



**Western Bulk  
Chartering AS**  
**Second Half Year  
Report 2020**

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Front page picture: MV Interlink Dignity discharging housing units from Malaysia in the sunrise at the Port of Luleå, Sweden.

# 1. Key Figures and Highlights

WB Chartering Group (USDm)	2H 2020	2H 2019	Full year '20	Full year '19
Net TC result <sup>1)</sup>	18.9	2.4	26.7	(6.4)
Administrative expenses	12.5	12.6	22.9	25.4
EBITDA <sup>1)</sup>	6.4	(10.2)	3.8	(31.8)
<b>Net profit after tax <sup>1)</sup></b>	<b>6.1</b>	<b>(13.1)</b>	<b>3.2</b>	<b>(38.0)</b>
Net TC Margin per ship day (USD) <sup>1)</sup>	1 079	89	663	(117)
Average number of ships operated	95	143	110	150
Total assets	79.3	118.0	79.3	118.0
Book equity	19.8	16.0	19.8	16.0
Total liabilities	59.5	102.1	59.5	102.1
Free cash	18.3	24.0	18.3	24.0
Restricted cash	12.0	13.7	12.0	13.7
<b>Total cash</b>	<b>30.3</b>	<b>37.7</b>	<b>30.3</b>	<b>37.7</b>

<sup>1)</sup> Impairment charges on loss-making contracts primarily related to Chile of USD -26.4 million in FY 2019, of which USD 18.9 million in 2H 2019.

## Comments to the results

The Group reached a **net profit after tax** of USD 6.1 million and **EBITDA** of USD 6.4 million in the second half of 2020, compared to a net loss after tax of USD -13.1 million and EBITDA of USD -10.2 million in the second half of 2019. Further, the Group posted a net profit after tax of USD 3.2 million and EBITDA of USD 3.8 million for the financial year of 2020, compared to a net loss after tax of USD 38.0 million and EBITDA of USD 31.8 million for 2019. The 2019 accounts were including impairment charges on loss-making contracts primarily related to Chile of USD 26.4 million, whereof USD 18.9 million in second half of 2019.

**Net TC** in the second half of 2020 reached USD 18.9 million, an improvement of USD 16.5 million from USD 2.4 million in the same period in 2019. For the full year of 2020, Net TC was USD 26.7 million, an improvement of USD 33.1 million compared with Net TC of -6.4 million for 2019. The fourth quarter of 2020 was in particularly profitable, benefitting from period vessels carrying spot cargoes in a rising Atlantic market.

**Net TC Margin per ship day** for the second half of 2020 reached 1,079 USD compared to 89 USD for the same period in 2019. For the full year of 2020, Net TC Margin per ship day was 663 USD compared to -117 USD for 2019.

The average number of vessels was kept relatively low through 2020, reduced from an average fleet of 125 vessels in first half of 2020 to an average of 95 vessels in the second half. This was partly due to uncertainties surrounding the development of the Covid-19 situation, as well as enhanced focus on profitable volume.

**Administration expenses** were stable at USD 12.5 million from USD 12.6 million for the second half of 2019. For the full year of 2020, administration expenses were reduced to USD 22.9 million from USD 25.4 million for 2019. The company has also delivered on the target of achieving USD 4 million in cost savings, with full year administrative expenses excluding bonus down by USD 4.5 million from the previous year. In addition, savings have been achieved as planned for costs included in Net TC, as well as lower financing costs.

**Net Finance** was reduced by USD 0.5 million from the second half of 2019 to USD 0.2 million in the second half of 2020. On an annual basis Net Finance was reduced by USD 3.2 million to USD 0.2 million in 2020. The reduction was mainly due to a more favorable financial structure and capital injection from main shareholders in 2019.

## Financing and available cash

At the end of the period the Group had USD 18.3 million free cash in addition to up to USD 11.0 million in unutilized credit facilities.

The Group has three working capital facilities, whereof one related to bunker purchases, one for accounts receivables and one overdraft facility. Credit lines total up to USD 35 million with USD 24.0 million drawn as of 31.12.2020. USD 10.0 million of the credit facilities is guaranteed by the majority owner.

## Company update

During the second half of 2020 we continued to implement our strategy to seek trading excellence, operational excellence and data driven decision making. Western Bulk has a very strong and agile commercial culture. Leveraging this, leaps have been taken in 2020 to become one company working together to achieve our own, and foremost – our customer's goals.

