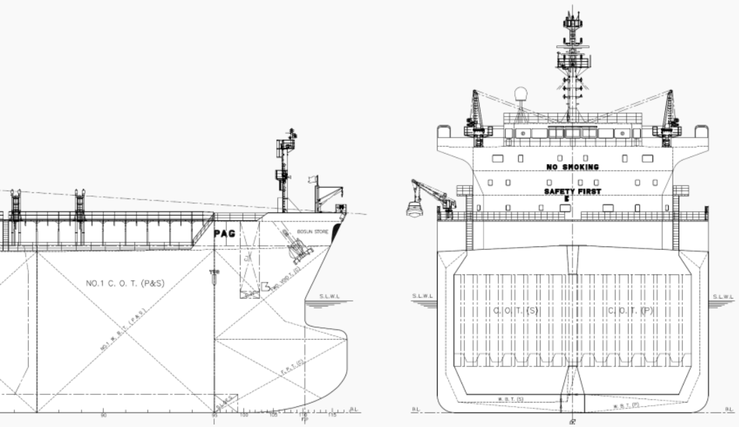
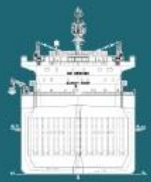
Tankerska
Next Generation
I -VI 2017



Contents

- Comments from the CEO
- Market environment
- Results for the period
- Operational data of the fleet
- About TNG
- Financial summary
- Risk management
- Unaudited financial statements
- Notes to the financial statements
- Important terms and concepts
- Cautionary note
- Contact



Total number of vessels: 6

ECO design MR Product tankers: 4

ICE class MR Product tankers: 2

Average age of TNG's MR fleet - **3.2 years**

Cargoes: Refined oil products such as fuel oil, gas oil, gasoline, naphtha and jet fuel

Customers: Oil majors and oil traders

MT Vukovar, built: 2015
ECO design MR product tanker
Lenght/width: 195/32 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 Dalmacija, 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 Velebit, built: 2011
ICE class MR product tanker
Lenght/width: 195/32 m
Cargo capacity: 52,554 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

„The results for the first six months of the year were marked by challenging business environment and volatile hire rates, requiring additional engagement by Tankerska Next Generation Inc. in order to maximize the commercial potential of the fleet. The spot market hire rates encountered additional volatility during the second quarter, which together with the slightly lower but stable employment rate of the fleet and the geographic repositioning of the three vessels operating on the spot market resulted in revenues of HRK 145 million, with lower profitability than in the same period of 2016.

The effects of a stronger fleet engagement in the spot market have resulted in stable financial position and the operational profit, which reached HRK 32.5 million which is slightly lower than last year following the challenging business environment and volatile trends that continued in the first six months of 2017.

Volatile market trends, and lower hire rates characteristic for this year, will require additional efforts of the management to adapt the employment strategy in the second half of 2017. According to available market analysis and the projections of order books and economic growth, market recovery is expected in the medium term.

These levels of revenues are a result of a change in strategy of employment due to the changed market environment and volatilities presented throughout the last quarter. Using this model of employment offers management enough flexibility to timely react to the positive changes in volatile hire rates which burdened the ship-owners operations during the last couple of quarters. Increased operations on the spot market simultaneously require higher liquidity due to the fact that the ship owner covers the voyage related expenses.

During the first quarter of the year a certain positive correction in the spot market was recorded as a result of the seasonally increased levels of derivatives trading on the global market in the winter months, but the trend did not continue in the second quarter. Basic indicators and trends in the segment of product tankers show a significant reduction in the growth of the total product tanker fleet in the next two-year period and the stability of the supply and demand for this type of ship which indicates further stabilization of the market and positive trends in the midterm.

During the next period TNG's management will focus on activities aimed at achieving the optimal structure of employment and providing the resources needed to continue with balanced business operations, while adapting to the changes in the regulatory environment related to the entry into force of sulphur emission regulations and the application of the ballast water management convention, and securing the resources for the implementation of the regulatory requirements.”

Results for H1 2017:

Vessel revenues:	22.056 mil. USD
EBITDA:	8.957 mil. USD
EBIT:	4.998 mil. USD
Net profit:	2.915 mil. USD
TCE net:	16,109 USD/day
OPEX:	6,687 USD/day

Market environment

Interim management report

The expected growth of the world economy is projected to pick up pace in 2017 and 2018 with 3.5 percent and 3.6 percent respectively, which is a higher growth rate in comparison to 2016, especially in emerging markets and developing economies (4.5% and 4.6%)[1].

IMF growth estimates and projections for the next two years published in July show a certain improvement relative to the previously published projections in April, although the U.S. growth projections are lower than in April, primarily reflecting the assumption that fiscal policy will be less expansionary going forward than previously anticipated.

Growth has been revised up for Japan and especially the euro area, where political risk has diminished, while China's growth projections have also been revised up, reflecting a strong first quarter of 2017 and expectations of continued fiscal support. Growth rates in Brazil, Mexico, Canada and European countries; France, Germany, Spain and Italy were higher than the projections given in April, unlike the United Kingdom which recorded lower growth than expected in the first three months, and thus its growth prospects were revised down.

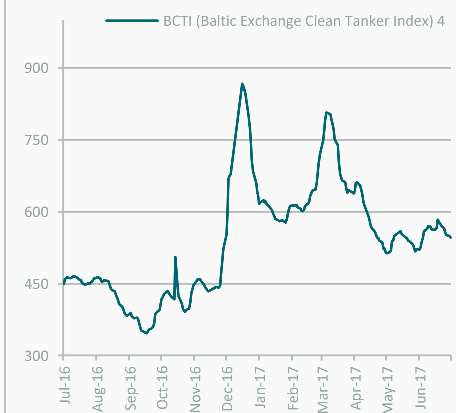
During the second quarter of 2017 the price of Brent crude oil fluctuated from 46 USD to USD 57 per barrel, while the level on which it ended the quarter remained around 49 USD. The recovery of the oil prices from the long-time low of USD 28 per barrel recorded in the first quarter of 2016 drove the growth of economic activities in the exporting countries.

In the segment of product tankers during the second quarter the market showed a certain level of volatility which is a result of the increase in fleet capacity in the segment of product tankers, increased levels of oil derivatives and increased refining activities because of the lower price of crude oil. After a strong start of 2016, the trend of unstable market rates continued through the second and third quarter, while a certain growth in hire rates was recorded toward the end of the year, and especially in the first quarter of 2017 as a result of typical winter market activity which indicates higher demand for oil derivatives.

Meanwhile, MR product tanker supply is decelerating, with just 33[2] new build units delivered, and another 35[2] expected by the end of the year, while scrapping continues at constant rate of around twenty vessels scheduled for scrapping by the end of the year. Comparing to the 2016 when a total of 95[2] new units were delivered, this is a significant slowing down in supply , while the order book for 2018 is currently at 53[2] new MR's.

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 in the remainder of 2017.

Current MR ship-owner expectations for one year hire with immediate delivery are at a level of USD 14,500[3] per day.

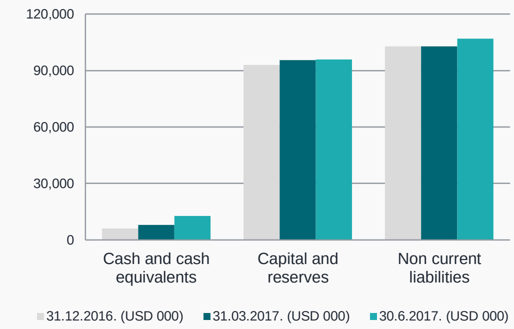


1 IMF World economic outlook , July 2017
2 Maersk broker, July 2017
3 Clarksons,Tanker Matrix Report, July 2017
4 Baltic exchange, BCTI, July 2017

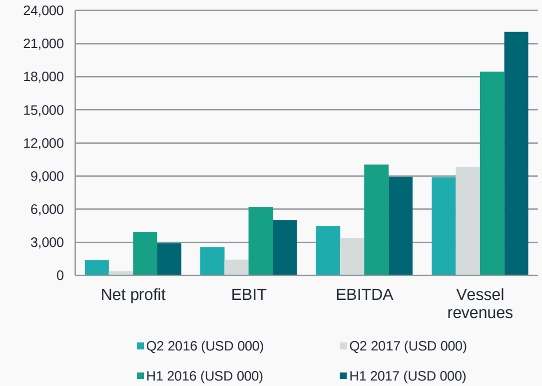
Results

Interim management report

FINANCIAL POSITION	31 Dec 2016 (HRK 000)	31 Mar 2017 (HRK 000)	30 Jun 2017 (HRK 000)	31 Dec 2016 (USD 000)	31 Mar 2017 (USD 000)	30 Jun 2017 (USD 000)
Bank debt	805,162	761,876	724,492	112.319	109,973	111,628
Cash and cash equivalents	43,915	54,857	81,962	6,126	7,918	12,629
Net debt	761,247	707,019	642,530	106,193	102,055	98,999
Capital and reserves	666,502	661,851	622,503	92,976	95,535	95,914
Gearing ratio (*)	53%	52%	51%	53%	52%	51%



SELECTED FINANCIALS	January-March 2016 (USD 000)	January-March 2017 (USD 000)	April - June 2016 (USD 000)	April - June 2017 (USD 000)	January – June 2016 (USD 000)	January – June 2017 (USD 000)
Vessel revenues	9,587	12,243	8,871	9,813	18,458	22,056
EBITDA	5,568	5,564	4,474	3,393	10,042	8,957
EBIT	3,648	3,590	2,554	1,408	6,203	4,998
Net profit	2,564	2,550	1,396	365	3,961	2,915



Results for the first six months of 2017

Interim management report

Revenues in the first six months of 2017 reached HRK 145 mil. and were 14.8% higher compared to the same period of 2016, while EBITDA amounted to HRK 58.1 mil., which compared to HRK 68.2 realized in the first half of 2016 represents a decrease of 14.8%. TNG's net profit amounted to HRK 18.9 million and is the result of (i) stability brought in by the time charter contracts and (ii) the favorable geographic positioning of the vessels operating on spot market which moderated the effect of lower spot hire rates. These positive trends were moderated (iii) with the correction of the spot hire rates during the second quarter, (iv) and 67 revenue days lost due to the regular five-year drydocking of Vinjerac, which began in December 2016 and ended in January this year, and the "spot" positioning of Velebit and Pag in the second quarter and (v) with the appreciation of the kuna against the USD.

