

HAFNIA LIMITED

INVESTOR PRESENTATION

Q3 2020

20 November 2020

HAFNIA
Member of BW Group

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AGENDA

Q3 2020 Highlights/Overview

Industry Review

Governance & ESG Overview



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Q3 2020 HIGHLIGHTS - SNAPSHOT

	Time Charter Equivalent (TCE)	EBITDA	External Fees
Earnings	Q3 2020 - USD 118.5 Mill Q3 2019 – USD 106.7 Mill (+11%) YTD 2020 - USD 518.9 Mill YTD 2019 – USD 357.3 Mill (+45%)	Q3 2020 - USD 51.7 Mill Q3 2019 – USD 50.0 Mill (+3%) YTD 2020 - USD 327.2 Mill YTD 2019 – USD 183.0 Mill (+79%)	Q3 2020 - **USD 5.2 Mill** Q3 2019 – USD 4.9 Mill (6%) YTD 2020 - **USD 18.5 Mill** YTD 2019 – USD 6.3 Mill (194%)
Net Profit	Q3 2020 - USD 0.4 Mill Q3 2019 – USD -10.6 Mill	YTD 2020 - USD 175.2 Mill YTD 2019 – USD 29.3 Mill	Q3 2020 - **(+104%)** YTD 2020 - **(+498%)**

Events

- Established a "**Specialized**" pool focusing on product tankers below 25,000 dwt, starting out with 14 vessels
- Invested in a Methanol production facility ensuring 19-years shipping contracts
- Invested in two LR2 dual-fuel vessels on long-term charters to Total
- Sold the 2006 built LR1 vessel, Hafnia America, for USD 11.6 million net

The third quarter is seasonally weak for the industry. However, this third quarter was Hafnia's best third quarter since 2016.

MARKET UPDATE

Q3 2020

- Overall, suppressed product tanker earnings in Q3 2020 were attributed to weak oil product demand, low refinery utilization from muted refining margins and the build-up of active tonnage supply from the steady unwinding of vessels in floating storage. Oil demand recovered throughout the quarter from its lows during Q2 2020 but continues to remain below 2019 levels whilst the fleet supply grows gradually.

- The product tanker market in the West outperformed the East in Q3, mainly driven by lower tonnage supply and good US Gulf demand. Tonnage supply had migrated West to East during Q2 and could not find its way back to the West due to scarcity of the usual jet and diesel trade which under normal circumstances would bring tonnage from East to West. Product tankers in the East faced fierce competition from VLCC and Suezmax newbuilds in the face of a weak crude tanker market.

- The US Gulf market demonstrated strength during the beginning of Q3 as refineries increased production by more than 2 million barrels per day towards the end of June. The increased refinery production caused the freight market to rise significantly until mid-August, when low refinery margins and the occurrence of hurricanes reduced refinery production significantly.

MARKET UPDATE

Q4 2020, to-date

The product tanker market in Q4 2020 thus far has been an extension of the suppressed market in Q3 2020. Oil demand continues to be weak on the back of the second wave of coronavirus particularly in the West.

Similarly, the product tanker market outlook at present remains somewhat bearish in the short term due to the surging second wave of the pandemic in the West. Current trends in drawdowns of product and crude oil inventories look likely to continue for the rest of 2020 and into early 2021 while vessels unwind from floating storage.

This development was expected, and it is part of the road towards a more sustainable market environment.

Winter seasonality is expected to have a positive impact on the product tanker market, which we continue to consider reasonably balanced as we register freight volatility despite the general suppressed earnings level.

Handy	MR	LR1
Clean Handy markets in Europe suffered from low demand and dirty markets have fared marginally better. The average Q4 2020 earnings so far have been approx. USD 10,000/day. Current average Handy earnings are USD 8-10,000/day.	MR rates East of Suez have improved marginally during Q4 as a result of improved oil demand. Western markets have suffered from lower oil demand and continue to be seasonally weak. The average Q4 2020 earnings so far have been approx. USD 11,000/day. Current average MR earnings are approx. USD 10-11,000/day.	LR1 rates in the East have gradually picked up as a result of improved oil demand and higher PRC exports. Western markets are suffering from low oil demand driven by Covid19. The average Q4 2020 earnings so far have been USD approx. 13,000/day. Current average LR1 earnings are USD 13-15,000/day.

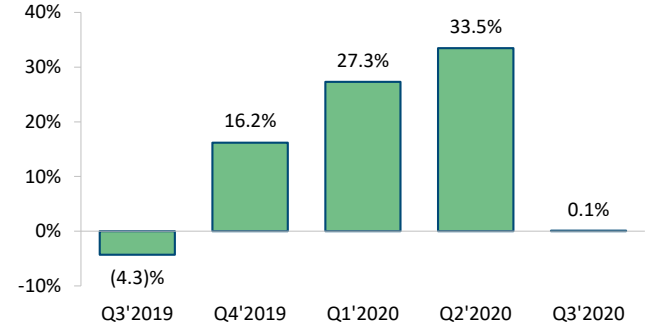
Bunker
In the first half of Q4 2020, the spread between HSFO and VLSFO narrowed to USD 65/mt. The spread for 2021 is approx. USD 75/mt.

