



BELSHIPS

REPORT 2ND QUARTER 2017

23 August 2017

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**HIGHLIGHTS**

- Operating income of USD 6.4 m (Q1: USD 6.6 m)
- EBITDA of USD 3.0 m (USD 3.0 m)
- Net result of USD 0.7 m (USD 0.8 m)
- All ships operating normally – modern fleet – average age 4.9 years
- Contract coverage 100% for delivered ships – around USD 54 million fixed charter

Second quarter 2017 results

Belships operating income in 2nd quarter 2017 was USD 6.4 million (Q1: USD 6.6 million), while EBITDA amounted to USD 3.0 million (USD 3.0 million). The Group's operating result amounted to USD 2.1 million (USD 2.1 million), while net result for 2nd quarter 2017 was USD 0.8 million (USD 0.8 million).

Fleet status

Belships concentrates on the dry bulk market, with 5 x modern Supramax/Ultramax in service. 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 Belforest and M/S Beloceen are both on time charter to Cargill. M/S Belforest will be open in September 2017, whereas M/S Beloceen will be open in December. All ships have sailed without significant off-hire. Technical management is handled by Belships Management (Singapore), with a total fleet of 12 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 and another sister vessel on a similar scheme within first half 2020.

Financial and corporate matters

As per 30 June the Group's cash totaled USD 7.4 million compared to USD 7.9 million as per 31 March.

The mortgage debt as per 30 June was USD 33.8 million. Net lease obligation as at 30 June was USD 43.7 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 2nd quarter.

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%.

At the end of the 2nd quarter of 2017, the book value per share amounted to NOK 3.88 (USD 0.46), while the equity ratio was 21.0%. 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 2nd quarter at USD 8,923 per day, whereas the Panamax-index ended at USD 8,746 per day. The Supramax-index ended the quarter at USD 8,571 per day. As per today the Cape index stands at USD 18,834 per day, Panamax-index at USD 10,778 per day and Supramax-index at USD 9,349 per day. Baltic S&P Assessment's valuation of a 5-year old Supramax is now USD 16.1 million.

China's steel output for July reached 74.02 MT, representing a 10.3% increase y/y. Despite the ongoing environmental measures being taken in China, total output YTD stands at 5.1% compared to the same



period in 2016 according to Fearnley. Continued strong infrastructure demand and capacity cuts have supported steel prices, leaving operating plants to maximize their output. China's import volume of high grade coal from Australia and Indonesia has increased substantially, giving vital support to the dry bulk market.

Outlook

Iron ore import to China in 2017 is expected to grow 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. According to Marsoft 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 still very limited, but the scrapping activity has also slowed on the back of the improved market rates. The current orderbook is just 7.7% (60m dwt) of the total existing fleet and the lowest in over 20 years. Fearnresearch believes that the net growth in tonnage supply during 2017-2020 will be very limited following IMO's new regulations for ballast water treatment systems and scrubbers gradually to be installed on all vessels. According to DNV GL the introduction of the new global sulphur cap in 2020 is causing a paradigm shift in marine fuel. It is a complex challenge and there is a great deal of uncertainty related to enforcement, fuel availability and technological solutions.

Belships' vessels are chartered out on fixed rates to reputable counterparts, representing a future nominal gross hire of around USD 54 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, 23 August 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

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 2017 has been prepared in accordance with IAS 34 - Interim Financial Reporting, and gives a true and fair view of the Company's assets, liabilities, financial position and result for the period.

We also confirm to the best of our knowledge that the financial review includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the financial statements.

Oslo, 23 August 2017

THE BOARD OF BELSHIPS ASA

Sverre Jørgen Tidemand, Chairman

Christian Rytter

Kjersti Ringdal

Sissel Grefsrud

Carl Erik Steen



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The quarterly figures are not audited