The operating profit for the first six months of this year was HRK 32.4 mil. and is the result of (i) the stability brought in by the time charter contracts, (ii) the contribution of m/t Vinjerac, Velebit and Pag from the spot, while it was moderated (iii) As a consequence of the larger exposure to the spot market and the one-off costs associated with m/t Vinjerac drydocking which spent 9 days at the shipyard, (iv) correction of "spot" hire rates during the second quarter, (vi) a lower utilization rate of the fleet of 93.8%, (v) because of the appreciation of the kuna against the USD.

The increase in ship revenues in the first half of 2017 primarily reflects the change in employment strategy of Vinjerac, Velebit and Pag. This increase came as a result of the transfer of m/t Vinjerac, Velebit and Pag to the spot market where the voyage-related costs are paid by the ship owner, contrary to the time-charter contracts where the charterer covers the voyage-related costs.This significant part of the expenses, which for contractually-matched units is settled directly by the charterer, is compensated through increased revenues. The average TCE daily revenues of the vessels during the first half of the year was recorded at 16.109 USD.

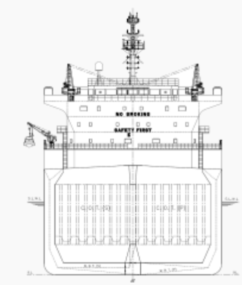
The first quarter of 2017 was predominately marked with usual operating costs, except for the one off costs associated with drydocking of m/t Velebit which spent 9 days in the shipyard in January.

Fees and voyage associated costs amounted to HRK 36.6 million in the first six months of 2017, which is a significant increase from HRK 5.8 million in H1 2016. This significant increase came as a result of intensified operations of the fully operational fleet in the quarter and the transfer of m/t Vinjerac, Velebit and Pag to the spot market where the voyage-related costs are paid by the ship owner, contrary to the time-charter contracts where the charterer covers the voyage-related costs.

The vessels' operating expenses for the six months ending June 30, 2017, amounting to HRK 47.1 million. The increase came as a result of the transfer of m/t Vinjerac, Velebit and Pag to the spot market and the one off costs associated with m/t Vinjerac drydocking.

Depreciation expenses for the three months ending June 30, 2017 were HRK 25.7 million. 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 for the three months ending June 30, 2017 were HRK 3.25 million, and show a decrease in comparison to the same period of the previous year due to the more efficient expenses control.



Results for the second quarter of 2017

Company status report

Revenues in the second quarter of 2017 amounted to USD 58.6 mil. (USD 9.8 mil.), EBITDA was HRK 19.6 mil. (USD 3.4 mil.). The Company's net profit in the second quarter of 2016 amounted to HRK 1.3 mil. (USD 0.4 mil.).

Operating profit for the second quarter of 2017 amounts to HRK 7.6 million and is the result of (i) a combination of spot and time charter employment which mitigated the volatility of the hire rates especially expressed during the second quarter and (ii) the reduced number of revenue days associated with repositioning voyages that will show its effects in the next quarter.

In the second quarter of 2017, vessels' revenues reached USD 58.3 mil. (USD 9.8 mil.), which shows a slight correction compared to the second quarter of 2016.

This change is due to (i) a reduction in the level of fleet utilization during the quarter and (ii) the appreciation of the kuna against the US dollar. Average daily TCE of the fleet during the second quarter was recorded at 14.643 USD.

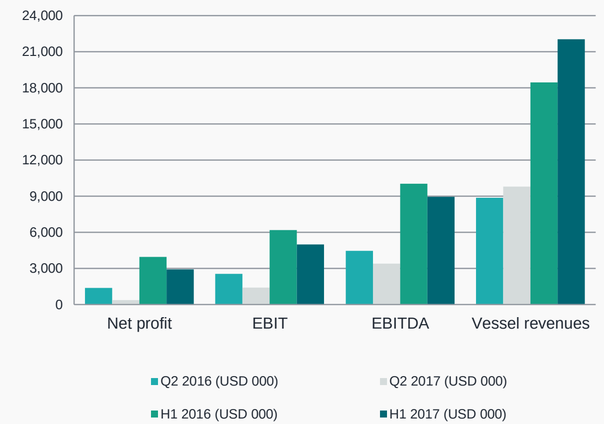
The second quarter of 2017 was marked by the usual operating costs, which were decreased compared to the first quarter of 2017, and the second quarter of 2016 as a result of increased efficiency.

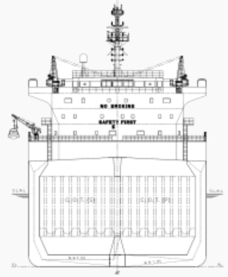
Commissions and voyage associated costs amounted to USD 16 million (USD 2.7 million) in the second quarter of 2017, while in the second quarter of 2016 they amounted to HRK 3.4 million (USD 0.5 million). This significant increase is the result of an increased volume of operations based on the full operations of the entire fleet in the quarter.

The total operating costs of the fleet amounted to USD 21.5 mil. (USD 3.6 mil.) in the second quarter of 2017 and were reduced compared to the second quarter of 2016, amounting to HRK 25.5 mil. (3.7 mil. USD). The change is caused by (i) the increased level of operational efficiency and (ii) the appreciation of the kuna against the US dollar.

Depreciation costs in the second quarter of 2017 amounted to HRK 12.02 mil. (USD 1.98 mil.). 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 significantly reduced compared to the same period last year and amounted to HRK 1.5 million.



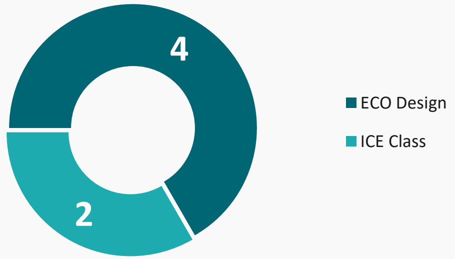


Operational data of the fleet

Company status report

Vessel	Capacity (dwt)	Year built	Flag	Employment	Hire rate (USD)
Velebit	52,554	Q2 2011	Croatia	SPOT market	Voyage charter
Vinjerac	51,935	Q4 2011	Croatia	SPOT market	Voyage charter
Vukovar	49,990	Q2 2015	Croatia	Scorpio Time charter	17,250 (until Q2 2018)
Zoilo	49,990	Q3 2015	Croatia	Trafigura Time charter	17,750 (until Q3 2018)
Dalmacija	49,990	Q4 2015	Croatia	Trafigura Time charter	17,750 (until Q4 2018)
Pag	49,990	Q4 2015	Croatia	SPOT market	Voyage charter

Fleet structure



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 June 30th 2017, the average age of the vessel in TNG fleet is 3.2 years.

CURRENT CHARTERING STRATEGY

The Group currently has three time charter contracts, and all the Group's time charter contracts have been signed in line with usual market practice and have been based on standard industry terms for such contracts. During 2016 the time charter contracts for m/t Vinjerac, Velebit and Pag expired, and the new employment for the vessels was contracted in accordance with the current market terms and expected hire rates, while taking into account the operational needs of m/t Vinjerac and m/t Velebit 5-year drydocking. The vessels were transferred to spot market with goal to achieve the beneficial effect to the operational efficiency and optimal geographical positioning of the vessels before the expected 5-year dryock, which resulted in lower expenses of the drydocks themself.

Vinjerac, Velebit, Pag

TNG currently operates Vinjerac, Velebit and Pag on the spot market, estimating how this mode of employment represents the current optimal strategy of using the fleet's commercial potential to timely adapt to the market conditions, until the recovery of time charter market.

Vukovar

TNG took delivery of Vukovar on 29 April 2015 from Hyundai Mipo Dockyard Co., ltd., South Korea after which it begun its commercial exploitation on a three year time charter (from 1 May onwards). The current charter rate for Vukovar is USD 17,250 per day with the earliest contract termination in May 2018. The charterer is STI Chartering and Trading Ltd ("Scorpio").

