



BELSHIPS

REPORT 1ST QUARTER 2016

28 April 2016

**HIGHLIGHTS**

- Operating income of USD 6.0 m (Q4 2015: USD 5.9 m)
- EBITDA of USD 2.5 m (USD 2.2 m)
- Net result of USD -16.5 m (USD -20.0 m)
- Impairment of the fleet included with USD -13.8 m (USD -19.9 m)
- All vessels operating normally – modern fleet – average age 4 years
- Contract coverage 100% for delivered vessels – USD 75 million fixed charter
- Belocean fixed for 10-15 months to Cargill
- Belisland delivered 15 March and fixed to Canpotex for a period of 5 years

First quarter 2016 results

Belships operating income in 1st quarter 2016 was USD 6.0 million (Q4 2015: USD 5.9 million), while EBITDA amounted to USD 2.5 million (USD 2.2 million). The Group's operating result amounted to USD -14.9 million (USD -19.1 million), while total comprehensive income for 1st quarter 2016 was USD -16.5 million (USD -20.0 million). Operating result is negatively impacted with a loss amounting to USD 2.3 million relating to the sale and leaseback on M/S Belisland and a provision for an unfavourable timecharter contract.

Impairment tests of the company's assets were performed in accordance with IAS 36. The ships and charterparties are valued based on observable market values. Based on these valuations and assumptions, book value of the fleet has been reduced by USD 13.8 million in the 1st quarter, in addition to ordinary depreciation of USD 1.3 million.

Fleet status

M/S Belstar, M/S Belnor and M/S Belocean have (until mid February) continued the long-term contracts to Canpotex of Canada. Canpotex is one of the world's largest exporters of potash, a fertilizer product imported in large volumes by countries such as China, India and Brazil. M/S Belforest was delivered to Cargill ex yard in September for a 10-14 month period at charter rate of around USD 8,000 per day. M/S Belisland was delivered to Canpotex ex yard on 15 March and entered the 5 years c/p at USD 17,300 per day at the expense of M/S Belocean being redelivered. In February M/S Belocean was fixed to Cargill for 10-15 month period at a charter rate of around USD 4,000 per day.

All ships have sailed without significant off-hire, and operating expenses for 1st quarter 2016 are close to budget. Technical management is handled by Belships Management (Singapore), with a total fleet of 20 ships under technical management.

Newbuilding program

Belships' remaining newbuilding program with Imabari Shipbuilding in Japan includes one 63,000 dwt eco-design Ultramax bulk carrier on a long-term lease agreement incl. purchase option. In March it was agreed to delay the delivery from Q1 2017 until January 2018.

Financial and corporate matters

As per 31 March the Group's cash totaled USD 11.4 million compared to USD 8.0 million as per 31 December 2015.

The mortgage debt balance as per 31 March was USD 40.0 million. Net lease obligation as at 31 March was USD 45.9 mill. In addition Belships has a long-term loan facility of SGD 2 million, secured by the lease agreement for our Singapore office.

The ship values dropped significantly during the quarter. In order to avoid breach of loan covenants, Belships received an adjusted waiver from ship mortgage lender in March 2016. Main revised terms



in the waiver period until 1 January 2017 are as follows: No minimum value requirement, minimum free cash USD 3,5 million, restricted cash deposit USD 4,0 million, and on-demand guarantee from main shareholder of USD 5 million.

Hedging the Group's interest exposure is considered on an ongoing basis. The hedging level of interest rate exposure is currently around 85% (leases excluded). The long-term interest rate is still at a historical low level.

At the end of the 1st quarter of 2016, the book value per share amounted to NOK 3.25 (USD 0.39), while the equity ratio was 16.5%. Added value related to the long-term charterparty for M/S Belocean amounting to USD 12.6 million is not included in the balance sheet. Value adjusted equity is assessed to be 25% (NOK 5.46 per share).

Market highlights

The Capesize-index ended the first quarter at USD 2,518 per day, whereas the Panamax-index ended at USD 4,008 per day. The Supramax-index ended the quarter at USD 4,981 per day. As per today the Cape index stands at USD 9,170 per day, Panamax-index at USD 5,618 per day and Supramax-index at USD 5,987 per day.

