HAFNIA TANKERS ApS

Tuboreg Boulevard 5
2900 Hellerup

Annual report
1 January 2019 - 31 December 2019

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

16/09/2020

Jørgen Thuesen
Chairman of general meeting

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Company information

Reporting company	HAFNIA TANKERS ApS Tuborg Boulevard 5 2900 Hellerup	
	e-mail:	cn@hafniatankers.com
	CVR-nr:	33082231
	Reporting period:	01/01/2019 - 31/12/2019
Auditor	KPMG P/S Dampfærgevej 28 2100 København Ø DK Danmark	
	CVR-nr:	25578198
	P-number:	1018974173

Statement by Management

The Board of Directors have today on September 16, 2020, discussed and approved the annual report for the financial year January 1 - December 31, 2019 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, 2019 and of the results of the company's operations for the financial year January 1 - December 31, 2019.

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

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

Hellerup, the 16/09/2020

Management

Jørgen Thuesen

Board of directors

Mia Krogslund Jørgensen

Jørgen Thuesen

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 1 January – 31 December 2019, comprising income statement, balance sheet and notes, including 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 Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 our report.

We are independent of the Company in accordance with the International Ethics Standards Board for 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 rules and 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 that 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made 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 company 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 Company'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 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 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 Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, 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's review.

Our opinion on the financial statements does not cover the Management's review, 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's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, 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 conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 16/09/2020

Klaus Rytz , mne33205

State Authorised Public Accountant
KPMG P/S
CVR: 25578198

Management's Review

Primary activities and major developments
The primary activities of the company pertain to commercial operations within the product tanker market.

The Company's result for 2019 presents a loss of USD 1,764 thousand, which is in line with the expectation stated in the annual report for 2018, in which the result was predicted to be higher than that of 2018, loss of USD 32,819 thousand.
The 2019 result and financial position in general is impacted by the absorption of Hafnia Tankers Shipholding Denmark 1 ApS. The companies merged as of 1 January 2019 with Hafnia Tankers ApS as the continuing entity.

The company expects the result for 2020 to be higher than that for 2019, based on the notion that the product tanker freight rates are expected to develop in a favorable direction.

Subsequent events
The global lockdowns caused by the COVID-19 pandemic have led to unprecedented decline in demand and weak economic fundamentals. However, the reduction in oil demand caused an increased demand for floating storage and thereby increased freight rates in Q1 and Q2 2020. However this is expected to even out through out the year as market forces are gradually normalising through second half of 2020. There have been no other 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 2019 is presented in accordance with the provisions of the Danish Financial Statements Act applying to reporting class B enterprises with opting in from higher reporting classes. The accounting policies applied in the preparation of the annual report are consistent with those applied last year.

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 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.

The annual report
The annual report consists of Hafnia Tankers ApS and its subsidiary Hafnia Tankers Shipholding Denmark 1 ApS, which was absorbed with effect from 1, January 2019.

Business combinations
Newly acquired entities are recognized in the annual report on the acquisition date, which is the date on which control over the entity is transferred.

Business combinations are accounted for using the uniting of interests method.

The comparative figures presented in the annual report have been restated on the basis of the annual report of Hafnia Tankers ApS and Hafnia Tankers Shipholding Denmark 1 ApS, combining items of uniform nature, intra-group income and expenses, intra-group balances and dividends as well as profits and losses on transactions between the consolidated companies are eliminated. The annual reports used for the restatement of the comparative figures are prepared in accordance with Hafnia Tankers ApS' accounting policies.

Transactions in foreign currency
The annual report is denominated in USD as this represents the primary currency of the international shipping sector. As of December 31, 2019, the exchange rate was DKK 6.6759 per USD (DKK 6.5194 per USD as of December 31, 2018).

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 through participation in commercial pool. 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.

Depreciation
The basis of depreciation is calculated as the excess of cost over the estimated residual value, allocated on a straight-line basis over the estimated useful life of vessels and their dry dock component.

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

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

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.

Balance Sheet

Property, plant and equipment
Property, plant and equipment consist of vessels which are initially recognized at cost.

The basis of depreciation is calculated as the excess of cost over the estimated residual value. Depreciation is commenced once the vessel is delivered.

The initial recognition of cost includes the cost of acquisition as well as costs which are directly attributable to the acquisition of the tangible asset up until the point in time at which the tangible asset is ready for use.

The recognition of initial cost is segmented into its constituent parts, which are depreciated separately to the extent that the estimated useful life of these constituent parts differs from one another.

