Annual Report
2019

Western Bulk

This is the 2019 annual report for Western Bulk Chartering AS. In this report, Western Bulk Chartering AS and its subsidiaries are referred to as “the Group” or “Western Bulk”.

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Western Bulk - Key Figures

Western Bulk Group
Excluding Chile and provisions for all periods

USD million	Full year '19	Full year '18
Net TC result [1]	20.0	44.7
EBITDA [1]	-5.4	18.3
Earnings after tax [1]	**-11.6**	**17.3**
Net TC Margin per ship day (USD) [1]	364	810
Average number of ships operated [2]	150	151

Western Bulk Group

USD million	Full year '19	Full year '18
Earnings after tax	-38.0	4.2
Total assets	118.0	116.4
Book equity	16.0	24.1
Total liabilities	102.1	92.3
Free cash	24.0	23.0
Restricted cash	13.7	8.1
Total cash	**37.7**	**31.2**

[1] Impairment charges on loss-making contracts primarily related to Chile of USD -26.4 million in 2019 and USD -13.1 million in 2018 are excluded in the figures.

[2] Average number of vessels operated including Chile.

Company Description

140-160 vessels
Strong relations with vessel providers as a leading worldwide operator of dry bulk vessels in the Ultramax to Handysize ("geared bulk vessels") segments. Currently operating a fleet of 140-160 vessels.

Broad network
More than 340 cargo customers, superior market and business intelligence, operations spread across more than 85 countries, diversified across commodities, and proprietary risk control systems.

Cost efficient
Western Bulk strives to identify the most cost efficient match of cargo and vessels that provides the greatest margin between payment received for the cargo shipment and the cost of leasing the vessel.

220 shareholders
Privately owned by approximately 220 shareholders. The Kistefos Group is the largest shareholder controlling about 82% of the shares. Experienced Board of Directors and support from the main shareholders.

Global Presence
Offices located in Oslo, Singapore, Seattle, Santiago and Casablanca – headed by an experienced management team. Flat and decentralised organisational culture enables quick response to local market changes. Local presence allows intimate knowledge of cargo and vessels.

People
More than 100 employees working in skilled teams developed in-house. Our teams add to our performance, cooperating and supporting each other across functions and regions.

Cargo owners
Producers, trading houses and receivers

⟷

Western Bulk
Efficiently matching cargo with vessel to create optimized transportation service

⟷

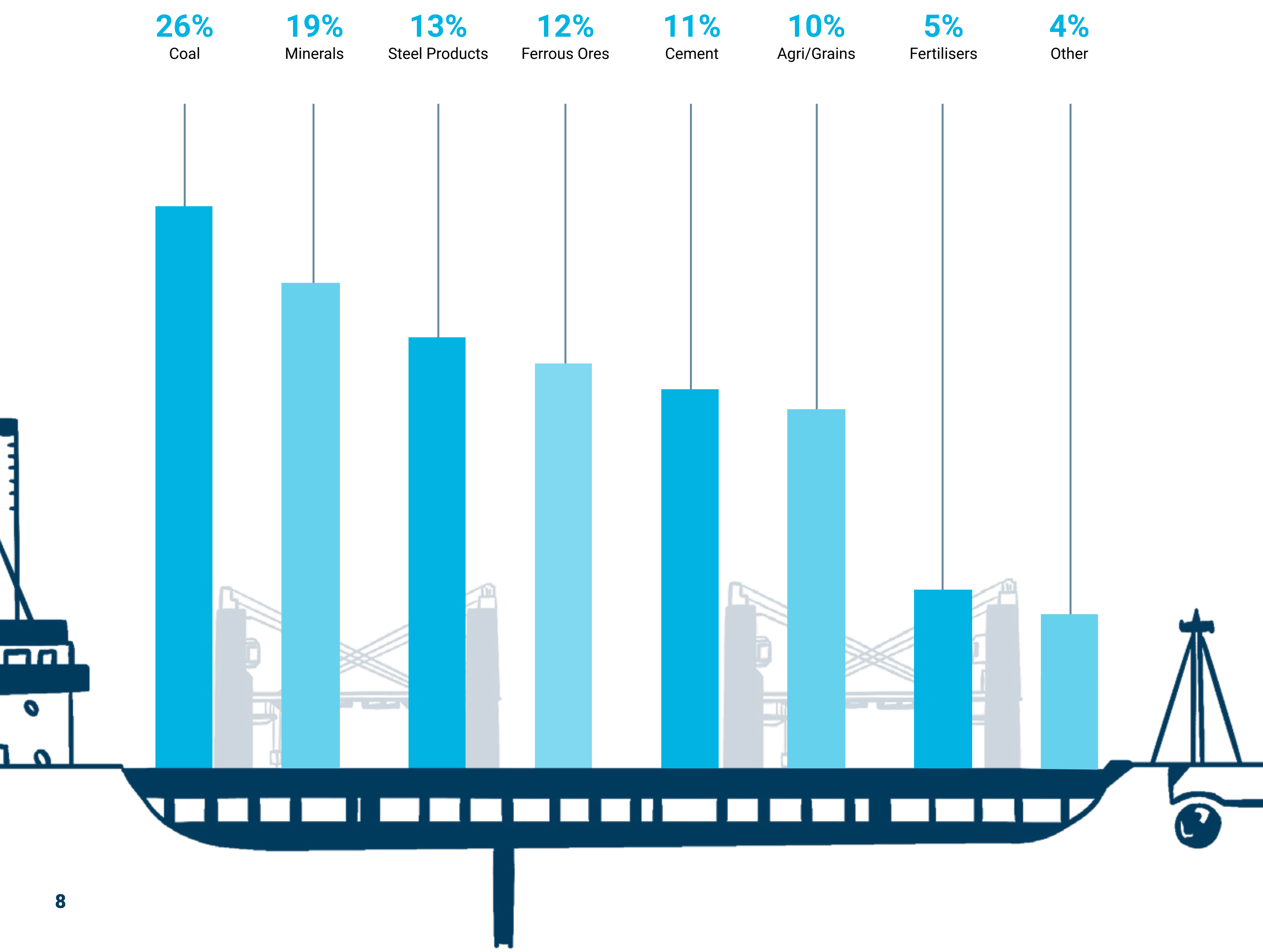
Vessel providers
Vessel owners located worldwide

Well Diversified

- Western Bulk has a wide network of cargo owners diversified across geographies and commodities.
- Our wide network limits our exposure to specific customers, geographies or commodities. It also provides a wide foundation for revenue generation and reduces cyclicality and counterparty risk.
- Our close relations to such a wide range of cargo owners globally provides a high deal flow with opportunities to locate cargo that efficiently match identified and available vessels.

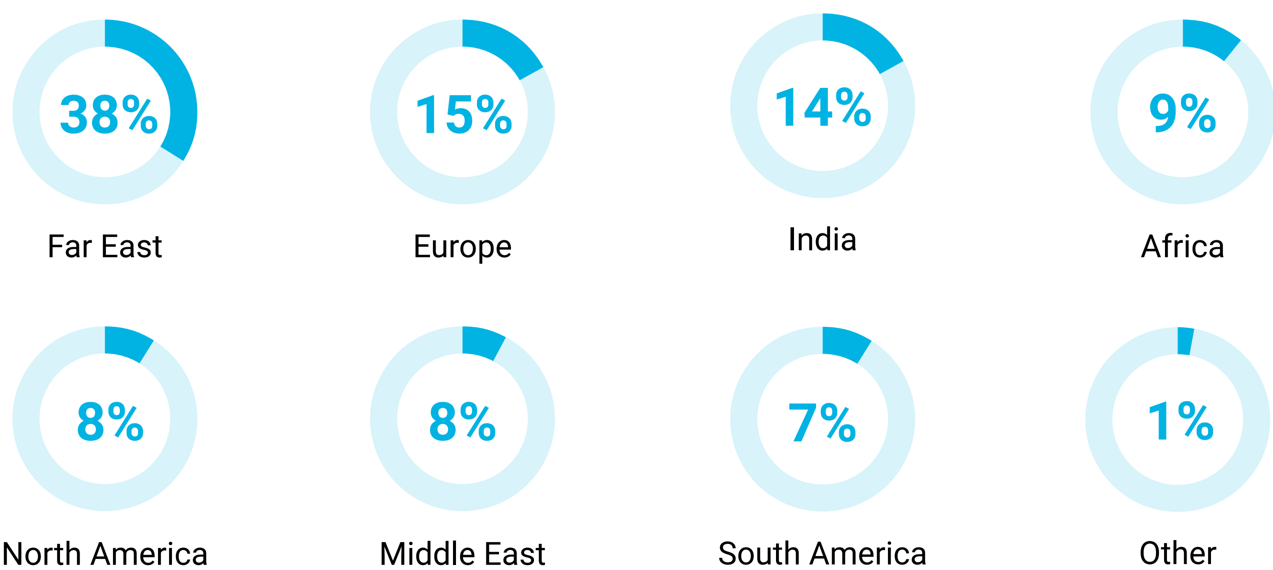
Commodity diversification

2019 Figures by Commodity



Geographic diversification

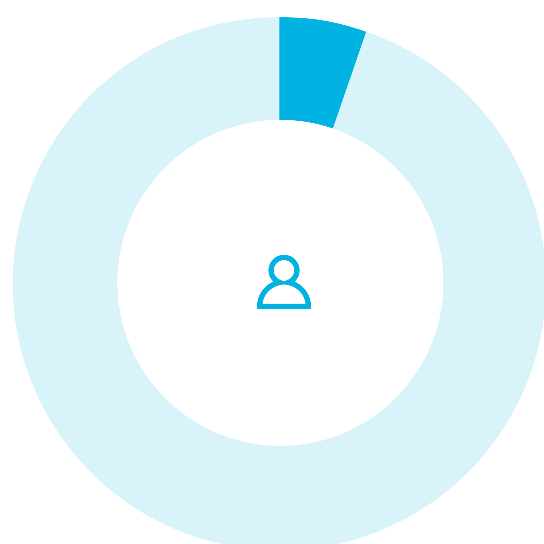
2019 Figures by Discharge area



Cargo owner diversification

2019 Figures by Customer

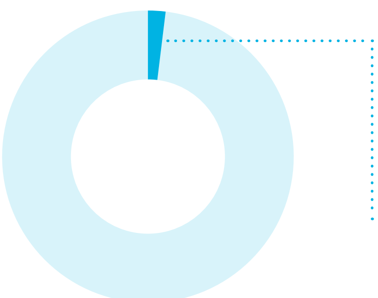
Western Bulk has more than 340 different cargo customers.
No single customer accounts for more than 3% of revenues.



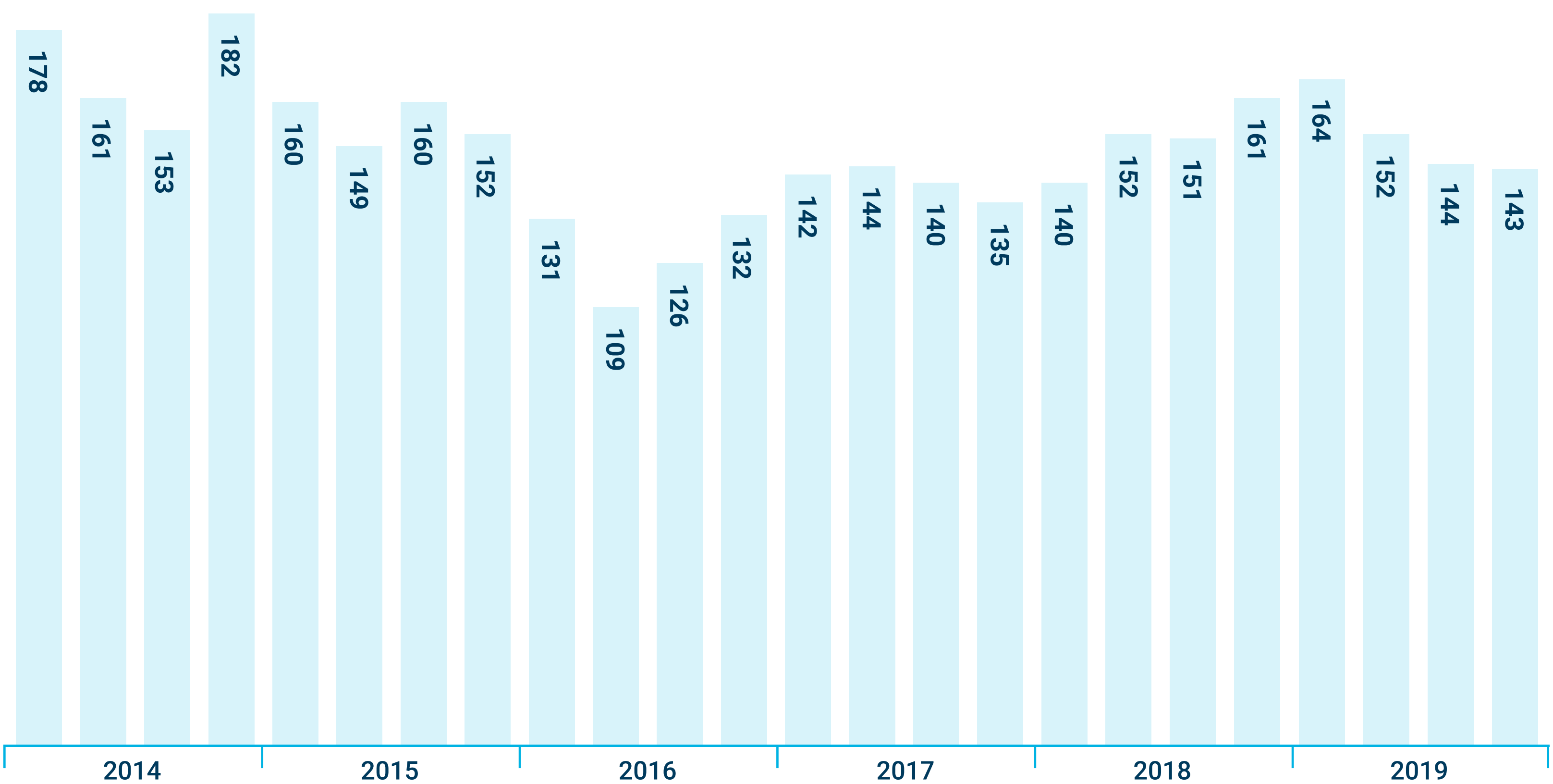
Access to an extensive fleet of vessels

Currently operating a chartered-in fleet of 140-160 vessels.

Number of vessels operated by quarter



Western Bulk operates ~2% of the global fleet - wide space of available vessels ensures identification of the optimal vessel.



- Significant network of Ultramax to Handysize providers serves as foundation for everything from single voyage leases to longer term leases of vessels - basis for a highly flexible fleet.
- Extensive vessel access ensures that Western Bulk always has the opportunity to identify attractive vessels for any cargo load.
- A deep vessel market to trade creates opportunity to cherry-pick vessels that most efficiently match each cargo load and secure the highest possible margin.
- Selecting the optimal vessel depends on a range of factors, including vessel location and distance from cargo, fuel efficiency and charter hire.
- Western Bulk engages in short- (up to six months), medium- (six to twelve months) and long-term (more than twelve months) leases. The majority of leases are short-term to medium-term.
- Any relation with vessel providers undergoes a thorough evaluation of counterparty risk.

Hans Aasnæs, CEO

Our values

AGILE
Energetic, responsive, flexible and nimble

RELIABLE
Dependable, sincere, steadfast and attentive

RISK AWARE
Making informed and calculated decisions, mindful of challenges

ENTREPRENEURIAL
Curious, adventurous, ambitious, always pursuing opportunities

Good prospects ahead

When I joined Western Bulk on the 1st of July 2019, I found a Company with a strong commercial culture and the potential to create significant value. I believe this can be achieved by establishing a clearly defined commercial strategy, based on our competitive advantages and by being disciplined in the way we follow this strategy.