In Q1 2016 China's import of iron ore ended at 242m tons, which is all-time high. At the same time the scrapping activity has been record high, with 15m dwt being recycled. This has pushed market values and freight rates up for all sizes, despite the high number of new ships traditionally delivered during Q1.

International iron ore prices have increased to approx USD 60/ton as a result of the growing demand from China. It is still believed that China will be forced to shut down loss-making domestic production and import more of its iron ore, helping to absorb some of the tonnage overcapacity. This will be of vital importance for the Capesize segment. The smaller sized vessels could benefit from a growing Chinese exports of steel products and imports of minor bulks like bauxite, fertilizer, soya beans and grains.

Strategy

Belships is concentrating 100% on the dry bulk market, with 5 x Supramax/Ultramax in service. In addition we will take delivery of a 63,000 dwt Ultramax from Imabari Shipbuilding in January 2018 for long term lease incl. purchase option.

Outlook

Seasonally adjusted, iron ore imports to China is expected to reach more than 1bn tons, as Q1 is typically weaker due to low construction activity. This translates into a ton-mile demand growth of approx 2%.

New vessel ordering is now down to almost zero and the high scrapping activity continues, although, presumably, at a slower pace than during Q1. Many analysts believe the scrapping this year will end around 50m dwt, which, if so, will balance out the expected deliveries of new vessels during 2016. A possible scenario is therefore zero-growth for the supply side.

Belships vessels are chartered out on fixed rates to reputable counterparts, representing a future nominal gross hire of USD 75 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.

Oslo, 28 April 2016
THE BOARD OF BELSHIPS ASA

Sverre Jørgen Tidemand, Chairman

Christian Rytter

Kjersti Ringdal

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The quarterly figures are not audited

BELSHIPS ASA

USD 1 000		Q1 2016	Q4 2015	2015
Freight revenue	Note	4 946	4 754	17 570
Management fees		1 064	1 146	4 414
Operating income	2	6 010	5 900	21 984
Ship operating expenses		-1 882	-1 951	-5 717
Operating expenses ship management		-931	-969	-3 694
General and administrative expenses		-665	-767	-2 700
Operating expenses		-3 478	-3 687	-12 111
Operating result (EBITDA)		2 532	2 213	9 873
Depreciation and amortization		-1 336	-1 438	-4 686
Impairment of the fleet	4	-13 823	-19 876	-31 847
Loss on sale of ship/loss on contract		-2 287	0	0
Operating result (EBIT)		-14 914	-19 101	-26 660
Interest income		1	22	29
Interest expenses		-995	-880	-2 185
Other financial items		-701	381	-674
Currency gains/(-losses)		167	-335	-483
Net financial items		-1 528	-812	-3 313
Result before taxes		-16 442	-19 913	-29 973
Taxes		-27	-81	-177
Net result		-16 469	-19 994	-30 150
Hereof non-controlling interests		6	57	109
Hereof majority interests		-16 475	-20 051	-30 259
Other comprehensive income				
Actuarial gain/(loss) on defined benefit plans		0	-23	-23
Total comprehensive income		-16 469	-20 017	-30 173
Hereof non-controlling interests		6	57	109
Hereof majority interests		-16 475	-20 074	-30 282
Earnings per share (US cent)		-35.19	-42.72	-64.42
Diluted earnings per share (US cent)		-35.19	-42.72	-64.42



CONSOLIDATED BALANCE SHEETS

The quarterly figures are not audited

BELSHIPS ASA

USD 1 000		31 Mar 2016	31 Dec 2015
ASSETS			
Fixed assets			
Ships	4	96 474	87 730
Newbuilding instalments		0	4 225
Other fixed assets		2 034	2 027
Total fixed assets		98 508	93 982
Current assets			
Short-term receivables		1 097	1 273
Cash and cash equivalents		11 415	7 993
Total current assets		12 512	9 266
Total assets		111 020	103 248
EQUITY AND LIABILITIES			
Equity			
Paid-in capital		43 594	43 588
Retained earnings		-25 677	-9 202
Non-controlling interests		451	445
Total equity		18 368	34 831
Long-term liabilities			
Mortgage debt	3	34 546	35 767
Bareboat commitment	3	44 208	21 809
Financial instruments		986	602
Pension obligations		801	796
Other long-term liabilities		1 407	1 407
Total long-term liabilities		81 948	60 381
Short-term liabilities			
Current portion of long-term debt	3	6 722	5 688
Other short-term liabilities		3 982	2 348
Total short-term liabilities		10 704	8 036
Total equity and liabilities		111 020	103 248

