



**Hunter Group ASA**  
Second quarter 2021 results

26 August 2021

## Highlights

### Financial highlights

- Total revenues of USD 11.50m
  - Spot pool revenues of USD 1.50m
  - Time charter revenues of USD 7.23m
- Total operating expenses of USD 6.6m
  - Vessel opex incl. insurance of USD 2.50m
  - Voyage exp. and commissions of USD 0.43m
  - G&A expenses of 0.38m
    - USD 0.37m administrative expenses
    - USD 0.01m legal expenses
- EBITDA of USD 8.18m
- Net profit of USD 2.38m
- Average daily earnings of USD 24,000
  - Avg. daily spot earnings of USD 15,500<sup>1</sup>
  - Avg. daily time charter earnings of USD 26,500
- Opex incl. insurance of USD 6,750 per day per vessel
- 364 available earnings days and 371 opex days
  - 91 pool spot days
  - 273 time charter days
- Current pro forma cash flow breakeven of approx. USD 21,500 per day

### Key events in Q2 2021

- The sale of Hunter Atla for USD 84.5m was concluded in April 2021. and the vessel was successfully delivered to her new owners. The sale resulted in a net gain of approx. USD 2.6m
- The Company announced an offer to buy back up to 50 million of it's own shares at a price of NOK 3.0 per share, of which 3 million shares were acquired
- The Annual General Meeting was held on 3 June 2021, and all resolutions were passed in accordance with the previously announced proposals, including, inter alia, authorizations to acquire own shares and issue new shares
- The board of directors of the Company proposed a NOK 0.50 per share dividend as a reduction of the Company's share premium

### Subsequent events

- NOK 0.50 per share distributed to shareholders as a reduction in the Company's share premium
- As of the date of this report, 95% of days in the third quarter of 2021 have been booked at an average est. dayrate of USD 19,100
  - 88% of spot days booked at an avg. est. dayrate of USD 13,300<sup>1</sup>
  - Average Q3 TC dayrates of USD 22,250

1) Discharge to discharge basis

## Management update

For the second quarter of 2021, the Company achieved an average dayrate of approx. USD 24,000 per day through a combination of spot and time charters. Achieved spot rates for the quarter were USD 15,500 per day, (only Hunter Freya operated in the spot market). While these rates are clearly lower than we would like to see, rates for non-scrubber, non-eco vessels achieved negative USD 900 per day for the quarter and scrubber fitted, non-eco, vessels averaged about 6,500 per day. This clearly shows how earnings vary across the segment depending on fleet quality and efficiency. Having a relatively small fleet has enabled us to continue to actively manage our fleet by switching from spot exposure to TC when we find it prudent in order to maximize our earnings potential. We took advantage of this flexibility during the pandemic induced boom last year and secured strong TCs for a large portion of our fleet. Many of these TCs have later been renewed at premium rates compared with the broader market, covering most of the recent weak period affected by oil inventory draws and low tanker cargo volumes. Now, as oil demand continues to increase, global oil inventories are approaching pre pandemic levels and OPEC+ is preparing to gradually reverse production cuts we are continue to believe that we should see a significant improvement in rates for the second half of 2021. Consequently, we are shifting our exposure from longer to shorter TCs and spot charters. Furthermore, two of our vessels are currently “clean”, meaning they are able to carry petroleum products as well as crude oil. This further increases our options and flexibility.

During the quarter a second dividend of NOK 0.50 per share was decided by the board, bringing total shareholder distributions to NOK 1.5 per share following payment in July (close to USD 100m). Additionally, we launched an accretive share buy back offer of 50 million shares at NOK 3 per share in order to take advantage the share discount, but as expected only three million shares were tendered, bringing total shares owned by the Company to approx. 11 million.

