



# U-SEA BULK

## Interim financial report for the period 1 January to 30 September 2011

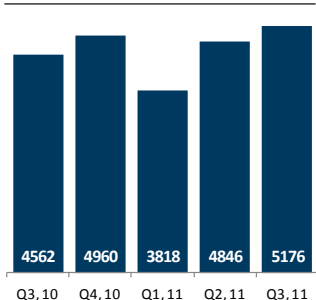
### Highlights

- Results improved in the third quarter with a gross profit of USD 8 million being in line with revised expectations. An improvement of USD 10 million compared to the third quarter, 2010.
- EBITDA year to date was USD -3 million and net profit year to date was USD -3 million.
- Supramax and Panamax freight rates recovered significantly during August and September from the relatively low level in July. Although freight rates in the fourth quarter are expected to improve compared to the third quarter, the dry bulk market in 2011 has been weaker than 2010 with a supply side being impacted by the continued excessive newbuilding deliveries and a tightening of the demand side.
- Due to certain of U-SEA Bulk's customers reducing their shipping programs in anticipation of the continued weakening of the global economy, the financial outlook have as per earlier announcement been revised, with EBITDA expectations amounting to USD 1-5 million for 2011.
- U-SEA Bulk initiated a study jointly with Ultrabulk, a company of Ultragas International S.A., to identify commercial and operational synergies as previously announced (cf. company announcement no. 35/2010). The outcome of this study has resulted in a Global Marketing Agreement between the two entities taking effect 1 January 2012. The agreement will not have any impact on expectations for 2011.

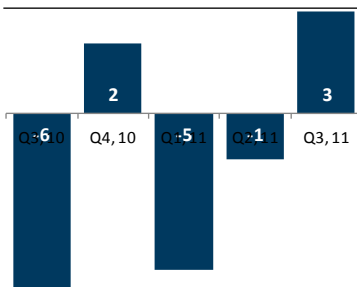
Per Lange, CEO: "With the Global Marketing Agreement in place we will be able to offer a wider transportation pallet to our clients, covering several drybulk segments: handysize, handymax/supramax and panamax/kamsarmax segments. The potential commercial and cost synergies are expected to strengthen the existing platform of U-SEA Bulk targeting future long term growth and financial stability. As a natural result of entering into the Global Marketing Agreement, U-SEA Bulk will be trading under a new trade name as per 1 January 2012, Ultrabulk"

### Review of the period 1 January to 30 September 2011

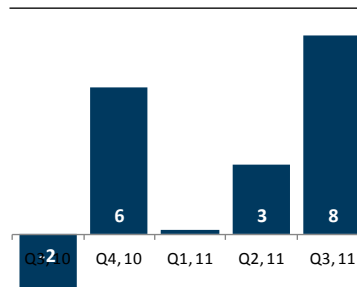
Ship Days (physical)



EBITDA (MUSD) ex. share options impact



Gross Profit (MUSD)



#### Activity and Financial development

U-SEA Bulk made a gross profit of USD 8 million (USD -2.3 million) in the third quarter following a less positive start of year.

The net profit year to date was USD -3 million (USD -1.5 million), while EBITDA was -3 million (USD -3.9

million) year to date. Earnings have been impacted by start-up costs related to long-term CoA's, increase in bunker prices and postponement of cargo shipments.

The fleet activity during the third quarter was maintained at the same level as in the second quarter and reached year to date an average of

59 vessels (60 at the end of period) and a total of 13,840 physical ship days.

The core fleet was increased by one unit during the quarter as U-SEA Bulk took delivery of one Supramax vessel. Depreciations and interest expenses have accordingly increased.



## U-SEA BULK

Company announcement no. 11/2011  
Page 2 of 9

18 November 2011  
Copenhagen

In addition, U-SEA Bulk entered into a time charter agreement for two Japanese built Panamax bulk carriers of the Kamsarmax design for a period of up to 15 years with purchase options. The tonnage commitment is taken as a hedge against U-SEA Bulk's long term cargo portfolio. The two vessels will be delivered end 2011 or beginning of 2012.

This brings the fleet of owned and long term chartered vessels to 23 units when all vessels have been delivered by 2014.

U-SEA Bulk has not had any significant new counterparty issues during the quarter.

