

# Investor Presentation

NOK 520 million Equity Offering

*16 May 2018*

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# Risk factors (1/3)

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Investing in the Company involves inherent risks. Prospective investors should consider, among other things, the risk factors set out below before making an investment decision. The risks described below are not the only ones facing the Company. Additional risks not presently known to the Company or that the Company currently deems immaterial may also impair the Company's business operations and adversely affect the price of the Company's shares and ability to service its debt. If any of the following risks actually occur, the Company's business, financial position and operating results could be materially and adversely affected. A prospective investor should consider carefully the factors set forth below, and elsewhere in the Presentation, and should consult his or her own expert advisors as to the suitability of an investment in the shares of the Company. An investment in the New Shares is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of the investment.

## RISKS RELATED TO THE COMPANY AND THE INDUSTRY IN WHICH IT OPERATES

### *Derivative investment risks*

- *The business activity of the Company going forward will primarily include investments in crude tanker assets. The Company has ENTERED INTO "BACK-TO-BACK" AGREEMENTS WITH APOLLO ASSET LTD. FOR TRANSFER OF NEWBUILDING CONTRACTS FOR FOUR (4) Very Large Crude Carriers (VLCC's), with expected delivery between 3Q 2019 and 2Q 2020. IN ADDITION, APOLLO ASSET LTD. HAS, ON BEHALF OF THE COMPANY, UNDER THE TERMS AS SET OUT IN THE ASSET TRANSFER AGREEMENT AND NOVATION AGREEMENT, DECLARED OPTIONS FOR ADDITIONAL THREE (3) VLCC'S. The Company has both direct and indirect exposure in the mentioned markets and direct and derivative risks related to the operation and performance of the vessels and companies the Company has invested in. There can be no assurance that the investments of the Company will provide a positive return and the investments of the Company may, in a worst-case scenario, be lost in their entirety.*

### *Key personnel and investment philosophy risk*

- *Investing in the Company, may be seen as an investment in the competences of its employees and the investment philosophy, investment process and risk management of the Company. There is therefore a risk that key personnel may leave the Company and / or that the board of directors determines that the Company shall change its investment philosophy, investment process and risk management procedures.*

### *Economic developments*

- *The general development of and prospective future of the economy, and in particular the oil and offshore industry, may affect the profitability of the companies the Company has invested in. Negative economic developments may lead to a downturn in the future prospects of the companies and sectors the Company has invested in, and may also make it more difficult to raise equity or loan capital which may affect the operations of the Company. These risks may lead to a loss of whole or parts of the Company's investments in such companies.*

### **The Newbuild Transaction may not be implemented until the delivery of the VLCCs**

- If the builder (Daewoo Shipbuilding Marine Engineering Co. Ltd) and issuer of the refund guarantees (KEXIM) delay in consenting or refuse to consent to the novation, the Group may not have any direct contractual rights under the Shipbuilding Contracts or the Refund Guarantees and it will rely on Apollo Asset Ltd. as an intermediary for all communications. This exposes the Group to a risk that Apollo Asset Ltd. does not comply with its contractual obligations to the Group to ensure timely transmission of information and payments. Should novation not have taken place prior to the delivery date of a VLCC, arrangements will then be made for the Group to finance the delivery instalment due on delivery of the VLCC and secure that title to the delivered VLCC vests in a Group company on each respective delivery date.

### **Risks of delays or defaults by the shipyard in the construction, and risks related to development**

- Vessel construction projects are generally subject to risks of delay that are inherent in any large construction project, and may be caused by numerous factors, including shortages of equipment, materials or skilled labor; unscheduled delays in the delivery of ordered materials and equipment or shipyard construction; failure of equipment to meet quality and/or performance standards; financial or operating difficulties experienced by suppliers or the builder; HSE accidents or other safety issues; disputes between the Group and the builder and/or suppliers; unanticipated actual or purported change orders; inability to obtain required permits or approvals from class, flag state or other regulatory authorities; design or engineering changes and work stoppages and other labor disputes, adverse weather conditions or any other events of force majeure. The deployment of new vessels and the repair and maintenance of the vessels are complex processes and involve risks similar to those encountered in other large and sophisticated construction, repair and maintenance projects.

# Risk factors (2/3)

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## FINANCIAL RISK

### *Interest rate and currency fluctuations*

- *The Company will be exposed to risks due to fluctuations in interest and currency exchange rates and may attempt to minimize these risks by implementing hedging arrangements as appropriate, but will not be able to avoid these risks.*
- *Financial reporting, including income and expenses, of the Company are primarily in NOK. Currency fluctuations may influence the value of the Company's shares.*

### *Borrowing and leverage*

- *The Company currently have NOK 18.7 million in interest bearing debt. Furthermore, the Company may finance its investments through debt. Borrowings and leverage normally generate interest costs which may cause significant negative impact to the Company's financial accounts. Repayment of debt may be challenging and cause the Company to enter into bankruptcy proceedings.*

### *Existing financing risk*

- *As of the date of this Presentation, the Company has NOK 18.7 million in interest bearing debt. Potential debt facilities impose debt service obligations and significant operating and financial restrictions on the Company, which may prevent the Company from capitalizing on business opportunities or adversely affect the Company's ability to operate its business. Any new sources of financing are subject to conditions in the credit market, which are currently volatile. There can be no assurance that the Company will be able to procure new financing or that the terms of any new financing will be favourable. If the Company is unable to procure new financing or the terms of any new financing is less favourable, the results of operations or financial condition could adversely be affected and there could also be a risk that the Company is forced to enter into bankruptcy proceedings.*

### *Tax risk*

- *The Group's tax liabilities could increase as a result of adverse tax audits, inquiries or settlements.*
- *The Group's tax liabilities could increase due to operations in different countries with changing tax laws and regimes.*

## RISK IN CONNECTION WITH THE COMPANY'S SHARES

### *Investment and trading risks*

- *Any investment in the Company's shares is associated with an element of risk. The Company operates in a market featuring open and fierce competition, and a number of factors outside the Company's control may affect its performance.*
- *The trading price of the Company's shares could fluctuate significantly in response to quarterly variations in operating results, adverse business developments, interest rates, changes in financial estimates, or a variety of other factors outside the control of the company. Shareholders outside of Norway are also subject to exchange rate risk.*
- *The Company's shares are not registered under US securities laws and the Company does not expect to do so in the future. The shares may not be offered or sold in the United States or to US residents, unless an exemption from the applicable registration requirements is available or the offer or sale of the shares occurs in connection with a transaction that is not subject to these provisions.*
- *Beneficial owners of shares that are registered in a nominee account or otherwise through a nominee arrangement (such as through brokers, dealers or other third parties) will not be able to vote for such shares unless (a) their ownership is re-registered in their names in the VPS, as the branch register, prior to the Company's general meetings (i.e. the registered nominee holder transfers legal ownership to the beneficial owner), or (b) the registered nominee holder grants a proxy to such beneficial owner. Any persons that hold their shares through a nominee arrangement should consult with the nominee to ensure that any shares beneficially held are voted in the manner desired by such beneficial owner.*

# Risk factors (3/3)

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## RISKS RELATED TO THE TANKER MARKET

### ***Downturn in crude tanker market***

- *The tanker market in which VLCC's operates is currently experiencing a downturn. The market for VLCC vessels is characterized by supply far exceeding demand. As a consequence of low fleet utilization and rates achieved, many VLCC vessels have generated revenue below operating expenses. If the downturn in the market continues, this will have a material adverse effect on VLCC's business, financial condition, results of operation and cash flow.*