**CONSOLIDATED CASH FLOW STATEMENTS***The quarterly figures are not audited***BELSHIPS ASA**

USD 1 000	Q1 2016	2015
Cash flow from operating activities		
Net result before taxes	-16 442	-29 973
Adjustments to reconcile profit before tax to net cash flows:		
Loss on sale of fixed asset	1 119	0
Depreciations on fixed assets	1 336	4 686
Impairment of ships	13 823	31 847
Share-based compensation expense	6	25
Difference between pension exps. and paid pension premium	-47	-205
Net finance costs	1 528	3 313
Working capital adjustments:		
Change in trade debtors and trade creditors	711	39
Change in other short-term items	908	-213
Interest received	1	29
Interest paid	-995	-2 185
Income tax paid	0	-41
Net cash flow from operating activities	1 948	7 322
Cash flow from investing activities		
Payments newbuilding	-20 485	-22 615
Sale of ship (net sales amount)	23 637	27 634
Prepayment bareboat hire	0	-6 000
Payment of other investments	-240	-1 732
Net cash flow from investing activities	2 912	-2 713
Cash flow from financing activities		
Repayment of long-term debt	-18 407	-22 137
Proceeds from new loan	16 950	18 372
Paid costs related to financing	-31	-559
Net cash flow from financing activities	-1 488	-4 324
Net change in cash and cash equivalents during the period	3 372	285
Cash and cash equivalents at 1 January	7 993	8 064
Change currency NOK deposits	50	-356
Cash and cash equivalents at end of period	11 415	7 993



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The quarterly figures are not audited

BELSHIPS ASA

USD 1 000

	Majority interest						
	Paid-in				Retained		
	Share capital	Treasury shares	Share premium reserves	Other paid-in equity	Other equity	Non-controlling interests	Total equity
As at 31 March 2016							
Equity as at 31 December 2015	14 272	-166	13 751	15 732	-9 203	445	34 831
Net result for the period	0	0	0	0	-16 475	6	-16 469
Other comprehensive income	0	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	-16 475	6	-16 469
Share-based payment expense	0	0	0	6	0	0	6
Equity as at 31 March 2016	14 272	-166	13 751	15 738	-25 678	451	18 368
As at 31 December 2015							
Equity as at 31 December 2014	14 272	-166	13 751	15 707	21 079	408	65 051
Net result for the period	0	0	0	0	-30 259	109	-30 150
Other comprehensive income	0	0	0	0	-23	0	-23
Total comprehensive income	0	0	0	0	-30 282	109	-30 173
Non-controlling interest transactions	0	0	0	0	0	-72	-72
Share-based payment expense	0	0	0	25	0	0	25
Equity as at 31 December 2015	14 272	-166	13 751	15 732	-9 203	445	34 831

KEY FINANCIAL FIGURES

BELSHIPS ASA

		31 Mar 2016	31 Dec 2015
EBITDA	USD 1000	2 532	9 873
Interest coverage ratio		-14.99	-12.20
Current ratio	%	116.89	115.31
Equity ratio	%	16.54	33.74
Earnings per share	US cent	-35.19	-64.42
Earnings per share	NOK	-2.91	-5.67
Equity per share	USD	0.39	0.74
Equity per share	NOK	3.25	6.56
Number of issued shares (excluding treasury shares)		46 804 000	46 804 000
Average number of issued shares (excl. treasury shares)		46 804 000	46 804 000

**NOTES TO THE CONSOLIDATED ACCOUNTS****Note 1 Accounting principles**

These interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting". They do not include all of the information required for full annual financial reporting, and should be read in conjunction with the consolidated financial statements of Belships for the year ended 31 December 2015.

