# Tankerska Next Generation

ACTIVITIES AND RESULTS
FEBRUARY 2016

# DISCLAIMER

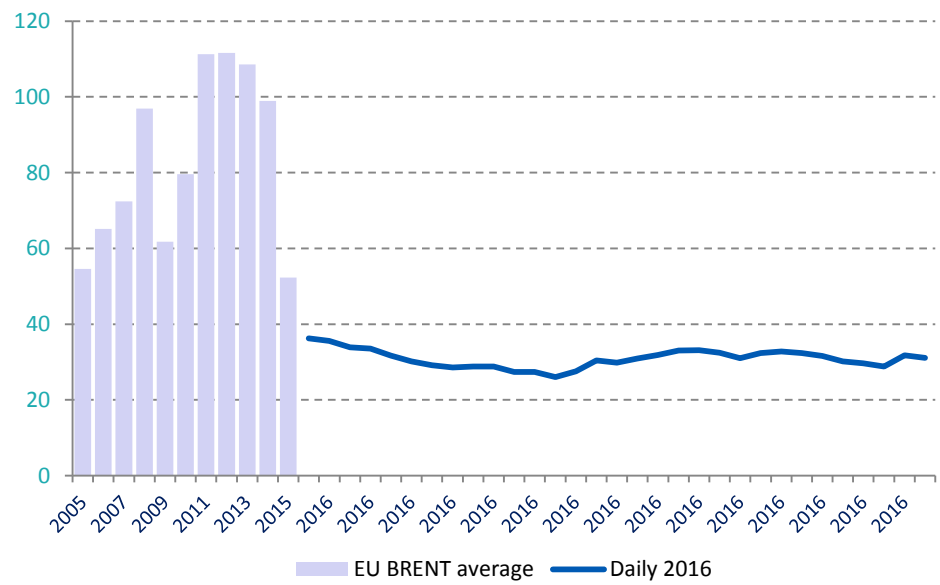


This presentation includes certain statements regarding Tankerska Next Generation Inc. („TNG“) which are not historical facts and are forward-looking statements. Words such as "believe", "anticipate", "estimate", "expect", "intend", "predict", "project", "could", "may", "will", "plan" and similar expressions 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.

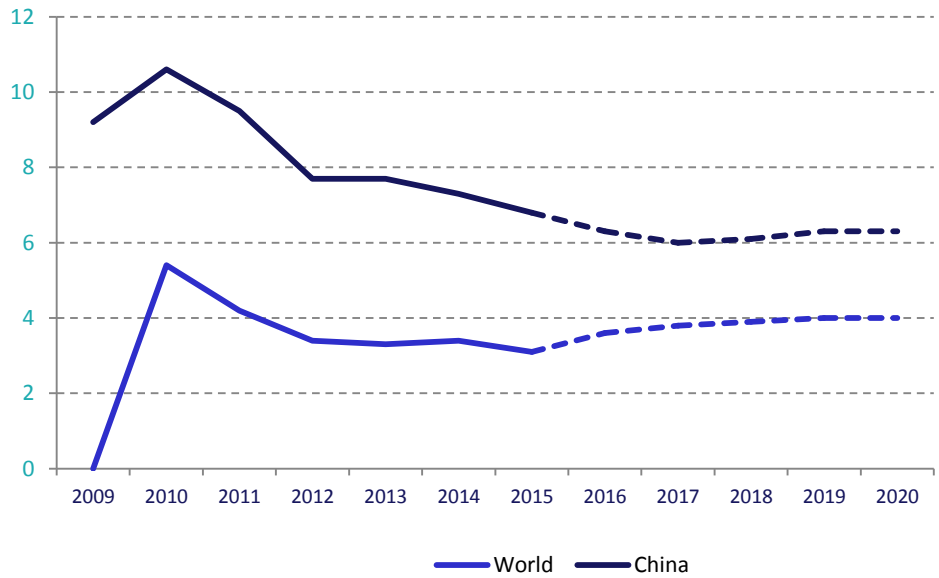
## Average crude oil price

USD/bbl




## World GDP

%

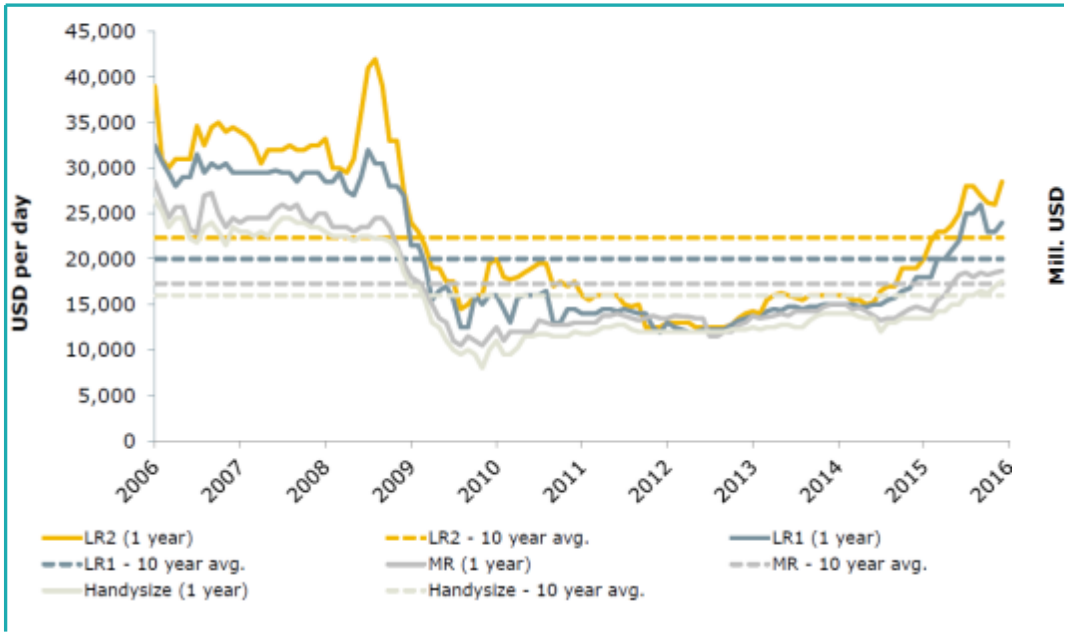



- Crude oil is still not showing signs of recovery, with prices in 2016 below 2015 low
- Lower prices supporting refined products demand
- Oil producing countries agreements may stabilize the crude price
- China deregulating domestic crude import and products export

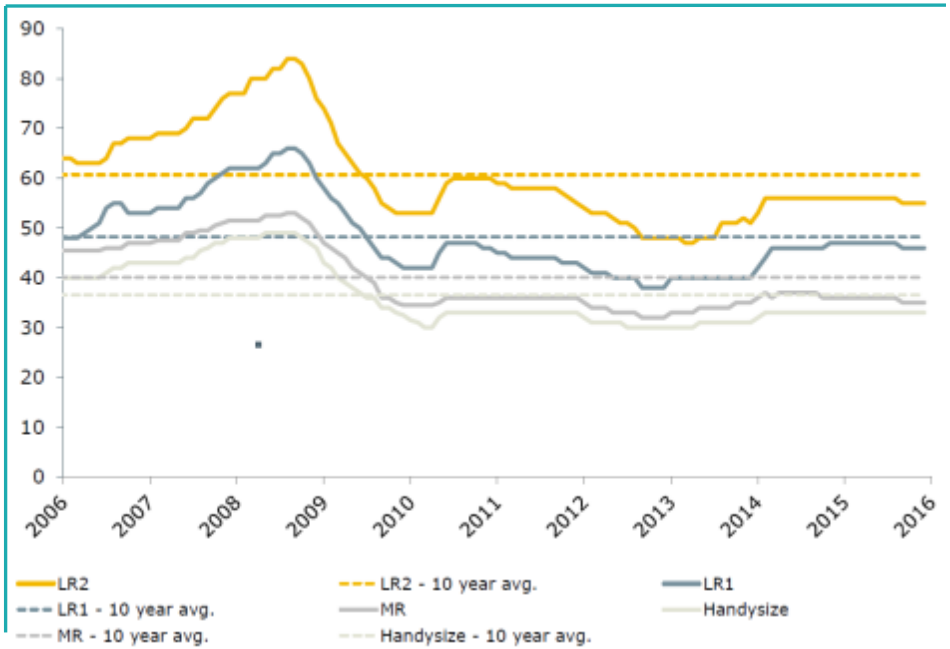
- World economic growth expected at 3.1% in 2015 and to stand at 3.4% in 2016.
- Capital markets remained subdued with lagging positive sentiment
- Monetary easement in EU opposed to tightening in US
- Lower than expected growth in China

