

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

 **Western Bulk**

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1. Key Figures and Highlights¹

WB Chartering Group Excluding Chile and provisions for all periods (USDm)	2H 2019	2H 2018	Full year '19	Full year '18
Net TC result ¹⁾	21.3	20.2	20.0	44.7
EBITDA ¹⁾	8.7	8.8	(5.4)	18.3
Earnings after tax ¹⁾	5.7	10.5	(11.6)	17.3
Net TC Margin per ship day (USD) ¹⁾	807	705	364	810
Average number of ships operated ²⁾	143	156	150	151

WB Chartering Group (USDm)	2H 2019	2H 2018	Full year '19	Full year '18
Earnings after tax	(18.7)	0.6	(43.5)	4.2
Total assets	118.1	116.4		
Book equity	10.5	24.1		
Interest bearing debt	20.8	31.2		
Total liabilities	107.6	92.3		
Free cash	24.0	23.0		
Restricted cash	13.7	8.1		
Total cash	37.7	31.2		
Undrawn credit facilities	14.3	6.0		

¹⁾FY 2019 figure is excluding USD -16.3 million Net TC loss related to Chile and USD -15.6 million in provisions primarily related to Chile

FY 2018 figure is excluding USD -13.1 million Net TC loss related to Chile

2H 2019 figure is excluding USD -8.8 million Net TC loss related to Chile and USD -15.6 million in provisions primarily related to Chile

2H 2018 figure is excluding USD -9.9 million Net TC loss related to Chile

²⁾Average number of ships operated including Chile

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.

Comments to the results

Excluding losses in Chile and provisions primarily related to Chile, the Group posted **earnings after tax** of USD 5.7 million and **EBITDA** of USD 8.7 million in the second half of 2019.

Net TC reached 21.3 million, an increase of USD 1.1 million from USD 20.2 million in the same period in 2018. The company was well positioned to benefit from increasing market rates in the third quarter of 2019 combined with improved spot trading capabilities. Net TC Margin per ship day reached 807 USD compared to 705 USD in the same period last year. The average number of vessels was reduced to 143 to limit the risks related to the new IMO 2020 regulation from 1.1.2020, as well as an anticipation of a weak market in the first quarter of 2020.

Administration expenses were USD 12.6 million, the same level as for the first half of the year. In the same period last year comparable administration expenses were USD 13.2 million when excluding one off savings of USD 1.8 million from conversion of defined benefit pension to defined contribution pension.

Net Finance was reduced to USD 0.7 million in the second half of 2019 compared to USD 2.7 million in the first half of the year as the NOK 300 million bond was repaid and a more optimal financial structure was agreed with the company's lending bankers. For comparison the second half of 2018 finance expenses were USD 1.6 million with a Net Finance income of USD 0.1 million due to positive currency effects on the NOK 300 million bond. Second half 2018 also saw reversal of provisions for bad debt of USD 1.9 million due to dividend from the Bulk Invest estate.

Tax loss carry forward of USD 1.2 million was written off in the second half of 2019, leading to **income tax expenses** of USD 2.1 million compared to USD 0.7 million in the same period last year. Tax expenses for the company are primarily limited to tonnage tax.

Legacy positions in Chile had a negative impact on Net TC results of USD -8.8 million in the second half of the year and USD -16.3 million for the full year. In addition, the Group made provisions of USD -15.6 million primarily related to commitments in Chile at the end of 2019. This led to a loss of after tax of USD -18.7 million in the second half of 2019 and USD -43.5 million for the full year. To offset the losses the main shareholder, Kistefos AS, in December converted outstanding debt of USD 13.1 million and the second largest shareholder, Ojada AS, injected USD 1.5 million in cash. Other shareholders will be offered to participate in the equity issue in 2020, which could increase the cash and equity position with up to USD 2 million. USD 15 million in equity was also raised from the two main shareholders in April 2019.

Financing and available cash

The NOK 300 million unsecured bond loan was fully repaid in April, and a more optimal financial structure was agreed with the company's lending bankers. The Group has two working capital facilities related to bunker purchases and accounts receivables. Credit lines total up to USD 35 million with USD 20.8 million drawn as of 31.12.2019. The Group had no other interest-bearing debt as of 31.12.2019.

At the end of the year the Group had USD 24.0 million free cash in addition to up to USD 14.3 million in unutilized credit facilities.

Company update

Management and the Board of Directors have implemented tighter risk limits and increased awareness of exposure out on the curve combined with enhanced focus on key strengths being short term spot trading and parceling. Control and follow-up routines relating to the approval and review of contracts are under continuous scrutiny and were tightened following the incident in Chile. With potential future losses from remaining commitments in Chile provided for in full, management will ensure focus on the core business of trading the short-term market going forward.

