

Hafnia Tankers Ltd.

Interim Report

For the Three Months Ended March 31, 2018 and 2017



Hafnia Tankers Ltd.
Consolidated Balance Sheet
(Unaudited)

		As of	
	Note	March 31 2018	December 31 2017
		<i>(in thousands of U.S. dollars)</i>	
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents		58,581	48,127
Accounts receivable		23,325	21,724
Prepaid expenses and other receivables		9,231	8,712
Inventories		4,904	4,899
Total current assets		96,041	83,462
Non-current assets			
Vessels and dry dock	4	1,018,339	1,031,221
Goodwill	3	6,003	6,003
Sale and leaseback - initial direct costs		784	297
Interests in associates		1,933	2,205
Interest in a joint venture	5	-	-
Loans receivables		2,327	1,850
Pool working capital deposit	6	31,200	31,200
Deferred tax		50	58
Total non-current assets		1,060,636	1,072,834
Total assets		1,156,677	1,156,296
<u>LIABILITIES & EQUITY</u>			
Current liabilities			
Bank loans	7	47,246	48,951
Accounts payable		5,713	4,547
Accrued expenses and other payables		8,796	7,651
Finance lease liability		3,196	1,479
Deferred revenue		1,065	1,101
Loans from associates		1,000	1,000
Tax payable		69	51
Total current liabilities		67,085	64,780
Non-current liabilities			
Bank loans	7	458,233	485,254
Derivatives	12	991	3,061
Finance lease liability		47,638	24,013
Loans from other entities		463	-
Total non-current liabilities		507,325	512,328
Total liabilities		574,410	577,108
Shareholders' equity			
Issued, authorized and paid in share capital			
Share capital		339	339
Additional paid in capital		352,423	352,423
Treasury shares		(14,038)	(14,038)
Accumulated profits		38,014	37,359
Cash flow hedging reserve		(689)	(2,033)
Translation reserve		(34)	(34)
Equity holders of the parent		376,015	374,016
Non-controlling interests		206,252	205,172
Total equity		582,267	579,188
Total liabilities and equity		1,156,677	1,156,296

Hafnia Tankers Ltd.
Consolidated Statement of Profit and Loss
(Unaudited)

	Note	For the three months ended March 31	
		2018	2017
		<i>(in thousands of U.S. dollars)</i>	
Revenue			
Revenue		52,658	53,461
		52,658	53,461
Operating expenses			
Vessel operating costs		(20,732)	(19,066)
Technical management fee		(1,434)	(1,378)
Charter hire	8	(6,845)	(6,561)
Voyage expenses		(169)	(171)
Depreciation	4	(13,298)	(12,705)
General and administrative expenses	9	(2,864)	(2,553)
Total operating expenses		(45,342)	(42,434)
Other operating income			
Other operating income		287	977
Share of associates profit		124	112
		411	1,089
Operating profit		7,727	12,116
Financial expenses and income			
Financial expenses		(7,546)	(5,991)
Financial income		272	19
Profit before tax		453	6,144
Taxes		(26)	(131)
Profit for the period		427	6,013
Attributable to:			
Equity holders of the parent		277	3,903
Non-controlling interests		150	2,110
		427	6,013
Earnings per share attributable to equity holders of the parent:			
Basic earnings per share (USD)	10	0.01	0.11
Diluted earnings per share (USD)	10	0.01	0.11
Shares used in computing earnings per share attributable to equity holders of the parent:			
Basic (in thousands)	10	33,946	33,946
Diluted (in thousands)	10	33,974	33,981

Hafnia Tankers Ltd.
Consolidated Statement of Comprehensive Income
(Unaudited)

