



# Investor Presentation

*November 2018*

# Forward Looking Statements

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CERTAIN STATEMENTS INCLUDED IN THIS DOCUMENT CONTAIN FORWARD-LOOKING STATEMENTS. FORWARD-LOOKING STATEMENTS INCLUDE STATEMENTS CONCERNING PLANS, OBJECTIVES, GOALS, STRATEGIES, FUTURE EVENTS OR PERFORMANCE, AND UNDERLYING ASSUMPTIONS AND OTHER STATEMENTS, WHICH ARE OTHER THAN STATEMENTS OF HISTORICAL FACTS. THE WORDS “BELIEVE,” “ANTICIPATE,” “INTENDS,” “ESTIMATE,” “FORECAST,” “PROJECT,” “PLAN,” “POTENTIAL,” “MAY,” “SHOULD,” “EXPECT” “PENDING” AND SIMILAR EXPRESSIONS IDENTIFY FORWARD-LOOKING STATEMENTS. THE FORWARD-LOOKING STATEMENTS IN THIS DOCUMENT ARE BASED UPON VARIOUS ASSUMPTIONS, MANY OF WHICH ARE BASED, IN TURN, UPON FURTHER ASSUMPTIONS, INCLUDING WITHOUT LIMITATION, MANAGEMENT’S EXAMINATION OF HISTORICAL OPERATING TRENDS, DATA CONTAINED IN HUNTER GROUP’S RECORDS AND OTHER DATA AVAILABLE FROM THIRD PARTIES. ALTHOUGH HUNTER GROUP BELIEVES THAT THESE ASSUMPTIONS WERE REASONABLE WHEN MADE, BECAUSE THESE ASSUMPTIONS ARE INHERENTLY SUBJECT TO SIGNIFICANT UNCERTAINTIES AND CONTINGENCIES WHICH ARE DIFFICULT OR IMPOSSIBLE TO PREDICT AND ARE BEYOND HUNTER GROUP’S CONTROL, YOU CANNOT BE ASSURED THAT HUNTER GROUP WILL ACHIEVE OR ACCOMPLISH THESE EXPECTATIONS, BELIEFS OR PROJECTIONS. THE INFORMATION SET FORTH HEREIN SPEAKS ONLY AS OF THE DATES SPECIFIED AND HUNTER GROUP UNDERTAKES NO DUTY TO UPDATE ANY FORWARD-LOOKING STATEMENT TO CONFORM THE STATEMENT TO ACTUAL RESULTS OR CHANGES IN EXPECTATIONS OR CIRCUMSTANCES. IMPORTANT FACTORS THAT, IN HUNTER GROUP’S VIEW, COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE DISCUSSED IN THE FORWARD-LOOKING STATEMENTS INCLUDE, WITHOUT LIMITATION: THE STRENGTH OF WORLD ECONOMIES AND CURRENCIES, GENERAL MARKET CONDITIONS, INCLUDING FLUCTUATIONS IN CHARTERHIRE RATES AND VESSEL VALUES, CHANGES IN DEMAND IN THE TANKER MARKET, INCLUDING BUT NOT LIMITED TO CHANGES IN OPEC’S PETROLEUM PRODUCTION LEVELS AND WORLD WIDE OIL CONSUMPTION AND STORAGE, CHANGES IN HUNTER GROUP’S OPERATING EXPENSES, INCLUDING BUNKER PRICES, DRYDOCKING AND INSURANCE COSTS, THE MARKET FOR HUNTER GROUP’S VESSELS, AVAILABILITY OF FINANCING AND REFINANCING, ABILITY TO COMPLY WITH COVENANTS IN SUCH FINANCING ARRANGEMENTS, FAILURE OF COUNTERPARTIES TO FULLY PERFORM THEIR CONTRACTS WITH US, CHANGES IN GOVERNMENTAL RULES AND REGULATIONS OR ACTIONS TAKEN BY REGULATORY AUTHORITIES, POTENTIAL LIABILITY FROM PENDING OR FUTURE LITIGATION, GENERAL DOMESTIC AND INTERNATIONAL POLITICAL CONDITIONS, POTENTIAL DISRUPTION OF SHIPPING ROUTES DUE TO ACCIDENTS OR POLITICAL EVENTS, VESSEL BREAKDOWNS, INSTANCES OF OFF-HIRE AND OTHER IMPORTANT FACTORS.

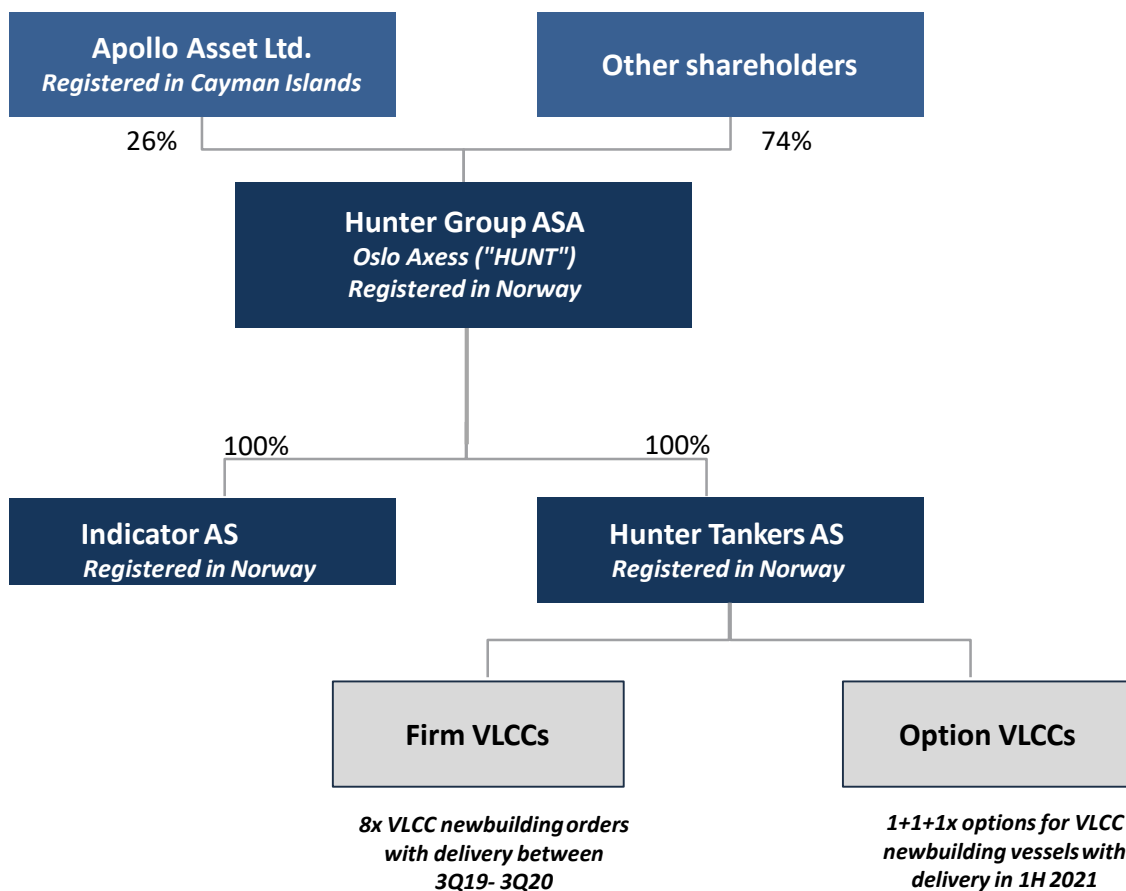
THIS PRESENTATION IS NOT AN OFFER TO PURCHASE OR SELL, OR A SOLICITATION OF AN OFFER TO PURCHASE OR SELL, ANY SECURITIES OR A SOLICITATION OF ANY VOTE OR APPROVAL.

# Agenda

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- 1. Hunter Group ASA**
2. Investment Case
3. IMO 2020
4. Financials
5. Q&A

# Hunter Group ASA – A publicly traded investment company



Top 10 Investors per 16/11-2018			
	Investor	Shares	Pct.
1	Apollo Asset Limited	100,123,237	26.01%
2	Songa Trading Inc.	30,230,501	7.85%
3	Sundt AS	24,767,537	6.43%
4	Fondsfinans Norge	10,000,000	2.60%
5	Swap Invest AS	9,647,000	2.51%
6	Deutsche Bank Aktiengesellschaft	9,457,962	2.46%
7	BNP Paribas Sec. Services	9,231,600	2.40%
8	Titan Opportunities Fund	8,178,029	2.12%
9	Norron SICAV - Target	7,430,470	1.93%
10	Halvorsens Fabrikk AS	7,082,169	1.84%
11	Verdipapirfondet DNB SMB	5,657,359	1.47%
12	INVESCO PERP EURAN SMLER FD	5,037,867	1.31%
13	Middelborg Invest AS	4,500,292	1.17%
14	Tigerstaden AS	4,136,774	1.07%
15	Verdipapirfondet Fondsfinans No	4,100,000	1.07%
16	Verdipapirfondet Delphi Norge	4,060,190	1.05%
17	DNB Luxembourg S.A.	3,532,613	0.92%
18	PESCARA INVEST	3,500,000	0.91%
19	Argentum Fondsinvesteringer AS	3,292,315	0.86%
20	The Bank of New York Mellon SA	3,063,606	0.80%
Top 20		257,029,521	66.78%
Total		384,908,013	100.00%

# Hunter Group ASA – Delivery schedule and installments

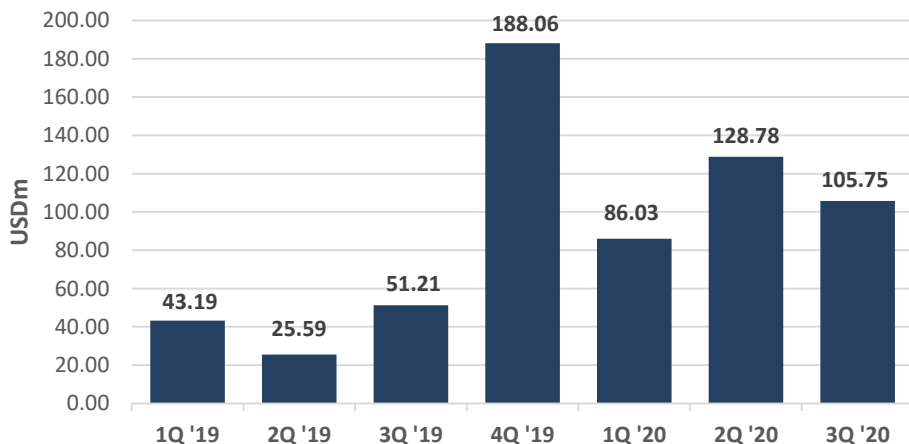
## Delivery schedule

H.No	Yard Price	Delivery	Status	2018		2019			2020			2021		
				Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
5455	82.5	Oct.'19	On order	■	■	■	■	■	■	■				
5456	82.5	Nov.'19	On order		■	■	■	■	■	■				
5457	82.5	Dec.'19	On order			■	■	■	■	■				
5460	82.8	Jan.'20	On order				■	■	■	■				
5465	82.8	Mar.'20	On order					■	■	■				
5466	82.8	May'20	On order						■	■				
5467	82.8	July'20	On order							■	■			
5470	July'20	On order	On order								■	■		
1st opt.	H1'21	Option	Option									■	■	
2nd opt.	H1'21	Option	Option										■	■
3rd opt.	H1'21	Option	Option											■

## Comments

- Vessels on firm order are expected to be delivered between Q4 2019 and Q3 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
- Adjusted cash position as of 30.9.2018 was NOK 718m, consisting of NOK 306m and USD 51,45m.
- As of 15.11.2018 Hunter Tankers has paid USD 59,76m in installments.

