

First Half Year Report

2022

 **Western Bulk**



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From left: Chartering Ida Lindtvedt, Data Scientist Edvard Hulten, Senior Data Scientist Patrick Næss, Business Analyst Lene Røssland, Chartering Olav Haldorsen, Risk Analyst Callum Thomson



01. Key Figures and Highlights

WB CHARTERING GROUP (USDM)	1H 2022	1H 2021	FULL YEAR 2021	FULL YEAR 2020
Net TC result ¹⁾	64.5	20.2	137.9	26.7
Administrative expenses	24.6	10.1	50.7	22.9
EBITDA ¹⁾	39.9	10.1	87.2	3.8
Net profit after tax ¹⁾	37.4	9.0	81.0	3.2
Net TC Margin per ship day (USD) ¹⁾	3 158	1 020	3 376	663
Average number of ships operated	113	109	112	110
Total assets	224.8	121.1	196.6	79.3
Book equity	59.5	29.8	51.1	19.8
Total liabilities	165.3	91.4	145.5	59.5
Interest bearing debt	9.9	18.2	3.4	24.0
Free cash	53.5	27.5	108.3	18.2
Restricted cash	27.0	13.7	13.9	12.1
Total cash	80.6	41.2	122.1	30.3

¹⁾ 1H 2022 and Full year 2021 Net TC including USD 1.6 million and USD 24.2 million gain on positional FFAs (Forward Freight Agreements) and H1 2021 Net TC including USD 1.5 million loss on positional FFAs. These are derivative positions not qualifying as a hedge, hence booked as financial items in the financial statements in chapter 4.



Comments to the results

For the first half of 2022, Western Bulk generated a net profit after tax of USD 37.4 million and achieved the best first half year result in the company's 40-year history. This represents an increase of USD 28.4 million from the USD 9.0 million generated in the same period last year.

The exceptionally good start to the year comes as a result of good craftsmanship with an agile approach to market volatility in combination with implemented strategic and operational initiatives. Key initiatives include investments to allow for more data driven decision making, and a more systematic approach to business development and client relationship management. In addition, cooperation between regions has been strengthened to improve decision making, as well as to capture a larger arbitrage potential from higher dry bulk market volatility.

The high market volatility seen in 2021 continued into 2022. With focus on trading the short-term market, Western Bulk managed to utilize this both in respect of total market levels and relative levels between the basins. The company has also managed to limit negative impacts from the Russian invasion of Ukraine.

Net TC reached USD 64.5 million in the first half of 2022, an improvement of USD 44.3 million from USD 20.2 million in the same period in 2021.

Net TC Margin per ship day for the first half of 2022 reached USD 3,158 compared to USD 1,020 for the same period in 2021.

In the first half of 2022 the company reached an average of 113 vessel equivalents compared to 109 in the first half of 2021. There was a significant increase throughout the period from an average fleet of 105 vessel equivalents in the first quarter of 2022 to an average of 120 in the second quarter.

Administration expenses increased to USD 24.6 million in the first half of 2022, from USD 10.1 million for the first half of 2021. The increase was mostly due to bonus accruals following the record results. The company has continued its focus on limiting expenses and being cost efficient.

Dividend declaration

Based on the strong results for the first half of 2022, Western Bulk hereby declares a dividend for the second quarter of USD 13 million. Dividend per share is NOK 3,85 at USD NOK 9,95. The ex dividend date is 17th of August, record date is 18th of August and payment date is 25th of August.

For the first quarter of 2022 Western Bulk declared a quarterly dividend of USD 16 million (NOK 4,24 per share). With the USD 13 million dividend declared for the second quarter, dividend for the first half year totals USD 29 million (NOK 8,09 per share). Dividend equals close to 80 % of the USD 37.4 million Net profit for the first half year of 2022.



Financing and available cash

At the end of the period Western Bulk had USD 53.5 million in free cash, interest-bearing debt of USD 9.9 million and up to USD 30.1 million in unutilized overdraft facilities. Free cash decreased by USD 54.7 million in the first half of 2022, mostly due to payment of USD 82.8 million in FY2021 and Q12022 dividend to shareholders.