	For the three months ended	
	March 31	
	2018	2017
	<i>(in thousands of U.S. dollars)</i>	
Profit for the period	<u>427</u>	<u>6,013</u>
Other comprehensive income / (loss)		
Items that may be reclassified subsequently to profit or (loss):		
Fair value income / (loss) on cash flow hedges	1,800	(1,148)
Reclassification to profit or (loss) related to cash flow hedges	270	270
Exchange differences on translating foreign operations	-	-
Other comprehensive income / (loss) after tax	<u>2,070</u>	<u>(878)</u>
Total comprehensive income	<u>2,497</u>	<u>5,135</u>
Attributable to:		
Equity holders of the parent	1,621	3,333
Non-controlling interests	876	1,802
	<u>2,497</u>	<u>5,135</u>

Hafnia Tankers Ltd.
Consolidated Statement of Changes in Equity
(Unaudited)

	Attributable to the equity holders of the parent							
	Share capital nominal	Additional paid in capital	Accumulate profits	Treasury shares	Cash flow hedging reserve	Translation reserve	Non-controlling interests	Total equity
<i>(in thousands of U.S. dollars)</i>								
Balance as of January 1, 2017	339	352,423	42,705	(258)	(473)	(34)	208,905	603,607
Profit for the period	-	-	3,903	-	-	-	2,110	6,013
Other comprehensive (loss) for the period	-	-	-	-	(570)	-	(308)	(878)
Total comprehensive income	-	-	3,903	-	(570)	-	1,802	5,135
Share-based compensation	-	-	720	-	-	-	-	720
Reallocation of non-controlling interests	-	-	(253)	-	-	-	253	-
	-	-	467	-	-	-	253	720
Balance as of March 31, 2017	339	352,423	47,075	(258)	(1,043)	(34)	210,960	609,462
Balance as of January 1, 2018	339	352,423	37,359	(14,038)	(2,033)	(34)	205,172	579,188
Profit for the period	-	-	277	-	-	-	150	427
Other comprehensive income for the period	-	-	-	-	1,344	-	726	2,070
Total comprehensive income	-	-	277	-	1,344	-	876	2,497
Share-based compensation	-	-	582	-	-	-	-	582
Reallocation of non-controlling interests	-	-	(204)	-	-	-	204	-
	-	-	378	-	-	-	204	582
Balance as of March 31, 2018	339	352,423	38,014	(14,038)	(689)	(34)	206,252	582,267

Hafnia Tankers Ltd.
Consolidated Statement of Cash Flow
(Unaudited)

	Note	For the three months ended March 31	
		2018	2017
<i>(in thousands of U.S. dollars)</i>			
Operating activities			
Profit for the period		427	6,013
Depreciation	4	13,298	12,705
Amortization of time charters acquired	3	-	328
Share-based compensation		582	720
Financial expenses		7,546	5,991
Tax expense		26	131
Share of associates profit/(loss)		275	(112)
		<u>22,154</u>	<u>25,776</u>
Changes in assets and liabilities:			
(Increase) in inventories		(5)	(297)
(Increase) in accounts receivable		(1,601)	(6,545)
(Increase) in prepaid expenses and other receivables		(519)	(3,272)
(Increase) in pool working capital deposit		-	(1,800)
(Increase) in initial direct costs - finance lease		(487)	-
(Increase) in loans receivables		(477)	-
Decrease in amortized financing fees		994	824
Increase in accounts payable		1,149	2,447
Increase in accrued expenses and other payables		1,000	51
(Increase) in deferred income		(36)	(716)
		<u>18</u>	<u>(9,308)</u>
Financial expenses paid		(7,401)	(6,253)
Taxes paid		-	(104)
Net cash inflow from operating activities		<u>14,771</u>	<u>10,111</u>
Investing activities			
Payments for vessels under construction		-	(47,479)
Payments for vessels including drydock		(418)	(1,737)
Net cash (outflow) from investing activities		<u>(418)</u>	<u>(49,216)</u>
Financing activities			
Bank loan repayment		(29,720)	(12,632)
Draw down on credit facility		-	40,200
Loans from other entities		463	-
Prepaid financing fee		-	(104)
Increase in finance lease liability		25,342	-
Net cash inflow from financing activities		<u>(3,916)</u>	<u>27,464</u>
Net cash flow from operating, investing and financing activities		<u>10,437</u>	<u>(11,641)</u>
Cash and cash equivalents at January 1		48,127	95,488
Effects of exchange rate changes on the balance of cash held in foreign currencies		17	(35)
Cash and cash equivalents at March 31		<u>58,581</u>	<u>83,812</u>