BELSHIPS ASA

USD 1 000	Q2 2017	Q1 2017	1H 2017	Q2 2016	Q1 2016	1H 2016	2016
Freight revenue	5 538	5 366	10 904	5 505	4 946	10 451	21 338
Management fees	901	1 254	2 155	850	1 064	1 914	4 077
Operating income	6 439	6 620	13 059	6 355	6 010	12 365	25 415
Ship operating expenses	-1 925	-2 088	-4 013	-1 803	-1 882	-3 685	-8 197
Operating expenses ship management	-887	-859	-1 746	-907	-931	-1 838	-3 405
General and administrative expenses	-596	-666	-1 262	-623	-665	-1 288	-2 533
Operating expenses	-3 408	-3 613	-7 021	-3 333	-3 478	-6 811	-14 135
Operating result (EBITDA)	3 031	3 007	6 038	3 022	2 532	5 554	11 280
Depreciation and amortisation	-1 147	-1 116	-2 263	-1 312	-1 336	-2 648	-4 901
Impairment of the fleet	0	0	0	0	-13 823	-13 823	-13 823
Loss on sale of ship/effect on onerous contracts	234	163	397	346	-2 287	-1 941	-1 463
Operating result (EBIT)	2 118	2 054	4 172	2 056	-14 914	-12 858	-8 907
Interest income	5	8	13	4	1	5	13
Interest expenses	-1 186	-1 213	-2 399	-1 272	-995	-2 267	-4 833
Other financial items	-176	-77	-253	-487	-701	-1 188	-761
Currency gains/(-losses)	7	31	38	87	167	254	69
Net financial items	-1 350	-1 251	-2 601	-1 668	-1 528	-3 196	-5 512
Result before taxes	768	803	1 571	388	-16 442	-16 054	-14 419
Taxes	-38	-47	-85	-25	-27	-52	-174
Net result	730	756	1 486	363	-16 469	-16 106	-14 593
Hereof non-controlling interests	13	5	18	-4	6	2	53
Hereof majority interests	717	751	1 468	367	-16 475	-16 108	-14 646
Other comprehensive income							
Actuarial gain/(loss) on defined benefit plans	0	0	0	0	0	0	-39
Total comprehensive income	730	756	1 468	363	-16 469	-16 106	-14 632
Hereof non-controlling interests	13	5	18	-4	6	2	53
Hereof majority interests	717	751	1 468	367	-16 475	-16 108	-14 685
Earnings per share (US cent)	1.56	1.62	3.17	0.78	-35.19	-34.41	-31.18
Diluted earnings per share (US cent)	1.56	1.62	3.17	0.78	-35.19	-34.41	-31.18



CONSOLIDATED BALANCE SHEET

The quarterly figures are not audited

BELSHIPS ASA

USD 1 000		30 Jun 2017	30 Jun 2016	31 Dec 2016
ASSETS	<i>Note</i>			
Fixed assets				
Ships		90 810	95 189	93 009
Prepaid timecharter hire		850	1 500	1 500
Other fixed assets		2 125	2 024	1 974
Total fixed assets		93 785	98 713	96 483
Current assets				
Short-term receivables		1 455	1 453	1 211
Prepaid timecharter hire		650	0	0
Cash and cash equivalents		7 394	8 560	7 918
Total current assets		9 499	10 013	9 129
Total assets		103 284	108 726	105 612
EQUITY AND LIABILITIES				
Equity				
Paid-in capital		43 625	43 612	43 620
Retained earnings		-22 419	-25 310	-23 887
Non-controlling interests		429	360	411
Total equity		21 635	18 662	20 144
Long-term liabilities				
Mortgage debt	3	28 441	33 325	30 883
Bareboat commitment	3	41 845	43 693	42 811
Financial instruments		242	1 094	323
Pension obligations		563	748	648
Other long-term liabilities		1 427	1 407	1 407
Total long-term liabilities		72 518	80 267	76 072
Short-term liabilities				
Mortgage debt	3	5 000	5 000	5 000
Bareboat commitment	3	1 857	1 759	1 778
Other short-term liabilities		2 274	3 038	2 618
Total short-term liabilities		9 131	9 797	9 396
Total equity and liabilities		103 284	108 726	105 612



