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PERSONLIGT ENGAGEMENT

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Hafnia Management A/S

Tuborg Boulevard 5, 2900 Hellerup

Company reg. no. 32 66 62 21

Annual report

1 January - 31 December 2016

The annual report has been submitted and approved by the general meeting on the 7/6 2017

Chairman of the meeting

Notes:
- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

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Management's report

The board of directors and the executive board have today presented the annual report of Hafnia Management A/S for the financial year 1 January to 31 December 2016.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as on 31 December 2016 and of the company's results of its activities in the financial year 1 January to 31 December 2016.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Hellerup, 21 March 2017

Executive board

Anders Engholm Madsen

Torben Bager

Board of directors

Søren Vad Sørensen
chairman

Patrik Mossberg

Søren Steenberg Jensen

Ann-Marie Åström

Mikael Øpstun Skov

Independent auditor's report

To the shareholders of Hafnia Management A/S

Opinion

We have audited the annual accounts of Hafnia Management A/S for the financial year 1 January to 31 December 2016, which comprise accounting policies used, profit and loss account, balance sheet and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2016 and of the results of the company's operations for the financial year 1 January to 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the annual accounts

The management is responsible for the preparation of annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. The management is also responsible for such internal control as the management determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the annual accounts

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the 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 by the management and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about 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 annual accounts 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 contents of the annual accounts, including the disclosures in the notes, and whether the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.

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 the internal control that we identify during our audit.

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Copenhagen, 21 March 2017

Christensen Kjærulff
Statsautoriseret Revisionsaktieselskab
Company reg. no. 15 91 56 41

Iver Haugsted
State Authorised Public Accountant

Company data

The company	Hafnia Management A/S Tuborg Boulevard 5 2900 Hellerup	
	Web site	www.hafniamanagement.com
	Company reg. no.	32 66 62 21
	Established:	1 January 2010
	Domicile:	Hellerup
	Financial year:	1 January - 31 December
Board of directors	Søren Vad Sørensen, chairman Patrik Mossberg Søren Steenberg Jensen Ann-Marie Åström Mikael Øpstun Skov	
Executive board	Anders Engholm Madsen Torben Bager	
Auditors	Christensen Kjærulff Statsautoriseret Revisionsaktieselskab	
Subsidiaries	Hafnia Handy Pool Management ApS, Hellerup Hafnia MR Pool Management ApS, Hellerup Komplementaranpartsselskabet Straits Tankers, Hellerup K/S Straits Tankers, Hellerup Hafnia Management Corp., Texas, USA	
Associated enterprise	Straits Tankers Pte. Ltd. (sold in 2016), Singapore	

The principal activities of the company

The company's principal activities consist of commercial activities within the product tankers markets. Hafnia Management A/S speicialises in the segments ranging from 35.000 to 110.000 dtw.

Unusual matters

None.

Uncertainties as to recognition or measurement

None.

Development in activities and financial matters

The gross profit for the year is DKK 52,9m against DKK 57,1m last year. The results from ordinary activities after tax are DKK 16,4m against DKK 25,8m last year. The management consider the results satisfactory.

Profit and loss account 1 January - 31 December

Amounts concerning 2016: DKK.
Amounts concerning 2015: DKK in thousands.

Note		2016	2015
	Gross profit	**52.883.857**	**57.135**
1	Staff costs	-38.488.669	-38.810
	Depreciation and writedown relating to tangible fixed assets	-1.537.157	-1.376
	Operating profit	**12.858.031**	**16.949**
	Income from equity investments in group enterprises	3.595.803	0
	Income from equity investment in associated enterprise	3.579.634	12.795
	Other financial income	1.957.168	1.887
2	Other financial costs	-2.539.606	-1.675
	Results before tax	**19.451.030**	**29.956**
	Tax on ordinary results	-3.081.432	-4.149
	Results for the year	**16.369.598**	**25.807**
	Proposed distribution of the results:		
	Reserves for net revaluation as per the equity method	1.550.948	12.795
	Dividend for the financial year	0	20.490
	Allocated to results brought forward	14.818.650	0
	Allocated from results brought forward	0	-7.478
	Distribution in total	**16.369.598**	**25.807**

Balance sheet 31 December

Amounts concerning 2016: DKK.
Amounts concerning 2015: DKK in thousands.

Assets

Note		2016	2015
	Fixed assets		
3	Other plants, operating assets, and fixtures and furniture	3.038.066	2.136
	Tangible fixed assets in total	3.038.066	2.136
	Equity investments in group enterprises	160.007	26
	Equity investment in associated enterprise	0	9.567
	Other debtors	0	144
	Financial fixed assets in total	160.007	9.737
	Fixed assets in total	**3.198.073**	**11.873**
	Current assets		
	Amounts owed by group enterprises	8.346.174	0
	Deferred tax assets	416.330	437
	Other debtors	4.152.276	8.868
	Accrued income and deferred expenses	2.477.450	1.075
	Debtors in total	15.392.230	10.380
	Other securities and equity investments	2.039.753	2.173
	Securities in total	2.039.753	2.173
	Available funds	18.103.604	29.320
	Current assets in total	**35.535.587**	**41.873**
	Assets in total	**38.733.660**	**53.746**

Balance sheet 31 December

Amounts concerning 2016: DKK.
Amounts concerning 2015: DKK in thousands.