Western Bulk has proven over time that we have a competitive advantage in reading the short-term market. Historically, this part of the business has generated favorable and stable returns while exposure further out on the curve has provided limited value. We will continue to build on and grow the profitable short-term trading business while being selective and disciplined in the way we deploy capital for medium- and long-term exposures.

We have strengthened our management team by including the Business Unit Managers of the Indian Ocean and Steel & Bulk divisions, which adds valuable commercial experience to the team. We are also developing a more systematic approach to customer development, to enhance the value of being able to maintain and nurture important customer relationships. We define charterers, vessel owners, operators and brokers as our customers. With good customer relations and repeat business, we can further improve our value creation.

We pride ourselves on not owning any vessels. This makes us nimble and gives us the flexibility to quickly adapt to market changes. By being asset-light, we have been able to build an agile culture that is uniquely positioned to respond to rapid market changes. Clearly, our employees are our key assets, and recruitment and development of talent is therefore another important focus area for the Company.

The last couple of years Western Bulk has taken vast steps to become more data driven and improve analytical capabilities. Building internal analytics and data science competence is an important strategic priority, 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, we aim to take advantage of both long-held domain knowledge and disruptive technologies whilst continuing to be a leading dry bulk operator.

The Company's cost base has been and is subject to thorough scrutiny with several initiatives in place to realize cost reductions. 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. I see a great potential in continuous improvement by increasing the use of systems and non-financial KPIs together with an enhanced focus on capturing and internalizing learning from the 1 300 voyages carried out across the Company annually.

I strongly believe that there is a potential for increased profitability by a structured approach to voyage optimization. We have therefore established a centralized function to work with the business units to improve voyage results. We carry out 3 500 port calls every year and our vessels spend almost 50 % of their time in port. If we can manage to save an average of USD 1 000 worth of time or cost for each port call, we would improve profits by USD 3.5 million.

For the last two years the Group results have been heavily impacted by legacy positions in Chile. I am pleased that we have now reached an agreement to put that behind us and we will see no further losses related to legacy positions in Chile going forward. I am also encouraged by the fact that we have benefited from our flexibility in the weak market experienced in the first quarter of the new year. We brought down the volume of vessels towards the end of 2019 and booked several cargos to ensure that we entered the year with a short position. That has made us well positioned to benefit from the current weak market, illustrating the strength of our agile asset light model.

Hans Aasnæs, CEO

Unlocking the Value of Data

At Western Bulk we are constantly looking for opportunities to unlock value, and we are working hard to become more data driven across the value chain.

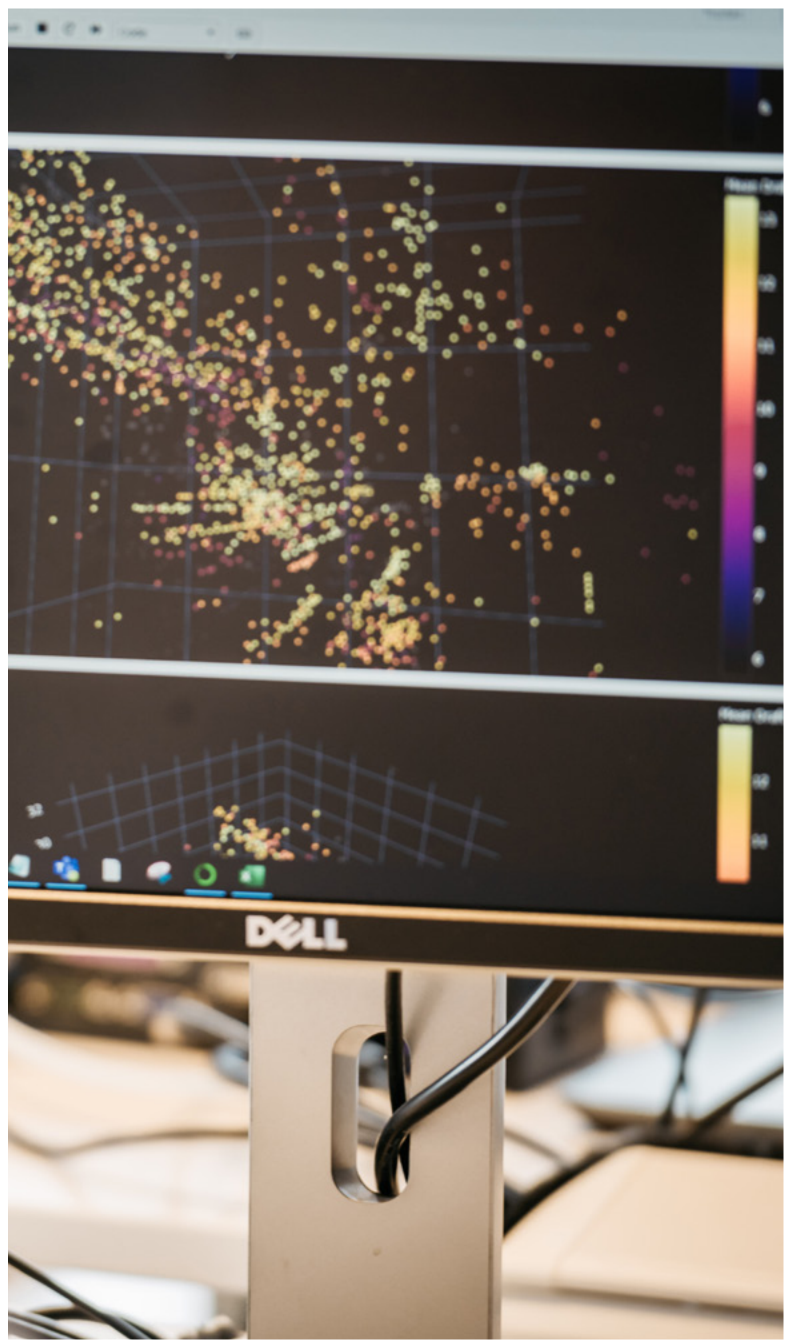
A couple of years ago we set out to renew our systems and data infrastructure, aiming to move all core systems and data to the cloud. We would only select systems with an open API, putting us in a position to combine all our business and market data in one place, enabling analysis across various data sets and sources. We are proud to say that we have been able to execute on this strategy, with all core systems now being in the cloud and with an ever-growing data lake from where we build models.

As an added benefit, these changes follow our business strategy to be asset light, with vastly reduced needs for on-prem servers. This light physical infrastructure, a new and improved agreement with our IT service provider, as well new tools such as Cisco Meraki for network surveillance and control, means that we are facing both significantly reduced IT costs and significantly improved control and flexibility. As a small example, we can now remotely set up a new office in just a few days.

On the data side we are proud of our business intelligence tools that provide easy access to business-critical data and historical data that enables us to easily slice and dice commercial and operational performance across the organisation. However, realising the need to continuously improve, in 2019 we strengthened our in-house competence by insourcing AWS development, and we are developing the next generation of analytics infrastructure. This is a cloud-based system where we aggregate vast amounts of internal and external data that feed into various tools and models. With this we aim to deliver even more real time and event driven decision support to our chartering and operations teams.

This is exciting work that combines the efforts of data scientists and analysts with the deep commercial and operational understanding of our chartering and operations staff. It includes efforts to develop short- and long-term market signals, systems for dynamic fuel optimisation as wellas smart operations.

Machines and algorithms can never replace the creativity, entrepreneurship and commercial acumen or our staff, but in a world that is moving ever faster, and where patterns are becoming more unpredictable we strongly believe they can add value by providing live insights from a combination of data sources and models, to keep our staff at the forefront of the market.



Board of Directors' Report 2019

In 2019 Western Bulk Chartering AS and its subsidiaries (the "Group") was struck by two unfortunate events; not foreseeing the magnitude of the sharp market fall at the start of the year and losses from legacy positions in Chile continuing to hamper results. This led to a loss after tax of USD -38.0 million, whereof USD -26.4 million related to Chile and provisions for future losses. Excluding Chile and provisions, the Group posted a loss after tax of USD -11.6 million and EBITDA of USD -5.4 million.

Financial Performance for the Group

2019 commenced with a dramatic drop in the Baltic Supramax Index (BSI) lasting throughout the first six months of the year. As a result of this Western Bulk had a tough first half of the year as period vessels fixed at the end of 2018 netted significant losses.

Legacy positions in Chile continued to hamper the results with a net loss of USD -16.3 million in 2019. In addition, provisions of USD 10.1 million were made for future commitments, primarily related to Chile. At the start of 2020 an agreement was reached to terminate all legacy commitments in Chile.

With period vessels fixed in 2018 mostly redelivered by the end of H1, the Group saw improved results in the second half of the year with earnings after tax of USD 5.7 million and EBITDA of USD 8.7 million, excluding Chile and provisions.

The size of the fleet was reduced throughout 2019, from 158 vessels in the first half of the year to 143 vessels in the second half. This was done to limit the risks related to the transition to the new IMO 2020 regulation, as well as an anticipation of a weak market in the first quarter of 2020. The number of vessels was however stable on an annual basis, as the average number of vessels operated was 150 for the full year compared to 151 in 2018.

The table below shows the development throughout the year per quarter excluding legacy positions in Chile and provisions with a total negative impact on Net TC of USD -26.4 million.

The Group's turnover, expressed as gross freight revenues, was stable at USD 1 062.7 million in 2019 compared to USD 1 070.2 million in 2018.

Western Bulk Excluding Chile and provisions	Q1-19	Q2-19	Q3-19	Q4-19	2019
Net TC result [1] (USD million)	-1.9	0.7	10.9	10.3	20.0
Average fleet size [2] (vessels)	164	152	144	143	150
Net TC result per ship day [1] (USD)	-129	47	824	789	364

[1] Impairment charges on loss-making contracts primarily related to Chile of USD -26.4 million in 2019 are excluded in the figures.
[2] Average number of vessels operated including Chile.

Administration expenses were USD 25.4 million in 2019 compared to USD 26.4 million in 2018. Excluding one off savings of USD 1.8 million from conversion of defined benefit pension to defined contribution pension in 2018, the comparable expense was USD 28.2 million in 2018. The decrease of USD 2.8 million was mainly due to lower bonus accruals. The Group had an average of 112 FTEs employed in 2019 compared to 106 in 2018.

At the end of the year the Group had USD 24.0 million in free cash, an increase of USD 1.0 million from 2018. Negative net cash flow from operating activities and repayment of bond loan was more than offset by share capital increase of USD 29.8 million.

The balance sheet total was USD 118.0 million at the end of 2019 compared to USD 116.4 million the year before. Book equity totalled USD 16.0 million as of 31.12.2019, a decrease of USD 8.1 million from the 31.12.2018 position of USD 24.1 million.

Subsequent events after 31.12.2019

In February 2020 the Group negotiated an early termination of all legacy commitments in Chile. As this had a significant impact on assumptions for provisions made 31.12.2019 this has been incorporated in the final annual accounts for 2019. As a result, provisions have been reduced by USD 5.5 million from the preliminary annual accounts.

USD 1.9 million of the USD 10.1 million provisions made in the 2019 annual accounts were related to market value of derivatives associated with commitments in Chile. As the market value of these derivatives has increased in 2020 most of this provision can be reversed in the 2020 accounts.

The spread of the Coronavirus has had limited overall impact on Western Bulk's results in the first quarter of 2020. Some period vessels have seen losses due to a low Pacific market in particular, but this has been overweighed by gains on cargo commitments covered by vessels in the spot market at lower rates. The Group brought down the volume of vessels to a low of 138 when entering the year and had an overweight of cargo commitments resulting in a short market position for the first quarter of 2020. The volume of vessels has been kept at a low level with limited forward commitments in line with the strategy of emphasized focus on short term trading, allowing for a high degree of flexibility.

There is a risk of increased delays at ports following the spread of the Coronavirus, in particular due to quarantine restrictions. There is also a risk that the pandemic may lead to global recession that will have a negative impact on dry bulk demand. However, as the Group has limited forward commitments, the impacts of this is considered manageable.

As a consequence of the spread of the Coronavirus all employees at the Oslo, Seattle and Santiago offices are working from home offices until further notice. The Group has a robust infra structure based on cloud solutions allowing for efficient work from remote locations. Employees are used to close interaction across geographies by the use of digital channels, and the Group currently sees limited negative impacts on the workforce. With teams spread across geographies the Group also has contingency in regards to potential infections at one of its premises.

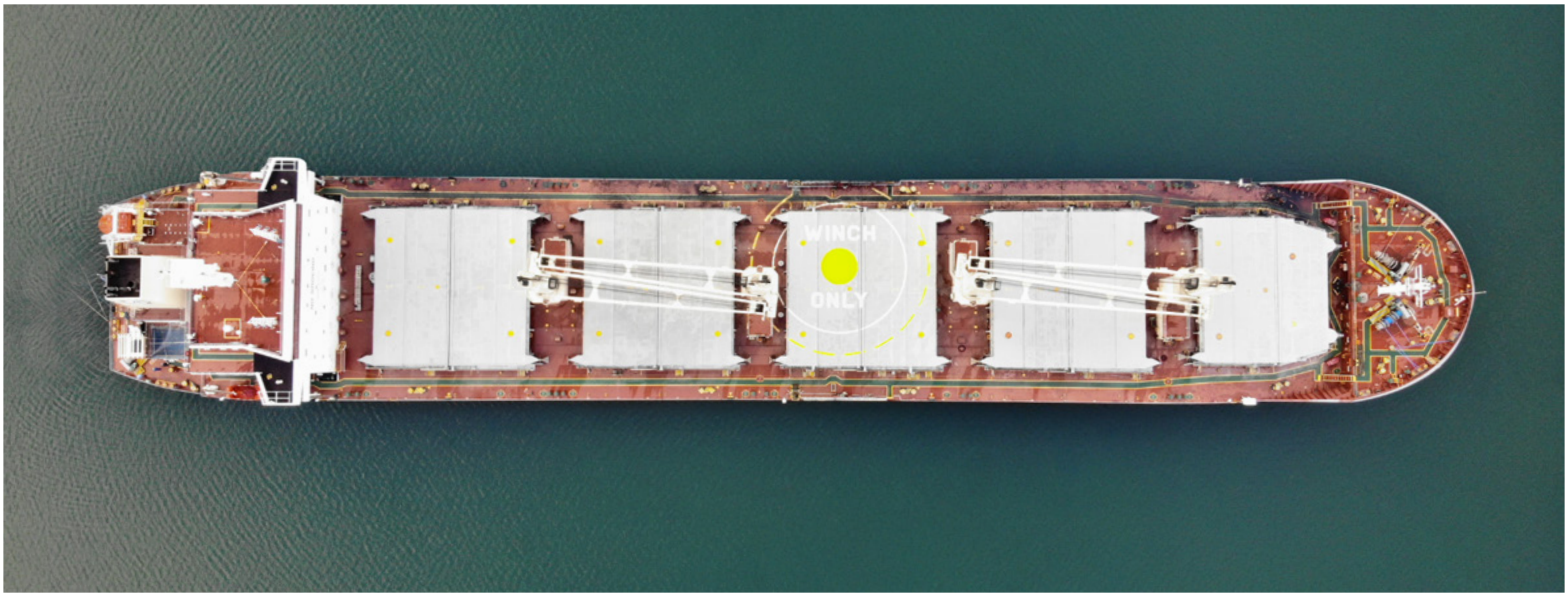
Market Development

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 per day to USD 10 000 per 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 per day down from USD 11 116 per day the same period 2018 as the market was hit by several factors that weakened the supply and demand balance.

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 per day and averaged USD 700 per day over the period.

In the second half of 2019 the Baltic Supramax Index 58' (BSI) rose to a six-monthly average of USD 11 665 per day, and the daily index rate touched an all-time high (since the index started in 2015) at USD 15 233 per 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 per day as of 1st of July to a high of USD 6 822 per day on 23rd of September and ended the year at USD 4 146 per day.



