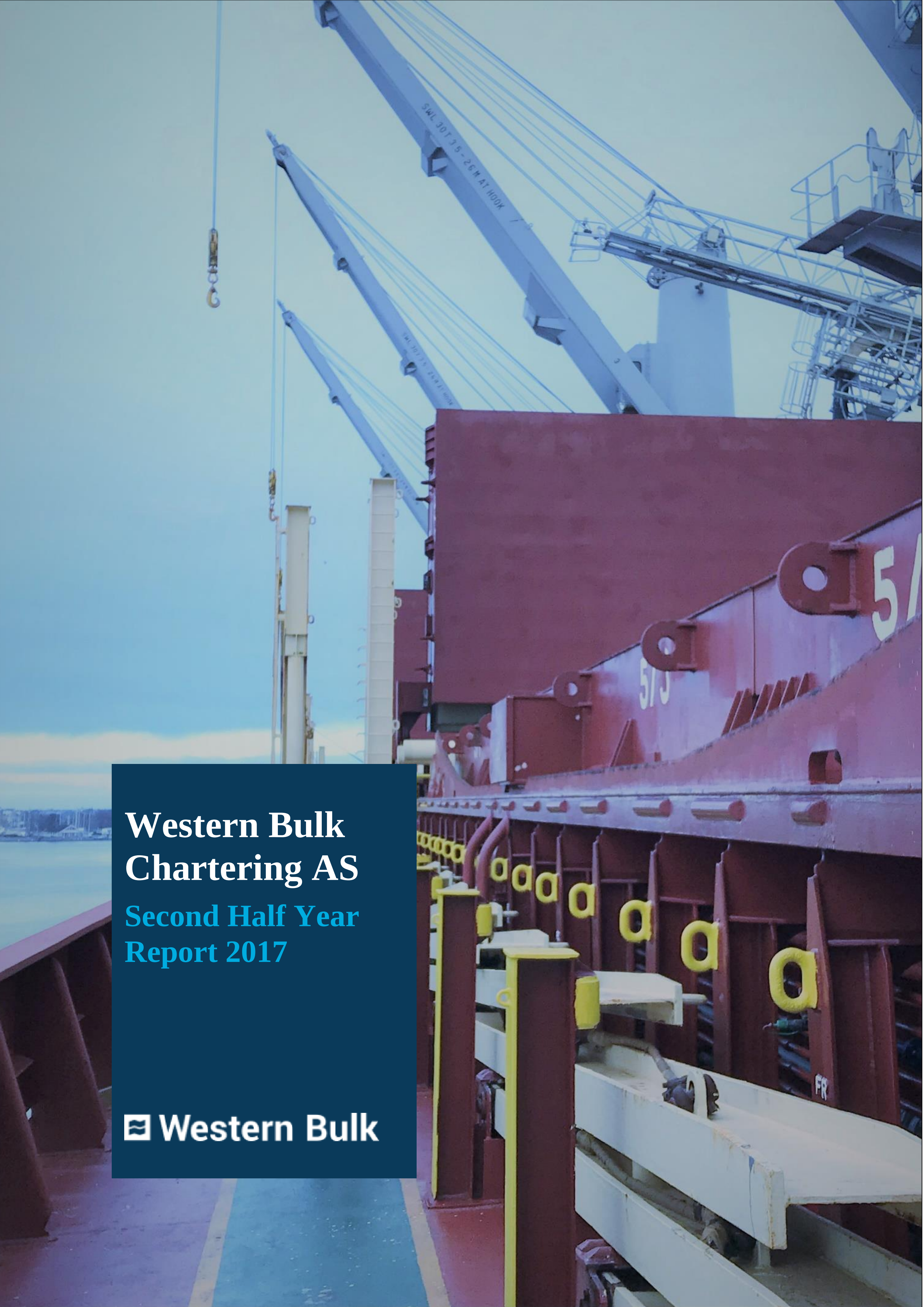

# Western Bulk Chartering AS

## Second Half Year Report 2017

Western Bulk

# Content

# 1. Key Figures and Highlights[1]

| WB Chartering Group,Key Figures (USDm) | 2H 2017 | 2H 2016 | Full year '17 | Full year '16 |
|---|---|---|---|---|
| Net T/C result | 25,4 | 3,1 | 40,5 | 4,4 |
| EBITDA | 7,6 | (9,2) | 8,3 | (19,3) |
| **Profit/(loss) after tax** | **6,4** | **(10,1)** | **4,3** | **(20,1)** |
| Total assets | 101,4 | 98,6 | 101,4 | 98,6 |
| **Book equity[2]** | **20,2** | **13,7** | **20,2** | **13,7** |
| Total liabilities | 81,2 | 84,9 | 81,2 | 84,9 |
| Free cash | 49,9 | 26,7 | 49,9 | 26,7 |
| Restricted cash | 7,3 | 6,3 | 7,3 | 6,3 |
| **Total cash** | **57,2** | **33,0** | **57,2** | **33,0** |
| Net TC Margin per ship day (USD) | 1 003 | 129 | 792 | 96 |
| Average number of ships operated | 137 | 129 | 140 | 125 |
| Number of ship days | 25 296 | 23 822 | 51 125 | 45 613 |
| Number of voyages | 569 | 592 | 1 190 | 1 125 |

## Comments to the results

The positive development from the first half of the year gained further momentum in the second half with the Group posting a profit after tax of USD 6.4 million. The full year profit after tax ended at USD 4.3 million, a significant improvement from the realized loss of USD -20.1 million in 2016[2].

Net TC reached USD 25.4 million (USD 1 003 per ship day) in the last six months of 2017, with the fourth quarter at USD 17.3 million (USD 1 395 per ship day), the highest Net TC level in any one quarter since 2012. Net TC as a percentage of market rates also improved significantly, reaching 13 % in the last quarter of 2017. The operated fleet decreased from 140 in the first half of the year to 137 in the second half, following closure of the Miami office and a more selective trading strategy.

Full year Net TC ended at USD 40.5 million (USD 792 per ship day), a substantial increase of USD 36.1 million from USD 4.4 million in 2016. The activity increased in 2017 with overall improved performance and positive outlook for the Group. The average number of ships operated was 140 for the full year, an increase from 125 in 2016.

