



Hunter Group ASA
Third quarter 2021 results

25 November 2021

Highlights

Financial highlights

- Total revenues of USD 7.32m
 - Spot pool revenues of USD 1.11m
 - Time charter revenues of USD 6.21m
- Total operating expenses of USD 8.78m
 - Vessel opex incl. insurance of USD 2.33m
 - Voyage exp. and commissions of USD 0.60
 - G&A expenses of 0.32m
 - USD 0.31m administrative expenses
 - USD 0.1m legal expenses
- Net currency loss of USD 1.1m
- EBITDA of USD 4.07m
- Net loss of USD 1.71m
- Average daily earnings of USD 21,000
 - Avg. daily spot earnings of USD 12,100¹
 - Avg. daily time charter earnings of USD 24,150
- Opex incl. insurance of USD 6,340 per day per vessel
- 368 available earnings days and 368 opex days
 - 92 pool spot days
 - 258 time charter days
 - 18 repositioning days
- Current pro forma cash flow breakeven of approx. USD 21,500 per day

Key events in 3Q 2021

- Distributed USD 31.9m to shareholders (0.50 NOK per share) in July as a reduction of the Company's share premium
- Extended TC coverage for two of our vessels for short terms at premium rates compared to spot market

Subsequent events

- As of the date of this report, 94% of days in the fourth quarter of 2021 have been booked at an average est. dayrate of USD 26.600
 - 77% of spot days booked at an avg. est. dayrate of USD 18,500¹
 - Average Q4 TC dayrates of USD 28,700

1) Discharge to discharge basis

Management update

For the third quarter, the Company achieved an average day rate of approx. USD 21,000 per day through a combination of spot and time charters. Achieved spot rates were USD 12,100 per day, while average time charter rates came in at USD 24.150 per day. Clearly the recovery of the tanker market has taken longer than we anticipated, but we have managed to extend/fix our vessels on shorter TCs at premium rates and with attractive redelivery locations. We believe our fleet is well positioned going forward.

Global oil inventories are now at critically low levels, demand remains strong and oil prices are moving higher. Day rates have increased from the low levels seen this summer and recent spot fixtures for scrubber fitted vessels are now at around USD 22,000, which is enough to put us back in the black. If these trends continue it should be only a matter of time before oil production, seaborne exports and consequently tanker rates and asset values materially pick up from current levels.

During the third quarter we continued to execute on our capital allocation policy and returned in excess of USD 31m (NOK 0.50 per share) to our shareholders through dividends. Since our final vessel delivery of Hunter Frigg in August 2020 we have paid total dividends of 1.50 NOK per share, or close to USD 100m.

Current charter coverage

Charter coverage	Q3 '21	Q4 '21	Q1 '22	Q2 '22
Hunter Freya	Spot			
Hunter Disen	TC		Spot	
Hunter Idun	TC		Spot	
Hunter Frigg	TC			Spot
% days covered	100%	94%	36%	0%
Avg dayrate covered (\$k/d)	21,000	26,600	29,000	-

Third quarter market review

Benchmark VLCC rates averaged around \$3,500¹ for the third quarter of 2021, continuing one of the most challenging periods in recent history for tanker owners. For modern scrubber fitted VLCCs, however, the quarter resulted in average rates of USD \$11,000¹ per day. The slight increase compared with the previous quarter reflects continued improvements in tanker market fundamentals. Although the recovery has been slower than previously anticipated, the fundamentals continue to move in the right direction.

Global oil demand increased by almost 2mbd from 96.7mbd on avg. during the second quarter to 98.6mbd during the third. September demand reached 99.2mbd, which is the highest figure seen since December 2019. The recovery in global oil demand continues to outpace expectations and is quickly approaching the 100mbd mark. For reference, monthly all time high global oil demand occurred in July 2019 at 102.5mbd. Global oil production averaged almost 2mbd lower than consumption at 96.8mbd during the quarter, still held back by OPEC+ cuts and over-compliance, leading to inventory draws of around 164 million barrels, or 1.8mbd. Inventories around the world are now well below their 5-year averages and pre-covid levels and declining, which warrants increased production and seaborne oil exports in the near future.

Positive signs emerged from the supply side of the equation towards the end of the quarter, with 4 VLCCs sent to the scrap yards in September alone. Compared with 6 VLCCs scrapped during the first six months of the year, this represents a significant uptick and bodes well going forward.

Market outlook

The positive developments seen during the latter part of the third quarter have continued into the fourth and we see numerous positive drivers for the tanker market going forward. We believe that the market trough is behind us, and that we are at the beginning of what may be a very interesting and lucrative period for owners of large modern eco design tankers.

First, the demand recovery continues at a strong pace and is expected reach 100mbd during the first quarter of 2022. EIA even expects oil demand of 102.4mbd in December next year.

