



Tankerska Next Generation

May 2017

Tankerska Next Generation

Disclaimer

This presentation includes certain statements regarding Tankerska Next Generation Inc. („TNG“) which are not historical facts and are forward-looking statements. 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. These risks, uncertainties and other factors include, among other things, the timing, certainty and effects of future vessel acquisitions and deliveries, pricing of resale and newbuild tankers, including the relative pricing of second-hand, resale and newbuild tankers, TNG's ability to contract bank financing required for the future vessel acquisitions, tanker fleet utilization and chartering opportunities, the sufficiency of working capital for short-term liquidity requirements, estimated bunker consumption savings of proposed fuel-saving modifications for existing vessels as well as expected consumption savings embedded in the future vessels, TNG's business strategy and expected capital spending or operating expenses, competition in the tanker industry, shipping market trends, TNG's financial condition and liquidity, including ability to obtain financing in the future to fund capital expenditures, acquisitions and other general corporate activities, TNG's ability to enter into fixed-rate charters after the current charters expire. Exhaustive list of these and other risks, uncertainties and other factors is available under Section 2. "Risk Factors" of the TNG Prospectus, approved by Croatian Financial Services Supervisory Agency („HANFA“). 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. Even though TNG believes that the forward-looking statements in this presentation are based on reasonable assumptions, actual results may differ from those projected by the forward-looking statements.

These materials include non-IFRS measures, such as EBITDA. TNG believes that such measures serve as an additional indicator of the TNG's operating performance. However such measures are not replacements for measures defined by and required under IFRS. In addition, some key performance indicators utilized by TNG may be calculated differently by other companies operating in the sector. Therefore the non-IFRS measures and key performance indicators used in these materials may not be directly comparable to those of the TNG's competitors.



TNG

About Us

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

The company's strategy is to be a reliable, efficient and responsible provider of seaborne refined petroleum product transportation services and to manage its business operations in a manner that is believed will enhance its ability to pay dividends and maximize value to its shareholders.



TNG

About Us

1

A predominantly eco designed fleet of 6 product tankers with built in new technologies

2

Underlying TNG is an entity with 60 year long relationships with leading global oil companies, traders and the shipping community

3

Tendency to employ majority of the fleet on multi-year time charters

4

Fully international operations with favorable HQ expenses

Our Strategy

Modern technology – ECO design

Sustainable Operations

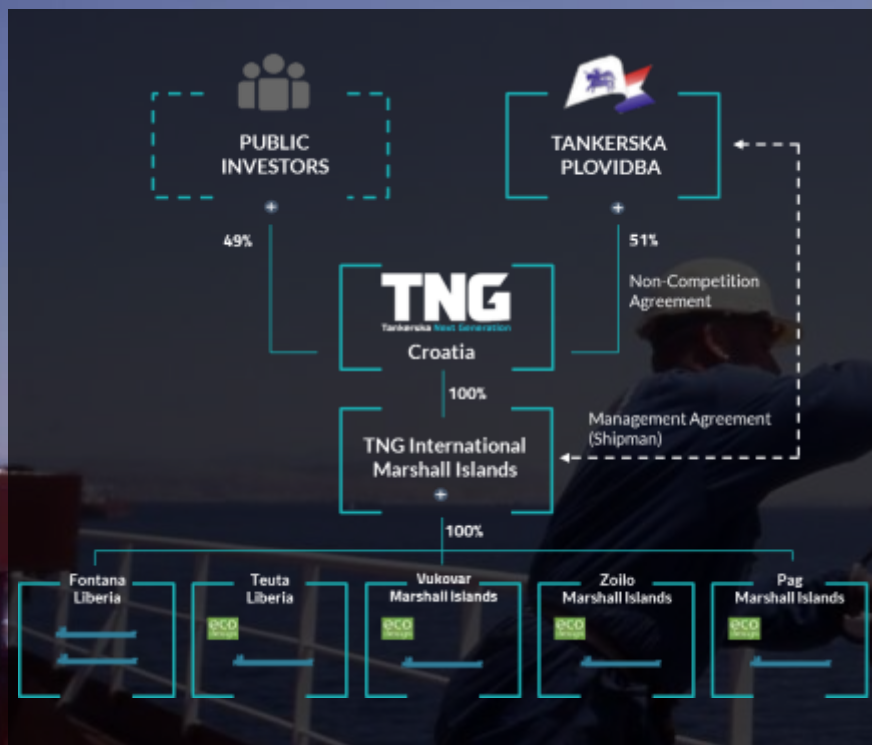
Increase cash flow and profitability through outsourcing most of the management functions improving measurability and cost competitiveness to keep its flexible and simple organizational structure without realizing significant additional overheads

Modern technology – ECO design

World Class Performance

Our strategy is to be a reliable, efficient and responsible provider of seaborne refined petroleum product transportation services and to manage and expand the Group to maximize value to its shareholders.

Organization designed to support international operations



Contracts

TNGI and Tankerska entered into a Management Agreement. Tankerska will provide:

- commercial services for TNG for consideration of 1.5% of the gross revenue attributable to the vessel per day
- ship management services - fee equal to 67% of management fee published in Moore Stephens' latest OpCost for Handysize Product Tankers
- S&P fee for direct purchase, acquisition, sale or disposition of vessels in the amount of 1.0%

TNG has entered into a non-competition agreement with Tankerska. The parties have agreed that Tankerska nor its affiliates shall own, lease, commercially operate or charter any MR product tankers

Strengthening capital base

Modern technology – ECO design

IPO
USD 31 mill

2 new buildings acquired

78 days from securing funds
first day of commercial
exploitation

Modern technology – ECO design

SPO
USD 16 mill

1 new building acquired

48 days from SPO
to acquiring contract for a
newbuilding

Tankerska Next Generation Milestones

Incorporation **Aug 2014**

Tankerska Plovidba contributing its 2 existing product tankers and one fully funded eco-design newbuilding

