



ANNUAL REPORT 2021

Zadar, April 2022

TNG
Tankerska Next Generation

Annual financial report of TNG is also available in iXBRL format

ESMA (European Securities and Markets Authority) has adopted a new single form of electronic reporting to improve the reporting system according to the established International Financial Reporting Standards (IFRS) by adopting the ESEF regulation (European Single Electronic Format).

Tankerska Next Generation d.d. has recognized and seized the opportunity to adapt to the new regulations even before its entry into force, therefore you can find our annual financial statements (statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows) for 2020 and 2021 in iXBRL format.

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Tankerska Next Generation

Total number of vessels: 6

ECO design MR Product tankers: 4

ICE class MR Product tankers: 2

TNG's MR average age –
owned vessels **7,7 years**

MT Vukovar, built: 2015

Shipyard: Hyundai Mipo,
S. Korea

ECO design MR product tanker

Length/width: 183/32 m

Cargo capacity: 49,990 dwt

MT Pag, built: 2015

Shipyard: SPP Shipyard,
S. Korea

ECO design MR product tanker

Length/width: 183/32 m

Cargo capacity: 49,990 dwt

MT Zoilo, built: 2015

Shipyard: Hyundai Mipo,
S. Korea

ECO design MR product tanker

Length/width: 183/32 m

Cargo capacity: 49,990 dwt

MT Velebit, built: 2011

Shipyard:
3. maj, Croatia

ICE class MR product tanker

Length/width: 195/32 m

Cargo capacity: 52,554 dwt

MT Dalmacija, built: 2015

Shipyard: SPP Shipyard,
S. Korea

ECO design MR product tanker

Length/width: 183/32 m

Cargo capacity: 49,990 dwt

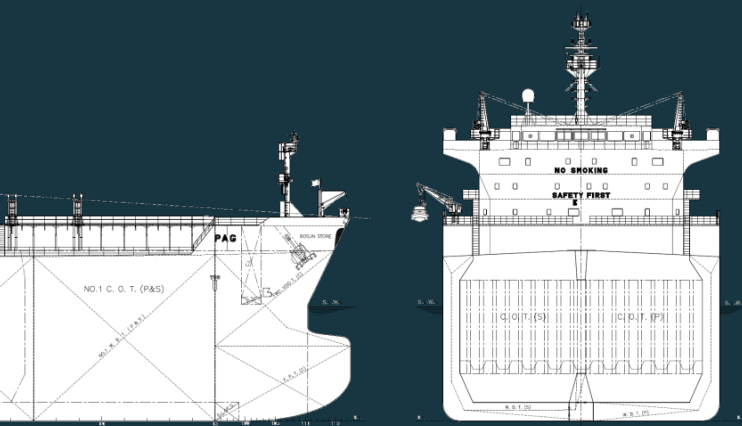
MT Vinjerac, built: 2011

Shipyard:
3. maj, Croatia

ICE class MR product tanker

Length/width: 195/32 m

Cargo capacity: 51,935 dwt



About us

Tankerska Next Generation ("TNG" or "Company") is a shipping company focused exclusively on the MR product tanker segment. The initiator of its incorporation was Tankerska Plovidba, an established Croatian shipping company with a tradition and experience of many years standing in shipping, which is providing technical, crew and commercial management to TNG.

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

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

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

Capital raising continued in Q2 2015 when the management saw a good opportunity for the acquisition of another newbuilding vessel; the major shareholders contributed another HRK 104 million (USD 16 million) in June 2015. TNG has utilized raised funds in July and acquired the contract for a newbuilding vessel – m/t Pag which was delivered in December 2015, days after delivery of m/t Dalmacija.

TNG conducts its business operations in a manner that is believed will enhance its ability to follow its strategy and maximize value to its shareholders. TNG aims to timely acquire its vessels, which ensures efficient use of the capital and minimizes the leverage.

Goal of the fleet management strategy is to increase cash flow and profitability through outsourcing most of the management functions to a fleet manager which will improve the measurability and cost competitiveness of business because it will allow TNG to keep its flexible and simple organizational structure without realizing significant additional overheads. This will enable the efficient manage-

ment of assets and liabilities of the company and ensure a stable return to the shareholders.

Key drivers for product tanker companies include among other global economic recovery and the shift in refining capacities from West to East. Namely, the current global trend is dislocating refineries, mainly from Europe and Australia to the Middle East and Asia, increasing routes the product tankers must take in order to connect supply and demand.

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 labor 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 protection, 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 try 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.

Comments from the CEO

The crude and product tanker markets do not necessarily always overlap when it comes to their performance but this time around they have both been depressed over more quarterly earnings reports than anyone in shipping cares to remember.

Contrary to 2020, which offered a remarkably uplifting freight market in H1 that dramatically declined in H2, last year witnessed crude oil and product seaborne freight markets desperately looking for a lifeline during the entire 12 months. The somewhat moderate ascend in the spot markets seen in Q4 2021 was often commented as a desperately needed light at the end of the tunnel; which never fully materialised. In fact it was very short-lived, and not driven by a structural increase in demand for oil, moreover it was geographically unevenly spread. The period from the first half of 2020, which was characterized by large stockpiling on land as well as at sea, turning tankers into temporary storage units, and therefore limiting the available capacity of tankers, which created greater uplifting pressure on freight rates, has become a thing of the past. This time the bright lights were out quicker than envisioned; dampened by rising crude oil prices which in turn boosted bunker prices making chartering deals at "last done" levels less and less attractive for shipowners eagerly trying to keep head above water in the spot markets.

As a result, the intensified cash burnout created additional tensions among tanker owners. This was bridged by liquidity lifelines in the hope for a steady stream of older tonnage being discarded in the foreseeable future giving a boost to the market recovery. Meanwhile, bracing ourselves for limited activity in terms of new newbuilding orders being placed throughout the period became a normality. A glance at the Baltic Exchange Clean Tanker Index with an average index of 530 captures the bleak picture of 2021 and offers little or no grounds to dispute any of the above within the product tanker space.

With these concerns in mind the company, as a group has, more than ever, been exceptionally focused on vessel operations targeting spot voyages with shorter ballasts and reducing charter party speeds when and where obtainable. Patiently planning optimum ship routing with the assistance of modern forecast advisories thus avoiding adverse weather wherever possible have returned positive results which are encouraging on the environmental GHG emission

level but with inconsequential hope in overturning an imbalanced freight market.

Looking back, 2020 and 2021 were indeed challenging for Tankerska Next Generation. The entire fleet had their regular five-year periodical drydocks in Chinese yards bringing all of our tankers in compliance with the International Convention for the Control and Management of Ships' Ballast Water. M/t Velebit concluded its regular five year drydock during May 2021 which included the installation of the ballast water treatment system, while the drydock and the installation of the system for m/t Vinjerac was completed during the first part of Q4 2021.

All the drydocks were concluded within budget. More specifically, the average cost of delivery and installation of BWTS and the cost of docking amounted about to USD 1.65 million per vessel. Overall, this also meant the vessels were not in service for a total of (just over) 200 days while out of about 50% occurred in 2021.

Despite difficult times, Tankerska Next Generation managed to secure and execute two long-term loan agreements in the amount of USD 44 million and USD 35.3 million.

The first loan agreement was concluded jointly with Credit Agricole Corporate and Investment bank and Hamburg Commercial bank AG. The Company utilized the funds for the early repayment of existing loan facilities maturing in 2021, which partly financed the purchase of newbuildings M/T Vukovar, M/T Zoilo and M/T Dalmacija during 2015.

The second loan agreement was sealed with our current creditor ABN AMRO Bank N.V. The Company utilized the majority of funds for the early repayment of the existing loan facility of the same creditor maturing in January 2022, which partly financed M/T Velebit, M/T Vinjerac and M/T Pag during 2015. The remaining funds will be invested in these three vessels, in order to maintain their high level of competitiveness.

By concluding this financial arrangement, the Company reaffirmed its recognized position in the international banking market and expanded cooperation with new international creditors who have placed their trust with the Company and identified us as a reliable, long-term partner.

Comments from the CEO (continued)

Tanker market conditions remained poor over 2021 further deflating the company's healthy financial results accumulated in Q1 and Q2 of 2020. The fleet's ECO vessels carrying amounts were reduced by about 5.5% of the estimated market value since the book value by the Management's estimates exceeded the corresponding estimated market value. Therefore, the Company recorded other revenue based on the elimination of part of the loss from the impairment of vessels in the amount of 1.0 million USD (HRK 6.3 million) while the adjustment of the value of vessels resulted in impairment loss in the amount of USD 9.9 million (HRK 65.5 million) presented as an expense in the income statement.

A heated debating topic in 2021 was United Nations Climate Change Conference (more commonly referred to as COP26) was where world leaders were expected to make enhanced commitments towards mitigating climate change. Progress was made in terms of government pledges and targets however, owing to late interventions from India and China, which weakened a move to end coal power and fossil fuel subsidies, the conference ended with the adoption of a less stringent resolution than some anticipated. Nevertheless, the pact was the first climate deal to explicitly commit to reducing the use of coal which in turn could become a potential mid-term driver for the tanker industry if coal was to be substituted by oil.

Persistent underinvestment in upstream facilities and western refineries for more than several years and the pressure on oil majors and gas companies to curb emissions will likely lead to peak global oil production earlier than previously expected, analysts say.

This would be a perfect scenario for green energy advocates, net-zero agendas, and the planet if it weren't for one simple fact on the opposite end of the equation: oil demand is rebounding from the pandemic-driven slump and we might set a new annual oil demand record as early as the end of the year.

The energy transition and the various government plans for net-zero emissions have prompted analysts to forecast that peak oil demand would occur earlier than expected just a few years ago. However, as current investment trends in oil and gas stand, global oil supply could peak sooner than global oil demand, opening a supply gap that would lead to

increased instability in the oil market, with spikes in prices, and, potentially, structurally higher oil prices by the middle of this decade.

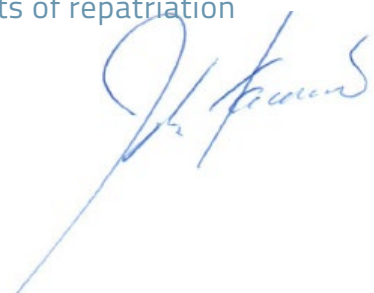
Beyond doubt, geopolitical tensions on top of a growing disparity between supply and demand will drive up prices.

We need to find a sustainable balance that looks a little brighter, where the recent jump in crude oil prices could be amortized by easing tensions between Russia and Ukraine and the reviving of Iran's nuclear deal, which could potentially support the recovery of subdued tanker markets.

With the peak of the pandemic now looking to be slow in retreat across most of the globe and the concerns and threats of COVID-19 becoming manageable to a more significant degree, the expectations are running high for the summer period in the northern hemisphere, bringing us a chance to see the summer solstice once again.

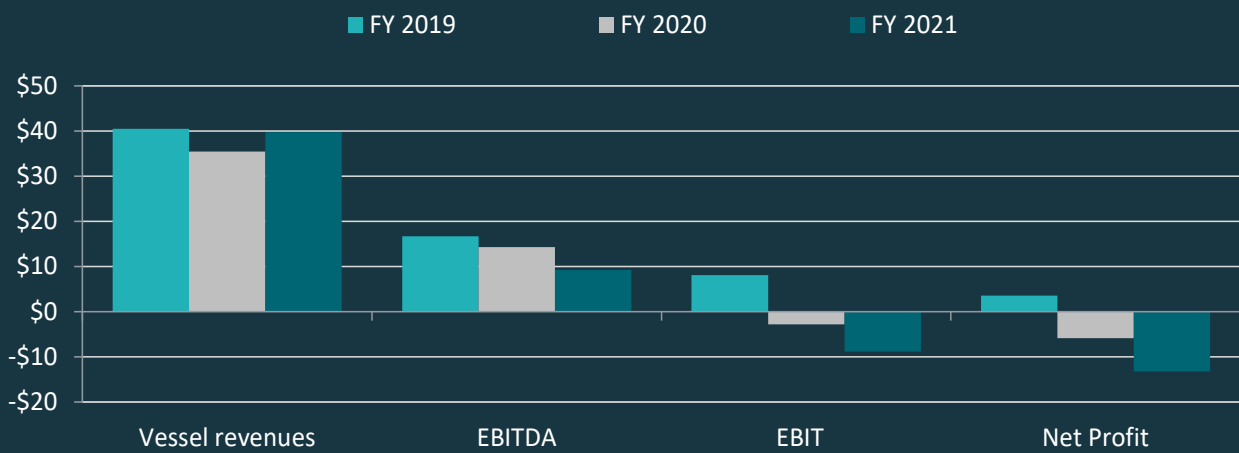
The net loss of Tankerska Next Generation in 2021 was HRK 87.0 million (USD 13.2m) as a result of:

- The fact global economies were still struggling to emerge from lockdown
- Miserable tanker freight markets
- A USD 9 million impairment due to strong market depreciation of vessel's values
- A total of almost 100 days spent in drydock
- Low time charter coverage
- Self-financing of ballast water management systems
- Soaring costs of repatriation

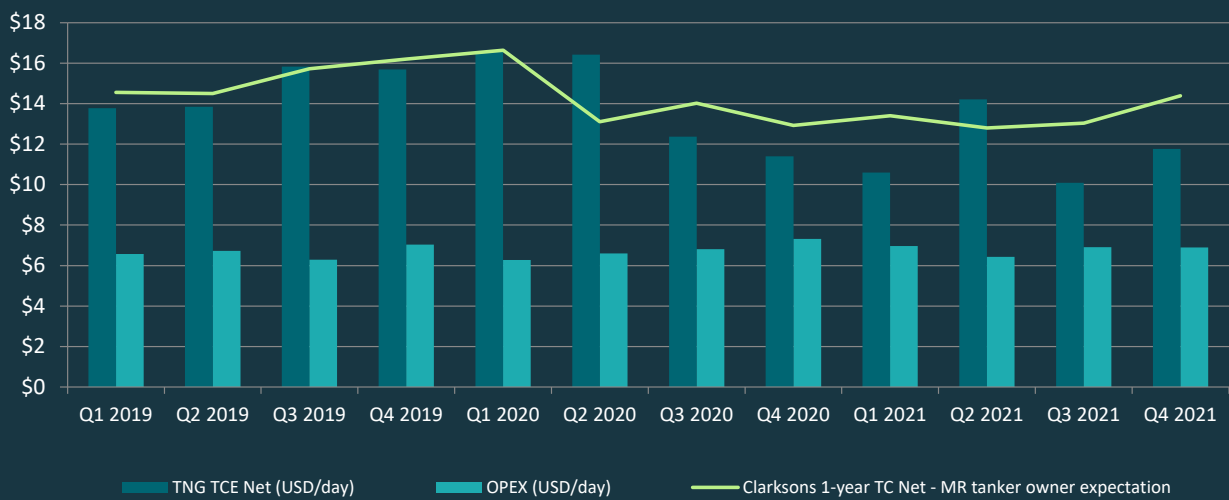


Company Results

Summary of financial results for the past 3 years (u mil. USD)

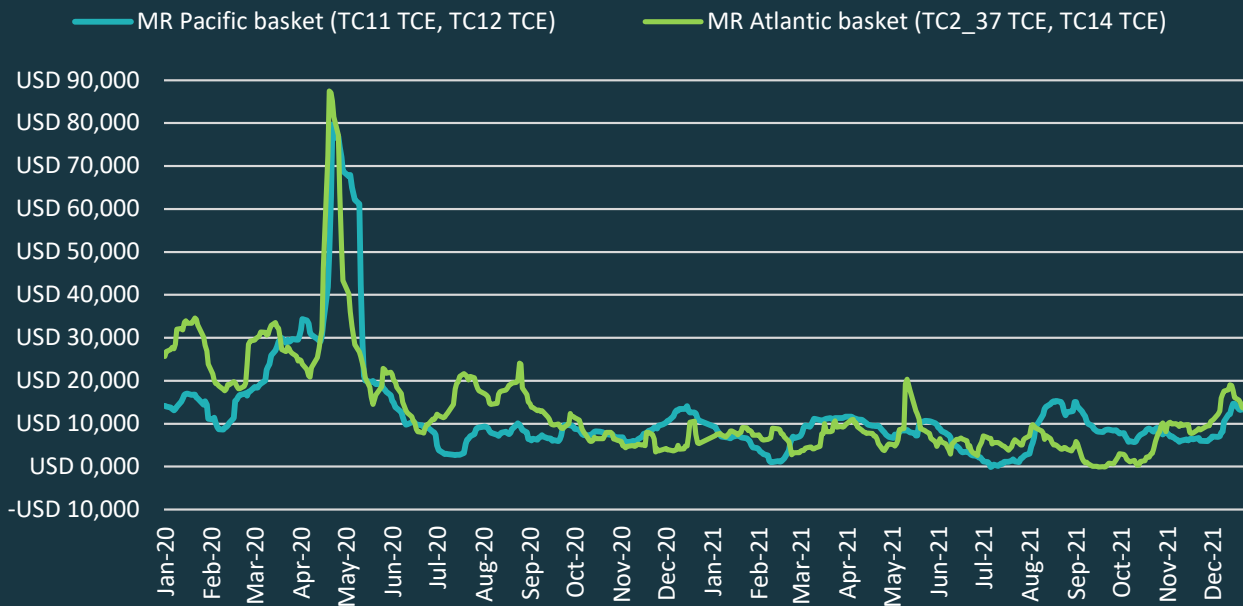


Summary of commercial results for the past 3 years (in 000 USD)



Commercial environment

MR Pacific vs. MR Atlantic basket (USD) - Baltic exchange (Apr '22)



Baltic Clean Tanker Index (index points) - Baltic exchange (Apr '22)



Contrary to 2020, which offered a remarkably uplifting freight market in H1 that dramatically declined in H2, last year witnessed crude oil and product seaborne freight markets desperately looking for a lifeline during the entire 12 months.

Market environment

2021 was loaded, in fact overloaded with global events. Most of them were overshadowed by COVID-19 and the race for its antidote. This time last year the jury was out on whether the durability of the vaccine-induced immune response and whether vaccination prevents transmission of the virus. This would of course prove to be a vital factor in determining how quick the world would be able to return to pre 2019 normality.

- The universal topics for the global economy in 2021, with corresponding consequences on the shipping sectors, which will clearly continue to be in the focus through 2022;
- COVID-19; which will continue to be a headwind but has gradually been built in the economies as a manageable impediment. This is providing we do not identify new potent mutated infectious variants.
- Supply chain bottlenecks; which drive inflation should eventually subside.
- Interest / FED rates; also interrelated with inflation risks, are anticipated to be hiked three times during the course of 2022.

Geopolitical tensions and a growing disparity between supply and demand; have driven up prices. It is undeniable that the China, Russia and the United States are involved in a new era of great-power competition on a new level.

Although in January last year the number of confirmed COVID-19 cases exceeded 100 million worldwide, experts predicted a tamed pandemic would unleash a new era of global growth. But 2021 had other ideas: supply chains became disrupted, inflation spiked across the world, and gross domestic product (GDP) growth failed forecasts. Then came Omicron, the latest COVID-19 variant imposing a new series of restrictions. In late November the World Health Organization convened an emergency meeting in Geneva amid concerns over Omicron, a highly mutated variant of COVID-19 first identified in South Africa that, at the time, appeared to be more infectious than Delta.

In the pandemic turmoil of 2021, food prices have also reached new highs according to the Food and Agriculture Organization of the U.N. The FAO Food Price Index (FFPI). A measure of the monthly change in international prices of a basket of food commodities, food prices have skyrocketed globally because of disruptions in the global supply chain, adverse weather and rising energy prices. The IMF's data shows that average food inflation across the world reached 6.85 percent on an annualized basis in December, the highest level since their series started in 2014.

A former chief economist at the International Monetary Fund sees the world approaching a global food crisis, and that slower growth, high unemployment and stressed budgets from governments that have spent heavily to combat the pandemic had created "a perfect storm of adverse circumstances."

Even before the pandemic, global food prices had been trending upward as disease wiped out much of China's pig herd and the U.S. - China trade war resulted in Chinese tariffs on American agricultural goods. During the pandemic i.e. in March 2021, the Ever Given, one of the largest container ships in the world, demonstrated how fragile and dependent the world economy was on shipping when it ran aground and obstructed the Suez Canal, disrupting global trade.

Two years later, global demand for food remains strong, but higher fuel prices and shipping costs, along with other supply chain bottlenecks like a shortage of truck drivers and shipping containers, continue to push up prices, according to an economist at the International Monetary Fund.

After rebounding to an estimated 5.5 percent in 2021, global growth is expected to decelerate markedly in 2022—to 4.1 percent, reflecting continued COVID-19 flare-ups, diminished fiscal support, and lingering supply bottlenecks.

The World Bank, Feb 2022

Wikipedia, Feb 2022

New York Times, Feb 2022

UN, Feb 2022

World MR fleet

The product tanker fleet grew by 1,33% in 2021 which shows slowing down from 2020 and 2019 growth which amounted 3,3% and 3,6% respectively, which presents a potential long-term positive impact on the product tanker market.

During 2021, a total of 59 MR tankers were sent to scrap which is more than was scrapped during the last two years altogether (in 2020 a total of 19 tankers were scrapped, while in 2019 a total of 27 tankers were scrapped).

Up to 31st December 2021, 94 deliveries were reported. The total orderbook stands at 175 tankers, out of which 111 tankers are expected to be delivered in 2022

World MR fleet on 31st Dec 2021

2,662 tankers in service

Total dwt capacity: 117,340,470 dwt

238 tankers over 20 years

8.94% of the fleet

175 tankers on order

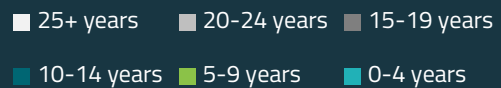
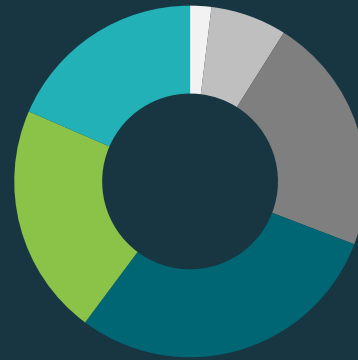
6.57% of the fleet

121 planned deliveries in 2021

4.65% of the fleet

World MR fleet age profile

31st December 2021

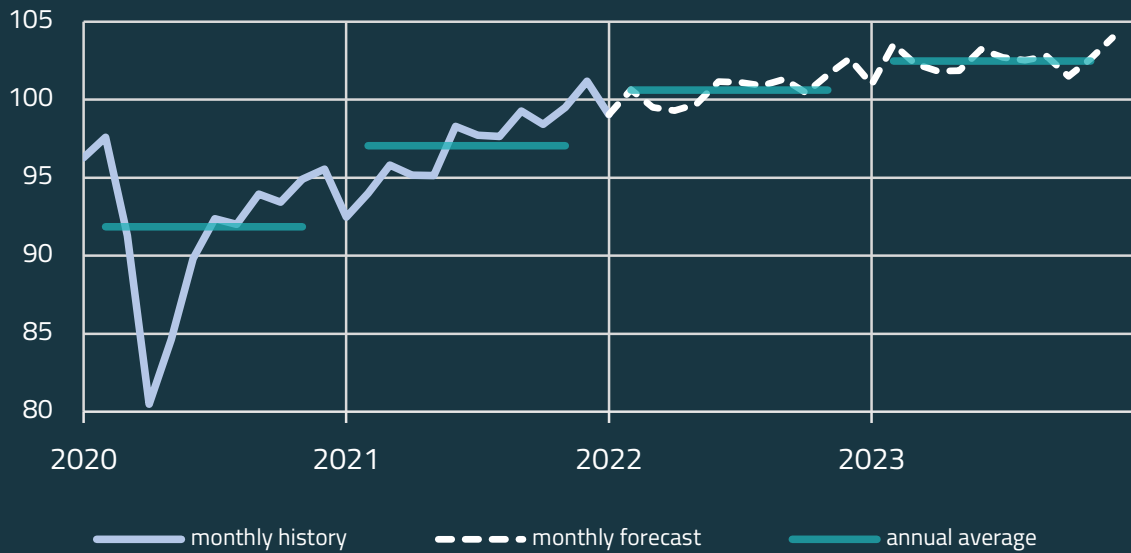


Scrapping as a % of total fleet

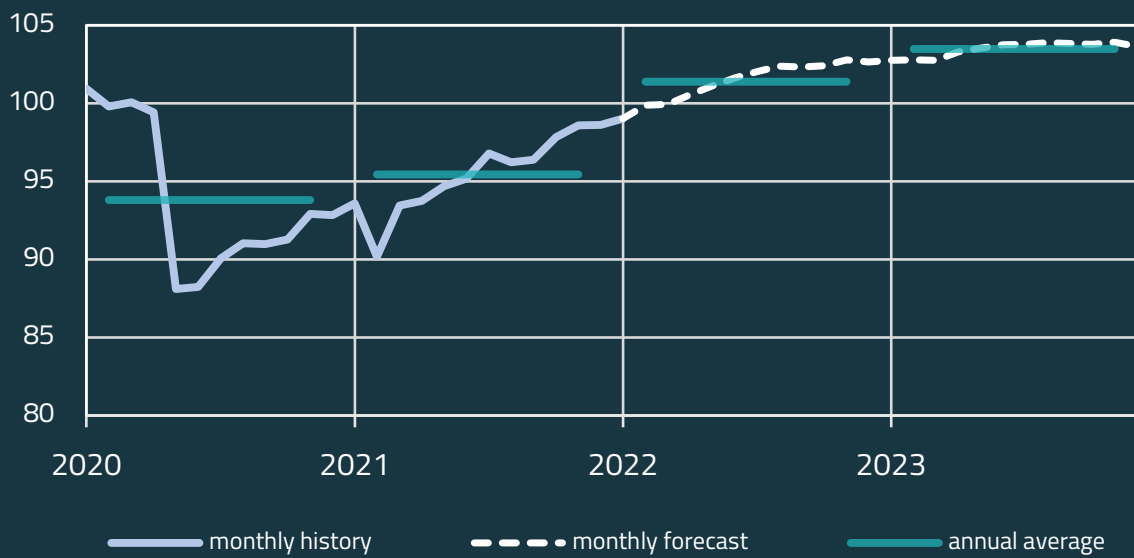


MARKET ENVIRONMENT

Global crude oil and liquid fuels consumption
(million barrels per day)



