

26.04.2016.

**Supervisory board's report on the conducted supervision of
company's operations in business year 2015
Tankerska Next Generation d.d.**



Established A. D. 2014

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**SUPERVISORY BOARD'S REPORT
ON THE CONDUCTED SUPERVISION OF COMPANY'S OPERATIONS
IN THE BUSINESS YEAR 2015**

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Pursuant to Article 263, Paragraph 3, Article 280, paragraph 3 and Article 300 c and d. of the Companies Act ("Official Gazette" No. 152/11 - consolidated text, 111/12 and 68/13), the Supervisory Board of TANKERSKA NEXT GENERATION D.D. at its 6th meeting held on 28 April 2016 adopted the


SUPERVISORY BOARD'S REPORT ON THE CONDUCTED SUPERVISION OF COMPANY'S OPERATIONS IN THE BUSINESS YEAR 2015

Tankerska Next Generation d.d. founded in Zadar in August 2014 is an owner of a medium range product tanker fleet which provides maritime transportation of petroleum products, chemicals and oil worldwide to large oil companies, national oil companies and crude oil, chemicals and oil traders.

During 2015 the Company went through extremely intensive period for the development of the fleet and was marked by extensive capital investments and the integration of newbuilding activities and securing their employment. By accomplishing its plan of investments and development of the fleet, TNG had four newbuildings delivered during the year and managed to secure the employment of the vessels with prominent charterers, which increased the total capital investments in the previous year up to HRK 960 million.

Late in the first quarter of 2015 TNG successfully acquired newbuilding (Vukovar and Zoilo) contracts for the delivery of two 50,000 dwt eco-designed tankers built in South Korea's Hyundai Mipo, the world's leading shipyard for these types of vessels. During the third quarter, the funds raised on the capital market were used according to plans, and the program of gaining newbuildings was successfully concluded in July by acquiring the third contract for the delivery of an eco-design product tanker.

Out of the first four planned and contracted newbuildings, during 2015 TNG took over and employed all of them. Vukovar was delivered to TNG on April 29 and was employed immediately afterwards on a three year time charter with STI Chartering and Trading (Scorpio) at USD 17,250 per day. Zoilo, the second of two vessels was delivered in July, while a contract for its employment has been secured for a minimum period of three years with Trafigura at USD 17,750 per day. The two last newbuildings, Dalmacija and Pag were delivered on November 25 and December 4 from South Korean shipyard SPP shipbuilding, and were immediately handed over to its charterer, Trafigura with whom they have secured employment. Dalmacija is chartered out on a three year charter deal for USD 17,750 per day, while Pag is chartered out on a 12 month deal for USD 19,300 per day.

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In 2015. TNG has delivered cumulated vessels revenues of HRK 136.8 million (USD 19,5 million) and EBITDA of HRK 60.5 million with a growing quarterly dynamics linked to increasing number of operational vessels during the year. Additionally, we have successfully completed the process of integrating the newbuildings into the fleet, which now consists of six operational vessels. Despite a very intensive investment period, TNG generated a net profit of HRK 34.5 million as a result of the business model aimed at the creating of new value.

The Supervisory Board report is composed for 2015 and covers the operating period from 1 January 2015 to 31 December 2015.


The Company's Supervisory Board (Supervisory Board), has according to its authorities as set under the provisions of the Companies Act and the Company's Articles of Association, continuously monitored the management of the Company during 2015, reaching decisions and conclusions on 11 (eleven) meetings held during 2015.

From the beginning of the year till 21 August the Supervisory Board was comprised by the members which were appointed by the founder of the Company: Ivica Pijaca – (president), Luka Kolanović, member; Nikola Koščica, member; Ivan Pupovac, member; Mario Pavić, member.

