U-SEA Bulk Shipping A/S

Annual Report 2010

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New Visual Identity

In connection with the company name change to U-SEA Bulk Shipping A/S a new logo was developed, which is both an icon for the company and reflect the industry in general. Hence in addition to the "U" and "S" being the first two letters of our name, it is designed so that the "U" reflects the vessels' hull in profile and the laid-down "S" the waves on which the vessels sail. U-SEA Bulk vessels have historically been named with names representing the company's business and values. U-SEA is used as a vessel prefix, e.g. 'U-SEA Innovation'. Our commitment to long term partners will also be reflected in the future naming of our vessels.

Ship in profile

Wave

U-SEA BULK

About U-SEA Bulk Shipping

U-SEA Bulk Shipping is a globally recognised dry bulk cargo operator primarily involved in the Supramax segment, however in order to better facilitate servicing its core clients and address new opportunities the company has recently entered into the Panamax segment.

The company's strong market recognition has been attained and consolidated through decades of shipping activities and close long-term customer relationships that maximise access to cargo contracts.

U-SEA Bulk Shipping controls the commercial management of 50-70 vessels. At any time the fleet size depends on market fluctuations and seasonal contractual commitments.

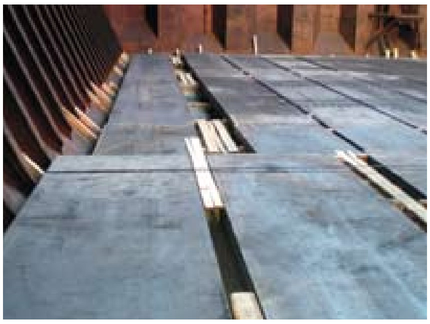
A combination of short to medium term vessels with optional periods, supports optimal flexibility in the company's fleet. The flexibility of the fleet reduces the impact of changes in supply and demand, or change in trading patterns.

U-SEA Bulk Shipping reaps on its strong customer relations when expanding into ship owning by creating additional value from existing operations and further increase earnings visibility. In addition, the company pursues opportunities to make strategic investments in areas that create synergies with core shipping activities, such as tonnage procurement, cargo handling and warehousing facilities.

Detailed market surveillance, risk management and planning systems have been implemented to optimize the balance between cargo contracts and tonnage commitments.

By the end of 2010 U-SEA Bulk Shipping controlled commercially a fleet of 57 vessels and had 16 newbuildings on order of which two will be owned/part-owned and 14 long-term chartered with partly shared purchase options.

The company had 58 employees by the end of 2010 in offices in Copenhagen (Head office), New York, Rio de Janeiro, Singapore, Hong Kong and Beijing. In 2010 the total cargo carryings amounted to 23.9 million tons generating revenues of USD 593 million.



U-SEA Bulk Shipping is listed on NASDAQ OMX Copenhagen under the ticker name USEA.

2010 highlights and 2011 outlook

In June 2010, the shareholding of Camillo Eitzen & Co. in Eitzen Bulk Shipping A/S of 74.33% was sold to the Ultragas Group, Chile. Subsequently Eitzen Bulk Shipping A/S changed name to U-SEA Bulk Shipping A/S. At the end of 2010, Ultragas had increased its shareholding to approximately 89.7% following the mandatory bid to minority shareholders and a private placement. The staff maintains a shareholding of approximately 8.5 %.

The business performance in 2010 developed below expectations, mainly due to U-SEA Bulk Shipping expecting a stronger freight rate market in the second half of 2010, in particular Q4, and the positions taken in accordance with such expectations. This reduced the overall expected net earnings from the shipping activities.

Net profit came to USD 6.1 million excluding the extraordinary impact of USD -7.6 million due to the termination of the share options program in June 2010 following the change of control. The reported net profit was USD -1.5 million.

- Adjusted for non-cash impact of the share options program the underlying business showed an EBITDA of USD 7.4 million, down 74% from 2009
- Revenues in 2010 were USD 593 million, up 58% from USD 376 million in 2009, reflecting the increase in freight rates as well as fleet activity
- The fleet activity level on average increased to 61 vessels in 2010 from 47 vessels in 2009
- Total number of physical ship days increased to 19,339 days from 14,361 days (+35%)
- Delivery of two vessels on long term time charter as part of existing newbuilding program
- Two new long term time charter contracts were concluded with vessel delivery in H1, 2012
- Existing long term charter agreement was restructured from lease into ownership in a new joint venture
- A private placement towards the majority shareholder, Ultragas ApS was completed providing net proceeds of USD 12.5 million
- Two long term cargo contracts with Thyssenkrupp and Canpotex were commenced
- No major counterpart losses were recorded during 2010
- The Board of Directors proposes not to pay out any dividend for 2010.

DEVELOPMENTS IN FOURTH QUARTER

Revenues were USD 143 million in Q4, 2010, a 13% increase compared to the same period in 2009. Gross profit decreased by 52% to USD 5.7 million due to positions taken in anticipation of stronger freight rate market in Q4, 2010, which did not materialise as expected.

The cash position was strengthened by USD 12.5 million to fund and support the further expansion of the business operations, by completing a directed share issue in November 2010 towards the majority shareholder, Ultragas ApS.

2011 OUTLOOK

In 2011 an EBITDA of USD 11-18 million is expected based on the company's current coverage and market conditions. The estimate does not include provision for any potential impairment on prepayments for contracted newbuildings.

Early March 2011 the company had a cargo coverage of 187% on the known vessel days in 2011.

In 2011, the focus will be to increase earnings from the operator activities and to secure additional profitable long term tonnage to cover the long term cargo contracts. The company expects to increase its activity in 2011 measured by number of physical ship days.

In 2011 U-SEA Bulk Shipping is scheduled to take delivery of four newbuildings from Japanese shipyards on long-term time charters as part of the newbuilding program of which 16 vessels are still to be delivered.

By the end of 2010, U-SEA Bulk Shipping and Ultrabulk S.A., a company of Ultragas International S.A., jointly embarked on identifying commercial and operational synergies between the two companies in order to determine how best the two companies could mutually support each other in realising their existing expansion strategies. The aim is to conclude the analysis during first half of 2011 and may result in changes to the existing company structure. Ultrabulk is primarily focused on the Handysize segment operating between 25-40 vessels, whereas U-SEA Bulk Shipping is primarily focused on the Supramax and Panamax segments operating between 50-70 vessels.

U-SEA Bulk Shipping considers the recent earthquake in Japan not to have any significant financial impact on the expected earnings for 2011. The newbuliding program is likewise not expected to be impacted significantly.

Group key figures and ratios

(USD '000)	2010	2009	2008	2007	2006
INCOME STATEMENT					
Revenue	593.050	376.029	838.307	771.746	426.902
Gross profit (Net earnings from shipping activites)	21.795	45.495	59.092	53.245	974
Profit before depreciation etc. (EBITDA)	-194	20.741	33.665	29.185	-9.118
Profits from sale of vessels	0	0	49.542	54.237	0
Operating profit (EBIT)	-412	20.296	82.439	84.256	-9.329
Net financials	-1.151	2.399	3.938	-116	484
Profit before tax	-1.563	22.695	86.377	84.140	-8.845
Net profit	-1.477	19.037	92.769	81.576	-8.065
Profit for the year for the U-SEA Bulk Shareholders	-1.537	18.890	92.613	81.390	-8.237
STATEMENT OF FINANCIAL POSITION					
Non-current assets	16.098	19.862	99.921	82.908	7.215
Current assets	94.790	82.888	139.268	111.334	42.543
Total assets	110.888	102.750	239.189	194.242	49.758
Equity	42.055	25.150	57.317	83.177	13.514
Non-current liabilities	1.052	9.825	51.570	20.479	1.032
Current liabilities	67.486	67.152	129.826	90.268	34.937
Net interest-bearing assets	23.361	24.533	54.750	44.298	6.221
Cash and securities	27.488	24.806	66.052	45.029	6.842
CASH FLOW					
From operating activities	-8.034	-19.526	14.605	46.648	-24.587
From investing activities	-856	291	101.703	53.913	9.291
From financing activities	11.572	-22.011	-105.664	-66.000	0
Total net cash flow	2.682	-41.246	12.493	34.561	-15.295
FINANCIAL RATIOS AND PER SHARE DATA					
Gross profit margin (Net earnings from shipping activities margin)	3,7%	12,1%	7,0%	6,9%	0,2%
EBITDA margin	0,0%	5,5%	4,0%	3,8%	-2,1%
Return on equity (ROE)	-4,6%	45,8%	131,8%	168,4%	-25,8%
Payout ratio	0,0	48,0	105,6	81,1	0,0
Equity ratio	37,9	24,5	24,0	42,8	27,2
USD/DKK rate, year-end	561,33	519,01	528,49	507,53	566,14
USD/DKK rate, average	562,41	536,09	509,86	544,56	594,70
Total number of physical ship days	19.339	14.361	15.129	18.746	21.441
Average number of employees	56	52	58	61	62
No. of shares end of period, DKK 1 each	27.100.000	24.638.502	24.638.502	24.638.502	24.638.502
No. of shares excluding treasury shares, DKK 1 each	26.814.250	22.174.652	24.638.502	24.638.502	24.638.502
No. of shares excluding treasury shares, DKK 1 each (diluted)	27.100.000	24.638.502	24.638.502	24.638.502	24.638.502
Earnings per share basic (EPS basic), USD	-0,06	0,77	3,76	3,30	-0,33
Earnings per share diluted (EPS diluted), USD	-0,06	0,77	3,76	3,30	-0,33
Dividend per share, USD	0,0	0,4	4,0	2,7	0,0
Dividend per share, DKK	0,0	1,9	21,0	13,6	0,0
Proposed dividend	0	0	47.800	66.000	0
Interim dividend	0	9.102	50.000	0	0
Share price at year end, DKK	23,8	40,0	*	*	*

The financial ratios were computed in accordance with "Recommendations and Ratios 2010" issued by the Danish Society of Financial Analysts

The key figures for 2009 and 2008 have been calculated based upon the combined figures U-SEA Bulk Shipping A/S. The key figures for 2007 and 2006 have been calculated upon the figures of Eitzen dry bulk cargo activities. The key figures of Dampskibsselskabet Orion A/S for 2007 and 2006 have been eliminated in order to present key figures for a 5 years period, which is comparable with the continuing activities of U-SEA Bulk Shipping A/S.

The only activity in Dampskibsselskabet Orion A/S in the period 2006-2007 has been to carry through a closing of the former activity. The former activity of Dampskibsselskabet Orion A/S is not within the line of business or strategy of U-SEA Bulk Shipping A/S. Neither previously nor going forward. The results etc. of Dampskibsselskabet Orion A/S is not material compared to the activity in U-SEA Bulk Shipping.

Per share data for the period 2006-2009 is based upon the share capital of U-SEA Bulk Shipping A/S after the capital reduction completed 22 March 2010. The share capital at 22 March 2010 amounts to DKK 24.638.502 shares of nominal DKK 1. This due to present comparable per share data figures for the period 2006-2009 based upon a nominal share capital, which is deemed reasonable to former and current activity level of the Group. The number of shares excluding treasury shares is also calculated based on the number of treasury shares after the capital reduction.

* There is no share price available for Eitzen Bulk Shipping A/S for the period 2006 - 2008 reflecting the activity presented in the key figures. The share price for Dampskibsselskabet Orion A/S for the period 2006 - 2008 is not comparable, whereas no share price is presented for the period in question.

U-SEA Bulk Shipping

– a new name with a long history

Although presented with a new name, U-SEA Bulk Shipping has long and strong roots. The origin of the company can be traced back to the ship owning company Myren, which was founded in Denmark in 1891.

In 1973, Myren was taken over by the Danish shipping and trading group East Asiatic Company (EAC), which was established in 1897. EAC's initial shipping activity was a liner service between Europe and the Far East. Together with Burmeister & Wain Shipyard, EAC built the world's first diesel powered motor ship in 1912, allowing EAC to extend its shipping activities to other main trading routes. When EAC built its first containership in 1969, it was among the pioneers who started the transformation from conventional liner vessels to container ships. EAC developed into a major international conglomerate with offices around the world. In 1997 the EAC group divested its shipping activities to the Norwegian Tschudi & Eitzen (T&E).

When taking over EAC's shipping activities in 1997, T&E decided to retain the organization and commercial management of the fleet in Copenhagen in order to build on the existing team's skills and market insight.

In September 2007, Camillo Eitzen & Co ASA acquired 93.1% of the shares in the Danish listed company Dampskibselskab Orion A/S. At that time, Orion was an inactive company after 85 years of shipping activities. This acquisition paved the way for restructuring and consolidation of the bulk activities into one company, Eitzen Bulk Shipping A/S. On 21 June 2010, Ultragas ApS, a wholly owned subsidiary company of Navieras Ultragas Ltda, acquired the majority shareholding in the company. The company subsequently changed name to U-SEA Bulk Shipping A/S.

Since 1997, the dry cargo bulk activities have grown from about eight million MT of cargo carried to almost 24 million MT in 2010.

Throughout more than a century entrepreneurship and dedication have been cornerstones in the company's ability to overcome market crisis and exploit business opportunities. These are important values, which also in the future will support the growth of U-SEA Bulk Shipping.

Key values and promises

KEY VALUES

The fundamental key values driving our business and our organization are:

- Excellence
- Integrity
- Enthusiasm
- Involvement

PROMISES

- Excellence:
  We constantly measure, analyze and adjust in order to enhance quality in all aspects of seagoing- and land based activities, whilst respecting and protecting the environment
- Integrity:
  We are committed to be reliable, trustworthy, and dependable
- Enthusiasm:
  We address challenges with enthusiasm and positive commitment
- Involvement:
  We believe in involvement and a "partnering attitude" – externally and internally

Timeline

1891	1897	1912	1952	1960	1969	1973	1993
Rederiet Myren is established in Denmark	The East Asiatic Company (EAC) is founded in Copenhagen, Denmark	The Shipping Co. Orion Ltd. is founded EAC and Burmeister & Wain Shipyard built the world's first diesel powered motor ship	Ultramar is founded by Capt. Albert von Appen	Ultragas shipowning activities start	EAC builts its first containership	Rederiet Myren is taken over by EAC	Ultragas become international via acquisition of 50% of Argentinean Antares Naviera

Key Values

Excellence

Intregrity

Enthusiasm

Involvement

1997	2001	2004	2005	2006	2007	2009	2010
T&E acquires EAC Shipping, marking the company's re-entry into the dry bulk segment	First newbuilding with a japanese shipyards made	The Company is listed on the Oslo Stock Exchange The bulk segment enters into first landside investment in the form Perola S/A terminal, Santos, Brazil	A commercial office is opened in Beijing, China	Entry into the panamax segment	The Company acquires 93.1% of the shares in D/S Orion A/S	Eitzen Bulk Shipping A/S is created and listed on NASDAQ OMX Copenhagen following a merger of D/S Orion A/S and Camillo Eitzen & Co's Shipholding Holding A/S	**The Ultragas Group acquire majority shareholding in the Company, which is re-named U-SEA Bulk Shipping**

Strategic insight

EXECUTING THE STRATEGY
The overall strategic objectives of the company remain to be profitable growth by:

- Creating critical mass in Supramax and Panamax segments
- Growing core fleet and securing long-term tonnage cover of long-term cargo contract
- Expanding fleet activity level

Earnings during the period 2011-2015 will be driven by income from operator activities and expansion of the long-term contracts portfolio with solid counterparts and, through entering into long term charter commitments.

In 2010, two long-term cargo contracts (CoA) with ThyssenKrupp and Canpotex were commenced. Both CoAs are important milestones in executing the strategy through expansion of the Supramax and Panamax activities and through securing and maintaining critical mass in the main trade areas.

At the end of 2010 an existing long term charter agreement was restructured from lease to ownership into a new 50/50 joint venture with a Far Eastern partner. The joint venture has been domiciled in Singapore and will in addition to the already concluded investment in one vessel be considering additional investments in dry bulk carriers primarily in the Panamax and Supramax segments.

As part of the existing newbuilding program, U-SEA Bulk Shipping also took delivery of two new Supramax vessels on long-term time charter - M.V. U-SEA PROSPERITY (July, 2010) and M.V. U-SEA SASKATCHEWAN (November, 2010). Both vessels are 61,000 dwt from Japanese ship yards with period and purchase options.

Additional profitable coverage has been secured by entering into two new long-term time charter contracts with purchase options. Both vessels are Kamsarmax design (82,000 dwt) and scheduled to be delivered from a Chinese shipyard during the first half of 2012. U-SEA Bulk Shipping maintains a close dialogue with partners to secure additional profitable long-term tonnage covering the long-term cargo contracts.

In 2010, total number of ship days amounted to 19,339 corresponding to an increase of 35% compared to 2009. The short-term spot and arbitrage activities accounted for 32% of ship days, while the company's medium-term CoAs covered by market tonnage or own tonnage was 27% and 9% of ship days, respectively, whereas own tonnage covered by market cargoes was for 32% of ship days.

FINANCIAL POSITION
U-SEA Bulk Shipping completed a private placement in November 2010 raising net proceeds of USD 12.5 million to fund and support the expansion of the business operations, which the company currently and prospectively expects to implement. The new majority shareholder, the Ultragas group, additionally provided a short-term loan of USD 5 million.

The cash position end of 2010 amounted USD 27.5 million.

In the beginning of 2011, U-SEA Bulk Shipping invested USD 10.3 million in the newly established joint venture, Ultra Summit (Singapore) Pte. Ltd.

U-SEA Bulk Shipping plans to further strengthen the capital structure in 2011 to ensure financial flexibility in pursuing attractive asset investments and long-term tonnage commitments on a standalone and independent basis. U-SEA Bulk Shipping is currently investigating its options, including completion of a rights issue.

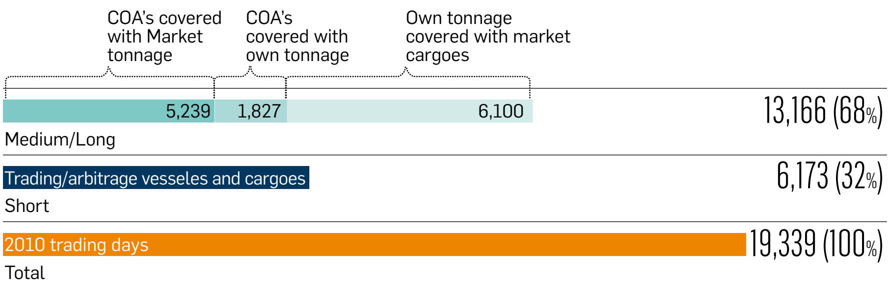
SUSTAINABLE BUSINESS MODEL
The existing business model and organisational structure of U-SEA Bulk Shipping remain unchanged following the change of ownership which took place in 2010.

U-SEA Bulk Shipping is organised in two business segments;

1. Operator, with focus on short- and medium-term trading and arbitrage
2. Shipholding, with focus on long-term activities

The operator activities covers all opportunistic and arbitrage market positions that are concluded within the company. As an operator, U-SEA Bulk Shipping is not bound by a large fixed fleet, but has the flexibility to actively pursue suddenly

2010 trading days



1,827 (9%) voyage days under CoAs were covered with own tonnage. The remainder of the company's positions (cargo or vessels) were covered in the market, optimising the bottom line for the company, and securing the right vessel at the right time for the customers

Business model

The business model fully integrates all aspects of operational and commercial commitments, it is tailored with the aim of optimally combining the flexibility of a traditional operator with the long-term opportunities available to ship owners, always subject to strict exposure control and firm focus on profitability rather than volume.

emerging cargo or vessel opportunities. The overall principle is a year-on-year book building but with a constant focus on customer service ensuring the long-term viability of the business model.

The portfolio of Contracts of Affreightments (CoA) represents the backbone of the company's operator activities. Nearly all of the company's coverage is done through CoAs with reputible counterparties. All contracts covering more than two cargoes are through CoAs with volume ranging from 3-60 cargoes and duration from one month to ten years under one contract. All existing long-term CoAs are based on fixed rates. The CoAs and associated partner relationships facilitate further opportunities for single voyage contracts as well as the potential to optimise

trade legs and logistical efficiencies. Vessels are chartered in the spot market on short or medium-term or as single trip.

The Shipholding activities involve investment in vessels and charter commitments exceeding five years. Exposure related to ship owning is managed through coverage with industrial customers and joint venture partners.

U-SEA Bulk Shipping is focused on benefitting from the many synergies shared between the two segments whilst at the same time keeping a strict focus on the advantages of each of the strategies.

With the two business segments, the business model of U-SEA Bulk Shipping is tailored to combine the flexibility of a traditional operator with the long-term opportunities available to ship owners, always subject to strict exposure control and maintaining focus on profitability rather than volume.

Long-term customer relationships, a very close market presence via the company's overseas offices and a unique real-time IT platform enables U-SEA Bulk Shipping to assess and act swiftly on attractive market opportunities.