Global crude oil and liquid fuels production
(million barrels per day)



Share TPNG-R-A

Share capital: **436,667,250 kn**

Issued shares: **8,733,345**

Treasury shares **28,319 (31.12.2021.)**

Total turnover in 2021: **25.518 mil. kn**

Total volume in 2021.: **599,258 dionica**

Total trading days: **230 dana**

Highest price in 2021.: **49,80 kn**

Lowest price in 2021.: **37,20 kn**

Average price in 2021.: **42,30 kn**

Market Capitalization on 31st Dec 2021:

369.1 million kn @ 42,40 kn

Share price in HRK and turnover in 000 HRK during 2021:

Shareholder structure
31st Decemeber 2021

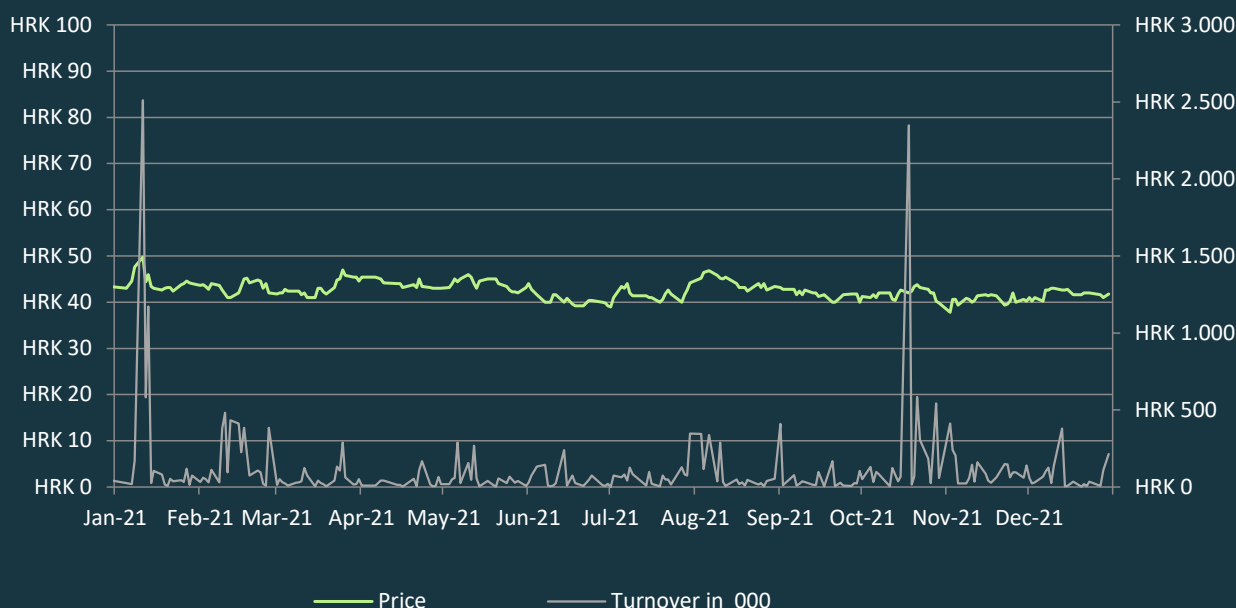


■ Tankerska Plovidba d.d.
■ Pension funds
■ Other institutional and private investors

Top shareholders
31 Dec 2021

No.shares %

Tankerska plovidba d.d.	4,454,994	51.01
PBZ Croatia Osiguranje OMF	839,000	9.61
Erste Plavi OMF	808,000	9.25
Raiffeisen OMF	752,036	8.61
Raiffeisen DMF	372,103	4.26
Croatia Osiguranje d.d	261,065	2.99
Treasury shares	28,319	0.32
Others	1,221,410	14.00
Total	8,733,345	100.00



Market environment (continued)

The monthly unemployment rate in the OECD area fell for the eighth consecutive month to 5.4% in December 2021, down from 5.5% in November, bringing it to just 0.1 percentage point above the pre-pandemic rate recorded in February 2020. The number of unemployed workers across the OECD area also continued to fall (by 0.7 million) reaching 36.1 million, still 0.5 million above the pre-pandemic level. In December (or the latest period available), the unemployment rate was below the pre-pandemic level in Australia, Chile, France, Iceland, Italy, Lithuania, Luxembourg, the Netherlands, New Zealand, Portugal, Spain and Turkey (OECD).

Although output and investment in advanced economies is projected to return to pre-pandemic trends by next year, they will remain below in emerging market and developing economies, due to lower vaccination rates, tighter fiscal and monetary policies, and more persistent damage from the pandemic.

US Economy

In 2021 the US was off to a cracking start, to put it mildly. On January 6th supporters of outgoing President Donald Trump attacked the United States Capitol, disrupting certification of the 2020 presidential election, and forcing Congress to evacuate.

U.S. crude inventories have shed some 80 million barrels since the start of 2021 and about 22 million barrels since the start of 2020. Global crude stockpiles are also low.

U.S. consumer prices soared last year by the most in nearly four decades, draining the purchasing power of American families and setting the stage for the Federal Reserve to begin hiking interest rates as soon as March.

The consumer price index climbed 7% in 2021, the largest 12-month gain since June 1982, according to Labor Department data.

The impact of food price inflation has been less severe in the United States, where food accounts for less than one-seventh of household spending on average, and inflation has become broad-based, spilling into energy, used cars, services and rents as price increases reach a 40-year high.

Yet American food prices have still risen sharply, putting a burden on the poorest households who spend more of their overall budget on food.

China

China's economy is projected to slow in 2022. After a strong rebound in the first half of 2021, economic activity in China cooled rapidly in the second half of last year. Real GDP growth is projected to reach 8.0 percent this year, before moderating to 5.1 percent in 2022.

Downside risks to China's economic outlook have increased. A severe and prolonged downturn in the highly leveraged property sector poses another downside risk which could have significant economy-wide impacts. Financial contagion is roaring back in China's property sector, putting renewed pressure on Xi Jinping's government.

Three particular challenges stand out: first, rebalancing from external to domestic demand and from investment and industry-led growth to greater reliance on consumption and services, second shifting from the significant weight placed on state leadership and regulation to a greater role for markets and the private sector, and third transitioning from a high to a low-carbon economy.

EIA (US Energy Information Administration), Feb 2021.

BIMCO, OPEC, Feb 2021

S&P Global Platts, Jan 2021

Market environment (continued)

Oil prices are at their highest level since 2014

Western oil companies, partly under pressure from investors and environmental activists, are drilling fewer wells than they did before the pandemic to restrain the increase in supply. Industry executives say they are trying not to make the same mistake they made in the past when they pumped too much oil when prices were high, leading to a collapse in prices. Elsewhere, in countries like Ecuador, Kazakhstan and Libya, natural disasters and political turbulence have curbed output in recent months. On the demand side, much of the world is learning to cope with the pandemic and people are eager to shop and travel. Wary of coming in contact with an infectious virus, many are choosing to drive rather than taking public transportation. But the most immediate and critical factor is geopolitical.

In April last year, Russia warned NATO against sending any troops to aid Ukraine, amid reports of a large Russian military build-up on its borders. A potential Russian invasion of Ukraine still has "the oil market on edge". "In a tight market, any significant disruptions could send prices well above \$100 per barrel. On the supply side it is worth noting Russia produces 10 million barrels of oil a day, or roughly one of every 10 barrels used around the world on any given day.

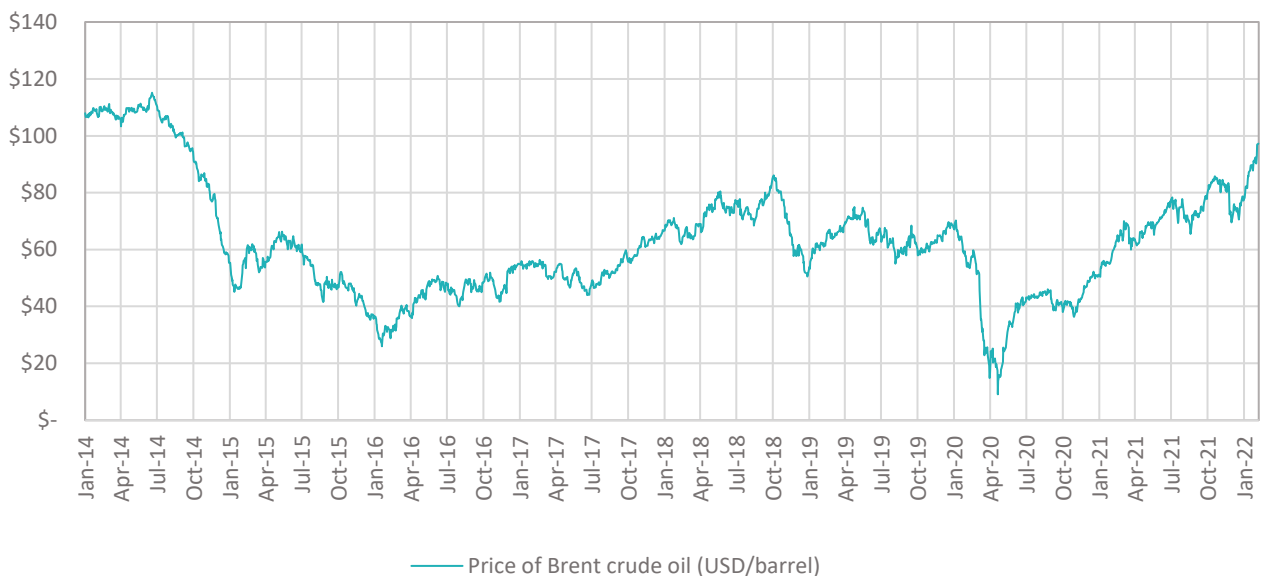
What would it take for oil prices to fall?

Oil prices go up and down in cycles, and there are several reasons prices could fall in the next few months. The pandemic is far from over, and China has shut down several cities to stop the spread of the virus, slowing its economy and demand for energy. Russia and the West could reach an agreement that prevents a Ukraine invasion.

And the United States and its allies could restore a 2015 nuclear agreement with Iran that former President Donald J. Trump abandoned. Such a deal would allow Iran to sell oil much more easily than now. Analysts think the country could export a million or more barrels daily if the nuclear deal is revived. Ultimately, high prices could depress demand for oil enough that prices begin to come down.

EIA (US Energy Information Administration), Feb 2021

BIMCO, Feb 2021



Results for the year 2021

In 2021, vessel's revenues reached HRK 253.9 million (USD 39.8m), which represents an increase from the level achieved in 2020 when the vessel revenues amounted to HRK 237.0m (USD 35.4m).

Commissions and voyage associated costs amounted to HRK 97.4m (USD 15.2m) in 2021, while in 2020 they added up to HRK 38.1m (USD 5.8m) which was significantly lower. This ascend in expenses can be attributed to higher exposure to the spot market during 2021 compared to the year before when most of the vessels were employed on time charter.

Higher exposure to spot market results in achieving a nominally higher revenue, but at the same time has increased voyage-related costs due to the fact that the ship owner covers the voyage related expenses like bunkers, port expenses, agency fees etc. while operating on spot market.

Selected financials	2021 (‘000 USD)	2021 (‘000 HRK)	2020 (‘000 USD)	2020 (‘000 HRK)
Vessel revenues	39,775	253,870	35,445	236,956
EBITDA	9,254	59,173	14,259	97,165
EBIT	(8,880)	(59,064)	(2,839)	(11,317)
Net profit	(13,208)	(86,989)	(5,907)	(31,683)

Operating expenditures of the fleet in 2021 amounted to HRK 95.9m (USD 15.1m), while general and administrative expenses were recorded at HRK 6.2m (USD 1.0m), both of these categories of expenses were held at the similar level as in the same period of 2020.

Profit before interest, taxes, depreciation and amortization (EBITDA) in 2021 amounts to HRK 59.2m (USD 9.3m), while in 2020 it amounted to HRK 97.3m (USD 14.3m).

Depreciation costs in 2021 amounts to HRK 52.8m (USD 8.3m). All the vessels in operation are depreciated over an estimated useful life span of 25 years on a linear basis to their residual value, which represents their scrap value on the international market.

An annual impairment test was performed on 31 December 2021 and it has been determined that the carrying amount of three vessels exceeds the recoverable amount of the asset. The impairment loss was determined using the discounted cash flow method of "VesselsValue Ltd.", London, and a decision was made to adjust the value of assets in the total amount of HRK 65.5 milion (USD 9.9m)

Simultaneously, the Company recorded other revenue based on the revocation of part of the loss from the impairment of two vessels in the amount of 6.3 mil. HRK (USD 1.0 m).

During 2021 the Company recorded a net loss which amounted to HRK 86.9m (USD 13.2m). The average daily TCE of the fleet during 2021 was recorded at USD 11,763.

Results for the year 2021

Financial position	31.12.2021 (‘000 USD)	31.12.2021 (‘000 HRK)	31.12.2020 (‘000 USD)	31.12.2020 (‘000 HRK)
Bank debt	80,737	536,385	76,792	471,431
Cash and cash equivalents	8,334	55,905	5,669	34,804
Net debt	72,393	480,952	71,123	436,627
Capital and reserves	82,530	548,289	94,233	578,496
Gearing ratio Net debt/(capital and reserves + Net debt)	47%	47%	43%	43%

Tankerska Next Generation concluded 2021 with the gearing ratio of 47%. The gearing ratio is in line with the Company’s business strategy. In accordance with the repayment plans, we expect that the level of indebtedness will continuously decrease in the future with regular loan repayments.

During the first quarter of 2021, a long-term loan agreement was signed in the total amount of USD 35.3 million. The loan was concluded with the current creditor ABN AMRO Bank N.V. for a period of 5 years, and was used for early repayment of the existing loan maturing in January 2022, which partly financed m/t Velebit, m/t Vinjerac, and the acquisition of newbuilding m/t Pag in 2015.

Following its strategy of maintaining financial stability and liquidity, by concluding this financial arrangement, and in addition to the one previously finalized in Q4/2020, the Company fully implemented the plan to refinance its credit liabilities maturing in 2021 and 2022 and has now secured competitive refinancing for the whole fleet for the upcoming five-year period.

During the fourth quarter, the Company secured an additional revolving loan of a parent company in the amount of USD 3.0 million for the purpose of financing working capital. At the reporting date, USD 9 million was in use out of the total of USD 9 million of a parent company’s revolving loans received.

Expenses summary	2021 (‘000 USD)	2021 (‘000 HRK)	2020 (‘000 USD)	2020 (‘000 HRK)
Commission and voyage related costs	(15,161)	(97,443)	(5,838)	(38,132)
Vessel operating expenses	(15,398)	(97,761)	(15,045)	(99,486)
General and administrative	(999)	(6,352)	(946)	(6,290)
Total operating expenses (without amortization)	(31,558)	(201,556)	(21,829)	(143,908)

Results for the year 2021

Income statement and statement of other comprehensive income for period from Dec 31st 2020 to Dec 31st 2021

Audited	2021. ('000 USD)	2021. ('000 HRK)	2020. ('000 USD)	2020. ('000 HRK)
Vessel revenues	39,775	253,870	35,445	236,956
Total revenues	40,812	260,729	36,088	241,073
Commission and voyage related costs	(15,161)	(97,443)	(5,838)	(38,132)
Vessel operating expenses	(15,398)	(97,761)	(15,045)	(99,486)
General and administrative	(999)	(6,352)	(946)	(6,290)
Total operating expenses	(31,559)	(201,556)	(21,829)	(143,908)
EBITDA (Earnings before interest, taxes, depreciation, and amortization)	9,254	59,173	14,259	97,165
Depreciation and amortization	(8,280)	(52,771)	(8,029)	(52,806)
Impairment	(9,854)	(65,466)	(9,069)	(55,676)
EBIT (Earnings before interest and taxes)	(8,880)	(59,064)	(2,839)	(11,317)
Financial gains	970	6,389	37	307
Financial expenses	(5,298)	(34,314)	(3,105)	(20,673)
NET INCOME	(13,208)	(86,989)	(5,907)	(31,683)
Net foreign exchange gains (losses)	1,515	56,845	189	(54,474)
Other comprehensive income	(11,693)	(30,144)	(5,718)	(86,157)
Weighted average number of shares outstanding basic & diluted (thou.)	8,720,145	8,720,145	8,720,145	8,720,145
Net income (loss) per share, basic & diluted	(1.51)	(9.98)	(0.68)	(3.63)

Balance sheet at the date of December 31st 2021

Audited	31.12.2021. ('000 USD)	31.12.2021. ('000 HRK)	31.12.2020. ('000 USD)	31.12.2020. ('000 HRK)
NON-CURRENT ASSETS	150,845	1,002,146	163,290	1,002,441
Vessels and equipment	150,845	1,002,146	163,290	1,002,441
Financial assets	-	-	-	-
CURRENT ASSETS	18,872	125,380	13,340	81,896
Inventory	2,108	14,004	1,469	9,023
Accounts receivable	7,662	50,905	5,572	34,204
Prepaid expenses and accrued income	758	5,038	630	3,865
Cash and cash equivalents	8,344	55,433	5,669	34,804
TOTAL ASSETS	169,717	1,127,526	176,630	1,084,337
Shareholders' equity and reserves	82,530	548,289	94,233	578,496
Share capital	68,988	436,667	68,988	436,667
Share premium	10,179	68,426	10,179	68,426
Reserves	9,252	60,118	9,252	60,118
Exchange differences	(2,419)	13,365	(3,934)	(43,480)
Retained earnings	9,738	56,702	15,655	88,448
NON-CURRENT LIABILITIES	70,699	469,695	64,473	395,803
Interest bearing loans and liabilities	70,699	469,695	64,473	395,803
CURRENT LIABILITIES	16,488	109,542	17,924	110,038
Interest bearing loans and liabilities	10,038	66,690	12,319	75,628
Accounts payable	4,815	31,987	3,780	23,205
Accrued expenses and deferred income	1,635	10,865	1,825	11,205
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	169,717	1,127,526	176,630	1,084,337

Results for the year 2021

Cash flow statement for period from Dec 31st 2020 to Dec 31st 2021

Audited	2021 ('000 USD)	2021 ('000 HRK)	2020 ('000 USD)	2020 ('000 HRK)
Profit before tax	(13,208)	(86,989)	(5,907)	(31,683)
Depreciation and amortization	8,280	52,771	8,029	52,806
Impairment	9,854	65,466	9,069	55,676
Reverse impairment	(955)	(6,342)	-	-
Changes in working capital	(203)	(1,452)	(3,177)	(24,055)
Cash flow from operating activities	3,767	23,454	8,015	52,744
Cash inflows from investing activities	-	-	-	-
Cash outflows from investing activities	(5,026)	(33,669)	(5,092)	(33,115)
Cash flow from investing activities	(5,026)	(31,669)	(5,092)	(33,115)
Cash flow from financing activities	87,392	551,573	2,000	12,319
Cash outflows from financing activities	(83,446)	(526,486)	(9,382)	(62,608)
Cash flow from financing activities	3,936	25,023	(7,468)	(50,870)
Net increase in cash	2,677	16,808	(4,545)	(31,241)
Cash and cash equivalents (beginning of period)	5,669	34,804	10,182	67,712
Effects of exchange rate changes on the balance of cash	(2)	3,821	32	(1,667)
CASH AND CASH EQUIVALENTS (END OF PERIOD)	8,344	55,433	5,669	34,804

Statement of changes in equity for period from Dec 31st 2020 to Dec 31st 2021

Statement of changes in equity for the year ended 31 Dec 2021	Paid-in Capital	Retained Earnings Account	Foreign exchange translation reserves	Other reserves	Share premium	Purchase of treasury shares	Total
	('000 USD)	('000 USD)	('000 USD)	('000 USD)	('000 USD)	('000 USD)	('000 USD)
Balance at 31 December 2020	68,988	9,748	(3,934)	9,481	10,179	(229)	94,233
Profit for the period	-	(13,208)	-	-	-	-	(13,208)
Exchange difference on foreign operations	-	-	1,515	-	-	-	1,515
Total comprehensive income	-	(13,208)	1,515	-	-	-	(11,693)
Transferred to reserves in yearly schedule	-	-	-	-	-	-	-
Purchase of own shares	-	(10)	-	10	-	(10)	(10)
Declared dividend	-	-	-	-	-	-	-
Balance at 31 December 2021	68,988	(3,470)	(2,419)	9,491	10,179	(239)	82,530

Statement of changes in equity for the year ended 31 Dec 2021	Paid-in Capital	Retained Earnings Account	Foreign exchange translation reserves	Other reserves	Share premium	Purchase of treasury shares	Total
	('000 HRK)	('000 HRK)	('000 HRK)	('000 HRK)	('000 HRK)	('000 HRK)	('000 HRK)
Balance at 31 December 2020	436,667	56,765	(43,480)	61,696	68,426	(1,578)	578,496
Profit for the period	-	(86,989)	-	-	-	-	(86,989)
Exchange difference on foreign operations	-	-	(56,854)	-	-	-	(56,854)
Total comprehensive income	-	(86,989)	(56,845)	-	-	-	(30,144)
Transferred to reserves in yearly schedule	-	-	-	-	-	-	-
Purchase of own shares	-	(63)	-	63	-	(63)	(63)
Declared dividend	-	-	-	-	-	-	-
Balance at 31 December 2021	436,667	(30,287)	13,365	61,759	68,426	(1,641)	548,289

Fleet operating data

Currently TNG's fleet consists of six MR tankers (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 around 300,000 dwt. As of December 31, 2021, the average age of the vessels in TNG's fleet was 7.7 years.

Starting from the third quarter of 2020 the tankers from TNG's fleet underwent their regular five year drydocking together with the installation of BWTS equipment, and to this date the process is concluded for all the vessels, including MT Vinjerac which finished its drydock and installation of BWTS equipment during the fourth quarter of 2021.

Dalmacija

After the redelivery from the time charter contract with Trafigura Maritime Logistics („Trafigura“) in Q3/2020, a regular five-year drydock was performed for m/t Dalmacija, after which the vessel was predominately employed on the spot market.

Vukovar

During July 2020, the tanker performed a regular five-year drydock, after which it was delivered to Exxon Mobil („Exxon“) in August 2020 in accordance with a three-year time charter contract in the amount of USD 17,050 per day with the option to extend for another year at USD 18,000 per day.

Pag

During December 2020, the vessel began its regular five-year drydock. After the completion of drydock in January 2021, the vessel continued its employment on the spot market.

Velebit

The regular five-year drydock and BWTS installation was performed in early Q2/2021, after which the vessel is employed on a short-term time charter contract with Trafigura Maritime Logistics („Trafigura“). After the expiry of the contract, the vessel is employed on the spot market.

Zoilo

Following the completion of a regular five-year drydock carried out in Q3/2020 for m/t Zoilo, a time charter contract was concluded in mid-November 2020 with the Charterer CSSA Chartering Shipping Services SA („CSSA“) with a maximum duration of up to 12 months in Charterer's option with escalating hire rates. After the expiry of the afore mentioned contract in mid May 2021, the vessel was transferred to the spot market.

Vinjerac

At the beginning of May 2020, a two-year time charter contract was secured for m/t Vinjerac. The tanker is under contract with the Charterer Clearlake Shipping („Clearlake“) at an agreed hire rate of USD 15,250 per day, with an option to extend the contract for a third year with a freight rate of USD 15,750 per day. In late September the tanker was delivered to its technical manager in order to perform the drydock, after which it was redelivered to its Charterer in the beginning of November.

CURRENT CHARTERING STRATEGY

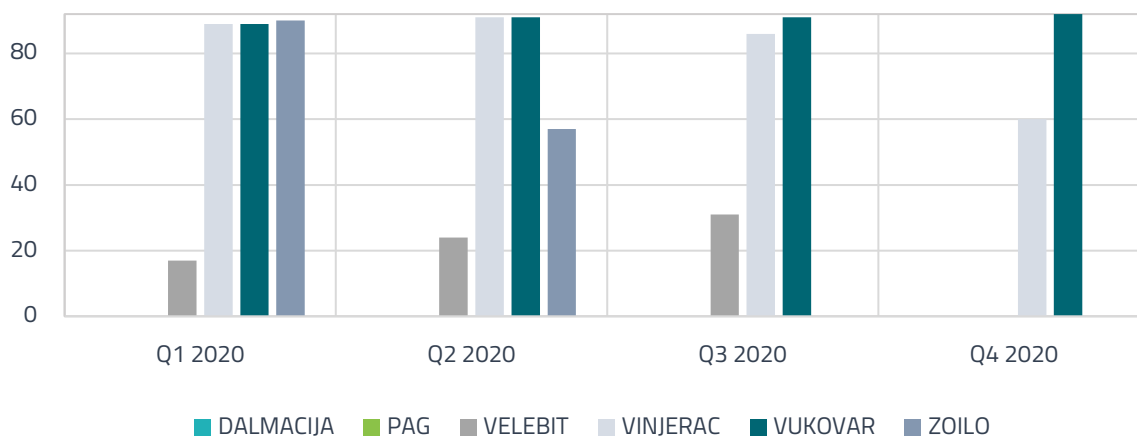
The total number of days of income from Time charter in 2021 was 908 days, which is 43.4% of the total revenue days in that year. The number of revenue days in 2021 was moderated by 97 days without revenue due to the implementation of mandatory 5-year dry-docking and installation of ballast water treatment purifiers on three MR tankers, which affected the reduction of available revenue days for employment on the spot market through Voyage charter.

