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IMPORTANT: You must read the following before continuing. The following applies to the attached Prospectus relating to Hafnia Limited (the "Company"). You are advised to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached Prospectus is intended for you only and you agree you will not forward this electronic transmission or the attached Prospectus to any other person.

THE ATTACHED PROSPECTUS IS AN ADMISSION DOCUMENT PREPARED BY THE COMPANY IN CONNECTION WITH THE LISTING OF ITS SHARES ON OSLO AXESS (THE "LISTING"). THE PROSPECTUS IS ISSUED SOLELY IN CONNECTION WITH LISTING, AND THE PROSPECTUS DOES NOT CONSTITUTE OR FORM PART OF AN OFFER OR INVITATION TO SELL OR ISSUE, OR ANY SOLICITATION OF AN OFFER TO PURCHASE OR SUBSCRIBE FOR, ANY SECURITIES BY ANY PERSON. NO OFFER OF SHARES IN THE COMPANY IS BEING MADE IN ANY JURISDICTION.

THE SHARES IN THE COMPANY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES, OR UNDER THE APPLICABLE SECURITIES LAWS OF AUSTRALIA, CANADA, HONG KONG OR JAPAN. SUBJECT TO CERTAIN EXCEPTIONS, THE SHARES MAY NOT BE OFFERED OR SOLD WITHIN AUSTRALIA, CANADA, HONG KONG, JAPAN OR THE UNITED STATES.

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This electronic transmission and the attached document are only addressed to persons in Norway and persons in any other member states of the European Economic Area (the "EEA") who are qualified investors within the meaning of Regulation (EU) 2017/1129 of the European Parliament ("Qualified Investors"). In addition, in the United Kingdom, this electronic transmission and the attached document are only addressed to Qualified Investors who (i) are persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order"), (ii) are persons who are high net worth entities falling within article 49(2)(a) to (d) of the Order or (iii) are other persons to whom they may otherwise lawfully be communicated (all such persons together being referred to as "Relevant Persons"). This electronic transmission and the attached document must not be acted or relied on (i) in the United Kingdom, by persons who are not Relevant Persons or (ii) in any member state of the EEA, other than Norway, by persons who are not Qualified Investors.

Confirmation of your Representation: This electronic transmission and the attached document are delivered to you on the basis that you are deemed to have represented to the Company, and Pareto Securities AS and Skandinaviska Enskilda Banken (publ.) Oslofilialen, norsk avdeling av utenlandsk foretak (the "Managers") that: (i) you have understood and agree to the terms set out herein; (ii) you consent to delivery of such Prospectus by electronic transmission; and (iii) you are any of the following (a) a person in Norway, (b) a QIB acting on your own behalf or behalf of another QIB, (c) a person in a member state of the EEA, other than Norway, who is a Qualified Investor and/or a Qualified Investor acting on behalf of Qualified Investors or Relevant Persons, (d) a person in the United Kingdom who is a Relevant Person and/or a Relevant Person acting on behalf of Relevant Persons or Qualified Investors, or (e) you are an institutional investor that is otherwise eligible to receive this electronic transmission and the attached document in accordance with the laws of the jurisdiction in which you are located.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of the Prospectus to any other person. Nothing in this electronic transmission constitutes an offer of securities for sale in any jurisdiction.

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, none of the Company, the Managers nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request.

Restriction: Nothing in this electronic transmission constitutes, and this electronic transmission may not be used in connection with, an offer of shares in the Company or other securities.

None of the Managers, or any of their respective affiliates, or any of their respective directors, officers, employees or agents accepts any responsibility whatsoever for the contents of the Prospectus or for any statement made or purported to be made by the Company, or on its behalf, in connection with the Listing. The Managers and any of their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty, express or implied, is made by any of the Managers or any of their respective affiliates as to the accuracy or completeness of the information set out in this document or the Prospectus.

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PROSPECTUS

Hafnia Limited

(An exempted company limited by shares incorporated under the laws of Bermuda)

Listing of the Company's shares on Oslo Axess

The information in this prospectus (the "**Prospectus**") relates to the listing of all common shares, each with a par value of United States Dollar ("**USD**") 0.01 (the "**Shares**") in Hafnia Limited (the "**Company**" or "**Hafnia**"), an exempted company limited by shares incorporated under the laws of Bermuda (together with its subsidiaries, the "**Group**") on Oslo Axess, a regulated market operated by Oslo Børs ASA ("**Oslo Axess**") (the "**Listing**").

The Shares have not previously been admitted to trading on a regulated market. However, the beneficial interests in the Shares (the "**Beneficial Interests**") have been listed on the Norwegian OTC list (the "**N-OTC**") since 31 January 2019 under the ticker code "HAFNIA" with ISIN "BMG4233B1090".

On 5 November 2019, the Company applied for the Shares to be admitted to trading and listing on Oslo Axess on 8 November 2019. The Company's listing application was approved by the board of directors of the Oslo Stock Exchange (as defined in Section 20 "Definitions and glossary) on 6 November 2019. Upon Listing, The Beneficial Interests will be deregistered from the N-OTC and the Shares will be admitted to trading through the facilities of Oslo Axess. Trading in the Shares is expected to commence on 8 November 2019, under the ticker code "HAFN".

The Shares will be registered in the Norwegian Central Securities Depository (*Nw.: Verdipapirsentralen i Norge)* (the "**VPS**") in book-entry form upon Listing. See Section 13.9 "VPS registration of the Shares" for information on the registration process. All Shares will rank in parity with one another and carry one vote.

The distribution of this Prospectus in certain jurisdictions may be restricted by law. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. See Section 18 "Selling and transfer restrictions".

THIS PROSPECTUS SERVES AS A LISTING PROSPECTUS ONLY. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF, OR INVITATION TO PURCHASE, SUBSCRIBE OR SELL ANY OF THE SECURITIES DESCRIBED HEREIN, AND NO SHARES, BENEFICIAL INTERESTS OR OTHER SECURITIES ARE BEING OFFERED OR SOLD IN ANY JURISDICTION PURSUANT TO THIS PROSPECTUS.

Investing in the Shares involves a high degree of risk. Prospective investors should read the entire Prospectus and, in particular, consider Section 2 "Risk factors" beginning on page 11 when considering an investment in the Company.

Joint Global Coordinators

Pareto Securities AS

Skandinaviska Enskilda Banken (Publ.) Oslofilialen norsk avdeling av utenlandsk foretak

The date of this Prospectus is 6 November 2019

IMPORTANT INFORMATION

This Prospectus has been prepared in connection with the Listing and in order to provide information about the Group and its business.

For definitions of certain other terms used throughout this Prospectus, see Section 20 "Definitions and glossary".

This Prospectus has been prepared to comply with the Norwegian Securities Trading Act of 29 June 2007 no. 75,as amended (the "**Norwegian Securities Trading Act**") and related secondary legislation, including Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as amended and as implemented in Norway in accordance with Section 7-1 of the Norwegian Securities Trading Act (the "**EU Prospectus Regulation**"). This Prospectus has been prepared solely in the English language. This Prospectus has been approved by the Financial Supervisory Authority of Norway (*Nw.: Finanstilsynet*) (the "**NFSA**"), as competent authority under the EU Prospectus Regulation. The NFSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the EU Prospectus Regulation, and such approval should not be considered as an endorsement of the issuer or the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

The Company has engaged Pareto Securities AS ("**Pareto**") and Skandinaviska Enskilda Banken (Publ.) Oslofilialen norsk avdeling av utenlandsk foretak ("**SEB**") as "**Joint Global Coordinators**". The Joint Global Coordinators are together also referred to herein as the "**Managers**".

The information contained herein is current as at the date hereof and is subject to change, completion and amendment without notice. In accordance with Article 23 of the EU Prospectus Regulation, significant new factors, material mistakes or material inaccuracies relating to the information included in this Prospectus which may affect the assessment of the Shares and which arise or is noted between the time when this Prospectus is approved by the NFSA and the listing of the Shares on Oslo Axess, will be mentioned in a supplement to this Prospectus without undue delay. Neither the publication nor distribution of this Prospectus shall under any circumstances imply that there has been no change in the Group's affairs or that the information herein is correct as at any date subsequent to the date of this Prospectus.

No person is authorised to give information or to make any representation concerning the Group, or in connection with the Listing of the Shares, other than as contained in this Prospectus. If any such information is given or made, it must not be relied upon as having been authorised by the Company or by any of its affiliates, representatives, advisors or selling agents of any of the foregoing.

No Shares, Beneficial Interests or any other securities are being offered or sold in any jurisdiction pursuant to this Prospectus. The distribution of this Prospectus in certain jurisdictions may be restricted by law. This Prospectus does not constitute an offer of, or invitation to purchase, subscribe or sell any of the Shares in any jurisdiction in which such offer or sale would be unlawful. No one has taken any action that would permit a public offering of the Shares. Accordingly, neither this Prospectus nor any advertisement may be distributed or published in any jurisdiction except under circumstances that will result in compliance with applicable laws and regulations. The Company requires persons in possession of this Prospectus to inform themselves about and to observe any such restrictions. In addition, the Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. See Section 18 "Selling and transfer restrictions".

Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its content is prohibited.

In making an investment decision, prospective investors must rely on their own examination, analysis of, and enquiry into the Group, including the merits and risks involved. The Company and its representatives and advisors are not making any representation to any purchaser of the Shares regarding the legality of an investment in the Shares by such purchaser under the laws applicable to such purchaser. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Shares.

All Sections of this Prospectus should be read in context with the information included in Section 4 "General information".

EXCHANGE CONTROL

Consent under the Exchange Control Act 1972 (and its related regulations) has been obtained from the Bermuda Monetary Authority for the issue and transfer of the Shares to and between non-residents of Bermuda for exchange control purposes provided the Shares remain listed on an appointed stock exchange (as such term is defined in the Companies Act 1981, as amended, of Bermuda (the "**Bermuda Companies Act**") (an "**Appointed Stock Exchange**"), which includes the Oslo Stock Exchange. In granting such consent, the Bermuda Monetary Authority accepts no responsibility for the Company's financial soundness or the correctness of any of the statements made or opinions expressed in this Prospectus.

INFORMATION TO DISTRIBUTORS

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Shares have been subject to a product approval process, which has determined that they each are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Shares may decline and investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other advisor) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Conversely, an investment in the Shares is not compatible with investors looking for full capital protection or full repayment of the amount invested or having no risk tolerance, or investors requiring a fully guaranteed income or fully predictable return profile.

The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Private Placement (as defined in Section 17 "The Private Placement" below).

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Shares.

Each distributor is responsible for undertaking its own Target Market Assessment in respect of the Shares and determining appropriate distribution channels.

ENFORCEMENT OF CIVIL LIABILITIES

The Company is an exempted company limited by shares incorporated under the laws of Bermuda. As a result, the rights of holders of the Shares will be governed by Bermuda law and the Company's memorandum of association (the "**Memorandum of Association**") and bye-laws (the "**Bye-laws**"). The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. Other than Ouma Sananikone, none of the members of the Company's board of directors (the "**Directors**" and the "**Board of Directors**", respectively) nor the members of the senior management of the Group (the "**Management**") are residents of the United States of America ("**U.S.**" or "**United States**"). Moreover, the vast majority of the Company's assets are located outside the United States. As a result, it may be difficult for investors in the United States to effect service of process on the Company or its Directors and members of Management in the United States, or to enforce in the United States judgments obtained in U.S. courts against the Company or those persons, including judgments based on the civil liability provisions of the securities laws of the United States or any state or territory within the United States. Uncertainty exists as to whether courts in Norway or Bermuda will enforce judgments obtained in other jurisdictions, including the United States, against the Company or its Directors or members of Management under the securities laws of those jurisdictions, or entertain actions in Norway or Bermuda against the Company or its Directors or members of Management under the securities laws of other jurisdictions. In addition, awards of punitive damages in actions brought in the United States or elsewhere may not be enforceable in Norway or Bermuda. The United States does not currently have a treaty providing for reciprocal recognition and enforcement of judgements (other than arbitral awards) in civil and commercial matters with either Norway or Bermuda.

This Prospectus shall be governed by and construed in accordance with Norwegian law. The courts of Norway, with Oslo as legal venue, shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Listing or this Prospectus.

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APPENDICES

1 SUMMARY

Introduction

Warning	This summary should be read as an introduction to this Prospectus. Any decision to invest in the securities should be based on a consideration of this Prospectus as a whole by the investor. An investment in the Shares involves inherent risk and the investor could lose all or part of its invested capital. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of this Prospectus, or where it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in such securities.
Securities	The Company has one class of shares in issue. The Beneficial Interests are registered in the VPS and have ISIN NO BMG4233B1090. Upon Listing, the Shares will be registered in book-entry form in the VPS and carry the same ISIN number as the Beneficial Interests.
Issuer	Hafnia Limited's registration number in the Bermuda Registrar of Companies is 49023 and its Legal Entity Identifier ("**LEI**") code is 5493001KCFT0SCGJ2647. The Company's registered office is located at c/o Inchona Services Limited, Washington Mall Phase 2, 4th Floor, Suite 400, 22 Church Street, HM 1189, Hamilton HM EX, Bermuda and the Company's main telephone number at that address is +1 (441) 295-3770. The Group's website can be found at www.hafniabw.com.
Competent authority	The NFSA, with registration number 840 747 972 and registered address at Revierstredet 3, N-0151 Oslo, Norway, and with telephone number +47 22 93 98 00 has reviewed and, on 6 November 2019, approved this Prospectus.

Key information on the issuer

Who is the issuer?

Corporate information	Hafnia Limited is an exempted company limited by shares organised and existing under the laws of Bermuda pursuant to the Bermuda Companies Act. The Company was incorporated in Bermuda on 29 April 2014, and the Company's registration number in the Bermuda Registrar of Companies is 49023 and its LEI code is 5493001KCFT0SCGJ2647.
Principal activities	The principal activity of the Company is that of a holding company for its shipowning, chartering and commercial management subsidiaries.
Major shareholders	Shareholders owning 5% or more of the Shares have an interest in the Company's share capital which is notifiable pursuant to the Norwegian Securities Trading Act. As of the date of this Prospectus, no shareholder, other than those set out in the table below holds more than 5% of the issued Shares.

Shareholder Name	Ultimate owner	No. of shares	Percentage (%)
BW Group Limited	Sohmen Family Interests	224,139,724	65.3168%
PAG Tankers Limited	Pacific Alliance Asia Special Situations Fund L.P.	36,212,001	10.5526%
Other shareholders	-	82,806,254	24.1306%
Total	**-**	**343,157,979**	**100%**

Key managing directors.... The Group's management team consists of two individuals. The names of the members of the management and their respective positions are presented in the table below.

Name	Position
Mikael Øpstun Skov	Chief Executive Officer
Petrus Wouter Van Echtelt........	Chief Financial Officer

Statutory auditor.................. The Company's independent auditor is KPMG Singapore LLP ("**KPMG**") with company registration number T08LL1267L.

What is the key financial information regarding the issuer?

The table below sets out data from the Company's consolidated statement of comprehensive income for the three and six months periods ended 30 June 2019 and 2018 (the Interim Financial Statements and the Q2 2019 Interim Reports). The figures for the three and six months periods ended 30 June 2019 comprise financial information for the Group following the Merger, while the comparable figures for the same periods in 2018 only comprise financial information for the Company (and its consolidated subsidiaries) prior to the Merger. The table below also sets out data from the Company's audited consolidated statements of income for the years ended 31 December 2016, 2017 and 2018 (the Financial Statements), covering the Company (and its consolidated subsidiaries) prior to the Merger.

Income statement

In USD thousand	Year ended 31 December			Six months ended 30 June		Three months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**	**2018**	**2019**
Total revenue....................	302,311	346,481	368,390	184,537	414,776	91,015	200,683
Operating profit/(loss) ..	(166,387)	29,887	12,192	11,754	72,565	17,306	58,968
Profit/(loss) for the financial period	(186,610)	2,963	(19,781)	(3,798)	39,901	(5,022)	11,994
Year on year revenue growth..................................	n.m.	15%	6%	n.m.	125%	n.m.	120%
Basic and diluted (losses)/earnings per share (USD per share)	(1.73)	0.03	(0.16)	(0.03)	0.12	(0.04)	0.03

Balance sheet

In USD thousand	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
Total assets	1,142,419	1,219,759	1,314,079	2,482,690
Total equity........................	366,793	397,819	571,079	1,013,926

Cash flow statement

In USD thousand	Year ended 31 December			Six months ended 30 June		Three months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**	**2018**	**2019**
Net increase in cash and cash equivalents.....................	12,247	4,164	11,091	14,900	(20,353)	(5,467)	25,693

What are the key risks that are specific to the issuer?

Material risk factors.............

- The Group's earnings and available cash rely predominantly on the Group's ability to charge profitable rates for its vessels. External factors that affect such rates, specifically hire and freight rates, are outside the Group's control but will have a significant impact on the Group's earnings and available cash flow. If the product tanker market is depressed, the Group's revenues and the value of its vessels may decrease, which would have a material adverse effect on the Group's revenues, profitability, liquidity, cash flow and financial positions.
- The future development of the Group will depend on the successful implementation of the Group's business strategy. The Group's failure to execute its business strategy or to manage its development effectively, could materially and adversely affect the Group's business, financial condition and results of operations.

- An oversupply of product tanker capacity may have an adverse effect on freight rates, which could have a material adverse effect on the Group's business, financial condition and results of operations. Sustained excess product tanker capacity could also result in reductions in the valuation of the Group's vessels, resulting in impairment charges or loss if the Group is attempting to sell a vessel.
- Over time, the value of the Group's vessels may fluctuate substantially. Such fluctuations may result in impairment charges and the Group could also incur a loss if these values are lower at a time when the Group is attempting to sell a vessel.
- The Group's vessels need to consume bunker fuel for propulsion and other auxiliary purposes, such as generating electricity on board. Increases in bunker fuel prices and other operating costs may significantly increase the Group's voyage expenses relating to the operation of its vessels on the spot market. In particular, the International Maritime Organisation's ("**IMO**") cap on sulphur content in marine fuels which will take effect on 1 January 2020 ("**IMO 2020**") is expected to affect bunker fuel prices for a period after implementation. An increase in the Group's fuel costs could ultimately have a material adverse effect on the Group's business, results of operations and financial condition.
- The Group is subject to a wide variety of environmental laws and regulations, where non-compliance may have an adverse effect on the Group's results of operations. Compliance with changes in laws and regulations relating to climate change could increase the costs of operating and maintaining the Group's vessels, require the Group to install new emission controls and acquire admission and/or CO2-allowances, affect the resale value or useful life of the vessels, lead to increased impairment charges, and require reductions in cargo capacity, ship modifications or operational changes or restrictions. Regulations of vessels, particularly in the areas of safety and environmental impact, may change in the future and require the Group to incur significant capital expenditures and/or additional operating costs in order to keep the Group's vessels in compliance.
- The Group transports oil products across a wide variety of national jurisdictions, which entails the risk of business interruptions that may result from political circumstances in foreign countries, such as hostilities, labour strikes and boycotts, and the potential for changes in tax rates or policies and government expropriation of the Group's vessels, any of which may have a negative impact to the Group's reputation and financial condition and result in loss of revenues, increased costs and decreased cash flows.
- The Group is subject to prevailing tax laws in each jurisdiction in which the Group operates, and changes in tax laws or disagreements with the tax authorities of any such country, could result in a higher tax expense or higher effective tax rate on the Group's earnings, which could have a significant effect on the Group's business, results of operation and financial condition.
- The Group's lack of operating history as a combined group makes it difficult to assess the historical performance and outlook for future revenues and other operating results. Prospective investors may only evaluate the Group's historical financial information for the three and six months periods ended 30 June 2019, and separate historical financial information for each of BW Tankers and Hafnia Tankers for the years ended 31 December 2016, 2017 and 2018. Consequently, the historical financial information included in this Prospectus does not necessarily reflect the actual results of operations, financial position and cash flow that the Group may have had if it had been a combined group during the periods presented. Similarly, the historical financial information may not be indicative of the Group's future results of operations and future financial position.
- The Group relies to a great extent on revenue generated from its on-water vessels that operate in the maritime transportation business of oil and oil

products. The Group's lack of diversification opportunities makes it vulnerable to adverse developments in the international oil and oil product shipping industry, which would have a significantly greater impact on the Group's business, financial condition and operating results than it would if the Group maintained a more diverse business.

- The Group derives a significant portion of its revenue from its top five customers, and the loss of or default by any such customers, or a decline in freight rates under the Group's charter agreements with significant customers, will affect the Group's revenue and cash flow, and could have a material adverse effect on the Group's business, financial condition and results of operations.
- Other than Ouma Sananikone, no member of the Board of Directors or Management reside in the United States, and the vast majority of the Company's assets are located outside the United States. As a result, it may be difficult for investors in the United States to effect service of process on the Company or its Directors and members of Management in the United States or to enforce in the United States judgments obtained in U.S. courts against the Company or those persons, including judgments based on the civil liability provisions of the securities laws of the United States or any state or territory within the United States.
- The Bye-laws contain a broad waiver by its shareholders of any claim or right of action, both individually and on the Company's behalf, against any of the Company's Directors of members of Management. Consequently, a shareholder's right to assert claims against the Company's Directors or members of Management is limited.

Key information on the securities

What are the main features of the securities?

Type, class and ISIN..........	All of the Shares are common shares in the Company and have been created under the Bermuda Companies Act. At the date hereof, the Beneficial Interests are admitted to trading on the N-OTC list and registered in the VPS. Upon Listing, the Beneficial Interests will be de-listed from the N-OTC and, simultaneously with the Shares being listed on Oslo Axess, all Shares will be registered in book-entry form in the VPS and have ISIN NO BMG4233B1090.
Currency, par value and number of securities..........	The Shares will be traded in NOK on Oslo Axess. As of the date of this Prospectus, the Company's authorised share capital is 6,000,000 divided into 600,000,000 Shares, each with a par value of USD 0.01, of which 343,157,979 have been issued and fully paid.
Rights attached to the securities..................................	The Company has one class of shares in issue and all shares in that class provide equal rights in the Company. Each of the Shares carries one vote.
Transfer restrictions...........	The Shares are deemed freely transferable for the purpose of the Oslo Stock Exchange's listing rules. However, pursuant to the Bye-laws, the Board of Directors may decline to register the transfer of shares if the transfer would likely result in 50% or more of the shares or votes in the Company being held or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or effectively connected to a Norwegian business activity, or if the Company is otherwise deemed a controlled foreign company as such term is defined under the Norwegian tax legislation ("**CFC**"). The said ownership restriction is in line with that of other non-Norwegian companies listed on the Oslo Stock Exchange. Furthermore, the Board of Directors shall refuse to register a share transfer unless all applicable consents, authorisations and permissions of any governmental body or agency in Bermuda have been obtained and may in its discretion refuse to register the transfer of a share which is not fully paid. The Company will have all required Bermuda governmental consents for the transfer of the Shares in the VPS from the time of, and subject to the continuance of, the Listing, and provided that Oslo Axess remains an Appointed Stock Exchange under Bermuda law.

Dividend and dividend policy..	The Company targets a quarterly dividend based on a pay-out ratio of 50% of annual net profit, adjusted for extraordinary items. The final amount of dividend is to be decided by the Board of Directors. Besides net profit, the Board of Directors will take into consideration the capital structure of the Company, its liquidity position, capital expenditure plans and market outlook. In addition to cash dividends, the Company may buy back shares as part of its total distribution to shareholders.

Where will the securities be traded?

On 5 November 2019, the Company applied for Listing of its Shares on Oslo Axess. The Company currently expects commencement of trading in the Shares on Oslo Axess on or about 8 November 2019. The Company has not applied for admission to trading of the Shares on any other stock exchange, regulated market or a multi trading facility.

What are the key risks that are specific to the securities?

Material risk factors.............

- There can be no assurance that regular trading in the Shares will develop following Listing. Investors may not be in a position to sell their Shares quickly or at market price if there is no active trading in the Shares. Further, the market value of the Shares could fluctuate significantly in response to a number of factors beyond the Company's control. After the Listing, the price of the Shares may be subject to considerable fluctuation, and the volatility may be higher than usual given that the Shares in the Company have not previously been listed on a regulated market.
- After completion of the Private Placement, approximately 3.9% of the Company's issued and outstanding share capital will have a free float. The limited free float may have a negative impact on the liquidity of the Shares and result in a low trading volume of the Shares, which could have an adverse effect on the then prevailing market price for the Shares and result in increased volatility of the market price for the Shares.
- The Company may in the future decide to offer additional Shares or other securities in order to finance new capital-intensive projects in connection with unanticipated liabilities or expenses, or for any other purposes. As the Company is a Bermuda limited company, shareholders do not have the same preferential rights in a future offering in Hafnia as shareholders in Norwegian limited liability companies normally have. Depending on the structure of any future offering, certain existing shareholders may therefore not be able to purchase additional equity securities, meaning that these shareholders' holdings and voting interest may be diluted.
- Pursuant to the Company's dividend policy, dividends are only expected to be paid if certain conditions described in Section 5.1 "Dividend policy" are fulfilled. In addition, the Company may choose not to, or be unable to, pay dividends in the future.

Key information on the admission to trading on a regulated market

Admission to trading

Admission to trading...........	On 5 November 2019, the Company applied for admission to trading of its Shares on Oslo Axess. It is expected that the board of directors of the Oslo Stock Exchange will approve the listing application of the Company on 6 November 2019. The Company currently expects commencement of trading in the Shares on Oslo Axess on or about 8 November 2019.
Total expenses of the Listing...	The Company's total costs and expenses of, and incidental to, the Listing and the Private Placement are estimated to amount to approximately USD 5 million.

Why is this Prospectus being produced?

Reasons for the Listing......

- The Listing is being pursued as part of the Group's strategy to provide liquidity to its shareholders by introducing new owners to the Company; and

	• enhance the Group's access to capital markets as part of the financing strategy and to facilitate future growth.
Conflicts of interest.............	The Managers or their affiliates have provided from time to time, and may provide in the future, financial advisory, investment and commercial banking services, as well as financing, to the Company and its affiliates in the ordinary course of business, for which they may have received and may continue to receive customary fees and commissions. The Managers do not intend to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

2 RISK FACTORS

An investment in the Company and the Shares involves inherent risk. Investors should carefully consider the risk factors and all information contained in this Prospectus, including the financial statements and related notes. The risks and uncertainties described in this Section 2 "Risk factors" are the material known risks and uncertainties faced by the Group as of the date hereof, and represents those risks that the Company believes are the material risks relevant to an investor when making their investment in the Company and the Shares. An investment in the Company and the Shares is suitable only for investors who understand the risks associated with this type of investment and who can afford to lose all or part of their investment.

The absence of negative past experience associated with a given risk factor does not mean that the risks and uncertainties described herein should not be considered prior to making an investment decision. If any of the following risks were to materialise, individually or together with other circumstances, it could have material and adverse impact on the Group and/or its business, results of operations, cash flows, financial condition and/or prospects, which may cause a decline in the value and trading price of the Shares, resulting in the loss of all or part of an investment in the same. Additional factors of which the Company is currently unaware, or which it currently deems not to be risks, may also have corresponding negative effects.

The risk factors included in this Section 2 "Risk factors" are presented in a limited number of categories, where each individual risk factor is sought placed in the most appropriate category based on the nature of the risk it represents. Within each category, the risk factors deemed most material for the Group, taking into account their potential negative effect on the Company and its subsidiaries and the probability of their occurrence, are set out first. This does not mean that the remaining risk factors are ranked in order of their materiality or comprehensibility, nor based on a probability of their occurrence. The risks mentioned herein could materialise individually, cumulatively or together with other circumstances.

2.1 Risks related to the industry in which the Group operates

2.1.1 The product tanker industry is cyclical in terms of rates and profitability, which may lead to volatility in the Group's earnings and available cash flow

The Group's earnings and available cash rely predominantly on the Group's ability to charge profitable rates for its vessels. External factors that affect such rates, specifically hire and freight rates, are outside of the Group's control but will have a significant impact on the Group's earnings and available cash flow. The market of the product tanker industry, including chartering and freight rates, has historically been cyclical and volatile, resulting in fluctuations in the rates charged for the Group's vessels. Fluctuations in the rates the Group can charge its customers, result from changes in the global supply and demand for tanker capacity and changes in the supply and demand for oil and oil products. Approximately 94% of the Group's vessels operate in the spot market on contracts that normally do not extend beyond three months. The short-term contracts entail that the Group's revenue will be affected to some degree even by short-term fluctuations or extraordinary events that temporarily affect charter rates. A number of factors that affect such supply and demand are discussed in this Section 2.1 "Risks related to the industry in which the Group operates".

In addition to affecting rates, a downturn in the product tanker industry may adversely affect the Group's ability to sub-charter its vessels or to sell them on the expiration or termination of their charters, thus resulting in loss and reduced earnings for the Group. Moreover, the rates payable for the Group's vessels operating in commercial pools, or any renewal or replacement charter that the Group enters into, may not allow the Group to operate its vessels profitably.

The Group's ability to operate profitably in the spot market or, in some cases, to re-charter its other vessels upon the expiration or termination of their charters will depend upon, *inter alia*, economic conditions in the product tanker markets. If the product tanker market is depressed, the Group's revenues and the value of its vessels may decrease, which would have a material adverse effect on the Group's revenues, profitability, liquidity, cash flow and financial position.

2.1.2 An oversupply of product tanker capacity may have an adverse effect on freight rates, which could have a material adverse effect on the Group's revenue

The freight rates charged by the Group for vessels operating in the spot market, depend on the prevailing freight rate in the product tanker market at the time. The freight rate is intrinsically linked to the available supply and demand for product tanker capacity. Increased supply or lower demand of product tanker capacity may lead to lower freight rates, if the demand for product tanker capacity does not increase accordingly. Lower freight rates may result in reduced revenue for the Group's product tankers, and thus ultimately have a material adverse effect on the Group's business, results of operation and financial condition.

The available supply of product tanker capacity will depend on, *inter alia*, the number of new tanker vessels being delivered and the number of vessels being recycled, the number of vessels that are out of service or undergoing repair, the price of oil and oil products and environmental regulations. The Group's fleet is approximately 7 years old in average (excl. newbuilds), and the estimated useful life span of each vessel is 25 years. If new product tanker vessels that are more efficient or flexible and have better physical conditions than the Group's vessels enter the market or if there is a change in the commercial requirements in the market, this could impact demand and charter rates for the Group's older vessels, and could also adversely affect the resale value/scrap price of the Group's vessels.

Customers' demand for product tanker capacity will depend on, *inter alia*, continued development of existing and new oil infrastructure, oil prices, oil and other energy consumption and general capital expenditure and activity among oil companies. Additionally, regional availability of refining capacity and any significant incident, such as an explosion, spill or similar incident involving an oil facility or product tanker vessel, may also affect the demand. Excess product tanker capacity will have an adverse effect on product tanker freight rates, which could have a material adverse effect on the Group's business, financial condition and results of operation. Sustained excess capacity could result in reductions in the valuation of the Group's vessels, resulting in impairment charges or loss if the Group is attempting to sell a vessel.

2.1.3 Increases in bunker fuel prices and other operating costs may significantly increase the Group's voyage expenses relating to the operation of its vessels on the spot market

The Group's vessels need to consume bunker fuel for propulsion and other auxiliary purposes, such as generating electricity on board. In accordance with industry practice, the Group is responsible for voyage expenses, including bunker fuel costs, when operating its vessels in the spot market. Approximately 94% of the Group's vessels operate in the spot market that is highly dependent on voyage expenses, hence the Group's TCE revenue may fluctuate with voyage expenses. The price and supply of bunker fuel is unpredictable, and an increase in the costs of bunker fuel from the current level could significantly affect the voyage expenses of the Group's vessels. The Group may not be able to move increased costs to its customers by increasing its freight rates commensurately, or otherwise recover bunker fuel cost increases from its customers. Historically, bunker fuel expenses have amounted to more than half of the Group's total voyage expenses. Increases in the cost of bunker fuel are subject to a number of economic, natural, regulatory and political factors affecting the level of crude oil prices in global markets that are beyond the Group's control. For further information, please see Section 10.16 "Quantitative and qualitative disclosure about market risk management".

In particular, IMO 2020 is expected to affect bunker fuel prices for a period after implementation. See Section 7.20 "Environmental and other regulations" for a description of environmental laws and other regulations concerning the Group's operations and vessels. Further, it is uncertain to which extent the Group will be able to pass such costs onto its customers. An increase in the Group's fuel costs could ultimately have a material adverse effect on the Group's business, results of operations and financial condition.

Between 2014 and August 2019, the price of 380 CST delivered bunker fuel in Singapore reached to a monthly average low of USD 160 per ton in January 2016, the lowest price in more than a decade. The decline was largely attributed to the fall in crude oil prices amid oversupply but also reflects the general volatility of the bunker fuel market. In October 2018, bunker fuel prices rose on the back of rising upstream crude oil prices and steady bunker demand. The price of 380 CST delivered bunker fuel in Singapore rose to USD 528 per ton on 9 October 2018. Bunker fuel prices rescinded following that, as crude oil prices tumbled until the start of 2019. Bunker fuel prices have again been climbing steadily in 2019, peaking at USD 516 per ton on 11 July 2019. This was attributed to a strong summer demand for fuel oil in the Middle East restricting inflows to Singapore and more broadly to a general supply tightness, driven by the efforts of refiners globally to limit fuel oil production ahead of IMO's more stringent cap on sulphur content in marine fuels taking effect on 1 January 2020.

2.1.4 The Group's development depends on the continued growth of the global product tanker market

The Group's development depends on the continued growth of the global product tanker market and supply chain, which could be adversely affected by a number of factors discussed in the foregoing risk factors, especially continued development of existing and new gas and oil infrastructure, oil prices, consumption and availability of oil and other alternative energy sources. Part of the Group's strategy is to pursue well-timed and opportune investments and divestments, such as the Group's acquisition of two MR vessels in September 2019 and sale of Hafnia Atlantic in August 2019. Although the Group will monitor the global oil market and supply chain development closely, and seek to make timely and appropriate investment and divestment decisions in line with market developments and prospects, adverse and/or unpredictable developments in the global product tanker market, including political instability and change in regulations, could result in deviations between the Group's estimates and the actual market, which could have a material adverse effect on its business, results of operation and financial condition.

2.1.5 Charter rates may fluctuate substantially and if rates are lower when the Group is seeking a new charter, the Group's revenues and cash flows may decline

The Group has six vessels on bareboat charter-in and nine vessels on time-charter in. Eight of the Group's chartered-in vessels include purchase options and three include purchase obligations. The Group's ability to, from time to time, charter or re-charter any vessel at attractive rates will depend on, among other things, the prevailing economic conditions in the product tanker industry. Charter rates may fluctuate over time as a result of changes in the supply and demand balance relating to current and future product tanker capacity. Such fluctuations may also affect the value of the Group's current and future purchase options and purchase obligations for chartered-in vessels. The supply and demand relationship depends on a number of factors outside the Group's control, especially global demand for oil and oil products, oil prices and thereby exploration activities by oil companies. As such, a substantial or extended decline in demand for oil and oil products could materially and adversely affect the Group's ability to re-charter its vessels at acceptable rates or to acquire and profitably operate new vessels.

Charter rates at a time when the Group is seeking new charters may be lower than the charter rates at which the Group's vessels are currently being chartered out. If charter hire rates are lower when the Group is seeking a new charter, the Group's revenues and cash flows, including cash available for dividends to its shareholders, may decline, as it may only be able to enter into new charters at reduced and/or unprofitable rates or it may have to secure a charter in the spot market, where rates are more volatile. Prolonged periods of low charter rates or low vessel utilisation could also have a material adverse effect on the value of the Group's assets, which could lead to impairment costs or, if the Group is attempting to sell a vessel, loss.

2.2 Risks related to the Group and its operations

2.2.1 The Group may not be able to implement its business strategy successfully or manage its development effectively

The Group's strategy is described in Section 7.3 "Strategy". Future development will depend on the successful implementation of the Group's business strategy. The Group's ability to achieve its business and financial objectives is subject to a variety of factors, many of which are beyond the Group's control. A principal focus of the Group's strategy is to grow by expanding the size of its fleet and by entering into new business relationships, which will depend upon a number of factors, including the Group's ability to:

- maintain or develop new and existing customer relationships;
- maintain a successful management of the Pools, as further described in Section 7.6.7 "The Pools";
- successfully integrate and employ the newbuilds the Group has on firm order or any newbuilds the Group may order in the future; and
- successfully manage the Group's liquidity and obtain necessary financing.

Management will review and evaluate the business strategy with the Board of Directors on a regular basis. The Group's failure to execute its business strategy or to manage its development effectively, could materially and adversely affect the Group's business, financial condition and results of operations. In addition, there can be no guarantee that even if the Group successfully implements its strategy, it would result in an improvement of the Group's results of operations. Furthermore, the Group may decide to alter or discontinue aspects of its business strategy, and may adopt alternative or additional strategies in response to the Group's operating environment or competitive situation or factors or events beyond the Group's control.

2.2.2 Over time, vessel values may fluctuate substantially and this may result in impairment charges and the Group could also incur a loss if these values are lower at a time when the Group is attempting to sell a vessel

The Group has 81 fully-owned and four partly owned product tankers and two partly-owned newbuilds and two chartered-in newbuilds on order as of the date of this Prospectus. Further, the Group has 15 product tankers on long-term bare boat-in or time charter-in contracts. The value of product tankers can fluctuate substantially over time due to a number of different factors, including:

- prevailing economic conditions in the oil and energy markets;
- a substantial or extended decline in demand for oil and oil products;
- increases in the supply of vessel capacity; and

- the cost of retrofitting or modifying existing vessels, as a result of technological advances in vessel design or equipment (for example with respect to achieving reduced fuel consumption), changes in applicable environmental law or other regulations or standards.

At each balance sheet date, the Group assesses whether there is any indication that a vessel or an applicable cash-generating unit ("**CGU**") may be impaired. If any such indication exists, the Group will estimate the recoverable amount of the vessel, and write down the vessel to the recoverable amount through the consolidated statement of comprehensive income. Fluctuation in vessel values may result in impairment charges or cause the Group to be unable to sell vessels at a reasonable value, either of which could have a material adverse effect on the Group's business, financial condition and results of operations.

2.2.3 The Group is exposed to the risk of cybercrime and disruptions, failures and security breaches of its information technology systems

The Group uses information technology ("**IT**") systems to communicate with and monitor its vessels, and the vessels rely on IT systems for their operations. Disruption, failure or security breaches of these systems could disrupt the Group's operations business and result in decreased performance, significant remediation costs, down-time, data loss and the loss of suppliers or customers. This could materially and adversely affect the Group's business and results of operations. The Group has industry recognised firewalls, spam filters, anti-virus programmes installed in each office location, centralised cloud computing and other safety measures in place. Further the Group has a yearly external audit of its IT systems. However, there can be no assurances that any measures that the Group implements to prevent and prepare for cyber-attacks will not be circumvented in the future, or that the Group will be able to successfully identify and prevent such cyber security issues in the future. Disruptions may also be caused by natural disasters, catastrophic events and other events outside the Group's control, which are difficult or impossible to prevent or prepare for. Any of the foregoing could have a material adverse effect on the Group's business, results of operations and financial condition.

2.2.4 The Group has a limited operating history as a combined group following the Merger

The Group in its current form was created in early 2019 by way of a merger between former BW Tankers Limited ("**BW Tankers**") and former Hafnia Tankers Limited ("**Hafnia Tankers**"), as further described in Section 14 "The Merger". Consequently, the Group has a limited operating history as a combined group. The Group's lack of operating history as a combined group makes it difficult to assess the historical performance and outlook for future revenues and other operating results. Prospective investors may only evaluate the Group's historical financial information for the three and six months periods ended 30 June 2019, and separate historical financial information for each of BW Tankers and Hafnia Tankers for the years ended 31 December 2016, 2017 and 2018. See Section 4.2.1 "Historical financial information" for more information. Consequently, the financial information included in this Prospectus does not necessarily reflect the actual results of operations, financial position and cash flows that the Group may have had if it had been a combined group during the periods presented. Similarly, the historical financial information may not be indicative of the Group's future results of operations and future financial position.

2.2.5 Due to the Group's lack of diversification opportunities, adverse developments in the maritime transportation business of oil products would adversely affect the Group's business, financial condition and operating results

The Group relies to a great extent on revenue generated from its on-water vessels that operate in the maritime transportation business of oil and oil products. The Group's lack of diversification opportunities makes it vulnerable to adverse developments in the international oil and oil product shipping industry, which would have a significantly greater impact on the Group's business, financial condition and operating results than it would if the Group maintained a more diverse business.

2.2.6 The Group's growth in the product tanker market depends on its ability to expand relationships with existing customers and obtain new customers, for which the Group will face substantial competition

The process of expanding relationships with existing customers and obtain new customers is highly competitive and generally involves long-term commitments and relationships. Charters are awarded to the Group based upon a variety of factors, including:

- the Group's industry relationships, experience and reputation for customer service, quality of operations and safety;

- the experience and technical capability of the crew;

- the Group's willingness to accept operational risks pursuant to the charter, such as allowing termination of the charter for force majeure events; and

- overall competitive charter rates.

Competition for the transportation of oil products depends on the price, location, size, age, condition and acceptability of the vessel to the customer. The Group has very close relations with the participants in the Pools and its IOC and NOC customers, and expends significant resources on maintaining and developing such relations. However, operating other shipowners' vessels/on behalf of other shipowners may expose the Group to reputational risks, e.g. if such vessels are of subpar standards, or if the pool participants themselves become subject to events which would inflict negatively on the Group's reputation and/or goodwill.

Further, the Group expects substantial competition for providing transportation services from a number of companies (both shipowners and operators). The Group anticipates that a number of maritime transport companies, including some with strong reputations and extensive resources and experience, will enter the product tanker market. The Group's existing and potential competitors may have significantly greater financial resources than the Group does. Further, competitors with greater resources may have larger fleets, or could operate larger fleets through consolidations, acquisitions, newbuilds or pooling of their vessels with other companies, and therefore, be able to offer a more competitive service and better charter rates than the Group. The Group expects competition from a number of experienced companies providing contracts for oil product transportation services to potential customers, including state-sponsored entities and major energy companies affiliated with projects requiring shipping services. As a result, the Group may be unable to expand its relationships with existing customers or to obtain new customers on a profitable basis, if at all, which would affect its revenue and therefore have a material adverse effect on the Group's business, financial condition and operating results.

2.2.7 The Group derives a significant portion of its revenue from its top five customers, and the loss of any such customers or default by any of these customers could result in a significant loss of revenue and adversely affect the Group's cash flow

The Group has a high customer concentration, where the top five customers of BW Tankers and Hafnia Tankers for the year ended 31 December 2018, represented 29% and 39% of their respective revenue. For the six months period ended 30 June 2019, the Group's top five customers represented 26% of its total revenue. Consequently, if the Group loses one of its top five customers or either of them fails to pay for its services, the Group's revenue could be adversely affected. Moreover, the Group's customers may terminate its charter agreement in certain circumstances, including, but not limited to, if the delivery of the vessel is delayed beyond a specified time, outbreak of war occurs or the vessel's flag state becomes engaged in hostilities. If a customer terminates its charter agreement with the Group prior to expiry of the contract term or otherwise, the Group may be unable to re-employ the related vessel on terms as favourable to the Group, if at all. If the Group is unable to re-employ a vessel, it will not receive any revenue from this vessel, but the Group would still have to pay expenses as necessary to maintain the vessel in operating condition. The loss of a significant customer, or a decline in freight rates under the Group's charter agreements with significant customers, will affect its revenue and cash flow, and could have a material adverse effect on the Group's business, financial condition and results of operations.

2.2.8 Competition from more technically advanced vessels could reduce the Group's charter rates and the value of the Group's vessels

The charter rates and the value and operational life of a vessel are determined by a number of factors, including the vessel's efficiency, operational flexibility and physical condition. Efficiency includes speed, fuel economy and the ability to be loaded and unloaded quickly. Flexibility includes the ability to enter harbours, utilize related docking facilities and pass through canals and straits. Physical condition is related to the original design and construction, maintenance and the impact of the stress of operations. The average age of the Group's fleet is approximately 7 years (excl. newbuilds). If new product tanker vessels that are more efficient or flexible and have better physical conditions than the Group's vessels enter the market, competition from such technologically advanced product tanker vessels could adversely affect the demand and charter rates for the Group's older vessels once their current charters are terminated and could also adversely affect the resale value of the Group's vessels. As a result, the Group's business, financial condition and operating results could be materially adversely affected as new and more competitive vessels enter the market.

2.2.9 The Group will be required to make substantial capital expenditures in order to expand and modernise its fleet

The Group's business strategy is based upon the expansion and modernisation of its fleet, in order to increase the Group's market share. The Group currently has four newbuilds on order. In connection with the purchase of new vessels, the Group is required to expend substantial amounts in the form of down payments and milestone payments, during the construction period of such vessels. The Group will not derive any revenue from the new vessels until after their delivery and successful commercial employment. The Group typically pays portions of the purchase price of a vessel at key milestones prior to delivery and the balance upon delivery. If the Group is unable to complete payments or is otherwise unable to fulfil its obligations under any of its purchase contracts, the Group may forfeit all or a portion of the payments it has made under that contract. This may adversely affect the Group's financial condition, operating results, ability to pay dividends and reputation.

Further, the Group's cash flows and income are dependent on the revenue earned through chartering of its vessels. The Group must make substantial capital expenditures over the long-term to maintain and modernise the operating capacity of its fleet, in order to preserve its capital base. If the Group is unable to maintain sufficient cash reserves to finance the replacement of the vessels in its fleet at the end of their useful lives, and alternative sources of financing are unavailable, the business, financial condition, operating results and ability to pay dividends would be adversely affected. In addition, any reserves set aside for vessel replacement will not be available to support or expand the Group's business or to pay dividends.

2.2.10 The Group will be required to make substantial capital expenditures to maintain the quality and operating capacity of the vessels the Group owns

The Group must make substantial capital expenditures to maintain its vessels' quality and operating capacity over the long-term. These industry standard maintenance capital expenditures include expenses associated with drydocking a vessel, or modifying an existing vessel to the extent these expenditures are incurred to maintain or increase the operating capacity of the vessels. The Group's vessels are drydocked periodically for repairs and renewals and, in addition, may have to be drydocked in the event of accidents or other damage.

The Group's maintenance capital expenditures may increase as a result of *inter alia*:

- increases in the cost of labour and materials;
- changes in customer requirements;
- increases in the size of the Group's fleet;
- changes in technical developments in vessel;
- changes in governmental regulations and maritime self-regulatory organisation standards relating to safety, the environment and other factors;
- changes in security or the environment; and
- changes in competitive standards.

All product tanker companies will be exposed to the above risks. However, the Group owns and operates a considerable fleet in both absolute and relative terms. The sizable fleet allows the Group to benefit from long-term planning and optimisation of capital expenditures, risk management of drydocking and regulatory changes. Regardless, an increase in maintenance capital expenditures will materially and adversely affect the Group's result of operations and financial condition. However, with a fleet younger than the global average, the Group will be less exposed to additional maintenance costs. Regardless, in recent years the industry has seen several new regulatory requirements e.g. ballast water treatment systems and new bunker requirements relating to IMO2020, that has required and may continue to require extensive capital expenditures for the Group.

2.2.11 The Group has operations in high-risk areas where it is exposed to the risk of acts of piracy and other types of attacks, which could result in increasing costs of operations

Acts of piracy and other types of attacks on ocean-going vessels have increased in frequency in recent years, which could adversely affect the Group's business. According to IMO's annual 'Report on Acts of Piracy and Armed Robbery Against Ships for 2018', there were 223 reported incidents of pirate attacks and armed attacks against vessels in 2018 worldwide, which is a slight increase from 203 in 2017.[1] Such acts of piracy and armed robbery of vessels have historically occurred in areas where the Group operates, such as the west coast of Africa and the Gulf of Aden, and there is a high risk that acts of piracy will continue to occur in these areas, as well as other regions. For instance, the Gulf of

[1] IMO, 1 April 2019, *Report on Acts of Piracy and Armed Robbery Against Ships*, http://www.imo.org/en/OurWork/Security/PiracyArmedRobbery/Reports/

Aden has been listed as a conditional trading area of a war risk zone since 14 October 2008, and the Group has had spikes in premiums when operating in this area since 1 December 2008.

Further, the Group transports oil products through politically unstable areas and areas with high-risk of terrorist or other forms of attacks against the Group's vessels. For instance, the Group's vessels transport oil products through the Gulf of Oman from time to time, where the Group's vessels sail close to the Iranian waters. The Gulf of Oman is an important area for oil product transportation, but is at the same time considered to be a high-risk area, in light of recent attacks against tanker vessels in this area.

There have been attempted attacks on the Group's vessels in the past, and the Group faces a continuous threat when operating in certain areas. Consequently, there can be no assurance that the Group will not be victim of future attacks on its fleet when operating in high-risk areas. When sailing in high-risk areas, the Group's vessels are exposed to the risk of attacks that may cause material damage to crew members and the Group's vessels, as well as increased insurance premiums, increased operating costs due to increased security arrangements and unexpected and costly delays, which in turn could materially affect the Group's results of operation and financial condition. In addition, crew costs could increase in such circumstances to compensate the crew for the increased risk.

The foregoing could have a material adverse effect on the Group's business, results of operations, cash flows and financial condition, which could be intensified should the Group expand its operations in countries which are subject to the risk of piracy, terrorism or other types of attacks, or if such attacks begin to impact other geographic regions in which the Group has the majority of its operations.

2.2.12 The Group may have difficulties expanding its fleet in the future

The Group has a fleet expansion programme consisting of four contracted newbuilds. Part of the Group's strategy is to pursue advantageous acquisitions of vessels and newbuilds, cf. Section 7.3.3 "Leverage on strong market access and prudent financial management policies to pursue well-timed opportunistic investments and divestments, and thereby grow the equity base and shareholder returns". The Group may also extend its fleet expansion programme by ordering additional newbuilds, or by making selective acquisitions of high-quality second-hand vessels to the extent that they are available. The Group's fleet expansion, and consequently its ability to fulfil the referenced part of the Group's strategy, will depend on numerous factors, some of which are beyond the Group's control, including the Group's ability to:

- identify attractive vessel acquisition opportunities and consummate such acquisitions;
- obtain newbuilding contracts at acceptable prices;
- obtain required financing on acceptable terms;
- expand relationships with existing customers and establish new customer relationships;
- recruit and retain additional suitably qualified and experienced seafarers and onshore-based employees;
- continue to meet technical and safety performance standards;
- manage joint ventures; and
- manage the expansion of the Group's operations to integrate the new vessels into the Group's fleet.

During periods in which charter rates are high, vessel values are generally high as well, and it may therefore be difficult to consummate vessel acquisitions or enter into shipbuilding contracts at favourable prices. In addition, any vessel acquisition the Group completes may not be profitable at or after the time of acquisition, and may not generate sufficient cash flow to justify the investment. Historically, shipowners have overinvested in new capacity when charter rates and values have been high, and underinvested when charter rates and values have been low, resulting in high cyclicality with higher peaks and lower troughs. The Group currently has no contractual options to invest in additional newbuilds, but the Group is constantly evaluating options to contract new vessels, e.g. with the latest features in relation to fuel consumption optimisation, including dual-fuel installations. If the Group is not able to expand its fleet in the future, or if vessel acquisitions prove not to be profitable, the Group's results and financial condition may be materially and adversely affected.

2.2.13 The Group may suffer from vessel off-hire or performance claims by the Group's customers

Under the Group's time charter agreements, the Group warrants certain specifications, conditions and performance of the vessels assigned. Should the Group not be able to meet its obligations, charterers may be entitled to withhold the payment of charter hire, resulting in loss of income to the Group. Customers may be further entitled to advance legal claims against the Group for underperformance under the relevant charter agreements. Such actions by customers could have a material adverse effect on the Group's business, financial condition and results of operations.

2.2.14 The Group may be exposed to risks because it provides services to customers either as the registered owner of the vessel or by way of entering into charter-in arrangements with a third party and then chartering-out such vessels to customers

The Group may provide marine transportation services to customers through its fleet of owned vessels where a member of the Group is the registered owner, or by way of entering into charter-in arrangements with a third party and then chartering-out such vessels to customers.

As a registered owner of a vessel, the Group will assume responsibility for all functions related to the vessel, including financing, commercial management, and ship management functions such as maintenance, repair, crew manning, navigation and insurance. In addition, if the Group enters into a voyage charter with a customer, the Group will be responsible for all voyage costs, including bunkering, port charges, war risk premium, and brokerage, etc. On the other hand, if the Group charters-in a vessel, some of the aforementioned functions will be the responsibility of the third-party owner. For example, if the Group time charters-in a vessel, the Group will generally not assume the responsibility for finance, maintenance, repair, crew manning, navigation and insurance of the vessel, but will be responsible for the commercial management of the vessel.

If the Group charters-in a vessel, it will have less operational risk as compared to acting as a registered owner. However, the Group may not be able to exercise full control of the availability over a chartered-in vessel. This may be due to the default by the third party from whom the vessel has been chartered-in. Such a default could include a financial default involving failure to pay suppliers or the insolvency of such third party which could result in a court sanctioned arrest or detention of the vessel by financiers or suppliers. Furthermore, in a long-term time charter or bareboat charter arrangement the Group is committed throughout the charter period and will not have the liberty to cancel the charter should the market become unfavourable. There may also be associated reputation risks if the standard of the chartered-in vessel is below those of the Group's own vessels. The risks of chartering-in vessels are balanced against the risk of registered ownership, which are the various attendant costs of owning and operating a fleet of vessels. Consequently, such chartering-in of vessels exposes the Group to risks that may have a material adverse effect on the Group's reputation, revenue, operations and results.

2.2.15 A termination, withdrawal of a majority of the pool participants or change in the operation of the Pools may adversely affect the Group's business, financial condition and operating results

A majority of the Group's vessels participate in the Pools. Participation in the Pools enhances the financial performance of the Group's vessels as a result of the higher vessel utilisation. Under the Pool Agreements, the earnings allocated to pool vessels are aggregated and divided on the basis of a weighted scale that recognises each vessel's earnings capacity based on its size, fuel consumption, class notation and other capabilities. The termination of a Pool or the withdrawal of a majority of the participants could adversely affect the Group's ability to commercially market the fleet. For further information see Section 7.6.7 "The Pools".

2.2.16 The Group may experience operational problems that ultimately results in reduced revenue and increased operational and maintenance costs

The Group operates product tankers, and is therefore dependent on the operational performance of its owned and managed product tankers. However, the Group's product tankers are complex vessels and their operation is technically challenging, meaning that the Group's operations are subject to mechanical risks and problems such as damage to vessels, mechanical failure and low-quality of bunkers supplied, which may result in increased operational and maintenance costs and loss of revenue. It may also result in off-hire days due to repairs, which could lead to reduced revenue and contract breach if the Group as a consequence is unable to deliver to its customers. In 2018, the Group's vessels (owned and chartered-in), had an average of 97.4% available earning days, meaning the vessels were ready and available to perform voyages, and not off-hire or in drydock. The issues described above and a decrease in the number of available earning days for the Group's fleet, may directly and adversely affect the Group's operations and results.

Moreover, the Group relies on timely, high-quality and reliable suppliers and external technical managers, and a significant supply of consumables, spare parts and equipment to operate, maintain, repair and upgrade the Group's fleet of vessels. Delays in delivery or unavailability of supplies could result in off-hire days due to consequent delays in the repair and maintenance of the Group's fleet. This would negatively impact the Group's revenues and cash flows. Cost increases could also negatively impact the Group's future operations. Any of these results could materially and adversely affect the Group's business, financial condition and operating results.

2.2.17 The required drydocking of the Group's vessels could be more expensive and time consuming than originally anticipated, which could adversely affect the Group's results of operations and cash flows

Drydocking of the Group's vessels requires significant capital expenditures and results in loss of revenue while such vessels are off-hire. Any significant increase in either the number of off-hire days due to such drydocks, or in the costs of any repairs carried out during the drydocks, could have a material adverse effect on the Group's profitability and cash flows in such periods. As a consequence of new regulatory requirements, e.g. ballast water treatment systems and installations relating to IMO 2020, the Group has seen and may continue to see longer drydock periods for its vessels, and consequently increased drydocking expenses. Further, the Group has lately experienced increasing drydocking expenses for some of its older vessels. The Group is less exposed than many other operators in the product tanker market to the risk of unexpected problems, extended drydockings and drydocking of more than one vessel at the time, due to the high number of vessels in the Group's fleet and the fact that the Group's fleet is younger than the global average. Further, the Group has good relations with reputable shipyards and strong bargaining power towards such shipyards, as a result of the large number of vessels within its fleet and BW Group Limited's ("**BW Group**") fleet. Regardless, the Group may not be able to accurately predict the time required to drydock any of its vessels or any unanticipated problems that may arise in conjunction with drydocking. If more than one of the Group's vessels are required to be out of service at the same time, or if a vessel is drydocked longer than expected, or if the cost of repairs during drydocking is greater than budgeted, the Group's results of operations and cash flows, including cash available for dividends to its shareholders, could be materially and adversely affected.

2.2.18 A shortage of qualified officers may impact the ability to crew the Group's vessels and increase operating costs

The Group's vessels require technically skilled officers with specialised training in operating and crewing product tanker vessels. Certain customers of the Group have officers' requirement matrices with pre-determined standards for vessel operators, including requirements for officers with respect to both service time and shipping sector experience. As the world supply of product tankers continues to grow, the demand for such technically skilled officers has increased and is leading to a shortage of such personnel. If the Group's technical managers are unable to employ such technically skilled officers, they will not be able to adequately staff the Group's vessels and effectively train the crew. The Group expects that crewing costs will continue to increase. For the first six months of 2019 crew cost, excluding food, amounted to approximately 56% of the Group's vessel operating expenses. A continuing or worsening deficit in the supply of technically skilled officers, or an inability of the technical managers to attract and retain such qualified officers, could impair the Group's ability to operate and further increase the cost of crewing its vessels and, thus, materially and adversely affect the Group's business, financial condition and operating results.

2.2.19 The ageing of the fleet may result in increased operating costs in the future, which could adversely affect the Group's business, financial condition and operating results

The cost of maintaining a vessel in a good operating condition increases with the age of the vessel. As the Group's fleet ages, the Group will incur increased costs. Moreover, older vessels are typically less fuel efficient and more costly to maintain than newer vessels, due to gradual improvements in engine technology and other design features of modern vessels. Cargo insurance rates increase with the age of a vessel, making older vessels less desirable to customers. Governmental regulations and safety or other equipment standards related to the age of vessels may also require expenditures for alterations or addition of new equipment, and could restrict the type of activities a vessel may engage in. The Group's fleet of 85 owned vessels (excluding its 2 newbuilds and 15 vessels chartered-in or bareboated-in) has an average age of approximately 7 years as at the date of this Prospectus, making it a young fleet. As the Group vessels age, it will incur additional costs per vessel and market conditions may not justify any expenditures made or enable the Group to operate its vessels profitably during the remainder of their useful lives.

2.2.20 Delays in deliveries of, or cost overruns in relation to, newbuilds or deliveries of vessels with significant defects could harm the Group's operating results and lead to the termination of any related charters that may be entered into prior of their delivery

The Group has contracted to take delivery of 4 newbuilds (2 LR1s from Guangzhou Shipyard International Company Limited ("**GSI**"), through Vista Shipping Ltd., a joint venture between the Group and CSSC Shipping (the "**Vista JV**"), and 2 MRs (chartered-in) from Japan Marine United Corporation ("**JMU**")). The newbuilds are expected to be delivered in the period from November 2019 to October 2020. Generally, there is a risk that the newbuilds the Group has ordered, or may order in the future, or any vessels acquired or to be acquired in the future, could be subject to cost overruns or delays, which would delay the Group's receipt of revenue under any future charters it has entered into for such vessel(s). All current newbuilds have been ordered from China and Japan and, accordingly, any problems that may affect China and Japan in general or the shipyards, could lead to delays in all of the current newbuilds. The Group may enter into charters for such newbuilds under which it could be liable for liquidated damages in amounts or, under some charters, increased hire rate, if there is a delay in the delivery of the vessel to a customer. If the delay sustains, the customer may terminate the time charter and, in addition to loss of revenue for the Group, the Group may be responsible for additional, substantial liquidated damages. The delivery of any newbuild with substantial defects could have similar consequences, as will a cancellation by the Group to take delivery due to the shipyard not meeting their obligations. As such, delayed or deficient delivery or non-delivery of a vessel could ultimately have a material adverse effect on the Group's business, financial condition and results of operation.

The Group's receipt of newbuilds could be delayed or subject to cost overruns because of many factors, including but not limited to:

- quality, classification or engineering problems;
- changes in governmental regulations or maritime self-regulatory organisation standards;
- work stoppages or other labour disturbances at the shipyard;
- bankruptcy or other financial crisis of the shipyard;
- a backlog of orders at the shipyard;
- political or economic disturbances in the locations where the vessels are being built;
- weather interference or catastrophic events, such as a major earthquake or fire;
- the Group's requests for changes to the original vessel specifications; and
- shortages of or delays in the receipt of necessary construction materials, such as steel.

2.2.21 The Group may be exposed to risk in relation to use of financial market products

The Group's use of derivative instruments such as freight forward agreements ("**FFA**") and bunker and interest rate hedging contracts, could result in losses. The FFA instruments may be used to hedge the Group's exposure to the market by providing for the sale of a contracted charter rate on an identified route and period. Similarly, the Group has the means of entering into bunker hedging agreements ("**BHA**"), in order to hedge the price on bunkers. Interest rate hedging (including swaps, caps and options) that are secured by existing credit loan facilities, are entered into with the existing lenders as per the loan agreements, as further described in Section 10.15 "Borrowings and other contractual obligations". From time to time the Group invest in FFAs, by either buying or selling FFA positions. The risks related to such FFA trading are managed through the Group's internal authorisation manual, approved by the Company's Board of Directors.

If the Group takes positions in FFAs, BHAs or interest rate hedging contracts, and do not correctly anticipate the market movements, the Group could suffer losses. These financial products are managed in accordance with the Group's internal financing and risk management policies.

2.2.22 BW Group's interests may not always be aligned with the Company

BW Group, a company owned by corporate interests associated with the Sohmen family, is a major shareholder holding approximately 65% of the Shares prior to the Private Placement. As such, BW Group's interests are closely aligned with those of the Company, but there can be no guarantee that this will always be the case. BW Group will have the ability to significantly influence the outcome of matters submitted for the vote of the Company's shareholders, including the election of members of the Board of Directors. The Company's loan agreements contain certain provisions, pursuant to which the majority lenders may cancel the loans and require repayment of the outstanding amounts if Sohmen family interests cease to beneficially or legally hold more than 25% or more of the issued share capital of the Company.

2.3 Risks relating to laws, regulations and litigation

2.3.1 The Group is subject to a wide variety of environmental laws and regulations, where non-compliance may have an adverse effect on the Group's results of operations

The shipping industry is affected by extensive and changing international conventions and national, state and local laws and regulations governing environmental matters in the jurisdictions in which the Group's vessels operate and are registered. Such regulatory measures may include, for example, the adoption of sulphur cap and trade regimes (emission trading), carbon taxes, increased efficiency standards and incentives or mandates for renewable energy. Current changes in regulatory requirements include, *inter alia*, (i) IMO 2020, which provides for a significant reduction of sulphur content of the marine fuels used by certain vessels, such as the Group's vessels, and (ii) the IMO Ballast Water Management Convention (the "**BWM Convention**"), which sets out limitations on the amount of viable organisms allowed to be discharged with a vessel's ballast water.

Compliance with changes in laws and regulations relating to climate change could increase the costs of operating and maintaining the Group's vessels, require the Group to install new emission controls and acquire admission and/or CO2-allowances, affect the resale value or useful lives of the vessels, lead to increased impairment charges, and require reductions in cargo capacity, ship modifications or operational changes or restrictions. Further, such changes could lead to decreased availability of insurance coverage, increased policy costs for environmental matters, or result in the denial of access to certain jurisdictional waters or ports or detention in certain ports, require taxes to be payable in relation to the Group's greenhouse gas emissions, or require the Group to administer and manage a greenhouse gas emissions program. Regulations of vessels, particularly in the areas of safety and environmental impact, may change in the future and require the Group to incur significant capital expenditures and/or additional operating costs in order to keep the Group's vessels in compliance. In particular, IMO 2020 is expected to affect fuel prices for a period after implementation. See Section 7.20 "Environmental and other regulations" for a description of environmental laws and other regulations concerning the Group's operations and vessels.

2.3.2 The majority of the Group's seagoing staff are members of labour unions and the Group may face labour disruptions that could interfere with its operations and have a material negative effect on the Group's business, financial condition and results of operations

As of 30 June 2019, the Group had in excess of 1,350 employees worldwide. The Group is subject to the risk of labour disputes and adverse employee relations, and these disputes and adverse relations could disrupt the Group's business operations and adversely affect the Group's business, financial condition and results of operations. The majority of the Group's seagoing staff are represented by labour unions under collective bargaining agreements in their home countries. Although the Group has not had any material problems with the labour unions in the past, and has so far not been involved in any labour disruptions, the Group can give no assurances that there will not be any labour disputes and/or adverse employee relations in the future. The Group's current collective bargaining agreement is valid until 31 March 2021.

The Maritime Labour Convention, 2006 (the "**MLC**") is an international labour convention adopted by the International Labour Organisation (the "**ILO**"), which applies to the Group's seagoing staff. The MLC is widely known as the "seafarers' bill of rights" and was adopted by government, employer and worker representatives in February 2006. The MLC aims both to achieve decent work for seafarers and to secure economic interests through fair competition for quality vessel owners. The Group believes it is in compliance with the MLC but, given the recency of the binding nature of the MLC, the uncertainty around interpretation of the MLC and the local legislation that enacts it in various countries, there are risks associated with ensuring that the Group is in proper compliance with the MLC.

2.3.3 The Group transports oil products across a wide variety of national jurisdictions, which exposes the Group to risks inherent in operating internationally and in politically unstable regions. In addition, the Group has to work with local agents and business associates all over the world, which exposes it to the risk of breaching international sanctions and anti-bribery/anti-corruption laws, any of which may have a negative impact on the Group's reputation and financial condition

The Group transports oil products across a wide variety of national jurisdictions, which entails the risk of business interruptions that may result from political circumstances in foreign countries, such as hostilities, labour strikes and boycotts, and the potential for changes in tax rates or policies and government expropriation of the Group's vessels. In addition, inadequacies of the legal systems and law enforcement mechanisms in certain countries in which the Group operates, may leave the Group exposed to a number of uncertainties. The UK Bribery Act and U.S. Foreign Corrupt Practices Act have extra territorial application and may cover agents and business associates that the Group has to deal with in different jurisdictions. The Group monitors the global political environment closely and will take appropriate measures to alleviate the impact of business interruptions. The Group has also adopted a strict anti-bribery and anti-corruption policy with corresponding measures to prevent bribery and corruption. Additionally, sanctions imposed on certain countries, companies or individuals by international and regional bodies such as the United Nations, the U.S and the EU could materially and adversely affect the Group's ability to trade with those sanctioned countries and, companies/individuals linked with such countries. Any of these events may have a negative impact to the Group's reputation and financial condition and result in loss of revenues, increased costs and decreased cash flows.

In the future, the Group's vessels could be required to call at ports located in countries that are subject to restrictions imposed by the EU, the U.S. and other governments, which could result in legal or political repercussions that may have a material adverse effect on the business, financial condition and results of operations.

2.3.4 International, regional and local competition rules and regulations for the shipping industry may adversely affect the Group's business, financial condition and results of operations

The Group operates a significant product tanker fleet in the Pools which, as at 30 June 2019, constituted 6.5% of the existing global product tanker fleet in terms of dwt. Further, part of the Group's strategy is to grow even further through acquisitions and newbuilds. Any expansion involving acquisitions of all or part of other companies' product tanker fleets will need to comply with anti-trust and competition rules and regulations in various jurisdictions in which the Group operates. This could require filing for clearances and approvals which may not be forthcoming, involve lengthy delays, and might result in a transaction being prohibited or permitted with conditions that may or may not be acceptable. There can therefore be no assurances that any such transactions will be approved or consummated, and this may hinder expansion plans.

The entry into any joint venture or pooling arrangements with third parties may also require approval from anti-trust and competition authorities in various jurisdictions in which the Group operates, and there can be no assurances that approvals will be obtained or, if they are granted with conditions, that those conditions will be acceptable to the Group. This may hinder the Group's business and growth opportunities or result in monetary and other penalties from regulatory authorities.

2.3.5 Compliance with safety and other vessel requirements imposed by classification societies may be costly and could adversely affect the Group's business, financial condition and operating results

The hull and machinery of every commercial vessel must be classed by a classification society authorised by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the 'Safety of Life at Sea Convention'. The Group's vessels are currently classed with DNV GL, NK, ABS and Lloyds Register of Shipping. All of the Group's vessels have been awarded an International Safety Management ("**ISM**") certification under the "**ISM Code**", which provides an international standard for the safe management and operation of ships at sea.

If any vessel does not maintain its class and/or fails any annual survey, intermediate survey or special survey, dependent on the nature and severity of the non-compliance, the vessel may face restrictions in trading and could be required to be off-hire while the issues are remedied. This could materially and adversely affect the Group's business, financial condition and results of operation.

2.3.6 Legislation enacted in Bermuda in response to the EU's review of harmful tax competition

The Company is incorporated in Bermuda and has a subsidiary incorporated in Bermuda. During 2017, the EU Economic and Financial Affairs Council (ECOFIN) released a list of non-cooperative jurisdictions for tax purposes. The stated aim of this list and accompanying report, was to promote good governance worldwide in order to maximise efforts to prevent tax fraud and tax evasion. In an effort to remain off this list, Bermuda committed to address concerns relating to economic substance by 31 December 2018. In accordance with that commitment, Bermuda has enacted legislation that requires certain entities in Bermuda engaged in "relevant activities" to maintain a substantial economic presence in Bermuda and to satisfy economic substance requirements. The list of "relevant activities" includes carrying on as a business any one or more of: banking, insurance, fund management, financing, leasing, headquarters, shipping, distribution and service centre, intellectual property and holding entities. At present, it is unclear what (if anything) the Company would be required to do in order to satisfy economic substance requirements in Bermuda, but to the extent the Company is required to increase its substance in Bermuda to satisfy such requirements, it could result in additional costs that could adversely affect the Company's financial condition or results of operations. If the Company was required to satisfy economic substance requirements in Bermuda but failed to do so, the Company could face automatic disclosure to competent authorities in the EU or certain other jurisdictions of the information filed by the entity with the Bermuda Registrar of Companies in connection with the economic substance requirements and may also face financial penalties, restriction or regulation of the Company's business activities and/or may be struck off as a registered entity in Bermuda.

2.3.7 *The Group is subject to prevailing tax laws in each jurisdiction in which the Group operates, and changes in tax laws or disagreements with the tax authorities of any such country, could result in a higher tax expense or higher effective tax rate on the Group's earnings which could have a significant effect on the Group's business, results of operation and financial condition*

The Group has global operations, with companies operating out of Denmark, Singapore and the United States. The Group conducts its operations through companies in different countries, and will be subject to changes in tax laws, treaties or regulations or the interpretation or enforcement thereof in various jurisdictions, possibly with retrospective effect. The Group's overall tax charge is dependent on where profits are accumulated and taxed, whereas different countries have different tax systems and tax rates. Different jurisdictions have different legal systems with different laws for tax residency, tax credits and tax exemption rules. Tax and VAT laws and regulations are highly complex and subject to interpretation and varying degrees of enforcement. The Group's tax expense will be based upon the Group's interpretation of the tax laws in effect in various countries at the time that the expense will be incurred. There can be no assurance that the Group's understanding of applicable tax laws is correct. If applicable laws, treaties or regulations change or relevant tax authorities do not agree with the Group's assessment of the effects of prevailing laws, treaties and regulations, this could have a material adverse effect on the Group's business, results of operation and financial condition. If any tax authority successfully challenges the Group's operational structure, intercompany pricing policies, the taxable presence of its subsidiaries in certain countries, or if the Group loses a material tax dispute in any country, or any tax challenge of the Group's tax payments is successful, its effective tax rate on its earnings could increase substantially and the Group's earnings and cash flows from operations could be materially adversely affected. Furthermore, changes in or different interpretations of the law could result in an increase in the Group's tax expense and/or a higher effective tax rate.

The Group has recently disclosed information to the Danish Customs and Tax Administration in relation to enquiries regarding cross border profit distribution within the Group.

2.4 Risks related to financing and market risk

2.4.1 *The Group's existing or future debt arrangements could limit the Group's liquidity and flexibility in obtaining additional financing, in pursuing other business opportunities or corporate activities or the Company's ability to declare dividends to its shareholders*

The Group's main financing arrangements are mostly (i) secured fleet financing, and to a much lesser extent (ii) unsecured credit facility and financing lease. See Section 10.15 "Borrowings and other contractual obligations" for more information on the Group's current debt level. However, the Group may incur additional indebtedness in the future. This level of debt could have important consequences for the Group, including:

- the Group's ability to obtain additional financing for working capital, capital expenditures, vessel acquisitions or other purposes, may be impaired or such financing may be unavailable on favourable terms;
- the Group's costs of borrowing could increase as it becomes more leveraged;
- the Group may need to use a substantial portion of its cash from operations to make principal and interest payments on its debt, reducing the funds that would otherwise be available for operations, future business opportunities and dividends to its shareholders;
- the Group's debt level could make it more vulnerable than its competitors with less debt to competitive pressures, a downturn in the Group's business or the economy in general; and
- the Group's debt level may limit its flexibility in responding to changing business and economic conditions.

The Group's ability to service its debt will depend upon, among other things, its future financial and operating performance, which will be affected by prevailing economic conditions as well as financial, business, regulatory and other factors, some of which are beyond the Group's control. If the Group's operating income is not sufficient to service its current or future indebtedness, the Group will be forced to take action, such as reducing or delaying its business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing its debt or seeking additional equity capital. The Group may not be able to effect any of these remedies on satisfactory terms, or at all.

2.4.2 *Restrictive covenants under the Group's current financing arrangements may lead to inability to finance operations, capital needs and to pursue business opportunities*

The Group's existing debt facilities impose, and any future debt facility may impose, operating and financial restrictions on the Group. The restrictions in the existing facilities may place limits on the Group's ability to, among other things:

- pay dividends out of operating revenues generated by the vessels securing indebtedness under the facility, if there is a default thereunder;
- incur additional indebtedness, including through the issuance of guarantees, intercompany and shareholder loans;
- create liens over the Group's assets;
- sell its vessels;
- merge or consolidate with, or transfer all or substantially all of the Group's assets to, another person;
- change the flag, class or management of the Group's vessels; and
- enter into a new line of business.

The existing debt facilities require the Group to maintain various financial ratios. These include requirements that the Group maintains (i) specified minimum ratios of net equity to total assets, (ii) specified levels of cash and cash equivalents and available credit lines, (iii) specified minimum amount of equity and (iv) specified levels of collateral coverage. In addition, vessel values may fluctuate substantially which could impact the Group's compliance with the covenants in the loan agreements described in Section 10.15 "Borrowings and other contractual obligations". The failure to comply with such covenants would cause an event of default that could materially adversely affect the Group's business, financial condition and operating results. The Group expects but cannot assure potential investors that it will be in compliance with these covenants after giving effect to the Private Placement and the application of the proceeds thereof.

Because of these covenants, the Group may need to seek permission from its lenders in order to engage in some corporate actions. The Group's lenders' interests may be different from the Group's, and the Group cannot guarantee that it will be able to obtain its lenders' permission when needed. This may limit the Group's ability to pay dividends to its shareholders, finance its future operations, make acquisitions or pursue business opportunities.

2.5 Risks related to the Listing and the Shares

2.5.1 There can be no assurance that an active and liquid market for the Shares will develop and the price of the Shares may be volatile

Prior to the Listing, the Shares have not been listed on the Oslo Stock Exchange or any other regulated market. Prior to the Listing, the Beneficial Interests were listed on and subject to trade on the Norwegian OTC list. There can be no assurance that regular trading in the Shares will develop following Listing. Investors may not be in a position to sell their Shares quickly or at market price if there is no active trading in the Shares. Further, the market value of the Shares could fluctuate significantly in response to a number of factors beyond the Company's control. There can be no assurance that the price and frequency at which the Shares in the Company are traded on Oslo Axess will correspond to the price and frequency at which the Beneficial Interests were traded at the Norwegian OTC prior to the Listing.

The Norwegian stock market has historically been subject to volatility. After the Listing, the price of the Shares may be subject to considerable fluctuation, and the volatility may be higher than usual given that the Shares in the Company have not previously been listed on a regulated market. In particular, the price of the Shares may be affected by supply and demand for the Shares, fluctuations in actual or projected results, changes in earnings forecasts, failure to meet stock analysts' earnings expectations, dividend earnings on the Shares, changes in general economic conditions and yield on alternative investments, changes in regulatory conditions and other factors. Moreover, the general volatility of share prices may create pressure on the share price even if there might be no reason for this in the Company's operations or earnings potential.

2.5.2 Future issuances of Shares or other securities may dilute the holdings of shareholders and could materially affect the price of the Shares

The Company may in the future decide to offer additional Shares or other securities in order to finance new capital-intensive projects (e.g. newbuilds, second-hands or mergers and acquisitions), in connection with unanticipated liabilities or expenses, or for any other purposes. As the Company is a Bermuda limited company, shareholders do not have the same preferential rights in a future offering in Hafnia as shareholders in Norwegian limited liability companies normally have. Depending on the structure of any future offering, certain existing shareholders may therefore not be able to purchase additional equity securities, meaning that these shareholders' holdings and voting interest may be diluted.

2.5.3 *Exchange rate fluctuations could adversely affect the value of the Shares and any dividends paid on the Shares for an investor whose principal currency is not NOK*

The Shares will be priced and traded in NOK on Oslo Axess, and although any future payments of dividends on the Shares will be denominated in USD, such dividends will be distributed through the VPS in NOK. Further, all the Group's assets and earnings are denominated in USD. Consequently, exchange rate movements will affect the value of dividends and distributions for investors whose principal currency is not NOK, as well as the value of the Group's assets and earnings. Further, the market value of the Shares as expressed in foreign currencies will fluctuate in part as a result of foreign exchange fluctuations.

This entails that both the Company and the Shareholders are exposed to exchange rate fluctuations, and that negative exchange rate developments may, especially over time, materially and adversely affect the value of the Shares and the Group.

2.5.4 *The Company may be unwilling or unable to pay any dividends in the future*

Pursuant to the Company's dividend policy, the Company targets to pay a quarterly dividend based on a pay-out ratio of 50% of annual net profit, adjusted for extraordinary items. However, the Board of Directors has the discretionary power to decide whether or not dividends will be paid. In deciding whether to declare a dividend and determining the dividend amount, the Board of Directors will take into account a number of factors such as the Group's capital requirements, financial condition and general business condition, cf. Section 5.2 "Legal constraints on the distribution of dividends". In addition, the Company may choose not to, or may be unable to, pay dividends in the future, for instance due to financial covenants in the Group's current and future loan agreements, cf. Section 10.15.1 "Material borrowings".

Further, the amount of dividends paid by the Company, if any, for a given financial period, will depend on, among other things, the Company's future operating results, cash flows, financial position, capital requirements, the sufficiency of its distributable reserves, the ability of the Company's subsidiaries to pay dividends to the Company, credit terms, general economic conditions, legal restrictions and other factors that the Company may deem to be significant from time to time.

Although the Company targets to pay quarterly dividends based on a pay-out ratio of 50% of annual net profit, there can be no assurance that the Company will pay such dividends. A resolution by the Company to not pay dividends or to pay less dividends below than what is indicated by the Company's dividend policy or expected by the market, may affect the price at which the Shares are traded on Oslo Axess, and may thus have a material impact on the value of the Shares.

2.5.5 *There will be a limited free float of the Shares, which may have a negative impact on the liquidity of and market price for the Shares*

After completion of the Private Placement, approximately 33.9% of the Company's issued and outstanding share capital will have a free float. Most of the remaining issued and outstanding share capital is expected to be held mainly by BW Group. The limited free float may have a negative impact on the liquidity of the Shares and result in a low trading volume of the Shares, which could have an adverse effect on the then prevailing market price for the Shares and result in increased volatility of the market price for the Shares, especially if investors want to buy or sell large shareholdings.

2.6 Risks related to the Company's incorporation in Bermuda

2.6.1 *Investors in the United States may have difficulty enforcing any judgment obtained in the United States or other jurisdictions against the Company or its Directors or members of Management*

The Company is an exempted company limited by shares incorporated under the laws of Bermuda. As a result, the rights of holders of the Shares will be governed by Bermuda law and the Memorandum of Association and Bye-laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. Other than Ouma Sananikone, no member of the Board of Directors or Management reside in the United States, and the vast majority of the Company's assets are located outside the United States. As a result, it may be difficult for investors in the United States to effect service of process on the Company or its Directors and members of Management in the United States or to enforce in the United States judgments obtained in U.S. courts against the Company or those persons, including judgments based on the civil liability provisions of the securities laws of the United States or any state or territory within the United States. It is doubtful whether courts in Bermuda will entertain actions and/or enforce judgments obtained in other jurisdictions, including the United States, against the Company or its Directors or members of Management under the securities laws of those jurisdictions. The United States and Bermuda do not currently have a treaty providing for reciprocal recognition and enforcement of judgments (other than arbitral awards) in civil and commercial matters. This may materially affect the value of any potential claims which a shareholder may have against the Company.

2.6.2 The Bye-laws restrict shareholders from bringing legal action against the Company's Directors or members of Management

The Bye-laws contain a broad waiver by its shareholders of any claim or right of action, both individually and on the Company's behalf, against any of the Company's Directors or members of Management. The waiver applies to any action taken by a Director or member of Management, or the failure of a Director or member of Management to take any action, in the performance of his or her duties, except with respect to any matter involving any fraud or dishonesty on the part of the Director or member of Management. This waiver limits the right of shareholders to assert claims against the Company's Directors or members of Management unless the act or failure to act involves fraud or dishonesty. This may entail that shareholders are unable to assert claims against Directors or members of Management, which may cause the shareholder to suffer potentially material losses.

2.6.3 Various conditions may cause an adverse tax effect for the shareholder if the Company pays dividends

Dividends declared and paid by a Bermuda company may be subject to local tax in the investor's home country, and each investor should make such investigations for himself/herself. Norwegian investors will be subject to taxation as dividends will be deemed as taxable income for the receiver, and such dividends will be subject to Norwegian tax and the same will apply with respect to capital gains for such investors. Local taxation may have a material and adverse effect on the value of any dividends distributed by the Company, and the total value an investor is left with upon realisation of the relevant investor's investment in the Shares.

See Section 16 "Taxation" below for more details.

3 RESPONSIBILITY FOR THIS PROSPECTUS

This Prospectus has been prepared in connection with the listing of the Shares on Oslo Axess.

The Board of Directors accepts responsibility for the information contained in this Prospectus. The members of the Board of Directors confirm, after having taken all reasonable care to ensure that such is the case, that to the best of their knowledge, the information contained in this Prospectus is in accordance with the facts and that this Prospectus makes no omissions likely to affect its import.

The board of directors of Hafnia Limited

________________________	________________________	________________________
Andreas Sohmen-Pao	Christopher Marcus Gradel	Peter Graham Read
Chairman	*Board member*	*Board member*

________________________	________________________
Erik Bartnes	Donald John Ridgway
Board member	*Board member*

4 GENERAL INFORMATION

4.1 Other important investor information

This Prospectus has been approved by the NFSA, as competent authority under the EU Prospectus Regulation. The NFSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the EU Prospectus Regulation, and such approval should not be considered as an endorsement of the issuer or the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

The Company has furnished the information in this Prospectus. None of the Company or any of its affiliates, representatives or advisors of any of the Company or the Group is making any representation to any offeree or purchaser of Shares regarding the legality of an investment in the Shares. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Shares.

Investing in the Shares involves a high degree of risk. See Section 2 "Risk factors" beginning on page 11.

4.2 Presentation of financial and other information

4.2.1 Historical financial information

On 16 January 2019, Hafnia Tankers merged with BW Tankers Corporation, a wholly-owned subsidiary of BW Tankers, with the surviving company of that merger subsequently merging with BW Tankers (being the surviving entity of the second merger and thus the Company) on 21 January 2019 (together referred to as the Merger). As a result of the Merger, BW Tankers changed its name to Hafnia Limited, a member of BW Group. The Merger is further explained in Section 14 "The Merger". In July 2018, prior to the Merger, BW Group directly and indirectly owned 43.5% of the shares in Hafnia Tankers (therefore obtaining a controlling share interest) and 81.55% of the shares in BW Tankers (the Company). Following completion of the Merger, BW Group had an ownership of 65.1% of the shares in the Company. As of the date of this Prospectus, BW Group's shareholding in the Company is 65.3%. For further information on the Merger, please see Section 14 "The Merger".

As a consequence of the Merger, the historical financial information pertaining to the Company for the years ended 31 December 2016, 2017 and 2018 does not include Hafnia Tankers, nor does it include financial information pertaining to the combined company and its consolidated subsidiaries. In order to reflect the activities of both of the merged companies, the historical financial information of both the Company and Hafnia Tankers has been included in this Prospectus, as set out below. For further information on the Merger accounting, please see Appendix J.

For the financial years ended 31 December 2016, 2017 and 2018 the Company prepared its consolidated financial statements (the "**Financial Statements**") in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board (the "**IASB**"). The Financial Statements are included in Appendix B (2018), Appendix C (2017) and Appendix D (2016). Likewise, Hafnia Tankers prepared its consolidated financial statements for the financial years ended 31 December 2016, 2017 and 2018 (the "**Hafnia Tankers Financial Statements**") in accordance with IFRS as issued by the IASB. The Hafnia Tankers Financial Statements are included in Appendix E (2018), Appendix F (2017) and Appendix G (2016). The 2017 Hafnia Tankers Financial Statements have been restated in the 2018 Hafnia Tankers Financial Statements due to the adoption of IFRS 15 Revenue from contracts with customers. The presentation of pool earnings has changed from net pool revenue to revenue and voyage expenses in the consolidated statement of comprehensive income, and the presentation of receivables has changed from receivables for the pool earnings to voyage receivables and voyage payables in the consolidated balance sheet. The 2018 Hafnia Tankers Financial Statements are presented in this Prospectus. Further, the 2016 Financial Statements have been restated in the 2017 Financial Statements to better reflect the nature of balances to conform with the classification in the current financial statements. The 2017 Financial Statements are presented in this Prospectus.

The Group's condensed consolidated interim financial information for the six months ended 30 June 2019 (with comparable figures for the same period of 2018) (the "**Interim Financial Statements**") have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**"), cf. Appendix H.

The Company has also published its condensed consolidated interim financial information for Q2 2019, which includes the three and six months ended 30 June 2019. The "**Q2 2019 Interim Report**" has been included in Appendix I to this Prospectus. Additionally, BW Tankers (the Company) has published its condensed consolidated interim financial information for Q2 2018, which includes the three and six months ended 30 June 2018 (the "**Q2 2018 Interim Report**" and together with the Q2 2019 Interim Report, the "**Q2 Interim Reports**". The Q2 2018 Interim Report has been included in Appendix M to this Prospectus. The Financial Statements, the Hafnia Tankers Financial Statements, the

Interim Financial Statements, the Q2 2019 Interim Report and the Q2 2018 Interim Report are hereinafter referred to as the "**Financial Information**".

As both Hafnia Tankers and BW Tankers (the Company) were under the control of BW Group before and following the Merger, the Company has applied the common control exemption and accounted for the opening balance of the merged Group using 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 the Merger. In order to provide prospective investors with additional, useful information on the Company and its consolidated subsidiaries following the Merger, the Company has prepared an opening combined consolidated balance sheet as at 16 January 2019 (the "**Opening Balance Sheet**"). The Opening Balance Sheet is included in Appendix J hereto. The Opening Balance Sheet has been audited by the Company's auditor KPMG.

In accordance with the EU Prospectus Regulation, the Merger constituted a significant transaction (resulting in a significant gross change of 25% or more in relation to applicable thresholds for a pro forma assessment), and as a starting point, pro forma financial information would be required in this Prospectus. However, as Hafnia Tankers was consolidated into the Group for accounting purposes from and including 1 January 2019, the Interim Financial Statements includes Hafnia Tankers. Moreover, the Company decided for its entire fleet of product tankers to be operated under the three product tanker pools "LR", "MR" and "Handy", instead of on individual vessel-by-vessel basis. As such, the Company has changed its definition of CGUs from being each vessel to becoming the three tanker pools covering the entire fleet operated by the Group for the purpose of impairment testing in connection with the preparation of the consolidated financial statements for the year ending 31 December 2019. This means that impairment testing now is on a pool CGU basis rather than on an individual vessel basis, and that the impairments made by Hafnia Tankers and BW Tankers (the Company) in 2018 would have to be reassessed in order to prepare 2018 pro forma financial information on a comparable basis. See Section 10.14 "Impairment testing" and Section 10.17 "Critical accounting policies and estimates" for more information. On the basis that (i) the Interim Financial Statements includes Hafnia Tankers and (ii) that the impairments made by Hafnia Tankers and BW Tankers (the Company) in 2018 would have to be reassessed in order to prepare 2018 pro forma financial information on a comparable basis, the Company has agreed with the NFSA that no additional pro forma financial information needs to be included in this Prospectus. For further information, please see Section 9 "Selected financial and other information".

4.2.2 Alternative performance measures (APMs)

In order to enhance investors' understanding of the Group's performance, the Company presents in this Prospectus certain alternative performance measures ("**APMs**") as defined by the European Securities and Markets Authority ("**ESMA**").

An APM is defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specific in the applicable financial reporting framework (IFRS).

It is the Company's view that APMs provide investors with relevant and specific operating figures which may enhance their understanding of the Group's performance. The Company uses the following APMs:

- **TCE income:** income from its time charters and spot voyages for owned vessels. TCE income is calculated as gross freight income net of broker commissions less voyage expenses.

- **TCE income per operating day:** TCE income per vessel per operating day. TCE income per operating day is a measure of how well the Group manages the fleet commercially.

- **Operating expenses per calendar day:** vessel operating expenses per vessel per calendar day. These expenses include insurance, repairs and maintenance, spares and consumable stores, lube oils and communication. Vessel operating expenses is a component of other operating expenses.

- **EBITDA:** the Company defines EBITDA as earnings before financial income and expenses, depreciation, impairment, amortisation and taxes. The computation of EBITDA refers to financial income and expenses which the Company deems to be equivalent to "interest" for purposes of presenting EBITDA. Financial expenses consist of interest on bank loans, losses on foreign exchange transactions and bank charges. Financial income consists of interest income and gains on foreign exchange transactions.

  EBITDA is used as a supplemental financial measure by Management and external users of financial statements, such as lenders, to assess the Company's operating performance as well as compliance with the financial covenants and restrictions contained in the Company's financing agreements. The Company believes that EBITDA assists Management and investors by increasing comparability of the Company's performance from period to period. This increased comparability is achieved by excluding the potentially disparate effects of interest, depreciation, impairment, amortisation and taxes. These are items that could be affected by various changing financing methods, capital structure and which may significantly affect profit/(loss) between periods. Including EBITDA as a measure benefits investors in selecting between investment alternatives.

For further information see Section 10.2 "Significant factors affecting the Group's results of operations and financial performance" below.

The APMs presented herein are not measurements of performance under the IFRS or other generally accepted accounting principles, and investors should not consider any such measures to be an alternative to: (a) operating revenues or operating profit (as determined in accordance with the IFRS or other generally accepted accounting principles) as a measure of the Group's operating performance; or (b) any other measures of performance under generally accepted accounting principles. The APMs presented herein may not be indicative of the Group's historical operating results, nor are such measures meant to be predictive of the Group's future results. The Company believes that the APMs presented herein are commonly reported by companies in the markets in which the Group competes and widely used by investors in comparing performance on a consistent basis without regard to factors such as depreciation, amortisation and impairment, which can vary significantly depending upon accounting measures (in particular when acquisitions have occurred), business practice or non-operating factors. Accordingly, the Group discloses the APMs presented herein to permit a more complete and comprehensive analysis of its operating performance relative to other companies across periods, and of the Group's ability to service its debt. Because companies calculate the APMs presented herein differently, the Group's presentation of these APMs may not be comparable to similarly titled measures used by other companies.

4.2.3 Industry and market data

In this Prospectus, the Company has used industry and market data from independent industry publications and market research, other publicly available information and specific market data the Company has commissioned from Clarksons Research Services Limited ("**Clarksons Research**"). While the Company has compiled, extracted and reproduced industry and market data from external sources, the Company has not independently verified the correctness of such data. The Company cautions prospective investors not to place undue reliance on the abovementioned data. Unless otherwise indicated in this Prospectus, the basis for any statements regarding the Group's competitive position is based on the Company's own assessment and knowledge of the market in which it operates.

The Company confirms that where information has been sourced from a third party, such information has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where information sourced from third parties has been presented, the source of such information has been identified. However, by source references to websites the websites shall not be deemed as incorporated by reference to this Prospectus.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and cannot give any assurances as to the accuracy of market data contained in this Prospectus that was extracted from these industry publications or reports and reproduced herein. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

As a result, prospective investors should be aware that statistics, data, statements and other information relating to markets, market sizes, market shares, market positions and other industry data in this Prospectus (and projections, assumptions and estimates based on such information) may not be reliable indicators of the Group's future performance and the future performance of the industry in which it operates. Such indicators are necessarily subject to a high degree of uncertainty and risk due to the limitations described above and to a variety of other factors, including those described in Section 2 "Risk factors" and elsewhere in this Prospectus.

4.2.4 Currencies

In this Prospectus, all references to "**NOK**" are to the lawful currency of Norway, all references to "**USD**" are to the lawful currency of the United States, all references to "**EUR**" are to the lawful common currency of the EU member states who have adopted the Euro as their sole national currency, all references to "**SGD**" are to the lawful currency of Singapore and all references to "**DKK**" are to the lawful the lawful currency of Denmark.

4.2.5 Exchange rates

The following table sets forth, for the previous five years as indicated, information regarding the average, high and low, reference rates for NOK, expressed in NOK per USD, in each case rounded to the nearest four decimal places, based on the daily exchange rate announced by the Central Bank of Norway:

Fiscal year	Average	High	Low	Period end
2014	6.3019	7.6111	5.8611	7.4332
2015	8.0739	8.8090	7.3593	8.8090
2016	8.3987	8.9578	7.9766	8.6200
2017	8.2630	8.6781	7.7121	8.2050
2018	8.1338	8.7631	7.6579	8.6885
H1 2018	7.9264	8.2729	7.6579	8.1588
H1 2019	8.6118	8.7982	8.4108	8.5183

No representation is made that the NOK amounts have been or could have been converted into USD, or vice versa, at the exchange rates indicated in the tables above or any other exchange rate.

4.2.6 Rounding

Certain figures included in this Prospectus have been subject to rounding adjustments (by rounding to the nearest whole number or decimal or fraction, as the case may be). Accordingly, figures shown for the same category presented in different tables may vary slightly. As a result of rounding adjustments, the figures presented may not add up to the total amount presented.

4.3 Cautionary note regarding Forward-looking Statements

This Prospectus includes "**Forward-looking Statements**" that reflect the Company's current views with respect to future events and financial and operational performance. These Forward-looking Statements may be identified by the use of forward-looking terminology, such as the terms "anticipates", "assumes", "believes", "can", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "should", "projects", "will", "would" or, in each case, their negative, or other variations or comparable terminology. These Forward-looking Statements are, as a general matter, statements other than statements as to historic facts or present facts and circumstances. They appear in the following Sections in this Prospectus; Section 5 "Dividends and dividend policy", Section 6 "Industry and market overview", Section 7 "Business of the Group", Section 9 "Selected financial and other information" and Section 10 "Operating and financial review", and include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, financial strength and position of the Group, operating results, liquidity, prospects, growth, the implementation of strategic initiatives, as well as other statements relating to the Group's future business development, financial performance and the industry in which the Group operates.

Prospective investors in the Shares are cautioned that Forward-looking Statements are not guarantees of future performance and that the Group's actual financial position, operating results and liquidity, and the development of the industry and potential market in which the Group may operate in the future, may differ materially from those made in, or suggested by, the Forward-looking Statements contained in this Prospectus. The Company cannot guarantee that the intentions, beliefs or current expectations upon which its Forward-looking Statements are based, will occur.

By their nature, Forward-looking Statements involve, and are subject to, known and unknown risks, uncertainties and assumptions as they relate to events and depend on circumstances that may or may not occur in the future. Because of these known and unknown risks, uncertainties and assumptions, the outcome may differ materially from those set out in the Forward-looking Statements. Important factors that could cause those discrepancies include, but are not limited to:

- the highly cyclical nature of the product tanker industry;
- an oversupply of product tanker capacity;
- the continued growth of the global product tanker market;
- a deterioration in global economic conditions;
- increases in bunker fuel prices;
- inadequacy of the Group's insurance to cover the Group's losses;

- substantial fluctuations in charter rates;
- the Group's international operations are exposed to the risk of acts of piracy;
- the Group transports oil products across a wide variety of national jurisdictions, which exposes the Group to risks inherent in operating internationally and in politically unstable regions. In addition, the Group has to work with local agents and business associates all over the world, which exposes it to the risk of breaching international sanctions and anti-bribery/anti-corruption laws;
- the Group may not be able to implement its business strategy successfully or manage its development effectively;
- the Group's development in the product tanker market depends on its ability to expand relationships with existing customers and obtain new customers, for which the Group will face substantial competition;
- competition from more technically advanced vessels;
- the Group will be required to make substantial capital expenditures in order to modernise and expand the fleet and maintain the quality of the vessels owned by the Group;
- the Group's lack of diversification;
- international, regional and local competition rules and regulations for the shipping industry;
- the Group may have difficulty expanding its fleet in the future;
- the loss of any of the Group's top five customers or default by any of these customers;
- off-hire or performance claims by the Group's customers;
- substantial fluctuation in vessel values;
- the Group may experience operational problems;
- changes in and compliance with law and regulation;
- compliance with safety and other vessel requirements imposed by classification societies;
- seasonal fluctuations;
- vessel damage;
- required drydocking of the Group's vessels;
- attraction and retention of key management personnel and other employees;
- a shortage of qualified officers;
- labor union disruptions;
- litigation;
- disruption, failure or security breaches of information technology and other operating systems;
- the ageing of the fleet;
- delays in deliveries, or cost overruns in relation to, newbuilds or deliveries of vessels with significant defects;
- failure to successfully integrate assets or businesses acquired from third parties;

- changes in tax laws of any country in which the Group operates from time to time, or complex tax laws associated with international operations which the Group may undertake from time to time;
- a loss of a major tax dispute or a successful tax challenge to the Group's operating structure;
- the Company is a holding company and is dependent on cash flows from its subsidiaries;
- unavailability of required additional capital;
- significant exchange rate fluctuations;
- derivative contracts;
- the Group's financing and related risks; and
- the Listing and related risks.

The risks that are currently known to the Company and which could affect the Group's future results and could cause results to differ materially from those expressed in the Forward-looking Statements are discussed in Section 2 "Risk factors".

The information contained in this Prospectus identifies additional factors that could affect the Group's financial position, operating results, cash flows, liquidity and performance. Prospective investors in the Shares are urged to read all Sections of this Prospectus for a more complete discussion of the factors that could affect the Group's future performance and the industry in which the Group operates when considering an investment in the Company.

These Forward-looking Statements speak only as at the date on which they are made. The Company undertakes no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral Forward-looking Statements attributable to the Company or to persons acting on the Company's behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

5 DIVIDENDS AND DIVIDEND POLICY

5.1 Dividend policy

The Company targets a quarterly dividend based on a pay-out ratio of 50% of annual net profit, adjusted for extraordinary items. The final amount of dividend is to be decided by the Board of Directors. In addition to cash dividends, the Company may buy back shares as part of its total distribution to shareholders. Reference is made to Section 5.2 "Legal constraints on the distribution of dividends" below, whereas any payment of dividends to the Company's shareholders must be within the legal requirements of distribution of dividends.

In deciding whether to declare a dividend and determining the dividend amount, the Board of Directors will take into account the Group's capital requirements, including capital expenditure commitments, financial condition, general business conditions, legal restrictions as set out in Section 5.2 "Legal constraints on the distribution of dividends", and any restrictions under borrowing arrangements or other contractual arrangements in place at the time.

There can be no assurance that a dividend will be declared in any given year. If a dividend is declared, there can be no assurance that the dividend amount or yield will be as contemplated above.

Dividends distributed to shareholders of the Company for the fiscal years 2016, 2017 and 2018 were nil in each period.

5.2 Legal constraints on the distribution of dividends

A Bermuda company may not declare or pay a dividend, or make a distribution out of "contributed surplus", if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than its liabilities. "Contributed surplus" is defined for purposes of section 54 of the Bermuda Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the Company. Under the Bye-laws, the Board of Directors may declare dividends and distributions without the approval of the shareholders in general meetings. Further, the Company's subsidiaries may be subject to applicable legal constraints on the distribution of dividends in the jurisdiction in which they are incorporated, such as sufficiency of distributable reserves.

5.3 Manner of dividend payments

Although any future payments of dividends on the Shares will be denominated in USD, such dividends will be distributed through the VPS in NOK. Any dividends on the Shares will be paid to the shareholders through the VPS Registrar (as defined in Section 13.1 Company corporate information). Shareholders registered in the VPS who have not supplied their VPS-account operator with details of their bank account, will not receive payment of dividends unless they register their bank account details with the VPS Registrar. The exchange rate(s) that is applied when denominating any future payments of dividends to the relevant shareholder's currency will be the VPS Registrar's exchange rate on the payment date. Dividends will be credited automatically to the VPS registered shareholders' accounts, or in lieu of such registered account, at the time when the shareholder has provided the VPS Registrar with their bank account details, without the need for shareholders to present documentation proving their ownership of the Shares. Shareholders' right to payment of dividend will lapse three years following the resolved payment date for those shareholders who have not registered their bank account details with the VPS Registrar within such date. Following the expiry of such date, the remaining not distributed dividend will be returned from the VPS Registrar to the Company.

6 INDUSTRY AND MARKET OVERVIEW

The information and data contained in this prospectus relating to the international tanker industry has been provided by Clarksons Research and is taken from Clarksons Research's database and other sources. Clarksons Research has advised that: (i) some information in Clarksons Research's database is derived from estimates or subjective judgments; (ii) the information in the databases of other maritime data collection agencies may differ from the information in Clarksons Research's database and (iii) while Clarksons Research has taken reasonable care in the compilation of the statistical and graphical information and believes it to be accurate and correct, data compilation is subject to limited audit and validation procedures.

6.1 Overview

The maritime shipping industry is fundamental to international trade as the only practicable and cost effective means of transporting large volumes of many essential commodities and finished goods. The product tanker industry plays a vital link in the global energy supply chain. Tanker markets are highly competitive, with ship charter hire rates sensitive to changes in demand for and supply of tanker capacity, and are consequently cyclical and volatile. Tankers make up approximately one third of the world's merchant fleet by tonnage, including product tankers, which carry refined and unrefined petroleum products.

In broad terms, demand for the commodities traded by sea is principally affected by world and regional economic conditions as well as other factors such as changes in seaborne and other transportation patterns, and changes in the regional prices of raw materials and products. Tanker demand is principally a product of the amount of oil transported in tankers and the distance over which the cargo is transported. A total of 3.1 billion tons of crude oil and oil products were moved by sea in 2018, of which 1.1 billion tons was oil products. Oil trade in terms of tonne-miles stood at 13.6bn tonne-miles in 2018, of which 3.1bn was oil products. Over the past ten years, oil products trade has grown at an average rate of 2.8% p.a. in terms of tonnes and 2.9% in terms of tonne-miles. Current estimates for trade growth in oil products trade are 1.1% in terms of tonnes and 2.2% in terms of tonne-miles in 2019, before rising to 3.9% and 5.1% in 2020 in terms of tonnes and tonne-miles respectively. Factors impacting continued growth of oil products trade include expected growth in Asian and Middle Eastern refinery capacity and their associated export potential; continued economic growth and associated oil demand, particularly in non-Organisation for Economic Co-operation and Development ("**OECD**") regions, and the continued growth of import demand from regions with limited local refinery capacity or weak refining sectors such as in Africa and Latin America. In 2020, oil products trade is expected to be impacted in particular by the IMO 2020 global sulphur cap, with the regulations and their impact on the oil and bunker industry expected to provide a significant boost to seaborne oil trade. Recent trends and short-term projections are illustrated in the table below.

World Seaborne Tanker Trade

Year	Crude Oil		Oil Products		Total	
	million tonnes	*% y-o-y*	*million tonnes*	*% y-o-y*	*million tonnes*	*% y-o-y*
2013	1,824	-3.8%	944	4.9%	**2,768**	**-1.0%**
2014	1,787	-2.0%	936	-0.9%	**2,723**	**-1.6%**
2015	1,862	4.2%	1,004	7.2%	**2,865**	**5.2%**
2016	1,938	4.1%	1,046	4.2%	**2,985**	**4.2%**
2017	2,004	3.4%	1,063	1.6%	**3,067**	**2.8%**
2018	2,016	0.6%	1,070	0.7%	**3,086**	**0.6%**
2019 (f)	2,019	0.2%	1,082	1.1%	**3,101**	**0.5%**
2020 (f)	2,076	2.9%	1,124	3.9%	**3,201**	**3.2%**
CAGR (2013-2018)	2.0%		2.5%		2.2%	
CAGR (2008-2018)	*0.5%*		*2.8%*		*1.2%*	

Source: Clarksons Research and industry sources, October 2019.

Note (1): (f) = forecasts.

Note (2): The forecasts for 2019 and 2020 are for the full years and are subject to change. There is only limited trade and economic data for 2019 and 2020. These forecasts and estimates are subject to limitations, including assumptions about general economic conditions. There is no guarantee that trends are sustainable.

World Seaborne Tanker Trade

Year	Crude Oil		Oil Products		Total	
	billion tonne-miles	*% y-o-y*	*billion tonne-miles*	*% y-o-y*	*billion tonne-miles*	*% y-o-y*
2013	8,912	-2.5%	2,685	2.5%	**11,597**	**-1.4%**
2014	8,850	-0.7%	2,707	0.8%	**11,557**	**-0.3%**
2015	9,033	2.1%	2,892	6.8%	**11,924**	**3.2%**
2016	9,619	6.5%	3,007	4.0%	**12,626**	**5.9%**
2017	10,190	5.9%	3,034	0.9%	**13,224**	**4.7%**
2018	10,504	3.1%	3,072	1.2%	**13,575**	**2.7%**
2019 (f)	10,800	2.8%	3,140	2.2%	**13,940**	**2.7%**
2020 (f)	11,410	5.6%	3,299	5.1%	**14,709**	**5.5%**
CAGR (2013-2018)	3.3%		2.7%		3.2%	
CAGR (2008-2018)	*1.7%*		*2.9%*		*1.9%*	

Source: Clarksons Research and industry sources, October 2019.

Note (1): (f) = forecasts.

Note (2): The forecasts for 2019 and 2020 are for the full years and are subject to change. There is only limited trade and economic data for 2019 and 2020. These forecasts and estimates are subject to limitations, including assumptions about general economic conditions. There is no guarantee that trends are sustainable.

Tanker supply is determined by the size of the existing fleet as measured by cargo carrying capacity. It is influenced by a variety of factors, primarily the size of the existing fleet by number and ship size, the rate of deliveries of newbuilds, scrapping, (the terms "scrapping", "demolition" and "recycling" are used interchangeably) and other operating efficiency factors (for example, storage, time in port, congestion and vessel speed) affecting the number of ships available for charter. There are a total of 5,185 crude and product tankers sized above 10,000 dwt, with an aggregate capacity of 578 million dwt. Product tankers constitute 29% of this fleet in tonnage terms but 59% of the combined crude and product tanker fleet in terms of vessel numbers. The product tanker fleet (vessels 10,000+ dwt) grew at a relatively firm pace in 2015-17, averaging a rate of 5.4% growth p.a. whilst the crude fleet also registered rapid growth in 2016-17 of 5.5% p.a. However, the rate of fleet growth slowed in 2018, with the overall tanker fleet growing by 0.9%, with demolition levels having increased significantly. The product tanker fleet (vessels 10,000+ dwt) is expected to grow by 4.4% in 2019, before slowing to 2.4% in 2020 in dwt terms, whilst the crude tanker fleet is expected to increase by 6.3% in 2019, before slowing to 1.5% in 2020. At the start of October 2019, the product tanker orderbook stood equivalent to 7% of the fleet in tonnage terms, the lowest level in over 20 years. Across the shipping industry, there is an increasing framework of environmental regulation being faced by shipowners, which is creating some pressures on the trading of older ships.

World Seaborne Tanker Fleet Development and Orderbook (million DWT)

End Year	Crude Tanker		Product Tanker		Total	
	million DWT	*% y-o-y*	*million DWT*	*% y-o-y*	*million DWT*	*% y-o-y*
2013	340.4	1.4%	130.9	2.6%	471.3	1.7%
2014	341.2	0.2%	136.0	3.9%	477.2	1.3%
2015	348.2	2.1%	143.8	5.7%	492.0	3.1%
2016	368.6	5.9%	152.8	6.3%	521.5	6.0%
2017	387.3	5.1%	159.3	4.2%	546.6	4.8%
2018	389.5	0.6%	162.1	1.8%	551.6	0.9%
2019 (f)	414.0	6.3%	169.3	4.4%	583.3	5.7%
2020 (f)	420.4	1.5%	173.3	2.4%	593.7	1.8%
CAGR (2013-2018)	2.7%		4.4%		3.2%	
CAGR (2008-2018)	3.5%		4.7%		3.9%	
Fleet (Oct-2019)	410.0		168.3		578.2	
Orderbook (Oct-2019)	37.5		12.1		49.6	
% Fleet	*9.2%*		*7.2%*		*8.6%*	

Source: Clarksons Research and industry sources, October 2019.

Note (1): (f) = forecasts.

Note (2): The product tanker fleet is classified as coated non-IMO graded tankers, IMO III Graded Tankers, IMO II Graded Tankers of 25,000 dwt and above which meet criteria: average tank size >3,000cbm, or, where average tank size is unknown, number of tanks <16 (for vessels of 25,000 dwt – 39,999 dwt), <18 tankers (for vessels of 40,000 dwt – 54,999 dwt), <30 tanks (for vessels of 55,000 dwt – 84,999 dwt), tankers of unknown IMO grade of 25,000 dwt and above, uncoated non-IMO graded tankers below 55,000 dwt. Tankers designated as specialised tankers and all tanker with stainless steel tanks are excluded.

Note (3): The data relating to product tankers is for the fleet sized 10,000 dwt and above.

Note (4): Going forward, the orderbook may be influenced by delays, cancellations and the re-negotiation of contracts. Due to these technical and contractual issues, there is currently some uncertainty surrounding the orderbook.

The charter market is highly competitive. Competition is based primarily on the offered charter rate, the location and technical specification of the vessel and the reputation of the vessel and its manager. The existing supply and demand balance for sea transportation capacity is a key factor in determining charter rates. The balance between supply and demand during the 2016-2018 period led to a weakening in the charter market following the highs seen in 2015, with rates for both crude and product tankers falling to cyclical lows in 2018 driven partly by the cumulative impact of a number of years of high fleet supply growth alongside weaker demand side trends in 2018. However, market conditions have improved in 2019 compared to bottom-of-the-cycle levels seen in 2018, after strong levels of recycling last year helped to reduce surplus tonnage. The current supply/demand outlook suggests further re-balancing of the markets through 2020, with supportive trends stemming from IMO 2020 regulations and risks to the downside from global economic uncertainty.

6.2 Current environmental and regulatory issues

6.2.1 The accelerating regulatory timetable

In recent years there have been an increased number of environmental regulatory issues that the shipping industry has had to face. European, US, and Chinese legislative and regulatory bodies, as well as the IMO, have implemented or are in the process of implementing stricter criteria across a range of areas, focusing on ship emissions. These include the introduction of emission control areas in some northern European waters, US coastal waters and in China, aimed at limiting emissions of sulphur oxides from vessels in these designated areas. Further to this, the global sulphur content limit for marine fuels is set to be reduced from 3.5% to 0.5% from the start of 2020 onwards. Meanwhile, in September 2016 the IMO's BWM Convention was ratified and came into force in September 2017. The BWM Convention aims to prevent the transfer of invasive aquatic organisms through the control and management of ships' ballast water and sediment. These, and other, developing governmental requirements and charterer criteria have tended to have an adverse effect on older and less efficient vessels given the potential capital expenditure (CAPEX) and fuel costs involved in meeting new regulations, potentially increasing the rationale for demolition of these older vessels. These trends could restrict the supply of vessels available to charterers in the future as older vessels are removed from service, requiring vessel owners and operators to maintain more modern fleets.

6.2.2 2020 global sulphur cap

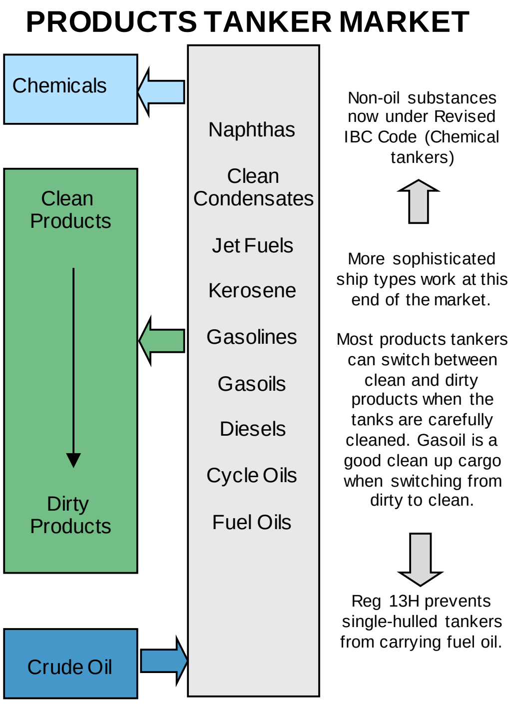
The IMO's global limit on the sulphur content of marine fuels of 0.5% will be introduced at the start of 2020, with the aim of reducing SOx emissions by the global shipping fleet. There exists a significant market for marine fuels, with total global bunker demand thought to be currently between 275mt and 325mt per annum. Heavy Fuel Oil, with relatively high sulphur content, is estimated to represent approximately 80% of all ship bunkers currently consumed, and the fuel oil volume consumed by ships is estimated to represent approximately 45% of all fuel oil output by the global refinery sector. While there is significant uncertainty in relation to the 2020 regulations, including the potential for changes to the enforcement timetable and the choice of technology made by shipowners (e.g. scrubbers, utilise more expensive low sulphur fuel or alternative fuel types such as Liquefied Natural Gas ("**LNG**"); see table 'The 2020 Global SOx Cap: Options For Owners'), there are potential implications for oil products trading patterns that may create opportunities for owners. There is also the potential for slow steaming to optimise the higher fuel costs that may be involved with utilising low sulphur fuel, an increased rationale for scrapping older vessels given their fuel efficiency and the economics of fitting scrubbers and an increased competitiveness for modern, fuel efficient vessels.

The tables in the Section 6.7 "Annexes" illustrate a number of regulatory issues that the shipping industry is currently facing and the range of options available to owners with regards to the 2020 global sulphur cap.

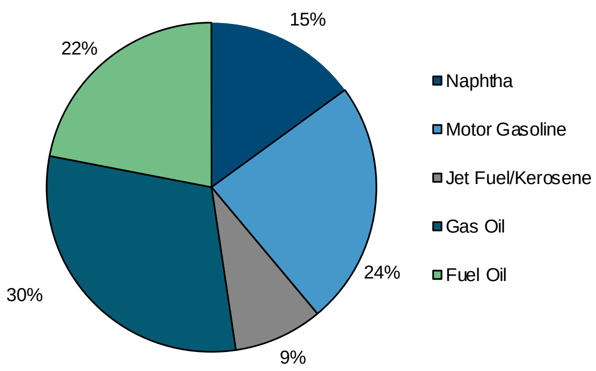
6.3 The product tanker industry

While crude tankers transport crude oil from points of production to oil refineries or storage locations, product tankers can carry both refined and unrefined petroleum products, including crude oil, as well as fuel oil and vacuum gas oil ("**Dirty Products**") and gas oil, gasoline, jet fuel, kerosene and naphtha ("**Clean Products**"). The major difference between the two is that Clean Products transportation will typically require a vessel with coated tanks. Product tankers are oil tankers typically with coated (often with epoxy) tanks. This tank coating allows vessels to transport various grades of refined petroleum products, vegetable oils and easy chemicals without degrading the vessel's steel or contaminating the cargo. Dirty Products, however, are transported by a mixture of coated and uncoated tankers, as trading patterns and market requirements dictate. Dirty Products, such as fuel oil, vacuum gas oil and carbon black feedstock require heating to lower the viscosity of the cargo during transport, but require minimal tank or line preparation as contamination of the cargo is not a crucial consideration. Product tankers make up 59% of the combined crude and product tanker fleet (above 10,000 dwt) in terms of vessel numbers and 29% in terms of dwt, and are a key part of the global tanker trade.

Although the product tanker market exhibits some independent behaviour from the crude tanker market, there is also correlation between the two sectors and changes in one market may influence the other.



2018 Seaborne Oil Products Trade by Product Type (bpd)



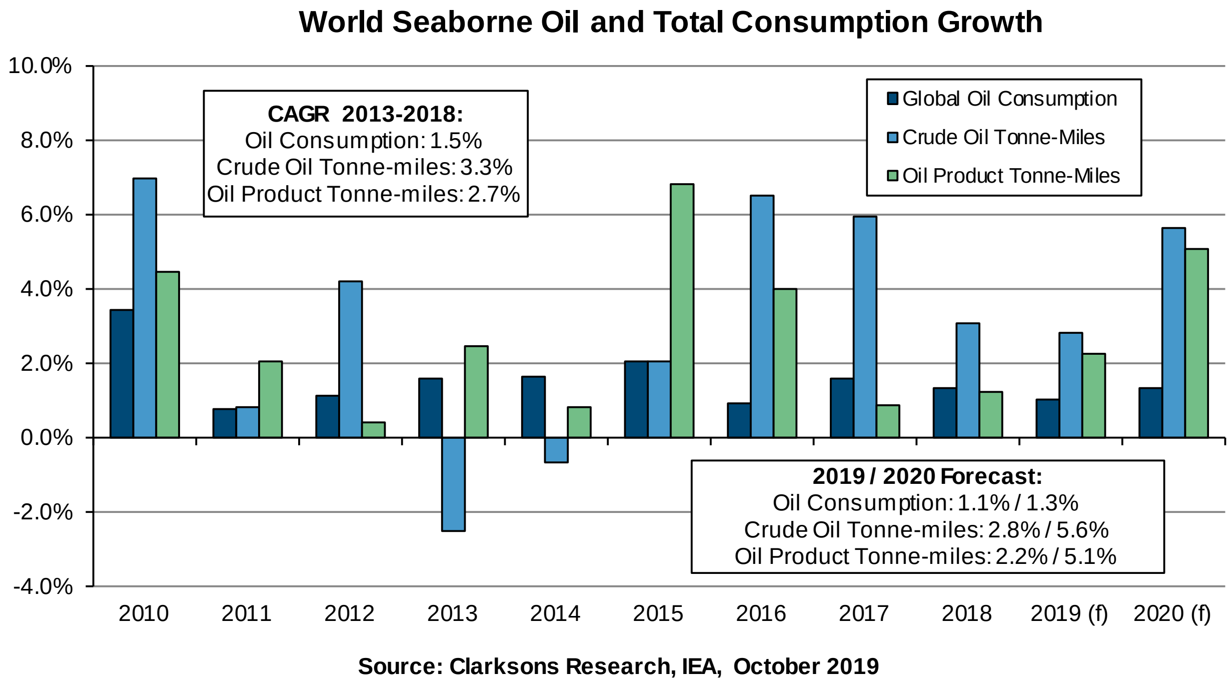
Source: Clarksons Research, October 2019

6.4 Product tanker demand

6.4.1 Introduction

Demand for oil tankers is dictated by world oil demand and trade, and the location and accessibility of oil products supplies relative to the principal locations for discharging such cargoes. The metric of tonne-miles is often used as a proxy for oil tanker demand and is a product of (a) the amount of cargo transported in tankers, multiplied by (b) the distance which cargo is transported. Macroeconomic forces, both globally and regionally, have a significant impact upon world oil products consumption and, consequently, upon the volume of oil products to be transported by sea. The average distance of sea transportation of oil products is affected by trading patterns, which are determined by a combination of economic and geographic factors, refinery developments, regional products imbalances, seasonal variations, oil price trends and differentials in oil products prices between regions, environmental influences, exceptional climatic conditions and geopolitical events.

Oil demand cycles move broadly in line with developments in the global economy, and are often a key factor influencing tanker demand. In 2018, oil accounted for around one third of world energy consumption. Daily oil demand has increased from approximately 88.8 million barrels per day ("**m bpd**") in 2010 to 99.1m bpd in 2018, driven by increasing world population, global economic expansion and rising oil consumption in the transportation industries in developing countries. The developing world has been the key driver of continued growth in global oil consumption, with oil demand in these nations growing by a CAGR of 3.0% over the past 10 years in comparison to a decrease of 0.2% p.a. on average in OECD countries. Global oil demand is projected to increase by 1.0% in 2019, compared to an average of 1.3% since 2009, with the rate of demand growth more recently subdued by wider economic concerns including global trade tensions, uncertainty over Brexit, softer economic trends in Europe and emerging market turbulence. Global oil demand growth is currently projected to grow by 1.3% in 2020, supported in part by impacts from the IMO 2020 global sulphur cap. However, given the significant building pressures in the global economy, there is the potential for weaker growth in oil demand next year, which could impact growth in product tanker demand.



Note (1): (f) = forecasts.

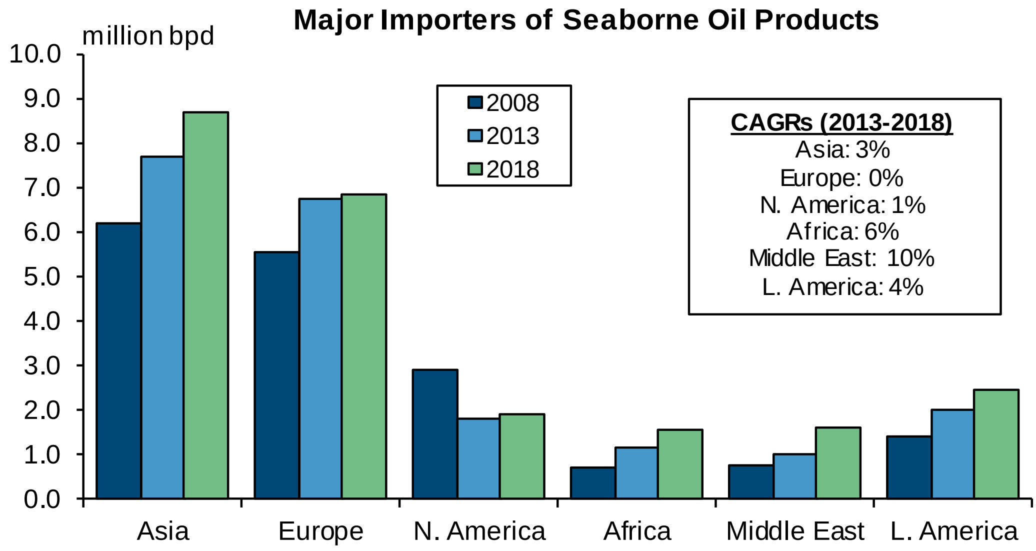
Note (2): The forecast for 2019 and 2020 are for the full years and are subject to change. There is only limited trade and economic data for 2018, 2019 and 2020. These forecasts and estimates are subject to limitations, including assumptions about general economic conditions. There is no guarantee that trends are sustainable.

6.4.2 Key oil products trade trends

In 2018, total seaborne oil products trade totalled an estimated 23.2m bpd, equivalent to 9% of global seaborne trade in terms of tonnes, with volumes having expanded steadily overall in recent years (increasing from 20.4m bpd in 2013 at a CAGR of 2.5%). However, the rate of growth in individual years has varied significantly during this period. Growth in seaborne oil products trade accelerated to over 7% in 2015, the fastest pace of growth since 2005, driven in part by the low oil price environment following the price crash in 2014 which encouraged oil demand growth and inventory building. The pace of expansion has since slowed, with seaborne oil products trade growing by an estimated 1.6% in 2017 and a slower 0.7% in 2018, limited by higher inventories in some regions, the higher oil price environment in 2018 relative to the previous few years, and limited arbitrage opportunities, particularly in 2018. Seaborne oil products trade is currently projected to grow by 1.1% in 2019, supported largely by growth in US, Latin American and African imports and Asian and Middle Eastern exports. Growth of 3.9% is expected in 2020, supported chiefly by the return of growth in Asian imports, Middle Eastern and European imports, with growth on the exporter side driven by the U.S., Asia and the Middle East.

6.4.3 Key import trends

In recent years, key drivers of overall expansion in seaborne oil products trade have included increased imports into South East Asian/Asia Pacific, African and Middle Eastern countries, namely due to increasing oil demand in developing economies, many which lack sufficient domestic refinery capacity to meet this growth in demand. Weakness in the Mexican refining sector has also lent support to global growth in oil products trade; with imports into the country growing by a CAGR of 12.2% in 2013-18 as refinery utilisation fell from c.75% in 2013 to c.38% in 2018 according to the IEA. Refinery closures have also lent support to product import demand in some regions, for example in OECD Europe, where refining capacity has contracted by c.1m bpd since 2010. Whilst oil demand in this region has declined at an average rate of 0.4% p.a. since 2010, oil products imports have in fact expanded by a CAGR of 1.1% across the same period. Similarly, Australian oil products imports rose by a CAGR of 12.5% in 2010-18 according to customs data, supported in part by the closure of 0.3m bpd of refinery capacity.

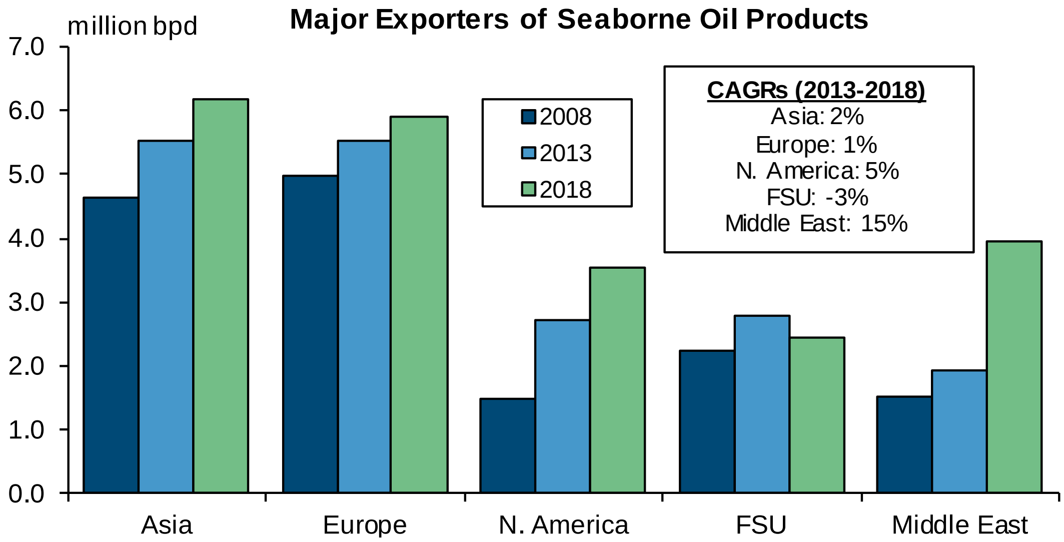


Source: Clarksons Research and Industry Sources, October 2019

More recently, unfavourable arbitrage economics have exerted downward pressure on the pace of seaborne oil products trade growth, with flows from West to East in 2018 limited for much of the year, partly as higher bunker prices hampered trading economics and eastbound cargoes were redirected to the Middle East to meet unusually high oil demand during the summer. This led to a decline of 9% in South East Asian products imports in 2018 (compared to 8% growth in 2017). In 2019, Asian imports are expected to fall once more, with oil demand growth in the region limited in the first half of the year due to a warmer winter, petrochemical outages and economic impacts from US–China trade tensions. On the other hand, growth of 10% in US imports is projected to lend support to global seaborne products trade, partly driven by the recent closure of the 0.33m bpd Philadelphia refinery.

6.4.4 Key export trends

Much of the increase in exports in recent years has stemmed from increased shipments from the U.S., the Middle East and China. Exports from the U.S. rose by a CAGR of 5.9% in 2013-18, supported by increased refinery capacity and also by the significant rise in domestic oil production, particularly shale oil, which led to higher availability of crude feedstock to refine. Meanwhile, Middle Eastern shipments expanded by a CAGR of 15.1% in 2013-18, due in large part to the construction of new refinery facilities in the UAE (Ruwais expansion, +0.4m bpd) and Saudi Arabia (Jubail and YASREF, 0.4m bpd each). In the same period, Chinese seaborne products exports also grew by a CAGR of 20.2%, also partly driven by significant expansion in refinery capacity (+1.4m bpd) both at existing and new facilities, along with increased utilisation in the 'teapot' refining industry following the liberalisation of China's oil market which allowed these independent refiners access to imported crude oil in late 2015 and to apply for products export quotas in 2016. As a result of these factors, China transitioned from a net oil products importer to a net oil products exporter during this period.



Source: Clarksons Research and Industry Sources, October 2019

However, in 2019 so far, rapid growth in Chinese oil products exports (expected to expand by 12% in 2019) amid domestic oversupply has contributed to suppressed refining margins in Asia which have weakened to their lowest level in over a decade. This factor, along with an increase in global refinery maintenance in the first half of 2019 (as many refiners adjust product yields to maximise production of middle distillates ahead of the 2020 sulphur cap) has exerted downwards pressure on growth in seaborne products exports so far this year.

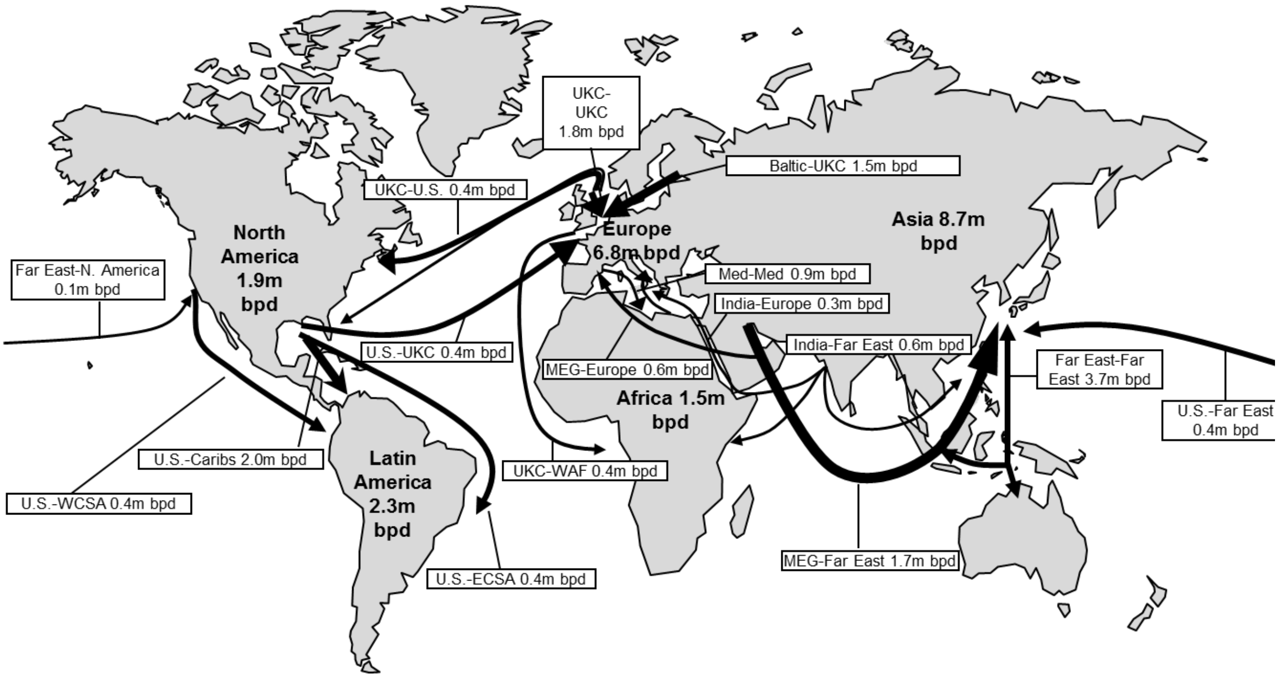
6.4.5 Trading patterns

Seaborne oil products trade in terms of tonne-miles is estimated to have increased by a CAGR of 2.7% in 2013-18. This pace is slightly faster than trade growth in tonnes as long-haul[2] trade volumes have increased in recent years from countries that have only historically produced and exported crude oil, in particular from the Middle East to Asia and Europe. Increased exports from the U.S. have also helped to support long-haul trade, with growth on routes to the Far East and Brazil. However, exports from the U.S. have grown most significantly to closer Latin American countries, in particular Mexico, where refinery sector weakness has supported import demand. Growth on trades such as these has somewhat counterbalanced the positive impact on oil products trade growth in terms of tonne-miles at a global level, as has growth in intra-regional trade volumes in Asia. Continued growth at these historical levels will be subject to global economic developments and a continuation of the trade and refinery trends of recent years. In 2019, oil products tonne-mile trade is expected to increase by 2.2%.

Overall, growth in long-haul trade has lent support to demand for larger, LR vessels designed for long-haul trades as well as MR tankers, whilst growth on short-haul[3] routes has provided positive impetus to demand for smaller tankers such as SRs as well as MR tankers. MR vessels offer the flexibility of being sufficiently small to enable access to a diverse range of ports and are popular with oil traders given this flexibility and ability to deal with common parcel sizes.

[2] Long-haul routes are typically inter-regional trades with greater voyage distances, e.g. USG-Asia, Europe-Asia, MEG-Asia.

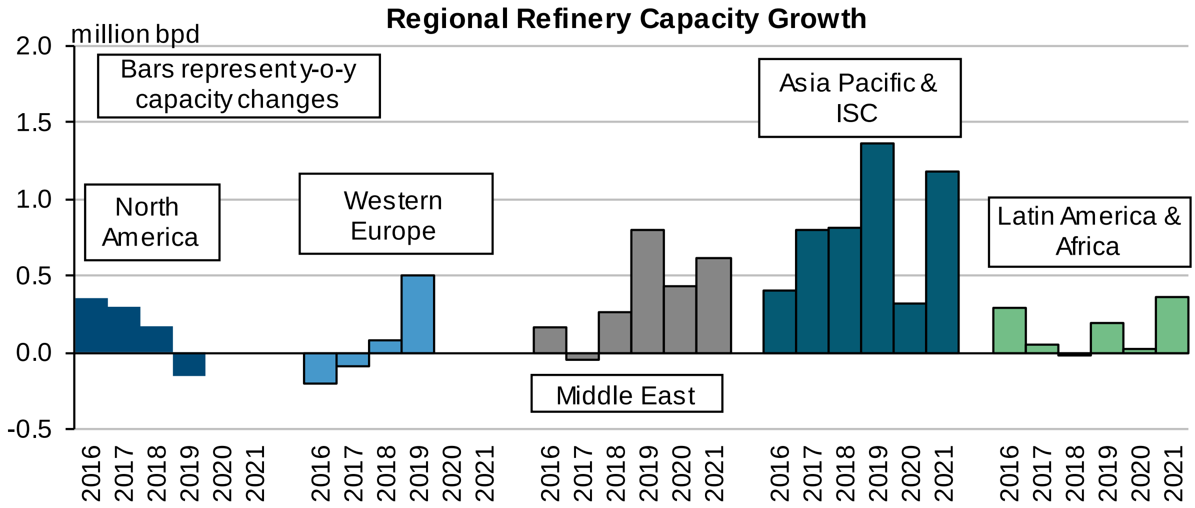
[3] Short-haul routes are typically intra-regional routes, such as intra-Europe/Mediterranean, intra-Asia and USG-Caribs.



6.4.6 Trends in refining capacity

Trends in refinery capacity and throughput levels are also a key driver of seaborne products trade patterns. At the end of 2018, global refinery capacity totalled an estimated 99.8m bpd, with over a third of this capacity located in Asia, and significant capacity also located in the U.S. and Europe. Global refinery capacity has expanded steadily over time in order to meet the continued growth in consumption of oil products, and has expanded by almost 8m bpd since the end of 2010. Refinery capacity additions in Asia, particularly China, have been a key driver of this expansion, with China adding 3.5m bpd of capacity in this period. Growth in Middle Eastern refinery capacity has also been a key driver of expansion in the global refining industry, with the construction of large-scale export-oriented plants such as YASREF and Jubail in Saudi Arabia, which have supported long-haul products trade to Asia and Europe. More recently, the U.S. and Indian refining sectors have also registered firm expansion, adding 1.1m bpd and 0.8m bpd of capacity respectively since 2013, whilst the refining industries in OECD nations in Europe and Japan have contracted as outdated capacity has been closed.

Further expansion in global refinery capacity in coming years is expected to be driven principally by refinery projects in the Middle East and Asia. Middle Eastern refinery capacity is projected to expand by 1.8m bpd between end 2018 and end 2021, including further capacity expansion in Saudi Arabia (e.g. Jazan, 0.4m bpd, 2019), the UAE (e.g. Fujairah, 0.25m bpd, 2020) and the large scale 0.62m bpd Al Zour refinery in Kuwait slated for start-up at the end of 2021 as part of KNPC's 'Clean Fuels Project'. This refinery is designed to use Kuwaiti crude oil to produce ultra-low sulphur diesel fuels for export, along with jet fuel, kerosene and naphtha, and possesses technology to convert both light and heavy crudes into low sulphur fuel oil. Further expansion is also projected in China, in particular in the independent refining sector. A total 1.8m bpd of capacity is expected to be added between end 2018 and end 2021, 0.8m bpd of which is in 2019 following the start-up of two new 0.4m bpd independent refineries this year which have recently lent support to growth in Chinese crude imports and products exports. Indian refinery capacity is projected to expand by a further 0.6m bpd by end 2021 following expansions at a number of existing refineries, including a 0.2m bpd expansion at the Panipat refinery to meet growing demand for oil products.

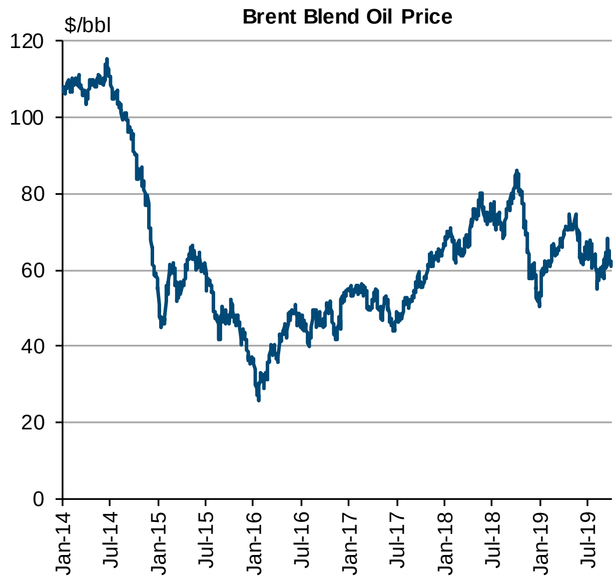


Source: Clarksons Research, Industry Sources, October 2019

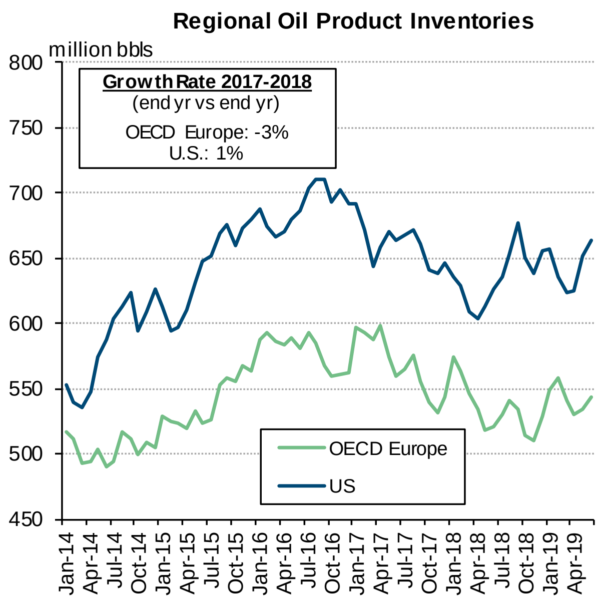
Note (1): Projections based on reported refinery development projects with status currently under construction. Expected start-up dates based on latest reported information, industry sources and best estimates. Existing projects may be delayed.

6.4.7 Price Trends

Developments in the oil price environment have also had a significant impact on seaborne oil products trade in recent years. Following the oil price crash, which began in the summer of 2014 and saw the price of Brent crude fall from USD 114/bbl in June 2014, to USD 49/bbl in January 2015, improved refinery margins in a number of regions, including Europe and North America supported refinery throughput and helped to boost seaborne oil products trade across a range of routes, in combination with increased end-user demand and inventory building. Prices fell further to USD 29/bbl in January 2016, continuing to support the building of oil products inventories, with US stocks reaching a high of 710.5m bbls in August 2016. Coordinated oil production cuts by OPEC helped to support prices in 2017, and prices rose steadily throughout 2H 2017 and averaged USD 54/bbl for the year. Prices continued to rise for much of 2018 supported by the continuation of oil output cuts, reaching USD 85/bbl in October, but fell back again to stand at USD 50/bbl at the end of the year. The higher oil price environment in 2018 put pressure on refinery margins and subdued the pace of oil demand growth relative to 2017 and also led to higher bunker prices which made many voyages uneconomical and limited arbitrage flows for much of the year. In early 2019, prices began to rise again supported in part by further output curbs. However, since May, prices have eased back due to concerns over oil demand, in spite of disruptions from the impact of US sanctions on Iranian and Venezuelan output and the recent incidents in Saudi Arabia.



Source: EIA



Source: IEA, September 2019

6.4.8 IMO 2020

The approaching IMO 2020 global sulphur cap is projected to have a significant impact on seaborne trade of both crude oil and oil products in terms of volumes and trading patterns, although significant uncertainty over the full extent of the impact remains. Seaborne trade in fuel oil (which accounts for c.25% of seaborne products trade) is expected to fall due to the projected decline in consumption of this fuel in marine bunkering, although there is the potential for a rise in demand for other uses for example in power generation in the Middle East (as the price of fuel oil is widely expected to fall) which could offset the decline to some extent. Increased production of low sulphur fuel oil could also partly stem the decline. Meanwhile, increased demand for compliant fuels in major bunkering hubs is expected to support higher seaborne gas oil trade volumes. These additional gas oil volumes are largely expected to originate from the U.S., Middle East and China with refineries in these regions, in particular the U.S., well positioned to raise supply due to the high complexity of the facilities, whilst utilisation rates are also likely to increase. Overall, the net global impact of higher gas oil and lower fuel oil trade is initially estimated at around +0.3m bpd, taking the projected rate of growth in global seaborne oil products trade in 2020 from 2.7% to 3.9% in the 'base case' scenario. Changes to trading patterns due to the regional imbalances of products is expected to support growth in vessel demand, with increased long-haul trade of distillates, in particular between the U.S. and Asia and also potentially from the East (namely China) to Europe, and intra-regional trade for example in the Middle East and Asia expected to support demand growth across a range of size sectors.

To meet this increased demand for middle distillates, it is widely expected that refinery runs will increase in a number of regions, with the incentive of higher refinery margins due to projected higher prices for middle distillates globally. Projections vary, but an estimate of c.1m bpd of additional refinery throughput globally could lead to an estimated 0.6m bpd of additional seaborne crude trade in 2020, based on the assumption that some volumes will be sourced domestically. A shift in demand for different crude types could also have an impact on crude trade, with increased demand expected for sweeter crudes, such as those produced in the U.S., Brazil and the North Sea, due to their lower sulphur content. However, sour crude trade could also be supported by heightened demand in countries with more complex refineries capable of processing sour crudes into low sulphur products, such as the U.S. Overall, growth in global seaborne crude trade is projected to rise by 2.9% in 2020 and by 5.6% in terms of tonne-miles.

6.5 Product tanker supply

Tanker supply is determined by the size of the existing fleet as measured by cargo carrying capacity. It is influenced by a variety of factors, primarily the size of the existing fleet by number and ship size, the rate of deliveries of newbuilds, scrapping, and other operating efficiency factors (for example, storage, time in port and congestion and vessel speed) affecting the number of ships available for charter.

The global oil tanker fleet is generally divided into several key vessel types, distinguished principally by carrying capacity. The major types of crude and product tankers are shown in the following table.

Crude and Product Tanker Vessel Types

Class of Tanker	Cargo Capacity (DWT)	Typical Use
Ultra Large Crude Carriers ("ULCCs")	> 320,000	Long-haul crude oil transportations from the Middle East Gulf, WAF and more recently the US, with main destinations being Northern Europe (via the Cape of Good Hope), to the Far East and North America.
Very Large Crude Carriers ("VLCCs")	200,000 - 319,999	
Suezmax	125,000 - 199,999	Medium-haul crude oil transportations from the Middle East and West Africa to the United States and Europe.
Aframax/LR2	85,000 - 124,999	Crude Aframax tankers engage in short-to-medium haul crude oil trades, with major trade routes including the Caribbean to the US, intra-regional routes in Europe and the Far East and growing volumes from the US to Europe and elsewhere. LR2 tankers typically trade clean products on medium-to-long haul routes from the MEG to the Far East or Europe.
Panamax/LR1	55,000 - 84,999	Operate in the carriage of crude oil and clean and dirty petroleum products cargoes. Transportations often carried out on the Caribbean to US trade lane, along with North Sea, Far East & Med routes. Large volumes of clean products also carried from the Middle East to Asia.
MR	40,000-54,999	Flexible vessels involved in medium-haul petroleum products trades both in the Atlantic Basin and the growing intra-Asian/Middle East/ISC trades.
Short Range (SR)/Handy	25,000 - 39,999	Short-haul of mostly refined petroleum products worldwide, usually on local or regional trade routes.

Source: Clarksons Research, October 2019.

The world fleet of crude and product tankers (of 10,000+ dwt) and above totalled 5,185 ships of 578.2m dwt at the start of October 2019, up from 377.4m dwt at the start of 2009. Within the current fleet, there are 2,101 crude oil tankers of 410.0m dwt, and 3,084 products tankers of 168.3m dwt. The breakdown of the crude and products components of the fleet is illustrated in the table below. The footnotes to this table detail the assumptions used.

World Crude Oil and Product Tanker Fleet

Class of Tanker	Size (DWT)	Fleet		% share of DWT	Average Age (Years)	% Fleet Over 15 Years
		Number	*million DWT*			
Crude Tankers						
UL/VLCC	200,000+	788	243.1	42.0%	9.4	21.9%
Suezmax (Uncoated)	125,000 - 199,999	565	88.3	15.3%	9.7	22.7%
Aframax (Uncoated)	85,000 - 124,999	665	72.7	12.6%	11.2	27.9%
Panamax (Uncoated)	55,000 - 84,999	83	5.8	1.0%	14.4	39.7%
Crude Tanker Total		2,101	410.0	70.9%	10.3	23.4%
Product Tankers						
Suezmax (Coated)	125,000 - 199,999	21	3.3	0.6%	10.0	24.2%
LR2 (Coated Aframax)	85,000 - 124,999	375	41.1	7.1%	8.6	12.4%
LR1 (Coated Panamax)	55,000 - 84,999	376	27.6	4.8%	10.3	14.5%
Medium Range (MR)	40,000-54,999	1,580	75.9	13.1%	10.0	17.8%
SR/Handy	25,000 - 39,999	439	16.0	2.8%	13.9	39.4%
Product Tanker Total		3,084	168.3	29.1%	11.0	18.7%
Total	**10,000+**	**5,185**	**578.2**	**100.0%**	**10.7**	**22.0%**

Source: Clarksons Research, October 2019.

Note (1): The product tanker fleet is classified as coated non-IMO graded tankers, IMO III Graded Tankers, IMO II Graded Tankers of 25,000 dwt and above which meet criteria: average tank size >3,000cbm, or, where average tank size is unknown, number of tanks <16 (for vessels of 25,000 dwt – 39,999 dwt), <18 tankers (for vessels of 40,000 dwt – 54,999 dwt), <30 tanks (for vessels of 55,000 dwt – 84,999 dwt), tankers of unknown IMO grade of 25,000 dwt and above, uncoated non-IMO graded tankers below 55,000 dwt. Tankers designated as specialised tankers and all tanker with stainless steel tanks are excluded.

Note (2): The data relating to product tankers is for the fleet sized 10,000 dwt and above. Please note there are a small amount of product tankers between 10,000 and 24,999 dwt that mainly operate on coastal trades, not featured in the table. However, the total fleet includes these vessels.