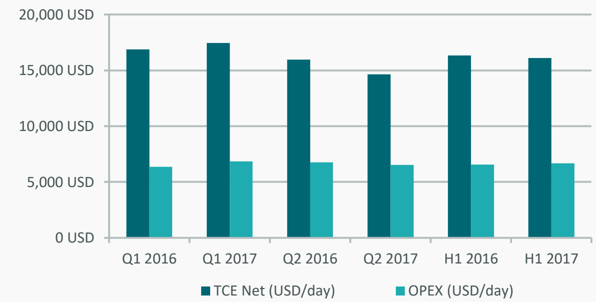
Zoilo and Dalmacija

TNG contracted vessels Zoilo and Dalmacija (Zoilo delivered on 27 July 2015 and Dalmacija delivered on 27 November 2015), both on a three year time charter with the daily rate of USD 17,750, starting from delivery dates. The charterer is Trafigura Maritime Logistics PTE. ltd. („Trafigura") which has an option to extend both time charters for an additional 12 months at USD 19,750 per day.

Operational data of the fleet

Company status report

OPERATIONAL DATA OF THE FLEET	I-III 2016	I-III 2017	IV-VI 2016	IV-VI 2017	I-VI 2016	I-VI 2017
Time Charter Equivalent rates (USD/day)	16,874	17,455	15,968	14,643	16,340	16,109
Daily vessel operating expenses (USD/day)	6,348	6,844	6,753	6,531	6,550	6,687
Operating days (number)	546	540	546	546	1,092	1,086
Revenue days (number)	546	531	525	488	1,071	1,019
Fleet utilization (%)	100.0%	98.4%	96.2%	89.4%	98.1%	93.8%



The vessel employment strategy secured a stable level of income in the midterm where three ships were employed on a three year contract, while others were employed on the spot market after their time charter contracts expired during the year.

Following the regulatory demands and the best market practice m/t Vinjerac conducted the 5-year drydock which (started in December 2016) decreased the operating days of the fleet by 9 days, but with an optimal positioning before the drydock which accomplished significant cost savings. With the completion of the drydocking for m/t Vinjerac and Velebit, the first drydocking cycle is completed, and the first forthcoming drydocking projects are expected in 2020.

Average TCE net rate for the first six months of 2017 amounted to USD 16,109 and show an increase from the same period of 2016, while the average daily vessel operating expenses (OPEX) amounted to USD 6,687.

The increase in average gross daily freight rates is a result of the transfer of m/t Vinjerac, Velebit and Pag to the spot market, but it should be noted that the voyage expenses also went up due to the fact that the port costs, fuel, pilotage and other voyage-related costs are paid by the ship owner while operating on spot.

The first six months of 2017 are characterized by the somewhat lower fleet utilization of 94%, which was moderated by the m/t Vinjerac drydocking which finished in January, and the repositioning of two vessels on the spot market in order to achieve beneficial effects to commercial efficiency which will be shown in the third quarter result.

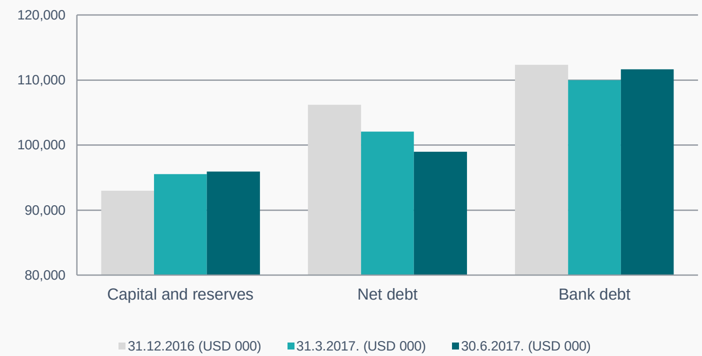
Average daily vessel operating expenses of USD 6.687 USD show an increase from the results recorded in first six months of 2016, but the level of average daily operating expenses in H1 2017 is still lower than the average daily vessel operating expenses of 6.885 USD recorded in 2016., due to the lower operating expenses for Vinjerac and Velebit which have been lowered after their drydocking.

The Ballast Water Convention of the International Maritime Organization enters into force on September 9, 2017, while at the last IMO meeting held in July, an exception was granted for a certain part of the existing fleet. After September 2017, the approved ballast water treatment system will have to be installed by the time when it is necessary to renew the International Oil Pollution Prevention (IOPP) certificate, which for TNG means that the systems will be installed on vessels following a five-year drydock cycle that should start from the end of 2019, depending on the binding deadlines and future business conditions. The ballast water treatment system actively removes, kills or deactivates reproduction systems of organisms in ballast waters before returning them to the ecosystem. Expected cost of deployment can range from USD 500,000 to USD 1 mil. per ship depending on the preparation and existing ship installations.

Financial position summary

Company status report

FINANCIAL POSITION SUMMARY	31 Dec 2016 (HRK 000)	31 Mar 2017 (HRK 000)	30 Jun 2017 (HRK 000)	31 Dec 2016 (USD 000)	31 Mar 2017 (USD 000)	30 Jun 2017 (USD 000)
Bank debt	805.162	761.876	724.492	112.319	109.973	111.628
Cash and cash equivalents	43.915	54.857	81.962	6.126	7.918	12.629
Net debt	761.247	707.019	642.530	106.193	102.055	98.999
Capital and reserves	666.502	661.851	622.503	92.976	95.535	95.914
Gearing ratio (*)	53%	52%	51%	53%	52%	51%

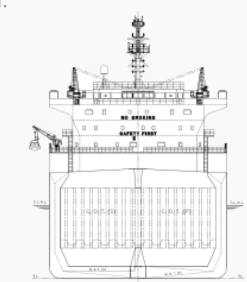


The gearing ratio by the end of the three months ending June 30th, 2017 decreased by 2 basis points to 51% in comparison to the end of 2016 when it amounted to 53% This decreasing debt trend is in accordance with the loan repayment plans of TNG and regular decrease in indebtness, and a further decrease in company's debt is expected in the future. With these funding transactions TNG has secured a strong capital base while maintaining a moderately leveraged capital structure and remaining in line with current ratios.

Securing both sufficient levels of debt and equity financing, provided stable foundations for delivering company strategy and increasing distributable cash flow, the ability to pay dividends and maximizing shareholder's value, 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, three vessels whose time charter contracts expired during the year have been transferred to the spot market. This model of employment at the current market conditions offers management enough flexibility to timely react to the positive changes in hire rates, while simultaneously requires a higher liquidity, due to the fact that the ship owner covers the voyage related expenses before payment of the hire rates, while on time charter the owner receives the hire rate upfront.

During the first six months of 2017 the Company strengthened the liquidity position, and ended the reporting period with an increased cash position which will ensure the optimal level of support to the operations on spot market, and the increased liquidity requirements in the following period.



About TNG

Interim management report

TANKERSKA NEXT GENERATION

Tankerska Next Generation Inc. (TNG) is a company incorporated in Zadar, Croatia. The Group is the owner and operator of medium range product tanker fleet and provides seaborne transportations of petroleum products and chemicals worldwide to oil majors, national oil companies and oil and chemical traders.

Vessels are managed by Tankerska plovidba Inc. under the terms of the Management agreement which has been in place since 1 January 2015. Due to Tankerska plovidba's long track record of high quality tanker management under competitive terms and due to its good reputation on the market, the Management agreement with Tankerska plovidba Inc. is expected to provide significant benefits to TNG. Under the terms of the Management agreement Tankerska plovidba Inc. provides commercial, crewing, technical, and certain administrative and corporate services in exchange for management services fees.

TNG has entered into a non-competition agreement with Tankerska plovidba Inc. which also came into force on 1 January 2015. TNG and Tankerska plovidba Inc. have agreed that neither Tankerska plovidba Inc. nor any of its affiliates (other than TNG and its affiliates) will own, lease, commercially operate or charter any MR product tanker.

TNG 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. The Company intends to realize these objectives by pursuing the following:

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

Maintain superior customer service by maintaining high standards of reliability, safety, environmental and quality
Timely procure modern used and/or re-sale tankers and/or reasonably arrange the newbuildings and timely sell vessels in line with market conditions.

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

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

Employment of the fleet in the long-term shipping contracts on time in order to maintain the predictability of revenue. However, if the market creates favourable conditions, management may decide to charter ships on spot voyages and thus further enhance the company's business and financial operations.

About TNG

Interim management report

CONTRACTS WITH TANKERSKA PLOVIDBA

As of 1 January 2015 the Management agreement and Non-Competition Agreement have commenced. More information on the scope and contents of contracts can be found in Company's Prospectus dated 8 December 2014 which is publicly available on TNG's website (www.tng.hr).

Management Agreement

Under the careful supervision of the Management Board, the Group's operations are managed by Tankerska (Fleet Manager) and the Group has entered into a long-term agreement with the Fleet Manager (Management Agreement). Pursuant to the Management Agreement, the Fleet Manager shall provide to the Group commercial, crewing, technical, and certain administrative and corporate services in exchange for management services fees. The Management Agreement shall continue until the 31 December 2020. Management Board believes that the Group will greatly benefit from the relationship with Tankerska as it is a vastly experienced and highly reputable tanker operator which can offer premium services at favourable rates.