### ***Fluctuating value of the fleet***

- *The value of the vessels may fluctuate with market conditions. Any downturn in the market could have a material adverse effect on VLCC's asset value. In such a case, sales of VLCC's assets could be forced at prices that may represent a potential loss of value.*

### ***Dependence on activity in the offshore oil and gas industry***

- *VLCC's business, results of operations, financial condition, and ability to pay dividends depend on the level of activity in the tanker industry, which is significantly affected by, among other things, volatile oil and gas prices.*

### ***VLCC may be unable to attract a sufficient number of customers***

- *VLCC's may in the future not be able to attract a sufficient number of customers to generate adequate revenues to cover its operating expenses and /or service its debts. Inability to attract a sufficient number of customers may have a material adverse effect on VLCC's business, results of operations, financial condition and prospects.*

# Investment highlights

## "In the money" newbuilding contracts

- 7x high spec VLCC's with scrubbers installed, secured from DSME at "yesterdays prices" and 1+1+1 option for additional VLCC newbuilds
  - 3x firm VLCCs secured at USD 82.5m each (USD 85.2 incl. scrubber) and 4x firm VLCC vessel secured at USD 82.8m each (USD 85.5 incl. scrubber)
  - 3x options VLCCs secured at USD 89.3m each (USD 92.0 incl. scrubber)
- Korean yards currently quote VLCC newbuilds at USD 89m ex. scrubbers– implying an 8% uplift on firm vessels asset value and 19% uplift on equity, assuming 60% gearing, from day 1

## US crude production supporting tanker demand

- Global oil production set to accelerate supported by strong growth in US shale exports, adding to tonne miles
- Record low orderbooks and fleet growth slowing sharply – YoY fleet growth for VLCC down to 1.4%
- Upside pressure on historical low asset values – VLCC newbuilding prices at 14 year low values

## IMO 2020 compliant tonnage

- From January 1 2020, the International Maritime Organization (IMO) has decided that the maximum allowed sulphur content will be 0.5%. Currently, heavy fuel oil has an average sulphur content of 2.45% (and max 3.5%)
- The new regulations will cause a switch out of high sulphur fuel oil (HFO) and into middle distillate gasoil (MDO), creating an expected large spread between HFO and MDO
- From September 2019, all vessels that undergoes drydocking must install ballast water treatment systems to be compliant with regulations

## Highly attractive economics

- A return to average historical newbuilding values and current construction cost could provide 2x returns for investors
- Significant yield potential even with modest spot rate recovery, before considering likely fuel spread in 2020
  - FCFE-yield of 13% if spot rates recover to 5 year averages
  - FCFE-yield of 19% if spot rates recover to 2016 averages
  - FCFE-yield of 40% if spot rates recover to 2015 averages

Source: Clarkson Research Services Limited, Shipping Intelligence Network

# Agenda

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## **I. Transaction overview**

## **II. Company overview**

## **III. Investment case**

## **IV. Appendix**

# Transaction summary

<b>Private Placement:</b>	<ul style="list-style-type: none"> <li>Private Placement of common shares (the "Offer Shares") with target gross proceeds of approximately NOK 520 million.</li> </ul>
<b>Offer price:</b>	<ul style="list-style-type: none"> <li>To be determined through an accelerated bookbuilding process. The shares will not entitle the resolved PIK dividend of shares in Dwellop AS.</li> </ul>
<b>Share capital and Shares outstanding:</b>	<ul style="list-style-type: none"> <li>Company's current share capital is NOK 257,697,516.29, represented by 206,18,013 shares with a par value of NOK 1.25, of which 131,158,013 shares are listed on Oslo Axess. 75,000,000 of the shares, which were resolved to be issued in the Company's EGM held on 9 May 2018, will incur a separate ISIN pending approval of the Prospectus.</li> </ul>
<b>Listing and ticker:</b>	<ul style="list-style-type: none"> <li>The Company's issued shares are listed on Oslo Axess with ticker HUNT with ISIN NO0010283211.</li> </ul>
<b>Use of proceeds:</b>	<ul style="list-style-type: none"> <li>The Company intends to use the net proceeds from the Offering: <ul style="list-style-type: none"> <li>to finance the second instalment of 4 newbuilding contracts for VLCC vessels</li> <li>for future instalments on 7 VLCC newbuilding contracts</li> <li>for general corporate purposes</li> </ul> </li> </ul>
<b>Participation from main shareholders:</b>	<ul style="list-style-type: none"> <li>Apollo Asset Ltd and certain other existing shareholders have pre-committed to participate with NOK 175 million in the contemplated Private Placement.</li> </ul>
<b>Lockup:</b>	<ul style="list-style-type: none"> <li>The Board of Directors, Executive Management and largest shareholder(s) have committed to a lock-up not to sell any of its own shares (including any shares potentially allocated in this Private Placement) for a period of 6 months from the completion of the Private Placement</li> </ul>
<b>Application period:</b>	<ul style="list-style-type: none"> <li>Start application period: 16 May 2018 at 16:30 CET.</li> <li>End application period: 18 May 2018 at 08:00 CET.</li> <li>The Company may at its own discretion extend the application period at any time and for any reason on short notice.</li> </ul>
<b>Closing conditions:</b>	<ul style="list-style-type: none"> <li>Completion of the Offering is conditional upon execution of all required corporate resolutions by the Board of the Company, approval of the Offering in an Extraordinary General Meeting and registration of the increased share capital of the Company in the Norwegian Register of Business Enterprises. Further, the listing of the Offer Shares are conditional upon a listing prospectus being published by the Company, which is expected approved end June 2018.</li> </ul>

<b>Minimum and maximum application</b>	<ul style="list-style-type: none"> <li>Minimum order equal to the NOK equivalent of EUR 100,000.</li> </ul>	
<b>Allocation, settlement and trading:</b>	Notification of conditional allocation :	<ul style="list-style-type: none"> <li>On or about 18 May 2018</li> </ul>
	Call for EGM:	<ul style="list-style-type: none"> <li>On or about 18 May 2018</li> </ul>
	EGM:	<ul style="list-style-type: none"> <li>On or about 8 June 2018</li> </ul>
	Payment Date:	<ul style="list-style-type: none"> <li>On or about 11 June 2018</li> </ul>
	Delivery Date:	<ul style="list-style-type: none"> <li>On or about 13 June 2018, on separate ISIN</li> </ul>
Listing of new shares on Oslo Axess:	<ul style="list-style-type: none"> <li>On or about end of June 2018 after publication of prospectus</li> </ul>	
<b>Allocation criteria:</b>	<ul style="list-style-type: none"> <li>The allocation will be made at the sole discretion of the Company's Board. The Board will focus on criteria such as (but not limited to) existing ownership, timeliness of the order, relative order size, sector knowledge, investment history, perceived investor quality and investment horizon.</li> </ul>	
<b>Documentation:</b>	<ul style="list-style-type: none"> <li>This Investor Presentation, application agreement and term sheet, all dated 16 May 2018.</li> </ul>	
<b>Selling restrictions:</b>	<ul style="list-style-type: none"> <li>The Private Placement is directed towards investors subject to applicable exemptions from relevant prospectus requirements, (i) outside the United States in reliance on Regulation S under the US Securities Act of 1933 (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 as well as to major U.S. institutional investors under SEC Rule 15a-6 to the United States Exchange Act of 1934.</li> </ul>	
<b>Subsequent Offering:</b>	<ul style="list-style-type: none"> <li>The Company may propose to carry out a subsequent share offering of new common shares in the Company (the "Subsequent Offering") directed at eligible shareholders in the Company as of 16 May 2018, as registered in the Norwegian Central Securities Depository (Nw. Verdipapirsentralen) (the "VPS") as of 22 May 2018, who were not allocated Offer Shares in the Private Placement. Eligible shareholders will receive non-tradable subscription rights which will make them eligible to participate in the Subsequent Offering.</li> </ul>	
<b>Managers:</b>	<ul style="list-style-type: none"> <li>Clarksons Platou Securities AS Pareto Securities AS, DNB Markets and Fearnley Securities.</li> </ul>	
<b>Selling agent:</b>	<ul style="list-style-type: none"> <li>Clarksons Platou Project Sales AS.</li> </ul>	

