

HAFNIA LIMITED INVESTOR PRESENTATION Q4 AND FULL YEAR 2019

25 February 2020

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THIS DOCUMENT CONTAINS STATISTICS, DATA, STATEMENTS AND OTHER INFORMATION RELATING TO THE GROUP'S MARKETS AND THE INDUSTRY IN WHICH IT OPERATES. WHERE SUCH INFORMATION HAS BEEN DERIVED FROM THIRD-PARTY SOURCES, SUCH SOURCES HAVE BEEN IDENTIFIED HEREIN. IN ADDITION, THE COMPANY HAS BEEN NAMED AS A SOURCE FOR CERTAIN MARKET AND INDUSTRY STATEMENTS INCLUDED IN THIS DOCUMENT. SUCH "COMPANY INFORMATION" REFLECTS THE COMPANY'S VIEWS BASED ON ONE OR MORE SOURCES AVAILABLE TO IT (SOME OF WHICH ARE NOT PUBLICLY AVAILABLE, BUT CAN BE OBTAINED AGAINST PAYMENT), INCLUDING DATA COMPILED BY PROFESSIONAL ORGANISATIONS, CONSULTANTS AND ANALYSTS AND INFORMATION OTHERWISE OBTAINED FROM OTHER THIRD PARTY SOURCES.

Q4 2019 HIGHLIGHTS

Q4 Financials

- EBITDA was USD 94.8 million in Q4 2019 and USD 277.8 million for 2019
- Net Income for Q4 was a net profit of USD 42.4 million and a full year net profit of USD 71.7 million for 2019
- EPS of USD 0.11/share and USD 0.19/share for Q4 2019 and full year 2019 respectively
- Return on Equity of 6.8% and RoIC of 6.2% for 2019
- Hafnia was listed on the Oslo Axess on 8 November 2019 and raised USD 75.0 million in primary proceeds
- Cash dividend of USD 0.0573/share to be paid for Q4 2019

Market

- In Q4, the product tanker market rebounded on the back of very strong sentiment brought about by sanctions imposed on the COSCO fleet
- The return of Middle East refineries from maintenance and outages in addition to high refinery runs from China have increased exports from the East of Suez
- Scrubber retrofits and IMO 2020 sulphur cap-related bunkering delays effectively offset tanker fleet growth in 2019 and contributed significantly to improved tanker earnings in the last quarter

Fleet

- Total of 15 new vessels delivered in 2019 ending the year with 81 owned vessels
- Hafnia to take delivery of 2 remaining LR1 newbuilds through Vista Shipping Ltd, a joint venture between Hafnia and CSSC Shipping in 2020
- Hafnia's owned fleet has an average age of approximately 6.8 years (excluding newbuilds)

IMO 2020 and ESG

- Hafnia was in full compliance with the new IMO sulphur regulations by 2020
- Hafnia is a member of Getting to Zero Coalition and signed up to the Charter for More Women in Shipping, an initiative organized by Danish Shipping to encourage more women to join the shipping industry

Q1 2020

Markets are in general negatively affected by lower crude markets and fear of COVID-19 virus demand destruction.

Handy:

Trading benefits from seasonal Atlantic market tightness and support from adjacent MR and LR markets. Despite lack of winter heating oil demand, high Russian exports and weather delays have supported both clean and dirty TCEs. Clean and Dirty average Handy USD 20-25,000/day.

MR and LR1 West:

Benefits from seasonal tightness, good demand from West Africa and a continued flow of gasoline and naphtha West to East. The US Gulf is the weaker market as refinery maintenance takes place whereas Europe benefits from good demand and reduced tonnage supply from weather delays. Average earnings are MR USD 15-20,000/day and LR1 USD 20,000/day.

MR and LR East:

Has until recently suffered from refinery maintenance in the Middle East and COVID-19 virus fear in general but has improved on the back of increase in Chinese exports, mainly driven by LR2s expected to travel long haul and by increase in Middle East activity as refineries come out from maintenance. Average earnings are MR Far East USD 15,000/day, MR middle East USD 16-18,000/day and LR1 earnings are USD 18,000/day in combination trade.

Bunker:

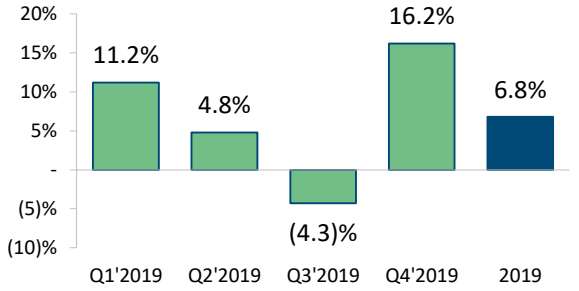
In early January, the spread between HSFO and VLSFO was USD 350/mts. Subsequently, we have progressively seen the spread narrowing, and currently the spread between the two is approx. USD 120-160/mts in spot markets, depending of the location. Derivatives Q4 2020 Sing Hi5 (difference between HSFO and VLSFO) is currently trading at USD155/mts.

FINANCIAL SUMMARY

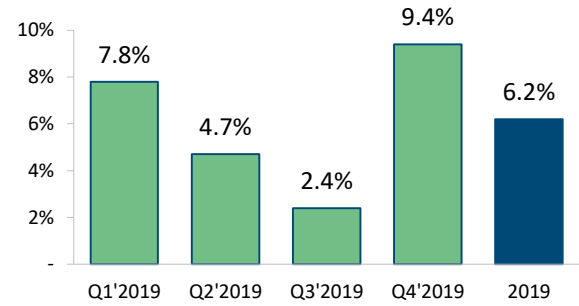
Q4 2019 annualized return on equity of 16.2% and full year 2019 return on equity of 6.8% despite challenging market conditions

