

Western Bulk Chartering AS

First Half Report 2017



 **Western Bulk**

www.westernbulk.com

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About Western Bulk Chartering AS:
Western Bulk Chartering AS is a major dry bulk shipping operator. The company is privately owned by a group of about 250 shareholders. See www.westernbulk.com for more information.

1 KEY FIGURES AND HIGHLIGHTS

1.1 Key Financial Highlights¹

WB Chartering Group, Key Figures (USDm)	1H 2017	1H 2016	Full year '16	Full year '15
Net T/C result	15,1	1,3	4,4	44,5
EBITDA	0,7	(10,1)	(19,2)	9,1
Profit/(loss) after tax ¹⁾	(2,1)	(10,0)	(20,0)	7,2
Total assets	93,0	86,9	98,6	117,3
Book equity ²⁾	14,6	15,9	13,8	47,1
Total liabilities	78,4	71,0	84,9	70,2
Free cash	44,1	40,5	26,7	46,3
Restricted cash	6,3	6,4	6,3	6,4
Total cash	50,3	46,9	33,0	52,7
Net TC Margin per ship day (USD)	585	60	96	785
Average number of ships operated	143	120	125	155

1) H1 2016 figures are excluding USD -8.1m in losses, write-offs, provisions, and other impairment charges with no cash effect.
 FY 2016 figures are excluding USD -16.9m in losses, write-offs, provisions, and other impairment charges with no cash effect.
 FY 2015 figures are excluding USD -23.3m in write-offs.

2) The book equity amount as of 31.12.16 includes USD 15m related to the private placement which was completed in March 2017, raising a total of USD 18m. The USD 15m included 31.12.16 equals the minimum amount which was guaranteed prior to year-end. The corresponding receivable for the subscription amount was included as Other current assets at the balance sheet date.

Comments to the results

In the first half of 2017 the Group posted a positive EBITDA of USD 0.7 million and a net result of USD -2.1 million, a significant improvement from 2016. The net result also exhibited a very positive development during the first half of 2017, increasing from the first to the second quarter, yielding a positive net result for the second quarter of 2017.

The Net TC result improved from USD 1.3 million in 1H-16 to USD 15.1 million in 1H-17. At the same time the operated fleet increased from an average of 120 vessels in 1H-16, to an average of 143 vessels in 1H-17. The first half of 2017 displayed a clear positive trend with the Net TC result increasing from USD 3.9 million in Q1-17 to USD 11.2 million in Q2-17.

Following the private placement completed in March 2017 and the improved financial performance, the Group now has a strong cash position. Total available liquidity (incl. free cash and undrawn credit lines, but excluding restricted cash) was USD 50.1 million as of 30.6.2017. In addition the USD 6 million bank credit line remains undrawn.