Future Development

The dry bulk market started on a weak note in 2020, with an early Lunar New Year followed by the outbreak of the COVID-19 in China. This was compounded by disruptions of Brazilian iron ore shipments with heavy rains and interruptions to Australian iron ore supplies due to a cyclone. Nevertheless, the market started to improve from the low points in late February, driven by Chinese demand for soybean and corn followed by imports of industrial raw materials after the extended Chinese New Year holiday. However, the recent spread of the COVID-19 outside China has contributed to increased uncertainty, and the risk of further disruptions to the global supply chain is rising. More countries have announced lockdowns and transportation, manufacturing, construction, and energy industries are facing strong headwinds. The dry bulk market is under pressure, in particular in the Atlantic ocean due to increased risk of port closures disrupting the supply chain and shipping demand.

Although the spread of COVID-19 seems to largely have been brought under control in Asia, the Pacific market is expected to remain under pressure in the first half due to excessive fleet supply and weak economic fundamentals. We see that the Atlantic market is at higher risk due to spread of the virus, as well as lower bunker prices reducing the costs of vessels heading to Atlantic. Despite the negative developments, higher fleet demolition and inefficiencies caused by congestions and delays at ports could lend some support to the market, and the market is expected to recover towards the second half of the year once the pandemic ends.

Overall, Western Bulk has been well positioned for a weak market with several vessels redelivered and an overweight of cargo commitments, hence the low market has offered some opportunities. It is in the Western Bulk DNA to see opportunities and find solutions in a changing and volatile market. The Board of Directors is therefore cautiously optimistic for 2020 despite the dim market outlooks.

Going Concern

In accordance with §3-3a of the Norwegian Accounting Act, the Board confirms that the financial statements have been prepared under the assumption of going concern. The assumption is based on estimates and expectations for 2020 and the Group's long-term strategy.

Business Overview

The Group is a world-leading operator within the Handy and Supra dry cargo segment, with a global trading pattern and an experienced staff and robust systems required to handle the large diversity in commodity types, trading routes and operating conditions that these segments offer.

The Group combines operational expertise in dry bulk shipping with portfolio and risk management techniques and approaches adapted from the financial industry. Given the diversity and complexity of the markets in which the Group operates, it has chosen to build a flat and decentralized organizational structure where most of the decision-making authority rests with its business units. The risk management team monitors market and counterpart exposures of each business unit and on an aggregate level for the Group.

Impact on the environment

The Group's activities consist of chartering and operating dry bulk vessels for the transportation of products such as minerals, timber, cement, bauxite, steel products, grains, coal and more. The chartering and operation of chartered-in vessels fully complies with international rules and standards in the jurisdictions and sectors in which they operate.

Organization

The Group cares about people, human rights, labour rights, safety and welfare. The Group is actively working to reduce sick leave and improve its working environment. During the year, no serious accidents or injuries have been reported. Total sick leave in the Norwegian Company was 1,17% (2018: 2,21%), divided into 0,67% short time absence, and 0,50% long time absence.

Working conditions for employees are considered to be good. The Group has implemented initiatives to maintain a healthy work environment, annual health checks, social and active events and activities, reimbursement of physical training expenses and individual workplace assessment by physiotherapist. The Group endeavours to offer all employees, regardless of gender, religion, beliefs or nationality, equal and attractive career opportunities and a program for the Group's Commercial Trainees. Employee performance is measured through performance appraisals.

The Group aims to be a Company with full equality between men and women, and no discrimination based on disability, gender, race, ethnic or cultural background. As of 31.12.2019, 39 of the Group's 117 employees were women (33%), with 30% in Oslo, 43% in Singapore, 20% in Seattle and 20% in Santiago. An unequal recruitment base makes it difficult to achieve an equal mix of gender within certain Group units, but Western Bulk endeavours to have both genders represented in all employment processes. No women are represented in Senior Management or on the Board of Directors.

Risk

The Group is exposed to a number of risks. In addition to the market risks associated with its chartering activity, the Group is also exposed to risks such as counterparty risk, credit risk, currency risk, operational risk and liquidity risk.

The Group operates with a clearly defined risk appetite and has implemented a comprehensive infrastructure of models, measures and internal control routines to mitigate risks or respond to risks to mitigate potential consequences. It has developed a strong risk management culture that emphasise risk awareness in all decisions.

With a continued muted outlook for the dry bulk shipping market, the Board recognizes that counterparty risk is likely to continue at a high level and that unexpected changes to demand and supply may cause market rates to fluctuate significantly, at least on a relative basis. Although the Group has a diversified exposure to counterparties, well-managed market exposure and a wide geographical positioning, we anticipate that the Group will be affected by these external factors. The Board is of the opinion that the Group's exposures to the different risks are satisfactorily monitored and that we will be able to contain the risk at acceptable levels, for customers as well as shareholders.

Geopolitical Risk

With a global trading pattern, the Group is exposed to geopolitical risk and instability that exist or may occur in parts of the world. The Group is paying close attention to concentration of geopolitical risks, and is targeting diversification to mitigate exposure that could potentially cause material effects to its results.

Market Risk

The Group has invested considerable resources in establishing and maintaining a risk control and monitoring system which on a daily basis quantifies the market exposure in the Group. This system allows the Group to measure risk and adjust its risk profile rapidly if required. The Group actively uses derivatives such as freight forward agreements (FFA), bunker swaps and other financial instruments to hedge its market exposure. The Group is not seeking to minimise the market risk, but rather to quantify and measure it to be able to take calculated positions in the market. The risk system sets absolute limits to the level of exposure taken by the Group. Such exposure may include being long/short on vessels relative to contract coverage, being long/short on geographical areas, vessel sizes and trade routes, utilising options on cargoes and vessels, and more, to take market rate exposures.

Operational Risk

The Group is exposed to various operational risks in conducting its business worldwide, with vessels sailing to and calling at ports in most areas of the world. Operational responsibility rests with the Group's business units, as most operational risks are related to specific vessels, cargoes or markets. While single incidents mainly will have limited impact on the Group, the Group pays close attention to concentration of risks related to cargo type, geographical area and counterparties, targeting diversification to mitigate exposure that potentially could have material effect.

Financial Risk

The Group's credit risk mainly relates to freight payable from our counterparts for voyages being performed. Such freight is mainly due at commencement of the voyage, and if not paid, the Group will in most cases have a lien on the cargo. As such, credit risk is manageable, and mainly relates to potentially disputed parts of the amount invoiced such as laytime and demurrage upon discharge.

The Group's liquidity risk is mainly related to timing of cash in- and outflows and the Group continuously monitors its cash reserves and available liquidity to ensure sufficient liquidity is available to meet the known obligations of its operations, minimum liquidity covenants in financing agreements, and to meet measured cash flow risks related to the use of derivatives for hedging purposes.

The Group is exposed to currency risk, mainly for expenses incurred in local currency other than US dollar. The Group measures its currency risk applying sensitivity analysis. The Group has hedged the expected NOK denominated administrative expenses for 2020 by entering into NOK/USD currency forward contracts.

The Group is exposed to interest rate risk from its financing facilities. The interest rate risk is currently unhedged.

Ownership Structure

As of 31.12.2019, Western Bulk Chartering AS is a privately-owned Company, with about 220 shareholders. The Kistefos Group controls about 82% of the shares.

Financial Performance for the Parent Company and Allocations

Western Bulk Chartering AS (Parent Company) recorded a loss after tax of USD -40.6 million for 2019 and a net positive cash flow of USD 14.9 million. Equity was USD 37.4 million as of 31.12.2019 with a book equity ratio of 50%.

The Board recommends the following covering of the 2019 net loss for the parent Company:

From Share premium	USD	-31 306 985
From Other paid-in capital	USD	-9 327 447
Total allocations	**USD**	**-40 634 432**

Oslo, 18. March, 2020

Bengt A. Rem
Chairman of the Board

Tord Meling
Board member

Erik Borgen
Board member

Hans Aasnæs
CEO

Western Bulk - Our Offices

Western Bulk has a global reach and a local presence with offices located in strategically important areas for shipping and trade of dry bulk commodities.

1. Oslo Office
The Company Western Bulk was incorporated in Oslo, Norway in 1982. The CEO, CFO and CSTO are located in the Oslo office. Being situated in Oslo allows us to take part in one of the most complete maritime knowledge hubs in the world, as well as the emerging hub for tech-start-ups and digitalisation. For the last 10 years, the office has been situated in the historic Industry Export building at Solli Plass. The business units South Atlantic/US Gulf and Steel & Bulk/ Continent-Mediterranean, are both managed from the Oslo office which has about 60 employees.

2. Singapore Office
Our office in Singapore was established in 2005 and is responsible for the overall activity in the Indian Ocean and South East Asia regions. Singapore's strategic location and infrastructure makes the port one of the busiest in the world, and the city has become a regional center of shipping and finance. The business units Indian Ocean and Pacific are managed from the Singapore office, which has about 45 employees.

3. Seattle Office
The US West Coast office is located in Seattle and has been in operation since Western Bulk acquired the Jebsen Bulk Pool in 1995. Being geographically and strategically well placed in the busy Pacific Northwest, the Seattle office assures day-to-day contact with numerous industries, cargo owners, trading houses, and brokers in USA, Canada and Mexico. The Seattle office also looks after the operations of all Group vessels calling the West coast from Panama to Alaska and Hawaii.

4. Santiago Office
Western Bulk has been active in Chile since 1982, and our Santiago office was opened in 2006. The Chile operations have produced strong relationships with several major Chilean industrial companies. Geographically, with the time differences to Europe and the Far East, the Santiago office complements our other offices to enable 24-hour accessibility to Western Bulk around the world. The West Coast South America portfolio is managed from the Santiago office, which has 4 employees.

5. Casablanca Office
The office in Casablanca, Morocco was opened in the spring of 2016 as an extension of the South Atlantic Business Unit. The office is focusing on closer follow-up and building growing volumes with existing clients, as well as providing personal attention on operational issues on the African West Coast. The office has 1 employee.

Our Business Units

South Atlantic / US Gulf

Lars Christian Svensen
Business Unit Manager

The South Atlantic/US Gulf business unit serves clients loading and/or discharging cargo on the Atlantic coasts of South America and Africa. Cargoes are carried on a trusted base of ships from our core owners and include both spot movements and industrial multi-year contracts.

The business unit also serves the US Gulf/USEC/NCSA area and a broad base of clients with diverse ocean transportation needs originating from the US Gulf and neighboring loading zones from East Coast Canada to North Coast South America.

The business unit has a small office in Casablanca, Morocco to support our industrial clients on Africa's Atlantic coast.

The South Atlantic/US Gulf business unit aims to build on growing volumes with our industrial clients, provide personal service and attention on operational issues, and place the Group at the forefront of future trade opportunities.

The South Atlantic/US Gulf business unit is managed out of the Oslo office and operated on average about 50 vessels during 2019.

Steel & Bulk / Continent - Mediterranean

Jan Christian Tungland
Business Unit Manager

The Steel & Bulk / Continent - Mediterranean business unit focuses on developing long term industrial relationships with its customers through offering a service with high degree of flexibility and reliability.

The main activity is transport of various steel and bulk cargoes from Black Sea - Mediterranean and Continent - Baltic worldwide. The business unit is also active in trades to and from other destinations, partly on joint venture basis with the other business units in order to utilize the Group´s presence and market knowledge worldwide. Complementary activities include long period tonnage and industrial bulk COAs.

The Steel & Bulk / Cont - Med business unit is managed out of the Oslo office and operated on average about 30 vessels during 2019.

Indian Ocean / Handy Australia

Vivek Kumar
Business Unit Manager

The Indian Ocean business unit is based in the Singapore office and operated an average volume of about 30 vessels in the Handysize to Ultramax segment during 2019.

Through its significant customer base, the business unit is active in most dry bulk commodities and services clients on spot, short to medium term as well as on long industrial contracts.

The business unit also runs extensive parceling operations within Asia on various bulk and break-bulk commodities. Via joint setups with the other business units it is also involved in cross-basin trading, and thus linking the Singapore office nicely together with the other offices of the Group.

The business unit also runs a Handysize portfolio out of Australia which includes usual bulk commodities as well as parcelling.

West Coast South America

Firas Basem Douleh
Vice President

The West Coast South America portfolio is run out of the Santiago office and operated on average about 22 vessels during 2019. In addition to the traditionally strong forestry and mineral segments, operations here include transportation of grains, salt, fertilizers, coal, iron ore and cement clinker.

Pacific / US West Coast

Torbjørn Gjervik
Business Unit Manager

The Pacific / US West Coast business unit is run out of the Singapore and Seattle offices and operated a fleet of about 25 vessels on average during 2019, ranging from Handysize to Ultramax.

The size and diversity of the Pacific basin demands the portfolio is not just active in the more established core trades but also in niche cargo flows throughout the region. The business unit is continuously striving to develop new working relationships, although the current customer base already necessitates exposure to most bulk commodities, the unit is considered more of a specialist in slag, fertilizer, clinker, coal, steel products, grains, iron ore and pet-coke.

The huge intra and cross basin trades in the region necessitate the Pacific portfolio to work closely with all the other business units. The business unit also represents the Group towards vessel owners based in the Asia region for both spot and period employment.

The Senior Management Team

Hans Aasnæs

Chief Executive Officer

Mr. Aasnæs has previously held the position of Senior Vice President at Umoe Group and was a Director of several of the group's subsidiaries. From 2005 to 2013, he served as CEO of Storebrand Asset Management. Hans Aasnæs is chairman of the board at Nordic Trustee ASA and Strand Havfiske and a board member of Folketrygdfondet, Investinor and Gjensidige Investeringsrådgivning. Mr. Aasnæs is an agricultural economist and certified financial analyst and holds a higher degree from the Norwegian School of Economics.

Egil Husby

Chief Strategy and Transformation Officer

Mr. Husby is responsible for activities aimed at decisions support, business improvement and business transformation, and has been employed in the Company since late 2004. Until 2019 he served as Chief Risk Officer, responsible for risk management, business analysis and technology. Prior to that, he was at Norsk Hydro where he worked with risk management and structuring for Hydro's energy trading activities. Mr. Husby has an MBA from the University of Adelaide and an MSc in mathematical statistics from the Norwegian University of Science and Technology (NTNU).

Kenneth Thu

Chief Financial Officer

Mr. Thu is responsible for finance, accounting, business control, risk management, HR, legal and compliance. He has a background from retail, energy and management consulting. Before joining Western Bulk in 2017, he was the Acting CFO in Elkjøp Nordic AS, a part of Dixons Carphone Plc. Mr. Thu has also been employed by Expert AS, PA Consulting Group AS and Orkla Brands AS. He holds an MSc in Economics and Business Administration from the Norwegian School of Economics (NHH) in Bergen.

The Senior Management Team cont.

Indian Ocean

Vivek Kumar
Senior Vice President

Mr Vivek Kumar is representing the commercial department of the Singapore office in the Senior Management. He is also the Managing Director of Western Bulk Pte Ltd.

Apart from his administrative roles, he also heads up the Indian Ocean business unit.

He holds a Bachelor Degree in Marine Engineering, is a fellow of Institute of Chartered Shipbrokers and a member of Singapore Chamber of Maritime Arbitration.

Mr Kumar started his career with NYK sailing on board their vessels as an engineer. He was a broker with Braemar Seascope before joining Western Bulk in 2007 and has held various positions since then within the organisation.

Steel & Bulk / Continent

Jan Christian Tungland
Senior Vice President

Jan Christian Tungland is representing the commercial department of the Oslo office in the Senior Management. He is also the Senior Vice President and head of our Black Sea, Mediterranean and Continent business unit.

Mr Tungland has almost 30 years of experience in the dry bulk market, and 16 years of management experience. He started his career in shipping in 1991 and moved on to become an exclusive broker for Western Bulk in Lorentzen & Stemoco in 1996. He joined the Company already in 1998 as a shipbroker. He soon took on a leadership role and became head of Western Bulk’s Steel section in 2004, and Vice President, Steel & Bulk in 2010.

