



BELSHIPS

REPORT 4TH QUARTER 2016

14 February 2017

www.belships.com

Lilleakerveien 4, P.O.Box 23, Lilleaker, N-0216 Oslo, Norway
Phone +47 22 52 76 00 | chartering@belships.no
Enterprise no: NO930776793MVA

**HIGHLIGHTS**

- Operating income of USD 6.6 m (Q3 2016: USD 6.4 m)
- EBITDA of USD 3.1 m (USD 2.6 m)
- Net result of USD 1.2 m (USD 0.3 m)
- All ships operating normally – modern fleet – average age 4.4 years
- Contract coverage 100% for delivered ships – around USD 63 million fixed charter

Fourth quarter 2016 results

Belships operating income in 4th quarter 2016 was USD 6.6 million (Q3 2016: USD 6.4 million), while EBITDA amounted to USD 3.1 million (USD 2.60 million). The Group's operating result amounted to USD 2.4 million (USD 1.5 million), while net result for 4th quarter 2016 was USD 1.2 million (USD 0.3 million). Net result for 2016 was USD -14.6 million (USD -30.2 million), explained by impairment of the fleet.

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 4th 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 Belocean and M/S Belforest are both on time charter to Cargill. The first open position will be for M/S Belocean in May 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-in agreement incl. purchase option for delivery in January 2018.

Financial and corporate matters

As per 31 December the Group's cash totaled USD 7.9 million compared to USD 8.4 million as per 30 September 2016.

The mortgage debt balance as per 31 December USD was 36.3 million. Net lease obligation as at 31 December was USD 44.6 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 1.7 million in 4th quarter. In order to improve the Group's liquidity and financial flexibility, Belships received an adjusted waiver from ship mortgage lender in November 2016. Main revised terms in the waiver period until 1 January 2018 are as follows: Minimum cash USD 5.0 million including restricted cash of USD 3.0 mill, minimum value 100% incl. restricted cash, minimum value adjusted equity of 20% and on-demand guarantee from main shareholder of USD 5 million. All the covenants were fulfilled as at 31 December 2016.

Hedging the Group's interest exposure on bank loan is considered on an ongoing basis. The hedging level of interest rate exposure is currently around 80%. The long-term interest rate is still at a historical low level.

At the end of the 4th quarter of 2016, the book value per share amounted to NOK 3.71 (USD 0.43), while the equity ratio was 19.1%. 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 4th quarter at USD 10,078 per day, whereas the Panamax-index ended at USD 6,826 per day. The Supramax-index ended the quarter at USD 9,445 per day. As per today the Cape index stands at USD 4,808 per day, Panamax-index at USD 7,563 per day and Supramax-index at USD 7,065 per day. The weakening spot market in February has been the norm the last couple of years following the Chinese New Year celebration.

In 2016 more than 400 dry cargo ships changed hands 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 14.1 m, which is an increase of about 40% since March 2016.

Growing demand from China has pushed up the international prices for both iron ore and coal. It is believed that China will continue to shut down loss-making and high pollution domestic production of iron ore and coal and import more, helping to absorb 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 concentrates on the dry bulk market, with 5 x modern Supramax/Ultramax in service. In addition, a 63,000 dwt Ultramax is scheduled for delivery from Imabari Shipbuilding in January 2018 for long term lease incl. purchase option.

Outlook

Iron ore import to China in 2017 is expected to grow only moderately from current level of about 1 bn tons, but the imported volumes of coal may surprise on the upside. Import of grain products to China is also expected to grow. The prognosis for the aggregate dry bulk market in 2017 is a growth in seaborne trade in the region of 2.0-2.5%.

Ordering of new ships is down to almost zero and the high scrapping activity continues, although at a slower pace than during Q1-Q2 in 2016. The scrapping activity this year may outbalance the expected deliveries of new ships adjusted for slippage, delays and cancellations. From troubled Chinese shipyards we expect non-deliveries of a significant number of dry bulkers. Fearnresearch believes that the tonnage supply during 2017-2020 may even shrink by 2% due to limited ordering activity in combination with high scrapping of older tonnage following IMO's new regulations for ballast water treatment systems and scrubbers gradually to be installed on all vessels.

