

Western Bulk Chartering AS

Second quarter report 2016



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 20 shareholders. See www.westernbulk.com for more information.

1 KEY FIGURES AND HIGHLIGHTS

1.1 Key Financial Highlights¹

WB Chartering Group, Condensed Income Statement (USDm)	1H 2016	Q2 2016	Q1 2016	FY 2015	FY 2014
Net T/C result ^{1) 2)}	0,9	(5,4)	6,3	44,5	26,2
Administration expenses	(11,4)	(5,4)	(6,0)	(35,4)	(35,0)
EBITDA ^{1) 2)}	(10,5)	(10,8)	0,3	9,1	(8,8)
Profit/(loss) after tax ^{1) 2) 3)}	(10,4)	(11,4)	1,1	7,2	(11,7)
Net TC Margin per ship day (USD) ^{1,2)}	42	(543)	526	785	426
Average number of ships operated	120	109	131	155	169
1) Excluding one-off gain of USD 10.7 million in 2014					
2) Excluding one-off loss of USD 4.0 million in Q1 2016 related to vessels chartered in from Bulk Invest					
3) Excluding write-down of loan provided to Bulk Invest of USD 3.7 million in Q1 2016 and USD 23.3 million in 2015					
WB Chartering Group, Condensed Balance Sheet (USDm)	30.06.16	31.03.16	31.12.15	31.12.14	
Non current assets		2,0	2,0	1,8	1,8
Bank deposits ⁴⁾		46,9	27,9	52,7	57,2
Other current assets		38,0	49,1	62,8	138,8
Total assets		86,9	79,0	117,3	197,8
Equity		15,9	40,5	47,1	66,9
Long term liabilities		37,6	5,1	5,2	6,3
Short term liabilities		33,4	33,4	65,0	124,6
Total equity and liabilities		86,9	79,0	117,3	197,8
4) Of which restricted cash amounts to (USDm)					
		6,4	5,5	6,4	10,3

Comments to the results

The Group posted an EBITDA of USD -10.8 million and a net result of USD -11.4 million in the second quarter of 2016. The Bulk Invest ASA bankruptcy in March had a negative effect on WB Chartering's ability to arbitrage the market in Q2-16, thus putting a strain on the Net TC margin. In addition, the continued weak dry bulk market made it particularly challenging to find good opportunities in the spot market.

The operated fleet declined from 131 vessels in Q1-16 to 109 vessels on average for Q2-16. The decline was partially caused by the negative effects on WB Chartering's business from the Bulk Invest ASA bankruptcy, and partially by the difficult market with fewer opportunities for profitable spot business.

The Group continues its high attention to costs. The administration expenses (excluding bonus accruals) have been reduced by USD 4.6 million in 1H 2016 compared to 1H 2015, and were USD 0.6 million lower in Q2-16 than in the previous quarter.

Equity and debt transactions in Q2 2016

In June, the Group completed a private placement directed at the largest, former Bulk Invest ASA shareholders, raising about USD 20 million in new equity and moved the outstanding NOK 300 million bond loan from Kistefos Equity Operations AS to Western Bulk Chartering AS (change of debtor). The transfer also included NOK 29 million bonds (par value) held in treasury by Kistefos Equity Operations AS. Following the transaction, Western Bulk Chartering AS is now owned by a group of about 20 shareholders. Kistefos AS remains the main shareholder, controlling approximately 78% of the shares through two of its subsidiaries. The transactions are fully reflected in the balance sheet as of 30.6.2016². Subsequent to this private placement, Western Bulk Chartering plans to invite the other, smaller shareholders to invest in the company's shares during Q3-16.