This report was approved by the Board of Directors on 28 April 2016.

The accounting policies adopted are consistent with those followed in the preparation of the Company's and the Group's annual financial statements for the year ended 31 December 2015.

Note 2 Segment information**BELSHIPS ASA**

USD 1 000

January - March 2016

	<i>Dry cargo</i>	<i>Technical managm.</i>	<i>Admini- stration</i>	<i>Group transacts.</i>	<i>Total</i>
Freight revenue	4 857	0	0	89	4 946
Management fees	0	1 176	147	-259	1 064
Operating income	4 857	1 176	147	-170	6 010
Ship operating exps./loss on contract	-2 052	0	0	170	-1 882
Operating expenses ship management	0	-931	0	0	-931
General and administrative expenses	-3	0	-662	0	-665
Operating expenses	-2 055	-931	-662	170	-3 478
Operating result (EBITDA)	2 802	245	-515	0	2 532
Depreciation and amortisation	-1 314	-12	-10	0	-1 336
Impairment of ships	-13 823	0	0	0	-13 823
Loss on sale of ship/loss on contract	-2 287	0	0	0	-2 287
Operating result (EBIT)	-14 622	233	-525	0	-14 914
Interest income	0	0	1	0	1
Interest expenses	-890	0	-105	0	-995
Other financial items	-282	-12	-407	0	-701
Currency gains/(-losses)	-15	-81	263	0	167
Net financial items	-1 187	-93	-248	0	-1 528
Result before taxes	-15 809	140	-773	0	-16 442
Taxes	0	-27	0	0	-27
Net result	-15 809	113	-773	0	-16 469
Hereof non-controlling interests	0	6	0	0	6
Hereof majority interests	-15 809	107	-773	0	-16 475



Note 2 Segment information, continued

USD 1 000	2016				2015			
Q1	Dry cargo	Techn. manag.	Admin/ Grp.tr.	Total	Dry cargo	Techn. manag.	Admin/ Grp.tr.	Total
Freight revenue	4 857	0	89	4 946	3 806	0	68	3 874
Management fees	0	1 176	-112	1 064	0	1 177	-38	1 139
Operating income	4 857	1 176	-23	6 010	3 806	1 177	30	5 013
Ship operating expenses	-2 052	0	170	-1 882	-1 328	0	106	-1 222
Operating expenses ship management	0	-931	0	-931	0	-888	0	-888
General and administrative expenses	-3	0	-662	-665	-2	0	-688	-690
Operating expenses	-2 052	-931	-492	-3 478	-1 330	-888	-582	-2 800
Operating result (EBITDA)	2 802	245	-515	2 532	2 476	289	-552	2 213
Depreciation and amortisation	-1 314	-12	-10	-1 336	-1 026	-10	-14	-1 050
Impairment of non-current assets	-13 823	0	0	-13 823	-2 200	0	0	-2 200
Loss on sale of ship/loss on contract	-2 287	0	0	-2 287	0	0	0	0
Operating result (EBIT)	-14 622	233	-525	-14 914	-750	279	-566	-1 037
Q2	Dry cargo	Techn. manag.	Admin/ Grp.tr.	Total	Dry cargo	Techn. manag.	Admin/ Grp.tr.	Total
Freight revenue	0	0	0	0	4 399	0	69	4 468
Management fees	0	0	0	0	0	1 186	-60	1 126
Operating income	0	0	0	0	4 399	1 186	9	5 594
Ship operating expenses	0	0	0	0	-1 445	0	127	-1 318
Operating expenses ship management	0	0	0	0	0	-924	0	-924
General and administrative expenses	0	0	0	0	-7	0	-611	-618
Operating expenses	0	0	0	0	-1 452	-924	-484	-2 860
Operating result (EBITDA)	0	0	0	0	2 947	262	-475	2 734
Depreciation and amortisation	0	0	0	0	-1 087	-10	-15	-1 112
Impairment of non-current assets	0	0	0	0	-5 262	0	0	-5 262
Operating result (EBIT)	0	0	0	0	-3 402	252	-490	-3 640
Q3	Dry cargo	Techn. manag.	Admin/ Grp.tr.	Total	Dry cargo	Techn. manag.	Admin/ Grp.tr.	Total
Freight revenue	0	0	0	0	4 407	0	67	4 474
Management fees	0	0	0	0	0	1 042	-39	1 003
Operating income	0	0	0	0	4 407	1 042	28	5 477
Ship operating expenses	0	0	0	0	-1 332	0	106	-1 226
Operating expenses ship management	0	0	0	0	0	-913	0	-913
General and administrative expenses	0	0	0	0	0	0	-625	-625
Operating expenses	0	0	0	0	-1 332	-913	-519	-2 764
Operating result (EBITDA)	0	0	0	0	3 075	129	-491	2 713
Depreciation and amortisation	0	0	0	0	-1 060	-13	-13	-1 086
Impairment of non-current assets	0	0	0	0	-4 509	0	0	-4 509
Operating result (EBIT)	0	0	0	0	-2 494	116	-504	-2 882
Q4	Dry cargo	Techn. manag.	Admin/ Grp.tr.	Total	Dry cargo	Techn. manag.	Admin/ Grp.tr.	Total
Freight revenue	0	0	0	0	4 661	0	93	4 754
Management fees	0	0	0	0	0	1 222	-76	1 146
Operating income	0	0	0	0	4 661	1 222	17	5 900
Ship operating expenses	0	0	0	0	-2 088	0	137	-1 951
Operating expenses ship management	0	0	0	0	0	-969	0	-969
General and administrative expenses	0	0	0	0	-37	0	-730	-767
Operating expenses	0	0	0	0	-2 125	-969	-593	-3 687
Operating result (EBITDA)	0	0	0	0	2 536	253	-576	2 213
Depreciation and amortisation	0	0	0	0	-1 409	-12	-17	-1 438
Impairment of non-current assets	0	0	0	0	-19 876	0	0	-19 876
Operating result (EBIT)	0	0	0	0	-18 749	241	-593	-19 101

