

UNAUDITED FINANCIAL STATEMENTS FOR Q2 AND FIRST SIX MONTHS OF 2016

Zadar, July 28th 2016**Highlights of the first six months of 2016:**

- Vessel revenues in the amount of HRK 125.4 million (USD 18.5 million)
- EBITDA in the amount HRK 68.2 million (USD 10 million)
- EBIT in the amount of HRK 42.1 million (USD 6.2 million)
- Net profit in the amount of HRK 26.9 million (USD 3.96 million)

Comments from the CEO

"The first six months of 2016 have been marked by a strong growth of revenue and profitability of Tankerska Next Generation Inc. which came as a result of the high employment rate of the fleet, and a significant increase in revenue days, which enabled TNG to reach more than HRK 125 million of revenue. The main driver of the increase in revenue and profitability are the four fully employed newbuild vessels for the second consecutive quarter, which are stabilizing the midterm revenue potential of TNG through multi-year time charters and thus alleviating the present market volatility.

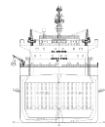
The second consecutive fully operational quarter, after an intensive investment period during the course of previous year brought Tankerska Next Generation Inc. revenues up to HRK 62.2 million, reaching a net profit of 9.9 million HRK, which cumulates into H1's net profit of HRK 26.9 million. During the first six months of 2016, m/t Velebit underwent its 5-year drydock, and spent twenty-one days in the shipyard, which slightly moderated the profitability of the past period. Using the commercial potential of the vessel, and the possibilities provided by the time charter contract, m/t Velebit was positioned in the Far East before the drydock which enabled significant savings with maximum operational efficiency.

Focused on the full implementation of the strategy of ensuring stable cash flows, backed by a moderate level of indebtedness, and the management's commercial effort with a goal to secure optimal employment, TNG was enabled to record a strong average daily revenue per vessel of USD 17,234 in the first six months of 2016. Following the market terms and taking into account the present market volatilities m/t Vinjerac whose time charter contract expired during the second quarter has been transferred to the "spot market" with a goal to achieve the beneficial effect for the operational efficiency and optimal geographical positioning of the vessel before the expected 5-year drydock, which will follow in the third quarter.

TNG's fleet with its capacity of 300,000 dwt recorded a total of 1,092 operating days with a fleet utilization of 98.1%, which underlines the level of management efficiency for this young fleet of product tankers. Stability of the business operations in the first six months was brought in by the time charter strategy of employment of the fleet which prefers multi-year contracts and thus minimizes the volatility of the spot rates and the varying value of the company's assets. The first half of the year was in that sense a part of the usual shipping cycle in which the hire rates and vessels value varied and ended on the lower level in comparison to last year, but the well-timed contracting secured the stability of the business operations. The focus of the management will remain on monitoring the development of the market conditions and the activities which should result in securing the optimal terms of employment for the vessels whose time charter contracts expire by the end of the year. The trend of high efficiency backed by the stable level of income is the result of the Company's business model aimed at the creating of new value and minimizing the risk of the cyclical industry."

John Karavanić, CEO

A handwritten signature in blue ink, appearing to read 'John Karavanić', written over a light blue horizontal line.



Market environment

The expected growth of the global economy in 2016 is forecasted at 3.1%, which follows the growth rate recorded in the previous year. These forecasts published by the International Monetary Fund are slightly revised, compared to forecasts published in April 2016, due to an unexpected Brexit, whereby the global economic activity was in line with earlier forecasts. The forecasts are revised due to the uncertainty which is expected to further negatively influence the investment climate, conditions on the financial markets and the global economic trends. Stronger economic recovery is expected during 2017 when the main drivers of the recovery should be the emerging and developing markets, and overall stabilization of the currently imbalanced economies.

The rate of recovery will be driven by the changes and balanced return of the Chinese economy, which is trying to ensure more stable growth after a decade of strong credit and investment growth. During the first six months the growth of economic activity on the Chinese market was registered, mainly as a consequence of intensified infrastructural operations and the recovery of the oil prices. Uncertainty of the recovery will be further underpinned by the development of the emerging markets, particularly due to falling commodity prices (including uncertainties associated with the movement of crude oil prices), as well as the uncertainties connected to Brexit, which brought additional macroeconomic and financial instabilities.

Crude oil prices recovered at the end of the first quarter from a long term minimum recorded in January 2016. Price of Brent crude oil in June surpassed the level of USD 50 per barrel, reflecting the rising optimism based on the talks on reducing production, which would drive down the excess supply on the market. Crude oil trade remained at the same levels with a slight downward trend as a result of the information that the stable agreement on reducing production has not been fully achieved. The recovery of the oil prices drove the growth of economic activities in the exporting countries, which are still in the process of fiscal consolidation and adapting to the structurally low prices of oil.

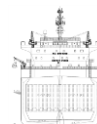
In the segment of product tankers the market showed a moderate level of volatility which is a result of the increase in fleet capacity in the segment of product tankers, increased levels of oil derivatives supply due to the mild winter and increased refining activities because of the lower price of crude oil. The trend of unstable market rates is backed by the uncertainties connected to the recovery of world economy on one hand and the slower growth of the tanker fleet on the other hand, backed by the forecasts of strengthening of the oil derivatives market in the third and fourth quarter.

During the first six months of 2016, in the segment of product tankers there was a delivery of total 50¹ new units, which shows an increase of 3% in global product tanker fleet compared to 2015, with expectations that by the end of the year there will be 60 newbuildings delivered. The trend of increase in units in this segment is slowing down in comparison to 2015, while a significant drop in deliveries of new vessels is expected in the two year period 2017-2018 when the total number of new vessels should be no more than 80 units. This kind of slowing down in vessel supply alongside with the positive trends on the oil derivatives market, plus the expected drop in oil supply should result in a positive trend in 2017.

Current ship-owner expectations of MR tankers, for one year hire with immediate delivery are at a level of USD 16,250² per day.

¹ Maersk Broker – Tanker market report 2016

² Clarksons, Tanker Matrix Report, July 2016



Management discussion for Q2 and H1 2016

SELECTED FINANCIALS	April -	January -	April -	January -	April -	January -	April -	January -
	June	June	June	June	June	June	June	June
	2015	2015	2016	2016	2015	2015	2016	2016
	(HRK 000)	(HRK 000)	(HRK 000)	(HRK 000)	(USD 000)	(USD 000)	(USD 000)	(USD 000)
Vessel revenues.....	24,761	43,035	61,624	125,359	3,709	6,301	8,871	18,458
EBITDA.....	9,262	18,031	31,187	68,201	1,396	2,640	4,474	10,042
EBIT.....	3,975	8,679	17,875	42,128	604	1,271	2,554	6,203
Net income.....	1,513	18,229	9,856	26,900	299	2,669	1,396	3,961

Results for the six months ending June 30, 2016

For the six months ending June 30, 2016, the Company's revenues amounted to HRK 126.4 million (USD 18.6 million), EBITDA amounted to HRK 68.2 million (USD 10 million), while the net income amounted to HRK 26.9 million for the same period. TNG's financial results are a consequence of an increase in the volume of business operations as a result of the full integration of the fleet built in 2015.

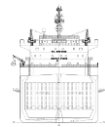
The vessels' revenues for six months ending June 30, 2016 reached HRK 125.4 million and are result of time charter contracts for all operational vessels. The revenue increase was slightly moderated by the 5-year dry dock of m/t Velebit, which was done in June and lasted for 21 days. Three secured midterm time charter contracts stabilized the income potential of TNG and significantly mitigated the volatility of the hire rates which were seen during this year.

The vessels' operating expenses for six months ending June 30, 2015 reached HRK 58.2 million (USD 8.6 million), and are related to the expenses of a fully operational fleet of 6 vessels throughout the period. The operational expenses increased slightly due to one off costs of m/t Velebit's 5-year dry dock and the initial demands because of the change in strategy of employment of m/t Vinjerac. Commissions and voyage related costs were HRK 5.8 million (USD 0.86 million) for the six months ending June 30, 2016, or 4.7% of the vessels revenues, which is in the level of usual industry standards and follows the company's plans.

The depreciation expense for the six months ending June 30, 2016 was HRK 26 million (USD 3.8 million), which shows an increase in comparison to the first six months of 2015 due to the delivery of newbuildings in the second half of 2015. The average number of vessels in operation increased from 3.26 in H1 2015 to 6 for the six months ending June 30, 2016.

Interest expenses and finance costs, amounted to HRK 14.7 million (USD 2.2 million) for the six months ending 30 June, 2016 and are connected to the loans for financing of the operational fleet. TNG is currently in a strong investment cycle, which reflects in increased company debt.

General and administrative expenses for the six months ending June 30, 2015 reached HRK 3.8 million (USD 0.56 million).



