



BELSHIPS

REPORT 1ST QUARTER 2014

1ST QUARTER 2014

RESULTS

Belships operating income in 1st quarter 2014 was USD 6,079,000 (Q1 2013: USD 6,331,000), while EBITDA amounted to USD 2,121,000 (USD 2,189,000). The decrease in operating income is mainly related to M/T Belaia, which was redelivered in the beginning of March 2014. The company's operating profit amounted to USD 1,124,000 (USD 1,128,000), while total comprehensive income for 1st quarter 2014 was USD 295,000 (USD 494,000).

The accounts for 1st quarter of 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting and are consistent with the principles applied in the annual accounts for 2013 and relevant changes to IFRS effective from 1 January 2014. The interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

THE MARKET

In January Capesize spot rates fell to USD 8,500 per day, then went up to USD 25,500 per day in March before ending the quarter around USD 19,500 per day. Spot rates have subsequently fallen to below USD 10,000 per day. Supramax spot rates ended the quarter at USD 11,400 per day, but are now around USD 9,500 per day. The valuation of a 5 year old Supramax is now USD 26.5 million according to the Baltic Exchange S&P assessment.

BUSINESS REPORT

M/S Belnor, M/S Belstar and M/S Beloceen have continued the long term charter parties to Canpotex of Canada. Canpotex is one of the world's biggest exporters of potash, a fertilizer product imported in large volumes by countries such as China, India and Brazil. Net T/C-rate is USD 16,000 per day, which is a favourable rate in the present market.

All ships have sailed without significant off-hire, and operating expenses for 1st quarter 2014 are close to budget. Technical management of our owned ships is handled by Belships Management (Singapore), which has technical management of 20 ships in total.

In June 2013 Belships signed a contract with Imabari Shipbuilding in Japan for the construction of 2 x 61.000 dwt eco-design Supramax bulk carriers for delivery 4th quarter 2015 and 2nd quarter 2016. One of the newbuildings will at the time of delivery be swapped with either M/S Belnor or M/S Beloceen for the balance period of charter party with Canpotex. The new charter hire will be USD 17,300 per day net.

Furthermore, Belships ASA has entered into a long term lease agreement incl. purchase option for a third Supramax n/b from Imabari Shipbuilding for delivery 1st quarter 2017.

FINANCIAL AND OTHER MATTERS

31 March the Groups' cash totaled USD 16.7 million compared to USD 14.3 million as of 31 December 2013.

The Board has proposed a dividend of NOK 0.05 per share for 2013.

In 1st quarter the three bulk carriers already in service were refinanced with a new term loan facility of USD 50 million for a period of six years. Both the margin and other conditions are improved compared to the previous facility.

The refinancing also improved the liquidity position by USD 1.5 million. Received offers for funding of the newbuilding program has not been accepted, due to expectation of favorable offers closer to time of delivery.

Belships plans to use surplus liquidity for payment of newbuilding commitments due in June and September amounting to USD 5.5 million and USD 2.8 million respectively. Impairment tests for the company's assets were performed in accordance with IAS 36. The ships and charter parties are valued based on observable market values. Based on these valuations and assumptions, no adjustment has been made in the 1st quarter.

At the end of the 1st quarter of 2014, the book value per share amounted to NOK 8.60, while the equity ratio was 55.4%.

BUSINESS OUTLOOK

Belships ASA is concentrating 100% on the dry bulk market. In accordance with this strategy M/T Belaia has been redelivered to its owners. As part of this agreement, the redelivered ship will be replaced by an eco-design Supramax n/b from Imabari for delivery 1st quarter 2017 for long term lease incl. purchase options. The lease period will be for 8 years with 3 yearly options to extend. Purchase option can be declared from end of 4th year at JPY 2.91 billion, with a yearly reduction of JPY 110 million. Through this lease agreement Belships ASA will have three identical Supramax sister ships with eco-design from Imabari for delivery from 4th quarter 2015 until 1st quarter 2017. Newbuilding prices for bulk carriers have increased both in Japan and China, and earliest delivery in Japan is now end of 2017 or early 2018. New Supramax contracts from Japan are now priced around USD 32-33 mill.

