Western Bulk Chartering AS

First Half Year Report 2020

Western Bulk

Content

1. Key Figures and Highlights

WB Chartering Group (USDm)	1H 2020	1H 2019	Full year '19	Full year '18
Net TC result [1)]	7.8	(8.8)	(6.4)	31.6
Administrative expenses	10.4	12.9	25.4	26.4
EBITDA [1)]	(2.6)	(21.6)	(31.8)	5.2
Earnings after tax [1)]	**(2.9)**	**(24.8)**	**(38.0)**	**4.2**
Net TC Margin per ship day (USD) [1)]	343	(306)	(117)	573
Average number of ships operated	125	158	150	151
Total assets	76.3	95.5	118.0	116.4
Book equity	13.9	14.5	16.0	24.1
Total liabilities	62.4	81.1	102.1	92.3
Free cash	17.6	9.3	24.0	23.0
Restricted cash	6.2	9.3	13.7	8.1
Total cash	**23.8**	**18.7**	**37.7**	**31.2**

[1)] 1H 2020 includes USD 7.5 million reversal of provisions made at the end of 2019, primarily offsetting costs related to termination of legacy commitments in Chile.

Figures include losses primarily related to Chile of USD -26.4 million in FY2019 (USD 7.5 million in 1H 2019) and USD -13.1 million in FY2018.

Comments to the results

The Group posted a **loss after tax** of USD -2.9 million and **EBITDA** of USD -2.6 million in the first half of 2020, compared to a loss after tax of USD -24.8 million and EBITDA of USD -21.6 million in the first half of 2019.

Net TC reached USD 7.8 million, an improvement of USD 16.4 million from USD -8.8 million in the same period in 2019. The company was well positioned to benefit from the low market rates in the first quarter of 2020, combined with improved spot trading capabilities. For the second quarter the results were negatively impacted by Covid-19, combined with port closures and a depressed market, with rates down to levels not seen since early 2016. Port closures in South Africa and India in particular, had a negative impact, as well as a low Atlantic market as vessels were kept in the region in anticipation of an improved market in the third quarter of 2020.

Net TC Margin per ship day reached 343 USD compared to -306 USD in the same period last year. The average number of vessels was reduced to 125 to limit the risks related to the new IMO 2020 regulation from 1.1.2020, as well as in anticipation of a weaker market in the first quarter of 2020.

At end of 2019 the Group made provisions for future commitments of USD 10.1 million, primarily related to Chile. USD 7.5 million of the provisions have been reversed in the first half of 2020 together with termination of all legacy commitments in Chile.

Administration expenses were reduced to USD 10.4 million from USD 12.9 million for the first half of 2019. The Group is ahead of plan to reach the targeted USD 4 million in cost savings in 2020 compared to 2019.

Net Finance was reduced by USD 0.8 million from the first half of 2019 to USD 0.0 million in 2020. The reduction was mainly due to a more optimal financial structure following the capital injections from owners, repayment of the NOK 300 million bond last year, as well as a USD 0.3 million gain on foreign exchange in 2020.

Financing and available cash

At the end of the period the Group had USD 17.6 million free cash in addition to up to USD 10.7 million in unutilized credit facilities.

The Group has two working capital facilities related to bunker purchases and accounts receivables. During the first half of 2020 part of the bunker purchase facility was replaced with a new overdraft facility with overall credit lines kept at the same level. Credit lines total up to USD 35 million with USD 24.3 million drawn as of 30.06.2020. USD 10.0 million of the credit facilities are guaranteed by owners.

In December 2019, the company's two largest shareholders participated in a private placement where Kistefos AS converted outstanding debt of USD 13.1 million and Ojada AS injected USD 1.5 million in cash. The remaining shareholders were offered to participate in a repair issue during the first half of 2020, which increased the cash and equity position with a further USD 0.6 million.