In return for providing the services under the Management Agreement, TNGI pays the Fleet Manager fees comprised of the following key components:

Commercial management services fee. TNGI pays a fee to the Fleet Manager for commercial services it provides to the Group equal to 1.5% of the gross vessel revenues

Bunkering. All bunkering arrangements will be charged at USD 1.00 per metric ton. Any cost directly or indirectly incurred in the process of providing the bunkering services (including but not limited to agency costs, bunker samples analysis, bunker surveys, etc.) will be off-budget and charged to TNGI as contingency costs

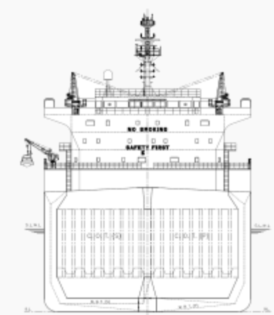
Ship management services fee. TNGI pays a fee to the Fleet Manager for the ship management services. The fee is related to Moore Stephens' publication which provides an average daily expense for each type of vessel. The fee TNGI pays to the Fleet Manager is equal to 67% of the management fee published in Moore Stephens' latest OpCost for Handysize Product Tankers and amounts to USD 468 daily for 2017 or pro-rata on daily basis for the part of a month.

S&P fee. In the event of a definitive agreement for the direct purchase, acquisition, sale or disposition of any vessels entered into by or on behalf of the Group or its affiliates or their owners, the Fleet Manager shall be entitled to a fee in the amount of 1% of the aggregate consideration

Non-Competition Agreement

According to the Non-Competition agreement between TNG Group and Tankerska Group, the parties have agreed that Tankerska plovidba nor its affiliates (other than the Company and its affiliates) shall own, lease, commercially operate or charter any MR product tanker.

The Non-Competition Agreement automatically terminates, expires and has no further force and effect on the date that Tankerska and its affiliates no longer retain direct or indirect ownership of at least an aggregate of 33% of Company's shares.



INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME

Interim management report

KEY COMMENTS:

Daily TCE net rates per operating vessel in H1 2017 of USD 16,109

Voyage related costs and commission amounted to 25% of total vessel revenues, including bunker and port expenses

Daily vessel operating expenses (OPEX) in H1 of 2017 of USD 6,687 which includes the ship management services fee in the amount of USD 468 per vessel per day

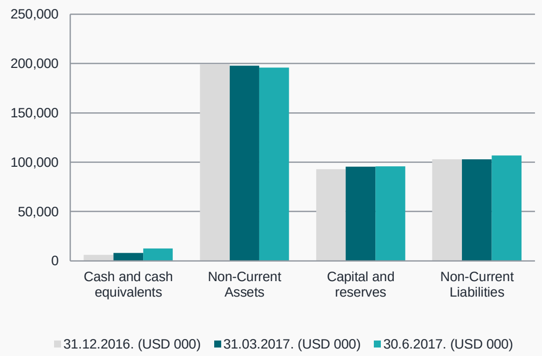
Foreign exchange gains (losses) are a result of exchanging dollar assets on the reporting date into the Croatian Kuna

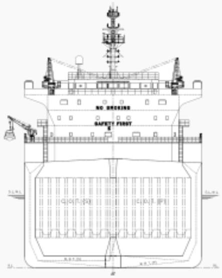
The financial statements expressed in HRK have been converted from USD amounts by applying the mid foreign exchange rate published by the Croatian National Bank and valid on the date of reporting (30 June 2017; 1 USD = 6.490225 HRK)

INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME FOR Q1 2017 unaudited	April - June 2016 (HRK 000)	January - June 2016 (HRK 000)	April - June 2017 (HRK 000)	January-June 2017 (HRK 000)	April - June 2016 (USD 000)	January-June 2016 (USD 000)	April - June 2017 (USD 000)	January-June 2017 (USD 000)
Revenues	61,624	125,359	58,328	143,149	8,871	18,458	9,813	22,056
Other revenues	609	1,066	314	1,968	88	157	64	303
Sales revenues	**62,233**	**126,425**	**58,642**	**145,117**	**8,959**	**18,615**	**9,877**	**22,359**
Commission and voyage related costs	(3,368)	(5,853)	(16,009)	(36,595)	(488)	(862)	(2,667)	(5,638)
Vessel operating expenses	(25,535)	(48,579)	(21,530)	(47,134)	(3,687)	(7,153)	(3,566)	(7,262)
General and administrative	(2,143)	(3,792)	(1,512)	(3,254)	(310)	(558)	(251)	(502)
Total operating expenses	**(31,046)**	**(58,224)**	**(39,051)**	**(86,983)**	**(4,485)**	**(8,573)**	**(6,484)**	**(13,402)**
EBITDA	**31,187**	**68,201**	**19,591**	**58,134**	**4,474**	**10,042**	**3,393**	**8,957**
Depreciation and amortization	(13,312)	(26,073)	(12,019)	(25,698)	(1,920)	(3,839)	(1,985)	(3,959)
Operating profit (EBIT)	**17,875**	**42,128**	**7,572**	**32,436**	**2,554**	**6,203**	**1,408**	**4,998**
Net interest expenses	(7,535)	(14,729)	(6,239)	(13,407)	(1,087)	(2,169)	(1,031)	(2,066)
Net foreign exchange gains (losses)	(484)	(499)	(79)	(112)	(71)	(73)	(12)	(17)
Net income	**9,856**	**26,900**	**1,254**	**18,917**	**1,396**	**3,961**	**365**	**2,915**
Other comprehensive income	13,483	(18,244)	(40,602)	(62,916)	2,086	(2,686)	(6,473)	(9,694)
Total comprehensive income	**23,339**	**8,656**	**(39,348)**	**(43,999)**	**3,484**	**1,275**	**(6,108)**	**(6,779)**
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	1,13	3,08	0,14	2,17	0,16	0,45	0,04	0,33

BALANCE SHEET

Interim management report



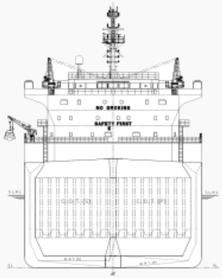


BALANCE SHEET At the date of 30 June 2017 unaudited	31 Dec 2016 (HRK 000)	31 Mar 2017 (HRK 000)	30 Jun 2017 (HRK 000)	31 Dec 2016 (USD 000)	31 Mar 2017 (USD 000)	30 Jun 2017 (USD 000)
Non-Current Assets	**1,428,140**	**1,370,903**	**1,271,427**	**199,223**	**197,884**	**195,899**
Vessels	1,428,111	1,370,876	1,271,403	199,219	197,880	195,895
Other Non-Current Assets	29	27	24	4	4	4
Current Assets	**70,160**	**75,140**	**101,693**	**9,788**	**10,846**	**15,669**
Inventory	10,806	13,853	7,787	1,507	2,000	1,200
Accounts receivable	8,558	1,952	8,101	1,194	282	1,248
Cash and cash equivalents	43,915	54,857	81,962	6,126	7,918	12,629
Other current assets	6,881	4,478	3,843	961	646	592
Total Assets	**1,498,300**	**1,446,043**	**1,373,120**	**209,011**	**208,730**	**211,568**
Shareholders Equity	**666,502**	**661,851**	**622,503**	**92,976**	**95,535**	**95,914**
Share capital	436,667	436,667	436,667	60,914	63,031	67,281
Reserves	178,260	155,946	115,344	24,867	22,510	17,772
Retained earnings	51,575	69,238	70,492	7,195	9,994	10,861
Non-Current Liabilities	**737,909**	**713,130**	**694,047**	**102,937**	**102,937**	**106,937**
Bank debt	737,909	713,130	694,047	102,937	102,937	106,937
Current Liabilities	**93,889**	**71,062**	**56,570**	**13,098**	**10,258**	**8,717**
Bank debt	67,253	48,746	30,445	9,382	7,036	4,691
Accounts payable	7,912	6,450	2,984	1,104	931	460
Other current liabilities	18,724	15,866	23,141	2,612	2,291	3,566
Total liabilities and shareholders equity	**1,498,300**	**1,446,043**	**1,373,120**	**209,011**	**208,730**	**211,568**

CASH FLOW STATEMENT

Interim management report

CASH FLOW STATEMENT FOR H1 2017 unaudited	January - December 2016 (HRK 000)	January - March 2017 (USD 000)	January - June 2017 (HRK 000)	January – December 2016 (USD 000)	January - March 2017 (USD 000)	January - June 2017 (USD 000)
Profit before tax	40,608	17,663	18,917	5,665	2,550	2,915
Depreciation and Amortisation	55,532	13,681	25,703	7,747	1,975	3,960
Changes in working capital	(18,098)	1,952	6,739	(2,525)	282	1,038
Other	1,126	(1,788)	(4,704)	157	(258)	(724)
Cash flow from operating activities	**79,168**	**31,508**	**46,655**	**11,044**	**4,549**	**7,189**
Cash inflows from investing activities	-	-	-	-	-	-
Cash outflows from investing activities	(7,924)	(4,317)	(4,124)	(1,105)	(623)	(635)
Cash flow from investing activities	**(7,924)**	**(4,317)**	**(4,124)**	**(1,105)**	**(623)**	**(635)**
Cash inflows from financing activities	210,903	-	25,961	29,420	-	4,000
Cash outflows from financing activities	(309,697)	(16,249)	(30,445)	(43,202)	(2,345)	(4,691)
Cash flow from financing activities	**(98,794)**	**(16,249)**	**(4,484)**	**(13,782)**	**(2,345)**	**(691)**
Net changes in cash	(27,550)	10,942	38,047	(3,843)	1,579	5,863
Cash and cash equivalents (beg. of period)	71,465	43,915	43,915	9,969	6,339	6,766
Cash and cash equivalents (end of period)	**43,915**	**54,857**	**81,962**	**6,126**	**7,918**	**12,629**