Note: Please refer to the Application Agreement and Term Sheet dated 16 May 2018 for further details

# Sources and uses

Sources	USDm	NOKm	%
Equity raise	65.0	520.0	100 %
<i>Pre-commitment</i>	21.9	175.0	34 %
<i>New investors</i>	43.1	345.0	66 %
<b>Total sources</b>	<b>65.0</b>	<b>520.0</b>	

Uses	USDm	NOKm	%
Second instalment on 4 firm contracts (10%x4)	34.1	272.9	52 %
Future instalments on newbuilding contracts	26.7	213.8	41 %
Yard supervision fee	1.3	10.1	2 %
General corporate purposes	2.9	23.2	5 %
<b>Total uses</b>	<b>65.0</b>	<b>520.0</b>	<b>100 %</b>

## Comments

### Sources:

- Total equity raise of approximately NOK 520m
  - Apollo Asset Ltd have pre-committed to participate with NOK 100m Private Placement
  - Other close associates of Apollo Asset Ltd have pre-committed to participate with NOK 75m
  - New and existing investors to subscribe for and be allocated shares corresponding to approximately NOK 345m

### Uses:

- Finance the second 10% instalments 4x firm newbuilding contracts equivalent to NOK 272.9m
- Finance upcoming 10% instalments on all firm newbuilding contracts
- Yard supervision fee of USD 180,000 per vessel to V. Ships, equivalent to NOK 10.1m for all firm newbuilding contracts
- General corporate purposes and transaction costs

***Post transaction, the company will not have any capital expenditures until late 2Q 2019***

Note: USD/NOK 8.00

# Overview of newbuilding contracts and options

## Firm contracts

# Firm contracts	Contract amount (USDm)	Scrubber (USDm)	Total contract (USDm)	Delivery
1	82.5	2.7	85.2	Oct./Nov. 2019
2	82.5	2.7	85.2	Oct./Nov. 2019
3	82.5	2.7	85.2	Dec. 2019
4	82.8	2.7	85.5	Dec. 2019
5	82.8	2.7	85.5	Q2 2020
6	82.8	2.7	85.5	Q2 2020
7	82.8	2.7	85.5	Q3 2020
<b>Total</b>	<b>578.7</b>	<b>18.9</b>	<b>597.6</b>	

## Options

# of Options	Contract amount (USDm)	Scrubber (USDm)	Total contract (USDm)	Delivery
1	89.3	2.7	92.0	1H 2021
2	89.3	2.7	92.0	1H 2021
3	89.3	2.7	92.0	1H 2021
<b>Total</b>	<b>267.9</b>	<b>8.1</b>	<b>276.0</b>	

- Expiry date for exercising option vessels towards the Shipyard is 15 August 2018
- Additional costs: USD 180,000 per vessel in supervision fees to V.Ships

**Total firm contracts = USD 598m, total options = USD 276m. Total contract price = USD 874m**

Source: Company Filings

# Agenda

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I. Transaction overview

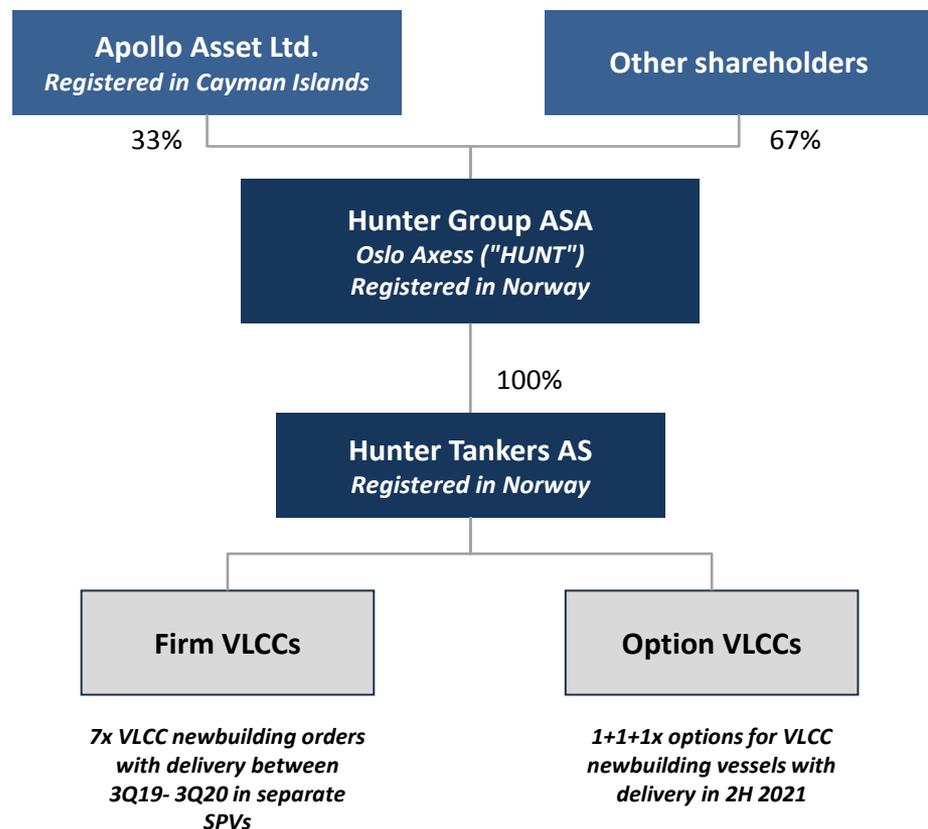
**II. Company overview**

III. Investment case

IV. Appendix

# Company overview

## Pre-transaction simplified corporate structure and ownership



## Comments

- On 25 April 2018 Hunter entered into an agreement with Apollo Asset Ltd. to acquire 4x firm VLCC newbuilding contracts and 3x options for VLCC newbuildings at cost
- On 11 May 2018, the Company announced that it had declared the 3x options and acquired an additional 3x options for VLCC vessels with identical technical specifications
- Apollo Asset Ltd. controls 33% of the common shares and voting rights in the Company today

