HAFNIA TANKERS ApS

Tuboro Boulevard 5
2900 Hellerup

Annual report
1 January 2017 - 31 December 2017

The annual report has been presented and approved on the company's general meeting the

16/04/2018

Mikael Øpstun Skov
Chairman of general meeting

Content

Company information

Reporting company	HAFNIA TANKERS ApS Tuborg Boulevard 5 2900 Hellerup	
	Phone number:	33699081
	CVR-nr:	33082231
	Reporting period:	01/01/2017 - 31/12/2017
Auditor	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6 2300 København S DK Denmark	
	CVR-nr:	33963556
	P-number:	1017192430

Statement by Management

The Board of Directors have today on April 16, 2018, discussed and approved the annual report for the financial year January 1 - December 31, 2017 for Hafnia Tankers ApS.

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

It is our opinion that the annual report presents fairly, in all material respects, the financial position of the company as of December 31, 2017 and of the results of the company's operations for the financial year January 1 - December 31, 2017.

Moreover, we believe that the management commentary contains a fair review of the affairs and conditions adressed in the commentary.

We recommend the annual report for adoption at the Annual General Meeting

Hellerup, the 16/04/2018

Management

Mikael Øpstun Skov
Chairman

Board of directors

Mikael Øpstun Skov

Søren Steenberg Jensen

Georg Alexander Whist

The independent auditor's report on financial statements

To the shareholders of HAFNIA TANKERS ApS

Opinion

We have audited the financial statements of Hafnia Tankers ApS for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity’s financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor’s responsibilities for the audit of the financial statements section of this auditor’s report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management 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, Management is responsible for assessing the Entity’s ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

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 and the additional requirements applicable in Denmark 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 conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism 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 Entity’s internal control.
• 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 in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity’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 Entity to cease to continue as a going concern.
• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent 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 internal control that we identify during our audit.

Statement on the management's review

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 16/04/2018

Henrik Hjort Kjelgaard , mne29484
Mr.
Deloitte Statsautoriseret Revisionspartnerselskab
CVR: 33963556

Management's Review

Primary activities and major developments

The primary activities of Hafnia Tankers ApS pertain to commercial operations within the product tanker market. Hafnia Tankers ApS is also engaged in ownership of subsidiaries and associates with commercial operations within the product tanker market.

The result for 2017, loss of USD 7,144 thousand, is lower than the expectation stated in the annual report for 2016, in which the result was predicted to be in line with that of 2016, profit of USD 17,852 thousand.

The Company expects the result for 2018 to be in line with that for 2017, based on the notion that the current low rate environment will persist into 2018.

Subsequent events

There have been no significant events after the balance sheet date.

Accounting Policies

The annual report has been prepared in accordance with the regulation applying to Reporting class B. The annual report for Hafnia Tankers ApS for 2017 is presented in accordance with the provisions of the Danish Financial Statements Act applying to reporting class B enterprises.

In accordance with the Danish Financial Statements Act § 112, item 2, consolidated financial statements have not been prepared. The annual report for Hafnia Tankers ApS and respective subsidiaries are included in the consolidated financial statements of Hafnia Tankers Ltd., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands, registration number 64370. The consolidated financial statements are available at www.hafniatankers.com.
The accounting policies applied in the preparation of the annual report have changed from reporting according to provisions of the Danish Financial Statements Act applying to reporting Class C enterprises to the provisions applying to reporting Class B.

The change has no significant impact to the reader of the financial statement as the change has only had an impact on disclosures, that are not required under the provisions for Class B enterprises.

Basis of accounting

Assets are recognized on the balance sheet once the inflow of economic benefit to the entity is probable, and when the value of the asset can be measured reliably.

Liabilities are recognized on the balance sheet once the outflow of resources embodying economic benefits from the entity is probable, and when the value of the obligation can be measured reliably.

Assets and liabilities are measured at cost upon initial recognition. Subsequent to initial recognition, assets and liabilities are measured as decribed respectively below.

Certain financial assets and liabilities are measured at amortized cost, by which a constant internal rate of return is applied over the respective duration. Amortized costs are calculated as initial cost less accumulated amortization.