IPO **Feb 2015**

Raised funds for 2 new MR product tankers

SPO **Jun 2015**

Raised funds for another MR product tanker

Full capacity **Dec 2015**

Full operational capacity reached, 6 MR product tankers at sea

1st fully operational quarter **Mar 2016**

First fully operational quarter brings TNG revenues of 105.300 USD per day

1st fully operational year **Mar 2017**

Stable financials coming from balanced operational performance

Investment highlights

TRANSPARENCY 2016 IR AWARD

Complies with corporate governance regime of Zagreb Stock Exchange and HANFA

LONG TERM RELATIONSHIPS

60 years of experience and relations with oil majors, key traders and shipping industry stakeholders

MODERN TECHNOLOGY

4 new buildings delivered in 2015 are modern eco designed MR product tankers designed to have decreased environmental impact

LEAN STRUCTURE

Project based organization headquartered in Zadar, Croatia to benefit lower G&A

SECULAR INDUSTRY TRENDS

Long term shifts in product supply and demand visible in refining capacity migration towards Middle and Far East

INTERNATIONAL OPERATIONS

Company operates on highly competitive and unified global market with no domestic commercial exposure

TNG

FLEET

TNG's fleet consists of 6 MR Product Tankers with the average age of 3.0 years per vessel. Total fleet capacity amounts to 300,000 dwt

VELEBIT
ZADAR
IMO 9455741

Tankerska Next Generation

Our fleet

Fleet composition



- Currently **50%** of the fleet holds **medium term employment** contracts, while 50% is operated on spot
- Dry dock free period until 2020 - completed **2 dry-docks** by January '17
- Average age **3.0 years**



Efficiency

Eco-design MR product tanker saves 5-6 tonnes of fuel per day



Cost benefits

Lower vessel operating expenses, estimated at 6,885 USD per day in 2016



Intangible benefits

Charterer preferences for a 'greener' vessel



Higher residual value

non-ECO vessels expected drop faster in value during the next cycle downturn



Diversified fleet

diversified fleet of 4 ECO vessels and 2 ICE class vessels which can operate in icy waters

Our fleet



Vukovar
49,990
Hyundai Mipo
April 2015



Pag
49,990 dwt
SPP
December 2015



Dalmacija
49,990 dwt
SPP
November 2015



Vinjerac
51,935 dwt
Treći Maj
April 2011



Velebit
52,554 dwt
Treći Maj
October 2011



Zoilo
49,990 dwt
Hyundai Mipo
July 2015



Benefits of the ECO fleet

ECO vessels'

improvements in propulsion and hydrodynamics

- Improved engines and improved larger propellers that decrease fuel consumption
- Improved hydrodynamics such as hull optimization
- Energy saving devices and low friction paint to maximize the vessel's speed at a given level of propulsion
- Hydrodynamic improvements can also provide savings in fuel consumption



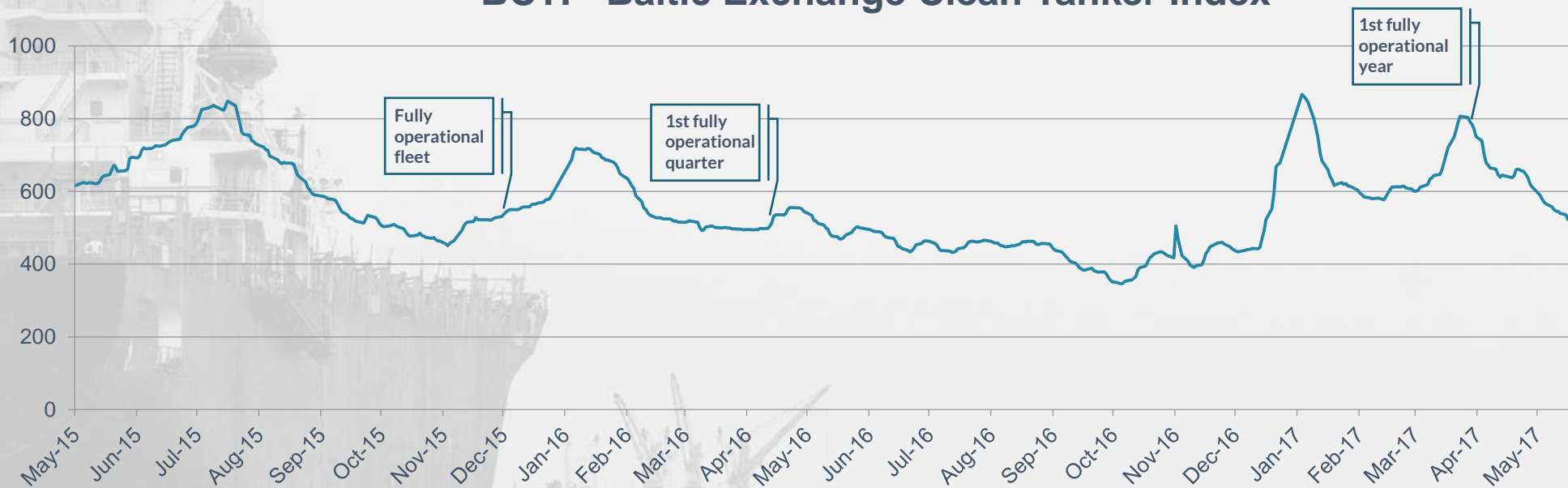


⌘ Product tanker market environment

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Product tanker market environment