Results for the three months ending June 30, 2016

For the three months ending June 30, 2016, the Company's revenues amounted to HRK 62.2 million (USD 9.2 million), EBITDA amounted to HRK 31.2 million (USD 4.5 million), which is an increase of three times compared to HRK 9.3 million in the second quarter of 2015. The Company's net income in the second three months of 2016 amounted to HRK 9.9 million (USD 1.4 million).

The operating profit of the Q2 was HRK 17.9 million and it is a result of full integration of the newbuildings to the fleet which significantly increased the revenues, and the absence of initial costs of furnishing and delivery of newbuildings which were included in the results during the most part of 2015. The positive trend of increase in quarterly results is slightly moderated during the second quarter of 2016 following the reduced number of operational days, mainly due to the 5-year dry dock of m/t Velebit.

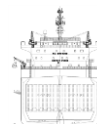
The vessels' revenues for the three months ending June 30, 2016 reached HRK 61.6 million (USD 8.9 million), which is a significant increase in comparison to the revenues recorded in the second quarter of 2015. This increase primarily reflects revenues generated from the fully operational fleet of six vessels during Q2. Average daily revenues from Q2 were recorded at the level of 16.897 USD. During the second quarter one of the vessels' (m/t Vinjerac) time charter contract expired, and its new employment is secured which matches current market conditions and the company's chartering strategy. Vinjerac was transferred to the "spot market" with a goal to achieve the beneficial effect of operational efficiency and optimal geographical positioning of the vessel before the expected drydock.

The following three months of 2016 were predominately marked with usual operating costs, contrary to the 2015 quarter where results which were burdened with initial costs of furnishing the ships with material, equipment and lubricants, as well as additional funding costs of the acquired vessels. The change of strategy in employment of m/t Vinjerac had a slight one-off effect on the increase in operating costs, as well as the one off costs of m/t Velebit's 5-year dry dock. Fees and voyage associated costs amounted to HRK 3.4 million (USD 0.5 million) in the second quarter of 2016, which is an increase from USD 1.6 million (USD 0.23 million) in Q2 2015, as a result of intensified operations of the fully operational fleet in the quarter.

The vessels' operating expenses for the three months ending June 30, 2016, amounting to HRK 31 million (USD 4.5 million) significantly increased, compared to HRK 15.6 million (USD 2.3 million) for the Q2 2015. The upward change was driven by the integration of all newbuildings during 2015, which makes the second three months of 2016 an almost completely normalized quarter regarding operating results.

Depreciation expenses for the three months ending June 30, 2016 were HRK 13.3 million (USD 1.9 million). All the vessels in operation are depreciated over an estimated useful life span of 25 years on a straight line basis to their residual value, which represents their scrap value on the international market.

General and administrative expenses for the three months ending June 30, 2016 were HRK 2.1 million (USD 0.3 mil.), the increased expenses compared to Q1 2015 are a result of the increased volume of the operations.



Financial position summary

FINANCIAL POSITION	31 Mar 2015	30 Jun 2015	31 Mar 2016	30 Jun 2016	31 Mar 2015	30 Jun 2015	31 Mar 2016	30 Jun 2016
	(HRK 000)	(HRK 000)	(HRK 000)	(HRK 000)	(USD 000)	(USD 000)	(USD 000)	(USD 000)
Bank debt.....	228,071	369,056	793,490	794,670	32,350	54,039	119,355	117,010
Cash and cash equivalents.....	46,374	118,888	63,773	76,027	6,578	17,408	9,593	11,194
Net debt.....	181,697	250,168	729,717	718,643	25,772	36,631	109,762	105,816
Capital and reserves.....	524,759	616,189	631,111	620,006	74,431	90,226	94,931	91,292
Gearing ratio (*).....	26%	29%	54%	54%	26%	29%	54%	54%

* Gearing ratio: $\text{Net debt} / (\text{Capital and reserves} + \text{Net debt})$

Securing both sufficient levels of debt and equity financing, provided strong foundations for delivering company strategy and increasing distributable cash flow, the ability to pay dividends and maximizing shareholder's value, while lowering the risk of the business by focusing on medium to long term time charter periods.

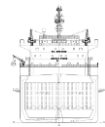
The year 2015 was a capital expenditure intensive period for the company, however in line with its ambitious capital expenditures plan and growth strategy during which the Company secured necessary funds for acquisitions of new tankers both on the capital market and with the business banks. With these funding transactions TNG has secured a strong capital base while maintaining a moderately leveraged capital structure and remaining in line with current ratios.

The gearing ratio by the end of the six month period decreased by 1 basis points to 54% in comparison to the end of 2015. This decreasing debt trend is in accordance with the loan repayment plans of TNG and regular decrease in indebtedness, and a further decrease in company's debt is expected in the future.

Operational data of the fleet

	January - June 2015	January - December 2015	January - March 2016	April - June 2016	January - June 2016
Gross Time Charter rates (USD, per day).....	14,896	16,340	17,559	16,897	17,234
Time Charter Equivalent rates (USD, per day).....	14,073	15,257	16,874	15,968	16,340
Daily vessel operating expenses (USD).....	7,080	7,180	6,348	6,753	6,550
Operating days (number).....	423	1,191	546	546	1,092
Revenue days (number).....	423	1,191	546	525	1,071
Fleet utilization (%).....	100.0%	100.0%	100.0%	96,2%	98.1%
Average number of vessels in the period.....	2.3	3.3	6.0	6.0	6.0
Number of vessels at period end.....	3.0	6.0	6.0	6.0	6.0

TNG's operating fleet consists of Velebit, Vinjerac, Vukovar, Zoilo, Dalmacija and Pag, and all six vessels were almost fully operational during the first half of 2016. The vessel employment strategy secured a stable level of income in the mid term where three ships are employed on a three year contract, while others are employed on shorter contracts. Following the regulatory demands and the best market practice m/t Velebit conducted the 5-year drydock which decreased the



operating days of the fleet by 21 days, but with an optimal positioning before the drydock which accomplished significant cost savings.

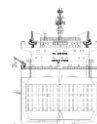
Average gross daily freight rates in the first six months 2016 amounted to USD 17,234, while the average daily vessel operating expenses (OPEX) amounted to USD 6,550. The second quarter of 2016 average gross daily freight rate of USD 16.897, which is an increase in comparison to USD 15,623 in Q2 2015, while the improvement was slightly moderated by the reduced number of operating days of m/t Velebit, which during June underwent its 5-year drydock.

The second quarter of 2016 continues the period of full operations of the fleet, which came after a several developing quarters in 2015, which were marked by development of the fleet and the delivery of the newbuildings. The efforts of the management in developing the fleet and securing employment for the vessels resulted in an average daily gross revenue per vessel of USD 17,234, which surpasses the average in 2015 by 5,5%. During the second quarter of 2016 the time charter contract for m/t Vinjerac worth USD 14,800 per day has expired, and the new employment of the vessel was adjusted to the current market terms and expected hire rates. Vinjerac was transferred to the "spot market" with a goal to achieve the beneficial effect to the operational efficiency and optimal geographical positioning of the vessel before the expected 5-year drydock in Q3, which will result in lower expenses of the drydock itself.

According to the plan, during the second quarter of 2016 the conventional m/t Velebit built in 2011 has undergone its 5-year drydock, while m/t Vinjerac is scheduled for a 5-year drydock during the third quarter of 2016, which will impact the number of operating days in the quarter by approximately twenty days.

Revenue days and operating days increased significantly by the expanding of the fleet. Employment of the fleet of 98.1% is predominately expected and highlights the high efficiency of TNG's fleet, with minimized number of deducted operating days due to m/t Velebit's drydock and due to operating strategy change of m/t Vinjerac.

Average daily vessel operating expenses of USD 6.550 USD for the first six months of 2016, shows a decrease from the results recorded in 2015, which is connected mainly with the absence of one-off operating costs of the delivery and financing of the vessels. (These costs include the furnishing the ship's cabins, supplying the deck with required material, the purchase of lubricants, as well as the initial inspections and education expenses and salaries of the crew in the period prior to delivery). The level of average daily operating expenses during the second quarter was 6.3% higher than the average daily operating expense during the first quarter of 2016, due to the fact that the efficiency of the fleet was slightly reduced by one off costs of m/t Velebit's drydock, and costs of m/t Vinjerac's transfer to the new strategy of employment. TNG expects normalized operating expenses to be recorded after the first fully operational year of the fleet.



TNG's current fleet

Current TNG's fleet consists of six MR tankers in operation (Velebit, Vinjerac, Vukovar, Zoilo, Dalmacija and Pag). In accordance to the expectations, and the initial schedule of integration of the newbuild vessels into the fleet, the delivery of Dalmacija took place in November, while Pag was delivered in December. Following these deliveries and employments the Group owns an operating fleet which consists of two conventional ice class tankers, and four eco-design modern product tankers with a total capacity of 300,000 dwt.