FINANCIAL SUMMARY

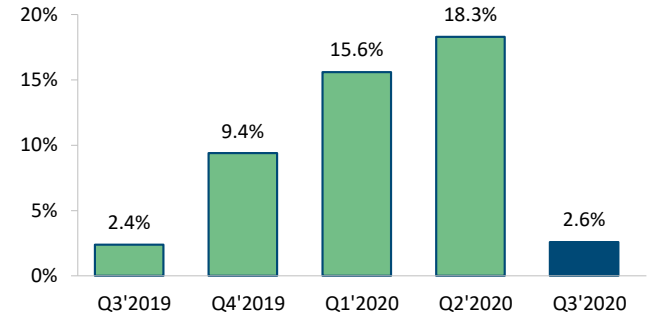
YTD 2020 annualized return on invested capital of 12.3% and return on equity of 20.4%

Income statement USDm		*Q3 2019*	*Q3 2020*	*2020 YTD*
Revenue	USDm	188.5	165.5	702.8
Voyage expenses	"	(81.8)	(47.0)	(184.0)
TCE income	USDm	106.7	118.5	518.9
Other operating income	"	4.9	5.2	18.5
Vessel operating expenses	"	(46.4)	(51.7)	(148.6)
Technical management expenses	"	(3.6)	(4.1)	(12.2)
Charter hire expenses	"	(3.0)	(7.6)	(21.1)
General and administrative expenses	"	(8.5)	(8.7)	(28.3)
EBITDA	"	***50.0***	***51.7***	***327.2***
Depreciation and amortization	"	(34.6)	(41.3)	(118.7)
EBIT	"	15.4	10.4	208.4
Net financial expense	"	(25.5)	(10.7)	(37.5)
Share of profit from associates	"	-	1.2	5.8
Profit before income tax	"	***(10.1)***	***0.8***	***176.7***
Income Tax	"	(0.5)	(0.5)	(1.5)
Profit after income tax	"	**(10.6)**	**0.4**	**175.2**

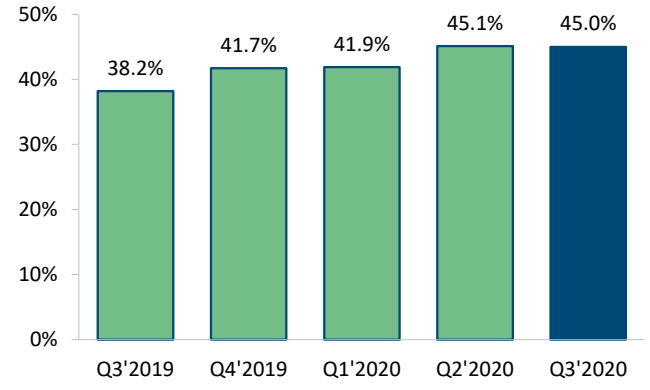
Return on equity (annualized)



Return on invested capital (annualized)



Equity ratio



POOL ECONOMICS

Global commercial platform with chartering teams at strategic locations

Pool economics

Pool commission structure

Fixed	Commission
USD 250 per day per vessel	2.25% of net TCE

Working capital contribution when entering pool

Handy	MR	LR
USD 600,000	USD 800,000	USD 1,000,000

Distribution to pool participants

Distribution twice a month

The pool follows a basic pool point distribution calculated based on two core performance variables – fuel and time

Earnings contribution from commercial management

- Earnings from the pools and other fee generating streams generated **USD 5.2 million** in revenue in Q3 2020 and **USD 18.5 million** for the first nine months of 2020
- Fixed fee of USD 250 per day per vessel covering the fixed cost of managing the vessels in the pool
- Commission of 2.25% will directly impact the profit from the pool platform
- Based on a fleet of 80 vessels managed commercially on behalf of third-party owners, a TCE rate of USD 20,000 per day per vessel generates **USD 20 million** in revenue and an annual profit of ~ **USD 13 million**
  - Every marginal TCE rate of USD 1,000 will give an incremental annual income of USD 0.6m

INVESTMENT HIGHLIGHTS SUMMARY

Key value proposition



1. ***Best commercial performance***
2. ***Lowest operating cost***
3. ***Lowest cost of funding***
4. ***USD 18.5 million in earnings from the pools and other fee generating activities***
5. ***Focus on ESG and renewables e.g. dual-fuel, LNG and Methanol***
6. **Post Covid-19 rebound in demand**

Strong earnings potential

- Expected full year cash break-even at USD 13,800 per day across the entire fleet provides strong cash flow potential
- Efficient operations with low opex and SG&A combined with best-in-class financing terms
- USD 1,000 increase in day rates is expected to contribute to a USD ~32m increase in net income in 2020

Solid balance sheet

- Balanced capital structure, with a targeted fleet LTV of 50-60%
- Attractively positioned to target opportunistic accretive growth opportunities with a well-capitalized platform

Attractive dividend potential

- Highly attractive dividend yield potential combined with a transparent dividend policy
- The Company targets a quarterly dividend based on a pay-out ratio of 50% of annual net profit, adjusted for extraordinary items

