

Hafnia Limited

**Condensed  
Consolidated  
Interim Financial  
Information  
Q2 2019**



## HIGHLIGHTS – Q2 2019

“I am very pleased with the organization’s performance during the first half of this year, particularly considering the additional focus required on the integration process following our merger in January. The market conditions in Q2 were challenging compared to Q1, mainly due to extraordinary maintenance of the refineries globally, preparing for the implementation of IMO 2020 regulations. Our strong balance sheet and commercial performance provide a promising platform for the future.”

Mikael Skov, CEO Hafnia

- In January 2019, BW Tankers and Hafnia Tankers merged to form Hafnia. In the first half of 2019 the organization has been focused on integrating the two companies and by the end of Q2 this has been substantially completed. Operating 183 vessels in the Hafnia pools, of which 88 are owned and chartered-in<sup>1</sup>, is expected to lead to significant commercial, financial, technical and operational synergies. The expanded fleet allows us to utilize the data generated to further optimize vessel operation and planning.
- In May 2019, the Group has acquired the businesses of its associated companies, Hafnia Management A/S and subsidiaries, which used to operate and manage the MR Pool and SR Pool. The Group has also acquired all shareholdings in K/S Straits Tankers and Straits Tankers Pte Ltd, which used to operate and manage the LR1 Pool. The pools have been rebranded and named Hafnia LR Pool, Hafnia MR Pool and Hafnia Handy Pool.
- Time Charter Equivalent (TCE) earnings were US\$118.0 million in Q2 2019.
- EBITDA was US\$58.9 million in Q2 2019.
- Net profit after tax was US\$12.0 million in Q2 2019.
- At the end of the quarter, the 81 owned vessels<sup>1</sup> and three newbuilds<sup>1</sup> had an average broker valuation of US\$2,192.6 million. At the end of Q2 the remaining yard instalments for the newbuilds<sup>1</sup> was US\$84.0 million.
- As at Q2, the fleet size of the Group comprises three LR2s, 28 LR1s (including six bareboat chartered-in and two time-chartered in), 44 MRs (including four time-chartered in) and 13 SRs owned/operated, plus three LR2 newbuilds<sup>1</sup>.
- Four LR2 newbuilds, BW Despina, BW Galatea, BW Larissa and BW Neso<sup>2</sup> have been delivered as at the date of this report. The remaining LR2 newbuilds will be delivered in Q3 and Q4 2019.
- 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”). At the end of Q2 the remaining yard instalments for the four newbuilds under the joint venture was US\$125.8million. Financing has been successfully arranged for these newbuilds.

<sup>1</sup> Excluding two LR1s and four LR1 newbuilds owned through 50% ownership in Vista Shipping Limited.

<sup>2</sup> BW Neso was delivered in July 2019.

### Contact Hafnia

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## KEY FIGURES

|                                   | Q1 2019<br>US\$ million | Q2 2019<br>US\$ million | H1 2019<br>US\$ million |
|-----------------------------------|-------------------------|-------------------------|-------------------------|
| <b>Income Statement</b>           |                         |                         |                         |
| Operating revenue                 | 214.1                   | 200.7                   | 414.8                   |
| TCE income                        | 132.6                   | 118.0                   | 250.6                   |
| EBITDA                            | 74.1                    | 58.9                    | 133.0                   |
| Operating profit/(loss)           | 44.9                    | 27.7                    | 72.6                    |
| Financial items                   | (17.0)                  | (16.3)                  | (33.3)                  |
| Share of profit from associates   | 0.0                     | 0.6                     | 0.6                     |
| Profit before tax                 | 27.9                    | 12.0                    | 39.9                    |
| Net profit for the period         | 27.9                    | 12.0                    | 39.9                    |
| <b>Balance Sheet</b>              |                         |                         |                         |
| Total non-current assets          | 2,184.9                 | 2,194.8                 | 2,194.8                 |
| Total assets                      | 2,450.1                 | 2,480.7                 | 2,480.7                 |
| Total liabilities                 | 1,444.6                 | 1,466.8                 | 1,466.8                 |
| Total equity                      | 1,005.5                 | 1,013.9                 | 1,013.9                 |
| Total invested capital            | 2,302.8                 | 2,347.2                 | 2,347.2                 |
| Cash and cash equivalents         | 75.2                    | 100.9                   | 100.9                   |
| <b>Key financial figures</b>      |                         |                         |                         |
| Gross margins:                    |                         |                         |                         |
| TCE                               | 61.9%                   | 58.8%                   | 60.4%                   |
| EBITDA                            | 34.6%                   | 29.3%                   | 32.1%                   |
| Operating profit/(loss) (EBIT)    | 21.0%                   | 13.8%                   | 17.5%                   |
| Return on Equity (RoE) (p.a.)     | 11.2%                   | 4.8%                    | 8.0%                    |
| Return on Invested Capital (p.a.) | 7.8%                    | 4.7%                    | 6.4%                    |
| Equity ratio                      | 41.0%                   | 40.9%                   | 40.9%                   |

| For the 3 months ended 30 June 2019                    | LR2    | LR1    | MR     | SR     | Total  |
|--|--------|--------|--------|--------|--------|
| Vessels on water at the end of the period <sup>1</sup> | 3      | 28     | 44     | 13     | 88     |
| Total operating days                                   | 263    | 2,481  | 3,951  | 1,095  | 7,790  |
| Total calendar days (excluding TC-in)                  | 263    | 2,457  | 3,654  | 1,183  | 7,557  |
| TCE (US\$ per operating day) <sup>2</sup>              | 22,170 | 16,141 | 15,210 | 11,017 | 15,152 |
| OPEX (US\$ per calendar day) <sup>3</sup>              | 5,962  | 7,223  | 6,530  | 6,013  | 6,655  |
| G&A (US\$ per operating day) <sup>4</sup>              | 722    | 722    | 722    | 722    | 722    |

<sup>1</sup> Excluding two LR1s and four LR1 newbuilds owned through 50% ownership in Vista Shipping Limited.

<sup>2</sup> TCE represents gross TCE income after adding back pool commissions.

<sup>3</sup> OPEX includes vessel running costs and technical management fees.

<sup>4</sup> G&A adjusted for cost incurred in managing external vessels.

## VESSELS ON BALANCE SHEET

As at 30 June 2019, total assets amounted to US\$2,480.7 million, of which US\$2,076.7 million represented the carrying value of the Group's vessels including dry docking and vessels under construction, as follows:

| As at 30 June 2019                  |              |              |                |              |                |
|-------------------------------------|--------------|--------------|----------------|--------------|----------------|
|                                     | LR2          | LR1          | MR             | SR           | Total          |
|                                     | US\$ million | US\$ million | US\$ million   | US\$ million | US\$ million   |
| <b>Vessels (including dry-dock)</b> | 147.0        | 486.4        | 1,126.6        | 249.0        | 2,009.0        |
| <b>Vessels under construction</b>   | 67.7         | -            | -              | -            | 67.7           |
|                                     | <u>214.7</u> | <u>486.4</u> | <u>1,126.6</u> | <u>249.0</u> | <u>2,076.7</u> |

Cash and cash equivalents amounted to US\$100.9 million as at 30 June. Cash flows from operating activities generated a net cash surplus of US\$70.7 million in Q2 2019.

Cash flows from operating activities were principally utilised for repayments of bank borrowings and interest payments.