## Capex program



# Hunter Group ASA - 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	14.8knots
Cruising range	~31,700Nmiles
Energy saving device	DSMEduct
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 Suezcrew

## Tank capacity

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

## Main engine

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

## IMO Nox tier III application

Main engine	LPSCR
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 PSPC-WBT)
Cargo Tanks	2x Epoxy anti corrosive, 320 mic. (deckhead & tank bottom as per IMO PSPC-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 750m3/h
Inert gas system	1 x Flue gassystem
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

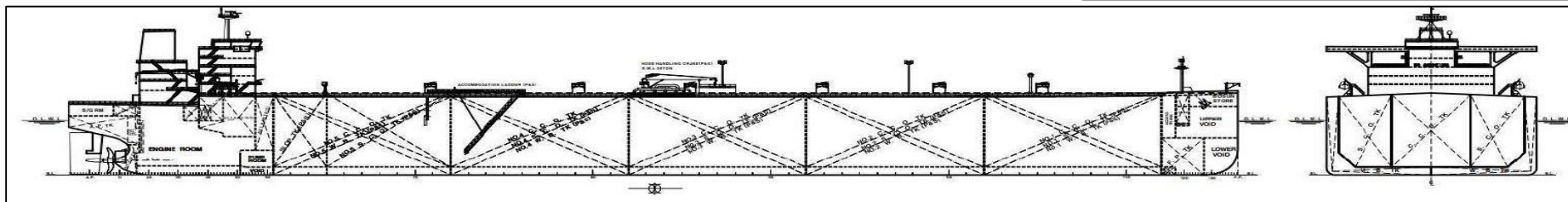
Steering	1 x El.-hyd., 2 ram-4 cyl. type
Deck machinery	El.-hyd. high pressure type
Provision crane	2 x El.-hyd., luffing jib type, 10.0 tons(SWL) for port side 3.0 tons (SWL) for stbd. side

## 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



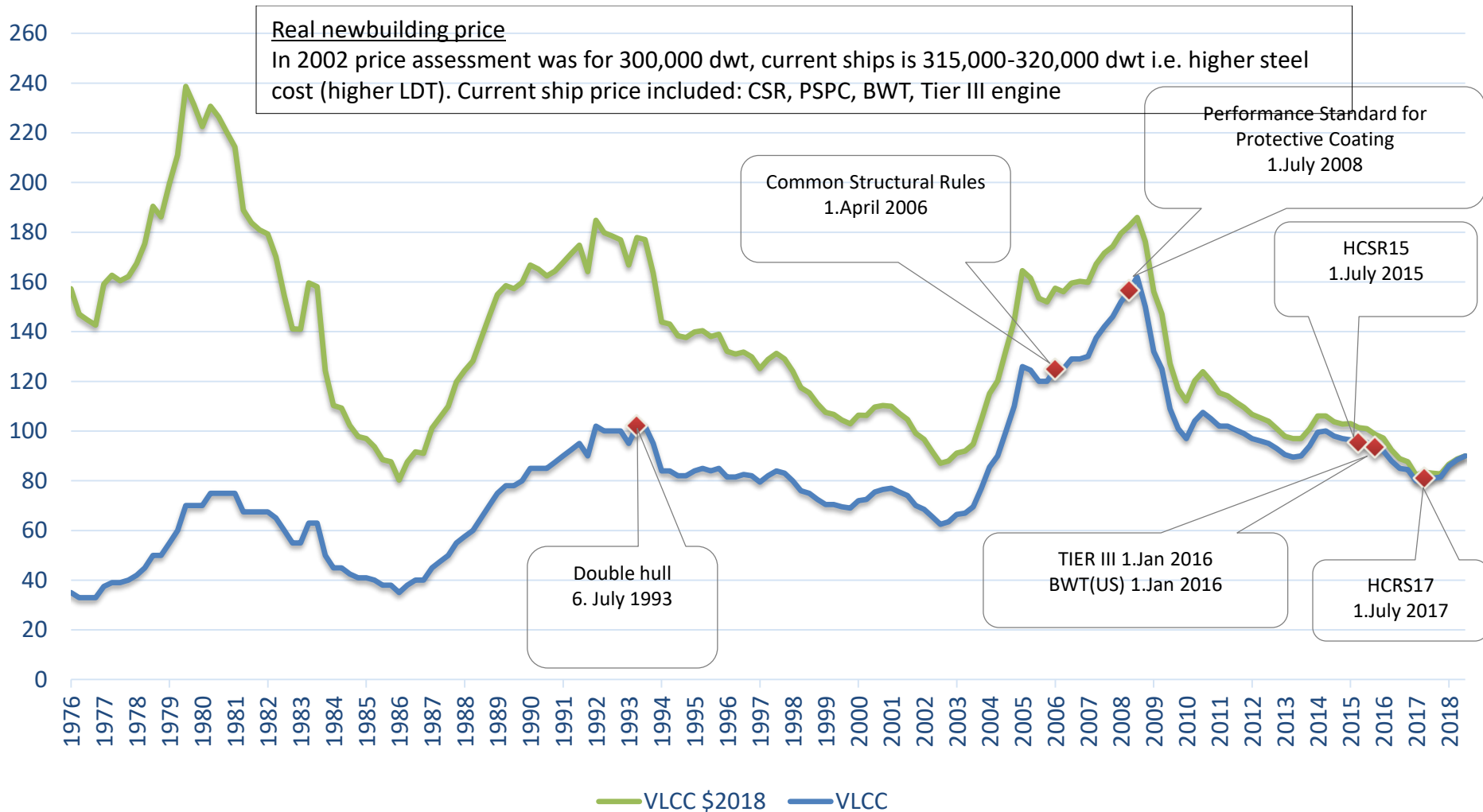
Source: DSME

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# Investment case – VLCC’s attractively priced historically...

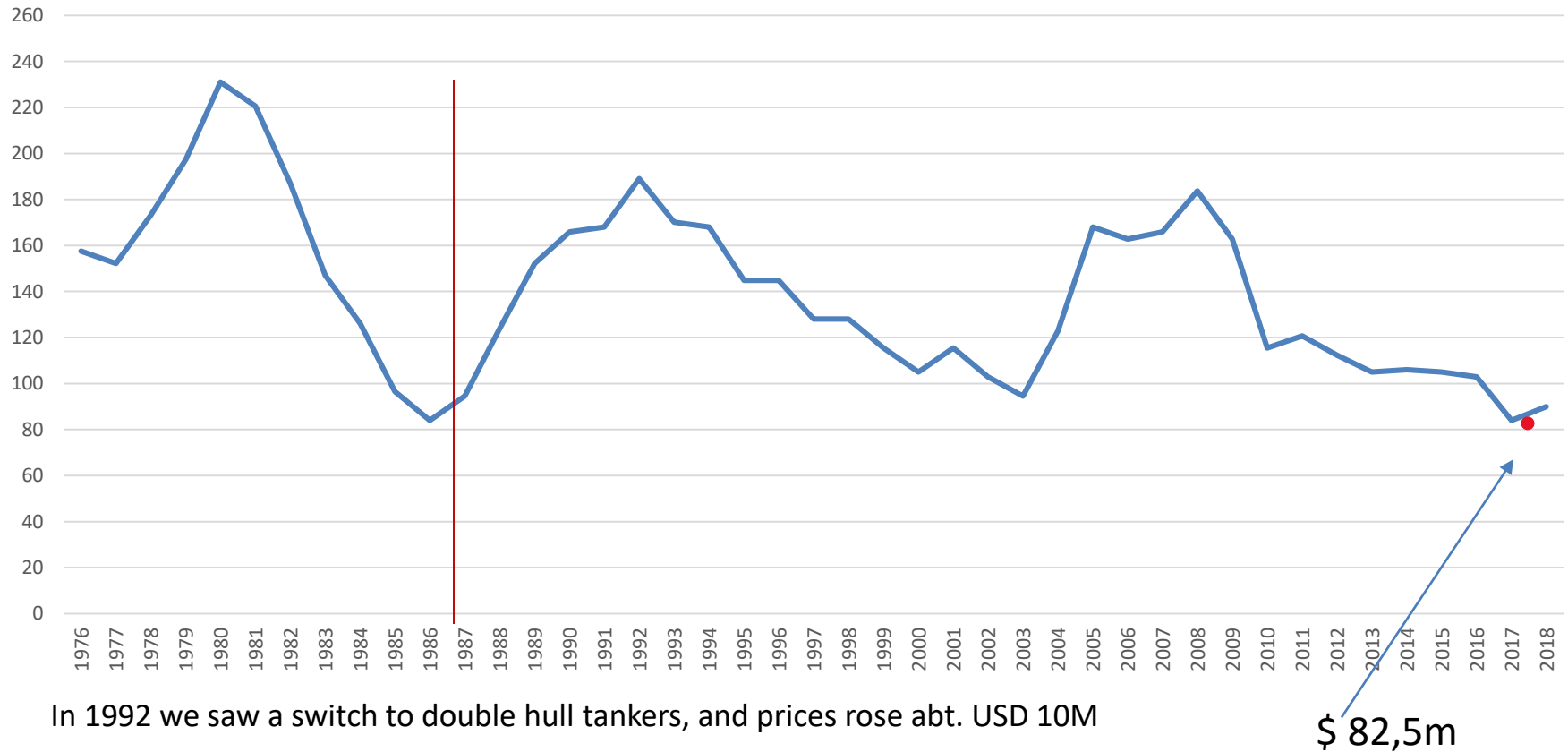


Source: Clarksons Platou



# Investment Case – Close to “all time low”

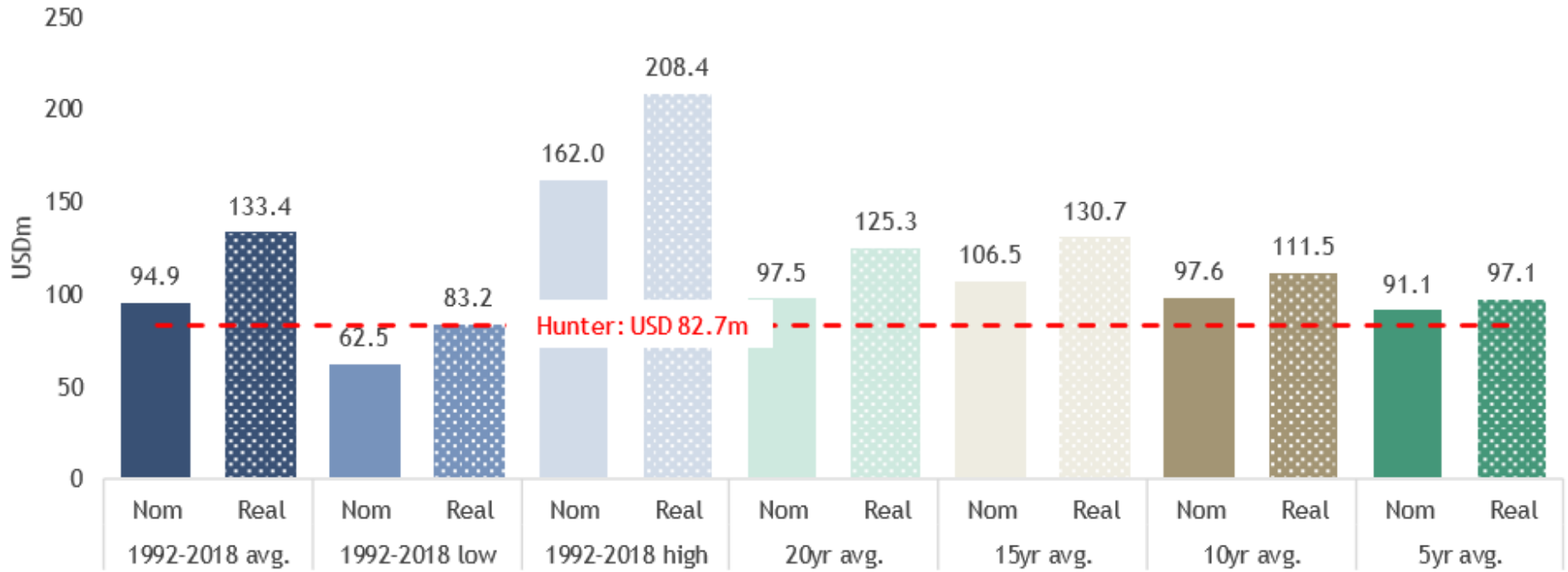
## Historical newbuilding prices adjusted for US CPI



Source: Clarkson, Company

# Investment Case – First 7 vessels purchased below “all time low”

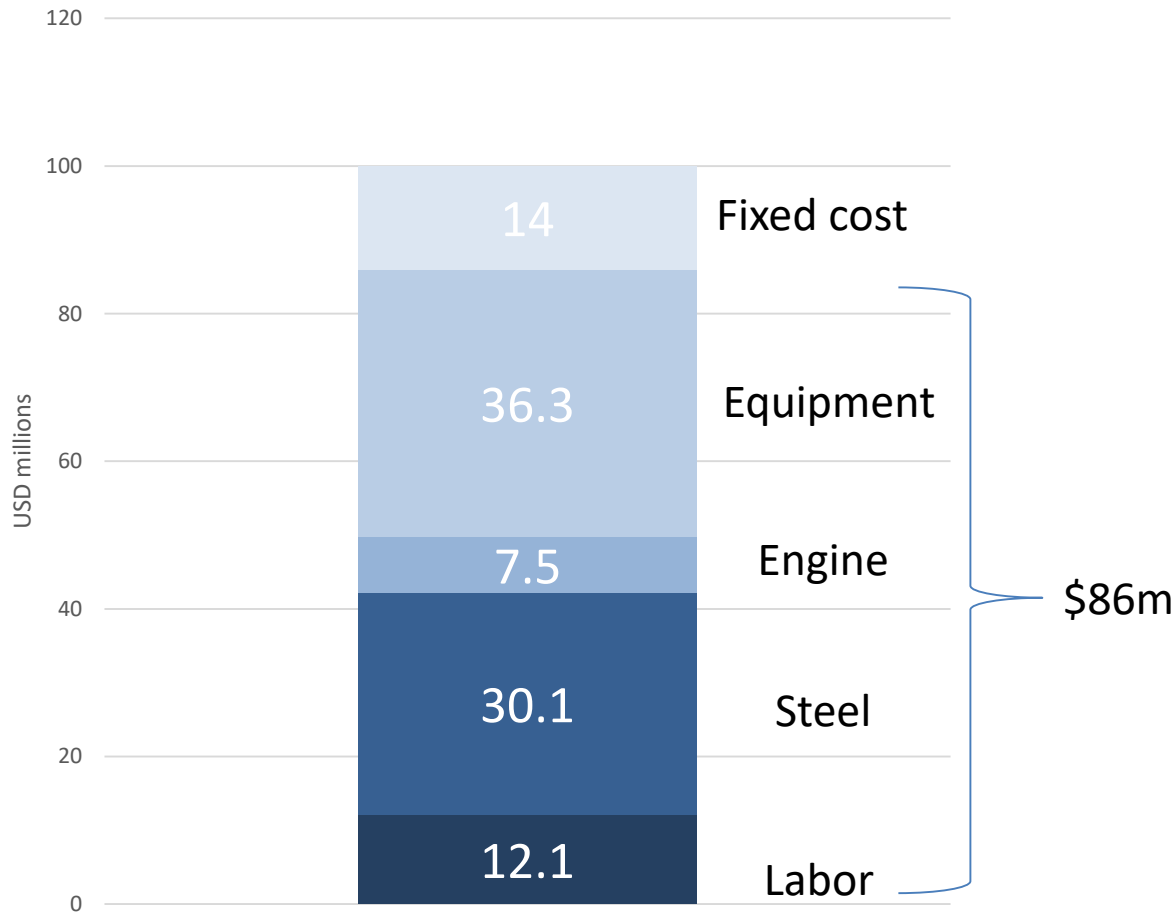
## Volatile?