U-SEA Bulk Shipping investment highlights

Asset light business model

- Highly flexible business model with limited capital tied up
- Industrial client portfolio providing an attractive platform for growth

Best-in-class trade management

- Efficient and scalable operations – best-in-class trade management system
- Leading risk management with instant mark-to-market exposure systems

Cash flow visibility

- 10 years earnings visibility though substantial fixed charter coverage

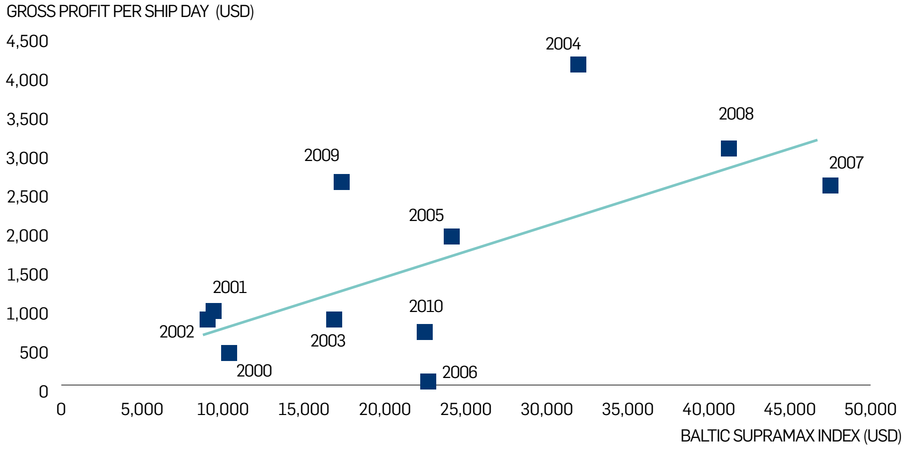
Upside potential

- Plans and potential for expanding the trading activity
- Attractive spot exposure and purchase options on long term charters

Strong track record

- Highly experienced management team with senior team members having worked 20-30 years within dry-bulk shipping
- Team with proven trading record and also for identifying attractive asset investment opportunities

Gross Profit per ship day (operator segment) versus BSI



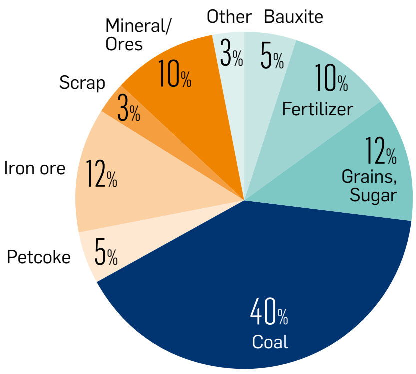
The operator activities aim at obtaining the right combination of cargo and vessel exposure. Provided the company is correct in its market forecast, it has historically been able to generate positive earnings per ship day irrespective of prevailing market levels. Earnings from operator activities are secured by striving for improving margins; in trading as well as in the daily post fixture work. The business model demonstrates an ability to successfully manage substantial market fluctuations.

The present business model and support systems are structured to facilitate absorption of the increasing numbers of vessels, cargo and contract commitments resulting from our five years growth plan, without further major investment in new systems or additional staff.

WORLD WIDE TRADING ROUTES AND NETWORK

U-SEA Bulk Shipping constantly strives to maintain and further develop a strong and productive network with vessel owners and cargo customers. These strong relationships are important to maintain, as they expand access to a wide range of cargoes and vessels thereby optimising the company's position, when world trade patterns change.

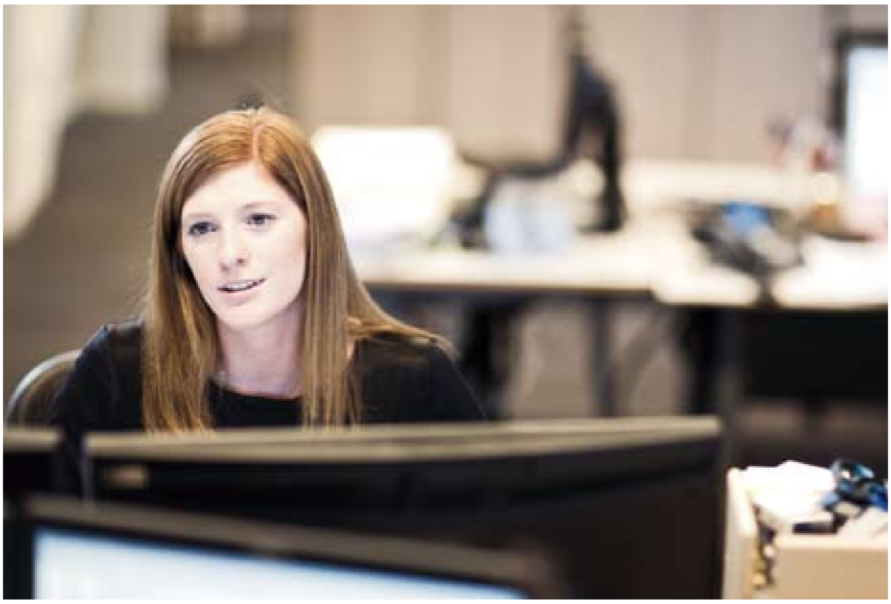
Cargo liftings in 2010



U-SEA Bulk Shipping offices and staff are strategically sited around the world in order to achieve direct access to cargo and contract opportunities that would not have been available otherwise. In locations where trust is only achieved by personal contacts between the cargo owners and the ship owners (or their representatives); a local office is an important tool to establish such trust and develop new business opportunities. As a direct consequence hereof the office in Rio de Janeiro was expanded with operations staff to better services the long-term cargo contract with Thyssen-Krupp.

The main bulk trading routes are created by regional supply and demand in respect of the raw materials, which can be most economically transported in dry bulk shipments, the majority of which are steel or energy related as illustrated by the U-SEA Bulk Shipping liftings in 2010. U-SEA Bulk Shipping has established a comparatively diversified cargo portfolio ranging from the mining industry to construction and farming related products like fertilisers. This diversified cargo platform minimizes the company's dependency on one single industry.

U-SEA Bulk Shipping offices and major trading routes



COMPETITIVE EDGE THROUGH TAILORED BACK OFFICE SYSTEMS
U-SEA Bulk Shipping has a long track record of efficient operations and cost effective trading. The company's fleet management and control system offers single point data entry with full integration of commercial, operational, financial and risk management processes. It has been tailored to the company's requirements with a strong focus on scalability and optimal matching of cargoes and vessels.

The system provides a global overview to all company offices of all present and future cargo and vessel commitments, the minute a new vessel and/ or a cargo commitment is concluded and inserted. This ensures that, the company can fully combine the local offices' customer relations and access to cargoes with the global organisation's ability to provide real-time mark-to-market values of future concluded commitments for any segment, counterparty or financial period that may be required for decision making. The tailored back-office system provides a competitive edge and facilitates the ability to perform cost effective trading through:

- Efficient operations due to critical mass
- Minimised ballasting, by amongst other optimising the linking of trades
- Effective fleet scheduling
- Optimal matching of cargoes and vessels
- Hedging opportunities, due to consistent high volumes
- High activity level which creates opportunity for attractive spot / arbitrage trading

In 2011, U-SEA Bulk Shipping will embark on further strengthening the financial reporting platform by replacing the existing ERP-system.

VALUE ADDING ACTIVITIES
Whilst operator and owner activities are the primary business segments, U-SEA Bulk Shipping has also established cargo handling and port facilities. Presently cargo-handling equipment consists of 75 cargo grabs and three purpose designed grabs for log-handling.

The grabs are used for own cargo handling purposes but also leased to third parties. U-SEA Bulk Shipping grab activities in India are developed through a joint venture in the name of U-SEA Logistics Services.

Port facility involvement is presently in the form of a part ownership in Perola, a fertiliser terminal in Santos, Brazil. In 2009 the terminal was hit and damaged by an tropical storm. The terminal remained partly operative. As part of the reconstruction the capacity will be expanded. Reconstruction is expected to complete end of March 2011.

Cargo handling and port facility investment opportunities are pursued in order to create value added activities and/or consolidate co-operations with core clients. The cargo handling and port facilities supports and increases trading efficiency.

NEWBUILDING PROGRAM

U-SEA Bulk Shipping has four vessels already in service, and the remaining 16 vessels will be delivered in the period 2011 to 2014.

Of the 16 new buildings still to be delivered, two vessels will either be owned and part owned, both with delivery in 2011. The remaining vessels will be on long-term operational leases of which 12 are from Japanese ship owners and two are from Israeli ship owners. The cost and currency exposure rests with the operational lease counterparts.

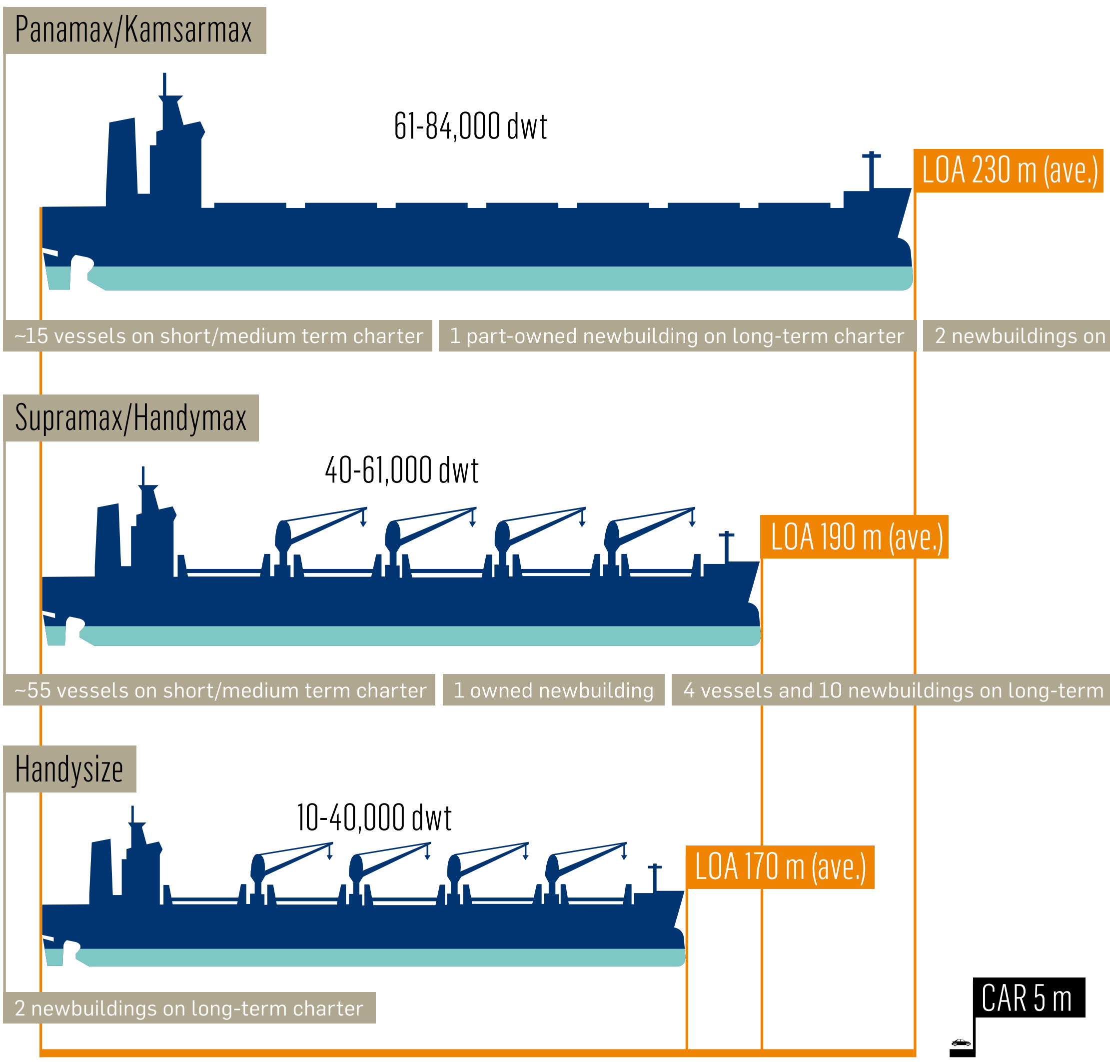
All operational leases carry purchase options to U-SEA Bulk Shipping, of which the majority are partly shared.

When the entire newbuilding fleet is delivered by 2014, U-SEA Bulk Shipping will be operating a long-term fleet of 12 Supramax vessels with latest design of 61,000 dwt and 200 meters overall length, being an ideal size for the U-SEA Bulk Shipping cargo clients.

Newbuilding program – expected delivery

Owned | Operational leasing

2007	2008	2010	2011	2012	2013	2014
Supramax Mitsui (U-SEA Initiator) 56,000 DWT	**Supramax** Imabari (U-SEA Tradition) 53,000 DWT	**Supramax** Oshima (U-SEA Prosperity) 60,700 DWT	**Supramax** Imabari 61,000 DWT	**Handysize** Imabari 37,000 DWT	**Handysize** Imabari 37,000 DWT	**Supramax** Imabari 61,000DWT
		Imabari (U-SEA Saskatchewan) 61,000 DWT	Oshima 60,700 DWT	**Supramax** Imabari 61,000 DWT	**Supramax** Imabari 61,000 DWT	
			Imabari 61,000 DWT	Imabari 61,000 DWT		
			Panamax Sanoyasa (U-SEA Panache) 78,000 DWT (50%)	Oshima 60,700 DWT		
				Imabari 61,000 DWT		
				Oshima 60,700 DWT		
				Tsuneishi 58,100 DWT		
				Kamsarmax JHW 82,000 DWT		
				JHW 82,000 DWT		



2010 Market review

From the view of a Supramax operator 2010 represented a good first half year and a mediocre second half year in terms of development in the BSI. The first half of the year supported time charter rates of USD 26,400 per day, while the second half supported only USD 18,500 per day. The dry bulk cargo market in 2010 was characterised by;

- Demand growth, possibly the highest recorded in dry bulk transportation
- Supply growth, highest fleet growth ever recorded
- Loss of correlation between Cape and sub-cape time charter rates

While 2009 was the year where the recovery in activity and time-charter levels started, after the financial crisis, 2010 was the year where the recovery ended. Industrial production – including many dry bulk freight market drivers such as construction and production of autos, white goods, machinery as well as energy and processed food – started recovering early to mid 2009 and then grew fast month on month until early to mid 2010. This recovery included restocking as well as normalisation of regular supply chain input. These two factors may well have produced the highest year on year demand growth recorded in dry bulk transportation markets. However, by mid 2010, the industrial recovery and restocking was over. Both China and OECD started seeing almost zero growth or even demand reductions, month on month, for dry bulk transportation.

Additionally, 2010 was also the year with the highest fleet growth ever recorded. The total fleet grew about 15%. Cape size fleet growth was 22%, while sub-cape fleet growth – sub-cape is where the company operates – was 10% year on year; a difference in segment fleet growth, which partly explains the difference in time charter developments for these two major segments. In past years time charter rates for the Cape size and sub-cape segments have been highly correlated. That was not the case in 2010 considering annual averages.

Observing fleet growth and time charter rates the Cape size vessel demand grew significantly less than 22% and sub-cape demand grew significantly more than 10%. U-SEA Bulk Shipping believes overall vessel demand grew about 16%. It appears that substitution between fleet segments is limited enough so that Cape and sub-cape segments do not always share the same outcome.

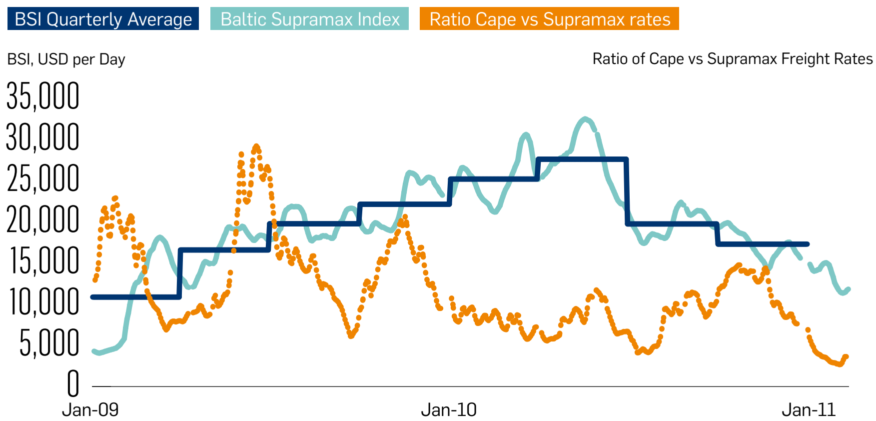
Besides the difference in segment fleet growth, sub-cape segments were also helped by demand growth skewed to the advantage of smaller vessel classes. Unusually high demand growth was observed in transportation of grains, coking coal, steam coal and minor bulk cargoes such

1 The data illustrated in this section are modified by U-SEA Bulk Research to illustrate trends described. Primary data sources are Clarksons, SSY, Platou, Bloomberg, UNCOMTRADE, Baltic Exchange and publically available sources.

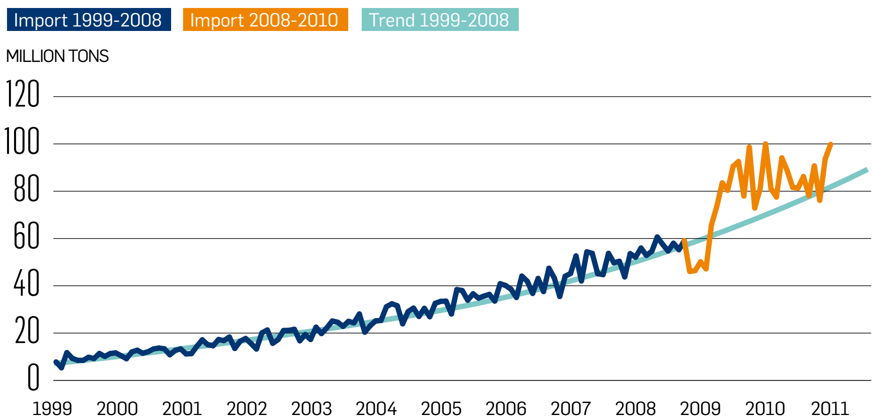
Time Charter Rates Per Day in USD

	2009	2010	Change
Capes	42.700	33.300	-22%
Sub-capes:			
Panamax	19.300	25.000	30%
Supramax	17.300	22.500	30%

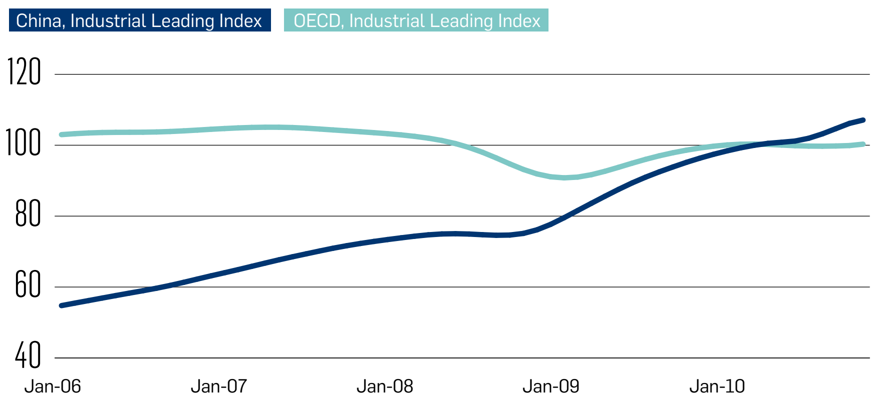
Time Charter Rates



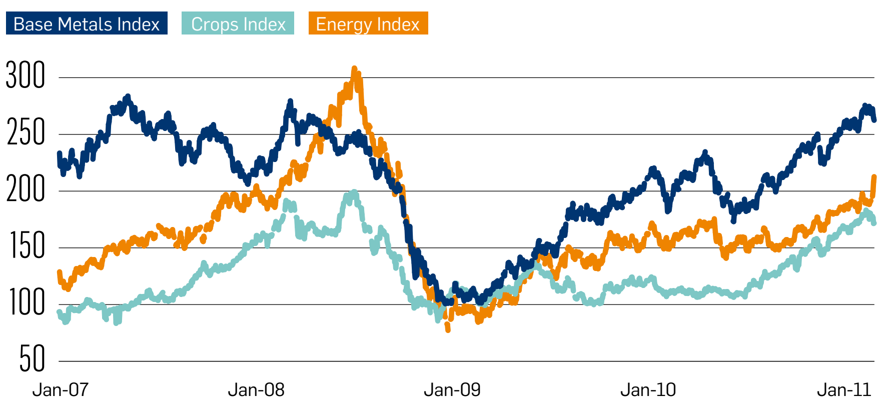
Chinese Dry Bulk Imports Per Month



Industrial Trends

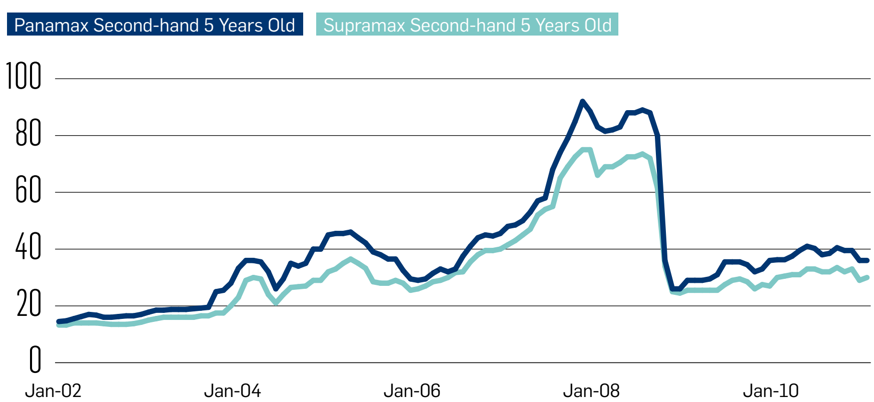


Commodity Price Indices



Source: Bloomberg

Second-hand Prices



as fertilizers. Iron ore demand also grew fast but not faster than usual during past years and certainly not enough to justify the high Cape segment fleet growth. A particular problem for the Cape segment was that Chinese imports of iron ore were actually slightly lower in 2010 than they were in 2009. Chinese iron ore demand is the main business for the Cape segment.