Income statement		*Q1'2019*	*Q2'2019*	*Q3'2019*	*Q4'2019*	*FY 2019*
TCE income	USDm	132.6	118.0	106.7	157.1	514.4
Other operating income	"	0.1	1.4	4.9	6.0	12.3
Vessel operating expenses	"	(42.6)	(46.8)	(46.4)	(48.9)	(184.7)
Technical management expenses		(3.9)	(3.7)	(3.6)	(4.2)	(15.4)
Other expenses	"	(12.1)	(9.9)	(11.6)	(15.2)	(48.8)
EBITDA	"	***74.1***	***59.0***	***50.0***	***94.8***	***277.8***
Depreciation and amortization	"	(29.2)	(31.3)	(34.6)	(37.2)	(132.3)
EBIT	"	44.9	27.7	15.4	57.6	145.6
Net financial expense	"	(16.9)	(16.3)	(25.5)	(14.9)	(73.7)
Share of profit from associates	"	-	0.6	-	0.2	0.9
Profit before income tax	"	***27.9***	***12.0***	***(10.1)***	***42.9***	***72.7***
Income Tax	"	(0.0)	(0.0)	(0.50)	(0.50)	(1.0)
Profit after income tax	"	**27.9**	**12.0**	**(10.6)**	**42.4**	**71.7**

Return on equity (annualized)

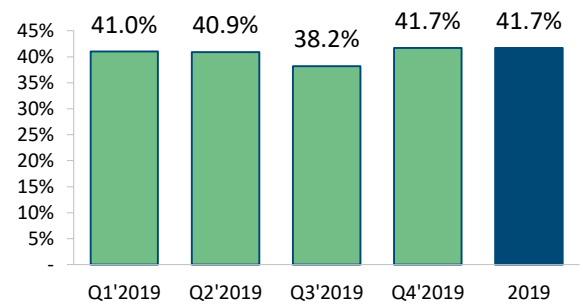


Return on invested capital (annualized)



Balance sheet items		*Q1'2019*	*Q2'2019*	*Q3'2019*	*Q4'2019*	*FY 2019*
Total non-current assets	USDm	2,185	2,194	2,283	2,346	2,346
Total assets	"	2,450	2,483	2,624	2,681	2,681
Cash and Cash equivalents	"	75	101	122	92	92
Equity	"	1,006	1,014	1,003	1,119	1,119
Gross debt	"	1,366	1,380	1,528	1,448	1,448
Net working capital	"	118	109	137	135	135
Net LTV	%	59	57	59	58	58

Equity ratio

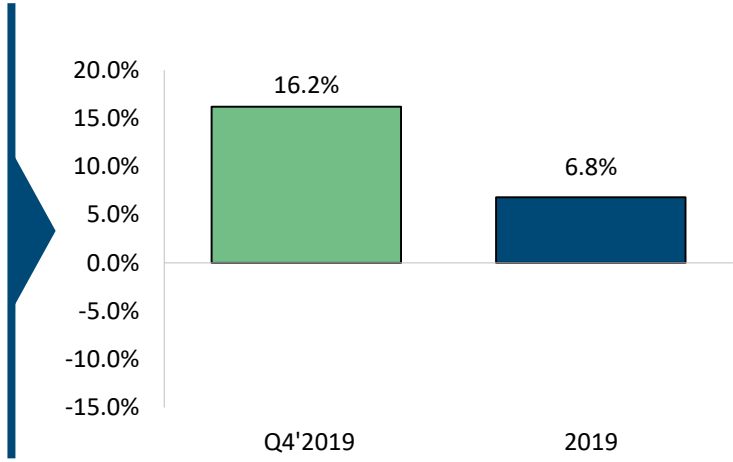


INVESTMENT HIGHLIGHTS SUMMARY

Key value proposition

1. ***Best commercial performance***
2. ***Lowest operating cost***
3. ***Lowest cost of funding***
4. ***No fee leakage***
5. ***Good stewards of capital***
6. ***Strong market fundamentals***

Annualized return on equity – Q4 & 2019



Superior returns

STRONG EARNINGS POTENTIAL COMBINED WITH AN ATTRACTIVE DIVIDEND POLICY SUPPORTING A HIGH DIVIDEND YIELD

Strong earnings potential

- All-in cash break-even at USD 13,625 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

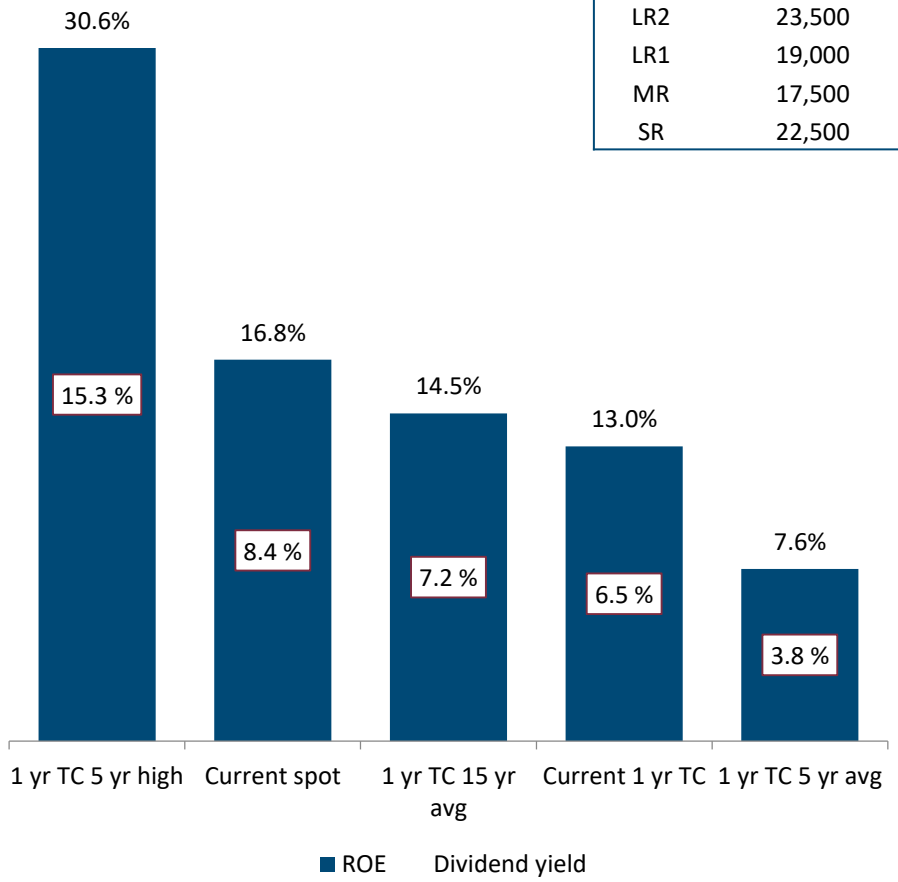
- Balanced capital structure, with a targeted fleet LTV of 50-60%
- Attractively positioned to target opportunistic accretive growth opportunities with a well-capitalized platform