Hafnia Tankers Ltd.
Notes to the Consolidated Financial Statements
(Unaudited)

(All amounts other than share data are provided in thousands of U.S. dollars, unless otherwise indicated)

1 - General information

Hafnia Tankers Ltd. (the "Company") is a private limited company incorporated on October 15, 2013 in the Republic of the Marshall Islands.

The Company and its subsidiaries (together, the "Group") provide seaborne transportation of petroleum products worldwide.

The Company currently holds Class A Units representing approximately 64.9% of the outstanding membership interests of the Company's direct subsidiary Hafnia Tankers LLC, while the balance of Hafnia Tankers LLC's outstanding membership interests consists of exchangeable Class B and Class C Units held by existing investors representing an interest of approximately 34.8% and 0.3%, respectively, which are presented as non-controlling interests in the Company's financial statements.

2 - Significant Accounting Policies

Basis of Preparation

These unaudited condensed consolidated financial statements for the three months ended March 31, 2018 and 2017 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). Certain information and footnote disclosures required by International Financial Reporting Standards as issued by the IASB ("IFRS") for a complete set of annual financial statements have been omitted, and therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2017.

Accounting Policies

These condensed consolidated financial statements have been prepared using the same accounting policies and methods as were applied in the preparation of the Group's financial statements for the year ended December 31, 2017 except for the adoption of IFRS 15 - "Revenue from contracts with customers" effective January 1, 2018. The standard has changed the recognition pattern of revenue for voyage charters from recognizing revenue on a "discharge-to-discharge"-basis to a "load-to-discharge"-basis. Since the Group has no direct voyage charters, but either operates its vessels in pools or time charter the vessels out, the adoption of the new standard has had an immaterial impact.

Accounting Standards and Interpretations Not Yet Adopted

The IASB has issued new or revised accounting standards (IAS and IFRS) and interpretations (IFRICs) that are not compulsory for the Group in the preparation of the financial statements for the current period. None of them are expected to have a material impact on the financial reporting for the Group.

• IFRS 16 "Leases"

IFRS 16 is effective from January 1, 2019. The standard will change the recognition of leases. The standard is not expected to have a material effect on the Group's financial statement. The Group currently carries 2 Time-Charter contracts as operating leases, which will result in a right of use asset and related lease liability being recorded as IFRS 16 comes to effect. This will result in a reclassification of costs associated with these operating leases from "Charter Hire" to either "Depreciations" and/or "Financial expenses".

Hafnia Tankers Ltd.
Notes to the Consolidated Financial Statements
(Unaudited)

3 - Intangible Assets

<i>(in thousands of U.S. dollars)</i>	Goodwill	Contract values vessels under construction	Time charters acquired	Total
Cost				
Balance at January 1, 2017	6,003	26,549	2,832	35,384
Addition	-	-	-	-
Disposals	-	(26,549)	(2,832)	(29,381)
Cost at December 31, 2017	6,003	-	-	6,003
Accumulated amortization				
Balance at January 1, 2017	-	(26,319)	(2,427)	(28,746)
Amortization	-	(230)	(405)	(635)
Disposals	-	26,549	2,832	29,381
Accumulated amortization at December 31, 2017	-	-	-	-
Carrying amount at December 31, 2017	6,003	-	-	6,003
Cost				
Balance at January 1, 2018	6,003	-	-	6,003
Disposals	-	-	-	-
Cost at March 31, 2018	6,003	-	-	6,003
Carrying amount at March 31, 2018	6,003	-	-	6,003

Goodwill has been allocated for impairment testing purposes to the following cash-generating units (CGUs): short-range ("SR"), medium-range ("MR") and long-range 1 ("LR1"). As of March 31, 2018, the value in use test for the SR, MR and LR1 CGUs was greater than its carrying amount and thus no impairment losses have been recognized during the period ended March 31, 2018. Please refer to note 4 for further information.