The Board of Directors

Bengt A. Rem
Chairman of the Board

Mr. Rem is the CEO of Kistefos AS, who owns 82% of the shares in Western Bulk Chartering AS. Prior to joining Kistefos AS in 2015, Mr. Rem was CEO in Arctic Partners. His previous experience includes Executive Vice President & CFO as well as other leading positions in the industrial investment Company Aker ASA, Head of the Department Responsible for Financial Instruments on the Oslo Stock Exchange and state authorised accountant in Arthur Andersen & Co. Mr. Rem holds an MSc in Business and Administration and Finance from the Norwegian Business School (BI) and a Master in Accounting and Auditing from the Norwegian School of Economics (NHH).

Erik Borgen
Member of the Board

Mr. Borgen is an Investment Director at Kistefos AS. Prior to joining Kistefos AS in 2016, Erik Borgen was a partner at the private equity firm HitecVision. His previous experience includes partner at Arctic Securities AS as well as other positions in Morgan Stanley and Perella Weinberg Partners. He has previously engaged in projects and activities within the fields of mergers and acquisitions, debt capital markets, IPO’s and restructuring. Mr. Borgen holds an MSc in Finance from the Norwegian School of Economics (NHH).

Tord Meling
Member of the board

Mr. Meling is an Investment Director at Ojada AS, our second largest shareholder. He has worked more than 10 years in the airline Norwegian ASA, with experience in business development, aircraft financing and corporate finance. He also has experience from Deloitte. Mr. Meling holds an MSc in Finance from the Norwegian School of Economics (NHH).

Group Financials

Western Bulk Chartering Group - Profit and Loss Statement

USD 1 000	Note	2019	2018
Gross revenues	3	1 062 723	1 070 238
Voyage expenses		-451 850	-421 152
Freight revenues on T/C-basis		**610 873**	**649 086**
T/C expenses		-613 878	-613 493
Other vessel expenses		-3 396	-3 971
Administration expenses	8	-25 448	-26 404
Operating expenses		**-642 722**	**-643 868**
Depreciations	7	-373	-376
Writedown fixed assets	7	-	-28
Gain/(loss) on disposal of fixed assets		-12	1
Bad debt provision and write-offs		78	575
Operating profit		**-32 156**	**5 391**

Western Bulk Chartering Group - Profit and Loss Statement

USD 1 000	Note	2019	2018
Net interest income		318	361
Net interest expense		-2 835	-2 638
Gain/(loss) on foreign exchange		-61	798
Gain/(loss) on financial assets		7	-12
Other financial items		-810	-495
Bad debt provision and write-offs financial items		-	1 884
Net finance		**-3 381**	**-103**
Profit/(loss) before tax		**-35 538**	**5 288**
Tax income/(expense)	9	-2 431	-1 091
Profit/(loss) for the year		**-37 969**	**4 197**

Western Bulk Chartering Group - Balance Sheet

(USD 1 000)	Note	2019	2018
ASSETS			
Non current assets			
Deferred tax asset	9	602	1 710
Intangible assets	7	135	323
Property, plant and equipment	7	419	514
Investment in financial assets		630	193
Long term receivable		5	9
Total non current assets		**1 789**	**2 750**
Current assets			
Accounts receivable	12	32 280	32 927
Other receivables		3 663	4 829
Receivable derivatives	5	-	1 982
Bunker stocks		42 583	42 779
Bank deposits	11,12	37 729	31 151
Total current assets		**116 255**	**113 669**
TOTAL ASSETS		**118 045**	**116 419**
SHAREHOLDERS` EQUITY AND LIABILITIES			
EQUITY			
Paid-in capital			
Share capital		113	95
Share premium		1 228	20 092
Received, but not yet registered capital increase		14 641	-
Total paid-in capital		**15 982**	**20 187**
Retained earnings			
Other equity / (uncovered loss)		-	3 913
Total retained earnings		**-**	**3 913**
TOTAL SHAREHOLDERS' EQUITY	14	**15 982**	**24 101**

Western Bulk Chartering Group - Balance Sheet

(USD 1 000)	Note	2019	2018
LIABILITIES			
Long term liabilities			
Deferred tax liability	9	185	233
Pension liabilities	8	1 747	2 044
Other long-term liabilities		395	649
Interest-bearing debt	12	-	31 191
Total long term liabilities		**2 327**	**34 117**
Short term liabilities			
Accounts payable		10 546	18 713
Other payable	17	63 372	37 934
Payable derivatives	5	3 678	-
Taxes payable	9	1 382	1 179
Short term Interest-bearing debt	12	20 758	-
Liabilities to related Company	10	-	376
Total short term liabilities		**99 736**	**58 202**
TOTAL LIABILITIES		**102 063**	**92 319**
TOTAL SHAREHOLDERS` EQUITY AND LIABILITIES		**118 045**	**116 419**

Oslo, 18. March 2020

Bengt A. Rem
Chairman of the Board

Erik Borgen
Board member

Hans Aasnæs
CEO

Tord Meling
Board member

Western Bulk Chartering Group - Cash Flow Statement

(USD 1 000)	2019	2018
CASH FLOW FROM OPERATIONS		
Profit/(loss) before tax	-35 538	5 288
Taxes paid	-1 067	-1 042
Depreciations	373	376
Writedown and provisions	10 116	-2 390
Gain/(loss) disposal fixed assets	-2	-27
Changes in current receivables and current liabilities	14 623	-28 134
Net cash flow operating activities	**-11 495**	**-25 928**
CASH FLOW FROM INVESTMENTS		
Investments in fixed- and intangible assets	-143	-428
Disposal of fixed assets	42	29
Investments in/ disposal of financial assets	-462	290
Changes in long term receivables	5	-4
Net cash flow from investments	**-559**	**-113**
CASH FLOW FROM FINANCING ACTIVITIES		
Changes in new short term and long term debt	20 758	-
Repayment of bond loan	-31 976	-
Capital increase	29 849	-
Net cash flow from financing activities	**18 632**	**-**
Net change in liquidity during the year	**6 577**	**-26 042**
Liquid assets as of 01.01.	31 151	57 193
Liquid assets as of 31.12.	**37 729**	**31 151**
Restricted bank deposits as of 31.12.	13 683	8 148
Available liquid assets as of 31.12	**24 046**	**23 003**

Mads Helland (Steel), Peter Knudsen (Counterpart Risk), Christopher Holtskog (Counterpart Risk), Haavard Haaland (Steel).

Notes to the accounts

Note 1 – Accounting Principles

The accounts have been prepared in accordance with the Accounting Act of 1998 and generally accepted accounting principles in Norway. The main accounting principles are described below. Unless otherwise stated, all figures specified in the notes are quoted in US dollars (USD) 1,000. The annual accounts have been prepared on a going concern basis.

Segment information

The Group's main activity is related to chartering and operation of vessels.

Reporting currency and functional currency

Both the parent Company accounts and the consolidated accounts are reported in US dollars (USD). Group business activities are primarily denominated in USD. Based on historical figures for the Group, almost 100% of freight income, operating expenses for the vessels, bank deposits, receivables, accounts payable and external financing are denominated in USD. The consolidated accounts are presented in USD.

Foreign currency

Monetary items, receivables and liabilities in the balance sheet denominated in other currencies than USD are recorded at the year end exchange rates. Profit and loss items in foreign currencies are recorded at exchange rates prevailing at the time of the transaction. Both realized and unrealized gains and losses are included under financial items in the profit and loss statement.

The following exchange rate has been used as of 31.12.2019:
USD/NOK 8,7803

Consolidation principles

Included in the Group is the parent Company Western Bulk Chartering AS (the "Company") and companies where Western Bulk Chartering AS directly or indirectly has a majority of the voting capital. All intercompany balances and transactions between the companies have been eliminated in the consolidated accounts.

The cost price of shares and partnership shares are eliminated against the equity in the underlying companies at the time of purchase. Any excess of purchase consideration over fair value of assets and liabilities acquired is recorded as goodwill. Goodwill is not amortized. The accounts of foreign subsidiaries are kept in USD as well as in a secondary currency. The Group's consolidated accounts are prepared based on uniform accounting principles.

Classification of assets and liabilities

Current assets and current liabilities include items that fall due within one year as well as items associated with the business flows. Other items are defined as fixed assets/long term liabilities.

Revenue recognition

Revenues are measured at the fair value of the consideration received or receivable, and are presented net of commissions. Revenues and expenses related to a vessel's voyages are accrued based on the number of days before and after the end of each accounting period. A voyage is defined as starting after unloading the previous voyage (discharge-to-discharge). Hence the voyage result is also accrued with the inclusion of actual number of days resulting from the period of ballast, waiting for orders and loading the vessel. Although the Group has major freight contracts covering several accounting years, accounting is based on individual voyages.

As long as the Group has a controlling interest dividends/group contributions are accounted for even if it is not received. Provisions are made accordingly in the contributing Company.

Use of estimates

In accordance with generally accepted accounting principles, the Company's management must make estimates and assumptions that influence the value of assets and liabilities in the balance sheet and the amount of revenues and expenses included in the accounts during the accounting period. The actual figures may vary from these estimates.

When preparing the accounts, best estimates are used based on information available at the time the accounts are prepared.

Intangible assets

Costs for intangible assets are reflected in the balance sheet providing a future financial benefit relating to the development of an identifiable intangible asset can be identified, and the expenses can be reliably measured. Otherwise such expenses are expensed as and when incurred. Software expenses are depreciated on a straight-line basis over the asset's expected useful life. Expenses related to ordinary maintenance are expensed when incurred.

Gains/losses from sale of intangible assets are shown on a separate line under operating expenses.

Fixed assets

Fixed assets are included in the balance sheet at cost less ordinary depreciation and impairment. The straight-line method for calculating ordinary depreciation for the year has been applied. Fixed assets are depreciated over the expected economic life of the assets. Expenses related to ordinary maintenance are expensed when incurred.

Gains/losses from sale of fixed assets are shown on a separate line under operating expenses.

Impairment of intangible and fixed assets

Impairment is recognized for the amount by which the asset's carrying value exceeds its recoverable amount unless the reduction in value is temporary. The recoverable amount is the higher of net sales value and net present value of future cash flows.

Leases

The Group differentiates between financial leasing and operational leasing based on an evaluation of the lease contract at the time of inception. A lease contract is classified as a financial lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operational leases. When a lease contract is classified as a financial lease where the Group is the lessee, the rights and obligations relating to the leasing contracts are recognized in the balance sheet as assets and liabilities. The interest element in the lease payment is included in the interest costs and the capital amount of the lease payment is recorded as repayment of debt. The lease liability is the remaining part of the principal. For operational leases, the rental amount is recorded as an ordinary operating cost.

Both in 2019 and 2018, all of the Group's leases were classified as operational leases.

Bunkers, other inventory, and receivables

Inventories are valued at the lower of historical cost price according to the "first in first out" principle and estimated market value. Receivables are recorded at nominal value less expected losses.

Financial investments

Financial investments classified as current assets are recorded at the lower of cost price or market value.

Pensions

The Group has defined benefit plans and defined contribution plans. For defined contribution plans the annual contribution is expensed, and there is no pension asset or liability recognized in the balance sheet.

For any defined benefit plans, the annual pension expense is calculated based on actuarial estimates, including the premium paid during the year, and a pension asset or liability is recognized in the balance sheet based on the actuarial reports. The defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled.

All pension schemes are valued in accordance with the IAS 19R which can be used under NGAAP (NRS 6) as well as under IFRS.

Taxes

The tax expense in the profit and loss accounts includes both taxes payable for the period and changes in deferred taxes. The change in deferred tax reflects changes in future tax liabilities and assets as a result of timing differences between the tax and the accounts. Deferred tax is the tax that relates to the accumulated result, but is paid in a subsequent period. Deferred tax/deferred tax assets have been calculated on net positive temporary differences between accounting and tax-based balance sheet values and which are reversed within a reasonable period of time together with the deferred tax asset related to tax losses carried forward.

Deferred tax liabilities/deferred tax assets within the same tax system are recorded on a net basis. Deferred tax asset is recorded only if the future utilization is probable.

Contingent loss/gain

Provisions have been made for contingent losses that are likely and quantifiable. Contingent gains are not recorded.

Financial instruments and hedge accounting

The Group has defined a hedging strategy and applies financial instruments such as freight derivatives, bunker derivatives and currency derivatives to hedge future results. In accordance with the Norwegian Accounting Act §4-1 no. 5, profit/(loss) on hedging contracts are recognized in the same period as the profit/(loss) related to the hedged object is recognised for all derivatives entered into as part of the hedging policy. The Group has classified the hedges as cash flow hedges for accounting purposes. The market values of the derivatives are kept off-balance until realised. Option premiums paid/received and for any cleared derivatives the settlements paid or received are recognised as current assets and liabilities respectively, until maturity of the derivative when gain/loss is recognised in the profit and loss statement or whenever the assets are considered impaired.

Impairment is recognised for the amount by which the mark-to-market value of the Group's total contract portfolio (TCs, COAs, FFAs and bunker hedges) is negative. If the negative amount exceeds the assets related to the portfolio, including any prepaid amounts for derivatives, an accrual for the liabilities is made.

Profit and loss from derivatives is classified as T/C expenses for freight derivatives, Voyage expenses for bunker derivatives and as part of the administration expenses for currency derivatives serving as currency hedge for administration expenses in other currencies than USD. Non-hedged trading made by Western Bulk Chartering AS is reported under financial items.

Cash flow statements

The cash flow statements are based on the indirect method. Restricted bank deposits are recorded as cash equivalents. Shares are considered to have a high price risk and are not classified as cash equivalents.

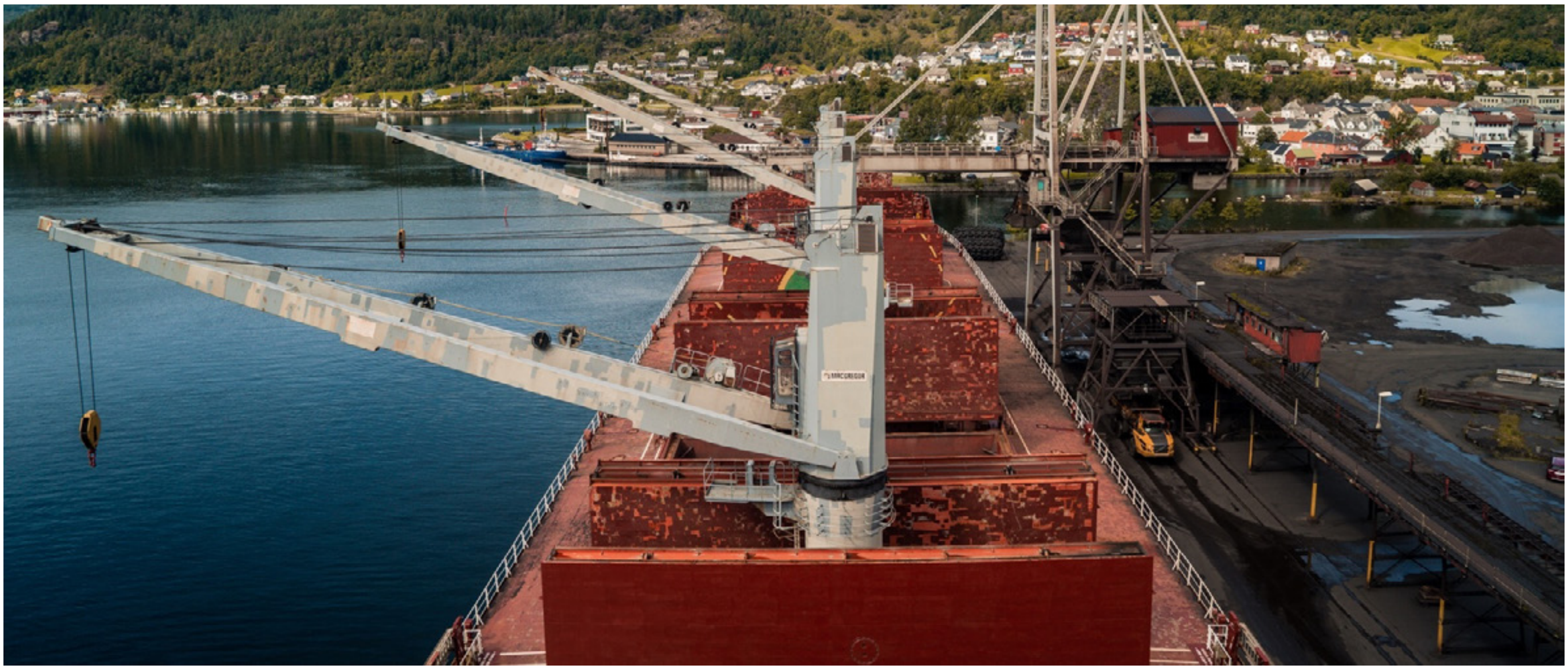
Subsequent events

New information related to events that existed on the balance sheet date has been included in the estimates. Important events taking place after the balance sheet date are described in the notes.

