TNG

Tankerska Next Generation

ANNUAL REPORT 2018

Zadar, April 2019

Contents

Tankerska Next Generation

Total number of vessels: 6

Total loading capacity: 304,449 dwt

ECO design MR Product tankers: 4

ICE class MR Product tankers: 2

TNG's MR average age – owned vessels **4,7 years**

World fleet MR average age - **9,4 years**

MT Vukovar, built: 2015

ECO design MR product tanker

Lenght/width: 183/32 m

Cargo capacity: 49,990 dwt

MT Zoilo, built: 2015

ECO design MR product tanker

Lenght/width: 183/32 m

Cargo capacity: 49,990 dwt

MT Dalmacija, built: 2015

ECO design MR product tanker

Lenght/width: 183/32 m

Cargo capacity: 49,990 dwt

MT Pag, built: 2015

ECO design MR product tanker

Lenght/width: 183/32 m

Cargo capacity: 49,990 dwt

MT Velebit, built: 2011

ICE class MR product tanker

Lenght/width: 195/32 m

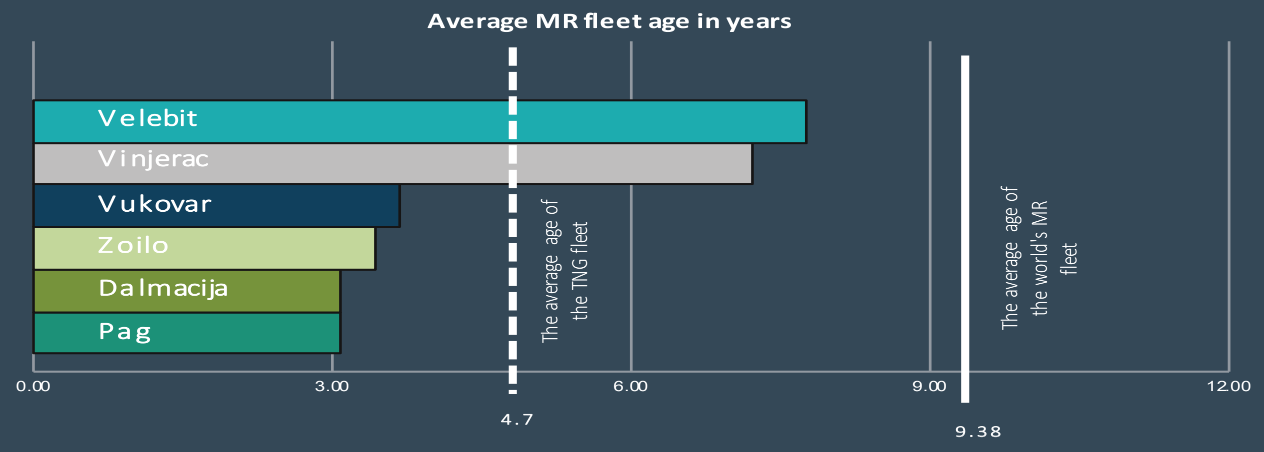
Cargo capacity: 52,554 dwt

MT Vinjerac, built: 2011

ICE class MR product tanker

Lenght/width: 195/32 m

Cargo capacity: 51,935 dwt



About us

Tankerska Next Generation is a shipping company focused exclusively on the MR product tanker segment. The initiator of its incorporation was Tankerska Plovidba, an established Croatian shipping company with 60-year tradition, which is providing technical, crew and commercial management to TNG.

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

TNG was incorporated in August 2014, followed by Tankerska Plovidba contributing its 2 existing conventional MR product tankers, cash and one fully funded eco-design newbuilding contract with expected delivery in Q4 2015 – m/t Dalmacija. In February 2015 other investors had the opportunity to partake in the IPO of TNG. Through the IPO, TNG gained strong partners in institutional and private investors whereby HRK 208 million (USD 31million) was raised in the process (HRK 65 per share).

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

Furthermore, capital raising continued in Q2 2015. The management saw a good opportunity for the acquisition of another newbuilding vessel; the major shareholders contributed another HRK 104 million (USD16million) in June 2015. TNG utilized raised funds in July and acquired the contract for a newbuilding vessel – m/t Pag which was delivered in December 2015., days after delivery of m/t Dalmacija.

At the end of 2018 TNG operates a fleet of 6 vessels, and holds one medium-term time charter contract, which was signed in accordance with usual market conditions and is based on industry standard terms for such agreements. During 2017 and 2018 the time charter contracts for most vessels expired, and the vessels were more strongly engaged in the spot market during 2018, thus achieving a better commercial result than it could have been achieved by contracting them on time charter during the past period.

TNG conducts it business operations in a manner that is believed will enhance its ability to pay dividends and maximize value to its shareholders. TNG aims to timely acquire its vessels, which ensures efficient use of the capital and minimizes the leverage. The goal of the fleet management strategy is to increase cash flow and profitability through outsourcing most of the management functions to a fleet manager which will improve the measurability and cost competitiveness of business because it will allow TNG to keep its flexible and simple organizational structure without realizing significant additional overheads. This will enable the efficient management of assets and liabilities of the company and ensure a stable return to the shareholders.

Key drivers for product tanker companies include among other global economic recovery and the shift in refining capacities from West to East. Namely, the current global trend is dislocating refineries, mainly from Europe to the Middle East and Asia, increasing routes the product tankers have to take in order to connect supply and demand. At the same time, the level of trade in petroleum products has been increasing.

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 sought-after by charterers.

To maintain superior customer service by maintaining high standards of reliability, safety, environment 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 leverage to potentially finance future purchases with approximately 35-45% of equity capital. This would facilitate the possibility of using a substantial part of the cash flow to pay dividends, but also improve conditions in the market as banks, shipyards and outsourcers prefer better capitalized contracting parties.

Comments from the CEO

After three bleak quarters, the market took a long awaited upward turn towards the end of the fourth quarter i.e. effectively in December 2018. The development was largely unforeseen but according to some, due to an overlapping of increased transport demand as a result of OPEC, the United States and Russia gradually increasing oil production. In addition, the somewhat increased phasing-out of older vessels also contributed to a generally better balance between supply and demand.

Overall, with the exception of the final weeks' runaway, 2018 was a weak year for the tanker market; although somewhat less for Tankerska Next Generation. As a result, during the course of the year, financial effects of a poor market were somewhat overcome due to previously signed time charters which meant that, on the other hand, the market development in Q4 was not picked up until the very end of the quarter. The financial result was influenced, inter alia, by the decision of the Management Board on value impairment of tangible assets, whereby the Company found that there are reasons to change the book value of the vessels.

Looking at the tanker market as a whole, limited activities brought limited freight rates and just before all hopes were abandoned the year ended on an exuberant note. The first three quarters of the year were greatly affected by OPEC's reduced production and the stock withdrawals in consuming countries that have been taking place since summer 2016. Overall, this resulted in reduced transport demand, which, in combination with extensive Far East ship deliveries, led to mainly miserable freight rates.

Since October, there has been a sharp rise in virtually all tanker segments, with freight rates at levels we have not seen in several years. On closing, 2018 finally presented a market situation that some had long predicted but all awaited. It should be pointed out that the market is still volatile, with relatively strong upward and downward fluctuations, but at a higher level than before looking to land on firm ground.

While opportunities in a dull market offered not much more than a restrained performance in terms of revenue, the focus during the last year has turned to more efficient cost control monitoring and continuing to adapt and position the fleet according to the current market conditions.

Maritime safety has been improving in recent years, driven by continually evolving regulation and the development of a more robust safety culture. Many shipowners are now much more proactive around safety than they were in the past. The decline in the number of total losses and incidents year-on-year, is likely to be a reflection of this improving safety culture and this bodes well for the shipping industry. However, it should not be complacent. Economic strains have led to cost-cutting in the sector, which could potentially have negative implications for maintenance, training and qualified personnel. Operationally, TNG continued to have an efficient and well-functioning professional operation. 2018 was another year in which there were no serious incidents on any of our vessels. Management continues to make efforts in finding ways on how to utilise the competitive advantage of its ICE class and ECO fleet in which it manages to outpreform peers.

"We were pleased to see improvement in the rates on the spot market late in the year, with MR average TCE levels reaching high teens in late December and with even better markets anticipated in 2019 as the impact of IMO 2020 begins to move in."

We were pleased to see improvement in the rates on the spot market late in the year, with MR average TCE levels reaching high teens in late December and with even better markets anticipated in 2019 as the impact of IMO 2020 begins to move in. The view among peers is that recent strength in the spot market only re-enforces the view that we are in the early stages of a market recovery.

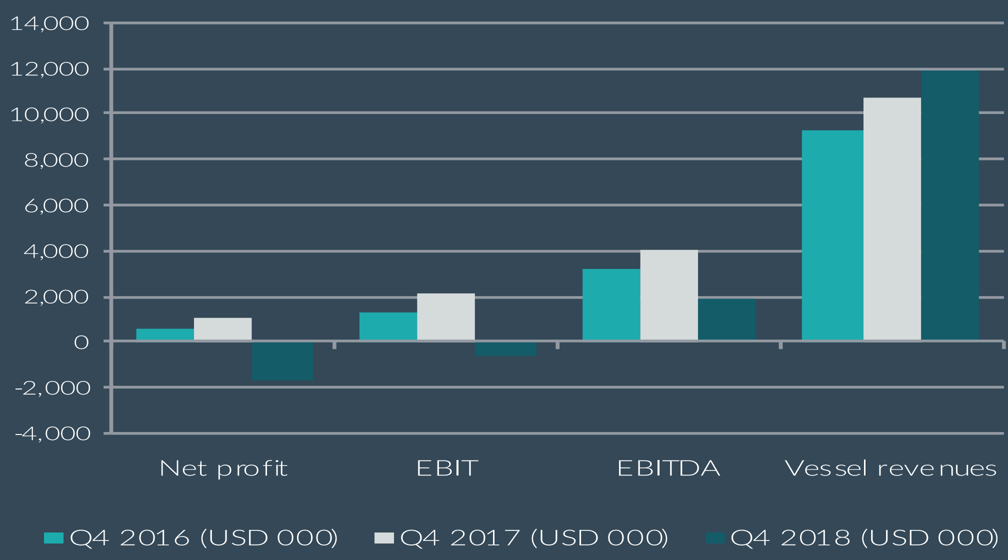
IMO 2020 should have significant implications for the product tanker market. While much of the focus on the IMO 2020 regulations has been related to the scrubber debate, we believe the new low sulfur regulations will have significant implications for shipping.

The shift to low-sulfur fuel oil is expected to result in a significant increase in demand for compliant fuels together with the dislocation of global refining capacity.

We believe increased trade flows and volumes will result in shifting trading patterns and have positive implications for ton-mile demand.

John Karavanić,
CEO

Selected financials



300.0 mil. kn ~ USD 47.8 mil.

Vessel revenues

88.28 mil. kn ~ USD 14.1 mil.

EBITDA

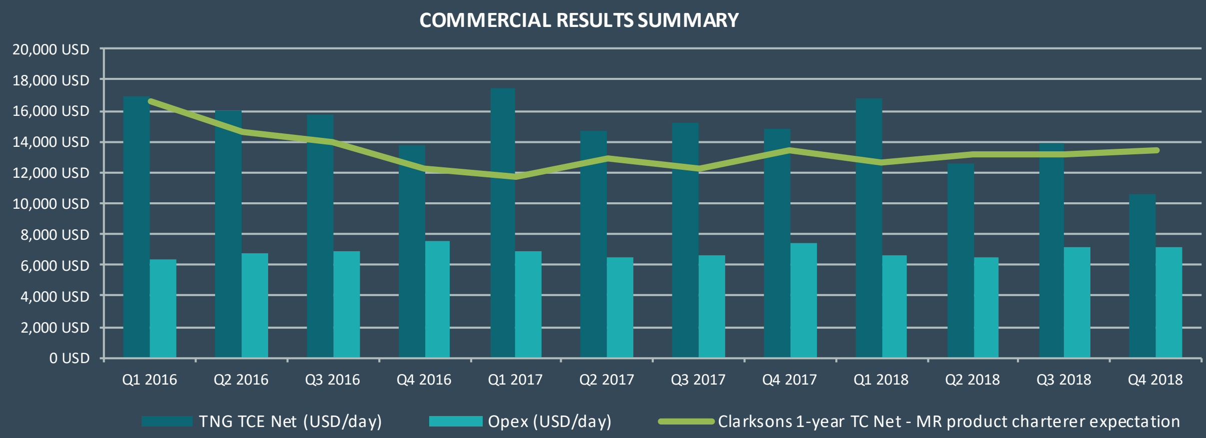
32.6 mil. kn ~ USD 5.2 mil.

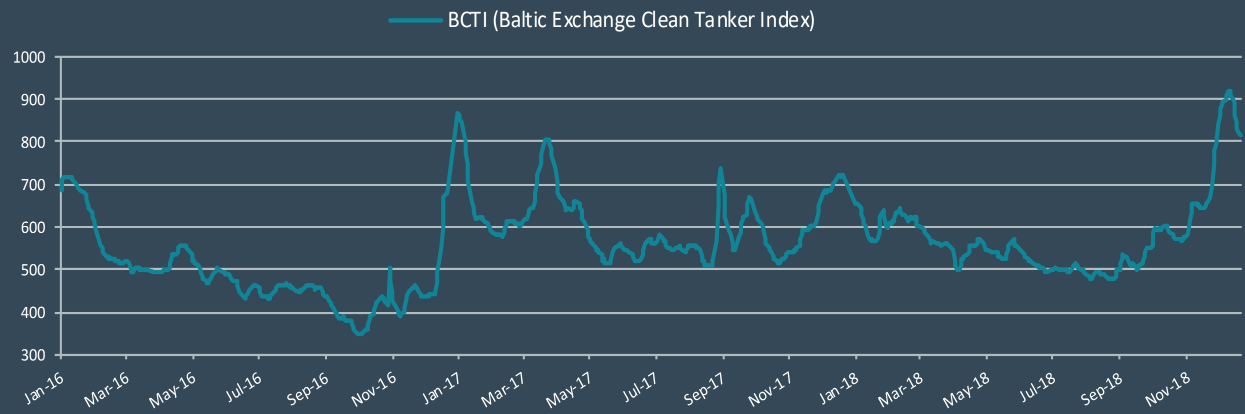
EBIT

6.3 mil. kn ~ USD 0.97 mil.

Net profit

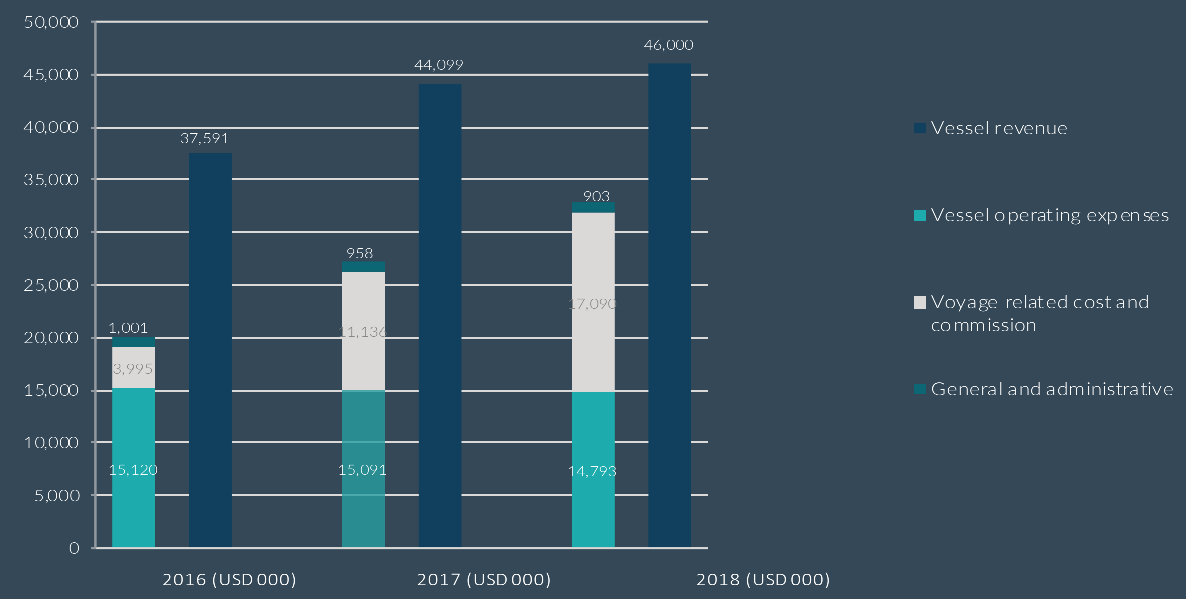
Commercial results





"The stronger engagement of the vessels in the spot market maximized their commercial potential thus achieving a better commercial result than it could have been achieved by contracting them on time charter during the past period"

Expenses summary



95.08 mil. kn ~ USD 15.14 mil.

Vessel operating expenses

104.9 mil. kn ~ USD 16.7 mil.

Voyage related costs and commision

5.9 mil. kn ~ USD 0.93 mil.