CONSOLIDATED CASH FLOW STATEMENTS

The quarterly figures are not audited

BELSHIPS ASA

USD 1 000	1H 2017	1H 2016	2016
Cash flow from operating activities			
Net result before taxes	1 571	-16 054	-14 419
Adjustments to reconcile profit before tax to net cash flows:			
Loss on sale of ship/effect on onerous contracts	-397	1 941	1 463
Depreciations on fixed assets	2 263	2 648	4 901
Impairment of ships	0	13 823	13 823
Share-based compensation expense	5	24	31
Difference between pension exps. and paid pension premium	-102	-89	-210
Net finance costs	2 601	3 196	5 512
Working capital adjustments:			
Change in trade debtors and trade creditors	92	-137	-212
Change in other short-term items	-512	-566	-241
Interest received	13	5	13
Interest paid	-2 399	-2 267	-4 833
Income tax paid	-42	-126	-118
Net cash flow from operating activities	3 093	2 398	5 710
Cash flow from investing activities			
Payment on newbuilding	0	-20 485	-20 531
Sale of ship (net sales amount)	0	23 637	23 637
Payment of other investments	-88	-1 740	-1 923
Net cash flow from investing activities	-88	1 412	1 183
Cash flow from financing activities			
Repayment of long-term debt	-3 391	-20 068	-6 491
Proceeds from new loan	0	16 950	0
Paid costs related to financing	-144	-164	-484
Net cash flow from financing activities	-3 535	-3 282	-6 975
Net change in cash and cash equivalents during the period	-530	528	-82
Cash and cash equivalents at 1 January	7 918	7 993	7 993
Change currency NOK deposits	6	39	7
Cash and cash equivalents at end of period	7 394	8 560	7 918



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-controll. interests	Total equity
As at 30 June 2017							
Equity as at 31 December 2016	14 272	-166	13 751	15 763	-23 887	411	20 144
Net result for the period	0	0	0	0	1 468	18	1 486
Other comprehensive income	0	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	1 468	18	1 486
Share-based payment expense	0	0	0	5	0	0	5
Equity as at 30 June 2017	14 272	-166	13 751	15 768	-22 419	429	21 635
As at 30 June 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	-16 108	2	-16 106
Other comprehensive income	0	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	-16 108	2	-16 106
Non-controlling interest transactions	0	0	0	0	0	-87	-87
Share-based payment expense	0	0	0	24	0	0	24
Equity as at 30 June 2016	14 272	-166	13 751	15 756	-25 311	360	18 662

KEY FINANCIAL FIGURES

BELSHIPS ASA

		1H 2017	1H 2016	31 Dec 2016
EBITDA	USD 1000	6 038	5 554	11 280
Interest coverage ratio		1.74	-5.67	-1.84
Current ratio	%	104.03	102.20	97.16
Equity ratio	%	20.95	17.16	19.07
Earnings per share	US cent	3.17	-34.41	-31.18
Earnings per share	NOK	0.27	-2.88	-2.69
Equity per share	USD	0.46	0.40	0.43
Equity per share	NOK	3.88	3.34	3.71
Number of issued shares (excluding treasury shares)		46 804 000	46 804 000	46 804 000
Average number of issued shares (excluding 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 2016.

This report was approved by the Board of Directors on 23 August 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 2016.

Note 2 Segment information**BELSHIPS ASA**

USD 1 000

January - June 2017

	<i>Dry cargo</i>	<i>Technical managm.</i>	<i>Admini- stration</i>	<i>Group transacts.</i>	<i>Total</i>
Freight revenue	10 678	0	0	226	10 904
Management fees	0	2 370	368	-583	2 155
Operating income	10 678	2 370	368	-357	13 059
Ship operating expenses	-4 370	0	0	357	-4 013
Operating expenses ship management	0	-1 746	0	0	-1 746
General and administrative expenses	-6	0	-1 256	0	-1 262
Operating expenses	-4 376	-1 746	-1 256	357	-7 021
Operating result (EBITDA)	6 302	624	-888	0	6 038
Depreciation and amortisation	-2 199	-28	-36	0	-2 263
Effect on onerous contracts	397	0	0	0	397
Operating result (EBIT)	4 500	596	-924	0	4 172
Interest income	0	9	4	0	13
Interest expenses	-2 309	0	-90	0	-2 399
Other financial items	-109	-6	-138	0	-253
Currency gains/(-losses)	-10	-67	115	0	38
Net financial items	-2 428	-64	-109	0	-2 601
Result before taxes	2 072	532	-1 033	0	1 571
Taxes	0	-85	0	0	-85
Net result	2 072	447	-1 033	0	1 486
Hereof non-controlling interests	0	18	0	0	18
Hereof majority interests	2 072	429	-1 033	0	1 468