AGENDA

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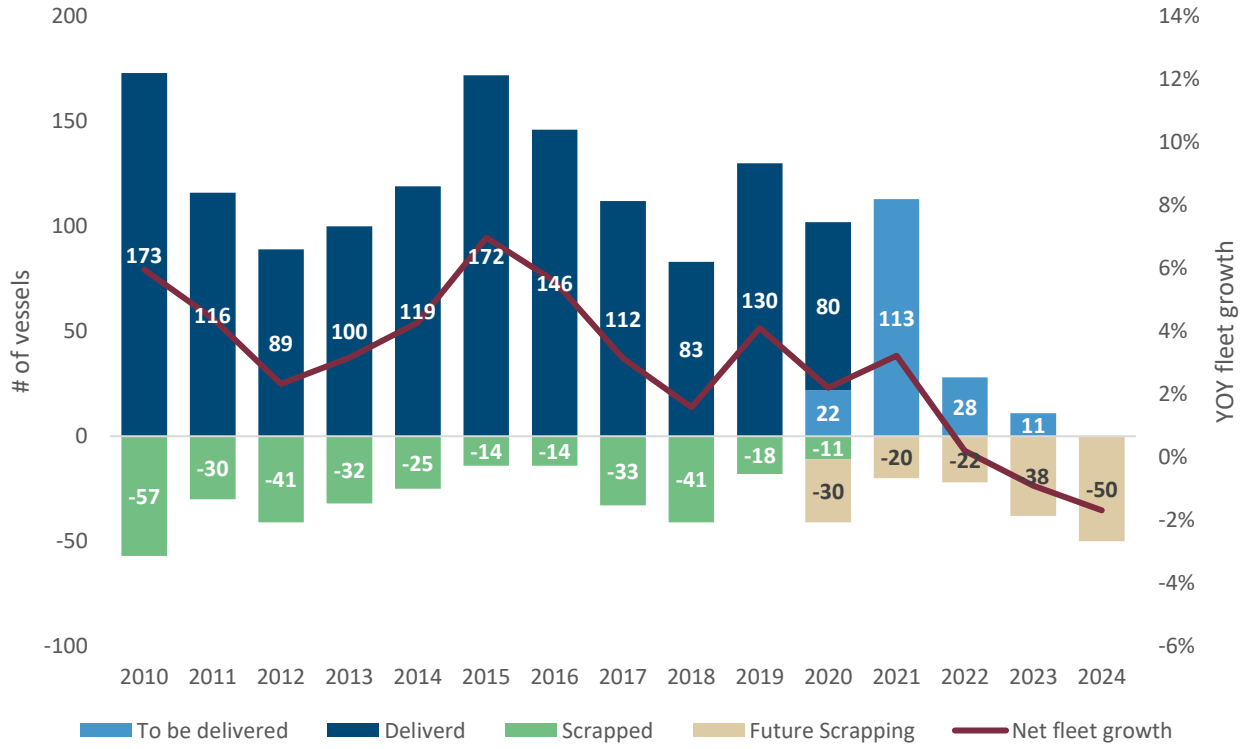
GLOBAL PRODUCT TANKER FLEET



Existing fleet	2,892	
Avg age	10.6	
Orderbook	174	6%
Sub 15 years	2,140	74%
15-19 years	752	26%
20-24 years	203	7%
> 25 years	30	1%

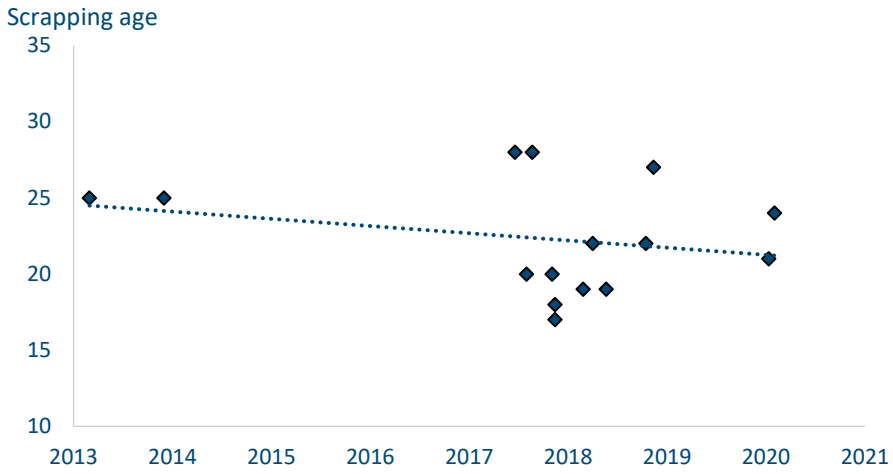
Scrapping assumed when 25 years

- ✓ The product tanker orderbook is historically low at just 6% of the global fleet
- ✓ Measured in # of ships, 34% of the fleet is older than 15 years
- ✓ Measured in dwt, 30% of the fleet is older than 15 years
- ✓ Yards can deliver vessels ordered now from late 2022 onwards