General and administrative

TPNG-R-A SHARES

Share capital: 436,667,250.00 kn

Issued shares: 8,733,345

Treasury shares: 13,200

Trading data:

Total turnover in 2018: 1,515,984.7 kn

Total volume in 2018: 34,765 shares

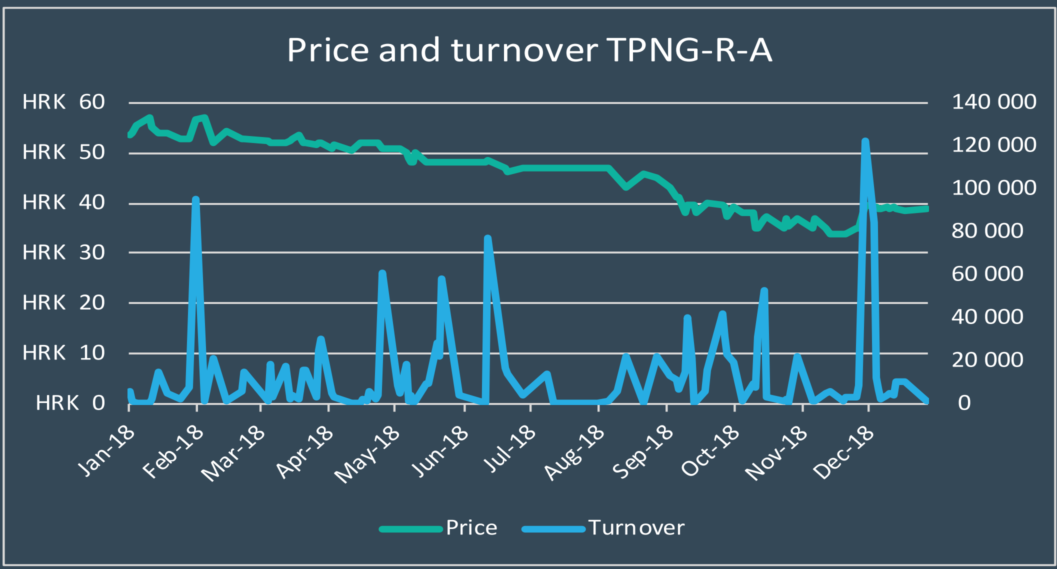
Trading days in 2018: 107

Highest price in 2018: 57.00 (11th January and 5th February)

Lowest price in 2018: 33.40 (14. November)

Market Capitalization 31st December 2018: 338,853,786.00 kn

Top shareholders 31 Dec 2018	No.shares	%
Tankerska plovidba d.d.	4,454,994	51.01
PBZ Croatia Osiguranje OMF	839,000	9.61
Erste Plavi OMF	808,000	9.25
Raiffeisen OMF	752,036	8.61
Raiffeisen DMF	367,521	4.21
Croatia Osiguranje	261,065	2.99
Treasury shares	13,200	0.15
Other	1,237,529	14.17
Total	**8.733.345**	**100.00**

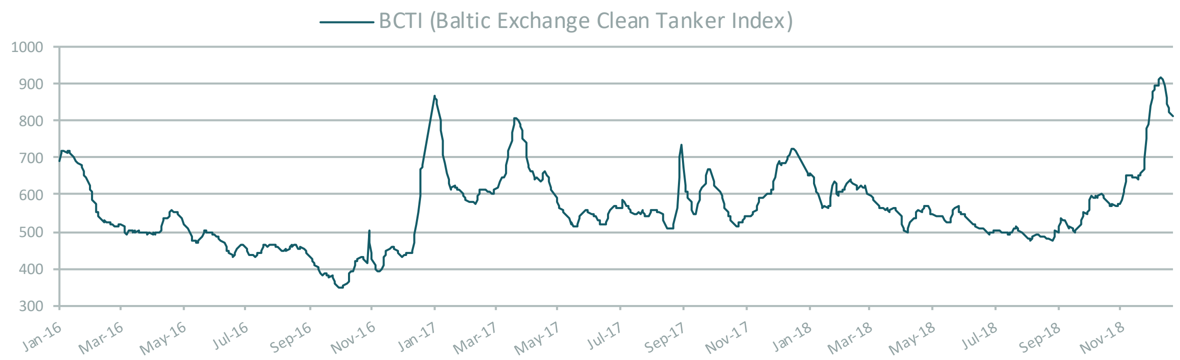



NO SMOKING
SAFETY FIRST

Market conditions

The key points to where uncertainty has revolved around are and still prevail are the increased protectionism and trade tariffs, in particular between the US and China. The common view is that the given 90 day period is too short to iron out fundamental issues and has effectively contributed to uncertain market conditions surrounding the US-China relationship. Iran sanctions also had an impact on shipping markets namely crude oil routes but in general await the outcome of waivers to (or not) be renewed in May 2019. The lingering debate in wake of the preparations for IMO 0.5% sulphur emission restrictions set to be effective on January 1st 2020 directing the majority of ship in a new low sulphur fuel burning future. According to reports users of scrubber technology are likely to remain in the minority. A relatively small number of scrubber installations is in fact a vote of confidence in refiners and oil majors to produce adequate low-sulphur fuel. However we expect only a handful of countries will be ready to supply sufficient quantities of low sulphur marine bunker fuel before reaching the deadline. Scrubbers essentially represent a mature technology for cleaning industrial exhausts but remain unproven in shipping. As things develop, shipowners and operators have no option but to start spending large amounts of money on either installing expensive scrubbers or testing more expensive low-sulphur fuels emerging onto the market in preparation for the January 2020 deadline.

On the other hand, as the enforcement deadline for the Ballast Water Management Convention is beginning to draw near, the expected 2019-2021 peak installation period for BWTS (ballast water treatment systems) is looming as yet another operational challenge, apart from the fact it will put an additional dent in to Owners' pocketbooks.



Geopolitically, the impact of the US sanctions on Venezuela on the tanker market is yet to be seen. However, the measure comes at a time when tankers are finally seeing a recovery of freight rates as demand-supply balance continued to be tight.

For almost two decades now, China's emergence as an economic powerhouse, with vast needs for raw materials imports to feed this growth, has immensely benefited the shipping industry.

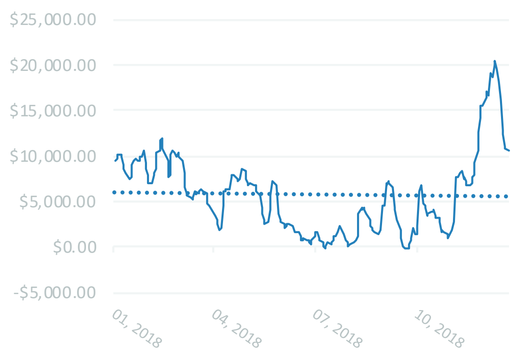
However, while the country is still the most important market for global transit shipping, the apparent economical slowdown, triggered by the trade war of the past year, is starting to put strain to the maritime industry as well.
China has been the top driver of global growth for nearly two decades now, pushing demand for seaborne

trade and being the key influencer for demand of several major trading commodities. The annual data of this Asian giant were revealed just a few weeks ago, sparking concerns for the economic state of the country. China's GDP expanded in the previous year by 6.6%, a rate that may sound impressive compared to other OECD countries, but it is the lowest pace the country has seen since 1990.

In addition, the latest quarterly growth figure stands at 6.4%, the weakest rate since the global financial crisis. With China accounting for one-third of global growth, it is no surprise that the International Monetary Fund revised its global economic growth forecast for 2019 by -0.2% and pointed out that risks for further downward corrections are high.

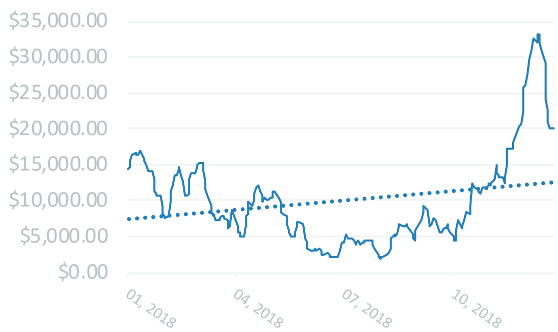
It is fair to point out that this slowdown has been expected by most including Beijing itself. The declining trend in China's economic growth has been in the works since 2010, with the local government making steps to slowly transform from primarily a manufacturing based economy to a service based one. Of course, the impacts on global trade from this will be slow and gradual. An economic poll conducted by Reuters showed that the majority of economists expect China to slowdown further in 2019 down to 6.3%, while the IMF predicts a 6.2% growth rate.

Continent to US Atlantic coast TCE (CPP, UNL)



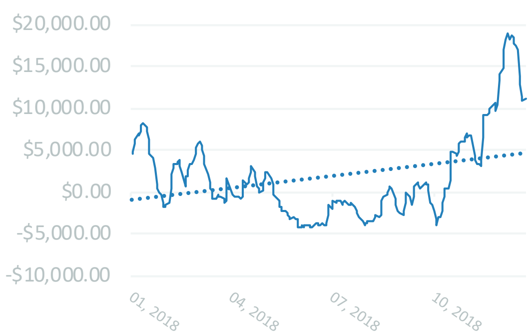
Full Route Description - TC2_37 37,000mt CPP/UNL. Continent to US Atlantic coast (Rotterdam to New York).

MR Atlantic triangulation (Uses: TC2 TCE & TC14 TCE)



Full Route Description - MR Atlantic Basket Contributing routes: TC2 TCE & TC14 TCE

US Gulf to Continent TCE (CPP, UNL, diesel)



Full Route Description - TC14 38,000mt CPP/UNL/diesel. US Gulf to Continent (Houston to Amsterdam).

[1] MMF, World Economic Outlook, April 2019.

[2] Baltic Exchange, BCTI, March 2019.

[3] Banchero costa – Product Tanker outlook 2019.

[4] Clarksons, Tanker Matrix Report, April 2019.

Results for the year 2018

TNG has completed its business year in 2018 with USD 300m HRK in revenue (USD 47.8m), which increased by 6.5 percent in comparison the previous year 2017, while EBITDA amounted to HRK 87.9m (USD 14.0 million), which in kunas compared to HRK 110.2m realized in 2017 is a decrease of 25.7%. The net profit of TNG was 6.3 million HRK (USD 1.0m), which is along with the unforeseen slow recovery in the market among other things, the consequence of the impairment decision. The vessel Dalmacija's carrying amount was reduced by just under 2% of the estimated market value since her book value by the Management's estimates exceeded the estimated DCF value. A loss of USD 0.627m is shown as an expense in the profit and loss sheet and will be shown under the financial notes report.

Selected financials	2017 ('000 USD)	2017 ('000 HRK)	2018 ('000 USD)	2018 ('000 HRK)
Vessel revenues	42,371	280,596	47,784	300,007
EBITDA	16,635	110,166	14,003	87,919
EBIT	9,126	60,439	5,193	32,603
Net profit	4,852	32,132	1,001	6,284

EBIT in 2018 amounts to HRK 32.6m (USD 5.2m) and is the result of stable income of two time charter contracts, contributions from the spot market and it corresponding increased costs as a result of the greater exposure to the spot market. Increased ship revenue during 2018 primarily reflects a customised employment strategy whereas a higher number of units are on the spot market (for most of the year) in which TNG as a company reconciles fuel, port costs and other costs associated with the voyages. This business strategy covers a significant part of the cost, which, for the units that are employed on time charter, are absorbed by the charterer and compensated through increased revenues.

The average vessel's TCE gross daily rate during 2018 was recorded at USD 21,005 and shows a decrease compared to a level of USD 20,770 per day in 2017, and are in line with changes in market conditions.

2018, which is now behind us, was also, for the most part, characterized with the usual vessel's operating costs i.e. costs were slightly reduced to USD 15.143 million.

Commissions and costs associated with vessel's voyages amounted to HRK 104.9 million, unlike the same period in 2017 when they amounted to HRK 64.8m. This significant increase is a consequence of a modified employment structure whereas Dalmacija, Velebit and Pag were shifted on the spot market, facing higher voyage associated costs e.g. port costs and bunkers, which are absorbed by the charterer while operating on time charter.

Total annual operating costs in 2018 were HRK 267.4m (USD 42.6m). These costs indicate a sharp increase compared to 2017 (+22.0%) which is again the consequence of the employment structure namely M/T Dalmacija, Velebit and Pag and their associated commissions and voyage expenses.

Depreciation costs in 2018 added up to HRK 51.4m (USD 8.2m).
All the vessels in operation are depreciated over an estimated useful life span of 25 years on a linear basis to their residual value, which represents their scrap value on the international market.

The period's general and administrative expenses were equal to HRK 5.8m (USD 0.9m) and have been decreased by 2.8% in comparision to 2017 as a result of increased cost control efficiency.

Financial position	2017 ('000 USD)	2017 ('000 HRK)	2018 ('000 USD)	2018 ('000 HRK)
Bank debt	106,938	670,467	97,556	631,106
Cash and cash equivalents	10,175	63,792	8,716	56,389
Net debt	96,763	606,675	88,840	574,717
Capital and reserves	96,242	603,418	96,491	624,227
Gearing ratio Net debt/(capital and reserves + Net debt)	50%	50%	48%	48%

Tankerska Next Generation Plc concluded 2018 with 2 percentage points less gearing or 48% in comparison to the end of 2017. This decreasing debt trend is in accordance with the loan repayment plans of TNG and regular decrease in indebtedness, while a further decrease in the company's debt is expected in the future.

Securing sufficient levels of financing (both debt and equity financing), provides stable foundations for delivering the company strategy and increasing distributable cash flow, while lowering the risk of the business by focusing on medium to long term time charter periods.

With a goal to maximize the commercial benefits to the fleet, the vessels, whose time charter contracts expired during the year, have been transferred to the spot market. This model of employment at the current market conditions offers management enough flexibility to timely react to the positive changes in hire rates, while it simultaneously requires a higher liquidity, due to the fact that the ship owner covers the voyage related expenses in advance of being compensated, while on time charter the Owner receives the hire upfront.

Expenses summary	2017 ('000 USD)	2017 ('000 HRK)	2018 ('000 USD)	2018 ('000 HRK)
Commission and voyage related costs	(9,778)	(64,756)	(16,709)	(104,903)
Vessel operating expenses	(14,288)	(94,615)	(15,143)	(95,076)
General and administrative	(907)	(6,006)	(933)	(5,855)
Total operating expenses	**(25,738)**	**(170,442)**	**(42,595)**	**(267,426)**

Financials

Income statement and statement of other comprehensive income for period from Dec 31st 2017 to Dec 31st 2018

Audited	2017 ('000 USD)	2017 ('000 HRK)	2018 ('000 USD)	2018 ('000 HRK)
Vessel revenues	42,371	280,596	47,784	300,007
Total revenues	**42,373**	**280,608**	**47,788**	**300,029**
Commission and voyage related costs	(9,778)	(64,756)	(16,709)	(104,903)
Vessel operating expenses	(14,288)	(94,615)	(15,143)	(95,076)
General and administrative	(907)	(6,006)	(933)	(5,855)
Total operating expenses	**(25,738)**	**(170,442)**	**(34,412)**	**(216,049)**
EBITDA	**16,635**	**110,166**	**14,003**	**87,919**
Depreciation and amortization	(7,509)	(49,727)	(8,183)	(51,377)
Impairement	–	–	(627)	(3,939)
Operating profit (EBIT)	9,126	60,439	5,193	32,603
Financial gains	23	149	689	4,327
Financial expenses	(4,297)	(28,456)	**(4,881)**	**(30,646)**
NET INCOME	**4,852**	**32,132**	1,001	**6,284**
Net foreign exchange gains (losses)	465	(81,264)	(1,542)	19,757
Other comprehensive income	**5,317**	**(49,132)**	**(541)**	**26,041**
Weighted average number of shares outstanding basic & diluted (thou,)	8,720,145	8,720,145	8,720,145	8,720,145
Net income (loss) per share, basic & diluted	0.56	3.68	0.11	0,72

Balance sheet at the date of December 31st 2018

Audited	2017 ('000 USD)	2017 ('000 HRK)	2018 ('000 USD)	2018 ('000 HRK)
Non-Current Assets	**191,928**	**1,203,337**	**183,393**	**1,186,408**
Vessels	191,928	1,203,337	183,377	1,186,302
Current Assets	**14,769**	**92,597**	**15,538**	**100,517**
Inventory	1,335	8,370	2,130	13,779
Accounts receivable	2,803	17,574	3,990	25,806
Cash and cash equivalents	10,175	63,792	8,716	56,389
Other current assets	456	2,861	702	4,543
TOTAL ASSETS	**206,697**	**1,295,934**	**198,931**	**1,286,925**
Sharehlders equity	**96,242**	**603,418**	**96,491**	**624,227**
Share capital	68,988	436,667	68,988	436,667
Share premium	10,179	68,426	10,179	68,426
Reserves	9,269	57,030	9,026	58,637
Retained earnings	10,388	67,725	12,422	67,170
Exchange differences	(2,582)	(26,430)	(4,124)	(6,673)
Non-Current Liabilities	**97,556**	**611,647**	**86,174**	**557,476**
Bank debt	97,556	611,647	86,174	557,476
Current Liabilities	**12,899**	**80,869**	**16,266**	**105,222**
Bank debt	9,382	58,820	11,382	73,630
Accounts payable	2,758	17,294	4,053	26,216
Other current liabilities	759	4,755	831	5,376
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**206,697**	**1,295,934**	**198,931**	**1,286,925**

Financials

Cash flow statement for period from Dec 31st 2017 to Dec 31st 2018

Revidirano	2017 ('000 USD)	2017 ('000 HRK)	2018 ('000 USD)	2018 ('000 HRK)
Profit before tax	4,852	32,132	1,001	6,284
Depreciation and amortisation	7,509	49,727	8,183	51,377
Changes in working capital	(4,897)	(32,434)	(4,984)	(31,294)
Other	4,384	27,606	4,292	26,677
Cash flow from operating activities	**11,848**	**77,031**	**9,119**	**56,983**
Cash inflows from investing activities	-	-	-	-
Cash outflows from investing activities	(602)	(3,983)	(55)	(346)
Cash flow from investing activities	**(602)**	**(3,983)**	**(55)**	**(346)**
Cash flow from financing activities	3,787	25,079	-	-
Cash outflows from financing activities	(10,986)	(72,754)	(10,500)	(65,920)
Cash flow from financing activities	**(7,199)**	**(47,675)**	**(10,500)**	**(65,920)**
Net changes in cash	4,047	25,373	(1,436)	(9,283)
Cash and cash equivalents (beginning of period)	6,126	43,915	10,175	63,792
Effects of exchange rate changes on the balance of cash	2	(5,496)	(23)	1,880
CASH AND CASH EQUIVALENTS (END OF PERIOD)	10,175	63,792	8,716	56,389

Statement of changes in equity for period from Dec 31st 2017 to Dec 31st 2018

Statement of changes in equity for the year ended 31 Dec 2018	Paid-in Capital	Retained Earnings Account	Foreign exchange translation reserves	Other reserves	Share premium	Purchase of treasury shares	Total
	('000 USD)	('000 USD)	('000 USD)	('000 USD)	('000 USD)	('000 USD)	('000 USD)
Balance at 31 December 2017	**68,988**	**10,388**	**(2,582)**	**9,412**	**10,179**	**(143)**	**96,242**
Profit for the period	-	1,001	-	-	-	-	1,001
Exchange difference on foreign operations	-	-	(1,542)	-	-	-	(1,542)
Total comprehensive income	**-**	**1,001**	**(1,542)**	**-**	**-**	**-**	**(541)**
Transfered to reserves in yearly schedule	-	243	-	(243)	-	-	-
Declared dividend	-	790	-	-	-	-	790
Balance at 31 December 2018	**68,988**	**12,422**	**(4,124)**	**9,169**	**10,179**	**(143)**	**96,491**

Statement of changes in equity for the year ended 31 Dec 2018	Paid-in Capital	Retained Earnings Account	Foreign exchange translation reserves	Other reserves	Share premium	Purchase of treasury shares	Total
	('000 HRK)	('000 HRK)	('000 HRK)	('000 HRK)	('000 HRK)	('000 HRK)	('000 HRK)
Balance at 31 December 2017	**436,667**	**67,725**	**(26,430)**	**58,027**	**68,426**	**(997)**	**603,418**
Profit for the period	-	6,284	-	-	-	-	6,284
Exchange difference on foreign operations	-	-	19,757	-	-	-	19,757
Total comprehensive income	**-**	**6,284**	**19,757**	**-**	**-**	**-**	**26,041**
Declared dividend	-	(5,232)	-	-	-	-	(5,232)
Transfered to reserves in yearly schedule	-	(1,607)	-	1,607	-	-	-
Balance at 31 December 2018	**436,667**	**67,170**	**(6,673)**	**59,634**	**68,426**	**(997)**	**624,227**

Fleet operating data

Currently TNG's fleet consists of six MR tankers in operation (Velebit, Vinjerac, Vukovar, Zoilo, Dalmacija and Pag). The Group owns an operating fleet which consists of two conventional ice class tankers and four eco-design modern product tankers with a total capacity of 304,449 dwt. On December 31st 2018, the average age of the vessel in TNG fleet is 4.7 years.

Dalmacija

Dalmacija was delivered on 27th November 2015, and chartered out on a three year time charter with the daily rate of USD 17,750, starting from her delivery date. The time charter was mutually concluded in September 2018 with compensation for earlier redelivery.

Vinjerac

During the first quarter of 2018, TNG secured a time charter with the daily rate of USD 14,500 with Clearlake Shipping Pte Ltd („Clearlake") who already previously chartered Vinjerac both on spot and short time charters. With the expiration of the current in Q2/19, the charterer has the option to extend the charter for 12 months at USD 15,500 per day.