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 2017	***HRK 000***	***HRK 000***	***HRK 000***	***HRK 000***	***HRK 000***
Balance at 1 January 2017	**436,667**	**51,575**	**123,426**	**54,834**	**666,502**
Net profit for the period		17,663			17,663
Change in capital					-
Change in other reserves					-
Changes in other comprehensive income				(22,314)	(22,314)
Balance at 31 March 2017	**436,667**	**69,238**	**123,426**	**32,520**	**661,851**
For the period from 1 Apr to 30 Jun 2017	***HRK 000***	***HRK 000***	***HRK 000***	***HRK 000***	***HRK 000***
Balance at 1 April 2017	**436,667**	**69,238**	**123,426**	**32,520**	**661,851**
Net profit for the period		1,254			1,254
Change in capital					-
Change in other reserves					-
Changes in other comprehensive income				(40,602)	(40,602)
Balance at 30 June 2017	**436,667**	**70,492**	**123,426**	**(8,082)**	**622,503**

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 2017	***USD 000***	***USD 000***	***USD 000***	***USD 000***	***USD 000***
Balance at 1 January 2017	**68,734**	**7,761**	**19,147**	**(2,666)**	**92,976**
Net profit for the period		2,550			2,550
Change in capital					-
Change in other reserves					-
Changes in other comprehensive income				9	9
Balance at 31 March 2017	**68,734**	**10,311**	**19,147**	**(2,657)**	**95,535**
For the period from 1 Apr to 30 Jun 2017	***USD 000***	***USD 000***	***USD 000***	***USD 000***	***USD 000***
Balance at 1 April 2017	**68,734**	**10,311**	**19,147**	**(2,657)**	**95,535**
Net profit for the period		193			193
Change in capital					-
Change in other reserves					-
Changes in other comprehensive income				186	186
Balance at 30 June 2017	**68,734**	**10,504**	**19,147**	**(2,471)**	**95,914**

NET ASSET VALUE CALCULATION

Interim management report

NET ASSET VALUE CALCULATION estimate	31st March 2017 (USD 000)	30th June 2017 (USD 000)
Value of the operating fleet	177,080	176,620
Deposits / Newbuildings value	-	-
Contracted vessels profit (loss)	-	-
Total fleet value	**177,080**	**176,620**
Investments	-	-
Current assets	2,928	3,040
Total value of other assets	**2,932**	**3,044**
Cash and cash equivalents	7,918	12,629
Bank debt	(109,973)	(111,628)
Net debt	**(102,055)**	**(98,999)**
Other non-current liabilities	-	-
Current liabilities	(3,222)	(4,026)
Non-controlling interest	-	-
Total value of other liabilities	**(3,222)**	**(4,026)**
Net asset value	**74,735**	**76,639**
Weighted average number of shares outstanding, basic & diluted (thou.)	8,720,145	8,720,145
Net asset value per share (USD)	8,57	8,79

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 current realizable hire fare, which can be achieved by employing a specific type of vessel at the time of evaluation. Time charter contracts are usually fixed to a certain hire rate for the whole duration of the contract, as is the case with TNG's contracts, which prefers multiyear employment and holds three three-year contracts with hire rates above the currently achievable. The 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 shorter term.

The revenue potential of TNG is backed by three secured medium-term contracts, currently fixed at a premium compared to the market conditions, which significantly alleviated the usual volatility of hire rates which were seen during this year. Stability of operations in the first quarter of 2017 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.

In that sense, previous year was an often seen shipping cycle during which both the freight rates and vessel values recorded the correction and ended at levels below the ones recorded last year, but the timely contracting of employment gave a balanced and sustainable level of cash flow at a premium considering current market conditions. During the quarter there was a certain correction on the spot market as a result of slightly reduced level of derivatives trading on global markets. This short-term changes in the market are not supported by basic indicators and trends in the segment of product tankers, which show a significant reduction in the growth of the total product tanker fleet in the next two-year period and the stability of the supply and demand for this type of vessels.

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 market 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 2017

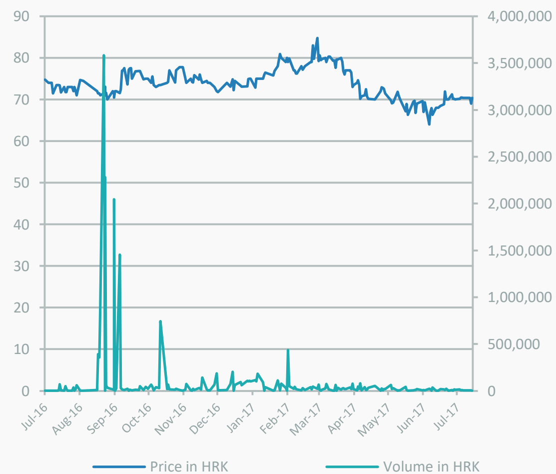
9.06.2017. Invitation to the General Assembly of the Company
26.4.2017. Decisions from the Management board and the Supervisory Board sessions
21.4.2017. Announcement of the Management and the Supervisory Board
10.4.2017. Agreed cooperation in conducting specialist trading activities
31.3.2017. Agreement for conducting specialist's activities expires
27.2.2017. Management and Supervisory Board meetings held
22.2.2017. Announcement of the Management and the Supervisory Board
25.1.2017. Disposal of shares

Shareholder	No. of shares 30 Jun 2017	Share (in %)
Tankerska Plovidba d.d.	4,454,994	51.01%
PBZ Croatia Osiguranje OMF	839,000	9.61%
Erste Plavi OMF	808,000	9.25%
Raiffeisen OMF	752,036	8.61%
Raiffeisen DMF	367,521	4.21%
Other institutional and private investors	1,511,794	17.31%
Total	8,733,345	100.00%

MANAGEMENT AND SUPERVISORY BOARD

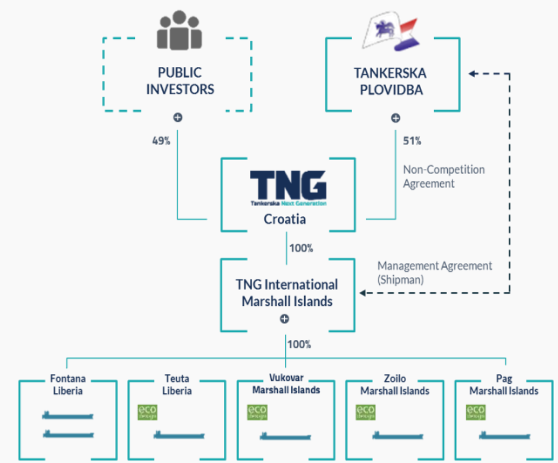
During 2017 there was no changes in the Management board or the Supervisory board. The sole member of the Management board is Mr. John Karavanić. Supervisory bord consists of Mr. Ivica Pijaca, president, Mr. Mario Pavić, deputy president, and members Mr. Joško Mitiša, Mr. Nikola Mišetić and Mr. Nikola Koščica.

TPNG-R-A STOCK



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

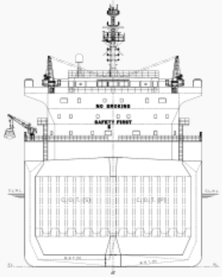
Credit risk is the risk of failure by one party to meet commitments to the financial instruments, what could cause the financial loss to the other party. Maximum exposure to credit risk is expressed in the highest value of each of the financial asset in statement of financial position. Basic financial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

Unaudited financial statements for Q2 and the first six months of 2017

Table of contents

I. Report of the Management Board on the Company's operations for the period from 1 January until 30 June, 2017

II. Unaudited condensed quarterly financial statements

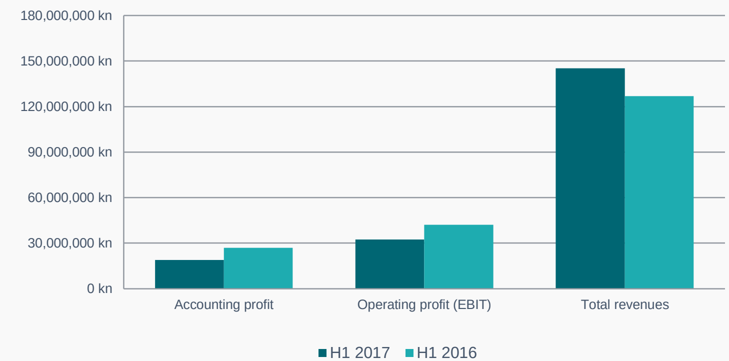
- Balance Sheet per as at 30 June, 2017
- Profit and Loss Account for the period from 1 January until 30 June, 2017
- Cash Flow Statement for the period from 1 January until 30 June, 2017
- Statement of Changes in Equity for the period from 1 January until 30 June, 2017
- Notes to the Financial Statements

III. Statement of Responsibility for the Financial Statements

Report of the management board on the company's operations

FOR THE PERIOD FROM
1 APRIL UNTIL 30 JUNE 2017

DESCRIPTION	Period 1 Jan - 30 Jun 2016	Period 1 Jan – 30 Jun 2017
Total revenues	HRK 126,874,945	HRK 145,181,539
Operating revenues / Total revenues	99%	99%
Other revenues / Total revenues	1%	1%
International market / Total revenues	99%	99%
Domestic market / Total revenues	0%	0%
Material costs / Operating expenses	27%	47%
Employee costs / Operating expenses	31%	23%
Financial expenses / Total Expenses	16%	11%
Gross margin	21.46%	13.21%
Accounting profit	HRK 26,899,927	HRK 18,916,845
Operating profit (EBIT)	HRK 42,127,842	HRK 32,436,381



During the reporting period the Company reported HRK 145,1 million of operating revenues, attributed predominantly to revenue generated from sales.