Attractive dividend potential

- Highly attractive dividend yield potential combined with a transparent dividend policy
- Target dividend pay-out ratio of 50% of annualized net profit from operations

Illustrative ROE and dividend yield sensitivities[2]

USD/d	Current spot
LR2	23,500
LR1	19,000
MR	17,500
SR	22,500



Note: 1) Excluding contribution from pool companies || 2) As of 21 February 2019

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

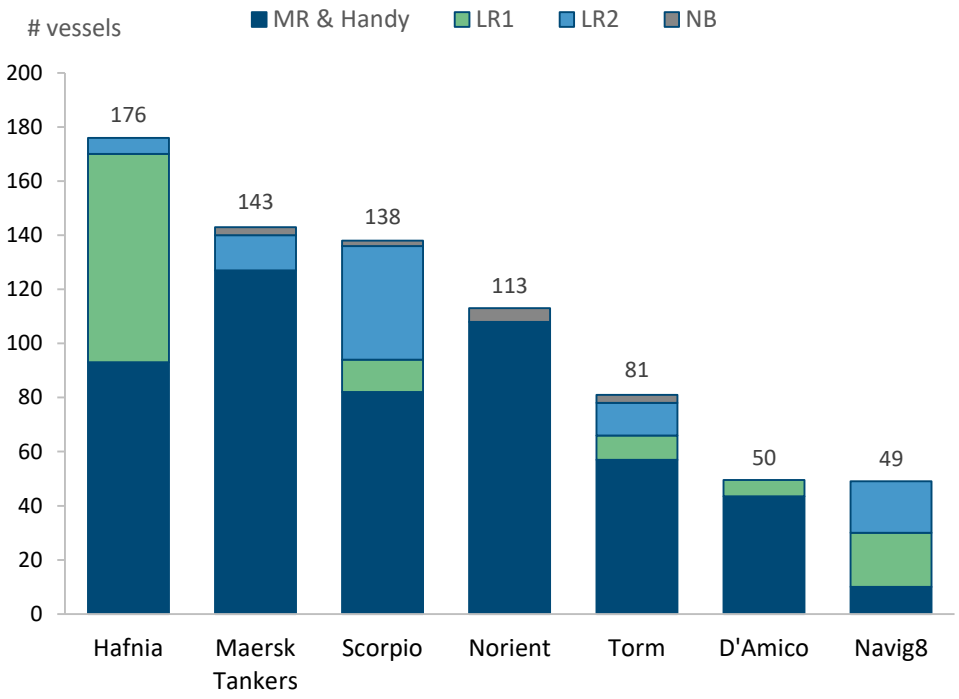
The pool follows a basic pool point distribution calculated based on two core performance variables – Fuel and time

Earnings contribution from commercial management

- 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 net profit from 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 gives Hafnia an annual income of **USD 13.1 million**
  - Every marginal TCE rate of USD 1,000 will give an incremental annual income of USD 0.66m
- At cash breakeven the pool generates USD 10 million
- Pool business fully consolidated as of Q3 2019

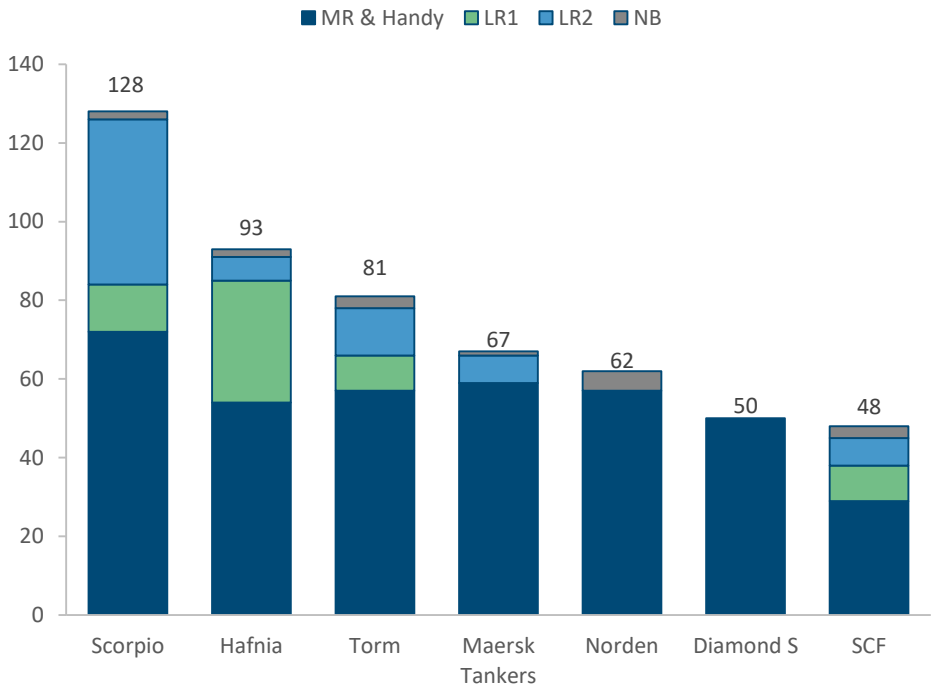
LARGEST PRODUCT TANKER OPERATOR

Largest operator of product tankers[1]