The fleet of product tankers increases as a result of the construction and delivery of newbuilds to the fleet and decreases as a result of the removal of older vessels by demolition or otherwise, or through vessel loss. Over a short-term period, vessel supply is also affected by other factors, such as lay-up, use of vessels for oil storage, or if vessels are awaiting repairs or dry docked. Although oil product tankers are capable of transporting crude oil, dirty oil products and clean oil products, the transportation of Dirty Products or crude oil requires significant cleaning operations, which can affect the number of ships immediately available to carry clean refined products. Permanent removal of a vessel can take place within a relatively short time frame, typically within three months. The construction of a newbuild products tanker, however, typically requires between 18 months and three years from contract signing to delivery of the vessel by the shipyard, depending on the schedule of the relevant shipyard's orderbook. Today's supply side dynamics are also occurring against a backdrop of more limited global shipbuilding capacity than in the late 2000s, as well as constrained availability of ship finance. Trends in vessel productivity can also influence effective supply, with tanker speeds having decreased significantly since 2008.

The 3,084 product tankers make up 59% of the oil tanker fleet in numerical terms and are operationally critical to the oil tanker market. Between the start of 1999 and start 2019, the product tanker fleet (vessels 10,000+ dwt) increased by a CAGR of 6.0% in terms of dwt capacity. Fleet growth was particularly rapid between the start of 2005 and start of 2010, when the fleet grew by a CAGR of 11.6%. Fleet growth subsequently slowed, reaching a CAGR of 4.3% between the start of 2010 and start 2018, reflecting the lower volume of newbuild orders that had been paced following the global financial crisis, and tighter ship finance conditions. Growth during 2018 slowed to just 1.8% on the back of increased demolition.

World Crude Oil and Product Tanker Orderbook

Class of Tanker	Size (DWT)	Orderbook			Orderbook Delivery Schedule (million DWT)			
		No.	million DWT	% of fleet	2019	2020	2021	2022+
Crude Tankers								
UL/VLCC	200,000+	75	22.9	9.4%	4.3	12.5	6.1	
Suezmax (Uncoated)	125,000 - 199,999	52	8.0	9.0%	1.0	4.5	2.4	0.1
Aframax (Uncoated)	85,000 - 124,999	53	6.0	8.2%	0.5	1.9	3.2	0.5
Panamax (Uncoated)	55,000 - 84,999	9	0.6	10.7%	0.1	0.5	0.1	
Crude Tanker Total		**189**	**37.5**	**9.2%**	**5.8**	**19.4**	**11.7**	**0.6**
Product Tankers								
Suezmax (Coated)	125,000 - 199,999							
LR2 (Coated Aframax)	85,000 - 124,999	34	3.9	9.4%	0.3	1.4	2.2	
LR1 (Coated Panamax)	55,000 - 84,999	11	6.3	3.1%	0.2	0.5	0.1	
Medium Range (MR)	40,000-54,999	126	0.6	8.2%	1.3	3.7	1.2	0.2
SR/Handy	25,000 - 39,999	19	0.5	3.6%	0.1	0.3	0.1	
Product Tanker Total		**218**	**12.1**	**7.2%**	**2.2**	**6.1**	**3.6**	**0.2**
Total Oil Tanker	**10,000+**	**407**	**49.6**	**8.6%**	**8.0**	**25.5**	**15.3**	**0.8**

Source: Clarksons Research, October 2019.

Note (1): The product tanker fleet is classified as coated non-IMO graded tankers, IMO III Graded Tankers, IMO II Graded Tankers of 25,000 dwt and above which meet criteria: average tank size >3,000cbm, or, where average tank size is unknown, number of tanks <16 (for vessels of 25,000 dwt – 39,999 dwt), <18 tankers (for vessels of 40,000 dwt – 54,999 dwt), < 30 tanks (for vessels of 55,000 dwt – 84,999 dwt), tankers of unknown IMO grade of 25,000 dwt and above, uncoated non-IMO graded tankers below 55,000 dwt. Tankers designated as specialised tankers and all tanker with stainless steel tanks are excluded.

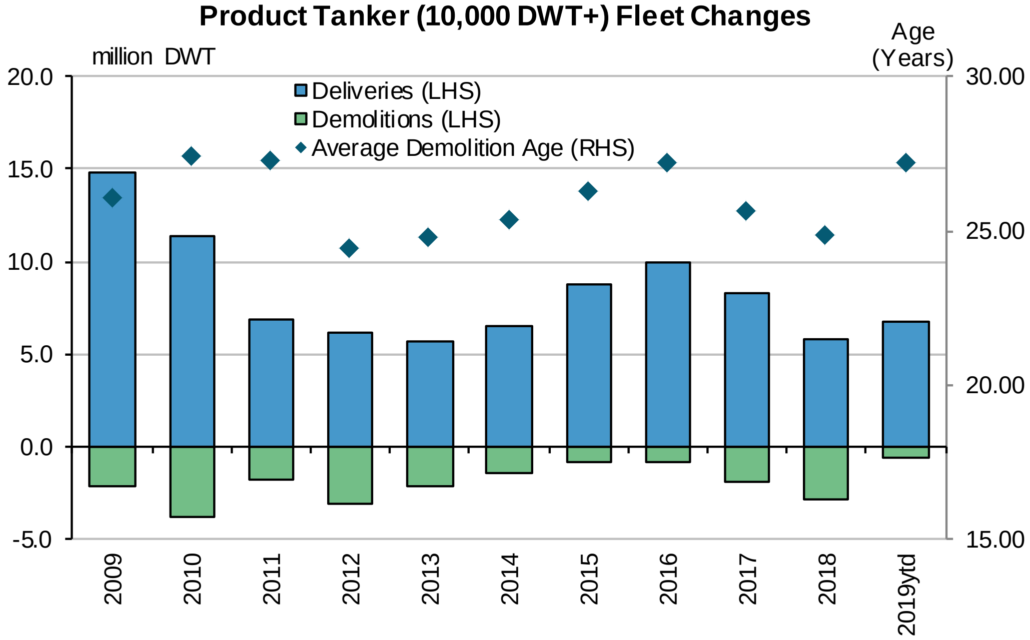
Note (2): Going forward, the orderbook may be influenced by delays, cancellations and the re-negotiation of contracts. Due to these technical and contractual issues, there is currently some uncertainty surrounding the orderbook. The figures quoted above relate to the orderbook as at August 1, 2019 and take no account for these potential delivery problems. In addition further newbuild orders will be placed going forward.

Note (3): The data relating to product tankers is for the fleet sized 10,000 dwt and above. Please note there are a small amount of product tankers between 10,000 and 24,999 dwt that mainly operate on coastal trades, not featured in the table. However, the total orderbook includes these vessels.

Product tanker deliveries (vessels 10,000+ dwt) totalled 9.9m dwt in 2016, the highest volume of tonnage delivered in a single year since 2010. Deliveries subsequently fell to just 5.8m dwt in 2018, a total that has already been surpassed in the first nine months of 2019 with a total of 6.6m dwt delivered into the fleet to date.

The level of scrapping is primarily a function of scrapping prices in relation to current and prospective charter market conditions, as well as operating, repair and survey costs. Product tanker demolition (vessels 10,000+ dwt) has averaged 2.1m dwt p.a. over the last ten years, but increased from 0.8m dwt in 2016 to 1.9m dwt in 2017, and 2.9m dwt in 2018. Scrapping in 2018 represented the highest annual total since 2012, reflecting significant pressure on market conditions, but slowed significantly in the first nine months of 2019 with a total of 0.6m dwt sold for demolition.

Product Tanker (10,000 DWT+) Fleet Changes



Source: Clarksons Research, October 2019

Newbuild demand is affected by newbuilding prices in relation to current and anticipated charter market conditions. The orderbook indicates the number of vessels which have been contracted at shipyards but are yet to be delivered to owners, and is indicative of how vessel supply may develop in the coming years. Product tanker ordering has been relatively limited in recent years, averaging 5.3m dwt p.a. between 2016 and 2018, compared to 17.9m dwt in 2013 and 29.5m dwt in 2006. By the start of October 2019 the product tanker orderbook (vessels 10,000+ dwt) totalled 218 vessels of 12.1m dwt. This represented a decrease of 24% in terms of dwt capacity from the start 2019 level. The orderbook to fleet ratio has declined since the recent peak of 20% in Q2 2014, to reach just over 7% in dwt terms at the start of October 2019. This compares to levels of over 60% in early 2007, and represented close to the lowest ratio for over 20 years. Taking into account potential trends in non-delivery and scrapping, growth in the product tanker fleet (vessels 10,000+ dwt) is projected to stand at 4.4% in 2019, and slow to 2.1% in 2020.

The table below outlines the major builders of MR tankers, ranked by orderbook:

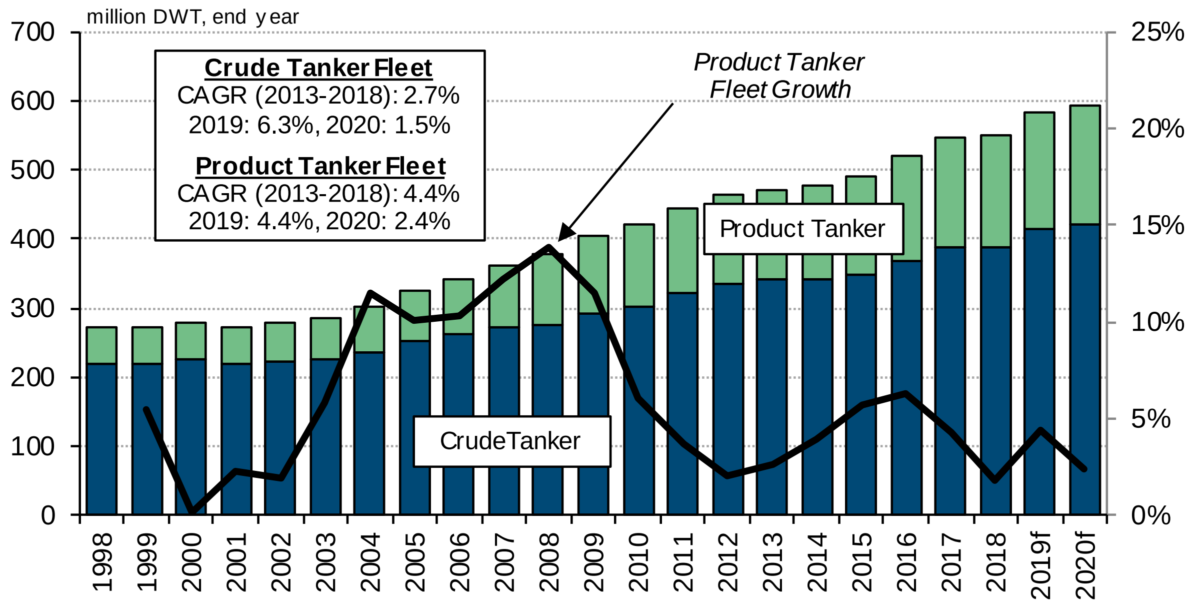
MR Tankers - Top Builders

Builder	Builder Country	Delivered 2018	Orderbook		Orderbook Delivery Schedule (million DWT)			
		million DWT	*No.*	*million DWT*	*2019*	*2020*	*2021*	*2022+*
Hyundai Mipo	South Korea	0.9	37	1.8	*0.4*	*1.2*	*0.2*	
Hyundai Vinashin	Vietnam	0.4	16	0.8	*0.1*	*0.6*	*0.1*	
Onomichi Dockyd	Japan	0.3	14	0.7	*0.1*	*0.6*		
STX SB (Jinhae)	South Korea		10	0.5	*0.0*	*0.4*	*0.1*	
New Times SB	China P.R.		10	0.5	*0.1*		*0.4*	
GSI Nansha	China P.R.	0.2	9	0.4	*0.1*	*0.3*		
Samsung HI	South Korea		7	0.3	*0.0*	*0.3*	*0.1*	
Jiangsu New YZJ	China P.R.		4	0.2			*0.2*	
Minaminippon (Ozai)	Japan		3	0.2	*0.1*	*0.1*		
Zvezda Shipbuilding	Russia		3	0.2				*0.2*
Top 10 % Share		*79%*	*90%*	*90%*	*77%*	*96%*	*83%*	*100%*
Total		**2.3**	**126**	**6.3**	**1.3**	**3.7**	**1.2**	**0.2**

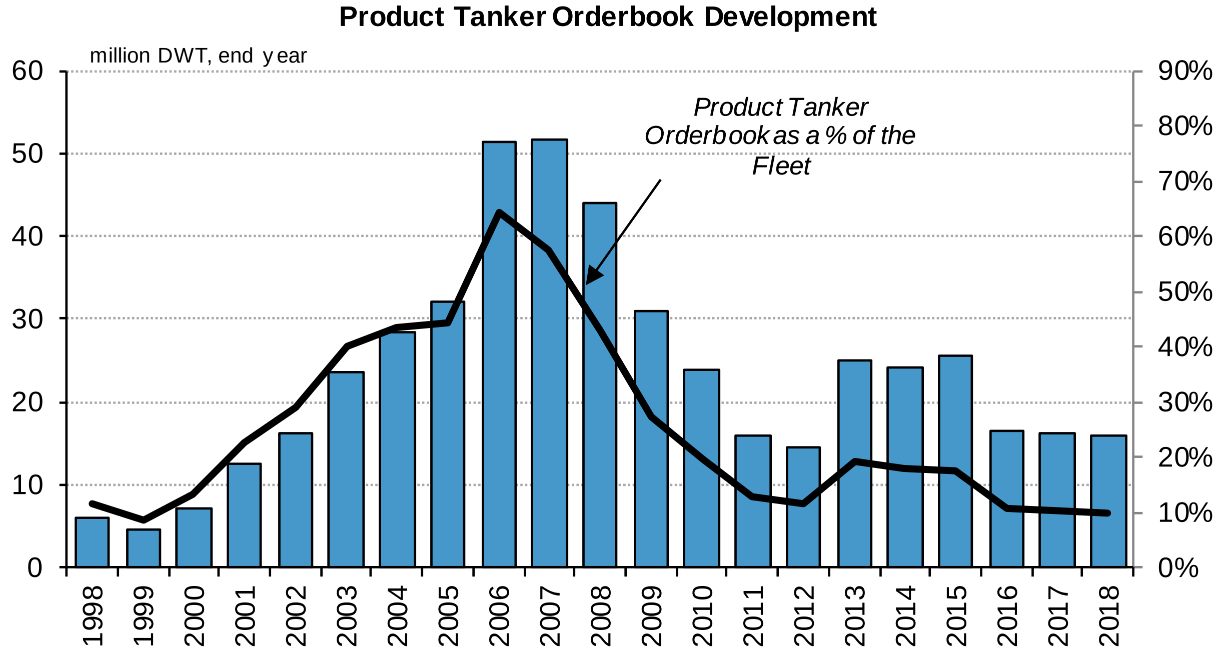
Source: Clarksons Research, October 2019.

Recent developments in the fleet and orderbook are shown below:

Crude & Product Tanker Fleet Development



Source: Clarksons Research, October 2019



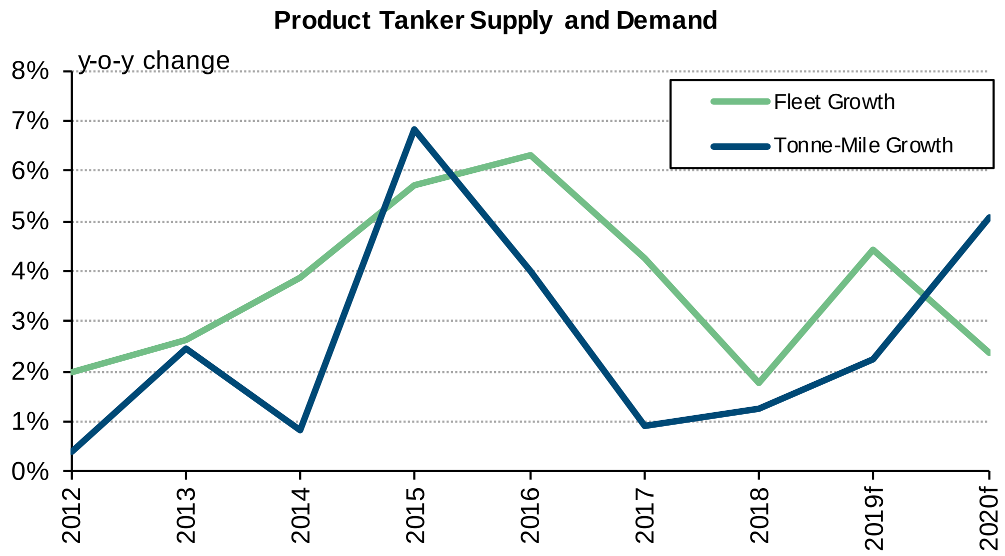
Source: Clarksons Research, October 2019

Note (1): (f) = forecast.

Note (2): The product tanker fleet is classified as coated non-IMO graded tankers, IMO III Graded Tankers, IMO II Graded Tankers of 25,000 dwt and above which meet criteria: average tank size >3,000cbm, or, where average tank size is unknown, number of tanks <16 (for vessels of 25,000 dwt – 39,999 dwt), <18 tanks (for vessels of 40,000 dwt – 54,999 dwt), <30 tanks (for vessels of 55,000 dwt – 84,999 dwt), tankers of unknown IMO grade of 25,000 dwt and above, uncoated non-IMO graded tankers below 55,000 dwt. Tankers designated as specialised tankers and all tanker with stainless steel tanks are excluded.

Note (3): The data relating to product tankers is for the fleet sized 10,000 dwt and above.

The overall comparison between supply growth and demand growth can be seen in the graph below:



Source: Clarksons Research, October 2019

Note (1): (f) = forecast.

Note (2): Demand growth is annual change of ton-mile trade of oil products. Tonne-mile trade is based on selected reported trade flows and a range of distance assumptions. These forecasts are subject to limitations, including assumptions about general economic conditions. There is no guarantee that trends are sustainable.

The introduction of the IMO 2020 global sulphur cap may also have impacts on product tanker supply. Around 10% of existing product tanker fleet by capacity has already had a SOx scrubber fitted, or has a retrofit pending. Vessel time 'out of service' for scrubber retrofit is currently estimated to absorb 0.5% of product tanker fleet capacity across 2019, which is likely to limit growth in 'active' product tanker fleet capacity. 'Active' fleet capacity is likely to continue to be impacted by time out of service for scrubber retrofitting in 2020. The introduction of the global sulphur cap may also lead to increased rationale for scrapping older vessels given their fuel inefficiency and the economics of fitting scrubbers. There is also the possibility for changes in vessel operating speeds and the use of tankers for storage to absorb fleet supply to some extent.

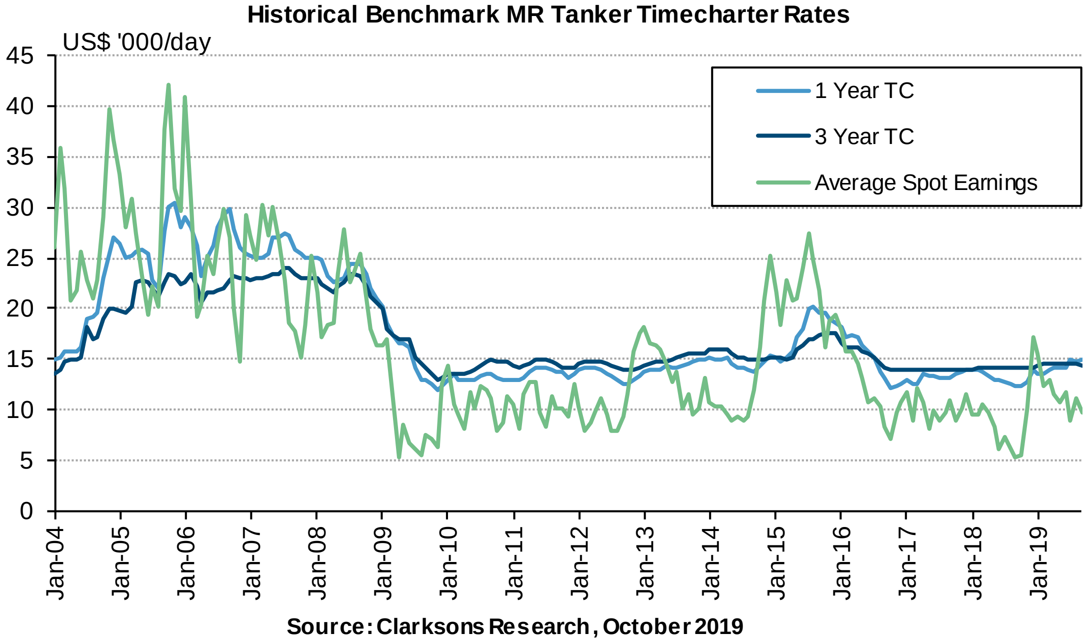
6.6 The Product Tanker Market

6.6.1 Overview

The charter market is highly competitive and based primarily on the offered charter rate, the location and technical specification of the vessel and the reputation of the vessel and its manager. Typically, the agreed terms are based on standard industry charter parties prepared to streamline the negotiation and documentation processes. The most common types of employment structures for a tanker are spot market, Contract of Affreightment ("**CoA**"), timecharter, bareboat and pool employment. When employed in a pool, the vessel is part of a fleet of similar vessels, brought together by their owners in order to exploit efficiencies and benefit from a revenue sharing mechanism. The pool operator sources different cargo shipment contracts and directs the vessels in an efficient way to service these obligations. Pools can benefit from profit and loss sharing effects, sharing geographical market exposure and potentially less idle time through coordination of vessel movements, but vessels sailing in a pool remain vulnerable to adverse market conditions.

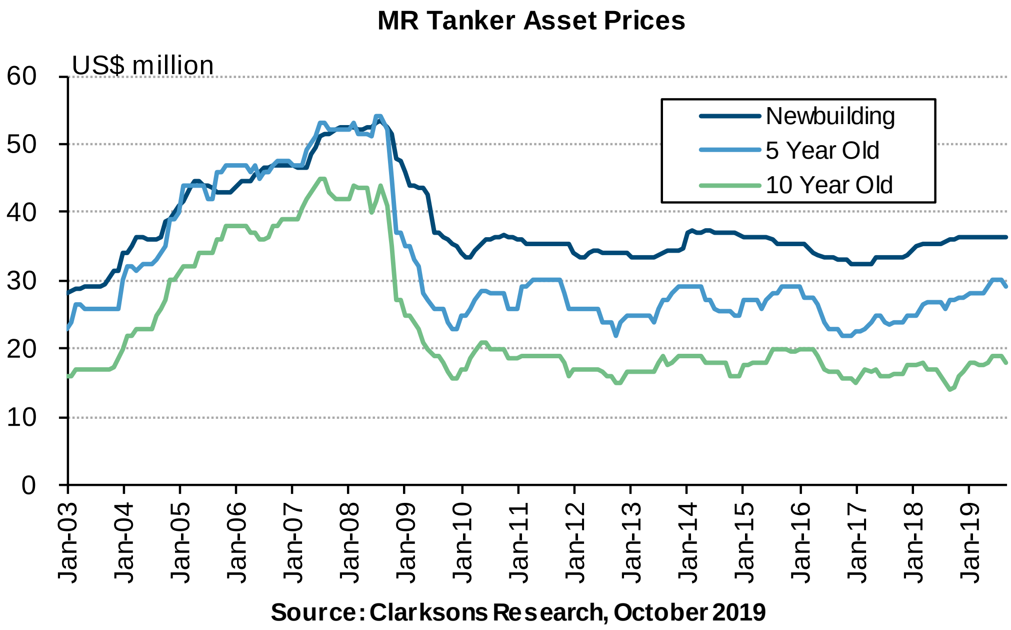
Freight and hire rates for product tankers trading under spot charters are very sensitive to fluctuating demand for and supply of vessels, and rates are consequently volatile. Rates are also strongly affected by seasonal fluctuations in demand from end consumers. While trends in the product tanker market are heavily impacted by product tanker supply and demand trends, typically market conditions have also been well correlated with crude oil tanker market developments, partly reflecting the fact that some crude and products tankers have the potential to act as 'swing tonnage' between the crude, dirty and clean markets.

Rates and earnings in the product tanker market have varied considerably over recent years. Between the start of 2000 and end September 2019, clean MR spot earnings averaged USD 16,232/day, falling from a high of USD 42,099/day in October 2005, to a low of USD 5,254/day in April 2009 and then fluctuating for the next 10 year period before falling to another low of USD 5,355/day in September 2018. Product tanker earnings and timecharter rates generally fell to historically low levels after the global financial crisis, as the build-up of vessel oversupply exerted market pressure. The guideline one year timecharter rate for an MR tanker fell from over USD 27,000/day in mid-2007 to USD 12,000/day by late 2009. Product tanker earnings and rates increased notably in late 2014 and early 2015, with the one year MR timecharter rate exceeding USD 20,000/day in August 2015 for the first time since the start of 2009. Market conditions subsequently weakened to historical lows again in 2018. The one year MR timecharter rate averaged USD 13,120/day in 2018, down 15% from the 2008-17 average, whilst clean MR spot earnings were down 29% from the 2008-17 average in full year 2018. Some market improvements were apparent in the first nine months of 2019, with the one year MR timecharter rate averaging USD 14,215/day in this period, up 8% compared to the 2018 average. It should be noted that these rates are based on a 'modern' MR product tankers built circa 2010, with vessels built more recently with 'eco' specifications are generally able to achieve an additional premium on these levels. In the first eight months of 2019, the one year timecharter rate for an 'eco' MR tanker averaged USD 16,051/day, 13% above the average for a 'modern' vessel of similar size. Market conditions in the LR product tanker sector have followed a similar overall trend.



Note (1): The vessels used in the timecharter estimates are standard modern vessels in this market sector. Clarksons Platou Brokers estimate timecharter rates each week for these standard vessels, which is informed by transactions and ongoing negotiations associated with vessels of similar size. There is often a bid offer spread between owners and charters, and the above reflects published owners' prices. There is no guarantee that current rates are sustainable and rates may increase and decrease significantly over short periods of time.

Product tanker asset values have also fluctuated over time, and there is a relationship between changes in asset values and the charter market. Newbuilding prices fell significantly between 2008 and 2010, primarily as a result of lower global contracting activity. Prices increased in 2013-14, before softening across 2015-16. Since mid-2017, newbuilding prices have risen once more, and by the end of September 2019, the guideline newbuilding price for an MR stood at USD 36.5m, still below the mid-2008 level of USD 53.5m. The guideline price for a 5 year old secondhand MR tanker stood at USD 29m at the end of September 2019, up from USD 22m in late 2016. Asset values for SR/Handy and LR tankers have followed similar trends to MR tankers.



The following tables summarise recent market developments relating to Handy, MR and LR1 product tankers for both charter rates and asset values.

Handy Product Tankers: Timecharter and Asset Value Summary Table

	Spot Earnings	Timecharter (US$/day)		Asset Prices (US$ million)	
		1 Year	*3 Year*	*5 Year Old*	*10 Year Old*
2009	5,319	13,702	13,904	19.5	14.0
2010	11,180	11,528	11,783	24.5	15.5
2011	9,443	12,221	13,212	22.0	12.0
2012	10,592	12,317	13,178	22.0	13.0
2013	10,668	13,063	13,707	25.0	15.0
2014	12,473	13,774	14,678	23.0	15.0
2015	22,094	15,880	15,250	25.0	17.0
2016	8,962	13,998	14,264	19.0	14.0
2017	7,380	11,430	12,841	22.0	13.0
2018	6,734	11,572	12,750	24.0	14.0
September-2019	2,699	13,781	13,000	24.0	13.5
5 Year Avg	11,816	13,194	13,648	23.0	14.8
5 Year Peak	32,849	17,625	16,250	26.0	18.5
5 Year Trough	1,125	10,750	12,750	19.0	13.0
10 Year Avg	10,879	12,818	13,399	23.4	14.9
10 Year Peak	32,849	17,625	16,250	27.0	18.5
10 Year Trough	1,125	10,000	10,500	19.0	12.0
20 Year Avg	18,357	15,620	15,170	26.2	17.4
20 Year Peak	60,732	27,250	21,750	47.0	37.0
20 Year Trough	1,125	10,000	10,500	15.5	10.5

Source: Clarksons Research, October 2019.

Note (1): All earnings and values are basis annual or monthly averages.

Note (2): 20 year average, peak and trough for 1 and 3 year timecharter rates basis period end-2001 to August 2019.

MR Product Tankers: Timecharter and Asset Value Summary Table

	Spot Earnings	Timecharter (US$/day)		Asset Prices (US$ million)	
		1 Year	*3 Year*	*Newbuild*	*5 Year Old*
2009	9,176	15,231	15,870	35.0	23.0
2010	10,667	13,160	14,175	36.5	26.0
2011	10,635	13,668	14,538	35.5	26.0
2012	10,589	13,514	14,389	34.0	25.0
2013	13,464	14,351	15,063	34.8	29.0
2014	12,517	14,630	15,399	36.8	25.0
2015	21,444	17,769	16,409	35.5	29.0
2016	12,124	15,092	15,212	32.5	22.0
2017	10,213	13,219	14,000	33.8	25.0
2018	8,750	13,120	14,154	36.5	27.5
September-2019	9,768	15,000	14,406	36.5	29.0
5 Year Avg	13,273	14,710	14,879	35.0	26.2
5 Year Peak	27,445	20,250	17,500	37.0	30.0
5 Year Trough	5,355	12,063	14,000	32.5	22.0
10 Year Avg	12,135	14,223	14,750	35.1	26.4
10 Year Peak	27,445	20,250	17,500	37.3	30.0
10 Year Trough	5,355	12,000	13,000	32.5	22.0
20 Year Avg	16,160	17,212	16,567	36.4	31.3
20 Year Peak	42,099	30,500	24,000	53.5	54.0
20 Year Trough	5,254	12,000	13,000	26.0	20.0

Source: Clarksons Research, October 2019.

Note (1): All earnings and values are basis annual or monthly averages.

Note (2): 20 year average, peak and trough for 3 year timecharter rate basis period end-2001 to August 2019.

Note (3): 20 year average, peak and trough for 5 year old price basis period start-2001 to August 2019.

LR1 Product Tankers: Timecharter and Asset Value Summary Table

	Spot Earnings*	Timecharter (US$/day)		Asset Prices (US$ million)	
		1 Year	*3 Year*	*Newbuild*	*5 Year Old*
2009	13,676	19,375	19,957	45.5	35.0
2010	11,983	16,604	17,495	45.5	36.0
2011	10,250	14,745	16,063	44.0	31.0
2012	12,890	12,995	14,168	41.5	25.0
2013	12,951	14,981	15,514	43.0	31.0
2014	15,232	15,880	16,466	46.0	33.5
2015	24,847	23,567	20,510	45.0	35.0
2016	12,903	18,116	17,715	41.0	28.0
2017	8,247	13,077	14,875	41.5	28.0
2018	8,397	12,962	14,500	44.0	30.0
September-2019	10,265	16,750	15,031	44.5	31.0
5 Year Avg	13,770	16,809	16,611	43.6	31.3
5 Year Peak	38,392	28,750	22,500	46.5	37.5
5 Year Trough	3,668	12,525	14,375	41.0	26.5
10 Year Avg	13,071	15,883	16,281	43.7	31.8
10 Year Peak	38,392	28,750	22,500	48.0	40.0
10 Year Trough	3,668	12,500	14,000	40.5	24.0
20 Year Avg	19,683	20,088	19,207	44.6	35.4
20 Year Peak	60,002	37,100	28,250	68.0	62.0
20 Year Trough	3,668	12,500	14,000	29.5	20.0

Source: Clarksons Research, October 2019.

Note (1): All earnings and values are basis annual or monthly averages.

Note (2): 20 year average, peak and trough for 3 year timecharter rate basis period end-2001 to August 2019.

*LR1 spot earnings are basis Ras Tanura-Chiba route.

6.6.2 Competitive Landscape

The product tanker market is comprised of a variety of shipowners and operators of varying sizes. A vessel is either operated directly by the owner, or by a third party. This includes the use of commercial pool management. Pools are an important feature of the product tanker market, and have been relatively successful compared to other sectors. Pools are arrangements in which owners work together to organise the commercial management of a group of vessels, allowing them to share revenues, while potentially minimising idle time. Conversely, the decision not to compete can mean that pooled vessels are prone to sharing the effects of any adverse market conditions. The leading owners and operators within the product tanker market are detailed below. Ownership and operation of product tankers is more consolidated than in the bulk carrier sector.

Top Handy Product Tanker (25,000-39,999 dwt) Owners

Name	Fleet & Orderbook	
	Number	m DWT
Maersk Tankers	18	0.68
Waruna Nusa Sentana	18	0.64
Scorpio Tankers	14	0.54
Hafnia Limited*	**13**	**0.51**
Interorient Germany	13	0.48
Norden A/S	8	0.31
German Tanker Shpg	8	0.26
Tsakos Energy Nav	7	0.26
Tufton Oceanic	7	0.26
STI Chartering	7	0.27
Top 10 % Share	*25.7%*	*26.3%*
Total	**439**	**16.00**

Top MR Product Tanker (40,000-54,999 dwt) Owners

Name	Fleet & Orderbook	
	Number	m DWT
TORM A/S	57	2.80
Scorpio Tankers	48	2.41
Diamond S Shipping	44	2.20
Hafnia Limited*	**41**	**2.05**
Sinokor Merchant	41	2.04
CMG Nanjing Tanker	36	1.70
Sovcomflot JSC	36	1.67
COSCO Shpg Energy	35	1.62
Maersk Tankers	24	1.19
BoCom Leasing	21	1.01
Top 10 % Share	*24.2%*	*24.6%*
Fleet Total	**1,580**	**75.90**

Top LR1 Product Tanker (55,000-84,999 dwt) Owners

Name	Fleet & Orderbook	
	Number	m DWT
Hafnia Limited	**25**	**1.88**
Prime Tanker Mgmt	25	1.85
COSCO Shpg Energy	12	0.90
Scorpio Tankers	12	0.89
Sovcomflot JSC	11	0.81
Tsakos Energy Nav	11	0.80
Dynacom Tankers Mgmt	10	0.74
Chemikalien Seetrans	9	0.66
Concordia Maritime	10	0.65
Gulf Energy Maritime	8	0.60
Top 10 % Share	*35.5%*	*35.5%*
Fleet Total	**375**	**27.60**

Top LR2 Product Tanker (85,000-124,999 dwt) Owners

Name	Fleet & Orderbook	
	Number	m DWT
Scorpio Tankers	34	3.75
Frontline	20	2.22
Maersk Tankers	20	2.25
COSCO Shpg Energy	13	1.43
Ocean Tankers	12	1.31
TORM A/S	12	1.29
Sovcomflot JSC	11	1.21
K. G. Jebsen (KGJS)	10	1.19
Cardiff Marine	9	0.98
Teekay Tankers	9	0.97
Top 10 % Share	*40.0%*	*40.4%*
Fleet Total	**375**	**41.10**

Source: Clarksons Research, October 2019.

Top Handy Product Tanker (25,000-39,999 dwt) Operators

Name	Number	m DWT
Norient Product Pool	42	1.58
Handytankers KS	37	1.37
Hafnia Handy Pool	**29**	**1.12**
Scorpio Handymax	22	0.85
UPT	12	0.45
Waruna Nusa Sentana	11	0.38
BP Shipping	8	0.31
D'Amico Soc di Nav	8	0.31
Tsakos Energy Nav	7	0.26
German Tanker Shpg	8	0.26
Top 10 % Share	*42%*	*43%*
Fleet Total	**439**	**16.00**

Top MR Product Tanker (40,000-54,999 dwt) Operators

Name	Number	m DWT
Hafnia MR Pool	**63**	**3.15**
Norient Product Pool	58	2.81
TORM A/S	54	2.65
Scorpio MR	48	2.41
STASCO (Shell)	47	2.29
Maersk MR Pool	43	2.10
CMG Nanjing Tanker	36	1.70
COSCO Shpg Energy	33	1.52
Trafigura Maritime	29	1.42
Sovcomflot JSC	30	1.38
Top 10 % Share	*28%*	*28%*
Fleet Total	**1,580**	**75.90**

Top LR1 Product Tanker (55,000-84,999 dwt) Operators

Name	Number	m DWT
Hafnia LR Pool	**78**	**5.84**
Penfield LR1 Pool	26	1.89
Panamax Intl	22	1.58
LR8 Pool	20	1.50
Prime Tanker Mgmt	20	1.48
Scorpio LR1 Pool	12	0.89
COSCO Shpg Energy	11	0.82
Sovcomflot JSC	9	0.67
Dynacom Tankers Mgmt	9	0.67
UPT	8	0.58
Top 10 % Share	*57%*	*58%*
Fleet Total	**375**	**27.60**

Top LR2 Product Tanker (85,000-124,999 dwt) Operators

Name	Number	m DWT
Scorpio LR2 Pool	38	4.19
Frontline	17	1.88
Sigma Tankers	15	1.67
Alpha8 Pool	14	1.56
Maersk LR2 Pool	12	1.31
Ocean Tankers	12	1.31
Torm LR2 Pool	12	1.29
Sovcomflot JSC	11	1.21
Teekay Taurus Pool	11	1.20
K. G. Jebsen (KGJS)	10	1.19
Top 10 % Share	*41%*	*41%*
Fleet Total	**375**	**41.10**

Source: Clarksons Research, October 2019.

Note (1): Ownership in shipping is not always transparent and the above includes estimates.

6.7 Annexes

6.7.1 Annex I: Summary of Shipping, Regulation and Design Issues

Issue	Regulation	Overview	Latest Position
Emission Control Areas (ECAs)	MARPOL Annex VI "Regulations for the Prevention of Air Pollution from Ships"	Vessels operating within ECAs are subject to stricter emission limits (SOx, NOx and PM)	**Current IMO ECAs:** Baltic Sea (SOx, May 2006; NOx, January 2021), North Sea (SOx, Nov 2007; NOx, January 2021), North American Sea (SOx, PM, Aug 2012; NOx, January 2016), US Caribbean Sea (SOx, PM, January 2014; NOx, January 2016). China has introduced a 0.5% sulphur limit along the entire Chinese coastline (1st January 2019), including Hong Kong and Taiwan.
NOx Emissions	MARPOL Annex VI	NOx emission limits are set in three tiers for diesel engines >130 kW, depending on the engine maximum operating speed and year of build	**Tier I** - 2008 Global limit for ships built 2000-2010 **Tier II** - Global limit for ships built 2011-2015 **Tier III** - Limit for ships with a keel laid from 1st January 2016 onwards operating in North American and US Caribbean Sea ECAs; 1st January 2021 onwards in Baltic Sea and North Sea ECAs. Outside of these ECAs, Tier II controls apply.
SOx Emissions	MARPOL Annex VI	Limits on the sulphur content of fuel to reduce SOx emissions and, indirectly, particulate matter (PM)	**ECAs** - 0.1% sulphur limit in fuel (%m/m). **Global limit** - 3.5% sulphur limit in fuel (%m/m). This will be reduced to 0.5% from 1st January 2020 onwards. Carriage of non-compliant fuels is due to be banned for any vessel without 'equivalent arrangement' to meet cap (e.g. scrubber).
CO_2	MARPOL Annex VI	Energy Efficiency Design Index (EEDI) for new buildings > 400 GT, with an aim to reduce vessels' CO_2 emissions per capacity mile, and a Ship Energy Efficiency Management Plan (SEEMP) for existing ships to improve operational efficiency.	As of 1st January 2013, EEDI for new buildings & SEEMP for existing vessels mandatory. Reduction of EEDI reference line in three stages (2015, 2020, 2025).
Greenhouse Gases (GHGs)	Monitoring, Reporting and Verification (MRV)	MRV aims to quantify GHG emissions, allowing regulators to establish limits and introduce emission reduction intitiatives such as emissions trading schemes	As of 1st January 2018, monitoring and reporting of data mandatory for ships calling at EU ports, as part of EU MRV regulation. Reporting period of IMO Data Collection System (DCS) began from 1st January 2019 for ships >5,000 GT. IMO target to reduce GHG emissions from shipping by at least 50% by 2050 (from 2008 levels). Further targets to reduce 'carbon intensity' by 40% by 2030 and 70% by 2050.
Ballast Water	"International Convention for the Control and Management of Ships' Ballast Water and Sediments" (IMO)	Aims to prevent the transfer of invasive aquatic organisms and pathogens through the control and management of ships' ballast water and sediments	Adopted in 2004, the convention was ratified at the end of 2016 and will enter into force on 8th September 2017. Vessels with keel laid after 8th September 2017 must comply with the Convention's 'D-2' standard upon delivery. Vessels in the fleet will generally need to comply by the first renewal of their IOPP certificate (typically part of special survey) after 8th September 2019.
	"Final Discharge Standard' (Under the National Invasive Species Act, US Coast Guard)"	These regulations aim to prevent the transfer of invasive aquatic organisms and pathogens through the control and management of ships' ballast water and sediments in ***US waters only***	Adopted in June 2012. Vessels constructed before 1st December 2013 with a ballast water capacity between 1,600 and 5,000 cu.m. must implement an approved ballast water management method by the first scheduled drydocking after 1st January 2014. New builds delivered on/after 1st December 2013 must comply on delivery. Ballast water management systems must be USCG "Type-Approved".
	"Vessel General Permit" (Under the Clean Water Act, US Environmental Protection Agency)		Vessels ≥ 300 GT or with a ballast water capacity >8 cu.m. must implement an approved ballast water management method according to the same schedule as the USCG's Final Discharge Standard.
Inert Gas	SOLAS "International Convention for the Safety of Life at Sea"	Tankers are required to protect cargo tanks by a fixed inert gas system in compliance with the IMO's Fire Safety Systems Code	Effective as of 1974. Inititally applicable to tankers >20,000 dwt, an amendment in 2013 lowered the dwt requirement to 8,000 dwt for oil and chemical new buildings with a few exemptions.
Oil	MARPOL Annex VI	Ship-to-ship transfer plan for the prevention of pollution during transfer of oil cargo between oil tankers at sea	New chapter and clearer definition of oil tanks (amendment to regulation 1) entered into force on 1st January 2011.
	MARPOL Annex I	Prohibition of carriage in bulk of heavy grade oil as cargo/fuel in the Antarctic Sea	Effective as of 1st August 2011.
Ship Recycling	"The Hong Kong Convention for the Safe and Environmentally Sound Recycling of Ships" (IMO)	Once ratified, shipowners will need: an inventory of hazardous materials, a ship recycling plan, permission from the flag state to to conduct a final survey and an international ready for recycling certificate	The convention will enter into force 24 months after ratification by 15 states representing 40% of global GT. The combined maximum annual ship recycling volume of those States must, during the preceding 10 years, constitute not less than 3% of their combined merchant shipping tonnage.
	"Ship Recycling Regulation" (EU)	Large commercial seagoing vessels flying an EU flag or that of a third country calling at EU ports or anchorages must be recycled at 'approved, sustainable facilities'. The beaching of vessels is banned	New buildings need an Inventory of Hazardous Materials (IHM) (as of start 2019). EU flagged ships being recycled must now carry an IHM and owners are required to use facilities on the EU's list of 'approved' ship recycling facilities (predominantly within the EU).

Source: Clarksons Research, October 2019

6.7.2 Annex II: The 2020 Global SOx Cap: Options For Owners

Solution	Method	Pros	Cons
Do Nothing i.e. switch to distillate fuel in 2020	Lower fuel sulphur content (including blended fuel)	1. Safe 2. Proven 3. Limited technology investment needed	1. Higher fuel cost 2. Fuel availability uncertain 3. High CO2 emissions
Alternative Fuels e.g. LNG	Use of less polluting fuels	1. Very low NOx, SOx and PM 2. c.20% reduction in CO2 emissions 3. Cost competitive fuel	1. Retrofit complex and expensive 2. Fuel availability uncertain - Bunkering infrastructure growing but limited 3. Potential loss of cargo capacity
Exhaust Gas Cleaning Systems / SOx Scrubbers	**<u>Open Loop</u>** Exhaust gases mix with sea water, forms sulphuric acid which is then neutralised by the alkaline components in seawater and discharged overboard. **<u>Closed Loop</u>** Gases are cleaned with seawater mixed with caustic soda. **<u>Hybrid</u>** Capable of using both methods.	1. SOx emissions reduced by more than 90%. 2. PM emissions reduced by 60-90% 3. Enables continued use of cheaper HFO	1. Significant investment/ payback period 2. Additional operational costs associated with catalyst, increased power and disposal of sludge 3. Issues with washwater discharge 4. Long term availability of low cost HFO. 5. The use of open loop scrubbers has been prohibited at a number of locations globally including Singapore.

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Source: Clarksons Research, October 2019

7 BUSINESS OF THE GROUP

7.1 Introduction

The Group is one of the world's leading oil and oil product tanker owners and operators based on number of vessels and total carrying capacity (source: Clarksons Research, October 2019). The Group provides transportation of oil and oil products to leading international oil companies ("**IOCs**") and national oil companies ("**NOCs**"), major chemical companies, as well as trading and utility companies.

The Group's product tanker fleet is divided into four segments, depending on the size of the vessels:

a) Long Range II ("**LR2**") (85,000 – 124,999 dwt)

b) Long Range I ("**LR1**") (55,000 – 84,999 dwt)

c) Medium range ("**MR**") (40,000 – 54,999 dwt)

d) Handy size ("**Handy**") (25,000 – 39,999 dwt)

As at the date of this Prospectus, the Group operates a fleet of 180 vessels in pools including newbuilds, of which 102 are owned or chartered-in (either through long-term time charters or bareboat charters) by the Group, cf. Section 7.6.7 "The Pools".

The Group's fleet comprises six owned LR2s, 27 owned[4] and nine chartered-in LR1s, 41 owned and six chartered-in[5] MRs and 13 owned Handy vessels.

The fleet operates globally, with a total carrying capacity of 6.0 million dwt at the date of this Prospectus and a further 0.3 million dwt of capacity currently on order.

As per the day of this Prospectus, the Groups fleet consists of the following vessels:

	Owned			Vista JV			Sale and leaseback			TC-in			Total			Commercial management (pool)			Total		
	Fleet	NB	Tot.	Fleet	NB	Tot.	Fleet	NB	Tot.	Fleet	NB	Tot.	Fleet	NB	**Tot.**	Fleet	NB	Tot.	Fleet	NB	**Tot.**
SR	13	-	13	-	-	-	-	-	-	-	-	-	13	-	**13**	16	-	16	29	-	**29**
MR	41	-	41	-	-	-	-	-	-	4	2	6	45	2	**47**	18	-	18	63	2	**65**
LR1	21	-	21	4	2	6	6	-	6	3	-	3	34	2	**36**	44	-	44	78	2	**80**
LR2	6	-	6	-	-	-	-	-	-	-	-	-	6	-	**6**	-	-	-	6	-	**6**
Tot.	**81**	**-**	**81**	**4**	**2**	**6**	**6**	**-**	**6**	**7**	**2**	**9**	**98**	**4**	**102**	**78**	**-**	**78**	**176**	**4**	**180**

7.2 Competitive strengths

The Group believes that it has several competitive strengths which provide it with privileged access to benefit from the growth in oil and oil products transportation demand, maintaining its leadership and differentiating itself, including:

7.2.1 Size

The Group is the world's largest product tanker operator with 180 vessels in operation. The Group's fully owned pools enable critical mass in all vessel classes, contributing to the best-in-class commercial performance of the Group. Having the critical fleet size in place allows the Group to focus on cash flow generation from existing asset base as opposed to focusing on significant growth, thereby facilitating strong shareholder returns. The Group also has an industry low cash breakeven due to low financing costs and a general focus on cost consciousness.

7.2.2 Attractive fleet from quality shipyards, with groups of "sister ships" that provides economies of scale

The Group owns a modern fleet of 87 LR2s, LR1s, MR and Handy vessels in-service and on order, with an average age of approximately 6.4 years as at the date of this Prospectus. The fleet of vessels are built at reputable shipyards, which have the relevant experience and specialisation in building product and chemical tanker tonnage. Most of the Group's vessels, including newbuilds, are of modern eco-design which incorporates the latest technological improvements designed to optimise speed, fuel consumption and reduce emissions, presenting greater cost-savings to the Group.

[4] Including two newbuilds via the Vista JV.

[5] Including two newbuilds to be delivered in 2019 and 2020.

Furthermore, many of the vessels in the fleet are "sister ships", i.e. vessels built within the same series at the same shipyard, which allows for greater operational efficiency and scheduling flexibility, as well as economies of scale in maintenance through the purchase of common stocks and spare parts. The Group believes that owning a young and well-maintained fleet reduces operating costs, improves safety, vessel utilisation and quality of service delivered to customers and accords a competitive advantage in securing favourable charters with high-quality counterparties.

7.2.3 Strong balance sheet to persevere through the cyclical nature of the business and pursue opportunistic acquisitions and expansion opportunities

Following the Listing, the Group believes that with its available cash and borrowing capacity, it will be well-capitalised with the option to further grow its business through consolidation and pursue opportunistic vessel acquisitions consistent with its business strategy. Current and prospective lenders have expressed strong interest in facilitating the Group's growth as seen by the attractive financing facilities in place, provided by leading international shipping banks. The Group believes that its strong brand and sponsor, balance sheet, access to financing capacity through strong support from its relationship banks and access to capital markets will allow for strong financial flexibility and opportunistic acquisitions at attractive prices. The Group also has a steady state net loan-to-value ratio of approximately 55-60%, which facilitates robust downside protection and industry leading cash breakeven. The Group is market leading in terms of cost of capital and has unparalleled access to funding.

7.2.4 Strong brand and strong sponsor with unparalleled track record in multiple shipping segments

The Group believes that, as a result of BW Group's history of more than 80 years in energy transportation, including the tanker business, it has a long-standing reputation as a leading provider of safe, reliable, and efficient oil and oil products transportation solutions. This reputation provides an important advantage in building and maintaining strong relationships with leading oil and gas majors and trading companies, and is reflected in the Group's existing customer base. These relationships with blue chip customers are important not only in the product tanker market, but also in accessing oil products shipping and other related project opportunities available to experienced oil products transporters through energy majors. BW Group has an unparalleled track record across multiple shipping segments it is actively engaged in, both private and public as evidenced by the successful listing of BW Offshore Limited and BW LPG Limited in 2006 and 2013, respectively. The Group intends to leverage the advantages afforded by being "a member of the BW Group" to maximise scale benefits from being a market leader in all segments, by building close and cooperative relationships with existing customers and emerging important players in the product tanker space to meeting their future chartering needs.

7.2.5 Experienced management team and international board of directors with strong credentials in corporate governance and strategy

The Group's management team consists of seasoned executives who have an extensive network of strong relationships with major oil and gas companies, shipyards, global financial institutions and other key participants in the shipping industry. They have demonstrated their ability in managing the commercial, technical and financial aspects of the Group's business, backed by years of senior level experience operating large and diverse fleets of energy transportation vessels, as well as other assets in the maritime space. The Group's management is complemented by a board of directors with extensive collective international experience in shipping, energy and capital markets; as well as a broad range of complementary functional competencies. Building upon BW Group's extensive history in the tanker business and energy transportation, the Group adopts best practice corporate governance and processes with transparent service agreement structures to ensure alignment with shareholders and customers.

7.3 Strategy

7.3.1 Overview

The Group intends to be recognised as a leader in, and the preferred provider of oil and oil products maritime transportation and related services and solutions.

The Group's strategic initiatives focus on creating and delivering exceptional value to its customers and adopting a portfolio management approach to capitalise on investment opportunities in this cyclical industry, by leveraging its deep knowledge, extensive experience and long-running relationships in the oil and oil products transportation space.

It is the Group's strategy to maintain its position as a world leading shipowner and operator of a modern fleet with capacity to cover the global product tanker market. Apart from implementing the Group's separate strategy points as described in the sections below, this is achieved by optimising the fleet by, *inter alia,* finalising delivery of the Group's newbuilds in 2020, but also through establishing the Group's core cultural values. Accordingly, following the Merger, the Group has focused on developing its core cultural values, evaluating processes for improved customer services, NOC and IOC relations, and how to benefit from the Group's large scale of operations - all leading to improvement of the framework day-to-day management, constant operational development, results and internal knowledge sharing.

7.3.2 Generate strong cash flows by actively managing pools in all major product tanker segments with a spot oriented chartering strategy

The majority of the Group's vessels are operated in the spot market, primarily through spot market-oriented pools of similarly sized vessels, to maximise fleet utilisation and revenues, as well as cyclical freight rate environment. The Group's active management of pools in all major product tanker segments and the Group's spot oriented chartering strategy provides attractive prospects for a strong cash flow.

7.3.3 Leverage on strong market access and prudent financial management policies to pursue well-timed opportunistic investments and divestments, and thereby grow the equity base and shareholder returns

The Group intends to enhance shareholder value by executing well-timed investments and divestments in sync with the cyclical nature of the shipping markets. The Group believes that its leading position in the oil and oil products tanker segments provides enhanced insights into relevant developments and trends, while prudent financial management policies enable a strong balance sheet to support this strategy.

With more than 80 years of tanker shipping experience through the BW Group, the Company has developed long-standing customer and industry stakeholder relationships which provide privileged insights into developing customer and industry requirements.

By understanding market dynamics through experience-based knowledge and superior supplier relationships driven by scale and history, the Group intends to deliver growth by building value-added solutions which can be contracted at attractive returns. This includes well-timed and well-configured fleet renewal, expansion and divestment. Being actively engaged in multiple shipping segments allows the Group to identify trends and market conditions and to engage in opportunistic trading of oil and oil products tanker assets. The Group seeks to maintain an attractive fleet by optimising its portfolio of oil and oil products, balancing between trading of assets in the sale and purchase market, seeking opportunities to charter-in vessels and placing new tonnage orders at reputable shipyards.

In the Group's opinion, its Group financial management policies pursue a prudent and balanced approach to leverage. This approach to financial management, and its long standing relationships with leading financial institutions across the globe along with the strong reputation of the BW Group, enables the Group to secure attractive financing both in structure and terms, enhancing its ability to move quickly to secure investment opportunities.

7.3.4 Optimise vessel revenues and returns through a balanced and flexible commercial trading strategy

The Group aims to find an appropriate balance between strong utilisation and access to premium rates in tight markets. As the drivers of market supply and demand may not always move in tandem across the different segments, the Group will apply a flexible trading approach to optimise returns for all its shipping assets. The Group's contract portfolio currently consists of primarily spot contracts that will allow it to maximise upside potential through voyage optimisation. The Group will continuously evaluate its contract portfolio based on its assessment of market conditions to balance between the extent of secure cash flows through time charter contracts appropriate to the Group's committed expenditures, while maintaining availability of assets to benefit from revenue upside available in periods of tightening supply.

7.3.5 To be the preferred oil and oil products shipping solutions provider by focusing on operational excellence

The Group currently operates a fully integrated shipping platform for oil and oil products. The Group also benefits from economies of scale for selected shared services that it insources from the BW Group. These services represent less than 10% of the Company's total cost base. The Group seeks to deliver reliable services cost-effectively and in a transparent manner to its customers through its pursuit of operational excellence.

7.3.6 IMO 2020 and scrubber strategy

The Group's IMO 2020 and scrubber strategy entails that the vast majority of the Group's vessels will comply with the new IMO 2020 sulphur requirements by using low sulphur fuel oil ("**LSFO**"). The Group retains flexibility in terms of capturing the potential fuel spread in the derivatives market, as the market for LSFO is likely to mature in 2020. The Group has installed scrubbers on three owned vessels (currently chartered-out), and retains the opportunity to install scrubbers on the rest of the fleet. Finally, the Group has secured the ability to lock in the financial benefits at the time of investment and significantly decrease the speculative aspect of such investment decisions, as the scrubber investments are paid back during the duration of the charters. However, the Group believes that fitting vessels with scrubbers is not likely to be a sustainable solution from an environmental perspective.

7.3.7 Maintain a leading reputation for reliability

Operational excellence drives reliability, a key customer requirement in an industry where predictability of loading schedules is fundamental to customers' trading requirements. To consistently remain the provider and partner of choice, the Group owns and operates high quality vessels with the expectation that a charter with the Group will consistently result in safe and on-time loading and delivery of cargo around the world. The Group will continue to develop its talent pool of seafarers with deep experience in oil and oil products and allocate appropriate resources to meet customers' increasingly stringent requirements.

7.3.8 Sustain long-term mutually beneficial customer relationships

By delivering quality offerings at competitive value and developing business with a spirit of partnership, the Group is privileged to have existing long-standing relationships with international blue-chip energy majors and trading houses.

7.3.9 Leverage global offices

The Group relies on global offices in Singapore, Copenhagen and Houston. It also benefits from BW Group's global network with offices in Norway, India and Philippines. This extensive network allows the Group to deliver optimal commercial solutions through an international customer-focused service platform effectively addressing the demands of a global customer base with support from a multicultural commercial team across multiple time zones.

7.4 History and important events

The Company is an investment holding company incorporated in Bermuda and operated out of Singapore, Copenhagen and Houston. The Company is the surviving and continuing entity of a 2019 merger of the former Hafnia Tankers group and the BW Tankers group, as further described in Section 14 "The Merger".

At the date of this Prospectus, the Company is 65.3% owned by BW Group, one of the world's leading shipping groups. Together, the BW Group of companies is involved in oil and gas transportation, floating gas infrastructure, environmental technologies and deep-water oil and gas production. BW Group owns and/or operates a combined fleet of approximately 400 vessels which includes Very Large Gas Carriers ("**VLGCs**"), crude and refined oil tankers, Liquefied Natural Gas (LNG) carriers, Liquefied Petroleum Gas (LPG) carriers, Floating Storage Regasification Unit (FSRU) and Floating Production Storage and Offloading (FPSO) units.

Below is a summary of the key historical events of the BW Tankers group and Hafnia Tankers group leading up to the Merger.

BW Tankers (and the Company)		**Hafnia Tankers**	
		2013	• Hafnia Tankers was incorporated in October on the basis of Tankers Inc., which was formed by individuals from the former top management team of the international shipping company Torm A/S and institutional shareholders including Barclays Natural Resource Investments and Castel AS. • Hafnia Tankers was registered on the NOTC-list on 5 November.
2014	• In May, BW Group Ltd ("**BW Group**") and Pacific Alliance Group ("**PAG**") formed BW Pacific Limited ("**BW Pacific**", today named Hafnia Limited (the Company)) as a joint venture, with the aim to further develop BW Group's product tanker platform. As such, BW Pacific was part of BW Group, a shipping company that has been involved in oil and gas transportation, floating gas infrastructure, environmental		

BW Tankers (and the Company)		Hafnia Tankers	
	technologies and deep-water production for over 80 years. • At the end of June, BW Pacific owned a fleet of 37 product tankers.		
2017	• In December, BW Pacific reorganised its business, which resulted in the technical management of its fleet being in-house in this company instead of managed by other BW Group companies.		
2018	• In February, BW Pacific rebranded itself to BW Tankers to better reflect the company's business.	2013-2018	• In the years following 2013, Hafnia Tankers completed a series of acquisitions and private placements including the acquisition of 10 MR tankers from J. Lauritzen A/S, an equity interest in Hafnia Management A/S and an equity interest in BTS Tanker Partners Limited that owns seven Handy tankers and two LR1 tankers. • Vista Shipping was established as a joint venture between Hafnia Tankers and CSSC Shipping. • By 2018, the group had a fleet of 42 vessels and six newbuilds on order. • In July 2018, BW Group obtained a controlling share interest in Hafnia Tankers.
2019	• On 16 January, the Merger between the former Hafnia Tankers group and the BW Tankers group was completed, as further described in Section 14 "The Merger", and the Group in its current form was thereby established. • Following the Merger, on 17 January the Company was registered on the N-OTC list. • In May, the Group acquired the businesses of its associated companies, Hafnia Management A/S and subsidiaries, which used to operate and manage the MR Pool and Handy Pool. The Group also acquired all shares 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.	2019	• On 16 January, the Merger between the former Hafnia Tankers group and the BW Tankers group was completed, as further described in Section 14 "The Merger". • As a result of the Merger, Hafnia Tankers was dissolved on 16 January.

7.5 Operating segments

The Group operates its business in oil and oil products transportation. The Group divides its business further into LR2 (capacities ranging between 85,000 and 124,999), LR1 (capacities ranging between 55,000 and 84,999 dwt), MR (capacities ranging between 40,000 and 54,999 dwt) and Handy (capacities ranging between 25,000 and 39,999 dwt).

The table below shows the amount and percentage of the Group's revenue derived from each of its operating segments for the three and six months ended 30 June 2019 and 2018.

	Three months ended 30 June		**Three months ended 30 June**		**Six months ended 30 June**		**Six months ended 30 June**	
	2019	**2018[1]**	**2019**	**2018[1]**	**2019**	**2018[1]**	**2019**	**2018[1]**
	(USD thousand)			**(%)**	*(USD thousand)*			**(%)**
LR2[2]	5,941	-	**3%**	**-**	8,572	-	**2%**	**-**
LR1	70,897	44,419	**35%**	**49%**	**149,651**	89,756	**36%**	**49%**
MR	97,042	46,596	**48%**	**51%**	**197,446**	94,781	**48%**	**51%**
Handy	26,803	-	**14%**	**-**	**59,107**	-	**14%**	**-**
Total	**200,683**	**91,015**	**100%**	**100%**	**414,776**	**184,537**	**100%**	**100%**

1 Excludes Hafnia Tankers.

2 The Group's LR2s were delivered in 2019, and thus there are no historic information to be provided.

7.6 The fleet and business of the Group

7.6.1 Introduction

As at the date of this Prospectus, the Group's fleet has a total carrying capacity of approximately 6.0 million dwt and the Group's owned fleet has an average age of approximately 6.5 years (excluding newbuilds), compared to the world LR2, LR1, MR and Handy fleets average age of approximately 8.5, 10.3, 10.0 and 13.8 years, respectively (source: Clarksons Research's database, September 2019).

7.6.2 Long range tankers (LR2)

As at the date of this Prospectus, the Group owns and operates six LR2s. LR2s account for 25% of the world's oil product transport market in terms of dwt, as at September 2019. The LR2s can carry a wide range of oil and oil products which includes gasoline, diesel, naphtha, kerosene, fuel, crude oil etc. In the first six months of 2019, all of the Group's LR2 revenue related to the transportation of clean petroleum products. However, it should be noted that all of the Group's LR2s were delivered in 2019, and that the historical financial information regarding the Group's LR2s is very limited.

Taking into account the six owned LR2s, the Group has a current market share of 2% of the number of operated LR2s worldwide (source: Clarksons Research's database, September 2019).

The following table presents certain key information with respect to the LR2s in the Group's fleet.

Name	**Mth-Year built**	**Shipyard**	**Capacity (dwt)**	**Flag**	**Ownership (%)**	**Classification society**	**Employment type**
BW Despina	Jan-19	Daehan	115,000	Singapore	100%	LR	TC-out
BW Galatea	Mar-19	Daehan	115,000	Singapore	100%	LR	TC-out
BW Larissa	Apr-19	Daehan	115,000	Singapore	100%	LR	TC-out
BW Neso	Jul-19	Daehan	115,000	Singapore	100%	LR	TC-out
BW Thalassa	Sep-19	Daehan	115,000	Singapore	100%	LR	TC-out
BW Triton	Oct-19	Daehan	115,000	Singapore	100%	LR	N/A
Total (6 vessels)			**690,000**				

7.6.3 Long range tankers (LR1)

As at the date of this Prospectus, the Group owns 27[6] and charterers in nine LR1s. LR1s account for 16% of the world's oil product transport market in terms of dwt, as at September 2019. The LR1s carry a wide range of oil and oil products

[6] Including two newbuilds via the Vista JV.

which includes gasoline, diesel, naphtha, kerosene, fuel, crude oil etc. In the first six months of 2019, all of the Group's LR1 revenue is related to the transportation of clean and dirty petroleum products.

The Group has a current market share of 10% of the number of operated LR1s worldwide (source: Clarksons Research's database as at September 2019).

The following table presents certain key information with respect to the LR1s in the Group's fleet.

Name	Mth-Year built	Shipyard	Capacity (dwt)	Flag	Ownership (%)	Classification society	Employment type
BW Amazon	Oct-06	Dalian Shipbuilding	76,565	Singapore	100%	DNV GL	Voyage Charter
BW Clyde	Jun-04	New Century Shipbuilding	73,495	Singapore	100%	LR	Voyage Charter
BW Columbia	Jan-07	Dalian Shipbuilding	74,999	Singapore	100%	DNV GL	Voyage Charter
BW Danube	Mar-07	Dalian Shipbuilding	74,999	Singapore	100%	DNV GL	Voyage Charter
BW Hudson	Jun-07	Dalian Shipbuilding	76,574	Singapore	100%	DNV GL	Voyage Charter
BW Kallang	Jan-17	STX Shipbuilding	74,000	Singapore	100%	LR	Voyage Charter
BW Kronborg	Mar-07	New Century Shipbuilding	73,708	Singapore	100%	LR	Voyage Charter
BW Lara	Aug-04	New Century Shipbuilding	73,495	Singapore	100%	LR	Voyage Charter
BW Lena	Aug-07	STX Shipbuilding	74,996	Singapore	100%	DNV GL	Voyage Charter
BW Nile	Aug-17	Dalian Shipbuilding	74,000	Singapore	100%	LR	Voyage Charter
BW Orinoco	Nov-07	Dalian Shipbuilding	74,991	Singapore	100%	DNV GL	Voyage Charter
BW Rhine	Mar-08	Dalian Shipbuilding	76,578	Singapore	100%	LR	Voyage Charter
BW Seine	May-08	Dalian Shipbuilding	76,580	Singapore	100%	ABS	Voyage Charter
BW Shinano	Oct-08	Dalian Shipbuilding	74,998	Singapore	100%	DNV GL	Voyage Charter
BW Tagus	Mar-17	STX Shipbuilding	74,000	Singapore	100%	LR	Voyage Charter
BW Thames	Aug-08	Dalian Shipbuilding	74,999	Singapore	100%	DNV GL	Voyage Charter
BW Yangtze	Jan-09	Dalian Shipbuilding	74,996	Singapore	100%	ABS	Voyage Charter
BW Yarra	Jul-17	STX Shipbuilding	74,000	Singapore	100%	LR	Voyage Charter
BW Zambesi	Jan-10	Dalian Shipbuilding	74,982	Singapore	100%	ABS	Voyage Charter
Compass	Feb-06	Dalian Shipbuilding	72,736	Singapore	BB-in[1]	LR	Voyage Charter
Compassion	Jun-06	Dalian Shipbuilding	72,782	Singapore	BB-in[1]	LR	Voyage Charter
Hafnia Africa	May-10	STX	74,539	Singapore	BB-in[1]	DNV GL	Voyage Charter
Hafnia America	Oct-06	Onomichi	74,999	Singapore	100%	DNV GL	Voyage Charter
Hafnia Arctic	Jan-10	Brodosplit	74,910	Malta	BB-in[1]	DNV GL	Voyage Charter
Hafnia Asia	Jun-10	STX	74,539	Malta	BB-in[1]	DNV GL	Voyage Charter
Hafnia Australia	May-10	STX	74,539	Malta	BB-in[1]	DNV GL	Voyage Charter
Hafnia Guangzhou	Jul-19	GSI	74,999	Malta	50%[3]	DNV GL	Voyage Charter
Hafnia Beijing	Nov-19	GSI	74,999	Malta	50%[3]	DNV GL	Voyage Charter
Hafnia Europe	Aug-06	Onomichi	74,997	Singapore	100%	DNV GL	Voyage Charter
Hafnia Hong Kong	Jan-19	GSI	74,999	Malta	50%[3]	DNV GL	Voyage Charter
Hafnia Shanghai	Jan-19	GSI	74,999	Malta	50%[3]	DNV GL	Voyage Charter
Karimata	Sep-19	Onomichi	74,999	Panama	TC-in[2]	ABS	Voyage Charter
Sunda	Jun-19	Onomichi	74,999	Panama	TC-in[2]	ABS	Voyage Charter
Tectus	Jul-09	STX	74,862	Liberia	TC-in[2]	ABS	Voyage Charter

Name	Mth-Year built	Shipyard	Capacity (dwt)	Flag	Ownership (%)	Classification society	Employment type
Hafnia Shenzhen	*Jun-20*	*GSI*	*74,999*	*N/A*	*50%*[3]	*N/A*	*Newbuild*
Hafnia Nanjing	*Sep-20*	*GSI*	*74,999*	*N/A*	*50%*[3]	*N/A*	*Newbuild*
Total (36 vessels)			**2,691,850**				

1 "BB-in" = Bare boat charter in

2 "TC-in" = Time charter in

3 Owned through the Vista JV.

The Group will take delivery of a total of two LR1 newbuilds in June 2020 and September 2020, respectively, cf. Section 7.6.6 "The newbuilds".

7.6.4 Medium range tankers (MR)

As at the date of this Prospectus, the Group owns 41 and charters in six[7] MRs. The MRs carry a wide range of oil and oil products which includes gasoline, diesel, naphtha, kerosene, vegetable oil, fuel, crude oil, easy chemicals etc. In the first six months of 2019, all of the Group's MR revenue related to the transportation of clean and dirty oil products, vegetable oil and easy chemicals.

The Group has a current market share of 3.1% of the number of operated MRs worldwide (source: Clarksons Research's database, September 2019).

The following table presents certain key information with respect to the MRs in the Group's fleet.

Name	Mth-Year built	Shipyard	Capacity (dwt)	Flag	Ownership (%)	Classification society	Employment type
Beagle	Apr-19	JMU	50,000	Panama	TC-in	NKK	Voyage Charter
Boxer	May-19	JMU	50,000	Singapore	TC-in	NKK	Voyage Charter
BW Bobcat	Aug-14	SPP	49,999	Singapore	100%	LR	Voyage Charter
BW Cheetah	Feb-14	SPP	49,999	Singapore	100%	ABS	Voyage Charter
BW Cougar	Jan-14	SPP	49,999	Singapore	100%	LR	Voyage Charter
BW Eagle	Jul-15	SPP	49,999	Singapore	100%	LR	Voyage Charter
BW Egret	Nov-14	SPP	49,999	Singapore	100%	DNV GL	Voyage Charter
BW Falcon	Feb-15	SPP	49,999	Singapore	100%	ABS	Voyage Charter
BW Hawk	Jun-15	SPP	49,999	Singapore	100%	DNV GL	Voyage Charter
BW Jaguar	Mar-14	SPP	49,999	Singapore	100%	LR	Voyage Charter
BW Kestrel	Aug-15	SPP	49,999	Singapore	100%	DNV GL	Voyage Charter
BW Leopard	Jan-14	SPP	49,999	Singapore	100%	LR	Voyage Charter
BW Lioness	Jan-14	SPP	49,999	Singapore	100%	LR	Voyage Charter
BW Lynx	Nov-13	SPP	49,999	Singapore	100%	LR	Voyage Charter
BW Merlin	Sep-15	SPP	49,999	Singapore	100%	DNV GL	Voyage Charter
BW Myna	Oct-15	SPP	49,999	Singapore	100%	LR	Voyage Charter
BW Osprey	Oct-15	SPP	49,999	Singapore	100%	DNV GL	Voyage Charter
BW Panther	Jun-14	SPP	49,999	Singapore	100%	LR	Voyage Charter
BW Petrel	Jan-16	SPP	49,999	Singapore	100%	DNV GL	Voyage Charter
BW Puma	Nov-13	SPP	49,999	Singapore	100%	ABS	Voyage Charter
BW Raven	Nov-15	SPP	49,999	Singapore	100%	DNV GL	Voyage Charter
BW Swift	Jan-16	SPP	49,999	Singapore	100%	DNV GL	Voyage Charter
BW Tiger	Mar-14	SPP	49,999	Singapore	100%	LR	Voyage Charter
BW Wren	Mar-16	SPP	49,999	Singapore	100%	DNV GL	Voyage Charter
Hafnia Ane	Nov-15	GSI	49,999	Malta	100%	DNV GL	Voyage Charter
Hafnia Andromeda	May-11	GSI	49,999	Malta	100%	DNV GL	Voyage Charter
Hafnia Crux	Feb-12	GSI	52,550	Denmark	100%	LR	Voyage Charter
Hafnia Daisy	Aug-16	GSI	49,999	Malta	100%	DNV GL	Time Charter
Hafnia Henriette	Jun-16	GSI	49,999	Malta	100%	DNV GL	Voyage Charter
Hafnia Kristen	Jan-17	GSI	49,999	Malta	100%	DNV GL	Voyage Charter
Hafnia Lene	Jul-15	GSI	49,999	Malta	100%	DNV GL	Voyage Charter
Hafnia Leo	Nov-13	GSI	52,340	Malta	100%	DNV GL	Voyage Charter
Hafnia Lise	Sep-16	GSI	49,999	Malta	100%	DNV GL	Time Charter
Hafnia Libra	May-13	GSI	52,384	Denmark	100%	LR	Voyage Charter

[7] Including two newbuilds to be delivered in 2019 and 2020.

Name	Mth-Year built	Shipyard	Capacity (dwt)	Flag	Ownership (%)	Classification society	Employment type
Hafnia Lotte	Jan-17	GSI	49,999	Malta	100%	DNV GL	Voyage Charter
Hafnia Lupus	Apr-12	GSI	52,550	Denmark	100%	LR	Voyage Charter
Hafnia Mikala	May-17	GSI	49,999	Malta	100%	DNV GL	Voyage Charter
Hafnia Nordica	Mar-10	Shin Kurushima	49,994	Malta	100%	NKK	Voyage Charter
Hafnia Pegasus	Oct-10	GSI	50,326	Denmark	100%	LR	Voyage Charter
Hafnia Phoenix	Jul-13	GSI	52,340	Denmark	100%	LR	Voyage Charter
Hafnia Taurus	Jun-11	GSI	50,385	Malta	100%	DNV GL	Voyage Charter
Hafnia Andrea	Jun-15	Hyundai Mipo	49,999	Singapore	100%	ABS	Voyage Charter
Hafnia Caterina	Aug-15	Hyundai Mipo	49,999	Singapore	100%	ABS	Voyage Charter
Orient Challenge	Jun17	Hyundai Vinashin	49,972	Singapore	TC-in	NKK	Voyage Charter
Orient Innovation	Jul-17	Hyundai Vinashin	49,972	Singapore	TC-in	NKK	Voyage Charter
Bulldog	*Jan-20*	*JMU*	*50,000*	*N/A*	*TC-in*	*N/A*	*N/A*
Basset	*Dec-19*	*JMU*	*50,000*	*N/A*	*TC-in*	*N/A*	*N/A*
Total (47 vessels)			**2,362,780**				

The Group will take delivery of a total of two MR newbuilds in December 2019 and January 2020, respectively, cf. Section 7.6.6 "The newbuilds".

7.6.5 Handy

As at the date of this Prospectus, the Group owns and operates 13 Handy vessels. The Handy vessels carry a wide range of oil and oil products which includes gasoline, diesel, naphtha, kerosene, vegetable oil, fuel, crude oil, easy chemicals etc. In the first six months of 2019, all of the Group's Handy vessel revenue related to the transportation of clean and dirty oil products, vegetable oil and easy chemicals.

The following table presents certain key information with respect to the Handy vessels in the Group's fleet.

Name	Mth-Year built	Shipyard	Capacity (dwt)	Flag	Ownership (%)	Classification society	Employment type
Hafnia Adamello	Aug-04	Saiki	39,807	Singapore	100%	ABS	Voyage Charter
Hafnia Bering	Apr-15	Hyundai Mipo	39,067	Singapore	100%	LR	Voyage Charter
Hafnia Green	Aug-07	Saiki	39,808	Singapore	100%	ABS	Voyage Charter
Hafnia Hope	Jan-07	Saiki	39,814	Singapore	100%	ABS	Voyage Charter
Hafnia Karava	Mar-07	Saiki	39,814	Singapore	100%	ABS	Voyage Charter
Hafnia Magellan	May-15	Hyundai Mipo	39,067	Singapore	100%	LR	Voyage Charter
Hafnia Malacca	Jul-15	Hyundai Mipo	39,067	Singapore	100%	LR	Voyage Charter
Hafnia Rainier	Mar-04	Saiki	39,817	Singapore	100%	ABS	Voyage Charter
Hafnia Robson	May-04	Saiki	39,819	Singapore	100%	ABS	Voyage Charter
Hafnia Soya	Nov-15	Hyundai Mipo	38,700	Singapore	100%	LR	Voyage Charter
Hafnia Sunda	Sep-15	Hyundai Mipo	39,067	Singapore	100%	LR	Voyage Charter
Hafnia Torres	May-16	Hyundai Mipo	39,067	Singapore	100%	LR	Voyage Charter
Hafnia Victoria	Jun-07	Saiki	39,821	Singapore	100%	ABS	Voyage Charter
Total (13 vessels)			**512,735**				

7.6.6 The newbuilds

The Group will take delivery of two LR1s and two MRs during the course of 2019 and 2020. The following table presents certain key information with respect to the newbuilds on order in the Group's fleet.

Name	Type of vessel	To be delivered	Shipyard	Capacity (dwt)	Flag	Ownership (%)	Classification society
Hafnia Shenzhen	LR1	Aug-20	GSI	74,999	-	50%	-
Hafnia Nanjing	LR1	Oct-20	GSI	74,999	-	50%	-
Bulldog	MR	Jan-20	JMU	50,000	-	TC-in	-
Basset	MR	Dec-19	JMU	50,000	-	TC-in	-
Total (4 vessels)				**249,998**			

The newbuilds are free of charters. The newbuilds will be trading spot in the Pools (as defined below) or be chartered out on long-term contracts.

All the newbuilds are subject to customary cancellation provisions. The newbuilds may be cancelled by the Group, *inter alia,* in the event of default by the shipbuilder due to bankruptcy or liquidation, in which case the newbuild(s) will be cancelled against a full refund amount (including interest) which is guaranteed by a bank, and in the event of excessive delay or vessel specification issues, in which case the Group will be entitled to a customary contract price reduction by way of liquidated damages or to cancel with a refund of pre-delivery instalments together with interest depending on the circumstances. The shipbuilder will be entitled to cancel the newbuilds, *inter alia*, in the event of payment default by the Group.

7.6.7 The Pools

7.6.7.1 Overview

The Group operates as a pool manager for three commercial tanker pools: (i) the Handy pool for Handy vessels (the "**Handy Pool**"), (ii) the MR pool for MR vessels (the "**MR Pool**") and (iii) the LR pool for LR vessels (the "**LR Pool**"), each a "Pool", and together collectively known as the "**Pools**").

The Handy Pool currently comprises of 29 Handy vessels and there are nine pool participants. The MR Pool currently comprises of 63MR vessels[8] and there are nine pool participants. The LR Pool currently comprises of 80 LR vessels[9] and there are 18 pool participants.

The Group's six LR2 vessels are trading outside the Pools in addition to two MR vessels chartered-out on long-term contracts.

7.6.7.2 Pool Agreements

The Pools are operated by the Group through the pool managing company, Hafnia Pools Pte. Ltd., a wholly owned subsidiary of the Company, on the basis of three separate pool agreements (the "**Pool Agreements**" which has been amended from time to time) as entered into between Hafnia Pools Pte. Ltd. and the relevant pool participants.

Pursuant to the Pool Agreement vessels in the Pools are allocated a pro-rata share of aggregated earnings of all the tankers in the relevant pool, weighted by attributes such as size, fuel consumption, class notation and other capabilities. A pool participant may only withdraw from the pool within the first nine months of such participant's entry into the pool with the consent of the pool manager and the other pool participants. The Pool Agreements provide that in certain circumstances a pool participant may withdraw a vessel from the pool, such as upon three months' notice if the vessel is sold, or after a vessel is free from any commitment, whichever is later.

7.6.7.3 Management of vessels entered into the Pools

The Group employs its fleet within the Pools. The vessels in the Pools are entered into various maritime transportation arrangements including, *inter alia*, CoAs, time charters and voyage charters (see Section 7.7.1 "General" for a description of the different arrangements). As per the Pool Agreements, Hafnia Pools Pte. Ltd. receives remuneration in the form of a fixed fee of USD 250 per day and 2.25% of all net pool income arising from voyage charters, time charters and other charters.

7.6.7.4 Management of the Pools

Each Pool is managed by a pool board, comprising of two representatives from each pool participant (the "**Pool Board**"). The Pool Board is the governing body for the Pool, managing the responsibility for the overall strategic management of the Pools. All decisions and resolutions of the respective Pool Boards must be approved by at least 2/3 of the pool participants, and no less than a 2/3 majority of votes cast. Each pool participant has one vote.

The Pool Board is complemented by Hafnia Pools Pte. Ltd., which as pool manager represents the Pools in external relations and is in charge of the day-to-day commercial operation under the authority of the Pool Board. Hafnia Pools Pte. Ltd. has full authority to enter into FFA and BHA transactions on behalf of pool participants in accordance with the terms of the Pool Agreements.

[8] Including two newbuilds to be delivered in 2019 and 2020.

[9] Including two newbuilds via the Vista JV.

7.6.7.5 Third-party pool vessels

The following table presents certain key information with respect to the third-party vessels in the Pools.

Name	Mth-Year built	Capacity (dwt)	Pool entry	Owner	Flag Stage
Ami	2012	39 310	Apr-17	Gotland Rederi AB	Bahamas
Kronborg	2007	40 207	May-19	Dannebrog Rederi A/S	Liberia
Mount Everest	2010	37 817	Apr-18	Hartmann Schiffahrts GmbH & Co	Liberia
Mount Kibo	2010	37 843	Mar-18	Hartmann Schiffahrts GmbH & Co	Liberia
Nordic Hanne	2010	38 395	Jun-16	Nordic Shipholding A/S	Singapore
Nordic Pia	2006	38 395	Jun-16	Nordic Shipholding A/S	Singapore
Ocean Dignity	2006	34 633	Feb-18	Ocean Product Tankers AS	Isle of Man
Ocean Spirit	2006	34 633	Sep-18	OceanGold Tankers Inc	Isle of Man
Shandong Zihe	2004	40 059	Jun-19	Shandong Shipping Corp	Hong Kong
Sikinos	2006	37 620	Nov-16	Eletson Corp	Greece
Skyros	2006	37 562	Oct-16	Skyros II Ltd	Greece
Tanker Spirit	2007	34 671	Apr-18	KGAL GmbH & Co KG	Bahamas
VS Leia	2006	38 461	Mar-19	Valloeby Shipping Ltd	Isle of Man
VS Lisbeth	2006	38 492	Apr-18	Valloeby Shipping Ltd	Isle of Man
Nordic Agnetha	2009	37 791	Aug-19	Nordic Shipholding A/S	Singapore
Nordic Amy	2009	37 759	Oct-19	Nordic Shipholding A/S	Singapore
Bluebird	2016	74 074	Feb-17	Stolt-Nielsen Ltd	Singapore
Bow Pioneer	2013	81 305	Jan-19	Odfjell Tankers AS	Singapore
Breezy Victoria	2007	74 998	Jul-11	Mitsui OSK Lines Ltd	Bahamas
Estia	2007	73 711	Sep-17	Ionia Management SA	Bahamas
Evridiki	2008	73 740	Apr-17	Liquimar Tankers Management	Nassau
Grace Victoria	2007	74 998	Nov-15	Mitsui OSK Lines Ltd	Panama
Iris Victoria	2010	74 905	Jun-11	Mitsui OSK Lines Ltd	Marshall Isl.
Jo Redwood	2013	73 847	Jan-19	Meteva AS	Norway
Justice Victoria	2010	74 902	Jun-11	Keymax Group	Panama
Kamome Victoria	2011	74 908	May-11	Shintoku Kaiun KK	Panama
Lilac Victoria	2011	74 913	Jun-11	Mitsui OSK Lines Ltd	Marshall Isl.
Magic Victoria	2012	74 902	Sep-12	Mitsui OSK Lines Ltd	Marshall Isl.
Mari Ugland	2008	74 997	May-11	Skagerack Invest Ltd	Norway
Mariann	2008	74 992	Aug-11	Skagerack Invest Ltd	Norway
Maribel	2007	74 999	May-11	Skagerack Invest Ltd	Norway
Marika	2008	74 996	May-11	Skagerack Invest Ltd	Norway
Marilee	2006	74 998	Oct-11	Skagerack Invest Ltd	Norway
Marinor	2008	74 997	Nov-11	Skagerack Invest Ltd	Norway
Maritina	2006	74 993	May-11	Skagerack Invest Ltd	Marshall Isl.
Mindoro Star	2009	73 676	Oct-18	Chartworld Maritime Mngmt	Marshall Isl.
Nexus Victoria	2015	74 910	Jan-15	Mitsui OSK Lines Ltd	Isle of Man
Nord Lavender	2017	74 197	Jun-19	Safemarine Corp SA	Philippines
Nordic Anne	2009	73 774	Oct-17	Nordic Shipholding A/S	Singapore
Nordmars	2004	74 999	Apr-19	Nord Group	Cyprus
Nordmerkur	2004	74 999	Apr-19	Nord Group	Cyprus
Nordneptun	2004	74 999	Apr-19	Nord Group	Cyprus
Nordvenus	2004	74 999	May-19	Nord Group	Cyprus
Norstar Integrity	2006	74 065	Jun-17	Norstar Shipping Asia Pte Ltd	Marshall Isl.
Norstar Intrepid	2006	74 034	Apr-17	Norstar Shipping Asia Pte Ltd	Marshall Isl.
Norstar Invictus	2007	73 611	Jul-18	Norstar Shipping Asia Pte Ltd	Marshall Isl.
Orange Victoria	2019	74 430	Mar-19	ICBC Financial Leasing Co Ltd	Isle of Man
Palawan Star	2008	73 796	Nov-17	Chartworld Maritime Mngmt	Marshall Isl.
Ploutos	2006	73 711	Jul-17	Ionia Management SA	Bahamas
Red Eagle	2011	74 996	Apr-19	Bhunjun Group	Mauritius
Starling	2016	74 032	Feb-17	Stolt-Nielsen Ltd	Singapore
Summit Africa	2009	73 394	Jul-17	YK Yalu River (Cyprus) Shpg Ltd	Cyprus
Two Million Ways	2008	73 965	Sep-11	Nord Group	Cyprus
UACC Eagle	2009	73 410	May-14	United Arab Chemical Carriers	Majuro
UACC Falcon	2009	73 427	May-14	United Arab Chemical Carriers	Marshall Isl.
Uacc Ibn Al Haitham	2009	73 338	May-14	United Arab Chemical Carriers	Malta
UACC Ibn Sina	2008	73 338	Jul-14	United Arab Chemical Carriers	Malta
Chemtrans Adriatic	2005	73 964	Aug-19	Thomas Schulte Reederei GmbH	Cyprus
Chemtrans Arctic	2005	73 911	Aug-19	Thomas Schulte Reederei GmbH	Cyprus
Chemtrans Baltic	2005	73 896	Aug-19	Thomas Schulte Reederei GmbH	Cyprus
Chemtrans Oceanic	2005	73 901	Aug-19	Thomas Schulte Reederei GmbH	Marshall Isl.
Peace Victoria	2019	74 430	Oct-19	ICBC Financial Leasing Co Ltd	Liberia

Name	Mth-Year built	Capacity (dwt)	Pool entry	Owner	Flag Stage
Aegean Star	2 019	50 506	Jun-19	Chartworld Shipping Corp	Marshall Isl.
Andes	2 011	49 962	May-15	Tsakos Shipping & Trading SA	Cyprus
BSL Elsa	2 009	51 747	May-17	BCSSS	UK
Celsius Palermo	2 010	49 998	Oct-18	Celsius Shipping ApS	UK
Celsius Porto	2 009	49 999	Sep-18	Celsius Shipping ApS	Marshall Isl.
Chios Star	2 018	50 506	Mar-19	Chartworld Shipping Corp	Marshall Isl.
FSL Osaka	2 007	45 998	Nov-15	First Ship Lease Pte Ltd	Singapore
FSL Singapore	2 006	47 470	Apr-18	First Ship Lease Pte Ltd	Singapore
Himalaya	2 011	49 936	May-15	Donnelly Tanker Management-CYP	Cyprus
HSL Anna	2 010	51 747	Jun-17	Harworth Shipping Ltd	UK
Ionian Star	2 019	50 506	Mar-19	Chartworld Shipping Corp	Marshall Isl.
Kouros	2 008	49 999	Jul-17	Grace Management SA	Liberia
Lysias	2 008	49 999	Jun-17	Grace Management SA	Malta
Sanmar Santoor	2 002	47 141	Feb-19	Sanmar Shipping Ltd	Marshall Isl.
Sanmar Songbird	2 003	47 094	Jan-17	Solar Shipping and Trading SA	Marshall Isl.
Seameridian	2 011	49 999	Mar-15	Valles Steamship Canada Inc	Hong Kong
Star Merlin	2 007	53 755	Mar-18	APICORP Petroleum Shpg Fund	Panama
MP MR Tanker 2	2 010	49 997	Aug-19	M Pallonji & Co Pvt Ltd	Singapore
Total (80 vessels)		**4,926,384**			

7.7 Commercial trading of the fleet

7.7.1 General

Product tankers are employed in the market through a number of different arrangements. The general terms normally found in these types of contracts are described below.

- **Voyage Charter.** A voyage charter is typically a single trip that is priced on a current or spot market value. The owner of the vessel receives one payment which is either a negotiated lump sum rate or a derived freight from negotiation of a percentage which is multiplied with a flat rate for the voyage in question (flat rates are issued by WorldScale Association (London) Limited) to reach a total freight sum. The owner is responsible for the payment of all expenses including voyage expenses (bunker fuel, agency, security and port costs), operating expenses (including manning, maintenance, repair and docking) and capital costs of the vessel.

- **Time Charter.** Under time charters, vessels are chartered to customers for fixed periods of time (which can range from a few months up to multiple years) at rates that are generally fixed. The charterer pays all voyage costs. The owner of the vessel receives monthly charter payments on a per day or per month basis in advance and is responsible for the payment of all operating expenses (including manning, maintenance, repair and docking) and capital costs of the vessel.

- **Contract of Affreightment (CoA).** Under a CoA, the shipowner provides capacity to transport a certain amount of cargo within a specified period from one place to a destination designated by the customer. All of the vessels operating, voyage and capital costs are borne by the shipowner. The freight rate normally is agreed on a fixed rate basis, but can also be floating according to a pre-agreed index.

- **Consecutive Voyage Contract (CVC).** Under a CVC, the shipowner provides one vessel for multiple voyages to transport a certain amount of cargo within a specified period covering a specified trade from a fixed place to a fixed destination designated by the customer. All of the vessels' operating, voyage and capital costs are borne by the ship-owner. The freight rate normally is agreed on a fixed rate basis but can also be floating according to a pre-agreed index.

- **Bareboat Charter.** The shipowner charters a vessel to another company (the charterer) for a pre-agreed period at a daily rate. The charterer is responsible for operating the vessel, including crewing, maintenance and insurance and for paying charter rate. The owner will only pay for the capital costs of the vessel.

The Group's chartering department commercially trades product tankers. The department is responsible for the development, marketing and negotiation of all types of contracts for the product tanker vessels that the Group operates. Contract negotiations are done directly with the Group's clients as well as through shipbrokers, and in most cases a shipbroker will be nominated. The chartering department is also responsible for chartering in tonnage on spot voyages as well as time charter-in for arbitrage profits and time charter-out contracts on own tonnage for longer periods. All contracts are negotiated and concluded by the Group's Pools under instructions and authority from the Pool Board and the Group's Chief Executive Officer.

The Group contracts BW Group's sale and purchase department under the Corporate Services Agreement, as further described in Section 12.2 "Continuing agreements". The BW Group's sale and purchase department is responsible for negotiating sale terms and concluding pre-delivery documentation as well as conducting the closings of the various sale, purchase and sale leaseback transactions concluded by Hafnia under instructions and authority from the Group's Executive Vice President, Asset Management. In addition to this, BW Group's sale and purchase department provide certain analysis and reporting services to the Group, and together closely monitor newbuild opportunities.

7.7.2 Time charter-out portfolio

The Group currently has eight vessels entered into time charter contracts with customers for longer periods than six months. The following table presents key information pertaining to these time charter contracts (incl. options).

Name	Year built	Capacity (dwt)	Charter type	Charterer	Charter Out (in USD per day)	Expiry date	Extension option period
BW Despina	2019	115,000	Time-charter	Trafigura Maritime	22,125	March-20	6 months
BW Galatea	2019	115,000	Time-charter	Cargill	22,125	March-20	-
BW Larissa	2019	115,000	Time-charter	Cargill	22,625	April-20	-
BW Neso	2019	115,000	Time-charter	Equinor	25,000	September-22	1 year
BW Thalassa	2019	115,000	Time-charter	Equinor	25,000	September-22	1 year
BW Triton	2019	115,000	Time-charter	Equinor	26,500	December 2022	1 year
Hafnia Lise	2016	49,999	Time-charter	Valero	17,750	September-21	1+1 years
Hafnia Daisy	2016	49,999	Time-charter	Valero	17,750	August-21	1+1 years
Total (8 vessels)		**789,998**					

7.7.3 Bareboat or time charter-in portfolio

The Group currently has six bareboat charter-in vessels, some with purchase options. The following table presents key information pertaining to these bareboat charter contracts.

Name	Year built	Capacity (dwt)	Charter type	Owner	Charter In (in USD per day)	Expiry date	Extension option period
Compass	2006	72,736	Bareboat charter	Xingtong International Ship Lease	9,950	September-23	1+1 years
Compassion	2006	72,782	Bareboat charter	Xingxing International Ship Lease	9,950	September-23	1+1 years
Hafnia Africa	2010	74,539	Bareboat charter	DAS Line	8,050	October-25	4 years
Hafnia Arctic	2010	74,910	Bareboat charter	Skaatholmen Shipping	7,323[1]	July-25	-
Hafnia Asia	2010	74,539	Bareboat charter	Skaatholmen Shipping	7,038[1]	July-25	-
Hafnia Australia	2010	74,539	Bareboat charter	Yong Sheng	8,301[1]	December-29	-
Total (6 vessels)		**444,045**					

1 Adjusted for changes in Libor and outstanding debt in vessel.

The Group currently has nine vessels time chartered-in, eight with purchase options and three with purchase obligations. The following table presents key information pertaining to these time charter contracts.

Name	Year built	Capacity (dwt)	Charter type	Owner	Charter In (in USD per day)	Expiry date	Extension option period
Tectus	2009	74,862	Time charter	FPMC	12,550	June-20	-

Name	Year built	Capacity (dwt)	Charter type	Owner	Charter In (in USD per day)	Expiry date	Extension option period
Karimata	2019	74,999	Time charter	Triton Navigation B.V.	18,805	August-24	1+1+1 years
Sunda	2019	74,999	Time charter	Triton Navigation B.V.	18,805	July-24	1+1+1 years
Basset[1]	2019	50,000	Time charter	Grace Ocean Private Limited	16,008	December-24	1+1+1 years
Beagle	2019	50,000	Time charter	Sun Lanes Shipping S.A.	16,008	March-24	1+1+1 years
Boxer	2019	50,000	Time charter	Grace Ocean Private Limited	16,008	June-24	1+1+1 years
Bulldog[2]	2020	50,000	Time charter	Grace Ocean Private Limited	16,008	January-25	1+1+1 years
Orient Challenge	2017	49,972	Time charter	OMC Shipping Pte. Ltd.	15,900	June-25	1+1 years
Orient Innovation	2017	49,972	Time charter	OMC Shipping Pte. Ltd.	15,900	July-25	1+1 years
Total (9 vessels)		**524,804**					

1 Newbuild to be delivered in 2019.
2 Newbuild to be delivered in 2020.

The following table presents an overview of the Group's purchase options for chartered-in vessels.

Purchase options
In USD million

Name	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Compass	-	-	12.30[1]	9.55[2]	6.80[3]	-	-	-	-	-	-
Compassion	-	-	12.30[1]	9.55[2]	6.80[3]	-	-	-	-	-	-
Orient Challenge	-	-	-	-	-	-	23.90	22.30	20.70	-	-
Orient Innovation	-	-	-	-	-	-	23.90	22.30	20.70	-	-
Beagle	-	-	-	-	-	34.25	32.75	31.25	29.75	-	-
Basset	-	-	-	-	-	34.25	32.75	31.25	29.75	-	-
Boxer	-	-	-	-	-	34.25	32.75	31.25	29.75	-	-
Bulldog	-	-	-	-	-	34.25	32.75	31.25	29.75	-	-
Sunda	-	-	-	-	-	42.00	40.00	38.00	36.00	-	-
Karimata	-	-	-	-	-	42.00	40.00	38.00	36.00	-	-
Hafnia Africa	-	-	24.00	19.60	17.10	14.60	12.10	9.60	8.00	5.50	3.00
Hafnia Australia	-	-	21.00	19.00	17.00	14.90	12.90	10.90	8.90	6.35	-
Hafnia Asia	-	24.18	23.70	22.86	21.25	19.38	-	-	-	-	-
Hafnia Artic	-	25.15	24.65	23.77	22.10	20.15	-	-	-	-	-

1 A termination fee of MUSD 3.5 will be applicable if the charter party period is not extended or the Group has not exercised its purchase option.
2 A termination fee of MUSD 2.6 will be applicable if the charter party period is not extended or the Group has not exercised its purchase option.
3 A termination fee of MUSD 1.5 will be applicable if the Group has not exercised its purchase option.

Set down below is an overview of the Group's purchase obligations for chartered-in vessels.

Purchase obligations
In USD million

Name	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Hafnia Australia	-	-	-	-	-	-	-	-	-	-	4.20
Hafnia Asia	-	-	-	-	-	-	17.25	-	-	-	-
Hafnia Artic	-	-	-	-	-	-	17.94	-	-	-	-

7.8 Operations, Claims and Controls department

7.8.1 Operations

The Group's operations department is responsible for managing the performance of the Group's product tankers during their voyages. This includes each vessel's compliance with the terms and conditions of the applicable charter party contracts and active management of voyage costs to optimize each vessel's earnings. The operations department does this by monitoring of vessels' speed performance and negotiation of port fees on a daily basis. As at the date of this

Prospectus, the Group's operations department has 33 employees, of which 9 are based in Singapore, 20 in Copenhagen and 4 in Houston.

7.8.2 Claims

The Group's claims department ensures that all claims are presented in a timely and accurate manner to the Group's customers, and that any claims are settled promptly. This also includes the derivation and calculation of freight, pool or time charter income or expenditure and demurrage claims and other claims associated with vessel employment. As at the date of this Prospectus, the Group's claims department has 8 employees, of which 3 are based in Singapore and 5 in Copenhagen.

7.8.3 Bunkers

The Group's bunker department is responsible for competitive procurement of bunker for the Pools and third-party customers. As at the date of this Prospectus, the Group's bunker department has nine employees, of which six are based in Copenhagen, two are based in Singapore and one is based in Houston.

7.8.4 Pool management and controls

The Group's controls department is responsible for ensuring that the operations and claims departments continuously update their shipping databases with timely and accurate information. The team also supports the claims department by managing time bar issues for all claims and receivables. The department closely tracks the revenue and expense figures to analyse and explain variances. As at the date of this Prospectus, the Group's controls department has 15 employees, of which three are based in Singapore and 12 in Copenhagen.

7.9 Technical department

The Group's technical department is responsible for the marine, vetting, security functions and crew management for the product tankers fleet to ensure that the highest standards with regard to safety and environment are maintained on board vessels in the fleet. Currently, the Group has 45 product tankers which are externally managed on basis of separate technical management agreements (the "**Technical Management Agreements**"). The following table presents certain key information with respect to these externally managed vessels.

Name	Year built	Capacity (dwt)	Vessel type	Technical manager
Hafnia Leo	2013	52,340	MR	Donnelly Tanker Management Ltd
Hafnia Taurus	2011	50,385	MR	Donnelly Tanker Management Ltd
Hafnia Andromeda	2011	49,999	MR	Donnelly Tanker Management Ltd
Hafnia Rainier	2004	39,817	Handy	Donnelly Tanker Management Ltd
Hafnia Adamello	2004	39,807	Handy	Donnelly Tanker Management Ltd
Hafnia Robson	2004	39,819	Handy	Donnelly Tanker Management Ltd
Hafnia Green	2007	39,808	Handy	Donnelly Tanker Management Ltd
Hafnia Victoria	2007	39,821	Handy	Donnelly Tanker Management Ltd
Hafnia Hope	2007	39,814	Handy	Donnelly Tanker Management Ltd
Hafnia Karava	2007	39,814	Handy	Donnelly Tanker Management Ltd
Hafnia America	2006	74,999	LR1	Donnelly Tanker Management Ltd
Hafnia Europe	2006	74,997	LR1	Donnelly Tanker Management Ltd
Hafnia Africa	2010	74,539	LR1	Donnelly Tanker Management Ltd
Hafnia Asia	2010	74,539	LR1	Donnelly Tanker Management Ltd
Hafnia Australia	2010	74,539	LR1	Donnelly Tanker Management Ltd
Hafnia Arctic	2010	74,910	LR1	Donnelly Tanker Management Ltd
Hafnia Nordica	2010	49,994	MR	MMS Co., Ltd
Hafnia Lene	2015	49,999	MR	Thome Ship Management Pte Ltd
Hafnia Ane	2015	49,999	MR	Thome Ship Management Pte Ltd
Hafnia Henriette	2016	49,999	MR	Thome Ship Management Pte Ltd
Hafnia Daisy	2016	49,999	MR	Thome Ship Management Pte Ltd
Hafnia Lise	2016	49,999	MR	Thome Ship Management Pte Ltd
Hafnia Lotte	2017	49,999	MR	Thome Ship Management Pte Ltd
Hafnia Kirsten	2017	49,999	MR	Thome Ship Management Pte Ltd
Hafnia Mikala	2017	49,999	MR	Thome Ship Management Pte Ltd
Hafnia Bering	2015	39,067	Handy	Thome Ship Management Pte Ltd
Hafnia Magellan	2015	39,067	Handy	Thome Ship Management Pte Ltd

Hafnia Malacca	2015	39,067	Handy	Thome Ship Management Pte Ltd
Hafnia Sunda	2015	39,067	Handy	Thome Ship Management Pte Ltd
Hafnia Soya	2015	38,700	Handy	Thome Ship Management Pte Ltd
Hafnia Torres	2016	39,067	Handy	Thome Ship Management Pte Ltd
Hafnia Lupus	2012	52,550	MR	Wallem GmbH & Co. KG
Hafnia Phoenix	2013	52,340	MR	Wallem GmbH & Co. KG
Hafnia Crux	2012	52,550	MR	Wallem GmbH & Co. KG
Hafnia Libra	2013	52,384	MR	Wallem GmbH & Co. KG
Hafnia Pegasus	2010	50,326	MR	Wallem GmbH & Co. KG
Hafnia Hong Kong	2019	74,999	LR1	MMS Co., Ltd
Hafnia Shanghai	2019	74,999	LR1	MMS Co., Ltd
Hafnia Guangzhou	2019	74,999	LR1	Donnelly Tanker Management Ltd
Hafnia Beijing	2019	74,999	LR1	Donnelly Tanker Management Ltd
BW Clyde	2004	73,495	LR1	V.Ships Asia Group Pte. Ltd
BW Kronborg	2007	73,708	LR1	V.Ships Asia Group Pte. Ltd
BW Lara	2004	73,495	LR1	V.Ships Asia Group Pte. Ltd
Compass	2006	72,736	LR1	Synergy Maritime Pvt. Ltd.
Compassion	2006	72,782	LR1	Synergy Maritime Pvt. Ltd.
Total (45 vessels)		**2,490,330**		

As at the date of this Prospectus, the Group's technical department has 41 employees, of which 37 are based in Singapore, two in Copenhagen, one in Houston and one in Mumbai.

Technical quality is an integral part of the Group's operations. The technical team is responsible for each vessel's compliance with relevant procedures and that vessels do not jeopardise the safety and quality of crew, vessel or cargo. The Group actively manages the risks inherent in its business and is committed to preventing incidents that threaten safety, such as groundings, fires, collisions and petroleum spills.

7.10 Customers

When negotiating employment for the Group's vessels, the Group's assessment of the customer's financial condition and reliability is a key factor. Existing customers are reassessed regularly, and new customers are always assessed and appraised before the Group enters into any commercial relations with the customer. The Group seeks to charter its vessels to IOCs and NOCs, as well as trading and utility companies. The Group's customers include Vitol, Trafigura, Aramco Trading, Total, BP, ST Shipping, Clearlake, Exxon, ENOC, Shell, Unipec, Equinor, Reliance, PetroChina and many smaller oil traders.

7.11 Competition

The Group's business performance fluctuates in line with the main patterns of trade of clean and dirty petroleum products (naphtha, jet fuel, kerosene, gasoil, fuel oil and crude oil) and varies according to changes in the supply of and demand for transportation of these products. The market is highly competitive and based primarily on supply of cargo and vessel availability. The Group competes for charters on the basis of price, vessel location, size, age and condition of the vessel, as well as on its reputation as an owner and operator. A list of the Group's main product tanker competitors can be found in Section 6.6.2 "Competitive Landscape".

7.12 Property, plant and equipment

7.12.1 Property

The Group shares occupancy of offices with BW Group in Singapore and leases offices in Copenhagen, Houston and Monaco. The Group does not own any real property. The table below sets out key information regarding the Group's leased/shares premises.

Location	Address	Operating structure	Size (sqm)	Term of agreement
Singapore	10 Pasir Panjang Road, Mapletree Business City #18-01, Singapore	Use of premises provided by BW Group through the Corporate Services Agreement	763.3	30 days' notice
Houston, United States	1800 West Loop South Suite 1950 Houston, Texas, 77027 USA	Office lease through Weco Group	Approx. 100	March, 2020

Location	Address	Operating structure	Size (sqm)	Term of agreement
Monaco	7, Rue du Gabian 98000 Monaco #13, 10 Floor	Office lease	Approx. 110	July, 2024
Copenhagen, Denmark	Tuborg Boulevard 5, 2900 Hellerup, Denmark	Office lease	1,455	March, 2020
Hamilton, Bermuda.......	Washington Mall Phase 2, 4th Floor, Suite 400, 22 Church Street, HM 1189, Hamilton HM EX, Bermuda	Use of premises provided by BW Group through the Corporate Services Agreement	150	30 days' notice

The office premises in Singapore and Bermuda are shared with BW Group along with certain administrative and agency services through the Corporate Services Agreement, and the Group pays a combined fee for the use of office premises and the administrative and agency services provided by BW Group. See Section 12.2 "Continuing agreements" for a further description of the Corporate Services Agreement.

The Company is of the opinion that its premises are sufficient for its current business for the foreseeable future. There are no major encumbrances at the properties. Further, there are no environmental issues for the office leases.

7.12.2 The fleet

As at the date of this Prospectus, the Group operates a fleet of 180 vessels in its Pools including newbuilds, of which 102 are owned or chartered-in (either through long-term time charters or bareboat charters) by the Group, see Section 7.6 "The fleet and business of the Group" for further information on the Group's material tangible fixed assets.

The operation of the Group's fleet is subject to international environmental conventions and national, state and local laws and regulations in force in the countries in which the Group's vessels may operate or are registered. For a description of environmental issues which may have an impact on the Group's utilisation of its tangible assets, see Section 7.20 "Environmental and other regulations". For further descriptions of IMO regulations, including IMO 2020, see Section 6.4.8 "IMO 2020".

7.13 Information technology

The Group's operations rely on a modern and cost-efficient portfolio of finance, commercial, technical and other software applications and supporting infrastructure to enable effective and responsive shore-based operations, and to support timely, relevant, and reliable information for business decision-making. Outsourcing arrangements for some IT solutions and services are purchased from BW Group under arms' length terms and conditions defined by a SLA. BW Group obtains its IT solutions from reliable and stable industry participants, such as Oracle, and where appropriate from suppliers specialised in providing solutions tailored towards the shipping industry.

7.14 Legal proceedings

From time to time, the Group is involved in litigation, disputes and other legal proceedings arising in the normal course of its business. Neither the Company nor any other company in the Group, is, nor has been, during the course of the preceding 12 months involved in any legal, governmental or arbitration proceedings which may have, or have had in the recent past, significant effects on the Company's and/or the Group's financial position or profitability, and the Company is not aware of any such proceedings which are pending or threatened.

7.15 Material contracts

Save for as set out in Section 14 "The Merger", neither the Group nor any member of the Group has entered into any material contracts outside the ordinary course of business for the two years prior to the date of this Prospectus. Further, the Group has not entered into any other contract outside the ordinary course of business which contains any provision under which any member of the Group has any obligation or entitlement.

7.16 Research and development

The Company is not engaged in any research and development activities.

7.17 Insurance

Inherent in operation of any ocean-going vessel is the potential risk of major losses and liabilities, death or injury of persons, property damage caused by adverse weather conditions, mechanical failures, human error, war, terrorism, piracy and other circumstances or events; pollution risk stemming from the transportation of oil cargo by sea and use of hydrocarbon fuel to power vessels; and business interruption due to political unrest, hostilities, labor strikes and boycotts. The occurrence of any of these events may result in loss of revenues or increased costs. See also Section 2.1 "Risks related to the industry in which the Group operates".

As an integral part of operating the Group's vessels, the Group maintains "hull and machinery", "hull interest", "war" and "protection and indemnity" insurances. Each insurance is placed with first class marine insurers and collectively affords protection against the majority of accident-related risks that may arise in connection with the Group's marine operations, including damage to and loss of a vessel arising from marine perils such as collisions (including collision liability to third party vessels where included under the Hull Policy), grounding, damage caused by crew negligence and adverse weather conditions as well as war perils, including political type exposures. In the case of hull and war exposures, vessels are insured at no less than an average of 100% of the fair market value, with the product tanker hull deductible applicable to particular damage claims being USD 100,000 per vessel per casualty. There is no deductible for a claim for total loss or for claims brought under the war cover.

Protection and indemnity is placed with P&I Associations who are members of the International Group of P&I Clubs and indemnifies Group owners in respect of third party liabilities arising out of a vessel's operation where such liabilities are not covered under the vessel's hull and machinery insurance. P&I liabilities include injury to the Group's crew or third parties, cargo loss, wreck removal and pollution. The current limit for pollution cover is USD 1 billion per vessel per incident except where pollution arises from a war peril in which case the limit is vessel value plus USD 500 million as a combined single limit with other P&I exposures.

The Group believes that its current insurance program, as described above, is adequate to protect the Group against the majority of accident-related risks involved in the conduct of its business and that an appropriate level of protection and indemnity against pollution liability and environmental damage is maintained. However, there can be no assurance that the range of risks the Group is exposed to is adequately insured against, that any particular claim will be paid or that the Group in the future will be able to procure similar adequate insurance coverage at the terms and conditions equal to those the Group currently has. More international conventions governing shipping, including bunkers and wreck removal as well as increased limits of liability under existing conventions have resulted in increased exposures and insurance costs. There may in certain circumstances be liabilities that are difficult to insure or even become uninsurable. The Group's goal is to maintain an adequate insurance coverage required by its marine operations and to actively monitor any new regulations and threats that may require the Group to revise its coverage.

7.18 Environment, health and safety matters

The Group's corporate values and ethical guidelines make health, safety, environment and quality ("**HSEQ**") responsibility, an integral facet of its business. The Group aspires to zero harm to people, environment, cargo and vessel. The Group's quality management system's approach is therefore to safeguard people, environment, cargo and vessel through implementation of the Group's values, policies, processes and procedures. The quality management system is in accordance with applicable laws and regulations in addition to industry and own best practices. The quality management system is dynamic and will be continually improved and changed to meet new demands.

The Group runs a complex operation, and risk awareness both on individual and company level, is critical for success. The Group strive to establish safeguards against identified risks, but will always rely upon each individual's professional judgment. To achieve the aspiration of zero harm and to ensure continual improvement, the Group will motivate each individual to maintain and further develop their professional skills and continue to focus on programs to develop competence. The Group has established a set of HSEQ performance indicators with targets which are regularly monitored and followed up. See also Section 2.3 "Risks relating to laws, regulations and litigation".

7.19 Dependency on contracts, patents and licenses, etc.

It is the Company's opinion that the Group's existing business and profitability is dependent upon the following contracts:

- the Corporate Services Agreement, as further described in Section 12.2 "Continuing agreements";
- the Pool Agreements, as further described in Section 7.6.7 "The Pools";
- the Group's loan agreements, as further described in Section 10.15 "Borrowings and other contractual obligations"; and
- the Technical Management Agreements, as further described in Section 7.9 "Technical department".

It is the opinion of the Company that termination or loss of either of the Corporate Services Agreement, the Pool Agreements and the Technical Management Agreements could have a material adverse effect on the Company's performance. Similarly, the collective termination or loss of the loan agreements described in Section 10.15 "Borrowings and other contractual obligations" could have a material adverse effect on the Company's financial condition.

Each of the Corporate Services Agreement, Pool Agreements and Technical Management Agreements, comprises several separate contracts. The Company does not consider itself dependent solely on one specific contract forming part of the these agreements. Further, the Group has several loan agreements, as described in Section 10.15 "Borrowings and other contractual obligations", but does not consider itself dependent on one individual loan agreement.

It is the opinion of the Company that the Group's existing business and profitability is not dependent on any patents or licenses.

7.20 Environmental and other regulations

7.20.1 Introduction

Government regulation significantly affects the ownership and operation of the Group's vessels. The Group is subject to international conventions and national, state and local laws and regulations in force in the countries in which the Group's vessels may operate or are registered.

A variety of government and private entities subject the Group's vessels to both scheduled and unscheduled inspections. These entities include local port authorities (e.g., local coast guard, port state control, harbour master or equivalent), classification societies, flag state administrations (country of registry), charterers and terminal operators. A number of these entities require the Group to obtain permits, licenses and certificates for the operation of its vessels. Failure to maintain necessary permits or approvals could lead to substantial costs or the temporary suspension of the operation of one or more of the Group's vessels.

The Group believes that the heightened level of environmental and quality concerns among insurance underwriters, regulators and charterers is leading to enhanced inspection and safety requirements on all vessels. Increasing environmental concerns have created a demand for vessels that conform to the stricter environmental standards.

The Group is required to maintain operating standards for all of its vessels that emphasise operational safety, quality maintenance, continuous training of its officers and crews and compliance with international regulations. The Group believes that the operation of its vessels is in substantial compliance with the international conventions and environmental laws and regulations applicable to the Group as at the date of this Prospectus.

7.20.2 International Maritime Organisation

The IMO has adopted several international conventions that regulate the international shipping industry, including the International Convention on Civil Liability for Oil Pollution Damage, the International Convention on Civil Liability for Bunker Oil Pollution Damage, and the International Convention for the Prevention of Pollution from Ships ("**MARPOL**" or "**MARPOL Convention**"). The MARPOL Convention establishes regulatory standards relating to oil leakage or spilling, garbage management, sewage, air emissions, emergency planning, training, record-keeping, handling and disposal of noxious liquids and the handling of harmful substances in packaged forms. The IMO has also adopted regulations that set forth pollution prevention requirements applicable to tanker vessels. These regulations have been adopted by 150 nations, including many of the jurisdictions in which the Group vessels operates.

The IMO has negotiated international conventions that impose liability for oil pollution in international waters and the territorial waters of nations that have agreed to such conventions.

7.20.3 International Convention on Civil Liability for Bunker Oil Pollution Damage

The International Convention on Civil Liability for Bunker Oil Pollution Damage (the "**Bunker Convention**") came into force in November 2008 and applies to spillages of "bunker oil", defined as "any hydrocarbon mineral oil, including lubricating oil, used or intended to be used for the operation or propulsion of the vessel, and any residues of such oil". The Bunker Convention imposes strict liability on shipowners subject to certain defences. Liability under the Bunker Convention is limited pursuant to applicable national or international limitation regimes. The Group maintains compulsory insurance required by the Bunker Convention.

7.20.4 International Convention on Civil Liability for Oil Pollution Damage

Many countries have ratified and follow the liability plan adopted by the IMO and set out in the International Convention on Civil Liability for Oil Pollution Damage of 1969, as amended in 2000 ("**CLC**"). Under this convention, and depending on whether the country in which the damage occurs is a party to the 1992 Protocol to the CLC, a vessel's registered owner is strictly liable, subject to certain limited defences, for pollution damage caused in the territorial waters of a contracting state by discharge of persistent oil. The limits on liability outlined in the 1992 Protocol use the International Monetary Fund currency unit of Special Drawing Rights ("**SDR**"). Under an amendment to the 1992 Protocol that became effective on 1 November 2003, for vessels between 5,000 and 140,000 gross tons (a unit of measurement for the total enclosed spaces within a vessel), liability is limited to approximately 4.51 million SDR plus 631 SDR for each additional gross ton over 5,000. For vessels of over 140,000 gross tones, liability is limited to 89.77 million SDR. The right to limit liability is forfeited under the CLC where the spill is caused by the shipowner's actual fault and under the 1992 Protocol where the spill is caused by the shipowner's intentional or reckless conduct. Vessels trading with states that are parties to these conventions must provide evidence of insurance covering the liability of the shipowner. In jurisdictions where the CLC has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or in a manner similar to that of the CLC. The Group has adequate levels of protection and indemnity insurance to cover any liability under this convention.

7.20.5 The Group's compliance with the Bunker Convention and CLC

Ships trading to states that are party to the CLC and the Bunker Convention must provide evidence of insurance covering the liability of the owner. In jurisdictions where the CLC has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or in a manner similar to the CLC. P&I clubs in the International Group of P&I Clubs issue the required Bunkers Convention "Blue Cards" to provide evidence that there is in place insurance meeting the liability requirements. All of the Group's vessels have received "Blue Cards" from their P&I club and are in possession of a CLC state-issued certificate attesting that the required insurance coverage is in force.

7.20.6 International Convention on the Control of Harmful Anti-fouling systems on Ships

In 2001, the IMO adopted the International Convention on the Control of Harmful Anti-fouling systems on Ships (the "**Anti-fouling Convention**"). The Anti-fouling Convention, which came into force on 17 September 2008, prohibits the use of organotin compound coatings to prevent the attachment of molluscs and other sea life to the hulls of vessels after 1 September 2003. Vessels of over 400 gross tons engaged in international voyages must obtain an International Anti-fouling System Certificate and undergo a survey before the vessel is put into service or when the anti-fouling systems are altered or replaced.

The Group's vessels are in compliance with the Anti-fouling Convention.

7.20.7 International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious substances by Sea

The International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious substances by Sea (the "**HNS Convention**") was adopted by the IMO in 1996 and was amended by a 2010 Protocol. It aims to ensure adequate, prompt and effective compensation for damage that may result from shipping accidents involving hazardous and noxious substances. The HNS Convention has not yet entered into force, due to an insufficient number of ratifications.

7.20.8 Ballast water management

The International Convention for the Control and Management of Ships' Ballast Water and Sediments (the BWM Convention), adopted in 2004, aims to prevent the spread of harmful aquatic organisms from one region to another, by establishing standards and procedures for the management and control of ships' ballast water and sediments.

Under the BWM Convention, which entered into force on 8 September 2017, all ships in international traffic are required to manage their ballast water and sediments to a certain standard, according to a vessel-specific ballast water management ("**BWM**") plan. All ships are currently required to carry a ballast water record book and an international BWM certificate. Also, since coming into force, the convention requires ships to install an on-board ballast water management system ("**BWMS**") to meet the IMO's standards by the date of the ship's first International Oil Pollution Prevention ("**IOPP**") renewal survey. The costs relating to the installation of BWMS are significant.

On 7 July 2017, the 71st session of the IMO's Marine Environmental Protection Committee (the "**MEPC**") reached an agreement on a revised implementation schedule for the installation of BWMS, under the BWM Convention. The revised implementation schedule is as follows:

- vessels constructed from 8 September 2017 should have a BWMS installed on delivery;

- vessels with completed IOPP renewal surveys between 8 September 2014 and 7 September 2017 should have a BWMS installed by the first IOPP renewal survey from 8 September 2017;
- all other existing vessels should have a BWMS installed by the second IOPP renewal survey after 8 September 2017; and
- vessels not required to have an IOPP certificate should have a BWMS installed by 8 September 2024.

The United States applies its own regulations to ballast water pursuant to the Nonindigenous Aquatic Nuisance Prevention and Control Act of 1990 and the Clean Water Act 1972. These impose stringent requirements on, and the necessity to obtain permits with respect to, the discharge of ballast water with the U.S. Environmental Protection Agency and U.S. Coast Guard as regulating authorities. The legislation also mandates that vessels constructed after 1 December 2013 must on delivery have an approved BWMS installed and that vessels constructed before that date must install such a system at its first scheduled drydocking after 1 January 2016.

The Group is committed to remaining compliant with international BWM regulations. To date, 44 of the Group's product tankers are equipped with a BWMS.

7.20.9 Prevention of pollution from ships – MARPOL

The IMO has negotiated the international conventions for the prevention of pollution from ships that impose liability for oil pollution of the marine environment (MARPOL 73/78). Annex I to V of the convention concerns pollution to the sea by oil, noxious/harmful substances, sewage and garbage from ships. In September 1997, the IMO adopted Annex VI to address air pollution from ships. With effect from May 2005, Annex VI set limits on sulphur oxide and nitrogen oxide emissions from all commercial vessel exhausts and prohibits deliberate emissions of ozone depleting substances (such as halons and chlorofluorocarbons), emissions of volatile organic compounds from cargo tanks, and the shipboard incineration of specific substances.

Annex VI also includes a global cap on the sulphur content of fuel oil and allows for special "Emission Control Areas" ("**ECAs**") to be established with more stringent controls on sulphur emissions. In October 2008, the IMO adopted amendments to Annex VI (IMO 2020) regarding particulate matter, nitrogen oxide and sulphur oxide emission standards, which entered into force on 1 July 2010. The amended Annex VI aim to reduce air pollution from vessels by, *inter alia*, (a) implementing a progressive reduction of sulphur oxide emissions from ships, with the global sulphur cap reduced initially to 3.50%, effective 1 January 2012, then progressively to 0.50%, effective from 1 January 2020; and (b) establishing new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation.

The U.S. ratified the Annex VI amendments in October 2008, thereby rendering U.S. emissions standards equivalent to the IMO requirements. Sulphur content standards are even stricter within the ECAs. Since 1 July 2010, ships operating within an ECA may not use fuel with sulphur content in excess of 1.0% (from 1.50%), which was further reduced to 0.10% on 1 January 2015. With effect from 1 August 2012, certain coastal areas of North America were designated ECAs, as was the U.S. Caribbean Sea on 1 January 2014. The Baltic Sea and the North Sea have also been designated as ECAs.

In addition to MARPOL Annex VI, there are regional mandates in ports and certain territorial waters within the EU, China, Hong Kong, Turkey and Norway regarding reduced SOx emissions. These requirements establish maximum allowable limits for sulphur content in fuel oils use by vessels when operating within certain areas and waters and while "at berth".

Compliance with the aforementioned requires vessels to either install scrubbers or use compliant low sulphur fuel. Installation of scrubber technology requires significant capital expenditure, and low sulphur fuel is likely to be more expensive than fuels that are currently permitted and its availability may be uncertain in certain areas.

Further, Annex VI also provides for a three-tier reduction in nitrogen oxide (or NOx) emissions from marine diesel engines, with the Tier III (the final tier) to apply to engines installed on vessels constructed on or after 1 January 2016 and which operate in the North American ECA or the U.S. Caribbean Sea ECA. Future designated ECAs will also apply the Tier III requirement. In 2016, the IMO's MEPC approved the designation of the North Sea and the Baltic Sea as ECAs for NOx emissions. These two new NOx ECAs and the related amendments to Annex VI of MARPOL were formally adopted by IMO's MEPC in 2017, and the two new ECAs are expected to enter into effect on 1 January 2021.

To assist global implementation of the sulphur cap, MARPOL Annex VI also prohibits the carriage of non-compliant fuel oil from 1 March 2020 unless the vessel is fitted with a scrubber.

7.20.10 Greenhouse gas regulations

In July 2011, the IMO's MEPC adopted two new sets of mandatory requirements that entered into force in January 2013 to address greenhouse gas emissions from ships. Currently, technical and operational measures include the Energy Efficiency Design Index ("**EEDI**"), which sets a minimum efficiency level for ships per capacity mile, and the Ship Energy Efficiency Management Plan, which is mandatory for all vessels. In October 2016, the IMO's MEPC adopted updated guidelines for the calculation of the EEDI. In addition, the IMO is evaluating various mandatory measures to reduce greenhouse gas emissions from international shipping, which may include market-based instruments or a carbon tax. In October 2016, the IMO adopted a mandatory data collection system under which vessels of 5,000 gross tonnage and above are to collect fuel consumption and other data and to report the aggregated data so collected to their flag state at the end of each calendar year. The requirements entered into force on 1 March 2018. The IMO also approved a roadmap for the development of a comprehensive IMO strategy on reduction of greenhouse gas emissions from ships.

On 28 April 2015, the European Council approved a new regulation dealing with the monitoring, reporting and verification of carbon dioxide emissions. The European Council regulation entered into force on 1 July 2015, following which vessels will need to have a carbon dioxide emissions monitoring plan on-board from 31 August 2017. Annual verification and reporting requirements commenced from 1 January 2018.

In February 2005, the Kyoto Protocol entered into force. Adopting countries are required to implement national programs to reduce emissions of greenhouse gases. In December 2009, more than 27 nations entered into the Copenhagen Accord. Though non-binding, the Copenhagen Accord was intended to be a precursor to a comprehensive, international treaty on climate change. On 4 November 2016, the Paris Agreement came into force, dealing with greenhouse gas emission reduction measures and targets from 2020 in order to limit the global temperature increases to well below 2 degrees Celsius above pre-industrial levels. Although shipping was not included in the Paris Agreement, it is expected that the adoption of the Paris Agreement may lead to the passage of climate control legislation and other regulatory initiatives by the IMO, the EU, the United States or other countries where the Group operates. However, in June 2017, the U.S. declared its intention to withdraw from the Paris Agreement. Under the agreement, the earliest effective date of withdrawal for the U.S. is November 2020, shortly before the end of the sitting president's current term. In practice, changes in United States policy that are contrary to the Paris Agreement have already been put in place. The future of the Paris Agreement may therefore be uncertain. Regardless, several European nations have already implemented measures to comply with the Paris Agreement.

The restriction of emissions of greenhouse gases could require the Group to make significant financial expenditures. In addition, compliance with changes in laws, regulations and obligations relating to climate change could increase costs related to operating and maintaining the Group's vessels, and require that the Group installs new emission controls, acquire allowances or pay taxes related to its greenhouse gas emissions, or administer and manage a greenhouse gas emissions program, the cost of which cannot be predicted with certainty at this time.

7.20.11 The United States Oil Pollution Act of 1990

The United States Oil Pollution Act of 1990 ("**OPA**") established an extensive regulatory and liability regime for the protection and clean-up of the environment from oil spills. The OPA affects all owners and operators whose vessels trade in the United States, its territories and possessions or whose vessels operate in United States waters, which includes the United States' territorial sea and its 200 nautical mile exclusive economic zone. The OPA expressly permits individual U.S. states to impose their own liability regimes vis a vis hazardous materials and oil pollution incidents occurring within their boundaries. Similarly, the International Convention on Civil Liability for Oil Pollution Damage 1969, as amended, which has been adopted by most countries outside of the U.S., imposes liability for oil pollution in international waters.

Under the OPA, vessel owners, operators and bareboat charterers are "responsible parties" and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels. The OPA defines these other damages broadly to include:

- natural resources damage and the costs of assessment thereof;
- real and personal property damage;
- net loss of taxes, royalties, rents, fees and other lost revenues;
- lost profits or impairment of earning capacity due to property or natural resources damage; and

- net cost of public services necessitated by a spill response, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

The OPA limits the liability of responsible parties to the greater of USD 18,796,800 or USD 2,200 per gross tons for vessels of the type that the Group owns and operates. These limits of liability do not apply if an incident was directly caused by a violation of applicable United States federal safety, construction or operating regulations or by a responsible party's gross negligence or wilful misconduct, or if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with oil removal activities. In addition, the U.S. Comprehensive Environmental Response, Compensation, and Liability Act ("**CERCLA**"), which applies to owners and operators of vessels, contains a similar liability regime and provides for clean-up, removal and natural resource damages associated with discharges of hazardous substances (other than oil). Liability under CERCLA is limited to the greater of USD 5,000,000 or USD 300 per gross tons.

The OPA requires owners and operators of vessels to establish and maintain with the U.S. Coast Guard evidence of financial responsibility sufficient to meet their potential liabilities under the OPA. Under the regulations, vessel owners and operators may evidence their financial responsibility by showing proof of insurance, surety bond, self-insurance or guaranty. Under the OPA, an owner or operator of a fleet of vessels is required only to demonstrate evidence of financial responsibility in an amount sufficient to cover the vessels in the fleet having the greatest maximum liability under the OPA. The limitation limits are subject to periodic increases.

The U.S. Coast Guard's regulations concerning certificates of financial responsibility provide, in accordance with the OPA, that claimants may bring suit directly against the insurer or guarantor that furnishes certificates of financial responsibility. In the event that such insurer or guarantor is sued directly, it is prohibited from asserting any contractual defence that it may have had against the responsible party and is limited to asserting those defences available to the responsible party and the defence that the incident was caused by the wilful misconduct of the responsible party. Certain organisations, which had typically provided certificates of financial responsibility under pre OPA laws, including the major protection and indemnity organisations, have declined to furnish evidence of insurance for vessel owners and operators if they are subject to direct actions or are required to waive insurance policy defences.

Under the self-insurance provisions of the U.S. Coast Guard's financial responsibility regulations, the shipowner or operator must have a net worth and working capital measured in assets located in the United States against liabilities located anywhere in the world that exceeds the applicable amount of financial responsibility. The Group has complied with the U.S. Coast Guard regulations by providing a certificate of responsibility from third party entities that are acceptable to the U.S. Coast Guard evidencing sufficient self-insurance.

The OPA specifically permits individual U.S. states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, and some states have enacted legislation providing unlimited liability for oil spills. In some cases, states that have enacted such legislation, have not yet issued implementing regulations defining vessels owners' responsibilities under these laws. The Group intends to comply with all applicable state regulations in the ports where the Group's vessels call.

In addition to complying with the OPA, relevant U.S. Coast Guard's regulations, IMO regulations, such as Annex IV and Annex VI to MARPOL, European Union directives and other existing laws and regulations and those that may be adopted in future, shipowners may incur significant additional costs in meeting new maintenance and inspection requirements, in developing contingency arrangements for potential spills and in obtaining insurance coverage.

7.20.12 European Union regulations

The EU has, by way of Directive 2005/35/EC, which has been amended by Directive 2009/123/EC, created a legal framework for imposing criminal liabilities in the event of discharges of oil and other noxious substances from vessels. Minor discharges are not automatically considered offenses, except where the repetition of such minor discharges leads to deterioration in the quality of the water. The persons responsible may be subject to criminal penalties if they have acted with intent, recklessness or with serious negligence. The act of inciting, aiding and abetting a person to discharge a polluting substance may also lead to criminal penalties.

The EU has also adopted legislation (Directive 2009/16/Econ Port State Control), which is now in force, that bans from European waters manifestly sub-standard vessels (defined as vessels that have been detained twice by EU port authorities, in the preceding two years, after July 2003), creates obligations on the part of EU member port states to inspect at least 25% of vessels using these ports annually, provides for increased surveillance of vessels posing a high risk to maritime safety or the marine environment, and provides the EU with greater authority and control over classification societies, including the ability to seek to suspend or revoke the authority of negligent societies. Two new regulations were introduced by the European Commission in September 2010, as part of the implementation of the Port State Control Directive. These came into force on 1 January 2011 and they introduce a ranking system (published on a public website and updated daily) displaying shipping companies operating in the EU with the worst safety records. The ranking is judged upon the results of the technical inspections carried out on the vessels owned by a particular shipping company. Those shipping companies that have the most safety shortcomings or technical failings recorded upon inspection will be subject to a greater frequency of official inspections to their vessels.

7.20.13 Maritime Labour Convention

The Maritime Labour Convention, 2006 (the "**MLC**") is an international labour convention adopted by ILO. MLC is widely known as the "seafarers' bill of rights", and was adopted by government, employer and workers representatives at a special ILO International Labour Conference in February 2006. The MLC aims both to achieve decent work for seafarers and to secure economic interests through fair competition for quality vessel owners.

The convention is comprehensive and sets out, seafarers' rights to decent working conditions. It covers most aspects of their work and life on board including:

- minimum age;
- seafarers' employment agreements;
- hours of work or rest;
- payment of wages;
- paid annual leave;
- repatriation at the end of contract;
- on-board medical care;
- the use of licensed private recruitment and placement services;
- accommodation, food and catering;
- health and safety protection and accident prevention; and
- seafarers' complaint handling.

The MLC was designed to be applicable globally, easy to understand, readily amendable and uniformly enforced. It was designed to become the "fourth pillar" of the international regulatory regime for quality shipping, complementing the key conventions of IMO dealing with safety and security of vessels and protection of the marine environment.

The MLC entered into force on 20 August 2013, and became binding international law for the "first 30" - the 30 countries with registered ratifications by 20 August 2012. For all other countries that have ratified, it will enter in force 12 months after their respective ratifications are registered.

All commercially operated vessels of 500 gross tonnage or more that fly the flag of any of the 30 countries that brought the MLC into force will, if they operate on international voyages, be required to carry, among other things, two specific documents: the Maritime Labour Certificate ("**MLCert**") and the Declaration of Maritime Labour Compliance ("**DMLC**").

These documents will provide prima facie evidence that the vessels are in compliance with the requirements of the MLC, including those relating to minimum age of seafarers, seafarers' employment agreements, hours of work or rest, payment of wages, on-board medical care, the use of licensed private recruitment and placement services, accommodation, and food and catering and health and safety protection and accident prevention.

The MLCert and DMLC are subject to inspection by port state control when vessels enter the ports of other countries that have ratified the MLC.

In addition, vessels flying the flag of countries that have not ratified the MLC are also subject to inspection with respect to working and living conditions for seafarers when those vessels enter in port of countries where the MLC is in force. This inspection, called "no more favourable treatment", is an important aspect of the convention, aimed at helping to ensure fair competition for vessel owners who comply with the MLC by providing decent work for seafarers. There are costs associated with complying with the MLC and the methods to be used by port state control to check and ensure compliance is currently unclear. The Group believes all of its vessels are in compliance with the MLC.

7.20.14 Conventions regarding recycling of vessels

The most prominent conventions regarding recycling of vessels include:

- The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, 2009 (the "**HK Convention**"), which was adopted by delegates from 63 countries in May 2009. The HK Convention is aimed at ensuring that vessels, when being recycled after reaching the end of their operational lives, do not pose any unnecessary risks to human health, safety or the environment. The HK Convention is open for accession by any state and will enter into force 24 months after the date on which 15 states, representing 40% of world merchant shipping by gross tonnage, have either signed it without reservation as to ratification, acceptance or approval or have deposited instruments of ratification, acceptance, approval or accession with the IMO Secretary-General. Furthermore, the combined maximum annual vessel recycling volume of those states must, during the preceding ten years, constitute no less than 3% of their combined merchant shipping tonnage. As at the date of this Prospectus, the HK Convention has not yet been ratified.

- The EU Ship Recycling Regulation ("**SR Regulation**"), which was adopted in November 2013 and came into force on 30 December 2013. The SR Regulation sets a date to fall between mid-2017 and 31 December 2018, by which commercial seagoing vessels flying the flag of an EU member state may only be recycled in safe and sound ship recycling facilities included in the European List of ship recycling facilities. The SR Regulation sets out a number of requirements for EU flagged vessels, EU vessel owners, vessel recycling facilities willing to recycle EU vessels, and the relevant competent authorities and administrations. Recycling may only take place at facilities listed on the EU list of ship recycling facilities. There are likely to be costs associated with complying with the SR Regulation.

- The EU Waste Shipment Regulation applies to all vessels that are trading in EU and European Economic Area (the "**EEA**") waters. Non-EU flagged vessels that are intended to be recycled outside of the EU approved yards must not trade in European waters or exit from the EU ports once the decision to recycle has been made. Non- EU flagged vessels must declare their true intended destination when leaving EU waters for recycling.

Though the Group at present has no intention to recycle any of its vessels, the Group endeavours to align its policies and procedures with the HK Convention at a minimum.

7.20.15 Vessel security regulations – IMO ISPS Code

Since the terrorist attacks of 11 September 2001, there have been a variety of initiatives intended to enhance vessel security. On 25 November 2002, the Maritime Transportation Security Act of 2002 (the "**MTSA**") came into effect in the United States. To implement certain portions of the MTSA, in July 2003, the U.S. Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. Similarly, in December 2002, amendments to the IMO's International Convention for the Safety of Life at Sea ("**SOLAS**") created a new chapter of the convention dealing specifically with maritime security. The new chapter came into effect in July 2004 and imposes various detailed security obligations on vessels and port authorities, most of which are contained in the newly created IMO's International Ship and Port Facilities Security Code ("**ISPS Code**"). Among the various requirements are:

- on board installation of automatic information systems to enhance vessel to vessel and vessel to shore communications;

- on board installation of vessel security alert systems;

- the development of vessel security plans; and

- compliance with flag state security certification requirements.

The U.S. Coast Guard regulations, intended to align with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures provided such vessels have on board a valid International Ship Security Certificate ("**ISSC**") that attests to the vessel's compliance with SOLAS security requirements and the ISPS Code. The Group has implemented the various security measures addressed by the MTSA, SOLAS and the ISPS Code, and has obtained an ISSC for each of its owned vessels in operation.

7.20.16 International Safety Management (ISM) Code

The operation of the Group's vessels is also affected by the requirements set forth in the ISM Code, being the International Standard for Safe Management and Operation of Ships and Pollution Prevention. The ISM Code requires shipowners or the entity who has assumed the responsibility for operation of a ship from the shipowner to develop, implement and maintain a "Safety Management System", which includes the following functional requirements:

- a safety and environmental-protection policy;
- instructions and procedures to ensure safe operation of ships and protection of the environment in compliance with relevant international and flag State legislation;
- defined levels of authority and lines of communication between, and amongst, shore and shipboard personnel;
- procedures for reporting accidents and non-conformities;
- procedures to prepare for and respond to emergency situations; and
- procedures for internal audits and management reviews.

Failure to comply with the ISM Code may subject the shipowner or the person responsible for the operation of a vessel to increased liability, may decrease available insurance coverage for the affected vessels and may result in detention or denial of access to ports.

The various classification societies with which the Group's vessels are entered have, on behalf of the flag states under which each of the Group's vessels is registered, issued Documents of Compliance to certify that the Group complies with the provisions of the ISM Code. In addition, each of the Group's vessels has a valid Safety Management Certificate proving the Group's compliance with the ISM Code and the Group's Safety Management System. Commercially managed vessels that are not technically managed by BWFM are ISM certified under their respective management companies' safety management systems.

The IMO also adopted SOLAS and the International Convention on Load Lines ("**LL Convention**"), which impose a variety of standards that regulate the design and operational features of ships. The IMO periodically revises SOLAS and LL Convention standards.

The Group's operations are also subject to environmental standards and requirements contained in the ISM Code promulgated by the IMO.

The ISM Code also requires that vessel operators obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel's management with code requirements for a safety management system. No vessel can obtain a certificate unless its manager has been awarded a document of compliance, issued by each flag state, under the ISM Code. The Group believes that its technical managers have all material requisite documents of compliance for offices and safety management certificates for all of the Group's vessels for which such certificates are required by the IMO. The Group and its technical managers renew these documents of compliance and safety management certificates as required.

In June 2017, the IMO adopted Resolution MSC.428(98) on Maritime Cyber Risk Management in Safety Management Systems. This requires shipowners, by 1 January 2021, to incorporate into their safety management systems, cyber risk management and security measures in accordance with the objectives and requirements of the ISM Code. The resolution recommends that existing risk management practices should be used to address the operational risks arising from the increased dependence on cyber enabled systems.

While the IMO gives shipowners and managers until 2021 to incorporate cyber risk security measures into ship safety management systems, tanker owners and operators that are subject to vetting under the Oil Companies International Marine Forum's (OCIMF) Ship Inspection Report (SIRE) Program will be expected to address cyber security risks in their policies and procedures, including the adoption of the Tanker Management and Self Assessment 3 (TMSA 3), as of 1 January 2018.

7.20.17 Inspection by classification societies

Every seagoing vessel must be "classed" by a classification society. The classification society certifies that the vessel is "in class", signifying that the vessel has been built and maintained in accordance with the rules of the classification society. In most cases, the classification society is authorised by the flag state to certify that the vessel also complies with applicable rules and regulations of the vessel's country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society may undertake them on application or by official order, acting on behalf of the authorities concerned.

The classification society also undertakes on request other surveys and checks that are required by regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case and/or to the regulations of the country concerned.

For maintenance of the class, regular and extraordinary surveys of hull, machinery, including the electrical plant, and any special equipment classed are required to be performed as follows:

(i) Annual Surveys. For seagoing vessels, annual surveys are conducted for the hull and the machinery, including the electrical plant and where applicable for special equipment classed, at intervals of 12 months from the date of commencement of the class period indicated in the certificate;

(ii) Intermediate Surveys. Extended annual surveys are referred to as intermediate surveys and typically are conducted two and one-half years after commissioning and each class renewal. Intermediate surveys may be carried out on the occasion of the second or third annual survey; and

(iii) Class Renewal Surveys. Class renewal surveys, also known as special surveys, are carried out for the vessel's hull, machinery, including the electrical plant and for any special equipment classed, at the intervals indicated by the character of classification for the hull. During a special survey, the vessel is thoroughly examined, including by ultrasonic gauging, in order to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society would require steel renewals. Substantial amounts of money may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey every five years, a shipowner has the option of arranging with the classification society for the vessel's hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five-year cycle. At an owner's application, the surveys required for class renewal may be split according to an agreed schedule to extend over the entire period of class. This process is referred to as continuous class renewal.

All areas subject to survey as defined by the classification society are required to be surveyed at least once per class period, unless shorter intervals between surveys are prescribed elsewhere. The period between two subsequent surveys of each area must not exceed five years.

A vessel's underwater parts are required to be inspected every 24 to 36 month intervals by the classification society. Drydocking of vessels is done, at the maximum, every 60 months. If any defects are found, the classification surveyor will issue a condition of class that must be rectified by the vessel owner.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as "in class" by a classification society that is a member of the International Association of Classification Societies. All the Group's vessels are certified as being "in class". All new and secondhand vessels that the Group purchases must be certified prior to their delivery under the Group's standard purchase contracts and memoranda of agreement. If the vessel is not certified on the date of closing, the Group has no obligation to take delivery of the vessel.

7.20.18 Potential implications of ISM Code and IMO regulations for the Group's operations

Non-compliance with the ISM Code or other IMO regulations may subject the vessel owner to increased liability, lead to decreases in available insurance coverage for affected vessels or result in denial of access to, or detention in some ports. The U.S. Coast Guard and European Union authorities have indicated that vessels not in compliance with the ISM Code by the applicable deadlines will be prohibited from trading in U.S. and European Union ports respectively. The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations might have on the Group's operations.

7.20.19 Permits and regulatory approvals

The Group is required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates for its vessels. The types of permits, licenses and certificates required depend on several factors, including the commodity transported, the waters in which the vessel operates, the nationality of the vessel's crew and the age of the vessel. The Group has been able to obtain all permits, licenses and certificates currently required to permit its vessels to operate. Additional laws and regulations, environmental or otherwise, may be adopted which could limit the Group's ability to do business or increase the cost of the Group doing business.

7.20.20 Poseidon Principles

Launched by major financial institutions on 18 June 2019, the Poseidon Principles establish a global framework for assessing and disclosing whether banks' and other financiers' ship finance portfolios align with the IMO's goal of reducing shipping's total annual greenhouse gas emissions by at least 50% by 2050 compared to 2008. With the aim of encouraging 'greener' ships, lenders, lessors and guarantee providers will take carbon intensity into account when considering the ships they are prepared to finance.

Financial institutions will rely on data that the Group is required to report to comply with the IMO's MARPOL Annex VI Data Collection System for fuel oil consumption of its vessels, which was adopted by resolution and entered into force on 1 March 2018. As of 2019 the Group's vessels are required to collect data relating to:

- The amount of fuel consumption for each type of fuel in metric tonnes;
- Distance travelled;
- Hours underway; and
- The technical characteristics of the vessel including design deadweight.

Financial institutions will use the data to calculate the carbon intensity of each vessel in their portfolio that reports to the IMO. Financial institutions will do this by reference to the published target carbon intensities and then report the weighted average of their portfolio based on the debt secured (in the case of loans) and capital payments (in respect of leases) and the guarantee liability (for guarantors) so it will be clear to what extent the portfolio as a whole meets the IMO target for the reporting year.

Presently, financial institutions may be able to obtain the relevant information under the standard information covenants included in syndicated ship finance documentation. However, financial institutions may later impose a specific covenant with respects to the Poseidon Principles together with definitions, requiring the shipowner to supply the relevant information, with the optional financial burden on the Group to obtain a "Carbon Intensity and Climate Alignment Certificate" from its relevant Classification Society.

The Group intends to align itself and its vessels with the IMO's greenhouse gas regulations, thereupon also aligning itself with the Poseidon Principles.

8 CAPITALISATION AND INDEBTEDNESS

8.1 Introduction

This Section 8 "Capitalisation and indebtedness" provides information about the Group's unaudited consolidated capitalisation and net financial indebtedness on an actual basis as at 30 June 2019 and, in the "Adjusted" columns, the Group's unaudited consolidated capitalisation and net financial indebtedness as at 30 June 2019, on an adjusted basis to give effect to the following transactions material post-balance sheet events:

(i) The Private Placement;

(ii) Repayment of USD 34.5 million loan from a related corporation;

(iii) Refinancing of the MUSD 236 Facility and MUSD 360 Facility;

(iv) Sold Hafnia Atlantic, an MR vessel built in 2004; and

(v) Purchased Hafnia Andrea and Hafnia Caterina – two 2015 Hyundai Mipo built MR vessels.

Other than as set out above, there has been no material change to the Group's unaudited consolidated capitalisation and net financial indebtedness since 30 June 2019.

8.2 Capitalisation

The following table sets forth information about the Group's unaudited consolidated capitalisation as of 30 June 2019.

In USD million	**As at 30 June 2019**	**Adjustments**	**As adjusted**
Indebtedness			
Total current debt:			
Guaranteed[1]	74	(34)[2]	39
Secured[3]	158	(10)[4]	148
Total non-current debt:			
Guaranteed[5]	4	-	4
Secured[6]	1,145	55[7]	1,200
Total indebtedness	**1,381**	**10**	**1,391**
Shareholders' equity			
Share capital	3	0[8]	4
Additional paid-in capital	1,170	70[9]	1,240
Other reserves	(7)	-	(7)
Accumulated losses	(153)	-	(153)
Total shareholders' equity	**1,013**	**70**	**1,084**
Total capitalisation	**2,394**	**80**	**2,475**

1 Current guaranteed debt is comprised of the following: Current borrowings of USD 35 million under the MUSD 81 Facility, USD 30 million under the MUSD 30 Facility and USD 9 million under the MUSD 15 Facility. See Section 10.15 "Borrowings and other contractual obligations" for further details on each Facility and related guarantees.

2 Repayment of USD 34.5 million to BW Maritime Pte. Ltd.

3 Current secured debt in comprised of the following: Current borrowings of USD 48 million under the MUSD 676 Facility, USD 22 million under the MUSD 266 Facility, USD 8 million under the MUSD 192 Facility, USD 6 million under the MUSD 216 Facility, USD 24 million under the MUSD 360 Facility, USD 23 million under the MUSD 236 Facility and USD 25 million from lease liabilities. See Section 10.15 "Borrowings and other contractual obligations" for further details on each Facility and related securities.

4 i) Adjustment for the repayment of outstanding current borrowings of USD 46 million from the MUSD 360 Facility and MUSD 236 Facility and to include the outstanding current borrowings of USD 38 million from the MUSD 473 Facility. For further information regarding the facilities, see Sections 10.15.2.4 "USD 360 million credit facility", 10.15.2.6 "USD 236 million credit facility" and 10.15.3.3 "The MUSD 473 Facility".

ii) Adjustment for the repayment of outstanding current borrowings of USD 2 million from the sale of Hafnia Atlantic

5 Non-current guaranteed debt is comprised of the following: Non-current borrowings of USD 3 million from a MUSD 3.65 facility and USD 1 million from supplier financing arrangements.

6 Total non-current secured debt is comprised of the following: non-current borrowings of USD 270 million under the MUSD 676 Facility, USD 159 million under the MUSD 266 Facility, USD 91 million under the MUSD 192 Facility, USD 91 million under the

MUSD 216 Facility, USD 242 million under the MUSD 360 Facility, USD 132 million under the MUSD 236 Facility and USD 160 million from lease liabilities. See Section 10.15 "Borrowings and other contractual obligations" for further details on each Facility and relevant security.

7 Adjustment for the repayment of outstanding non-current borrowings of USD 374m from the MUSD 360 Facility and the MUSD 236 Facility and to include the outstanding non-current borrowings of USD 429 million in the non-current borrowings under the new MUSD 473 Facility. For further information regarding the facilities, see Sections 10.15.2.4 "USD 360 million credit facility", 10.15.2.6 "USD 236 million credit facility" and 10.15.3.3 "The MUSD 473 Facility".

8 The Group will issue 27,086,346 new shares in the Primary Offering with a par value of USD 0.01 per share totalling nominal value of USD 270,863.

9 Proceeds from the Private Placement (USD 75 million) less the nominal value of the Primary Shares (USD 207,863) and transaction costs related to the Private Placement (USD 5 million).

8.3 Net financial indebtedness

The following table sets forth information about the Group's unaudited net financial indebtedness as of 30 June 2019.

