Other short-term liabilities	**121**	91.123	4.925.803
E) ACCRUALS AND DEFERRED INCOME	**122**	5.376.482	16.255.407
F) TOTAL – LIABILITIES (ADP 067+088+095+107+122)	**123**	1.286.924.605	1.298.796.154
G) OFF-BALANCE SHEET ITEMS	**124**	0	0

STATEMENT OF PROFIT OR LOSS
for the period 01.01.2019 to 30.09.2019

in HRK

Submitter: ______________________________

Item	ADP code	Same period of the previous year		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
I OPERATING INCOME (ADP 126 to 130)	125	219.263.539	80.889.423	201.887.604	65.156.094
1 Income from sales with undertakings within the group	126	0	0	0	0
2 Income from sales (outside group)	127	218.406.787	80.785.149	201.155.268	65.029.122
3 Income from the use of own products, goods and services	128	0	0	0	0
4 Other operating income with undertakings within the group	129	0	0	0	0
5 Other operating income (outside the group)	130	856.752	104.274	732.336	126.972
II OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)	131	182.779.126	71.458.079	161.510.706	46.710.609
1 Changes in inventories of work in progress and finished goods	132	0	0	0	0
2 Material costs (ADP 134 to 136)	133	94.623.006	40.452.727	68.068.650	13.746.157
a) Costs of raw materials and consumables	134	48.268.034	21.002.013	32.283.813	4.888.232
b) Costs of goods sold	135	2.154.722	22.277	0	0
c) Other external costs	136	44.200.250	19.428.437	35.784.837	8.857.925
3 Staff costs (ADP 138 to 140)	137	37.520.660	13.638.236	37.761.320	13.046.756
a) Net salaries and wages	138	36.926.727	13.385.587	37.427.251	12.933.919
b) Tax and contributions from salary costs	139	416.337	180.943	241.834	81.719
c) Contributions on salaries	140	177.596	71.706	92.235	31.118
4 Depreciation	141	38.137.445	12.975.291	39.243.826	13.844.604
5 Other costs	142	11.297.735	4.223.994	13.747.975	4.847.944
6 Value adjustments (ADP 144+145)	143	0	0	0	0
a) fixed assets other than financial assets	144	0	0	0	0
b) current assets other than financial assets	145	0	0	0	0
7 Provisions (ADP 147 to 152)	146	0	0	0	0
a) Provisions for pensions, termination benefits and similar	147	0	0	0	0
b) Provisions for tax liabilities	148	0	0	0	0
c) Provisions for ongoing legal cases	149	0	0	0	0
d) Provisions for renewal of natural resources	150	0	0	0	0
e) Provisions for warranty obligations	151	0	0	0	0
f) Other provisions	152	0	0	0	0
8 Other operating expenses	153	1.200.280	167.831	2.688.935	1.225.148
III FINANCIAL INCOME (ADP 155 to 164)	154	2.939.542	1.411.080	419.500	86.598
1 Income from investments in holdings (shares) of undertakings within the group	155	0	0	0	0
2 Income from investments in holdings (shares) of companies linked by virtue of participating interests	156	0	0	0	0
3 Income from other long-term financial investment and loans granted to undertakings within the group	157	0	0	0	0
4 Other interest income from operations with undertakings within the group	158	0	0	0	0
5 Exchange rate differences and other financial income from operations with undertakings within the group	159	0	0	44.308	44.308
6 Income from other long-term financial investments and loans	160	0	0	0	0
7 Other interest income	161	2.939.542	1.362.849	367.732	42.290
8 Exchange rate differences and other financial income	162	0	48.231	7.460	0
9 Unrealised gains (income) from financial assets	163	0	0	0	0
10 Other financial income	164	0	0	0	0
IV FINANCIAL EXPENSES (ADP 166 to 172)	165	22.673.662	8.547.413	23.234.724	7.353.537
1 Interest expenses and similar expenses with undertakings within the group	166	0	0	0	0
2 Exchange rate differences and other expenses from operations with undertakings within the group	167	777.876	753.179	0	0
3 Interest expenses and similar expenses	168	21.865.898	7.794.234	23.234.724	7.304.437
4 Exchange rate differences and other expenses	169	29.888	0	0	49.100
5 Unrealised losses (expenses) from financial assets	170	0	0	0	0
6 Value adjustments of financial assets (net)	171	0	0	0	0
7 Other financial expenses	172	0	0	0	0
V SHARE IN PROFIT FROM UNDERTAKINGS LINKED BY VRITUE OF PARTICIPATING INTERESTS	173	0	0	0	0
VI SHARE IN PROFIT FROM JOINT VENTURES	174	0	0	0	0
VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST	175	0	0	0	0
VIII SHARE IN LOSS OF JOINT VENTURES	176	0	0	0	0
IX TOTAL INCOME (ADP 125+154+173 + 174)	177	222.203.081	82.300.503	202.307.104	65.242.692
X TOTAL EXPENDITURE (ADP 131+165+175 + 176)	178	205.452.788	80.005.492	184.745.430	54.064.146
XI PRE-TAX PROFIT OR LOSS (ADP 177-178)	179	16.750.293	2.295.011	17.561.674	11.178.546
1 Pre-tax profit (ADP 177-178)	180	16.750.293	2.295.011	17.561.674	11.178.546
2 Pre-tax loss (ADP 178-177)	181	0	0	0	0
XII INCOME TAX	182	0	0	0	0
XIII PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)	183	16.750.293	2.295.011	17.561.674	11.178.546