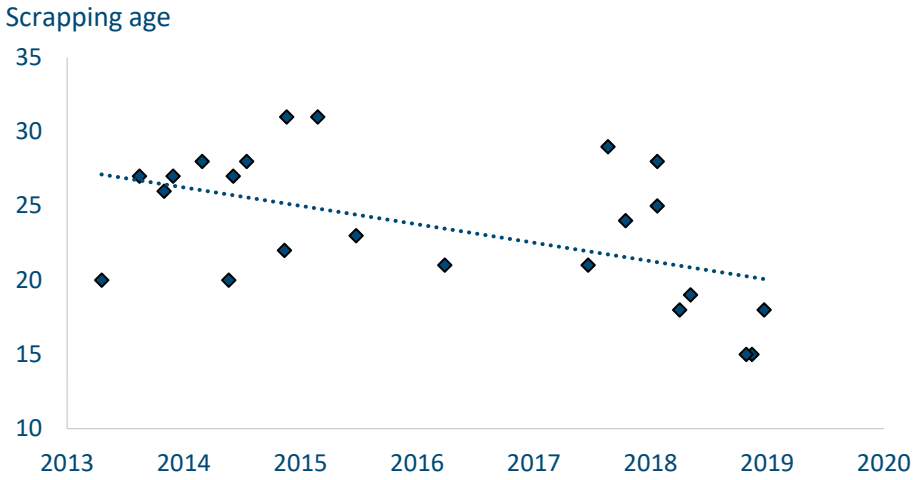
Source: Steem1960.com

SCRAPPING

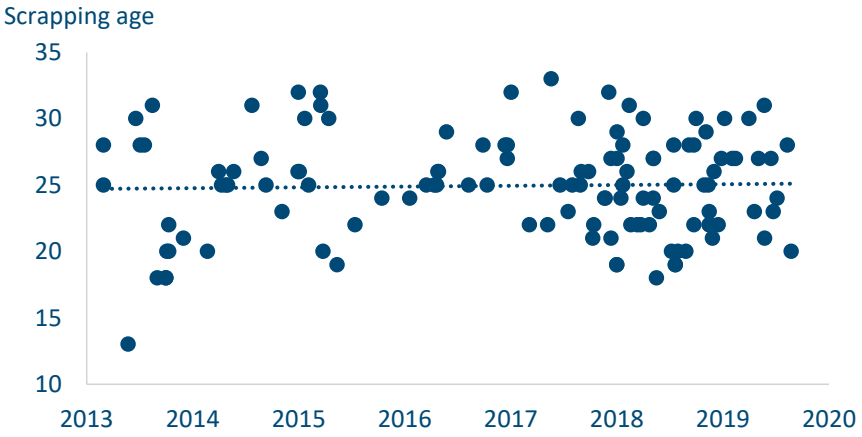
LR2



LR1



MR & Handy



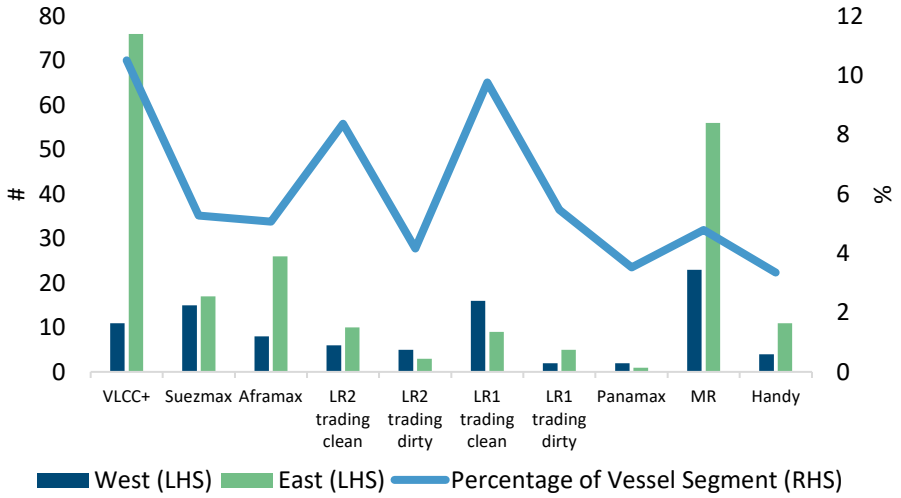
Comments

Scrapping activity remains low for larger vessels but has picked up in recent years for MRs. For MRs the scrapping age is approx. 25 years, but it is approaching 20 years for the LR segments.

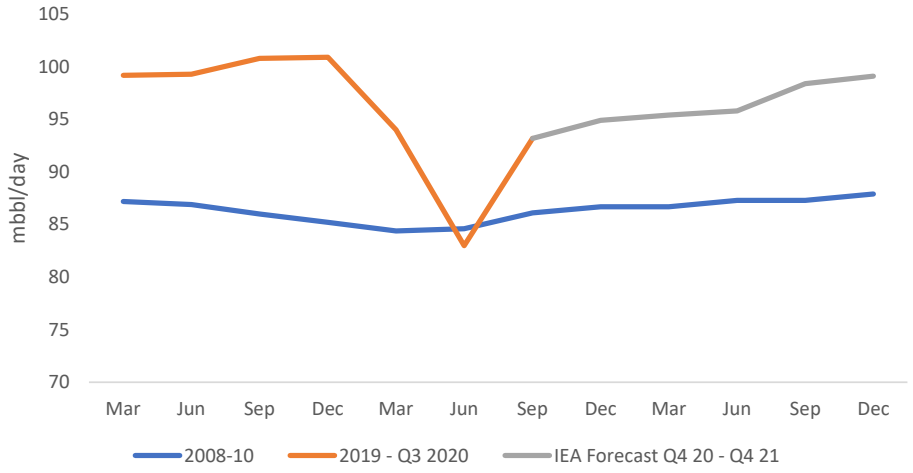
- ✓ 6% of the LR2 fleet is above 20 years
- ✓ 2% of the LR1 fleet is above 20 years
- ✓ 7% of the MR fleet is above 20 years
- ✓ 13% of the Handy fleet is above 20 years

