Hafnia Limited. (N-OTC: “HAFNIA”) Interim Report for the First Quarter of 2019.

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Dated: May 20, 2019

Interim Report for the First Quarter of 2019

Please see attached the Interim Report for the First Quarter of 2019 for Hafnia Limited (“Hafnia”).

“In Q1 we have seen two organizations coming together following the execution of the merger between BW Tankers and Hafnia Tankers. We are very proud of the energy and commitment shown by our organization delivering synergies and good performance in a satisfactory market. With a fleet of 87 owned and chartered-in vessels on the water, an average age of c. 6.8 years and a strong balance sheet, the company is well-positioned for an expected upturn in the product tanker market. We are also working on unifying our already strong culture and values, which will benefit both internal and external stakeholders.”, says Mikael Skov, CEO Hafnia.

- In January 2019, BW Tankers and Hafnia Tankers merged into Hafnia. In the first quarter of 2019 the organization has been focused on integrating the two companies and by the end of Q2 this will substantially have been completed. Operating 170 vessels in the Hafnia pools, of which 87 are owned and chartered-in, has led to significant commercial, financial, technical and operational synergies. The large fleet allows us to utilize the data generated to further optimize vessel operation and planning.

- Time Charter Equivalent (TCE) earnings were US$132.6 million in Q1 2019.

- EBITDA was US$74.1 million in Q1 2019.

- Net profit after tax was US$27.9 million in Q1 2019.

- At the end of the quarter, the 80 owned vessels and four newbuilds had an average broker valuation of US$2,159.4 million. At the end of Q1 the remaining CAPEX for the newbuilds was US$119.3 million.

- At the date of this report, the fleet size of the Group comprises three LR2s, 29 LR1s (including six bareboat chartered-in and two time-chartered in), 43 MRs (including three time-chartered in) and 13 SRs owned/operated, plus three LR2 newbuilds.

- Three LR2 newbuilds, BW Despina, BW Galatea and BW Larissa have been delivered as at the date of this report.

- In January 2019, the Group took delivery of Hafnia Hong Kong and Hafnia Shanghai, the first two LR1 newbuilds through its 50% participation in a joint venture with China State Shipbuilding Cooperation (“CSSC”).

	LR2	LR1	MR	SR
Vessels on water at the end of the period	2	29	43	13
Total operating days	97	2,562	3,992	1,169
Total calendar days (excluding TC-in)	97	2,430	3,600	1,170
TCE (US$ per operating day)[1]	17,063	18,587	16,479	16,861
OPEX (US$ per calendar day)[2]	6,186	6,685	6,254	6,094

1 TCE represents gross TCE income after adding back pool commissions (US$2.2 million).
2 OPEX includes vessel running costs and technical management fees.

- In accordance with the bye-laws, the board of directors has decided that the Company shall explore the possibility to purchase own shares. The purpose of the share buyback is inter alia to be able to deliver shares under a share option program for its employees and to have flexibility for potential business opportunities. The shares will be purchased from the open market and further announcements will be made in connection with the share buy-back if and when the Company resolves to purchase own shares.

Product trade growth is projected to rise in 2019 due to resumption of arbitrage opportunities to Asia and from increased growth in the Middle East. Inventory building could occur in the run up to 2020, driven by a relatively lower oil price environment across 2019. Looking to 2020, the IMO 2020 sulphur cap could generate a healthy growth in the products trade as the regulation is anticipated to heightened demand for middle distillates, supporting higher gasoil shipments into the major bunkering hubs in Europe and Asia. Conversely, a fall in global fuel oil trade is anticipated due to lower usage in bunkering.

Expansion in the products trade is expected to be largely supported by robust growth in Middle Eastern exports in 2019, with several refinery expansions and start-ups projected to drive growth in the region's refinery capacity over the year. Additionally, Asian product exports are projected to rise in 2019 boosting growth in the intra-Asian products trade. With the IMO 2020 sulphur cap expected to increase demand for gasoil in 2020, the pace of products export growth from the US, the Middle East and China is likely to accelerate as complex refineries in these regions raise utilisation rates to produce additional gasoil.

In 2018, the combined crude and product tanker fleet capacity grew very marginally. Annual deliveries were at their lowest levels since 2005. Scrapping in the crude tanker fleet was at its highest since 1985 and scrapping for the product tanker fleet was at its highest since 2012. In early 2019, product tanker capacity growth rebounded with fleet capacity expanding by more than one and a half percent in Q1 2019. This growth rate is not expected to be sustained in 2019 as the pace of deliveries will slow, given the front-loaded nature of the delivery schedule.

The fleet capacity growth is estimated at about three percent for the entire 2019. Several factors will potentially help to offset the impact of the increase in fleet capacity. Firstly, growth in the active tanker fleet could be limited by time out of service for scrubber retrofitting. Additionally, there could also be an increase in floating storage in the lead up to the IMO 2020 global sulphur cap. Overall, the outlook for 2019 is positive. Market dislocations in relation to IMO 2020 regulations are anticipated to provide increased arbitrage opportunities which will boost overall demand for product tanker freight.

The product tanker freight market had a positive start to 2019 – according to Clarksons, average earnings across all vessel segments for Q1 2019 were reported at a healthy 26% increase quarter-on-quarter and at a notable 45% increase year-on-year.

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The forward-looking statements or information contained in this news release are made as of the date hereof and Hafnia undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.