## COVERAGE OF EARNING DAYS

As at 30 June 2019, 22% of the total earning days in the third quarter of 2019 were covered at US\$15,466 per day and 8% of the total earning days in the fourth quarter of 2019 were covered at US\$21,866 per day. The table below shows the figures for the period from 1 July to 31 December 2019 and the full-year figures for 2020 and 2021.

| Covered ships                         | H2 2019       | 2020          | 2021          |
|---------------------------------------|---------------|---------------|---------------|
| <u>Owned ships</u>                    |               |               |               |
| LR2                                   | 4.3           | 6.0           | 6.0           |
| LR1                                   | 30.4          | 31.8          | 33.0          |
| MR                                    | 40.0          | 40.0          | 40.0          |
| SR                                    | 13.0          | 13.0          | 13.0          |
| <b>Total</b>                          | <b>87.7</b>   | <b>90.8</b>   | <b>92.0</b>   |
| <u>Charter-in and leaseback ships</u> |               |               |               |
| LR2                                   | -             | -             | -             |
| LR1                                   | 2.7           | 2.5           | 2.0           |
| MR                                    | 4.2           | 6.0           | 6.0           |
| SR                                    | -             | -             | -             |
| <b>Total</b>                          | <b>6.9</b>    | <b>8.5</b>    | <b>8.0</b>    |
| <u>JV ships<sup>1</sup></u>           |               |               |               |
| LR2                                   | -             | -             | -             |
| LR1                                   | 3.4           | 4.8           | 6.0           |
| MR                                    | -             | -             | -             |
| SR                                    | -             | -             | -             |
| <b>Total</b>                          | <b>3.4</b>    | <b>4.8</b>    | <b>6.0</b>    |
| <u>Total ships</u>                    |               |               |               |
| LR2                                   | 4.3           | 6.0           | 6.0           |
| LR1                                   | 36.4          | 39.0          | 41.0          |
| MR                                    | 44.2          | 46.0          | 46.0          |
| SR                                    | 13.0          | 13.0          | 13.0          |
| <b>Total</b>                          | <b>98.0</b>   | <b>104.0</b>  | <b>106.0</b>  |
| <u>Covered, %</u>                     |               |               |               |
| LR2                                   | 100%          | 46%           | 33%           |
| LR1                                   | 8%            | -             | -             |
| MR                                    | 13%           | 4%            | 4%            |
| SR                                    | 5%            | -             | -             |
| <b>Total</b>                          | <b>14%</b>    | <b>5%</b>     | <b>4%</b>     |
| <u>Covered rates, USD\$ per day</u>   |               |               |               |
| LR2                                   | 23,269        | 24,316        | 25,112        |
| LR1                                   | 13,810        | -             | -             |
| MR                                    | 14,959        | 16,522        | 17,817        |
| SR                                    | 9,689         | -             | -             |
| <b>Total</b>                          | <b>17,094</b> | <b>21,041</b> | <b>21,460</b> |

<sup>1</sup> The figures are presented on a 100% basis. The JV vessels are owned through Hafnia's 50% participation in a joint venture with CSSC.

## TANKER SEGMENT RESULTS AND OUTLOOK

### Product tankers market for Q2

Spot earnings in the product tanker market for Q2 2019 were weaker compared to Q1 2019. As reported by Clarksons, handy clean earnings were down by 26.1% quarter-on-quarter but up 160.2% year-on-year at USD 11,269/day. MR clean earnings were down 16.3% quarter-on-quarter but up 43.5% year-on-year at USD 11,342/day. LR1 earnings were down 23.1% quarter-on-quarter, but up 91.1% year-on-year at USD 15,563/day. LR2 earnings were down 30% quarter-on-quarter but up 47.7% year-on-year at USD 10,511/day. Overall, the average clean product tanker spot earnings across all segments was recorded at USD 11,324/day, representing a decline of 19% quarter-on-quarter but an increase of 61.5% year-on-year.

### Market outlook

The product tanker markets experienced a slowdown in Q2 2019 compared to Q1 2019 and this was largely attributed to sustained elevated refinery maintenance in Europe, the US, the Middle East and Asia consisting of brought-forward maintenance schedules from 2H 2019 ahead of the implementation date of IMO 2020 regulations. According to the IEA, global refining throughput fell by 0.7 mb/day year-on-year in Q2 2019, the largest annual decline in 10 years. Consequently, this translated into reduced refined product cargoes and subdued demand for product tankers. Additionally, there were also rather limited arbitrage opportunities from West to East for naphtha and gasoline. In late Q2, the explosion and pending closure of the Philadelphia Energy Solutions (PES) Refining Complex led to an increase in demand for gasoline imports of 150K barrels/day. Outside of Canada, the main source of gasoline imports was Europe, and this resulted in TC2 rates improving significantly in the Atlantic basin MR market and closing above that of the LR segments in June 2019.

At the close of Q2 2019, Braemar ACM's fleet growth projections for the whole of 2019 were -0.1% for handies (-1.4% for entire 2018), 4.6% for MR (2% for entire 2018), 2% for LR1 (2.8% for entire 2018) and 6.2% for LR2 (2.9% for entire 2018). The front-loaded nature of the vessel deliveries has contributed in part to keeping product tanker earnings suppressed in Q2 2019 in tandem with reduced tonnage demand from lower refinery output.

Despite the recent slowdown, the fundamentals of the product tanker market beyond the immediate term are still encouraging and support a market recovery in the second half of 2019 into 2020. The IEA estimates global refinery throughput in Q3 2019 to increase by over 3 mb/day compared to Q2 2019. The expected increase reflects bolstering efforts by refiners to produce sufficient low sulphur fuel ahead of the looming IMO 2020 regulations. New trade patterns and arbitrage opportunities as well as changes in demand for floating storage and reduced tanker fleet availability from port congestion are anticipated to emerge as the market adapts to the new regulations. These circumstances serve as favourable tailwinds that can elevate the product tanker market against a backdrop of economic uncertainty stemming from trade tensions between the United States and China and fear of recession.

## TANKER SEGMENT RESULTS AND OUTLOOK

|   | Q1     | Q2     |
|---|--------|--------|
| <b>LR2</b>                                |        |        |
| Operating days                            | 97     | 263    |
| TCE (US\$ per operating day) <sup>1</sup> | 17,063 | 22,170 |
| Calendar days                             | 97     | 263    |
| OPEX (US\$ per calendar day) <sup>2</sup> | 6,186  | 5,962  |
| <b>LR1</b>                                |        |        |
| Operating days                            | 2,562  | 2,481  |
| TCE (US\$ per operating day) <sup>1</sup> | 18,587 | 16,141 |
| Calendar days                             | 2,430  | 2,457  |
| OPEX (US\$ per calendar day) <sup>2</sup> | 6,685  | 7,223  |
| <b>MR</b>                                 |        |        |
| Operating days                            | 3,992  | 3,951  |
| TCE (US\$ per operating day) <sup>1</sup> | 16,479 | 15,210 |
| Calendar days                             | 3,600  | 3,654  |
| OPEX (US\$ per calendar day) <sup>2</sup> | 6,254  | 6,530  |
| <b>SR</b>                                 |        |        |
| Operating days                            | 1,169  | 1,095  |
| TCE (US\$ per operating day) <sup>1</sup> | 16,861 | 11,017 |
| Calendar days                             | 1,170  | 1,183  |
| OPEX (US\$ per calendar day) <sup>2</sup> | 6,094  | 6,013  |

<sup>1</sup> TCE represents gross TCE income after adding back pool commissions.

<sup>2</sup> OPEX includes vessel running costs and technical management fees.

## RISK FACTORS

The Group's results are largely dependent on the worldwide market for transportation of refined oil products. Market conditions for shipping activities are typically volatile and, as a consequence, the results may vary considerably from year to year. The market in broad terms is dependent upon two factors: the supply of vessels and the demand for crude oil products which is dependent on the global economy. The supply of vessels depends on the number of newbuilds entering the market, the demolition of older tonnage and legislation that limits the use of older vessels or sets new standards for vessels used in specific trades. The demand side depends mainly on developments in the global economy.

The Group is also exposed to risk in respect of fuel oil costs. Fuel oil prices are affected by the global political and economic environment. For voyage contracts, the current fuel costs are priced into the contracts. Other risks that Management takes into account are interest rate risk, credit risk, liquidity risk and capital risk. Management does not expect the exposure to these risks to change materially to cause a significant impact on the performance of the Group during the remaining months in 2019.

## CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

|   | Note | For the<br>3 months ended<br>30 June 2019<br>US\$'000 | For the<br>6 months ended<br>30 June 2019<br>US\$'000 |
|---|------|---|---|
| Revenue                                     |      | 200,683   | 414,776   |
| Voyage expenses                             |      | (82,673)  | (164,192)   |
| <b>TCE income<sup>1</sup></b>               |      | <b>118,010</b>  | <b>250,584</b>  |
| Other operating income                      |      | 1,369   | 1,419   |
| Vessel operating expenses                   |      | (46,784)  | (89,357)  |
| Technical management expenses               |      | (3,706)   | (7,621)   |
| Other expenses                              |      | (9,921)   | (22,006)  |
| <b>Operating profit before depreciation</b> |      | <b>58,968</b>   | <b>133,019</b>  |
| Depreciation charge                         | 4    | (31,269)  | (60,454)  |
| <b>Operating profit</b>                     |      | <b>27,699</b>   | <b>72,565</b>   |
| Interest income                             |      | 1,042   | 2,010   |
| Interest expense                            |      | (17,186)  | (34,414)  |
| Other finance expense                       |      | (168)   | (847)   |
| <b>Finance expense – net</b>                |      | <b>(16,312)</b>                                       | <b>(33,251)</b>                                       |
| Share of profit from associates             |      | 624   | 624   |
| <b>Profit before income tax</b>             |      | <b>12,011</b>   | <b>39,938</b>   |
| Income tax expense                          |      | (17)  | (37)  |
| <b>Profit after tax</b>                     |      | <b>11,994</b>   | <b>39,901</b>   |

<sup>1</sup> “TCE income” denotes “time charter equivalent” income which represents revenue from time charters and voyage charters less voyage expenses comprising primarily commission, fuel oil and port charges. TCE is a standard measure used in the shipping industry for reporting of income, providing improved comparability across different types of charters.



## CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

|   | For the<br>3 months ended<br>30 June 2019<br>US\$'000 | For the<br>6 months ended<br>30 June 2019<br>US\$'000 |
|---|---|---|
| <b>Other comprehensive loss:</b>                                      |   |   |
| <b>Item that may be subsequently reclassified to income statement</b> |   |   |
| Foreign operations - foreign currency translation differences         | (11)  | (11)  |
| Fair value changes on cash flow hedges – interest rate swaps          |   |   |
| - Fair value losses   | (3,324)   | (6,804)   |
| - Reclassification to profit or loss – interest expense               | (68)  | (255)   |
|   | (3,403)   | (7,070)   |
| <b>Total comprehensive income</b>                                     | 8,591   | 32,831  |

### Earnings per share attributable to the equity holders of the Company

(expressed in US cents per share)

|                                      |             |             |
|--------------------------------------|-------------|-------------|
| Basic no. of shares                  | 343,159,979 | 343,159,979 |
| Basic and diluted earnings per share | 0.03        | 0.12        |
| Diluted no. of shares                | 346,096,112 | 346,096,112 |
| Diluted earnings per share           | 0.03        | 0.12        |

## CONSOLIDATED BALANCE SHEET

|  | Note | As at<br>30 June 2019<br>US\$'000 |
|--|------|-----------------------------------|
| Vessels                                    | 4    | 1,963,461                         |
| Dry docking                                | 4    | 45,595                            |
| Vessels under construction                 | 4    | 67,649                            |
| Right-of-use assets                        | 4    | 87,479                            |
| Other property, plant and equipment        |      | 155                               |
| <b>Total property, plant and equipment</b> |      | <b>2,164,339</b>                  |
| Investment in associate                    |      | 2,862                             |
| Loan to joint venture                      |      | 23,461                            |
| Deferred tax assets                        |      | 36                                |
| Intangible assets                          | 5    | 3,080                             |
| <b>Total other non-current assets</b>      |      | <b>29,439</b>                     |
| <b>Total non-current assets</b>            |      | <b>2,193,778</b>                  |
| Inventories                                |      | 18,392                            |
| Trade and other receivables                |      | 169,568                           |
| Derivative financial instruments           |      | 53                                |
| Cash and cash equivalents                  |      | 100,899                           |
| <b>Total current assets</b>                |      | <b>288,912</b>                    |
| <b>Total assets</b>                        |      | <b>2,482,690</b>                  |
| Share capital                              | 6    | 3,432                             |
| Share premium                              | 6    | 633,092                           |
| Contributed surplus                        |      | 537,112                           |
| Other reserve                              | 6    | (6,457)                           |
| Treasury Shares                            |      | (500)                             |
| Accumulated losses                         |      | (152,753)                         |
| <b>Total shareholders' equity</b>          |      | <b>1,013,926</b>                  |
| Borrowings                                 | 7    | 1,149,000                         |
| Derivative financial instruments           |      | 6,716                             |
| Other payables                             |      | 2,424                             |
| <b>Total non-current liabilities</b>       |      | <b>1,158,140</b>                  |
| Current income tax liabilities             |      | 703                               |
| Trade and other payables                   |      | 78,505                            |
| Borrowings                                 | 7    | 231,416                           |
| <b>Total current liabilities</b>           |      | <b>310,624</b>                    |
| <b>Total liabilities</b>                   |      | <b>1,468,764</b>                  |
| <b>Total equity and liabilities</b>        |      | <b>2,482,690</b>                  |

## CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

|  | Note | Share capital<br>US\$'000 | Share premium<br>US\$'000 | Contributed surplus<br>US\$'000 | Capital reserve<br>US\$'000 | Translation reserve<br>US\$'000 | Hedging reserve<br>US\$'000 | Treasury shares<br>US\$'000 | Share-based payment reserve<br>US\$'000 | Accumulated losses<br>US\$'000 | Total<br>US\$'000 |
|--|------|---------------------------|---------------------------|---------------------------------|-----------------------------|---------------------------------|-----------------------------|-----------------------------|---|--------------------------------|-------------------|
| <b>Balance at 31 December 2018</b>                         |      | 1,962                     | 221,220                   | 537,112                         | 50,011                      | -                               | 3,158                       | -                           | -                                       | (242,384)                      | 571,079           |
| Alignment of accounting policies on merger                 | 2c   | -                         | -                         | -                               | -                           | -                               | -                           | -                           | -                                       | 2,097                          | 2,097             |
| <u>Transactions with owners</u>                            |      |                           |                           |                                 |                             |                                 |                             |                             |   |                                |                   |
| Issue of shares to former shareholders of Hafnia Tankers   | 2b   | 1,470                     | 411,872                   | -                               | -                           | -                               | -                           | -                           | -                                       | -                              | 413,342           |
| Acquisition of Hafnia Tankers's reserves                   | 2b   | -                         | -                         | -                               | -                           | (34)                            | (1,874)                     | (14,038)                    | -                                       | (75,892)                       | (91,838)          |
| Merger accounting adjustments                              | 2b   |                           |                           |                                 |                             |                                 |                             |                             |   |                                |                   |
| - Merger deficit   |      | -                         | -                         | -                               | -                           | -                               | -                           | -                           | -                                       | (72,571)                       | (72,571)          |
| - Acquisition of NCI of former Hafnia Tankers              |      | -                         | -                         | -                               | -                           | -                               | (942)                       | -                           | -                                       | 146,085                        | 145,143           |
| - Cancellation of treasury shares of former Hafnia Tankers |      | -                         | -                         | -                               | -                           | -                               | -                           | 14,038                      | -                                       | -                              | 14,038            |
| Treasury shares acquired                                   |      | -                         | -                         | -                               | -                           | -                               | -                           | (500)                       | -                                       | -                              | (500)             |
| Equity-settled share-based payment                         |      | -                         | -                         | -                               | -                           | -                               | -                           | -                           | 305                                     | -                              | 305               |
| <u>Transfer of reserve</u>                                 |      |                           |                           |                                 |                             |                                 |                             |                             |   |                                |                   |
| Transfer of reserve  |      | -                         | -                         | -                               | (50,011)                    | -                               | -                           | -                           | -                                       | 50,011                         | -                 |
| <u>Total comprehensive income</u>                          |      |                           |                           |                                 |                             |                                 |                             |                             |   |                                |                   |
| Total comprehensive income for the financial period        |      | -                         | -                         | -                               | -                           | (11)                            | (7,059)                     | -                           | -                                       | 39,901                         | 32,831            |
| <b>Balance at 30 June 2019</b>                             |      | <b>3,432</b>              | <b>633,092</b>            | <b>537,112</b>                  | <b>-</b>                    | <b>(45)</b>                     | <b>(6,717)</b>              | <b>(500)</b>                | <b>305</b>                              | <b>(152,753)</b>               | <b>1,013,926</b>  |