MARKET OUTLOOK & RISKS

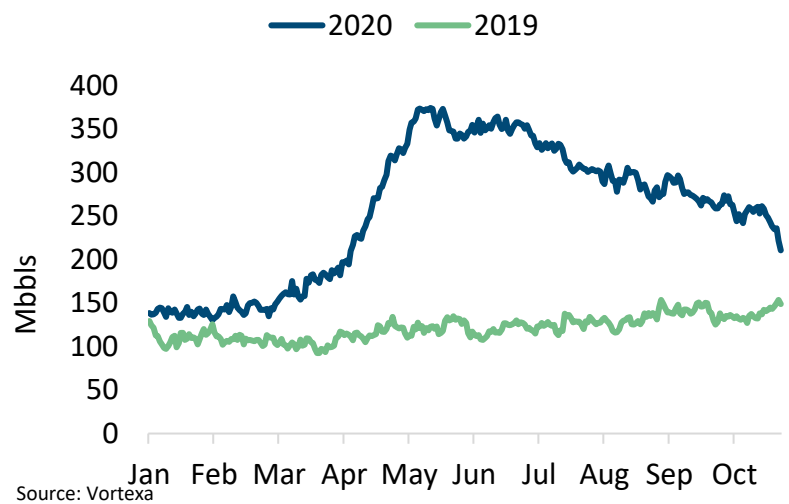
Floating storage – as of 28 October



Global Oil Demand 2008-10 vs 2019-21



Floating storage 2019 vs 2020



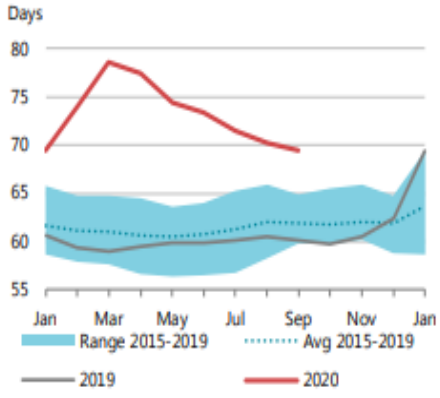
Source: Vortexa

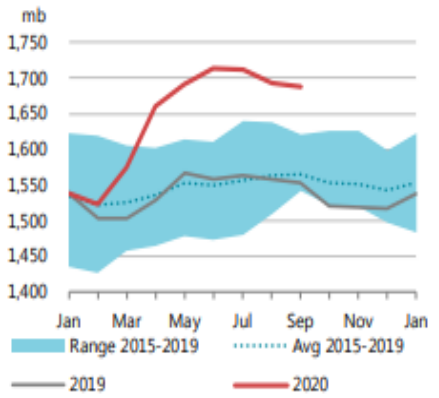
- There has been a significant increase in floating storage in 2020, from 130 million barrels end 2019 to a peak of 350 million barrels in Q2, and down to 210 million barrels in October
- Global oil demand declined by 17 mb/day in Q2 2020 versus a decrease of only 4 mb/day from December 2007 to March 2009
- IEA predicted in their November report that global oil demand is expected to fall by 9 mb/d year-on-year in 2020 and increase by 6 mb/day in 2021
- Oil supply is expected to drop to the low 90 mb/d range during 2020. As oil demand rebounds to supply, inventories will start to be drawn down
- Refinery crude throughput in 2019 was 81.7 mb/day. It is expected to drop to 74.4 mb/day in 2020 and increase to 79.0 mb/day in 2021

REGIONAL OECD INDUSTRY STOCKS RETURNING TO NORMAL

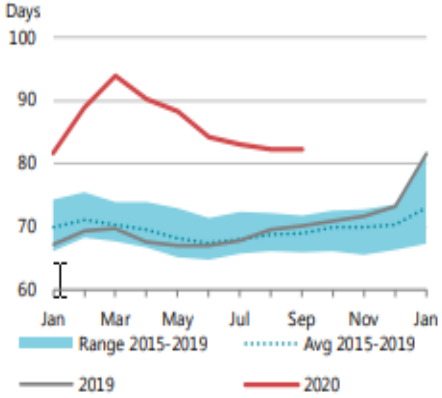
OECD end-of-month industry stocks in days of forward demand and millions barrels of total oil