1 Profit for the period (ADP 179-182)	**184**	16.750.293	2.295.011	17.561.674	11.178.546
2 Loss for the period (ADP 182-179)	**185**	0	0	0	0
DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)					
XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS (ADP 187-188)	**186**	0	0	0	0
1 Pre-tax profit from discontinued operations	**187**	0	0	0	0
2 Pre-tax loss on discontinued operations	**188**	0	0	0	0
XV INCOME TAX OF DISCONTINUED OPERATIONS	**189**	0	0	0	0
1 Discontinued operations profit for the period (ADP 186-189)	**190**				
2 Discontinued operations loss for the period (ADP 189-186)	**191**				
TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)					
XVI PRE-TAX PROFIT OR LOSS (ADP 179+186)	**192**	16.750.293	2.295.011	17.561.674	11.178.546
1 Pre-tax profit (ADP 192)	**193**	16.750.293	2.295.011	17.561.674	11.178.546
2 Pre-tax loss (ADP 192)	**194**	0	0	0	0
XVII INCOME TAX (ADP 182+189)	**195**	0	0	0	0
XVIII PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)	**196**	16.750.293	2.295.011	17.561.674	11.178.546
1 Profit for the period (ADP 192-195)	**197**	16.750.293	2.295.011	17.561.674	11.178.546
2 Loss for the period (ADP 195-192)	**198**				
APPENDIX to the P&L (to be filled in by undertakings that draw up consolidated annual financial statements)					
XIX PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)	**199**	0	0	0	0
1 Attributable to owners of the parent	**200**	0	0	0	0
2 Attributable to minority (non-controlling) interest	**201**	0	0	0	0
STATEMENT OF OTHER COMPRHENSIVE INCOME (to be filled in by undertakings subject to IFRS)					
I PROFIT OR LOSS FOR THE PERIOD	**202**	16.750.293	2.295.011	17.561.674	11.178.546
II OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX (ADP 204 to 211)	**203**	13.493.764	7.006.513	29.608.192	27.254.638
1 Exchange rate differences from translation of foreign operations	**204**	13.493.764	7.006.513	29.608.192	27.254.638
2 Changes in revaluation reserves of fixed tangible and intangible assets	**205**	0	0	0	0
3 Profit or loss arising from subsequent measurement of financial assets available for sale	**206**	0	0	0	0
4 Profit or loss arising from effective cash flow hedging	**207**	0	0	0	0
5 Profit or loss arising from effective hedge of a net investment in a foreign operation	**208**	0	0	0	0
6 Share in other comprehensive income/loss of companies linked by virtue of participating interests	**209**	0	0	0	0
7 Actuarial gains/losses on the defined benefit obligation	**210**	0	0	0	0
8 Other changes in equity unrelated to owners	**211**	0	0	0	0
III TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**212**	0	0	0	0
IV NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 203-212)	**213**	13.493.764	7.006.513	29.608.192	27.254.638
V COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 202+213)	**214**	30.244.057	9.301.524	47.169.866	38.433.184
APPENDIX to the Statement on comprehensive income (to be filled in by undertakings that draw up consolidated statements)					
VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 216+217)	**215**	0	0	0	0
1 Attributable to owners of the parent	**216**	0	0	0	0
2 Attributable to minority (non-controlling) interest	**217**	0	0	0	0

