

Zadar, October 31<sup>st</sup>, 2022

**MANAGEMENT OPINION OF THE TARGET COMPANY TANKERSKA NEXT GENERATION d.d. about the takeover offer**

The management of Tankerska Next Generation d.d. with its registered office in Zadar, Ulica B. Petranovića 4 OIB: 30312968003 (Target Company; TNG) is fully aware of the contents of the Takeover Offer of the Company (hereinafter: "Takeover Offer" / "Offer") given by the company Tankerska Plovidba brodarsko dionično društvo, in Zadar, Ulica B. Petranovića 4 OIB: 44952903763 ("Bidder" / "Offerer").

TNG's fleet currently consists of six MR tankers (Velebit, Vinjerac, Vukovar, Zoilo, Dalmacija and Pag), of which two are conventional ice class product tankers, and four eco-design modern product tankers with a total carrying capacity of approximately 300,000 tons.

As of October 31, 2022, the average age of the TNG fleet is 8.5 years.

In the period from August 2020 to the end of October 2021, tankers from the TNG fleet completed their five-year drydocks and the installation of BWTS equipment, and subsequent capital investments in the fleet are only planned according to the regular schedule of five-year dockings.

**Opinion on the amount of compensation offered**

The price that the Bidder undertakes to pay per share is HRK 78.00 (seventy-eight HRK) for the shares of Tankerska Next Generation d.d. which are the subject of a Takeover Offer. The Takeover Offer applies to all shareholders of the Target Company. According to statistically available data, in the period from June 28 to September 28, 2022, the weighted average share price was HRK 74.60 (seventy four kuna and sixty lipa). Based on the above, the Bidder offers a premium for the recent three-month trading period on the Zagreb Stock Exchange of 4.56%.

A review of publicly available statistics on the regulated capital market shows that the Bidder has committed to pay a price that is significantly above the stock market since the beginning of 2018, while in 2017 it briefly reached the highest price of almost HRK 85. During 2022, i.e. from 03.01.2022 until 28.10.2022 the average price was HRK 51.52.

The turnover of the mentioned Target company shares shows a significant increase in annual turnover compared to the reference year 2017/2018. but still with a modest total annual turnover of HRK 25.5 million. The significant increase in trading in the third quarter of this year is due to the sell-out of shares of institutional investors and the consolidation of the ownership structure in favor of Tankerska Plovidba d.d.

TPNG at ZSE	HRK						Q1 – Q3 2022
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Q3 2022	
Volume (million)	4.1	1.5	5.9	17.2	25.5	279.5	287.5
Last price	54.00	38.80	47.20	43.00	41.80	76.80	76.80
Highest price	84.89	57.00	49.60	60.00	49.80	78.80	78.80
Lowest price	54.00	33.40	28.80	36.00	37.20	47.20	37.40
Average price	70.88	43.61	39.98	48.59	42.30	56.96	49.10

In recent years, we have witnessed the limited liquidity of the share, among other things, due to passive investors in the ownership structure, especially the majority shareholders, which will most likely be even more pronounced in the future due to the dominance of the Bidder (as of September 30, 2022, the number of shares owned by Tankerska Plovidba d.d. is 7,983,550 or 91.41%).

The management of the Target Company strives, for the sake of transparency, to provide as much information as possible in its periodic financial statements, and therefore the shareholders of the Target Company are referred to a thorough review of the Company's state in the recent quarterly financial report and the report for the first nine months, and especially the fully comprehensive audited annual report for the year 2021.

The stability of the Company's operations is significantly contributed by the strategy of employing the fleet with time charters, preferring a medium-term time horizon of employment that mitigates short-term market volatility, which is currently not the case in the Target Company's fleet, which may consequently mean greater exposure to a possible drop in the spot market and consequently worse financial results.

Attempts to estimate the net asset value based on current market conditions, and typical income and cost assumptions for a typical or average MR product tanker do not fully reflect the specifics of TNG's fleet due to the current employment modality of 1/3 of the fleet in fixed long-term time charters and the long-term expectations of the Management.

The management of the Target Company believes that the offered price per share of the Target Company, based on data from the Company's annual and quarterly financial reports, the sector volatility and overall data on the financial and business position of the Target Company, and environment on the Croatian capital market, is an appropriate value for shareholders.

#### **Opinion on the bidder's intention regarding the future business of the target company**

According to the Offer, the Offeror has, since the establishment of the Target Company, the total of 6 tankers for the transportation of petroleum products under management and is familiar with all challenges in the business and sustainability of the Company. Furthermore, the Bidder is also the founder of the Target Company, which conducts business in accordance with the applicable regulations of the countries in which it operates, which is comparable to the principles of the Target Company.

Tankerska Plovidba d.d. as a business entity throughout its long history continuously operates and develops its business on international markets, aware of the importance of responsible and ethically based behavior. With its business strategy, business policy and practice, the Offeror strives to contribute to transparent and efficient operations and better connections with the business environment in which it operates.

It is apparent that the Offeror's plan is to achieve absolute corporate control in the Target Company if, after the Takeover Offer, the conditions for this are met, and after that the withdrawal of shares from the regulated market, however, the Offeror explicitly declares its strategic plan by which Tankerska Next Generation will continue to be reliable, efficient and socially responsible provider of maritime transport services. Based on the Offeror's plan, the Management Board of the Target Company considers it prudent to accept the Takeover Offer for 28,319 of the company's treasury shares.

#### **An opinion on the strategic plans of the bidder in relation to the target company and the possible consequences of the implementation of those plans on the employment policy and labor law status of the workers of the target company, as well as on possible changes related to the places where the company performs its activities.**

The target company employs only 3 people on land, and through their multidisciplinarity and business

knowledge, they have been recognized by the Bidder, and the Management of the Target Company deeply believes that their exemplary work ethic, specific knowledge and skills of the shipping sector will continue to be an additional value to the Bidder.

The employees of the Target Company have been duly informed by the Management of the Target Company with all the details of the Offer in question and are affirmative regarding the intentions of the Offeror regarding the future operations of the Target Company. They believe that they are compatible with the existing and future plans of the Target Company and enable further development of the Target Company for the benefit of all its employees.

The Target Company has operated from the same address as the Bidder since its foundation, so a subsequent change of headquarters would be irrational from the current perspective.

**Statements of the management board members on their intention to accept or reject the takeover offer**

The sole member of the Management Board of the Target Company, John Karavanić, is the owner of 1,633 shares of Tankerska Next Generation d.d. on the date of this publication (0.019% of the share capital) and intends to accept the takeover offer.

**Statement by the board members of the target company on the existence of their agreement with the offeror regarding the takeover offer, as well as the content of such an agreement, if an agreement exists**

There is no agreement between the Management Board member and the Offeror related to the Takeover Offer.

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The Management believes that it is obliged to emphasize that this assessment of the adequacy of the offered price cannot in any case be considered as investment advice to shareholders in the sense of accepting or not accepting the Bidder's Takeover Offer. When relying on forward-looking statements, shareholders should carefully consider events related to the political, economic, social and legal environment in which the Target Company operates.

The purpose of the opinion of the management of the Target Company is to provide the shareholder with enough information to be able to make a decision on whether to accept the Takeover Offer or not. In the opinion, the Management tried to objectively present arguments that may or may not support the acceptance or non-acceptance of the offer. When giving its opinion, the Management Board of the target company is guided to protect the interests of the Target Company as well as the shareholders themselves. The Management of the Target Company presented this opinion to the employees of the Target Company in accordance with Article 41, paragraph 2 of the Act on the Takeover of Joint-Stock Companies.

Management

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John Karavanić