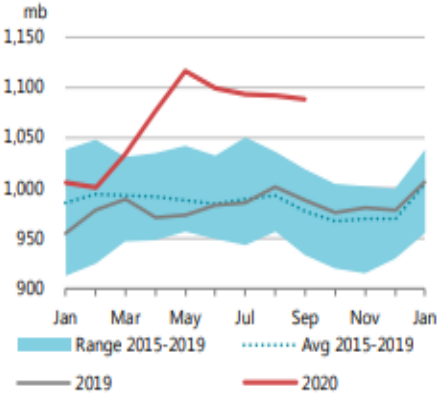
Americas



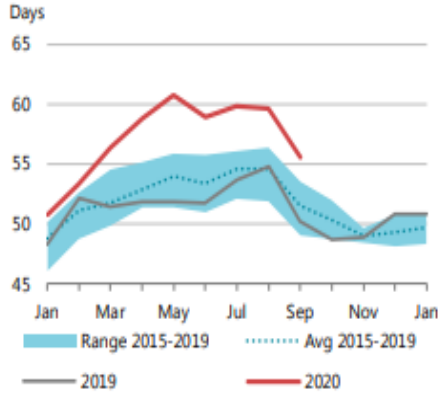


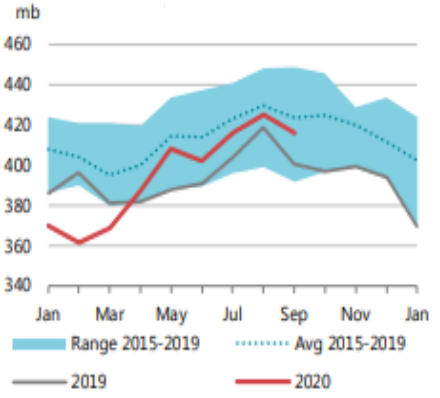
Europe



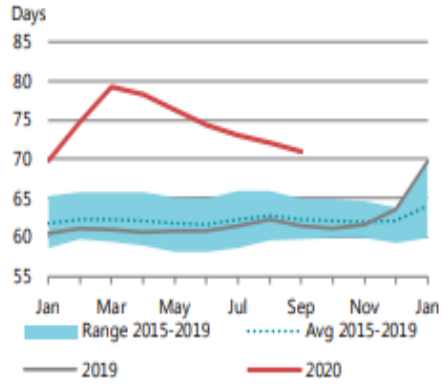


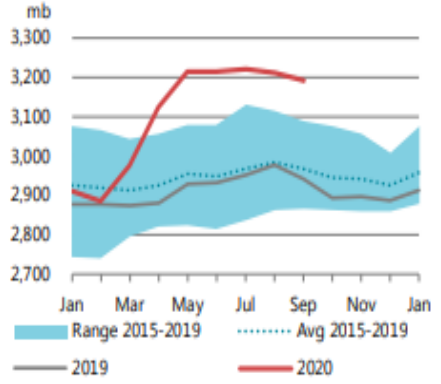
Asia Oceania





OECD Total Oil



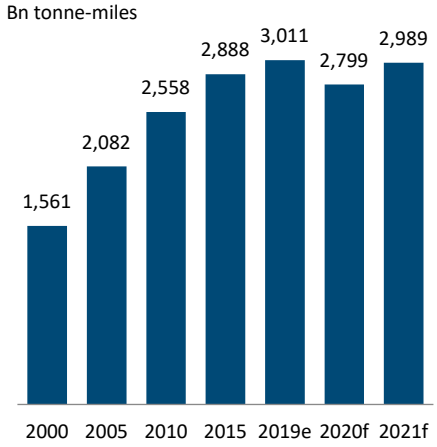


1 Days of forward demand are based on average OECD demand over the next three months.

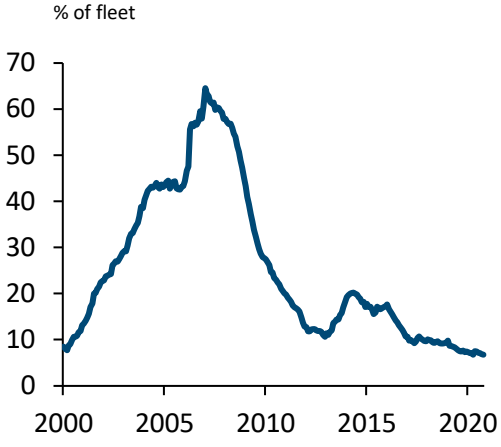
Source: IEA

2020 DEMAND DROP EXPECTED TO EXCEED FLEET GROWTH IN 2021

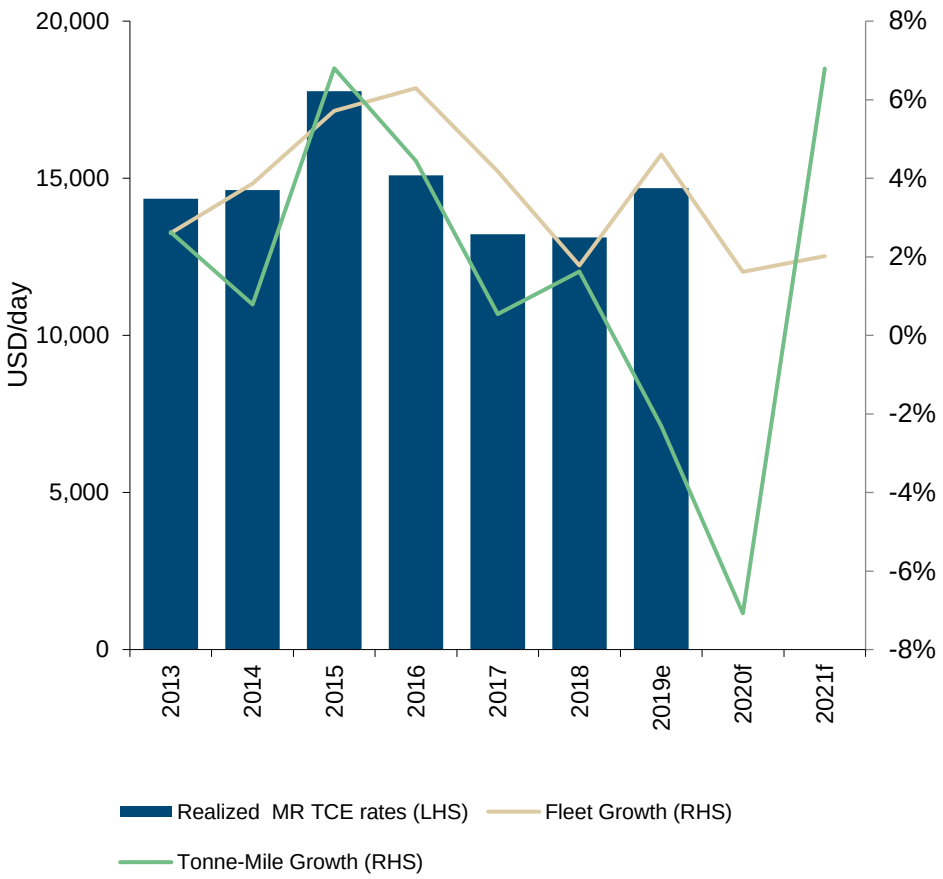
Seaborne product demand



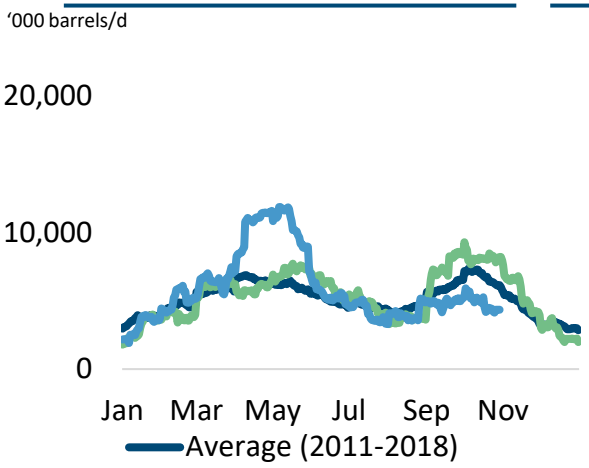
Orderbook



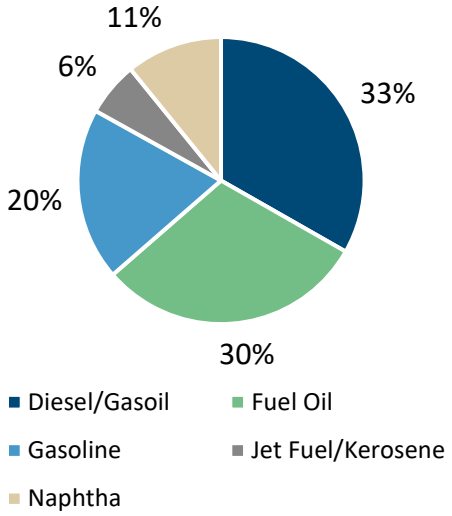
Supply and demand growth for product tankers



Global refinery outage



2020 cargo split



Source: Clarksons Research, IEA, Bloomberg

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Governance & ESG Overview



STRONG FOCUS ON CORPORATE GOVERNANCE AND ALIGNED INCENTIVES

Corporate governance overview

Fully aligned incentives with no fee leakage

- Hafnia has a fully integrated business model
  - In-house commercial management
  - In-house technical management
- No fee leakage
- All stakeholders have aligned interests

Highly reputable Board of Directors

- Highly experienced and reputable Board of Directors
- 4 board members independent of major shareholders



Remuneration Committee

- Remuneration Committee currently comprising three members
- Management remuneration aligned with shareholders

- Established Audit Committee currently comprising two members
- Both members of the audit committee are independent of the Company and Mr. Read has extensive experience in auditing and accounting

Authorisation Matrix

- Hafnia is governed by a board approved authorisation matrix

Internal Audit

- Internal audit works with external audit and audit committee to align workflow procedures, standard operating procedures, authorisation matrix, financial systems and HR policies

HAFNIA'S ESG STRATEGY

Hafnia's ESG efforts at a glance

1 Key facts and figures

Vetting observations (SIRE) per inspection*	<3
Port state control (PSC) deficiencies per inspection (YTD)*	0.98
Lost Time Injury Frequency (LTIF – YTD)*	0.59
Percentage of female colleagues onshore	32%
Oil spills	0
Avg. CO_2 emissions for 86 owned vessels (g CO2 / mt-nm)	5.82

By having ISO 14001 certification Hafnia commits to implement effective "environmental management system" that helps the organization meet its environmental goal over and above legal requirements.

