



BELSHIPS

REPORT 3RD QUARTER 2016

25 October 2016

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**HIGHLIGHTS**

- Operating income of USD 6.4 m (Q2 2016: USD 6.4 m)
- EBITDA of USD 2.6 m (USD 3.0 m)
- Net result of USD 0.3 m (USD 0.4 m)
- All ships operating normally – modern fleet – average age 4 years
- Contract coverage 100% for delivered ships – around USD 70 million fixed charter

Third quarter 2016 results

Belships operating income in 3rd quarter 2016 was USD 6.4 million (Q2 2016: USD 6.4 million), while EBITDA amounted to USD 2.6 million (USD 3.0 million). The Group's operating result amounted to USD 1.5 million (USD 2.1 million), while total comprehensive income for 3rd quarter 2016 was USD 0.3 million (USD 0.4 million). The decrease in operating result is mainly related to ship operating expenses, which are slightly above budget.

Impairment tests of the company's assets were performed in accordance with IAS 36. Based on an assessment of broker values and long-term charters, no impairment has been recorded in 3rd quarter.

Fleet status

M/S Belstar, M/S Belnor and M/S Belisland have 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 Beloceen and M/S Belforest are both still on time charter to Cargill. The first open position will be for M/S Beloceen around April 2017.

All ships have sailed without significant off-hire. 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 T/C-agreement incl. purchase option for delivery in January 2018.

Financial and corporate matters

As per 30 September the Group's cash totaled USD 8.4 million compared to USD 8.6 million as per 30 June 2016.

The mortgage debt balance as per 30 September USD was 37.5 million. Net lease obligation as at 30 September was USD 45.0 million. In addition Belships has a long-term loan facility of SGD 2 million, secured by the lease agreement for our Singapore office. Net lease obligation and mortgage debt were reduced by USD 1.8 million in 3rd quarter.

Hedging the Group's interest exposure is considered on an ongoing basis. The hedging level of interest rate exposure is currently around 75% (leases excluded). The long-term interest rate is still at a historical low level.

At the end of the 3rd quarter of 2016, the book value per share amounted to NOK 3.27 (USD 0.41), while the equity ratio was 17.7%. Added value related to the long-term charter party for M/S Belisland is not reflected in the balance sheet.

Market highlights

The Capesize-index ended the 3rd quarter at USD 12,710 per day, whereas the Panamax-index ended at USD 5,815 per day. The Supramax-index ended the quarter at USD 7,180 per day. As per today the



Cape index stands at USD 9,128 per day, Panamax-index at USD 7,386 per day and Supramax-index at USD 7,370 per day.

There is an increasing buying interest for modern dry bulk tonnage. It is typically the traditional ship owning companies that are active, not the fund managers as we saw in 2012-13. More than 400 dry cargo ships have changed hands year-to-date in transactions close to USD 4 bn. According to the Baltic S&P Assessment the latest valuation of a 5-year old Supramax is USD 12.9 m.

Growing demand from China has pushed up the international prices for both iron ore and coal. It is believed that China will be forced to shut down loss-making and high pollution domestic production of iron ore and coal and import more, helping to absorb some of the tonnage overcapacity. The smaller sized ships like Supramax/Ultramax with cranes should benefit from 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 modern 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

Iron ore import to China in 2016 is expected to reach a record high of about 1bn tons, and the imported volumes of coal are also higher compared to last year. For the aggregate market this translates into a ton-mile demand growth of approx 2%.

Ordering of new ships is down to almost zero and the high scrapping activity continues, although at a slower pace than during Q1-Q2. The scrapping activity this year may still end up around 35-40 m dwt, which, if so, will almost outbalance the expected deliveries of new ships during 2016 adjusted for slippage, delays and cancellations. From troubled Chinese shipyards we expect non-deliveries or slippage of a significant number of Ultramaxs scheduled for delivery in 2016-17.

Belships ships are chartered out on fixed rates to reputable counterparts, representing a future nominal gross hire of around USD 70 million.