In the same period, the Company reported HRK 112.7 million of operating costs. The majority of operating expenses are the material costs HRK 52.6 million, depreciation in the amount of HRK 25.7 million (including HRK 787.7 thousand of dry dock expenses), and also other expenses in the amount of HRK 8.7 million.

In the period ending 30 June 2017 financial income amounted to HRK 58.3 thousand while financial expenses amounted to HRK 13.6 million.

The Company reported HRK 18.9 million of cumulated net profit in the reporting period.

Company's share capital, amounting to HRK 436.7 million has been divided into 8.7 million approved, issued and fully paid ordinary shares with no par value. During 2016 there were no corporate activities of acquiring treasury shares of the Company. As at 30 June, 2017 the Company had 13,200 treasury shares.

As at 30 June, 2017 the Company owned following subsidiaries abroad:

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.

Attachment 1.

Reporting period: 01/01/2017 to 30/06/2017

Quaterly financial statement of the entrepreneur TFI-POD

Tax Number (MB):	04266838
Company registration number (MBS):	110046753
Personal identification number (OIB):	30312968003
Issuing company:	TANKERSKA NEXT GENERATION D.D.
Postal code and place:	23000 ZADAR
Street and house number:	BOŽIDARA PETRANOVIĆA 4
E-mail adress:	tng@tng.hr
Internet adress:	www.tng.hr
Municipality/city code and name:	520 ZADAR
County code and name:	13 ZADARSKA COUNTY
Number of employees (year end)	137
Consolidated report:	NO
NKD code:	5020

Companies of the consolidation subject (according to IFRS):	Seat:	MB:

Bookkeeping service:	TANKERSKA PLOVIDBA d.d. BOŽIDARA PETRANOVIĆA 4, 23000 ZADAR
Contact person:	DEVOŠIĆ MARIO (input only surname and name of contact person)
Telephone:	023/202-137
Telefax:	023/250-580
E-mail adress:	tng@tng.hr
Family name and name:	KARAVANIĆ JOHN (person authorized to represent the company)

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

M.P.

(signature of the person authorized to represent the company)

BALANCE SHEET

as at 30.6.2017.

Company: 30312968003; TANKERSKA NEXT GENERATION D.D.			
Position	AOP code	Previous year (net)	Current year (net)
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED AND NON - PAID CAPITAL	**001**	0	0
B) LONG - TERM ASSETS (003+010+020+029+033)	**002**	1,428,139,813	1,271,427,246
I. INTANGIBLE ASSETS (004 to 009)	**003**	0	0
1. Assets development	**004**	0	0
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	**005**	0	0
3. Goodwill	**006**	0	0
4. Prepayments for purchase of intangible assets	**007**	0	0
5. Intangible assets in preparation	**008**	0	0
6. Other intangible assets	**009**	0	0
II. TANGIBLE ASSETS (011 to 019)	**010**	1,428,139,813	1,271,427,246
1. Land	**011**	0	0
2. Buildings	**012**	0	0
3. Plant and equipment	**013**	1,428,110,638	1,271,402,945
4. Instuments, plant inventories and transportation assets	**014**	29,175	24,301
5. Biological assets	**015**	0	0
6. Prepayments for tangible assets	**016**	0	0
7. Tangible assets in preparation	**017**	0	0
8. Other material assets	**018**	0	0
9. Investment in buildings	**019**	0	0
III. LONG-TERM FINANCIAL ASSETS (021 to 028)	**020**	0	0
1. Shares (stocks) in related parties	**021**	0	0
2. Loans given to related parties	**022**	0	0
3. Participating interests (shares)	**023**	0	0
4. Loans to entrepreneurs in whom the entity hold participating interests	**024**	0	0
5. Investment in securities	**025**	0	0
6. Loans, deposits and similar assets	**026**	0	0
7. Other long - term financial assets	**027**	0	0
8. Investments accounted by equity method	**028**	0	0
IV. RECEIVABLES (030 to 032)	**029**	0	0
1. Receivables from related parties	**030**	0	0
2. Receivables based on trade loans	**031**	0	0
3. Other receivables	**032**	0	0
V. DEFERRED TAX ASSETS	**033**	0	0
C) SHORT- TERM ASSETS (035+043+050+058)	**034**	63,278,551	97,849,622
I. INVENTORIES (036 to 042)	**035**	10,805,560	7,786,690
1. Row material	**036**	10,805,560	7,786,690
2. Work in progress	**037**	0	0
3. Finished goods	**038**	0	0
4. Merchandise	**039**	0	0
5. Prepayments for inventories	**040**	0	0
6. Long - term assets held for sale	**041**	0	0
7. Biological assets	**042**	0	0
II. RECEIVABLES (044 to 049)	**043**	8,558,419	8,100,908
1. Receivables from related parties	**044**	0	1,356,715
2. Accounts receivable	**045**	6,146,398	5,248,421
3. Receivables from participating entrepreneurs	**046**	0	0
4. Receivables from employees and shareholders	**047**	16,753	11,916
5. Receivables from government and other institutions	**048**	42,356	42,780
6. Other receivables	**049**	2,352,912	1,441,076
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	**050**	7,168,536	6,490,225
1. Shares (stocks) in related parties	**051**	0	
2. Loans given to related parties	**052**	0	
3. Participating interests (shares)	**053**	0	
4. Loans to entrepreneurs in whom the entity hold participating interests	**054**	0	
5. Investment in securities	**055**	0	
6. Loans, deposits and similar assets	**056**	7,168,536	6,490,225
7. Other financial assets	**057**	0	
IV. CASH AT BANK AND IN CASHIER	**058**	36,746,036	75,471,799
D) PREPAID EXPENSES AND ACCRUED INCOME	**059**	6,881,560	3,841,945
E) TOTAL ASSETS (001+002+034+059)	**060**	1,498,299,924	1,373,118,813
F) OFF-BALANCE SHEET NOTES	**061**	0	0

LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	**062**	666,502,232	622,503,453
I. SUBSCRIBED CAPITAL	**063**	436,667,250	436,667,250
II. CAPITAL RESERVES	**064**	68,425,976	68,425,976
III. RESERVES FROM PROFIT (066+067-068+069+070)	**065**	55,000,000	55,000,000
1. Reserves prescribed by law	**066**	0	
2. Reserves for treasury stocks	**067**	996,600	996,600
3. Treasury stocks and shares (deduction)	**068**	996,600	996,600
4. Statutory reserves	**069**	0	0
5. Other reserves	**070**	55,000,000	55,000,000
IV. REVALUATION RESERVES	**071**	54,833,836	-8,081,787
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	**072**	10,967,347	51,575,169
1. Retained earnings	**073**	10,967,347	51,575,169
2. Accumulated loss	**074**	0	0
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	**075**	40,607,823	18,916,845
1. Profit for the current year	**076**	40,607,823	18,916,845
2. Loss for the current year	**077**	0	0
VII. MINORITY INTEREST	**078**	0	0
B) PROVISIONS (080 to 082)	**079**	0	0
1. Provisions for pensions, severance pay and similar liabilities	**080**	0	0
2. Reserves for tax liabilities	**081**	0	0
3. Other reserves	**082**	0	0
C) LONG TERM LIABILITIES (084 to 092)	**083**	737,909,247	694,046,691
1. Liabilities to related parties	**084**	0	0
2. Liabilities for loans, deposits etc.	**085**	0	0
3. Liabilities to banks and other financial institutions	**086**	737,909,247	694,046,691
4. Liabilities for received prepayments	**087**	0	0
5. Accounts payable	**088**	0	0
6. Liabilities arising from debt securities	**089**	0	0
7. Liabilities to entrepreneurs in whom the entity holds participating interests	**090**	0	0
8. Other long-term liabilities	**091**	0	0
9. Deferred tax liability	**092**	0	0
D) SHORT - TERM LIABILITIES (094 to 105)	**093**	88,461,404	52,070,567
1. Liabilities to related parties	**094**	55,566	6,910,290
2. Liabilities for loans, deposits etc.	**095**	0	0
3. Liabilities to banks and other financial institutions	**096**	67,252,685	30,444,505
4. Liabilities for received prepayments	**097**	7,811,867	7,072,561
5. Accounts payable	**098**	7,911,957	2,983,366
6. Liabilities arising from debt securities	**099**	0	0
7. Liabilities to enterpreneurs in whom the entity holds participating interests	**100**	0	0
8. Liabilities to employees	**101**	5,300,988	4,523,360
9. Liabilities for taxes, contributions and similar fees	**102**	61,921	60,224
10. Liabilities to share - holders	**103**	30,909	30,909
11. Liabilities for long term assets held for sale	**104**	0	0
12. Other short - term liabilities	**105**	35,511	45,352
E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	**106**	5,427,041	4,498,102
F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)	**107**	1,498,299,924	1,373,118,813
G) OFF-BALANCE SHEET NOTES	**108**	0	0
APPENDIX TO BALANCE SHEET (only for consolidated financial statements)			
A) CAPITAL AND RESERVES			
1. Attributed to equity holders of parent company	**109**		
2. Attributed to minority interests	**110**		

Note 1.: Appendix to balance sheet is filled out only by enterpreneurs who consolidate financial reports.

