About us

- Incorporated in August 2014
- IPO & SPO in H1 2015
- Full fleet capacity in December 2015
- 6 modern MR product tankers
- Dividend payout from 2015 & 2016 profits
- Transparency 2016 IR award
- Long term relationships with key customers
- Lean structure
- International operations
- Secular industry trends
TNG strategy

**Commercial efficiency**

TNG operates a fleet of 6 modern MR product tankers. The fleet has an average age of 3.7 years which is well under industry standards; 4 ECO vessels which significantly reduce fuel consumption and 2 ICE class vessels which can operate in icy waters and realize a premium during winter time.

**Sustainable operations**

TNG boosts cash flow and profitability through outsourcing most of the management functions improving measurability and cost competitiveness to keep its flexible and simple organizational structure without realizing significant additional overheads.

**Growth opportunities**

Focus on the development of the fleet, and the acquisition and management of vessels in the product tanker segment, focusing on product tankers of medium capacity, which are the main labor force in the petroleum derivatives market.
Commercial results

TNG fleet continuously outperforms the market

- TCE net rate of the vessels during 2017 recorded at 15,525 USD/day
- TCE net rate of the vessels during 2016 recorded at 15,583 USD/day
- TCE net rate of the vessels during Q1 2018 recorded at 16.854 USD/day

- OPEX per vessel in 2017 recorded at 6.891 USD/day
- OPEX per vessel in 2016 recorded at 6.885 USD/day
- OPEX per vessel in Q1 2018 recorded at 6.665 USD/day
Time charter employment

NOW

- **Vinjerac:** 14,500 USD/day
- **Zvilo:** 17,750 USD/day
- **Dalmacija:** 17,750 USD/day

1 year charterer option:
- **15,500 USD/day** (Vinjerac)
- **19,750 USD/day** (Zvilo, Dalmacija)

YEAR AGO

- **Zvilo:** 17,750 USD/day
- **Vukovar:** 17,250 USD/day
- **Dalmacija:** 17,750 USD/day

1 year charterer option:
- **19,750 USD/day** (Zvilo, Dalmacija)

Periods:
- **May ’18**
- **Jun ’18**
- **Sep ’18**
- **Dec ’18**
- **Mar ’19**
- **Jun ’19**
- **Sep ’19**
- **Dec ’19**
**Time charter employment**

**Employment strategy**

TNG’s strategy is to secure employment for the fleet by contracting multi-year time charter arrangements in order to maintain the predictability of revenue.

However, if the market creates favorable conditions, management may decide to charter ships on spot voyages and thus further enhance the company's business and financial operations.
FY 2017 - Profitability kept in challenging market conditions

Results for 12 months of 2017 (audited):

- Vessel revenues: USD 42.4 million
- EBITDA: USD 16.6 million
- EBIT: USD 9.1 million
- Net profit: USD 4.8 million

- Total operating expenses: USD 25.7 million
- Vessel operating expenses: USD 14.2 million
- Comm. & voyage related expenses: USD 9.8 million
- General and administrative: USD 0.9 million

- Increase in vessel revenues and voyage related expenses due to more activity on the spot market
- Vessel operating expenses kept at the same level, G&A constantly reduced
Q1 2018 – growing profitability in first three months

Results for the first 3 months of 2018 (unaudited):

- Vessel revenues: USD 12.1 million
- EBITDA: USD 5.3 million
- EBIT: USD 3.4 million
- Net profit: USD 2.4 million

- Total operating expenses: USD 6.8 million
- Vessel operating expenses: USD 3.6 million
- Commission and voyage related costs: USD 3.0 million
- General and administrative: USD 0.2 million

- **Average TCE daily net rate for Q1 2018 amounted 16,854 USD 8.5% growth in comparison to FY 2017**

- **OPEX 6.665 USD – moderately reduced in comparison to the last year’s result**
Strong financial position with reducing debt