By mid 2010 concerns over a macroeconomic double dip became serious. Commodities and stock markets saw flat trends or even corrections. Increasing public sector expenditure was not an option after the 2009 explosion of expenditure and contraction in tax revenues. Normalisation of production and restocking of industrial inputs was over, outside OECD construction. Time charter rates fell very fast from late May until mid July. But the macroeconomic double dip did not occur. Chinese as well as US industrial indicators started improving again late summer and the US FED announced further inflation of basic money supply. Meanwhile Chinese lending continued unabated. Commodities and stock markets went into an almost unbroken rally starting late August and lasting the rest of 2010. That, however, was not completely the case for dry bulk time charter rates.

While economic sentiment improved and dry bulk vessel demand rallied in August, this did not create a new month on month demand trend that could match fleet growth for the rest of the year. Some of the increases in commodity prices were simply due to lack of the availability of these commodities thus limiting volumes for shipping. After a series of small rallies late summer and during the fall, oversupply struck in the dry bulk freight market. Time charter rates went into a down-trend for all segments with Capes receiving their last seasonal iron ore demand boost in October and Cape time charter rates peaking at 46,500 USD per day. From there Cape rates slid week after week to 5,000 USD per day by March. For sub-capes the lack of Indian cargoes due to export bans, the Chinese Q4 policy of limiting coal demand and the pick-up in Panamax deliveries, meant that the US grain export season stood alone in support of charter rates. The loss was however less severe than for Capes. Supramax time charter rates slid from 22,300 USD per day late August to 11,400 USD per day early February 2011. Panamaxes dropped from 27,300 USD per day early September to 10,300 USD per day early February 2011.

The February 2011 low was mostly due to a temporary demand loss caused by severe weather effects in important shipping ports in Australia and Brazil as well as Colombia. For the sub-capes an apparent recovery started mid February 2011 with the end of severe weather. Early March 2011 Supramaxes and Panamaxes were at USD 15,000 per day.

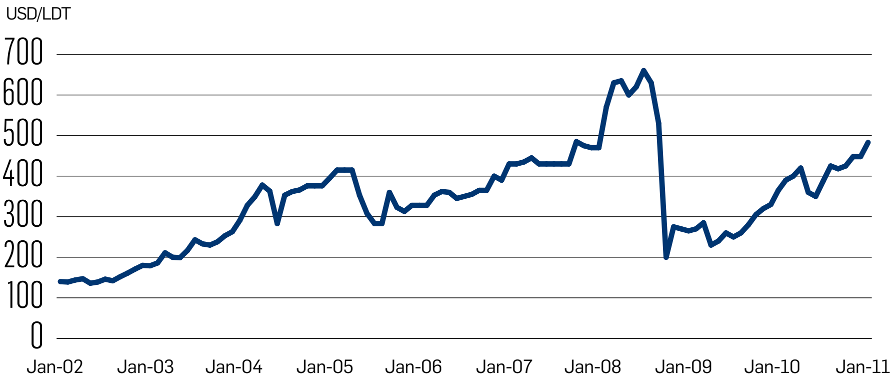
The asset market for vessels reflected the time charter trends. The positive value trend in general from the end of 2009 continued in the first two quarters of 2010, where second hand values of both Supramax and Panamax vessels increased by approximately 10%. Impacted by a negative time charter trend in the second half of 2010, the year ended at similar second hand value levels as it started.

The scrapping market started the year at prices around USD 375 PLT (per-light-ton) and after a relatively bumpy first half of the year, it again settled at USD 375 PLT level mid-year, and then increased to year-end prices around USD 480 PLT.

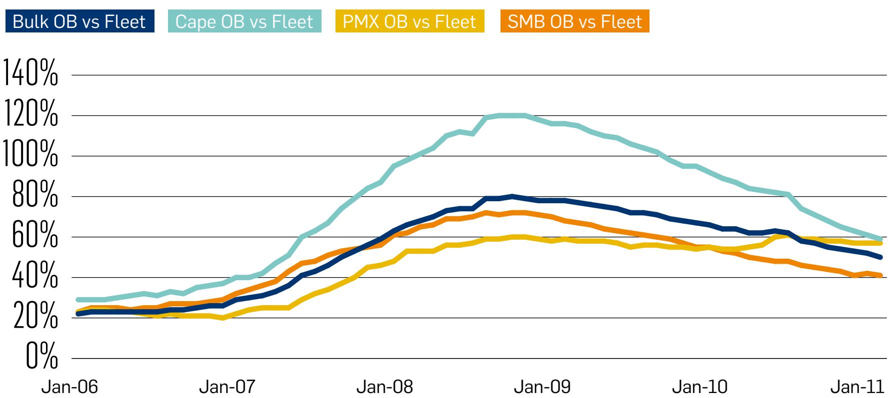
With a worldwide steel production of approximately 1.3 billion tons steel, the annual vessel demolition of approximately 10 million tons in 2010 was only a minute factor in the steel market. As such the scrapping prices concluded for scrap ready vessels, were only slightly impacted by prevailing dry bulk earnings indexes and mainly by the demand for steel.

The overall dry bulk newbuilding orderbook in terms of freight capacity receded from roughly 67% of the existing fleet in the beginning of 2010 to approximately 53% by year end led by massive deliveries in all dry bulk segments. While the Supramax order book fell from 55% in the beginning to 41% at year end, the Panamax order book increased by approximately 2% points from 55% to 57% at year end. The overall net drop in the order book was primarily driven by a large reduction in the Capesize orderbook from 92% in the beginning of 2010 to approximately 63% at year-end.

Scrap Price



Orderbook



2011 Market outlook

In 2011, the main drivers in the dry bulk market remain:

- The second highest fleet growth in the history of dry bulk
- High demand growth driven by economic developments in Asia
- Bottlenecks in the supply of cargo volumes

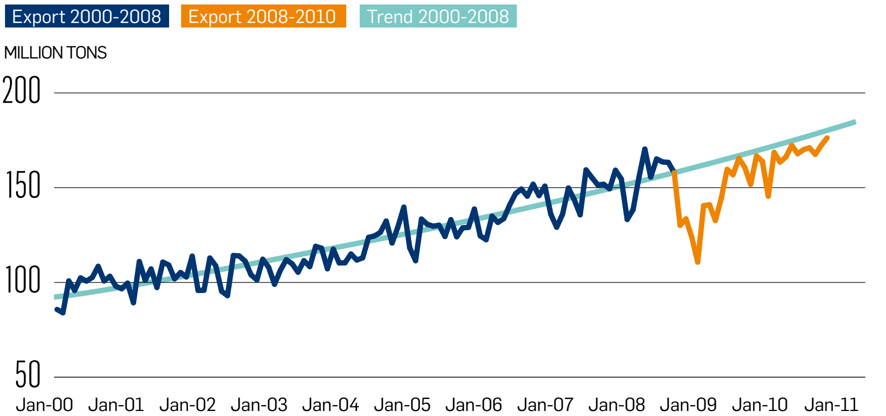
Following the record high demand growth in 2010, bottlenecks in the supply chain may limit demand growth for dry bulk shipping in 2011. The lack of iron ore and coal mining capacity expansions is expected to limit cargo volume growth and weigh down time charter rates. This already seems to be the case observing commodity prices, although these prices are also affected by other supply disruptions. Rail capacity is another well known factor. While Chinese limits in rail capacity are good for Chinese demand for seaborne imports, Australian limits in rail capacity are a less clear support. On one hand they limit exports, but on the other they can cause long lines of ships to wait longer (congestion), thus limiting effective vessel capacity and improving time charter rates. U-SEA Bulk Shipping expects congestion to be higher in 2011 than in 2010. Limits to Australian exports can sometimes also boost exports from sources further away from the importing country.

While being a symptom of limited production capacity, commodity prices can also cause disruptive trade patterns. Many governments resort to export bans and tax changes to increase imports and reduce exports of the commodities in question. This has been observed for especially iron ore in India and wheat in Russia and the Ukraine. Likewise the Chinese are now lowering import taxes on food related commodities. The sudden changes in trade patterns support time charter rates as long as alternative supplies are available. That is not clearly the case in 2011.

Export trends by the end of 2010 were similar to the trend before the crisis. Part of the trend has been a result of restocking and OECD normalisation. Chinese demand has seen a flat trend after the boost in 2009, hence the total up-trend has been OECD and India driven. In terms of OECD recovery, construction is still at very low levels. A recovery in OECD construction is expected to lend some extra support in the coming years.

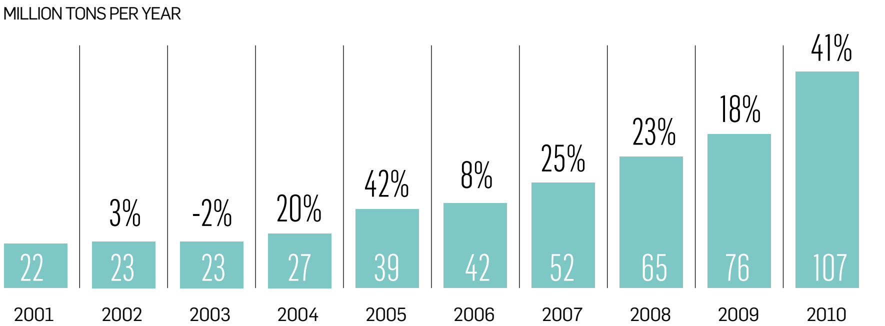
India's coal imports grew faster in 2010 than previously expected. The coal demand is driven by electricity and steel production in India which U-SEA Bulk Shipping expects to continue expanding very fast. The Chinese steel consumption per capita is another and more important, demand growth driver. U-SEA Bulk

Known Dry Bulk Exports Per Month



Total dry bulk exports are 275 mill tons per month. The illustration shows part of them.

Indian Coal Imports



Shipping expects this consumption to continue growing by around 10% per year until 2014-2015 by which time it is likely to stall.

A reoccurring factor is Chinese grain demand. China was for decades expected to be a benefit for international grain trade as imports were expected to increase. Instead China went through an agricultural revolution that sent the country to the top of grain producing countries. However, since 2005 it has been clear that the Chinese agricultural market is finally seeing a higher import component. A major part of these imports to China come from South and North America, which supports almost exclusively the sub-cape segments.

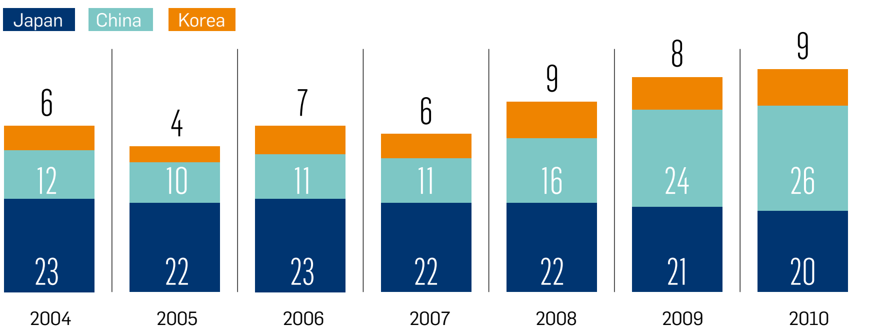
This grain trade is another indication of the growing imbalance of the trades going east and west between the Atlantic and Pacific basins. The need for ballasting ships from the Pacific to the Atlantic thus keeps growing.

The trends in Asian demand and the possibility for OECD demand to recover further leads U-SEA Bulk Shipping to expect relatively high vessel demand growth numbers of around 10% annually in the coming years. That is however not considered enough to stop the downward pressure on time charter rates due to fleet growth.

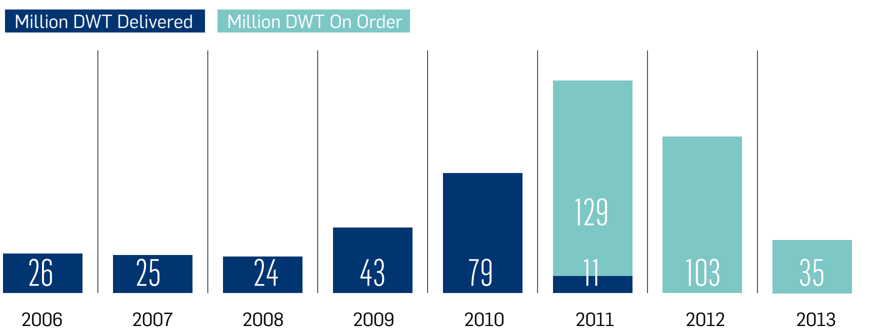
The average dry bulk fleet size in 2010 was 500 million dwt, and by the end of 2010 the fleet size was 530 million dwt. With 140 million dwt in the order book for delivery in 2011, average fleet growth would seem to be 20%; from 500 million dwt in 2010 to 600 million dwt in 2011 on average. However, U-SEA Bulk Shipping expects 50 million dwt to be postponed and deliveries to be about 90 million dwt, leading to about 15% average fleet growth. With severe weather having beaten down demand for the first quarter of 2011, spot time charter rates may have seen the bottom of the year. That goes especially for the cape segment which has been depressed to USD 5,000 per day early March 2011. For the sub-cape segment Q3 rather than Q1 2011 may present the low. U-SEA Bulk Shipping expects the BSI average of 2011 to be in the range of USD 13,000 to 17,000 per day. In comparison the average BSI in 2010 was USD 22,500 per day.

In a macro economic perspective, major financial risks are still present. China may see a financial recession in the coming years following substantial lending over the past two years. In the US the investment and loan policies of the large banks are apparently as risky as before the crisis. However, with current bank reserves being ample, immediate risks seem low. and although governments are stretched to their financial limits, they have started defaulting on promises to the electorate rather than on the bonds they have issued. That said, hidden risks in the system are still likely to be high and financial discipline has not been completely restored. Therefore, we ca nnot rely completely on macroeconomic and global financial stability in the coming years.

US Grain Exports, Per Year, Selected Destinations (million tons)



Fleet Capacity Additions



	2006	2007	2008	2009	2010	2011*	2012*	2013*
SubCape Fleet Growth	6%	6%	6%	4%	10%	12%	13%	10%
Cape Fleet Growth	9%	9%	8%	13%	22%	18%	18%	13%

* Expected

2 Nouriel Roubini "Time to Close the Financial Supermarkets" Kenneth Rogoff 2011 "Global Imbalances without Tears" , Bloomberg 2011 "China Will Face Crisis".

17M
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Financial review

U-SEA Bulk Shipping has adopted all new or amended and revised accounting standards and interpretations (IFRS's) endorsed by the EU effective for the accounting period beginning on 1 January 2010.

NET PROFIT

The business performance in 2010 developed below expectations, and the net loss amounted to USD -1.5 million against USD 19 million in 2009. Adjusted for the non-cash impact of the share options program the net profit of the underlying business came to USD 6.1 million in 2010 and to USD 27.2 million in 2009.

EBITDA

The EBITDA of USD -0.2 million was substantially impacted by the share options program expensed (non cash) in 2010. Adjusted EBITDA of USD 7.4 million was down 74% compared to USD 28.9 million in 2009.

Revenues in 2010 were USD 593 million, corresponding to an increase of 58% from USD 376 million in 2009 reflecting the increase in market rate levels in the sub-cape segment.

GROSS PROFIT (NET EARNINGS FROM SHIPPING ACTIVITIES)

Gross profit was USD 21.8 million in 2010 corresponding to a gross margin of 3.7%. In 2009, the gross margin was 12.1%.

Number of ship days was 19,339, an increase of 35% compared to 2009. The activity level in terms of number of vessels increased throughout 2010 with 61 vessels on average in 2010, and peaking at 71 vessels.

The freight market in 2010 reached an average BSI time charter rate of USD 22,500 per day compared to USD 17,300 per day in 2009, corresponding to an increase of 30%. U-SEA Bulk Shipping's gross profit per ship day have historically varied in line with the charter rates, but in 2010 the company experienced a drop in gross profit per ship day from USD 3,200 in 2009 to 1,100 USD in 2010, in spite of the increase in freight rates due to the positions taken in accordance with a stronger freight rate market, which did not materialise as expected.

FAIR VALUE ADJUSTMENT

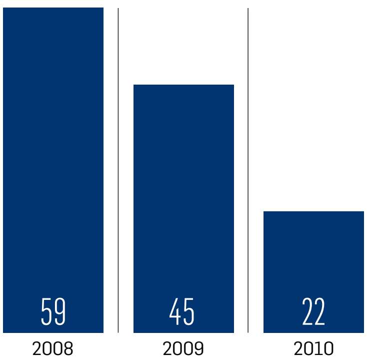
The group enters FFA agreements to hedge contracts concluded on both COA and vessels (T/C). The fair value adjustment that did not qualify for hedge accounting under IFRS constituted an income of USD 2.2 million.

NET FINANCIAL ITEMS AND TAX

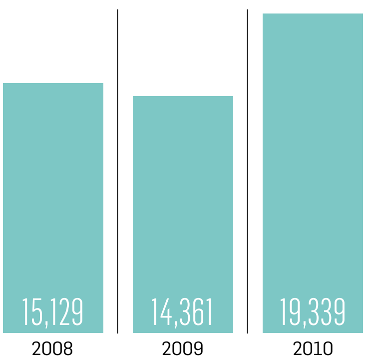
Financial income was USD 0.2 million compared to USD 1.3 million in 2009, where interest related to loans made to former majority shareholder Camillo Eitzen & Co ASA impacted the financial income. Financial expenses amounted to USD 0.1 million as the company continues to have no debt to financial institutions. The company borrowed end of 2010 USD 5 million from the parent company Ultragas ApS. Other financial items (net) were USD -1.0 million, primarily due to foreign currency loss.

Tax on profit was USD 0.1 million corresponding to an effective tax rate of 5.5% compared to 16.1% in 2009, primarily re-

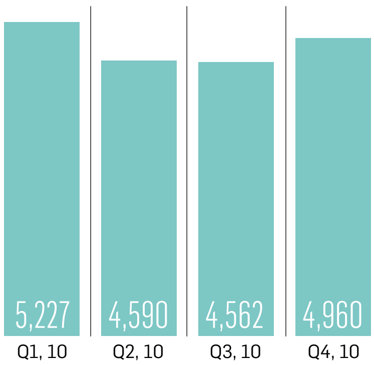
Gross Profit (USD million)



Ship days (annual)



Ship days (quarterly)



lated to tonnage tax, lower tax rates in foreign subsidiaries and effect from adjustments to prior years.

CASH FLOW

Cash and cash equivalents at year end were USD 27.5 million up from USD 24.8 million in 2009, and consisted of USD and DKK cash at bank and bank deposits.

Cash flow from operating activities was USD -8.0 million compared to USD -19.5 million in 2009. The cash flow in 2010 was impacted by onerous contracts related to two vessels sold and delivered in 2008, which required the company to charter relatively more expensive tonnage to lift cargo obligations committed against same vessels. Provisions for the onerous contracts in 2009 and 2010 totalling USD 33 million was made in 2008 of which USD 7.4 million was used in 2010.

ASSETS

Total assets amounted to USD 110.9 million. Non-current assets decreased to USD 16.1 million from USD 19.9 million in 2009, primarily due to fair value adjustments of derivatives. Current assets increase by USD 11.9 million to USD 94.8 million, primarily due to higher liquidity and higher inventories of bunkers.

The company has one owned newbuilding on order with delivery in 2011. The prepayments in 2008 were financed through cash flow from operations, whereas the remaining instalments will take place in 2011. No impairments were recognised in 2010 with respect to prepayments on the newbuilding contract.

LIABILITIES

Total liabilities amounted to USD 68.5 million, a decrease of USD 8.4 million from 2009. This was primarily due to a decrease in fair value adjustments of derivatives, provision for onerous contracts and an increase in trade and other payables and a new loan from the parent company at USD 5 million.

EQUITY

Total equity amounted to USD 42.4 million and earnings per share were USD -0.06. In November 2010 the share capital was increased after a private placement to Ultragas ApS. The company received USD 12.5 million in equity.

Dividend

At the Annual General Meeting on 29 April 2011, the Board of Directors will propose not to pay out any dividend for 2010 to maximize the company's financial flexibility and thus be prepared for the business opportunities that may arise.