Belships' ships are chartered out on fixed rates to reputable counterparts, representing a future nominal gross hire of around USD 63 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, 14 February 2017
THE BOARD OF BELSHIPS ASA

Sverre Jørgen Tidemand, Chairman

Christian Rytter

Kjersti Ringdal

Sissel Grefsrud

Carl Erik Steen

CEO Ulrich Müller
Phone no. +47 22 52 76 15



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

BELSHIPS ASA

USD 1 000	Q4 2016	Q3 2016	2016	Q4 2015	Q3 2015	2015
						<i>Audited</i>
Freight revenue <i>Note</i>	5 510	5 377	21 338	4 754	4 474	17 570
Management fees	1 099	1 064	4 077	1 146	1 003	4 414
Operating income <i>2</i>	6 609	6 441	25 415	5 900	5 477	21 984
Ship operating expenses	-2 113	-2 399	-8 197	-1 951	-1 226	-5 717
Operating expenses ship management	-717	-850	-3 405	-969	-913	-3 694
General and administrative expenses	-687	-558	-2 533	-767	-625	-2 700
Operating expenses	-3 517	-3 807	-14 135	-3 687	-2 764	-12 111
Operating result (EBITDA)	3 092	2 634	11 280	2 213	2 713	9 873
Depreciation and amortization	-928	-1 325	-4 901	-1 438	-1 086	-4 686
Impairment of the fleet <i>4</i>	0	0	-13 823	-19 876	-4 509	-31 847
Loss on sale of ship/effect on onerous contracts	261	217	-1 463	0	0	0
Operating result (EBIT)	2 425	1 526	-8 907	-19 101	-2 882	-26 660
Interest income	7	1	13	22	2	29
Interest expenses	-1 281	-1 285	-4 833	-880	-425	-2 185
Other financial items	324	103	-761	381	-822	-674
Currency gains/(-losses)	-227	42	69	-335	-19	-483
Net financial items	-1 177	-1 139	-5 512	-812	-1 264	-3 313
Result before taxes	1 248	387	-14 419	-19 913	-4 146	-29 973
Taxes	-80	-42	-174	-81	-17	-177
Net result	1 168	345	-14 593	-19 994	-4 163	-30 150
Hereof non-controlling interests	38	13	53	57	16	109
Hereof majority interests	1 130	332	-14 646	-20 051	-4 179	-30 259
Other comprehensive income						
Actuarial gain/(loss) on defined benefit plans	-39	0	-39	-23	0	-23
Total comprehensive income	1 129	345	-14 632	-20 017	-4 163	-30 173
Hereof non-controlling interests	38	13	53	57	16	109
Hereof majority interests	1 091	332	-14 685	-20 074	-4 179	-30 282
Earnings per share (US cent)	2.50	0.74	-31.18	-42.72	-8.89	-64.42
Diluted earnings per share (US cent)	2.50	0.74	-31.18	-42.72	-8.89	-64.42



CONSOLIDATED BALANCE SHEETS

BELSHIPS ASA

USD 1 000		31 Dec 2016	30 Sep 2016	31 Dec 2015	30 Sep 2015
ASSETS	<i>Note</i>			<i>Audited</i>	
Fixed assets					
Ships	4	93 009	93 905	87 730	106 036
Newbuilding instalments		0	0	4 225	6 975
Other fixed assets		3 474	3 615	2 027	2 041
Total fixed assets		96 483	97 520	93 982	115 052
Current assets					
Short-term receivables		1 211	1 270	1 273	1 502
Cash and cash equivalents		7 918	8 352	7 993	9 784
Total current assets		9 129	9 622	9 266	11 286
Total assets		105 612	107 142	103 248	126 338
EQUITY AND LIABILITIES					
Equity					
Paid-in capital		43 620	43 616	43 588	43 583
Retained earnings		-23 887	-24 980	-9 202	10 872
Non-controlling interests		411	373	445	388
Total equity		20 144	19 009	34 831	54 843
Long-term liabilities					
Mortgage debt	3	30 883	32 104	35 767	36 988
Bareboat commitment	3	42 811	43 288	21 809	20 291
Financial instruments		323	841	602	930
Pension obligations		648	720	796	856
Other long-term liabilities		1 407	1 407	1 407	1 407
Total long-term liabilities		76 072	78 360	60 381	60 472
Short-term liabilities					
Current portion of long-term debt	3	6 778	6 733	5 688	7 337
Other short-term liabilities		2 618	3 040	2 348	3 686
Total short-term liabilities		9 396	9 773	8 036	11 023
Total equity and liabilities		105 612	107 142	103 248	126 338

**CONSOLIDATED CASH FLOW STATEMENTS****BELSHIPS ASA**

USD 1 000	2016	2015
Cash flow from operating activities		
Net result before taxes	-14 419	-29 973
Adjustments to reconcile profit before tax to net cash flows:		
Loss on sale of ship	1 463	0
Depreciations on fixed assets	4 901	4 686
Impairment of ships	13 823	31 847
Share-based compensation expense	31	25
Difference between pension exps. and paid pension premium	-190	-205
Net finance costs	5 512	3 313
Working capital adjustments:		
Change in trade debtors and trade creditors	-211	39
Change in other short-term items	-274	-213
Interest received	13	29
Interest paid	-4 833	-2 185
Income tax paid	-118	-41
Net cash flow from operating activities	5 698	7 322
Cash flow from investing activities		
Payment newbuilding	-20 531	-22 615
Sale of ship (net sales amount)	23 640	27 634
Prepayment bareboat hire	0	-6 000
Payment of other investments	-1 914	-1 732
Net cash flow from investing activities	1 195	-2 713
Cash flow from financing activities		
Repayment of long-term debt	-23 441	-22 137
Proceeds from new loan	16 950	18 372
Paid costs related to financing	-484	-559
Net cash flow from financing activities	-6 975	-4 324
Net change in cash and cash equivalents during the period	-82	285
Cash and cash equivalents at 1 January	7 993	8 064
Change currency NOK deposits	7	-356
Cash and cash equivalents at end of period	7 918	7 993