The average TCE net daily rate for 2021 equates to USD 11,763, while the average daily vessel operating expenses (OPEX) in the same period amounted to USD 6,897 per vessel, which is an increase in comparison to the last years result, primarily due to higher cost of crew changes in regards to the difficulties brought in by the pandemic.

The business year 2021 is characterized by a slightly lower level of employment of the fleet of 95.6%, which is moderated by the drydocking m/t Pag, m/t Vinjerac, m/t Velebit; which accounted for 87 out of the 97 days without revenue recorded in 2021.

Vessel	Capacity (dwt)	Type	Built	Shipyard	Flag	Employment 31 Dec 2021	Daily rate (USD)
Velebit	52,554	ICE class MR product	2011	Treći Maj Croatia	Croatian	Voyage Charter	SPOT
Vinjerac	51,935	ICE class MR product	2011	Treći Maj Croatia	Croatian	Time Charter Clearlake	15.250 (till Q2 2022.)
Vukovar	49,990	Eco MR product	2015	Hyundai Mipo S.Korea	Croatian	Time Charter Seariver	17.050 (till Q3 2023.)
Zoilo	49,990	Eco MR product	2015	Hyundai Mipo S.Korea	Croatian	Voyage Charter	SPOT
Dalmacija	49,990	Eco MR product	2015	SPP Shipbuilding S.Korea	Croatian	Voyage Charter	SPOT
Pag	49,990	Eco MR product	2015	SPP Shipbuilding S.Korea	Croatian	Voyage Charter	SPOT

Number of days in time charter in 2021



Fleet operating data	2019	2020	2021
Time Charter Equivalent rates (USD/day)	14,794	14,250	11,763
Revenue days	2,190	2,079	2,093
Daily vessel operating expenses (USD/day)	6,657	6,823	6,897
Fleet utilization (%)	100%	94.7%	95.6%
Share of time charter revenues in total revenues	57.5%	68.8%	34.9%

Key events in 2021

Secured long-term loan facility agreement in the amount of USD 35.3 million (Q1)

Tankerska Next Generation Shipping Joint Stock Company (hereinafter: the Company) has signed a long-term loan facility agreement in an aggregate amount of USD 35.3 million. The loan agreement was concluded with the current creditor ABN AMRO Bank N.V. for a loan tenor of 5 years.

The Company will utilize the majority of funds for the early repayment of the existing loan facility of the same creditor maturing in January 2022, which partly financed M/T Velebit, M/T Vinjerac and the purchase of newbuilding M/T Pag during 2015. The remaining funds will be invested in the above-mentioned vessels in order to maintain their high level of competitiveness.

The signing of this financial arrangement confirms the Company's recognized position in the international banking market and provides continuous cooperation with a prominent international creditor who has placed its trust with the Company and recognized it as a reliable and long-term partner. Following its strategy of maintaining financial stability and liquidity, the Company has now fully implemented the plan to refinance its credit liabilities maturing in 2021 and 2022.

By concluding this financial arrangement, in addition to the one previously finalized in late 2020, the Company has now secured competitive refinancing for the whole fleet for the upcoming five-year period.

Annual financial report of TNG published in iXBRL format (Q2)

ESMA (European Securities and Markets Authority) has adopted a new single form of electronic reporting to improve the reporting system according to the established International Financial Reporting Standards (IFRS) by adopting the ESEF regulation (European Single Electronic Format).

Tankerska Next Generation d.d. has recognized and seized the opportunity to adapt to the new regulations even before its entry into force, therefore you can find our annual financial statements (statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows) for 2020 in iXBRL format.

Annual General Assembly held (Q3)

Annual General Assembly of Tankerska Next Generation d.d. ("Company") was held at the Company's headquarters in Zadar on July 2nd, 2021, at 11:00 hours. At the annual General Assembly 5,912,767 votes were present, representing 67.9236% of the total share capital with voting power. All the proposed decisions were adopted by the required majority of votes.

Decisions of the General Assembly:

1. Decision on loss reconciliation for the business year 2020;
2. Decision on Management Board member liability discharge for the business year 2020;
3. Decision on Supervisory Board members liability discharge for the business year 2020;
4. Decision on approval of the Report on remuneration of members of the Company's Management and Supervisory Board for the business year 2020;
5. Decision on the appointment of the auditor for the business year 2021.

Shares of Tankerska Next Generation included in the composition of CROBEX and CROBEXtr indices (Q3)

In accordance with the article 4 of the Rules of Procedure of the Indices Committee from 3rd September 2019, the Index Committee has concluded, at the meeting on September 8th 2021, a regular revision of the Zagreb Stock Exchange indices CROBEX, CROBEXtr, CROBEX10, CROBEX10tr, CROBEXprime, ADRIAprime, CROBEXplus and sectoral indices.

The revision was carried out based on the trading data from March 1st, 2021 to August 31st, 2021. and TANKERSKA NEXT GENERATION d.d. (trading symbol TPNG, ISIN HRTPNGRA0000) was included in the composition of CROBEX and CROBEXtr indices.

Outlook

Tankerska Next Generation is a shipping company focused exclusively on the MR product tanker segment and owns and operates six product tankers, the main markets in which the Company operates is the international maritime transport of oil products and edible oils.

At the end of 2021 TNG holds two time charter contracts, which were signed in accordance with usual market conditions and are based on industry standard terms for such agreements. The fleet employment strategy provided a stable level of income over the medium term, in which two vessels are employed on time charters longer than one year, while the remaining two vessels are operating on the spot market.

Placing the vessels on the spot market maximized the commercial potential of the vessels in the given moment and it was also beneficial to the operational efficiency since it enabled optimal geographical positioning of the vessels before the drydocks, which resulted in lower expenses of the five year drydocks itself.

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

The Company is subject to numerous laws and regulations in the form of international conventions and treaties, national, state and local laws and national, state and international regulations in force in the jurisdictions in which the Company's vessels operate or are enrolled. The International Maritime Organization's Ballast Water Convention stipulates that after September 2017, an approved ballast water treatment system must be installed by the time the IOPP (International Oil Pollution Prevention) certificate needs to be renewed, which for TNG means that the systems needed to be installed on vessels during a cycle of five-year regular drydocks carried out in 2020 and in 2021.

Following the strategy of five-year drydocks, during 2020 and 2021, the BWTS were installed in five out of six tankers that had their regular five-year drydocks (m/t Zoilo, m/t Vukovar, m/t Pag, m/t Velebit and m/t Vinjerac while m/t Dalmacija had the BWTS installed already as a newbuilding), therefore achieving full compliance of the fleet with the International Maritime Organization's ballast water convention.

Based on the dockings, we can conclude that the actual costs are in line with the plan. In other words, the average cost of delivery and installation of BWTS and the cost of docking amounted about USD 1.9 million per vessel, keeping in mind that the Eco tanker m/t Dalmacija was delivered from the shipyard as a newbuilding with an already implemented ballast water treatment system, therefore its cost of drydocking amounted to USD 0.77 million.

According to the provisions of MARPOL from 1 January 2020 the Sulphur content in motor fuel is not allowed to be greater than 0.50%, and emissions into the environment will not be allowed to be higher than that. Following its fleet management strategy TNG opted to replace cheaper high-sulfur fuel with more expensive low-sulfur fuel, which has so far proved to be a better option than installing scrubbers that allow ship operators to continue using higher-sulfur fuels which would in turn bring significant capital expenditures.

These changes in the regulatory environment affected the operations of TNG in the past period, and other effects on shipping industry such as geopolitics, environmental regulations and big data technology have played an immense but yet inferior role in comparison to the need for appropriately addressing the scale of the current crewing crisis, the Covid-19 crisis, its recovery and the aftermath associated with the new normal.

Overall uncertainty remains a compelling theme in the current maritime transport environment, which primarily refers to the volatility of freight rates due to Ukrainian crisis but also puts emphasis on the challenges shipping companies face in order to secure seafarers' repatriation and protect their well-being.

On the corporate side, following its strategy of maintaining financial stability and liquidity, the Company has now fully implemented the plan to refinance its credit liabilities maturing in 2021 and 2022 thus avoiding possible tighter financial conditions on the horizon by securing competitive refinancing for the fleet for the upcoming five-year period.

In the forthcoming period, the Company aims to ensure the sustainability of the business and maximize business efficiency by managing the Company in a way that is believed to provide consistent and continuous returns to its shareholders.

Risk management

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

Foreign exchange risk

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

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

Interest rate risk

Interest rate risk is the risk of change in value of financial instruments due to changes in market interest rates. The risk of interest rate in cash flow is a risk that the interest expenditure on financial instruments will be variable during the period. As TNG has no significant interest-bearing assets, its operating income and cash flows from operations are not significantly exposed to fluctuations in market interest rates. TNG's interest rate risk arises from long-term borrowings. TNG is exposed to interest rate risk on its long-term borrowings that bear interest at variable rates.

Potential 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 realized cash flow and maturity of receivables and liabilities.

Price risk

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

- when rates are low TNG sees it as an opportunity to increase market exposure, and
- when rates are high TNG will seek to hedge short-term to medium-term exposure by chartering-out vessels or by actively trading freight-related derivatives.

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.

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.

Risk management (continued)

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:

("ISO") 9001 for quality assurance,

ISO 14001 for environmental management systems,

ISO 50001 for energy management systems and Occupational Health and Safety

"OHSAS" 18001 Safety Advisory Services

ISM Code - International safety management code

Company strategy

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

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

Chartering strategy

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

Related parties

As of 1 January 2015 the Management agreement and Non-Competition Agreement have commenced.

Management Agreement (Shipman)

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 2026. 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 favorable 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 the annual international publication BDO LLP (ex. Moore Stephens) available on the website <https://www.opcostonline.com>, which with the use of Shipping Opcost tool 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 paid daily 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

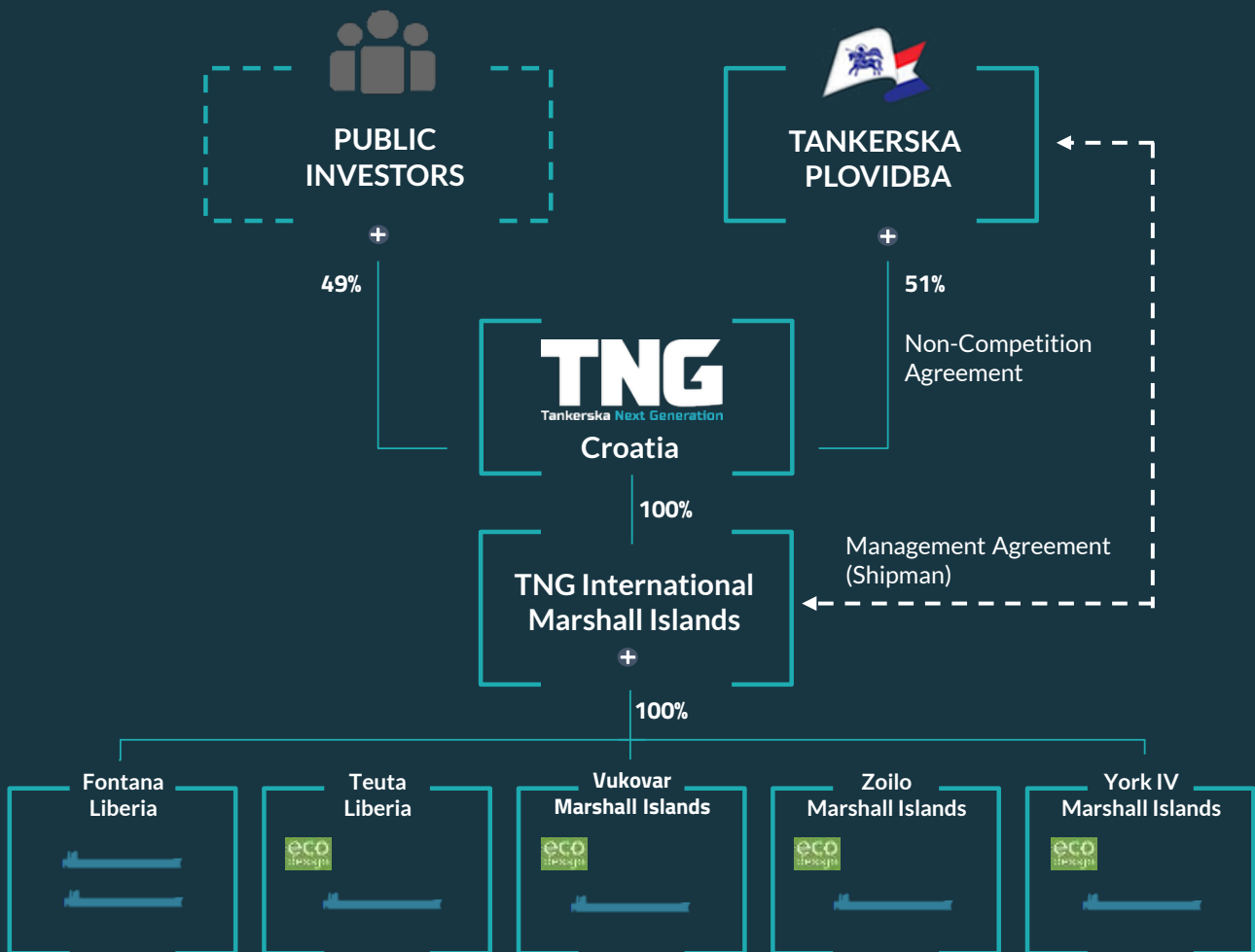
Non-Competition Agreement

According to the Non-Competition agreement between TNG Group and Tankerska Group, the parties have agreed that Tankerska plovodba 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.

Subsidiary	Jurisdiction of incorporation	Shareholder	Ownership interest	Voting power
TNG International Ltd.	Marshall islands	TNG d.d.	100%	100%
Pag Shipping LLC	Marshall islands	TNG International Ltd.	100%	100%
Zoilo Shipping LLC	Marshall islands	TNG International Ltd.	100%	100%
Vukovar Shipping LLC	Marshall islands	TNG International Ltd.	100%	100%
Fontana Shipping Company Ltd.	Liberia	TNG International Ltd.	100%	100%
Teuta Shipping Company Ltd.	Liberia	TNG International Ltd.	100%	100%

Overview of related party transactions



Tankerska Next Generation International, a subsidiary of Tankerska Next Generation holds bareboat contracts with companies which own a total of 6 product tankers

STATEMENT ON APPLICATION OF THE CODE OF CORPORATE GOVERNANCE

Pursuant to Article 272p, in conjunction with Article 250a of the Croatian Companies Act (Official Gazette No. 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137 / 09, 125/11, 152/11, 111/12, 68/13, 110/15 and 40/19, hereinafter: ZTD) and in accordance with Article 22 of the Croatian Accounting Act (Official Gazette No. 78/15, 134 / 15, 120/16 and 116/18 hereinafter: ZOR) the Management Board of TANKERSKA NEXT GENERATION dd, Zadar, Božidara Petranovića 4 (hereinafter: the Company or TNG), on 28 April 2022, gives the following

Statement on the application of the Code of Corporate Governance

The Company's shares have been listed on the Official Market of the Zagreb Stock Exchange since 12 February 2015. From the moment the shares are listed on the Official Market of the Zagreb Stock Exchange, the Company applies the Corporate Governance Code, which was jointly developed by Croatian Financial Services Supervisory Agency (hereinafter: CFSSA) and the Zagreb Stock Exchange d.d. Zagreb, (hereinafter: ZSE) adopted by the CFSSA Decision of 26 April 2007, class: 011-02 / 07-04 / 28, reg. No. : 326-01-07-2 (Official Gazette No. 46/07, hereinafter: Code), and the integral text of the Code was published on the website of the Zagreb Stock Exchange. Taking into account the specifics of the business model TNG Inc. complies with the provisions of the Code as reported to the public through the annual survey of corporate governance which is published on the website of the company (www.tng.hr) and through other regulated channels.

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

During 2021, the Company essentially applied the recommendations set out in the Code, publishing all information the disclosure of which is provided by positive regulations and the disclosure of which information is primarily in the interest of the Company's shareholders. During the previous year, the Company published all information, the publication of which is required by positive regulations, through the Zagreb Stock Exchange website and on its own website, and informing the public about the availability of information was carried out through Croatian News Agency's OTS service. It also submitted these publications to the official register of prescribed information at CFSSA.

Supervision over the conduct of the Company's operations is carried out by the Supervisory Board in accordance with the provisions of the Croatian Companies Act. The role of the Supervisory Board is also regulated by the Company's Articles of Association and the Rules of Procedure of the Supervisory Board. Members of the Supervisory Board regularly receive detailed information on the management and work of the Company in order to be able to effectively fulfill their supervisory role. The report of the Supervisory Board on the performed supervision of business operations is part of the Annual Report of the Company submitted to the General Assembly.

The Supervisory Board established the Audit Committee as a body that assists the Supervisory Board and the Management Board in the effective execution of the tasks of corporate governance, financial reporting and control of the operations of TNG d.d.

The Company applies the rules of Accounting Policy, harmonized with International Financial Reporting Standards adopted by the European Union, which regulate the application of procedures and techniques in disclosing assets, liabilities, principal, income, expenses and financial results of the Company in the basic financial statements. The audit of the annual financial statements of the Company is performed by an independent auditor, appointed by the General Assembly of the Company.

The Company has established and applies rules and procedures for receiving, recording, approving and circulating financial and other business documentation, which ensures multiple supervision and transparency in the recognition of the Company's income and expenses. The Company has not yet established a corporate internal audit that would perform the function of independent audit and control and inform the Management Board through audit reports in the form of findings and proposals for improvement. The Management Board personally supervises all processes of recognizing the Company's income and expenses and participates in the preparation of quarterly, semi-annual and annual financial statements of the Company.

The corporate governance structure of the Company is based on a dualistic system, which consists of the Management Board and the Supervisory Board and together with the General Assembly they represent the three basic bodies of the Company.

Exceptions to compliance with the application of the Corporate Governance Code are the following:

- The supervisory board has not adopted a decision in which it stated categories of decisions and legal transactions that require prior approval by the supervisory board and those decisions about which management board must consult with the supervisory board before making a decision, since the Company's Articles of Association stipulate the circumstances and conditions when the Supervisory Board's consent is required.
- The fair value of each material transaction does not have to be confirmed by an independent expert prior to any such transaction.
- The company has not adopted procedures for the approval and disclosure of transactions between members of the management or supervisory board and the company (or a person affiliated with any party). Therefore, the Audit Committee does not evaluate the effectiveness of these procedures.
- The supervisory board has not set as a target percentage of female members of the supervisory board and the management board, which must be achieved in the next five years and adopted a plan for the implementation of this goal. Notwithstanding the absence of such a goal and plan, if in the future a female candidate who meets the required qualifications of expertise appears as a potential candidate for the Management or Supervisory Board, the candidate will not be discriminated against in any way in relation to other candidates.
- The supervisory board has not developed a supervisory board profile which specifies the minimum number of members and combination of skills, knowledge and education, as well as professional and practical experience required in the Supervisory Board.
- The Chairman or Deputy Chairman of the Supervisory Board is not independent, as the Company believes that the Supervisory Board should reflect the interests of the majority shareholders, therefore it does not consider it appropriate to comply with this provision of the Code.
- The minimum expected time of commitment of each supervisory board member is not specified on their appointment.

STATEMENT ON APPLICATION OF THE CODE OF CORPORATE GOVERNANCE (continued)

- The Company has not adopted internal rules of procedure adopted by the management board. The position of the Company is that there is no need to adopt the above rules of procedure while the Management Board is one member. For the same reason, the Management Board does not evaluate its own effectiveness and cooperation with the Supervisory Board
- Internal company documents do not provide that the members of the management board must obtain the prior consent of the supervisory board before accepting appointment to the management board or supervisory board which is not part of the same group.
- Remuneration policy does not provide that a management board member may not dispose of the shares assigned to it as part of the remuneration at least two years from the date on which the shares were assigned to him or her.
- The Company believes that there is no need to adopt a policy that determines the nature and scope of risks that the Company must and is willing to take in order to achieve long-term strategic goals, given that the Articles of Association, employment contracts and internal regulations define the scope and powers of the Company.
- Due to the organizational specifics, the Company does not have an established system of internal audit, risk management and internal control.
- The Company's Articles of Association did not provide for the possibility for shareholders to exercise their voting right electronically without restrictions
- Questions raised at the general meeting the company are not available on its website

General Assembly

The General Assembly of the Company is regularly convened and held in accordance with legal regulations and the Articles of Association. All shareholders may participate in the work of the General Assembly in person or through a proxy. The General Assembly may make valid decisions if it is attended by shareholders or their representatives whose shares represent at least 50 (fifty) percent of the share capital of the Company. Decisions are made at the General Assembly by a majority of the votes cast, unless a law or Articles of Association stipulates that another decision is required for a particular decision, ie the fulfillment of additional conditions. The General Assembly is chaired by the President of the Supervisory Board of the Company, who may authorize another person by a special power of attorney. The General Assembly has the authority or makes decisions in accordance with the provisions of the Companies Act and the Company's Articles of Association.

Shareholders have the same rights in the Company under equal conditions. Each share entitles to one vote. Ordinary shares give shareholders the following fundamental rights: the right to participate and the right to vote at the General Assembly of the Company; the right to dividend payment; the right to the payment of the remaining liquidation or bankruptcy estate of the Company; other rights determined by law.

Amendments to the Company's Articles of Association are adopted in the manner determined by the Croatian Companies Act (ZTD).

The ownership structure of the Company as at 31 December 2021 can be found on page 13 of the Annual Report of the Company for 2021

Management Board

Management Board on 31 December 2021 consists of the sole member, Mr. John Karavanić, who represents the Company independently and individually, in accordance with the Company's Articles of Association. Management Board is appointed and recalled by the Supervisory Board for a term that lasts up to four years, after which the members of the Board can be re-appointed. Management board can count up to five members.

The member of the Management Board must meet the conditions for performing the function of a member of the Management Board prescribed by the Croatian Companies Act (ZTD), and relevant bylaws and the Company's Articles of Association. The member of the Management Board must have the professional knowledge, skills and experience necessary for the independent and autonomous management of the Company's business, and in particular for understanding the business and significant risks of the Company. The suitability of an individual member of the Management Board for the performance of the respective function represents the extent to which that person has the characteristics and meets the prescribed conditions which ensure that he will professionally, legally, safely and stably perform tasks within his competence.

Supervisory Board

The Supervisory Board of the Company is composed out of five members. The Supervisory Board can count from three up to nine members, and each 4 year term of office is decided by the General Assembly of the Company by a majority of votes. In accordance with the provisions of the Articles of Association the Supervisory Board gives prior approval for significant transactions and activities that the Management Board cannot execute without their consent

The Supervisory Board acts as a collegial body at meetings held at least once a quarter, at which it discusses and decides on all issues within its competence prescribed by the Croatian Companies Act (ZTD) and the Company's Articles of Association. Decisions of the Supervisory Board are made by a majority vote of the members present. In 2021, 5 meetings of the Supervisory Board were held.

The members of the Supervisory Board are noted on the page 33 of the Annual Report.

Audit Committee

At the 3rd meeting of the Supervisory Board held on January 28, 2016, the Audit Committee of Tankerska Next Generation d.d. was appointed. This body was established with the aim of supporting the Management Board and the Supervisory Board in the effective execution of corporate governance, financial reporting and control of the Company. In 2021, the body held four sessions, at which it discussed the financial results of the Company.

The members of the Supervisory Board are noted on the page 33 of the Annual Report.

In accordance with the provisions of Art. 250a paragraph 4 and Art. 272.p paragraph I. of ZTD, this Statement is a special section and an integral part of the Company's Annual Report for 2021.

Corporate Management

John Karavanić

Chief Executive Officer

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

Ivica Pijaca

President of the Supervisory board

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

Nikola Koščica

Member of the Supervisory board

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

Joško Miliša

Member of the Supervisory board

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

Dalibor Fell

Member of the Supervisory board

Mr. Dalibor Fell graduated at the Faculty of Economics and Business in Zagreb and in 2000 is employed at Raiffeisenbank Austria, Treasury and Investment Banking Sector where, within 8 years, goes from the trainee through the Director of the Directorate to the Deputy Executive Director. After that he started his own company and spent 8 years as a director in a company for business consulting services. In 2016, he joins Croatia osiguranje as director of the Investment Division responsible for managing the assets of the company. During this time, he served as the chairman of the Supervisory board of mandatory pension fund management companies owned by Croatia osiguranje d.d. Currently he is the Chairman of the Management Board at Quattro logistika d.d

Mario Pavić

Member of the Supervisory board and Audit committee

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

Corporate Management

Ante Gavran

President of the Audit committee

Mr Ante Gavran graduated in 2005 from the Faculty of Economics and Business in Zagreb, after which in 2009 he finalized the ACCA certification for certified chartered accountants. He started his professional career in KPMG Croatia, where he worked in audit as well as financial advisory. From 2008 – 2013, Mr. Gavran lead risk management and controlling departments in Basler osiguranje Zagreb, after which he joined Croatia osiguranje i 2014., where he managed the finance and accounting department of the company.