Company update

In the second quarter of 2020 the business unit managers for Steel & Bulk, South Atlantic and Indian Ocean left the Group. Mohneesh Bhutani has been appointed Head of the Indian Ocean team while Steel & Bulk and south Atlantic have been split into four smaller teams; Continent, US Gulf, South Atlantic and Mediterranean & Black Sea. This has contributed to accelerating the strategy of becoming a more open, integrated and dynamic organization. The Group now has six commercial teams with separate profit and loss responsibility.

Building internal competence on the digital landscape is a key focus area. The company continues to co-operate with CargoMetrics to develop trading signals and is also developing other decision support tools internally. For market intelligence, Western Bulk has joined the Oceanbolt data platform, and a new e-learning system has been implemented. The flexible IT infrastructure established over the last couple of years also accommodated a seamless transition to home office during Covid-19.

The Group is continuing its focus on savings. This is achieved by optimizing vessel performance, time spent in port, purchases and general increased cost awareness. Management sees further 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.

2 Dry Bulk Market Highlights

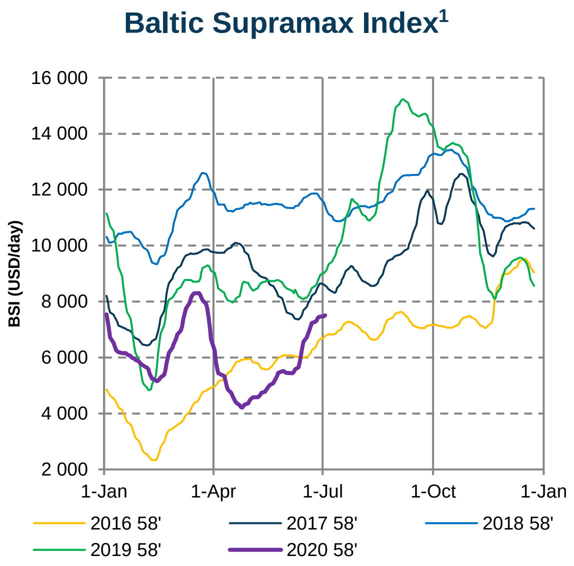
In the first half of 2020 the **Baltic Supramax Index 58'(BSI)** dropped by 26% (-USD 2,170/day), and posted the second lowest six-monthly average rate (USD 6,034/day) since the index was established in 2015, reflecting dry bulk demand contraction and supply chain disruptions caused by Covid-19. The spread between Atlantic and Pacific widened in the first quarter of 2020 to USD 4,973/day. This was the second highest quarterly average on record, before falling to -USD 842/day in the second quarter of 2020, as the pandemic epicenter switched from the Pacific to the Atlantic regions.

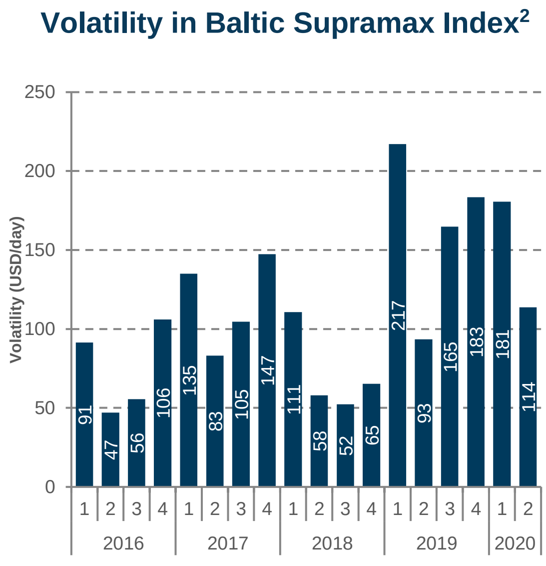
The Atlantic market had a positive start to the year. The trans-Atlantic rates in the first quarter of 2020 averaged USD 9,953/day, 24% higher year on year supported by strong grain trades and was nearly double of the trans-Pacific average of USD 4,980/day. As a result, more vessels ballasted from the Pacific to the Atlantic Ocean pursuing higher returns. The Atlantic market started to lose ground in the second half of March, when accumulating ballasters coincided with sudden lockdowns in Europe, North and South Americas, and Africa. Lockdowns triggered a global recession as well as severe supply chain disruptions. Mining operations and industrial production interuptions reduced the world dry bulk trades significantly, in particular coal, petcoke, metals, scraps, and minerals in the Atlantic regions. Domestic food security concerns in several countries also cut exportable grain volumes. As a result, the trans-Atlantic rates contracted by over 50% quarter on quarter to USD 4,933/day in the second quarter of 2020.