*Source: OPEC, IMF, Clarksons, Weber*

## Product Tanker – Time Charter Rates (1 year)




## Product Tanker – Newbuilding Prices



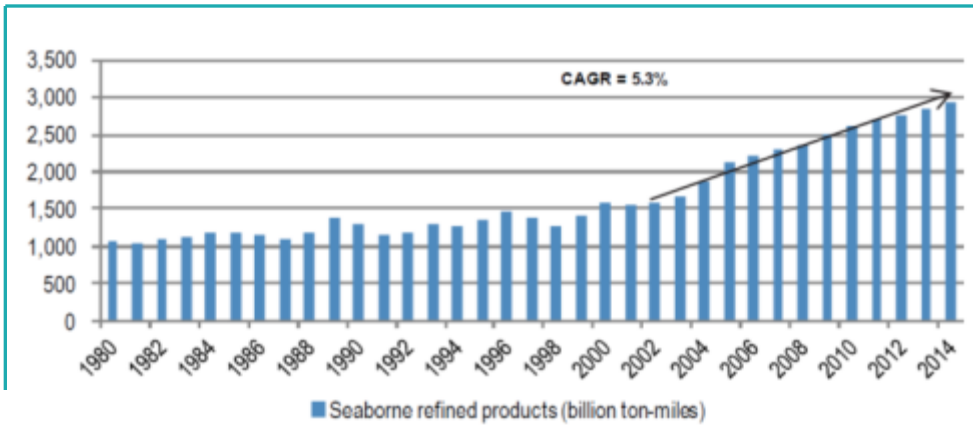

- Stable trends in expected hire rates for both conventional and eco-design MR tankers.
- Structural changes in the wake of relocation refining capacities supported the demand for vessels
- In the segment of product tankers 177 new units added in 2015, (6% increase)

*Source: Maersk Broker Research*

# FAVOURABLE DEVELOPMENT OF SUPPLY AND DEMAND FOR TANKERS

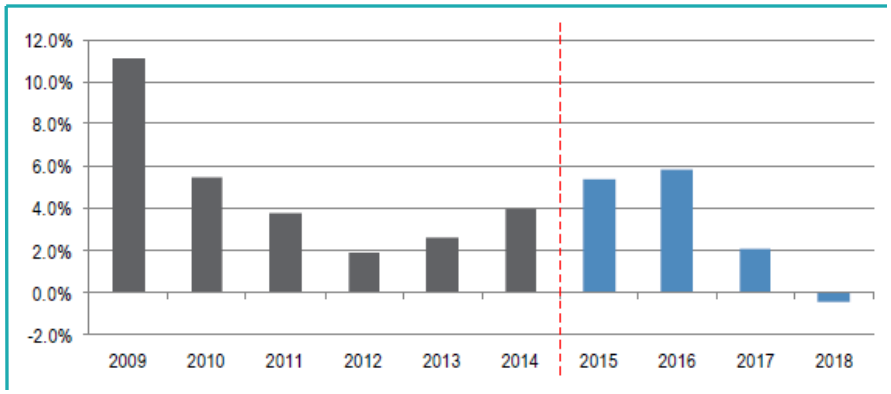
**Development of seaborne trade in oil products**

(bil. tonnes)




**Historical and projected supply growth - product tankers**

%year on year growth




## Product tanker demand has been more robust than crude demand

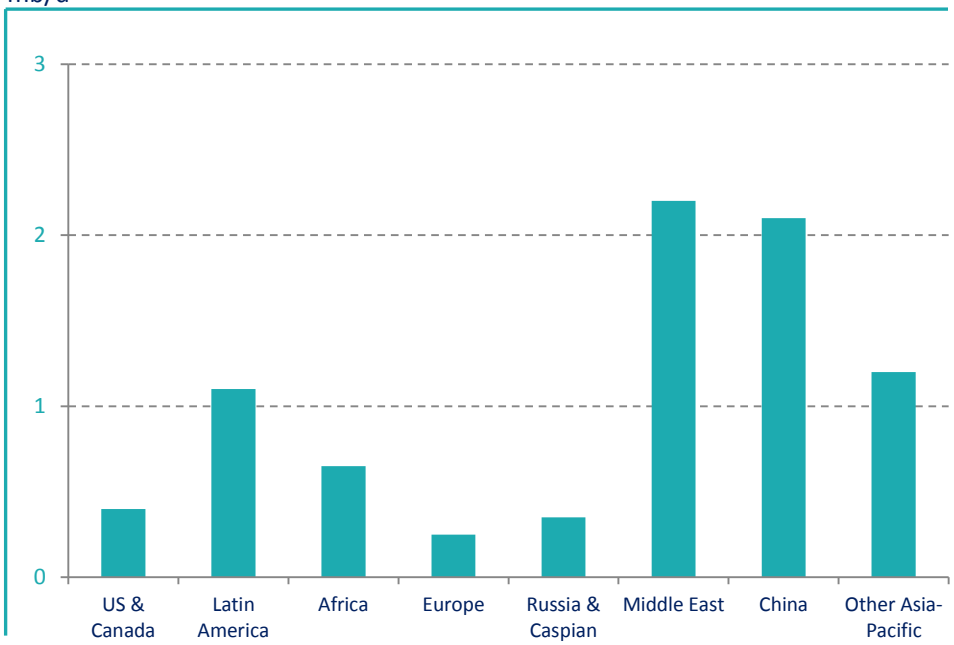
- The dislocation of refineries away from points of consumption has driven strong product growth
- Refined product trade is much more complicated than crude trade due to refinery capacity and technology, government regulations of fuel standards, and arbitrage opportunities

*Source: J.P. Morgan*

# DOWNSTREAM CHANGES GLOBALLY

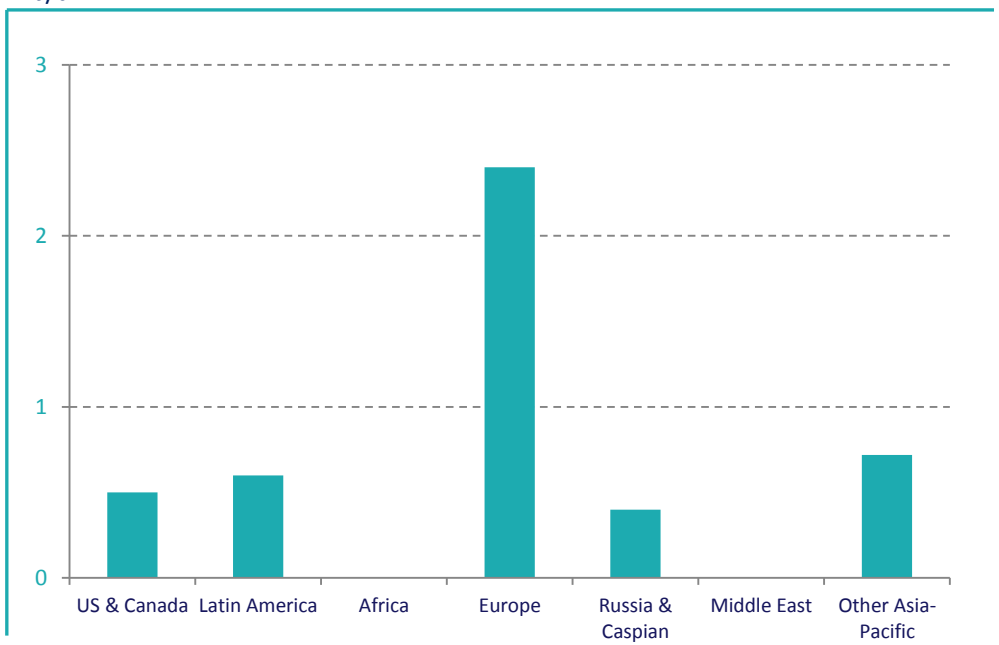
**Distillation capacity additons from existing projects, (2014-2019)**

