



**Western Bulk
Chartering AS**
First Half Year
Report 2018

 **Western Bulk**

Content

1. Key Figures and Highlights	3
2. Dry Bulk Market Highlights	5
3. Outlook	6
4. Financial Statements	7
5. About Western Bulk	12

1. Key Figures and Highlights¹

WB Chartering Group, Key Figures (USDm)	1H 2018	1H 2017	Full year '17
Net T/C result	21,3	15,1	40,5
EBITDA	6,3	0,7	8,3
Profit/(loss) after tax	3,6	(2,1)	4,3
Total assets	130,8	93,0	101,4
Book equity²	23,8	14,6	20,2
Total liabilities	107,0	78,4	81,2
Free cash	43,1	44,1	49,9
Restricted cash	8,6	6,3	7,3
Total cash	51,7	50,3	57,2
Net TC Margin per ship day (USD)	805	585	792
Average number of ships operated	146	143	140
Number of ship days	26 461	25 829	51 125
Number of voyages	615	621	1 190

Comments to the results

The positive development in 2017 continued in the first half of 2018 with the Group posting a **profit after tax** of USD 3.6 million, a strong improvement from the USD -2.1 million loss from the same period in 2017 and close to the full year 2017 profit after tax of USD 4.3 million.

Net TC reached USD 21.3 million (USD 805 per ship day) in the first six months of 2018 compared to USD 15.1 million in the same period last year (USD 585 per ship day). Activity increased throughout the period from 130 ships in December 2017 to 164 ships in June 2018, and the Group operated an average of 146 ships.

Administration expenses for the first half of 2018 was USD 15.0 million compared to USD 14.4 million in the first half of 2017. The increase of USD 0.6 million was due to higher bonus accruals of USD 1.2 million following improved Net TC results. Admin expenses excluding bonus accruals was down by USD 0.6 million following savings on personnel cost, primarily related to reorganization of US Gulf and the office in Miami in June 2017.

Following an increased activity level more cash was tied up in working capital, leading to a negative net cash flow of USD -5.4 million. With the number of ships increasing by 34 from the beginning to the end of the period more cash was tied up in bunker stocks and accounts receivable. The Group has a strong cash position with total available liquidity (incl. free cash and undrawn credit lines but excluding restricted cash) of USD 49.1 million.

The positive results with profit after tax of USD 3.6 million further strengthened the **equity** to USD 23.8 million at June 30, 2018.

The Board of Directors expect the positive development to continue in the second half of 2018.

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.

Financing

Financial items of USD -2.1 million for 2018 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 30 June 2018. Net outstanding bond is NOK 271 million, equivalent to USD 33.2 million. The loan matures in full in April 2019, and as previously communicated the company is in process of exploring financing alternatives with a potential utilization of the call option under the existing bond.

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 which is triggered if the NOK appreciates against the USD to an exchange rate level of 7.68 or lower.

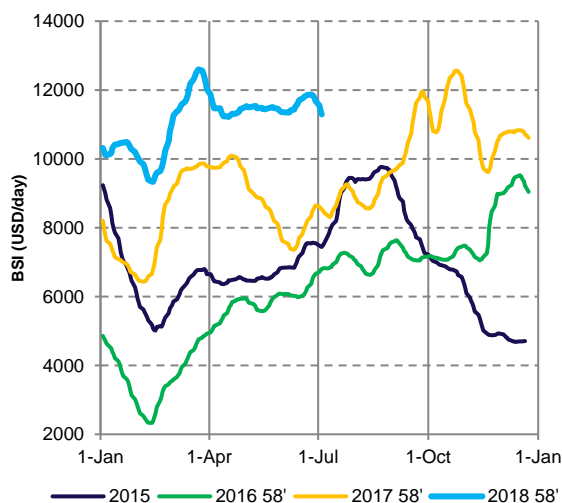
The Group has a USD 6 million bank credit facility which was undrawn as of 30.06.2018. The credit facility is secured with pledge over the Group's accounts receivables and bank accounts.

Apart from a bond loan and a bank credit facility, the Group has no other interest-bearing debt as of 30.06.2018.