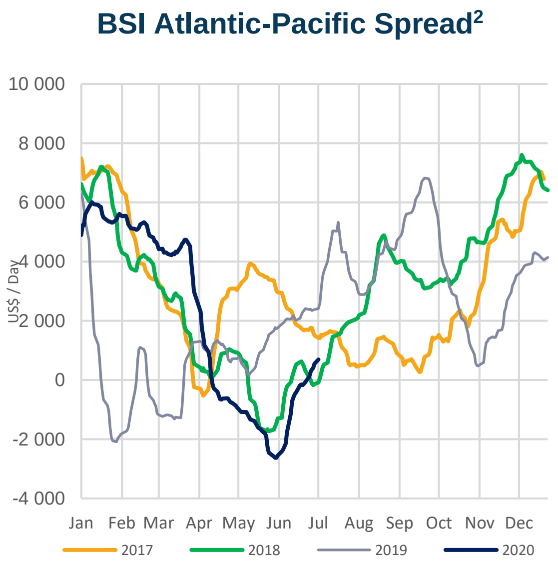
The Pacific market started the year on a weak note with an early Chinese New Year followed by the outbreak of Covid-19 in China. The market was on a brief recovery towards the end the first quarter due to strong Chinese coal imports but lost its footing again early in the second quarter when China tightened coal imports and trades between other countries were frozen due to the pandemic. In particular, the lockdowns in India and South Africa sent the Pacific and Indian ocean markets to multi-year lows before the strong iron ore trades between India and China came to the rescue. The strong coal imports by Vietnam and soybean export from Brazil have also helped support the Pacific market along its recovery towards end of the second quarter.

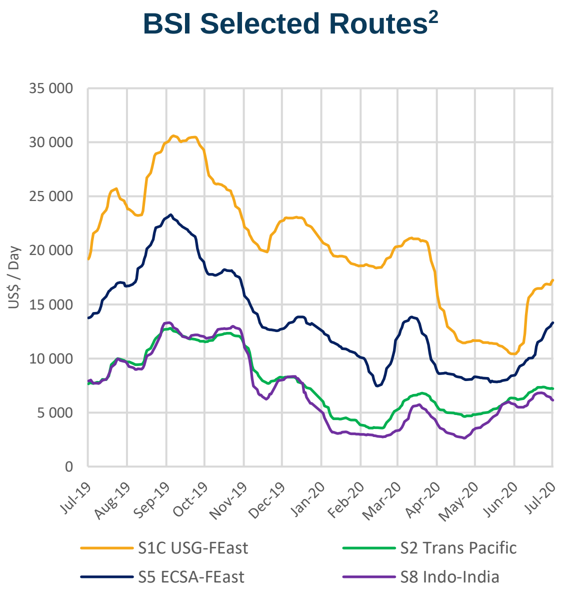
The world's Supramax fleet grew by 4.3m dwt (2.06%) in the first half of 2020, higher than the 1.5% growth during the same period last year. The current orderbook shows another 4.2m dwt of Supramax to be delivered this year, although the actual number could be lower considering some slippage and demolition. Nevertheless, full year delivery for Supramax is expected to reach 7.5m dwt, representing a full year growth of about 3.4%. This is slightly lower than the 3.7% growth last year.

Total dry bulk demand is projected to contract by -4.5 % in 2020 as a result of the Covid-19 pandemic. Most of the contraction materialized in the first half of the year and recovery is expected in the second half. The Chinese stimulus has spurred demand for construction materials and demand from other countries has shown some recovery after lockdowns. On the back of the Phase One trade deal with the US, China's soybean bookings from the US have hit 6-year highs and corn purchases have broken record levels. Looking ahead, the second half of 2020 could see generally higher freight rates than the first half.









