



BELSHIPS

REPORT 2ND QUARTER 2014

14 August 2014

**HIGHLIGHTS**

- Operating income of USD 5.2 m (USD 6.4 m)
- EBITDA of USD 1.8 m (USD 2.4 m)
- Net income of USD 0.3 m (USD 0.7 m)
- All vessels operating normally – modern fleet – average age 4.1 years.
- Belstar was drydocked as planned in May, causing offhire of USD 0.3 m.
- Revised option agreement for CEO, as approved by the AGM in May, has been included in the second quarter result with an expense of USD 0.3 m.
- Contract coverage 100% for delivered vessels – USD 108 million fixed charter backlog.
- Newbuilding prices in Japan for Supramax now around USD 32 million – comfortably above our contract price of USD 28.25 million.
- The long term lease agreement for a newbuilding with delivery Q1 2017 has been upgraded to the new 63,000 dwt design from Imabari Shipbuilding.
- A dividend of NOK 0.05 per share for 2013 was paid out in May.

Second quarter 2014 results

Belships operating income in 2nd quarter 2014 was USD 5,224,000 (Q2 2013: USD 6,397,000), while EBITDA amounted to USD 1,764,000 (USD 2,411,000). 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 result amounted to USD 768,000 (USD 1,342,000), while total comprehensive income for 2nd quarter 2014 was USD 304,000 (USD 675,000). The decrease in operating result is mainly explained by drydocking of M/S Belstar and expensing of share-option to CEO.

The accounts for 2nd 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.

Fleet status

M/S Belnor, M/S Belstar and M/S Beloceano have continued the long term contracts 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 time charter rate is USD 16,000 per day, which is a favorable rate in the present market.

M/S Belstar was in drydock in May, after 5 years in service. Total off-hire incl. deviation was 18 days. Otherwise all ships have sailed without significant off-hire, and operating expenses for 2nd quarter 2014 are close to budget. Technical management of our owned ships is handled by Belships Management (Singapore) with a fleet of 20 ships under technical management.

Newbuilding program

Belships newbuilding program with Imabari Shipbuilding in Japan includes 2 x 61.000 dwt eco-design Supramax bulk carriers for delivery 4th quarter 2015 and 2nd quarter 2016. In addition we have signed a long term lease agreement incl. purchase option for a sister vessel with delivery 1st quarter 2017. In June we agreed to upgrade the leased vessel to the new 63,000 dwt design from Imabari Shipbuilding, with further enhanced eco-design features.

**Financial and corporate matters**

30 June the Groups' cash totaled USD 11.1 million compared to USD 16.7 million as per 31 March 2014.

A dividend of NOK 0.05 per share was paid to the shareholders in May.

The mortgage debt balance as at 30 June was USD 48.7 million and was reduced by USD 1.3 million during the quarter. Second instalment for the newbuildings amounting to USD 5.6 million was paid in June. Remaining newbuilding commitment amounts to USD 45.3 million, of which USD 2.8 million is due for payment in September this year. All payments in 2014 are financed by the company's surplus liquidity.

Received offers for funding of the newbuilding program has not yet been accepted, but we expect the long term financing to be in place within near future.

In August 2011 Belships entered into an interest rate swap agreement with 2 years forward start at 2.2% with duration for 5 years covering USD 25 million, reducing by USD 5 million per year. Hedging the Group's interest exposure is considered on an ongoing basis. We do expect a modest increase in the interest rate level for the coming 3-5 years, and we are therefore hesitant to additional hedge agreements at the moment. The hedging level of interest rate exposure is currently around 22%.

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 2nd quarter.

At the end of the 2nd quarter of 2014, the book value per share amounted to NOK 8.86, while the equity ratio was 55.8%.