On recognition and measurement of assets and liabilities, all relevant matters are taken into consideration, including foreseeable risks and losses, arising before the time at which the annual report is prepared and proving or disproving matters arising on or before the balance sheet date.

Income is recognised in the income statement as earned. This includes value adjustments made to financial assets and liabilities which are measured at fair value or amortized cost. Moreover, all expenses are recognized which are incurred to generate the stated income for the year. This includes depreciation, amortisation, impairment losses, downward adjustments and provisions for liabilities and reversals of amounts previously recognised in the income statement as a result of changed accounting estimates.

Transactions in foreign currency

The Company's financial statements are denominated in USD as this represents the primary currency of the international shipping sector. As of December 31, 2017, the exchange rate was DKK 6.2077 per USD (DKK 7.0528 per USD as of December 31, 2016).

Foreign currency transactions are translated into the functional currency at the exchange rate of the date when initially recognized. Gains and losses arising between the exchange rate of the transaction date and that of the settlement date are recognized in the income statement under financial income or financial expense.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates then prevailing. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognized in the statement of profit or loss under financial income or financial expense.

Income Statement

Vessel revenue
Vessel revenue stems from charter income as well as various other sources of income which relate to the chartering of the Company's vessels. Vessel revenue is recognized when an agreement exists, the vessel is made available to the charterer or services are provided, the charter hire is determinable and collection of the related revenue is reasonably assured. The earnings allocated to vessels participating in commercial pools are aggregated and divided on the basis of a weighted scale, or Pool Points, which reflect comparative voyage results on hypothetical benchmark routes. These pool earnings are recognized as a part of revenue once the vessel has participated in a pool during the period and the amount of pool revenue for the period can be estimated reliably.

Management revenue
Management revenue is recognized in the income statement as the relevant services are supplied and once the amount can be measured reliably, in the period in which the amount is expected to be received.

Vessel operating costs
Vessel operating costs consists of charter hire as well as other vessel related costs. Charter hire stems from the chartering-in of vessels, from which vessel revenue is derived. Vessel operating costs are recognized in the income statement as incurred.

Depreciation
Depreciation is allocated on a straight-line basis over the duration of the respective charter-party, starting on the day the charter-party commences.

Staff costs
Staff costs covers wages, salaries, pensions as well as other social security costs pertaining to the Company's employees.

Other external costs
Other external costs includes administrative expenses, office rental, etc.

Dividends received
Dividends received, stemming from subsidiaries and associates, are recognized in the period in which such dividends are declared.

Financial income and expenses

Financial income and expenses include interest expenses as well as exchange gains and losses arising from transactions in foreign currencies.

Annual Report: January 1 - December 31

Accounting Policies

Balance Sheet

Taxes

Taxes constitute tonnage taxes for the year and deferred taxes, which are recognized in the income statement according to the portion which can be attributed to the result for the year and in shareholders' equity according to the portion which can be directly attributed to changes in shareholders' equity.

The Company is jointly taxed along with Hafnia Tankers Shipholding Denmark 1 ApS, by which Hafnia Tankers ApS acts as the administrative company of the joint tax arrangement. The applicable income tax is distributed among the paticipating companies of the joint tax arrangement according to their respective taxable income.

Pool working capital deposit

Participating in pools requires a deposit of working capital. The deposit of ranging from USD 600 thousand to USD 1,000 thousand is recognized at cost. The deposit is paid upon entrance to the pool and is repaid when the pool is exited.

Interests in subsidiaries and associates

Interests in subsidiaries and associates are regonized at cost. If the recoverable amount is estimated to be less than its carrying amount, the carrying value is written down to its recoverable amount.

Deferred tax

Deferred taxes, including tax losses that have been carried forward as deductions in future earnings, are recognized according to the value that the deferred tax asset is estimated yield, either as a net tax asset or through a lowering of tax payables.

Receivables

Accounts receivable are measured at the lower of amortized cost and net realizable value.

Prepaid expenses

Prepaid expenses include payments relating to goods or services that are made in advance of when the related goods or services will be incurred.