Estimated useful life;

Vessels	25 years
Dry Dock	5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Impairment of vessels and dry docks
The Company reviews its vessels, including the dry dock component, for impairment annually and whenever events or circumstances indicate the carrying value of an asset may not be recoverable.

In the event of indication of impairment, the recoverable amount of the vessels, being the higher of value in use and fair value less cost to sell, is assessed. If the recoverable amount is estimated to be less than its carrying amount, the carrying value of the asset is written down to its recoverable amount.

Interests in associates
Interests in associates is 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.

Inventories
Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first in first out method.

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.

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

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.

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.

Mortgage debt
Mortgage debt is measured at amortized cost using the effective interest rate method, such that the difference between the proceeds and the redemption value is recognized in the income statement.

Short-term liabilities
Liabilities, including trade payables and other payables, are generally measured at amortized cost.

Income statement 1 Jan 2019 - 31 Dec 2019

	Disclosure	2019	2018
		USD	USD
Revenue	1	25,408,000	31,556,000
Cost of sales		-11,684,000	-23,377,000
Other external expenses		-885,000	-971,000
Gross Result		**12,839,000**	**7,208,000**
Employee expense	2	-1,095,000	-4,896,000
Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets	3	-7,897,000	-30,582,000
Profit (loss) from ordinary operating activities		**3,847,000**	**-28,270,000**
Income from investments in associates		0	398,000
Other finance income	4	177,000	92,000
Other finance expenses	5	-5,711,000	-4,947,000
Profit (loss) from ordinary activities before tax		**-1,687,000**	**-32,727,000**
Tax expense	6	-77,000	-92,000
Profit (loss)		**-1,764,000**	**-32,819,000**

Proposed distribution of results

Retained earnings		-1,764,000	-32,819,000
Proposed distribution of profit (loss)		**-1,764,000**	**-32,819,000**

Balance sheet 31 December 2019

Assets

	Disclosure	2019 USD	2018 USD
Land and buildings		111,491,000	128,500,000
Property, plant and equipment	**7**	**111,491,000**	**128,500,000**
Receivables from group enterprises		1,221,000	432,000
Investments in associates		0	1,500,000
Current deferred tax assets		36,000	36,000
Investments	**8**	**1,257,000**	**1,968,000**
Total non-current assets		**112,748,000**	**130,468,000**
Raw materials and consumables		0	499,000
Inventories		**0**	**499,000**
Trade receivables		273,000	3,490,000
Receivables from associates		4,401,000	5,688,000
Other receivables		489,000	1,160,000
Deferred income assets		457,000	118,000
Receivables	**9**	**5,620,000**	**10,456,000**
Cash and cash equivalents		2,915,000	2,946,000
Current assets		**8,535,000**	**13,901,000**
Total assets		**121,283,000**	**144,369,000**

Balance sheet 31 December 2019

Liabilities and equity

	Disclosure	2019 USD	2018 USD
Contributed capital	10	12,650,000	12,650,000
Retained earnings		30,389,000	32,153,000
Proposed dividend		2,302,000	2,302,000
Total equity		**45,341,000**	**47,105,000**
Mortgage debt		62,506,000	69,192,000
Contract liabilities		448,000	627,000
Long-term liabilities other than provisions, gross	**11**	**62,954,000**	**69,819,000**
Mortgage debt		7,685,000	9,187,000
Trade payables		176,000	546,000
Payables to group enterprises		0	11,413,000
Payables to associates		4,500,000	4,500,000
Other payables, including tax payables, liabilities other than provisions		448,000	1,620,000
Contract liabilities		179,000	179,000
Short-term liabilities other than provisions, gross		**12,988,000**	**27,445,000**
Liabilities other than provisions, gross		**75,942,000**	**97,264,000**
Liabilities and equity, gross		**121,283,000**	**144,369,000**

Disclosures

1. Revenue

	2019 USD	2018 USD
Vessel revenue	24.871.000	30.012.000
Management revenue	537.000	1.544.00
	25.408.000	31.556.000

2. Employee expense

Staff costs	2019 USD	2018 USD
Wages and salaries	-1.010.000	-4.726.000
Post employment benefit expense	-77.000	-158.000
Social security contributions	-8.000	-12.000
	-1.095.000	-4.896.000