The Company has taken vast steps to become more data driven and improve analytical capabilities. Building internal competence on the digital landscape is a key focus area and trading signals are being developed by combining multiple data sources. By utilizing and making existing and new data sources available 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.

The company's cost base has been subject to thorough scrutiny with several initiatives in place to realize an expected cost reduction of USD 4 million in 2020 compared to 2019. This is achieved by saving on administration expenses, optimizing vessel performance, time in port, purchases, renegotiations, general spending as well as more optimal financing.

Projects have been initiated to grasp additional savings associated with the number of voyages being executed across the company. Management sees a great potential in continuous improvement by increasing the use of systems and non-financial KPIs together with enhanced focus on capturing and internalizing learning from the 1 300 voyages carried out across the company annually.

In July, Firas Douleh took over responsibility for the Chile portfolio operated out of Santiago. Firas has been with Western Bulk since 2014 and was previously Chartering Manager in the Indian Ocean portfolio.

In October the management team was extended to include Vivek Kumar, business unit manager for Indian Ocean, and Jan Christian Tunglund, business unit manager for Steel & Bulk. This will enhance the commercial focus of the management team.

2 Dry Bulk Market Highlights

In the second half of 2019 the Baltic Supramax Index 58' (BSI) rose to a six-monthly average of USD 11.665/day, and the daily index rate touched an all-time high (since the index started in 2015) at USD 15.233/day on 4th of September, before declining towards the end of the year.

The spread between the Atlantic and Pacific basins widened in the second half of 2019, due to more fronthaul cargo than backhauls, as well as higher ballasting costs for vessels on surging bunker prices ahead of the IMO 2020 deadline. The spread between Atlantic and Pacific rose from USD 2.379/day as of 1st of July to a high of USD 6.822/day on 23rd of September and ended the year at USD 4.146/day.

Grain export has been the key driver of the **Atlantic market**. This year's record harvests in the Black Sea and South Atlantic regions in the third quarter sent the Atlantic market to its highest levels since the index started in 2015. The Black Sea (S1B) market was lifted by robust Ukrainian wheat exports from July to October (up 54% YoY) followed by strong corn exports between October and December (up 26% YoY). The East Coast South America (S5) market was pushed by record corn harvest, as corn exports increased 104% year on year from Brazil and 75% from Argentina during July-November 2019. The US Gulf (S1C) market benefited from tighter vessel supply in the Atlantic in the third quarter, and improved grain exports along with a de-escalating of the US-China trade tension in the fourth quarter. Lower fertilizer imports in the second half of the year also reduced inbound vessels to the US Gulf. The Atlantic market came off towards year end as grain exports receded from record highs.

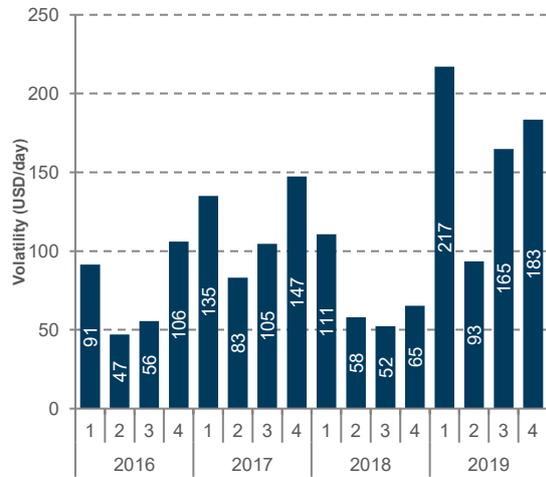
The **Pacific market** was volatile in the second half of 2019. Rates improved significantly in the third quarter due to strong coal and minor bulk import by China, India and Vietnam. The market sentiment was further lifted by a surge in Capesize and Panamax sectors due to a strong comeback of Brazilian iron ore exports as well as fleet capacity was reduced by scrubber retrofitting activities. However, the market quickly turned after October as China abruptly stopped clearance of imported coal while several vessel newbuilds were released to the market. The earlier-than-expected ban on nickel ore export by Indonesia exacerbated the Pacific market fall from late October.

The world's Supramax fleet grew by 4.6m dwt (2.3%) in the second half of 2019, sending the Supramax fleet to 208.2m dwt. There were 76 Supramaxes totaling 4.7m dwt delivered in 2H 2019 (same period 2018: 1.8m dwt), and 8 Supramaxes totaling 0.4m dwt scrapped in 2H 2019 (same period 2018: 0.2m dwt). Full year delivery stood at 8.0m dwt, up 66% year on year. However, demolition was up only 15.5% at 0.8m dwt due to positive expectations among the owners (especially on the potential disruptions of IMO 2020). The Supramax orderbook to fleet ratio stands at 6.5%, down 1.5% year on year.