	In USD million	**As at 30 June 2019**	**Adjustments**	**As adjusted**
(A)	Cash	101	25[1]	126
(B)	Cash equivalents	-	-	-
(C)	Trading securities	-	-	-
(D)	**Liquidity (A)+(B)+(C)**	**101**	**25**	**126**
(E)	**Current financial receivables**	**-**	**-**	**-**
(F)	Current bank debt	162	(10)[2]	152
(G)	Current portion of non-current debt	44	(35)[3]	9
(H)	Other current financial debt	25	-	25
(I)	**Current financial debt (F)+(G)+(H)**	**231**	**(45)**	**186**
(J)	**Net current financial indebtedness (I)-(E)-(D)**	**130**	**(70)**	**60**
(K)	Non-current bank loans	985	55[4]	1040
(L)	Bonds issued	-	-	-
(M)	Other non-current loans	164	-	164
(N)	**Non-current financial indebtedness (K)+(L)+(M)**	**1,149**	**55**	**1,204**
(O)	**Net financial indebtedness (J)+(N)**	**1,279**	**(15)**	**1,264**

1 i) USD 47 million adjustment for cash to reflect the repayment of outstanding borrowings of USD 420 million under the MUSD 360 Facility and MUSD 236 Facility. This repayment will be offset by the drawdown of USD 467 million from the MUSD 473 Facility. For further information regarding the facilities, see Sections 10.15.2.4 "USD 360 million credit facility", 10.15.2.6 "USD 236 million credit facility" and 10.15.3.3 "The MUSD 473 Facility".

ii) Adjustment for cash to reflect the sale of Hafnia Atlantic for USD 5 million.

iii) Adjustment for cash to reflect the purchase of two MRs (Hafnia Andrea and Hafnia Caterina) for USD 62 million.

iv) Adjustment for cash to reflect net proceeds of the Private Placement of USD 36 million, which is calculated as the proceeds of the Private Placement (USD 75 million), less transaction costs related to the Private Placement (USD 5 million), and repayment of USD 34.5 million to BW Maritime Pte. Ltd.

The adjustment of USD 25 million to cash can be totalled as the sum of the i) 47 million adjustment, ii) 5 million adjustment and iv) 36 million adjustment, followed by the deduction of the iii) USD 62 million adjustment.

2 i) Adjustment for the repayment of outstanding current borrowings of USD 46 million from the MUSD 360 Facility and MUSD 236 Facility and to include the outstanding current borrowings of USD 38 million from the MUSD 473 Facility. For further information regarding the facilities, see Sections 10.15.2.4 "USD 360 million credit facility", 10.15.2.6 "USD 236 million credit facility" and 10.15.3.3 "The MUSD 473 Facility".

ii) Adjustment for the repayment of outstanding current borrowings of USD 2 million from the sale of Hafnia Atlantic.

3 Repayment of USD 34.5 million to BW Maritime Pte. Ltd.

4 Adjustment for the repayment of outstanding non-current borrowings of MUSD 374 million from the MUSD 360 Facility and the MUSD 236 Facility and to include the outstanding non-current borrowings of MUSD 429 million from the MUSD 473 Facility. For further information regarding the facilities, see Sections 10.15.2.4 "USD 360 million credit facility", 10.15.2.6 "USD 236 million credit facility" and 10.15.3.3 "The MUSD 473 Facility".

8.4 Working capital statement

The Company is of the opinion that the working capital available to the Group is sufficient for the Group's present requirements, for the period covering at least 12 months from the date of this Prospectus.

8.5 Contingent and indirect indebtedness

As of 30 June 2019 and as of the date of this Prospectus, the Group does not have any material contingent or indirect indebtedness.

9 SELECTED FINANCIAL AND OTHER INFORMATION

9.1 Introduction and basis for preparation

This Section 9 should be read together with Section 10 "Operating and financial review", the Financial Statements, the Hafnia Tankers Financial Statements, the Interim Financial Statements, the Q2 2019 Interim Report, the Q2 2018 Interim Report and related notes included in Appendix B-I and Appendix M as appropriate, attached to this Prospectus.

The Company is presenting standalone historical consolidated financial statements of BW Tankers and Hafnia Tankers for the financial years ended 31 December 2016, 2017 and 2018. The selected financial information included in Section 9.4 and Section 9.5 below have been extracted from the Financial Statements and the Hafnia Tankers Financial Statements, respectively. Additionally, selected financial information extracted from the Interim Financial Statements pertaining to the Company and its consolidated subsidiaries and the Q2 Interim Reports have been included in Section 9.4, together with the Financial Statements. See Section 4.2.1 "Historical financial information" for more details on the historical financial information included in this Prospectus, including the basis of preparation.

9.2 Summary of accounting policies and principles

For information regarding accounting policies and the use of estimates and judgments, please refer to note 2 of the Financial Statements, note 2 and 3 of the Hafnia Tankers Financial Statements and note 2 and 3 of the Interim Financial Statements.

9.3 Independent Auditor

9.3.1 The Company's independent auditor

The Company's independent auditor is KPMG with company registration number T08LL1267L, and registered business address at 16 Raffles Quay #22-00, Hong Leong Building, Singapore 048581. KPMG is a member of the Institute of Singapore Chartered Accountants (ISCA) and Accounting and Corporate Regulatory Authority (ACRA) and has been registered with the NFSA as a third country auditor since November 2017. KPMG has been the Company's independent auditor since the financial year 2018. Prior to this, PwC served as independent auditor with company registration number T09LL0001D, and registered business address at 8 Cross Street #17-00, PWC Building, Singapore 048424. PwC is a member of the Institute of Singapore Chartered Accountants (ISCA). The reason for the change of auditor was due to customary and regular auditor changes in the BW Group to ensure the auditor's independence.

The Financial Statements as at and for each of the years ended 31 December 2017 and 2016 have been audited by PwC as set out in their auditor's reports included therein (Appendix C and Appendix D, respectively). The Financial Statements as at and for the year ended 31 December 2018 have been audited by KPMG as set out in their auditor's report included herein (Appendix B).

With respect to the unaudited condensed consolidated interim financial information for the six months ended 30 June 2019 included in the Interim Financial Statements in Appendix H to this Prospectus, KPMG have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. The Opening Balance Sheet has been audited by KPMG. The Opening Balance Sheet and KPMG's auditor's report thereon have been included in Appendix J.

KPMG has not performed any procedures relating to this Prospectus. KPMG also has not been engaged to perform and has not, following the date of its reports included herein, performed any procedures on the consolidated financial statements of the Group for the financial year ended 31 December 2018 (Appendix B), the Interim Financial Statements (Appendix H) and the Opening Balance Sheet (Appendix J).

9.3.2 Hafnia Tankers' auditor

Deloitte was the independent auditor of Hafnia Tankers for the financial years ended 31 December 2016, 2017 and 2018, and has thereby audited the Hafnia Tankers Financial Statements. The Hafnia Tankers Financial Statements, including the auditors' reports for these years, are attached hereto as Appendix E - G.

9.4 Selected financial information for the Company (and its consolidated subsidiaries)

9.4.1 Consolidated statement of comprehensive income

The table below sets out data from the Company's consolidated statement of comprehensive income for the three and six months periods ended 30 June 2019 and 2018 (the Interim Financial Statements and the Q2 Interim Reports). The figures for the three and six months periods ended 30 June 2019 comprise financial information for the Group following the Merger, while the comparable figures for the same periods in 2018 only comprise financial information for the Company (and its consolidated subsidiaries) prior to the Merger. The table below also sets out data from the Company's audited consolidated statements of income for the years ended 31 December 2016, 2017 and 2018 (the Financial Statements), covering the Company (and its consolidated subsidiaries) prior to the Merger.

In USD thousand	**Three months ended 30 June**		**Six months ended 30 June**		**Year ended 31 December**		
	2019	**2018**	**2019**	**2018**	**2018**	**2017**	**2016**
Revenue	200,683	91,015	414,776	184,537	368,390	346,481	302,311
Voyage expenses	(82,673)	(42,637)	(164,192)	(82,748)	(167,119)	(139,934)	(101,132)
TCE income[1]	**118,010**	**48,378**	**250,584**	**101,789**	**201,271**	**206,547**	**201,179**
Other operating income	1,369	332	1,419	712	1,581	1,647	353
Vessel operating and other operating expenses	(60,411)	(31,404)	(118,984)	(62,603)	(126,395)	(124,123)	(114,008)
Operating profit before depreciation, impairment and gain on disposal of vessels	**58,968**	**17,306**	**133,019**	**39,898**	**76,457**	**84,071**	**87,524**
Gain on disposal of vessels	-	-	-	-	-	-	15,559
Depreciation charge	(31,269)	(14,154)	(60,454)	(28,144)	(56,865)	(54,184)	(59,579)
Impairment charge on vessels and vessels under construction – net	-	-	-	-	(7,400)	-	(209,891)
Operating profit / (loss)	**27,699**	**3,152**	**72,565**	**11,754**	**12,192**	**29,887**	**(166,387)**
Interest income	1,042	75	2,010	124	257	104	117
Interest expense	(17,186)	(7,980)	(34,414)	(15,269)	(31,503)	(26,263)	(18,973)
Other finance expense	(168)	(265)	(847)	(412)	(703)	(745)	(1,361)
Finance expenses – net	**(16,312)**	**(8,170)**	**(33,251)**	**(15,557)**	**(31,949)**	**(26,904)**	**(20,217)**
Share of profit of associates	**624**	**-**	**624**	**-**	**-**	**-**	**-**
Profit / (loss) before income tax	**12,011**	**(5,018)**	**39,938**	**(3,803)**	**(19,757)**	**2,983**	**(186,604)**
Income tax expense	(17)	(4)	(37)	5	(24)	(20)	(6)
Profit / (loss) for the financial year	**11,994**	**(5,022)**	**39,901**	**(3,798)**	**(19,781)**	**2,963**	**(186,610)**
Other comprehensive income / (loss):							
Items that may be subsequently reclassified to income statement							
Foreign operations – foreign currency translation differences	(11)	-	(11)	-	-	-	**-**
Fair value gains/(losses) on cash flow hedges – interest rate swaps	(3,324)	1,221	(6,804)	4,663	2,815	(1,083)	(709)
Reclassification to profit or loss	(68)	(123)	(255)	146	(162)	2,297	-
	(3,403)	1,098	(7,070)	4,809	2,653	1,214	(709)
Total comprehensive income / (loss)	**8,591**	**(3,924)**	**32,831**	**1,011**	**(17,128)**	**4,177**	**(187,319)**

In USD thousand	Three months ended 30 June		Six months ended 30 June		Year ended 31 December		
	2019	**2018**	**2019**	**2018**	**2018**	**2017**	**2016**
Earnings/(losses) per share attributable to the equity holders of the Company							
(expressed in USD per share)							
Basic and diluted earnings/(losses) per share	0.03	(0.04)	0.12	(0.03)	(0.16)	0.03	(1.73)

1 "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 income, providing improved comparability across different types of charters.

9.4.2 Consolidated balance sheet

The table below sets out data from the Company's unaudited consolidated interim balance sheet as at 30 June 2019 (the Interim Financial Statements and the Q2 2019 Interim Report). The figures as at 30 June 2019 comprise financial information for the Group following the Merger. The table also sets out data from the Company's audited consolidated balance sheet as at 31 December 2016, 2017 and 2018 (the Financial Statements), covering the Company (and its consolidated subsidiaries) prior to the Merger.

In USD thousand	As at 30 June[1]	As at 31 December		
	2019	**2018**	**2017**	**2016**
Vessels	1,963,461	1,027,877	1,081,123	968,552
Dry docking	45,595	26,465	24,950	22,293
Vessels under construction	67,649	117,495	-	50,674
Right-of-use asset	87,479	-	-	-
Other property, plant and equipment	155	-	-	-
Total property, plant and equipment	**2,164,339**	**1,171,837**	**1,106,073**	**1,041,519**
Investment in associates	2,862	-	-	-
Loan to joint venture	23,461	-	-	-
Intangible assets	3,080	-	-	-
Deferred tax assets	36	-	-	-
Derivative financial instruments	-	3,158	505	-
Total other non-current assets	**29,439**	**3,158**	**505**	-
Total non-current assets	**2,193,778**	**1,174,995**	**1,106,578**	**1,041,519**
Inventories	18,392	22,660	14,560	10,840
Trade and other receivables	169,568	63,957	57,240	52,852
Derivative financial instruments	53	4	9	-
Cash and cash equivalents	100,899	52,463	41,372	37,208
Total current assets	**288,912**	**139,084**	**113,181**	**100,900**
Total assets	**2,482,690**	**1,314,079**	**1,219,759**	**1,142,419**
Share capital	3,432	1,962	1,165	1,077
Share premium	633,092	221,220	26,761	-
Contributed surplus	537,112	537,112	537,112	537,112
Other reserves	(6,457)	53,169	50,516	49,302
Treasury shares	(500)	-	-	-
Accumulated losses	(152,753)	(242,384)	(217,735)	(220,698)
Total shareholders' equity	**1,013,926**	**571,079**	**397,819**	**366,793**
Borrowings	1,149,000	613,044	614,239	661,343
Derivative financial instrument	6,716	-	-	709
Other payables	2,424	4,436	4,954	5,247
Total non-current liabilities	**1,158,140**	**617,480**	**619,193**	**667,299**
Borrowings	231,416	76,940	157,635	68,931
Derivative financial instruments	-	34	6	-

In USD thousand	**As at 30 June[1]**	**As at 31 December**		
	2019	**2018**	**2017**	**2016**
Current income tax liabilities	703	27	15	-
Trade and other payables	78,505	48,519	45,091	39,396
Total current liabilities	**310,624**	**125,520**	**202,747**	**108,327**
Total liabilities	**1,468,764**	**743,000**	**821,940**	**775,626**
Total equity and liabilities	**2,482,690**	**1,314,079**	**1,219,759**	**1,142,419**

1 The balance sheet as at 31 December 2018 was presented as comparative figures in the Interim Financial Statements. I.e. there are no comparables as at 30 June 2018.

9.4.3 Consolidated statement of cash flow

The table below sets out data from the Company's unaudited consolidated interim statement of cash flow for the three and six months periods ended 30 June 2019 and 2018 (the Interim Financial Statements and the Q2 Interim Reports). The figures from the three and six months periods ended 30 June 2019 comprise financial information for the Group following the Merger, while the comparable figures for the same periods in 2018 only comprise financial information for the Company (and its consolidated subsidiaries) prior to the Merger. The table below also sets out data from the Company's audited consolidated statement of cash flow for the years ended 31 December 2016, 2017 and 2018 (the Financial Statements), covering the Company (and its consolidated subsidiaries) prior to the Merger.

In USD thousand	**Three months ended 30 June**		**Six months ended 30 June**		**Year ended 31 December**		
	2019	**2018**	**2019**	**2018**	**2018**	**2017**	**2016**
Cash flows from operating activities							
Profit/(loss) for the financial year	11,994	(5,022)	39,901	(3,798)	(19,781)	2,963	(186,610)
Adjustments for:							
- income tax expenses	17	4	37	(5)	24	20	6
- depreciation charge	31,269	14,154	60,454	28,144	56,865	54,184	59,579
- impairment charge on vessels and vessels under construction – net	-	-	-	-	7,400	-	209,891
- amortisation of deferred income	-	(349)	-	(694)	(1,399)	(1,399)	(353)
- amortisation of prepaid finance lease expenses	46	-	407	-	-	-	-
- gain on disposal of vessels	-	-	-	-	-	-	(15,559)
- interest income	(1,042)	(75)	(2,010)	(124)	(257)	(104)	(117)
- interest expense	17,186	7,980	34,414	15,269	31,503	26,263	18,973
- other finance expense	168	265	847	412	703	745	1,361
- unrealised currency translation gain	(11)	-	(11)	-	-	-	-
- share of profit of associates	(624)	-	(624)	-	-	-	-
- equity-settled share based payment transactions	305	-	305	-	-	-	-
Operating cash flow before working capital changes	59,308	16,957	133,720	39,204	75,058	82,672	87,171
Changes in working capital:							
- inventories	6,070	(1,927)	9,702	(2,886)	(8,100)	(3,720)	(3,551)

In USD thousand	**Three months ended 30 June**		**Six months ended 30 June**		**Year ended 31 December**		
	2019	**2018**	**2019**	**2018**	**2018**	**2017**	**2016**
- trade and other receivables	639	7,373	(15,475)	(1,006)	(11,530)	(4,388)	9,306
- trade and other payables	4,671	(7,774)	505	(2,397)	4,254	6,801	7,013
Cash generated from operations	70,688	14,629	128,452	32,915	59,682	81,365	99,939
Income tax paid	(11)	(3)	(65)	(9)	(12)	(5)	(35)
Net cash provided by operating activities	**70,677**	**14,626**	**128,387**	**32,906**	**59,670**	**81,360**	**99,904**
Cash flows from investing activities							
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)	-	-	-	-
Interest income received	393	75	761	124	257	104	117
Proceeds from disposal of property, plant and equipment	-	-	-	-	-	-	59,903
Purchase of property, plant and equipment	(42,328)	(2,937)	(106,572)	(4,683)	(17,249)	(117,924)	(111,674)
Net cash used in investing activities	**(22,642)**	**(2,862)**	**(116,568)**	**(4,559)**	**(16,992)**	**(117,820)**	**(51,654)**
Cash flows from financing activities							
Proceeds from borrowings from external financial institutions	33,600	16,000	130,800	16,000	36,000	146,900	150,467
Proceeds from borrowings from a related corporation	-	75,000	-	75,000	81,000	-	-
Proceeds from borrowings from non-related parties	209	-	419	-	-	-	-
Repayment of borrowings to external financial institutions	(32,825)	(100,421)	(81,836)	(124,952)	(164,014)	(105,686)	(165,833)
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)	-	-	(1,344)	(585)
Interest paid to external financial institutions	(13,915)	(7,635)	(26,187)	(14,434)	(27,868)	(25,341)	(18,691)
Interest paid to a related corporation	(504)	-	(1,132)	-	(2,045)	-	-
Repurchase of treasury shares	(500)	-	(500)	-	-	-	-

In USD thousand	Three months ended 30 June		Six months ended 30 June		Year ended 31 December		
	2019	**2018**	**2019**	**2018**	**2018**	**2017**	**2016**
Issuance of shares	-	-	-	-	46,000	26,849	-
Other finance expense paid	(223)	(175)	(930)	(314)	(660)	(754)	(1,361)
Net cash (used in)/provided by financing activities	**(22,342)**	**(17,231)**	**3,081**	**(48,700)**	**(31,587)**	**40,624**	**(36,003)**
Net increase in cash and cash equivalents	25,693	(5,467)	14,900	(20,353)	**11,091**	**4,164**	**12,247**
Cash and cash equivalents at beginning of the financial year/period	75,206	26,486	85,999	41,372	41,372	37,208	24,961
Cash and cash equivalents at end of the financial year/period	**100,899**	**21,019**	**100,899**	**21,019**	**52,463**	**41,372**	**37,208**

Reconciliation of liabilities arising from financing activities

In USD thousand			Non-cash changes				
	1 January 2018	Financial cash flows (i)	Interest expense (ii)	Fair value changes on cash flow hedges	Gain on non-hedging instrument	Borrowing capitalised via issuance of shares	**31 December 2018**
Borrowings	771,874	(77,079)	31,665	-	-	(36,476)	689,984
Interest rate swaps	(508)	152	-	(2,815)	43	-	(3,128)

In USD thousand			Non-cash changes			
	1 January 2017	Financial cash flows (i)	Interest expense (ii)	Fair value changes on cash flow hedges	Gain on non-hedging instrument	**31 December 2017**
Borrowings	730,274	16,820	24,780	-	-	771,874
Interest rate swaps	709	(2,291)	-	1,083	(9)	(508)

(i) The cash flows make up the net amount of proceeds from borrowings, repayments of borrowings, interest expense and financing fees paid in the statement of cash flows.

(ii) The balance includes capitalised interests on vessels under construction.

9.4.4 Consolidated statement of changes in equity

9.4.4.1 Consolidated statement of changes in equity for the six months period ended 30 June 2019 and 2018

The table below sets out data extracted from the Company's unaudited consolidated statement of changes in equity for the six months period ended 30 June 2019 and 2018 (the Interim Financial Statements and the Q2 2019 Interim Report). The figures for the six months period ended 30 June 2019 comprise financial information for the Group following the Merger, while the comparable figures for the same period in 2018 only comprise financial information for the Company (and its consolidated subsidiaries) prior to the Merger.

In USD thousand

Changes in equity	**Share capital**	**Share premium**	**Contributed surplus**	**Capital reserve**	**Translation reserve**	**Hedging reserve**	**Treasury shares**	**Share-based payment reserve**	**Accumulated losses**	**Total**
Balance at 1 January 2018 (as previously reported)	**1,165**	**26,761**	**537,112**	**50,011**	-	**505**	-	-	**(217,735)**	**397,819**
Adjustment on initial application of IFRS 15, net of tax	-	-	-	-	-	-	-	-	(4,868)	(4,868)
Restated balance at 1 January 2018	**1,165**	**26,761**	**537,112**	**50,011**	-	**505**	-	-	**(222,603)**	**392,951**

In USD thousand

Changes in equity	**Share capital**	**Share premium**	**Contributed surplus**	**Capital reserve**	**Translation reserve**	**Hedging reserve**	**Treasury shares**	**Share-based payment reserve**	**Accumulated losses**	**Total**
Total comprehensive income/(loss) for the financial period	-	-	-	-	-	4,809	-	-	(3,798)	1,011
Balance at 30 June 2018	**1,165**	**26,761**	**537,112**	**50,011**	**-**	**5,314**	**-**	**-**	**(226,401)**	**393,962**
Balance at 1 January 2019	**1,962**	**221,220**	**537,112**	**50,011**	**-**	**3,158**	**-**	**-**	**(242,384)**	**571,079**
Alignment of accounting policies on merger	-	-	-	-	-	-	-	-	2,097	2,097
Issuance of shares to former shareholders of Hafnia Tankers	1,470	411,872	-	-	-	-	-	-	-	413,342
Acquisition of Hafnia Tankers' reserves	-	-	-	-	(34)	(1,874)	(14,038)	-	(75,892)	(91,838)
Merger accounting adjustments										
Merger deficit on combination	-	-	-	-	-	-	-	-	(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
Transfer of reserves										
Transfer of reserves	-	-	-	(50,011)	-	-	-	-	50,011	-
Total comprehensive income										
Total comprehensive income/(loss) for the financial period	-	-	-	-	(11)	(7,059)	-	-	39,901	32,831
Balance at 30 June 2019	**3,432**	**633,092**	**537,112**	**-**	**(45)**	**(6,717)**	**(500)**	**305**	**(152,753)**	**1,013,926**

9.4.4.2 Consolidated statement of changes in equity for the years ended 31 December 2016, 2017 and 2018

The table below sets out data extracted from the Company's audited consolidated statement of changes in equity for the years ended 31 December 2016, 2017 and 2018 (the Financial Statements), covering the Company (and its consolidated subsidiaries) prior to the Merger.

In USD thousand

Changes in equity	**Share capital**	**Share premium**	**Contributed surplus**	**Capital reserve**	**Hedging reserve**	**Accumulated losses**	**Total**
Balance at 1 January 2016	**1,077**	**-**	**537,112**	**50,011**	**-**	**(34,088)**	**554,112**
Total comprehensive loss for the financial year	-	-	-	-	(709)	(186,610)	(187,319)
Balance at 31 December 2016	**1,077**	**-**	**537,112**	**50,011**	**(709)**	**(220,698)**	**366,793**
Balance at 1 January 2017	**1,077**	**-**	**537,112**	**50,011**	**(709)**	**(220,698)**	**366,793**
Issuance of new shares	88	26,761	-	-	-	-	26,849

In USD thousand

Changes in equity	Share capital	Share premium	Contributed surplus	Capital reserve	Hedging reserve	Accumulated losses	Total
Total comprehensive income for the financial year	-	-	-	-	1,214	2,963	4,177
Balance at 31 December 2017	**1,165**	**26,761**	**537,112**	**50,011**	**505**	**(217,735)**	**397,819**
Balance at 1 January 2018 (as previously reported)	**1,165**	**26,761**	**537,112**	**50,011**	**505**	**(217,735)**	**397,819**
Adjustment on initial application of IFRS 15, net of tax	-	-	-	-	-	(4,868)	(4,868)
Restated balance at 1 January 2018	**1,165**	**26,761**	**537,112**	**50,011**	**505**	**(222,603)**	**392,951**
Issuance of new shares	797	194,459	-	-	-	-	195,256
Total comprehensive income/(loss) for the financial year	-	-	-	-	2,653	(19,781)	(17,128)
Balance at 31 December 2018	**1,962**	**221,220**	**537,112**	**50,011**	**3,158**	**(242,384)**	**571,079**

9.4.5 Key financial information by segment

The business of the Company (and its consolidated subsidiaries) is organised and reported under four operating segments: LR2, LR1, MR and Handy. Segment information is included in the notes of the Interim Financial Information.

The table below sets out key consolidated financial information for the Company for the periods indicated, as extracted from the Interim Financial Statements.

In USD thousand	LR2	LR1	MR	Handy	Total
Six months period ended 30 June 2018					
Revenue	-	89,756	94,781	-	184,537
Voyage expenses	-	(40,835)	(41,913)	-	(82,748)
TCE Income	-	48,921	52,868	-	101,789
Other operating income	-	694	-	-	694
Vessel operating expenses	-	(24,478)	(22,183)	-	(46,661)
Technical management expenses	-	(2,395)	(2,285)	-	(4,680)
Charter hire expenses	-	(3,602)	-	-	(3,602)
Operating EBITDA	-	19,140	28,400	-	47,540
Depreciation charge	-	(13,129)	(15,015)	-	(28,144)
Unallocated					(23,199)
Loss before income tax					(3,803)
Six months period ended 30 June 2019					
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)

In USD thousand	LR2	LR1	MR	Handy	Total
Unallocated					(45,157)
Profit before income tax					39,938

Prior to the Merger, the business of the Company (and its consolidated subsidiaries) was reported under three operating segments for the financial year ended 31 December 2018: LR2, LR1 and MR, and two operating segments for the financial years ended 31 December 2016 and 2017: LR1 and MR. Segment information is included in the notes of the Financial Statements.

Non-current assets, which comprise mainly vessels, operate on an international platform with individual vessels calling at various ports across the globe. The Group does not consider the domicile of its customers as a relevant decision making guideline and therefore does not consider it meaningful to allocate vessels and revenue to specific geographic locations.

The table below sets out key consolidated financial information for the Company for the periods indicated, as extracted from the Financial Statements.

In USD thousand	LR2	LR1	MR	Total
Year ended 31 December 2016 (Restated)				
Revenue	-	139,105	163,206	302,311
Voyage expenses	-	(54,171)	(46,961)	(101,132)
TCE Income	-	84,934	116,245	201,179
Other operating income	-	359	-	359
Vessel operating expenses	-	(44,206)	(47,576)	(91,782)
Charter hire expenses	-	(1,831)	-	(1,831)
Operating EBITDA	-	35,074	63,332	98,406
Depreciation charge	-	(27,114)	(32,465)	(59,579)
Gain on disposal of vessels	-	15,559	-	15,559
Impairment charge on vessels and vessels under construction	-	(137,127)	(72,764)	(209,891)
	-	(113,608)	(41,897)	(155,505)
Unallocated				(31,099)
Loss before income tax				(186,604)
Segment assets	-	369,197	732,375	1,101,572
Segment assets include:				
Additions to:				
- vessels/vessels under construction	-	50,494	54,221	104,715
- dry docking	-	6,220	2,250	8,470
Segment liabilities	-	25,908	18,697	44,605
Year ended 31 December 2017				
Revenue	-	163,613	182,868	346,481
Voyage expenses	-	(69,635)	(70,299)	(139,934)
TCE Income	-	93,978	112,569	206,547
Other operating income	-	1,399	227	1,626
Vessel operating expenses	-	(48,562)	(47,422)	(95,984)
Charter hire expenses	-	(7,264)	-	(7,264)
Operating EBITDA	-	35,382	60,606	95,988
Depreciation charge	-	(23,906)	(30,278)	(54,184)
		11,476	30,328	41,804
Unallocated				(38,821)
Profit before income tax				2,983
Segment assets	-	468,410	704,887	1,173,297
Segment assets include:				
Additions/adjustments to:				

In USD thousand	LR2	LR1	MR	Total
- vessels/vessels under construction	-	105,849	(10)	105,839
- dry docking	-	12,899	-	12,899
Segment liabilities	-	28,560	18,825	47,385
Year ended 31 December 2018				
Revenue	-	185,354	183,036	368,390
Voyage expenses	-	(84,045)	(83,074)	(167,119)
TCE Income	-	101,309	99,962	201,271
Other operating income	-	1,549	-	1,549
Vessel operating expenses	-	(48,288)	(45,201)	(93,489)
Charter hire expenses	-	(7,264)	(1,395)	(8,659)
Operating EBITDA	-	46,670	53,126	99,796
Depreciation charge	-	(26,304)	(30,561)	(56,865)
Impairment charge on vessels – net		(36,200)	28,800	(7,400)
	-	(15,834)	51,365	35,531
Unallocated				(55,288)
Profit before income tax				(19,757)
Segment assets	117,495	423,490	711,230	1,252,215
Segment assets include:				
Additions/adjustments to:				
- vessels/vessels under construction	117,495	1	-	117,496
- dry docking	-	7,815	4,718	12,533
Segment liabilities	12	25,859	18,517	44,388

9.5 Selected financial information for Hafnia Tankers prior to the Merger

9.5.1 Consolidated statement of comprehensive income

The table below sets out data extracted from Hafnia Tankers' audited consolidated statements of comprehensive income for the years ended 31 December 2016, 2017 and 2018 (the Hafnia Tankers Financial Statements).

In USD thousand	For the years ended December 31		
	2018	**2017**	**2016**
Revenue	329,170	313,664	194,705
Voyage expenses	(151,398)	(126,378)	-
TCE income	**177,772**	**187,286**	**194,705**
Operating expenses			
Vessel operating costs	(85,070)	(82,771)	(72,375)
Technical management fee	(5,743)	(5,698)	(4,868)
Charter hire	(25,263)	(24,336)	(32,159)
Depreciation	(54,254)	(53,021)	(44,858)
Impairment charge on goodwill	(6,003)	-	-
Impairment charge on vessels	(134,840)	-	-
General and administrative expenses	(14,420)	(9,627)	(11,927)
Total operating expenses	**(325,593)**	**(175,453)**	**(166,187)**
Other operating income			
Other operating income	295	1,870	4,937
Share of associates profit	1,591	716	918
	1,886	2,586	5,855
Operating (loss) / profit	**(145,935)**	**14,419**	**34,373**
Financial expenses and income			
Financial expenses	(31,416)	(26,330)	(21,323)
Financial income	1,379	555	75

In USD thousand	For the years ended December 31		
	2018	**2017**	**2016**
(Loss) / profit before tax	**(175,972)**	**(11,356)**	**13,125**
Taxes	(335)	(209)	(1,104)
(Loss) / profit for the year	**(176,307)**	**(11,565)**	**12,021**
Attributable to:			
Equity holders of the parent	(114,441)	(7,507)	7,803
Non-controlling interests	(61,866)	(4,058)	4,218
	(176,307)	(11,565)	12,021
(Loss) / Earnings per share attributable to equity holders of the parent:			
Basic (loss)/earnings per share (USD)	(3.37)	(0.22)	0.23
Diluted (loss)/earnings per share (USD)	(3.37)	(0.22)	0.23
Shares used in computing earnings per share attributable to equity holders of the parent:			
Basic (in thousand)	33,946	33,946	33,946
Diluted (in thousand)	33,946	33,946	33,977

9.5.2 Consolidated statement of comprehensive income

The table below sets out data extracted from Hafnia Tankers' audited consolidated statements of comprehensive income for the years ended 31 December 2016, 2017 and 2018 (the Hafnia Tankers Financial Statements).

In USD thousand	Year ended 31 December		
	2018	**2017**	**2016**
(Loss) / profit for the year	**(176,307)**	**(11,565)**	**12,021**
Other comprehensive (loss) / income			
Items that may be reclassified subsequently to profit or (loss):			
Fair value gains/(losses) on cash flow hedges	(751)	(3,504)	982
Reclassification to profit or (loss) related to cash flow hedges	996	1,082	1,081
Exchange differences on translating foreign operations	-	19	(70)
Other comprehensive (loss) / income after tax	**245**	**(2,403)**	**1,993**
Total comprehensive (loss) / income	**(176,062)**	**(13,968)**	**14,014**
Attributable to:			
Equity holders of the parent	(114,282)	(9,067)	9,096
Non-controlling interests	(61,780)	(4,901)	4,918
	(176,062)	**(13,968)**	**14,014**

9.5.3 Consolidated balance sheet

The table below sets out data extracted from Hafnia Tankers' audited consolidated balance sheet as at 31 December 2016, 2017 and 2018 (the Hafnia Tankers Financial Statements).

In USD thousand	Year ended 31 December		
	2018	**2017**	**2016**
ASSETS			
Current assets			
Cash and cash equivalents	33,536	48,127	95,488
Pool working capital deposit	30,200	31,200	-

In USD thousand	Year ended 31 December		
	2018	**2017**	**2016**
Accounts receivable	43,620	34,875	9,960
Prepaid expenses and other receivables	11,810	8,712	10,605
Inventories	3,338	4,899	4,484
Total current assets	**122,504**	**127,813**	**120,537**
Non-current assets			
Vessels and dry dock	850,170	1,031,221	963,476
Vessels under construction	-	-	42,893
Goodwill	-	6,003	6,003
Time charters acquired	-	-	405
Contract values vessels under construction	-	-	230
Interests in associates	2,944	2,205	1,940
Loans receivables	14,362	1,850	-
Pool working capital deposit	-	-	26,000
Deferred tax	24	58	93
Total non-current assets	**867,500**	**1,041,337**	**1,041,040**
Total assets	**990,004**	**1,169,150**	**1,161,577**
LIABILITIES & EQUITY			
Current liabilities			
Bank loans	43,881	48,951	47,713
Accounts payable	20,698	17,698	1,733
Accrued expenses and other payables	10,206	7,651	9,822
Finance lease liability	5,911	1,182	-
Deferred revenue	1,029	1,101	1,212
Loans from other entities	306	-	-
Loans from associates	8,530	1,000	-
Tax payable	121	51	47
Total current liabilities	**90,682**	**77,634**	**60,527**
Non-current liabilities			
Bank loans	395,782	485,254	496,804
Derivatives	2,816	3,061	639
Finance lease liability	90,514	24,013	-
Loans from other entities	2,096	-	-
Total non-current liabilities	**491,208**	**512,328**	**497,443**
Total liabilities	**581,890**	**589,962**	**557,970**
Shareholders' equity			
Issued, authorized and paid in share capital			
Share capital	339	339	339
Additional paid in capital	354,470	352,423	352,423
Treasury shares	(14,038)	(14,038)	(258)
Accumulated (losses) / profits	(75,892)	37,359	42,705
Cash flow hedging reserve	(1,874)	(2,033)	(473)
Translation reserve	(34)	(34)	(34)
Equity holders of the parent	262,971	374,016	394,702
Non-controlling interests	145,143	205,172	208,905
Total equity	**408,114**	**579,188**	**603,607**
Total liabilities and equity	**990,004**	**1,169,150**	**1,161,577**

9.5.4 *Consolidated statement of cash flow*

The table below sets out data extracted from Hafnia Tankers' audited consolidated statement of cash flow for the years ended 31 December 2016, 2017 and 2018 (the Hafnia Tankers Financial Statements).

In USD thousand	Year ended 31 December		
	2018	**2017**	**2016**
Operating activities			
(Loss)/profit for the year	(176,307)	(11,565)	12,021
Depreciation	54,254	53,021	44,858
Impairment charge on vessels and goodwill	140,843	-	-
Amortization of time charters acquired	-	405	3,736
Share-based compensation	1,834	3,329	2,947
Write-off of prepaid cost relating to future share issuance	3,154	-	1,048
Financial expenses	31,416	26,330	21,323
Decrease in amortized financing fees	3,637	3,583	-
Tax expense	335	209	1,104
Share of associates profit	(740)	(246)	2,102
	58,426	**75,066**	**89,139**
Changes in assets and liabilities:			
(Increase) / decrease in inventories	1,561	(415)	12
(Increase) / decrease in accounts receivable	(8,745)	(11,764)	2,955
(Increase) / decrease in prepaid expenses and other receivables	(3,098)	(2,240)	1,432
(Increase) in loans receivables	(12,512)	(1,850)	-
Decrease / (Increase) in pool working capital deposit	1,000	(5,200)	(1,600)
Decrease in amortized financing fees	-	-	2,517
Increase / (decrease) in accounts payable	2,975	2,797	(1,678)
Increase / (decrease) in accrued expenses and other payables	2,382	(1,914)	(1,290)
(Decrease) / increase in deferred income	(72)	(111)	1,212
	(16,509)	**(20,697)**	**3,560**
Financial expenses paid	(31,243)	(26,587)	(22,472)
Taxes paid	(231)	(170)	(880)
Net cash inflow from operating activities	**10,443**	**27,612**	**69,347**
Investing activities			
Payments for vessels under construction	-	(71,140)	(99,033)
Payments for vessels including drydock	(8,043)	(6,503)	(6,507)
Net cash (outflow) from investing activities	**(8,043)**	**(77,643)**	**(105,540)**
Financing activities			
Bank loan repayment	(98,178)	(69,993)	(69,394)
Draw down on credit facility	-	60,375	113,717
Loans from other entities	2,402	-	-
Prepaid financing fee	-	(144)	(4,471)
Increase in debt to associates	7,530	1,000	-
Dividend paid	-	-	(30,947)
Increase in lease liability	75,919	25,195	-
Repayments of finance lease liability	(4,689)	-	-
Purchase of treasury shares	-	(13,780)	(58)
Net cash (outflow) / inflow from financing activities	**(17,016)**	**2,653**	**8,847**
Net cash flow from operating, investing and financing activities	**(14,616)**	**(47,378)**	**(27,346)**
Cash and cash equivalents at January 1	48,127	95,488	122,856
Effects of exchange rate changes on the balance of cash held in foreign currencies	25	17	(22)
Cash and cash equivalents at December 31	**33,536**	**48,127**	**95,488**

9.5.5 Consolidated statement of changes in equity

The table below sets out data extracted from Hafnia Tankers' audited consolidated statement of changes in equity for the years ended 31 December 2016, 2017 and 2018 (the Hafnia Tankers Financial Statements).

In USD thousand	Attributable to the equity holders of the parent								
	Share capital nominal	**Additional paid in capital**	**Accumulated profits**	**Treasury shares**	**Cash flow hedging reserve**	**Translation reserve**	**Total**	**Non-controlling interests**	**Total equity**
Balance as of January 1, 2016	339	351,743	53,077	(200)	(1,767)	(34)	403,158	213,445	616,603
Profit for the year	-	-	7,803	-	-	-	7,803	4,218	12,021
Other comprehensive income for the year	-	-	-	-	1,294	-	1,294	699	1,993
Total comprehensive income	-	-	7,803	-	1,294	-	9,097	4,917	14,014
Write-off of prepaid costs relating to future share issuance	-	1,048	-	-	-	-	1,048	-	1,048
Purchase of treasury shares	-	-	-	(58)	-	-	(58)	-	(58)
Share-based compensation	-	-	2,947	-	-	-	2,947	-	2,947
Dividend paid	-	-	(30,947)	-	-	-	(30,947)	-	(30,947)
Reallocation of non-controlling interests	-	(368)	9,825	-	-	-	9,457	(9,457)	-
	-	680	(18,175)	(58)	-	-	(17,553)	(9,457)	(27,010)
Balance as of December 31, 2016	**339**	**352,423**	**42,705**	**(258)**	**(473)**	**(34)**	**394,702**	**208,905**	**603,607**
Balance as of January 1, 2017	339	352,423	42,705	(258)	(473)	(34)	394,702	208,905	603,607
Loss for the year	-	-	(7,507)	-	-	-	(7,507)	(4,058)	(11,565)
Other comprehensive (loss) for the year	-	-	-	-	(1,560)	-	(1,560)	(843)	(2,403)
Total comprehensive (loss)	-	-	(7,507)	-	(1,560)	-	(9,067)	(4,901)	(13,968)
Purchase of treasury shares	-	-	-	(13,780)	-	-	(13,780)	-	(13,780)
Share-based compensation	-	-	3,329	-	-	-	3,329	-	3,329
Reallocation of non-controlling interests	-	-	(1,168)	-	-	-	(1,168)	1,168	-
	-	-	2,161	(13,780)	-	-	(11,619)	1,168	(10,451)
Balance as of December 31, 2017	**339**	**352,423**	**37,359**	**(14,038)**	**(2,033)**	**(34)**	**374,016**	**205,172**	**579,188**
Balance as of January 1, 2018	339	352,423	37,359	(14,038)	(2,033)	(34)	374,016	205,172	579,188
Loss for the year	-	-	(114,441)	-	-	-	(114,441)	(61,866)	(176,307)
Other comprehensive (loss) for the year	-	-	-	-	159	-	159	86	245
Total comprehensive (loss)	-	-	(114,441)	-	159	-	(114,282)	(61,780)	(176,062)
Write-off of prepaid costs relating to future share issuance	-	3,154	-	-	-	-	3,154	-	3,154
Share-based compensation	-	-	1,834	-	-	-	1,834	-	1,834
Reallocation of non-controlling interests	-	(1,107)	(644)	-	-	-	(1,751)	1,751	-
	-	2,047	1,190	-	-	-	3,237	1,751	4,988
Balance as of December 31, 2018	**339**	**354,470**	**(75,892)**	**(14,038)**	**(1,874)**	**(34)**	**262,971**	**145,143**	**408,114**

9.5.6 Key financial information by segment

Each of Hafnia Tankers' vessels served the same type of customer, had similar operations and maintenance requirements, operated in the same regulatory environment, and were subject to similar economic characteristics. Based on this, Hafnia Tankers determined that it operated in one reportable segment, the international transportation of petroleum products with its fleet of vessels.

Further, as the operations were not limited to specific parts of the world, it was therefore not possible to provide geographical information on revenue and non-current assets for Hafnia Tankers.

10 OPERATING AND FINANCIAL REVIEW

This operating and financial review should be read together with Section 9 "Selected financial and other information" and the Financial Statements, the Hafnia Tankers Financial Statements, the Interim Financial Statements, the Q2 2019 Interim Report, the Q2 2018 Interim Report and related notes included in Appendix B-I and Appendix M as appropriate, attached to this Prospectus. The tables containing figures in this section are extracted from the selected financial information from the financial statements stated in Section 9 above.

This operating and financial review contains Forward-looking Statements. These Forward-looking Statements are not historical facts, but are rather based on the Company's current expectations, estimates, assumptions and projections about the Group's industry, business and future financial results. Actual results could differ materially from the results contemplated by these Forward-looking Statements due to several factors, including those discussed in Section 2 "Risk factors" and Section 4.2.5 "Exchange rates" as well as other Sections of this Prospectus. See Section 4.3 "Cautionary note regarding Forward-looking Statements" for a discussion of risks associated with reliance on Forward-looking Statements.

10.1 Overview

10.1.1 General overview

The Group is one of the world's leading oil and oil product tanker owners and operators based on number of vessels and total current carrying capacity. As of the date of Listing, the Group will own 87 vessels, comprising 27 owned LR1s, including a total of two owned LR1 newbuilds to be delivered in 2019 and 2020, six owned LR2s, 41 owned MRs, 13 owned Handy vessels.

Separately, the Group has chartered in six MRs and nine LR1s under time charter-in and bare boat charter-in arrangements. The Group also operates the Pools, comprising a total of 180 vessels (including newbuilds and vessels chartered out on long-term contracts), as further described in Section 7.6.7 "The Pools".

The Group's fleet operates globally, with a total carrying capacity of 6.0 million dwt at the date of this Prospectus and a further 0.3 million dwt of capacity currently on order or to be time-chartered in the form of a total of four newbuilds (two owned LR1s and two chartered-in MRs).

The business provides transportation of oil and oil products to leading IOCs and NOCs, as well as trading and utility companies.

The Company is incorporated in Bermuda and operated out of Singapore, Copenhagen, Houston and Monaco. The Company is the surviving and continuing entity of a 2019 merger of the former Hafnia Tankers-group and the BW Tankers-group, as further described in Section 7.4 "History and important events" and Section 14 "The Merger".

Since 2013, the BW Group has strategically increased its exposure in the product tanker segment through acquisitions and its partnership with PAG, resulting in a net increase of 32 vessels. In 2013, BW Group acquired four LR1s from BW Tankers, growing its fleet scale to 17 LR1s and becoming the market leader in the LR1 segment. In 2014, BW Group and PAG formed a joint venture, BW Tankers (today, Hafnia), and the joint venture acquired BW Group's initial fleet of 17 LR1s. The Group then strategically increased its exposure in the oil product tanker segment with the acquisitions of 10 modern MRs from the Vitol Group (Vitol) (through Elandra Pte Ltd); six modern MRs and four MR newbuilds from SPP (through Metrostar Management Corp) , six LR2 newbuilds, and lastly, two modern MRs from affiliates of Ahrenkiel. The Group also signed shipbuilding contracts with STX for four new LR1 tankers. By 31 December 2017, the LR1 and MR newbuilds from STX and SPP were fully delivered into the Group.

In 2018, BW Group acquired ownership stakes in Hafnia Tankers, eventually becoming the majority stakeholder in Hafnia Tankers. In December 2018, Hafnia Tankers and BW Tankers entered into agreements for the merger of the two groups with BW Tankers being the continuing and surviving entity. The merger was completed in early 2019, following which BW Tankers changed its name to Hafnia Limited (the Company). The merger is described in further detail in Section 14 "The Merger".

10.1.2 Presentation of financial information

The Financial Statements and the Hafnia Tankers Financial Statements have been prepared in accordance with IFRS.

Neither the Interim Financial Statements nor the Q2 Interim Reports have been audited. KPMG has carried out a limited review of the numbers for the six months ended 30 June 2019.

10.1.3 Reporting segments

The Group's reporting segments are organised and managed according to the size of the product tanker vessels and consist of the following four segments:

- **The LR2 segment,** which comprise vessels around 124,999 dwt in size. These vessels provide transportation of refined oil products. As at 30 June 2019, the Group's fleet comprised of three LR2 vessels and three newbuilds on firm order, scheduled for delivery in the third and fourth quarter of 2019.

- **The LR1 segment,** which comprise vessels between 55,000 dwt and 84,999 dwt in size. These vessels provide transportation of refined oil products. As at 30 June 2019, the Group's fleet comprised of 30 LR1 vessels (of which six are bareboat chartered-in and one time chartered-in) and six newbuilds on firm order (four owned via the Vista JV and two chartered-in) to be delivered in 2019 and 2020.

- **The MR segment,** which comprise vessels between 40,000 dwt and 54,999 dwt. These vessels provide transportation of refined oil products and bio-liquids such as palm oils and cereal oils. As at 30 June 2019, the Group's fleet comprised of 46 MR vessels (of which six are time chartered-in) including two newbuilds (both are chartered-in on long-term contracts) to be delivered in 2020.

- **The Handy segment,** which comprise vessels between 25,000 dwt and 39,999 dwt in size. These vessels provide transportation of refined oil products. As at 30 June 2019, the Group's fleet comprised 13 Handy vessels.

10.2 Significant factors affecting the Group's results of operations and financial performance

10.2.1 Overview

The Management believes that the important measures for analysing trends in the results of operations of the Group include income on time charter equivalent basis (or "**TCE income**"), TCE income per voyage day and operating expenses per calendar day. These measures are considered as APMs, see Section 4.2.2 "Alternative performance measures (APMs)" above for more information. Components of these measures include the following:

- **TCE income.** The Group defines TCE income as the income from its time charters and spot voyages of owned and chartered-in vessels. TCE income is calculated as gross freight income net of broker commissions less voyage expenses.

- **Voyage expenses.** Voyage expenses are expenses related to spot voyages, including bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls and agency fees.

- **TCE income per operating day.** The Group defines TCE income per operating day as TCE income per vessel per operating day. TCE income per operating day is a measure of how well the Group manages the fleet commercially.

- **Vessel operating expenses per calendar day.** The Group defines vessel operating expenses per calendar day as vessel operating expenses per vessel per calendar day. These expenses include insurance, repairs and maintenance, spares and consumable stores, lube oils and communication. Vessel operating expenses is a component of other operating expenses.

- **Technical off-hire.** The Group defines technical off-hire as the time lost due to off-hire days associated with major repairs, drydocks or special or intermediate surveys. Technical off-hire per vessel is calculated as an average for owned, partly owned, bareboat and chartered-in vessels (not weighted by ownership share in each vessel).

- **Calendar days.** The Group defines calendar days as the total number of days in a period during which each vessel that is owned, partly owned or chartered-in is in its possession, including technical off-hire days. Calendar days are an indicator of the size of the fleet over a period and affect both the amount of revenue and the amount of expense that the Group records during that period.

- **Voyage days.** The Group defines voyage days as the total number of days (including waiting time) in a period during which each vessel is owned, partly owned, operated under a bareboat arrangement or chartered-in, net of technical off-hire days. The Company uses voyage days to measure the number of days in a period during which vessels actually generate or are capable of generating revenue.

- **Average number of owned vessels.** The Group defines average number of vessels in a period as the number of vessels included in the consolidated accounts according to the accounting principles for such period. Vessels sold or purchased during the relevant period are weighted by the number of days owned.

The following table sets forth certain financial and operating information in respect of the Group's product tanker fleet for the periods indicated:

	Three months period ended 30 June		Six months period ended 30 June	
	2019	**2018**	**2019**	**2018**
LR2				
TCE income/voyage day (USD thousand)[1,2]	22,170	-	20,794	-
Vessel operating expenses/calendar day (USD thousand)[3]	5,962	-	6,022	-
Average number of owned, partly owned and bareboat vessels (calendar days)	2.92	-	2.03	-
Average number of owned, partly owned and bareboat vessels (voyage days)	2.89	-	1.99	-
LR1				
TCE income/voyage day (USD thousand)[1,2]	16,141	12,566	17,384	13,139
Vessel operating expenses/calendar day (USD thousand)[3]	7,223	7,274	6,956	7,070
Average number of owned, partly owned and bareboat vessels (calendar days)	28.08	21.00	28.54	21.00
Average number of owned, partly owned and bareboat vessels (voyage days)	27.26	20.36	27.86	20.57
MR				
TCE income/voyage day (USD thousand)[1,2]	15,210	12,557	15,848	13,294
Vessel operating expenses/calendar day (USD thousand)[3]	6,530	5,966	6,393	6,145
Average number of owned, partly owned and bareboat vessels (calendar days)	44.04	22.00	44.65	22.00
Average number of owned, partly owned and bareboat vessels (voyage days)	43.42	21.97	43.88	21.97
Handy				
TCE income/voyage day (USD thousand)[1,2]	11,017	-	14,035	-
Vessel operating expenses/calendar day (USD thousand)[3]	6,013	-	6,053	-
Average number of owned, partly owned and bareboat vessels (calendar days)	13.00	-	13.00	-
Average number of owned, partly owned and bareboat vessels (voyage days)	12.03	-	12.51	-

1 (TCE income)/(voyage days).
2 Voyage days = Calendar days – Technical Offhire days.
3 (Vessel Operating expenses)/(calendar days).

10.2.2 Operating revenue

10.2.2.1 General

The Group's operating revenue is earned from revenue received from tanker vessels that operate on spot voyages, and time charters.

The Group's revenue is driven primarily by the number of vessels in its fleet, the number of days during which the vessels in the fleet operate and the freight rates that the Group's vessels earn under charters, which in turn are affected by a number of factors discussed in Section 2 "Risk factors", and in particular Section 2.1 "Risks related to the industry in which the Group operates" and Section 2.2 "Risks related to the Group and its operations".

10.2.2.2 Tanker fleet operating revenue

The vessels in the Group's fleet operate on spot voyages and short to medium-term time charters, which the Group considers to include all time charters for a period of three years or less:

- a spot voyage is typically a single round trip that is priced on a current or spot market rate; and

- under a time charter, the vessel is chartered to a customer for fixed periods of time at rates that are generally fixed.

Of the 90 owned vessels that the Group operated as at 30 June 2019, five are under time charter arrangements and six are under bareboat charter arrangements. See Section 7.6.7 "The Pools" for more information.

10.2.2.3 Charter rates

The Group's operating revenue is based on the mix of spot and time charter rates for the maritime transportation of refined oil products, which are determined by market forces based upon various factors, such as the supply and demand for vessels.

Time charter rates reflect, among other things, the prevailing spot market rates and expectations of future time charter rates at the time of entry into the relevant time charter agreement.

10.2.2.4 Interest rate fluctuations

As at 30 June 2019, the Group's net interest-bearing floating rate debt was approximately USD 1.1 billion. As a result of the net floating rate borrowings, an increase in interest rates would cause an increase in the amount of interest payments affecting the results of operations of the Group, see Section 2.4 "Risks related to financing and market risk". Further, derivative contracts used to hedge the Group's exposure to fluctuations in interest rates could result in reductions in its shareholder's equity as well as charges against its profit or loss. For more information on quantitative and qualitative disclosure about market risk management, see Section 10.16 "Quantitative and qualitative disclosure about market risk management".

The Group's operational currency is USD, but the Company also holds funds in several other currencies, including SGD and DKK. The Group's hedging policy is formulated at Group level. However, there can be no assurance that the Group will be able to manage its foreign currency risk successfully. If for instance the value of SGD appreciated against the USD, there would be an adverse impact on the Group's results of operations. In particular, a continued, long-term weakening of USD against the SGD could have a material adverse effect on the Group's own results of operations. Because the Group reports financial results in USD, the Group also faces a currency translation risk to the extent that the assets, liabilities, revenues and expenses of the Group's subsidiaries are denominated in currencies other than USD. In order to prepare the Group's financial statements, the Group translates the values of these assets, liabilities, revenues and expenses into USD at the applicable exchange rates.

10.2.2.5 Cyclicality

In the past, the market for shipping oil and oil products has been highly cyclical and volatile. For a discussion of certain factors that affect supply and demand for gas transportation, see Section 2.1 "Risks related to the industry in which the Group operates" for risks concerning the highly cyclical nature of the product tanker industry which may lead to volatility in the Group's results of operations.

10.2.2.6 Commissions

As at 30 June 2019, the Group paid commissions of between 1.25% and 2.25% of the gross charter hire rate of each charter to shipbrokers associated with the charters, depending on the number of shipbrokers involved with arranging the charter. The commission is presented as one of the expense items classified under voyage expenses.

10.2.2.7 Voyage expenses

Voyage expenses represent expenses that are related to a spot voyage, including bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls and agency fees. Under a timecharter, the charterer is responsible for these costs. Therefore, in accordance with the general industry practice, the Group incurs these voyage expenses only with respect to its spot voyages.

Historically, bunker fuel expenses have amounted to more than half of the Group's total voyage expenses based on the financial years ended 31 December 2016, 2017 and 2018.

The following table sets forth the average bunker fuel prices for the periods indicated:

In USD	**Three month period ended 30 June**		**Six month period ended 30 June**	
	2019	**2018**	**2019**	**2018**
Average bunker fuel price per ton[1]	452.11	415.82	445.38	405.98

1 Average Hafnia Pte., Ltd. bunker fuel prices

The price of bunker fuel correlates largely with the price of crude oil and, therefore, fluctuations in the price of crude oil have a direct impact on the Group's bunker fuel expenses. See Section 2.1 "Risks related to the industry in which the Group operates".

Port charges represent the second largest component of the Group's total voyage expenses as at 30 June 2019. Historically, port charges accounted for approximately 30% of the Group's total voyage expenses for the three and six months periods ended 30 June 2019 and approximately 33% of the Group's total voyage expenses for the three and six months periods ended 30 June 2018.

10.2.2.8 General and administrative expenses

General and administrative expenses comprise external statutory and professional fees, vessel admin expenses, as well as expenses paid to related companies for the provision of corporate service functions (such as tax, legal, insurance, information technology, human resources and facilities) to the Group. While general and administrative expenses per vessel per day generally do not fluctuate significantly, the Group is exposed to inflation on expenses.

10.2.2.9 Other operating expenses

Other operating expenses include vessel operating expenses (such as insurance, expenses relating to repairs and maintenance, the cost of spares and consumable stores, lube oils and communication expenses), tonnage taxes and other miscellaneous expenses. Insurance costs are affected by general pricing trends in the insurance market, the size, age and composition of the fleet and the Group's claims track record. The Group's maintenance costs tend to increase or decrease as the average age of its vessels increases or decreases. Actual costs for regular maintenance are expensed as incurred. In general, most of the Group's other operating expenses are not voyage variable.

10.2.2.10 Depreciation

The cost of the Group's vessels is depreciated on a straight-line basis over the estimated remaining economic useful life of each vessel. Depreciation is based on the cost of the vessel less its estimated residual value. To comply with industry certification or governmental requirements, the Group's vessels are required to undergo planned drydocks for major repairs and maintenance, which cannot be carried out while the vessels are operating. The Group recognises costs associated with drydocks and upgrade expenses as part of the carrying amount of vessels and depreciates these elements on a straight-line basis over the duration of the drydocking cycle or based on the Group's assessment of the useful lives of the upgrades. Regular maintenance, repairs and replacements are expensed as incurred.

10.2.2.11 Impairment

Vessel values can fluctuate substantially over time. Based on independent valuation reports which consider the second-hand market for product tanker vessels and the aging of the fleet, (a) the estimated fair value of the Group's LR2 fleet has increased by approximately 7% over the six months ended 30 June 2019, (b) the estimated fair value of the Group's LR1 fleet has increased by approximately 1% over the six months ended 30 June 2019, (c) the estimated fair value of the Group's MR fleet has decreased by approximately 1% over the six months ended 30 June 2019, and (d) the estimated fair value of the Group's Handy fleet has decreased by approximately 3% over the six months ended 30 June 2019. In the current market condition and with a limited number of vessel sale transactions, the vessel fair values are difficult to estimate.

At each balance sheet date, the Group assesses whether there is any indication that a vessel's value may be impaired. If any such indication exists, the Group will estimate the recoverable amount of the asset, and where applicable, a CGU, and write down the asset or CGU to its recoverable amount through the consolidated statement of comprehensive income.

Prior to 2019, each vessel was being regarded as one CGU. Effective from 2019, the Group has changed the definition of a CGU. For the purpose of impairment testing, the assets and CGUs are determined by considering whether the vessels generate cash inflows on their own or independent cash flows as part of a fleet. The way in which the vessels are being managed commercially will be assessed. Please see section 10.17.3 "Significant accounting policies" for more information.

For the six months period ended 30 June 2019, the Group did not record any net impairment charge.

10.2.2.12 Net gain on sale of tangible fixed assets

Tangible fixed assets consist of vessels. The net gain consists mainly of gains or losses from the sale of vessels. Gains or losses from vessel sales are recognised at time of delivery. Proceeds from vessel disposals are recognised net of commission and sales related costs (e.g. legal fees, port expenses and voyage expenses to delivery place).

10.2.3 Income tax

10.2.3.1 General

The tax expense for each period comprises current and deferred tax. Tax is recognised as income or expense in profit or loss, except to the extent that it relates to items recognised in other comprehensive income. In this case the tax is also recognised in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Positions taken in tax returns are evaluated periodically, with respect to situations in which applicable tax regulations are subject to interpretation, and provisions are established where appropriate, on the basis of amounts expected to be paid to the tax authorities.

The Group operates in several jurisdictions and under several tax regimes.

10.2.3.2 Bermuda

At present, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company or by its shareholders in respect of the Shares. The Company has obtained an assurance from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until 31 March 2035, be applicable to the Company or to any of its operations or to its Shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda or is payable by the Company in respect of real property owned or leased by the Company in Bermuda.

10.2.3.3 Singapore

Singapore currently has a single-tier territorial based flat-rate corporate income tax system. While the headline corporate tax rate has been 17% since the Year of Assessment 2010, the effective tax rate is normally lower due to applicable tax exemptions and tax incentives.

Currently, subject to meeting certain criteria, unabsorbed trade losses and unutilised capital allowances may be carried back for one year and carried forward indefinitely.

The Group's shipping operations in Singapore are exempted from tax due to prevailing tax exemptions and incentives.

10.2.3.4 Denmark

The Danish corporate tax rate from 2016 onwards is 22% of taxable corporate income, almost exactly equal to the average corporate income tax rate in all OECD countries in 2018. The Group's pool management profit will be predominantly subject to corporate tax in Denmark.

10.3 Recent developments and trends

The product tanker market conditions have in the third quarter 2019 been weaker in the Western hemisphere than expected by the Group. However, the product tanker market in Eastern hemisphere have been in line with expectations. The product tanker market conditions have in the beginning of the fourth quarter 2019 shown high volatility with prompt increased in freight rates followed by equally prompt drop in freight rates following which rates have shown resilience.

The decline in USD interest rates has had a positive impact on the Group's interest expenses.

10.4 Explanations of IFRS income statement line items

- **TCE Income.** TCE income denotes time charter equivalent income which represents revenue from time charters and voyage charters less voyage expenses comprising primarily commission, bunkers and port fees.

- **Voyage expenses.** Voyage expenses are expenses related to spot voyages, including bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls and agency fees.

- **Vessel operating and other expenses.** Vessel operating and other expenses include charter hire expenses, vessel running expenses (such as crew payroll and expenses, insurance, expenses relating to repairs and maintenance, the cost of spares and consumable stores, lube oils and communication expenses), general and administrative expenses, and other miscellaneous expenses.

- **General and administrative expenses.** General and administrative expenses comprise personnel expenses, vessel admin expenses, external statutory and professional fees, as well as expenses paid to related companies for the provision of corporate service functions (such as tax, legal, insurance, information technology, human resources and facilities) to the Group.

- **Depreciation expenses.** Depreciation expenses are calculated to allocate based on the cost of the vessel less its estimated residual value, on a straight line basis over the estimated remaining economic useful life of each vessel. Costs associated with drydocks and upgrade expenses are included in the carrying amount of vessels and to be depreciated on a straight-line basis over the duration of the drydocking cycle or based on the Group's assessment of the useful lives of the upgrades.

- **Impairment and write-back of impairment charge.** Impairment charge is the loss recognised in the profit or loss when the carrying value of a vessel exceeds the higher of the prevailing market valuations and the value-in-use. Write-back of the impairment charge refers to the reversal of loss previously recognised based on the updated prevailing market valuations or value-in-use amounts.

- **Finance expense – net.** Finance expense – net includes foreign currency gain or loss – net, interest income, interest expense and other finance income or expense such as bank charges.

10.5 Results of operations of the Group following the Merger

10.5.1 Three months period ended 30 June 2019 compared with three months period ended 30 June 2018

The table below sets forth the Company's consolidated results of operations and the period on period percentage of change for the periods indicated, based on reporting segment and on group level.

In USD thousand	**Three months period ended 30 June**		
	2019	**Change in %**	**2018**
REVENUE			
LR2	5,941	n.m.	-
LR1	70,897	60%	44,419
MR	97,042	108%	46,596
Handy	26,803	n.m.	-
Total	**200,683**	**120%**	**91,015**
VOYAGE EXPENSES			
LR2	(109)	n.m.	-
LR1	(30,895)	46%	(21,141)
MR	(36,929)	72%	(21,496)
Handy	(14,740)	n.m.	-
Total	**(82,673)**	**94%**	**(42,637)**
TCE INCOME			
LR2	5,832	n.m.	-
LR1	40,002	72%	23,278
MR	60,113	139%	25,100
Handy	12,063	n.m.	-
Total	**118,010**	**144%**	**48,378**
OTHER OPERATING INCOME			
LR2	-	n.m.	-
LR1	872	150%	349
MR	224	n.m.	(17)
Handy	204	n.m.	-
Unallocated	69	n.m.	-
Total	**1,369**	**312%**	**332**
Vessel operating and other expenses	**(60,411)**	**92%**	**(31,404)**
OPERATING EBITDA			
LR2	4,261	n.m.	-
LR1	22,252	148%	8,977
MR	33,507	135%	14,268
Handy	5,153	n.m.	-
Unallocated	(6,205)	4%	(5,939)

In USD thousand	Three months period ended 30 June		
	2019	**Change in %**	**2018**
Total	**58,968**	**241%**	**17,306**
DEPRECIATION CHARGE			
LR2	(1,395)	n.m.	-
LR1	(9,998)	51%	(6,605)
MR	(16,197)	115%	(7,549)
Handy	(3,679)	n.m.	-
Total	**(31,269)**	**121%**	**(14,154)**
Operating profit	**27,699**	**779%**	**3,152**
Finance expense - net	**(16,312)**	**100%**	**(8,170)**
Share of profit of associates	**624**	**n.m.**	**-**
Profit/(loss) before income tax	12,011	n.m.	(5,018)
Income tax expense	**(17)**	**325%**	**(4)**
Profit/(loss) for the period	**11,994**	**n.m.**	**(5,022)**

After completion of the Merger, the Group's fleet of owned and leased-in vessels increased from 21 LR1 vessels and 22 MR vessels as at 30 June 2018, to three LR2 vessels, 30 LR1 vessels, 44 MR vessels and 13 Handy vessels as at 30 June 2019. Total voyage days of the fleet increased by 3,938 days, or 102%, from 3,852 days for the three months period ended 30 June 2018 to 7,790 days for the three months period ended 30 June 2019. Furthermore, there were general improvements in freight rates during 2019 as compared to 2018. Hence, revenue, voyage expenses and TCE income increased significantly for the three months period ended 30 June 2019 as compared to the three months period ended 30 June 2018.

Vessel operating and other expenses increased by USD 29.0 million, or 92% and depreciation charge increased by USD 17.1 million, or 121%, which was in line with the increase in fleet size and total voyage days of the fleet.

Finance expenses increased by USD 8.1 million, or 100%, which was in line with the increase in borrowings due to the larger fleet.

10.5.2 Six months period ended 30 June 2019 compared with six months period ended 30 June 2018

The table below sets forth the Company's consolidated results of operations and the period on period percentage of change for the periods indicated, based on reporting segment and on group level.

In USD thousand	Six months period ended 30 June		
	2019	**Change in %**	**2018**
REVENUE			
LR2	8,572	n.m.	-
LR1	149,651	67%	89,756
MR	197,446	108%	94,781
Handy	59,107	n.m.	-
Total	**414,776**	**125%**	**184,537**
VOYAGE EXPENSES			
LR2	(1,085)	n.m.	-
LR1	(62,502)	53%	(40,835)
MR	(72,531)	73%	(41,913)
Handy	(28,074)	n.m.	-
Total	**(164,192)**	**98%**	**(82,748)**
TCE INCOME			
LR2	7,487	n.m.	-
LR1	87,149	78%	48,921
MR	124,915	136%	52,868
Handy	31,033	n.m.	-
Total	**250,584**	**146%**	**101,789**

In USD thousand	Six months period ended 30 June		
	2019	**Change in %**	**2018**
OTHER OPERATING INCOME			
LR2	-	n.m.	-
LR1	872	26%	694
MR	271	n.m.	-
Handy	204	n.m.	-
Unallocated	72	300%	18
Total	**1,419**	**99%**	**712**
Vessel operating and other expenses	**(118,984)**	**90%**	**(62,603)**
OPERATING EBITDA			
LR2	5,316	n.m.	-
LR1	51,659	170%	19,140
MR	71,580	148%	28,400
Handy	16,994	n.m.	-
Unallocated	(12,530)	64%	(7,642)
Total	**133,019**	**233%**	**39,898**
DEPRECIATION CHARGE			
LR2	(1,899)	n.m.	-
LR1	(19,873)	51%	(13,129)
MR	(31,372)	109%	(15,015)
Handy	(7,310)	n.m.	-
Total	**(60,454)**	**115%**	**(28,144)**
Operating profit	**72,565**	**517%**	**11,754**
Finance expense - net	**(33,251)**	**114%**	**(15,557)**
Share of profit of associates	**624**	**n.m.**	**-**
Profit/(loss) before income tax	**39,938**	**n.m.**	**(3,803)**
Income tax expense	**(37)**	**n.m.**	**5**
Profit/(loss) for the period	**39,901**	**n.m.**	**(3,798)**

After completion of the Merger, the Group's fleet of owned and leased-in vessels increased from 21 LR1 vessels and 22 MR vessels as at 30 June 2018, to three LR2 vessels, 30 LR1 vessels, 44 MR vessels and 13 Handy vessels as at 30 June 2019. Total voyage days of the fleet increased by 7,910 days, or 103%, from 7,700 days for the six months period ended 30 June 2018 to 15,610 days for the six months period ended 30 June 2019. Furthermore, there were general improvements in freight rates during 2019 as compared 2018. Hence, revenue, voyage expenses and TCE income increased significantly for the six months period ended 30 June 2019 as compared to the six months period ended 30 June 2018.

Vessel operating and other expenses increased by USD 56.4 million, or 90% and depreciation increased by USD 32.3 million, or 115%, which was in line with the increase in fleet size and total voyage days of the fleet.

Finance expenses increased by USD 17.7 million, or 114%, which was in line with the increase in borrowings due to the larger fleet.

10.6 Results of operations of the Company (BW Tankers prior to the Merger)

10.6.1 Year ended 31 December 2018 compared with year ended 31 December 2017

The table below sets forth the Company's consolidated results of operations and the period on period percentage of change for the periods indicated, based on reporting segment and on group level.

In USD thousand	Year ended 31 December		
	2018	**Change in %**	**2017**
REVENUE			

In USD thousand	Year ended 31 December		
	2018	**Change in %**	**2017**
LR1	185,354	13%	163,613
MR	183,036	0%	182,868
Total	**368,390**	**6%**	**346,481**
VOYAGE EXPENSES			
LR1	(84,045)	21%	(69,635)
MR	(83,074)	18%	(70,299)
Total	**(167,119)**	**19%**	**(139,934)**
TCE INCOME			
LR1	101,309	8%	93,978
MR	99,962	-11%	112,569
Total	**201,271**	**-3%**	**206,547**
OTHER OPERATING INCOME			
LR1	1,549	11%	1,399
MR	-	n.m.	227
Unallocated	32	52%	21
Total	**1,581**	**-4%**	**1,647**
Vessel operating and other expenses	**(126,395)**	**2%**	**(124,123)**
OPERATING EBITDA			
LR1	46,670	32%	35,382
MR	53,126	-12%	60,606
Unallocated	(23,339)	96%	(11,917)
Total	**76,457**	**-9%**	**84,071**
DEPRECIATION CHARGE			
LR1	(26,304)	10%	(23,906)
MR	(30,561)	1%	(30,278)
Total	**(56,865)**	**5%**	**(54,184)**
IMPAIRMENT CHARGE ON VESSELS – NET			
LR1	(36,200)	n.m.	-
MR	28,800	n.m.	-
Total	**(7,400)**	**n.m.**	**-**
Operating profit	**12,192**	**-59%**	**29,887**
Finance expense – net	**(31,949)**	**19%**	**(26,904)**
(Loss) / profit before income tax	**(19,757)**	**n.m.**	**2,983**
Income tax expense	(24)	20%	(20)
(Loss) / profit for the year	**(19,781)**	**n.m.**	**2,963**

10.6.1.1 TCE income

The Group's TCE income decreased by USD 5.2 million, or 3% from USD 206.5 million for the year ended 31 December 2017 to USD 201.3 million for the year ended 31 December 2018. The decrease was primarily driven lower freight rates for the MR fleet.

TCE income per voyage day for the entire fleet was USD 12,900 per day for the year ended 31 December 2018, a decrease of 7% from USD 13,800 per day for the year ended 31 December 2017, largely due to continued strong headwinds faced in shipping industry in 2018.

LR1 segment

The Group's TCE income for the LR1 fleet increased by USD 7.3 million, or 8% from USD 94.0 million for the year ended 31 December 2017 to USD 101.3 million for the year ended 31 December 2018. The increase was primarily driven by an increase in 498 calendar days, or 7% as compared to 2017, due to the deliveries of the following four LR1 vessels in 2017:

- BW Kallang in January 2017;
- BW Tagus in March 2017;
- BW Yarra in July 2017; and
- BW Nile in August 2017.

The increase in TCE income from higher calendar and voyage days was partially offset by the decrease in TCE income recognised due to the adoption of IFRS 15 as discussed above.

TCE income per voyage day was USD 13,500 per day for the year ended 31 December 2018, which was approximately same as that for the year ended 31 December 2017.

MR segment

The Group's TCE income for the MR fleet decreased by USD 12.6 million, or 11%, from USD 112.6 million for the year ended 31 December 2017 to USD 100.0 million for the year ended 31 December 2018. The decrease was primarily driven by lower freight rates.

The MR segment's calendar days were approximately the same with 8,162 days for the year ended 31 December 2018 as compared to 8,030 days for the year ended 31 December 2017 as there were no addition or disposal of vessels during the year 2018.

During the year ended 31 December 2018, there were 105 off-hire days, which was an increase of 81 off-hire days as compared with 24 off-hire days for the year ended 31 December 2017. The increase in off-hire days was due to drydocking.

TCE income per voyage day was USD 12,400 per day for the year ended 31 December 2018, a decrease of 12% from USD 14,100 per day for the year ended 31 December 2017. The decrease was due to the downturn of the shipping industry in 2018.

10.6.1.2 Other operating income

The Group's other operating income decreased by USD 0.1 million, or 4%, from USD 1.7 million for the year ended 31 December 2017 to USD 1.6 million for the year ended 31 December 2018.

LR1 segment

The Group's other operating income for the LR1 fleet increased by USD 0.1 million, or 11%, from USD 1.4 million for the year ended 31 December 2017 to USD 1.5 million for the year ended 31 December 2018. The increase was primarily driven by a one-off receipt relating to a full and final settlement of all claims, disputes, delivery pending items and any other future claims in respect of the four LR1 vessels delivered in 2017.

10.6.1.3 Vessel operating and other expenses

The Group's vessel operating and other expenses comprise charter hire expenses, vessel operating expenses and general and administrative expenses.

The Group's vessel operating and other expenses increased by USD 2.3 million, or 2%, from USD 124.1 million for the year ended 31 December 2017 to USD 126.4 million for the year ended 31 December 2018.

The table below sets forth the breakdown of the Company's consolidated other operating expenses for the years ended 31 December 2018 and 2017.

In USD thousand	**Year ended 31 December**		
	2018	**Change in %**	**2017**
VESSEL OPERATING EXPENSES			
LR1	(48,287)	-1%	(48,562)
MR	(45,202)	-5%	(47,422)
Total	**(93,489)**	**-3%**	**(95,984)**

In USD thousand	Year ended 31 December		
	2018	**Change in %**	**2017**
CHARTER HIRE EXPENSES			
LR1	(7,264)	0%	(7,264)
MR	(1,395)	n.m.	-
Total	**(8,659)**	**19%**	**(7,264)**
General administrative expenses[1]	**(24,247)**	**16%**	**(20,875)**
Total vessel operating and other expenses	**(126,395)**	**2%**	**(124,123)**

1 General and administrative expenses refers to support service fee, employee benefits and other operating expenses included in Note 4 of the Financial Statements.

Vessel operating expenses

Vessel operating expenses comprise of vessel related maintenance and repair expenses, crew manning expenses and insurance.

The Group's vessel operating expenses decreased by USD 2.5 million, or 3%, from USD 96.0 million for the year ended 31 December 2017 to USD 93.5 million for the year ended 31 December 2018. This was primarily driven by the decrease in maintenance and repair expenses incurred in the MR segment.

Charter hire expenses

Charter hire expenses relate to bareboat lease payments for two LR1 vessels which were sold and operating leased back in 2016, and short-term time charter lease payments for three MR vessels.

Charter hire expenses increased by USD 1.4 million, or 19%, from USD 7.3 million for the year ended 31 December 2017 to USD 8.7 million for the year ended 31 December 2018. There were no short-term time charters for MR vessels in 2017, and these were only leased-in during 2018, thus causing the increase.

General and administrative expenses

General and administrative expenses comprise of personnel expenses, vessel administrative expenses, external statutory and professional fees, as well as expenses paid to related companies for the provision of corporate service functions (such as finance, tax, legal, insurance, information technology, human resources and facilities) to the Group.

The Group's general and administrative expenses increased by USD 3.3 million, or 16%, from USD 20.9 million for the year ended 31 December 2017 to USD 24.2 million for the year ended 31 December 2018. This was primary attributable to professional fees incurred in projects to enhance the Company's IPO readiness during 2018, and expenses to enhance IT security and infrastructure.

10.6.1.4 Depreciation charge

The Group's depreciation charge increased by USD 2.7 million, or 5%, from USD 54.2 million for the year ended 31 December 2017 to USD 56.9 million for the year ended 31 December 2018. The increase was primarily driven by the four new LR1 vessels which were delivered during 2017.

LR1 segment

The Group's depreciation charge for the LR1 fleet increased by USD 2.4 million, or 10%, from USD 23.9 million for the year ended 31 December 2017 to USD 26.3 million for the year ended 31 December 2018. The increase was primarily driven by the delivery of the four LR1 vessels as discussed above. In 2018, the full year impact of their depreciation charge was recorded, hence there is an increase as compared to 2017.

MR segment

The Group's depreciation charge for the MR fleet had no significant fluctuation for 2018 as compared to 2017. This is because there was no movement in the vessel count for the MR fleet.

10.6.1.5 Impairment charge on vessels - net

The Group's impairment charge on vessels – net increased by USD 7.4 million for the year ended 31 December 2018. The net increase was primarily due to fluctuations in the secondhand vessel values, driven by the underlying product tanker market.

LR1 segment

For the year ended 31 December 2018, the net impairment charge on the LR1 vessels was USD 36.2 million. This was primarily due to fluctuations in the secondhand vessel values, driven by the underlying product tanker market. The impairment charge was recorded on 15 LR1 vessels and partially offset by write-back of impairment charges on four LR1 vessels. There were no impairment charge and write-back of impairment charges in 2017.

MR segment

For the year ended 31 December 2018, the net write-back of impairment charge on the MR vessels was USD 28.8 million. This was primarily due to fluctuations in the secondhand vessel values, driven by the underlying product tanker market. The write-back of impairment charge was recorded on 19 MR vessels and partially offset by impairment charges on three MR vessels. There were no impairment charge and write-back of impairment charges in 2017.

10.6.1.6 Finance expense – net

The Group's finance expense – net increased by USD 5.0 million, or 19% for the year ended 31 December 2018 from 31 December 2017. The table below sets forth the breakdown of the Company's consolidated finance expense – net for the years ended 31 December 2018 and 2017.

In USD thousand		**Year ended 31 December**	
	2018	**Change in %**	**2017**
FINANCE EXPENSE – NET			
Interest income	257	147%	104
Interest expense	(31,503)	20%	(26,263)
Other finance expense	(703)	-6%	(745)
Total	**(31,949)**	**19%**	**(26,904)**

The increase in finance expense – net for the year ended 31 December 2018 was primarily due to an increase in interest expense arising from external borrowings to finance the construction of the four LR1 newbuilds delivered during 2017. USD 116.9 million was drawn down from the loan facility to finance the final instalment of these four LR1 newbuilds, which was payable upon their delivery. The full year impact of the interest expense on these additional drawdowns were taken up in 2018, hence interest expense increased as compared to 2017.

10.6.2 Year ended 31 December 2017 compared with year ended 31 December 2016

The table below sets forth the Company's consolidated results of operations and the period on period percentage of change for the periods indicated, based on segment and on group level.

In USD thousand		**Year ended 31 December**	
	2017	**Change in %**	**2016**
REVENUE			
LR1	163,613	18%	139,105
MR	182,868	12%	163,206
Total	**346,481**	**15%**	**302,311**
VOYAGE EXPENSES			
LR1	(69,635)	29%	(54,171)
MR	(70,299)	50%	(46,961)
Total	**(139,934)**	**38%**	**(101,132)**
TCE INCOME			
LR1	93,978	11%	84,934
MR	112,569	-3%	116,245
Total	**206,547**	**3%**	**201,179**
Other operating income			
LR1	1,399	290%	359
MR	227	n.m.	-
Unallocated	21	n.m.	(6)
Total	**1,647**	**367%**	**353**
Vessel operating and other expenses	**(124,123)**	**9%**	**(114,008)**

In USD thousand	Year ended 31 December		
	2017	**Change in %**	**2016**
OPERATING EBITDA			
LR1	35,382	1%	35,074
MR	60,606	-4%	63,332
Unallocated	(11,917)	10%	(10,882)
Total	**84,071**	**-4%**	**87,524**
DEPRECIATION CHARGE			
LR1	(23,906)	-12%	(27,114)
MR	(30,278)	-7%	(32,465)
Total	**(54,184)**	**-9%**	**(59,579)**
Impairment charge on vessels – net			
LR1	-	n.m.	(137,127)
MR	-	n.m.	(72,764)
Total	**-**	**n.m.**	**(209,891)**
GAIN ON DISPOSAL OF VESSELS			
LR1	-	n.m.	15,559
MR	-	n.m.	-
Total	**-**	**n.m.**	**15,559**
Operating profit	**29,887**	**n.m.**	**(166,387)**
Finance expense – net	**(26,904)**	**33%**	**(20,217)**
Profit/(loss) before income tax	**2,983**	**n.m.**	**(186,604)**
Income tax expense	(20)	233%	(6)
Profit/(loss) for the year	**2,963**	**n.m.**	**(186,610)**

10.6.2.1 TCE income

The Group's TCE income for the entire fleet increased by USD 5.3 million, or 3%, from USD 201.2 million for the year ended 31 December 2016 to USD 206.5 million for the year ended 31 December 2017. This was primarily attributable to the progressive addition of the four LR1 vessels from January 2017 to September 2017 which was partially offset by the decrease in TCE rates for the entire fleet as a result of the downturn of the shipping industry in 2017.

TCE income per voyage day for the entire fleet was USD 13,800 per day for the year ended 31 December 2017, a decrease of 4% from USD 14,400 per day for the year ended 31 December 2016, largely due to continued lower freight rates in the shipping industry in 2017.

LR1 segment

The LR1 segment's calendar days increased by 945 days, or 15.2% to 7,167 days for the year ended 31 December 2017 from 6,222 days for the year ended 31 December 2016 due to deliveries of the following four LR1 vessels in 2017:

- BW Kallang in January 2017;
- BW Tagus in March 2017;
- BW Yarra in July 2017; and
- BW Nile in August 2017.

During the year ended 31 December 2017, there were 191 off-hire days, which was an increase of eight off-hire days as compared with 183 off-hire days for the year ended 31 December 2016. The increase of off-hire days was largely due to more drydocks in 2017. There were six drydocks in 2017 (i.e. BW Danube, BW Hudson, BW Lena, BW Orinoco, Compass, BW Kronborg and BW Lara) which resulted in 151 off-hire days, as compared to four drydocks in 2016 (BW Amazon, BW Columbia, BW Clyde and Compass) which resulted in 109 off-hire days. Other technical off-hire days were lower by 34 days, with vessels having 40 off-hire days in 2017 as compared to 74 off-hire days in 2016.

TCE income per voyage day was USD 13,500 per day for the year ended 31 December 2017, a decrease of 4% from USD 14,100 per day for the year ended 31 December 2016. The decrease was due to the downturn of the shipping industry in 2017.

MR segment

The MR segment's calendar days were approximately the same with 8,030 days for the year ended 31 December 2017 as compared to 7,962 days for the year ended 31 December 2016 as there were no addition or disposal of vessels during the year 2017.

During the year ended 31 December 2017, there were 24 off-hire days, which was an increase of six off-hire days as compared with 18 off-hire days for the year ended 31 December 2016. There were no drydocking in both 2016 and 2017. The increase of off-hire days was due to technical maintenance.

TCE income – TCE income per voyage day was USD 14,100 per day for the year ended 31 December 2017, a decrease of 3.4% from USD 14,600 per day for the year ended 31 December 2016. The decrease was due the to downturn of the shipping industry in 2017.

10.6.2.2 Other operating income

The Group's other operating income increased by USD 1.2 million for the year ended 31 December 2017, from USD 0.4 million in the year ended 31 December 2016. The increase was mainly driven by the LR1 segment.

LR1 segment

Other operating income for the LR1 fleet increased by USD 1.0 million, or 290%, from USD 0.4 million for the year ended 31 December 2016 to USD 1.4 million for the year ended 31 December 2017. This was primarily due to a full year of amortisation of deferred gains recognised on the sale and operating leaseback of two LR1 vessels as compared to three months in 2016 as the vessels were sold in September 2016.

10.6.2.3 Vessel operating and other operating expenses

The Group's vessel operating and other expenses comprise charter hire expenses, vessel operating expenses and general and administrative expenses.

The Group's vessel operating and other expenses increased by USD 10.1 million, or 9%, from USD 114.0 million for the year ended 31 December 2016 to USD 124.1 million for the year ended 31 December 2017.

The table below sets forth the breakdown of the Company's consolidated other operating expenses for the years ended 31 December 2017 and 2016.

In USD thousand		**Year ended 31 December**	
	2017	**Change in %**	**2016**
VESSEL OPERATING EXPENSES			
LR1	(48,562)	10%	(44,206)
MR	(47,422)	0%	(47,576)
Total	**(95,984)**	**5%**	**(91,782)**
CHARTER HIRE EXPENSES			
LR1	(7,264)	297%	(1,831)
MR	-	n.m.	-
Total	**(7,264)**	**297%**	**(1,831)**
General administrative expenses[1]	**(20,875)**	**2%**	**(20,395)**
Total vessel operating and other expenses	**(124,123)**	**9%**	**(114,008)**

1 General and administrative expenses refers to support service fee, employee benefits and other operating expenses included in Note 5 of the Financial Statements.

Vessel operating expenses

Vessel operating expenses comprise of vessel related maintenance and repair expenses, crew manning expenses and insurance.

The Group's vessel operating expenses increased by USD 4.2 million, or 5%, from USD 91.8 million for the year ended 31 December 2016 to USD 96.0 million for the year ended 31 December 2017. This was primarily attributable to the expansion of the fleet from the delivery of four LR1 from January 2017 to September 2017.

LR1 segment

The Group's vessel operating expenses for the LR1 fleet increased by USD 4.4 million, or 10%, from USD 44.2 million for the year ended 31 December 2016 to USD 48.6 million for the year ended 31 December 2017. This was primarily due to the delivery of four LR1s in 2017 resulting in higher manning and technical expenses.

MR segment

The Group's vessel operating expenses for the MR fleet decreased by USD 0.2 million, or less than 1%, from USD 47.6 million for the year ended 31 December 2016 to USD 47.4 million for the year ended 31 December 2017. This was primarily due to technical costs which decreased year-on-year by USD 0.8 million, which were partially offset by an increase in manning costs which increased year-on-year by USD 0.7 million.

Charter hire expenses

Charter hire expenses relate to bareboat lease payments for two LR1s which were sold and operating leased back in 2016.

Charter hire expenses increased by USD 5.5 million, or 297%, from USD 1.8 million for the year ended 31 December 2016 to USD 7.3 million for the year ended 31 December 2017. This was primarily due to a full-year of bareboat lease payments, compared to three months of bareboat lease payments in 2016 for the LR1 fleet.

General administrative expenses

General and administrative expenses comprise of personnel expenses, external statutory and professional fees, as well as expenses paid to related companies for the provision of corporate service functions (such as finance, tax, legal, insurance, information technology, human resources and facilities) to the Group.

The Group's general and administrative expenses increased by USD 0.5 million, or 2%, from USD 20.4 million for the year ended 31 December 2016 to USD 20.9 million for the year ended 31 December 2017. This was primarily attributable to higher personnel expenses in 2017 in line with the increase in employee headcount.

10.6.2.4 Depreciation charge

The Group's depreciation charge decreased by USD 5.4 million, or 9%, from USD 59.6 million for the year ended 31 December 2016 to USD 54.2 million for the year ended 31 December 2017. This was primarily attributable to the lower depreciation charge due to vessel impairments in 2016, which was partially offset by additional depreciation charge due to the delivery of four LR1s from January 2017 to September 2017.

LR1 segment

Depreciation expenses for the LR1 fleet decreased by USD 3.2 million, or 12%, from USD 27.1 million for the year ended 31 December 2016 to USD 23.9 million for the year ended 31 December 2017. This was primarily attributable to a decrease of USD 7.7 million due to vessel impairments amounting to USD 137.1 million in the year ended 31 December 2016, which was partially offset by an increase of USD 3.3 million due to the delivery of four LR1s and higher drydock costs incurred in 2017.

MR segment

Depreciation expenses for the MR fleet decreased by USD 2.2 million, or 7%, from USD 32.5 million for the year ended 31 December 2016 to USD 30.3 million for the year ended 31 December 2017. This was primarily attributable to a decrease of USD 2.6 million due to vessel impairments of USD 72.8 million in the year ended 31 December 2016, which was partially offset by an increase of USD 0.4 million due to the full year impact from the delivery of three MR vessels (i.e. BW Petrel, BW Swift and BW Wren) in 2016.

10.6.2.5 Impairment charge on vessels - net

The Group had no net impairment charge for the year ended 31 December 2017 as compared to a net impairment charge of USD 209.9 million for the year ended 31 December 2016.

LR1 segment

No impairment charge or write-back of impairment charge was required for the year ended 31 December 2017. For the year ended 31 December 2016, the impairment charge on the LR1 vessels was USD 137.1 million. The impairment charge was on the 17 vessels and six LR1 newbuilds (two LR1 newbuilds were cancelled during the year).

MR segment

No impairment charge or write-back of impairment charge was required for the year ended 31 December 2017. For the year ended 31 December 2016, the impairment charge on the 22 MR vessels was USD 72.8 million.

10.6.2.6 Finance expense – net

The Group's finance expense – net increased by USD 6.7 million for the year ended 31 December 2017 from 31 December 2016. The table below sets forth the breakdown of the Company's consolidated finance expense – net for the years ended 31 December 2017 and 2016.

In USD thousand	**Year ended 31 December**		
	2017	**Change in %**	**2016**
FINANCE EXPENSE – NET			
Interest income	104	-11%	117
Interest expense	(26,263)	38%	(18,973)
Other finance expense	(745)	-45%	(1,361)
Total	**(26,904)**	**33%**	**(20,217)**

The increase in finance expense – net for the year ended 31 December 2017 was primarily due to an increase in interest expense arising from loan drawdowns arising from the delivery of the four LR1 vessels delivered in 2017, higher LIBOR rates, and interest rate swap payments of USD 2.3 million.

10.7 Results of operations of Hafnia Tankers prior to the Merger

10.7.1 Year ended 31 December 2018 compared with year ended 31 December 2017

The table below sets forth Hafnia Tankers' consolidated results of operations and the period on period percentage of change for the periods indicated, based on reporting segment and on group level.

In USD thousand	**Year ended 31 December**		
	2018	**Change in %**	**2017**
TCE INCOME			
LR1	38,150	-10%	42,625
MR	88,094	-5%	92,316
Handy	51,528	-2%	52,345
Total	**177,772**	**-5%**	**187,286**
OTHER OPERATING INCOME			
LR1	-	n.m.	-
MR	-	n.m.	-
Unallocated	1,886	-27%	2,586
Total	**1,886**	**-27%**	**2,586**
Vessel operating and other expenses	**(130,496)**	**7%**	**(122,432)**
OPERATING EBITDA			
LR1	8,777	-26%	11,886
MR	31,172	-22%	40,001
Handy	21,747	-4%	22,594
Unallocated	(12,534)	78%	(7,041)
Total	**49,162**	**-27%**	**67,440**
DEPRECIATION CHARGE			
LR1	(9,260)	0%	(9,252)
MR	(27,579)	4%	(26,562)
Handy	(17,415)	1%	(17,207)
Total	**(54,254)**	**2%**	**(53,021)**

In USD thousand	Year ended 31 December		
	2018	**Change in %**	**2017**
IMPAIRMENT CHARGES			
LR1	(27,657)	n.m.	-
MR	(64,215)	n.m.	-
Handy	(42,968)	n.m.	-
Impairment charge on goodwill	(6,003)	n.m.	-
Total	**(140,843)**	**n.m.**	**-**
Operating (loss) / profit	**(145,935)**	**n.m.**	**14,419**
Finance expense – net	**(30,037)**	**17%**	**(25,775)**
(Loss) before income tax	**(175,972)**	**1,450%**	**(11,356)**
Income tax expense	(335)	60%	(209)
(Loss) for the year	**(176,307)**	**1,424%**	**(11,565)**

10.7.1.1 TCE income

Hafnia Tankers' TCE income decreased by USD 9.5 million, or 5%, from USD 187.3 million for the year ended 31 December 2017 to USD 177.8 million for the year ended 31 December 2018. The decrease was primarily driven by lower freight rates.

LR1 segment

Hafnia Tankers' revenue for LR1 fleet decreased by USD 4.4 million, or 10%, from USD 42.6 million for the year ended 31 December 2017 to USD 38.2 million for the year ended 31 December 2018. The decrease was primarily driven by lower freight rates.

MR segment

Hafnia Tankers' revenue for MR fleet decreased by USD 4.2 million, or 5%, from USD 92.3 million for the year ended 31 December 2017 to USD 88.1 million for the year ended 31 December 2018. The decrease was primarily driven by lower freight rates partly offset by the delivery of three MR vessels delivered mid-2017 (two of which are chartered-in).

Handy segment

Hafnia Tankers' revenue for Handy fleet decreased by USD 0.8 million, or 2%, from USD 52.3 million for the year ended 31 December 2017 to USD 51.5 million for the year ended 31 December 2018. The decrease was primarily driven by lower freight rates.

10.7.1.2 Other operating income

Hafnia Tankers' other operating income decreased by USD 0.7 million, or 27%, from USD 2.6 million for the year ended 31 December 2017 to USD 1.9 million for the year ended 31 December 2018. The decrease was primarily driven by the completion of the newbuilding program, due to a one-off liquidated damages payment for late deliveries of newbuilds in 2017.

10.7.1.3 Vessel operating and other expenses

Hafnia Tankers' vessel operating and other expenses comprise charter hire expenses, vessel operating expenses and general and administrative expenses.

Hafnia Tankers' vessel operating and other expenses increased by USD 8.1 million, 7%, from USD 122.4 million for the year ended 31 December 2017 to USD 130.5 million for the year ended 31 December 2018 largely due to inflation and also write-off of prepaid costs relating to future share issuance.

The table below sets forth the breakdown of Hafnia Tankers' consolidated vessel operating and other expenses for the years ended 31 December 2018 and 2017.

In USD thousand	Year ended 31 December		
	2018	**Change in %**	**2017**
Vessel operating expenses			
LR1	(15,717)	2%	(15,375)
MR	(45,315)	5%	(43,343)
Handy	(29,781)	0%	(29,751)
Total	**(90,813)**	**3%**	**(88,469)**
Charter hire expenses			
LR1	(13,656)	-11%	(15,364)
MR	(11,607)	29%	(8,972)
Handy	-	n.m.	-
Total	**(25,263)**	**4%**	**(24,336)**
General administrative expenses	**(14,420)**	**50%**	**(9,627)**
Total vessel operating and other expenses	**(130,496)**	**7%**	**(122,432)**

Vessel operating expenses

Vessel operating expenses comprise of vessel related maintenance and repair expenses, crew manning expenses and insurance.

Hafnia Tankers' vessel operating expenses increased by USD 2.3 million, or 3%, from USD 88.5 million for the year ended 31 December 2017 to USD 90.8 million for the year ended 31 December 2018. This was primarily attributable to the expansion of the fleet from the delivery of three MR vessels in 2017 and inflationary operating expenses.

LR1 segment

Hafnia Tankers' vessel operating expenses for LR1 fleet increased by USD 0.3 million, or 2%, from USD 15.4 million for the year ended 31 December 2017 to USD 15.7 million for the year ended 31 December 2018. The development was primarily driven by inflation.

MR segment

Hafnia Tankers' vessel operating expenses for MR fleet increased by USD 2.0 million, or 5%, from USD 43.3 million for the year ended 31 December 2017 to USD 45.3 million for the year ended 31 December 2018. The increase was primarily driven by a delivery of three MR vessels (and two MR vessels chartered-in) in 2017 and inflation.

Handy segment

Hafnia Tankers' vessel operating expenses for Handy fleet were unchanged at USD 29.8 million for the years ended 31 December 2017 and 2018.

10.7.1.4 Operating EBITDA

Hafnia Tankers' operating EBITDA decreased by USD 18.2 million, or 27%, from USD 67.4 million for the year ended 31 December 2017 to USD 49.2 million for the year ended 31 December 2018. The decrease was primarily driven by lower freight rates.

LR1 segment

Hafnia Tankers' operating EBITDA for LR1 fleet decreased by USD 3.1 million, or 26%, from USD 11.9 million for the year ended 31 December 2017 to USD 8.8 million for the year ended 31 December 2018. The decrease was primarily driven by lower freight rates.

MR segment

Hafnia Tankers' operating EBITDA for MR fleet decreased by USD 8.8 million, or 22%, from USD 40.0 million for the year ended 31 December 2017 to USD 31.2 million for the year ended 31 December 2018. The decrease was primarily driven by lower freight rates.

Handy segment

Hafnia Tankers' operating EBITDA for Handy fleet decreased by USD 0.9 million, or 4%, from USD 22.6 million for the year ended 31 December 2017 to USD 21.7 million for the year ended 31 December 2018. The decrease was primarily driven by lower freight rates.

10.7.1.5 Depreciation charge

Hafnia Tankers' depreciation charge increased by USD 1.3 million, or 2%, from USD 53.0 million for the year ended 31 December 2017 to USD 54.3 million for the year ended 31 December 2018. The increase was primarily driven by delivery of an MR vessel in 2017 and depreciation of drydocks.

LR1 segment

Hafnia Tankers' depreciation charge for LR1 fleet was unchanged at USD 9.3 million for the years ended 31 December 2017 and 2018.

MR segment

Hafnia Tankers' depreciation charge for MR fleet increased by USD 1.0 million, or 4%, from USD 26.6 million for the year ended 31 December 2017 to USD 27.6 million for the year ended 31 December 2018. The increase was primarily driven by full year effect of one MR vessel delivered in 2017 and depreciation of drydocks.

Handy segment

Hafnia Tankers' depreciation charge for Handy fleet increased by USD 0.2 million, or 1%, from USD 17.2 million for the year ended 31 December 2017 to USD 17.4 million for the year ended 31 December 2018. The increase was primarily driven by depreciation of drydocks.

10.7.1.6 Impairment charges

Hafnia Tankers' impairment charges increased by USD 140.8 million, from nil for the year ended 31 December 2017 to USD 140.8 million for the year ended 31 December 2018. The increase was primarily driven by impairment on the fleet and goodwill due to lower vessel values.

LR1 segment

Hafnia Tankers' impairment charges for the LR1 fleet increased by USD 27.7 million, from nil for the year ended 31 December 2017 to USD 27.7 million for the year ended 31 December 2018. The increase was primarily driven by impairment of the fleet due to lower vessel values.

MR segment

Hafnia Tankers' impairment charges for the MR fleet increased by USD 64.2 million, from nil for the year ended 31 December 2017 to USD 64.2 million for the year ended 31 December 2018. The increase was primarily driven by impairment of the fleet due to lower vessel values.

Handy segment

Hafnia Tankers' impairment charged for the Handy fleet increased by USD 43.0 million, from nil for the year ended 31 December 2017 to USD 43.0 million for the year ended 31 December 2018. The increase was primarily driven by impairment of the fleet due to lower vessel values.

10.7.1.7 Operating profit

Hafnia Tankers' operating profit decreased by USD 160.3 million, or 1,112%, from USD 14.4 million for the year ended 31 December 2017 to USD 145.9 million loss for the year ended 31 December 2018. The decrease was primarily driven by impairment charges and lower freight rates.

10.7.1.8 Finance expense – net

Hafnia Tankers' finance expense – net increased by USD 4.2 million, or 17%, from USD 25.8 million for the year ended 31 December 2017 to USD 30.0 million for the year ended 31 December 2017. The table below sets forth the breakdown of Hafnia Tankers' consolidated finance expense – net for the years ended 31 December 2018 and 2017.

In USD thousand	Year ended 31 December		
	2018	**Change in %**	**2017**
Finance expense – net			

In USD thousand	Year ended 31 December		
	2018	**Change in %**	**2017**
Interest income	1,379	148%	555
Interest expense	(31,416)	19%	(26,330)
Total	**(30,037)**	**17%**	**(25,775)**

The increase in finance expense – net for the year ended 31 December 2018 was primarily due to increased interest rates.

10.7.2 Year ended 31 December 2017 compared with year ended 31 December 2016

The table below sets forth Hafnia Tankers' consolidated results of operations and the period on period percentage of change for the periods indicated, based on reporting segment and on group level.

In USD thousand	Year ended 31 December		
	2017	**Change in %**	**2016**
TCE INCOME			
LR1	42,625	-19%	52,419
MR	92,316	13%	81,597
Handy	52,345	-13%	60,300
Unallocated	-	n.m.	389
Total	**187,286**	**-4%**	**194,705**
OTHER OPERATING INCOME			
LR1	-	n.m.	-
MR	-	n.m.	-
Unallocated	2,586	-56%	5,855
Total	**2,586**	**-56%**	**5,855**
Vessel operating and other expenses	**(122,432)**	**1%**	**(121,329)**
OPERATING EBITDA			
LR1	11,886	-53%	25,390
MR	40,001	46%	27,462
Handy	22,594	-30%	32,062
Unallocated	(7,041)	24%	(5,683)
Total	**67,440**	**-15%**	**79,231**
DEPRECIATION CHARGE			
LR1	(9,252)	1%	(9,122)
MR	(26,562)	38%	(19,278)
Handy	(17,207)	5%	(16,458)
Total	**(53,021)**	**18%**	**(44,858)**
Operating profit	**14,419**	**-58%**	**34,373**
Finance expense – net	**(25,775)**	**21%**	**(21,248)**
(Loss) / profit before income tax	**(11,356)**	**n.m.**	**13,125**
Income tax expense	(209)	-81%	(1,104)
(Loss) / profit for the year	**(11,565)**	**n.m.**	**12,021**

10.7.2.1 TCE income

Hafnia Tankers' TCE income decreased by USD 7.4 million, or 4%, from USD 194.7 million for the year ended 31 December 2016 to USD 187.3 for the year ended 31 December 2017. The decrease was primarily driven by lower freight rates offset by full year effect of vessels delivered in 2016 and vessels delivered in 2017.

LR1 segment

Hafnia Tankers' TCE income for LR1 fleet decreased by USD 9.8 million, or 19%, from USD 52.4 million for the year ended 31 December 2016 to USD 42.6 million for the year ended 31 December 2017. The decrease was primarily driven by lower freight rates.

MR segment

Hafnia Tankers' TCE income for MR fleet increased by USD 10.7 million, or 13%, from USD 81.6 million for the year ended 31 December 2016 to USD 92.3 for the year ended 31 December 2017. The increase was primarily driven by full year effect of vessels delivered in 2016 and vessels delivered in 2017 partly offset by lower freight rates.

Handy segment

Hafnia Tankers' TCE income for Handy fleet decreased by USD 8.0 million, or 13%, from USD 60.3 million for the year ended 31 December 2016 to USD 52.3 million for the year ended 31 December 2017. The decrease was primarily driven by lower freight rates.

10.7.2.2 Other operating income

Hafnia Tankers' other operating income decreased by USD 3.3 million, or 56%, from USD 5.9 million for the year ended 31 December 2016 to USD 2.6 million for the year ended 31 December 2017. The decrease was primarily driven by the completion of a newbuild program in 2017.

10.7.2.3 Vessel operating and other expenses

Hafnia Tankers' vessel operating and other expenses comprise charter hire expenses, vessel operating expenses and general and administrative expenses.

Hafnia Tankers' vessel operating and other expenses increased by USD 1.1 million, or 1%, from USD 121.3 million for the year ended 31 December 2016 to USD 122.4 million for the year ended 31 December 2017.

The table below sets forth the breakdown of Hafnia Tankers' consolidated other operating expenses for the years ended 31 December 2017 and 2016.

In USD thousand	**Year ended 31 December**		
	2017	**Change in %**	**2016**
VESSEL OPERATING EXPENSES			
LR1	(15,375)	2%	(15,070)
MR	(43,343)	28%	(33,935)
Handy	(29,751)	5%	(28,238)
Total	**(88,469)**	**15%**	**(77,243)**
CHARTER HIRE EXPENSES			
LR1	(15,364)	28%	(11,959)
MR	(8,972)	-56%	(20,200)
Handy	-	n.m.	-
Total	**(24,336)**	**-24%**	**(32,159)**
General administrative expenses	**(9,627)**	**-19%**	**(11,927)**
Total other operating expenses	**(122,432)**	**1%**	**(121,329)**

LR1 segment

Hafnia Tankers' vessel operating expenses for LR1 fleet increased by USD 0.3 million, or 2%, from USD 15.1 million for the year ended 31 December 2016 to USD 15.4 million for the year ended 31 December 2017. The increase was primarily driven by inflation on operating expenses.

MR segment

Hafnia Tankers' vessel operating expenses for MR fleet increased by USD 9.4 million, or 28%, from USD 33.9 million for the year ended 31 December 2016 to USD 43.3 million for the year ended 31 December 2017. The increase was primarily driven by increased operating days due to full year effect of vessels delivery in 2016 and vessels delivered in 2017.

Handy segment

Hafnia Tankers' vessel operating expenses for Handy fleet increased by USD 1.6 million, or 5%, from USD 28.2 million for the year ended 31 December 2016 to USD 29.8 million for the year ended 31 December 2017. The increase was primarily driven by full year effect of one vessel delivered in 2016 and increased operating expenses per vessel.

10.7.2.4 Operating EBITDA

Hafnia Tankers' operating EBITDA decreased by USD 11.8 million, or 15%, from USD 79.2 million for the year ended 31 December 2016 to USD 67.4 million for the year ended 31 December 2017. The decrease was primarily driven by lower freight rates.

LR1 segment

Hafnia Tankers' operating EBITDA for LR1 fleet decreased by USD 13.5 million, or 53%, from USD 25.4 million for the year ended 31 December 2016 to USD 11.9 million for the year ended 31 December 2017. The decrease was primarily driven by lower freight rates.

MR segment

Hafnia Tankers' operating EBITDA for MR fleet increased by USD 12.5 million, or 46%, from USD 27.5 million for the year ended 31 December 2016 to USD 40.0 million for the year ended 31 December 2017. The increase was primarily driven by increased operating days due to full year effect of vessels delivery in 2016 and vessels delivered in 2017 offset by lower freight rates.

Handy segment

Hafnia Tankers' operating EBITDA for Handy fleet decreased by USD 9.5 million, or 30%, from USD 32.1 million for the year ended 31 December 2016 to USD 22.6 million for the year ended 31 December 2017. The decrease was primarily driven by increased operating days due to full year effect of vessels delivered in 2016 offset by lower freight rates.

10.7.2.5 Depreciation charge

Hafnia Tankers' depreciation charge increased by USD 8.1 million, or 18%, from USD 44.9 million for the year ended 31 December 2016 to USD 53.0 million for the year ended 31 December 2017. The increase was primarily driven by the full year effect of depreciation for vessels delivered in 2016 and vessels delivered in 2017.

LR1 segment

Hafnia Tankers' depreciation charge for LR1 fleet increased by USD 0.2 million, or 1%, from USD 9.1 million for the year ended 31 December 2016 to USD 9.3 million for the year ended 31 December 2017.

MR segment

Hafnia Tankers' depreciation charge for MR fleet increased by USD 7.3 million, or 38%, from USD 19.3 million for the year ended 31 December 2016 to USD 26.6 million for the year ended 31 December 2017. The increase was primarily driven by the full year effect of depreciation for vessels delivered in 2016 and vessels delivered in 2017.

Handy segment

Hafnia Tankers' depreciation charge for Handy fleet increased by USD 0.7 million, or 5%, from USD 16.5 million for the year ended 31 December 2016 to USD 17.2 million for the year ended 31 December 2017. The increase was primarily driven by the full year effect of depreciation for vessels delivered in 2016.

10.7.2.6 Operating profit

Hafnia Tankers' operating profit decreased by USD 20.0 million, or 58%, from USD 34.4 million for the year ended 31 December 2016 to USD 14.4 million for the year ended 31 December 2017. The decrease was primarily driven by lower freight rates, offset by increased operating days due to full year effect of vessels delivery in 2016 and vessels delivered in 2017.

10.7.2.7 Finance expense – net

Hafnia Tankers' finance expense – net increased by USD 4.6 million from the year ended 31 December 2016 to the year ended 31 December 2017. The table below sets forth the breakdown of Hafnia Tankers' consolidated finance expense – net for the years ended 31 December 2017 and 2016.

In USD thousand	Year ended 31 December		
	2017	**Change in %**	**2016**
Finance expense – net			
Interest income	555	640%	75
Interest expense	(26,330)	23%	(21,323)
Total	**(25,775)**	**21%**	**(21,248)**

The increase in finance expense – net for the year ended 31 December 2017 was primarily due to higher debt caused by deliveries of newbuilds.

10.8 Financial position of the Group following the Merger

The table below sets out the total assets and total equity and liabilities of the Company and its consolidated subsidiaries as at 30 June 2019 and 31 December 2018. For further details on the Merger adjustments taken up when combining the balance sheets of the Company and Hafnia Tankers, please refer to the Opening Balance Sheet included in Appendix J.

In USD thousand	**As at 30 June**	**As at 31 December**
	2019	**2018**
Total non-current assets	2,193,778	1,174,995
Total assets	2,482,690	1,314,079
Total liabilities	1,468,764	743,000
Total equity	1,013,926	571,079
Total invested capital	2,280,701	1,212,485
Cash and cash equivalents	100,899	52,463

The Group's non-current assets consist primarily of vessels and newbuilds. The current assets consist of cash and cash equivalents, trade and other receivables and inventories.

The Group's total assets increased by USD 1,168.6 million, or 89%, from USD 1,314.1 million as at 31 December 2018 to USD 2,482.7 million as at 30 June 2019, primarily due to the increase in fleet size arising from the Merger. The Group's fleet of owned and leased-in vessels increased from 21 LR1 vessels and 22 MR vessels, to three LR2 vessels, 30 LR1s, 44 MR vessels and 13 Handy vessels as at 30 June 2019. The Group also purchased six LR2 newbuild contracts during December 2018. Three of the LR2 newbuilds have been delivered as at 30 June 2019. Furthermore, due to the new accounting standard on leases effective from 1 January 2019 onwards, the Group also recognised right-of-use assets with cost amounting to USD 62.0 million

These were partially offset by the normal depreciation and amortisation relating to the aging of vessels and the periodic drydocking capitalised against the vessels, and amortisation relating to the right-of-use assets.

The Group's liabilities consist mainly of trade payables, other payables due to third parties as well as related corporations and external borrowings. The total liabilities increased by USD 725.8 million, or 98%, from USD 743.0 million as at 31 December 2018 to USD 1,468.8 million as at 30 June 2019. This was primarily due to an increase in borrowings arising from the enlarged fleet size after the Merger.

10.9 Financial position of the Company (BW Tankers prior to the Merger)

The table below sets out the total assets and total equity and liabilities of the Company and its consolidated subsidiaries as at 31 December 2016, 2017 and 2018.

In USD thousand	Year ended 31 December		
	2018	**2017**	**2016**
Total non-current assets	1,174,995	1,106,578	1,041,519
Total assets	1,314,079	1,219,759	1,142,419
Total liabilities	743,000	821,940	775,626
Total equity	571,079	397,819	366,793
Total invested capital	1,212,485	1,092,498	1,009,409
Cash and cash equivalents	52,463	41,372	37,208

The Group's non-current assets consist primarily of vessels and newbuilds. The current assets consist of cash and cash equivalents, trade and other receivables and inventories.

The Group's total assets increased by USD 94.3 million, or 8%, from USD 1,219.8 million as at 31 December 2017 to USD 1,314.1 million as at 31 December 2018, primarily as a result of:

- purchase of six LR2 product tankers newbuilding contracts from a wholly-owned subsidiary of the holding corporation, by way of issuance of shares as consideration to the holding corporation. The carrying amounts of the six LR2 product tankers was USD 117.5 million as at 31 December 2018,

which were partially offset by:

- the normal depreciation and amortisation relating to the aging of vessels and the periodic drydocking capitalised against the vessels; and
- net impairment charge of USD 7.4 million recorded on the fleet.

The Group's total assets increased by USD 77.4 million, or 7%, from USD 1,142.4 million at 31 December 2016 to USD 1,219.8 million at 31 December 2017, primarily as a result of:

- the deliveries of four LR1 newbuilds,

which was partially offset by:

- the normal depreciation and amortisation relating to the aging of vessels and the periodic drydocking capitalised against the vessels.

The Group's total liabilities decreased by USD 78.9 million, or 10%, from USD 821.9 million at 31 December 2017 to USD 743.0 million at 31 December 2018, primarily as a result of repayment of Tranche B Facility (as defined below) under the MUSD 676 Facility, which amounted to USD 80.9 million.

The Group's total liabilities increased by USD 46.3 million, or 6%, from USD 775.6 million at 31 December 2016 to USD 821.9 million at 31 December 2017, primarily as a result of net increase in bank borrowings by USD 41.6 million to finance the final instalment paid to the shipyard and initial working capital on deliveries of four LR1 vessels.

10.10 Financial position of Hafnia Tankers prior to the Merger

The table below sets out the total assets and total equity and liabilities of Hafnia Tankers and its consolidated subsidiaries as at 31 December 2016, 2017 and 2018.

In USD thousand	**Year ended 31 December**		
	2018	**2017**	**2016**
Total non-current assets	867,500	1,041,337	1,041,040
Total assets	990,004	1,169,150	1,161,577
Total liabilities	581,890	589,962	557,970
Total equity	408,114	579,188	603,607
Total invested capital	930,075	1,064,598	1,051,431
Cash and cash equivalents	33,536	48,127	95,488

Hafnia Tankers' non-current assets consist primarily of vessels and newbuilds. The current assets consist of cash and cash equivalents, trade and other receivables and working capital deposits paid to the Pools.

Hafnia Tankers' total assets decreased by USD 179.2 million, or 15%, from USD 1,169.2 million at 31 December 2017 to USD 990.0 million at 31 December 2018, primarily as a result of:

- impairment charge on vessels – net of USD 134.8 million taken on the fleet during 2018; and
- the normal depreciation and amortisation relating to the aging of vessels and the periodic drydocking capitalised against the vessels.

Hafnia Tankers' total assets increased by USD 7.6 million, or 1%, from USD 1,161.6 million at 31 December 2016 to USD 1,169.2 million at 31 December 2017, primarily as a result of:

- deliveries of three MR vessels (i.e. Hafnia Kirsten, Hafnia Lotte and Hafnia Mikala) in 2017, which were partially offset by:

- the normal depreciation and amortisation relating to the aging of vessels and the periodic drydocking capitalised against the vessels; and
- decrease in cash and cash equivalents due to lower operating cash flows generated as a result of lower freight rates, repayment of bank borrowings and purchase of treasury shares.

For the years ended 31 December 2016, 2017 and 2018, the group's liabilities consisted mainly of trade payables, other payables due to third parties, external borrowings and finance lease liabilities.

Hafnia Tankers' total liabilities decreased by USD 8.1 million, or 1%, from USD 590.0 million at 31 December 2017 to USD 581.9 million at 31 December 2018, primarily as a result of repayment of bank borrowings.

Hafnia Tankers' total liabilities decreased by USD 32.0 million, or 6%, from USD 558.0 million at 31 December 2016 to USD 590.0 million at 31 December 2017, primarily as a result of repayment of bank borrowings.

10.11 Liquidity and capital resources for the Group following the Merger

10.11.1 Sources and use of liquidity

As at 30 June 2019, the Group had cash and cash equivalents of USD 100.9 million, compared to USD 21.0 million as at 30 June 2018. For the three and six months ended 30 June 2019, the majority of the Group's cash and cash equivalents were denominated in USD, with a small amount of SGD held for operational purposes. The Group's principal sources of funds for its liquidity needs are cash flows from operations, long-term bank borrowings and capital contributions from shareholders. The Group's main uses of funds have been expenditures for the acquisition of new and second-hand vessels, voyage expenses and vessel operating expenses, and the repayment of borrowings and inter-company payables. The Group's capital commitments are described in further detail in Section 10.15.7.4 "Principal investments in progress and planned principal investments".

There are no material legal or economic restrictions on the ability of subsidiaries to transfer funds to the Company in the form of cash dividends, loans or advances.

Management of the Group believes that cash flows from operations, funds available under the MUSD 111 Facility, MUSD 216 Facility and MUSD 473 Facility (as defined below), and proceeds of the Private Placement, will be sufficient to support its growth strategy, which may involve the acquisition of newbuilds and second-hand vessels. Depending on market conditions in the tanker maritime transportation industry and acquisition opportunities that may arise, the Group may seek to obtain additional debt or equity financing.

10.11.2 Cash flows

The table below summarises the Company's consolidated historical cash flows extracted from the Interim Financial Statements, the Q2 2019 Interim Report and the Q2 2018 Interim Report.

In USD thousand	**Three months ended 30 June**		**Six months ended 30 June**	
	2019	**2018**	**2019**	**2018**
Net cash from operating activities	70,677	14,626	128,387	32,906
Net cash used in investing activities	(22,642)	(2,862)	(116,568)	(4,559)
Net cash from/(used in) financing activities	(22,342)	(17,231)	3,081	(48,700)
Net increase/(decrease) in cash and cash equivalents	25,693	(5,467)	14,900	(20,353)
Cash and cash equivalents at the beginning of the financial period	75,206	26,486	85,999	41,372
Cash and cash equivalents at the end of the financial period	100,899	21,019	100,899	21,019

10.11.3 Cash flows from operating activities

Net cash flow from operating activities is dependent on the level of vessel maintenance and repair activity, the addition and disposal of vessels which impact the related operating cash flows, as well as spot voyage rates since the majority of the tanker fleet was trading on spot voyages.

Three months ended 30 June 2019 and 2018

Net cash from operating activities was USD 70.7 million for the three months ended 30 June 2019 compared with net cash from operating activities of USD 14.6 million for the three months ended 30 June 2018. The increase was primarily due to increase in voyage days from the enlarged fleet size after the Merger and improvements in freight rates during 2019 which were partially offset by the higher vessel and voyage related expenses in line with the increase in fleet size.

Six months ended 30 June 2019 and 2018

Net cash from operating activities was USD 128.4 million for the six months ended 30 June 2019 compared with net cash from operating activities of USD 32.9 million for the six months ended 30 June 2018. The increase was primarily due to increase in voyage days from the enlarged fleet size after the Merger and improvements in freight rates during 2019 which were partially offset by the higher vessel and voyage related expenses in line with the increase in fleet size.

10.11.4 Cash flows from investing activities

Net cash used in investing activities was mainly due to capital expenditure for the acquisition of new vessels, as well as the capital expenditure for drydock.

Three months ended 30 June 2019 and 2018

Net cash used in investing activities was USD 22.6 million for the three months ended 30 June 2019. This was mainly relating to instalments paid for the delivery of an LR2 vessel (BW Larissa) during April 2019. There was also a loan given to a joint venture company, as well as cash used in the acquisition of businesses and subsidiaries. These were partially offset by repayment of loan by a joint venture company.

Net cash used in investing activities was USD 2.9 million for the three months ended 30 June 2018. This was mainly relating to costs incurred for vessel drydocks.

Six months ended 30 June 2019 and 2018

Net cash used in investing activities was USD 116.6 million for the six months ended 30 June 2019. This was mainly relating to instalments paid for the six LR2 newbuilds. Three of the LR2 vessels (BW Despina, BW Galatea and BW Larissa) have been delivered during this six month period. There were also loans give to a joint venture company as well as cash used in the acquisition of businesses and subsidiaries. These were partially offset by repayment of loan by a joint venture company.

Net cash used in investing activities was USD 4.6 million for the six months ended 30 June 2018. This was mainly relating to costs incurred for vessel drydocks.

10.11.5 Cash flows from financing activities

Net cash provided by financing activities was mainly due to borrowings from external financial institutions to finance the construction of the vessels.

Three months ended 30 June 2019 and 2018

Net cash used in financing activities was USD 22.3 million for the three months ended 30 June 2019. This was mainly relating to repayment of bank borrowings to external financial institutions, payment of finance lease liabilities and other lease liabilities arising from the new accounting standard on leases, payment of interest on borrowings from external financial institutions, payment of interest on borrowings from a related corporation, repurchase of treasury shares and other finance expenses paid. These were partially offset by proceeds from borrowings from external financial institutions for the payment of final instalment on delivery of an LR2 vessel (BW Larissa).

Net cash used in financing activities was USD 17.2 million for the three months ended 30 June 2018. This was mainly relating to repayment of bank borrowings to external financial institutions, payment of interest on borrowings from external financial institutions and other finance expenses paid. These were partially offset by borrowings from external financial institutions and a related corporation.

Six months ended 30 June 2019 and 2018

Net cash from financing activities was USD 3.1 million for the six months ended 30 June 2019. This was mainly relating to borrowings from external financial institutions for the payment of final instalments on delivery of three LR2 vessels. These were partially offset by repayment of bank borrowings to external financial institutions, payment of interest on borrowings from external financial institutions, payment of finance lease liabilities and other lease liabilities arising from the new accounting standard on leases, payment of upfront financing fees for a bank facility, payment of interest on borrowings from a related corporation, repurchase of treasury shares and other finance expenses paid.

Net cash used in financing activities was USD 48.7 million for the six months ended 30 June 2018. This was mainly relating to repayment of bank borrowings to external financial institutions, payment of interest on borrowings from external financial institutions and other finance expenses paid. These were partially offset by borrowings from a related corporation and external financial institutions.

10.12 Liquidity and capital resources for the Company (BW Tankers prior to the Merger)

10.12.1 Sources and use of liquidity

As at 31 December 2018, the Company had cash and cash equivalents of USD 52.5 million, compared to USD 41.4 million as at 31 December 2017. For the years covered by the Financial Statements, the majority of the Company's cash and cash equivalents were denominated in USD, with a small amount of SGD held for operational purposes. The Company's principal sources of funds for its liquidity needs are cash flows from operations, long-term bank borrowings and capital contributions from shareholders. The Company's main uses of funds have been expenditures for the acquisition of new and second-hand vessels, voyage expenses and vessel operating expenses, and the repayment of borrowings and inter-company payables.

The Company's liquidity needs as of 31 December 2018 primarily related to future capital expenditure on six LR2 newbuilds which are expected to be delivered in 2019.

10.12.2 Cash flows

The table below summarises the Company's consolidated historical cash flows extracted from the Financial Statements.

	Year ended 31 December		
In USD thousand	**2018**	**2017**	**2016**
Net cash from operating activities	59,670	81,360	99,904
Net cash used in investing activities	(16,992)	(117,820)	(51,654)
Net cash (used in)/from financing activities	(31,587)	40,624	(36,003)
Net increase in cash and cash equivalents	11,091	4,164	12,247
Cash and cash equivalents at the beginning of the financial year	41,372	37,208	24,961
Cash and cash equivalents at the end of the financial year	52,463	41,372	37,208

10.12.3 Cash flows from operating activities

Net cash flow from operating activities is dependent on the level of vessel maintenance and repair activity, the addition and disposal of vessels which impact the related operating cash flows, as well as spot voyage rates since the majority of the tanker fleet was trading on spot voyages.

Years ended 31 December 2018 and 2017

Net cash from operating activities was USD 59.7 million for the year ended 31 December 2018 compared with net cash from operating activities of USD 81.4 million for the year ended 31 December 2017.

The decrease was primarily due to:

- Lower TCE rates for the entire fleet as a result of continued strong headwinds faced in the shipping industry in 2018,

which was partially offset by:

- an increase in voyage days as the four LR1 vessels that were delivered during 2017 had started to contribute a full year of earnings for 2018, as compared to 2017.

Years ended 31 December 2017 and 2016

Net cash from operating activities was USD 81.4 million for the year ended 31 December 2017 compared with net cash from operating activities of USD 99.9 million for the year ended 31 December 2016.

The decrease was primarily due to:

- lower TCE rates for the entire fleet as a result of weakening market conditions in the shipping industry; and

- higher vessel and voyage related expenses in line with the increase in fleet size,

which was partially offset by:

- an increase in voyage days due to the addition of four LR1 vessels (i.e. BW Kallang, BW Tagus, BW Nile and BW Yarra).

10.12.4 Cash flows from investing activities

Net cash used in investing activities for the years ended 31 December 2016, 2017 and 2018 was mainly due to capital expenditure for the acquisition of new vessels, as well as the capital expenditure for drydock.

Years ended 31 December 2016, 2017 and 2018

Net cash used in investing activities was USD 17.0 million for the year ended 31 December 2018. This was mainly related to the purchase of the six LR2 vessels under construction from a wholly-owned subsidiary of the holding corporation, with a carrying amount of USD 117.5 million of which USD 4.7 million was paid in cash and the remainder via issuance of shares as consideration to the holding corporation. There were also drydocking costs capitalised (USD 12.5 million). These were offset by interest received (USD 0.2 million).

Net cash used in investing activities was USD 117.8 million for the year ended 31 December 2017. This was related to final newbuilding instalments paid for four new LR1 vessels (USD 108.0 million) delivered during the year and drydocking costs capitalised (USD 9.9 million). These are offset by interest received (USD 0.1 million).

Net cash used in investing activities was USD 51.7 million for the year ended 31 December 2016. This was related to newbuilding instalments paid for six LR1 vessels under construction (USD 49.1 million), newbuilding instalments paid for three new MR vessels (USD 55.8 million) delivered during the year, additions to nine MR vessels (USD 0.6 million) and drydocking costs capitalised (USD 6.3 million). These were partially offset by the proceeds from the sale and leaseback of two LR1 vessels (i.e. Compass and Compassion) (USD 59.9 million), and interest received (USD 0.1 million).

10.12.5 Cash flows from financing activities

Net cash provided by or used in financing activities for the years ended 31 December 2016, 2017 and 2018 was mainly due to borrowings from external financial institutions to finance the construction of the vessels, borrowings from a related corporation as well as cash received from issuance of shares to the holding corporation.

Years ended 31 December 2016, 2017 and 2018

Net cash used in financing activities was USD 31.6 million for the year ended 31 December 2018. This was mainly related to repayment of bank borrowings to external financial institutions (USD 164.0 million), payment of interest on borrowings from external financial institutions (USD 27.9 million), payment of interest on borrowings from a related corporation (USD 2.0 million) and other finance expenses paid (USD 0.7 million), which were partially offset by borrowings from external financial institutions (USD 36.0 million), borrowings from a related corporation (USD 81.0 million) and funding from the issuance of shares (USD 46.0 million).

Net cash provided by financing activities was USD 40.6 million for the year ended 31 December 2017. This was mainly related to borrowings from external financial institutions (USD 146.9 million) and funding from the issuance of shares (USD 26.8 million), which were partially offset by repayment of bank borrowings to external financial institutions (USD 105.7 million), payment of interest on borrowings from external financial institutions (USD 25.3 million), payment of financing fees (USD 1.3 million) and other finance expenses paid (USD 0.8 million).

Net cash used in financing activities was USD 36.0 million for the year ended 31 December 2016. This was mainly related to repayment of bank borrowings to external financial institutions (USD 165.8 million), payment of interest on borrowings from external financial institutions (USD 18.7 million), other finance expenses paid (USD 1.4 million) and payment of financing fees (USD 0.6 million), which were partially offset by borrowings from external financial institutions (USD 150.5) million.

10.13 Liquidity and capital resources for Hafnia Tankers prior to the Merger

10.13.1 Sources and use of liquidity

As at 31 December 2018, Hafnia Tankers had cash and cash equivalents of USD 33.5 million, compared to USD 48.1 million as at 31 December 2017. For the years covered by the Hafnia Tankers Financial Statements, the majority of the group's cash and cash equivalents were denominated in USD. The group's principal sources of funds for its liquidity needs are cash flows from operations and long-term bank borrowings. The group's main uses of funds have been expenditures for acquisitions of new vessels and the repayment of borrowings.

Hafnia Tankers' liquidity needs as of 31 December 2018 primarily related to future capital expenditure on six LR1 newbuilds in the Vista JV expected to be delivered in 2019/20.

10.13.2 Cash flows

The table below summarises the Hafnia Tankers' consolidated historical cash flows extracted from the Hafnia Tankers Financial Statements.

	Year ended 31 December		
In USD thousand	**2018**	**2017**	**2016**
Net cash from operating activities	10,443	27,612	69,347
Net cash used in investing activities	(8,043)	(77,643)	(105,540)
Net cash from financing activities	(17,016)	2,653	8,847
Net decrease in cash and cash equivalents	(14,616)	(47,378)	(27,346)
Cash and cash equivalents at the beginning of the financial years	48,127	95,488	122,856
Effects of exchange rate changes on the balance of cash held in foreign currencies	25	17	(22)
Cash and cash equivalents at the end of the financial years	33,536	48,127	95,488

10.13.3 Cash flows from operating activities

Net cash flow from operating activities is dependent on the level of vessel maintenance and repair activities, the addition and disposal of vessels which impact the related operating cash flows, as well as spot voyage rates since the majority of the tanker fleet was trading on spot voyages in the Pools.

Years ended 31 December 2018 and 2017

Net cash from operating activities was USD 10.4 million for the year ended 31 December 2018 as compared with net cash from operating activities of USD 27.6 million for the year ended 31 December 2017.

The decrease was primarily due to:

- lower TCE rates for the entire fleet as a result of continued strong headwinds faced in the shipping industry in 2018,

which was partially offset by:

- an increase in voyage days and earnings as the three MR vessels that were delivered during 2017 had started to contribute a full year of earnings for 2018, as compared to 2017.

Years ended 31 December 2017 and 2016

Net cash from operating activities was USD 27.6 million for the year ended 31 December 2017 as compared with net cash from operating activities of USD 69.3 million for the year ended 31 December 2016.

The decrease was primarily due to:

- Lower TCE rates for the entire fleet as a result of weakening market conditions in the shipping industry, and

- Higher vessel and voyage related expenses in line with the increase in fleet size,

which was partially offset by:

- The full year effect of earnings from vessels delivered in 2016 and 2017.

10.13.4 Cash flows from investing activities

Net cash used in investing activities for the years ended 31 December 2016, 2017 and 2018 was mainly due to capital expenditure for the acquisition of new vessels, as well as the capital expenditure for drydock.

Years ended 31 December 2016, 2017 and 2018

Net cash used in investing activities was USD 8.0 million for the year ended 31 December 2018. This was related to drydocking costs capitalised.

Net cash used in investing activities was USD 77.6 million for the year ended 31 December 2017. This was related to final newbuilding instalments paid for three new MR vessels (USD 71.1 million) delivered during the year and drydocking costs capitalised (USD 6.5 million).

Net cash used in investing activities was USD 105.5 million for the year ended 31 December 2016. This was related to newbuilding instalments paid for MR and Handy vessels under construction (USD 99.0 million) and drydocking costs capitalised (USD 6.5 million).

10.13.5 Cash flows from financing activities

Net cash provided by or used in financing activities for the years ended 31 December 2016, 2017 and 2018 was mainly due to borrowings from or repayments to external financial institutions to finance the construction of the vessels, finance lease liabilities, treasury shares purchases and dividends distributed.

Years ended 31 December 2016, 2017 and 2018

Net cash used in financing activities was USD 17.0 million for the year ended 31 December 2018. This was mainly related to repayment of borrowings from external financial institutions (USD 98.2 million) and repayment of finance lease liabilities (USD 4.7 million), which were partially offset by increase in finance lease liabilities due to the sale and leaseback of LR1 vessels (USD 75.9 million) and increase in borrowings from other entities (USD 2.4 million) and associates (USD 7.5 million).

Net cash provided by financing activities was USD 2.7 million for the year ended 31 December 2017. This was mainly related to increase in borrowings from external financial institutions (USD 60.4 million), increase in finance lease liabilities from the sale and leaseback of LR1 vessels (USD 25.2 million) and increase in borrowings from associates (USD 1.0 million), which were partially offset by repayment of bank borrowings to external financial institutions (USD 70.0 million) and re-purchase of treasury shares (USD 13.8 million).

Net cash provided by financing activities was USD 8.8 million for the year ended 31 December 2016. This was mainly related to increase in borrowings from external financial institutions (USD 113.7 million), which was partially offset by repayment of bank borrowings to external financial institutions (USD 69.4 million), payment of prepaid financing fees (USD 4.5 million) and dividends distributed (USD 30.9 million).

10.14 Impairment testing

The Group assesses at the balance sheet dates whether there is any objective evidence or indication that the values of the vessels may be impaired. If any such indication exists, the Group will estimate the recoverable amount of the asset, and where applicable, a CGU, and write down the asset to its recoverable amount. The recoverable amounts are determined based on fair value less costs to sell.

Prior to 2019, each vessel was being regarded as one CGU. Effective from 2019 onwards, the Group has changed the definition of a CGU. For the purpose of impairment testing, the assets and CGUs are determined by considering whether the vessels generate cash inflows on their own or independent cash flows as part of a fleet. The way in which the vessels are being managed commercially will be assessed. Please see Section 10.17.3 "Significant accounting policies" for more information.

The fair value of a vessel is assessed by the Group with reference to valuation reports from independent third party experts such as Simpson Spence and Young Valuation Services Ltd ("**SSY**"), Braemar ACM Valuations Limited ("**Braemar**") and Fearnleys AS ("**Fearnleys**"). Pursuant to SSY, Braemar and Fearnleys' valuation reports, the valuations are based on recent transactions, negotiations and broker's market knowledge and assume charter-free delivery on a willing buyer, willing seller basis. The valuations relate to the date of issue and are not a guide to the market value of the vessels at any other time. Market values in the shipping industry are highly volatile.

Pursuant to SSY, Braemar and Fearnleys' valuation reports, the fair value is based on the assumption that the vessels are safely afloat, in seaworthy condition, maintained to a level consistent with that of a vessel of her type and age, has no material defects and deficiencies in hull, machinery and equipment, that the vessels will be delivered at a time and place mutually agreed, free of cargo, free of charter or any contract of employment and free of any encumbrances, maritime liens, debts or restraints of governments.

For further information regarding the valuation reports, see Section 19.2 "Statement regarding expert opinion" and Appendix K to this Prospectus.

10.15 Borrowings and other contractual obligations

10.15.1 Material borrowings

The table below sets out an overview of the Group's borrowings as at 30 June 2019 and 31 December 2018.

In USD thousand	As at 30 June 2019[1]	As at 31 December 2018
PAYABLES TO RELATED PARTIES		
Borrowings payable to related corporations	43,041	44,531
Trade payables to related corporations	124	280
Other payables to related corporations	11,816	5,887
PAYABLES TO NON-RELATED PARTIES		
Bank borrowings	1,147,416	645,453
Other borrowings	4,648	-
Lease liabilities	185,311	-
Trade payables	28,015	8,046
Other accrued operating expenses	34,881	29,839
Other payables	6,796	8,930
Total payables	**1,462,048**	**742,966**

1 Does not include the refinancing of the MUSD 360 Facility and the MUSD 236 Facility with the MUSD 473 Facility. For more information regarding the refinancing, see Section 10.18 "Significant change"

The majority of the liabilities as at 30 June 2019 relates to borrowings from external financial institutions, lease liabilities, payables to related parties, payables to trade suppliers and other accrued expenses.

10.15.2 Loan agreements as of 30 June 2019

10.15.2.1 Overview

Below is an overview of the Group's loan agreements as at 30 June 2019, which comprise the MUSD 676 Facility, the MUSD 360 Facility, the MUSD 266 Facility, the MUSD 236 Facility, the MUSD 216 Facility, the MUSD 192 Facility, the MUSD 81 Facility, the MUSD 51.8 Facility, the MUSD 30 Facility, the MUSD 15 Facility and the MUSD 3.65 Facility. For more detailed descriptions of each loan agreement, see Section 10.15.2.2 to 10.15.5 below.

Loan agreement	Final maturity date	Interest rate
MUSD 676 Facility	30 June 2022[1]	Margin of 1.7% over LIBOR
MUSD 360 Facility	15 March 2023	The aggregate of LIBOR and margin of 2.25% p.a.
MUSD 266 Facility	25 February 2028	Margin of 1.3% to 1.7% over LIBOR
MUSD 236 Facility	15 January 2022	Three months LIBOR plus a margin of 2.60% p.a.
MUSD 216 Facility	2 October 2026	Margin of 1.5% over LIBOR
MUSD 192 Facility	31 December 2023	Margin of 1.8% over LIBOR
MUSD 81 Facility	The earlier of June 2020 or an initial public offering[2]	5.77%
MUSD 51.8 Facility	Twelve years after draw down	Three months LIBOR plus a margin of 2.00% p.a.
MUSD 30 Facility	31 December 2019	Margin of 2.80% over LIBOR
MUSD 15 Facility	May 2020	Danske BOR plus a margin of 3.00% p.a.
MUSD 3.65 Facility	Upon vessel realisation[3]	Floating Rate interest based on 25% of net profit for Hafnia Beijing.

1. The USD 97.3 million term loan facility which forms part of the MUSD 676 Facility matures at the earlier of June 2018 and 30 days following completion of the Private Placement.
2. Within 7 days from the date of listing of the shares of the Company on the Oslo Stock Exchange or any other equivalent stock exchange under the MUSD 81 Facility.

3. Vessel realisation means (i) a total loss of the vessel; (ii) a sale of all the shares held by the borrower in the relevant Vista JV entity; (iii) a sale by the Vista JV entity of the shares in the vessel owning entity; or (iv) the sale of the vessel by any third party or CSSC, including a transfer of the vessel to CSSC.

Following 30 June 2019, the Group has secured two new loan facilities: The MUSD 111 Facility and the MUSD 473 Facility. The MUSD 473 Facility was entered into to refinance the MUSD 360 Facility and the MUSD 236 Facility, meaning that the MUSD 360 Facility and the MUSD 236 Facility have been repaid. Accordingly, the description of these two facilities is limited to certain key information.

For further information on the MUSD 111 Facility, see Section 10.15.3.2 "USD 111 million secured credit facility".

For further information on the new MUSD 473 Facility, see Section 10.15.3.3 "The MUSD 473 Facility".

10.15.2.2 USD 676 million senior secured term loan and revolving credit facility

On 22 June 2015, Hafnia Pte. Ltd. (formerly known as BW Tankers Pte. Ltd.), a subsidiary of the Company, entered into a USD 676 million senior secured term loan and revolving credit facility (the "**MUSD 676 Facility**"), for the purpose of refinancing the shareholder's loan provided by the BW Group to the Company. The MUSD 676 Facility has a term of seven years from the date of establishment of the MUSD 676 Facility on 30 June 2015, consisting of a USD 463 million term loan facility (the "**Term Loan**") and a USD 100 million revolving credit facility (the "**RCF**") and another USD 97.3 million term loan facility (the "**Tranche B Facility**"). The Term Loan and the RCF have a term of seven years while the Tranche B Facility matures at the earlier of June 2018 and 30 days following completion of the Private Placement.

On 29 September 2016, two LR1 product tankers (i.e. Compass and Compassion) were sold to two financial leasing companies, affiliates of Bank of Communications Co Ltd under a sale and leaseback arrangement for USD 26.0 million each. The sale proceeds were partly used to prepay the balance of USD 27.0 million under the Term Loan and USD 6.4 million under the Tranche B Facility pursuant to the terms of the facility agreement. This resulted in the reduction of the facility amount to USD 384.4 million under the Term Loan and USD 90.9 million under the Tranche B Facility. There was no reduction in facility amount made to the RCF.

On 29 December 2017 and 29 June 2018, the Group prepaid USD 10.0 million and USD 80.9 million respectively, under the Tranche B Facility. This resulted in the full repayment of the Tranche B Facility amount.

As at 30 June 2019, the outstanding amount under the bank borrowings was USD 319.8 million, consisting of USD 239.8 million from the Term Loan and USD 80.0 million from the RCF.

The Term Loan will be amortised by quarterly instalments of USD 12.1 million to a balloon amount of USD 107.2 million to be fully repaid at the final maturity date (30 June 2022). Each tranche drawn under the RCF is repayable upon expiry of its interest period, but may be rolled pursuant to the terms of the facility agreement until the final maturity date (30 June 2022). Interest on the drawn amounts under each facility will be payable at a margin of 1.7% over LIBOR until maturity of the facility in 2022.

The loan maturity profile and estimated interest costs for each financial year until maturity are as follows:

In USD million	**2019**	**2020**	**2021**	**2022**	**Total**
Repayment	29.1	48.2	48.2	199.3	324.8
Estimated interest	5.7	9.4	7.7	3.2	26.0
Total	**34.8**	**57.6**	**55.9**	**202.5**	**350.8**

Note: Assuming that LIBOR is 1.8% on average for the term of the loan

The facility is secured by 15 LR1 vessels and 12 MR vessels, a guarantee from the Company and a limited recourse guarantee from BW Aldrich Pte. Ltd. and BW Stanley Pte. Ltd. (each an owner of the vessels).

The MUSD 676 Facility does not prohibit the Company from paying dividends or make any other distributions or payment by way of interest or repayment of any shareholder loan so long as an event of default has not occurred and is continuing or would result from such payment. Notwithstanding that no event of default is continuing, the Company shall not pay any dividends until Tranche B is repaid in full. The MUSD 676 Facility also does not contain restrictions beyond the financial covenants against incurring further external financing, and granting security by the Group, except that they are not allowed to grant any security interest over the 27 vessels or any other assets that secure the MUSD 676 Facility.

Furthermore, the MUSD 676 Facility contains certain change of control provisions. Pursuant to the change of control provisions, if Sohmen family interests cease to beneficially or legally hold more than 50% of the issued share capital of BW Group, or such number of shares in BW Group as carry more than 50% of the voting rights normally exercisable at a general meeting of BW Group, or following the Private Placement, BW Group ceases to beneficially or legally hold 25% or more of the issued share capital of the Company, or such number of shares in the Company as carry 25% or more of the voting rights normally exercisable at the general meeting of the Company, the MUSD 676 Facility shall, if required by the majority lenders, be cancelled and repaid in full. Furthermore, the MUSD 676 Facility shall be cancelled and repaid in full within 60 days if any person or persons acting in concert or entity other than BW Group acquires, either directly or indirectly, a percentage of the issued share capital of the Company, which is more than that held by the BW Group, or has the right or ability to control, either directly or indirectly, the affairs or composition of the majority of the Board of Directors or acquires such number of shares in the Company as carry 50% or more of its voting rights normally exercisable at the general meeting. Following the Private Placement, the Company has general undertaking in the MUSD 676 Facility to remain listed at all times on the Oslo Stock Exchange or any other exchanges acceptable to the lenders and does not or omit to do anything which could result in the trading of its shares being suspended for any period. The Company has at all times the option to be released from all obligations under the MUSD 676 Facility by repaying and cancelling all amounts under the MUSD 676 Facility without any premium or penalty, provided prepayment is made on the last day of an interest period, otherwise break costs would be incurred.

List of vessels in security package

The Group can move any vessel out of the security package by providing another similar vessel as substitution or by repaying or cancelling an amount in the MUSD 676 Facility, subject to certain conditions. In addition, the Group can request for the withdrawal of a vessel from the security package without providing another similar vessel as substitution after Tranche B has been repaid in full, and if the fair market value of the remaining vessels exceeds 180% of the aggregate of (a) total value of outstanding loan amounts and (b) undrawn facilities combined.

Name	Type	Year	Age	Shipyard	DWT	CBM	Ownership	Flag	Class
BW Amazon	LR1	2006	13	Dalian	76,565	85,602	100%	Singapore	GL
BW Clyde	LR1	2004	15	New Century	73,495	85,373	100%	Singapore	LR
BW Columbia	LR1	2007	12	Dalian	74,999	85,609	100%	Singapore	DNV-GL
BW Danube	LR1	2007	12	Dalian	74,999	85,609	100%	Singapore	DNV-GL
BW Hudson	LR1	2007	12	Dalian	76,574	85,609	100%	Singapore	DNV-GL
BW Kronborg	LR1	2007	12	New Century	73,708	86,205	100%	Singapore	LR
BW Lara	LR1	2004	15	New Century	73,495	85,332	100%	Singapore	LR
BW Lena	LR1	2007	12	Dalian	74,996	85,609	100%	Singapore	DNV-GL
BW Orinoco	LR1	2007	12	Dalian	74,991	85,609	100%	Singapore	DNV-GL
BW Rhine	LR1	2008	11	Dalian	76,578	85,762	100%	Singapore	LR
BW Seine	LR1	2008	11	Dalian	76,580	85,609	100%	Singapore	ABS
BW Shinano	LR1	2008	11	Dalian	74,998	85,609	100%	Singapore	DNV-GL
BW Thames	LR1	2008	11	Dalian	74,999	85,609	100%	Singapore	DNV-GL
BW Yangtze	LR1	2009	10	Dalian	74,996	85,609	100%	Singapore	ABS
BW Zambesi	LR1	2010	9	Dalian	74,982	85,609	100%	Singapore	ABS
BW Bobcat	MR	2014	5	SPP	49,999	54,168	100%	Singapore	ABS
BW Cheetah	MR	2014	5	SPP	49,999	54,179	100%	Singapore	LR
BW Cougar	MR	2014	5	SPP	49,999	54,091	100%	Singapore	LR
BW Jaguar	MR	2014	5	SPP	49,999	54,180	100%	Singapore	LR
BW Leopard	MR	2014	5	SPP	49,999	52,929	100%	Singapore	LR
BW Lioness	MR	2014	5	SPP	49,999	54,198	100%	Singapore	LR
BW Lynx	MR	2013	6	SPP	49,999	54,170	100%	Singapore	LR
BW Panther	MR	2014	5	SPP	49,999	54,174	100%	Singapore	LR
BW Puma	MR	2013	6	SPP	49,999	54,084	100%	Singapore	ABS
BW Tiger	MR	2014	5	SPP	49,999	54,180	100%	Singapore	LR
BW Egret	MR	2014	5	SPP	49,999	54,093	100%	Singapore	DNV-GL
BW Falcon	MR	2015	4	SPP	49,999	54,168	100%	Singapore	ABS

10.15.2.3 USD 473 million senior secured term loan and revolving credit facility

On 24 September 2019, Hafnia Tankers Shipholding Singapore Pte. Ltd., Hafnia Tankers Shipholding Alpha Pte. Ltd., Hafnia Tankers Shipholding Denmark 1 ApS, Hafnia Tankers Singapore Sub-Holding Pte. Ltd., each a subsidiary of the Company, entered into a USD 473 million senior secured term loan and revolving credit facility (the "**MUSD 473 Facility**"), for the purpose of refinancing the MUSD 360 Facility and MUSD 236 Facility. The MUSD 473 Facility consists of two tranches of which Tranche A USD 406 million term loan facility and a Tranche B USD 60 million revolving credit facility. The MUSD 473 Facility has a term of seven years from the date of first drawdown of the loan.

The MUSD 473 Facility Tranche A term loan will be amortised by quarterly instalments of USD 12.32 million and a balloon amount of USD 74.12 million to be fully repaid by the final maturity date. Interest on the drawn amounts under the MUSD 473 Facility will be payable at a margin of 1.6% over LIBOR until maturity of the facility.

10.15.2.4 USD 360 million credit facility

On 23 February 2016, Hafnia Tankers Shipholding Denmark 1 ApS and Hafnia Tankers Shipholding Malta Ltd. entered into a USD 360 million senior secured term loan, revolving credit facility and newbuilding term loan (the "**MUSD 360 Facility**"), for the purpose of refinancing the Group's obligations under the existing credit facility, general corporate facility and refinancing of any amounts of the vessel's contract price previously paid by the Group. The facility consisted of a (i) a term loan of up to USD 124 million, (ii) a revolving credit facility of up to USD 100 million, and (iii) up to USD 136 million for the refinancing of an outstanding loan amount under an older credit facility. The rate of interest for each advance under the MUSD 360 Facility was the aggregate of LIBOR and margin of 2.25% per annum.

The MUSD 360 Facility was successfully refinanced on 24 September with the new MUSD 473 Facility described in Section 10.15.3 "Loan agreements entered into after 30 June 2019".

10.15.2.5 USD 266 million Loan Facility

On 22 June 2015, Hafnia Pte. Ltd. (formerly known as BW Tankers Pte. Ltd.), a subsidiary of the Company, entered into a USD 266 million loan facility (the "**MUSD 266 Facility**"), for the purpose of financing 10 MR newbuilds delivered in 2015/2016. The MUSD 266 Facility has a term of 12 years from the date from each vessel advance, with a final maturity date of 25 February 2028 for any outstanding amounts yet to be repaid at that date.

As at 30 June 2019, the outstanding amount under the MUSD 266 Facility was USD 184.2 million.

Each vessel advance will be amortised over 48 equal quarterly instalments of USD 5.53 million to full repayment at the final maturity date (25 February 2028). Interest on the drawn amounts under the MUSD 266 Facility will be payable at a margin of 1.3% to 1.7% over LIBOR until maturity of the facility.

The loan maturity profile and estimated interest costs for each financial year until maturity are as follows:

In USD million	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Total**
Repayment	11.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1	17.7	0.7	184.2
Estimated interest	3.2	5.5	4.8	4.0	3.3	2.6	1.8	1.1	0.3	0.0	26.6
Total	**14.3**	**27.6**	**26.9**	**26.1**	**25.4**	**24.7**	**23.9**	**23.2**	**18.0**	**0.7**	**210.8**

The MUSD 266 Facility is secured by the 10 MR vessels (1 vessel for each vessel advance), a guarantee from the Company and a guarantee from BW Clearwater Pte Ltd (the owner of the vessels).