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 at about $10.000/day. Western Bulk brought down the volume of vessels in 2019 and had several redeliveries at the start of 2020. This has limited the exposure to the weak market. With limited cargo and tonnage commitments, a flexible structure and improved spot trading capabilities, we are cautiously optimistic for the remainder of 2020.

The Group's main risk factors are described in Western Bulk Chartering's annual report for 2019, which is available at www.westernbulk.com.

[1] Source: Baltic Exchange

Oslo, 14.08.2020
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

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.

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 2020	1H 2019	Full year '19	Full year '18
Gross revenues	**423 293**	**516 839**	**1 062 723**	**1 070 238**
Voyage expenses	(218 275)	(227 690)	(451 850)	(421 152)
T/C expenses	(196 144)	(296 170)	(613 878)	(613 493)
Other vessel expenses	(1 056)	(1 733)	(3 396)	(3 971)
Net T/C result	**7 817**	**(8 754)**	**(6 401)**	**31 623**
Administration expenses	(10 443)	(12 888)	(25 448)	(26 404)
Result before depreciation and impairment, finance items and income tax	**(2 626)**	**(21 642)**	**(31 849)**	**5 218**
Provision for future loss	-	-	-	-
Depreciation	(156)	(192)	(373)	(376)
Writedown fixed assets	-	-	-	(28)
Provision for doubtful debt	-	134	78	575
Gain/(loss) on disposal of property, plant and equipment	-	(12)	(12)	1
Operating profit/(loss)	**(2 782)**	**(21 712)**	**(32 156)**	**5 391**
Financial income	575	151	321	1 168
Financial expenses	(552)	(2 873)	(3 709)	(3 143)
Realised gain/(loss) financial assets	1	14	7	(12)
Bad debt provision and write-offs, financial items	-	-	-	1 884
Result before tax	**(2 758)**	**(24 419)**	**(35 538)**	**5 288**
Income tax expense	(109)	(403)	(2 431)	(1 091)
Result for the period	**(2 867)**	**(24 822)**	**(37 969)**	**4 197**

Consolidated Condensed Balance Sheet

Western Bulk Chartering Group

(USD 1,000)	1H 2020	Full year '19	Full year '18
ASSETS			
Non current assets			
Deferred tax asset	720	602	1 710
Intangible assets	63	135	323
Tangible fixed assets	344	419	514
Investment in financial assets	630	630	193
Long term receivables	-	5	9
Total non current assets	**1 758**	**1 789**	**2 750**
Current Assets			
Bunker stocks	23 377	42 583	42 779
Accounts receivable	23 830	32 280	32 927
Other receivables	934	3 663	4 829
Receivables derivatives	2 640	-	1 982
Bank deposits	23 808	37 729	31 151
Total current assets	**74 589**	**116 255**	**113 669**
TOTAL ASSETS	**76 347**	**118 045**	**116 419**
EQUITY AND LIABILITIES			
Equity			
Share capital	174	113	95
Share premium	16 430	1 228	20 092
Received, but not yet registered capital increase	-	14 641	-
Other paid-in capital	-	-	-
Retained earnings	(2 669)	-	3 913
Total equity	**13 935**	**15 982**	**24 101**
Long term liabilities			
Deferred tax liability	167	185	233
Pension liabilities	1 266	1 747	2 044
Interest-bearing debt	-	-	31 191
Other long-term liabilities	-	395	649
Total long term liabilities	**1 432**	**2 327**	**34 117**
Current liabilities			
Accounts payable	9 058	10 546	18 713
Other payable	25 874	63 372	37 934
Payable derivatives	-	3 678	-
Taxes payable	725	1 382	1 179
Shareholder loan	1 000	-	-
Liabilities related company	38	-	376
Amounts owed to credit institutions	24 284	20 758	-
Total current liabilities	**60 979**	**99 736**	**58 202**
Total liabilities	**62 411**	**102 063**	**92 319**
TOTAL EQUITY AND LIABILITIES	**76 347**	**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, 2020	113	1 228	-	14 641	-	15 982
Share capital increase, net	61	15 202	-	(14 641)	-	623
Other	-	-	-	-	198	198
Result for the period	-	-	-	-	(2 867)	(2 867)
December 31, 2019	**174**	**16 430**	**-**	**-**	**(2 669)**	**13 935**