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

	Vessels USD	Dry dock USD	Total USD
Cost			
Balance at January 1, 2019	179.561.000	8.249.000	187.810.000
Additions	312.000	6.000	317.000
Disposals	-18.392.000	-1.088.000	-20.020.000
Cost at December 31, 2019	**160.941.000**	**7.166.000**	**168.107.000**
Accumulated depreciation			
Balance at January 1, 2019	-34.243.000	-3.167.000	-37.410.000
Depreciation	-6.816.000	-1.578.000	-8.394.000
Disposals	5.696.000	1.049.000	6.745.000
Accumulated depreciation at December 31, 2019	**-35.363.000**	**-3.696.000**	**-39.059.000**
Impairment			
Balance at January 1, 2019	-21.248.000	-652.000	-21.900.000
Depreciation	1.227.000	0	1.227.000
Diposals	3.116.000	0	3.116.000
Accumulated impairment at December 31, 2019	**-16.905.000**	**-652.000**	**-17.557.000**
Carrying amount at December 31, 2019	**108.673.000**	**2.818.000**	**111.491.000**
Loss on sale of fixed asset 2019	-729.000	0	-729.000
Depreciated over	25 years	5 years	
Estimated residual value	17.861.000		

4. Other finance income

	2019 USD	2018 USD
Other financial income	177.000	92.000
	177.000	92.000

5. Other finance expenses

	2019 USD	2018 USD
Interest on bank loans	-4.972.000	-4.129.000
Other financial expenses	-739.000	-818.000
	-5.711.000	-4.947.000

6. Tax expense

	2019 USD	2018 USD
Changes in deferred tax	-77.000	-92.000
	-77.000	-92.000

7. Property, plant and equipment

Vessels and dry dock	**Vessels** **t.USD**	**Dry dock** **t.USD**	**Total** **t.USD**
Cost			
Cost, beginning of year	179.561	8.249	187.810
Increase	312	6	317
Decrease	-18.932	1.088	20.020
Cost, end of year	**160.941**	**7.166**	**168.107**
Accumulated depreciation			
Balance, beginning of year	-34.243	-3.167	-37.410
Depreciation	-6.816	-1.578	-8.394
Disposals	5.696	1.049	6.745
Accumulated depreciation, end of year	**-35.363**	**-3.696**	**-39.059**
Impairment			
Impairment losses and amortisation, beginning of year	-21.248	-652	-21.900
Impairment losses, this year	1.227	0	1.227
Reversal on disposal	3.116	0	3.116
Impairment losses and amortisation, end of year	**-16.905**	**-652**	**-17.557**
Carrying value, end of year	**108.673**	**2.818**	**111.491**
Depreciated over	25 years	5 years	
Estimated residual value t.USD	17.861		

Bank debt is secured by mortgage on vessels with a book value of t.USD 108.673

8. Investments

Interests in associates	2019 t.USD	2018 t.SD
Cost, beginning of year	1.500	1.500
Decrease	-1.500	0
Cost, end of year	**0**	**1.500**

The share of Hafnia Management A/S was sold during 2019.

Deferred tax	2019 t.USD	2018 t.SD
Cost, beginning of year	36	58
Decrease	0	-22
Cost, end of year	**36**	**36**

9. Receivables

Receivables from associates Pool working capital deposit	2019 t.USD	2018 t.USD
Balance, beginning of year	5.688	6.800
Disposals	-1.287	-1.112
Balance, end of year	**4.401**	**5.688**

Deferred income assets Prepaid insurance	2019 t.USD	2018 t.USD
Prepaid insurance	457	118
Balance, end of year	**457**	**118**

10. Contributed capital

Equity	Share capital t.USD	Retained Earnings t.USD	Proposed Dividends t.USD	Total t.USD
Balance, beginning of year	12.650	32.153	2.302	47.105
Profit for the year	0	-1.764	0	-1.764
Balance, end of year	**12.650**	**30.389**	**2.302**	**45.341**

11. Long-term liabilities other than provisions, gross

Long-term mortgage debt

Covers bank loans. Installments falling due within a year are classified under the short-term portion of mortgage debt. Remaining debt installments are classified under the long-term portion of mortgage debt. USD 38,423 of the total debt is due within 5 years.

12. Disclosure of contingent liabilities

All companies in the Hafnia Group are jointly liable for the Group's credit facilities. The total amount outstanding for these facilities was USD 453 million as of December 31, 2019 (2018: USD 450.2 million).

13. Disclosure of ownership

Ownership

Related parties

The company has registered the following shareholders holding more than 5% of the voting rights or a minimum of 5% of share capital:

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

14. Information on average number of employees

	2019
Average number of employees	8

	2019	2018
Average number of employees	8	11