STATEMENT OF CASH FLOWS - indirect method
for the period 01.01.2019 to 30.09.2019

in HRK

Submitter: ___

Item	ADP code	Same period of the previous year	Current period
1	2	3	4
Cash flow from operating activities			
1 Pre-tax profit	**001**	16.750.293	17.561.674
2 Adjustments (ADP 003 to 010):	**002**	57.372.724	62.099.642
a) Depreciation	**003**	38.137.445	39.243.826
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	**004**	0	0
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	**005**	0	0
d) Interest and dividend income	**006**	-2.939.543	-367.732
e) Interest expenses	**007**	22.643.774	22.702.184
f) Provisions	**008**	0	0
g) Exchange rate differences (unrealised)	**009**	-468.952	521.364
h) Other adjustments for non-cash transactions and unrealised gains and losses	**010**	0	0
I Cash flow increase or decrease before changes in working capital (ADP 001+002)	**011**	74.123.017	79.661.316
3 Changes in the working capital (ADP 013 to 016)	**012**	-6.874.828	14.286.243
a) Increase or decrease in short-term liabilities	**013**	-298.587	15.487.065
b) Increase or decrease in short-term receivables	**014**	-2.417.114	-8.884.169
c) Increase or decrease in inventories	**015**	-4.937.003	7.683.347
d) Other increase or decrease in working capital	**016**	777.876	0
II Cash from operations (ADP 011+012)	**017**	67.248.189	93.947.559
4 Interest paid	**018**	-19.130.660	-23.392.058
5 Income tax paid	**019**	0	0
A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)	**020**	48.117.529	70.555.501
Cash flow from investment activities			
1 Cash receipts from sales of fixed tangible and intangible assets	**021**	0	0
2 Cash receipts from sales of financial instruments	**022**	0	0
3 Interest received	**023**	36.680	1.228.449
4 Dividends received	**024**	0	0
5 Cash receipts from repayment of loans and deposits	**025**	0	0
6 Other cash receipts from investment activities	**026**	0	0
III Total cash receipts from investment activities (ADP 021 to 026)	**027**	36.680	1.228.449
1 Cash payments for the purchase of fixed tangible and intangible assets	**028**	0	-2.176.593
2 Cash payments for the acquisition of financial instruments	**029**	0	0
3 Cash payments for loans and deposits for the period	**030**	0	0
4 Acquisition of a subsidiary, net of cash acquired	**031**	0	0
5 Other cash payments from investment activities	**032**	-342.563	0
IV Total cash payments from investment activities (ADP 028 to 032)	**033**	-342.563	-2.176.593
B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 +033)	**034**	-305.883	-948.144
Cash flow from financing activities			
1 Cash receipts from the increase in initial (subscribed) capital	**035**	0	0
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	**036**	0	0
3 Cash receipts from credit principals, loans and other borrowings	**037**	0	0
4 Other cash receipts from financing activities	**038**	0	0
V Total cash receipts from financing activities (ADP 035 to 038)	**039**	0	0
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	**040**	-67.461.130	-72.553.422
2 Cash payments for dividends	**041**	-5.227.987	0
3 Cash payments for finance lease	**042**	0	0

4 Cash payments for the redemption of treasury shares and decrease in initial (subscribed) capital	**043**	0	0
5 Other cash payments from financing activities	**044**	0	0
VI Total cash payments from financing activities (ADP 040 to 044)	**045**	-72.689.117	-72.553.422
C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039 +045)	**046**	-72.689.117	-72.553.422
1 Unrealised exchange rate differences in respect of cash and cash equivalents	**047**	1.242.732	1.921.080
D) NET INCREASE OR DECREASE IN CASH FLOWS (ADP 020+034+046+047)	**048**	-23.634.739	-1.024.985
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**049**	63.791.743	56.389.289
F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD(ADP 048+049)	**050**	40.157.004	55.364.304