Vessel	Capacity (dwt)	Type	Built	Yard	Flag	Employment	Daily rate (USD)
Velebit	52,554	Medium Range Product Tanker	Q2 2011	Treći Maj Brodogradilište d.d.	Croatia	Castleton Commodities "CCI" Time Charter	18,500 (until Q3/Q4 2016)
Vinjerac	51,935	Medium Range Product Tanker	Q4 2011	Treći Maj Brodogradilište d.d.	Croatia	SPOT market	Voyage charter
Vukovar	49,990	Medium Range Product Tanker (eco design)	Q2 2015	Hyundai Mipo Dockyard Co., Ltd.	Croatia	Scorpio Time Charter	17,250 (until Q2 2018)
Zoilo	49,990	Medium Range Product Tanker (eco design)	Q3 2015	Hyundai Mipo Dockyard Co., Ltd.	Croatia	Trafigura Time Charter	17,750 (until Q3 2018)
Dalmacija	49,990	Medium Range Product Tanker (eco design)	Q4 2015	SPP Shipbuilding Co., Ltd.	Croatia	Trafigura Time Charter	17,750 (until Q4 2018)
Pag	49,990	Medium Range Product Tanker (eco design)	Q4 2015	SPP Shipbuilding Co., Ltd.	Croatia	Trafigura Time Charter	19,300 (until Q4 2016)

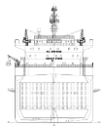
TNG's fleet development in 2015

During the first quarter the fleet was expanded by acquiring contracts for two newbuild eco-designed MR tankers (Vukovar and Zoilo) from Hyundai Mipo Shipyard, and with the acquisition of newbuilding contract for eco-designed MR tanker Pag during third quarter from the South Korean shipyard SPP. Newbuilding Vukovar was delivered at the end of April 2015., and newbuilding Zoilo was delivered at the end of July 2015, and newbuilding Pag was delivered in early December 2015.

Vessels Velebit and Vinjerac have been operational since 1 January 2015 at a rate of USD 14,000 and 14,800 per day respectively, while the commercial exploitation of Vukovar started at the beginning of May at the daily rate of USD 17,250, and commercial exploitation of Zoilo at the end of July 2015 with a hire rate of USD 17,750.

During the third quarter TNG secured 12 month employment for Velebit whose previous contract expired at the end of September, and it was immediately chartered out to the new charterer at the daily hire rate of USD 18,500.

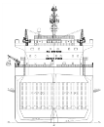
Dalmacija was handed over to its charterer in a three year deal at the daily hire rate of USD 17,750 per day, while the 12-month commercial exploitation of Pag began in early December at the daily hire rate of USD 19,300 per day.



TNG's strategy

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

- Focus on the development of the fleet, and the acquisition and management of vessels in the product tanker segment, focusing on product tankers of medium capacity, which are the main labour force in the petroleum derivatives market. MR tankers are flexible because they are small enough that they can access a wide range of ports, and because of this flexibility and the possibility of handling the most common quantities of cargo, are popular with charterers.
- Maintain superior customer service by maintaining high standards of reliability, safety, environmental and quality
- Timely procure modern used and/or re-sale tankers and/or reasonably arrange the newbuildings and timely sell vessels in line with market conditions
- Increase cash flow and profitability by outsourcing most of the management functions to a fleet manager. Management believes that the agreement with an external management will improve the measurability and cost competitiveness of business because it will allow the TNG to expand its fleet without realizing significant additional overheads
- Maintain a strong balance sheet through moderate debt in a way to 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
- Employment of the fleet in the long-term shipping contracts on time in order to maintain the predictability of revenue. However, if the market creates favourable conditions, management may decide to hire ships to shipping contracts on a journey and thus further enhance the company's business and financial operations.



Current chartering strategy

The Group currently has five Time Charter contracts. All the Group's time charter contracts have been signed in line with usual market practice and have been based on standard industry terms for such contracts. Charterers have a +/- 30 day option on vessels for redelivery at the end of the time charter. On 1 January 2015 Tankerska plovdba and TNGI (TNG's a fully owned operating company) commenced the Management Agreement under which Tankerska plovdba will operate TNG's fleet in the name and for the account of TNGI. During the second quarter the time charter contract for m/t Vinjerac with Stena Weco has expired, and the new employment for the vessel was contracted following the current market terms and taking into account the present market volatilities. M/t Vinjerac was transferred to the "spot market" with a goal to achieve the beneficial effect on commercial efficiency and optimal geographical positioning of the vessel before the expected 5-year drydock, which is scheduled for the third quarter.

Velebit and Vinjerac

As of 1 January 2015 the vessels Velebit and Vinjerac continued to furnish time charter contracts with Stena Weco and TNGI has become the contracting party with Stena Weco. The contract for m/t Velebit was USD 14,000 per day till the end of contract in late September, and after the redelivery of the vessel, Velebit is chartered out to „CCI“ Castleton Commodities UK Ltd. The secured charter rate for Velebit is USD 18,500 per day for 12 months, and it was contracted at the end of Q3 2015, with the earliest redelivery in August 2016. After exercising the put option for m/t Vinjerac its contract expired and the vessel was transferred to the spot market where every single voyage will be contracted individually in accordance with the employment strategy and operational requirements of the following dry dock.

Vukovar

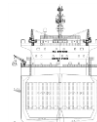
TNG took delivery of Vukovar on 29 April 2015 from Hyundai Mipo Dockyard Co., Ltd., South Korea after which it begun its commercial exploitation on a three year time charter (from 1 May onwards). The current charter rate for Vukovar is USD 17,250 per day with the earliest contract termination in May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

Zoilo and Dalmacija

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

Pag

Vessel Pag was delivered on 4 December 2015 from South Korean SPP Shipbuilding Co. Lt. The commercial exploitation of the vessel started on a 12-month time charter deal with Trafigura Maritime Logistics PTE. Ltd. („Trafigura“) with the charter rate of USD 19,300 per day with earliest contract termination in December 2016. The Charterer has an option to extend the time charters for additional 6 months at USD 19,500 per day.



TANKERSKA NEXT GENERATION

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

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

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

Structure of TNG Group as of 30 June 2016

TNG's Directly and Indirectly Owned Subsidiary

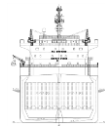
Subsidiary	Jurisdiction of incorporation	Shareholder	Ownership interest	Proportion of voting power
Tankerska Next Generation International Ltd.	Marshall Islands	Tankerska Next Generation d.d.	100%	100%
Pag Shipping LLC	Marshall Islands	Tankerska Next Generation International Ltd	100%	100%
Zoilo Shipping LLC	Marshall Islands	Tankerska Next Generation International Ltd	100%	100%
Vukovar Shipping LLC	Marshall Islands	Tankerska Next Generation International Ltd	100%	100%
Fontana Shipping Company Ltd.	Liberia	Tankerska Next Generation International Ltd	100%	100%
Teuta Shipping Company Ltd.	Liberia	Tankerska Next Generation International Ltd	100%	100%

Contracts with Tankerska plovidba

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

Management Agreement

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



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

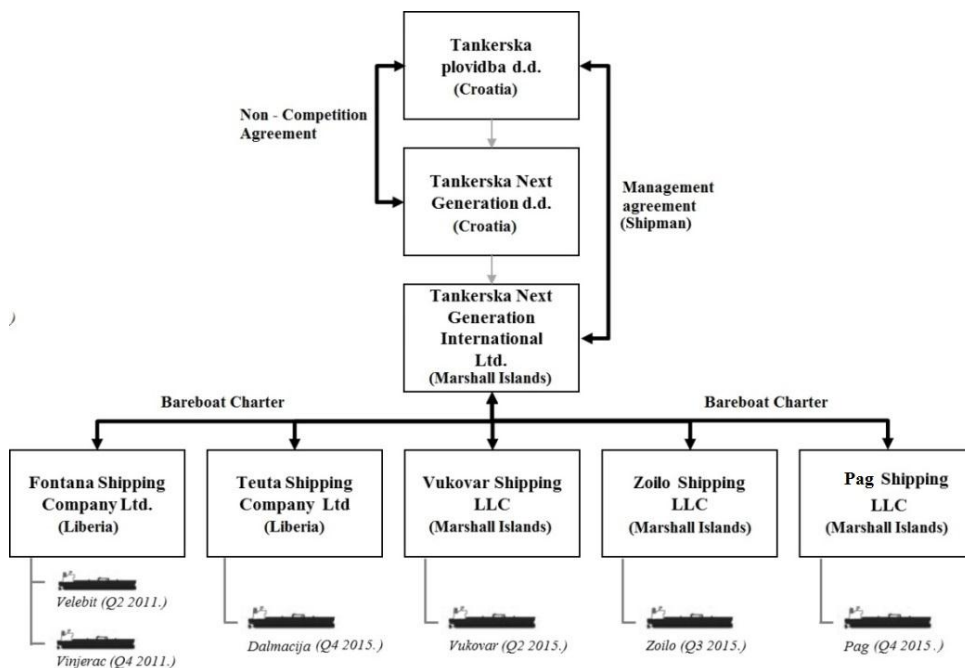
- *Commercial management services fee.* TNGI pays a fee to the Fleet Manager for commercial services it provides to the Group equal to 1.5% of the gross vessel revenues
- *Bunkering.* All bunkering arrangements will be charged at USD 1.00 per metric ton. Any cost directly or indirectly incurred in the process of providing the bunkering services (including but not limited to agency costs, bunker samples analysis, bunker surveys, etc.) will be off-budget and charged to TNGI as contingency costs
- *Ship management services fee.* TNGI pays a fee to the Fleet Manager for the ship management services. The fee is related to Moore Stephens' publication which provides an average daily expense for each type of vessel. The fee TNGI pays to the Fleet Manager is equal to 67% of the management fee published in Moore Stephens' latest OpCost for Handysize Product Tankers and amounts to USD 450 daily for 2016 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