The MUSD 266 Facility does not prohibit the Company from paying dividends or make any other distributions or payment by way of interest or repayment of any shareholder loan so long as an event of default has not occurred and is continuing or would result from such payments. The Company, the borrower and the owner are not allowed to grant any security interest over the 10 vessels (which was provided to the lenders of this facility as security) or any other assets that secure the MUSD 266 Facility. The borrower has granted the lenders a charge over all the shares of the owner. Further, the borrower has granted the lenders a charge over its ECA bank account. There is a general negative pledge on the owner which applies to all of the assets of the owner. The owner is further subject to restrictions in respect of financial indebtedness and granting of guarantees, as well as restrictions on disposals and investments. Other than the above, the MUSD 266 Facility does not contain restrictions beyond the financial covenants against incurring further external financing and granting security by the Company and the borrower.

Furthermore, the MUSD 266 Facility contains certain change of control provisions. Pursuant to the change of control provisions, if the Sohmen family interests cease to beneficially or legally hold more than 50% of the issued share capital of BW Group, or such number of shares in BW Group as carry more than 50% of the voting rights normally exercisable at a general meeting of BW Group, or, following the Private Placement, BW Group ceases to beneficially or legally hold 25% or more of the issued share capital of the Company or such number of Shares in the Company as carry 25% or more of the voting rights normally exercisable at the general meeting of the Company, the MUSD 266 Facility shall, if required by the majority lenders, be cancelled and repaid in full. Furthermore, the MUSD 266 Facility shall be cancelled and repaid in full within 60 days if any person or persons acting in concert or entity other than BW Group acquires, either directly or indirectly, a percentage of the issued share capital of the Company, which is more than that held by the BW Group, or has the right or ability to control, either directly or indirectly, the affairs or composition of the majority of the

Board of Directors or acquires such number of Shares in the Company as carry 50% or more of its voting rights normally exercisable at the general meeting.

The Company has general undertaking in the MUSD 266 Facility to remain listed at all times on the Oslo Stock Exchange following the Private Placement or any other exchanges acceptable to the lenders and does not or omit to do anything which could result in the trading of its shares being suspended for any period. The Company has at all times the option to be released from all obligations under the MUSD 266 Facility by repaying and cancelling all amounts under the MUSD 266 Facility without any premium or penalty, provided prepayment is made on the last day of an interest period, otherwise break costs would be incurred.

There will be no change in the shareholdings of borrower or the owner throughout the MUSD 266 Facility period without the prior consent of all lenders.

List of vessels in security package

Name	Type	Year	Age	Shipyard	DWT	CBM	Ownership	Flag	Class
BW Hawk	MR	2015	4	SPP	49,999	50,300	100%	Singapore	DNV-GL
BW Eagle	MR	2015	4	SPP	49,999	50,300	100%	Singapore	LR
BW Kestrel	MR	2015	4	SPP	49,999	50,300	100%	Singapore	DNV-GL
BW Merlin	MR	2015	4	SPP	49,999	50,300	100%	Singapore	DNV-GL
BW Petrel	MR	2016	3	SPP	49,999	50,300	100%	Singapore	DNV-GL
BW Myna	MR	2015	4	SPP	49,999	50,300	100%	Singapore	LR
BW Raven	MR	2015	4	SPP	49,999	50,300	100%	Singapore	DNV-GL
BW Swift	MR	2016	3	SPP	49,999	50,300	100%	Singapore	DNV-GL
BW Wren	MR	2016	3	SPP	49,999	50,300	100%	Singapore	DNV-GL
BW Osprey	MR	2015	4	SPP	49,999	50,300	100%	Singapore	DNV-GL

10.15.2.6 USD 236 million credit facility

On 19 December 2014, Hafnia Tankers Shipholding Singapore Pte. Ltd. entered into a USD 236 million senior secured revolving credit and newbuilding term loan (the "**MUSD 236 Facility**"), for the purpose of financing general corporate and working capital purposes for each existing ship and the delivery of six newbuilds. The facility consisted of a newbuilding commitment for USD 126 million and a revolving credit facility in an amount up to USD 110 million. The interest rate was three months LIBOR plus a margin of 2.60% p.a.

The MUSD 236 Facility was successfully refinanced on 24 September with the new MUSD 473 Facility described in Section 10.15.3 "Loan agreements entered into after 30 June 2019".

10.15.2.7 USD 216 million credit facility

On 10 January 2019, Hafnia Pte. Ltd., a subsidiary of the Company, entered into a USD 216 million senior secured term loan facility (the "**MUSD 216 Facility**"), for the purpose of financing six LR2 newbuilds. The MUSD 216 Facility has a term of 7 years from the drawdown date for the Tranche A Facility and 5 years from the drawdown date for the Tranche B facility.

As at 30 June 2019, the outstanding amount under the MUSD 216 Facility was USD 98.7 million.

The MUSD 216 Facility will be amortised by quarterly instalments of USD 3.15 million and a balloon amount of USD 118.65 million to be fully repaid by the final maturity date (02 October 2026). Each vessel has a balloon payment of USD 18.9 million. Interest on the drawn amounts under the MUSD 216 Facility will be payable at a margin of 1.5% over LIBOR until maturity of the facility in 2026.

The loan maturity profile and estimated interest costs for each financial year until maturity are as follows:

In USD million	2019	2020	2021	2022	2023	2024	2025	2026	Total
Repayment	3.7	12.6	12.6	12.6	12.6	12.6	12.6	118.7	198
Estimated interest	2.1	6.4	5.9	5.5	5.1	4.7	4.2	2.3	36.2
Total	**5.8**	**19.0**	**18.5**	**18.1**	**17.7**	**17.3**	**16.8**	**121.0**	**234.2**

Note: Assuming that the LIBOR is 1.8% on average for the term of the loan.

List of vessels in security package

Name	Type	Year	Age	Shipyard	DWT	CBM	Ownership	Flag	Class
BW Despina	LR2	2019	0	Daehan	115,000	127.277	100%	Singapore	LR
BW Galatea	LR2	2019	0	Daehan	115,000	127.277	100%	Singapore	LR
BW Larissa	LR2	2019	0	Daehan	115,000	127.277	100%	Singapore	LR
BW Neso	LR2	2019	0	Daehan	115,000	127.277	100%	Singapore	LR
BW Thalassa	LR2	2019	0	Daehan	115,000	127.277	100%	Singapore	LR
BW Triton	LR2	2019	0	Daehan	115,000	127.277	100%	Singapore	LR

10.15.2.8 USD 192 million senior secured term loan

On 5 July 2016, Hafnia Pte. Ltd. (formerly known as BW Tankers Pte. Ltd.), a subsidiary of the Company, entered into a USD 192 million senior secured term loan facility (the "**MUSD 192 Facility**"), for the purpose of financing six LR1 newbuilds. The MUSD 192 Facility has a term of 7 years from the drawdown date of the first vessel in January 2017 with a final maturity date of 31 December 2023 (i.e. the final maturity date of each vessel advance).

The vessel commitments amounting to USD 64.0 million for two vessels under the MUSD 192 Facility were cancelled on 9 September 2016 following the cancellation of the two relevant newbuilding contracts with the shipyard, STX Offshore & Shipping Co., Ltd. The cancellation resulted in the reduction of the total facility amount to USD 128.0 million. The remaining 4 vessel advances were fully drawn in the period of 17 January 2017 to 31 July 2017.

As at 30 June 2019, the outstanding amount under the bank borrowings was USD 99.9 million.

The MUSD 192 Facility will be amortised by quarterly instalments of USD 1.95 million to a balloon amount of USD 66.73 million to be fully repaid at the final maturity date (31 December 2023). Interest on the drawn amounts under the MUSD 192 Facility will be payable at a margin of 1.8% over LIBOR until maturity of the facility in 2023.

The loan maturity profile and estimated interest costs for each financial year until maturity are as follows:

In USD million	2019	2020	2021	2022	2023	Total
Repayment	3.9	7.8	7.8	7.8	72.6	99.9
Estimated interest	1.9	3.4	3.1	2.8	2.5	13.7
Total	**5.8**	**11.2**	**10.9**	**10.6**	**75.1**	**113.6**

Note: Assuming that the LIBOR is 1.8% on average for the term of the loan.

The MUSD 192 Facility is secured by the four LR1 vessels (one vessel for each vessel advance), a guarantee from the Company and a limited recourse guarantee from BW Aldrich Pte. Ltd. (the owner of the vessels).

The MUSD 192 Facility does not prohibit the Company from paying dividends or make any other distributions or payment by way of interest or repayment of any shareholder loan so long as an event of default has not occurred and is continuing or would result from such payments. The MUSD 192 Facility does not contain restrictions beyond the financial covenants against incurring further external financing and granting security by the Company, the borrower and the owner, except that they are not allowed to grant any security interest over the 4 vessels (which was provided to the lenders of this facility as security) or any other assets that secure the MUSD 192 Facility.

The owner has provided a guarantee to the lenders of the MUSD 192 Facility, where recourse to the owner is limited to the security provided under this facility.

Furthermore, the MUSD 192 Facility contains certain change of control provisions. Pursuant to the change of control provisions, if Sohmen family interests cease to beneficially hold more than 50% of the issued share capital of BW Group, or such number of shares in BW Group as carry more than 50% of the voting rights normally exercisable at a general meeting of BW Group, or, following the Private Placement, BW Group ceases to beneficially or legally hold 25% or more of the issued share capital of the Company or such number of Shares in the Company as carry 25% or more of the voting rights normally exercisable at the general meeting of the Company, MUSD 192 Facility shall, if required by the majority lenders, be cancelled and repaid in full. Furthermore, the MUSD 192 Facility shall be cancelled and repaid in full within 60 days if any person or persons acting in concert or entity other than BW Group acquires, either directly or indirectly, a percentage of the issued share capital of the Company, which is more than that held by the BW Group, or has the right or ability to control, either directly or indirectly, the affairs or composition of the majority of the Board of Directors or acquires such number of Shares in the Company as carry 50% or more of its voting rights normally exercisable at the general meeting. The Company has general undertaking in the MUSD 192 Facility to remain listed at all times on the Oslo Stock Exchange or any other exchanges acceptable to the lenders and does not or omit to do anything which could result in the trading of its shares being suspended for any period. The Company has at all times the option to be released from all obligations under the MUSD 192 Facility by repaying and cancelling all amounts under the MUSD 192 Facility without any premium or penalty, provided prepayment is made on the last day of an interest period, otherwise break costs would be incurred.

There will be no change in the shareholdings of borrower or the owner throughout the MUSD 192 Facility period without the prior consent of all lenders.

List of vessels in security package

Name	Type	Year	Age	Shipyard	DWT	CBM	Ownership	Flag	Class
BW Kallang	LR1	2017	2	STX	74,000	85,500	100%	Singapore	LR
BW Tagus	LR1	2017	2	STX	74,000	85,500	100%	Singapore	LR
BW Nile	LR1	2017	2	STX	74,000	85,500	100%	Singapore	LR
BW Yarra	LR1	2017	2	STX	74,000	85,500	100%	Singapore	LR

10.15.2.9 USD 81 million BW Maritime RCF

On 12 March 2018, the Group entered into a USD 81 million unsecured revolving credit facility with BW Maritime Pte Ltd as lender to repay the Tranche B loan of the MUSD 676 Facility due on 30 June 2019 and general corporate and working capital purposes (the "**MUSD 81 Facility**"). The facility has a maturity date on the earlier of June 2020 or an IPO (within 7 days from the date of listing of the shares of the Company on the Oslo Stock Exchange or any other equivalent stock exchange under this facility). As at 30 June 2019, the undrawn amount was USD 10 million, and the outstanding amount under the facility was USD 34.5 million.

The facility does not include a change of control clause.

10.15.2.10 USD 51.8 million secured credit facility

On 26 July 2018, Vista Shipholding I Limited and Vista Shipholding II Limited (part of the Vista JV) entered into a USD 51.8 million senior secured term loan facility with the Export-Import Bank of China to finance the delivery of two LR1 vessels (the "**MUSD 51.8 Facility**"). The facility has a maturity date falling twelve years after draw down and bears interest of three months LIBOR plus a margin of 2.00% p.a. The facility includes a financial covenant requiring the borrowers to have a fair market value ≥125% of the aggregate facility. As at 30 June 2019, the Group's undrawn capacity on this facility amounted to USD 25.9 million (equal to 50% of USD 51.8 million).

List of vessels in security package

Name	Type	Year	Age	Shipyard	DWT	CBM	Ownership	Flag	Class
Hafnia Hong Kong	LR1	2019	0	GSI	74,999	86,085	50%	Malta	DNV GL
Hafnia Shanghai	LR1	2019	0	GSI	74,999	86,085	50%	Malta	DNV GL

The facility includes the following change of control clause: No borrower (i.e. Vista Shipholding I Limited and Vista Shipholding II Limited) shall, without the prior consent of the lender, enter into any form of amalgamation, demerger, merger or corporate reconstruction.

10.15.2.11 USD 30 million credit facility

On 8 January 2019, Hafnia Pte. Ltd., a subsidiary of the Company, entered into a USD 30 million unsecured term loan (the "**MUSD 30 Facility**"), for the purpose of financing general working capital purposes. The MUSD 30 Facility has a term of 1 year with a final maturity date of 31 December 2019. Interest on the drawn amounts under the MUSD 30 Facility will be payable at a margin of 2.80% over LIBOR until maturity of the facility in 2019.

As at 30 June 2019, the outstanding amount under the MUSD 30 Facility was USD 30 million.

The loan maturity profile and estimated interest costs for each financial year until maturity are as follows:

In USD million	**2019**
Repayment	30.0
Estimated interest	0.5
Total	**30.5**

Note: Assuming that the LIBOR is 1.8% on average for the term of the loan.

10.15.2.12 USD 15 million overdraft facility

On 19 December 2014, the Group entered into a USD 15 million overdraft facility (pool loan) with Danske Bank A/S for the of on-lending of overdrafts to the participants in the MR Pool (the "**MUSD 15 Facility**"). The facility matures in May 2020, and carries an interest of Danske BOR plus a margin of 3.00% p.a. As security, an account pledge has been established by the MR Pool and the Handy Pool in respect of the earnings accounts. On any reference date, the quick ratio requirements must be >1.1x. As of 30 June 2019, the undrawn amount was USD 6.5 million and the outstanding amount under this facility was USD 8.5 million.

The facility includes the following change of control clause:

1. Hafnia Tankers LLC ceases to hold directly or indirectly (a) 40% of the issued share capital of Hafnia Management A/S (as the borrower), or (b) 40% of the voting rights in Hafnia Management A/S, contract with other shareholders or otherwise (or a combination of them); or

2. Hafnia Management A/S ceases to hold directly or indirectly (a) more than 50% of the issued share capital of Hafnia MR, or (b) 100% of the voting rights in the Hafnia MR; or

3. Hafnia Management A/S ceases to hold directly or indirectly (a) more than 100% of the issued share capital of Hafnia Handy, or (b) 100% of the voting rights in the Hafnia Handy.

10.15.2.13 USD 3,650,000 Loan Agreement

On 13 March 2018, the Group entered into a USD 3,650,000 loan agreement with Premium Maritime Ship Invest II AS for the purpose of financing the investment, cost and expenses related to Hafnia Guangzhou (the "**MUSD 3.65 Facility**"). The facility includes the following change of control clause: Hafnia Tankers LLC ceases own 100% of the share in the Borrower (Hafnia Tankers Marshall Islands LLC) or ceasing to have the power to vote (whether by contract or otherwise) to direct casting of the votes attached to, at least 50% of the voting shares in the Borrower (Hafnia Tankers Marshall Islands LLC).

10.15.3 Loan agreements entered into after 30 June 2019

10.15.3.1 Overview

After 30 June 2019, the Group has secured two new loan facilities, which are described in Sections 10.15.3.2 and 10.15.3.3 below.

10.15.3.2 USD 111 million secured credit facility

On 19 July 2019, Vista Shipholding III, IV, V and VI Limited (part of the Vista JV) entered into a USD 111 million senior secured term loan facility with a syndicate of banks to finance the delivery of four LR1 vessels in 2019 and 2020 (the "**MUSD 111 Facility**"). The facility has a maturity date falling twelve years after draw down and bears interest of three months LIBOR plus a margin of 1.30% p.a. and a margin of 0.30% in Export Credit Agency ("**ECA**") premium. The facility includes a financial covenant requiring the borrowers to have a fair market value ≥125 % of the aggregate facility.

The facility includes the following change of control clause:

1. The interests of Mrs Anna Sohmen, her immediate family and their respective heirs and successors (together, the "**Sohmen Family Interests**") cease to hold beneficially more than 50% of the issued share capital or voting rights of BW Group;

2. BW Group ceases to hold (directly or indirectly) 20% or more of the issued share capital or voting rights of the Hafnia Limited (as the parent guarantor);

3. CSSC Group ceases to beneficially and legally hold (directly or indirectly) more than 50% of the issued or allotted share capital of CSSC HK or such number of shares in the capital of CSSC HK as carry more than 50% of the voting rights normally exercisable at a general meeting of CSSC HK;

4. Hafnia Limited and CSSC Group as a whole cease to beneficially and legally hold (directly or indirectly) more than 50% of the issued or allotted share capital of the parent or such number of shares in the capital of the parent as carry more than 50% of the voting rights normally exercisable at a general meeting of the parent; and

5. Hafnia Limited ceases to: (i) be the single largest (direct or indirect) beneficial and legal shareholder of the parent; or (ii) have more than 25% of the issued or allotted share capital of the parent or such number of shares in the capital of the parent as carry more than 25% of the voting rights normally exercisable at a general meeting of the Parent.

For the purpose only of point (5) above Hafnia Limited will still be considered to be the single largest (direct or indirect) beneficial and legal shareholder of the parent (Vista Shipping Limited) for such time as both it and CSSC HK each own (directly or indirectly) 50% of the issued or allotted share capital of the parent beneficially and legally and each control 50% of the voting rights normally exercisable at a general meeting of the parent.

List of vessels in security package

Name	Type	Year	Age	Shipyard	DWT	CBM	Ownership	Flag	Class
Hafnia Guangzhou	LR1	2019	0	GSI	74,999	86,805	50%	Malta	DNV GL
Hafnia Beijing	LR1	2019	0	GSI	74,999	86,805	50%	Malta	DNV GL
Hafnia Shenzhen	LR1	2020	0	GSI	74,999	86,805	50%	-	-
Hafnia Nanjing	LR1	2020	0	GSI	74,999	86,805	50%	-	-

10.15.3.3 The MUSD 473 Facility

On 24 September 2019, Hafnia Tankers Shipholding Singapore Pte. Ltd., Hafnia Tankers Shipholding Alpha Pte. Ltd., Hafnia Tankers Shipholding Denmark 1 ApS, Hafnia Tankers Singapore Sub-Holding Pte. Ltd., each a subsidiary of the Company, entered into a USD 473 million senior secured term loan and revolving credit facility (the "MUSD 473 Facility"), for the purpose of refinancing two existing facility agreements. The MUSD 473 Facility consists of two tranches of which Tranche A USD 406 million term loan facility and a Tranche B USD 60 million revolving credit facility. The MUSD 473 Facility has a term of seven years from the date of first drawdown of the loan.

The MUSD 473 Facility Tranche A term loan will be amortised by quarterly instalments of USD 12.32 million and a balloon amount of USD 74.12 million to be fully repaid by the final maturity date. Interest on the drawn amounts under the MUSD 473 Facility will be payable at a margin of 1.6% over LIBOR until maturity of the facility.

The MUSD 473 Facility contains certain change of control provisions. Pursuant to the said change of control provisions, if Sohmen Family Interests cease to beneficially or legally hold more than 50% of the issued share capital of BW Group, or such number of shares in BW Group as carry more than 50% of the voting rights normally exercisable at a general meeting of BW Group, or following the Private Placement, BW Group ceases to beneficially or legally hold 20% or more of the issued share capital of the Company, or such number of shares in the Company as carry 20% or more of the voting rights normally exercisable at the general meeting of the Company, the MUSD 473 Facility shall, if required by the majority lenders, be cancelled and repaid in full.

Further, the MUSD 473 Facility contains a provisions pursuant to which the facility shall be cancelled and repaid in full within 60 days if any person or persons acting in concert or entity other than BW Group acquires, either directly or indirectly, a percentage of the issued share capital of the Company, which is more than that held by the BW Group, or has the right or ability to control, either directly or indirectly, the affairs or composition of the majority of the Company's board of directors or acquires such number of shares in the Company as carry 50% or more of its voting rights normally exercisable at the general meeting. Following the Private Placement, the Company has general undertaking in the MUSD 473 Facility to remain listed at all times on the Oslo Stock Exchange or any other exchanges acceptable to the lenders and does not or omit to do anything which could result in the trading of its shares being suspended for any period. The Company has at all times the option to be released from all obligations under the MUSD 473 Facility by repaying and cancelling all amounts under the MUSD 473 Facility without any premium or penalty, provided prepayment is made on the last day of an interest period, otherwise break costs would be incurred.

For an overview of the debt maturity profile, see Section 10.15.5 "Debt maturity profile".

List of vessels in security package

Name	Type	Year	Age	Shipyard	DWT	CBM	Ownership	Flag	Class
Hafnia Rainier	Handy	2004	15	Saiki	39,817	42,215	100%	Singapore	ABS
Hafnia Robson	Handy	2004	15	Saiki	39,819	42,221	100%	Singapore	ABS
Hafnia Adamello	Handy	2004	15	HMD	39,807	42,222	100%	Singapore	ABS
Hafnia Green	Handy	2007	12	Saiki	39,808	42,212	100%	Singapore	ABS
Hafnia Hope	Handy	2007	12	Saiki	39,814	42,234	100%	Singapore	ABS
Hafnia Karava	Handy	2007	12	Saiki	39,814	42,230	100%	Singapore	ABS

Hafnia Victoria	Handy	2007	12	Saiki	39,821	42,218	100%	Singapore	ABS
Hafnia America	LR1	2006	13	Onomichi	74,999	82,075	100%	Singapore	DNV GL
Hafnia Europe	LR1	2006	13	Onomichi	74,997	82,075	100%	Singapore	DNV GL
Hafnia Bering	Handy	2015	4	HMD	39,067	42,506	100%	Singapore	LR
Hafnia Magellan	Handy	2015	4	HMD	39,067	42,506	100%	Singapore	LR
Hafnia Malacca	Handy	2015	4	HMD	39,067	42,506	100%	Singapore	LR
Hafnia Sunda	Handy	2015	4	HMD	39,067	42,506	100%	Singapore	LR
Hafnia Torres	Handy	2016	3	HMD	39,067	42,506	100%	Singapore	LR
Hafnia Soya	Handy	2015	4	HMD	38,700	42,506	100%	Singapore	LR
Hafnia Leo	MR	2013	6	GSI	52,340	56,600	100%	Malta	DNV GL
Hafnia Andromeda	MR	2011	8	GSI	49,999	56,600	100%	Malta	DNV GL
Hafnia Taurus	MR	2011	8	GSI	50,385	56,644	100%	Malta	DNV GL
Hafnia Atlantic[1]	MR	2004	15	STX	45,667	53,563	100%	Denmark	LR
Hafnia Pegasus	MR	2010	9	GSI	50,326	56,644	100%	Denmark	LR
Hafnia Crux	MR	2012	7	GSI	52,550	57,000	100%	Denmark	LR
Hafnia Lupus	MR	2012	7	GSI	52,550	56,600	100%	Denmark	LR
Hafnia Phoenix	MR	2013	6	GSI	52,340	56,644	100%	Denmark	LR
Hafnia Libra	MR	2013	6	GSI	52,384	56,600	100%	Denmark	LR
Hafnia Nordica	MR	2010	9	Shin Kurushima	49,994	59,100	100%	Malta	NKK
Hafnia Lene	MR	2015	4	CSSC	49,999	53,448	100%	Malta	DNV GL
Hafnia Ane	MR	2015	4	CSSC	49,999	53,448	100%	Malta	DNV GL
Hafnia Daisy	MR	2016	3	CSSC	49,999	53,368	100%	Malta	DNV GL
Hafnia Henriette	MR	2016	3	GSI	49,999	53,368	100%	Malta	DNV GL
Hafnia Kirsten	MR	2017	2	GSI	49,999	53,448	100%	Malta	DNV GL
Hafnia Lise	MR	2016	3	GSI	49,999	53,368	100%	Malta	DNV GL
Hafnia Lotte	MR	2017	2	GSI	49,999	53,448	100%	Malta	DNV GL
Hafnia Mikala	MR	2017	2	GSI	49,999	53,448	100%	Malta	DNV GL

1. Hafnia Atlantic was sold on to an external party on 11 September 2019.

10.15.4 Financial covenants in loan facilities

The borrower is required to comply with a minimum security value covenant under each loan facility. The presentation below includes all of the Group's loan agreements (presented in Sections 10.15.2 and 10.15.3 above) as of the date of the Prospectus, excluding the MUSD 360 Facility and the MUSD 236 Facility, which have been refinanced and as such, do not impose any financial covenants on the Group.

For the MUSD 676, 266, 192 and 216 Facility, the minimum security value covenant requires that the fair market value of the security vessels equates to or is higher than 125% of the outstanding loan amount and, if applicable, the undrawn RCF, with respect to each loan (to be measured on a semi-annual basis in 30 June and 31 December of each financial year).

For the MUSD 473 Facility, the minimum security value covenant requires that the fair market value of the security vessels equates to or is higher than 120% of the outstanding loan amount and the undrawn revolving credit facility, with respect to each loan (to be measured on a semi-annual basis in 30 June and 31 December of each financial year).

The aggregate fair market value of the security vessels with respect to each loan facility as at 30 June 2019 was as set out in the table below (not including the MUSD 360 Facility and the MUSD 236 Facility).

Loan facility	**Aggregate fair market value**
MUSD 676 Facility	165% of the outstanding loan amount
MUSD 473 Facility	N/A
MUSD 266 Facility	173% of the outstanding loan amount
MUSD 216 Facility	161% of the outstanding loan amount
MUSD 192 Facility	154% of the outstanding loan amount
MUSD 111 Facility[1]	N/A
MUSD 81 Facility[2]	N/A
MUSD 51.8 Facility	158% of the outstanding amount
MUSD 30 Facility[2]	N/A
MUSD 15 Facility[2]	N/A

1 The MUSD 111 Facility was signed in July 2019.

2 The MUSD 81, MUSD 30 and MUSD 15 Facility, respectively, are unsecured.

For the MUSD 676, 266 and 192 Facility, the Group, as a guarantor is required to comply with the following financial covenants in all three loan facilities:

- The Group must ensure that its adjusted equity ratio is equal to or higher than 25%;
- The Group must ensure that its adjusted equity is equal to or more than USD 350 million; and
- The Group must ensure that its cash and cash equivalents under the facilities is at all times more than USD 40 million, of which USD 30 million may consist of credit lines.

The financial covenants set out above will be tested as of 30 June and 31 December of each financial year on the Group's consolidated financial statements.

For the MUSD 473 Facility and the MUSD 216 Facility, the Group, as a guarantor is required to comply with the following financial covenants:

- The Group must ensure that its adjusted equity ratio is equal to or higher than 25%;
- The Group must ensure that its adjusted equity is equal to or more than USD 350 million; and
- The Group must ensure that its cash and cash equivalents under the facilities is at all times more than USD 40 million, of which USD 30 million may consist of credit lines. Following a Merger (if applicable), on a consolidated basis, cash and cash equivalents shall at all times be equal to or greater than USD 60 million of which USD 30 million may consist of Credit Lines.

The financial covenants set out above will be tested with respect to each loan facility as of 30 June and 31 December of each financial year on the Group's consolidated financial statements.

For the MUSD 111 Facility, the Group, as a guarantor is required to comply with the following financial covenants:

- The Group must ensure that its consolidated working capital is greater than nil;
- The Group must ensure that its cash and cash equivalents is at all times being equal to or greater than USD 60 million of which USD 30 million may consist of Credit Lines;
- The Group must ensure that its adjusted equity is not less than USD 350 million; and
- The Group must ensure that its adjusted equity ratio is equal to or higher than 25%.

The financial covenants set out above will be tested with respect to each loan facility as of 30 June and 31 December of each financial year on the Group's consolidated financial statements.

For the MUSD 51.8 Facility, the Borrowers (Vista Shipholding I and II) is required to comply with the following financial covenant:

- The aggregate of (1) the market values of the Vessels and (2) the market value of any additional security is at all times equal to or greater than 125% of the loan.

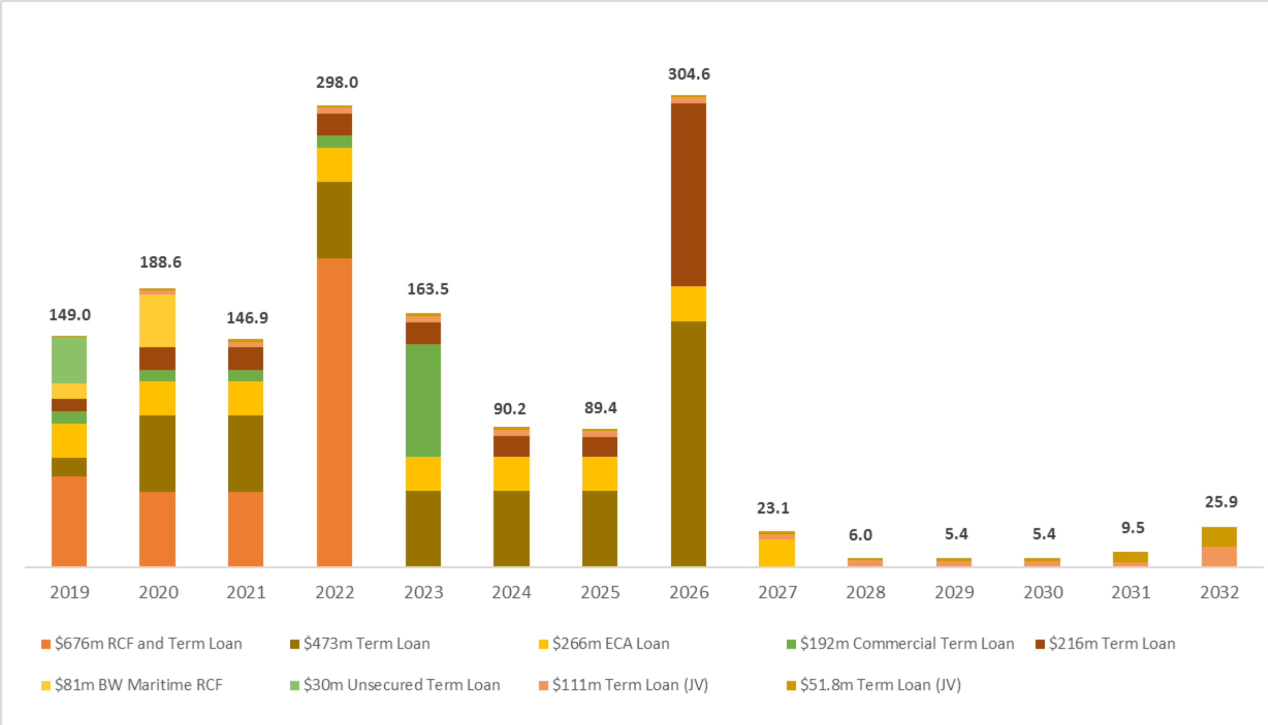
The financial covenants set out above will be tested once as at 31 December in each year.

Adjusted equity ratio is adjusted equity expressed as a percentage of the sum of liabilities and adjusted equity. Adjusted equity is the total equity as presented in the Group's consolidated financial statements after adjusting the vessels' values to their fair market values. Cash and cash equivalents are as presented in the Group's consolidated financial statements.

As of Q2 2019 (including the MUSD 360 Facility and the MUSD 236 Facility, but excluding the MUSD 473 Facility and MUSD 111 Facility), the adjusted equity ratio of the Group was 41.64%, adjusted equity was USD 1,045.92 million and the cash and cash equivalents and the available credit line was USD 120.9 million.

10.15.5 Debt maturity profile

The debt maturity profile of the Group's existing loan facilities is set out below. The illustration shows the Group's debt maturity profile including the MUSD 111 Facility and the MUSD 473 Facility, but excluding the MUSD 360 Facility and MUSD 236 Facility.



10.15.6 Sale and lease back arrangements

In addition to the above financing agreements, the Group also has the sale and lease back agreements ("**SLB**") set out below.

Sale and lease back agreement for Compass and Compassion

On 29 September 2016, the Group entered into an SLB with Xingxing International Ship Lease Pte. Ltd. and Xingtong International Ship Lease Pte. Ltd., affiliates of Bank of Communications Co. Ltd. for the sale and lease back of the vessels Compass and Compassion. The principal amount of the SLB is USD 52 million, with a loan margin of implicit 5.7% (USD 9,950 per day). The SLB expires in September 2021, after which it can be extended for one + one year. The Group is not required to furnish any compliance certificates under the SLB. However, audited consolidated financial statements have to be provided within 180 days after the end of each of its financial years.

Sale and lease back agreement for Hafnia Africa

On 26 October 2017, the Group entered into an SLB with Doun Kisen Co., Ltd. for the sale and lease back of the vessel Hafnia Africa. The principal amount of the SLB is USD 26 million, with a loan margin of 0.45% per month. The SLB expires in October 2029. The Group is not required to furnish any compliance certificates under the SLB.

Sale and lease back agreement for Hafnia Australia

On 29 December 2017, the Group entered into an SLB with Yong Sheng Shipping Pte. Ltd. for the sale and lease back of the vessel Hafnia Australia. The principal amount of the SLB is USD 26 million, with a 3 month LIBOR plus a loan margin of 3.10% p.a. The SLB expires in February 2030. The Group is not required to furnish any compliance certificates under the SLB.

Sale and lease back agreement for Hafnia Asia and Arctic

On 11 July 2018, the Group entered into an SLB with Skaatholmen Shipping Ltd. for the sale and lease back of the vessels Hafnia Asia and Arctic. The principal amount under the SLB is USD 51 million, with a 3 month LIBOR plus a loan margin of 2.75% and 7.5% equity implicit. The SLB expires on the date following seven years from the original drawdown. The SLB includes financial covenants requiring the Group to have free cash of minimum USD 250 thousand per vessel and a fair market value ≥125% of the aggregate facility.

10.15.7 Investments

The Group following the Merger

The Group's main capital expenditures arise from the acquisitions of vessels and drydocking.

In the 6 months ended 30 June 2019, the capital expenditures were mainly for the instalments paid for the LR2 newbuilds.

The Company (BW Tankers prior to the merger)

Since 2013, the BW Group has strategically increased its exposure in the product tanker segment through acquisition and the partnership between BW Group and PAG, resulting in a net increase of 32 vessels. In 2013, BW Group acquired four LR1s from W Tankers, growing its fleet scale to 17 LR1s and becoming the market leader in the LR1 segment. In 2014, BW Group and PAG formed a joint venture, BW Tankers, and its initial fleet of 17 LR1s was acquired from BW Group. The Group then strategically increased its exposure in the oil product tanker segment with the acquisitions of 10 modern MRs from the Vitol Group ("**Vitol**") (through Elandra Pte Ltd); six modern MRs and four MR newbuilds from SPP (through Metrostar Management Corp) and lastly, two modern MRs from affiliates of Ahrenkiel. The Group also signed shipbuilding contracts with STX for four new LR1 tankers. By 31 December 2017, the LR1 and MR newbuilds from STX and SPP were fully delivered into the Group.

The Company also purchased six LR2 newbuilding contracts from BW Group during December 2018, via issuance of 46,050,022 common shares as consideration.

Hafnia Tankers prior to the merger

In 2013, Hafnia Tankers completed a series of acquisitions and private placements including the acquisition of 10 MR tankers from J. Lauritzen A/S, an equity interest in Hafnia Management A/S and an equity interest in BTS Tanker Partners Limited that owned seven Handy tankers and two LR1 tankers. In addition, Hafnia Tankers ordered in 2013 and 2014 a series of eight MR newbuilds from GSI in China and six Handy newbuilds from Hyundai Mipo in South Korea. The Vista JV was established. By 2018, the Hafnia Tankers had a fleet of 42 vessels and six newbuilds on order.

10.15.7.1 Principal historical investments of the Group following the Merger

The table below sets out information on the Group's principal historical investments (capital expenditure) for the periods indicated.

In USD thousand	**Six months ended 30 June 2019**	**Three months ended 30 June 2019**
Newbuild/secondhand acquisition[1]	101,219	38,070
Drydocking	5,353	4,258

1 Figures include components that are allocated to and classified as drydock for financial reporting purpose.

Capital expenditure for the six months ended 30 June 2019 mainly relates to instalments paid for the six LR2 newbuilds as well as other newbuild related costs (pre-delivery fitting, stores, spares and costs incurred for the newbuild site team) incurred for the LR2 newbuilds. Three of the LR2 vessels have been delivered as at 30 June 2019, and they are BW Despina, BW Larissa and BW Galatea. The final instalments of these six LR2 newbuilds are financed under the MUSD 216 Facility as described in Section 10.15.2.7 "USD 216 million credit facility".

The drydocking costs were incurred on various vessels in the LR1, MR and SR fleets due for drydocking in 2019 and are funded by the Company's own cash resources.

10.15.7.2 Principal historical investments of the Company (BW Tankers prior to the Merger)

The table below sets out information on the Company's principal historical investments (capital expenditure) for the periods indicated.

In USD thousand	**Year ended 31 December**		
	2018	**2017**	**2016**
Newbuild/secondhand acquisition[1]	117,496	108,839	106,965
Drydocking	12,533	9,899	6,220

1 Figures include components that are allocated to and classified as drydock for financial reporting purpose.

Capital expenditure for the year ended 31 December 2018 mainly relates to the purchase of six LR2 newbuild contracts from a wholly-owned subsidiary of BW Group by way of issuance of shares as consideration to the holding corporation. For more information on the six LR2 vessels (which have all been delivered), please see Section 7.6.2 "Long range tankers (LR2)". The final instalments of these six LR2 newbuilds are financed under the MUSD 216 Facility as described in Section 10.15.2.7 "USD 216 million credit facility".

The drydocking costs were incurred on various vessels in the LR1 and MR fleets due for drydocking in 2018 and are funded by the Company's own cash resources.

Capital expenditure for the year ended 31 December 2017 mainly relates to instalments paid on four LR1 vessels which were delivered during the year. The vessels delivered are BW Kallang, BW Tagus, BW Nile and BW Yarra. These LR1 vessels are financed under the MUSD 192 Facility as described in Section 10.15.2.8 "USD 192 million senior secured term loan", which also entails a description of the vessels (names, delivery year etc.).

The drydocking costs were incurred on various vessels in the LR1 and MR fleets due for drydocking in 2017 and are funded by the Company's own cash resources.

Capital expenditure for year ended 31 December 2016 mainly relates to instalments paid on for six LR1 newbuilds and three MR newbuilds. Two of the LR1 newbuild contracts were cancelled during the year. The three MR vessels were delivered during the year. The vessels delivered are BW Petrel, BW Swift and BW Wren. The LR1 newbuilds were delivered in 2017. The four LR1 newbuilds are financed under the MUSD 192 Facility as described in Section 10.15.2.8 "USD 192 million senior secured term loan" and the three MR vessels are financed under the MUSD 266 Facility as described in Section 10.15.2.5 "USD 266 million Loan Facility".

The drydocking costs were incurred on various vessels in the LR1 and MR fleets due for drydocking in 2016 and are funded by the Company's own cash resources.

10.15.7.3 Principal historical investments of Hafnia Tankers prior to the Merger

The table below sets out information on Hafnia Tankers' principal historical investments (capital expenditure) for the periods indicated.

In USD thousand	**Year ended 31 December**		
	2018	**2017**	**2016**
Newbuild[1]	4,199	71,665	103,833
Drydocking	3,844	6,208	5,756

1 Figures include components that are allocated to and classified as drydock for financial reporting purpose.

Capital expenditure for the year ended 31 December 2018 mainly relates to drydocking costs incurred on various vessels in the MR and Handy fleets due for drydocking in 2018 and are funded by the Hafnia Tankers's own cash resources.

Capital expenditure for the year ended 31 December 2017 mainly relates to the instalments paid on three MR newbuilds which were delivered during the year. The vessels are Hafnia Kirsten, Hafnia Lotte and Hafnia Mikala. These vessels are refinanced under the MUSD 473 Facility as described in Section 10.15.3.3 "The MUSD 473 Facility".

The drydocking costs were incurred on various vessels in the LR1, MR and Handy fleets due for drydocking in 2017 and are funded by Hafnia Tankers' own cash resources.

Capital expenditure for the year ended 31 December 2016 mainly relates to the instalments paid on three MR newbuilds and one Handy newbuild. The three MR vessels and one Handy vessel was delivered during the year. The three MR vessels are Hafnia Henriette, Hafnia Daisy, Hafnia Lise and the Handy vessel is Hafnia Torres. These vessels are refinanced under the MUSD 473 Facility as described in Section 10.15.3.3 "The MUSD 473 Facility".

The drydocking costs were incurred on various vessels in the LR1, MR and Handy fleets due for drydocking in 2016 and are funded by Hafnia Tankers's own cash resources.

10.15.7.4 Principal investments in progress and planned principal investments

The table below sets out the Group's principal investments in progress and planned principal investments for the third and fourth quarter of 2019:

In USD thousand	**Q3 2019**	**Q4 2019**	**Total**
Newbuilds total	83,758	5,729	**89,487**
Ballast Water Treatment Systems	2,046	-	**2,046**
Drydock	7,858	750	**8,608**
Vista JV newbuilds	35,789	28,006	**63,795**

The table below sets out the Group's principal investments in progress and planned principal investments for 2019 and the next five years.

In USD thousand	1H 2019	2H 2019	2019	2020	2021	2022	2023	2024	Total
Newbuilds total	98,651	89,487	188,138	-	-	-	-	-	**188,138**
Ballast Water Treatment Systems	2,568	2,046	4,614	15,400	7,200	16,000	7,000	6,100	**56,314**
Drydock	5,352	8,608	13,960	32,800	15,400	37,050	17,100	34,300	**150,610**
Vista JV newbuilds	64,635	63,795	128,430	70,683	-	-	-	-	**199,113**

The Group will take delivery of two LR1 newbuilds and two MR newbuilds in 2019/2020, as further described in Section 7.6.6 "The newbuilds". The LR1 newbuilds are financed under the MUSD 111 Facility described in Section 10.15.3.2 "USD 111 million secured credit facility". The MR newbuilds are on time charter in, and are as such not financed by the Group. For further information regarding the Vista JV newbuilds, see Section 7.6.3 "Long range tankers (LR1)".

The Ballast Water Treatment Systems are planned to be installed when the vessels are in for scheduled drydock. Installations are planned for various vessels in the LR1, MR and Handy fleets, and will be funded by the Company's own cash resources. Certain vessels have supplier financing arrangements.

The drydocks investments are a reflection of the Group's vessels being drydocked periodically for repairs and renewals and will be funded by the Company's own cash resources.

10.15.8 Off-balance sheet arrangements

The Group has not entered into and is not a party to any material off-balance sheet arrangements as at 30 June 2019.

During the years 2016, 2017 and 2018, there were off-balance sheet arrangements relating to a sale and leaseback transaction of two LR1 vessels (Compass and Compassion). In 2019, these have now been brought onto the balance sheet as right-of-use assets and lease liabilities under the new lease accounting standard on leases.

10.16 Quantitative and qualitative disclosure about market risk management

The Group's activities expose it to a variety of financial risks: market risk (including price risk and currency risk); interest rate risk; credit risk; liquidity risk and capital risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Market risk management

Freight rates and bunker fuel price risk

The shipping market can be subject to significant fluctuations. The Group's chartering strategy is to secure fixed income employment for a portion of its fleet. The Group's vessels are employed under a variety of chartering arrangements including time charters and voyage charters.

For the six months ended 30 June 2019, approximately 4% of the Group's shipping revenue was derived from vessels under fixed income charters (comprising time charters).

The Group is exposed to the risk of variations in fuel oil costs, which are affected by the global political and economic environment. Historically, bunker fuel expenses have been the most significant expense. Under a time charter or bareboat charter, the charterer is responsible for bunker fuel costs, therefore, the Group's strategy to secure fixed income charters also reduces exposure to fuel price fluctuations.

The IMO 2020 is expected to affect bunker fuel prices for a period after implementation. The cap on sulphur content requires that the sulphur content in marine fuels is lowered significantly, from 3.5% to 0.5%. The limit will apply on a global scale, including high seas. Fuel oil with 3.5% sulphur content will still be available, but may only be used onboard vessels which have a so-called "Exhaust Gas Cleaning System" or "Scrubber" installed. The Group has not installed scrubbers on the vessels which are operated in the Pools, nor on three LR2 vessels operating outside the Pools.

For the six months ended 30 June 2019, fuel oil costs comprised 34% of the Group's consolidated operating expenses (excluding depreciation). If price of fuel oil increases/decreases by USD 1 per metric ton with all other variables including tax rate being held constant, the profit after tax will be lower/higher by USD 218,000 as a result of higher/lower fuel oil consumption expense.

The Group's business operations are not exposed to significant foreign exchange risk as it has no significant transactions denominated in foreign currencies.

Credit risk management

The Group's credit risk is primarily attributable to trade and other receivables and cash and cash equivalents. The maximum exposure is represented by the carrying value of each financial asset on the balance sheet.

Interest rate risk management

The Group had interest-bearing financial liabilities in the form of bank borrowings at variable rates. A portion was hedged.

Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash and funding (through committed credit facilities) to meet operating and capital expenditure needs. To address the inherent unpredictability in short-term liquidity requirements, the Group maintains sufficient cash for its daily operations in short-term cash deposits with banks and has access to the unutilised portions of revolving facilities provided by financial institutions.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividends paid, return capital to shareholders, obtain new borrowings or sell assets to reduce borrowings.

The Group is in compliance with all externally imposed capital requirements.

10.17 Critical accounting policies and estimates

10.17.1 Overview

The discussion and analysis of the Group's financial condition and results of operations is based upon the Interim Financial Statements of the Group which have been prepared in accordance with the basis of preparation and significant accounting policies set out in Notes 2 and 3 to the Financial Statements. The preparation of such financial statements requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. See also Section 2.5 "Risks related to the Listing and the Shares".

Certain amounts included in or affecting the Interim Financial Statements and related disclosures are estimated, requiring the Group to make assumptions with respect to values or conditions which cannot be known with certainty at the time the combined financial statements are prepared. A critical accounting estimate or assumption is one which is both important to the portrayal of the Group's financial condition and results and requires the management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Management of the Group evaluates such estimates on an ongoing basis, using historical results and experience, consultation with experts, trends and other methods considered reasonable in the particular circumstances.

10.17.2 New accounting policy adopted during 2019

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.

10.17.3 Significant accounting policies

The following is a summary of estimates and assumptions which may have a material effect on the accounts if changed in subsequent periods. See note 3 of the Interim Financial Statements and Note 2 of the Financial Statements as at, and for the years ended 31 December 2018, 31 December 2017 and 31 December 2016 included elsewhere in this Prospectus.

(1) Useful life and residual value of assets

The Group reviews the useful lives and residual values of its vessels at least at each financial year-end and any adjustments are made on a prospective basis. Residual value is estimated as the lightweight tonnage of each vessel multiplied by the scrap value per ton. If estimates of the residual values are revised, the amount of depreciation charge recorded in the future periods will be changed.

The useful lives of vessels are assessed periodically based on the condition of the vessels, market conditions and other regulatory requirements. If the estimates of useful lives for vessels are revised or there is a change in useful lives, the amount of depreciation charge recorded in future periods will be changed.

(2) Reversal of impairment/Impairment of non-financial assets

Non-financial assets (including property, plant and equipment) are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired or a reversal of previously recognised impairment charge may be required. The recoverable amount of an asset, and where applicable, a CGU, is determined based on the higher of fair value less costs to sell and value-in-use calculations prepared on the basis of management's assumptions and estimates.

Prior to 2019, each vessel was being regarded as one CGU. Effective from 2019 onwards, the Group has changed the definition of a CGU. For the purpose of impairment testing, the assets and CGUs are determined by considering whether the vessels generate cash inflows on their own or independent cash flows as part of a fleet. The way in which the vessels are being managed commercially will be assessed. There are various types of employments as set out below:

(i) Vessel that is participating in a pool arrangement

Pool arrangements are arrangements where the partners' respective vessels are managed on a joint basis with the aim to optimise utilisation of the vessels. The pool distributions (cash inflows of a participating vessel) are dependent on the performance of the entire pool that is managed as a portfolio. For these vessels, the assessment should be done on a CGU basis, on the aggregate vessel segment level since the vessels are managed by specific LR1, MR and Handy pools.

(ii) Vessel under construction

For a newbuilding that has not been delivered, the asset does not generate cash flows that are interdependent on other assets. These assets are assessed on an individual asset basis.

(iii) Vessel with long-term charter contracts

For a vessel that is under a long-term charter contract, the vessel is fixed in the charter contract, thereby reducing the interchangeability with other vessels in the fleet. The cash flow streams from the charter can be clearly attributable to the specific vessel, and it does not generate cash inflows that are interdependent on other vessels. For these vessels, the assessment will be done on an individual asset basis.

(iv) Vessel managed by commercial team outside of the pools

The vessels are managed by an internal commercial team, which will source for fixture and deployment for these vessels. The vessels are not contractually locked-in to share their earnings through a pool agreement, and each vessel will only capture the cash flows that are related to its actual deployment. Whether the vessel is generating cash inflows that are interdependent from other vessels would, then, be dependent on how interchangeable these vessels are.

If the assessment on the interchangeability of the vessel is non-conclusive, management will assess the impairment on an individual asset basis for a more prudent outcome.

All impairment calculations demand a high degree of estimation, which include assessments of the expected cash flows arising from such assets and the selection of discount rates. Changes to these estimates may significantly impact the impairment charges recognised, and future changes may lead to reversals of current recognised impairment charges.

(3) Revenue recognition

All freight voyage charter revenues and voyage expenses are recognised on a percentage of completion basis. Load-to-discharge basis is used in determining the percentage of completion for all spot voyages and voyages servicing contracts of affreightment. Under this method, freight voyage charter revenue is recognised evenly over the period from the point of loading of the current voyage to the point of discharge of the current voyage. Previously, under the discharge-to-discharge method, freight voyage charter revenue is recognised evenly over the period from the departure of a vessel from its original discharge port to departure from the next discharge port.

Management uses its judgement in estimating the total number of days of a voyage based on historical trends, the operating capability of the vessel (speed and fuel consumption), and the distance of the trade route. Actual results may differ from estimates.

Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities, net of rebates, discounts and off-hire charges, and after eliminating sales within the Group.

(1) Rendering of services

Revenue from time charters accounted for as operating leases is recognised rateably over the rental periods of such charters, as service is performed. Revenue from freight voyage charters is recognised rateably over the estimated length of the voyage within the respective reporting period, in the event the voyage commences in one reporting period and ends in the subsequent reporting period.

The Group determines the percentage of completion of freight voyage charter using the load-to-discharge method. Under this method, freight voyage charter revenue is recognised rateably over the period from the point of loading of the current voyage to the point of discharge of the current voyage. Previously, under the discharge-to-discharge method, freight voyage charter revenue is recognised rateably over the period from the departure of a vessel from its original discharge port to departure from the next discharge port. Losses arising from time or voyage charter are provided for in full as soon as they are anticipated.

The Group has vessels which participate in commercial pools in which other vessel owners with similar, high-quality, modern and well-maintained vessels also participate. The pools employ experienced commercial charterers and operators who have established relationships with customers and brokers, while technical management is arranged by each vessel owner. The managers of the pools negotiate charters with customers primarily in the spot market. The earnings allocated to vessels are aggregated and divided on the basis of a weighted scale, or pool points system, which reflect comparative voyage results on hypothetical benchmark routes. The pool point system is generally weighted by attributes such as size, fuel consumption, class notation and other capabilities. Pool revenues are recognised when the vessel has participated in a pool during the period and the amount of pool revenue for the period can be estimated reliably.

(2) Interest income

Interest income, including income arising from finance leases and other financial instruments, is recognised using the effective interest method.

Property, plant and equipment

(1) *Measurement*

(i) Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) The cost of an item of property, plant and equipment initially recognised includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

(iii) The acquisition cost capitalised as vessel under construction is the sum of the instalments paid plus other directly attributable costs incurred during the construction period including borrowing costs. Vessels under construction are reclassified as vessels upon delivery from the shipyard.

(2) *Depreciation*

(i) Depreciation is calculated using a straight-line method to allocate the depreciable amounts of property, plant and equipment, after taking into account the residual values over their estimated useful lives. The residual value, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at least annually. The effects of any revision are recognised in the profit or loss when the changes arise. The estimated useful lives of each vessel is 25 years.

(ii) A proportion of the price paid for new vessels is capitalised as dry docking. These costs are depreciated over the period to the next scheduled dry docking, which is generally 30 to 60 months. The remaining carrying amount of the old dry docking as a result of the commencement of new dry docking will be written off to the profit or loss.

(3) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment, including dry docking, that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expense is recognised in the profit or loss when incurred.

(4) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in the profit or loss.

Impairment of non-financial assets

Property, plant and equipment are tested for impairment whenever there is objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less costs to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the profit or loss, unless the asset is carried at a revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset (or CGU) other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's (or CGU's) recoverable amount since the last impairment loss was recognised. The carrying amount of the asset (or CGU) is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation and depreciation) had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of impairment loss for an asset (or CGU) other than goodwill is recognised in the profit or loss, unless the asset is carried at a revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

Financial assets

(1) Classification

The Group classifies its financial assets in the following categories: at amortised cost and at FVTPL. The classification depends on the business model in which a financial asset is managed and its contractual cash flows characteristics. Management determines the classification of its financial assets at initial recognition. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(i) Amortised cost financial assets

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. They are presented as "trade and other receivables" and "cash and cash equivalents" in the consolidated balance sheet.

(ii) FVTPL financial assets

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL.

Derivatives are also categorised as FVTPL unless they are designated as hedges. Assets in this category are presented as current assets if they are expected to be realised within 12 months after the balance sheet date.

(2) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, measured at amortised cost or FVTPL, the difference between the net sale proceeds and its carrying amount is recognised in the profit or loss.

(3) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at FVTPL, which are recognised at fair value. Transaction costs for financial assets at FVTPL are recognised immediately as expenses.

(4) Subsequent measurement

Financial assets at FVTPL are subsequently carried at fair value. Financial assets at amortised costs are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at FVTPL including the effects of currency translation are recognised in profit or loss.

(5) Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the consolidated balance sheet, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(6) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for expected credit loss ("**ECL**") at an amount equal to the lifetime expected credit loss if there has been a significant increase in credit risk since initial recognition. If the credit risk has not increased significantly since initial recognition, the Group recognises an allowance for ECL at an amount equal to 12 month ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12 month ECLs are the portion of ECLs that results from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

An impairment loss for trade receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience, informed credit assessment and other forward-looking information.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the net present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least twelve months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowing costs

Borrowing costs are recognised in the profit or loss using the effective interest method except for those costs that are directly attributable to the construction of vessels. This includes those costs on borrowings acquired specifically for the construction of vessels, as well as those in relation to general borrowings used to finance the construction of vessels.

Borrowing costs are capitalised in the cost of the vessel under construction. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to the construction expenditures that are financed by general borrowings.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Inventories

Inventories comprise mainly fuel oil and lubricating oils remaining on board vessels. Inventories are measured at the lower of cost (on first-in, first-out basis) and net realisable value.

Fair value estimation of financial assets and liabilities

The carrying amounts of current financial assets and liabilities carried at amortised cost approximate their fair values due to the short-term nature of the balances. The fair values of financial liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all the of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - The Group has the right to operate the asset; or
  - The Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their stand-alone prices.

(1) Leases in which the Group is a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;

- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'borrowings' in the balance sheet.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of vessels that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(2) Leases in which the Group is a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. In this case, then the lease is a finance lease; otherwise, it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

<u>Foreign currency translation</u>

(1) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in USD, which is the Group's functional currency.

(2) Transactions and balances

Transactions in a currency other than the functional currency (foreign currency) are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the profit or loss.

<u>Cash and cash equivalents</u>

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with financial institutions, which are subject to an insignificant risk of change in value. Bank overdrafts are presented as current borrowings on the consolidated balance sheet.

<u>Share capital</u>

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new equity instruments are taken to equity as a deduction, net of tax, from the proceeds.

Dividends to Company's shareholders

Dividends to Company's shareholders are recognised when the dividends are approved for payment in accordance with Section 5 "Dividends and dividend policy".

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation where as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. When the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

Offsetting financial assets and financial liabilities

The Group's financial assets and liabilities are not subjected to enforceable master netting arrangements or similar arrangements. Financial assets and financial liabilities are presented as gross on the combined balance sheet.

Share-based payment arrangements

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.

10.18 Significant change

The most significant changes in the financial position of the Group since 30 June 2019 have been:

- On 11 September 2019, Hafnia Atlantic was sold for USD 9.95 million and the net proceeds from the sale was USD 4.1 million after repaying outstanding debt of USD 5.75 million and other ancillary costs;
- Signing of the MUSD 111 Facility, cf. Section 10.15.3.2 "USD 111 million secured credit facility";
- Signing of the MUSD 473 Facility, cf. Section 10.15.3.3 "The MUSD 473 Facility";
- Hafnia completed the refinancing of the MUSD 236 Facility and the MUSD360 Facility in September 2019. As a result of this exercise, the remaining capitalised upfront fee and newbuild commitment fees on balance sheet relating to these two facilities amounting to MUSD 9.29 were expensed off in Q3 2019;
- The acquisition of (i) Hafnia Andrea and (ii) Hafnia Caterina; and
- The delivery of the vessels (i) Hafnia Beijing, (ii) Hafnia Guangzhou, (iii) BW Triton, (iv) BW Thalassa, and (v) BW Neso.

Other than the above, there have been no significant changes in the financial or trading position of the Group since 30 June 2019.

11 BOARD OF DIRECTORS, EMPLOYEES AND CORPORATE GOVERNANCE

11.1 The Board of Directors

11.1.1 Introduction

The Board of Directors is responsible for the overall management of the Company and may exercise all of the powers of the Company not reserved to the Company's shareholders by its Bye-laws or under Bermuda law. The Bye-laws provide that the Company's Board of Directors shall consist of not less than three Directors or such number in excess thereof as the shareholders of the Company may determine.

The Board of Directors is divided into two classes of directors, each of which shall consist as nearly as possible of half the total number of directors constituting the Board of Directors. Each class of directors is elected for a two year term of office, but the terms are staggered so that only one class of directors expires at each annual general meeting. The class I directors serve initially until the 2021 annual general meeting and the class II directors serve initially until the 2020 annual general meeting. The Directors are elected by the shareholders at the relevant annual general meeting or any special general meeting called for that purpose, unless there is a casual vacancy, and the shareholders of the Company may authorise the Board of Directors to fill any vacancy in their number left unfilled at a general meeting of the shareholders. If there is a vacancy of the Board of Directors occurring as a result of the death, disability, disqualification or resignation of any Director or as a result of an increase in the size of the Board of Directors, the Board of Directors has the power to appoint a Director to fill the vacancy.

As at the date of this Prospectus, the Company has a Board of Directors comprising five Directors. The names and positions of the Directors are set out in the table in Section 11.1.2 "Overview of the Board of Directors" below. Andreas Sohmen-Pao, Erik Bartnes and Peter Graham Read are class I directors, while Christopher Marcus Gradel and Donald John Ridgway are class II directors.

The composition of the Board of Directors is in compliance with the independence requirements of the Norwegian Code of Practice for Corporate Governance last updated 17 October 2018 (the "**Corporate Governance Code**"), meaning that (i) the majority of the shareholder-elected members of the Board of Directors are independent from the Company's executive management and material business connections, (ii) at least two of the shareholder-elected members of the Board of Directors are independent of the Company's main shareholders (being shareholders holding 10% or more of the shares in the Company), and (iii) no member of the Company's executive management serves as member of the Board of Directors.

Other than Andreas Sohmen-Pao and Christopher Marcus Gradel, all Directors are independent of the Company and its main shareholders. The above requirements under the Norwegian Corporate Governance Code are thus met.

11.1.2 Overview of the Board of Directors

The Company's registered address at c/o Inchona Services Limited, Washington Mall Phase 2, 4th Floor, Suite 400, 22 Church Street, HM 1189, Hamilton HM EX, Bermuda serves as the address for the Directors in relation to their directorship in the Company. The names, positions and current term of office of the Directors as at the date of this Prospectus are set out in the table below, as well as their shareholding in the Company.

Name	Position	Served since	Term expires	Shares
Andreas Sohmen-Pao	Chairman	16 May 2014[2]	2021 AGM	-[1]
Christopher Marcus Gradel	Director	16 May 2014	2020 AGM	-[3]
Erik Bartnes	Director	16 January 2019[5]	2021 AGM	-[4]
Donald John Ridgway	Director	16 January 2019	2020 AGM	-
Peter Graham Read	Director	16 January 2019[5]	2021 AGM	-

1 BW Group Limited owns 224,139,724 Shares. BW Group is owned by a company controlled by corporate interests associated with the Sohmen family. Andreas Sohmen-Pao is a member of the Sohmen family.

2 Designated as class I director on 21 December 2018 and will continue to act as chairman of the Board of Directors upon Listing following re-election at the 2019 AGM.

3 PAG Tankers Limited owns 36,212,001 Shares. Christopher Marcus Gradel is the founder of the PAG group and is heading PAG's Absolute Returns business.

4 Castel AS owns 1,660,508 Shares. Erik Bartnes owns Castel AS.

5 Designated as class I director on 21 December 201s8 and will continue to act as member of the Board of Directors upon Listing following re-election at the 2019 AGM.

As at the date of this Prospectus, none of the Directors hold any options or other rights to acquire Shares.

11.1.3 Brief biographies of the Directors

Set out below are brief biographies of the Board Members. The biographies include each Director's relevant management expertise and experience, an indication of any significant principal activities performed by them outside the Company and names of companies and partnerships of which a Director is or has been a member of the administrative management or supervisory bodies or partner in the previous five years (not including directorships and executive management positions in subsidiaries of the Company).

Andreas Sohmen-Pao, Chairman

Andreas Sohmen-Pao has held various positions within the BW Group and its predecessor company World-Wide Shipping. Mr. Sohmen-Pao is currently Chairman of BW Group, BW LPG, Hafnia, Epic Gas and BW Offshore, and was previously Chief Executive Officer from September 2004 to March 2015. He is currently Chairman of Singapore Maritime Foundation and a non-executive director of Singapore's National Parks Board. Mr. Sohmen-Pao is also a trustee of the Lloyd's Register Foundation. He has previously served as a non-executive director of The Hongkong and Shanghai Banking Corporation, the Maritime and Port Authority of Singapore, The London P&I Club, Sport Singapore and The Esplanade amongst others. Prior to joining BW, Mr. Sohmen-Pao worked at Goldman Sachs International in London. He was educated at Oxford University in England, graduating in 1993 with a double first class honours degree in Oriental Studies. Mr. Sohmen-Pao also holds an MBA with distinction from Harvard Business School. He is an Austrian citizen and resides in Singapore.

Current directorships and senior management positions	*BW Group Limited (Bermuda) (Chairman), BW Offshore Limited (Bermuda) (Chairman), BW LPG Limited (Bermuda) (Chairman), Hafnia Limited (Bermuda) (Chairman), Epic Gas Ltd. (British Virgin Islands) (Chairman), BW Ventures Limited (Bermuda) (Director), National Parks Board (Singapore) (Board member), Singapore Maritime Foundation (Singapore) (Chairman), Skymark Company S.A. (Panama) (Vice President), Golden Alpha Pte. Ltd. (Singapore) (Chairman), Inchona Services Limited (Bermuda) (President), Lloyd's Register Foundation (Trustee), Alpha Ori Technology Holdings Pte Ltd (Singapore) (Chairman), BioGill Environmental Pty Ltd (Australia) (Director) and BW Group subsidiaries (subsidiary directorship).*
Previous directorships and senior management positions last five years	*The Hongkong and Shanghai Banking Corporation Ltd (Hong Kong) (Non-Executive Director), The Esplanade Co Ltd (Singapore) (Board member), Maritime and Port Authority of Singapore (Singapore) (Board member), Newton Company S.A. (Panama) (Vice President and Treasurer), Sport Singapore (Singapore) (Board member), BW Ventures Limited (Cyprus) (Director), BW Ventures Pte. Ltd. (Singapore) (Director), BW Offshore AS (Norway) (Director), Advanced Marine Coatings Limited (Cyprus) (Director), Singapore Symphonia Company Limited (Singapore) (Director), Womar Holdings LLC (Marshall Islands) (Director) and BW Group subsidiaries (subsidiary directorship).*

Christopher Marcus Gradel, Director

Christopher Marcus Gradel is founding partner and chief investment officer of PAG Absolute Returns. Mr. Gradel has over 20 years of investment experience across Asia. Mr. Gradel founded PAG in 2002. Prior to founding PAG, Mr. Gradel led several investments for the Marmon Group in China and was an engagement manager for McKinsey & Co. based in Hong Kong. Mr. Gradel is a member of the board of trustees of the Standards Board for Alternative Investments (SBAI), the hedge fund industry's global standard-setting body. Mr. Gradel is also a member of the investment committee of Oxford University Endowment Management and a Wykeham Fellow of New College, Oxford. Mr. Gradel is a citizen of the United Kingdom and resides in Hong Kong.

Current directorships and senior management positions. *AR Incentive Limited (Cayman Islands) (Director), CASTLE ROAD HOLDINGS LIMITED (Cayman Islands) (Director), Hafnia Limited (Bermuda) (Director), Kerry Oriental Holdings Limited (British Virgin Islands) (Director), PA Global Opportunity X Limited (British Virgin Islands) (Director), Pacific Alliance Asia Opportunity Feeder Fund II Limited (Cayman Islands) (Director), Pacific Alliance Asia Opportunity Feeder Fund III Limited (Cayman Islands) (Director), Pacific Alliance Asia Opportunity Feeder Fund Limited (Cayman Islands) (Director), Pacific Alliance Asset Limited (fka: Pacific Alliance Real Estate II Limited) (Cayman Islands) (Director), Pacific Alliance Equity Partners Limited (British Virgin Islands) (Director), Pacific Alliance Feeder Fund IV Management Limited (Cayman Islands) (Director), Pacific Alliance Feeder Fund Management Limited (Cayman Islands) (Director), Pacific Alliance Group Asset Management Limited (Cayman Islands) (Director), Pacific Alliance Group Limited (Cayman Islands) (Director), Pacific Alliance Group Limited (Hong Kong) (Director), Pacific Alliance Investment Management (HK) Limited(Hong Kong) (Director) Pacific Alliance Investment Management Limited (Cayman Islands) (Director), Pacific Alliance Real Estate Limited (Cayman Islands) (Director), Pacific Alliance-FF Management Limited (Cayman Islands) (Director), Pacific Alliance-W Management Limited (Cayman Islands) (Director), PAG Asia Alpha Advisors Limited (Cayman Islands) (Director), PAG Asia Alpha Feeder Limited (Cayman Islands) (Director), PAG Asia Alpha GP Limited (Cayman Islands) (Director), PAG Asia Loan Advisors Limited (Cayman Islands) (Director), PAG Asia Opportunity S Class Feeder I GP Limited (Cayman Islands) (Director), PAG Asia Opportunity S Class GP Limited (Cayman Islands) (Director), PAG BRS Advisors Limited (fka: PAG Reg Cap Advisors Limited) (Cayman Islands) (Director), PAG China Special Situations Advisors Limited (Cayman Islands) (Director), PAG Enhanced Credit Advisors Limited (Cayman Islands) (Director), PAG Holdings Limited (fka: Pacific Alliance Group Holdings Limited) (Cayman Islands) (Director), PAG Investment Solutions Advisors Limited (Cayman Islands) (Director), PAG Japan Limited (fka Pacific Alliance Japan Limited) (Cayman Islands) (Director), PAG Opportunistic Strategies Advisors Limited (Cayman Islands) (Director), PAG Real Estate Limited (Cayman Islands) (Director), PAG Special Situations Advisors Limited (Cayman Islands) (Director), PAG Treasuries Limited (British Virgin Islands) (Director) PAGAA GP Limited (fka: PAG Asia Alpha Feeder II GP Limited) (Cayman Islands) (Director), PAG-C AR Co-Investment GP Limited (Cayman Islands) (Director), PAG-C Management Limited (Cayman Islands) (Director), PAG-G AR Co-Investment GP Limited (Cayman Islands) (Director), Polymer Asia GP Limited, (Cayman Islands) (Director), Polymer Asia (Cayman) Fund Ltd (Cayman Islands) (Director), Polymer Asia (US) GP Limited (Cayman Islands) (Director), Polymer Capital Management (HK) Limited (Hong Kong) (Director) Polymer Capital Management Limited, (Cayman Islands)*

	(Director), Standards Board for Alternative Investment Limited (fka: Hedge Fund Standards Board Limited), (United Kingdom) (Director) Tianjin Xin Yi Investment Management & Consultancy Co., Ltd (PRC) (Director)北京奇仕担保有限公司, (PRC) (Director), 天津高天乐投资管理有限公司, (PRC) (Director), 济南佳汇投资管理有限公司 (fka 济南佳汇投资担保有限公司), (PRC) (Director), 联太非融资性担保(杭州)有限公司 (fka: 联太担保（杭州）有限公司), (PRC) (Director) and 联太非融资担保(上海)有限公司 (fka: 联太担保(上海)有限公司) (PRC) (Director).
Previous directorships and senior management positions last five years	*ACP Trading Limited (British Virgin Islands) (Director).*

Erik Bartnes, Director

Erik Bartnes has focused on own investments through his company Castel AS since 2010. Mr. Bartnes was co-founder of Pareto AS and senior partner from 1988 to 2010, and Chairman of Pareto AS until April 2013 and has vast experience within project finance, corporate finance and asset management with focus on shipping and oil service sectors. Mr. Bartnes is one of the co-founders of the original Hafnia Tankers in 2010 and served as Executive Chairman until BW Group bought a majority stake in Hafnia Tankers in the summer of 2018. Currently, Mr. Bartnes serves as Chairman of Christiania Shipping A/S, Eclipse Drilling AS, Revier Invest AS , Pareto Invest AS, Svele AS and Johan Vinje AS. Mr. Bartnes is a board member of Pareto Forvaltning AS, Premium Maritime Fund AS, Thor Dahl Shipping AS and Ulstein Group AS. Previously, Mr. Bartnes served as a board member of Eitzen Chemical ASA, Viking Cruises Ltd, Nordic Tankers, Nordic Shipholding, Siva Shipping AS and Ugland Shipping AS. Mr Bartnes holds a LizRerPol degree from University of Fribourg in Switzerland. Mr. Bartnes is a Norwegian citizen and resides in Oslo.

Current directorships and senior management positions	*Hafnia Limited, Christiania Shipping AS, Pareto Invest AS, Pareto Asset Management AS, Premium Maritime Fund AS, Premium Maritime Fund II AS, Premium Maritime Fund III AS, Trobo AS, Barbinvest AS, Eclipse Drilling AS, Ane Shipping AS, Castel AS, Zhinga Invest AS, Sporty Invest AS, Equador Invest AS, Castel Invest AS, Johan Vinje AS, Svele AS, Thor Dahl Management AS, Thor Dahl Shipping AS, Ulstein Shipping AS, Ulstein Group ASA, Erba AS, Tyveholmen AS, Revier Invest AS and Revier Ship Invest AS.*
Previous directorships and senior management positions last five years	*Spitsbergen AS, TDS Containerships V AS, Team Tankers Management Holding AS, Thinget AS, Tyveholmen Kontorfellesskap AS, Viking Cruises Ltd, Viking Capital Limited, Jupiter Properties Ltd, Pallice Global, Inc, Jupiter Properties (USA) Ltd and Viking Investments (Cayman) Ltd.*

Donald John Ridgway, Director

Donald John Ridgway has more than 45 years of experience working in all facets of the oil and gas shipping business, predominantly spent working for BP. In 2002, Mr. Ridgway was appointed COO (and Deputy CEO) of BP, and was promoted to CEO in 2008, before stepping down in the summer of 2015. Mr. Ridgway has substantial international experience, having been based in London, Singapore and the United States. Mr. Ridgway is a qualified Master Mariner, and has a master degree from the Judge Institute, Cambridge University. Mr. Ridgway is a Chartered Marine Technologist and a Fellow of the Institute of Marine Engineering, Science and Technology. Mr. Ridgway was formerly Chairman of the Oil Companies International Marine Forum and the Marine Preservation Association LLC, President of the API Marine Committee, Director of a number of businesses and organisations including Britannia P&I Insurance Ltd., Alaska Tanker Company, ITOPF, and UK Chamber of Shipping and a member of the Executive Advisory Board to the UN IMO World Maritime University. Mr. Ridgway is a UK citizen and resides in London.

Current directorships and senior management positions	*Hafnia Limited (Director), Tindall Riley Co. Ltd. (Director) and Tindall Riley (Britannia) Ltd. (Director).*
Previous directorships and senior management positions last five years	*BP Shipping Ltd. (Director), Alaska Tanker Company LLC (Director), UK Chamber of Shipping Ltd. (Director), ITOPF Ltd. (Director) and Britannia Steamship Insurance (Director).*

Peter Graham Read, Director

Peter Read is currently the Non-Executive Chairman of Welbeck Publishing Group Limited. He is also a Non-executive Director and Chairman of the Audit Committees of QMM Holdings Limited and the Professional Cricketers Association. Mr. Read is also a Member of the Board and Chairman of the Audit and Motoring Committees of the Royal Automobile Club. In a career spanning 37 years at KPMG, Mr. Read was a partner and sector chairman. He was lead partner for a number of global businesses, was Chairman of the UK TMT Practice (Telecoms, Media, Technology) and EMA Chairman of the Global Japanese Practice from 2008-2013. Prior to this, he was Head of the TMT Practice (2003-2008), Head of Transaction Services, TMT Practice (1998-2003) and Head of the UK Shipping Practice (1996-2003). Mr. Read began his early career in general practice where he gained experience in audit, due diligence and financial reporting. Mr. Read graduated from Southampton University with a degree in Commerce and Accountancy. He is also a Fellow of the Institute of Chartered Accountants in England and Wales. Mr. Read is a UK citizen and resides in London and Sussex, England.

Current directorships and senior management positions	*Hafnia Limited (Director), QMM Holdings Ltd (Non-executive director), QM Capital Partners Ltd (Non-executive director), Royal Automobile Club (board member), RAC Motor Sports Association Ltd (non-executive director), PCA Management Ltd (Non-executive director), Norfolk House Residents Association Ltd (Non-executive director) and Welbeck Publishing Group Limited (Non-executive chairman).*
Previous directorships and senior management positions last five years	*Quayle Munro Holdings Plc (Non-executive director), Quayle Munro Advisory (Non-executive director), EVRH Holdings Plc (formerly Armstrong Ventures Plc) (Non-executive director), The Quarto Group Inc (Non-executive chairman), Concha Plc (Non-executive director) and KPMG LLP (Partner).*

11.1.4 Changes to the Board of Directors in connection with the Listing

Upon Listing, Christopher Marcus Gradel is expected to resign from the Board of Directors. Ouma Sananikone will join the Board of Directors upon Listing as an independent Director. Upon Listing, the Board of Directors will consist of the following members:

Name	**Position**	**Served since**	**Term expires**	**Shares**
Andreas Sohmen-Pao	Chairman	16 May 2014[2]	2021 AGM	-[1]
Erik Bartnes	Director	16 January 2019[4]	2021 AGM	-[3]
Donald John Ridgway	Director	16 January 2019	2020 AGM	-
Peter Graham Read	Director	16 January 2019	2021 AGM	-
Ouma Sananikone	Director	8 November 2019	2020 AGM	-

1 BW Group Limited owns 224,139,724 Shares. BW Group is owned by a company controlled by corporate interests associated with the Sohmen family. Andreas Sohmen-Pao is a member of the Sohmen family.

2 Designated as class I director on 21 December 2018 and will continue to act as chairman of the Board of Directors upon Listing following re-election at the 2019 AGM.

3 Castel AS owns 1,660,508 Shares. Erik Bartnes owns Castel AS.

4 Designated as class I director on 21 December 2018 and will continue to act as member of the Board of Directors upon Listing following re-election at the 2019 AGM.

Below, is a brief biography for Ouma Sananikone.

Ouma Sananikone, Director

Ouma Sananikone has an extensive experience in finance, particularly investment management, covering all asset classes including private equity, infrastructure and real estate, having spent over 30 years in the industry at both executive and board levels. Ms. Sananikone is currently a non-executive director of Innergex (Canada), Ivanhoe Cambridge (Canada), and Macquarie Infrastructure Corporation (U.S.). Ms. Sananikone was also chairman of, among others, Smarte Carte (U.S.) and of EvolutionMedia (Australia) and recently retired from a non-executive directorship of the Caisse de Depot et Placement de Quebec (Canada) after serving the maximum term of ten years. She also acted as an honorary Australian Financial Services fellow for the U.S. on behalf of the Australian government. Additionally, Ms. Sananikone has held various other senior positions, including, but not limited, to CEO of Aberdeen Asset Management (Australia), CEO of the EquitiLink Group (Australia, New Zealand, USA, Canada and UK) as well as founding managing director of BNP Investment Management (Australia). Ms. Sananikone has always been committed to the community, serving as a board director of a number of arts, education and charitable organisations, among them the United Nations High Commission for Refugees. Ms. Sananikone holds a BA (economics and political sciences) from the Australian National University and a Master of Commerce (economics) from the University of New South Wales. She is a recipient of the Centenary Medal from the Australian Government for services to the Australian finance industry. Ms. Sananikone is a dual UK/U.S. citizen and resides in New York.

Current directorships and senior management positions.	*Innergex Renewable Energy Incorporated (Canada) (Director), Ivanhoe Cambridge (Canada) (Director) and Macquarie Infrastructure Corporation (U.S.) (Director).*
Previous directorships and senior management positions last five years	*Caisse de Depot et de Placement du Quebec (Canada) (Director) and Icon Parking (U.S.) (Director).*

11.2 Management

11.2.1 Overview of the Management

The Group's executive management team consists of two individuals. The names of the members of Management, their respective positions and term of office are presented in the table below, as well as their shareholding in the Company as at the date of this Prospectus. The Company's registered address at c/o Inchona Services Limited, Washington Mall Phase 2, 4th Floor, Suite 400, 22 Church Street, HM 1189, Hamilton HM EX, Bermuda serves as the address for all members of Management in relation to their positions with the Company.

Name	Position	Held position since	Options	Shares
Mikael Øpstun Skov	Chief Executive Officer	2019	1,372,632	748,515
Petrus Wouter Van Echtelt	Chief Financial Officer	2017	296,112	-

11.2.2 Brief biographies of the members of Management

Set out below are brief biographies of the members of the Management. The biographies include the members of Management's relevant management expertise and experience, an indication of any significant principal activities performed by them outside the Company and names of companies and partnerships of which a member of the Management is or has been a member of the administrative, management or supervisory bodies or partner the previous five years (not including directorships and executive management positions in subsidiaries of the Company).

Mikael Øpstun Skov, Chief Executive Officer

Mikael Øpstun Skov is chief executive officer of Hafnia, a role he assumed in 2019 after the merger between Hafnia Tankers and BW Tankers. Mr. Skov was the co-founder and CEO of Hafnia Tankers and has more than 35 years of experience in the shipping industry. Prior to establishing Hafnia Tankers, Mr. Skov held various positions over his 25-year career at Torm A/S, of which the last two years he served as CEO. Mr. Skov is a board member of BLS Invest and Clipper Group Ltd. Mr. Skov is a Danish citizen, and resides in Monaco.

Current directorships and senior management positions.	*BLS Invest (Board Member), Clipper Group Ltd. (Board Member) and Clipper Group A/S (Board Member).*
Previous directorships and senior management positions last five years	*Skuld (Executive Committee Member), Danish Maritime Strategy Team (Industry Representative), K/S Habro Edinburgh (Chairman of the Board), K/S Habro Ipswich*

(Board Member), Danish Maritime Fund (Board Member) and Danish Shipowners' Association (Board Member).

Petrus Wouter Van Echtelt, Chief Financial Officer

Petrus Wouter Van Echtelt is chief financial officer of Hafnia, a role he assumed in November 2017 and continued to hold after the merger between Hafnia Tankers and BW Tankers in January 2019. Mr. Van Echtelt has more than 20 years of experience in investment banking and ship finance. Prior to Hafnia, Mr. Van Echtelt was CFO of BW Tankers from 2017, a role he took after leaving ABN AMRO Bank as head of transportation and logistics Asia Pacific & Middle East. For 17 years, Mr. Van Echtelt held various positions in the corporate finance and capital markets group of ABN AMRO and its predecessors (MeesPierson and Fortis Bank). Prior to joining MeesPierson, he worked for Gilde Investments from 1998 until 2000. Mr. Van Echtelt has been involved in numerous M&A transactions, advisory mandates and debt and equity raising transaction across various industries including the shipping sector. Mr. Van Echtelt is a Dutch citizen, and has resided in Singapore since 2013.

Current directorships and senior management positions	-
Previous directorships and senior management positions last five years	*Hollandse School Ltd (Singapore) (Governor / Director)*

11.3 Remuneration and benefits

11.3.1 Remuneration of the Directors

For the financial year ended 31 December 2018, BW Tankers paid nil remuneration to its directors. The 2018 Hafnia Tankers Financial Statements do not distinguish between remuneration paid to Hafnia Tankers' directors and other key management. The total remuneration paid to Hafnia Tankers' directors and other key management for the financial year ended 31 December 2018 amounted to USD 3,438,000.

11.3.2 Remuneration of Management

For the financial year ended 31 December 2018, BW Tankers paid in total USD 1,628,000 in remuneration to its key managers. The 2018 Hafnia Tankers Financial Statements do not distinguish between remuneration paid to Hafnia Tankers' directors and other key management. The total remuneration paid to Hafnia Tankers' directors and other key management for the financial year ended 31 December 2018 amounted to USD 3,438,000.

The total remuneration payable to the members of Management for the period 1 January 2019 to 31 December 2019 is expected to amount to USD 3,062,118. The table below sets out the remuneration payable:

Name	Salary	Bonus	Pension expense	Other expensed benefits	Total
Mikael Øpstun Skov[1]	USD 850,000	USD 1,700,000[2]	Nil	-	2,550,000
Petrus Wouter Van Echtelt	USD 370,951	USD 115,238	Nil	USD 25,929[3]	512,118

1 Mikael Øpstun Skov assumed his position as CEO following the Merger in 2019.

2 Sign-on bonus at 100% of annual gross salary plus FY19 guaranteed bonus at 100% of annual gross salary.

3 Housing and car allowance from January to March 2019 (ceases from 1 April 2019).

11.3.3 Bonus scheme

Mikael Skov (CEO) has the following bonus arrangements:

- Short-term bonus ranging between 50% to 100% of the annual gross salary. For the financial year 2019, the CEO is guaranteed a bonus of 100% of annual gross salary. This is contingent on the CEO still being employed by the Company and the CEO not having served a notice of termination at the time when the bonus is payable.
- Sign-on bonus corresponding to 100% of annual gross salary at the completion of the Merger and upon assuming duties as CEO of the newly merged company.
- Retention bonus of USD 1,700,000 subject to meeting both the conditions below:

    (i) Hafnia Management A/S, at this point in time has become a fully owned or majority controlled subsidiary of the Company or if this despite the CEO's best efforts has not been possible, the business and employees of Hafnia Management A/S have been transferred to the Company or the Group under the prevailing business model; and

(ii) the CEO has not served a notice of termination prior to the payment of this retention bonus. The Company's termination of the CEO's employment for reasons other than the circumstances specifically set out in the CEO's employment agreement shall not affect the CEO's right to retention bonus.

Petrus Wouter Van Echtelt (CFO) has the following bonus arrangements:

- Guaranteed five-months performance bonus (based on starting monthly salary of SGD 32,000) for the first two calendar years (2018 and 2019). This bonus does not apply if there is termination with cause or the CFO's employment is terminated voluntarily by the CFO before the bonus payment date.

11.4 Share incentive program

On 16 January 2019, the Board of Directors established a long-term incentive plan (the "**LTIP 2019**") for the senior management of the Group.

The share options under the LTIP 2019 are granted to senior management and key employees of the Group at the Board of Directors' discretion. The LTIP 2019 is a stand-alone plan, and grant in any single year does not indicate or guarantee grant in any subsequent years. The LTIP 2019 is also a retention program, meaning that the share grant is subject to the option holder's continued employment within the Group at the grant date, and that neither the employee nor a company within the Group has given notice of termination of employment prior to that date.

The share options give the option holder a right to (i) subscribe for new shares or (ii) purchase one existing common share in the Company with a par value of USD 0.01. The share options generally vest over a three-year period from the grant date. Expiry of vesting is conditioned on the option holder's continued employment with a company within the Group and not being under termination at the vesting date. Share options cannot be exercised in blackout periods for trading in the Shares, as from time to time resolved by the Company (such as in a period prior to publication of financial information and when there is other inside information in the Company). The share options generally expire on the date falling six years from the grant date. If applicable insider trading rules should prevent an option holder from exercising share options prior to the expiry date, the Board of Directors may resolve to extend the exercise period.

The exercise price for share options shall be the higher of (i) USD 0.01 (being the par value) and (ii) market value as at the grant date, increased by a hurdle rate of 5% p.a. from the grant date until the vesting date, compounded annually at the anniversary of the grant date. As at 30 June 2019, there were in total 3,431,577 outstanding options under the LTIP 2019. The average remaining years until vesting was approximately 2.5 years to 3 years.

The following members of Management participate in the LTIP 2019 option program:

Option holder	Number of options	Expiry date
Mikael Øpstun Skov (CEO)	1,372,632	16 January 2022
Petrus Wouter Van Echtelt (CFO)	296,112	16 January 2022
Other option holders	1,762,833	16 January 2022
Total	**3,431,577**	-

11.5 Benefits upon termination

Mikael Øpstun Skov (CEO) is entitled to severance pay in connection with termination of his employment, equal to twelve months' base salary, if the dismissal is not for cause, death or disability. In addition, two other employees have employment agreements providing severance pay in connection with termination of employment, equal to twelve months' base salary, if the dismissal is not for cause. Other than the foregoing, no employee, including any member of Management, has entered into employment agreements which provide for any special benefits upon termination. None of the Directors have service contracts and none will be entitled to any benefits upon termination of office.

11.6 Loans and guarantees

The Company has not granted any loans, guarantees or made any other similar commitments to any of its Directors or members of Management.

11.7 Pension and retirement benefits

The Company has no pension or retirement benefits for its Directors nor members of Management outside of the Singapore statutory defined contribution pension scheme for Singaporeans and Singapore Permanent Residents under the Central Provident Fund Act (Chapter 36).

11.8 Employees

11.8.1 Overview

As of the date of this Prospectus, the Group has 1,355 employees across the world, with 80 employees working out of its headquarter in Singapore. Of the Group's employees, approximately 155 serves its corporate department, chartering department, operations claims, controls and operations, while approximately 1,200 are employed as seafarers (of which approximately 40% are officers and 60% are ratings).

11.8.2 Manning policy

The Group considers the personnel onboard to be a key resource for achieving its overall objective of maintaining and strengthening its position as one of the major independent shipping companies in the world. Hence, it is the Group's policy to maintain and improve the personnel's qualifications with regard to:

- basic knowledge of trade and industry;
- special requirements of their position;
- understanding of the Group's policies;
- adherence to the Group and the industry regulations and routines;
- ability to communicate, give feedback and work in a team;
- ability to make decisions and make corrective actions when required; and
- represent the Group to the satisfaction of customers and authorities.

This will be achieved by:

- maintaining a Group manning policy with a clear, unbroken line of responsibility;
- stability, continuity and predictability of the manning policy;
- careful selection of personnel;
- motivating personnel to understand their contribution to Group objectives;
- training personnel during work onboard, through courses and Company conferences ashore;
- encouraging all personnel to pursue education and training; and
- encouraging personnel to care for their health and safety.

11.8.3 Employment agreement

Every person working on board the Group's vessels as regular crew or trainees must have an employment agreement. The employment agreement must state the wages and conditions that have been agreed upon, either with a reference to a collective bargaining agreement or as an individual contract stating basic wages and overtime rates. Any dispute related to the employment conditions or the seafarer's service onboard shall be subject to the legislation stated in the employment agreement.

11.9 Audit committee

In line with the recommendations set out in the Corporate Governance Code, the Company has established an audit committee comprising two members, i.e. Peter Graham Read (chairman) and Erik Bartnes (committee member). The members of the audit committee are independent of the Company and Peter Graham Read has relevant qualifications within accounting/auditing. The members of the audit committee shall serve while they remain Directors, or until the Board of Directors decide otherwise or they wish to retire from their appointment as members of the audit committee.

The primary purpose of the audit committee is to act as a preparatory and advisory committee for the Board of Directors in monitoring the Group's internal control of the risk management and financial reporting. This includes but is not limited to:

- all critical accounting policies and practices;
- quality, integrity and control of the Group's financial statements and reports;
- compliance with legal and regulatory requirements;
- qualifications and independence of the external auditors; and
- performance of the internal audit function and external auditors.

The audit committee reports and makes recommendations to the Board of Directors, but the Board of Directors retains responsibility for implementing such recommendations.

11.10 Remuneration committee

In line with the recommendations set out in the Corporate Governance Code, the Company has established a remuneration committee comprising three members, i.e. Andreas Sohmen-Pao (chairman) and Erik Bartnes (committee member). The members of the remuneration committee shall serve while they remain Directors, or until the Board of Directors decide otherwise or they wish to retire from their appointment as members of the remuneration committee. Any remuneration to be paid to the members of the remuneration committee is to be decided at the annual general meeting.

The primary purpose of the remuneration committee is to assist the Board of Directors in discharging its duty relating to determining the Management's compensation. The remuneration committee shall report and make recommendations to the Board of Directors, but the Board of Directors retains responsibility for implementing such recommendations.

11.11 Nomination committee

The Company intends to appoint a nomination committee in accordance with the recommendations set out in the Corporate Governance Code at the 2020 annual general meeting of the Company.

The nomination committee will be responsible for nominating candidates for the election as Directors and as chairman of the Board of Directors and for nominating members of the nomination committee, as well as making recommendations for remuneration of these persons.

11.12 Corporate governance

The Board of Directors has adopted a corporate governance regime, which will be effective from the date of Listing. The corporate governance policy is based on, and to a large extent in compliance with, the Corporate Governance Code. The corporate governance policy has the following deviations from the Corporate Governance Code:

- *Deviation from section 2 "Business":* In accordance with common practice for Bermuda incorporated companies, the Company's objects as set out in the Memorandum of Association are wider and more extensive than recommended in the Corporate Governance Code.
- *Deviation from section 3 "Equity and dividends":* Pursuant to Bermuda law and common practice for Bermuda incorporated companies, the Board of Directors has wide powers to issue any authorised but unissued shares on such terms and conditions as it may decide, subject to any resolution of the Company's shareholders to the contrary. The Board of Directors has wide powers to provide for the issuance of any preference shares or class of preference shares and may establish the preferred, deferred or other special rights or such restrictions, whether with regard to dividend, voting, return on capital, or otherwise, subject to prior approval for the issuance of the shares is given by resolution of the shareholder in a general meeting.

- *Deviation from section 5 "Freely negotiable shares":* The Shares are freely negotiable and the Company's constitutional documents do not impose any transfer restrictions on the Shares other than as set out below. The Bye-laws include a right for the Board of Directors to decline to register the transfer of any Share in the register of members, or instruct the registrar appointed by the Company to decline to register the transfer, where such transfer would result in 50% or more of the Shares or votes being held or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or connected to a Norwegian business activity or the Company is otherwise deemed a CFC as defined pursuant to Norwegian tax legislation. The purpose of this provision is to avoid that the Company is deemed a CFC. The Bye-laws also include a similar right for the Board of Directors to decline to register the transfer, or instruct the registrar appointed by the Company to decline to register the transfer, in circumstances where a shareholder or any person (an "**Interested Party**") has been served with a notice by the Board of Directors which the Board of Directors has reasonable cause to believe to be interested in company securities (as defined in the Bye-laws, including any class of shares, options, warrants, convertible notes or securities or rights that are convertible, exercisable or exchangeable for or carry a right to subscribe for shares or other equity securities of the Company) ("**Company Securities**") requiring the Interested Party to disclose the nature of their interest and provide any documents to verify the identity of the Interested Party that the Board of Directors deems necessary, and the Interested Party has failed to disclose such interest or provide such documents after fourteen days from being served with such notice, and where the Company Securities represent at least 0.25% of the issued shares of their class the Board of Directors has issued a further notice which directs that no transfer of securities held by such Interested Party will be recognised or registered by the Board of Directors unless such transfer is an excepted transfer under the Bye-laws.

- *Deviation from section 6 "General meetings":* The chairman of the Board of Directors, or the president of the Company if there is one appointed, will chair the Company's general meetings unless otherwise resolved by majority vote. This is mainly due to the fact that the Bye-laws of the Company provide, as is common under Bermuda law, that the chairman of the Board of Directors, or the president of the Company if there is one appointed, shall, as a general rule, chair the general meetings.

- *Deviation from section 12 "Remuneration of executive personnel"*: Bermuda law does not require a vote by the annual general meeting regarding the guidelines for remuneration of the executive personnel. The Company will communicate the executive remuneration guidelines to the annual general meeting, but the guidelines will not be subject to a vote by the shareholders. This represents a deviation from section 12 of the Corporate Governance Code.

Neither the Board of Directors nor the general meeting of the Company have adopted any resolutions which are deemed to have a material impact on the Group's corporate governance regime from the date the application for Listing is sent to the Oslo Stock Exchange.

11.13 Conflicts of interest and other information

No Director or member of the Management has, or has had, as applicable, during the last five years preceding the date of this Prospectus:

- any convictions in relation to fraudulent offences;

- been involved in any bankruptcies, receiverships, liquidations or companies put into administration where he/she has acted as a member of the administrative, management or supervisory body of a company, nor as partner, founder or senior manager of a company; and

- received any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies), nor been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of affairs of any issuer.

Except for as set out below, there are currently no other actual or potential conflicts of interest between the Company and the private interests or other duties of any of the members of the Management and the Board of Directors, including any family relationships between such persons:

- BW Group Limited owns 224,139,724 Shares. BW Group is owned by a company controlled by corporate interests associated with the Sohmen family, of which Andreas Sohmen-Pao is a family member. As such, Mr. Sohmen-Pao is not independent from the Company's largest shareholders (i.e. shareholders holding in excess of 10%).

- PAG Tankers Limited owns 36,212,001 Shares. PAG Tankers Limited is a subsidiary in the PAG group. Christopher Marcus Gradel is a founder of the PAG group and is heading the PAG group's Absolute Returns business. As such, Mr. Gradel is not independent from the Company's largest shareholders (i.e. shareholders holding in excess of 10%).

12 RELATED PARTY TRANSACTIONS

12.1 Introduction

In the ordinary course of business, the Company and companies in the Group enters into various transactions with close associates, such as:

- BW Maritime Pte. Ltd., a subsidiary of BW Group;
- BW Fleet Management AS, a subsidiary of the Group; and
- BW Shipping Philippines Inc., an associated company of BW Group.

The Company and companies in the Group have entered into a series of support agreements and a fleet and technology services agreement with BW Group and/or its subsidiaries or associated companies. Under these agreements, the Group will continue to receive certain services subsequent to successful consummation of the Private Placement, consistent with a subset of services already in place prior to the Private Placement. The costs for these services have been determined on an arm's length basis, designed to be broadly consistent with the costs charged historically for similar services provided by BW Group and its subsidiaries.

12.2 Continuing agreements

Pursuant to a corporate services agreement dated 20 August 2019 (the "**Corporate Services Agreement**"), BW Maritime Pte. Ltd. ("**BW Maritime**"), a subsidiary of BW Group, will provide to the Group certain services on arm's length terms. These services include provision of rent of office space and facilities, communications, quality and risk management services, legal services, corporate secretarial services, insurance agency services, human resources services, commercial development services (such as sales and purchase, newbuilding and flagging registration) and internal audit services.

The Corporate Services Agreement includes terms and conditions typical to arm's-length arrangements of the same nature for the same or similar services. The Corporate Services Agreement may be terminated by either party serving the required notice period as set forth in the respective area of service or if it is silent not less than 180 days' written notice.

12.3 Fleet and Technology Services Agreement

Pursuant to a fleet and technology services agreement dated 5 October 2018 (the "**Fleet and Technology Services Agreement**"), BW Fleet Management AS, a subsidiary of the Group will provide the Group with the following services: crew management, newbuilding and supervision of site, purchasing support and development and/or application of certain technology solutions for its IT platform, and related services. According to the terms of the agreement, the Group will pay a management fee based on actual costs plus a five percent mark -up per annum.

The Fleet and Technology Services Agreement has been entered into on terms and conditions typical to arm's-length arrangements of the same or similar nature, and provide for termination with six months' notice by either party.

12.4 Manning Service Agreement

Pursuant to a manning agreement dated 1 August 2019 (the "**Manning Agreement**"), BW Shipping Philippines Inc, an associated company of BW Group will provide the Group, *inter alia*, agency licenses, recruitment, training, payroll, pre and post-employment medical examinations, Maritime Labor Convention 2006 Compliance, reporting and invoicing.

The Manning Service Agreement has been entered into on terms and conditions typical to arm's-length arrangements of the same or similar nature, and provides for termination with three months' notice by either party.

12.5 Trademark agreement

The Company is granted a royalty license pursuant to a trademark agreement dated 4 November 2019 to use the name and mark "BW", and other combinations of the name and mark (the "**Marks**") in connection with the Company's tanker business and services related thereto. The rights include using the Marks for itself, its subsidiaries and its assets including, but not limited to, its vessels. This license is granted for an initial term until 3 November 2022 . After the initial period, the license will be automatically renewed on an annual basis for an additional year unless terminated upon three months written notice by either party.

BW Group may terminate the license by giving twelve months' notice, *inter alia*, if BW Group's shareholding falls below 30% or BW Group ceases to be the largest single shareholder of the Company.

12.6 Non-compete agreement

BW Group and the Group have entered into a non-compete agreement dated 4 November 2019 whereby BW Group undertakes not to, subject to certain exceptions and certain rights of first offer granted by BW Group to the Group, be engaged in, provide technical or commercial management services to, be interested in or provide financing to, any business which is or is likely to be in competition with the Company in the maritime transportation of clean petroleum products carried in product carrier vessels between 40,000 and 120,000 deadweight tonnage for a period of two years from the date of the agreement.

12.7 Transactions carried out with related parties in the financial years ended 31 December 2016, 2017 and 2018

The following transactions took place between the BW Tankers group and related parties during the periods indicated. All transactions have been entered into on commercial terms.

In USD thousand

	Year ended 31 December		
Sales and purchase of services	**2018**	**2017**	**2016**
Support service fees paid/payable to a related corporation[1]	8,303	4,636	6,111
Commercial fee paid/payable to a related corporation[1]	-	-	41
Interest paid/payable to a related corporation[1]	2,052	-	-
Ship management fee paid/payable to a related corporation[1]	-	6,794	7,311
Rental paid/payable to a related corporation[1]	626	402	396

1 Related corporations refer to corporations controlled by Sohmen family interests.

Included in the consolidated statement of comprehensive income for the financial year ended 31 December 2018 is USD Nil (USD 4.6 million for the financial year ended 31 December 2017 and USD 7.4 million for the financial year ended 31 December 2016) of third party voyage charter revenue which was earned back through back-to-back charters with a related corporation that was acting as agent for the Group.

The following transactions took place between the Hafnia Tankers group and related parties during the periods indicated. Balances and transactions between Hafnia Tankers and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed below. All transactions have been entered into on commercial terms (i.e. arms' length principles).

In USD thousand

	Year ended 31 December		
	2018	**2017**	**2016**
Sale of services			
Hafnia Handy Pool Management ApS	-	-	-
Hafnia Management A/S	58	69	-
Purchase of services[1]			
Hafnia Handy Pool Management ApS	-	-	2,024
Hafnia Management A/S	210	231	2,743
Amounts owed by related parties[2]			
Hafnia Handy Pool Management ApS	-	-	10,036
Hafnia Management A/S	-	-	18,076
Amounts owed to related parties			
Hafnia Handy Pool Management ApS	-	-	-
Hafnia Management A/S	8,530	1,000	-

1 Primarily consists of fees for services rendered.
2 Primarily consists of deposit of working capital to the pools and accounts receivable from the pools.

The above transactions are primarily a consequence of Hafnia Tankers using Hafnia Management A/S and its subsidiaries as commercial manager for its fleet.

12.8 Transactions carried out with related parties in the six month period ended 30 June 2019

The following transactions took place between the Group and its related parties during the periods indicated. All transactions have been entered into on commercial terms.

In USD thousand	**Six months ended 30 June 2019**
Support service fees paid/payable to related corporation[1]	4,250
Interest paid/payable to related corporation[1]	1,141
Rental paid/payable[1]	321

1 Related parties refer to corporations controlled by Sohmen family interests.

12.9 Transactions carried out with related parties in the period following 30 June 2019

Following the period 30 June 2019, the Group has continued the transactions described in Section 12.8 "Transactions carried out with related parties in the six month period ended 30 June 2019".

13 CORPORATE INFORMATION AND DESCRIPTION OF THE SHARE CAPITAL

The following is a summary of certain corporate information and material information relating to the Shares and share capital of the Company and certain other shareholder matters, including summaries of certain provisions of the Memorandum of Association, Bye-laws and applicable Norwegian and Bermuda law in effect as of the date of this Prospectus. The summary does not purport to be complete and is qualified in its entirety by the Memorandum of Association, Bye-laws and applicable law.

13.1 Company corporate information

The Company's registered name is Hafnia Limited and its commercial name is Hafnia member of BW Group. The Company was incorporated on 29 April 2014 as an exempted company limited by shares under the laws of Bermuda and in accordance with the Bermuda Companies Act. The Company's registration number in the Bermuda Registrar of Companies is 49023 and its LEI code is 5493001KCFT0SCGJ2647. The Company's registered office is at c/o Inchona Services Limited, Washington Mall Phase 2, 4th Floor, Suite 400, 22 Church Street, HM 1189, Hamilton HM EX, Bermuda, and its telephone is + 1 (441) 295-3770. The Company's website can be found at www.hafniabw.com. The content of www.hafniabw.com is not incorporated by reference into and does not otherwise form part of this Prospectus.

At the date hereof, the Beneficial Interests are listed and admitted to trading on N-OTC and registered in the VPS. Upon Listing, the Beneficial Interests will be de-listed from the N-OTC and, simultaneously with the Shares being listed on Oslo Axess, all Shares will be registered in book-entry form in the VPS under ISIN NO BMG4233B1090. The Company's register of shareholders in the VPS will be administrated by DNB Bank ASA ("**DNB**" or the "**VPS Registrar**") as the Company's branch registrar and transfer agent. See Section 13.9 "VPS registration of the Shares" for further information.

13.2 Legal structure

The Company is the parent company of the Group, and is a holding company where its activities consist of holding shares in the operating companies of the Group. As such, the operations of the Group are entirely carried out through the Company's operating subsidiaries. As at the date of this Prospectus, the Company is of the opinion that its holdings in all of the entities specified below are likely to have a significant effect on the assessment of its own assets and liabilities, financial condition or profits and losses.

The Group consists of a large number of subsidiaries incorporated across multiple jurisdictions, including a joint venture. All of the Company's subsidiaries are private limited liability companies incorporated under the laws of the applicable country of incorporation. The table below sets out an overview of the Company's joint venture and significant subsidiaries as at the date of this Prospectus, i.e. subsidiaries in which the Company has a direct or indirect shareholding of 50% or more:

Company	Direct / indirect subsidiary	Country of incorporation	Field of activity	Holding (%):
Hafnia Pte. Ltd.	Direct	Singapore	Holding company	100%
BW Clearwater Pte. Ltd.	Indirect	Singapore	Shipowning entity	100%
BW Stanley Pte. Ltd.	Indirect	Singapore	Shipowning entity	100%
BW Aldrich Pte. Ltd.	Indirect	Singapore	Shipowning entity	100%
BW Pacific Management Pte. Ltd.	Indirect	Singapore	Services / others	100%
BW Fleet Management Pte. Ltd.	Indirect	Singapore	Services / others	100%
BW Magellan Limited	Indirect	Bermuda	Services / others	100%
BW Silvermine Pte. Ltd.	Indirect	Singapore	Dormant company	100%
BW Causeway Pte. Ltd.	Indirect	Singapore	Dormant company	100%
Hafnia Pools Pte. Ltd.	Indirect	Singapore	Services / others	100%
Komplementaranpartsselskabet Straits Tankers	Indirect	Denmark	Services / others	100%
K/S Straits Tankers[1]	Indirect	Denmark	Services / others	100%
Straits Tankers Pte. Ltd.[2]	Indirect	Singapore	Services / others	100%
Hafnia Tankers LLC	Direct	Marshall Islands	Holding company	100%
Hafnia Tankers Marshall Islands LLC	Indirect	Marshall Islands	Holding company	100%
Vista Shipping Ltd.[3]	Indirect	Marshall Islands	Joint venture	50%
Vista Shipholding I Ltd.[4]	Indirect	Marshall Islands	Shipowning entity	50%
Vista Shipholding II Ltd.[4]	Indirect	Marshall Islands	Shipowning entity	50%
Vista Shipholding III Ltd.[4]	Indirect	Marshall Islands	Shipowning entity	50%
Vista Shipholding IV Ltd.[4]	Indirect	Marshall Islands	Shipowning entity	50%
Vista Shipholding V Ltd.[4]	Indirect	Marshall Islands	Shipowning entity	50%

Company	Direct / indirect subsidiary	Country of incorporation	Field of activity	Holding (%):
Vista Shipholding VI Ltd.[4]	Indirect	Marshall Islands	Shipowning entity	50%
Hafnia Tankers Singapore Holding Pte Ltd.	Indirect	Singapore	Holding company	100%
Hafnia Tankers Singapore Sub-Holding Pte Ltd.	Indirect	Singapore	Holding company	100%
Hafnia Tankers Shipholding Beta Pte. Ltd.	Indirect	Singapore	Dormant company	100%
Hafnia Tankers ApS	Indirect	Denmark	Holding company	100%
Hafnia Tankers Shipholding Denmark 1 ApS	Indirect	Denmark	Shipowning entity	100%
Hafnia Tankers Shipholding Alpha Pte. Ltd.	Indirect	Singapore	Shipowning entity	100%
Hafnia Tankers Malta Ltd.	Indirect	Malta	Under liquidation	100%
Hafnia Tankers Shipholding Malta Ltd.	Indirect	Malta	Under liquidation	100%
Hafnia Tankers Singapore Pte. Ltd.	Indirect	Singapore	Holding company	100%
Hafnia Tankers Shipholding Singapore Pte. Ltd.	Indirect	Singapore	Shipowning entity	100%
Hafnia Tankers Shipholding 2 Singapore Pte. Ltd.	Indirect	Singapore	Shipowning entity	100%
Hafnia Tankers Chartering Singapore Pte. Ltd.	Indirect	Singapore	Shipowning entity	100%
Hafnia Tankers International Chartering Inc.	Indirect	Marshall Islands	Shipowning entity	100%
Hafnia Tankers Services Singapore Pte Ltd.	Indirect	Singapore	Services / others	100%
Hafnia Tankers Singapore Gamma Pte. Ltd.	Indirect	Singapore	Dormant company	100%

1 The company is held by Komplementaranpartsselskabet Straits Tankers (60%) and Hafnia Pools Pte. Ltd. (40%).
2 The company is held by K/S Straits Tankers (50%) and Hafnia Pools Pte. Ltd. (50%).
3 Joint venture between Hafnia Tankers Marshall Islands LLC and CSSC Shipping, Hong Kong Ltd..
4 The company is a wholly owned subsidiary of the joint venture, Vista Shipping Ltd. As such, Hafnia's indirect shareholding is 50%.

A chart illustrating the Group's structure as at the date of this Prospectus, is attached hereto as Appendix L.

13.3 Authorised and issued share capital

As at the date of this Prospectus, the Company's authorised share capital is USD 6,000,000 consisting of 600,000,000 Shares with a par value of USD 0.01 each, of which 343,157,979 Shares have been issued and fully paid. The Board of Directors may issue any authorised but unissued shares of the Company subject to any resolution of the Company's shareholders to the contrary. Any issuance of preference shares by the Board of Directors is subject to prior approval being given by resolution of a general meeting of the Company's shareholders pursuant to the Bye-laws.

The Shares have been created under the Bermuda Companies Act and the Beneficial Interests are currently registered in the VPS under ISIN BMG4233B1090. All the Shares rank in parity with one another and carry one vote per share.

The Company has one class of shares. As at the date of this Prospectus, the Group owns 211,479 of the Shares as treasury shares, representing 0.06% of the Company's issued share capital.

13.4 Share capital history

The table below shows the development in the Company's authorised share capital for the period from its incorporation to the date hereof:

Date	Type of change	Change in authorised share capital (USD)	New authorised share capital (USD)	No. of authorised shares	Par value per share (USD)
29 April 2014	Authorised on incorporation	-	10,000	10,000	1.00
8 July 2014	Increase of authorised share capital	499,990,000	500,000,000	500,000,000	1.00
24 March 2015	Increase of authorised share capital	200,000,000	700,000,000	700,000,000	1.00
22 September 2015	Consolidation of Shares	-	-	140,000,000	5.00
12 October 2015	Reduction of share capital	698,600,000	1,400,000	140,000,000	0.01
12 October 2015	Increase of authorised share capital	400,000	1,800,000	180,000,000	0.01
30 October 2018	Increase of authorised share capital	1,200,000	3,000,000	300,000,000	0.01
21 December 2018	Increase of authorised share capital	1,000,000	4,000,000	400,000,000	0.01
1 November 2019	Increase of authorised share capital	2,000,000	6,000,000	600,000,000	0.01
1 November 2019					

The table below shows the development in the Company's issued share capital for the period from incorporation to the date hereof:

Date	Type of change	Change in issued share capital (USD)	New issued share capital (USD)	No. of issued shares	Par value per share (USD)
29 April 2014	Incorporation[1]	-	10,000	10,000	1.00
16 May 2014	Allotment of shares[2]	417,740,000	417,750,000	417,750,000	1.00
1 September 2014	Allotment of shares[2]	36,000,000	453,750,000	453,750,000	1.00
3 October 2014	Allotment of shares[2]	4,000,000	457,750,000	457,750,000	1.00
10 October 2014	Allotment of shares[2]	24,886,505	482,636,505	482,636,505	1.00
14 April 2015	Allotment of shares[2]	27,776,100	510,412,605	510,412,605	1.00
7 May 2015	Allotment of shares[2]	27,776,100	538,188,705	538,188,705	1.00
22 September 2015	Consolidation of Shares	-	-	107,637,740[3]	5.00
12 October 2015	Reduction of share capital[4]	537,112,327.60	1,076,377.40	-	0.01
11 October 2017	Allotment of shares[5]	88,771.77	1,165,149.17	116,514,917	0.01
15 November 2018	Allotment of shares[6]	336,764.13	1,501,913.30	150,191,330	0.01
19 December 2018	Allotment of shares[7]	460,500.22	1,962,413.52	196,241,352	0.01
18 January 2019	Allotment of shares[8]	1,469,166.27	3,431,579.79	343,157,979	0.01

1 The Shares were subscribed at a price of USD 1.00 each.
2 The Shares were subscribed at a price of USD 1.00 each.
3 As part of the consolidation, the Company purchased 0.4 and 0.6 Shares from BW Group and PAG, for a purchase price of USD 2 and USD 3, respectively, in order not to have fractional Shares.
4 The authorised share capital and issued share capital were reduced in tandem with the reduction of the par value of the Shares from USD 5.00 each to USD 0.01 each.
5 The Shares were subscribed at a price of USD 3.0246 each.
6 The Company issued 18,782,594 Shares at a price of USD 2.45 each. Additionally, 14,893,819 Shares were issued by way of capitalising an amount due to a wholly-owned subsidiary of the holding corporation of USD 36.5 million.
7 The Shares were issued as consideration for six LR2 product tankers under construction.
8 The Shares were issued as consideration shares in the Merger.

On 18 January 2019, the Company issued 146,916,627 consideration shares in connection with the Merger, as further described in Section 14 "The Merger" below. Other than the said consideration shares, none of the issued share capital has been paid with assets other than cash within the period covered by the historical financial information included in this Prospectus.

13.5 Other financial instruments

The Company has adopted a share incentive program, as further described in Section 11.4 "Share incentive program" above. Other than the options issued in the Company's share incentive program, neither the Company nor any of its subsidiaries has issued any options, warrants, convertible loans or other instruments that would entitle a holder of any such instrument to subscribe for any shares in the Company or its subsidiaries as at the date of this Prospectus.

13.6 Ownership structure

As of 1 November, (i.e. prior to the allocation and issuance of the Private Placement Shares), the Company has 71 shareholders registered in the VPS. The Company's 20 largest shareholders as reflected in the Company's VPS register on the same date are set out in the table below.

#	Shareholder Name	No. of Shares	Percentage, %
1	BW Group Limited	213,430,000	62.1958
2	PAG Tankers Limited	36,212,001	10.5526
3	Goldman Sachs & Co. LLC	15,938,132	4.6446
4	The Bank of New York Mellon	12,617,687	3.6769
5	Northwharf Nominees Limited	12,372,261	3.6054
6	Morgan Stanley & Co. LLC	11,385,912	3.3180
7	BW Group Limited	10,709,724	3.1209
8	WF Wells Fargo Corp Trust	8,742,000	2.5475
9	J.P. Morgan Securities LLC	6,466,187	1.8843
10	Nordea Bank Abp	5,418,715	1.5791
11	Tanker Partners 2011 LP	2,566,707	0.7480
12	Castel Invest AS	1,660,508	0.4839
13	Viking Investments (Cayman) Ltd	1,658,605	0.4833
14	BNP Paribas Securities Services	681,374	0.1986

15	The Bank of New York Mellon	350,000	0.1020
16	Danske Bank A/S	332,535	0.0969
17	Danske Bank A/S	325,683	0.0949
18	Banque Internationale à Luxembourg	312,183	0.0910
19	Søren Steenberg Jensen	288,721	0.0841
20	AS Saturn CO	268,088	0.0781
	Remaining shareholders	**1,420,956**	**0.4141**
	Total	**343,157,979**	**100**

Shareholders owning 5% or more of the Shares have an interest in the Company's share capital which is notifiable pursuant to the Norwegian Securities Trading Act. See Section 15.7 "Disclosure obligations" for a description of the disclosure obligations under the Norwegian Securities Trading Act. As of the date of this Prospectus, no shareholder other than BW Group (~65%) and PAG Tankers Limited (10.5%) holds shares in the Company representing 5% or more of its share capital.

To the extent known to the Company, there are no persons or entities, other than BW Group that, directly or indirectly, jointly or severally, exercise or could exercise control over the Company. The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

The Shares have not been subject to any public takeover bids.

No particular measures have been put in place to ensure that control is not abused by large shareholders.

13.7 Share repurchase and treasury shares

Pursuant to the Bye-laws, the Company may purchase its own shares for cancellation or acquire them as treasury shares on such terms and in such manner as may be authorised by the Board of Directors, subject to the Bermuda Companies Act. The Board of Directors may exercise all the powers of the Company to purchase or acquire its own Shares.

As at the date of this Prospectus, the Company holds 211,479 of its own Shares in treasury, representing 0.06% of the Company's issued share capital.

13.8 Admission to trading

On 1 November 2019, the Company applied for admission to trading of its Shares on Oslo Axess and the board of directors of the Oslo Stock Exchange approved the Company's listing application on 6 November 2019.

The Company expects that commencement of trading in the Shares on Oslo Axess will begin on or around 8 November 2019. The Company has not applied for admission to trading of the Shares on any other stock exchange or regulated market and the Shares have not previously been subject to public trading. The Beneficial Interest have, however, since January 2019 been subject to trading on the N-OTC.

13.9 VPS registration of the Shares

At the date hereof, the Shares are registered in the principal register of members of the Company maintained at the registered office of the Company in Bermuda and held in the name of DNB, with only the Beneficial Interests registered in the VPS.

However, when the Shares are listed or admitted to trading on an Appointed Stock Exchange, such as the Oslo Stock Exchange, the Shares may be directly registered in the VPS (and not only in the form of Beneficial Interests). On this basis, the Company will seek to register all of the Shares in book-entry form in the VPS in connection with the Listing, by way of a transfer of the Beneficial Interests from DNB to the current beneficial shareholders. Following such transfer, DNB will act as the Company's branch registrar and transfer agent with the VPS. Further, DNB will maintain a branch register of shareholders in addition to the principal register of shareholders of the Company maintained at the Company's registered office in Bermuda, pursuant to the Bermuda Companies Act.

13.10 Shareholder rights

The Company has one class of Shares in issue, and all Shares in that class have equal rights to all such other shares in that class as set out in the Bye-laws.

13.11 The Memorandum of Association, Bye-laws and certain aspects of Bermuda law

13.11.1 Objects of the Company

In accordance with common practice for Bermuda incorporated companies, the objects of the Company, as set out in paragraph 6 of its Memorandum of Association, are unrestricted.

13.11.2 The Memorandum of Association and Bye-laws

The Memorandum of Association and Bye-laws are set out in Appendix A to this Prospectus. Below is a summary of provisions of the Bye-laws and certain aspects of applicable Bermuda law. The Bye-laws of the Company do not place more stringent conditions for the change of rights of the Company's shareholders than those required by the Bermuda Companies Act, see Section 13.11.2.4 "Variation of share rights" and Section 13.11.2.5 "Voting rights".

13.11.2.1 General meetings

The annual general meeting of the Company shall be held each year at such time and place as the president or the chairman or the Board of Directors shall appoint. The president, the chairman or the Board of Directors may convene a special general meeting whenever in their judgment such a meeting is necessary. The Board of Directors shall, on the requisition of shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up voting share capital of the Company, forthwith proceed to convene a special general meeting.

At least 14 clear days' notice of an annual general meeting shall be given to each shareholder entitled to attend and vote thereat, stating the date, place and time at which the meeting is to be held, that the election of directors will take place thereat, and as far as practicable, the other business to be conducted at the meeting. At least 14 clear days' notice of a special general meeting shall be given to each shareholder entitled to attend and vote thereat, stating the date, place and time and the general nature of the business to be considered at the meeting. The Board of Directors may fix any date as the record date for determining the shareholders entitled to receive notice of and to vote at any general meeting of the Company, provided that the date for determining shareholders entitled to vote at any general meeting may not be more than five days before the date fixed for the meeting.

A general meeting of the Company shall, notwithstanding that it is called on shorter notice than that specified in the Bye-laws, be deemed to have been properly called if it is so agreed by (i) all the shareholders of the Company entitled to attend and vote thereat in the case of an annual general meeting; and (ii) by a majority in number of the shareholders having the right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the Shares giving a right to attend and vote thereat in case of a special general meeting. The accidental omission to give notice of a general meeting to, or the non-receipt of a notice of a general meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

Shareholders may participate in any general meeting by means of such telephonic, electronic or other communication facilities or means as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such meeting shall constitute presence in person at such meeting. Except as otherwise provided in the Bye-laws, the quorum at any general meeting of the Company shall be constituted by two or more persons, present in person and representing in person or by proxy, in excess of one-third of the total issued voting shares throughout the meeting.

Subject to the Bye-laws, anything which may be done by resolution of the Company in a general meeting, or by resolution of a meeting of any class of the shareholders may, without a meeting, be done by resolution in writing signed by such majority of shareholders required if the resolution was voted on at a meeting of shareholders at which all shareholders entitled to attend and vote at such meeting were present and voting. However, this does not apply to a resolution to remove an auditor from office before the expiration of his/her term of office, or a resolution for the purpose of removing a director before the expiration of his/her term of office.

13.11.2.2 Board of Directors and Management

Election and removal of Directors

The Board of Directors shall consist of not less than three Directors or such number in excess thereof as the shareholders of the Company may determine. The Board of Directors is divided into two classes of directors, each of which shall consist as nearly as possible of half the total number of directors constituting the Board of Directors. Each class of directors is elected for a two year term of office, but the terms are staggered so that only one class of director expires at each annual general meeting. The class I directors serve initially until the 2019 annual general meeting and the class II directors serve initially until the 2020 annual general meeting. The Board of Directors shall be elected or appointed at the relevant annual general meeting of the shareholders or at any special general meeting of the shareholders called for that purpose, unless there is a casual vacancy, and the shareholders of the Company may authorise the Board of Directors to fill any vacancy in their number left unfilled at a general meeting of the shareholders. If there is a vacancy of the Board of Directors occurring as a result of death, disability, disqualification or resignation of any Director or as a result of an increase in the size of the Board of Directors, the Board of Directors has the power to appoint a Director to fill the vacancy. Any shareholder, the Board of Directors or the nomination committee, if there is one appointed, may propose any person for re-election or election as a Director. Where any person, other than a Director retiring at the meeting or a person proposed for re-election or election as a Director by the Board of Directors or the nomination committee, is to be proposed for election, notice must be given to the Company of the intention to propose him and of his willingness to serve as a Director. That notice must be given not less than ten days before the date of the general meeting. Where the number of persons validly proposed for re-election or election as a Director is greater than the number of Directors to be elected, the persons receiving the most votes (up to the number of Directors to be elected) shall be elected as Directors, and an absolute majority of votes cast shall not be a prerequisite to the election of such Directors.

Subject to any provision to the contrary in the Bye-laws, the shareholders entitled to vote for the election of Directors may, at any special general meeting convened and held in accordance with the Bye-laws, remove a Director, provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention so to do and be served on such Director not less than 14 days before the meeting and at such meeting the Director shall be entitled to be heard on the motion for such Director's removal.

According to the Bye-laws, the Company may have a nomination committee appointed by the shareholders in a general meeting.

Remuneration of Directors

The remuneration (if any) of the Directors shall be determined in a general meeting. The nomination committee, if one is appointed, may provide recommendations on the remuneration of the members of the Board.

Directors to manage the business

The business of the Company shall be managed and conducted by the Board of Directors.

Power to appoint manager to manage day-to-day business

The Board of Directors may, *inter alia*, appoint a person to act as manager of the Company's day-to-day business and may entrust to and confer upon such manager such powers and duties as it deems appropriate for the transaction or conduct of such business.

Appointment of officers

The chairman of the Board of Directors and the Company shall be appointed by the shareholders from amongst the directors. The Board of Directors may appoint such other officers who may or may not be directors as the Board of Directors may determine for such terms as the Board of Directors deems fit. The secretary shall be appointed by the Board of Directors from time to time. Currently, the Company has not appointed any officers other than the chairman, secretary and assistant secretary.

Remuneration of officers

The officers shall receive such remuneration as the Board of Directors may determine.

Issuance of shares

The Board of Directors may issue any authorised but unissued Shares of the Company, subject to any resolution of the Company's shareholders to the contrary. Any issuance of preference shares by the Board of Directors is subject to prior approval given by resolution of the shareholders in general meeting pursuant to the Bye-laws.

Indemnification and exculpation of Directors and officers

Section 98 of the Bermuda Companies Act provides generally that a Bermuda company may indemnify its directors, officers and auditors against any liability which by virtue of any rule of law would otherwise be imposed on them in respect of any negligence, default, breach of duty or breach of trust, except in cases where such liability arises from fraud or dishonesty of which such director, officer or auditor may be guilty in relation to the company. Section 98 further provides that a Bermuda company may indemnify its directors, officers and auditors against any liability incurred by them in defending any proceedings, whether civil or criminal, in which judgment is awarded in their favour or in which they are acquitted or granted relief by the Supreme Court of Bermuda pursuant to section 281 of the Bermuda Companies Act.

The Company has adopted provisions in its Bye-laws that provide that it shall indemnify its officers and directors in respect of their actions and omissions, except in respect of their fraud or dishonesty. The Bye-laws provide that the shareholders waive all claims or rights of action that they might have, individually or in right of the Company, against any of the Company's directors or officers for any act or failure to act in the performance of such director's or officer's duties, except in respect of any fraud or dishonesty of such director or officer. Section 98A of the Bermuda Companies Act permits the Company to purchase and maintain insurance for the benefit of any officer or director in respect of any loss or liability attaching to him in respect of any negligence, default, breach of duty or breach of trust, whether or not the Company may otherwise indemnify such officer or director. The Company has purchased and maintains a directors' and officers' liability policy for such a purpose. The Company may advance monies to a director or officer for the costs, charges and expenses incurred by the director or officer in defending any civil or criminal proceedings against him, on condition that the director or officer shall repay the advance if any allegation of fraud or dishonesty in relation to the Company is proved against him.

13.11.2.3 Share rights

The holders of Shares have no pre-emptive, redemption, conversion or sinking fund rights. The holders of Shares are entitled to one vote per Share on all matters submitted to a vote of the holders of Shares.

Unless a different majority is required by law or by the Bye-laws, resolutions to be approved by the holders of Shares require approval by the affirmative votes of a majority of the votes cast at a meeting at which a quorum is present.

In the event of the liquidation, dissolution or winding up of the Company, the holders of Shares are entitled to share equally and rateably in its assets, if any, remaining after the payment of all of the Company's debts and liabilities, subject to any liquidation preference on any issued and outstanding preference shares.

The Bye-laws require shareholders to make such notifications to the Company regarding their interests in Company Securities as they are required to make under all applicable rules and regulations to which the Company is subject. The Board of Directors has the power under the Bye-laws to serve a notice to require any shareholder or any other person it has reasonable cause to believe to be interested in Company Securities (being an Interested Party) to disclose the nature of such interest and any documents to verify the identity of the Interested Party that the Board of Directors deems necessary. If after fourteen days from being served with such notice the shareholder or Interested Party the Board of Directors is satisfied that the shareholder or Interested Party is in default in supplying the information required, or in purported compliance has made a statement which is false or inadequate in any material particular as determined by the Board of Directors, then the Board of Directors may at any time thereafter serve a further notice to direct that in respect of the Company Securities to which the notice applies (the "**Default Securities**") the shareholder shall not be entitled to attend or vote either personally or by proxy at a general meeting or at a separate meeting of the holders of that class of shares or on a poll; and where such Default Securities represent at least 0.25% of the issued shares of their class, the further notice may direct that in respect of such Default Securities: (i) where an offer of the right to elect to receive Company Securities instead of cash in respect of any dividend or part thereof is or has been made by the Company, any election made thereunder by such shareholder in respect of such Default Securities shall not be effective; and/or (ii) any dividend or other amount payable in respect of such Default Securities shall be withheld by the Company, which shall have no obligation to pay interest on it, and such dividend or part thereof shall only be payable when the notice from the Company ceases to have effect; and/or (iii) no transfer of any Company Securities held by any such shareholder shall be recognised or registered by the Board of Directors unless the transfer is an excepted transfer (as defined in the Bye-laws) or the shareholder is not himself in default as regards supplying the requisite information, and when presented for registration, the transfer is accompanied by a certificate from the shareholder in a form satisfactory to the Board of Directors to the effect that after due and careful enquiry the shareholder is satisfied that none of the Company Securities which are subject to the transfer are Default Securities.

13.11.2.4 Variation of share rights

If at any time the Company has more than one class of shares, the rights attaching to any class, unless otherwise provided for by the terms of issue of the relevant class, may be varied either: (i) with the consent in writing of the holders of 75% of the issued shares of that class; or (ii) with the sanction of a resolution passed by a majority of the votes cast at a general meeting of the relevant class of shareholders at which a quorum consisting of at least two persons holding or representing one-third of the issued shares of the relevant class is present. The Bye-laws specify that the creation or issue of shares ranking equally with existing shares will not, unless expressly provided by the terms of issue of existing shares, vary the rights attached to existing shares. In addition, the creation or issue of preference shares ranking prior to the Shares will not be deemed to vary the rights attached to the Shares or, subject to the terms of any other series of preference shares, to vary the rights attached to any other series of preference shares.

13.11.2.5 Voting rights

At any general meeting, every holder of Shares present in person and every person holding a valid proxy shall have one vote on a show of hands. On a poll, every such holder of Shares present in person or by proxy shall have one vote for every Share held, except as set out in Section 13.11.2.3 "Share rights".

Subject to the provisions of the Bermuda Companies Act, and the Bye-laws, any question proposed for the consideration of the shareholders at any general meeting shall be decided by the affirmative votes of a majority of the votes cast in accordance with the provisions of the Bye-laws and in the case of an equality of votes, the resolution shall fail.

13.11.2.6 Amendment of the Memorandum of Association and the Bye-laws

The Bye-laws provide that the Memorandum of Association may not be altered or amended, unless it shall have been approved by a resolution by the Board of Directors and by a resolution passed with the affirmative vote of not less than two-thirds of the votes cast at a general meeting. The Bye-laws further provide that no Bye-law shall be rescinded, altered or amended and no new Bye-law shall be made until the same has been approved by a resolution of the Board of Directors and by a resolution of the shareholders with the affirmative vote of not less than two-thirds of the votes cast at a general meeting. In addition, Bye-law 77 (Change of Name) shall not be rescinded, altered or amended unless approved by a resolution of the Board of Directors passed by a majority of the directors then in office and eligible to vote on that resolution and by a resolution of the shareholders with the affirmative vote of not less than four-fifths of the issued shares of the Company carrying the right to vote at general meetings at the relevant time.

Under the Bermuda Companies Act, the holders of an aggregate of not less than 20% in par value of the company's issued share capital or any class thereof have the right to apply to the Supreme Court of Bermuda for an annulment of any amendment of the memorandum of association adopted by shareholders at any general meeting, other than an amendment which alters or reduces a company's share capital as provided in the Bermuda Companies Act. Where such an application is made, the amendment becomes effective only to the extent that it is confirmed by the Supreme Court of Bermuda. An application for an annulment of an amendment of the memorandum of association must be made within 21 days after the date on which the resolution altering the company's memorandum of association is passed and may be made on behalf of persons entitled to make the application by one or more of their number as they may appoint in writing for the purpose. No application may be made by shareholders voting in favour of the amendment.

13.11.2.7 Amalgamations and mergers

The amalgamation or merger of a Bermuda company with another company or corporation (other than certain affiliated companies) requires the amalgamation or merger agreement to be approved by the company's Board of Directors and by its shareholders. Unless a company's bye-laws provide otherwise, the approval of 75% of the shareholders voting at such meeting is required to approve the amalgamation or merger agreement, and the quorum for such meeting must be two persons holding or representing more than one-third of the issued shares of the company. On the date hereof, the Company's Bye-laws do not deviate from these requirements. See also Section 13.11.2.9 "Appraisal rights and shareholder suits".

13.11.2.8 Transfer of shares

The Bye-laws provide that the Board of Directors may decline to register the transfer of any interest in any Share in the register of members or decline to direct any registrar appointed by the Company to register the transfer where such transfer is not permitted as described in Section 13.11.2.3 "Share rights" or would in the opinion of the Board of Directors be likely to result in 50% or more of the shares or votes in the Company being held or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or effectively connected to a Norwegian business activity, or the Company otherwise being deemed a CFC as such term is defined under the Norwegian tax legislation.

Subject to the above, but notwithstanding anything else to the contrary in the Bye-laws, shares that are listed or admitted to trading on an Appointed Stock Exchange may be transferred in accordance with the rules and regulations of such exchange. All transfers of uncertificated shares shall be made in accordance with and be subject to the facilities and requirements of the transfer of title to shares in that class by means of the VPS or any other relevant system concerned and, subject thereto, in accordance with any arrangements made by the Board of Directors in accordance with the Bye-laws. The Board of Directors shall refuse to register a transfer of a share unless all applicable consents, authorisations and permissions of any governmental body or agency in Bermuda have been obtained. The Board of Directors may also refuse to recognise an instrument of transfer of a share unless it is accompanied by the relevant share certificate (if one has been issued) and such other evidence of the transferor's right to make the transfer as the

Board of Directors shall reasonably require. Subject to these restrictions, a holder of Shares may transfer the title to all or any of his Shares by completing an instrument of transfer in the usual common form or in any other form as the Board of Directors may approve. The instrument of transfer must be signed by the transferor and transferee, although in the case of a fully paid share the Board of Directors may accept the instrument signed only by the transferor. Shares may be transferred without a written instrument if transferred by an appointed agent or otherwise in accordance with the Bermuda Companies Act.

In accordance with Bermuda law, share certificates are only issued in the names of companies, partnerships or individuals. In the case of a shareholder acting in a special capacity (for example as a trustee), certificates may, at the request of the shareholder, record the capacity in which the shareholder is acting. Notwithstanding such recording of any special capacity, the Company is not bound to investigate or see to the execution of any such trust. The Company will take no notice of any trust applicable to any of the Shares, whether or not the Company has been notified of such trust.

See Section 2.6 "Risks related to the Company's incorporation in Bermuda" for a summary of the provisions in the Bye-laws that contain provisions that could make it more difficult for a third party to acquire the Company without the consent of the Board of Directors.

13.11.2.9 Appraisal rights and shareholder suits

Under the Bermuda Companies Act, in the event of an amalgamation or merger of a Bermuda company with another company or corporation, a shareholder of the Bermuda company who did not vote in favour of the amalgamation or merger and who is not satisfied that fair value has been offered for such shareholder's shares may, within one month of notice of the general meeting, apply to the Supreme Court of Bermuda to appraise the fair value of those shares.

Class actions and derivative actions are generally not available to shareholders under Bermuda law. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association or bye-laws.

Further, consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than that which actually approved it.

When the affairs of a company are being conducted in a manner which is oppressive or prejudicial to the interests of some part of the shareholders, one or more shareholders may apply to the Supreme Court of Bermuda, which may make such order as it sees fit, including an order regulating the conduct of the company's affairs in the future or ordering the purchase of the shares of any shareholders by other shareholders or by the company.

The Bye-laws contain a provision by virtue of which the Company's shareholders waive any claim or right of action that they have, both individually and on the Company's behalf, against any director or officer of the Company in relation to any action or failure to take action by such director or officer, except in respect of any fraud or dishonesty of such director or officer.

13.11.2.10 Capitalisation of profits and reserves

Pursuant to the Bye-laws, the Board of Directors may (i) capitalise any part of the amount of the Company's share premium or other reserve accounts or any amount credited to the Company's profit and loss account or otherwise available for distribution by applying such sum in paying up unissued shares to be allotted as fully paid bonus shares pro-rata (except in connection with the conversion of shares) to the shareholders; or (ii) capitalise any amount standing to the credit of a reserve account or amounts otherwise available for dividend or distribution by paying up in full partly or nil paid shares of those shareholders who would have been entitled to such sums if they were distributed by way of dividend or distribution.

13.11.2.11 Untraced shareholders

The Bye-laws provide that the Board of Directors may forfeit any dividend or other monies payable in respect of any shares which remain unclaimed for six years from the date when such monies became due for payment. In addition, the Company is entitled to cease sending dividend warrants and checks by post or otherwise to a shareholder if such instruments have been returned undelivered to, or left uncashed by, such shareholder on at least two consecutive occasions or, following one such occasion, reasonable enquires have failed to establish the shareholder's new address. This entitlement ceases if the shareholder claims a dividend or cashes a dividend check or a warrant.

13.11.2.12 Access to books and records and dissemination of information

Members of the general public have the right to inspect the public documents of a Bermuda company available at the office of the Registrar of Companies in Bermuda. These documents include the Company's Memorandum of Association, including its objects and powers, and certain alterations to its Memorandum of Association. The shareholders have the additional right to inspect the Bye-laws of the Company, minutes of general meetings and the Company's audited financial statements, which must be presented to the annual general meeting. The register of members of a Bermuda company is also open to inspection by shareholders and by members of the general public without charge. The register of members is required to be open for inspection for not less than two hours in any business day (subject to the ability of a company to close the register of members for not more than thirty days in a year). A company is required to maintain its share register in Bermuda but may, subject to the provisions of the Bermuda Companies Act, establish a branch register outside of Bermuda. A company is required to keep at its registered office a register of directors and officers that is open for inspection for not less than two hours in any business day by members of the public without charge. A company is also required to file with the Registrar of Companies in Bermuda a list of its directors to be maintained on a register which register will be available for public inspection subject to such conditions as the Registrar may impose and on payment of such fee as may be prescribed. However, Bermuda law does not provide a general right for shareholders to inspect or obtain copies of any other corporate records. Where a company (the shares of which are listed on an Appointed Stock Exchange) sends its summarised financial statements to its shareholders pursuant to section 87A of the Bermuda Companies Act, a copy of the full financial statements (as well as the summarised financial statements) must be available for inspection by the public at the company's registered office.

13.11.2.13 Dividends and dividend policy

The Company targets a quarterly dividend based on a pay-out ratio of 50% of annual net profit (adjusted for extraordinary items). The final amount of dividend is to be decided by the Board of Directors. Besides net profit, the Board of Directors will take into consideration the capital structure of the Company, its liquidity position, capital expenditure plans and market outlook. In addition to cash dividends, the Company may buy back shares as part of its total distribution to shareholders.

Under Bermuda law, a company may not declare or pay dividends if there are reasonable grounds for believing that: (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) that the realisable value of its assets would thereby be less than its liabilities. Under the Bye-laws, each of the Shares is entitled to such dividends as the Board of Directors may from time to time declare, subject to any preferred dividend right of the holders of any preference shares.

According to the Bye-laws, any dividend and or other monies payable in respect of a Share which has remained unclaimed for six years from the date when it became due for payment shall, if the Board of Directors so resolves, be forfeited and cease to remain owing by the Company. The payment of any unclaimed dividend or other moneys payable in respect of a share may (but need not) be paid by the Company into an account separate from the Company's own account. Such payment shall not constitute the Company a trustee in respect thereof.

13.11.2.14 Winding up

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors (including contingent or prospective creditors) or its contributories. The Bermuda court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, the company shall, from the commencement of the winding up, cease to carry on its business, except so far as may be required for the beneficial winding up thereof.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be deemed a "members' voluntary winding up". In any case where such declaration has not been made, the winding up will be deemed a "creditors' voluntary winding up".

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Bermuda Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator is at any time of the opinion that the company will not be able to pay its debts in full in the period stated in the directors' declaration of solvency, he is obliged to summon a meeting of creditors and lay before the meeting a statement of the assets and liabilities of the company.

As soon as the affairs of the company are fully wound up via a members' voluntary winding up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account, and giving any explanation thereof. This final general meeting shall be called by advertisement in an appointed newspaper, published at least one month before the meeting. Within one week after the meeting the liquidator shall notify the Registrar of Companies in Bermuda that the company has been dissolved and the Registrar shall record that fact in accordance with the Bermuda Companies Act.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of the creditors of the company to be summoned for the day, or the next day following the day, on which the meeting of the members at which the resolution for voluntary winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, the company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company and distributing the assets of the company, provided that if the creditors and the members nominate different persons, the person nominated by the creditors shall be the liquidator. If no person is nominated by the creditors, the person (if any) nominated by the members shall be liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' voluntary winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year and must lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year.

As soon as the affairs of the company are fully wound up via a creditors' voluntary winding up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before the meetings, and giving any explanation thereof. Each such meeting shall be called by advertisement in an appointed newspaper, published at least one month before the meeting. Within one week after the date of the meetings, or if the meetings are not held on the same date, after the date of the later meeting, the liquidator is required to send to the Registrar of Companies in Bermuda a copy of the account and make a return to him in accordance with the Bermuda Companies Act. The company will be deemed to be dissolved on the expiration of three months from the registration by the Registrar of Companies in Bermuda of the account and the return. However, a Bermuda court may, on the application of the liquidator or of some other person who appears to the court to be interested, make an order deferring the date at which the dissolution of the company is to take effect for such time as the court thinks fit.

13.12 Anti-takeover and change of control

The Company's Bye-laws contain provisions that could make it more difficult for a third party to acquire the Company without the consent of the Board of Directors. These provisions include, among other things:

- a classified Board of Directors with staggered two-year terms;

- that the Board of Directors can decline to register certain transfers of Shares in certain circumstances under the Bye-Laws where such the transfer is not in accordance with certain provisions in the Bye-laws or would likely result in 50% or more of the aggregate issued and outstanding Shares or votes of the Company being held or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or such Shares being effectively connected to a Norwegian business activity, or the Company being deemed a CFC pursuant to Norwegian tax rules (see Section 13.11.2.8 "Transfer of shares" for more information);

- that the Board of Directors may issue any authorised but unissued Shares of the Company, subject to any resolution of the Company's shareholders to the contrary;

- that the Shareholders are required to notify the Company of their interests in Shares to the extent they are required to do so under all applicable rules and regulations to which the Company is subject; and

- that the Board of Directors has the power to serve a notice to require any Member or any other person it has reasonable cause to believe, as determined in the Board's sole discretion, to be interested in Shares (being an Interested Party), to disclose to the Company the nature of such interest and any documents to verify the identity of the Interested Party that the Board of Directors deems necessary (see Section 13.11.2.3 "Share rights" for more information).

Further, other future contractual obligations of the Group may contain change of control provisions.

These provisions could make it more difficult for a third party to acquire the Company, even if the third party's offer may be considered beneficial by many shareholders. As a result, shareholders may be limited in their ability to obtain a premium for their Shares.

13.13 Shareholders' agreement

The Company is not aware of any shareholders' agreements related to the Shares which will be in force upon Listing.

14 THE MERGER

14.1 Introduction

The merger was agreed on 21 December 2018 and completed in January 2019. Below, is a description of the merger and the key agreements and terms pertaining to the merger.

14.2 Overview

On 21 December 2018, the N-OTC listed Hafnia Tankers, a Marshall Islands limited liability company, BW Tankers and BW Tankers' wholly owned subsidiary, BW Tankers Corporation, a Marshall Islands limited liability company, entered into a merger agreement (the "**Merger Agreement**") for a merger of Hafnia Tankers and BW Tankers. The Merger was a cross-border triangular merger carried out in the following two steps:

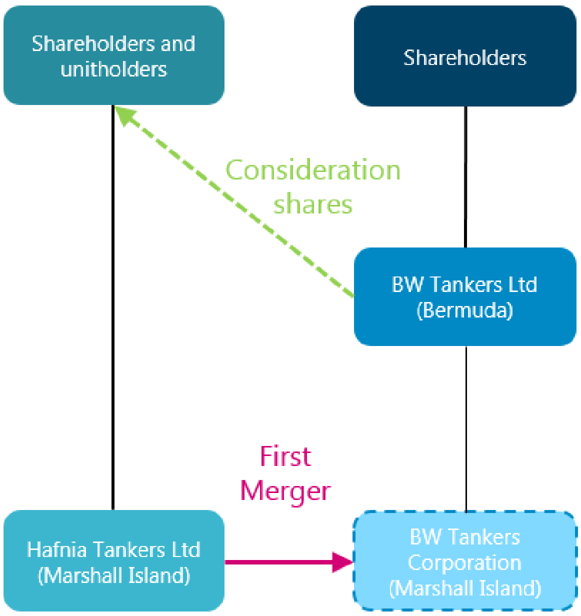
1 First, Hafnia Tankers and BW Tankers Corporation were merged, with BW Tankers Corporation being the surviving and continuing entity of such merger (the "**First Merger**").

2 Then, BW Tankers Corporation (being the continuing entity of the First Merger) was merged with its parent, BW Tankers, with BW Tankers being the surviving and continuing entity (the "**Second Merger**").

Following the Second Merger, BW Tankers changed its name to Hafnia Limited (in this Prospectus referred to as the 'Company'). The First Merger and the Second Merger are collectively referred to as the "**Merger**".

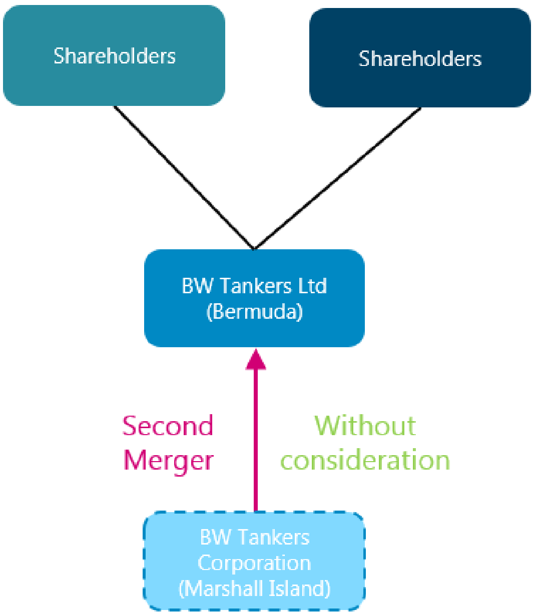
The Company continued Hafnia Tankers' listing on the N-OTC list, where the Beneficial Interests are currently listed. The N-OTC listing will be discontinued in connection with the Listing.

Figure 14.2a: Illustration of the First Merger (simplified)*



*Hafnia Tankers underwent a reorganisation at shareholder level simultaneously with the First Merger. This illustration only shows the key elements of the First Merger at the level of the Group.

Figure 14.2b: Illustration of the Second Merger.



14.3 Consideration and valuation

For the purpose of the First Merger, Hafnia Tankers and BW Tankers agreed that the value of the shares in Hafnia Tankers was USD 413.3 million and that the value of the shares in BW Tankers was USD 552.0 million at the time of the Merger, resulting in an exchange ratio of 42.8% to the shareholders of Hafnia Tankers and 57.2% to the shareholders of BW Tankers. Accordingly, following the First Merger, the BW Tankers shareholders held 57.2% of the issued and outstanding common shares in the Company, and the former Hafnia Tankers shareholders held 42.8% of the combined company. This is representative of the current share structure, see Section 13.6 "Ownership structure" for a list of the 20 largest shareholders in the Company.

The Second Merger was a merger between a parent company and its wholly-owned subsidiary, and was completed without consideration.

15 SECURITIES TRADING IN NORWAY

Set out below is a summary of certain aspects of securities trading in Norway. The summary is based on the rules and regulations in force in Norway as at the date of this Prospectus, which may be subject to changes occurring after such date. The summary does not purport to be a comprehensive description of securities trading in Norway. Shareholders who wish to clarify the aspects of securities trading in Norway should consult with and rely upon their own advisors.

15.1 Introduction

The Oslo Stock Exchange comprise two separate trading markets for trading in securities, Oslo Børs, a stock exchange operated by Oslo Børs ASA, and Oslo Axess, a regulated market operated by Oslo Børs ASA.

The Oslo Stock Exchange was established in 1819 and offers the only regulated market for securities trading in Norway. Oslo Børs ASA is 100% owned by Oslo Børs VPS Holding ASA which was acquired by Euronext on 18 June 2019. Euronext owns seven regulated markets across Europe, including Amsterdam, Brussels, Dublin, Lisbon, London, Oslo and Paris. The Oslo Stock Exchange has entered into a strategic cooperation with the London Stock Exchange group with regards to, *inter alia*, trading systems for equities, fixed income and derivatives.

15.2 Trading and settlement

Trading of equities on the Oslo Stock Exchange is currently carried out in the electronic trading system Millennium Exchange. This trading system is in use by all markets operated by the London Stock Exchange, including the Borsa Italiana, as well as by the Johannesburg Stock Exchange.

Official trading on the Oslo Stock Exchange takes place between 09:00 hours (CET/CEST) and 16:20 hours (CET/CEST) each trading day, with pre-trade period between 08:15 hours (CET/CEST) and 09:00 hours (CET/CEST), closing auction from 16:20 hours (CET/CEST) to 16:25 hours (CET/CEST) and a post-trade period from 16:25 hours (CET/CEST) to 17:30 hours (CET/CEST). Reporting of after exchange trades can be done until 17:30 hours (CET/CEST).

The settlement period for trading on the Oslo Stock Exchange is two trading days (T+2). This means that securities will be settled on the investor's account in the VPS two days after the transaction, and that the seller will receive payment after two days.

Oslo Clearing ASA, a wholly-owned subsidiary of SIX x-clear AG, a company in the SIX group, has a license from the NFSA to act as a central clearing service, and has from 18 June 2010 offered clearing and counterparty services for equity trading on the Oslo Stock Exchange.

Investment services in Norway may only be provided by Norwegian investment firms holding a license under the Norwegian Securities Trading Act, branches of investment firms from an EEA member state or investment firms from outside the EEA that have been licensed to operate in Norway. Investment firms in an EEA member state may also provide cross-border investment services into Norway.

It is possible for investment firms to undertake market-making activities in shares listed in Norway if they have a license to this effect under the Norwegian Securities Trading Act, or in the case of investment firms in an EEA member state, a license to carry out market-making activities in their home jurisdiction. Such market-making activities will be governed by the regulations of the Norwegian Securities Trading Act relating to brokers' trading for their own account. However, such market-making activities do not as such require notification to the NFSA or the Oslo Stock Exchange except for the general obligation of investment firms that are members of the Oslo Stock Exchange to report all trades in stock exchange listed securities.

15.3 Information, control and surveillance

Under Norwegian law, the Oslo Stock Exchange is required to perform a number of surveillance and control functions. The Surveillance and Corporate Control unit of the Oslo Stock Exchange monitors all market activity on a continuous basis. Market surveillance systems are largely automated, promptly warning department personnel of abnormal market developments.

The NFSA controls the issuance of securities in both the equity and bond markets in Norway and evaluates whether the issuance documentation contains the required information and whether it would otherwise be unlawful to carry out the issuance.

Under Norwegian law, a company that is listed on a Norwegian regulated market, or has applied for listing on such market, must promptly release any inside information directly concerning the company. Inside information means precise information about financial instruments, the issuer thereof or other matters which are likely to have a significant effect on the price of the relevant financial instruments or related financial instruments, and which are not publicly available or commonly known in the market. A company may, however, delay the release of such information in order not to prejudice its legitimate interests, provided that it is able to ensure the confidentiality of the information and that the delayed release would not be likely to mislead the public. The Oslo Stock Exchange may levy fines on companies violating these requirements.