BCTI - Baltic Exchange Clean Tanker Index



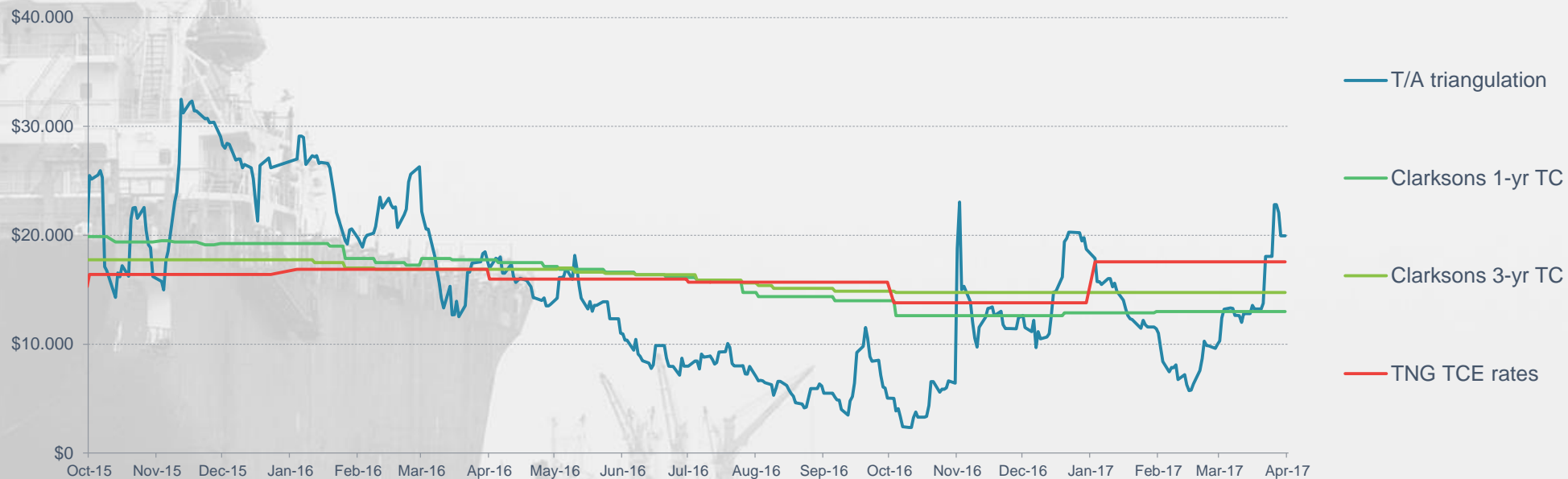
1st fully
operational
year

Fully
operational
fleet

1st fully
operational
quarter

Product tanker market environment

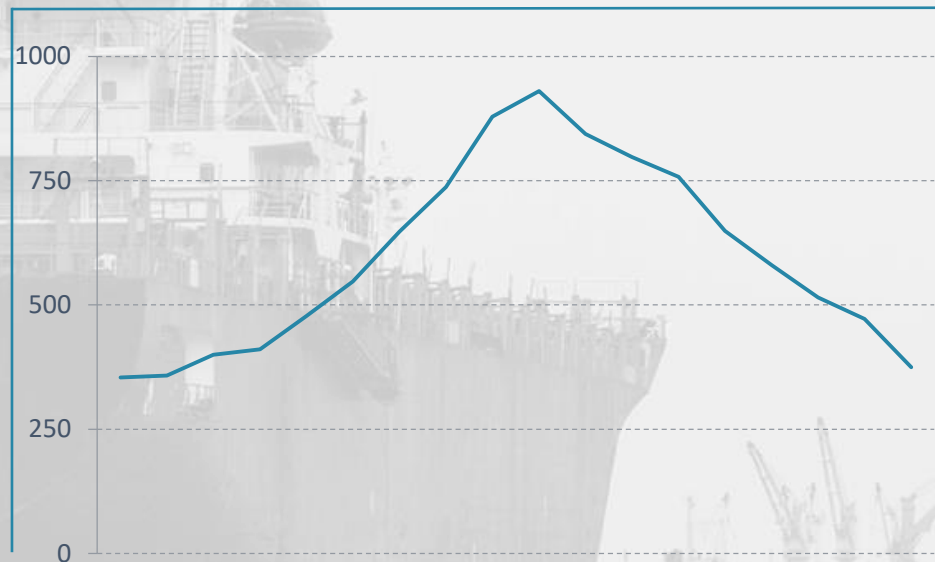
SPOT vs Time Charter vs TNG TCE rates (USD/day)