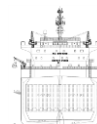
Non-Competition Agreement

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

Overview of related party transactions as of 30 June 2016



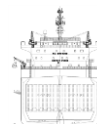

Tankerska Next Generation d.d.
**INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME
 FOR PERIOD STARTING 1 JANUARY 2016 TILL 30 JUNE 2016**
unaudited

INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME FOR H1 2016 <i>unaudited</i>	April - June 2015 (HRK 000)	January - June 2015 (HRK 000)	April - June 2016 (HRK 000)	January - June 2016 (HRK 000)	April- June 2015 (USD 000)	January - June 2015 (USD 000)	April - June 2016 (USD 000)	January - June 2016 (USD 000)
Vessel revenues.....	24,761	43,035	61,624	125,359	3,709	6,301	8,871	18,458
Other revenues.....	70	206	609	1,066	11	30	88	157
Sales revenues	24,831	43,241	62,233	126,425	3,720	6,331	8,959	18,615
Commission and voyage related costs.....	(1,555)	(2,376)	(3,368)	(5,853)	(232)	(348)	(488)	(862)
Vessel operating expenses.....	(12,867)	(20,453)	(25,535)	(48,579)	(1,919)	(2,995)	(3,687)	(7,153)
General and administrative	(297)	(1,531)	(2,143)	(3,792)	(49)	(224)	(310)	(558)
Newbuildings expenses.....	(850)	(850)	-	-	(124)	(124)	-	-
Total operating expenses	(15,569)	(25,210)	(31,046)	(58,224)	(2,324)	(3,691)	(4,485)	(8,573)
EBITDA	9,262	18,031	31,187	68,201	1,396	2,640	4,474	10,042
Depreciation and amortization.....	(5,287)	(9,352)	(13,312)	(26,073)	(792)	(1,369)	(1,920)	(3,839)
Vessel impairment.....	-	-	-	-	-	-	-	-
Operating profit (EBIT)	3,975	8,679	17,875	42,128	604	1,271	2,554	6,203
Net interest expenses.....	(2,129)	(3,269)	(7,535)	(14,729)	(317)	(479)	(1,087)	(2,169)
Net foreign exchange gains (losses).....	(333)	12,819	(484)	(499)	12	1,877	(71)	(73)
Tonnage Tax.....	-	-	-	-	-	-	-	-
Net income	1,513	18,229	9,856	26,900	299	2,669	1,396	3,961
Other comprehensive income.....	(13,539)	15,472	13,483	(18,244)	(1,849)	2,266	2,086	(2,686)
Total comprehensive income	(12,026)	33,701	23,339	8,656	(1,550)	4,935	3,484	1,275
Weighted average number of shares outstanding, basic & diluted (thou.)	7,537	7,421	8,720	8,720	7,537	7,421	8,720	8,720
Net income (loss) per share, basic & diluted	0.20	2.46	1.13	3.08	0.04	0.36	0.16	0.45

Key comments:

- Daily revenues per operating vessel in the first six months of USD 17,234
- Commission and voyage related costs amounted to 4,7% of total vessel revenues
- Daily vessel operating expenses (OPEX) in H1 2016 of USD 6,550, which includes the ship management services fee in the amount of USD 450 per vessel per day
- Foreign exchange gains (losses) are a result of exchanging dollar assets on the reporting date into the Croatian Kuna

The financial statements expressed in HRK have been converted from USD amounts by applying the mid foreign exchange rate published by the Croatian National Bank and valid on the date of reporting (30 June 2016; 1 USD = 6.791482 HRK).



Tankerska Next Generation d.d.
BALANCE SHEET AT THE DATE OF 30 JUNE 2016
unaudited

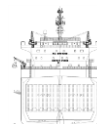
BALANCE SHEET	31 Dec 2015	31 Mar 2016	30 Jun 2016	31 Dec 2015	31 Mar 2016	30 Jun 2016
At the date of 30 June 2016	(HRK 000)	(HRK 000)	(HRK 000)	(USD 000)	(USD 000)	(USD 000)
unaudited						
Non-Current Assets	1,442,352	1,358,696	1,374,954	206,292	204,372	202,453
Vessels.....	1,442,327	1,358,674	1,374,931	206,288	204,369	202,450
Vessels under construction.....	-	-	-	-	-	-
Other Non-Current Assets.....	25	22	23	4	3	3
Current Assets	82,267	80,888	91,136	11,766	12,167	13,419
Inventory.....	4,928	4,879	6,599	705	734	972
Accounts receivable.....	203	202	800	29	30	118
Cash and cash equivalents.....	71,465	63,773	76,027	10,221	9,593	11,194
Other current assets.....	5,671	12,034	7,710	811	1,810	1,135
Total Assets	1,524,619	1,439,584	1,466,090	218,058	216,539	215,872
Shareholders Equity	645,794	631,111	620,006	92,364	94,931	91,292
Share capital.....	436,667	436,667	436,667	62,454	65,683	64,296
Reserves.....	163,715	131,988	145,472	23,415	19,853	21,420
Retained earnings.....	45,412	62,456	37,867	6,495	9,395	5,576
Non-Current Liabilities	785,311	746,712	762,812	112,319	112,319	112,319
Bank debt.....	785,311	746,712	762,812	112,319	112,319	112,319
Current Liabilities	93,514	61,761	83,272	13,375	9,289	12,261
Bank debt.....	62,793	46,778	31,858	8,981	7,036	4,691
Accounts payable.....	10,481	3,027	3,241	1,499	455	477
Other current liabilities.....	20,240	11,956	48,173	2,895	1,798	7,093
Total Liabilities and Shareholders Equity	1,524,619	1,439,584	1,466,090	218,058	216,539	215,872

Tankerska Next Generation d.d.
CASH FLOW STATEMENT FOR PERIOD FROM 1 JANUARY 2016 TO 30 JUNE 2016
unaudited

CASH FLOW STATEMENT FOR H1 2016 unaudited	Siječanj - Prosinac 2015 (HRK 000)	Siječanj - Ožujak 2016 (HRK 000)	Siječanj - Lipanj 2016 (HRK 000)	Siječanj - Prosinac 2015 (USD 000)	Siječanj - Ožujak 2016 (USD 000)	Siječanj - Lipanj 2016 (USD 000)
Profit before tax.....	34,520	17,044	26,900	4,937	2,564	3,961
Depreciation and Amortisation.....	26,886	12,763	26,076	3,845	1,920	3,840
Changes in working capital.....	22,818	1,536	(15,956)	3,264	231	(2,349)
Other	-	(17,343)	(421)	-	(2,609)	(63)
Cash flow from operating activities	84,224	14,000	36,599	12,046	2,106	5,389
Cash inflows from investing activities.....	-	-	-	-	-	-
Cash outflows from investing activities.....	(956,535)	(8,763)	(2,901)	(136,808)	(1,318)	(428)
Cash flow from investing activities	(956,535)	(8,763)	(2,901)	(136,808)	(1,318)	(428)
Cash inflows from financing activities.....	951,996	-	199,810	136,159	-	29,421
Cash outflows from financing activities.....	(31,493)	(12,929)	(228,946)	(4,504)	(1,945)	(33,711)
Cash flow from financing activities	920,503	(12,929)	(29,136)	131,655	(1,945)	(4,290)
Net changes in cash	48,192	(7,692)	4,562	6,892	(1,157)	671
Cash and cash equivalents (beginning of period)	23,273	71,465	71,465	3,329	10,750	10,523
Cash and cash equivalents (end of period)	71,465	63,773	76,027	10,221	9,593	11,194

Tankerska Next Generation d.d.
STATEMENT OF CHANGES IN EQUITY FOR PERIOD FROM 1 JANUARY 2016 TO 30 JUNE 2016
Unaudited

