



BELSHIPS

REPORT 2ND QUARTER 2018

23 August 2018

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**HIGHLIGHTS**

- Operating income of USD 8.3 m (Q1: USD 8.2 m)
- EBITDA of USD 3.5 m (USD 3.3 m)
- No impairment/impairment reversal (USD 1.3 m)
- Net result of USD 0.9 m (USD 2.1 m)
- All ships operating normally – modern fleet – average age 5.0 years
- Contract coverage 100% for delivered ships – around USD 40 million fixed charter
- Conclusion of strategic process – contemplated merger between subsidiaries of Kontrari and subsidiaries of Belships with consideration in Belships shares.

2nd quarter 2018 results

Belships operating income in 2nd quarter 2018 was USD 8.3 million (Q1: USD 8.2 million), while EBITDA amounted to USD 3.5 million (USD 3.3 million). The Group's operating result amounted to USD 2.1 million (USD 3.1 million), while net result for 2nd quarter 2018 was USD 0.9 million (USD 2.1 million). The figures for the first quarter includes impairment reversal of USD 1.3 million.

Fleet status

Belships concentrates on the dry bulk market, with 6 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, M/S Belocean and M/S Belnippon are all on time charter to Cargill. M/S Belocean and M/S Belforest will become open in October-November, whereas M/S Belnippon will be open in January 2019.

All ships have sailed without significant off-hire. Technical management is handled by Belships Management (Singapore), with a total fleet of 11 ships under technical management.

Newbuilding program

Belships' remaining newbuilding program with Imabari Shipbuilding in Japan consists of one 63 000 dwt eco-design Ultramax bulk carrier on a long-term T/C-in agreement incl. purchase option for delivery within first half 2020.

Financial and corporate matters

As per 30 June the Group's cash totaled USD 5.4 million, which is unchanged from 31 March.

The mortgage debt as per 30 June was USD 25.75 million. Net lease obligation as at 30 June was USD 41.8 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 1.65 million in the 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 60%.

At the end of the 2nd quarter of 2018, the book value per share amounted to NOK 4.97 (USD 0.61), while the equity ratio was 28.7 %. 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 2nd quarter at USD 18 110 per day, whereas the Kamsarmax-index ended at USD 12 056 per day. The Supramax-index ended the quarter at USD 11 288 per day. As per today the Cape index stands at USD 25 054 per day, Kamsarmax-index at USD 13 772 per day and

Supramax-index at USD 11 939 per day. Baltic S&P Assessment's valuation of a 5-year old Supramax is currently USD 18.5 million.

Outlook

The current period activity for Supramax with Pacific delivery reflects a rate level for short duration around USD 11 000 per day, whereas Ultramaxs are valued around high USD 12 000 to low USD 13 000 per day.

Belships' vessels are fully covered until October 2018 when M/S Beloceano becomes open, followed by M/S Belforest in November and M/S Belnippon in January 2019. The company is well positioned for a dry bulk market that we believe will be strengthening in 2018-19.

Belships' vessels are chartered out on fixed rates to reputable counterparts, representing a future nominal gross hire of around USD 40 million.

Focus remains to continue developing Belships as an owner and operator of modern bulk carriers to reputable counterparts, building a portfolio of quality ships and robust charter parties that will generate distributable cash flows.

As per the stock exchange announcement on 6 July, Sonata AS has accepted an offer from Kontrari AS and Kontrazi AS (together "Kontrari") relating to a contemplated sale of 14,285,714 shares (30.2%) in the company from Sonata to Kontrari and a subsequent merger between Kontrari's subsidiaries and subsidiaries of Belships with consideration in Belships shares. Sonata AS has in this respect entered into a process agreement governing the necessary steps in order to complete the transaction. The Board of Directors believes the Transaction will be in the best interest of all the shareholders and the company.

The further steps include a satisfactory due diligence process, regulatory and third party approvals, negotiating a merger plan to be finalized and distributed to the shareholders. The transaction is subject to approval by the General meeting.

Following this transaction the combined entity will control a fleet of 16 dry bulk carriers and enhance its flexibility and create opportunities to expand its charter contract portfolio. The company will concentrate on the dry bulk market and will benefit from a fully integrated commercial and technical management.