Note 2 Segment information, continued

BELSHIPS ASA

USD 1 000

		2017				2016			
		Dry cargo	Techn. manag.	Admin/ Grp.tr.	Total	Dry cargo	Techn. manag.	Admin/ Grp.tr.	Total
Q1	Freight revenue	5 254	0	112	5 366	4 857	0	89	4 946
	Management fees	0	1 300	-46	1 254	0	1 176	-112	1 064
	Operating income	5 254	1 300	66	6 620	4 857	1 176	-23	6 010
	Ship operating expenses	-2 206	0	118	-2 088	-2 052	0	170	-1 882
	Operating expenses ship management	0	-859	0	-859	0	-931	0	-931
	General and administrative expenses	-6	0	-660	-666	-3	0	-662	-665
	Operating expenses	-2 212	-859	-542	-3 613	-2 055	-931	-492	-3 478
	Operating result (EBITDA)	3 042	441	-476	3 007	2 802	245	-515	2 532
	Depreciation and amortisation	-1 090	-13	-13	-1 116	-1 314	-12	-10	-1 336
	Impairment of non-current assets	0	0	0	0	-13 823	0	0	-13 823
	Loss on sale ship/effect on onerous contracts	163	0	0	163	-2 287	0	0	-2 287
	Operating result (EBIT)	2 115	428	-489	2 054	-14 622	233	-525	-14 914
Q2	Freight revenue	5 424	0	114	5 538	5 389	0	116	5 505
	Management fees	0	1 070	-169	901	0	957	-107	850
	Operating income	5 424	1 070	-55	6 439	5 389	957	9	6 355
	Ship operating expenses	-2 164	0	239	-1 925	-1 979	0	176	-1 803
	Operating expenses ship management	0	-887	0	-887	0	-907	0	-907
	General and administrative expenses	0	0	-596	-596	-18	0	-605	-623
	Operating expenses	-2 164	-887	-357	-3 408	-1 997	-907	-429	-3 333
	Operating result (EBITDA)	3 260	183	-412	3 031	3 392	50	-420	3 022
	Depreciation and amortisation	-1 109	-15	-23	-1 147	-1 284	-15	-13	-1 312
	Loss on sale ship/effect on onerous contracts	234	0	0	234	346	0	0	346
	Operating result (EBIT)	2 385	168	-435	2 118	2 454	35	-433	2 056
Q3	Freight revenue	0	0	0	0	5 260	0	117	5 377
	Management fees	0	0	0	0	0	1 178	-114	1 064
	Operating income	0	0	0	0	5 260	1 178	3	6 441
	Ship operating expenses	0	0	0	0	-2 576	0	177	-2 399
	Operating expenses ship management	0	0	0	0	0	-850	0	-850
	General and administrative expenses	0	0	0	0	-5	0	-553	-558
	Operating expenses	0	0	0	0	-2 581	-850	-376	-3 807
	Operating result (EBITDA)	0	0	0	0	2 679	328	-373	2 634
	Depreciation and amortisation	0	0	0	0	-1 284	-13	-28	-1 325
	Impairment of non-current assets	0	0	0	0	0	0	0	0
	Loss on sale ship/effect on onerous contracts	0	0	0	0	217	0	0	217
	Operating result (EBIT)	0	0	0	0	1 612	315	-401	1 526
Q4	Freight revenue	0	0	0	0	5 397	0	113	5 510
	Management fees	0	0	0	0	0	1 186	-87	1 099
	Operating income	0	0	0	0	5 397	1 186	26	6 609
	Ship operating expenses	0	0	0	0	-2 289	0	176	-2 113
	Operating expenses ship management	0	0	0	0	0	-717	0	-717
	General and administrative expenses	0	0	0	0	-21	0	-666	-687
	Operating expenses	0	0	0	0	-2 310	-717	-490	-3 517
	Operating result (EBITDA)	0	0	0	0	3 087	469	-464	3 092
	Depreciation and amortisation	0	0	0	0	-897	-13	-18	-928
	Impairment of non-current assets	0	0	0	0	0	0	0	0
	Loss on sale ship/effect on onerous contracts	0	0	0	0	261	0	0	261
	Operating result (EBIT)	0	0	0	0	2 451	456	-482	2 425

Note 3 Mortgage debt/Bareboat obligation

Mortgage debt as of 30 June 2017 was USD 33.8 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 are subsequently amortized over the loan period in accordance with the amortized cost principle.

