



**Hunter Group ASA**  
**Fourth quarter and 2021 results**

24 February 2022

## Highlights

### Financial highlights

- Total revenues of USD 9.12m
  - Spot pool revenues of USD 1.69m
  - Time charter revenues of USD 7.01m
- Total operating expenses of USD 6.82m
  - Vessel opex incl. insurance of USD 2.33m
  - Voyage exp. and commissions of USD 0.56m
  - G&A expenses of 0.68m
    - USD 0.29m administrative expenses
    - USD 0.10m legal expenses
    - USD 0.29m non-cash expenses
- EBITDA of USD 5.55m
- Net profit of USD 0.52m
- Average daily earnings of USD 24,100
  - Avg. daily spot earnings of USD 18,400<sup>1</sup>
  - Avg. daily time charter earnings of USD 26,100
- Opex incl. insurance of USD 6,330 per day per vessel
- 368 available earnings days and 368 opex days
  - 92 pool spot days
  - 269 time charter days
  - 7 “off-hire” days (crew change, bunkering, positioning, etc.)
- Fourth quarter cash flow breakeven of approx. USD 21,850 per day

### Key events in 4Q 2021

- Entered into a 4+4 month time charter for Hunter Disen, which commenced on 27 January 2022. The first four month is for USD 18,000 per day, while the charterer has the option to extend for another four months as USD 25,000 per day

### Subsequent events

- Entered into a two 12-month index-based linked charters for Hunter Idun. Hunter Idun commenced on this charter on January 26th, immediately following the redelivery of the vessel from charterers to owners
  - The charter rate will be calculated on the basis of the daily rate for TD3C (Saudi-China) plus a small premium, adjusted for the vessels speed, consumption and fuel type
- Entered into a 12-month index-based charter for Hunter Frigg. The charter will commence immediately upon completion of its current charter
  - The charter rate will be calculated on the basis of the daily rate for TD3C (Saudi-China) plus a small premium, adjusted for the vessels speed, consumption and fuel type
- As of the date of this report, 74% of days in the first quarter of 2022 have been booked at an average est. dayrate of USD 21,000
  - 32% of spot days booked at an avg. est. dayrate of USD 15,320<sup>1</sup>
  - Average Q1 TC dayrates of USD 23,560

1) Discharge to discharge basis

## Management update

For the fourth quarter, the Company achieved average dayrates of approx. USD 24,100 per day through a combination of spot and time charters. Spot rates came in at USD 18,400 per day, while average time charter rates came in at USD 26,100 per day.

Although we are clearly not happy with the current state of the tanker market, the Company fared relatively well during the quarter, and we were able to make a small profit. This can largely be attributed to the advantage of having a modern and efficient fleet, small enough to maintain the flexibility to quickly restructure our chartering portfolio between spot and time charters. As a result, we managed to turn a profit for the full year in the weakest tanker market in more than 20 years. With a strong balance sheet and a healthy cash balance, our business model has proven resilient to changes in market conditions.

The difference in earnings between modern eco design vessels with a scrubber versus a standard vessel without a scrubber is clearly showing. Current fuel prices, with a spread of about USD 210/ton between HFO and VLSFO, give a price differential of about USD 17,000/d for a modern scrubber fitted ship versus a standard vessel.

Clearly, predicting the outlook of the tanker market is challenging. We have been in the doldrums much longer than we anticipated, but it is not difficult to find positive signs.

OECD is now reporting oil on storage to be about 200 million barrels below its pre-pandemic five-year average, and below the important 60 days of forward coverage. For the world as a whole, almost all of the excess oil stored during the peak of the pandemic has been used, and we are nearing critical needs for replenishment.

Global oil demand was estimated to have reached 101mbpd, close to all time high, and is expected to grow by another 5mbp over the next two years. We believe this increase will largely be driven by ton-mile intensive imports from countries in the eastern hemisphere.

The orderbooks for tankers is at a twenty-year low, newbuilding prices are high and uncertainty around future propulsion technology remains, hopefully acting as a deterrent against any massive ordering in the near future.

The fleet is the oldest it has been in more than 20 years, with more than 80 scrapping candidates that shortly are due for costly special surveys. Scrap prices are also nearing all time high levels at around USD 650/ton, valuing a VLCC sold for scrap at about USD 27m.

On this basis, we believe that the path of least resistance for the tanker market should be up, and thus we recently entered into two 12-month index charters, increasing spot market exposure to three out of four vessels once the final one commences mid March. These index charters allow us to capture each day in the spot market, as well as fully capitalizing on fuel efficiency and scrubber savings. Combined with a very robust liquidity level, we are comfortable with our fleet exposure and will be able to fully benefit from a long overdue recovery of the tanker market.

Red sky at night, is a sailors delight.