23 August 2018
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 2018 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 2018

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 and half year figures are not audited

BELSHIPS ASA

USD 1 000		Q2 2018	Q1 2018	1H 2018	Q2 2017	Q1 2017	1H 2017	2017
Freight revenue	Note	7 231	7 104	14 335	5 538	5 366	10 904	22 646
Management fees		1 061	1 057	2 118	901	1 254	2 155	4 663
Operating income	2	8 292	8 161	16 453	6 439	6 620	13 059	27 309
T/C hire expenses		-1 183	-1 170	-2 353	0	0	0	0
Ship operating expenses		-2 081	-2 023	-4 104	-1 925	-2 088	-4 013	-8 175
Operating expenses ship management		-823	-883	-1 706	-887	-859	-1 746	-3 371
General and administrative expenses		-674	-824	-1 498	-596	-666	-1 262	-2 493
Operating expenses		-4 761	-4 900	-9 661	-3 408	-3 613	-7 021	-14 039
Operating result (EBITDA)		3 531	3 261	6 792	3 031	3 007	6 038	13 270
Depreciation and amortisation		-1 393	-1 453	-2 846	-1 147	-1 116	-2 263	-4 597
Reversal/impairment of ships	4	0	1 269	1 269	0	0	0	2 544
Effect on onerous contracts		0	0	0	234	163	397	397
Operating result (EBIT)		2 138	3 077	5 215	2 118	2 054	4 172	11 614
Interest income		20	3	23	5	8	13	26
Interest expenses		-1 060	-1 061	-2 121	-1 186	-1 213	-2 399	-4 735
Other financial items		-38	75	37	-176	-77	-253	-361
Currency gains/(-losses)		-131	72	-59	7	31	38	114
Net financial items		-1 209	-911	-2 120	-1 350	-1 251	-2 601	-4 956
Result before taxes		929	2 166	3 095	768	803	1 571	6 658
Taxes		-52	-31	-83	-38	-47	-85	-294
Net result		877	2 135	3 012	730	756	1 486	6 364
Hereof non-controlling interests		-4	22	18	13	5	18	60
Hereof majority interests		881	2 113	2 994	717	751	1 468	6 304
Other comprehensive income								
Actuarial gain/(loss) on defined benefit plans		0	0	0	0	0	0	-6
Total comprehensive income		877	2 135	3 012	730	756	1 486	6 358
Hereof non-controlling interests		-4	22	18	13	5	18	60
Hereof majority interests		881	2 113	2 994	717	751	1 468	6 298
Earnings per share (US cent)		1.87	4.56	6.44	1.56	1.62	3.17	13.60
Diluted earnings per share (US cent)		1.87	4.56	6.44	1.56	1.62	3.17	13.60

**CONSOLIDATED BALANCE SHEET***The quarterly and half year figures are not audited***BELSHIPS ASA**

USD 1 000		30 Jun 2018	31 Mar 2018	31 Dec 2017
ASSETS	<i>Note</i>			
Fixed assets				
Ships	4	89 734	91 090	91 242
Prepaid timecharter hire		0	135	405
Other fixed assets		2 623	2 610	2 080
Total fixed assets		92 357	93 835	93 727
Current assets				
Short-term receivables		1 887	1 516	1 848
Prepaid timecharter hire		957	1 095	1 095
Cash and cash equivalents		5 400	5 395	5 459
Total current assets		8 244	8 006	8 402
Total assets		100 601	101 841	102 129
EQUITY AND LIABILITIES				
Equity				
Paid-in capital		43 628	43 623	43 620
Retained earnings		-15 166	-15 477	-17 589
Non-controlling interests		370	374	351
Total equity		28 832	28 520	26 382
Long-term liabilities				
Mortgage debt	3	20 557	21 778	22 999
Bareboat commitment	3	39 765	40 299	40 816
Pension obligations		504	539	530
Other long-term liabilities		1 467	1 538	1 466
Total long-term liabilities		62 293	64 154	65 811
Short-term liabilities				
Mortgage debt	3	5 000	5 000	5 000
Bareboat commitment	3	2 026	1 980	1 940
Other short-term liabilities		2 450	2 187	2 996
Total short-term liabilities		9 476	9 167	9 936
Total equity and liabilities		100 601	101 841	102 129

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

USD 1 000	1H 2018	Q1 2018	2017
Cash flow from operating activities			
Net result before taxes	3 095	2 166	6 658
Adjustments to reconcile profit before tax to net cash flows:			
Effect on onerous contracts	0	0	-397
Depreciations on fixed assets	2 846	1 453	4 597
Reversal/impairment of ships	-1 269	-1 269	-2 544
Share-based compensation expense	8	-3	0
Difference between pension exps and paid pension premium	-28	-19	-171
Net finance costs	2 120	911	4 956
Working capital adjustments:			
Change in trade debtors and trade creditors	166	-152	85
Change in other short-term items	-687	38	-322
Interest received	23	3	26
Interest paid	-2 121	-1 061	-4 735
Income tax paid	-95	-40	-137
Net cash flow from operating activities	4 058	2 027	8 016
Cash flow from investing activities			
Payment of other investments	-369	-318	-271
Net cash flow from investing activities	-369	-318	-271
Cash flow from financing activities			
Repayment of long-term debt	-2 992	-1 727	-9 835
Dividend paid	-577	0	0
Paid costs related to financing	-178	-46	-369
Net cash flow from financing activities	-3 747	-1 773	-10 204
Net change in cash and cash equivalents during the period	-59	-64	-2 459
Cash and cash equivalents at 1 January	5 459	5 459	7 918
Cash and cash equivalents at end of period	5 400	5 395	5 459