Contract values for vessels under construction are related to newbuild contracts which were acquired as a result of the merger between BTS Tanker Partners Limited and Hafnia Tankers LLC on December 31, 2013 (the "Combination"). The value of the contracts was added to the cost of vessels under construction on a straight line until the time when the vessels were delivered. The final vessel was delivered in the second quarter of 2017.

Hafnia Tankers Ltd.
Notes to the Consolidated Financial Statements
(Unaudited)

4 - Tangible Assets

<i>(in thousands of U.S. dollars)</i>	Vessels	Dry dock	Vessels under construction	Total
Cost				
Balance at January 1, 2017	1,044,162	31,018	42,893	1,118,073
Additions	295	6,208	71,370	77,873
Transfers	111,863	2,400	(114,263)	-
Disposals	-	(2,752)	-	(2,752)
Cost at December 31, 2017	1,156,320	36,874	-	1,193,194
Accumulated depreciation				
Balance at January 1, 2017	(101,411)	(10,293)	-	(111,704)
Depreciation	(45,913)	(7,108)	-	(53,021)
Disposals	-	2,752	-	2,752
Accumulated depreciation at December 31, 2017	(147,324)	(14,649)	-	(161,973)
Carrying amount at December 31, 2017	1,008,996	22,225	-	1,031,221
Cost				
Balance at January 1, 2018	1,156,318	36,874	-	1,193,192
Additions	418	-	-	418
Cost at March 31 2018	1,156,736	36,874	-	1,193,610
Accumulated depreciation				
Balance at January 1, 2018	(147,324)	(14,649)	-	(161,973)
Depreciation	(11,467)	(1,831)	-	(13,298)
Accumulated depreciation at March 31, 2018	(158,791)	(16,480)	-	(175,271)
Carrying amount at March 31, 2018	997,945	20,394	-	1,018,339

Vessels are pledged to secure the bank loans of the Group.

In accordance with IAS 36 Impairment of Assets, the Company has determined its cash-generating units (CGUs) based on the vessel classes, namely SR, MR and LR1. As of March 31, 2018, the fair value less cost to sell, determined on the basis of the independent broker valuations, of the SR, MR and LR1 vessels were less than their carrying amounts and accordingly, a value in use calculation was performed. The significant assumptions applied in determining the value in use of the SR, MR and LR1 fleet are the future charter rates, vessel operating expenses and the discount rate. The Company estimated the future cash flows of the SR, MR and LR1 CGUs based on a combination of the current time charter rates for the next three years and the most recent ten-year historical average for one-year time charter rates for periods thereafter. The Company estimated the operating expenses based on budgets agreed with third party technical managers for 2018, adjusted for an escalation factor. The future cash flows were then discounted to their present value.

The value in use calculation was greater than the carrying amount for SR, MR and LR1 vessels, and as a result of this testing, no impairment charge was recorded.

As of March 31, 2018, the Company had 4 vessels under construction through its participation in a Joint Venture, with expected delivery in 2019.

Hafnia Tankers Ltd.
Notes to the Consolidated Financial Statements
(Unaudited)

5 - Interest in a joint venture

	As of March 31 2018
	<i>(in thousands of U.S. dollars)</i>
Cost of investment in a joint venture	-*
Share of loss, net dividend received	-*
	-*

*Amount less than USD 1,000

Vista Shipping Ltd.
For the period ended March 31
2018

	<i>(in thousands of U.S. dollars)</i>
Gross profit	-
Profit for the period after tax	(70)
Non-current assets	4,265
Cash and cash equivalents	335
Total liabilities	(4,773)
Equity	173
Share of equity	87
Share of loss for the period after tax	(35)

6 - Other Assets

	As of	
	March 31 2018	December 31 2017
	<i>(in thousands of U.S. dollars)</i>	
Deposit of working capital to the pools, long term	31,200	31,200
	31,200	31,200

Participating in pools requires a deposit of working capital. The deposit ranges from USD 600 to USD 1,000 per vessel. The deposit is paid upon entrance to the pool and is repaid when the pool is exited. The amount is non-interest bearing.