Genarij Sutlović

Member of the Audit committee

Mr. Genarij Sutlović graduated from the Faculty of Economics in Rijeka in 1986. After graduation, he was employed in Tankerska plovdba as an officer from 1987 to 1989. Since 1990, he was employed on the position of Chief financial accountant from where he was promoted to Chief Accounting Officer in February 1991. At the position of Chief Accounting Officer at Tankerska Plovdba he remained until December 2001 when he moved to Stambeno Gospodarstvo Tanker, after which he occupied the position of the Director, while today he remains active as a counselor. Mr. Sutlović was also a member of the Audit Committee in Viktor Lenac shipyard in Rijeka.

Supervisory board members as per 31st December 2021:

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

Compensation for the members of supervisory board are described in the Report on receipts of the Management Board and the Supervisory Board which is available on TNG website.

Audit committee as per 31st December 2021:

Mr. Ante Gavran, president
Mr. Mario Pavić, member
Mr. Genarij Sutlović, member

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

Attendance of the Supervisory and Audit committee members during 2021

All sessions of Supervisory board (5 sessions) and Audit committee (4 sessions) which were held during 2021 were attended by all members, except at the 37th session of the Supervisory Board held on 28 Oct 2021 which was not attended by Mr. Josko Miliša.

Members of the Management and Supervisory board and Audit committee who own the shares of the company as per 31st December 2021:

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

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

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

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

ESG REPORT

SUSTAINABLE DEVELOPMENT GOALS



In 2015, United Nations (UN) Member States adopted the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs). In that same year, at the twenty-first session of the Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change (UNFCCC), Parties to the UNFCCC adopted the Paris Agreement, addressing the need to fight climate change.

Introduction

Tankerska Next Generation (i.e. the “Company” or “TNG”) endorses and believes in the benefits of ESG reporting and considers sustainable development as a globally important issue, which is why the shipping industry tends to make their cooperation conditional on ESG transparency, irrespective of the sector they come from or operate in. Entities disclosing ESG statements should strive to comply with ESG transparency criteria for establishing business relationships with suppliers, business partners, credit institutions, investors, and others but above all to drive progress leaving a better world to the future.

In the collective view of the management of the Tankerska Group (i.e. the “Group” consisting of Tankerska Plovidba, Tankerska Next Generation and TP Line), Environmental, Social, and Corporate Governance (ESG) policies have been incorporated in the common footprint long before the ESG term was first composed as a consideration of environmental, social and governance factors.

Essentially, the Company acknowledges and endorses sustainable development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Moreover, the Company sees a competitive advantage and takes its pride in the fact that it competes in a highly regulated, stringent, international environment. Tankerska Next Generation is a Shipping Joint Stock Company incorporated under the Laws of the Republic of Croatia on the Official Market of the Zagreb Stock Exchange (“ZSE” / <https://zse.hr/en/company-details/703>), regulated by the Croatian Financial Services Supervisory Agency (“CFSSA”) subordinated to the European Securities and Markets Authority (ESMA) which creates a benchmark for publicly listed companies in the EU.

The key priorities for ESMA include transparency obligations, risk analysis on green bonds, ESG investing, convergence of national supervisory practices on ESG factors, taxonomy, and supervision. The European Securities and Markets Authority, the EU’s securities markets regulator, has a published [Strategy on Sustainable Finance](#). The strategy sets out how ESMA will place sustainability at the core of its activities by embedding Environmental, Social, and Governance (ESG) factors in its work.

Furthermore, the TNG ownership structure comprises of shares belonging to large investors in Croatia namely Croatian mandatory and voluntary pension funds (so called second and third pillar pension funds) supervised by the Republic of Croatia which support the goals of the European Union, in its National Development Strategy that stipulates that it will direct national and European sources of funding towards fostering a sustainable economy and society, recovering and strengthening crisis resilience, green and digital transition and balanced regional development until 2030.

The key role in achieving these goals at the local and global level is played by the financial industry, whose task is to direct capital flows towards sustainable investments, i.e., investments that support sustainable development goals which are now also explicitly recognised by Croatian mandatory and voluntary pension funds as a *condicio sine qua non*. The Company acknowledges and supports the view whereby the issuers on the ZSE disclosing relevant ESG information needed for this analysis will have priority when investments are considered.

ESG factors and the application of the ESG reporting framework enable shipping to integrate environmental, social and governance issues in their long-term business strategy in a more transparent way.

The ESG reporting process itself can help develop the infrastructure needed to link strategic goals with the business model, risks, opportunities, operational indicators and financial performance. By nature, market participants and financial advisers should be less inclined to consider investments in issuers who have not publicly disclosed relevant ESG information.

ENVIRONMENTAL

View

Activities within the shipping industry impact seas and land-based ecosystems. The vessels we own emit pollutants to air and water and influence the living environments of humans and other species regardless of our best endeavours to minimise this undesirable effect.

We pledge ourselves to quality in the shipping industry, to the security and protection of the marine environment. We are dedicated to those conditions in the shipping industry that will stimulate quality and security in shipping.

The Company is committed to doing as little harm as possible while providing quality services to our clients. The management is continuously devoted in actively engaging on environmental issues with key stakeholders, including customers, society, authorities and investors.

We protect the environment by exercising constant care in our operations, and operate our vessels in accordance with all applicable laws and regulations and we are committed to continually improving our environmental performance.

Policy

Due to concern over the risks of climate change, a number of countries and the IMO have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emissions from ships.

Due to climate changes, considered to be one of the major problems of the present time, environmental goals are given particular importance. The year 2016 saw the entry into force of the Paris Climate Agreement which recognised environmental sustainability development, i.e. sustainability and transition to a safe, climate-neutral and circular economy, as primary goals in ensuring long-term competitiveness of the EU economy.

Following the Paris Agreement, the European Commission published a communication titled "The European Green Deal", determining in more detail principles for achieving sustainable economy of the EU by turning climate and ecological challenges into opportunities and setting standards that will allow this to happen in a uniform and fair way.

The Company fully supports IMO's 2030 and 2050 goals for reducing GHG emissions. Furthermore, we are actively engaged in defining EU ETS regulations through a working group within the Croatian Ministry of Economy and Sustainable Development (<https://www.fzoeu.hr/en/>).

Our goal is to have a carbon neutral fleet by 2050. Hence, we direct most of our decarbonisation investments towards our efforts to move away from the use of fossil fuels to power our vessels. As this is impossible to achieve on a larger scale with current technology, we are preparing projects in a so-called transitional stage.

Our mid-term plan for reducing GHG emissions on our fleet is to run onboard tests with bio-fuel or other accessible zero-emission fuel.

Short term measures are already in place manifested through optimized vessel routing, slow steaming, use of low friction antifouling, and hull monitoring and cleaning.

Responsible ship recycling

There is policy in place for scrapping older vessels. All hazardous material is listed in inventory for easier and safer recycling. According to available data, nearly 90% of the gross tonnage recycled is done under poor health, safety and environmental conditions. There is an urgent need to ensure that this growth in demand for ship recycling services will be met by providers with responsible practices.

Although the Company has not dealt with divesting through ship recycling in its past and has no intention to do so in the foreseeable future, the policy in place is in accordance with EU standards and subject to future reviews should it be necessary to bring in line with the EU progress.

Environmental goals



Tankerska Next Generation possesses certificates under the standards reflected in 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 Safety Advisory Services ("OHSAS") 18001.

In terms of effectiveness, our marine pollution records, show zero incident for several consecutive years and we remain adamant to keep this clean record and continue to be vigilant. Special attention is paid to garbage management from an environmental point of view.

We comply with international conventions to invasive species and control and install ballast water treatment systems on our vessels to reduce the risk of invasive species as we carry cargoes across ecosystems. The Ballast Water Management Convention (BWMC) obligates shipowners to have such systems installed on all vessels by 2024.

The Company is fully compliant with the stated convention since all of our vessels are equipped with ballast water treatment systems which are eliminating invasive species and protecting worldwide biodiversity.

The last vessel and final vessel in our fleet which had BWTS installed is m/t Vinjerac which finished its 5-year drydock in 04 2021.

6 vessels in total

TNG fleet as of 31st Dec '21

average vessel age 7.7 years

0 pollution cases

recorded during 2021 on TNG fleet

0 collisions / allisions

recorded during 2021 on TNG fleet

6 BWTS installed

TNG fleet 100% compliant with BWMC

ENVIRONMENTAL

Practice

Good environmental practice has become a second nature for the Company although the Company has the ambition to continuously improve in this respect.

Environmental practice goes beyond mere regulations, but it is noteworthy to emphasise the following is immanent to global shipping and inherently attributed to our operations:

- The Company's vessels are governed by the requirements set forth in the IMO's International Safety Management Code for the Safe Operation of Ships ("ISM Code"). The ISM Code requires ship owners, ship managers and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies.
- In addition, the hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the IMO International Convention for the Safety of Life at Sea Convention of 1974 (as from time to time amended and generally referred to as "SOLAS").

Our operations have been and will be subject to numerous laws and regulations in the form of international conventions and treaties, national, state and local laws and national, state and international regulations in force in the jurisdictions in which our vessels operate or are registered, which can significantly affect the environmental conduct and operation of our vessels.

These laws and regulations include, but are not limited to:

- the U.S. Oil Pollution Act of 1990, or OPA,
- Convention on Civil Liability for Oil Pollution Damage of 1969 (as from time to time amended and generally referred to as CLC Convention),
- the IMO International Convention on Civil Liability for Bunker Oil Pollution Damages of 2001

(as from time to time amended and generally known as the Bunker Convention),

- the IMO International Convention for the Prevention of Pollution from Ships of 1973 (as from time to time amended and generally referred to as MARPOL),
- the IMO International Convention on Load Lines of 1966
- the U.S. Maritime Transportation Security Act of 2002 and the International Labour Organization's, or ILO's,
- Maritime Labour Convention of 2006 ("MLC").

In addition, we are subject to requirements imposed by various national and international agencies and regulatory bodies, including, but not limited to:

- Requirements of the U.S. Coast Guard, the U.S. Environmental Protection Agency ("EPA").

Compliance with such laws, regulations and requirements, where applicable, may require coverage (or the provision of other financial assurances) with respect to pollution incidents.

We are constantly educating crews and employees on importance of voyage optimization and encouraging them to use it to achieve maximum efficiency that technology allows.

Due to the high 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 the Group's top operational priorities. The Company's vessels operate in a way so as to ensure maximum protection of the safety and health of staff, the general public and the environment.

The Company actively manages the risks inherent in the Company's business and are committed to eliminating incidents that would threaten safety and the integrity of the vessels. The Company is also committed to reducing emissions and waste generation, hence there has also been a spin-off effect to our offices whereby office stationery and beverages need to be made of environmentally friendly and degradable components in the aim to promote safety and environmental protection.

ENVIRONMENTAL EFFECTS

Energy efficiency and environmental protection

Efficient use of energy onboard Tankerska Next Generation fleet's vessels is one of the primary goals set by the Company in order to preserve natural resources and reduce emissions of harmful gases into the atmosphere in order to help reduce the effects of climate change.

The policy of managing the TNG fleet is that all vessels and operations comply with all necessary requirements to protect the environment and operate in accordance with international conventions, administration and other applicable regulations, which would help to achieve the goals of sustainable development of the United Nations.

Environmental protection and energy efficiency are achieved through the implementation of the following guidelines and strategic goals:

Reduction of CO₂ emissions

Tankerska Next Generation has four Eco-Design product tankers in its fleet. Eco vessels have various improvements to its operating systems, such as improved engines and improved larger propellers which reduce fuel consumption. The new generation of engines and other improvements in the operating system on the eco-designed ships can provide a significant reduction in fuel consumption and emissions into the atmosphere, including CO₂.

Climate change caused by CO₂ emissions pose a threat to the environment and wildlife and can pose operational and commercial challenges for the business operations of Tankerska Next Generation. Work on reducing CO₂ emissions into the air and our commitment to curb CO₂ emissions and other harmful gases in the atmosphere has proved positive for the fleet, since in the same way it helped reduce fuel consumption, and thereby increase the efficiency of the fleet. Eco-design of our fleet allows compliance with various regulatory issues, including emissions (NO, CO, CO₂, C).

Reduction of Sulfur emissions

Using low-sulfur fuel oil up to max. 0.5% sulfur concentration in accordance with the "IMO 2020 Sulfur Regulation" in order to reduce emissions of harmful gases into the atmosphere. This strategy has been implemented to TNG fleet since the end of 2019.

Ballast Water Treatment

By realizing the plan to implement the ballast water treatment system (BWTS) on m/t Vukovar, m/t Zoilo and m/t Pag during 2020 and with the installations of BWTS on m/t Vinjerac and m/t Velebit in 2021, our fleet significantly reduced its environmental impact.

Other guidelines and strategic goals for environmental protection are achieved by:

- Taking precautions to protect through the environment in which the Company's ships operate and high standards in operating and maintaining Company's ships.
- Commitment to continuous improvements in our environmental performance and pollution prevention across all our activities while responding to hazards quickly, efficiently and with the minimum possible impact to the environment and natural resources.
- Correct treatment and handling of cargo products being transported, bunker and lubrication oils purchased, paints, chemicals, solvents, other consumables materials and in order to comply with statutory rules and regulations.
- Assessing identified risks for possible environmental impacts originating from the various environmental aspects of shipping business.
- Training the crew to prevent accidental and whenever possible operational discharges of pollutants to the environment.
- All shore based and shipboard personnel of the Company are strictly required to adhere to this Policy by fully complying with all requirements of the Company as well as all applicable industry, administration, national and international regulations.

CORPORATE GOVERNANCE

For the purpose of supporting good practices aimed at fostering sustainable development, Hanfa (Croatian Financial Services Supervisory Agency) and the Zagreb Stock Exchange have adopted the Corporate Governance Code (hereinafter: the Code) <https://zse.hr/en/corporate-governance-code/1780>, establishing the obligation for issuers to comply with sustainable development principles. The purpose of the Code is to promote effective governance and accountability in companies whose shares are listed on the regulated market of the Zagreb Stock Exchange.

Article 83 of the Code "Corporate social responsibility" lays down the obligation for companies to adopt and publicly disclose the impact assessment policy relating to the impact that their activities exert on the environment and community, human and workers' rights protection, and prevention and sanctioning of bribery and corruption.

The Code also requires issuers to disclose information that relates to good corporate governance rules ("G") in general, but also information relating to companies' strategies, taking account of the potential impact of their activities on the environment and community ("E"), promotion of ethical behaviour, respect for human rights and positive and stimulating working environment ("S"). That way, the obligation for issuers has been established to disclose part of relevant ESG information (ESG reporting) for all entities subject to the Corporate Governance Code, which includes those share issuers on the regulated market that are not subject to non-financial reporting requirements pursuant to the Accounting Act.

Tankerska Next Generation has submitted the Code of Corporate Governance Questionnaire for 2020 which can be reviewed at <https://eho.zse.hr/en/issuer-announcements/view/36974> and aims to submit the questionnaire of 2021 by its prescribed date of publication.

The Corporate Governance Code, adopted on 15 October 2019, significantly improved the corporate governance framework, while companies whose shares are listed on the regulated market were faced with challenges of complying with the recommendations of the Corporate Governance Code and achieving higher standards of corporate governance culture.

The companies whose shares are listed on ZSE (Zagreb Stock Exchange) in the Republic of Croatia, with the exception of shares of closed-ended investment funds, started to apply the Code on 1 January 2020. Notwithstanding this date, companies were required to inform Hanfa of their compliance with the Code, i.e. their corporate governance practices also for the year starting on 1 January 2019, via new questionnaires in order to identify the existing practices and to monitor progress in the years following the entry into force of the Code.

The initial level of companies' compliance with the Code was presented in the 2019 Annual Report on Corporate Governance, while this Annual Report on Corporate Governance gives the degree of compliance with the Code starting from the date of its application (1 January 2020) and provides a comparison with the compliance data from the previous year. Rankings can be reviewed on the following link: <https://www.hanfa.hr/publications/annual-report-on-corporate-governance>

Company's Board members and top management are not politically active, nor members of any political party.

Corporate Governance goals

Corporate governance code

Compliant - TNG listed on ZSE



Ethical behaviour

Business ethics and conduct



Financial reporting

Framework within accounting standard



Responsible supply chain

Sustainable practices

"The Corporate Governance Code, adopted on 15 October 2019, significantly improved the corporate governance framework, while companies whose shares are listed on the regulated market were faced with challenges of complying with the recommendations of the Corporate Governance Code and achieving higher standards of corporate governance culture"

CORPORATE GOVERNANCE EFFECTS

Good practices of Corporate governance

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

Corporate responsibility

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

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

Anti-corruption

Corruption impedes access to global markets and constitutes barriers for economic and social development around the world. For businesses in the maritime sector, corruption also escalates costs, endangers the safety and well-being of the crew and poses legal and reputational risk. Although good business relations in different parts of the world are differently defined and denominated, Tankerska Next Generation adopted a zero tolerance on corruption and this attitude is held in our business relationships.

Anticorruption program obliges all employees of Tankerska Next Generation, regardless of the level and position that they have to report any attempt of corruptive behavior towards them or others. In achieving these goals, employee training, alongside control is a key tool. Anti-corruption training sessions are conducted through daily individual training of our employees, while the code of conduct of our employees is defined in the Code of Corporate Governance of Tankerska Next Generation.

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

Contribution to economic prosperity and optimization of delivery channels

Tankerska Next Generation regularly and transparently calculates and pays taxes, contributions and other fees pursuant to the regulations of the Republic of Croatia. By doing this, the Company contributes substantially to the functioning and development of numerous activities important to everyday life in the community. TNG keeps proper accounting records, which will at any time with reasonable accuracy present the financial position of the Company and comply with the Croatian Accounting Law and IFRS, and adjusts its reporting to new standards according to the current regulation i.e. ESEF (European Single Electronic Format).

Tankerska Next Generation seeks to optimize the delivery chains in which it operates and thus contribute to the efficiency of its operations, and the operations of all parties, and interest groups involved in the delivery channels. Every day lost due to barriers in the supply chain drives up the costs, but if coupled with understanding and customer experiences from the field, inefficiencies can be eliminated. TNG endures on it through the adjustment of its business with a variety of industrial protocols and by adopting quality standards.

Furthermore, we are looking for the highest quality standards from our suppliers, as well as to comply with ethical guidelines that must include respect for fundamental human rights, labor standards, the attitude towards the environment and employee standards. Furthermore, we are looking for the highest quality standards from our suppliers, as well as to comply with ethical guidelines that must include respect for fundamental human rights, labor standards, the attitude towards the environment and employees.



SOCIAL RESPONSIBILITY

View

For a company to be socially responsible, it first needs to be accountable to itself and its stakeholders. Companies that adopt Corporate Social Responsibility (CSR) programs have often grown their business to the point where they can give back to society which we continue to do. CSR helps both society and the brand image of companies.

Policy

Responsible business conduct, which demonstrates that the company can be trusted to act fairly and ethically, is a prerequisite for long-term success. It also contributes to the sustainable development of the Croatian economy.

When taking decisions on the company's strategy and business plan, the management and supervisory boards should consider the impact of their proposed actions on their stakeholders, the environment and society; and on the company's reputation.

The company's employees and other stakeholders such as customers, suppliers, public authorities and local communities all have an interest in the company's activities.

Regular engagement with these stakeholders can help the company to understand their views and concerns and provide an opportunity to explain the company's position in a positive way.

The supervisory and management boards shall ensure that the company's strategy takes account of the potential environmental and social impact of its activities, and that its policies, culture and values promote ethical behaviour, respect for human rights, sustainable diversity and gender equality in a sound and stimulating work environment. The supervisory and management boards should agree and adopt policies on:

- how environmental and social impacts of the company's activities are assessed, and how the associated risks are managed.

- how human rights and the rights of employees are safeguarded; and

- how corruption and bribery will be prevented and sanctioned.

When the management board seeks the supervisory board's prior approval on decisions, the supporting documents should explain how the recommended action is consistent with the policies.

The supervisory and management boards should jointly identify who they consider to be the company's key stakeholders. The management board should ensure that there are effective mechanisms in place for regular engagement with those stakeholders, and that the supervisory board is informed of the results of that engagement.

The supervisory board should be entitled to organise meetings with external stakeholders where it considers it necessary to improve its understanding of matters relevant to the company, including their views on the company's performance and reputation. The president of the management board should be notified in advance of such contacts.

The mandate for each committee should specify the purposes for which the president of the committee can communicate directly with the company's stakeholders and the procedure to be followed.

SOCIAL RESPONSIBILITY

“Central idea is to provide meaningful work that allows people to reach their full potential”

Practice

Social responsibility, in our case exceeds corporate social responsibility (CRS) standards. The Company promotes a multi layered approach whereby social responsibility helps a company be socially accountable to itself i.e. its employees, its seafarers, its stakeholders, and the public; in our case, namely the local community. By practicing corporate social responsibility, companies become conscious of the kind of impact they are having on all aspects of society.

Tankerska Plovidba as a founder and TNG’s majority owner has directly influenced Zadar’s economy and economic development, directly improving the quality of life and increasing the wealth of the town and its surroundings. It continues to do so through TNG as well.

The Group continued to be successful even during the difficult times of the not-so-distant Croatian struggle for international recognition and independence, continuing with business as normal and contributing to the battle for sovereignty in various ways, from manpower to material and financial contributions,

Tankerska Plovidba, who manages TNG’s crewing has always been proud to have excellent seafarers and employees. Retention rate is among highest in the industry, reflecting TNG’s goal to be an attractive employer.

There is an internal fund designated to help injured or sick seafarer while if individuals become incapable of sailing, as well as scholarship program for ex seafarers’ offspring.

We have been taking Covid-19 related problems as priority and doing our best to minimize crew change delays and frustration. Understanding that longer stays at sea and care for the loved ones on shore can cause anxiety and uncertainty among seafarers, we established a hotline for professional mental health care which they can use anonymously free of charge. To help maintain physical health, each ship is equipped with gym and various entertainment systems. On the shoreside every employee is covered and encouraged to perform medical check-ups on an annual basis.

The Group and the Company also support local hospital needs from time to time by supplying various medical equipment.

We are participating in Shell’s program “Partners in safety”, which showed excellent results in injury and incident prevention. Board members and company directors are visiting ships on a regular basis and have meetings with crew. Safety is a main topic, but crew wellbeing and company policies are also discussed.

It is in our policy to protect crews and ships transiting through high-risk area by embarking armed guards and giving additional bonuses to crew to express our gratitude to their loyalty in difficult circumstances. Nevertheless, every crewmember is given chance to decline and disembark before entering a high-risk area.

Although shipping is historically known as male-dominated industry, we are encouraging women in the hiring process to have a more diverse structure. There is option for all seafarers and employees to anonymously report corruption, sexual harassment, or any malicious practice attempt.

Our central idea is to provide meaningful work that allows people to reach their full potential. Our employees feel recognized, valued, and cared for as individuals as a result of our diverse and inclusive work culture.

Diversity and inclusion also serve to improve the Group’s image as an employer, allowing employees to feel more valued and respected by the company they work for. According to industry statistics, companies that implement long-term diversity and inclusion initiatives can increase on-the-job efforts and staff retention while also earning their employees’ confidence. To put it simply, gender equality and diversity are crucial elements of a company’s corporate social responsibility.

SOCIAL RESPONSIBILITY

Gender equality and diversity

Even though shipping has traditionally been a male-dominated profession, we are welcoming women's aspirations to participate in the employment process in order to create a more diverse organization. Improving our personnel diversity also allows us to better reflect and comprehend the complex global context in which we operate. We respect the values and cultures of our employees and business partners. We do not accept discrimination with respect to gender, ethnicity, religion, sexual orientation, handicap or age.

As a Company, we promote diversity and believe that it is our responsibility not to discriminate any of our employees. Discrimination prevents people from reaching their full potential, leads to inequality, and makes society less stable and prosperous.

We are committed to providing equal employment and career opportunities for qualified applicants and employees. We respect the right to associate freely, to join – or not join – unions and we encourage a constructive dialogue about working conditions.

Throughout the year, the Group achieved significant progress toward our diversity and inclusion objectives. As of the end of 2021, the Group's onshore workforce has a male-female gender ratio of 65% - 35%, which shows improvement from the 68%-32% ratio in 2020. Recognizing and effectively harnessing the numerous differences that people bring to work is a never-ending challenge which is welcome.

Having policies and standards in place that support employees' various choices and career trajectories is an important step in developing an inclusive culture, which is why we are proud of our overall shore personnel retention rate of 100% for 2021. In regard to the offshore personnel, Tankerska Next Generation averaged 95% retention rate for Senior Officers, 74% retention rate for Junior Officers and 74% Crew retention rate.

Training, Health and Safety

The Company aspires to promote health and safety measures that keep employees safe and secure while also increasing the Company's operational productivity. A safe and healthy workplace not only minimizes the risks from injury and disease among our employees, but it also reduces operational costs by reducing safety incidents, absenteeism, and turnovers, while also improving employee morale. To put it another way, safety is beneficial both the Company and its individuals.

We maintained an exceptional record in terms of worker health and safety, and were committed to setting industry-leading Quality, Health, Safety, Security, and Environment (QHSSE) standards. In 2021, the Company recorded Lost Time Injury frequency one year rolling average (LTIF) of 0,78 for the Company in 2021 and 0,86 in 2020. Zero fatalities were recorded in both 2021 and 2020.

Employee engagement initiatives were increased in 2021 in order to further assist, motivate, and connect with our employees. For example, the Group's top management executives visited several vessels to encourage and motivate the seafarers. Where this was not possible, our top management video conferenced the vessel's crew.

Despite the pandemic, the Company managed to organize training sessions and educate our employees and crew, with 80% of the offshore personnel attending the Seagull e-learning programme in 2021.