- **Bank debt continuously reduced**
- The gearing ratio by the end of 2017 decreased by 4 basis points in comparison to the end of 2016
- This decreasing debt trend is in accordance with the loan repayment plans of TNG and regular decrease in indebtedness, and a further decrease in company’s debt is expected in the future.
- **Strong liquidity position kept despite dividend payments in 2016 & 2017**
## TNG fleet vs world fleet

<table>
<thead>
<tr>
<th>Vessel</th>
<th>Capacity (dwt)</th>
<th>Year built</th>
<th>Vessel type</th>
<th>Employment</th>
<th>Hire rate (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Velebit</td>
<td>52,554</td>
<td>Q2 2011</td>
<td>ICE class MR</td>
<td>SPOT market</td>
<td>Voyage charter</td>
</tr>
<tr>
<td>Vinjerac</td>
<td>51,935</td>
<td>Q4 2011</td>
<td>ICE class MR</td>
<td>Clearlake Time charter</td>
<td>14,500 (from Q2 2018)</td>
</tr>
<tr>
<td>Vukovar</td>
<td>49,990</td>
<td>Q2 2015</td>
<td>ECO design MR</td>
<td>Scorpio Time charter</td>
<td>SPOT</td>
</tr>
<tr>
<td>Zоilo</td>
<td>49,990</td>
<td>Q3 2015</td>
<td>ECO design MR</td>
<td>Trafigura Time charter</td>
<td>17,750 (until Q3 2018)</td>
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</tr>
</tbody>
</table>

### World MR2 fleet as of May 2018, source: Banchero costa research

<table>
<thead>
<tr>
<th>World MR2 fleet</th>
<th>1525 units</th>
<th>25+ yrs</th>
<th>20-24 yrs</th>
<th>15-19 yrs</th>
<th>10-14 yrs</th>
<th>5-9 yrs</th>
<th>0-4 yrs</th>
<th>Total orderbook</th>
</tr>
</thead>
<tbody>
<tr>
<td>MR2 no. of units</td>
<td></td>
<td>22</td>
<td>78</td>
<td>158</td>
<td>455</td>
<td>448</td>
<td>364</td>
<td>132</td>
</tr>
<tr>
<td>% of fleet</td>
<td></td>
<td>1%</td>
<td>5%</td>
<td>10%</td>
<td>30%</td>
<td>29%</td>
<td>24%</td>
<td>8%</td>
</tr>
</tbody>
</table>

- TNG’s MR fleet is well under industry standards with average age of **4 years per vessel**
- There is significantly more MRs above the age of 15 than what is on order (**258 > 132**)
- Key oil majors and trades have a preference for ECO vessels, and will not employ vessels older than 15 years
MR supply decelerating

**Net fleet growth is below 2% per year going forward**

MR2 product tanker supply is still significantly decelerating; 64 new build units delivered, 14 vessels scrapped during 2017

Comparing these numbers to the 2016 when a total of 93 new units were delivered, this is a significant slowing down in supply.

In the first 4 months of 2018 we recorded the delivery of 13 MR2s and demolition of 6 MR2s

Strong decrease in deliveries compared to the same period of 2017 (-55 percent)

**1st time more MR’s will turn 15 yrs then it will be delivered**

Data source: Banchero Costa
MR tanker shipyards closing down

Less shipyard capacity for MR’s

SPP – which delivered 101 MRs between 2013 and 2017 – shut down

Sungdong – which has delivered 17xMRs since 2013, has now been taken over by Samsung and has no product tanker on order

These two yards actually have an MR market share of 31% over the last five years
Changing refinery landscape

Global oil products supply driven by 9 new refineries:

<table>
<thead>
<tr>
<th>Country</th>
<th>Refinery</th>
<th>Year</th>
<th>Capacity mbd</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iran</td>
<td>NIORDC – Persian gulf star</td>
<td>3q 2017</td>
<td>155</td>
</tr>
<tr>
<td>China</td>
<td>CNOOC – Huizhou</td>
<td>3q 2017</td>
<td>150</td>
</tr>
<tr>
<td>China</td>
<td>Petrochina - Kunming</td>
<td>3q 2017</td>
<td>120</td>
</tr>
<tr>
<td>India</td>
<td>BPCL - Kochi</td>
<td>4q 2017</td>
<td>85</td>
</tr>
<tr>
<td>Turkey</td>
<td>SOCAR – Izmir</td>
<td>2q 2018</td>
<td>80</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>Saudi Aramco - Jizan</td>
<td>3q 2018</td>
<td>80</td>
</tr>
<tr>
<td>Egypt</td>
<td>ERC - Cairo</td>
<td>1q 2018</td>
<td>60</td>
</tr>
<tr>
<td>FSU</td>
<td>New stream - Antipinsky</td>
<td>4q 2017</td>
<td>45</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>Kazmunaigas - Manigstau</td>
<td>1q 2018</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td><strong>New refinery capacity 2018</strong></td>
<td></td>
<td><strong>820</strong></td>
</tr>
<tr>
<td></td>
<td><strong>New refinery capacity 2017</strong></td>
<td></td>
<td><strong>415</strong></td>
</tr>
</tbody>
</table>

- Structural shift in refinery locations, expansion of refining capacity in Asia and Middle East as well as a reduction in OECD refining capacity
- OPEC expects a total net closure level of ~2.5mbd closed down through 2025, with 2018 – 20 once again expected to be main years.

Increase in refinery capacity additions has doubled in 2018
Refinery additions and closures

- Driven by China and the Middle East we are set to see ~1.3mbd+ per year over the coming few years. Versus underlying demand growth this means that a considerable surplus will be built, which means that export volumes should continue to ramp up.

- Older refinery capacity in OECD territory outside of the US are phased out as they struggle to compete with the cheaper feedstock of the North American facilities and the efficiencies of the newer plants in Asia/Middle East.
Ship financing becoming more restrictive

- Around USD 94bn withdrawn from shipping sector 2010-2016, USD 152bn withdrawn from European banks
- Quantum of available lending capital restricted for commercial reasons
- Low order books in all shipping segments leading to ship yard distress
- Reforms being actively adopted by shipyards driven by governments
- Bank withdrawal from ship finance is structural

**European banks - shipping loan portfolio in USD billions**
Ballast water treatment system

The Ballast Water Convention of the IMO 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 deployment can range from USD 500,000 to USD 1 mil. per ship depending on the preparation and existing ship installations.
Sulphur emission regulation

IMO sulphur emission regulations
on reduction in sulphur emissions from 3.5% currently to 0.5% enter into force from the beginning of 2020.

Options for the ship owners:

• Scrubber installation to be able to continue using HFSO; or
• Switch to more expensive MGO with a sulphur content < 0.5%

Refineries producing HSFO in Russia, Mexico, Venezuela, Iraq, and Iran are unlikely to have enough capital for upgrades.

Blending of gasoil with diesel to meet emissions requirements would increase global diesel demand, and subsequently demand for product tankers.

May lead to increased scrapping of older tonnage where installation exceeds the scrap value.

Modern eco designed ships have a competitive advantage over older tonnage through lower fuel consumption.
Fleet growth is entering unchartered territory

IMO regulations from 2020 the potential joker

Ship financing becoming more restrictive

Infection point for product tankers

Strong demand growth for refined products

Refinery closures and expansions are creating longer voyages
Product tanker market nearing inflection point

* Increased global refinery throughput
* Reduced inventory levels and regional inventory imbalances
* Expected increased activity levels over the next 12 months
* Product tanker demand growth to accelerate from 3.6% in 2017 to 3.8% in 2018
* Product tanker fleet growth should contract from 3.7% in 2017 to 2.2% in 2018
* Time charter rates have increased more than 10% during the past few months

Sources: ABN chart book, April 2018,
Seaport Global Securities, Industry update, January 2018
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We’d be happy to answer any of your queries. Please refer to www.tng.hr/en/investors or simply contact us by:

e-mail:  tng@tng.hr

tel:    +385 23 202 135