Market highlights

The Capesize-index ended the second quarter at USD 14,177 per day, whereas the Panamax-index ended close to all time low at USD 3,397 per day. The Supramax-index ended the quarter at USD 7,062 per day. As per today the Cape index stands at USD 12,793/day, Panamax index at USD 5,883/day and Supramax index at USD 9,004/day. The valuation of a 5 year old Supramax is USD 24.0 million according to the Baltic Exchange S&P assessment.

Although the period rates have edged lower over the past months, they still remain well above spot levels. Cape one-year TC rates are holding around USD 19,000 per day, whereas Panamax and Supramax one-year rates remain around USD 9-10,000 per day.

There is very little activity in the S&P sector as a natural consequence of the weak freight market, and very few newbuilding orders have been reported lately. Year to date Chinese iron ore imports are approx. 19% higher compared to last year, but the ton-mile growth is not equally high since a significant part of Chinese iron ore import is being sourced from Australia, rather than Brazil. However, initial numbers indicate a ton-mile growth of 6-7% year-to-date, which is significantly higher than net supply. The hidden supply in vessel slow steaming is likely to persist as long as bunker prices remain at current levels.



With increased capacity of iron ore from Australia and Brazil, the international iron ore prices have dropped below USD 100/ton. China will be encouraged to continue the import rather than exploit their domestic resources with low FE content.

China currently uses coal for about 65% of its energy and air pollution has now reached intolerable levels. The recent agreement between Russia and China on natural gas supplies is an indication that China is serious about reducing its reliance on coal, mainly in an effort to reduce air pollution.

Strategy

Belships is concentrating 100% on the dry bulk market, with 3 x 58,000 dwt Supramax in service and 3 x Supramax newbuildings under construction by Imabari Shipbuilding in Japan for delivery from 4th quarter 2015 until 1st quarter 2017. The newbuildings will be actively marketed for long term employment at a time closer to delivery, but we are in preliminary discussions with a few carefully selected charterers.

Outlook

Many market observers are expecting a rebound in the second half of 2014 and in 2015, particularly within the Capesize sector. The main driver will be sharply increasing volumes of iron ore, coal and grain, particularly into China, in combination with a falling fleet growth. Even though the outlook for Panamax and Supramax is less favorable, these smaller sizes will also benefit from a rising utilization rate for Capesize.

There seems to be no demand problem in the dry bulk sector. Iron ore volume into China is expected to grow around 9.5% and 10% in 2014 and 2015, coal volume to grow between 4% and 5% and grain volume by around 8%. Growth in newbuilding orders has fallen sharply. The total seaborne dry bulk trade is expected to increase by 6-7% 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 should 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 108 million.

Focus will be to further develop Belships as an owner/operator of modern bulk carriers to reputable counterparts. Our ambition is to build a portfolio of quality vessels and robust charter parties that will generate distributable cash flows.

Directors' responsibility statement

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2014 have been prepared in accordance with IAS 34 - Interim Financial Reporting, and gives a true and fair view of the group's assets, liabilities, financial position and profit as a whole.

We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

Oslo, 14 August 2014
THE BOARD OF BELSHIPS ASA

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STATEMENT OF COMPREHENSIVE INCOME