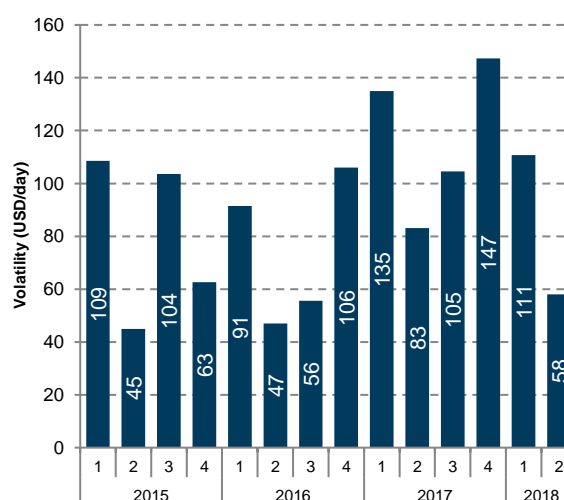
2 Dry Bulk Market Highlights

The first half of 2018 saw the Baltic Supramax Index 58'(BSI) continue to post higher average rates (USD 11,100/day) compared to both the same period last year as well as the second half of 2017, whilst also reaching a new 52 week high of 12,600/day as the balance between supply and demand continued to improve. Volatility in rates was higher in the first quarter of the year as the market improved substantially after Chinese New Year, whereas during the second quarter the market remained within a fairly tight band between USD 11,000/day and USD 12,000/day with limited volatility.

Baltic Supramax Index



Volatility in Baltic Supramax Index³



At the start of 2018 the spread between the Atlantic and Pacific basin stood at over USD 6,700/day as the Atlantic ended 2017 considerably higher than the Pacific. During the first half of the year this was reversed. Caused by the Pacific performing very strongly, particularly during the first quarter, adding over USD 3,000/day, up 39% to end at USD 11,000/day. This is also where the Atlantic ended as it weakened by a similar amount.

The first six months of the year saw a continued positive improvement in both volumes and longer average sailing distances on the demand side. For the major bulks⁴, Chinese coal demand in particular posted high import numbers as the result of a warm summer and local production issues and helped tie up tonnage as port delays increased. Iron ore growth was more muted however as tonne-mile increased only slightly as China continued to drawdown on its historically high inventories built up the previous year. Agribulk and the other minor bulks posted healthy demand increases in the first half of the year. Agribulk has been positively impacted by the impending trade dispute between the US and China as importers seek to stock up whilst it has also meant ships have been rerouted mid journey or kept waiting at ports while the uncertainty remains. All the minor bulks except fertilizers have had very impressive growth in 2018 so far as bauxite and nickel ore is in continued heavy demand from China.

The world's Supramax fleet grew by approximately 1.6% net of scrapping in the first six months of 2018. Supramax scrapping came in at around 0.5m dwt in the first half of 2018 (1.0m dwt in second half of 2017) and is the lowest it's been since 2010 as the improved spot market and second-hand asset values leads owners to hold on to their tonnage. Deliveries continue to be relatively low, however with 3.5m dwt being delivered in the first half of 2018 (Same period 2017: 7.5m dwt). Despite a handful of new orders for Supramax vessels in 2018 so far, the 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 dry bulk market in general is expected to continue its gradual improvement supported by marginal demand growth in excess of supply. So far this year coal has been the main driver for growth but going forward iron ore is likely to give support to the dry market. The impending trade dispute between the US and China may lead to increased infrastructure spending, driving demand for steel and iron ore. This will primarily support the larger vessels. For the smaller vessels more dependent on other commodities the outlook is positive but more uncertain. The trade dispute might negatively impact the US grain export but can also lead to increased demand pending how trade routes develop.

The positive performance for Western Bulk is expected to continue based on increased volatility and an improving market.

The Group's main risk factors are described in Western Bulk Chartering's annual report for 2017, which is available at www.westernbulk.com.

Oslo, 16.08.2018

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)	1H 2018	1H 2017	Full year '17
Gross revenues	486 178	411 689	827 280
Voyage expenses	(183 506)	(172 422)	(326 968)
T/C expenses	(279 570)	(222 621)	(456 289)
Other vessel expenses	(1 791)	(1 533)	(3 531)
Net T/C result	21 311	15 112	40 492
Administration expenses	(14 970)	(14 440)	(32 238)
Result before depreciation and impairment, finance items and income tax	6 341	672	8 255
Provision for future loss	-	-	1 600
Depreciation	(182)	(154)	(333)
Provision for doubtful debt	-	-	-
Gain/(loss) on disposal of property, plant and equipment	-	-	1
Operating profit/(loss)	6 159	518	9 523
Financial income	765	58	229
Financial expenses	(2 910)	(2 237)	(4 269)
Bad debt provision and write-offs, financial items	27	-	-
Result before tax	4 040	(1 661)	5 483
Income tax expense	(442)	(430)	(1 189)
Result for the period	3 599	(2 091)	4 294

