

 Western Bulk



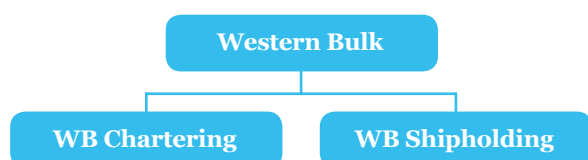
FINANCIAL
REPORT
FIRST HALF

2011

Financial Report First Half 2011

Western Bulk Group achieved a profit before tax of USD 4.9 million in the first six months of 2011. The comparable period in 2010 showed a profit before tax of USD 21.6 million.

Western Bulk carries out its business mainly through its two business segments; WB Chartering and WB Shipholding:



Highlights in the Period – WB Chartering

- The dry bulk shipping market has been very challenging during first half 2011 with an increase in the world fleet that exceeded the increase in demand for freight. Accordingly, freight rates have gradually declined to low levels and rate volatility has been reduced.
- During the period WB Chartering has maintained its volume and activities at about the same level as in 2010. In first half of 2011 the average number of ships operated was 98, compared to 96 ships in first half 2010 and 95 ships in 2010 full year.
- Despite low freight rates and increased counterparty issues in the shipping market, WB Chartering continues to deliver profits. However, the margin earned per ship day has materially diminished with the lower rates and the reduced volatility. Protecting the margin in such a market becomes even more important and is dependent on good commercial skills, efficient vessel operation and risk management.

Highlights in the Period – WB Shipholding

- WB Shipholding has invested in or chartered in on long term contracts a fleet of 10 vessels, of which 6 are new buildings to be delivered 2011-2014.
- In first quarter 2011, WB Shipholding carried out a sale-leaseback transaction related to the vessel MV Western Oslo.
- WB Shipholding continued to expand in first half 2011 by:
 - Entering into long term charter-in contracts with purchase options for one Supramax vessel and one Handysize vessel, commencing in 2012 and 2014 respectively.
 - Taking delivery of the first of three vessels in the Western Alterna Joint Venture and completing the debt financing for the third vessel in the joint venture. Debt financing has now been secured for all vessels/newbuildings.

Western Bulk Group - Results and Financial Position

- First half 2011 turnover of USD 468.3 million (H1 2010, USD 568.0 million). This represents a decrease of USD 99.7 million from the comparable period in 2010 and reflects the lower rates in the dry bulk shipping market.
- Net TC result for the period ended at USD 19.2 million (H1 2010, USD 40.3 million). The decrease is mainly due to a lower average margin per ship day.
- EBITDA was USD 4.3 million (H1 2010, USD 21.6 million), a reduction mainly caused by the reduced Net TC result.
- Total Assets decreased to USD 171.4 million from USD 263.3 million as at end of first half 2010. The decrease is mainly related to sale of vessels and dividends paid. 26% (USD 45.6 million) of the Group's assets consist of cash and bank deposits.

- The Group's total cash flow before dividends paid was positive with USD 6.4 million. Dividends paid in first half 2011 amounted to USD 37.2 million, giving a net negative cash flow of USD 30.8 million.
- Capex: Western Bulk has limited short and long term debt obligations and newbuilding commitments are limited to the 20% interest in two newbuildings in the Western Alterna Joint Venture, which is approximately USD 5.8 million.
- The Group's total equity was USD 66.2 million at the end of first half 2011, and the equity ratio is 39%, which is slightly lower than at year-end 2010.

Market Development

The decline in the dry bulk shipping freight rates in second half 2010 has continued through first half 2011. The Supramax Index started at USD 15,611 and by mid year the Index was USD 13,682. The volatility has been low throughout the first 6 months of 2011, compared to the volatility in 2010.

With WB's business model based on risk management, positioning and arbitrage, we have been able to create value from niche trades, imbalances between basins and intra-market opportunities in first half 2011. With the low volatility it has been difficult to extract value from market positioning, which has reduced the average margin per ship day.

Outlook

As discussed in our annual report for 2010, the outlook for the dry bulk shipping market is uncertain. The supply from the large newbuilding order book is expected to continue to outpace the tonnage demand and is creating a pressure on freight rates.

The number of newbuildings being delivered from the yards suggests a slippage of around 25% this year for dry bulk vessels, meaning that a significant part of the order book continues to be delayed and cancelled. At the same time the low freight rates have increased the scrapping activity for older tonnage, which will have a positive impact on the tonnage balance over time.

An additional element that may influence the tonnage balance going forward is the focus on new environmental designs reducing the fuel consumption substantially. This is likely to make older tonnage less attractive and increase scrapping.