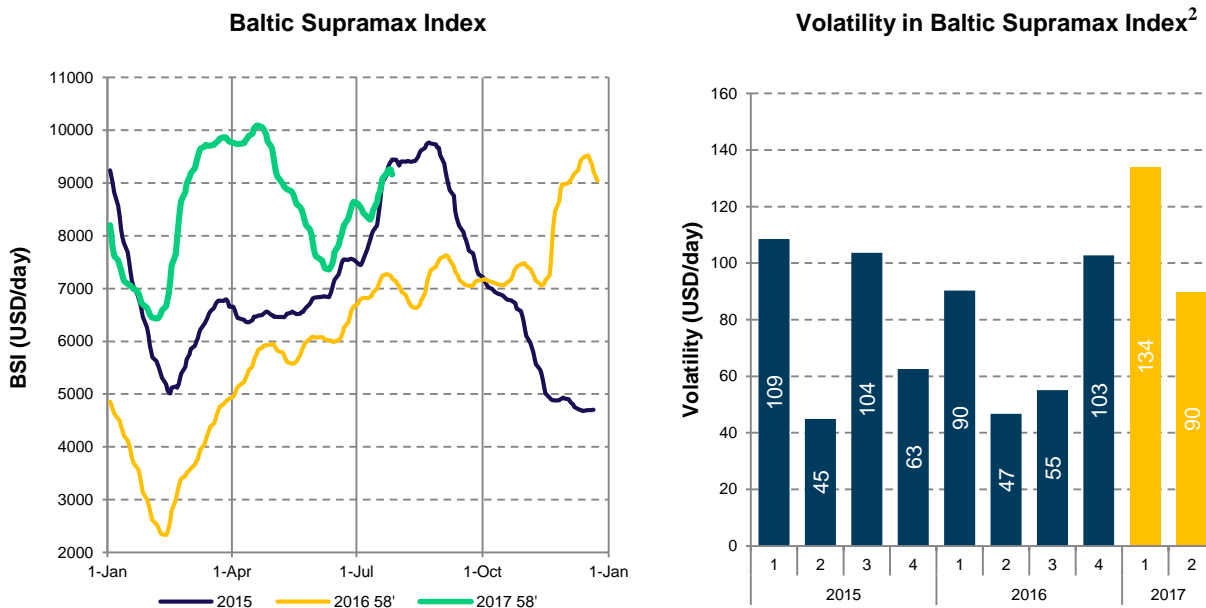
Equity transaction completed in Q1-17

The private placement that was announced in November 2016 was completed during Q1-17. The Group completed a private placement directed towards the largest existing shareholders, raising approximately USD 18 million in new equity.

¹ Definition of Net TC Result: The Net TC result equals gross revenues, less charter hire paid for the vessels, commissions, bunker fuel expenses, port charges and other voyage related expenses, including any realised gain/loss from hedging instruments related to the performed activity in the relevant period. Office expenses, administrative overhead, salaries and bonuses to on-shore staff are not included.

1.2 Dry Bulk Market Highlights

The first half of 2017 saw the Baltic Supramax Index 58'(BSI) perform better than many expected, particularly in February and March after the end of the Chinese New Year, before falling back again during during May. As a whole, 1H-17 ended more or less where it started at USD 8,500/day, but with variations from the low level of 6,430/day on 6th February to the higher level of 10,090/day on 20th April. Rates are still low in a historical perspective, but considerably higher than the previous 2 years in the same period, with an average of 8,450/day in 1H-17, up from an average of 4,800/day in 1H-16. Volatility in rates also improved, particularly in Q1-17, as rates increased sharply before falling off in Q2-17.



The Atlantic basin was fairly volatile during 1H-17, eventually dropping 34% to USD 9,400/day. The Pacific basin followed the BSI trend-wise and increased by 35% during 1H-17 to end at USD 7,900/day.

On the demand side, 1H-17 saw a positive increase in both volumes and longer average sailing distances. Continued Chinese iron ore stockpiling in the face of dwindling domestic supplies supported volumes for major bulk³, while Coal volumes remained relatively stable as Chinese hydropower usage declined slightly on dry weather conditions. Global volumes for iron ore were up 1.3% compared to 2H-16 and up 7.7% compared to 1H-16. After a strong 2H-16 for coal volumes, 1H-17 saw a decline of 4% but was up 3.9% compared to 1H-16.

The world's Supramax fleet grew by approximately 2.8% net of scrapping in 1H-17 and the annualized growth currently stands at 5.7%, still the highest among the other vessel classes. Supramax scrapping came in at around 1.8m dwt in 1H-17 (3.1m dwt in 1H-16), as the improved spot market and second-hand asset values and future expectations led owners to hold on to their tonnage for a while longer, despite improved scrap prices. Deliveries came down slightly from same period last year with 7.1m dwt delivered (1H-16: 7.5m dwt). With order activity for new vessels remaining extremely low, the Supramax order book to current fleet ratio continues to drop and is now at its lowest level since 1999.

² Volatility is calculated as the Standard deviation of the absolute daily return of the BSI

³ Based on statistics and estimates as data is typically lagging 1-2 months. Figures may be inaccurate.

2 OPERATIONAL AND FINANCIAL REVIEW

2.1 First Half Year Results

The Net TC result for the Group saw a significant improvement in 1H-17 compared to 1H-16, aided by an improved dry bulk market, market volatility, improved customer relationships, better operational performance and an increased fleet.

Net TC Margin per ship day improved from USD 60 in 1H-16 to USD 585 in 1H-17, with the average number of ships operated increasing from 120 in to 143 in the same period. The first half of 2017 displayed a clear positive trend with the Net TC result increasing from USD 3.9 million in Q1-17 to USD 11.2 million in Q2-17.