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

Oslo, 25 October 2016
THE BOARD OF BELSHIPS ASA

Sverre Jørgen Tidemand, Chairman

Christian Rytter

Kjersti Ringdal

Sissel Grefsrud

Carl Erik Steen

CEO Ulrich Müller
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The quarterly figures are not audited

BELSHIPS ASA

USD 1 000	Q3 2016	Q2 2016	YTD Q3 2016	Q3 2015	Q2 2015	YTD Q3 2015	2015
Freight revenue	Note 5 377	5 505	15 828	4 474	4 468	12 816	17 570
Management fees	1 064	850	2 978	1 003	1 126	3 268	4 414
Operating income	2 6 441	6 355	18 806	5 477	5 594	16 084	21 984
Ship operating expenses	-2 399	-1 803	-6 084	-1 226	-1 318	-3 766	-5 717
Operating expenses ship management	-850	-907	-2 688	-913	-924	-2 725	-3 694
General and administrative expenses	-558	-623	-1 846	-625	-618	-1 933	-2 700
Operating expenses	-3 807	-3 333	-10 618	-2 764	-2 860	-8 424	-12 111
Operating result (EBITDA)	2 634	3 022	8 188	2 713	2 734	7 660	9 873
Depreciation and amortization	-1 325	-1 312	-3 973	-1 086	-1 112	-3 248	-4 686
Impairment of the fleet	4 0	0	-13 823	-4 509	-5 262	-11 971	-31 847
Loss on sale of ship/effect on onerous contracts	217	346	-1 724	0	0	0	0
Operating result (EBIT)	1 526	2 056	-11 332	-2 882	-3 640	-7 559	-26 660
Interest income	1	4	6	2	3	7	29
Interest expenses	-1 285	-1 272	-3 552	-425	-439	-1 305	-2 185
Other financial items	103	-487	-1 086	-822	52	-1 055	-674
Currency gains/(-losses)	42	87	296	-19	65	-148	-483
Net financial items	-1 140	-1 668	-4 336	-1 264	-319	-2 501	-3 313
Result before taxes	387	388	-15 668	-4 146	-3 959	-10 060	-29 973
Taxes	-42	-25	-94	-17	-48	-96	-177
Net result	345	363	-15 762	-4 163	-4 007	-10 156	-30 150
Hereof non-controlling interests	13	-4	15	16	3	52	109
Hereof majority interests	332	367	-15 777	-4 179	-4 010	-10 208	-30 259
Other comprehensive income							
Actuarial gain/(loss) on defined benefit plans	0	0	0	0	0	0	-23
Total comprehensive income	345	363	-15 762	-4 163	-4 007	-10 156	-30 173
Hereof non-controlling interests	13	-4	15	16	3	52	109
Hereof majority interests	332	367	-15 777	-4 179	-4 010	-10 208	-30 282
Earnings per share (US cent)	0.74	0.78	-33.68	-8.89	-8.56	-21.70	-64.42
Diluted earnings per share (US cent)	0.74	0.78	-33.68	-8.89	-8.56	-21.70	-64.42



CONSOLIDATED BALANCE SHEETS

The quarterly figures are not audited

BELSHIPS ASA

USD 1 000		30 Sep 2016	30 Jun 2016	30 Sep 2015	31 Dec 2015
ASSETS	<i>Note</i>				
Fixed assets					
Ships	4	93 905	95 189	106 036	87 730
Newbuilding instalments		0	0	6 975	4 225
Other fixed assets		3 615	3 524	2 041	2 027
Total fixed assets		97 520	98 713	115 052	93 982
Current assets					
Short-term receivables		1 270	1 453	1 502	1 273
Cash and cash equivalents		8 352	8 560	9 784	7 993
Total current assets		9 622	10 013	11 286	9 266
Total assets		107 142	108 726	126 338	103 248
EQUITY AND LIABILITIES					
Equity					
Paid-in capital		43 616	43 612	43 583	43 588
Retained earnings		-24 980	-25 310	10 872	-9 202
Non-controlling interests		373	360	388	445
Total equity		19 010	18 662	54 843	34 831
Long-term liabilities					
Mortgage debt	3	32 104	33 325	36 988	35 767
Bareboat commitment	3	43 288	43 693	20 291	21 809
Financial instruments		841	1 094	930	602
Pension obligations		720	748	856	796
Other long-term liabilities		1 407	1 407	1 407	1 407
Total long-term liabilities		78 360	80 267	60 472	60 381
Short-term liabilities					
Current portion of long-term debt	3	6 733	6 759	7 337	5 688
Other short-term liabilities		3 040	3 038	3 686	2 348
Total short-term liabilities		9 773	9 797	11 023	8 036
Total equity and liabilities		107 142	108 726	126 338	103 248