Source: Artic Securities Research, Arctic Shipping, Company

# Investment Case – VLCC building cost is currently not covering fixed cost

## Estimated building cost for 2018 Eco VLCC at Korean yard

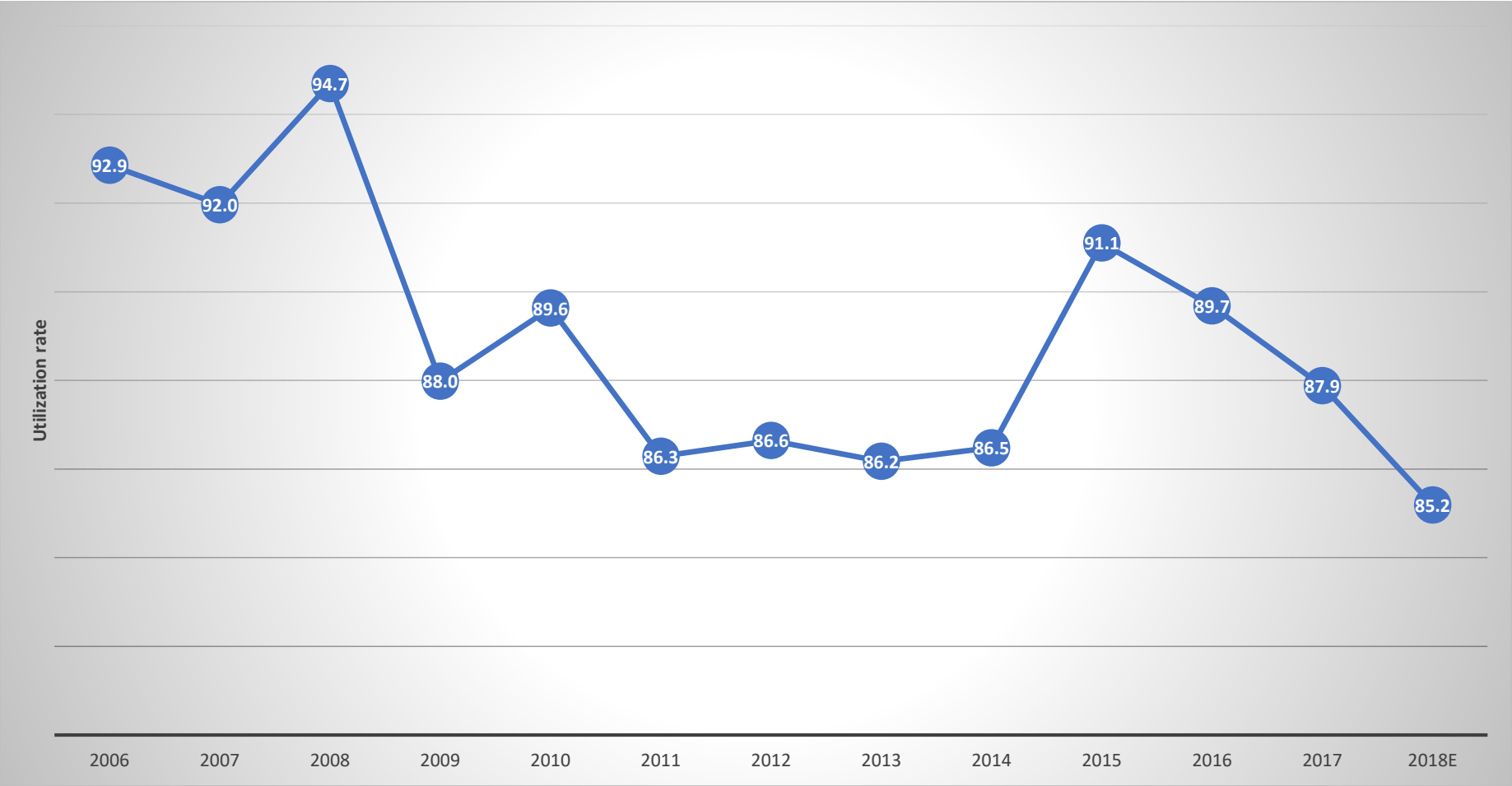


Assumptions	
Steel weight (tons)	44,440
Steel price (usd/ton)	640
Engine size (bhp)	43,000
Engine price (Tier III, USD/bhp)	173
Manhours	394,800
Hourly wage USD	30.80

Japan	107,0
China	93,1

Source: Clarksons Platou, Company

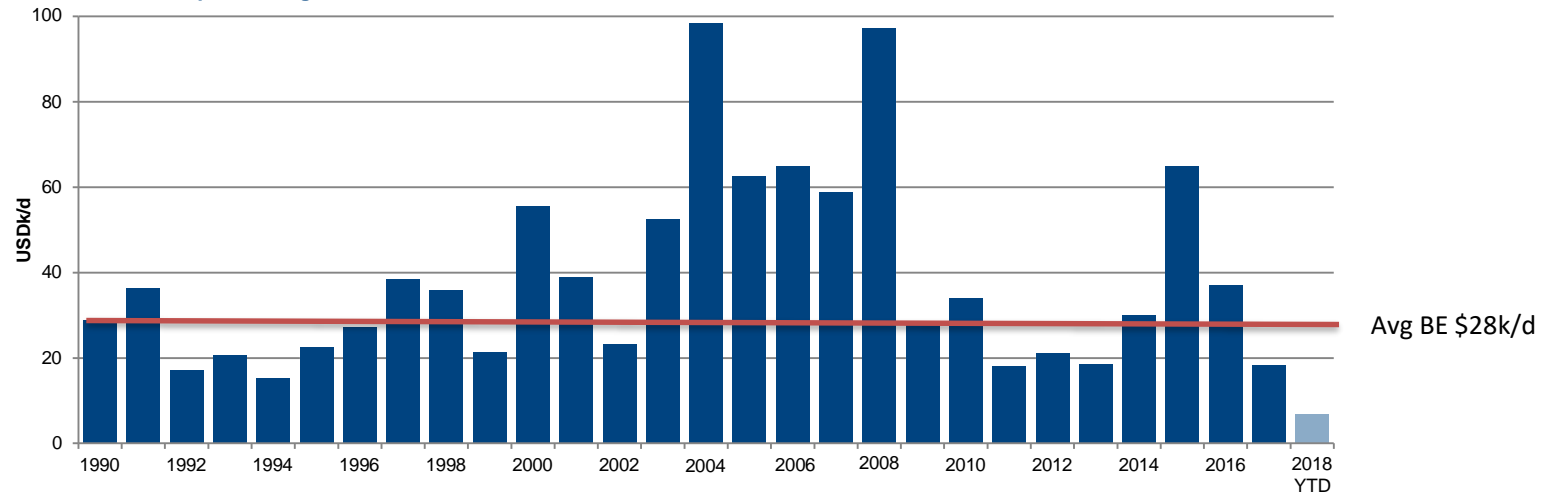
# Investment Case – So what about utilization?



Source: Clarksons Platou

# Investment case – should not come as a surprise that rates have been low too

Historical VLCC spot earnings



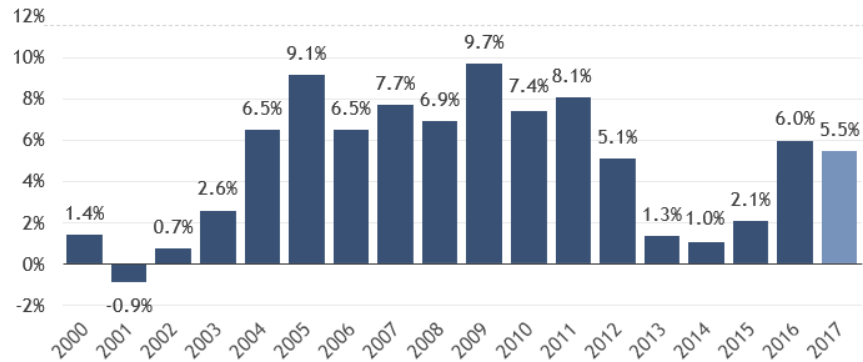
2018 – First nine months \$10,900/day

Source: Fearnley Securities

# Investment case: But why have rates been so low? 4 main reasons...

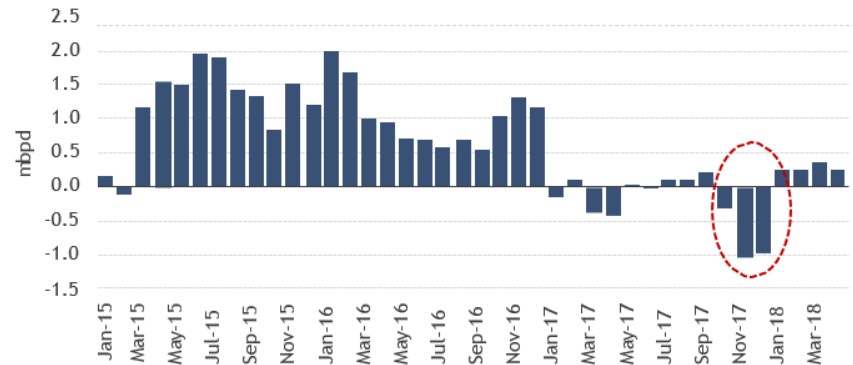
## High net fleet growth

1



## Low Opec production (Y-o-Y growth)

2



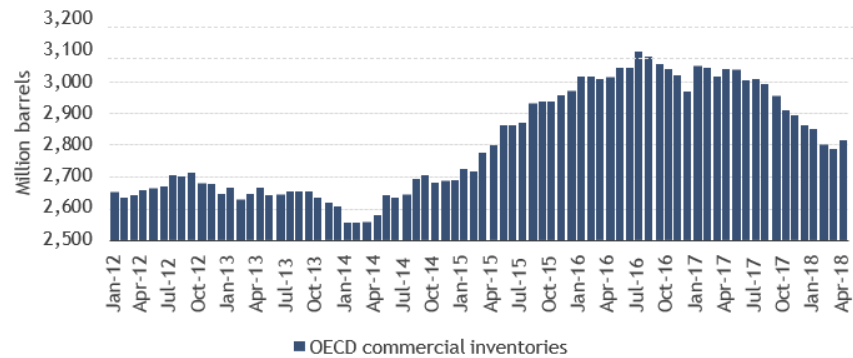
## Shift from contango to backwardation

3



## OECD inventory drawdown

4

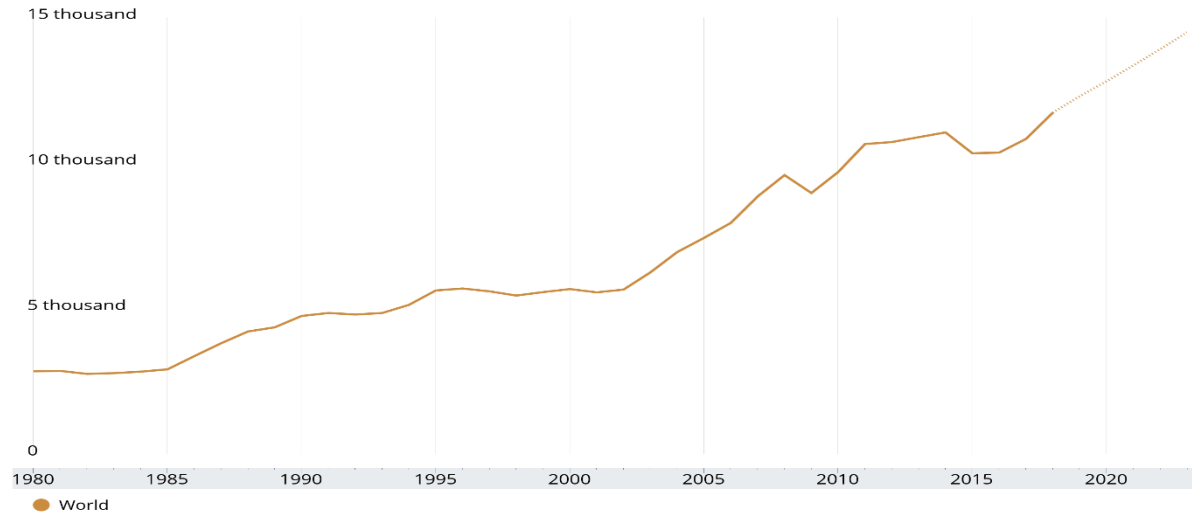


Source: Arctic Securities

# Investment case: But, Global GDP Growth remains strong

IMF DataMapper

GDP per capita, current prices (U.S. dollars per capita)



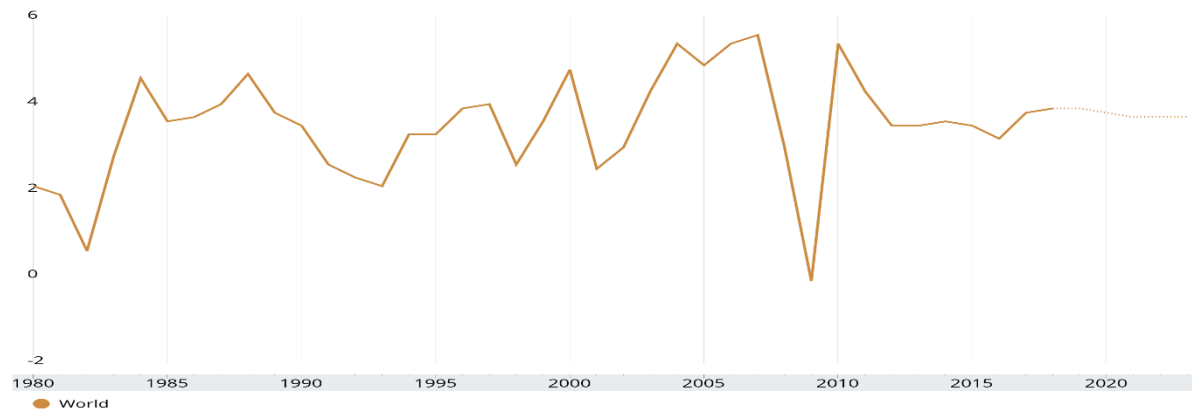
©IMF, 2018, Source: World Economic Outlook (April 2018)