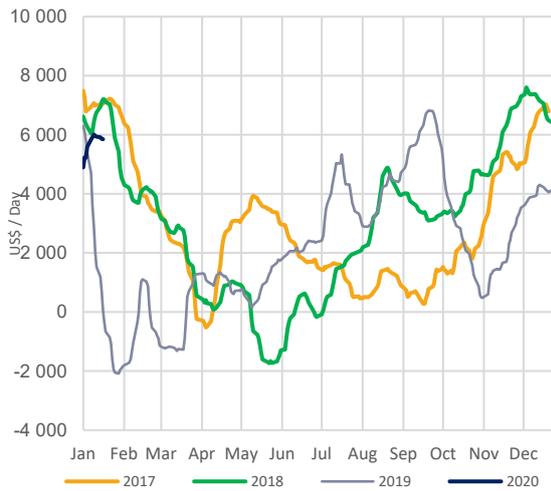
Baltic Supramax Index²



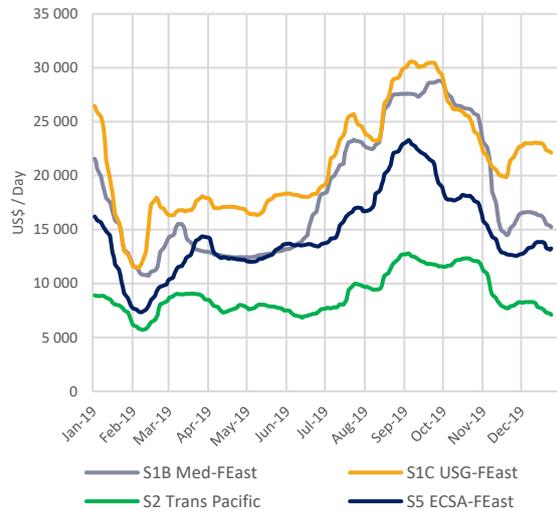
Volatility in Baltic Supramax Index²



BSI Atlantic-Pacific Spread²



BSI Selected Routes²



3. Outlook

The start of the year has seen very low market rates with the BSI at around \$6,000/day and forward rates for the remainder of 2020 down to about \$10,000/day. Western Bulk brought down the volume of vessels in 2019 and had several redeliveries at the start of 2020. With our limited cargo and tonnage commitments and flexible structure, we are cautiously optimistic for 2020 despite the dim market outlooks.

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

² Source: Baltic Exchange

Oslo, 30.01.2020
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, 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 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.

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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 2019	2H 2018	Full year '19	Full year '18
Gross revenues	540 408	584 061	1 057 247	1 070 238
Voyage expenses	(224 160)	(237 646)	(451 850)	(421 152)
T/C expenses	(317 708)	(333 923)	(613 878)	(613 493)
Other vessel expenses	(1 663)	(2 179)	(3 396)	(3 971)
Net T/C result	(3 123)	10 312	(11 877)	31 623
Administration expenses	(12 560)	(11 435)	(25 448)	(26 404)
Result before depreciation and impairment, finance items and income tax	(15 683)	(1 123)	(37 325)	5 218
Provision for future loss	-	-	-	-
Depreciation	(181)	(194)	(373)	(376)
Writedown fixed assets	-	(28)	-	(28)
Provision for doubtful debt	(56)	575	78	575
Gain/(loss) on disposal of property, plant and equipment	-	1	(12)	1
Operating profit/(loss)	(15 920)	(769)	(37 632)	5 391
Financial income	585	1 804	321	1 168
Financial expenses	(1 251)	(1 633)	(3 709)	(3 143)
Realised gain/(loss) financial assets	(8)	(39)	7	(12)
Bad debt provision and write-offs, financial items	-	1 884	-	1 884
Result before tax	(16 595)	1 248	(41 014)	5 288
Income tax expense	(2 084)	(650)	(2 487)	(1 091)
Result for the period	(18 679)	598	(43 500)	4 197