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

USD 1 000	YTD Q3 2016	YTD Q3 2015	2015
Cash flow from operating activities			
Net result before taxes	-15 668	-10 060	-29 973
Adjustments to reconcile profit before tax to net cash flows:			
Loss on sale of ship	1 077	0	0
Depreciations on fixed assets	3 973	3 248	4 686
Impairment of ships	13 823	11 971	31 847
Share-based compensation expense	27	20	25
Difference between pension exps. and paid pension premium	-150	-139	-205
Net finance costs	4 336	2 501	3 313
Working capital adjustments:			
Change in trade debtors and trade creditors	-101	-180	39
Change in other short-term items	265	-6	-213
Interest received	6	7	29
Interest paid	-3 552	-1 305	-2 185
Income tax paid	-126	-120	-41
Net cash flow from operating activities	3 909	5 937	7 322
Cash flow from investing activities			
Payments newbuilding contracts	-20 485	-22 615	-22 615
Sale of ship (net sales amount)	23 637	22 669	27 634
Prepayment bareboat hire	0	0	-6 000
Payment of other investments	-1 740	-1 510	-1 732
Net cash flow from investing activities	1 412	-1 456	-2 713
Cash flow from financing activities			
Repayment of long-term debt	-21 752	-20 715	-22 137
Proceeds from new loan	16 950	18 372	18 372
Paid costs related to financing	-199	-300	-559
Net cash flow from financing activities	-5 001	-2 643	-4 324
Net change in cash and cash equivalents during the period	320	1 838	285
Cash and cash equivalents at 1 January	7 993	8 064	8 064
Change currency NOK deposits	39	-118	-356
Cash and cash equivalents at end of period	8 352	9 784	7 993



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The quarterly figures are not audited

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 September 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	-15 777	15	-15 762
Other comprehensive income	0	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	-15 777	15	-15 762
Non-controlling interest transacts.	0	0	0	0	0	-87	-87
Share-based payment expense	0	0	0	27	0	0	27
Equity as at 30 September 2016	14 272	-166	13 751	15 759	-24 980	373	19 010

As at 30 September 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	-10 208	52	-10 156
Other comprehensive income	0	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	-10 208	52	-10 156
Non-controlling interest transacts.	0	0	0	0	0	-72	-72
Share-based payment expense	0	0	0	20	0	0	20
Equity as at 30 September 2015	14 272	-166	13 751	15 727	10 871	388	54 843