The total seaborne dry bulk trade is expected to increase by 5-6% p.a. in 2014-15, whereas the fleet adjusted for demolition is expected to grow around 4-5 % p.a. in the same period after many years of double digit growth. The dry bulk fleet capacity utilization will therefore improve, and a gradual rate increase may be expected.

Belships' vessels are chartered out long term on a fixed rate to a reputable counterpart, and short term market fluctuations will therefore not affect with the company's cash flow. The charter parties represent a future nominal gross hire of USD 110 million. Focus will be to further develop Belships ASA as an owner/operator of modern bulk carriers to reputable counterparts. Our ambition is to build a portfolio of ships and charter parties that will generate distributable cash flows.

Consolidated Statement of Comprehensive Income

		UNAUDITED	UNAUDITED	AUDITED
		2014	2013	2013
USD 1 000	Note	Jan - Mar	Jan - Mar	Jan - Dec
Operating income				
Freight income		5 098	5 344	22 094
Other operating income		981	987	3 879
Total operating income	1	6 079	6 331	25 973
Operating expenses				
Timecharterhire		-804	-1 143	-4 660
Operating expenses ships		-1 384	-1 323	-5 059
General administrative expenses		-1 770	-1 676	-6 920
Depreciation on fixed assets		-997	-1 061	-4 251
Impairment of ships		0	0	-2 700
Total operating expenses		-4 955	-5 203	-23 590
Operating profit		1 124	1 128	2 383
Financial income and expenses				
Interest income		9	12	142
Interest expenses		-499	-531	-2 040
Currency exchange gain/(-loss)		42	156	208
Other financial items		-355	-192	-681
Net financial items		-803	-555	-2 371
Profit/(loss) before tax		321	573	12
Tax		-26	-79	-166
Profit/(loss) for the period		295	494	-154
Hereof non-controlling interests		7	31	60
Hereof majority interests		288	463	-214
Other comprehensive income				
Actuarial gain/(loss) on defined benefit plans		0	0	-3
Total comprehensive income		295	494	-157
Hereof non-controlling interests		7	31	60
Hereof majority interests		288	463	-217
Earnings per share (USD)		0.01	0.02	0.00
Diluted earnings per share (USD)		0.01	0.02	0.00

Balance sheet

		UNAUDITED 2014 USD 1 000 Note 31 Mar	UNAUDITED 2013 31 Mar	AUDITED 2013 31 Dec
ASSETS				
Fixed assets				
Ships		94 640	101 153	95 424
Newbuilding instalments	2	5 650	0	5 650
Other fixed assets		3 074	3 133	3 088
Total fixed assets		103 364	104 286	104 162
Current assets				
Trade debtors		122	472	12
Other receivables		1 104	952	968
Cash and cash equivalents		16 690	10 112	14 282
Total current assets		17 916	11 536	15 262
Total assets		121 280	115 822	119 424
EQUITY AND LIABILITIES				
Equity				
Paid-in capital		43 305	29 010	43 305
Retained earnings		23 540	23 922	23 252
Non-controlling interests		408	443	401
Total equity		67 253	53 375	66 958
Long-term liabilities				
Mortgage debt	3	44 437	46 096	42 460
Financial instruments		711	1 061	816
Pension obligations		1 620	1 980	1 644
Total long-term liabilities		46 768	49 137	44 920
Short-term liabilities				
Current portion of mortgage debt		5 000	5 138	5 138
Bond issue		0	5 731	0
Trade creditors		484	379	562
Other short-term liabilities		1 775	2 062	1 846
Total short-term liabilities		7 259	13 310	7 546
Total equity and liabilities		121 280	115 822	119 424