Vukovar and Zoilo

Since their delivery in 2015 from the shipyards both vessels were chartered out
on three year time charter deals with prominent charterers.

Vukovar was redelivered to the Company on the end of April 2018, while Zoilo was redelivered at the begining of July 2018. The vessels continue to be employed on the spot market in order to maximize their commercial potential at present market terms, or until the awaited time charter recovery.

Velebit and Pag

TNG currently operates Velebit and Pag on the spot market, estimating how this mode of employment currently represents the most favourable strategy of using the fleet's commercial potential by timely adapting to the market conditions, awaiting the recovery of time charter market.

Tankerska Next Generation takes on the conservative approach of fixing medium-term employment time charters for its fleet, which became apparent in the escalating market conditions in 2015 when key time charters were concluded. At the time, the concluded time charter contracts enabled TNG to achieve results above the market average. At present, the majority, or five out of six units, are employed on the spot market due to unfavourable conditions on the time charter market, which currently provide inadequate levels of cash flow. By positioning most of the fleet on the spot market, management has secured sufficient flexibility for future employment, relying on publicly available industry forecasts and analysis, which indicate a medium term freight rate recovery.
We believe that the first indications of fundamental market recovery for product tankers have become apparent in the final weeks of the 2018.
During the first quarter m/t Vinjerac was contracted on a 12-month time charter with a daily rate of USD 14,500, while during Q2 m/t Vukovar's time charter expired, in addition to Q3 whan m/t Zoilo and m/t Dalmacija's TCs expired and subsequently all units was transferred to spot market.

The average TCE net rate for Q4 2018 added up to USD 10,659. Compared to the last few quarters and an average 2018 TCE of USD 13,201, an obvious decrease from the levels recorded due to the seasonal decrease in oil derivatives trade combined with charter pressures in light of expected lower demand.

The average daily vessel operating expenses (OPEX) in the 2018 amounted to USD 6,755 per vessel, which is a moderate decrease in comparison to the same period last year.

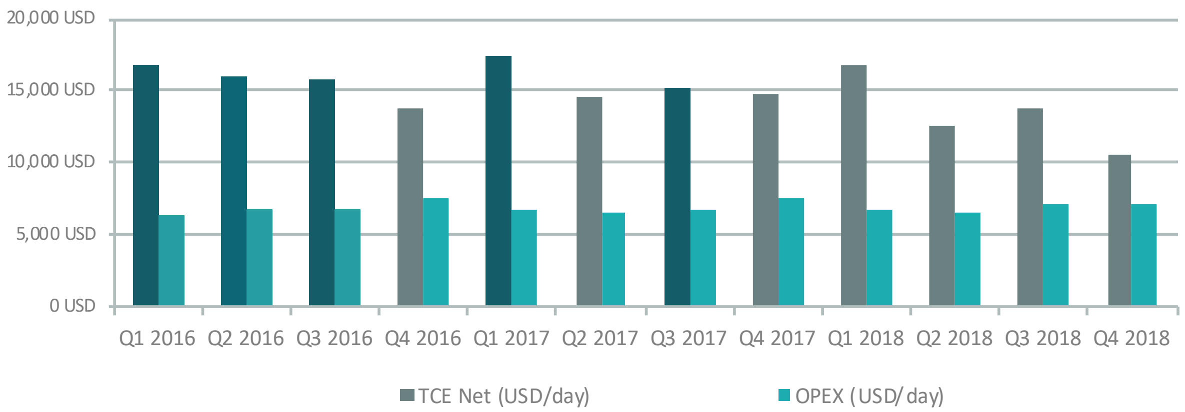
The Ballast Water Convention of the International Maritime Organization entered into force on September 8, 2017. After September 2017, the approved ballast water treatment system will have to be installed by the time it is necessary to renew the International Oil Pollution Prevention (IOPP) certificate, which for TNG means that the systems will be installed on vessels following a five-year drydock cycle that should start from the end of 2019, depending on the binding deadlines and future business conditions.
Ecological control is growing with record-breaking penalties issued for pollution. New ballast water management rules aimed at halting the spread of harmful aquatic organisms are welcome, but will also add significant costs and potentially bring new risks for shipping.

The ballast water treatment system actively removes, kills or deactivates reproduction systems of organisms in ballast waters before returning them to the ecosystem. The expected cost of procurement and installation can range from USD 450,000 to USD 550,000 per ship depending on the preparation and existing ship installations.

Vessel	Capacity (dwt)	Type	Built	Shipyard	Flag	Employment	Daily rate (USD)
Velebit	52,554	ICE class MR product	2011	Treći Maj Croatia	Croatian	Voyage charter	SPOT
Vinjerac	51,935	ICE class MR product	2011	Treći Maj Croatia	Croatian	Clearlake Time charter	14,500 (until Q2 2019)
Vukovar	49,990	Eco MR product	2015	Hyundai Mipo S.Korea	Croatian	Voyage charter	SPOT
Zoilo	49,990	Eco MR product	2015	Hyundai Mipo S.Korea	Croatian	Voyage charter	SPOT
Dalmacija	49,990	Eco MR product	2015	SPP Shipbuilding S.Korea	Croatian	Voyage charter	SPOT
Pag	49,990	Eco MR product	2015	SPP Shipbuilding S.Korea	Croatian	Voyage charter	SPOT

Operativni podaci flote	2016	2017	2018
Time Charter Equivalent rates (USD, per day)	15,583	15,525	13,201
Operating days (number)	2,156	2,123	2,190
Daily vessel operating expenses (USD)	6,885	6,891	6,755
Fleet utilization %	98,2	98,6	100,0
Average number of vessels in the period	6,00	6,00	6,00

TCE Net vs. OPEX, 2016, 2017 and 2018:



Key events in 2018

Unaudited financial statements for Q4 2017 and the full year 2017 adopted (Q1)

The meetings of the Management Board and the Supervisory Board of Tankerska Next Generation Inc. were held on February 26th 2018 and the unaudited financial statements for the fourth quarter and the full year 2017 were adopted.

Audited financial statements for 2017 and unaudited financial statements for Q1 2018 adopted (Q2)

The meetings of the Management Board and the Supervisory Board of Tankerska Next Generation Inc. were held on 27 April 2018.

Supervisory Board considered and adopted the Financial statements for the year ended 31 December 2017 together with Independent auditor's report, and the Annual Company status report.

Furthermore, on the aforementioned session the Supervisory board considered and adopted the unaudited financial statements for the first three months of 2018.

Annual general assembly meeting held (Q3)

Tankerska Next Generation Inc. Annual general assembly meeting was held at the Company headquarters in Zadar on August 1st 2018 at 11:00 hours. At the annual general meeting 5,943,728 votes were present, representing 68.1609 % of the total share capital (with voting power).

All decisions of the General Assembly were passed with the necessary majority in the form proposed by the Management Board and the Supervisory Board in the Annual general meeting invitation.

Unaudited financial statements for Q2 and H1 2018 adopted

The meetings of the Management Board and the Supervisory Board of Tankerska Next Generation Inc. were held on July 27th 2018 and the unaudited financial statements for the second quarter and the first six months of 2018 were adopted.

Dividend payout from the profits realized in 2017 (Q3)

Tankerska Next Generation Inc. in the year ending with 31 December 2017 realized net profit in the amount of HRK 32,132,435.14. General Assembly adopted a decision that a part of net profit in the amount of HRK 5,232,087.00 will be paid shareholders. The payout of dividend in the gross amount of HRK 0.60 per share started on 31st August 2018. A part of net profit in the amount of HRK 1,606,621.76 was allocated to mandatory reserves, and a part of net profit in the amount of HRK 16,573,581.25 was allocated to retained earnings.

Unaudited financial statements for Q3 and 9m of 2018 adopted

The meetings of the Management Board and the Supervisory Board of Tankerska Next Generation Inc. were held on November 29th 2018 and the unaudited financial statements for the third quarter and the first nine months of 2018 were adopted.

Outlook

Tankerska Next Generation Is a shipping company focused exclusively on the MR product tanker segment and ownns and operates 6 product tankers, the main markets in which the Company operates is the international maritime transport of oil products and edible oils. Therefore, TNG provides transport services to oil majors, national oil companies, oil and chemical traders and various other entities that depend on sea transport worldwide.

At the end of 2018 TNG holds one medium-term time charter contracts, which was signed in accordance with usual market conditions and is based on industry standard terms for such agreements.

Placing vessels on the spot market was beneficial to the operational efficiency and it enabled optimal geographical positioning of the vessels before the dryock, which resulted in lower expenses of the drydocks itself.

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

The Group is subject to numerous laws and regulations in the form of international conventions and treaties, national, state and local laws and national, state and international regulations in force in the jurisdictions in which the Group's vessels operate or are enrolled.

The Ballast Water Convention of the International Maritime Organization entered into force on September 8, 2017, while at the last IMO meeting, a postponement of implementation was granted for a certain part of the existing fleet.

After September 2017, the approved ballast water treatment system will have to be installed by the time when it is necessary to renew the International Oil Pollution Prevention (IOPP) certificate, which for TNG means that the systems will be installed on vessels following a five-year drydock cycle that should start from the end of 2019, depending on the binding deadlines and future business conditions. The ballast water treatment system actively removes, kills or deactivates reproduction systems of organisms in ballast waters before returning them to the ecosystem. Expected cost of procurement and installation can range from USD 450,000 to USD 550,000 per ship depending on the preparation and existing ship installations.

According to the provisions of MARPOL by 1 January 2020 the sulphur content in motor fuel will not be allowed to be greater than 0.50%, and emissions into the environment will not be allowed to be higher than that. Compliance of operational performance with these regulations can result in significant capital expenditures in the case of installing equipment to reduce sulphur emissions or can raise the operating costs in order to substitute a cheaper high sulphur fuels with more expensive low sulphur fuel.

These changes in the regulatory environment will affect the operations of TNG in the medium term through the requirements for investments in new technology in order to achieve full compliance of the fleet with these conventions. TNG completed its first five-year drydocking for the two conventional tankers, and we expect that the investments associated with these regulations will have an impact in the next five-year drydocking cycle, which we expect by the end of 2019.

The main trends and indicators related to the product tanker market in the medium term show stability and balance of supply of newbuildings and demand for a tonne mile, while the relocation of production capacity of oil products to the Far East continues, which could all together indicate a slight recovery of the market hire rates in the future. In that period, the company aims to ensure the sustainability of the business and maximize business efficiency by managing the Group in a way that is believed to provide the Company a consistent and continuous dividend policy.

Risk management

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

Foreign exchange risk

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

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

Interest rate risk

Interest rate risk is the risk of change in value of financial instruments due to changes in market interest rates. The risk of interest rate in cash flow is a risk that the interest expenditure on financial instruments will be variable during the period. As TNG has no significant interest-bearing assets, its operating income and cash flows from operations are not significantly exposed to fluctuations in market interest rates. TNG's interest rate risk arises from long-term borrowings. TNG is exposed to interest rate risk on its long-term borrowings that bear interest at variable rates.
Arranging interest rate swaps with the key lenders provides for easing the risk of volatility in the variable interest rate, allowing the company, which operates in terms of pre-fixed income contracted to manage the profitability of operations fixing one of the major cost components.

Credit risk

Credit risk is the risk of failure by one party to meet commitments to the financial instruments, what could cause the financial loss to the other party. Maximum exposure to credit risk is expressed in the highest value of each of the financial asset in statement of financial position. Basic financial assets of TNG consist of cash and of account balance with banks, trade receivables and other receivables, and of investments. Credit risk in liquid funds is limited as the counterparty is often the bank that most international agencies assessed with high credit ratings.

Liquidity risk

The responsibility for managing liquidity risk rests with the Management Board which sets an appropriate liquidity risk management framework for the purpose of managing its short-term, medium-term and long-term funding and liquidity requirements. Liquidity risk, which is considered the risk of financing, is the risk of difficulties which the TNG may encounter in collecting funds to meet commitments associated with financial instruments. TNG has significant interest bearing non-current liabilities for loans with variable interest that expose TNG to the risk of cash flows. Company manages liquidity risk through maintaining adequate reserves and loan facilities, in parallel to continuously comparing planned and relished cash flow and maturity of receivables and liabilities.

Price risk

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

- when rates are low TNG sees it as an opportunity to increase market exposure, and

- when rates are high TNG will seek to hedge short-term to medium-term exposure by chartering-out vessels or by actively trading freight-related derivatives.

In addition, TNG trades its spot exposed vessels in different pools that reduces the sensitivity to freight rate volatility by economies of scale and optimization of the fleet's geographical position.

Operational risk

Due to the risks involved in seaborne transportation of oil products as well as due to very stringent requirements by the "oil majors", safety and environmental compliance are TNG's top operational priorities. The Fleet Manager will operate TNG's vessels in a way so as to ensure maximum protection of the safety and health of staff, the general public and the environment. TNG and the Fleet Manager actively manage the risks inherent in TNG's business and are committed to eliminating incidents that would threaten safety and the integrity of the vessels. Fleet Manager uses a risk management program that includes, among other, computer-aided risk analysis tools, maintenance and assessment programs, seafarers competence training program, and seafarers workshops.

Daily rates

Time charter rates are usually fixed during the term of the charter. Vessels operating on time charters for a certain period of time provide more predictable cash flows over that period of time and yield conservative profitability margins. Prevailing time charter rates fluctuate on a seasonal and year-to-year basis reflecting changes in spot charter rates, expectations about future spot charter rates and other factors. The degree of volatility in time charter rates is lower for longer-term time charters as opposed to shorter term time charters.

Employment strategy based on longer than one year time charter enables the mitigation of this type of risk.

TNG and its fleet manager are comited to the following standards, strategies and insurance:

("ISO") 9001 for quality assurance,

ISO 14001 for environmental management systems,

ISO 50001 for energy management systems and Occupational Health and Safety

"OHSAS"18001 Safety Advisory Services

ISM Code - International safety management code

Company strategy

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

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

Chartering strategy

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

Insurance

The operation of any ocean-going vessel represents a potential risk of major losses and liabilities, death or injury of persons, as well as property damage caused by adverse weather conditions, mechanical failures, human error, war, terrorism, piracy and other circumstances or events. The transportation of oil is subject to the risk of pollution and to business interruptions due to political unrest, hostilities, labour strikes and boycotts. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade.

As an integral part of operating the vessels, TNG maintains insurance with first class international insurance providers to protect against the majority of accident-related risks in connection with the TNG's marine operations.

The Company believes that the TNG's current insurance program, is adequate to protect TNG against the majority of accident-related risks involved in the conduct of its business and that an appropriate level of protection and indemnity against pollution liability and environmental damage is maintained. TNG's goal is to maintain an adequate insurance coverage required by its marine operations and to actively monitor any new regulations and threats that may require the TNG to revise its coverage.

STATEMENT ON APPLICATION OF THE CODE OF CORPORATE GOVERNANCE

According to the Croatian Companies Act, (OG 111/93, 34/99, 121/99, 52/00 – Decision CCRC, 118/03, 107/07, 146/08, 137/09, 152/11 – lectured text, 111/12, 68/13 i 110/15), those companies whose shares are traded on the regulated market are obliged to apply codes of corporate governance. Given that the total of 8.733.345 shares of the Company are listed under ticker TPNG-R-A and ISIN HRTPNGRA0000 are listed on the Official market of ZSE, the Company has adopted codes of corporate governance prepared by ZSE and CFSSA. The Code is published on the Zagreb Stock Exchange (www.zse.hr). Top shareholders are listed on the page 10 of the Annual report. Taking into account the specifics of the business model TNG Inc. complies with the provisions of the Code as reported to the public through the annual survey of corporate governance which is published on the website of the company (www.tng.hr).

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

Exceptions are the following:

- The company has not ensured that the shareholders of the company who, for whatever reason, are not able to vote at the General assembly in person, have proxies who are obliged to vote in accordance with instructions received from the shareholders, with no extra costs for those shareholders, because the Company did not receive that kind of request from any of its shareholders
- The shareholders are not allowed to participate and to vote at the General assembly using modern communication technology, because that kind of participation is not provided by the Articles of association. The benefits of the implementation of that kind of system and its cost efectivness will be examined in the future.
- Legal and statutory application for the General assembly are met, as well as the power of attorney and registration for participation in advance. All in order to protect the interests of shareholders and maintain appropriate technical quality of the general assembly.
- Supervisory board is composed of 3 members of the majority shareholder, and two independent members
- Succession planning will be carried out through early detection and identification of needs for successors.
- The detailed data on all earnings and renumerations is published in the Annual report.
- Due to organizational specifics of the company, the Supervisory Board has not established appointment and renumeration commission but it will be an "ad hoc body" in case of need, considering the questions in this area.
- The amount of charges paid to the independent external auditors for the audit carried out is protected by the confidentiality of the audit contracts

Internal audit and risk management

The Audit commitee of the company prepares and monitors the implementation of decisions of the Supervisory Board relating to the system of financial reporting, risks related to financial reporting and supervises control and quality assurance mechanisms and the process of financial reporting of Tankerska Next Generation. Through continuous access to auditors the commitee oversees the reporting process, discusses key issues for the business set out by the auditors, management or the Supervisory Board by giving advice, recommendations or guidelines. The Audit Committee is responsible for ensuring the objectivity and credibility of the information and reports to be submitted to the Supervisory Board. Obligations and responsibilities of the audit committee include the responsibility to monitor and review the integrity of financial reporting of the Company's internal financial control system and the Company's internal control and compliance of operations of the Company. The Audit Committee also monitors the function of the external auditors (including the effectiveness of the external audit and the appointment of auditors and fees) and evaluates the effectiveness of internal audit activities.

Appointment and funcitions of the Mangement Board

Management Board is appointed and recalled by the Supervisory Board for a term that lasts up to five years, after which the members of the Board can be re-appointed. Management board currently consists of one member and can count up to three members. The powers of the members of the Board are defined by the Companies Act and the Articles of Association and include management activities at their own risk by taking all actions and decisions it deems necessary for the successful management of the Company. For certain decisions Management is obligated to ensure the approval of the Supervisory Board (among other things - changes to the Articles of Association, the acquisition and disposal of treasury shares). The Company is represented independently by the member of the Board. The sole member of the Management board is Mr. John Karavanić.

Supervisory Board

The Supervisory Board consists of five members appointed by the General Assembly. The Supervisory Board is responsible for appointing and recalling of members of the Management board and for supervising the operations of the Company. In accordance with the provisions of the Articles of Association the Supervisory Board gives prior approval for significant transactions and activities that the Management Board can not execute without their consent. The Supervisory Board established the Audit Committee.

Corporate management

John Karavanić

Chief Executive Officer

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

Ivica Pijaca

President of the Supervisory board

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

Mario Pavić

Member of the Supervisory board and Audit commitee

Mr Mario Pavić began his professional career in Tankerska plovidba as cadet between 1993 –1994. He graduated from the Faculty of Maritime Studies in Split in 1996 with the degree of nautical engineer. From 1997 to 2002 he was employed as a deck officer in Tankerska plovidba fleet. In 2002 he obtained a master degree in Maritime Engineering Management at the Faculty of Maritime Studies in Split. Between 2003-2007 he was Tanker Operations Manager in Tanker Department in Tankerska plovidba. Between 2007-2012, Mr Pavić was a broker in Alan Shipping (a Tankerska plovidba subsidiary) and a Managing Director in the same company from 2012-2013. Since 2013, Mr Pavić is the Management Board member of Tankerska plovidba. Since 2015 Mr. Pavić is the CEO of Tankerska Plovidba.