- Hafnia, through fully owned commercial pool companies, is the largest commercial operator of product tankers

Second largest owner of product tankers[2]



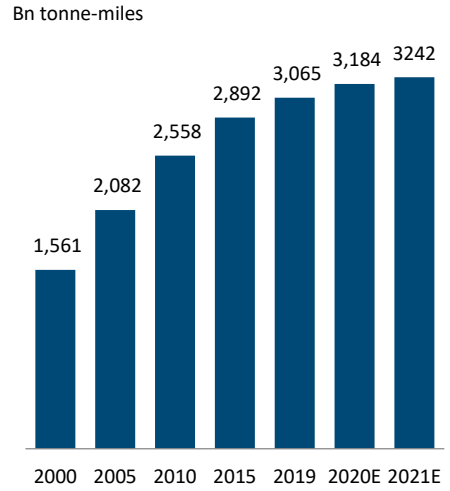
- Hafnia is the second largest owner of product tanker tonnage, based on number of vessels

1) Hafnia fleet details as of February 2020. 2) Vista Shipping consolidated on 100% basis and excluding charter-in fleet for Hafnia
Source: Clarksons Research

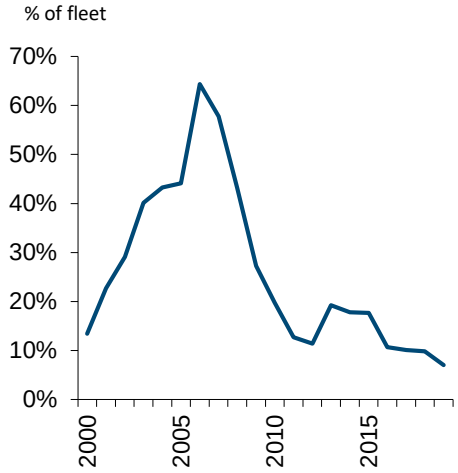
DEMAND GROWTH EXPECTED TO EXCEED SUPPLY GROWTH IN 2020

Tighter product tanker market expected

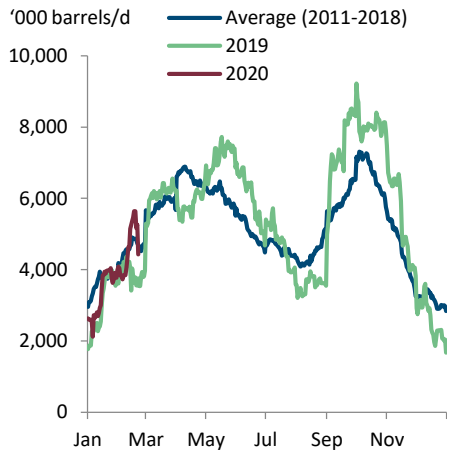
Seaborne product demand



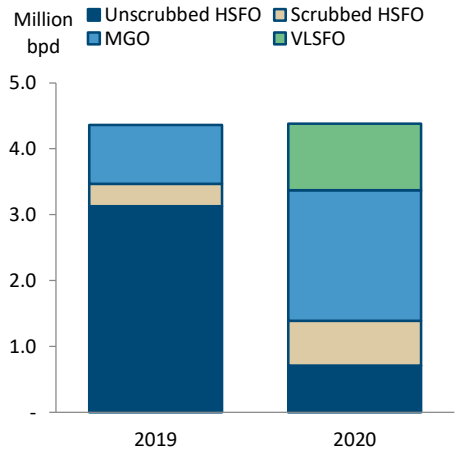
Orderbook



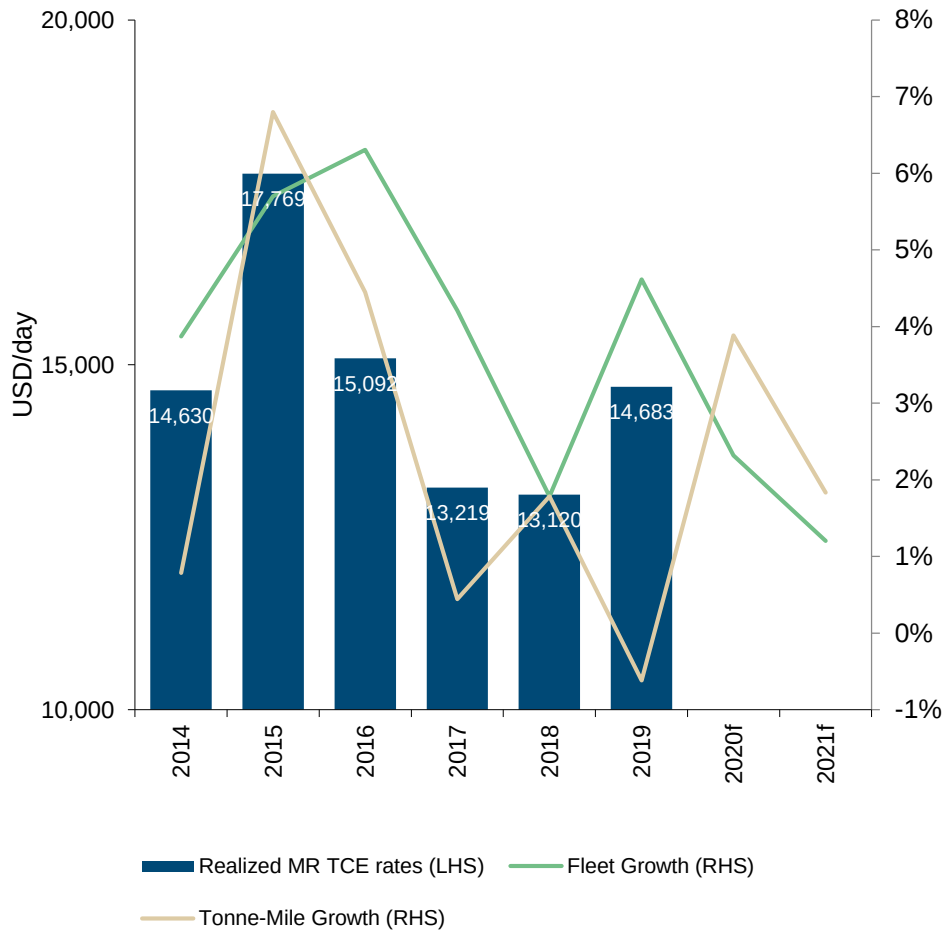
Global refinery outage



IMO 2020 effect



Supply and demand growth for product tankers



Source: Clarksons Research, IEA, Bloomberg

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
- 5 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