KEY FINANCIAL FIGURES

BELSHIPS ASA

		YTD Q3 2016	YTD Q3 2015	31 Dec 2015
EBITDA	USD 1000	8 188	7 660	9 873
Interest coverage ratio		-3.41	-6.71	-12.72
Current ratio	%	98.46	102.39	115.31
Equity ratio	%	17.74	43.41	33.74
Earnings per share	US cent	-33.68	-21.70	-64.42
Earnings per share	NOK	-2.71	-1.84	-5.67
Equity per share	USD	0.41	1.17	0.74
Equity per share	NOK	3.27	9.96	6.56
Number of issued shares (excluding treasury shares)		46 804 000	46 804 000	46 804 000
Average number of issued shares (excl. treasury shares)		46 804 000	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 25 October 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 - September 2016			
	<i>Dry cargo</i>	<i>Technical managm.</i>	<i>Admini- stration</i>	<i>Group transacts.</i>	<i>Total</i>
Freight revenue	15 506	0	0	322	15 828
Management fees	0	3 311	513	-846	2 978
Operating income	15 506	3 311	513	-524	18 806
Ship operating expenses	-6 607	0	0	523	-6 084
Operating expenses ship management	0	-2 688	0	0	-2 688
General and administrative expenses	-26	0	-1 821	1	-1 846
Operating expenses	-6 633	-2 688	-1 821	524	-10 618
Operating result (EBITDA)	8 873	623	-1 308	0	8 188
Depreciation and amortisation	-3 882	-40	-51	0	-3 973
Impairment of ships	-13 823	0	0	0	-13 823
Loss sale ship/effect on onerous contracts	-1 724	0	0	0	-1 724
Operating result (EBIT)	-10 556	583	-1 359	0	-11 332
Interest income	0	4	2	0	6
Interest expenses	-3 342	0	-210	0	-3 552
Other financial items	-17	-19	-1 050	0	-1 086
Currency gains/(-losses)	-26	-114	436	0	296
Net financial items	-3 385	-129	-822	0	-4 336
Result before taxes	-13 941	454	-2 181	0	-15 668
Taxes	0	-94	0	0	-94
Net result	-13 941	360	-2 181	0	-15 762
Hereof non-controlling interests	0	15	0	0	15
Hereof majority interests	-13 941	345	-2 181	0	-15 777



Note 2 Segment information, continued

BELSHIPS ASA

USD 1 000

		2016				2015			
		<i>Dry cargo</i>	<i>Techn. manag.</i>	<i>Admin/ Grp.tr.</i>	<i>Total</i>	<i>Dry cargo</i>	<i>Techn. manag.</i>	<i>Admin/ Grp.tr.</i>	<i>Total</i>
Q1	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	-2 055	-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
Q2	Loss on sale ship/effect on onerous contracts	-2 287	0	0	-2 287	0	0	0	0
	Operating result (EBIT)	-14 622	233	-525	-14 914	-750	279	-566	-1 037
	Freight revenue	5 389	0	116	5 505	4 399	0	69	4 468
	Management fees	0	957	-107	850	0	1 186	-60	1 126
	Operating income	5 389	957	9	6 355	4 399	1 186	9	5 594
	Ship operating expenses	-1 979	0	176	-1 803	-1 445	0	127	-1 318
	Operating expenses ship management	0	-907	0	-907	0	-924	0	-924
	General and administrative expenses	-18	0	-605	-623	-7	0	-611	-618
	Operating expenses	-1 997	-907	-429	-3 333	-1 452	-924	-484	-2 860
	Operating result (EBITDA)	3 392	50	-420	3 022	2 947	262	-475	2 734
Q3	Depreciation and amortisation	-1 284	-15	-13	-1 312	-1 087	-10	-15	-1 112
	Impairment of non-current assets	0	0	0	0	-5 262	0	0	-5 262
	Loss on sale ship/effect on onerous contracts	346	0	0	346	0	0	0	0
	Operating result (EBIT)	2 454	35	-433	2 056	-3 402	252	-490	-3 640
	Freight revenue	5 260	0	117	5 377	4 407	0	67	4 474
	Management fees	0	1 178	-114	1 064	0	1 042	-39	1 003
	Operating income	5 260	1 178	3	6 441	4 407	1 042	28	5 477
	Ship operating expenses	-2 576	0	177	-2 399	-1 332	0	106	-1 226
	Operating expenses ship management	0	-850	0	-850	0	-913	0	-913
	General and administrative expenses	-5	0	-553	-558	0	0	-625	-625
Q4	Operating expenses	-2 581	-850	-376	-3 807	-1 332	-913	-519	-2 764
	Operating result (EBITDA)	2 679	328	-373	2 634	3 075	129	-491	2 713
	Depreciation and amortisation	-1 284	-13	-28	-1 325	-1 060	-13	-13	-1 086
	Impairment of non-current assets	0	0	0	0	-4 509	0	0	-4 509
	Loss on sale ship/effect on onerous contracts	217	0	0	217	0	0	0	0
	Operating result (EBIT)	1 612	315	-401	1 526	-2 494	116	-504	-2 882
	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
Q4	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 30 September 2016 was USD 37.5 million, of which USD 5.0 million is classified as current. Arrangement fee and other transaction costs related to the mortgage debt, were 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 30 September was USD 45.0 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 deteriorated significantly in 1st quarter. The imbalance continued with an increased gap between demand and supply with a negative impact on ship values and freight rates.