Nikola Koščica

Member of the Supervisory board

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

Joško Miliša

Member of the Supervisory board

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

Nikola Mišetić

Member of the Supervisory board

Mr. Nikola Mišetić graduated in 2002 from the Faculty of Economics in Zagreb, and he finished an MBA program in 2009 at ISEAD business school, France. He began his professional career in 2003 as an macroeconomist at Volksbank Inc. Zagreb, from where he went to Kreditna banka Zagreb Inc. where he was employed as a deputy director for retail from 2004. till 2005. At McKinsey & Company Inc. he was a project manager from 2004. till 2011 when he entered Adris Grupa Inc. as an executive director of development. In April 2014. Mr. Mišetić is named to the Management Board of Croatia osiguranje following acquisition of Croatia osiguranje by Adris group.

Sergej Dolezil

President of the Audit Commitee

Mr. Sergej Dolezil graduated in 2004 at Webster University Vienna, Management with a focus on international business, he also completed the MBA program in 2009. at the IEDC Business School in Bled, Slovenia. In 2004 he got employed as a supervisor in the Tax Department of KPMG Croatia. From 2010 he is employed at the INA oil & gas industry at the position of Lead Internal Auditor, and in that position he remained until 2013 when he was promoted to Head of Internal Audit. In April 2015 he moved to Croatia Osiguranje d.d., where occupied the position of board member financial advisor. In January 2016 he became the Head of Internal audit at Croatia Osiguranje, and from January 2018 unit June he is the CEO of CO Zdravlje d.o.o. From June 2018 until April 2019 he is Head of Mergers and Acquisitions at Croatia Osiguranje. As of April 2019 he is CFO at Amodo, an insurtech company focusing on creating digital channels and insurance products based on usage and behaviour data.

Genarij Sutlović

Member of the Audit Commitee

Mr. Genarij Sutlović graduated from the Faculty of Economics in Rijeka in 1986. After graduation, he was employed in Tankerska plovidba as an officer from 1987 to 1989. Since 1990, he was employed on the position of Chief financial accountant from where he was promoted to Chief Accounting Officer in February 1991. At the position of Chief Accounting Officer at Tankerska Plovidba he remained until December 2001 when he moved to Stambeno Gospodarstvo Tanker, where he occupies the position of the Director of the company ever since.

Compensations for members of board's and commitee's

Compensation for the members of Supervisory Board:

Compensation for the members of supervisory board amounts to 7,600 kn gross monthly, while President of the Supervisory board has a compenstaion of 9,500 kn gross monthly.

Supervisory board members as per 31st December 2018:
Mr. Ivica Pijaca, president
Mr. Mario Pavić, deputy president
Mr. Joško Miliša, member
Mr. Nikola Mišetić, member
Mr. Nikola Koščica, member

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

Audit commitee as per 31st December 2018:
Mr Sergej Dolezil, president
Mr. Mario Pavić, member
Mr. Genarij Sutlović, member

Members of the Management, Supervisory board and Audit commitee who own the shares of the company as per 31st December 2018:
Mr. John Karavanić, CEO, 1,633 company shares,
Mr. Ivica Pijaca, Supervisory board president, 1,840 company shares,
Mr. Mario Pavić, member of the Supervisory board and Audit commitee 1 company share,
Mr. Nikola Koščica, member of the Supervisory board 1,840 company shares,
Mr. Genarij Sutlović, member of the Audit Commitee, 525 company shares.

Dividend policy

Tankerska Next Generation d.d. business policy is guided by the best practice in achieving benefits for its shareholders in an effort to maximize the profit from operations, while the dividend payment policy which follows the example of the most successful global shipping companies in the same business segment, will be guided by efforts to ensure continuity and consistency in dividend payments policy. Management is further obliged to maximize profit devoting particular attention to effective management of vessels, strengthening its comparative advantages in relation to similar shipping companies operating in the global market, while keeping operating costs at low, but without compromising safety, quality of transport services and the environment.

In determining proposals for dividend payment TNG management shall be guided by the Company's earnings, financial position, needs and levels of available funds, fulfilling the commitments under agreements on loans for financing the construction of the fleet and market conditions and changes in the regulatory environment. Management will strive to maintain the continuity in the dividend payment to shareholders by proposing payment of normalized company earnings as part of the profit in the amount of available funds above the minimum requirements of working capital needed for the fleet, in line with the needs of the strategy of commercial exploitation of ships, which can range from 600,000 to one million dollars depending on whether ships are employed on time charters or on a voyage basis, and in accordance with the mandatory financial indicators of the loan agreements.

Dividends paid to shareholders from the business results achieved in 2017

Following the successful world practice of shipping companies of the same segment, in an effort to maximize profit, and assurance of continuity and consistency in policy dividend payments from operating result achieved in 2017 Company's shareholders were paid a dividend of HRK 0.60 per share. General assembly held on 1 August 2018 passed a decision approving the proposal of the Management Board and to distribute HRK 5,232,087,00 to shareholders in amount of HRK 0.60 per share, or an average dividend yield of 1,28% in comparison to the price which preceeded the General assembly.

2018 dividend proposal

The Management Board proposal of the distribution of the Company's Profit for the Year 2018 is that the Company's profit for 2018 should be allocated to mandatory reserves and to retained profit.

Tankerska Next Generation continuously strives to minimize business risk by negotiating a combination of time charter contracts with voyage charter, but the volatility of the freight market requires increased responsibility for managing liquidity risk.

The responsibility for managing liquidity risk rests with the Management Board which sets an appropriate liquidity risk management framework for the purpose of managing its short-term, medium-term and long-term funding and liquidity requirements. Liquidity risk, which is considered the risk of financing, is the risk of difficulties which the TNG may encounter in collecting funds to meet commitments associated with financial instruments.

The decision not to pay dividends in 2019 for 2018 is based on the business results achieved in the previous year and the market forecasts for the 2019 product tanker segment and the anticipated costs associated with monitoring the regulatory environment.

Sustainability and social responsability

The main goals of sustainabilty and social responsability are: corporate social responsibility as integral part of business strategy, environmental protection, economic sustainability, market relations, work environment and community relations

The concept of Corporate Social Responsibility (CRS) implies the integration of responsibility for the society and environment into the business development strategy.

TNG's key stakeholder groups comprise of customers, suppliers, employees, shareholders, financiers, industry associations, regulators and the community, and our continous goal is to nurture partnership and dialogue with each of these groups.

Corporate social responsibility as integral part of business strategy

The shipping industry handles about 90% of the world's transported goods. In this way, shipping links production, people and companies in global trade and contributes to development and growth all over the world. Developing efficient, reliable and smart solutions for transporting goods from producers to buyers is increasingly a key component in ensuring sustainable development through trade. Recognising that smarter global trade is closely tied to sustainability, we discover the premise that working with the linkages between social and economic progress holds potential to increase value for customers, for communities and long term competitiveness to the Company.

Maritime transport is associated with a potential risk of large losses and liabilities, death or injuries to persons and damage to property caused by adverse weather conditions, mechanical failures, human error, war, terrorism, piracy and other circumstances or events. Transportation of petroleum products is associated with the risk of contamination, as well as business interruption due to political unrest, hostilities, strikes and boycotts. In addition, there is always an inherent possibility of maritime disasters, which include oil spills and other environmental impacts.

The quality of the crew and the vessel determines the safety of the cargo, reliability of operations and the flexibility to deal with unexpected situations. By putting the focus on quality crew and equipment we reduce operating costs for the company, but we also reduce the possible negative consequences for society as a whole, and guarantee the safety of the crew and the cargo being transported.

To achieve continuous reliability, shipping companies are required to entrust its operations to employees with the right competencies, which will with responsible management successfully conclude each trip. Our sailors and employees are key to achieving these objectives and therefore TNG is determined to attract and retain the best candidates. In addition to quality and motivated employees well maintained vessels are the key to successful and timely completed voyages. Good maintenance of ships and ship systems is crucial to minimize the possibility of failures, delays and errors that can manifest in negative externalities for the society.

TNG key stakeholder group:

Goals of UN's Sustainable development.

UN sustainable development goals achievement

Environmental protection

The Policy of managing TNG fleet is to ensure that all owned or managed vessels are operated to comply with all necessary requirements to protect the Environment and in compliance with the existing International Conventions, Administration or other applicable Regulations, which will further help to achive the 17 goals of UN's Sustainable development.

It shall be accomplished through the implementation of the following:

- Taking precautions to protect through the environment in which the Company's ships operate.
- High standards in operating and maintaining Company's ships.
- Responding to hazards quickly, efficiently and with the minimum possible impact to the environment and natural resources.
- Commitment to continuous improvements in our environmental performance and pollution prevention across all our activities.
- Correct treatment and handling of cargo products being transported, bunker and lubrication oils purchased, paints, chemicals, solvents, other consumables materials and in order to comply with statutory rules and regulations.
- Assessing identified risks for possible environmental impacts originating from the various environmental aspects of shipping business.
- Train crew to prevent accidental and whenever possible operational discharges of pollutants to the environment.

All shore based and shipboard personnel of Tankerska group are strictly required to adhere to this Policy by fully complying with all requirements of the Company as well as all applicable industry, administration, national and international regulations.

Tankerska Next Generation is committed to make efficient use of energy aboard its ships with the purpose of preserving natural resources, reducing atmospheric emissions and helping to mitigate the effects of climate change.

These objectives are mainly achieved through the delivery of four Eco-Design product tankers in 2015. Eco ships have various improvements to its operating system, such as improved engines and improved larger propellers which reduce fuel consumption. The new generation of engines and other improvements in the operating system on the eco-designed ships can provide a significant reduction in fuel consumption and emissions into the atmosphere, including CO_2.

Climate change caused by CO_2 emissions pose a threat to the environment and wildlife and can pose operational and commercial challenges for the business operations of Tankerska Next Generation.

Work on reducing CO_2 emissions into the air and our commitment to curb CO_2 emissions and other harmful gases in the atmosphere has proved positive for the fleet, since in the same way it helped reduce fuel consumption, and thereby increase the efficiency of the fleet.

Eco-design of our fleet allows compliance with various regulatory issues, including emissions (NO, CO, CO_2, C), and ease of implementation of the ballast water treatment system (BWT), which will have to be implemented in order to meet the regulatory requirements of US coast guard, and thus further reduce the environmental impact.

Economic sustainability

Contribution to economic prosperity

Tankerska Next Generation regularly and transparently calculates and pays taxes, contributions and other fees pursuant to the regulations of the Republico of Croatia. By doing this, the Company contributes substantially to the functioning and development of numerous activities important to everyday life in the community.

TNG keeps proper accounting records, which will at any time with reasonable accuracy present the financial position of the Company and comply with the Croatian Accounting Law.

Our financial obligations towards suppliers are executed within the set deadlines, and in this way we contribute to the optimization of delivery channels.

Optimization of delivery channels

Tankerska Next Generation seeks to optimize the delivery chains in which it operates and thus contribute to the efficiency of its operations, and the operations of all parties, and interest groups involved in the delivery channels. Every day lost due to barriers in the supply chain drives up the costs, but if coupled with understanding and customer experiences from the field, inefficiencies can be eliminated. TNG endures on it through the adjustment of its business with a variety of industrial protocols and by adopting quality standards. Furthermore, we are looking for the highest quality standards from our suppliers, as well as to comply with ethical guidelines that must include respect for fundamental human rights, labor standards, the attitude towards the environment and employees.

Market relations

Good practices of Corporate governance

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

Corporate responsibility

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

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

Anti corruption

Corruption impedes access to global markets and constitutes barriers for economic and social development around the world. For businesses in the maritime sector, corruption also escalates costs, endangers the safety and well-being of the crew and poses legal and reputational risk.

Although good business relations in different parts of the world are differently defined and denominated, Tankerska Next Generation adopted a zero tolerance on corruption and this attitude is held in our business relationships. Anticorruption program obliges all employees of Tankerska Next Generation, regardless of the level and position that they have to report any attempt of corruptive behavior towards them or others. In achieving these goals, employee training, alongside control is a key tool. Anti-corruption training sessions are conducted through daily individual training of our employees, while the code of conduct of our employees is defined in the Code of Corporate Governance Tankerska Next Generation.

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

Work environment

Stimulating workplace

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

Culture of diversity

Even though shipping is considered a male dominated area, the Group encourages employment of women, both on land and sea. TNG and its fleet manager Tankerska Plovidba through 60 years of tradition developed a culture that appreciates differences which is manifested in equal opportunities for all employees, regardless of sex, race or religion. We see diversity of our employees as an advantage which brings added value to business, and helps achieving Company objectives.

Zero accidents

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

This means that TNG's ambition is zero accidents and that the Company operates by the principle that no injury or environmental incident is acceptable.

To support our safety culture, TNG has in place a safety management system and safety policy, compliant with the International Safety Management Code. Each year Tankerska Plovidba conducts monitoring of standards of Health, Safety, Quality, Environmental & Energy Management for the fleet.

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

Care for health, safety and future

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

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

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

Community relations

Proffesionals who contribute the community

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

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

Our crew is highly qualified, they pride themselves on being team players who are motivated and dedicated to the company. The crew is homogeneous, as most of them have worked on Tankerska plovidba's vessels throughout their careers.

Most of the crew on board graduated in Zadar's Nautical high school and the Zadar Nautical College. They frequently serve on the same teams, knowing their colleagues and the ship's operations thoroughly, which contributes to their homogeneousness and success as a team.

Tankerska Next Generation employees a crew of over 250 seafarers, mostly from the Zadar region which certainly contributes to the development of our region as the gross wages of seamen employed on ships of TNG are significantly above the Croatian average.

Cooperation with the academic community

Tankerska Next Generation is always happy to respond to numerous inquiries from the academic community, we participate in many polls, and our employees are happy to provide assistance to students dealing with maritime and economic topics in their presentations and dissertations. Member of the Board, Mr. John Karavanić, during 2017 participated in the debate club of Faculty of Economics in Zagreb, giving a lecture as part of the "Uhvati me za riječ" programme ("Take my word" programme).

Tankerska Next Generation

Established A. D. 2014

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REPORT OF THE SUPERVISORY BOARD FOR THE 2018 TANKERSKA NEXT GENERATION d.d.

Pursuant to Article 263, paragraph 3, Article 280, paragraph 3, and Article 300c and d. of the Companies Act (Official Gazzette, no. 152/11 - consolidated text, 111/12 and 68/13), Supervisory Board TANKERSKA NEXT GENERATION Inc. at its 23. session held on 30th April 2019 adopted the

REPORT OF THE SUPERVISORY BOARD OF TANKERSKA NEXT GENERATION d.d. ON PERFORMED SUPERVISION OF THE COMPANY'S OPERATIONS IN 2018

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

At the end of 2018 TNG operates a fleet of 6 vessels,two conventional MR ice class product tankers MT Velebit and MT Vinjerac, and four ECO designed MR product tankers; MT Zoilo, MT Vukovar, MT Dalmacija i MT Pag.

During 2018 the Supervisory board had the following structure which was set up in 2016.: Mr. Ivica Pijaca, president, Mr. Mario Pavić, deputy president, Mr. Joško Miliša, member, Mr. Nikola Mišetić, member, Mr. Nikola Koščica, member.

The Group currently holds two time charter contracts (MT Dalmacija and MT Velebit), which were signed in accordance with customary market practices and are based on industry standard conditions for such contracts. In April 2019, the time charter contract for MT Vinjerac has expired. The rest of vessels were employed on the spot market in order to maximize their commercial potential at present market terms , or until the awaited time charter recovery.

Time charter market conditions showed a significant recovery in the fourth quarter of 2018, and especially in December 2018, but in the full year, shipping companies were faced with a number of challenges to maximize the commercial potential of the fleet. Despite the market volatility that characterized 2018, Tankerska Next Generation generated an EBITDA of US $ 14.0 million, relying on vessels that held chartered contracts on time, with quality input from vessels operating on the spot market. The fleet's stronger engagement in the spot market resulted in a stable financial position and operating profit of $ 5 million.

TNG has completed its business year in 2018 with USD 300m HRK in revenue (USD 47.8m), which slightly increased in comparison the previous year 2017, while EBITDA amounted to HRK 87.9m (USD 14.0 million), which in kunas compared to HRK 110.2m realized in 2017 is a decrease of 25.7%. The net profit of TNG was 6.284 million HRK (USD 1.0m).

EBIT in 2018 amounts to HRK 32.6m (USD 5m) and is the result of stable income of two time charter contracts, contributions from the spot market and it corresponding increased costs as a result of the greater exposure to the spot market.

Increased ship revenue during 2018 primarily reflects a customised employment strategy whereas a higher number of units (3) were on the spot market (for most of the year) in which TNG as a company reconciles fuel, port costs and other costs associated with the voyages. This business strategy covers a significant part of the cost, which, for the units that are employed on time charter, are absorbed by the charterer and compensated through increased revenues.

The average vessel's TCE net daily rate during 2018 was recorded at USD 13,201 and shows a decrease compared to a level of USD 15,525 per day in 2017, and are in line with changes in market conditions.

Adjusting the fleet employment strategy to the current market conditions offered management enough flexibility to ease the current market volatilities, and resulted in an increase of revenues during the reporting period. Using this mix between voyage and time charter contracts allows Tankerska Next Generation to timely react to the expected long term positive changes in the freight rate market. Intensive focus on the cost effectiveness of the fleet operations allowed TNG to maintain the expenses on the last year's level which helped to build solid foundations for the business operations in 2019 and expected recovery in freight rates..

Following some of the key indicators, such as rising oil demand which shows stability, strengthening of the global economic activity, and reducing of oil derivatives reserves, it is possible to expect additional demand for tonne mile in the tanker product segment. According to available market analysis and the projections of order books, backed by the solid growth in consumption and refined cargo-targeted export and projected economic growth, we expect market recovery in the medium term. During the next period TNG's management will focus on activities aimed at achieving the optimal structure of employment and providing the resources needed to continue with balanced business operations, while adapting to the changes in the regulatory environment related to the entry into force of Sulphur emission regulations and the application of the ballast water management convention, and securing the resources for the implementation of the regulatory requirements.

The Supervisory Board report was prepared for 2018 and includes the period of business operations of Tankerska Next Generation Inc. (The Company) from 1 January 2018 to 31 December 2018.

Supervisory Board of the Company (Supervisory Board), in accordance with the powers established by the Companies Act and the Articles of Association of the Company, continuously supervised the conduct of the Company's business operations during 2018, making decisions and conclusions on the five meetings held in 2018. Through the Auditing committee, the Board focused on the area of internal and external auditing and thus further emphasized and considered the minimization of business risk.

By supervising the Company's business operations during 2018, the Supervisory Board discussed key issues related to the operations of the Company and its subsidiaries and was regularly reported by the Company's Management. Management reported to the Supervisory Board on all major business events, income and expenses, capital investments, and the current business status. The Management Board regularly submitted written business reports. to the Supervisory Board on quarterly, semi-annual and annual basis.

During 2015, regular shares of the Company were included in the regulated capital market and the Code of Corporate Governance of the Zagreb Stock Exchange and HANFA began to apply. The Supervisory Board established the Audit Committee. Remuneration and appointment committees have not been appointed during the business year 2018 given the totality of the operations and the specifics of the Company's organization and will be established as "ad hoc" bodies of the Supervisory Board, according to the needs and activities of the relevant scope. The Supervisory Board discussed and received a report on the work of the Audit Committee for 2018. (Sergej Dolezil, President, Genarij Sutlovic, Member, Mario Pavić, Member).