STATEMENT OF CHANGES IN EQUITY <i>unaudited</i>	Share capital	Retained Earnings	Foreign exchange translation reserves	Other reserves and comprehensive income	Total
For the period from 1 Jan to 31 Mar 2016					
	<i>HRK 000</i>	<i>HRK 000</i>	<i>HRK 000</i>	<i>HRK 000</i>	<i>HRK 000</i>
Balance at 1 January 2016	436,667	45,412	123,426	40,289	645,794
Net profit for the period		17,044			17,044
Change in capital					-
Change in other reserves					-
Changes in other comprehensive income				(31,727)	(31,727)
Balance at 31 March 2016	436,667	62,456	123,426	8,562	631,111
For the period from 1 Apr to 30 Jun 2016					
	<i>HRK 000</i>	<i>HRK 000</i>	<i>HRK 000</i>	<i>HRK 000</i>	<i>HRK 000</i>
Balance at 31 March 2016	436,667	62,456	123,426	8,562	631,111
Net profit for the period		9,856			9,856
Change in capital		(34,445)			(34,445)
Change in other reserves					-
Changes in other comprehensive income				13,484	13,484
Balance at 30 June 2016	436,667	37,867	123,426	22,046	620,006
For the period from 1 Jan to 31 Mar 2016					
	<i>USD 000</i>	<i>USD 000</i>	<i>USD 000</i>	<i>USD 000</i>	<i>USD 000</i>
Balance at 1 January 2016	68,734	6,720	19,147	(2,236)	92,365
Net profit for the period		2,564			2,564
Change in capital					-
Change in other reserves					-
Changes in other comprehensive income				2	2
Balance at 31 March 2016	68,734	9,284	19,147	(2,234)	94,931
For the period from 1 Jan to 31 Mar 2016					
	<i>USD 000</i>	<i>USD 000</i>	<i>USD 000</i>	<i>USD 000</i>	<i>USD 000</i>
Balance at 31 March 2016	68,734	9,284	19,147	(2,234)	94,931
Net profit for the period		1,451			1,451
Change in capital		(4,981)			(4,981)
Change in other reserves					-
Changes in other comprehensive income				(109)	(109)
Balance at 30 June 2016	68,734	5,754	19,147	(2,343)	91,292



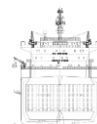
Tankerska Next Generation d.d.
NET ASSET VALUE CALCULATION
estimate

Net asset value calculation estimate	At the date of 31.3.2016 (USD 000)	At the date of 30.6.2016 (USD 000)
Value of the operating fleet.....	204,369	177,350
Deposits / Newbuildings value.....	-	-
Contracted vessels profit (loss).....	-	-
Total fleet value	204,369	177,350
Investments.....	-	-
Other non-current assets (excl. Intangibles and goodwill).....	3	3
Current assets.....	2,574	2,225
Total value of other assets	2,577	2,228
Cash and cash equivalents.....	9,593	11,194
Bank debt.....	(119,355)	(117,010)
Net debt	(109,762)	(105,816)
Other non-current liabilities.....	-	-
Current liabilities.....	(2,253)	(7,570)
Non-controlling interest.....	-	-
Total value of other liabilities	(2,253)	(7,570)
Net asset value	94,931	66,192
Weighted average number of shares outstanding, basic & diluted (thou.)	8,720,145	8,720,145
Net asset value per share (USD)	10.89	7.59

Key Comments:

The calculation of the value of the operational fleet of the Company, which is based on the average values in the industry for a specific type of vessel basically contains assumptions and revenue generating ability of each unit, taking into account the current realizable hire fare, which can be achieved by employing a specific type of vessel at the time of evaluation. Time charter contracts are usually fixed to a certain hire rate for the whole duration of the contract, as is the case with TNG's contracts, which prefers multiyear employment and holds three three-year contracts with hire rates above the currently achievable. The hire rates fluctuate depending on the season and the year, and thus reflect changes in freight rates, expectations of future freight rates and other factors. The degree of volatility of time charter hire rates is lower for long-term contracts than the ones fixed in shorter term.

The revenue potential of TNG is backed by three secured medium-term contracts, currently fixed at a premium compared to the market conditions, which significantly alleviated the usual volatility of hire rates which were seen during this year. Management assessment of the net asset value per share is based on current market conditions, cash flow, and expectations related to the changes and recovery in the hire rate market and the market of petroleum products as well as the growth and development of the fleet in the segment of product tankers and the available sectoral analysis, and it is set at USD 9.55 per share. This value reflects the previously contracted employment of ships and the aforementioned analysis and expectations.



Key events after the Balance Sheet date

By the decision of the General Assembly the payout of dividend to the Company's shareholders who were registered in the CDCC on 10th June 2016, has been performed by CDCC on July 8th 2016 in gross amount of HRK 3.95 per share, or in total of HRK 34.4 million.

Announcements in 2016.

10.6.2016	New member of the Supervisory Board appointed
10.6.2016	Annual General Assembly meeting held
23.5.2016	MT Vinjerac - time charter contract expires
29.4.2016	Management and Supervisory Board meetings held
28.4.2016	Invitation to the General Assembly of the Company
26.4.2016	Announcement of the Management and the Supervisory Board sessions
15.4.2016	Code of Corporate Governance Questionnaire for 2015
15.4.2016	Decisions from the Supervisory Board session
12.4.2016	Announcement of the Management and the Supervisory Board sessions
1.3.2016	Resignation of a Supervisory Board member
25.2.2016	Notification about the held sessions of Management and the Supervisory Board
23.2.2016	Information of home member state
23.2.2016	Announcement of the Management and the Supervisory Board sessions
5.2.2016	Agreed extension in cooperation in conducting specialist's activities

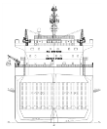
Tankerska Next Generation Inc. – shareholder structure by numbers of shares

Shareholder	No. of shares	No. of shares	No. of shares	Share (in %)	Share (in %)	Share (in %)
	31 Dec 2015	31 Mar 2016	30 Jun 2016	31 Dec 2015	31 Mar 2016	30 Jun 2016
Tankerska Plovidba d.d.....	4,454,994	4,454,994	4,454,994	51.01%	51.01%	51.01%
PBZ Croatia Osiguranje OMF.....	839,000	839,000	839,000	9.61%	9.61%	9.61%
Erste Plavi OMF.....	808,000	808,000	808,000	9.25%	9.25%	9.25%
Raiffeisen OMF.....	752,036	750,036	752,036	8.61%	8.59%	8.61%
Croatia Osiguranje d.d.....	292,239	292,239	274,606	3.35%	3.35%	3.14%
Other institutional and private investors.....	1,587,076	1,589,076	1,604,709	18.17%	18.20%	18.37%
Total	8,733,345	8,733,345	8,733,345	100.00%	100.00%	100.00%

The share capital of the Company equals to HRK 436,667,250.00, divided into 8,733,345 ordinary dematerialized registered shares, without par value, and each share gives one vote at the General assembly of the Company.

Tankerska Next Generation Inc. – Management and Supervisory board

At the Annual general assembly meeting of Tankerska Next Generation Inc. held on June 10th 2016. Mr. Nikola Mišetić was appointed as a new member of the Supervisory board, with a mandate which lasts till August 21st 2019.



TANKERSKA NEXT GENERATION Inc.

**INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY UNTIL 30 JUNE 2016
(UNAUDITED)**

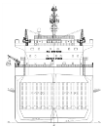
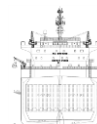


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- I. Report of the Management Board on the Company's operations for the period from 1 January until 30 June, 2016

- II. Unaudited condensed quarterly financial statements
 - Balance Sheet per as at 30 June, 2016
 - Profit and Loss Account for the period from 1 January until 30 June, 2016
 - Cash Flow Statement for the period from 1 January until 30 June, 2016
 - Statement of Changes in Equity for the period from 1 January until 30 June, 2016
 - Notes to the Financial Statements

- III. Statement of Responsibility for the Financial Statements



I. REPORT OF THE MANAGEMENT BOARD ON THE COMPANY'S OPERATIONS FOR THE PERIOD FROM 1 JANUARY UNTIL 30 JUNE 2016

During the reporting period the Company reported HRK 126.4 million of operating revenues, attributed in total to revenue generated from sales.

In the same period, the Company reported HRK 84.3 million of operating costs. The majority of operating expenses are the staff costs HRK 26.4 million, depreciation in the amount of HRK 26.1 million, material costs HRK 22.4 million, and also other expenses in the amount of HRK 9.4 million.

In the period ending 30 June 2016 reported financial income amounted to HRK 0.5 million while financial expenses amounted to HRK 15.7 million.

The Company reported HRK 26.9 million of cumulated net profit in the reporting period.