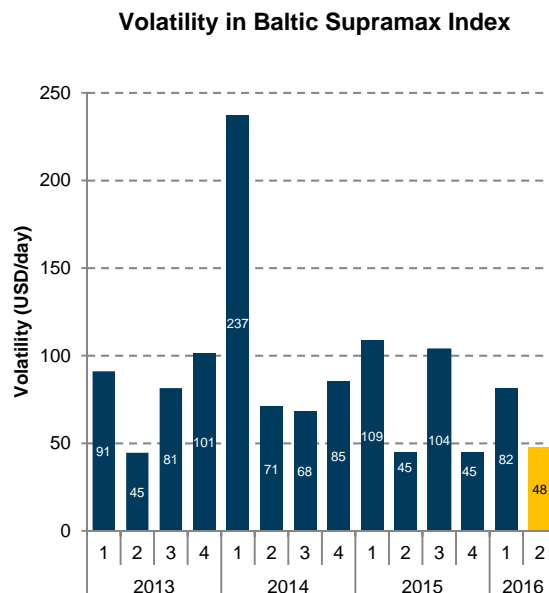
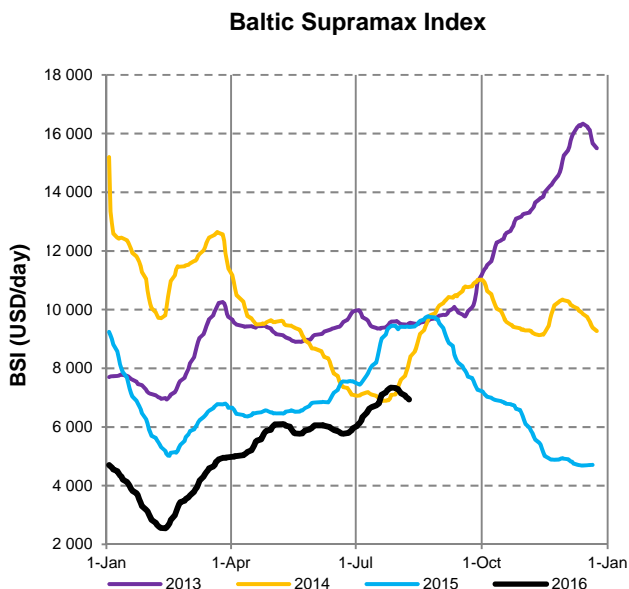
In June, the Group entered into a new bank facility of USD 8 million, consisting of USD 6 million credit line and USD 2 million available for bank guarantees. The credit line is for general working capital purposes, and was undrawn as of 30.6.2016.

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 new shares were issued on 5th July and the amended bond loan agreement was dated 6th July, but all approvals and resolutions necessary for the transaction were in place as of 30.6.2016, and the transactions have therefore been fully reflected in the balance sheet as of 30.6.2016.

1.2 Dry Bulk Market Highlights

The second quarter of 2016 showed some improvements from Q1-16 which was the worst quarter in the Baltic Supramax Index's (BSI) history. The index followed a remarkably similar pattern to last year albeit at much lower levels. Rates ended the quarter around USD 6,500/day, which was an improvement of 30% from the beginning of the quarter. As rates hovered around the USD 6,000/day mark for the majority of the quarter, volatility levels dropped again.



The Atlantic basin was the main reason for the BSI uptick, with an increase of 88% to end at USD 8,000/day. The Pacific basin was more subdued but still added 22% after a slow April and May; ending at USD 5,850/day.

The rates were helped by an increase in volumes of most commodities in Q2-16. Volumes for major bulk³ improved with increased demand from China for iron ore and coal as a Q1-16 credit expansion in the country started to take effect. Global volumes for iron ore are up 5.3% quarter on quarter and 5.6% ahead versus YTD-15. Whilst coal volumes remain low compared to YTD-15 (down 7.6%), 1H-16 volumes into China increased some 9% compared to the first half of 2015, as the downward trend that began in 2013 shows signs of at least flattening out.

The main minor bulk volumes (Grain/soybean, Bauxite, Alumina, Fertilizers, Cement, Steel products and Nickel ore) continue to improve both quarter on quarter (5.1%) and YTD (6.0%). The main drivers of this growth were increased grain volumes out of South America, and nickel and bauxite volumes into China.

The world's Supramax fleet grew by approximately 0.8% net of scrapping in Q2-16. The annualized growth currently stands at 5% which is down from 6.6% at the end of Q1-16. Supramax scrapping equaled 1.5m dwt removed from the market as rates remained unattractive especially for older members of the fleet. Deliveries of new vessels came in at 3.0m dwt delivered (Q1-16: 4.2m dwt) and order activity for new vessels remains virtually non-existent.

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 Second Quarter Results

Net TC result is generated by WB Chartering's seven business units. The Bulk Invest ASA bankruptcy in March had a negative effect on WB Chartering's ability to arbitrage the market in Q2-16, thus putting a strain on the Net TC margin. In addition, the continued weak dry bulk market made it particularly challenging to find good opportunities in the spot market.

The Net TC result for the Group in Q2-16 was USD -5.4 million for an operated fleet of 109 vessels, compared to USD 6.3 million in Q1-16 and USD 12.8 million in Q2-15 and a fleet of 131 and 149 vessels respectively. The operated fleet and the Net TC was particularly weak in April and May. Towards the end of the quarter, WB Chartering saw an improvement in the weak Net TC and a slight increase of the fleet.