Short-term liabilities

Liabilities, including trade payables and other payable, are generally measured at amortized cost.

Key Figures

The applied definition of relevant key figures is stated below:

EBITDA-margin: (EBITDA*100) / Revenue

Equity ratio: (Equity*100) / Total Assets

Return on equity: (Profit/(Loss) for the period*100)/ Average Equity

Income statement 1 Jan 2017 - 31 Dec 2017

	Disclosure	2017 USD	2016 USD
Revenue	1	13,676,000	33,372,000
Cost of sales		-13,922,000	-28,201,000
Other operating income		0	0
Other external expenses		-756,000	-827,000
Gross Result		**-1,002,000**	**4,344,000**
Employee expense	2	-6,040,000	-6,815,000
Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets		-103,000	-435,000
Profit (loss) from ordinary operating activities		**-7,145,000**	**-2,906,000**
Other finance income from group enterprises		0	21,019,000
Other finance income	3	183,000	62,000
Impairment of financial assets			0
Other finance expenses	4	-147,000	-176,000
Profit (loss) from ordinary activities before tax		**-7,109,000**	**17,999,000**
Tax expense	5	-35,000	-147,000
Profit (loss)		**-7,144,000**	**17,852,000**

Proposed distribution of results

Proposed dividend recognised in equity			0
Retained earnings		-7,144,000	17,852,000
Proposed distribution of profit (loss)		**-7,144,000**	**17,852,000**

Balance sheet 31 December 2017

Assets

	Disclosure	2017 USD	2016 USD
Acquired other similar rights		0	103,000
Intangible assets	**6**	**0**	**103,000**
Plant and machinery		0	0
Property, plant and equipment		**0**	**0**
Investments in group enterprises		86,216,000	86,216,000
Investments in associates		1,500,000	1,500,000
Other receivables		2,000,000	1,600,000
Current deferred tax assets		58,000	93,000
Investments	**7**	**89,774,000**	**89,409,000**
Total non-current assets		**89,774,000**	**89,512,000**
Trade receivables		1,040,000	1,403,000
Receivables from group enterprises		2,014,000	6,042,000
Other receivables		546,000	821,000
Deferred income assets		16,000	23,000
Receivables	**8**	**3,616,000**	**8,289,000**
Cash and cash equivalents		1,615,000	3,481,000
Current assets		**5,231,000**	**11,770,000**
Total assets		**95,005,000**	**101,282,000**

Balance sheet 31 December 2017

Liabilities and equity

	Disclosure	2017 USD	2016 USD
Contributed capital		12,650,000	12,650,000
Retained earnings		81,395,000	85,424,000
Proposed dividend			0
Total equity		**94,045,000**	**98,074,000**
Prepayments received from customers		0	1,212,000
Trade payables		145,000	22,000
Tax payables			0
Other payables, including tax payables, liabilities other than provisions		815,000	1,974,000
Short-term liabilities other than provisions, gross		**960,000**	**3,208,000**
Liabilities other than provisions, gross		**960,000**	**3,208,000**
Liabilities and equity, gross		**95,005,000**	**101,282,000**

Statement of changes in equity 1 Jan 2017 - 31 Dec 2017

	Contributed capital	Reserve for treasury shares	Retained earnings	Proposed dividend recognised in equity	Total
	USD	USD	USD	USD	USD
Equity, beginning balance	12,650,000		85,424,000	0	98,074,000
Value adjustments of equity		3,115,000			3,115,000
Profit (Loss)			-7,144,000		-7,144,000
Equity, ending balance	12,650,000	3,115,000	78,280,000	0	94,045,000

Disclosures

1. Revenue

	For the years ended December 31 2017	2016
	(USD)	
Vessel revenue	11,665,000	29,031,000
Management revenue	2,011,000	4,341,000
	13,676,000	**33,372,000**

2. Employee expense

	For the years ended December 31 2016	2015
	(USD)	
Wages and salaries	-5,856,000	-6,625,000
Pensions	-173,000	-175,000
Other social security costs	-11,000	-15,000
	-6,040,000	**-6,815,000**