BELSHIPS ASA

USD 1 000		Q2 2014	Q2 2013	1H 2014	1H 2013	2013
	Note	Unaudited	Unaudited	Unaudited	Unaudited	
Freight revenue		4 060	5 548	9 158	10 892	22 094
Management fees		1 164	849	2 145	1 836	3 879
Operating income	1	5 224	6 397	11 303	12 728	25 973
Time-charter hire		0	-1 165	-804	-2 308	-4 660
Ship operating expenses		-1 412	-1 194	-2 796	-2 517	-5 059
Operating expenses ship management		-790	-788	-1 712	-1 613	-3 706
General and administrative expenses		-1 258	-839	-2 106	-1 690	-3 214
Operating expenses		-3 460	-3 986	-7 418	-8 128	-16 639
Operating result (EBITDA)		1 764	2 411	3 885	4 600	9 334
Depreciation and amortization		-996	-1 069	-1 993	-2 130	-4 251
Impairment of non-current assets		0	0	0	0	-2 700
Operating result (EBIT)		768	1 342	1 892	2 470	2 383
Interest income		20	11	29	23	142
Interest expenses		-499	-477	-998	-1 008	-2 040
Other financial items		70	-436	-285	-628	-681
Currency gains/(-losses)		-83	280	-41	436	208
Net financial items		-492	-622	-1 295	-1 177	-2 371
Result before taxes		276	720	597	1 293	12
Taxes		28	-45	2	-124	-166
Net result		304	675	599	1 169	-154
Hereof non-controlling interests		38	22	45	53	60
Hereof majority interests		266	653	554	1 116	-214
Other comprehensive income						
Actuarial gain/(loss) on defined benefit plans		0	0	0	0	-3
Total comprehensive income		304	675	599	1 169	-157
Hereof non-controlling interests		38	22	45	53	60
Hereof majority interests		266	653	554	1 116	-217
Earnings per share (US cent)		0.64	2.72	1.26	4.70	-0.33
Diluted earnings per share (US cent)		0.64	2.72	1.26	4.70	-0.33



CONSOLIDATED BALANCE SHEETS

BELSHIPS ASA

USD 1 000		YTD Q2 2014	YTD Q2 2013	2013
	Note	Unaudited	Unaudited	
ASSETS				
Fixed assets				
Ships		94 366	100 134	95 424
Newbuilding instalments	2	11 300	5 650	5 650
Other fixed assets		2 615	3 032	3 088
Total fixed assets		108 281	108 816	104 162
Current assets				
Trade debtors		222	588	12
Other receivables		1 117	1 055	968
Cash and cash equivalents		11 076	11 297	14 282
Total current assets		12 415	12 940	15 262
Total assets		120 696	121 756	119 424
EQUITY AND LIABILITIES				
Equity				
Paid-in capital		43 605	29 009	43 305
Retained earnings		23 413	24 575	23 252
Non-controlling interests		373	406	401
Total equity		67 391	53 990	66 958
Long-term liabilities				
Mortgage debt	3	43 071	44 884	42 460
Financial instruments		700	986	816
Pension obligations		1 494	1 865	1 644
Total long-term liabilities		45 265	47 735	44 920
Short-term liabilities				
Current portion of mortgage debt		5 000	5 138	5 138
Bond issue		0	5 548	0
Trade creditors		801	521	562
Other short-term liabilities		2 239	8 824	1 846
Total short-term liabilities		8 040	20 031	7 546
Total equity and liabilities		120 696	121 756	119 424



CONSOLIDATED CASH FLOW STATEMENTS

BELSHIPS ASA

USD 1 000	1H 2014	1H 2013	2013
	<i>Unaudited</i>	<i>Unaudited</i>	
Cash flow from operating activities			
Net result before taxes	597	1 293	12
Adjustments to reconcile profit before tax to net cash flows:			
Depreciations on fixed assets	1 993	2 130	4 251
Impairment of ships	0	0	2 700
Share-based payment expense	300	8	12
Difference between pension expenses and paid pension premium	0	-128	-197
Net finance costs	1 295	1 177	2 371
Working capital adjustments:			
Change in trade debtors and trade creditors	29	-954	65
Change in other short-term items	302	402	-362
Interest received	29	23	142
Interest paid	-998	-1 008	-2 040
Income tax paid	-59	-79	-75
Net cash flow from operating activities	3 488	2 864	6 879
Cash flow from investing activities			
Prepayment newbuilding contracts	-5 650	-5 650	-5 650
Other investments	-878	-39	-221
Net cash flow from investing activities	-6 528	-5 689	-5 871
Cash flow from financing activities			
Repayment of long-term debt	-49 161	-2 567	-10 993
Proceeds from new loan	50 000	6 636	0
Payment of transaction costs related to new loan	-575	0	0
Dividend paid to shareholders	-393	0	0
Share issue (net)	0	0	14 293
Net cash flow from financing activities	-129	4 069	3 300
Net change in cash and cash equivalents during the period	-3 169	1 244	4 308
Cash and cash equivalents at 1 January	14 282	10 204	10 204
Change currency NOK deposits	-37	-151	-230
Cash and cash equivalents at end of period	11 076	11 297	14 282