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

## CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS

|   | For the<br>3 months ended<br>30 June 2019<br>US\$'000 | For the<br>6 months ended<br>30 June 2019<br>US\$'000 |
|---|---|---|
| <b>Cash flows from operating activities</b>                     |   |   |
| Profit for the financial period                                 | 11,994  | 39,901  |
| Adjustments for:  |   |   |
| - depreciation charge of property, plant and equipment          | 31,269  | 60,454  |
| - amortisation of prepaid finance lease expenses                | 46  | 407   |
| - interest income   | (1,042)   | (2,010)   |
| - interest expense  | 17,186  | 34,414  |
| - other finance expense   | 168   | 847   |
| - income tax expense  | 17  | 37  |
| - share of profit of associates                                 | (624)   | (624)   |
| - unrealised currency translation gain                          | (11)  | (11)  |
| - equity-settled share based payment transactions               | 305   | 305   |
| Operating cash flow before working capital changes              | 59,305  | 133,720   |
| Changes in working capital:                                     |   |   |
| - inventories   | 6,070   | 9,702   |
| - trade and other receivables                                   | 639   | (15,475)  |
| - trade and other payables                                      | 4,671   | 505   |
| Cash generated from operations                                  | 70,688  | 128,452   |
| Income tax paid   | (11)  | (65)  |
| <b>Net cash provided by operating activities</b>                | <b>70,677</b>   | <b>128,387</b>  |
| <b>Cash flows from investing activities</b>                     |   |   |
| Loan to joint venture company                                   | (3,700)   | (33,750)  |
| Repayment of loan by joint venture company                      | 25,900  | 25,900  |
| Dividend received from an associated company                    | 372   | 372   |
| Acquisition of businesses                                       | (3,279)   | (3,279)   |
| Purchase of property, plant and equipment                       | (42,328)  | (106,572)   |
| Interest income received  | 393   | 761   |
| <b>Net cash used in investing activities</b>                    | <b>(22,642)</b>                                       | <b>(116,568)</b>                                      |
| <b>Cash flows from financing activities</b>                     |   |   |
| Proceeds from borrowings from external financial institutions   | 33,600  | 130,800   |
| Proceeds from borrowings from non-related parties               | 209   | 419   |
| Repayment of borrowings to external financial institutions      | (32,825)  | (81,836)  |
| Repayment of borrowings to non-related parties                  | (25)  | (158)   |
| Repayment of finance lease liabilities                          | (2,839)   | (5,683)   |
| Repayment of other lease liabilities                            | (5,320)   | (9,588)   |
| Payment of financing fees                                       | -   | (2,124)   |
| Interest paid to external financial institutions                | (13,915)  | (26,187)  |
| Interest paid to a related corporation                          | (504)   | (1,132)   |
| Other finance expense paid                                      | (223)   | (930)   |
| Repurchase of treasury shares                                   | (500)   | (500)   |
| <b>Net cash (used in)/provided by financing activities</b>      | <b>(22,342)</b>                                       | <b>3,081</b>  |
| <b>Net increase in cash and cash equivalents</b>                | <b>25,693</b>   | <b>14,900</b>   |
| Cash and cash equivalents at beginning of the financial period  | 75,206  | 85,999  |
| <b>Cash and cash equivalents at end of the financial period</b> | <b>100,899</b>  | <b>100,899</b>  |

### Significant non-cash transactions

During the six-month period ended 30 June 2019, there were \$34.1 million of right-of-use assets being capitalised from leases not included in "purchase of property, plant and equipment" in the investing activity.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

These notes form an integral part of and should be read in conjunction with the accompanying condensed consolidated interim financial statements.

### 1. General information

Hafnia Limited (the “Company”), formerly known as BW Tankers Limited, is incorporated and domiciled in Bermuda. The address of its registered office is Washington Mall Phase 2, 4th Floor, Suite 400, 22 Church Street, HM 1189, Hamilton HM EX, Bermuda.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are shipowning and chartering.

### 2. Basis of preparation

#### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), and have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

#### (b) Merger of entities

On 21 January 2019, BW Tankers Limited (“BW Tankers”) merged with Hafnia Tankers Limited (“Hafnia Tankers”), a fellow subsidiary of BW Group Limited. The merger was effected through a share swap arrangement, where newly issued shares of BW Tankers Limited were exchanged for all outstanding shares of Hafnia Tankers Limited. BW Tankers Limited, the surviving entity, then changed its name to Hafnia Limited.

As both BW Tankers Limited and Hafnia Tankers Limited were under the common control of the BW Group Limited before and after the merger, the Company applied the common control exemption and accounted for the opening balance of the merged group using the book value accounting. Under the book value accounting method, the combined assets, liabilities and reserves of the merged companies are recorded at their existing carrying amounts at the date of merger. Any adjustments that may be required in equity to reflect the difference between the consideration paid and the capital of the acquiree is recognised directly in accumulated losses.

The Company has elected not to restate the comparatives of Hafnia Limited, so as to reflect the combination with Hafnia Tankers Limited following the scheme of merger which took place in January 2019. The previously reported comparative information of Hafnia Limited will be reproduced in the full year financial statements for the year ending 31 December 2019.

Merger of BW Tankers Limited and Hafnia Tankers Limited was performed on a relative net asset value (“NAV”) basis, where the NAV of both merging entities were evaluated, added together and shareholdings allocated based on the proportionate contributions to the NAV of the merged entity. The NAV utilised in the exercise was performed based on the standalone financial statements of the merging entities. As a result, by utilising the book values of the merging entities from the standalone financial statements’ perspective, management believes that such an approach better reflects the economics of the merger, and provides more relevant information to the shareholders. As a matter of practical expediency, management has effected the merger utilising the adjusted book values of both merging entities as at the beginning of the reporting period, 1 January 2019 as the financial effect of 21 days is not material to the financial position of the Group.

A summary of the combined assets, liabilities and reserves of the merged companies are presented below.

## 2 Basis of preparation (continued)

|  | BW Tankers<br>Limited<br>US\$'000 | Hafnia<br>Tankers<br>Limited<br>US\$'000 | Merger<br>Adjustments<br>US\$'000 | Total<br>US\$'000 |
|--|-----------------------------------|--|-----------------------------------|-------------------|
| Property, plant and equipment                | 1,171,838                         | 850,170                                  | -                                 | 2,022,008         |
| Other current and non-current<br>assets      | 144,339                           | 139,691                                  | -                                 | 281,933           |
| <b>Total assets</b>                          | <b>1,316,177</b>                  | <b>989,861</b>                           | <b>-</b>                          | <b>2,306,038</b>  |
| Borrowings                                   | 689,984                           | 450,595                                  | -                                 | 1,140,579         |
| Lease liabilities                            | -                                 | 96,751                                   | -                                 | 96,751            |
| Other current and non-current<br>liabilities | 53,017                            | 34,401                                   | -                                 | 87,418            |
| <b>Total liabilities</b>                     | <b>743,001</b>                    | <b>581,747</b>                           | <b>-</b>                          | <b>1,324,748</b>  |
| Share capital <sup>1</sup>                   | 1,962                             | 339                                      | 1,131                             | 3,432             |
| Share premium <sup>1</sup>                   | 221,220                           | 354,470                                  | 57,402                            | 633,092           |
| Contributed surplus                          | 537,112                           | -  | -                                 | 537,112           |
| Treasury shares                              | -                                 | (14,038)                                 | 14,038                            | -                 |
| Translation reserve                          | -                                 | (34)                                     | -                                 | (34)              |
| Hedging reserve                              | 3,158                             | (1,874)                                  | (942)                             | 342               |
| Accumulated losses <sup>2</sup>              | (190,276)                         | (75,892)                                 | 73,514                            | (192,654)         |
| Non-controlling interests <sup>3</sup>       | -                                 | 145,143                                  | (145,143)                         | -                 |
| <b>Total equity</b>                          | <b>573,176</b>                    | <b>408,114</b>                           | <b>-</b>                          | <b>981,920</b>    |

Note 1 – US\$58.5 million represents the difference between the consideration paid of US\$413.3 million in the form of new issued shares of the Company and acquisition of Hafnia Tankers old shares of US\$354.8 million.