mb/d




**Assumed crude distillation capacity clousures in the medium-term, (2014-2019)**

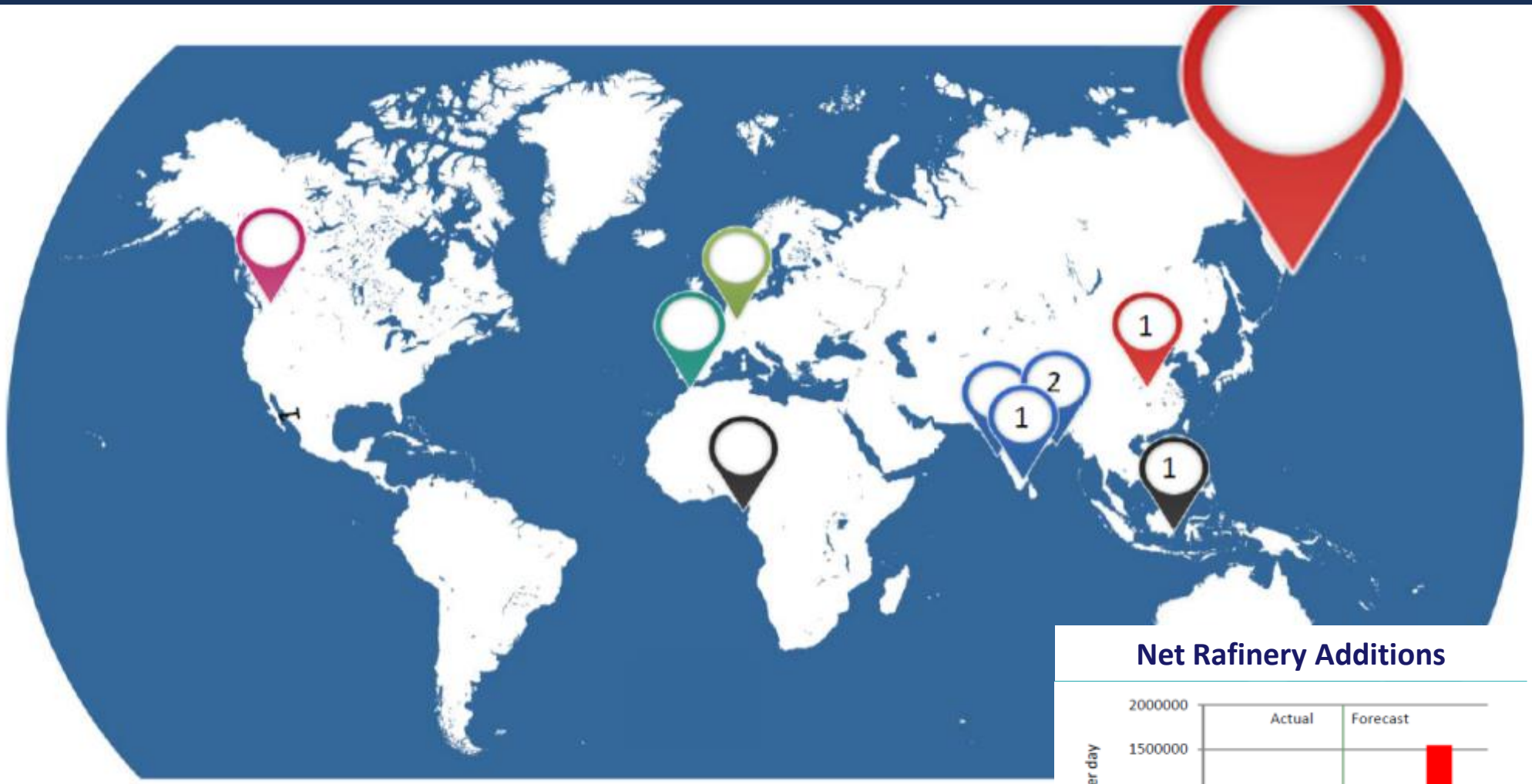
mb/d



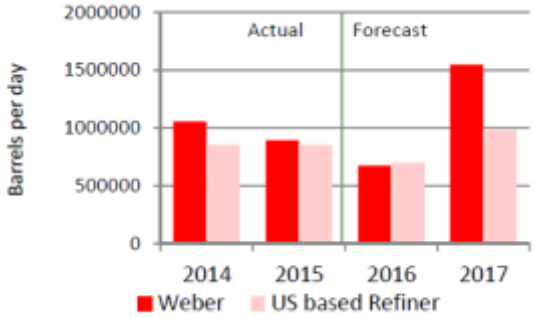

- Changing global refinery map – **increasing imbalances** on the supply side between regions
- **780,000** b/d refinery **capacity closure** in Europe in 2015
- Considerable retreat of MR newbuilding orders
- **27 MR** delivered in Q1; slippage, cancellation and order changes **reduced deliveries** over 32% over past 5 years

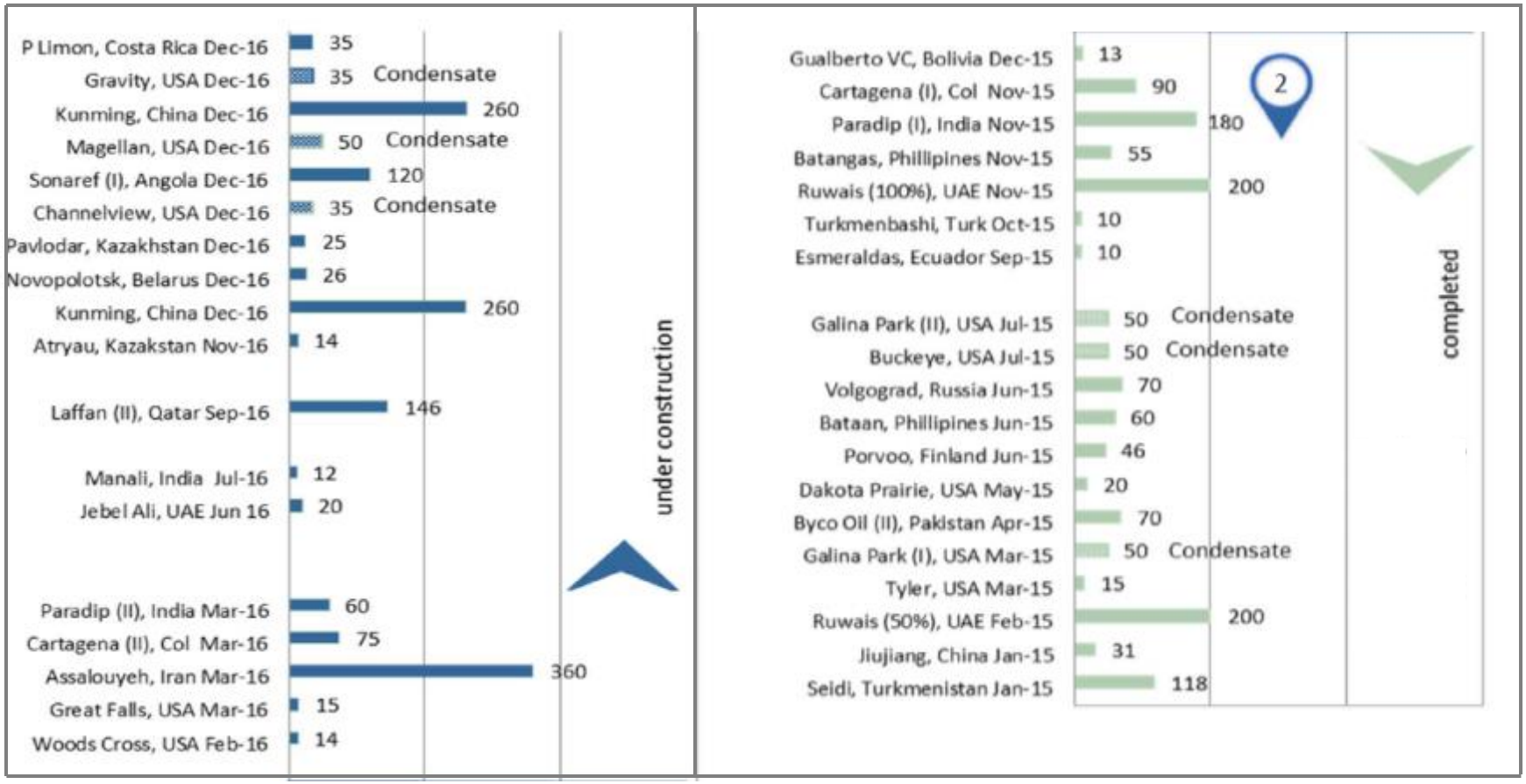
- Imbalance **increseses product imports** form furter afield
- Tone mile **demand** strongly **supported**
- Considerable **reduction** in product tanker **supply**