Average number of employees
2017: 12
2016: 13

3. Other finance income

	For the years ended December 31 2017	2016
	(USD)	
Other financial income	183,000	62,000
	183,000	**62,000**

4. Other finance expenses

	For the years ended December 31 2017	2016
	(USD)	
Other financial expenses	-147,000	-176,000
	-147,000	**-176,000**

5. Tax expense

	For the years ended December 31 2017	2016
	(USD)	
Change in deferred tax	-35,000	-147,000
	-35,000	**-147,000**

6. Intangible assets

	Time charters acquired (USD)
Cost	
Balance as of January 1, 2017	751,000
Additions	-
Disposals	-346,000
Cost at December 31, 2017	**405,000**
Accumulated depreciation	
Balance as of January 1, 2017	-648,000
Depreciation	-103,000
Disposals	346,000
Accumulated depreciation at December 31, 2017	**-405,000**
Carrying amount at December 31, 2017	**-**

Depreciated over	1-3 years
Estimated residual value	-

7. Investments

Pool working capital deposit	**As of December 31**	
	2017	**2016**
	(USD)	
Cost		
Balance as of January 1	1,600,000	2,700,000
Additions	2,000,000	-
Disposals	-1,600,000	-1,100,000
Cost at December 31	**2,000,000**	**1,600,000**
Carrying amount at December 31	**2,000,000**	**1,600,000**

Interests in subsidiaries	**As of December 31**	
	2017	**2016**
	(USD)	
Cost		
Balance as of January 1	88,216,000	88,216,000
Additions	-	-
Disposals	-	-
Cost at December 31	**86,216,000**	**86,216,000**
Carrying amount at December 31	**86,216,000**	**86,216,000**

Interests in associates	**As of December 31**	
	2017	**2016**
	(USD)	
Cost		
Balance as of January 1	1,500,000	1,503,000
Disposals	-	-3,000
Cost at December 31	**-1,500,000**	**1,500,000**
Carrying amount at December 31	**1,500,000**	**1,500,000**

Deferred tax	**As of December 31**
	2017
	(USD)
Balance as of January 1	93,000
Additions	-
Disposals	-35,000
Balance as of December 31	**-58,000**

8. Receivables

Prepaid expenses	**As of December 31**	
	2017	**2016**
	(USD)	
Prepaid insurance	16,000	23,000
	16,000	**23,000**

9. Disclosure of contingent liabilities

Contingent liabilities, contractual liabilities, etc.
The following table displays the Company's time chartered-in commitments:

	As of December 31	
	2017	**2016**
	(USD)	
< 1 year	7,824,000	14,635,000
1-5 years	-	7,824,000
> 5 years	-	-
	7,824,000	**22,459,000**

The Company's office space rent obligation was USD 3 thousand, and the Company had USD 1.6 thousand related to other contractual obligations as of December 31, 2017.

The Company is jointly taxed along with Hafnia Tankers Shipholding Denmark 1 ApS, by which Hafnia Tankers ApS acts as the administrative company of the joint tax arrangement. The Company's Danish corporate tax liability is unrestricted, in solidarity with Hafnia Tankers Shipholding Denmark 1 ApS. As of December 31, 2017, the net tax liability of the jointly taxed companies equals USD 69 thousand, attributable to the Danish Customs and Tax Administration.

All companies in the Hafnia Group are jointly liable for the Group's credit facilities. The total amount outstanding for these facilities was USD 534.2 million as of December 31, 2017 (2016: USD 544.5 million). As at December 31, 2017, the Group had zero available borrowing capacity unders its credit facilities (2016: USD 67,243). As at December 31, 2017, the Group had undrawn facilities totaling USD 2,400 (2016: USD 5,200) consisting of 6 separate loan agreements with associated company, Hafnia Management A/S, covering 6 specific vessels.

10. Disclosure of ownership

Ownership

The company has registered the following shareholders holding more than 5% of the voting rights or nominal value:

Hafnia Tankers Malta Ltd.
Regent House, Office 21
Bisazza Street
Sliema SLM 1640
Malta