



DHT Holdings, Inc. (NYSE: DHT) - Letter to Shareholders from the Co-CEOs

May 4, 2016

Dear Shareholder,

We are writing to you following a year which your company delivered the best financial results in the company's history. The company benefited from well timed investments in a fleet of ships that profited from a strong tanker market. We hope this letter will provide you with meaningful insights into our current thinking.

As you well know, the company owns a fleet of oil tankers specializing in transporting crude oil. We currently have twenty ships in the water trading globally with an additional three newbuildings due to be delivered into our fleet over the next five months. These three additional ships are fully funded - no shares will be issued to finance the delivery of these. We sold our oldest Suezmax towards the end of last year and have reached agreement to dispose of our other Suezmax within the second quarter. Our fleet is a high quality fleet built at quality ship yards with an average age of 7.2 years as of this quarter, considered a relatively modern fleet in our industry.

We operate our business through our integrated management companies. Our commercial activities are run out of Oslo with an experienced organization focusing on first rate customer service and operations. Our customers include some of the most demanding end-users, i.e. oil majors and refiners. Some companies choose to outsource their commercial operations, e.g. the marketing of their services to third parties. This, to us, is not preferred as having this activity in-house ensures close interaction with our customers and the freight markets creating a well informed environment in which to make decisions.

The technical operation of our ships is predominantly done out of Singapore through Goodwood Ship Management. We own 50% of this company allowing us to aptly influence the policies and philosophies under which this company operates. Our key business partner in Goodwood is its CEO, a highly regarded and respected individual. The company also manages ships for some selective third party customers, providing sufficient scale to commit to direct employment and investment in training and education of current and future officers. Many other shipowners rely on "contracting" of seafarers, where they are hired on shorter term contracts.

The abovementioned organization is a transparent corporate structure that maintains a high level of integrity and good governance. This ensures alignment of economic interest between shareholders and management avoiding any leakage of fees and funds to related parties.



The tanker markets are cyclical, seasonal and volatile. Rather than looking at this as a threat, we at DHT embrace this as an opportunity. As a core, we aim to manage the cycles which means we do different things depending on what part of the cycle we are in. As a consequence we allocate capital differently depending on where we are in the business cycle. To be able to do this, we focus on maintaining a prudent capital structure and, importantly, robust cash break-even levels for our ships.

The prudent capital structure is evident in our balance sheet. Many failures in our industry have been caused by having too much financial leverage. We consider our debt levels to be comfortable but will nevertheless take the opportunity during these rewarding markets to allocate excess cash flow to make extraordinary debt repayments. This will further strengthen our balance sheet creating flexibility to act on opportunities to grow again once the time is right. An ancillary benefit of continuing to delever the balance sheet is that it extends our potential dividend capacity.

In return for our conservative financial approach, our lenders have offered us extended debt repayment profiles. This, combined with our competitive operational expense levels, provides for robust cash break-even levels. We think few companies can match our cash cost levels. To us it is important as it gives us staying power through the market swings.

We have paid quarterly cash dividends for 24 consecutive quarters. Dividends form part of our capital allocation policy with formula based, hence variable dividends. In this regards, we do seek your appreciation of our counter cyclical investment philosophy. This means that during trough markets when asset prices are low, we would focus the main portion of the available capital towards investments to grow future earnings power. Through the recovery and peak markets, as evidenced by growing earnings, we will gradually shift capital away from investments and towards returning capital to you, the shareholders. You will hopefully recognize that this is how we have managed DHT to date through the current cycle.

There are three main components driving our market: 1) demand for oil, 2) transportation distances, and 3) supply of new ships. All three factors above played out in favor of our business over the last couple of years.

Global oil demand has, with exception of 2008, grown fairly steady for some 30 years. In our planning, we are not betting on any extraordinary oil demand growth, but merely that the world population will continue to grow, global GDP will continue to grow and with that, global oil consumption will continue to grow.



Transportation distances are a more complex component. The basics in our thesis is however that the Atlantic basin and the Middle East represent incremental oil production and that the predominant population growth, and hence the growth in oil consumption, is in Asia. This in its simplicity requires our services. We do not think that transportation cost creates barriers for refiners or oil importing countries to continue to diversify their sourcing of oil, even if it is geographically far away.

During the period from 2013 and up to today, the fleet has not grown materially. This has been a positive for our market. Some two years ago, new orders were placed at shipyards and these ships are coming to the market this year and next. Our industry needs these ships as the first generation of double hull sailing tankers are gradually approaching retirement. In an ideal world one would have preferred such new supply to be spread out over a somewhat longer period. There is currently limited new capital, both equity and debt, available to our industry. As a consequence, hardly any tanker newbuildings have been contracted at the shipyards year to date. If this trend continues, one could envisage a scenario with a declining orderbook which would bode well for our market.

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We at DHT will closely monitor the general market development and manage our assets and their employment as well as we possibly can. We are meaningful shareholders ourselves and have a continuous focus on building and running a highly respected tanker company with a quality fleet, outstanding people, solid customer base and supportive banks. We believe our strategy is well suited to the longer cycles that play out in our industry and will best position DHT for the future.

With best regards,


Trygve P. Munthe
Co- CEO


Svein Moxnes Harfeld
CO-CEO