USD million	1H 2017	1H 2016	Full year '16	Full year '15
Net T/C result (mUSD)	15,1	1,3	4,4	44,5
Net TC Margin per ship day	585	60	96	785
Average number of ships operated	143	120	125	155
Number of ship days	25 829	21 791	45 613	56 677
Number of voyages	621	533	1 125	1 322

Administration expenses were USD -14.4 million in 1H-17 compared to USD -11.4 million in 1H-16, and are related to salaries, bonus accruals, office expenses and other administrative expenses. The increase in expenses was caused primarily by higher bonus accruals (USD 2.4 million) due to increased earnings.

Admin Expenses (USD million)	1H 2017	1H 2016	Full year '16	Full year '15
Salaries, office expenses and other admin expenses	(12,2)	(11,6)	(23,8)	(29,2)
Bonus accrual	(2,2)	0,2	0,3	(6,2)
Total	(14,4)	(11,4)	(23,5)	(35,4)

Financial items of USD -2.2 million in 1H-17 were mainly related to interest and currency effects on the bond issued in NOK. The increase of USD 1.9 from 1H-16 to 1H-17 was mostly caused by the fact that the bond loan was transferred to Western Bulk Chartering AS during July 2016, and thus no bond interest was expensed during 1H-16, compared to the USD 1.2 million interest expense in 1H-17. The USD -0.9 million currency effect on the bond loan was caused by the fact that the bond is issued in NOK and the NOK strengthened against the USD during 1H-17. A currency hedge has been established for the bond loan's principal amount, capping the downside risk. See section 2.2. for further information.

Financial Items (USD million)	1H 2017	1H 2016	Full year '16	Full year '15
Interest income/(expense), net	(1,2)	0,1	(1,1)	0,8
Net FX gain/(loss), excluding amount related to bond loan	0,1	0,0	(0,4)	0,4
FX gain/(loss) related to bond loan	(0,9)	(0,4)	0,6	-
Other financial items	(0,2)	(0,2)	(0,4)	0,2
Total Financial Items	(2,2)	(0,3)	(1,4)	1,3

2.2 Debt Financing

Apart from a bond loan and a bank credit facility, the Group has no other interest-bearing debt obligations as of 30.6.2017.

Bond loan

The Group has issued a NOK 300 million unsecured bond loan. The loan matures in full in April 2019. The Group owned NOK 29 million of its outstanding bonds as of 30.6.2017. The interest rate exposure inherent from the bond loan is currently unhedged, while the currency exposure inherent in the bond's principal amount has a downside protection in form of a currency option that kicks in if the NOK appreciates against the USD to an exchange rate level of 7.68 or lower.

Bank Credit Facility

The Group has a USD 6 million bank credit facility which was undrawn as of 30.6.2017. The credit facility is secured with pledge over the Group's accounts receivables and bank accounts.

3 OUTLOOK

The strength of the BSI in the 1st half of the year and particularly the 1st quarter was better than many expected, and goes some way to showing that the market is slowly recovering and gradually closing the oversupply gap.

The order book for new tonnage is slowly decreasing. Provided demand increases in line with expected development in GDP and trade volumes, the market is expected to gradually improve. On the path to recovery we expect to see tradeable volatility and basin imbalances.

The Group completed the restructuring in Q2-17 by merging the South Atlantic and US Gulf business units, and expect to gradually over time deliver results in line with historical performance.

The Group's main risk factors are described in Western Bulk Chartering's annual report for 2016, which is available at www.westernbulk.com.

Oslo, 14.08.2017

The Board of Directors of Western Bulk Chartering AS

Bengt A. Rem, Chairman

Erik Borgen, Board member

Jens Ismar, CEO

Tord Meling, Board member

DISCLAIMER

This report includes and is based, inter alia, on forward-looking information and statements that are subject to risks and uncertainties that could cause actual results to differ. Such forward-looking information and statements are based on current expectations, estimates and projections about global economic conditions, the economic conditions of the regions and industries that are major markets for Western Bulk Chartering AS and its subsidiaries and affiliates (the "Group") lines of business. These expectations, estimates, and projections are generally identifiable by statements containing words such as "expects," "believes," "estimates" or similar expressions. Important factors that could cause actual results to differ materially from those expectations include, among others, economic and market conditions in the geographic areas and industries that are or will be major markets for the Group's businesses, oil prices, market acceptance of new products and services, changes in governmental regulations, interest rates, fluctuations in currency exchange rates and such other factors as may be discussed from time to time. Although the Group believes that its expectations and the information in this release were based upon reasonable assumptions at the time when they were made, it can give no assurance that those expectations will be achieved or that the actual results will be as set out in this release. Neither Western Bulk Chartering AS nor any other company within the Group is making any representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of the information in the release, and neither Western Bulk Chartering AS, any other company within the Group nor any of their directors, officers or employees will have any liability to you or any other persons resulting from your use of the information in the release. This release speaks of the date hereof and Western Bulk Chartering AS undertakes no obligation to publicly update or revise any forward-looking information or statements in the release, other than what is required by law.