Share options program

The Board of Directors approved 21 December 2009 a share options program. Management and employees (70% of total staff) were granted 2,537,766 share options by 22 December 2009. According to change in ownership the remaining part of the share options program has been expensed in the profit and loss corresponding to USD 7.6 million.

LEGAL CASES

U-SEA Bulk Shipping is party to a number of legal cases. See key legal issues and information on contingencies for pending litigations on note 30.

Corporate Governance

The Board of Directors and Executive Management of U-SEA Bulk Shipping A/S are convinced that efficient and clear division of responsibilities as well as transparent decision making processes are prerequisites of a company's long-term value creation. U-SEA Bulk Shipping therefore reviews at least annually the company's governance practices corporate governance principles vested in legislation, customs and recommendations. As part of this process, the Board and Executive Management assess the company's strategy, organisation, business processes, risks, control mechanisms and relations with its shareholders, customers, employees and other stakeholders.

CORPORATE GOVERNANCE IN DENMARK

It is mandatory for companies listed on NASDAQ OMX Copenhagen to account for their governance practices in relation to the recommendations issued by the Danish Committee on Corporate Governance. As the main objective of the recommendations is to make company management structure transparent it is emphasized by the committee that explaining noncompliance is just as legitimate as complying with a specific recommendation. U-SEA Bulk Shipping presents in this annual report an outline of the company's corporate governance. A full disclosure of corporate governance practices and the company views on all recommendations is provided on the company's website (www.useabulk.com). In April 2010, the Danish Corporate Governance Committee issued revised recommendations. The Board of Directors will review and discuss the revised recommendations in the start of 2011. As a general rule, the company complies with the recommendations. Any exceptions are accounted for here in the annual report.

TWO-TIER MANAGEMENT STRUCTURE

U-SEA Bulk Shipping is a Danish listed company with a two-tier management structure. The Board of Directors establishes the company's objectives, strategies, budgets and supervises the company's performance and day-to-day management, which is run by a management group consisting of CEO and CFO (registered with the Danish Commerce and Companies Agency) as well as five Executive- and Senior Vice Presidents. The management group decides on the required action plans and is responsible for the execution of same to fulfil the objectives as set out by the Board of Directors. In addition, the management group delivers feedback to the Board of Directors on developments and opportunities in the market.

SHAREHOLDER STRUCTURE AND INTERACTION WITH MANAGEMENT

U-SEA Bulk Shipping was listed on NASDAQ OMX Copenhagen in December 2009 with one share class with one vote per share and no limits to voting rights or sale of individual shares.

Opportunities for consolidation are pursued on an ongoing basis and the company's listing is considered a natural source for funding of these investments through new share issues.

The general meeting constitutes the highest authority of the company through its election of the Board of Directors and approval of the annual report, and it is convened by two to four weeks notice including the agenda with summary of each item. Financial reports, presentations and other relevant information is available on the company's website. Regulatory disclosures are distributed through established communication channels in Danish and English.

THE ROLE OF STAKEHOLDERS

The company has adopted a code of conduct, which sets the ethical standards expected from all employees regarding behaviour, attitude and performance towards stakeholders. The code addresses issues such as health, safety & environment, business integrity, legal compliance, IPR and internal control and it is every employee's responsibility to be aware of and live up to the guidelines set forth in the code. The code of conduct was reviewed and discussed in the start of 2011.

OPENNESS AND TRANSPARENCY

U-SEA Bulk Shipping aims to be perceived as transparent, accessible, reliable and open to dialogue with the company's shareholders. The Investor Relations function headed by the CFO will provide relevant, accurate, consistent and timely information to the capital market that may influence the pricing of the share, while observing the rules and regulation for listed companies on NASDAQ OMX Copenhagen, including:

- Company announcements
- Full year and quarterly financial statements and annual report
- Special investor section on the company's website

DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

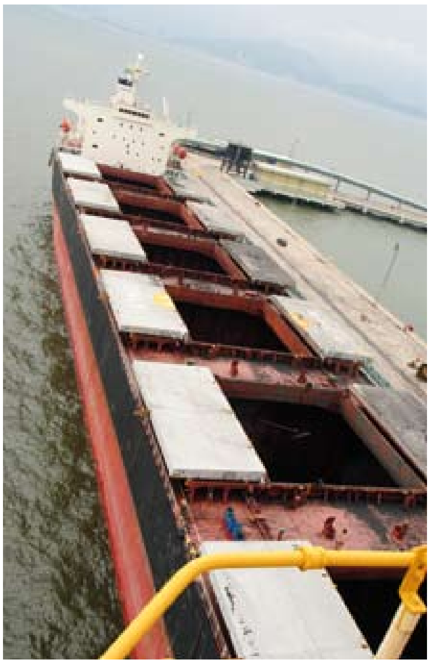
The work of the Board of Directors is governed by a written set of procedures stating that it is the responsibility of the Board to approve the company's short- and long-term strategies, to establish policies for capital structure, risk management and to monitor financial- and organizational performance. The Board approves all large investments and contractual arrangements related to cargo and tonnage running beyond 36 months and it is concurrently informed about such obligations lasting less than 36 months.

The Board meets a minimum of five times a year in connection with the processing and approval of financial reporting. Additional meetings are convened as needed. In 2010, the board met 13 times with a 90% attendance.

Executive Management reports monthly to the Board covering market developments and macroeconomic factors with relevance for the bulk market, budgets, financial key ratios, exposures and counterparty risks. The chairman of the Board and the CEO are in proactive dialogue when developments in the market or key projects require extra attention.

AUDIT COMMITTEE

The Board of Directors currently attends to the audit committee function. This requires that no members of the Board of Directors are also members of Executive Management and that at least one member of Board of Directors is both independent of the company and has qualifications within accounting and auditing. Following the change in ownership structure the current Board of Directors composition does not comply.



COMPOSITION OF THE BOARD OF DIRECTORS

The Board is elected by the annual general meeting. Potential board candidates are reviewed by the Board based on regular discussions about the composition of the Board, including its competences and experiences. On the company's website there is a presentation of each member of the Board.

The Danish Committee on Corporate Governance recommends that at least half of the board members elected by the general meeting are independent persons. Additionally, it is recommended that members of the executive management of a company are not members of the board of directors of the same company.

The Board of Directors at U-SEA Bulk Shipping A/S consists currently of the chairman of the board and two executives of Ultragas ApS, and two Executive Vice Presidents from the company's management group. As such, U-SEA Bulk Shipping has given priority to significant market insight and shipping experience over independence. That said, the Board of Directors is considering to adopt independent members.

REMUNERATION OF BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

The Danish Public Companies Act provides that shareholders adopt, at the general meeting, guidelines for incentive pay to members of the company's board and its executive management. Such guidelines were adopted at the ordinary general meeting in April 2010. The main elements of the current guidelines are set out below. The complete guideline is available on the company's website.

BOARD OF DIRECTORS

The Board of Directors has refrained from receiving any compensation for their work in 2010, unchanged from 2009. In 2011, the members of the Board of Directors will also refrain from receiving any compensation for their work. If company activities require a temporary, but extraordinary workload by the Board, a supplement to the fixed annual fee can be authorised. The members of the Board receive no incentive pay for their work on the board.

EXECUTIVE MANAGEMENT

Members of the Executive Management are employed under executive service contracts, and all terms are fixed by the Board of Directors based on the guidelines approved by the general meeting.

The Executive Management of U-SEA Bulk Shipping consists of the CEO and CFO. Members of Executive Management receive a competitive remuneration package consisting of four elements; a fixed salary, benefits such as company car and phone, incentive payment in terms cash bonus and share options. Following the termination of the existing share options program, the company has no plans of introducing a new share options program.

In 2010, a total of USD 0.5 million was paid in salaries and pension to the Executive Management. Share options payment (fair value adjusted) to the CEO, Per Lange, amounted to USD 1.1 million following the termination of the share options program. Performance criteria for the cash bonus, is tied to earnings (EBITDA) performance and due to the realised negative earnings (EBITDA) in 2010, no bonus was expensed in 2010.

Share options program

Due to the change of control in June 2010, the share options program for management and key employees was terminated and the share options vested effective. The majority of the share options were exercised in connection with the mandatory offer in August 2010, whereas remaining share options were exercised in January 2011.

In 2010, USD 7.6 million was expensed covering the share options program in full.

Currently no plans exist to introduce a new share options program.

RISK MANAGEMENT

Main risk exposures and risk management processes are described in note 25.

AUDIT

The overall responsibility for the internal control in relation to financial reporting including compliance with applicable legislation and other financial reporting regulations rests with the Board of Directors and Executive Management (cf. note 25).

Nomination of external auditors is done annually by the general meeting. The auditor agreement and fees are agreed between the Board and auditors. The Board has approved the use of the company's external auditors for non-audit services provided these services are kept within the guidelines of approved strategy and budgets.

In connection with the audit of the annual report, the external auditor reviews internal controls and financial procedures of significance for the financial reporting processes. The external auditor's report is reviewed by the Board.

Corporate Social Responsibility

U-SEA Bulk Shipping acknowledges a responsibility to manage the company in a way that balance business results with respect for the environment and working conditions for seafarers and other employees. Shipping is a highly regulated industry when it comes to the environment and seafarers' health and safety, and the company obeys all relevant legislation set by national or international legal bodies such as the International Maritime Organisation (IMO) and The Maritime Labour Convention.

U-SEA Bulk Shipping does not, at the end of 2010, own any ships and therefore sea-going personnel fall under the responsibility of the ship owners from whom vessels are chartered. The company selects their chartered fleet based on the analysis of international vetting agencies as well as membership of the International Group of P&I clubs, a type of mutual insurance scheme for ship owners covering mainly personal injuries, cargo damage and pollution.

STAFF A KEY ASSET

U-SEA Bulk Shipping is built on a philosophy whereby staff is considered to be one of the company's most important resources and assets. A conscious effort is made to maintain a flat organizational structure, where all directly involved persons are also part of the related decision making process. Annual strategic reviews are made in order to regularly align individual efforts to the ever-changing needs of our clients and address prevailing market conditions.

The company believes in promoting teamwork and excellence in order to maintain and develop the corporate culture in the best interest of the company and its stakeholders, and staff alike. Due to the importance of maintaining and nurturing relations with customers and partners, a low staff turnover continues to be an important strategic objective of the company. During recent years, the total staff turnover has been limited.

By the end of 2010, U-SEA Bulk Shipping employed 58 people, of which 35 were based in Copenhagen. In order to provide optimal round the clock service to customers, the company has established 6 regional offices employing 23 people, strategically sited around the world in terms of regions and time zones.

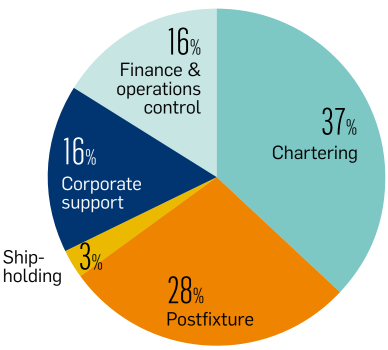
The employees can roughly be divided into five main functions; Chartering, Post Fixture, Shipholding, Business Support, and Finance & Operations Control

Requirements in respect of Research, Fuel Procurement and HR services were previously outsourced, but in the course of 2010 it was deemed beneficial to engage own dedicated staff for these functions.

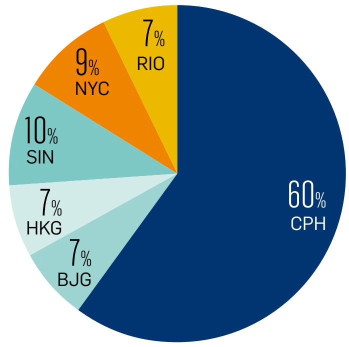
REMUNERATION

The company continuously strives to offer competitive remuneration, social security and benefits packages for all employees. During 2010 the entire staff, locally as well as abroad was offered to enter a pension scheme.

Employees split by function



Geographical split of employees



HUMAN RESOURCE DEVELOPMENT

A career at U-SEA Bulk Shipping is a global and constant evolving experience. The company provides a flexible competence development package, which may include professional and personal development as well as language courses and can also include expatriation. Attention is given to meeting specific needs of the individual rather than just adherence to standard courses.

A career development plan is followed for all employees, ranging from trainee to senior management. The current trainee program is based in Copenhagen and managed in association with the Danish Shipowners' Association. The company is however in the process of extending the trainee program in order to encompass traineeships in the offices abroad. Junior employees have the opportunity of enrolling in TutorShip, a 2-3 year long distance learning program offered by the Institute of Chartered Shipbrokers in London that qualifies for an ICS Foundation Diploma and which is an accredited as an internationally recognized qualification. The Danish traineeship program resolves around a rotation plan, whereby all main areas of commercial and operational activities are addressed. In addition to in-house training, the company encourages participation in external training and courses for shipping professionals as well as selected personal development and management courses. Theoretical training is complimented with visits to ports, vessels etc. in order to give practical experience. Completion of the trainee program will normally be followed by a posting abroad at one of the company offices or at the office of an associated company, sometimes as part of a corporate staff exchange program.

U-SEA Bulk Shipping is a globally operating company and to be a successful operator, it is a prerequisite to be in close contact with customers locally, and to have knowledge of the specific trading conditions in the local areas; interact-

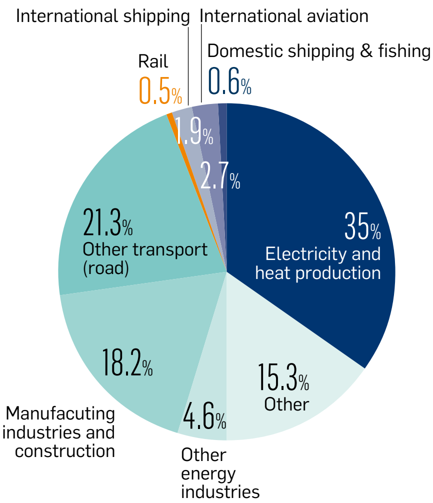

U-SEA

ing with agents and stevedores, knowing the special features of a given port and be conversant with the characteristics of the cargo etc. The company therefore provides extensive 'on-the-job' training and also expatriation opportunities. Furthermore opportunities can arise through exchange programs between the company's offices, associated companies and business partners.

CLIMATE CHANGE

For the shipping industry, climate changes are of special attention. In total, shipping account for about 90% of global trade and approximately 3% of man-made CO_2 emissions. Although measured per ton of transported goods, shipping is the least environmentally damaging means of transport. Despite the fact that shipping is impacting the climate less than comparable forms of transportation, such as airfreight and truck, U-SEA Bulk Shipping is committed to reduce its contribution further.

Shipping contribution to global CO_2 emissions

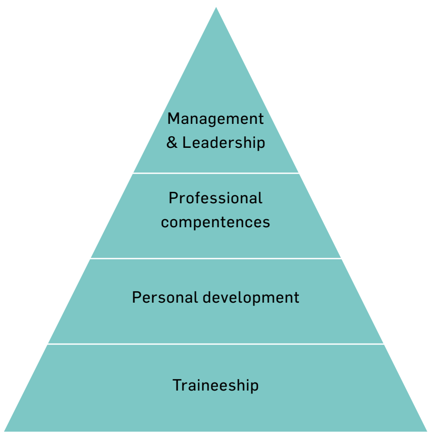


Second IMO GHG Study 2009 (MEPC 59/INF. 10)

When planning a cargo voyage, U-SEA Bulk Shipping aims to optimize the vessel speed and thus fuel consumption, which is the most influential parameter on CO_2-emissions. Also, in the development of a newly designed Supramax vessel, U-SEA Bulk Shipping have together with Japanese shipyards succeeded in designing a vessel that carry an additional 6.3 percent cargo per metric ton fuel consumed, as compared with previous designs.

Main engines contracted for the owned new building program have been upgraded from original design specifications to the latest engine design available, whereby it is expected to further reduce CO_2 emissions.

Human resource development and focus



About the share

INVESTOR RELATIONS
In conjunction with the listing of the company on NASDAQ OMX Copenhagen in December 2009, the company was dedicated to establish a broader shareholder base securing a larger free float and better liquidity in share. At the same time the majority shareholder also decided to review other strategic opportunities for its ownership position, which lead to a change of ownership to the Ultragas group. As a consequence, the key initiatives were re-focused to successfully complete the sales process as well as to facilitate the transformation process with respect to the new majority shareholder.

THE SHARE CAPITAL
In November 2010, a private placement of 2,461,498 new shares to the company's majority shareholder, Ultragas ApS was completed. Consequently, the current share capital consist of 27,100,000 shares with a nominal value of DKK 1 in one share class with one vote per share and no limits to voting rights or sale of individual shares. By 31 December 2010 the company had 353 registered shareholders.

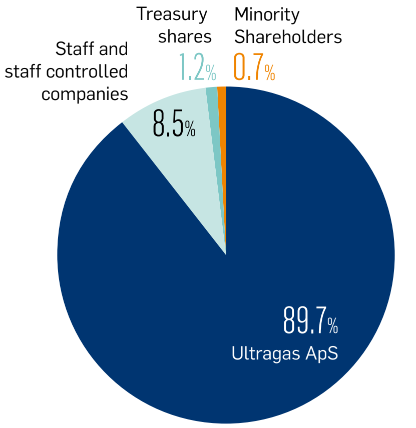
In August 2010, the senior management group reduced their shareholdings and exercised their share options in connection with the mandatory offer to minority shareholders. The share options had to be exercised before end of January 2011 following the termination of the share options program. Per Lange and Kaare Grenness exercised their remaining share options accordingly.

By the end of 2010, employees and senior management, and staff controlled companies owned a total of 8.5% of the company's share capital hereof Bulk Invest A/S owned 5.8%. U-SEA Bulk Shipping owned 323,696 of treasury shares corresponding to 1.2% of the share capital to fulfill company obligations regarding the remaining share options.

The shareholder register is maintained by Computershare, Kongevejen 418, DK-2840 Holte.

DIVIDEND POLICY
The dry bulk shipping market and the related investment opportunities are cyclical, and in addition to that the company expects to take delivery of an owned vessel in 2011. To maximise the company's financial flexibility and thus be prepared for the business opportunities that may arise, U-SEA Bulk Shipping proposes to the annual general meeting 2011 not to pay out dividends for 2010.

Shareholder distribution



SHARE PRICE AND TURNOVER
In 2010 U-SEA Bulk Shipping had 140 trading days. The share price at year-end was DKK 23.8 against DKK 38.9 on 1 January, a drop of 37%. This development was characterised by low free float and liquidity following the ownership changes during 2010. The market capitalisation of the listed shares was approximately DKK 645 million at year-end, corresponding to 115 million USD.

FINANCIAL CALENDAR 2011
30 March
Annual Report 2010
29 April
Annual General Meeting
19 May
Financial Statements Q1 2011
19 August
Financial Statements 1H 2011
18 November
Financial Statements Q3 2011

All regulatory releases and financial accounts are available in Danish and English on the company website www.useabulk.com.

IR CONTACT
Bjarne Skov Faber
Chief Financial Officer
Direct tel.: +45 3997 0401
Mobile tel.: +45 2630 9501
E-mail: bsf@useabulk.com

Amerika Plads 38
DK-2100 Copenhagen
Denmark

Shareholdings of senior management:

	Shares			Share options	
	31 Dec. 2010	31 Dec. 2009	Change	31. Dec 2010	Granted in 2009
Per Lange CEO	713,010	739,886	-26,876	179,824	359,648
Bjarne Skov Faber CFO	0	0	0	0	0
Henrik Sleimann Petersen Board member and Executive Vice President	10,000	386,550	-376,550	0	201,555
Hans-Christian Olesen Board member and Executive Vice President	397,730	355,362	42,368	0	188,004
Kaare Grenness Senior Vice President	393,548	393,548	0	100,562	201,125
Søren C. Thomsen Senior Vice President	159,950	209,950	-50,000	0	140,372
Klaus Munk Andersen Senior Vice President	5,000	250,327	-245,327	0	159,784

Management biographies

BOARD OF DIRECTORS

Dag von Appen (b. 1962)
Chilean citizen
Chairman of the Board, U-SEA Bulk Shipping A/S

Elected to the Board first time in 2010, term expires in 2011

Education
2004: Harvard Business School, AMP
1981-1986: M.Sc. in Management and Economics from the Universidad de Chile, Santiago

Former positions
1998-2004: CEO Holding Ultragas Group
1996-1998: CEO Sociedad Naviera Ultragas
1993-1995: Project and Development Manager Ultramar, Santiago, Chile

Management assignments
Ultragas Group (CM)
Ultramar Group (BM)
Universidad del Desarrollo (BM)
Clinica Alemana de Santiago (BM)
Corporación Chileno Alemana de Beneficencia (BM)
Sonamar S.A. (BM)

José Thomsen (b. 1956)
Chilean citizen
Vice-chairman of the Board, U-SEA Bulk Shipping A/S

Elected to the Board first time in 2010, term expires in 2011

Education
2005: Harvard Business School, AMP
1984: Chemical Engineer, UTFSM, Santa Maria, Chile

Former positions
2008-2010: Business Development Manager, Ultragas Group, Chile
1997-2007: CEO SONAP, Chile

Management assignments
Sonamar S.A. (BM)
Ultragas Group Subsidiaries (BM)

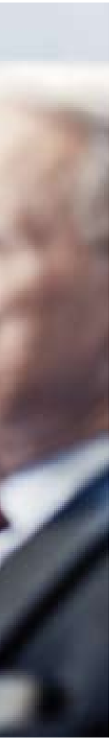
Carsten Haagensen (b. 1944)
Danish citizen
Board member, U-SEA Bulk Shipping A/S

Elected to the Board first time in 2010, term expires in 2011

Education
2002: IMD
1981: Colombia University
1973: Executive Development Programs at INSEAD
1963: A.P. Møller-Mærsk Shipping Academy

Former positions
since 1995: Own activities within Shipping and Real Estate
1987-1995: President, Lauritzen Reefers
1987-1995: Senior Vice President, J. Lauritzen
1983-1987: Vice President, A.P.Møller-Mærsk

Management assignments
Othello Shipping Company APS (BM)
Ultragas ApS (BM)



Henrik Sleimann Petersen (b. 1966)
Danish citizen
Executive Vice President, U-SEA Bulk Shipping A/S

Elected for the Board first time in 2009, term expires in 2011

Education
2004: Wharton School of Business, USA – EDP Program
1988: A.P. Møller-Mærsk Shipping Academy

Former positions
2009-2010: Managing Director, Eitzen Bulk Shipholding A/S
2007-2008: General Manager – Eitzen Bulk A/S
1997-2006: CEO, Eitzen Bulk (USA) Inc.