Social responsibility goals



Gender balance men 65%- women 35%
Tankerska Group at 31st Dec '21

0,78 LTIF recorded in 2021
0,86 LTIF recorded in 2020

134 seafarers in 2021
81% retention rate for 2021

3 shore based personnel
100% retention rate for 2021

TNG 2021 in numbers:

Senior officers retention rate: **95%**

Junior officers retention rate: **74%**

Crew / ratings retention rate: **74%**

Seafarers Seagull e-learning
programme attendance: **80%**

SOCIAL RESPONSIBILITY EFFECTS

Stimulating workplace

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

Culture of diversity

Even though shipping is considered a male dominated area, the Group encourages employment of women, both on land and sea. TNG and its fleet manager Tankerska Plovidba through 67 years of tradition developed a culture that appreciates differences which is manifested in equal opportunities for all employees, regardless of sex, race, or religion. We see diversity of our employees as an advantage which brings added value to business and helps achieving Company objectives.

Professionals who contribute the community

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

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

Our crew is highly qualified, motivated and proud of their teamwork, they know their colleagues and vessels, as well as the operations which certainly contributes to homogeneity and success teams. Employed on the tankers of the Tankerska Next Generation is a crew with a significant share from Zadar County, which significantly contributes to the development of our region since the gross salaries of seafarers employed on TNG ships are above the Croatian average.

Cooperation with the academic community

Tankerska Next Generation and its employees make themselves available to respond to numerous inquiries from the academic community, we participate in many polls, and our employees are disposed to provide assistance to students researching maritime and economic topics in their presentations and dissertations.

Care for health, safety and future

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

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

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

Zero accidents

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

Tankerska Next Generation's ambition is zero accidents and that the Company operates by the principle that no injury or environmental incident is acceptable. To support our safety culture, TNG has in place a safety management system and safety policy, compliant with the International Safety Management Code. Each year we monitor the standards of Health, Safety, Quality, Environmental & Energy Management for the fleet.

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

SOCIAL RESPONSIBILITY (ADDENDUM)

Corporate social responsibility in the local community has been incorporated in the Group's business model from its inception back in 1955 by which the Group made a concerted effort to operate in ways that enhance rather than degrade society and the environment.

We have always resisted the temptation of taking benefits in the short term if doing so would compromise our basic long-term goals of building the company and its reputation for quality and reliability, in a sustainable way.

The Group takes pride in the establishing of the Maritime high school in 1957. Since then, the Group has been providing financial support through scholarships and several thousand students have proudly earned a diploma from the school, mostly in the nautical and marine engineering departments. The majority of them found their first employment on Tankerska's ships.

All officers on board Tankerska's vessels come from traditional maritime families in the Zadar area, sailing with us throughout their careers. The officers are predominantly educated at the local Nautical School subsidized by the company; and continue their education and training at the Nautical Faculties in Croatia which all have close ties with Tankerska.

CSR activities can help forge a stronger bond between employees and companies, boost morale, and help both employees and employers feel more connected with the world around them.

Unfortunate events in Ukraine

With reference to the latest political turmoil, we again feel called to the line of duty to support our ratings on board our vessels which are mainly Ukrainian.

Given the unfortunate events in Ukraine, we want to express our empathy and demonstrate our responsibility towards our Ukrainian seafarers on board and their families at home, regardless of their political spectrum.

We aim to ensure the Company's management will be able to provide best solutions and utmost protection in these extraordinary circumstances.

The ratings are encouraged to directly get in contact with the Company's DPA for any information via their respective e-mail addresses and have frequent one-to-one sessions with the Company's top management.

The Company has provided the Ukrainian crew members with additional free internet to be able to contact their next of kin without any mobile data restrictions.

Raised concerns about the possibility of repatriation to Ukraine and possibilities of payment of salary to Ukrainian bank accounts are being dealt with collectively with extreme flexibility from our side, considering each specific situation.

Tankerska Next Generation will endeavour to provide any assistance to families of crew members fleeing from war affected regions.

Psychological assistance has been provided if they may have concerns that may endanger your welfare, mental health or life you may use counselling services through the website www.seafarerswelfare.org/ ance conditions, and the reduction of administrative barriers to business.

ESG in numbers

Social indicators

Indicator	Unit	2020	2021
Employees			
Total number of seafarers	Headcount	132	131
Total number of employees - shore based	Headcount	3	3
Seagoing personnel retention rate	% (headcount)	86%	81%
Shore based personnel retention rate	% (headcount)	100%	100%
Diversity			
Gender with lowest representation - ashore (women)	% (headcount)	0%	0%
Gender with lowest representation - seagoing (women)	% (headcount)	1%	1%
EU employees	% (headcount)	98%	95%
NON-EU employees	% (headcount)	2%	5%
Health & Safety			
Fatalities	Headcount	0	0
Lost-time injury frequency (LTIF) on TNG fleet	Per million exposure hours	0,86	0,78
Pollutions	> barrel	0	0

Definitions: Health and Safety

A fatality is a death resulting directly from a work-related injury regardless of the length of time between the injury and death.

Lost Time Injury Frequency (LTIF) rate is a calculation used to determine the frequency of lost time injuries (LTIs). The calculation is based upon the number of lost time injuries within a given period divided by the total number of hours worked in that period. This calculation yields a figure that represents the number of lost time injuries per hour worked during the period in question.

The definition of LTIF follows the standard practice among shipping companies.

ESG in numbers (continued)

Governance indicators

Indicator	Unit	2020	2021
Management and Supervisory Boards			
Members	Headcount	6	6
Gender with lowest representation (women)	Headcount	0	0
Supervisory board members attendance	%	93%	96%
Supervisory board members attendance	%	100%	100%
Business ethics		Policies	
Anti-corruption Policy		Yes	Yes
Anti-bribery Policy		Yes	Yes
Whistleblower Policy		Yes	Yes
Code of conduct and ethics		Yes	Yes
Code of corporative governance		Yes	Yes
Remuneration Policy		Yes	Yes

Environmental indicators

Fleet	Indicator	(%) 2021 compared to 2020	2021
MR product tanker	EEOI (g CO ₂ /Tonx-mile)	92%	12.37
MR fleet travelled ~20% more miles in 2021 compared to 2020	CO ₂ (mt)	103%	100,170
	SO _x (mt)	120%	137.57
	NO _x (mt)	84%	2,005.30

EU taxonomy

The EU Taxonomy ("Taxonomy") requires public interest entities to first reveal the extent to which their activities are covered by the Taxonomy, and then to report whether their activities are sustainable within the Taxonomy's criteria.

The majority of TNG's activities are shipping and related services, which are generally regarded as activities eligible under the Taxonomy 6.10 - Sea and coastal freight water transport, vessels for port operations and auxiliary activities.

Purchase, financing, chartering (with or without crew) and operation of vessels designed and equipped for transport of freight or for the combined transport of freight and passengers on sea or coastal waters, whether scheduled or not. Purchase, financing, renting and operation of vessels required for port operations and auxiliary activities, such as tugboats, mooring vessels, pilot vessels, salvage vessels and ice-breakers.

The economic activities in this category could be associated with several NACE codes, in particular for TNG's operations it is the H50.2 in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006.

Since TNG's economic activity in this category does not fulfil the substantial contribution criterion specified in point [1 \(a\) of the Section](#), the activity self-appraised as a transitional activity as referred to in [Article 10\(2\) of Regulation \(EU\) 2020/852](#), since it partly complies with the important technical screening criteria set out in the Section.

EU taxonomy

Turnover

Turnover, as defined by the Taxonomy, is commonly equated to revenue, as defined by IFRS and recognized in the consolidated income statement. Revenues are generally regarded to be eligible under the EU Taxonomy, except that chartering out vessels is not considered an eligible activity. This means that their actions cannot significantly contribute to the reduction of greenhouse gas emissions and thus substantially contribute to the achievement of the first two environmental goals, climate change mitigation and adaptation to climate change.

- KPU revenues / 0.0% of revenues can be linked to adaptation and mitigation of climate change in 2021.

Operating expenses

Operating expenses, as defined by the Taxonomy, are expenses directly linked to chartering, maintaining, and operating vessels, and are comparable to vessel operating costs as reported in the consolidated income statement. Capital expenditures are generally regarded to be eligible under the EU Taxonomy. Operating expenses can make a significant contribution to reducing greenhouse gas emissions and thus greatly contribute to achieving the first two environmental goals, climate change mitigation and climate change adaptation.

The conclusion is that due to the use of fuel with a sulfur level below 0.1% as a fuel and a significant item of operating costs of the TNG fleet, operating costs can be partially included in pollution prevention and control and partially included in the category "Do not cause significant damage" with USD 1.7 million out of a total of USD 49.7 million in operating expenses.

- KPU opex / 3.4% of operating costs can be linked to climate change mitigation in 2021.

Capital expenditures

Capital expenditures related to vessels and equipment and expenditures related to newbuildings as set out in the Consolidated Financial Statements are considered equivalent to capital expenditures as defined in the Taxonomy. Capital expenditures are generally regarded to be eligible under the EU Taxonomy. Capital expenditures can make a significant contribution to reducing greenhouse gas emissions and thus greatly contribute to achieving the first two environmental goals, climate change mitigation and climate change adaptation.

The conclusion is that due to the capital investment in TNG fleet ballast water treatment systems as the largest capital expenditure in 2021 and other capital expenditures related to the protection and restoration of biodiversity and ecosystems, capital expenditures can be partially classified as "Do not cause significant damage" since for this goal USD 1.94 million was invested in vessels and equipment out of a total of USD 4.74 million in capital investment.

- KPU capex / 40.9% of capital expenditures can be linked to adaptation to climate change in 2021.

TNG's activities and their eligibility under the Taxonomy which equates to [Technical screening](#) which by self-appraisal adhere to criteria as follows: Do no significant harm ('DNSH') for the categories of Capital expenditures and Operating expenses.

EVENTS AFTER THE BALANCE SHEET DATE

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

Currently, the COVID-19 pandemic has a greater impact on the Company's operations in the form of difficult repatriation of seafarers, inability to replace crew in a timely manner, difficult operational procurement and delivery of consumables and equipment. The impact of the pandemic on the financial operations of the Company is present, but it is less significant in the part where the Company secured revenues based on Time charter.

The Company has taken a number of preventive measures in order to minimize operational risks, protect the interests of the Company and individuals on board and enable uninterrupted operations.

The Ukrainian crisis

The events following the Russian military intervention in Ukraine have fueled a rapidly growing crisis, bringing devastating effects on Ukraine's population but also on the future of the Russian economy, its future role in international trade, and serious consequences for global transport, energy and goods markets. Russia rightly considers itself an energy giant especially in the field of fossil fuels.

In just a few weeks, the conflict in Ukraine has fundamentally disrupted a decades-long energy relationship between Europe and Russia. Europe realizes that it cannot detach from Russia overnight because it still relies on Russian energy. Nevertheless, Russia's role in the European and global energy system is taking on a new, highly negative insignnia.

Following the invasion, the US, UK and EU (and a number of other countries) imposed severe economic sanctions, aimed at curbing Russia's influence globally, largely by preventing transactions with a growing number of designated entities and restricting the country's access to foreign reserves and liquidity. Such measures have major implications for Russia's economic stability.

The current restrictions and sanctions, which can have both a significant direct and indirect impact on global shipping, could be broadly classified into three key risk areas:

1. Restrictions based on persons / entities, including sanctioned persons and sanctions relating to banks
2. Geographical restrictions
3. Restrictions on Prohibited Activities

It is necessary to emphasize the fluidity of the situation regarding sanctions against Russia and Russian legal and natural persons.

Russia is the world's second largest oil exporter and supplies Europe with 45% of its natural gas, 45% of coal and 25% of its oil. Moreover, hydrocarbons are the backbone of the Russian economy. In 2019, (before the fall in prices due to COVID), revenues from oil and natural gas accounted for 40% of the country's budget. And oil and gas accounted for almost half of Russia's total commodity exports in 2021.

One of the issues related to the impact of tougher sanctions on Russia, and the possible opening of new seaways, is to what extent China (and to some extent India) can help mitigate their impact.

Large energy companies such as Shell, ExxonMobil and Equinor are giving up investments dating back decades. Public opinion and shareholder pressure are hampering their willingness to buy Russian oil on the open market. Russia will have to turn elsewhere in its search for buyers. About 20% of Russian oil goes to China, but Russia's turn to the East is limited by geology, geography and geopolitics. All the above will certainly affect the redrawing of the new energy map of the world and thus inevitably the tonne mile in shipping.

Due to the extremely dynamic, complex and constantly changing circumstances, including measures of restrictions and sanctions against individual natural and legal persons, we are currently unable to quantify and qualify the impact of the full range of changes to the Company's operations, whereby global recession, as a worst-case scenario, cannot be excluded if the supply of fossil fuels and agricultural products from Eastern Europe becomes completely cut off.

In addition to the foregoing, no other events or transactions have occurred after December 31, 2021 that would have a material effect on TNG's financial statements as at or for the period thereafter or are of such significance to TNG's business activities that they would require disclosure in the notes to the financial statements.

Annual company status report for the year 2021
Signed on behalf of the Management Board by:



John Karavanić,
Member of the Management Board
Tankerska Next Generation d.d.

Zadar, April 29th, 2022

SUPERVISORY BOARD REPORT FOR 2021
TANKERSKA NEXT GENERATION d.d.

Pursuant to Article 263, paragraph 3, Article 280, paragraph 3, and Article 300c and d. of the Companies Act (Official Gazette, no. 152/11 - consolidated text, 111/12 and 68/13), the Supervisory Board TANKERSKA NEXT GENERATION Inc. at its 40. session held on 29th April 2022 adopted the

THE SUPERVISORY BOARD OF TANKERSKA NEXT GENERATION'S REPORT ON THE EXECUTED SUPERVISION OF THE COMPANY'S OPERATIONS IN 2021

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

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

In 2021, as of August 21, 2019, the Supervisory Board performed consisting of the following members: Ivica Pijaca - President, Mario Pavić, Deputy President; Nikola Koščica, Joško Miliša and Dalibor Fell, members. The Supervisory Board's mandate is over a four-year term.

During 2021, the shipping market continued to face the negative effects of the COVID-19 pandemic and the fact that global economies are still struggling to emerge from the lockdown. The somewhat moderate ascend in the spot markets seen in the fourth quarter of 2021 was very short-lived. A glance at the Baltic Exchange Clean Tanker Index with an average index of 530 during the year, we can undoubtedly conclude that a gloomy picture of the product tanker markets was recorded in 2021.

At the date of this report, the Company has four active time charter contracts, three of which are longer than one year. During 2021, the Company held a total of four time charters of various periods, three of which were from 2020 for the vessels Vinjerac, Vukovar and Zoilo, while one short-term time charter for up to 4 month for Velebit was contracted during the second quarter of 2021. All time charters were concluded in accordance with usual market practices and based on standard industry terms for such contracts. Due to poor market conditions and low levels of hires and rates, at the end of 2021 the Company had only two active time charter contracts (for Vinjerac and Vukovar).

Tankerska Next Generation d.d. had a total of 908 time charter days in 2021, which was significantly lower than in 2020 (1,466 days), primarily due to low spot and time-charter freight rates on the product tanker markets throughout the year and partly due to scheduled regular five-year dry-docking of the fleet on the vessels Pag, Velebit and Vinjerac.

Despite the relatively poor market conditions that characterized the 2021 and a significant number of days out of exploitation (97 days) mostly due to regular five-year dry-docking, Tankerska Next Generation achieved EBITDA of 9,238 million US dollars, relying on vessels with running time charters, with a smaller contribution from vessels operating in the spot market in the last quarter of the year when a moderate rise was recorded in the spot markets.

During 2021, three vessels from TNG's fleet successfully completed their five-year docking, thus completing the cycle of dry-docking and ballast water treatment installation on all vessels in the fleet.

The business year 2021 will go down with a slightly lower level of employment of the fleet at 95.6%, primarily due to the dry-docking of m/t Pag, m/t Velebit and m/t Vinjerac; which accounts for 87 out of a total of 97 recorded days with no revenue.

Days out of service due to regular dry-docking were recorded as follows:

Pag in Q1 / 2021, including the installation of BWTS,
lasting 19.31 days, out of a total of 42.94 days in dry-docking, initially planned for 25 days
Velebit in Q2 / 2021, including the installation of BWTS,
lasting 29.76 days, initially planned for 30 days
Vinjerac in Q2-Q3 / 2021, including the installation of BWTS,
lasting 38.27 days, initially planned for 30 days

Total number of drydocking days in 2021: 87

During the first session in 2022, the Supervisory Board was presented with the decision of the Management Board on the value adjustment of tangible assets. This decision establishes that there are reasons for impairment of assets i.e. vessels owned by subsidiaries as of December 31st 2021, as a result, the provisions of IAS 36 "Impairment of assets" should apply.

Significant impairment losses on ships are recognized as an expense in the income statement. The impairment loss is USD 9,854,085.67. At the same time, for two vessels, portion of the impairment loss was reversed and recognized as revenue in the income statement in the amount of USD 954,560.64.

Impairment losses and reversals of impairment losses will be disclosed by the Company in the Notes to the financial statements in accordance with International Financial Reporting Standards.

TNG ended the business year 2021 with HRK 253.9 million (USD 39.8 million) in vessel revenues, which is an increase of 7.1% compared to vessel revenues generated in 2020 in the amount of HRK 237.0 million (35.4 million USD). This change is the result of greater exposure to the spot markets where the ship-owner generates nominally higher revenue, but is also burdened by higher voyage costs due to the nature of the business in which the ship-owner covers voyage-related costs such as bunker fuel, port and agency fees and other costs.

Earnings before interest, taxes, depreciation and amortization (EBITDA) in 2021 amounted to HRK 59.1 million (USD 9.2 million), and decreased compared to the previous year when it amounted to HRK 97.3 million (USD 14.3 million) and is moderated by the impairment loss of the vessels.

Average TCE net daily freight rates in 2021 were \$ 11,763 and average daily operating ship costs for 2021 were \$6,897, and are higher than the previous year's level, primarily due to higher seafarer repatriation costs caused by the pandemic and partly increased lubricant prices, spare parts and other operating costs.

By adapting the strategy to current market conditions, management seeks to ensure a sufficient level of flexibility and mitigate current volatility. The ratio of ship employment the spot market and on time charters enabled Tankerska Next Generation to reposition ships in geographically more favorable regions for more adequate and successful dry-dockings and the ability to respond to expected long-term positive trends in the freight market in a timely manner.

Following the dry-dockings and adjustments and technical changes related to the regulatory environment in the past period, during the next quarters TNG's management will focus on activities aimed at achieving an optimal employment structure and providing the necessary resources to continue a balanced business.

The report of the Supervisory Board was compiled for 2021 and covers the period of operation of Tankerska Next Generation d.d. from January 1, 2021 to December 31, 2021.

The Supervisory Board of the Company, according to the powers given by the provisions of the Companies Act and the Articles of Association, continuously monitored the conduct of the Company during 2021, making decisions and conclusions during five meetings held in 2021. Through the Audit Committee, additional emphasis was placed on the area of external audit and comprehensive consideration and minimization of business risks.

Supervising the management of the Company's operations during 2021, the Supervisory Board discussed key issues related to the operations of the Company and its subsidiaries and was regularly reported by the Company's Management Board. The Supervisory Board was informed by the Company's Management Board about all important business events, implementation of five-year mandatory dry-docking, installation of BWTS, refinancing of existing loans, regulatory requirements, income and expenses, impairments of assets and general business conditions. The Management Board regularly submitted quarterly, semi-annual and annual verbal and written business reports to the Supervisory Board.

During 2021, a total of 5 sessions of the Supervisory Board were held, attended by all members of the Supervisory Board, except for the 37th session, in which one member was absent.

At its meeting in February 2021, the Supervisory Board gave its consent to the refinancing of ABN AMRO Bank's facility for the vessels M/T Pag, M/T Vinjerac and M/T Velebit.

At its session in April 2021, the Supervisory Board unanimously adopted the first ESEF report of the Company for 2020, which made TNG one of the first companies listed on the Zagreb Stock Exchange to prepare and publish noted report. Also, at the mentioned session, the Supervisory Board adopted the first report of the Company on the remuneration of the Management Board and the Supervisory Board members for 2020, prepared in accordance with the adopted Remuneration Policy adopted in 2020.

Reviewing the management of the Company, the Supervisory Board determined that the Company in 2021 operated in accordance with the laws, the Articles of Association and the decisions of the General Assembly of the Company.

The Supervisory Board, within the legal deadlines and in accordance with the provisions of Article 300. c. of the Companies Act, examined the Annual Financial Statements of the Company and its subsidiaries for the year ending December 31st 2021 together with the opinion of the independent auditor Deloitte d.o.o. Zagreb, Zagrebtower, Radnička 80 (Auditor), submitted by the Management Board.

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

The Supervisory Board determined that the Annual Financial Statements of the Company for the year ended 31 December 2021 were prepared in accordance with the balance in the Company's books of account and show the correct asset and business condition of the Company and its subsidiaries.

The company operates in a specific business environment where business processes and the manner of reporting are regulated by special regulations, the Maritime Code, which prescribes the manner of keeping business books, reporting and other regulatory obligations to state administration bodies.

In accordance with this finding, the Supervisory Board approves the Annual Financial Statements for 2021 and the Auditor's opinion, whereby pursuant to Article 300d of the Companies Act, the Management Board and the Supervisory Board determined the Annual Financial Statements of the Company.

An integral part of the Annual Financial Statements of the Company and its subsidiaries for the business year ended 31 December 2021 are:

1. Statement of profit or loss and other comprehensive income;
2. Report on the financial position of the company;
3. Cash flow statement;
4. Report on changes in equity;
5. Notes to the financial statements;
6. Annual report on the condition of the Company and its subsidiaries
7. Independent auditor's opinion.

The Supervisory Board examined the Annual Report of the Management Board on the operations of the Company and its subsidiaries for 2021 and determined that it has accurately and objectively presented the current business situation and the state of the Company and its subsidiaries and approved the Annual Report of the Management Board and the state of the Company and its subsidiaries for the business year 2021.

The Management Board presented to the Supervisory Board a proposal for a decision on loss reconcile for 2021, which determines that the company Tankerska Next Generation d.d. in the business year ending 31 December 2021, generated a loss in the amount of HRK 86,988,823.67 and proposes that the loss in the amount of HRK 86,988,823.67 be compensated from retained earnings from previous years in the amount of HRK 56,701,883.11 and partly from capital reserves in the amount of HRK 30,286,940.56.

The Supervisory Board agrees with the above proposal of the Decision on covering the loss of Tankerska Next Generation d.d. for 2021 and proposes to the General Assembly of the Company to obtain such a decision.



Ivica Pijaca

President of the Supervisory board

Tankerska Next Generation d.d. Zadar
Annual report
For the year ended 31 December 2021
together with Independent Auditor's Report

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

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Responsibility for the financial statements

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

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


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

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

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

The Management Board authorised these financial statements for issue on 29th of April 2022.

Signed on behalf of the Management Board by:



John Karavanić,
Member of the Management Board

Tankerska Next Generation d.d.

Božidara Petranovića 4

23000 Zadar

Republic of Croatia

29th of April 2022

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Tankerska Next Generation d.d., Zadar

Opinion

We have audited the accompanying financial statements of Tankerska Next Generation d.d., Zadar and its subsidiaries (hereinafter jointly referred to as "TNG"), which comprise the statement of financial position at 31 December 2021, and the statement of profit or loss and other comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies ("financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of TNG at 31 December 2021, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union.

Basis for Opinion

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

Emphasis of matter

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

Key Audit Matters

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

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

The company was registered at Zagreb Commercial Court: MBS 030022053; paid-in initial capital: Kn 44,900.00; Company Directors: Marina Tonžetić, Dražen Nimčević and Katarina Kadunc; Bank: Privredna banka Zagreb d.d., Radnička cesta 50, 10 000 Zagreb, bank account no. 2340009-1110098294; SWIFT Code: PBZGHR2X IBAN: HR3823400091110098294.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/en/about to learn more.

INDEPENDENT AUDITOR'S REPORT (continued)

Key audit matter (continued)

Valuation of vessels

For accounting policies regarding the identified key audit matter refer to Note 2e, 2f, 2h, 2i and 2j. For additional information refer to Note 7 and 14 in the financial statements.

As at 31 December 2021 the carrying amount of the vessels managed by TNG was HRK 1,002,146 thousand (2020: HRK 1,002,441 thousand) i.e. USD 150,845 thousand (2020: 163,290 thousand).

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

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

The Management has obtained fair values based on independent sources and has also prepared impairment tests based on discounted cash flows for all vessels within the fleet, when preparing the annual financial statements. Testing is based on the estimated recoverable amounts per cash-generating unit, defined as the higher of fair value less estimated costs of disposal and value in use.

The key assumptions for estimating the value of ships relate to, among the other assumptions, to the expected long-term freight rates under time and voyage charter contracts and the average expected number of days in service, the daily expected operating cost within the medium-capacity tanker product sector (MR2) in which the Company operates both the discount rate and the estimated value of the steel at the time of scrapping. In order to obtain these valuations, the key assumptions are determined based on the average estimates derived from the available valuations of independent international maritime analysts.

Auditor's approach to the Key Audit Matters

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

- assessing the value-in-use models developed by the Management Board, including the consideration of the valuation methodology and the reasonableness of the underlying key assumptions and inputs based on our knowledge of the operations and the relevant industry and relying on the available supporting evidence such as cost budgets and forecasts and data observed on the market, which relate to future freight hires, interests rates and other. Furthermore, we reviewed the commitments contained in the underlying contracts;
- assessing the key assumptions made by the Management, including its consideration of the expected future short- and long-term rates, daily running costs, WACC, useful lives, residual values and macroeconomic assumptions;
- examining, on a test-basis, the committed cash inflows and cash outflows in the value-in-use calculation;
- checking the calculations of fair value less cost of disposal for vessels done by the Management Board, including a comparison of the carrying amounts of the vessels with available valuations prepared by an external and independent ship valuation broker;
- assessing the useful lives and residual values applied by the Management.