By reviewing the Company's business operations, the Supervisory Board found that in 2018 the Company operated in compliance with the law, the Company's Articles of Association, and the decisions of the Company's General Assembly.

Within the statutory deadline pursuant to Article 300 C. of the Companies Act, the Supervisory Board examined the Annual Financial Statements of the Company and Subsidiaries for the year ended 31 December 2018 together with the opinion of the Independent Auditor Deloitte d.o.o. Zagreb, Zagrebtower, Radnička 80 (Auditor), filed by the Management of the Company.

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

The Supervisory Board has determined that the Company's Annual Financial Statements for the year ended 31 December 2018 have been prepared in accordance with the Company's business records and show the Company's and its affiliated companies' fair and good business standing.

The Company operates in a specific business environment where business processes and reporting methods are regulated by a special regulation, the IMO Code, which prescribes how to conduct business books, reporting and other regulatory obligations to the government bodies.

In accordance with such findings, the Supervisory Board agrees with the Annual Financial Statements for 2018 and the opinion of the Auditor, and pursuant to the Article 300.d of the Companies Act, the Management and the Supervisory Board accept and establish the Company's Annual Financial Statements.

An integral part of the Annual Financial Statements of the Company and its subsidiaries for the business year ended 31 December 2018 are:

1. Statement of Income and Other Comprehensive Income;
2. Report on the financial position of the company;
3. Statement of Cash Flows;
4. Statement of Changes in Shareholders' Equity;
5. Notes to the financial statements:
6. Annual Report on the Company and Subsidiaries' Statements and
7. Independent Auditor's Opinion

The Supervisory Board also examined the Annual Report of the Management Board of the Company and its subsidiaries and the situation of the Company and its subsidiaries for 2018 and found that it is accurate and objective in presenting the current business situation and the situation of the Company and its subsidiaries. In accordance with such findings, the Supervisory Board accepted the Management Board's report on the Company's and subsidiary's status for the business year 2018.

The Management Board presented to the Supervisory Board a proposal of the Decision on the distribution of the Company's Profit for the Year 2018 which determines that the Company's profit for 2018 should be allocated to mandatory reserves and to retained profit.

The Supervisory Board agrees with the proposed proposal of the Decision on the distribution of the Company's Profit for 2018 and proposes to the General Assembly of the Company the adoption of such a decision.

President of the Supervisory board

Ivica Pijaca

Annual company status report for the year 2018

Signed on behalf of the Management Board by:

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

Zadar, April 30th 2019

Responsibility for the financial statements

Pursuant to the Accounting Act of the Republic of Croatia, the Managing Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union (the EU) which give a true and fair view of the financial position and results of operations of Tankerska Next Generation d.d. and its subsidiaries (hereinafter: "TNG") for that period. After making enquiries, the Management Board has a reasonable expectation that TNG has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Management Board has prepared these financial statements under the assumption that TNG will continue as a going concern.

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

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

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

The Management Board authorised these financial statements for issue on 30 April 2019.

John Karavanić,
Member of the Management Board

TNG
Tankerska Next Generation

Tankerska Next Generation d.d.
Božidara Petranovića 4
23000 Zadar
Republic of Croatia

Zadar, April 30th 2019

Tankerska Next Generation d.d. Zadar

Financial Statements

For the year ended 31 December 2018

Together with Independent Auditor's Report

Content

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Signed on behalf of the Management Board by:

John Karavanić,
Member of Management Board

Tankerska Next Generation d.d.

Božidara Petranovića 4

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Republic of Croatia

30 April 2019

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Tankerska Next Generation d.d.

Opinion

We have audited the accompanying financial statements of Tankerska Next Generation d.d., Zadar and its subsidiaries (hereinafter jointly referred to as "TNG"), which comprise the statement of financial position at 31 December 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of TNG at 31 December 2018, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union.

Basis for Opinion

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

Key Audit Matters

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

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

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Key audit matter	***Valuation of vessels*** *For accounting policies regarding the identified key audit matter reffer to Note 2.e), 2.i), 2.z), for additional information reffer to Note 14 in the financial statements.*

As at 31 December 2018 the carrying amount of the vessels managed by TNG was HRK 1,181,578 thousand e.g. USD 182,647 thousand.

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

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

Based on calculated valuation of vessels Management concluded that the recoverable amount was higher than their carrying values therefore, no impairment provision was required, except for impairment disclosed in Note 7.

The Management Board prepares impairment based on discounted cash flows, at least when preparing year-end financial statements. Tests are based on the estimated recoverable amounts, defined as the higher of fair value less estimated costs of disposal and value in use.

The most critical assumption regarding valuation of vessels are the long-term freight and time charter rates and the weighted average cost of capital (WACC).

For the purposes of assessing the key assumption are established on the average derived from available estimates of the value of independent naval agents.

Auditor's approach to the Key Audit Matters

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

• assessing the value-in-use models developed by the Management Board, including the consideration of the valuation methodology and the reasonableness of the underlying key assumptions and inputs based on our knowledge of the operations and the relevant industry and relying on the available supporting evidence such as cost budgets and forecasts and data observed on the market, which relate to future freigh hires, interests rates and other. Furthermore, we reviewed the commitments contained in the underlying contracts;

• assessing the key assumptions made by the Management, including its consideration of the expected future short- and long-term rates, daily running costs, WACC, useful lives, residual values and macroeconomic assumptions;

• examining, on a test-basis, the committed cash in- and outflows in the value-in use calculation;

• checking the calculations of fair value less cost of disposal for vessels done by the Management Board, including a comparison of the carrying amounts of the vessels with available valuations prepared by an external and independent ship valuation broker;

• assessing the useful lives and residual values applied by the Management.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Other Information

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

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

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

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

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

Based on the knowledge and understanding of the Company and its environment, which we gained during our audit of the financial statements, we have not identified material misstatements in the other information. We have nothing to report in this respect.

Responsibilities of the Management and Supervisory Boards for the financial statements

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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INDEPENDENT AUDITOR'S REPORT (continued)

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

The General Assembly of TNG appointed us an Auditor of the Company on October 5, 2018 for the purpose of auditing the accompanying financial statements. Our uninterrupted engagement lasts for a total of five years and relates to the period from 1 January 2014 to 31 December 2018.

We affirm the following:

- Our audit opinion on the accompanying financial statements is consistent with an additional report issued to the TNG Audit Committee on April 30, 2019, in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council;

- No unauthorized non-broadcasting services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

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

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

Branislav Vrtačnik, President of the Board **Marina Tonžetić, Certified Auditor**

Deloitte d.o.o.

30 April 2019

Radnička cesta 80,

10 000 Zagreb,

Republic of Croatia

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

Statement of profit or loss and other comprehensive income

for the year ended 31 December 2018

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

	Notes	2018. *USD*	2018. *HRK*	2017 *USD*	2017 *HRK*
REVENUE					
Vessel revenue	3	47,784	300,007	42,371	280,596
Other income		4	22	2	12
Total income		**47,788**	**300,029**	**42,373**	**280,608**
OPERATING EXPENSES					
Travel expenses	4	16,709	104,903	9,778	64,756
Vessel operating expenses	5	15,143	95,076	14,288	94,615
Cost of fuel sold to charterers		1,000	6,276	765	5,065
Amortisation	6	8,183	51,377	7,509	49,727
Vessel value adjustment	7	627	3,939	-	-
General and administrative expenses	8	933	5,855	907	6,006
Total operating expenses		**42,595**	**267,426**	**33,247**	**220,169**
Profit from operations		**5,193**	**32,603**	**9,126**	**60,439**
Financial income	9	689	4,327	23	149
Financial expenses	10	(4,881)	(30,646)	(4,297)	(28,456)
Net financial (income)/expense		**(4,192)**	**(26,319)**	**(4,274)**	**(28,307)**
Tax tonnage per ship	11	-	-	-	-
Net income		**1,001**	**6,284**	**4,852**	**32,132**
Income tax	12	-	-	-	-
Profit for the year		**1,001**	**6,284**	**4,852**	**32,132**
Other comprehensive income					
Items not reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(1,542)	19,757	465	(81,264)
Total comprehensive income		**(541)**	**26,041**	**5,317**	**(49,132)**
Earning per share, basic and diluted	13	0,11	0,72	0,56	3,68
Weighted average number of shares, basic and diluted		8,720,145	8,720,145	8,720,145	8,720,145

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

Statement of financial position

for the year ended 31 December 2018

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

	Notes	At 31 December 2018 *USD*	At 31 December 2018 *HRK*	At 31 December 2017 *USD*	At 31 December 2017 *HRK*
NON-CURRENT ASSETS					
Vessels and equipment	14	183,377	1,186,302	191,928	1,203,337
Financial assets		16	106	-	-
Total non-current assets		**183,393**	**1,186,408**	**191,928**	**1,203,337**
CURRENT ASSETS					
Inventories	15	2,130	13,779	1,335	8,370
Trade and other receivables	16	3,990	25,806	2,803	17,574
Prepaid expenses and accrued income	17	702	4,543	456	2,861
Cash and cash equivalents	18	8,716	56,389	10,175	63,792
Total current assets		**15,538**	**100,517**	**14,769**	**92,597**
Total assets		**198,931**	**1,286,925**	**206,697**	**1,295,934**
SHAREHOLDERS' EQUITY AND LIABILITIES					
Share capital	19	68,988	436,667	68,988	436,667
Share premium		10,179	68,426	10,179	68,426
Reserves	19	9,026	58,637	9,269	57,030
Exchange differences	19	(4,124)	(6,673)	(2,582)	(26,430)
Retained earnings		12,422	67,170	10,388	67,725
Total capital and reserves		**96,491**	**624,227**	**96,242**	**603,418**
NON-CURRENT LIABILITIES					
Interest-bearing loans and borrowings	20	86,174	557,476	97,556	611,647
Total non-current liabilities		**86,174**	**557,476**	**97,556**	**611,647**
CURRENT LIABILITIES					
Interest-bearing loans and borrowings	20	11,382	73,630	9,382	58,820
Trade and other payables	21	4,053	26,216	2,758	17,294
Accrued expenses and deferred income	22	831	5,376	759	4,755
Total current liabilities		**16,266**	**105,222**	**12,899**	**80,869**
Total liabilities		**102,440**	**662,698**	**110,455**	**692,516**
Total shareholders' equity and liabilities		**198,931**	**1,286,925**	**206,697**	**1,295,934**

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

Statement of cash flows

for the year ended 31 December 2018

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

	Note	2018 *USD*	2018 *HRK*	2017 *USD*	2017 *HRK*
OPERATING ACTIVITIES					
Profit for the year		1,001	6,284	4,852	32,132
Adjusted by:					
Amortisation	14	8,183	51,377	7,509	49,727
Vessel value adjustment	14	627	3,939	-	-
Interest expense	10	4,757	29,868	3,938	26,077
Interest income	9	(684)	(4,291)	(20)	(133)
Exchange differences from related-party transactions	9	124	778	(3)	(16)
Net change in foreign exchange differences	9,10	95	322	469	1,678
		14,103	**88,277**	**16,745**	**109,465**
Changes in working capital					
Increase in current receivables		(1,452)	(9,115)	(748)	(4,955)
Increase in inventories	15	(861)	(5,409)	368	2,435
Increase/(decrease) in current liabilities	21,22	1,418	8,900	(558)	(3,697)
Interest paid		(4,101)	(25,745)	(3,973)	(26,309)
Interest received		12	75	14	92
Cash flows from operating activities		**9,119**	**56,983**	**11,848**	**77,031**
INVESTING ACTIVITIES					
Cash paid for purchases of vessels and equipment	21,14	-	-	(602)	(3,983)
Other expenditures		(55)	(346)	-	-
Cash flows from investing activities		**(55)**	**(346)**	**(602)**	**(3,983)**
FINANCING ACTIVITIES					
Received loans		-	-	3,787	25,079
Repayments of received loans		(9,667)	(60,692)	(8,882)	(58,820)
Dividends paid		(833)	(5,228)	(2,104)	(13,934)
Cash flows from financing activities		**(10,500)**	**(65,920)**	**(7,199)**	**(47,675)**
Net increase in cash and cash equivalents		**(1,436)**	**(9,283)**	**4,047**	**25,373**
Effects of exchange rate changes on the balance of cash		**(23)**	**1,880**	**2**	**(5,496)**
Cash and cash equivalents at beginning of period		**10,175**	**63,792**	**6,126**	**43,915**
Cash and cash equivalents at end of period	18	**8,716**	**56,389**	**10,175**	**63,792**

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

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

	Share capital USD	Retained earnings USD	Foreign-currency translation reserve USD	Other reserves USD	Share premium USD	Purchase of own shares USD	Total USD
Balance at 31 December 2016	**68,988**	**7,885**	**(3,047)**	**9,114**	**10,179**	**(143)**	**92,976**
Profit for the year	-	4,852	-	-	-	-	4,852
Exchange differences on translation of foreign operations	-	-	465	-	-	-	465
Total comprehensive income	**-**	**4,852**	**465**	**-**	**-**	**-**	**5,317**
Transfer to other reserves	-	(298)	-	298	-	-	-
Paid dividend	-	(2,051)	-	-	-	-	(2,051)
Balance at 31 December 2017	**68,988**	**10,388**	**(2,582)**	**9,412**	**10,179**	**(143)**	**96,242**
Profit for the year	-	1,001	-	-	-	-	1,001
Exchange differences on translation of foreign operations	-	-	(1,542)	-	-	-	(1,542)
Total comprehensive income	**-**	**1,001**	**(1,542)**	**-**	**-**	**-**	**(541)**
Transfer of other reserves	-	243	-	(243)	-	-	-
Paid dividend	-	790	-	-	-	-	790
Balance at 31 December 2018	**68,988**	**12,422**	**(4,124)**	**9,169**	**10,179**	**(143)**	**96,491**

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

Statement of changes in shareholders' equity (continued)

for the year ended 31 December 2018

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

	Share capital	Retained earnings	Foreign-currency translation reserve	Other reserves	Share premium	Purchase of own shares	Total
	HRK	HRK	HRK	HRK	HRK	HRK	HRK
Balance at 31 December 2016	**436,667**	**51,575**	**54,834**	**55,997**	**68,426**	**(997)**	**666,502**
Profit for the year	-	32,132	-	-	-	-	32,132
Exchange differences on translation of foreign operations	-	-	(81,264)	-	-	-	(81,264)
Total comprehensive income	**-**	**32,132**	**(81,264)**	**-**	**-**	**-**	**(49,132)**
Dividends paid	-	(13,952)	-	-	-		(13,952)
Transfer to other reserves		(2,030)	-	2,030			-
Balance at 31 December 2017	**436,667**	**67,725**	**(26,430)**	**58,027**	**68,426**	**(997)**	**603,418**
Profit for the year	-	6,284	-	-	-	-	6,284
Exchange differences on translation of foreign operations	-	-	19,757	-	-	-	19,757
Total comprehensive income	**-**	**6,284**	**19,757**	**-**	**-**	**-**	**26,041**
Dividends paid	-	(5,232)	-	-	-	-	(5,232)
Transfer to other reserves	-	(1,607)	-	1,607	-	-	-
Balance at 31 December 2018	**436,667**	**67,170**	**(6,673)**	**59,634**	**68,426**	**(997)**	**624,227**

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

1. GENERAL INFORMATION

History and incorporation

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

The Company's registered activities comprise the following:

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

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

Governance and management

In the period from 1 January 2018 to the issuance of these financial statements the members of the Supervisory Board were as follows:

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

The Management Board consists of 1 member, Mr John Karavanić.

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

1. GENERAL INFORMATION (CONTINUED)

At 31 December 2018, there were 2 persons employed at the Company's administration (31 December 2017: 3 employees). At 31 December 2018 the crew of subsidiary Tankerska Next Generation International Ltd. consisted of 133 seamen on a contract basis (31 December 2017: 133 seamen on a contract basis).

The ownership structure as at 31 December 2018 is set out below:

	Number of shares	**Ownership interest in %**
Tankerska plovidba d.d.	4,454,994	51.01
PBZ Croatia Osiguranje Mandatory PF	839,000	9.61
Erste Plavi Mandatory PF	808,000	9.25
Raiffeisen Mandatory PF	752,036	8.61
Raiffeisen Voluntary PF	367,521	4.21
Other institutional and private investors	1,511,794	17.31
	8,733,345	**100.00**

These financial statements for the period ended 31 December 2018 comprise of the financial statements of Tankerska Next Generation d.d. and its foreign subsidiaries (shipping companies operating internationally) that Tankerska Next Generation d.d. controls from a single administrative seat and under single governance body, and for which it is in obligation to keep business records and prepare financial statements for the full operations in the country and abroad according to the article 429.a paragraph 4. of the Maritime Code (Official Gazette of the Republic of Croatia "Narodne novine" nos. 181/04., 76/07., 146/08., 61/11., 56/13., 26/15. and 17/19.) has the obligation to maintain business records and prepare financial statements for integrated domestic and foreign operations, including all shipping companies in its majority ownership that perform the economic activities using the ships the net tonnage of which is included in the tonnage tax assessment.

As subsidiaries of Tankerska Next Generation d.d. may not have the obligation, pursuant to the applicable legislation in the relevant domicile countries, to maintain business records and prepare financial statements in the respective countries of domicile, Tankerska Next Generation d.d. presents the assets and liabilities, revenue and expenses of its subsidiaries in its financial statements, as specified in the Accounting Act and the Profit Tax Act.

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with the underlying decision of the Management Board. Pursuant to the Croatian Companies Act, they have to be approved by the Supervisory Board.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Statement of compliance

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

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

In the current period, the following standards, amendments to existing standards and interpretations published by the International Accounting Standards Board (IASB) are in force and are adopted by the European Union:

- **IFRS 9 "Financial instruments"**, adopted in the European Union at 22 November 2016 (effective for annual periods beginning on or after 1 January 2018).
- **IFRS 15 "Customer Contract Revenue"** and Amendments to IFRS 15 "IFRS 15 Effective Date", adopted in the European Union on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018)
- **Amendments to IFRS 15 "Customer Acquisition Revenue"** – IFRS Statement15 Income from Acquisitions, adopted in European Union on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018).

  TNG applied IFRS 15 using a retrospective approach with cumulative effect. In accordance with this method, comparative information have not been restated and that period is reported in accordance with IAS 18.

  There is no significant impact on changes in accounting policies on TNG financial statements since changes require accounting that is consistent with current TNG accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- **Amendments to IFRS 4 "Insurance Contract"** – Use of IFRS 9 Financial instruments in conjunction with IFRS 4 Contracts and Insurance, adopted in the European Union on 3 November 2017 (effective for annual periods beginning on or after January 1, 2018 or those which IFRS 9 "Financial Instruments" applies for the first time).
- **Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 2 "Share – based Payments"** - Classification and Measurement of Share – based Payments, adopted in European Union on February 22,2018 (effective for annual periods beginning on or after 1 January 2018).
- **Amendments to IAS 40 "Investments in Real Estate" –** Transfer of Real Estate Investments, adopted in European Union on 14 March 2017 (effective for annual periods beginning on or after 1 January 2018).
- **IFRIC 22, "Transactions and prepayments in foreign currencies**", adopted in European Union on 28 March 2018 (effective for annual periods beginning on or after 1 January 2018

This is the first set of financial statements in which IFRS 15 "Customer Contract Revenue" and IFRS 9 "Financial Instruments" have been applied. In addition to these, TNG has consistently applied the accounting policies for all periods presented in the financial statements.