15.4 The VPS and transfer of shares

Upon Listing, the shareholder register of the Company will be maintained with the VPS, which will be a branch register for the purposes of the Bermuda Companies Act, in addition to the principal share register of the Company maintained at the registered office of the Company in Bermuda pursuant to the provisions of the Bermuda Companies Act. Bermuda law permits the transfer of shares listed or admitted to trading on the Oslo Stock Exchange to be effected in accordance with the rules of the Oslo Stock Exchange (provided it remains an Appointed Stock Exchange). Accordingly, upon Listing the title to the Shares will be evidenced and transferred without a written instrument by the VPS in accordance with the Bye-laws, provided that they are listed or admitted to trading on the Oslo Stock Exchange. The VPS is the Norwegian paperless centralised securities register. It is a computerised book-keeping system in which the ownership of, and all transactions relating to, shares traded on the Oslo Stock Exchange must be recorded. The VPS and the Oslo Stock Exchange are both wholly-owned by Oslo Børs VPS Holding ASA.

All transactions relating to securities registered with the VPS are made through computerised book entries. No physical share certificates are, or may be, issued. The VPS confirms each entry by sending a transcript to the registered shareholder irrespective of any beneficial ownership. To give effect to such entries, the individual shareholder must establish a share account with a Norwegian account agent. Norwegian banks, Norges Bank (being, the Central Bank of Norway), authorised securities brokers in Norway and Norwegian branches of credit institutions established within the EEA are allowed to act as account agents.

As a matter of Norwegian law, the entry of a transaction in the VPS is prima facie evidence in determining the legal rights of parties as against the issuing company or any third party claiming an interest in the given security. A transferee or assignee of shares may not exercise the rights of a shareholder with respect to such shares unless such transferee or assignee has registered such shareholding or has reported and shown evidence of such share acquisition, and the acquisition is not prevented by law, the relevant company's articles of association, bye-laws or otherwise.

The VPS is liable for any loss suffered as a result of faulty registration or an amendment to, or deletion of, rights in respect of registered securities unless the error is caused by matters outside the VPS' control which the VPS could not reasonably be expected to avoid or overcome the consequences of. Damages payable by the VPS may, however, be reduced in the event of contributory negligence by the aggrieved party.

The VPS must provide information to the NFSA on an ongoing basis, as well as any information that the NFSA requests. Further, Norwegian tax authorities may require certain information from the VPS regarding any individual's holdings of securities, including information about dividends and interest payments.

Any future payments of dividends on the Shares will be denominated in USD. Such dividends will be distributed through the VPS in NOK. Investors registered in the VPS whose address is outside Norway and who have not supplied the VPS with details of any NOK account, will however not receive dividends unless they register their bank account details with the VPS Registrar. The exchange rate(s) that is applied will be DNB Bank ASA's rate on the date of issuance.

15.5 Shareholder register

Under Norwegian law, shares are registered in the name of the beneficial owner of the shares. As a general rule, there are no arrangements for nominee registration and Norwegian shareholders are not allowed to register their shares in the VPS through a nominee. However, foreign shareholders may register their shares in the VPS in the name of a nominee (bank or other nominee) approved by the NFSA. An approved and registered nominee has a duty to provide information on demand about beneficial shareholders to the company and to the Norwegian authorities. In case of registration by nominees, the registration in the VPS must show that the registered owner is a nominee. A registered nominee has the right to receive dividends and other distributions, but cannot vote in general meetings on behalf of the beneficial owners.

15.6 Foreign investments in shares listed in Norway

Foreign investors may trade shares listed on the Oslo Stock Exchange through any broker that is a member of the Oslo Stock Exchange, whether Norwegian or foreign.

15.7 Disclosure obligations

If a person's, entity's or consolidated group's proportion of the total issued shares and/or rights to shares in a company listed on a regulated market in Norway (with Norway as its home state, which will be the case for the Company) reaches, exceeds or falls below the respective thresholds of 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 or 90% of the share capital or the voting rights of that company, the person, entity or group in question has an obligation under the Norwegian Securities Trading Act to notify the Oslo Stock Exchange and the issuer immediately. The same applies if the disclosure thresholds are passed due to other circumstances, such as a change in the company's share capital.

In addition, the Bye-laws require shareholders to make such notifications to the Company regarding their interest in securities in the Company as they are required to make under all applicable rules and regulations to which the Company is subject. See Section 13.11.2.3 "Share rights" for more information on the disclosure obligations set forth in the Bye-laws.

15.8 Insider trading

According to Norwegian law, subscription for, purchase, sale or exchange of financial instruments that are listed, or subject to the application for listing, on a Norwegian regulated market, or incitement to such dispositions, must not be undertaken by anyone who has inside information, as defined in Section 3-2 of the Norwegian Securities Trading Act. The same applies to the entry into, purchase, sale or exchange of options or futures/forward contracts or equivalent rights whose value is connected to such financial instruments or incitement to such dispositions.

15.9 Mandatory offer requirement

The Norwegian Securities Trading Act requires any person, entity or consolidated group that becomes the owner of shares representing more than one-third of the voting rights of a company listed on a Norwegian regulated market (with the exception of certain foreign companies not including the Company) to, within four weeks, make an unconditional general offer for the purchase of the remaining shares in that company. A mandatory offer obligation may also be triggered where a party acquires the right to become the owner of shares that, together with the party's own shareholding, represent more than one-third of the voting rights in the company and the Oslo Stock Exchange decides that this is regarded as an effective acquisition of the shares in question.

The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares that exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

When a mandatory offer obligation is triggered, the person subject to the obligation is required to immediately notify the Oslo Stock Exchange and the company in question accordingly. The notification is required to state whether an offer will be made to acquire the remaining shares in the company or whether a sale will take place. As a rule, a notification to the effect that an offer will be made cannot be retracted. The offer and the offer document required are subject to approval by the Oslo Stock Exchange before the offer is submitted to the shareholders or made public.

The offer price per share must be at least as high as the highest price paid or agreed by the offeror for the shares in the six months period prior to the date the threshold was exceeded. If the acquirer acquires or agrees to acquire additional shares at a higher price prior to the expiration of the mandatory offer period, the acquirer is obliged to restate its offer at such higher price. A mandatory offer must be in cash or contain a cash alternative at least equivalent to any other consideration offered.

In case of failure to make a mandatory offer or to sell the portion of the shares that exceeds the relevant threshold within four weeks, the Oslo Stock Exchange may force the acquirer to sell the shares exceeding the threshold by public auction. Moreover, a shareholder who fails to make an offer may not, as long as the mandatory offer obligation remains in force, exercise rights in the company, such as voting in a general meeting, without the consent of a majority of the remaining shareholders. The shareholder may, however, exercise his/her/its rights to dividends and pre-emption rights in the event of a share capital increase. If the shareholder neglects his/her/its duty to make a mandatory offer, the Oslo Stock Exchange may impose a cumulative daily fine that runs until the circumstance has been rectified.

Any person, entity or consolidated group that owns shares representing more than one-third of the votes in a company listed on a Norwegian regulated market (with the exception of certain foreign companies not including the Company) is obliged to make an offer to purchase the remaining shares of the company (repeated offer obligation) if the person, entity or consolidated group through acquisition becomes the owner of shares representing 40%, or more of the votes in the company. The same applies correspondingly if the person, entity or consolidated group through acquisition becomes the owner of shares representing 50% or more of the votes in the company. The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares which exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

Any person, entity or consolidated group that has passed any of the above mentioned thresholds in such a way as not to trigger the mandatory bid obligation, and has therefore not previously made an offer for the remaining shares in the company in accordance with the mandatory offer rules is, as a main rule, obliged to make a mandatory offer in the event of a subsequent acquisition of shares in the company.

15.10 Compulsory acquisition

Under Bermuda law, an acquiring party is generally able to acquire compulsorily the common shares of minority holders in the following ways:

- By a procedure under the Bermuda Companies Act known as a "scheme of arrangement". A scheme of arrangement could be effected by obtaining the agreement of the company and of holders of common shares, representing in the aggregate a majority in number and at least 75% in value of the common shareholders present and voting at a court ordered meeting held to consider the scheme or arrangement. The scheme of arrangement must then be sanctioned by the Bermuda Supreme Court. If a scheme of arrangement receives all necessary agreements and sanctions, upon the filing of the court order with the Registrar of Companies in Bermuda, all holders of common shares could be compelled to sell their shares under the terms of the scheme or arrangement.

- If the acquiring party is a company it may compulsorily acquire all the shares of the target company, by acquiring pursuant to a tender offer 90% of the shares or class of shares not already owned by, or by a nominee for, the acquiring party (the offeror), or any of its subsidiaries. If an offeror has, within four months after the making of an offer for all the shares or class of shares not owned by, or by a nominee for, the offeror, or any of its subsidiaries, obtained the approval of the holders of 90% or more of all the shares to which the offer relates, the offeror may, at any time within two months beginning with the date on which the approval was obtained, require by notice any nontendering shareholder to transfer its shares on the same terms as the original offer. In those circumstances, nontendering shareholders will be compelled to sell their shares unless the Supreme Court of Bermuda (on application made within a one-month period from the date of the offeror's notice of its intention to acquire such shares) orders otherwise.

- Where one or more parties holds not less than 95% of the shares or a class of shares of a company, such holder(s) may, pursuant to a notice given to the remaining shareholders or class of shareholders, acquire the shares of such remaining shareholders or class of shareholders. When this notice is given, the acquiring party is entitled and bound to acquire the shares of the remaining shareholders on the terms set out in the notice, unless a remaining shareholder, within one month of receiving such notice, applies to the Supreme Court of Bermuda for an appraisal of the value of their shares. This provision only applies where the acquiring party offers the same terms to all holders of shares whose shares are being acquired.

15.11 Foreign exchange controls

There are currently no foreign exchange control restrictions in Norway that would potentially restrict the payment of dividends to a shareholder outside Norway, and there are currently no restrictions that would affect the right of shareholders of a company that has its shares registered with the VPS who are not residents in Norway to dispose of their shares and receive the proceeds from a disposal outside Norway. There is no maximum transferable amount either to or from Norway, although transferring banks are required to submit reports on foreign currency exchange transactions into and out of Norway into a central data register maintained by the Norwegian customs and excise authorities. The Norwegian police, tax authorities, customs and excise authorities, the National Insurance Administration and the NFSA have electronic access to the data in this register.

The Bermuda Monetary Authority has given its consent for the issue and free transferability of the Shares to and between residents and non-residents of Bermuda for exchange control purposes provided that the Shares are listed on an Appointed Stock Exchange (which includes the Oslo Stock Exchange). Approvals or permissions given by the Bermuda Monetary Authority do not constitute a guarantee by the Bermuda Monetary Authority as to the Company's performance or its creditworthiness. Accordingly, in giving such consent or permissions, the Bermuda Monetary Authority shall not be liable for the financial soundness, performance or default of the Company's business or for the correctness of any opinions or statements expressed in this Prospectus. Certain issues and transfers of Shares involving persons deemed resident in Bermuda for exchange control purposes require the specific consent of the Bermuda Monetary Authority.

The Company has been designated by the Bermuda Monetary Authority as a non-resident for Bermuda exchange control purposes. This designation allows the Company to engage in transactions in currencies other than the Bermuda dollar, and there are no restrictions on the Company's ability to transfer funds (other than funds denominated in Bermuda dollars) in and out of Bermuda or to pay dividends to non-residents who are holders of Shares.

16 TAXATION

Set out below is a summary of certain Norwegian tax matters related to an investment in the Company. The summary regarding Norwegian taxation is based on the laws in force in Norway as at the date of this Prospectus, which may be subject to any changes in law occurring after such date. Such changes could possibly be made on a retrospective basis.

The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the shares in the Company. Shareholders who wish to clarify their own tax situation should consult with and rely upon their own tax advisors. Shareholders resident in jurisdictions other than Norway and shareholders who cease to be resident in Norway for tax purposes (due to domestic tax law or a tax treaty) should specifically consult with and rely upon their own tax advisors with respect to the tax position in their country of residence and the tax consequences related to ceasing to be resident in Norway for tax purposes.

Please note that for the purpose of the summary below, a reference to a Norwegian or non-Norwegian shareholder refers to the tax residency and not the nationality of the shareholder.

16.1 Bermuda taxation

At present, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company or by its shareholders in respect of the Shares. The Company has obtained an assurance from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until 31 March 2035, be applicable to the Company or to any of the Company's operations or to its shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda or is payable by the Company in respect of real property owned or leased by the Company in Bermuda.

16.2 Norwegian taxation

16.2.1 Taxation of dividends

Norwegian Personal Shareholders

Dividends received by Shareholders who are individuals resident in Norway for tax purposes ("**Norwegian Personal Shareholders**") are taxable as ordinary income in Norway for such shareholders at an effective rate of 31.68% to the extent the dividend exceeds a tax-free allowance; i.e. dividends received, less the tax free allowance, shall be multiplied by 1.44 which are then included as ordinary income taxable at a flat rate of 22%, increasing the effective tax rate on dividends received by Norwegian Personal Shareholders to 31.68%.

The tax-free allowance is calculated on a share-by-share basis. The allowance for each share is equal to the cost price of the share multiplied by a determined risk free interest rate based on the effective rate of interest on treasury bills (*Nw.: statskasseveksler*) with three months maturity plus 0.5 percentage points, after tax. The allowance is calculated for each calendar year, and is allocated solely to Norwegian Personal Shareholders holding shares at the expiration of the relevant calendar year.

Norwegian Personal Shareholders who transfer shares will thus not be entitled to deduct any calculated allowance related to the year of transfer. Any part of the calculated allowance one year exceeding the dividend distributed on the share ("excess allowance") may be carried forward and set off against future dividends received on, or gains upon realisation, of the same share. Any excess allowance will also be included in the basis for calculating the allowance on the same share in the following years.

The Shares will not qualify for Norwegian share saving accounts (*Nw.: aksjesparekonto*) held by Norwegian Personal Shareholders since the Company is resident outside the EEA for tax purposes.

Norwegian Corporate Shareholders

Dividends distributed from the Company to Shareholders who are limited liability companies (and certain similar entities) resident in Norway for tax purposes ("**Norwegian Corporate Shareholders**"), are taxable as ordinary income in Norway for such shareholders at a flat rate of 22%.

Non-Norwegian Shareholders

As a general rule, dividends received by shareholders not resident in Norway for tax purposes ("**Non-Norwegian Shareholders**") from shares in non-Norwegian companies are not subject to Norwegian taxation unless the Non-Norwegian Shareholder holds the shares in connection with business activities carried out or managed from Norway.

16.2.2 Taxation of capital gains on realisation of shares

Norwegian Personal Shareholders

Sale, redemption or other disposal of shares is considered a realisation for Norwegian tax purposes. A capital gain or loss generated by a Norwegian Personal Shareholder through a disposal of shares is taxable or tax deductible in Norway. Such capital gain or loss is included in or deducted from the Norwegian Personal Shareholder's ordinary income in the year of disposal. The effective tax rate on gain or loss related to shares realised by Norwegian Personal Shareholders is currently 31.68%; i.e. capital gains (less the tax free allowance) and losses shall be multiplied by 1.44 which are then included in or deducted from the Norwegian Personal Shareholder's ordinary income in the year of disposal. Ordinary income is taxable at a flat rate of 22%, increasing the effective tax rate on gains/losses realised by Norwegian Personal Shareholders to 31.68%.

The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares disposed of.

The taxable gain/deductible loss is calculated per share as the difference between the consideration for the share and the Norwegian Personal Shareholder's cost price of the share, including costs incurred in relation to the acquisition or realisation of the share. From this capital gain, Norwegian Personal Shareholders are entitled to deduct a calculated allowance provided that such allowance has not already been used to reduce taxable dividend income. Please refer to Section 16.2.1 "Taxation of dividends" (Norwegian Personal Shareholders) above for a description of the calculation of the allowance. The allowance may only be deducted in order to reduce a taxable gain, and cannot increase or produce a deductible loss, i.e. any unused allowance exceeding the capital gain upon the realisation of a share will be annulled. Unused allowance may not be set off against gains from realisation of other shares.

If the Norwegian Personal Shareholder owns shares acquired at different points in time, the shares that were acquired first will be regarded as the first to be disposed of, on a first-in first-out basis.

The Shares will not qualify for Norwegian share saving accounts (*Nw.: aksjesparekonto*) held by Norwegian Personal Shareholders since the Company is resident outside the EEA for tax purposes.

Norwegian Corporate Shareholders

A capital gain or loss derived by a Norwegian Corporate Shareholder from a disposal of shares in the Company is taxable or tax deductible in Norway. The taxable gain/deductible loss per share is calculated as the difference between the consideration for the share and the Norwegian Corporate Shareholder's cost price of the share, including costs incurred in relation to the acquisition or disposal of the share. Such capital gain or loss is included in or deducted from the basis for computation of ordinary income in the year of disposal. Ordinary income is taxable at a rate of currently 22%. The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares disposed of.

If the Norwegian Corporate Shareholder owns shares acquired at different points in time, the shares that were acquired first will be regarded as the first to be disposed of, on a first-in first-out basis.

Non-Norwegian Shareholders

As a general rule, capital gain or loss derived from the sale or other disposal of shares by a Non-Norwegian Shareholder will not be subject to taxation in Norway unless the Non-Norwegian Shareholder holds the shares in connection with business activities carried out or managed from Norway.

16.2.3 Controlled Foreign Corporation (CFC) taxation

Norwegian Shareholders in the Company will be subject to Norwegian taxation according to the Norwegian CFC-regulations if Norwegian Shareholders directly or indirectly own or control (hereinafter together referred to as "**Control**") the Shares of the Company.

Norwegian shareholders will be considered to Control the Company if:

- Norwegian Shareholders Control 50% or more of the shares or capital in the Company, at both the beginning and at the end of a tax year;

- If Norwegian Shareholders Controlled the Company the previous tax year, the Company will also be considered Controlled by Norwegian shareholders in the following tax year unless Norwegian shareholders Control less than 50% of the shares or capital at both the beginning and the end of the following tax year; or

- Norwegian Shareholders Control more than 60% of the shares or capital in the Company at the end of a tax year.

If less than 40% of the shares or capital are Controlled by Norwegian shareholders at the end of a tax year, the Company will not be considered Controlled by Norwegian shareholders for Norwegian tax purposes.

Under the Norwegian CFC-regulations Norwegian Shareholders are subject to Norwegian taxation on their proportionate part of the taxable net income generated by the Company, calculated according to Norwegian tax regulations, regardless of whether or not any dividends are distributed from the Company.

16.2.4 Net wealth tax

The value of shares is included in the basis for the computation of net wealth tax imposed on Norwegian Personal Shareholders. Currently, the marginal net wealth tax rate is 0.85% of the value assessed. The value for assessment purposes for listed shares is equal to 75% of the listed value as of 1 January in the year of assessment (i.e. the year following the relevant fiscal year). The value of debt allocated to the listed shares for Norwegian wealth tax purposes is reduced correspondingly (i.e. to 75%).

Norwegian Corporate Shareholders are not subject to net wealth tax.

Shareholders not resident in Norway for tax purposes ("**Non-Norwegian Personal Shareholders**") are not subject to Norwegian net wealth tax. Non-Norwegian Personal Shareholders can, however, be taxable if the shareholding is effectively connected to the conduct of trade or business in Norway.

16.2.5 VAT and transfer taxes

No VAT, stamp or similar duties are currently imposed in Norway on the transfer or issuance of shares.

16.2.6 Inheritance tax

A transfer of shares through inheritance or as a gift does not give rise to inheritance or gift tax in Norway.

17 THE PRIVATE PLACEMENT

17.1 Overview of the completed Private Placement

On 5 November 2019, the Company announced that it had successfully completed a private placement raising NOK 689.3 million (equivalent to approximately USD 75 million[10]) in gross proceeds through the issuance of 27,086,346 new Shares (the "**Primary Shares**") at a subscription price of NOK 25.45 (the "**Offering Price**") per Share (the "**Primary Offering**"). Further, a group of existing shareholders in the Company (the "**Selling Shareholders**") participated as sellers in the Private Placement as sellers of a total of 45,143,910 Shares at the Offering Price in the total amount of approximately USD 125 million (the "**Secondary Offering**"). In addition, 10,834,538 Shares (equal to 15% of the Primary Offering and the Secondary Offering) were over-allotted at the Offering Price (the "**Over-allotment Offering**"). The Primary Offering, the Secondary Offering and the Over-allotment Offering are jointly referred to as the "**Private Placement**", and the Shares allocated in the Private Placement are referred to as the "**Private Placement Shares**". Three of the Selling Shareholders (i.e. PAG, Davidson Kempner and Oak Hill) were represented at the Board of Directors at the time of the Private Placement.

In order to facilitate the Over-allotment Offering and the Managers' potential stabilization activities after the Private Placement, the Selling Shareholders lent to the Managers a number of Shares equal to the number of shares sold in the Over-allotment Offering. Further, the Selling Shareholders granted the Managers a greenshoe option pursuant to which the Managers have the right to purchase (at a price equal to the Offering Price) a number of shares equal to up to the number of shares sold in the Over-allotment Offering. The greenshoe option may be exercised by the Managers no later than the 30th day following the Listing, as may be necessary to cover short positions created by Over-allotment Offering.

The Private Placement was directed towards investors subject to applicable exemptions from relevant prospectus requirements (i) outside the United States in reliance on Regulation S under the United States Securities Act of 1933, as amended, (the US Securities Act) and (ii) in the United States to qualified institutional buyers (QIBs) as defined in Rule 144A under the US Securities Act.

The minimum subscription and allocation amount in the Private Placement was set to the NOK/USD equivalent of EUR 100,000 provided, however, that the Company reserved the right to allocate a lower amount to the extent applicable exemptions from the prospectus requirement pursuant to the Norwegian Securities Trading Act and ancillary regulations, or similar legislation in other jurisdictions, were available.

The Company, in consultation with the Managers, determined the number of Private Placement Shares and the allocation of these Shares on the basis of applications received in the bookbuilding period lasting from approximately 16:30 hours (CET) on 1 November 2019 to 22:00 hours (CET) on 4 November 2019 (the "**Bookbuilding Period**"). BW Group was allocated 18,057,563 Private Placement Shares. BW Group is represented on the Board of Directors.

The Private Placement Shares are expected to be delivered to the subscribers on 12 November 2019 on a delivery-versus-payment basis in the VPS system, subject to timely payment of the investors.

Pursuant to the Placing Agreement entered into in connection with the Private Placement, ABN, Danske Bank and Nordea were appointed co-managers in the Private Placement and Fearnley Securities was appointed as joint bookrunner together with the Managers.

See Section 17.9 "Expenses of the Private Placement" for information regarding fees expected to be paid to the Managers and costs expected to be paid by the Company in connection with the Private Placement. The Company has undertaken, subject to certain conditions and limitations, to indemnify the Managers against certain losses and liabilities arising out of or in connection with Private Placement and the Listing.

This Prospectus does not constitute an offer of, or an invitation to apply for or purchase any Shares in the Private Placement.

17.2 Reasons for the Private Placement

The Private Placement was conducted to facilitate the Listing and to raise new equity to the Company. The net proceeds from the Primary Offering will, at the Group's discretion, be used towards (i) financing of the equity portion of the

[10] USD/NOK rate of 9.1913, using the rate from Norges Bank as of 31 October 2019.

acquisition of two MR vessels, (ii) repayment of USD 34.5 million under the MUSD 81 Facility from BW Maritime, (iii) repayments under the MUSD 30 Facility and (iv) working capital and general corporate purposes.

17.3 Resolutions relating to the Private Placement

The Private Placement Shares were issued pursuant to a resolution by the Board of Directors on 31 October 2019 and the resolution by an authorised subcommittee of the Board of Directors on 5 November 2019.

17.4 Share capital following the Private Placement

Prior to the issuance of the Private Placement Shares, the Company's issued share capital was USD 3,431,579.79 divided into 343,157,979 Shares, each with a nominal value of USD 0.01. Following the issuance of the Private Placement Shares, the Company's issued share capital is USD 3,702,443.25 consisting of 370 244 325 Shares, each with a nominal value of USD 0.01 per Share.

See Section 13.4 "Share capital history" for an overview of the development in the Company's share capital for the period from its incorporation to the date hereof.

17.5 The rights conferred by the Private Placement Shares

The Private Placement Shares (other than the Primary Shares) are, and the Primary Shares will be, common Shares in the Company, each having a par value of USD 0.01. The Private Placement Shares (other than the Primary Shares) have been, and the Primary Shares will be, issued in accordance with the Bermuda Companies Act and upon issuance the Primary Shares will rank pari passu with all other Shares in issue in the Company and will be eligible for any dividend that the Company may declare in respect of the Shares after delivery of the Primary Shares through registration in the VPS (expected on or around 12 November 2019).

See Section 13.10 "Shareholder rights" and Section 13.11 "The Memorandum of Association, Bye-laws and certain aspects of Bermuda law" for more information on the rights conferred by the Shares.

17.6 Admission to trading of the Private Placement Shares

The Shares have not previously been admitted to trading on a regulated market, but the Beneficial Interests have since January 2019 been traded on the N-OTC with ticker code "HAFN". Upon Listing of the Shares (including the Private Placement Shares) on Oslo Axess, the Beneficial Interests will be de-listed from the N-OTC. It is expected that the first day of trading of the Shares (including the Private Placement Shares) on Oslo Axess will be on or about 8 November 2019.

The Shares are not listed on another stock exchange or regulated market, and no application has been made for listing, on any stock exchange or regulated market other than Oslo Axess.

17.7 VPS Registration of the Private Placement Shares

Upon listing, the Shares (including the Private Placement Shares), will be registered in book-entry form with the VPS and have ISIN NO BMG4233B1090. For more information on the VPS registration procedure, see Section 13.9 "VPS registration of the Shares".

17.8 Publication of information in respect of the Listing

In addition to its own website (www.bwhafnia.com), the Company will use the Oslo Stock Exchange's information system "**NewsWeb**" to publish information relating to the Company, its Shares (including the Private Placement Shares) and the Listing.

17.9 Expenses of the Private Placement

The Company's net proceeds from the Private Placement will amount to approximately USD 70 million (equivalent to approximately NOK 644.3 million), based on total transaction costs, and incidental to, the Listing and the Private Placement of approximately USD 5 million (equivalent to approximately NOK 45 million) paid by the Company.

The Company will pay the Managers, Danske Bank, ABN, Nordea and Fearnley Securities a commission calculated on basis of gross proceeds of the Private Placement, and will also provide certain indemnities for the benefit of the aforementioned parties to the Placing Agreement against certain losses and liabilities arising out of or in connection with the Private Placement.

The Company will also pay or cause to be paid certain costs and expenses of and incidental to the completion of the Listing, including, but not limited to, those of the of the Managers, and will also provide certain indemnities for the benefit of the Managers against certain losses and liabilities arising out of or in connection with the Listing.No expenses or taxes will be charged by the Company or the Managers to the subscribers of the Private Placement.

17.10 Lock-up

17.10.1 Overview

The Company, the Selling Shareholders and BW Group have agreed with the Managers to be subject to a 180 day lock-up period. In addition, members of the Company's Management and Directors as of the date of the Private Placement have agreed with the Managers to be subject to a 360 day lock-up period. These lock-up agreements will be subject to certain exceptions and may only be waived with the consent of the Joint Global Coordinators as further set out below.

17.10.2 The Company

Pursuant to a lock-up undertaking in the Placement Agreement, the Company has undertaken that it will not, without the prior written consent of the Joint Global Coordinators, during the period from the date of the Placing Agreement and until 180 days from the first day of trading of the Shares on Oslo Axess, (1) issue, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Shares or other equity interest in the capital of the Company or any securities convertible into or exercisable for such Shares or other equity interests, or (2) enter into any swap or other agreement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares or other equity interests, whether any such transaction described in (1) or (2) above is to be settled by delivery of the Shares or other securities or interests, in cash or otherwise, or (3) publicly announce or indicate an intention to effect any transaction specified in (1) or (2) above. The foregoing shall not apply to: (a) the issue of new Shares in the Placement, (b) the granting of options or other rights to Shares, or the honoring of options or such other rights to Shares, by the Company pursuant to any management or employee share incentive schemes or agreements or (c) the issuance of new Shares as consideration shares in connection with acquisitions of companies, businesses or assets.

17.10.3 The Selling Shareholders

Pursuant to a lock-up undertaking in the Placing Agreement, each of the Selling Shareholders has undertaken that it will not, directly or indirectly, without the prior written consent of the Joint Global Coordinators, during the period from the date of the Placing Agreement and until 180 days from the first day of trading of the Shares on Oslo Axess, (1) sell, offer to sell, contract or agree to sell, hypothecate, pledge, grant any option to purchase or otherwise dispose of or agree to dispose of, directly or indirectly any Shares or any securities convertible into or exercisable or exchangeable for Shares, or warrants or other rights to purchase Shares, (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any securities convertible into or exercisable or exchangeable for Shares, or warrants or other rights to purchase Shares, whether any such transaction is to be settled by delivery of Shares or such other securities, in cash or otherwise, or (3) publicly announce an intention to effect any transaction specified in clause (1) or (2), provided, however, that the foregoing shall not apply to: (a) the sale or other transfer of Shares in accordance with the Placing Agreement, (b) the pre-acceptance or acceptance of a takeover offer for all Shares in accordance with chapter 6 of the Norwegian Securities Trading Act or a statutory merger or amalgamation, or (c) any transfer of Shares to a company wholly owned by the relevant Selling Shareholder provided that the transferee in writing assumes the obligations set forth in this undertaking. The undertaking does not restrict any the Selling Shareholder from pledging any Shares to a financial institution.

The undertaking applies to all Shares and rights to Shares currently held or which during the lock-up period described above are acquired by the relevant Selling Shareholder and entities directly or indirectly controlled by such Selling Shareholder, as applicable (it being agreed that the Company for the purpose of the Selling Shareholders' lock-up undertaking shall not be deemed to be controlled by BW Group).

17.10.4 Management and Directors

Each of the Directors of the Company at the time of the Private Placement as well as each member of Management has undertaken that he/she shall not and will not, directly or indirectly, without the prior written consent of the Joint Global Coordinators (1) sell, offer to sell, contract or agree to sell, hypothecate, pledge, grant any option or right to purchase or otherwise dispose of or agree to dispose of, directly or indirectly, any Shares or any securities convertible into or exercisable or exchangeable for Shares, or warrants or other rights to purchase Shares, (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any securities convertible into or exercisable or exchangeable for Shares, or warrants or other rights to purchase

Shares, whether any such transaction is to be settled by delivery of Shares or such other securities, in cash or otherwise, or (3) publicly announce an intention to effect any transaction specified in clause (1) or (2) above, for a period of 360 days following the first day of listing of the Shares on Oslo Axess

The lock-up undertaking will not apply to any action in connection with a takeover offer pursuant to chapter 6 of the Norwegian Securities Trading Act or statutory merger or amalgamation. Further, the undertaking shall not restrict the Director or member of Management from pledging any Shares to a financial institution, or from selling shares to finance the strike price and any tax triggered by exercise of options under the Company's option program.

The lock-up undertaking shall apply to any Shares that the respective Director or member of Management owns, directly or indirectly, as of the date hereof, and any Shares that he or she may subsequently acquire or own, directly or indirectly, during the restricted period of 360 days.

The lock-up undertaking does not restrict the respective Director or member of Management's ability to transfer any of the Shares to any entity directly or indirectly controlled by him or her, provided that the transferee entity shall sign and deliver to the Joint Global Coordinators, prior to such transfer, a lock-up undertaking substantially in the form of this lock-up undertaking for a period covering the number of days from the date of such transfer to the end of the restricted period of 360 days.

17.10.5 BW Group

BW Group has undertaken that it will not, directly or indirectly, without the prior written consent of the Joint Global Coordinators, during the period from the date hereof and until 180 days from the first day of trading of the Shares on Oslo Axess, (1) sell, offer to sell, contract or agree to sell, hypothecate, pledge, grant any option to purchase or otherwise dispose of or agree to dispose of, directly or indirectly any Shares or any securities convertible into or exercisable or exchangeable for Shares, or warrants or other rights to purchase Shares, (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any securities convertible into or exercisable or exchangeable for Shares, or warrants or other rights to purchase Shares, whether any such transaction is to be settled by delivery of Shares or such other securities, in cash or otherwise, or (3) publicly announce an intention to effect any transaction specified in clause (1) or (2), provided, however, that the foregoing shall not apply to: (a) the pre-acceptance or acceptance of a takeover offer for all Shares in accordance with chapter 6 of the Norwegian Securities Trading Act or a statutory merger or amalgamation, or (b) any transfer of Shares to a company wholly owned by BW Group provided that the transferee in writing assumes the obligations set forth in this undertaking.

The lock-up undertaking does not restrict BW Group from pledging any Shares to a financial institution.

BW Group's lock-up undertaking applies to all Shares and rights to Shares currently held or which during the lock-up period described above are acquired by BW Group and entities directly or indirectly controlled by BW Group (it being agreed that the Company for the purpose of this Undertaking shall not be deemed to be controlled by BW Group).

17.11 Interest of natural and legal persons involved in the Private Placement

The Managers or their affiliates have provided from time to time, and may provide in the future, investment and commercial banking services to the Company and its affiliates in the ordinary course of business, for which they may have received and may continue to receive customary fees and commissions, and as such, have an interest in the Listing. See Section Section 17.9 "Expenses of the Private Placement" for information on fees to the Managers in connection with the Private Placement and the Listing. The Managers and their employees and any affiliate may currently own Shares in the Company. The Managers do not intend to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Selling Shareholders sold shares in the Private Placement. BW Group subscribed for Private Placement Shares in the Private Placement, and is represented on the Board of Directors.

Beyond the above-mentioned, the Company is not aware of any interest, including conflicting ones, of any natural or legal persons involved in the Private Placement.

17.12 Participation of major existing shareholders in the Private Placement

The following major shareholders, members of the Management, supervisory or administrative bodies of the Company subscribed for, and were allocated, Shares in the Private Placement:

Name/Company	Title/Position	Allocated Private Placement Shares	Shareholding after Private Placement	Ownership (%) after Private Placement
BW Group Limited	Shareholder	18,057,563	242,197,287	65.4
Perry Van Echtelt	CFO	40,285	40,285[1]	0.01[1]

1 Also owns 296,112 options, cf. Section 11.4 "Share incentive program".

17.13 Dilution

Following the Completion of the Private Placement, the immediate dilutive effect of the Primary Offering for the existing Shareholders was approximately 33.9%.

17.14 Over-allotment and stabilisation activities

Pareto has been appointed as stabilisation manager (the "**Stabilisation Manager**") pursuant to a placing agreement between the Company, the Selling Shareholders and the Managers. The Stabilisation Manager may from the first day of trading of the Company's shares on Oslo Axess effect transactions with a view to support the market price of the Company's shares at a level higher than what might otherwise prevail, through buying shares in the open market at prices equal to or lower than the Offering Price in the Private Placement. There is no obligation on the Stabilisation Manager to conduct stabilisation activities and there is no assurance that stabilisation activities will be undertaken. Such stabilisation activities, if commenced, may be discontinued at any time, and will be brought to an end at the latest 30 calendar days after the time at which trading in the Shares commences on Oslo Axess. It should be noted that stabilisation activities might result in market prices that are higher than what might otherwise prevail. Any stabilization activities will be conducted in accordance with the Norwegian Securities Trading Act section 3-12 and the EU Commission Regulation (EC) No 2273/2003.

17.15 Governing law and jurisdiction

This Prospectus shall be governed by and construed in accordance with Norwegian law. Any dispute arising out of, or in connection with, this Prospectus shall be subject to the exclusive jurisdiction of the courts of Norway, with the Oslo District Court as the legal venue.

18 SELLING AND TRANSFER RESTRICTIONS

18.1 General

The Shares may, in certain jurisdictions, be subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Receipt of this Prospectus shall not constitute an offer for Shares and this Prospectus is for information only and should not be copied or redistributed. Accordingly, if an existing shareholder receives a copy of this Prospectus, the existing shareholder should not distribute or send the same, or transfer the Shares to any person or in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If an existing shareholder forwards this Prospectus into any such territories (whether under a contractual or legal obligation or otherwise), the existing shareholder should direct the recipient's attention to the contents of this Section 18 "Selling and transfer restrictions".

The Shares may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into, any jurisdiction in which it would not be permissible to offer the Shares and this Prospectus shall not be accessed by any person in any jurisdiction in which it would not be permissible to offer the Shares.

Neither the Company nor its representatives, is making any representation to any purchaser of Shares regarding the legality of an investment in the Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

The information set out in this Section 18 "Selling and transfer restrictions" is intended as a general guide only. If you are in any doubt about any of the contents of these restrictions, or whether any of these restrictions apply to you, you should obtain independent professional advice without delay.

18.2 Selling and transfer restrictions in the United States

The Shares have not been, and will not be, registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered or sold except: (i) within the United States only to QIBs in reliance on Rule 144A or pursuant to another exemption from the registration requirements of the U.S. Securities Act; and (ii) outside the United States in compliance with Regulation S, and in each case in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction. Terms defined in Rule 144A or Regulation S shall have the same meaning when used in this Section 18.2.

Each purchaser of Shares outside the United States pursuant to Regulation S will be deemed to have acknowledged, represented and agreed that:

- The purchaser is authorised to consummate the purchase of the Shares in compliance with all applicable laws and regulations.
- The purchaser acknowledges that the Shares have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority or any state of the United States, and, subject to certain exemptions, may not be offered or sold within the United States.
- The purchaser (and the person, if any, for whose account or benefit the purchaser is acquiring the Shares) was located outside the United States at the time the buy order for the Shares was originated, and continues to be located outside the United States, and has not purchased the Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Shares or any economic interest therein to any person in the United States.
- The purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate, and is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Shares from the Company or an affiliate thereof in the initial distribution of such Shares.
- The purchaser is aware of the restrictions on the offer and sale of the Shares pursuant to Regulation S described in this Prospectus.
- The Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S.

- The Company shall not recognise any offer, sale, pledge or other transfer of the Shares made other than in compliance with the above restrictions.

- If the purchaser is acquiring any of the Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Each purchaser of the Shares within the United States purchasing Shares pursuant to Rule 144A or another available exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act will be deemed to have acknowledged, represented and agreed that:

- The purchaser is authorised to consummate the purchase of the Shares in compliance with all applicable laws and regulations.

- The purchaser acknowledges that the Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions to transfer.

- The purchaser (i) is a QIB (as defined in Rule 144A), (ii) is aware that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring such Shares for its own account or for the account of a QIB, in each case for investment and not with a view to any resale or distribution to the Shares, as the case may be.

- The purchaser is aware that the Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act.

- If, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Shares, or any economic interest therein, as the case may be, such Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (ii) outside the United States in a transaction meeting the requirements of Regulation S, (iii) in accordance with Rule 144 (if available), (iv) pursuant to any other exemption from the registration requirements of the U.S. Securities Act, subject to the receipt by the Company of an opinion of counsel or such other evidence that the Company may reasonably require that such sale or transfer is in compliance with the U.S. Securities Act or (v) pursuant to an effective registration statement under the U.S. Securities Act, in each case in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction.

- The purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate, and is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Shares from the Company or an affiliate thereof in the initial distribution of such Shares.

- The purchaser will not deposit or cause to be deposited such Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act.

- The purchaser acknowledges that the Shares are "restricted securities" within the meaning of Rule 144(a) (3) and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any Shares, as the case may be.

- The purchaser acknowledges that the Company shall not recognise any offer, sale pledge or other transfer of the Shares made other than in compliance with the above-stated restrictions.

- If the purchaser is acquiring any of the Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

18.3 Selling and transfer restrictions in the EEA

Each person in a Relevant Member State (other than persons in Norway) must represent, warrant and agree that:

(i) it is a qualified investor within the meaning of Article 2(e) of the EU Prospectus Regulation; and

(ii) in the case of any Shares acquired by it as a financial intermediary, as that term is used in Article 1 of the EU Prospectus Regulation, (i) the Shares acquired by it in the offer have not been acquired on behalf of, nor with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the EU Prospectus Regulation, or in circumstances in which the prior consent of the Managers has been given to the offer or resale; or (ii) where Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Shares to it is not treated under the EU Prospectus Regulation as having been made to such persons.

19 ADDITIONAL INFORMATION

19.1 Auditor and advisors

The Company's independent auditor is KPMG Singapore LLP with company registration number TO8LL1267L, and registered business address at 16 Raffles Quay, #22-00 Hong Leong Building, 048581 Singapore. KPMG is a member of the Institute of Singapore Chartered Accountants (ISCA) and Accounting and Corporate Regulatory Authority (ACRA) and has been registered with the NFSA as a third country auditor since November 2017 and has been the Company's independent auditor since 2018.

Advokatfirmaet Thommessen AS (Haakon VIIs gate 10, N-0161 Oslo, Norway) is acting as Norwegian legal counsel to the Company.

Conyers Dill & Pearman Limited (Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda) is acting as special Bermuda legal counsel to the Company.

Pareto Securities AS (Dronning Mauds gate 3, N-0250 Oslo, Norway) and Skandinaviska Enskilda Banken (Publ.) Oslofilialen norsk avdeling av utenlandsk foretak (SEB) (Filipstad brygge 1, N-0252 Oslo, Norway) are acting as Managers, joint bookrunners and Joint Global Coordinators to the Company in connection with the Private Placement and the Listing.

Advokatfirmaet Schjødt AS (Ruseløkkveien 14-16, N-0251 Oslo, Norway) is acting as Norwegian counsel to the Managers.

19.2 Statement regarding expert opinion

Valuation on the Group's vessels included herein has been derived based on expert opinions from SSY, Braemar and Fearnleys as reflected in the independent third party valuation reports enclosed hereto as Appendix K:

- Valuation report from SSY, with registered business address Tower Bridge House, St Katharine's Way, London, UK, E1W 1BQ, as per 6 September 2019;

- Valuation report from Braemar, with registered business address One Strand, Trafalgar Square, London, UK, WC2N 5HR, as per 16 September 2019; and

- Valuation report from Fearnleys, with registered business address Grev Wedels plass 9, 0151 Oslo, Norway, as per 16 September.

The valuation reports from SSY, Braemar and Fearnleys have been produced on request from the Company in connection with the Listing. Each of SSY, Braemar and Fearnleys regularly assist companies, banks and financial institutions with valuation of commercial vessels, see www.ssyonline.com, www.braemaracm.com and www.fearnleys.com for more information with regard to experience and qualifications. Each of SSY, Braemar and Fearnleys have consented to their reports being included in this Prospectus. None of SSY, Braemar or Fearnleys has a material interest in the Company.

19.3 Documents available

Copies of the documents listed below will be available for inspection at the Company's offices in Singapore at Mapletree Business City, #18-01, 10 Pasir Panjang Road, 117438, Singapore, during normal business hours from Monday to Friday each week (except public holidays) for a period of twelve months from the date of this Prospectus. The documents are also available at the Company's website www.bwhafnia.com.

- The Company's Memorandum of Association and Bye-laws;

- All reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Company's request any part of which is included or referred to in this Prospectus;

- This Prospectus.

20 DEFINITIONS AND GLOSSARY

In this Prospectus, the following defined terms have the following meanings:

ABN	ABN AMRO Bank N.V.
Anti-fouling Convention	The International Convention on the Control of Harmful Anti-fouling systems on Ships.
APMs	Alternative performance measures.
Appointed Stock Exchange	An appointed stock exchange in accordance with the provisions of the Bermuda Companies Act.
Beneficial Interests	The beneficial interests in the Shares, listed on the N-OTC under ticker "HAFNIA".
Bermuda Companies Act	The Companies Act 1981, as amended, of Bermuda.
BHA	Bunker hedging agreements.
Board of Directors	The Board of Directors of the Company.
Braemar	Braemar ACM Valuations Limited.
Bunker Convention	The International Convention on Civil Liability for Bunker Oil Pollution Damage.
BW Group	BW Group Limited.
BW Pacific	BW Pacific Limited, today named Hafnia Limited (the Company).
BWM	Ballast water management.
BW Maritime	BW Maritime Pte. Ltd.
BWM Convention	The IMO Ballast Water Management Convention.
BWMS	Ballast water management system.
BW Tankers	BW Tankers Limited (being the name of the Company prior to the Merger).
Bye-laws	The Company's bye-laws, attached to this Prospectus as Appendix A.
CEO	Chief executive officer.
CERCLA	The U.S. Comprehensive Environmental Response, Compensation, and Liability Act.
CET	Central European Time.
CEST	Central European Summer Time.
CFC	Controlled Foreign Corporation.
CGU	Cash-generating unit.
Clarksons Research	Clarksons Research Services Limited
CLC	The International Convention on Civil Liability for Oil Pollution Damage of 1969, as amended in 2000.
Clean Products	Gas oil, gasoline, jet fuel, kerosene and naphtha.
CoA	Contract of Affreightment.
Company	Hafnia Limited.
Company Securities	As such term is defined in the Bye-laws.
Control	As such term is defined in Section 16.2.3 "Controlled Foreign Corporation (CFC) taxation".
Corporate Governance Code	The Norwegian Code of Practice for Corporate Governance last updated 17 October 2018.
Corporate Services Agreement	The corporate services agreement of 20 August 2019, entered into with BW Maritime.
CSSC	CSSC (Hong Kong) Shipping Company Limited.
CVC	Consecutive Voyage Contract.
Danske Bank	Danske Bank A/S, Norwegian branch.
Davidson Kempner	Burlington Loan Management DAC.
Default Securities	As such term is defined in the Bye-laws.
Deloitte	Deloitte Statsautoriseret Revisionspartnerselskab, Denmark. Deloitte's business registration number is 33 96 35 56 and its registered business address is at Weidekampsgade, 2300 København S.
Directors	Members of the Board of Directors.
Dirty Products	Crude oil, fuel oil and vacuum gas oil.
DKK	Danish Kroner, the lawful currency of Denmark.
DMLC	Declaration of Maritime Labour Compliance.
DNB	DNB Bank ASA.
Dwt	Deadweight tonnage.
ECAs	Emission Control Areas.
ECL	Expected credit loss.
EEA	The European Economic Area.

EEDI	Energy Efficiency Design Index.
ESMA	European Securities and Market Authority.
EU	The European Union.
EUR	The lawful currency of the participating member states in the European Union who have adopted Euro as their sole national currency.
EU Prospectus Regulation	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on this prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC.
Fearnleys	Fearnleys AS.
Fearnley Securities	Fearnley Securities AS.
FFA	Freight forward agreements.
Financial Statements	The Company's audited consolidated financial statements as at, and for the years ended 31 December 2018, 2017 and 2016, as attached hereto as Appendix B (2018), Appendix C (2017) and Appendix D (2016).
Financial Information	The Financial Statements, the Hafnia Tankers Financial Statements, the Interim Financial Statements and the Q2 2019 Interim Report.
First Merger	The merger between Hafnia Tankers and BW Tankers Corporation, with BW Tankers Corporation being the surviving and continuing entity of such merger.
Fleet and Technology Services Agreement	The fleet and technology services agreement of 5 October 2018, entered into with BW Fleet Management AS.
Forward-looking Statements	Statements that reflect the Company's current views with respect to future events and financial and operational performance, typically identified by the use of forward-looking terminology, such as the terms "anticipates", "assumes", "believes", "can", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "should", "will", "would" or, in each case, their negative, or other variations or comparable terminology.
FVTPL	Fair Value Through the Statement of Profit or Loss.
Group	The Company together with its consolidated subsidiaries.
GSI	Guangzhou Shipyard International Company Limited.
Hafnia Tankers	Hafnia Tankers Limited, a company which dissolved upon completion of the Merger.
Hafnia Tankers Financial Statements	Hafnia Tankers' audited consolidated financial statements as at and for the financial years ended 31 December 2018, 2017 and 2016, as attached hereto as Appendix E (2018), Appendix F (2017) and Appendix G (2016).
Handy	Handysize product tanker vessels (25,000 – 39,999dwt).
Handy Pool	Handy pool for Handy vessels (one of three commercial tanker pools the Group operates as a pool manager for).
HK Convention	The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships.
HNS Convention	The International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious substances by Sea.
HSEQ	Health, safety, environment and quality.
IAS 34	International Accounting Standard 34 "Interim Financial Reporting" as adopted by the EU.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board.
ILO	The International Labour Organisation.
IMO	The International Maritime Organisation.
IMO 2020	The IMO's cap on sulphur content in marine fuels, which will take effect on 1 January 2020.
IMO I Graded Tankers	Oil tankers of 20,000 tons deadweight and above carrying crude oil, fuel oil, heavy diesel oil or lubricating oil as cargo, and of 30,000 tons deadweight and above carrying other oils, which do not comply with the requirements for protectively located segregated ballast tanks.
IMO II Graded Tankers	Oil tankers of 20,000 tons deadweight and above carrying crude oil, fuel oil, heavy diesel oil or lubricating oil as cargo, and of 30,000 tons deadweight and above

	carrying other oils, which do comply with the protectively located segregated ballast tank requirements.
IMO III Graded Tankers	Oil tankers of 5,000 tons deadweight and above but less than the tonnage specified for IMO I Graded Tankers and IMO II Graded Tankers.
Interim Financial Statements	The Company's unaudited consolidated interim financial statements as of and for the six months periods ended 30 June 2019, with comparable figures as of and for the six months period ended 30 June 2018 and 31 December 2018, as applicable, attached to this Prospectus as Appendix H.
Interested Party	As such term is defined in the Bye-laws.
IOCs	International oil companies.
IOPP	International Oil Pollution Prevention.
ISM	International Safety Management.
ISM Code	As such term is defined in Section 2.3.5 "Compliance with safety and other vessel requirements imposed by classification societies may be costly and could adversely affect the Group's business, financial condition and operating results".
ISPS Code	International Ship and Port Facilities Security Code.
ISSC	International Ship Security Certificate.
IT	Information technology.
Joint Global Coordinators	Pareto and SEB.
JMU	Japan Marine United Corporation.
KPMG	KPMG Singapore LLP.
LEI	Legal Entity Identifier.
LIBOR	London Interbank Offered Rate.
Listing	The listing of the Shares on Oslo Axess.
LL Convention	The International Convention on Load Lines.
LNG	Liquefied Natural Gas.
LR1	Long range product tanker vessels (55,000 – 84,999 dwt).
LR2	Long range product tanker vessels (85,000 – 124,999 dwt).
LR Pool	LR pool for LR1 and LR2 vessels (one of three commercial tanker pools the Group operates as a pool manager for).
LSFO	Low sulphur fuel oil.
LTIP 2019	The long-term incentive plan established by the Board of Directors on 16 January 2019.
Managers	Pareto and SEB, and a "Manager" means any of them.
Management	The members of the senior management of the Group.
Manning Agreement	The manning agreement of 1 August 2019, entered into with BW Shipping Philippines Inc.
Marks	The trademark "BW", and other combinations of this name and trademark.
MARPOL and MARPOL Convention	The International Convention for the Prevention of Pollution from Ships, 1973 as modified by the Protocol of 1978.
M bpd	Million barrels per day.
Memorandum of Association	The Company's memorandum of association, attached to this Prospectus as Appendix A.
MEPC	Marine Environmental Protection Committee.
Merger	The First Merger and Second Merger, collectively.
Merger Agreement	The merger agreement dated 21 December 2018 between Hafnia Tankers, BW Tankers and BW Tankers Corporation.
MiFID II	EU Directive 2014/65/EU on markets in financial instruments, as amended.
MiFID II Product Governance Requirements	MiFID II, Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II and local implementing measures.
MLC	The Maritime Labour Convention, 2006.
MLCert	Maritime Labour Certificate.
MR	Medium Range vessels (40,000 – 54,999 dwt).
MR Pool	MR pool for MR vessels (one of three commercial tanker pools the Group operates as a pool manager for).
MTSA	Maritime Transportation Security Act of 2002.
MUSD	USD in million.

MUSD 3.65 Facility	USD 3,650,000 loan agreement.
MUSD 15 Facility	USD 15 million overdraft facility.
MUSD 30 Facility	USD 30 million unsecured term loan.
MUSD 51.8 Facility	USD 51.8 million senior secured term loan facility.
MUSD 81 Facility	USD 81 million unsecured revolving credit facility.
MUSD 111 Facility	USD 111 million senior secured term loan facility.
MUSD 192 Facility	USD 192 million senior secured term loan facility.
MUSD 216 Facility	USD 216 million senior secured term loan facility.
MUSD 236 Facility	USD 236 million senior secured revolving credit and newbuilding term loan. Refinanced and repaid.
MUSD 266 Facility	USD 266 million loan facility.
MUSD 360 Facility	USD 360 million senior secured term loan, revolving credit facility and newbuilding term loan. Refinanced and repaid.
MUSD 473 Facility	USD 473 million senior secured term loan and revolving credit facility, for the purpose of refinancing the MUSD 360 Facility and MUSD 236 Facility.
MUSD 676 Facility	USD 676 million senior secured term loan and revolving credit facility.
NewsWeb	The Oslo Stock Exchange's information system.
NFSA	The Financial Supervisory Authority of Norway *(Nw.: Finanstilsynet)*.
NOCs	National oil companies.
NOK	Norwegian Kroner, the lawful currency of Norway.
Non-Norwegian Personal Shareholders	Shareholders who are individuals not resident in Norway for tax purposes.
Non-Norwegian Shareholders	Shareholders not resident in Norway for tax purposes.
Nordea	Nordea Bank Abp, Filial i Norge.
Norwegian Corporate Shareholders	Shareholders who are limited liability companies and certain similar corporate entities resident in Norway for tax purposes.
Norwegian Personal Shareholders	Shareholders who are individuals resident in Norway for tax purposes.
Norwegian Securities Trading Act	The Norwegian Securities Trading Act of 28 June 2007 No 75 *(Nw.: verdipapirhandelloven)*.
N-OTC	The Norwegian OTC list.
Oak Hill	OHA European Strategic Credit Master Fund (Euro), L.P.
OECD	Organisation for Economic Co-operation and Development.
OPA	The United States Oil Pollution Act of 1990.
Oslo Axess	Oslo Axess, a regulated market operated by Oslo Børs ASA.
Oslo Stock Exchange	Oslo Børs ASA, or, as the case may be, Oslo Børs, a stock exchange operated by Oslo Børs ASA and/or Oslo Axess, a regulated market operated by Oslo Børs ASA.
Opening Balance Sheet	The opening balance sheet of the Company as a combined entity following the Merger, as at 16 January 2019, as attached hereto as Appendix J.
PAG	Pacific Alliance Group.
Pareto	Pareto Securities AS.
Placing Agreement	A placing agreement dated 5 November 2019 entered into between the Company, the Selling Shareholders, the Managers, Fearnley Securities, Danske Bank, Nordea and ABN in connection with the Private Placement.
Pools	Handy Pool, MR Pool and LR Pool, collectively.
Pool Agreements	The three separate pool agreements under which the Pools are operated by the Group through the pool managing company, Hafnia Pools Pte. Ltd. (being a wholly owned subsidiary of the Company).
Pool Board	Has the meaning ascribed to such term in Section 7.6.7.4 "Management of the Pools".
Primary Offering	Has the meaning ascribed to such term in Section 17.1 "Overview of the completed Private Placement".
Prospectus	This Prospectus dated 6 November 2019.
PWC	PricewaterhouseCoopers LLP.
Q2 2019 Interim Report	The Company's condensed consolidated interim financial information for Q2 2019, as of and for the three and six months ended 30 June 2019, as attached hereto as Appendix I.

Q2 2018 Interim Report	BW Tankers' (the Company's) condensed consolidated interim financial information for Q2 2018, as of and for the three and six months ended 30 June 2018, as attached hereto as Appendix M.
Q2 Interim Reports	The Q2 2019 Interim Report and the Q2 2018 Interim Report, collectively.
RCF	USD 100 million revolving credit facility.
Regulation S	Regulation S under the U.S. Securities Act.
Rule 144A	Rule 144A under the U.S. Securities Act.
SDR	Special Drawing Rights.
SEB	Skandinaviska Enskilda Banken (Publ.) Oslofilialen norsk avdeling av utenlandsk foretak.
Second Merger	The merger between BW Tankers Corporation with its parent, BW Tankers, with BW Tankers being the surviving and continuing entity.
Secondary Offering	Has the meaning ascribed to such term in Section 17.1 "Overview of the completed Private Placement".
SGD	Singapore Dollar, the lawful currency of Singapore.
Share(s)	Means the shares of the Company, each with a par value of USD 0.01.
Sohmen Family Interest	Mrs Anna Sohmen, her immediate family and their respective heirs and successors.
SLB	Sale and lease back agreements.
SOLAS	Amendments to the IMO's International Convention for the Safety of Life at Sea.
SR Regulation	EU Ship Recycling Regulation.
SSY	SSY Valuation Services Ltd.
Target Market Assessment	Has the meaning ascribed to such term on page ii.
TCE income	Income from time charters and spot voyages for owned vessels, calculated as gross freight income net of broker commissions less voyage expenses.
Technical Management Agreements	The technical management agreements under which the Group's 45 product tankers are externally managed.
Term Loan	USD 463 million term loan facility.
Tranche B Facility	USD 97.3 million term loan facility.
UK	The United Kingdom.
UK Bribery Act	The UK Bribery Act 2010.
U.S. or United States	The United States of America.
U.S. Foreign Corrupt Practices Act	U.S. Foreign Corrupt Practices Act of 1977.
U.S. Securities Act	The United States Securities Act of 1933, as amended.
USD	United States Dollars, the lawful currency of the United States of America.
Vista JV	A joint venture between the Group and CSSC Shipping carried out through Vista Shipping Ltd.
Vitol	The Vitol Group.
VLGCs	Very Large Gas Carriers.
VPS	The Norwegian Central Securities Depository *(Nw.: Verdipapirsentralen)*.
VPS Registrar	DNB Bank ASA, Registrars Department.

APPENDIX A

MEMORANDUM OF ASSOCIATION AND BYE-LAWS OF HAFNIA LIMITED

FORM No. 2

BERMUDA

THE COMPANIES ACT 1981

MEMORANDUM OF ASSOCIATION OF COMPANY LIMITED BY SHARES
Section 7(1) and (2)

MEMORANDUM OF ASSOCIATION

OF

BW Pacific Limited

(hereinafter referred to as "the Company")

1. The liability of the members of the Company is limited to the amount (if any) for the time being unpaid on the shares respectively held by them.

2. We, the undersigned, namely,

Name and Address	Bermudian Status (Yes or No)	Nationality	Number of Shares Subscribed
Ernest Morrison **Cumberland House, 9th Floor** **1 Victoria Street** **Hamilton HM 11** **Bermuda**	**Yes**	**British**	**1**
Janice Gutteridge **Cumberland House, 9th Floor** **1 Victoria Street** **Hamilton HM 11** **Bermuda**	**Yes**	**British**	**1**

do hereby respectively agree to take such number of shares of the Company as may be allotted to us respectively by the provisional directors of the Company, not exceeding the number of shares for which we have respectively subscribed, and to satisfy such calls as may be made by the directors, provisional directors or promoters of the Company in respect of the shares allotted to us respectively.

3. The Company is to be an **exempted/** Company as defined by the Companies Act, 1981.

4. The Company, with the consent of the Minister of Finance, has power to hold land situate in Bermuda not exceeding ___ in all, including the following parcels:-

   N/A

5. The authorised share capital of the Company is **US$10,000.00** divided into **10,000 shares of US$1.00** each.

6. Subject to any provision of law, including a provision in the Companies Act, 1981 (as amended) or any other Act, and any provision of this memorandum, the objects for which the Company is formed and incorporated are unrestricted.

7. The Company shall have the capacity, rights, powers and privileges of a natural person and the additional powers set out below:

   (a) the power, pursuant to Section 42 of the Companies Act, 1981, to issue preference shares which are liable to be redeemed at the option of the holder;

   (b) the power, pursuant to Section 42A of the Companies Act, 1981, to purchase its own shares; and

   (c) the power, pursuant to Section 42B of the Companies Act, 1981, to acquire its own shares, to be held as treasury shares, for cash or any other consideration.

[next page is signature page]

Signed by each subscriber in the presence of at least one witness attesting the signature thereof:-

Ernest Morrison

Janice Gutteridge

(Witnesses)

Subscribed this 29th day of April 2014

BYE-LAWS

of

HAFNIA LIMITED

(formerly BW Tankers Limited)

(Adopted on 21 December 2018 and amended on 30 October 2019)

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INTERPRETATION

1. Definitions

1.1 In these Bye-laws, the following words and expressions shall, where not inconsistent with the context, have the following meanings, respectively:

Act	the Companies Act 1981 as amended from time to time;
Alternate Director	an alternate director appointed in accordance with these Bye-laws;
Approved Depository	has the meaning attributed to it in Bye-law 11;
Approved Nominee	has the meaning attributed to it in Bye-law 11;
Auditor	includes an individual or partnership;
Board	the board of directors appointed or elected pursuant to these Bye-laws and acting by resolution in accordance with the Act and these Bye-laws or the directors present at a meeting of directors at which there is a quorum;
Chairman	the chairman of the Board and the Company;
Common Shares	has the meaning attributed to it in Bye-law 4;
Company	the company for which these Bye-laws are approved and confirmed;

Company Securities	(i) any shares (of any class) including Common Shares, Preference Shares or other equity securities of the Company and (ii) any options, warrants, convertible notes, securities of any type or similar rights issued that are or may become convertible into or exercisable or exchangeable for, or that carry rights to subscribe for, any shares (of any class), including Common Shares, Preference Shares or other equity securities of the Company;
Default Securities	has the meaning attributed to it in Bye-law 11;
Direction Notice	has the meaning attributed to it in Bye-law 11;
Director	a director of the Company and shall include an Alternate Director;
Disclosure Notice	has the meaning attributed to it in Bye-law 11;
Interested Party	has the meaning attributed to it in Bye-law 11;
Member	the person registered in the Register of Members as the holder of shares in the Company and, when two or more persons are so registered as joint holders of shares, means the person whose name stands first in the Register of Members as one of such joint

	holders or all of such persons, as the context so requires;
Notice	written notice as further provided in these Bye-laws unless otherwise specifically stated;
Officer	the Chairman and any person appointed by the Board to hold an office in the Company;
Preference Shares	has the meaning attributed to it in Bye-law 4;
Register of Directors and Officers	the register of directors and officers referred to in these Bye-laws;
Register of Members	the register of members referred to in these Bye-laws;
Registrar	DNB Bank ASA, acting through its Registrar's Department (known as "DNB Verdipapirservice");
Resident Representative	any person appointed to act as resident representative and includes any deputy or assistant resident representative;
Secretary	the person appointed to perform any or all of the duties of secretary of the Company and includes any deputy or assistant secretary and any person appointed by the Board to perform any of the duties of the Secretary;
Treasury Shares	a share of the Company that was or is treated as having been acquired and held by the

	Company and has been held continuously by the Company since it was so acquired and has not been cancelled; and
VPS	the Norwegian Central Securities Depository maintained by Verdipapirsentralen ASA.

1.2 In these Bye-laws, where not inconsistent with the context:

(a) words denoting the plural number include the singular number and vice versa;

(b) words denoting the masculine gender include the feminine and neuter genders;

(c) words importing persons include companies, associations or bodies of persons whether corporate or not;

(d) the words:

(i) "may" shall be construed as permissive; and

(ii) "shall" shall be construed as imperative;

(e) a reference to statutory provision shall be deemed to include any amendment or re-enactment thereof;

(f) the word "corporation" means a corporation whether or not a company within the meaning of the Act; and

(g) unless otherwise provided herein, words or expressions defined in the Act shall bear the same meaning in these Bye-laws.

1.3 In these Bye-laws expressions referring to writing or its cognates shall, unless the contrary intention appears, include facsimile, printing, lithography, photography, electronic mail and other modes of representing words in visible form.

1.4 Headings used in these Bye-laws are for convenience only and are not to be used or relied upon in the construction hereof.

SHARES

2. Power to Issue Shares

2.1 Subject to these Bye-laws, and Bye-law 2.2 in particular with regard to the issuance of any preference shares, and to any resolution of the Members to the contrary, and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, the Board shall have the power to issue any unissued shares of the Company on such terms and conditions as it may determine.

2.2 Without limitation to the provisions of Bye-law 4, subject to the provisions of the Act, any preference shares may be issued or converted into shares that (at a determinable date or at the option of the Company or the holder) are liable to be redeemed on such terms and in such manner as may be determined by the Board before the issue or conversion, PROVIDED THAT prior approval for the issuance of such shares is given by resolution of the Members in general meeting.

3. Power of the Company to Purchase its Shares

3.1 The Company may purchase its own shares for cancellation or acquire them as Treasury Shares in accordance with the Act on such terms as the Board shall think fit.

3.2 The Board may exercise all the powers of the Company to purchase or acquire all or any part of its own shares in accordance with the Act.

4. Rights Attaching to Shares

4.1 At the date these Bye-laws are adopted, the share capital of the Company shall consist of common shares of par value US$0.01 each (the "Common Shares").

4.2 The holders of Common Shares shall, subject to the provisions of these Bye-laws (including, without limitation, the rights attaching to any Preference Shares that may be authorised for issue in the future by the Board pursuant to Bye-law 4.3):

(a) be entitled to one vote per share;

(b) be entitled to such dividends as the Board may from time to time declare;

(c) in the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for the purpose of a reorganisation or otherwise or upon any distribution of capital, be entitled to the surplus assets of the Company; and

(d) generally be entitled to enjoy all of the rights attaching to shares.

4.3 Subject to obtaining prior approval for the issuance of such shares by resolution of the Members in general meeting pursuant to Bye-law 2.2, the Board is authorised to provide for the issuance of one or more classes of preference shares in one or more series (the "Preference Shares"), and to establish from time to time the number of shares to be included in each such series, and to fix the terms, including designation, powers, preferences, rights, qualifications, limitations, and restrictions of the shares of each such series (and, for the avoidance of doubt, such matters and the issuance of such Preference Shares shall not be deemed to vary the rights attached to the Common Shares or, subject to the terms of any other series of Preference Shares, to vary the rights attached to any other series of Preference Shares). Subject to obtaining prior approval for the issuance of such shares by resolution of the Members in general meeting pursuant to Bye-law 2.2, the authority of the Board with respect to each series shall include, but not be limited to, determination of the following:

(a) the number of shares constituting that series and the distinctive designation of that series;

(b) the dividend rate on the shares of that series, whether dividends shall be cumulative and, if so, from which date or dates, and the relative rights of priority, if any, of the payment of dividends on shares of that series;

(c) whether that series shall have voting rights, in addition to the voting rights provided by law, and if so, the terms of such voting rights;

(d) whether that series shall have conversion or exchange privileges (including, without limitation, conversion into Common Shares), and, if so, the terms and conditions of such conversion or exchange, including provision for adjustment of the conversion or exchange rate in such events as the Board shall determine;

(e) whether or not the shares of that series shall be redeemable or repurchaseable, and, if so, the terms and conditions of such redemption or repurchase, including the manner of selecting shares for redemption or repurchase if less than all shares are to be redeemed or repurchased, the date or dates upon or after which they shall be redeemable or repurchaseable, and the amount per share payable in case of redemption or repurchase, which amount may vary under different conditions and at different redemption or repurchase dates;

(f) whether that series shall have a sinking fund for the redemption or repurchase of shares of that series, and, if so, the terms and amount of such sinking fund;

(g) the right of the shares of that series to the benefit of conditions and restrictions upon the creation of indebtedness of the Company or any subsidiary, upon the issue of any additional shares (including additional shares of such series or any other series) and upon the payment of dividends or the making of other distributions on, and the purchase, redemption or other acquisition by the Company or any subsidiary of any issued shares of the Company;

(h) the rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Company, and the relative rights of priority, if any, of payment in respect of shares of that series; and

(i) any other relative participating, optional or other special rights, qualifications, limitations or restrictions of that series.

4.4 Any Preference Shares of any series which have been redeemed (whether through the operation of a sinking fund or otherwise) or which, if convertible or exchangeable, have been converted into or exchanged for shares of any other class or classes shall have the status of authorised and unissued Preference Shares of the same series and may be reissued as a part of the series of which they were originally a part or may be reclassified and reissued as part of a new series of Preference Shares to be created by resolution or resolutions of the Board or as part of any other series of Preference Shares, all subject to the conditions and the restrictions on issuance set forth in the resolution or resolutions adopted by the Board providing for the issue of any series of Preference Shares and subject to obtaining prior approval for the issuance of such shares by resolution of the Members in general meeting pursuant to Bye-law 2.2.

4.5 At the discretion of the Board, whether or not in connection with the issuance and sale of any shares or other securities of the Company, the Company may issue securities, contracts, warrants or other instruments evidencing any shares, option rights, securities having conversion or option rights, or obligations on such terms, conditions and other provisions as are fixed by the Board, including, without limiting the generality of this authority, conditions that preclude or limit any person or persons owning or offering to acquire a specified number or percentage of the issued Common Shares, other shares, option rights, securities having conversion or option rights, or obligations of the Company or transferee of the person or persons from exercising, converting, transferring or receiving the shares, option rights, securities having conversion or option rights, or obligations.

4.6 All the rights attaching to a Treasury Share shall be suspended and shall not be exercised by the Company while it holds such Treasury Share and, except where required by the Act and any other applicable laws and regulation, all Treasury Shares shall be excluded from the calculation of any percentage or fraction of the share capital, or shares, of the Company.

5. Calls on Shares

5.1 The Board may make such calls as it thinks fit upon the Members in respect of any monies (whether in respect of nominal value or premium) unpaid on the shares allotted to or held by such Members (and not made payable at fixed times by the terms and conditions of issue) and, if a call is not paid on or before the day appointed for payment thereof, the Member may at the discretion of the Board be liable to pay the Company interest on the amount of such call at such rate as the Board may determine, from the date when such call was payable up to the actual date of payment. The Board may differentiate between the holders as to the amount of calls to be paid and the times of payment of such calls.

5.2 Any amount which by the terms of allotment of a share becomes payable upon issue or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall for the purposes of these Bye-laws be deemed to be an amount on which a call has been duly made and payable, on the date on which, by the terms of issue, the same becomes payable, and in case of non-payment all the relevant provisions of these Bye-laws as to payment of interest, costs, and expenses, forfeiture or otherwise shall apply as if such amount had become payable by virtue of a duly made and notified call.

5.3 The joint holders of a share shall be jointly and severally liable to pay all calls and any interest, costs and expenses in respect thereof.

5.4 The Company may accept from any Member the whole or a part of the amount remaining unpaid on any shares held by him, although no part of that amount has been called up.

6. Forfeiture of Shares

6.1 If any Member fails to pay, on the day appointed for payment thereof, any call in respect of any share allotted to or held by such Member, the Board may, at any time thereafter during such time as the call remains unpaid, direct the Secretary to forward such Member a notice in writing in the form, or as near thereto as circumstances admit, of the following:

Notice of Liability to Forfeiture for Non-Payment of Call
BW Tankers Limited (the "Company")

You have failed to pay the call of [amount of call] made on the **[*insert date*]**, in respect of the [number] share(s) [number in figures] standing in your name in the Register of Members of the Company, on the [***insert date***], the day appointed for payment of such call. You are hereby notified that unless you pay such call together with interest thereon at the rate of [ ] per annum computed from the said [***insert date***] at the registered office of the Company the share(s) will be liable to be forfeited.

Dated [***insert date***]

____

[Signature of Secretary] By Order of the Board

6.2 If the requirements of such notice are not complied with, any such share may at any time thereafter before the payment of such call and the interest due in respect thereof be forfeited by a resolution of the Board to that effect, and such share shall thereupon become the property of the Company and may be disposed of as the Board shall determine. Without limiting the generality of the foregoing, the disposal may take place by sale, repurchase, redemption or any other method of disposal permitted by and consistent with these Bye-laws and the Act.

6.3 A Member whose share or shares have been so forfeited shall, notwithstanding such forfeiture, be liable to pay to the Company all calls owing on such share or shares at the time of the forfeiture together with all interest due thereon and any costs and expenses incurred by the Company in connection therewith.

6.4 The Board may accept the surrender of any shares which it is in a position to forfeit on such terms and conditions as may be agreed. Subject to those terms and conditions, a surrendered share shall be treated as if it had been forfeited.

7. Share Certificates

7.1 Subject to the Act, no share certificates shall be issued by the Company unless, in respect of a class of shares, the Board has either for all or for some holders of such shares (who may be determined in such manner as the Board thinks fit) determined that the holder of such shares may be entitled to share certificates. In the case of a share held jointly by several persons, delivery of a certificate to one of several joint holders shall be sufficient delivery to all.

7.2 Subject to being entitled to a share certificate under the provisions of Bye-law 7.1, the Company shall be under no obligation to complete and deliver a share certificate unless specifically called upon to do so by the person to whom the shares have been allotted.

7.3 If any share certificate shall be proved to the satisfaction of the Board to have been worn out, lost, mislaid, or destroyed the Board may cause a new certificate to be issued and request an indemnity for the lost certificate if it sees fit.

7.4 Notwithstanding any provisions of these Bye-laws:

(a) the Board shall, subject always to the Act and any other applicable laws and regulations and the facilities and requirements of any relevant system concerned, have power to implement any arrangements it may, in its absolute discretion, think fit in relation to the evidencing of title to and transfer of uncertificated shares by means of the VPS system or any other relevant system, and to the extent such arrangements are so implemented, no provision of these Bye-laws shall apply or have effect to the extent that it is in any respect inconsistent with the holding or transfer of shares in uncertificated form; and

(b) unless otherwise determined by the Board and as permitted by the Act and any other applicable laws and regulations, no person shall be entitled to receive a certificate in respect of any share for so long as the title to that share is evidenced otherwise than by a certificate and for so long as transfers of that share may be made otherwise than by a written instrument.

8. Fractional Shares

The Company may issue its shares in fractional denominations and deal with such fractions to the same extent as its whole shares and shares in fractional denominations shall have in proportion to the respective fractions represented thereby all of the rights of whole shares including (but without limiting the generality of the foregoing) the right to vote, to receive dividends and distributions and to participate in a winding-up.

REGISTRATION OF SHARES

9. Register of Members

9.1 The Board shall cause to be kept in one or more books a Register of Members and shall enter therein the particulars required by the Act. Subject to the provisions of the Act, the Company may keep one or more branch registers in any place in or outside of Bermuda, and the Board may make, amend and revoke any such regulations as it may think fit respecting the keeping of such branch registers. The Board may authorise any share on the Register of Members to be included in a branch register or any share registered on a branch register to be registered on another branch register, provided that at all times the Register of Members is maintained in accordance with the Act.

9.2 The Register of Members shall be open to inspection without charge at the registered office of the Company on every business day, subject to such reasonable restrictions as the Board may impose, so that not less than two hours in each business day be allowed for inspection. The Register of Members may, after notice has been given in accordance with the Act, be closed for any time or times not exceeding in the whole thirty days in each year.

10. Disclosure of Interests in Company Securities

10.1 Members shall make such notifications to the Company regarding their interests in Company Securities as they are required to make under all applicable rules and regulations to which the Company is subject**.**

10.2 The provisions of Bye-law 10.1 are in addition to, and separate from, any other rights or obligations arising under the Act, these Bye-laws or otherwise.

11. Company Investigations and Consequences

11.1 The Board has power to serve a notice to require any Member or any other person it has reasonable cause to believe, as determined in the Board's sole discretion, to be interested in Company Securities (an "Interested Party"), to disclose to the Company the nature of such interest and any documents to verify the identity of the Interested Party that the Board deems necessary.

11.2 If at any time the Board is satisfied that any Member or Interested Party has been duly served with a notice pursuant to Bye-law 10.1 (a "Disclosure Notice") and is in default for the prescribed period set out in Bye-law 11.6 in supplying to the Company the information thereby required, or, in purported compliance with a Disclosure Notice, has made a statement which is false or inadequate in any material particular as determined by the Board in its sole discretion, then the Board may, in its absolute discretion at any time thereafter serve a further notice (a "Direction Notice") on the Member who was served with the relevant Disclosure Notice or on the Member who holds the Company Securities in which the Interested

Party who was served with the relevant Disclosure Notice appears to be interested to direct that:

(a) in respect of the Company Securities in relation to which the default occurred (the "Default Securities", which expression includes any Company Securities issued after the date of the Disclosure Notice in respect of those Company Securities) the Member shall not be entitled to attend or vote either personally or by proxy at a general meeting or at a separate meeting of the holders of that class of shares or on a poll; and

(b) where the Default Securities represent at least 0.25 per cent (in nominal value) of the issued shares of their class, the Direction Notice may additionally direct that in respect of the Default Securities:

(i) where an offer of the right to elect to receive Company Securities instead of cash in respect of any dividend or part thereof is or has been made by the Company, any election made thereunder by such Member in respect of such Default Securities shall not be effective; and/or

(ii) any dividend (or any part of a dividend) or other amount payable in respect of the Default Securities shall be withheld by the Company, which shall have no obligation to pay interest on it, and such dividend or part thereof shall only be payable when the Direction Notice ceases to have effect to the person who would but for the Direction Notice have been entitled to it; and/or

(iii) no transfer of any of the Company Securities held by any such Member shall be recognised or registered by the Board unless: (1) the transfer is an excepted transfer (as defined in Bye-law 11.6); or (2) the Member is not himself in default as regards supplying the requisite information required under this Bye-law and, when presented for registration, the transfer is accompanied by a certificate by the Member in a form satisfactory to the Board to the effect that after due and careful enquiry the Member is satisfied that none of the Company Securities, which are the subject of the transfer, are Default Securities.

11.3 The Company shall send the Direction Notice to each person appearing to be interested in the Default Securities, but the failure or omission by the Company to do so shall not invalidate such notice.

11.4 Any Direction Notice shall cease to have effect not more than seven days after the earlier of receipt by the Company of:

(a) notice that the Default Securities are subject to an excepted transfer (as defined in Bye-law 11.6), but only in relation to those Default Securities which are subject to such excepted transfer and not to any other Company Securities covered by the same Direction Notice; or

(b) all the information required by the relevant Disclosure Notice, in a form satisfactory to the Board.

11.5 The Board may at any time send a notice cancelling a Direction Notice if it determines in its sole discretion that it is appropriate to do so.

11.6 For the purposes of Bye-laws 10 and 11:

(a) the "prescribed period" is 14 days from the date the Disclosure Notice is deemed served;

(b) a reference to a person being "interested" or having an "interest" in Company Securities includes an interest of any kind whatsoever in the Company Securities;

(c) a transfer of Company Securities is an "excepted transfer" if:

(i) it is a transfer of Company Securities pursuant to an acceptance of an offer to acquire all the shares, or all the shares of any class or classes, in the Company (other than Company Securities, which at the date of the offer are already held by the offeror), being an offer on terms, which are the same in relation to all the Company Securities to which the offer relates or, where those Company Securities include Company Securities of different classes, in relation to all the Company Securities of each class; or

(ii) a transfer, which is shown to the satisfaction of the Board to be made in consequence of a sale of the whole of the beneficial interest in the Company Securities to a person who is not connected with the Member who has been served with the Disclosure Notice and with any other person appearing to be interested in the Default Securities; or

(iii) a transfer in consequence of a *bona fide* sale made on the Oslo Børs.

11.7 Where a person who appears to be interested in Company Securities has been served with a notice pursuant to Bye-law 11.1, and the Company Securities in which he appears to be interested are held by a depositary or a nominee approved as such by the Board (an "Approved Depository" and an "Approved Nominee" respectively), the provisions of Bye-law 11.1 will be treated as applying only to the Company Securities which are held by the Approved Depositary or Approved Nominee in which that person appears to be interested and not (so far as that person's apparent interest is concerned) to any other Company Securities held by the Approved Depositary or Approved Nominee.

11.8 While the Member on which a notice pursuant to Bye-law 11.1 is served is an Approved Depositary or Approved Nominee, the obligations of the Approved Depositary or Approved Nominee as a Member will be limited to disclosing to the Company any information relating to a person who appears to be interested in the

Company Securities held by it, which has been recorded by it in accordance with the arrangement under which it was appointed as an Approved Depositary or Approved Nominee by the Board.

12. Registered Holder Absolute Owner

The Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not be bound to recognise any equitable claim or other claim to, or interest in, such share on the part of any other person.

13. Transfer of Registered Shares

13.1 Subject to the Act and to such of the restrictions contained in these Bye-laws as may be applicable, any Member may transfer all or any of his shares by an instrument of transfer in the usual common form or in any other form which the Board may approve. No such instrument shall be required on the redemption of a share or on the purchase by the Company of a share. All transfers of uncertificated shares shall be made in accordance with and be subject to the facilities and requirements of the transfer of title to shares in that class by means of the VPS system or any other relevant system concerned and, subject thereto, in accordance with any arrangements made by the Board pursuant to Bye-Law 7.

13.2 The instrument of transfer shall be signed by (or on behalf of) the transferor and transferee, provided that, in the case of a fully paid share, the Board may accept the instrument signed by or on behalf of the transferor alone. The transferor shall be deemed to remain the holder of such share until the same has been registered as having been transferred to the transferee in the Register of Members.

13.3 The Board may refuse to recognise any instrument of transfer unless it is accompanied by the certificate in respect of the shares (if one has been issued) to which it relates and by such other evidence as the Board may reasonably require to prove the right of the transferor to make the transfer.

13.4 The joint holders of any share may transfer such share to one or more of such joint holders, and the surviving holder or holders of any share previously held by them jointly with a deceased Member may transfer any such share to the executors or administrators of such deceased Member.

13.5 The Board may in its absolute discretion and without assigning any reason therefore refuse to register the transfer of a share which is not fully paid or in accordance with Bye-law 11.2. The Board shall refuse to register a transfer unless all applicable consents, authorisations and permissions of any governmental body or agency in Bermuda have been obtained. If the Board refuses to register a transfer of any share the Secretary shall, within three months after the date on which the transfer was lodged with the Company, send to the transferor and transferee notice of the refusal.

13.6 Shares may be transferred without a written instrument if transferred by an appointed agent or otherwise in accordance with the Act.

13.7 The Board may refuse to register the transfer of any share, and may direct the Registrar to decline (and the Registrar, to the extent it is able to do so, shall decline if so requested) to register the transfer of any interest in a share held through the VPS, where such transfer is not in accordance with Bye-law 11.2 or where such transfer would, in the opinion of the Board, be likely to result in 50% or more of the aggregate issued and outstanding share capital of the Company, or shares of the Company to which are attached 50% or more of the votes attached to all issued and outstanding shares of the Company, being held or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or, alternatively, such shares being effectively connected to a Norwegian business activity, or the Company otherwise being deemed a Controlled Foreign Company as such term is defined pursuant to Norwegian tax legislation.

13.8 Subject to Bye-law 13.7, but notwithstanding anything to the contrary in these Bye-laws, shares that are listed or admitted to trading on an appointed stock exchange may be transferred in accordance with the rules and regulations of such exchange.

14. Transmission of Registered Shares

14.1 In the case of the death of a Member, the survivor or survivors where the deceased Member was a joint holder, and the legal personal representatives of the deceased Member where the deceased Member was a sole holder, shall be the only persons recognised by the Company as having any title to the deceased Member's interest in the shares. Nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by such deceased Member with other persons. Subject to the provisions of the Act, for the purpose of this Bye-law, legal personal representative means the executor or administrator of a deceased Member or such other person as the Board may, in its absolute discretion, decide as being properly authorised to deal with the shares of a deceased Member.

14.2 Any person becoming entitled to a share in consequence of the death or bankruptcy of any Member may be registered as a Member upon such evidence as the Board may deem sufficient or may elect to nominate some person to be registered as a transferee of such share, and in such case the person becoming entitled shall execute in favour of such nominee an instrument of transfer in writing in the form, or as near thereto as circumstances admit, of the following:

Transfer by a Person Becoming Entitled on Death/Bankruptcy of a Member

BW Tankers Limited (the "Company")

I/We, having become entitled in consequence of the [death/bankruptcy] of [name and address of deceased/bankrupt Member] to [number] share(s) standing in the Register of Members of the Company in the name of the said [name of deceased/bankrupt Member] instead of being registered myself/ourselves, elect to have [name of transferee] (the "Transferee") registered as a transferee of such share(s) and I/we do hereby accordingly transfer the said share(s) to the Transferee to hold the same unto the Transferee, his or her executors, administrators and assigns, subject to the conditions on which the same were held at the time of the execution hereof; and the Transferee does hereby agree to take the said share(s) subject to the same conditions.

DATED this [***insert date***]

Signed by:	In the presence of:
______________________________	______________________________
Transferor	Witness
______________________________	______________________________
Transferee	Witness

14.3 On the presentation of the foregoing materials to the Board, accompanied by such evidence as the Board may require to prove the title of the transferor, the transferee shall be registered as a Member. Notwithstanding the foregoing, the Board shall, in any case, have the same right to decline or suspend registration as it would have had in the case of a transfer of the share by that Member before such Member's death or bankruptcy, as the case may be.

14.4 Where two or more persons are registered as joint holders of a share or shares, then in the event of the death of any joint holder or holders the remaining joint holder or holders shall be absolutely entitled to such share or shares and the Company shall recognise no claim in respect of the estate of any joint holder except in the case of the last survivor of such joint holders.

ALTERATION OF SHARE CAPITAL

15. Power to Alter Capital

15.1 The Company may if authorised by resolution of the Members increase, divide, consolidate, subdivide, change the currency denomination of, diminish or otherwise alter or reduce its share capital in any manner permitted by the Act.

15.2 Where, on any alteration or reduction of share capital, fractions of shares or some other difficulty would arise, the Board may deal with or resolve the same in such manner as it thinks fit.

16. Variation of Rights Attaching to Shares

If, at any time, the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound-up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a resolution passed by a majority of the votes cast at a separate general meeting of the holders of the shares of the class at which meeting the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class. The rights conferred upon the holders of the shares of any class or series issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class or series, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

DIVIDENDS AND CAPITALISATION

17. Dividends

17.1 The Board may, subject to these Bye-laws and in accordance with the Act, declare a dividend to be paid to the Members, in proportion to the number of shares held by them, and such dividend may be paid in cash or wholly or partly in specie in which case the Board may fix the value for distribution in specie of any assets. No unpaid dividend shall bear interest as against the Company.

17.2 The Board may fix any date as the record date for determining the Members entitled to receive any dividend.

17.3 The Company may pay dividends in proportion to the amount paid up on each share where a larger amount is paid up on some shares than on others.

17.4 The Board may declare and make such other distributions (in cash or in specie) to the Members as may be lawfully made out of the assets of the Company. No unpaid distribution shall bear interest as against the Company.

18. Power to Set Aside Profits

The Board may, before declaring a dividend, set aside out of the surplus or profits of the Company, such amount as it thinks proper as a reserve to be used to meet contingencies or for equalising dividends or for any other purpose.

19. Method of Payment

19.1 Any dividend, interest, or other moneys payable in cash in respect of the shares may be paid through the VPS system or any other relevant system, by cheque or draft sent through the post directed to the Member at such Member's address in the Register of Members, or to such person and to such address as the holder may in writing direct.

19.2 In the case of joint holders of shares, any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or draft sent through the post directed to the address of the holder first named in the Register of Members, or to such person and to such address as the joint holders may in writing direct. If two or more persons are registered as joint holders of any shares any one can give an effectual receipt for any dividend paid in respect of such shares.

19.3 The Board may deduct from the dividends or distributions payable to any Member all moneys due from such Member to the Company on account of calls or otherwise.

19.4 Any dividend and or other monies payable in respect of a share which has remained unclaimed for 6 years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by the Company. The payment of any unclaimed dividend or other moneys payable in respect of a share may (but need not) be paid by the Company into an account separate from the

Company's own account. Such payment shall not constitute the Company a trustee in respect thereof.

19.5 The Company shall be entitled to cease sending dividend cheques and warrants by post or otherwise to a Member if those instruments have been returned undelivered to, or left uncashed by, that Member on at least two consecutive occasions, or, following one such occasion, reasonable enquiries have failed to establish the Member's new address. The entitlement conferred on the Company by this Bye-law 19.5 in respect of any Member shall cease if the Member claims a dividend or cashes a dividend cheque or warrant.

20. Capitalisation

20.1 The Board may resolve to capitalise any amount for the time being standing to the credit of any of the Company's share premium or other reserve accounts or to the credit of the profit and loss account or otherwise available for distribution by applying such amount in paying up unissued shares to be allotted as fully paid bonus shares pro-rata (except in connection with the conversion of shares of one class to shares of another class) to the Members.

20.2 The Board may capitalise any amount for the time being standing to the credit of a reserve account or amounts otherwise available for dividend or distribution by applying such amounts in paying up in full partly or nil paid shares of those Members who would have been entitled to such amounts if they were distributed by way of dividend or distribution.

MEETINGS OF MEMBERS

21. Annual General Meetings

Notwithstanding the provisions of the Act entitling the Members of the Company to elect to dispense with the holding of an annual general meeting, an annual general meeting shall be held in each year (other than the year of incorporation) at such time and place as the president of the Company (if any) or the Chairman or the Board shall appoint.

22. Special General Meetings

The president of the Company (if any) or the Chairman or the Board may convene a special general meeting of the Company whenever in their judgment such a meeting is necessary.

23. Requisitioned General Meetings

The Board shall, on the requisition of Members holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up share capital of the Company as at the date of the deposit carries the right to vote at general meetings of the Company, forthwith proceed to convene a special general meeting of the Company and the provisions of the Act shall apply.

24. Notice

24.1 At least 14 clear days' notice of an annual general meeting shall be given to each Member entitled to attend and vote thereat, stating the date, place and time at which the meeting is to be held, that the election of Directors will take place thereat, and as far as practicable, the other business to be conducted at the meeting.

24.2 At least 14 clear days' notice of a special general meeting shall be given to each Member entitled to attend and vote thereat, stating the date, time, place and the general nature of the business to be considered at the meeting.

24.3 The Board may fix any date as the record date for determining the Members entitled to receive notice of and to vote at any general meeting, provided that the date for determining Members entitled to vote at any general meeting may not be more than 5 days before the date fixed for the meeting.

24.4 A general meeting shall, notwithstanding that it is called on shorter notice than that specified in these Bye-laws, be deemed to have been properly called if it is so agreed by (i) all the Members entitled to attend and vote thereat in the case of an annual general meeting; and (ii) by a majority in number of the Members having the right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving a right to attend and vote thereat in the case of a special general meeting.

24.5 The accidental omission to give notice of a general meeting to, or the non-receipt of a notice of a general meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

25. Giving Notice

25.1 A notice may be given by the Company to a Member:

(a) by delivering it to such Member in person, in which case the notice shall be deemed to have been served upon such delivery; or

(b) by sending it by post to such Member's address in the Register of Members, in which case the notice shall be deemed to have been served five days after the date on which it is deposited, with postage prepaid, in the mail; or

(c) by sending it by courier to such Member’s address in the Register of members, in which case the notice shall be deemed to have been served two days after the date on which it is deposited, with courier fees paid, with the courier service; or

(d) by transmitting it by electronic means (including facsimile and electronic mail, but not telephone) in accordance with such directions as may be given by such Member to the Company for such purpose, in which case the notice shall be deemed to have been served at the time that it would in the ordinary course be transmitted; or

(e) by delivering it in accordance with the provisions of the Act pertaining to delivery of electronic records by publication on a website, in which case the notice shall be deemed to have been served at the time when the requirements of the Act in that regard have been met.

25.2 Any notice required to be given to a Member shall, with respect to any shares held jointly by two or more persons, be given to whichever of such persons is named first in the Register of Members and notice so given shall be sufficient notice to all the holders of such shares.

25.3 In proving service under Bye-laws 25.1(b), (c) and (d), it shall be sufficient to prove that the notice was properly addressed and prepaid, if posted or sent by courier, and the time when it was posted, deposited with the courier, or transmitted by electronic means.

26. Postponement or Cancellation of General Meeting

The Secretary may, and on the instruction of the Chairman or the president (if any), the Secretary shall, postpone or cancel any general meeting called in accordance with these Bye-laws (other than a meeting requisitioned under these Bye-laws) provided that notice of postponement or cancellation is given to the Members before the time for such meeting. Fresh notice of the date, time and place for the postponed or cancelled meeting shall be given to each Member in accordance with these Bye-laws.

27. Attendance and Security at General Meetings

27.1 Members may participate in any general meeting by such telephonic, electronic or other communication facilities or means as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

27.2 The Board may, and at any general meeting, the chairman of such meeting may make any arrangement and impose any requirement or restriction it or he considers appropriate to ensure the security of a general meeting including, without limitation, requirements for evidence of identity to be produced by those attending the meeting, the searching of their personal property and the restriction of items that may be taken into the meeting place. The Board and, at any general meeting, the chairman of such meeting are entitled to refuse entry to a person who refuses to comply with any such arrangements, requirements or restrictions.

28. Quorum at General Meetings

28.1 At any general meeting two or more persons present in person throughout the meeting and representing in person or by proxy in excess of 33% of the total issued voting shares in the Company throughout the meeting shall form a quorum for the transaction of business.

28.2 If within half an hour from the time appointed for the meeting a quorum is not present, then, in the case of a meeting convened on a requisition, the meeting shall be deemed cancelled and, in any other case, the meeting shall stand adjourned to the same day one week later, at the same time and place or to such other day, time or place as the Secretary may determine. Unless the meeting is adjourned to a specific date, time and place announced at the meeting being adjourned, fresh notice of the resumption of the meeting shall be given to each Member entitled to attend and vote thereat in accordance with these Bye-laws.

29. Chairman to Preside

Unless otherwise agreed by a majority of those attending and entitled to vote thereat, the Chairman or the president of the Company, if there be one, shall act as chairman of the meeting at all general meetings at which such person is present. In their absence a chairman of the meeting shall be appointed or elected by those present at the meeting and entitled to vote.

30. Voting on Resolutions

30.1 Subject to the Act and these Bye-laws, any question proposed for the consideration of the Members at any general meeting shall be decided by the affirmative votes of a majority of the votes cast in accordance with these Bye-laws and in the case of an equality of votes the resolution shall fail.

30.2 No Member shall be entitled to vote at a general meeting unless such Member has paid all the calls on all shares held by such Member.

30.3 At any general meeting a resolution put to the vote of the meeting shall, in the first instance, be voted upon by a show of hands and, subject to any rights or restrictions for the time being lawfully attached to any class of shares and subject to the provisions of these Bye-laws, every Member present in person and every person holding a valid proxy at such meeting shall be entitled to one vote and shall cast such vote by raising his or her hand.

30.4 In the event that a Member participates in a general meeting by telephone, electronic or other communication facilities or means, the chairman of the meeting shall direct the manner in which such Member may cast his vote on a show of hands.

30.5 At any general meeting if an amendment shall be proposed to any resolution under consideration and the chairman of the meeting rules on whether or not the proposed amendment is out of order, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling.

30.6 At any general meeting a declaration by the chairman of the meeting that a question proposed for consideration has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in a book containing the minutes of the proceedings of the Company shall, subject to these Bye-laws, be conclusive evidence of that fact.

31. Power to Demand a Vote on a Poll

31.1 Notwithstanding the foregoing, a poll may be demanded by any of the following persons:

(a) the chairman of such meeting; or

(b) at least three Members present in person or represented by proxy; or

(c) any Member or Members present in person or represented by proxy and holding between them not less than one-tenth of the total voting rights of all the Members having the right to vote at such meeting; or

(d) any Member or Members present in person or represented by proxy holding shares in the Company conferring the right to vote at such meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total amount paid up on all such shares conferring such right.

31.2 Where a poll is demanded, subject to any rights or restrictions for the time being lawfully attached to any class of shares, every person present at such meeting shall have one vote for each share of which such person is the holder or for which such person holds a proxy and such vote shall be counted by ballot as described herein, or in the case of a general meeting at which one or more Members are present by telephone, electronic or other communication facilities or means, in such manner as the chairman of the meeting may direct and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded and shall replace any previous resolution upon the same matter which has been the subject of a show of hands. A person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

31.3 A poll demanded for the purpose of electing a chairman of the meeting or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time and in such manner during such meeting as the chairman (or acting chairman) of the meeting may direct. Any business other than that upon which a poll has been demanded may be conducted pending the taking of the poll.

31.4 Where a vote is taken by poll, each person physically present and entitled to vote shall be furnished with a ballot paper on which such person shall record his vote in such manner as shall be determined at the meeting having regard to the nature of the question on which the vote is taken, and each ballot paper shall be signed or initialled or otherwise marked so as to identify the voter and the registered holder in the case of a proxy. Each person present by telephone, electronic or other communication facilities or means shall cast his vote in such manner as the chairman of the meeting shall direct. At the conclusion of the poll, the ballot papers and votes cast in accordance with such directions shall be examined and counted by a committee of not less than two Members or proxy holders appointed by the chairman of the meeting for the purpose and the result of the poll shall be declared by the chairman of the meeting.

32. Voting by Joint Holders of Shares

In the case of joint holders, the vote of the senior who tenders a vote (whether in person or by proxy) shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.

33. Instrument of Proxy

33.1 An instrument appointing a proxy shall be in writing in substantially the following form or such other form as the chairman of the meeting shall accept:

Proxy
BW Tankers Limited (the "Company")

I/We, [insert names here], being a Member of the Company with [number] shares, HEREBY APPOINT [name] of [address] or failing him, [name] of [address] to be my/our proxy to vote for me/us at the meeting of the Members to be held on the [***insert date***] and at any adjournment thereof. (Any restrictions on voting to be inserted here.)

Signed this [***insert date]***

____

Member(s)

33.2 The instrument appointing a proxy must be received by the Company at the registered office or at such other place or in such manner as is specified in the notice convening the meeting or in any instrument of proxy sent out by the Company in relation to the meeting at which the person named in the instrument appointing a proxy proposes to vote, and an instrument appointing a proxy which is not received in the manner so prescribed shall be invalid.

33.3 A Member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf in respect of different shares.

33.4 The decision of the chairman of any general meeting as to the validity of any appointment of a proxy shall be final.

34. Representation of Corporate Member

34.1 A corporation which is a Member may, by written instrument, authorise such person or persons as it thinks fit to act as its representative at any meeting of the Members and any person so authorised shall be entitled to exercise the same powers on behalf of the corporation which such person represents as that corporation could exercise if it were an individual Member, and that Member shall be deemed to be present in person at any such meeting attended by its authorised representative or representatives.

34.2 Notwithstanding the foregoing, the chairman of the meeting may accept such assurances as he thinks fit as to the right of any person to attend and vote at general meetings on behalf of a corporation which is a Member.

35. Adjournment of General Meeting

35.1 The chairman of a general meeting at which a quorum is present may, with the consent of the Members holding a majority of the voting rights of those Members present in person or by proxy (and shall if so directed by Members holding a majority of the voting rights of those Members present in person or by proxy), adjourn the meeting.

35.2 The chairman of a general meeting may adjourn a meeting to another time and place without the consent or direction of the Members if it appears to him that:

(a) it is likely to be impracticable to hold or continue that meeting because of the number of Members wishing to attend who are not present; or

(b) the unruly conduct of persons attending the meeting prevents, or is likely to prevent, the orderly continuation of the business of the meeting; or

(c) an adjournment is otherwise necessary so that the business of the meeting may be properly conducted.

35.3 Unless the meeting is adjourned to a specific date, place and time announced at the meeting being adjourned, fresh notice of the date, place and time for the resumption of the adjourned meeting shall be given to each Member entitled to attend and vote thereat in accordance with these Bye-laws.

36. Written Resolutions

36.1 Subject to these Bye-laws, anything which may be done by resolution of the Company in general meeting or by resolution of a meeting of any class of the Members may be done, without a meeting by written resolution in accordance with these Bye-laws.

36.2 Notice of a written resolution shall be given, and a copy of the resolution shall be circulated to all Members who would be entitled to attend a meeting and vote thereon. The accidental omission to give notice to, or the non-receipt of a notice by, any Member does not invalidate the passing of a resolution.

36.3 A written resolution is passed when it is signed by (or in the case of a Member that is a corporation, on behalf of) the Members who at the date that the notice is given represent such majority of votes as would be required if the resolution was voted on at a meeting of Members at which all Members entitled to attend and vote thereat were present and voting.

36.4 A resolution in writing may be signed in any number of counterparts.

36.5 A resolution in writing made in accordance with this Bye-law is as valid as if it had been passed by the Company in general meeting or by a meeting of the relevant class of Members, as the case may be, and any reference in any Bye-law to a meeting at which a resolution is passed or to Members voting in favour of a resolution shall be construed accordingly.

36.6 A resolution in writing made in accordance with this Bye-law shall constitute minutes for the purposes of the Act.

36.7 This Bye-law shall not apply to:

(a) a resolution passed to remove an auditor from office before the expiration of his term of office; or

(b) a resolution passed for the purpose of removing a Director before the expiration of his term of office.

36.8 For the purposes of this Bye-law, the effective date of the resolution is the date when the resolution is signed by, (or in the case of a Member that is a corporation, on behalf of,) the last Member whose signature results in the necessary voting majority being achieved and any reference in any Bye-law to the date of passing of a resolution is, in relation to a resolution made in accordance with this Bye-law, a reference to such date.

37. Directors Attendance at General Meetings

The Directors shall be entitled to receive notice of, attend and be heard at any general meeting.

DIRECTORS AND OFFICERS

38. Election of Directors

38.1 The Board shall consist of not less than three Directors or such number in excess thereof as the Members may determine. The Board shall be elected or appointed at the annual general meeting of the Members or at any special general meeting of the Members called for that purpose.

38.2 Where the number of persons validly proposed for re-election or election as a Director is greater than the number of Directors to be elected, the persons receiving the most votes (up to the number of Directors to be elected) shall be elected as Directors, and an absolute majority of the votes cast shall not be a prerequisite to the election of such Directors.

38.3 Only persons who are proposed or nominated in accordance with this Bye-law shall be eligible for election as Directors. Any Member, the Board or the nomination committee may propose any person for re-election or election as a Director. Where any person, other than a Director retiring at the meeting or a person proposed for re-election or election as a Director by the Board or the nomination committee, is to be proposed for election as a Director, notice must be given to the Company of the intention to propose him and of his willingness to serve as a Director. Whether a Director is to be elected at an annual general meeting or a special general meeting, that notice must be given not less than 10 days before the date of such general meeting.

38.4 The Company in general meeting may appoint a nomination committee (the "nomination committee"), comprising such number of persons as the Members may determine in general meeting from time to time, and members of the nomination committee shall be appointed by resolution of the Members. Members, the Board and members of the nomination committee may suggest candidates for the election of Directors and members of the nomination committee to the nomination committee provided such suggestions are in accordance with any nomination committee guidelines or corporate governance rules adopted by the Company in general meeting from time to time and Members, Directors and the nomination committee may also propose any person for election as a Director in accordance with Bye-laws 38.2 and 38.3. The nomination committee may or may not recommend any candidates suggested or proposed by any Member, the Board or any member of the nomination committee in accordance with any nomination committee guidelines or corporate governance rules adopted by the Company in general meeting from time to time. The nomination committee may provide recommendations on the suitability of candidates for the Board and the nomination committee, as well as the remuneration of the members of the Board and the nomination committee. The Members at any general meeting may stipulate guidelines for the duties of the nomination committee.

38.5 At any general meeting the Members may authorise the Board to fill any vacancy in their number left unfilled at a general meeting.

39. Classes of Directors

The Directors shall be divided into two classes designated Class I and Class II. Each class of Directors shall consist, as nearly as possible, of half of the total number of Directors constituting the entire Board.

40. Term of Office of Directors

At the general meeting at which these Bye-laws are adopted, the Class I Directors shall be elected for an initial term of office that expires at the Company's 2019 annual general meeting, and the Class II Directors shall be elected for an initial term of office that expires at the Company's 2020 annual general meeting. At each succeeding annual general meeting (commencing, for the avoidance of doubt, at the Company's 2019 annual general meeting), successors to the class of Directors whose term expires at that annual general meeting shall be elected for a two year term. If the number of Directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of Directors in each class as nearly equal as possible, and any Director of any class elected to fill a vacancy shall hold office for a term that shall coincide with the remaining term of the other Directors of that class, but in no case shall a decrease in the number of Directors shorten the term of any Director then in office. A Director shall hold office until the annual general meeting for the year in which his term expires, subject to his office being vacated pursuant to Bye-law 41.

41. Alternate Directors

41.1 At any general meeting, the Members may elect a person or persons to act as a Director in the alternative to any one or more Directors or may authorise the Board to appoint such Alternate Directors.

41.2 Unless the Members otherwise resolve, any Director may appoint a person or persons to act as a Director in the alternative to himself by notice deposited with the Secretary.

41.3 Any person elected or appointed pursuant to this Bye-law shall have all the rights and powers of the Director or Directors for whom such person is elected or appointed in the alternative, provided that such person shall not be counted more than once in determining whether or not a quorum is present.

41.4 An Alternate Director shall be entitled to receive notice of all Board meetings and to attend and vote at any such meeting at which a Director for whom such Alternate Director was appointed in the alternative is not personally present and generally to perform at such meeting all the functions of such Director for whom such Alternate Director was appointed.

41.5 An Alternate Director's office shall terminate –

(a) in the case of an alternate elected by the Members:

(i) on the occurrence in relation to the Alternate Director of any event which, if it occurred in relation to the Director for whom he was elected to act, would result in the termination of that Director; or

(ii) if the Director for whom he was elected in the alternative ceases for any reason to be a Director, provided that the alternate removed in these circumstances may be re-appointed by the Board as an alternate to the person appointed to fill the vacancy; and

(b) in the case of an alternate appointed by a Director:

(i) on the occurrence in relation to the Alternate Director of any event which, if it occurred in relation to his appointor, would result in the termination of the appointor's directorship; or

(ii) when the Alternate Director's appointor revokes the appointment by notice to the Company in writing specifying when the appointment is to terminate; or

(iii) if the Alternate Director's appointor ceases for any reason to be a Director.

42. Removal of Directors

42.1 Subject to any provision to the contrary in these Bye-laws, the Members entitled to vote for the election of Directors may, at any special general meeting convened and held in accordance with these Bye-laws, remove a Director, provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention so to do and be served on such Director not less than 14 days before the meeting and at such meeting the Director shall be entitled to be heard on the motion for such Director's removal.

42.2 If a Director is removed from the Board under this Bye-law the Members may fill the vacancy at the meeting at which such Director is removed. In the absence of such election or appointment, the Board may fill the vacancy.

43. Vacancy in the Office of Director

43.1 The office of Director shall be vacated if the Director:

(a) is removed from office pursuant to these Bye-laws or is prohibited from being a Director by law;

(b) is or becomes bankrupt, or makes any arrangement or composition with his creditors generally;

(c) is or becomes of unsound mind or dies; or

(d) resigns his office by notice to the Company.

43.2 The Members in general meeting or the Board shall have the power to appoint any person as a Director to fill a vacancy on the Board occurring as a result of the death, disability, disqualification or resignation of any Director or as a result of an increase in the size of the Board and to appoint an Alternate Director to any Director so appointed.

44. Remuneration of Directors

The remuneration (if any) of the Directors shall be determined by the Company in general meeting and shall be deemed to accrue from day to day. The Directors may also be paid all travel, hotel and other expenses properly incurred by them (or in the case of a director that is a corporation, by their representative or representatives) in attending and returning from the meetings of the Board, any committee appointed by the Board, general meetings of the Company, or in connection with the business of the Company or their duties as Directors generally.

45. Defect in Appointment

All acts done in good faith by the Board, any Director, a member of a committee appointed by the Board, any person to whom the Board may have delegated any of its powers, or any person acting as a Director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director or person acting as aforesaid, or that he was, or any of them were, disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director or act in the relevant capacity.

46. Directors to Manage Business

The business of the Company shall be managed and conducted by the Board. In managing the business of the Company, the Board may exercise all such powers of the Company as are not, by the Act or by these Bye-laws, required to be exercised by the Company in general meeting.

47. Powers of the Board of Directors

The Board may:

(a) appoint, suspend, or remove any manager, secretary, clerk, agent or employee of the Company and may fix their remuneration and determine their duties;

(b) exercise all the powers of the Company to borrow money and to mortgage or charge or otherwise grant a security interest in its undertaking, property and uncalled capital, or any part thereof, and may issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or any third party;

(c) appoint one or more Directors to the office of managing director or chief executive officer of the Company, who shall, subject to the control of the Board, supervise and administer all of the general business and affairs of the Company;

(d) appoint a person to act as manager of the Company's day-to-day business and may entrust to and confer upon such manager such powers and duties as it deems appropriate for the transaction or conduct of such business;

(e) by power of attorney, appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Board, to be an attorney of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board) and for such period and subject to such conditions as it may think fit and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may think fit and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions so vested in the attorney;

(f) procure that the Company pays all expenses incurred in promoting and incorporating the Company and listing of the shares of the Company;

(g) delegate any of its powers (including the power to sub-delegate) to a committee of one or more persons appointed by the Board which may consist partly or entirely of non-Directors, provided that every such committee shall conform to such directions as the Board shall impose on them and provided further that the meetings and proceedings of any such committee shall be governed by the provisions of these Bye-laws regulating the meetings and proceedings of the Board, so far as the same are applicable and are not superseded by directions imposed by the Board;

(h) delegate any of its powers (including the power to sub-delegate) to any person on such terms and in such manner as the Board may see fit;

(i) present any petition and make any application in connection with the liquidation or reorganisation of the Company;

(j) in connection with the issue of any share, pay such commission and brokerage as may be permitted by law;

(k) authorise any company, firm, person or body of persons to act on behalf of the Company for any specific purpose and in connection therewith to execute any deed, agreement, document or instrument on behalf of the Company; and

(l) take all necessary or desirable actions within its control to ensure that the Company is not deemed to be a Controlled Foreign Company as such term is defined pursuant to Norwegian tax legislation.

48. Register of Directors and Officers

The Board shall cause to be kept in one or more books at the registered office of the Company a Register of Directors and Officers and shall enter therein the particulars required by the Act.

49. Appointment of Officers

The Chairman shall be appointed by the Members from amongst the Directors. The Board may appoint such other Officers (who may or may not be Directors) as the Board may determine for such terms as the Board deems fit.

50. Appointment of Secretary

The Secretary shall be appointed by the Board from time to time for such term as the Board deems fit.

51. Duties of Officers

The Officers shall have such powers and perform such duties in the management, business and affairs of the Company as may be delegated to them by the Board from time to time.

52. Remuneration of Officers

The Officers shall receive such remuneration as the Board may determine.

53. Conflicts of Interest

53.1 Any Director, or any Director's firm, partner or any company with whom any Director is associated, may act in any capacity for, be employed by or render services to the Company on such terms, including with respect to remuneration, as may be agreed between the parties. Nothing herein contained shall authorise a Director or a Director's firm, partner or company to act as Auditor to the Company.

53.2 A Director who is directly or indirectly interested in a contract or proposed contract with the Company shall declare the nature of such interest as required by the Act.

53.3 Following a declaration being made pursuant to this Bye-law, and unless disqualified by the chairman of the relevant Board meeting, a Director may vote in respect of any contract or proposed contract or arrangement in which such Director is interested and may be counted in the quorum for such meeting.

53.4 Notwithstanding Bye-law 53.3 and save as provided herein, a Director shall not vote, be counted in the quorum or act as chairman at a meeting in respect of (A) his appointment to hold any office or place of profit with the Company or any body corporate or other entity in which the Company owns an equity interest or (B) the approval of the terms of any such appointment or of any contract or arrangement in which he is materially interested (otherwise than by virtue of his interest in shares, debentures or other securities of the Company), provided that, a Director shall be entitled to vote (and be counted in the quorum and act as chairman) in respect of any resolution concerning any of the following matters, namely:

(a) the giving of any security, guarantee or indemnity to him in respect of money lent or obligations incurred by him for the benefit of the Company; or

(b) any proposal concerning any other body corporate in which he is interested directly or indirectly, whether as an officer, Shareholder, creditor or otherwise, provided that he is not the holder of or beneficially interested (other than as a bare custodian or trustee in respect of shares in which he has no beneficial interest) in more than 1% of any class of the issued share capital of such body corporate (or of any third body corporate through which his interest is derived) or of the voting rights attached to all of the issued shares of the relevant body corporate (any such interest being deemed for the purpose of this Bye-law to be a material interest in all circumstances); and

in the case of an Alternate Director, an interest of a Director for whom he is acting as alternate shall be treated as an interest of such Alternate Director in addition to any interest which the Alternate Director may otherwise have.

53.5 If any question shall arise at any meeting as to the materiality of a Director's interest or as to the entitlement of any Director to vote, and such question is not resolved by such Director voluntarily agreeing to abstain from voting and not be counted in the quorum of such meeting, such question shall be referred to the chairman of the meeting (except in the event the Director is also the chairman of the meeting, in which case the question shall be referred to the other Directors present at the meeting) and his (or their, as the case may be) ruling in relation to such Director shall be final and conclusive, except in a case where the nature or extent of the interest of the Director concerned has not been fully disclosed.

54. Indemnification and Exculpation of Directors and Officers

54.1 The Directors, Resident Representative, Secretary and other Officers (such term to include any person appointed to any committee by the Board) acting in relation to any of the affairs of the Company or any subsidiary thereof and the liquidator or trustees (if any) acting in relation to any of the affairs of the Company or any subsidiary thereof and every one of them (whether for the time being or formerly), and their heirs, executors and administrators (each of which an "indemnified party”), shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, or in their respective offices or trusts, and no indemnified party shall be answerable for the acts, receipts, neglects or defaults of the others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto, PROVIDED THAT this indemnity shall not extend to any matter in respect of any fraud or dishonesty in relation to the Company which may attach to any of the indemnified parties. Each Member agrees to waive any claim or right of action such Member might have, whether individually or by or in the right of the Company, against any Director or Officer on account of any action taken by such Director or Officer, or the failure of such Director or Officer to take any action in the performance of his duties with or for the Company or any subsidiary thereof, PROVIDED THAT such waiver shall not extend to any liability arising from prospectus responsibility statements signed by any Director or Officer or to any matter in respect of any fraud or dishonesty in relation to the Company which may attach to such Director or Officer.

54.2 The Company may purchase and maintain insurance for the benefit of any Director or Officer against any liability incurred by him under the Act in his capacity as a Director or Officer or indemnifying such Director or Officer in respect of any loss arising or liability attaching to him by virtue of any rule of law in respect of any negligence, default, breach of duty or breach of trust of which the Director or Officer may be guilty in relation to the Company or any subsidiary thereof.

54.3 The Company may advance moneys to a Director or Officer for the costs, charges and expenses incurred by the Director or Officer in defending any civil or criminal proceedings against him, on condition that the Director or Officer shall repay the advance if any allegation of fraud or dishonesty in relation to the Company is proved against him.

MEETINGS OF THE BOARD OF DIRECTORS

55. Board Meetings

The Board may meet for the transaction of business, adjourn and otherwise regulate its meetings as it sees fit. A resolution put to the vote at a Board meeting shall be carried by the affirmative votes of a majority of the votes cast and in the case of an equality of votes the resolution shall fail.

56. Notice of Board Meetings

A Director may, and the Secretary on the requisition of a Director shall, at any time summon a Board meeting. Notice of a Board meeting shall be deemed to be duly given to a Director if it is given to such Director verbally (including in person or by telephone) or otherwise communicated or sent to such Director by post, electronic means or other mode of representing words in a visible form at such Director's last known address or in accordance with any other instructions given by such Director to the Company for this purpose.

57. Electronic Participation in Meetings by Telephone

Directors may participate in any meeting by such telephonic, electronic or other communication facilities or means as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

58. Quorum at Board Meetings

The quorum necessary for the transaction of business at a Board meeting shall be a majority of the Directors then in office.

59. Board to Continue in the Event of Vacancy

The Board may act notwithstanding any vacancy in its number but, if and so long as its number is reduced below the number fixed by these Bye-laws as the quorum necessary for the transaction of business at Board meetings, the continuing Directors or Director may act for the purpose of (i) summoning a general meeting; or (ii) preserving the assets of the Company.

60. Chairman to Preside

Unless otherwise agreed by a majority of the Directors attending, the Chairman or the president of the Company, if there be one, shall act as chairman at all Board meetings at which such person is present. In their absence a chairman of the meeting shall be appointed or elected by the Directors present at the meeting.

61. Written Resolutions

A resolution signed by (or in the case of a Director that is a corporation, on behalf of) all the Directors, which may be in counterparts, shall be as valid as if it had been passed at a Board meeting duly called and constituted, such resolution to be effective on the date on which the resolution is signed by (or in the case of a Director that is a corporation, on behalf of) the last Director. For the purposes of this Bye-law, an Alternate Director can sign written resolutions.

62. Validity of Prior Acts of the Board

No regulation or alteration to these Bye-laws made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if that regulation or alteration had not been made.

CORPORATE RECORDS

63. Minutes

The Board shall cause minutes to be duly entered in books provided for the purpose:

(a) of all elections and appointments of Officers;

(b) of the names of the Directors present at each Board meeting and of any committee appointed by the Board; and

(c) of all resolutions and proceedings of general meetings of the Members, Board meetings, and meetings of managers and of committees appointed by the Board.

64. Place Where Corporate Records Kept

Minutes prepared in accordance with the Act and these Bye-laws shall be kept by the Secretary at the registered office of the Company.

65. Form and Use of Seal

65.1 The Company may adopt a seal in such form as the Board may determine. The Board may adopt one or more duplicate seals for use in or outside Bermuda.

65.2 A seal may, but need not, be affixed to any deed, instrument or document, and if the seal is to be affixed thereto, it shall be attested by the signature of (i) any Director, or (ii) any Officer, or (iii) the Secretary, or (iv) any person authorised by the Board for that purpose.

65.3 A Resident Representative may, but need not, affix the seal of the Company to certify the authenticity of any copies of documents.

ACCOUNTS

66. Records of Account

66.1 The Board shall cause to be kept proper records of account with respect to all transactions of the Company and in particular with respect to:

(a) all amounts of money received and expended by the Company and the matters in respect of which the receipt and expenditure relates;

(b) all sales and purchases of goods by the Company; and

(c) all assets and liabilities of the Company.

66.2 Such records of account shall be kept at the registered office of the Company or subject to the Act, at such other place as the Board thinks fit and shall be available for inspection by the Directors during normal business hours.

66.3 Such records of account shall be retained for a minimum period of five years from the date on which they are prepared.

67. Financial Year End

The financial year end of the Company may be determined by resolution of the Board and failing such resolution shall be 31st December in each year.

AUDITS

68. Annual Audit

Subject to any rights to waive laying of accounts or appointment of an Auditor pursuant to the Act, the accounts of the Company shall be audited at least once in every year.

69. Appointment of Auditors

69.1 Subject to the Act, the Members shall appoint an auditor to the Company to hold office for such term as the Members deem fit or until a successor is appointed.

69.2 The Auditor may be a Member but no Director, Officer or employee of the Company shall, during his continuance in office, be eligible to act as an Auditor of the Company.

70. Remuneration of Auditor

70.1 The remuneration of an Auditor appointed by the Members shall be fixed by the Company in general meeting or in such manner as the Members may determine.

70.2 The remuneration of an Auditor appointed by the Board to fill a casual vacancy in accordance with these Bye-laws shall be fixed by the Board.

71. Duties of Auditors

71.1 The financial statements provided for by these Bye-laws shall be audited by the Auditor in accordance with generally accepted auditing standards. The Auditor shall make a written report thereon in accordance with generally accepted auditing standards.

71.2 The generally accepted auditing standards referred to in this Bye-law may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be provided for in the Act. If so, the financial statements and the report of the Auditor shall identify the generally accepted auditing standards used.

72. Access to Records

The Auditor shall at all reasonable times have access to all books kept by the Company and to all accounts and vouchers relating thereto, and the Auditor may call on the Directors or Officers for any information in their possession relating to the books or affairs of the Company.

73. Financial Statements and the Auditor's Report

73.1 Subject to the following Bye-law, financial statements and/or the auditor's report as required by the Act shall:

(a) be laid before the Members at the annual general meeting; or

(b) be received, accepted, adopted, approved or otherwise acknowledged by the Members by written resolution passed in accordance with these Bye-laws.

73.2 If all Members and Directors shall agree, either in writing or at a meeting, that in respect of a particular interval no financial statements and/or auditor's report thereon need be made available to the Members, and/or that no auditor shall be appointed then there shall be no obligation on the Company to do so.

74. Vacancy in the Office of Auditor

The Board may fill any casual vacancy in the office of the auditor.

VOLUNTARY WINDING-UP AND DISSOLUTION

75. Winding-Up

If the Company shall be wound up the liquidator may, with the sanction of a resolution of the Members, divide amongst the Members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in the trustees upon such trusts for the benefit of the Members as the liquidator shall think fit, but so that no Member shall be compelled to accept any shares or other securities or assets whereon there is any liability.

CHANGES TO CONSTITUTION

76. Changes to Bye-laws

No Bye-law shall be rescinded, altered or amended and no new Bye-law shall be made until the same has been approved by a resolution of the Board and by a resolution of the Members including the affirmative vote of not less than two-thirds of the votes cast in a general meeting.

77. Changes to the Memorandum of Association

No alteration or amendment to the Memorandum of Association may be made save in accordance with the Act and until same has been approved by a resolution of the Board and by a resolution of the Members including the affirmative vote of not less than two-thirds of the votes cast at a general meeting.

78. Discontinuance

The Board may exercise all the powers of the Company to discontinue the Company to a jurisdiction outside Bermuda pursuant to the Act.

APPENDIX B

CONSOLIDATED FINANCIAL STATEMENTS FOR THE COMPANY (BW TANKERS LIMITED) AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2018

HAFNIA LIMITED (previously known as BW Tankers Limited)
(Incorporated in Bermuda)
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

Contents

DIRECTORS' STATEMENT
For the financial year ended 31 December 2018

The Board of Directors have today, March 21, 2019, discussed and approved the consolidated financial statements of Hafnia Limited (previously known as BW Tankers Limited) and its subsidiaries (the "Group") for the financial years ended 31 December 2018 and 2017.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

It is our opinion that the consolidated financial statements present fairly, in all material aspects, the financial position of the Group as at 31 December 2018 and 2017 and the financial performance, changes in equity, and cash flows of the Group for the financial years 1 January to 31 December 2018 and 2017.

Board of Directors

Andreas Sohmen-Pao	Chris Gradel	Alexis Atteslis
Gregory Sean Feldman	Erik Bartnes	John Ridgway
Peter Read		

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INDEPENDENT AUDITORS' REPORT

Members of the Company
Hafnia Limited (previously known as BW Tankers Limited)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Hafnia Limited (previously known as BW Tankers Limited) (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet of the Group as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 51.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year then ended on that date in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *'Auditors' responsibilities for the audit of the consolidated financial statements'* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* ("IESBA Code"), the Singapore Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code"), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements, the IESBA Code and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (continued)

Other information

Management is responsible for the other information. The other information is defined as all information in the annual report other than the consolidated financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITORS' REPORT (continued)

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

INDEPENDENT AUDITORS' REPORT (continued)

Other matter

The financial statements for the year ended 31 December 2017 were audited by another auditor whose report dated 12 March 2018 expressed an unqualified opinion on those statements.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
21 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the financial year ended 31 December 2018

	Note	2018 US$'000	2017 US$'000
Revenue	3	**368,390**	346,481
Voyage expenses	4	**(167,119)**	(139,934)
TCE income #		**201,271**	206,547
Other operating income		**1,581**	1,647
Vessel operating and other expenses	4	**(126,395)**	(124,123)
Operating profit before depreciation and impairment on vessels		**76,457**	84,071
Depreciation charge	8	**(56,865)**	(54,184)
Impairment charge on vessels – net	8	**(7,400)**	-
Operating profit		**12,192**	29,887
Interest income		**257**	104
Interest expense		**(31,503)**	(26,263)
Other finance expense		**(703)**	(745)
Finance expense – net		**(31,949)**	(26,904)
(Loss)/profit before income tax		**(19,757)**	2,983
Income tax expense	6	**(24)**	(20)
(Loss)/profit for the financial year		**(19,781)**	2,963
Other comprehensive income:			
Item that may be subsequently reclassified to income statement			
Fair value gains/(losses) on cash flow hedges - interest rate swaps		**2,815**	(1,083)
Reclassification to profit or loss		**(162)**	2,297
		2,653	1,214
Total comprehensive (loss)/income		**(17,128)**	4,177
(Loss)/earnings per share attributable to the equity holders of the Company			
(expressed in US$ per share)			
Basic and diluted (loss)/earnings per share	7	**(0.16)**	0.03

"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 BALANCE SHEET
As at 31 December 2018

	Note	2018 US$'000	2017 US$'000
Vessels	8	**1,027,877**	1,081,123
Dry docking	8	**26,465**	24,950
Vessels under construction	8	**117,495**	-
Total property, plant and equipment		**1,171,837**	1,106,073
Derivative financial instruments	15	**3,158**	505
Total other non-current assets		**3,158**	505
Total non-current assets		**1,174,995**	1,106,578
Inventories	9	**22,660**	14,560
Trade and other receivables	10	**63,957**	57,240
Derivative financial instruments	15	**4**	9
Cash and cash equivalents	11	**52,463**	41,372
Total current assets		**139,084**	113,181
Total assets		**1,314,079**	1,219,759
Share capital	12	**1,962**	1,165
Share premium	12	**221,220**	26,761
Contributed surplus	12	**537,112**	537,112
Other reserves	13	**53,169**	50,516
Accumulated losses		**(242,384)**	(217,735)
Total shareholders' equity		**571,079**	397,819
Borrowings	14	**613,044**	614,239
Other payables	16	**4,436**	4,954
Total non-current liabilities		**617,480**	619,193
Borrowings	14	**76,940**	157,635
Derivative financial instruments	15	**34**	6
Current income tax liabilities		**27**	15
Trade and other payables	16	**48,519**	45,091
Total current liabilities		**125,520**	202,747
Total liabilities		**743,000**	821,940
Total equity and liabilities		**1,314,079**	1,219,759

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2018

	Share capital US$'000	Share premium US$'000	Contributed surplus US$'000	Capital reserve US$'000	Hedging reserve US$'000	Accumulated losses US$'000	Total US$'000
Balance at 1 January 2018 (as previously reported)	1,165	26,761	537,112	50,011	505	(217,735)	397,819
Adjustment on initial application of IFRS 15, net of tax	-	-	-	-	-	(4,868)	(4,868)
Restated balance at 1 January 2018	1,165	26,761	537,112	50,011	505	(222,603)	392,951
Issuance of new shares (Note 12)	797	194,459	-	-	-	-	195,256
Total comprehensive income/(loss) for the financial year	-	-	-	-	2,653	(19,781)	(17,128)
Balance at 31 December 2018	1,962	221,220	537,112	50,011	3,158	(242,384)	571,079
Balance at 1 January 2017	1,077	-	537,112	50,011	(709)	(220,698)	366,793
Issuance of new shares (Note 12)	88	26,761	-	-	-	-	26,849
Total comprehensive income for the financial year	-	-	-	-	1,214	2,963	4,177
Balance at 31 December 2017	1,165	26,761	537,112	50,011	505	(217,735)	397,819

CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2018

	Note	2018 US$'000	2017 US$'000
Cash flows from operating activities			
(Loss)/profit for the financial year		(19,781)	2,963
Adjustments for:			
- income tax expense		24	20
- depreciation charge		56,865	54,184
- impairment charge on vessels – net		7,400	-
- amortisation of deferred income		(1,399)	(1,399)
- interest income		(257)	(104)
- interest expense		31,503	26,263
- other finance expense		703	745
Operating cash flow before working capital changes		75,058	82,672
Changes in working capital:			
- inventories		(8,100)	(3,720)
- trade and other receivables		(11,530)	(4,388)
- trade and other payables		4,254	6,801
Cash generated from operations		59,682	81,365
Income tax paid		(12)	(5)
Net cash provided by operating activities		59,670	81,360
Cash flows from investing activities			
Interest income received		257	104
Purchase of property, plant and equipment		(17,249)	(117,924)
Net cash used in investing activities		(16,992)	(117,820)
Cash flows from financing activities			
Proceeds from borrowings from external financial institutions		36,000	146,900
Proceeds from borrowings from a related corporation		81,000	-
Repayment of borrowings to external financial institutions		(164,014)	(105,686)
Payment of financing fees		-	(1,344)
Interest paid to external financial institutions		(27,868)	(25,341)
Interest paid to a related corporation		(2,045)	-
Issuance of shares		46,000	26,849
Other finance expense paid		(660)	(754)
Net cash (used in)/provided by financing activities		(31,587)	40,624
Net increase in cash and cash equivalents		11,091	4,164
Cash and cash equivalents at beginning of the financial year		41,372	37,208
Cash and cash equivalents at end of the financial year	11	52,463	41,372

The accompanying notes form an integral part of these consolidated financial statements.
Independent Auditor's Report – Pages 2 to 5.

Reconciliation of liabilities arising from financing activities

	1 January 2018 US$'000	Financial cash flows (i) US$'000	Non-cash changes US$'000 Interest Expense	Fair value changes on cash flow hedges	Gain on non-hedging instrument	Borrowing capitalised via issuance of shares	**31 December 2018 US$'000**
Borrowings	771,874	(77,079)	31,665	-	-	(36,476)	689,984
Interest rate swaps	(508)	152	-	(2,815)	43	-	(3,128)

	1 January 2017 US$'000	Financial cash flows (i) US$'000	Non-cash changes US$'000 Interest Expense (ii)	Fair value changes on cash flow hedges	Gain on non-hedging instrument	**31 December 2017 US$'000**
Borrowings	730,274	16,820	24,780	-	-	771,874
Interest rate swaps	709	(2,291)	-	1,083	(9)	(508)

(i) The cash flows make up the net amount of proceeds from borrowings, repayments of borrowings, interest expense and financing fees paid in the statement of cash flows.

(ii) The balance includes capitalised interests on vessels under construction.

These notes form an integral part of and should be read in conjunction with the accompanying consolidated 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 investment holding. The principal activities of its subsidiaries are listed in note 26.

2. Significant accounting policies

(a) Basis of preparation

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.

New standards, amendments to published standards and interpretations, effective in 2018

The Group has adopted the following relevant new standards and amendments to published standards as of 1 January 2018:

(1) New standards and interpretation
- IFRS 9 *Financial instruments*
- IFRS 15 *Revenue from contracts with customers*
- IFRIC 22 *Foreign currency transactions and advance consideration*

(2) Amendments
- IFRS 2 *Share-based payment* (Classification and measurement of share-based payment transactions)

The adoption of these new standards and amendments to the published standards does not have a material impact on the consolidated financial statements, except for the following:

(1) IFRS 15 *Revenue from contracts with customers*

IFRS 15 *Revenue from contracts with customers* deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of goods or services and thus has the ability to direct the use and obtain the benefits from those goods or services. The standard replaces IAS 18 *Revenue* and IAS 11 *Construction contracts* and related interpretations.

2. **Significant accounting policies** (continued)

(a) Basis of preparation (continued)

New standards, amendments to published standards and interpretations, effective in 2018 (continued)

(1) IFRS 15 *Revenue from contracts with customers* (continued)

The adoption of IFRS 15 has resulted in a change in the Group's method of determining proportional performance for voyage charters from discharge-to-discharge to load-to-discharge. Under the load-to-discharge method, no revenue is recognised from the point of discharge of the prior voyage to the point of loading of the current voyage and all revenue is recognised from the point of loading of the current voyage to the point of discharge of the current voyage.

Previously, pre-voyage expenses incurred are expensed to the profit or loss as they do not qualify for recognition as an asset under any IFRS. Under IFRS 15, costs that are directly related to the Group's contracts with customers are capitalised as "contract fulfilment costs".

This change in accounting policy was applied on a modified retrospective basis from 1 January 2018. In accordance with the transitional provisions of IFRS 15, the impact of the change in revenue recognition in relation to voyage charters in-progress at 1 January 2018 was adjusted against retained earnings of the Group as at 1 January 2018. Accordingly, the comparative information presented has not been restated.

The following table summarises the impact, net of tax, of transition to IFRS 15 as at 1 January 2018:

	Impact of adopting IFRS 15 as at 1 January 2018
	Increase/(decrease)
	US$'000
Trade and other receivables	(4,813)
Trade and other payables	55
Retained earnings	(4,868)

The impact of the change on the Consolidated Financial Statements arising from the adoption of IFRS 15 on the following balances as at 31 December 2018 are summarised below:

	Amount without adoption of IFRS 15	Adjustment Increase/(decrease)	Amount as reported
	US$'000	US$'000	US$'000
Trade and other receivables	70,535	(6,578)	63,957
Trade and other payables	48,444	75	48,519
Revenue	371,234	(2,844)	368,390
Voyage expenses	168,178	(1,059)	167,119
Accumulated losses	235,731	6,653	242,384

2. **Significant accounting policies** (continued)

(a) Basis of preparation (continued)

New standards, amendments to published standards and interpretations, effective in 2018 (continued)

(2) IFRS 9 *Financial instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new "expected credit loss" (ECL) model and a new general hedge accounting model. The Group adopted IFRS 9 from 1 January 2018.

In accordance with the transitional options available under IFRS 9, the Group elected not to restate information for 2017. Accordingly, the information for 2017 is presented, as previously reported, under IAS 39 *Financial Instruments: Recognition and Measurement.* Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018.

The impacts on adoption of IFRS 9 are described below.

(i) Classification and measurement of financial assets and financial liabilities

Under IFRS 9, financial assets are classified in the following categories: measured at amortised cost; fair value to other comprehensive income (FVOCI) – debt instrument; FVOCI – equity instrument; or fair value to profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, and available-for-sale.

The Group's financial assets that were previously classified as loans and receivables, including trade and other receivables and cash and cash equivalents, are reclassified to financial assets measured at amortised cost under IFRS 9. This change in category does not affect the carrying amounts of these financial assets.

Derivative financial instruments are typically measured at FVTPL. However, if an instrument qualifies for hedge accounting under IFRS 9, the effective portion of changes in fair value of the instrument is recognised in other comprehensive income while the ineffective portion is recognised in profit or loss.

The adoption of IFRS 9 did not impact the classification and measurement of the Group's financial liabilities.

2. **Significant accounting policies** (continued)

(a) Basis of preparation (continued)

New standards, amendments to published standards and interpretations, effective in 2018 (continued)

(2) IFRS 9 *Financial instruments* (continued)

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to the Group’s financial assets measured at amortised cost and contract assets. Under IFRS 9, credit losses are expected to be recognised earlier than under IAS 39.

The Group has assessed the impact of this change to be immaterial for the year ended 31 December 2018.

(iii) Hedge accounting

The Group adopted the new general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy, and to apply a more qualitative and forward-looking approach when assessing hedge effectiveness.

The Group uses forward exchange contracts and interest rate derivative instruments to hedge the variability in cash flows arising from changes in foreign exchange rates and interest rates. Financial derivatives that are not designated as hedge instruments are measured at FVTPL.

The Group has assessed that all hedging relationships designated under IAS 39 at 31 December 2017 met the criteria for hedge accounting under IFRS 9 as at 1 January 2018 and are therefore regarded as continuing hedging relationships. Under IFRS 9, there is no change in the treatment to recognise fair value changes on the effective portion of hedges in other comprehensive income, and ineffective portion in profit or loss.

2. **Significant accounting policies** (continued)

(a) Basis of preparation (continued)

New standards, amendments to published standards and interpretations, effective in later periods

The following new standards, amendments and interpretations, which are relevant to the Group's operations but have not been early adopted, have been published and are mandatory for accounting periods beginning on or after 1 January 2019 (or otherwise stated) or later periods:

(1) Amendments
- IAS 19 *Employee benefits* (Plan amendment, curtailment or settlement)

(2) Annual improvements 2015 - 2017
- IFRS 3 *Business combinations*
- IAS 12 *Income taxes*
- IAS 23 *Borrowing costs*

(3) New standards and interpretation
- IFRS 16 *Leases*

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Group's financial statements in the period of initial application.

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases* and related interpretations. IFRS 16 is expected to change the balance sheet, income statement and cash flow statement of an entity with off balance sheet leases. In applying IFRS 16, an entity is required to recognise a right-to-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 standard is effective for accounting periods beginning on or after 1 January 2019. The change in accounting policy will be applied on a modified retrospective basis with no restatement of comparative information. The cumulative effect of adopting IFRS 16 will be adjusted against retained earnings of the Group as at 1 January 2019.

2. **Significant accounting policies** (continued)

(a) Basis of preparation (continued)

New standards, amendments to published standards and interpretations, effective in later periods (continued)

The Group plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

Management has assessed the effects of applying the new standard on the Group's financial statements and the impact of adopting the new standard on 1 January 2019 is discussed below.

(1) When a group company is the lessee

The Group leases vessels, office spaces, and other equipment from external parties. On adoption of IFRS 16, management has assessed that all vessels currently 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. Based on the information currently available, the impact of adoption of IFRS 16 on the Consolidated Financial Statements as at 1 January 2019 is summarised below:

	US$'000
Lease liabilities	25,019
Deferred gain on sale and operating leaseback	(3,849)
Right of use assets	21,170

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

(2) When a group company is the lessor

The adoption of IFRS 16 will 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.

2. **Significant accounting policies** (continued)

(a) Basis of preparation (continued)

Critical accounting estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions discussed below.

Certain amounts included in or affecting the consolidated financial statements and related disclosures are estimated, requiring the Group to make assumptions with respect to values or conditions which cannot be known with certainty at the time the consolidated financial statements are prepared. A critical accounting estimate or assumption is one which is both important to the portrayal of the Group's financial condition and results and requires management's most difficult, subjective or complex judgements, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Management evaluates such estimates on an ongoing basis, using historical results and experience, consideration of relevant trends, consultation with experts and other methods considered reasonable in the particular circumstances.

The following is a summary of estimates and assumptions which have a material effect on the accounts.

(1) Useful life and residual value of assets

The Group reviews the useful lives and residual values of its vessels at least at each financial year-end and any adjustments are made on a prospective basis. Residual value is estimated as the lightweight tonnage of each vessel multiplied by the expected scrap value per ton. If estimates of the residual values are revised, the amounts of depreciation charges in the future periods will be changed.

There was no significant change to the estimated residual values of any vessel for the financial year ended 31 December 2018 and 31 December 2017.

The useful lives of the vessels are assessed periodically based on the condition of the vessels, market conditions and other regulatory requirements. If the estimates of useful lives for the vessels are revised or there is a change in useful lives, the amounts of depreciation charges recorded in future periods will be changed.

(2) Reversal of impairment/Impairment of non-financial assets

Property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired or a reversal of previously recognised impairment charge may be required. The recoverable amount of an asset, and where applicable, a cash-generating unit ("CGU"), is determined based on the higher of fair value less costs to sell and value-in-use calculations prepared on the basis of management's assumptions and estimates.

See note 8(a) for further disclosures on estimation of the recoverable amounts of vessels.

2. **Significant accounting policies** (continued)

(a) Basis of preparation (continued)

Critical accounting estimates and assumptions (continued)

(3) Revenue recognition

All freight voyage charter revenues and voyage expenses are recognised on a percentage of completion basis. Load-to-discharge (2017: discharge-to-discharge) basis is used in determining the percentage of completion for all spot voyages and voyages servicing contracts of affreightment. Under the load-to-discharge method, freight voyage charter revenue is recognised evenly over the period from the point of loading of the current voyage to the point of discharge of the current voyage. Previously, under the discharge-to-discharge method, freight voyage charter revenue is recognised evenly over the period from the departure of a vessel from its original discharge port to departure from the next discharge port.

Management uses its judgement in estimating the total number of days of a voyage based on historical trends, the operating capability of the vessel (speed and fuel consumption), and the distance of the trade route. Actual results may differ from estimates.

Demurrage revenue is recognised as revenue from voyage charters in the profit or loss, based on actual demurrage recovered over total estimated claims issued to customers historically.

(b) Revenue and income recognition

Revenue comprises the fair value of consideration received or receivable for the rendering of services in the ordinary course of the Group's activities, net of rebates, discounts and off-hire charges, and after eliminating sales within the Group.

(1) Rendering of services

Revenue from time charters, accounted for as operating leases, is recognised rateably over the rental periods of such charters, as services are performed. Revenue from freight voyage charters is recognised rateably over the estimated length of the voyage within the respective reporting period, in the event the voyage commences in one reporting period and ends in the subsequent reporting period.

The Group determines the percentage of completion of freight voyage charter using the load-to-discharge (2017: discharge-to-discharge) method. Under the load-to-discharge method, freight voyage charter revenue is recognised rateably over the period from the point of loading of the current voyage to the point of discharge of the current voyage. Previously, under the discharge-to-discharge method, freight voyage charter revenue is recognised rateably over the period from the departure of a vessel from its original discharge port to departure from the next discharge port.

Losses arising from time or voyage charters are provided for in full as soon as they are anticipated.

For the Group's tanker vessels that are operating in third party managed pool, where the Group has no influence in the running of the pools, the Group accounts for its share of pool results on a net basis in the consolidated financial statements. The share of pool results is recorded as part of revenue from voyage charters in the statement of comprehensive income.

2. **Significant accounting policies** (continued)

(b) Revenue and income recognition (continued)

(2) Interest income

Interest income is recognised using the effective interest method.

(c) Group accounting

Subsidiaries

(1) Consolidation

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been aligned where necessary to ensure consistency with the policies adopted by the Group.

(2) Acquisition

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date, and any gains or losses arising from such re-measurement are recognised in profit or loss. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the net identifiable assets acquired, is recorded as goodwill.

2. **Significant accounting policies** (continued)

(c) Group accounting (continued)

Subsidiaries (continued)

(3) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

Any retained interest in the entity is re-measured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in the profit or loss.

(d) Property, plant and equipment

(1) Measurement

(i) Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses [note 2(f)].

(ii) The cost of an item of property, plant and equipment initially recognised includes expenditure that is directly attributable to the acquisition of the item. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring the asset.

(iii) The acquisition cost capitalised to a vessel under construction is the sum of the instalments paid plus other directly attributable costs incurred during the construction period including borrowing costs. Vessels under construction are reclassified as vessels upon delivery from the yard.

(2) Depreciation

(i) Depreciation is calculated using a straight-line method to allocate the depreciable amounts of property, plant and equipment, after taking into account the residual values over their estimated useful lives. The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at least annually. The effects of any revision are recognised in the profit or loss when the changes arise. The estimated useful lives are as follows:

Vessels	
- Tankers	25 years

(ii) A proportion of the price paid for new vessels is capitalised as dry docking. These costs are depreciated over the period to the next scheduled dry docking, which is generally 30 to 60 months. At the commencement of new dry docking, the remaining carrying amount of the previous dry docking will be written off to the profit or loss.

2. **Significant accounting policies** (continued)

(d) Property, plant and equipment (continued)

(3) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment, including dry docking, that has already been recognised, is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expense is recognised in the profit or loss when incurred.

(4) Disposal

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in the profit or loss.

(e) Financial assets

(1) Classification

(i) From 1 January 2018 under IFRS 9

The Group classifies its financial assets in the following categories: at amortised cost and at FVTPL. The classification depends on the business model in which a financial asset is managed and its contractual cash flows characteristics. Management determines the classification of its financial assets at initial recognition. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(ai) Amortised cost financial assets

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. They are presented as “trade and other receivables” (note 10) and “cash and cash equivalents” (note 11) in the consolidated balance sheet.

2. **Significant accounting policies** (continued)

(e) Financial assets (continued)

(1) Classification (continued)

(i) From 1 January 2018 under IFRS 9 (continued)

(aii) FVTPL financial assets

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL.

Derivatives are also categorised as FVTPL unless they are designated as hedges. Assets in this category are presented as current assets if they are expected to be realised within 12 months after the balance sheet date.

(ii) Before 1 January 2018 under IAS 39

The Group classifies its financial assets as loans and receivables. The classification depends on the nature of the asset and the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (note 10) and "cash and cash equivalents" (note 11) in the consolidated balance sheet.

(2) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, measured at amortised cost or FVTPL, the difference between the net sale proceeds and its carrying amount is recognised in the profit or loss.

2. **Significant accounting policies** (continued)

(e) Financial assets (continued)

(3) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at FVTPL, which are recognised at fair value. Transaction costs for financial assets at FVTPL are recognised immediately as expenses.

(4) Subsequent measurement

Financial assets at FVTPL are subsequently carried at fair value. Financial assets at amortised costs are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at FVTPL including the effects of currency translation are recognised in profit or loss.

(5) Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the consolidated balance sheet, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2. **Significant accounting policies** (continued)

(e) Financial assets (continued)

(6) Impairment

(i) From 1 January 2018 under IFRS 9

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for expected credit loss (ECL) at an amount equal to the lifetime expected credit loss if there has been a significant increase in credit risk since initial recognition. If the credit risk has not increased significantly since initial recognition, the Group recognises an allowance for ECL at an amount equal to 12 month ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12 month ECLs are the portion of ECLs that results from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

An impairment loss for trade receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience, informed credit assessment and other forward-looking information.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the net present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2. **Significant accounting policies** (continued)

(e) Financial assets (continued)

(6) Impairment (continued)

(ii) Before 1 January 2018 under IAS 39

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the net present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2. **Significant accounting policies** (continued)

(f) Impairment of non-financial assets

Property, plant and equipment are tested for impairment whenever there is objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less costs to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the profit or loss.

An impairment loss for an asset (or CGU) other than goodwill is reversed if, and only if, there has been a change in the estimate of the asset's (or CGU's) recoverable amount since the last impairment loss was recognised. The carrying amount of the asset (or CGU) is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation and depreciation) had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of impairment loss for an asset (or CGU) other than goodwill is recognised in the profit or loss.

(g) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

(h) Borrowing costs

Borrowing costs are recognised in the profit or loss using the effective interest method except for those costs that are directly attributable to the construction of vessels. This includes those costs on borrowings acquired specifically for the construction of vessels, as well as those in relation to general borrowings used to finance the construction of vessels.

Borrowing costs are capitalised in the cost of the vessel under construction. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to the construction expenditures that are financed by general borrowings.

2. **Significant accounting policies** (continued)

(i) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

(j) Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The fair value of derivative financial instruments represents the amount estimated by banks or brokers that the Group will receive or pay to terminate the derivatives at the balance sheet date. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is 12 months or more, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

For derivative financial instruments that are not designated or do not qualify for hedge accounting, any fair value gains or losses are recognised in the profit or loss as a finance item.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

Hedging relationships designated under IAS 39 that were still existing as at 31 December 2017 are treated as continuing hedges and hedge documentations were aligned according to the requirements of IFRS 9.

Cash flow hedge – Interest rate swap

The Group has entered into interest rate swaps that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and obliges the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

The fair value changes on the effective portion of the interest rate swaps designated as cash flow hedges are recognised in other comprehensive income, accumulated in the hedging reserve and reclassified to profit or loss when the hedged interest expense on the borrowings is recognised in the profit or loss. The fair value changes on the ineffective portion of the interest rate swaps are recognised immediately to the profit or loss.

2. **Significant accounting policies** (continued)

(k) Inventories

Inventories comprise mainly fuel oil remaining on board vessels. Inventories are measured at the lower of cost (on first-in, first-out basis) and net realisable value.

(l) Fair value estimation of financial assets and liabilities

The fair value of interest rate swap is calculated as the present value of the estimated future cash flows, discounted at actively quoted interest rates. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying amounts of current financial assets and liabilities carried at amortised cost approximate their fair values, due to the short term nature of the balances. The fair values of financial liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at current market interest rates that are available to the Group at balance sheet date for similar financial instruments.

(m) Leases

(1) When a group company is a lessor:

Operating leases

Leases of assets in which the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Assets leased out under operating leases are included in property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(2) When a group company is a lessee:

Operating leases

Leases of assets in which substantially all risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in the profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Sale and operating leaseback transactions

Gains and losses on sale and leaseback transactions established at fair value which resulted in operating leases are recognised immediately in the profit or loss.

Where the sale price of the asset is above fair value, the excess of the sale price over the fair value of the asset is deferred and amortised over the lease term.

2. **Significant accounting policies** (continued)

(n) Income taxes

The tax expense for the period comprises current tax. Tax is recognised as income or expense in profit or loss, except to the extent that it relates to items recognised in other comprehensive income in which case the tax is also recognised in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Positions taken in tax returns are evaluated periodically, with respect to situations in which applicable tax regulations are subject to interpretation, and provisions are established where appropriate, on the basis of amounts expected to be paid to the tax authorities. In relation to accounting for tax uncertainties, where it is more likely than not that the final tax outcome would be favourable to the Group, no tax provision is recognised until payment to the tax authorities is required, and upon which a tax asset, measured at the expected recoverable amount, is recognised.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is recognised on temporary differences arising on income earned from investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. **Significant accounting policies** (continued)

(o) Employee benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be classified as an asset.

(1) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(2) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(p) Foreign currency translation

(1) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in United States Dollars, which is the Company's functional currency.

(2) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign currency exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date, are recognised in the profit or loss.

2. **Significant accounting policies** (continued)

(q) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with financial institutions, which are subject to an insignificant risk of change in value.

(r) Share capital

Common shares are classified as equity.

Incremental costs directly attributable to the issuance of new equity instruments are taken to equity as a deduction, net of tax, from the proceeds.

(s) Dividends

Interim dividends are recognised in the financial year in which they are declared payable and final dividends are recognised when the dividends are approved for payment by the directors and shareholders respectively.

(t) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation whereby as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the settlement amount can be made. When the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

For leased-in assets, the Group recognises a provision for the estimated costs of reinstatement arising from the use of these assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

(u) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management who are responsible for allocating resources and assessing performance of the operating segments.