## Charter coverage

Charter coverage	Q2 '21	Q3 '21	Q4 '21	Q1 '22
Hunter Atla	<i>Sold - delivered to new owners during April</i>			
Hunter Freya	Spot			
Hunter Disen	TC	Spot		
Hunter Idun	TC		Spot	
Hunter Frigg	TC			Spot
<b>% days covered</b>	100%	95%	29%	13%
<b>Avg dayrate covered (\$k/d)</b>	24,000	16,900	26,734	28,500

## Second quarter market review

Standard VLCC spot rates<sup>1</sup> averaged around negative 900 per day for the second quarter of 2021, down from approximately USD 9,000 per day during the previous quarter. Although worldscale rates have increased slightly, the TCEs (time charter equivalent) is slightly down primarily due to higher bunker prices. The low rates are a reflection of reduced seaborne oil trade flow. With OPEC+ cuts still in force, there were 110-120 VLCC loadings in the Middle East Gulf per month during the second quarter. Pre-pandemic loading figures were typically around 150, implying a 20-30% reduction in demand for VLCCs. With more than 20 VLCCs delivered during the first half of the year (~40 since the pandemic began) and no increase in oil shipments, the law of supply and demand suggests that rates should be under pressure. Despite this, modern scrubber fitted tonnage have mostly managed to secure spot rates of around cash breakeven. Older less efficient vessels however, have at times been booked at worldscale rates resulting in negative TCEs. Owners of these vessels have thus been bleeding cash for around a year. With a historically high scrap steel price, an old VLCC would be worth about USD 25m compared with USD ~15m not so long ago, this leaves the puzzle of why there has been limited scrapping. With only six VLCCs scrapped so far this year, the fleet remains asymmetrical with regards to age with over 20% of the VLCC fleet being 15 years old or more. Although tanker rates have remained relatively weak during the year, fundamentals have improved dramatically since the beginning of the year. Global oil demand averaged 97mbd for the second quarter, compared with 101mbd on average for 2019. Although there is a ~4mbd difference, demand has increased significantly from the April 2020 trough of ~80mbd and consequently removed around 75% of the inventory build from 2020. The reason behind the reduction in VLCC demand is not primarily that oil demand is low, but rather that the world is drawing oil from inventories that rapidly increased during the outset of the pandemic. At some point oil inventories will have to be restocked, and when that happens at the same time as consumption increases tanker rates are bound to improve.

## Market outlook

Although the recovery of the tanker market has been pushed forward due to new variants of the Covid-19 virus, we firmly believe that the bottom is behind us and that the inflection point for improving rates is approaching sooner rather than later. Cargo volumes have risen in recent months as inventories are approaching pre pandemic levels, and further increases are needed in the near future. Most likely through reversal of the remaining OPEC+ cuts, but also from non-OPEC production hikes. Major forecasting agencies are now expecting production to reach 100mbd by December, and ~103mbd during 2022. Global production during July this year was around 97mbd. OPEC+ is expected to drive most of the increase during the current year, while the US will become increasingly important next year with a potential production increase of around 1.5mbd.

Looking further out, the view surrounding an oil supply crunch in late 2022 or 2023 following years of underinvestment is becoming increasingly established. Should this bear out we could very well see importers scrambling for tonnage to secure supply during next year. Another potential trigger is the reentry of Iran to the global oil markets. This has so far been postponed, but is still a joker in the oil trade. This would be positive in two ways. Firstly, added production and export volumes would increase demand for seaborne transportation and, secondly, it would likely eliminate the “black market” for older tonnage that is being paid premium rates to transfer sanctioned barrels.

Fleet growth will continue to ease during the remainder of 2021, as the delivery schedule for the year was front end loaded. Of the remaining scheduled deliveries for 2021, most are scheduled to arrive in December and have potential to slip into 2022. Scrapping should continue to pick up too, with increasingly scrap steel prices in some areas of USD 600 per ton or more. A VLCC is typically around 42,000 tons of steel, implying a scrap price of USD 25m. This is about double what you should expect over the long run. Increasing steel and newbuilding prices, combined with uncertainties in relation to future fuel technologies, should further restrain fleet growth through a less ordering of new vessels.

