



**Western Bulk
Chartering AS**
First Half Year
Report 2019

 **Western Bulk**

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1. Key Figures and Highlights¹

WB Chartering Group, Key Figures (USDm)	1H 2019	1H 2018	Full year '18	Full year '17
Net T/C result	(8,8)	21,3	31,6	40,5
EBITDA	(21,6)	6,3	5,2	8,3
Profit/(loss) after tax	(24,8)	3,6	4,2	4,3
Total assets	95,5	130,8	120,3	101,4
Book equity	14,5	23,8	24,1	20,2
Total liabilities	81,1	107,0	96,2	81,2
Free cash	9,3	43,1	23,0	49,9
Restricted cash	9,3	8,6	8,1	7,3
Total cash	18,7	51,7	31,2	57,2
Net TC Margin per ship day (USD)	(306)	805	573	792
Average number of ships operated	158	146	151	140
Number of ship days	28 562	26 461	55 140	51 125
Number of voyages	675	615	1 288	1 190

Comments to the results

The Group posted a **loss after tax** of USD -24.8 million in first half 2019, compared to a profit after tax of USD 3.6 million for the first half of 2018.

The year commenced with a dramatic drop in the Baltic Supramax Index (BSI), plunging 57 % from the start of the year to a level of USD 4,837/day in February – levels not seen since the BSI posted its all-time low early 2016. Although recovering slightly thereafter, the market has remained low until just recently rebounding in July. The Group results were impacted by not foreseeing the magnitude of the sharp market fall, combined with a slower than expected market recovery.

The Company's challenges in Chile have continued to hamper the results with a negative Net TC contribution of USD -7.5 million in the first half of the year, whereof USD -5.3 million in the first quarter. Expiring, unprofitable cargo contracts combined with period vessels fixed before the sharp market decline took a significant toll on the results in the first quarter. In the second quarter losses were limited to USD -2.2 million, primarily driven by remaining cargo commitments. In the first half of 2018 Chile contributed with a negative Net TC of -3.2 million.

Net TC was a disappointing USD -8.8 million (USD -306 per ship day) in first half 2019 compared to USD 21.3 million in the same period last year (USD 805 per ship day). An average of 158 vessels were operated compared to 146 in the same period last year.

Administration expenses was USD 12.9 million in first half 2019 compared to USD 15.0 million in first half 2018. The decrease of USD 2.1 million was mainly due to lower bonus accruals.

Net Finance ended at USD 2.7 million in the first half of 2019 compared to USD 2.2 million in 2018. The increase of USD 0.5 million is mainly related to currency effects on the NOK 300 million unsecured bond which matured in April 2019.

In April USD 15 million in equity was raised from the two main shareholders, Kistefos AS and Ojada AS. The loss after tax of USD -24.8 million reduced the **equity** to USD 14.5 million at the first half of 2019.

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 and available cash

The NOK 300 million unsecured bond loan was fully repaid in April, and a more optimal financial structure has been agreed with the company's lending bank. The bond loan was replaced by a USD 15 million working capital facility and a USD 14 million shareholder loan from Kistefos AS. Net outstanding as per 30.06.2019 was USD 14.9 million for the working capital facility and USD 14 million for the shareholder loan. The Group had no other interest-bearing debt as of 30.06.2019.

At the end of June the Group had USD 9.3 million available cash and in July the Group agreed a revolving credit facility of up to USD 20 million. The facility is linked to activity level through outstanding receivables and will serve as additional funding.

Company update

The Company's Board of Directors has appointed Hans Aasnæs as the new Chief Executive Officer effective from July 1st, 2019. Mr. Aasnæs previously held the position as Senior Vice President at Umoe Group and prior to that held the position as CEO of Storebrand Asset Management for eight years.

In June Western Bulk took a leap towards data-supported decision-making by partnering up with world-leading maritime innovation company CargoMetrics. By utilizing existing and new data sources in smarter and more efficient ways, Western Bulk aims to take advantage of both long-held domain knowledge and disruptive technologies whilst continuing being a leading dry bulk operator helping the shipping industry move in the right direction.