## World GDP Growth %

2017	3.8
2018E	3.9
2019E	3.9
2020E	3.8
2021E	3.7
2022E	3.7
2023E	3.7

IMF DataMapper

Real GDP growth (Annual percent change)



©IMF, 2018, Source: World Economic Outlook (April 2018)

## Investment case: So, what about oil demand?

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### **2x rule of thumb for oil demand\*:**

1. 0% global GDP growth = 3.5% oil demand decline
2. Each percentage point GDP increase oil demand by 1.6x

*\* Based on data from the period 1975-2018e, Source SB1 Markets*

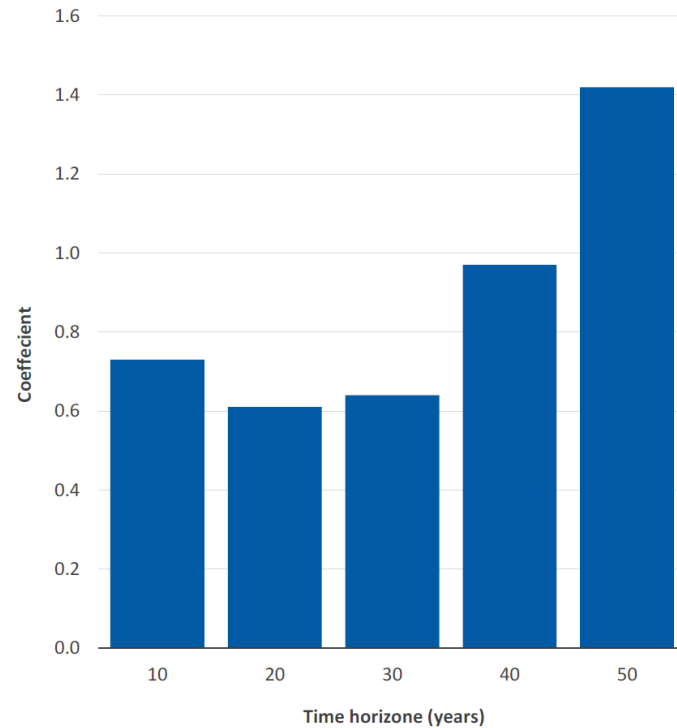


# Investment case: ...and consequently the demand for oil...

## Summary time horizon vs. coefficient and R2

Time horizon (yrs)	Coeff.	R2
10	0.73	0.84
20	0.61	0.52
30	0.64	0.50
40	0.97	0.53
50	1.42	0.44

**Equation:** Change oil demand = a + x(change GBP)

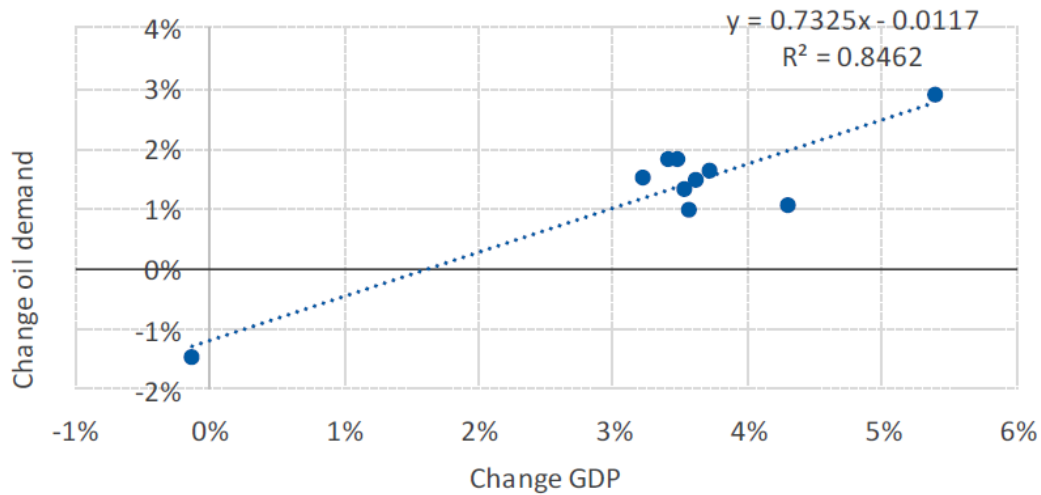


Source: Macrobond, SB1 Markets

Investment case:

## Oil demand vs. GDP (10 years)

### Oil demand vs. GDP, 10 years

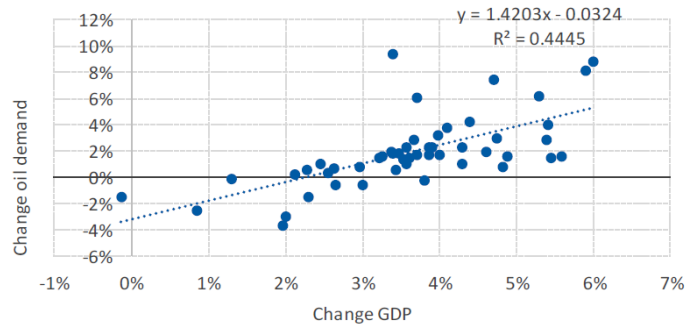


Source: Macrobond, SB1 Markets

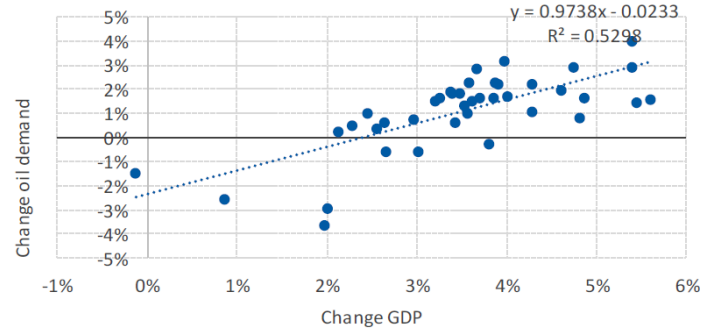
# Investment case:

## Oil demand vs. GDP (20-50 years)

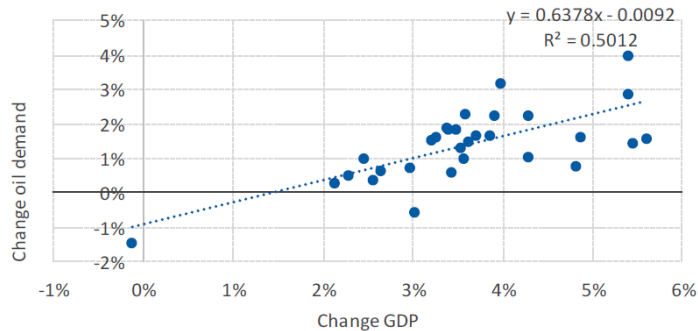
### Oil demand vs. GDP, 50 years



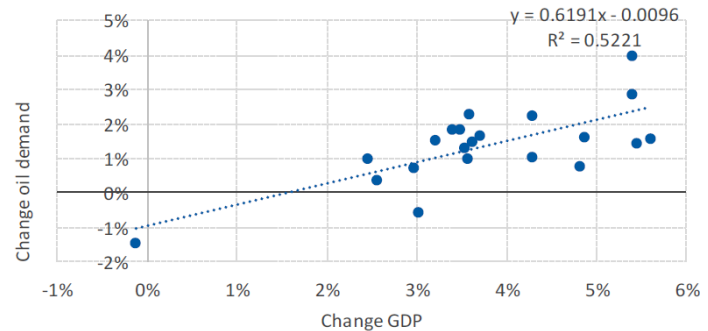
### Oil demand vs. GDP, 40 years



### Oil demand vs. GDP, 30 years



### Oil demand vs. GDP, 20 years

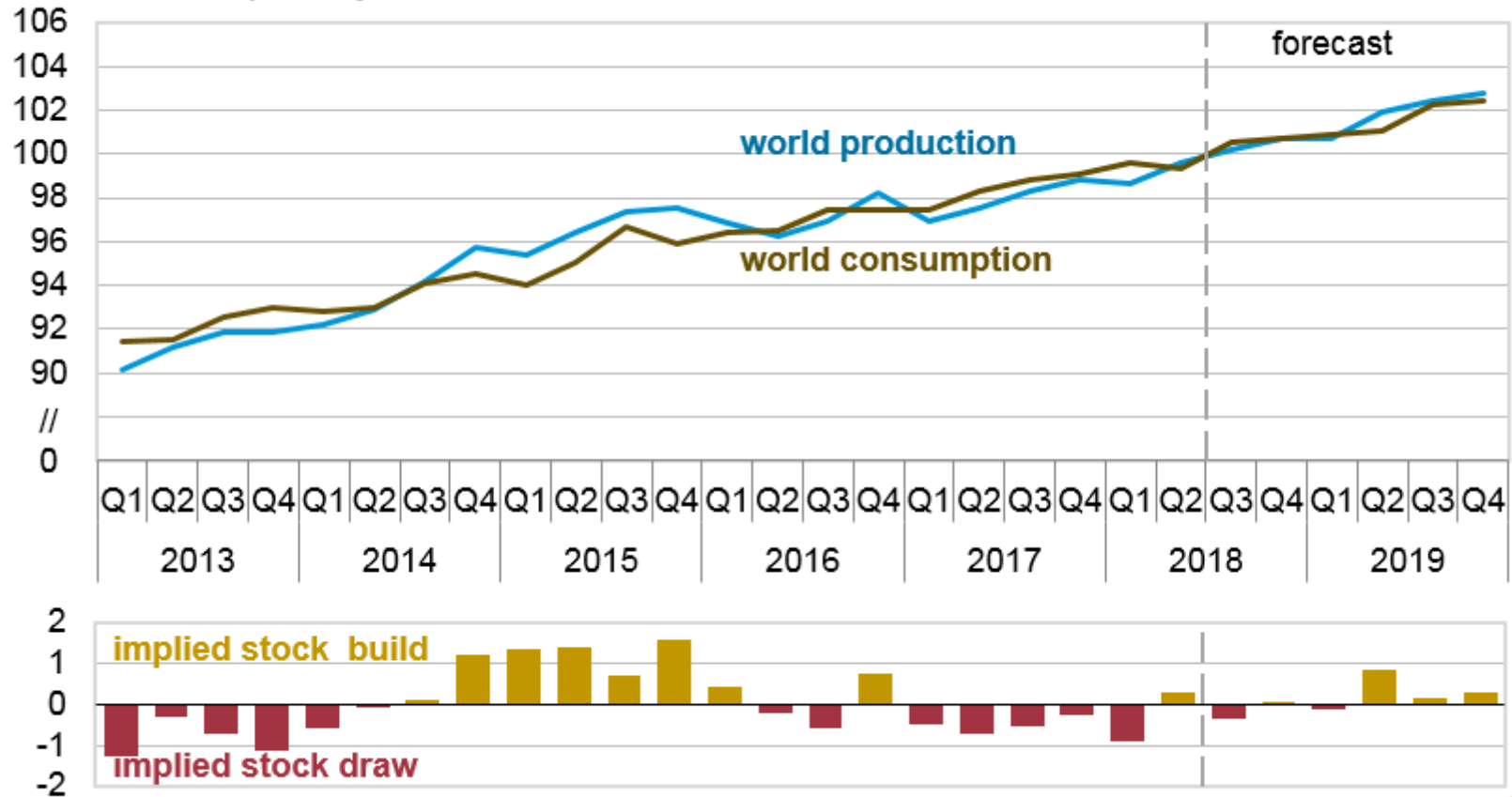


Source: Macrobond, SB1 Markets

# Investment case: ...and consequently the demand for oil...

## World liquid fuels production and consumption balance

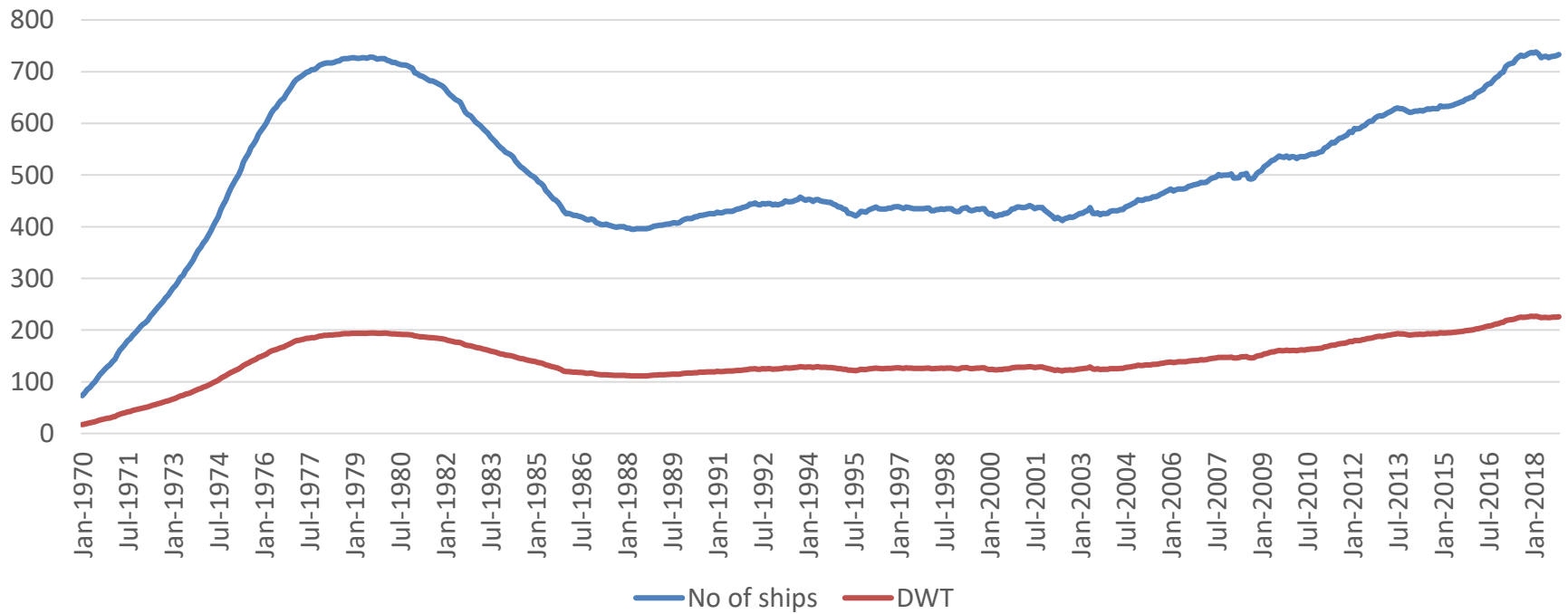
million barrels per day



Source: Short-Term Energy Outlook, August 2018



# Investment Case – VLCC fleet development (monthly 1970-2018 ships and mill dwt)



Source: Clarkson Platou

## Fleet Development VLCC

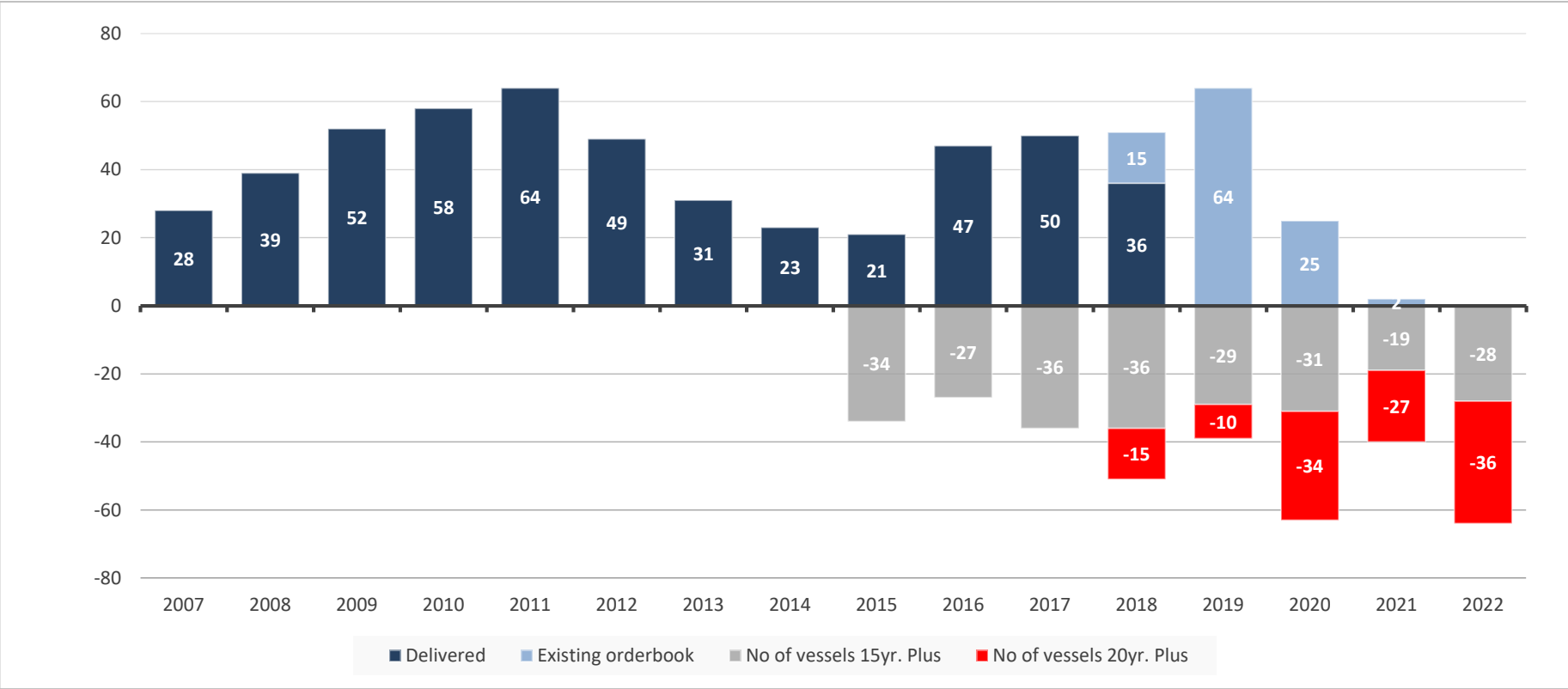


In Jan. 2020 abt. 162 VLCC's will be 15 years or older, or abt. 22% of the fleet. Charterers are more and more hesitant to use older vessels, and SPS's will be more costly due to poor maintenance, liquidity, installation of BWTS, IMO 2020, high scrap values (\$17m) etc.

Source: Fearnresearch, IEA

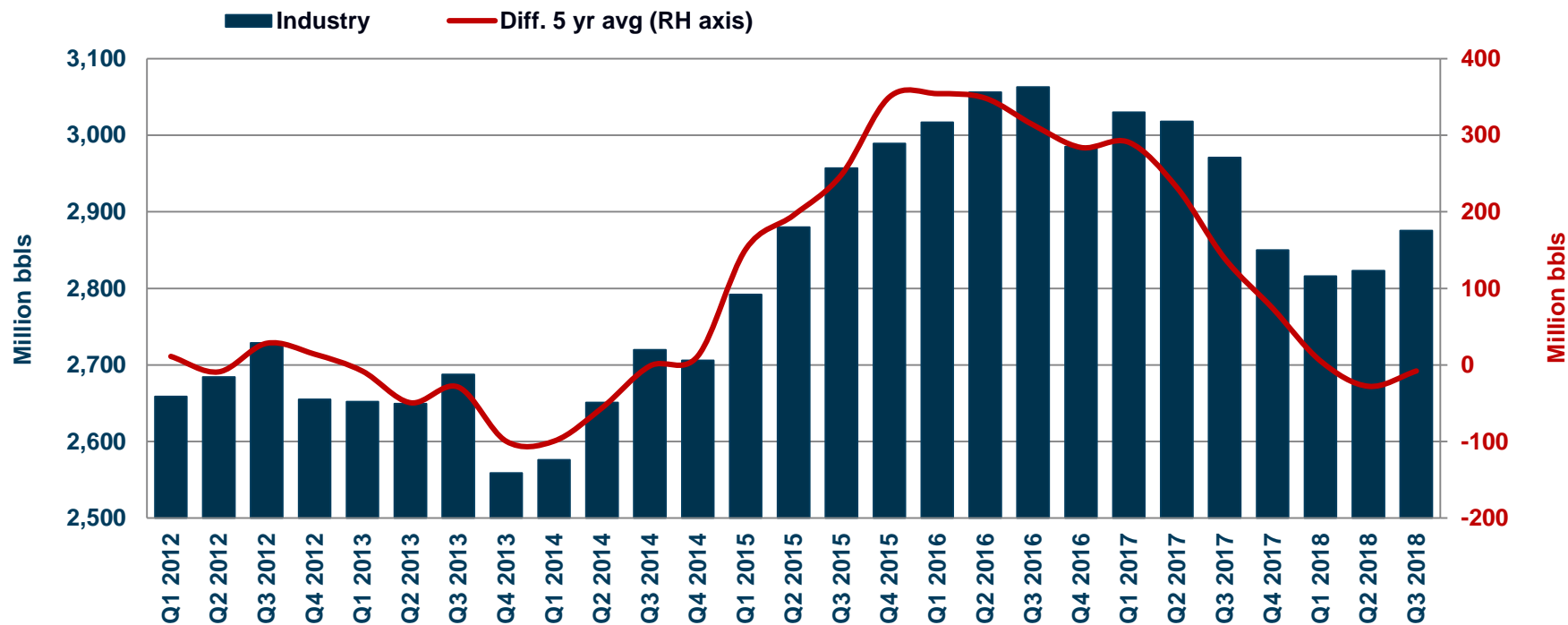
728

# Investment Case – VLCC Orderbook



Source: Fearnleys, Clarkson Platou

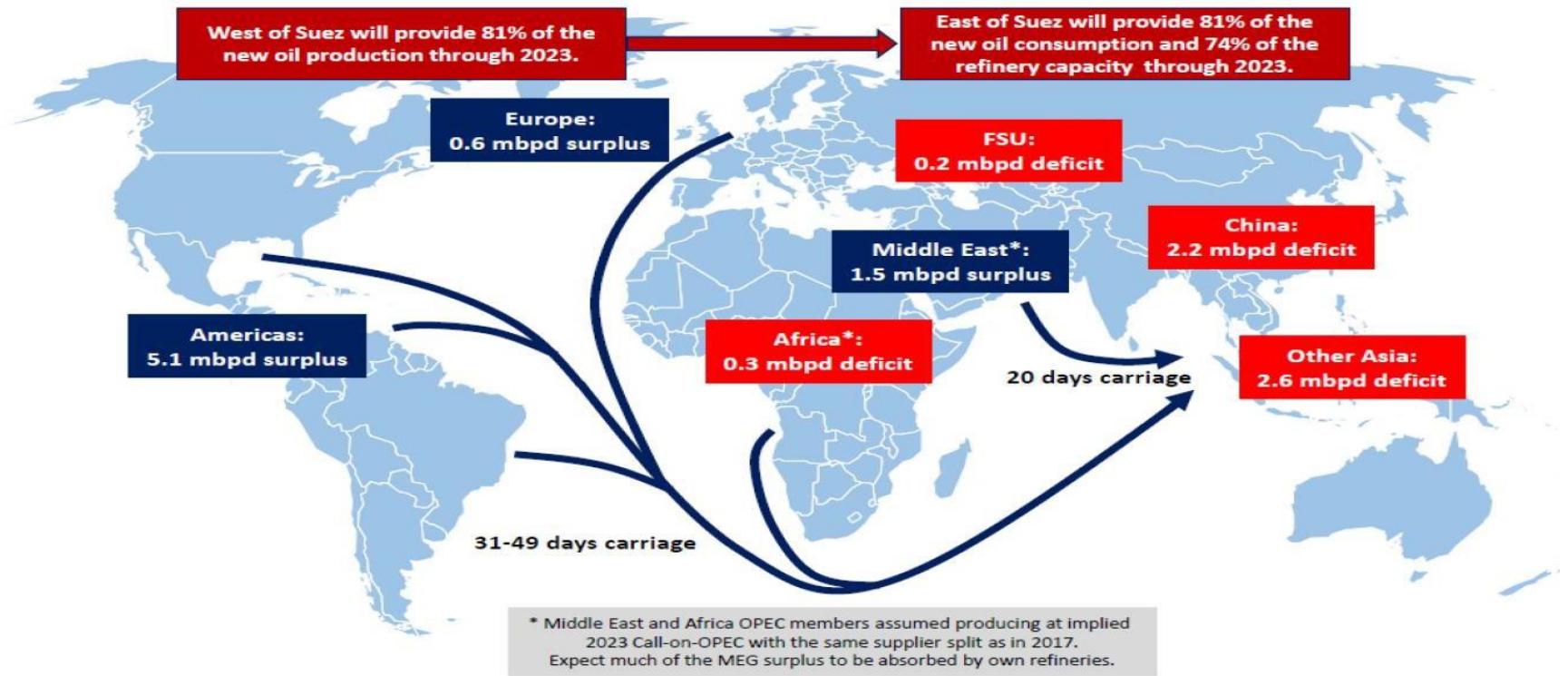
OECD industry stocks were end Q3 8 million bbls below the 5 year average = 59.9 days for consumption



Source: IEA. \*Total includes Industry and Government controlled stocks for OECD countries



## New oil production vs. New Oil Consumption 2023 vs. 2017

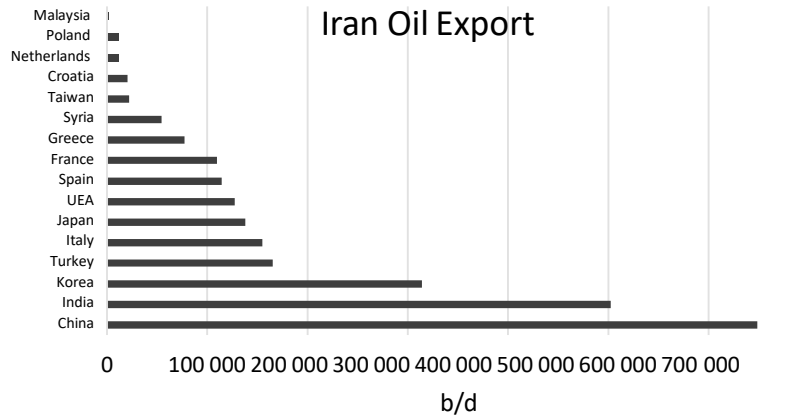


Ton mile estimates	
2019	4%
2020	5%

Source: Fearnresearch,, Clarksons Platous

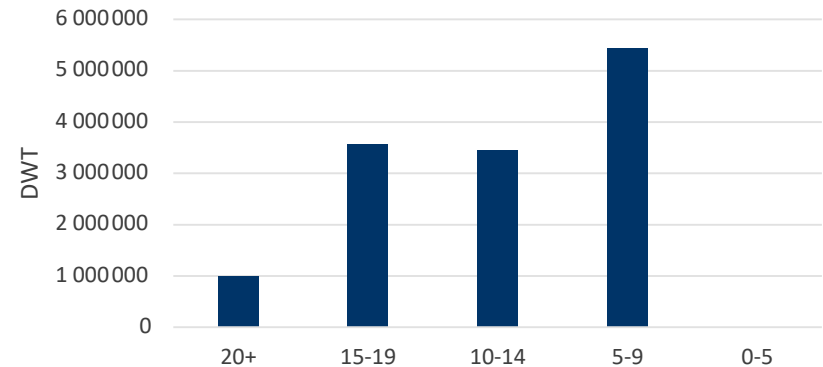
# Investment Case – So what about Iran sanctions and NITC...