Consolidated Condensed Balance Sheet

Western Bulk Chartering Group

(USD 1,000)	Full year '19	Full year '18
ASSETS		
Non current assets		
Deferred tax asset	602	1 710
Intangible assets	135	323
Tangible fixed assets	419	514
Investment in financial assets	630	193
Long term receivables	5	9
Total non current assets	1 789	2 750
Current Assets		
Bunker stocks	42 583	42 779
Accounts receivable	32 280	32 927
Other receivables	3 663	4 829
Receivables derivatives	-	1 982
Bank deposits	37 729	31 151
Total current assets	116 255	113 669
TOTAL ASSETS	118 045	116 419
EQUITY AND LIABILITIES		
Equity		
Share capital	113	95
Share premium	-	20 092
Received, but not yet registered capital increase	14 641	-
Other paid-in capital	-	-
Retained earnings	(4 304)	3 913
Total equity	10 450	24 101
Long term liabilities		
Deferred tax liability	185	233
Pension liabilities	1 747	2 044
Interest-bearing debt	-	31 191
Other long-term liabilities	395	649
Total long term liabilities	2 327	34 117
Current liabilities		
Accounts payable	10 546	18 713
Other payable	68 847	37 934
Payable derivatives	3 678	-
Taxes payable	1 438	1 179
Shareholder loan	-	-
Liabilities related company	-	376
Short term interest-bearing debt	20 758	-
Total current liabilities	105 267	58 202
Total liabilities	107 594	92 319
TOTAL EQUITY AND LIABILITIES	118 045	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 registered capital increase	Retained earnings	Total equity
January 01, 2019	95	20 092	-	-	3 913	24 101
Share capital increase, net	18	15 191	-	14 641	-	29 849
Pension remeasurement	-	-	-	-	-	-
Result for the period	-	(35 283)	-	-	(8 217)	(43 500)
December 31, 2019	113	-	-	14 641	(4 304)	10 450

Consolidated Condensed Statement of Cash Flow

Western Bulk Chartering Group

(USD 1,000)	2H 2019	2H 2018	Full year '19	Full year '18
CASH FLOW FROM OPERATIONS				
Profit/(loss) before tax	(16 595)	1 248	(41 014)	5 288
Taxes paid	(254)	(139)	(1 067)	(1 042)
Ordinary depreciation	181	194	373	376
Writedown and provisions	15 592	(2 390)	15 592	(2 390)
(Gain)/loss on disposal financial assets	1	-	(2)	(27)
Changes in current receivables and current liabilities	13 531	(19 676)	14 623	(28 134)
Net cash flow from/(to) operating activities (A)	12 456	(20 763)	(11 495)	(25 928)
CASH FLOW FROM INVESTMENTS				
Investments in fixed and intangible assets	(59)	(152)	(143)	(428)
Investments in financial assets	-	(41)	(630)	(196)
Disposals of financial assets	152	329	167	485
Disposal of fixed assets	-	29	42	29
Changes in long term receivables	-	1	5	(4)
Net cash flow from investments (B)	93	167	(559)	(113)
CASH FLOW FROM FINANCING ACTIVITIES				
Changes in interest-bearing short term and long term debt	(8 112)	-	(11 217)	-
Share capital increase	14 641	-	29 849	-
Net cash flow from financing activities (C)	6 529	-	18 632	-
Net change in cash and cash equivalents (A+B+C)	19 077	(20 597)	6 578	(26 042)
Cash and cash equivalents at start of the period	18 652	51 749	31 151	57 193
Cash and cash equivalents at end of the period	37 729	31 151	37 729	31 151
Restricted bank deposits at end of the period	13 683	8 148	13 683	8 148
Available cash and cash equivalents at end of the period	24 047	23 004	24 047	23 004

(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 143 vessels in the second half 2019.

This financial report is authorized for issue by the Board of Directors as of 30.01.2020.

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.

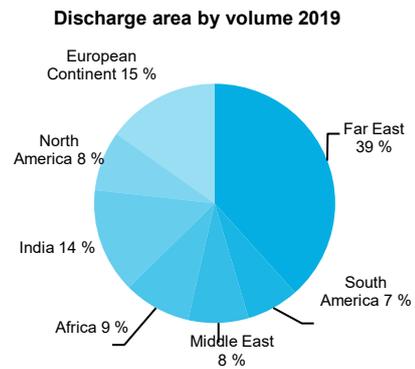
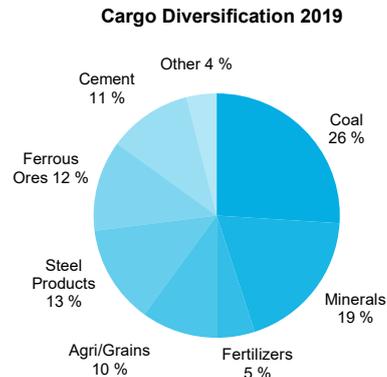
The Group is involved in several disputes, including lawsuits, both as defendant and plaintiff. Based upon the Group's own views as well as opinions received from lawyers, provisions based on best estimate have been made in respect of the Group's total exposure. The actual outcomes of these disputes 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 2019, the Group conducted business with more than 340 different cargo customers, of which no single customer exceeded 3% of total revenue. No single commodity accounted for more than 26% of the volume of the transported cargo in 2019.



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