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The quarterly and half year 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 June 2018							
Equity as at 31 December 2017	14 272	-166	13 751	15 763	-17 590	352	26 382
Net result for the period	0	0	0	0	2 994	18	3 012
Other comprehensive income	0	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	2 994	18	3 012
Dividend paid	0	0	0	0	-570	0	-570
Net share-based payment	0	0	0	8	0	0	8
Equity as at 30 June 2018	14 272	-166	13 751	15 771	-15 166	370	28 832

As at 31 March 2018							
Equity as at 31 December 2017	14 272	-166	13 751	15 763	-17 590	352	26 382
Net result for the period	0	0	0	0	2 113	22	2 135
Other comprehensive income	0	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	2 113	22	2 135
Share-based payment expense	0	0	0	3	0	0	3
Equity as at 31 March 2018	14 272	-166	13 751	15 766	-15 477	374	28 520

KEY FINANCIAL FIGURES

BELSHIPS ASA

		1H 2018	Q1 2018	2017
EBITDA	USD 1000	6 792	3 261	13 270
Interest coverage ratio		2.46	2.90	2.45
Current ratio	%	87.00	87.34	84.56
Equity ratio	%	28.66	28.00	25.83
Earnings per share	US cent	6.44	4.56	13.60
Earnings per share	NOK	0.53	0.35	1.12
Equity per share	USD	0.62	0.61	0.56
Equity per share	NOK	5.03	4.74	4.62
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 2017.

This report was approved by the Board of Directors on 23 August 2018.

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 2017.

Note 2 Segment information**BELSHIPS ASA**

USD 1 000

January - June 2018

	<i>Dry cargo</i>	<i>Technical managm.</i>	<i>Admini- stration</i>	<i>Group transacts</i>	<i>Total</i>
Freight revenue	14 070	0	0	265	14 335
Management fees	0	2 316	422	-620	2 118
Operating income	14 070	2 316	422	-355	16 453
T/C hire expenses	-2 353	0	0	0	-2 353
Ship operating expenses	-4 458	0	0	354	-4 104
Operating expenses ship management	0	-1 706	0	0	-1 706
General and administrative expenses	-12	0	-1 487	1	-1 498
Operating expenses	-6 823	-1 706	-1 487	355	-9 661
Operating result (EBITDA)	7 247	610	-1 065	0	6 792
Depreciation and amortisation	-2 777	-31	-38	0	-2 846
Reversal of impairment	1 269	0	0	0	1 269
Operating result (EBIT)	5 739	579	-1 103	0	5 215
Interest income	1	5	17	0	23
Interest expenses	-2 109	0	-12	0	-2 121
Other financial items	-114	-7	158	0	37
Currency gains/(-losses)	-8	6	-57	0	-59
Net financial items	-2 230	4	106	0	-2 120
Result before taxes	3 509	583	-997	0	3 095
Taxes	0	-83	0	0	-83
Net result	3 509	500	-997	0	3 012
Hereof non-controlling interests	0	18	0	0	18
Hereof majority interests	3 509	482	-997	0	2 994