The Group consists of many legally independent entities, constituting their own separate identities. Western Bulk Chartering AS is used as the common brand or trade mark for most of these entities. In this release we may sometimes use "Group", "we," or "us," when we refer to Western Bulk Chartering's Group companies in general or where no useful purpose is served by identifying any particular company of the Group.

4 FINANCIAL STATEMENTS FOR FIRST HALF YEAR 2017

Included in this section are the consolidated interim financial statements for Western Bulk Chartering AS and its subsidiaries.

The interim report is not audited or reviewed by auditors.

Consolidated Condensed Income Statement

WESTERN BULK CHARTERING GROUP				
(USD 1,000)	YTD 2017	YTD 2016	Full year '16	Full year '15
Gross revenues	411 689	295 388	631 932	989 846
Voyage expenses	(172 422)	(159 576)	(317 196)	(467 814)
T/C expenses	(222 621)	(132 864)	(307 082)	(474 346)
Other vessel expenses	(1 533)	(1 643)	(3 284)	(3 197)
Net T/C result	15 112	1 306	4 371	44 489
Administration expenses	(14 440)	(11 394)	(23 545)	(35 388)
Result before depreciation and impairment, finance items and income tax (EBITDA)	672	(10 089)	(19 174)	9 101
Provision for future loss	-	1 000	(5 200)	(1 000)
Depreciation	(154)	(146)	(309)	(225)
Provision for doubtful debt	-	(8 172)	(10 752)	(23 331)
Gain/(loss) on disposal of property, plant and equipment	-	-	0	1
Operating profit/(loss)	518	(17 407)	(35 435)	(15 455)
Financial income	58	169	430	2 079
Financial expenses	(2 237)	(493)	(1 805)	(771)
Realized gain/(loss) financial assets	-	-	-	3
Result before tax	(1 661)	(17 730)	(36 810)	(14 144)
Income tax expense	(430)	(343)	(42)	(1 934)
Result for the period	(2 091)	(18 073)	(36 852)	(16 077)

Consolidated Condensed Balance Sheet

WESTERN BULK CHARTERING GROUP				
(USD 1,000)	30.06.17	30.06.16	31.12.16	31.12.15
ASSETS				
Non current assets				
Deferred tax asset	1 475	764	1 442	726
Intangible assets	564	754	659	861
Property, plant and equipment	405	276	305	242
Investment in financial assets	153	153	-	-
Long term receivables	-	-	-	-
Total non current assets	2 597	1 947	2 558	1 829
Current Assets				
Bunker stocks	28 318	19 510	28 506	23 519
Accounts receivable	9 416	10 390	15 365	24 326
Other receivables	2 313	3 151	17 349	2 097
Prepaid cost	0	4 144	1 105	12 283
Receivable from related company	0	795	770	591
Bank deposits	50 331	46 917	32 969	52 685
Total current assets	90 378	84 906	96 063	115 501
TOTAL ASSETS	92 975	86 853	98 621	117 330
EQUITY AND LIABILITIES				
Equity				
Share capital	95	64	68	35
Share premium	14 456	15 786	20 934	24 983
Other paid-in capital	-	-	11 241	11 165
Resolved, but not yet paid-in capital increase	-	-	14 965	-
Retained earnings	-	-	-33 457	10 957
Total equity	14 551	15 851	13 750	47 139
Long term liabilities				
Deferred tax liability	380	456	376	434
Pension liabilities	4 099	4 054	3 992	3 676
Interest-bearing debt	32 312	32 348	31 438	-
Other long-term liabilities	0	741	487	1 100
Total long term liabilities	36 791	37 599	36 295	5 210
Current liabilities				
Accounts payable	8 955	10 155	6 299	13 852
Prepaid freight	1 435	-	-	10 085
Prepaid income	393	881	5 898	-
Taxes payable	1 081	1 149	764	1 614
Accrued cost	21 942	19 230	26 430	29 802
Liabilities related company	49	-	734	375
Other current liabilities	7 779	1 989	8 452	9 253
Total current liabilities	41 633	33 403	48 577	64 981
Total liabilities	78 424	71 002	84 871	70 191
TOTAL EQUITY AND LIABILITIES	92 975	86 853	98 621	117 330