Cash flow statements

	UNAUDITED 2014 Jan - Mar	UNAUDITED 2013 Jan - Mar	AUDITED 2013 Jan - Dec
<i>USD 1 000</i>			
Cash flow from operations			
Profit/(Loss) before tax	321	573	12
Adjustments to reconcile profit before tax to net cash flows:			
Depreciations on fixed assets	997	1 061	4 251
Impairment of ships	0	0	2 700
Share-based payment expense	0	9	12
Difference between pension expenses and paid pension premium	0	0	-197
Net finance costs	803	555	2 371
Working capital adjustments:			
Change in trade debtors and trade creditors	-188	-578	65
Change in other short-term items	-496	164	-362
	1 437	1 784	8 852
Interest received	9	12	142
Interest paid	-499	-531	-2 040
Income tax paid	0	-74	-75
Net cash flow from operating activities	947	1 191	6 879
Cash flow from investing activities			
Prepayment newbuilding contracts	0	0	-5 650
Paid out on other investments	-188	0	-221
Net cash flow from investing activities	-188	0	-5 871
Cash flow from financing activities			
Repayment of long-term debt	-47 911	-1 283	-10 993
Drawdown new loan	50 000	0	0
Payment of transaction costs related to new loan	-493	0	0
Share issue (net)	0	0	14 293
Net cash flow from financing activities	1 596	-1 283	3 300
Net change in cash and cash equivalents during the period	2 355	-92	4 308
Cash and cash equivalents at 1 January	14 282	10 204	10 204
Change currency NOK deposits	53	0	-230
Cash and cash equivalents at end of period	16 690	10 112	14 282

Statement of change in equity

	Majority interest				Retained	Non-	Total
<i>USD 1000</i>	Paid-in					controll.	equity
	Share capital	Treasury shares	Share premium reserves	Other paid-in equity	Other equity	interests	
31 March 2014 (UNAUDITED)							
Equity as at 31 December 2013	14 272	-166	13 751	15 448	23 252	401	66 958
Net result for the period	0	0	0	0	288	7	295
Equity as at 31 March 2014	14 272	-166	13 751	15 448	23 540	408	67 253
31 March 2013 (UNAUDITED)							
Equity as at 31 December 2012	6 722	-166	7 009	15 436	23 459	319	52 779
Net result for the period	0	0	0	0	463	31	494
Share-based payment expense	0	0	0	9	0	0	9
Non-controlling interests transactions	0	0	0	0	0	93	93
Equity as at 31 March 2013	6 722	-166	7 009	15 445	23 922	443	53 375

Key financial figures

		2014 31 Mar	2013 31 Mar	2013 31 Dec
EBITDA	USD 1000	2 121	2 189	9 334
Interest coverage ratio		1.70	2.53	1.01
Current ratio	%	246.81	86.67	202.24
Equity ratio	%	55.45	46.08	56.07
Earnings per share	USD	0.01	0.02	0.00
Earnings per share	NOK	0.04	0.12	-0.03
Number of issued shares (excluding treasury shares)		46 804 000	24 304 000	46 804 000
Average number of issued shares (excluding treasury shares)		46 804 000	24 304 000	33 679 000

Notes to the accounts

The amounts are not audited.

Note 1 Segment information

The period 1 January - 31 March, 2014

USD 1 000	Dry cargo	Product tank	Technical mgmt.	Admin.	Group transact.	TOTAL
Freight income	4 233	774	0	0	91	5 098
Other operating income	0	0	1 016	175	-210	981
Total operating income	4 233	774	1 016	175	-119	6 079
Timecharterhire	0	-804	0	0	0	-804
Operating expenses ships	-1 493	0	0	0	109	-1 384
General administrative expenses	-11	-10	-922	-837	10	-1 770
Depreciations on fixed assets	-964	0	-12	-21	0	-997
Total operating expenses	-2 468	-814	-934	-858	119	-4 955
Operating profit	1 765	-40	82	-683	0	1 124
Interest income	0	0	9	0	0	9
Interest expenses	-499	0	0	0	0	-499
Currency exchange gain/(-loss)	-3	0	-64	109	0	42
Other financial items	-348	0	-4	-3	0	-355
Net financial items	-850	0	-59	106	0	-803
Profit/(loss) before tax	915	-40	23	-577	0	321
Tax	0	0	-26	0	0	-26
Profit/(loss) for the period	915	-40	-3	-577	0	295
Operating income as at 31 Mar 2013	4 137	1 118	1 013	180	-117	6 331
Operating income as at 31 Mar 2014	4 233	774	1 016	175	-119	6 079
Operating profit as at 31 Mar 2013	1 674	-36	175	-685	0	1 128
Operating profit as at 31 Mar 2014	1 765	-40	82	-683	0	1 124