### Equity

Equity was USD 39 million at the end of the third quarter, unchanged from end of the second quarter. This equalled 27% of total assets, compared to 38% at the end of 2010.

### Assets

Fixed assets increased by USD 29 million to USD 46 million due to delivery of the owned Supramax vessel.

### Financial position

The net cash flow in the third quarter was USD -1 million, and

cash position was USD 10 million end of the third quarter.

The positive development in cash flow from operations during the third quarter was USD 3 million as a consequence of the improved results.

Vessel investments during the third quarter totalled USD 29 million. Financing of USD 25 million from the main shareholder was obtained to finance same vessel.

## Dry cargo market development

### Market regains strength due to Capesize recovery in third quarter

The sub-Capesize dry bulk segments experienced close to same average freight rates in third quarter as in the second quarter, while Capesize recovered significantly. Seasonal activity in the third quarter is normally mixed as the South American grain season ebbs before the start of the North American grain season. However, developments in the third quarter were impacted by the recovery of Japanese demand after the nuclear crisis as well as the recovering export capacity in Brazil and Australia. Chinese thermal coal demand increased significantly as water levels were low at the hydroelectric plants. The developing financial crisis in Europe produced a

stock-market correction in September that was not immediately replicated in the dry bulk freight market. During August and September the Baltic Supramax Index (BSI) recovered significantly from a July bottom.

Vessel capacity in congestion at ports increased marginally from an estimated quarterly average of 53 million dwt in the second quarter to 54 million dwt in the third quarter thus tying up an extra 1 million dwt.

Deliveries of new dry bulk vessels totalled 26 million dwt of which 12 million dwt were Capesize vessels.

The global dry bulk fleet grew 21 million dwt during the third quarter from 571 to 592 million dwt. Capesize vessels accounted for 234 mill dwt and sub-Capesize vessels

accounted for 358 million dwt. The trend has been for 5% quarterly fleet growth in the Cape segment and 3% in the sub-Capesize segment but heavy demolition activity in the Capesize segment reduced fleet growth to 3% or less.

Fundamental demand indicators such as Chinese and OECD industrial production growth experienced a continued loss of momentum.

On September 30<sup>th</sup> the Baltic forward contract indicated that the fourth quarter would on average observe better freight rates than the third quarter and this has also materialized so far.

The outlook for industrial production levels in the fourth quarter of 2011 seems to be an outright decline in Western Europe



## U-SEA BULK

Company announcement no. 11/2011  
Page 3 of 9

18 November 2011  
Copenhagen

and a flat trend in USA and India. China seems to maintain activity growth though a credit squeeze is reported along the supply chain.

Looking ahead there is limited bullishness about freight rate developments. Chinese steel markets look mixed but their domestic iron ore supply is seeing heavy price competition from abroad increasing the steel makers incentive to import iron ore. India

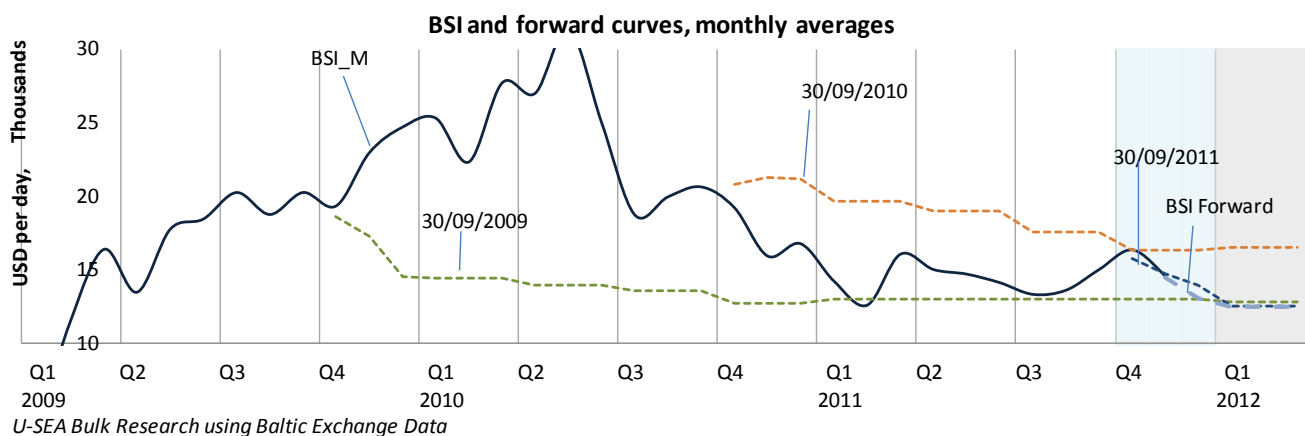
has restricted iron ore exports further and this is impacting subcapes negatively and capes positively for the time being. More support is seen and expected from Asian coal demand.