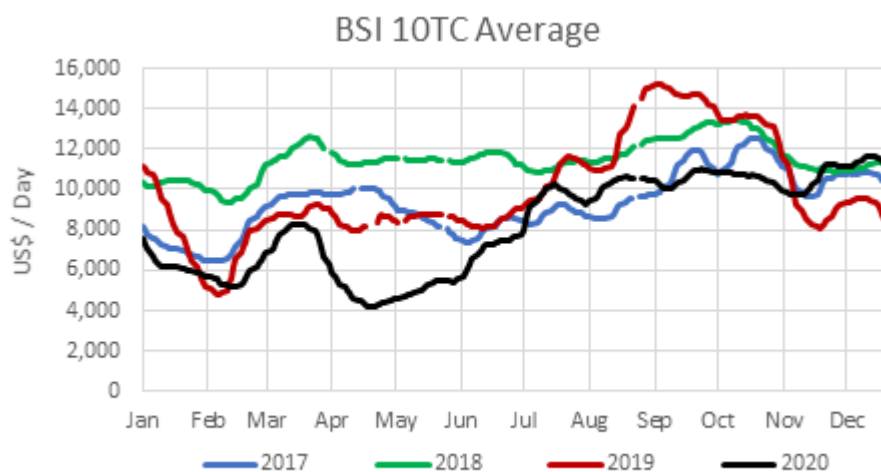
As part of becoming more customer centric two new roles as Heads of Operation have been appointed, managing our two operation teams in Singapore and Oslo with around the clock focus on customer needs and delivery of world class operations with consistent high quality. Focus on operational excellence is a key element in Western Bulk's strategy, improving quality and consistency of voyage optimization, standardizing operations processes and building feedback loops with a culture for continuous improvement.

To enhance our partnering with key vessel owners, a Tonnage desk has been established. The Tonnage desk develops and maintains relationships with vessel owners and brokers, fixes in new long-term period vessels, and manages our existing fleet of long-term vessels. Through this fleet, the Tonnage desk is an internal tonnage provider for our other Commercial Teams. Western Bulk's ambition is to deliver world class competencies and tools for relative pricing of vessels, vessel selection and vessel optimization – adapted to our profile as vessel operator.



## 2 Dry Bulk Market Highlights

During the period, the dry bulk market started its recovery from lockdowns and disruptions in the second half of 2020. The Baltic Supramax Index 58'(BSI) gained 70% (USD 4,257/day) from USD 6,070/day in the first half of the year to an average of USD 10,327/day in the second half. Full year 2020 averaged at USD 8,242/day, down 17% from USD 9,948/day in 2019, due to the impacts of COVID-19. The spread between Atlantic and Pacific markets rebounded in the second half of 2020 to USD 4,354/day, the highest 6-monthly average on record, and almost doubled of that in the first half of the year, supported by rising bunker prices and strong fronthaul demand.



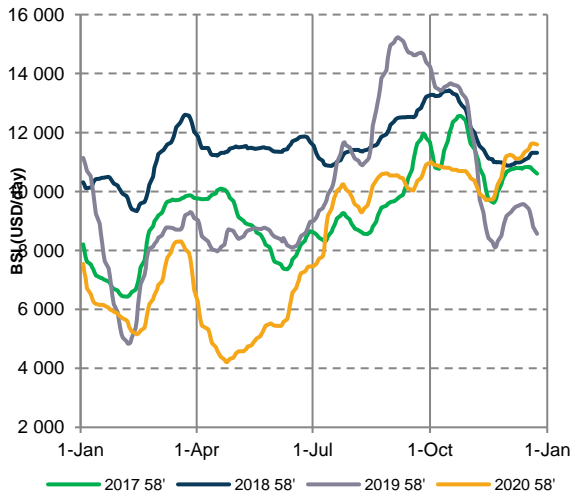
The Atlantic market rebounded quickly to pre-lockdown levels and stayed firm in the second half of 2020. The trans-Atlantic rates (average of S4A and S4B) averaged at USD 13,310/day in the second half of 2020, 75% higher than the first half of the year, but 3% lower than the same period of 2019. The Atlantic market was supported by post-lockdown recoveries in Europe as well as strong fronthaul demand from Asia where the pandemic impact on economics was less severe. The US-China Phase One trade deal has also boosted grain sales from the US to China, leading to a firm market in the fourth quarter.