Secondly, OPEC+ is steadily increasing production according to their stated schedule, and this is beginning to translate into meaningful increases in seaborne crude oil. According to FGE, seaborne crude oil increased by 1.1mbd to 37mbd during October, compared with pre-covid levels of around 41-42mbd. OPEC alone produced around 29.3mbd of oil in October, which is approx. 5mbd below their 2019 average. Political pressure on OPEC to increase production beyond the stated schedule, due to low inventories and high oil prices, has increased dramatically during the past month. Especially from the US and China. Although OPEC has stood their ground so far, this could mean increased production beyond the stated monthly 0.4mbd increase further down the line.

Thirdly, scrapping has picked up materially on the back of high steel prices and renewed talks between Iran and the west. So far in 2021, 14 VLCCs has been sent to the demolition yards, compared with only 4 each year for 2019 and 2020. We expect this trend to continue as the fleet is aging (avg. fleet age over 10 years) and 80-90 VLCCs, which are at or above the historical average scrapping age of 20 years, are clear scrapping candidates. Should talks between Iran and the west come to fruition, this should significantly increase scrapping which would more than offset the return of the Iranian tanker fleet.

Fourthly, the extraordinary natural gas prices experienced lately have prompted several power producers to shift from gas to oil. Estimates vary greatly, but many expect additional demand for oil of 0.5-1.5mbd for as long as gas prices stay elevated. Should the winter prove to be colder than usual, there could be additional upside to these estimates.

Finally, there are very few orders for new tankers, but plenty of orders for container and bulk vessels taking up yard capacity, and we expect this trend to continue until there is increased clarity in terms of future propulsion technologies. Coupled with very high steel prices and low rates, fleet growth should be limited for several years.

“We can not direct the wind, but we can adjust the sails.”

Condensed consolidated financial statements for 3Q 2021

Consolidated income statement

<i>(Unaudited figures in USD 1 000)</i>	Quarters			Year to date		Year
	3Q 2021	3Q 2020	Note	30.09.2021	30.09.2020	31.12.2020
Revenues						
Pool revenues	1 114	8 669		5 747	43 379	48 567
Time charter revenues	6 208	26 498		22 716	42 189	60 037
Other income	0	640		280	640	0
Net gain on sale of assets	0	0	5	2 567	0	2 492
Total Revenues	7 322	35 806		31 310	86 208	111 096
Operating expenses						
Vessel operating expenses	2 334	4 084		7 446	8 467	12 404
Voyage expenses and commissions	596	703	1	1 360	1 619	2 912
Depreciation and amortisation expense	3 246	5 292	6	10 506	11 141	16 325
General and administrative expenses	320	456	4	1 131	1 093	1 649
Total operating expenses	6 495	10 535		20 442	22 319	33 291
Operating profit (loss)	827	25 271		10 868	63 888	77 806
Net financial income (loss)¹	-2 539	-3 581		-7 611	-11 592	-14 723
Profit (loss) before taxes	-1 712	21 690		3 257	52 296	63 083
Tax on ordinary result	0	0		0	0	0
Net profit (loss)	-1 712	21 690		3 257	52 296	63 083
Earning per share	0,00	0,04		0,01	0,09	0,11
Earnings per share diluted	0,00	0,04		0,01	0,09	0,11
Other comprehensive income, items to be reclassified to profit & loss						
Translation differences	0	0		0	0	0
Comprehensive income for the period	-1 712	21 690		3 257	52 296	63 083
Total comprehensive income attributable to:						
Equity holders of the parent	-1 712	21 690		3 257	52 296	63 083
Total comprehensive income	-1 712	21 690		3 257	52 296	63 083

1) Includes USD 1.7m interest expense

Consolidated balance sheet

(Unaudited figures in USD 1 000)

	Note	30.09.2021	30.06.2021	30.09.2020	31.12.2020
NON-CURRENT ASSETS					
VLCC vessels	5, 6	335 741	338 962	597 190	427 249
Other tangible assets	6	343	145	304	210
Total tangible assets		336 084	339 107	597 495	427 459
TOTAL NON-CURRENT ASSETS		336 084	339 107	597 495	427 459
CURRENT ASSETS					
Trade and other receivables		9 198	8 542	8 016	5 416
Other short-term assets		4 033	7 113	3 745	1 539
Total current assets		13 232	15 655	11 760	6 956
Cash and cash equivalents		25 931	56 138	25 397	95 146
TOTAL CURRENT ASSETS		39 163	71 793	37 157	102 101
TOTAL ASSETS		375 247	410 900	634 652	529 560

Equity and Liabilities

EQUITY

Share capital (575 362 013 shares)	2	82 625	82 625	82 625	82 625
Own shares	2	-1 660	-1 660	0	-1 121
Share premium	2	14 835	46 695	115 065	113 364
Other equity		80 002	81 714	65 961	76 745
TOTAL EQUITY		175 802	209 374	263 651	271 614