- NITC has a fleet of 38 VLCC's or 5% of the total VLCC fleet.
- Iran exports about 1.6mmbd (2.5) of crude oil?
- President Donald Trump demands all countries to stop trading oil with Iran by 4<sup>th</sup> of November.
- Ghost ships with no GPS
- Last time Iran was sanctioned against, NITC put 25 VLCC's in "layup". Sept. 30<sup>th</sup> 10m barrels of oil on 6 VLCC's outside Kharg Island
- Replacing oil from Iran with oil from OPEC will require as many as 32 VLCC's.
- It is not unlikely that NITC will scrap 4-5 VLCC's and layup as many as 34 ships.



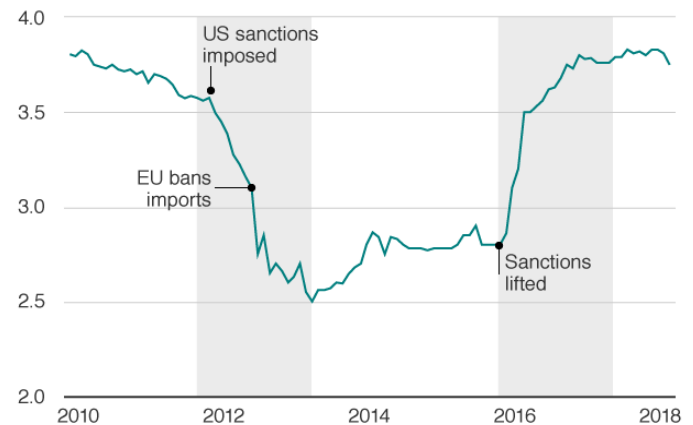
Source: L&S Research/ Central Bank of the Islamic Republic of Iran

NITC Fleet Age Profile



Iran's oil output

Production in millions of barrels per day



Source: Central Bank of the Islamic Republic of Iran, IATBXOIL index

BBC

# Investment Case – Back of the envelope Jan. 2020...playing with numbers

VLCC fleet today	728
Newbuildings	81
Scrapping (50% of 15+ yrs)	81
Iran vessels	38
<b>VLCC Fleet Jan. 2020</b>	<b>690</b>
Increased oil production	38
Scrubber fitting, red. Cap	20
4% Increase in ton miles	25
<b>Additional demand</b>	<b>83</b>
<b>VLCC demand Jan. 2020</b>	<b>701</b>
"Vessel shortage"	11
<b>Utilization</b>	<b>102%</b>

*Slow steaming*

*Floating storage*

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# IMO 2020– MARPOL

## MARPOL includes regulations aimed at preventing and minimizing, both accidental and operational, pollution from ships and currently includes six technical Annexes:

Annex I – Regulations for the Prevention of Pollution by Oil

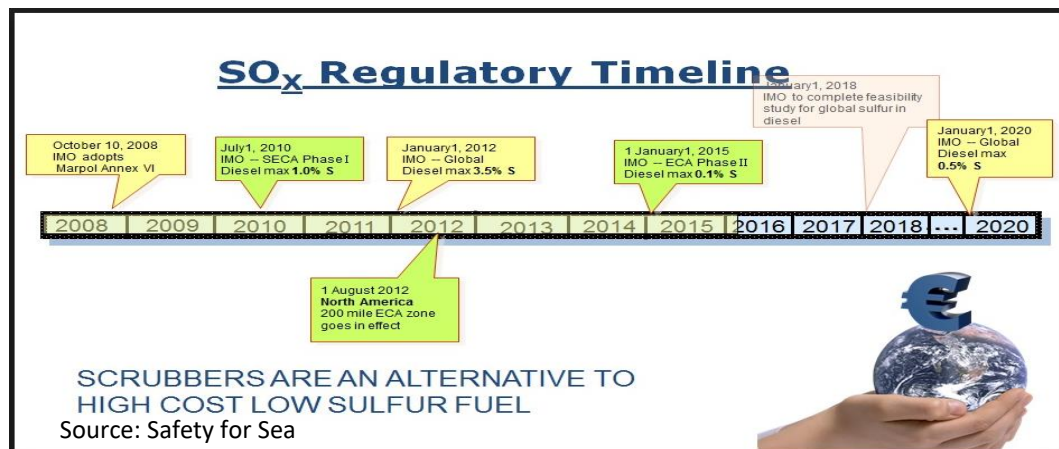
Annex II – Regulations for the Control of Pollution by Noxious Liquid Substances in Bulk

Annex III – Prevention of Pollution by Harmful Substances Carried by Sea in Packaged Form

Annex IV – Prevention of Pollution by Sewage from Ships

Annex V – Prevention of Pollution by Garbage from Ships

## Annex VI – Prevention of Air Pollution from Ships



## Comments

- On October 27, 2016, IMO decided to move forward with the implementation of IMO 2020 (MARPOL Annex VI) from January 2020 as scheduled.
- **Basically IMO 2020 has set a global limit for Sulphur in fuel oil used on board ships of 0,5% mm (mass by mass) from 1 January 2020.**
- Average fuel used today has 2.45% sulfur (2015)
- Shipping is responsible for 4-9% of sulfur emissions, which can be linked to pulmonary diseases.
- Worldwide mortality cases attributable to ship pollution is estimated to 60,000/yr (Corbett et al. 2007)

# IMO 2020 - MARPOL Annex VI – How to Comply...

## Install a scrubber

- Can continue to run on 3,5%S HFO bunker fuel
  - Possible to retrofit
  - Price/Availability (lead time for delivery)
  - Uncertainty about quality

## Run on compliant fuels (MGO or LSFO)

- 0,5% sulfur fuels on open seas and 0,1% in Emission Control Areas (ECA)
- Uncertainty of availability and quality

## Invest in Dual Fuel Engines (LNG or liquid fuels)

- Expensive and LNG bunker is not commonly available
  - LNG makes up around 2.5% of marine fuel consumption, and is not meaningful in a 2020 perspective.

## Scrap the “thirsty old ladies”/ find alternative use

## Comments

3 (4) types of Scrubber solutions

- Open Loop – in the ocean
- Closed Loop – stored on board
- Hybrid – Can do both
- “Scrubber ready”

*Sulphate is a naturally occurring constituent of seawater. The large amount of sulphate in seawater is derived from volcanic activities and degassing at the seafloor. Further, sulphates reach the oceans via river flows, but the concentration in open seawater remains constant at around 2.65 g/l [8] or about 20kg of Sulphur per ton of seawater. Studies [1] and in field testing [4] confirm that the sulphate increase from exhaust gas scrubbing will be insignificant when compared with the quantity already in the oceans.*

*An analogy that has been used is **if all the Sulphur in the world's oceans were to be removed, it would form a layer around the earth about 1.7M thick. All the Sulphur in all the known oil reserves would add only another 10 micron to this layer. (10 microns = 0,01 millimeters)** – EGCSA*

# IMO 2020 – Where are we?

## Shipowners

- Still some resistance, but gathering momentum behind the view that IMO's sulphur cap also presents an opportunity
- Some still seem to be in "denial"
- Do not see it as their responsibility
- Believe they can pass the cost on to the end users

## Refineries

- Unprepared, but trying to come up with solutions
- Long lead time (3-5 yrs.)
- Huge investments \$B- not supported by fwd. curve
- Uncertainty regarding available crude qualities
  - Houston Marine Fuel Contamination (Fuel pump seizures and failures)

## Scrubbers

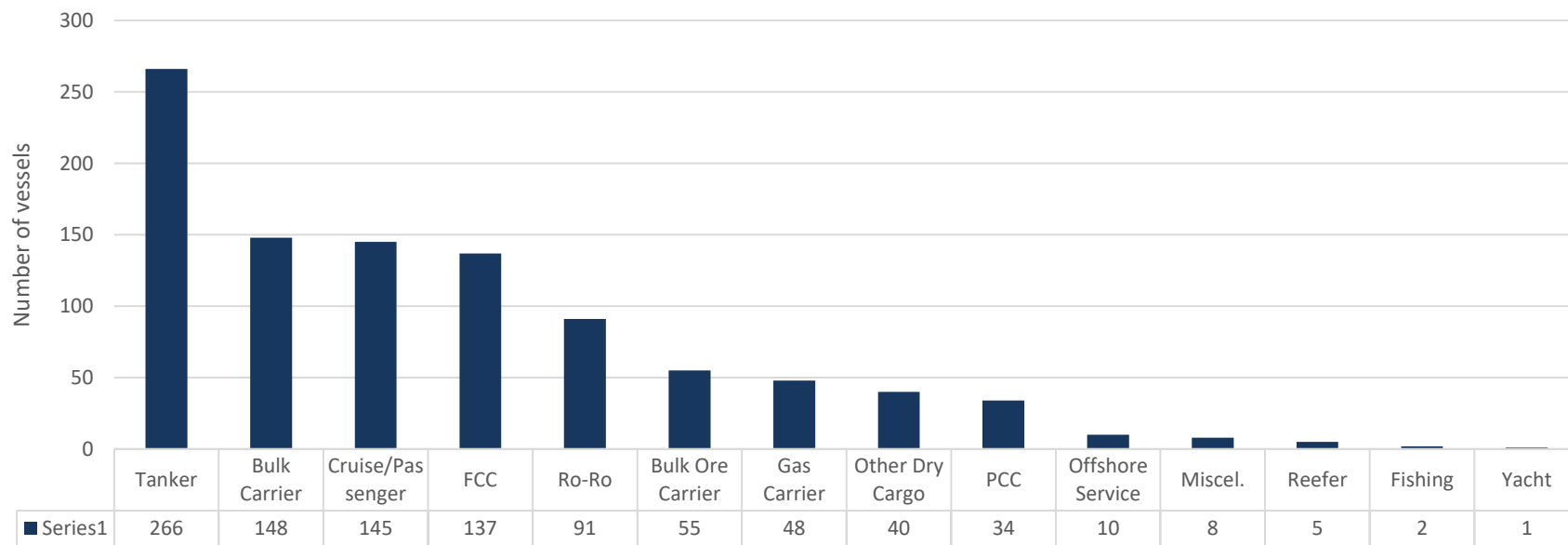
- Short payback for the larger vessels (0,6 yrs. for a VLCC)
- Positive reputational effect (green)
  - Charterers increasingly interested in securing scrubber fitted vessels on long TC's

## Comments

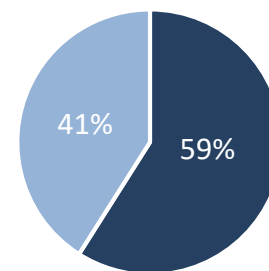
Oil companies and Traders have recently been in the market to secure long term TC's or ordered newbuildings with Scrubbers

- BP
- Exxon
- Koch
- Total
- Shell
- Vitol
- Trafigura
- S-oil

# IMO 2020 – Scrubber orders



- Out of a total fleet of more than 70,000 ships only 1-2% will have scrubbers in 2020
- Estimates indicate 1,000 – 2,000 vessels will be fitted with scrubbers globally in 2020 (1,100 existing/on order?)
- 97%+ will be forced to run on compliant fuels (220 VLCC's or 30%?)