Management assignments
Ultra Summit (Singapore) Pte. Ltd. (CM)
Bulk Invest A/S (MD)
Subsidiaries of U-SEA Bulk Shipping A/S (BM)

Hans-Christian Olesen (b. 1968)
Danish citizen
Executive Vice President, U-SEA Bulk Shipping A/S

Elected for the Board first time in 2009, term expires in 2011

Education
1996: Graduate Diploma in International trade, Copenhagen Business School

Former positions
2009-2010: Executive Vice President, Eitzen Bulk Shipping A/S
1997-2008: Various positions, Tschudi & Eitzen A/S & Eitzen Bulk A/S
1987-1997: Various positions, East Asiatic Company A/S

Management assignments
Cedrela Transport Ltd., Bahamas (BM)
Perola S.A., Brazil (BM)
U-SEA Logistics Services Ltd., India (BM)
Bulk Invest A/S (BM)
Subsidiaries of U-SEA Bulk Shipping A/S (BM)

EXECUTIVE MANAGEMENT

Per Lange (b. 1960), CEO
Danish citizen
Employed in the company since 1995

Education
1992: Executive development program, Penn State University, USA
1981: A.P. Møller-Mærsk Shipping Academy

Former positions
2007-2009: CEO, Eitzen Bulk A/S
2004-2007: Director, Eitzen Bulk A/S
1995-2004: General Manager, EAC Shipping/Eitzen Bulk
1981-1995: General Manager, Mærsk Bulk, A. P. Møller-Mærsk

Management assignments
Bulk Invest A/S (CM)
Subsidiaries of U-SEA Bulk Shipping A/S (BM)

Bjarne Skov Faber (b. 1968), CFO
Danish citizen
Employed in the company since 2009

Education
2007: Program for Executive Development, IMD, Switzerland
1993: M.Sc. in Economics and Financing

Former positions
2005-2008: CFO, Energy Markets, DONG Energy A/S
2004-2005: Vice President Finance, Trade & Supply, DONG A/S
1997-2004: Head of various Finance areas, Novo Nordisk A/S

Management assignments
Subsidiaries of U-SEA Bulk Shipping A/S (BM)

Statement of the Board of Directors and Executive Management on the Annual Report

The Board of Directors and Executive management have prepared the 2010 Annual Report. The Annual Report was considered and adopted today.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish annual reporting requirements for listed companies.

We consider the accounting policies used appropriate and the accounting estimates made reasonable, and in our opinion the consolidated Financial statements and the financial statement of the parent company provide the relevant information for assessing the financial position of the Group and the parent company. In our opinion the consolidated financial statements and the financial statement of the parent company give a true and fair view of the assets, liabilities and financial position of the Group and the parent company and the results of the Group's and the parent company's operation and cash flows for the period 1 January - 31 December 2010.

In our opinion the Management's review in the preceding pages gives a true and fair presentation of the development in the activities and the financial position of the Group and the parent company, the results for the year and of the Group's and the parent company's financial position in general. Further, in our opinion the Management's review describes the most significant risks and uncertainties that may affect the Group and the parent company.

We recommend that the Annual Report is adopted at the annual general meeting.

Copenhagen, 30 March 2011

EXECUTIVE MANAGEMENT

Per Lange
CEO

Bjarne Skov Faber
CFO

BOARD OF DIRECTORS

Dag von Appen
Chairman

José Thomsen
Vice chairman

Carsten Haagensen

Henrik Sleimann Petersen

Hans Christian Olesen

Independent Auditors Report

TO THE SHAREHOLDERS OF U-SEA BULK SHIPPING A/S

We have audited the consolidated financial statements and the parent company financial statements of U-SEA Bulk Shipping A/S for the financial year 1 January to 31 December 2010, pages 34-72, which comprise income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes for the Group as well as for the Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for listed companies.
In addition to the audit we have read the management review, which is prepared in accordance with Danish disclosure requirements for listed companies, and provided a statement on this.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the presentation and preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for listed companies. This responsibility includes: Designing, implementing and maintaining internal control relevant for the presentation and preparation of consolidated financial statements and parent company financial statements that give a true and fair view that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Management is also responsible for the preparation of a management review that includes a fair review in accordance with Danish disclosure requirements for listed companies.

AUDITORS' RESPONSIBILITY AND BASIS OF OPINION

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's presentation and preparation of consolidated financial statements and parent company financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The audit has not resulted in any qualification.

OPINION

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2010 and of the results of the Group's and the Company's operations and cash flow for the financial year 1 January to 31 December 2010 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for listed companies.

STATEMENT ON THE MANAGEMENT REVIEW

Pursuant to the Danish Financial Statements Act we have read the management review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the management review is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, 30 March 2011

KPMG
Statsautoriseret Revisionspartnerselskab

Torben Bender	Thomas Bruun Kofoed
State Authorised Public Accountant	State Authorised Public Accountant

Consolidated Income Statement

(Figures in USD '000)	Note		2010	2009
Freight income			593,050	376,029
Voyage related expenses			-174,612	-104,997
Time-charter hire			-396,643	-225,537
Gross profit (Net earnings from shipping activities)			**21,795**	**45,495**
Other external expenses			-6,225	-7,292
Staff costs	5		-15,764	-17,462
Profit before depreciations etc. (EBITDA)			**-194**	**20,741**
Depreciations	6		-218	-445
Operating profit (EBIT)			**-412**	**20,296**
Share of associates' profit after tax	14		-199	-295
Financial income	7		155	1,331
Financial expenses	8		-109	-211
Other financial items, net	9		-998	1,574
Profit before tax			**-1,563**	**22,695**
Tax	10		86	-3,658
Net profit			**-1,477**	**19,037**
Attributable to:				
Profit attributable to the equity holders of the parent			-1,537	18,890
Profit attributable to the minority			60	147
			-1,477	**19,037**
Earnings per share	11			
Earnings per share – basic earnings per share		USD	-0.06	0.77
Earnings per share – diluted earnings per share		USD	-0.06	0.77

Consolidated Statement of Comprehensive Income

(Figures in USD '000)	Note	2010	2009
Profit/loss (-) for the year		**-1,477**	**19,037**
Other comprehensive income			
Value adjustments of hedging instruments transferred to voyage related expenses		-1,978	3,301
Tax effect		496	-836
Value adjustments of hedging instruments after tax		**-1,482**	**2,465**
Exchange adjustments of foreign entities		58	1,043
Other adjustments		0	-656
Fair value adjustments other investments (gain/-loss)		-312	186
Other comprehensive income for the year, net of tax		**-1,736**	**3,038**
Total comprehensive income for the year, after tax		**-3,213**	**22,075**
Attributable to:			
Equity holders of the parent		-3,273	21,928
Non-controlling		60	147
		-3,213	22,075

Consolidated Balance Sheet

ASSETS

(Figures in USD '000)	Note	2010	2009
New building contracts	12	6,695	6,695
Fixtures, fittings and equipement	13	988	1,008
Total tangible assets		**7,683**	**7,703**
Investment in associates	14	2,785	2,894
Other investments		286	645
Derivative financial instruments	29	924	5,440
Other financial asstes	15	1,023	210
Deferred tax assets	23	3,397	2,970
Financial assets, non-current		**8,415**	**12,159**
Total non-current assets		**16,098**	**19,862**
Inventories	16	14,251	8,332
Trade and other receivables	17	27,968	29,827
Prepayments	18	18,800	10,374
Derivative financial instruments	29	6,283	9,549
Cash and short-term deposits	19	27,488	24,806
Current assets		**94,790**	**82,888**
TOTAL ASSETS		110,888	102,750

EQUITY AND LIABILITIES

(Figures in USD '000)	Note	2010	2009
Share capital	20	5,134	46,941
Share premium		12,048	0
Retained earnings		25,341	-23,134
Other reserves		-468	1,343
Total equity of majority interest		**42,055**	**25,150**
Minority interest		295	623
Total equity		**42,350**	**25,773**
Interest bearing loans and borrowings	24	42	25
Derivative financial instruments	29	1,010	9,800
Total non-current liabilities		**1,052**	**9,825**
Trade and other payables	26	51,822	45,949
Interest-bearing loans and borrowings	24	5,108	248
Provisions	22	0	8,422
Derivative financial instruments	29	10,504	12,378
Income tax payable		52	155
Total current liabilities		**67,486**	**67,152**
Total liabilities		**68,538**	**76,977**
TOTAL EQUITY AND LIABILITIES		110,888	102,750

Consolidated Cash Flow Statements

(Figures in USD '000)	Note	2010	2009
Profit/loss(-) before tax		-1,563	22,695
Paid tax including added interest on tax		27	-75
Adjustment to reconsile profit before tax to net cash flows			
Non-cash:			
Impairment, depreciation and amortisation	6,13	218	445
Share-based payments, expense	33	7,618	8,239
Incentive payment (cash based)		350	1,281
Share of gain/loss in associated companies	14	199	295
Interest expenses	8	109	211
Interest income	7	-155	-1,331
Net foreign exchange differences, realised		-166	-828
Net forward contract activity		-4,860	5,492
Movement in onerous contracts for the year		-7,422	-25,510
Other changes		-783	-4,575
Working capital adjustments:	*30*		
Change in current assets		-12,486	-22,814
Change in current liabilities		10,880	-3,051
Net cash flows from operating activities		**-8,034**	**-19,526**
Investments in tangible fixed assets	12,13	-208	-397
Loan associated companies		-753	0
Interest received		95	688
Other changes		10	0
Net cash flows from investing activities		**-856**	**291**
Dividends paid to equity holders and minority interests		-89	-9,102
Dividend received		0	503
Increase share capital including share premium		12,488	0
Sale of treasury shares		147	0
Loan group companies		5,000	0
Transfer of newbuilding contract to Camillo Eitzen & Co.		-5,360	0
Repayment, leasing		-123	-211
Interest paid		-109	-211
Other changes		-382	-12,990
Net cash flows from financing activities		**11,572**	**-22,011**
Net change in cash and cash equivalents		2,682	-41,246
Cash and cash equivalents at 1 January	19	24,806	66,052
Cash and cash equivalents at 31 December	19	**27,488**	**24,806**

Consolidated Statements of Changes in Equity

	Attributable to equity holders of the parent company									
				Other reserves						
(Figures in USD '000)	Share capital (Note 20)	Share premium	Retained earnings	Hedging reserves	Trans-lation reserve	Other	Total other reserves	Total Majority interest	Minority interest	Total Equity
At 1 January 2010	**46,941**	**0**	**-23,134**	**1,450**	**1,208**	**-1,315**	**1,343**	**25,150**	**623**	**25,773**
Total comprehensive income	-	-	-1,537	-1,482	58	-312	-1,736	-3,273	60	-3,213
Total comprehensive income	**0**	**0**	**-1,537**	**-1,482**	**58**	**-312**	**-1,736**	**-3,273**	**60**	**-3,213**
Other changes	-	-	0	0	-374	299	-75	-75	-299	-374
Decrease in share capital	-42,247		42,247					0		0
Increase of share capital	440	12,048						12,488		12,488
Share-based payment			7,618					7,618		7,618
Sale of trasury shares			147					147		147
Treasury shares received from Parent			532					532		532
Value of treasury shares			-532					-532		-532
Dividend	-	-	0	0	0	0	0	0	-89	-89
Changes during the year	**-41,807**	**12,048**	**50,012**	**0**	**-374**	**299**	**-75**	**20,178**	**-388**	**19,790**
At 31 December 2010	**5,134**	**12,048**	**25,341**	**-32**	**892**	**-1,328**	**-468**	**42,055**	**295**	**42,350**

	Attributable to equity holders of the parent company									
				Other reserves						
(Figures in USD '000)	Share capital (Note 20)	Share premium	Retained earnings	Hedging reserves	Trans-lation reserve	Other	Total other reserves	Total Majority interest	Minority interest	Total Equity
At 1 January 2009	**46,941**	**0**	**12,071**	**-1,016**	**167**	**-846**	**-1,695**	**57,317**	**476**	**57,793**
Total comprehensive income	0	-	18,890	2,466	1,041	-469	3,038	21,928	147	22,075
Total comprehensive income	**0**	**-**	**18,890**	**2,466**	**1,041**	**-469**	**3,038**	**21,928**	**147**	**22,075**
Other changes			-5,432	0	0	0	0	-5,432	0	-5,432
Share-based payment			8,239					8,239		8,239
Treasury shares received from Parent			17,721					17,721		17,721
Value of treasury shares			-17,721					-17,721		-17,721
Dividend	0	-	-56,902	0	0	0	0	-56,902	0	-56,902
Changes during the year	**0**		**-54,095**	**0**	**0**	**0**	**0**	**-54,095**	**0**	**-54,095**
At 31 December 2009	**46,941**	**0**	**-23,134**	**1,450**	**1,208**	**-1,315**	**1,343**	**25,150**	**623**	**25,773**

Notes to the Financial Statements

Notes to the Financial Statements

Note 1 – Group accounting policies

U-SEA Bulk Shipping A/S is a public limited company domiciled in Denmark. The annual report of U-SEA Bulk Shipping A/S for 2010 has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies, see the OMX Nordic Exchange Copenhagen A/S' disclosure requirements for annual reports of listed enterprises and the statutory order on the adoption of IFRS by enterprises subject to the Danish Financial Statements Act issued pursuant to the Danish Financial Statements Act.

Basis of preparation

The annual report has been prepared on the historical cost basis except all financial assets and liabilities held for trading and all financial assets that are classified as available for sale. These financial assets and liabilities have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges and otherwise carried at cost are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The accounting policies set out below have been used consistently in respect of the financial year and the comparative figures.

The annual report has been presented in USD thousands (USD ´000), except when otherwise indicated.

Accounting standards effective in 2010

U-SEA Bulk Shipping has adopted all new or amended and revised accounting standards and interpretations (IFRSs´) endorsed by the EU effective for the accounting period beginning on 1 January 2010. Based on an analysis made by U-SEA Bulk Shipping A/S, most of the IFRSs effective for 2010 have no material impact or are not relevant to the Group.

The following new standards and amendments to standards and IFRIC interpretations are mandatory for the first time for the financial year beginning 1 January 2010.

- IFRS 3 (revised 2008) "Business combinations" and IAS 27, "Consolidated and separate financial statements (amended)
- Amendments to IAS 32 "Financial instruments": Presentation and IAS 39 Financial instuments" Recognition and Measurements" or IFRIC 9 "Reassessment of embedded derivatives"
- Amendments to IFRS 2 Group Cash-settle Share-based Payment transactions
- Amendments to IFRS 1 First time adoption of IFRS
- Some of the improvements to IFRSs May 2008 effective 1 July 2009 and Improvements to IFRS April 2009
- IFRIC 18 "Transfers of assets from customers"

Basis of consolidation

The consolidated financial statements comprise the parent company U-SEA Bulk Shipping A/S and subsidiaries in which U-SEA Bulk Shipping A/S has control, i.e. the power to govern the financial and operating policies so as to obtain benefits from its activities. Control is obtained when the Company directly or indirectly holds more than 50% of the voting rights in the subsidiary or which it, in some other way, controls.

Enterprises over which the Group exercises significant influence, but which it does not control, are considered associates. Significant influence is generally obtained by direct or indirect ownership or control of more than 20% of the voting rights but less than 50%.

When assessing whether U-SEA Bulk Shipping A/S exercises control or significant influence, potential voting rights which are exercisable at the balance sheet date are taken into account.

Common control transactions are accounted for using the pooling of interest method. The receiving company of the net assets initially recognizes the assets and liabilities transferred at their carrying amount. The result of operations for the period in which the transfer occurs is presented as though the transfer had occurred at the beginning of the period. Financial statements and financial information for prior years are restated to provide appropriate comparative information.

The consolidated financial statements have been prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements prepared according to the Group accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the Group's ownership share of the enterprise. Unrealised losses are eliminated in the same way as unrealised gains to the extent that impairment has not taken place.

The accounting items of subsidiaries are included in full in the consolidated financial statements. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries which are not wholly owned are included in the Group's profit/loss and equity, respectively, but are disclosed separately.

Foreign currency translation

For each of the reporting entities in the Group, a functional currency is determined. The functional currency is the currency used in the primary financial environment in which the reporting entity operates. Transactions denominated in other currencies than the functional currency are foreign currency transactions.

On initial recognition, foreign currency transactions are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised in the income statement as financial income or financial expenses.

In the consolidated financial statements, the income statements of entities with another functional currency than USD are translated at the exchange rates at the transaction date and the balance sheet items are translated at the exchange rates at the balance sheet date. An average exchange rate for each month is used as the transaction date exchange rate to the extent that this does not significantly distort the presentation of the underlying transactions. Foreign exchange differences arising on translation of the opening balance of equity of such foreign operations at the exchange rates at the balance sheet date and on translation of the income statements from the exchange rates at

Notes to the Financial Statements

the transaction date to the exchange rates at the balance sheet date are recognised in other comprehensive income and presented in equity under a separate translation reserve.

Derivate financial instruments and hedging

U-SEA Bulk Shipping uses derivative financial instruments such as forward currency contracts, bunker hedge and FFA's to hedge part of risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivate contract is entered into and are subsequently re-measured at fair value. Derivates are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivates that do not qualify for hedge accounting are taken directly to profit or loss. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of bunker and the fair value of FFA's are determined by reference to market values for similar instruments. For the purpose of accounting, hedges are classified as:

- fair value hedges when hedging the exposure to change in fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or

- cash flow hedge when hedging exposure to variability in cash flow that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At time of entering into a hedge relationship, U-SEA Bulk Shipping designates and documents the hedge relationship to which U-SEA Bulk Shipping wishes to apply for hedge accounting and the risk management objectives and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk, Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The criteria for classifying a derivate as a hedging instrument are as follows:

- the hedge is expected to be effective in achieving offsetting changes in fair value or cash flows attributable to the hedged item — a hedging efficiency within the range of 80—125 per cent over the life of the hedging relationship is expected,
- the effectiveness of the hedge can be reliably measured,
- there is adequate documentation when the hedge is entered into that the hedge is expected to be effective,
- for cash flow hedges of forecast transaction, the transaction must be highly probable, and
- the hedge is evaluated regularly and has proven to be effective.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

Derivatives designated as hedging instruments are measured at fair value and changes in fair value are recognised in the income statement. Correspondingly, a change in the fair value of the hedged item attributable to the hedged risk is recognised in the income statement. The fair value hedge accounting is discontinued if the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria far hedge accounting stated above.

Cash flow hedges

Changes in the fair value of a hedging instrument that meet the criteria for cash flow hedge accounting are recognized in comprehensive income. The ineffective part of the hedging instrument is recognised directly in the income statement. Gains and losses that are recognised in comprehensive income are taken to the income statement in the same period or periods as the cash flow which comprises the hedged item is recognised in the income statement. The principle also applies if the hedged forecasted transaction results in an asset or liability being recognised in the balance sheet. If the cash flow hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued. The cumulative gain or loss of the hedging instrument recognised in comprehensive income remains separately recognised in comprehensive income until the forecast transaction occurs. If the cash flow hedged transaction is no longer expected to occur, any previously accumulated gain or loss of the hedging instrument that has been recognised in comprehensive income will be carried to profit or loss. Derivates not accounted for as hedging instruments are classified as financial assets at fair value through profit or loss and measured at fair value. Changes in the fair value of such derivates are recognised in the income statement.

Determination of fair value

The fair value of financial assets and liabilities is measured on the basis of quoted market prices of financial instruments traded in an active market. If an active market exists, fair value is based on the most recent observed market price at the end of the reporting period.

If an active market does not exist, the fair value is measured according to generally accepted valuation techniques. Market-based parameters are used to measure fair value.