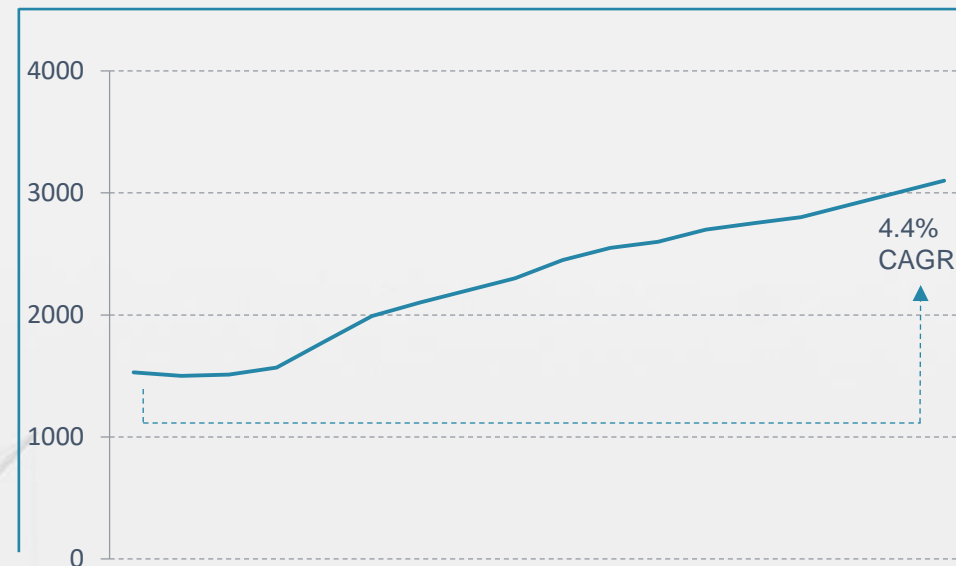


Product tanker market environment

Active shipyards 2000 – 2017
in number of yards



World Seaborn Products Trade 2000 – 2017
billion ton miles

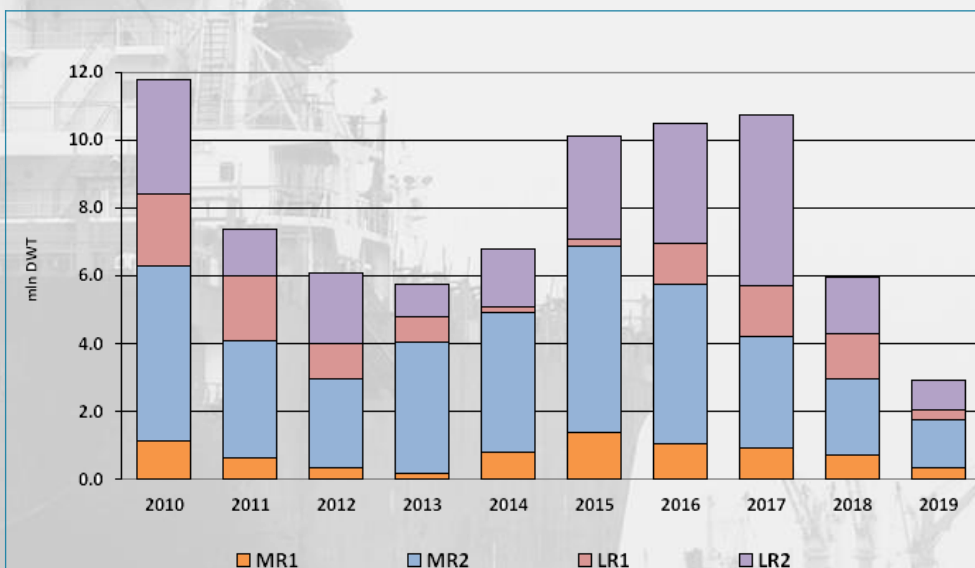


Source: Bancosta research,
April 2017



Product tanker market environment

Product Tanker Deliveries + Orderbook in DWT - annual



Decelerating supply

Product tanker supply is decelerating as the pace of deliveries is slowing and scrapping continues at constant rate. During 2016 a total of 95 new units were delivered in the MR2 product tanker segment which shows an increase of 5,4% in global product tanker fleet compared to 2015, while a significant drop in deliveries of new vessels is expected in 2017 when the total number of new vessels should be no more than 72 units (during Q1 2017 - 24 units delivered). This kind of slowing down in vessel supply alongside with the positive trends on the oil derivatives market, plus the expected drop in oil supply should result in a positive trend.

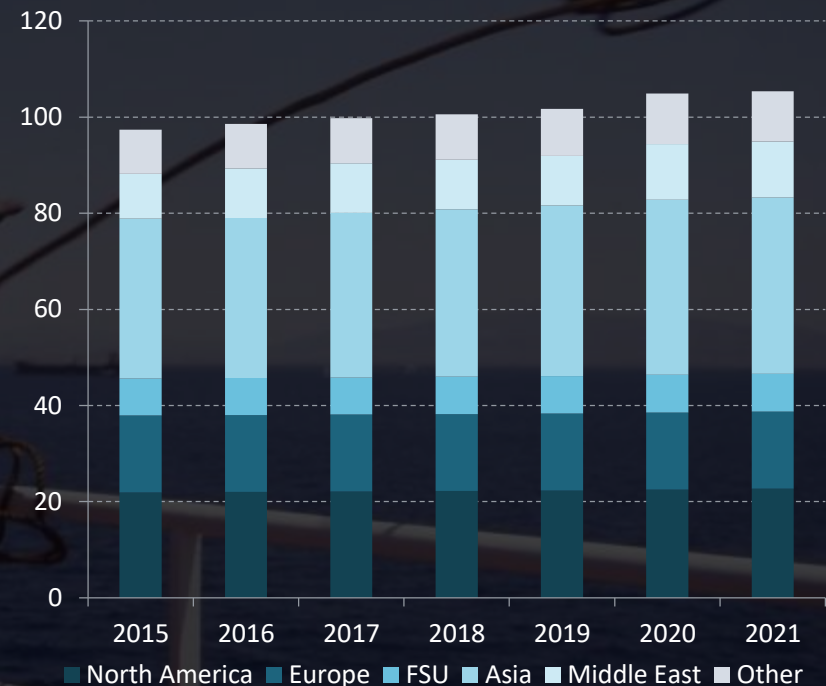
Source: Bancosta research,
April 2017

Market environment

Refining environment

- Structural shift in refinery locations, expansion of refining capacity in Asia and Middle East as well as a reduction in OECD refining capacity (Europe & Australia).
- Reduction in oil prices has led to an increase in the production of refined products, and consequently the quantity to be transported.
- US has emerged as a refined products powerhouse, becoming the worlds largest product exporter.
- Growing consumption in Latin America, Africa, and non-China/Japan Asia and lack of corresponding refining capacity growth.
- Balance of trade needs of each particular region-gasoline/diesel trade between U.S./Europe is a prime example.
- Between 2000-2016, ton miles have increased an average of 4.4% per year.

Refining capacity: 2015-2021* (mb/d)



Market environment

Refining environment

- The refining industry continues to undergo massive expansion and restructuring as worldscale refining hubs in Asia, the Middle East, and United States are crowding out legacy capacity in Europe and OECD Asia Oceania.
- According to International Energy Agency (“IEA”), refinery capacity is expected to increase by 7.7 mb/d between 2015-2021, reaching 104.9 mb/d in 2021.
- Non-OECD Asia, including the Middle East, remains the contributor to growth, adding 2.3 mb/d, followed by China with increased capacity of 2.2 mb/d.
- North America looks to add 0.8 mb/d of new refining capacity through 2021, of which the majority is accounted for by US expansion in the next two years.