The Pacific market was improving steadily in the second half of 2020. The trans-Pacific rates (S2) averaged at USD 8,960/day, 67% higher than the first half of the year, but 11% lower than the same period of 2019. Chinese demand for dry cargoes was very strong due to improving economic activity, and cold weather further boosted coal demand in the fourth quarter. Ship supply was tightened by record high congestion in China, caused by strict COVID-19 inspection, freezing winter conditions, and long waiting time for coal discharge. As a result, the Pacific market firmed up towards the end of 2020.

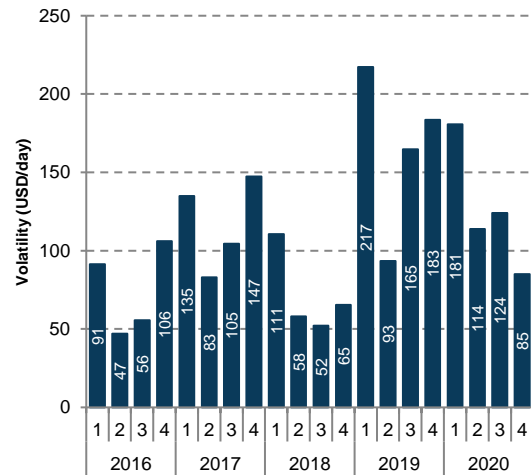
The Global Supramax fleet expanded 3.5% (7.4m dwt) to 215.5m dwt in 2020, slightly lower than the 3.7% growth in 2019. Current orderbook shows 6.6m dwt of Supramax to be delivered in 2021, but the fleet growth would be lower considering some slippage and demolition. Currently the Supramax fleet is expected to grow by 2.2% (4.8m dwt) in 2021, the lowest growth rate over the last 20 years.

The dry bulk market has seen a robust start to 2021, backed by strong Chinese demand and recovering demand from developed economies, record high congestion in China, as well as tonnage shortage in the Atlantic. The Chinese economy is expected to remain strong in the first half of 2021, supporting the dry bulk market and providing upside potential. Congestion at Chinese ports is likely to ease gradually when weather becomes warmer towards spring and long-waiting Australian coal cargoes meant for China have been resold to other destinations. Supply tightness in the Atlantic will be unwound when ballast from the Pacific arrives, compounded by weakening grain supply in the first half of the year due to seasonality. The market is likely to slow down gradually. The key market changer lies in the China-Australia relations. Downside risk is embedded regarding whether China is to relax the import restriction on Australian coal; otherwise, the market would remain firm as China would need to source cargo from further away, leading to increased ton-mile demand.

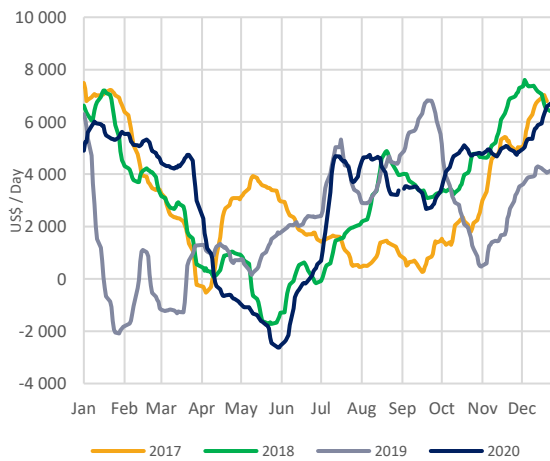
**Baltic Supramax Index<sup>1</sup>**



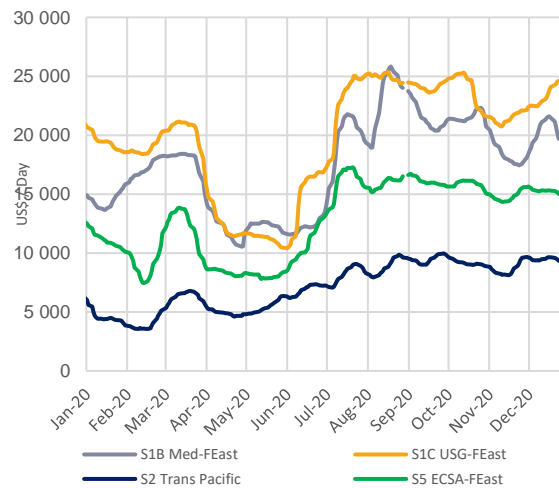
**Volatility in Baltic Supramax Index<sup>2</sup>**