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

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

At the date of authorisation of these financial statements, the following new standards, amendments to existing standards and new interpretation were in issue, but not yet effective:

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- **Amendments to IFRS 9 "Financial Instruments" –** Prepayments with negative compensation features – adopted in the European Union on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019).

- **Amendments to IFRIC 23 "Uncertainties Concerning the Application of Taxation Profit Tax Rules"**, adopted in the European Union on October 23, 2018 (effective for annual periods beginning on or January 1, 2019).

- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 19 "Employee Benefits"** – Amendments, Suppression of Rights i.e. Disbursements from Income Plans (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to various Standards due to "Review of IFRS to from the 2015 – 2017 Cycle"**, arising from the IFRS Annual Compensation Project (IAS 3, IAS 11, IAS 12, IAS 23), primarily to eliminate the discrepancies and clarification of the text (effective for annual periods beginning on or after 1 January 2019)

According to the Company`s estimation, adoption of the aforementioned standards and changes to existing standards would not have a material impact on the financial statements.)

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

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

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments In Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- **Amendments to the Conceptual Framework Guidelines in IFRS** (effective for annual periods beginning on or after 1 January 2020).
- **Amendments to IFRS 3 "Business Combinations" –** Business definition (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period commencing on or after 1 January 2020 and on the acquisition of or after the beginning of that period).
- **Amendments to IAS 1 "Presentation Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Misstatements"** Significance Definition (effective for annual periods beginning on or after 1 January 2019),

Implementation of IFRS 9 requirements

The following table (in thousands of HRK) and the accompanying notes explain the original measurement of the category under IAS 39 and the new measurement category in accordance with IFRS 9 for each class of IAS 39 Financial Assets of TNG as at 1 January 2018:

Financial assets	***Classification of IAS 39***	***Measurment category IAS 39***	***Classification of IFRS 9***	***Measurment category IFRS 9***	***Carrying amount IAS 39***	***Carrying amount IFRSI 9***
Trade receivables	*Loans and receivables*	*Amortized cost*	*Business model held to collect*	*Amortized cost*	*16,701*	*16,701*
Other receivables	*Loans and receivables*	*Amortized cost*	*Business model held to collect*	*Amortized cost*	*873*	*873*
Cash and cash equivalents	*Loans and receivables*	*Amortized cost*	*Business model held to collect*	*Amortized cost*	*63,792*	*63,792*

For accounting policy of financial assets, please see note 2 f).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Functional and presentation currency

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

TNG presents its financial statements in two currencies, the Croatian kunas (HRK) according to the regulation of the Republic of Croatia and the US dollars (USD) according according to the industry and business practice. The conversion of USD into HRK as the functional currency and the currency all business events are recorded in is performed in accordance with the relevant accounting standards.

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

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

In the financial statements stated in USD, the exchange differences arising from the conversion are credited or debited to equity.

a) Functional and presentation currency (continued)

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

USD/HRK	2018
31 December	6.469192
2018 average exchange rate*	6.278406

*The average rate was determined for the period 1 January 2018 – 31 December 2018

USD/HRK	2017
31 December	6,269733
2017 average exchange rate*	6.622397

*The average rate was determined for the period 1 January 2017 – 31 December 2017

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Use of estimates and judgements

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

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

c) Basis of preparation

The financial statements are prepared on the basis of amortized or historical expense, with the exception of financial instruments that are stated at fair value. Historical cost is basically based on the fair value of compensation given in return for the property.

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

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

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

Items of assets and liabilities, profit or loss are translated at the middle exchange rate of the National Bank of Croatia, which was HRK 6.469192 for USD 1 at 31 December 2018 (31 December 2017: HRK 6.269733).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Basis of preparation (continued)

The carrying amounts of direct and indirect investments of Tankerska Next Generation d.d. in its subsidiaries at 31 December 2018:

		USD	HRK	Ownership interest in %
1	Tankerska Next Generation International Ltd., Majuro, Marshall Islands	75,938	491,259	100.00
2	Fontana Shipping Company Limited, Monrovia, Liberia	25,088	162,298	100.00
3	Fontana Shipping Company Ltd., Monrovia, Liberia	6,280	40,624	100.00
4	Vukovar Shipping, LLC, Majuro, Marshall Islands	15,170	98,140	100.00
5	Zoilo Shipping, LLC, Majuro, Marshall Islands	14,571	94,263	100.00
6	Pag Shipping, LLC, Majuro, Marshall Islands	14,003	90,580	100.00
	Total	**151,050**	**977,170**	**100.00**

d) Foreign currencies

Transactions denominated in a foreign currency are converted into the domestic currency using the middle exchange rate of the Croatian National Bank effective at the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated at the official middle exchange rate of the Croatian National Bank in effect at the reporting date. Any gain or loss arisen from a change in the exchange rate subsequent to the transaction date is included in the profit and loss account and reported within financial income and financial expenses respectively.

Transactions of foreign operations denominated in a foreign currency are translated to the functional currency at the transaction-date exchange rates. At each date of the statement of financial position, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Any gain or loss arisen from a change in the exchange rate subsequent to the transaction date is included in the profit and loss account and reported within financial income and financial expenses respectively. Assets and liabilities, revenues and expenses and cash flows of foreign operations are translated into domestic currency according to the middle exchange rate of Croatian National Bank valid on 31 December 2018, except in the case of significant currency fluctuations during the period, when the currency exchange rate on the transaction date is applied. All exchange differences arisen on the retranslation are recognised in a separate component of equity. Exchange differences resulting from the retranslation of the net investment in foreign entities are included in equity under translation reserve. On the sale of a foreign operation, the exchange differences are transferred to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Property, plant and equipment

Individual items of property, plant and equipment, including vessels (see 2.y and 2.ee), that meet the recognition requirements for assets are measured at cost in dollar (vessels) or kuna (other equipment). Cost includes the purchase price and all costs directly associated with bringing an asset to a working condition for its intended use. Items and equipment are recognised as non-current assets if their useful life is longer than one year and their unit cost exceeds HRK 2,000.
Subsequent to initial recognition, items of property, plant and equipment are recognised at cost less accumulated depreciation and any accumulated impairment losses.

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

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

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

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

- computers and telecom equipment	4 years

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

f) Financial assets

From January 1, 2018 TNG initially recognizes financial asset allocation into business models and accordingly conducts a test of contractual cash flows. Subsequent measurement depends on allocation and test of contracted cash flows. Classification depends on the purpose for which the financial asset has been acquired. The Management determines the classification of financial assets at initial recognition and evaluates that decision at each reporting date. Given the characteristics and management of credit risk, TNG classifies its financial assets into the following business models, and consequently certain categories of measurements:

i. Financial assets in the business model held to collect - receivables from customers and other receivables, cash and cash equivalents. With the requirement of passing the cash flow test, which consists solely of principal payments and interest on the outstanding principal, financial assets are measured at amortized cost in this business model.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial assets (continued)

ii. Financial assets in the business model held to collect and sell - In this business model TNG holds financial assets managing liquidity risk. In this business model, subject to the requirement of passing the cash flow test, which consists solely of principal payments and interest on the outstanding principal, financial assets are measured at fair value through other comprehensive income.

iii. Financial assets in the business model held to collect and sell - in this business model TNG holds the financial assets it trades. In this business model, financial assets are measured at fair value through profit or loss.

(I) Financial assets measured at amortized cost

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

• Financial assets are held within the business model for the purpose of holding financial assets for the purpose of collecting contractual cash flows,

• Contractual terms of financial assets arise from certain dates for cash flows that are solely principal payments and interest on the outstanding principal amount.

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

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

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

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

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

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

• Financial assets are held within the business model for the purpose of holding financial assets for the purpose of collecting or selling contractual cash flows,

• Contractual terms of financial assets arise from certain dates for cash flows that are solely principal payments and interest on the outstanding principal amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial assets (continued)

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial assets (continued)

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

g) Receivables

Receivables represent the right to receive certain amounts from customers or other debtors as a result of TNG's operations. Receivables from customers and other receivables are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate method, less any impairment losses for expected credit losses as described in note 2.f.

h) Inventories

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

i) Impairment of assets

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

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

Impairment losses are recognised whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Impairment of assets (continued)

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

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

The Management Board performs impairment tests based on discounted cash flows for the entire fleet, at least annually when preparing the year-end financial statements. Tests are based on the estimated recoverable amounts, defined as the higher of fair value less estimated costs of disposal and value in use.

Key assumptions regarding valuation of vessels are the long-term freights from time and voyage charter rates and the weighted average cost of capital (WACC).

Impairment losses on goodwill are not reversed.
In respect of other assets, an impairment loss is reversed when there is an indication that the previously recognised impairment loss is either reduced or no longer exists, based on a review performed at each reporting date. and if there has been a change in the estimates used to determine the recoverable amount.
An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of accumulated depreciation or amortisation, if no impairment loss had been recognised.

j) Cash and cash equivalents

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

k) Share capital

The share capital consists of ordinary shares. Costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.
Consideration paid to redeem own capital stock, including directly attributable costs, is recognised as a deduction in equity. Redeemed stock is classified as own (treasury) shares and represents a deduction from the total equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Dividends

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

m) Interest-bearing loans and borrowings

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

n) Provisions

Provisions are recognized only when TNG has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
Provisions are determined by discontinuing the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

o) Trade and other payables

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

p) Employee benefits

Contributions payable into mandatory pension funds are recognised in profit or loss as an expense as incurred.
Provisions for bonuses to employees are recognised based on TNG's formal plan and when past practice has created a valid expectation by the management or key employees that they will receive a bonus and the amount if bonus can be determined before the financial statements are issued. Liabilities for bonuses are expected to be settled within 12 months from the reporting date and are measured at the expected amount payable.
Short-term employee benefits are not discounted and are recognised as expenses when the related service is provided. A provision is recognised in an amount expected to be paid as a current cash bonus or profit distribution plan if TNG has a present legal or constructive obligation to pay that amount on the grounds of a past service of the employee and if the obligation can be reliably measured.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Leases

Leases of property, plant and equipment and intangible assets under which TNG bears all the risks and rewards of ownership are classified as financial leases. Finance leases are capitalised at the estimated present value of the corresponding lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The corresponding liability to the lessor, less finance costs, is included in other long-term liabilities. The interest element of the finance costs is charged to the income statement over the lease period. Items of property, plant and equipment and of intangible assets acquired under financial lease arrangements are depreciated/amortised over the useful life of those assets.

Leases under which the lessor retains substantially all the risks and rewards of the ownership of an asset are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the lease term. If an operating lease arrangement is cancelled prior to the expiry of the lease term, all payments to the lessor in the form of penalty are recognised as an expense in the period of the cancellation.

s) Taxation

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

Income tax expense comprises current and deferred taxes. Income tax expense is recognised in the income statement to the extent of the tax relating to items within equity when the expense is also recognised in equity.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Vessel revenue

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

Income from freight is realized from the dealings with the time charter and the voyage charter.

A contract based on a shipping contract consists in placing a vessel at a disposal for a specified period of time and used by the client as a replacement for the payment of a certain daily fare. The contractual obligation to execute in time is fulfilled during the term of the contract, starting from the moment the vessel is delivered to the customer until its reintroduction into TNG. Brokerage deals on time are considered operating leases and therefore do not fall within the scope of IFRS 15 because (i) the ship is a recognizable asset (ii) the TNG has no right to be replaced and (iii) the lessor has the right to control the ship's use during the term of the contract and acquires economic benefits of such use.

For a business on the basis of a shipping contract on a voyage, the ship is engaged in a voyage between two or more ports. TNG transfers control over the service over time and hence, over time, fulfills the obligation to execute and recognizes revenue, since the client simultaneously receives and uses the benefits resulting from TNG execution while TNG performs the execution. The obligation to perform a shipping contract on a journey begins to satisfy when the ship commences loading the cargo. The TNG has established that its travel arrangements consist of a single obligation to carry freight within a certain timeframe. Consequently, the obligation to execute equally satisfies how the journey is progressing and, as a result, the revenue is recognized straightforward during the day of travel from the beginning of the loading of the cargo to the end of the cargo discharging.

TNG uses output (output) method of progress measurement to complete fulfillment of past performance obligations. By way of income tax, income is recognized on the basis of a direct measurement of the value of the goods or services transferred to a particular date for the buyer in relation to the remaining goods or services promised by the contract.

TNG uses a practical solution from IFRS 15.B16 since it has the right to a charge from a shipping agent in an amount that directly corresponds to the value - recognizes revenue in the amount that has the right to invoice.

Commitment costs are amortized over the term of the contract unless the depreciation period is one year or less, which is recognized as the expense when incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Vessel revenue (continued)

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

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

u) Other vessel revenue

The other revenue consists mainly of revenue from from charterers for other services and revenues from profit commission on insurance policies. Other revenue is recognised as it arises.

v) Commissions and voyage related costs

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

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

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

Voyage-related costs are typically paid by the ship owner under voyage charters and by the customer (charterer) under time charters. Voyage-related costs represent all expenses that pertain to a specific voyage. TNG distinguishes between major and minor voyage-related costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) Commissions and voyage related costs (continued)

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

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

w) Vessel operating expenses

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

x) Depreciation of vessels

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

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

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

y) Drydocking, special and intermediate surveys

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

z) Vessel impairment and dry-docking costs

TNG reviews the carrying amounts of the vessels, including the dry-docking costs, whenever events or market circumstances indicate that the carrying amount of the assets or the related inputs, i.e. time charters, if any, may not be recoverable. Where a need to recognise impairment is identified, the recoverable amount of a ship is estimated as the lower of value in use, determined on the basis of the discounted future cash flows, and fair value of the ship less costs to sell (mostly based on the market price).

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

Impairment losses are included in profit or loss whenever the carrying amount of a ship exceeds the ship's recoverable amount. An impairment loss is reversed when there is an indication that the impairment loss recognised in a prior period is either reduced or no longer exists.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised. A reversal of impairment is recognized as income immediately.

aa) General and administrative expenses

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

bb) Net financial income/(expense)

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

cc) Borrowing costs

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

ee) Significant accounting estimates and judgements

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

Revenue recognition

In accordance with IFRS 15, TNG uses the output method of progress measurement to fully fulfill its performance obligations. By way of income tax, income is recognized on the basis of a direct measurement of the value of the goods or services transferred to a particular date for the buyer in relation to the remaining goods or services promised by the contract.

The Company uses a practical solution from IFRS 15.B16 since it has the right to a client's compensation in the amount that directly corresponds to the value -responsive income in the amount that has the right to invoice.

When the (or to the extent to which) execution obligation is met, the TNG recognizes as revenue the amount of the transaction price (excluding variable fee estimates that are limited) allocated to that commitment. The transaction price is the amount of compensation the entity is expecting to exercise the right in return for the transfer of the promised goods or services to the buyer, excluding the amounts charged on behalf of third parties. The compensation promised in the contract with the customer may include fixed amounts, variable amounts or both.

Income tax

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ee) Significant accounting estimates and judgements (continued)

Impairment of financial assets

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

Provisions for contingent liabilities

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

Depreciation of vessels

The residual value is estimated as the lightweight tonnage (lwt) of each vessel multiplied by an estimated scrap value (cost of steel) per ton, which is USD 410 per ton, representing a five-year average market price of steel scrap for the Indian subcontinent for 2016, determined based on the data publicly available on the Clarksons Shipping Intelligence Network website (http://www.clarksons.net/sin2010) hosted by Clarkson Research Services Limited, London, England, determined as the arithmetic mean of the scrap steel price expressed in USD/ldt for a five-year time horizon that includes years prior to 2014, as follows:

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ee) Significant accounting estimates and judgements (continued)

Vessel impairment and dry-docking costs

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

3 VESSEL REVENUE

	USD	HRK	USD	HRK
	2018	**2018**	**2017**	**2017**
Charter (hire) revenue	46,424	291,465	40,993	271,470
- *Voyage charter*	*26,828*	*168,436*	*18,336*	*121,427*
- *Time charter*	*15,421*	*96,817*	*20,994*	*139,032*
- *Demurrage*	*3,493*	*21,930*	*1,663*	*11,011*
- *Demurrage from previous years*	*682*	*4,282*	-	-
Revenue from fuel sale to charterers	975	6,121	758	5,021
Other vessel revenue	385	2,421	620	4,105
Total	**47,784**	**300,007**	**42,371**	**280,596**

The average daily gross charter in 2018 was USD 21,005 (2017: USD 20,770).

The obligation to execute a contract based on a charter voyage is fulfilled during the journey or disembarkation. The tanker market does not recognize the form of a typical contract in an international application that defines the fulfillment of the obligation under item "demurrage" within the defined time frame. Pursuant to the aforementioned demurrage, it receives a liability treatment with an undefined maturity. Since when a travel agent deals with a counter party and takes the background check, there is a very high degree of certainty that the claim will be settled, but at the same time such obligations of the lessor will have a longer time horizon of settlement.

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

3 VESSEL REVENUE (CONTINUED)

The following tables briefly outline the terms of time charter during the period ending 31 December 2018 and 31 December 2017:

2018

R.B.	Name of the vessel	Year of construction	Type	Date delivered	Expiration date of the contract	Price ($/Day)
1.	Vinjerac	2011	MR PRODUKT TANKER	11.04.2018	08.04.2019	14,500
2.	Zoilo	2015	MR PRODUKT TANKER	03.12.2018	03.06.2019	12,250

2017

	Name of the vessel	Year of construction	Type	Date delivered	Expiration date of the contract	Price ($/Day)
1.	Vukovar	2015	MR PRODUKT TANKER	01.05.2015	22.04.2018	17,250
2.	Zoilo	2015	MR PRODUKT TANKER	28.07.2015	30.06.2018	17,750
3.	Dalmacija	2015	MR PRODUKT TANKER	29.11.2015	21.09.2018	17,750

The total future minimum payments on these irrevocable lease rentals, net of commission to the transport recipient who is refused on the payment, are as follows:

	USD	HRK	USD	HRK
	31.12.2018.	**31.12.2018.**	**31.12.2017.**	**31.12.2017.**
Up to 1 year	3,266	21,128	9,708	60,867
Total	**3,266**	**21,128**	**9,708**	**60,867**

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

4. TRAVEL EXPENSES

	USD 2018	HRK 2018	USD 2017	HRK 2017
Fuel	9,788	61,452	4,591	30,403
Port costs	4,426	27,784	3,131	20,732
Commissions to brokers and agents	1,214	7,622	1,065	7,065
Fee for managing commercial operations - related parties	718	4,509	615	4,072
Agency fees	369	2,318	246	1,633
Other voyage-related costs	194	1,218	130	861
Total	**16,709**	**104,903**	**9,778**	**64,756**

5. VESSEL OPERATING EXPENSES

	USD 2018	HRK 2018	USD 2017	HRK 2017
/i/ Crew costs	9,049	56,815	8,352	55,308
/ii/ Consumables	1,245	7,819	1,177	7,792
/iii/ Maintenance costs	1,677	10,531	1,798	11,905
Management fee for other activities – related parties	1,282	8,047	1,178	7,799
/iv/ General vessel expenses	1,281	8,043	1,206	7,989
Insurance costs	609	3,821	577	3,822
Total	**15,143**	**95,076**	**14,288**	**94,615**

Under the Management Agreement, the Fleet Manager has the obligation to provide operational and commercial management, crewing, insurance arrangements, accounting services, vessel purchases and sale, required vessels supplies, including fuels. Under the Management Agreement, the Fleet Manager also receives a vessel management fee based on a More Stephens publication, which specified the average daily cost for each type of vessel, which is determined as 67 percent of the amount specified in the publication. Seamen forming ship crews are hired in accordance with the underlying collective agreements with the fleet manager or its related parties performing seamen recruiting activities. The fee is calculated monthly or daily on a pro-rata basis for a period below one month, and the Fleet Manager charges the actual crew expenses to operating expenses of TNG.