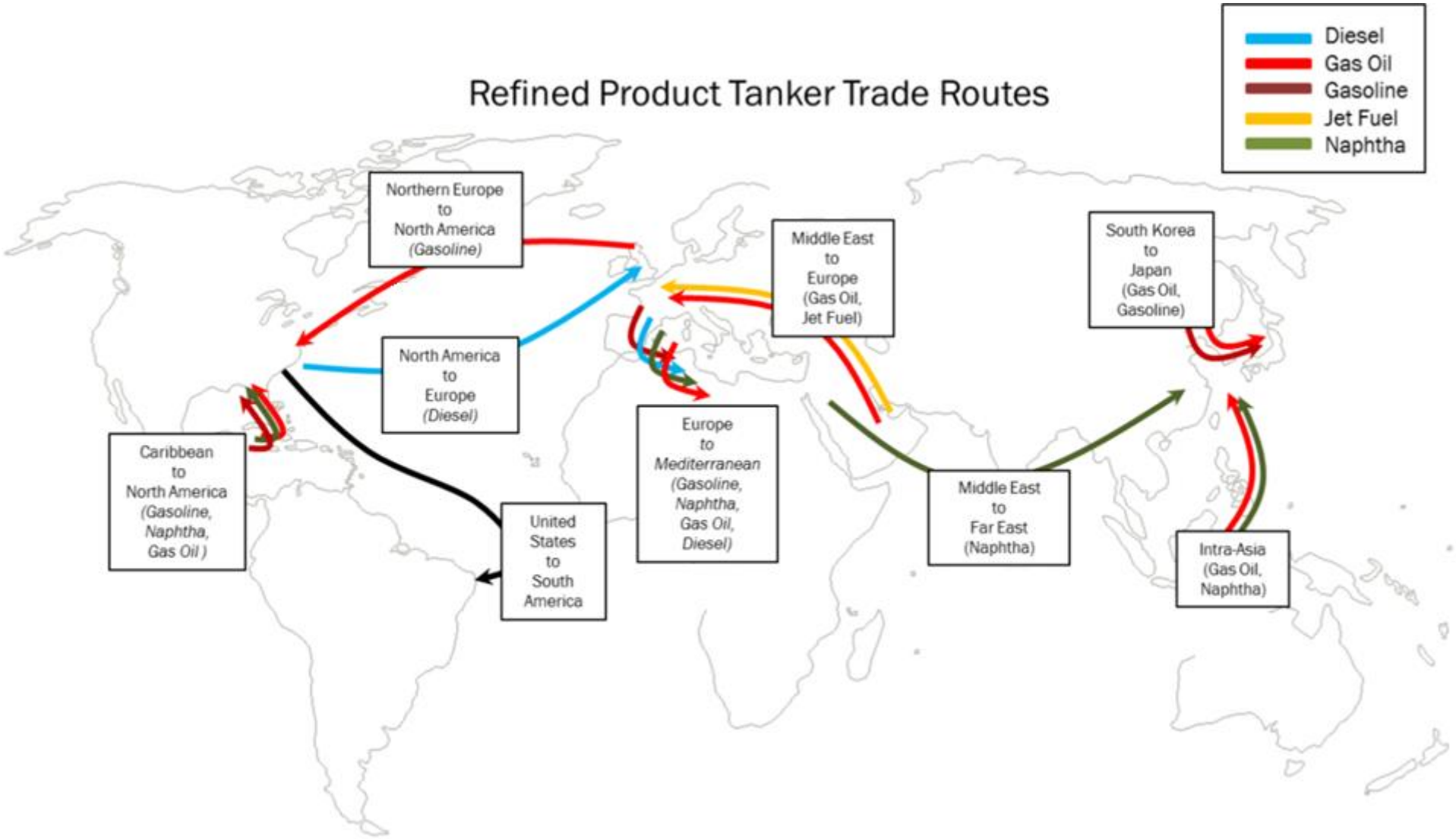
*Source: OPEC*




## Net Rafinery Additions




P Limon, Costa Rica Dec-16
35
Gravity, USA Dec-16
35
Condensate
Kunming, China Dec-16
260
Magellan, USA Dec-16
50
Condensate
Sonaref (I), Angola Dec-16
120
Channelview, USA Dec-16
35
Condensate
Pavlodar, Kazakhstan Dec-16
25
Novopolotsk, Belarus Dec-16
26
Kunming, China Dec-16
260
Atryau, Kazakstan Nov-16
14
Laffan (II), Qatar Sep-16
146
Manali, India Jul-16
12
Jebel Ali, UAE Jun 16
20
Paradip (II), India Mar-16
60
Cartagena (II), Col Mar-16
75
Assalouyeh, Iran Mar-16
360
Great Falls, USA Mar-16
15
Woods Cross, USA Feb-16
14
under construction
Gualberto VC, Bolivia Dec-15
13
Cartagena (I), Col Nov-15
90
Paradip (I), India Nov-15
180
Batangas, Phillipines Nov-15
55
Ruwais (100%), UAE Nov-15
200
Turkmenbashi, Turk Oct-15
10
Esmeraldas, Ecuador Sep-15
10
Galina Park (II), USA Jul-15
50
Condensate
Buckeye, USA Jul-15
50
Condensate
Volgograd, Russia Jun-15
70
Bataan, Phillipines Jun-15
60
Porvoo, Finland Jun-15
46
Dakota Prairie, USA May-15
20
Byco Oil (II), Pakistan Apr-15
70
Galina Park (I), USA Mar-15
50
Condensate
Tyler, USA Mar-15
15
Ruwais (50%), UAE Feb-15
200
Jiujiang, China Jan-15
31
Seidi, Turkmenistan Jan-15
118
2
completed




*Source: J.P. Morgan*

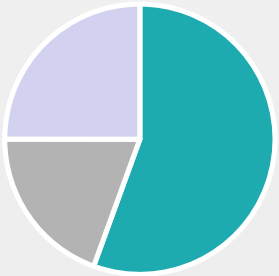
# OWNERSHIP DEVELOPMENT

## Established

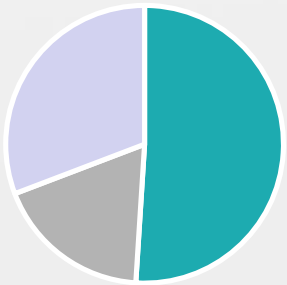
22.08.2014

## Pre - IPO

## After IPO



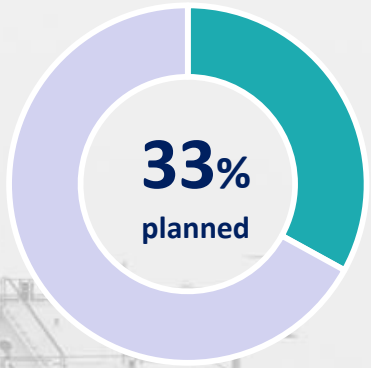

## After SPO



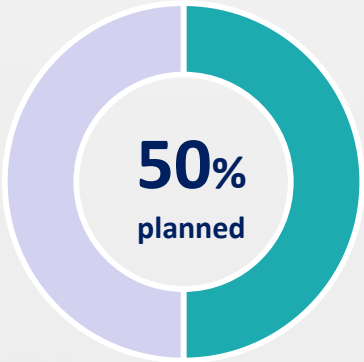

Q3/2014 → Q4/2014 → Q1/2015 → Q2 /2015 → Q3/2015

## Corporate governance

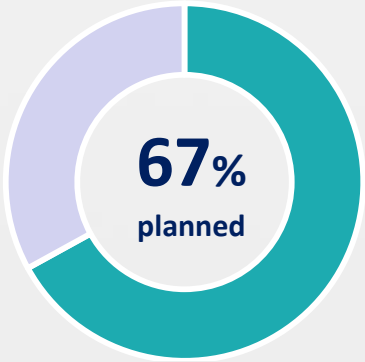
- **Stock exchange listed company** - complies with Corporate governance regime for listed companies (Zagreb stock exchange)
- **Supervisory Board** – is comprised out of 3 shipping experts and 2 independent financial experts
- **Management Board** – CEO with 21+ years of industry experience responsible for companies' fleet