**BSI Atlantic-Pacific Spread<sup>2</sup>**



**BSI Selected Routes<sup>2</sup>**



### 3. Outlook

The start of the year has seen significant increases in rates, with January reaching a high of almost USD 13,000/day. There is a general market expectation that 2021 will be a year with a higher market than has been seen over the last few years. As the negative impacts and uncertainty related to COVID-19 is getting more under control, Western Bulk is gradually increasing the volume of vessels from a historically low level in 2020. With the new tonnage function in place, the company has increased period activity and is seeing positive impacts from the focus on building relationships with core vessel owners and cargo customers. The new commercial teams are also settling in, and we are starting to see significant value from increased cooperation across teams. Combined with enhanced focus on operational excellence and data driven decisions, there is an expectation of positive development going forward.

<sup>1</sup> Source: Baltic Exchange

The Group's main risk factors are described in Western Bulk Chartering's annual report for 2019, which is available at [www.westernbulk.com](http://www.westernbulk.com).

Oslo, 11.02.2021

The Board of Directors of Western Bulk Chartering AS

Bengt A. Rem, Chairman

Erik Borgen, Board member

Tord Meling, Board member

Hans Aasnæs, CEO

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## 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 2020	2H 2019	Full year '20	Full year '19
<b>Gross revenues</b>	<b>355 397</b>	<b>545 883</b>	<b>778 690</b>	<b>1 062 723</b>
Voyage expenses	(140 262)	(224 160)	(358 537)	(451 850)
T/C expenses	(195 211)	(317 708)	(391 355)	(613 878)
Other vessel expenses	(1 006)	(1 663)	(2 062)	(3 396)
<b>Net T/C result</b>	<b>18 919</b>	<b>2 352</b>	<b>26 737</b>	<b>(6 401)</b>
Administration expenses	(12 475)	(12 560)	(22 918)	(25 448)
<b>Result before depreciation and impairment, finance items and income tax</b>	<b>6 445</b>	<b>(10 207)</b>	<b>3 819</b>	<b>(31 849)</b>
Provision for future loss	-	-	-	-
Depreciation	(125)	(181)	(281)	(373)
Writedown fixed assets	-	-	-	-
Provision for doubtful debt	(14)	(56)	(14)	78
Gain/(loss) on disposal of property, plant and equipment	-	-	-	(12)
<b>Operating profit/(loss)</b>	<b>6 306</b>	<b>(10 445)</b>	<b>3 524</b>	<b>(32 156)</b>
Financial income	771	585	1 289	321
Financial expenses	(956)	(1 251)	(1 452)	(3 709)
Realised gain/(loss) financial assets	-	(8)	1	7
<b>Net profit before tax</b>	<b>6 120</b>	<b>(11 119)</b>	<b>3 362</b>	<b>(35 538)</b>
Income tax expense	(51)	(2 028)	(159)	(2 431)
<b>Net profit for the period</b>	<b>6 070</b>	<b>(13 147)</b>	<b>3 203</b>	<b>(37 969)</b>



## Consolidated Condensed Balance Sheet

### Western Bulk Chartering Group

(USD 1,000)	Full year '20	Full year '19
<b>ASSETS</b>		
<b>Non current assets</b>		
Deferred tax asset	740	602
Intangible assets	23	135
Tangible fixed assets	502	419
Investment in financial assets	630	630
Long term receivables	-	5
<b>Total non current assets</b>	<b>1 895</b>	<b>1 789</b>
<b>Current Assets</b>		
Bunker stocks	28 374	42 583
Accounts receivable	27 168	32 280
Other receivables	(8 389)	3 663
Receivables derivatives	-	-
Bank deposits	30 297	37 729
<b>Total current assets</b>	<b>77 450</b>	<b>116 255</b>
<b>TOTAL ASSETS</b>	<b>79 345</b>	<b>118 045</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	174	113
Share premium	16 430	1 228
Received, but not yet registered capital increase	-	14 641
Other paid-in capital	-	-
Retained earnings	3 203	-
<b>Total equity</b>	<b>19 807</b>	<b>15 982</b>
<b>Long term liabilities</b>		
Deferred tax liability	153	185
Pension liabilities	1 214	1 747
Interest-bearing debt	-	-
Other long-term liabilities	-	395
<b>Total long term liabilities</b>	<b>1 367</b>	<b>2 327</b>
<b>Current liabilities</b>		
Accounts payable	8 130	10 546
Other payable	24 574	63 372
Payable derivatives	661	3 678
Taxes payable	601	1 382
Shareholder loan	-	-
Liabilities related company	251	-
Amounts owed to credit institutions	23 955	20 758
<b>Total current liabilities</b>	<b>58 171</b>	<b>99 736</b>
<b>Total liabilities</b>	<b>59 538</b>	<b>102 063</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>79 345</b>	<b>118 045</b>