Note 2 – US\$73.5 million comprises of the following adjustments:

- (a) A book value accounting adjustment of US\$72.6 million, i.e. a difference between the consideration paid of US\$413.3 million and the capital of Hafnia Tankers Limited of US\$340.7 million,
- (b) Reallocation of US\$0.9 million from non-controlling interests to hedging reserve.

Note 3 – US\$145.1 million of non-controlling interests of a subsidiary under Hafnia Tankers Limited now become shareholders of Hafnia Limited on completion of the merger between BW Tankers and Hafnia Tankers.

### (c) Uniformity of accounting policies

On merger of BW Tankers Limited and Hafnia Tankers Limited, all significant accounting policies have been uniformly applied in the preparation of the condensed consolidated interim financial information. As a consequence, there is an adjustment for the capitalisation of lubricating oils onboard vessels in the opening accumulated losses.

### 3. Significant accounting policies

The condensed consolidated interim financial information for the six-month period from 1 January 2019 to 30 June 2019 has been prepared in accordance with IAS 34 Interim Financial Reporting. The condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements for the financial year ended 31 December 2018 which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

In the preparation of this set of condensed consolidated interim financial information, the same accounting policies have been applied as those used in the preparation of the consolidated financial statements for the financial year ended 31 December 2018, except as disclosed below.

#### IFRS 16 Leases

The Group has adopted IFRS 16 for the first time for annual period beginning 1 January 2019. In applying IFRS 16, an entity is required to recognise a right-of-use asset and lease liability, initially measured at the present value of unavoidable future lease payments; to recognise depreciation of right-of-use asset and interest element of the lease liability in the income statement over the lease term; and separate the total amount of cash paid into principal portion (presented within financing activities) and interest portion (typically presented within either operating or financing activities) in the cash flow statement.

IFRS 16 does not change substantially the accounting for finance leases under IAS 17. The main difference relates to the treatment of residual value guarantees provided by a lessee to a lessor. This is because IFRS 16 requires that an entity recognises only amounts expected to be payable under residual value guarantees, rather than the maximum amount guaranteed as required by IAS 17.

IFRS 16 does not change substantially how a lessor accounts for lease. Accordingly, a lessor will continue to classify leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 requires a lessor to disclose additional information about how it manages the risks related to its residual interest in assets subject to leases.

The Group has applied the practical expedient to grandfather the definition of a lease on transition. IFRS 16 will be applied to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4. The effects of applying the new standard on 1 January 2019 are discussed below.

(1) When a group company is the lessee

The Group leases vessels, office spaces, and other equipment from external parties. All vessels previously accounted for as operating leases under IAS 17 will be recognised on balance sheet as right-of-use assets, together with the corresponding lease liabilities. Short-term leases and other low value assets will be excluded under the practical expedients allowed in IFRS 16. The impact of adoption of IFRS 16 on the Consolidated Financial Statements as at 1 January 2019 is summarised below:

|   | <b>US\$'000</b> |
|---|-----------------|
| Lease liabilities                             | 65,817          |
| Deferred gain on sale and operating leaseback | (3,849)         |
| Right of use assets                           | <u>61,968</u>   |

The adoption of IFRS 16 will not have an impact on the accounting of leased-in assets that are classified as finance leases.

### 3. Significant accounting policies (continued)

#### IFRS 16 Leases (continued)

(2) When a group company is the lessor

The adoption of IFRS 16 does not have an impact on the accounting of leases in which the Group is a lessor.

(3) External loan covenants compliance

The Group is subject to externally imposed capital requirements arising from its external borrowings. Management has assessed and expect no impact from IFRS 16 on these loan covenants.

#### Share-based payment arrangements

During the current period, the Group introduced Long Term Incentive Plan 2019. Under this scheme, the grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

#### Inventories

Arising from merger of BW Tankers Limited and Hafnia Tankers Limited (refer to note 2c), the Group capitalised lubricating oils as inventories. Lubricating oils are stated at the lower of cost and net realisable value. Cost is determined using the first in first out method.

#### Critical accounting estimates and assumptions

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018 except for new estimates and judgements applicable to the policy on leases due to adoption of IFRS 16, share-based payments, and inventories.



#### 4. Property, plant and equipment

|   | <u>Right-of-use<br/>assets</u><br>US\$'000 | <u>Vessels</u><br>US\$'000 | <u>Dry docking</u><br>US\$'000 | <u>Vessels under<br/>construction</u><br>US\$'000 | <u>Total</u><br>US\$'000 |
|---|--|----------------------------|--------------------------------|---|--------------------------|
| <i>Cost</i>   |  |                            |                                |   |                          |
| At 1 January 2019   | 21,170                                     | 1,766,605                  | 48,866                         | 117,495   | 1,954,136                |
| Acquisition of vessels on<br>merge with Hafnia Tankers    | 40,798                                     | 830,083                    | 20,089                         | -   | 890,970                  |
| Additions   | 17,045                                     | 388                        | 1,095                          | 62,761  | 81,289                   |
| Transfer on delivery of vessel                            | -  | 96,552                     | 2,000                          | (98,552)  | -                        |
| Write-off on completion of<br>dry docking cycle           | -  | -                          | (713)                          | -   | (713)                    |
| At 31 March 2019 / 1 April<br>2019                        | 79,013                                     | 2,693,628                  | 71,337                         | 81,704  | 2,925,682                |
| Additions   | 17,046                                     | 2,180                      | 4,258                          | 35,890  | 59,374                   |
| Transfer on delivery of vessel                            | -  | 48,945                     | 1,000                          | (49,945)  | -                        |
| At 30 June 2019   | 96,059                                     | 2,744,753                  | 76,595                         | 67,649  | 2,985,056                |
| <i>Accumulated depreciation<br/>and impairment charge</i> |  |                            |                                |   |                          |
| At 1 January 2019   | -  | 738,728                    | 22,403                         | -   | 761,131                  |
| Depreciation charge                                       | 3,839                                      | 20,750                     | 4,596                          | -   | 29,185                   |
| Write-off on completion of<br>dry docking cycle           | -  | -                          | (713)                          | -   | (713)                    |
| At 31 March 2019 / 1 April<br>2019                        | 3,839                                      | 759,478                    | 26,286                         | -   | 789,603                  |
| Depreciation charge                                       | 4,741                                      | 21,814                     | 4,714                          | -   | 31,269                   |
| At 30 June 2019   | 8,580                                      | 781,292                    | 31,000                         | -   | 820,872                  |
| <b><i>Net book value</i></b>                              |  |                            |                                |   |                          |
| <b>At 30 June 2019</b>                                    | <b>87,479</b>                              | <b>1,963,461</b>           | <b>45,595</b>                  | <b>67,649</b>                                     | <b>2,164,184</b>         |

- (a) For the six-month period ended 30 June 2019, no additional impairment charge or reversal of previously recognised impairment loss was recognised.

The recoverable amounts of the vessels are estimated predominantly based on independent third party valuation reports which made reference to comparable transaction prices of similar vessels. These are regarded as level 2 fair values under the fair value hierarchy of IFRS 13 Fair Value Measurement. The Group has assessed that the brokers had the required competency and capability to perform the valuation. The Group has also considered the appropriateness of the valuation methodologies and assumptions used by the brokers.