# Instalment profile and delivery schedule

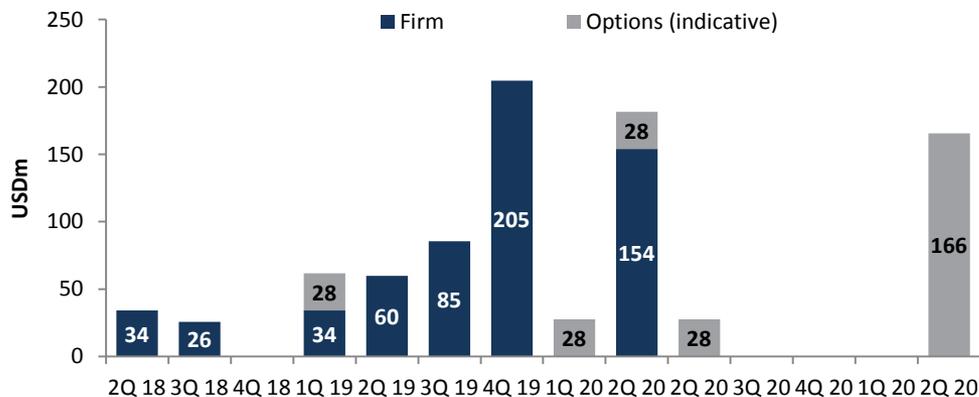
## Delivery schedule

Ship	Yard Price (USDm)	Delivery	Status	2018			2019				2020				2021	
				Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
No. 1	82.5	Oct/Nov'19	On order													
No. 2	82.5	Oct/Nov'19	On order													
No. 3	82.5	Dec'19	On order													
No. 4	82.8	Dec'19	On order													
No. 5	82.8	Q2'20	On order													
No. 6	82.8	Q2'20	On order													
No. 7	82.8	Q2'20	On order													
No. 8	89.3	H1'21	Option													
No. 9	89.3	H1'21	Option													
No. 10	89.3	H1'21	Option													

## Comments

- The Company consists purely of 7x firm VLCC newbuilding contracts, options for 3x additional VLCC newbuilds and pro-forma cash of USD 57m. As of today, Apollo Asset Ltd. is the obligor towards the builder.
- All vessels will be equipped with scrubbers at an additional cost of ~USD 2.7m
- Vessels on firm order are expected to be delivered between Q3 2019 and Q2 2020, in time for the new IMO II regime where ship-owners either must equip vessels with scrubbers or use marine gas oil (MGO)
- All option vessels to be delivered in H1 2021
- Post transaction, HUNT will not have any capital expenditures until late 2Q 2019

## Capex program



Source: Company Filings, Clarkson Research Services Limited, Pareto Securities AS

# Details on Newbuilding specifications

## Main particulars

Builder	DSME
LOA	336.0m
LBP	330.0m
Builder	60.0m
D	29.5m
Td	20.5m
Ts	21.6m
DWT at Td	279,850
DWT at TS	299,550
Service speed	14.8 knots
Cruising range	~31,700 Nmiles
Energy saving device	DSME duct
Class	LR, +100A1, Double Hull Oil Tanker, CSR, ESP, ShipRight (ACS(B, C), CM), *IWS, LI, DSPM4, +LMC, IGS, UMS, NAV1, with the descriptive notes COW(LR), ShipRight (BWMP(T), VECS, SCM, IHM)
Flag	Marshall Islands
Crew	30 persons + 6 Suez crew

## Tank capacity

Cargo tanks incl. slop tanks	~340,000 m3
Water ballast tanks	~92,000 m3
Heavy fuel oil tanks	~6,500 m3
Diesel oil tanks	~700 m3
Fresh water tanks	~600 m3

## Main engine

Type	B&W 7G80ME-C9.5 x1 set (Derated)
MCR	24,510 kW x 66.4 rpm
NCR	17,160 kW x 59.0 rpm
DFOC	~62.9 MT/day

## IMO Nox tier III application

Main engine	LP SCR
Diesel G.E	SCR

## Hull structure

Steel material	Normal strength steel and higher strength steel portion of ~62%
Design fatigue life	25 years for longitudinal stiffener's connections to transverse webs/bulkheads in cargo area

## Painting

W.B. tanks	2 x Epoxy anti corrosive, 320 mic. (IMO PSC-WBT)
Cargo Tanks	2x Epoxy anti corrosive, 320 mic. (deckhead & tank bottom as per IMO PSC-COT)
Underwater	Tin free self-polishing anti-fouling paint (Lifetime 60 months)

## Cargo and ballast system

Cargo pump	3 x 5,500 m3/h x 150 mTH
Cargo stripping pump	1 x 400 m3/h x 150 mTH
Cargo stripping eductor	2 x 750 m3/h
Inert gas system	1 x Flue gas system
Tank cleaning heater	None
Water ballast pump	2 x 3,000 m3/h x 40 mTH (1 x Elec. Motor driven, 1 x Steam turbine driven)
Tank cleaning heater	2 x 3,000 m3/h, Electrolysis

## Deck machinery

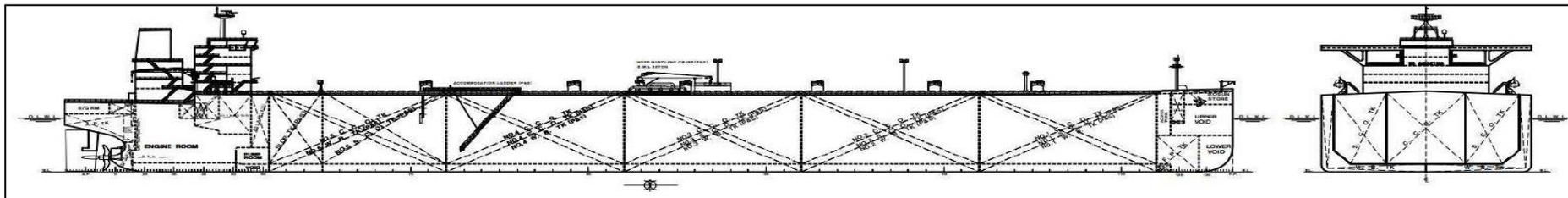
Steering	1 x El.-hyd., 2 ram-4 cyl. type
Deck machinery	El.-hyd. high pressure type
Provision crane	2 x El.-hyd., luffing jib type, 10.0 tons(SWL) for port side 3.0 tons (SWL) for stbd. side

## Steam generation

Aux. boiler	2 x 45,000 kg/h x 20 bar g.
Donkey boiler	1 x 3,000 kg/h x 6 bar g.
Exh. gas economizer	1 x 1,400 kg/h x 6 bar g.

## Electric power generation

Diesel generator	3 x 1,460 kW, AC 450 V, 60 Hz
Em'cy generator	1 x 350 kW, AC 450 V, 60 Hz



Source: DSME

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# IMO 2020 regulations - What are the options?