In 2nd and 3rd quarter the market was rather stable.

Impairment test of the company's ships is performed every quarter in accordance with IAS 36. Based on an assessment of broker values and favourable long-term charters, no impairment has been recorded in 3rd quarter. In Q3'2015 an impairment of USD 4.5 million was recorded. YTD Q3'2016 an impairment of USD 13.8 million has been recorded (YTD Q3'2015: USD 12 million).

20 LARGEST SHAREHOLDERS

As at 19 October 2016

Name	Number of shares	%
SONATA AS	31 747 492	67.05%
TIDSHIPS AS	6 201 058	13.10%
SKANDINAVISKA ENSKIL A/C CLIENTS ACCOUNT	987 419	2.09%
BELSHIPS ASA	498 000	1.05%
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%
GEMSCO AS	280 058	0.59%
CHREM CAPITAL AS	270 000	0.57%
NAGATSUKA TORU	250 000	0.53%
JOVOKO AS	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%
AR VEKST AS	198 995	0.42%
HKG HOLDING AS	130 279	0.28%
SØLAND TORSTEIN c/o T. Sølund Taktek	130 000	0.27%
Other shareholders	3 952 266	8.32%
Total outstanding shares	47 352 000	100.00%



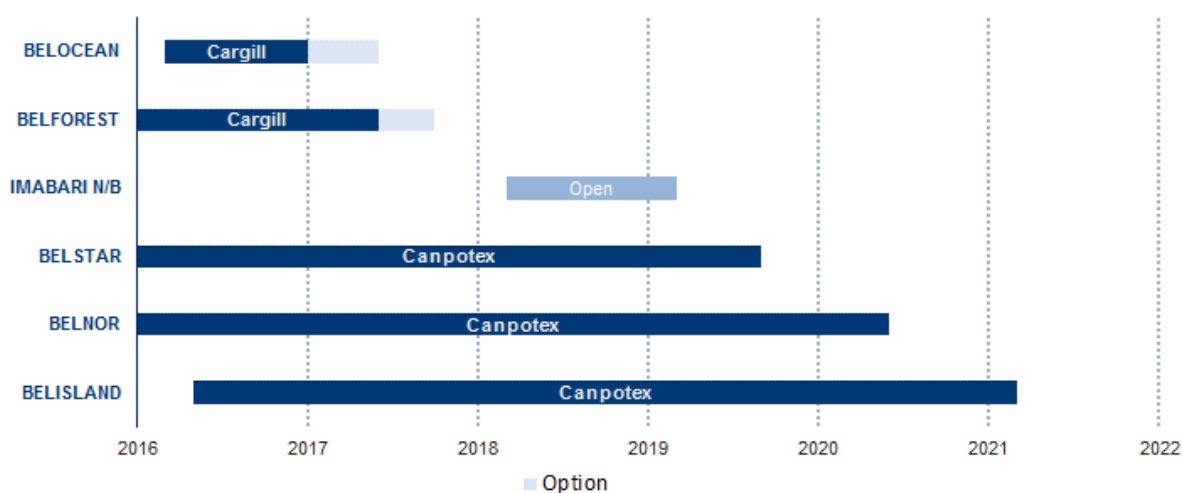
FLEET LIST

As at 30 September 2016

Ship		Owner-ship	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 Belocean	1	100 %	2011	58 018	T/C to 12/16	+4 mo	4 000
Ultramax							
M/S Belforest		BBC	2015	61 320	T/C to 05/17	+4 mo	5 775
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 ships 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.