Given the maintained pace of deliveries of new vessels, the total delivery for 2011 is currently expected to reach 96 million dwt. This is four times the volume of new vessels delivered each year from

2004 to 2008. Vessel deliveries are thus still expected to produce low freight rate levels over the next year and possibly beyond, interrupted by financial and seasonal volatility.

	BCI	BPI	BSI	End Fleet	New Vessels	Con-gestion	China Ore	China Coal	China Power	China Steel	India Power
	'000 USD per Day	'000 USD per Day	'000 USD per Day	Mill dwt	Mill dwt	Mill dwt	Mill tons imported	Mill tons imported	Coal fed electricity, G <sup>2</sup> WH	Mill tons output	Electric power index
<b>10 Q3</b>	26	22	20	516	21	48	148	42	836	151	81
<b>11 Q2</b>	9	14	15	572	24	53	157	42	928	179	89
<b>11 Q3</b>	17 <span style="color: green;">▲</span>	13 <span style="color: red;">▼</span>	14 <span style="color: red;">▼</span>	592	26 <span style="color: red;">●</span>	54 <span style="color: green;">▲</span>	174 <span style="color: green;">▲</span>	59 <span style="color: green;">▲</span>	999 <span style="color: green;">▲</span>	174 <span style="color: green;">▲</span>	89 <span style="color: yellow;">●</span>

Arrows indicate trend compared to previous quarter





## U-SEA BULK

Company announcement no. 11/2011  
Page 4 of 9

18 November 2011  
Copenhagen

### Outlook

As the third quarter earnings developed in line with the revised expectations for 2011, U-SEA Bulk Shipping continues to expect to achieve an EBITDA in the range of USD 1-5 million for 2011. This was a downward adjustment from the existing EBITDA guidance previously set in the lower range of USD 11-18

million, due to certain of our customers reducing their shipping programs in anticipation of the continued weakening of the global economy.

As the dry bulk deliveries may be peaking in 2011, the supply/demand balance should improve slightly, but

not until next year. As the uncertainty around the global economy continues such development may however be delayed even further.

Yours sincerely,

**U-SEA Bulk Shipping A/S**

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## U-SEA BULK

Company announcement no. 11/2011  
Page 5 of 9

18 November 2011  
Copenhagen

### Management statement

Today the Board of Directors and Executive Management reviewed and approved the interim financial report of U-SEA Bulk Shipping A/S for the first nine months of 2011. The interim financial report has not been audited or reviewed by the company's independent auditors.

The interim financial report has been prepared in accordance with IAS 34 'Interim Financial Reporting' and accounting policies set out in the Annual Report 2010 of U-SEA Bulk Shipping A/S, as well as and the general Danish financial disclosure requirements for listed companies.

We consider the accounting policies applied to be appropriate. Furthermore we find that the presentation of the company's interim financial statement for the period gives a true and fair view of the company's assets, liabilities, net profit, and financial position, and of the results of the Group's activities and cash flow for the period, as well as a description of the most significant risks and elements of uncertainties facing the Group.

Copenhagen, 18 November 2011

Executive Management:

Per Lange	Bjarne Skov Faber
CEO	CFO

Board of Directors:

Dag von Appen	José Thomsen	Carsten Haagensen
Chairman	Vice-chairman	

Peter Stokes	Enrique Ide
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# U-SEA BULK