Middle East Refining capacity developments

Country	Refinery	Year	Capacity (kd/)
Coming on stream			
Qatar	Ras Laffan 2	2017	145
Iran	Persian Gulf Star 1	2017	120
Oman	Sohar	2017	82
Saudi Arabia	Rabigh 2	2017	50
Iraq	Qaiwan-Baizan	2018	50
Saudi Arabia	Jazan	2018	400
Kuwait	Al Zour	2019	615
Kuwait	Mina Abdulla	2019	184
Iran	Siraf	2019	120
Iran	Persian Gulf Star 2	2019	120
New refinery capacity			1,886
Closures			
Kuwait	Shuaiba	2017	-200
Kuwait	Mina al-Ahmadi	2019	-119
Closures Capacity			-319
Capacity Expansion			1,567

Market environment – regulatory developments

Ballast water treatment system

- IMO's Ballast Water Convention comes into enter force on September 8, 2017.
- After September 2017, approved ballast water treatment systems have to be installed by the time the International Oil Pollution Prevention (IOPP) certificate falls due for renewal
- Ballast water is taken in/discharged while the vessel is loaded/unloaded to stabilize vessels and ensure structural integrity.
- Discharging water from one into another eco system may bring and spread aquatic invasive species, with serious ecological, economic and public health effects if transferred to regions where they are not native
- Ballast water treatment systems actively remove, kill and/or inactivate organisms in the ballast water prior to discharge.
- Expected installation cost may vary in the from \$500,000 to \$1.000.000 depending on the vessel's set up and pre installations.

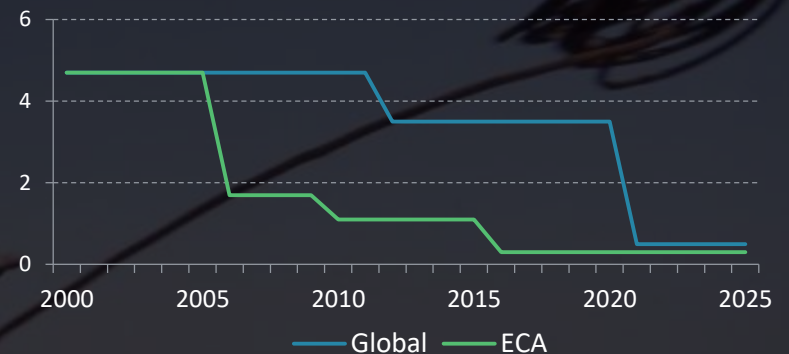


Market environment – regulatory developments

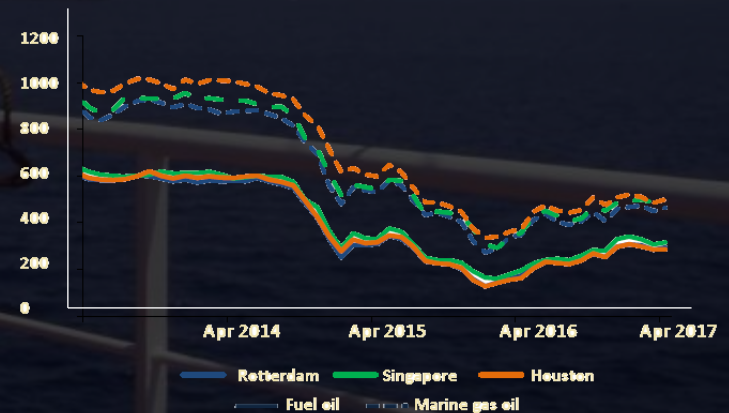
Sulphur emission regulation

- IMO released in Q4 '16 results from the vote to ratify and formalize regulations on reduction in sulfur emissions from 3.5% currently to 0.5% as of the beginning of 2020.
- Options for the ship owners:
 - Scrubber installation to be able to continue using HFSO; or
 - Switch to more expensive MGO with a sulfur content < 0.5%
- Refineries producing HSFO in Russia, Mexico, Venezuela, Iraq, and Iran are unlikely to have enough capital for upgrades.
- Blending of gasoil with diesel to meet emissions requirements would increase global diesel demand, and subsequently demand for product tankers.
- May lead to increased scrapping of older tonnage where installation exceeds the scrap value.
- Modern eco designed ships have a competitive advantage over older tonnage through lower fuel consumption.

MARPOL Sox Emissions Timeline (%)



Historical Fuel oil & Marine Gas Oil prices





Business Analysis

Financials

VELEBIT
ZADAR
IMO 9455741

2016 results at a glance

HRK 127.9 mill

EBITDA

Strong cash generating capabilities support operations in higher liquidity demands