Oslo, 14.08.2017

The Board of Directors of Western Bulk Chartering AS

Bengt A. Rem, Chairman

Erik Borgen, Board member

Tord Meling, Board member

Jens Ismar, CEO

Consolidated Condensed Statement of Changes in Equity

WESTERN BULK CHARTERING GROUP

(USD 1,000)	Share capital	Share premium	Other paid-in capital	Resolved, but not yet paid in capital increase	Retained earnings	Total equity
January 01, 2017	68	20 934	11 241	14 965	(33 457)	13 750
Result for the period					(2 091)	(2 091)
Share capital increase, net	27	2 950		(14 965)	14 965	2 978
Share issue expenses		(85)				(85)
Other						-
June 30, 2017	95	23 799	11 241	-	(20 584)	14 551

Consolidated Condensed Statement of Cash Flow

WESTERN BULK CHARTERING GROUP

(USD 1,000)	YTD 2017	YTD 2016	Full year 2016	Full year 2015
CASH FLOW FROM OPERATIONS				
Profit/(loss) before tax	(1 661)	(17 730)	(36 810)	(14 144)
Taxes paid	(137)	(885)	(1 735)	(1 744)
Ordinary depreciation	154	146	309	225
Writedown and provisions		2 772	15 952	24 331
(Gain)/loss on disposal fixed assets			-	(1)
Changes in current receivables and current liabilities	1 223	(5 631)	(18 470)	14 337
Net cash flow from/(to) operating activities (A)	(421)	(21 328)	-40 754	23 005
CASH FLOW FROM INVESTMENTS				
Investments in fixed and intangible assets	(160)	(76)	(173)	(802)
Disposal of fixed assets		4	4	-
Investment in/ disposal of financial assets		(153)	(153)	-
Changes in long term receivables				6
Net cash flow from investments (B)	(160)	(225)	(322)	(796)
CASH FLOW FROM FINANCING ACTIVITIES				
Group Contribution paid			-	(3 868)
Changes in receivables from/ liabilities to group companies		(3 716)	-	(22 825)
Share capital increase	17 943	19 502	21 361	-
Net cash flow from financing activities (C)	17 943	15 786	21 361	(26 693)
Net change in cash and cash equivalents (A+B+C)	17 362	(5 767)	(19 715)	(4 483)
Cash and cash equivalents at start of the period	32 969	52 685	52 685	57 168
Cash and cash equivalents at end of the period	50 331	46 917	32 969	52 685
Restricted bank deposits at end of the period	6 270	6 394	6 299	6 373
Available cash and cash equivalents at end of the period	44 061	40 523	26 670	46 312

(excluding undrawn credit line)

Selected Explanatory Notes

Note 1. General information

Western Bulk Chartering AS is a private limited company incorporated and domiciled in Norway. The registered address of the office is Henrik Ibsens Gate 100, N-0255 Oslo.

Western Bulk Chartering AS and its subsidiaries ("WB Chartering") is a major operator in the dry bulk shipping market and a charterer of primarily Supramax/Ultramax and Handysize dry bulk vessels, running an average fleet of 143 vessels in H1 2017.

This interim report is authorised for issue by the Board of Directors as of 14.08.2017.

Note 2. Accounting policies

The interim condensed financial statements of Western Bulk Chartering AS and its subsidiaries (the "Group") are prepared in accordance with Norwegian Generally Accepted Accounting Principles (N-GAAP). Please refer to the 2016 annual report for a detailed description of the accounting policies. The report is available on www.westernbulk.com.

Note 3. Significant judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions. These estimates are based on the actual underlying business, its present and forecast profitability over time, and expectations about external factors such as dry bulk shipping freight rates, interest rates, foreign exchange rates, oil prices and more which are outside the Group's and parent company's control. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The Group is involved in several disputes, including lawsuits, both as defendant and plaintiff. Based upon the Group's own views as well as opinions received from lawyers, provisions based on best estimate have been made in respect of the Group's total exposure. The actual outcomes of these disputes are unknown, and it could take several years before the disputes and claims are finally settled. Consequently, there are uncertainties related to the estimates for provisions which, depending on the outcome of each case, could prove to be insufficient to cover potential liabilities.