Consolidated Condensed Statement of Cash Flow

Western Bulk Chartering Group

(USD 1,000)	1H 2020	1H 2019	Full year '19	Full year '18
CASH FLOW FROM OPERATIONS				
Profit/(loss) before tax	(2 758)	(24 419)	(41 014)	5 288
Taxes paid	(505)	(813)	(1 067)	(1 042)
Ordinary depreciation	156	192	373	376
Writedown and provisions	-	-	15 592	(2 390)
(Gain)/loss on disposal financial assets	-	(3)	(2)	(27)
Changes in current receivables and current liabilities	(15 956)	1 092	14 623	(28 134)
Net cash flow from/(to) operating activities (A)	**(19 064)**	**(23 951)**	**(11 495)**	**(25 928)**
CASH FLOW FROM INVESTMENTS				
Investments in fixed and intangible assets	(10)	(84)	(143)	(428)
Investments in financial assets	-	(630)	(630)	(196)
Disposals of financial assets	-	15	167	485
Disposal of fixed assets	-	42	42	29
Changes in long term receivables	5	5	5	(4)
Net cash flow from investments (B)	**(6)**	**(652)**	**(559)**	**(113)**
CASH FLOW FROM FINANCING ACTIVITIES				
Changes in interest-bearing short term and long term debt	4 525	(3 105)	(11 217)	-
Share capital increase	623	15 208	29 849	-
Net cash flow from financing activities (C)	**5 148**	**12 103**	**18 632**	**-**
Net change in cash and cash equivalents (A+B+C)	**(13 921)**	**(12 499)**	**6 578**	**(26 042)**
Cash and cash equivalents at start of the period	37 729	31 151	31 151	57 193
Cash and cash equivalents at end of the period	23 808	18 652	37 729	31 151
Restricted bank deposits at end of the period	6 219	9 335	13 683	8 148
Available cash and cash equivalents at end of the period	**17 589**	**9 317**	**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 125 vessels in the first half 2020.

This financial report is authorized for issue by the Board of Directors as of 14.08.2020.

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 2019 annual report for a detailed description of the accounting policies. The report is available on www.westernbulk.com.

Note 3. Significant judgments and estimates

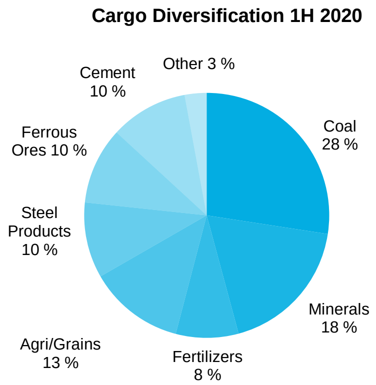
The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions. These estimates are based on the actual underlying business, its present and forecast profitability over time, and expectations about external factors such as dry bulk shipping 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.

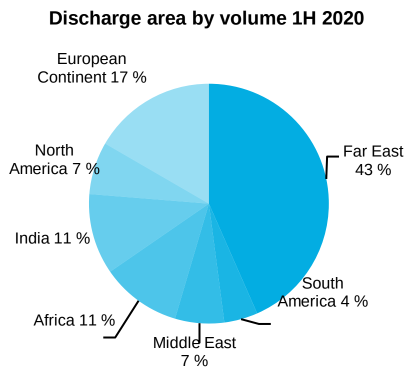
The Group is involved in several disputes, including lawsuits, both as defendant and plaintiff. Based upon the Group's own views as well as opinions received from lawyers, provisions based on best estimate have been made in respect of the Group's total exposure. The actual outcomes of these disputes 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 1H 2020, the Group conducted business with more than 220 different cargo customers, of which no single customer exceeded 3% of total revenue. No single commodity accounted for more than 28% of the volume of transported cargo in 1H 2020.





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