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

5. VESSEL OPERATING EXPENSES (CONTINUED)

/i/ Crew costs	USD 2018	HRK 2018	USD 2017	HRK 2017
Crew salaries	7,785	48,879	7,213	47,771
Crew travel expenses	678	4,260	598	3,960
Victuals	496	3,111	453	2,998
Other crew expenses	90	565	88	579
Total	**9,049**	**56,815**	**8,352**	**55,308**

/ii/ Consumables	USD 2018	HRK 2018	USD 2017	HRK 2017
Small inventory items, paints and varnishes, chemicals and gases	835	5,244	669	4,430
Lubricants and greases	410	2,575	508	3,362
Total	**1,245**	**7,819**	**1,177**	**7,792**

/iii/ Maintenance costs	USD 2018	HRK 2018	USD 2017	HRK 2017
Spare parts	1,178	7,396	1,102	7,301
Maintenance and repairs	499	3,135	696	4,604
Total	**1,677**	**10,531**	**1,798**	**11,905**

/iv/ Overheads	USD 2018	HRK 2018	USD 2017	HRK 2017
Postage, telephone and telecommunications	215	1,347	204	1,351
Other overhead costs	471	2,961	451	2,989
Other overhead costs – connected societes	595	3,735	551	3,649
Total	**1,281**	**8,043**	**1,206**	**7,989**

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

6. DEPRECIATION

	USD	HRK	USD	HRK
	2018	**2018**	**2017**	**2017**
Depreciation of vessels (Note 14)	8,181	51,367	7,508	49,717
Depreciation of other tangible assets (Note 14)	2	10	1	10
Total	**8,183**	**51,377**	**7,509**	**49,727**

The 2018 vessel depreciation charge includes the depreciation charge on dry-docking costs for the Velebit amd Vinjerac vessels in the amount of HRK 1,7 million, i.e. USD 270 thousand (2017: Velebit vessel in the amount of HRK 1,6 million, i.e. USD 252 thousand).

7. VESSEL VALUE ADJUSTMENT

	USD	HRK	USD	HRK
	2018.	**2018.**	**2017.**	**2017.**
Vessel value adjustment (Note 14)	627	3,939	-	-
Total	**627**	**3,939**	**-**	**-**

The Company has determined that there are reasons for the impairment of the asset - ship "Dalmacija" and the impairment loss is recognized in the income statement in the amount of HRK 3.9 million or USD 627 thousand (2017: - kuna or - US dollars).

The recoverable amount of the ship is estimated as the value in use determined on the basis of the discounted future cash flow.

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

8. GENERAL AND ADMINISTRATIVE EXPENSES

	USD 2018	HRK 2018	USD 2017	HRK 2017
Costs of guarantees for bank loans – related companies	337	2,115	339	2,244
Staff expenses /i/	261	1,642	253	1,677
Corporate services – related companies	72	453	72	474
Bank charges	38	235	39	259
Statutory audit services	20	126	22	150
Rental costs	9	60	10	64
Rental costs – related companies	9	55	8	55
Services provided by outsourced staff	-	-	1	5
Marketing services	-	-	1	4
Insurance premiums	2	15	3	19
Other external services	37	226	44	295
Other expenses	148	928	115	760
Total	**933**	**5,855**	**907**	**6,006**

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

8 GENERAL AND ADMINISTRATIVE EXPENSES (CONTINUED)

/i/ Staff expenses	USD 2018	HRK 2018	USD 2017	HRK 2017
Net salaries	125	789	122	810
Taxes and contributions	114	717	111	732
Reimbursement of costs to employees	17	105	18	120
Professional education	5	31	2	15
Total	**261**	**1,642**	**253**	**1,677**

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

9. FINANCIAL INCOME

	USD 2018	HRK 2018	USD 2017	HRK 2017
Foreign exchange gains	5	36	-	-
Foreign exchange gains – Group companies	-	-	3	16
Interest income	684	4,291	20	133
Total	**689**	**4,327**	**23**	**149**

Interest income is mainly related to interest rate swaps.

10. FINANCIAL EXPENSES

	USD 2018	HRK 2018	USD 2017	HRK 2017
Foreign exchange losses	-	-	359	2,379
Foreign exchange losses – Group companies	124	778	-	-
Interest expense	4,757	29,868	3,938	26,077
Total	**4,881**	**30,646**	**4,297**	**28,456**

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

11. TONNAGE TAX

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

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

TNG is subject to tonnage taxation for the following ships:

	Date of entry into the regime	Annual tax prepayment in HRK
The Velebit	1 January 2014	31,329
The Vinjerac	1 January 2014	31,329
The Vukovar	29 April 2015	28,236
The Zoilo	27 July 2015	28,236
The Dalmacija	27 November 2015	28,863
The Pag	4 December 2015	29,058
Total		**177,051**

According to the ruling of the Ministry of Maritime Affairs, Transport and Infrastructure, the tax per tonnage of ships of TNG for 2018 is included in the liabilities of Tankerska Plovidba d.d. as the controlling (parent) company.

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

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

11. TONNAGE TAX (CONTINUED)

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

12. INCOME TAX

According to the relevant provisions of the Maritime Code, qualifying companies may choose to have their shipping activities taxed based on the net tonnage of their fleet or based on their actual profits. According to 2018 corporate income tax return, TNG had no income tax liability for the year in Croatia.

13. EARNINGS PER SHARE

	USD	HRK	USD	HRK
	31.12.2018	31.12.2018	31.12.2017	31.12.2017
Net profit for the year	1,001	6,284	4,852	32,132
Weighted average number of shares outstanding at the year-end, basic and diluted:	8,720,145	8,720,145	8,720,145	8,720,145
Earning per share, basic and diluted	**0.11**	**0.72**	**0.56**	**3.68**

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

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

14. PROPERTY, PLANT AND EQUIPMENT

Vessels and equipment

	Vessels and equipment		Total	
	USD	HRK	USD	HRK
COST				
At 31 December 2017	**210,716**	**1,321,134**	**210,716**	**1,321,134**
Value depreciation	(716)	(4,494)	(716)	(4,494)
Exchange differences (Note 2.d)	21	42,028	21	42,028
At 31 December 2018	**210,021**	**1,358,668**	**210,021**	**1,358,668**
ACCUMULATED DEPRECIATION				
At 31 December 2017	**19,781**	**124,019**	**19,781**	**124,019**
Amortization	7,913	49,680	7,913	49,680
Value depreciation	(88)	(554)	(88)	(554)
Exchange differences (Note 2.d)	(232)	3,945	(232)	3,945
At 31 December 2018	**27,374**	**177,090**	**27,374**	**177,090**
CARRYING AMOUNT				
At 31 December 2017	**190,935**	**1,197,115**	**190,935**	**1,197,115**
At 31 December 2018	**182,647**	**1,181,578**	**182,647**	**1,181,578**

Dry-docking costs

	Vessels and equipment	
	USD	HRK
COST		
At 31 December 2017	**1,313**	**8,225**
Additions	-	-
Exchange differences	-	262
At 31 December 2018	**1,313**	**8,487**
ACCUMULATED DEPRECIATION		
At 31 December 2017	**320**	**2,003**
Depreciation and amortisation	270	1,697
Exchange differences	(7)	63
At 31 December 2018	**583**	**3,763**
CARRYING AMOUNT		
At 31 December 2017	**993**	**6,222**
At 31 December 2018	**730**	**4,724**

Grand total:

	Vessels and equipment		Total	
	USD	HRK	USD	HRK
CARRYING AMOUNT				
At 31 December 2016	**191,928**	**1,203,337**	**191,928**	**1,203,337**
At 31 December 2017	**183,377**	**1,186,302**	**183,377**	**1,186,302**

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

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Vessels and equipment		Total	
	USD	HRK	USD	HRK
COST				
At 31 December 2016	**210,715**	**1,510,521**	**210,715**	**1,510,521**
Exchange differences (Note 2.d)	1	(189,387)	1	(189,387)
At 31 December 2017	**210,716**	**1,321,134**	**210,716**	**1,321,134**
ACCUMULATED DEPRECIATION				
At 31 December 2016	**12,102**	**86,746**	**12,102**	**86,746**
Amortization	7,270	48,148	7,270	48,148
Exchange differences (Note 2.d)	409	(10,875)	409	(10,875)
At 31 December 2017	**19,781**	**124,019**	**19,781**	**124,019**
CARRYING AMOUNT				
At 31 December 2016	**198,613**	**1,423,775**	**198,613**	**1,423,775**
At 31 December 2017	**190,935**	**1,197,115**	**190,935**	**1,197,115**

Dry-docking costs

	Vessels and equipment	
	USD	HRK
COST		
At 31 December 2016	**678**	**4,850**
Additions	635	3,983
Exchange differences	-	(608)
At 31 December 2017	**1,313**	**8,225**
ACCUMULATED DEPRECIATION		
At 31 December 2016	**68**	**485**
Amortisation	239	1,579
Exchange differences	13	(61)
At 31 December 2017	**320**	**2,003**
CARRYING AMOUNT		
At 31 December 2016	610	4,365
At 31 December 2017	993	6,222

Grand total:

	Vessels and equipment		Total	
	USD	HRK	USD	HRK
CARRYING AMOUNT				
At 31 December 2015	**199,223**	**1,428,140**	**199,223**	**1,428,140**
At 31 December 2016	**191,928**	**1,203,337**	**191,928**	**1,203,337**

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

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

At 31 December 2018 no borrowing costs were capitalised (31 December 2017: HRK 0).

At 31 December 2018 the total net book value of assets pledged as collateral for received loans amounts to HRK 1,181,569 thousand, i.e. USD 182,645 thousand (31 December 2017: HRK 1,197,095 thousand, or USD 190,932 thousand).

15. INVENTORIES

	USD	HRK	USD	HRK
	31.12.2018	**31.12.2018**	**31.12.2017**	**31.12.2017**
Lubricants and greases	575	3,719	448	2,809
Fuel	1,403	9,079	743	4,660
Food supplies	152	981	144	901
Small inventory	-	3	-	3
Value adjustment of small inventory	-	(3)	-	(3)
Total	**2,130**	**13,779**	**1,335**	**8,370**

16. TRADE AND OTHER RECEIVABLES

	USD	HRK	USD	HRK
	31.12.2018	**31.12.2018**	**31.12.2017**	**31.12.2017**
Trade receivables	3,737	24,176	2,664	16,701
Receivables from the State and other institutions	5	29	5	32
Due from employees	-	-	1	6
Other receivables	246	1,589	133	835
Other receivables – related companies	2	12	-	-
Total	**3,990**	**25,806**	**2,803**	**17,574**

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

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Aging structure of due receivables:

	USD 31.12.2018	HRK 31.12.2018	USD 31.12.2017	HRK 31.12.2017
1 -90 days	1,938	12,536	2,135	13,384
91 -180 days	667	4,313	222	1,391
181 - 365 days	61	396	-	-
Over 365 days	-	-	-	-
Total	**2,666**	**17,245**	**2,357**	**14,775**

Credit risk on the reporting date is low. There was no significant increase in credit risk, although the maturity of contractual payments was overdue for more than 30 days, as the delay in payment was common practice in shipping.

Aging structure of receivables impairment:

	USD 31.12.2018	HRK 31.12.2018	USD 31.12.2017	HRK 31.12.2017
1 -90 days	-	-	-	-
91 -180 days	-	-	-	-
181 - 365 days	-	-	-	-
Over 365 days	-	-	-	-
Total	**-**	**-**	**-**	**-**

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

17. PREPAID EXPENSES AND ACCRUED INCOME

	USD	HRK	USD	HRK
	31.12.2018	31.12.2018	31.12.2017	31.12.2017
Prepaid expenses	326	2,113	447	2,806
Accrued income	376	2,430	9	55
Total	**702**	**4,543**	**456**	**2,861**

18. CASH AND CASH EQUIVALENTS

	USD	HRK	USD	HRK
	31.12.2018	31.12.2018	31.12.2017	31.12.2017
Cash with banks	7,627	49,343	9,058	56,793
Deposits	1,000	6,469	1,000	6,270
Cash in hand	89	577	117	729
Total	**8,716**	**56,389**	**10,175**	**63,792**

19. SHARE CAPITAL AND RESERVES

As of 31 December 2018, the authorised, issued and paid-up share capital comprised 8,733,345 ordinary shares with no par value (31 December 2017: 8,733,345 shares). The ordinary shareholders are entitled to receive dividends, as declared from time to time and are entitled to one vote per share at meetings of TNG shareholders. The immediate parent of Tankerska Next Generation d.d. is Tankerska plovidba d.d. The ultimate parent is Foundation-Betriebsstiftung Tankerska Plovidba d.d. Privatstiftung Privatstiftung, a private foundation with the registered office in Austria. The members of the foundation are the employees of Tankerska plovidba d.d.

At 31 December 2018, there were 13,200 own shares held by the Company (31 December 2017: 13,200). Reserves for own shares were formed out of the Company's profit.

As at 31 December 2018 the amount of regulatory reserves within other reserves amounts to HRK 3,637 thousand (31 December 2017: HRK 2,030 thousand). The regulatory reserve arised according to Croatian law that prescribes 5% profits for the year, decreased by the amount of losses from the previous year, to be transferred to the respective reserve until it, along with other reserves, reaches 5% issued shareholders' equity. As at 31 December 2018, the balance of other reserves was HRK 55,000 thousand (31 December 2017: HRK 55,000 thousand).

Foreign exchange translation reserve includes all exchange differences arisen on the conversion of the financial statements of foreign operations.

In the General Shareholders' Meeting on 1 August 2018, a dividend per share in the amount of HRK 0.60 was approved, which amounts in total to HRK 5,232 thousand (2017: HRK 13,952 thousand).

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

20. INTEREST BEARING LOANS AND BORROWINGS

Interest-bearing loans and borrowings in 2018:

Long-term interest-bearing loans and borrowings	**USD 31.12.2018**	**HRK 31.12.2018**
Secured bank loans	97,556	631,106
Total	**97,556**	**631,106**
Current portion	(11,382)	(73,630)
Long-term portion	**86,174**	**557,476**

Short-term interest-bearing liabilities	**USD 31.12.2018**	**HRK 31.12.2018**
Current portion of long-term interest bearing loans and borrowings		
Secured bank loans	11,382	73,630
Total	**11,382**	**73,630**

Interest-bearing loans and borrowings in 2017:

Long-term interest-bearing loans and borrowings	**USD 31.12.2017**	**HRK 31.12.2017**
Secured bank loans	106,938	670,467
Total	**106,938**	**670,467**
Current portion	(9,382)	(58,820)
Long-term portion	**97,556**	**611,647**

Short-term interest-bearing liabilities	**USD 31.12.2017**	**HRK 31.12.2017**
Current portion of long-term interest bearing loans and borrowings		
Secured bank loans	9,382	58,820
Total	**9,382**	**58,820**

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

21. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Repayment terms and conditions for interest bearing liabilities at 31 December 2018 are as follows:

	Total	1 year or less	2 -5 years	HRK After 5 years
Secured bank loans	631,106	73,630	557,476	-
At 31 December 2018	**631,106**	**73,630**	**557,476**	**-**

	Total	1 year or less	2 -5 years	USD After 5 years
Secured bank loans	97,556	11,382	86,174	-
At 31 December 2018	**97,556**	**11,382**	**86,174**	**-**

Repayment terms and conditions for interest bearing liabilities at 31 December 2017 are as follows:

	Total	1 year or less	2 -5 years	HRK After 5 years
Secured bank loans	670,467	58,820	611,647	-
At 31 December 2017	**670,467**	**58,820**	**611,647**	**-**

	Total	1 year or less	2 -5 years	USD After 5 years
Secured bank loans	106,938	9,382	97,556	-
At 31 December 2017	**106,938**	**9,382**	**97,556**	**-**

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

20. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

Long-term loan debt written off is analysed below:

2018

Financial institution	Original currency	Loan amount	Maturity	31 December 2018 USD	31 December 2018 HRK
ABN AMRO BANK N.V.	USD	52,653	16.01.2022	39,459	255,265
NORD LB BANK	USD	23,725	27.07.2021	18,525	119,842
NORD LB BANK	USD	23,725	24.11.2021	18,925	122,430
DVB BANK N.V	USD	22,422	24.04.2021	16,647	107,693
ERSTE BANK	USD	2,000	05.06.2019	2,000	12,938
ZAGREBAČKA BANK	USD	2,000	10.09.2020	2,000	12,938
				97,556	**631,106**
Short-term				(11,382)	(73,630)
Long-term				86,174	557,476

Financial institution	Original currency	Loan amount	Maturity	31 December 2017 USD	31 December 2017 HRK
ABN AMRO BANK N.V.	USD	52,653	16.01.2022	43,991	275,807
NORD LB BANK	USD	23,725	27.07.2021	20,125	126,178
NORD LB BANK	USD	23,725	24.11.2021	20,525	128,685
DVB BANK N.V	USD	22,422	24.04.2021	18,297	114,717
ERSTE BANK	USD	2,000	05.06.2019	2,000	12,540
ZAGREBAČKA BANK	USD	2,000	10.09.2020	2,000	12,540
				106,938	**670,467**
Short-term				(9,382)	(58,820)
Long-term				97,556	611,647

Average interest rate calculated based on paid interest for the year ended 2018 amounts to 4.053%, whereas average interest rate calculated based on paid interest for the year ended 2017 amounted to 3.869%.

The security instruments for the loans consist of common and typical instruments provided for this type of transaction and include, but are not limited to the first-priority lien on the ship, assignment of the first-priority security, revenue and earnings of the ship, the time charter and business accounts, the first-priority lien on the shares of the ship owner and assignment of the earnings generated by the ship.

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

20.INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

During the repayment period, Tankerska plovidba d.d. issued a corporate guarantee to guarantee for the repayment of the loan and maintain the minimum ownership interest in TNG of over 50 percent. The loan covenants specify the minimum market value of the ship and of each additional credit enhancement, which may range from 125 % to 140 % of the outstanding loan balance, depending on the particular loan and year of repayment. The loan beneficiary may resolve its non-compliance with the covenant by furnishing an additional guarantee or repaying the loan earlier. In addition, depending on the particular loan, the loan beneficiary must maintain on its transaction account minimum USD 250,000.00 to USD 500,000.00 for liquidity purposes, depending on the particular lender.