Net bareboat obligation as at 30 June was USD 43.7 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.

Definition of Non-IFRS financial measures

Current ratio - is defined as total current assets, divided by total current liabilities

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

Equity ratio - is equal to shareholders' equity including non-controlling interest, divided by total assets

Interest coverage ratio - is equal to earnings before interest and taxes (EBIT), divided by interest expenses

20 LARGEST SHAREHOLDERS

Updated 15 August 2017

Name	Number of shares	%
SONATA AS	31 747 492	67.05%
TIDSHIPS AS	5 105 872	10.78%
EITZEN REDERI AS	806 134	1.70%
BELSHIPS ASA	498 000	1.05%
CARLINGS AS	400 000	0.84%
TIDINVEST II AS	315 414	0.67%
JENSSEN & CO A/S	302 816	0.64%
NAGATSUKA TORU	270 000	0.57%
CHREM CAPITAL AS	270 000	0.57%
STEEN CARL ERIK	269 154	0.57%
JOVOKO AS	250 000	0.53%
SØLAND LIV	240 000	0.51%
Danske Bank A/S 3887 OPERATIONS SEC.	226 476	0.48%
ASL HOLDING AS	225 000	0.48%
FINANSPLAN AS	221 574	0.47%
JSL AS	221 191	0.47%
HKG HOLDING AS	208 779	0.44%
KIELLAND BERNHARD	200 000	0.42%
AR VEKST AS	198 995	0.42%
AR FONDS AS	159 500	0.34%
Other shareholders	5 215 603	11.00%
Total outstanding shares	47 352 000	100.00%



FLEET LIST

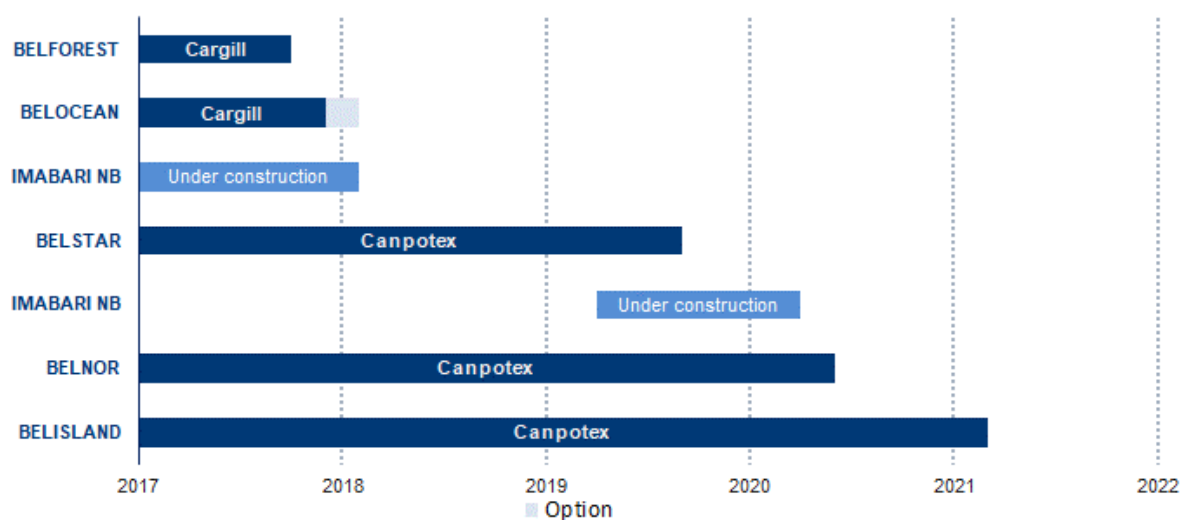
As at 30 June 2017

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 11/17	+2 mo	7 700
Ultramax						
M/S Belforest	BBC	2015	61 320	T/C to 09/17		5 775
M/S Belisland	BBC	2016	61 252	T/C to 03/21		17 300
Imabari newbuilding	¹ TC	2018	63 000			
Imabari newbuilding	² TC	2020	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.

2) Delivery during 1st half of 2020 for long-term lease with purchase option. Charter period is eight years with two annual renewal options.

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.