Company announcement no. 11/2011

Page 6 of 9

18 November 2011

Copenhagen

## Income statement

(USD '000)	2011 Q1-Q3	2011 Q3	2011 Q2	2011 Q1	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2010 12M	Development in % Q3, 11 vs. Q3, 10
Freight income	388.699	133.381	152.976	102.342	169.141	160.625	120.554	142.730	593.050	11%
Voyage related expenses	(144.110)	(50.539)	(53.390)	(40.181)	(48.209)	(46.254)	(38.791)	(41.358)	(174.612)	30%
Time charter hire	(233.419)	(74.735)	(96.726)	(61.957)	(108.241)	(108.663)	(84.034)	(95.705)	(396.643)	-11%
<b>Gross Profit (net earnings from shipping activities)</b>	<b>11.170</b>	<b>8.106</b>	<b>2.859</b>	<b>204</b>	<b>12.691</b>	<b>5.708</b>	<b>(2.271)</b>	<b>5.667</b>	<b>21.795</b>	<b>-457%</b>
Other external expenses	(3.989)	(1.646)	(1.124)	(1.219)	(1.696)	(1.181)	(1.163)	(2.185)	(6.225)	41%
Staff costs	(10.341)	(3.210)	(3.177)	(3.954)	(3.682)	(8.548)	(2.284)	(1.250)	(15.764)	41%
<b>Profit before depreciations etc. (EBITDA)</b>	<b>(3.160)</b>	<b>3.251</b>	<b>(1.442)</b>	<b>(4.968)</b>	<b>7.313</b>	<b>(4.021)</b>	<b>(5.718)</b>	<b>2.232</b>	<b>(194)</b>	<b>-157%</b>
Depreciations	(525)	(479)	(77)	30	(119)	(118)	(118)	137	(218)	305%
<b>Operating profit (EBIT)</b>	<b>(3.684)</b>	<b>2.772</b>	<b>(1.519)</b>	<b>(4.938)</b>	<b>7.194</b>	<b>(4.139)</b>	<b>(5.836)</b>	<b>2.369</b>	<b>(412)</b>	<b>-148%</b>
Share of associates' profit after tax	732	356	249	127	(189)	(403)	255	138	(199)	39%
Financial income	66	(18)	44	40	30	27	23	75	155	-181%
Financial expenses	(424)	(273)	(83)	(68)	(5)	(3)	(12)	(89)	(109)	2184%
Other financial items, net	(171)	(442)	478	(206)	(577)	(150)	(124)	(147)	(998)	257%
<b>Profit before tax</b>	<b>(3.482)</b>	<b>2.394</b>	<b>(830)</b>	<b>(5.045)</b>	<b>6.453</b>	<b>(4.668)</b>	<b>(5.694)</b>	<b>2.346</b>	<b>(1.563)</b>	<b>-142%</b>
Tax	470	(554)	116	908	(1.317)	2.673	1.019	(2.289)	86	-154%
<b>Net profit</b>	<b>(3.012)</b>	<b>1.840</b>	<b>(715)</b>	<b>(4.137)</b>	<b>5.136</b>	<b>(1.995)</b>	<b>(4.674)</b>	<b>56</b>	<b>(1.477)</b>	<b>-139%</b>
<b>Attributable to:</b>										
Profit attributable to the equity holders of the parent	(3.024)	1.862	(736)	(4.149)	5.128	(2.002)	(4.684)	21	(1.537)	
Profit attributable to non-controlling interest	12	(21)	21	12	8	7	10	35	60	
	<b>(3.012)</b>	<b>1.840</b>	<b>(715)</b>	<b>(4.137)</b>	<b>5.136</b>	<b>(1.995)</b>	<b>(4.674)</b>	<b>56</b>	<b>(1.477)</b>	
Earnings per share - basic earnings per share	(0,12)	0,07	(0,03)	(0,17)	0,21	(0,08)	0,21	0,00	(0,06)	
Earnings per share - diluted earnings per share	(0,12)	0,07	(0,03)	(0,17)	0,21	(0,08)	0,21	0,00	(0,06)	