USD million	1H 2016	Q2 2016	Q1 2016	Full year '15
Net T/C result (mUSD) ¹⁾	0,9	(5,4)	6,3	44,5
Net TC Margin per ship day ¹⁾	42	(543)	526	785
Average number of ships operated	120	109	131	155
Number of ship days	21 791	9 886	11 905	56 677
Number of voyages	533	257	276	1 322

1) Excluding one-off loss of USD 4.0 million in Q1 2016 related to vessels chartered in from Bulk Invest

Administration expenses were USD - 5.4 million in Q2-16 compared to USD -6.0 million in Q1-16 and USD - 10.3 million in Q2-15, and are related to salaries, bonus accruals, office expenses and other administrative expenses. The reduction in these expenses from Q2-15 to Q2-16 was caused by an overall reduction in costs and positive currency effects (USD 3.1 million) and lower bonus accruals (USD 1.8 million).

Financial items of USD -0.4 million in Q2-16 were mainly related to:

Financial Items (USD million)	1H 2016	Q2 2016	Q1 2016	Full year '15
Interest income/(expense), net	0,1	(0,1)	0,2	0,8
Net FX gain/(loss), excluding amount related to bond loan	0,0	0,1	(0,1)	0,4
FX gain/(loss) related to bond loan	(0,4)	(0,4)	-	-
Other financial items	(0,2)	(0,1)	(0,1)	0,2
Total Financial Items	(0,3)	(0,4)	0,1	1,3

One-offs and impairments:

There were no one-offs or impairments in Q2-16 and Q2-15, while Q1-16 included a one-off of USD -4.0 million impact on the Net TC result and USD -3.7 million in write-off, both related to the Bulk Invest ASA bankruptcy. In addition, the Q1-16 results had a positive effect from a reversal of USD 1.0 million in impairment provision from previous periods.

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 30.6.2016.

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 30.6.2016). The currency and interest rate exposure inherent from the bond loan is currently unhedged.

Bank Credit Facility

The Group has a USD 6 million bank credit facility which was undrawn as of 30.6.2016. The credit facility is secured with pledge over the Group's accounts receivables and bank accounts.

3 OUTLOOK

The dry bulk Supramax market rates may have bottomed out earlier this year and have since increased to current levels of around USD 7,000 per day. The market rates are still at historically low levels, barely covering the vessel owners' operating expenses. The supply and demand balance is expected to remain challenging with a large number of vessels being delivered during 2016. Consequently, the near term outlook is a continued challenging market.

The delivery of new vessels is expected to slow down from 2017, as ordering of new vessels has halted and the order book is rapidly declining with the new deliveries this year. Hence, the medium term outlook is a gradual improvement in rates, as long as the demand growth and the recycling of vessels are at a reasonable level going forward.

The WB Chartering group of companies expects an improvement of the results in Q3-16 compared to the weak performance in Q2-16, and that the results gradually will improve during second half of 2016.

The Group's main risk factors are described in Western Bulk Chartering's annual report for 2015, which is available at www.westernbulk.com.

Oslo, 23.8.2016

The Board of Directors of Western Bulk Chartering AS

Bengt A. Rem, Chairman

Erik Borgen, Board member

Jens Ismar, CEO

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 SECOND QUARTER 2016

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)	Q2 2016	Q2 2015	1H 2016	1H 2015	Full year '15
Gross revenues	132 656	236 346	295 388	501 597	989 846
Voyage expenses	(72 257)	(113 593)	(159 576)	(241 092)	(467 814)
T/C expenses	(64 789)	(109 046)	(137 264)	(236 159)	(474 346)
Other vessel expenses	(974)	(868)	(1 643)	(1 652)	(3 197)
Net T/C result	(5 364)	12 840	(3 094)	22 694	44 489
Administration expenses	(5 421)	(10 262)	(11 394)	(18 853)	(35 388)
Result before depreciation and impairment, finance items and income tax (EBITDA)	(10 785)	2 578	(14 489)	3 842	9 101
Provision for future loss	-	-	1 000	-	(1 000)
Depreciation	(74)	(44)	(146)	(125)	(225)
Provision for doubtful debt	(56)	-	(3 772)	-	(23 331)
Gain/(loss) on disposal of property, plant and equipment	-	-	-	-	1
Operating profit/(loss)	(10 915)	2 534	(17 407)	3 716	(15 455)
Financial income	4	26	239	634	2 079
Financial expenses	(396)	(608)	(563)	(688)	(771)
Realized gain/(loss) financial assets	-	-	-	3	3
Result before tax	(11 307)	1 952	(17 730)	3 665	(14 144)
Income tax expense	(135)	(263)	(343)	(551)	(1 934)
Result for the period	(11 442)	1 688	(18 073)	3 114	(16 077)