For bunker contracts the price is based on observable stock market in Rotterdam and Singapore. The value of FFAs is assessed on basis of daily recorded prices from the Baltic Exchange.

Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to Executive Management and the Board of Directors of U-SEA Bulk Shipping. For management reporting purposes, the Group operates in two global business segment based on operator and shipholding activities within the dry bulk cargo industry.

Segment revenue and costs and segment assets and liabilities comprise items which are directly attributable to the individual segment and the items which can be allocated to the individual segment on a reliable basis. Unallocated items primarily comprise assets and liabilities and income and costs related to the Group's administrative functions, investment activities, income taxes, etc. Non-current segment assets comprise non-current assets used directly in the operating activities of the segment, including intangible assets, property, plant and equipment, and investments in associates. Current segment assets comprise current assets used directly in the operating activities of the segment, including inventories, trade receivables, other receivables, prepayments and cash at bank and in hand. Segment liabilities comprise liabilities resulting from the operating activities

Notes to the Financial Statements

of the segment, including trade payables and other payables.

Minority interests

Minority interests represent the portion of profit or loss and net assets not held by U-SEA Bulk Shipping A/S and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from the parent shareholders' equity. Initially the minority interest is recognised based on their share of the fair value of the assets and liabilities acquired.

INCOME STATEMENT

Revenue and expenses

All voyage revenues and voyage expenses are recognised on a percentage of completion basis. U-SEA Bulk Shipping A/S uses a discharge-to-discharge basis in determining percentage of completion for all spot voyages and voyages servicing contract of affreightment (CoA). With this method, voyage revenue is recognised evenly over the period from the departure of a vessel from its original discharge part to departure from the next discharge port. Vessels without signed contracts in place at discharge have no revenue before a new contract is signed. Voyage related expenses incurred for vessels in the idle time are expensed. Demurrage is included if a claim is considered probable. Losses arising from time or voyage charter are provided for in full when they become probable.

Profit from the sale of vessels etc.

Profits from the sale of vessels are stated as the difference between the sales price of the vessel less selling costs and the carrying amount of the vessel at the time of delivery.

Profit from investments in associates

The proportionate share of the result after tax of associates is recognized in the consolidated income statement after elimination of the proportionate share of intra-group profits/losses.

Profit from investments in joint ventures

The proportionate share of the result after tax of the joint ventures is recognized in the consolidated income statement after elimination of the proportionate share of intra-group profit/losses.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities. Furthermore, realised and unrealised gains and losses on derivative financial instruments which are not designated as hedging instruments are included.

Taxes

U-SEA Bulk Shipping A/S is jointly taxed with the parent company Ultragas ApS, and the parent company is the administration company for the jointly taxed companies. The current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. In relation to the shipping activities U-SEA Bulk Shipping A/S participates in the Danish Tonnage Tax Scheme. Companies that use tax losses in other companies pay the joint tax contribution to the parent company at an amount corresponding to the tax value of the tax losses used. Companies whose tax losses are used by other companies receive joint tax contributions from the parent company corresponding to the tax value of the losses used (full absorption). The jointly taxed companies are taxed under the tax prepayment scheme.

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement. Tax attributable to entries directly under comprehensive income is recognised directly in other comprehensive income. .

BALANCE SHEET

Tangible assets

Tangible assets are measured at cost less accumulated depreciation and impairment losses.
Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. Instalments and costs incurred during the construction period on new building contracts are capitalised as they are paid. Borrowing costs (interest) that are attributable to the construction of the vessels are capitalised and included as part of the cost. The capitalised value is reclassified from newbuildings to vessels upon delivery from the yard.

Where individual components of an item of tangible assets have different useful lives, they are depreciated separately. Depreciation is provided on a straight-line basis over the expected useful lives of the assets/components. The expected useful lives are as follows:

- Vessels, 20 years
- Fixtures, fittings and equipment; 3 - 10 years

Depreciation is calculated on the basis of the residual value and impairment losses, if any. The useful life and residual value is determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued. The residual value of the vessels is estimated as the lightweight tonnage of each vessel multiplied by scrap value per ton.

When changing the depreciation period or the residual value, the effect on the depreciation is recognised prospectively as a change in accounting estimates.

The carrying values of vessels and newbuildings are reviewed for impairments when events or changes in circumstances indicate that the carrying value may not be recoverable. Valuations are performed frequently to ensure that the fair value of the asset does not differ materially from its carrying amount.

Investments in associates

Investments in associates are recognised in the consolidated financial statements according to the equity method. Investments in associates are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus the proportionate share of unrealised intra-group profits and losses and plus additional value on acquisition, including goodwill. Investments in associates are tested for impairment when impairment indicators are identified.

Investments in associates with negative net asset values are measured at USD 0 (nil). If the Group has a legal or constructive obligation to cover a deficit in the associate, the remaining amount is recognised under provisions.

Investments in joint ventures

Undertakings which is jointly contractually operated jointly with one and more undertakings (joint ventures) and which of are thus jointly controlled are the consolidated financial statements according to the equity method.

Investments in joint ventures are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus the proportionate share of unrealised intra-group

Notes to the Financial Statements

profits and losses and plus additional value on acquisition, including goodwill. Investments in joint ventures are tested for impairment when impairment indicators are identified.

Investments in joint ventures with negative net asset values are measured at USD 0 (nil). If the Group has a legal or constructive obligation to cover a deficit in the joint ventures, the remaining amount is recognised under provisions.

Amounts owed by associates are measured at amortised cost. Write-down is made for bad debt losses.

Other investements
Shares and bonds not included in the Group's trading portfolio (available-for-sale) are recognised under non-current assets at cost at the trade date and are measured at fair value corresponding to the market price of quoted securities and for unquoted securities an estimated fair value computed on the basis of current market data and generally accepted valuation methods. Unrealised value adjustments are recognised directly in comprehensive income except for impairment losses as well as foreign exchange adjustments of bonds denominated in foreign currencies, which are recognised in the income statement as financial income or financial expenses. On realisation, the accumulated value adjustment recognised in comprehensive income is transferred to financial income or financial expenses in the income statement.

Impairment of non-current assets
Deferred tax assets are subject to annual impairment tests and are recognised only to the extent that it is probable that the assets will be utilised.

Impairment of vessels and new building contracts are described separately cf. note 2. The carrying amount of other non-current assets is tested annually for indicators of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit, respectively, exceeds the recoverable amount of the asset or the cash-generating unit. Impairment losses are recognised in the income statement in a separate line item.

Impairment is reversed only to the extent of changes in the assumptions and estimates underlying the impairment calculation. Impairment is only reversed to the extent that the asset's increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

Receivables
Receivables are measured at amortised cost. Write-down is made for bad debt losses when there is objective evidence that a receivable or a portfolio of receivables has been impaired. If there is objective evidence that an individual receivable has been impaired, write-down is made on an individual basis.

Inventories
Inventories are valued at the lower of cost and net realisable value. Cost is determined an a first-in, first-out (FIFO) basis, Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense. Costs of bunkers include the transfer from equity to profit and loss on qualifying cash flow hedges.

Cash and cash equivalents
Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Statement of changes in equity
Dividends
Dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The proposed dividend payment for the year is disclosed as a separate item under equity. Interim dividends are recognised as a liability at the date when the decision to pay interim dividends is made.

Treasury share
The acquisition and sale of treasury shares and dividends thereon are taken directly to retained earnings under equity.

Translation reserve
The translation reserve comprises foreign exchange differences arising on translation of financial statements of entities that have a functional currency different from USD. On full or partial realisation of the net investment, the foreign exchange adjustments are recognised in the income statement.

Hedging reserve
The hedging reserve comprises the cumulative net change in the fair value of hedging transactions that qualify for recognition as a cash flow hedge and where the hedged transaction has not been realised.

Treasury shares received as a contribution from Parent
Treasury shares received from Parent without any kind of service etc. is rendered, are recognised directly on equity.

Provisions
Provisions are recognised when U-SEA Bulk Shipping A/S has a present obligation (legal or constructive) as a result of a past event, it is probable that the obligation has to be settled and that a reliable estimate of the obligation can be made.

Financial liabilities
Other liabilities, including trade payables, payables to related parties as well as other payables, are measured at amortised cost, which corresponds to the net realizable value in all essentials.

Leases
All significant leases are classified as operational lease. The payments (time-charter hire) are recognised as an expense and charged to profit or loss on a straight line basis over the term for the lease.

Deferred tax
All significant Danish entities within the Group entered into the Danish tonnage taxation scheme for a binding 10 year period with effect from 1 January 2001. Under the Danish tonnage taxation scheme, taxable income is not calculated on the basis of income and expenses as under the normal corporate taxation. Instead, taxable income is calculated with reference to the tonnage used during the year. The taxable income for a company for a given period is calculated as the sum of the taxable income from the activities under the tonnage taxation scheme and the taxable income from the activities that are not covered by the tonnage taxation scheme made up in accordance with the ordinary Danish corporate tax system.

Notes to the Financial Statements

If the participation in the Danish tonnage taxation scheme is abandoned, or if the entities level of investment and activity is significant reduced, a deferred tax liability will become payable. The deferred tax liability related to vessels is measured on the basis of the difference between the tax value of the vessels at the date of entry into the tonnage taxation scheme and the lower of the cost and the realized or realizable sales value of the vessels.

In regarding to the taxable income made up in accordance the ordinary corporate tax system a deferred tax is recognized in each period end and is accounted for using the balance sheet liability method, Deferred tax assets, including the tax value of tax loss carryforwards, are recognised under other non-current assets at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax assets and liabilities are offset if the Company has a legally enforceable right to set off current tax liabilities and tax assets or intends either to settle current tax liabilities and tax assets on a net basis or to realise the assets and settle the liabilities simultaneously.

Share based payment

The Executive management and employees participate in a share-based payment program, where the employees are granted share options. The program does not provide the choice of cash settlement instead of shares. The fair value of the shares and options are measured at the grant date and is recognised in the income statement as under administration expenses over the vesting period. The counter item is recognised in equity. The fair value is based on the Black-Schools model.

Cash flow statement

The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated according to the indirect method as the profit/loss before tax adjusted for non-cash operating items, changes in working capital, interest, payments, dividends and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of businesses and of intangible assets, property, plant and equipment and other non-current assets as well as acquisition and disposal of securities not classified as cash and cash equivalents.

Cash flows from financing activities comprise changes in the share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, acquisition and disposal of treasury shares and payment of dividends to shareholders.

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less at the acquisition date which are subject to an insignificant risk of changes in value.

Cash flows in other currencies than the functional currency are translated using average exchange rates unless these deviate significantly from the rate at the transaction date.

Notes to the Financial Statements

Note 2 – Significant accounting judgment, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustments to the carrying amounts of asset and liability affected in future periods.

Judgments

In the process of applying U-SEA Bulk Shipping A/S's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognised in the financial statements.

Hedge accounting

In connection with forward freight agreements (FFA's), purchase of bunkers and currencies U-SEA Bulk Shipping A/S uses hedge accounting. Several qualifications have to be met before a hedge is qualified as hedge accounting. One of the qualifications is that the hedge is expected to be highly effective. If a hedge is subsequently measured as ineffective, and therefore deviates from the original judgment, the result must be carried to profit and loss immediately. This could result in a dislocation of the result from one accounting year to another.

Operational versus financial lease of vessels

Based on the contents of the lease agreements it is determined if the lease is considered as an operational or a financial lease agreement. In this determination, assumptions are made, that if same were judged differently, it could have an effect on the income statement and the balance sheet. The most significant judgment is the forecasted future market value of the vessel at the dates where the purchase options can be utilized.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material judgment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Impairment of new building contracts

U-SEA Bulk Shipping A/S assesses at each reporting date whether there is indications of impairment. If any indication exists or when annual impairment testing for an asset is required, U-SEA Bulk Shipping A/S estimates the assets recoverable amount.

The recoverable amount is measured using the highest of the fair value less cost to sell or value in use approach, and impairment is charged if the highest of the fair value less cost to sell or value in use is less than the carrying amount of the assets. The fair value less cost to sell is estimated based on two independent broker valuations and historical sale price in the present market conditions. The broker valuations and sale prices will give a range for what is expected to be the fair value of the assets. The exact value used to measure the impairment charges is encumbered with uncertainty and is based on what the Company believes is the best estimate of the fair value. The value in use is calculated as the present value of the total expected cash flows during the rest of the vessels economic lives including entered COAs, time charters and by using estimated rates on the basis of historical data for uncovered capacity.

Onerous contract

At each balance sheet date U-SEA Bulk Shipping A/S assesses if there are contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received. These are defined as onerous contracts. U-SEA Bulk Shipping A/S assesses the contracts as a total value within the separate segments. If the contracts within the separate segments are onerous, the present obligation under the contract will be measured and recognised as a provision.

Notes to the Financial Statements

Note 3 – Business segment reporting

Year ended 31 December 2010 — Business segments

(Figures in USD '000)	Operator	Shipholding	Adjustments and eliminations	Total Group
Condensed income statement				
Freight income	593,050	0		593,050
Inter-segment revenue		25,564	-25,564	0
Voyage related expenses	-174,526	-86	0	-174,612
Charter hire	-403,706	-18,501	25,564	-396,643
Gross profit (net earnings from shipping activities)	14,818	6,977	0	21,795
Profit before depreciation etc. (EBITDA)	-6,172	5,486	492	-194
Depreciation	-213	-5		-218
Operating profit (EBIT)	-6,385	5,481	492	-412
Condensed balance sheet				
Total non-current assets	9,266	6,832	0	16,098
Total assets	95,255	16,917	-1,280	110,888
Total liabilities	63,456	4,949	133	68,538

Year ended 31 December 2009 — Business segments

(Figures in USD '000)	Operator	Shipholding	Adjustments and eliminations	Total Group
Condensed income statement				
Freight income	376,029	0	0	376,029
Inter-segment revenue	0	20,206	-20,206	0
Voyage related expenses	-104,966	-145	0	-105,111
Charter hire	-233,658	-12,086	20,206	-225,538
Sale of goods and other income	110	4	0	114
Gross profit (net earnings from shipping activities)	37,515	7,979	0	45,494
Profit before depreciation etc. (EBITDA)	14,886	6,015	-160	20,741
Depreciation	-441	-4	-	-445
Operating profit (EBIT)	14,445	6,011	-160	20,296
Condensed balance sheet				
Total non-current assets	26,419	6,707	-13,264	19,862
Total assets	96,809	15,225	-9,284	102,750
Total liabilities	69,350	8,770	-1,143	76,977

Adjustments and eliminations in the condensed income statement are mainly due to elimination of inter-segment revenues and cost. The condensed income statement is reconciled to profit before financial items and tax. These items are managed on group basis. The Group provides information on operating assets and liabilities. The remaining operation, which amongst other are reflected in adjustment and eliminations, do not constitute an individual operating segment.

Transfer prices between the business segments are set on arm´s length basis in a manner similar to transactions with third parties. Segment revenue, segment expenses and segment results include transfers between business segments. Those transfers are eliminated in the consolidation.

Notes to the Financial Statements

(Figures in USD '000)	2010	2009
Note 4 – Remuneration to the auditor appointed at the general meeting		
Fee's to KPMG		
Audit	160	0
Other assurance service	0	0
Tax consultancy	14	0
Other services	0	0
Total	**174**	**0**
KPMG was elected by the Extraordinary General meeting as at 17 September 2010		
Fee's to Ernst & Young		
Audit	0	271
Other assurance service	78	0
Tax consultancy	11	0
Other services	0	245
Total	**89**	**516**
Note 5 – Staff costs		
Fixed salaries	7,404	6,636
Pensions - defined contribution plan	357	261
Other expenses for social security etc.	385	1,045
Incentive payment (cash based)	-	1,281
Share-based payments	7,618	8,239
Total	**15,764**	**17,462**
Staff costs included in administration expenses	15,764	17,462
Total	**15,764**	**17,462**
Average number of employes	56	52

	2010		2009	
(Figures in USD '000)	Board of Directors	Executive Management	Board of Directors	Executive Management
Remuneration for the Management				
Fixed salaries	0	506	0	323
Pensions - defined contribution plan	0	14	0	0
Other expenses for social security etc.	0	0	0	1
Incentive payment (cash based)	0	0	0	172
Share-based payment	0	1,080	0	1,167
Total remuneration for the Board of directors and executive management	**0**	**1,600**	**0**	**1,663**

Senior management and a number of the employees are covered by a incentive scheme (cash based) tied earnings performance. As of 2010 this is based on 5% of the EBITDA result in U-SEA Bulk Shipping A/S. For a description of the share-based payment please refer to note 33.

The members of the executive management are subject to a notice of up to 18 months and can resign from management with a notice up to 9 month. No severance payment applies.

Notes to the Financial Statements

(Figures in USD '000)	2010	2009
Note 6 – Depreciation		
Depreciation fixtures, fittings and equipment	218	445
Total	**218**	**445**
Note 7 – Financial income		
Interest income, Bank	25	149
Other interest income	130	1,182
Total	**155**	**1,331**
Note 8 – Financial expenses		
Interest expenses, Bank	1	1
Interests on leasing debt	13	23
Other interest expenses	95	187
Total	**109**	**211**
Note 9 – Other financial items		
Foreign exchange gain	331	3,775
Derivate financial instruments, not designated as hedge	0	456
Other financial income	18	0
Other financial income	**349**	**4,231**
Foreign exchange loss	-856	-2,208
Derivate financial instruments, not designated as hedge	-456	-318
Other financial expenses	-35	-131
Other financial expenses	**-1,347**	**-2,657**
Total	**-998**	**1,574**
Note 10 – Tax		
Current tax on profit for the year	0	-156
Deferred tax on profit for the year	-80	3,014
Tax on profit for the year	**-80**	**2,858**
Adjustments related to previous years - current tax	106	0
Adjustments related to previous years - deferred tax	-112	800
Tax in the income statement	**-86**	**3,658**
Computation of effective tax rate (%):		
Statutory corporate income tax rate in Denmark	25.0	25.0
Effects from Tonnage Tax Scheme	-7.0	-4.4
Effects of adjustments related to prior years	-5.7	-3.5
Deviation in foreign subsidiaries' tax rates compared to the Danish tax rate (net)	-8.0	-5.9
Effects of share purchase program	1.1	4.7
Non-tax income less non-tax deductible expenses (net)	0.1	0.2
Effective tax rate	**5.5**	**16.1**
Tax on fair value adjustments on financial instruments	-496	836
Tax relating to other comprehensive income	**-496**	**836**

Notes to the Financial Statements

(Figures in USD '000)		2010	2009
Note 11 – Shareholders' information			
Earnings per share			
Net profit for the year		-1,477	19,037
Profit attributable to the minority		-60	-147
Profit attributable to the equity holders of the parent		-1,537	18,890
Average number of shares outstanding		24,876,792	24,638,502
Average number of treasury shares		0	-47,252
Average number of shares		24,876,792	24,591,250
Dilutive effect of share options		0	61,838
Weighted average number of ordinary shares adjusted for the effect of dilution		24,876,792	24,653,088
Basic earnings per share	USD	-0.06	0.77
Diluted earnings per share	USD	-0.06	0.77
Note 12 – New building contracts			
Cost:			
Cost at 1 January		6,695	6,695
Additions for the year		0	0
Disposals for the year		0	0
Transferred during the year to vessels		0	0
Cost at 31 December		6,695	6,695
Impairment at 1 January		0	0
Impairment for the year		0	0
Transferred during the year to vessels		0	0
Impairment at 31 December		0	0
Carrying amount at 31 December		**6,695**	**6,695**
Note 13 – Fixtures, fittings and equipment			
Cost:			
Cost at 1 January		6,321	5,924
Exchange adjustment		0	0
Additions for the year		208	397
Disposals for the year		-1,146	0
Cost at 31 December		5,383	6,321
Depreciation and impairment at 1 January		-5,313	-4,868
Exchange adjustment		0	0
Depreciation for the year		-218	-445
Impariment for the year		0	0
Reversed depreciation and impairment for the year		1,136	0
Depreciation and impairment at 31 December		-4,395	-5,313
Carrying amount at 31 December		**988**	**1,008**

Notes to the Financial Statements

(Figures in USD '000)	2010	2009
Note 14 – Investments in associates		
Associated companies:		
Cost:		
Cost at 1 January	3,218	2,572
Exchange adjustment	82	646
Additions for the year	0	0
Disposals for the year	0	0
Cost at 31 December	3,300	3,218
Value adjustment at 1 January	-324	475
Exchange adjustment	8	0
Share of the result for the year	-199	-295
Dividends paid	0	-504
Value adjustment at 31 December	-515	-324
Carrying amount at 31 December	**2,785**	**2,894**
The carrying amount can be specified as follows:		
Pérola S.A., Brasil, interest 20%	2,785	2,894
Ultra Summit (Singapore) Pte. Ltd., 50%	0	0
	2,785	**2,894**
Key figures for investment in associates:		
Assets	21,934	15,028
Liabilities	10,814	-3,340
Net assets	11,120	11,688
Revenues	9,626	5,762
Profit/loss	-977	-1,447

Joint ventures:

Ultra Summit (Singapore) Pte. Ltd. was established 17 December 2010 and has purchased a vessel with delivery on 25 February 2011.