Source: EIA, Fearnleys, Company

1) Approx. ten year old VLCC without scrubber

## Responsibility Statement

The Board of Directors and the CEO confirm that to the best of our knowledge the condensed set of financial statements (unaudited) as of 30 June 2021 and the first half year of 2021, which have been prepared in accordance with IAS 34 - Interim Financial Reporting, gives a true and fair view on the Group's consolidated assets, liabilities, financial position and results of the operation for the period, and that the interim management report includes a fair review of the information required under the requirements in the Norwegian Securities Trading Act.

Oslo, 25 August 2021

The board of directors and Chief Executive Director  
Hunter Group ASA

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Henrik August Christensen  
Chairman of the board

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Arne Helge Fredly  
Board member

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Kristin Hellebust  
Board member

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Erik A. S. Frydendal  
CEO

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## Condensed consolidated financial statements for 2Q 2021

### Consolidated income statement

<i>(Unaudited figures in USD 1 000)</i>	Quarters			Year to date		Year
	2Q 2021	2Q 2020	Note	30.06.2021	30.06.2020	31.12.2020
<b>Revenues</b>						
Pool revenues	1 501	14 780		4 633	34 710	48 567
Time charter revenues	7 225	14 840		16 508	15 691	60 037
Other income	207	0		280	0	0
Net gain on sale of assets	2 567	0	5	2 567	0	2 492
<b>Total Revenues</b>	<b>11 500</b>	<b>29 620</b>		<b>23 988</b>	<b>50 401</b>	<b>111 096</b>
<b>Operating expenses</b>						
Vessel operating expenses	2 509	2 463		5 112	4 383	12 404
Voyage expenses and commissions	429	326	1	764	915	2 912
Depreciation and amortisation expense	3 242	3 313	6	7 260	5 849	16 325
General and administrative expenses	382	334	4	811	637	1 649
<b>Total operating expenses</b>	<b>6 562</b>	<b>6 436</b>		<b>13 947</b>	<b>11 784</b>	<b>33 291</b>
<b>Operating profit (loss)</b>	<b>4 938</b>	<b>23 184</b>		<b>10 041</b>	<b>38 617</b>	<b>77 806</b>
<b>Net financial income (loss)</b>	<b>-2 554</b>	<b>-4 344</b>		<b>-5 072</b>	<b>-8 011</b>	<b>-14 723</b>
<b>Profit (loss) before taxes</b>	<b>2 384</b>	<b>18 840</b>		<b>4 969</b>	<b>30 606</b>	<b>63 083</b>
Tax on ordinary result	0	0		0	0	0
<b>Net profit (loss)</b>	<b>2 384</b>	<b>18 840</b>		<b>4 969</b>	<b>30 606</b>	<b>63 083</b>
Earning per share	0,00	0,03		0,01	0,05	0,11
Earnings per share diluted	0,00	0,03		0,01	0,05	0,11
<b>Other comprehensive income, items to be reclassified to profit &amp; loss</b>						
Translation differences	0	0		0	0	0
<b>Comprehensive income for the period</b>	<b>2 384</b>	<b>18 840</b>		<b>4 969</b>	<b>30 606</b>	<b>63 083</b>
<b>Total comprehensive income attributable to:</b>						
Equity holders of the parent	2 384	18 840		4 969	30 606	63 083
<b>Total comprehensive income</b>	<b>2 384</b>	<b>18 840</b>		<b>4 969</b>	<b>30 606</b>	<b>63 083</b>