INDEPENDENT AUDITOR'S REPORT (continued)

Other Information

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

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

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

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

1. Information included in the other information is, in all material respects, consistent with the attached annual financial statements.
2. Management Report has been prepared, in all material respects, in accordance with Article 21 and 24 of the Accounting Act.
3. Corporate Governance Statement has been prepared, in all material aspects, in accordance with the Article 22, paragraph 1, items 3 and 4 of the Accounting Act, and includes also the information from Article 22, paragraph 1, point 2, 5, 6 and 7, and Article 24, paragraph 2 of the noted Act.

Based on the knowledge and understanding of the Company and its environment, which we gained during our audit of the financial statements, we have not identified material misstatements in the other information.

Responsibilities of the Management and Supervisory Boards for the financial statements

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Reporting on Compliance with the Commission Delegated Regulation (EU) No. 2018/815 for the Presentation of the Annual Report and Audited Financial Statements in European Single Electronic Format ("ESEF")

Report on the auditor's reasonable assurance of compliance of the annual financial statements ("financial statements") prepared pursuant to Article 462 paragraph 5 of the Capital Market Act applying the requirements of Delegated Regulation (EU) 2018/815 specifying a single electronic format reporting for the issuers ("ESEF Regulation"). We undertook a reasonable assurance engagement on whether the audited financial statements of TNG for the financial year ended 31 December 2021 have been prepared for public disclosure under Article 462 paragraph 5 of the Capital Market Act and are contained in the electronic file *74780000Y04HB9CIA883-2021-12-31-en.zip*, in all material aspects prepared in accordance with the requirements of the ESEF Regulation.

Responsibilities of Management and those charged with governance

The Management Board is responsible for the preparation and content of the financial statements in accordance with the ESEF Regulation.

In addition, the Management Board is responsible for maintaining an internal control system that reasonably ensures the preparation of financial statements without material non-compliance with the reporting requirements of the ESEF Regulation, whether due to fraud or error.

The Management Board of the Company is also responsible for:

- Public disclosure of financial statements contained in the annual report in the current XHTML format.
- Selection and use of XBRL tags in accordance with the requirements of the ESEF Regulation.

Those in charge for governance are responsible for overseeing the preparation of financial statements in ESEF format as part of the financial reporting process.

Auditor's Responsibility

Our responsibility is to carry out a reasonable assurance engagement and to express the conclusion, based on the audit evidence gathered, as to whether the financial statements are free from material non-compliance with the requirements of the ESEF Regulation. We conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements 3000 (revised) – *Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000)* published by the International Auditing and Assurance Standards Board. In accordance with this standard, we are required to plan and perform the engagement in order to obtain reasonable assurance for providing a conclusion.

Quality control

- We have conducted the engagement in compliance with independence and ethical requirements as provided by the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants. The code is based on the principles of integrity, objectivity, professional competence and due diligence, confidentiality and professional conduct. We are in compliance with the International Standard on Quality Control (ISQC 1) and accordingly maintain an overall management control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and statutory requirements.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Reporting on Compliance with the Commission Delegated Regulation (EU) No. 2018/815 for the Presentation of the Annual Report and Audited Financial Statements in European Single Electronic Format (ESEF) (continued)

Conducted procedures

Within the scope of the work performed, we have carried out the following audit procedures:

- We have read the requirements of the ESEF Regulation.
- We have gained an understanding of the Company's internal control processes relevant to the application of the requirements of the ESEF Regulation.
- We have identified and assessed the risks of material misstatement with the ESEF Regulation due to fraud or error.
- Based on this, we devised and designed procedures to respond to the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.

The aim of our procedures was to assess whether:

- Financial statements, which are included in the annual report, prepared in the current XHTML format.
- The information contained in the financial statements required by the ESEF Regulation is tagged and all tags meet the following requirements:
 - XBRL markup language was used.
 - The basic taxonomy elements listed in the ESEF Regulation with the closest accounting significance were used, unless an additional taxonomy element was created in accordance with Annex IV to the ESEF Regulations.
 - Tags comply with the common tagging rules under the ESEF Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusion

In our opinion, based on the procedures performed and the evidence obtained, the financial statements of TNG presented in ESEF format, contained in the above electronic file and pursuant to Article 462 paragraph 5 of the Capital Market Act are prepared for public disclosure and that they in all material determinants comply with the requirements of Articles 3, 4 and 6 of the ESEF Regulation for the year ended 31 December 2021.

In addition to this conclusion, as well as the opinions contained in this Independent Auditor's Report for the accompanying financial statements and annual report for the year ended 31 December 2021, we do not provide any opinion on the information contained in these representations or other information contained in the above file.

INDEPENDENT AUDITOR'S REPORT (continued)

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

The General Assembly of TNG appointed us an Auditor of the Company on July 2, 2021 for the purpose of auditing the accompanying financial statements. Our uninterrupted engagement lasts for a total of eight years and relates to the period from 1 January 2014 to 31 December 2021.

We affirm the following:

- Our audit opinion on the accompanying financial statements is consistent with an additional report issued to the TNG Audit Committee on April 28, 2022, in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council;
- No unauthorized non-broadcasting services referred to in Article 5 paragraph 1 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided.

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

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

Marina Tonžetić,
Director and Certified Auditor

Zagreb, 29th of April 2022

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

Deloitte d.o.o.
Radnička cesta 80
10 000 Zagreb
Republic of Croatia

Statement of profit or loss and other comprehensive income
for the year ended 31 December 2021

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

	Notes	2021 USD	2021 HRK	2020 USD	2020 HRK
REVENUE					
Vessel revenue	3	39,775	253,870	35,445	236,956
Other income	3	1,037	6,859	643	4,117
Total income		40,812	260,729	36,088	241,073
OPERATING EXPENSES					
Voyage expenses	4	(15,161)	(97,443)	(5,838)	(38,132)
Vessel operating expenses	5	(15,398)	(97,761)	(15,045)	(99,486)
Depreciation	6	(8,280)	(52,771)	(8,029)	(52,806)
Vessel value adjustment	7	(9,854)	(65,466)	(9,069)	(55,676)
General and administrative expenses	8	(999)	(6,352)	(946)	(6,290)
Total operating expenses		(49,692)	(319,793)	(38,927)	(252,390)
Profit from operations		(8,880)	(59,064)	(2,839)	(11,317)
Financial income	9	970	6,389	37	307
Financial expenses	10	(5,298)	(34,314)	(3,105)	(20,673)
Net financial income/(expense)		(4,328)	(27,925)	(3,068)	(20,366)
Tonnage tax	11	-	-	-	-
Earnings before tax		(13,208)	(86,989)	(5,907)	(31,683)
Income tax	12	-	-	-	-
Profit (loss) of the year		(13,208)	(86,989)	(5,907)	(31,683)
<i>Attributable to:</i>					
<i>Owners of the parent</i>		<i>(13,208)</i>	<i>(86,989)</i>	<i>(5,907)</i>	<i>(31,683)</i>
<i>Non-controlling interests</i>		<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
		(13,208)	(86,989)	(5,907)	(31,683)
Other comprehensive income					
<i>Items not reclassified subsequently to profit or loss</i>					
Exchange differences on translation of foreign operations		1,515	56,845	189	(54,474)
Total comprehensive income		(11,693)	(30,144)	(5,718)	(86,157)
<i>Attributable to:</i>					
<i>Owners of the parent</i>		<i>(11,693)</i>	<i>(30,144)</i>	<i>(5,718)</i>	<i>(86,157)</i>
<i>Non-controlling interests</i>		<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
		(11,693)	(30,144)	(5,718)	(86,157)
Earnings per share, basic and diluted	13	(1.51)	(9.98)	(0.68)	(3.63)

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

Statement of financial position
for the year ended 31 December 2021

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

	Notes	At 31 December 2021 USD	At 31 December 2021 HRK	At 31 December 2020 USD	At 31 December 2020 HRK
NON-CURRENT ASSETS					
Vessels and equipment	14	150,845	1,002,146	163,290	1,002,441
Financial assets		-	-	-	-
Total non-current assets		150,845	1,002,146	163,290	1,002,441
CURRENT ASSETS					
Inventories	15	2,108	14,004	1,469	9,023
Trade and other receivables	16	7,662	50,905	5,572	34,204
Prepaid expenses and accrued income	17	758	5,038	630	3,865
Cash and cash equivalents	18	8,344	55,433	5,669	34,804
Total current assets		18,872	125,380	13,340	81,896
Total assets		169,717	1,127,526	176,630	1,084,337
SHAREHOLDERS' EQUITY AND RESERVES					
Share capital	19	68,988	436,667	68,988	436,667
Share premium		10,179	68,426	10,179	68,426
Reserves	19	9,252	60,118	9,252	60,118
Exchange differences - positive	19	-	13,365	-	-
Exchange differences - negative		(2,419)	-	(3,934)	(43,480)
Retained earnings		9,738	56,702	15,655	88,448
Profit (loss) of the year		(13,208)	(86,989)	(5,907)	(31,683)
Total capital and reserves		82,530	548,289	94,233	578,496
NON-CURRENT LIABILITIES					
Interest-bearing loans and borrowings	20	70,699	469,695	64,473	395,803
Total non-current liabilities		70,699	469,695	64,473	395,803
CURRENT LIABILITIES					
Interest-bearing loans and borrowings	20	10,038	66,690	12,319	75,628
Trade and other payables	21	4,815	31,987	3,780	23,205
Accrued expenses and deferred income	22	1,635	10,865	1,825	11,205
Total current liabilities		16,488	109,542	17,924	110,038
Total liabilities		87,187	579,237	82,397	505,841
Total shareholders' equity and liabilities		169,717	1,127,526	176,630	1,084,337

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

Statement of cash flows
for the year ended 31 December 2021

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

	Notes	2021 USD	2021 HRK	2020 USD	2020 HRK
OPERATING ACTIVITIES					
Profit (loss) for the year		(13,208)	(86,989)	(5,907)	(31,683)
<i>Adjusted by:</i>					
Depreciation	14	8,280	52,771	8,029	52,806
Vessel value adjustment	14	9,854	65,466	9,069	55,676
Reversal of impairment losses		(955)	(6,342)	-	-
Interest expense	10	2,809	17,826	2,926	19,570
Interest income	9	(3)	(16)	(12)	(82)
Exchange differences from related-party transactions	9	(967)	(6,373)	179	1,103
Net change in foreign exchange differences	9, 10	2,489	16,488	(25)	(225)
		8,299	52,831	14,259	97,165
Changes in working capital					
Increase in current receivables		(2,672)	(18,629)	(3,430)	(23,969)
Increase in inventories	15	(636)	(4,139)	(663)	(3,945)
Decrease in current liabilities	21, 22	1,330	9,667	875	3,808
Interest paid		(2,556)	(16,290)	(3,040)	(20,411)
Interest received		2	14	14	96
Cash flows from operating activities		3,767	23,454	8,015	52,744
INVESTING ACTIVITIES					
Cash paid for purchases of vessels and equipment	21, 14	(5,024)	(31,661)	(5,014)	(32,612)
Other expenditures		(2)	(8)	(78)	(503)
Cash flows from investing activities		(5,026)	(31,669)	(5,092)	(33,115)
FINANCING ACTIVITIES					
Received loans		87,392	551,573	2,000	12,319
Repayments of received loans		(83,446)	(526,486)	(9,382)	(62,608)
Dividends paid		-	-	-	-
Share buy-back		(10)	(64)	(86)	(581)
Cash flows from operating activities		3,936	25,023	(7,468)	(50,870)
Net (decrease)/increase in cash and cash equivalents		2,677	16,808	(4,545)	(31,241)
Effects of exchange rate changes on the balance of cash		(2)	3,821	32	(1,667)
Cash and cash equivalents at beginning of period		5,669	34,804	10,182	67,712
Cash and cash equivalents at end of period	18	8,344	55,433	5,669	34,804

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

Statement of changes in shareholders' equity

for the year ended 31 December 2021

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

	Share capital	Retained earnings	Foreign-exchange differences reserve	Other reserves	Share premium	Purchase of own shares	Total
	USD	USD	USD	USD	USD	USD	USD
Balance at 31 December 2019	68,988	15,918	(4,123)	9,218	10,179	(143)	100,037
Profit (loss) for the year	-	(5,907)	-	-	-	-	(5,907)
Exchange differences on translation of foreign operations	-	-	189	-	-	-	189
Total comprehensive income	-	(5,907)	189	-	-	-	(5,718)
Transfer of other reserves	-	(177)	-	177	-	-	-
Share buy-back	-	(86)	-	86	-	(86)	(86)
Paid dividend	-	-	-	-	-	-	-
Balance at 31 December 2020	68,988	9,748	(3,934)	9,481	10,179	(229)	94,233
Profit (loss) for the year	-	(13,208)	-	-	-	-	(13,208)
Exchange differences on translation of foreign operations	-	-	1,515	-	-	-	1,515
Total comprehensive income	-	(13,208)	1,515	-	-	-	(11,693)
Transfer of other reserves	-	-	-	-	-	-	-
Share buy-back	-	(10)	-	10	-	(10)	(10)
Paid dividend	-	-	-	-	-	-	-
Balance at 31 December 2021	68,988	(3,470)	(2,419)	9,491	10,179	(239)	82,530

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

Statement of changes in shareholders' equity (continued)

for the year ended 31 December 2021

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

	Share capital	Retained earnings	Foreign-exchange differences reserve	Other reserves	Share premium	Purchase of own shares	Total
	HRK	HRK	HRK	HRK	HRK	HRK	HRK
Balance at 31 December 2019	436,667	90,196	10,994	59,948	68,426	(997)	665,234
Profit (loss) for the year	-	(31,683)	-	-	-	-	(31,683)
Exchange differences on translation of foreign operations	-	-	(54,474)	-	-	-	(54,474)
Total comprehensive income	-	(31,683)	(54,474)	-	-	-	(86,157)
Transfer of other reserves	-	(1,167)	-	1,167	-	-	-
Share buy-back	-	(581)	-	581	-	(581)	(581)
Paid dividend	-	-	-	-	-	-	-
Balance at 31 December 2020	436,667	56,765	(43,480)	61,696	68,426	(1,578)	578,496
Profit (loss) for the year	-	(86,989)	-	-	-	-	(86,989)
Exchange differences on translation of foreign operations	-	-	56,845	-	-	-	56,845
Total comprehensive income	-	(86,989)	56,845	-	-	-	(30,144)
Transfer of other reserves	-	-	-	-	-	-	-
Share buy-back	-	(63)	-	63	-	(63)	(63)
Paid dividend	-	-	-	-	-	-	-
Balance at 31 December 2021	436,667	(30,287)	13,365	61,759	68,426	(1,641)	548,289

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

Notes to the financial statements
For the year ended 31 December 2021

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

1. GENERAL INFORMATION

History and incorporation

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

The Company's registered activities comprise the following:

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

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

Governance and management

In the period from 1 January 2021 to the issuance of these financial statements the members of the Supervisory Board were as follows:

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

Notes to the financial statements
For the year ended 31 December 2021

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

1. GENERAL INFORMATION (CONTINUED)

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

In the period from 1 January 2021 to the issuance of these financial statements the members of the Audit Committee were as follows:

Ante Gavran	Chairman of the Audit Committee
Mario Pavić	Member of the Audit Committee
Genarij Sutlović	Member of the Audit Committee

At 31 December 2021, there were 3 persons employed at the Company's administration (31 December 2020: 3 employees). At 31 December 2021 the crew of subsidiary Tankerska Next Generation International Ltd. consisted of 131 seamen on a contract basis (31 December 2020: 132 seamen on a contract basis).

The ownership structure as at 31 December 2021 is set out below:

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

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

1. GENERAL INFORMATION (CONTINUED)

These financial statements for the period ended 31 December 2021 comprise of the financial statements of Tankerska Next Generation d.d. and its foreign subsidiaries (shipping companies operating internationally) that Tankerska Next Generation d.d. controls from a single administrative seat and under single governance body, and for which it is in obligation to keep business records and prepare financial statements for the full operations in the country and abroad according to the article 429.a paragraph 4. of the Maritime Code (Official Gazette of the Republic of Croatia "Narodne novine" nos. 181/04., 76/07., 146/08., 61/11., 56/13., 26/15. and 17/19.) has the obligation to maintain business records and prepare financial statements for integrated domestic and foreign operations, including all shipping companies in its majority ownership that perform the economic activities using the ships the net tonnage of which is included in the tonnage tax assessment.

As subsidiaries of Tankerska Next Generation d.d. may not have the obligation, pursuant to the applicable legislation in the relevant domicile countries, to maintain business records and prepare financial statements in the respective countries of domicile, Tankerska Next Generation d.d. presents the assets and liabilities, revenue and expenses of its subsidiaries in its financial statements, as specified in the Accounting Act and the Profit Tax Act and in accordance with the requirements of International Financial Reporting Standard adopted by the European Union ("IFRS").

The financial statements for the year ended 31 December 2021 were authorised for issue in accordance with the underlying decision of the Management Board. Pursuant to the Croatian Companies Act, they have to be approved by the Supervisory Board.

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

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Statement of compliance

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

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

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

- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 7 “Financial Instruments: Disclosures”, IFRS 4 “Insurance Contracts” and IFRS 16 “Leases”** - Interest Rate Benchmark Reform — Phase 2 adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 16 “Leases”** - Covid-19-Related Rent Concessions beyond 30 June 2021 adopted by the EU on 30 August 2021 (effective from 1 April 2021 for financial years starting, at the latest, on or after 1 January 2021),
- **Amendments to IFRS 4 Insurance Contracts “Extension of the Temporary Exemption from Applying IFRS 9”** adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023).

The adoption of amendments to the existing standards has not led to any material changes in the Company's financial statements.

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

- **Amendments to IAS 1 “Presentation of Financial Statements”** - Disclosure of Accounting Policies adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** – Definition of Accounting Estimates adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 16 “Property, Plant and Equipment”** - Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”** - Onerous Contracts - Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 3 “Business Combinations”** - Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **IFRS 17 “Insurance Contracts”** including amendments to IFRS 17 issued by IASB on 25 June 2020 - adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to various standards due to “Improvements to IFRSs (cycle 2018 -2020)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.).

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at date of publication of financial statements (the effective dates stated below is for IFRS as issued by IASB):

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 12 “Income Taxes”** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IFRS 17 “Insurance contracts”** - Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023).

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

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Company’s estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39: “Financial Instruments: Recognition and Measurement”** would not significantly impact the financial statements, if applied as at the balance sheet date.

a) Functional and presentation currency

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

TNG presents its financial statements in two currencies, the Croatian kunas (HRK) according to the regulation of the Republic of Croatia and the US dollars (USD) according to the industry and business practice of its foreign subsidiaries. The conversion of USD into HRK as the functional currency and the currency in which all business events are recorded, is performed in accordance with the relevant accounting standards and as requirement by IAS 21: The Effects of Changes in Foreign Exchange Rates. (note 2.d).

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Functional and presentation currency (continued)

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

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

Exchange differences arising on translation of foreign operations presented in US dollars are credited or debited to Shareholders' equity and reserves.

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

<u>USD/HRK</u>	<u>2021</u>
31 December	6.643548

<u>USD/HRK</u>	<u>2020</u>
31 December	6.139039

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

b) Use of estimates and judgements

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

Key sources of estimation uncertainty and assumptions that affect the application of policies with significant effect on the amounts recognized in the financial statements are disclosed in paragraph 2.gg) of this note.

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Basis of preparation

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

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

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

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

The carrying amount of direct and indirect investments of Tankerska Next Generation d.d. in its subsidiaries at 31 December 2021:

	USD	HRK	ownership share%
1. Tankerska Next Generation International Ltd., Majuro, Marshall Islands	75,938	491,258	100.00
2. Fontana Shipping Company Limited, Monrovia, Liberia	25,088	162,298	100.00
3. Teuta Shipping Company Ltd., Monrovia, Liberia	6,280	40,625	100.00
4. Vukovar Shipping, LLC, Majuro, Marshall Islands	15,170	98,140	100.00
5. Zoilo Shipping, LLC, Majuro, Marshall Islands	14,571	94,263	100.00
6. Pag Shipping, LLC, Majuro, Marshall Islands	16,142	104,514	100.00
Total	153,189	991,098	100.00

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Foreign currencies

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

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

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

e) Property, plant and equipment

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

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

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

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

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Property, plant and equipment (continued)

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

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

- company vehicle	5 years
- computers and telecom equipment	4 years

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

f) Impairment of non-current intangible and tangible assets

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

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

Assets with the right of use in accordance with IFRS 16 are considered to be non-financial assets. Therefore, they are within the scope of the application of IAS 36. Impairment losses are recognised in the income statement whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.

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

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

The Management Board performs impairment tests based on discounted cash flows for the entire fleet, at annually when preparing the year-end financial statements. Tests are based on the estimated recoverable amounts, defined as the higher of fair value less estimated costs of disposal or value in use. Key assumptions regarding valuation of vessels are long-term charter rates from time charter and the average expected number of working days, the daily expected operating cost within the medium range tanker product sector (MR2) in which TNG operates, the discount rate and the estimated scrap value of the steel at the time of demolition. Impairment losses on goodwill are not reversed. In respect of other assets, an impairment loss is reversed when there is an indication that the previously recognised impairment loss is either reduced or no longer exists, based on a review performed at each reporting date. Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of accumulated depreciation or amortisation, if no impairment loss had been recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Vessel operating costs

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

h) Depreciation of vessels

The carrying amount of each vessel is its initial cost at the time of delivery or acquisition (except for vessels acquired in a business combination, which are measured at the acquisition-date fair value) less accumulated depreciation and impairment. Depreciation of vessels is provided to write down the cost to the residual value over the estimated useful life of a ship by applying the straight-line method, starting from the date of the original delivery i.e. acquisition. The estimated useful life of TNG's vessels is 25 years from the date of accepting a ship from the shipyard, in line with the industry practice for identical ships. The estimated useful life of a ship takes into account the ship design, the commercial characteristics and factors as well as any regulatory restrictions.

Because of volatile and cyclical tendencies of the scrap prices, the estimated residual value of a vessel does not need to represent the market value at a certain point of time.

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

i) Dry-docking

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

j) Vessel impairment and dry-docking costs

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Vessel impairment and dry-docking costs (continued)

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

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

k) Financial assets

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

- i. Financial assets in the business model held to collect - receivables from customers and other receivables, cash and cash equivalents. With the requirement of passing the cash flow test, which consists solely of principal payments and interest on the outstanding principal, financial assets are measured at amortized cost in this business model.
- ii. Financial assets in the business model held to collect and sell - In this business model TNG holds financial assets managing liquidity risk. In this business model, subject to the requirement of passing the cash flow test, which consists solely of principal payments and interest on the outstanding principal, financial assets are measured at fair value through other comprehensive income.
- iii. Financial assets in the business model held to collect and sell - in this business model TNG holds the financial assets it trades. In this business model, financial assets are measured at fair value through profit or loss.

(I) Financial assets measured at amortized cost

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

- Financial assets are held within the business model for the purpose of holding financial assets for the purpose of collecting contractual cash flows,
- Contractual terms of financial assets arise from certain dates for cash flows that are solely principal payments and interest on the outstanding principal amount.

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Financial assets (continued)

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

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

If the contractual terms of a financial asset change significantly or a partial or full write-off of contracted cash flows occurs, the financial asset is derecognised, and new financial assets that are subject to retest are initially recognized.

The significance of a change in contractual terms is calculated by applying the original effective interest rate to cash flows due to a change in contractual terms. The difference arising from the original contracted cash flows and calculated in this way is recorded in the statement of comprehensive income if it is insignificant, while in the case of significant cash, derecognition is performed as previously stated. TNG defines the significance of a change in contractual terms at the qualitative and quantitative level during each change in the terms of an individual contract.

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

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

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

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

- Financial assets are held within the business model for the purpose of holding financial assets for the purpose of collecting or selling contractual cash flows,
- Contractual terms of financial assets arise from certain dates for cash flows that are solely principal payments and interest on the outstanding principal amount.

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

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

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Financial assets (continued)

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

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

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

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

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

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

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

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Receivables

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

m) Inventories

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

n) Cash and cash equivalents

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

o) Share capital

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

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

p) Dividends

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Interest-bearing loans and borrowings

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

s) Provisions

Provisions are recognized only when TNG has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by discontinuing the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

t) Trade and other payables

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

u) Employee benefits

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

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

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

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

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) Leases

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

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

(I) Initial recognition

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

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

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

- The amount of the initial measurement of the liability per lease,
- All lease payments made at the beginning of the lease or before that day, reduced to the amount of the subventions received for the lease,
- All initial direct costs that occur for the lessee, and
- A cost estimation, that the lessee will pay before the release of the asset, the renovation of the location of the asset or the return of the asset in the condition which was predetermined by the circumstances of the lease. The lessee's liability for these costs occur at the date of the beginning of the lease or as a consequence of usage of the certain asset over time.

(III) Initial liability measurement per lease

On the starting date of the lease, the lessee has the obligation to measure the liability per lease at its carrying amount which have not been paid until this date. The payment has to be discounted with the interest rate emerging from the lease, if it is possible to determine it directly. If the interest rate cannot be determined directly; the lessee is obligated to use the marginal interest rate of the lessee's debt.