HRK 40.6 mill

NET INCOME

Increased earnings enable average shareholders return of close to 4%

15,583 USD/day

TCE

Employment strategy included transferring 2 vessels to spot market

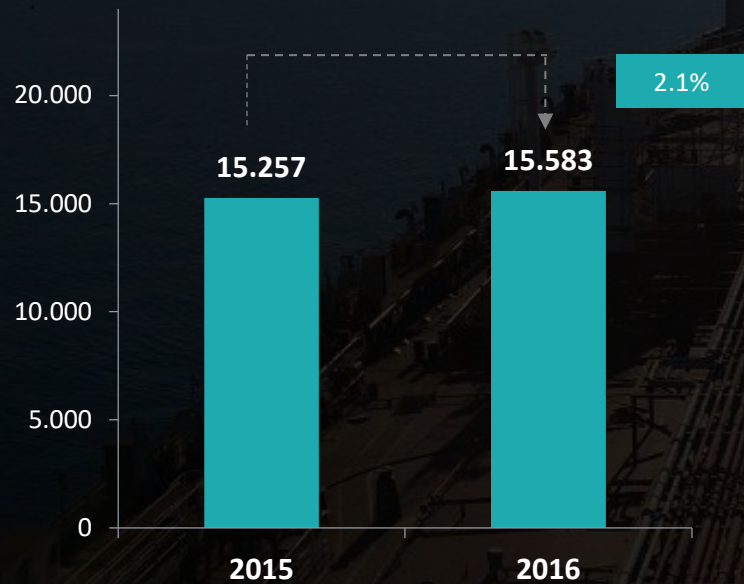
6,885 USD/day

OPEX

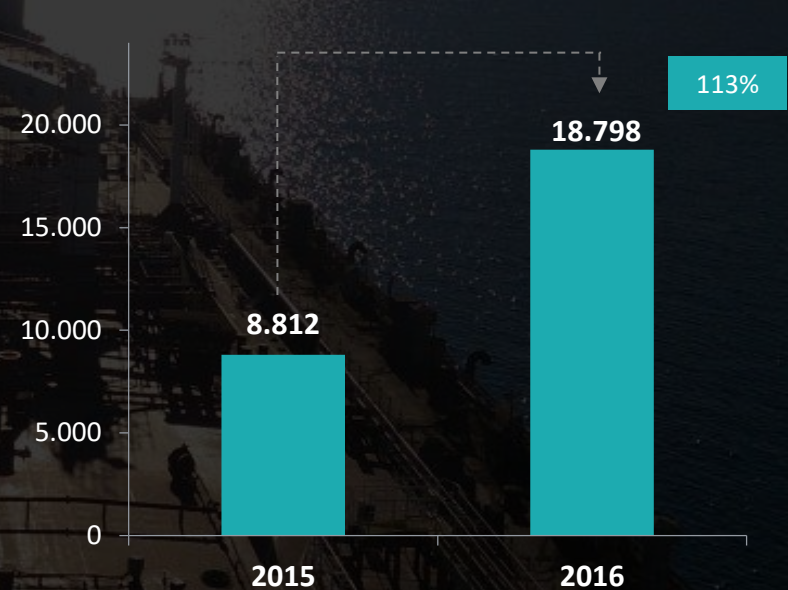
Operating expenses decrease of fully integrate fleet moderated by 2 dry docks

Financial results summary

TIME CHARTER EQUIVALENT USD/day

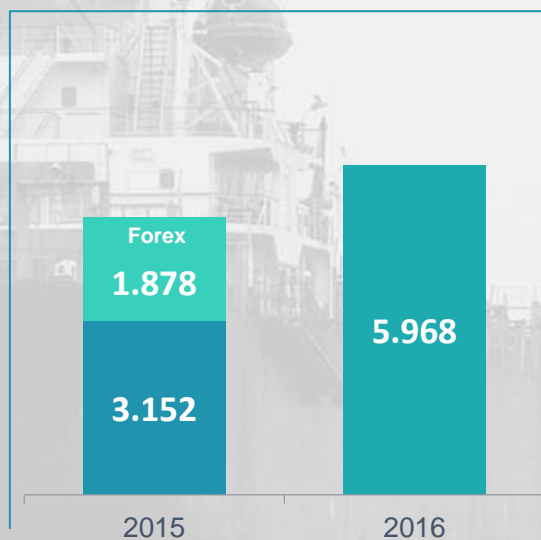


EBITDA (in USD 000)





Net income



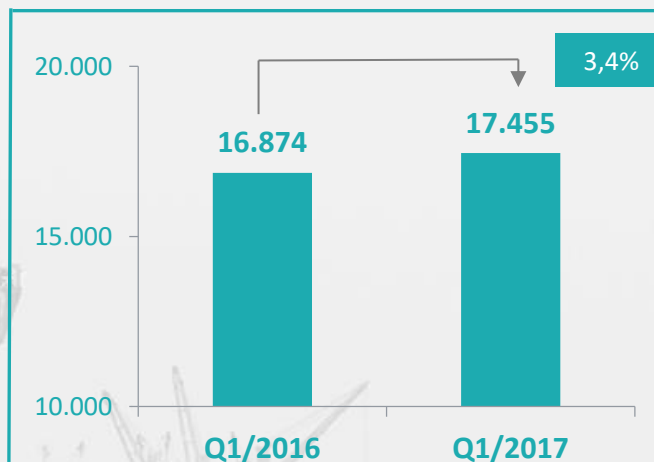
FINANCIAL OVERVIEW	(in 000 USD)	FY 2014	FY 2015	FY 2016
Vessels' revenues (USD 000)		1,573	19,935	39,991
EBITDA (USD 000)		1,378	8,812	18,798
Net Debt		29,528	111,079	106,193
Gearing		40%	55%	53%



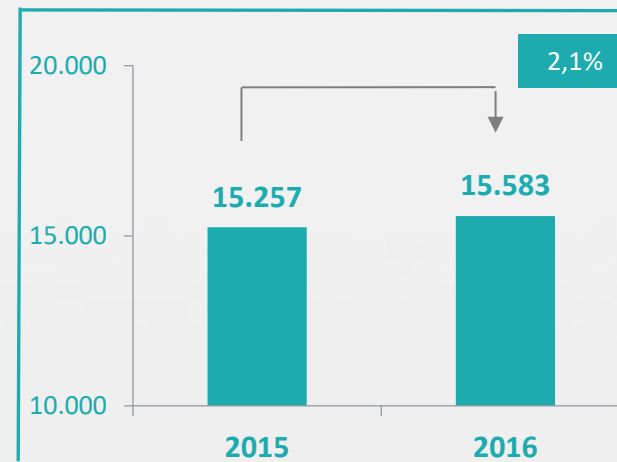
OPERATING FLEET RESULTS

Average daily TCE net rate of USD 17,455 in Q1 2017 significantly surpasses the average of Q1 2016, while average daily TCE FY 2016 surpasses the average for the previous year. The new employment for Pag, Vinjerac and Velebit was secured on the spot market and adjusted to the current market terms and expected hire rates