The relatively high market levels and bunker prices through the first half of 2022 have continued to support a higher amount of cash tied up in working capital due to more outstanding receivables and higher bunker stocks. Current physical working capital¹ amounts to about USD 39 million. With a total fleet of 130 vessels as per the end of the period, this equals to an average of about USD 300,000 per vessel.

Western Bulk has three working capital facilities with credit lines totaling up to USD 40 million – a bunker purchase facility of USD 10 million, an accounts receivables facility of up to USD 20 million depending on eligible receivables, and an overdraft facility of USD 10 million. As of 30.06.2022 the company had an interest-bearing debt of USD 9.9 million whereof USD 5.0 million was drawn on the bunker purchase facility and USD 4.9 million was drawn on the accounts receivables facility. The overdraft facility was undrawn.

Company update

At the start of 2022, Western Bulk opened an office in Dubai. Some of the employees from the Indian Ocean commercial team has relocated from the Singapore to the Dubai office to get closer to customers in the Middle East.

¹ Physical working capital includes Accounts Receivables, Bunker Stocks, Other Receivables less; Accounts Payable, Prepaid Freight, Accrued Costs, Accrued Taxes/Pensions and Other current liabilities. It does not include receivables or payables related to derivatives.

02. Dry Bulk Market Highlights

The Baltic Supramax Index 58'(BSI) averaged USD 26,983/day in the first half of 2022, 28% higher than the USD 21,014/day in the same period last year. After rebounding from a seasonal dip during Chinese New Year, the market was fueled by Russia's invasion of Ukraine, as western sanctions and self-sanctions have resulted in longer distance for global trades. Fleet efficiency was also reduced due to port disruptions caused by trucker and railway strikes.

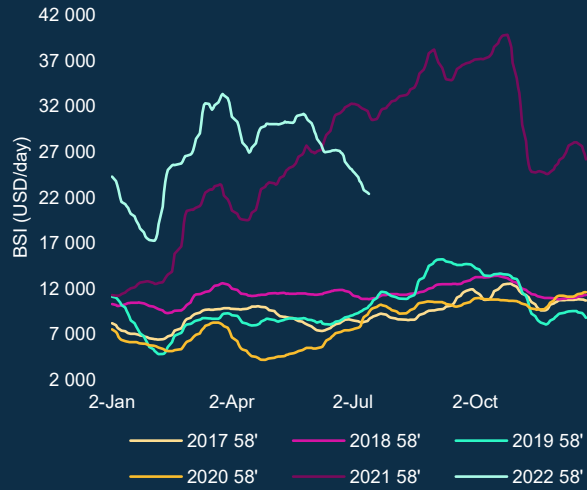
The spread between Atlantic and Pacific markets shrunk to USD -1,654/day as European countries imported more commodities from the Pacific to replace Russian supply. Both the Pacific and Atlantic Supramax markets were very volatile in the first half of 2022. Following a strong surge in the first quarter due to rising demand from China and Southeast Asia, the Pacific market quickly turned negative in the second quarter because of covid lockdowns in China and the outbreak of war between Russia and Ukraine. Iron ore and steel shipments from India also took a hit due to the hike of export tariffs by the government in May. Despite these negative factors, the Pacific market was able to hold at decent levels supported by strong coal demand from Europe which imposed strict sanctions on trades with Russia.

In the Atlantic market, the Black Sea dropped following Russia's war on Ukraine as port activities halted from end February to mid-March. The Black Sea market recovered marginally after shipments resumed from Russian Black Sea ports while Ukrainian ports were still blocked. Western sanctions and self-sanctions on Russian cargo spurred strong cargo demand from the rest of the world, especially from the Americas. Consequently, markets were pushed up in the South Atlantic, US Gulf and US East coast during April and May until the Atlantic market was oversupplied by ships open after discharging in the Continent where coal throughput jumped 30% in the first half of 2022.