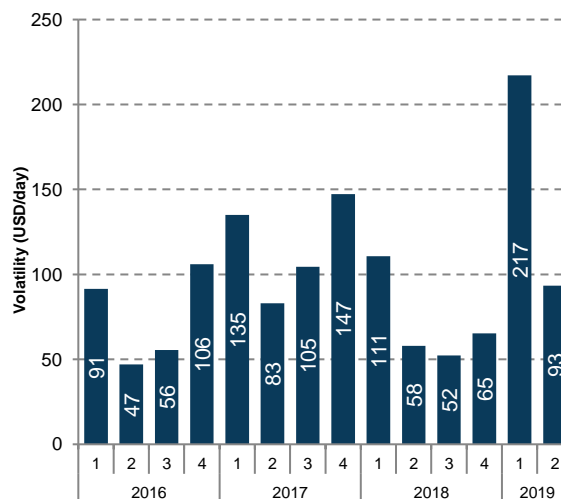
2 Dry Bulk Market Highlights

A torrid start to 2019 saw the Baltic Supramax Index 58' (BSI) drop to levels not seen since the BSI posted its all-time low early 2016 before recovering slightly where it remained within a USD 8,000/day to USD 10,000/day range for the rest of the half year. The average rate for the first 6 months of the year came in at USD 8,205/day down from USD 11,116/day the same period last year as the market was hit by several factors that weakened the supply and demand balance.

Baltic Supramax Index*



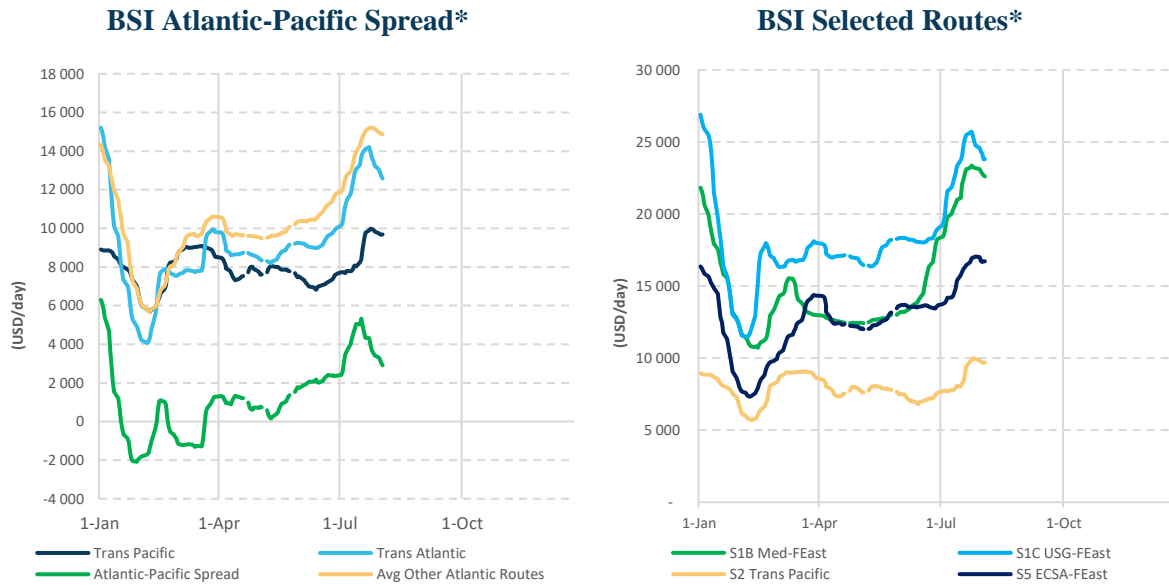
Volatility in Baltic Supramax Index**



*Source: Baltic Exchange

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

The spread between the Atlantic and Pacific fell dramatically from positive to negative in the first weeks of the year as the Atlantic suffered from a lack of cargoes and sentiment, as a combination of seasonal decline mixed with threat of a pending trade war and a major mining disaster in Brazil took its toll on rates across the board. There was also a higher regional supply of tonnage as a weak Pacific market and low bunker prices in the fourth quarter of 2018 made it more attractive to reposition vessels to the Atlantic. The spread ended the half year at USD 2,365/day and averaged USD 700/day over the period.