3. **Revenue**

	2018	2017
	US$'000	US$'000
Revenue from time charter	**25,712**	28,727
Revenue from voyage charter	**342,678**	317,754
Total revenue	**368,390**	346,481

4. Expenses by nature

	2018 US$'000	2017 US$'000
Fuel oil consumed (note 9)	106,710	76,933
Port costs	50,091	49,997
Commission expenses	4,491	4,089
Other voyage expenses	5,827	8,915
Voyage expenses	167,119	139,934
Employee benefits (note 5)	59,547	60,190
Maintenance and repair expenses	26,677	28,130
Insurance expenses	3,545	3,714
Other vessel operating expenses	3,720	3,950
Vessel operating expenses	93,489	95,984
Support service fee	8,303	3,693
Employee benefits (note 5)	8,900	5,167
Charter hire expenses	8,659	7,264
Other operating expenses	7,044	12,015
Other expenses	32,906	28,139
Total voyage expenses and other operating expenses	293,514	264,057

5. Employee benefits

	2018 US$'000	2017 US$'000
Wages and salaries (note 4)	68,447	65,357

6. Income taxes

Based on the tax laws in the jurisdictions in which the Group and its subsidiaries operate, shipping profits are exempted from income tax. Non-shipping profits are taxed at the prevailing tax rate of each tax jurisdiction where the profit is earned.

Income tax expense

	2018 US$'000	2017 US$'000
Tax expense attributable to profit is made up of:		
Current income tax	24	20

There is no income, withholding, capital gain or capital transfer taxes payable in Bermuda. The income tax expense reconciliation of the Group is as follows:

	2018 US$'000	2017 US$'000
(Loss)/Profit before income tax	(19,757)	2,983
Tax calculated at a tax rate of 0% (2017: 0%)	-	-
Effect of :		
- Different tax rates in other countries	24	20
Income tax expense	24	20

7. (Loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the net (loss)/profit attributable to equity holders of the Company by the weighted average number of common shares outstanding during the financial year.

	2018	2017
Net (loss)/profit attributable to equity holders of the Company (US$'000)	(19,781)	2,963
Weighted average number of common shares outstanding ('000)	122,491	109,632
Basic and diluted (loss)/earnings per share (US$ per share)	(0.16)	0.03

8. Property, plant and equipment

	Vessels	Dry docking	Vessels under Construction	Total
	US$'000	US$'000	US$'000	US$'000
Cost				
At 1 January 2018	1,766,604	50,815	-	1,817,419
Additions/Adjustments	1	12,533	117,495	130,029
Write off on completion of dry docking cycle	-	(14,482)	-	(14,482)
At 31 December 2018	1,766,605	48,866	117,495	1,932,966
Accumulated depreciation and impairment charge				
At 1 January 2018	685,481	25,865	-	711,346
Impairment charge	48,300	-	-	48,300
Write back of impairment charge	(40,900)	-	-	(40,900)
Depreciation charge	45,847	11,018	-	56,865
Write off on completion of dry docking cycle	-	(14,482)	-	(14,482)
At 31 December 2018	738,728	22,401	-	761,129
Net book value				
31 December 2018	**1,027,877**	**26,465**	**117,495**	**1,171,837**
Cost				
At 1 January 2017	1,582,193	44,490	78,572	1,705,255
Additions/Adjustments	(10)	9,899	108,849	118,738
Transfer on delivery of vessels	184,421	3,000	(187,421)	-
Write off on completion of dry docking cycle	-	(6,574)	-	(6,574)
At 31 December 2017	1,766,604	50,815	-	1,817,419
Accumulated depreciation and impairment charge				
At 1 January 2017	613,641	22,197	27,898	663,736
Depreciation charge	43,942	10,242	-	54,184
Transfer on delivery of vessels	27,898	-	(27,898)	-
Write off on completion of dry docking cycle	-	(6,574)	-	(6,574)
At 31 December 2017	685,481	25,865	-	711,346
Net book value				
At 31 December 2017	**1,081,123**	**24,950**	**-**	**1,106,073**

8. Property, plant and equipment (continued)

(a) The Group recognised a net impairment charge of US$7.4 million (2017: US$Nil), which represents the impairment or write back of impairment of certain vessels to their recoverable amounts. The recoverable amount was based on the higher of fair value less costs to sell and value-in-use calculations, with each vessel being regarded as one CGU.

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$1,054.3 million (2017: US$1,106.1 million) as security over the Group's bank borrowings.

(c) For the financial year ended 31 December 2017, interest amounting to US$0.8 million has been capitalised in Vessels under construction. The interest rate used to determine the amount of borrowing costs eligible for capitalisation is 3.03% per annum. No interest was capitalised for the financial year ended 31 December 2018.

9. Inventories

	2018 US$'000	2017 US$'000
Fuel oil	22,660	14,560

The cost of inventories recognised as expenses and included in "voyage expenses" amounted to US$106.7 million (2017: US$76.9 million).

10. Trade and other receivables

	2018 US$'000	2017 US$'000
Trade receivables		
- related corporations	-	544
- non-related parties	41,555	39,942
Less: Allowance made for trade receivables		
- non-related parties (note 18(ii)(b))	(1,594)	(774)
Trade receivables – net	39,961	39,712
Prepayments	5,487	1,311
Other receivables		
- related corporations	5,361	1,076
- non-related parties	13,148	15,141
	63,957	57,240

The carrying amounts of trade and other receivables, principally denominated in United States Dollars, approximate their fair values due to the short period to maturity.

The other receivables due from related corporations are unsecured, interest-free and are repayable on demand.

11. Cash and cash equivalents

	2018 US$'000	2017 US$'000
Cash at bank and on hand	52,463	41,372

12. Share capital and contributed surplus

	Number of Shares	Share capital US$'000	Share premium US$'000	Total US$'000
At 1 January 2018	116,514,917	1,165	26,761	27,926
New shares issued	79,726,435	797	194,459	195,256
At 31 December 2018	196,241,352	1,962	221,220	223,182

	Number of Shares	Share capital US$'000	Share premium US$'000	Total US$'000
At 1 January 2017	107,637,740	1,077	-	1,077
New shares issued	8,877,177	88	26,761	26,849
At 31 December 2017	116,514,917	1,165	26,761	27,926

(a) Authorised share capital

The total authorised number of shares is 400,000,000 (2017: 180,000,000) common shares at par value of US$0.01 per share.

12. Share capital and contributed surplus (continued)

(b) Issued and fully paid share capital

For the financial year ended 31 December 2017, the Company issued 8,877,177 new common shares at US$3.02 per common share for cash, amounting to a total US$26.8 million.

On 15 November 2018, the Company issued 18,782,594 new common shares at US$2.45 per share for cash, amounting to a total of US$46.0 million. Additionally, 14,893,819 common shares were issued by way of capitalising an amount due to a wholly-owned subsidiary of the holding corporation of US$36.5 million.

On 19 December 2018, 46,050,022 common shares were also issued as consideration for six LR2 product tankers which are currently under construction. These were sold by a wholly-owned subsidiary of the holding corporation at a sale consideration of US$112.8 million.

All issued common shares are fully paid. The newly issued shares rank pari passu with the existing shares.

(c) Share premium

The difference between the consideration for common shares issued and their par value is recognised as share premium.

(d) Contributed surplus

Contributed surplus relates to the amount transferred from share capital account when the par value of each common share was reduced from US$5 to US$0.01 per share in 2015. Contributed surplus is distributable, subject to the fulfilment of the conditions as stipulated under the Bermudian Law.

13. Other reserves

		2018 US$'000	2017 US$'000
(a)	Composition:		
	Capital reserve – effects of group restructuring	50,011	50,011
	Hedging reserve	3,158	505
		53,169	50,516

Capital reserve relates to the net difference arising from the share capital and retained earnings of the Group before and after a group restructuring during the financial year ended 31 December 2014.

Capital reserve is non-distributable.

(b) Movements of the reserves are as follows:

	2018 US$'000	2017 US$'000
Hedging reserve		
At beginning of the financial year	505	(709)
Fair value gains/(losses) on cash flow hedges - interest rate swaps	2,815	(1,083)
Reclassification to profit or loss	(162)	2,297
At end of the financial year	3,158	505

14. Borrowings

	2018 US$'000	2017 US$'000
Current		
Loan from a related corporation	7	-
Bank borrowings	76,933	157,635
Non-current		
Loan from a related corporation	44,524	-
Bank borrowings	568,520	614,239
	689,984	771,874

As at 31 December 2018, bank borrowings consist of three credit facilities from external financial institutions, amounting to US$676 million, US$266 million and US$128 million respectively. These three facilities are secured by the Group's fleet of vessels.

The US$676 million facility is made up of two loan tranches amounting to US$576 million and US$100 million respectively. The first tranche of US$576 million includes a US$100 million revolving credit facility. These tranches are interest-bearing at three-month US Dollar LIBOR plus 1.7% per annum and three-month US Dollar LIBOR plus 1.9% per annum and will mature in 2022 and 2018 respectively. Full repayment has been made for the US$100 million tranche which matured on 29 June 2018.

The US$266 million facility has an average interest rate of three-month US Dollar LIBOR plus 1.5% per annum and will mature in 2028. The US$128 million facility has an average interest rate of three-month US Dollar LIBOR plus 1.8% per annum and will mature in 2023.

The USD denominated loan from a related corporation is a revolving credit facility which is unsecured, bears interest at 5.77%, and is repayable by June 2020.

Interest rates

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

	2018	2017
Bank borrowings	4.3%	3.4%

The exposure of borrowings to interest rate risks is disclosed in note 18(iii).

Maturity of borrowings

The non-current borrowings have the following maturity:

	2018 US$'000	2017 US$'000
Later than one year and not later than five years	530,247	437,351
Later than five years	82,797	176,888
	613,044	614,239

14. **Borrowings** (continued)

Carrying amounts and fair values

The carrying values of bank borrowings approximate their fair values as the bank borrowings are repriceable at regular intervals.

The carrying value of loan from related corporation approximates its fair value since the contractual interest rate continues to approximate the market interest rate.

15. Derivative financial instruments

	2018 US$'000 Assets	2018 US$'000 Liabilities	2017 US$'000 Assets	2017 US$'000 Liabilities
Cash flow hedges				
- Interest rate swaps	**3,162**	**-**	505	6
Non-hedging instruments				
- Forward foreign exchange contracts	**-**	**34**	9	-
	3,162	**34**	514	6
Analysed as:				
Non-current	**3,158**	**-**	505	-
Current	**4**	**34**	9	6
	3,162	**34**	514	6

Cash flow hedges

The Group has entered into interest rate swap contracts that qualify for hedge accounting. The Group will pay interest at fixed rates varying from 2.01% to 2.26% (2017: 2.01% to 2.26%) per annum and receive interest at a floating rate based on three-month US$ LIBOR.

The notional principal amount of these outstanding interest rate swaps as at 31 December 2018 amounted to US$238.4 million (2017: US$264.8 million).

Forward foreign exchange contracts

The Group has entered into forward foreign exchange contracts to swap United States Dollars for Singapore Dollars with the holding corporation. The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 December 2018 and 31 December 2017 comprise the following:

Currency	2018 Notional amounts in local currency ('000)	2018 US$ equivalents ($'000)	2017 Notional amounts in local currency ('000)	2017 US$ equivalents ($'000)
Singapore Dollars	**4,000**	**2,970**	800	589

As at 31 December 2018, these forward foreign exchange contracts will mature within 5 (2017: 3) months from the balance sheet date.

16. Trade and other payables

	2018 US$'000	2017 US$'000
Trade payables		
- related corporations	**278**	382
- non-related parties	**8,048**	6,322
Deferred gain on sale and operating leaseback	**3,849**	5,248
Provision for reinstatement costs of leased vessels	**1,987**	1,106
Accrued operating expenses	**29,839**	30,602
Other payables		
- holding corporation	**164**	-
- related corporations	**5,715**	2,504
- non-related parties	**3,075**	3,881
	52,955	50,045

	2018 US$'000	2017 US$'000
Analysed as:		
Non-current	**4,436**	4,954
Current	**48,519**	45,091
	52,955	50,045

The carrying amounts of trade and other payables, principally denominated in United States Dollars, approximate their fair values due to the short period to maturity.

The other payables due to the holding corporation and related corporations are unsecured, interest-free and are repayable on demand.

17. Commitments

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the consolidated financial statements are as follows:

	2018 US$'000	2017 US$'000
Vessels under construction	**181,220**	-

(b) Operating lease commitments - where the Group is a lessor

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

17. Commitments (continued)

(b) Operating lease commitments - where the Group is a lessor (continued)

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:

	2018 US$'000	2017 US$'000
Not later than one year	**4,394**	25,738
Later than one year but not later than five years	**-**	4,880
	4,394	30,618

(c) Operating lease commitments - where the Group is a lessee

The Group leases vessels and office space from non-related parties under non-cancellable operating lease agreements. These leases have varying terms including options to extend and option to purchase.

The future minimum lease payments under non-cancellable operating leases committed at the reporting date but not recognised as liabilities, are as follows:

	2018 US$'000	2017 US$'000
Not later than one year	**27,360**	7,879
Later than one year but not later than five years	**162,824**	153,632
Later than five years	**21,429**	60,558
	211,613	222,069

18. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk); credit risk; liquidity risk; and capital risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The financial risk management of the Group is handled by the holding corporation as part of its operations. The management team identifies, evaluates and manages financial risks in close co-operation with BW Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk and credit risk.

18. **Financial risk management** (continued)

Financial risk factors (continued)

(i) *Market risk*

Price risk

The shipping market can be subject to significant fluctuations. The Group's vessels are employed under a variety of chartering arrangements including time charters and voyage charters.

In 2018, approximately 7% (2017: 8%) of the Group's shipping revenue was derived from vessels under fixed income charters (comprising time charters).

The Group is exposed to the risk of variations in fuel oil costs, which are affected by the global political and economic environment. Historically, bunker fuel expenses have been the most significant expense. Under a time charter, the charterer is responsible for bunker fuel costs, therefore, fixed income charters also reduce exposure to fuel price fluctuations.

In 2018, fuel oil costs comprised 36% (2017: 29%) of the Group's operating expenses (excluding depreciation). If price of fuel oil has increased/decreased by US$1 (2017: US$1) per metric ton with all other variables including tax rate being held constant, the net results will be lower/higher by US$246,000 (2017: US$236,000) as a result of higher/lower fuel oil consumption expense.

Currency risk

The Group's business operations are not exposed to significant foreign exchange risk as it has no significant transactions denominated in foreign currencies.

(ii) *Credit risk*

The Group's credit risk is primarily attributable to trade and other receivables and cash and cash equivalents. The maximum exposure is represented by the carrying value of each financial asset on the balance sheet.

(a) *Financial assets that are neither past due or impaired*

The Group performs periodic credit evaluations of its charterers. The Group has implemented policies to ensure cash funds are deposited with internationally recognised financial institutions with a good credit rating and the vessels are fixed to charterers with an appropriate credit rating or who provide sufficient guarantees.

18. **Financial risk management (continued)**

Financial risk factors (continued)

(ii) *Credit risk* (continued)

(b) *Financial assets that are past due and/or impaired*

The age analysis of trade receivables past due and/or impaired is as follows:

	2018 US$'000	2017 US$'000
Past due 0 to 3 months	7,860	2,657
Past due 3 to 6 months	1,872	1,061
Past due for more than 6 months	421	707
Less: Allowance for impairment	(1,594)	(774)
	8,559	3,651
Beginning of financial year	774	-
Allowance made	820	774
End of financial year	1,594	774

The allowance made arise mainly from the provision of charter services to a customer which has met with significant financial difficulties during the financial year ended 31 December 2018.

There are no other trade receivables individually determined to be impaired.

Credit risk is concentrated on a few charterers. The Group adopts the policy of dealing only with customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

(iii) *Interest rate risk*

The Group has interest-bearing financial liabilities in the form of borrowings from external financial institutions at variable rates.

The Group manages its cashflow interest rate risks by swapping a portion of its floating rate interest payments to fixed rate using interest rate swaps (see note 15).

If the interest rates have increased/decreased by 50 basis points, with all other variables including tax rate being held constant, the net results will be lower/higher by approximately US$2,298,000 (2017: US$2,523,000) as a result of higher/lower interest expense on the portion of the borrowings that is not covered by the interest rate swap instruments.

Total equity would have been higher/lower by US$3,972,000 (2017: US$4,074,000) mainly as a result of fair value gain/loss from the interest rate swaps assuming these swaps remain effective.

18. **Financial risk management** (continued)

Financial risk factors (continued)

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet operating and capital expenditure needs. To address the inherent unpredictability of short-term liquidity requirements, the Group maintains sufficient cash for its daily operations in short-term cash deposits with banks and has access to the unutilised portions of revolving credit facilities provided by financial institutions.

The maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows is as follows:

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
At 31 December 2018				
Trade and other payables	47,119	-	-	-
Derivative financial instruments	(1,179)	(655)	(734)	(402)
Interest payments	28,444	23,966	46,553	10,410
Borrowings	78,124	122,648	412,026	84,634
	152,508	**145,959**	**457,845**	**94,642**
At 31 December 2017				
Trade and other payables	43,691	-	-	-
Derivative financial instruments	369	(327)	(683)	(304)
Interest payments	21,687	18,131	38,090	10,777
Borrowings	159,015	78,124	364,450	179,336
	224,762	**95,928**	**401,857**	**189,809**

18. **Financial risk management** (continued)

Financial risk factors (continued)

(v) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividends paid, return capital to shareholders, obtain new borrowings or sell assets to reduce borrowings.

The Group is in compliance with all externally imposed capital requirements.

(vi) Fair value measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Level 2	Total
	US$'000	US$'000
2018		
The Group		
Assets		
Derivatives		
- Hedging	3,162	3,162
Liabilities		
Derivatives		
- Non-hedging	34	34

18. Financial risk management (continued)

Financial risk factors (continued)

(vi) Fair value measurements (continued)

	Level 2 US$'000	Total US$'000
2017		
The Group		
Assets		
Derivatives		
- Hedging	505	505
- Non-hedging	9	9
	514	514
Liabilities		
Derivatives		
- Hedging	6	6

The Group has no Level 1 and Level 3 financial assets or liabilities as at 31 December 2018 and 2017.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. These financial instruments are included in Level 2, as all significant inputs required to fair value an instrument are observable.

(vii) Offsetting financial assets and financial liabilities

The Group's financial assets and liabilities are not subjected to enforceable master netting arrangements or similar arrangements. Financial derivatives, financial assets and financial liabilities are presented separately on the consolidated balance sheet, without netting off of balances.

19. 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, except for the following:

	2018 US$'000	2017 US$'000
Financial assets at amortised cost/loans and receivables	**110,933**	97,301
Financial liabilities at amortised cost	**737,103**	815,565

20. Holding corporations

The Company's ultimate and immediate holding corporation is BW Group Limited, incorporated in Bermuda, which is wholly (2017: 93%) owned by Sohmen family interests.

21. Related party transactions

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

	2018 US$'000	2017 US$'000
Sales and purchase of services		
Support service fees paid/payable to a related corporation	**8,303**	4,636
Interest paid/payable to a related corporation	**2,052**	-
Ship management fee paid/payable to a related corporation	**-**	6,794
Rental paid/payable to a related corporation	**626**	402

Included in the profit and loss for the financial year ended 31 December 2018 is US$Nil (2017: US$4.6 million) of third party voyage charter revenue which was earned through back-to-back charters with a related corporation that was acting as an agent for the Group.

Key management remuneration for the financial year ended 31 December 2018 amounted to US$1,628,000 (2017: US$1,429,000).

Related corporations refer to corporations controlled by Sohmen family interests.

22. 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 three main operating segments:

(i) LR2 Product Tankers ('LR2')
(ii) LR1 Product Tankers ('LR1')
(iii) MR Product Tankers ('MR')

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.

22. **Segment information** (continued)

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 Group's capital and liquidity position that is centrally managed for the benefit of various activities, are not allocated to segments.

	LR2 US$'000	LR1 US$'000	MR US$'000	Total US$'000
2018				
Revenue	-	185,354	183,036	368,390
Voyage expenses	-	(84,045)	(83,074)	(167,119)
TCE Income	-	101,309	99,962	201,271
Other operating income	-	1,549	-	1,549
Vessel operating expenses	-	(48,288)	(45,201)	(93,489)
Charter hire expenses	-	(7,264)	(1,395)	(8,659)
Operating EBITDA	-	46,670	53,126	99,796
Depreciation charge	-	(26,304)	(30,561)	(56,865)
Impairment charge on vessels – net		(36,200)	28,800	(7,400)
	-	(15,834)	51,365	35,531
Unallocated				(55,288)
Profit before income tax				(19,757)
Segment assets	117,495	423,490	711,230	1,252,215
Segment assets include:				
Additions/adjustments to:				
- vessels/vessels under construction	117,495	1	-	117,496
- dry docking	-	7,815	4,718	12,533
Segment liabilities	12	25,859	18,517	44,388

22. Segment information (continued)

	LR1 US$'000	MR US$'000	Total US$'000
2017			
Revenue	163,613	182,868	346,481
Voyage expenses	(69,635)	(70,299)	(139,934)
TCE Income	93,978	112,569	206,547
Other operating income	1,399	227	1,626
Vessel operating expenses	(48,562)	(47,422)	(95,984)
Charter hire expenses	(7,264)	-	(7,264)
Operating EBITDA	35,382	60,606	95,988
Depreciation charge	(23,906)	(30,278)	(54,184)
	11,476	30,328	41,804
Unallocated			(38,821)
Profit before income tax			2,983
Segment assets	468,410	704,887	1,173,297
Segment assets include:			
Additions/adjustments to:			
- vessels/vessels under construction	105,849	(10)	105,839
- dry docking	12,899	-	12,899
Segment liabilities	28,560	18,825	47,385

Reportable segments' assets

The amounts provided to management with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. For the purposes of monitoring segment performance and allocating resources between segments, management monitors vessels, vessels under construction, dry docking, inventories, and trade and other receivables that can be directly attributable to each segment.

	2018 US$'000	2017 US$'000
Segment assets	**1,252,215**	1,173,297
Unallocated items:		
Cash and cash equivalents	**52,463**	41,372
Trade and other receivables	**6,239**	4,576
Derivative financial instruments	**3,162**	514
Total assets	**1,314,079**	1,219,759

Reportable segments' liabilities

The amounts provided to management with respect to total liabilities are measured in a manner consistent with that of the consolidated financial statements. These liabilities are allocated based on the operations of the segments. Certain trade and other payables are allocated to the reportable segments. All other liabilities are reported as unallocated items.

22. Segment information (continued)

Reportable segments' liabilities (continued)

	2018	2017
	US$'000	US$'000
Segment liabilities	**44,388**	47,385
Unallocated items:		
Borrowings	**689,984**	771,874
Current income tax liabilities	**27**	15
Trade and other payables	**8,567**	2,660
Derivative financial instruments	**34**	6
Total liabilities	**743,000**	821,940

Geographical segments' revenue

Non-current assets comprise mainly vessels which operate on an international platform with individual vessels calling at various ports across the globe. The Group does not consider the domicile of its customers as a relevant decision making guideline and hence does not consider it meaningful to allocate vessels and revenue to specific geographical locations.

23. Dividends

The directors do not recommend a dividend for the financial year ended 31 December 2018 (2017: US$Nil).

24. Events occurring after balance sheet date

(a) Merger with Hafnia Tankers Ltd. ("Hafnia")

In January 2019, the Company completed its statutory merger with Hafnia by way of a triangular merger.

On 16 January 2019, Hafnia and BW Tankers Corporation ("BWTC") were merged (the "First Merger"), with BWTC as the surviving and continuing entity. The Company issued 146,916,627 new common shares to the shareholders of Hafnia in consideration for their shares in Hafnia being cancelled in the merger. Concurrently, the Company was renamed to Hafnia Limited.

On 21 January 2019, the Company completed the merger with BWTC (the "Second Merger") without consideration in a simplified parent and subsidiary merger, whereby the Company became the surviving and continuing entity.

(b) Others

Subsequent to the financial year ended 31 December 2018, the Group took delivery of two vessels, BW Despina (22 January 2019) and BW Galatea (4 March 2019).

25. Authorisation of financial statements

These financial statements were authorised to be issued by a resolution of the Board of Directors of Hafnia Limited passed on 21 March 2019.

26. Listing of companies in the Group

Name of companies		Principal activities	Country of incorporation	**Equity holding 2018 %**	Equity holding 2017 %
Subsidiaries					
BW Aldrich Pte. Ltd.		Shipowning	Singapore	100	100
BW Clearwater Pte. Ltd.		Shipowning	Singapore	100	100
BW Causeway Pte. Ltd.		Dormant	Singapore	100	100
BW Fleet Management Pte. Ltd.		Ship-management	Singapore	100	100
BW FSRU V Pte. Ltd. (previously known as BW Mirs Pte. Ltd.)	*a*	Chartering	Singapore	100	100
BW Stanley Pte. Ltd.		Shipowning	Singapore	100	100
BW Sheko Pte. Ltd.		Dormant	Singapore	100	100
BW Silvermine Pte. Ltd.		Dormant	Singapore	100	100
BW Magellan Limited		Investment	Bermuda	100	100
BW Pacific Management Pte. Ltd.		Agency office	Singapore	100	100
BW Tankers Pte. Ltd. (previously known as BW Pacific Pte. Ltd.)		Chartering	Singapore	100	100
BW Tankers Corporation	*b*	Dormant	Marshall Islands	100	-

(a) On 17 January 2019, the company was renamed to BW FSRU V Pte. Ltd. and was subsequently disposed to a related corporation on 18 January 2019.
(b) This company was newly incorporated during the financial year.

APPENDIX C

CONSOLIDATED FINANCIAL STATEMENTS FOR THE COMPANY (BW TANKERS LIMITED) AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2017

BW TANKERS LIMITED (previously known as BW Pacific Limited)
(Incorporated in Bermuda)
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

Contents

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BW TANKERS LIMITED (previously known as BW Pacific Limited)

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of BW Tankers Limited (the "Company") and its subsidiaries (the "Group") as at 31 December 2017, and of their consolidated financial performance, consolidated changes in equity and consolidated cash flows for the financial year then ended in accordance with the International Financial Reporting Standards ("IFRSs").

What we have audited

The Group's consolidated financial statements comprise:
- the consolidated statement of comprehensive income of the Group for the year ended 31 December 2017;
- the consolidated balance sheet of the Group as at 31 December 2017;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows for the Group for the year then ended; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), the Singapore Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code"), together with the ethical requirements that are relevant to our audit of financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements, the IESBA Code and the ACRA Code.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair representation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 12 March 2018

BW TANKERS LIMITED (previously known as BW Pacific Limited)
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the financial year ended 31 December 2017

	Note	2017 US$'000	2016 (Restated) US$'000
Revenue	3	**346,481**	302,311
Voyage expenses	4	**(139,934)**	(101,132)
TCE income #		**206,547**	201,179
Other operating income		**1,647**	353
Vessel operating and other expenses	4	**(124,123)**	(114,008)
Operating profit before depreciation, impairment and gain on disposal of vessels		**84,071**	87,524
Depreciation charge	8	**(54,184)**	(59,579)
Impairment charge on vessels and vessels under construction	8	**-**	(209,891)
Gain on disposal of vessels		**-**	15,559
Operating profit/(loss)		**29,887**	(166,387)
Interest income		**104**	117
Interest expense		**(26,263)**	(18,973)
Other finance expense		**(745)**	(1,361)
Finance expense – net		**(26,904)**	(20,217)
Profit/(loss) before income tax		**2,983**	(186,604)
Income tax expense	6	**(20)**	(6)
Profit/(loss) for the financial year		**2,963**	(186,610)
Other comprehensive income/(loss):			
Item that may be subsequently reclassified to income statement			
Fair value losses on cash flow hedges - interest rate swaps		**(1,083)**	(709)
Reclassification to profit or loss		**2,297**	-
		1,214	(709)
Total comprehensive income/(loss)		**4,177**	(187,319)
Earnings/(Loss) per share attributable to the equity holders of the Company			
(expressed in US$ per share)			
Basic and diluted earnings/(loss) per share	7	**0.03**	(1.73)

"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.

BW TANKERS LIMITED (previously known as BW Pacific Limited)
AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
As at 31 December 2017

	Note	2017 US$'000	2016 US$'000
Vessels	8	**1,081,123**	968,552
Dry docking	8	**24,950**	22,293
Vessels under construction	8	**-**	50,674
Total property, plant and equipment		**1,106,073**	1,041,519
Derivative financial instruments	15	**505**	-
Total other non-current assets		**505**	-
Total non-current assets		**1,106,578**	1,041,519
Inventories	9	**14,560**	10,840
Trade and other receivables	10	**57,240**	52,852
Derivative financial instruments	15	**9**	-
Cash and cash equivalents	11	**41,372**	37,208
Total current assets		**113,181**	100,900
Total assets		**1,219,759**	1,142,419
Share capital	12	**1,165**	1,077
Share premium	12	**26,761**	-
Contributed surplus	12	**537,112**	537,112
Other reserves	13	**50,516**	49,302
Accumulated losses		**(217,735)**	(220,698)
Total shareholders' equity		**397,819**	366,793
Borrowings	14	**614,239**	661,343
Derivative financial instruments	15	**-**	709
Other payables	16	**4,954**	5,247
Total non-current liabilities		**619,193**	667,299
Borrowings	14	**157,635**	68,931
Derivative financial instruments	15	**6**	-
Current income tax liabilities		**15**	-
Trade and other payables	16	**45,091**	39,396
Total current liabilities		**202,747**	108,327
Total liabilities		**821,940**	775,626
Total equity and liabilities		**1,219,759**	1,142,419

Director

Director

The accompanying notes form an integral part of these consolidated financial statements.
Independent Auditor's Report – Pages 1 to 2.

BW TANKERS LIMITED (previously known as BW Pacific Limited) AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

	Share capital US$'000	Share premium US$'000	Contributed surplus US$'000	Capital reserve US$'000	Hedging reserve US$'000	Accumulated losses US$'000	Total US$'000
Balance at 1 January 2017	1,077	-	537,112	50,011	(709)	(220,698)	366,793
Issuance of new shares (Note 12)	88	26,761	-	-	-	-	26,849
Total comprehensive income for the financial year	-	-	-	-	1,214	2,963	4,177
Balance at 31 December 2017	1,165	26,761	537,112	50,011	505	(217,735)	397,819
Balance at 1 January 2016	1,077	-	537,112	50,011	-	(34,088)	554,112
Total comprehensive loss for the financial year	-	-	-	-	(709)	(186,610)	(187,319)
Balance at 31 December 2016	1,077	-	537,112	50,011	(709)	(220,698)	366,793

CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2017

	Note	2017 US$'000	2016 US$'000
Cash flows from operating activities			
Profit/(loss) for the financial year		**2,963**	(186,610)
Adjustments for:			
- income tax expense		**20**	6
- depreciation charge		**54,184**	59,579
- impairment charge on vessels and vessels under construction		**-**	209,891
- amortisation of deferred income		**(1,399)**	(353)
- gain on disposal of vessels		**-**	(15,559)
- interest income		**(104)**	(117)
- interest expense		**26,263**	18,973
- other finance expense		**745**	1,361
Operating cash flow before working capital changes		**82,672**	87,171
Changes in working capital:			
- inventories		**(3,720)**	(3,551)
- trade and other receivables		**(4,388)**	9,306
- trade and other payables		**6,801**	7,013
Cash generated from operations		**81,365**	99,939
Income tax paid		**(5)**	(35)
Net cash provided by operating activities		**81,360**	99,904
Cash flows from investing activities			
Interest income received		**104**	117
Proceeds from disposal of property, plant and equipment		**-**	59,903
Purchase of property, plant and equipment		**(117,924)**	(111,674)
Net cash used in investing activities		**(117,820)**	(51,654)
Cash flows from financing activities			
Proceeds from borrowings		**146,900**	150,467
Repayment of borrowings		**(105,686)**	(165,833)
Payment of financing fees		**(1,344)**	(585)
Interest paid		**(25,341)**	(18,691)
Issuance of shares		**26,849**	-
Other finance expense paid		**(754)**	(1,361)
Net cash provided by/(used in) financing activities		**40,624**	(36,003)
Net increase in cash and cash equivalents		**4,164**	12,247
Cash and cash equivalents at beginning of the financial year		**37,208**	24,961
Cash and cash equivalents at end of the financial year	11	**41,372**	37,208

Reconciliation of liabilities arising from financing activities

	1 January 2017 US$'000	Financial cash flows (i) US$'000	Non-cash changes US$'000: Interest expense (ii)	Non-cash changes US$'000: Fair value changes on cash flow hedges	Non-cash changes US$'000: Gain on non-hedging instrument	**31 December 2017 US$'000**
Borrowings	730,274	16,820	24,780	-	-	771,874
Interest rate swaps	709	(2,291)	-	1,083	(9)	(508)

(i) The cash flows make up the net amount of proceeds from borrowings, repayments of borrowings, interest expense and financing fees paid in the statement of cash flows.

(ii) The balance includes capitalised interests on vessels under construction.

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

1. General information

BW Tankers Limited ("BW Tankers" or the "Company"), formerly known as BW Pacific Limited, is incorporated and domiciled in Bermuda. The address of its registered office is Suite 412, 22 Church Street, HM 1189, Hamilton HM EX, Bermuda.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are shipowning and chartering (note 28).

2. Significant accounting policies

(a) Basis of preparation

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.

The Group is in a net current liabilities position of US$89,566,000, which includes bank borrowings amounting to US$80,890,000 that are repayable in June 2018. In March 2018, the Company obtained a binding offer from BW Maritime Pte. Ltd., a wholly-owned subsidiary of BW Group Limited, whereby BW Maritime Pte. Ltd. would provide a credit facility to enable the Group to repay the bank borrowings as and when the bank borrowings become due in June 2018. As such, the consolidated financial statements have been prepared on a going concern basis.

New standards, amendments to published standards and interpretations, effective in 2017

The Group has adopted the following relevant new standards and amendments to published standards as of 1 January 2017:

(1) Amendments
- IAS 12 *Income taxes* (Recognition of deferred tax assets for unrealised losses)
- IAS 7 *Statement of cash flows* (Disclosure initiative)

(2) Annual improvements 2014 - 2016
- IFRS 12 *Disclosure of interests in other entities* (Clarification of the scope of the Standard)

The adoption of these new standards and amendments to the published standards does not have a material impact on the consolidated financial statements, except for Amendments to IAS 7 *Statement of cash flows*. Amendments to IAS 7 requires additional disclosure of changes in liabilities arising from financing activities, which the Group has included in the Consolidated Statement of Cash Flows.

2. **Significant accounting policies** (continued)

(a) Basis of preparation (continued)

New standards, amendments to published standards and interpretations, effective in later periods

The following new standards, amendments and interpretations, which are relevant to the Group's operations but have not been early adopted, have been published and are mandatory for accounting periods beginning on or after 1 January 2018 (or otherwise stated) or later periods:

New standards and interpretation
- IFRS 9 *Financial instruments*
- IFRS 15 *Revenue from contracts with customers*
- IFRS 16 *Leases*
- IFRIC 22 *Foreign currency transactions and advance considerations*

IFRS 9 *Financial instruments* addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income, and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. A new expected credit losses model will replace the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes, which by its nature may be an estimate. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. Management has assessed the effects of applying the new standard on the Group's financial statements and the impact of adopting the new standard on 1 January 2018 is disclosed in note 26.

IFRS 15 *Revenue from contracts with customers* deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of goods or services and thus has the ability to direct the use and obtain the benefits from those goods or services. The standard replaces IAS 18 *Revenue* and IAS 11 *Construction contracts* and related interpretations. Management has assessed the effects of applying the new standard on the Group's financial statements and the impact of adopting the new standard on 1 January 2018 is disclosed in note 26.

2. **Significant accounting policies** (continued)

(a) Basis of preparation (continued)

New standards, amendments to published standards and interpretations, effective in later periods (continued)

New standards and interpretation (continued)

IFRS 16 replaces IAS 17. IFRS 16 is expected to change the balance sheet, income statement and cash flow statement of an entity with off balance sheet leases. In applying IFRS 16, an entity is required to recognise a right-to-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 in 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 standard is effective for accounting periods beginning on or after 1 January 2019. Management has assessed the effects of applying the new standard on the Group's financial statements and the impact of adopting the new standard on 1 January 2019 is disclosed in note 26.

IFRIC 22 *Foreign currency transactions and advance considerations* considers how an entity determines the date of a transaction when applying the standard on foreign currency transactions, IAS 21. The Interpretation applies where the Group either pays or receives consideration in advance for foreign currency-denominated contracts.

For single upfront payment/receipt, the Interpretation states that the date of the transaction, for the purpose of determining the exchange rate to use on initial recognition of the related item, should be the date on which an entity initially recognises the non-monetary asset or liability arising from the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity should determine the date of the transaction for each payment or receipt. The Interpretation is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group does not expect a material impact on the financial statement upon adoption of the Interpretation.

2. **Significant accounting policies** (continued)

(a) Basis of preparation (continued)

Critical accounting estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions discussed below.

Certain amounts included in or affecting the consolidated financial statements and related disclosures are estimated, requiring the Group to make assumptions with respect to values or conditions which cannot be known with certainty at the time the consolidated financial statements are prepared. A critical accounting estimate or assumption is one which is both important to the portrayal of the Group's financial condition and results and requires management's most difficult, subjective or complex judgements, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Management evaluates such estimates on an ongoing basis, using historical results and experience, consideration of relevant trends, consultation with experts and other methods considered reasonable in the particular circumstances.

The following is a summary of estimates and assumptions which have a material effect on the accounts.

(1) Useful life and residual value of assets

The Group reviews the useful lives and residual values of its vessels at least at each financial year-end and any adjustments are made on a prospective basis. Residual value is estimated as the lightweight tonnage of each vessel multiplied by the expected scrap value per ton. If estimates of the residual values are revised, the amounts of depreciation charges recorded in the future periods will be changed.

The estimated residual values for all vessels were revised as of 1 January 2016. The change in these estimates has a prospective impact on the depreciation expense from 1 January 2016 onwards. The effect of the change was an increase in depreciation expense of approximately US$2.5 million for the financial year ended 31 December 2016.

There was no change to the estimated residual values for all vessels for the financial year ended 31 December 2017.

The useful lives of vessels are assessed periodically based on the condition of the vessels, market conditions and other regulatory requirements. If the estimates of useful lives for vessels are revised or there is a change in useful lives, the amounts of depreciation charges recorded in future periods will be changed.

(2) Reversal of impairment/Impairment of non-financial assets

Property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired or a reversal of previously recognised impairment charge may be required. The recoverable amount of an asset, and where applicable, a cash-generating unit ("CGU"), is determined based on the higher of fair value less costs to sell and value-in-use calculations prepared on the basis of management's assumptions and estimates.

2. **Significant accounting policies** (continued)

(a) Basis of preparation (continued)

Critical accounting estimates and assumptions (continued)

(2) Reversal of impairment/Impairment of non-financial assets (continued)

See note 8(a) for further disclosures on estimation of the recoverable amounts of vessels.

(3) Revenue recognition

All freight voyage charter revenues and voyage expenses are recognised on a percentage of completion basis. Discharge-to-discharge basis is used in determining the percentage of completion for all spot voyages and voyages servicing contracts of affreightment. Under this method, freight voyage charter revenue is recognised evenly over the period from the departure of a vessel from its original discharge port to departure from the next discharge port.

Management uses its judgement in estimating the total number of days of a voyage based on historical trends, the operating capability of the vessel (speed and fuel consumption), and the distance of the trade route. Actual results may differ from estimates.

Demurrage revenue is recognised as revenue from voyage charter in the profit and loss. The amount recognised is based on actual demurrage recovered over total estimated claims issued to customers historically.

(b) Revenue and income recognition

Revenue comprises the fair value of consideration received or receivable for the rendering of services in the ordinary course of the Group's activities, net of rebates, discounts and off-hire charges, and after eliminating sales within the Group.

(1) Rendering of services

Revenue from time charters, accounted for as operating leases, is recognised rateably over the rental periods of such charters, as services are performed. Revenue from freight voyage charters is recognised rateably over the estimated length of the voyage within the respective reporting period, in the event the voyage commences in one reporting period and ends in the subsequent reporting period.

The Group determines the percentage of completion of freight voyage charter using the discharge-to-discharge method. Under this method, freight voyage charter revenue is recognised rateably over the period from the departure of a vessel from its original discharge port to departure from the next discharge port. Losses arising from time or voyage charter are provided for in full as soon as they are anticipated.

2. **Significant accounting policies** (continued)

(b) Revenue and income recognition (continued)

(1) Rendering of services (continued)

For the Group's tanker vessels that are operating in third party managed pool, where the Group has no influence in the running of the pool, the Group accounts for its share of pool results as part of revenue from voyage charter in the statement of comprehensive income.

(2) Interest income

Interest income is recognised using the effective interest method.

(c) Group accounting

Subsidiaries

(1) Consolidation

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been aligned where necessary to ensure consistency with the policies adopted by the Group.

(2) Acquisition

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date, and any gains or losses arising from such re-measurement are recognised in profit or loss. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

2. **Significant accounting policies** (continued)

(c) Group accounting (continued)

Subsidiaries (continued)

(2) Acquisition (continued)

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the net identifiable assets acquired, is recorded as goodwill.

(3) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

Any retained interest in the entity is re-measured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in the profit or loss.

(d) Property, plant and equipment

(1) Measurement

(i) Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses [note 2(e)].

(ii) The cost of an item of property, plant and equipment initially recognised includes expenditure that is directly attributable to the acquisition of the item. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring the asset.

(iii) The acquisition cost capitalised to a vessel under construction is the sum of the instalments paid plus other directly attributable costs incurred during the construction period including borrowing costs. Vessels under construction are reclassified as vessels upon delivery from the yard.

2. **Significant accounting policies** (continued)

(d) Property, plant and equipment (continued)

(2) Depreciation

(i) Depreciation is calculated using a straight-line method to allocate the depreciable amounts of property, plant and equipment, after taking into account the residual values over their estimated useful lives. The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at least annually. The effects of any revision are recognised in the profit or loss when the changes arise. The estimated useful lives are as follows:

Vessels	
- Tankers	25 years

(ii) A proportion of the price paid for new vessels is capitalised as dry docking. These costs are depreciated over the period to the next scheduled dry docking, which is generally 30 to 60 months. As a result of the commencement of new dry docking, the remaining carrying amount of the previous dry docking will be written off to the profit or loss when incurred.

(3) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment, including dry docking, that has already been recognised, is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expense is recognised in the profit or loss when incurred.

(4) Disposal

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in the profit or loss.

(e) Impairment of non-financial assets

Property, plant and equipment are tested for impairment whenever there is objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less costs to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the profit or loss.

2. **Significant accounting policies** (continued)

(e) Impairment of non-financial assets (continued)

An impairment loss for an asset (or CGU) other than goodwill is reversed if, and only if, there has been a change in the estimate of the asset's (or CGU's) recoverable amount since the last impairment loss was recognised. The carrying amount of the asset (or CGU) is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation and depreciation) had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of impairment loss for an asset (or CGU) other than goodwill is recognised in the profit or loss.

(f) Loans and receivables

Loans and receivables are presented as "trade and other receivables" and "cash and cash equivalents" in the consolidated balance sheet. These are initially recognised at their fair values plus transaction costs and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

The Group assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the net present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

These assets are presented as current assets except for those that are expected to be realised later than 12 months after the balance sheet date, which are presented as non-current assets.

(g) Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the consolidated balance sheet, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2. **Significant accounting policies** (continued)

(h) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

(i) Borrowing costs

Borrowing costs are recognised in the profit or loss using the effective interest method except for those costs that are directly attributable to the construction of vessels. This includes those costs on borrowings acquired specifically for the construction of vessels, as well as those in relation to general borrowings used to finance the construction of vessels.

Borrowing costs are capitalised in the cost of the vessel under construction. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to the construction expenditures that are financed by general borrowings.

(j) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

(k) Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The fair value of derivative financial instruments represents the amount estimated by banks or brokers that the Group will receive or pay to terminate the derivatives at the balance sheet date. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is 12 months or more, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

For derivative financial instruments that are not designated or do not qualify for hedge accounting, any fair value gains or losses are recognised in the consolidated profit or loss as a finance item.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

2. **Significant accounting policies** (continued)

(k) Derivative financial instruments and hedging activities (continued)

Cash flow hedge – Interest rate swap

The Group has entered into interest rate swaps that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and obliges the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

The fair value changes on the effective portion of the interest rate swaps designated as cash flow hedges are recognised in other comprehensive income, accumulated in the hedging reserve and reclassified to profit or loss when the hedged interest expense on the borrowings is recognised in the profit or loss. The fair value changes on the ineffective portion of the interest rate swaps are recognised immediately to the profit or loss.

(l) Inventories

Inventories comprise mainly fuel oil remaining on board vessels. Inventories are measured at the lower of cost (on first-in, first-out basis) and net realisable value.

(m) Fair value estimation of financial assets and liabilities

The fair value of interest rate swap is calculated as the present value of the estimated future cash flows, discounted at actively quoted interest rates. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying amounts of current financial assets and liabilities carried at amortised cost approximate their fair values, due to the short term nature of the balances. The fair values of financial liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at current market interest rates that are available to the Group at balance sheet date for similar financial instruments.

(n) Leases

(1) Where the Group is a lessor:

Operating leases

Leases of assets in which the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Assets leased out under operating leases are included in property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2. **Significant accounting policies** (continued)

(n) Leases (continued)

(2) Where the Group is a lessee:

Operating leases

Leases of assets in which substantially all risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in the profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Sale and operating leaseback transactions

Gains and losses on sale and leaseback transactions established at fair value which resulted in operating leases are recognised immediately in the consolidated profit or loss.

Where the sale price of the asset is above fair value, the excess of the sale price over the fair value of the asset is deferred and amortised over the lease term.

(o) Income taxes

The tax expense for the period comprises current tax. Tax is recognised as income or expense in profit or loss, except to the extent that it relates to items recognised in other comprehensive income in which case the tax is also recognised in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Positions taken in tax returns are evaluated periodically, with respect to situations in which applicable tax regulations are subject to interpretation, and provisions are established where appropriate, on the basis of amounts expected to be paid to the tax authorities. In relation to accounting for tax uncertainties, where it is more likely than not that the final tax outcome would be favourable to the Group, no tax provision is recognised until payment to the tax authorities is required, and upon which a tax asset, measured at the expected recoverable amount, is recognised.

2. **Significant accounting policies** (continued)

(p) Employee benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be classified as an asset.

(1) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(2) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(q) Foreign currency translation

(1) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in United States Dollars, which is the Company's functional currency.

(2) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign currency exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date, are recognised in the profit or loss.

(r) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with financial institutions, which are subject to an insignificant risk of change in value.

(s) Share capital

Common shares are classified as equity.

Incremental costs directly attributable to the issuance of new equity instruments are taken to equity as a deduction, net of tax, from the proceeds.

(t) Dividends

Interim dividends are recognised in the financial year in which they are declared payable and final dividends are recognised when the dividends are approved for payment by the directors and shareholders respectively.

2. **Significant accounting policies** (continued)

(u) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation whereby as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the settlement amount can be made. When the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

For leased-in assets, the Group recognises a provision for the estimated costs of reinstatement arising from the use of these assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

(v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management who are responsible for allocating resources and assessing performance of the operating segments.

3. Revenue

	2017 US$'000	2016 (Restated) US$'000
Revenue from time charter	28,727	38,689
Revenue from voyage charter	317,754	263,622
Total revenue	346,481	302,311

4. Expenses by nature

	2017 US$'000	2016 (Restated) US$'000
Fuel oil consumed (note 9)	76,933	53,003
Port costs	49,997	37,544
Commission expenses	4,089	3,546
Other voyage expenses	8,915	7,039
Voyage expenses	139,934	101,132
Employee benefits (note 5)	60,190	57,328
Maintenance and repair expenses	28,130	28,177
Insurance expenses	3,714	3,696
Other vessel operating expenses	3,950	2,581
Vessel operating expenses	95,984	91,782
Support service fee	3,693	4,574
Employee benefits (note 5)	5,167	3,905
Charter hire expenses	7,264	1,831
Other operating expenses	12,015	11,916
Other expenses	28,139	22,226
Total voyage expenses and other operating expenses	264,057	215,140

5. Employee benefits

	2017 US$'000	2016 US$'000
Wages and salaries (note 4)	**65,357**	61,233

6. Income taxes

Based on the tax laws in the jurisdictions in which the Group and its subsidiaries operate, shipping profits are exempted from income tax. Non-shipping profits are taxed at the prevailing tax rate of each tax jurisdiction where the profit is earned.

Income tax expense

	2017 US$'000	2016 US$'000
Tax expense attributable to profit is made up of:		
Current income tax	**20**	6

There is no income, withholding, capital gain or capital transfer taxes payable in Bermuda. The income tax expense reconciliation of the Group is as follows:

	2017 US$'000	2016 US$'000
Profit/(loss) before income tax	**2,983**	(186,604)
Tax calculated at a tax rate of 0% (2016: 0%)	-	-
Effect of :		
- Different tax rates in other countries	**20**	6
Income tax expense	**20**	6

7. Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) attributable to equity holders of the Company by the weighted average number of common shares outstanding during the financial year.

	2017	2016
Net profit/(loss) attributable to equity holders of the Company (US$'000)	**2,963**	(186,610)
Weighted average number of common shares outstanding ('000)	**109,632**	107,638
Basic and diluted earnings per share (US$ per share)	**0.03**	(1.73)

8. Property, plant and equipment

	Vessels	Dry docking	Vessels under construction	Total
	US$'000	US$'000	US$'000	US$'000
Cost				
At 1 January 2017	1,582,193	44,490	78,572	1,705,255
Additions/Adjustments	(10)	9,899	108,849	118,738
Transfer on delivery of vessels	184,421	3,000	(187,421)	-
Write off on completion of dry docking cycle	-	(6,574)	-	(6,574)
At 31 December 2017	1,766,604	50,815	-	1,817,419
Accumulated depreciation and impairment charge				
At 1 January 2017	613,641	22,197	27,898	663,736
Depreciation charge	43,942	10,242	-	54,184
Transfer on delivery of vessels	27,898	-	(27,898)	-
Write off on completion of dry docking cycle	-	(6,574)	-	(6,574)
At 31 December 2017	685,481	25,865	-	711,346
Net book value				
At 31 December 2017	**1,081,123**	**24,950**	**-**	**1,106,073**
Cost				
At 1 January 2016	1,500,409	41,998	101,898	1,644,305
Additions	607	6,220	106,358	113,185
Transfer on delivery of vessels	117,255	2,250	(119,505)	-
Write off on completion of dry docking cycle	-	(2,004)	-	(2,004)
Disposals	(36,078)	(3,974)	(10,179)	(50,231)
At 31 December 2016	1,582,193	44,490	78,572	1,705,255
Accumulated depreciation and impairment charge				
At 1 January 2016	381,397	15,760	12,000	409,157
Impairment charge	183,394	-	26,497	209,891
Depreciation charge	50,547	9,032	-	59,579
Transfer on delivery of vessels	3,200	-	(3,200)	-
Write off on completion of dry docking cycle	-	(2,004)	-	(2,004)
Disposals	(4,897)	(591)	(7,399)	(12,887)
At 31 December 2016	613,641	22,197	27,898	663,736
Net book value				
At 31 December 2016	**968,552**	**22,293**	**50,674**	**1,041,519**

8. **Property, plant and equipment** (continued)

(a) In 2016, the Group recognised an impairment charge of US$209.9 million, which represents the impairment of certain vessels to their recoverable amounts. The recoverable amount was based on the higher of fair value less costs to sell and value-in-use calculation, with each vessel being regarded as one CGU.

For the financial year ended 31 December 2016, an impairment charge was recognised on both its LR1 Product Tankers and MR Product Tankers. No impairment was recognised for the financial year ended 31 December 2017.

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 spread of values given by the third party valuers was between US$0.5 million to US$3.0 million per vessel. 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$1,106.1 million (2016: US$990.8 million) as security over the Group's bank borrowings.

(c) For the financial year ended 31 December 2017, interest amounting to US$0.8 million (2016: US$1.5 million) has been capitalised in Vessels under construction. The interest rate used to determine the amount of borrowing costs eligible for capitalisation is 3.03% (2016: 2.51%) per annum.

9. **Inventories**

	2017 US$'000	2016 US$'000
Fuel oil	14,560	10,840

The cost of inventories recognised as expenses and included in "voyage expenses" amounted to US$76.9 million (2016: US$53.0 million).

10. **Trade and other receivables**

	2017 US$'000	2016 US$'000
Trade receivables		
- related corporations	544	2,559
- non-related parties	39,942	31,773
Less: Allowance made for trade receivables		
- non-related parties (note 18(ii)(b))	(774)	-
Trade receivables –net	39,712	34,332
Prepayments	1,311	1,684
Other receivables		
- related corporations	1,076	3,204
- non-related parties	15,141	13,632
	57,240	52,852

The carrying amounts of trade and other receivables, principally denominated in United States Dollars, approximate their fair values.

The other receivables due from related corporations are unsecured, interest-free and are repayable on demand.

11. Cash and cash equivalents

	2017 US$'000	2016 US$'000
Cash at bank and on hand	41,372	37,208

12. Share capital and contributed surplus

	Number of Shares	Share capital US$'000	Share premium US$'000	Total US$'000
At 1 January 2017	107,637,740	1,077	-	1,077
New shares issued	8,877,177	88	26,761	26,849
At 31 December 2017	116,514,917	1,165	26,761	27,926

	Number of Shares	Share capital US$'000	Share premium US$'000	Total US$'000
At 1 January/31 December 2016	107,637,740	1,077	-	1,077

(a) Authorised share capital

The total authorised number of shares is 180,000,000 common shares at par value of US$0.01 per share.

(b) Issued and fully paid share capital

The Company issued 8,877,177 new common shares at US$3.02 per common share for cash, amounting to a total of US$26.8 million. All issued common shares are fully paid. The newly issued shares rank pari passu with the existing shares.

(c) Share premium

The difference between the consideration for common shares issued and their par value is recognised as share premium.

(d) Contributed surplus

Contributed surplus relates to the amount transferred from share capital account when the par value of each common share was reduced from US$5 to US$0.01 per share in 2015. Contributed surplus is distributable, subject to the fulfilment of the conditions as stipulated under the Bermudian Law.

13. Other reserves

	2017 US$'000	2016 US$'000
(a) Composition:		
Capital reserve – effects of group restructuring	**50,011**	50,011
Hedging reserve	**505**	(709)
	50,516	49,302

Capital reserve relates to the net difference arising from the share capital and retained earnings of the Group before and after a group restructuring during the financial year ended 31 December 2014.

Capital reserve is non-distributable.

(b) Movements of the reserves are as follows:

Hedging reserve	2017 US$'000	2016 US$'000
At beginning of the financial year	**(709)**	-
Fair value losses on cash flow hedges - interest rate swaps	**(1,083)**	(709)
Reclassification to profit or loss	**2,297**	-
At end of the financial year	**505**	(709)

14. Borrowings

	2017 US$'000	2016 US$'000
Current		
Bank borrowings	**157,635**	68,931
Non-current		
Bank borrowings	**614,239**	661,343
	771,874	730,274

As at 31 December 2017, bank borrowings consist of three credit facilities from external financial institutions, amounting to US$676 million, US$266 million and US$128 million respectively. These three facilities are secured by the Group's fleet of vessels.

The US$676 million facility is made up of two loan tranches amounting to US$576 million and US$100 million respectively. The first tranche of US$576 million includes a US$100 million revolving credit facility. These tranches are interest bearing at three-month US Dollar LIBOR plus 1.7% per annum and three-month US Dollar LIBOR plus 1.9% per annum and will mature in 2022 and 2018 respectively.

The US$266 million facility has an average interest rate of three-month US Dollar LIBOR plus 1.5% per annum and will mature in 2028.

The US$128 million facility has an average interest rate of three-month US Dollar LIBOR plus 1.8% per annum and will mature in 2023.

Interest rates

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

	2017	2016
Bank borrowings	**3.4%**	2.7%

The exposure of borrowings to interest rate risks is disclosed in note 18(iii).

Maturity of borrowings

The non-current borrowings have the following maturity:

	2017 US$'000	2016 US$'000
Later than one year and not later than five years	**437,351**	367,053
Later than five years	**176,888**	294,290
	614,239	661,343

Carrying amounts and fair values

The carrying values of bank borrowings approximate their fair values.

15. Derivative financial instruments

	2017 US$'000 Assets	2017 US$'000 Liabilities	2016 US$'000 Assets	2016 US$'000 Liabilities
Cash flow hedges				
- Interest rate swaps	505	6	-	709
Non-hedging instruments				
- Forward foreign exchange contracts	9	-	-	-
	514	6	-	709
Analysed as:				
Non-current	505	-	-	709
Current	9	6	-	-
	514	6	-	709

Cash flow hedges

The Group has entered into interest rate swap contracts that qualify for hedge accounting. The Group will pay interest at fixed rates varying from 2.01% to 2.26% (2016: 1.94%) per annum and receive interest at a floating rate based on three-month US$ LIBOR.

The notional principal amount of these outstanding interest rate swaps as at 31 December 2017 amounted to US$264.8 million (2016: US$180.2 million).

Forward foreign exchange contracts

The Group has entered into forward foreign exchange contracts to swap United States Dollars for Singapore Dollars with the ultimate holding corporation. The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 December 2017 and 31 December 2016 comprise the following:

Currency	2017 Notional amounts in local currency ('000)	2017 US$ equivalents ($'000)	2016 Notional amounts in local currency ('000)	2016 US$ equivalents ($'000)
Singapore Dollars	800	589	-	-

As at 31 December 2017, these forward foreign exchange contracts will mature within 3 months from the balance sheet date.

16. Trade and other payables

	2017 US$'000	2016 US$'000
Trade payables		
- related corporations	382	-
- non-related parties	6,322	9,895
Deferred gain on sale and operating leaseback	5,248	6,647
Provision for reinstatement costs of leased vessels	1,106	-
Accrued operating expenses	30,602	25,446
Other payables		
- related corporations	2,504	-
- non-related parties	3,881	2,655
	50,045	44,643

	2017 US$'000	2016 US$'000
Analysed as:		
Non-current	4,954	5,247
Current	45,091	39,396
	50,045	44,643

The carrying amounts of trade and other payables, principally denominated in United States Dollars, approximate their fair values.

The other payables due to related corporations are unsecured, interest-free and are repayable on demand.

17. Commitments

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the consolidated financial statements are as follows:

	2017 US$'000	2016 US$'000
Vessels under construction	-	111,104

(b) Operating lease commitments - where the Group is a lessor

The Group leases vessels to third parties under non-cancellable operating lease agreements. These 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:

	2017 US$'000	2016 US$'000
Not later than one year	25,738	16,790
Later than one year but not later than five years	4,880	10,102
	30,618	26,892

(c) Operating lease commitments - where the Group is a lessee

The Group leases vessels and office space from non-related parties under non-cancellable operating lease agreements. These leases have varying terms.

The future minimum lease payments under non-cancellable operating leases committed at the reporting date but not recognised as liabilities, are as follows:

	2017 US$'000	2016 US$'000
Not later than one year	7,879	7,649
Later than one year but not later than five years	153,632	122,458
Later than five years	60,558	97,772
	222,069	227,879

18. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including price risk and currency risk); interest rate risk; credit risk; liquidity risk; and capital risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The financial risk management of the Group is handled by the ultimate holding corporation as part of its operations. The management team identifies, evaluates and manages financial risks in close co-operation with BW Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk and credit risk.

(i) Market risk

Price risk

The shipping market can be subject to significant fluctuations. The Group's vessels are employed under a variety of chartering arrangements including time charters and voyage charters.

In 2017, approximately 8% (2016: 13%) of the Group's shipping revenue was derived from vessels under fixed income charters (comprising time charters).

The Group is exposed to the risk of variations in fuel oil costs, which are affected by the global political and economic environment. Historically, bunker fuel expenses have been the most significant expense. Under a time charter, the charterer is responsible for bunker fuel costs, therefore, fixed income charters also reduce exposure to fuel price fluctuations.

In 2017, fuel oil costs comprised 29% (2016: 25%) of the Group's operating expenses (excluding depreciation). If price of fuel oil has increased/decreased by US$1 (2016: US$1) per metric ton with all other variables including tax rate being held constant, the net results will be lower/higher by US$236,000 (2016: US$226,000) as a result of higher/lower fuel oil consumption expense.

Currency risk

The Group's business operations are not exposed to significant foreign exchange risk as it has no significant transactions denominated in foreign currencies.

(ii) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and cash and cash equivalents. The maximum exposure is represented by the carrying value of each financial asset on the balance sheet.

(a) Financial assets that are neither past due or impaired

The Group performs periodic credit evaluations of its charterers. The Group has implemented policies to ensure cash funds are deposited with internationally recognised financial institutions with a good credit rating and the vessels are fixed to charterers with an appropriate credit rating or who provide sufficient guarantees.

18. **Financial risk management** (continued)

Financial risk factors (continued)

(ii) *Credit risk* (continued)

(b) *Financial assets that are past due and/or impaired*

The age analysis of trade receivables past due but not impaired is as follows:

	2017 US$'000	2016 US$'000
Past due 0 to 3 months	2,657	531
Past due 3 to 6 months	1,061	-
Past due for more than 6 months	707	43
Less: Allowance for impairment	(774)	-
	3,651	574

	2017 US$'000	2016 US$'000
Beginning of financial year	-	-
Allowance made	774	-
End of financial year	774	-

The allowance made arise mainly from the provision of charter services to a customer which has met with significant financial difficulties during the financial year ended 31 December 2017.

There are no other trade receivables individually determined to be impaired.

Credit risk is concentrated on a few charterers. The Group adopts the policy of dealing only with customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

(iii) *Interest rate risk*

The Group has interest-bearing financial liabilities in the form of borrowings from external financial institutions at variable rates.

The Group manages its cashflow interest rate risks by swapping a portion of its floating rate interest payments to fixed rate using interest rate swaps (see note 15).

If the interest rates have increased/decreased by 50 basis points, with all other variables including tax rate being held constant, the net results will be lower/higher by approximately US$2,523,000 (2016: US$3,893,000) as a result of higher/lower interest expense on the portion of the borrowings that is not covered by the interest rate swap instruments.

Total equity would have been higher/lower by US$4,074,000 (2016: US$2,248,000) mainly as a result of fair value gain/loss from the interest rate swaps.

18. Financial risk management (continued)

Financial risk factors (continued)

(iv) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet operating and capital expenditure needs. To address the inherent unpredictability of short-term liquidity requirements, the Group maintains sufficient cash for its daily operations in short-term cash deposits with banks and has access to the unutilised portions of revolving credit facilities provided by financial institutions.

The maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows is as follows:

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
At 31 December 2017				
Trade and other payables	43,691	-	-	-
Derivative financial instruments	369	(327)	(683)	(304)
Interest payments	21,687	18,131	38,090	10,777
Borrowings	159,015	78,124	364,450	179,336
	224,762	95,928	401,857	189,809
At 31 December 2016				
Trade and other payables	37,996	-	-	-
Derivative financial instruments	1,167	191	(1,105)	-
Interest payments	17,785	16,583	46,143	36,343
Borrowings	70,331	161,221	210,993	297,165
	127,279	177,995	256,031	333,508

In March 2018, the Company obtained a binding offer from BW Maritime Pte. Ltd., a wholly-owned subsidiary of BW Group Limited, whereby BW Maritime Pte. Ltd. would provide a credit facility to enable the Group to repay the bank borrowings as and when the bank borrowings come due in June 2018.

(v) *Capital risk*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividends paid, return capital to shareholders, obtain new borrowings or sell assets to reduce borrowings.

The Group is in compliance with all externally imposed capital requirements.

18. **Financial risk management** (continued)

Financial risk factors (continued)

(vi) *Fair value measurements*

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Level 2 US$'000	Total US$'000
2017		
The Group		
Assets		
Derivatives		
- Hedging	505	505
- Non-hedging	9	9
	514	514
Liabilities		
Derivatives		
- Hedging	6	6
2016		
The Group		
Liabilities		
Derivatives		
- Hedging	709	709

The Group has no Level 1 and Level 3 financial assets or liabilities as at 31 December 2017 and 2016.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. These financial instruments are included in Level 2, as all significant inputs required to fair value an instrument are observable.

18. **Financial risk management** (continued)

Financial risk factors (continued)

(vii) Offsetting financial assets and financial liabilities

The Group's financial assets and liabilities are not subjected to enforceable master netting arrangements or similar arrangements. Financial derivatives, financial assets and financial liabilities are presented separately on the consolidated balance sheet, without netting off of balances.

19. **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, except for the following:

	2017 US$'000	2016 US$'000
Loans and receivables	**97,301**	88,376
Financial liabilities at amortised cost	**815,565**	768,270

20. **Holding corporations**

The Company's immediate and ultimate holding corporation is BW Group Limited, incorporated in Bermuda, which is approximately 93% controlled by Sohmen family interests.

21. **Related party transactions**

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

	2017 US$'000	2016 US$'000
Sales and purchase of services		
Support service fees paid/payable to a related corporation	**4,636**	6,111
Commercial fee paid/payable to a related corporation	**-**	41
Ship management fee paid/payable to a related corporation	**6,794**	7,311
Rental paid/payable to a related corporation	**402**	396

Included in the profit and loss for the financial year ended 31 December 2017 is US$4.6 million (2016: US$7.4 million) of third party voyage charter revenue which was earned through back-to-back charters with a related corporation that was acting as an agent for the Group.

Key management remuneration for the financial year ended 31 December 2017 amounted to US$1,429,000 (2016: US$618,901).

Related corporations refer to corporations controlled by Sohmen family interests.

22. 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 two main operating segments:

(i) LR1 Product Tankers ('LR1')
(ii) MR Product Tankers ('MR')

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

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.

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.

22. **Segment information** (continued)

	LR1 US$'000	MR US$'000	Total US$'000
2017			
Revenue	163,613	182,868	346,481
Voyage expenses	(69,635)	(70,299)	(139,934)
TCE Income	93,978	112,569	206,547
Other operating income	1,399	227	1,626
Vessel operating expenses	(48,562)	(47,422)	(95,984)
Charter hire expenses	(7,264)	-	(7,264)
Operating EBITDA	35,382	60,606	95,988
Depreciation charge	(23,906)	(30,278)	(54,184)
	11,476	30,328	41,804
Unallocated			(38,821)
Profit before income tax			2,983
Segment assets	468,410	704,887	1,173,297
Segment assets include:			
Additions/adjustments to:			
- vessels/vessels under construction	105,849	(10)	105,839
- dry docking	12,899	-	12,899
Segment liabilities	28,560	18,825	47,385
2016			
(Restated)			
Revenue	139,105	163,206	302,311
Voyage expenses	(54,171)	(46,961)	(101,132)
TCE Income	84,934	116,245	201,179
Other operating income	359	-	359
Vessel operating expenses	(44,206)	(47,576)	(91,782)
Charter hire expenses	(1,831)	-	(1,831)
Operating EBITDA	35,074	63,332	98,406
Depreciation charge	(27,114)	(32,465)	(59,579)
Gain on disposal of vessels	15,559	-	15,559
Impairment charge on vessels and vessels under construction	(137,127)	(72,764)	(209,891)
	(113,608)	(41,897)	(155,505)
Unallocated			(31,099)
Loss before income tax			(186,604)
Segment assets	369,197	732,375	1,101,572
Segment assets include:			
Additions to:			
- vessels/vessels under construction	50,494	54,221	104,715
- dry docking	6,220	2,250	8,470
Segment liabilities	25,908	18,697	44,605

22. **Segment information** (continued)

Reportable segments' assets

The amounts provided to management with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. For the purposes of monitoring segment performance and allocating resources between segments, management monitors vessels, vessels under construction, dry docking, inventories, and trade and other receivables that can be directly attributable to each segment.

	2017 US$'000	2016 US$'000
Segment assets	**1,173,297**	1,101,572
Unallocated items:		
Cash and cash equivalents	**41,372**	37,208
Trade and other receivables	**4,576**	3,639
Derivative financial instruments	**514**	-
Total assets	**1,219,759**	1,142,419

Reportable segments' liabilities

The amounts provided to management with respect to total liabilities are measured in a manner consistent with that of the consolidated financial statements. These liabilities are allocated based on the operations of the segments. Certain trade and other payables are allocated to the reportable segments. All other liabilities are reported as unallocated items.

	2017 US$'000	2016 US$'000
Segment liabilities	**47,385**	44,605
Unallocated items:		
Borrowings	**771,874**	730,274
Current income tax liabilities	**15**	-
Trade and other payables	**2,660**	38
Derivative financial instruments	**6**	709
Total liabilities	**821,940**	775,626

Geographical segments' revenue

Non-current assets comprise mainly vessels which operate on an international platform with individual vessels calling at various ports across the globe. The Group does not consider the domicile of its customers as a relevant decision making guideline and hence does not consider it meaningful to allocate vessels and revenue to specific geographical locations.

23. **Dividends**

The directors do not recommend a dividend for the financial year ended 31 December 2017 (2016: US$nil).

24. Comparative figures

Certain comparative figures in the consolidated statement of comprehensive income have been reclassified to better reflect the nature of the balances to conform to current year's classification as follows:

	As previously reported 2016 US$'000	Reclassification 2016 US$'000	As restated 2016 US$'000
Revenue	305,292	(2,981)	302,311
Commission/voyage expenses	(104,113)	2,981	(101,132)

The above reclassifications do not have any impact on the net profit after tax, earnings per share, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows.

25. Events occurring after balance sheet date

On 13 February 2018, the Company was renamed to BW Tankers Limited.

26. Assessment of impacts on new standards

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2018 and which the Group has not early adopted:

(a) IFRS 9 *Financial instruments* (effective for annual periods beginning on or after 1 January 2018)

The Group will adopt the new standard retrospectively from 1 January 2018, in line with the transition provisions permitted under the standard. Comparatives for 2017 will not be restated and the Group will recognise any difference between the carrying amounts at 31 December 2017 and 1 January 2018 in the opening retained earnings.

The Group's trade and other receivables will be subject to the new expected credit losses impairment model under IFRS 9. The Group has assessed the impact from this change to be immaterial as at year ended 31 December 2017.

The Group has assessed that hedge accounting for its existing hedge relationships will remain appropriate under IFRS 9.

26. **Assessment of impacts on new standards** (continued)

(b) IFRS 15 *Revenue from contracts with customers* (effective for annual periods beginning on or after 1 January 2018)

The Group expects that the adoption of IFRS 15 will result in a change in the method of recognising revenue from voyage charters, whereby the Company's method of determining proportional performance will change from discharge-to-discharge to load-to-discharge. This will result in no revenue being recognised from the point of discharge of the prior voyage to the point of loading of the current voyage and all revenue being recognised from the point of loading of the current voyage to the point of discharge of the current voyage. The Group will apply IFRS 15 on a modified retrospective basis from 1 January 2018. In accordance with the transitional provision of IFRS 15, the impact of the change in revenue recognition in relation to voyages in progress at 1 January 2018 will be adjusted against retained earnings of the Group at 1 January 2018.

Previously, pre-voyage expenses incurred are expensed to the profit or loss as they do not qualify for recognition as an asset under any IFRS. Under IFRS 15, as these costs relate directly to the Group's contracts with customers and are expected to be recovered, they will be capitalised as "contract fulfilment costs".

The Group assessed the impact on the adoption of IFRS 15 on 1 January 2018 to be immaterial.

(c) IFRS 16 *Leases* (effective for annual periods beginning on or after 1 January 2019)

The Group leases vessels and office space from external parties. On adoption of IFRS 16, management has assessed that all vessels and office space currently accounted for as operating leases under IAS 17 will be recognised on balance sheet, together with the corresponding lease liabilities. Short-term leases and other low value assets will be excluded under the exceptions allowed in IFRS 16. As the Group may enter into new lease arrangements until the effective date of the standard, Management has yet to determine the quantitative impact from this adoption.

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

The Group is subject to externally imposed capital requirements arising from its external borrowings. The impact on the balance sheet affects some financial ratios of the Group, which may affect existing loan covenants. Management is in the midst of assessing the impact of IFRS 16 on these loan covenants.

27. Authorisation of financial statements

These financial statements were authorised to be issued by a resolution of the Board of Directors of BW Tankers Limited passed on 12 March 2018.

28. Listing of companies in the Group

Name of companies		Principal activities	Country of incorporation	Equity holding 2017 %	Equity holding 2016 %
Subsidiaries					
BW Aldrich Pte. Ltd.		Shipowning	Singapore	100	100
BW Clearwater Pte. Ltd.		Shipowning	Singapore	100	100
BW Causeway Pte. Ltd.		Dormant	Singapore	100	100
BW Fleet Management Pte. Ltd.	*a*	Ship-management	Singapore	100	-
BW Mirs Pte. Ltd.		Chartering	Singapore	100	100
BW Stanley Pte. Ltd.		Shipowning	Singapore	100	100
BW Sheko Pte. Ltd.		Dormant	Singapore	100	100
BW Silvermine Pte. Ltd.		Dormant	Singapore	100	100
BW Magellan Limited		Dormant	Bermuda	100	100
BW Pacific Management Pte. Ltd.		Agency office	Singapore	100	100
BW Pacific Pte. Ltd.		Chartering	Singapore	100	100

(a) This company was acquired during the financial year.

APPENDIX D

CONSOLIDATED FINANCIAL STATEMENTS FOR THE COMPANY (BW TANKERS LIMITED) AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2016

BW PACIFIC LIMITED
(Incorporated in Bermuda)
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

Contents

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BW PACIFIC LIMITED

Report on the audit of the financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated balance sheet of BW Pacific Limited (the "Company") and its subsidiaries (the "Group") as at 31 December 2016, and of their consolidated financial performance, consolidated changes in equity and consolidated cash flows for the financial year then ended in accordance with the International Financial Reporting Standards ("IFRSs").

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet of the Group as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair representation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BW PACIFIC LIMITED (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 19 April 2017

BW PACIFIC LIMITED
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the financial year ended 31 December 2016

	Note	2016 US$'000	2015 US$'000
Revenue	3	305,292	326,780
Voyage expenses	4	(104,113)	(86,607)
TCE income #		201,179	240,173
Other operating income		353	-
Other operating expenses	4	(114,008)	(94,956)
Operating profit before depreciation, impairment and gain on disposal of vessels		87,524	145,217
Gain on disposal of vessels		15,559	-
Depreciation charge	8	(59,579)	(46,632)
Impairment charge on vessels and vessels under construction - net	8	(209,891)	(12,100)
Operating (loss)/profit		(166,387)	86,485
Interest income		117	41
Interest expense		(18,973)	(17,022)
Other finance expense		(1,361)	(1,661)
Finance expense - net		(20,217)	(18,642)
(Loss)/profit before income tax		(186,604)	67,843
Income tax expense	6	(6)	(29)
(Loss)/profit for the financial year		(186,610)	67,814
Other comprehensive loss:			
Item that may be subsequently reclassified to income statement			
Fair value loss on cash flow hedge – interest rate swap		(709)	-
		(709)	-
Total comprehensive (loss)/income		(187,319)	67,814
(Loss)/earnings per share attributable to the equity holders of the Company			
(expressed in US$ per share)			
Basic and diluted (loss)/earnings per share	7	(1.7)	0.65

"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.

The accompanying notes form an integral part of these consolidated financial statements.
Independent and reporting Auditor's Report – Page 1 to 2.

BW PACIFIC LIMITED
AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
As at 31 December 2016

	Note	2016 US$'000	2015 US$'000
Vessels	8	**968,552**	1,119,012
Dry docking	8	**22,293**	26,238
Vessels under construction	8	**50,674**	89,898
Total property, plant and equipment		**1,041,519**	1,235,148
Total non-current assets		**1,041,519**	1,235,148
Inventories	9	**10,840**	7,289
Trade and other receivables	10	**52,852**	88,425
Cash and cash equivalents	11	**37,208**	24,961
Total current assets		**100,900**	120,675
Total assets		**1,142,419**	1,355,823
Share capital	12	**1,077**	1,077
Contributed surplus	12	**537,112**	537,112
Other reserves	13	**49,302**	50,011
Accumulated losses		**(220,698)**	(34,088)
Total shareholders' equity		**366,793**	554,112
Borrowings	14	**661,343**	702,836
Derivative financial instrument	15	**709**	-
Other payables	16	**5,247**	-
Total non-current liabilities		**667,299**	702,836
Borrowings	14	**68,931**	67,863
Current income tax liabilities		**-**	29
Trade and other payables	16	**39,396**	30,983
Total current liabilities		**108,327**	98,875
Total liabilities		**775,626**	801,711
Total equity and liabilities		**1,142,419**	1,355,823

Director

Director

The accompanying notes form an integral part of these consolidated financial statements.
Independent and reporting Auditor's Report – Page 1 to 2.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2016

	Note	Share capital US$'000	Contributed surplus US$'000	Capital reserve US$'000	Hedging reserve US$'000	Accumulated losses US$'000	Total US$'000
Balance at 1 January 2016		1,077	537,112	50,011	-	(34,088)	554,112
Total comprehensive loss for the financial year		-	-	-	(709)	(186,610)	(187,319)
Balance at 31 December 2016		1,077	537,112	50,011	(709)	(220,698)	366,793
Balance at 1 January 2015		482,637	-	50,011	-	(101,902)	430,746
Issuance of new shares	12(b)	55,552	-	-	-	-	55,552
Effects of share reduction	12(b)	(537,112)	537,112	-	-	-	-
Total comprehensive income for the financial year		-	-	-	-	67,814	67,814
Balance at 31 December 2015		1,077	537,112	50,011	-	(34,088)	554,112

BW PACIFIC LIMITED
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2016

	Note	2016 US$'000	2015 US$'000
Cash flows from operating activities			
(Loss)/Profit for the financial year		**(186,610)**	67,814
Adjustments for:			
- income tax expense		**6**	29
- depreciation charge		**59,579**	46,632
- impairment charge on vessels and vessels under construction - net		**209,891**	12,100
- amortisation of deferred income		**(353)**	-
- gain on disposal of vessels		**(15,559)**	-
- interest income		**(117)**	(41)
- interest expense		**18,973**	17,022
- other finance expense		**1,361**	1,661
Operating cash flow before working capital changes		**87,171**	145,217
Changes in working capital:			
- inventories		**(3,551)**	1,322
- trade and other receivables		**9,306**	(22,259)
- trade and other payables		**7,013**	9,709
Cash generated from operations		**99,939**	133,989
Income tax paid		**(35)**	-
Net cash provided by operating activities		**99,904**	133,989
Cash flows from investing activities			
Interest income received		**117**	41
Acquisition of subsidiary, net of cash acquired	11	**-**	67
Proceeds from disposal of property, plant and equipment		**59,903**	-
Purchase of property, plant and equipment		**(111,674)**	(293,782)
Net cash used in investing activities		**(51,654)**	(293,674)
Cash flows from financing activities			
Proceeds from borrowings from external financial institutions		**150,467**	815,283
Proceeds from borrowings from ultimate holding corporation		**-**	43,635
Repayment of borrowings to ultimate holding corporation		**-**	(667,505)
Repayment of borrowings to external financial institutions		**(165,833)**	(60,207)
Payment of financing fees to external financial institutions		**(585)**	(11,427)
Issuance of new shares		**-**	55,552
Interest expense paid to external financial institutions		**(18,691)**	(7,349)
Interest expense paid to ultimate holding corporation		**-**	(12,195)
Other finance expense paid		**(1,361)**	(1,661)
Net cash (used in)/provided by financing activities		**(36,003)**	154,126
Net increase/(decrease) in cash and cash equivalents		**12,247**	(5,559)
Cash and cash equivalents at beginning of the financial year		**24,961**	30,520
Cash and cash equivalents at end of the financial year	11	**37,208**	24,961

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

1. General information

BW Pacific Limited ("BW Pacific" or the "Company") is incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are shipowning and chartering (note 26).

2. Significant accounting policies

(a) Basis of preparation

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.

New standards, amendments to published standards and interpretations, effective in 2016

The Group has adopted the following relevant new standards and amendments to published standards as of 1 January 2016:

(i) Amendments
- IAS 27 *Separate financial statements* (Equity method in separate financial statements)
- IAS 16 *Property, plant and equipment* and IAS 38 *Intangible assets* (Clarification of acceptable methods of depreciation and amortisation)
- IFRS 11 *Joint arrangements* (Accounting for acquisitions of interests in joint operations)
- IAS 1 *Presentation of financial statements* (Disclosure initiative)

(ii) Annual improvements 2014
- IFRS 5 *Non-current assets held for sale and discontinued operations* (Methods of disposal)
- IFRS 7 *Financial instruments: Disclosures* (Servicing contracts and interim financial statements)

The adoption of these new standards and amendments to the published standards does not have a material impact on the consolidated financial statements.

2. **Significant accounting policies** (continued)

(a) Basis of preparation (continued)

New standards, amendments to published standards and interpretations, effective in later periods

The following new standards, amendments and interpretations, which are relevant to the Group's operations but have not been early adopted, have been published and are mandatory for accounting periods beginning on or after 1 January 2017 (or otherwise stated) or later periods:

(i) Amendments
- IAS 12 *Income taxes* (Recognition of deferred tax assets for unrealised losses)
- IFRS 7 *Statement of cash flows* (Disclosure initiative)

(ii) New standards
- IFRS 9 *Financial instruments*
- IFRS 15 *Revenue from contracts with customers*
- IFRS 16 *Leases*

IFRS 9, *'Financial instruments'*, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in December 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income, and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. A new expected credit losses model will replace the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes, which by its nature may be an estimate. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group has yet to assess IFRS 9's full impact.

IFRS 15 *'Revenue from contracts with* customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of goods or services and thus has the ability to direct the use and obtain the benefits from those goods or services. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group has yet to assess IFRS 15's full impact.

2. **Significant accounting policies** (continued)

(a) Basis of preparation (continued)

New standards, amendments to published standards and interpretations, effective in later periods (continued)

(ii) New standards (continued)

IFRS 16 replaces IAS 17. IFRS 16 is expected to change the balance sheet, income statement and cash flow statement of an entity with off balance sheet leases. In applying IFRS 16, an entity is required to recognise a right-to-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 in 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 leases. 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 standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted. The Group has yet to assess the full impact on the adoption of IFRS 16.

Critical accounting estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions discussed below.

Certain amounts included in or affecting the consolidated financial statements and related disclosures are estimated, requiring the Group to make assumptions with respect to values or conditions which cannot be known with certainty at the time the consolidated financial statements are prepared. A critical accounting estimate or assumption is one which is both important to the portrayal of the Group's financial condition and results and requires management's most difficult, subjective or complex judgements, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Management evaluates such estimates on an ongoing basis, using historical results and experience, consideration of relevant trends, consultation with experts and other methods considered reasonable in the particular circumstances.

2. **Significant accounting policies** (continued)

(a) Basis of preparation (continued)

Critical accounting estimates and assumptions (continued)

The following is a summary of estimates and assumptions which have a material effect on the accounts.

(i) Useful life and residual value of assets

The Group reviews the useful lives and residual values of its vessels at least at each financial year-end and any adjustments are made on a prospective basis. Residual value is estimated as the lightweight tonnage of each vessel multiplied by the expected scrap value per ton. If estimates of the residual values are revised, the amounts of depreciation charges recorded in the future periods will be changed.

The estimated residual values for all vessels were revised as of 1 January 2016. The change in these estimates has a prospective impact on the depreciation expense from 1 January 2016 onwards. The effect of the change was an increase in depreciation expense of approximately US$2.5 million for the financial year ended 31 December 2016.

There was no change to the estimated residual values for all vessels for the financial year ended 31 December 2015.

The useful lives of vessels are assessed periodically based on the condition of the vessels, market conditions and other regulatory requirements. If the estimates of useful lives for vessels are revised or there is a change in useful lives, the amounts of depreciation charges recorded in future periods will be changed.

(ii) Reversal of impairment/Impairment of non-financial assets

Other non-financial assets (including property, plant and equipment) are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired or a reversal of previously recognised impairment charge may be required. The recoverable amount of an asset, and where applicable, a cash-generating unit ("CGU"), is determined based on the higher of fair value less costs to sell and value-in-use calculations prepared on the basis of management's assumptions and estimates.

All impairment calculations demand a high degree of estimation, which include assessments of the expected cash flows arising from such assets and the selection of discount rates. Changes to these estimates may significantly impact the impairment charges recognised, and future changes may lead to reversals of currently recognised impairment charges.

(iii) Revenue recognition

All freight voyage charter revenues and voyage expenses are recognised on a percentage of completion basis. Discharge-to-discharge basis is used in determining the percentage of completion for all spot voyages and voyages servicing contracts of affreightment. Under this method, freight voyage charter revenue is recognised evenly over the period from the departure of a vessel from its original discharge port to departure from the next discharge port.

2. **Significant accounting policies** (continued)

(a) Basis of preparation (continued)

Critical accounting estimates and assumptions (continued)

(iii) Revenue recognition (continued)

Management uses its judgement in estimating the total number of days of a voyage based on historical trends, the operating capability of the vessel (speed and fuel consumption), and the distance of the trade route. Actual results may differ from estimates.

Demurrage revenue is recognised as revenue from voyage charter in the profit and loss and is assessed at 80% of the total estimated claims issued to customers. This rate is based on actual demurrage recovered over total estimated claims issued to customers historically.

(b) Revenue and income recognition

Revenue comprises the fair value of consideration received or receivable for the rendering of services in the ordinary course of the Group's activities, net of rebates, discounts and off-hire charges, and after eliminating sales within the Group.

(1) Rendering of services

Revenue from time charters, accounted for as operating leases, is recognised rateably over the rental periods of such charters, as services are performed. Revenue from freight voyage charters is recognised rateably over the estimated length of the voyage within the respective reporting period, in the event the voyage commences in one reporting period and ends in the subsequent reporting period.

The Group determines the percentage of completion of freight voyage charter using the discharge-to-discharge method. Under this method, freight voyage charter revenue is recognised rateably over the period from the departure of a vessel from its original discharge port to departure from the next discharge port. Losses arising from time or voyage charter are provided for in full as soon as they are anticipated.

For the Group's tanker vessels that are operating in third party managed pool, where the Group has no influence in the running of the pool, the Group accounts for its share of pool results on a net basis in the consolidated financial statements. The share of the pool results is recorded as part of revenue from voyage charter in the profit and loss statement.

(2) Interest income

Interest income, including income arising from finance leases and other financial instruments, is recognised using the effective interest method.

2. Significant accounting policies (continued)

(c) Group accounting

Subsidiaries

(i) Consolidation

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been aligned where necessary to ensure consistency with the policies adopted by the Group.

(ii) Acquisition

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date, and any gains or losses arising from such re-measurement are recognised in profit or loss. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the net identifiable assets acquired, is recorded as goodwill.

2. **Significant accounting policies** (continued)

(c) Group accounting (continued)

Subsidiaries (continued)

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

Any retained interest in the entity is re-measured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in the profit or loss.

(d) Property, plant and equipment

(1) Measurement

(i) Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses [note 2(e)].

(ii) The cost of an item of property, plant and equipment initially recognised includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

(iii) The acquisition cost capitalised to a vessel under construction is the sum of the instalments paid plus other directly attributable costs incurred during the construction period including borrowing costs. Vessels under construction are reclassified as vessels upon delivery from the yard.

(2) Depreciation

(i) Depreciation is calculated using a straight-line method to allocate the depreciable amounts of property, plant and equipment, after taking into account the residual values over their estimated useful lives. The residual value, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at least annually. The effects of any revision are recognised in the profit or loss when the changes arise. The estimated useful lives are as follows:

Vessels	
- Tankers	25 years

(ii) A proportion of the price paid for new vessels is capitalised as dry docking. These costs are depreciated over the period to the next scheduled dry docking, which is generally 30 to 60 months. As a result of the commencement of new dry docking, the remaining carrying amount of the previous dry docking will be written off to the profit or loss.

2. **Significant accounting policies** (continued)

(d) Property, plant and equipment (continued)

(3) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment, including dry docking, that has already been recognised, is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expense is recognised in the profit or loss when incurred.

(4) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in the profit or loss.

(e) Impairment of non-financial assets

Property, plant and equipment are tested for impairment whenever there is objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less costs to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the profit or loss, unless the asset is carried at a revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset (or CGU) other than goodwill is reversed if, and only if, there has been a change in the estimate of the asset's (or CGU's) recoverable amount since the last impairment loss was recognised. The carrying amount of the asset (or CGU) is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation and depreciation) had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of impairment loss for an asset (or CGU) other than goodwill is recognised in the profit or loss, unless the asset is carried at a revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

2. **Significant accounting policies** (continued)

(f) Loans and receivables

Loans and receivables are presented as "trade and other receivables" and "cash and cash equivalents" in the consolidated balance sheet. These are initially recognised at their fair values plus transaction costs and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

The Group assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the net present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

These assets are presented as current assets except for those that are expected to be realised later than 12 months after the balance sheet date, which are presented as non-current assets.

(g) Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the consolidated balance sheet, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(h) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

2. **Significant accounting policies** (continued)

(i) Borrowing costs

Borrowing costs are recognised in the profit or loss using the effective interest method except for those costs that are directly attributable to the construction of vessels. This includes those costs on borrowings acquired specifically for the construction of vessels, as well as those in relation to general borrowings used to finance the construction of vessels.

Borrowing costs are capitalised in the cost of the vessel under construction. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to the construction expenditures that are financed by general borrowings.

(j) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

(k) Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The fair value of derivative financial instruments represents the amount estimated by banks or brokers that the Group will receive or pay to terminate the derivatives at the balance sheet date. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is 12 months or more, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

For derivative financial instruments that are not designated or do not qualify for hedge accounting, any fair value gains or losses are recognised in the consolidated profit or loss as a finance item.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

Cash flow hedge – Interest rate swap

The Group has entered into an interest rate swap that is a cash flow hedge for the Group's exposure to interest rate risk on its borrowings. This contract entitles the Group to receive interest at floating rates on notional principal amounts and obliges the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

2. **Significant accounting policies** (continued)

(k) Derivative financial instruments and hedging activities (continued)

Cash flow hedge – Interest rate swap (continued)

The fair value changes on the effective portion of the interest rate swap designated as cash flow hedge is recognised in other comprehensive income, accumulated in the hedging reserve and reclassified to profit or loss when the hedged interest expense on the borrowings is recognised in the consolidated profit or loss. The fair value changes on the ineffective portion of the interest rate swap is recognised immediately to the consolidated profit or loss.

(l) Inventories

Inventories comprise mainly fuel oil remaining on board vessels. Inventories are measured at the lower of cost (on first-in, first-out basis) and net realisable value.

(m) Fair value estimation of financial assets and liabilities

The fair value of interest rate swap is calculated as the present value of the estimated future cash flows, discounted at actively quoted interest rates. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying amounts of current financial assets and liabilities carried at amortised cost approximate their fair values, due to the short term nature of the balances. The fair values of financial liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at current market interest rates that are available to the Group at balance sheet date for similar financial instruments.

(n) Leases

(1) When a group company is the lessor:

Operating leases

Leases of assets in which the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Assets leased out under operating leases are included in property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(2) When a group company is the lessee:

Operating leases

Leases of assets in which substantially all risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in the profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2. **Significant accounting policies** (continued)

(o) Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised as income or expense in profit or loss, except to the extent that it relates to items recognised in other comprehensive income in which case the tax is also recognised in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Positions taken in tax returns are evaluated periodically, with respect to situations in which applicable tax regulations are subject to interpretation, and provisions are established where appropriate, on the basis of amounts expected to be paid to the tax authorities. In relation to accounting for tax uncertainties, where it is more likely than not that the final tax outcome would be favourable to the Group, no tax provision is recognised until payment to the tax authorities is required, and upon which a tax asset, measured at the expected recoverable amount, is recognised.

(p) Employee benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be classified as an asset.

(1) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(2) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(q) Foreign currency translation

(1) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in United States Dollars, which is the Company's functional currency.

(2) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign currency exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date, are recognised in the profit or loss.

2. Significant accounting policies (continued)

(r) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with financial institutions, which are subject to an insignificant risk of change in value. Bank overdrafts are presented as current borrowings on the consolidated balance sheet.

(s) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new equity instruments are taken to equity as a deduction, net of tax, from the proceeds.

(t) Dividends

Interim dividends are recognised in the financial year in which they are declared payable and final dividends are recognised when the dividends are approved for payment by the directors and shareholders respectively.

(u) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation whereby as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the settlement amount can be made. When the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

(v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management who are responsible for allocating resources and assessing performance of the operating segments.

3. Revenue

	2016 US$'000	2015 US$'000
Revenue from time charter	**38,826**	38,175
Revenue from voyage charter	**266,466**	288,605
Total revenue	**305,292**	326,780

4. Expenses by nature

	2016 US$'000	2015 US$'000
Fuel oil consumed (note 9)	**53,003**	47,993
Port costs	**37,544**	23,656
Commission expenses	**6,527**	6,972
Other voyage expenses	**7,039**	7,986
Voyage expenses	**104,113**	86,607
Employee benefits (note 5)	**57,328**	47,911
Maintenance and repair expenses	**28,177**	25,552
Insurance expenses	**3,696**	3,446
Other vessel operating expenses	**2,581**	2,415
Vessel operating expenses	**91,782**	79,324
Support service fee	**4,574**	5,568
Employee benefits (note 5)	**3,905**	662
Charter hire expenses	**1,831**	-
Other operating expenses	**11,916**	9,402
Other expenses	**22,226**	15,632
Total voyage expenses and other operating expenses	**218,121**	181,563

5. Employee benefits

	2016 US$'000	2015 US$'000
Wages and salaries (note 4)	**61,233**	48,573

6. Income taxes

Based on the tax laws in the jurisdictions in which the Group and its subsidiaries operate, shipping profits are exempted from income tax. Non-shipping profits are taxed at the prevailing tax rate of each tax jurisdiction where the profit is earned.

Income tax expense

	2016 US$'000	2015 US$'000
Tax expense attributable to profit is made up of:		
Current income tax	6	29

There is no income, withholding, capital gain or capital transfer taxes payable in Bermuda. The income tax expense reconciliation of the Group is as follows:

	2016 US$'000	2015 US$'000
(Loss)/Profit before income tax	(186,604)	67,843
Tax calculated at a tax rate of 0% (2015: 0%)	-	-
Effect of :		
- Different tax rates in other countries	6	29
Income tax expense	6	29

7. (Loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the net (loss)/profit attributable to equity holders of the Company by the weighted average number of common shares outstanding during the financial year.

	2016	2015
Net (loss)/profit attributable to equity holders of the Company (US$'000)	**(186,610)**	67,814
Weighted average number of common shares outstanding ('000)	**107,638**	104,157
Basic and diluted earnings per share (US$ per share)	**(1.7)**	0.65

8. Property, plant and equipment

	Vessels	Dry docking	Vessels under construction	Total
	US$'000	US$'000	US$'000	US$'000
Cost				
At 1 January 2016	1,500,409	41,998	101,898	1,644,305
Additions	607	6,220	106,358	113,185
Transfer on delivery of vessels	117,255	2,250	(119,505)	-
Write off on completion of dry docking cycle	-	(2,004)	-	(2,004)
Disposals	(36,078)	(3,974)	(10,179)	(50,231)
At 31 December 2016	1,582,193	44,490	78,572	1,705,255
Accumulated depreciation and impairment charge				
At 1 January 2016	381,397	15,760	12,000	409,157
Impairment charge	183,394	-	26,497	209,891
Depreciation charge	50,547	9,032	-	59,579
Transfer on delivery of vessels	3,200	-	(3,200)	-
Write off on completion of dry docking cycle	-	(2,004)	-	(2,004)
Disposals	(4,897)	(591)	(7,399)	(12,887)
At 31 December 2016	613,641	22,197	27,898	663,736
Net book value				
At 31 December 2016	**968,552**	**22,293**	**50,674**	**1,041,519**
Cost				
At 1 January 2015	1,197,010	35,337	116,042	1,348,389
Additions	63	2,515	295,260	297,838
Transfer on delivery of vessels	303,336	6,068	(309,404)	-
Write off on completion of dry docking cycle	-	(1,922)	-	(1,922)
At 31 December 2015	1,500,409	41,998	101,898	1,644,305
Accumulated depreciation and impairment charge				
At 1 January 2015	336,216	9,731	6,400	352,347
Write back of impairment charge	(4,200)	-	-	(4,200)
Impairment charge	5,800	-	10,500	16,300
Depreciation charge	38,681	7,951	-	46,632
Transfer on delivery of vessels	4,900	-	(4,900)	-
Write off on completion of dry docking cycle	-	(1,922)	-	(1,922)
At 31 December 2015	381,397	15,760	12,000	409,157
Net book value				
At 31 December 2015	**1,119,012**	**26,238**	**89,898**	**1,235,148**

8. **Property, plant and equipment** (continued)

(a) The Group recognised an impairment charge of US$209.9 million (2015: net impairment charge of US$12.1 million), which represents the impairment or write back of impairment of certain vessels to their recoverable amounts. The recoverable amount was based on the higher of fair value less costs to sell and value-in-use calculation, with each vessel being regarded as one CGU.

For the operating segments, the Group has recognised an impairment charge on both its LR1 Product Tankers and MR Product Tankers for the financial year ended 31 December 2016. For the financial year ended 31 December 2015, a net impairment charge was recognised on both its LR1 Product Tankers and MR Product Tankers.

The recoverable amounts of the LR1 and MR Product Tankers were determined based on fair value (based on independent third party valuation reports which make reference to comparable transaction prices of similar LR1 and MR Product Tankers) less costs to sell. These are regarded as level 2 fair values.

(b) The Group has mortgaged vessels with a total carrying amount of US$990.8 million (2015: US$1,145.3 million) as security over the Group's bank borrowings.

(c) For the financial year ended 31 December 2016, interest amounting to US$1.5 million (2015: US$4.1 million) has been capitalised in Vessels under construction. The interest rate used to determine the amount of borrowing costs eligible for capitalisation is 2.51% (2015: 2.15%) per annum.

9. **Inventories**

	2016 US$'000	2015 US$'000
Fuel oil	**10,840**	7,289

The cost of inventories recognised as expenses and included in "voyage expenses" amounted to US$53.0 million (2015: US$48.0 million).

10. **Trade and other receivables**

	2016 US$'000	2015 US$'000
Trade receivables		
- related corporations	**2,559**	3,047
- third parties	**31,773**	44,858
Prepayments	**1,684**	19,589
Other receivables		
- related corporations	**3,204**	3,096
- third parties	**13,632**	17,835
	52,852	88,425

10. Trade and other receivables (continued)

In 2015, prepayments to third parties include a final instalment paid in advance to third party shipbuilder for the construction of BW Petrel which was delivered in January 2016.

The carrying amounts of trade and other receivables, principally denominated in United States Dollars, approximate their fair values.

The other receivables due from related corporations are unsecured, interest-free and are repayable on demand.

11. Cash and cash equivalents

	2016	2015
	US$'000	US$'000
Cash at bank and on hand	**37,208**	24,961

On 1 September 2015, a subsidiary of the Group acquired 100% interest in BW Worldwide Pte. Ltd., a company incorporated in Singapore which provides agency services to ship owners, from a fellow subsidiary, BW Maritime Pte. Ltd., for a purchase consideration of US$1. BW Worldwide Pte. Ltd. was subsequently renamed to BW Pacific Management Pte. Ltd.

The aggregate effects of the acquisition on the cashflows of the Group were as follows:

	US$'000
Identifiable assets and liabilities	
Cash and cash equivalents	**67**
Total assets	**67**
Trade and other payables	**(67)**
Total liabilities	**(67)**
Identifiable net assets acquired	**-**
Purchase consideration	**-***
Less: Cash and cash equivalents in subsidiary acquired	**67**
Net cash inflow on acquisition	**67**

* Amount is less than US$1,000

12. Share capital and contributed surplus

(a) Authorised share capital

On 24 March 2015, the Company increased its authorised share capital from US$500,000,000 to US$700,000,000 with a par value of US$1 per share. On 22 September 2015, the Company's shares of par value US$1 each were consolidated into shares of par value US$5 each and this resulted in the increase of the par value of each share from US$1 to US$5.

12. **Share capital and contributed surplus** (continued)

(a) Authorised share capital (continued)

On 12 October 2015, the Company reduced the par value of each share from US$5 to US$0.01. As a result, the Company's authorised share capital was reduced from US$700,000,000 to US$1,400,000. Subsequently, the Company increased the total number of authorised shares by 40,000,000 and the authorised share capital increased to US$1,800,000 correspondingly. As at 31 December 2015, the Company's total authorised number of shares is 180,000,000 with a par value of US$0.01 per share.

In 2016, there were no changes to the authorised share capital. The total authorised number of shares remains at 180,000,000 shares with par value of US$0.01 per share.

(b) Issued and fully paid share capital

	2016 Number of Shares	2015 Number of Shares	**2016 Amount US$'000**	2015 Amount US$'000
At beginning of financial year	**107,637,740**	482,636,505	**1,077**	482,637
New shares issued	-	55,552,200	-	55,552
Effects of share consolidation	-	(430,550,965)	-	-
Effects of reduction in par value	-	-	-	(537,112)
At end of financial year	**107,637,740**	107,637,740	**1,077**	1,077

On 14 April 2015 and 7 May 2015, the Company issued a total of 55,552,200 new ordinary shares at par value of US$1 per share to its shareholders, BW Tankers Limited and a single third party non-controlling interest.

On 22 September 2015, the Company consolidated its number of shares to a par value of US$5 per share. On 12 October 2015, the par value was reduced to US$0.01 per share resulting in a transfer of US$537 million from share capital account to the contributed surplus account. Contributed surplus is distributable, subject to the fulfillment of the conditions as stipulated under the Bermudian Law.

In 2016, there were no changes to the issued and fully paid share capital.

13. **Other reserves**

	2016 US$'000	2015 US$'000
(a) Composition:		
Capital reserve – effects of Restructuring	**50,011**	50,011
Hedging reserve	**(709)**	-
	49,302	50,011

Capital reserve relates to the net difference arising from the share capital and retained earnings of the Group before and after the Restructuring during the financial year ended 31 December 2014.

Capital reserve is non-distributable.

13. **Other reserves** (continued)

	2016 US$'000	2015 US$'000
(b) Movements of the reserves are as follows:		
Hedging reserve		
At beginning of the financial year	-	-
Fair value losses	(709)	-
At end of the financial year	(709)	-

14. **Borrowings**

	2016 US$'000	2015 US$'000
Current		
Bank borrowings	**68,931**	67,863
Non-current		
Bank borrowings	**661,343**	702,836
	730,274	770,699

As at 31 December 2016, bank borrowings consist of three credit facilities from external financial institutions, amounting to US$676 million, US$266 million and US$128 million respectively. The US$676 million facility is made up of two loan tranches amounting to US$576 million and US$100 million. The first tranche of US$576 million includes a US$100 million revolving credit facility. These tranches are interest bearing at three-month US Dollar LIBOR plus 1.7% per annum and three-month US Dollar LIBOR plus 1.9% per annum and will mature in 2022 and 2018 respectively. The US$266 million facility has an average interest rate of three-month US Dollar LIBOR plus 1.5% per annum and will mature in 2028. The US$128 million facility has an average interest rate of three-month US Dollar LIBOR plus 1.8% per annum and will mature in 2023. No draw down has been made on this facility. These three facilities are secured by the Group's fleet of vessels.

Interest rates

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

	2016	2015
Bank borrowings	**2.66%**	2.22%

The exposure of borrowings to interest rate risks is disclosed in note 18(iii).

14. Borrowings (continued)

Maturity of borrowings

The non-current borrowings have the following maturity:

	2016 US$'000	2015 US$'000
Later than one year and not later than five years	367,053	369,166
Later than five years	294,290	333,670
	661,343	702,836

Carrying amounts and fair values

The carrying values of bank borrowings approximate their fair values.

15. Derivative financial instrument – non-current

	2016 US$'000	2015 US$'000
Cash-flow hedge		
- Interest rate swap	709	-

During the financial year ended 31 December 2016, the Group has entered into an interest rate swap contract that qualifies for hedge accounting. The Group will pay interest at a fixed rate of 1.94% per annum and receive interest at a floating rate based on three-month US$ LIBOR.

The notional principal amount of the outstanding interest rate swap as at 31 December 2016 amounted to US$180.2 million.

16. Trade and other payables

	2016 US$'000	2015 US$'000
Trade payables		
- related corporations	-	362
- third parties	9,895	7,242
Charter income received in advance	-	2,060
Deferred income	6,647	-
Other accrued operating expenses		
- third parties	25,446	17,538
Other payables		
- related corporations	-	1,168
- third parties	2,655	2,613
	44,643	30,983

16. **Trade and other payables** (continued)

	2016 US$'000	2015 US$'000
Analysed as:		
Non-current	**5,247**	-
Current	**39,396**	30,983
	44,643	30,983

The carrying amounts of trade and other payables, principally denominated in United States Dollars, approximate their fair values.

The other payables due to related corporations are unsecured, interest-free and are repayable on demand.

17. **Commitments**

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the consolidated financial statements are as follows:

	2016 US$'000	2015 US$'000
Vessels under construction	**111,104**	294,611

(b) Operating lease commitments - where a group company 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:

	2016 US$'000	2015 US$'000
Not later than one year	**16,790**	29,438
Later than one year but not later than five years	**10,102**	7,160
	26,892	36,598

(c) Operating lease commitments - where a group company is a lessee

The Group leases vessels and office space from non-related parties under non-cancellable operating lease agreements. The leases have varying terms.

The future minimum lease payments under non-cancellable operating leases committed at the reporting date but not recognised as liabilities, are as follows:

	2016 US$'000	2015 US$'000
Not later than one year	**7,649**	405
Later than one year but not later than five years	**122,458**	809
Later than five years	**97,772**	-
	227,879	1,214

18. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including price risk and currency risk); interest rate risk; credit risk; liquidity risk; and capital risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The financial risk management of the Group is handled by the ultimate holding corporation as part of its operations. The management team identifies, evaluates and manages financial risks in close co-operation with BW Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk and credit risk.

(i) Market risk

The shipping market can be subject to significant fluctuations. The Group's vessels are employed under a variety of chartering arrangements including time charters and voyage charters.

In 2016, approximately 13% (2015: 12%) of the Group's shipping revenue was derived from vessels under fixed income charters (comprising time charters).

The Group is exposed to the risk of variations in fuel oil costs, which are affected by the global political and economic environment. Historically, bunker fuel expenses have been the most significant expense. Under a time charter, the charterer is responsible for bunker fuel costs, therefore, fixed income charters also reduces exposure to fuel price fluctuations.

In 2016, fuel oil costs comprised 24% (2015: 26%) of the Group's consolidated operating expenses (excluding depreciation). If price of fuel oil increases/decreases by US$1 (2015: US$1) per metric ton with all other variables including tax rate being held constant, the net results will be lower/higher by US$226,000 (2015: US$166,000) as a result of higher/lower fuel oil consumption expense.

The Group's business operations are not exposed to significant foreign exchange risk as it has no significant transactions denominated in foreign currencies.

(ii) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and cash and cash equivalents. The maximum exposure is represented by the carrying value of each financial asset on the balance sheet.

(a) Financial assets that are neither past due or impaired

The Group performs periodic credit evaluations of its charterers. The Group has implemented policies to ensure cash funds are deposited with internationally recognised financial institutions with a good credit rating and the vessels are fixed to charterers with an appropriate credit rating or who provide sufficient guarantees.

18. **Financial risk management** (continued)

Financial risk factors (continued)

(ii) *Credit risk* (continued)

(b) *Financial assets that are past due and/or impaired*

The age analysis of trade receivables past due but not impaired is as follows:

	2016	2015
	US$'000	US$'000
Past due 0 to 3 months	**531**	-
Past due for more than 6 months	**43**	-
	574	-

There are no trade receivables individually determined to be impaired.

Credit risk is concentrated on a few charterers. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

(iii) *Interest rate risk*

The Group has interest-bearing financial liabilities in the form of borrowings from external financial institutions at variable rates.

The Group manages its cashflow interest rate risks by swapping a portion of its floating rate interest payments to fixed rate using interest rate swap. Under the contract, the Group pays a fixed interest rate of 1.94% per annum and receives a floating interest based on three-month US$ LIBOR.

If the interest rates increase/decrease by 50 basis points, with all other variables including tax rate being held constant, the net results will be lower/higher by approximately US$3,893,000 (2015: US$3,448,000) as a result of higher/lower interest expense on the portion of the borrowings that is not covered by the interest rate swap instrument.

Total equity would have been higher/lower by US$2,248,000 (2015: Nil) mainly as a result of fair value gain/loss from an interest rate swap.

(iv) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and funding (through committed credit facilities) to meet operating and capital expenditure needs. To address the inherent unpredictability of short-term liquidity requirements, the Group maintains sufficient cash for its daily operations in short-term cash deposits with banks and has access to the unutilised portions of revolving credit facilities provided by financial institutions.

18. **Financial risk management** (continued)

Financial risk factors (continued)

(iv) *Liquidity risk* (continued)

The maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows is as follows:

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
At 31 December 2016				
Trade and other payables	37,996	-	-	-
Derivative liability	1,167	191	(1,105)	-
Interest payments	17,785	16,583	46,143	36,343
Borrowings	70,331	161,221	210,993	297,165
	127,279	**177,995**	**256,031**	**333,508**
At 31 December 2015				
Trade and other payables	28,923	-	-	-
Interest payments	15,529	15,529	41,199	39,889
Borrowings	69,282	69,282	305,115	337,665
	113,734	84,811	346,314	377,554

(v) *Capital risk*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividends paid, return capital to shareholders, obtain new borrowings or sell assets to reduce borrowings.

The Group is in compliance with all externally imposed capital requirements.

(vi) *Fair value measurements*

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

18. Financial risk management (continued)

Financial risk factors (continued)

(vi) *Fair value measurements* (continued)

	Level 2 US$'000	Total US$'000
2016		
The Group		
Liabilities		
Derivatives		
- Hedging	709	709
2015		
The Group		
Liabilities		
Derivatives		
- Hedging	-	-

The Group has no Level 1 and Level 3 financial assets or liabilities as at 31 December 2016 and 2015.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. These financial instruments are included in Level 2, as all significant inputs required to fair value an instrument are observable.

(vii) *Offsetting financial assets and financial liabilities*

The Group's financial assets and liabilities are not subjected to enforceable master netting arrangements or similar arrangements. Financial derivatives, financial assets and financial liabilities are presented separately on the consolidated balance sheet, without netting off of balances.

19. 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, except for the following:

	2016 US$'000	2015 US$'000
Loans and receivables	**88,376**	93,797
Financial liabilities at amortised cost	**768,270**	799,622

20. Holding corporations

In 2015, BW Group Limited acquired the shareholdings of the Company from BW Tankers Limited. As at 31 December 2016 and 31 December 2015, the Company's immediate and ultimate holding corporation is BW Group Limited, incorporated in Bermuda, which is approximately 93% controlled by Sohmen family interests.

21. Related party transactions

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

	2016	2015
	US$'000	US$'000
Sales and purchase of services		
Support service fees paid/payable to related corporation	**6,111**	5,556
Support service fees paid/payable to ultimate holding corporation	**-**	11
Commercial fee paid/payable to related corporation	**41**	5,001
Ship management fee paid/payable to related corporation	**7,311**	6,441
Interest paid/payable to ultimate holding corporation	**-**	10,390
Commitment fees paid/payable to ultimate holding corporation	**-**	321
Rental paid/payable to related corporation	**396**	-

Included in the profit and loss for the financial year ended 31 December 2016 is US$7.4 million (2015: US$24.8 million) of third party voyage charter revenue which was earned through back-to-back charters with a related corporation that was acting as an agent for the Group.

Key management remuneration for the financial year ended 31 December 2016 amounted to US$618,901 (2015: US$75,517).

Related corporations refer to corporations controlled by Sohmen family interests.

22. 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 two main operating segments:

(i) LR1 Product Tankers
(ii) MR Product Tankers

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

The LR1 Product Tanker segment provides transportation of refined oil products.

The MR Product Tanker segment provides transportation of refined oil products with a lower cargo capacity than LR1 Product Tanker segment.

22. **Segment Information** (continued)

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 bank accounts centrally managed for the benefit of various activities, are not allocated to segments.

	LR1 Product Tanker US$'000	MR Product Tanker US$'000	Total US$'000
2016			
Revenue	140,301	164,991	305,292
Operating EBITDA for:			
- reportable segments	35,074	63,332	98,406
- unallocated items			(10,882)
Finance expense – net			(20,217)
Depreciation charge	(27,114)	(32,465)	(59,579)
Gain on disposal of vessels	15,559	-	15,559
Impairment charge on vessels and vessels under construction	(137,127)	(72,764)	(209,891)
Loss before income tax			(186,604)
Segment assets	369,197	732,375	1,101,572
Segment assets include:			
Additions to:			
- vessels/vessels under construction	50,494	54,221	104,715
- dry docking	6,220	2,250	8,470
Segment liabilities	25,908	18,697	44,605
2015			
Revenue	213,590	113,190	326,780
Operating EBITDA for:			
- reportable segments	88,661	65,112	153,773
- unallocated items			(8,556)
Finance expense - net			(18,642)
Depreciation charge	(26,046)	(20,586)	(46,632)
Impairment charge on vessels and vessels under construction – net	(6,800)	(5,300)	(12,100)
Profit before income tax			67,843
Segment assets	527,763	775,809	1,303,572
Segment assets include:			
Additions to:			
- vessels/vessels under construction	38,258	250,997	289,255
- dry docking	2,515	6,068	8,583
Segment liabilities	19,313	8,561	27,874

22. **Segment Information** (continued)

Reportable segments' assets

The amounts provided to management with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. For the purposes of monitoring segment performance and allocating resources between segments, management monitors vessels, vessels under construction, dry docking, inventories, and trade and other receivables that can be directly attributable to each segment.

	2016 US$'000	2015 US$'000
Segment assets	1,101,572	1,303,572
Unallocated items:		
Cash and cash equivalents	37,208	24,961
Trade and other receivables	3,639	27,290
Total assets	1,142,419	1,355,823

Reportable segments' liabilities

The amounts provided to management with respect to total liabilities are measured in a manner consistent with that of the consolidated financial statements. These liabilities are allocated based on the operations of the segments. Certain trade and other payables are allocated to the reportable segments. All other liabilities are reported as unallocated items.

	2016 US$'000	2015 US$'000
Segment liabilities	44,605	27,874
Unallocated items:		
Borrowings	730,274	770,699
Current income tax liabilities	-	29
Trade and other payables	38	3,109
Derivative financial instruments	709	-
Total liabilities	775,626	801,711

Geographical segments' revenue

Non-current assets comprise mainly vessels which operate on an international platform with individual vessels calling at various ports across the globe. The Group does not consider the domicile of its customers as a relevant decision making guideline and hence does not consider it meaningful to allocate vessels and revenue to specific geographical locations.

23. **Dividends**

The directors do not recommend a dividend for the financial year ended 31 December 2016.

24. Events occurring after balance sheet date

Subsequent to the financial year ended 31 December 2016, the Group took delivery of two vessels, BW Kallang (18 January 2017) and BW Tagus (13 March 2017).

25. Authorisation of financial statements

These financial statements were authorised to be issued by a resolution of the Board of Directors of BW Pacific Limited passed on 19 April 2017.

26. Listing of companies in the Group

Name of companies		Principal activities	Country of incorporation	Equity holding 2016 %	Equity holding 2015 %
Subsidiaries					
BW Aldrich Pte. Ltd.		Shipowning	Singapore	**100**	100
BW Clearwater Pte. Ltd.		Shipowning	Singapore	**100**	100
BW Causeway Pte. Ltd.		Shipowning	Singapore	**100**	100
BW Mirs Pte. Ltd.		Chartering	Singapore	**100**	100
BW Stanley Pte. Ltd.		Shipowning	Singapore	**100**	100
BW Sheko Pte. Ltd.		Shipowning	Singapore	**100**	100
BW Silvermine Pte. Ltd.		Shipowning	Singapore	**100**	100
BW Magellan Limited		Dormant	Bermuda	**100**	100
BW Pacific Management DK ApS	a	Dormant	Denmark	**-**	100
BW Pacific Management Pte. Ltd.		Agency office	Singapore	**100**	100
BW Pacific Pte. Ltd.		Chartering	Singapore	**100**	100

(a) Company disposed during the financial year

APPENDIX E

CONSOLIDATED FINANCIAL STATEMENTS FOR HAFNIA TANKERS LIMITED AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2018

Hafnia Tankers Ltd.

Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

Statement by Management on the Consolidated Financial Statements

The Board of Directors for Hafnia Limited have today, March 21, 2019, discussed and approved the Consolidated financial statements of Hafnia Tankers Ltd. and subsidiaries (the "Group") for the financial years 2018 and 2017.

As Hafnia Tankers Ltd. was merged with BW Tankers Limited 18 January 2019 it is the Board of Directors of the merged company Hafnia Limited who signs these Consolidated financial statements. Refer to note 33 Subsequent events for further description of the merger.

The Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

It is our opinion that the Consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2018 and 2017 and of the results of the Group's operations and cash flows for the financial years January 1–December 31, 2018 and 2017.

Board of Directors

Andreas Sohmen-Pao	Chris Gradel	Alexis Atteslis
Gregory Sean Feldman	Erik Bartnes	John Ridgway
Peter Read		

Independent auditor's report

To the shareholders of Hafnia Limited.

Opinion

We have audited the consolidated financial statements of Hafnia Tankers Ltd. for the financial year 1 January 2018 to 31 December 2018, which comprise the statement of profit and loss, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flow and notes, including a summary of significant accounting policies, for the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2018, and of the results of their operations and cash flows for the financial year 1 January 2018 to 31 December 2018 in accordance with International Financial Reporting Standards as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as issued by the IASB, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit conducted in accordance with ISAs we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures in the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 21 March 2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Henrik Hjort Kjelgaard
State-Authorised Public Accountant
MNE no 29484

Hafnia Tankers Ltd.
Consolidated Balance Sheet

	Note	As of December 31 2018	As of December 31 2017
		(in thousands of U.S. dollars)	
ASSETS			
Current assets			
Cash and cash equivalents	4	33,536	48,127
Pool working capital deposit	5	30,200	31,200
Accounts receivable	6	43,620	34,875
Prepaid expenses and other receivables	7	11,810	8,712
Inventories	8	3,338	4,899
Total current assets		**122,504**	**127,813**
Non-current assets			
Vessels and dry dock	10	850,170	1,031,221
Goodwill	9	-	6,003
Interests in associates	11	2,944	2,205
Interest in a joint venture	12	-	-
Loans receivables		14,362	1,850
Deferred tax		24	58
Total non-current assets		**867,500**	**1,041,337**
Total assets		**990,004**	**1,169,150**
LIABILITIES & EQUITY			
Current liabilities			
Bank loans	16	43,881	48,951
Accounts payable	17	20,698	17,698
Accrued expenses and other payables	18	10,206	7,651
Finance lease liability	31	5,911	1,182
Deferred revenue		1,029	1,101
Loans from other entities		306	-
Loans from associates		8,530	1,000
Tax payable		121	51
Total current liabilities		**90,682**	**77,634**
Non-current liabilities			
Bank loans	16	395,782	485,254
Derivatives	30	2,816	3,061
Finance lease liability	31	90,514	24,013
Loans from other entities		2,096	-
Total non-current liabilities		**491,208**	**512,328**
Total liabilities		**581,890**	**589,962**
Shareholders' equity			
Issued, authorized and paid in share capital			
Share capital		339	339
Additional paid in capital	19	354,470	352,423
Treasury shares		(14,038)	(14,038)
Accumulated (losses) / profits		(75,892)	37,359
Cash flow hedging reserve		(1,874)	(2,033)
Translation reserve		(34)	(34)
Equity holders of the parent		262,971	374,016
Non-controlling interests		145,143	205,172
Total equity		**408,114**	**579,188**
Total liabilities and equity		**990,004**	**1,169,150**

Hafnia Tankers Ltd.
Consolidated Statement of Profit and Loss

	Note	For the years ended December 31 2018	2017
		(in thousands of U.S. dollars)	
Revenue	20	329,170	313,664
Voyage expenses	21	(151,398)	(126,378)
TCE income		**177,772**	**187,286**
Operating expenses			
Vessel operating costs	22	(85,070)	(82,771)
Technical management fee		(5,743)	(5,698)
Charter hire	23	(25,263)	(24,336)
Depreciation	10	(54,254)	(53,021)
Impairment charge on goodwill	9	(6,003)	-
Impairment charge on vessels	10	(134,840)	-
General and administrative expenses	24	(14,420)	(9,627)
Total operating expenses		**(325,593)**	**(175,453)**
Other operating income			
Other operating income		295	1,870
Share of associates profit	11	1,591	716
		1,886	**2,586**
Operating profit		**(145,935)**	**14,419**
Financial expenses and income			
Financial expenses	25	(31,416)	(26,330)
Financial income	26	1,379	555
(Loss) / profit before tax		**(175,972)**	**(11,356)**
Taxes	15	(335)	(209)
(Loss) / profit for the year		**(176,307)**	**(11,565)**
Attributable to:			
Equity holders of the parent		(114,441)	(7,507)
Non-controlling interests		(61,866)	(4,058)
		(176,307)	**(11,565)**
(Loss) / Earnings per share attributable to equity holders of the parent:			
Basic (loss) / earnings per share (USD)	28	(3.37)	(0.22)
Diluted (loss) / earnings per share (USD)	28	(3.37)	(0.22)
Shares used in computing earnings per share attributable to equity holders of the parent:			
Basic (in thousands)	28	33,946	33,946
Diluted (in thousands)	28	33,946	33,946

Hafnia Tankers Ltd.
Consolidated Statement of Comprehensive Income

	For the years ended December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
(Loss) / profit for the year	**(176,307)**	**(11,565)**
Other comprehensive (loss) / income		
Items that may be reclassified subsequently to profit or (loss):		
Fair value (losses) on cash flow hedges	(751)	(3,504)
Reclassification to profit or (loss) related to cash flow hedges	996	1,082
Exchange differences on translating foreign operations	-	19
Other comprehensive (loss) / income after tax	**245**	**(2,403)**
Total comprehensive (loss) / income	**(176,062)**	**(13,968)**
Attributable to:		
Equity holders of the parent	(114,282)	(9,067)
Non-controlling interests	(61,780)	(4,901)
	(176,062)	**(13,968)**

Hafnia Tankers Ltd.
Consolidated Statement of Changes in Equity

(in thousands of U.S. dollars)	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	Total	Non-controlling interests	Total equity
Balance as of January 1, 2017	339	352,423	42,705	(258)	(473)	(34)	394,702	208,905	603,607
Profit for the year	-	-	(7,507)	-	-	-	(7,507)	(4,058)	(11,565)
Other comprehensive (loss) for the year	-	-	-	-	(1,560)	-	(1,560)	(843)	(2,403)
Total comprehensive income	-	-	(7,507)	-	(1,560)	-	(9,067)	(4,901)	(13,968)
Write-off of prepaid costs relating to future share issuance	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	(13,780)	-	-	(13,780)	-	(13,780)
Share-based compensation	-	-	3,329	-	-	-	3,329	-	3,329
Dividend paid	-	-	-	-	-	-	-	-	-
Reallocation of non-controlling interests	-	-	(1,168)	-	-	-	(1,168)	1,168	-
	-	-	2,161	(13,780)	-	-	(11,619)	1,168	(10,451)
Balance as of December 31, 2017	**339**	**352,423**	**37,359**	**(14,038)**	**(2,033)**	**(34)**	**374,016**	**205,172**	**579,188**
Balance as of January 1, 2018	339	352,423	37,359	(14,038)	(2,033)	(34)	374,016	205,172	579,188
Loss for the year	-	-	(114,441)	-	-	-	(114,441)	(61,866)	(176,307)
Other comprehensive (loss) for the year	-	-	-	-	159	-	159	86	245
Total comprehensive (loss)	-	-	(114,441)	-	159	-	(114,282)	(61,780)	(176,062)
Write-off of prepaid costs relating to future	-	-	-	-	-	-	-	-	-
share issuance	-	3,154	-	-	-	-	3,154	-	3,154
Share-based compensation	-	-	1,834	-	-	-	1,834	-	1,834
Reallocation of non-controlling interests	-	(1,107)	(644)	-	-	-	(1,751)	1,751	-
	-	2,047	1,190	-	-	-	3,237	1,751	4,988
Balance as of December 31, 2018	**339**	**354,470**	**(75,892)**	**(14,038)**	**(1,874)**	**(34)**	**262,971**	**145,143**	**408,114**

Hafnia Tankers Ltd.
Consolidated Statement of Cash Flow

	Note	For the year ended December 31 2018	2017
		(in thousands of U.S. dollars)	
Operating activities			
(Loss) / profit for the year		(176,307)	(11,565)
Depreciation	10	54,254	53,021
Impairment charge on vessels and goodwill	10	140,843	-
Amortization of time charters acquired		-	405
Share-based compensation		1,834	3,329
Write-off of prepaid cost relating to future share issuance		3,154	-
Financial expenses	25	31,416	26,330
Decrease in amortized financing fees		3,637	3,583
Tax expense	15	335	209
Share of associates profit	11	(740)	(246)
		58,426	**75,066**
Changes in assets and liabilities:			
Decrease / (Increase) in inventories	8	1,561	(415)
(Increase) in accounts receivable	6	(8,745)	(11,764)
(Increase) in prepaid expenses and other receivables	7	(3,098)	(2,240)
(Increase) in loans receivables		(12,512)	(1,850)
(Increase) in pool working capital deposit	5	1,000	(5,200)
Increase in accounts payable	17	2,975	2,797
Increase / (decrease) in accrued expenses and other payables	18	2,382	(1,914)
Increase / (decrease) in deferred income		(72)	(111)
		(16,509)	**(20,697)**
Financial expenses paid		(31,243)	(26,587)
Taxes paid		(231)	(170)
Net cash inflow from operating activities		**10,443**	**27,612**
Investing activities			
Payments for vessels under construction		-	(71,140)
Payments for vessels including drydock		(8,043)	(6,503)
Net cash (outflow) from investing activities		**(8,043)**	**(77,643)**
Financing activities			
Bank loan repayment		(98,178)	(69,993)
Draw down on credit facility		-	60,375
Loans from other entities		2,402	-
Prepaid financing fee		-	(144)
Increase in debt to associates		7,530	1,000
Increase / (decrease) in lease liability		75,919	25,195
Repayments of finance lease liability		(4,689)	-
Purchase of treasury shares		-	(13,780)
Net cash (outflow) from financing activities		**(17,016)**	**2,653**
Net cash flow from operating, investing and financing activities		**(14,616)**	**(47,378)**
Cash and cash equivalents at January 1	4	48,127	95,488
Effects of exchange rate changes on the balance of cash held in foreign currencies		25	17
Cash and cash equivalents at December 31	4	**33,536**	**48,127**

Consolidated Financial Statements

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

The Group has identified the following significant accounting estimates and judgments used in the preparation of its consolidated financial statements.

Impairment of vessels and dry docks

The Group reviews its vessels including the dry dock component for impairment whenever events or circumstances indicate the carrying value of an asset, including the carrying value of the related time charter contract, if any, under which the vessel is employed, may not be recoverable. In the event of indication of impairment, the recoverable amount of the vessels, being the higher of value in use and fair value less cost to sell, is assessed. If the recoverable amount is estimated to be less than its carrying amount, the carrying value of the asset is written down to its recoverable amount. Fair value less cost to sell is estimated by use of independent broker valuations, and value in use is calculated as net present value of future cash flows to be derived from the vessels during their useful life. In determining the value in use calculation, certain assumptions relating to the estimates of future cash flows are more predictable by their nature, including estimated revenue under existing contract terms. Certain assumptions relating to the estimates of future cash flows require more discretion and are inherently less predictable, such as future charter rates beyond the firm period of existing contracts and vessel residual values, due to factors such as the volatility in vessel charter rates and vessel values.

Vessels and dry dock

The carrying value of each of the Group's vessels represents its original cost at the time it was delivered or purchased (except for vessels acquired in a business combination, which are measured at fair value at the date of acquisition) less depreciation and impairment. The vessels are depreciated to their residual value on a straight-line basis over their estimated useful lives, commencing at the date the vessels were originally delivered to the Group. The estimated useful life of the Group's vessels is 25 years from the date of the vessels' initial completion from the shipyard, which is consistent with industry practice for similar vessels. The estimated useful life of the vessels also takes into account design life, commercial considerations and regulatory restrictions.

The residual value is estimated as the lightweight tonnage of each vessel multiplied by a forecast scrap value per ton which has been estimated at USD 300 per ton. The estimated residual value of the vessels may not represent the market value at any one time since market prices of scrap values tend to fluctuate.

An increase in the estimated useful life of a vessel or in its residual value would have the effect of decreasing the annual depreciation charge and extending it into later periods. A decrease in the useful life of a vessel or residual value would have the effect of increasing the annual depreciation charge.

Dry dock costs are recognized as a separate component of each vessel's carrying amount and depreciated on a straight-line basis over the estimated period until the next dry dock.

The Group must periodically dry dock each of its vessels for inspection, repairs and any modifications. At the time of delivery of a vessel, an estimate of the dry docking component of the cost of the vessel is determined, representing estimated costs to be incurred during the first dry docking at the dry dock yard for a special survey and parts and supplies used in making required major repairs that meet the recognition criteria, based on the Group's historical experience with similar types of vessels. The Group only includes in deferred dry docking costs those direct costs that are incurred as part of the dry docking to meet regulatory requirements, or are expenditures that extend the economic life of the vessel, increase the vessel's earnings capacity or improve the vessel's efficiency. Direct costs include shipyard costs, hull preparation and painting, inspection of hull structure and mechanical components, steelworks, machinery works, and electrical works. Expenditures for normal maintenance and repairs are expensed as incurred.

Management uses judgment when estimating the period between dry dockings performed, which can result in adjustments to the estimated depreciation of the dry docking expense. If a vessel is disposed of before its next dry docking, the remaining balance of the deferred dry dock is written off and forms part of the gain or loss recognized upon disposal of vessels in the period when contracted. The Group expects that its vessels will be required to be dry docked approximately every 60 months where the vessels will be required to undergo special or intermediate surveys and be dry docked for major repairs and maintenance that cannot be performed while the vessels are operating.

The Group depreciates its estimated dry docking expenses for the first special survey over five years, but this estimate might be revised in the future.

Share-based compensation

The Group operates equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (warrants, options and Restricted Share Units) of the Group. The fair value of the employee services received in exchange for the grant of the warrants, options and Restricted Share Unit plans is recognized as an expense on a straight-line basis over the vesting period. The total amount to be expensed is determined by reference to the fair value at the grant date of the warrants and options granted including any market performance conditions such as a share-price trigger excluding the impact of any service vesting conditions, as the fair value of the services cannot be estimated reliably.

Service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified service vesting conditions are to be satisfied.

The determination of the grant date fair value of the warrants and options is affected by the estimated fair value of the Company's underlying shares, as well as assumptions regarding a number of other complex and subjective variables. The fair values of the Company's common shares underlying the share-based awards were estimated on each grant date based on a net asset value of the Company.

3 - Basis of accounting

Basis for segmentation

Each of the Group's vessels serve the same type of customer, have similar operations and maintenance requirements, operate in the same regulatory environment, and are subject to similar economic characteristics. Based on this, the Group has determined that it operates in one reportable segment, the international transportation of petroleum products with its fleet of vessels.

Further, as the operations are not limited to specific parts of the world, it is therefore not possible to provide geographical information on revenue and non-current assets.

Business combinations

Newly acquired entities are recognized in the financial statements on the acquisition date, which is the date on which control over the entity is transferred.

Business combinations are accounted for using the acquisition method. Identifiable assets and liabilities are measured at fair value at the acquisition date. The cost of a business combination is measured as the fair value of the consideration paid, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition costs are recognized in profit or loss as incurred.

Goodwill is recognized where the cost of the business combination exceeds the fair value of the acquired assets, liabilities and contingent liabilities.

Share-based payment

The Group operates equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (warrants, options and Restricted Share Units) of the Group. The fair value of the employee services received in exchange for the grant of the warrants, options and Restricted Share Unit plans is recognized as an expense on a straight-line basis over the vesting period. The total amount to be expensed is determined by reference to the fair value at the grant date of the warrants and options granted including any market performance conditions such as a share-price trigger excluding the impact of any service vesting conditions, as the fair value of the services cannot be estimated reliably.

Service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified service vesting conditions are to be satisfied.

Non-controlling interests

Non-controlling interests are measured initially at either their proportionate share of the acquiree's net assets at the acquisition date or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in other IFRS.

Changes in the Group's interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its powers over the entity. The financial statements of a subsidiary are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Interests in equity-accounted investees

The Group's interest in equity accounted investees comprises associates.

Associates are those entities in which the Group has significant influence, but not control or joint control. Interest in associates are accounted for using the equity method from the date at which significant influence exists.

At initial recognition the investment is measured at cost, which includes transaction costs. On acquisition, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment.

Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss, and other comprehensive income until the date on which significant influence ceases to exist.

Transactions in foreign currency

Foreign currency transactions are translated into the functional currency at the exchange rate of the date when initially recognized. Gains and losses arising between the exchange rate of the transaction date and that of the settlement date are recognized in the income statement under financial income or financial expense.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates then prevailing. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognized in the statement of profit or loss under financial income or financial expense.

Revenue

Revenue is recognized when an agreement exists, the vessel is made available to the charterer or services are provided, the charter hire is determinable and collection of the related revenue is reasonably assured.

Time charter

The Group recognizes revenues from time charters daily over the term of the charter. The Group does not recognize revenue during days that the vessel is off-hire.

Participation in pools

Most of the Group's vessels participate in commercial pools in which other vessel owners with similar, high-quality, modern and well-maintained vessels also participate. Pools employ experienced commercial charterers and operators who have established relationships with customers and brokers, while technical management is arranged by each vessel owner. The managers of the pools negotiate charters with customers primarily in the spot market. The earnings allocated to vessels are aggregated and divided on the basis of a weighted scale, or Pool Points, which reflect comparative voyage results on hypothetical benchmark routes. The Pool Point system is generally weighted by attributes such as size, fuel consumption, class notation and other capabilities. Pool revenues are recognized when the vessel has participated in a pool during the period and the amount of pool revenue for the period can be estimated reliably.

Other operating income

Other operating income is recognized when an agreement exists, the amount is determinable and collection is reasonably assured.

Vessel operating costs

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

Technical management fee

Technical management fees are expensed as incurred.

General and administrative expenses

General and administrative expenses which include costs of auditors, salary, office expenses and external assistance are expensed as incurred.

Financial income and expense

Financial income and expense include interest income and expense, realized and unrealized exchange gains and losses and other financial income and expenses and are recognized as incurred on the accrual basis.

Vessels and dry dock

Vessels including the dry dock component are measured at cost less accumulated depreciation and accumulated impairment losses. The basis of depreciation is calculated as the excess of cost over the estimated residual value.

The residual value is estimated as the lightweight tonnage of each vessel multiplied by a forecast scrap value per ton which has been estimated at USD 300 per ton. The estimated residual value of the vessels may not represent the market value at any one time since market prices of scrap values tend to fluctuate. The basis for depreciation is allocated on a straight-line basis over the vessels expected useful life which is estimated to be 25 years.

The vessels are required to undergo planned dry docks for replacement of certain components, major repairs and maintenance of other components, which cannot be carried out while the vessels are operating, approximately every 60 months depending on the nature of work and external requirements. These dry dock costs are capitalized as a component of the vessels and depreciated on a straight-line basis over the estimated period until the next dry dock. We only include in deferred dry docking those direct costs that are incurred as part of the dry docking to meet regulatory requirements, or are expenditures that add economic life to the vessel, increase the vessel's earnings capacity or improve the vessel's efficiency. Direct costs include shipyard costs as well as the costs of placing the vessel in the shipyard. Expenditures for normal maintenance and repairs are expensed as incurred.

For an acquired or newly built vessel, a notional dry dock is allocated from the vessel's cost. The notional dry dock cost is estimated by us, based on the expected costs related to the next dry dock, which is based on experience and past history of similar vessels, and is accounted as a separate component from the vessel component. Subsequent dry docks are recorded at actual cost incurred. The dry dock asset is depreciated on a straight-line basis to the next estimated dry dock. The estimated depreciation period for dry dock is based on the estimated period between dry docks. We estimate the period between dry docks to be 60 months. When the dry dock expenditure is incurred prior to the expiry of the period, the remaining balance is expensed.

Vessels under construction

Vessels under construction are measured at cost and include costs incurred that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. These costs include installment payments made to the shipyards, professional fees and other costs deemed directly attributable to the construction of the asset.

Goodwill

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortized but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment of tangible assets

Tangible assets are tested for impairment at each balance sheet date if there are any indications that those assets have suffered an impairment loss. If any impairment indications exist for other intangible or tangible assets, the recoverable amount of the asset is estimated in order to determine the extent of a potential impairment loss.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount.

Any impairment loss is recognized as an expense immediately. Where an impairment loss for other intangible and tangible assets subsequently reverses the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventory

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

Receivables

Amounts due from the pools and other receivables that have fixed or determinable payments are classified as accounts receivable. Accounts receivable are measured at the lower of amortized cost and net realizable value, which corresponds to nominal value less provision for bad debts.

Interest income is recognized by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Prepaid expenses and other receivables

Prepaid expenses include payments relating to goods or services that are made in advance of when the related goods or services will be incurred. The main prepaid expenses are related to technical management, where it is common practice to pay in advance, and prepaid financing fees. Other receivables are measured at the lower of amortized cost and net realizable value, which corresponds to nominal value.

Other assets

Other assets include deposits of working capital to pools. Other assets are measured at the lower of amortized cost and net realizable value, which corresponds to nominal value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. Cash and cash equivalents are measured at the nominal amounts.

Bank loans

Bank loans are initially recognized at fair value, which is normally equal to the proceeds received, less directly attributable transaction costs. Subsequently, bank loans are measured at amortized cost using the effective interest rate method, such that the difference between the proceeds and the redemption value is recognized in the income statement over the life of the loan.

Accounts payable and other payable

Trade payables are initially measured at fair value and subsequently at amortized cost.

Deferred income

Deferred income includes prepayments received relating to income in periods after the balance sheet date. Deferred income is measured at cost.

Tax

The Group's shipping activities are generally taxed under a tonnage based tax scheme. The Group participates in the tonnage tax scheme in Denmark. Under the tonnage tax scheme, the Group's applicable tonnage tax expense and liability is estimated based on the weight (measured in tonnage) of the vessels and the number of days during the year that the vessels are at the Group's disposal, excluding time for repairs. No deductions, including depreciation of the vessels, are included when calculating tonnage tax payable. As the tonnage tax is not accounted for as an income tax and the Group intends to continue to remain under the scheme for the foreseeable future, no deferred tax assets and liabilities are recognized in relation to its shipping activities.

The subsidiary Hafnia Tankers ApS is subject to corporate income tax, and has a balance of tax losses that may be carried forward as deductions in future earnings in Denmark, including the Danish tonnage tax, for which a deferred tax asset has been recognized.

Tonnage taxes are presented within Taxes in the Statement of Profit and Loss.

Lease arrangements

The Group may enter into either time charter or bareboat arrangements. In a time charter arrangement the vessel's owner is responsible for crewing and other vessel operating costs whereas in a bareboat arrangement the lessee has these responsibilities.

For accounting purposes, lease obligations are divided into finance and operating leases. Leases are classified as finance leases if they transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases.

Time charter arrangements are normally accounted for as operating leases and bareboat arrangements may be classified as either a finance or an operating lease depending the fact and circumstances of the individual arrangement.

The Group as lessee

Agreements to charter in vessels, where the Group has substantially all the risks and rewards of ownership, are recognized in the balance sheet as finance leases. Lease assets are measured at the lower of fair value and the present value of minimum lease payments determined in the leases.

For the purpose of calculating the present value, the interest rate implicit in the lease or an incremental borrowing rate is used as discount factor. The lease assets are depreciated and written down under the same accounting policy as the vessels owned by the Group or over the lease period depending on the lease terms.

The corresponding lease obligation is recognized as a liability in the balance sheet. Lease payments are apportioned between finance expenses and reduction in the lease obligation so as to achieve a constant rate of interest on the lease obligation. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Other charter agreements concerning vessels and other leases are classified as operating leases, and the minimum lease payments are recognized in profit or loss on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. The obligation for the remaining lease term is disclosed in the notes to the financial statements.

The Group as lessor

Agreements to charter out vessels, where substantially all the risks and rewards of ownership are transferred to the lessee, are classified as finance leases, and an amount equal to the net investment in the lease is recognized and presented in the balance sheet as a receivable. The carrying amount of the vessel is de-recognized and any gain or loss on disposal is recognized in the income statement.

Other agreements to charter out vessels are classified as operating leases, and minimum lease payments are recognized as revenue in the income statement on a straight-line basis over the lease term. Contingent payments are recognized as an income when incurred.

Earnings per share

Basic earnings per share are calculated by dividing the consolidated net profit or loss for the year available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated by adjusting the consolidated profit or loss available to common shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive shares. Such potentially dilutive common shares are excluded when the effect of including them would be to increase earnings per share or reduce a loss per share.

Adoption of new or amended IFRSs

The Group has implemented the following standard effective for 2018. The implementation of the standard and interpretation has had a material effect on the financial statement.

• IFRS 15 “Revenue from contracts with customers”
The group adopted IFRS 15 for the first time for the financial year ended 31, December 2018. The adoption of IFRS 15 resulted in a change in the basis of accounting for recognition of revenue received from Pools, whereby the Group's Pool revenue was changed from discharge-to-discharge to load-to-discharge.

This change in accounting policy was applied on a modified retrospective basis from 1, January 2018. In accordance with the transitional provisions of IFRS 15, the impact of the change in revenue recognition in relation to voyage charters in-progress at 1, January 2018 was adjusted against retained earnings of the Group as at 1, January 2018. The existing pool arrangement reverses however this impact, as the Group shares all earnings through an agreed allocation key.

The impact of the change on the Consolidated Financial Statement arising from the adoption of IFRS 15 on the following balances in the financial year ended 31, December 2018 are summarised below:

	Impact of adopting IFRS 15 as at 1, January 2018
Pool Revenue adjusted based on load-to-discharge method	(3,014)
Pool Adjustment	3,014
Contract fulfilment costs	1,127
Pool Adjustment	(1,127)
Decreased retained earnings by	-

Impact of adopting IFRS 15 - Profit/Loss **Financial year ended 31, December 2018**	Amount as reported	IFRS 15 Adjustments	Pool Adjustments	Amounts without adoption
Deferred revenue - Liability	-	(4,305)	4,305	-
Contract fulfilments costs - Asset	-	968	(968)	-
Revenue	(316,003)	154,735	(3,337)	(164,605)
Voyage expenses	151,398	(151,398)	-	-

Impact of adopting IFRS 15 - Balance Sheet **Financial year ended 31, December 2018**	Amount as reported	IFRS 15 Adjustments	Amounts without adoption
Deposit of working capital to the pools, short term	30,200	-	30,200
Voyage receivables	43,468	(13,826)	29,642
Voyage payables	(13,826)	13,826	-

Impact of adopting IFRS 15 - Balance Sheet **Financial year ended 31, December 2017**	Amount as reported	IFRS 15 Adjustments	Amounts without adoption
Deposit of working capital to the pools, short term	31,200	-	31,200
Voyage receivables	34,524	(13,151)	21,373
Voyage payables	(13,151)	13,151	-

Accounting standards and interpretations not yet adopted

The International Accounting Standards Board ("IASB") has issued a number of new or amended and revised accounting standards and interpretations that have not yet come into effect:

• IFRS 16 "Leases"
IFRS 16 is effective from January 1, 2019. The standard will change the recognition of leases. The standard amends the definition of what constitutes a lease to be a contract that conveys the right to control the use of an identified asset is the lessee has both (i) the right to obtain substantially all of the economic benefits from use of the identified asset and (ii) the right to direct the use of the identified asset throughout the period of use. The Group currently carries 3 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".

The impact of adoption of IFRS 16 on the Consolidated Financial Statements as at January 1, 2019 is recognition of USD 40,798 right of use asset and related liability.

4 - Cash and cash equivalents

	As of December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Cash at banks	33,235	47,741
Cash onboard vessels	301	386
	33,536	**48,127**

The table below shows a breakdown of cash held at banks:

2018 **Bank**	**Country**	**Rating***	**Amount in USD**	**Pct. of total cash**	**Currency**
SEB	GB	A+	32,208	96.9%	USD
SEB	DK	A+	675	2.0%	DKK
SEB	GB	A+	23	0.1%	Various
SEB	SGP	A+	266	0.8%	SGD
HSH	Cyprus	Various	62	0.2%	USD
			33,235		

2017 **Bank**	**Country**	**Rating***	**Amount in USD**	**Pct. of total cash**	**Currency**
SEB	GB	A+	47,178	98.8%	USD
Nordea Bank Danmark A/S	DK	AA-	55	0.1%	USD
SEB	DK	A+	96	0.2%	DKK
SEB	GB	A+	327	0.7%	Various
			47,741		

* Standard & Poor's

5 - Other Assests

	As of December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Deposit of working capital to the pools, short term	30,200	31,200
	30,200	**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. As at 31, December 2018, the deposit was reclassified from non-current assets to current-assets as the deposit is redeemable within 3-6 months after exiting the pool. The amount is non-interest bearing.

6 - Accounts receivable

	As of December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Voyage receivables	43,468	34,524
Other accounts receivable	152	351
	43,620	**34,875**

The Group considers that the carrying amounts of accounts receivable approximates their fair value due to their short term nature. As at December 31, 2018 and 2017, no amounts are overdue or impaired. Accounts receivable are non-interest bearing.

7 - Prepaid expenses and other receivables

	As of December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Vessel related prepaid expenses	6,852	4,678
Prepaid financing fee	142	142
Prepaid insurance	2,090	1,551
Other short term receivables	2,726	2,341
	11,810	**8,712**

The Group considers that the carying amounts of other short term receivables approximate their fair value due to their short term nature. As at December 31, 2018 and 2017, no amounts are overdue or impaired. These receivables are non-interest bearing.

8 - Inventories

	As of December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Lubricating oils	3,338	3,424
Paint, chemicals and food supplies	-	1,475
	3,338	**4,899**

The cost of lubricating oils and other inventories recognized as expense in 2018 was USD 7,091 (2017: USD 6,395). Paint, chemicals and food supplies inventories totalling USD 1,471 have been expensed in 2018.

9 - Intangible Assets

(in thousands of U.S. dollars)	**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 December 31, 2018	**6,003**	**-**	**-**	**6,003**
Impairment				
Balance at January 1, 2018	-	-	-	-
Impairment loss recognised	(6,003)	-	-	(6,003)
Accumulated impairment at December 31, 2018	**(6,003)**	**-**	**-**	**(6,003)**
Carrying amount at December 31, 2018	**-**	**-**	**-**	**-**

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 December 31, 2018, the fair value test for the SR, MR and LR1 CGUs was less than its carrying amount and thus an impairment loss has been recognized during the financial year ended December 31, 2018.

10 - Tangible Assets

(in thousands of U.S. dollars)	**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	1,156,320	36,874	-	1,193,194
Additions	4,199	3,844	-	8,043
Transfers	-	-	-	-
Disposals	-	(2,225)	-	(2,225)
Cost at December 31 2018	**1,160,519**	**38,493**	**-**	**1,199,012**
Accumulated depreciation				
Balance at January 1, 2018	(147,324)	(14,649)	-	(161,973)
Depreciation	(46,595)	(7,659)	-	(54,254)
Disposals	-	2,225	-	2,225
Accumulated depreciation at December 31, 2018	**(193,919)**	**(20,083)**	**-**	**(214,002)**
Impairment				
Balance at January 1, 2018	-	-	-	-
Impairment loss recognised	(132,274)	(2,566)	-	(134,840)
Accumulated impairment at December 31, 2018	**(132,274)**	**(2,566)**	**-**	**(134,840)**
Carrying amount at December 31, 2018	**834,326**	**15,844**	**-**	**850,170**

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 December 31, 2018, the fair value less cost to sell of the SR, MR and LR1 vessels were less than their carrying amounts and accordingly, an impairment loss has been recognized during the financial year ended December 31, 2018.

As of December 31, 2018, the Group had 6 vessels under construction through its 50:50 participation in a Joint Venture, with expected delivery in 2019 and 2020.

11 - Interests in Associates

Financial information of Hafnia Management A/S

The Group, through its wholly owned subsidiary Hafnia Tankers ApS, has a 40% interest in Hafnia Management A/S and through its wholly owned subsidiary Hafnia Tankers Singapore Pte. Ltd. a 20% interest in K/S Straits Tankers.

Hafnia Management A/S has a 100% interest in Hafnia MR Pool Management ApS that commercially operates the Hafnia MR pool, a 100% interest in Hafnia Handy Pool Management ApS (previously owned 40% directly by Hafnia Tankers ApS), that commercially operates the Hafnia SR pool, a 100% interest in the Hafnia Bunkers ApS company, that is in charge for bunkering purchases for above stated pools. Hafnia Management A/S also has a 60% interest in K/S Straits Tankers.

K/S Straits Tankers has a 50% interest in Straits Tankers Pte. Ltd. that commercially operates the LR1 pool.

The remaining 60% of Hafnia Management A/S and the remaining 20% of K/S Straits Tankers is owned by other vessel owners participating in the pools. The Group accounts for its investment in Hafnia Management A/S and K/S Straits Tankers under the equity method.

