

HAFNIA TANKERS ApS

Tuborg Boulevard 5
2900 Hellerup

Annual report
1 January 2018 - 31 December 2018

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

14/05/2019

Søren Steenberg Jensen
Chairman of general meeting

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Company information

Reporting company HAFNIA TANKERS ApS
Tuborg Boulevard 5
2900 Hellerup
Phone number: 33699081
CVR-nr: 33082231
Reporting period: 01/01/2018 - 31/12/2018

Auditor Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 København S
DK Danmark
CVR-nr: 33963556
P-number: 1017192430

Statement by Management

The Board of Directors have today on April 30, 2019, discussed and approved the annual report for the financial year January 1 - December 31, 2018 for Hafnia Tankers ApS.

The annual report is presented 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, 2018 and of the results of the company's operations for the financial year January 1 - December 31, 2018.

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

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

Hellerup, the 30/04/2019

Management

Søren Steenberg Jensen

Board of directors

Søren Steenberg Jensen

Mia Kroglund Jørgensen

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 01.01.2018 - 31.12.2018, 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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 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, 30/04/2019

Henrik Hjort Kjelgaard , mne29484
State-Authorised Public Accountant
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.

All commercial operation contracts ended during the year ended 31, December 2018.

The result for 2018, loss of USD 49,243 thousand, is lower than the expectation stated in the annual report for 2017, in which the result was predicted to be in line with that of 2017, loss of USD 7,144 thousand. The 2018 result is impacted by impairment loss recognised as a result of review of interests in subsidiaries. Please refer to note 7 for further details. The result for 2018 adjusted for impairment loss effect, loss of USD 5,797 thousand, is however lower than the expectation due to lower realised rates than anticipated.

The Company expects the result for 2019 to be higher than that for 2018, based on the notion that the company no longer carries contractual commitments to chartered vessels. The company is therefore no longer exposed to the development in rates within the product tanker market.

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 2018 is presented in accordance with the provisions of the Danish Financial Statements Act applying to reporting class B enterprises.

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.hafniabw.com.

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 described 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 recognized 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, amortization, impairment losses, downward adjustments and provisions for liabilities and reversals of amounts previously recognized in the income statement as a result of changing 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, 2018, the exchange rate was DKK 6.5194 per USD (DKK 6.2077 per USD as of December 31, 2017).

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.

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 consist 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.

Staff costs

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

Other external costs

Other external costs include 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.

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 participating 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 recognized 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 payables, are generally measured at amortized cost.

Income statement 1 Jan 2018 - 31 Dec 2018

| | Disclosure | 2018 USD | 2017 USD |
|--|------------|--------------------|-------------------|
| Revenue | 1 | 7,657,000 | 13,676,000 |
| Cost of sales | | -8,127,000 | -13,922,000 |
| Other operating income | | | 0 |
| Other external expenses | | -735,000 | -756,000 |
| Gross Result | | -1,205,000 | -1,002,000 |
| Employee expense | 2 | -4,896,000 | -6,040,000 |
| Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets | 3 | -43,446,000 | -103,000 |
| Profit (loss) from ordinary operating activities | | -49,547,000 | -7,145,000 |
| Income from investments in associates | | 398,000 | |
| Other finance income from group enterprises | | | 0 |
| Other finance income | 4 | 53,000 | 183,000 |
| Other finance expenses | 5 | -125,000 | -147,000 |
| Profit (loss) from ordinary activities before tax | | -49,221,000 | -7,109,000 |
| Tax expense | 6 | -22,000 | -35,000 |
| Profit (loss) | | -49,243,000 | -7,144,000 |
| Proposed distribution of results | | | |
| Retained earnings | | -49,243,000 | -7,144,000 |
| Proposed distribution of profit (loss) | | -49,243,000 | -7,144,000 |

Balance sheet 31 December 2018

Assets

| | Disclosure | 2018 USD | 2017 USD |
|--|------------|-------------------|-------------------|
| Acquired other similar rights | | | 0 |
| Intangible assets | | | 0 |
| Plant and machinery | | | 0 |
| Property, plant and equipment | | | 0 |
| Investments in group enterprises | | 42,770,000 | 86,216,000 |
| Investments in associates | | 1,500,000 | 1,500,000 |
| Other receivables | | 888,000 | 2,000,000 |
| Current deferred tax assets | | 36,000 | 58,000 |
| Investments | 7 | 45,194,000 | 89,774,000 |
| Total non-current assets | | 45,194,000 | 89,774,000 |
| Trade receivables | | 154,000 | 1,040,000 |
| Receivables from group enterprises | | 2,537,000 | 2,014,000 |
| Other receivables | | 392,000 | 546,000 |
| Deferred income assets | | 6,000 | 16,000 |
| Receivables | 8 | 3,089,000 | 3,616,000 |
| Cash and cash equivalents | | 1,259,000 | 1,615,000 |
| Current assets | | 4,348,000 | 5,231,000 |
| Total assets | | 49,542,000 | 95,005,000 |

Balance sheet 31 December 2018

Liabilities and equity

| | Disclosure | 2018 USD | 2017 USD |
|---|------------|-------------------|-------------------|
| Contributed capital | | 12,650,000 | 12,650,000 |
| Retained earnings | | 26,958,000 | 81,395,000 |
| Proposed dividend | | 7,496,000 | |
| Total equity | | 47,104,000 | 94,045,000 |
| Prepayments received from customers | | | 0 |
| Trade payables | | 195,000 | 145,000 |
| Payables to group enterprises | | 2,058,000 | |
| Other payables, including tax payables, liabilities other than provisions | | 185,000 | 815,000 |
| Short-term liabilities other than provisions, gross | | 2,438,000 | 960,000 |
| Liabilities other than provisions, gross | | 2,438,000 | 960,000 |
| Liabilities and equity, gross | | 49,542,000 | 95,005,000 |