## Low sulphur fuel oil (MGO)

### Pros:

- Limited investment
- Likely to be the preferred alternative for ship-owners, which will result in higher availability of MGO in ports

### Cons:

- Higher fuel oil cost and uncertainties as to who will carry the extra transportation cost (ship-owner, charterer or consumer)
- Requires storage tanks for MGO/MDO fuel, and most likely modifications to the fuel oil system
- May create operational issues due to low viscosity of fuel
- Blends are more sensitive to storage, handling and compatibility
- Future cost of low sulphur fuel; spread versus HFO

## Scrubber (HFO)

### Pros:

- Unchanged fuel oil cost – ship-owners can continue to run on HFO!
- Reduces particulate matter as well as SOx
- Will the market provide you with freight rates to recover your investment?
- Various types and models
- Forward price December 2020 cost USD 120 lower than current spot price of USD 390 per ton

### Cons:

- Large installation required to existing exhaust gas system
- Relatively large investment (USD 2-10m)
- 1.5-2% fuel penalty
- Requires space for scrubber, supporting systems, integration in ships power mgmt system and monitoring
- Cost of handling sludge

## LNG fuel

### Pros:

- Can reach Tier III performance
- Positive impact on EEDI

### Cons:

- You need gas or dual/tri-fuel engines, LNG tanks, booster pumps, double-walled piping etc.
- Large investment (USD 3-15m), likely alternative for large container vessels, but too expensive for bulkers and tankers
- Somewhat higher maintenance cost likely
- Loss of cargo space?
- Limited LNG infrastructure and regional difference in price
- Uncertainties on future cost of LNG

***Scrubber is the preferred alternative for VLCC newbuildings today***

Source: DNV GL, Clarkson Research Services Limited

# VLCC newbuilding case - Scrubbers or marine gas oil?

## Background

- From January 1, 2020, the International Maritime Organization (IMO) has decided that the maximum allowed sulphur content will be 0.5%. Currently, heavy fuel oil has an average sulphur content of 2.45% (and max 3.5%)
- The new regulations will cause a switch out of high sulphur fuel oil (HFO) and into middle distillate gasoil (MDO), creating an expected large spread between HFO and MDO
- Less than 2,000 ship is likely to have installed scrubber by 2020 due to lack of capacity from scrubber suppliers
- I.e. less than 0.3% of the world cargo fleet (which per April 2018 is 59,378 ships) is likely to be able to burn HFO from 2020. The rest will have to switch to middle distillates or hybrid fuels

## VLCC case: Scrubber vs MGO

Scrubber cost	Newb		Retrofit	
Depr. over yrs	20	15	10	5
Investment - USDm	2.7	5.0	5.0	5.0
WACC	7 %			
Capex USD/day	653	1,406	1,823	3,122
Opex* USD/day	1,260	1,260	1,260	1,260
Cost USD/day	1,913	2,666	3,083	4,382

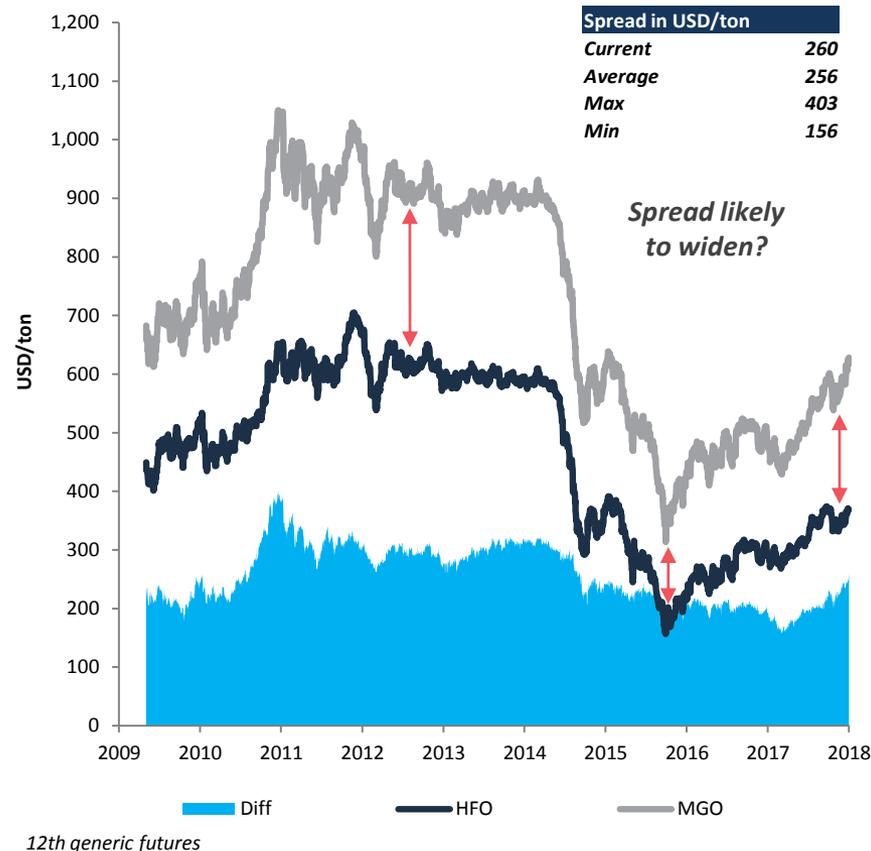
\* Opex USD20-50/ton fuel, 45 ton/day (eco), 80% seatime

### MGO cost

Spread HFO/MGO	200	300	400	500
Extra fuel cost**	8,990	13,486	17,981	22,476

\*\* 59 ton/d (non-eco) less 5% more energy in MGO, 80% seatime

## Bunkers (HFO) vs gas oil (MGO) in Singapore/Europe



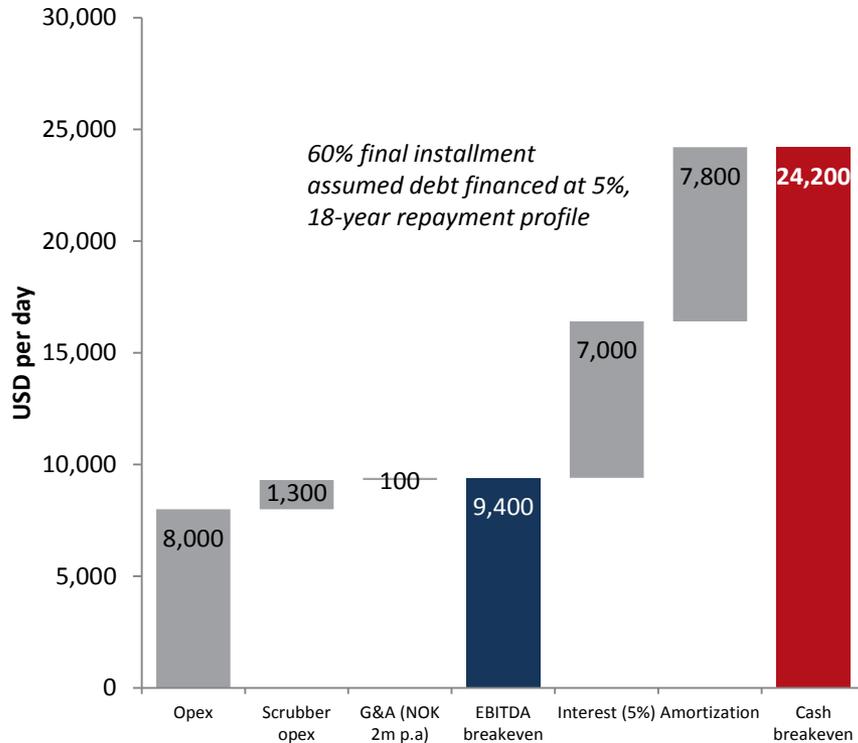
**Assuming availability of bunkers after 2020, the economic case for scrubbers looks highly attractive**