At the beginning of a lease, the payments included in the measurement of the liability per lease include the following payments for the certain right-of-use asset during the lease period, which were not paid until the beginning of the lease:

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

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) Leases (continued)

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

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

(V) *Subsequent measurement of liabilities per lease*

After the beginning date of the lease, the lessee is obligated to measure the liability:

- (a) Increasing the carrying amount to maintain the interest on the liability per lease,
- (b) Decreasing the carrying amount to maintain the lease payments, and
- (c) Repeated carrying amount measurement to maintain changes of the lease, or to maintain revised lease payments that were fixed.

(VI) *Lease changes*

Lease changes can be:

- (a) Changes (modifications) of the contract which are considered as a separate lease, and
- (b) Changes (modifications) of the contract which are not considered as a separate lease

Contractual changes which are considered as a separate lease occur in two situations:

- (a) If with the change (modification) increases the leasing amount resulting in additional right-of-use asset.
- (b) If the compensation for the lease increases by the amount which reflects the individual price of the increase of extent and all adequate refinements such as the individual price to maintain the circumstances of the contract.

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

Changes (modifications) which are not considered as a separate lease concern:

- (a) If the change (modification) decreases the extent of the lease,
- (b) Every other change (modification) of a lease contract.

In the occurrence of a decreased lease extent, it is essential to decrease the right-of-use asset and the liabilities with the new discount rate. The difference between the initial amount and the new recognition is acknowledged through the Statement of profit or loss. The remaining changes (modifications) of the lease contract lead to the revision of liabilities with the new discount rate, such as adjustments in the identical amount in the position of right-of-use assets. From the caption of these changes, there are no direct effects on the statement of profit or loss.

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) Leases (continued)

(VII) TNG does not apply this standard on:

- (a) Short-term leases, and
- (b) Leases of low value assets.

For short-term leases (lease period is 12 months or less) and leases of low value assets, TNG has decided on a straight presentation of the lease expense in accordance with IFRS 16. These expenses are presented in the section of „General and administrative expenses“ in the statement of profit or loss and other comprehensive income.

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

z) Taxation

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

Income tax expense comprises current and deferred taxes. Income tax expense is recognised in the income statement to the extent of the tax relating to items within shareholder's equity and reserves when the expense is recognised under shareholder's equity and reserves.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

aa) Vessel revenue

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

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

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

For a business on the basis of voyage charter, the vessel is engaged in a voyage between two or more ports. TNG transfers control over the service over the time and hence, over the time, fulfils the obligation to execute and recognizes revenue. The obligation begins to be satisfied by handing over a notice of readiness within dates agreed with the charterer. TNG has determined that its voyage charters consist of a sole obligation to carry the cargo within a certain timeframe. Consequently, the obligation to execute the charter is equally satisfied as voyage is progressing and, as a result, the revenue is recognized linearly during the day of voyage from the beginning of the loading of the cargo to the end of the cargo discharging.

TNG uses output method of progress measurement to complete fulfilment of past performance obligations. By way of income tax, income is recognized on the basis of a direct measurement of the value of the goods or services transferred to a particular date for the charterer in relation to the remaining goods or services promised by the contract. TNG recognizes revenue at inception in the amount eligible for invoicing, as it is entitled to compensation from the charterer in an amount directly corresponding to the value.

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

aa) Vessel revenue (continued)

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

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

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

Revenue from Time charter contracts is usually fixed over the life of the contract. Vessels sailing under Time charter over a period of time allow for more predictable cash flows during that time period.

The structure of the freight rate in the case of a Time charter consists of a pre-agreed fixed daily freight rate for the use of the vessel, which is paid to the ship-owner semi-monthly or monthly in advance during a certain period.

Voyage charter revenue can be fixed or can be defined in such a way that the ship-owner receives the freight calculated by multiplying the ton of loaded cargo with the freight rate per ton of cargo for pre-determined loading or unloading ports, based on which the ship-owner at the beginning of the contract using the expected value method or the most probable amount can reliably estimate the expected amount of compensation to which they will be entitled in exchange for the performance of a contractual obligation or service to the charterer.

bb) Other vessel revenue

The other revenue consists mainly of revenue from demurrage realized from the charterer in court proceedings. Other revenues are recognised as they arise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

cc) Commissions and voyage related costs

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

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

Brokerage commission is payable under a time charter on hire. A commission under a voyage charter is payable on freight, and may be payable on dead freight and demurrage.

Voyage-related costs are typically paid by the vessel owner under voyage charters and by the customer (charterer) under time charters. TNG distinguishes between major and minor voyage-related costs.

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

Minor voyage-related costs, such as draft surveys, tank cleaning, postage and other minor miscellaneous costs incidental to a voyage, are typically paid by TNG. All voyage-related costs are recognised on an accrual basis of accounting.

dd) General and administrative expenses

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

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ee) Net financial income / (expense)

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

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

ff) Borrowing costs

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

gg) Significant accounting estimates and judgements

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

Income tax

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

Impairment of financial assets

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

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

gg) Significant accounting estimates and judgements (continued)

Provisions for contingent liabilities

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

Depreciation of vessels

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

for the data type 78038 - Indian Sub Continent Handysize Bulker Demolition Prices; and

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

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

Vessel impairment and dry-docking costs

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

hh) Operating segments

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

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

hh) Operating segments (continued)

2021

GEOGRAPHICAL REPRESENTATION OF CUSTOMERS AND ASSOCIATED REVENUES

Country	(%)
Singapore	43.6%
USA	33.8%
Switzerland	13.6%
Bahrein	3.6%
UAE	3.0%
Netherlands	1.2%
Katar	0.6%
Norway	0.6%
Total	100.0%

2020

GEOGRAPHICAL REPRESENTATION OF CUSTOMERS AND ASSOCIATED REVENUES

Država	(%)
Singapore	48.8%
USA	28.4%
Mexico	9.7%
Switzerland	4.7%
Republic of Korea	2.9%
United Kingdom	1.7%
Malta	1.6%
Norway	1.3%
Bermuda	0.8%
Panama	0.1%
Italy	0.1%
Total	100.0%

The Company does business with international customers who, in accordance with the specifics of the industry, do business in (or with) other countries, therefore, the above geographical representation of customers does not necessarily correlate with the directions of movement, loading or unloading of cargo and/or provided transport services.

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

3. REVENUE

VESSEL REVENUE	USD	HRK	USD	HRK
	2021	2021	2020	2020
Charter (hire) revenue	39,775	253,870	35,445	236,956
- Voyage charter	23,657	151,492	7,262	47,582
- Time charter	13,883	87,751	24,389	163,522
- Demurrage	2,235	14,627	3,794	25,852
Total	39,775	253,870	35,445	236,956

The total number of days of income from Time charter in 2021 was 908 days, which is 43.4% of the total revenue days in that year. The number of revenue days in 2021 was lower by 97 days due to the implementation of mandatory 5-year dry-docking and installation of ballast water treatment purifiers on 3 MR tankers, which affected the reduction of available revenue days for employment on the spot market through Voyage charter.

The Company has no variable payments based on Time charter revenue.

OTHER REVENUE	USD	HRK	USD	HRK
	2021	2021	2020	2020
Other vessel revenue	54	341	619	3,965
Reversal of impairment losses	955	6,342	-	-
Other management revenue	28	176	24	152
Total	1,037	6,859	643	4,117

The obligation to execute a contract based on a Voyage charter is fulfilled in proportion to the passage of time and as a result, revenue is recognized linearly during the voyage duration from the start of loading of cargo upon discharging of cargo.

The tanker market does not recognize the form of a typical contract in an international application that defines the fulfilment of the obligation under item "demurrage" within the defined time frame. Pursuant to the aforementioned demurrage, it receives a liability treatment with an undefined maturity. Income from demurrage is defined as the time spent loading or unloading cargo over the time specified in the Voyage charter party. The average maturity of receivables from demurrage is from 3 to 6 months. As the Company performs thorough background check of the counterparty at the moment of making the deal on the spot market, there is a very high degree of certainty that the claim will be settled, but at the same time such obligations of the charterer will have a longer time horizon of settlement.

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

3. REVENUES (CONTINUED)

The following tables briefly outline the terms of time charter during the period ending 31 December 2021 and 31 December 2020:

2021

No.	Name of the vessel	Year of construction	Type	Date delivered	Expiration date of the contract	Price (\$/Day)
1	Vinjerac	2011	MR PRODUKT TANKER	13.05.2020	14.05.2022	15,250
2	Vukovar	2015	MR PRODUKT TANKER	21.08.2020	21.08.2023	17,050

2020

No.	Name of the vessel	Year of construction	Type	Date delivered	Expiration date of the contract	Price (\$/Day)
1	Vinjerac	2011	MR PRODUKT TANKER	13.05.2020	14.05.2022	15,250
2	Velebit	2011	MR PRODUKT TANKER	05.12.2020	17.01.2021	16,000
3	Vukovar	2015	MR PRODUKT TANKER	21.08.2020	21.08.2023	17,050
4	Zoilo	2015	MR PRODUKT TANKER	23.11.2020	21.02.2021	12,421

The total future guaranteed revenue from time charters (net of commission), are as follows:

	USD	HRK	USD	HRK
	<u>31.12.2021</u>	<u>31.12.2021</u>	<u>31.12.2020</u>	<u>31.12.2020</u>
Up to 1 year	8,163	54,234	12,552	77,057
Between 1 and 5 years	3,923	26,063	12,086	74,196
Total	<u>12,086</u>	<u>80,297</u>	<u>24,638</u>	<u>151,253</u>

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

4. VOYAGE EXPENSES

	USD	HRK	USD	HRK
	2021	2021	2020	2020
Fuel oil (Bunker)	8,517	54,754	2,800	18,357
Port costs	4,493	28,924	1,472	9,422
Commissions to brokers and agents	1,135	7,254	822	5,464
Fee for managing commercial operations - related parties	599	3,832	534	3,508
Other voyage-related costs	417	2,679	210	1,381
Total	15,161	97,443	5,838	38,132

The increase in voyage-related costs can be attributed to the greater exposure to the spot market during 2021, compared to the previous year when significantly more vessels were employed under time charter contracts. With greater exposure to the spot market, the shipowner generates nominally higher revenue, but is also burdened by higher costs due to the nature of the business in which the shipowner covers voyage-related costs such as fuel, port and agency fees and other costs.

5. VESSEL OPERATING EXPENSES

	USD	HRK	USD	HRK
	2021	2021	2020	2020
/i/ Crew costs	8,971	57,202	8,907	58,577
/ii/ Consumables	1,111	6,768	1,163	8,055
/iii/ Maintenance costs	2,110	13,451	2,103	13,814
Management fee for other activities – related parties	1,198	7,584	1,238	8,195
/iv/ General vessel expenses	1,270	8,075	1,144	7,564
Insurance costs	738	4,681	490	3,281
Total	15,398	97,761	15,045	99,486

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

5. VESSEL OPERATING EXPENSES (CONTINUED)

Under the Management Agreement, Tankerska plovodba d.d. as the Fleet Manager has the obligation to provide operational and commercial management, crewing, insurance arrangements, vessel purchases and sale, required vessels supplies, including fuels. Under the Management Agreement, the Fleet Manager also receives a vessel management fee based on an international publication BDO LLP (ex. Moore Stephens) also available on the website <https://www.opcostonline.com>, with regards to Shipping Opcost tool, specifies the average daily cost for each type of vessel, which is determined as 67 percent of the amount specified in this publication. Seafarers forming vessel crew are hired in accordance with the underlying agreements with the Fleet Manager or its related parties performing seafarer's recruiting activities. The fee is calculated monthly or on a pro-rata daily basis for a period below one month, and the Fleet Manager charges the actual crew expenses to operating expenses of TNG.

	USD	HRK	USD	HRK
	2021	2021	2020	2020
<i>/i/ Crew costs</i>				
Crew salaries	7,552	48,157	7,536	49,582
Crew travel expenses	849	5,416	796	5,221
Victuals	470	2,995	472	3,105
Other crew expenses	100	634	103	669
Total	8,971	57,202	8,907	58,577
<i>/ii/ Consumables</i>				
	USD	HRK	USD	HRK
	2021	2021	2020	2020
Small inventory items, paints and varnishes, chemicals and gases	729	4,629	726	4,838
Lubricants and greases	382	2,139	437	3,217
Total	1,111	6,768	1,163	8,055
<i>/iii/ Maintenance costs</i>				
	USD	HRK	USD	HRK
	2021	2021	2020	2020
Spare parts	1,197	7,646	1,294	8,519
Maintenance and repairs	913	5,805	809	5,295
Total	2,110	13,451	2,103	13,814

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

5. VESSEL OPERATING EXPENSES (CONTINUED)

/iv/ Overheads	USD	HRK	USD	HRK
	2021	2021	2020	2020
Postage, telephone and telecommunications	238	1,515	231	1,518
Other overhead costs	457	2,917	337	2,236
Other overhead costs – related parties	575	3,643	576	3,810
Total	1,270	8,075	1,144	7,564

6. DEPRECIATION

	USD	HRK	USD	HRK
	2021	2021	2020	2020
Depreciation of vessels (Note 14)	8,279	52,766	8,028	52,800
Depreciation of other tangible assets (Note 14)	1	5	1	6
Total	8,280	52,771	8,029	52,806

In 2021 vessel depreciation charge includes the depreciation charge on dry-docking costs for the vessels „Velebit“, „Vinjerac“, „Vukovar“, „Dalmacija“, „Zoilo“ and „Pag“ in the amount of HRK 5.8 million, i.e. USD 911 thousand (2020: vessels „Velebit“, „Vinjerac“, „Vukovar“, „Dalmacija“ and „Zoilo“ in the amount of HRK 2.5 million, i.e. USD 382 thousand).

7. VESSEL VALUE ADJUSTMENT

	USD	HRK	USD	HRK
	2021	2021	2020	2020
Vessel value adjustment (Note 14)	9,854	65,466	9,069	55,676
Total	9,854	65,466	9,069	55,676

The Company has determined that there are reasons for the impairment of the asset - vessels „Pag“, „Velebit“ and „Vinjerac“ and the impairment loss is recognized in the income statement in the amount of HRK 65.5 million or USD 9.9 million (vessels „Dalmacija“, „Pag“, „Vukovar“ and „Zoilo“ in the amount of HRK 55.7 million, i.e. USD 9.1 million).

Notes to the financial statements (continued)

For the year ended 31 December 2021

*(All amounts are expressed in thousands of USD and thousands of HRK)***7. VESSEL VALUE ADJUSTMENT (CONTINUED)****2021**

COMPANY – VESSEL	MARKET VALUE		BOOK VALUE		DIFFERENCE	
	USD	HRK	USD	HRK	USD	HRK
Fontana Shipping Company Limited – VELEBIT	19,081	126,769	23,000	152,805	(3,919)	(26,036)
Fontana Shipping Company Limited – VINJERAC	19,710	130,944	24,383	161,988	(4,673)	(31,044)
Pag Shipping LLC - PAG	28,350	188,345	29,612	196,731	(1,262)	(8,386)
Impairment loss as an expense in the income statement	67,141	446,058	76,995	511,524	(9,854)	(65,466)

2020

COMPANY – VESSEL	MARKET VALUE		BOOK VALUE		DIFFERENCE	
	USD	HRK	USD	HRK	USD	HRK
Vukovar Shipping LLC – VUKOVAR	29,292	179,827	31,337	192,382	(2,045)	(12,555)
Zoilo Shipping LLC – ZOILO	29,495	181,074	31,627	194,162	(2,132)	(13,088)
Pag Shipping LLC - PAG	29,158	179,002	30,994	190,277	(1,836)	(11,275)
Teuta Shipping Company Ltd. - DALMACIJA	29,013	178,115	32,069	196,873	(3,056)	(18,758)
Impairment loss as an expense in the income statement	116,958	718,018	126,027	773,694	(9,069)	(55,676)

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

7. VESSEL VALUE ADJUSTMENT (CONTINUED)

The recoverable amount of the ship is estimated as the value in use determined on the basis of the discounted future cash flow (Notes 2f, 2j and 2gg). When calculating the recoverable amount in 2021, discount rates ranging from 5.786% to 5.987% were used depending on the age and specificity of each vessel. When calculating the recoverable amount in 2020, a discount rate ranging from 5.999% to 6.167% was used.

8. GENERAL AND ADMINISTRATIVE EXPENSES

	USD	HRK	USD	HRK
	2021	2021	2020	2020
Costs of guarantees for bank loans – related parties	333	2,104	265	1,775
Staff expenses /i/	257	1,636	249	1,635
Corporate services – related parties	72	459	72	475
Bank charges	36	231	29	190
Statutory audit services	31	196	23	158
Rental costs	-	-	7	49
Rental costs – related parties	11	68	8	56
Other external services	75	471	64	435
Other expenses	184	1,187	229	1,517
Total	999	6,352	946	6,290

/i/ Staff expenses	USD	HRK	USD	HRK
	2021	2021	2020	2020
Net salaries	137	871	134	880
Taxes and contributions	109	696	105	688
Reimbursement of costs to employees	10	64	9	61
Professional education	1	5	1	6
Total	257	1,636	249	1,635

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

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

9. FINANCIAL INCOME

	USD	HRK	USD	HRK
	2021	2021	2020	2020
Foreign exchange gains	-	-	25	225
Foreign exchange gains – related companies	967	6,373	-	-
Interest income	3	16	12	82
Total	970	6,389	37	307

10. FINANCIAL EXPENSES

	USD	HRK	USD	HRK
	2021	2021	2020	2020
Foreign exchange losses	2,489	16,488	-	-
Foreign exchange losses – related companies	-	-	179	1,103
Interest expense	2,737	17,357	2,926	19,570
Interest expense – related companies	72	469	-	-
Total	5,298	34,314	3,105	20,673

11. TONNAGE TAX

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

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

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

11. TONNAGE TAX (CONTINUED)

TNG is subject to tonnage taxation for the following ships:

	Date of entry into the regime	Annual tax prepayment in HRK
Velebit	1 January 2014	31,329
Vinjerac	1 January 2014	31,227
Vukovar	29 April 2015	28,236
Zoiló	27 July 2015	28,236
Dalmacija	27 November 2015	28,863
Pag	4 December 2015	29,058
Total		176,949

According to the ruling of the Ministry of Maritime Affairs, Transport and Infrastructure, the tonnage tax for vessels of TNG for 2021 is included in the liabilities of Tankerska Plovidba d.d. as the controlling (parent) company.

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

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

12. INCOME TAX

According to the relevant provisions of the Maritime Code, qualifying companies may choose to have their shipping activities taxed based on the net tonnage of their fleet or based on their actual profits. According to 2021 corporate income tax return, TNG had no income tax liability for the year in Croatia as the Company is subject to tonnage taxation.

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

13. EARNINGS PER SHARE

	USD	HRK	USD	HRK
	<u>31.12.2021</u>	<u>31.12.2021</u>	<u>31.12.2020</u>	<u>31.12.2020</u>
Net profit (loss) for the year	(13,208)	(86,989)	(5,907)	(31,683)
Weighted average number of shares outstanding at the year-end, basic and diluted:	8,720,145	8,720,145	8,720,145	8,720,145
Earnings per share, basic and diluted	(1,51)	(9,98)	(0,68)	(3,63)

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

14. PROPERTY, PLANT AND EQUIPMENT

Vessels and equipment

	Vessels and equipment		Assets in preparation		Total	
	USD	HRK	USD	HRK	USD	HRK
COST						
At 31 December 2020	199,697	1,225,945	1,294	7,947	200,991	1,233,892
Additions	-	-	1,939	12,875	1,939	12,875
Activation of asset	3,233	21,475	(3,233)	(21,475)	-	-
Write-offs	(21,154)	(140,540)	-	-	(21,154)	(140,540)
Elimination of part of reversed impairment loss	1,268	8,427	-	-	1,268	8,427
Exchange differences (Note 2,d)	(7)	100,704	-	653	(7)	101,357
At 31 December 2021	183,037	1,216,011	-	-	183,037	1,216,011
ACCUMULATED DEPRECIATION						
At 31 December 2020	40,108	246,224	-	-	40,108	246,224
Depreciation	7,369	46,957	-	-	7,369	46,957
Write-offs	(11,300)	(75,074)	-	-	(11,300)	(75,074)
Elimination of part of reversed impairment loss	314	2,086	-	-	314	2,086
Exchange differences (Note 2,d)	(1)	22,230	-	-	(1)	22,230
At 31 December 2021	36,490	242,423	-	-	36,490	242,423
CARRYING AMOUNT						
At 31 December 2020	159,589	979,721	1,294	7,947	160,883	987,668
At 31 December 2021	146,547	973,588	-	-	146,547	973,588

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Net book value of equipment as of 31.12.2021 amounts to HRK 396.6 thousand (31.12.2020: HRK 495.8 thousand). The largest item within the equipment is the company vehicle, while the rest refers to the computers and other office equipment of the TNG office. The depreciation cost of this equipment amounts to HRK 102.8 thousand in 2021 (HRK 14.4 thousand in 2020).

Vessels and equipment include vessels in the Time charter. The net book value of vessels chartered in Time charter as at 31 December 2021 amounted to HRK 243,951 thousand (2020: HRK 641,786 thousand). The cost of depreciation of vessels in the Time charter for 2021 amounted to HRK 14,999 thousand (2020: HRK 34,864 thousand). The cost of value adjustment of these vessels amounted to HRK 57,080 thousand for 2021 (2020: HRK 25,642 thousand).

Dry-docking costs

	Vessels and equipment		Assets in preparation		Total	
	USD	HRK	USD	HRK	USD	HRK
COST						
At 31 December 2020	3,470	21,296	164	1,003	3,634	22,299
Additions	-	-	2,802	18,621	2,802	18,621
Activation of asset	2,966	19,708	(2,966)	(19,708)	-	-
Exchange differences	-	1,750	-	84	-	1,834
At 31 December 2021	6,436	42,754	-	-	6,436	42,754
ACCUMULATED DEPRECIATION						
At 31 December 2020	1,227	7,526	-	-	1,227	7,526
Depreciation	911	5,814	-	-	911	5,814
Exchange differences	-	856	-	-	-	856
At 31 December 2021	2,138	14,196	-	-	2,138	14,196
CARRYING AMOUNT						
At 31 December 2020	2,243	13,770	164	1,003	2,407	14,773
At 31 December 2021	4,298	28,558	-	-	4,298	28,558

Grand total:

	Vessels and equipment		Assets in preparation		Total	
	USD	HRK	HRK	USD	USD	HRK
CARRYING AMOUNT						
At 31 December 2020	161,832	993,491	1,458	8,950	163,290	1,002,441
At 31 December 2021	150,845	1,002,146	-	-	150,845	1,002,146

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Vessels and equipment

	Vessels and equipment		Assets in preparation		Total	
	USD	HRK	USD	HRK	USD	HRK
COST						
At 31 December 2019	209,180	1,391,025	416	2,767	209,596	1,393,792
Additions	-	-	2,892	17,754	2,892	17,754
Activation of asset	2,014	12,361	(2,014)	(12,361)	-	-
Write-offs	(11,497)	(70,580)	-	-	(11,497)	(70,580)
Exchange differences (Note 2,d)	-	(106,861)	-	(213)	-	(107,074)
At 31 December 2020	199,697	1,225,945	1,294	7,947	200,991	1,233,892
ACCUMULATED DEPRECIATION						
At 31 December 2019	34,889	232,002	-	-	34,889	232,002
Depreciation	7,647	50,323	-	-	7,647	50,323
Write-offs	(2,428)	(14,904)	-	-	(2,428)	(14,904)
Exchange differences (Note 2,d)	-	(21,197)	-	-	-	(21,197)
At 31 December 2020	40,108	246,224	-	-	40,108	246,224
CARRYING AMOUNT						
At 31 December 2019	174,291	1,159,023	416	2,767	174,707	1,161,790
At 31 December 2020	159,589	979,721	1,294	7,947	160,883	987,668

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Vessels and equipment (continued)

Dry-docking costs

	Vessels and equipment		Assets in preparation		Total	
	USD	HRK	USD	HRK	USD	HRK
COST						
At 31 December 2019	1,313	8,723	-	-	1,313	8,723
Additions	-	-	2,321	14,246	2,321	14,246
Activation of asset	2,157	13,243	(2,157)	(13,243)	-	-
Exchange differences	-	(670)	-	-	-	(670)
At 31 December 2020	3,470	21,296	164	1,003	3,634	22,299
ACCUMULATED DEPRECIATION						
At 31 December 2019	845	5,613	-	-	845	5,613
Depreciation	382	2,483	-	-	382	2,483
Exchange differences	-	(570)	-	-	-	(570)
At 31 December 2020	1,227	7,526	-	-	1,227	7,526
CARRYING AMOUNT						
At 31 December 2019	468	3,110	-	-	468	3,110
At 31 December 2020	2,243	13,770	164	1,003	2,407	14,773

Grand total:

	Vessels and equipment		Assets in preparation		Total	
	USD	HRK	USD	HRK	USD	HRK
CARRYING AMOUNT						
At 31 December 2019	174,759	1,162,133	416	2,767	175,175	1,164,900
At 31 December 2020	161,832	993,491	1,458	8,950	163,290	1,002,441

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

In 2021, TNG invested HRK 18,621 thousand, i.e. USD 2,802 thousand for the dry-docking expenses (2020: HRK 14,246 thousand or USD 2,321 thousand).

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

At 31 December 2021 no borrowing costs were capitalised (31 December 2020: HRK 0).

At 31 December 2021 the total net book value of assets pledged as collateral for received loans amounts to HRK 973,192 thousand, i.e. USD 146,487 thousand (31 December 2019: HRK 979,225 thousand, i.e. USD 159,508 thousand).