The profit for the year and other financial information according to the latest financial statements for Hafnia Management A/S is shown below for the years ended December 31, 2018 and 2017:

	Hafnia Management A/S, Hellerup Denmark	
	For the years ended December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Gross profit	8,827	6,793
Profit for the year after tax	736	766
Dividends paid out	-	-
Non-current assets	178	1,007
Cash and cash equivalents	3,365	2,910
Other current assets	4,627	3,613
Current liabilities	(3,609)	(3,790)
Equity	4,561	3,740

A reconciliation of the above summarized information to the carrying amount of the interest and the share of the associated profit in the consolidated financial statements is presented in the tables below.

	Hafnia Management A/S, Hellerup Denmark	
	For the years ended December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Share of equity	1,825	1,496
Acquired goodwill	600	600
Acquired customer relationships	-	89
	2,425	**2,185**
	(in thousands of U.S. dollars)	
Share of profit for the year after tax	295	306
Amortization of acquired customer relationsh	(89)	(48)
	206	**258**

The above table shows the assets which comprise interests in the associate. The Group's share of the net assets is 40%. At the acquisition date, a purchase price allocation was performed in order to allocate the difference between the carrying value and fair value of the net assets acquired. The positive difference between the cost of the investment in Hafnia Management A/S and the Group's share of the net fair value of Hafnia Management A/S's identifiable assets and liabilities is accounted for as notional goodwill, which is included within the carrying amount of the investment. Customer relationships are amortized on a straight-line basis over six years.

Financial information of K/S Straits Tankers

	K/S Straits Tankers	
	2018	**2017**
	(in thousands of U.S. dollars)	
Gross loss	(3)	(3)
Loss for the period after tax	(3)	(3)
Dividends paid out	455	470
Non-current assets	356	463
Cash and cash equivalents	1	-
Other current assets	-	1
Current liabilities	365	362
Equity	(8)	102

	K/S Straits Tankers	
	2018	**2017**
	(in thousands of U.S. dollars)	
Share of Equity	64	20
	64	**20**
	(in thousands of U.S. dollars)	
Share of (loss) for the year after tax	(12)	(12)
Dividend received	455	470
	443	**458**

12 - Interest in a Joint Venture

	As of December 31 2018
Cost of investment in a joint venture	-*
Share of loss, net dividend received	-*
	-*

**Amount less than USD 1,000*

	Vista Shipping Ltd. 2018
Gross profit	-
Profit for the period after tax	(212)
Non-current assets	23,765
Cash and cash equivalents	193
Total liabilities	(24,418)
Equity	460

	Vista Shipping Ltd. 2018 *(in thousands of U.S. dollars)*
Share of equity	230
	230

	(in thousands of U.S. dollars)
Share of (loss) for the year after tax	(106)
	(106)

13 - Subsidiaries

Information about the composition of the Group is included in the following table:

Name	Registered office	Ownership as of December 31 2018	2017
		(pct.)	
Hafnia Tankers Ltd.	Marshall Islands		
Hafnia Tankers LLC	Marshall Islands	64.9	64.9
Hafnia Tankers Marshall Islands LLC	Marshall Islands	100.0	100.0
Hafnia Tankers Singapore Gamma Pte. Ltd.	Singapore	100.0	100.0
Hafnia Tankers Singapore Holding Pte. Ltd.	Singapore	100.0	100.0
Hafnia Tankers Singapore Sub-Holding Pte. Ltd.	Singapore	100.0	100.0
Hafnia Tankers Shipholding Beta Pte. Ltd.	Singapore	100.0	100.0
Hafnia Tankers ApS	Denmark	100.0	100.0
Hafnia Tankers Shipholding Denmark 1 ApS	Denmark	100.0	100.0
Hafnia Tankers Shipholding Alpha Pte. Ltd.	Singapore	100.0	100.0
Hafnia Tankers Singapore Pte Ltd.	Singapore	100.0	100.0
Hafnia Tankers Shipholding Singapore Pte Ltd.	Singapore	100.0	100.0
Hafnia Tankers Shipholding 2 Singapore Pte Ltd.	Singapore	100.0	100.0
Hafnia Tankers Chartering Singapore Pte Ltd.	Singapore	100.0	100.0
Hafnia Tankers Services Singapore Pte Ltd.	Singapore	100.0	100.0
Hafnia Tankers International Chartering Inc.	Marshall Islands	100.0	100.0
Hafnia Tankers Malta Ltd. (under liquidation)	Malta	100.0	100.0
Hafnia Tankers Shipholding Malta Ltd. (under liquidation)	Malta	100.0	100.0
Hafnia Tankers Cyprus Limited (under liquidation)	Cyprus	100.0	100.0

All of the Group's operations are conducted through subsidiaries that are 100% owned by Hafnia Tankers Ltd.'s direct subsidiary, Hafnia Tankers LLC, a Marshall Islands limited liability company. Hafnia Tankers LLC's share capital consists of three classes of interests, the Class A Units, the Class B Units and the Class C Units. Each class of interest is economically equivalent. Hafnia Tankers Ltd. owns 100% of the Class A Units of Hafnia Tankers LLC and has a controlling financial interest in Hafnia Tankers LLC through its investment. The Class B and Class C Units are reflected as non-controlling interest in the consolidated financial statements. Based on the number of total units of Hafnia Tankers LLC outstanding as of December 31, 2018, the Company owns a 64.9% economic interest in Hafnia Tankers LLC.

Summarized financial information in respect of the Group's subsidiary that has material non-controlling interests (Hafnia Tankers LLC) is set out below. The summarized financial information below represents amounts before intercompany eliminations.

	For the years ended December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Revenue	329,170	194,705
(Loss)/Profit	(176,307)	12,198
Total comprehensive	(176,062)	14,014
Current assets	122,504	132,035
Non-current assets	867,500	1,041,040
Current liabilities	(90,682)	(60,517)
Non-current liabilities	(491,208)	(497,443)

14 - Related party disclosure and ownership

BW Group controls Hafnia Tankers Ltd. through the right to designate the majority of its Board of Directors until an initial public offering occurs. BW Group and its affiliates, associates and joint ventures are therefore considered related parties. BW Group is ultimately controlled by the Sohmen-Pao family.

Also, shareholders with significant influence in Hafnia Tankers Ltd. and affiliates of shareholders with significant influence are considered to be related parties of the Group.

Other related parties include the key management personnel of the Group which consists of the Board of Directors and the executive management team. The executive management team of the Group consist of individuals who are directors and key management of Hafnia Tankers Ltd. and subsidiaries.

The Group's associate Hafnia Management A/S and their fully owned subsididaries Hafnia Handy Pool Management ApS, Hafnia MR Pool Management ApS and Hafnia Bunkers ApS are considered to be related parties. The Group's associate K/S Straits Tankers is also considered to be a related party.

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

During the year, entities within the Group entered into the following transactions with related parties who are not part of the Group:

	For the years ended December 31			
	2018	**2017**	**2018**	**2017**
	(in thousands of U.S. dollars)			
	Sale of services		Purchase of services	
Hafnia Handy Pool Management ApS	-	-	-	-
Hafnia Management A/S	58	69	210	231
	Amounts owed by related parties		Amounts owed to related parties	
Hafnia Handy Pool Management ApS	-	-	-	-
Hafnia Management A/S	-	-	8,530	1,000

Purchase of services primarily consists of fees for services rendered. Amounts owed by related parties primarily consists of deposit of working capital to the pools (see note 5) and accounts receivable from the pools (see note 6).

Key management personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

	For the years ended December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Short-term employee benefits (salaries)	1,629	1,714
Contributions to defined contribution	68	90
Share-based compensation	1,741	1,209
	3,438	**3,013**

Key management personnel have termination conditions with 19-30 months of severance pay totaling USD 1,990 (2017: USD 2,175).

15 - Tax

	For the years ended December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Tonnage taxes	(92)	(104)
Other taxes	(243)	(105)
	(335)	**(209)**

The Group's shipping activities are generally taxed under tonnage based tax schemes. In 2018, the Group's income was primarily generated by Hafnia Tankers Singapore, which is subject to the tax rules of Singapore, Hafnia Tankers Malta, which is subject to tax rules of Malta and Hafnia Tankers ApS and Hafnia Tankers Shipholding Denmark 1, which are subject to the tax rules of Denmark.

The Group's non-shipping activities are subject to corporate income tax.

The Group has recognized a deferred tax asset. The deferred tax asset consists of losses carried forward that can be deducted against future earnings in Denmark, including the Danish tonnage tax. As of December 31, 2018, USD 36 of the deferred tax asset remains.

16 - Bank Loans

	As of December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Current portion	43,881	48,951
Non-current portion	395,782	485,254
Carrying amount	**439,663**	**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.

Summary of borrowing arrangements

During the year ended 31, December 2018 the Group repaid USD 31,950 as part of Sale and Leaseback transactions for 2 LR1 vessels. Subsequently the group has entirely repaid its senior credit facility of USD 86,000, that was associated with the Vessels.

Furthermore the Group paid installments amounting to USD 46,878 in total across the Group's outstanding loans. The Carrying amount as of December 31, 2018 has a non-cash impact related to amortization of financing fees across the Group's loan facilities, amounting to USD 3,636.

Summary of borrowing arrangements

The outstanding amounts, drawn to finance vessels and secured by first priority mortgage on vessels 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 December 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 December 31, 2018.

Below tables summarize the significant terms of the bank loans:

2018	Average nominal interest rate	Carrying amount
		(in thousands of U.S. dollars)
Bank loans		
Floating rate debt	3.66%	439,663
Total bank loans		**439,663**

2017	Average nominal interest rate	Carrying amount
		(in thousands of U.S. dollars)
Bank loans		
Floating rate debt	3.17%	534,205
Total bank loans		**534,205**

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 December 31, 2018	<1 year	1-5 years	>5 years	Total
(in thousands of U.S. dollars)				
Bank loans	43,881	395,782	-	**439,663**

As of December 31, 2017	<1 year	1-5 years	>5 years	Total
(in thousands of U.S. dollars)				
Bank loans	48,951	298,934	186,320	**534,205**

17 - Accounts payable

	As of December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Accounts payable	6,872	4,547
Voyage payables	13,826	13,151
	20,698	**17,698**

The majority of accounts payable are settled with a cash payment within 60 days. No interest is charged on accounts payable. The Group considers that the carrying amount of accounts payable approximates their fair value.

18 - Accrued expenses

	As of December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Suppliers	5,949	4,259
Salary related expenses	1,484	766
Interest on bank loans	2,333	2,160
Other	440	466
	10,206	**7,651**

19 - Common Shares

Hafnia Tankers Ltd.'s share capital consists of two classes of interests, common shares and preferred shares.

	As of December 31, 2018		
	Number of shares	Share capital	Additional paid in capital
		(in thousands of U.S. dollars)	
Common shares (200,000,000 shares authorized)	33,945,909	339	354,470
Preferred shares (50,000,000 shares authorized)	18,191,712	-	-
	52,137,621	**339**	**354,470**

The following table shows the number of shares outstanding during the period:

	2018	**2017**
Common shares		
Balance at January 1	33,945,909	33,945,909
Share capital increase	-	-
	33,945,909	**33,945,909**
Preferred shares		
Balance at January 1	18,191,712	18,191,712
Share capital increase	-	-
	18,191,712	**18,191,712**

Common Shares

Each common share, par value USD 0.01 per share, entitles the holder to one vote on all matters submitted to a vote of the Company's shareholders. Holders of common shares vote along with the holders of Series A Voting Preferred Stock on all such matters (see below for special voting rights of the Series A Voting Preferred Stock). Holders of common shares do not have conversion, redemption or preemptive rights to subscribe for any of the Company's securities. As of December 31, 2018, 37,096 of our common shares are being held as treasury shares.

Preferred Shares

The Series A Voting Preferred Stock has de minimis economic value and entitles its holders to vote along with the holders of the Company's common shares on all matters brought before the shareholders of the Company. In addition, the holders of the Series A Voting Preferred Stock may have limited special voting rights, including the right to appoint prior to an initial public offering of the Company's shares, a majority of the directors of the Company and, following such initial public offering, two directors of the Company. The consent of at least two-thirds of the holders of Series A Voting Preferred Stock is required for certain Company actions, such as the acquisition or disposition of material assets or the operation or ownership of any business other than Hafnia Tankers LLC.

20 - Revenue

	For the years ended December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Voyage income	318,268	291,612
Pool model adjustment	(2,264)	2,916
Time charter revenue	12,686	18,614
Other	481	523
	329,170	**313,664**

The following table depicts committed time charter revenue as of December 31, 2018 that will be recognized in future periods, assuming no off-hire days:

Minimum time charter revenue	Contract end	Days	Rate	Total
			(in thousands of U.S. dollars)	
Vessel 1	9/14/2021	988	17.8	17,537
Vessel 2	8/29/2021	972	17.8	17,253
				34,790

Information About Major Customers

No single customer contributed 10% or more to the Groups revenue in 2018 or 2017.

21 - Voyage Expenses

	For the years ended December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Voyage expenses	(153,202)	(124,427)
Pool model adjustment	1,804	(1,952)
	(151,398)	**(126,378)**

22 - Vessel Operating Cost

	For the years ended December 31	
	2018	**2017**
	(in thousands of U.S. dollars)	
Crew related expenses	(50,038)	(50,621)
Insurance	(4,321)	(4,998)
Stores	(3,801)	(3,299)
Spare parts and repairs	(12,960)	(10,036)
Food supplies	(2,570)	(2,508)
Lubricants, paints and chemicals	(4,521)	(3,887)
Other vessel operating costs	(6,859)	(7,422)
	(85,070)	**(82,771)**

23 - Charter hire

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

Type	Delivery	Earliest re-delivery	Optional extension period	Subject to profit split	Purchase option
MR	6/13/2017	5/14/2025	2 years	No	Yes
MR	7/11/2017	6/11/2025	2 years	No	Yes
LR1	9/9/2012	8/29/2018	No	No	No
LR1	6/15/2018	6/15/2019	No	No	No

The cost of Charter Hire recognized as expense in 2018 was USD 25,263 (2017: USD 23,931).

	Minimum charter hire
Year	*(in thousands of U.S. dollars)*
2019	16,655
2020	12,227
2021	11,607
2022	11,607
2023	11,607
2024	11,639
2025	4,706
2026	-
Total as of December 31, 2018	**80,049**
Total as of December 31, 2017	119,291

24 - General and Administrative Expenses

	For the years ended December 31 2018	2017
	(in thousands of U.S. dollars)	
Wages and salaries	(3,915)	(3,401)
Outsourced functions	(900)	(490)
Contributions to defined contribution plans	(193)	(198)
Other social security costs	(37)	(16)
Other administrative costs	(1,104)	(913)
Auditors, consultants and legal fees	(5,342)	(1,280)
	(11,491)	**(6,298)**
Share based compensation (non-cash)	(2,929)	(3,329)
	(2,929)	**(3,329)**
	(14,420)	**(9,627)**

25 - Financial expenses

	For the years ended December 31 2018	2017
	(in thousands of U.S. dollars)	
Interest on bank loans	(25,722)	(24,673)
Loss arising on interest rate cap designated as a cash flow hedge	(996)	(1,082)
Other finance costs	(4,698)	(575)
	(31,416)	**(26,330)**

Other finance costs primarily represent currency exchange losses.

26 - Financial income

	For the years ended December 31 2018	2017
	(in thousands of U.S. dollars)	
Other finance income	1,379	555
	1,379	**555**

Other financing income primarily represents currency exchange gains.

27 - Share-based compensation

During 2014, 2015 and 2017, the Group has established three share-based incentive programs. Under the first program 1,209,140 warrants were granted on August 11, 2014, and 1,090,860 warrants were granted on December 1, 2014. Under the second program 100,000 options were granted on December 1, 2014, 100,000 options were granted on November 1, 2015 and 100,000 options were granted on November 1, 2017. Under the third program 16,434 Restricted Share Units were granted on October 1, 2015, 17,857 Restricted Share Units were granted on March 17, 2017 and 873 Restricted Share Units were granted on December 14, 2017.

Warrant Program

The program comprises 13 tranches with various vesting conditions. The warrants vest at the latter of completion of a specified minimum service period and volume weighted average share price above a pre-defined share price as set out in the vesting schedule shown below, i.e. there is no predetermined vesting period provided that the employment has not ceased at this point in time. Under the terms of the warrant program, warrants are granted at an exercise price of USD 10.0.

The vesting conditions of the respective tranches

Number of warrants granted	Minimum service period to complete from November 1, 2013	Share price threshold
300,000	5 years	N/A
166,667	1 year	12.5 USD
166,667	2 years	12.5 USD
166,667	3 years	12.5 USD
166,667	1 year	16.0 USD
166,667	2 years	16.0 USD
166,667	3 years	16.0 USD
166,667	1 year	18.5 USD
166,667	2 years	18.5 USD
166,666	3 years	18.5 USD
166,666	1 year	40.0 USD
166,666	2 years	40.0 USD
166,666	3 years	40.0 USD
2,300,000		

The warrants can only be settled through delivery of shares, and the program is therefore classified as an equity award. The warrant program contains anti-dilution provisions if changes occur in Hafnia Tankers Ltd.'s share capital prior to the warrants being exercised.

The weighted average remaining contractual life of the warrant program for the year ended December 31, 2018, was 2.87 years. There has been no exercises during the year. As of December 31, 2018, none of the warrants were exercisable.

Valuation of the Warrants

The fair value of the warrants, taking into account the share price condition, has been determined using a Monte Carlo valuation model. Each tranche has been valued individually subject to its unique combination of vesting conditions. Furhermore, the valuations have been done separately for each participant due to differences in expected exercise periods.

Due to the warrants being open-ended, the expected duration of the warrants has been estimated by applying an expected exercise threshold. The exercise threshold is assumed to renounce at the time of retirement due to a change in cash requirements and increased risk averseness, whereby vested awards will be exercised immediately provided they are in the money. Following retirement, remaining awards are assumed exercised simultaneously with vesting.

As a final cut-off point, the valuation model applies the file expectancy of the participants, based on average life expectancies. The shares price applied in the valuation is based on a Net Asset Value (NAV). The estimated share prices represent a best estimate of the fair market value as at August 11, 2014 and December 1, 2014 respectively.

Estimated volatility is based on the median volatility in a peer group of comparable listed entities.

The valuations are based on the following main assumptions as of the grant date:

	For warrants granted on	
	December 1, 2014	**August 11, 2014**
Valuation assumptions:		
Share-price after dilution	10.41 USD	10.75 USD
Risk free interest rate	1.7-2.3%	1.6-2.6%
Expected volatility	39.9%	41.1%
Expected exercise threshold	80%	80%

The total fair value of the 2,300,000 warrants granted is estimated to be USD 13,074. The expense recognized in 2018 amounts to USD 1,607 (2017: USD 3,000). The Warrant Program has subsequently, in its entirity, been settled.

Option Program

The option program comprises 12 tranches with various vesting conditions. The options vest at the latter of completion of a specified minimum service period and volume weighted average share price above a defined share price as set out in the vesting schedule shown below. The options expires at the end of a 3-year exercise period afther the options have vested. Options are granted at an exercise price of USD 10 or USD final offer price per share when the Company's shares become listed, if higher. The options were in their entirity settled during the financial year ended 31, December 2018.

Restricted Share Unit Program

The Restricted Share Units granted in 2015 and 2016 vest after the completion of a three year minimum service period. The Restricted Share Units can be settled through delivery of shares or with cash or part cash and part shares. The settlement in either shares, cash or a combination is solely decided by the Group and the program is therefore classified as an equity award. The Restricted Share Unit progrm contains anti-dilution provisions if changes occur in Hafnia Tankers Ltd.'s share capital prior to the Restricted Share Units vesting.

The weighted average remaining contractual life of the Restricted Share Unites Granted in 2015 is 1,75 years.

The weighted average remaining contractual life of the Restricted Share Units Granted in 2016 is 2.34 years.

Restricted Share Units amounting to 18,466 were settled in the financial year ended 31, December 2018

Valuation of the Restricted Share Units

The total fair value of the 12,949 Restricted Share Units granted on October 1, 2015 is estimated to be USD 158.

The expense recognized in 2018 amounts to USD 87 (2017: USD 117). For the year ended December 31, 2018, 12,949 Restricted Share Units are outstanding.

28 - (Loss) / Earnings Per Share

	For the years ended December 31	
	2018	2017
(Loss) / profit for the year (USD thousand)	(176,307)	(11,565)
Consolidated (loss) / profit attributable to non-controlling interests (USD thousands)	(61,866)	(4,058)
(Loss) / profit attributable to equity holders of the parent (USD thousand)	(114,441)	(7,507)
Weighted average number of shares (in thousands)	33,946	33,946
Diluted weighted average number of shares in issue (in thousands)	33,946	33,946
(Loss) / earnings per share (USD)	**(3.37)**	**(0.22)**
Diluted (loss) / earnings per share (USD)	**(3.37)**	**(0.22)**

During the financial year ended December 31, 2018 the Class B Units and the Class C Units, which include 18,191,712 and 162,911 respectively (December 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 December 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 (December 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.

29 - Financial Risks and Financial Instruments

We have identified below the main risk categories in which the Group's activities can be categorized under:

- Operational risks
- Liquidity risk
- Interest risk
- Foreign currency risk
- Credit risk

Operational Risks

Freight Rate

The Group's activities expose it to price risk associated with changes in the freight rate. The daily freight rate (the spot rate) measured in USD per day, has historically been very volatile. The volatility influences day-to-day operations in following ways:

- When rates are low the Group sees it as an opportunity to increase market exposure, and
- When rates are high the Group will seek to hedge short-term to medium-term exposure by chartering-out vessels or by actively trading freight-related derivatives.

In addition, the Group trades its spot exposed vessels in different pools that reduces the sensitivity to freight rate volatility by economies of scale and optimization of the fleet's geographical position.

The following table reflects the Group's sensitivity to change in daily freight rates of USD 1,000 per day:

Sensitivity to a change in freight rates of USD 1,000 per day

	2018	2017
	(in thousands of U.S. dollars)	
Change in net Income / Loss	15,049	13,357
Change in Equity	15,049	13,357

Liquidity Risk

Liquidity risk is the risk that an entity will not be able to meet the financial obligations as they fall due. The Group manages the liquidity risk by maintaining adequate reserves and borrowing facilities and by continously monitoring forecast and actual cash flows. The Group does not have significant liquidity risk as cash and other current assets exceed short term liabilities significantly as of December 31, 2018.

The following table details the Group's contractual maturities of its financial liabilities. The table has been prepared based on the undiscounted cash flow of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both estimated interest and principal cash out flows. Variable future interest payments were determined based on an average LIBOR plus the margins applicable to the Group's loans at the end of each year presented.

2018	Weighted average interest rate	Carrying amount	Contractual cash flows	<1 year	1-2 years	2-5 years	>5 years
		(in thousands of U.S. dollars)					
Variable interest bearing	3.66%	448,193	522,133	74,855	64,092	383,186	-
Acounts payable, non-interest bearing	-	6,872	6,872	6,872	-	-	-
Accrued expenses and other payables *	-	7,433	7,433	7,433	-	-	-
		462,498	**536,438**	**89,160**	**64,092**	**383,186**	**-**

2017	Weighted average interest rate	Carrying amount	Contractual cash flows	<1 year	1-2 years	2-5 years	>5 years
		(in thousands of U.S. dollars)					
Variable interest bearing	3.17%	534,205	619,190	70,614	68,675	291,739	188,162
Shareholder loan, non-interest bearing	-	4,547	4,547	4,547	-	-	-
Accrued expenses and other payables*	-	5,025	5,025	5,025	-	-	-
		543,777	**628,762**	**80,186**	**68,675**	**291,739**	**188,162**

* Accrued interest is part of "Accrued expenses" in note 18, however in the above table "Accrued expenses" are included in "variable interest bearing".

2017 Contractual cash flows over time has been updated due to an erroneous presentation in the 2017 financial statement, caused by a missing update. The changes has no efftect on the carrying amount liability as of 31, December 2017.

As at December 31, 2018, the Group had zero available borrowing capacity unders its credit facilities (2017: USD 67,243). As at December 31, 2018, the Group had no undrawn facilities (2017: USD 2,400).

Interest Rate Risk

The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk in relation to its borrowings. Financial instruments issued at variable rates expose the Group to cash flow interest rate risk. Financial instruments issued at fixed rates expose the Group to fair value interest rate risk.

At the reporting date the interest rate profile of interest bearing financial instruments was:

	2018	2017
Variable rate instruments	*(in thousands of U.S. dollars)*	
Bank loans	439,663	534,205
	439,663	**534,205**

Interest Rate Sensitivity Analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of the reporting year. The analysis is prepared assuming the amount of long-term bank borrowings and liabilities outstanding at the statement of financial position date were outstanding for the whole year.

An increase of 100 basis points in interest rates at year end would (decreased) equity and profit by the amounts shown below. This analysis assumes that all other variables remain constant including no fair value changes on our cash flow hedges.

	2018	2017
	(in thousands of U.S. dollars)	
Bank loans	(4,397)	(5,342)
	(4,397)	**(5,342)**

The board of directors has adopted a Risk Management Policy for interest rate exposure. The objective of Hafnia's interest rate policy is to enable Hafnia to achieve a high level of certainty that any adverse movements in interest rates will not affect the Groups cash flow, while still allowing the Group to benefit from the current low interest rate market.

The Groups interest rate risk is hedged in accordane with the following targets:

- Up to 75 per cent of the Group's total debt shall be hedged
- The duration of the Group's total hedge, shall reflect the combined Group loans
- The tenors of the hedges shall not exceed the tenors of the combinded Group loans

See note 30 for further information on hedge.

Foreign Currency Risk

The Group’s operating cash inflows are substantially derived from its shipping activities, which are almost entirely priced in US dollars whilst costs are also mostly in US dollars, thus creating a natural hedge. The Group’s general and administrative costs are mainly incurred in Euro. These expenses are susceptible to foreign currency movements between USD and the Euro. However, we do not expect the impact of any fluctuations in foreign currency to be material. An insignificant part of the Group’s transactions in Hafnia Tankers ApS will be subject to exposure to foreign currency risk related to Danish Kroner (“DKK”).

Credit Risks

Credit risk primarily refers to the risk that a pool member or a customer default on its obligations resulting in a financial loss for the Group. The Group has not experienced any losses in 2018. The Group focuses on choosing pools with a solid reputation and a history of distributing revenue on a predictable basis.

The credit risk on liquid funds is limited as the banks used have a high credit rating (minimum a long-term A) assigned by international credit rating agencies.

Capital Structure

The capital structure of the Group is reviewed on an ongoing basis to ensure that the capital structure is in alignment with the strategic ambition of an increased fleet. The Group expects to continue to finance vessel acquisition through a combination of traditional vessel financing and equity raises.

Categories of Financial Instruments

	As of December 31	
	2018	**2017**
Financial assets	*(in thousands of U.S. dollars)*	
Cash and cash equivalents	33,536	48,127
Receivables	76,546	39,354
Financial liabilities		
Bank loans	439,663	534,205
Financial liabilities measured at amortised cost	31,149	13,548
Derivative instruments in designated hedge accounting relationships	2,816	639

30 - 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 no 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 December 31, 2018 was a liability of USD 2,816. The fair market value of the hedging agreement is comprised of discounted premiums, a liability of USD 5,097, and the value of the hedging instruments, USD 2,280.

The impact of the hedging instruments designated in a hedging relationship as of December 31, 2018 on the statement of financial position of the Group is, as follows:

Cash flow hedges *(in thousands of U.S. dollars)*	Notional amount	Carrying amount	Line in the statement of financial position	Change in fair value used to measure ineffectiveness
Interest rate risk:				
Pay fixed / receive variable interest rate cap with a strike of 3%	300,000	(2,816)	Derivatives	-

The impact of the hedged items designated in a hedging relationship as of December 31, 2018 on the statement of financial position of the Group is, as follows:

Cash flow hedges *(in thousands of U.S. dollars)*	Change in fair value used to ineffectiveness	Cash flow hedge reserve
Interest rate risk:		
Forecast interest rate payments	-	(2,816)

The above hedging relationships affected profit or loss and other comprehensive income, as follows:

Cash flow hedges	Hedging gain or loss recognized in Other Comprehensive Income	Ineffectiveness recognized in profit or loss	Line item in the statement of profit or loss	Amount reclassified from Other Comprehensive Income to profit or loss	Line item in the statement of profit or loss
Interest rate risk:					
Forecast interest rate payments	(751)	-	N/A	(996)	Financial expenses

31 - Finance lease

2018	**Lease liability**	**<1 year**	**1-5 years**	**>5 years**
		(in thousands of U.S. dollars)		
LR1 Leaseback				
Minimum lease payments due	112,901	9,569	52,295	51,037
Future finance charges	(16,476)			
	96,425	**9,569**	**52,295**	**51,037**
Finance lease liability, current portion	5,911			
Finance lease liability, non-current portion	90,514			
	96,425			

32 - Fair value measurement

Except for the hedge agreements entered into in the second quarter of 2015 and the first quarter of 2017, 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.

33 - Subsequent events

Except for the below, there has not been any significant events after the balance sheet date at December 31, 2018.

The Group has paid Installments through its commitment and participation in a Joint Venture of USD 30,000. The Group took delivery of 2 LR1 vessels trough its 50:50 participation in a Joint Venture in Q1 2019.

Effective 16, January 2019 Hafnia Tankers Ltd. and BW Tankers Limited concluded a merger and the combined surviving entity was subsequently registered as Hafnia Limited.

The Consolidated Financial Statements were authorized for issuance by the Board of Directors on March 21, 2019.

APPENDIX F

CONSOLIDATED FINANCIAL STATEMENTS FOR HAFNIA TANKERS LIMITED AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2017

Hafnia Tankers Ltd.

Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

Statement by Management on the Consolidated Financial Statements

The Board of Directors have today, March 21, 2018, discussed and approved the Consolidated financial statements of Hafnia Tankers Ltd. and subsidiaries (the "Group") for the financial years 2017 and 2016.

The Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

It is our opinion that the Consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2017 and 2016 and of the results of the Group's operations and cash flows for the financial years January 1–December 31, 2017 and 2016.

Board of Directors

Erik Bartnes	Peter Stokes	Jesper Kjaedegaard
Robert Jordan	Jasvinder Khaira	Ted Kalborg
Octavian Popescu	Greg Geiling	

Report of independent registered public accounting firm

To the Shareholders and Board of Directors of Hafnia Tankers Ltd.
Majuro, Marshall Islands

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Hafnia Tankers Ltd. and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of profit and loss, comprehensive income, changes in equity and cash flow for each of the two years in the period ended December 31, 2017 and 2016, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2017 and 2016, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Copenhagen, Denmark
/s/ Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No 33 96 35 56

/s/ Henrik Kjelgaard
State Authorised
Public Accountant
March 21, 2018

We have served as the Company's auditor since 2013.

Hafnia Tankers Ltd.
Consolidated Balance Sheet

	Note	As of December 31 2017	December 31 2016
		(in thousands of U.S. dollars)	
ASSETS			
Current assets			
Cash and cash equivalents	3	48,127	95,488
Accounts receivable	4	21,724	9,960
Prepaid expenses and other receivables	5	8,712	10,605
Inventories	6	4,899	4,484
Total current assets		**83,462**	**120,537**
Non-current assets			
Vessels and dry dock	8	1,031,221	963,476
Vessels under construction	8	-	42,893
Goodwill	7	6,003	6,003
Sale and leaseback - initial direct costs		297	-
Time charters acquired	7	-	405
Contract values vessels under construction	7	-	230
Interests in associates	9	2,205	1,940
Loans receivables		1,850	-
Pool working capital deposit	12	31,200	26,000
Deferred tax		58	93
Total non-current assets		**1,072,834**	**1,041,040**
Total assets		**1,156,296**	**1,161,577**
LIABILITIES & EQUITY			
Current liabilities			
Bank loans	14	48,951	47,713
Accounts payable	15	4,547	1,733
Accrued expenses and other payables	16	7,651	9,822
Finance lease liability	28	1,479	-
Deferred revenue		1,101	1,212
Short-term debt to associates		1,000	-
Tax payable		51	47
Total current liabilities		**64,780**	**60,527**
Non-current liabilities			
Bank loans	14	485,254	496,804
Derivatives	27	3,061	639
Finance lease liability	28	24,013	-
Total non-current liabilities		**512,328**	**497,443**
Total liabilities		**577,108**	**557,970**
Shareholders' equity			
Issued, authorized and paid in share capital			
Share capital		339	339
Additional paid in capital	17	352,423	352,423
Treasury shares		(14,038)	(258)
Accumulated profits		37,359	42,705
Cash flow hedging reserve		(2,033)	(473)
Translation reserve		(34)	(34)
Equity holders of the parent		374,016	394,702
Non-controlling interests		205,172	208,905
Total equity		**579,188**	**603,607**
Total liabilities and equity		**1,156,296**	**1,161,577**

Hafnia Tankers Ltd.
Consolidated Statement of Profit and Loss

	Note	For the years ended December 31 2017	2016
		(in thousands of U.S. dollars)	
Revenue			
Revenue	18	187,286	194,705
		187,286	**194,705**
Operating expenses			
Vessel operating costs	19	(81,939)	(71,740)
Technical management fee		(5,698)	(4,868)
Charter hire	20	(24,336)	(32,159)
Voyage expenses		(832)	(635)
Depreciation	8	(53,021)	(44,858)
General and administrative expenses	21	(9,627)	(11,927)
Total operating expenses		**(175,453)**	**(166,187)**
Other operating income			
Other operating income		1,870	4,937
Share of associates profit	9	716	918
		2,586	**5,855**
Operating profit		**14,419**	**34,373**
Financial expenses and income			
Financial expenses	22	(26,330)	(21,323)
Financial income	23	555	75
(Loss) / profit before tax		**(11,356)**	**13,125**
Taxes	13	(209)	(1,104)
(Loss) / profit for the year		**(11,565)**	**12,021**
Attributable to:			
Equity holders of the parent		(7,507)	7,803
Non-controlling interests		(4,058)	4,218
		(11,565)	**12,021**
(Loss) / Earnings per share attributable to equity holders of the parent:			
Basic (loss) / earnings per share (USD)	25	(0.22)	0.23
Diluted (loss) / earnings per share (USD)	25	(0.22)	0.23
Shares used in computing earnings per share attributable to equity holders of the parent:			
Basic (in thousands)	25	33,946	33,946
Diluted (in thousands)	25	33,946	33,977

Hafnia Tankers Ltd.
Consolidated Statement of Comprehensive Income

	For the years ended December 31	
	2017	**2016**
	(in thousands of U.S. dollars)	
(Loss) / profit for the year	**(11,565)**	**12,021**
Other comprehensive (loss) / income		
Items that may be reclassified subsequently to profit or (loss):		
Fair value (losses) on cash flow hedges	(3,504)	982
Reclassification to profit or (loss) related to cash flow hedges	1,082	1,081
Exchange differences on translating foreign operations	19	(70)
Other comprehensive (loss) / income after tax	**(2,403)**	**1,993**
Total comprehensive (loss) / income	**(13,968)**	**14,014**
Attributable to:		
Equity holders of the parent	(9,067)	9,096
Non-controlling interests	(4,901)	4,918
	(13,968)	**14,014**

Hafnia Tankers Ltd.
Consolidated Statement of Changes in Equity

(in thousands of U.S. dollars)	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	Total	Non-controlling interests	Total equity
Balance as of January 1, 2016	339	351,743	53,077	(200)	(1,767)	(34)	403,158	213,445	616,603
Profit for the year	-	-	7,803	-	-	-	7,803	4,218	12,021
Other comprehensive (loss) for the year	-	-	-	-	1,294	-	1,294	699	1,993
Total comprehensive income	-	-	7,803	-	1,294	-	9,097	4,917	14,014
Write-off of prepaid costs relating to future share issuance	-	1,048	-	-	-	-	1,048	-	1,048
Purchase of treasury shares	-	-	-	(58)	-	-	(58)	-	(58)
Share-based compensation	-	-	2,947	-	-	-	2,947	-	2,947
Dividend paid	-	-	(30,947)	-	-	-	(30,947)	-	(30,947)
Reallocation of non-controlling interests	-	(368)	9,825	-	-	-	9,457	(9,457)	-
	-	680	(18,175)	(58)	-	-	(17,553)	(9,457)	(27,010)
Balance as of December 31, 2016	**339**	**352,423**	**42,705**	**(258)**	**(473)**	**(34)**	**394,702**	**208,905**	**603,607**
Balance as of January 1, 2017	339	352,423	42,705	(258)	(473)	(34)	394,702	208,905	603,607
Loss for the year	-	-	(7,507)	-	-	-	(7,507)	(4,058)	(11,565)
Other comprehensive (loss) for the year	-	-	-	-	(1,560)	-	(1,560)	(843)	(2,403)
Total comprehensive (loss)	-	-	(7,507)	-	(1,560)	-	(9,067)	(4,901)	(13,968)
Purchase of treasury shares	-	-	-	(13,780)	-	-	(13,780)	-	(13,780)
Share-based compensation	-	-	3,329	-	-	-	3,329	-	3,329
Reallocation of non-controlling interests	-	-	(1,168)	-	-	-	(1,168)	1,168	-
	-	-	2,161	(13,780)	-	-	(11,619)	1,168	(10,451)
Balance as of December 31, 2017	**339**	**352,423**	**37,359**	**(14,038)**	**(2,033)**	**(34)**	**374,016**	**205,172**	**579,188**

Hafnia Tankers Ltd.
Consolidated Statement of Cash Flow

	Note	For the year ended December 31 2017	2016
		(in thousands of U.S. dollars)	
Operating activities			
(Loss) / profit for the year		(11,565)	12,021
Depreciation	8	53,021	44,858
Amortization of time charters acquired	7	405	3,736
Share-based compensation		3,329	2,947
Write-off of prepaid cost relating to future share issuance		-	1,048
Financial expenses	22	26,330	21,323
Tax expense	13	209	1,104
Share of associates profit	9	(246)	2,102
		71,483	**89,139**
Changes in assets and liabilities:			
(Increase) / decrease in inventories	6	(415)	12
(Increase) / decrease in accounts receivable	4	(11,764)	2,955
(Increase) / decrease in prepaid expenses and other receivables	5	(2,240)	1,432
(Increase) in initial direct costs - finance lease		(297)	-
(Increase) in loans receivables		(1,850)	-
(Increase) in pool working capital deposit	12	(5,200)	(1,600)
Decrease in amortized financing fees		3,583	2,517
Increase / (decrease) in accounts payable	15	2,797	(1,678)
Increase in short-term debt to associates		1,000	-
(Decrease) in accrued expenses and other payables	16	(1,914)	(1,290)
(Decrease) / increase in deferred income		(111)	1,212
		(16,411)	**3,560**
Financial expenses paid		(26,587)	(22,472)
Taxes paid		(170)	(880)
Net cash inflow from operating activities		**28,315**	**69,347**
Investing activities			
Payments for vessels under construction		(71,140)	(99,033)
Payments for vessels including drydock		(6,503)	(6,507)
Net cash (outflow) from investing activities		**(77,643)**	**(105,540)**
Financing activities			
Bank loan repayment		(69,993)	(69,394)
Draw down on credit facility		60,375	113,717
Prepaid financing fee		(144)	(4,471)
Dividend paid		-	(30,947)
Increase / (decrease) in lease liability		25,492	-
Purchase of treasury shares		(13,780)	(58)
Net cash inflow from financing activities		**1,950**	**8,847**
Net cash flow from operating, investing and financing activities		**(47,378)**	**(27,346)**
Cash and cash equivalents at January 1	3	95,488	122,856
Effects of exchange rate changes on the balance of cash held in foreign currencies		17	(22)
Cash and cash equivalents at December 31	3	**48,127**	**95,488**

Consolidated Financial Statements

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 accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

The financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

• Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
• Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
• Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of the financial statements in conformity with IFRS requires management to make estimates and judgments that affect the recognition and measurement of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported performance. Management bases its estimates and judgments on historical data and other assumptions and sources that are considered reasonable. Actual results could differ from those estimates and judgments. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Group has identified the following significant accounting estimates and judgments used in the preparation of its consolidated financial statements.

Impairment of vessels and dry docks

The Group reviews its vessels including the dry dock component for impairment whenever events or circumstances indicate the carrying value of an asset, including the carrying value of the related time charter contract, if any, under which the vessel is employed, may not be recoverable. In the event of indication of impairment, the recoverable amount of the vessels, being the higher of value in use and fair value less cost to sell, is assessed. If the recoverable amount is estimated to be less than its carrying amount, the carrying value of the asset is written down to its recoverable amount. Fair value less cost to sell is estimated by use of independent broker valuations, and value in use is calculated as net present value of future cash flows to be derived from the vessels during their useful life. In determining the value in use calculation, certain assumptions relating to the estimates of future cash flows are more predictable by their nature, including estimated revenue under existing contract terms. Certain assumptions relating to the estimates of future cash flows require more discretion and are inherently less predictable, such as future charter rates beyond the firm period of existing contracts and vessel residual values, due to factors such as the volatility in vessel charter rates and vessel values.

Vessels and dry dock

The carrying value of each of the Group's vessels represents its original cost at the time it was delivered or purchased (except for vessels acquired in a business combination, which are measured at fair value at the date of acquisition) less depreciation and impairment. The vessels are depreciated to their residual value on a straight-line basis over their estimated useful lives, commencing at the date the vessels were originally delivered to the Group. The estimated useful life of the Group's vessels is 25 years from the date of the vessels' initial completion from the shipyard, which is consistent with industry practice for similar vessels. The estimated useful life of the vessels also takes into account design life, commercial considerations and regulatory restrictions.

The residual value is estimated as the lightweight tonnage of each vessel multiplied by a forecast scrap value per ton which has been estimated at USD 300 per ton. The estimated residual value of the vessels may not represent the market value at any one time since market prices of scrap values tend to fluctuate.

An increase in the estimated useful life of a vessel or in its residual value would have the effect of decreasing the annual depreciation charge and extending it into later periods. A decrease in the useful life of a vessel or residual value would have the effect of increasing the annual depreciation charge.

Dry dock costs are recognized as a separate component of each vessel's carrying amount and depreciated on a straight-line basis over the estimated period until the next dry dock.

The Group must periodically dry dock each of its vessels for inspection, repairs and any modifications. At the time of delivery of a vessel, an estimate of the dry docking component of the cost of the vessel is determined, representing estimated costs to be incurred during the first dry docking at the dry dock yard for a special survey and parts and supplies used in making required major repairs that meet the recognition criteria, based on the Group's historical experience with similar types of vessels. The Group only includes in deferred dry docking costs those direct costs that are incurred as part of the dry docking to meet regulatory requirements, or are expenditures that extend the economic life of the vessel, increase the vessel's earnings capacity or improve the vessel's efficiency. Direct costs include shipyard costs, hull preparation and painting, inspection of hull structure and mechanical components, steelworks, machinery works, and electrical works. Expenditures for normal maintenance and repairs are expensed as incurred.

Management uses judgment when estimating the period between dry dockings performed, which can result in adjustments to the estimated depreciation of the dry docking expense. If a vessel is disposed of before its next dry docking, the remaining balance of the deferred dry dock is written off and forms part of the gain or loss recognized upon disposal of vessels in the period when contracted. The Group expects that its vessels will be required to be dry docked approximately every 60 months where the vessels will be required to undergo special or intermediate surveys and be dry docked for major repairs and maintenance that cannot be performed while the vessels are operating.

The Group depreciates its estimated dry docking expenses for the first special survey over five years, but this estimate might be revised in the future.

Share-based compensation

The Group operates equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (warrants, options and Restricted Share Units) of the Group. The fair value of the employee services received in exchange for the grant of the warrants, options and Restricted Share Unit plans is recognized as an expense on a straight-line basis over the vesting period. The total amount to be expensed is determined by reference to the fair value at the grant date of the warrants and options granted including any market performance conditions such as a share-price trigger excluding the impact of any service vesting conditions, as the fair value of the services cannot be estimated reliably.

Service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified service vesting conditions are to be satisfied.

The determination of the grant date fair value of the warrants and options is affected by the estimated fair value of the Company's underlying shares, as well as assumptions regarding a number of other complex and subjective variables. The fair values of the Company's common shares underlying the share-based awards were estimated on each grant date based on a net asset value of the Company.

Significant Accounting Policies

Basis for segmentation

Each of the Group's vessels serve the same type of customer, have similar operations and maintenance requirements, operate in the same regulatory environment, and are subject to similar economic characteristics. Based on this, the Group has determined that it operates in one reportable segment, the international transportation of petroleum products with its fleet of vessels.

Further, as the operations are not limited to specific parts of the world, it is therefore not possible to provide geographical information on revenue and non-current assets.

Business combinations

Newly acquired entities are recognized in the financial statements on the acquisition date, which is the date on which control over the entity is transferred.

Business combinations are accounted for using the acquisition method. Identifiable assets and liabilities are measured at fair value at the acquisition date. The cost of a business combination is measured as the fair value of the consideration paid, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition costs are recognized in profit or loss as incurred.

Goodwill is recognized where the cost of the business combination exceeds the fair value of the acquired assets, liabilities and contingent liabilities.

Share-based payment

The Group operates equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (warrants, options and Restricted Share Units) of the Group. The fair value of the employee services received in exchange for the grant of the warrants, options and Restricted Share Unit plans is recognized as an expense on a straight-line basis over the vesting period. The total amount to be expensed is determined by reference to the fair value at the grant date of the warrants and options granted including any market performance as the fair value of the services cannot be estimated reliably. Service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified service vesting conditions are to be satisfied.

Non-controlling interests

Non-controlling interests are measured initially at either their proportionate share of the acquiree's net assets at the acquisition date or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in other IFRS.

Changes in the Group's interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its powers over the entity. The financial statements of a subsidiary are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Interests in equity-accounted investees

The Group's interest in equity accounted investees comprises associates.

Associates are those entities in which the Group has significant influence, but not control or joint control. Interest in associates are accounted for using the equity method from the date at which significant influence exists.

At initial recognition the investment is measured at cost, which includes transaction costs. On acquisition, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment.

Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss, and other comprehensive income until the date on which significant influence ceases to exist.

Transactions in foreign currency

Foreign currency transactions are translated into the functional currency at the exchange rate of the date when initially recognized. Gains and losses arising between the exchange rate of the transaction date and that of the settlement date are recognized in the income statement under financial income or financial expense.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates then prevailing. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognized in the statement of profit or loss under financial income or financial expense.

Revenue

Revenue is recognized when an agreement exists, the vessel is made available to the charterer or services are provided, the charter hire is determinable and collection of the related revenue is reasonably assured.

Time charter

The Group recognizes revenues from time charters daily over the term of the charter. The Group does not recognize revenue during days that the vessel is off-hire.

Participation in pools

Most of the Group's vessels participate in commercial pools in which other vessel owners with similar, high-quality, modern and well-maintained vessels also participate. Pools employ experienced commercial charterers and operators who have established relationships with customers and brokers, while technical management is arranged by each vessel owner. The managers of the pools negotiate charters with customers primarily in the spot market. The earnings allocated to vessels are aggregated and divided on the basis of a weighted scale, or Pool Points, which reflect comparative voyage results on hypothetical benchmark routes. The Pool Point system is generally weighted by attributes such as size, fuel consumption, class notation and other capabilities. Pool revenues are recognized when the vessel has participated in a pool during the period and the amount of pool revenue for the period can be estimated reliably.

Other operating income

Other operating income is recognized when an agreement exists, the amount is determinable and collection is reasonably assured.

Vessel operating costs

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

Technical management fee

Technical management fees are expensed as incurred.

General and administrative expenses

General and administrative expenses which include costs of auditors, salary, office expenses and external assistance are expensed as incurred.

Financial income and expense

Financial income and expense include interest income and expense, realized and unrealized exchange gains and losses and other financial income and expenses and are recognized as incurred on the accrual basis.

Vessels and dry dock

Vessels including the dry dock component are measured at cost less accumulated depreciation and accumulated impairment losses. The basis of depreciation is calculated as the excess of cost over the estimated residual value.

The residual value is estimated as the lightweight tonnage of each vessel multiplied by a forecast scrap value per ton which has been estimated at USD 300 per ton. The estimated residual value of the vessels may not represent the market value at any one time since market prices of scrap values tend to fluctuate. The basis for depreciation is allocated on a straight-line basis over the vessels expected useful life which is estimated to be 25 years.

The vessels are required to undergo planned dry docks for replacement of certain components, major repairs and maintenance of other components, which cannot be carried out while the vessels are operating, approximately every 60 months depending on the nature of work and external requirements. These dry dock costs are capitalized as a component of the vessels and depreciated on a straight-line basis over the estimated period until the next dry dock. We only include in deferred dry docking those direct costs that are incurred as part of the dry docking to meet regulatory requirements, or are expenditures that add economic life to the vessel, increase the vessel's earnings capacity or improve the vessel's efficiency. Direct costs include shipyard costs as well as the costs of placing the vessel in the shipyard. Expenditures for normal maintenance and repairs are expensed as incurred.

For an acquired or newly built vessel, a notional dry dock is allocated from the vessel's cost. The notional dry dock cost is estimated by us, based on the expected costs related to the next dry dock, which is based on experience and past history of similar vessels, and is accounted as a separate component from the vessel component. Subsequent dry docks are recorded at actual cost incurred. The dry dock asset is depreciated on a straight-line basis to the next estimated dry dock. The estimated depreciation period for dry dock is based on the estimated period between dry docks. We estimate the period between dry docks to be 60 months. When the dry dock expenditure is incurred prior to the expiry of the period, the remaining balance is expensed.

Vessels under construction

Vessels under construction are measured at cost and include costs incurred that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. These costs include installment payments made to the shipyards, professional fees and other costs deemed directly attributable to the construction of the asset.

Goodwill

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortized but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets

Intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the assets estimated useful lives, which for contract values vessels under construction and contract values undelivered vessels are the remaining term of the contracts. The estimated useful lives for favorable time charters acquired is the contracted period including optional extension periods, when there is evidence to support renewal by the entity without significant cost. The estimated useful life and amortization method are reviewed at the end of each annual reporting period taking into account any changes in assessment in the future.

Amortization is recognized in profit or loss unless the future economic benefits embodied in the intangible asset are absorbed in producing other assets, in which case, the amortization charge constitutes part of the cost of the other asset and is included in its carrying amount.

Impairment of tangible and intangible assets other than goodwill

Other intangible and tangible assets are tested for impairment at each balance sheet date if there are any indications that those assets have suffered an impairment loss. If any impairment indications exist for other intangible or tangible assets, the recoverable amount of the asset is estimated in order to determine the extent of a potential impairment loss.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount.

Any impairment loss is recognized as an expense immediately. Where an impairment loss for other intangible and tangible assets subsequently reverses the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventory

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

Receivables

Amounts due from the pools and other receivables that have fixed or determinable payments are classified as accounts receivable. Accounts receivable are measured at the lower of amortized cost and net realizable value, which corresponds to nominal value less provision for bad debts.

Interest income is recognized by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Prepaid expenses and other receivables

Prepaid expenses include payments relating to goods or services that are made in advance of when the related goods or services will be incurred. The main prepaid expenses are related to technical management, where it is common practice to pay in advance, and prepaid financing fees. Other receivables are measured at the lower of amortized cost and net realizable value, which corresponds to nominal value.

Other assets

Other assets include deposits of working capital to pools. Other assets are measured at the lower of amortized cost and net realizable value, which corresponds to nominal value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. Cash and cash equivalents are measured at the nominal amounts.

Bank loans

Bank loans are initially recognized at fair value, which is normally equal to the proceeds received, less directly attributable transaction costs. Subsequently, bank loans are measured at amortized cost using the effective interest rate method, such that the difference between the proceeds and the redemption value is recognized in the income statement over the life of the loan.

Accounts payable and other payable

Trade payables are initially measured at fair value and subsequently at amortized cost.

Deferred income

Deferred income includes prepayments received relating to income in periods after the balance sheet date. Deferred income is measured at cost.

Tax

The Group's shipping activities are generally taxed under a tonnage based tax scheme. The Group participates in the tonnage tax scheme in Singapore, Cyprus, Denmark and Malta. Under the tonnage tax scheme, the Group's applicable tonnage tax expense and liability is estimated based on the weight (measured in tonnage) of the vessels and the number of days during the year that the vessels are at the Group's disposal, excluding time for repairs. No deductions, including depreciation of the vessels, are included when calculating tonnage tax payable. As the tonnage tax is not accounted for as an income tax and the Group intends to continue to remain under the scheme for the foreseeable future, no deferred tax assets and liabilities are recognized in relation to its shipping activities.

The subsidiary Hafnia Tankers ApS is subject to corporate income tax, and has a balance of tax losses that may be carried forward as deductions in future earnings in Denmark, including the Danish tonnage tax, for which a deferred tax asset has been recognized.

Tonnage taxes are presented within Taxes in the Statement of Profit and Loss.

Lease arrangements

The Group may enter into either time charter or bareboat arrangements. In a time charter arrangement the vessel's owner is responsible for crewing and other vessel operating costs whereas in a bareboat arrangement the lessee has these responsibilities.

For accounting purposes, lease obligations are divided into finance and operating leases. Leases are classified as finance leases if they transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases.

Time charter arrangements are normally accounted for as operating leases and bareboat arrangements may be classified as either a finance or an operating lease depending the fact and circumstances of the individual arrangement.

The Group as lessee

Agreements to charter in vessels, where the Group has substantially all the risks and rewards of ownership, are recognized in the balance sheet as finance leases. Lease assets are measured at the lower of fair value and the present value of minimum lease payments determined in the leases.

For the purpose of calculating the present value, the interest rate implicit in the lease or an incremental borrowing rate is used as discount factor. The lease assets are depreciated and written down under the same accounting policy as the vessels owned by the Group or over the lease period depending on the lease terms.

The corresponding lease obligation is recognized as a liability in the balance sheet. Lease payments are apportioned between finance expenses and reduction in the lease obligation so as to achieve a constant rate of interest on the lease obligation. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Other charter agreements concerning vessels and other leases are classified as operating leases, and the minimum lease payments are recognized in profit or loss on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. The obligation for the remaining lease term is disclosed in the notes to the financial statements.

The Group as lessor

Agreements to charter out vessels, where substantially all the risks and rewards of ownership are transferred to the lessee, are classified as finance leases, and an amount equal to the net investment in the lease is recognized and presented in the balance sheet as a receivable. The carrying amount of the vessel is de-recognized and any gain or loss on disposal is recognized in the income statement.

Other agreements to charter out vessels are classified as operating leases, and minimum lease payments are recognized as revenue in the income statement on a straight-line basis over the lease term. Contingent payments are recognized as an income when incurred.

Earnings per share

Basic earnings per share are calculated by dividing the consolidated net profit or loss for the year available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated by adjusting the consolidated profit or loss available to common shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive shares. Such potentially dilutive common shares are excluded when the effect of including them would be to increase earnings per share or reduce a loss per share.

Adoption of new or amended IFRSs

The Group has implemented the standards and interpretations effective for 2017. The implementation of the standards and interpretations has not had a material effect on the financial statements.

Accounting standards and interpretations not yet adopted
The International Accounting Standards Board (“IASB”) has issued a number of new or amended and revised accounting standards and interpretations that have not yet come into effect:

• IFRS 15 “Revenue from contracts with customers”
IFRS 15 is effective from January 1, 2018. The Group’s current practice for recognizing revenue complies in all material aspects with the concepts and principles encompassed by the new standard.

• 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".

Amendments:
• IAS 7 “Disclosure Initiatives”
• IAS 12 “Recognition of deferred tax assets for unrealized losses”
• IFRS 10/IAS 28 “Sale or Contribution of Assets between an investor and its Associate or Joint Venture”
• IAS 40 “Clarification of transfers or property to, or from, investment property”
• Changes from Annual Improvements to IFRS 2014-2016
The adoption of the amendments is not expected to have a material effect on the consolidated financial statements.

3 - Cash and cash equivalents

	As of December 31 2017	As of December 31 2016
	(in thousands of U.S. dollars)	
Cash at banks	47,741	95,098
Cash onboard vessels	386	390
	48,127	**95,488**

The table below shows a breakdown of cash held at banks:

2017 Bank	**Country**	**Rating***	**Amount in USD**	**Pct. of total cash**	**Currency**
SEB	GB	A+	47,178	98.8%	USD
Nordea Bank Danmark A/S	DK	AA-	55	0.1%	USD
SEB	DK	A+	96	0.2%	DKK
SEB	GB	A+	327	0.7%	Various
HSH	Cyprus	Various	85	0.2%	USD
			47,741		

2016 Bank	**Country**	**Rating***	**Amount in USD**	**Pct. of total cash**	**Currency**
Nordea Bank AB (publ.)	GB	AA-	89,992	94.6%	USD
Nordea Bank Danmark A/S	DK	AA-	4,112	4.3%	USD
Nordea Bank Danmark A/S	DK	AA-	692	0.7%	DKK
Other	Various	Various	302	0.4%	Various
			95,098		

* Standard & Poor's

4 - Accounts receivable

	As of December 31 2017	As of December 31 2016
	(in thousands of U.S. dollars)	
Receivables from pools	21,373	9,916
Other accounts receivable	351	44
	21,724	**9,960**

The Group considers that the carrying amounts of accounts receivable approximates their fair value due to their short term nature. As at December 31, 2017 and 2016, no amounts are overdue or impaired. Accounts receivable are non-interest bearing.

5 - Prepaid expenses and other receivables

	As of December 31	
	2017	**2016**
	(in thousands of U.S. dollars)	
Vessel related prepaid expenses	4,678	2,548
Prepaid financing fee	142	4,275
Prepaid insurance	1,551	388
Other short term receivables	2,341	3,394
	8,712	**10,605**

The Group considers that the carying amounts of other short term receivables approximate their fair value due to their short term nature. As at December 31, 2017 and 2016, no amounts are overdue or impaired. These receivables are non-interest bearing.

6 - Inventories

	As of December 31	
	2017	**2016**
	(in thousands of U.S. dollars)	
Lubricating oils	3,424	3,035
Paint, chemicals and food supplies	1,475	1,449
	4,899	**4,484**

The cost of lubricating oils and other inventories recognized as expense in 2017 was USD 6,395 (2016: USD 5,394).

7 - Intangible Assets

(in thousands of U.S. dollars)	**Goodwill**	**Contract values vessels under construction**	**Time charters acquired**	**Total**
Cost				
Balance at January 1, 2016	6,003	26,549	12,333	44,885
Addition	-	-	-	-
Disposals	-	-	(9,501)	(9,501)
Cost at December 31, 2016	**6,003**	**26,549**	**2,832**	**35,384**
Accumulated amortization				
Balance at January 1, 2016	-	(22,270)	(8,192)	(30,462)
Amortization	-	(4,049)	(3,736)	(7,785)
Disposals	-	-	9,501	9,501
Accumulated amortization at December 31, 2016	**-**	**(26,319)**	**(2,427)**	**(28,746)**
Carrying amount at December 31, 2016	**6,003**	**230**	**405**	**6,638**
Cost				
Balance at January 1, 2017	6,003	26,549	2,832	35,384
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**

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 December 31, 2017, 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 financial year ended December 31, 2017.

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.

Time charters acquired are related to time charter contracts which were acquired as a result of the Combination. The value of the contracts was amortized on a straight line over the remaining contract period. The amortization expense of USD 405 for the period ended December 31, 2017 is recognized as charter hire. The final time charter contract acquired ran until the second quarter of 2017.

8 - Tangible Assets

(in thousands of U.S. dollars)	**Vessels**	**Dry dock**	**Vessels under construction**	**Total**
Cost				
Balance at January 1, 2016	890,029	24,636	96,393	1,011,058
Additions	751	5,756	103,082	109,589
Transfers	153,382	3,200	(156,582)	-
Disposals	-	(2,574)	-	(2,574)
Cost at December 31, 2016	**1,044,162**	**31,018**	**42,893**	**1,118,073**
Accumulated depreciation				
Balance at January 1, 2016	(62,226)	(7,194)	-	(69,420)
Depreciation	(39,185)	(5,673)	-	(44,858)
Disposals	-	2,574	-	2,574
Accumulated depreciation at December 31, 2016	**(101,411)**	**(10,293)**	**-**	**(111,704)**
Carrying amount at December 31, 2016	**942,751**	**20,725**	**42,893**	**1,006,369**
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**

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 December 31, 2017, the fair value less cost to sell 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 December 31, 2017, the Company had nil vessel under construction. The final vessel was delivered in the second quarter of 2017.

9 - Interests in Associates

Financial information of Hafnia Management A/S

The Group, through its wholly owned subsidiary Hafnia Tankers ApS, has a 40% interest in Hafnia Management A/S and through its wholly owned subsidiary Hafnia Tankers Singapore Pte. Ltd. a 20% interest in K/S Straits Tankers.

Hafnia Management A/S has a 100% interest in Hafnia MR Pool Management ApS that commercially operates the Hafnia MR pool, a 100% interest in Hafnia Handy Pool Management ApS (previously owned 40% directly by Hafnia Tankers ApS), that commercially operates the Hafnia SR pool, a 100% interest in the Hafnia Bunkers ApS company, that is in charge for bunkering purchases for above stated pools. Hafnia Management A/S also has a 60% interest in K/S Straits Tankers.

K/S Straits Tankers has a 50% interest in Straits Tankers Pte. Ltd. that commercially operates the LR1 pool.

The remaining 60% of Hafnia Management A/S and the remaining 20% of K/S Straits Tankers is owned by other vessel owners participating in the pools. The Group accounts for its investment in Hafnia Management A/S and K/S Straits Tankers under the equity method.

The profit for the year and other financial information according to the latest financial statements for Hafnia Management A/S is shown below for the years ended December 31, 2017 and 2016:

	Hafnia Management A/S, Hellerup Denmark	
	For the years ended December 31	
	2017	**2016**
	(in thousands of U.S. dollars)	
Gross profit	6,793	7,812
Profit for the year after tax	766	2,007
Dividends paid out	-	6,000
Non-current assets	1,007	749
Cash and cash equivalents	2,910	2,567
Other current assets	3,613	2,371
Current liabilities	(3,790)	(2,759)
Equity	3,740	2,928

A reconciliation of the above summarized information to the carrying amount of the interest and the share of the associated profit in the consolidated financial statements is presented in the tables below.

	Hafnia Management A/S, Hellerup Denmark	
	For the years ended December 31	
	2017	**2016**
	(in thousands of U.S. dollars)	
Share of equity	1,496	1,171
Acquired goodwill	600	600
Acquired customer relationships	89	137
	2,185	**1,908**
	(in thousands of U.S. dollars)	
Share of profit for the year after tax	306	803
Amortization of acquired customer relationship	(48)	(48)
	258	**755**

The above table shows the assets which comprise interests in the associate. The Group's share of the net assets is 40%. At the acquisition date, a purchase price allocation was performed in order to allocate the difference between the carrying value and fair value of the net assets acquired. The positive difference between the cost of the investment in Hafnia Management A/S and the Group's share of the net fair value of Hafnia Management A/S's identifiable assets and liabilities is accounted for as notional goodwill, which is included within the carrying amount of the investment. Customer relationships are amortized on a straight-line basis over six years.

Financial information of K/S Straits Tankers

	K/S Straits Tankers **2017**
	(in thousands of U.S. dollars)
Gross loss	(3)
Loss for the period after tax	(3)
Dividends paid out	470
Non-current assets	463
Cash and cash equivalents	-
Other current assets	1
Current liabilities	362
Equity	102

	K/S Straits Tankers **2017**
	(in thousands of U.S. dollars)
Share of Equity	20
	20

	(in thousands of U.S. dollars)
Share of (loss) for the year after tax	(12)
Dividend received	470
	458

10 - Subsidiaries

Information about the composition of the Group is included in the following table:

Name	Registered office	Ownership as of December 31 2017	2016
		(pct.)	
Hafnia Tankers Ltd.	Marshall Islands		
Hafnia Tankers LLC	Marshall Islands	64.9	64.9
Hafnia Tankers Marshall Islands LLC	Marshall Islands	100	N/A
Hafnia Tankers Singapore Pte Ltd.	Singapore	100	100
Hafnia Tankers Shipholding Singapore Pte Ltd.	Singapore	100	100
Hafnia Tankers Shipholding 2 Singapore Pte Ltd.	Singapore	100	100
Hafnia Tankers Chartering Singapore Pte Ltd.	Singapore	100	N/A
Hafnia Tankers Services Singapore Pte Ltd.	Singapore	100	N/A
Hafnia Tankers International Chartering Inc.	Marshall Islands	100	100
Hafnia Tankers Malta Ltd.	Malta	100	100
Hafnia Tankers Shipholding Malta Ltd.	Malta	100	100
Hafnia Tankers ApS	Denmark	100	100
Hafnia Tankers Shipholding Denmark 1 ApS	Denmark	100	100
Hafnia Tankers Cyprus Limited (under liquidation)	Cyprus	N/A	100
Akouna Shipping Company Ltd. (under liquidation)	Cyprus	N/A	100
Akortio Shipping Company Ltd. (under liquidation)	Cyprus	N/A	100
Absolute Shipping Company Ltd. (under liquidation)	Cyprus	N/A	100
Rosalia Shipping Company Ltd. (under liquidation)	Cyprus	N/A	100
Secero Shipping Company Ltd. (under liquidation)	Cyprus	N/A	100
Ralia Shipping Company Ltd. (under liquidation)	Cyprus	N/A	100
Baltic Sun Shipping Company Ltd. (under liquidation)	Cyprus	N/A	100
Uniwide Shipping Company Ltd. (under liquidation)	Cyprus	N/A	100
Navmore Shipping Company Ltd. (under liquidation)	Cyprus	N/A	100

All of the Group's operations are conducted through subsidiaries that are 100% owned by Hafnia Tankers Ltd.'s direct subsidiary, Hafnia Tankers LLC, a Marshall Islands limited liability company. Hafnia Tankers LLC's share capital consists of three classes of interests, the Class A Units, the Class B Units and the Class C Units. Each class of interest is economically equivalent. Hafnia Tankers Ltd. owns 100% of the Class A Units of Hafnia Tankers LLC and has a controlling financial interest in Hafnia Tankers LLC through its investment. The Class B and Class C Units are reflected as non-controlling interest in the consolidated financial statements. Based on the number of total units of Hafnia Tankers LLC outstanding as of December 31, 2017, the Company owns a 64.9% economic interest in Hafnia Tankers LLC.

Summarized financial information in respect fo the Group's subsidiary that has material non-controlling interests (Hafnia Tankers LLC) is set out below. The summarized financial information below represents amounts before intercompany eliminations.

	For the years ended December 31	
	2017	**2016**
	(in thousands of U.S. dollars)	
Revenue	187,286	194,705
(Loss)/Profit	(11,565)	12,198
Total comprehensive	(13,968)	14,014
Current assets	83,462	132,035
Non-current assets	1,072,834	1,041,040
Current liabilities	(64,780)	(60,517)
Non-current liabilities	(512,328)	(497,443)

11 - Related party disclosure and ownership

BTS Tanker Partners LLC controls Hafnia Tankers Ltd. through the right to designate the majority of its Board of Directors until an initial public offering occurs. BTS Tanker Partners LLC and its affiliates, associates and joint ventures are therefore considered related parties. BTS Tanker Partners LLC is ultimately controlled by Blackstone Group L.P. Following an initial public offering of the Company's common shares, BTS Tanker Partners LLC has the right to elect up to two members of the Company's Board of Directors.

Also, shareholders with significant influence in Hafnia Tankers Ltd. and affiliates of shareholders with significant influence are considered to be related parties of the Group.

Other related parties include the key management personnel of the Group which consists of the Board of Directors and the executive management team. The executive management team of the Group consist of individuals who are directors and key management of Hafnia Tankers Ltd. and subsidiaries.

The Group's associate Hafnia Management A/S and their fully owned subsididaries Hafnia Handy Pool Management ApS, Hafnia MR Pool Management ApS and Hafnia Bunkers ApS are considered to be related parties. The Group's associate K/S Straits Tankers is also considered to be a related party.

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

During the year, entities within the Group entered into the following transactions with related parties who are not part of the Group:

	For the years ended December 31			
	2017	2016	2017	2016
	(in thousands of U.S. dollars)			
	Sale of services		Purchase of services	
Hafnia Handy Pool Management ApS	-	-	-	2,024
Hafnia Management A/S	69	-	231	2,743
	Amounts owed by related parties		Amounts owed to related parties	
Hafnia Handy Pool Management ApS	-	10,036	-	-
Hafnia Management A/S	-	18,076	1,000	-

Purchase of services primarily consists of fees for services rendered. Amounts owed by related parties primarily consists of deposit of working capital to the pools (see note 12) and accounts receivable from the pools (see note 4).

Key management personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

	For the years ended December 31	
	2017	2016
	(in thousands of U.S. dollars)	
Short-term employee benefits (salaries)	1,714	2,917
Contributions to defined contribution plans	90	92
Share-based compensation	1,209	1,212
	3,013	**4,221**

Key management personnel have termination conditions with 6-30 months of severance pay totaling USD 2,175 (2016: USD 2,467).

12 - Other Assests

	As of December 31	
	2017	2016
	(in thousands of U.S. dollars)	
Deposit of working capital to the pools, long term	31,200	26,000
	31,200	**26,000**

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.

13 - Tax

	For the years ended December 31	
	2017	**2016**
Tax	*(in thousands of U.S. dollars)*	
Tonnage taxes	(104)	(124)
Other taxes	(105)	(980)
	(209)	**(1,104)**

The Group's shipping activities are generally taxed under tonnage based tax schemes. In 2017, the Group's income was primarily generated by Hafnia Tankers Singapore, which is subject to the tax rules of Singapore, Hafnia Tankers Malta, which is subject to tax rules of Malta and Hafnia Tankers ApS and Hafnia Tankers Shipholding Denmark 1, which are subject to the tax rules of Denmark.

The Group's non-shipping activities are subject to corporate income tax.

The Group has recognized a deferred tax asset. The deferred tax asset consists of losses carried forward that can be deducted against future earnings in Denmark, including the Danish tonnage tax. As of December 31, 2017, USD 58 of the deferred tax asset remains.

14 - Bank Loans

	As of December 31	
	2017	**2016**
	(in thousands of U.S. dollars)	
Current portion	48,951	47,713
Non-current portion	485,254	496,804
Carrying amount	**534,205**	**544,517**

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

Summary of borrowing arrangements

During the year ended December 31, 2017 the Group drew down USD 60,375 on the USD 360,000 facility to finance newbuild vessels that were delivered in 2017. As of December 31, 2017 USD 311,654 was outstanding under this facility.

During the year ended December 31, 2017 the Group repaid USD 17,100 as part of a Sale and Leaseback transaction for a LR1 vessel.

During the year ended December 31, 2017 installments amounting to USD 52,893 were paid in total across the Group's outstanding loans. Furthermore the Carrying amount as of December 31, 2017 has a non-cash impact related to amortization of financing fees across the Group's loan facilities, amouting to USD 694.

For the year ended December 31, 2017, the Group drew down USD 60,375 on the USD 360,000 credit facility to finance newbuild vessels delivered during the year.

The interest rates on the drawn amounts 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 drawn amounts are secured by first priority mortgages on vessels.

The drawn amounts 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 December 31, 2017.

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 December 31, 2017.

Below tables summarize the significant terms of the bank loans:

2017	Average nominal interest rate	Carrying amount
		(in thousands of U.S. dollars)
Bank loans		
Floating rate debt	3.66%	534,205
Total bank loans		**534,205**

2016	Average nominal interest rate	Carrying amount
		(in thousands of U.S. dollars)
Bank loans		
Floating rate debt	3.17%	544,517
Total bank loans		**544,517**

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 December 31, 2017	<1 year	1-5 years	>5 years	Total
(in thousands of U.S. dollars)				
Bank loans	48,951	298,934	186,320	**534,205**

As of December 31, 2016	<1 year	1-5 years	>5 years	Total
(in thousands of U.S. dollars)				
Bank loans	47,713	191,134	305,670	**544,517**

15 - Accounts payable

	As of December 31 2017	2016
	(in thousands of U.S. dollars)	
Accounts payable	4,547	1,733
	4,547	**1,733**

The majority of accounts payable are settled with a cash payment within 60 days. No interest is charged on accounts payable. The Group considers that the carrying amount of accounts payable approximates their fair value.

16 - Accrued expenses

	As of December 31 2017	2016
	(in thousands of U.S. dollars)	
Suppliers	4,259	4,721
Salary related expenses	766	2,224
Interest on bank loans	2,160	2,417
Other	466	460
	7,651	**9,822**

17 - Common Shares

Hafnia Tankers Ltd.'s share capital consists of two classes of interests, common shares and preferred shares.

	As of December 31, 2017		
	Number of shares	Share capital	Additional paid in capital
		(in thousands of U.S. dollars)	
Common shares (200,000,000 shares authorized)	33,945,909	339	352,423
Preferred shares (50,000,000 shares authorized)	18,191,712	-	-
	52,137,621	**339**	**352,423**

The following table shows the number of shares outstanding during the period:

	2017	2016
Common shares		
Balance at January 1	33,945,909	33,945,909
Share capital increase	-	-
	33,945,909	**33,945,909**
Preferred shares		
Balance at January 1	18,191,712	18,191,712
Share capital increase	-	-
	18,191,712	**18,191,712**

Common Shares

Each common share, par value USD 0.01 per share, entitles the holder to one vote on all matters submitted to a vote of the Company's shareholders. Holders of common shares vote along with the holders of Series A Voting Preferred Stock on all such matters (see below for special voting rights of the Series A Voting Preferred Stock). Holders of common shares do not have conversion, redemption or preemptive rights to subscribe for any of the Company's securities. As of December 31, 2017, 37,096 of our common shares are being held as treasury shares.

Preferred Shares

The Series A Voting Preferred Stock has de minimis economic value and entitles its holders to vote along with the holders of the Company's common shares on all matters brought before the shareholders of the Company. In addition, the holders of the Series A Voting Preferred Stock may have limited special voting rights, including the right to appoint prior to an initial public offering of the Company's shares, a majority of the directors of the Company and, following such initial public offering, two directors of the Company. The consent of at least two-thirds of the holders of Series A Voting Preferred Stock is required for certain Company actions, such as the acquisition or disposition of material assets or the operation or ownership of any business other than Hafnia Tankers LLC.

18 - Revenue

	For the years ended December 31	
	2017	**2016**
	(in thousands of U.S. dollars)	
Pool revenue	168,149	170,378
Time charter revenue	18,614	23,938
Other	523	389
	187,286	**194,705**

The following table depicts committed time charter revenue as of December 31, 2017 that will be recognized in future periods, assuming no off-hire days:

Minimum time charter revenue	Contract end	Days	Rate	Total
			(in thousands of U.S. dollars)	
Vessel 1	9/14/2021	1,353	17.8	24,016
Vessel 2	8/29/2021	1,337	17.8	23,732
				47,748

Information About Major Customers

No single customer contributed 10% or more to the Groups revenue in 2017 or 2016.

19 - Vessel Operating Cost

	For the years ended December 31 2017	2016
	(in thousands of U.S. dollars)	
Crew related expenses	(50,621)	(44,208)
Insurance	(4,998)	(5,030)
Stores	(3,299)	(2,659)
Spare parts and repairs	(10,036)	(8,488)
Food supplies	(2,508)	(2,164)
Lubricants, paints and chemicals	(3,887)	(3,230)
Other vessel operating costs	(6,590)	(5,961)
	(81,939)	**(71,740)**

20 - Charter hire

The table below shows the Group's time chartered-in vessel commitments as of December 31, 2017, assuming no off-hire days:

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

*LR1 on lease back bareboat charter-in the vessel for up to 12 years with a purchase option during the bareboat charter from year 4 of the lease contract at our discretion and a purchase obligation at the end of Charter.

The cost of Charter Hire recognized as expense in 2017 was USD 23,931 (2016: USD 28,423).

The amortization expense of USD 405 (2016: USD 3,736), related to Time charters acquired as a result of a Business Combination transaction, for the period ended December 31, 2017 is recognized as charter hire.

Year	Minimum charter hire (in thousands of U.S. dollars)
2018	25,069
2019	14,545
2020	14,585
2021	14,545
2022	14,545
2023	14,545
2024	14,585
2025	6,872
Total as of December 31, 2017	**119,291**
Total as of December 31, 2016	122,400

21 - General and Administrative Expenses

	For the years ended December 31	
	2017	**2016**
	(in thousands of U.S. dollars)	
Wages and salaries	(3,401)	(4,822)
Outsourced functions	(490)	(411)
Contributions to defined contribution plans	(198)	(200)
Other social security costs	(16)	(24)
Other administrative costs	(913)	(994)
Auditors, consultants and legal fees	(1,280)	(2,529)
	(6,298)	**(8,980)**
Share based compensation (non-cash)	(3,329)	(2,947)
	(3,329)	**(2,947)**
	(9,627)	**(11,927)**

22 - Financial expenses

	For the years ended December 31	
	2017	**2016**
	(in thousands of U.S. dollars)	
Interest on bank loans	(24,673)	(19,553)
Loss arising on interest rate cap designated as a cash flow hedge	(1,082)	(1,081)
Other finance costs	(575)	(689)
	(26,330)	**(21,323)**

Other finance costs primarily represent currency exchange losses.

23 - Financial income

	For the years ended December 31	
	2017	**2016**
	(in thousands of U.S. dollars)	
Other finance income	555	75
	555	**75**

Other financing income primarily represents currency exchange gains.

24 - Share-based compensation

During 2014, 2015 and 2016, the Group has established three share-based incentive programs. Under the first program 1,209,140 warrants were granted on August 11, 2014, and 1,090,860 warrants were granted on December 1, 2014. Under the second program 100,000 options were granted on December 1, 2014, 100,000 options were granted on November 1, 2015 and 100,000 options were granted on November 1, 2016. Under the third program 16,434 Restricted Share Units were granted on October 1, 2015, 17,857 Restricted Share Units were granted on March 17, 2016 and 873 Restricted Share Units were granted on December 14, 2016.

Warrant Program

The program comprises 13 tranches with various vesting conditions. The warrants vest at the latter of completion of a specified minimum service period and volume weighted average share price above a pre-defined share price as set out in the vesting schedule shown below, i.e. there is no predetermined vesting period provided that the employment has not ceased at this point in time. Under the terms of the warrant program, warrants are granted at an exercise price of USD 10.0.

The vesting conditions of the respective tranches

Number of warrants granted	Minimum service period to complete from November 1, 2013	Share price threshold
300,000	5 years	N/A
166,667	1 year	12.5 USD
166,667	2 years	12.5 USD
166,667	3 years	12.5 USD
166,667	1 year	16.0 USD
166,667	2 years	16.0 USD
166,667	3 years	16.0 USD
166,667	1 year	18.5 USD
166,667	2 years	18.5 USD
166,666	3 years	18.5 USD
166,666	1 year	40.0 USD
166,666	2 years	40.0 USD
166,666	3 years	40.0 USD
2,300,000		

The warrants can only be settled through delivery of shares, and the program is therefore classified as an equity award. The warrant program contains anti-dilution provisions if changes occur in Hafnia Tankers Ltd.'s share capital prior to the warrants being exercised.

The weighted average remaining contractual life of the warrant program for the year ended December 31, 2017, was 2.87 years. There has been no exercises during the year. As of December 31, 2017, none of the warrants were exercisable.

Valuation of the Warrants

The fair value of the warrants, taking into account the share price condition, has been determined using a Monte Carlo valuation model. Each tranche has been valued individually subject to its unique combination of vesting conditions. Furhermore, the valuations have been done separately for each participant due to differences in expected exercise periods.

Due to the warrants being open-ended, the expected duration of the warrants has been estimated by applying an expected exercise threshold. The exercise threshold is assumed to renounce at the time of retirement due to a change in cash requirements and increased risk averseness, whereby vested awards will be exercised immediately provided they are in the money. Following retirement, remaining awards are assumed exercised simultaneously with vesting.

As a final cut-off point, the valuation model applies the file expectancy of the participants, based on average life expectancies. The shares price applied in the valuation is based on a Net Asset Value (NAV). The estimated share prices represent a best estimate of the fair market value as at August 11, 2014 and December 1, 2014 respectively.

Estimated volatility is based on the median volatility in a peer group of comparable listed entities.

The valuations are based on the following main assumptions as of the grant date:

	For warrants granted on	
	December 1, 2014	**August 11, 2014**
Valuation assumptions:		
Share-price after dilution	10.41 USD	10.75 USD
Risk free interest rate	1.7-2.3%	1.6-2.6%
Expected volatility	39.9%	41.1%
Expected exercise threshold	80%	80%

The total fair value of the 2,300,000 warrants granted is estimated to be USD 13,074. The expense recognized in 2017 amounts to USD 3,000 (2016: USD 2,671).

Option Program

The option program comprises 12 tranches with various vesting conditions. The options vest at the latter of completion of a specified minimum service period and volume weighted average share price above a defined share price as set out in the vesting schedule shown below. The options expires at the end of a 3-year exercise period afther the options have vested. Options are granted at an exercise price of USD 10 or USD final offer price per share when the Company's shares become listed, if higher.

2014 grant:

The vesting conditions of the respective tranches

Number of options granted	Minimum service period to complete from December 1, 2014	Share price threshold
8,334	1 year	Exercise price plus 25%
8,334	2 years	Exercise price plus 25%
8,334	3 years	Exercise price plus 25%
8,334	1 year	Exercise price plus 60%
8,333	2 years	Exercise price plus 60%
8,333	3 years	Exercise price plus 60%
8,333	1 year	Exercise price plus 85%
8,333	2 years	Exercise price plus 85%
8,333	3 years	Exercise price plus 85%
8,333	1 year	Exercise price plus 300%
8,333	2 years	Exercise price plus 300%
8,333	3 years	Exercise price plus 300%
100,000		

2015 grant:

The vesting conditions of the respective tranches

Number of options granted	Minimum service period to complete from November 1, 2015	Share price threshold
8,334	1 year	Exercise price plus 25%
8,334	2 years	Exercise price plus 25%
8,334	3 years	Exercise price plus 25%
8,334	1 year	Exercise price plus 60%
8,333	2 years	Exercise price plus 60%
8,333	3 years	Exercise price plus 60%
8,333	1 year	Exercise price plus 85%
8,333	2 years	Exercise price plus 85%
8,333	3 years	Exercise price plus 85%
8,333	1 year	Exercise price plus 300%
8,333	2 years	Exercise price plus 300%
8,333	3 years	Exercise price plus 300%
100,000		

2016 grant:

The vesting conditions of the respective tranches

Number of options granted	Minimum service period to complete from November 1, 2016	Share price threshold
8,334	1 year	Exercise price plus 25%
8,334	2 years	Exercise price plus 25%
8,334	3 years	Exercise price plus 25%
8,334	1 year	Exercise price plus 60%
8,333	2 years	Exercise price plus 60%
8,333	3 years	Exercise price plus 60%
8,333	1 year	Exercise price plus 85%
8,333	2 years	Exercise price plus 85%
8,333	3 years	Exercise price plus 85%
8,333	1 year	Exercise price plus 300%
8,333	2 years	Exercise price plus 300%
8,333	3 years	Exercise price plus 300%
100,000		

The options can only be settled through delivery of shares, and the program is therefore classified as an equity award. The option program contains anti-dilution provisions if changes occur in Hafnia Tankers Ltd.'s share capital prior to the options being exercised.

The weighted average remaining contractual life of the options granted December 1, 2014, was 5.40 years. There have been no exercises during the year. As of December 31, 2017, none of the options were exercisable.

The weighted average remaining contractual life of the options granted November 1, 2015, was 6.04 years. There have been no exercises during the year. As of December 31, 2017, none of the options were exercisable.

The weighted average remaining contractual life of the operations granted November 1, 2016, was 7.36 years. There have been no exercises during the year. As of December 31, 2017, none of the options were exercisable.

Valuation of the Options

The fair value of the options, taking into account the share price condition, has been determined using a Monte Carlo valuation model. Each tranche has been valued individually subject to its unique combination of vesting conditions.

The expected duration of the options within the 3-year exercise period after the options have vested has been estimated by applying an expected exercise threshold. The exercise threshold is assumed to renounce at the time of retirement due to a change in cash requirements and increased risk averseness, whereby vested awards will be exercised immediately provided they are in the money. Following retirement, remaining awards are assumed exercised simultaneously with vesting.

As a final cut-off point, the valuation model applies the life expectancy of the participants, based on average Danish life expectancies. The shares price applied in the valuation is based on a NAV estimate. The estimated share prices represents a best estimate of the fair market value as at December 1, 2014, November 1, 2015 and November 1, 2016 respectively.

Estimated volatility is based on the median volatility in a peer group of comparable listed entities.

The valuations are based on the following main assumptions as of the grant date:

	For options granted on		
	November 1, 2016	**November 1, 2015**	**December 1, 2014**
Valuation assumptions:			
Share-price after dilution	8.98 USD	12.01 USD	10.41 USD
Risk free interest rate	1.5-1.9%	1.7-2.3%	2.0-2.4%
Expected volatility	39.3%	37.7%	39.9%
Expected exercise threshold	80%	80%	80%

The total fair value of the 300,000 options granted is estimated to be USD 1,634. The expense recognized in 2017 amounts to USD 207 (2016: USD 159).

Restricted Share Unit Program

The Restricted Share Units can be settled through delivery of shares or with cash or part cash and part shares. The settlement in either shares, cash or a combination is solely decided by the Group and the program is therefore classified as an equity award. The Restricted Share Unit progrm contains anti-dilution provisions if changes occur in Hafnia Tankers Ltd.'s share capital prior to the Restricted Share Units vesting.

The weighted average remaining contractual life of the Restricted Share Unites Granted in 2015 is 1,75 years.

The weighted average remaining contractual life of the Restricted Share Units Granted in 2016 is 2.34 years.

No Restricted Share Unit has vested during the year.

Valuation of the Restricted Share Units

The total fair value of the 16,434 Restricted Share Units granted on October 1, 2015 is estimated to be USD 200. The total fair value of the 17,857 Restricted Share Units granted on March 17, 2016 is estimated to be USD 225. The total fair value of the 873 Restricted Share Units granted on December 14, 2016 is estimated to be USD 7.

The expense recognized in 2017 amounts to USD 122 (2016: USD 117). For the year ended December 31, 2017, 31,415 Restricted Share Units are outstanding.

25 - (Loss) / Earnings Per Share

	For the years ended December 31	
	2017	**2016**
(Loss) / profit for the year (USD thousand)	(11,565)	12,021
Consolidated (loss) / profit attributable to non-controlling interests (USD thousands)	(4,058)	4,218
(Loss) / profit attributable to equity holders of the parent (USD thousand)	(7,507)	7,803
Weighted average number of shares (in thousands)	33,946	33,946
Diluted weighted average number of shares in issue (in thousands)	33,946	33,977
(Loss) / earnings per share (USD)	**(0.22)**	**0.23**
Diluted (loss) / earnings per share (USD)	**(0.22)**	**0.23**

During the financial year ended December 31, 2017 the Class B Units and the Class C Units, which include 18,191,712 and 162,911 respectively (December 31, 2016: 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 December 31, 2017, 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 (December 31, 2016: 2,300,000 warrants, 300,000 options and 35,164 Restricted Stock Units). The warrant and options have not had a dilutive effect in 2017 as they are not in the money.

26 - Financial Risks and Financial Instruments

We have identified below the main risk categories in which the Group's activities can be categorized under:

- Operational risks
- Liquidity risk
- Interest risk
- Foreign currency risk
- Credit risk

Operational Risks

Freight Rate

The Group's activities expose it to price risk associated with changes in the freight rate. The daily freight rate (the spot rate) measured in USD per day, has historically been very volatile. The volatility influences day-to-day operations in following ways:

- When rates are low the Group sees it as an opportunity to increase market exposure, and
- When rates are high the Group will seek to hedge short-term to medium-term exposure by chartering-out vessels or by actively trading freight-related derivatives.

In addition, the Group trades its spot exposed vessels in different pools that reduces the sensitivity to freight rate volatility by economies of scale and optimization of the fleet's geographical position.

Sensitivity to a change in freight rates of USD 1,000 per day

	2017	**2016**
	(in thousands of U.S. dollars)	
Change in net Income / Loss	14,791	13,357
Change in Equity	14,791	13,357

Liquidity Risk

Liquidity risk is the risk that an entity will not be able to meet the financial obligations as they fall due. The Group manages the liquidity risk by maintaining adequate reserves and borrowing facilities and by continously monitoring forecast and actual cash flows. The Group does not have significant liquidity risk as cash and other current assets exceed short term liabilities significantly as of December 31, 2017.

The following table details the Group's contractual maturities of its financial liabilities. The table has been prepared based on the undiscounted cash flow of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both estimated interest and principal cash out flows. Variable future interest payments were determined based on an average LIBOR plus the margins applicable to the Group's loans at the end of each year presented.

2017	Weighted average interest rate	Carrying amount	Contractual cash flows	<1 year	1-2 years	2-5 years	>5 years
			(in thousands of U.S. dollars)				
Variable interest bearing	3.66%	534,205	619,190	70,614	68,675	291,739	188,162
Acounts payable, non-interest bearing	-	4,547	4,547	4,547	-	-	-
Accrued expenses and other payables *	-	5,025	5,025	5,025	-	-	-
		543,777	**628,762**	**80,186**	**68,675**	**291,739**	**188,162**

2016	Weighted average interest rate	Carrying amount	Contractual cash flows	<1 year	1-2 years	2-5 years	>5 years
			(in thousands of U.S. dollars)				
Variable interest bearing	3.17%	544,517	627,802	66,286	64,738	183,301	313,477
Shareholder loan, non-interest bearing	-	1,733	1,733	1,733	-	-	-
Accrued expenses and other payables*	-	6,945	6,945	6,945	-	-	-
		553,195	**636,480**	**74,964**	**64,738**	**183,301**	**313,477**

* Accrued interest is part of "Accrued expenses" in note 16, however in the above table "Accrued expenses" are included in "variable interest bearing".

2016 Contractual cash flows over time has been updated due to an erroneous presentation in the 2016 financial statement, caused by a missing update. The changes has no efftect on the carrying amount liability as of 31, December 2016.

As at December 31, 2017, the Group had zero available borrowing capacity unders its credit facilities (2016: USD 67,243). As at December 31, 2017, the Group had undrawn facilities totaling USD 2,400 (2016: USD 5,200) consisting of 6 separate loan agreements with Hafnia Management A/S covering 6 specific vessels. The loan agreements give the Group a loan facility of USD 400 per vessel, that can be used to finance the working capital deposit required to participate in the pool.

Interest Rate Risk

The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk in relation to its borrowings. Financial instruments issued at variable rates expose the Group to cash flow interest rate risk. Financial instruments issued at fixed rates expose the Group to fair value interest rate risk.

At the reporting date the interest rate profile of interest bearing financial instruments was:

	2017	2016
Variable rate instruments	*(in thousands of U.S. dollars)*	
Bank loans	534,205	544,517
	534,205	**544,517**

Interest Rate Sensitivity Analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of the reporting year. The analysis is prepared assuming the amount of long-term bank borrowings and liabilities outstanding at the statement of financial position date were outstanding for the whole year.

An increase of 100 basis points in interest rates at year end would (decreased) equity and profit by the amounts shown below. This analysis assumes that all other variables remain constant including no fair value changes on our cash flow hedges.

	2017	2016
	(in thousands of U.S. dollars)	
Bank loans	(5,342)	(5,445)
	(5,342)	**(5,445)**

The board of directors has adopted a Risk Management Policy for interest rate exposure. The objective of Hafnia's interest rate policy is to enable Hafnia to achieve a high level of certainty that any adverse movements in interest rates will not afect the Groups cash flow, while still allowing the Group to benefit from the current low interest rate market.

The Groups interest rate risk is hedged in accordane with the following targets:

- Up to 75 per cent of the Group's total debt shall be hedged
- The duration of the Group's total hedge, shall reflect the combined Group loans
- The tenors of the hedges shall not exceed the tenors of the combinded Group loans

See note 27 for further information on hedge.

Foreign Currency Risk

The Group's operating cash inflows are substantially derived from its shipping activities, which are almost entirely priced in US dollars whilst costs are also mostly in US dollars, thus creating a natural hedge. The Group's general and administrative costs are mainly incurred in Euro. These expenses are susceptible to foreign currency movements between USD and the Euro. However, we do not expect the impact of any fluctuations in foreign currency to be material. An insignificant part of the Group's transactions in Hafnia Tankers ApS will be subject to exposure to foreign currency risk related to Danish Kroner ("DKK").

Credit Risks

Credit risk primarily refers to the risk that a pool member or a customer default on its obligations resulting in a financial loss for the Group. The Group has not experienced any losses in 2017. The Group focuses on choosing pools with a solid reputation and a history of distributing revenue on a predictable basis.

The credit risk on liquid funds is limited as the banks used have a high credit rating (minimum a long-term A) assigned by international credit rating agencies.

Capital Structure

The capital structure of the Group is reviewed on an ongoing basis to ensure that the capital structure is in alignment with the strategic ambition of an increased fleet. The Group expects to continue to finance vessel acquisition through a combination of traditional vessel financing and equity raises.

Categories of Financial Instruments

	As of December 31	
	2017	**2016**
Financial assets	*(in thousands of U.S. dollars)*	
Cash and cash equivalents	48,127	95,488
Receivables	55,265	39,354
Financial liabilities		
Bank loans	534,205	544,517
Financial liabilities measured at amortised cost	9,795	13,548
Derivative instruments in designated hedge accounting relationships	3,061	639

27 - 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 no 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 December 31, 2017 was a liability of USD 3,061. The fair market value of the hedging agreement is comprised of discounted premiums, a liability of USD 6,093, and the value of the hedging instruments, USD 3,032.

The impact of the hedging instruments designated in a hedging relationship as of December 31, 2017 on the statement of financial position of the Group is, as follows:

Cash flow hedges *(in thousands of U.S. dollars)*	Notional amount	Carrying amount	Line in the statement of financial position	Change in fair value used to measure ineffectiveness
Interest rate risk:				
Pay fixed / receive variable interest rate cap with a strike of 3%	300,000	(3,061)	Derivatives	-

The impact of the hedged items designated in a hedging relationship as of December 31, 2017 on the statement of financial position of the Group is, as follows:

Cash flow hedges *(in thousands of U.S. dollars)*	Change in fair value used to ineffectiveness	Cash flow hedge reserve
Interest rate risk:		
Forecast interest rate payments	-	(3,061)

The above hedging relationships affected profit or loss and other comprehensive income, as follows:

Cash flow hedges	Hedging gain or loss recognized in Other Comprehensive Income	Ineffectiveness recognized in profit or loss	Line item in the statement of profit or loss	Amount reclassified from Other Comprehensive Income to profit or loss	Line item in the statement of profit or loss
Interest rate risk:					
Forecast interest rate payments	(3,504)	-	N/A	(1,082)	Financial expenses

28 - Finance lease

2017	**Minimum lease payments**	**<1 year**	**1-5 years**	**>5 years**
		(in thousands of U.S. dollars)		
LR1* Leaseback	25,492	1,479	9,520	14,492
	25,492	1,479	9,520	14,492

*LR1 on lease back bareboat charter-in the vessel for up to 12 years with a purchase option during the bareboat charter from year 4 of the lease contract at our discretion and a purchase option at the end of Charter.

29 - 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.

30 - Subsequent events

Except for the below, there have not been any significant events afther the balance sheet date at December 31, 2017.

On February 14, 2018, we concluded an agreement to the sale of an LR1 product tanker. As part of this agreement, we agreed to bareboat charter-in the vessel for up to 12 years with a purchase option during the bareboat charter from year 4 of the lease contract at our discretion and a purchase obligation at the end of Charter.

The Consolidated Financial Statements were authorized for issuance by the Board of Directors on March 21, 2018.

APPENDIX G

CONSOLIDATED FINANCIAL STATEMENTS FOR HAFNIA TANKERS LIMITED AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2016

Hafnia Tankers Ltd.

Consolidated Financial Statements

For the Years Ended December 31, 2016 and 2015

Statement by Management on the Consolidated financial statements

The Board of Directors have today, March 16, 2017, discussed and approved the Consolidated financial statements of Hafnia Tankers Ltd. and subsidiaries (the "Group") for the financial years 2016 and 2015.

The Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

It is our opinion that the Consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2016 and 2015 and of the results of the Group's operations and cash flows for the financial years January 1–December 31, 2016 and 2015.

Board of Directors

Erik Bartnes	Peter Stokes	Jesper Kjaedegaard
Robert Jordan	Jasvinder Khaira	Ted Kalborg
Octavian Popescu	Greg Geiling	

Report of independent registered public accounting firm

To the Board of Directors and Shareholders of Hafnia Tankers Ltd.
Majuro, Marshall Islands

We have audited the accompanying consolidated balance sheet of Hafnia Tankers Ltd. and subsidiaries (the "Company") as of December 31, 2016 and 2015 and the consolidated statement of profit, comprehensive income, changes in shareholders' equity, and cash flows for the year ended December 31, 2016 and 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements presents fairly, in all material respects, the financial position of Hafnia Tankers Ltd. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and cash flows for year ended December 31, 2016 and 2015, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Copenhagen, March 16, 2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No 33 96 35 56

/s/ Kirsten Aaskov Mikkelsen	/s/ Henrik Kjelgaard
State Authorised	State Authorised Public
Accountant	Public Accountant

Hafnia Tankers Ltd.
Consolidated Balance Sheet

	Note	As of December 31 2016	2015
		(in thousands of U.S. dollars)	
ASSETS			
Current assets			
Cash and cash equivalents	3	95,488	122,856
Accounts receivable	4	9,960	12,919
Prepaid expenses and other receivables	5	10,605	13,282
Inventories	6	4,484	4,496
Total current assets		**120,537**	**153,553**
Non-current assets			
Vessels and dry dock	8	963,476	845,245
Vessels under construction	8	42,893	96,393
Goodwill	7	6,003	6,003
Time charters acquired	7	405	4,141
Contract values vessels under construction	7	230	4,279
Prepaid financing fee		-	920
Interests in associates	9	1,940	4,108
Pool working capital deposit	12	26,000	24,400
Deferred tax		93	338
Total non-current assets		**1,041,040**	**985,827**
Total assets		**1,161,577**	**1,139,380**
LIABILITIES & EQUITY			
Current liabilities			
Bank loans	14	47,713	41,340
Accounts payable	15	1,733	3,433
Accrued expenses and other payables	16	9,822	12,261
Deferred revenue		1,212	-
Tax payable		47	68
Total current liabilities		**60,527**	**57,102**
Non-current liabilities			
Bank loans	14	496,804	462,973
Derivatives	27	639	2,702
Total non-current liabilities		**497,443**	**465,675**
Total liabilities		**557,970**	**522,777**
Shareholders' equity			
Issued, authorized and paid in share capital			
Share capital		339	339
Additional paid in capital	17	352,423	351,743
Treasury shares		(258)	(200)
Accumulated profits		42,705	53,077
Cash flow hedging reserve		(473)	(1,767)
Translation reserve		(34)	(34)
Equity holders of the parent		394,702	403,158
Non-controlling interests		208,905	213,445
Total equity		**603,607**	**616,603**
Total liabilities and equity		**1,161,577**	**1,139,380**

Hafnia Tankers Ltd.
Consolidated Statement of Profit

	Note	For the years ended December 31 2016	2015
		(in thousands of U.S. dollars)	
Revenue			
Revenue	18	194,705	212,411
		194,705	**212,411**
Operating expenses			
Vessel operating costs	19	(71,740)	(55,089)
Technical management fee		(4,868)	(3,864)
Charter hire	20	(32,159)	(35,033)
Voyage expenses		(635)	(589)
Depreciation	8	(44,858)	(33,904)
General and administrative expenses	21	(11,927)	(12,825)
Total operating expenses		**(166,187)**	**(141,304)**
Other operating income			
Other operating income		4,937	3,837
Share of associates profit	9	918	2,140
		5,855	**5,977**
Operating profit		**34,373**	**77,084**
Financial expenses and income			
Financial expenses	22	(21,323)	(17,155)
Financial income	23	75	276
Profit before tax		**13,125**	**60,205**
Taxes	13	(1,104)	(580)
Profit for the year		**12,021**	**59,625**
Attributable to:			
Equity holders of the parent		7,803	38,791
Non-controlling interests		4,218	20,834
		12,021	**59,625**
Earnings per share attributable to equity holders of the parent:			
Basic earnings per share (USD)	25	0.23	1.15
Diluted earnings per share (USD)	25	0.23	1.15
Shares used in computing earnings per share attributable to equity holders of the parent:			
Basic (in thousands)	25	33,946	33,658
Diluted (in thousands)	25	33,977	33,663

Hafnia Tankers Ltd.
Consolidated Statement of Comprehensive Income

	For the years ended December 31	
	2016	**2015**
	(in thousands of U.S. dollars)	
Profit for the year	**12,021**	**59,625**
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or (loss):		
Fair value gains (losses) on cash flow hedges	982	(3,174)
Reclassification to profit or (loss) related to cash flow hedges	1,081	472
Exchange differences on translating foreign operations	(70)	(18)
Other comprehensive income (loss) after tax	**1,993**	**(2,720)**
Total comprehensive income	**14,014**	**56,905**
Attributable to:		
Equity holders of the parent	9,096	37,013
Non-controlling interests	4,918	19,892
	14,014	**56,905**

Hafnia Tankers Ltd.
Consolidated Statement of Changes in Equity

	Attributable to the equity holders of the parent								
(in thousands of U.S. dollars)	**Share capital nominal**	**Additional paid in capital**	**Accumulated profits**	**Treasury shares**	**Cash flow hedging reserve**	**Translation reserve**	**Total**	**Non-controlling interests**	**Total equity**
Balance as of January 1, 2015	323	339,800	12,618	-	-	(23)	352,718	172,495	525,213
Profit for the year	-	-	38,791	-	-	-	38,791	20,834	59,625
Other comprehensive (loss) for the year	-	-	-	-	(1,767)	(11)	(1,778)	(942)	(2,720)
Total comprehensive income	-	-	38,791	-	(1,767)	(11)	37,013	19,892	56,905
Capital contribution	16	13,183	-	-	-	-	13,199	20,831	34,030
Cost related to capital contribution	-	(850)	-	-	-	-	(850)	-	(850)
Prepaid costs relating to future share issuance	-	(1,048)	-	-	-	-	(1,048)	-	(1,048)
Purchase of treasury shares	-	-	-	(200)	-	-	(200)	-	(200)
Share-based compensation	-	-	2,553	-	-	-	2,553	-	2,553
Reallocation of non-controlling interests	-	658	(885)	-	-	-	(227)	227	-
	16	11,943	1,668	(200)	-	-	13,427	21,058	34,485
Balance as of December 31, 2015	**339**	**351,743**	**53,077**	**(200)**	**(1,767)**	**(34)**	**403,158**	**213,445**	**616,603**
Balance as of January 1, 2016	339	351,743	53,077	(200)	(1,767)	(34)	403,158	213,445	616,603
Profit for the year	-	-	7,803	-	-	-	7,803	4,218	12,021
Other comprehensive income for the year	-	-	-	-	1,294	-	1,294	699	1,993
Total comprehensive income	-	-	7,803	-	1,294	-	9,097	4,917	14,014
Write-off of prepaid costs relating to future share issuance	-	1,048	-	-	-	-	1,048	-	1,048
Purchase of treasury shares	-	-	-	(58)	-	-	(58)	-	(58)
Share-based compensation	-	-	2,947	-	-	-	2,947	-	2,947
Dividend paid, $0.592 per share	-	-	(30,947)	-	-	-	(30,947)	-	(30,947)
Reallocation of non-controlling interests	-	(368)	9,825	-	-	-	9,457	(9,457)	-
	-	680	(18,175)	(58)	-	-	(17,553)	(9,457)	(27,010)
Balance as of December 31, 2016	**339**	**352,423**	**42,705**	**(258)**	**(473)**	**(34)**	**394,702**	**208,905**	**603,607**

Hafnia Tankers Ltd.
Consolidated Statement of Cash Flow

	Note	For the year ended December 31 2016	2015
		(in thousands of U.S. dollars)	
Operating activities			
Profit for the year		12,021	59,625
Depreciation	8	44,858	33,904
Amortization of time charters acquired	7	3,736	4,517
Share-based compensation		2,947	2,553
Write-off of prepaid cost relating to future share issuance		1,048	-
Financial expenses	22	21,323	17,155
Tax expense	13	1,104	580
Share of associates profit	9	2,102	(2,140)
		89,139	**116,194**
Changes in assets and liabilities:			
Decrease / (increase) in inventories	6	12	(1,671)
Decrease / (increase) in accounts receivable	4	2,955	(1,247)
Decrease / (increase) in prepaid expenses and other receivables	5	1,432	(5,891)
(increase) in pool working capital deposit	12	(1,600)	(2,150)
(decrease) / increase in accounts payable	15	(1,678)	2,139
(decrease) / increase in accrued expenses and other payables	16	(1,290)	4,437
Increase in deferred income		1,212	-
		1,043	**(4,383)**
Financial expenses paid		(22,472)	(14,151)
Taxes paid		(880)	(563)
Net cash inflow from operating activities		**66,830**	**97,097**
Investing activities			
Payments for vessels under construction		(99,033)	(188,694)
Payments for vessels including drydock		(6,507)	(144,907)
Net cash (outflow) from investing activities		**(105,540)**	**(333,601)**
Financing activities			
Bank loan repayment		(69,394)	(56,818)
Draw down on credit facility		113,717	313,521
Cost relating to share issuance		-	(1,898)
Prepaid financing fee		(1,954)	(2,990)
Dividend paid		(30,947)	-
Proceeds from share capital increase		-	34,030
Purchase of treasury shares		(58)	(200)
Net cash inflow from financing activities		**11,364**	**285,645**
Net cash flow from operating, investing and financing activities		**(27,346)**	**49,141**
Cash and cash equivalents at January 1	3	122,856	73,746
Effects of exchange rate changes on the balance of cash held in foreign currencies		(22)	(31)
Cash and cash equivalents at December 31	3	**95,488**	**122,856**

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

Consolidated Financial Statements

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 and Critical Accounting Estimates and Judgments

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

The financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of the financial statements in conformity with IFRS requires management to make estimates and judgments that affect the recognition and measurement of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported performance. Management bases its estimates and judgments on historical data and other assumptions and sources that are considered reasonable. Actual results could differ from those estimates and judgments. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Group has identified the following significant accounting estimates and judgments used in the preparation of its consolidated financial statements.

Impairment of vessels and dry docks

The Group reviews its vessels including the dry dock component for impairment whenever events or circumstances indicate the carrying value of an asset, including the carrying value of the related time charter contract, if any, under which the vessel is employed, may not be recoverable. In the event of indication of impairment, the recoverable amount of the vessels, being the higher of value in use and fair value less cost to sell, is assessed. If the recoverable amount is estimated to be less than its carrying amount, the carrying value of the asset is written down to its recoverable amount. Fair value less cost to sell is estimated by use of independent broker valuations, and value in use is calculated as net present value of future cash flows to be derived from the vessels during their useful life. In determining the value in use calculation, certain assumptions relating to the estimates of future cash flows are more predictable by their nature, including estimated revenue under existing contract terms. Certain assumptions relating to the estimates of future cash flows require more discretion and are inherently less predictable, such as future charter rates beyond the firm period of existing contracts and vessel residual values, due to factors such as the volatility in vessel charter rates and vessel values.

Vessels and dry dock

The carrying value of each of the Group's vessels represents its original cost at the time it was delivered or purchased (except for vessels acquired in a business combination, which are measured at fair value at the date of acquisition) less depreciation and impairment. The vessels are depreciated to their residual value on a straight-line basis over their estimated useful lives, commencing at the date the vessels were originally delivered to the Group. The estimated useful life of the Group's vessels is 25 years from the date of the vessels' initial completion from the shipyard, which is consistent with industry practice for similar vessels. The estimated useful life of the vessels also takes into account design life, commercial considerations and regulatory restrictions.

The residual value is estimated as the lightweight tonnage of each vessel multiplied by a forecast scrap value per ton which has been estimated at USD 300 per ton. The estimated residual value of the vessels may not represent the market value at any one time since market prices of scrap values tend to fluctuate.

An increase in the estimated useful life of a vessel or in its residual value would have the effect of decreasing the annual depreciation charge and extending it into later periods. A decrease in the useful life of a vessel or residual value would have the effect of increasing the annual depreciation charge.

Dry dock costs are recognized as a separate component of each vessel's carrying amount and depreciated on a straight-line basis over the estimated period until the next dry dock.

The Group must periodically dry dock each of its vessels for inspection, repairs and any modifications. At the time of delivery of a vessel, an estimate of the dry docking component of the cost of the vessel is determined, representing estimated costs to be incurred during the first dry docking at the dry dock yard for a special survey and parts and supplies used in making required major repairs that meet the recognition criteria, based on the Group's historical experience with similar types of vessels. The Group only includes in deferred dry docking costs those direct costs that are incurred as part of the dry docking to meet regulatory requirements, or are expenditures that extend the economic life of the vessel, increase the vessel's earnings capacity or improve the vessel's efficiency. Direct costs include shipyard costs, hull preparation and painting, inspection of hull structure and mechanical components, steelworks, machinery works, and electrical works. Expenditures for normal maintenance and repairs, whether incurred as part of the dry docking or not, are expensed as incurred.

Management uses judgment when estimating the period between dry dockings performed, which can result in adjustments to the estimated depreciation of the dry docking expense. If a vessel is disposed of before its next dry docking, the remaining balance of the deferred dry dock is written off and forms part of the gain or loss recognized upon disposal of vessels in the period when contracted. The Group expects that its vessels will be required to be dry docked approximately every 60 months where the vessels will be required to undergo special or intermediate surveys and be dry docked for major repairs and maintenance that cannot be performed while the vessels are operating. The

Group depreciates its estimated dry docking expenses for the first special survey over five years, but this estimate might be revised in the future.

Share-based compensation

The Group operates equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (warrants, options and Restricted Share Units) of the Group. The fair value of the employee services received in exchange for the grant of the warrants, options and Restricted Share Unit plans is recognized as an expense on a straight-line basis over the vesting period. The total amount to be expensed is determined by reference to the fair value at the grant date of the warrants and options granted including any market performance conditions such as a share-price trigger excluding the impact of any service vesting conditions, as the fair value of the services cannot be estimated reliably.

Service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified service vesting conditions are to be satisfied.

The determination of the grant date fair value of the warrants and options is affected by the estimated fair value of the Company's underlying shares, as well as assumptions regarding a number of other complex and subjective variables. The fair values of the Company's common shares underlying the share-based awards were estimated on each grant date based on a net asset value of the Company.

Significant Accounting Policies

Basis for segmentation

Each of the Group's vessels serve the same type of customer, have similar operations and maintenance requirements, operate in the same regulatory environment, and are subject to similar economic characteristics. Based on this, the Group has determined that it operates in one reportable segment, the international transportation of petroleum products with its fleet of vessels.

Further, as the operations are not limited to specific parts of the world, it is therefore not possible to provide geographical information on revenue and non-current assets.

Business combinations

Newly acquired entities are recognized in the financial statements on the acquisition date, which is the date on which control over the entity is transferred.

Business combinations are accounted for using the acquisition method. Identifiable assets and liabilities are measured at fair value at the acquisition date. The cost of a business combination is measured as the fair value of the consideration paid, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition costs are recognized in profit or loss as incurred.

Goodwill is recognized where the cost of the business combination exceeds the fair value of the acquired assets, liabilities and contingent liabilities.

Share-based payment

The Group operates equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (warrants, options and Restricted Share Units) of the Group. The fair value of the employee services received in exchange for the grant of the warrants, options and Restricted Share Unit plans is recognized as an expense on a straight-line basis over the vesting period. The total amount to be expensed is determined by reference to the fair value at the grant date of the warrants and options granted including any market performance conditions such as a share-price trigger excluding the impact of any service vesting conditions, as the fair value of the services cannot be estimated reliably.

Service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified service vesting conditions are to be satisfied.

Non-controlling interests

Non-controlling interests are measured initially at either their proportionate share of the acquiree's net assets at the acquisition date or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in other IFRS.

Changes in the Group's interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its powers over the entity. The financial statements of a subsidiary are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Interests in equity-accounted investees

The Group's interest in equity accounted investees comprises associates.

Associates are those entities in which the Group has significant influence, but not control or joint control. Interest in associates are accounted for using the equity method from the date at which significant influence exists.

At initial recognition the investment is measured at cost, which includes transaction costs. On acquisition, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment.

Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss, and other comprehensive income until the date on which significant influence ceases to exist.

Transactions in foreign currency

Foreign currency transactions are translated into the functional currency at the exchange rate of the date when initially recognized. Gains and losses arising between the exchange rate of the transaction date and that of the settlement date are recognized in the income statement under financial income or financial expense.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates then prevailing. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognized in the statement of profit or loss under financial income or financial expense.

Revenue

Revenue is recognized when an agreement exists, the vessel is made available to the charterer or services are provided, the charter hire is determinable and collection of the related revenue is reasonably assured.

Time charter

The Group recognizes revenues from time charters daily over the term of the charter. The Group does not recognize revenue during days that the vessel is off-hire.

Participation in pools

Most of the Group's vessels participate in commercial pools in which other vessel owners with similar, high-quality, modern and well-maintained vessels also participate. Pools employ experienced commercial charterers and operators who have established relationships with customers and brokers, while technical management is arranged by each vessel owner. The managers of the pools negotiate charters with customers primarily in the spot market. The earnings allocated to vessels are aggregated and divided on the basis of a weighted scale, or Pool Points, which reflect comparative voyage results on hypothetical benchmark routes. The Pool Point system is generally weighted by attributes such as size, fuel consumption, class notation and other capabilities. Pool revenues are recognized when the vessel has participated in a pool during the period and the amount of pool revenue for the period can be estimated reliably.

Other operating income

Other operating income is recognized when an agreement exists, the amount is determinable and collection is reasonably assured.

Vessel operating costs

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

Technical management fee

Technical management fees are expensed as incurred.

General and administrative expenses

General and administrative expenses which include costs of auditors, salary, office expenses and external assistance are expensed as incurred.

Financial income and expense

Financial income and expense include interest income and expense, realized and unrealized exchange gains and losses and other financial income and expenses and are recognized as incurred on the accrual basis.

Vessels and dry dock

Vessels including the dry dock component are measured at cost less accumulated depreciation and accumulated impairment losses. The basis of depreciation is calculated as the excess of cost over the estimated residual value.

The residual value of vessels is determined based on the market price per lightweight ton for scrapping of the vessel. The basis for depreciation is allocated on a straight-line basis over the vessels expected useful life which is estimated to be 25 years.

The vessels are required to undergo planned dry docks for replacement of certain components, major repairs and maintenance of other components, which cannot be carried out while the vessels are operating, approximately every 60 months depending on the nature of work and external requirements. These dry dock costs are capitalized as a component of the vessels and depreciated on a straight-line basis over the estimated period until the next dry dock. We only include in deferred dry docking those direct costs that are incurred as part of the dry docking to meet regulatory requirements, or are expenditures that add economic life to the vessel, increase the vessel's earnings capacity or improve the vessel's efficiency. Direct costs include shipyard costs as well as the costs of placing the vessel in the shipyard. Expenditures for normal maintenance and repairs, whether incurred as part of the dry docking or not, are expensed as incurred.

For an acquired or newly built vessel, a notional dry dock is allocated from the vessel's cost. The notional dry dock cost is estimated by us, based on the expected costs related to the next dry dock, which is based on experience and past history of similar vessels, and is accounted as a separate component from the vessel component. Subsequent dry docks are recorded at actual cost incurred. The dry dock asset is depreciated on a straight-line basis to the next estimated dry dock. The estimated depreciation period for dry dock is based on the estimated period between dry docks. We estimate the period between dry docks to be 60 months. When the dry dock expenditure is incurred prior to the expiry of the period, the remaining balance is expensed.

Vessels under construction

Vessels under construction are measured at cost and include costs incurred that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. These costs include installment payments made to the shipyards, professional fees and other costs deemed directly attributable to the construction of the asset.

Goodwill

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortized but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets

Intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the assets estimated useful lives, which for contract values vessels under construction and contract values undelivered vessels are the remaining term of the contracts. The estimated useful lives for favorable time charters acquired is the contracted period including optional extension periods, when there is evidence to support renewal by the entity without significant cost. The estimated useful life and amortization method are reviewed at the end of each annual reporting period taking into account any changes in assessment in the future.

Amortization is recognized in profit or loss unless the future economic benefits embodied in the intangible asset are absorbed in producing other assets, in which case, the amortization charge constitutes part of the cost of the other asset and is included in its carrying amount.

Impairment of tangible and intangible assets other than goodwill

Other intangible and tangible assets are tested for impairment at each balance sheet date if there are any indications that those assets have suffered an impairment loss. If any impairment indications exist for other intangible or tangible assets, the recoverable amount of the asset is estimated in order to determine the extent of a potential impairment loss.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount.

Any impairment loss is recognized as an expense immediately. Where an impairment loss for other intangible and tangible assets subsequently reverses the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventory

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

Receivables

Amounts due from the pools and other receivables that have fixed or determinable payments are classified as accounts receivable. Accounts receivable are measured at the lower of amortized cost and net realizable value, which corresponds to nominal value less provision for bad debts.

Interest income is recognized by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Prepaid expenses and other receivables

Prepaid expenses include payments relating to goods or services that are made in advance of when the related goods or services will be incurred. The main prepaid expenses are related to technical management, where it is common practice to pay in advance, and prepaid financing fees. Other receivables are measured at the lower of amortized cost and net realizable value, which corresponds to nominal value.

Other assets

Other assets include deposits of working capital to pools. Other assets are measured at the lower of amortized cost and net realizable value, which corresponds to nominal value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. Cash and cash equivalents are measured at the nominal amounts.

Bank loans

Bank loans are initially recognized at fair value, which is normally equal to the proceeds received, less directly attributable transaction costs. Subsequently, bank loans are measured at amortized cost using the effective interest rate method, such that the difference between the proceeds and the redemption value is recognized in the income statement over the life of the loan.

Accounts payable and other payable

Trade payables are initially measured at fair value and subsequently at amortized cost.

Deferred income

Deferred income includes prepayments received relating to income in periods after the balance sheet date. Deferred income is measured at cost.

Tax

The Group’s shipping activities are generally taxed under a tonnage based tax scheme. The Group participates in the tonnage tax scheme in Singapore, Cyprus, Denmark and Malta. Under the tonnage tax scheme, the Group’s applicable tonnage tax expense and liability is estimated based on the weight (measured in tonnage) of the vessels and the number of days during the year that the vessels are at the Group's disposal, excluding time for repairs. No deductions, including depreciation of the vessels, are included when calculating tonnage tax payable. As the tonnage tax is not accounted for as an income tax and the Group intends to continue to remain under the scheme for the foreseeable future, no deferred tax assets and liabilities are recognized in relation to its shipping activities.

The subsidiary Hafnia Tankers ApS is subject to corporate income tax, and has a balance of tax losses that may be carried forward as deductions in future earnings in Denmark, including the Danish tonnage tax, for which a deferred tax asset has been recognized.

Tonnage taxes are presented within Taxes in the Statement of Profit.

Lease arrangements

The Group may enter into either time charter or bareboat arrangements. In a time charter arrangement the vessel's owner is responsible for crewing and other vessel operating costs whereas in a bareboat arrangement the lessee has these responsibilities.

For accounting purposes, lease obligations are divided into finance and operating leases. Leases are classified as finance leases if they transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases.

Time charter arrangements are normally accounted for as operating leases and bareboat arrangements may be classified as either a finance or an operating lease depending the fact and circumstances of the individual arrangement.

The Group as lessee

Agreements to charter in vessels, where the Group has substantially all the risks and rewards of ownership, are recognized in the balance sheet as finance leases. Lease assets are measured at the lower of fair value and the present value of minimum lease payments determined in the leases.

For the purpose of calculating the present value, the interest rate implicit in the lease or an incremental borrowing rate is used as discount factor. The lease assets are depreciated and written down under the same accounting policy as the vessels owned by the Group or over the lease period depending on the lease terms.

The corresponding lease obligation is recognized as a liability in the balance sheet. Lease payments are apportioned between finance expenses and reduction in the lease obligation so as to achieve a constant rate of interest on the lease obligation. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Other charter agreements concerning vessels and other leases are classified as operating leases, and the minimum lease payments are recognized in profit or loss on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. The obligation for the remaining lease term is disclosed in the notes to the financial statements.

The Group as lessor

Agreements to charter out vessels, where substantially all the risks and rewards of ownership are transferred to the lessee, are classified as finance leases, and an amount equal to the net investment in the lease is recognized and presented in the balance sheet as a receivable. The carrying amount of the vessel is de-recognized and any gain or loss on disposal is recognized in the income statement.

Other agreements to charter out vessels are classified as operating leases, and minimum lease payments are recognized as revenue in the income statement on a straight-line basis over the lease term. Contingent payments are recognized as an income when incurred.

Earnings per share

Basic earnings per share are calculated by dividing the consolidated net profit or loss for the year available to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted earnings per share are calculated by adjusting the consolidated profit or loss available to common shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive shares. Such potentially dilutive common shares are excluded when the effect of including them would be to increase earnings per share or reduce a loss per share.

Adoption of new or amended IFRSs

The Group has implemented the standards and interpretations effective for 2016. The implementation of the standards and interpretations has not had a material effect on the financial statements.

Accounting standards and interpretations not yet adopted
The International Accounting Standards Board ("IASB") has issued a number of new or amended and revised accounting standards and interpretations that have not yet come into effect:

- IFRS 15 "Revenue from contracts with customers"

IFRS 15 is effective from January 1, 2018 and is available for early adoption. The Group does not expect to early adopt IFRS 15. The Group's current practice for recognizing revenue complies in all material aspects with the concepts and principles encompassed by the new standard.

- IFRS 16 "Leases"

IFRS 16 is effective from January 1, 2019. Early adoption of IFRS 16 is permitted if IFRS 15 has also been applied. As the Group does not expect to early adopt IFRS 15, it also does not expect to early adopt this standard. The company is in the process of evaluating the impact the standard is expected to have on our consolidated financial statements.

Amendments:

- IAS 7 "Disclosure Initiatives"
- IAS 12 "Recognition of deferred tax assets for unrealized losses"
- IFRS 10/IAS 28 "Sale or Contribution of Assets between an investor and its Associate or Joint Venture"
- IAS 40 "Clarification of transfers or property to, or from, investment property"
- Changes from Annual Improvements to IFRS 2014-2016

The adoption of the amendments is not expected to have a material effect on the consolidated financial statements.

3 — Cash and Cash Equivalents

	As of December 31	
	2016	**2015**
	(in thousands of U.S. dollars)	
Cash at banks	95,098	122,571
Cash onboard vessels	390	285
	95,488	**122,856**

The table below shows a breakdown of cash held at banks:

2016 **Bank**	**Country**	**Rating***	**Amount in USD**	**Pct. of total cash**	**Currency**
Nordea Bank AB (publ.)	GB	AA-	89,992	94.6%	USD
Nordea Bank Danmark A/S	DK	AA-	4,112	4.3%	USD
Nordea Bank Danmark A/S	DK	AA-	692	0.7%	DKK
Other	Various	Various	302	0.3%	Various
			95,098		

2015 **Bank**	**Country**	**Rating***	**Amount in USD**	**Pct. of total cash**	**Currency**
Nordea Bank AB (publ.)	GB	AA-	98,767	80.6%	USD
Nordea Bank Danmark A/S	DK	AA-	23,091	18.8%	USD
Nordea Bank Danmark A/S	DK	AA-	377	0.3%	DKK
Other	Various	Various	336	0.3%	Various
			122,571		

***** Standard & Poor’s

4 — Accounts Receivable

	As of December 31	
	2016	**2015**
	(in thousands of U.S. dollars)	
Receivables from pools	9,916	12,632
Other accounts receivable	44	287
	9,960	**12,919**

The Group considers that the carrying amounts of accounts receivable approximates their fair value due to their short term nature. As at December 31, 2016 and 2015, no amounts are overdue or impaired. Accounts receivable are non-interest bearing.

5 — Prepaid Expenses and Other Receivables

	As of December 31	
	2016	**2015**
	(in thousands of U.S. dollars)	
Vessel related prepaid expenses	2,548	3,658
Prepaid financing fee	4,275	5,520
Prepaid insurance	388	1,301
Other short term receivables	3,394	2,803
	10,605	**13,282**

The Group considers that the carrying amounts of other short term receivables approximate their fair value due to their short term nature. As at December 31, 2016 and 2015, no amounts are overdue or impaired. These receivables are non-interest bearing.

6 — Inventories

	As of December 31	
	2016	**2015**
	(in thousands of U.S. dollars)	
Lubricating	3,035	3,175
Paint, chemicals and food supplies	1,449	1,321
	4,484	**4,496**

The cost of lubricating oils and other inventories recognized as expense in 2016 was 5,394 (2015: USD 3,331).

7 — Intangible Assets

(in thousands of U.S. dollars)	**Goodwill**	**Contract values vessels under construction**	**Time charters acquired**	**Total**
Cost				
Balance at January 1, 2015	6,003	47,932	13,315	67,250
Disposals	-	(21,383)	(982)	(22,365)
Cost at December 31, 2015	**6,003**	**26,549**	**12,333**	**44,885**
Accumulated amortization				
Balance at January 1, 2015	-	(28,673)	(4,657)	(33,330)
Amortization	-	(14,980)	(4,517)	(19,497)
Disposals	-	21,383	982	22,365
Accumulated amortization at December 31, 2015	**-**	**(22,270)**	**(8,192)**	**(30,462)**
Carrying amount at December 31, 2015	**6,003**	**4,279**	**4,141**	**14,423**
Cost				
Balance at January 1, 2016	6,003	26,549	12,333	44,885
Disposals	-	-	(9,501)	(9,501)
Cost at December 31, 2016	**6,003**	**26,549**	**2,832**	**35,384**
Accumulated amortization				
Balance at January 1, 2016	-	(22,270)	(8,192)	(30,462)
Amortization	-	(4,049)	(3,736)	(7,785)
Disposals	-	-	9,501	9,501
Accumulated amortization at December 31, 2016	**-**	**(26,319)**	**(2,427)**	**(28,746)**
Carrying amount at December 31, 2016	**6,003**	**230**	**405**	**6,638**

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 December 31, 2016 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 December 31, 2016.

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 is added to the cost of vessels under construction on a straight line until the time when the vessels are delivered. The final vessel is expected to be delivered in the second quarter of 2017.

Time charters acquired are related to time charter contracts which were acquired as a result of the Combination. The value of the contracts is amortized on a straight line over the remaining contract period. The amortization expense of USD 3,736 for the period ended December 31, 2016 is recognized as charter hire. The final time charter contract acquired is expected to run until the second quarter of 2017.

8 — Tangible Assets

(in thousands of U.S. dollars)	**Vessels**	**Dry dock**	**Vessels under construction**	**Total**
Cost				
Balance at January 1, 2015	496,986	11,507	154,709	663,202
Additions	136,653	8,254	203,674	348,581
Transfers	256,390	5,600	(261,990)	-
Disposals	-	(725)	-	(725)
Cost at December 31, 2015	**890,029**	**24,636**	**96,393**	**1,011,058**
Accumulated depreciation				
Balance at January 1, 2015	(32,513)	(3,728)	-	(36,241)
Depreciation	(29,713)	(4,191)	-	(33,904)
Disposals	-	725	-	725
Accumulated depreciation at December 31, 2015	**(62,226)**	**(7,194)**	-	**(69,420)**
Carrying amount at December 31, 2015	**827,803**	**17,442**	**96,393**	**941,638**
Cost				
Balance at January 1, 2016	890,029	24,636	96,393	1,011,058
Additions	751	5,756	103,082	109,589
Transfers	153,382	3,200	(156,582)	-
Disposals	-	(2,574)	-	(2,574)
Cost at December 31 2016	**1,044,162**	**31,018**	**42,893**	**1,118,073**
Accumulated depreciation				
Balance at January 1, 2016	(62,226)	(7,194)	-	(69,420)
Depreciation	(39,185)	(5,673)	-	(44,858)
Disposals	-	2,574	-	2,574
Accumulated depreciation at December 31, 2016	**(101,411)**	**(10,293)**	-	(111,704)
Carrying amount at December 31, 2016	**942,751**	**20,725**	**42,893**	**1,006,369**

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 December 31, 2016, the fair value less cost to sell 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 2016 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 both SR, MR and LR1 vessels and as a result of this testing, no impairment charge was recorded.

Vessels under construction

As of December 31, 2016, the Group has three vessels under construction. Two of these vessels were delivered to the Group in January 2017 and the last vessel is expected to be delivered to the Group no later than the second quarter of 2017.

The contractual obligation arising from these newbuild contracts amounted to USD 70,378 as of December 31, 2016.

The following table shows when amounts are due:

(in thousands of U.S. dollars)	**Newbuilds as of December 31, 2016**
2017	70,378
	70,378

The table below shows how the newbuilds will be financed.

	As of December 31, 2016				
	Total value at contract cost	Instalments paid	Remaining contractual cost to be paid	Financed with loan facilities are undrawn as December 31,	Financed with cash
	(in thousands of U.S. dollars)				
Vessels to be delivered in 2017	100,540	30,162	70,378	60,300	10,078
	100,540	**30,162**	**70,378**	**60,300**	**10,078**

9 — Interests in Associates

The Group, through its wholly owned subsidiary Hafnia Tankers ApS, has a 40% interest in Hafnia Management A/S and through its wholly owned subsidiary Hafnia Tankers Singapore Pte. Ltd. a 20% interest in K/S Straits Tankers.

Hafnia Management A/S has a 100% interest in Hafnia MR Pool Management ApS that commercially operates the Hafnia MR pool and a 100% interest in Hafnia Handy Pool Management ApS (previously owned 40% directly by Hafnia Tankers ApS) that commercially operates the Hafnia SR pool. Hafnia Management A/S also has a 60% interest in K/S Straits Tanker.

K/S Straits Tankers has a 50% interest in Straits Tankers Pte. Ltd. that commercially operates the LR1 pool.

The remaining 60% of Hafnia Management A/S and the remaining 20% of K/S Straits Tankers is owned by other vessel owners participating in the pools. The Group accounts for its investment in Hafnia Management A/S and K/S Straits Tankers under the equity method.

The profit for the year and other financial information according to the latest financial statements for Hafnia Management A/S is shown below for the years ended December 31, 2016 and 2015:

	Hafnia Management A/S, Hellerup Denmark **For the years ended December 31**	
	2016	**2015**
	(in thousands of U.S. dollars)	
Revenue	7,812	8,500
Profit for the year after tax	2,007	4,390
Dividends paid out	6,000	-
Non-current assets	749	2,655
Cash and cash equivalents	2,567	4,293
Other current assets	2,371	1,844
Current liabilities	(2,759)	(1,695)
Equity	2,928	7,098

A reconciliation of the above summarized information to the carrying amount of the interest and the share of the associated profit in the consolidated financial statements is presented in the tables below.

	Hafnia Management A/S, Hellerup Denmark **For the years ended December 31**	
	2016	**2015**
	(in thousands of U.S. dollars)	
Share of equity	1,171	2,839
Acquired goodwill	600	600
Acquired customer relationships	137	185
	1,908	**3,624**
	(in thousands of U.S. dollars)	
Share of profit for the year after tax	803	1,756
Amortization of acquired customer relationships	(48)	(48)
	755	**1,708**

The above table shows the assets which comprise interests in the associate. The Group's share of the net assets is 40%. At the acquisition date, a purchase price allocation was performed in order to allocate the difference between the carrying value and fair value of the net assets acquired. The positive difference between the cost of the investment in Hafnia Management A/S and the Group's share of the net fair value of Hafnia Management A/S's identifiable assets and liabilities is accounted for as notional goodwill, which is included within the carrying amount of the investment. Customer relationships are amortized on a straight-line basis over six years.

10 — Subsidiaries

Information about the composition of the Group is included in the following table:

Name	**Registered office**	**Ownership as of December 31** **2016**	**2015**
		(pct.)	
Hafnia Tankers Ltd.	Marshall Islands		
Hafnia Tankers LLC	Marshall Islands	64.9	64.9
Hafnia Tankers Singapore Pte Ltd.	Singapore	100	100
Hafnia Tankers Shipholding Singapore Pte Ltd.	Singapore	100	100
Hafnia Tankers Shipholding 2 Singapore Pte Ltd.	Singapore	100	100
Hafnia Tankers International Chartering Inc.	Marshall Islands	100	N/A
Hafnia Tankers (Lux) S.à.r.l. (under liquidation)	Luxembourg	100	100
Hafnia Tankers Malta Ltd.	Malta	100	100
Hafnia Tankers Shipholding Malta Ltd.	Malta	100	100
Hafnia Tankers ApS	Denmark	100	100
Hafnia Tankers Shipholding Denmark 1 ApS	Denmark	100	100
Hafnia Tankers Cyprus Limited (under liquidation)	Cyprus	100	100
Akouna Shipping Company Ltd. (under liquidation)	Cyprus	100	100
Akortio Shipping Company Ltd. (under liquidation)	Cyprus	100	100
Absolute Shipping Company Ltd. (under liquidation)	Cyprus	100	100
Rosalia Shipping Company Ltd. (under liquidation)	Cyprus	100	100
Secero Shipping Company Ltd. (under liquidation)	Cyprus	100	100
Ralia Shipping Company Ltd. (under liquidation)	Cyprus	100	100
Baltic Sun Shipping Company Ltd. (under liquidation)	Cyprus	100	100
Uniwide Shipping Company Ltd. (under liquidation)	Cyprus	100	100
Navmore Shipping Company Ltd. (under liquidation)	Cyprus	100	100

All of the Group's operations are conducted through subsidiaries that are 100% owned by Hafnia Tankers Ltd.'s direct subsidiary, Hafnia Tankers LLC, a Marshall Islands limited liability company. Hafnia Tankers LLC's share capital consists of three classes of interests, the Class A Units, the Class B Units and the Class C Units. Each class of interest is economically equivalent. Hafnia Tankers Ltd. owns 100% of the Class A Units of Hafnia Tankers LLC and has a controlling financial interest in Hafnia Tankers LLC through its investment. The Class B and Class C Units are reflected as non-controlling interest in the consolidated financial statements. Based on the number of total units of Hafnia Tankers LLC outstanding as of December 31, 2016, the Company owns a 64.9% economic interest in Hafnia Tankers LLC.

Summarized financial information in respect of the Group's subsidiary that has material non-controlling interests (Hafnia Tankers LLC) is set out below. The summarized financial information below represents amounts before intercompany eliminations.

	For the years ended December 31	
	2016	**2015**
	(in thousands of U.S. dollars)	
Revenue	194,705	212,411
Profit	12,198	59,320
Total comprehensive income	14,014	56,600
Current assets	132,035	164,873
Non-current assets	1,041,040	985,827
Current liabilities	(60,517)	(57,102)
Non-current liabilities	(497,443)	(465,675)

11 — Related Party Disclosure and Ownership

BTS Tanker Partners LLC controls Hafnia Tankers Ltd. through the right to designate the majority of its board of directors until an initial public offering occurs. BTS Tanker Partners LLC and its affiliates, associates and joint ventures are therefore considered related parties. BTS Tanker Partners LLC is ultimately controlled by Blackstone Group L.P. Following an initial public offering of the Company's common shares, BTS Tanker Partners LLC has the right to elect up to two members of the Company's board of directors.

Also, shareholders with significant influence in Hafnia Tankers Ltd. and affiliates of shareholders with significant influence are considered to be related parties of the Group.

Other related parties include the key management personnel of the Group which consists of the board of directors and the executive management team. The executive management team of the Group consist of individuals who are directors and key management of Hafnia Tankers Ltd. and subsidiaries.

The Group's associate Hafnia Management A/S and their fully owned subsidiaries Hafnia Handy Pool Management ApS and Hafnia MR Pool Management ApS are considered to be related parties. The Group's associate K/S Straits Tankers is also considered to be a related party.

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

During the year, entities within the Group entered into the following transactions with related parties who are not part of the Group:

	For the years ended December 31			
	2016	**2015**	**2016**	**2015**
	(in thousands of U.S. dollars)			
	Sale of services		Purchase of services	
Hafnia Handy Pool Management ApS	-	-	2,024	2,301
Hafnia Management A/S	-	-	2,743	3,314
	Amounts owed by related		Amounts owed to related	
Hafnia Handy Pool Management ApS	10,036	8,499	-	-
Hafnia Management A/S	18,076	19,061	-	-

Purchase of services primarily consists of fees for commercial management of the Groups vessels. Amounts owed by related parties primarily consists of deposit of working capital to the pools (see note 12) and accounts receivable from the pools (see note 4).

Key management personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

	For the years ended December 31	
	2016	**2015**
	(in thousands of U.S. dollars)	
Short-term employee benefits (salaries)	2,917	3,913
Contributions to defined contribution plans	92	80
Share-based compensation	1,212	1,008
	4,221	**5,001**

Key management personnel have termination conditions with 6-42 months of severance pay totaling USD 2,467 (2015: USD 2,510).

12 — Other Assets

	As of December 31	
	2016	**2015**
	(in thousands of U.S. dollars)	
Deposit of working capital to the pools, long term	26,000	24,400
	26,000	**24,400**

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.

13 — Tax

	As of December 31 2016	2015
Tax	*(in thousands of U.S. dollars)*	
Tonnage taxes	(124)	(151)
Other taxes	(980)	(429)
	(1,104)	**(580)**

The Group's shipping activities are generally taxed under tonnage based tax schemes. In 2016, the Group's income was primarily generated by Hafnia Tankers Singapore, which is subject to the tax rules of Singapore, Hafnia Tankers Malta, which is subject to tax rules of Malta and Hafnia Tankers ApS and Hafnia Tankers Shipholding Denmark 1, which is subject to the tax rules of Denmark.

The Group's non-shipping activities are subject to corporate income tax.

The Group has recognized a deferred tax asset. The deferred tax asset consists of losses carried forward that can be deducted against future earnings in Denmark, including the Danish tonnage tax. As of December 31, 2016, USD 93 of the deferred tax asset remains.

14 — Bank Loans

	As of December 31 2016	2015
	(in thousands of U.S. dollars)	
Current portion	47,713	41,340
Non-current portion	496,804	462,973
Carrying amount	**544,517**	**504,313**

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

Summary of borrowing arrangements

During the first quarter of 2016, the Group signed a USD 360,000 credit facility with ABN AMRO Bank N.V, Danish Ship Finance, Danske Bank A/S, ING Bank N.V., BNP Paribas, Nordea Bank Norge ASA, Skandinaviska Enskilda Banken AB (publ) and Swedbank AB (publ). The facility refinanced an existing USD 340,584 credit facility. The Credit facility is comprised of (i) a USD 124,000 term loan facility, (ii) a USD 100,000 revolving credit facility and (iii) a USD 136,000 delayed draw term loan facility. The credit facility will mature in March 2023 and is priced at LIBOR plus a margin of 2.25%. The credit facility refinanced 12 MR product tankers, provided post-delivery financing for our six MR newbuilds; 3 of which were delivered in 2016, and 3 to be delivered in 2017, and provided USD 40,000 for general corporate purposes. The refinanced USD 360,000 credit facility has been treated as a modification to the previous USD 340,584 credit facility, in accordance with IFRS 9.

During the first quarter of 2016, the Group repaid USD 28,800 on its junior credit facility that had been part of the financing of the acquisition of four LR1 vessels in the first quarter of 2015.

For the year ended December 31, 2016, the Group drew down USD 21,000 on the USD 236,775 credit facility and USD 65,550 on the USD 360,000 credit facility to finance newbuild vessels delivered during the year.

The interest rates on the drawn amounts 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 drawn amounts are secured by first priority mortgages on vessels.

The drawn amounts 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 December 31, 2016.

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 December 31, 2016.

The below tables summarize the significant terms of the bank loans:

2016	**Average nominal interest rate**	**Carrying amount**
		(in thousands of U.S. dollars)
Bank loans		
Floating rate debt	3.17%	544,517
Total bank loans		**544,517**

2015	**Average nominal interest rate**	**Carrying amount**
		(in thousands of U.S. dollars)
Bank loans		
Floating rate debt	3.35%	504,313
Total bank loans		**504,313**

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 December 31, 2016	**<1 year**	**1-5 years**	**>5 years**	**Total**
(in thousands of U.S. dollars)				
Bank loans	47,713	191,134	305,670	**544,517**

As of December 31, 2015	**<1 year**	**1-5 years**	**>5 years**	**Total**
(in thousands of U.S. dollars)				
Bank loans	41,340	196,552	266,421	**504,313**

15 — Accounts Payable

	As of December 31	
	2016	**2015**
	(in thousands of U.S. dollars)	
Accounts payable	1,733	3,433
	1,733	**3,433**

The majority of accounts payable are settled with a cash payment within 60 days. No interest is charged on accounts payable. The Group considers that the carrying amount of accounts payable approximates their fair value.

16 — Accrued Expenses

	As of December 31	
	2016	**2015**
	(in thousands of U.S. dollars)	
Suppliers	4,721	3,866
Salary related expenses	2,224	4,096
Interest on bank loans	2,417	3,566
Other	460	733
	9,822	**12,261**

17 — Common Shares

Hafnia Tankers Ltd.'s share capital consists of two classes of interests, common shares and preferred shares.

	As of December 31, 2016		
	Number of shares	Share capital	Additional paid in capital
		(in thousands of U.S. dollars)	
Common shares (200,000,000 shares authorized)	33,945,909	339	352,423
Preferred shares (50,000,000 shares authorized)	18,191,712	-	-
	52,137,621	**339**	**352,423**

The following table shows the number of shares outstanding during the period:

	2016	**2015**
Common shares		
Balance at January 1	33,945,909	32,347,002
Share capital increase	-	1,598,907
	33,945,909	**33,945,909**
Preferred shares		
Balance at January 1	18,191,712	15,614,431
Share capital increase	-	2,577,281
	18,191,712	**18,191,712**

Common shares

Each common share, par value USD 0.01 per share, entitles the holder to one vote on all matters submitted to a vote of the Company's shareholders. Holders of common shares vote along with the holders of Series A Voting Preferred Stock on all such matters (see below for special voting rights of the Series A Voting Preferred Stock). Holders of common shares do not have conversion, redemption or preemptive rights to subscribe for any of the Company's securities. As of December 31, 2016, 37,096 of our common shares are being held as treasury shares.

Preferred shares

The Series A Voting Preferred Stock has de minimis economic value and entitles its holders to vote along with the holders of the Company's common shares on all matters brought before the shareholders of the Company. In addition, the holders of the Series A Voting Preferred Stock have limited special voting rights, including the right to appoint, prior to an initial public offering of the Company's shares, a majority of the directors of the Company and, following such initial public offering, two directors of the Company. The consent of at least two-thirds of the holders of Series A Voting Preferred Stock is required for certain Company actions, such as the acquisition or disposition of material assets or the operation or ownership of any business other than Hafnia Tankers LLC.

18 — Revenue

	For the years ended December 31	
	2016	**2015**
	(in thousands of U.S. dollars)	
Pool revenue	170,378	198,618
Time charter revenue	23,938	13,360
Other	389	433
	194,705	**212,411**

The following table depicts committed time charter revenue for the year ended December 31, 2016 that will be recognized in future periods, assuming no off-hire days:

Minimum time charter revenue	Contract end	Days	Rate	Total
			(in thousands of U.S. dollars)	
Vessel 1	4-19-2017	109	19.5	2,126
Vessel 2	1-31-2017	31	19.5	605
Vessel 3	7-4-2017	185	15.9	2,946
Vessel 4	9-14-2021	1,718	17.8	30,495
Vessel 5	8-29-2021	1,702	17.8	30,211
				66,381

Information About Major Customers

No single customer contributed 10% or more to the Group's revenue in 2016 or 2015.

19 — Vessel Operating Cost

	For the years ended December 31	
	2016	**2015**
	(in thousands of U.S. dollars)	
Crew related expenses	(44,208)	(34,432)
Insurance	(5,030)	(4,008)
Stores	(2,659)	(2,221)
Spare parts and repairs	(8,488)	(6,987)
Food supplies	(2,164)	(1,673)
Lubricants, paints and chemicals	(3,230)	(1,658)
Other vessel operating costs	(5,961)	(4,110)
	(71,740)	**(55,089)**

20 — Charter Hire

The table below shows the Group’s time chartered-in vessel commitments as of December 31, 2016, assuming no off-hire days:

Type	Delivery	Earliest re-delivery	Optional extension period	Subject to profit split	Purchase option
MR	1-16-2014	3-2-2017	No	Yes	No
MR	1-16-2014	5-11-2017	No	Yes	No
MR	7-11-2017	7-10-2025	2 years	No	Yes
MR	6-8-2017	6-7-2025	2 years	No	Yes
LR1	9-15-2012	9-5-2018	No	No	No
LR1	9-9-2012	8-29-2018	No	No	No
LR1	12-2-2016	8-4-2018	No	No	No

The cost of Charter Hire recognized as expense in 2016 was USD 28,423 (2015: USD 30,516).

	Minimum charter hire
Year	*(in thousands of U.S. dollars)*
2017	25,014
2018	22,131
2019	11,607
2020	11,639
2021	11,607
2022	11,607
2023	11,607
2024	11,639
2025	5,549
Total as of December 31, 2016	**122,400**
Total as of December 31, 2015	133,710

21 — General and Administrative Expenses

	For the years ended December 31 2016	2015
	(in thousands of U.S. dollars)	
Wages and salaries	(4,822)	(6,451)
Outsourced functions	(411)	(351)
Contributions to defined contribution plans	(200)	(204)
Other social security costs	(24)	(17)
Other administrative costs	(994)	(1,207)
Auditors, consultants and legal fees	(2,529)	(2,042)
	(8,980)	**(10,272)**
Share based compensation (non-cash)	(2,947)	(2,553)
	(2,947)	**(2,553)**
	(11,927)	**(12,825)**

22 — Financial Expenses

	For the years ended December 31 2016	2015
	(in thousands of U.S. dollars)	
Interest on bank loans	(19,553)	(15,275)
Loss arising on interest rate cap designated as a cash flow hedge	(1,081)	(472)
Other finance costs	(689)	(1,408)
	(21,323)	**(17,155)**

Other finance costs primarily represent currency exchange losses.

23 — Financial Income

	For the years ended December 31 2016	2015
	(in thousands of U.S. dollars)	
Other finance income	75	276
	75	**276**

Other financing income primarily represents currency exchange gains

24 — Share-Based Compensation

During 2014, 2015 and 2016, the Group has established three share-based incentive programs. Under the first program 1,209,140 warrants were granted on August 11, 2014, and 1,090,860 warrants were granted on December 1, 2014. Under the second program 100,000 options were granted on December 1, 2014, 100,000 options were granted on November 1, 2015 and 100,000 options were granted on November 1, 2016. Under the third program 16,434 Restricted Share Units were granted on October 1, 2015, 17,857 Restricted Share Units were granted on March 17, 2016 and 873 Restricted Share Units were granted on December 14, 2016.

Warrant program

The program comprises 13 tranches with various vesting conditions. The warrants vest at the latter of completion of a specified minimum service period and volume weighted average share price above a pre-defined share price as set out in the vesting schedule shown below, i.e. there is no predetermined vesting period provided that the employment has not ceased at this point in time. Under the terms of the warrant program, warrants are granted at an exercise price of USD 10.0.

The vesting conditions of the respective tranches

Number of warrants granted	Minimum service period to complete from November 1, 2013	Share price threshold
300,000	5 years	N/A
166,667	1 year	12.5 USD
166,667	2 years	12.5 USD
166,667	3 years	12.5 USD
166,667	1 year	16.0 USD
166,667	2 years	16.0 USD
166,667	3 years	16.0 USD
166,667	1 year	18.5 USD
166,667	2 years	18.5 USD
166,666	3 years	18.5 USD
166,666	1 year	40.0 USD
166,666	2 years	40.0 USD
166,666	3 years	40.0 USD
2,300,000		

The warrants can only be settled through delivery of shares, and the program is therefore classified as an equity award. The warrant program contains anti-dilution provisions if changes occur in Hafnia Tankers Ltd.'s share capital prior to the warrants being exercised.

The weighted average remaining contractual life of the warrant program for the year ended December 31, 2016, was 3.87 years. There has been no exercises during the year. As of December 31, 2016, none of the warrants were exercisable.

Valuation of the warrants

The fair value of the warrants, taking into account the share price condition, has been determined using a Monte Carlo valuation model. Each tranche has been valued individually subject to its unique combination of vesting conditions. Furthermore, the valuations have been done separately for each participant due to differences in expected exercise periods.

Due to the warrants being open-ended, the expected duration of the warrants has been estimated by applying an expected exercise threshold. The exercise threshold is assumed to renounce at the time of retirement due to a change in cash requirements and increased risk averseness, whereby vested awards will be exercised immediately provided they are in the money. Following retirement, remaining awards are assumed exercised simultaneously with vesting.

As a final cut-off point, the valuation model applies the file expectancy of the participants, based on average life expectancies. The shares price applied in the valuation is based on a Net Asset Value (NAV). The estimated share prices represent a best estimate of the fair market value as at August 11, 2014 and December 1, 2014 respectively.

Estimated volatility is based on the median volatility in a peer group of comparable listed entities.

The valuations are based on the following main assumptions as of the grant date:

	For warrants granted on	
	December 1, 2014	**August 11, 2014**
Valuation assumptions:		
Share-price after dilution	10.41 USD	10.75 USD
Risk free interest rate	1.7-2.3%	1.6-2.6%
Expected volatility	39.9%	41.1%
Expected exercise threshold	80%	80%

The total fair value of the 2,300,000 warrants granted is estimated to be USD 13,074. The expense recognized in 2016 amounts to USD 2,671 (2015: USD 2,454).