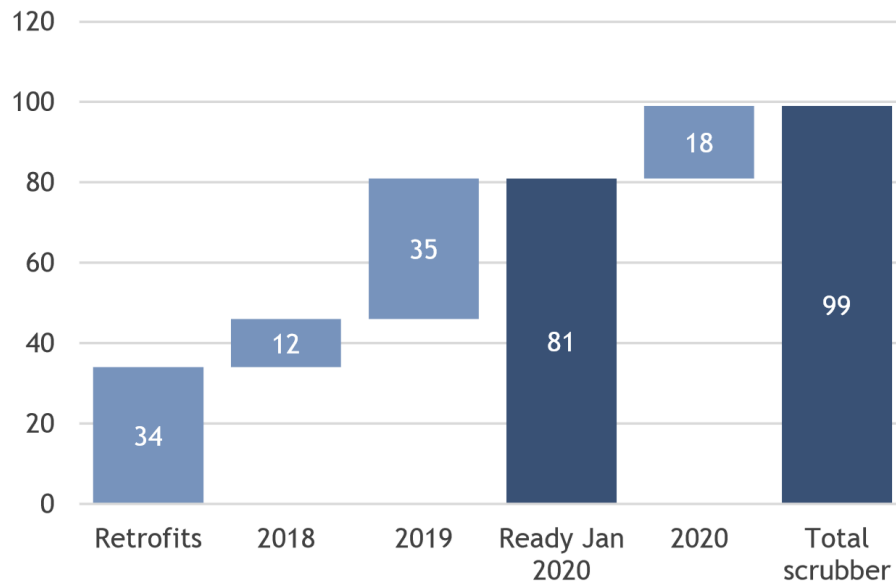
Source: Clarksons Platou

■ Newbuild ■ Retrofit

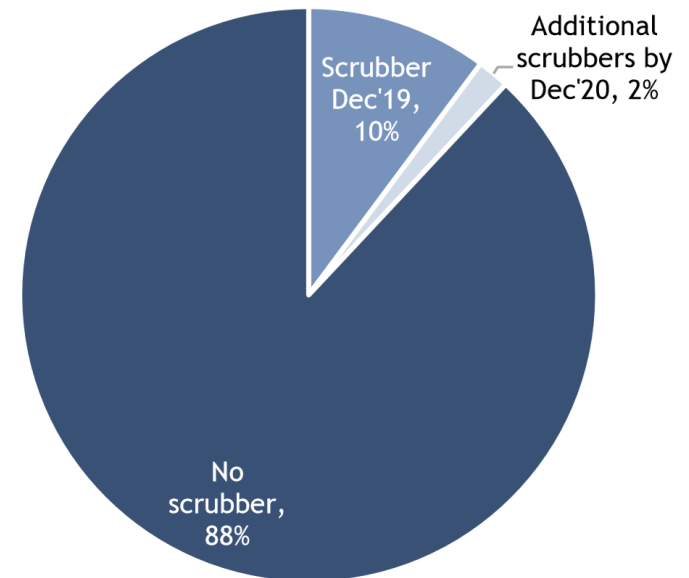


# IMO 2020 – Scrubber orders

## Scrubber overview



## Scrubber penetration



Of the 99x vessels planned to have scrubbers installed, 81x will be sailing before the implementation date in 2020

Source: Arctic Securities Research, Arctic Shipping

# IMO 2020 – What about the fuel spread?

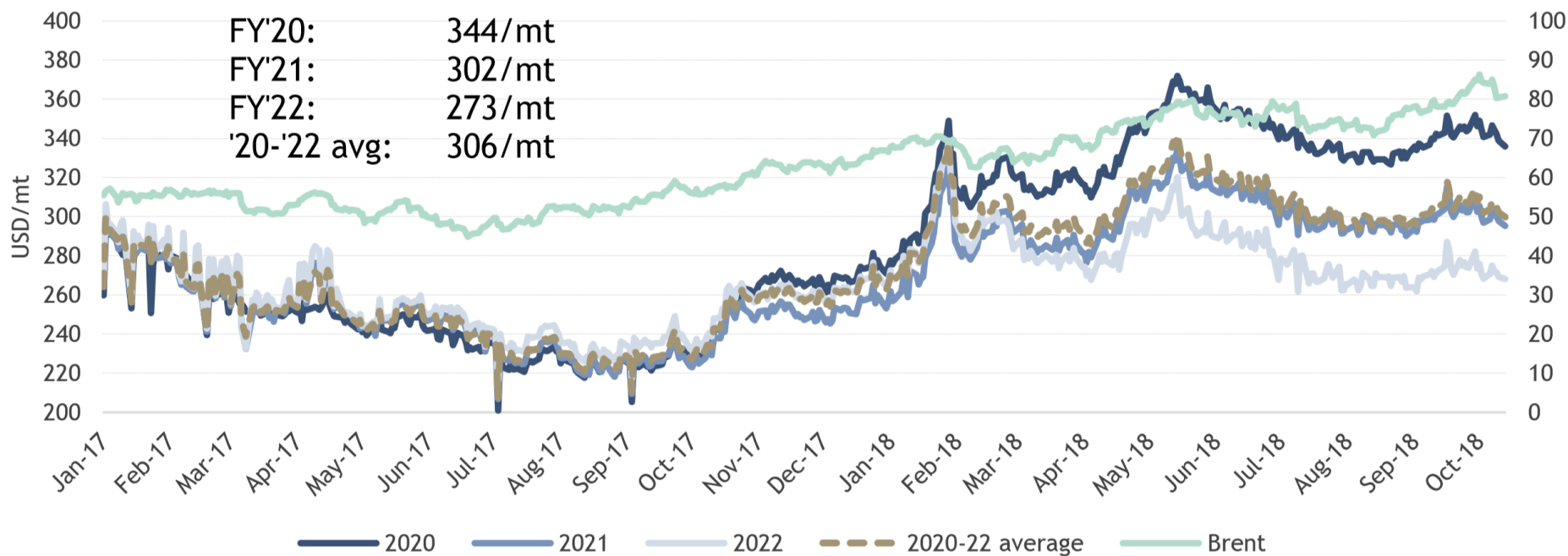


Source: Arctic Securities Research, Bloomberg

# IMO 2020 – What about the fuel spread?

## 2020 spread development

Spread widening in H2/17, moving in tandem with oil prices



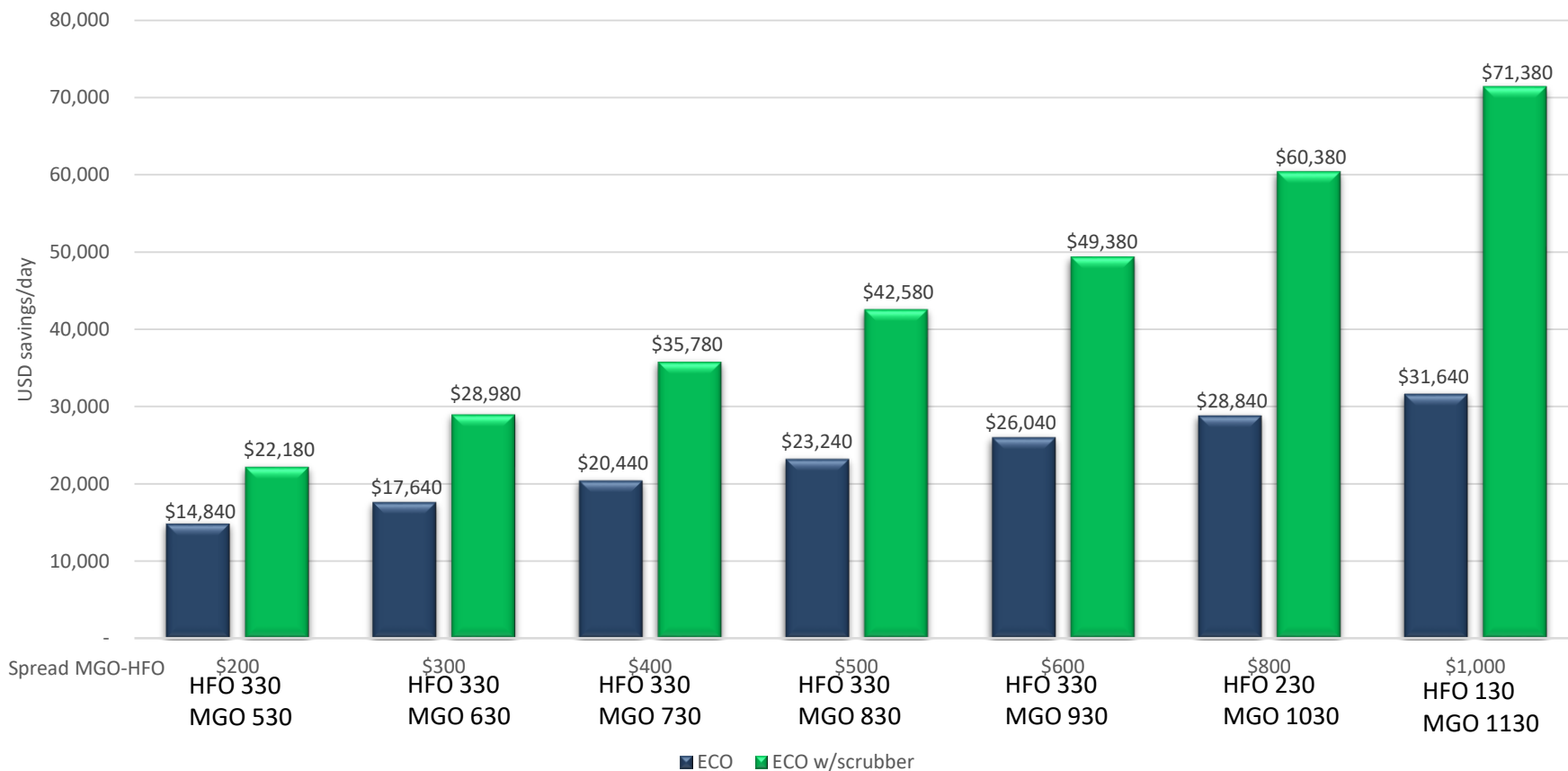
Source: Arctic Securities Research, Bloomberg

## A three (four) tier market?

- Non Eco vessels – High fuel consumption and forced to run on MGO/LSFO
- Non Eco vessels with scrubbers – High fuel consumption, but able to run on HFO.
- Eco Vessels – Lower fuel consumption than Non Eco vessels, but still forced to run on MGO/LSFO
- Eco with scrubbers – Lower fuel consumption than Non Eco vessels, and able to run on HFO.

# IMO 2020 – Potential Fuel Savings/ship/day vs. Non-Eco

## Fuel savings Eco w/scrubber vs. Eco vs. Non-Eco

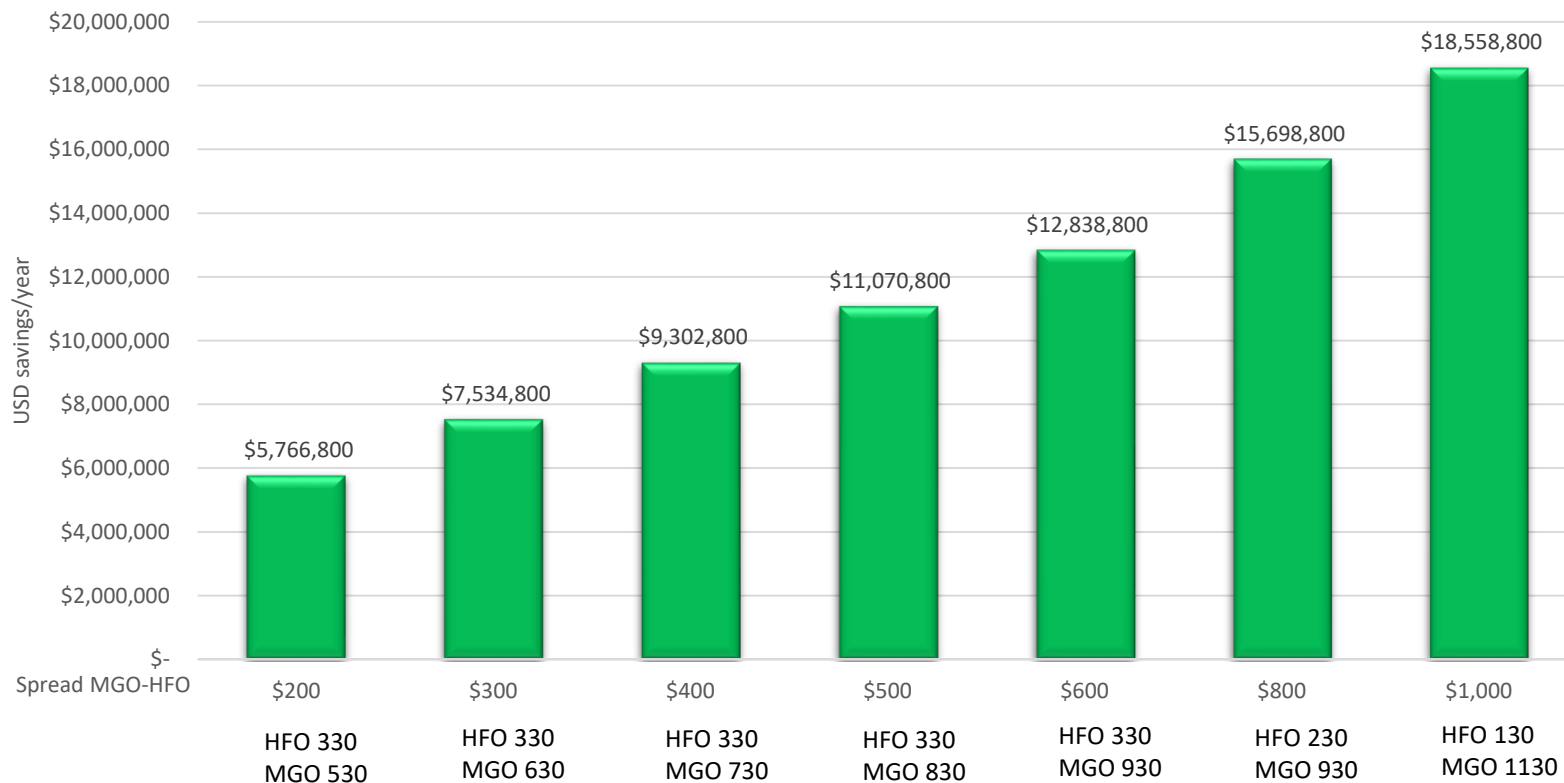


### Assumptions:

	Laden	Ballast	50/50
260 Trading Days 13 knots			
ECO	48	32	40
ECO w/scrubber	50	35	42
2010 Korean VLCC Non Eco	77	59	68