Changes in accounting principles

There are no material changes in the accounting principles for the periods presented.

Arturs Krumins, Magnus Hansen from Pacific business unit.



Note 2 – Risk factors

The Group is exposed to a number of risks affecting its financial performance. The risk management team identifies and measures potential risks and implement the risk management policies set by the Board of Directors.

Dry bulk freight market

The Group is exposed to the global market for dry bulk freight, and its result will vary with freight rates, depending on its positioning in the market. The Group may at times have a surplus or a shortage of chartered tonnage, relative to its cargo commitments. In addition, the Group utilizes freight derivatives to hedge or adjust its exposures in the physical freight market. Its net position will generally be non-zero, and as a consequence it is exposed to changes in freight rates for the net surplus/shortage of vessels.

Operational risk

The Group is exposed to its ability to maintain a high utilization rate for its fleet and the ability to operate the vessels in the most efficient and economical manner. This depends on the skills of its chartering and operations personnel, as well as the general conditions in the freight market. The Group has credit and counterpart risk related to its business activity, and has well-established policies for monitoring counterparty approval and for monitoring counterparties' performance. The procedure for approval of counterparts is based on both external rating services and internal investigations. The Group's credit risk mainly relates to freight payable from our counterparts for voyages being performed. Such freight is mainly due at commencement of the voyage, and if not paid, the Group will in most cases have a lien on the cargo. As such, credit risk is manageable, and mainly related to potentially disputed parts of the amount invoiced such as laytime and demurrage upon discharge.

Bunker prices

Fluctuations in fuel oil prices is another substantial risk for the Group, as fuel costs constitute a significant part of voyage costs. Exposures are created when future freight rates are set without indexation to fuel oil prices. The Group hedges its exposures in the energy market using fuel oil swaps and options or similar products.

Foreign exchange and interest rate risk

The Group's business operations are mainly USD denominated, and the functional currency is USD. However, the Group has a foreign exchange exposure related to administrative costs at its offices worldwide denominated in other currencies than USD. The exposures are hedged according to the Group's hedging policy.

Liquidity and cash flow risk

The Group monitors its cash reserves and available liquidity at all times to ensure sufficient liquidity to meet known obligations of its operations, minimum liquidity covenants in financing agreements, and to meet measured cash flow risks related to the use of derivatives for hedging purposes.

Note 3 – Revenues

(USD million)	2019	2018
By business area		
Chartering and operation	1 063	1 070
Total	1 063	**1 070**

Geographical distribution		
Singapore	147	112
Switzerland	130	118
U.S.A.	78	95
U.A.E.	60	43
South Africa	60	44
Saudi Arabia	30	44
France	29	36
Malta	27	18
U.K.	26	26
Belarus	24	18
Hong Kong	24	31
Brazil	22	15
India	20	16
China	19	15
Japan	19	21
Panama	18	37
Korea, Republic	16	24
Chile	16	31
Barbados	16	12
Thailand	16	19
Other	266	295
Total	**1 063**	**1 070**

The geographical distribution of revenues has been based on the customer's (charterer's) location.

Note 4 – Financial Instruments

Bunkers instruments

The Group hedges its bunkers exposure related to freight contracts. The mark-to-market value of the hedging contracts as of 31.12.2019 amounted to USD 0.9 million.

(USD million)	Market value
Bunker hedges (swaps and options) maturing in 2020	1.2
Bunker hedges (swaps and options) maturing in 2021	-0.2
Total	**0.9**

Freight instruments

As of 31.12.2019 the Group had entered into FFA contracts (forward freight agreements) and freight options for the period 2020 - 2023. The mark-to-market value of the hedging contracts as of 31.12.2019 amounted to USD 2.8 million.

(USD million)	Market value
FFA (forward freight agreements incl. options) maturing in 2020	2.8
FFA (forward freight agreements incl. options) maturing in 2021	1.6
FFA (forward freight agreements incl. options) maturing in 2022	-1.1
FFA (forward freight agreements incl. options) maturing in 2023	-0.5
Total	**2.8**

FX-hedge for G&A expenses

As of 31.12.2019 the Group has hedged its NOK G&A requirements for 2020 with forward currency contracts. The fair value of these derivatives as of 31.12.2019 amounted to USD 0.5 million.

Note 5 – Prepaid cost

Prepaid income/cost is related to cleared FFA/Bunker hedge contracts. Prepaid income amounts to USD 3.7 million as of 31.12.2019.

(USD million)	Book value
Cleared FFA/ Bunker hedge contracts maturing in 2020	4.0
Cleared FFA/ Bunker hedge contracts maturing in 2021	1.3
Cleared FFA/ Bunker hedge contracts maturing in 2022	-1.1
Cleared FFA/ Bunker hedge contracts maturing in 2023	-0.5
Total	**3.7**

Note 6 – Shares in subsidiaries

Western Bulk Chartering AS has the following direct ownership in subsidiaries as of 31.12.2019	Ownership share/ voting share	Business office	Currency	Share capital
Western Bulk Management AS	100,0 %	Oslo	NOK	1 500 000
Western Bulk Carriers AS	100,0 %	Oslo	NOK	300 000
Western Bulk Pte Ltd	100,0 %	Singapore	USD	47 500 001
Western Bulk Carriers KS	100,0 %	Oslo	NOK	34 160 000
Western Bulk Carriers (Seattle) Inc.	100,0 %	Seattle	USD	100
Western Bulk Carriers (Miami) Inc.	100,0 %	Miami	USD	10
Western Bulk Carriers (Sweden) AB	100,0 %	Lerum	SEK	50 000
Western Bulk (Chile) Ltda	100,0 %	Santiago	CLP	26 882 500
WBC I AS	100,0 %	Oslo	NOK	400 000
WB Barging AS	100,0 %	Oslo	NOK	500 000
WBC VI AS	100,0 %	Oslo	NOK	100 000
Western Bulk Carriers, GbmH (in liquidation)	100,0 %	Hamburg	EUR	-

Note 7 – Fixed- and intangible assets

(USD 1 000)	Grabs	Intangible	Other	Total
Acquisition cost as of 01.01.2019	275	1 211	2 163	3 649
Additions during the year	-	-	143	143
Disposals during the year	-	-	-139	-139
Acquisition cost as of 31.12.2019	**275**	**1 211**	**2 167**	**3 653**
Accumulated depreciation as of 01.01.2019	149	887	1 776	2 812
Depreciation for the year	32	189	152	373
Disposals	-	-	-85	-85
Accumulated depreciation as of 31.12.2019	**181**	**1 075**	**1 844**	**3 100**
Book value as of 31.12.2019	**95**	**135**	**323**	**553**
Economic life time	5 year	5 year	5 year	-

Intangible assets is related to software. Other fixed assets is mainly related to office equipment.

Note 8 – Administrative expenses

(USD 1 000)	2019	2018
Salaries (incl. bonuses)	12 318	16 202
Employer's part of social security	1 113	1 317
Pension expenses, contribution plans	568	363
Pension expenses, benefit plans	-106	-769
Other benefits	1 511	1 433
Total salaries and social expenses	**15 404**	**18 546**
Other administrative expenses	10 044	7 858
Total	**25 448**	**26 404**
Persons employed (average for the year)	**112**	**106**

A bonus scheme has been established for the employees, based on financial results and other criteria.

Remuneration to the Board of Directors and CEO

The Board of Directors have not received any remuneration.

Principles for determination of compensation for executive management

The focus of the Company is to hire qualified managers and to pay according to the market. Salary and remuneration of the CEO is determined by the Board of Directors, and payment to other employees is determined by the CEO. The CFO, CSTO, Business Unit Manager for Indian Ocean and Business Unit Manager for Steel & Bulk are defined as the other members of the executive management.

The executive management, including the CEO principally have four payment components:

1. Fixed salary
2. Pension scheme
3. Bonus payments (cash) based on financial results
4. Other benefits

Fixed salary and pension scheme for the executive management, including the CEO, are on commercial terms and conditions.

The executive management, including the CEO, also have a bonus incentive scheme after which they receive a bonus payment in cash on the basis of the financial results in WB Chartering before bonus- and tax payments for the previous financial year.

The members of the executive management have ordinary benefits in kind such as free use of phone, newspaper subscriptions, ordinary pension contributions, life insurance and health insurance.

As a guideline, the Company shall not agree to severance pay for members of executive management unless required under applicable law or required for the Company to secure the necessary expertise and takes place in accordance with the fundamental principle for the Company's salary policy for management as stated above.

Remuneration to the CEO

(USD 1 000)	Jens Ismar CEO 2019	Hans Aasnæs CEO 2019	Total CEO 2019	Jens Ismar CEO 2018
Salary	425	241	667	567
Bonus paid	-	-	-	251
Other remuneration	362	2	364	50
Total remuneration	**787**	**244**	**1 031**	**868**
Pension premium/cost	129	5	134	197

Former CEO Jens Ismar's employment terminated in 2019. Jens Ismar has an early retirement agreement with the right to receive 66% of his salary as pension until the age of 67. Jens Ismar has not claimed or received any early retirement pension from Western Bulk during 2019.

Present CEO Hans Aasnæs is entitled to 6 months' severance pay if he is released from his position by the Board.

Auditor fees

Fees to the auditor consist of the following services (USD 1 000)	2019	2018
Statutory audit	114	107
Tax advice	8	22
Other services outside the audit scope	23	14
Total	**145**	**143**

Pensions

The Group has several pension schemes for the employees. The pension schemes satisfy the respective statutory pension schemes in the countries where Western Bulk is located and cover a total of 89 employees. The Group may at any time make alterations to the terms and conditions of the pension schemes and undertake that they will inform the employees of any such changes.

Pension cost recognised in income statement (USD 1 000)	2019	2018
Defined contribution plans - expense	568	363
Defined benefit plan - expense	-166	-769
Defined benefits plan - remeasurements	60	-
Total	**462**	**-406**
Actuarial (gain)/losses recognised in equity	-	282

Defined benefit plans, including cost and assets/liabilities

The secured defined benefit plan was terminated end October 2018 along with the non-secured benefit plan covering pensions for employees with salaries exceeding 12G. Both agreements were transferred to defined contribution plans as per 31.12.2018. Former employees already receiving pension received a paid-up policy and are no longer included in the Group's pension scheme. The retirement age is 67 years.

Defined contribution plans

In the defined contribution plan, the Group pays an agreed annual contribution to the employee's pension plan. The future pension will be determined by the amount of the contributions and the return on the pension savings. Any risk related to the future pension is borne by the employee. The pension cost related to defined contribution plans will be equal to the contributions to the employee's pension savings in the reporting period.

Defined contribution plan - salary above 12G

For this defined contribution plan, an annual amount is transferred to a secured fund with a security deposit. Contribution to the mutual fund is a pledged asset for the Company, as well as a corresponding gross pension obligation to the members of the executive management. The mutual fund is pledged for the benefit of the executive management. In addition to the annual contribution, the Company accrues for social security cost relating to the contribution and value development of the mutual funds.

Early retirement

The former CEO has an early retirement agreement with the right to retire at the age of 62, receiving 66% of his salary as pension until the age of 67.

Pension obligations

Non-secured pension obligations in the balance sheet consist of early retirement agreement for former CEO and social security cost relating to net defined contribution plan for employees with salaries exceeding 12G.

Assumptions used in the actuarial calculations

The calculation of pension liabilities involves the use of judgement and estimates across a range of parameters. The discount rate is set at 2,3% for Norwegian pension schemes and is based on high quality corporate bonds (OMF).

The calculations are based on standard assumptions regarding mortality (K2013) and disability rates (KU), together with other demographic factors, which are prepared by Finance Norway (FNO).

When calculating future pensions for the defined benefit plans the following main assumptions have been made:	**2019**	**2018**
Discount rate (OMF)	2,30%	2,60%
Expected return on plan assets	2,30%	2,60%
Expected rate of compensation increase	2,25%	2,75%
Expected increase of social security base amount (G)	2,00%	2,50%
Expected rate of pension increase	0,50%	0,80%

The discount rate appplied as of year-end 2019 is determined by reference to the market yield on covered bonds, plus an addition that takes into account the relevant duration of the pension commitments. Covered bonds are considered as high quality corporate bonds based on recent market developments.

Net pension expense for the defined benefit plan (USD 1 000)	**2019**	**2018**
Current service cost	-199	-971
Interest cost	34	94
Administration cost	6	73
Payroll tax	-7	35
Pension expense, before remeasurements	**-166**	**-769**

Net pension obligation in the balance sheet (as of 31.12.)

	Secured		Non-secured		Total	
(USD 1 000)	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Net defined benefit obligation (asset)	-	-	1 271	1 564	1 271	1 564
Payroll tax	-	-	477	480	477	480
Obligation in financial statement	**-**	**-**	**1 747**	**2 044**	**1 747**	**2 044**
Change in benefit obligation (USD 1 000)						
Defined benefit obligation at the beginning of year	-	4 402	3 370	3 157	3 370	7 559
Service cost	-	390	-83	349	-83	739
Interest cost	-	91	34	69	34	160
Past service cost/employer contribution	-	-1 009	-	-615	-	-1 624
Remeasurements	-	-284	54	456	54	172
Loss/(gain) on settlement at 31.10.2018	-	-3 545	-	-	-	-3 545
Benefits paid	-	-45	-1 684	-	-1 684	-45
Defined benefit obligation at end of year	**-**	**-**	**1 692**	**3 416**	**1 692**	**3 416**
Change in plan assets (USD 1 000)						
Plan assets at beginning of year	-	3 171	1 832	-	1 832	3 171
Interest income on plan assets	-	65	-	-	-	65
Remeasurements	-	-21	-	-	-	-21
Settlement at 31.10.2018	-	-3 545	-	-	-	-3 545
Employer contributions	-	375	133	1 875	133	2 250
Administrative expenses	-	-	-	-	-	-
Adjustment of plan assets	-	-	135	-24	135	-24
Benefits paid	-	-45	-1 679	-	-1 679	-45
Plan assets at end of year	**-**	**-**	**421**	**1 852**	**421**	**1 852**

Note 9 – Tax

USD 1 000	2019	2018
The tax expense for the year consists of:		
Taxes payable	566	345
Tonnage tax	820	755
Correction for previous years tax provisions	-	15
Changes in deferred tax	1 045	-24
Total tax expense/(income)	**2 431**	**1 091**
Whereof tax expense foreign subsidiaries	319	83

Deferred tax relates to the following temporary differences:		
Fixed assets	-152	-139
Pensions	-3 522	-3 886
Current assets	-	-1 629
Accruals and provisions	-30	-
Gain/(loss) account for deferral	1 226	1 549
Tax losses carried forward	-5 756	-3 078
Finance loss carried forward	-6 884	-3 140
Total temporary differences	**-15 117**	**-10 323**
Deferred tax liability/(asset), net	-3 324	-2 269
Deferred tax asset not recognized in the balance sheet	2 907	792
Net deferred tax liability/(asset) recognized in the balance sheet	**-417**	**-1 477**
Deferred tax (asset), gross	-602	-1 710
Deferred tax liability, gross	185	233

Deferred tax liability is related to the tonnage tax system and can not be off-set with the deferred tax asset from ordinary taxation.