21. TRADE AND OTHER PAYABLES

	USD 31.12.2018	HRK 31.12.2018	USD 31.12.2017	HRK 31.12.2017
Trade payables	1,636	10,588	1,489	9,338
Advances received	824	5,328	545	3,416
Liabilities to employees	649	4,193	656	4,114
Taxes, contributions and other duties payable	5	33	10	59
Trade payables – related companies	908	5,874	36	229
Liabilities in respect of profit distributions (dividends payable)	8	54	8	50
Other current liabilities	14	91	9	57
Other current liabilities – related companies	9	55	5	31
Total	**4,053**	**26,216**	**2,758**	**17,294**

Structure of trade payables by currency:

	USD 31.12.2018	HRK 31.12.2018	USD 31.12.2017	HRK 31.12.2017
USD	2,290	14,813	1,197	7,503
EUR	230	1,490	215	1,348
HRK	13	84	14	91
GBP	1	8	13	86
OTHER CURRENCIES	10	67	86	539
Total	**2,544**	**16,462**	**1,525**	**9,567**

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

22. ACCRUED EXPENSES AND DEFERRED INCOME

	USD 31.12.2018	HRK 31.12.2018	USD 31.12.2017	HRK 31.12.2017
Accrued loan interest	806	5,217	692	4,337
Other accrued expenses	25	159	67	418
Total	**831**	**5,376**	**759**	**4,755**

23. RELATED-PARTY TRANSACTIONS

TNG has no related parties other than Tankerska plovidba d.d., Zadar. Set out below are transactions carried out during the year between TNG and Tankerska plovidba d.d., Zadar.

Subsidiaries and key shareholders	**USD 2018**	**HRK 2018**	**USD 2017**	**HRK 2017**
Purchases from related parties				
Tankerska plovidba d.d. Zadar	3,013	18,914	2,764	18,304
Total	**3,013**	**18,914**	**2,764**	**18,304**
Receivables form related parties				
Tankerska plovidba d.d. Zadar	2	12	-	-
Total	**2**	**12**	**-**	**-**
Liabilities to related companies				
Tankerska plovidba d.d.	909	5,880	38	241
Donat Maritime Corporation	8	49	3	19
Total	**917**	**5,929**	**41**	**260**

The transactions between related parties are carried out under normal market terms and conditions.

The ships of TNG are managed by Tankerska plovidba d.d. Tankerska plovidba d.d., as the Fleet Manager, provides to TNG commercial, HR, technical and certain administrative and corporate services for a fee. Tankerska plovidba d.d. ensures a crew to the TNG fleet through its related party Donat Maritime Corporation Liberia.

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

23. RELATED-PARTY TRANSACTIONS (CONTINUED)

Key management personnel

The key management personnel consists of the sole member of the Board. The total management remuneration paid for 2018 amounts to HRK 1,380 thousand, i.e. USD 220 thousand (2017: HRK 1,356 thousand, or USD 205 thousand). The fees of the Supervisory Board for the year amount to HRK 453 thousand, i.e. USD 72 thousand (2017: HRK 408 thousand, or USD 62 thousand). On 31 December 2018 the members of the executive management and the Supervisory Board held 5,314 shares of the Company (at 31 December 2017: HRK 5,314 shares). The Company did not provide any loans to the members of its Supervisory Board (31 December 2017: HRK 0).

24. FINANCIAL INSTRUMENTS

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

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

Foreign exchange risk

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

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

TNG undertakes certain transactions in a foreign currency and is hence exposed to the foreign exchange risk.

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

2018			**HRK**
	Assets 2018	**Liabilities 2018**	**Assets - Liabilities 2018**
USD	84,532	660,857	(576,325)
EUR	42	1,490	(1,448)
Other foreign currencies	26	75	(49)
Total	**84,600**	**662,422**	**(577,822)**

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

24. FINANCIAL INSTRUMENTS

Foreign exchange risk (continued)

2017 **HRK**

	Assets 2017	Liabilities 2017	Assets - Liabilities 2017
USD	77,981	690,238	(612,257)
EUR	3,300	1,350	1,950
Other foreign currencies	20	625	(605)
Total	**81,301**	**692,213**	**(610,912)**

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

2018 **HRK**

	Impact of the USD changes	
Effect on:	+10%	-10%
(Loss)/profit	52	(52)
Cash flow (outflow) / inflow	(57,684)	57,684

2017 **HRK**

	Impact of the USD changes	
Effect on:	+10%	-10%
(Loss)/profit	76	(76)
Cash flow (outflow) / inflow	(61,226)	61,226

Interest rate risk

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

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

24. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk (continued)

2018

One-year interest expense

Current interest expense in HRK	Libor rate change	Interest expense (increase)/decrease in USD	Interest expense (increase)/decrease in HRK
28,868	1%	(832)	(5,380)
	-1%	832	5,380

2017

One-year interest expense

Current interest expense in HRK	Libor rate change	Interest expense (increase)/decrease in USD	Interest expense (increase)/decrease in HRK
23,765	1%	(194)	(1,216)
	-1%	194	1,216

Given the significant exposure of TNG to interest rate risk, which arises from its variable-rate loans, TNG uses derivative financial instruments (an interest rate swap) to hedge its exposure to the interest rate risk on loans received from Norddeutsche Landesbank Girozentrale and ABN AMRO Bank N.V.

2018

Loan	Fer value of IRS, in USD 31.12.201	Loan debt, in USD 31.12.2018	Date of the interest-rate swap conclusion	Interest-rate swap validity period From	To	Variable interest rate before the swap	Fixed interest rate under the swap
ABN AMRO BANK N.V.	39,459	39,459	16/12/2015	16/01/2016	16/01/2019	3M USD LIBOR	1.325%
NORD LB BANK	18,525	18,525	15/12/2015	27/10/2015	27/01/2019	3M USD LIBOR	1.330%
NORD LB BANK	18,525	18,525	15/12/2015	24/11/2015	27/11/2018	3M USD LIBOR	1.330%
Total	76,909	76,909					

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

24. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk (continued)

2017

Loan	Fair value of IRS, in USD	Loan debt, in USD	Date of the interest-rate swap conclusion	Interest-rate swap validity period		Variable interest rate before the swap	Fixed interest rate under the swap
	31.12.2017	31.12.2017		From	To		
ABN AMRO BANK N.V.	43,991	43,991	16/12/2015	16/01/2016	16/01/2019	3M USD LIBOR	1.325%
NORD LB BANK	20,125	20,125	15/12/2015	27/10/2015	27/01/2019	3M USD LIBOR	1.330%
NORD LB BANK	20,525	20,525	15/12/2015	24/11/2015	27/11/2018	3M USD LIBOR	1.330%
Total	**84,641**	**84,641**					

By entering into interest-rate swaps with Nord LB and ABN Amro Bank, TNG has swaped the difference between the amount of fixed and variable interest calculated based on the agreed value of the principal. These contracts enable mitigating the risk of volatility in the variable interest rate, allowing TNG, which operates in terms of pre-fixed income, to manage the profitability of operations by fixing one of the major cost components. The liabilities under the interest rate swaps are settled on a quarterly basis, while the proceeds from the swap are expected when the variable interest rate component becomes converted to the fixed rate agreed in the underlying swap contract.

Credit risk

Credit risk is the risk of failure by one party to meet its commitments to the other party under a financial instruments, resulting in a loss to the other party. Maximum exposure to credit risk is represented by the highest amount of each financial asset reported in the statement of financial position. The key financial assets of TNG consist of cash and balances on accounts with banks, trade and other receivables, and investments. Credit risk associated with liquid funds is limited, as the counterparty is often a bank receiving a high credit rating from most international rating agencies.

Credit risk on the reporting date is low. There was no significant increase in credit risk, although the maturity of contractual payments was overdue for more than 30 days, as the delay in payment was common practice in shipping.

24. FINANCIAL INSTRUMENTS (CONTINUED)

Price risk

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

- a low rate represents an opportunity for TNG to increase its market share;

- a high rate enables TNG to hedge its short-term to medium-term exposure to price risk by chartering-out vessels or by actively trading freight-related derivatives.

TNG seeks to minimise its exposure to price risk by trading its spot exposed vessels in different pools (of customers), which improves the economies of scale and optimises the fleet's geographical position.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Management, which has built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. Liquidity risk, which is considered the risk of financing, is the risk that TNG may encounter difficulties in recovering the funds owed to it to meet its commitments associated with financial instruments. TNG has significant long-term loan debt at variable rates, which exposes it to the cash-flow risk. TNG manages liquidity risk by maintaining adequate reserves and lines of credit, by continuously monitoring forecast and actual cash flows as well as the maturities of its receivables and payables.

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

24. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

Liquidity and interest rate risk tables

The following tables detail the remaining contractual maturities of TNG's non-derivative financial liabilities and the expected maturities for its non-derivative financial assets. The contractual maturity is defined as the earliest date on which TNG can be required to make the payment. Disclosures of non-derivative financial assets and liabilities are necessary for understanding the manner in which TNG manages its liquidity risk, as it is managed based on net amounts of financial assets and liabilities.

2018 **HRK**

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
ASSETS						
2018 year						
Interest-bearing	-	6,469	-	-	-	6,469
Non-interest bearing	80,375	-	-	-	-	80,375
TOTAL	**80,375**	**6,469**	**-**	**-**	**-**	**86,844**
LIABILITIES						
2018 year						
Interest-bearing	12,585	9,057	51,988	557,476	-	631,106
Non-interest bearing	31,135	457	-	-	-	31,592
TOTAL	**43,720**	**9,514**	**51,988**	**557,476**	**-**	**662,698**
Net debt	**34,541**	**(3,045)**	**(51,988)**	**(557,476)**	**-**	**(577,968)**

Liquidity risk (continued)

2017 **HRK**

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
ASSETS						
2017						
Interest-bearing	-	6,270	-	-	-	-
Non-interest bearing	75,151	-	-	-	-	81,421
TOTAL	**75,151**	**6,270**	**-**	**-**	**-**	**81,421**
LIABILITIES						
2017						
Interest-bearing	12,197	2,508	44,115	611,647	-	670,467
Non-interest bearing	21,181	868	-	-	-	22,049
TOTAL	**33,378**	**3,376**	**44,115**	**611,647**	**-**	**692,516**
Net debt	**41,773**	**2,894**	**(44,115)**	**(611,647)**	**-**	**(611,095)**

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

24. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments

	31 December 2018		31 December 2017	
	USD	**HRK**	**USD**	**HRK**
Financial assets at amortized cost:				
Receivables from customers and other receivables	3,990	25,806	2,803	17,574
Payments for future periods and accrued income	702	4,543	456	2,861
Cash and cash equivalents	8,716	56,389	10,175	63,792
Deposits over three months	16	106	-	-
Total financial assets	**13,424**	**86,844**	**13,434**	**84,227**
Financial liabilities at amortized cost:				
Borrowings on which interest is charged	97,556	631,106	106,938	670,467
Trade and other payables	4,053	26,216	2,758	17,294
Deferred payment of expenses and revenue for the future period	831	5,376	759	4,755
Total financial liabilities	**102,440**	**662,698**	**110,455**	**692,516**

Fair value of financial instruments

Methods of estimation and assumptions in determining fair value

The fair values of financial assets and financial liabilities are determined as follows:

• the fair value of financial assets and financial liabilities traded on active liquid markets, under standard conditions, is determined at the prices quoted on the market;

• the fair value of other financial assets and other financial liabilities is determined in accordance with pricing models based on the analysis of discounted cash flows using prices from known market transactions and prices offered for similar instruments;

• the fair value of interest rate swaps is calculated as the present value of estimated future cash flows and discounted on the basis of the yield curves derived from the quoted interest rates.

In 2018 TNG did not have the financial assets to be reduced to fair value.

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

24. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial instruments (continued)

Fair value indicators are recognized in the statement of financial position

The fair value of financial instruments is recognized on the underlying of the following indicators:

1. indicator level - the fair value indicators are derived from (non-harmonized) prices quoted on active markets for equities and similar liabilities;

2. indicator level - Fair Value Indicators are derived from other data on assets or liabilities that are not quoted at level 1, either directly (ie as prices), either indirectly (ie derived from their prices) and

3. indicator level - Indicators derived using valuation methods in which inputs or assets are used as input data, which are not based on available market data.

On December 31, 2018, the amounts presented in the statement of cash, short-term deposits, receivables, short-term liabilities, accrued expenses and other financial instruments correspond to their market value.

Capital management

The primary objective of TNG in managing its capital is to ensure financial support to the operations and maximize shareholder value. TNG manages its capital by taking into account changes in the economic conditions. In order to maintain or adjusts the capital structure, TNG may adjust dividend payable to the shareholders, the return on investment, or issue new shares. There were no changes to objectives, policies and processes during the period ended 31 December 2018 and 31 December 2017. TNG supervises its capital through the gearing ratio calculated as follows:

2018

	USD	**HRK**
Total interest-bearing debt (long-term and short-term borrowings) (Note 19)	97,556	631,106
Less: Cash and cash equivalents (Note 17)	8,716	56,389
Net debt	88,840	574,717
Equity	96,491	624,227
Total equity	**185,331**	**1,198,944**
Gearing ratio	**48%**	

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

24. FINANCIAL INSTRUMENTS (CONTINUED)

Capital management (continued)

2017

	USD	HRK
Total interest-bearing debt (long-term and short-term borrowings) (Note 19)	106,938	670,467
Less: Cash and cash equivalents (Note 17)	10,175	63,792
Net debt	96,763	606,675
Equity	96,242	603,418
Total equity	**193,005**	**1,210,093**
Gearing ratio	**50%**	

25. CONTINGENT LIABILITIES AND COMMITMENTS

Operating lease commitments, with the Company as the lessee

The Company has operating lease commitments for the properties and personal cars it uses under operating lease arrangements. Total future minimum payments under operating leases are as follows:

	USD	HRK	USD	HRK
	31.12.2018	31.12.2018	31.12.2017	31.12.2017
Up to 1 year	16	101	16	102
Between 1 and 5 years	40	259	49	309
After 5 years	43	276	45	280
Total	**99**	**636**	**110**	**691**

Legal cases

The Entity has no litigations.

26. EVENTS AFTER THE BALANCE SHEET DATE

No events or transactions have taken place subsequent to 31 December 2018 that would have a significant impact on the financial statements as of that date or for the year then ended, or be of such significance for the operations of TNG that would require them to be disclosed in the notes to the financial statements.

27. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements, set out on pages 7 to 62, were approved by the Management and authorised for issue on 30 April 2019

Signed on behalf of TNG on 30 April 2019 by:

John Karavanić,
Member of Management Board

Tankerska Next Generation

Additional informations

IMPORTANT INDUSTRY TERMS AND CONCEPTS

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

Revenue Days. Revenue Days represent the total number of calendar days the Group's vessels were in possession of the Group during a period, less the total number of Off-Hire Days during that period generally associated with repairs, drydocking or special or intermediate surveys.

Consequently, Revenue Days represent the total number of days available for a vessel to earn revenue. Idle days, which are days when a vessel is available to earn revenue, yet is not employed, are included in Revenue Days. The Group uses Revenue Days to explain changes in its net voyage revenues (equivalent to time charter earnings) between periods.

Off-Hire Days. Off-Hire Days refer to the time a vessel is not available for service due primarily to scheduled and unscheduled repairs or drydocking.

When a vessel is off-hire, or not available for service, the charterer is generally not required to pay the charter hire rate and the Group will be responsible for all costs, including the cost of fuel bunkers unless the charterer is responsible for the circumstances giving rise to the lack of availability. Prolonged off-hire may obligate the vessel owner to provide a substitute vessel or permit the charter termination.

The Group's vessels may be out of service, that is, off-hire, for several reasons: scheduled drydocking, special surveys, vessel upgrade or maintenance or inspection, which are referred to as scheduled off-hire; and unscheduled repairs, maintenance, operational deficiencies, equipment breakdown, accidents/incidents, crewing strikes, certain vessel detentions or similar problems, or charterer's failure to maintain the vessel in compliance with its specifications and contractual and/or market standards (for example major oil company acceptances) or to man a vessel with the required crew, which is referred to as unscheduled off-hire.

Operating Days. Operating Days represent the number of days the Group's vessels are in operation during the year. Operating Days is a measurement that is only applicable to owned and not bareboated or chartered-in vessels. Where a vessel is under the Group's ownership for a full year, Operating Days will generally equal calendar days. Days when a vessel is in a dry dock are included in the calculation of Operating Days as the Group still incurs vessel operating expenses.

Operating Days are an indicator of the size of the fleet over a period of time and affect both revenues and expenses recorded during that period.

(Net) Time Charter Equivalent (TCE). TCE is a standard shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters, because charter hire rates for vessels on voyage charters are generally not expressed per day as charter hire rates for vessels on time charters are. Therefore the net equivalent of a daily time voyage rate is expressed in net daily time charter rate.

(Net) TCE earnings. The Group defines time charter equivalent earnings, or TCE earnings, as vessel revenues less commissions and voyage-related costs (both major and minor) during a period.

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

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

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

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

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

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

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

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

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

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

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

Important chartering contracts

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

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

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

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

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

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

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

Important financial and operating terms and concepts

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

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

Time charters, under which the vessels are chartered to customers for a fixed period of time at rates that are generally fixed; and

Voyage charters, under which the vessels are chartered to customers for shorter intervals that are priced on a current or "spot" market rate.

The table below illustrates the primary distinctions among these types of charters and contracts:

	Time Charter	Voyage Charter
Typical contract lenght	1-5 years	Single voyages, consecutive voyages and contracts of affreighment (COA)
Hire rate basis	Daily	Varies
Commercial fee	The Group pays	The Group pays
Commissions	The Group pays	The Group pays
Major Vessel related costs	Customer pays	The Group pays
Minor Vessel related costs	The Group pays	The Group pays
Vessel operating costs	The Group pays	The Group pays
Off-hire	Customer does not pay	Customer does not pay

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EXPENSE TYPE	MAIN COMPONENTS	TIME CHARTER	VOYAGE CHARTER
Capital	Capital Principal Repayment Interest		
Operating	Crewing Repairs and Maintenance Lubricants Insurance Spares and stores Registration, communication and sundries *Management fee** - *technical management* - *crew management* - *insurance arrangements* - *accounting services*		
Commisions	Address Brokerage		
Commercial fee*	*Chartering and commerical management services*		
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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Zadar, April 30th 2019

Pursuant to the article 300.d, and in accordance with the provisions of Article 300.c of the Croatian Companies Act, the Supervisory Board of Tankerska Next Generation Inc., at its meeting held on 30th April 2019, passed the following

DECISION
on determining annual financial statements

I

Supervisory board approves the Annual Report for 2018 of Tankerska Next Generation Inc. which consists of: Income Statement and statement of other comprehensive income, Statement of financial position, Statement of cash flows, Statement of Changes in equity, Notes to the financial statements, Company status report and Independent auditors report by Deloitte Ltd. audit company from Zagreb.

II

Following approval from the first paragraph of this Decision, the Annual Financial Statements of Tankerska Next Generation Inc. for the year 2018 are determined by the Management Board and the Supervisory Board.

President of the Supervisory Board
Ivica Pijaca

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Zadar, April 30th 2019

Pursuant to the Croatian Companies Act and the Articles of association of the Company, the Management Board and the Supervisory Board of Tankerska Next Generation Inc., at its meeting held on 30th April 2019, passed the following

DECISION
on utilization of profit for the year 2018

I

It is determined that Tankerska Next Generation Inc. in the year ending with December 31st 2018 realized net profit in the amount of HRK 6,284,497.84.

A part of net profit in the amount of HRK 5,970,272.95 shall be allocated to retained reserves.

A part of net profit in the amount of HRK 314,224.89 shall be allocated to mandatory earnings.

II

This proposal will be proposed to the General Assembly by the Management Board and the Supervisory Board of the Company.

Management Board
John Karavanić

President of the Supervisory Board
Ivica Pijaca

TNG
Tankerska Next Generation

TPNG-R-A 2018

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