STATEMENT OF CHANGES IN EQUITY

for the period from 01/01/2019 to 30/09/2019

in HRK

Item	ADP code	Attributable to owners of the parent														Minority (non-controlling) interest	Total capital and reserves
		Initial (subscribed) capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares and holdings (deductible item)	Statutory reserves	Other reserves	Revaluation reserves	Fair value of financial assets available for sale	Cash flow hedge - effective portion	Hedge of a net investment in a foreign operation - effective portion	Retained profit / loss brought forward	Profit/loss for the business year	Total attributable to owners of the parent		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16 (3 to 6 - 7 + 8 to 15)	17	18 (16+17)
Previous period																	
1 Balance on the first day of the previous business year	01	436.667.250	68.425.976	2.030.391	996.600	996.600	0	28.570.224	0	0	0	0	67.724.981	0	603.418.822	0	603.418.822
2 Changes in accounting policies	02	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3 Correction of errors	03	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4 Balance on the first day of the previous business year (restated) (ADP 01 to 03)	04	436.667.250	68.425.976	2.030.391	996.600	996.600	0	28.570.224	0	0	0	0	67.724.981	0	603.418.822	0	603.418.822
5 Profit/loss of the period	05	0	0	0	0	0	0	0	0	0	0	0	0	16.750.293	16.750.293	0	16.750.293
6 Exchange rate differences from translation of foreign operations	06	0	0	0	0	0	0	13.493.764	0	0	0	0	0	0	13.493.764	0	13.493.764
7 Changes in revaluation reserves of fixed tangible and intangible assets	07	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8 Profit or loss arising from subsequent measurement of financial assets available for sale	08	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9 Profit or loss arising from effective cash flow hedge	09	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10 Profit or loss arising from effective hedge of a net investment in a foreign operation	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11 Share in other comprehensive income/loss of companies linked by virtue of participating interests	11	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12 Actuarial gains/losses on the defined benefit obligation	12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13 Other changes in equity unrelated to owners	13	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14 Tax on transactions recognised directly in equity	14	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16 Increase in initial (subscribed) capital arising from the reinvestment of profit	16	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17 Increase in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	17	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18 Redemption of treasury shares/holdings	18	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19 Payment of share in profit/dividend	19	0	0	0	0	0	0	0	0	0	0	0	-5.232.086	0	-5.232.086	0	-5.232.086
20 Other distribution to owners	20	0	0	1.606.622	0	0	0	0	0	0	0	0	-1.606.622	0	0	0	0
21 Transfer to reserves according to the annual schedule	21	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	22	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23 Balance on the last day of the previous business year reporting period (04 to 22)	23	436.667.250	68.425.976	3.637.013	996.600	996.600	0	42.063.988	0	0	0	0	60.886.273	16.750.293	628.430.793	0	628.430.793
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)																	
I OTHER COMPREHENSIVE INCOME OF THE PREVIOUS PERIOD, NET OF TAX (ADP 06 to 14)	24	0	0	0	0	0	0	13.493.764	0	0	0	0	0	0	13.493.764	0	13.493.764
II COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)	25	0	0	0	0	0	0	13.493.764	0	0	0	0	0	16.750.293	30.244.057	0	30.244.057
III TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 15 to 22)	26	0	0	1.606.622	0	0	0	0	0	0	0	0	-6.838.708	0	-5.232.086	0	-5.232.086
Current period																	
1 Balance on the first day of the current business year	27	436.667.250	68.425.976	3.637.013	996.600	996.600		48.326.613	0	0	0	0	67.170.771	0	624.227.623	0	624.227.623
2 Changes in accounting policies	28								0	0	0	0	0	0	0	0	0
3 Correction of errors	29								0	0	0	0	0	0	0	0	0
4 Balance on the first day of the current business year (restated) (ADP 27 to 29)	30	436.667.250	68.425.976	3.637.013	996.600	996.600	0	48.326.613	0	0	0	0	67.170.771	0	624.227.623	0	624.227.623
5 Profit/loss of the period	31	0	0	0	0	0	0	0	0	0	0	0	0	17.561.674	17.561.674	0	17.561.674
6 Exchange rate differences from translation of foreign operations	32	0	0	0	0	0	0	29.608.192	0	0	0	0	0	0	29.608.192	0	29.608.192
7 Changes in revaluation reserves of fixed tangible and intangible assets	33	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8 Profit or loss arising from subsequent measurement of financial assets available for sale	34	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9 Profit or loss arising from effective cash flow hedge	35	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10 Profit or loss arising from effective hedge of a net investment in a foreign operation	36	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11 Share in other comprehensive income/loss of companies linked by virtue of participating interests	37	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12 Actuarial gains/losses on the defined benefit obligation	38	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13 Other changes in equity unrelated to owners	39	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14 Tax on transactions recognised directly in equity	40	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	41	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16 Increase in initial (subscribed) capital arising from the reinvestment of profit	42	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17 Increase in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	43	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18 Redemption of treasury shares/holdings	44	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19 Payment of share in profit/dividend	45	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20 Other distribution to owners	46	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21 Transfer to reserves according to the annual schedule	47	0	0	314.225	0	0	0	0	0	0	0	0	-314.225	0	0	0	0
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	48	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23 Balance on the last day of the current business year reporting period (ADP 30 to 48)	49	436.667.250	68.425.976	3.951.238	996.600	996.600	0	77.934.805	0	0	0	0	66.856.546	17.561.674	671.397.489	0	671.397.489
APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)																	
I OTHER COMPREHENSIVE INCOME FOR THE CURRENT PERIOD, NET OF TAX (ADP 32 to 40)	50	0	0	0	0	0	0	29.608.192	0	0	0	0	0	0	29.608.192	0	29.608.192
II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31+50)	51	0	0	0	0	0	0	29.608.192	0	0	0	0	0	17.561.674	47.169.866	0	47.169.866
III TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 41 to 48)	52	0	0	314.225	0	0	0	0	0	0	0	0	-314.225	0	0	0	0