15. INVENTORIES

	USD	HRK	USD	HRK
	<u>31.12.2021</u>	<u>31.12.2021</u>	<u>31.12.2020</u>	<u>31.12.2020</u>
Lubricants and greases	673	4,469	594	3,652
Fuel	1,276	8,478	732	4,490
Food supplies	159	1,057	143	881
Small inventory	4	28	4	25
Value adjustment of small inventory	(4)	(28)	(4)	(25)
Total	<u>2,108</u>	<u>14,004</u>	<u>1,469</u>	<u>9,023</u>

TNG expects the settlement of the presented inventory items within twelve months from the date of this report.

16. TRADE AND OTHER RECEIVABLES

	USD	HRK	USD	HRK
	<u>31.12.2021</u>	<u>31.12.2021</u>	<u>31.12.2020</u>	<u>31.12.2020</u>
Trade receivables	7,646	50,795	5,512	33,838
Receivables from the State and other institutions	5	35	11	68
Receivables from employees	3	21	4	27
Other receivables	8	54	44	264
Other receivables – related companies	-	-	1	7
Total	<u>7,662</u>	<u>50,905</u>	<u>5,572</u>	<u>34,204</u>

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Age structure of overdue receivables:

	USD	HRK	USD	HRK
	31.12.2021	31.12.2021	31.12.2020	31.12.2020
1 -90 days	4,855	32,252	1,445	8,870
91 -180 days	7	46	311	1,912
181 - 365 days	135	894	2,490	15,289
Over 365 days	68	485	-	-
Total	5,065	33,677	4,246	26,071

The financial stability of the charterer and his reliability are important factors, which influence the contracting risk. The aforementioned risk is minimized by TNG through the cooperation with large energy companies, large petroleum dealers and their derivatives, large manufacturers of petroleum and its derivatives and other exclusively reputable entities that have a strong reputation and a long-lasting tradition of maritime transport. Although the maturity of contractual payments is exceeded by more than 30 days, the Management Board considers that the expected credit losses do not have a material impact on the financial statements, as there is no specific maturity date for receivables other than for Time charter hires and Voyage charter freights which is a common practice in shipping. Consequently, the Management of TNG has calculated and estimated that the expected credit losses are not material, given that these are primarily demurrages from reputable charterers with whom TNG has been cooperating for many years. Trade and other receivables are allocated to Tier 2 in accordance with the requirements of IFRS 9: *Financial Instruments*.

17. PREPAID EXPENSES AND ACCRUED INCOME

	USD	HRK	USD	HRK
	31.12.2021	31.12.2021	31.12.2020	31.12.2020
Prepaid expenses	757	5,035	630	3,865
Accrued income	1	3	-	-
Total	758	5,038	630	3,865

Prepaid expenses relate to the amounts of financing costs paid in the current period, and relate to future periods and are accrued in the loan repayment period.

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

18. CASH AND CASH EQUIVALENTS

	USD	HRK	USD	HRK
	31.12.2021	31.12.2021	31.12.2020	31.12.2020
Cash with banks	5,114	33,973	4,561	27,998
Deposits	3,133	20,814	1,000	6,139
Cash in hand	97	646	108	667
Total	8,344	55,433	5,669	34,804

19. SHARE CAPITAL AND RESERVES

As of 31 December 2021, the authorised, issued and paid-up share capital comprised of 8,733,345 ordinary shares with no par value (31 December 2020: 8,733,345 shares). The ordinary shareholders are entitled to receive dividends, as declared from time to time and are entitled to one vote per share at meetings of TNG's Shareholders General Assembly. The immediate parent of Tankerska Next Generation d.d. is Tankerska plovdba d.d. The ultimate parent is Betriebsstiftung Tankerska Plovdba d.d. Privatstiftung, a private foundation with the registered office in Austria. Beneficiaries of the foundation are the employees of Tankerska plovdba d.d.

In accordance with the adopted Treasury Share Buy-Back Programme (hereinafter: The New Programme) by the decision of the Company's Management Board of October 29, 2020, the Company acquired 1,399 shares in the reporting period.

As at 31 December 2021, the Company held 28,319 treasury shares (31 December 2020: 26,920). Reserves for treasury shares were formed from the Company's profit in the amount of HRK 1,641 thousand (31 December 2020: HRK 1,578 thousand).

As at 31 December 2021 the amount of regulatory reserves within other reserves amounts to HRK 5,118 thousand (31 December 2020: HRK 5,118 thousand). The regulatory reserve arised according to Croatian law that prescribes 5% profits for the year, decreased by the amount of losses from the previous year, to be transferred to the respective reserve until it, along with other reserves, reaches 5% issued share capital. The regulatory reserve, in the amount of 5% of the issued share capital, can be used to cover losses of the current and previous years.

As at 31 December 2021, the balance of other reserves was HRK 55,000 thousand (31 December 2020: HRK 55,000 thousand).

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

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

20. INTEREST BEARING LOANS AND BORROWINGS

Interest-bearing loans and borrowings in 2021:

	USD	HRK
	31.12.2021	31.12.2021
Long-term interest-bearing loans and borrowings		
Secured bank loans	71,737	476,593
Loans - related parties	9,000	59,792
Total	80,737	536,385
Current portion	(10,038)	(66,690)
Long-term portion	70,699	469,695
Short-term interest-bearing liabilities		
	USD	HRK
	31.12.2021	31.12.2021
<i>Current portion of long-term interest bearing loans and borrowings</i>		
Secured bank loans	10,038	66,690
Total	10,038	66,690

Interest-bearing loans and borrowings in 2020:

	USD	HRK
	31.12.2020	31.12.2020
Long-term interest-bearing loans and borrowings		
Secured bank loans	76,792	471,431
Total	76,792	471,431
Current portion	(12,319)	(75,628)
Long-term portion	64,473	395,803
Short-term interest-bearing liabilities		
	USD	HRK
	31.12.2020	31.12.2020
<i>Current portion of long-term interest bearing loans and borrowings</i>		
Secured bank loans	12,319	75,628
Total	12,319	75,628

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

20. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Repayment terms and conditions for interest bearing liabilities at 31 December 2021 are as follows:

	Total	1 year or less	2 -5 years	HRK After 5 years
Secured bank loans	476,593	66,690	409,903	-
Loans - related parties	59,792	-	59,792	-
At 31 December 2021	536,385	66,690	469,695	-

	Total	1 year or less	2 -5 years	USD After 5 years
Secured bank loans	71,737	10,038	61,699	-
Loans - related companies	9,000	-	9,000	-
At 31 December 2021	80,737	10,038	70,699	-

Repayment terms and conditions for interest bearing liabilities at 31 December 2020 are as follows:

	Total	1 year or less	2 -5 years	HRK After 5 years
Secured bank loans	471,431	75,628	395,803	-
At 31 December 2020	471,431	75,628	395,803	-

	Total	1 year or less	2 -5 years	USD After 5 years
Secured bank loans	76,792	12,319	64,473	-
At 31 December 2020	76,792	12,319	64,473	-

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

20. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Average interest rate calculated based on paid interest for the year ended 2021 amounts to 3.639%, whereas average interest rate calculated based on paid interest for the year ended 2020 amounted to 4.134%

In 2021, TNG withdrew in full the funds of the loan for refinancing existing loans with commercial banks for the vessels "Vukovar", "Zoilo", "Dalmacija", "Velebit", "Vinjerac" and "Pag" in the total amount of USD 78.4 million, and loan funds for the purpose of financing working capital with a related company in the total amount of USD 9.0 million.

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

Additionally, Tankerska plovodba d.d. issued a corporate guarantee in 2015 in favour of TNG, to guarantee for the repayment of the loans if the Company is not in capacity to fulfil obligations in time and in full, as well as maintain the minimum ownership interest in TNG of above 50 percent.

The loan covenants specify the minimum market value of the ship and of each additional credit enhancement, in the amount of 140% of the outstanding loan balance. Failure to meet this requirement can be resolved by the borrower, either by providing an additional guarantee or early repayment of the loan. In addition to the above requirements, the borrower must maintain a minimum liquidity on its transaction account per vessel, depending on the lender and employment scheme, in the amount of USD 333 thousand to USD 600 thousand.

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

21. TRADE AND OTHER PAYABLES

	USD	HRK	USD	HRK
	31.12.2021	31.12.2021	31.12.2020	31.12.2020
Total trade payables:	4,042	26,857	3,044	18,688
(i) Trade payables	3,271	21,734	1,215	7,460
(ii) Trade payables – related parties	771	5,123	1,829	11,228
Liabilities to employees	745	4,946	705	4,329
Taxes, contributions and other duties payable	8	55	10	56
Liabilities in respect of profit distributions	8	54	9	54
Other current liabilities	10	61	11	74
Other current liabilities – related parties	2	14	1	4
Total	4,815	31,987	3,780	23,205

Structure of trade payables by currency:

	USD	HRK	USD	HRK
	31.12.2021	31.12.2021	31.12.2020	31.12.2020
USD	3,624	24,085	2,687	16,498
EUR	297	1,971	246	1,511
HRK	48	317	11	66
GBP	-	-	-	-
OTHER CURRENCIES	73	484	100	613
Total	4,042	26,857	3,044	18,688

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

22. ACCRUED EXPENSES AND DEFERRED INCOME

	USD	HRK	USD	HRK
	31.12.2021	31.12.2021	31.12.2020	31.12.2020
Accrued loan interest	176	1,173	351	2,155
Other accrued expenses	-	2	38	236
Deferred income	1,459	9,690	1,436	8,814
Total	1,635	10,865	1,825	11,205

Deferred income is revenue from freight from voyage charter contracts paid on time or calculated in the current period, which relates to the next accounting period. The accounting policies disclosed in Note 2 and Note 3 are also applicable to deferred income.

23. RELATED-PARTY TRANSACTIONS

TNG has no related parties other than Tankerska plovdba d.d., Croatia, Tankerska Plovdba International Ltd, Marshall Islands and Donat Maritime Corporation, Liberia. Set out below are transactions carried out during the year between TNG and Tankerska plovdba d.d.

Subsidiaries and key shareholders	USD	HRK	USD	HRK
	2021	2021	2020	2020
<i>Purchases from related parties</i>				
Tankerska plovdba d.d.	2,788	17,690	2,693	17,819
Total	2,788	17,690	2,693	17,819
<i>Receivables form related parties</i>				
Tankerska Plovdba International Ltd.	-	-	1	7
Total	-	-	1	7
<i>Liabilities to related companies</i>				
Tankerska plovdba d.d.	727	4,832	1,829	11,228
Tankerska Plovdba International Ltd.	45	297	-	-
Donat Maritime Corporation	1	8	1	4
Total	773	5,137	1,830	11,232
<i>Loan liabilities to related companies</i>				
Tankerska Plovdba International Ltd	9,000	59,792	-	-
Total	9,000	59,792	-	-

The transactions between related parties are carried out under usual market terms and conditions. The vessels of TNG are managed by Tankerska plovdba d.d. as the Fleet Manager, which provides to TNG commercial, HR, technical and certain administrative and corporate services for a fee. Tankerska plovdba d.d. ensures a crew to the TNG fleet through its related party Donat Maritime Corporation Liberia.

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

23. RELATED-PARTY TRANSACTIONS (CONTINUED)

Key management personnel

The key management personnel consist of the sole member of the Board. The total management remuneration paid for 2021 amounts HRK 1,114 thousand, i.e. USD 175 thousand (2020: HRK 1,113 thousand, i.e., USD 170 thousand). The fees of the Supervisory Board for the year amount to HRK 515 thousand, i.e. USD 81 thousand (2020: HRK 515 thousand or USD 78 thousand). On 31 December 2021, the members of the executive management and the Supervisory Board held 5,313 shares of the Company (at 31 December 2020: HRK 5,313 shares). The Company did not provide any loans to the members of its Supervisory Board (31 December 2020: HRK 0).

24. FINANCIAL INSTRUMENTS

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

Risk management policies associated with managing financial resources may be briefly summarized as follows:

Foreign exchange risk

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

TNG operates internationally and is exposed to changes of the US dollar, as significant amounts of receivables and foreign revenues are denominated in this currency. TNG currently does not use any active hedging against the changes in the foreign exchange rates.

Apart from US dollar, TNG undertakes certain transactions in other foreign currency and is hence exposed to a foreign exchange risk.

The carrying amounts of TNG's foreign-currency denominated monetary assets and liabilities at the end of the reporting period are provided in the table below:

	2021		HRK
	Assets 2021	Liabilities 2021	Assets - Liabilities 2021
USD	106,177	566,545	(460,368)
EUR	10	1,971	(1,961)
Other foreign currencies	16	484	(468)
Total	106,203	569,000	(462,797)

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

24. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign exchange risk (continued)

	2020		HRK
	Assets 2020	Liabilities 2020	Assets - Liabilities 2020
USD	68,491	494,605	(426,114)
EUR	50	1,511	(1,461)
Other foreign currencies	16	618	(602)
Total	68,557	496,734	(428,177)

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

2021		HRK
	Impact of the USD changes	
Effect on:	+10%	-10%
(Loss)/profit	(26,477)	26,477
Cash flow (outflow) / inflow	(19,559)	19,559

2020		HRK
	Impact of the USD changes	
Effect on:	+10%	-10%
(Loss)/profit	43	(43)
Cash flow (outflow) / inflow	(42,655)	42,655

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes of market interest rates. The cash-flow interest rate risk is a risk that the interest expense on financial instruments may vary during the period. As TNG has no significant interest-bearing assets, its operating income and cash flows from operations are not significantly exposed to fluctuations in market interest rates. TNG's interest rate risk arises from its long-term loans. TNG is exposed to interest rate risk on its long-term borrowings at variable rates (see Note 20).

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

24. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk (continued)

2021

One-year interest expense

Current interest expense in HRK	Libor rate change	Interest expense	Interest expense
		(increase)/decrease in USD	(increase)/decrease in HRK
	1%	(680)	(4,520)
14,953	-1%	230	1,527

2020

One-year interest expense

Current interest expense in HRK	Libor rate change	Interest expense	Interest expense
		(increase)/decrease in USD	(increase)/decrease in HRK
	1%	(501)	(3,078)
12,776	-1%	119	729

Price risk

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

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

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

Credit risk

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

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

24. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

As noted in Note 16, although the maturity of contractual payments is exceeded by more than 30 days, the Management Board considers that expected credit losses do not have a material impact on the financial statements, as late payment is a common practice in shipping. Consequently, the Management of TNG has calculated and estimated that the expected credit losses are not material, given that these are primarily demurrages from reputable charterers with whom TNG has been cooperating for many years.

Allocation of financial assets by degrees as at 31 December 2021 and 31 December 2020, as required by IFRS 9:

	Degree	31. December 2021		31. December 2020	
		USD	HRK	USD	HRK
<i>Financial assets at amortized cost:</i>					
Receivables from customers and other receivables	Degree 2	7,662	50,905	5,572	34,204
Cash and cash equivalents	Degree 2	8,344	55,433	5,669	34,804
Total financial assets		16,006	106,338	11,241	69,008

There were no transitions by degrees during 2021, compared to 2020.

Liquidity risk

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

Liquidity and interest rate risk tables

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

Notes to the financial statements (continued)

For the year ended 31 December 2021

*(All amounts are expressed in thousands of USD and thousands of HRK)***24. FINANCIAL INSTRUMENTS (CONTINUED)****Liquidity risk (continued)**

2021	HRK					
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
ASSETS						
2021						
Interest-bearing	11,958	8,858	-	-	-	20,816
Non-interest bearing	85,527	-	-	-	-	85,527
TOTAL	97,485	8,858	-	-	-	106,343
LIABILITIES						
2021						
Interest-bearing	130	16,120	60,036	509,320	-	585,606
Non-interest bearing	30,457	1,167	349	-	-	31,973
TOTAL	30,587	17,287	60,385	509,320	-	617,579
Liquidity gap	66,898	(8,429)	(60,385)	(509,320)	-	(511,236)

2020	HRK					
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
ASSETS						
2020						
Interest-bearing	-	6,140	-	-	-	6,140
Non-interest bearing	62,551	-	-	-	-	62,551
TOTAL	62,551	6,140	-	-	-	68,691
LIABILITIES						
2020						
Interest-bearing	26,713	31,570	30,664	426,589	-	515,536
Non-interest bearing	23,073	40	306	-	-	23,419
TOTAL	49,786	31,610	30,970	426,589	-	538,955
Liquidity gap	12,765	(25,470)	(30,970)	(426,589)	-	(470,264)

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

24. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Categories of financial instruments

	31. December 2021		31. December 2020	
	USD	HRK	USD	HRK
<i>Financial assets at amortized cost:</i>				
Receivables from customers and other receivables	7,662	50,905	5,572	34,204
Prepaid expenses and accrued income	758	5,038	630	3,865
Cash and cash equivalents	8,344	55,433	34,804	67,712
Deposits over three months	-	-	-	-
Total financial assets	16,764	111,376	11,871	72,873
<i>Financial liabilities at amortized cost:</i>				
Borrowings on which interest is charged	80,737	536,385	76,792	471,431
Trade and other payables	4,815	31,987	3,780	23,205
Accruals and deferred income	1,635	10,865	1,825	11,205
Total financial liabilities	87,187	579,237	82,397	505,841

Fair value of financial instruments

Methods of estimation and assumptions in determining fair value

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

- the fair value of financial assets and financial liabilities traded on active liquid markets, under standard conditions, is determined at the prices quoted on the market;
- the fair value of other financial assets and other financial liabilities is determined in accordance with pricing models based on the analysis of discounted cash flows using prices from known market transactions and prices offered for similar instruments;
- the fair value of interest rate swaps is calculated as the present value of estimated future cash flows and discounted on the basis of the yield curves derived from the quoted interest rates,

In 2021, TNG did not have the financial assets to be reduced to fair value (2020: 0).

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

24. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial instruments (continued)

Fair value indicators are recognized in the statement of financial position

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

1. indicator level - fair value indicators are derived from (non-harmonized) prices quoted on active markets for equities and similar liabilities;
2. indicator level - fair Value Indicators are derived from other data on assets or liabilities that are not quoted at level 1, either directly (i.e. as prices), either indirectly (i.e. derived from their prices) and
3. indicator level - indicators derived using valuation methods in which inputs or assets are used as input data, which are not based on available market data.

On December 31, 2021 the amounts presented in the statement of cash, short-term deposits, receivables, short-term liabilities, accrued expenses and other financial instruments correspond to their market value.

Capital management

The primary objective of TNG in managing its capital is to ensure financial support to the operations and maximize shareholder value. TNG manages its capital by taking into account changes in the economic conditions. In order to maintain or adjusts the capital structure, TNG may adjust dividend payable to the shareholders, the return on investment, or issue new shares. There were no changes to objectives, policies and processes during the period ended 31 December 2021 nor 31 December 2020. TNG supervises its capital through the gearing ratio calculated as follows:

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

24. FINANCIAL INSTRUMENTS (CONTINUED)

Capital management (continued)

2021

	<u>USD</u>	<u>HRK</u>
Total interest-bearing debt (long-term and short-term borrowings) (Note 20)	80,737	536,385
Less: Cash and cash equivalents (Note 18)	8,344	55,433
Net debt	<u>72,393</u>	<u>480,952</u>
Equity and reserves	<u>82,530</u>	<u>548,289</u>
Total equity, reserves and net debt	<u>154,923</u>	<u>1,029,241</u>
Gearing ratio	47%	

2020

	<u>USD</u>	<u>HRK</u>
Total interest-bearing debt (long-term and short-term borrowings) (Note 20)	76,792	471,431
Less: Cash and cash equivalents (Note 18)	5,669	34,804
Net debt	<u>71,123</u>	<u>436,627</u>
Equity and reserves	<u>94,233</u>	<u>578,496</u>
Total equity, reserves and net debt	<u>165,356</u>	<u>1,015,123</u>
Gearing ratio	43%	

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

25. CONTINGENT LIABILITIES AND COMMITMENTS

Operating lease commitments, with the Company as the lessee

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

	USD	HRK	USD	HRK
	31.12.2021	31.12.2021	31.12.2020	31.12.2020
Up to 1 year	11	75	9	56
Between 1 and 5 years	45	298	37	224
After 5 years	56	373	46	280
Total	112	746	92	560

Legal cases

TNG has no significant litigations.

26. EVENTS AFTER THE BALANCE SHEET DATE

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

Currently, the COVID-19 pandemic has a greater impact on the Company's operations in the form of difficult repatriation of seafarers, inability to replace crew in a timely manner, difficult operational procurement and delivery of consumables and equipment. The impact of the pandemic on the financial operations of the Company is present, but it is less significant in the part where the Company secured revenues based on Time charter.

The Company has taken a number of preventive measures in order to minimize operational risks, protect the interests of the Company, individuals on board and the environment while enabling uninterrupted operations.

The Ukrainian crisis

The events following the Russian–Ukrainian conflict on Ukrainian land have fueled a rapidly growing crisis, bringing devastating effects on Ukraine's population but also on the future of the Russian economy, its future role in international trade, and serious consequences for global transport, energy and goods markets. Russia rightly considers itself an energy giant especially in the field of fossil fuels.

In just a few weeks, the conflict in Ukraine has fundamentally disrupted a decades-long energy relationship between Europe and Russia. Europe realizes that it cannot detach from Russia overnight because it still relies on Russian energy. Nevertheless, Russia's role in the European and global energy system is taking on a new, highly negative insignia.

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

26. EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)

The Ukrainian crisis (continued)

Following the invasion, the US, UK and EU (and a number of other countries) imposed severe economic sanctions, aimed at curbing Russia's influence globally, largely by preventing transactions with a growing number of designated entities and restricting the country's access to foreign reserves and liquidity. Such measures have major implications for Russia's economic stability.

The current restrictions and sanctions, which can have both a significant direct and indirect impact on global shipping, could be broadly classified into three key risk areas:

1. Restrictions based on persons / entities, including sanctioned persons and sanctions relating to banks
2. Geographical restrictions
3. Restrictions on Prohibited Activities

It is necessary to emphasize the fluidity of the situation regarding sanctions against Russia and Russian legal and natural persons.

Russia is the world's second largest oil exporter and supplies Europe with 45% of its natural gas, 45% of coal and 25% of its oil. Moreover, hydrocarbons are the backbone of the Russian economy. In 2019, before the fall in prices due to COVID, revenues from oil and natural gas accounted for 40% of the country's budget. And oil and gas accounted for almost half of Russia's total commodity exports in 2021.

One of the issues related to the impact of tougher sanctions on Russia, and the possible opening of new seaways, is to what extent China (and to some extent India) can help mitigate their impact.

Large energy companies such as Shell, ExxonMobil and Equinor are giving up investments dating back decades. Public opinion and shareholder pressure are hampering their willingness to buy Russian oil on the open market. Russia will have to turn elsewhere in its search for buyers. About 20% of Russian oil goes to China, but Russia's turn to the East is limited by geology, geography and geopolitics. All the above will certainly affect the redrawing of the new energy map of the world and thus inevitably the tonne mile in shipping.

Due to the extremely dynamic, complex and constantly changing circumstances, including measures of restrictions and sanctions against individual natural and legal persons, we are currently unable to quantify and qualify the impact of the full range of changes to the Company's operations, whereby global recession, as a worst-case scenario, cannot be excluded if the supply of fossil fuels and agricultural products from Eastern Europe becomes completely cut off.

In addition to the foregoing, no other events or transactions have occurred after December 31, 2021 that would have a material effect on TNG's financial statements as at or for the period thereafter or are of such significance to TNG's business activities that they would require disclosure in the notes to the financial statements.

Notes to the financial statements (continued)

For the year ended 31 December 2021

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

27. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements, set out on pages 9 to 70, were approved by the Management and authorised for issue on 29th April 2022.

Signed on behalf of TNG on 29th April 2022 by:



John Karavanić,

Member of the Management Board

Additional
information

IMPORTANT INDUSTRY TERMS AND CONCEPTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Important chartering contracts

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

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

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

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

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

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

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

Important financial and operating terms and concepts

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cautionary note regarding forward-looking statements

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

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

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

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

Zadar, April 29th, 2022

Pursuant to the article 300.d, and in accordance with the provisions of Article 300.c of the Croatian Companies Act, the Supervisory Board of Tankerska Next Generation Inc., at its meeting held on April 29th, 2022, passed the following

DECISION
on determining annual financial statements

I

Supervisory board approves the Annual Report for 2021 of Tankerska Next Generation Inc. which consists of: Income Statement and statement of other comprehensive income, Statement of financial position, Statement of cash flows, Statement of changes in equity, Notes to the financial statements, Company status report and Independent auditors report by Deloitte Ltd. audit company from Zagreb.

II

Following approval from the first paragraph of this Decision, the Annual Financial Statements of Tankerska Next Generation for the year 2021 are determined by the Management Board and the Supervisory Board.

President of the Supervisory Board

Ivica Pijaca



Zadar, April 29th, 2022

Pursuant to the Croatian Companies Act and the Articles of association of the Company, the Management Board and the Supervisory Board of Tankerska Next Generation Inc., at its meeting held on April 29th 2022, passed the following

DECISION

on the proposal to reconcile the of loss for the year 2021

I

It has been determined that Tankerska Next Generation Inc. in the year ending December 31st, 2021 realized a loss in the amount of HRK 86,988,823.67.

The loss in the amount of HRK 86,988,823.67 shall be offset in part through retained earnings from previous years in the amount of HRK 56,701,883.11 and in part from capital reserves in the amount of HRK 30,286,940.56.

II

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

Management Board
John Karavanić



President of the Supervisory Board
Ivica Pijaca



TPNG-R-A 2021



TANKERSKA NEXT GENERATION d.d.
Božidara Petranovića 4
23 000 Zadar
Croatia

Tel: +385 23 202 135

e-mail: tng@tng.hr
www.tng.hr