**Note 3 Mortgage debt/Bareboat obligation**

Mortgage debt as of 31 March 2016 was USD 40 million, of which USD 5.0 million is classified as current. Arrangement fee and other transaction costs related to the mortgage debt, was initially recorded as a reduction of the debt in the balance sheet, and is subsequently amortized over the loan period in accordance with the amortized cost principle.

Net bareboat obligation as at 31 March was USD 45.9 mill. of which USD 1.7 million are classified as current. The bareboat obligation is related to M/S Belforest and M/S Belisland. These two ships are included in the balance sheet as financial leases.

Note 4 Impairment on ships

The bulk market has deteriorated further in Q1-2016. The current imbalance in the bulk marked has continued with an increase gap between demand and supply with a negative impact on freight rates.

The implied valuation of the vessels has further deteriorated in Q1-2016, including a decline in observable broker values. Accordingly an impairment test of the company's ships were performed in accordance with IAS 36. The ships and charterparties are valued based on observable market values, based on these valuations and assumptions made, an impairment charge of USD 13.8 million is recorded. If the market continue to deteriorate additional impairments can be expected.

FLEET LIST

As at 31 March 2016

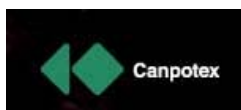
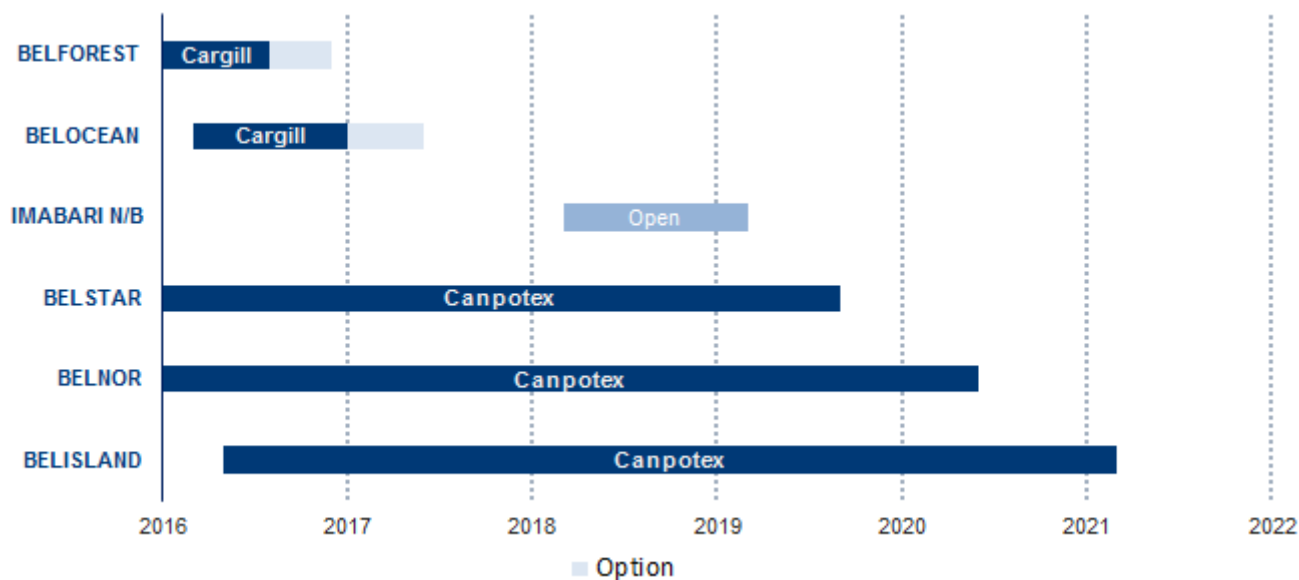
As at 01 March 2019							
Ship		Ownership	Built year	Dwt	Employment	Option period	T/C-rate (net USD/day)
Supramax							
M/S Belstar	1	100 %	2009	58 018	T/C to 08/19		16 000
M/S Belnor	1	100 %	2010	58 018	T/C to 05/20		16 000