Source: Clarkson Research Services Limited

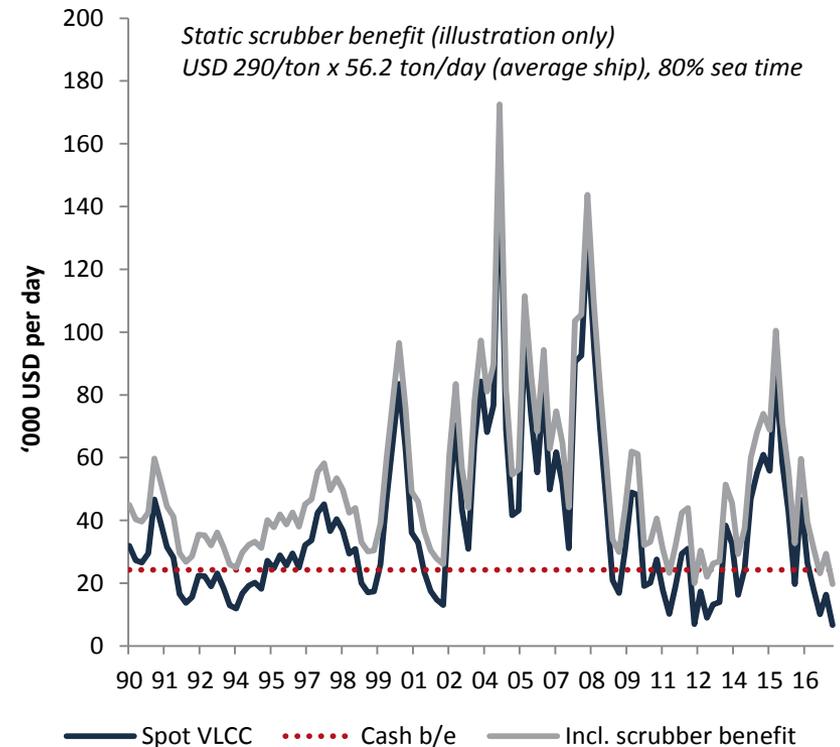
Note: 12 month generic futures for HFO (Singapore) and MGO (Europe)

# Breakeven vs. historical VLCC rates

## Breakeven assumption



## Historical VLCC rates + potential scrubber benefit

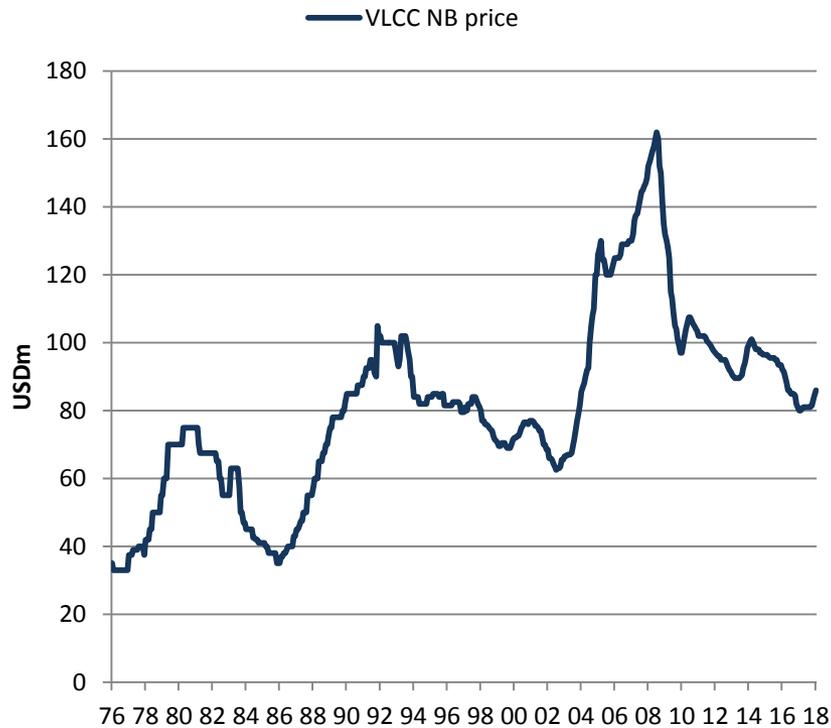


***If owners get full benefit from scrubber at current prices, historical rates always above cash b/e***

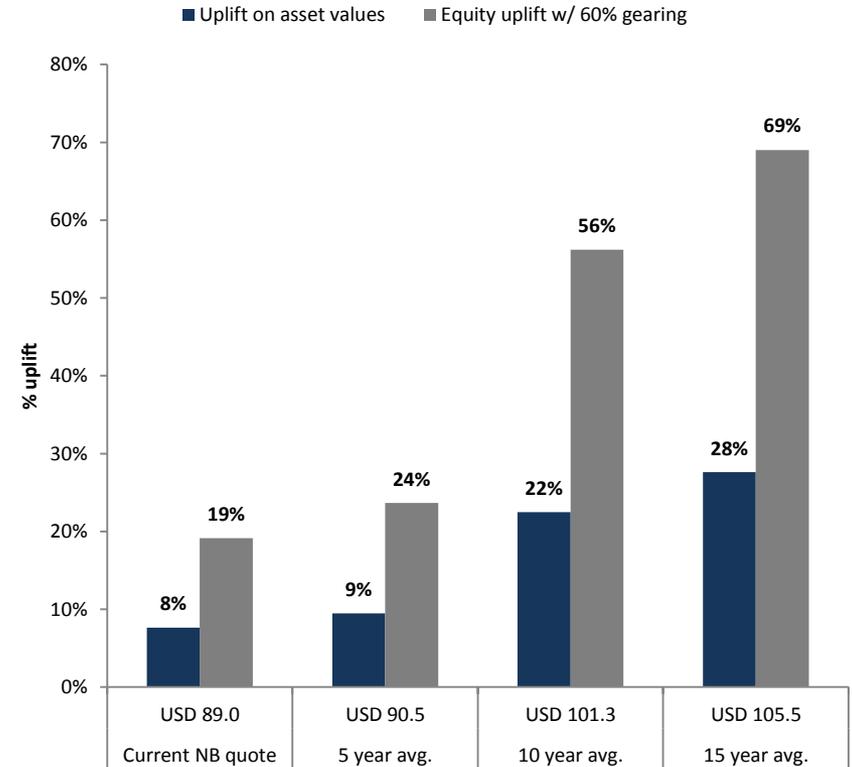
Source: Clarkson Research Services Limited

# Lowest yard price since 2004

### Historical VLCC NB prices



### Asset value uplift potential (4 firm vessels + 3 options)



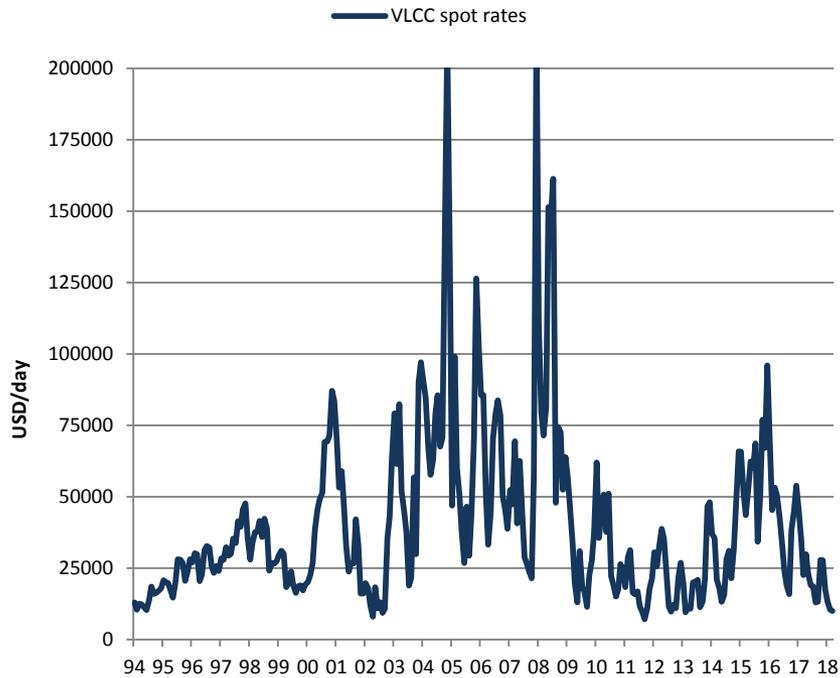
**Newbuilding contracts already 8% "in the money", implying an equity uplift of 19% to current NB prices**