## Current charter coverage

Charter coverage	Q4 '21	Q1 '22	Q2 '22	Q3 '22
Hunter Freya	Spot			
Hunter Disen	TC			Charterer option
Hunter Idun	TC	Index charter (spot)		
Hunter Frigg	TC	Index charter (spot)		
<b>% days covered</b>	100%	74%	25%	0%
<b>Avg dayrate covered (\$k/d)</b>	24,100	21,000	18,100	-

## Fourth quarter market review

Benchmark VLCC rates averaged around \$6,6001 for the fourth quarter of 2021, an improvement to positive territory from the negative \$1,100 per day during the previous quarter. Preparations for the northern hemisphere winter season were expected to substantially lift the tanker market, and rates began to improve until Omicron arrived in November. An oil price curve in steep backwardation during the quarter did little to help improve the situation as consumers continued to pull oil from storage rather than sourcing it in the market. An about 120%+ over compliance from OPEC+ vs. its production quotas did not help either.

Nevertheless, fundamentals continued to improve. Global oil demand increased by approx. 1.5mbd to 99.7mbd from the third to the fourth quarter, with December demand reaching a post-pandemic high of 101.2mbd. In comparison, all-time high demand stood at 101.7mbd during August of 2019, only 0.5mbd higher than the current level. Keep in mind that air travel has yet to fully recover. With global oil supply around 1.4mb below demand during the quarter, another 125 million barrels were pulled from storage. On a global basis, only 120 million barrels are now left from the 1,200 million barrels of oil that were stored during the peak of the pandemic. Despite SPR releases, this has brought OECD storage levels to around 200 million barrels below their pre-pandemic 5-year average. The forward coverage for the bloc is currently at 57 days, compared with 60 which typically has been viewed as the critical level.

6 VLCCs were delivered during the fourth quarter while 4 were removed from the market, bringing the respective full year figures to 35 and 12. The VLCC removals consisted of both scrapped vessels and vessels converted to storage and or oil production units, and is an increase from the previous year as scrap prices has hovered around USD 500-600 per ton of steel for a while now. Currently the scrap price is around USD 650 per ton, which indicates a scrap value of a VLCC of around USD 27 million.

## Market outlook

The key reason for the recent market softness has been an OPEC+ over compliance of 120%+ in addition to a targeted output which is below the required level to balance the oil market, i.e. for supply to equal demand. This has steepened backwardation (i.e. the shorter the delivery period, the more expensive the oil is), and increased incentives to use oil on storage. Backwardation and storage draws have characterized the market for a while now, and has led to very low global storage levels. There are a few scenarios that can play out from the current situation, not assuming another serious variant of Covid-19 and new rounds of heavy lock downs. One is that OPEC+ over compliance and storage draws persist while demand continues to grow, which could lead to worries around future oil supply and cause consumers to scramble to secure sufficient volumes. This has happened a couple of times previously and has led to dramatic rate spikes, as shipping costs play a marginal role in the bigger picture. Another possibility is that OPEC+ is both able and willing to increase supply enough to meet both demand and storage increases, which would steadily increase tanker rates to healthy levels, as almost all of these volumes will be seaborne. The ton-mile effect from this should be further multiplied by the catch up in demand growth from Asian importing countries.

In addition, there are a few triggers that could significantly improve the market in the near future. A US-Iran deal, which reportedly could happen any minute now, would end the majority of the illicit trade with sanctioned barrels. A reported 80-100 older VLCCs are involved in this trade. As these ships have operated outside of global regulations earning outsized returns, it is questionable if they have been sufficiently maintained. If not, they would face substantial costs in addition to their 17,5/20,0/22,5 year special surveys to be able to continue trading. It is likely then, with scrap prices where they are, that a large number of these ships would be sent to the beaches. Furthermore, if the current tension in Ukraine escalates, the 5mbd of Russian oil exports could potentially be cut off from the western world. A lot of the Russian oil has Europe as its final destination, which means that this energy will have to be sourced from elsewhere, and most likely further away. Some of this could arguably be redirected to Asia, but would nevertheless lead to oil being sourced from elsewhere.