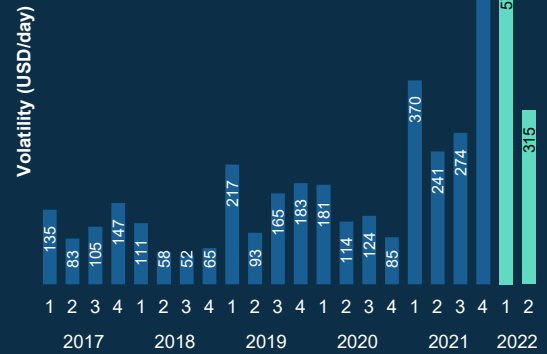
The global dry bulk fleet grew 1.2% in the first half of 2022 and is expected to expand close to 2.5% for the full year. In particular, the Supramax fleet has expanded 1.4% until June 2022 and full-year growth is expected to exceed 3%. However, full-year growth expectations for the global dry bulk demand have been downgraded sharply from 1.8% to 0.1% due to the ongoing war in Ukraine and much weaker prospects for the global economy. As a result, the global dry bulk market could continue to face strong headwinds for the rest of 2022.



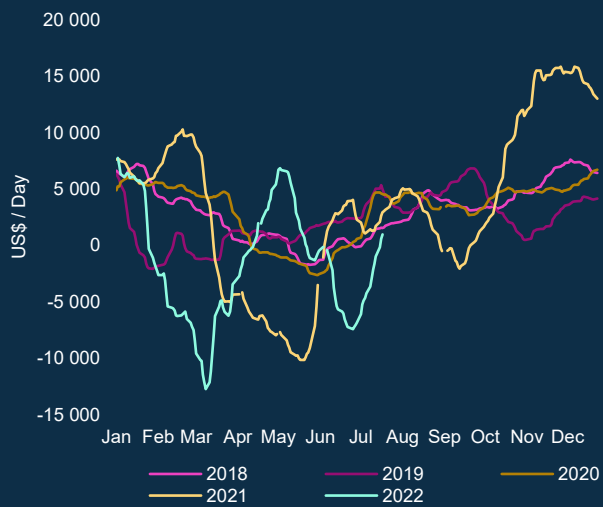
BALTIC SUPRAMAX INDEX



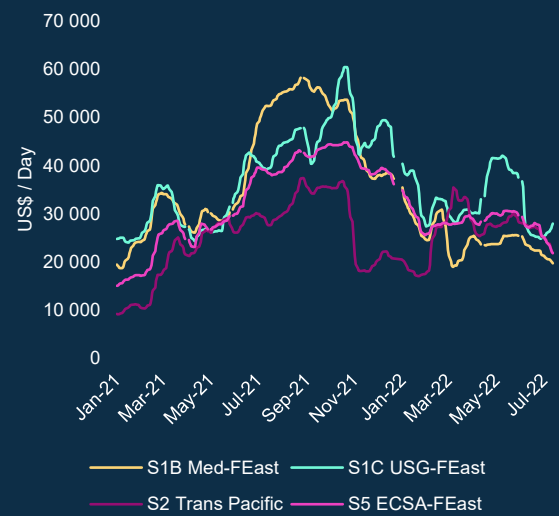
VOLATILITY IN BALTIC SUPRAMAX INDEX



BSI ATLANTIC-PACIFIC SPREAD



BSI SELECTED ROUTES



Source: Baltic Exchange



03. Outlook

Historically the market has been higher in the second half of the year, offering increased opportunities on the back of seasonality. This is not expected to happen this year due to lower economic growth with the risk of several countries going into recession. Uncertainty related to Chinese demand is increased, spurred by troubles in the housing sector, as well as increased tension between China and the US regarding Taiwan adding to the negative sentiment. The Baltic Supramax Index has been declining for all forward periods throughout the summer, and with muted market levels overall volatility is expected to be lower. The company therefore anticipates lower results in the second half of 2022 compared to the first half of the year.

Western Bulk's main risk factors are described in Western Bulk Chartering's annual report for 2021, which is available at www.westernbulk.com.