Objectives and status snapshot

Objective	Compliance obligations	Status after Q4-2019	
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

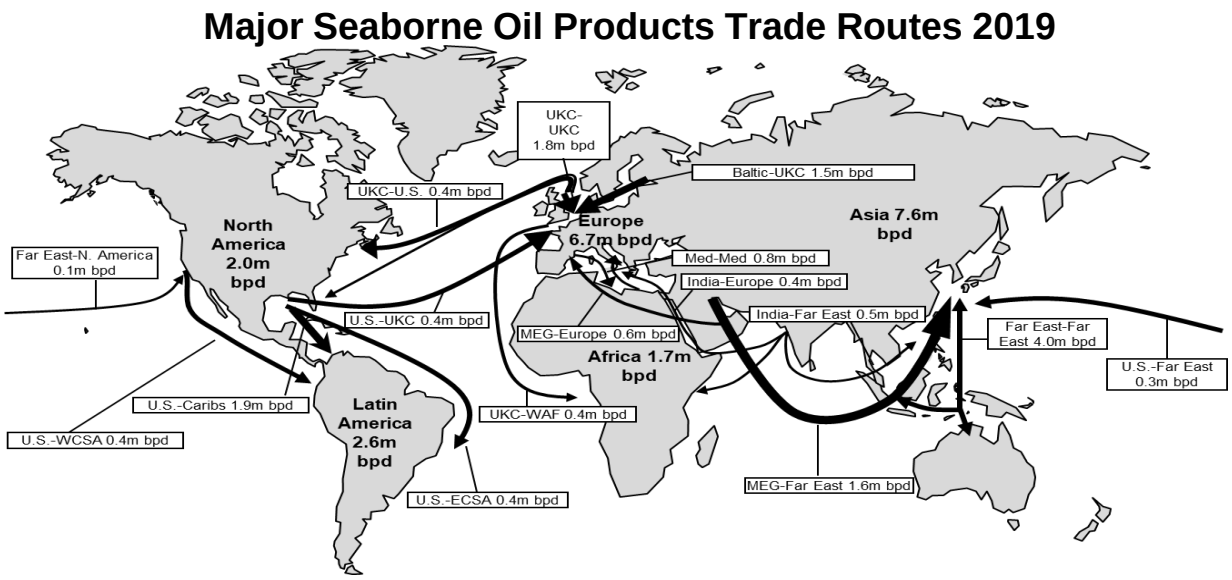
*Note: *) LTIF - Lost Time Injury Frequency measuring the number of lost time injuries occurring in a workplace per 1 million hours worked.*
**) PSC - A general inspection of several areas on board to verify that the overall condition of the ship complies with that required by the various Conventions*
**) 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*



APPENDIX

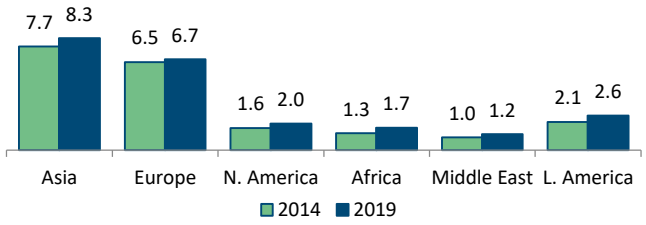
GROWING REGIONAL IMBALANCES OF OIL PRODUCTS SIGNIFICANTLY ADDS TO TANKER TONNE-MILE DEMAND

Major seaborne oil products trade routes 2019

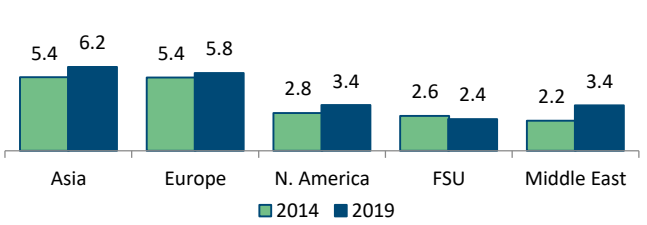


Source: Clarksons Research, February 2020

Global seaborne oil products imports (mbpd)



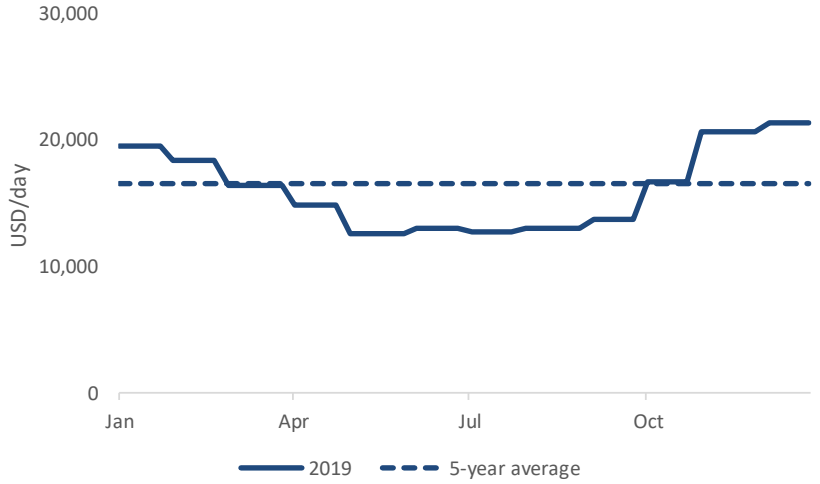
Global seaborne oil products exports (mbpd)