100.000 dwt




150.000 dwt




200.000 dwt

300.000 dwt

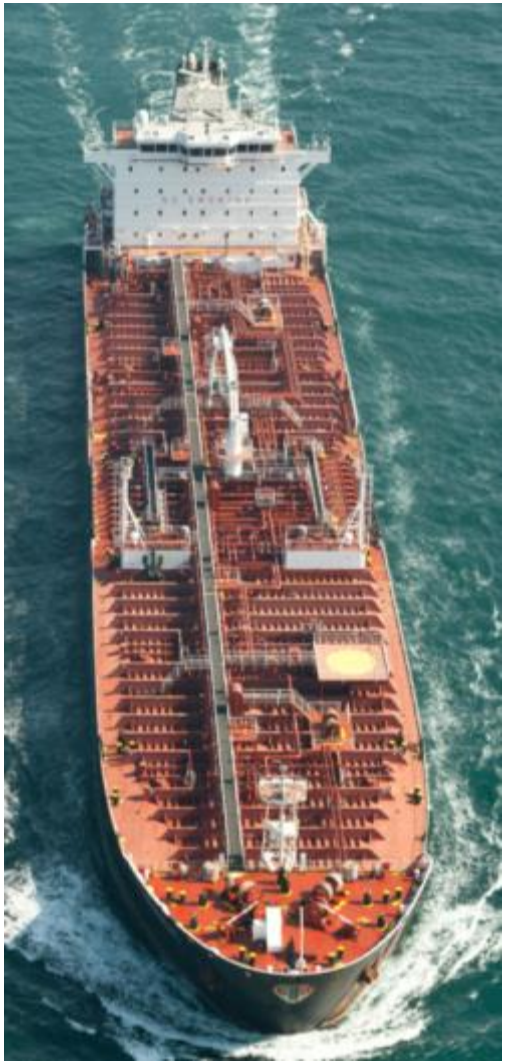
Q1/2015 Q2/2015 Q3/2015 Q4/2015 2016

## Total capital investments in 2015

# 960.000.000~ HRK

## Over 300 crewman engaged on 6 vessels

TNG
Tankerska Next Generation



TNG
Tankerska Next Generation

**Initial Public Offering** **6th February 2015**

Offer size: 3.2m shares / $31m
Offering price per share: HRK65 / $9.6
Initial pricing range: HRK64-77 / $9.5-11.4

## Newbuildings acquired with funds from IPO

**ECO MR Product tanker**
**M/t Zolio**

**ECO MR Product tanker**
**M/t Vukovar**

## IPO Offering Details and Highlights

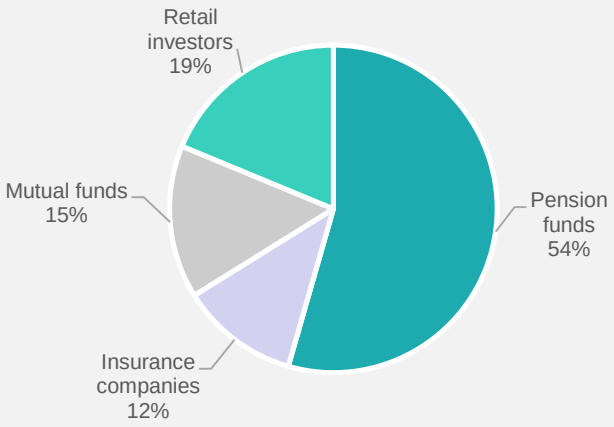
# 78 days

**Secured financing and executed delivery and commercial exploitation**

# USD 31m

**equity raised**

## IPO allocation breakdown



# TNG's SECONDARY PUBLIC OFFER

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**Secondary Public Offering 11th June 2015**

Offer size: 1.5m shares / $16m

Offering price per share: HRK68 / $10.2

## Newbuilding acquired with funds from SPO

**ECO MR Product tanker**

**M/T Pag**

## SPO Offering Details and Highlights

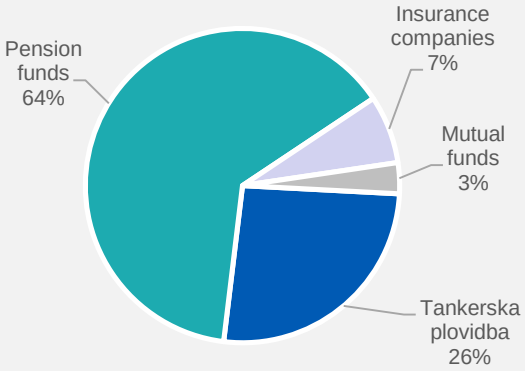
**48 days**

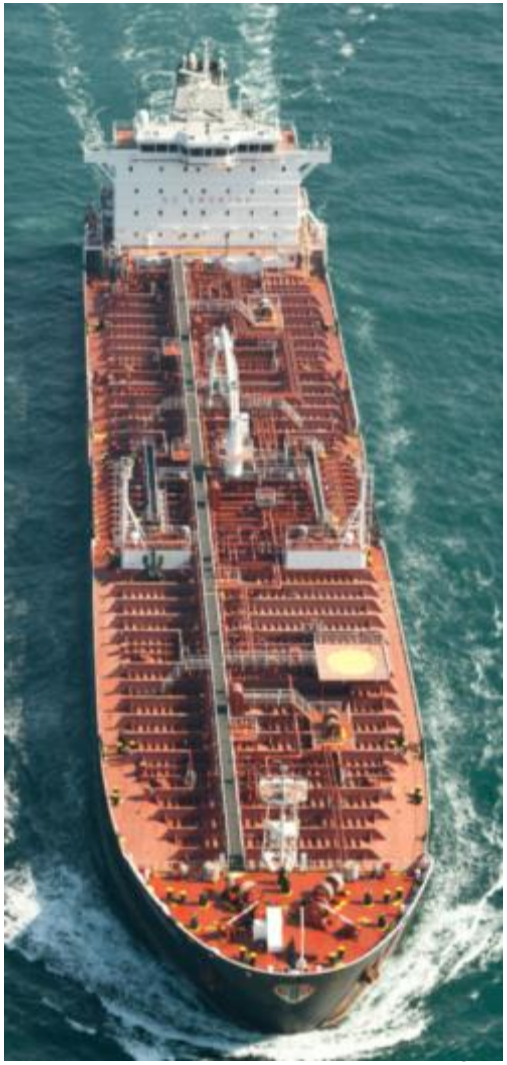
**From SPO to acquiring a contract for newbuilding**

