HAFNIA TANKERS SHIPHOLDING DENMARK 1 ApS

Tuborg 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 SHIPHOLDING DENMARK 1 ApS Tuborg Boulevard 5 2900 Hellerup	
	CVR-nr:	35529225
	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 Shipholding Denmark 1 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

Board of directors

Mikael Øpstun Skov
Chairman

Søren Steenberg Jensen

Georg Alexander Whist

The independent auditor's report on financial statements

Opinion

We have audited the financial statements of Hafnia Tankers Shipholding Denmark 1 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 and cash flows 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 Shipholding Denmark 1 ApS pertain to commercial operations within the product tanker market.

The result for 2017, loss of USD 858 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 1,204 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 Shipholding Denmark 1 ApS for 2017 is presented in accordance with the provisions of the Danish Financial Statements Act applying to reporting class B enterprises.

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.

Vessel operating costs

Vessel operating costs, which include crewing, repairs and maintenance, insurance, stores, lube oils and communication expenses, are expensed as incurred. The procurement of these services is managed on behalf of the Company by the respective technical managers.

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 as stated below:

	Estimated useful life
Vessels	25 years
Dry Dock	5 years

Other external costs

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

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 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.

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 aquisition as well as costs which are directly attributable to the aquisition 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 seperately to the extent that the estimated useful life of these constituent parts differ from one another.

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

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.

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

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.

Mortgage debt
Mortgage debt are 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, payables to associates 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	2016
		USD	**USD**
Revenue		27,377,000	30,184,000
Cost of sales		-15,076,000	-15,489,000
Gross Result		**12,301,000**	**14,695,000**
Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets		-8,379,000	-8,230,000
Other operating expenses		-675,000	-1,137,000
Profit (loss) from ordinary operating activities		**3,247,000**	**5,328,000**
Other finance income	1	42,000	9,000
Other finance expenses	2	-4,078,000	-4,067,000
Profit (loss) from ordinary activities before tax		**-789,000**	**1,270,000**
Tax expense	3	-69,000	-66,000
Profit (loss)		**-858,000**	**1,204,000**

Proposed distribution of results

Proposed dividend recognised in equity			0
Retained earnings		-858,000	1,204,000
Proposed distribution of profit (loss)		**-858,000**	**1,204,000**

Balance sheet 31 December 2017

Assets

	Disclosure	2017 USD	2016 USD
Plant and machinery		154,053,000	160,785,000
Property, plant and equipment	**4**	**154,053,000**	**160,785,000**
Other receivables		4,800,000	4,800,000
Investments	**5**	**4,800,000**	**4,800,000**
Total non-current assets		**158,853,000**	**165,585,000**
Manufactured goods and goods for resale		866,000	702,000
Inventories		**866,000**	**702,000**
Trade receivables		3,303,000	2,702,000
Receivables from group enterprises			0
Other receivables		316,000	590,000
Deferred income assets		143,000	44,000
Receivables	**6**	**3,762,000**	**3,336,000**
Cash and cash equivalents		2,265,000	1,685,000
Current assets		**6,893,000**	**5,723,000**
Total assets		**165,746,000**	**171,308,000**

Balance sheet 31 December 2017

Liabilities and equity

	Disclosure	2017 USD	2016 USD
Contributed capital		4,357,000	4,357,000
Retained earnings		65,436,000	66,294,000
Proposed dividend			0
Total equity		**69,793,000**	**70,651,000**
Debt to banks		78,382,000	87,522,000
Long-term liabilities other than provisions, gross	**7**	**78,382,000**	**87,522,000**
Debt to banks		9,140,000	9,093,000
Trade payables		200,000	649,000
Payables to group enterprises		7,581,000	2,730,000
Other payables, including tax payables, liabilities other than provisions		650,000	663,000
Short-term liabilities other than provisions, gross		**17,571,000**	**13,135,000**
Liabilities other than provisions, gross		**95,953,000**	**100,657,000**
Liabilities and equity, gross		**165,746,000**	**171,308,000**

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

	Contributed capital	Retained earnings	Total
	USD	USD	USD
Equity, beginning balance	4,357,000	66,294,000	70,651,000
Profit (Loss)		-858,000	-858,000
Equity, ending balance	4,357,000	65,436,000	69,793,000

Disclosures

1. Other finance income

Financial income	For the years ended December 31	
	2017	2016
	USD	
Interest income from associates	11,000	-
Other financial income	31,000	9,000
	42,000	**9,000**

2. Other finance expenses

Financial expenses	For the years ended December 31	
	2017	2016
	USD	
Interest on bank loans	-3,956,000	-3,534,000
Other financial expenses	-122,000	-533,000
	-4,078,000	**-4,067,000**

3. Tax expense

Taxes	For the years ended December 31	
	2017	2016
	USD	
Tonnage taxes	-69,000	-66,000
	-69,000	**-66,000**

4. Property, plant and equipment

Vessels and dry dock	Vessels	Dry dock	Total
		USD	
Cost			
Balance at January 1, 2017	177,422,000	5,662,000	183,084,000
Additions	-	1,647,000	1,647,000
Disposals	-233,000	-478,000	-711,000
Cost at December 31 2017	**177,189,000**	**6,831,000**	**184,020,000**
Accumulated depreciation			
Balance at January 1, 2017	-20,120,000	-2,179,000	-22,299,000
Depreciation	-7,023,000	-1,356,000	-8,379,000
Disposals	233,000	478,000	711,000
Accumulated depreciation at December 31, 2017	**-26,910,000**	**-3,057,000**	**-29,967,000**
Carrying amount at December 31, 2017	**150,279,000**	**3,774,000**	**154,053,000**
Depreciated over	25 years	5 years	
Estimated residual value	20,926,000	0	

Bank debt is secured by mortgage on vessels with a book value of USD 150,279,000

5. Investments

Pool working capital deposit

	As of December 31	
	2017	2016
	USD	
Cost at January 1	4,800,000	4,800,000
Disposals	-	-
Cost at December 31	**4,800,000**	**4,800,000**
Carrying amount at December 31	**4,800,000**	**4,800,000**

6. Receivables

Prepaid expenses	As of December 31	
	2017	2016
	USD	
Prepaid insurance	143,000	42,000
Other prepaid expenses	-	2,000
	143,000	**44,000**

7. 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 45,389 thousand are due for payment more than 5 years after the balance sheet date.

8. Disclosure of contingent liabilities

Contingent liabilities, contractual liabilities, etc.

The Company is jointly taxed along with Hafnia Tankers 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 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.

9. Disclosure of ownership

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 ApS
Tuborg Boulevard 5
2900
Hellerup
Denmark