Consolidated Condensed Balance Sheet

WESTERN BULK CHARTERING GROUP

(USD 1,000)	30.06.16	31.03.16	31.12.15
ASSETS			
Non current assets			
Deferred tax asset	764	774	726
Intangible assets	754	807	861
Property, plant and equipment	276	292	242
Investment in financial assets	153	114	-
Long term receivables	19	-	-
Total non current assets	1 965	1 987	1 829
Current Assets			
Bunker stocks	19 510	13 440	23 519
Accounts receivable	10 390	18 612	24 326
Other receivables	3 151	3 349	2 097
Prepaid cost	4 144	13 740	12 283
Receivable intercompany	777	8	591
Bank deposits	46 917	27 866	52 685
Total current assets	84 888	77 015	115 501
TOTAL ASSETS	86 853	79 002	117 330
EQUITY AND LIABILITIES			
Equity			
Share capital	64	35	35
Share premium	15 786	24 983	24 983
Other paid-in capital	-	11 165	11 165
Retained earnings	-	4 332	10 957
Total equity	15 851	40 515	47 139
Long term liabilities			
Deferred tax liability	456	462	434
Pension liabilities	4 054	3 933	3 676
Interest-bearing debt	32 348	-	-
Other long-term liabilities	741	660	1 100
Total long term liabilities	37 599	5 056	5 210
Current liabilities			
Accounts payable	10 155	6 297	13 852
Prepaid freight	-	-	10 085
Prepaid income	881	-	-
Taxes payable	1 149	1 451	1 614
Accrued cost	19 230	21 634	29 802
Other current liabilities	1 989	4 050	9 628
Total current liabilities	33 403	33 432	64 981
Total liabilities	71 002	38 488	70 191
TOTAL EQUITY AND LIABILITIES	86 853	79 002	117 330

Oslo, 23.8.2016

The Board of Directors of Western Bulk Chartering AS

Bengt A. Rem, Chairman

Erik Borgen, 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	Retained earnings	Total equity
January 01, 2016	35	24 983	11 165	10 957	47 139
Result for the period			(7 119)	(10 954)	(18 073)
Share capital increase, net	29	19 472			19 502
Bond loan transfer		(28 669)	(4 056)		(32 725)
Other			10	(3)	7
June 30, 2016	64	15 786	0	0	15 851

Consolidated Condensed Statement of Cash Flow

WESTERN BULK CHARTERING GROUP

(USD 1,000)		Q2 2016	Q2 2015	1H 2016	1H 2015	Full year 2015
CASH FLOW FROM OPERATIONS						
Profit/(loss) before tax		(11 307)	1 952	(17 730)	3 665	(14 144)
Taxes paid		(425)	(815)	(885)	(1 633)	(1 744)
Ordinary depreciation		74	44	146	125	225
Writedown and provisions		56		2 772		24 331
(Gain)/loss on disposal fixed assets						(1)
Changes in current receivables and current liabilities		11 195	9 871	-5 631	19 593	14 337
Net cash flow from/(to) operating activities	(A)	(408)	11 053	(21 328)	21 750	23 005
CASH FLOW FROM INVESTMENTS						
Investments in fixed and intangible assets		(8)	(42)	(76)	(220)	(802)
Disposal of fixed assets		4		4		
Investment in/ disposal of financial assets		(39)		(153)		
Changes in long term receivables						6
Net cash flow from investments	(B)	(44)	(42)	(225)	(220)	(796)
CASH FLOW FROM FINANCING ACTIVITIES						
Group Contribution paid			(3 868)		(3 868)	(3 868)
Changes in receivables from/ liabilities to group companies				(3 716)		(22 825)
Share capital increase		19 502		19 502		
Net cash flow from financing activities	(C)	19 502	(3 868)	15 786	(3 868)	(26 693)
Net change in cash and cash equivalents	(A+B+C)	19 051	7 143	(5 768)	17 662	(4 483)
Cash and cash equivalents at start of the period		27 866	67 687	52 685	57 168	57 168
Cash and cash equivalents at end of the period		46 917	74 830	46 917	74 830	52 685
Restricted bank deposits at end of the period		6 394	7 653	6 394	7 653	6 373
Available cash and cash equivalents at end of the period		40 523	67 177	40 523	67 177	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 109 vessels in Q2 2016.

This interim report is authorised for issue by the Board of Directors as of 23.8.2016.

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 2015 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.