Administration expenses for the full year increased by USD 8.5 million from USD 23.7 million in 2016 to USD 32.2 million in 2017, whereof the majority relates to bonus accruals of USD 7.8 million. The additional cost increase was primarily related to full year operation of the Morocco office established in second quarter 2016, as well as investment in training of employees and general inflation. The Group had an average of 101 FTEs employed in 2017 compared to 104 in 2016.

As forward market rates have improved, provisions of USD 1.6 million related to forward contracts in 2018 and 2019 have been reversed in 2017.

In 2017 the Group generated USD 6.8 million in cash flow from operations in addition to USD 17.9 million in increased cash from the private placement completed in March 2017. The Group is building a strong cash position with total available liquidity (incl. free cash and undrawn credit lines, but excluding restricted cash) at the end of the year of USD 55.9 million.

Following the gradual improvement in performance in 2017, the full year profit after tax reached USD 4.3 million, further strengthening the equity position to USD 20.2 million at the end of the year. This is a solid equity level since the Group is running an asset light business model with limited forward market exposure. With the improving performance, the Group sees a potential for generating dividend going forward.

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[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.

[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.

## Bond loan and Bank Credit Facility

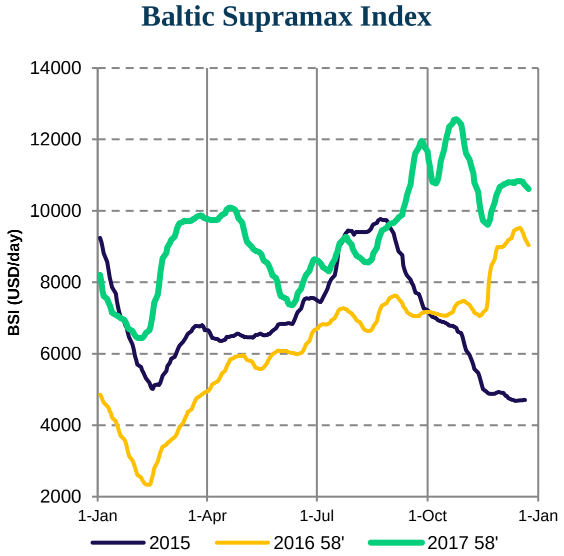
Financial items of USD -4.0 million for 2017 were mainly related to interest and currency effects on the NOK 300 million unsecured bond. The Group owned NOK 29 million of its outstanding bonds as of 31.12.2017 and the loan matures in full in April 2019. The interest rate exposure inherent from the bond 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.