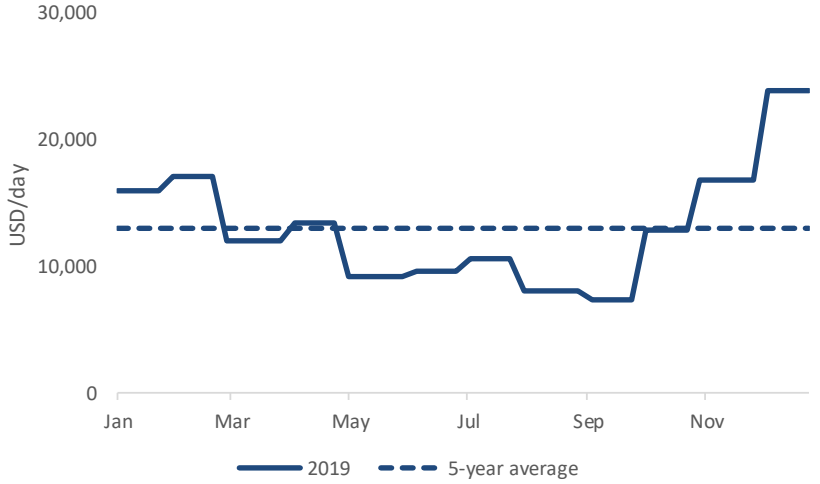
Source: Clarksons Research

COMMERCIAL BEHAVIOUR WHEN RATES ARE INCREASING

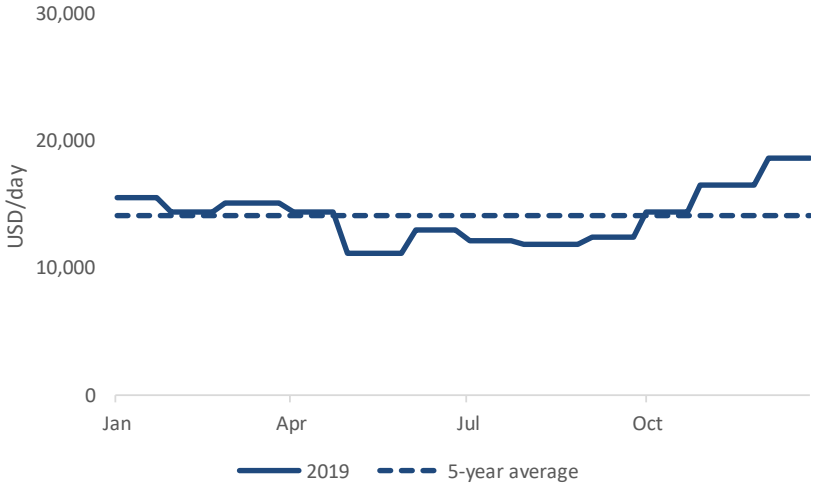
LR1 earnings



Handy earnings



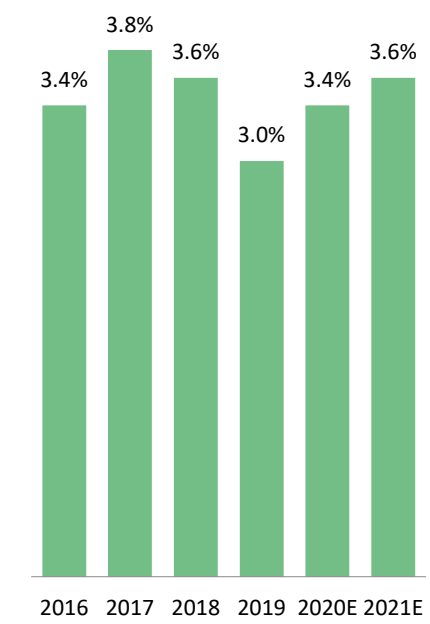
MR earnings



- Disciplined balance sheet with continued focus on cash flow breakeven
- Long-term charters
- Focus on supply of new tonnage and the overall demand of same
- Sell older vessels

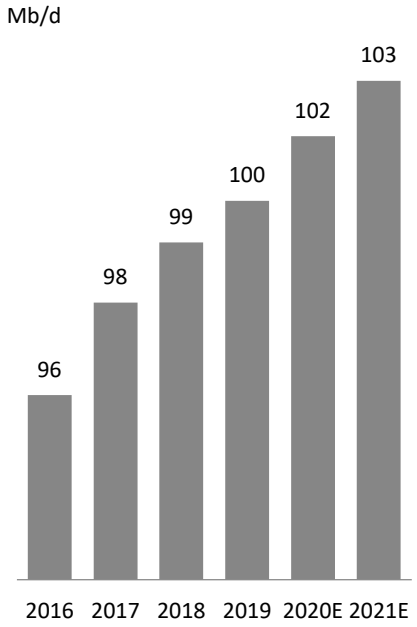
GDP GROWTH AND INCREASING OIL DEMAND EXPECTED TO DRIVE SEABORNE PRODUCT TONNE MILES