Analysis of the effective tax rate of the Group

The parent Company Western Bulk Chartering AS is resident in Norway, where the corporate tax rate is 22%, while other parts of the Group are taxed in other jurisdictions. This analysis explains the main reasons for the effective tax rate of the Group differing from 22%.

(USD 1 000)	2019	2018
Profit before tax	-35 538	5 288
Total tax expense/(income)	2 431	1 091
Effective tax rate	**-7%**	**21%**

Calculated tax expense at 22% tax rate (23% in 2018)	**-7 818**	**1 216**
Non-deductible expenses:		
Writedown financial assets	5	7
Bad debt provision within ordinary taxation	-10	-154
Other non deductable costs	831	282
Deductible expenses netted with equity increase:		
Cost related to share capital increase	-	-
Non-taxable income:		
Tax exempt dividends received	-3	-90
Difference in pre-tax profit/(loss) between functional currency and NOK, taxable income within tonnage tax system	7 441	-886
Tax not related to result:		
Tonnage tax	820	755
Other tax effects:		
Utilisation of tax loss carried forward	-	-54
Correction for previous years tax provisions	-	15
Writedown deferred tax assets	1 166	-
Total tax expense/(income)	**2 431**	**1 091**

Note 10 – Related parties

Related parties

Reference is made to the annual report 2018, note 10 for information about transactions with related parties in 2018.

As of the date of this Annual Report, the main shareholder is Kistefos AS, controlling about 82% of the shares of the Issuer through its wholly owned subsidiary Kistefos Equity Holdings AS. The second largest shareholder, Ojada AS, holds about 10% of the shares.

During 2019, the Group has had the following transactions with the Kistefos group:

Kistefos Equity Holdings AS:
In connection with the maturity and repayment of the NOK 300 million bond loan facility, and to bridge the transition to a new financing structure, the Kistefos group provided a shareholder loan of up to USD 15 million through its subsidiary Kistefos Equity Holdings AS. The shareholder loan was repaid in full through a conversion of debt to equity in December 2019.

Kistefos AS:
a. Kistefos AS provided a parent Company guarantee for the Group's USD 6 million bank credit line in June 2018. The facility matured on June 30, 2019. Kistefos AS received a guarantee fee in return.

b. Kistefos AS has provided a parent Company guarantee for one of the Group's long term COAs. Kistefos AS will receive a guarantee fee in return.

c. As of 31.12.2019, the total outstanding payable amount to Kistefos AS was nil as all outstanding amounts were converted to equity in December 2019.

Note 11 – Bank deposits

As of 31.12.2019, USD 5.9 million of the restricted deposits was tied to deposits in favor of clearing houses. USD 4.1 million was temporarily restricted in Collection Accounts connected to the new revolving credit facility. USD 1.5 million was tied to security deposit for the new bunker payment facility. USD 1.3 million was tied to payable pension amount. USD 0.3 million was taxes withheld from employees and USD 0.3 million was pledged to secure rent commitments. USD 0.1 million was posted as security deposit for FX hedges.

USD (1 000)	2019	2018
Unrestricted bank deposits	24 046	23 004
Restricted bank deposits	13 683	8 148
Total bank deposits	**37 729**	**31 152**

Reference is made to note 12 about pledge over unrestricted bank accounts.

Note 12 – Interest-bearing debt

Bond loan
The NOK 300 million bond loan was settled at maturity date in April 2019. The Group owned NOK 29 million of the bond loan.

Bank credit line
The Group had a bank credit line of USD 6 million, which matured on 30.06.2019.

New Bunker facility
The Group has entered into an uncommitted USD 15 million frame agreement for up to 90 days extended payment on bunker invoices. As per 31.12.2019, a total of USD 14.9 million was drawn on the facility.

New Revolving Credit facility
The Group has entered into a revolving credit facility agreement in the amount of USD 20 million for financing of outstanding account receivables. As per 31.12.2019, a total of USD 5.9 million was drawn on the facility.

Shareholder loan
The shareholder loan from the Kistefos group was converted to equity in December 2019.

Financial covenants
The new revolving credit facility includes a financial covenant requiring that the Group shall ensure a consolidated cash balance at all times of no less than USD 10.0 million. The Group was in compliance with all of its applicable financial covenants as of 31.12.2019.

Security and pledges provided
The Group has provided a pledge of accounts receivables and new Collection Accounts as security for the Revolving Credit Facility. The Group has provided a pledge of a new Security Account of USD 1.5 million as security for the Bunker Purchase Facility.

Note 13 – Contingencies and provisions

Provisions for disputes
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.

Due to ongoing disputes, the Company chooses not to disclose details of accruals. The total amount provided for where the Group is defendant is USD 4.5 million as of 31.12.2019 compared to USD 3.1 million as of 31.12.2018.

Write-offs and losses
The Group has made provisions of USD 10.1 million for future losses. USD 7.0 million was associated with legacy commitments in Chile, whereof USD 1.9 million was related to the derivatives already reflected in available cash due to margin calls. The remaining provision of USD 3.1 million was related to the market value of various legacy contracts across the Group spanning over a three year period from 2020 to 2022. The expected negative impact of provisions on available cash in 2020 is estimated to USD 6.1 million.

Impairment provisions
No additional provision for future loss has been made as the Group's overall forward book of contracts has a positive value as per 31.12.2019.

Note 14 – Equity, number of shares and shareholders

(USD 1 000)	Share capital	Share premium	Other paid-in capital	Received, but not yet registered capital increase	Retained earnings	Total
Equity as of 31.12.2018	95	20 092	-	-	3 913	24 101
Share capital increase	18	15 191	-	14 641	-	29 849
Profit/(loss) for the year	-	-34 056	-	-	-3 913	-37 969
Equity as of 31.12.2019	**113**	**1 228**	**-**	**14 641**	**-**	**15 982**

The extraordinary general meeting on 19 December 2019 adopted a resolution to conduct a repair issuance of up to about NOK 20 million towards the Company's 150 largest shareholders that did not have the opportunity to participate in the private placement made in December 2019. The repair issue will be carried out after the publishing of the 2019 Annual Report, latest within 30 June 2020.

Share capital		
Nominal value per share	NOK	0,05
Registered share capital 31.12.2019	NOK	864 599
Registered share capital 31.12.2019, in USD	USD	113 046
Total number of shares issued as of 31.12.2019		17 291 975
Total number of shares not yet registered as of 31.12.2019		10 568 354

Largest shareholders		
Name	**# of shares**	**Ownership-%**
Kistefos Group	22 893 152	82,17%
Ojada AS	2 726 992	9,79%
Norda ASA	319 463	1,15%
Sniptind Invest AS	276 679	0,99%
Skips AS Tudor	266 975	0,96%
Piero AS	205 000	0,74%
Løren Holding AS	161 000	0,58%
Skeie Alpha Invest AS	149 700	0,54%
Other (210 other shareholders)	861 368	3,09%
	27 860 329	**100%**

Note 15 – Estimates

Due to the fact that a number of voyage related expenses are received well after a voyage has been completed, expenses are estimated until final invoices are received. As the accounts are based on a number of estimates, the 2019 profit and loss statement has been negatively impacted by USD 4.7 million due to the difference between estimated and actual expenses and provisions related to prior period voyages. The 2018 profit and loss statement had a positive adjustment of USD 1.1 million for prior period voyages.

Note 16 – Leasing and other commitments

TC Contracts - Group as lessee

Vessels chartered in on time charter for a period represent a commitment to pay hire. The minimal nominal hire payable represents a lease commitment of USD 103.5 million exclusive of optional periods. For vessels chartered in on floating rates, an estimate has been applied for the hire commitment as of 31.12.2019. Charter coverage: For 2020 approximately 11 vessels out of a fleet of 14 vessels have employment with existing cargo contracts or have been relet on timecharter, while approximately 4 and 1 vessels have firm employment of a fleet of 5 and 4 in 2021 and 2022 respectively.

	2020	2021	2022	2023	Beyond	Total
Nominal Hire Commitment (USD 1 000)	58 183	24 705	19 492	1 165	-	103 545
Vessel Hire Days	4 975	1 894	1 484	91	-	8 444
Average Rate USD/day	11 695	13 044	13 135	12 800	-	12 263
Vessel Equivalent/year (firm period)	14	5	4	-	-	n.a.

TC contracts - Group as a lessor

13 vessels are chartered out on TC-contracts lasting between 30 and 145 days as of December 31, 2019. These non-cancellable leases have terms of renewal but no purchase options or escalation clauses. Future minimum rentals receivable under non-cancellable operating leases are as follows:

	< 30 days	1-3 months	> 3 months	Total
Nominal Hire Receivable (USD 1 000)	6 321	3 690	567	10 578
Vessel Days	608	366	63	1 037
Average Rate (USD/day)	10 391	10 085	9 030	10 200

Leasing of offices

The Group leases office premises in Norway, Chile, USA, Singapore, Morocco and Sweden. Total annual lease commitments amount to approximately USD 1.4 million. The lease contracts expire in the period of January 2021 to February 2026.

Andrew Redfern and Patrick Ness from Risk & Business Analysis

Note 17 – Other payable

The increase in other payable is mainly due to increased deductions made in hire payments to Owners relating to bunkers on redelivery. More vessels were redelivered in January 2020 compared to January 2019 and with higher average bunker prices due to the new IMO 2020 regulations total deduction has increased. This payable is not due for payment, but will be offset against bunker stock when ownership of bunkers on board is transferred to Owners by the time of redelivery of the vessel.

Other payable also includes provision made for future losses (see note 13) of USD 10.1 million whereof USD 1.9 million is related to value of derivatives already accounted for in available cash due to margin calls.

Note 18 - Subsequent events

In February 2020 the Group negotiated an early termination of all legacy commitments in Chile. As this had a significant impact on assumptions for provisions made 31.12.2019 this has been incorporated in the final annual accounts for 2019. As a result, provisions have been reduced by USD 5.5 million from the preliminary annual accounts.

USD 1.9 million of the USD 10.1 million provisions made in the 2019 annual accounts were related to market value of derivatives associated with commitments in Chile. As the market value of these derivatives has increased in 2020 most of this provision can be reversed in the 2020 accounts.

The spread of the Coronavirus has had limited overall impact on Western Bulk's results in the first quarter of 2020. Some period vessels have seen losses due to a low Pacific market in particular, but this has been overweighed by gains on cargo commitments covered by vessels in the spot market at lower rates. The Group brought down the volume of vessels to a low of 138 when entering the year and had an overweight of cargo commitments resulting in a short market position for the first quarter of 2020. The volume of vessels has been kept at a low level with limited forward commitments in line with the strategy of emphasized focus on short term trading, allowing for a high degree of flexibility.

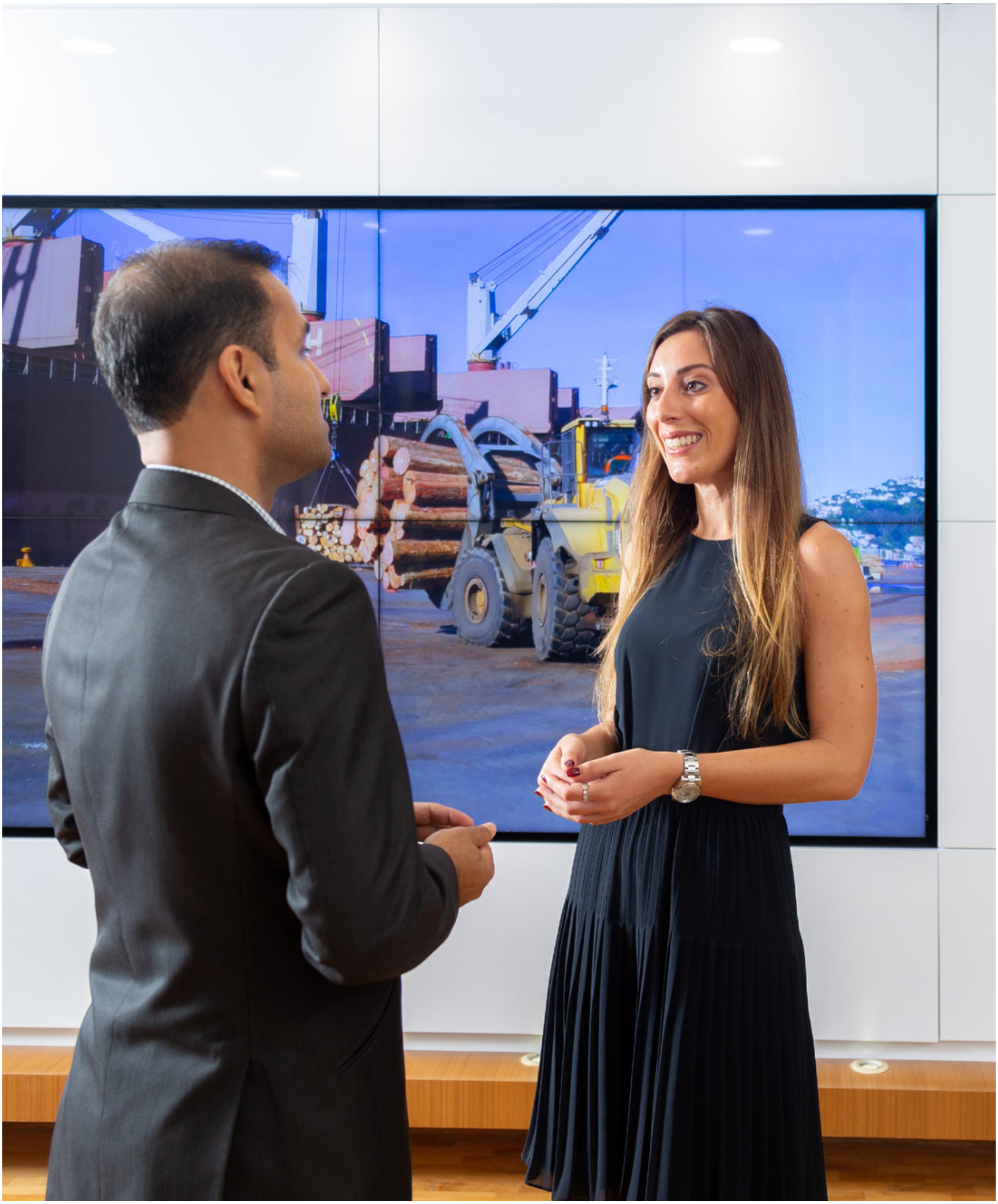
There is a risk of increased delays at ports following the spread of the Coronavirus, in particular due to quarantine restrictions. There is also a risk that the pandemic may lead to global recession that will have a negative impact on dry bulk demand. However, as the Group has limited forward commitments, the impacts of this is considered manageable.

As a consequence of the spread of the Coronavirus all employees at the Oslo, Seattle and Santiago offices are working from home offices until further notice. The Group has a robust infra structure based on cloud solutions allowing for efficient work from remote locations. Employees are used to close interaction across geographies by the use of digital channels, and the Group currently sees limited negative impacts on the workforce. With teams spread across geographies the Group also has contingency in regards to potential infections at one of its premises.

Parent Company Financials

Parent Company - Profit and Loss Statement

(USD)	Note	2019	2018
Other operating revenue		93 858	1 231 539
Administration expenses	2,3	-1 031 405	-472 681
Provision for future loss	13	630 000	-1 182 000
Operating profit/(loss)		**-307 547**	**-423 142**
Net interest income		124 019	496 068
Net interest expense		-2 421 408	-2 622 083
Gain/(loss) on foreign exchange		-620 279	612 797
Writedown/(reversal of writedown) financial assets		-35 407 099	11 056
Dividend from subsidiary Company		-	250 000
Group Contribution		238 088	742 817
Other financial expenses		- 1 073 523	-1 537 985
Net finance		**-39 160 201**	**-2 047 330**
Profit/(loss) before tax		**-39 467 748**	**-2 470 473**
Tax income/(expense)	4	-1 166 684	537 107
Profit/(loss) for the year		**-40 634 432**	**-1 933 366**



Vivek Kumar and Sara Scaramelli from Indian Ocean business unit.