## 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
Result for the period	-	-	-	-	3 203	3 203
<b>December 31, 2020</b>	<b>174</b>	<b>16 430</b>	<b>-</b>	<b>-</b>	<b>3 203</b>	<b>19 807</b>

## Consolidated Condensed Statement of Cash Flow

### Western Bulk Chartering Group

(USD 1,000)	2H 2020	2H 2019	Full year '20	Full year '19
<b>CASH FLOW FROM OPERATIONS</b>				
Profit/(loss) before tax	6 120	(16 595)	3 362	(41 014)
Taxes paid	(644)	(254)	(1 150)	(1 067)
Ordinary depreciation	125	181	281	373
Writedown and provisions	-	15 592	-	15 592
(Gain)/loss on disposal financial assets	-	1	-	(2)
Changes in current receivables and current liabilities	2 460	13 531	(13 496)	14 623
<b>Net cash flow from/(to) operating activities (A)</b>	<b>8 061</b>	<b>12 456</b>	<b>(11 003)</b>	<b>(11 495)</b>
<b>CASH FLOW FROM INVESTMENTS</b>				
Investments in fixed and intangible assets	(243)	(59)	(253)	(143)
Investments in financial assets	-	-	-	(630)
Disposals of financial assets	-	152	-	167
Disposal of fixed assets	-	-	-	42
Changes in long term receivables	-	-	5	5
<b>Net cash flow from investments (B)</b>	<b>(243)</b>	<b>93</b>	<b>(248)</b>	<b>(559)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Changes in interest-bearing short term and long term debt	(1 329)	(8 112)	3 196	(11 217)
Share capital increase	-	14 641	623	29 849
<b>Net cash flow from financing activities (C)</b>	<b>(1 329)</b>	<b>6 529</b>	<b>3 819</b>	<b>18 632</b>
<b>Net change in cash and cash equivalents (A+B+C)</b>	<b>6 489</b>	<b>19 077</b>	<b>(7 432)</b>	<b>6 578</b>
Cash and cash equivalents at start of the period	23 808	18 652	37 729	31 151
Cash and cash equivalents at end of the period	30 297	37 729	30 297	37 729
Restricted bank deposits at end of the period	12 026	13 683	12 026	13 683
<b>Available cash and cash equivalents at end of the period</b>	<b>18 272</b>	<b>24 047</b>	<b>18 272</b>	<b>24 047</b>

(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 95 vessels in the second half 2020.

This financial report is authorized for issue by the Board of Directors as of 11.02.2021.

### 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](http://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.

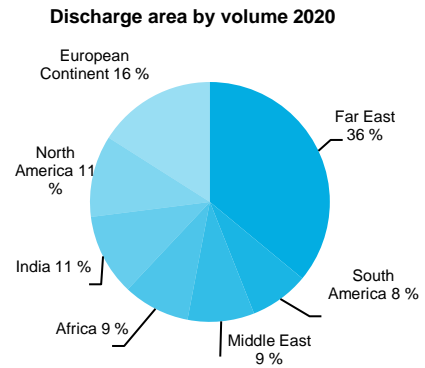
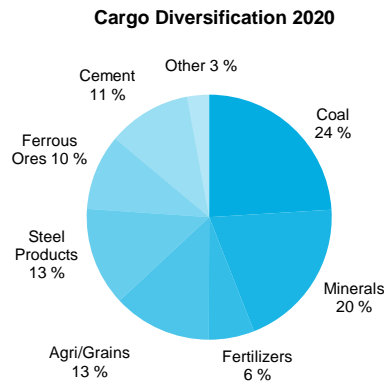


One of our log fitted supramax vessels carrying over 50,000 jas from Marsden Point, New Zealand

## 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. During 2020, the Group conducted business with more than 300 different cargo customers, of which no single customer exceeded 3,5% of total revenue. No single commodity accounted for more than 24% of the volume of transported cargo in 2020.**



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