OSLO, 15.8.2022

THE BOARD OF DIRECTORS OF WESTERN BULK CHARTERING AS

BENGT A. REM
CHAIRMAN

ERIK BORGEN
BOARD MEMBER

TORD MELING
BOARD MEMBER

HANS AASNÆS
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, express 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 trademark 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.



04. 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 2022	1H 2021	FULL YEAR 2021	FULL YEAR 2020
Gross revenues	883 070	565 255	1 487 878	778 690
Voyage expenses	(282 955)	(217 715)	(467 540)	(358 537)
T/C expenses	(536 117)	(324 822)	(904 668)	(391 355)
Other vessel expenses	(1 095)	(982)	(1 992)	(2 062)
Net T/C result	62 904	21 736	113 679	26 737
Administration expenses	(24 643)	(10 070)	(50 720)	(22 918)
Result before depreciation and impairment, finance items and income tax	38 621	11 666	62 959	3 819
Provision for future loss	-	-	-	-
Depreciation	(68)	(84)	(151)	(281)
Writedown fixed assets	-	-	-	-
Provision for doubtful debt	-	-	(2)	(14)
Gain/(loss) on disposal of property, plant and equipment	(5)	(29)	(28)	-
Operating profit/(loss)	38 188	11 553	62 778	3 524
Financial income	122	52	97	1 256
Financial expenses	(1 857)	(780)	(2 228)	(1 452)
Gain/(loss) positional FFA	1 617	(1 536)	24 226	33
Realised gain/(loss) financial assets	-	-	-	1
Net profit before tax	38 071	9 291	84 873	3 362
Income tax expense	(662)	(324)	(3 847)	(159)
Net profit for the period	37 409	8 967	81 026	3 203



CONSOLIDATED CONDENSED BALANCE SHEET

WESTERN BULK CHARTERING GROUP

(USD 1,000)	1H 2022	1H 2021	FULL YEAR 2021	FULL YEAR 2020
ASSETS				
Non current assets				
Deferred tax asset	358	738	390	740
Intangible assets	9	18	14	23
Tangible fixed assets	377	375	358	502
Investment in financial assets	230	630	530	630
Long term receivables	41	608	604	-
Total non-current assets	1 015	2 368	1 896	1 895
Current assets				
Bunker stocks	83 690	48 032	39 409	28 374
Accounts receivable	59 094	28 967	32 769	18 145
Other receivables	462	575	443	634
Receivables derivatives	-	-	-	-
Bank deposits	80 578	41 198	122 114	30 297
Total current assets	223 825	118 772	194 735	77 450
TOTAL ASSETS	224 839	121 141	196 631	79 345
EQUITY AND LIABILITIES				
Equity				
Share capital	205	180	205	174
Share premium	31 693	17 426	31 693	16 430
Other paid-in capital	-	-	-	-
Retained earnings	27 639	12 170	19 229	3 203
Total equity	59 536	29 776	51 127	19 807
Long term liabilities				
Deferred tax liability	106	152	120	153
Pension liabilities	617	1 028	815	1 214
Other long-term liabilities	-	-	-	-
Total long-term liabilities	723	1 181	936	1 367
Current liabilities				
Accounts payable	39 471	21 687	8 202	8 130
Other payable	84 101	17 919	60 278	24 574
Proposed dividend	13 000	-	65 000	-
Payable derivatives	14 774	31 641	4 241	661
Taxes payable	3 293	386	3 465	601
Shareholder loan	-	-	-	-
Liabilities related company	-	374	-	251
Amounts owed to credit institutions	9 941	18 177	3 383	23 955
Total current liabilities	164 580	90 184	144 569	58 171
Total liabilities	165 303	91 365	145 505	59 538
TOTAL EQUITY AND LIABILITIES	224 839	121 141	196 631	79 345



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 REGISTERED CAPITAL INCREASE	RETAINED EARNING	TOTAL EQUITY
January 1, 2022	205	31 693	-	-	19 229	51 127
Share capital increase, net	-	-	-	-	-	-
Paid dividend	-	-	-	-	(16 000)	(16 000)
Proposed dividend	-	-	-	-	(13 000)	(13 000)
Result for the period	-	-	-	-	37 409	37 409
June 30, 2022	205	31 693	-	-	27 639	59 536