7 - Bank Loans

	As of	
	March 31 2018	December 31 2017
	<i>(in thousands of U.S. dollars)</i>	
Current portion	47,246	48,951
Non-current portion	458,233	485,254
Carrying amount	505,479	534,205

We consider that the carrying amount of the bank loans to approximate their fair value due to the interest rates being at floating rates.

Hafnia Tankers Ltd.
Notes to the Consolidated Financial Statements
(Unaudited)

Summary of borrowing arrangements

For the three months ended March 31, 2018 the Group repaid USD 16,650 as part of a Sale and Leaseback transaction for a LR1 vessel.

Furthermore the Group paid installments amounting to USD 13,070 in total across the Group's outstanding loans. The Carrying amount as of March 31, 2018 has a non-cash impact related to amortization of financing fees across the Group's loan facilities, amounting to USD 994.

The interest rates on the bank loans are LIBOR plus a margin ranging from 2.25% to 2.60% and are to be repaid in quarterly installments with a balloon payment at the end of the seventh year.

The bank loans are secured by first priority mortgages on vessels and are subject to the following significant financial covenants:

- Working Capital above zero
- A minimum liquidity above USD 10,000 and above 5% of total debt
- Equity above USD 100,000 and above 30% of the total assets

The Group was fully compliant with all loan covenants at March 31, 2018.

The Group is subject to a minimum security value clause under which the vessel values must not exceed a percentage of the debt. The Group was fully compliant with this clause at March 31, 2018.

The following table summarizes the current contractual maturities of the Group's bank loans and presents the total principal amount based on the earliest date on which the Group can be required to pay.

As of March 31, 2018	<1 year	1-5 years	>5 years	Total
<i>(in thousands of U.S. dollars)</i>				
Bank loans	47,246	278,066	180,167	505,479
As of December 31, 2017	<1 year	1-5 years	>5 years	Total
<i>(in thousands of U.S. dollars)</i>				
Bank loans	48,951	298,934	186,320	534,205

Hafnia Tankers Ltd.
Notes to the Consolidated Financial Statements
(Unaudited)

8 - Charter hire

The table below shows the Group's time chartered-in vessel commitments as of March 31, 2018, assuming no off-hire days:

Type	Charter	Delivery	Earliest re-delivery	Optional extension period	Subject to profit split	Purchase option
MR	TC	6-13-2017	5-14-2025	2 years	No	Yes
MR	TC	7-11-2017	6-11-2025	2 years	No	Yes
LR1	TC	9-15-2012	9-5-2018	No	No	No
LR1	TC	9-9-2012	8-29-2018	No	No	No
LR1	TC	12-2-2016	8-4-2018	No	No	No
LR1	BB	10-26-2017	9-26-2029	No	No	Yes
LR1	BB	2-14-2018	1-14-2030	No	No	Yes

The cost of Charter Hire, for vessels on Time Charter, recognized as expense during the three months ended March 31, 2018 was USD 6,845 (March 31, 2017: USD 6,233).

The cost for Charter Hire, for vessels on Bare Boat Charter, are recognized as amortisation of lease liability and finance expenses.