The Management and Supervisory board proposed a decision on distribution of profit realized in 2015 to the General Assembly which was held on 10 June 2016. The proposal, which was adopted by the General Assembly, instructs the pay out of dividend in gross amount of HRK 3.95 per share to the Company's shareholders who are registered in the Central Depository & Clearing Company Inc. (CDCC) as of 10 June 2016. The dividend payment was conducted on 8 July 2016

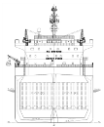
Company's share capital, amounting to HRK 436.7 million has been divided into 8.7 million approved, issued and fully paid ordinary shares with no par value. During 2016 there were no corporate activities of acquiring treasury shares of the Company. As at 30 June, 2016 the Company had 13,200 treasury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

As at 30 June, 2016 the Company owned following subsidiaries abroad:

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

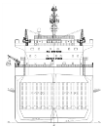
Herein below are some of the most significant data from the Financial Statements for the period:

Description	Period	Period
	1 Jan - 30 Jun 2015	1 Jan - 30 Jun 2016
Total revenues.....	56,084,554 HRK	126,874,945 HRK
Operating revenues / Total revenues.....	76%	99%
Other revenues / Total revenues.....	1%	1%
International market / Total revenues.....	76%	99%
Domestic market / Total revenues.....	0%	0%
Material costs / Operating expenses.....	32%	27%
Employee costs / Operating expenses.....	32%	31%
Financial expenses / Total Expenses.....	9%	16%
Gross margin.....	42,65%	21.46%
Accounting profit.....	18,228,988 HRK	26,899,927 HRK
Operating profit (EBIT).....	8,679,058 HRK	42,127,842 HRK



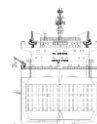
II. UNAUDITED CONDENSED QUARTERLY FINANCIAL STATEMENTS

Attachment 1.		
Reporting period:	01/01/2016	to 30/06/2016
Quarterly financial statement of the entrepreneur TFI-POD		
Tax Number (MB):	04266838	
Company registration number (MBS):	110046753	
Personal identification number (OIB):	30312968003	
Issuing company:	TANKERSKA NEXT GENERATION D.D.	
Postal code and place:	23000	ZADAR
Street and house number:	BOŽIDARA PETRANOVIĆA 4	
E-mail adress:	tng@tng.hr	
Internet adress:	www.tng.hr	
Municipality/city code and name:	520	ZADAR
County code and name:	13	ZADARSKA COUNTY
Number of employees (year end):	140	
Consolidated report:	NO	NKD code: 5020
Companies of the consolidation subject (according to IFRS):	Seat:	MB:
Bookkeeping service:	TANKERSKA PLOVIDBA d.d.	BOŽIDARA PETRANOVIĆA 4, 23000 ZADAR
Contact person:	DEVOŠIĆ MARIO <small>(input only surname and name of contact person)</small>	
Telephone:	023/202-137	Telefax: 023/250-58
E-mail adress:	tng@tng.hr	
Family name and name:	KARAVANIĆ JOHN <small>(person authorized to represent the company)</small>	
Documents to be published:		
1. Financial reports (balance sheet, profit and loss account, cash-flow statement, statement of changes in equity and notes to financial reports)		
2. Interim management report,		
3. Statement form persons responsible for preparation of reports		
M.P.		_____ <small>(signature of the person authorized to represent the company)</small>



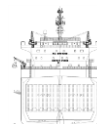
BALANCE SHEET
as at 30.06.2016.

Company: 30312968003; TANKERSKA NEXT GENERATION D.D.			
Position	AOP code	Previous year	Current year (net)
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED AND NON - PAID CAPITAL	001	0	0
B) LONG - TERM ASSETS (003+010+020+029+033)	002	1,442,351,624	1,374,954,428
I. INTANGIBLE ASSETS (004 to 009)	003	0	0
1. Assets development	004	0	0
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	0	0
3. Goodwill	006	0	0
4. Prepayments for purchase of intangible assets	007	0	0
5. Intangible assets in preparation	008	0	0
6. Other intangible assets	009	0	0
II. TANGIBLE ASSETS (011 to 019)	010	1,442,351,624	1,374,954,428
1. Land	011	0	0
2. Buildings	012	0	0
3. Plant and equipment	013	1,442,327,184	1,374,931,339
4. Instruments, plant inventories and transportation assets	014	24,440	23,089
5. Biological assets	015	0	0
6. Prepayments for tangible assets	016	0	0
7. Tangible assets in preparation	017	0	0
8. Other material assets	018	0	0
9. Investment in buildings	019	0	0
III. LONG-TERM FINANCIAL ASSETS (021 to 028)	020	0	0
1. Shares (stocks) in related parties	021	0	0
2. Loans given to related parties	022	0	0
3. Participating interests (shares)	023	0	0
4. Loans to entrepreneurs in whom the entity hold participating interests	024	0	0
5. Investment in securities	025	0	0
6. Loans, deposits and similar assets	026	0	0
7. Other long - term financial assets	027	0	0
8. Investments accounted by equity method	028	0	0
IV. RECEIVABLES (030 to 032)	029	0	0
1. Receivables from related parties	030	0	0
2. Receivables based on trade loans	031	0	0
3. Other receivables	032	0	0
V. DEFERRED TAX ASSETS	033	0	0
C) SHORT- TERM ASSETS (035+043+050+058)	034	76,596,715	83,426,187
I. INVENTORIES (036 to 042)	035	4,928,176	6,598,581
1. Raw material	036	4,928,176	6,598,581
2. Work in progress	037	0	0
3. Finished goods	038	0	0
4. Merchandise	039	0	0
5. Prepayments for inventories	040	0	0
6. Long - term assets held for sale	041	0	0
7. Biological assets	042	0	0
II. RECEIVABLES (044 to 049)	043	203,520	800,209
1. Receivables from related parties	044	17,724	15,202
2. Accounts receivable	045	3,496	169,872
3. Receivables from participating entrepreneurs	046	0	0
4. Receivables from employees and shareholders	047	5,005	4,096
5. Receivables from government and other institutions	048	169,150	67,750
6. Other receivables	049	8,145	543,289
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	050	0	6,791,482
1. Shares (stocks) in related parties	051	0	0
2. Loans given to related parties	052	0	0
3. Participating interests (shares)	053	0	0
4. Loans to entrepreneurs in whom the entity hold participating interests	054	0	0
5. Investment in securities	055	0	0
6. Loans, deposits and similar assets	056	0	6,791,482
7. Other financial assets	057	0	0
IV. CASH AT BANK AND IN CASHIER	058	71,465,019	69,235,915
D) PREPAID EXPENSES AND ACCRUED INCOME	059	5,670,522	7,709,171
E) TOTAL ASSETS (001+002+034+059)	060	1,524,618,861	1,466,089,786
F) OFF-BALANCE SHEET NOTES	061	0	0



LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	645,794,429	620,006,054
I. SUBSCRIBED CAPITAL	063	436,667,250	436,667,250
II. CAPITAL RESERVES	064	68,425,976	68,425,976
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	55,000,000	55,000,000
1. Reserves prescribed by law	066	0	
2. Reserves for treasury stocks	067	996,600	996,600
3. Treasury stocks and shares (deduction)	068	996,600	996,600
4. Statutory reserves	069	0	0
5. Other reserves	070	55,000,000	55,000,000
IV. REVALUATION RESERVES	071	40,289,284	22,045,554
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	10,892,273	10,967,347
1. Retained earnings	073	10,892,273	10,967,347
2. Accumulated loss	074	0	0
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	075	34,519,646	26,899,927
1. Profit for the current year	076	34,519,646	26,899,927
2. Loss for the current year	077	0	0
VII. MINORITY INTEREST	078	0	0
B) PROVISIONS (080 to 082)	079	0	0
1. Provisions for pensions, severance pay and similar liabilities	080	0	0
2. Reserves for tax liabilities	081	0	0
3. Other reserves	082	0	0
C) LONG TERM LIABILITIES (084 to 092)	083	785,311,255	762,811,649
1. Liabilities to related parties	084	0	0
2. Liabilities for loans, deposits etc.	085	0	0
3. Liabilities to banks and other financial institutions	086	785,311,255	762,811,649
4. Liabilities for received prepayments	087	0	0
5. Accounts payable	088	0	0
6. Liabilities arising from debt securities	089	0	0
7. Liabilities to entrepreneurs in whom the entity holds participating interests	090	0	0
8. Other long-term liabilities	091	0	0
9. Deferred tax liability	092	0	0
D) SHORT - TERM LIABILITIES (094 to 105)	093	89,769,711	78,101,220
1. Liabilities to related parties	094	420,173	3,768,926
2. Liabilities for loans, deposits etc.	095	0	0
3. Liabilities to banks and other financial institutions	096	62,792,836	31,857,649
4. Liabilities for received prepayments	097	11,760,664	0
5. Accounts payable	098	10,482,170	3,240,529
6. Liabilities arising from debt securities	099	0	0
7. Liabilities to entrepreneurs in whom the entity holds participating interests	100	0	0
8. Liabilities to employees	101	4,183,437	4,652,704
9. Liabilities for taxes, contributions and similar fees	102	78,573	96,238
10. Liabilities to share - holders	103	0	34,444,573
11. Liabilities for long term assets held for sale	104	0	0
12. Other short - term liabilities	105	51,858	40,601
E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	106	3,743,466	5,170,863
F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)	107	1,524,618,861	1,466,089,786
G) OFF-BALANCE SHEET NOTES	108	0	0
APPENDIX TO BALANCE SHEET (only for consolidated financial statements)			
A) CAPITAL AND RESERVES			
1. Attributed to equity holders of parent company	109		
2. Attributed to minority interests	110		

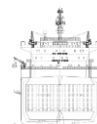
Note 1.: Appendix to balance sheet is filled out only by entrepreneurs who consolidate financial reports.