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

BELSHIPS ASA

USD 1 000

	Majority interest					Non-controlling interests	Total equity
	Paid-in				Retained		
	Share capital	Treasury shares	Share premium reserves	Other paid-in equity	Other equity		
As at 30 June 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	554	45	599
Dividend to shareholders	0	0	0	0	-393	0	-393
Share-based payment expense	0	0	0	300	0	0	300
Non-controlling interest transactions	0	0	0	0	0	-73	-73
Equity as at 30 June 2014	14 272	-166	13 751	15 748	23 413	373	67 391

As at 30 June 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	1 116	53	1 169
Share-based payment expense	0	0	0	8	0	0	8
Non-controlling interest transactions	0	0	0	0	0	34	34
Equity as at 30 June 2013	6 722	-166	7 009	15 444	24 575	406	53 990

KEY FINANCIAL FIGURES

BELSHIPS ASA

		1H 2014	1H 2013	2013
EBITDA	USD 1000	3 885	4 600	9 334
Interest coverage ratio		1.57	3.26	1.01
Current ratio	%	154.42	64.60	202.25
Equity ratio	%	55.84	44.34	56.07
Earnings per share	US cent	1.26	4.70	-0.33
Earnings per share	NOK	0.08	0.27	-0.03
Book value per share	NOK	8.86	13.39	8.70
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 CONSOLIDATED ACCOUNTS

The figures are not audited

Note 1 Segment information

BELSHIPS ASA

USD 1 000	January - June 2014					
	<i>Dry cargo</i>	<i>Product tank</i>	<i>Technical mgmt.</i>	<i>Admini- stration</i>	<i>Group transact.</i>	<i>Total</i>
Freight revenue	8 225	774	0	0	159	9 158
Management fees	0	0	2 211	332	-398	2 145
Operating income	8 225	774	2 211	332	-239	11 303
Time-charter hire	0	-804	0	0	0	-804
Ship operating expenses	-3 014	0	0	0	218	-2 796
Operating expenses ship management	0	0	-1 712	0	0	-1 712
General and administrative expenses	-104	-10	0	-2 013	21	-2 106
Operating expenses	-3 118	-814	-1 712	-2 013	239	-7 418
Operating result (EBITDA)	5 107	-40	499	-1 681	0	3 885
Depreciation and amortization	-1 927	0	-25	-41	0	-1 993
Impairment of non-current assets	0	0	0	0	0	0
Operating result (EBIT)	3 180	-40	474	-1 722	0	1 892
Interest income	0	0	24	5	0	29
Interest expenses	-998	0	0	0	0	-998
Other financial items	-295	0	-9	19	0	-285
Currency gains/(-losses)	-7	0	-91	57	0	-41
Net financial items	-1 300	0	-76	81	0	-1 295
Result before taxes	1 880	-40	398	-1 641	0	597
Taxes	0	0	2	0	0	2
Net result	1 880	-40	400	-1 641	0	599
Hereof non-controlling interests	0	0	45	0	0	45
Hereof majority interests	1 880	-40	355	-1 641	0	554