	2010	2009
Note 15 – Other financial assets, non-current		
Receivables, Pérola S.A., Brasil	1,023	210
Total	**1,023**	**210**

Notes to the Financial Statements

(Figures in USD '000)	2010	2009
16 – Inventories		
Bunker (at cost)	14,251	8,332
Total inventories at lower of cost and net realisable value	**14,251**	**8,332**
Bunker expenses recognised in profit and loss	126,975	76,720

Part of the bunker consumption has been hedged in accordance with the Groups risk management policy.
This is described in Note 25.

	2010	2009
Note 17 – Trade and other receivables (current)		
Customers (trade receivables)	14,815	8,669
Accrued income (trade receivables)	7,515	10,315
Other receivables	5,638	10,843
Total	**27,968**	**29,827**

Trade receivables are non-interest bearing and are generally of 5 - 30 day terms.

Trade receivables not impared on the reporting date and past due in the following periods:	2010	2009
- less than 30 days	8,233	5,396
- between 30 days and 60 days	2,324	3,273
- more that 60 days	4,258	0
Carrying amount of trade receivables	14,815	8,669
Trade receivables at initial value impaired and fully provided for	1,188	1,073

	2010	2009
Note 18 – Prepayments		
Charter hire	13,259	7,396
Insurance	5,188	2,737
Others	353	240
Total	**18,800**	**10,374**
Note 19 – Cash and short-term deposits		
Cash at bank and in hand	27,488	20,254
Bank deposits	-	4,552
Total	**27,488**	**24,806**

Notes to the Financial Statements

Note 20 – Share capital

	Number of shares	DKK'000	USD'000
2005 and before	2,500,000	25,000	4,196
2006	2,500,000	25,000	4,196
2007	2,500,000	25,000	4,196
2008	2,500,000	25,000	4,196
At 1 January 2009	**2,500,000**	**25,000**	**4,196**
Increase of share capital through merger with Shipholding Holding A/S	22,138,502	221,385	42,745
At 1 January 2010	**24,638,502**	**246,385**	**46,941**
Decrease in share capital on 23 March 2010 allocated to retained earnings		-221,746	-42,247
Increase in share capital on 26 November 2010	2,461,498	2,461	440
At 31 December 2010	**27,100,000**	**27,100**	**5,134**

No shares confer any special rights upon its holder. No restrictions have been imposed on negotiability of the shares or on voting rights. All issued shares are fully paid.

(Figures in USD '000)	2010	2009
Note 21 – Treasury shares		
Number of treasury shares		
Holding at the beginning of the year	2,463,850	0
Treasury shares received from Parent	73,916	2,463,850
Sale during the year	-2,214,070	0
Number of treasury shares at the end of the year	**323,696**	**2,463,850**
Treasury shares as a % of share capital at the end of the year	1.2	10.0

The treasury shares are related to the adoption of a share options program for the management and employees in the Group.

Following the termination of the share options program, the company holds 37,646 treasury shares as of January 2011.

Note 22 – Provisions	2010	2009
Provisions - onerous contracts, non-current	0	0
Provisions - onerous contracts, current	0	8,422
Total	**0**	**8,422**
Provisions at 1 January	8,422	33,932
Used for the year	-8,422	-25,510
Provisions for the year	0	0
Provisions at 31 December	0	8,422

Notes to the Financial Statements

(Figures in USD '000)	2010	2009
Note 23 – Deferred tax asset		
At 1 January	2,970	7,790
Deferred tax on profit for the year	-177	-3,014
Adjustments related to previous years	376	-800
Deferred tax on items recognised on other comprehensive income	497	-836
Exchange rate adjustments	-269	-170
Total deferred tax assets/-liabilities, net at 31 December	**3,397**	**2,970**
Deferred tax gross:		
Deferred tax assets	3,397	2,970
Deferred tax liabilities	0	0
Total deferred tax assets/-liabilities, net at 31 December	**3,397**	**2,970**
Deferred tax are allocable to the various items in the balance sheet:		
Tangible assets	-85	-1,649
Provisions for doubtful trade and other receivable etc.	1,057	1,064
Provisions	231	250
Financial instruments	-2,228	-2,396
Other liabilities	-1,569	1,191
Tax-loss carried forward	5,991	3,510
Share-based payment programme	0	1,000
Deferred tax, net	**3,397**	**2,970**
The tax assets are expected to be utilised within 3-5 years		
Note 24 – Interest-bearing loans and borrowings		
Leasing debt, non-current	42	25
Leasing debt, current	108	248
Loan from the parent company Ultragas ApS	5,000	0
Total	**5,150**	**273**

Notes to the Financial Statements

Note 25 – Financial risk management, objectives and polices, and internal control

Risk management overview

Generally the market conditions for shipping activities are volatile and, as a consequence, the company's results may vary from year to year and even from quarter to quarter. In addition, the company is exposed to a number of different financial market risks arising from the company's normal business activities.

MARKET RISKS

Freight rates

The business model for an operator is to build a portfolio of vessels on the one hand and a portfolio of cargoes on the other. Depending on the market expectations the company can decide on being long on cargoes (typically when expecting a decreasing market) or long on vessels (typically when expecting an increasing market).

Unexpected fluctuation in freight rates is the key factor affecting cash flow and the value of committed assets. The level of risk depends firstly on the level of such unexpected fluctuations and secondly on the size of the imbalance between the commitment on cargoes and commitment on vessels taken by the company.

U-SEA Bulk Shipping A/S's business model is to maintain a relatively balanced book building and to constantly keep a strict control of the level of exposure by utilising state of the art back office exposure systems, which allows the company to timely adjust its book building.

Fuel Prices

Contracts of Affreightment (cargo contract containing multiple cargoes) are normally based on fixed freight rates, which exposes the company to fluctuations on fuel prices.

The Company seeks to reduce the exposure to fluctuating bunker fuel prices through compensation clauses in contracts with clients. On contracts (CoA's) where this is not possible the Company use commodity based derivative to reduce bunker exposure.

Counterparty risk

The company's main credit risks are related to its counterparty risk, and partly to banks and shipyards in relation to deposits and prepayments on newbuilidings. The risk profile is determined by the counterparty's solvency and type of legal contract upon which the deal is based.

Single cargoes

It is industry standard that freight payment is made within few days of departing from the loading port. It is also an industry standard that the disponent owner has a lien in the cargo, should the freight payment not have been paid prior to the arrival at the discharge port. The counterparty risk on these types of deals is therefore limited.

Contract of Affreightment (multiple cargoes)

It is important for U-Sea Bulk Shipping to carefully evaluate counterparty risk on CoA contracts, as the company is highly dependent on the counterparty's solvency and its ability and willingness to fulfill their obligations.

Approval of CoA counterparties is done on senior management level only, and involves the following elements:

- Positive credit rating report from a London based maritime credit rating bureau
- Positive industry references
- Satisfactory performance on existing commitments, if any, between U-SEA Bulk Shipping and the counterpart

Approval of counterparties may vary from one cargo to multiple year contracts.

Timecharter out

U-sea Bulk Shipping does only on a limited basis use 'timecharter out', however occasionally U-sea Bulk Shipping vessels are on shorter or longer time charter to other ship operators. The approval process is very similar to that outlined above, with extra emphasis on positive industry references and positive references from the fuel purchase market.

Timecharter in

Although it is U-Sea Bulk Shipping paying hire to the owners of the vessel, there is a risk that the owners may default and the contract terminate early. The loss of such charter may represent a significant risk, wherefore U-Sea Bulk Shipping evaluates these types of contracts in line with those of the CoAs and timecharter out.

Derivative financial instruments are only entered with highly rated financial institutions, which imply that the credit exposures for these transactions are expected to be at an acceptable level.

Forward Freight Agreements (FFA)

Several contract types are being offered in the derivatives market, U-SEA Bulk Shipping however only utilizes SWAPs.

FFAs are utilised both as an instrument for hedge and speculation, for cargo as well as vessel commitments. The company utilises extensive risk management systems in order to control the market value of all open positions. Based on the risk systems, the company is able to monitor the market position on a daily basis. The strategy is that the overall maximum exposure, i.e. FFAs and physical commitments in monetary terms, is directed by the Board of Directors and is furthermore not exceeding 20 percent of the anticipated physical activity without prior approval of the Board of Directors. As a rule, the FFA exposure in non-hedge related deals are not to exceed five net trading years.

INTEREST RATE RISK EXPOSURE

Interest rate and currency risks are moderate financial risks for U-SEA Bulk Shipping. Management periodically reviews and assesses the primary financial market risks. U-SEA Bulk Shipping will use financial derivates to manage such risks. These may include interest rate swaps, forwards contracts and options.

The Company's exposure to interest rate risk is insignificant as the company continues to have minor loans.

CURRENCY RISK

The company's reporting currency is USD. Most of the company's revenues and expenses are denominated in USD. The company has no owned vessels, but will as part of the new building program own one vessel from 2011 and a partly own vessel in the joint venture Ultra Summit (Singapore) Ltd Pte. The company's strategy is to finance the vessels in the same currency as the vessels receive income. As a consequence, the vessel is expected be financed in USD. The newbuilding is contracted in Japanese Yen, but at the moment the company has not entered into any currency hedges to mitigate the exposure. The company may use financial derivatives to reduce the net operational currency exposure.

Notes to the Financial Statements

Currency risks on administrative expenses can be hedged up to 100% of total exposure. In, 2010 currency hedges were entered into, but end of 2010 the company had no currency hedges.

LIQUIDITY EXPOSURE

It is the company's objective to maintain a balance between continuity of funding and flexibility through the usage of available bank facilities, or the listing which is considered a natural source for funding of future investment opportunities. The company's obligations are determined on an on-going basis and adjusted in accordance with earnings projections and the ability to pursue attractive investment opportunities. The company's surplus liquidity is placed in bank accounts with interest on deposits, or through term deposits.

CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains an adequate capital ratio in order to support its business and maximise shareholder value. U-SEA Bulk Shipping manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the company can acquire own shares, make dividend payment to shareholders, return capital to shareholders or issue new shares.

OTHER RISKS

Environment

The vessels controlled by U-Sea Bulk Shipping are chartered and therefore the majority of risk in connection with environmental issues rests the owner of the vessel. There are however situations, whereby U-Sea Bulk Shipping may become liable for spills or other environmental impacts. U-Sea Bulk Shipping has an insurance against these types of accidents limited to USD 350 million for each single incident.

Piracy

Unfortunately piracy has become an integral part of the Somalian economy, and the risks encountered transiting Somalian waters are substantial. It is the policy of the company that transit within joint war committee zone of the coast of Somalia is subject to Management approval. The company is constantly following the recommendations made by the UN subsidiary International Maritime Organisation (IMO), and the recommendations made by the underwriters.

INTERNAL CONTROL

The company's risk management and internal controls in relation to financial processes are designed with the purpose of effectively controlling the risk of material misstatements. The key elements include:

- Risk assessment,
- Control activities
- IT systems
- Monitoring

Risk assessment

The Board of Directors by attending the Audit Committee and Executive Management perform regular assessments of the risk exposure of U-SEA Bulk Shipping, inculding the impact on the financial reporting and the financial reporting process.

Control activities

The control procedures are integrated in the accounting and reporting systems, through approval procedures, reconciliations and analytical controls.

IT systems

The company operates with a common global commercial IT system that ensures uniformity and transparency in data used for the financial reporting and controlling. Information and communication systems to ensure accounting and internal control compliance are established including Accounting Manual, Internal Control requirements, Budgeting Manual and other relevant guidelines.

Monitoring

Each month the company reports financial data and comments on financial and commercial developments by preparing consolidated financial statements and reports for the Executive Management and the Board of Directors. The reporting is controlled on an ongoing basis. In connection with the preparation of the Annual and Interim Reports, additional analysis and control activities are performed.

Notes to the Financial Statements

(Figures in USD '000)	2010	2009
Note 26 – Trade and other payables (current)		
Trade payables	28,864	23,286
Prepaid income	1,868	1,105
Accrued expenses	18,003	4,267
Other payables	3,087	16,010
Payable profit-split to key employees	0	1,281
Total	**51,822**	**45,949**

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30 days terms.
- Other payables are non-interest bearing and have an average term of six months.
- Payable incentive scheme (cash based) is normally settled following the approval of the annual report at the annual general meeting.

Note 27 – Operating lease liabilities

Lease agreements have been entered into with a mutually interminable lease period up to 10 years. As a general rule, leases include an option to renew for one additional year a time for up to three years. Some of the lease agreements include a purchase option, typically exercisable as from the end of the fifth year to the expiry of the period of renewal. Exercise of the purchase option on the individual vessel is based on an individual assessment. The lease liabilities are assessed at nominal amount.

	2010	2009
Charter hire for vessels not delivered		
Within one year	2,566	1,535
Between 1 - 5 years	264,217	202,555
More than 5 years	521,800	595,642
Total	**788,583**	**799,732**

U-Sea Bulk Shipping has purchase options on all 18 operational leases however the majority of such purchase options are partly shared. The table below illustrates the earliest possible time of declaration of the purchase option:

Year of earliest possible declaration of purchase option

Segment	2012	2013	2014	2015	2016	2017	2018	2019	Total
Handysize						2			2
Supramax/Handymax	1	1		2	1	6	1	2	14
Panamax/Kamsarmax						2			2
	1	**1**	**0**	**2**	**1**	**10**	**1**	**2**	**18**

(Figures in USD '000)	2010	2009
Charter hire for vessels on timecharter with purchase option		
Within one year	17,246	7,650
Between 1 - 5 years	56,692	21,898
More than 5 years	47,262	5,487
Total	**121,200**	**35,035**
Charter hire for vessels on timecharter without purchase option		
Within one year	51,595	92,921
Between 1 - 5 years	9,186	6,795
More than 5 years	0	0
Total	**60,781**	**99,716**
Other leases (operational lease)		
Within one year	1,261	1,102
Between 1 - 5 years	846	967
More than 5 years	0	0
Total	**2,107**	**2,069**

Notes to the Financial Statements

(Figures in USD '000)	2010	2009
Note 28 – Contingent assets and liabilities		
Contingent assets		
Following a customer default to perform under a three year Contract of Affreightment, U-SEA Bulk Shipping initiated arbitration against the customer. An arbitration award was made in favor of U-SEA Bulk Shipping in the amount of 36.4 MUSD. The claim is to be enforced. At this point in time, U-SEA Bulk Shipping cannot predict how long the enforcement will take or when the company will be able to provide additional information.		
Contingent liabilities		
A vessel captured by Pirates in the Gulf of Aden mid 2008, was back in the about same position as captured later same year. The ship owner has initiated arbitration of 12.2 MUSD against U-SEA Bulk Shipping. The claim relates to compensation for off-hire and expenses in relation to the prolonged piracy incident. At this point in time, U-SEA Bulk Shipping cannot predict how long the investigation will take or when the company will be able to provide additional information.		
In addition to the above, U-SEA Bulk Shipping is engaged in certain litigation proceedings. In the opinion of management, settlement or continuation of these proceedings are not expected to have a material effect on U-SEA Bulk Shipping's financial position, operating profit or cash flow.		
Agreements for future delivery of newbuildings		
Remaining contract amount until delivery in local currency (JPY)	3,040,000	3,040,000
Remaining contract amount until delivery in USD translated at the exchange rate at year end	37,297	32,832
The remaining contract amounts in USD is payable as follows:		
Within one year	37,297	0
Between one and two years	0	32,832
Total	**37,297**	**32,832**
Other guarentees		
U-SEA Bulk Shipping A/S has issued a guarantee for loan to joint venture	13,500	0

Note 29 – Financial instruments

Carrying amount and fair value of financial items by class of financial assets and liabilities

Set out below is a decomposition of the financial assets into categories as defined in IAS 39. Furthermore, the table below includes a comparison of the carrying amount and fair value of financial assets by class of assets. The Fair value is estimated using appropriate market information and valuation methodologies. The carrying amount of cash and cash equivalents and loan payables to bank are a reasonable estimate of their fair value. Fair value for derivatives and borrowings has been calculated by discounting the expected future cash flows at relevant interest rates.

Judgment is required to develop estimates of fair value. Hence, the estimates provided herein are only indicative of the amounts that could be realised in the market.

Notes to the Financial Statements

Note 29 – Financial instruments (continued)

31 December 2010 (Figures in USD '000)	Held for trade (Hedge derivatives)	Loan and receivables	Available for sale	Carrying amount	Fair value
Other financial asstes	-	1,023	-	1,023	1,023
Other investments	-	-	286	286	286
Derivate financial instruments	924	-	-	924	924
Total non-current financial assets	**924**	**1,023**	**286**	**2,233**	**2,233**
Cash and short-term deposits	-	27,488	-	27,488	27,488
Derivate financial instruments	6,283	-	-	6,283	6,283
Trade and other receivables	-	27,968	-	27,968	27,968
Total current financial assets	**6,283**	**55,456**	**-**	**61,739**	**61,739**
Total financial assets	**7,207**	**56,479**	**286**	**63,972**	**63,972**
Leasing debt	-	42	-	42	42
Financial liabilities, non-current	-	-	-	-	-
Derivative financial instruments	1,010	-		1,010	1,010
Total non-current financial liabilities	**1,010**	**42**	**-**	**1,052**	**1,052**
Trade and other payables	-	51,822	-	51,822	51,822
Loan from the parent company Ultragas ApS	-	5,000	-	5,000	5,000
Leasing debt, current portion	-	108	-	108	108
Derivate financial instruments	10,504	-	-	10,504	10,504
Total current financial liabilities	**10,504**	**56,930**	**-**	**67,434**	**67,434**

31 December 2009 (Figures in USD '000)	Held for trade (Hedge derivatives)	Loan and receivables	Available for sale	Carrying amount	Fair value
Other financial assets	-	210	-	210	210
Other investments	-	-	645	645	645
Derivate financial instruments	5,440	-	-	5,440	5,440
Total non-current financial assets	**5,440**	**210**	**645**	**6,295**	**6,295**
Cash and short-term deposits	-	24,806	-	24,806	24,806
Derivate financial instruments	9,549	-	-	9,549	9,549
Trade and other receivables	-	29,827	-	29,827	29,827
Total current financial assets	**9,549**	**54,633**	**-**	**64,182**	**64,182**
Total financial assets	**14,989**	**54,843**	**645**	**70,477**	**70,477**
Leasing debt	-	25	-	25	25
Derivate financial instruments	9,800			9,800	9,800
Total non-current financial liabilities	**9,800**	**25**	**-**	**9,825**	**9,825**
Trade and other payables	-	45,949	-	45,949	45,949
Leasing debt, current portion	-	248	-	248	248
Derivative financial instruments	12,378	-	-	12,378	12,378
Total current financial liabilities	**12,378**	**46,197**	**-**	**58,575**	**58,575**

Notes to the Financial Statements

Note 29 – Financial instruments (continued)

Bunker hedge

U-SEA Bulk Shipping A/S has entered into contracts in order to hedge future bunker expenses. The contracts are accounted for as cash flow hedges, when the criteria are in compliance with the criteria for cash flow hedge accounting.

The bunker hedges are entered simultaneously with the Contracts of Affreightment (CoA), as part of the Group's risk management. The bunker hedges cover the bunker expenses in connection with the CoA and the duration of the bunker hedge is therefore similar to the duration of the CoA. The remaining durations of the bunker hedge agreements as per 31 December 2010 are between one and 12 months at an average price between USD 493 and USD 521 per MTS. The trade dates are between 23 April 2010 and 22 December 2010.

Currency derivatives

Risk related to general and administration expenses

Currency risks on administrative expenses can be hedged up to 100% of total exposure. In, 2010 currency hedges were entered into, but end of 2010 the company had no currency hedges.

Hedge accounting reserve in equity

The following table sets out the recorded amount in the equity for the cash flow hedging financial derivatives:

Hedge accounting reserve in Equity (Figures in USD '000)	Bunker hedge	Foreign currency	Total reserve
Balance 31.12.2008	**-1,016**	**-490**	**-1,506**
Recorded to equity	-	834	834
Removed from equity and incl. in income statement	-1,035	-	-1,035
Removed from equity and incl. in balance sheet	3,501	-	3,501
Balance 31.12.2009	**1,450**	**344**	**1,794**
Recorded to equity		0	0
Removed from equity and incl. in income statement	-1,450	(344)	-1,794
Removed from equity and incl. in balance sheet	0	-	0
Balance 31.12.2010	**0**	**0**	**0**

(Figures in USD '000)	Bunker hedge	Forward Freight agreement	Total reserve
2010			
Voyage related expenses	1,450	-	1,450
Forward Freight Agreements	-	-472	-472
Net effect of hedge accounting in the income statement	**1,450**	**-472**	**978**

(Figures in USD '000)	Bunker hedge	Forward Freight	Total reserve
2009			
Voyage related expenses	1,035	-	1,035
Forward Freight Agreements	-	3,041	3,041
Net effect of hedge accounting in the income statement	**1,035**	**3,041**	**4,076**

Fair value hedge

(Figures in USD '000)	2010	2009
Gain(loss) on hedging instruments	-6,870	-11,776
Gain(loss) on hedging items	7,207	12,586
Net gain (loss) on fair value hedge	**337**	**810**

Notes to the Financial Statements

Note 29 – Financial instruments (continued)

U-SEA Bulk Shipping has entered into Forward Freight Agreement contracts in order to hedge future Contracts of Affreightment / Time Charter contracts for the period 2011 to 2012. The Forward Freight Agreement contracts are accounted for as fair value hedges using the principles of a firm commitment when the criteria are in compliance with the criteria for fair value hedge accounting.