PROFIT AND LOSS ACCOUNT

for period 01.01.2016. to 30.06.2016.

Company: 30312968003; TANKERSKA NEXT GENERATION D.D.

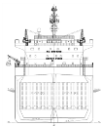
Position	AOP code	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
I. OPERATING REVENUES (112+113)	111	43,241,085	24,830,744	126,430,564	62,235,844
1. Sales revenues	112	42,742,498	24,468,227	125,359,181	61,624,431
2. Other operating revenues	113	498,587	362,517	1,071,383	611,413
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	34,562,027	20,854,877	84,302,722	44,361,375
1. Changes in the value of work in progress and finished goods	115	0	0	0	0
2. Material costs (117 to 119)	116	10,891,743	6,954,982	22,409,667	12,357,131
a) Raw material and material costs	117	4,441,078	3,266,220	6,063,116	3,542,763
b) Costs of goods sold	118	292,748	292,748	0	0
c) Other external costs	119	6,157,917	3,396,014	16,346,551	8,814,368
3. Staff costs (121 to 123)	120	10,898,536	6,433,137	26,374,054	13,820,371
a) Net salaries and wages	121	10,704,046	6,267,811	25,661,653	13,311,012
b) Costs for taxes and contributions from salaries	122	138,258	118,323	522,393	377,305
c) Contributions on gross salaries	123	56,232	47,003	190,008	132,054
4. Depreciation	124	9,353,160	5,288,312	26,075,726	13,313,001
5. Other costs	125	3,368,334	2,180,071	8,190,177	4,595,557
6. Impairment (127+128)	126	0	0	0	0
a) Impairment of long-term assets (excluding financial assets)	127	0	0	0	0
b) Impairment of short-term assets (excluding financial assets)	128	0	0	0	0
7. Provisions	129	0	0	0	0
8. Other operating expenses	130	50,254	-1,625	1,253,098	275,315
III. FINANCIAL INCOME (132 to 136)	131	12,843,469	-312,852	444,381	436,717
1. Interest income, foreign exchange gains, dividends and similar income from related	132	0	0	427,496	427,496
2. Interest income, foreign exchange gains, dividends and similar income from non-	133	12,843,469	-312,852	16,885	9,221
3. Share in income from affiliated entrepreneurs and participating interests	134	0	0	0	0
4. Unrealized gains (income) from financial assets	135	0	0	0	0
5. Other financial income	136	0	0	0	0
IV. FINANCIAL EXPENSES (138 to 141)	137	3,293,539	2,149,612	15,672,296	8,454,798
1. Interest expenses, foreign exchange losses and similar expenses from related	138	0	0	0	0
2. Interest expenses, foreign exchange losses and similar expenses from non - related	139	3,293,539	2,149,612	15,672,296	8,454,798
3. Unrealized losses (expenses) on financial assets	140	0	0	0	0
4. Other financial expenses	141	0	0	0	0
V. INCOME FROM INVESTMENT SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS	142	0	0	0	0
VI. LOSS FROM INVESTMENT SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS	143	0	0	0	0
VII. EXTRAORDINARY - OTHER INCOME	144	0	0	0	0
VIII. EXTRAORDINARY - OTHER EXPENSES	145	0	0	0	0
IX. TOTAL INCOME (111+131+142 + 144)	146	56,084,554	24,517,892	126,874,945	62,672,561
X. TOTAL EXPENSES (114+137+143 + 145)	147	37,855,566	23,004,489	99,975,018	52,816,173
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	18,228,988	1,513,403	26,899,927	9,856,388
1. Profit before taxation (146-147)	149	18,228,988	1,513,403	26,899,927	9,856,388
2. Loss before taxation (147-146)	150	0	0	0	0
XII. PROFIT TAX	151	0	0	0	0
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	18,228,988	1,513,403	26,899,927	9,856,388
1. Profit for the period(149-151)	153	18,228,988	1,513,403	26,899,927	9,856,388
2. Loss for the period (151-148)	154	0	0	0	0
APPENDIX TO PROFIT AND LOSS ACCOUNT (only for consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Attributed to equity holders of parent company	155				
2. Attributed to minority interests	156				
STATEMENT OF COMPREHENSIVE INCOME (IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	18,228,988	1,513,403	26,899,927	9,856,388
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX (159 to 165)	158	15,472,557	-13,538,723	-18,243,729	13,483,570
1. Exchange differences on translation of foreign operations	159	15,472,557	-13,538,723	-18,243,729	13,483,570
2. Movements in revaluation reserves of long-term tangible and intangible assets	160	0	0	0	0
3. Profit or loss from revaluation of financial assets available for sale	161	0	0	0	0
4. Gains or losses on efficient cash flow hedging	162	0	0	0	0
5. Gains or losses on efficient hedge of a net investment in foreign countries	163	0	0	0	0
6. Share in other comprehensive income / loss of associated companies	164	0	0	0	0
7. Actuarial gains / losses on defined benefit plans	165	0	0	0	0
III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166	0	0	0	0
IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)	167	15,472,557	-13,538,723	-18,243,729	13,483,570
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (157+167)	168	33,701,545	-12,025,320	8,656,198	23,339,958
APPENDIX to Statement of comprehensive income (only for consolidated financial statements)					
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD					
1. Attributed to equity holders of parent company	169				
2. Attributed to minority interests	170				



CASH FLOW STATEMENT - Indirect method
 period 01.01.2016. to 30.06.2016.

Company: 30312968003; TANKERSKA NEXT GENERATION D.D.

Position	AOP code	Previous period	Current Period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	001	18,228,988	26,899,927
2. Depreciation	002	9,353,160	26,075,726
3. Increase in short-term liabilities	003	2,642,599	0
4. Decrease in short term receivables	004	3,199,774	0
5. Decrease in inventories	005	0	0
6. Other cash flow increases	006	1,043,501	1,421,846
I. Total increase in cash flow from operating activities (001 to 006)	007	34,468,022	54,397,499
1. Decrease in short - term liabilities	008	0	12,850,856
2. Increase in short - term receivables	009	0	1,434,698
3. Increase in inventories	010	3,433,692	1,670,405
4. Other cash flow decreases	011	4,213,489	1,842,187
II. Total decrease in cash flow from operating activities (008 to 011)	012	7,647,181	17,798,146
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	26,820,841	36,599,353
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash flow from sale of long - term tangible and intangible assets	015	0	0
2. Cash inflows from sale of equity and debt financial instruments	016	0	0
3. Interest receipts	017	0	0
4. Dividend receipts	018	0	0
5. Other cash inflows from investing activities	019	0	0
III. Total cash inflows from investing activities(015 to 019)	020	0	0
1. Cash outflows for purchase of long - term tangible and intangible assets	021	178,280,909	2,900,838
2. Cash outflows for purchase of equity and debt financial instruments	022	203,116,761	0
3. Other cash outflows from investing activities	023	0	0
IV. Total cash outflows from investing activities (021 to 023)	024	381,397,670	2,900,838
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES (020-024)	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES (024-020)	026	381,397,670	2,900,838
CASH FLOW FROM FINANCING ACTIVITIES			
1. Cash receipts from issuance of equity and debt financial instruments	027	307,723,169	0
2. Cash inflows from loans, debentures, credits and other borrowings	028	153,891,133	199,809,584
3. Other cash inflows from financing activities	029	0	0
V. Total cash inflows from financing activities (027 to 029)	030	461,614,302	199,809,584
1. Cash outflows for repayment of loans and bonds	031	11,421,456	228,945,722
2. Dividends paid	032	0	0
3. Cash outflows for finance lease	033	0	0
4. Cash outflows for purchase of own stocks	034	0	0
5. Other cash outflows from financing activities	035	0	0
VI. Total cash outflows from financing activities (031 do 035)	036	11,421,456	228,945,722
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	450,192,846	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	038	0	29,136,138
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	039	95,616,017	4,562,377
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	0	0
Cash and cash equivalents at the beginning of period	041	23,273,102	71,465,019
Increase in cash and cash equivalents	042	95,616,017	4,562,377
Decrease in cash and cash equivalents	043	0	0
Cash and cash equivalents at the end of period	044	118,889,119	76,027,396