**USD 16m**

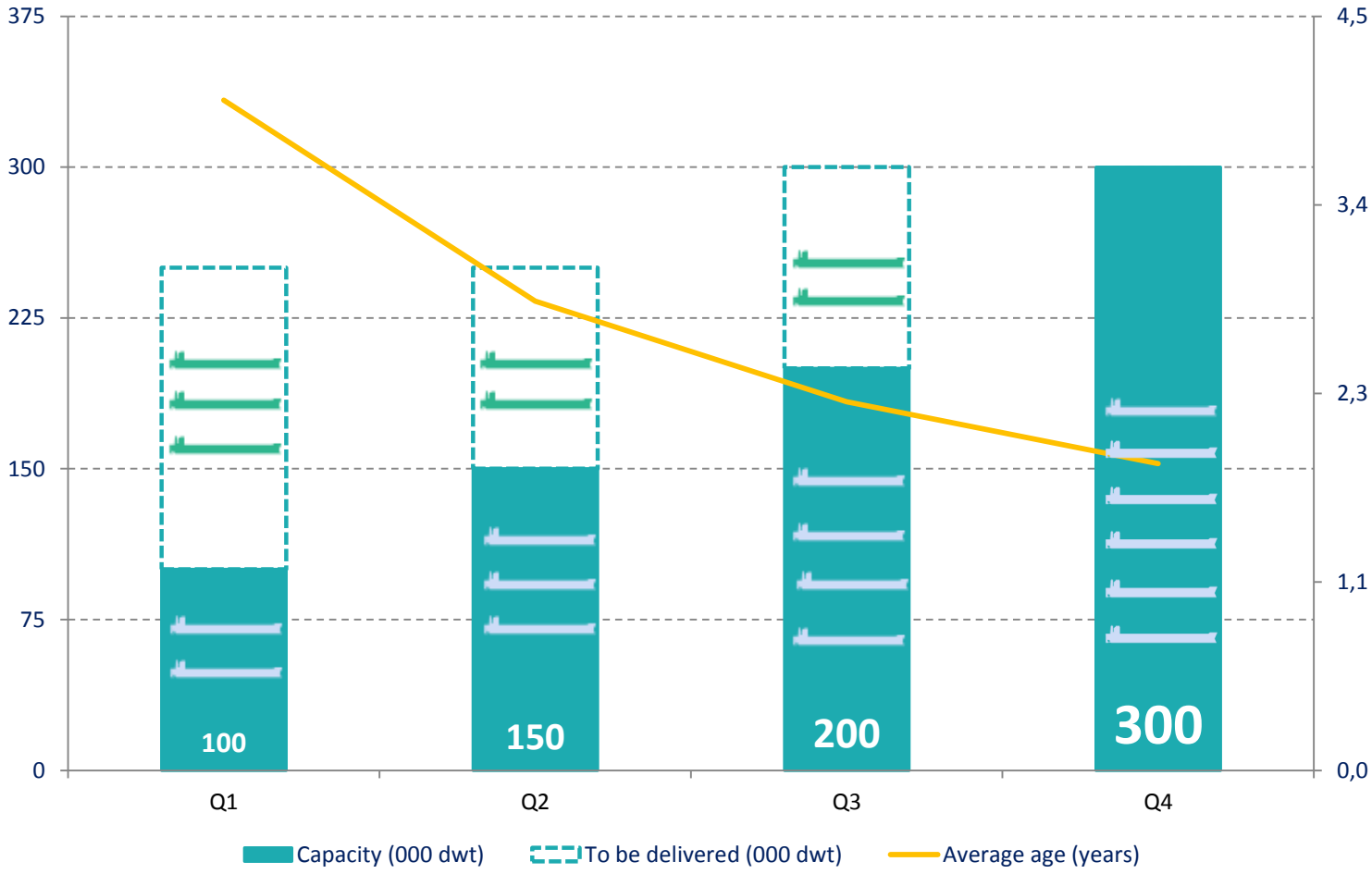
**equity raised**

## SPO allocation breakdown

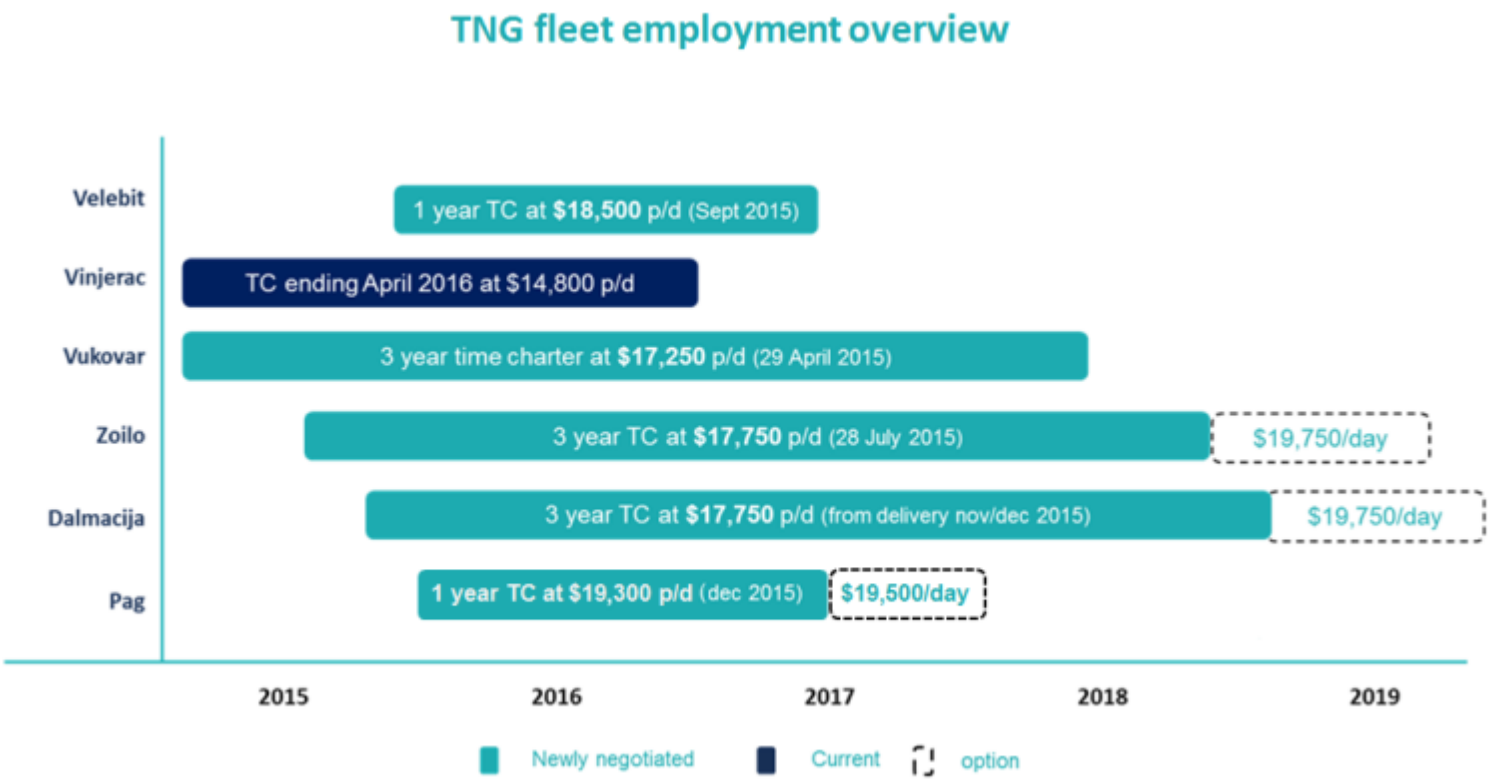




## OVERVIEW

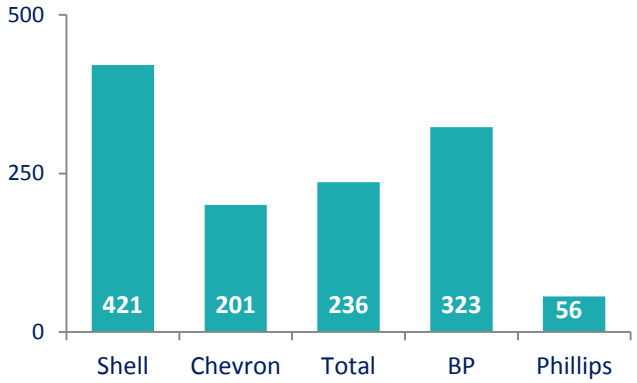

375
300
225
150
75
0
4,5
3,4
2,3
1,1
0,0
100
150
200
300
Q1
Q2
Q3
Q4
Capacity (000 dwt)
To be delivered (000 dwt)
Average age (years)