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 31 December 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	-14 646	53	-14 593
Other comprehensive income	0	0	0	0	-39	0	-39
Total comprehensive income	0	0	0	0	-14 685	53	-14 632
Non-controlling interest transactions	0	0	0	0	0	-86	-86
Share-based payment expense	0	0	0	31	0	0	31
Equity as at 31 December 2016	14 272	-166	13 751	15 763	-23 888	412	20 144

As at 31 December 2015						
Equity as at 31 December 2014	14 272	-166	13 751	15 707	21 079	65 051
Net result for the period	0	0	0	0	-30 259	-30 150
Other comprehensive income	0	0	0	0	-23	-23
Total comprehensive income	0	0	0	0	-30 282	-30 173
Non-controlling interest transactions	0	0	0	0	0	-72
Share-based payment expense	0	0	0	25	0	25
Equity as at 31 December 2015	14 272	-166	13 751	15 732	-9 203	34 831

KEY FINANCIAL FIGURES

BELSHIPS ASA

		31 Dec 2016	31 Dec 2015
EBITDA	USD 1000	11 280	9 873
Interest coverage ratio		-1.98	-12.72
Current ratio	%	97.16	115.31
Equity ratio	%	19.07	33.74
Earnings per share	US cent	-31.18	-64.42
Earnings per share	NOK	-2.69	-5.67
Equity per share	USD	0.43	0.74
Equity per share	NOK	3.71	6.56
Number of issued shares (excluding treasury shares)		46 804 000	46 804 000
Average number of issued shares (excluding 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 14 February 2017.

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 - December 2016

	<i>Dry cargo</i>	<i>Technical managm.</i>	<i>Admini- stration</i>	<i>Group transacts.</i>	<i>Total</i>
Freight revenue	20 903	0	0	435	21 338
Management fees	0	4 497	716	-1 136	4 077
Operating income	20 903	4 497	716	-701	25 415
Ship operating expenses	-8 896	0	0	699	-8 197
Operating expenses ship management	0	-3 405	0	0	-3 405
General and administrative expenses	-47	0	-2 488	2	-2 533
Operating expenses	-8 943	-3 405	-2 488	701	-14 135
Operating result (EBITDA)	11 960	1 092	-1 772	0	11 280
Depreciation and amortisation	-4 779	-53	-69	0	-4 901
Impairment of ships	-13 823	0	0	0	-13 823
Loss sale ship/effect onerous contracts	-1 463	0	0	0	-1 463
Operating result (EBIT)	-8 105	1 039	-1 841	0	-8 907
Interest income	0	5	8	0	13
Interest expenses	-4 565	0	-268	0	-4 833
Other financial items	-430	-22	-309	0	-761
Currency gains/(-losses)	-24	-46	139	0	69
Net financial items	-5 019	-63	-430	0	-5 512
Result before taxes	-13 124	976	-2 271	0	-14 419
Taxes	0	-174	0	0	-174
Net result	-13 124	802	-2 271	0	-14 593
Hereof non-controlling interests	0	53	0	0	53
Hereof majority interests	-13 124	749	-2 271	0	-14 646



Note 2 Segment information, continued

BELSHIPS ASA

USD 1 000

		2016				2015			
		Dry cargo	Techn. manag.	Admin/ Grp.tr.	Total	Dry cargo	Techn. manag.	Admin/ Grp.tr.	Total
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
	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
Q2	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
	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
Q3	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
	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
Q4	Freight revenue	5 397	0	113	5 510	4 661	0	93	4 754
	Management fees	0	1 186	-87	1 099	0	1 222	-76	1 146
	Operating income	5 397	1 186	26	6 609	4 661	1 222	17	5 900
	Ship operating expenses	-2 289	0	176	-2 113	-2 088	0	137	-1 951
	Operating expenses ship management	0	-717	0	-717	0	-969	0	-969
	General and administrative expenses	-21	0	-666	-687	-37	0	-730	-767
	Operating expenses	-2 310	-717	-490	-3 517	-2 125	-969	-593	-3 687
	Operating result (EBITDA)	3 087	469	-464	3 092	2 536	253	-576	2 213
	Depreciation and amortisation	-897	-13	-18	-928	-1 409	-12	-17	-1 438
	Impairment of non-current assets	0	0	0	0	-19 876	0	0	-19 876
	Loss on sale ship/effect on onerous contracts	261	0	0	261	0	0	0	0
	Operating result (EBIT)	2 451	456	-482	2 425	-18 749	241	-593	-19 101

**Note 3 Mortgage debt/Bareboat obligation**

Mortgage debt as of 31 December 2016 was USD 36.3 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 31 December was USD 44.6 mill. of which USD 1.8 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 2016. The imbalance continued with an increased gap between demand and supply with a negative impact on ship values and freight rates.