## Condensed consolidated financial statements for 4Q 2021

### Consolidated income statement

<i>(Unaudited figures in USD 1 000)</i>	Quarters			Year to date	
	4Q 2021	4Q 2020	Note	31.12.2021	31.12.2020
<b>Revenues</b>					
Pool revenues	1 692	5 189		7 438	48 567
Time charter revenues	7 006	17 848		29 722	60 037
Other income	424	-640		704	0
Net gain on sale of assets	0	2 492	5	2 567	2 492
<b>Total Revenues</b>	<b>9 121</b>	<b>24 889</b>		<b>40 431</b>	<b>111 096</b>
<b>Operating expenses</b>					
Vessel operating expenses	2 330	3 937		9 776	12 404
Voyage expenses and commissions	557	1 294	1	1 916	2 912
Depreciation and amortisation expense	3 248	5 184	6	13 754	16 325
General and administrative expenses	684	556	4	1 815	1 649
<b>Total operating expenses</b>	<b>6 818</b>	<b>10 971</b>		<b>27 261</b>	<b>33 291</b>
<b>Operating profit (loss)</b>	<b>2 303</b>	<b>13 918</b>		<b>13 171</b>	<b>77 806</b>
<b>Net financial income (loss)</b>	<b>-1 784</b>	<b>-3 131</b>		<b>-9 394</b>	<b>-14 723</b>
<b>Profit (loss) before taxes</b>	<b>519</b>	<b>10 787</b>		<b>3 776</b>	<b>63 083</b>
Tax on ordinary result	0	0		0	0
<b>Net profit (loss)</b>	<b>519</b>	<b>10 787</b>		<b>3 776</b>	<b>63 083</b>
Earning per share	0,00	0,02		0,01	0,11
Earnings per share diluted	0,00	0,02		0,01	0,11
<b>Other comprehensive income, items to be reclassified to profit &amp; loss</b>					
Translation differences	0	0		0	0
<b>Comprehensive income for the period</b>	<b>519</b>	<b>10 787</b>		<b>3 776</b>	<b>63 083</b>
<b>Total comprehensive income attributable to:</b>					
Equity holders of the parent	519	10 787		3 776	63 083
<b>Total comprehensive income</b>	<b>519</b>	<b>10 787</b>		<b>3 776</b>	<b>63 083</b>

## Consolidated balance sheet

### Assets

*(Unaudited figures in USD 1 000)*

	Note	31.12.2021	30.09.2021	31.12.2020
<b>NON-CURRENT ASSETS</b>				
VLCC vessels	5, 6	332 521	335 741	427 249
Other tangible assets	6	318	343	210
<b>Total tangible assets</b>		<b>332 839</b>	<b>336 084</b>	<b>427 459</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>332 839</b>	<b>336 084</b>	<b>427 459</b>
<b>CURRENT ASSETS</b>				
Trade and other receivables		5 513	9 198	5 416
Other short-term assets		3 878	4 033	1 539
<b>Total current assets</b>		<b>9 391</b>	<b>13 232</b>	<b>6 956</b>
<b>Cash and cash equivalents</b>		<b>29 639</b>	<b>25 931</b>	<b>95 146</b>
<b>TOTAL CURRENT ASSETS</b>		<b>39 030</b>	<b>39 163</b>	<b>102 101</b>
<b>TOTAL ASSETS</b>		<b>371 869</b>	<b>375 247</b>	<b>529 560</b>

### Equity and Liabilities

#### EQUITY

Share capital (575 362 013 shares)	2	82 625	82 625	82 625
Own shares	2	-1 660	-1 660	-1 121
Share premium	2	15 034	14 835	113 364
Other equity		80 522	80 002	76 745
<b>TOTAL EQUITY</b>		<b>176 521</b>	<b>175 802</b>	<b>271 614</b>

#### LIABILITIES

Interest-bearing debt	6	180 514	183 682	237 954
<b>Total non-current liabilities</b>		<b>180 514</b>	<b>183 682</b>	<b>237 954</b>
Trade payables		195	1 424	2 124
Accrued public charges and indirect taxes		68	57	68
Current portion of interest-bearing debt		13 500	13 436	16 605
Other current liabilities		1 070	844	1 195
<b>Total current liabilities</b>		<b>14 833</b>	<b>15 761</b>	<b>19 992</b>
<b>TOTAL LIABILITIES</b>		<b>195 346</b>	<b>199 444</b>	<b>257 946</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>371 869</b>	<b>375 247</b>	<b>529 560</b>