# TNG SECURED REVENUE SUMMARY

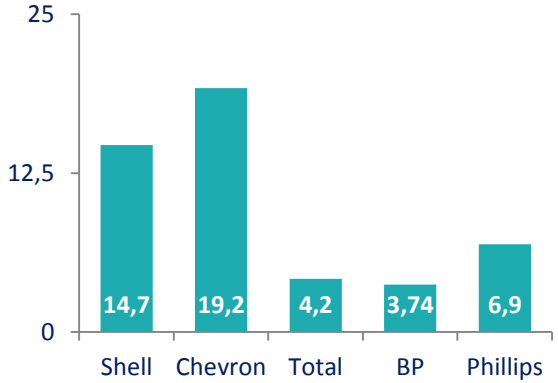


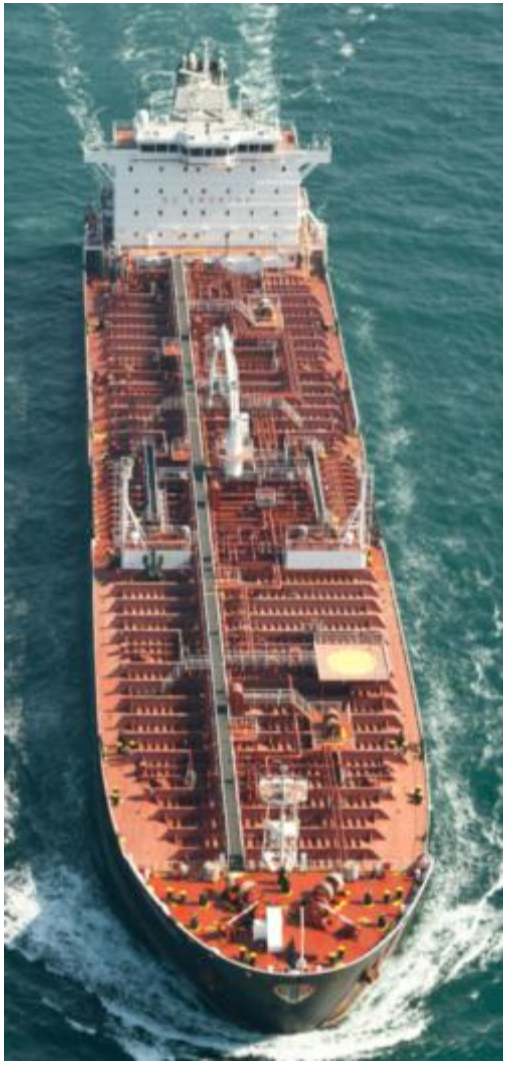
# PREMIMUM CLIENT LIST WITH LONG LASTING RELATIONS

**OIL MAJORS 2014 SALES REVENUE**
(USD billion)




**OIL MAJORS 2014 NET INCOME**
(USD billion)

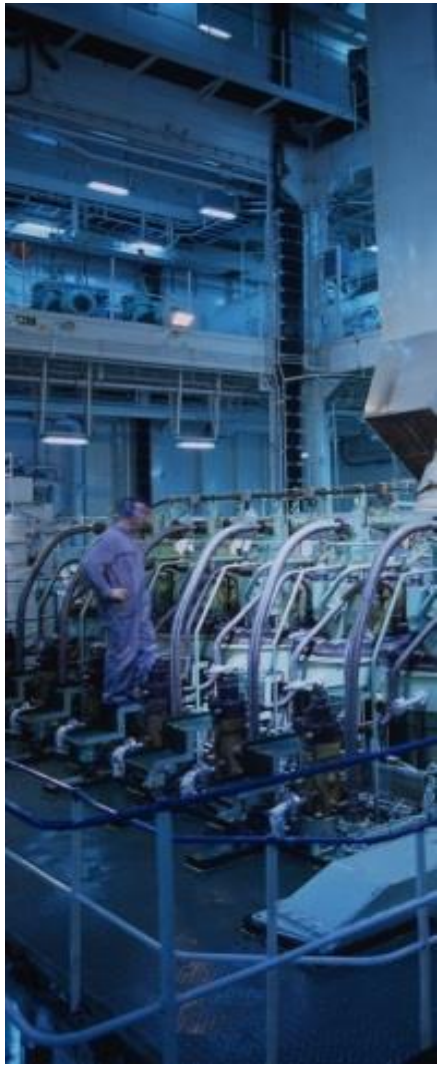




| FINANCIAL OVERVIEW | Q3 2015 | Q4 2015 | Q1-Q4 2015 |
|---|---|---|---|
| Vessels' revenues (USD 000) | 5,469 | 7,691 | 19,461 |
| EBITDA (USD 000) | 2,952 | 3,098 | 8,707 |
| EBIT (USD 000) | 1,826 | 1,748 | 4,862 |
| Net income (USD 000) | 1,333 | 918 | 4,937 |

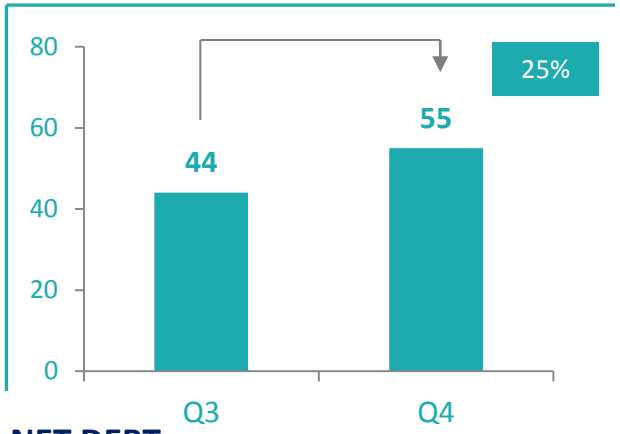
| OPERATING OVERVIEW | Q3 2015 | Q4 2015 | Q1-Q4 2015 |
|---|---|---|---|
| Gross Time Charter (USD per day) | 16,085 | 17,970 | 16,340 |
| Operating days in the period | 340 | 428 | 1,191 |
| Average number of vessels | 3.7 | 4.7 | 3.26 |
| Number of vessels at period end | 4.0 | 6.0 | 6.0 |

# STRONG FINANCIAL POSITION WITH INCREASED CAPITALIZATION



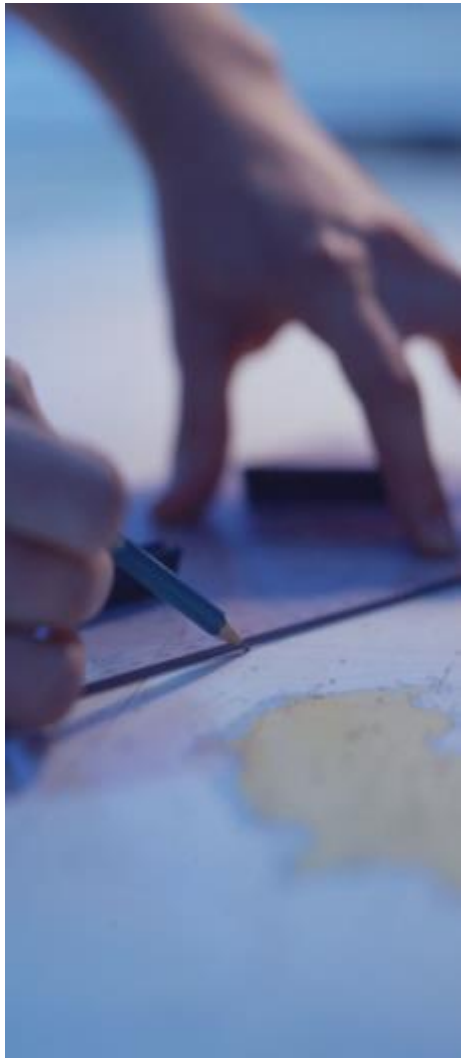
- TNG has been **successfully listed** on Zagreb Stock Exchange
- HRK **208** million raised for fleet expansion through IPO
- Additional HRK **104** million raised through SPO
- Conservative approach to financing with **low gearing**
- **Stability** brought to the **balance sheet** by equity increase
- Strong **base** for future development