Parent Company - Balance Sheet

(USD)	Note	2019	2018
ASSETS			
Non current assets			
Deferred tax asset	4	-	1 178 913
Investment in subsidiaries	7	42 386 784	72 760 562
Investment in financial assets		-	38 686
Total non current assets		**42 386 784**	**73 978 162**
Current assets			
Receivables from group companies	9	5 105 403	2 781 153
Other receivables		504 349	97 625
Receivable derivatives		-	1 982 341
Bank deposits	10	26 896 179	12 041 138
Total current assets		**32 505 931**	**16 902 256**
TOTAL ASSETS		**74 892 715**	**90 880 418**
SHAREHOLDERS` EQUITY AND LIABILITIES			
EQUITY			
Paid-in capital			
Share capital	5	113 369	94 821
Share premium		22 647 113	38 763 290
Other paid-in capital		-	9 327 447
Received, but not yet registered capital increase		14 640 572	-
Total paid-in capital		**37 401 054**	**48 185 558**
Retained earnings			
Other equity		-	-
Total retained earnings		**-**	**-**
TOTAL SHAREHOLDERS' EQUITY	**5**	**37 401 054**	**48 185 558**

Parent Company - Balance Sheet

(USD)	Note	2019	2018
LIABILITIES			
Long term liabilities			
Interest-bearing debt	11	-	31 190 745
Total long term liabilities		**-**	**31 190 745**
Short term liabilities			
Accounts payable		3 741	1 034
Liabilities to parent Company		-	374 444
Liabilities to group companies	9	32 880 055	7 914 891
Payable derivatives		3 677 863	-
Other current liabilities		930 000	3 213 744
Total short term liabilities		**37 491 660**	**11 504 113**
TOTAL LIABILITIES		**37 491 660**	**42 694 859**
TOTAL SHAREHOLDERS` EQUITY AND LIABILITIES		**74 892 715**	**90 880 418**

Oslo, 18. March 2020

Bengt A. Rem
Chairman of the Board

Erik Borgen
Board member

Hans Aasnæs
CEO

Tord Meling
Board member

Parent Company - Cash Flow Statement

(USD)		2019	2018
CASH FLOW FROM OPERATIONS			
Profit/(loss) before tax		-39 467 748	-2 470 473
Provision for future loss		-630 000	1 182 000
Group Contribution		-238 088	-742 817
Gain/loss disposal of assets		-5 855	-
Writedown financial assets		38 686	-
Writedown investment in subsidiaries		35 373 778	-
Changes in current receivables and current liabilities		4 025 043	-9 050 517
Net cash flow from operating activities	**A**	**-904 183**	**-11 081 807**
CASH FLOW FROM INVESTMENTS			
Investments in/disposal of financial assets		5 855	-
Investments in subsidiaries		-5 000 000	-5 681 324
Net cash flow from investments	**B**	**-4 994 145**	**-5 681 324**
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term debt		-31 975 561	-
Capital increase		29 849 928	-
Change in intra-group balances		22 879 002	7 615 978
Net cash flow from financing activities	**C**	**20 753 369**	**7 615 978**
Net change in liquidity during the year	**A+B+C**	**14 855 041**	**-9 147 153**
Liquid assets as at 1.1.		12 041 138	21 188 291
Liquid assets as at 31.12		**26 896 179**	**12 041 138**
Restricted bank deposits as of 31.12.		7 583 516	7 491 082
Available liquid assets as of 31.12		**19 312 663**	**4 550 056**

Notes to the accounts

Note 1 – Accounting principles

The accounts have been prepared in accordance with the Accounting Act of 1998 and generally accepted accounting principles in Norway. The main accounting principles are described below. Unless otherwise stated, all figures specified in the notes are quoted in US dollars (USD).The annual accounts have been prepared on a going concern basis.

Reporting currency and functional currency

The Company accounts are reported in USD and the functional currency is also USD.

Foreign currency

Monetary items, receivables and liabilities in the balance sheet denominated in other than USD are recorded at the year end exchange rates. Profit and loss items in foreign currency are recorded at exchange rates prevailing at the time of the transaction. Both realised and unrealised gains and losses are included under financial items in the profit and loss statement.

The following exchange rate has been used as at 31.12.2019:
USD/NOK 8,7803

Classification of assets and liabilities

Current assets and current liabilities include items that fall due within one year as well as items associated with the business flows. Other items are defined as fixed assets/long term liabilities.

Revenue recognition

Interest income is accounted for when received. Internal interest income is accounted for when invoiced.

Dividends/group contributions are accounted for at the time when such dividend/group contribution is received, or when provided for, when the Western Bulk Chartering Group has controlling interest.

Investments in subsidiaries and associated companies

Subsidiaries and investments in associates are valued by the cost method in the Company accounts. The investment is valued as cost of acquiring shares in the subsidiary, providing that write down is not required. Write down to fair value will be carried out if the reduction in value is caused by circumstances which may not be regarded as incidental, and deemed necessary by generally accepted accounting principles. Write downs are reversed when the cause of the initial write down is no longer present.

Taxes

The tax expense in the profit and loss accounts includes both taxes payable for the period and changes in deferred taxes. The change in deferred tax reflects changes in future liabilities and assets as a result of timing differences between the tax and the accounts. Deferred tax is the tax that relates to the accumulated result, but is paid in a subsequent period. Deferred tax/deferred tax assets have been calculated on net positive temporary differences between accounting and tax-based balance sheet values and which are reversed within a reasonable period of time together with the deferred tax asset related to tax losses carried forward.

Deferred tax liabilities/deferred tax assets within the same tax system are recorded on a net basis. Deferred tax asset is recorded only if the future utilisation is probable.

Financial instruments and hedge accounting

Western Bulk Chartering and its subsidiaries (the "Group") has a defined hedging strategy. Reference is made to Notes in the Group accounts for information about financial instruments and hedge accounting.

Cash flow statements

The cash flow statements are based on the indirect method. Restricted bank deposits are recorded as cash equivalents. Shares are considered to have a high price risk and are not classified as cash equivalents.

Changes in accounting principles

There are no material changes in the accounting principles for the periods presented.

Note 2 – Administrative expenses

The Company has no employees. All employees in the Norwegian activity of the Western Bulk Chartering Group are employed by the management Company Western Bulk Management AS. Consequently Western Bulk Chartering AS is not obliged to have mandatory occupational pension scheme according to the Act relating mandatory occupational pensions. Western Bulk Management AS performs management services for Western Bulk Chartering AS.

Note 3 – Remuneration to the Auditor and members of the Board of Directors

The audit fee to RSM Norge AS for the audit of the Annual accounts was USD 33 900. An additional USD 12 900 has been expensed for other consulting services provided.

The Board of Directors have not received any remuneration.

Amit Jakhmola, Charlie Holman, Moire Hammer, Gareth Jones, Lakshmi Priya and Yvonne Gu from Indian Ocean business unit chartering desk.

Note 4 – Tax

(USD)	2019	2018
The tax expense for the year consists of:		
Taxes payable	103	25 000
Changes in deferred tax	1 166 581	-562 107
Total tax expense/(income)	**1 166 684**	**-537 107**
Taxes		
Profit/(loss) before tax	-39 467 748	-2 470 473
Writedown/(reversal of writedown) financial assets	35 407 810	-10 911
Change in temporary differences	-2 225 454	1 892 366
Bad debt provision	-4 546	-65 133
Other non deductable costs	3 776 813	1 152 561
Other	97 229	149 082
Tax exempt dividends received	-	-250 000
Difference in pre-tax profit/(loss) between functional currency and NOK	304 818	-1 069 810
Basis for tax payable	**-2 111 078**	**-672 318**
Tax payable 22%	**-**	**-**
Deferred tax relates to the following temporary differences:		
Current assets	-	-1 628 794
Accruals and provisions	-930 000	-1 560 000
Other	355 310	448 955
Tax loss carried forward	-4 939 841	-2 618 842
Finance loss carried forward	-6 883 565	-3 139 577
Total temporary differences	**-12 398 096**	**-8 498 258**
Deferred tax asset not recognized in the balance sheet	**2 727 584**	**690 707**
Deferred tax liability/(asset)	**-**	**-1 178 913**

Note 5 – Equity

(USD)	Share capital	Share premium	Other paid-in equity	Received, but not yet registered capital increase	Other equity	Total
Equity as at 01.01.2019	**94 821**	**38 763 290**	**9 327 447**	**-**	**-**	**48 185 558**
Capital increase, net	18 548	15 190 808	-	14 640 572		29 849 928
Profit/(loss) for the year	-	-31 306 985	-9 327 447		-	-40 634 432
Equity as at 31.12.2019	**113 369**	**22 647 113**	**-**	**14 640 572**	**-**	**37 401 054**

The extraordinary general meeting on 19 December 2019 adopted a resolution to conduct a repair issuance of up to about NOK 20 million towards the Company's 150 largest shareholders that did not have the opportunity to participate in the private placement made in December 2019.

The repair issue will be carried out after the publishing of the 2019 Annual Report, latest within 30 June 2020.

Note 6 – Shares and shareholders

Share capital		
Nominal value per share	NOK	0,05
Registered share capital 31.12.2019	NOK	864 599
Registered share capital 31.12.2019, in USD	USD	113 369
Total number of shares not yet registered as of 31.12.2019		10 568 354
Total number of shares issued as of 31.12.2019		17 291 975

Dividend restriction

Western Bulk Chartering AS is restricted by its loan agreements, which prohibits dividend payments unless pre-approved by the lenders.

Largest shareholders	# of shares	Ownership-%
Kistefos Group	22 893 152	82,17%
Ojada AS	2 726 992	9,79%
Norda ASA	319 463	1,15%
Sniptind Invest AS	276 679	0,99%
Skips AS Tudor	266 975	0,96%
Piero AS	205 000	0,74%
Løren Holding AS	161 000	0,58%
Skeie Alpha Invest AS	149 700	0,54%
Other (210 other shareholders)	861 368	3,09%
	27 860 329	**100%**

Note 7 – Shares in subsidiaries

Western Bulk Chartering AS has the following direct ownership as at 31.12.2019

	Business office	Ownership share/ voting share	Book value (USD)
Western Bulk Management AS	Oslo, Norway	100%	5 044 737
Western Bulk Carriers AS	Oslo, Norway	100%	31 614 472
Western Bulk Pte Ltd [3]	Singapore	100%	5 000 001
Western Bulk Chile Ltda [2]	Santiago, Chile	100%	51
Western Bulk Seattle Inc	Seattle, USA	100%	266 496
Western Bulk (Miami) Inc.	Miami, USA	100%	10
Western Bulk Carriers Sweden AB	Lerum, Sweden	100%	5 930
WBC I AS [4]	Oslo, Norway	100%	307 546
Western Bulk Carriers KS [1]	Oslo, Norway	100%	147 541
Investments in subsidiaries			**42 386 784**

[1] 3% is owned by the subsidiary Western Bulk Management AS.
[2] 99,9% is owned by the subsidiary Western Bulk Pte Ltd.
[3] The investment is written down with USD 35.0 million as of 31.12.2019.
[4] The investment is written down with USD 0.4 million as of 31.12.2019.

Note 8 – Financial instruments

The Company trades all currency-, freight- and bunker derivatives with external counterparts on behalf of the subsidiaries. See Note 4 in the consolidated group accounts for an overview of the market value as at 31.12.2019.

FX-hedge for G&A expenses

As of 31.12.2019 the Company has hedged NOK and SGD G&A requirements for 2020 on behalf of its subsidiaries Western Bulk Management AS and Western Bulk Pte Ltd with forward currency contracts. The external contracts are made in the name of the Company, and internal back to back contracts have been made between the Company and its subsidiaries. The fair value of these derivatives as of 31.12.19 amounted to USD 0.1 million.

Note 9 – Intra-group balances and transactions with related parties

At the end of the year, the Company had the following amounts outstanding from/(to) Group companies:

Company (USD)	2019	2018
Western Bulk Carriers AS *	-25 466 313	1 362 816
Western Bulk Pte Ltd *	2 041 649	-6 157 532
Western Bulk Management AS *	-3 964 229	-360 203
WBC I AS	-303 532	21 033
WBC VI AS	-	206
Western Bulk Carriers KS	-	-58
WB Barging	-81 854	-
WBC Sweden AB	-373	-
Net receivables/(liabilities) from group companies	**-27 774 652**	**-5 133 738**

* Western Bulk Chartering AS is trading derivatives for hedging purpose on behalf of Western Bulk Pte Ltd and Western Bulk Carriers AS. These derivatives require daily margin calls and settlement, and a master agreement allows Western Bulk Chartering AS to forward the margin calls to Western Bulk Pte Ltd and Western Bulk Carriers AS.

**) Western Bulk Chartering AS and subsidiaries entered into a cash pool structure in 2019 where Western Bulk Chartering AS is the Group Account Holder. As per 31.12.2019, the Company had a net debt due to the subsidiaries of USD 13 698 601.

Western Bulk Chartering AS is VAT-registered together with the following companies:

- Western Bulk Management AS
- Western Bulk Carriers AS
- Western Bulk Carriers KS
- WB Barging AS
- WBC VI AS
- WBC I AS

All companies are jointly and severally liable for any debt towards the public authorities.

The Company has transactions with related companies and all transactions have been carried out as part of the ordinary operations and at arms-length prices. Western Bulk Chartering AS enters into FFA contracts (forward freight agreements), freight options and bunker hedges on behalf of its subsidiaries and receives a commission based on the related contracts. The total commission for 2019 amounted to USD 990 071. The intercompany balances related to these transactions are shown in the table above. See Note 5 in the consolidated group accounts for an overview of the financial instruments.

Other significant transactions are as follows: Management fee for 2019 paid to Western Bulk Management AS amounting to USD 248 401.

Note 10 – Bank deposits

As at 31.12.2019 the restricted deposits was tied to deposits in favor of clearing houses.

	2019	2018
Unrestricted bank deposits	19 312 663	4 550 056
Restricted bank deposits	7 583 516	7 491 082
Total bank deposits	**26 896 179**	**12 041 138**

The Company had a net debt due to the subsidiaries of USD 13 698 601 included in the numbers above.

Note 11 – Interest-bearing debt

Bond loan

The NOK 300 million bond loan was settled at maturity date in April 2019. The Group owned NOK 29 million of the bond loan.

Bank credit line

Western Bulk Chartering AS had a bank credit line of USD 6 million, which matured on 30.06.2019.

Reference is made to note 12 in the consolidated group accounts regarding financial covenants, security and pledges provided.

Note 12 – Guarantees

New Bunker facility

Western Bulk Carriers AS and Western Bulk Pte Ltd have entered into an uncommitted USD 15 million frame agreement for up to 90 days extended payment on bunker invoices. Western Bulk Chartering AS is a guarantor for the facility. As per 31.12.2019, a total of USD 14.9 million was drawn on the facility.

New Revolving Credit facility

Western Bulk Carriers AS and Western Bulk Pte Ltd have entered into a revolving credit facility agreement in the amount of USD 20 million for financing of outstanding account receivables. Western Bulk Chartering AS is a guarantor for the facility. As per 31.12.2019, a total of USD 5.9 million was drawn on the facility.

Western Bulk Chartering AS has provided some parent Company guarantees for its subsidiaries' performance under some of their commercial contracts and financial liabilities.

Note 13 – Contingencies and Provision

As of 31.12.2019 the Company has reduced its provision for future losses by USD 630 000. Reference is made to note 13 in the consolidated group accounts.

Note 14 – Subsequent events

The spread of the Coronavirus has had limited overall impact on Western Bulk's results in the first quarter of 2020. Some period vessels have seen losses due to a low Pacific market in particular, but this has been overweighed by gains on cargo commitments covered by vessels in the spot market at lower rates. The Group brought down the volume of vessels to a low of 138 when entering the year and had an overweight of cargo commitments resulting in a short market position for the first quarter of 2020. The volume of vessels has been kept at a low level with limited forward commitments in line with the strategy of emphasized focus on short term trading, allowing for a high degree of flexibility.