PROFIT AND LOSS ACCOUNT

for period 01.01.2017. to 30.6.2017.

Company: 30312968003; TANKERSKA NEXT GENERATION D.D.

Position	AOP code	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quater
1	2	3	4	5	6
I. OPERATING REVENUES (112+113)	111	126,430,564	62,235,844	145,123,255	58,645,044
1. Sales revenues	112	125,359,181	61,624,431	143,149,024	58,327,246
2. Other operating revenues	113	1,071,383	611,413	1,974,231	317,798
II. OPERATNG EXPENSES (115+116+120+124+125+126+129+130)	114	84,302,722	44,361,375	112,686,874	51,072,330
1. Changes in the value of work in progress and finished goods	115	0	0	0	0
2. Material costs (117 to 119)	116	22,409,667	12,357,131	52,616,929	22,982,604
a) Raw material and material costs	117	5,844,793	3,324,441	20,319,051	9,802,087
b) Costs of goods sold	118	0	0	2,867,068	1,053,310
c) Other external costs	119	16,564,874	9,032,690	29,430,810	12,127,207
3. Staff costs (121 to 123)	120	26,374,054	13,820,371	25,687,749	12,121,737
a) Net salaries and wages	121	25,661,653	13,311,012	25,306,660	11,936,067
b) Costs for taxes and contributions from salaries	122	522,393	377,305	263,732	128,353
c) Contributions on gross salaries	123	190,008	132,054	117,357	57,317
4. Depreciation	124	26,075,726	13,313,001	25,703,437	12,022,072
5. Other costs	125	8,190,177	4,595,557	7,821,405	3,618,164
6. Impairment (127+128)	126	0	0	0	0
a) Impairment of long-term assets (excluding financial assets)	127	0	0	0	0
b) Impairment of short-term assets (excluding financial assets)	128	0	0	0	0
7. Provisions	129	0	0	0	0
8. Other operating expenses	130	1,253,098	275,315	857,354	327,753
III. FINANCIAL INCOME (132 to 136)	131	444,381	436,717	58,284	543
1. Interest income, foreign exchange gains, dividends and similar income from related parties	132	427,496	427,496	15,731	15,731
2. Interest income, foreign exchange gains, dividends and similar income from non-related parties	133	16,885	9,221	42,553	-15,188
3. Share in income from affiliated entrepreneurs and participating interests	134	0	0	0	0
4. Unrealized gains (income) from financial assets	135	0	0	0	0
5. Other financial income	136	0	0	0	0
IV. FINANCIAL EXPENSES (138 to 141)	137	15,672,296	8,454,798	13,577,820	6,319,299
1. Interest expenses, foreign exchange losses and similar expenses from related parties	138	0	0	0	0
2. Interest expenses, foreign exchange losses and similar expenses from non - related parties and	139	15,672,296	8,454,798	13,577,820	6,319,299
3. Unrealized losses (expenses) on financial assets	140	0	0	0	0
4. Other financial expenses	141	0	0	0	0
V. INCOME FROM INVESTMENT SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS	142	0	0	0	0
VI. LOSS FROM INVESTMENT SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS	143	0	0	0	0
VII. EXTRAORDINARY - OTHER INCOME	144	0	0	0	0
VIII. EXTRAORDINARY - OTHER EXPENSES	145	0	0	0	0
IX. TOTAL INCOME (111+131+142 + 144)	146	126,874,945	62,672,561	145,181,539	58,645,587
X. TOTAL EXPENSES (114+137+143 + 145)	147	99,975,018	52,816,173	126,264,694	57,391,629
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	26,899,927	9,856,388	18,916,845	1,253,958
1. Profit before taxation (146-147)	149	26,899,927	9,856,388	18,916,845	1,253,958
2. Loss before taxation (147-146)	150	0	0	0	0
XII. PROFIT TAX	151	0	0	0	0
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	26,899,927	9,856,388	18,916,845	1,253,958
1. Profit for the period(149-151)	153	26,899,927	9,856,388	18,916,845	1,253,958
2. Loss for the period (151-148)	154	0	0	0	0
APPENDIX TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Attributed to equity holders of parent company	155				
2. Attributed to minority interests	156				
STATEMENT OF COMPREHENSIVE INCOME (IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	26,899,927	9,856,388	18,916,845	1,253,958
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 to 165)	158	-18,243,729	13,483,570	-62,915,624	-40,601,653
1. Exchange differences on translation of foreign operations	159	-18,243,729	13,483,570	-62,915,624	-40,601,653
2. Movements in revaluation reserves of long-term tangible and intangible assets	160	0	0	0	0
3. Profit or loss from revaluation of financial assets available for sale	161	0	0	0	0
4. Gains or losses on efficient cash flow hedging	162	0	0	0	0
5. Gains or losses on efficient hedge of a net investment in foreign countries	163	0	0	0	0
6. Share in other comprehensive income / loss of associated companies	164	0	0	0	0
7. Actuarial gains / losses on defined benefit plans	165	0	0	0	0
III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166	0	0	0	0
IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)	167	-18,243,729	13,483,570	-62,915,624	-40,601,653
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	8,656,198	23,339,958	-43,998,779	-39,347,695
APPENDIX to Statement of comprehensive income (only for consolidated financial statements)					
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD					
1. Attributed to equity holders of parent company	169				
2. Attributed to minority interests	170				

CASH FLOW STATEMENT - Indirect method

period 01.01.2017. to 30.6.2017.

Company: 30312968003; TANKERSKA NEXT GENERATION D.D.

Position	AOP code	Previous period	Current Period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	001	26,899,927	18,916,845
2. Depreciation	002	26,075,726	25,703,437
3. Increase in short-term liabilities	003	0	238,368
4. Decrease in short term receivables	004	0	3,481,505
5. Decrease in inventories	005	0	3,018,870
6. Other cash flow increases	006	1,421,846	0
I. Total increase in cash flow from operating activities (001 to 006)	007	54,397,499	51,359,025
1. Decrease in short - term liabilities	008	12,850,856	0
2. Insrease in short - term receivables	009	1,434,698	0
3. Increase in inventories	010	1,670,405	0
4. Other cash flow decreases	011	1,842,186	4,704,464
II. Total decrease in cash flow from operating activities (008 to 011)	012	17,798,145	4,704,464
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	36,599,354	46,654,561
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash flow from sale of long - term tangible and intangible assets	015	0	0
2. Cash inflows from sale of equity and debt financial instruments	016	0	0
3. Interest receipts	017	0	0
4. Dividend receipts	018	0	0
5. Other cash inflows from investing activities	019	0	0
III. Total cash inflows from investing activities(015 to 019)	020	0	0
1.Cash outflows for purchase of long - term tangible and intangible assets	021	2,900,838	4,123,504
2. Cash outflows for purchase of equity and debt financial instruments	022	0	0
3. Other cash outflows from investing activities	023	0	0
IV. Total cash outflows from investing activities (021 to 023)	024	2,900,838	4,123,504
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES (020-024)	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES (024-020)	026	2,900,838	4,123,504
CASH FLOW FROM FINANCING ACTIVITIES			
1. Cash receipts from issuance of equity and debt financial instruments	027	0	0
2. Cash inflows from loans, debentures, credits and other borrowings	028	199,809,584	25,960,900
3. Other cash inflows from financing activities	029	0	0
V. Total cash inflows from financing activities (027 to 029)	030	199,809,584	25,960,900
1. Cash outflows for repayment of loans and bonds	031	228,945,722	30,444,505
2. Dividends paid	032	0	0
3. Cash outflows for finance lease	033	0	0
4. Cash outflows for purchase of own stocks	034	0	0
5. Other cash outflows from financing activities	035	0	0
VI. Total cash outflows from financing activities (031 do 035)	036	228,945,722	30,444,505
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	038	29,136,138	4,483,605
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	039	4,562,378	38,047,452
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	0	0
Cash and cash equivalents at the beginning of period	041	71,465,019	43,914,572
Increase in cash and cash equivalents	042	4,562,378	38,047,452
Decrease in cash and cash equivalents	043	0	0
Cash and cash equivalents at the end of period	044	76,027,397	81,962,024

STATEMENT OF CHANGES IN EQUITY
period 01.01.2017. to 30.6.2017.

Position	AOP code	Previous year	Current year
1	2	3	4
1. Subscribed capital	**001**	436,667,250	436,667,250
2. Capital reserves	**002**	68,425,976	68,425,976
3. Reserves from profit	**003**	55,000,000	55,000,000
4. Retained earnings or accumulated loss	**004**	10,967,347	51,575,169
5. Profit or loss for the current year	**005**	26,899,927	18,916,845
6. Revaluation of long - term tangible assets	**006**	0	0
7. Revaluation of intangible assets	**007**	0	0
8. Revaluation of financial assets available for sale	**008**	0	0
9. Other revaluation	**009**	0	0
10. Total capital and reserves (AOP 001 to 009)	**010**	597,960,500	630,585,240
11. Currency gains and losses arising from net investments in foreign operations	**011**	22,045,554	-8,081,787
12. Current and deferred taxes (part)	**012**	0	0
13. Cash flow hedging	**013**	0	0
14. Changes in accounting policies	**014**	0	0
15. Correction of significant errors in prior periods	**015**	0	0
16. Other changes in capital	**016**	0	0
17. Total increase or decrease in capital (AOP 011 to 016)	**017**	22,045,554	-8,081,787
17 a. Attributed to equity holders of parent company	**018**		
17 b. Attributed to minority interest	**019**		

Items decreasing the capital are entered with a negative number sign

Data entered under AOP marks 001 to 009 are entered as situation on the Balance Sheet date

Notes to the financial statements

Interim management report

1. General information

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

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

Supervisory board members from 1st January 2017 till the date of the issue of these reports:
Ivica Pijaca, chairman
Mario Pavić, vice chairman
Nikola Koščica, member
Joško Miliša, member
Nikola Mišetić, member

As of 30 June, 2017 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 June, 2017 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.