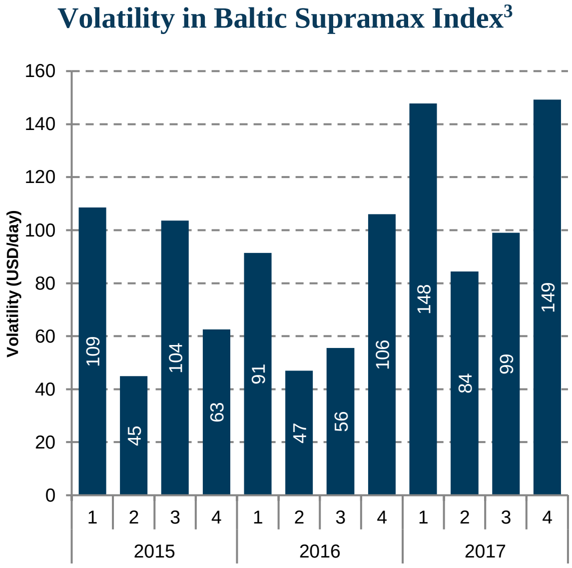
The Group has a USD 6 million bank credit facility which was undrawn as of 31.12.2017. The credit facility is secured with pledge over the Group's accounts receivables and bank accounts.

Apart from a bond loan and a bank credit facility, the Group has no other interest-bearing debt as of 31.12.2017.

# 2 Dry Bulk Market Highlights

The second half of 2017 the Baltic Supramax Index 58'(BSI) reached the highest average rates (USD 10,250/day) since the first half of 2014, and saw the USD 12,000/day barrier breached for the first time since March 2014. The balance between supply and demand continued to improve, and the average rates for the year substantially higher than in 2016 (USD 6,164/day) at USD 9,345/day. Volatility in rates also improved, particularly in the fourth quarter of 2017, as the market went from 12,550/day down to 9,600/day before recovering again somewhat.




The spread between the Atlantic and Pacific basin increased substantially during the second half of 2017, as the Atlantic improved 60% whilst the Pacific increased by 1%. The Atlantic ended the year at USD 14,760/day and the Pacific at USD 7,960/day. The yearly average spread between the two was USD 2,950/day in 2017 vs USD 1,900/day in 2016 as the Atlantic basin performed strongly during 2017.

On the demand side, the last six months of 2017 saw a continued positive increase in both volumes and longer average sailing distances. Chinese iron ore and coal demand remained relatively strong, as limited domestic production supported volumes for major bulk[4]. Agribulk and the other minor bulks posted robust demand increases, driven mainly by soybean, bauxite and nickel ore headed for China.

The world's Supramax fleet grew by approximately 1.1% net of scrapping in the last six months of 2017 and the annualized growth for 2017 ended at 4.1%. Supramax scrapping came in at around 0.9m dwt in the second half of 2017 (1.6m dwt in second half of 2016), and is the lowest it's been since 2011 as the improved spot market and second-hand asset values led owners to hold on to their tonnage. With the order book now being whittled away, deliveries were also considerably lower as 3.1m dwt was delivered in the second half of 2017 (Same period 2016: 5.6m dwt). The last time delivery numbers this low was seen was the second half of 2007. 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.

[3] Volatility is calculated as the Standard deviation of the absolute daily return of the BSI
[4] Based on statistics and estimates as data is typically lagging 1-2 months. Figures may be inaccurate.

# 3. Outlook

The market returned to a more sustainable level in 2017 and we are entering 2018 with increased optimism. The newbuilding orderbooks are historically low and steel prices have been supporting scrapping, leaving expected fleet growth as low as 1-2 % in 2018. Trade growth projections overall remains healthy and demand growth is likely to be higher than the supply side, increasing fleet utilization and supporting market levels.

For Western Bulk margins have returned to historical levels and are on average expected at about 10 % of the market going forward. Combined with a slight increase in the average number of vessels this should allow for further increase in Net TC. Administration expenses excluding bonus are expected to stay at current level in 2018 and financial expenses are likely to see some decrease. Combined this will allow for the Group to further grow profits and generate a steady and high cash flow.

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, 07.02.2018
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.