Statement of changes in equity 1 Jan 2018 - 31 Dec 2018

| | Contributed capital USD | Share premium USD | Retained earnings USD | Total USD |
|-----------------------------------|--|----------------------------------|--------------------------------------|----------------------|
| Equity, beginning balance | 12,650,000 | 64,877,000 | 16,518,000 | 94,045,000 |
| Other adjustments of equity | | | 2,302,000 | 2,302,000 |
| Profit (Loss) | | -37,919,000 | -11,324,000 | -49,243,000 |
| Equity, ending balance | 12,650,000 | 26,958,000 | 7,496,000 | 47,104,000 |

Disclosures

1. Revenue

| | For the years ended | |
|--------------------|---------------------|-------------------|
| | December 31 | |
| | 2018 | 2017 |
| | USD | USD |
| Vessel revenue | 5,608,000 | 11,665,000 |
| Management revenue | 2,049,000 | 2,011,000 |
| | <u>7,657,000</u> | <u>13,676,000</u> |

2. Employee expense

| | For the years ended | |
|-----------------------------|---------------------|-------------------|
| | December 31 | |
| | 2018 | 2017 |
| | USD | USD |
| Wages and salaries | -4,726,000 | -5,856,000 |
| Pension | -158,000 | -173,000 |
| Other Social security costs | -12,000 | -11,000 |
| | <u>-4,896,000</u> | <u>-6,040,000</u> |
| Average number of employees | 11 | 12 |

3. Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets

| | As of December 31 | |
|--------------------------------|-------------------|-------------------|
| | 2018 | 2017 |
| | USD | USD |
| Interests in subsidiaries | | |
| Balance as of January 1 | 86,216,000 | 86,216,000 |
| Additions | 0 | 0 |
| Impairment loss | -43,446,000 | 0 |
| Cost at December 31 | <u>42,770,000</u> | <u>86,216,000</u> |
| Carrying amount at December 31 | <u>42,770,000</u> | <u>86,216,000</u> |

4. Other finance income

| | For the years ended | |
|------------------------|----------------------------|-------------|
| | December 31 | |
| | 2018 | 2017 |
| | USD | USD |
| Other financial income | 53,000 | 183,000 |
| | 53,000 | 183,000 |

5. Other finance expenses

| | For the years ended | |
|--------------------------|----------------------------|-------------|
| | December 31 | |
| | 2018 | 2017 |
| | USD | USD |
| Other financial expenses | -125,000 | -147,000 |
| | -125,000 | -147,000 |

6. Tax expense

| | For the years ended | |
|-------------------------|----------------------------|-------------|
| | December 31 | |
| | 2018 | 2017 |
| | USD | USD |
| Changes in deferred tax | -22,000 | -35,000 |
| | -22,000 | -35,000 |

7. Investments

| | As of December 31 | |
|-------------------------------------|--------------------------|-------------|
| | 2018 | 2017 |
| | USD | USD |
| Pool working capital deposit | | |
| Balance as of January 1 | 2,000,000 | 1,600,000 |
| Additions | 0 | 2,000,000 |
| Disposals | -1,112,000 | -1,600,000 |
| Cost at December 31 | 888,000 | 2,000,000 |
| Carrying amount at December 31 | 888,000 | 2,000,000 |

| | As of December 31 | |
|----------------------------------|--------------------------|-------------|
| | 2018 | 2017 |
| | USD | USD |
| Interests in subsidiaries | | |
| Balance as of January 1 | 86,216,000 | 86,216,000 |
| Additions | 0 | 0 |
| Impairment loss | -43,446,000 | 0 |
| Cost at December 31 | 42,770,000 | 86,216,000 |
| Carrying amount at December 31 | 42,770,000 | 86,216,000 |

| | As of December 31 | |
|--------------------------------|--------------------------|-------------|
| | 2018 | 2017 |
| | USD | USD |
| Interests in associates | | |
| Balance as of January 1 | 1,500,000 | 1,500,000 |
| Cost at December 31 | 1,500,000 | 1,500,000 |
| Carrying amount at December 31 | 1,500,000 | 1,500,000 |

| | As of December 31 | |
|-------------------------|--------------------------|--|
| | 2018 | |
| | USD | |
| Deferred tax | | |
| Balance as of January 1 | 93,000 | |
| Disposals | -57,000 | |
| Cost at December 31 | 36,000 | |

8. Receivables

| | As of December 31 | |
|-------------------|--------------------------|---------------|
| | 2018 | 2017 |
| | USD | USD |
| Prepaid insurance | 6,000 | 16,000 |
| | 6,000 | 16,000 |

9. Disclosure of contingent liabilities

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, 2018, the net tax liability of the jointly taxed companies equals USD 70 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 450.2 million as of December 31, 2018 (2017: USD 548.7 million). As at December 31, 2018, the Group had zero available borrowing capacity under its credit facilities (2017: 0). As at December 31, 2018, the Group had no undrawn facilities (2017: USD 2,400).

Related parties

The following shareholder is registered as owning a minimum of 5% of voting rights or a minimum of 5% of share capital:

Hafnia Tankers Singapore Sub-Holding Pte. Ltd.
159 Telok Ayer Street
Singapore (068614)

10. Information on average number of employees

| | |
|-----------------------------------|-------------|
| | 2018 |
| Average number of employees | 11 |