Equity and liabilities

Note		2016	2015
	Equity		
4	Contributed capital	500.000	500
5	Reserves for net revaluation as per the equity method	0	9.033
6	Results brought forward	18.626.708	12.335
7	Proposed dividend for the financial year	0	20.490
	Equity in total	**19.126.708**	**42.358**
	Liabilities		
	Bank debts	2.946.214	2.740
	Trade creditors	2.778.858	3.490
	Corporate tax	2.868.398	1.087
	Other debts	11.013.482	4.071
	Short-term liabilities in total	19.606.952	11.388
	Liabilities in total	**19.606.952**	**11.388**
	Equity and liabilities in total	**38.733.660**	**53.746**

8 Mortgage and securities

9 Contingencies

Notes

Amounts concerning 2016: DKK.
Amounts concerning 2015: DKK in thousands.

		2016	2015
1.	**Staff costs**		
	Salaries and wages	33.613.856	33.969
	Pension costs	3.289.149	3.153
	Other costs for social security	118.428	107
	Other staff costs	1.467.236	1.581
		38.488.669	**38.810**
	Average number of employees	35	33
2.	**Other financial costs**		
	Other financial costs	2.539.606	1.675
		2.539.606	**1.675**
3.	**Other plants, operating assets, and fixtures and furniture**		
	Cost 1 January	11.607.394	10.583
	Additions during the year	2.438.329	1.024
	Disposals during the year	-192.870	0
	Cost 31 December	**13.852.853**	**11.607**
	Depreciation and writedown 1 January	-9.470.500	-8.095
	Depreciation and writedown for the year	-1.537.157	-1.376
	Depreciation and writedown, assets disposed of	192.870	0
	Depreciation and writedown 31 December	**-10.814.787**	**-9.471**
	Book value 31 December	**3.038.066**	**2.136**
4.	**Contributed capital**		
	Contributed capital 1 January	500.000	500
		500.000	**500**

The share capital consists of 500 shares, each with a nominal value of DKK 1,000. No shares hold particular rights.

Notes

Amounts concerning 2016: DKK.
Amounts concerning 2015: DKK in thousands.

		31/12 2016	31/12 2015
5.	**Reserves for net revaluation as per the equity method**		
	Reserves for net revaluation 1 January	9.031.982	5.837
	Share of results	1.550.948	12.795
	Exchange rate adjustments	170.190	1.021
	Distributed dividend	-10.753.120	-10.239
	Adjustment due to changed accounting policies	0	-381
		0	**9.033**
6.	**Results brought forward**		
	Results brought forward 1 January	12.334.738	9.574
	Profit or loss for the year brought forward	14.818.650	-7.478
	Extraordinary dividend adopted during the financial year	-20.119.800	0
	Dividend from associated enterprise	10.753.120	10.239
	Exchange rate adjustment on distributed dividend	840.000	0
		18.626.708	**12.335**
7.	**Proposed dividend for the financial year**		
	Dividend 1 January	20.490.000	0
	Distributed dividend	-20.490.000	0
	Dividend for the financial year	0	20.490
		0	**20.490**

8. Mortgage and securities

TDKK 2.851 of other debtors has been provided as security for bank credit facility TDKK 2.946.

Amounts concerning 2016: DKK.
Amounts concerning 2015: DKK in thousands.

9. Contingencies

Contingent liabilities

The company has entered into rental agreement concerning Tuborg Boulevard 5, 2900 Hellerup. The monthly lease amount is TDKK 158 and the lease is interminable until 29 February 2020, after which the lease has a notice of termination of 6 months. TDKK 1.183 has been deposited as security for bank guarantee.

Joint taxation

The company is the administration company of the group of companies subject to the Danish scheme of joint taxation and, as from the financial year 2012, unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

As from 1 July 2012, the company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

The liability relating to obligations in connection with withholding tax on dividends, interest and royalties represents an estimated maximum of DKK 0 thousand.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.

Accounting policies used

The annual report for Hafnia Management A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises.

Changes in the accounting policies used

Due to changes in the organisation and activities in the company's subsidaries the management has chosen to change accounting policies in 2016 in the following area:

Equity investment in group enterprises are now measured at cost which is the general rule in the Danish Financial Statements Act. Previously, the equity method was used on equity investment in group enterprises. The cost method is considered to give a better true and fair view. Comparison figures have been changed in accordance with the new accounting policies.

The above changes have resulted in an increase of the result after tax for 2016 of TDKK 2,900 and a decrease in the result for 2015 of TDKK 3,807. The equity 31 December 2016 is unaffected by the above changes. The equity 31 December 2015 has decreased by TDKK 4,177 in the comparison figures.