However, the financial turmoil seems to once again have gained momentum on the back of the sovereign debt situations in certain areas and is impacting the financial markets as more concerns are being raised about the economic growth forecasts in these areas. This may in turn negatively impact the global growth in demand for shipping.

The overall outlook for the shipping market remains to be uncertain, and we expect the rates to continue at low levels for the next 12-18 months.

2nd of September 2011

The Board of Directors
Western Bulk AS, Oslo

Key figures

(USD million)	1st half 2011	1st half 2010	2010, full year
Gross revenues	468.3	568.0	1,082.0
Net T/C result	19.2	40.3	68.1
EBITDA	4.3	21.6	25.9
EBIT	6.0	20.6	26.8
Profit/(loss) before tax	4.9	21.6	24.3
Total assets	171.4	263.3	242.5
Cash	45.6	65.2	76.4
Total equity	66.2	124.1	98.6
Dividends paid	37.2	0.4	25.1
Cash flow from operations	2.7	32.3	62.0
Cash flow from investments	31.7	(23.0)	(30.8)
Cash flow from financing activities	(65.1)	(6.1)	(16.8)
Total cash flow	(30.8)	3.2	14.4
Average number of ships operated	98	96	95
Number of ship days	17,670	17,360	34,704
Number of voyages	449	436	945
Margin per ship day (USD)	1,084	2,320	1,961
EBITDA margin	0.9 %	3.8 %	2.4 %
EBIT margin	1.3 %	3.6 %	2.5 %
Net Profit margin, before tax	1.0 %	3.8 %	2.2 %
Return on Equity	10 %	41 %	25 %
Equity ratio	38.6 %	47.1 %	40.7 %
Average number of shares	12,430,665	12,430,665	12,430,665
Earnings per share (USD)	0.36	1.75	1.68

Definitions:

Margin per ship day:

EBITDA margin:

EBIT margin:

Net Profit margin, before tax:

Equity ratio:

Net T/C result divided by number of ship days

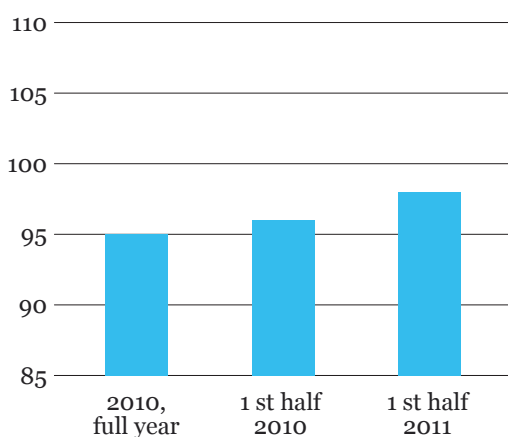
EBITDA in % of gross revenues

EBIT in % of gross revenues

Net profit before tax in % of gross revenues

Equity in % of total assets

Average number of ships operated



Consolidated Profit and Loss, Balance Sheet and Cash Flow Statements

The statements below are the unaudited consolidated financial statements for the first half of 2011 for Western Bulk AS and its subsidiaries (Western Bulk Group). Reference is made to the annual report for 2010 for the accounting principles applied for Western Bulk Group. There has been no change of the accounting principles during 2011.

Unaudited Consolidated Profit and Loss Statement

(USD 1,000)	1st half 2011	1st half 2010	2010, full year
Gross revenues	468,302	567,991	1,081,976
Voyage expenses	(190,571)	(174,795)	(342,628)
Freight revenues on T/C-basis	277,731	393,196	739,347
T/C expenses	(252,769)	(349,744)	(663,797)
Other vessel expenses	(5,803)	(3,173)	(7,496)
Administration expenses	(14,833)	(18,667)	(42,172)
Provision for doubtful debt	-	-	3,333
Ordinary depreciation tangible assets	(903)	(971)	(2,377)
Gain/(loss) on disposal of fixed assets	2,622	-	0
Operating profit/(loss)	6,045	20,641	26,840
Net interest income/(expense)	(280)	(442)	(1,001)
Gain/(loss) on foreign exchange	(522)	101	153
Write-down of shares	-	(317)	(708)
Share of profit/(loss) associated companies	(166)	(113)	(316)
Other financial expenses	(208)	1,683	(638)
Profit/(loss) before tax	4,869	21,553	24,330
Minorities' share of result	356	(172)	(130)