(Figures in USD '000)	2010	2009
Note 30 – Change in networking capital		
Change in inventories	-5,919	-4,849
Change in trade and other receivables	1,859	-14,672
Change in prepayments	-8,426	-3,294
Change in trade and other payables	10,880	-3,051
Total	**-1,606**	**-25,866**

Note 31 – Mortgages and security

The group has not issued any form of guarantees or securities.

Note 32 – Related party disclosures

U-SEABulk Shipping A/S was controlled by Camillo Eitzen & Co ASA (incorporated in Norway) and listed on Oslo Stock Exchange to 21 June 2010. Ultragas ApS controlled end of 2010 89,7% of the shares in U-SEA Bulk Shipping A/S. Please refer to page 29 in the management review for further information regarding shareholders. The ultimate parent of the Group is Naverias Ultragas Ltda.

Other related parties are considered to be companies within Ultra Group, associated companies, the directors and officers of the entities and management of U-SEA Bulk Shipping A/S.

(Figures in USD '000)		Sale/ (Purchases) to/from related parties	Sale/ (Purchases) to/from related parties	Amounts owed by/(to) related parties	Amounts owed by/(to) related parties
Related party	Type of transaction	2010	2009	2010	2009
In the period from 1 January to 21 June 2010:					
The ultimative parent and subsidiaries hereof					
Eitzen Bulk (Denmark) A/S	Treasury shares	147	17.721		
Eitzen Bulk (Denmark) A/S	Distribution of non-cash assets	0	-47,800		
Companies which are part of the					
Eitzen Holding AS and subsidiaries	Corporate administration	334	924		
	Corporate administration	-48	-47		
	Advisory fee	24	1,280		
	Interest income		-602		
	Interest expenses	85	17		
	Purchase of shares		-80,058		
	IT services	169	346		
	Rent	223	451		
Others:					
Gorrissen Federspiel	Legal assistance	153	464		
In the period from 22 June to 31 December 2010:					
Ultragas ApS	Interest	38		-5,000	
Ultrabulk	Charter hire	1,105			

Notes to the Financial Statements

Note 32 – Related party disclosures (continued)

There have not been any material transactions with any member of the board of directors, executive management of U-SEA Bulk Shipping A/S, Camillo Eitzen & Co Group, Navieras Ultragas Ltda. or associated companies. For information on remuneration to the board of directors and executive management of U-SEA Bulk Shipping A/S, please refer to note 5.

Transactions with related parties are made at normal market prices. Outstanding balances at year-end apart from loans are short-term, unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The Group has not made any provision for doubtful debts relating to amounts owed by related parties. The assessment hereof is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Joint taxation

The Danish companies in the Group are in jointly taxation with the other Danish companies in Eitzen Holding AS Group to 21 June 2010 and from 22 June 2010 with other Danish companies in the Nariareas Ultragas Group.

Note 33 – Share-based payment

Share options program - 2009

The Board of Directors approved 22 December 2009 a share options program following the listing on NASDAQ OMX Copenhagen 21 December 2009. Key employees were 22 December 2009 granted 2,537,766 share options corresponding to 10.3% of the total number of outstanding shares. The company holds 1,2% of treasury shares as a hedge for the remaning part of the share option program.

Due to the change of control the share option is vested in 2010 and can be vested in the period form 22 June 2010 to 31 Januar 2011. The exercise price for the share options is 1% of the market price for the Company's shares at the time the share options are granted to the holder corresponding to a price per share of 37.5 DKK.

Outstanding share options can be specified as follows at 31 December 2010:

	Number of options		
	Executive management	Employees	Total
Granted 22 December 2009	359,648	2,178,118	2,537,766
Exercised	179,824	2,072,192	2,252,016
At 31 December 2010	**179,824**	**105,926**	**285,750**

Notes to the Financial Statements

Note 34 – Liquidity risk

The terms to maturity of financial assets and liabilities are disclosed by category and class, distributed on maturity periods.

Financial instruments measured at fair value are divided in accordance with the following accounting hierachy:
- Level 1: observable market prices for identical instruments
- Level 2: valuations models primarily based on observable prices or trading prices of comparable instruments
- Level 3: valuation models primarily based on non-observable prices

2010

(Figures in USD '000)	Maturity Within 1 year	Maturity 1-3 years	Total
Financial Assets at fair value through profit or loss			
CoA fair value adjustments - payments received 2)	6,283	929	7,212
CoA fair value adjustments - payments made 2)	-	-	-
Bunker contracts 2)	-	-	-
Total	**6,283**	**929**	**7,212**
Financial Liabilities at fair value through profit or loss			
Forward Freight agreements - payments received 2)	-	-	-
Forward Freight agreements - payments made 2)	-10,472	-1,010	-11,482
Bunker contracts 2)	-32	-	-32
Total	**-10,504**	**-1,010**	**-11,514**
Loans and receivables measured at amortised cost			
Cash and cash equivalents	27,488	-	27,488
Freight receivables	14,815	-	14,815
Other receivables	5,638	-	5,638
Other financial asstes, non-current	-	1,023	1,023
Total	**47,941**	**1,023**	**48,964**
Financial Liabilities measured at amortised cost			
Trade and other receivables	-51,822	-	-51,822
Interest-bearing loans and borrowings	-5,108	-	-5,108
Total	**-56,930**	**-**	**-56,930**

Note 34 – Liquidity risk (continued)

2009

(Figures in USD '000)	Maturity Within 1 year	Maturity 1-3 years	Total
Financial Assets at fair value through profit or loss			
Forward Freight agreements - payments received 2)	7,146	-	7,146
Forward Freight agreements - payments made 2)	-	9,718	9,718
Bunker contracts 2)	2,403	-	2,403
Total	**9,549**	**9,718**	**19,267**
Financial Liabilities at fair value through profit or loss			
Forward Freight agreements - payments received 2)	1,933	-	1,933
Forward Freight agreements - payments made 2)	-14,589	-9,800	-24,389
Total	**-12,656**	**-9,800**	**-22,456**
Loans and receivables measured at amortised cost			
Cash and cash equivalents	24,806	-	24,806
Freight receivables	8,669	-	8,669
Other receivables	5,843	5,000	10,843
Total	**39,318**	**5,000**	**44,318**
Financial Liabilities measured at amortised cost			
Trade and other receivables	30,834	4,800	35,634
Total	**30,834**	**4,800**	**35,634**

Note 35 – Subsequent events

No significant events have occured between the reporting period and the publication of the annual report that have not been included and adequately disclosed in the annual report at that materially affect the income statement or the balance sheet.

Note 36 – New finacial reporting regulation

For the coming years, the IASB has so far issued a new IFRS 9 and IFRIC 19 and a revised IAS 24 as well as a number of minor changes, including amendments to IAS 32 and adjustments from the IASB's annual improvements project. The changes and interpretations mentioned are expected to be of limited or no significance to the Group's accounting policies.

2010 Annual report of U-SEA Bulk Shipping A/S - Parent

Notes to the Annual Report

Income Statement

(Figures in USD '000)	Note	2010	2009
Management fees		3,317	0
Administration expenses	4	-4,436	-116
Profit before tax and finance costs (EBIT)		**-1,119**	**-116**
Financial income	5	346	62
Financial expenses	6	-1,117	-134
Profit before tax		**-1,890**	**-188**
Tax	7	450	-73
Net profit		**-1,440**	**-261**
Distribution of Net profit for the year incl. proposed dividend:			
Proposed dividend		0	0
Retained earnings		-1,440	-261
Total		**-1,440**	**-261**

Statement of Comprehensive Income

(Figures in USD '000)	Note	2010	2009
Profit/loss (-) for the year		-1,440	-261
Other comprehensive income			
Fair value adjustments other investments (gain/-loss)		-312	186
Other comprehensive income for the year, net of tax		-312	186
Total comprehensive income for the year, after tax		**-1,752**	**-75**

Balance Sheet

ASSETS

(Figures in USD '000)	Note	2010	2009
Investment in subsidares	8	84,845	84,845
Other investments	9	286	645
Deferred tax		501	67
Total financial non-current assets		85,632	85,557
Total non-current assets		85,632	85,557
Receivables from Group entreprises and other receivable	10	16,118	12
Cash and short-term deposits		6,493	2,539
Total current assets		22,611	2,551
TOTAL ASSETS		108,243	88,108

EQUITY AND LIABILITIES

(Figures in USD '000)	Note	2010	2009
Share capital	11	5,134	46,941
Share premium		12,048	0
Retained earnings		71,449	23,658
Other reserves		0	-470
Total equity		88,631	70,129
Payables to Group enterprises and other payables	12	19,539	17,931
Other payables		73	48
Total current liabilities		19,612	17,979
Total liabilities		19,612	17,979
TOTAL EQUITY AND LIABILITIES		108,243	88,108

Statements of Changes in Equity

(Figures in USD '000)	Share capital	Share premium	Retained earnings	Total equity
At 1 January 2010	**46,941**	**-**	**23,188**	**70,129**
Profit for the year	-	-	-1,440	-1,440
Other comprehensive income	-	-	(312)	-312
Total comprehensive income	**-**	**-**	**-1,752**	**-1,752**
Decreace in share capital	-42,248	-	42,248	0
Increase in share capital	441	12,048	-	12,489
Share-based payment	-	-	7,618	7,618
Sale of trasury shares	-	-	147	147
Treasury shares received from Parent	-	-	532	532
Value of treasury shares	-	-	-532	-532
Dividend	-	-	0	0
Changes during the year	**-41,808**	**12,048**	**50,013**	**20,254**
At 31 December 2010	**5,134**	**12,048**	**71,449**	**88,631**

(Figures in USD '000)	Share capital	Retained earnings	Total equity
At 1 January 2009	**4,196**	**2,746**	**6,942**
Profit for the year	-	-261	-261
Other comprehensive income	-	186	186
Total comprehensive income	**-**	**-75**	**-75**
Increase of share capital through merger with Shipholding Holding A/S	42,745	20,517	63,262
Treasury shares received from Parent	-	17,721	17,721
Value of treasury shares	-	-17,721	-17,721
Dividend	-	-	-
At 31 December 2009	**46,941**	**23,188**	**70,129**

Cash Flow Statements

(Figures in USD '000)	Note	2010	2009
Profit/loss(-) before tax		-1,890	-188
Paid/received tax including added interest on tax		23	0
Adjustment to reconsile profit before tax to net cash flows			
Non-cash:			
Share based payments, expense		7,618	0
Interest income/expense		0	116
Other changes		0	-105
Working capital adjustments:			
Change in current assets		-16,104	2,643
Change in current liabilities		1,634	71
Net cash flows from operating activities		**-8,719**	**2,537**
Purchase of other investments		0	0
Net cash flows from investing activities		**0**	**0**
Increase share capital including share premium		12,488	0
Sale of treasury shares		147	0
Other changes		40	0
Net cash flows from financing activities		**12,675**	**0**
Net change in cash and cash equivalents		3,954	2,537
Cash and cash equivalents at 1 January		2,539	2
Cash and cash equivalents at 31 December		**6,493**	**2,539**

Notes to the Financial Statements

Note 1 – Summary of significant accounting policies

The accounting policies of the Parent; U-SEA Bulk Shipping A/S, are identical with the policies applicable to the consolidated financial statements, except for the following:

Dividends from investments in subsidiaries and associates

Dividends from investments in subsidiaries and associates are recognised as income in the Parent's income statement under financial income in the financial year in which dividends are declared.

Investments in subsidiaries in the Parent's financial statements

Investments in subsidiaries are measured at cost. Impairment tests are conducted when there is an indication of impairment. Write-down is made to the recoverable amount if this is lower than the carrying amount.

Note 2 – Significant accounting judgment, estimates and assumptions

The preparation of the Parent's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustments to the carrying amounts of asset and liability affected in future periods.

In the process of applying the Parent's accounting policies, management deems the following estimates and the pertaining assessments to be essential for the preparation of the Annual Report of the Parent.

Investments in subsidiaries

Management assesses annually whether there is an indication of impairment of investments in subsidiaries. In the assessment of Management, there is no such indication at 31 December 2010, and there investments in subsidiaries have not been tested for impairment.

Notes to the Financial Statements

(Figures in USD '000)	2010	2009
Note 3 – Remuneration to the auditor appointed at the general meeting		
Audit	15	18
Other assurance service	0	0
Tax consultancy	11	0
Other services	0	0
Total	**26**	**18**
Note 4 – Staff costs		
Salaries and wages	1,959	-
Pension cost	267	-
Other expenses for social security	385	-
Share-based payments	141	-
	2,752	**0**
Average number of employees	12	0
Note 5 – Financial income		
Bank interest receivable	2	62
Currency gain	344	
Total	**346**	**62**
Note 6 – Financial expenses		
Interest on debt and borrowings	652	134
Currency loss	455	0
Bank Charges	10	0
Total	**1,117**	**134**
Note 7 – Tax		
Current tax on profit for the year	-	48
Deferred tax on profit for the year	98	-
Tax on profit for the year	98	48
Adjustments related to previous years - current tax	16	36
Adjustments related to previous years - deferred tax	336	-11
Tax in the income statement	450	73
The tax of profit breaks down as follows:		
Calculated 25% tax on profit for the year before tax	0	48
Adjustment of tax relating to prior years	450	25
Total tax of profit for the year	**450**	**73**

Notes to the Financial Statements

(Figures in USD '000)	2010	2009
Note 8 – Investments in subsidiaries		
Cost:		
Cost at 1 January	84,845	4,787
Additions through merger with Shipholding Holding A/S	0	80,058
Additions for the year	0	0
Disposals for the year	0	0
Cost at 31 December	**84,845**	**84,845**
Impairment at 1 January	-	-
Impairment charge for the year	0	0
Impairment at 31 December	0	0
Carrying amount at 31 December	**84,845**	**84,845**

	Ownershipshare 2010	2009	Registred office	Sharecapital in DKKm
U-SEA Bulk A/S	100	100	Copenhagen, Denmark	1.0
U-SEA Rederi A/S	100	100	Copenhagen, Denmark	81.8
U-SEA Bulk Shipholding A/S	100	100	Copenhagen, Denmark	1.0
P.E.P. Shipping A/S	100	100	Copenhagen, Denmark	1.0
ApS KBUS 8 Nr. 674	100	100	Copenhagen, Denmark	0.3

(Figures in USD '000)	2010	2009
Note 9 – Other investments		
Eitzen Maritime Services ASA	286	645
Total	**286**	**645**

The shares has been sold in March 2011 with a insignificant loss compared to the booked value as at 31 December 2010

Note 10 – Receivables from Group entreprises and other receivables		
Receivables from Group entreprises	15,328	0
Other receivables	790	12
Total	**16,118**	**12**

The carrying amount of the receivables is deemed to correspond to fair value.

Notes to the Financial Statements

Note 11 – Equity

The composition of the share capital and treasury shares is presented in note 20 and 21 to the consolidated financial statements.

The targets for the capital structure or U-SEA Bulk shipping A/S is determined and assessed for the Group as a whole, for which reason no operational goals or policies is set for the parent company.

Please refer to note 25 to the consolidated financial statements.

(Figures in USD '000)	2010	2009
Note 12 – Payables to Group entreprises and other payables		
Payables to Group entreprises	18,495	17,900
Other payables	1,044	31
Total	19,539	17,931

The fair value of payables to Group enterprises and other payables equals the carrying amount.

Note 13 – Mortgages and security

For informatin on mortages and security, please refer to the consolidated financeila statements, note 31

Note 14 – Contingent assets and liabilities

For information regarding contigent assets and liabilities, please refer to the consolidated financial statements, note 28

Note 15 – Related party transactions

For information on transaction with related parties, please refer to the consolidated financial statements, note 32

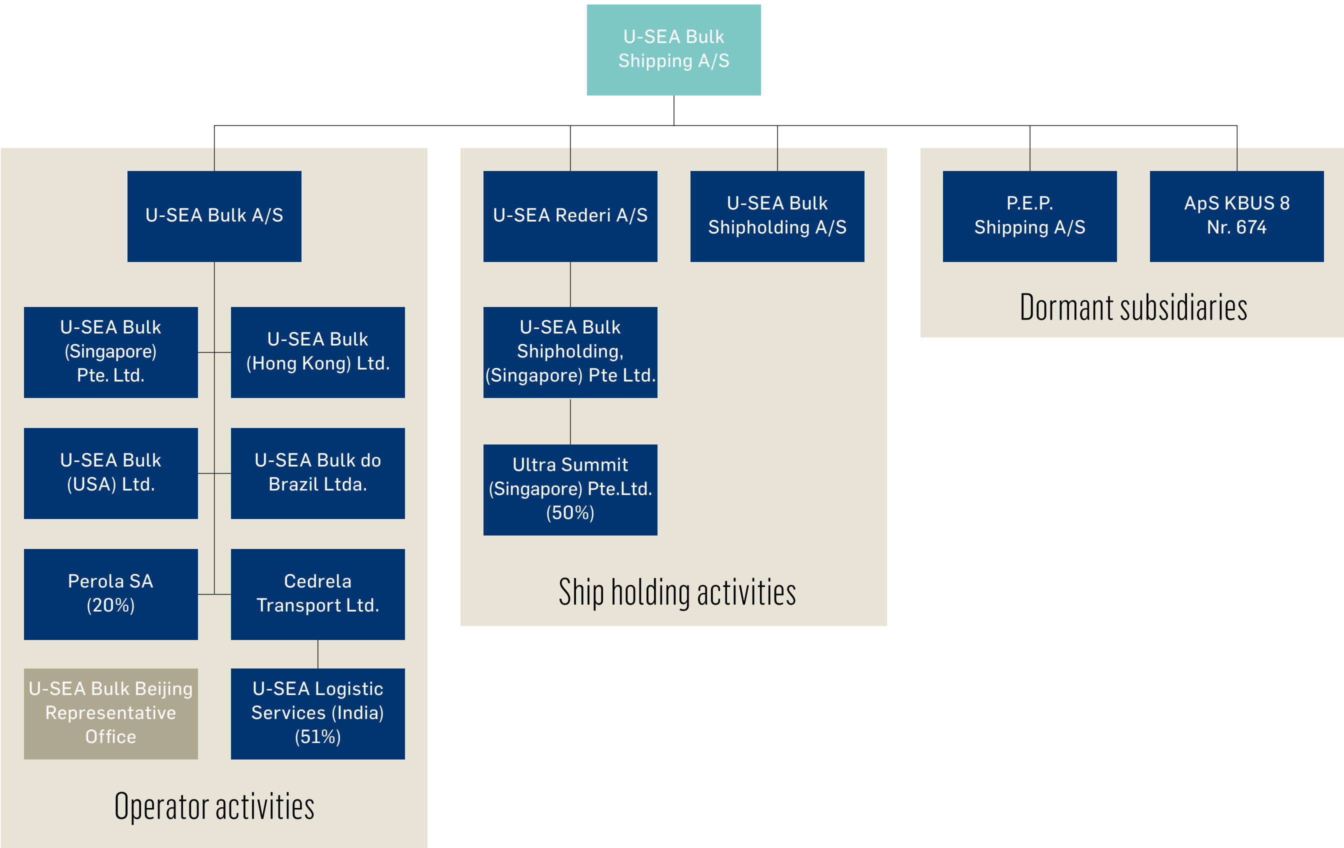
Note 16 – Subsequent events

For subsequent events, please refer to the consolidated financial statements, note 35

Note 17 – New financial reporting regulation

For new financial reporting regulation, please refer to the consolidated financial statements, note 36. The new financial reporting regulation is not expected to be of any importance for the financial statements of the Parent.

Group structure



100% owned unless specified otherwise

Definitions of key figures and financial ratios

The financial ratios were computed in accordance with "Recommendations and Ratios 2010" issued by the Danish Society of Financial Analysts. The ratios listed in the key figures and ratios section were calculated as follows:

Gross profit margin	=	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
EBITDA margin	=	$\frac{\text{EBITDA x 100}}{\text{Revenue}}$
Return of equity in % (ROE)	=	$\frac{\text{Profit or loss for the year x 100}}{\text{Average equity, excluding minority interests}}$
Payout ratio	=	$\frac{\text{Dividend x 100}}{\text{Profit or loss for the year, excluding minority interests}}$
Equity ratio	=	$\frac{\text{Equity at year-end, excluding minority interest x 100}}{\text{Total assets}}$
USD exchange rate at year-end	=	The USD exchange rate quoted on the NASDAQ OMX Copenhagen at the balance sheet date
Average USD exchange rate	=	The average USD exchange rate quoted on the NASDAQ OMX Copenhagen for the year
Net interest-bearing debt	=	Interest-bearing debt less cash and cash equivalents at year-end

U-SEA BULK