As mentioned, the Atlantic was the hardest hit in the first few months of the year. The Supramaxes were left particularly disappointed by weak soybean volumes to China, as both an outbreak of African Swine Flu in Chinese pigs hampered demand and a ratcheting up of the ongoing China-American trade war. The US Gulf (S1C) and East Coast South America (S5) were the most direct casualties of this. The major mining catastrophe in Brazil halted exports of Iron ore, which although carried mostly on larger vessels, filtered down to the smaller sizes as excess tonnage fought for the remaining cargoes.

The Pacific market was less volatile but remained at low levels, mostly impacted by muted Chinese coal demand, as high stockpiles, increased domestic production and constantly changing domestic coal policies impacting shipping rates in the basin. Australian exports to China were impacted by political disagreements between the countries also. On the brighter side Indian coal imports however posted healthy gains over the period and helped occupy vessels out of South East Asia.

The world's Supramax fleet grew by 2.9m dwt (1.5%) in the first 6 months of 2019, increasing the Supramax global fleet to 204m dwt currently. There were 55 Supramaxes totaling 3.4m dwt delivered (same period 2018: 3.5m dwt), and 9 Supramaxes totaling 0.4m dwt (same period 2018: 0.4m dwt) scrapped in the first half of 2019. With little new ordering in H1-19 the Supramax orderbook to fleet ratio decreased to ca. 6.5%.

3. Outlook

In July market rates have increased significantly with the BSI above \$11,000/day. Western Bulk has been positioned to benefit from an increasing market and the Group expects to deliver a profit after tax in the second half of the year. Losses in Chile are expected to continue, but to be somewhat lower than in the first half of the year as several contracts expired in the first quarter.

The Group's main risk factors are described in Western Bulk Chartering's annual report for 2018, which is available at www.westernbulk.com.

Oslo, 14.08.2019

The Board of Directors of Western Bulk Chartering AS

Bengt A. Rem, Chairman

Erik Borgen, Board member

Hans Aasnæs, 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 2019	1H 2018	Full year '18	Full year '17
Gross revenues	516 839	486 164	1 070 238	827 280
Voyage expenses	(227 690)	(183 506)	(421 152)	(326 968)
T/C expenses	(296 170)	(279 570)	(613 493)	(456 289)
Other vessel expenses	(1 733)	(1 791)	(3 971)	(3 531)
Net T/C result	(8 754)	21 297	31 623	40 492
Administration expenses	(12 888)	(14 970)	(26 404)	(32 238)
Result before depreciation and impairment, finance items and income tax	(21 642)	6 327	5 218	8 255
Provision for future loss	-	-	-	1 600
Depreciation	(192)	(182)	(376)	(333)
Writedown fixed assets	-	-	(28)	-
Provision for doubtful debt	134	-	575	-
Gain/(loss) on disposal of property, plant and equipment	(12)	-	1	1
Operating profit/(loss)	(21 712)	6 145	5 391	9 523
Financial income	151	765	1 168	229
Financial expenses	(2 873)	(2 910)	(3 143)	(4 269)
Realised gain/(loss) financial assets	14	27	(12)	-
Bad debt provision and write-offs, financial items	-	-	1 884	-
Result before tax	(24 419)	4 027	5 288	5 483
Income tax expense	(403)	(442)	(1 091)	(1 189)
Result for the period	(24 822)	3 585	4 197	4 294

Consolidated Condensed Balance Sheet

Western Bulk Chartering Group

(USD 1,000)	1H 2019	Full year '18
ASSETS		
Non current assets		
Deferred tax asset	1 751	1 710
Intangible assets	225	323
Tangible fixed assets	450	514
Investment in financial assets	729	193
Long term receivables	5	9
Total non current assets	3 159	2 750
Current Assets		
Bunker stocks	36 032	42 779
Accounts receivable	16 015	32 927
Other receivables	21 684	4 829
Receivable derivatives	-	1 982
Bank deposits	18 652	31 151
Total current assets	92 383	113 669
TOTAL ASSETS	95 542	116 419
EQUITY AND LIABILITIES		
Equity		
Share capital	113	95
Share premium	35 283	20 092
Other paid-in capital	-	-
Retained earnings	(20 910)	3 913
Total equity	14 487	24 101
Long term liabilities		
Deferred tax liability	238	233
Pension liabilities	2 114	2 044
Interest-bearing debt	-	31 191
Other long-term liabilities	395	649
Total long term liabilities	2 746	34 117
Current liabilities		
Accounts payable	9 716	18 713
Other payable	37 418	37 934
Payable derivatives	713	-
Taxes payable	785	1 179
Shareholder loan	14 000	-
Liabilities related company	806	376
Short term Interest-bearing debt	14 871	-
Total current liabilities	78 309	58 202
Total liabilities	81 055	92 319
TOTAL EQUITY AND LIABILITIES	95 542	116 419

