



Hunter Group ASA
First quarter 2021 results

27 May 2021

Highlights

Financial highlights

- Total revenues of USD 12.49m
 - Spot pool revenues of USD 3.13m
 - Time charter revenues of USD 9.28m
- Total operating expenses of USD 7.38m
 - Vessel opex. incl. insurance of USD 2.60m
 - Voyage exp. and commissions of USD 0.33m
 - G&A expenses of 0.43m
 - USD 0.37m administrative expenses
 - USD 0.03m legal expenses
 - USD 0.03m non-cash expenses
- EBITDA of USD 9.12m
- Net profit of USD 2.59m
- Average daily earnings of USD 29,650
 - Avg. daily spot earnings of USD 21,020¹
 - Avg. daily time charter earnings of USD 34,380
- Opex incl. insurance of USD 5,785 per day per vessel
- 419 available earnings days and 450 opex days
 - 149 pool spot days
 - 270 time charter days
- Current pro forma cash flow breakeven of approx. USD 21,500 per day

Key events in Q1 2021

- Extraordinary General Meeting on 1 February 2021, which approved a NOK 1.0 per share distribution
- NOK 1.00 per share distributed to shareholders as a reduction in the Company's share premium
- Entered into a Memorandum of Agreement for the sale of Hunter Atla for USD 84.5m

Subsequent events

- Completed the sale of Hunter Atla, securing a -46% ROI and significantly strengthened the balance sheet
- Initiated share buy-back and purchased a total of 3,034,702 of own shares at NOK 2.9998 per share. Following the share buy back, the Company owns 11,243,196 of its own shares
- At the date of this report, 91% of days in the second quarter of 2021 have been booked at an average est. dayrate of USD 24,700
 - 65% of spot days booked at an avg. est. dayrate of USD 18,150¹
 - Average Q2 TC dayrates of USD 26,050

1) Discharge to discharge basis

Management update

The longer you have to wait for something, the more you will appreciate it when it finally arrives. Looking at day rates today and three months ago it could seem as if not much has happened. However, a lot has happened, most of which we believe to be positive for the tanker market going forward. IMF has upgraded their global economic growth outlook for this year and consequently energy agencies are lifting their oil demand forecasts. IEA estimates oil demand to grow by 5.3mbpd for 2021 and with OECD inventories likely to be at pre-Covid 5 year average this summer, we may see an unprecedented oil supply growth of about 5mbpd, which is needed to maintain a balanced oil market. Additional demand growth is expected in 2022. An aging fleet, low orderbooks, uncertainty about future propulsion technology and high steel prices suggest that the tanker market could be an interesting place for owners with modern tonnage.

On that basis, our strategy going forward is to manage our fleet in a way that allows us to benefit from a stronger VLCC market, while keeping a close eye on our cash position.

Charter coverage and indicative investment returns

Charter coverage	Q1 '21	Q2 '21	Q3 '21	Q4 '21
Hunter Atla	Spot	<i>Sold - delivered to new owners during April</i>		
Hunter Freya	Spot			
Hunter Disen	TC		Spot	
Hunter Idun	TC		Spot	
Hunter Frigg	TC			
% days covered	100%	91%	26%	25%
Avg dayrate covered (\$k/d)	29,650	24,700	27,900	28,500

Indicative investment returns	Hunter Atla	Hunter Saga	Hunter Laga
Asset sale and TCE revenue	111.5	105.5	112.5
All in construction cost	(86.5)	(86.5)	(86.5)
Opex, G&A and finance	(9.0)	(7.5)	(8.0)
Net equity cash flow	16.0	11.5	18.0
Equity invested	35.0	35.0	35.0
Return on equity	46%	33%	51%

First quarter market review

In the first quarter of 2021 our vessels operating in the spot market averaged \$21,020 per day. Benchmark VLCC spot rates on the other hand averaged around \$9,000¹ per day. Clear proof that demand for modern tonnage is achieving higher rates and are more sought-after amongst charterers. The low rates seen in Q1 reflect the continued tanker demand deficit caused by production cutbacks, inventory drawdowns and a net fleet growth of nine VLCCs (twelve delivered, and three scrapped). Deeper market fundamentals however, as implied by the continued increase in the oil price, continued to improve significantly.