TIME CHARTER EQUIVALENT USD/day

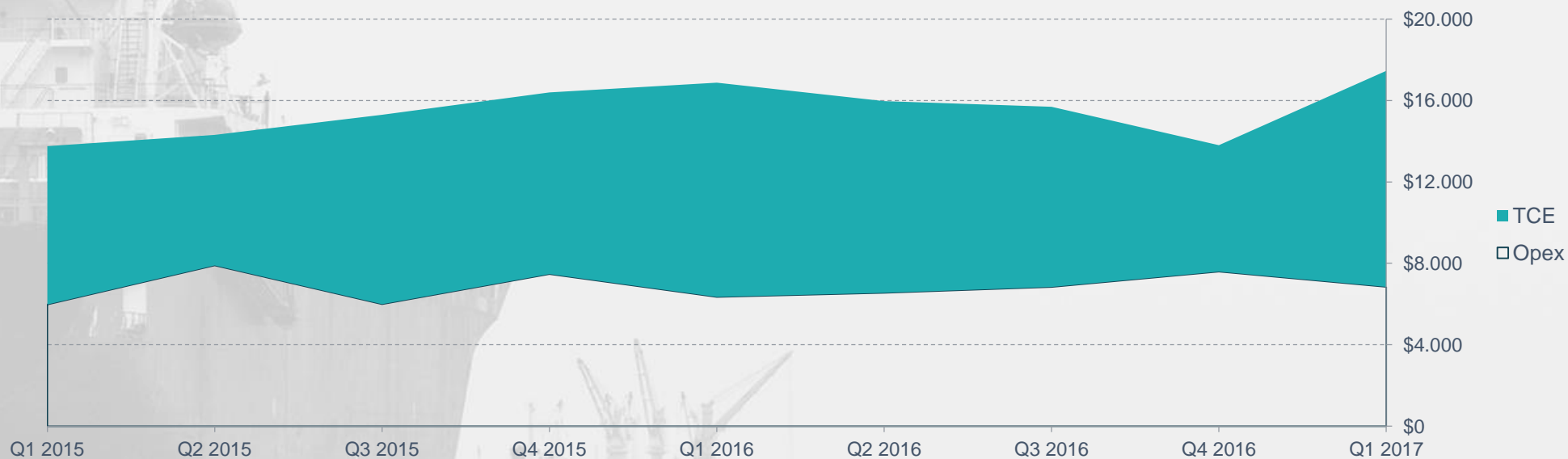


TIME CHARTER EQUIVALENT USD/day





**TNG's OPEX AND TCE (usd/day)
TRENDLINE**

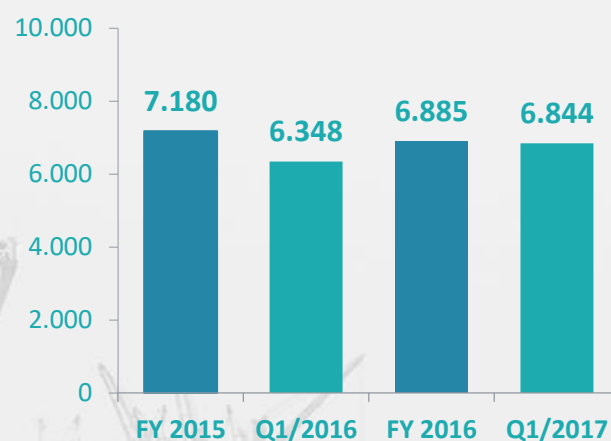




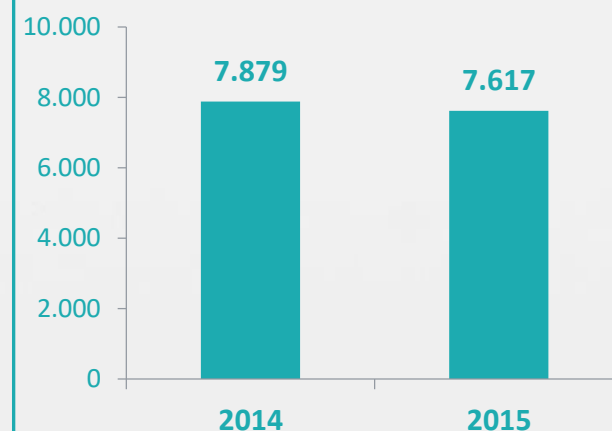
OPEX

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

OPERATING EXPENSE USD/day

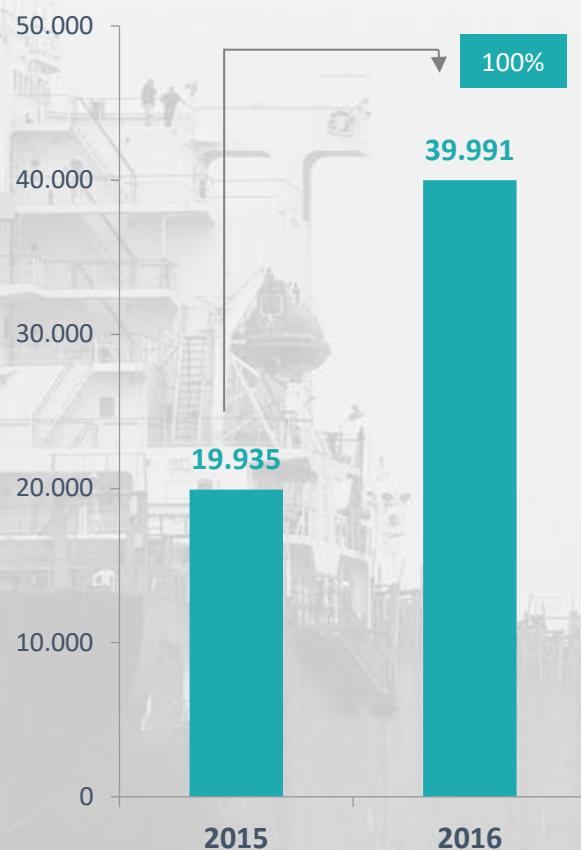


MOORE STEPHENS OPEX USD/day



Profitability under market environment pressure

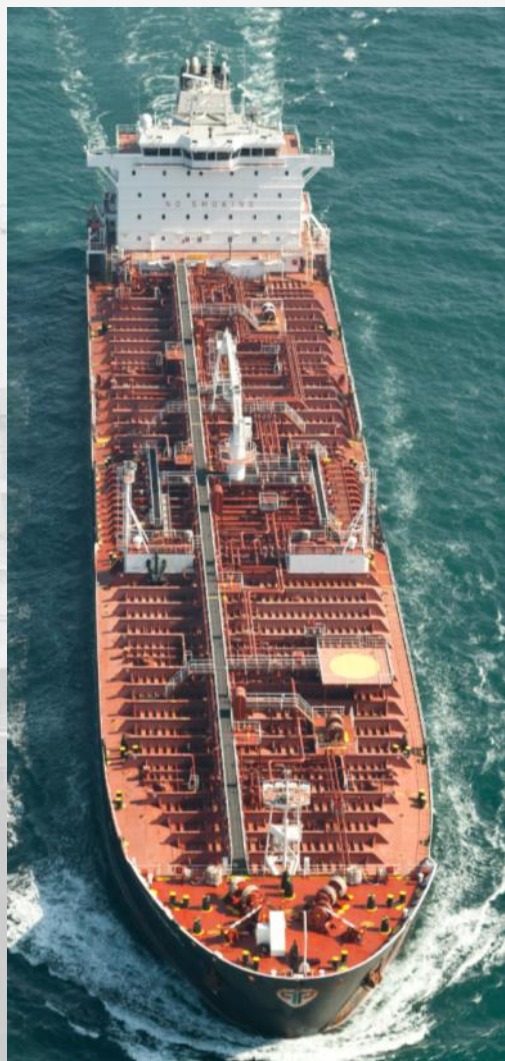
REVENUE (in USD 000)