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# 4. Financial Statements

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

## Consolidated Condensed Income Statement

## Western Bulk Chartering Group

| (USD 1,000) | 2H 2017 | 2H 2016 | Full year '17 | Full year '16 |
|---|---|---|---|---|
| **Gross revenues** | **415 591** | **336 544** | **827 280** | **631 932** |
| Voyage expenses | (154 546) | (157 620) | (326 968) | (317 196) |
| T/C expenses | (233 668) | (174 218) | (456 289) | (307 082) |
| Other vessel expenses | (1 997) | (1 641) | (3 531) | (3 284) |
| **Net T/C result** | **25 380** | **3 065** | **40 492** | **4 371** |
| Administration expenses | (17 798) | (12 283) | (32 238) | (23 677) |
| **Result before depreciation and impairment, finance items and income tax** | **7 583** | **(9 218)** | **8 255** | **(19 306)** |
| Provision for future loss | 1 600 | (6 200) | 1 600 | (5 200) |
| Depreciation | (178) | (163) | (333) | (309) |
| Provision for doubtful debt | - | (2 580) | - | (6 980) |
| Gain/(loss) on disposal of property, plant and equipment | 1 | - | 1 | 0 |
| **Operating profit/(loss)** | **9 005** | **(18 161)** | **9 523** | **(31 795)** |
| Financial income | 735 | 1 690 | 229 | 430 |
| Financial expenses | (2 596) | (2 741) | (4 269) | (1 805) |
| Bad debt provision and write-offs, financial items | - | - | - | (3 772) |
| **Result before tax** | **7 144** | **(19 212)** | **5 483** | **(36 942)** |
| Income tax expense | (759) | 301 | (1 189) | (42) |
| **Result for the period** | **6 385** | **(18 911)** | **4 294** | **(36 984)** |

## Consolidated Condensed Balance Sheet

## Western Bulk Chartering Group

| (USD 1,000) | Full year '17 | H1 2017 | Full year '16 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non current assets** | | | |
| Deferred tax asset | 1 800 | 1 475 | 1 442 |
| Intangible assets | 484 | 564 | 659 |
| Property, plant and equipment | 358 | 405 | 305 |
| Investment in financial assets | 497 | 153 | 153 |
| Long term receivables | 5 | | |
| **Total non current assets** | **3 145** | **2 597** | **2 558** |
| **Current Assets** | | | |
| Bunker stocks | 21 293 | 28 318 | 28 506 |
| Accounts receivable | 18 385 | 9 416 | 15 365 |
| Other receivables | 1 401 | 2 313 | 17 349 |
| Prepaid cost | - | - | 1 105 |
| Receivable from related company | - | - | 770 |
| Bank deposits | 57 193 | 50 331 | 32 969 |
| **Total current assets** | **98 272** | **90 378** | **96 063** |
| **TOTAL ASSETS** | **101 416** | **92 975** | **98 621** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 95 | 95 | 68 |
| Share premium | 20 092 | 14 456 | 20 934 |
| Other paid-in capital | - | - | 11 241 |
| Resolved, but not yet paid-in capital increase | - | - | 14 965 |
| Retained earnings | - | - | (33 457) |
| **Total equity** | **20 187** | **14 551** | **13 749** |
| **Long term liabilities** | | | |
| Deferred tax liability | 261 | 380 | 376 |
| Pension liabilities | 5 311 | 4 099 | 3 992 |
| Interest-bearing debt | 33 029 | 32 312 | 31 438 |
| Other long-term liabilities | 1 398 | - | 487 |
| **Total long term liabilities** | **39 999** | **36 791** | **36 295** |
| **Current liabilities** | | | |
| Accounts payable | 6 997 | 8 955 | 6 299 |
| Prepaid freight | 4 026 | 1 435 | - |
| Prepaid income | 6 683 | 393 | 5 898 |
| Taxes payable | 1 137 | 1 081 | 764 |
| Accrued cost | 13 305 | 21 942 | 26 430 |
| Liabilities related company | 148 | 49 | 734 |
| Other current liabilities | 8 934 | 7 779 | 8 452 |
| **Total current liabilities** | **41 230** | **41 633** | **48 577** |
| **Total liabilities** | **81 229** | **78 424** | **84 871** |
| **TOTAL EQUITY AND LIABILITIES** | **101 416** | **92 975** | **98 621** |

Oslo, 07.02.2018
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 |
| Share capital increase, net | 27 | 17 830 | | (14 965) | | 2 893 |
| Pension remeasurement | | | | | (749) | (749) |
| Result for the period | | (18 671) | (11 241) | | 34 206 | 4 294 |
| **December 31, 2017** | **95** | **20 093** | **-** | **-** | **-** | **20 187** |