Source: Clarkson Research Services Limited, Shipping Intelligence Network

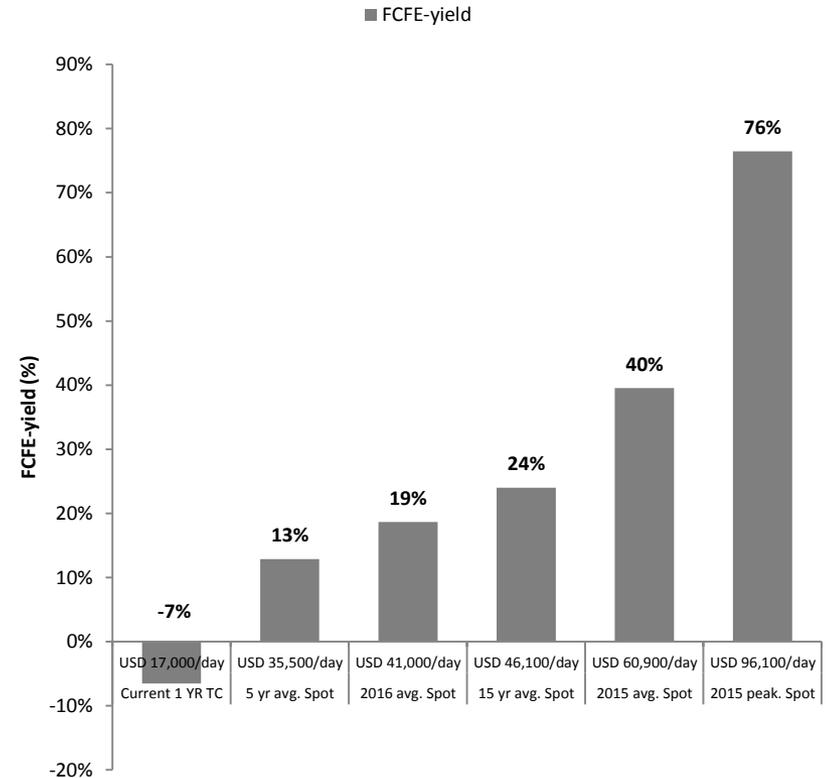
Note: Uplift on asset values/equity basis average cost price of USD 82.67 newbuilding cost, excluding scrubber cost of USD 2.7m

# Yield potential

## Historical VLCC spot rates



## Earnings potential (4 firm + 3x options)



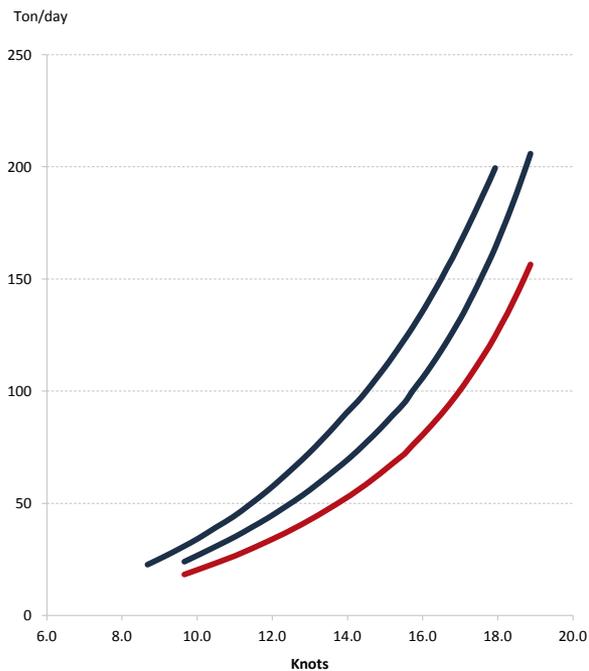
**Significant yield potential even with modest spot rate recovery, before considering likely fuel spread in 2020**

Source: Clarkson Research Services Limited, Shipping Intelligence Network

Assumptions: Opex: USD 8,000/day, G&A USD 100/day, Utilization: 98.6%, LTV of 60%, Amortization profile of 18 years, Fixed interest cost of 5% p.a

# Modern ECO vessel a significant fuel saver for charterers

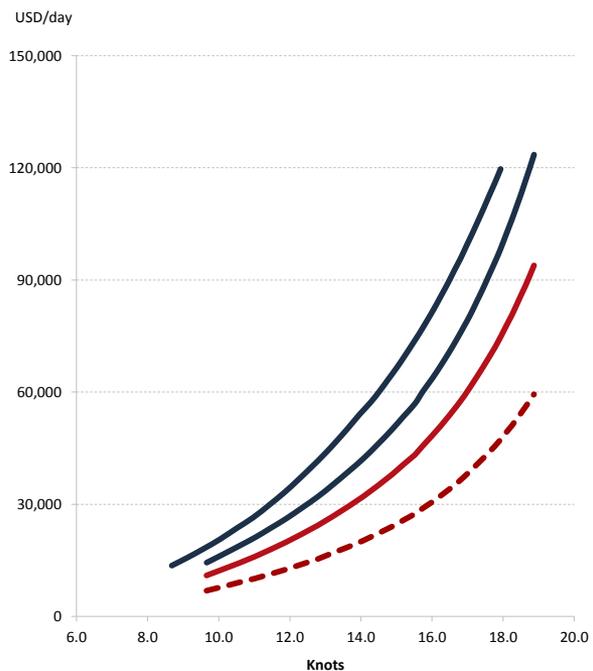
## Fuel consumption curves



— 2000-built (MGO) — 2010-built (MGO) — 2018 "ECO" (MGO)

- ECO 2018-built VLCC vessels are significantly more fuel efficient than older tonnage

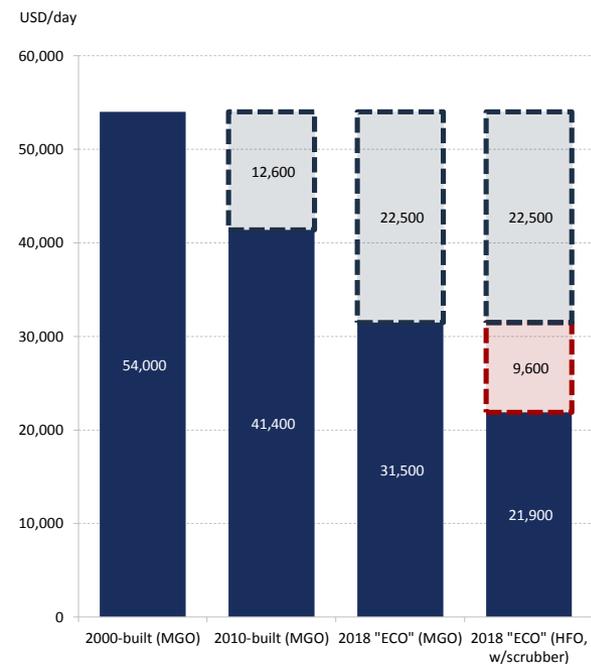
## Fuel cost curves



— 2000-built (MGO) — 2010-built (MGO)  
— 2018 "ECO" (MGO) - - - 2018 "ECO" (HFO, w/scrubber)