Global GDP growth



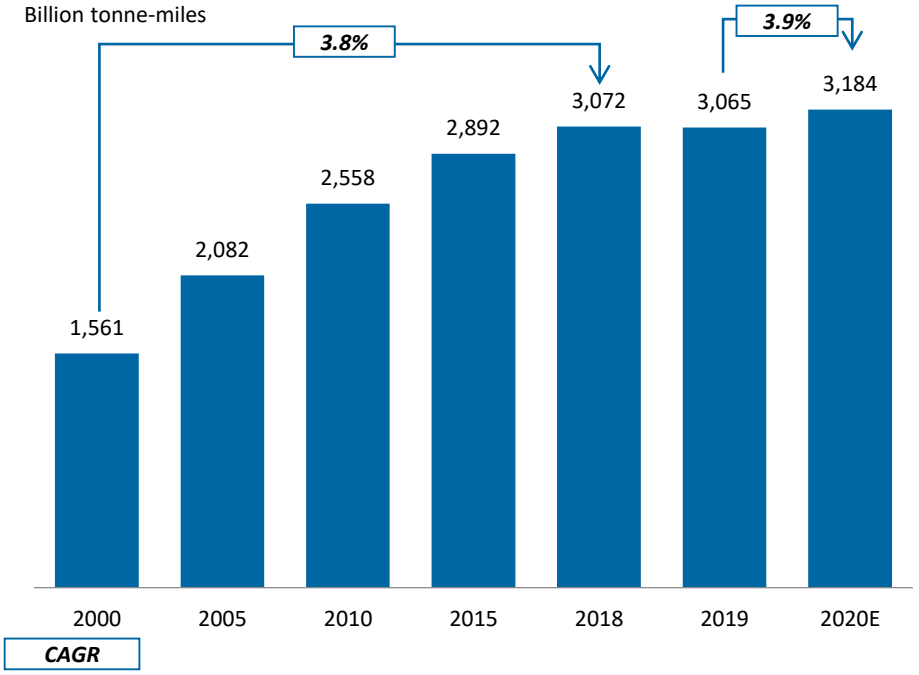
- Global GDP growth and seaborne oil products trade is highly correlated
- Global GDP growth expected to grow by 3.0% in 2019 and 3.4% in 2020

Global oil demand



- Global oil demand is expected to grow by 1.3 mbpd from 2019 to 2020 driven by higher economic activity and petrochemical plants ramping up

World seaborne tanker trade – oil products



- Oil products trade in terms of billion tonne-miles has grown at an average of 3.8% from 2000-2018, and is expected to grow by 3.9% from 2019 to 2020
- The continued growth of oil products trade include
  - Expected growth in Asian and Middle Eastern refinery capacity and export potential
  - Continued economic growth, particularly in non-OECD regions, and associated oil demand
  - Higher import demand in regions with limited local refinery capacity such as Africa and Latin America

Source: IEA, IMF, Clarksons Research

IMO 2020: POTENTIAL POSITIVE IMPACT ON TANKER DEMAND

Uncertainty remains given range of scenarios, but potential for 'boost' to crude and products trade

IMO 2020 demand impact

Oil Products

Gasoil
(**c.30%** of seaborne products trade in 2018, with **c.3%** of global gasoil consumption used for bunkering)
Demand for marine bunkering expected to **rise**, from direct use or blending. Expected **increase in exports** from US, Middle East, China to key bunkering hubs.

Fuel Oil
(**c.25%** of seaborne oil products trade in 2018, with **c.45%** of global fuel oil consumption used for bunkering)
Demand for bunkering expected to **fall**. Expected **decrease in imports**, particularly to Asia. Potential for some **increased use in power generation** in Middle East.

Impact Scenario

Net Impact On Total Products Trade +c.0.3m bpd
Boosting trade growth from **c.3%** to **c.4%** in 2020.

Gasoil trade boost supports product tanker demand

2020 Product Tanker Demand Growth: 6.0%[1]
up from an estimated c.3% without the IMO 2020 impact.

Negative impact of fuel oil trade decline spread across crude and product tankers

Crude Oil

Refinery Throughput +c.1m bpd
Potential additional global throughput to meet additional distillate demand

Impact On Seaborne Crude Trade +c.0.6m bpd
Boosting trade growth from c.1.5% to c.3% in 2020.

2020 Crude Tanker Demand Growth: 5.0%
Up from an estimated c.3.5% without the IMO 2020 impact.

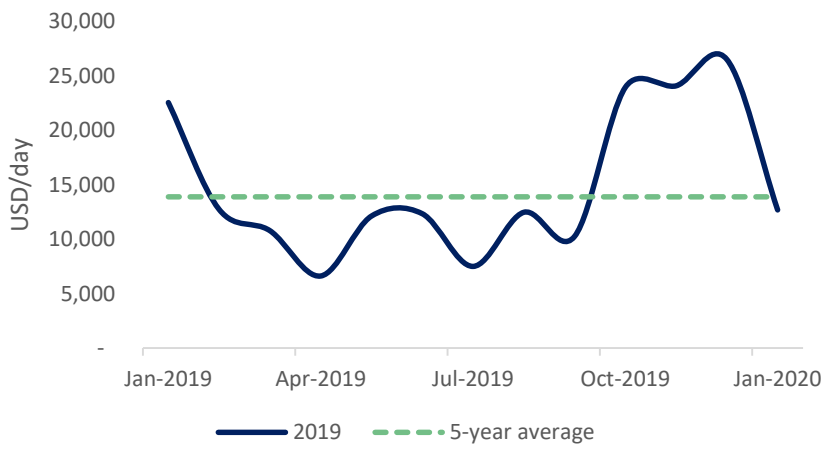
Further upside

- **Changing demand for crude types** (high demand for sweeter crude types with lower sulphur content, although demand for sour crudes could also rise in regions with more complex refineries
- **Time 'out of service' for scrubber retrofitting** (c.1.0% of oil tanker fleet capacity could be absorbed)
- **Changes in Scrapping Trends**
- **Increased Floating Storage**
- **Inventory Building**
- **Vessel Speeds**
- **Tonne-Mile**

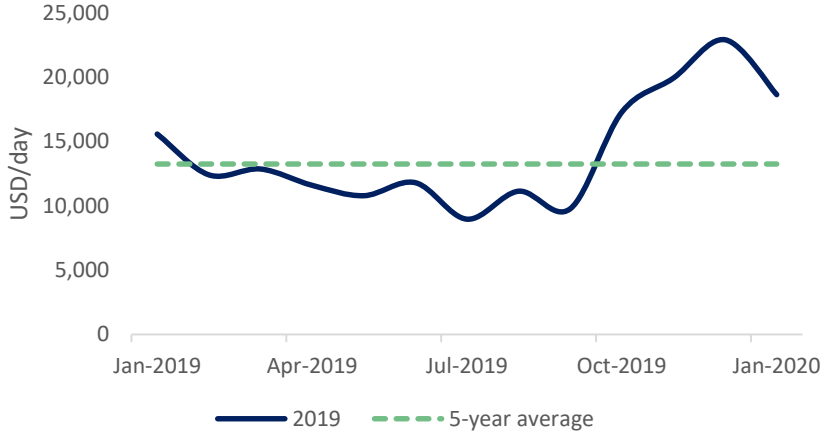
Note: 1) Based on DWT
Source: Clarksons Research