LIABILITIES

Interest-bearing debt	6	183 682	186 563	345 215	237 954
Total non-current liabilities		183 682	186 563	345 215	237 954
Trade payables		1 424	556	3 066	2 124
Accrued public charges and indirect taxes		57	53	208	68
Current portion of interest-bearing debt		13 436	13 436	21 721	16 605
Other current liabilities		844	916	790	1 195
Total current liabilities		15 761	14 962	25 785	19 992
TOTAL LIABILITIES		199 444	201 524	371 000	257 946
TOTAL EQUITY AND LIABILITIES		375 247	410 900	634 652	529 560

Consolidated cash flow statement

<i>(Unaudited figures in USD 1 000)</i>	Quarters			Year to date		Year to date
	3Q 2021	3Q 2020	Note	30.09.2021	30.09.2020	31.12.2020
Profit (loss) before tax	-1 712	21 690		3 257	52 296	63 083
Depreciation	3 246	5 292	6	10 506	11 141	16 325
Gain on sale of VLCC	0	0	5	-2 567	0	-2 492
Financial income	-3	18		-105	-84	-270
Financial expenses	1 756	3 592	6	6 668	11 571	15 074
Change in working capital items	3 251	5 958		-8 084	-2 569	-876
Net cash flow from operating activities	6 538	36 550		9 675	72 355	90 844
Investments in VLCC newbuilds and PP & E	-223	-107 396	5, 6	-230	-274 369	-273 805
Sale of VLCC	0	0	5	84 500	0	168 400
Investments/sale of other financial investments	0	0		0	0	0
Net cash flow to investment activities	-223	-107 396		84 270	-274 369	-105 405
Interest received	3	-18		105	84	270
Interest paid	-1 756	-3 592	6	-6 668	-11 571	-14 050
New interest-bearing debt	0	82 743	6	0	186 510	254 348
Installment interest-bearing debt	-2 858	0	6	-57 371	0	-180 214
Installment leasing-debt (IFRS 16)	-22	-25		-69	-67	-93
Purchase of own shares	0	0	2	-1 267	0	-3 010
Dividend paid	-31 889	0	2	-97 888	0	0
Net cash flow from financing activities	-36 522	79 108		-163 158	174 956	57 252
Total net changes in cash flow	-30 207	8 262		-69 214	-27 058	42 690
Currency effect on cash	0	0		0	0	0
Cash and cash equivalents beginning of period	56 138	17 135		95 145	52 455	52 455
Cash and cash equivalents end of period	25 931	25 397		25 931	25 397	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 3Q YTD 2020				0	0	52 296	52 296
Other comprehensive income				0	0	0	0
Total comprehensive income 3Q YTD 2020				0	0	52 296	52 296
Option plan payment				151	0	0	151
Equity as of 30.09.2020		82 625	0	115 065	-2 289	68 249	263 652
Net profit 4Q 2020					0	10 787	10 787
Other comprehensive income					0	0	0
Total comprehensive 4Q 2020				0	0	10 787	10 787
Purchase of own shares			-1 121	-1 889	0	0	-3 010
Option plan payment				188	0	0	188
Equity as of 31.12.2020		82 625	-1 121	113 364	-2 289	79 034	271 614
Net profit 3Q YTD 2021				0	0	3 257	3 257
Other comprehensive income				0	0	0	0
Total comprehensive income 3Q YTD 2021				0	0	3 257	3 257
Dividend paid				-97 888	0	0	-97 888
Purchase of own shares			-539	-728	0	0	-1 267
Option plan payment				86	0	0	86
Equity as of 30.09.2021		82 625	-1 660	14 834	-2 289	82 291	175 802

Notes to the Hunter Group condensed consolidated financial statements for 3Q 2021

1. Accounting principles

These condensed interim financial statements of Hunter Group were authorized for issue by the Board of Directors on 24 November 2021.

The interim condensed consolidated financial statements for the three and nine months ending 30 September 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, on 5 February 2021, the Company purchased 517,000 own shares in the market at an average price of NOK 2.5106 per share and on 12 May 2021, the Company purchased 3,034,702 of its own shares at NOK 2.9998 per share.

The board of directors of Hunter Group ASA decided 12 July 2021 to distribute a dividend of NOK 0.50 per share (excluding treasury shares), based on authority granted by the general meeting held 3 June 2021. The distribution was conducted as a reduction of the Company’s share premium.

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	30.09.2021	31.12.2020
Purchased services in USD 1 000	54	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 54t as per 30.09.2021. 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. The contract was renewed for an additional 36 months as from 1 November 2021. 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 30 September 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	223	8	0	230
Sale of VLCC	-25	0	-81 075	-81 100
Cost at 30 September 2021	471	17	358 027	358 516
Accumulated depreciations at 30 September 2021	-133	-12	-22 286	-22 431
Book value at 30 September 2021	338	5	335 742	336 084

This period's depreciation	67	6	10 433	10 506
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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

The board

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