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

In case the foreign group enterprises and associated enterprises meet the criteria for being independent units, the profit and loss accounts are translated by using an average exchange rate for the period in question, and the balance sheet items are translated by using the closing rate. Differences arising in connection with the translation of the equity of foreign group enterprises at the beginning of the year to the closing rate are recognised directly in the equity. The same goes for differences arising in connection with translation of the profit and loss accounts from average exchange rate to the closing rate.

At recognition of foreign group enterprises which are integrated units, the monetary items are translated by using the closing rate. Non monetary items are translated by using the exchange rate prevailing at the time of acquisition or at the time of the following depreciation or writedown of the asset. The items of the profit and loss account are translated by using the exchange rate prevailing at the date of the transaction. However, items in the profit and loss account deriving from non monetary items are translated by using historical prices.

Currency adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in the equity. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised in the equity.

The profit and loss account

Gross profit

The gross profit comprises the net turnover and external costs.

The net turnover comprises the value of services provided during the year, including outlay for customers less VAT and price reductions directly associated with the sale.

The turnover is recognised in the profit and loss account when the sale has been completed. This is generally considered to be the case when:

- The service has been provided before the end of the financial year
- There is a binding sales agreement
- The sales price has been determined
- The payment has been received, or it can with reasonable assurance be expected to be received.

Hereby, it is ensured that recognition does not take place until the total income and costs as well as the scope of completion on the balance sheet date can be determined reliably, and when it is likely that the economic benefits, including payments, will be received by the enterprise.

Other external costs comprise costs for distribution, sales, advertisement, administration, premises and loss on debtors.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Dividend from equity investments in group enterprises is recognised in the financial year where the dividend is declared.

Results from equity investment in associated enterprise

After full elimination of intercompany profit or loss and deduction of amortisation of consolidated goodwill, the equity investment in the associated enterprise is recognised in the profit and loss account at a proportional share of the associated enterprise's results after tax.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises. The company acts as an administration company in relation to the joint taxation. This means that the total Danish tax payable of the income of the Danish consolidated companies is paid to the tax authorities by the company.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

The balance sheet

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

Other plants, operating assets, fixtures and furniture	3-5 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

As regards assets of own production, the cost comprises direct and indirect costs for materials, components, deliveries from subsuppliers, payroll costs, and borrowing costs form specific and general borrowing concerning the construction of each individual asset.

Financial fixed assets

Equity investments in group enterprises

Equity investments in group enterprises are measured at cost. In case the recoverable amount is lower than the cost, writedown takes place to this lower value.

Equity investment in associated enterprise

Equity investment in associated enterprise is recognised in the balance sheet at a proportional share under the equity method, the value being calculated on the basis of the accounting policies of the parent company by the deduction or addition of unrealised intercompany profits and losses, and with the addition or deduction of residual value of positive or negative goodwill measured by applying the acquisition method.

Group enterprises and associated enterprises with negative equity are recognised without any value, and to the extent they are considered irrevocable, amounts owed by these companies are written down by the parent's share of the equity. If the negative equity exceeds the debtors, the residual amount is recognised under liability provisions to the extent the parent has a legal or actual liability to cover the negative equity of the subsidiary.

To the extent the equity exceeds the cost, the net revaluation of equity investment in associated enterprise is transferred to the reserves under the equity for net revaluation as per the equity method. The reserves are adjusted by other equity movements in associated enterprise.

Newly taken over or newly established companies are recognised in the annual accounts as of the time of acquisition. Sold or liquidated companies are recognised at the time of cession.

Profit or loss in connection with the sale of associated enterprise is measured as the difference between the sales amount and the book value of net assets at the time of the sale, inclusive of remaining consolidated goodwill and expected costs for sale and cession. Profit and loss are recognised in the profit and loss account under net financials.

In connection with the acquisition of new group enterprises and associated enterprises, the acquisition method is applied, by which the acquirees' assets and liabilities are measured at fair value at the time of acquisition. Provisions for payment of costs for decided restructuring activities in the acquirees in relation to the acquisition are recognised. The tax effect of the revaluations carried out is taken into consideration.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Securities and equity investments

Securities and equity investments recognised as current assets are measured at fair value on the balance sheet date.

Available funds

Available funds comprise cash at bank and in hand.

Equity

Reserves for net revaluation as per the equity method

Reserves for net revaluation as per the equity method comprise net revaluation of equity investments in subsidiaries and associates in proportion to cost.

The reserves may be eliminated in case of losses, realisation of equity investments or changes in the financial estimates.

It is not possible to recognise the reserves with a negative amount.

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under the equity. Proposed dividend is recognised as a liability at the time of approval by the general meeting (the time of declaration).

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Hafnia Management A/S is jointly taxed with the Danish group companies and acts in this respect as the administration company. According to the rules of joint taxation, Hafnia Management A/S is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Payable and receivable joint taxation contributions are recognised in the balance sheet as "Receivable corporate tax" or "Payable corporate tax".

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.