# IMO 2020 – Potential Fuel savings ship/yr. vs. Non-Eco

## Annual Fuel Savings Eco w/scrubber vs. Non Eco



**Assumptions:**

	260 Trading days 13 kts.	Laden	Ballast	50/50
ECO w/scrubber (HFO)		50	34	42
2010 Korean VLCC Non Eco		77	59	68

# Agenda

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1. Hunter Group ASA
2. Investment Case
3. IMO 2020
- 4. Financials**
5. Q&A

## Financials – Financial highlights Q3

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- Net Profit from continuing operations came in at NOK 5.2m in Q3 2018
- Total operating expenses from continuing operations was NOK 1.6m.
- Adjusted Cash position as of 30.9.2018 was NOK 717,9m consisting of NOK 306m and USD 51,45m



# Financials – Income Statement Q3

## Consolidated income statement

	Quarters			Year to date		
	Q3 2018	Q3 2017	Note	30.09.2018	30.09.2017	31.12.2017
<i>(Unaudited figures in NOK 1 000)</i>						
<i>Continuing operations</i>						
<b>Revenues</b>						
Revenues	0	128		0	128	91
<b>Total Revenues</b>	<b>0</b>	<b>128</b>		<b>0</b>	<b>128</b>	<b>91</b>
<b>Operating expenses</b>						
Raw materials and consumables	0	333		0	-410	-744
Payroll expenses	996	148		2926	5 969	8 871
Depreciation and amortisation expense	0	15		0	22	22
Net write-down intangible assets and capitalized grants	0	0	3	0	69 374	69 374
Other operating expenses	1 632	4 112	4, 9	15 432	13 736	17 660
Capitalised development cost	0	0		0	-1 915	-1 915
<b>Total operating expenses</b>	<b>2 628</b>	<b>4 608</b>		<b>18 359</b>	<b>86 776</b>	<b>93 268</b>
<b>Operating profit (loss) continuing operations</b>	<b>-2 628</b>	<b>-4 480</b>		<b>-18 359</b>	<b>-86 648</b>	<b>-93 177</b>
Interest income	3 178	304		4 578	1 636	2 622
Finance income	4 666	0	5	9 026	0	0
Interest expenses	0	0		-1	-54	-54
Other financial expenses	0	-39		-201	-71	-71
<b>Net financial income (loss)</b>	<b>7 845</b>	<b>265</b>		<b>13 403</b>	<b>1 511</b>	<b>2 497</b>
<b>Profit (loss) before taxes from continuing operations</b>	<b>5 217</b>	<b>-4 215</b>		<b>-4 956</b>	<b>-85 137</b>	<b>-90 680</b>
Tax on ordinary result	0	0		-3 603	-4 337	-4 337
<b>Net profit (loss) from continuing operations</b>	<b>5 217</b>	<b>-4 215</b>		<b>-8 559</b>	<b>-89 474</b>	<b>-95 017</b>
<i>Discontinued operations</i>						
Net profit (loss) from discontinued operations	0	-4 264		-34 557	10 981	-1 311
<b>Net profit (loss)</b>	<b>5 217</b>	<b>-8 479</b>		<b>-43 116</b>	<b>-78 493</b>	<b>-96 328</b>
Earning per share	0,01	-0,01		-0,17	-0,08	-0,09
Earnings per share diluted	0,01	0,00		-0,03	-0,09	-0,09
Earnings per share continuing operations	0,01	0,00		-0,03	-0,09	-0,09
Earnings per share diluted continuing operations	0,01	0,00		-0,03	-0,09	-0,09

# Financials – Balance Sheet end Q3

## Assets

<i>(Unaudited figures in NOK 1 000)</i>	Note	30.09.2018	30.06.2018	30.09.2017	31.12.2017
<b>NON-CURRENT ASSETS</b>					
Research and development		0	0	19 259	17 830
Patents and customer relationships		0	0	20 279	18 911
Goodwill		0	0	58 655	58 655
<b>Total intangible assets</b>		<b>0</b>	<b>0</b>	<b>98 193</b>	<b>95 396</b>
Property, plant, equipment & machineries		83	38	26 322	27 884
VLCC under construction	6	282 878	282 878	0	0
<b>Total tangible assets</b>		<b>282 961</b>	<b>272 916</b>	<b>26 322</b>	<b>27 884</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>282 961</b>	<b>282 916</b>	<b>124 515</b>	<b>123 280</b>
<b>CURRENT ASSETS</b>					
Inventories		0	0	13 273	20 368
<b>Total inventories</b>		<b>0</b>	<b>0</b>	<b>13 273</b>	<b>20 368</b>
Accounts receivables		0	0	24 771	21 073
Other short-term receivables	5	2 287	64	3 894	4 873
<b>Total current receivables</b>		<b>2 287</b>	<b>64</b>	<b>28 664</b>	<b>25 946</b>
Other financial investments	5, 8	411 577	0	0	0
<b>Total other financial investments</b>		<b>411 577</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash and cash equivalents</b>	<b>2, 5, 8</b>	<b>306 331</b>	<b>666 623</b>	<b>286 827</b>	<b>279 456</b>
<b>TOTAL CURRENT ASSETS</b>		<b>720 195</b>	<b>666 686</b>	<b>328 764</b>	<b>325 770</b>
<b>TOTAL ASSETS</b>		<b>1 003 156</b>	<b>949 603</b>	<b>453 279</b>	<b>449 050</b>

## Equity and Liabilities

<i>(Unaudited figures in NOK 1 000)</i>	Note	30.09.2018	30.06.2018	30.09.2017	31.12.2017
<b>EQUITY</b>					
Share capital	2	481 135	460 823	163 948	163 948
Share premium	2, 7	518 324	481 420	508 844	508 844
Other equity	2	0	0	-244 173	-257 654
<b>TOTAL EQUITY</b>		<b>999 459</b>	<b>942 242</b>	<b>428 619</b>	<b>415 138</b>
<b>LIABILITIES</b>					
Other interest-bearing debt		0	0	12 600	11 700
<b>Total non-current liabilities</b>		<b>0</b>	<b>0</b>	<b>12 600</b>	<b>11 700</b>
Trade creditors		2 746	1 372	4 585	8 587
Accrued public charges and indirect taxes		142	551	-222	3 161
Taxes payable		0	0	0	0
Short-term derivatives		0	0	0	24
Debt financial institutions		0	0	3 600	3 600
Other current liabilities		808	5 437	4 097	6 840
<b>Total current liabilities</b>		<b>3 697</b>	<b>7 360</b>	<b>12 060</b>	<b>22 212</b>
<b>TOTAL LIABILITIES</b>		<b>3 697</b>	<b>7 360</b>	<b>24 660</b>	<b>33 912</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1 003 156</b>	<b>949 603</b>	<b>453 279</b>	<b>449 050</b>

# Financials – Cash flow Q3 – incl. Dwellop until exit 9 May 2018

<i>(Unaudited figures in NOK 1 000)</i>	Quarters			Year to date			
	Q3 2018	Q3 2017	Note	30.09.2018	30.06.2017	30.09.2017	31.12.2017
Contribution from operations before tax	2 038	-9 200		-17 628	-12 633	-21 834	-31 263
Change in accounts receivables and accounts payables	1 374	20 708		2 221	-11 306	9 402	17 101
Change in inventory	0	-12 086		-4 375	7 716	-4 370	-11 464
Change in other receivables and payables and other	-7 261	1 351		-1 063	-6 513	-5 151	80
<b>Net cash flow from operating activities</b>	<b>-3 849</b>	<b>773</b>		<b>-20 845</b>	<b>-22 736</b>	<b>-21 953</b>	<b>-25 546</b>
Capitalization of development cost	0	0		0	-1 915	-1 915	-1 915
Investments in PPE & intangible assets	-45	0	6	-272 961	0	0	-3 647
Change in other financial investments	-411 577	0		-411 577		0	0
Acquisition of a subsidiary, net of cash acquired	0	0		0	-50 522	-50 522	-50 522
<b>Net cash flow from investment activities</b>	<b>-411 622</b>	<b>0</b>		<b>-684 538</b>	<b>-52 437</b>	<b>-52 437</b>	<b>-56 084</b>
Public grants	0	0		0	1 061	1 061	1 061
Interest received	3 178	317	5	4 580	1 350	1 667	2 661
Interest paid	0	-189		-256	-302	-491	-715
Proceeds from borrowings financial institution	0	-900		-900	-7 754	-8 654	-9 554
Capital contribution	52 000	0	2	744 500	385 368	385 368	385 368
Transaction cost capital contribution	0	0	2	-15 667	-18 069	-18 069	-18 069
<b>Net cash flow from financing activities</b>	<b>55 178</b>	<b>-771</b>		<b>732 257</b>	<b>361 653</b>	<b>360 882</b>	<b>360 751</b>
<b>Total net changes in cash flow</b>	<b>-360 293</b>	<b>1</b>		<b>26 874</b>	<b>286 479</b>	<b>286 492</b>	<b>279 121</b>
Cash and cash equivalents beginning of period	666 623	286 814		279 456	335	335	335
<b>Cash and cash equivalents end of period</b>	<b>306 331</b>	<b>286 815</b>		<b>306 331</b>	<b>286 814</b>	<b>286 826</b>	<b>279 456</b>
Profit (loss) before tax from continuing operations	5 217	-4 216		-4 956	-80 920	-85 136	-90 680
Profit (loss) before tax discontinued operations	0	-8 598	7	-34 557	-2 555	-11 153	-19 167
Profit (loss) before tax	5 217	-12 814		-39 512	-83 475	-96 289	-109 847
Employee options	0	61		0	64	125	142
Depreciation	0	3 681		8 935	2 451	6 132	11 013
Net write-down intangible assets and capitalized grants	0	0		17 273	69 374	69 374	69 374
Financial income	-3 178	-317	5	-4 580	-1 350	-1 667	-2 661
Financial expenses	0	189		256	302	491	715
<b>* Contribution from operations before tax</b>	<b>2 038</b>	<b>-9 200</b>		<b>-17 628</b>	<b>-12 633</b>	<b>-21 834</b>	<b>-31 263</b>

# Conclusion

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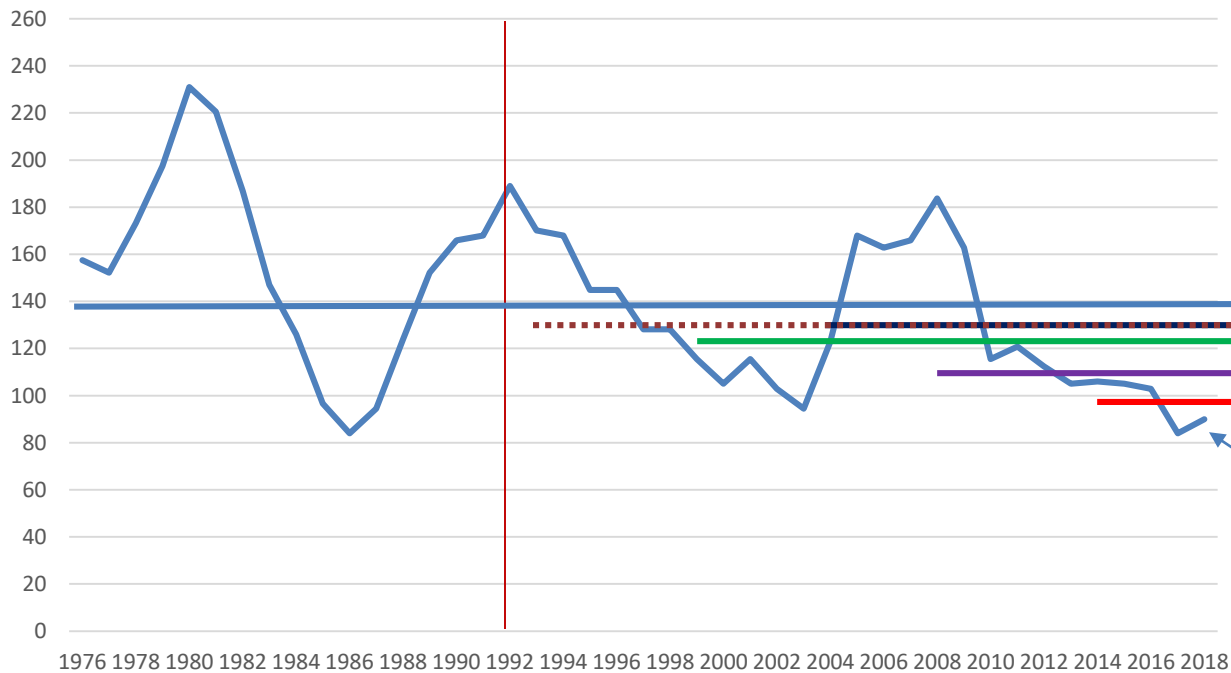
- Fleet is old (75 vessels turn 20 years in 2019 and 2020)
- Orderbook is thin
- NB prices are on the rise – yards are filling up
- Steel prices are relatively high at around USD 430/t, i.e. scrap value is around USD 16.5 million
- Costs of installing scrubbers are going up and makers are “sold out”
- Owners have not made money for quite some time, which means maintenance may have been suffering and banks may not be as willing to fund 5<sup>th</sup> SS, which may be costly with BWTS, poor maintenance and perhaps installation of a scrubber
- Oil stock piles are below average

Source: Company Filings

# Conclusion – So what should happen to vessel prices?

“This time it is different...”

Real Newbuilding Price for VLCC's in 2018 USD



Average since 1976: USD 139M

Avg. last 5 years: USD 98M

Avg. last 10 years: USD 110M

Avg. last 15 years: USD 127M

Avg. last 20 years: USD 122M

Avg. last 25 years: USD 126M

\$ 82,8m

In 1992 we saw a switch to double hull tankers, and prices rose abt. USD 10M

Source: Clarkson, Company

# Q&A

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Source: Company website

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