## Statement of comprehensive income

(USD '000)	2011 Q1-Q3	2011 Q3	2011 Q2	2011 Q1	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2010 12M
<b>Net result</b>	<b>(3.012)</b>	<b>1.840</b>	<b>(715)</b>	<b>(4.137)</b>	<b>5.136</b>	<b>(1.995)</b>	<b>(4.674)</b>	<b>56</b>	<b>(1.477)</b>
Value adjustments of hedging instruments	(38)	(1.530)	(1.209)	2.700	(675)	(1.475)	412	(240)	(1.978)
Tax effect	(7)	262	218	(486)	170	371	(104)	59	496
<b>Value adjustments of hedging instruments after tax</b>	<b>(45)</b>	<b>(1.268)</b>	<b>(991)</b>	<b>2.214</b>	<b>(505)</b>	<b>(1.104)</b>	<b>307</b>	<b>(180)</b>	<b>(1.482)</b>
Exchange adjustments of foreign entities	(272)	(531)	327	(68)	(90)	11	83	54	58
Fair value adjustments, other investments (gain/-loss)	-	-	-	-	(105)	(60)	(28)	(119)	(312)
<b>Other comprehensive income, net of tax</b>	<b>(272)</b>	<b>(531)</b>	<b>327</b>	<b>(68)</b>	<b>(195)</b>	<b>(49)</b>	<b>55</b>	<b>(65)</b>	<b>(254)</b>
<b>Total comprehensive income, net of tax</b>	<b>(3.329)</b>	<b>41</b>	<b>(1.379)</b>	<b>(1.991)</b>	<b>4.436</b>	<b>(3.148)</b>	<b>(4.312)</b>	<b>(189)</b>	<b>(3.213)</b>
<b>Attributable to:</b>									
Equity holders of the parent	(3.341)	62	(1.400)	(2.003)	4.428	(3.155)	(4.322)	(154)	(3.153)
Non-controlling interest	12	(21)	21	12	8	7	10	(35)	(60)



## U-SEA BULK

Company announcement no. 11/2011

Page 7 of 9

18 November 2011

Copenhagen

### Balance Sheet

(USD '000)	2011 30/9	2011 30/6	2010 30/6	2010 31/12
<b>Assets</b>				
Vessel	45.198	16.425	6.695	6.695
Fixtures, fittings and equipment	806	861	771	988
<b>Total tangible assets</b>	<b>46.005</b>	<b>17.286</b>	<b>7.466</b>	<b>7.683</b>
Investment in associates	13.609	13.494	2.223	2.785
Other investments	-	-	400	286
Derivative financial instruments	348	1.688	2.719	924
Other financial assets	1.306	1.302	346	1.023
Deferred tax assets	4.551	5.032	5.074	3.397
<b>Financial assets, non-current</b>	<b>19.815</b>	<b>21.516</b>	<b>10.762</b>	<b>8.415</b>
<b>Total non-current assets</b>	<b>65.819</b>	<b>38.802</b>	<b>18.228</b>	<b>16.098</b>
Inventories	25.543	23.851	10.463	14.251
Trade and other receivables	22.445	22.603	19.951	27.968
Prepayments	17.421	10.818	9.803	18.800
Derivative financial instruments	2.903	5.853	5.284	6.283
Cash and cash equivalents	9.614	10.817	23.654	27.488
<b>Total current assets</b>	<b>77.926</b>	<b>73.942</b>	<b>69.155</b>	<b>94.790</b>
<b>Total Assets</b>	<b>143.745</b>	<b>112.744</b>	<b>87.383</b>	<b>110.888</b>
<b>Equity and Liabilities</b>				
Equity - majority	38.580	38.508	34.028	42.055
Non-controlling interest	459	472	339	295
<b>Total equity</b>	<b>39.039</b>	<b>38.980</b>	<b>34.367</b>	<b>42.350</b>
Interest bearing loans and borrowings group companies	38.500	9.500	-	-
Other liabilities	-	88	78	42
Derivative financial instruments	494	1.845	4.525	1.010
<b>Total non-current liabilities</b>	<b>38.994</b>	<b>11.433</b>	<b>4.603</b>	<b>1.052</b>
Trade and other payables	56.683	46.812	35.544	51.822
Interest bearing loans and borrowings group companies	5.000	8.657	-	5.108
Other current liabilities	67	-	3.515	-
Derivative financial instruments, current	3.961	6.784	8.857	10.504
Income tax payable	-	77	497	52
<b>Total current liabilities</b>	<b>65.711</b>	<b>62.330</b>	<b>48.413</b>	<b>67.486</b>
<b>Total Liabilities</b>	<b>104.706</b>	<b>73.764</b>	<b>53.016</b>	<b>68.538</b>
<b>Total Equity and Liabilities</b>	<b>143.745</b>	<b>112.744</b>	<b>87.383</b>	<b>110.888</b>