SHARE CAPITAL			
Nominal value per share	NOK	0,05	
Registered share capital per 30.06.2022	NOK	1 680 986	
Registered share capital per 30.06.2022, in USD	USD	205 148	
Total number of shares issued as of 30.06.2022		33 619 715	

MAIN SHAREHOLDERS (NAME)	# OF SHARES	OWNERSHIP %
Kistefos group	23 093 152	68,7 %
Ojada AS	2 776 792	8,3 %
Øra Industrier AS	640 000	1,9 %
Euroclear Bank S.A./N.V.	458 330	1,4 %
Avanza Bank AB	276 105	0,8 %
Other (1 170 other shareholders)	6 375 336	18,9 %
	33 619 715	100 %
SHAREHOLDINGS BY CEO AND BOARD OF DIRECTORS		
CEO Hans Aasnæs (through Øra Industrier AS and privately)	672 673	2,0 %
Chairman of the Board, Bengt A. Rem (through Borken AS)	66 666	0,2 %
Board member, Erik Borgen (through Medici Capital Management AS)	66 666	0,2 %
Board member, Tord Meling (through Bergvegg AS)	16 666	0,1 %
	822 635	2,5 %

With reference to note 8 in the Annual Report 2021, NOK 4.8 million out of the NOK 5.2 million loan provided to the executive management in connection with the employee share scheme in May 2021 was repaid during the period. There were no other related party transactions during H1 2022.



CONSOLIDATED CONDENSED STATEMENT OF CASH FLOW WESTERN BULK CHARTERING GROUP

(USD 1,000)	1H 2022	1H 2021	FULL YEAR 2021	FULL YEAR 2020
CASH FLOW FROM OPERATIONS				
Profit/(loss) before tax	38 071	9 291	84 873	3 362
Taxes paid	(642)	(545)	(540)	(1 150)
Ordinary depreciation	68	84	151	281
Writedown and provisions	-	-	-	-
(Gain)/loss on disposal financial assets	5	29	29	-
Changes in current receivables and current liabilities	(3 577)	7 407	13 113	(13 496)
Net cash flow from/(to) operating activities (A)	33 924	16 266	97 626	(11 003)
CASH FLOW FROM INVESTMENTS				
Investments in fixed and intangible assets	(103)	(8)	(54)	(253)
Investments in financial assets	300	-	100	-
Disposals of financial assets	-	-	-	-
Disposal of fixed assets	-	27	27	-
Changes in long term receivables	563	(608)	(604)	5
Net cash flow from investments (B)	760	(589)	(531)	(248)
CASH FLOW FROM FINANCING ACTIVITIES				
Changes in interest-bearing short term and long term debt	6 558	(5 778)	(20 572)	3 196
Dividend paid	(82 779)	-	-	-
Share capital increase	-	1 002	15 294	623
Net cash flow from financing activities (C)	(76 221)	(4 776)	(5 278)	3 819
Net change in cash and cash equivalents (A+B+C)	(41 536)	10 901	91 817	(7 432)
Cash and cash equivalents at start of the period	122 114	30 297	30 297	37 729
Cash and cash equivalents at end of the period	80 578	41 198	122 114	30 297
Restricted bank deposits at end of the period	27 044	13 735	13 863	12 126
Available cash and cash equivalents at end of the period	53 534	27 463	108 251	18 171
(excluding undrawn credit line)				

The difference between total declared dividend for FY2021 and Q1 2022 of USD 81.0 million and total cash dividend paid of USD 82.8 million is due to USDNOK currency effects.

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, 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 113 vessels in the first half of 2022.

This financial report is authorized for issue by the Board of Directors as of 15.8.2022.