Global oil demand decreased slightly during the quarter to 94.8mbd compared with a 95.6mbd average in the fourth quarter of 2020. The 0.6mbd decrease was due to seasonal patterns and a global increase in Covid-19 infections and increases in preventative measures during the first part of the year. Global demand decreased by 4.3mbd during January, before rapidly recovering to 96.5mbd during March. Global oil production, on the other hand, averaged 92.6mbd during the first quarter. Only around 0.6mbd more than the average production for the second half of 2020, largely thanks to the +/- 7mbd OPEC+ cuts. Compared with average oil demand, this implies a continued and significant quarterly inventory draw of 193.2 million barrels. The approx. 1,200 million barrels that were accumulated in global oil inventories during the first part of 2020 have been reduced by almost two thirds and stood at 474 million barrels at the end of April.

Market outlook

Most observers, including ourselves, expect a recovery in the tanker market during the second half of the year. The expectation is largely driven by an increasing share of the global population becoming vaccinated and a continued but gradual reopening of the world, which according to the IMF should lead to global GDP growth during 2021 and 2022 of 6% and 4.4%, respectively. An example of the ongoing economic recovery is the strong rebound in the price for steel, causing VLCC newbuild quotes to reach USD 100m. Demand for oil will thus most likely continue to increase. The Energy information Agency (EIA) expects global oil consumption to average 97.7mbd for 2021 as a whole, which means that the average for May-December would need to be 3.8mbd higher than the first four months of the year. EIA furthermore forecast global oil demand to surpass the 100mbd mark in November this year, and a new all time high to be set in December 2022 at 103.4mbd. To service this demand increase, global oil production would need to ramp up significantly from today's levels as inventories are rapidly reduced. This bodes well for oil tankers as around 25% of oil production is seaborne. OPEC+ alone is expected to reverse most of their 7mbd cuts throughout the remainder of the year. Assuming, for simplicity, that all 7mbd would be exported from the Middle East region, around 140 of additional VLCC equivalents would be required. This compares well with the 27 VLCCs and 13 Suezmaxes expected to be delivered during the remainder of the year. Even a potential return of the Iranian tanker fleet would be easily absorbed, although we view a lifting on the sanctions on Iran as a net positive. Older tankers (20+ years plus) which would otherwise have been scrapped have been utilized to circumvent the sanctions, leading to very little scrapping. Should sanctions be lifted, Iranian volumes would be lifted on younger vessels, causing a massive scrapping pressure.

Condensed consolidated financial statements for 1Q 2021

Consolidated income statement

<i>(Unaudited figures in USD 1 000)</i>	Quarters		Note	Year
	1Q 2021	1Q 2020		31.12.2020
Revenues				
Pool revenues	3 132	19 930		48 567
Time charter revenues	9 283	851		60 037
Other income	73	0		0
Net gain on sale of assets	0	0	5	2 492
Total Revenues	12 489	20 781		111 096
Operating expenses				
Vessel operating expenses	2 603	1 920		12 404
Voyage expenses and commissions	335	590	1	2 912
Depreciation and amortisation expense	4 018	2 535	6	16 325
General and administrative expenses	429	303	4	1 649
Total operating expenses	7 385	5 348		33 291
Operating profit (loss)	5 103	15 434		77 806
Net financial income (loss)	-2 518	-3 667		-14 723
Profit (loss) before taxes	2 585	11 767		63 083
Tax on ordinary result	0	0		0
Net profit (loss)	2 585	11 767		63 083
Earning per share	0,00	0,02		0,11
Earnings per share diluted	0,00	0,02		0,11
Other comprehensive income, items to be reclassified to profit & loss				
Translation differences	0	0		0
Comprehensive income for the period	2 585	11 767		63 083
Total comprehensive income attributable to:				
Equity holders of the parent	2 585	11 767		63 083
Total comprehensive income	2 585	11 767		63 083