Note 1 Segment information, continued

BELSHIPS ASA

USD 1 000	2014					2013				
Q1	<i>Dry cargo</i>	<i>Product tank</i>	<i>Tech. mgmt.</i>	<i>Admin/ Grp.tr.</i>	<i>Total</i>	<i>Dry cargo</i>	<i>Product tank</i>	<i>Tech. mgmt.</i>	<i>Admin/ Grp.tr.</i>	<i>Total</i>
Freight revenue	4 233	774	0	91	5 098	4 137	1 118	0	89	5 344
Management fees	0	0	1 016	-35	981	0	0	1 013	-26	987
Operating income	4 233	774	1 016	56	6 079	4 137	1 118	1 013	63	6 331
Time-charter hire	0	-804	0	0	-804	0	-1 143	0	0	-1 143
Ship operating expenses	-1 493	0	0	109	-1 384	-1 429	0	0	106	-1 323
Operating expenses ship management	0	0	-922	0	-922	0	0	-825	0	-825
General and administrative expenses	-11	-10	0	-827	-848	-6	-11	0	-834	-851
Operating expenses	-1 504	-814	-922	-718	-3 958	-1 435	-1 154	-825	-728	-4 142
Operating result (EBITDA)	2 729	-40	94	-662	2 121	2 702	-36	188	-665	2 189
Depreciation and amortization	-964	0	-12	-21	-997	-1 028	0	-13	-20	-1 061
Impairment of non-current assets	0	0	0	0	0	0	0	0	0	0
Operating result (EBIT)	1 765	-40	82	-683	1 124	1 674	-36	175	-685	1 128
Q2	<i>Dry cargo</i>	<i>Product tank</i>	<i>Techn. manag.</i>	<i>Admin/ Grp.tr.</i>	<i>Total</i>	<i>Dry cargo</i>	<i>Product tank</i>	<i>Techn. manag.</i>	<i>Admin/ Grp.tr.</i>	<i>Total</i>
Freight revenue	3 992	0	0	68	4 060	4 328	1 130	0	90	5 548
Management fees	0	0	1 195	-31	1 164	0	0	879	-30	849
Operating income	3 992	0	1 195	37	5 224	4 328	1 130	879	60	6 397
Time-charter hire	0	0	0	0	0	0	-1 165	0	0	-1 165
Ship operating expenses	-1 521	0	0	109	-1 412	-1 300	0	0	106	-1 194
Operating expenses ship management	0	0	-790	0	-790	0	0	-788	0	-788
General and administrative expenses	-93	0	0	-1 165	-1 258	-8	-24	0	-807	-839
Operating expenses	-1 614	0	-790	-1 056	-3 460	-1 308	-1 189	-788	-701	-3 986
Operating result (EBITDA)	2 378	0	405	-1 019	1 764	3 020	-59	91	-641	2 411
Depreciation and amortization	-963	0	-13	-20	-996	-1 037	0	-13	-19	-1 069
Impairment of non-current assets	0	0	0	0	0	0	0	0	0	0
Operating result (EBIT)	1 415	0	392	-1 039	768	1 983	-59	78	-660	1 342

**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 and additional USD 5.65 million was paid in June 2014.

Remaining instalments	%	USD mill. per ship	Scheduled due date Hull S-K085	Scheduled due date Hull S-K086
#3	10 %	2.83	30 September 2014	30 March 2015
#4: Launch	10 %	2.83	3 months before delivery	3 months before delivery
#5: Delivery	60 %	16.95	2nd half 2015	1st half 2016

Note 3 Mortgage debt

Mortgage debt as of 30 June 2014 was USD 48.7 million. Arrangement fee and other costs 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.