There is a risk of increased delays at ports following the spread of the Coronavirus, in particular due to quarantine restrictions. There is also a risk that the pandemic may lead to global recession that will have a negative impact on dry bulk demand. However, as the Group has limited forward commitments, the impacts of this is considered manageable.

As a consequence of the spread of the Coronavirus all employees at the Oslo, Seattle and Santiago offices are working from home offices until further notice. The Group has a robust infra structure based on cloud solutions allowing for efficient work from remote locations. Employees are used to close interaction across geographies by the use of digital channels, and the Group currently sees limited negative impacts on the workforce. With teams spread across geographies the Group also has contingency in regards to potential infections at one of its premises.

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To the General Meeting of Western Bulk Chartering AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Western Bulk Chartering AS showing a loss of USD 40 634 432 in the financial statements of the parent company and loss of USD 37 969 000 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company Western Bulk Chartering AS (the Company), which comprise the balance sheet as at 31 December 2019, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Western Bulk Chartering AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2019, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Independent Auditor's Report 2019 for Western Bulk Chartering AS

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to https://revisorforeningen.no/revisjonsberetninger

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 18 March 2020
RSM Norge AS

Cecilie Tronstad

Cecilie Tronstad
State Authorised Public Accountant (Norway)

Didrik Almgren, Lars Christian Svensen, Anders Dyrdal and Niklas Sindum from South Atlantic business unit chartering desk.

Responsible Business Conduct

As a Company providing shipping services worldwide, Western recognizes its responsibilities as a global, corporate citizen, within our sphere of influence as ship operators.

We believe that integrating Responsible Business Conduct (RBC) efforts into the Group's operating and business practices will have positive impact on our results, and at the same time make Western Bulk competitively stronger.

Western Bulk's Code of Conduct (available on www.westernbulk.com) establishes clear expectations for all parts of the Group's business with regard to good corporate conduct, which is in addition to abiding by applicable laws and regulations. The Code of Conduct includes requirements and clearly communicates the Group's expectations related to i.a. confidentiality issues, conflicts of interest, how to handle third parties and matters of integrity. These requirements are further detailed in internal policies and procedures. All employees undergo training in RBC issues regularly and at least annually.

Western Bulk has a Counterpart Risk team that evaluates new and existing third parties against several commercial and RBC risk criteria. This process is risk based and the extent of the vetting process therefore varies with the special risk of each trade, including e.g. the industry or region. The Group uses external databases and sources to improve the quality of the findings related to each third party.

Western Bulk has a "whistle-blower" policy and reporting channel, available on the Group's intranet. Employees are expected and encouraged to report behaviour that may be non-compliant with the principles set forth in the Code of Conduct or other policies. Concerns raised are initially handled by the Compliance Manager, before addressed with Western Bulk's Compliance Committee. The Compliance Committee consists of the CEO, CFO and CSTO together with the Compliance Manager. The Compliance Manager and the Committee clarify the concern raised, agree on how to proceed in any investigations required and propose any remedial actions required, before final decision on how to deal with the matter is taken by the CEO. The Compliance Manager also has a direct reporting line to the Board of Directors, regularly reports on the Group's progress in the work on RBC issues and has separate sessions with the Board of Directors twice a year without other management present.

Over the last few years Western Bulk has seen general improvement in the awareness in the organization of RBC related issues, and in particular related to the handling of corruption and sanctions risks. The Group is continuously evaluating how to further improve processes to ensure quality in decision making processes, including due consideration to RBC risks.

Below, we present the Group's status with regard to the following RBC topics; Human Rights, Labour Rights, Environment, Anti-Corruption, Consumer Interests, Science and Technology, Competition and Taxation.

Human Rights

Western Bulk shall support, respect and commit to the principles set out in UN's Universal Declaration on Human Rights and ensure that the Company is not complicit in human rights abuses.

Labour Rights

Western Bulk employees are shore-based, and the Group upholds the following key principles:

Non-Discrimination

The Group's policy prohibits unlawful discrimination against employees, shareholders, directors, customers and suppliers because of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, labour union affiliation, social or ethnic origin. Workplace diversity at all levels is encouraged. All persons shall be treated with dignity and respect and they shall not be unreasonably interfered with in the conduct of their duties and responsibilities. All employees and officers shall assist in creating a work environment free from any such discrimination.

Compensation

The Group shall ensure that wages paid to employees and hired labour are considered fair and meets any national legal standards on minimum wage, and that working hours are not excessive and as a minimum complies with applicable local laws or agreements.

Labour standards

Freedom of association and the right to collective bargaining and agreements shall be respected in all operations of the Group.

Safe working environment

The necessary conditions for a safe and healthy work environment is provided for all employees.

The Group has limited influence on the working conditions of the seafarers employed on chartered-in tonnage, except for having contract clauses specifying that ship-owners shall follow international standards and conventions. Western Bulk takes risks related to piracy issues and safety at sea in general very seriously and has dedicated resources to ensure appropriate evaluation of the risks and that the necessary precautions are made prior to sending a vessel through potentially high-risk areas. The consideration of the risks involved, as well as the recommended precautions, are made in dialogue and close cooperation with the vessel's owner and the ship's master.

Table 2 - Western Bulk Fuel Purchased

Fuel purchased	2015	in % of total	2016	in % of total	2017	in % of total	2018	in % of total	2019	in % of total
Heavy Fuel, normal sulphur (for main engine), thousand tonnes	611	91%	475	92%	479	92%	513	93%	449	81%
Very low sulphure fuel oil (for main engine), thousand tonnes	-	-	-	-	-	-	-	-	55	10%
LS MGO/Diesel oil, low sulphur (for main-/aux. engine), thousand tonnes	55	8%	38	7%	39	8%	36	6%	52	9%
MGO/Diesel oil, normal sulphur (for aux. engine), thousand tonnes	4	1%	1	1%	-	-	1	1%	1	-
Total, tonnes	**669**	**100%**	**514**	**100%**	**519**	**100%**	**549**	**100%**	**557**	**100%**

Environment

As Western Bulk is a charterer of tonnage, the Group does not have direct control over the environmental impact of the day-to-day operations of the chartered-in fleet. Western Bulk uses contract clauses requiring the owners of our chartered-in vessels to comply with current laws and regulations. For the areas where Western Bulk's actions can make a difference, for example for bunker purchases, the Group's policy is to comply with all applicable laws and regulations.

Key Principles:

Resource Efficiency

Western Bulk's aim is to operate in such a way that energy and raw materials are used efficiently, and waste and residual products are minimized over the life cycles.

Precautionary Principle

Western Bulk supports the precautionary principle by avoiding materials and methods posing environmental and health risks as far as reasonably practicable.

Western Bulk only charters in vessels with valid certificates of class. Further, Western Bulk has internal requirements for vetting of the vessels and uses RightShip and Equasis as sources of information to ensure the quality of chartered tonnage for the intended cargo operation.

MARPOL (International Convention for the Prevention of Pollution from Ships)
Includes regulations aimed at preventing and minimizing pollution from ships - both accidental pollution and that from routine operations.

(Source: www.imo.org/About/Conventions/ListOfConventions/Pages/Default.aspx)

MARPOL Annex VI
Sets limits on sulphur oxide and nitrogen oxide emissions from ship exhausts and prohibits deliberate emissions of ozone depleting substances.

(Source: www.imo.org/OurWork/Environment/PollutionPrevention/AirPollution/Pages/The-Protocol-of-1997-(MARPOL-Annex-VI).aspx)

Western Bulk's charterparty contracts specify that the owners of our chartered-in vessels shall comply with international oil pollution legislation, and to comply with low-sulphur regulations in IMO's International Convention for the Prevention of Pollution from Ships (MARPOL).

New IMO regulations came into force 1 January 2020, whereby the allowed limit of sulphur contained in the fuel was lowered to 0.50% globally (unless an exhaust gas scrubber is installed in the vessel). Increased consumption for low sulphur fuel oil and low sulphur gas was seen towards the end of 2019 in order to ensure compliance with the new regulations. By proper planning, Western Bulk has avoided significant losses related to de-bunkering larger quantities HSF and lack of compliant fuel. Western Bulk has so far not, and does not expect, to contract a significant number of vessels with exhaust gas scrubbers installed entering 2020.

Average bunker consumption per steaming day (metric ton HFO) has been at a stable level over the last years. Western Bulk will work towards at least maintaining this level going forward.

In general, newer tonnage has lower fuel consumption than older tonnage, and thereby less emissions. The quality of the vessel is also usually higher than for older tonnage, reducing the risk of incidents. Internal statistics show that the average age of WB Chartering's chartered-in tonnage has remained stable over the last years (see table 1).

Table 1 - Western Bulk Average Fleet Age

	2012	2013	2014	2015	2016	2017	2018	2019
Fleet								
Average number of ships	129	153	169	155	124	140	151	150
Fleet age								
Average age	7,2	6,8	6,5	6,6	6,8	7,1	7,4	7,7
Weighted average age	7,0	6,3	6,1	5,7	5,9	6,6	7,4	7,6
Median	5,0	4,0	4,0	5,0	6,0	6,0	7,0	7,0
Fleet age by age category								
0-5 Years	51%	57%	61%	65%	57%	46%	34%	34%
5-10 Years	22%	20%	18%	17%	26%	35%	45%	47%
10-15 Years	14%	16%	12%	10%	13%	15%	15%	14%
15-20 Years	9%	7%	9%	7%	5%	4%	6%	5%
20-25 Years	3%	1%	-	1%	-	-	-	-
Over 25 Years	1%	-	-	-	-	-	-	-
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Anti Corruption

WB Chartering is committed to conduct business with integrity and openness in our business dealings. The Group's policies communicate that employees at every level of the organization shall adhere to applicable laws and regulations in the countries where Western Bulk operates. The Code of Conduct requires all employees to refrain from bribery and includes requirements to prevent money laundering and/or tax evasion directly or indirectly through the Group's financial transactions.

Employees receive regular training twice a year to ensure due implementation of Western Bulk's internal policies related to anti-corruption, including so-called facilitation payments.

Before approving contractual counterparts, they are vetted using a risk-based approach against databases containing information on various risks, such as sanctions, criminal records and adverse media coverage. Port agents are vetted by Western Bulk's global provider of port cost management services, through their internal due diligence process. This includes i.a. sanctions screening, review of agency ownership and verification of bank account ownership.

MACN
Maritime Anti-Corruption Network

Western Bulk joined the Maritime Anti-Corruption Network (MACN, www.maritime-acn.org) in 2013. Established in 2011, MACN is a global business network working towards its vision of a maritime industry free of corruption, where the members learn and share best practices to improve their anti-corruption programs. MACN also collaborates with key stakeholders, including governments, authorities, and international organizations, in markets where corruption is prevalent to its membership, to identify and mitigate the root causes of corruption in the maritime industry. The Group participates in knowledge sharing and other collective action initiatives together with the secretariat and other members of the network.

Customer Interest

Western Bulk's reputation is a critical asset to the Group. In order to maintain and further strengthen Western Bulk's position in the market, it is important that services provided meet the quality expected by the Group's customers. Western Bulk carries many different types of cargo for customers worldwide and follows the requirements laid out in IMO's International Maritime Solid Bulk Cargoes Code (IMSBC Code). The primary aim of this Code is to facilitate the safe stowage and shipment of solid bulk cargoes.

Science & Technology

Innovation provides benefits for the shipping industry's stakeholders. Western Bulk is investing resources in implementing improvements in our operations through technology. Further, Western Bulk wants to contribute with the Group's experience, competence and capacity in this regard in external ventures that may result in new developments. Generally, Western Bulk advocates supporting Norwegian research communities that can contribute to maintaining or improving Norway's front position in the maritime business. On several occasions, Western Bulk has cooperated with academic institutions in Norway.

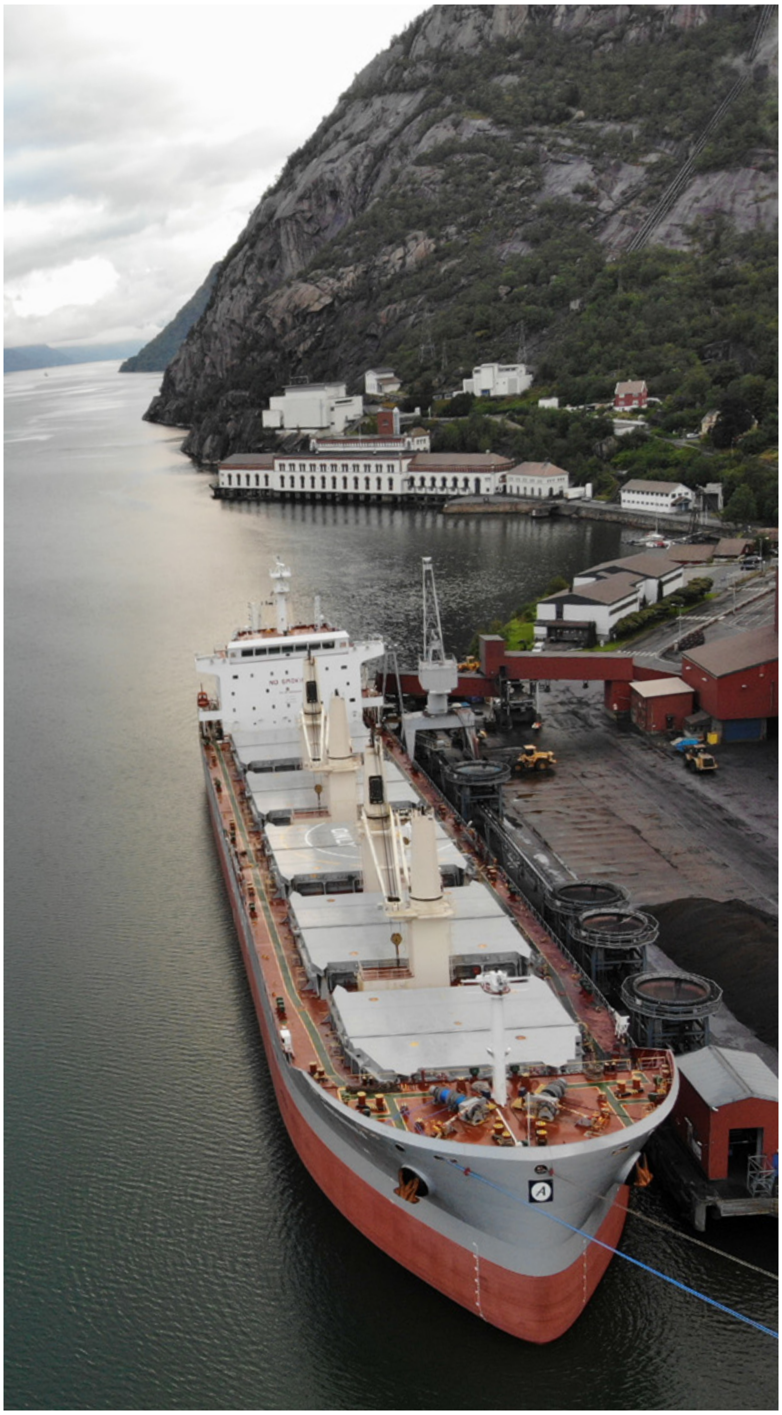
Competition

Western Bulk operates in a highly competitive industry. The Group competes in a fair and ethically justifiable manner in relation to competitors as well as to customers and suppliers. Western Bulk will under no circumstances cause or be part of any breach of general or special competition regulations, such as illegal pricing cooperation, illegal market sharing or any other behaviour that is in breach of applicable competition legislation.

Taxation

Western Bulk Chartering AS is domiciled in Norway and controls legal and operational entities in Norway, Singapore, the United States of America, Chile, Sweden and Morocco. Western Bulk complies with tax laws, regulations and filing requirements in the jurisdictions where the Group is located. Western Bulk follows the arm's length principle and complies with the recommendations set out in the OECD Transfer Pricing Guidelines for internal transactions between the companies controlled by Western Bulk.

For further details about Western Bulk's taxation, please also refer to the explanatory notes in the Group's financial statements.




Vessels at sea
Vessels at shore

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