**GEARING**
(%)




**NET DEBT**
(USD mill)

# OPERATING METRICS



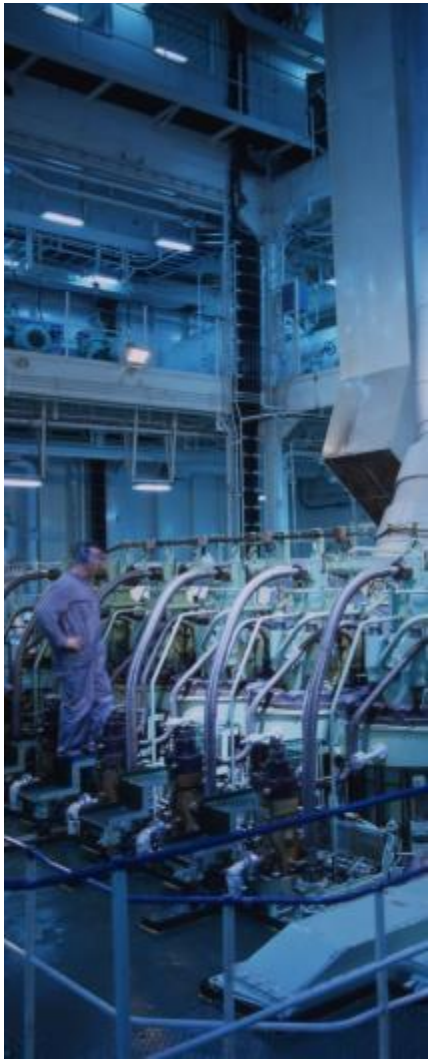
| OPERATING METRICS *USD/day* | Q3 2015 | Q4 2015 | Q1-Q4 2015 |
|---|---|---|---|
| **Rates (USD/day)** | | | |
| Gross Time Charter | 16,085 | 17,970 | **16,340** |
| Time Charter Equivalent | 15,297 | 16,395 | **15,257** |
| **OPEX (USD/day)** | | | |
| Daily vessel operating expenses | 5,491 | 6,969 | **6,408** |
| Managament fee | 503 | 503 | **503** |
| TOTAL | 5,994 | 7,472 | **6,911** |
| Operating days | 340 | 428 | **1,191** |
| Revenue days | 340 | 428 | **1,191** |
| Fleet utilization | 100% | 100% | **100%** |
| Average no. of vessels | 3.7 | 4.7 | **3.26** |

**CURRENT**

- m/t Vinjerac since 01 January 2015 at USD **14,800** per day with earliest redelivery April 2016
- m/t Vukovar since late April 2015 at USD **17,250** per day with earliest redelivery May 2018
- m/t Zolio since late July 2015 at USD **17,750** per day with earliest redelivery Aug 2018
- m/t Velebit since late September 2015 at USD **18,500** per day with earliest redelivery Sep 2016
- m/t Dalmacija from late November 2015 at USD **17,750** per day with earliest redelivery Nov 2018
- m/t Pag from early December 2015 at USD **19,300** per day with earliest redelivery Nov 2015

# STABLE TOP LINE COUPLED WITH OPERATIONAL EFFICIENCY AND STRICT COST CONTROL

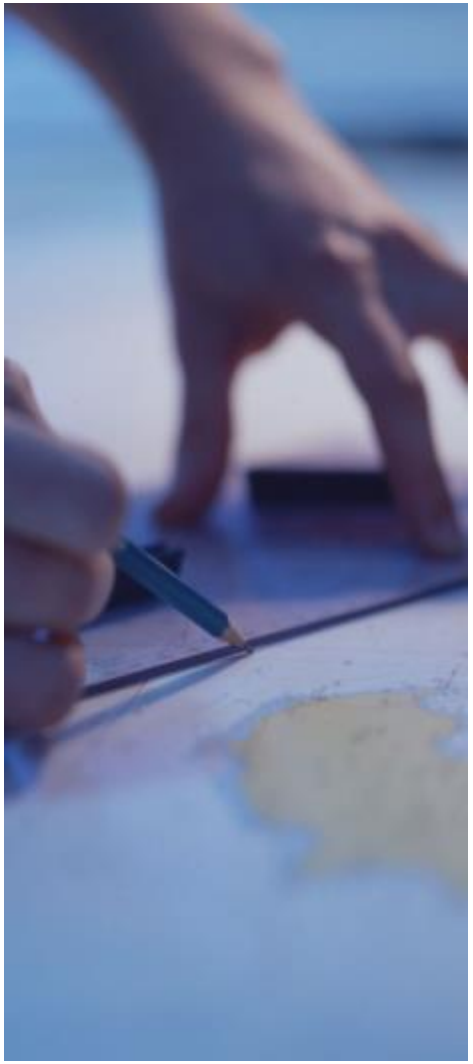




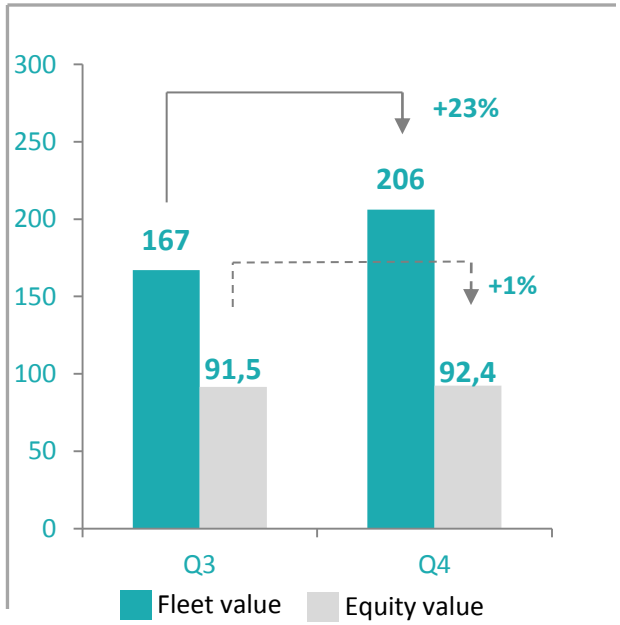
| PROFIT AND LOSS STATEMENT | Q4 2015 | Q1-Q4 2015 |
|---|---|---|
| | | (USD 000) |
| **Revenues** | **7,736** | **19,566** |
| Vessel revenues | 7,691 | 19,461 |
| Other revenues | 45 | 105 |
| **Operating expenses** | **4,638** | **10,859** |
| Commissions and voyage costs | 674 | 1,290 |
| OPEX | 3,198 | 8,231 |
| Newbuilding expenses | 225 | 411 |
| General and administrative | 541 | 927 |
| Depreciation | 1,350 | 3,845 |
| Vessel impairment gain/loss | - | - |
| Finance costs | 779 | 1.760 |
| **EBITDA** | **3,098** | **8,707** |
| **NET INCOME** | **918** | **4,937** |

| Balance sheet | Sep 2015 | Dec 2015 |
|---|---|---|
| | | (USD 000) |
| Vessels in operation | 130,218 | 206,292 |
| Vessels under construction | 33,464 | 0 |
| Cash and equivalents | 5,353 | 10,221 |
| **Total assets** | **170,323** | **218,058** |
| Shareholders' equity and reserves | 91,531 | 92,364 |
| Debt | 76,620 | 121,319 |
| Other liabilities | 1,728 | 2,895 |
| **Total equity and liabilities** | **170,323** | **218,058** |

# STRONG CAPITAL STRUCTURE



## FLEET BOOK VALUE/EQUITY
(USD mill)




| Fleet value | as at 31 Dec 2015 |
|---|---|
| • Fleet value | **USD 206.3 mil** |
| • Shareholders' equity | **USD 92.4 mil** |
| • Net Asset Value (NAV) | **USD 110 mil** |
| • NAV per share | **12.63 USD** |

| Capital structure | |
|---|---|
| • Conservative leverage for industry standards | |
| • Debt / (debt+capital) | 55% |
| • Financing of new vessels | 40% equity/60% debt |

**Financing strategy**

- Long-term relationship with leading global shipping banks
- Long debt maturities – larger refinancing after 2020