Consolidated Condensed Balance Sheet

Western Bulk Chartering Group

(USD 1,000)	1H 2018	1H 2017	Full year '17
ASSETS			
Non current assets			
Deferred tax asset	1 811	1 475	1 800
Intangible assets	388	564	484
Property, plant and equipment	549	405	358
Investment in financial assets	523	153	497
Long term receivables	10	-	5
Total non current assets	3 281	2 597	3 145
Current Assets			
Bunker stocks	42 863	28 318	21 293
Accounts receivable	16 747	9 416	18 385
Other receivables	838	2 313	1 401
Prepaid cost	15 323	-	-
Bank deposits	51 748	50 331	57 193
Total current assets	127 519	90 378	98 272
TOTAL ASSETS	130 800	92 975	101 416
EQUITY AND LIABILITIES			
Equity			
Share capital	95	95	95
Share premium	20 092	14 456	20 092
Other paid-in capital	-	-	-
Retained earnings	3 598	-	-
Total equity	23 785	14 551	20 187
Long term liabilities			
Deferred tax liability	266	380	261
Pension liabilities	5 516	4 099	5 311
Interest-bearing debt	33 216	32 312	33 029
Other long-term liabilities	718	-	1 398
Total long term liabilities	39 715	36 791	39 999
Current liabilities			
Accounts payable	8 977	8 955	6 997
Prepaid freight	-	1 435	4 026
Prepaid income	14 946	393	6 683
Taxes payable	678	1 081	1 137
Accrued cost	35 363	21 942	13 305
Liabilities related company	246	49	148
Other current liabilities	7 090	7 779	8 934
Total current liabilities	67 300	41 633	41 230
Total liabilities	107 015	78 424	81 229
TOTAL EQUITY AND LIABILITIES	130 800	92 975	101 416

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, 2018	95	20 092				20 187
Share capital increase, net						-
Pension remeasurement						-
Result for the period					3 598	3 598
June 30, 2018	95	20 092	-	-	3 598	23 785

Consolidated Condensed Statement of Cash Flow

Western Bulk Chartering Group

(USD 1,000)	1H 2018	1H 2017	Full year '17
CASH FLOW FROM OPERATIONS			
Profit/(loss) before tax	3 872	(1 661)	5 483
Taxes paid	(903)	(137)	(1 059)
Ordinary depreciation	182	154	333
Writedown and provisions	-	-	(1 600)
(Gain)/loss on disposal fixed assets	(27)	-	-
Changes in current receivables and current liabilities	(8 290)	1 224	3 686
Net cash flow from/(to) operating activities (A)	(5 165)	(420)	6 842
CASH FLOW FROM INVESTMENTS			
Investments in fixed and intangible assets	(276)	(160)	(212)
Investments in/disposal of fixed assets	(155)	(4)	-
Investment in/ disposal of financial assets	156	(192)	(344)
Changes in long term receivables	(5)	(5)	(5)
Net cash flow from investments (B)	(280)	(360)	(561)
CASH FLOW FROM FINANCING ACTIVITIES			
Share capital increase	-	17 943	17 943
Net cash flow from financing activities (C)	-	17 943	17 943
Net change in cash and cash equivalents (A+B+C)	(5 445)	17 162	24 224
Cash and cash equivalents at start of the period	57 193	32 969	32 969
Cash and cash equivalents at end of the period	51 748	50 331	57 193
Restricted bank deposits at end of the period	8 612	6 270	7 310
Available cash and cash equivalents at end of the period	43 136	44 061	49 884
(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 146 vessels in first half 2018.

This financial report is authorised for issue by the Board of Directors as of 16.08.2018.

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 2017 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.

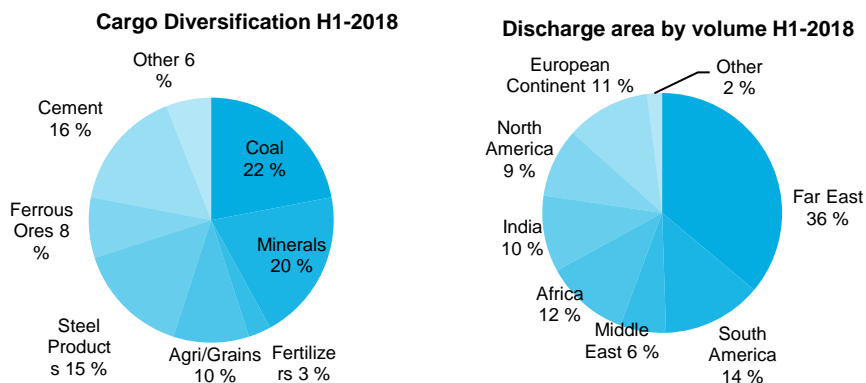
The Group is involved in several disputes, including lawsuits, both as defendant and plaintiff. Based upon the Group's own views as well as opinions received from lawyers, provisions based on best estimate have been made in respect of the Group's total exposure. The actual outcomes of these disputes 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 H1-2018, the Group conducted business with more than 200 different cargo customers, of which no single customer exceeded 4% of total revenue. No single commodity accounted for more than 22% of the volume of transported cargo in H1-2018.



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