- (b) The Group has mortgaged vessels with a total carrying amount of US\$2,009.1 million at 30 June 2019 as security over the Group's bank borrowings.

## 5. Significant acquisition of businesses

### (a) Hafnia Management A/S and subsidiaries

In May 2019, the Group acquired the businesses of its associated companies which comprised commercial contracts, employees and assets except cash and certain liabilities, of Hafnia Management A/S, Hafnia Handy Pool Management ApS, Hafnia MR Pool Management ApS and Hafnia Bunker ApS. The acquired net identifiable assets were transferred to an existing subsidiary within the Group.

### (i) Fair values measured on a provisional basis

The fair values of IT infrastructure and customer contracts acquired are subject to completion of a valuation exercise. Provisionally, the Group has deemed the excess of purchase consideration over the net assets acquired to be ascribed to the recorded intangible assets – IT infrastructure and customer contracts. Accordingly, the provisional goodwill, if any, is inconsequential.

The following table summarises the consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

|   | US\$'000     |
|---|--------------|
| <u>Fair value of identifiable net assets acquired</u> |              |
| Plant and equipment                                   | 95           |
| Trade and other receivables                           | 1,687        |
| Trade and other payables                              | (1,313)      |
| Loans   | (270)        |
| Intangible assets (IT infrastructure)                 | 612          |
| Intangible assets (Customer contracts)                | 2,468        |
| <b>Total identifiable net assets acquired</b>         | <b>3,279</b> |
| <br>  |              |
| Total purchase consideration                          | <b>3,279</b> |

## 6. Shareholders' equity

### (a) Authorised share capital

The total authorised shares are 400,000,000 shares with a par value of US\$0.01 per share.

### (b) Issued and fully paid share capital

|   | Number of<br>Shares | Share<br>capital<br>US\$'000 | Share<br>premium<br>US\$'000 | Total<br>US\$'000 |
|---|---------------------|------------------------------|------------------------------|-------------------|
| At beginning of financial period          | 196,241,352         | 1,962                        | 221,220                      | 223,182           |
| Shares issued for merger                  | 146,916,627         | 1,470                        | 411,872                      | 413,342           |
| <b>At 1 January 2019 and 30 June 2019</b> | <b>343,157,979</b>  | <b>3,432</b>                 | <b>633,092</b>               | <b>636,524</b>    |

**6. Shareholders' equity (continued)**

(c) Other reserve

|                             | As at<br>30 June 2019<br>US\$'000 |
|-----------------------------|-----------------------------------|
| (i) Composition:            |                                   |
| Translation reserve         | (45)                              |
| Hedging reserve             | (6,717)                           |
| Share based payment reserve | 305                               |
|                             | <u>(6,457)</u>                    |

(ii) Movements of the reserves are as follows:

Hedging reserve

|                                       | As at<br>30 June 2019<br>US\$'000 |
|---------------------------------------|-----------------------------------|
| At beginning of the financial period  | 342                               |
| Fair value losses on cash flow hedges | (6,804)                           |
| Reclassification to profit or loss    | (255)                             |
| At end of the financial period        | <u>(6,717)</u>                    |

**7. Borrowings**

|                                | As at<br>30 June 2019<br>US\$'000 |
|--------------------------------|-----------------------------------|
| <u>Current</u>                 |                                   |
| Loan from related corporations | 43,041                            |
| Loan from non-related parties  | 537                               |
| Bank borrowings                | 162,719                           |
| Finance lease liabilities      | 5,163                             |
| Other lease liabilities        | 19,956                            |
|                                | <u>231,416</u>                    |
| <u>Non-current</u>             |                                   |
| Loan from non-related parties  | 4,111                             |
| Bank borrowings                | 984,697                           |
| Finance lease liabilities      | 88,124                            |
| Other lease liabilities        | 72,068                            |
|                                | <u>1,149,000</u>                  |
| Total borrowings               | <u>1,380,416</u>                  |

## 7. Borrowings (continued)

As at 30 June 2019, bank borrowings consist of seven credit facilities from external financial institutions, amounting to US\$676 million, US\$266 million, US\$128 million, US\$216 million, US\$30 million, US\$360 million and US\$236 million respectively. These facilities are secured by the Group's fleet of vessels. The table below summarises key information of the bank borrowings:

| Facility amount                                       | Interest rate    | Maturity date |
|---|------------------|---------------|
| US\$676 million facility                              |                  |               |
| - Tranche A US\$576 million                           | 3M LIBOR + 1.70% | 2022          |
| - Tranche A US\$100 million revolving credit facility | 3M LIBOR + 1.70% | 2022          |
| US\$266 million facility                              | 3M LIBOR + 1.50% | 2028          |
| US\$128 million facility                              | 3M LIBOR + 1.80% | 2023          |
| US\$216 million facility                              | 3M LIBOR + 1.50% | 2027          |
| US\$30 million facility                               | 3M LIBOR + 2.80% | 2019          |
| US\$360 million facility                              | 3M LIBOR + 2.25% | 2023          |
| US\$236 million facility                              | 3M LIBOR + 2.60% | 2022          |

| Repayment profile                     | For the 6<br>months ended<br>31 December<br>2019 | For the financial<br>year ended 31<br>December 2020 |
|---------------------------------------|--|---|
|                                       | US\$'000   | US\$'000  |
| US\$676 million facility              | 24,104   | 48,208  |
| US\$266 million facility              | 11,061   | 22,123  |
| US\$128 million facility              | 3,897  | 7,793   |
| US\$216 million facility <sup>1</sup> | 5,750  | 14,100  |
| US\$30 million facility               | 30,000   | -   |
| US\$360 million facility              | 12,855   | 25,770  |
| US\$236 million facility              | 10,554   | 21,108  |

<sup>1</sup> Based on projected draw down of US\$108.3 million in second half of 2019.

### Interest rates

The weighted average effective interest rates per annum of total borrowings at the balance sheet date are as follows:

|                 | As at<br>30 June 2019 |
|-----------------|-----------------------|
| Bank borrowings | <b>4.5%</b>           |

### Carrying amounts and fair values

The carrying values of the bank borrowings approximate their fair values as the bank borrowings are repriced at every 3-months interval.

## 8. Commitments

Operating lease commitments - where the Group is a lessor

The Group leases vessels to third parties under non-cancellable operating lease agreements. The leases have varying terms.

The future minimum lease payments receivable under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are as follows:

|   | As at<br>30 June 2019<br>US\$'000 |
|---|-----------------------------------|
| Not later than one year                           | 31,456                            |
| Later than one year but not later than five years | 15,034                            |
|   | <b>46,490</b>                     |

## 9. Share-based payment arrangements

### (a) Description of share option programme (equity-settled)

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (share options) in the group. On 16 January 2019 and 1 June 2019, the Group granted share options to key management and senior employees. All options are to be settled by physical delivery of shares. The terms and conditions of the share options granted during the six months ended 30 June 2019 are as follows.

| Grant date  | Number of<br>instruments<br>in thousands | Vesting conditions                                      | Expiry of<br>options |
|---|--|---|----------------------|
| Option grant to key management personnel on 16 January 2019 ("Tranche 1") | 2,041                                    | 3 years' service condition from grant date of Tranche 1 | 16 January<br>2025   |
| Option Grant to key management personnel on 1 June 2019 ("Tranche 2")     | 1,183                                    | 3 years' service condition from grant date of Tranche 1 | 16 January<br>2025   |

The share options become void if the employee rescinds their position before the vesting date.

The fair value of services received in return for share options granted is based on the fair value of the share options granted, measured using the Black-Scholes model.