Unaudited Consolidated Cash Flow Statement

(USD 1,000)	1st half 2011	1st half 2010	2010, full year
CASH FLOW FROM OPERATIONS			
Profit/(loss) before tax	4,869	21,553	24,330
Taxes paid	(123)	35	43
Ordinary depreciation	903	971	2,377
Write-down of shares	(141)	743	3,638
Share of (profit)/loss of associates	166	113	316
Gain/(loss) disposal fixed assets	(2,617)	-	-
Changes in current receivables and current liabilities	(398)	8,850	31,258
Net cash flow from/(to) operating activities	2,660	32,265	61,963
CASH FLOW FROM INVESTMENTS			
Investments in fixed assets	(92)	(175)	(25,405)
Investments in other shares and units	(6,916)	(3,774)	(5,350)
Changes in long term receivables	(1,465)	(19,001)	-
Sale of financial assets	40,133	-	-
Net cash flow from investments	31,661	(22,950)	(30,755)
CASH FLOW FROM FINANCING ACTIVITIES			
Changes in new short term and long term debt	(27,863)	9,023	13,329
Loan to related party	(46)	(19,650)	(10,042)
Share dividend paid	(37,195)	(407)	(1,890)
Group contribution paid	-	-	(23,231)
Equity received from minorities	-	4,908	5,035
Net cash flow from financing activities	(65,103)	(6,126)	(16,800)
Net change in liquidity during the year	(30,782)	3,189	14,408
Liquid assets as at start of the period	76,417	62,010	62,010
Liquid assets as at end of period	45,636	65,198	76,417
Restricted bank deposits	6,501	8,948	2,817
Available liquid assets as at end of period	39,135	56,250	73,600

Unaudited Consolidated Balance Sheet

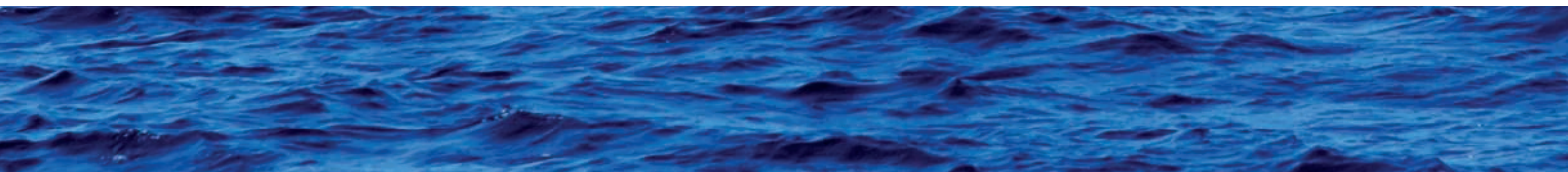
(USD 1,000)	30-06-11	30-06-10	31-12-10
ASSETS			
Fixed assets			
<i>Intangible fixed assets</i>			
Deferred tax asset	1,342	363	1,235
<i>Tangible fixed assets</i>			
Vessels and other tangible assets	25,087	58,611	63,415
Investment in associated companies	7,435	3,661	5,034
<i>Financial assets</i>			
Long term receivable	1,482	-	17
Total fixed assets	35,347	62,635	69,701
Current assets			
Accounts receivable	20,156	38,870	38,362
Other receivables	18,798	34,941	21,652
Prepaid cost (FFA)	7,686	16,408	14,278
Loan to related party	46	10,018	-
Bunker stocks	39,249	32,312	22,051
Shares	4,492	2,898	3
Bank deposits	45,636	65,198	76,417
Total current assets	136,061	200,645	172,762
TOTAL ASSETS	171,408	263,280	242,463
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
<i>Paid-in capital</i>			
Share capital	8,757	8,757	8,757
Other paid-in capital	12,684	-	12,684
Total paid-in capital	21,441	8,757	21,441
<i>Retained earnings</i>			
Other equity	39,533	110,400	72,274
Total earned equity	39,533	110,400	72,274
Minorities' share of equity	5,261	4,908	4,905
Total shareholders' equity	66,235	124,065	98,620
Liabilities			
<i>Other long term liabilities</i>			
Deferred tax liability	2,858	-	2,629
Liabilities to financial institutions	14,906	38,463	42,769
Other long term liabilities	335	278	285
Total long term liabilities	18,098	38,741	45,683
<i>Current liabilities</i>			
Accounts payable	29,770	23,499	18,879
Bank overdraft	-	-	-
Prepaid freight	10,783	21,106	21,010
Taxes payable	2,194	207	2,100
Accrued cost	26,308	38,771	27,561
Liabilities to group company	-	410	-
Other current liabilities	18,019	16,481	28,609
Total current liabilities	87,074	100,474	98,161
Total liabilities	105,172	139,215	143,843
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	171,408	263,280	242,463



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