## U-SEA BULK

Company announcement no. 11/2011

Page 8 of 9

18 November 2011

Copenhagen

### Statement of changes in equity

(USD '000)	2011 30/9	2011 30/6	2010 30/6	2010 31/12
Equity beginning of period	42.350	42.350	25.773	25.773
Increase of share capital	-	-	-	12.488
Currency adjustments investments	(272)	259	(244)	58
Hedge accounting	(28)	1.223	(1.609)	(1.482)
Net profit	(3.012)	(4.852)	3.141	(1.477)
Other changes	-	-	7.306	6.990
<b>Equity end of period</b>	<b>39.039</b>	<b>38.980</b>	<b>34.367</b>	<b>42.350</b>

### Statement of cash flow

(USD '000)	2011 Q3	2011 Q2	2011 Q1	2010 12M
Net cash flow from operating activities	2.970	(10.124)	4.106	(8.034)
Net cash flow from investing activities	(29.244)	(19.596)	(81)	(856)
Net cash flow from financing activities	25.070	13.049	(5.177)	11.572
<b>Net change in cash</b>	<b>(1.204)</b>	<b>(16.671)</b>	<b>(1.152)</b>	<b>2.682</b>
Cash balance beginning of period	10.817	27.488	24.806	24.806
<b>Cash balance end of period</b>	<b>9.613</b>	<b>10.817</b>	<b>23.654</b>	<b>27.488</b>

#### Notes

##### 1. Significant accounting policies

The interim financial report comprises the summarised consolidated financial statement of U-SEA Bulk Shipping A/S.

The interim financial report has been prepared in accordance with the International Financial Reporting Standards IAS 34 on interim reports and additional Danish disclosure requirements for the financial statements of listed companies.

The consolidated annual report for 2010 has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by EU.

For a complete description of the accounting policies and significant accounting judgement, estimate and assumptions, see note 1 and 2 page 40 to 45 in the Annual Report 2010.





## U-SEA BULK

Company announcement no. 11/2011

Page 9 of 9

18 November 2011

Copenhagen

### 2. Segment information

Period ended 30 September 2011	Business segments			Total Group
	Operator	Shipholding	Adjustments and eliminations	
<i>Figures in USD '000</i>				
<b>Condensed income statement</b>				
Freight income	383.523	5.176		388.699
Inter-segment revenue		27.218	-27.218	0
Voyage related expenses	-144.370	260	0	-144.110
Charter hire	-235.545	-25.091	27.218	-233.418
Gross profit (net earnings from shipping activities)	3.607	7.563	0	11.170
Profit before depreciation etc. (EBITDA)	-9.435	6.276	0	-3.160
Profit/loss on sale of vessel etc.	0	0	0	0
Depreciation	-499	-26		-525
Operating profit (EBIT)	-9.935	6.250	0	-3.684
<b>Condensed balance sheet</b>				
Total non-current assets	9.771	56.048	0	65.819
Total assets	81.690	62.055	0	143.745
Total liabilities	60.446	44.259	0	104.706

Period ended 30 September 2010	Business segments			Total Group
	Operator	Shipholding	Adjustments and eliminations	
<i>Figures in USD '000</i>				
<b>Condensed income statement</b>				
Freight income	450.193	17.455	-17.399	450.249
Inter-segment revenue	0	0	0	0
Voyage related expenses	(133.186)	-67	0	-133.253
Charter hire	(305.998)	-12.340	17.399	-300.939
Sale of goods and other income	72	0	0	72
Gross profit (net earnings from shipping activities)	11.081	5.048	0	16.128
Profit before depreciation etc. (EBITDA)	-6.492	4.092	-27	-2.427
Profit/loss on sale of vessel etc.	0	0	0	0
Depreciation	-353	-3	-	-356
Operating profit (EBIT)	-6.844	4.090	-27	-2.781
<b>Condensed balance sheet</b>				
Total non-current assets	28.874	6.706	-16.612	18.968
Total assets	92.001	14.859	-26.961	79.900
Total liabilities	45.855	3.391	681	49.926

### 3. Related party transactions

Transactions with related parties are made at market prices. Transactions are related to Charter hire, interest and loans.

### 4. Contingent assets and liabilities

Since end of 2010, an out-of-court settlement concerning the piracy arbitration as has been reached with no significant impact on financial statements. No other significant changes have occurred to contingent assets and liabilities other than those referred to in the Annual Report 2010.

### 5. Subsequent events

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