**9. Share-based payment arrangements (continued)**

**(b) Measurement of grant date fair values**

The following inputs were used in the measurement of the fair values at grant date of the share options.

|                          | <b>Share option programme</b> |                  |
|--------------------------|-------------------------------|------------------|
|                          | <b>Tranche 1</b>              | <b>Tranche 2</b> |
| Grant date               | 16 January 2019               | 1 June 2019      |
| Share price (USD)        | 2.813                         | 2.780            |
| Exercise price (USD)     | 3.256                         | 3,256            |
| Time to maturity (years) | 4.5                           | 4.1              |
| Risk free rate           | 2.54%                         | 1.93%            |
| Volatility               | 50.00%                        | 50.00%           |
| Dividends                | -                             | -                |
| Annual tenure risk       | 7.50%                         | 7.50%            |
| Share options granted    | 2,041,236                     | 1,183,063        |

Volatility has been estimated as a benchmark volatility by considering the historical average share price volatility of a comparable peer group of companies.

**10. Financial instruments by category**

The aggregate carrying amounts of the different categories of financial assets and liabilities are as disclosed on the face of the balance sheet:

|  | <b>As at<br/>30 June 2019<br/>US\$'000</b> |
|--|--|
| Derivative (liabilities)/assets at fair value        |  |
| - Hedging instruments                                | <b>(6,663)</b>                             |
| Financial assets at amortised cost <sup>1</sup>      | <b>281,411</b>                             |
| Financial liabilities at amortised cost <sup>2</sup> | <b>1,465,637</b>                           |

<sup>1</sup> Excludes prepayments

<sup>2</sup> Excludes provision for reinstatement cost

## 11. Significant related party transactions

In addition to the related party information disclosed elsewhere in the condensed consolidated interim financial information, the following transactions took place between the Group and related parties during the financial period on commercial terms agreed by the parties:

|  | <b>For the 6 months<br/>ended 30 June<br/>2019<br/>US\$'000</b> |
|--|---|
| <u>Sales and purchase of services</u>                    |   |
| Support service fees paid/payable to related corporation | 4,250   |
| Interest paid/payable to a related corporation           | 1,141   |
| Rental paid/payable                                      | <u>321</u>  |

Related parties refer to corporations controlled by Sohmen family interests.

## 12. Segment Information

Operating segments are determined based on the reports submitted to management to make strategic decisions.

The management considers the business to be organised into four main business segments:

- (i) LR2 Product Tankers ('LR2')
- (ii) LR1 Product Tankers ('LR1')
- (iii) MR Product Tankers ('MR')
- (iv) SR Product Tankers ('SR')

The operating segments are organised and managed according to the size of the product tanker vessels.

The LR2 segment consists of vessels around 115,000 DWT in size and provides transportation of refined oil products.

The LR1 segment consists of vessels between 55,000 DWT and 84,999 DWT in size and provides transportation of refined oil products.

The MR segment consists of vessels between 40,000 DWT and 54,999 DWT in size and provides transportation of refined oil products and bio-liquids such as palm and cereal oils.

The SR segment consist of vessels between 15,000 DWT and 39,999 DWT in size and provides transportation of refined oil products.

Management assesses the performance of the operating segments based on operating profit before depreciation, impairment and gain on disposal of vessels ("Operating EBITDA"). This measurement basis excludes the effects of impairment charges and gain on disposal of vessels that are not expected to recur regularly in every financial period. Interest income and finance expenses, which result from the Company's capital and liquidity position that is centrally managed for the benefit of various activities, are not allocated to segments.

12. Segment Information (continued)

|  | LR2<br>US\$'000 | LR1<br>US\$'000 | MR<br>US\$'000 | SR<br>US\$'000 | Total<br>US\$'000 |
|--|-----------------|-----------------|----------------|----------------|-------------------|
| <b>For the 3 months ended<br/>30 June 2019</b> |                 |                 |                |                |                   |
| Revenue  | 5,941           | 70,897          | 97,043         | 26,803         | 200,683           |
| Voyage expenses                                | (109)           | (30,895)        | (36,929)       | (14,740)       | (82,673)          |
| TCE income                                     | 5,832           | 40,002          | 60,113         | 12,063         | 118,010           |
| Other operating income                         | -               | 872             | 224            | 204            | 1,300             |
| Vessel operating expenses                      | (1,416)         | (16,594)        | (22,185)       | (6,589)        | (46,784)          |
| Technical management expenses                  | (155)           | (1,368)         | (1,658)        | (525)          | (3,706)           |
| Charter hire expenses                          | -               | (660)           | (2,987)        | -              | (3,647)           |
| Operating EBITDA                               | 4,261           | 22,252          | 33,507         | 5,153          | 65,173            |
| Depreciation charge                            | (1,395)         | (9,998)         | (16,197)       | (3,679)        | (31,269)          |
|  |                 |                 |                |                | 36,111            |
| Unallocated                                    |                 |                 |                |                | (21,893)          |
| Profit before income tax                       |                 |                 |                |                | 12,011            |

|  | LR2<br>US\$'000 | LR1<br>US\$'000 | MR<br>US\$'000 | SR<br>US\$'000 | Total<br>US\$'000 |
|--|-----------------|-----------------|----------------|----------------|-------------------|
| <b>For the 6 months ended<br/>30 June 2019</b> |                 |                 |                |                |                   |
| Revenue  | 8,572           | 149,651         | 197,446        | 59,107         | 414,776           |
| Voyage expenses                                | (1,085)         | (62,502)        | (72,531)       | (28,074)       | (164,192)         |
| TCE income                                     | 7,487           | 87,149          | 124,915        | 31,033         | 250,584           |
| Other operating income                         | -               | 872             | 271            | 204            | 1,347             |
| Vessel operating expenses                      | (1,962)         | (31,364)        | (42,837)       | (13,194)       | (89,357)          |
| Technical management expenses                  | (209)           | (2,843)         | (3,520)        | (1,049)        | (7,621)           |
| Charter hire expenses                          | -               | (2,155)         | (7,249)        | -              | (9,404)           |
| Operating EBITDA                               | 5,316           | 51,659          | 71,580         | 16,994         | 145,549           |
| Depreciation charge                            | (1,899)         | (19,873)        | (31,372)       | (7,310)        | (60,454)          |
|  |                 |                 |                |                | 85,095            |
| Unallocated                                    |                 |                 |                |                | (45,157)          |
| Profit before income tax                       |                 |                 |                |                | 39,938            |