## Consolidated balance sheet

<i>(Unaudited figures in USD 1 000)</i>	Note	30.06.2021	31.03.2021	30.06.2020	31.12.2020
<b>NON-CURRENT ASSETS</b>					
VLCC vessels	5, 6	338 962	423 257	423 239	427 249
VLCC vessels under construction	5, 6	0	0	71 825	0
Other tangible assets	6	145	192	212	210
<b>Total tangible assets</b>		<b>339 107</b>	<b>423 449</b>	<b>495 277</b>	<b>427 459</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>339 107</b>	<b>423 449</b>	<b>495 277</b>	<b>427 459</b>
<b>CURRENT ASSETS</b>					
Trade and other receivables		8 542	7 208	12 201	5 416
Other short-term financial assets		0	40	0	0
Other short-term assets		7 113	1 864	4 630	1 539
<b>Total current assets</b>		<b>15 655</b>	<b>9 111</b>	<b>16 831</b>	<b>6 956</b>
<b>Cash and cash equivalents</b>		<b>56 138</b>	<b>28 271</b>	<b>17 135</b>	<b>95 146</b>
<b>TOTAL CURRENT ASSETS</b>		<b>71 793</b>	<b>37 383</b>	<b>33 966</b>	<b>102 101</b>
<b>TOTAL ASSETS</b>		<b>410 900</b>	<b>460 831</b>	<b>529 242</b>	<b>529 560</b>
<b>Equity and Liabilities</b>					
<b>EQUITY</b>					
Share capital (575 362 013 shares)	2	82 625	82 625	82 625	82 625
Own shares	2	-1 660	-1 197	0	-1 121
Share premium	2	46 695	47 318	114 989	113 364
Other equity		81 714	79 330	44 272	76 745
<b>TOTAL EQUITY</b>		<b>209 374</b>	<b>208 076</b>	<b>241 886</b>	<b>271 614</b>
<b>LIABILITIES</b>					
Interest-bearing debt	6	186 563	237 367	269 430	237 954
<b>Total non-current liabilities</b>		<b>186 563</b>	<b>237 367</b>	<b>269 430</b>	<b>237 954</b>
Trade payables		556	810	2 936	2 124
Accrued public charges and indirect taxes		53	30	55	68
Current portion of interest-bearing debt		13 436	13 463	14 762	16 605
Other current liabilities		916	1 085	172	1 195
<b>Total current liabilities</b>		<b>14 962</b>	<b>15 388</b>	<b>17 925</b>	<b>19 992</b>
<b>TOTAL LIABILITIES</b>		<b>201 524</b>	<b>252 754</b>	<b>287 355</b>	<b>257 946</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>410 900</b>	<b>460 831</b>	<b>529 242</b>	<b>529 560</b>

## Consolidated cash flow statement

<i>(Unaudited figures in USD 1 000)</i>	Quarters			Year to date		Year to date
	2Q 2021	2Q 2020	Note	30.06.2021	30.06.2020	31.12.2020
Profit (loss) before tax	2 384	18 840		4 969	30 606	63 083
Depreciation	3 242	3 313	6	7 260	5 849	16 325
Gain on sale of VLCC	-2 567	0	5	-2 567	0	-2 492
Financial income	-101	0		-101	-102	-270
Financial expenses	2 529	4 403	6	4 912	7 979	15 074
Change in working capital items	-7 788	-2 817		-11 335	-8 527	-876
<b>Net cash flow from operating activities</b>	<b>-2 302</b>	<b>23 738</b>		<b>3 136</b>	<b>35 805</b>	<b>90 844</b>
Investments in VLCC newbuilds and PP & E	0	-88 322	5, 6	-8	-166 973	-273 805
Sale of VLCC	84 500	0	5	84 500	0	168 400
Investments/sale of other financial investments	40	0		0	0	0
<b>Net cash flow to investment activities</b>	<b>84 540</b>	<b>-88 322</b>		<b>84 493</b>	<b>-166 973</b>	<b>-105 405</b>
Interest received	101	0		101	102	270
Interest paid	-2 529	-4 403	6	-4 912	-7 979	-14 050
New interest-bearing debt	0	50 954	6	0	103 767	254 348
Installment interest-bearing debt	-50 808	0	6	-54 513	0	-180 214
Installment leasing-debt (IFRS 16)	-22	-23		-47	-42	-93
Capital contribution	0	0	2	0	0	0
Purchase of own shares	-1 114	0	2	-1 267	0	-3 010
Dividend paid	0	0	2	-65 999	0	0
<b>Net cash flow from financing activities</b>	<b>-54 372</b>	<b>46 529</b>		<b>-126 636</b>	<b>95 848</b>	<b>57 252</b>
<b>Total net changes in cash flow</b>	<b>27 866</b>	<b>-18 055</b>		<b>-39 007</b>	<b>-35 320</b>	<b>42 690</b>
Currency effect on cash	0	0		0	0	0
Cash and cash equivalents beginning of period	28 272	35 189		95 145	52 455	52 455
<b>Cash and cash equivalents end of period</b>	<b>56 138</b>	<b>17 135</b>		<b>56 138</b>	<b>17 135</b>	<b>95 145</b>