## Consolidated cash flow statement

<i>(Unaudited figures in USD 1 000)</i>	Quarters			Year to date	
	4Q 2021	4Q 2020	Note	31.12.2021	31.12.2020
Profit (loss) before tax	519	10 787		3 776	63 083
Depreciation	3 248	5 184	6	13 754	16 325
Gain on sale of VLCC	0	-2 492	5	-2 567	-2 492
Financial income	101	-186		-4	-270
Financial expenses	1 762	3 503	6	8 430	15 074
Change in working capital items	3 046	1 695		-5 039	-875
<b>Net cash flow from operating activities</b>	<b>8 676</b>	<b>18 490</b>		<b>18 350</b>	<b>90 844</b>
Investments in VLCC newbuilds and PP & E	0	564	5, 6	-230	-273 805
Sale of VLCC	0	168 400	5	84 500	168 400
Investments/sale of other financial investments	0	0		0	0
<b>Net cash flow to investment activities</b>	<b>0</b>	<b>168 964</b>		<b>84 270</b>	<b>-105 405</b>
Interest received	-101	186		4	270
Interest paid	-1 762	-2 479	6	-8 430	-14 050
New interest-bearing debt	0	0	6	0	254 348
Installment interest-bearing debt	-3 081	-112 377	6	-60 452	-180 214
Installment leasing-debt (IFRS 16)	-25	-26		-94	-93
Purchase of own shares	0	-3 010	2	-1 267	-3 010
Dividend paid	0	0	2	-97 888	0
<b>Net cash flow from financing activities</b>	<b>-4 969</b>	<b>-117 705</b>		<b>-168 127</b>	<b>57 252</b>
<b>Total net changes in cash flow</b>	<b>3 707</b>	<b>69 749</b>		<b>-65 507</b>	<b>42 691</b>
Currency effect on cash	0	0		0	0
Cash and cash equivalents beginning of period	25 931	25 397		95 146	52 455
<b>Cash and cash equivalents end of period</b>	<b>29 638</b>	<b>95 146</b>		<b>29 638</b>	<b>95 146</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 2020				0	0	63 083	63 083
Other comprehensive income				0	0	0	0
Total comprehensive income 2020				0	0	63 083	63 083
Option plan payment				339	0	0	339
Purchase of own shares			-1 121	-1 889	0	0	-3 010
<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 2021				0	0	3 776	3 776
Other comprehensive income				0	0	0	0
Total comprehensive income 2021				0	0	3 776	3 776
Dividend paid				-97 888	0	0	-97 888
Purchase of own shares			-539	-728	0	0	-1 267
Option plan payment				285	0	0	285
<b>Equity as of 31.12.2021</b>		<b>82 625</b>	<b>-1 660</b>	<b>15 033</b>	<b>-2 289</b>	<b>82 811</b>	<b>176 521</b>



## Notes to the Hunter Group condensed consolidated financial statements for 4Q 2021

### 1. Accounting principles

These condensed interim financial statements of Hunter Group were authorized for issue by the Board of Directors on 23 February 2022.

The interim condensed consolidated financial statements for the three and twelve months ending 31 December 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	31.12.2021	31.12.2020
Purchased services in USD 1 000	76	91

The Group has used the services of the law firm Ro Sommernes DA for legal advice in 2020 and 2021; USD 91t in 2020 and USD 76t in 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.

In April 2021 Hunter Group entered into a sale & leaseback agreement for a handysize dry cargo vessel, which was sold to Apollo Asset Ltd. shortly thereafter with a gain of USD 0.1 million. Furthermore, Hunter Group has served as a manager for several other similar agreements where Apollo pays NOK 1,500 per hour and a fee of USD 5 thousand per transaction. Apollo Asset Ltd. Is 100% owned by Mr. Arne Fredly, board member and largest shareholder of Hunter Group ASA.

## 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 December 2021	IFRS 16 PP&E	Other tangible assets	VLCC vessels	Total
Cost at 1 January 2021	273	10	439 102	439 462
Additions	223	8	0	230
Sales	-25	0	-81 075	-81 100
Cost at 31 December 2021	471	17	358 027	358 516
Accumulated depreciations at 31 December 2021	-159	-14	-25 504	-25 677
<b>Book value at 31 December 2021</b>	<b>312</b>	<b>3</b>	<b>332 523</b>	<b>332 839</b>
This year's depreciation	93	8	13 653	13 754

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.

As 2021 saw a drop in the average daily rates for the Group's vessels, a valuation of the four vessels were performed at the end of 2021. Based on assumptions as average daily rates of TUSD 37 and WACC of 10 %, the net present value was significantly above book value as per 31.12.2021. The valuations are supported by independent broker estimates.

## 7. Subsequent events

Entered into a two 12-month index based linked charters for Hunter Idun. Hunter Idun commenced on this charter on January 26th, immediately following the redelivery of the vessel from charterers to owners.

- The charter rate will be calculated on the basis of the daily rate for TD3C (Saudi-China) plus a small premium, adjusted for the vessels speed, consumption and fuel type.

Entered into a 12-month index based charter for Hunter Frigg. The charter will commence immediately upon completion of its current charter.

- The charter rate will be calculated on the basis of the daily rate for TD3C (Saudi-China) plus a small premium, adjusted for the vessels speed, consumption and fuel type.

As of the date of this report, 74% of days in the first quarter of 2022 have been booked at an average est. dayrate of USD 21,000.

- 32% of spot days booked at an avg. est. dayrate of USD 15,320<sup>1</sup>
- Average Q1 TC dayrates of USD 23,560

**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)