## Consolidated Condensed Statement of Cash Flow

## Western Bulk Chartering Group

| (USD 1,000) | 2H 2017 | 2H 2016 | Full year '17 | Full year '16 |
|---|---|---|---|---|
| **CASH FLOW FROM OPERATIONS** | | | | |
| Profit/(loss) before tax | 7 144 | (19 212) | 5 483 | (36 942) |
| Taxes paid | (922) | (850) | (1 059) | (1 735) |
| Ordinary depreciation | 178 | 163 | 333 | 309 |
| Writedown and provisions | (1 600) | 13 180 | (1 600) | 15 952 |
| (Gain)/loss on disposal fixed assets | - | - | - | - |
| Changes in current receivables and current liabilities | 2 462 | (12 707) | 3 686 | (18 338) |
| **Net cash flow from/(to) operating activities (A)** | **7 262** | **(19 426)** | **6 842** | **(40 754)** |
| **CASH FLOW FROM INVESTMENTS** | | | | |
| Investments in fixed and intangible assets | (52) | (96) | (212) | (173) |
| Investments in/disposal of fixed assets | - | 114 | - | 4 |
| Investment in/ disposal of financial assets | (344) | (114) | (344) | (153) |
| Changes in long term receivables | (5) | - | (5) | |
| **Net cash flow from investments (B)** | **(401)** | **(96)** | **(561)** | **(322)** |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | | |
| Changes in receivables from/ liabilities to group companies | - | 3 716 | - | - |
| Share capital increase | - | 1 859 | 17 943 | 21 361 |
| **Net cash flow from financing activities (C)** | **-** | **5 575** | **17 943** | **21 361** |
| **Net change in cash and cash equivalents (A+B+C)** | **6 862** | **(13 948)** | **24 224** | **(19 715)** |
| Cash and cash equivalents at start of the period | 50 331 | 46 917 | 32 969 | 52 685 |
| Cash and cash equivalents at end of the period | 57 193 | 32 969 | 57 193 | 32 969 |
| Restricted bank deposits at end of the period | 7 310 | 6 299 | 7 310 | 6 299 |
| **Available cash and cash equivalents at end of the period** | **49 884** | **26 670** | **49 884** | **26 670** |

(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 140 vessels in 2017.

This financial report is authorised for issue by the Board of Directors as of 7.02.2018.

## Note 2. Accounting policies

The 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

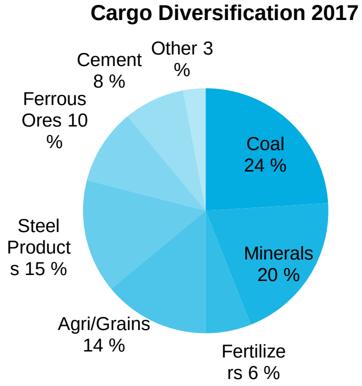
The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions. These estimates are based on the actual underlying business, its present and forecast profitability over time, and expectations about external factors such as dry bulk shipping 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.

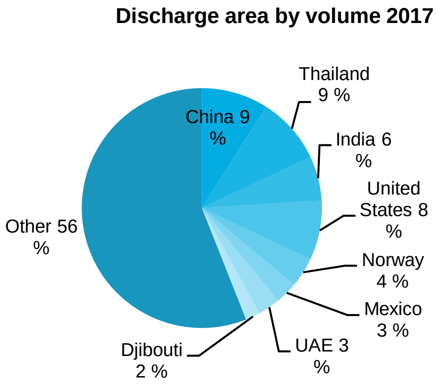
The Group is involved in several disputes, including lawsuits, both as defendant and plaintiff. Based upon the Group's own views as well as opinions received from lawyers, provisions based on best estimate have been made in respect of the Group's total exposure. The actual outcomes of these disputes 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.

# 5. About Western Bulk

Western Bulk is a major operator of dry bulk vessels in the Handysize, Supramax and Ultramax segments. The Group operates its chartered-in fleet and cargo contracts through its two subsidiaries Western Bulk Carriers AS and Western Bulk Pte Ltd, which are supported by chartering and operations teams in Oslo (Norway), Singapore, Seattle (USA) Santiago (Chile) and Casablanca (Morocco).

**The Group has a highly diversified customer base with a broad cargo mix and diverse geographical footprint. In 2017, the Group did business with more than 300 different cargo customers, of which no single customer exceeded 3% of total revenue. No single commodity accounted for more than 24% of the volume of transported cargo in 2017.**




**Group structure: The below chart shows the main companies of the Group.**