	Minimum charter hire
Year	<i>(in thousands of U.S. dollars)</i>
2018	19,814
2019 - 2030	137,286
Total as of March 31, 2018	157,100
Total as of December 31, 2017	119,291

9 - General and Administrative Expenses

	For the three months ended	
	March 31	
	2018	2017
	<i>(in thousands of U.S. dollars)</i>	
Wages and salaries	(1,494)	(1,247)
Outsourced functions	(130)	(115)
Contributions to defined contribution plans	(52)	(49)
Other social security costs	(5)	(3)
Other administrative costs	(252)	(174)
Auditors, consultants and legal fees	(349)	(245)
	(2,282)	(1,833)
Share based compensation (non-cash)	(582)	(720)
	(582)	(720)
	(2,864)	(2,553)

Hafnia Tankers Ltd.
Notes to the Consolidated Financial Statements
(Unaudited)

10 - Earnings Per Share

	For the three months ended March 31	
	2018	2017
Profit for the period (USD thousand)	427	6,013
Consolidated profit attributable to non-controlling interests (USD thousands)	150	2,110
Profit attributable to equity holders of the parent (USD thousand)	277	3,903
Weighted average number of shares (in thousands)	33,946	33,946
Diluted weighted average number of shares in issue (in thousands)	33,974	33,981
Earnings per share (USD)	0.01	0.11
Diluted (loss) / earnings per share (USD)	0.01	0.11

During the period ended March 31, 2018 the Class B Units and the Class C Units, which include 18,191,712 and 162,911 respectively (March 31, 2017: 18,191,712 Class B Units and 162,911 Class C Units), have not had a dilutive effect. The Class B Units and the Class C Units are exchangeable on a one-for-one basis for the Company's common shares. The Class B Units and the Class C Units are considered in computing diluted profit or loss per share on an "if-converted" basis. As of March 31, 2018, a total of 2,300,000 warrants, 300,000 options and 35,164 Restricted Stock Units with no dilutive effect has been granted to employees (March 31, 2017: 2,300,000 warrants, 300,000 options and 35,164 Restricted Stock Units). The warrant and options have not had a dilutive effect in 2018 as they are not in the money.

11 - Categories of Financial Instruments

	As of	
	March 31 2018	December 31 2017
Financial assets	<i>(in thousands of U.S. dollars)</i>	
Cash and cash equivalents	58,581	48,127
Receivables	56,957	55,265
Financial liabilities		
Bank loans	505,479	534,205
Financial liabilities measured at amortised cost	16,579	9,795
Derivative instruments in designated hedge accounting relationships	991	3,061

Hafnia Tankers Ltd.
Notes to the Consolidated Financial Statements
(Unaudited)

12 - Hedging

As all of the Groups debt has variable interest rates, the Group is exposed to fluctuations in interest rates.

Therefore, in order to protect the Group from significant increases in interest rates, the Group has entered into several interest rate caps with a strike of 3% against the three months LIBOR rate. The interest rate caps has a notional amount of USD 300,000 (representing 50% of peak debt) with the last cap expiring in 2023.

The underlying risk of the interest rate cap is the three months LIBOR, which is identical to the hedged risk component (i.e. the variable interest rate on the debt).

The hedge ratio of the hedging relationship was determined based on the policy to hedge up to 75% of the exposure at the time the hedge was established, and on the fact that Management believe that there is some correlation between freight rates and interest rates.

The Group does not consider the hedge relationship to include sources of inefficiency, as there is no difference in interest rate benchmark, or credit risk between the interest rate cap and the debt, the nominal amount of the hedging instrument represents 50% of the exposure, and hence there is no risk of over hedging, and the term of the hedging instrument does not exceed the term of the loans.

The Group pays quarterly interests on the interest rate cap. The fair market value of the total hedging agreements as of March 31, 2018 was a liability of USD 991. The fair market value of the hedging agreement is comprised of discounted premiums, a liability of USD 5,803, and the value of the hedging instruments, USD 4,812.

13 - Fair value measurement

Except for the hedge agreements entered into in the second quarter of 2015 and the first quarter of 2016, no assets or liabilities are measured at fair value after initial recognition, and the carrying values of financial instruments approximate their respective fair values. Therefore, no additional disclosure related to fair value measurement has been provided in these financial statements.

14 - Subsequent events

There have been no significant events after the balance sheet date at March 31, 2018.

The Condensed Consolidated Financial Statements were authorized for issuance by the Board of Directors on May 9, 2018.