Notes to the financial statements

Interim management report

NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

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

Supervisory board members from 1st January 2019 till the date of the issue of these reports:
Ivica Pijaca, chairman
Mario Pavić, vice chairman
Nikola Koščica, member
Joško Miliša, member
Nikola Mišetić (until August 21st) , member
Dalibor Fell (from August 21st), member

As of 30th September, 2019 Tankerska Next Generation's Inc. share capital amounted to HRK 436,667,250 divided into 8,733,345 TPNG-R-A ordinary shares with no par value.

The Financial Statements for the period ending 30 September, 2019 include assets and liabilities, revenues and expenses respectively of Tankerska Next Generation Inc. and its international subsidiaries (companies engaged in international shipping). All companies are managed by Tankerska Next Generation Inc. from the sole headquarters and by the same Management Board. Pursuant to the Article 429.a, section 4 of the Maritime Code ("Official Gazette" No. 181/04., 76/07., 146/08., 61/11., 56/13. and 26/15.) Tankerska Next Generation Inc. is obliged to conduct accounting and prepare financial statements for all domestic and international business operations, including all shipping companies in which it holds the majority ownership and which are engaged in vessel operations with their net tonnage being included in the tonnage tax calculation.

For some of Tankerska Next Generation Inc. subsidiaries that, pursuant to the regulations of the states they have been founded in, are not obliged to keep business books and prepare financial statements, Tankerska Next Generation Inc., in accordance with the Accounting Act and the Income Tax Act, states their assets and liabilities, revenues and expenses respectively, within its financial statements.

2. Principal accounting policies

Tankerska Next Generation Inc. financial statements include assets and liabilities, revenues and expenses of the following fully owned subsidiaries:
Tankerska Next Generation International Ltd., Majuro, Marshall Islands;
Fontana Shipping Company Ltd., Monrovia, Liberia;
Teuta Shipping Company Ltd., Monrovia, Liberia;
Vukovar Shipping, LLC, Majuro, Marshall Islands;
Zoilo Shipping, LLC, Majuro, Marshall Islands;
Pag Shipping, LLC, Majuro Marshall Islands.

The Financial statements for the period ending 30th September 2019 do not include all information important for comprehension of the current period in the course of the year and should be read together with the Company's Financial Statements as at 31st December, 2018.

Financial statements have been prepared based on the same accounting policies, presentations and calculation methods as the ones used during preparation of the financial statements for the period ending 31st December 2018.