Option program

The option program comprises 12 tranches with various vesting conditions. The options vest at the latter of completion of a specified minimum service period and volume weighted average share price above a defined share price as set out in the vesting schedule shown below. The options expires at the end of a 3-year exercise period after the options have vested. Options are granted at an exercise price of USD 10 or the USD final offer price per share when the Company's shares become listed, if higher.

2014 grant:

The vesting conditions of the respective tranches

Number of options granted	Minimum service period to complete from December 1, 2014	Share price threshold
8,334	1 year	Exercise price plus 25%
8,334	2 years	Exercise price plus 25%
8,334	3 years	Exercise price plus 25%
8,334	1 year	Exercise price plus 60%
8,333	2 years	Exercise price plus 60%
8,333	3 years	Exercise price plus 60%
8,333	1 year	Exercise price plus 85%
8,333	2 years	Exercise price plus 85%
8,333	3 years	Exercise price plus 85%
8,333	1 year	Exercise price plus 300%
8,333	2 years	Exercise price plus 300%
8,333	3 years	Exercise price plus 300%
100,000		

2015 grant:

The vesting conditions of the respective tranches

Number of options granted	Minimum service period to complete from November 1, 2015	Share price threshold
8,334	1 year	Exercise price plus 25%
8,334	2 years	Exercise price plus 25%
8,334	3 years	Exercise price plus 25%
8,334	1 year	Exercise price plus 60%
8,333	2 years	Exercise price plus 60%
8,333	3 years	Exercise price plus 60%
8,333	1 year	Exercise price plus 85%
8,333	2 years	Exercise price plus 85%
8,333	3 years	Exercise price plus 85%
8,333	1 year	Exercise price plus 300%
8,333	2 years	Exercise price plus 300%
8,333	3 years	Exercise price plus 300%
100,000		

2016 grant:

The vesting conditions of the respective tranches

Number of options granted	Minimum service period to complete from November 1, 2016	Share price threshold
8,334	1 year	Exercise price plus 25%
8,334	2 years	Exercise price plus 25%
8,334	3 years	Exercise price plus 25%
8,334	1 year	Exercise price plus 60%
8,333	2 years	Exercise price plus 60%
8,333	3 years	Exercise price plus 60%
8,333	1 year	Exercise price plus 85%
8,333	2 years	Exercise price plus 85%
8,333	3 years	Exercise price plus 85%
8,333	1 year	Exercise price plus 300%
8,333	2 years	Exercise price plus 300%
8,333	3 years	Exercise price plus 300%
100,000		

The options can only be settled through delivery of shares, and the program is therefore classified as an equity award. The option program contains anti-dilution provisions if changes occur in Hafnia Tankers Ltd.'s share capital prior to the options being exercised.

The weighted average remaining contractual life of the options granted December 1, 2014, was 6.40 years. There have been no exercises during the year. As of December 31, 2016, none of the options were exercisable.

The weighted average remaining contractual life of the options granted November 1, 2015, was 7.04 years. There have been no exercises during the year. As of December 31, 2016, none of the options were exercisable.

The weighted average remaining contractual life of the options granted November 1, 2016, was 8.36 years. There have been no exercises during the year. As of December 31, 2016, none of the options were exercisable.

Valuation of the options

The fair value of the options, taking into account the share price condition, has been determined using a Monte Carlo valuation model. Each tranche has been valued individually subject to its unique combination of vesting conditions.

The expected duration of the options within the 3-year exercise period after the options have vested has been estimated by applying an expected exercise threshold. The exercise threshold is assumed to renounce at the time of retirement due to a change in cash requirements and increased risk averseness, whereby vested awards will be exercised immediately provided they are in the money. Following retirement, remaining awards are assumed exercised simultaneously with vesting.

As a final cut-off point, the valuation model applies the life expectancy of the participants, based on average Danish life expectancies. The shares price applied in the valuation is based on a NAV estimate. The estimated share prices represents a best estimate of the fair market value as at December 1, 2014, November 1, 2015 and November 1, 2016 respectively.

Estimated volatility is based on the median volatility in a peer group of comparable listed entities.

The valuations are based on the following main assumptions as of the grant date:

	For options granted on		
	November 1, 2016	**November 1, 2015**	**December 1, 2014**
Valuation assumptions:			
Share-price after dilution	8.98 UD	12.01 UD	10.41 USD
Risk free interest rate	1.5-1.9%	1.7-2.3%	2.0-2.4%
Expected volatility	39.3%	37.7%	39.9%
Expected exercise threshold	80%	80%	80%

The total fair value of the 300,000 options granted is estimated to be USD 1,634. The expense recognized in 2016 amounts to USD 159 (2015: USD 82).

Restricted Share Unit program

The Restricted Share Units granted in 2015 and 2016 vest after the completion of a three year minimum service period. The Restricted Share Units can be settled through delivery of shares or with cash or part cash and part shares. The settlement in either shares, cash or a combination is solely decided by the Group and the program is therefore classified as an equity award. The Restricted Share Unit program contains anti-dilution provisions if changes occur in Hafnia Tankers Ltd.'s share capital prior to the Restricted Share Units vesting.

The weighted average remaining contractual life of the Restricted Share Units granted in 2015 is 1.75 years.

The weighted average remaining contractual life of the Restricted Share Units granted in 2016 is 2.34 years.

No Restricted Share Unit has vested during the year.

Valuation of the Restricted Share Units

The total fair value of the 16,434 Restricted Share Units granted on October 1, 2015 is estimated to be USD 200. The total fair value of the 17,857 Restricted Share Units granted on March 17, 2016 is estimated to be USD 225. The total fair value of the 873 Restricted Share Units granted on December 14, 2016 is estimated to be USD 7.

The expense recognized in 2016 amounts to USD 117 (2015: USD 17). For the year ended December 31, 2016, 35,164 Restricted Share Units are outstanding.

25 — Earnings Per Share

	For the years ended December 31	
	2016	**2015**
Profit for the year (USD thousand)	12,021	59,625
Consolidated profit attributable to non-controlling interests (USD thousands)	4,218	20,834
Profit attributable to equity holders of the parent (USD thousand)	7,803	38,791
Weighted average number of shares (in thousands)	33,946	33,658
Diluted weighted average number of shares in issue (in thousands)	33,977	33,663
Earnings per share (USD)	**0.23**	**1.15**
Diluted earnings per share (USD)	**0.23**	**1.15**

During the period ended December 31, 2016, potentially dilutive securities include 18,191,712 Class B Units and 162,911 Class C Units. The Class B Units and the Class C Units have not had a dilutive effect for the period ended December 31, 2016. 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. During the period ended December 31, 2016, a total of 2,300,000 warrants, 300,000 options and 35,164 Restricted Stock Units with a potential dilutive effect has been granted to employees. The warrant and options have not had a dilutive effect in 2016 as they are not in the money.

26 — Financial Risks and Financial Instruments

We have identified below main risk categories in which the Group's activities can be categorized under:

- Operational risks
- Liquidity risk
- Interest risk
- Foreign currency risk
- Credit risks

Operational Risks

Freight rate

The Group's activities expose it to price risk associated with changes in the freight rate. The daily freight rate (the spot rate) measured in USD per day, has historically been very volatile. The volatility influences day-to-day operations in the following ways:

- When rates are low the Group sees it as an opportunity to increase market exposure, and
- When rates are high the Group will seek to hedge short-term to medium-term exposure by chartering-out vessels or by actively trading freight-related derivatives.

In addition, the Group trades its spot exposed vessels in different pools that reduces the sensitivity to freight rate volatility by economies of scale and optimization of the fleet's geographical position.

The following table reflects the Group's sensitivity to a change in daily freight rates of USD 1,000 per day:

Sensitivity to a change in freight rates of USD 1,000 per day

	2016	2015
	(in thousands of U.S. dollars)	
Change in net Income / Loss	13,357	9,619
Change in Equity	13,357	9,619

Liquidity Risk

Liquidity risk is the risk that an entity will not be able to meet the financial obligations as they fall due. The Group manages the liquidity risk by maintaining adequate reserves and borrowing facilities and by continuously monitoring forecast and actual cash flows. The Group does not have significant liquidity risk as cash and other current assets exceed short term liabilities significantly as of December 31, 2016.

The following table details the Group's contractual maturities of its financial liabilities. The table has been prepared based on the undiscounted cash flow of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both estimated interest and principal cash out flows. Variable future interest payments were determined based on an average LIBOR plus the margins applicable to the Group's loans at the end of each year presented.

2016	Weighted average interest rate	Carrying amount	Contractual cash flows	<1 year	1-2 years	2-5 years	>5 years
		(in thousands of U.S. dollars)					
Variable interest bearing	3.17%	544,517	572,124	57,632	84,627	157,470	272,395
Acounts payable, non-interest bearing	-	1,733	1,733	1,733	-	-	-
Accrued expenses and other payables *	-	6,945	6,945	6,945	-	-	-
		553,195	**580,802**	**66,310**	**84,627**	**157,470**	**272,395**

2015	Weighted average interest rate	Carrying amount	Contractual cash flows	<1 year	1-2 years	2-5 years	>5 years
		(in thousands of U.S. dollars)					
Variable interest bearing	3.35%	504,313	572,124	57,632	84,627	157,470	272,395
Shareholder loan, non-interest bearing	-	3,433	3,433	3,433	-	-	-
Accrued expenses and other payables*	-	7,962	7,962	7,962	-	-	-
		515,708	**583,519**	**69,027**	**84,627**	**157,470**	**272,395**

* Accrued interest is part of "Accrued expenses" in note 16, however in the above table "Accrued expenses" are included in "variable interest bearing".

In addition, the Group has entered into agreements to acquire newbuild vessels as disclosed in note 8. These newbuild vessels are expected to be delivered in 2017. The Group has financing in place for all the newbuild vessels primarily consisting of bank loans. A majority of the bank loans are subject to a leverage test on delivery of the vessels based on broker valuations. Decrease in fair market value could lead to an additional need for cash financing. The Group's cash position is dependent on the Groups operating results.

As at December 31, 2016, the Group had undrawn credit facilities totaling USD 67,243 (2015: USD 139,788) for the financing of the three MR-newbuild vessels. The credit facilities are secured by the three MR newbuild vessels. As at December 31, 2016, the Group had undrawn facilities totaling USD 5,200 (2015: USD 5,200) consisting of 13 separate loan agreements with Hafnia Management A/S covering 13 specific vessels. The loan agreements give the Group a loan facility of USD 400 per vessel, that can be used to finance the working capital deposit required to participate in the pool.

Interest Rate Risk

The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk in relation to its borrowings. Financial instruments issued at variable rates expose the Group to cash flow interest rate risk. Financial instruments issued at fixed rates expose the Group to fair value interest rate risk.

At the reporting date the interest rate profile of interest bearing financial instruments was:

	2016	2015
Variable rate instruments	*(in thousands of U.S. dollars)*	
Bank loans	544,517	504,313
	544,517	**504,313**

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of the reporting year. The analysis is prepared assuming the amount of long-term bank borrowings and liabilities outstanding at the statement of financial position date were outstanding for the whole year.

An increase of 100 basis points in interest rates at year end would (decreased) equity and profit by the amounts shown below. This analysis assumes that all other variables remain constant including no fair value changes on our cash flow hedges.

	2016	2015
	(in thousands of U.S. dollars)	
Bank loans	(5,445)	(5,043)
	(5,445)	**(5,043)**

The board of directors has adopted a Risk Management Policy for interest rate exposure. The objective of Hafnia's interest rate policy is to enable Hafnia to achieve a high level of certainty that any adverse movements in interest rates will not affect the Groups cash flow, while still allowing the Group to benefit from the current low interest rate market.

The Groups interest rate risk is hedged in accordance with the following targets:

- Up to 75 per cent of the Group's total debt shall be hedged
- The duration of the Group's total hedge, shall reflect the combined Group loans
- The tenors of the hedges shall not exceed the tenors of the combined Group loans

See note 27 for further information on the hedge.

Foreign Currency Risk

The Group's operating cash inflows are substantially derived from its shipping activities, which are almost entirely priced in US dollars whilst costs are also mostly in US dollars, thus creating a natural hedge. The Group's general and administrative costs are mainly incurred in Euro. These expenses are susceptible to foreign currency movements between USD and the Euro. However, we do not expect the impact of any fluctuations in foreign currency to be material. An insignificant part of the Group's transactions in Hafnia Tankers ApS will be subject to exposure to foreign currency risk related to Danish Kroner ("DKK").

Credit Risks

Credit risk primarily refers to the risk that a pool member or a customer default on its obligations resulting in a financial loss for the Group. The Group has not experienced any losses in 2016. The Group focuses on choosing pools with a solid reputation and a history of distributing revenue on a predictable basis.

The credit risk on liquid funds is limited as the banks used have a high credit rating (minimum a long-term A) assigned by international credit rating agencies.

Capital Structure

The capital structure of the Group is reviewed on an ongoing basis to ensure that the capital structure is in alignment with the strategic ambition of an increased fleet. The Group expects to continue to finance vessel acquisition through a combination of traditional vessel financing and equity raises.

Categories of Financial Instruments

	As of December 31	
	2016	**2015**
Financial assets	*(in thousands of U.S. dollars)*	
Cash and cash equivalents	95,488	122,856
Receivables	39,354	40,122
Financial liabilities		
Bank loans	544,517	504,313
Financial liabilities measured at amortised cost	13,548	12,974
Derivative instruments in designated hedge accounting relationships	639	2,702

27 — Cash Flow 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 December 31, 2016 was a liability of USD 639. The fair market value of the hedging agreement is comprised of discounted premiums, a liability of USD 7,091, and the value of the hedging instruments, USD 6,452.

The impact of the hedging instruments designated in a hedging relationship as of December 31, 2016 on the statement of financial position of the Group is, as follows:

Cash flow hedges *(in thousands of U.S. dollars)*	Notional amount	Carrying amount	Line in the statement of financial position	Change in fair value used to measure ineffectiveness
Interest rate risk:				
Pay fixed / receive variable interest rate cap with a strike of 3%	300,000	(639)	Derivatives	-

The impact of the hedged items designated in a hedging relationship as of December 31, 2016 on the statement of financial position of the Group is, as follows:

Cash flow hedges *(in thousands of U.S. dollars)*	Change in fair value used to measure ineffectiveness value used to measure ineffectiveness	Cash flow hedge reserve
Interest rate risk:		
Forecast interest rate payments	-	(639)

The above hedging relationships affected profit or loss and other comprehensive income, as follows:

Cash flow hedges	Hedging gain or loss recognized in Other Comprehensive Income	Ineffectiveness recognized in profit or loss	Line item in statement of profit or loss	Amount reclassified from Other Comprehensive Income to profit or loss	Line item in statement of profit or loss
Interest rate risk:					
Forecast interest rate payments	982	-	N/A	(1,081)	Financial expenses

28 — Fair Value Measurements

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.

29 — Subsequent Events

Except for the below, there have not been any significant events after the balance sheet date at December 31, 2016.

On January 4, 2017 the Group took delivery of the sixth MR newbuild vessel (Hafnia Kirsten) and on the January 9, 2017 the Group took delivery of the seventh MR newbuild vessel (Hafnia Lotte). To finance the payment at delivery of the two vessels we made drawdowns of USD 40,200 on our USD 360,000 credit facility.

The Consolidated Financial Statements were authorized for issuance by the Board of Directors on March 16, 2017.

APPENDIX H

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2019

HAFNIA LIMITED
(Incorporated in Bermuda)
AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

Contents

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

The Board of Directors
Hafnia Limited

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Hafnia Limited ("the Company") and its subsidiaries ("the Group") as at 30 June 2019, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and notes to the condensed consolidated interim financial information ("the condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard (IAS) 34, *"Interim Financial Reporting"*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2019 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, *"Interim Financial Reporting"*.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
20 September 2019

HAFNIA LIMITED AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June

	Note	January to June 2019 US$'000	January to June 2018 US$'000
Revenue		**414,776**	184,537
Voyage expenses		**(164,192)**	(82,748)
TCE income #		**250,584**	101,789
Other operating income		**1,419**	712
Vessel operating expenses		**(89,357)**	(46,661)
Technical management expenses		**(7,621)**	(4,680)
Other expenses		**(22,006)**	(11,262)
Operating profit before depreciation on vessels and ROU assets		**133,019**	39,898
Depreciation charge	4	**(60,454)**	(28,144)
Operating profit		**72,565**	11,754
Interest income		**2,010**	124
Interest expense		**(34,414)**	(15,269)
Other finance expense		**(847)**	(412)
Finance expense – net		**(33,251)**	(15,557)
Share of profit of equity-accounted investees, net of tax		**624**	-
Profit/(loss) before income tax		**39,938**	(3,803)
Income tax (expense)/credit		**(37)**	5
Profit/(loss) for the financial period		**39,901**	(3,798)
Other comprehensive income:			
Item that may be subsequently reclassified to income statement			
Foreign operations – foreign currency translation differences		**(11)**	-
Fair value (losses)/gains on cash flow hedges		**(6,804)**	4,663
Cumulative fair value (losses)/gains on cash flow hedges reclassified to profit or loss		**(255)**	146
		(7,070)	4,809
Total comprehensive income		**32,831**	1,011
Earnings/(loss) per share attributable to the equity holders of the Company			
(expressed in US$ per share)			
Basic and diluted earnings/(loss) per share		**0.12**	(3.26)

"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.

The accompanying notes form an integral part of these condensed consolidated financial information.
Independent Auditors' Report – Page 1.

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2019 US$'000	31 December 2018 US$'000
Vessels	4	**1,963,461**	1,027,877
Dry docking	4	**45,595**	26,465
Vessels under construction	4	**67,649**	117,495
Right-of-use assets	4	**87,479**	-
Other property, plant and equipment		**155**	-
Total property, plant and equipment		**2,164,339**	1,171,837
Derivative financial instruments		**-**	3,158
Loan to joint venture		**23,461**	-
Equity-accounted investees		**2,862**	-
Deferred tax assets		**36**	-
Intangible assets	5	**3,080**	-
Total other non-current assets		**29,439**	3,158
Total non-current assets		**2,193,778**	1,174,995
Inventories		**18,392**	22,660
Trade and other receivables		**169,568**	63,957
Derivative financial instruments		**53**	4
Cash and cash equivalents		**100,899**	52,463
Total current assets		**288,912**	139,084
Total assets		**2,482,690**	1,314,079
Share capital	6	**3,432**	1,962
Share premium	6	**633,092**	221,220
Contributed surplus		**537,112**	537,112
Other reserves	6	**(6,457)**	53,169
Treasury shares		**(500)**	-
Accumulated losses		**(152,753)**	(242,384)
Total shareholders' equity		**1,013,926**	571,079
Borrowings	7	**1,149,000**	613,044
Derivative financial instruments		**6,716**	-
Other payables		**2,424**	4,436
Total non-current liabilities		**1,158,140**	617,480
Borrowings	7	**231,416**	76,940
Derivative financial instruments		**-**	34
Current income tax liabilities		**703**	27
Trade and other payables		**78,505**	48,519
Total current liabilities		**310,624**	125,520
Total liabilities		**1,468,764**	743,000
Total equity and liabilities		**2,482,690**	1,314,079

The accompanying notes form an integral part of these condensed consolidated financial information.
Independent Auditors' Report – Page 1.

Approved by Board of Directors on 20 September 2019:

Andreas Sohmen-Pao	Chris Gradel	Alexis Atteslis
Gregory Sean Feldman	Erik Bartnes	John Ridgway
Peter Read		

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June

	Note	Share capital US$'000	Share premium US$'000	Contributed surplus US$'000	Capital reserve US$'000	Translation reserve US$'000	Hedging reserve US$'000	Treasury shares US$'000	Share-based payment reserve US$'000	Accumulated losses US$'000	Total US$'000
Balance at 31 December 2018		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
Transactions with owners											
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 on combination		-	-	-	-	-	-	-	-	(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
Transfer of reserve											
Transfer of reserve		-	-	-	(50,011)	-	-	-	-	50,011	-
Total comprehensive income											
Total comprehensive income for the financial period		-	-	-	-	(11)	(7,059)	-	-	39,901	32,831
Balance at 30 June 2019		**3,432**	**633,092**	**537,112**	**-**	**(45)**	**(6,717)**	**(500)**	**305**	**(152,753)**	**1,013,926**

The accompanying notes form an integral part of these condensed consolidated financial information.
Independent Auditors' Report – Page 1.

HAFNIA LIMITED AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June

	Share capital US$'000	Share premium US$'000	Contributed surplus US$'000	Capital reserve US$'000	Translation reserve US$'000	Hedging reserve US$'000	Treasury shares US$'000	Share-based payment reserve US$'000	Accumulated losses US$'000	Total US$'000
Balance at 1 January 2018 (as previously reported)	1,165	26,761	537,112	50,011	-	505	-	-	(217,735)	397,819
Adjustment on initial application of IFRS 15, net of tax	-	-	-	-	-	-	-	-	(4,868)	(4,868)
Restated balance at 1 January 2018	1,165	26,761	537,112	50,011	-	505	-	-	(222,603)	392,951
Total comprehensive income/(loss) for the financial period	-	-	-	-	-	4,809	-	-	(3,798)	1,011
Balance at 30 June 2018	**1,165**	**26,761**	**537,112**	**50,011**	**-**	**5,314**	**-**	**-**	**(226,401)**	**393,962**

The accompanying notes form an integral part of these condensed consolidated financial information.
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June

	Note	2019 US$'000	2018 US$'000
Cash flows from operating activities			
Profit/(loss) for the financial period		**39,901**	(3,798)
Adjustments for:			
- income tax expense		**37**	(5)
- depreciation charge of property, plant and equipment		**60,454**	28,144
- amortisation of deferred income		**-**	(694)
- amortisation of prepaid finance lease expenses		**407**	-
- interest income		**(2,010)**	(124)
- interest expense		**34,414**	15,269
- other finance expense		**847**	412
- Share of profit of equity-accounted investees, net of tax		**(624)**	-
- Unrealised currency translation gain		**(11)**	-
- Equity-settled share-based payment transactions		**305**	-
Operating cash flow before working capital changes		**133,720**	39,204
Changes in working capital:			
- inventories		**9,702**	(2,886)
- trade and other receivables		**(15,475)**	(1,006)
- trade and other payables		**505**	(2,397)
Cash generated from operations		**128,452**	32,915
Income tax paid		**(65)**	(9)
Net cash provided by operating activities		**128,387**	32,906
Cash flows from investing activities			
Interest income received		**761**	124
Loan to joint venture company		**(33,750)**	-
Repayment of loan by joint venture company		**25,900**	-
Dividend received from an equity-accounted investee		**372**	-
Acquisition of businesses, net of cash acquired		**(3,279)**	-
Purchase of property, plant and equipment		**(106,572)**	(4,683)
Net cash used in investing activities		**(116,568)**	(4,559)
Cash flows from financing activities			
Proceeds from borrowings from external financial institutions		**130,800**	16,000
Proceeds from borrowings from a related corporation		**-**	75,000
Proceeds from borrowings from non-related parties		**419**	-
Repayment of borrowings to external financial institutions		**(81,836)**	(124,952)
Repayment of borrowings to non-related parties		**(158)**	-
Repayment of finance lease liabilities		**(5,683)**	-
Repayment of other lease liabilities		**(9,588)**	-
Payment of financing fees		**(2,124)**	-
Interest paid to external financial institutions		**(26,187)**	(14,434)
Interest paid to a related corporation		**(1,132)**	-
Repurchase of treasury shares		**(500)**	-
Other finance expense paid		**(930)**	(314)
Net cash provided by/(used in) financing activities		**3,081**	(48,700)
Net increase/(decrease) in cash and cash equivalents		**14,900**	(20,353)
Cash and cash equivalents at beginning of the financial period		**85,999**	41,372
Cash and cash equivalents at end of the financial period		**100,899**	21,019

Significant non-cash transactions

During the six-month period ended 30 June 2019, there were US$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.

The accompanying notes form an integral part of these condensed consolidated financial information.
Independent Auditors' Report – Page 1.

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

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 investment holding. The principal activities of its subsidiaries are shipowning and chartering.

2. Basis of preparation

(a) Statement of compliance

The condensed consolidated interim financial information 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 16 January 2019, a wholly-owned subsidiary of 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. On 21 January 2019, the wholly-owned subsidiary was merged with BW Tankers Limited without consideration in a simplified parent and subsidiary merger. 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 on 16 January 2019. The comparative information of Hafnia Limited for the same period in the previous year refers to the financial information of BW Tankers Limited only.

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 16 days is not material to the financial position of the Group.

2. **Basis of preparation** (continued)

(b) Merger of entities (continued)

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

	BW Tankers Limited US$'000	Hafnia Tankers Limited US$'000	Merger Adjustments US$'000	Total US$'000
Property, plant and equipment	1,171,838	850,170	-	2,022,008
Other current and non-current assets[4]	144,339	139,691	-	284,030
Total assets	**1,316,177**	**989,861**	**-**	**2,306,038**
Borrowings	689,984	549,211	-	1,239,195
Other current and non-current liabilities	53,017	32,536	-	85,553
Total liabilities	**743,001**	**581,747**	**-**	**1,324,748**
Share capital[1]	1,962	339	1,131	3,432
Share premium[1]	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[2]	(190,276)	(75,892)	73,514	(192,654)
Non-controlling interests[3]	-	145,143	(145,143)	-
Total equity	**573,176**	**408,114**	**-**	**981,290**

(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.

(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.

(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.

2. **Basis of preparation** (continued)

(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.

<u>IFRS 16 Leases</u>

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.

3. **Significant accounting policies** (continued)

IFRS 16 Leases (continued)

(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:

	Impact of adopting IFRS 16 as at 1 January 2019
	Increase/(decrease)
	US$'000
Lease liabilities	65,817
Deferred gain on sale and operating leaseback	(3,849)
Right-of-use assets	61,968

(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.

3. Significant accounting policies (continued)

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 policies on leases due to adoption of IFRS 16, share-based payments, and inventories.

4. Property, plant and equipment

	Right-of-use assets	Vessels	Dry docking	Vessels under construction	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Cost					
At 1 January 2019	21,170	1,766,605	48,866	117,495	1,954,136
Acquisition of vessels on merger with Hafnia Tankers	40,798	830,083	20,089	-	890,970
Additions	34,091	2,568	5,353	98,651	140,663
Transfer on delivery of vessel	-	145,497	3,000	(148,497)	-
Write off on completion of dry docking cycle	-	-	(713)	-	(713)
At 30 June 2019	96,059	2,744,753	76,595	67,649	2,985,056
Accumulated depreciation and impairment charge					
At 1 January 2019	-	738,728	22,403	-	761,131
Depreciation charge	8,580	42,564	9,310		60,454
Write-off on completion of dry docking cycle	-	-	(713)	-	(713)
At 30 June 2019	8,580	781,292	31,000	-	820,872
Net book value					
At 30 June 2019	**87,479**	**1,963,461**	**45,595**	**67,649**	**2,164,184**

4. **Property, plant and equipment** (continued)

Cost					
At 1 January 2018	-	1,766,604	50,815	-	1,817,419
Additions	-	1	4,682	-	4,683
Write off on completion of dry docking cycle	-	-	(5,335)	-	(5,335)
At 30 June 2018	-	1,766,605	50,162	-	1,816,767
Additions	-	-	7,851	117,495	125,346
Write-off on completion of dry docking cycle	-	-	(9,147)	-	(9,147)
At 31 December 2018	-	1,766,605	48,866	117,495	1,932,966
Accumulated depreciation and impairment charge					
At 1 January 2018	-	685,481	25,865	-	711,346
Depreciation charge	-	22,735	5,409	-	28,144
Write off on completion of dry docking cycle	-	-	(5,335)	-	(5,335)
At 30 June 2018	-	708,216	25,939	-	734,155
Impairment charge	-	48,300	-	-	48,300
Write back of impairment charge	-	(40,900)	-	-	(40,900)
Depreciation charge	-	23,112	5,609	-	28,721
Write off on completion of dry docking cycle	-	-	(9,147)	-	(9,147)
At 31 December 2018	-	738,728	22,401	-	761,129
Net book value					
At 30 June 2018	**-**	**1,058,389**	**24,223**	**-**	**1,082,612**
At 31 December 2018	**-**	**1,027,877**	**26,465**	**117,495**	**1,171,837**

(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.

For the six-month period ended 30 June 2018, no impairment charge was recognised.

(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.

At 31 December 2018, the Group had mortgaged vessels with a total carrying amount of US$1,054.3 million as security over the Group’s bank borrowings.

5. Significant acquisition of businesses

Hafnia Management A/S and subsidiaries

In May 2019, the Group acquired the businesses of its associated companies which comprise 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 ascribe 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, the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	US$'000
Fair value of identifiable net assets acquired	
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
Total identifiable net assets acquired	3,279
Total purchase consideration	3,279

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 Shares	Share capital US$'000	Share premium US$'000	Total US$'000
At 31 December 2018	196,241,352	1,962	221,220	223,182
Shares issued for merger (note 2b(1))	146,916,627	1,470	411,872	413,342
At 1 January 2019 and 30 June 2019	343,157,979	3,432	633,092	636,524

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

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

	Number of Shares	Share capital US$'000	Share premium US$'000	Total US$'000
At 1 January 2018 and 30 June 2018	116,514,917	1,165	26,761	27,926
New shares issued	79,726,435	797	194,459	195,256
At 31 December 2018	196,241,352	1,962	221,220	223,182

(c) Other reserves

		As at 30 June 2019 US$'000	As at 31 December 2018 US$'000
(i)	Composition:		
	Capital reserve	-[1]	50,011[1]
	Translation reserve	(45)	-
	Hedging reserve	(6,717)	3,158
	Share based payment reserve	305	-
		(6,457)	53,169

[1] *Effect of capital reserve on previous group restructuring (prior to merger with Hafnia Tankers) transferred to accumulated losses for consistency reason.*

		As at 30 June 2019 US$'000	As at 31 December 2018 US$'000
(ii)	Movements of the reserves are as follows:		
	Hedging reserve		
	At beginning of the financial period	342	505
	Fair value (losses)/gains on cash flow hedges	(6,804)	2,815
	Reclassification to profit or loss	(255)	(162)
	At end of the financial period	(6,717)	3,158

7. Borrowings

	As at 30 June 2019 US$'000	As at 31 December 2018 US$'000
Current		
Loan from related corporations	**43,041**	7
Loan from non-related parties	**537**	-
Bank borrowings	**162,719**	76,933
Finance lease liabilities	**5,163**	-
Other lease liabilities	**19,956**	-
	231,416	76,940
Non-current		
Loan from a related corporation	**-**	44,524
Loan from non-related parties	**4,111**	-
Bank borrowings	**984,697**	568,520
Finance lease liabilities	**88,124**	-
Other lease liabilities	**72,068**	-
	1,149,000	613,044
Total borrowings	**1,380,416**	689,984

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

7. **Borrowings** (continued)

Repayment profile	For the 6 months ended 31 December 2019	For the financial year ended 31 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[1]	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

[1] 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 30 June 2019	As at 31 December 2018
Bank borrowings	4.5%	4.3%

Carrying amounts and fair values

The carrying values of the bank borrowings approximate their fair values as the bank borrowings are repriceable 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 30 June 2019 US$'000	As at 31 December 2018 US$'000
Not later than one year	31,456	4,394
Later than one year but not later than five years	15,034	-
	46,490	4,394

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 instruments in thousands	Vesting conditions	Expiry of 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 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 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.

(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.

	Share option programme	
	Tranche 1	Tranche 2
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:

	As at 30 June 2019 US$'000	As at 31 December 2018 US$'000
Derivative (liabilities)/assets at fair value		
- Hedging instruments	**(6,663)**	3,128
Financial assets at amortised cost[1]	**281,411**	110,933
Financial liabilities at amortised cost[2]	**1,465,637**	737,103

[1] Excludes prepayments
[2] 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:

	For the 6 months ended 30 June 2019 US$'000	For the 6 months ended 30 June 2018 US$'000
<u>Sales and purchase of services</u>		
Support service fees paid/payable to related corporation	**4,250**	4,213
Interest paid/payable to a related corporation	**1,141**	24
Rental paid/payable	**321**	319

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.

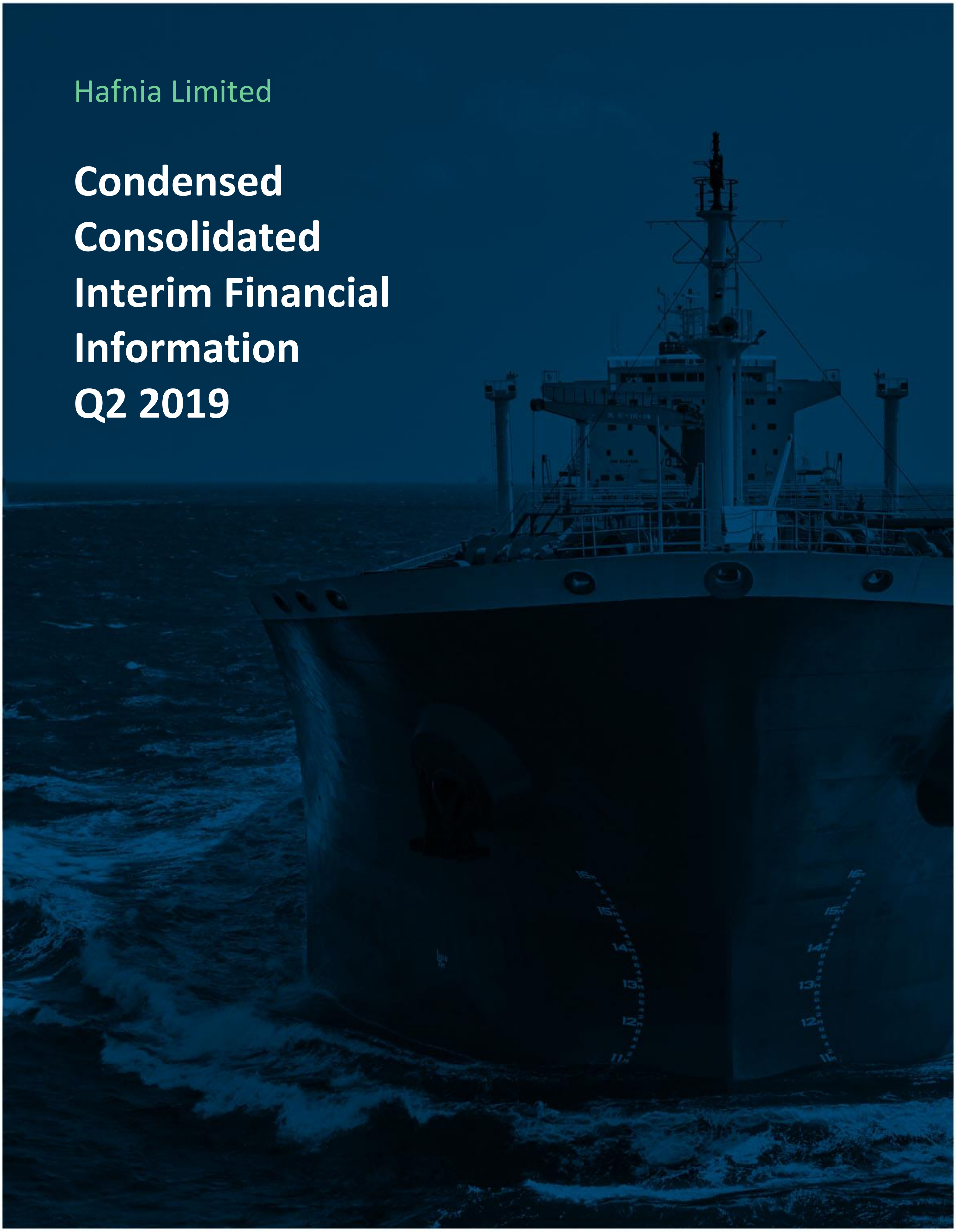
12. **Segment information** (continued)

For the 6 months ended 30 June 2019	LR2 US$'000	LR1 US$'000	MR US$'000	SR US$'000	Total US$'000
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

For the 6 months ended 30 June 2018	LR1 US$'000	MR US$'000	Total US$'000
Revenue	89,756	94,781	184,537
Voyage expenses	(40,835)	(41,913)	(82,748)
TCE income	48,921	52,868	101,789
Other operating income	694	-	694
Vessel operating expenses	(24,478)	(22,183)	(46,661)
Technical management expenses	(2,395)	(2,285)	(4,680)
Charter hire expenses	(3,602)	-	(3,602)
Operating EBITDA	19,140	28,400	47,540
Depreciation charge	(13,129)	(15,015)	(28,144)
	6,011	13,385	19,396
Unallocated			(23,199)
Loss before income tax			(3,803)

APPENDIX I

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION Q2 2019



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[1], 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[1] and three newbuilds[1] had an average broker valuation of US$2,192.6 million. At the end of Q2 the remaining yard instalments for the newbuilds[1] 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[1].

- Four LR2 newbuilds, BW Despina, BW Galatea, BW Larissa and BW Neso[2] 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.

[1] Excluding two LR1s and four LR1 newbuilds owned through 50% ownership in Vista Shipping Limited.
[2] BW Neso was delivered in July 2019.

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* * * *

KEY FIGURES

	Q1 2019 US$ million	Q2 2019 US$ million	H1 2019 US$ million
Income Statement			
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
Balance Sheet			
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
Key financial figures			
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[1]	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)[2]	22,170	16,141	15,210	11,017	15,152
OPEX (US$ per calendar day)[3]	5,962	7,223	6,530	6,013	6,655
G&A (US$ per operating day)[4]	722	722	722	722	722

[1] Excluding two LR1s and four LR1 newbuilds owned through 50% ownership in Vista Shipping Limited.
[2] TCE represents gross TCE income after adding back pool commissions.
[3] OPEX includes vessel running costs and technical management fees.
[4] 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
Vessels (including dry-dock)	147.0	486.4	1,126.6	249.0	2,009.0
Vessels under construction	67.7	-	-	-	67.7
	214.7	486.4	1,126.6	249.0	2,076.7

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
Owned ships			
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
Total	**87.7**	**90.8**	**92.0**
Charter-in and leaseback ships			
LR2	-	-	-
LR1	2.7	2.5	2.0
MR	4.2	6.0	6.0
SR	-	-	-
Total	**6.9**	**8.5**	**8.0**
JV ships[1]			
LR2	-	-	-
LR1	3.4	4.8	6.0
MR	-	-	-
SR	-	-	-
Total	**3.4**	**4.8**	**6.0**
Total ships			
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
Total	**98.0**	**104.0**	**106.0**
Covered, %			
LR2	100%	46%	33%
LR1	8%	-	-
MR	13%	4%	4%
SR	5%	-	-
Total	**14%**	**5%**	**4%**
Covered rates, USD$ per day			
LR2	23,269	24,316	25,112
LR1	13,810	-	-
MR	14,959	16,522	17,817
SR	9,689	-	-
Total	**17,094**	**21,041**	**21,460**

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

[1] TCE represents gross TCE income after adding back pool commissions.
[2] 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 3 months ended 30 June 2019 US$'000	For the 6 months ended 30 June 2019 US$'000
Revenue		**200,683**	**414,776**
Voyage expenses		**(82,673)**	**(164,192)**
TCE income [1]		**118,010**	**250,584**
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)**
Operating profit before depreciation		**58,968**	**133,019**
Depreciation charge	4	**(31,269)**	**(60,454)**
Operating profit		**27,699**	**72,565**
Interest income		**1,042**	**2,010**
Interest expense		**(17,186)**	**(34,414)**
Other finance expense		**(168)**	**(847)**
Finance expense – net		**(16,312)**	**(33,251)**
Share of profit from associates		**624**	**624**
Profit before income tax		**12,011**	**39,938**
Income tax expense		**(17)**	**(37)**
Profit after tax		**11,994**	**39,901**

[1] "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

	Note	For the 3 months ended 30 June 2019 US$'000	For the 6 months ended 30 June 2019 US$'000
Other comprehensive loss:			
Item that may be subsequently reclassified to income statement			
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)**
Total comprehensive income		**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 30 June 2019 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**
Total property, plant and equipment		**2,164,339**
Investment in associate		**2,862**
Loan to joint venture		**23,461**
Deferred tax assets		**36**
Intangible assets	5	**3,080**
Total other non-current assets		**29,439**
Total non-current assets		**2,193,778**
Inventories		**18,392**
Trade and other receivables		**169,568**
Derivative financial instruments		**53**
Cash and cash equivalents		**100,899**
Total current assets		**288,912**
Total assets		**2,482,690**
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)**
Total shareholders' equity		**1,013,926**
Borrowings	7	**1,149,000**
Derivative financial instruments		**6,716**
Other payables		**2,424**
Total non-current liabilities		**1,158,140**
Current income tax liabilities		**703**
Trade and other payables		**78,505**
Borrowings	7	**231,416**
Total current liabilities		**310,624**
Total liabilities		**1,468,764**
Total equity and liabilities		**2,482,690**

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

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Note	Share capital US$'000	Share premium US$'000	Contributed surplus US$'000	Capital reserve US$'000	Translation reserve US$'000	Hedging reserve US$'000	Treasury shares US$'000	Share-based payment reserve US$'000	Accumulated losses US$'000	Total US$'000
Balance at 31 December 2018		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
Transactions with owners											
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
Transfer of reserve											
Transfer of reserve		-	-	-	(50,011)	-	-	-	-	50,011	-
Total comprehensive income											
Total comprehensive income for the financial period		-	-	-	-	(11)	(7,059)	-	-	39,901	32,831
Balance at 30 June 2019		**3,432**	**633,092**	**537,112**	**-**	**(45)**	**(6,717)**	**(500)**	**305**	**(152,753)**	**1,013,926**

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

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS

	For the 3 months ended 30 June 2019 US$'000	For the 6 months ended 30 June 2019 US$'000
Cash flows from operating activities		
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)
Net cash provided by operating activities	70,677	128,387
Cash flows from investing activities		
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
Net cash used in investing activities	(22,642)	(116,568)
Cash flows from financing activities		
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)
Net cash (used in)/provided by financing activities	(22,342)	3,081
Net increase in cash and cash equivalents	25,693	14,900
Cash and cash equivalents at beginning of the financial period	75,206	85,999
Cash and cash equivalents at end of the financial period	100,899	100,899

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.

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

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 Limited US$'000	Hafnia Tankers Limited US$'000	Merger Adjustments US$'000	Total US$'000
Property, plant and equipment	1,171,838	850,170	-	2,022,008
Other current and non-current assets	144,339	139,691	-	281,933
Total assets	**1,316,177**	**989,861**	**-**	**2,306,038**
Borrowings	689,984	450,595	-	1,140,579
Lease liabilities	-	96,751	-	96,751
Other current and non-current liabilities	53,017	34,401	-	87,418
Total liabilities	**743,001**	**581,747**	**-**	**1,324,748**
Share capital[1]	1,962	339	1,131	3,432
Share premium[1]	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[2]	(190,276)	(75,892)	73,514	(192,654)
Non-controlling interests[3]	-	145,143	(145,143)	-
Total equity	**573,176**	**408,114**	**-**	**981,920**

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:

	US$'000
Lease liabilities	65,817
Deferred gain on sale and operating leaseback	(3,849)
Right of use assets	61,968

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

	Right-of-use assets US$'000	Vessels US$'000	Dry docking US$'000	Vessels under construction US$'000	Total US$'000
Cost					
At 1 January 2019	21,170	1,766,605	48,866	117,495	1,954,136
Acquisition of vessels on 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 dry docking cycle	-	-	(713)	-	(713)
At 31 March 2019 / 1 April 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
Accumulated depreciation and impairment charge					
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 dry docking cycle	-	-	(713)	-	(713)
At 31 March 2019 / 1 April 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
Net book value					
At 30 June 2019	**87,479**	**1,963,461**	**45,595**	**67,649**	**2,164,184**

(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.

HAFNIA
Member of BW Group

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
Fair value of identifiable net assets acquired	
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**
Total identifiable net assets acquired	**3,279**
Total purchase consideration	**3,279**

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 Shares	Share capital US$'000	Share premium US$'000	Total 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**
At 1 January 2019 and 30 June 2019	**343,157,979**	**3,432**	**633,092**	**636,524**

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

(c) Other reserve

		As at 30 June 2019 US$'000
(i)	Composition:	
	Translation reserve	(45)
	Hedging reserve	(6,717)
	Share based payment reserve	305
		(6,457)

		As at 30 June 2019 US$'000
(ii)	Movements of the reserves are as follows:	
	Hedging reserve	
	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	(6,717)

7. **Borrowings**

	As at 30 June 2019 US$'000
Current	
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
	231,416
Non-current	
Loan from non-related parties	4,111
Bank borrowings	984,697
Finance lease liabilities	88,124
Other lease liabilities	72,068
	1,149,000
Total borrowings	1,380,416

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 months ended 31 December 2019	For the financial year ended 31 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[1]	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

[1] 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 30 June 2019
Bank borrowings	**4.5%**

Carrying amounts and fair values

The carrying values of the bank borrowings approximate their fair values as the bank borrowings are repriceable 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 30 June 2019 US$'000
Not later than one year	**31,456**
Later than one year but not later than five years	**15,034**
	46,490

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 instruments in thousands	Vesting conditions	Expiry of 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 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 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.

	Share option programme	
	Tranche 1	**Tranche 2**
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:

	As at 30 June 2019 US$'000
Derivative (liabilities)/assets at fair value	
- Hedging instruments	**(6,663)**
Financial assets at amortised cost[1]	**281,411**
Financial liabilities at amortised cost[2]	**1,465,637**

[1] Excludes prepayments
[2] 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:

	For the 6 months ended 30 June 2019 US$'000
Sales and purchase of services	
Support service fees paid/payable to related corporation	**4,250**
Interest paid/payable to a related corporation	**1,141**
Rental paid/payable	**321**

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 US$'000	LR1 US$'000	MR US$'000	SR US$'000	Total US$'000
For the 3 months ended 30 June 2019					
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 US$'000	LR1 US$'000	MR US$'000	SR US$'000	Total US$'000
For the 6 months ended 30 June 2019					
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[1]	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[1,2]	75,000	Jul-19	LR1	GSI	50%
Hafnia HongKong[2]	75,000	Jan-19	LR1	GSI	50%
Hafnia Shanghai[2]	75,000	Jan-19	LR1	GSI	50%
Sunda[1]	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%

[1] *BW Neso, Hafnia Guangzhou and Sunda are delivered in July 2019.*
[2] *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%

APPENDIX J

OPENING COMBINED CONSOLIDATED BALANCE SHEET AS AT 16 JANUARY 2019

HAFNIA LIMITED
(Incorporated in Bermuda)
AND ITS SUBSIDIARIES

OPENING COMBINED CONSOLIDATED BALANCE SHEET

As at 16 January 2019

Contents

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Independent auditors' report

The Board of Directors
Hafnia Limited

Opinion

We have audited the Opening Combined Consolidated Balance Sheet of Hafnia Limited (the Company) and its subsidiaries (the Group) as at 16 January 2019 including the accompanying summary of significant accounting policies.

In our opinion, the accompanying Opening Combined Consolidated Balance Sheet of the Group as at 16 January 2019 is prepared, in all material respects, in accordance with the basis of preparation specified in Notes 3 and 4 (the Basis of Preparation) to the Opening Combined Consolidated Balance Sheet.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the statement*' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the Opening Combined Consolidated Balance Sheet in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – basis of accounting

We draw attention to Notes 3 and 4 to the Opening Combined Consolidated Balance Sheet, which describes the basis of accounting. Our report is provided in accordance with the terms of our engagement. Our work was undertaken so that we might report to you on those matters as stated in Note 2 to the Opening Combined Consolidated Balance Sheet and for no other purpose. Our report is made available to be included in the prospectus of the Group to be issued in relation to the proposed offering of the shares of the Company in connection with the Company's listing on the Oslo Stock Exchange for information only. Our opinion is not modified in respect of this matter.

KPMG

Responsibilities of management and those charged with governance for the Opening Combined Consolidated Balance Sheet

Management is responsible for the preparation of the Opening Combined Consolidated Balance Sheet in accordance with the Basis of Preparation, for determining the acceptability of the basis of accounting, and for such internal controls as management determines is necessary to enable the preparation of the Opening Combined Consolidated Balance Sheet that is free from material misstatement, whether due to fraud or error.

In preparing the Opening Combined Consolidated Balance Sheet, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of Opening Combined Consolidated Balance Sheet

Our objectives are to obtain reasonable assurance about whether the Opening Combined Consolidated Balance Sheet as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Opening Combined Consolidated Balance Sheet.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Opening Combined Consolidated Balance Sheet, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Opening Combined Consolidated Balance Sheet or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
20 September 2019

OPENING COMBINED CONSOLIDATED BALANCE SHEET
As at 16 January 2019

	As at 16 January 2019 US$'000
Vessels	1,857,960
Dry docking	46,552
Vessels under construction	117,496
Right-of-use assets	61,968
Total property, plant and equipment	2,083,976
Derivative financial instruments	3,158
Investment in associate	2,944
Trade and other receivable	14,361
Deferred tax assets	24
Total other non-current assets	20,487
Total non-current assets	2,104,463
Inventories	28,095
Trade and other receivables	149,445
Derivative financial instruments	4
Cash and cash equivalents	85,999
Total current assets	263,543
Total assets	2,368,006
Share capital	3,432
Share premium	633,092
Contributed surplus	537,112
Other reserves	308
Accumulated losses	(192,654)
Total shareholders' equity	981,290
Borrowings	1,154,131
Derivative financial instruments	2,816
Other payables	1,987
Total non-current liabilities	1,158,934
Borrowings	150,881
Derivative financial instruments	34
Current income tax liabilities	149
Trade and other payables	76,718
Total current liabilities	227,782
Total liabilities	1,386,716
Total equity and liabilities	2,368,006

The accompanying notes form an integral part of this Opening Combined Consolidated Balance Sheet.
Independent Auditors' Report – Page 1

OPENING COMBINED CONSOLIDATED BALANCE SHEET
As at 16 January 2019

Approved by Board of Directors on 20 September 2019:

Andreas Sohmen-Pao	Chris Gradel	Alexis Atteslis
Gregory Sean Feldman	Erik Bartnes	John Ridgway
Peter Read		

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 Group is shipowning and chartering.

2. Purpose of the Opening Combined Consolidated Balance Sheet

The Opening Combined Consolidated Balance Sheet is prepared to reflect the opening consolidated financial position of the combined entity following the merger of BW Tankers Limited and Hafnia Tankers Limited, whose basis of accounting and significant accounting policies are set out in Notes 3 and 4.

3. Basis of accounting

Merger of entities

On 16 January 2019, a wholly-owned subsidiary of 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. On 21 January 2019, the wholly-owned subsidiary was merged with BW Tankers Limited without consideration in a simplified parent and subsidiary merger. 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 method. 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. Management has elected not to re-present comparative financial information, adjusted as if the merger had occurred before 16 January 2019.

The 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, adjusted for the uniform application of significant accounting policies, as described in Note 4. As a result, by utilising the adjusted 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 book values of both merging entities, adjusted for uniformity of accounting policies (refer to note 3) as at the beginning of the reporting period, 1 January 2019 as the financial effect of 16 days is not material to the consolidated financial position of Hafnia Limited and its subsidiaries (the "Group").

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

3. **Basis of accounting** (continued)

Merger of entities (continued)

	BW Tankers Limited US$'000	Hafnia Tankers Limited US$'000	Merger Adjustments US$'000	Total US$'000
Property, plant and equipment	1,171,838	850,170	-	2,022,008
Other current and non-current assets	144,339	139,691	-	284,030
Total assets	**1,314,080**	**989,861**	-	**2,306,038**
Borrowings	689,984	549,211	-	1,239,195
Other current and non-current liabilities	53,017	32,536	-	85,553
Total liabilities	**743,001**	**581,747**	-	**1,324,748**
Share capital[1]	1,962	339	1,131	3,432
Share premium[1]	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[2]	(190,276)	(75,892)	73,514	(192,654)
Non-controlling interests[3]	-	145,143	(145,143)	-
Total equity	**573,176**	**408,114**	-	**981,290**

The merger adjustments relevant to the application of the book value accounting method to record the merger of BW Tankers Limited and Hafnia Tankers Limited are set out below.

(1) US$58.5 million represents consideration paid of US$413.3 million in the form of issued shares of the Company and acquisition of Hafnia Tankers old shares of US$354.8 million.

(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; and

   b. Reallocation of US$0.9 million from non-controlling interests to hedging reserve

(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.

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 opening balance sheet. As a consequence, there is an adjustment of US$2.1 million for the capitalisation of lubricating oils onboard vessels in the opening accumulated losses. This policy alignment adjustment has been reflected directly in the merger entities' opening balance sheets.

4. Significant accounting policies

(a) Basis of preparation

The Opening Combined Consolidated Balance Sheet has been prepared under the historical cost convention (except as otherwise disclosed below) and in accordance with a set of significant accounting policies drawn from BW Group Limited, the ultimate holding company of the Group. These policies are consistent with the recognition and measurement requirements of the International Financial Reporting Standards ("IFRS").

Critical accounting estimates and assumptions

The preparation of the consolidated balance sheet in conformity with IFRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions discussed below.

Certain amounts included in or affecting the consolidated balance sheet and related disclosures are estimated, requiring the Group to make assumptions with respect to values or conditions which cannot be known with certainty at the time the consolidated balance sheet are prepared. A critical accounting estimate or assumption is one which is both important to the portrayal of the Group's financial condition and results and requires management's most difficult, subjective or complex judgements, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Management evaluates such estimates on an ongoing basis, using historical results and experience, consideration of relevant trends, consultation with experts and other methods considered reasonable in the particular circumstances.

The following is a summary of estimates and assumptions which may have a material effect on the Group's financial position.

(1) Useful life and residual value of assets

The Group reviews the useful lives and residual values of its vessels at least at each financial year-end and any adjustments are made on a prospective basis. Residual value is estimated as the lightweight tonnage of each vessel multiplied by the expected scrap value per ton. If estimates of the residual values are revised, the amounts of depreciation charges in the future periods will be changed.

The useful lives of the vessels are assessed periodically based on the condition of the vessels, market conditions and other regulatory requirements. If the estimates of useful lives for the vessels are revised or there is a change in useful lives, the amounts of depreciation charges recorded in future periods will be changed.

4. **Significant accounting policies** (continued)

(a) Basis of preparation (continued)

Critical accounting estimates and assumptions (continued)

(2) Reversal of impairment/Impairment of non-financial assets

Property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired or a reversal of previously recognised impairment charge may be required. The recoverable amount of an asset, and where applicable, a cash-generating unit ("CGU"), is determined based on the higher of fair value less costs to sell and value-in-use calculations prepared on the basis of management's assumptions and estimates.

(3) Revenue recognition

All freight voyage charter revenues and voyage expenses are recognised on a percentage of completion basis. Load-to-discharge basis is used in determining the percentage of completion for all spot voyages and voyages servicing contracts of affreightment. Under the load-to-discharge method, freight voyage charter revenue is recognised evenly over the period from the point of loading of the current voyage to the point of discharge of the current voyage.

Management uses its judgement in estimating the total number of days of a voyage based on historical trends, the operating capability of the vessel (speed and fuel consumption), and the distance of the trade route. Actual results may differ from estimates.

Demurrage revenue is recognised as revenue from voyage charters in the profit or loss, based on actual demurrage recovered over total estimated claims issued to customers historically.

(b) Revenue and income recognition

Revenue comprises the fair value of consideration received or receivable for the rendering of services in the ordinary course of the Group's activities, net of rebates, discounts and off-hire charges, and after eliminating sales within the Group.

(1) Rendering of services

Revenue from time charters, accounted for as operating leases, is recognised rateably over the rental periods of such charters, as services are performed. Revenue from freight voyage charters is recognised rateably over the estimated length of the voyage within the respective reporting period, in the event the voyage commences in one reporting period and ends in the subsequent reporting period.

The Group determines the percentage of completion of freight voyage charter using the load-to-discharge method. Under the load-to-discharge method, freight voyage charter revenue is recognised rateably over the period from the point of loading of the current voyage to the point of discharge of the current voyage.

4. **Significant accounting policies** (continued)

(b) Revenue and income recognition (continued)

(1) Rendering of services (continued)

Losses arising from time or voyage charters are provided for in full as soon as they are anticipated.

The Group has vessels which participate in commercial pools in which the earnings allocated to vessels are aggregated and divided on the basis of a weighted scale, or pool points system. The pool point system is generally weighted by attributes such as size, fuel consumption, class notation and other capabilities. Pool revenues are recognized when the vessel has participated in a pool during the period and the amount of pool revenue for the period can be estimated reliably. .

(2) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(c) Group accounting

Subsidiaries

(1) Consolidation

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In preparing the consolidated balance sheet, transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been aligned where necessary to ensure consistency with the policies adopted by the Group.

(2) Acquisition

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

4. **Significant accounting policies** (continued)

(c) Group accounting (continued)

Subsidiaries (continued)

(2) Acquisition (continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date, and any gains or losses arising from such re-measurement are recognised in profit or loss. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of (i) the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the net identifiable assets acquired, is recorded as goodwill.

(3) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

Any retained interest in the entity is re-measured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in the profit or loss.

(4) Common control transactions

In a common control transaction, the Group applies book value accounting in which the combined assets, liabilities and reserves of the merged companies will be recorded at their existing carrying amounts at the date of the merger. Difference between the consideration paid and capital of the acquiree will be adjusted in equity.

4. **Significant accounting policies** (continued)

(d) Property, plant and equipment

(1) Measurement

(i) Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) The cost of an item of property, plant and equipment initially recognised includes expenditure that is directly attributable to the acquisition of the item. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring the asset.

(iii) The acquisition cost capitalised to a vessel under construction is the sum of the instalments paid plus other directly attributable costs incurred during the construction period including borrowing costs. Vessels under construction are reclassified as vessels upon delivery from the yard.

(2) Depreciation

(i) Depreciation is calculated using a straight-line method to allocate the depreciable amounts of property, plant and equipment, after taking into account the residual values over their estimated useful lives. The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at least annually. The effects of any revision are recognised in the profit or loss when the changes arise. The estimated useful lives are as follows:

Vessels	
- Tankers	25 years

(ii) A proportion of the price paid for new vessels is capitalised as dry docking. These costs are depreciated over the period to the next scheduled dry docking, which is generally 30 to 60 months. At the commencement of new dry docking, the remaining carrying amount of the previous dry docking will be written off to the profit or loss.

(3) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment, including dry docking, that has already been recognised, is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expense is recognised in the profit or loss when incurred.

(4) Disposal

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in the profit or loss.

4. **Significant accounting policies** (continued)

(e) Financial assets

(1) Classification

The Group classifies its financial assets in the following categories: at amortised cost and at FVTPL. The classification depends on the business model in which a financial asset is managed and its contractual cash flows characteristics. Management determines the classification of its financial assets at initial recognition. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(ai) Amortised cost financial assets

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. They are presented as "trade and other receivables" (note 10) and "cash and cash equivalents" (note 11) in the consolidated balance sheet.

(aii) FVTPL financial assets

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL.

Derivatives are also categorised as FVTPL unless they are designated as hedges. Assets in this category are presented as current assets if they are expected to be realised within 12 months after the balance sheet date.

4. **Significant accounting policies** (continued)

(e) Financial assets (continued)

(2) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, measured at amortised cost or FVTPL, the difference between the net sale proceeds and its carrying amount is recognised in the profit or loss.

(3) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at FVTPL, which are recognised at fair value. Transaction costs for financial assets at FVTPL are recognised immediately as expenses.

(4) Subsequent measurement

Financial assets at FVTPL are subsequently carried at fair value. Financial assets at amortised costs are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at FVTPL including the effects of currency translation are recognised in profit or loss.

(5) Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the consolidated balance sheet, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(6) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for expected credit loss (ECL) at an amount equal to the lifetime expected credit loss if there has been a significant increase in credit risk since initial recognition. If the credit risk has not increased significantly since initial recognition, the Group recognises an allowance for ECL at an amount equal to 12 month ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12 month ECLs are the portion of ECLs that results from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

4. **Significant accounting policies** (continued)

(e) Financial assets (continued)

(6) Impairment (continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

An impairment loss for trade receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience, informed credit assessment and other forward-looking information.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the net present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(f) Impairment of non-financial assets

Property, plant and equipment are tested for impairment whenever there is objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less costs to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the profit or loss.

An impairment loss for an asset (or CGU) other than goodwill is reversed if, and only if, there has been a change in the estimate of the asset's (or CGU's) recoverable amount since the last impairment loss was recognised. The carrying amount of the asset (or CGU) is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation and depreciation) had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of impairment loss for an asset (or CGU) other than goodwill is recognised in the profit or loss.

4. **Significant accounting policies** (continued)

(g) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

(h) Borrowing costs

Borrowing costs are recognised in the profit or loss using the effective interest method except for those costs that are directly attributable to the construction of vessels. This includes those costs on borrowings acquired specifically for the construction of vessels, as well as those in relation to general borrowings used to finance the construction of vessels.

Borrowing costs are capitalised in the cost of the vessel under construction. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to the construction expenditures that are financed by general borrowings.

(i) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

(j) Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The fair value of derivative financial instruments represents the amount estimated by banks or brokers that the Group will receive or pay to terminate the derivatives at the balance sheet date. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is 12 months or more, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

For derivative financial instruments that are not designated or do not qualify for hedge accounting, any fair value gains or losses are recognised in the profit or loss as a finance item.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

4. **Significant accounting policies** (continued)

(j) Derivative financial instruments and hedging activities (continued)

Cash flow hedges – Interest rate derivatives

The Group has entered into interest rate swaps that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and obliges the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

The Group has also entered into several interest rate caps that entitles the Group to receive interest payment when the floating interest rate goes above the strike rate.

The fair value changes on the effective portion of the interest rate swaps designated as cash flow hedges are recognised in other comprehensive income, accumulated in the hedging reserve and reclassified to profit or loss when the hedged interest expense on the borrowings is recognised in the profit or loss. The fair value changes on the ineffective portion of the interest rate swaps are recognised immediately to the profit or loss.

(k) Inventories

Inventories comprise mainly fuel oil and lubricating oils remaining on board vessels. Inventories are measured at the lower of cost (on first-in, first-out basis) and net realisable value.

(l) Fair value estimation of financial assets and liabilities

The fair value of interest rate swap is calculated as the present value of the estimated future cash flows, discounted at actively quoted interest rates. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying amounts of current financial assets and liabilities carried at amortised cost approximate their fair values, due to the short term nature of the balances. The fair values of financial liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at current market interest rates that are available to the Group at balance sheet date for similar financial instruments.

4. **Significant accounting policies** (continued)

(m) Income taxes

The tax expense for the period comprises current tax. Tax is recognised as income or expense in profit or loss, except to the extent that it relates to items recognised in other comprehensive income in which case the tax is also recognised in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Positions taken in tax returns are evaluated periodically, with respect to situations in which applicable tax regulations are subject to interpretation, and provisions are established where appropriate, on the basis of amounts expected to be paid to the tax authorities. In relation to accounting for tax uncertainties, where it is more likely than not that the final tax outcome would be favourable to the Group, no tax provision is recognised until payment to the tax authorities is required, and upon which a tax asset, measured at the expected recoverable amount, is recognised.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is recognised on temporary differences arising on income earned from investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

4. **Significant accounting policies** (continued)

(n) Employee benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be classified as an asset.

(1) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(2) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(o) Foreign currency translation

(1) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in United States Dollars, which is the Company's and the group entities' functional currency.

(2) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign currency exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date, are recognised in the profit or loss.

(p) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions, which are subject to an insignificant risk of change in value.

(q) Share capital

Common shares are classified as equity.

Incremental costs directly attributable to the issuance of new equity instruments are taken to equity as a deduction, net of tax, from the proceeds.

4. **Significant accounting policies** (continued)

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation whereby as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the settlement amount can be made. When the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

For leased-in assets, the Group recognises a provision for the estimated costs of reinstatement arising from the use of these assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

(s) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all the of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

  - The Group has the right to operate the asset; or

  - The Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their stand-alone prices.

4. **Significant accounting policies** (continued)

(s) Leases (continued)

(1) Leases in which the Group is a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;

- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- Amounts expected to be payable under a residual value guarantee; and

- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'borrowings' in the balance sheet.

4. **Significant accounting policies** (continued)

(s) Leases (continued)

(1) Leases in which the Group is a lessee (continued)

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of vessels that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(2) Leases in which the Group is a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

APPENDIX K

VALUATION REPORT FOR THE GROUP'S VESSELS

To: Hafnia Tankers/ BW Tankers Pte Ltd.
Mapletree Business City, #18-01
10 Pasir Panjang Road
Singapore 117438

Valuations as at 6th September 2019

Vessel	Year	Type	DWT	CBM incl/s	Yard	Delivered	Pumps	Segregation	Heating	Coating	Scrubber	Ice	Stern	Approx Charterfree Value (US$ Mill)
Handy Size														
Hafnia Torres	2016	Handy	39,067	42,480	HMD	04/05/2016	Deepwell	6	Exchangers	Epoxy	No	1B		29.75
Hafnia Soya	2015	Handy	38,700	42,480	HMD	23/11/2015	Deepwell	6	Exchangers	Epoxy	No	1B		28.25
Hafnia Sunda	2015	Handy	39,067	42,480	HMD	21/09/2015	Deepwell	6	Exchangers	Epoxy	No	1B		28.25
Hafnia Malacca	2015	Handy	39,067	42,480	HMD	20/07/2015	Deepwell	6	Exchangers	Epoxy	No	1B		28.25
Hafnia Magellan	2015	Handy	39,067	42,480	HMD	26/05/2015	Deepwell	6	Exchangers	Epoxy	No	1B		28.25
Hafnia Bering	2015	Handy	39,067	42,480	HMD	13/04/2015	Deepwell	6	Exchangers	Epoxy	No	1B		28.25
Hafnia Green	2007	Handy	39,808	42,213	Saiki	03/08/2007	Deepwell	6	Exchangers	Phenolic	No		Yes	13.25
Hafnia Victoria	2007	Handy	39,821	42,234	Saiki	20/06/2007	Deepwell	6	Exchangers	Phenolic	No		Yes	13.25
Hafnia Karava	2007	Handy	39,814	42,230	Saiki	29/03/2007	Deepwell	6	Exchangers	Phenolic	No		Yes	13.25
Hafnia Hope	2007	Handy	39,814	42,195	Saiki	31/01/2007	Deepwell	6	Exchangers	Phenolic	No		Yes	13.25
Hafnia Adamello	2004	Handy	39,807	42,221	Saiki	20/08/2004	Deepwell	6	Exchangers	Phenolic	No		Yes	9.25
Hafnia Robson	2004	Handy	39,819	42,222	Saiki	26/05/2004	Deepwell	6	Exchangers	Phenolic	No		Yes	9.25
Hafnia Rainier	2004	Handy	39,817	42,216	Saiki	30/03/2004	Deepwell	6	Exchangers	Phenolic	No		Yes	9.25
MR Size														
Bulldog	2019	MR	49,850	55,881	JMU	Q3/19	Deepwell	7	Exchangers	Epoxy	No			39
Bassett	2019	MR	49,850	55,881	JMU	Q3/19	Deepwell	7	Exchangers	Epoxy	No			39
Boxer	2019	MR	49,850	55,881	JMU	27/06/2019	Deepwell	7	Exchangers	Epoxy	No			39
Beagle	2019	MR	49,850	55,881	JMU	03/03/2019	Deepwell	7	Exchangers	Epoxy	No			39
Orient Innovation	2017	MR	49,999	54,109	HVS	11/07/2017	Deepwell	6	Exchangers	Epoxy	No			34.25
Orient Challenge	2017	MR	49,999	54,109	HVS	13/06/2017	Deepwell	6	Exchangers	Epoxy	No			34.25
Hafnia Mikala	2017	MR	49,999	53,369	GSI	18/05/2017	Deepwell	6	Exchangers	Epoxy	No			34.25
Hafnia Lotte	2017	MR	49,999	53,369	GSI	09/01/2017	Deepwell	6	Exchangers	Epoxy	No			34.25
Hafnia Kirsten	2017	MR	49,999	53,369	GSI	04/01/2017	Deepwell	6	Exchangers	Epoxy	No			34.25
Hafnia Lise	2016	MR	49,999	53,369	GSI	09/09/2016	Deepwell	6	Exchangers	Epoxy	No	1A		34.25
Hafnia Daisy	2016	MR	49,999	53,369	GSI	09/08/2016	Deepwell	6	Exchangers	Epoxy	No	1A		34.25
Hafnia Henriette	2016	MR	49,999	53,369	GSI	28/06/2016	Deepwell	6	Exchangers	Epoxy	No			32.5
BW Wren	2016	MR	49,999	52,920	SPP	02/03/2016	Deepwell	7	Exchangers	Phenolic	No			33.25

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BW Swift	2016	MR	49,999	52,920	SPP	26/01/2016	Deepwell	7	Exchangers	Phenolic	No			33.25
BW Petrel	2016	MR	49,999	52,920	SPP	04/01/2016	Deepwell	7	Exchangers	Phenolic	No			33.25
BW Raven	2015	MR	49,999	52,920	SPP	30/11/2015	Deepwell	7	Exchangers	Phenolic	No			31.5
Hafnia Ane	2015	MR	49,999	53,369	GSI	16/11/2015	Deepwell	6	Exchangers	Epoxy	No			31
BW Myna	2015	MR	49,999	52,905	SPP	28/10/2015	Deepwell	7	Coils	Phenolic	No			31.5
BW Osprey	2015	MR	49,999	52,920	SPP	21/10/2015	Deepwell	7	Exchangers	Phenolic	No			31.5
BW Merlin	2015	MR	49,999	52,920	SPP	08/09/2015	Deepwell	7	Exchangers	Phenolic	No			31.5
BW Kestrel	2015	MR	49,999	52,920	SPP	21/08/2015	Deepwell	7	Exchangers	Phenolic	No			31.5
Hafnia Lene	2015	MR	49,999	53,369	GSI	30/07/2015	Deepwell	6	Exchangers	Epoxy	No			31
BW Eagle	2015	MR	49,999	52,906	SPP	28/07/2015	Deepwell	7	Coils	Phenolic	No			31.5
BW Hawk	2015	MR	49,999	52,920	SPP	26/06/2015	Deepwell	7	Exchangers	Phenolic	No			31.5
BW Falcon	2015	MR	49,999	52,920	SPP	27/02/2015	Deepwell	7	Exchangers	Phenolic	No			31.5
BW Egret	2014	MR	49,999	52,920	SPP	14/11/2014	Deepwell	7	Exchangers	Phenolic	No			29.75
BW Bobcat	2014	MR	49,999	52,927	SPP	28/08/2014	Deepwell	7	Coils	Phenolic	No			29.75
BW Panther	2014	MR	49,999	52,933	SPP	30/06/2014	Deepwell	7	Coils	Phenolic	No			29.75
BW Jaguar	2014	MR	49,999	52,940	SPP	31/03/2014	Deepwell	7	Coils	Phenolic	No			28.75
BW Tiger	2014	MR	49,999	52,938	SPP	07/03/2014	Deepwell	7	Coils	Phenolic	No			28.75
BW Cheetah	2014	MR	49,999	52,938	SPP	17/02/2014	Deepwell	7	Coils	Phenolic	No			28.75
BW Leopard	2014	MR	49,999	52,940	SPP	27/01/2014	Deepwell	7	Coils	Phenolic	No			28.75
BW Cougar	2014	MR	49,999	52,940	SPP	06/01/2014	Deepwell	7	Coils	Phenolic	No			29.75
BW Lioness	2014	MR	49,999	52,955	SPP	06/01/2014	Deepwell	7	Coils	Phenolic	No			29.75
BW Puma	2013	MR	49,999	52,936	SPP	28/11/2013	Deepwell	7	Coils	Phenolic	No			27.75
Hafnia Leo	2013	MR	52,340	56,644	GSI	20/11/2013	Deepwell	7	Coils	Phenolic	No			25.5
BW Lynx	2013	MR	49,999	52,929	SPP	04/11/2013	Deepwell	7	Coils	Phenolic	No			27.75
Hafnia Phoenix	2013	MR	52,340	56,644	GSI	02/07/2013	Deepwell	7	Coils	Epoxy	No			25.5
Hafnia Libra	2013	MR	52,384	56,644	GSI	02/05/2013	Deepwell	7	Coils	Epoxy	No			25.5
Hafnia Lupus	2012	MR	52,550	56,644	GSI	24/04/2012	Deepwell	7	Coils	Phenolic	No			23.5
Hafnia Crux	2012	MR	52,550	56,644	GSI	07/02/2012	Deepwell	7	Coils	Epoxy	No			23.5
Hafnia Taurus	2011	MR	50,385	57,174	GSI	14/06/2011	Deepwell	7	Coils	Phenolic	No			21
Hafnia Andromeda	2011	MR	49,999	56,643	GSI	05/05/2011	Deepwell	7	Coils	Phenolic	No			21
Hafnia Pegasus	2010	MR	50,326	56,644	GSI	29/10/2010	Deepwell	7	Exchangers	Phenolic	No			18.5
Hafnia Nordica	2010	MR	49,994	56,765	Shin Kurushima	23/03/2010	Deepwell	4	Coils	Epoxy	No			19
Hafnia Atlantic	2004	MR	45,967	54,978	STX	30/11/2004	Deepwell	7	Coils	Phenolic	No			10
LR1 Size														
Hafnia Nanjing	2020	LR1	74,999	86,085	GSI	01/10/2020	Deepwell	6	Exchangers	Epoxy	No			40.75
Hafnia Shenzhen	2020	LR1	74,999	86,085	GSI	01/08/2020	Deepwell	6	Exchangers	Epoxy	No			40.75
Hafnia Guangzhou	2019	LR1	74,999	86,085	GSI	01/11/2019	Deepwell	6	Exchangers	Epoxy	No			40.75
Karimata	2020	LR1	80,000	86,669	Onomichi	30/08/2019	Deepwell	3	Exchangers	Epoxy	No			43
Sunda	2021	LR!	80,000	86,669	Onomichi	02/07/2019	Deepwell	3	Exchangers	Epoxy	No			43
Hafnia Beijing	2019	LR1	74,999	86,085	GSI	01/06/2019	Deepwell	6	Exchangers	Epoxy	No			40.75

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Hafnia Shanghai	2019	LR1	74,999	86,085	GSI	10/01/2019	Deepwell	6	Exchangers	Epoxy	No			40.75
Hafnia Hong Kong	2019	LR1	74,999	86,085	GSI	08/01/2019	Deepwell	6	Exchangers	Epoxy	No			40.75
BW Nile	2017	LR1	74,000	84,041	STX	02/08/2017	Pumproom	3	Coils	Phenolic	No			39.25
BW Yarra	2017	LR1	74,000	84,041	STX	17/07/2017	Pumproom	3	Coils	Phenolic	No			39.25
BW Tagus	2017	LR1	74,000	84,041	STX	13/03/2017	Pumproom	3	Coils	Phenolic	No			39.25
BW Kallang	2017	LR1	74,000	84,041	STX	18/01/2017	Pumproom	3	Coils	Phenolic	No			39.25
Hafnia Asia	2010	LR1	74,539	83,095	STX	11/06/2010	Deepwell	7	Exchangers	Epoxy	No			20.5
Hafnia Africa	2010	LR1	74,539	83,152	STX	06/05/2010	Deepwell	7	Exchangers	Epoxy	No			20.5
Hafnia Australia	2010	LR1	74,539	83,078	STX	06/05/2010	Deepwell	7	Exchangers	Epoxy	No			20.5
Hafnia Arctic	2010	LR1	74,910	83,959	Brodosplit	12/01/2010	Deepwell	6	Exchangers	Epoxy	No	1A		20.5
BW Zambesi	2010	LR1	74,982	83,687	Dalian	06/01/2010	Pumproom	3	Coils	Epoxy	No			18
BW Yangtze	2009	LR1	74,996	83,687	Dalian	05/01/2009	Pumproom	3	Coils	Epoxy	No			16.5
BW Shinano	2008	LR1	74,998	83,687	Dalian	27/10/2008	Pumproom	3	Coils	Epoxy	No			15.5
BW Thames	2008	LR1	74,999	83,687	Dalian	06/08/2008	Pumproom	3	Coils	Epoxy	No			15.5
BW Seine	2008	LR1	76,580	83,687	Dalian	26/05/2008	Pumproom	3	Coils	Epoxy	No			15.5
BW Rhine	2008	LR1	76,578	83,687	Dalian	12/03/2008	Pumproom	3	Coils	Epoxy	No			15.5
BW Orinoco	2007	LR1	74,991	83,687	Dalian	16/11/2007	Pumproom	3	Coils	Epoxy	No			13.5
BW Lena	2007	LR1	74,996	83,687	Dalian	30/08/2007	Pumproom	3	Coils	Epoxy	No			13.5
BW Hudson	2007	LR1	76,574	83,687	Dalian	12/06/2007	Pumproom	3	Coils	Epoxy	No			13.5
BW Danube	2007	LR1	74,999	83,687	Dalian	20/03/2007	Pumproom	3	Coils	Epoxy	No			13.5
BW Kronborg	2007	LR1	73,708	84,136	New Century	12/03/2007	Pumproom	3	Coils	Epoxy	No			12.75
BW Columbia	2007	LR1	74,999	83,687	Dalian	02/01/2007	Pumproom	3	Coils	Epoxy	No			13.5
Hafnia America	2006	LR1	74,999	84,545	Onomichi	17/10/2006	Pumproom	3	Coils	Epoxy	No			14.5
BW Amazon	2006	LR1	76,565	83,687	Dalian	16/10/2006	Pumproom	3	Coils	Epoxy	No			12.5
Hafnia Europe	2006	LR1	74,997	84,546	Onomichi	18/08/2006	Pumproom	3	Coils	Epoxy	No			14.5
Compassion	2006	LR1	72,782	78,528	Dalian	16/06/2006	Pumproom	3	Coils	Epoxy	No			12.5
Compass	2006	LR1	72,736	78,775	Dalian	14/02/2006	Pumproom	3	Coils	Epoxy	No			12.5
BW Lara	2004	LR1	73,495	83,275	New Century	02/08/2004	Pumproom	3	Coils	Epoxy	No			8.75
BW Clyde	2004	LR1	73,495	83,335	New Century	24/06/2004	Pumproom	3	Coils	Epoxy	No			8.75
LR2 Size														
BW Triton	2019	LR2	115,000	127,277	Daehan	01/10/2019	Pumproom	3	Coils	Epoxy	Yes			54
BW Thalassa	2019	LR2	115,000	127,277	Daehan	01/08/2019	Pumproom	3	Coils	Epoxy	Yes			54
BW Neso	2019	LR2	115,000	127,277	Daehan	01/05/2019	Pumproom	3	Coils	Epoxy	Yes			54
BW Larissa	2019	LR2	115,000	127,277	Daehan	08/04/2019	Pumproom	3	Coils	Epoxy	No			52
BW Galatea	2019	LR2	115,000	127,277	Daehan	04/03/2019	Pumproom	3	Coils	Epoxy	No			52
BW Despina	2019	LR2	115,000	127,277	Daehan	22/01/2019	Pumproom	3	Coils	Epoxy	No			52
TOTAL 100														

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TO: HAFNIA TANKERS/ BW TANKERS PTE. LTD,
MAPLETREE BUSINESS CITY, #18-01, 10 PASIR PANJANG ROAD,
SINGAPORE, 117438

SSY STANDARD VALUATION TERMS AND CONDITIONS AS AT 6TH SEPTEMBER 2019

In respect of any vessels evaluated, whilst we believe the details of same to be correct, we have given same in good faith and we do not guarantee any of these details. We confirm that we have examined our records for the purpose of ascertaining the value of the said vessels and the opinions given relate to approximate values, in good condition, safely afloat on the basis of a sale for prompt charterfree delivery for cash on normal commercial terms as between willing Sellers and willing Buyers as at the date in question.

Wherever possible we follow our normal practice of comparison with recent prices achieved in the market for similar tonnage. However when there is a lack of such representative sales, then the price given would be a notional figure taking into account the perceived market levels at the relevant time.

We would further point out that our assessment is based upon limited information as provided to us which we assume is accurate and accept no responsibility to verify same, and without any inspection of the vessels nor their classification records and we would suggest, therefore that anyone wishing to utilise the figures should satisfy themselves of the vessel's condition with a full inspection of the vessel and/or its classification records.

The valuations relate solely to our opinion as to the market value on the date specified and no assurances can be given that such figures will be sustained or can be realised in an actual transaction.

The opinions have been given in good faith but neither the company nor its officers shall be held responsible for any errors or omissions. They have been provided solely for the use of the party who commissioned it and relevant auditors and no responsibility can be accepted to any other parties. Furthermore, these valuations are not to be used without our prior consent in any public/private offering in respect of shares, IPO's or bonds etc, or in any arbitration/ court proceedings and we reserve the right to with-hold such consent without providing any reason for such refusal.

FOR SSY VALUATION SERVICES LTD.

Stephen Boniface
Valuations Director

Fearnleys

FEARNSALE

Hafnia Tankers Ltd.
c/o Hafnia Tankers Singapore Pte Ltd,
159 Telok Ayer Street,
Singapore 068614
PIC: Thomas Andersen

Fearnleys

Fleet Valuation Q3 2019

As per: 16.09.2019

Vessel	DWT	Type	Built	Yard	FMV (MUSD)
Handy Size					
Hafnia Torres	39 067	Handy	2016	HMD	28
Hafnia Soya	38 700	Handy	2015	HMD	26
Hafnia Sunda	39 067	Handy	2015	HMD	26
Hafnia Malacca	39 067	Handy	2015	HMD	26
Hafnia Magellan	39 067	Handy	2015	HMD	26
Hafnia Bering	39 067	Handy	2015	HMD	26
Hafnia Green	39 808	Handy	2007	Saiki	12,5
Hafnia Victoria	39 821	Handy	2007	Saiki	12,5
Hafnia Karava	39 814	Handy	2007	Saiki	12,5
Hafnia Hope	39 814	Handy	2007	Saiki	12,5
Hafnia Adamello	39 807	Handy	2004	Saiki	9
Hafnia Robson	39 819	Handy	2004	Saiki	9
Hafnia Rainier	39 817	Handy	2004	Saiki	9
MR Size					
Bulldog	49 850	MR	2019	JMU	39
Basett	49 850	MR	2019	JMU	39
Boxer	49 850	MR	2019	JMU	39
Beagle	49 850	MR	2019	JMU	39
Orient Innovation	49 999	MR	2017	HVS	34,5
Orient Challenge	49 999	MR	2017	HVS	34,5
Hafnia Mikala	49 999	MR	2017	GSI	34
Hafnia Lotte	49 999	MR	2017	GSI	34
Hafnia Kirsten	49 999	MR	2017	GSI	34
Hafnia Lise	49 999	MR	2016	GSI	33
Hafnia Daisy	49 999	MR	2016	GSI	33
Hafnia Henriette	49 999	MR	2016	GSI	32
BW Wren	49 999	MR	2016	SPP	33
BW Swift	49 999	MR	2016	SPP	33
BW Petrel	49 999	MR	2016	SPP	33
BW Raven	49 999	MR	2015	SPP	31
Hafnia Ane	49 999	MR	2015	GSI	30
BW Myna	49 999	MR	2015	SPP	31
BW Osprey	49 999	MR	2015	SPP	31

BW Merlin	49 999	MR	2015	SPP	31
BW Kestrel	49 999	MR	2015	SPP	31
Hafnia Lene	49 999	MR	2015	GSI	30
BW Eagle	49 999	MR	2015	SPP	31
BW Hawk	49 999	MR	2015	SPP	31
BW Falcon	49 999	MR	2015	SPP	31
BW Egret	49 999	MR	2014	SPP	31
BW Bobcat	49 999	MR	2014	SPP	29
BW Panther	49 999	MR	2014	SPP	29
BW Jaguar	49 999	MR	2014	SPP	29
BW Tiger	49 999	MR	2014	SPP	29
BW Cheetah	49 999	MR	2014	SPP	29
BW Leopard	49 999	MR	2014	SPP	29
BW Cougar	49 999	MR	2014	SPP	29
BW Lioness	49 999	MR	2014	SPP	29
BW Puma	49 999	MR	2013	SPP	27
Hafnia Leo	52 340	MR	2013	GSI	26
BW Lynx	49 999	MR	2013	SPP	27
Hafnia Phoenix	52 340	MR	2013	GSI	26
Hafnia Libra	52 384	MR	2013	GSI	26
Hafnia Lupus	52 550	MR	2012	GSI	24
Hafnia Crux	52 550	MR	2012	GSI	24
Hafnia Taurus	50 385	MR	2011	GSI	22
Hafnia Andromeda	49 999	MR	2011	GSI	22
Hafnia Pegasus	50 326	MR	2010	GSI	19,5
Hafnia Nordica	49 994	MR	2010	Shin Kurushima	20
Hafnia Atlantic	45 967	MR	2004	STX	10,5
LR1 Size					
Hafnia Nanjing	74 999	LR1	2020	GSI	41
Hafnia Shenzhen	74 999	LR1	2020	GSI	41
Hafnia Guangzhou	74 999	LR1	2019	GSI	41
Hafnia Beijing	74 999	LR1	2019	GSI	41
Hafnia Shanghai	74 999	LR1	2019	GSI	41
Hafnia Hong Kong	74 999	LR1	2019	GSI	41
BW Nile	74 000	LR1	2017	STX	37,5
BW Yarra	74 000	LR1	2017	STX	37,5
BW Tagus	74 000	LR1	2017	STX	37,5
BW Kallang	74 000	LR1	2017	STX	37,5
Hafnia Asia	74 539	LR1	2010	STX	21,5
Hafnia Africa	74 539	LR1	2010	STX	21,5
Hafnia Australia	74 539	LR1	2010	STX	21,5
Hafnia Arctic	74 910	LR1	2010	Brodosplit	23
BW Zambesi	74 982	LR1	2010	Dalian	20
BW Yangtze	74 996	LR1	2009	Dalian	18
BW Shinano	74 998	LR1	2008	Dalian	15,5

BW Thames	74 999	LR1	2008	Dalian	15,5
BW Seine	76 580	LR1	2008	Dalian	15,5
BW Rhine	76 578	LR1	2008	Dalian	15,5
BW Orinoco	74 991	LR1	2007	Dalian	13,5
BW Lena	74 996	LR1	2007	Dalian	13,5
BW Hudson	76 574	LR1	2007	Dalian	13,5
BW Danube	74 999	LR1	2007	Dalian	13,5
BW Kronborg	73 708	LR1	2007	New Century	13,5
BW Columbia	74 999	LR1	2007	Dalian	13,5
Hafnia America	74 999	LR1	2006	Onomichi	14
BW Amazon	76 565	LR1	2006	Dalian	12
Hafnia Europe	74 997	LR1	2006	Onomichi	14
Compassion	72 782	LR1	2006	Dalian	12
Compass	72 736	LR1	2006	Dalian	12
BW Lara	73 495	LR1	2004	New Century	9
BW Clyde	73 495	LR1	2004	New Century	9
LR2 Size					
BW Triton	115 000	LR2	2019	Daehan	56,5
BW Thalassa	115 000	LR2	2019	Daehan	56,5
BW Neso	115 000	LR2	2019	Daehan	56,5
BW Larissa	115 000	LR2	2019	Daehan	54
BW Galatea	115 000	LR2	2019	Daehan	54
BW Despina	115 000	LR2	2019	Daehan	54

This valuation is performed on "willing Seller and willing Buyer" basis and is given to the best of our knowledge and based on the sale & purchase market condition prevailing at the time mentioned subject to the vessel being in sound condition and made available for delivery fairly prompt charter free and further subject to the conditions printed on the reverse side hereof.

Fearnleys

Date: 16.09.2019

On behalf of Fearnleys

Fearnleys AS
Enterprise number NO 943 190 410 VAT
An Astrup Fearnley company

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VALUATION DISCLAIMER

(i) Introduction

This valuation represents our opinion as to the fair and reasonable market value of the vessel(s) as specified, on the basis of the further assumptions set out herein as of the date hereof, and is given to the best of our knowledge.

(ii) Main valuation assumptions

This valuation is performed on the basis of "willing seller and willing buyer" at arm`s length (assuming that no party is in a forced situation). The valuation is provided on a gross basis, not taking into account relevant transaction costs to bring a sale about. The valuation is provided on the basis of vessels being sold individually. No assurance can be given that the values can be sustained or are realisable in actual transactions.

The valuation and particulars are statements of opinion and are not to be taken as representations of fact. The figures relate solely to our opinion of the market value as of the date given and should not be taken to apply to any other date.

(iii) Factual assumptions and estimates and valuation methodology

The valuation may be based on factual assumptions and estimations and in some cases forward looking estimates. There may also exist uncertainty relating to the facts in question. A breach of these assumptions may have consequences for the valuation, rendering it invalid or non-representable.

Any forward looking estimates involve known and unknown risks, uncertainties and other factors which can result in a deviation from the estimates and might thus change the final result, outcome or development. Such forward looking statements may also be based on many assumptions relating to the vessel(s), the owner of the vessel and market conditions.

The valuation methodology is adapted to each case, based on our professional judgment, and the valuation depends upon this. A change in the method or the weighing of different factors may have consequences for the valuation, rendering it invalid or non-representable. In addition, the valuation may require the exercise of judgment, and differences of opinion as to the judgments may have consequences for the valuation.

Reference sales and prices might form part of our valuation, and such prices are only representative at and around the relevant time of transaction. Later transactions or subsequent market events might change the relevance of these prices significantly, and may have consequences for the valuation. New transactions concluded concurring with the finalization of our valuation may not have been taken into consideration. Estimation of potential sales prices based on estimates of bid- or ask prices on vessel(s) for sale might form part of our valuation, and its subjective and uncertain nature are prone to estimation errors.

Our valuation does not take into consideration the form or level of debt, if any. Any value of market debts relating to the vessel(s) or secured mortgages in the vessel(s) are not taken into consideration. Furthermore, our valuation does not take into account the potential implicit value of the vessel(s) based on an enterprise- or equity value of the owner of the vessel. Material changes in these market prices will therefore be deemed irrelevant for our valuation.

(iv) No physical inspection – good and seaworthy condition

We have not made a physical inspection of the vessel, nor have we inspected the classification or maintenance records. Our opinion is based on information of the vessel stipulated in standard reference books, or obtained by other sources as we have deemed appropriate. We have assumed for the purpose of the valuation that the vessel is in good and seaworthy condition with prompt charter free delivery (unless otherwise noted), with her class fully maintained, free of conditions and recommendations, undamaged and normally equipped. We have not assessed the validity of employment contracts or the standing of charterers. Our assumptions are made irrespective of any actual knowledge of facts to the contrary. We assume no responsibility for the accuracy of such assumptions or information. Any person contemplating entering into a transaction or otherwise relying on this valuation should satisfy himself by inspection of the vessel or otherwise as to the correctness of the statements and assumptions which the valuation contains.

(v) Conflicting mandates

We might have valuation assignments and/or other advisory mandates for your competitors or for potential buyers of similar vessel(s), which could be construed as a conflict of interest. We might also be involved as advisor or otherwise in transactions for purchase or sale of vessel(s), which we for confidentiality reasons may not take into account in our valuations.

(vi) Addressees

This valuation is provided solely for the use of the person to whom it is addressed for the intended non-public purposes. No liability or responsibility can be accepted towards any other person, neither by ourselves or our officers or directors. The valuation should not be disclosed to any third party, published or circulated without our written permission.

(vii) Date and duration

This valuation has been made as of the date specified, and is only representative of the fair value as of this date. It does not purport to be forward looking, and any material facts or matters of any kind arising up to or beyond this date may have significance for the assumptions and the opinion and estimation of fair market value stated herein.

This valuation shall be governed by the Agreement and Norwegian law, with Oslo city court as exclusive venue for any disputes arising in relation hereto.

Fearnsale / Fearnleys

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BRAEMAR ACM
VALUATIONS

CERTIFICATE OF VALUATION

Date: 16th September 2019

To: Hafnia Tankers/ BW Tankers Pte Ltd.
Mapletree Business City, #18-01
10 Pasir Panjang Road
Singapore 117438

We have examined the current entries in the appropriate Reference Sources of the attached list of vessels.

We should make clear that we have not made a physical inspection of the vessels, nor have we inspected the vessels' Classification Records, but we have assumed for the purposes of the valuations, that the vessels are in good and seaworthy condition.

After careful consideration, we have given our opinion of the market values of the vessels as at 16th September 2019 on the basis of charterfree deliveries between willing Buyers and willing Sellers. The figures mentioned overleaf relate solely to our opinion of the market values as at 16th September 2019, and should not be taken to apply at any other date. The vessels have been valued individually. If all, or a substantial number, of the vessels were placed on the market at the same time, no assurance can be given that the amount realised would be equal to the total of the individual valuations. In addition no assurance can be given that the valuations will be sustained or are realisable in an actual transaction.

We believe that the valuations and particulars are reasonably accurate, but all statements made above and overleaf are statements of opinion and are not to be taken as representations of fact. The valuations are for general information and have not been produced for any specific purpose. No assurance is given as to the suitability of the valuations for use in relation any specific project or transaction. Any party contemplating entering a transaction should satisfy themselves by inspection of the vessels or otherwise as to the correctness of the statements and assumptions which the valuations contain.

The valuations are provided solely for the private use of the addressee and cannot be published, circulated or provided to any third party without the express written agreement of Braemar ACM Valuations Limited. No responsibility can be accepted for any use by any third party and you will indemnify Braemar ACM Valuations Limited and all associated companies for any loss or damage including all legal expenses arising out of any allegation of reliance on this valuation by such a third party.

Additionally the valuations are not to be used in a public document or a fund-raising document without our prior written consent.

It must be appreciated that ship values can be very volatile, unstable and irregular. Information on comparable transactions and market demand can also be very limited. These circumstances should be considered by anyone contemplating entering a transaction.

For and on behalf of
BRAEMAR ACM VALUATIONS LIMITED

Director

Director

BRAEMAR ACM
VALUATIONS

To: Hafnia Tankers/ BW Tankers Pte Ltd.
Mapletree Business City, #18-01
10 Pasir Panjang Road
Singapore 117438

Vessel	Year	Type	DWT	CBM incl/s	Yard	Delivered	Pumps	Segregation	Heating	Coating	Scrubber	Ice	Stern	Approx Charterfree Value (US$ Mill)
Handy Size														
Hafnia Torres	2016	Handy	39,067	42,480	HMD	04/05/2016	Deepwell	6	Exchangers	Epoxy	No	1B		29,500,000
Hafnia Soya	2015	Handy	38,700	42,480	HMD	23/11/2015	Deepwell	6	Exchangers	Epoxy	No	1B		29,500,000
Hafnia Sunda	2015	Handy	39,067	42,480	HMD	21/09/2015	Deepwell	6	Exchangers	Epoxy	No	1B		29,500,000
Hafnia Malacca	2015	Handy	39,067	42,480	HMD	20/07/2015	Deepwell	6	Exchangers	Epoxy	No	1B		29,500,000
Hafnia Magellan	2015	Handy	39,067	42,480	HMD	26/05/2015	Deepwell	6	Exchangers	Epoxy	No	1B		29,500,000
Hafnia Bering	2015	Handy	39,067	42,480	HMD	13/04/2015	Deepwell	6	Exchangers	Epoxy	No	1B		29,500,000
Hafnia Green	2007	Handy	39,808	42,213	Saiki	03/08/2007	Deepwell	6	Exchangers	Phenolic	No		Yes	12,000,000
Hafnia Victoria	2007	Handy	39,821	42,234	Saiki	20/06/2007	Deepwell	6	Exchangers	Phenolic	No		Yes	12,000,000
Hafnia Karava	2007	Handy	39,814	42,230	Saiki	29/03/2007	Deepwell	6	Exchangers	Phenolic	No		Yes	12,000,000
Hafnia Hope	2007	Handy	39,814	42,195	Saiki	31/01/2007	Deepwell	6	Exchangers	Phenolic	No		Yes	12,000,000
Hafnia Adamello	2004	Handy	39,807	42,221	Saiki	20/08/2004	Deepwell	6	Exchangers	Phenolic	No		Yes	9,000,000
Hafnia Robson	2004	Handy	39,819	42,222	Saiki	26/05/2004	Deepwell	6	Exchangers	Phenolic	No		Yes	9,000,000
Hafnia Rainier	2004	Handy	39,817	42,216	Saiki	30/03/2004	Deepwell	6	Exchangers	Phenolic	No		Yes	9,000,000
MR Size														
Bulldog	2019	MR	49,850	55,881	JMU	Q3/19	Deepwell	7	Exchangers	Epoxy	No			36,000,000
Bassett	2019	MR	49,850	55,881	JMU	Q3/19	Deepwell	7	Exchangers	Epoxy	No			36,000,000
Boxer	2019	MR	49,850	55,881	JMU	27/06/2019	Deepwell	7	Exchangers	Epoxy	No			36,000,000
Beagle	2019	MR	49,850	55,881	JMU	03/03/2019	Deepwell	7	Exchangers	Epoxy	No			36,000,000
Orient Innovation	2017	MR	49,999	54,109	HVS	11/07/2017	Deepwell	6	Exchangers	Epoxy	No			34,000,000
Orient Challenge	2017	MR	49,999	54,109	HVS	13/06/2017	Deepwell	6	Exchangers	Epoxy	No			34,000,000
Hafnia Mikala	2017	MR	49,999	53,369	GSI	18/05/2017	Deepwell	6	Exchangers	Epoxy	No			33,500,000
Hafnia Lotte	2017	MR	49,999	53,369	GSI	09/01/2017	Deepwell	6	Exchangers	Epoxy	No			33,500,000
Hafnia Kirsten	2017	MR	49,999	53,369	GSI	04/01/2017	Deepwell	6	Exchangers	Epoxy	No			33,500,000
Hafnia Lise	2016	MR	49,999	53,369	GSI	09/09/2016	Deepwell	6	Exchangers	Epoxy	No	1A		33,000,000
Hafnia Daisy	2016	MR	49,999	53,369	GSI	09/08/2016	Deepwell	6	Exchangers	Epoxy	No	1A		33,000,000
Hafnia Henriette	2016	MR	49,999	53,369	GSI	28/06/2016	Deepwell	6	Exchangers	Epoxy	No			32,500,000
BW Wren	2016	MR	49,999	52,920	SPP	02/03/2016	Deepwell	7	Exchangers	Phenolic	No			33,500,000
BW Swift	2016	MR	49,999	52,920	SPP	26/01/2016	Deepwell	7	Exchangers	Phenolic	No			33,500,000
BW Petrel	2016	MR	49,999	52,920	SPP	04/01/2016	Deepwell	7	Exchangers	Phenolic	No			33,500,000
BW Raven	2015	MR	49,999	52,920	SPP	30/11/2015	Deepwell	7	Exchangers	Phenolic	No			32,000,000
Hafnia Ane	2015	MR	49,999	53,369	GSI	16/11/2015	Deepwell	6	Exchangers	Epoxy	No			31,000,000
BW Myna	2015	MR	49,999	52,905	SPP	28/10/2015	Deepwell	7	Coils	Phenolic	No			32,000,000
BW Osprey	2015	MR	49,999	52,920	SPP	21/10/2015	Deepwell	7	Exchangers	Phenolic	No			32,000,000
BW Merlin	2015	MR	49,999	52,920	SPP	08/09/2015	Deepwell	7	Exchangers	Phenolic	No			32,000,000
BW Kestrel	2015	MR	49,999	52,920	SPP	21/08/2015	Deepwell	7	Exchangers	Phenolic	No			32,000,000
Hafnia Lene	2015	MR	49,999	53,369	GSI	30/07/2015	Deepwell	6	Exchangers	Epoxy	No			31,000,000
BW Eagle	2015	MR	49,999	52,906	SPP	28/07/2015	Deepwell	7	Coils	Phenolic	No			32,000,000
BW Hawk	2015	MR	49,999	52,920	SPP	26/06/2015	Deepwell	7	Exchangers	Phenolic	No			32,000,000
BW Falcon	2015	MR	49,999	52,920	SPP	27/02/2015	Deepwell	7	Exchangers	Phenolic	No			32,000,000
BW Egret	2014	MR	49,999	52,920	SPP	14/11/2014	Deepwell	7	Exchangers	Phenolic	No			30,000,000
BW Bobcat	2014	MR	49,999	52,927	SPP	28/08/2014	Deepwell	7	Coils	Phenolic	No			30,000,000
BW Panther	2014	MR	49,999	52,933	SPP	30/06/2014	Deepwell	7	Coils	Phenolic	No			30,000,000
BW Jaguar	2014	MR	49,999	52,940	SPP	31/03/2014	Deepwell	7	Coils	Phenolic	No			30,000,000
BW Tiger	2014	MR	49,999	52,938	SPP	07/03/2014	Deepwell	7	Coils	Phenolic	No			30,000,000
BW Cheetah	2014	MR	49,999	52,938	SPP	17/02/2014	Deepwell	7	Coils	Phenolic	No			30,000,000
BW Leopard	2014	MR	49,999	52,940	SPP	27/01/2014	Deepwell	7	Coils	Phenolic	No			30,000,000
BW Cougar	2014	MR	49,999	52,940	SPP	06/01/2014	Deepwell	7	Coils	Phenolic	No			30,000,000
BW Lioness	2014	MR	49,999	52,955	SPP	06/01/2014	Deepwell	7	Coils	Phenolic	No			30,000,000
BW Puma	2013	MR	49,999	52,936	SPP	28/11/2013	Deepwell	7	Coils	Phenolic	No			28,000,000
Hafnia Leo	2013	MR	52,340	56,644	GSI	20/11/2013	Deepwell	7	Coils	Phenolic	No			27,000,000
BW Lynx	2013	MR	49,999	52,929	SPP	04/11/2013	Deepwell	7	Coils	Phenolic	No			28,000,000
Hafnia Phoenix	2013	MR	52,340	56,644	GSI	02/07/2013	Deepwell	7	Coils	Epoxy	No			27,000,000
Hafnia Libra	2013	MR	52,384	56,644	GSI	02/05/2013	Deepwell	7	Coils	Epoxy	No			27,000,000
Hafnia Lupus	2012	MR	52,550	56,644	GSI	24/04/2012	Deepwell	7	Coils	Phenolic	No			24,000,000
Hafnia Crux	2012	MR	52,550	56,644	GSI	07/02/2012	Deepwell	7	Coils	Epoxy	No			24,000,000
Hafnia Taurus	2011	MR	50,385	57,174	GSI	14/06/2011	Deepwell	7	Coils	Phenolic	No			19,000,000
Hafnia Andromeda	2011	MR	49,999	56,643	GSI	05/05/2011	Deepwell	7	Coils	Phenolic	No			19,000,000
Hafnia Pegasus	2010	MR	50,326	56,644	GSI	29/10/2010	Deepwell	7	Exchangers	Phenolic	No			17,500,000
Hafnia Nordica	2010	MR	49,994	56,765	Shin Kurushima	23/03/2010	Deepwell	4	Coils	Epoxy	No			18,000,000
Hafnia Atlantic	2004	MR	45,967	54,978	STX	30/11/2004	Deepwell	7	Coils	Phenolic	No			11,750,000
LR1 Size														
Hafnia Nanjing	2020	LR1	74,999	86,085	GSI	01/10/2020	Deepwell	6	Exchangers	Epoxy	No			42,000,000
Hafnia Shenzhen	2020	LR1	74,999	86,085	GSI	01/08/2020	Deepwell	6	Exchangers	Epoxy	No			42,000,000
Hafnia Guangzhou	2019	LR1	74,999	86,085	GSI	01/11/2019	Deepwell	6	Exchangers	Epoxy	No			40,000,000
Karimata	2019	LR1	80,000	86,669	Onomichi	30/08/2019	Deepwell	3	Exchangers	Epoxy	No			42,000,000
Sunda	2019	LR1	80,000	86,669	Onomichi	02/07/2019	Deepwell	3	Exchangers	Epoxy	No			42,000,000
Hafnia Beijing	2019	LR1	74,999	86,085	GSI	01/06/2019	Deepwell	6	Exchangers	Epoxy	No			40,000,000
Hafnia Shanghai	2019	LR1	74,999	86,085	GSI	10/01/2019	Deepwell	6	Exchangers	Epoxy	No			40,000,000
Hafnia Hong Kong	2019	LR1	74,999	86,085	GSI	08/01/2019	Deepwell	6	Exchangers	Epoxy	No			40,000,000
BW Nile	2017	LR1	74,000	84,041	STX	02/08/2017	Pumproom	3	Coils	Phenolic	No			38,500,000
BW Yarra	2017	LR1	74,000	84,041	STX	17/07/2017	Pumproom	3	Coils	Phenolic	No			38,500,000
BW Tagus	2017	LR1	74,000	84,041	STX	13/03/2017	Pumproom	3	Coils	Phenolic	No			38,500,000
BW Kallang	2017	LR1	74,000	84,041	STX	18/01/2017	Pumproom	3	Coils	Phenolic	No			38,500,000
Hafnia Asia	2010	LR1	74,539	83,095	STX	11/06/2010	Deepwell	7	Exchangers	Epoxy	No			22,500,000
Hafnia Africa	2010	LR1	74,539	83,152	STX	06/05/2010	Deepwell	7	Exchangers	Epoxy	No			22,500,000
Hafnia Australia	2010	LR1	74,539	83,078	STX	06/05/2010	Deepwell	7	Exchangers	Epoxy	No			22,500,000
Hafnia Arctic	2010	LR1	74,910	83,959	Brodosplit	12/01/2010	Deepwell	6	Exchangers	Epoxy	No	1A		22,000,000
BW Zambesi	2010	LR1	74,982	83,687	Dalian	06/01/2010	Pumproom	3	Coils	Epoxy	No			17,000,000
BW Yangtze	2009	LR1	74,996	83,687	Dalian	05/01/2009	Pumproom	3	Coils	Epoxy	No			15,500,000
BW Shinano	2008	LR1	74,998	83,687	Dalian	27/10/2008	Pumproom	3	Coils	Epoxy	No			14,000,000
BW Thames	2008	LR1	74,999	83,687	Dalian	06/08/2008	Pumproom	3	Coils	Epoxy	No			14,000,000
BW Seine	2008	LR1	76,580	83,687	Dalian	26/05/2008	Pumproom	3	Coils	Epoxy	No			14,000,000
BW Rhine	2008	LR1	76,578	83,687	Dalian	12/03/2008	Pumproom	3	Coils	Epoxy	No			14,000,000

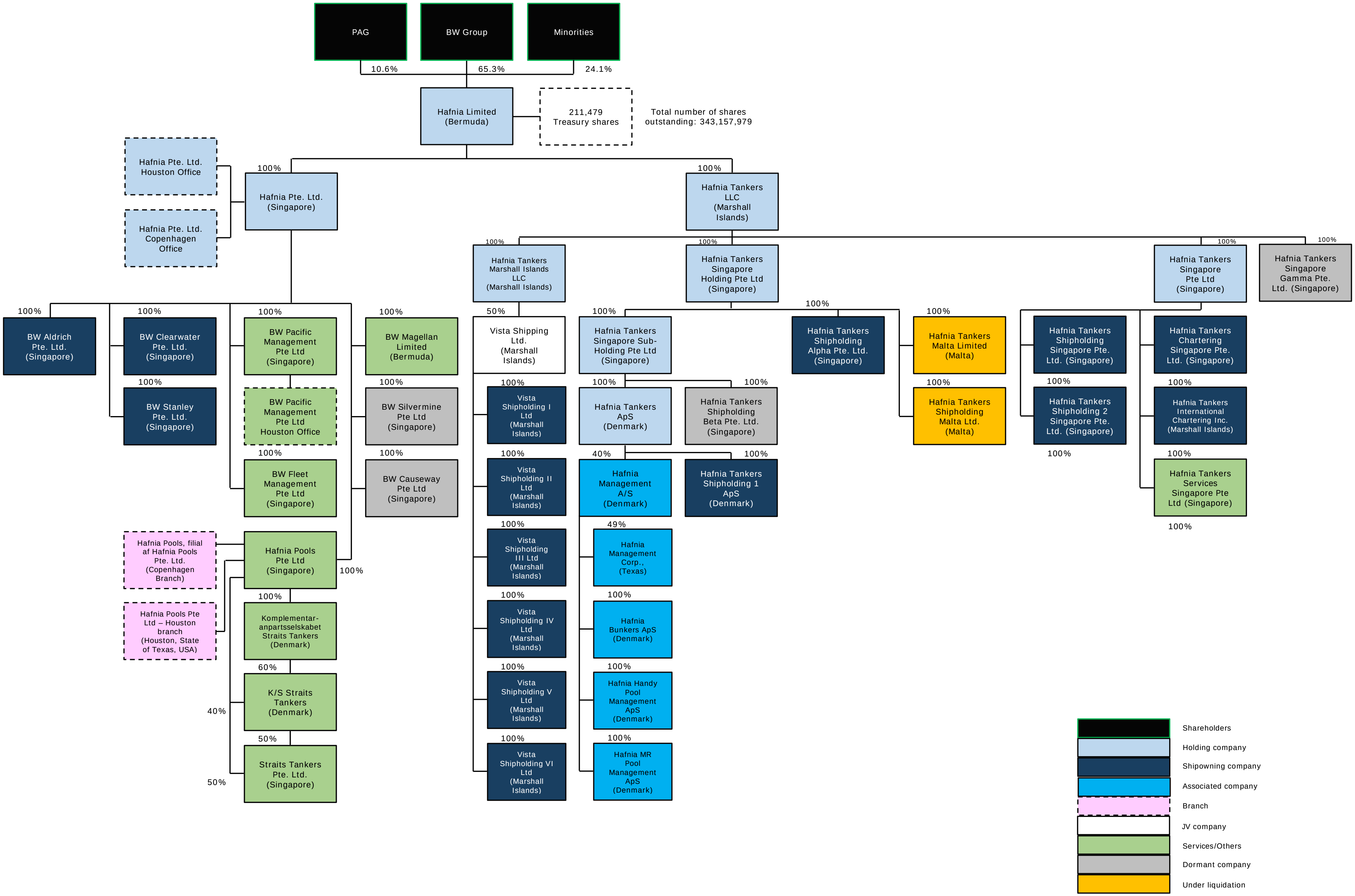
BRAEMAR ACM
VALUATIONS

Vessel	Year	Type	DWT	CBM incl/s	Yard	Delivered	Pumps	Segregation	Heating	Coating	Scrubber	Ice	Stern	Approx Charterfree Value (US$ Mill)
BW Orinoco	2007	LR1	74,991	83,687	Dalian	16/11/2007	Pumproom	3	Coils	Epoxy	No			12,500,000
BW Lena	2007	LR1	74,996	83,687	Dalian	30/08/2007	Pumproom	3	Coils	Epoxy	No			12,500,000
BW Hudson	2007	LR1	76,574	83,687	Dalian	12/06/2007	Pumproom	3	Coils	Epoxy	No			12,500,000
BW Danube	2007	LR1	74,999	83,687	Dalian	20/03/2007	Pumproom	3	Coils	Epoxy	No			12,500,000
BW Kronborg	2007	LR1	73,708	84,136	New Century	12/03/2007	Pumproom	3	Coils	Epoxy	No			12,500,000
BW Columbia	2007	LR1	74,999	83,687	Dalian	02/01/2007	Pumproom	3	Coils	Epoxy	No			12,500,000
Hafnia America	2006	LR1	74,999	84,545	Onomichi	17/10/2006	Pumproom	3	Coils	Epoxy	No			14,000,000
BW Amazon	2006	LR1	76,565	83,687	Dalian	16/10/2006	Pumproom	3	Coils	Epoxy	No			11,500,000
Hafnia Europe	2006	LR1	74,997	84,546	Onomichi	18/08/2006	Pumproom	3	Coils	Epoxy	No			14,000,000
Compassion	2006	LR1	72,782	78,528	Dalian	16/06/2006	Pumproom	3	Coils	Epoxy	No			11,500,000
Compass	2006	LR1	72,736	78,775	Dalian	14/02/2006	Pumproom	3	Coils	Epoxy	No			11,500,000
BW Lara	2004	LR1	73,495	83,275	New Century	02/08/2004	Pumproom	3	Coils	Epoxy	No			9,000,000
BW Clyde	2004	LR1	73,495	83,335	New Century	24/06/2004	Pumproom	3	Coils	Epoxy	No			9,000,000
LR2 Size														
BW Triton	2019	LR2	115,000	127,277	Daehan	01/10/2019	Pumproom	3	Coils	Epoxy	Yes			55,000,000
BW Thalassa	2019	LR2	115,000	127,277	Daehan	01/08/2019	Pumproom	3	Coils	Epoxy	Yes			55,000,000
BW Neso	2019	LR2	115,000	127,277	Daehan	01/05/2019	Pumproom	3	Coils	Epoxy	Yes			55,000,000
BW Larissa	2019	LR2	115,000	127,277	Daehan	08/04/2019	Pumproom	3	Coils	Epoxy	No			52,000,000
BW Galatea	2019	LR2	115,000	127,277	Daehan	04/03/2019	Pumproom	3	Coils	Epoxy	No			52,000,000
BW Despina	2019	LR2	115,000	127,277	Daehan	22/01/2019	Pumproom	3	Coils	Epoxy	No			52,000,000
TOTAL 100														

BRAEMAR ACM VALUATIONS LIMITED ★ LONDON ★

APPENDIX L

GROUP STRUCTURE CHART



PAG
BW Group
Minorities
10.6%
65.3%
24.1%
Hafnia Limited (Bermuda)
211,479 Treasury shares
Total number of shares outstanding: 343,157,979
Hafnia Pte. Ltd. Houston Office
Hafnia Pte. Ltd. Copenhagen Office
100%
Hafnia Pte. Ltd. (Singapore)
100%
Hafnia Tankers LLC (Marshall Islands)
100%
Hafnia Tankers Marshall Islands LLC (Marshall Islands)
100%
Hafnia Tankers Singapore Holding Pte Ltd (Singapore)
100%
Hafnia Tankers Singapore Pte Ltd (Singapore)
100%
Hafnia Tankers Singapore Gamma Pte. Ltd. (Singapore)
100%
BW Aldrich Pte. Ltd. (Singapore)
100%
BW Clearwater Pte. Ltd. (Singapore)
100%
BW Stanley Pte. Ltd. (Singapore)
100%
BW Pacific Management Pte Ltd (Singapore)
BW Pacific Management Pte Ltd Houston Office
100%
BW Fleet Management Pte Ltd (Singapore)
100%
BW Magellan Limited (Bermuda)
100%
BW Silvermine Pte Ltd (Singapore)
100%
BW Causeway Pte Ltd (Singapore)
Hafnia Pools, filial af Hafnia Pools Pte. Ltd. (Copenhagen Branch)
Hafnia Pools Pte Ltd – Houston branch (Houston, State of Texas, USA)
Hafnia Pools Pte Ltd (Singapore)
100%
100%
Komplementar-anpartsselskabet Straits Tankers (Denmark)
60%
K/S Straits Tankers (Denmark)
40%
50%
Straits Tankers Pte. Ltd. (Singapore)
50%
50%
Vista Shipping Ltd. (Marshall Islands)
100%
Vista Shipholding I Ltd (Marshall Islands)
100%
Vista Shipholding II Ltd (Marshall Islands)
100%
Vista Shipholding III Ltd (Marshall Islands)
100%
Vista Shipholding IV Ltd (Marshall Islands)
100%
Vista Shipholding V Ltd (Marshall Islands)
100%
Vista Shipholding VI Ltd (Marshall Islands)
100%
Hafnia Tankers Singapore Sub-Holding Pte Ltd (Singapore)
100%
Hafnia Tankers ApS (Denmark)
100%
Hafnia Tankers Shipholding Beta Pte. Ltd. (Singapore)
40%
Hafnia Management A/S (Denmark)
100%
Hafnia Tankers Shipholding 1 ApS (Denmark)
49%
Hafnia Management Corp., (Texas)
100%
Hafnia Bunkers ApS (Denmark)
100%
Hafnia Handy Pool Management ApS (Denmark)
100%
Hafnia MR Pool Management ApS (Denmark)
100%
Hafnia Tankers Shipholding Alpha Pte. Ltd. (Singapore)
100%
Hafnia Tankers Malta Limited (Malta)
100%
Hafnia Tankers Shipholding Malta Ltd. (Malta)
Hafnia Tankers Shipholding Singapore Pte. Ltd. (Singapore)
100%
Hafnia Tankers Shipholding 2 Singapore Pte. Ltd. (Singapore)
100%
Hafnia Tankers Chartering Singapore Pte. Ltd. (Singapore)
100%
Hafnia Tankers International Chartering Inc. (Marshall Islands)
100%
Hafnia Tankers Services Singapore Pte Ltd (Singapore)
100%
Shareholders
Holding company
Shipowning company
Associated company
Branch
JV company
Services/Others
Dormant company
Under liquidation

APPENDIX M

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION Q2 2018

BW Tankers Limited

Condensed Consolidated
Interim Financial Information
Q2 2018

HIGHLIGHTS – Q2 2018

- Time Charter Equivalent (TCE) earnings were US$48.4 million in Q2 2018, compared with US$48.8 million in Q2 2017.

- LR1 TCE rates averaged US$12,566/day in Q2 2018, compared with US$12,242/day in Q2 2017.

- MR TCE rates averaged US$12,557/day in Q2 2018, compared with US$14,142/day in Q2 2017.

- EBITDA was US$17.3 million in Q2 2018 compared with EBITDA of US$19.2 million in Q2 2017, primarily due to the impact of less favourable TCE per day rates in the spot market for MR. This is offset by a slight improvement in TCE per day rates in the spot market for LR1 and an enlarged fleet size as compared to Q2 2017.

- Net loss after tax was US$5.0 million in Q2 2018 compared with net loss after tax of US$0.8 million in Q2 2017, mainly attributable to higher depreciation charge and higher interest expense incurred as a result of increased borrowings arising from the enlarged fleet size and higher LIBOR rates as compared to Q2 2017.

- At the date of this report, the fleet size of the Group comprises 21 LR1s (including two bareboat chartered-in) and 22 MRs owned/operated.

SELECTED KEY FINANCIAL INFORMATION

	Q2 2018	Q2 2017	Inc/(Dec)	YTD June 2018	YTD June 2017	Inc/(Dec)
	US$ million	US$ million	US$ million	**US$ million**	US$ million	US$ million
Income Statement						
Operating revenue	**91.0**	82.1	8.9	**184.5**	164.1	20.4
TCE income	**48.4**	48.8	(0.4)	**101.8**	96.0	5.8
EBITDA	**17.3**	19.2	(1.9)	**39.9**	38.8	1.1
Net (loss)/profit after tax	**(5.0)**	(0.8)	4.2	**(3.8)**	0.3	(4.1)
Basic & diluted EPS (US cents per share)	**(4.31)**	(0.76)	3.55	**(3.26)**	0.30	(3.56)

Balance Sheet	**30 June 2018 US$ million**	31 December 2017 US$ million
Cash & cash equivalents	**21.0**	41.4
Total assets	**1,179.8**	1,219.8
Total liabilities	**785.9**	821.9

PERFORMANCE REVIEW: Q2 2018

Operating revenue was US$91.0 million in Q2 2018 (US$82.1 million in Q2 2017). TCE income decreased to US$48.4 million in Q2 2018 from US$48.8 million in Q2 2017.

EBITDA was US$17.3 million in Q2 2018 (US$19.2 million in Q2 2017) primarily due to the impact of higher operating expenses arising from an enlarged fleet size.

Net finance expense increased to US$8.2 million in Q2 2018 (US$6.7 million in Q2 2017), primarily due to higher LIBOR rates and increased borrowings arising from an enlarged fleet size.

The Group reported a net loss after tax of US$5.0 million in Q2 2018 (net loss after tax was US$0.8 million in Q2 2017).

PERFORMANCE REVIEW: YTD 2018

Operating revenue was US$184.5 million in YTD June 2018 (US$164.1 million in YTD June 2017). TCE income increased to US$101.8 million in YTD June 2018 from US$96.0 million in YTD June 2017.

Comparing across segments, TCE income for LR1 segment increased by US$9.1 million whereas TCE income for MR segment decreased by US$3.3 million. The increase in LR1 segment was due to the full year operation of two LR1 vessels that were delivered in YTD June 2017 and improved TCE per day rates in the spot market. The decrease in MR segment was driven by weaker TCE per day rates in the spot market despite the continued strong utilisation of 100%.

EBITDA was US$39.9 million in YTD June 2018 (US$38.8 million in YTD June 2017) primarily due to the impact of the improved TCE income.

Net finance expense increased to US$15.6 million in YTD June 2018 (US$12.5 million in YTD June 2017), primarily due to higher LIBOR rates and increased borrowings arising from an enlarged fleet size.

The Group reported a net loss after tax of US$3.8 million in YTD June 2018 (net profit after tax was US$0.3 million in YTD June 2017).

BALANCE SHEET

As at 30 June 2018, total assets amounted to US$1,179.8 million (31 December 2017: US$1,219.8 million), of which US$1,082.6 million (31 December 2017: US$1,106.1 million) represented the carrying value of the Group’s vessels (including dry docking) as follows:

	As at 30 June 2018		
	LR1 US$ million	MR US$ million	Total US$ million
Vessels (including dry-dock)	426.9	655.7	1,082.6

Cash and cash equivalents amounted to US$21.0 million as at 30 June 2018 (31 December 2017: US$41.4 million). Cash flows from operating activities generated a net cash surplus of US$14.6 million in Q2 2018 (US$21.7 million in Q2 2017).

Cash flows from operating activities generated a net cash surplus of US$32.9 million as at 30 June 2018, and were principally utilised for repayments of bank borrowings and interest payments of US$139.4 million and purchase of property, plant and equipment amounting to US$4.7 million. The repayments were also funded by borrowings from a related corporation amounting to US$75.0 million and borrowings from external financial institutions amounting to US$16.0 million.

MARKET OUTLOOK

The clean product tanker freight market was lacklustre for most of Q2 2018. MR average earnings in the Pacific were USD 8,616 per day and USD 6,336 per day in the Atlantic. LR1 average earnings for benchmark trades out of the Middle East were USD 6,976 per day. Q2 2018 was characterized by a general lack of inter and intra-regional arbitrages. For instance, the strong domestic demand for diesel in both the west and east coast of South America priced diesel out of the European markets resulting in reduced trade flow volumes on the backhaul US Gulf Coast-trans-Atlantic route. Shrinking USGC refined product exports to Brazil and Mexico have also contributed to the build-up of prompt tonnage in the Atlantic Basin. On a slightly positive note, the Arabian Gulf did see an outflow of modest volumes of refined products to the Far East, Africa and the UK continent after refineries completed scheduled maintenance.

The outlook for product tankers remains challenging for the remainder of 2018. Over the past few years, Mexico and West Africa have driven demand for US clean products. In recent times, however, greater refinery runs in Mexico and high floating storage of stocks off West Africa have negatively impacted trade flows and this is anticipated to persist for the remainder of 2018.

Production in most of North Asia is anticipated to increase in late 2018 as refineries come out of maintenance. This will elevate demand for tonnage accordingly in the region but will be served, in part, by VLCC newbuildings.

As for LRs, a slowdown in naphtha shipments in the Persian Gulf-Japan route is anticipated on increased substitution with LPG in Q3 2018.

In the middle term, the shift towards low sulphur bunker fuels in 2020 could create displacements in the marine fuels market and generate additional demand for product tankers in the second half of 2019. The tightening of tonnage supply with increased scrapping in 2018 coupled with elevated demand for tonnage in 2H 2019 may provide a much-needed lift to the product tanker freight market.

RISK FACTORS

The Group's results are largely dependent on the worldwide market for transportation of crude 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 newbuildings 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 2018.

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	**For the 3 months ended 30 June 2018**	For the 3 months ended 30 June 2017 (Restated)[1]	**For the 6 months ended 30 June 2018**	For the 6 months ended 30 June 2017 (Restated)[1]
		US$'000	US$'000	**US$'000**	US$'000
Revenue		**91,015**	82,063	**184,537**	164,161
Voyage expenses		**(42,637)**	(33,297)	**(82,748)**	(68,203)
TCE income [2]		**48,378**	48,766	**101,789**	95,958
Other operating income		**332**	593	**712**	938
Charter hire expense		**(1,831)**	(1,791)	**(3,602)**	(3,582)
Other operating expenses		**(29,573)**	(28,369)	**(59,001)**	(54,534)
Operating profit before depreciation		**17,306**	19,199	**39,898**	38,780
Depreciation charge	3	**(14,154)**	(13,291)	**(28,144)**	(26,001)
Operating profit		**3,152**	5,908	**11,754**	12,779
Interest income		**75**	18	**124**	41
Interest expense		**(7,980)**	(6,458)	**(15,269)**	(11,970)
Other finance expense		**(265)**	(288)	**(412)**	(527)
Finance expense – net		**(8,170)**	(6,728)	**(15,557)**	(12,456)
(Loss)/Profit before income tax		**(5,018)**	(820)	**(3,803)**	323
Income tax (expense)/credit		**(4)**	(2)	**5**	1
(Loss)/Profit after tax		**(5,022)**	(822)	**(3,798)**	324

1 Certain comparative figures in the consolidated statement of comprehensive income have been reclassified to better reflect the nature of the balances. These reclassifications do not have any impact on the other condensed consolidated interim financial information.

2 "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.

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

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (continued)

	Note	**For the 3 months ended 30 June 2018 US$'000**	For the 3 months ended 30 June 2017 US$'000	**For the 6 months ended 30 June 2018 US$'000**	For the 6 months ended 30 June 2017 US$'000
Other comprehensive income/(loss):					
Item that may be subsequently reclassified to income statement					
Fair value changes on cash flow hedges – interest rate swaps					
- Fair value gains/(losses)		**1,221**	(2,153)	**4,663**	(3,180)
- Reclassification to profit or loss - interest (income)/expense		**(123)**	709	**146**	1,170
		1,098	(1,444)	**4,809**	(2,010)
Total comprehensive (loss)/income		**(3,924)**	(2,266)	**1,011**	(1,686)
(Loss)/Earnings per share attributable to the equity holders of the Company					
(expressed in US cents per share)					
Basic and diluted (loss)/earnings per share		**(4.31)**	(0.76)	**(3.26)**	0.30

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

CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2018 US$'000	As at 31 December 2017 US$'000
Vessels	3	1,058,389	1,081,123
Dry docking	3	24,223	24,950
Total property, plant and equipment		1,082,612	1,106,073
Derivative financial instruments		5,314	505
Total other non-current assets		5,314	505
Total non-current assets		1,087,926	1,106,578
Inventories		17,446	14,560
Trade and other receivables		53,433	57,240
Derivative financial instruments		3	9
Cash and cash equivalents		21,019	41,372
Total current assets		91,901	113,181
Total assets		1,179,827	1,219,759
Share capital	4b	1,165	1,165
Share premium	4b	26,761	26,761
Contributed surplus		537,112	537,112
Other reserve	4c	55,325	50,516
Accumulated losses		(226,401)	(217,735)
Total shareholders' equity		393,962	397,819
Borrowings	5	661,874	614,239
Other payables		4,697	4,954
Total non-current liabilities		666,571	619,193
Derivative financial instruments		89	6
Current income tax liabilities		1	15
Trade and other payables		42,312	45,091
Borrowings	5	76,892	157,635
Total current liabilities		119,294	202,747
Total liabilities		785,865	821,940
Total equity and liabilities		1,179,827	1,219,759

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

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital US$'000	Share premium US$'000	Contributed surplus US$'000	Capital reserve US$'000	Hedging reserve US$'000	Accumulated losses US$'000	Total US$'000
Balance at 1 January 2018	1,165	26,761	537,112	50,011	505	(217,735)	397,819
Adjustment on initial application of IFRS 15	-	-	-	-	-	(4,868)	(4,868)
Total comprehensive income/(loss) for the financial period	-	-	-	-	4,809	(3,798)	1,011
Balance at 30 June 2018	**1,165**	**26,761**	**537,112**	**50,011**	**5,314**	**(226,401)**	**393,962**
Balance at 1 January 2017	1,077	-	537,112	50,011	(709)	(220,698)	366,793
Total comprehensive (loss)/income for the financial period	-	-	-	-	(2,010)	324	(1,686)
Balance at 30 June 2017	**1,077**	**-**	**537,112**	**50,011**	**(2,719)**	**(220,374)**	**365,107**
Issuance of new shares	88	26,761	-	-	-	-	26,849
Total comprehensive income for the financial period	-	-	-	-	3,224	2,639	5,863
Balance at 31 December 2017	**1,165**	**26,761**	**537,112**	**50,011**	**505**	**(217,735)**	**397,819**

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

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS

	For the 3 months ended 30 June 2018 US$'000	For the 3 months ended 30 June 2017 US$'000	**For the 6 months ended 30 June 2018 US$'000**	For the 6 months ended 30 June 2017 US$'000
Cash flows from operating activities				
(Loss)/profit for the financial period	**(5,022)**	(822)	**(3,798)**	324
Adjustments for:				
- depreciation charge	**14,154**	13,291	**28,144**	26,001
- amortisation of deferred income	**(349)**	(349)	**(694)**	(694)
- interest income	**(75)**	(18)	**(124)**	(41)
- interest expense	**7,980**	6,458	**15,269**	11,970
- income tax expense/(credit)	**4**	2	**(5)**	(1)
- other finance expense	**265**	288	**412**	527
Operating cash flow before working capital changes	**16,957**	18,850	**39,204**	38,086
Changes in working capital:				
- inventories	**(1,927)**	187	**(2,886)**	2,724
- trade and other receivables	**7,373**	3,687	**(1,006)**	(8,904)
- trade and other payables	**(7,774)**	(984)	**(2,397)**	327
Cash generated from operations	**14,629**	21,740	**32,915**	32,233
Income tax paid	**(3)**	(2)	**(9)**	(2)
Net cash provided by operating activities	**14,626**	21,738	**32,906**	32,231
Cash flows from investing activities				
Purchase of property, plant and equipment	**(2,937)**	(4,713)	**(4,683)**	(61,942)
Interest income received	**75**	18	**124**	41
Net cash used in investing activities	**(2,862)**	(4,695)	**(4,559)**	(61,901)
Cash flows from financing activities				
Proceeds from borrowings from a related corporation	**75,000**	-	**75,000**	-
Proceeds from borrowings from external financial institutions	**16,000**	-	**16,000**	58,100
Repayment of borrowings to external financial institutions	**(100,421)**	(18,551)	**(124,952)**	(36,624)
Payment of financing fees	**-**	-	**-**	(1,344)
Interest expense paid to external financial institutions	**(7,635)**	(6,316)	**(14,434)**	(11,911)
Other finance expense paid	**(175)**	(288)	**(314)**	(527)
Net cash (used in)/ provided by financing activities	**(17,231)**	(25,155)	**(48,700)**	7,694
Net decrease in cash and cash equivalents	**(5,467)**	(8,112)	**(20,353)**	(21,976)
Cash and cash equivalents at beginning of the financial period	**26,486**	23,344	**41,372**	37,208
Cash and cash equivalents at end of the financial period	**21,019**	15,232	**21,019**	15,232

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

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

BW Tankers Limited ("BW Tankers" or the "Company"), formerly known as BW Pacific Limited, is incorporated and domiciled in Bermuda. The address of its registered office is Suite 412, 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. Significant accounting policies

Basis of preparation

The condensed consolidated interim financial information for the six-month period from 1 January 2018 to 30 June 2018 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 2017 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 2017, except as disclosed below.

(a) IFRS 15 *Revenue from contracts with customers*

The Group has adopted IFRS 15 for the first time for annual period beginning 1 January 2018. The adoption of IFRS 15 has resulted in a change in the method of recognising revenue from voyage charters, whereby the Company's method of determining proportional performance was changed from discharge-to-discharge to load-to-discharge. This has resulted in no revenue being recognised from the point of discharge of the prior voyage to the point of loading of the current voyage and all revenue being recognised from the point of loading of the current voyage to point of discharge of the current voyage (see (a)(1) on page 13).

Previously, pre-voyage expenses incurred are expensed from the profit or loss as they do not qualify for recognition as an asset under any IFRS. Under IFRS 15, the costs that are directly related to the Group's contracts with customers are recovered and are capitalised as "contract fulfilment costs" (see (a)(2) on page 13).

This change in accounting policy was applied on a modified retrospective basis from 1 January 2018. In accordance with the transitional provision of IFRS 15, the impact of the change in revenue recognition in relation to voyage charters in-progress at 1 January 2018 was adjusted against retained earnings of the Group as at 1 January 2018. Accordingly, the comparative information presented has not been restated.

2. **Significant accounting policies** (continued)

Basis of preparation (continued)

(a) IFRS 15 *Revenue from contracts with customers* (continued)

The following table summarises the impact, net of tax, of transition to IFRS 15 on retained earnings as at 1 January 2018:

	Impact of adopting IFRS 15 as at 1 January 2018 US$'000
(1) Revenue adjusted based on load-to-discharge method	(6,778)
(2) Contract fulfilment costs	1,910
Retained earnings	(4,868)

The impact of the change on the Condensed Consolidated Interim Financial Information arising from the adoption of IFRS 15 on the following balances as at 30 June 2018 are summarised below:

	Amount as reported US$'000	Adjustments US$'000	Amounts without adoption of IFRS 15 US$'000
Trade and other receivables	53,433	3,834	57,267
Trade and other payables	(42,312)	43	(42,269)
Revenue	184,537	(746)	183,791
Voyage expenses	(82,748)	(245)	(82,993)
Accumulated losses	226,401	(3,877)	222,524

There was no material impact on the Group's Consolidated Condensed Statement of Cash Flows for the six months period ended 30 June 2018.

(b) IFRS 9 *Financial instruments*

The Group has also adopted IFRS 9 from 1 January 2018, which did not have any significant financial impact on the current period. However, details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

(1) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

2. **Significant accounting policies** (continued)

Basis of preparation (continued)

(b) IFRS 9 *Financial instruments*

(1) Classification and measurement of financial assets and financial liabilities (continued)

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value to other comprehensive income ("FVOCI"), or fair value to profit or loss ("FVTPL"). Derivative financial instruments are typically measured at FVTPL. However, if these instruments qualify for hedge accounting under IFRS 9, then the effective portion of changes in fair value of the instrument is recognised in other comprehensive income while the ineffective portion is recognised in profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

(2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

(3) Hedge accounting

The Group has elected to adopt the new general hedge accounting model in IFRS 9. All hedging relationships designated under IAS 39 at 31 December 2017 met the criteria for hedge accounting under IFRS 9 as at 1 January 2018 and are therefore regarded as continuing hedging relationships. Under IFRS 9, there is no change in recognising fair value changes on the effective portion of hedges in other comprehensive income, and ineffective portion in profit or loss.

The Group has not early adopted the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant to the Group's annual accounting periods beginning on 1 January 2019 or later periods. Except for IFRS 16 *Leases* as set out below, the Group does not anticipate the adoption of these changes to have a material impact on the Condensed Consolidated Interim Financial Information.

IFRS 16 is applicable for annual period commencing 1 January 2019 but may be early adopted. The Group expects to recognise its operating lease commitments (note 6(b)) and a corresponding right-of-use asset on its balance sheet on the adoption of IFRS 16.

2. **Significant accounting policies** (continued)

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 2017 except for new judgements applicable to the policy on revenue recognition due to adoption of IFRS 15.

3. Property, plant and equipment

	Vessels US$'000	Dry docking US$'000	Vessels under construction US$'000	Total US$'000
Cost				
At 1 January 2018	1,766,604	50,815	-	1,817,419
Additions	1	1,745	-	1,746
Write-off on completion of dry docking cycle	-	(1,536)	-	(1,536)
At 31 March 2018/1 April 2018	1,766,605	51,024	-	1,817,629
Additions	-	2,937	-	2,937
Write-off on completion of dry docking cycle	-	(3,799)	-	(3,799)
At 30 June 2018	1,766,605	50,162	-	1,816,767
Accumulated depreciation and impairment charge				
At 1 January 2018	685,481	25,865	-	711,346
Depreciation charge	11,304	2,686	-	13,990
Write-off on completion of dry docking cycle	-	(1,536)	-	(1,536)
At 31 March 2018/1 April 2018	696,785	27,015	-	723,800
Depreciation charge	11,431	2,723	-	14,154
Write-off on completion of dry docking cycle	-	(3,799)	-	(3,799)
At 30 June 2018	708,216	25,939	-	734,155
Net book value				
At 30 June 2018	**1,058,389**	**24,223**	**-**	**1,082,612**

3. **Property, plant and equipment** (continued)

	Vessels US$'000	Dry docking US$'000	Vessels under construction US$'000	Total US$'000
Cost				
At 1 January 2017	1,582,193	44,490	78,572	1,705,255
Additions	-	2,994	54,659	57,653
Transfer on delivery of vessel	92,171	1,500	(93,671)	-
Write-off on completion of dry docking cycle	-	(1,000)	-	(1,000)
At 31 March 2017/1 April 2017	1,674,364	47,984	39,560	1,761,908
Additions	86	3,854	1,043	4,983
Write-off on completion of dry docking cycle	-	(2,486)	-	(2,486)
At 30 June 2017/1 July 2017	1,674,450	49,352	40,603	1,764,405
Additions	503	1,455	52,398	54,356
Transfer on delivery of vessel	91,501	1,500	(93,001)	-
Write-off on completion of dry docking cycle	-	(1,469)	-	(1,469)
At 30 September 2017/1 October 2017	1,766,454	50,838	-	1,817,292
Additions	150	1,596	-	1,746
Write-off on completion of dry docking cycle	-	(1,619)	-	(1,619)
As at 31 December 2017	1,766,604	50,815	-	1,817,419
Accumulated depreciation and impairment charge				
At 1 January 2017	613,641	22,197	27,898	663,736
Transfer on delivery of vessel	14,299	-	(14,299)	-
Depreciation charge	10,281	2,429	-	12,710
Write-off on completion of dry docking cycle	-	(1,000)	-	(1,000)
At 31 March 2017/1 April 2017	638,221	23,626	13,599	675,446
Depreciation charge	10,732	2,559	-	13,291
Write-off on completion of dry docking cycle	-	(2,486)	-	(2,486)
At 30 June 2017/1 July 2017	648,953	23,699	13,599	686,251
Transfer on delivery of vessel	13,599	-	(13,599)	-
Depreciation charge	11,370	2,626	-	13,996
Write-off on completion of dry docking cycle	-	(1,469)	-	(1,469)
At 30 September 2017/1 October 2017	673,922	24,856	-	698,778
Depreciation charge	11,559	2,628	-	14,187
Write-off on completion of dry docking cycle	-	(1,619)	-	(1,619)
As at 31 December 2017	685,481	25,865	-	711,346
Net book value				
At 31 June 2017	**1,025,497**	**25,653**	**27,004**	**1,078,154**
At 31 December 2017	**1,081,123**	**24,950**	**-**	**1,106,073**

3. **Property, plant and equipment** (continued)

(a) For the financial year ended 31 December 2017, no impairment charge was recognised. The recoverable amount was based on the higher of fair value less costs to sell and value-in-use calculation, with each vessel being regarded as one CGU.

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

For the six-month period ended 30 June 2018, no impairment charge was recognised.

(b) The Group has mortgaged vessels with a total carrying amount of US$1,082.6 million at 30 June 2018 as security over the Group's bank borrowings.

In 2017, the Group has mortgaged vessels with a total carrying amount of US$1,106.1 million as security over the Group's bank borrowings.

(c) For the period ended 30 June 2018, no interest was capitalised as there were no vessels under construction. For the period ended 30 June 2017, interest amounting to US$0.7 million had been capitalised in vessels under construction. The interest rate used to determine the amount of borrowing costs eligible for capitalisation was 2.97% per annum.

4. Shareholders' equity

(a) Authorised share capital

The total authorised shares is 180,000,000 (31 December 2017: 180,000,000) shares with a par value of US$ 0.01 (31 December 2017: US$ 0.01) per share.

(b) Issued and fully paid share capital

	Number of Shares	**Share capital US$'000**	**Share premium US$'000**	**Total US$'000**
At beginning and end of financial period	**116,514,917**	**1,165**	**26,761**	**27,926**

	Number of Shares	Share capital US$'000	Share premium US$'000	Total US$'000
At 1 January 2017	107,637,740	1,077	-	1,077
New shares issued	8,877,177	88	26,761	26,849
At 31 December 2017	116,514,917	1,165	26,761	27,926

(c) Other reserve

	As at 30 June 2018 US$'000	As at 31 December 2017 US$'000
(i) Composition:		
Capital reserve – effects of Restructuring	**50,011**	50,011
Hedging reserve	**5,314**	505
	55,325	50,516

Capital reserve relates to the net difference arising from the share capital and retained earnings of the Group before and after a group restructuring during the financial year ended 31 December 2014.

Capital reserve is non-distributable.

	As at 30 June 2018 US$'000	As at 31 December 2017 US$'000
(ii) Movements of the reserves are as follows:		
Hedging reserve		
At beginning of the financial period/year	**505**	(709)
Fair value gains/(losses) on cash flow hedges	**4,663**	(1,083)
Reclassification to profit or loss	**146**	2,297
At end of the financial period/year	**5,314**	505

5. Borrowings

	As at 30 June 2018 US$'000	As at 31 December 2017 US$'000
Current		
Bank borrowings	**76,892**	157,635
Non-current		
Loan from a related corporation	**75,000**	-
Bank borrowings	**586,874**	614,239
	738,766	771,874

Bank borrowings consist of three credit facilities from external financial institutions, amounting to US$676 million, US$266 million and US$128 million respectively. The US$676 million facility is made up of two loan tranches amounting to US$576 million and US$100 million. The first tranche of US$576 million includes a US$100 million revolving credit facility. These tranches are interest bearing at three-month US Dollar LIBOR plus 1.7% per annum and three-month US Dollar LIBOR plus 1.9% per annum and will mature in 2022 and 2018 respectively. Full repayment has been made for US$100 million tranche which matured on 29 June 2018.

The US$266 million facility has an average interest rate of three-month US Dollar LIBOR plus 1.5% per annum and will mature in 2028. The US$128 million facility has an average interest rate of three-month US Dollar LIBOR plus 1.8% per annum and will mature in 2023. These three facilities are secured by the Group's fleet of vessels.

The USD denominated loan from a related corporation is a revolving credit facility which is unsecured, bears interest at 5.77%, and is repayable by June 2020.

Interest rates

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

	As at 30 June 2018	As at 31 December 2017
Loan from a related corporation	**5.77%**	-
Bank borrowings	**3.99%**	3.40%

The exposure of current borrowings to interest rate risks is disclosed in note 7.

Carrying amounts and fair values

The carrying values of the bank borrowings approximate their fair values.

6. Commitments

(a) Operating lease commitments - where a group company 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 30 June 2018 US$'000	As at 31 December 2017 US$'000
Not later than one year	17,760	25,738
Later than one year but not later than five years	-	4,880
	17,760	30,618

(b) Operating lease commitments - where a group company is a lessee

The Group leases vessels and office space from non-related parties under non-cancellable operating lease agreements. The leases have varying terms.

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

	As at 30 June 2018 US$'000	As at 31 December 2017 US$'000
Not later than one year	7,875	7,879
Later than one year but not later than five years	161,037	153,632
Later than five years	42,205	60,558
	211,117	222,069

7. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including price risk and currency risk); interest rate risk; credit risk; liquidity risk and capital risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's consolidated financial statements for the financial year ended 31 December 2017. There have been no major changes in the management team or in any risk management policies since the financial year ended 31 December 2017.

(a) Interest rate risk

The Group has interest-bearing financial liabilities at variable rates. If the interest rates increase/decrease by 50 basis points, with all other variables including tax rate being held constant, the profit after tax will be lower/higher by approximately US$1,178,000 (30 June 2017: US$1,260,000) as a result of higher/lower interest expense on these borrowings.

(b) Estimation of fair value

IFRS 7 established a fair value hierarchy that prioritises inputs used to measure fair value. The three levels of the fair value input hierarchy defined by IFRS 7 are as follows:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Derivative financial assets and liabilities

The Group's financial derivative instruments primarily relate to interest rate swaps and are measured at fair value and are within Level 2 of the fair value hierarchy. The fair value of financial derivative instruments that were not traded in an active market was determined by using valuation techniques. The fair values of interest rate swaps were calculated at the present value of estimated future cash flows based on observable yield curves.

Non-derivative non-current financial assets and liabilities

The carrying amount of non-derivative non-current financial assets and liabilities which bear floating interest rates are assumed to approximate their fair value because of the short repricing period. There were no non-current financial assets and liabilities which do not bear floating interest rates.

Non-derivative current financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair value because of the short period to maturity.

8. Financial instruments by category

The aggregate carrying amounts of loans and receivables and financial liabilities at amortised cost are as follows:

	As at 30 June 2018 US$'000	As at 31 December 2017 US$'000
Net derivative assets measured at fair value	**5,228**	508
Loans and receivables	**69,604**	97,301
Financial liabilities at amortised cost	**779,678**	815,565

9. Related party transactions

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

	For the 3 months ended 30 June 2018 US$'000	For the 3 months ended 30 June 2017 US$'000	**For the 6 months ended 30 June 2018 US$'000**	For the 6 months ended 30 June 2017 US$'000
<u>Sales and purchase of services</u>				
Support service fees paid/payable to related corporation	**2,297**	1,112	**4,213**	2,225
Ship management fees paid/payable to related corporation	**-**	1,824	**-**	3,580
Interest paid/payable to related corporation	**24**	-	**24**	-
Rental paid/payable to related corporation	**162**	100	**319**	198

Included in the profit and loss for the six months ended 30 June 2018 is US$nil (six months ended 30 June 2017: US$3.6 million) of third party voyage charter revenue which was earned through back-to-back charters with a related corporation that was acting as an agent for the Group.

Related parties refer to corporations controlled by Sohmen family interests.

10. 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 two main business segments:

(i) LR1 Product Tankers ('LR1')
(ii) MR Product Tankers ('MR')

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

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.

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.

10. **Segment Information** (continued)

	LR1 US$'000	MR US$'000	Total US$'000
For the 3 months ended 30 June 2018			
Revenue	44,419	46,596	91,015
Voyage expenses	(21,141)	(21,496)	(42,637)
TCE income	23,278	25,100	48,378
Other operating income	349	(17)	332
Vessel operating expenses	(12,677)	(10,775)	(23,452)
Charter hire expenses	(1,831)	-	(1,831)
Operating EBITDA	8,977	14,268	23,245
Depreciation charge	(6,605)	(7,549)	(14,154)
	2,372	6,719	9,091
Unallocated			(14,109)
Loss before income tax			(5,018)
For the 6 months ended 30 June 2018			
Revenue	89,756	94,781	184,537
Voyage expenses	(40,835)	(41,913)	(82,748)
TCE income	48,921	52,868	101,789
Other operating income	694	-	694
Vessel operating expenses	(24,478)	(22,183)	(46,661)
Charter hire expenses	(3,602)	-	(3,602)
Operating EBITDA	21,183	30,549	51,732
Depreciation charge	(13,129)	(15,015)	(28,144)
	8,054	15,534	23,588
Unallocated			(27,391)
Loss before income tax			(3,803)
Segment assets as at 30 June 2018	461,095	690,276	1,151,371
Segment assets include:			
Additions to:			
- vessels	1	-	1
- dry docking	4,616	66	4,682
Segment liabilities as at 30 June 2018	24,817	17,917	42,734

10. Segment Information (continued)

	LR1 US$'000	MR US$'000	Total US$'000
For the 3 months ended 30 June 2017 (Restated)			
Revenue	36,764	45,299	82,063
Voyage expenses	(16,277)	(17,020)	(33,297)
TCE income	20,487	28,279	48,766
EBITDA	6,610	15,529	22,139
Depreciation charge	(5,743)	(7,548)	(13,291)
	867	7,981	8,848
Unallocated items			(9,668)
Profit before income tax			(820)
For the 6 months ended 30 June 2017 (Restated)			
Revenue	73,506	90,655	164,161
Voyage expenses	(33,716)	(34,487)	(68,203)
TCE income	39,790	56,168	95,958
EBITDA	13,411	30,747	44,158
Depreciation charge	(10,987)	(15,014)	(26,001)
	2,424	15,733	18,157
Unallocated items			(17,834)
Profit before income tax			323
Segment assets as at 30 June 2017	424,424	719,350	1,143,774
Segment assets include:			
Additions to:			
- vessels/vessels under construction	54,288	-	54,288
- dry docking	4,862	-	4,862
Segment liabilities as at 30 June 2017	25,825	18,408	44,233

10. **Segment Information** (continued)

Reportable segments' assets

The amounts provided to management with respect to total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, management monitors vessels, vessels under construction, dry docking, inventories, and trade and other receivables that can be directly attributable to each segment.

	As at 30 June 2018 US$'000	As at 31 December 2017 US$'000
Segment assets	**1,151,371**	1,173,297
Unallocated items:		
Cash and cash equivalents	**21,019**	41,372
Derivative financial instruments	**5,317**	514
Trade and other receivables	**2,120**	4,576
Total assets	**1,179,827**	1,219,759

Reportable segments' liabilities

The amounts provided to management with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segments. Certain trade and other payables are allocated to the reportable segments. All other liabilities are reported as unallocated items.

	As at 30 June 2018 US$'000	As at 31 December 2017 US$'000
Segment liabilities	**42,734**	47,385
Unallocated items:		
Borrowings	**738,766**	771,874
Current income tax liabilities	**1**	15
Trade and other payables	**4,275**	2,660
Derivative financial instruments	**89**	6
Total liabilities	**785,865**	821,940

Geographical segments' revenue

Non-current assets which comprise mainly vessels, operate on an international platform with individual vessels calling at various ports across the globe. The Group does not consider the domicile of its customers as a relevant decision making guideline and hence does not consider it meaningful to allocate vessels and revenue to specific geographical locations.

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