The Company went through a number of significant status changes during 2015, and compared to 2014, it finished the fiscal year 2015 with 1,278 shareholders. Through the IPO the Company raised more than USD 31 million, with a great support from its new subscribers and strategic investors (pension funds) which was followed by the listing of company shares on the Zagreb's Stock Exchange Official market. Through the SPO in June the Company's share capital was enlarged which enabled a continuation of capital investments, and acquiring the additional newbuilding, sixth vessel in the fleet.

In accordance to the usual market practice and regulatory framework, following the standards of corporate governance at the General Assembly held on 21 August 2015 the new Supervisory board was appointed as follows: Ivica Pijaca – chairman, Andrej Koštomaj vice chairman; Nikola Koščica, member; Joško Miliša, member and Mario Pavić, member. New members of the Supervisory board joined the board as the independent members, experts from the financial industry.

While monitoring the Company's operations during 2015, the Supervisory Board discussed key issues related to the operations of the Company and its subsidiaries and was regularly kept informed by the Management Board. The Supervisory Board was informed by the Management Board on all important business events, the

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course of business, income and expenses, as well as the general status of the business. Management regularly submitted to the Supervisory Board quarterly, semi- annual and annual written reports on business.

During 2015, the ordinary shares of the Company were listed on the regulated capital market and the Company began to apply the Code of Corporate Governance of the Zagreb Stock Exchange and HANFA. The Supervisory Board established the Audit Committee. Committee for remuneration and nomination was not established in the financial year 2015 taking into account the operations and characteristics of the Company, it will be established as an "ad hoc" body of the Supervisory Board according to the needs and activities of the relevant scope.

After examining the Company's operations management, the Supervisory Board has concluded that in 2015, Company operated in accordance with the laws, Articles of Association and decisions of the General Assembly.


The Supervisory Board has within the statutory period pursuant to Article 300 c of the Companies Act, examined the annual financial statements of the Company and its subsidiaries for the year ending 31 December 2015 together with independent auditors report Deloitte d.o.o. Zagreb, Zagrebtower, Radnička 80, (Auditor), submitted by the Management Board.

The Supervisory Board received a report from the Management Board on related party transactions in accordance with Article 497 of the Companies Act.

The Supervisory Board established that the Annual financial statements of the Company (non- consolidated) for the year ending 31 December 2015 are prepared in accordance with the accounting records of the Company and indicate the correct asset and business status of the Company and its subsidiaries.

The Company operates in a specific business environment where business processes and arranging reports is specifically regulated with the Maritime Code, which prescribes the manner of keeping the books, reporting and other regulatory obligations required by government.

In accordance with such findings, Supervisory Board agrees with the annual financial statements for 2015 and the Auditor's opinion, which are the basis of article 300 of the Companies Act, by which the Management Board and the Supervisory Board determined the annual financial statements of the Company.

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Integral parts of the financial report of Company and its subsidiaries for the year ended 31 December 2015 are:

1. Statement of profit and loss and other comprehensive income,
2. Statement of financial position;
3. Statement of Cash Flows;
4. Statement of changes in equity;
5. Notes to the Financial Statements;
6. Annual Report on the Company and its subsidiaries and
7. Auditor's Independent Opinion.

The Supervisory Board has examined the Annual Report of the Management Board of the Company and its subsidiaries and on the Status of the Company and its subsidiaries for 2015 and found that it adequately and impartially presents the current business situation and the situation of the Company and its subsidiaries. Pursuant to this finding, the Supervisory Board accepted the Management Board report on the Company and its subsidiaries for the year 2015.

Management has presented to the Supervisory Board a proposal of the Decision on distribution of profit for 2015, which stipulates that the Company's profit for 2015 amounts to HRK 34,519,646.04 and suggests that a part of net profit in the amount of HRK 34,497,712.95 should be paid out as dividend to shareholders. A part of net profit in the amount of HRK 21,933.09 should be allocated to retained earnings.

The Supervisory Board agrees with this proposal of the decision on profit distribution of Tankerska Next Generation d.d. for 2015 and proposes to the General Assembly adoption of such a decision.

Chairman of the Supervisory Board



Ivica Pijaca