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, 2019	95	20 092			3 913	24 101
Share capital increase, net	18	15 190			-	15 208
Pension remeasurement	-	-			-	-
Result for the period	-	-			(24 822)	(24 822)
December 31, 2018	113	35 283	-	-	(20 910)	14 487

Consolidated Condensed Statement of Cash Flow

Western Bulk Chartering Group

(USD 1,000)	1H 2019	1H 2018	Full year '18	Full year '17
CASH FLOW FROM OPERATIONS				
Profit/(loss) before tax	(24 419)	3 872	5 288	5 483
Taxes paid	(813)	(903)	(1 042)	(1 059)
Ordinary depreciation	192	182	376	333
Writedown and provisions	-	-	(2 390)	(1 600)
(Gain)/loss on disposal financial assets	(3)	(27)	(27)	-
Changes in current receivables and current liabilities	1 092	(8 290)	(28 134)	3 686
Net cash flow from/(to) operating activities (A)	(23 951)	(5 165)	(25 928)	6 842
CASH FLOW FROM INVESTMENTS				
Investments in fixed and intangible assets	(84)	(276)	(428)	(212)
Investments in financial assets	(630)	(155)	(196)	-
Disposals of financial assets	15	156	485	(344)
Disposal of fixed assets	42	-	29	-
Changes in long term receivables	5	(5)	(4)	(5)
Net cash flow from investments (B)	(652)	(280)	(113)	(561)
CASH FLOW FROM FINANCING ACTIVITIES				
Changes in interest-bearing short term and long term debt	(3 105)	-	-	-
Share capital increase	15 208	-	-	17 943
Net cash flow from financing activities (C)	12 103	-	-	17 943
Net change in cash and cash equivalents (A+B+C)	(12 499)	(5 445)	(26 042)	24 224
Cash and cash equivalents at start of the period	31 151	57 193	57 193	32 969
Cash and cash equivalents at end of the period	18 652	51 748	31 151	57 193
Restricted bank deposits at end of the period	9 335	8 612	8 148	7 310
Available cash and cash equivalents at end of the period	9 317	43 137	23 004	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 152 vessels in the first half 2019.

This financial report is authorised for issue by the Board of Directors as of 14.08.2019.

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 2018 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.

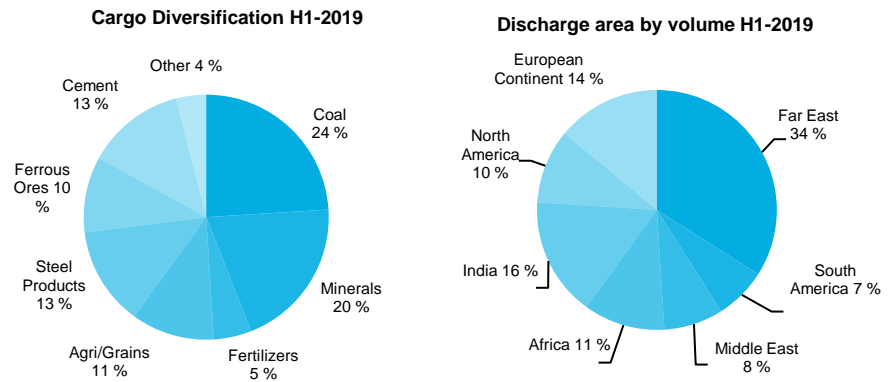
The Group is involved in several disputes, including lawsuits, both as defendant and plaintiff. Based upon the Group's own views as well as opinions received from lawyers, provisions based on best estimate have been made in respect of the Group's total exposure. The actual outcomes of these disputes 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 H1-2019, the Group conducted business with more than 240 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 H1-2019.



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