2 UN Sustainable Development Goals

Our approach to sustainability starts with the United Nations Sustainable Development Goals. By aligning with these goals Hafnia has joined the movement towards a more peaceful and prosperous planet. We have prioritized our initiatives along these four UN SDGs



3 Key partnerships & collaborations

Shippinglab

GREEN SHIP OF THE FUTURE

MACN Maritime Anti-Corruption Network

Getting to Zero Coalition

ISO

RAINMAKING

Objectives and status snapshot

Objective	Compliance obligations	Current status	
Zero oil spills to sea	MARPOL Annex I	Zero oil spills to sea	✓
Zero chemical spills to sea	MARPOL Annex II	Zero chemical spills to sea	✓
Minimize sewage discharge to sea	MARPOL Annex IV and Local Regulations	Zero sewage regulation violation	✓
Security at Sea	To protect our crew and assets from risks in troubled times and waters	- 0 fatalities due to security incidents - 0 casualties due to security incidents - 0 days lost due to security incidents	✓
Minimize garbage discharge to sea and land	MARPOL Annex V and Local Regulations	Zero garbage regulations violation	✓
Target for plastic disposal – 2% below 2018 levels	MARPOL Annex V and Local regulations	Avg. per vessel: 17.8 m3 (8.8% less compared to 2018)	✓

"As the world's leading product tanker company, Hafnia is uniquely positioned to help create the future of responsible and transparent maritime energy transportation to world markets. Through innovation and collaboration, we commit to be a trusted partner for the businesses and communities we serve, to shape our world and oceans for future generations."



Mikael Skov, CEO

*Note: *) LTIF - Lost Time Injury Frequency measuring the number of lost time injuries occurring in a workplace per 1 million hours worked.*
**) PSC - A general inspection of several areas on board to verify that the overall condition of the ship complies with that required by the various Conventions*
**) SIRE - The industry-agreed Oil Companies' International Marine Forum (OCIMF) Ship Inspection Report Programme (SIRE) inspection format is used as the main ship inspection tool*

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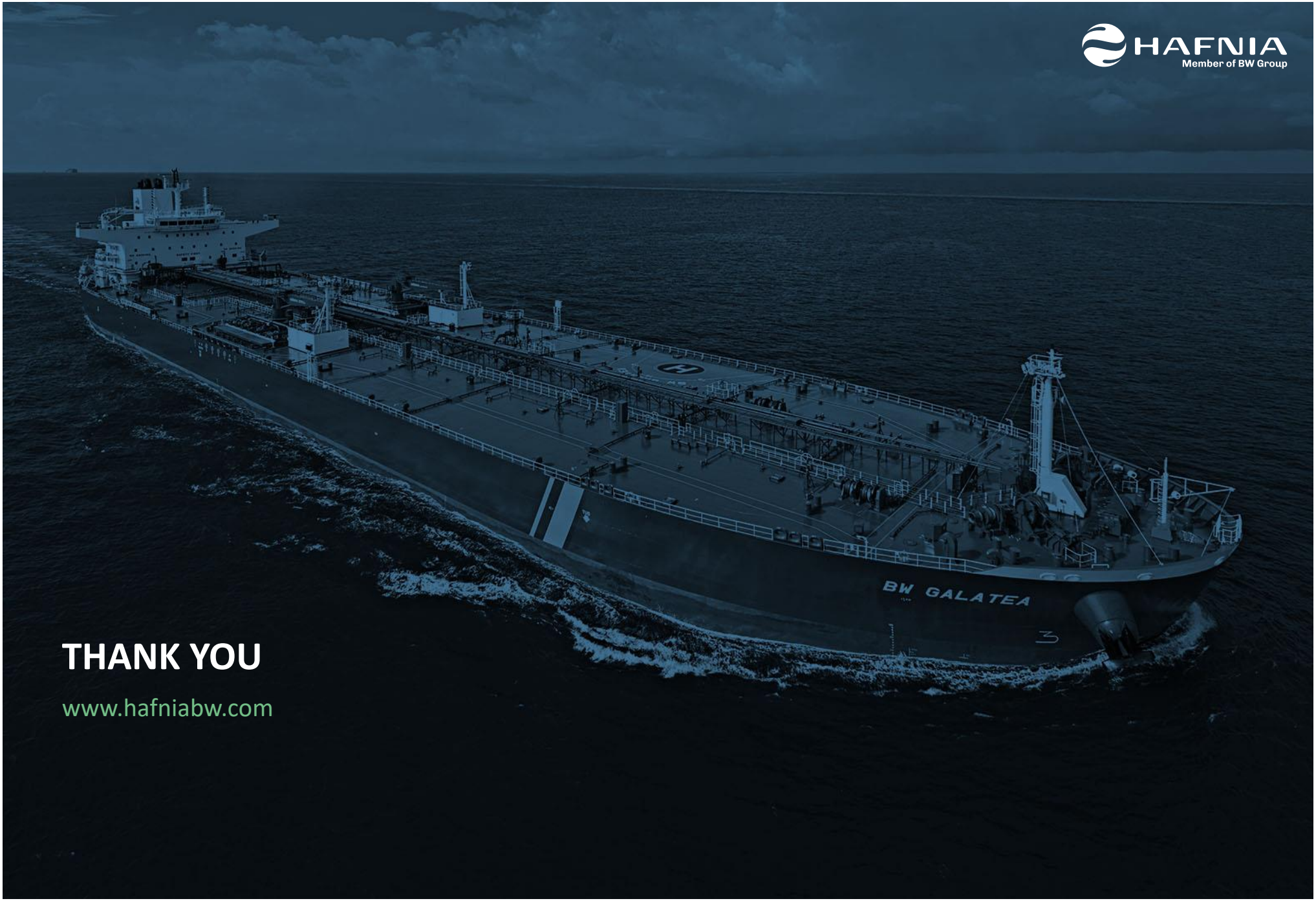

THANK YOU

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