- Comparing against a 2010-built VLCC vessel, Hunter will have a daily fuel savings of ~USD 20,000/day at 14 knots
  - Assumes USD 380/t HFO, USD 220/t MGO-premium and USD 2,000/day in scrubber costs

## Fuel savings at ~14 knots



■ Fuel cost ■ Scrubber ■ Efficiency savings

- This equals USD ~\$51m/year in cost savings for a fleet of 7x VLCCs
- A USD 440/t MGO-premium takes this to USD 36,700/day per vessel and USD ~\$94m/year

Source: Company, Shipping Intelligence Network, Martingale Inc, Pareto Securities Equity Research

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# 1Q 2018 report – Income statement

## Condensed consolidated financial statements for Q1 2018

### Consolidated income statement

		Quarters		Year
	Note	31.03.2018	31.03.2017	31.12.2017
<i>(Unaudited figures in NOK 1 000)</i>				
<b>Revenues</b>				
Revenues		5 790	0	44 043
<b>Total Revenues</b>		<b>5 790</b>	<b>0</b>	<b>44 043</b>
<b>Operating expenses</b>				
Raw materials and consumables		-1 031	360	20 775
Payroll expenses		9 053	2 372	27 493
Depreciation and amortisation expense	3	3 985	4	11 013
Net write-down intangible assets and capitalized grants	3, 9	25 470	0	69 374
Other operating expenses		13 012	2 368	28 411
Capitalised development cost		0	-857	-1 915
<b>Total operating expenses</b>		<b>50 490</b>	<b>4 247</b>	<b>155 152</b>
<b>Operating profit (loss)</b>		<b>-44 699</b>	<b>-4 247</b>	<b>-111 108</b>
Interest income		1	424	2 661
Finance income		302	0	2 272
Other financial income		0	0	0
Interest expenses		-224	-51	-715
Other financial expenses		-165	-30	-2 956
<b>Net financial income (loss)</b>		<b>-86</b>	<b>343</b>	<b>1 262</b>
<b>Profit (loss) before taxes</b>		<b>-44 785</b>	<b>-3 904</b>	<b>-109 847</b>
Tax on ordinary result	7	0	-4 337	13 519
<b>Net profit (loss)</b>		<b>-44 785</b>	<b>-8 241</b>	<b>-96 328</b>
Earnings per share		-0,34	-0,02	-0,09
Earnings per share diluted		-0,34	-0,02	-0,09

Source: Company filings

# 1Q 2018 report – Balance sheet

## Assets

(Unaudited figures in NOK 1 000)

	Note	31.03.2018	31.03.2017	31.12.2017
<b>NON-CURRENT ASSETS</b>				
Research and development	2, 3	16 402	150 018	17 830
Patents and customer relationships	2, 3	17 542	389	18 911
Goodwill	2, 3, 9	33 185	0	58 655
<b>Total intangible assets</b>		<b>67 129</b>	<b>150 407</b>	<b>95 396</b>
Property, plant, equipment & machineries		26 696	18	27 884
<b>Total tangible assets</b>		<b>26 696</b>	<b>18</b>	<b>27 884</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>93 825</b>	<b>150 425</b>	<b>123 280</b>
<b>CURRENT ASSETS</b>				
Inventories		29 204	1	20 368
<b>Total inventories</b>		<b>29 204</b>	<b>1</b>	<b>20 368</b>
Accounts receivables		15 004	0	21 073
Other short-term receivables		5 892	1 732	4 873
<b>Total current receivables</b>		<b>20 896</b>	<b>1 732</b>	<b>25 946</b>
<b>Cash and cash equivalents</b>		<b>267 333</b>	<b>355 058</b>	<b>279 456</b>
<b>TOTAL CURRENT ASSETS</b>		<b>317 432</b>	<b>356 790</b>	<b>325 769</b>
<b>TOTAL ASSETS</b>		<b>411 257</b>	<b>507 215</b>	<b>449 049</b>

## Equity and Liabilities

(Unaudited figures in NOK 1 000)

	Note	31.03.2018	31.03.2017	31.12.2017
<b>EQUITY</b>				
Share capital	4	163 948	139 909	163 948
Share premium	4	508 844	447 776	508 844
Other equity	4	-302 439	-165 308	-257 654
<b>TOTAL EQUITY</b>		<b>370 352</b>	<b>422 378</b>	<b>415 137</b>
<b>LIABILITIES</b>				
Capitalized grants	3	0	81 500	0
Other interest-bearing debt		0	0	11 700
<b>Total non-current liabilities</b>		<b>0</b>	<b>81 500</b>	<b>11 700</b>
Trade creditors		7 570	2 927	8 587
Accrued public charges and indirect taxes		2 153	-209	3 161
Taxes payable		0	0	0
Short-term derivatives		-16	0	24
Debt financial institutions		25 073	0	3 600
Other current liabilities		6 125	621	6 840
<b>Total current liabilities</b>		<b>40 905</b>	<b>3 338</b>	<b>22 212</b>
<b>TOTAL LIABILITIES</b>		<b>40 905</b>	<b>84 838</b>	<b>33 912</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>411 257</b>	<b>507 215</b>	<b>449 049</b>

Source: Company filings

# 1Q 2018 report – Cash flow statement

## Consolidated cash flow statement

	Note	Quarters		Year end
		31.03.2018	31.03.2017	31.12.2017
<i>(Unaudited figures in NOK 1 000)</i>				
Contribution from operations before tax		-15 106	-4 210	-31 263
Change in accounts receivables and accounts payables		5 052	864	17 101
Change in inventory		-8 836	0	-11 464
Change in other receivables and payables and other		-2 782	-1 470	80
<b>Net cash flow from operating activities</b>		<b>-21 672</b>	<b>-4 816</b>	<b>-25 546</b>
Capitalization of development cost		0	-857	-1 915
Investments in property, plant & equipment		0	-386	-3 647
Acquisition of a subsidiary, net of cash acquired	2	0	0	-50 522
<b>Net cash flow from investment activities</b>		<b>0</b>	<b>-1 243</b>	<b>-56 084</b>
Public grants		0	0	1 061
Contribution from industry partners		0	0	0
Interest received		1	424	2 661
Interest paid		-224	-51	-715
Proceeds from borrowings financial institution		9 773	-6 889	-9 554
Capital contribution	4	0	385 368	385 368
Transaction cost capital contribution	2	0	-18 069	-18 069
<b>Net cash flow from financing activities</b>		<b>9 549</b>	<b>360 782</b>	<b>360 751</b>
<b>Total net changes in cash flow</b>		<b>-12 123</b>	<b>354 723</b>	<b>279 121</b>
Cash and cash equivalents beginning of period		279 456	335	335
<b>Cash and cash equivalents end of period</b>		<b>267 333</b>	<b>355 058</b>	<b>279 456</b>

Source: Company filings

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