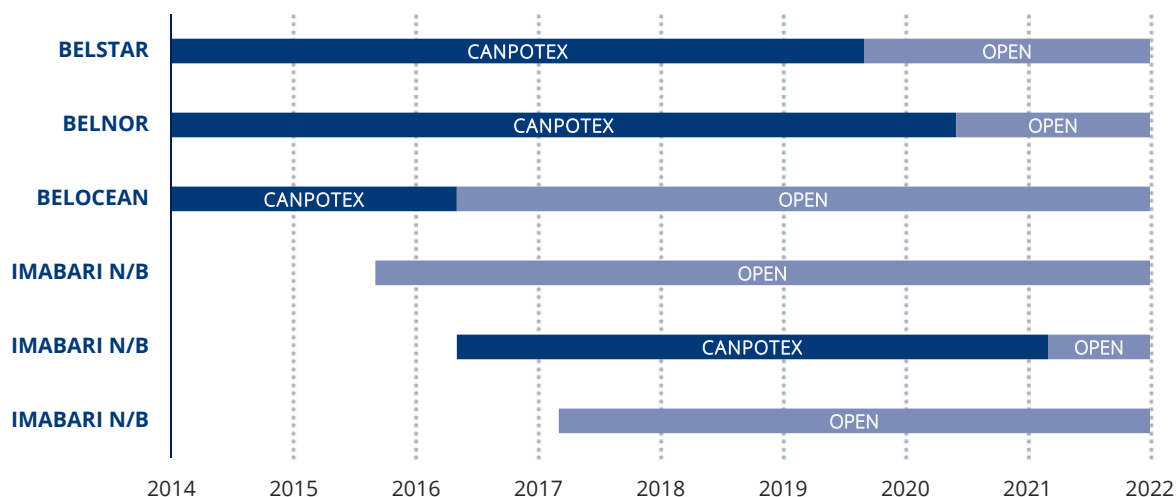
FLEET LIST

As at 30 June 2014

Ship		Ownership	Built year	Dwt	Employment	T/C-rate (net USD/day)
Supramax						
M/S Belstar	1	100 %	2009	58 018	T/C to 08/19	16 000
M/S Belnor	1	100 %	2010	58 018	T/C to 05/20	16 000
M/S Belocean	1	100 %	2011	58 018	T/C to 03/21	16 000
Imabari newbuilding	2	100 %	2015	61 000		
Imabari newbuilding	2	100 %	2016	61 000		
Imabari newbuilding	3	T/C	2017	63 000		

- 1) 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.
- 2) Belships has signed an agreement with Canpotex Shipping Services Ltd to replace M/S Belnor or M/S Belocean with one of the newbuildings. The rate will be adjusted to USD 17.300/day net with effect from the date of delivery and until the expiry of the existing c/p period.
- 3) 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 3.01 billion, with an annual decrease of JPY 110 million.

CHARTER COVERAGE



Canpotex was established in 1972 by three Canadian potash producers: Agrium, Mosaic and PotashCorp. Canpotex manages transportation and has invested in 5,000 specialized railcars and two port terminals. Canpotex has supplied over 185 million mt of potash since 1974 to customers in countries like Australia, Brazil, China, India, Indonesia and Japan.

**LARGEST SHAREHOLDERS**

Name	Number of shares	%
SONATA AS	28 856 030	60.94 %
TIDSHIPS AS	6 201 058	13.10 %
Longbow Limited	2 308 680	4.88 %
GEMSCO AS	920 590	1.94 %
SKANDINAVISKA ENSKIL A/C CLIENTS ACCOUNT	800 000	1.69 %
IMPORTER AS	652 976	1.38 %
TIDEMAND SVERRE JØRGEN	582 782	1.23 %
BELSHIPS ASA	498 000	1.05 %
CARLINGS AS	400 000	0.84 %
JASTO AS	350 000	0.74 %
TIDINVEST II AS	315 414	0.67 %
JENSSEN & CO A/S	302 816	0.64 %
SØLAND TORSTEIN c/o T. Sjøland Taktek	300 000	0.63 %
CHREM CAPITAL AS	270 000	0.57 %
KONTRARI AS	250 000	0.53 %
STEEN CARL ERIK	207 203	0.44 %
SKANDINAVISKA ENSKIL SEB LONDON, LUX CLIE	187 419	0.40 %
ACHILLES FINANS AS	123 444	0.26 %
KRISTIANSEN JOHN TORE	119 000	0.25 %
LARSEN KJELL EGIL	110 000	0.23 %

**BELSHIPS**

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