Note 1 Segment information. continued

1 Jan – 31 Mar, 2014						1 Jan – 31 Mar, 2013				
<i>USD 1 000</i>	Dry cargo	Product tank	Technic. manag.	Admin./ Elim.	Total	Dry cargo	Product tank	Technic. manag.	Admin./ Elim.	Total
Freight income	4 233	774	0	91	5 098	4 137	1 118	0	89	5 344
Other operating income	0	0	1 016	-35	981	0	0	1 013	-26	987
Total operating income	4 233	774	1 016	56	6 079	4 137	1 118	1 013	63	6 331
Timecharterhire	0	-804	0	0	-804	0	-1 143	0	0	-1 143
Operating expenses ships	-1 493	0	0	109	-1 384	-1 429	0	0	106	-1 323
General administrative exps.	-11	-10	-922	-827	-1 770	-6	-11	-825	-834	-1 676
Depreciations on fixed assets	-964	0	-12	-21	-997	-1 028	0	-13	-20	-1 061
Operating profit	1 765	-40	82	-683	1 124	1 674	-36	175	-685	1 128

Note 2 Newbuilding contracts

Belships ASA has placed order for two newbuilding contracts for fuel efficient Supramax bulk carriers from Imabari Shipbuilding Co. Ltd. The ships will be delivered during the second half of 2015 and first half of 2016. Total newbuilding cost amounts to USD 56.5 million of which USD 5.65 million was paid in June 2013.

Remaining instalments

Instalment:	%	Scheduled due date Hull S-K085	Scheduled due date Hull S-K086
#2	10 %	5 June 2014	5 June 2014
#3	10 %	30 September 2014	30 March 2015
#4: Launch	10 %	3 months before delivery	3 months before delivery
#5: Delivery	60 %	1 July - 28 December 2015	4 January - 30 June 2016

Note 3 Mortgage debt

Mortgage debt as of 31 March 2014 was USD 50 million. Arrangement fee related to drawdown of the new loan is recorded as a reduction of debt in the balance sheet and amortized over the loan period in accordance with the amortized cost principle.

Fleet list

As of 31 March 2014

	Ship	Owner- ship	Built year	Dwt	Employment	T/C-rate (USD/day net)
	Supramax bulk					
1	M/S Belstar	100 %	2009	58 018	T/C to 08/19	16 000
1	M/S Belnor	100 %	2010	58 018	T/C to 05/20	16 000
1	M/S Beloccean	100 %	2011	58 018	T/C to 03/21	16 000
2	Imabari newbuilding	100 %	2015	61 000		
2	Imabari newbuilding	100 %	2016	61 000		
3	Imabari newbuilding	T/C	2017	61 000		
1	<i>In case of any sale, Belships has an option to cancel two of the three time charter parties after respectively 5 and 7 years from the ships were delivered.</i>					
2	<i>Belships has signed an agreement with Canpotex Shipping Services Ltd to replace M/S Belnor or M/S Beloccean with one of the newbuildings. The rate will be adjusted to 17.300 usd/day net with effect from the date of delivery and until the expiry of the existing c/p period.</i>					
3	<i>Delivery during 1st quarter of 2017 for long-term lease with purchase option. Charter period is eight years with three annual renewal options. Purchase option may be exercised at the end of year 4 to JPY 2.91 billion, with an annual decrease of JPY 110 million.</i>					



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