Consolidated balance sheet

<i>(Unaudited figures in USD 1 000)</i>	Note	31.03.2021	31.03.2020	31.12.2020
NON-CURRENT ASSETS				
VLCC vessels	5, 6	423 257	339 255	427 249
VLCC vessels under construction	5, 6	0	70 777	0
Other tangible assets	6	192	198	210
Total tangible assets		423 449	410 230	427 459
TOTAL NON-CURRENT ASSETS		423 449	410 230	427 459
CURRENT ASSETS				
Trade and other receivables		7 208	13 088	5 416
Other short-term financial assets		40	0	0
Other short-term assets		1 864	2 780	1 539
Total current assets		9 111	15 868	6 956
Cash and cash equivalents		28 271	35 190	95 146
TOTAL CURRENT ASSETS		37 383	51 058	102 101
TOTAL ASSETS		460 831	461 288	529 560
Equity and Liabilities				
EQUITY				
Share capital (575 362 013 shares)	2	82 625	82 625	82 625
Own shares	2	-1 197	0	-1 121
Share premium	2	47 318	114 946	113 364
Other equity		79 330	25 431	76 745
TOTAL EQUITY		208 076	223 003	271 614
LIABILITIES				
Interest-bearing debt	6	237 367	225 204	237 954
Total non-current liabilities		237 367	225 204	237 954
Trade payables		810	4 665	2 124
Accrued public charges and indirect taxes		30	3	68
Current portion of interest-bearing debt		13 463	7 934	16 605
Other current liabilities		1 085	478	1 195
Total current liabilities		15 388	13 081	19 992
TOTAL LIABILITIES		252 754	238 284	257 946
TOTAL EQUITY AND LIABILITIES		460 831	461 288	529 560

Consolidated cash flow statement

<i>(Unaudited figures in USD 1 000)</i>	Quarters			31.12.2020
	1Q 2021	1Q 2020	Note	
Profit (loss) before tax	2 585	11 767		63 083
Depreciation	4 018	2 535	6	16 325
Gain on sale of VLCC	0	0	5	-2 492
Financial income	0	-102		-270
Financial expenses	2 383	3 576	6	15 074
Change in working capital items	-3 547	-5 711		-876
Net cash flow from operating activities	5 438	12 066		90 844
Investments in VLCC newbuilds and PP & E	-8	-78 651	5, 6	-273 805
Sale of VLCC	0	0	5	168 400
Investments in other financial investments	-40	0		0
Net cash flow to investment activities	-47	-78 651		-105 405
Interest received	0	102		270
Interest paid	-2 383	-3 576	6	-14 050
New interest-bearing debt	0	52 813	6	254 348
Installment interest-bearing debt	-3 705	0	6	-180 214
Installment leasing-debt (IFRS 16)	-25	-19		-93
Capital contribution	0	0	2	0
Purchase of own shares	-153	0	2	-3 010
Dividend paid	-65 999	0	2	0
Net cash flow from financing activities	-72 264	49 319		57 252
Total net changes in cash flow	-66 873	-17 266		42 690
Currency effect on cash	0	0		0
Cash and cash equivalents beginning of period	95 145	52 455		52 455
Cash and cash equivalents end of period	28 272	35 189		95 145