## 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
<b>Equity as of 01.01.2020</b>		<b>82 625</b>	<b>0</b>	<b>114 914</b>	<b>-2 289</b>	<b>15 953</b>	<b>211 204</b>
Net profit H1 2020				0	0	30 606	30 606
Other comprehensive income				0	0	0	0
Total comprehensive income H1 2020				0	0	30 606	30 606
Option plan payment				75	0	0	75
<b>Equity as of 30.06.2020</b>		<b>82 625</b>	<b>0</b>	<b>114 989</b>	<b>-2 289</b>	<b>46 560</b>	<b>241 886</b>
Net profit H2 2020					0	32 477	32 477
Other comprehensive income					0	0	0
Total comprehensive H2 2020				0	0	32 477	32 477
Purchase of own shares			-1 121	-1 889	0	0	-3 010
Option plan payment				264	0	0	264
<b>Equity as of 31.12.2020</b>		<b>82 625</b>	<b>-1 121</b>	<b>113 364</b>	<b>-2 289</b>	<b>79 034</b>	<b>271 614</b>
Net profit H1 2021				0	0	4 969	4 969
Other comprehensive income				0	0	0	0
Total comprehensive income H2 2021				0	0	4 969	4 969
Dividend paid				-65 999	0	0	-65 999
Purchase of own shares			-539	-728	0	0	-1 267
Option plan payment				57	0	0	57
<b>Equity as of 30.06.2021</b>		<b>82 625</b>	<b>-1 660</b>	<b>46 695</b>	<b>-2 289</b>	<b>84 003</b>	<b>209 374</b>

## Notes to the Hunter Group condensed consolidated financial statements for 2Q 2021

### 1. Accounting principles

These condensed interim financial statements of Hunter Group were authorized for issue by the Board of Directors on 25 August 2021.

The interim condensed consolidated financial statements for the three and six months ending 30 June 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	30.06.2021	31.12.2020
Purchased services in USD 1 000	36	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 36t as per 30.06.2021. 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.

The Group entered into a sale and leaseback transaction and acquired a dry bulk vessel during the quarter for approx. USD 6.5,m. The vessel and leasing agreements were subsequently novated to Apollo Asset Limited for a consideration of approx. USD 5.8m, with the difference reflecting received deposits and amortization payments. The transactions resulted in interest revenues of approx. USD 0.1m for the Group.

## 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 30 June 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
Sale of VLCC	-25	0	-81 075	-81 100
Cost at 30 June 2021	248	17	358 027	358 293
Accumulated depreciations at 30 June 2021	-112	-8	-19 065	-19 185
<b>Book value at 30 June 2021</b>	<b>137</b>	<b>9</b>	<b>338 962</b>	<b>339 107</b>

This period's depreciation	46	2	7 212	7 260
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Hunter Saga and Hunter Laga were sold in 2020 for an en-bloc price of USD 168.4 million, with a gain of USD 2.5 million. Hunter Atla was sold in 2Q 2021 for an en-bloc price of USD 84.5 million, with a gain of USD 2.6 million.

## 7. Subsequent events

NOK 0.50 per share distributed to shareholders as a reduction in the Company's share premium

As of the date of this report, 95% of days in the third quarter of 2021 have been booked at an average est. dayrate of USD 19,100

- 88% of spot days booked at an avg. est. dayrate of USD 13,300<sup>1</sup>
- Average Q3 TC dayrates of USD 22,250

**Hunter Group ASA**  
Org. nr. 985 955 107

Address: Dronningen 1, 0287 OSLO  
E-mail: Erik A. S. Frydendal CEO [ef@huntergroup.no](mailto:ef@huntergroup.no)  
Lars M. Brynildsrud CFO [lb@huntergroup.no](mailto:lb@huntergroup.no)