PROFIT AND LOSS STATEMENT

	2015	2016	Q1 2016	Q1 2017
				(USD 000)
Revenues	19,935	39,993	9,656	12,482
Vessel revenues	19,935	39,991	9,587	12,243
Other revenues	0	2	69	239
Operating expenses	(11,123)	(21,195)	(4,088)	(6,918)
Commissions and voyage costs	(1,313)	(4,209)	(374)	(2,971)
OPEX	(8,552)	(15,931)	(3,466)	(3,696)
General and administrative	(1,258)	(1,055)	(248)	(251)
Depreciation	(3,918)	(8,162)	(1,919)	(1,974)
Financial gains	1,878	72	-	-
Finance costs	(1,742)	(4,740)	(1,084)	(1,040)
EBITDA	8,812	18,798	5,568	5,564
NET INCOME	5,030	5,968	2,564	2,550

Well-capitalized balance sheet

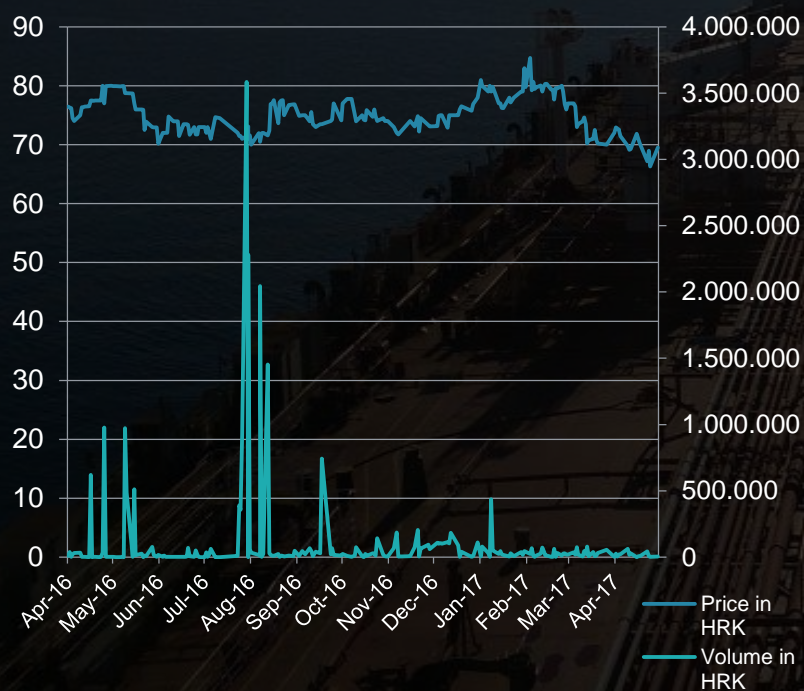


Balance sheet	31 Dec 2015	31 Dec 2016	31 Mar 2017
			(USD 000)
Vessels in operation	206,291	199,223	197,884
Cash and equivalents	10,221	6,126	7,918
Other	1,546	3,662	2,928
Total assets	218,058	209,011	208,730
Shareholders' equity and reserves	92,365	92,976	95,535
Debt	121,300	112,319	109,973
Other liabilities	4,393	3,716	3,222
Total equity and liabilities	218,058	209,011	208,730



Share performance

ZSE – Share performance



Shareholder structure

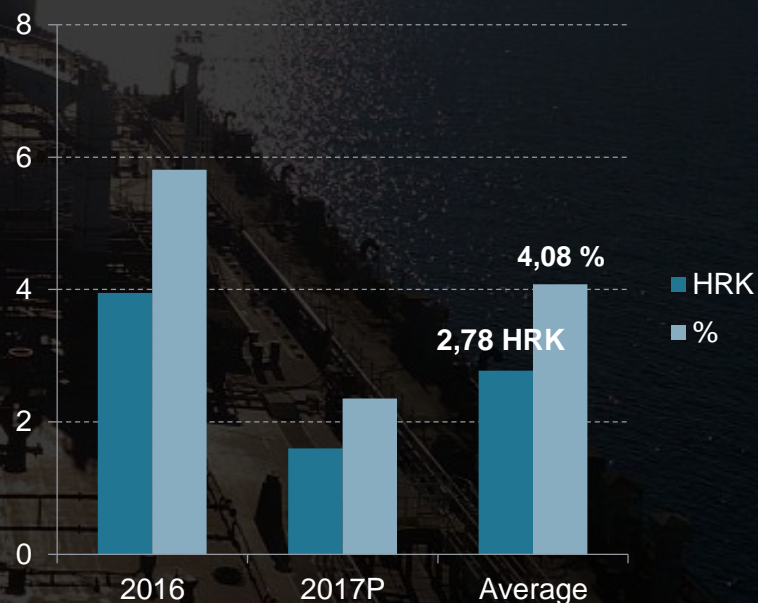


Share performance

Dividend policy

- Management will strive to maintain the by proposing payment of normalized company earnings (part of the profit in the amount of available funds above the minimum requirements of working capital)
- Commercial exploitation strategy requires minimum liquidity ranging from 600,000 to one million dollars depending on whether ships are employed on time charters or on a voyage basis.
- Key considerations: Company's earnings, financial position, needs and levels of available funds, fulfilling the commitments under loan agreements on loans, market conditions and changes in the regulatory environment.

Historical and proposed dividends



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