Note 2. Accounting policies

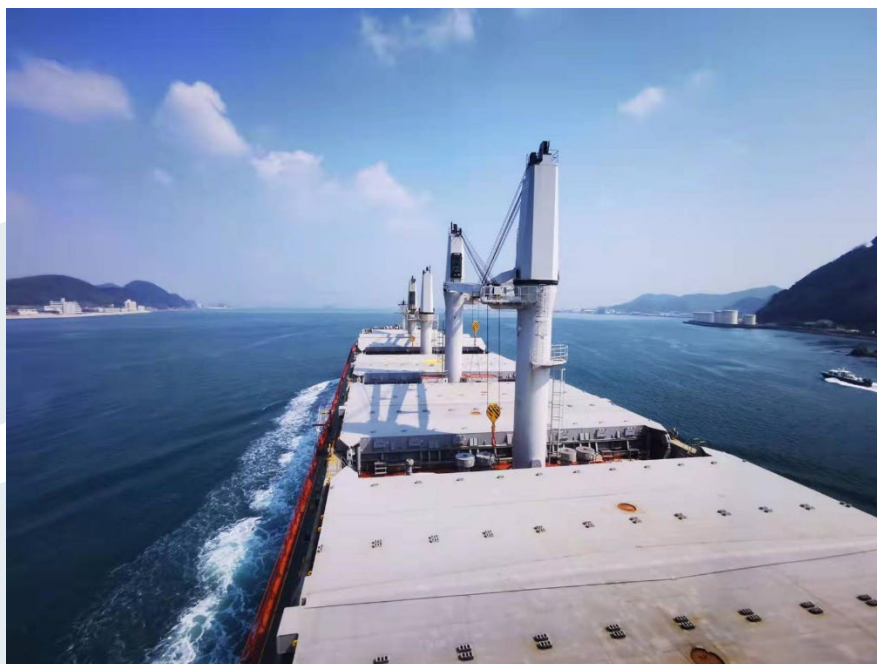
The condensed financial statements of Western Bulk Chartering AS and its subsidiaries (the "Group") are prepared in accordance with Norwegian Generally Accepted Accounting Principles (N-GAAP) and NRS 11. Please refer to the 2021 annual report for a detailed description of the accounting policies. The report is available on www.westernbulk.com.

Note 3. Significant judgements 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.

MV Interlink Celerity in passage through the Kanmon Straits in Japan.

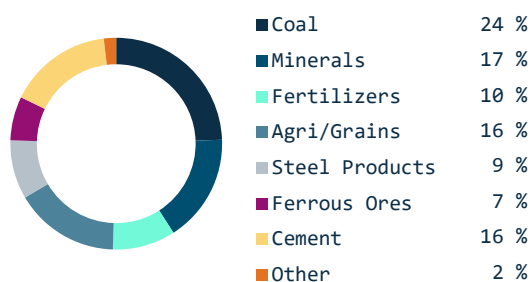


05. About Western Bulk

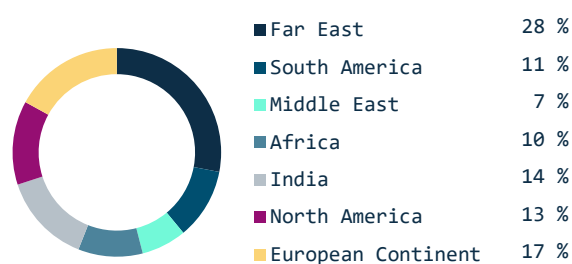
Western Bulk is a major operator of dry bulk vessels in the Handysize, Supramax and Ultramax segments. The Group operates its chartered-in fleet and cargo contracts through its two subsidiaries Western Bulk Carriers AS and Western Bulk Pte Ltd, which are supported by chartering and operations teams in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

Western Bulk has a highly diversified customer base with a broad cargo mix and diverse geographical footprint. During the first half of 2022, the Group conducted business with almost 200 different cargo customers, of which no single customer exceeded 5 % of total revenue. No single commodity accounted for more than 24 % of the volume of transported cargo in H1 2022.

CARGO DIVERSIFICATION H1 2022



DISCHARGE AREA BY VOLUME H1 2022



Group structure

The below chart shows the main companies of the group