Notes to the financial statements

Interim management report

3. Earnings per Share

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

EARNINGS PER SHARE	Period 1st Jan - 30th Sep 2018	Period 1st Jan - 30th Sep 2019
Net (loss) / profit to shareholders	HRK 16,750,293	**HRK 17,561,674**
Weighted average number of shares	8,720,145	**8,720,145**
Basic (loss) / earnings per share	HRK 1.91	**HRK 2.01**

4. Transactions with the Related Parties

(See table on the right)

RELATED PARTY TRANSACTIONS	Period 1st Jan - 30th Sep 2018	Period 1st Jan - 30th Sep 2019
Sales to related parties	HRK 0	**HRK 0**
Purchase from related parties	HRK 13,471,125	**HRK 13,633,903**
Receivables from related parties	HRK 15,579	**HRK 0**
Liabilities towards related parties	HRK 2,692,924	**HRK 10,511,155**
Given loans to related parties	HRK 0	**HRK 0**
Received loans from related parties	HRK 0	**HRK 0**

5. Subsequent events after Balance Sheet date

There were no subsequent events after Balance Sheet date which would significantly affect the financial statements on 30th September 2019.

Notes to the financial statements

Interim management report

III. STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The financial statements for the period starting 1st January 2019 and ending 30th September 2019 have been prepared by applying the International Financial Reporting Standards and provide an accurate and truthful review of assets, liabilities, profit and loss, financial position and operating of the Company.

The report of the Management Board on the Company's operations for the period starting on 1st January 2019, and ending on 30th September 2019, contains a fair presentation of the Company’s development, operating results and position with the description of significant risks and uncertainty the Company is exposed to.

Zadar, 28th October 2019

John Karavanić, CEO

Important industry terms and concepts

Interim management report

Important industry terms and concepts

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

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

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

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

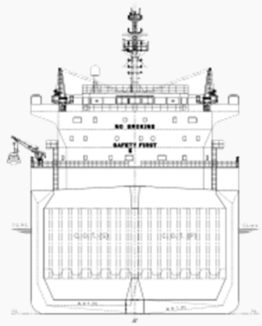
The Group's vessels may be out of service, that is, off-hire, for several reasons: scheduled drydocking, special surveys, vessel upgrade or maintenance or inspection, which are referred to as scheduled off-hire; and unscheduled repairs, maintenance, operational deficiencies, equipment breakdown, accidents/incidents,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

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

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

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

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



Important industry terms and concepts

Interim management report

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

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

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

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

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

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

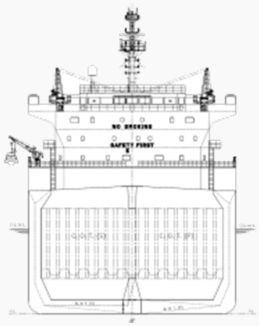
Daily vessel operating expenses. Daily vessel operating expenses is a metric used to evaluate the Group's ability to efficiently operate vessels incurring operating expenses and to limit these expenses.

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

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

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

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



Chartering contract terms

Interim management report

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

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

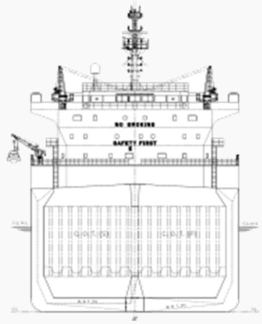
Time charter rates are usually fixed during the term of the charter. Vessels operating on time charters for a certain period of time provide more predictable cash flows over that period of time, but can yield lower profit margins than vessels operating under voyage charters in the spot market during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

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

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

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

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



Important financial and operating terms and concepts

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

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

Time charters, under which the vessels are chartered to customers for a fixed period of time at rates that are generally fixed; and
Voyage charters, under which the vessels are chartered to customers for shorter intervals that are priced on a current or "spot" market rate