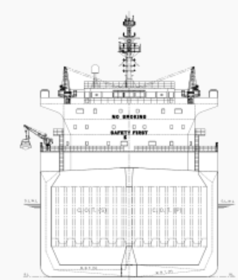
2. Principal accounting policies

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 30 June, 2017 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 31 December, 2016.

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 31 December 2016.



Notes to the financial statements

Company status report

EARNINGS PER SHARE	Period 1 Jan - 30 Jun 2016	Period 1 Jan - 30 Jun 2017
Net (loss) / profit to shareholders	HRK 26,899,927	HRK 18,916,845
Weighted average number of shares	8,720,145	8,720,145
Basic (loss) / earnings per share	HRK 3,08	HRK 2,17

TRANSACTIONS WITH THE RELATED PARTIES	Period 1 Jan - 31 Mar 2016	Period 1 Jan - 31 Mar 2017
Sales to related parties	HRK 0	HRK 0
Purchase from related parties	HRK 9,521,136	HRK 9,324,952
Receivables from related parties	HRK 15,202	HRK 1,356,715
Liabilities towards related parties	HRK 3,768,926	HRK 6,910,290
Given loans to related parties	HRK 0	HRK 0
Received loans from related parties	HRK 0	HRK 0

3. Vessels and equipment

The Company performed the planned five-year overhaul (docking) product tanker m/t "Vinjerac" in the observed period. The total value of docking expenses (including the costs of its class renewal) according to the final calculation amounts to USD 635.341.

In accordance with the adopted docking policy, the docking expenses (including expenses of its class renewal) of m/t "Vinjerac" are capitalized as part of the vessel in the business records of "Tankerska Next Generation International Ltd" and are depreciated on a straight-line basis over the five-year period until the next docking, which is expected in 2021.

The depreciation expenses for the reporting period totalling USD 25.7 million include the expenses related to the depreciation of the dry-docking during the five-year period until the next docking in the amount of 782.715 HRK (USD 120.599).

4. Earnings per Share

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

5. Transactions with the Related Parties

See table above

6. Subsequent events after Balance Sheet date

There were no subsequent events after Balance Sheet date which would significantly affect the financial statements on 30 June 2017.

Notes to the financial statements

Company status report

III. STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The financial statements for the period starting 1 January 2017 and ending 30 June 2017 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 1 January 2017, and ending on 30 June 2017, 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, 26th July 2017

John Karavanić, CEO

Important industry terms and concepts

Company status 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.

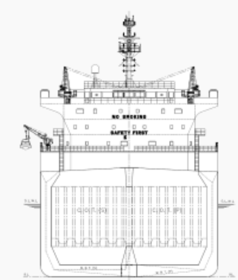
The Group's vessels may be out of service, that is, off-hire, for several reasons: scheduled drydocking, special surveys, vessel upgrade or maintenance or inspection, which are referred to as scheduled off-hire; and unscheduled repairs, maintenance, operational deficiencies, equipment breakdown, accidents/incidents,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

Company status report

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

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

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

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

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

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

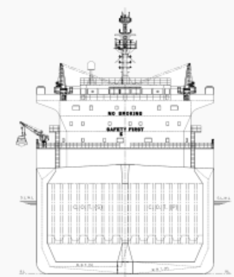
Daily vessel operating expenses. Daily vessel operating expenses is a metric used to evaluate the Group's ability to efficiently operate vessels incurring operating expenses and to limit these expenses.

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

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

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

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



Important chartering contracts

Interim management report

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

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

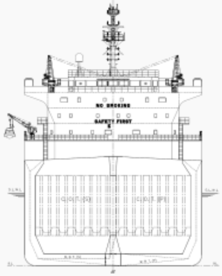
Time charter rates are usually fixed during the term of the charter. Vessels operating on time charters for a certain period of time provide more predictable cash flows over that period of time, but can yield lower profit margins than vessels operating under voyage charters in the spot market during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

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

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

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

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



Important financial and operating terms and concepts

Interim management report

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

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

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

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

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

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

Primary distinction among these types of charters and contracts

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

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

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

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

Important financial and operating terms and concepts

Interim management report

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

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

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

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

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

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

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

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

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

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

Important financial and operating terms and concepts

Interim management report

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

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

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

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

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

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

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

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

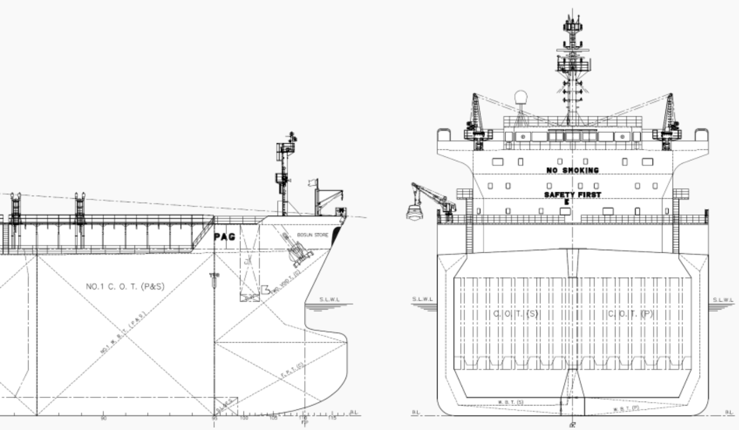
Important financial and operating terms and concepts

Interim management report

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

EXPENSE TYPE	MAIN COMPONENTS	TIME CHARTER	VOYAGE CHARTER
Capital	Capital Principal Repayment Interest	Ship-owner payments	Ship-owner payments
Operating	Crewing Repairs and Maintenance Lubricants Insurance Spares and stores Registration, communication and sundries *Management fee** - *technical management* - *crew management* - *insurance arrangements* - *accounting services*	Ship-owner payments	Ship-owner payments
Commisions	Address Brokerage	Ship-owner payments	Ship-owner payments
Commercial fee*	*Chartering and commerical management services*	Ship-owner payments	Ship-owner payments
Voyage (minor)	Draft surveys Tank cleaning Postage Other minor miscellaneous expenses	Ship-owner payments	Ship-owner payments
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	Charterer payments	Ship-owner payments

Ship-owner payments (white) Charterer payments (grey) * fees paid to the Fleet Manager, under the Management Agreements



Cautionary note regarding forward-looking statements

Interim management report

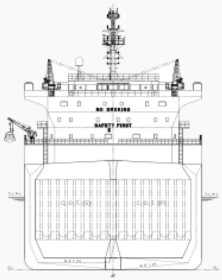
Certain statements in this document are not historical facts and are forward-looking statements. They appear in a number of places throughout this document. From time to time, the Group may make written or oral forward-looking statements in reports to shareholders and in other communications. Forward-looking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

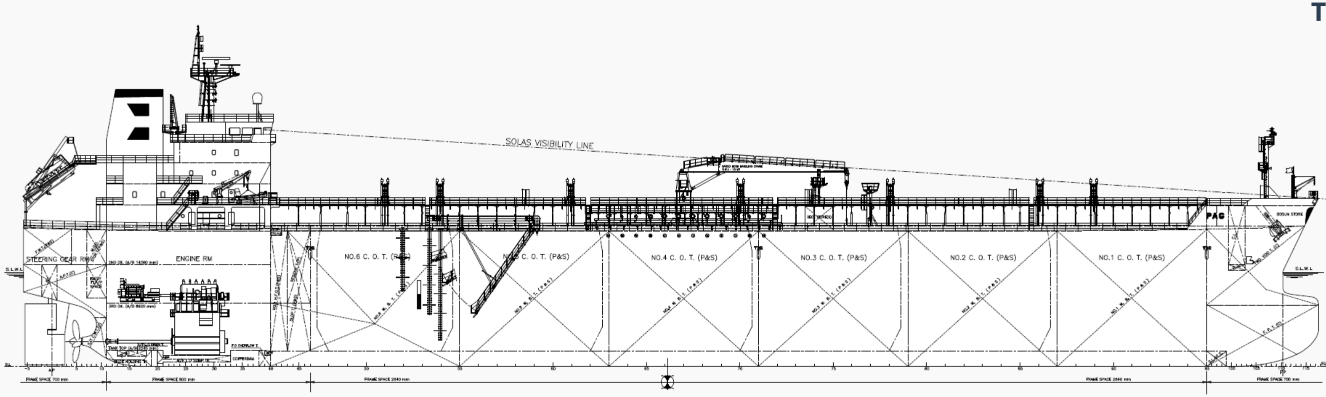
When relying on forward-looking statements, investors should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Group operates. Such forward-looking statements speak only as of the date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

Interim management report



TANKERSKA NEXT GENERATION Inc.

Božidara Petranovića 4

23 000 Zadar

Croatia

Tel: +385 23 202 135

Fax: +385 23 250 580

e-mail: tng@tng.hr

www.tng.hr