Consolidated statement of changes in equity

<i>(Unaudited figures in USD 1 000)</i>	Note	Share Capital	Own Shares	Share premium	Currency translation	Retained earnings	Total equity
Equity as of 01.01.2020		82 625	0	114 914	-2 289	15 953	211 204
Net profit 1Q 2020				0	0	11 767	11 767
Other comprehensive income				0	0	0	0
Total comprehensive income 1Q 2020				0	0	11 767	11 767
Option plan payment				32	0	0	32
Equity as of 31.03.2020		82 625	0	114 946	-2 289	27 720	223 003
Net profit 2Q-4Q 2020					0	51 316	51 316
Other comprehensive income					0	0	0
Total comprehensive 2Q-4Q 2020				0	0	51 316	51 316
Purchase of own shares			-1 121	-1 889	0	0	-3 010
Option plan payment				307	0	0	307
Equity as of 31.12.2020		82 625	-1 121	113 364	-2 289	79 033	271 613
Net profit 1Q 2021				0	0	2 585	2 585
Other comprehensive income				0	0	0	0
Total comprehensive income 1Q 2021				0	0	2 585	2 585
Dividend paid				-65 999	0	0	-65 999
Purchase of own shares			-76	-77	0	0	-153
Option plan payment				29	0	0	29
Equity as of 31.03.2021		82 625	-1 197	47 317	-2 289	81 618	208 076

Notes to the Hunter Group condensed consolidated financial statements for 1Q 2021

1. Accounting principles

These condensed interim financial statements of Hunter Group were authorized for issue by the Board of Directors on 26 May 2021.

The interim condensed consolidated financial statements for the three months ending 31 March 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.

Vessels and equipment

The net cost of the VLCCs (less estimated residual value) is the basis for a straight-line depreciation over the estimated remaining economic useful lives (25 years). Other equipment (excluding vessel upgrades) are depreciated over its estimated remaining useful life (5 years). The estimated residual value for the VLCCs is calculated by multiplying the lightweight tonnage with the market price of scrap per ton. Residual values are reviewed annually.

Voyage expenses relates to fuel and other costs incurred before the vessel joins the Tankers International pool.

2. Equity transactions

On 15 December 2020, Hunter Group ASA purchased 7,691,404 of its own shares at NOK 3.35 per share.

3. Segment information

The management monitors the operating results in 1 segment which develops and operates the VLCCs.

4. Transactions with related parties

The following table provides the total amount of transactions with related parties controlled by the members of the executive management of Hunter Group for 2021. All related party transactions have been entered into on an arm's length basis.

Transactions with related parties	31.03.2021	31.12.2020
Purchased services in USD 1 000	18	38

The Group has used the services of the law firm Ro Sommernes DA for legal advice in 2020 and 2021; USD 38t in 2020 and USD 18t as per 31.03.2021. The Company's chairman Henrik Christensen is a partner in Ro Sommernes DA.

From 1 November 2018 the Company rents office space from Dronningen Eiendom AS. The rental agreement is for 36 months. One of the Company's shareholder is also a shareholder of Dronningen Eiendom AS.

5. VLCC under construction

All VLCC were completed and delivered by 2020, and the acquisition cost of the delivered VLCCs were transferred from VLCC under construction to VLCC vessels.

6. Property, plant & equipment

(Unaudited figures in USD 1 000)

Per 31 March 2021	IFRS 16 PP&E	Other tan- gible assets	VLCC vessels	Total
Cost at 1 January 2021	273	10	439 102	439 462
Additions in the period	0	8	0	8
Cost at 31 March 2021	273	17	439 102	439 393
Accumulated depreciations at 31 March 2021	-90	-8	-15 845	-15 943
Book value at 31 March 2021	183	9	423 257	423 449
 This period's depreciation	 24	 2	 3 992	 4 018

7. Subsequent events

Completed the sale of Hunter Atla, securing a ~46% ROI and a significantly strengthened balance sheet

Initiated share buy back and purchased a total of 3,034,702 of own shares at NOK 2.9998 per share. Following the share buy back, the Company owns 11,243,196 of its own shares

As of the date of this report, 91% of days in the second quarter of 2021 have been booked at an average est. dayrate of USD 24,700

- 65% of spot days booked at an avg. est. dayrate of USD 18,150¹
- Average Q2 TC dayrates of USD 26,050

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