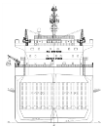


STATEMENT OF CHANGES IN EQUITY
period from 01.01.2016 to 30.06.2016

Position	AOP code	Previous year	Current year
1	2	3	4
1. Subscribed capital	001	436,667,250	436,667,250
2. Capital reserves	002	68,568,226	68,425,976
3. Reserves from profit	003	55,000,000	55,000,000
4. Retained earnings or accumulated loss	004	11,888,873	10,967,347
5. Profit or loss for the current year	005	18,228,988	26,899,927
6. Revaluation of long - term tangible assets	006	0	0
7. Revaluation of intangible assets	007	0	0
8. Revaluation of financial assets available for sale	008	0	0
9. Other revaluation	009	0	0
10. Total capital and reserves (AOP 001 to 009)	010	590,353,337	597,960,500
11. Currency gains and losses arising from net investments in foreign operations	011	25,835,801	22,045,554
12. Current and deferred taxes (part)	012	0	0
13. Cash flow hedging	013	0	0
14. Changes in accounting policies	014	0	0
15. Correction of significant errors in prior periods	015	0	0
16. Other changes in capital	016	0	0
17. Total increase or decrease in capital (AOP 011 to 016)	017	25,835,801	22,045,554
17 a. Attributed to equity holders of parent company	018		
17 b. Attributed to minority interest	019		

Items decreasing the capital are entered with a negative number sign

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



NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

Management Board:

- John Karavanić, the sole member of the Board

Supervisory Board members until 29 February 2016:

- Ivica Pijaca, chairman
- Andrej Koštomaj, vice chairman
- Nikola Koščica, member
- Joško Miliša, member
- Mario Pavić, member

Mr. Andrej Koštomaj resigned from its position of deputy chairman and members of the TNG Supervisory Board and ceased to be its member on 29th February 2016. Pursuant to the Companies Act, a new member of the Supervisory Board was elected by a decision of the Tankerska Next Generation Inc. General Assembly held on 10 June 2016.

Supervisory board members from 29 February 2016 till 10 June:

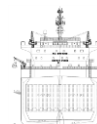
- Ivica Pijaca, chairman
- Mario Pavić, vice chairman
- Nikola Koščica, member
- Joško Miliša, member

Supervisory board members from 10 June 2016 till the date of the issue of these reports:

- Ivica Pijaca, chairman
- Mario Pavić, vice chairman
- Nikola Koščica, member
- Joško Miliša, member
- Nikola Mišetić, member

As of 30 June, 2016 Tankerska Next Generation's Inc. share capital amounted to HRK 436,667,250 divided into 8,733,345 TPNG-R-A ordinary shares with no par value.

The Financial Statements for the period ending 30 June, 2016 include assets and liabilities, revenues and expenses respectively of Tankerska Next Generation Inc. and its international subsidiaries (companies engaged in international shipping). All companies are managed by Tankerska Next Generation Inc. from the sole headquarters and by the same Management Board. Pursuant to the Article 429.a, section 4 of the Maritime Code ("Official Gazette" No. 181/04., 76/07., 146/08., 61/11., 56/13. and 26/15.) Tankerska Next Generation Inc. is obliged to conduct accounting and prepare financial statements for all domestic and international business operations, including all shipping companies in which it



holds the majority ownership and which are engaged in vessel operations with their net tonnage being included in the tonnage tax calculation.

For some of Tankerska Next Generation Inc. subsidiaries that, pursuant to the regulations of the states they have been founded in, are not obliged to keep business books and prepare financial statements, Tankerska Next Generation Inc., in accordance with the Accounting Act and the Income Tax Act, states their assets and liabilities, revenues and expenses respectively, within its financial statements.

2. Principal accounting policies

Tankerska Next Generation Inc. financial statements include assets and liabilities, revenues and expenses of the following fully owned subsidiaries:

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

The Financial statements for the period ending 30 June, 2016 do not include all information important for comprehension of the current period in the course of the year and should be read together with the Company's Financial Statements as at 31 December, 2015.

Financial statements have been prepared based on the same accounting policies, presentations and calculation methods as the ones used during preparation of the financial statements for the period ending 31 December 2015.

3. Shareholder equity and reserves

On 10 June 2016 the General Assembly adopted the decision for the payout of dividends in gross amount of HRK 3,95 per share, or HRK 34.4 million in total (USD 5 million). The dividend payout from the net profit realized in 2015 was carried out by CCDC on 8 July 2016.

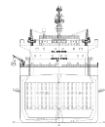
4. Interest bearing debt

On 18 January 2016 Fontana Shipping Company Limited, according to loan agreement with ABN Bank N.V. from 1 December 2015, drawn the remaining USD 29.42 million (HRK 199,81 million) for refinancing of the remaining long term investment loan for vessels „Velebit“ and „Vinjerac“.

5. Earnings per Share

EARNINGS PER SHARE	Period	
	1 Jan - 30 Jun 2015	1 Jan - 30 Jun 2016
Net (loss) / profit to shareholders.....	18,228,988 HRK	26,899,927 HRK
Weighted average number of shares.....	6,662,248	8,720,145
Basic (loss) / earnings per share.....	HRK 2.74	HRK 3.08

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



6. Transactions with the Related Parties

TRANSACTIONS WITH THE RELATED PARTIES	Period	Period
	1 Jan - 30 Jun 2015	1 Jan - 30 Jun 2016
Sales to related parties.....	0 HRK	0 HRK
Purchase from related parties.....	3,093,486 HRK	9,521,136 HRK
Receivables from related parties.....	0 HRK	15,202 HRK
Liabilities towards related parties.....	3,776,396 HRK	3,768,926 HRK
Given loans to related parties.....	0 HRK	0 HRK
Received loans from related parties.....	287,756 HRK	0 HRK

7. Subsequent events after Balance Sheet date

There was no subsequent events after Balance Sheet date which would significantly affect the financial statements on 30 June 2016.

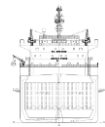
III. STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The financial statements for the three month period starting 1 January 2016 and ending 30 June 2016 have been prepared by applying the International Financial Reporting Standards and provide an accurate and truthful review of assets, liabilities, profit and loss, financial position and operating of the Company.

The report of the Management Board on the Company's operations for the three months period starting on 1 January 2016, and ending on 30 June 2016, contains a fair presentation of the Company's development, operating results and position with the description of significant risks and uncertainty the Company is exposed to.

Zadar, 28th July 2016.

John Karavanić,
CEO of Tankerska Next Generation Inc.



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.

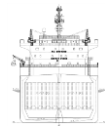
Operating Days. Operating Days represent the number of days the Group's vessels are in operation during the year. Operating Days is a measurement that is only applicable to owned and not bareboated or chartered-in vessels. Where a vessel is under the Group's ownership for a full year, Operating Days 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.

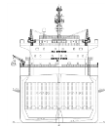
Daily vessel operating expenses. Daily vessel operating expenses is a metric used to evaluate the Group's ability to efficiently operate vessels incurring operating expenses and to limit these expenses.

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:

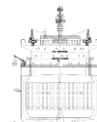
Time charter. Time charter is a contract under which a charterer pays a fixed daily hire rate on a semi-monthly or monthly basis for a fixed period of time for using the vessel. Subject to any restrictions in the charter, the charterer decides the type and quantity of cargo to be carried and the ports 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:

	<u>Time Charter</u>	<u>Voyage Charter</u>
Typical contract length.....	1-5 years	Single voyages, consecutive voyages and contracts of affreightment (COA)
Hire rate basis (1).....	Daily	Varies
Commercial fee (2).....	The Group pays	The Group pays
Commissions (2).....	The Group pays	The Group pays
Major Vessel related costs (2).....	Customer pays	The Group pays
Minor Vessel related cost (2).....	The Group pays	The Group pays
Vessel operating costs (2).....	The Group pays	The Group pays
Off-hire (3).....	Customer does not pay	Customer does not pay

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

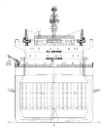
(2) See 'Important Financial and Operational Terms and Concepts' below

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

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.

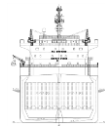
Vessel operating costs. The Group is responsible for vessel operating costs which include crewing, repairs and maintenance, lubricants, insurance, spares, stores, registration and communication and sundries.

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.

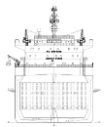
General and administrative expenses. General and administrative expenses comprise of the administrative staff costs, management costs, office expenses, audit, legal and professional fees, travel expenses and other expenses relating to administration.

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.



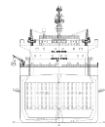
The table below illustrates the payment responsibilities of the ship owner and charterer under a time and voyage charter.

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 <i>Management fee*</i> - <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



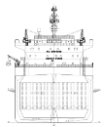
Cautionary note regarding forward-looking statements

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.



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