M/S Beloceen	1	100 %	2011	58 018	T/C to 12/16	+5 mo	4 000
Ultramax							
M/S Belforest		BBC	2015	61 320	T/C to 07/16	+4 mo	7 800
M/S Belisland		BBC	2016	60 950	T/C to 03/21		17 300
Imabari newbuilding	2	TC	2018	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) Delivery during 1st quarter of 2018 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.



Founded in 1865, Cargill is the world's largest privately owned company. The company is an active producer and a supplier in industries as diverse as agriculture, oil, shipping and heavy industry. Cargill's ocean transportation business, headquartered in Geneva, operates one of the world's largest dry bulk charter fleets with over 550 vessels under their control at any one time, calling nearly 1,000 ports worldwide and shipping more than 220 million metric tons of dry bulk cargo each year.

**BELSHIPS**

20 LARGEST SHAREHOLDERS

As at 25 April 2016

Name	Number of shares	%
SONATA AS	28 856 030	60.94%
TIDSHIPS AS	6 201 058	13.10%
TIDEMAND SVERRE JØRGEN	2 891 462	6.11%
SKANDINAVISKA ENSKIL A/C CLIENTS ACCOUNT	987 419	2.09%
BELSHIPS ASA	498 000	1.05%
GEMSCO AS	410 058	0.87%
CARLINGS AS	400 000	0.84%
COLORADO EIENDOM AS	355 000	0.75%
TIDINVEST II AS	315 414	0.67%
JENSSEN & CO A/S	302 816	0.64%
CHREM CAPITAL AS	270 000	0.57%
NAGATSUKA TORU	250 000	0.53%
SØLAND LIV	240 000	0.51%
ASL HOLDING AS	225 000	0.48%
JSL AS	211 000	0.45%
STEEN CARL ERIK	207 203	0.44%
KIELLAND BERNHARD	200 000	0.42%
HKG HOLDING AS	130 279	0.28%
SØLAND TORSTEIN c/o T. Sølund Taktek	130 000	0.27%
DANSKE BANK A/S 3887 OPERATIONS SEC.	128 485	0.27%
Other shareholders	4 142 776	8.72%
Total outstanding shares	47 352 000	100.00%

**BELSHIPS**

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