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

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

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

Primary distinction among these types of charters and contracts

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

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

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

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

Important financial and operating terms and concepts

Interim management report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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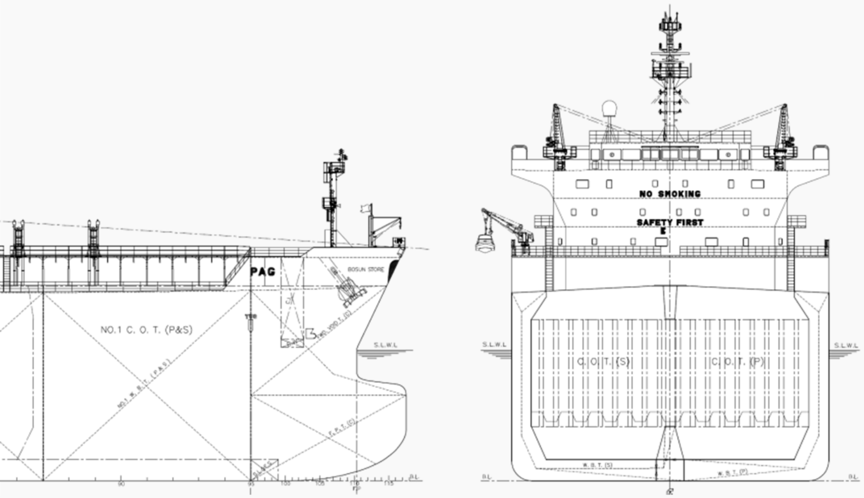
The table on the right illustrates the payment responsibilities of the ship owner and charterer under a time and voyage charter.

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

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



Cautionary note regarding forward-looking statements

Interim management report

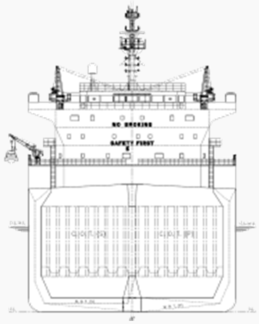
Certain statements in this document are not historical facts and are forward-looking statements. They appear in a number of places throughout this document. From time to time, the Group may make written or oral forward-looking statements in reports to shareholders and in other communications. Forward-looking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

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

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

When relying on forward-looking statements, investors should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Group operates. Such forward-looking statements speak only as of the date on which they were made.

Accordingly, the Company does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise, other than as required by applicable laws and the Zagreb Stock Exchange Rules. The Company makes no representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.



Contact

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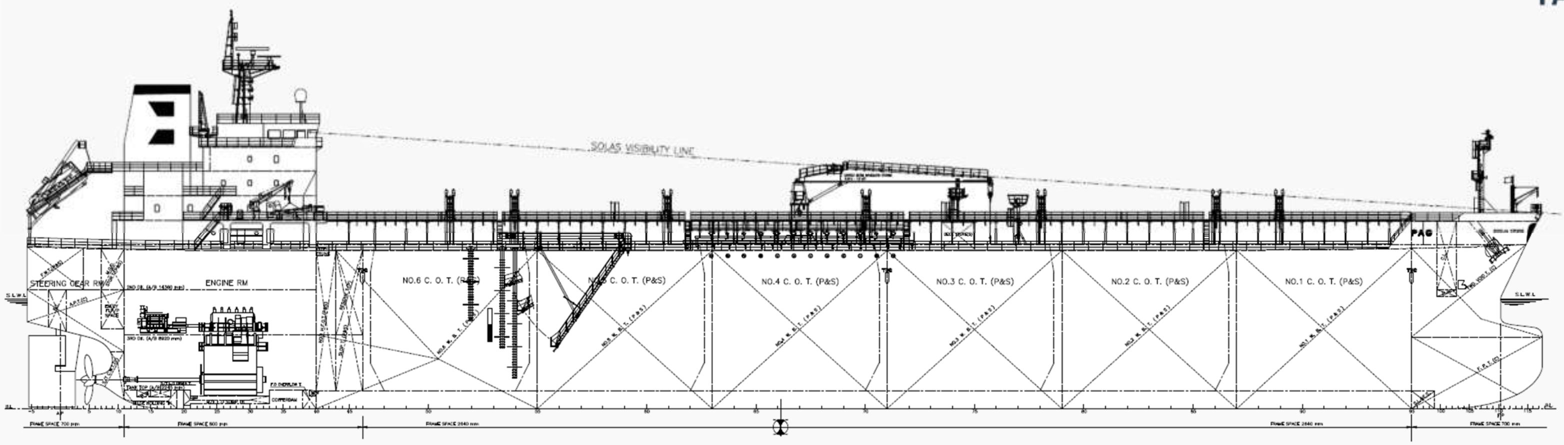

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