PRODUCT TANKER RATES

LR1 earnings



MR earnings



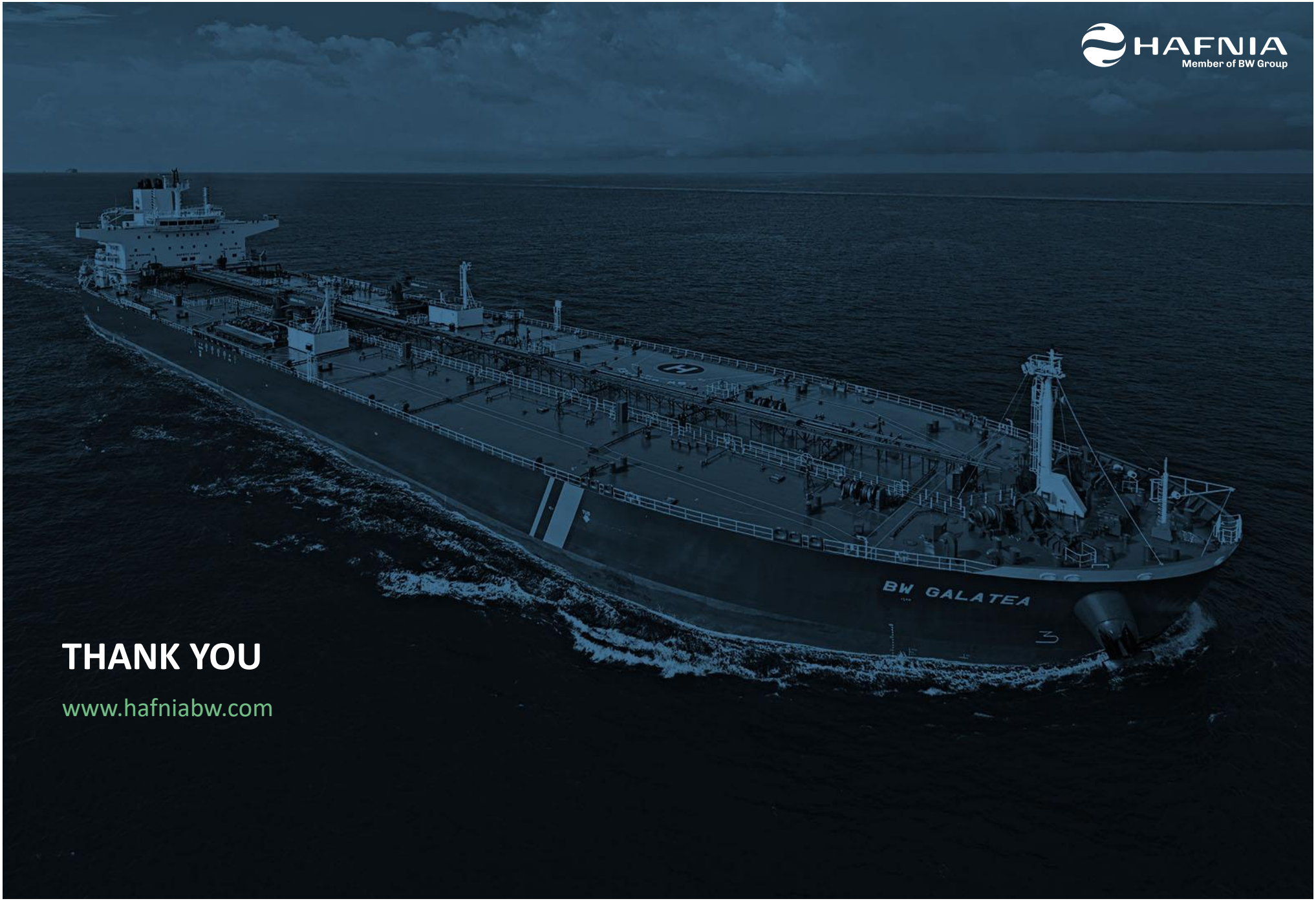
Market Q4

- Softer global oil demand growth and weak refining margins in Asia have undermined product tanker demand growth in the first three quarters of 2019, whilst extended refinery turnarounds East of Suez into Q3 2019 had limited westbound diesel flows.
- Early Q4, the product tanker market rebounded on the back of very strong sentiment from the crude tanker market brought about by sanctions imposed on the COSCO fleet.
- The return of Middle East refineries from maintenance and outages in addition to high refinery runs from China have increased exports from the East of Suez. Crude freight support Products freight.
- Scrubber retrofitting in Q4 has also restricted active LR2 tonnage supply.

Q1 2020 thus far and outlook

- The outbreak of the COVID-19 virus has negatively impacted product tanker market sentiment in Q1 2020 leading to a significant fall in demand for land and air travel within China and international air travel, particularly to China and the rest of Asia.
- This has translated into a reduction in demand for jet fuel, gasoline and gasoil/diesel and a corresponding fall in demand for product tanker freight which have kept rates suppressed in the short-term, particularly in the Far East.
- Looking ahead, several refineries in the Middle East will be returning from scheduled maintenance towards end February 2020 and this should provide a boost to product tanker demand in the near-term.
- Beyond the virus epidemic, tonnage supply fundamentals for product tankers are strong for the rest of 2020 with the orderbook, as a percentage of the existing fleet, residing at historically low levels only previously achieved in 2000.

Source: Clarksons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