In the following quarters in 2016 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 4th quarter. In Q4'2015 an impairment of USD 19.9 million was recorded. In 2016 (Q1) an impairment of USD 13.8 million was been recorded (2015: USD 31.8 million).

Definitions

EBITDA: is defined as operating result adjusted for depreciation and amortization, other gains/(losses), interest income, interest expenses and other financial items

EBIT: is defined as operating result adjusted for interest income, interest expenses and other financial items

20 LARGEST SHAREHOLDERS

As at 8th February 2017

Name	Number of shares	%
SONATA AS	31 747 492	67.05%
TIDSHIPS AS	5 913 082	12.49%
Skandinaviska Enskil A/C CLIENTS ACCOUNT	809 714	1.71%
BELSHIPS ASA	498 000	1.05%
EITZEN REDERI AS	469 445	0.99%
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%
JOVOKO AS	250 000	0.53%
SØLAND LIV	240 000	0.51%
ASL HOLDING AS	225 000	0.48%
AR VEKST AS	218 995	0.46%
HKG HOLDING AS	212 779	0.45%
JSL AS	211 000	0.45%
STEEN CARL ERIK	207 203	0.44%
KIELLAND BERNHARD	200 000	0.42%
RISØY ARNE	138 651	0.29%
Other shareholders	4 117 409	8.68%
Total outstanding shares	47 352 000	100.00%

**BELSHIPS**

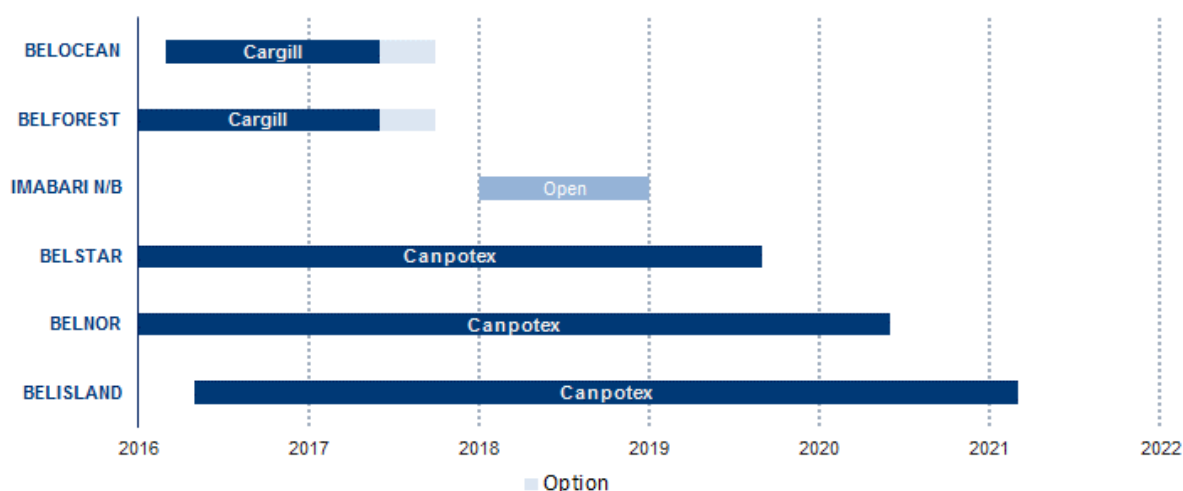
FLEET LIST

As at 31 December 2016

Ship	Owner-ship	Built year	Dwt	Employment	Option period	T/C-rate (net USD/day)
Supramax						
M/S Belstar	100 %	2009	58 018	T/C to 08/19		16 000
M/S Belnor	100 %	2010	58 018	T/C to 05/20		16 000
M/S Belocean	100 %	2011	58 018	T/C to 05/17	+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	61 252	T/C to 03/21		17 300
Imabari newbuilding	¹ TC	2018	63 000			

1) 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. Potash is a very effective fertilizer allowing farmers to increase crop production. Canpotex manages transportation and has invested in 5,400 specialized railcars and two port terminals. Canpotex has supplied over 220 million tons of potash since 1972 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.