## Fleet list of delivered vessels

| Vessel                          | DWT     | Built  | Type | Yard        | Stake |
|---------------------------------|---------|--------|------|-------------|-------|
| BW Despina                      | 115,000 | Jan-19 | LR2  | Daehan      | 100%  |
| BW Galatea                      | 115,000 | Mar-19 | LR2  | Daehan      | 100%  |
| BW Larissa                      | 115,000 | Apr-19 | LR2  | Daehan      | 100%  |
| BW Neso <sup>1</sup>            | 115,000 | May-19 | LR2  | Daehan      | 100%  |
| BW Amazon                       | 76,565  | Oct-06 | LR1  | Dalian      | 100%  |
| BW Clyde                        | 73,495  | Jun-04 | LR1  | New Century | 100%  |
| BW Columbia                     | 74,999  | Jan-07 | LR1  | Dalian      | 100%  |
| BW Danube                       | 74,999  | Mar-07 | LR1  | Dalian      | 100%  |
| BW Hudson                       | 76,574  | Jun-07 | LR1  | Dalian      | 100%  |
| BW Kallang                      | 74,000  | Jan-17 | LR1  | STX         | 100%  |
| BW Kronborg                     | 73,708  | Mar-07 | LR1  | New Century | 100%  |
| BW Lara                         | 73,495  | Aug-04 | LR1  | New Century | 100%  |
| BW Lena                         | 74,996  | Aug-07 | LR1  | Dalian      | 100%  |
| BW Nile                         | 74,000  | Aug-17 | LR1  | STX         | 100%  |
| BW Orinoco                      | 74,991  | Nov-07 | LR1  | Dalian      | 100%  |
| BW Rhine                        | 76,578  | Mar-08 | LR1  | Dalian      | 100%  |
| BW Seine                        | 76,580  | May-08 | LR1  | Dalian      | 100%  |
| BW Shinano                      | 74,998  | Oct-08 | LR1  | Dalian      | 100%  |
| BW Tagus                        | 74,000  | Mar-17 | LR1  | STX         | 100%  |
| BW Thames                       | 74,999  | Aug-08 | LR1  | Dalian      | 100%  |
| BW Yangtze                      | 74,996  | Jan-09 | LR1  | Dalian      | 100%  |
| BW Yarra                        | 74,000  | Jul-17 | LR1  | STX         | 100%  |
| BW Zambesi                      | 74,982  | Jan-10 | LR1  | Dalian      | 100%  |
| Compass                         | 72,736  | Feb-06 | LR1  | Dalian      | BB-in |
| Compassion                      | 72,782  | Jun-06 | LR1  | Dalian      | BB-in |
| Hafnia Africa                   | 74,539  | May-10 | LR1  | STX         | BB-in |
| Hafnia America                  | 74,999  | Oct-06 | LR1  | Onomichi    | 100%  |
| Hafnia Arctic                   | 74,910  | Jan-10 | LR1  | Brodosplit  | BB-in |
| Hafnia Asia                     | 74,539  | Jun-10 | LR1  | STX         | BB-in |
| Hafnia Australia                | 74,539  | May-10 | LR1  | STX         | BB-in |
| Hafnia Europe                   | 74,997  | Aug-06 | LR1  | Onomichi    | 100%  |
| Hafnia Guangzhou <sup>1,2</sup> | 75,000  | Jul-19 | LR1  | GSI         | 50%   |
| Hafnia HongKong <sup>2</sup>    | 75,000  | Jan-19 | LR1  | GSI         | 50%   |
| Hafnia Shanghai <sup>2</sup>    | 75,000  | Jan-19 | LR1  | GSI         | 50%   |
| Sunda <sup>1</sup>              | 80,000  | Jun-19 | LR1  | Onomichi    | TC-in |
| Tectus                          | 74,862  | Jul-09 | LR1  | STX         | TC-in |
| Beagle                          | 50,000  | Apr-19 | MR   | JMU         | TC-in |
| Boxer                           | 50,000  | May-19 | MR   | JMU         | TC-in |
| BW Bobcat                       | 49,999  | Aug-14 | MR   | SPP         | 100%  |
| BW Cheetah                      | 49,999  | Feb-14 | MR   | SPP         | 100%  |
| BW Cougar                       | 49,999  | Jan-14 | MR   | SPP         | 100%  |
| BW Eagle                        | 49,999  | Jul-15 | MR   | SPP         | 100%  |
| BW Egret                        | 49,999  | Nov-14 | MR   | SPP         | 100%  |
| BW Falcon                       | 49,999  | Feb-15 | MR   | SPP         | 100%  |
| BW Hawk                         | 49,999  | Jun-15 | MR   | SPP         | 100%  |
| BW Jaguar                       | 49,999  | Mar-14 | MR   | SPP         | 100%  |
| BW Kestrel                      | 49,999  | Aug-15 | MR   | SPP         | 100%  |
| BW Leopard                      | 49,999  | Jan-14 | MR   | SPP         | 100%  |
| BW Lioness                      | 49,999  | Jan-14 | MR   | SPP         | 100%  |
| BW Lynx                         | 49,999  | Nov-13 | MR   | SPP         | 100%  |
| BW Merlin                       | 49,999  | Sep-15 | MR   | SPP         | 100%  |
| BW Myna                         | 49,999  | Oct-15 | MR   | SPP         | 100%  |

<sup>1</sup> BW Neso, Hafnia Guangzhou and Sunda are delivered in July 2019.

<sup>2</sup> Hafnia Hong Kong, Hafnia Shanghai and Hafnia Guangzhou are owned through 50% ownership of Vista Shipping Ltd.

## Fleet list of delivered vessels (continued)

| Vessel            | DWT    | Built  | Type | Yard             | Stake |
|-------------------|--------|--------|------|------------------|-------|
| BW Osprey         | 49,999 | Oct-15 | MR   | SPP              | 100%  |
| BW Panther        | 49,999 | Jun-14 | MR   | SPP              | 100%  |
| BW Petrel         | 49,999 | Jan-16 | MR   | SPP              | 100%  |
| BW Puma           | 49,999 | Nov-13 | MR   | SPP              | 100%  |
| BW Raven          | 49,999 | Nov-15 | MR   | SPP              | 100%  |
| BW Swift          | 49,999 | Jan-16 | MR   | SPP              | 100%  |
| BW Tiger          | 49,999 | Mar-14 | MR   | SPP              | 100%  |
| BW Wren           | 49,999 | Mar-16 | MR   | SPP              | 100%  |
| Hafnia Andromeda  | 49,999 | May-11 | MR   | GSI              | 100%  |
| Hafnia Ane        | 49,999 | Nov-15 | MR   | GSI              | 100%  |
| Hafnia Atlantic   | 45,967 | Nov-04 | MR   | STX              | 100%  |
| Hafnia Crux       | 52,550 | Feb-12 | MR   | GSI              | 100%  |
| Hafnia Daisy      | 49,999 | Aug-16 | MR   | GSI              | 100%  |
| Hafnia Henriette  | 49,999 | Jun-16 | MR   | GSI              | 100%  |
| Hafnia Kirsten    | 49,999 | Jan-17 | MR   | GSI              | 100%  |
| Hafnia Lene       | 49,999 | Jul-15 | MR   | GSI              | 100%  |
| Hafnia Leo        | 52,340 | Nov-13 | MR   | GSI              | 100%  |
| Hafnia Libra      | 52,384 | May-13 | MR   | GSI              | 100%  |
| Hafnia Lise       | 49,999 | Sep-16 | MR   | GSI              | 100%  |
| Hafnia Lotte      | 49,999 | Jan-17 | MR   | GSI              | 100%  |
| Hafnia Lupus      | 52,550 | Apr-12 | MR   | GSI              | 100%  |
| Hafnia Mikala     | 49,999 | May-17 | MR   | GSI              | 100%  |
| Hafnia Nordica    | 49,994 | Mar-10 | MR   | Shin Kurushima   | 100%  |
| Hafnia Pegasus    | 50,326 | Oct-10 | MR   | GSI              | 100%  |
| Hafnia Phoenix    | 52,340 | Jul-13 | MR   | GSI              | 100%  |
| Hafnia Taurus     | 50,385 | Jun-11 | MR   | GSI              | 100%  |
| Orient Challenge  | 49,972 | Jun-17 | MR   | Hyundai Vinashin | TC-in |
| Orient Innovation | 49,972 | Jul-17 | MR   | Hyundai Vinashin | TC-in |
| Hafnia Adamello   | 39,807 | Aug-04 | SR   | Saiki            | 100%  |
| Hafnia Bering     | 39,067 | Apr-15 | SR   | HMD              | 100%  |
| Hafnia Green      | 39,808 | Aug-07 | SR   | Saiki            | 100%  |
| Hafnia Hope       | 39,814 | Jan-07 | SR   | Saiki            | 100%  |
| Hafnia Karava     | 39,814 | Mar-07 | SR   | Saiki            | 100%  |
| Hafnia Magellan   | 39,067 | May-15 | SR   | HMD              | 100%  |
| Hafnia Malacca    | 39,067 | Jul-15 | SR   | HMD              | 100%  |
| Hafnia Rainier    | 39,817 | Mar-04 | SR   | Saiki            | 100%  |
| Hafnia Robson     | 39,819 | May-04 | SR   | Saiki            | 100%  |
| Hafnia Soya       | 38,700 | Nov-15 | SR   | HMD              | 100%  |
| Hafnia Sunda      | 39,067 | Sep-15 | SR   | HMD              | 100%  |
| Hafnia Torres     | 39,067 | May-16 | SR   | HMD              | 100%  |
| Hafnia Victoria   | 39,821 | Jun-07 | SR   | Saiki            | 100%  |