Note 2 Segment information, continued

USD 1 000

		2018				2017			
		Dry cargo	Techn. manag.	Admin/ Grp.tr.	Total	Dry cargo	Techn. manag.	Admin/ Grp.tr.	Total
Q1	Freight revenue	6 975	0	129	7 104	5 254	0	112	5 366
	Management fees	0	1 156	-99	1 057	0	1 300	-46	1 254
	Operating income	6 975	1 156	30	8 161	5 254	1 300	66	6 620
	T/C hire expenses	-1 170	0	0	-1 170	0	0	0	0
	Ship operating expenses	-2 201	0	178	-2 023	-2 206	0	118	-2 088
	Operating expenses ship management	0	-883	0	-883	0	-859	0	-859
	General and administrative expenses	-12	0	-812	-824	-6	0	-660	-666
	Operating expenses	-3 383	-883	-634	-4 900	-2 212	-859	-542	-3 613
	Operating result (EBITDA)	3 592	273	-604	3 261	3 042	441	-476	3 007
	Depreciation and amortisation	-1 420	-16	-17	-1 453	-1 090	-13	-13	-1 116
Q2	Reversal/impairment of ships	1 269	0	0	1 269	0	0	0	0
	Effect on onerous contracts	0	0	0	0	163	0	0	163
	Operating result (EBIT)	3 441	257	-621	3 077	2 115	428	-489	2 054
	Freight revenue	7 095	0	136	7 231	5 424	0	114	5 538
	Management fees	0	1 160	-99	1 061	0	1 070	-169	901
	Operating income	7 095	1 160	37	8 292	5 424	1 070	-55	6 439
	T/C hire expenses	-1 183	0	0	-1 183	0	0	0	0
	Ship operating expenses	-2 257	0	176	-2 081	-2 164	0	239	-1 925
	Operating expenses ship management	0	-823	0	-823	0	-887	0	-887
	General and administrative expenses	0	0	-674	-674	0	0	-596	-596
Q3	Operating expenses	-3 440	-823	-498	-4 761	-2 164	-887	-357	-3 408
	Operating result (EBITDA)	3 655	337	-461	3 531	3 260	183	-412	3 031
	Depreciation and amortisation	-1 357	-15	-21	-1 393	-1 109	-15	-23	-1 147
	Effect on onerous contracts	0	0	0	0	234	0	0	234
	Operating result (EBIT)	2 298	322	-482	2 138	2 385	168	-435	2 118
	Freight revenue	0	0	0	0	5 690	0	118	5 808
	Management fees	0	0	0	0	0	975	-101	874
	Operating income	0	0	0	0	5 690	975	17	6 682
	Ship operating expenses	0	0	0	0	-2 109	0	176	-1 933
	Operating expenses ship management	0	0	0	0	0	-722	0	-722
Q4	General and administrative expenses	0	0	0	0	-2	0	-497	-499
	Operating expenses	0	0	0	0	-2 111	-722	-321	-3 154
	Operating result (EBITDA)	0	0	0	0	3 579	253	-304	3 528
	Depreciation and amortisation	0	0	0	0	-1 109	-15	-25	-1 149
	Reversal/impairment of ships	0	0	0	0	500	0	0	500
	Operating result (EBIT)	0	0	0	0	2 970	238	-329	2 879
	Freight revenue	0	0	0	0	5 822	0	112	5 934
	Management fees	0	0	0	0	0	1 741	-107	1 634
	Operating income	0	0	0	0	5 822	1 741	5	7 568
	Ship operating expenses	0	0	0	0	-2 408	0	179	-2 229
Q4	Operating expenses ship management	0	0	0	0	0	-903	0	-903
	General and administrative expenses	0	0	0	0	-37	0	-695	-732
	Operating expenses	0	0	0	0	-2 445	-903	-516	-3 864
	Operating result (EBITDA)	0	0	0	0	3 377	838	-511	3 704
	Depreciation and amortisation	0	0	0	0	-1 143	-16	-26	-1 185
	Reversal/impairment of ships	0	0	0	0	2 044	0	0	2 044
	Operating result (EBIT)	0	0	0	0	4 278	822	-537	4 563

Note 3 Mortgage debt/Bareboat obligation

Mortgage debt as of 30 June 2018 was USD 25.8 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 41.8 million, of which USD 2.0 million is 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 Ships

Belships has assessed its recoverable amount on its ships. As a result of an improved dry bulk market, a net reversal of a part of prior periods impairment amounting to USD 1.3 million have been recorded in the first quarter. The company has applied the same impairment model and assumptions as described in the annual report for 2017, however market related assumptions are updated to reflect the situation as of 30 June. With effect from 1 January 2018, the company has assessed the residual value to be zero.

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 14 August 2018

Name	Number of shares	%
SONATA AS	31 747 492	67.05%
TIDSHIPS AS	5 020 432	10.60%
EITZEN REDERI AS	657 249	1.39%
BELSHIPS ASA	498 000	1.05%
AR FONDS AS	416 183	0.88%
SKARSGÅRD LARS CHRISTIAN	355 000	0.75%
NAGATSUKA TORU	330 000	0.70%
CHREM CAPITAL AS	320 000	0.68%
JOMAHO AS	316 681	0.67%
TIDINVEST II AS	315 414	0.67%
JENSSEN & CO A/S	302 816	0.64%
CITIBANK, N.A. S/A BANKINTER S.A. C	273 547	0.58%
STEEN CARL ERIK	269 154	0.57%
JOVOKO AS	250 000	0.53%
JSL AS	241 191	0.51%
SØLAND LIV	240 000	0.51%
ASL HOLDING AS	225 000	0.48%
KIELLAND BERNHARD	200 000	0.42%
AR VEKST AS	198 995	0.42%
HKG HOLDING AS	168 117	0.36%
OTHER SHAREHOLDERS	5 006 729	10.54%
TOTAL OUTSTANDING SHARES	47 352 000	100.00%



FLEET LIST

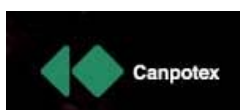
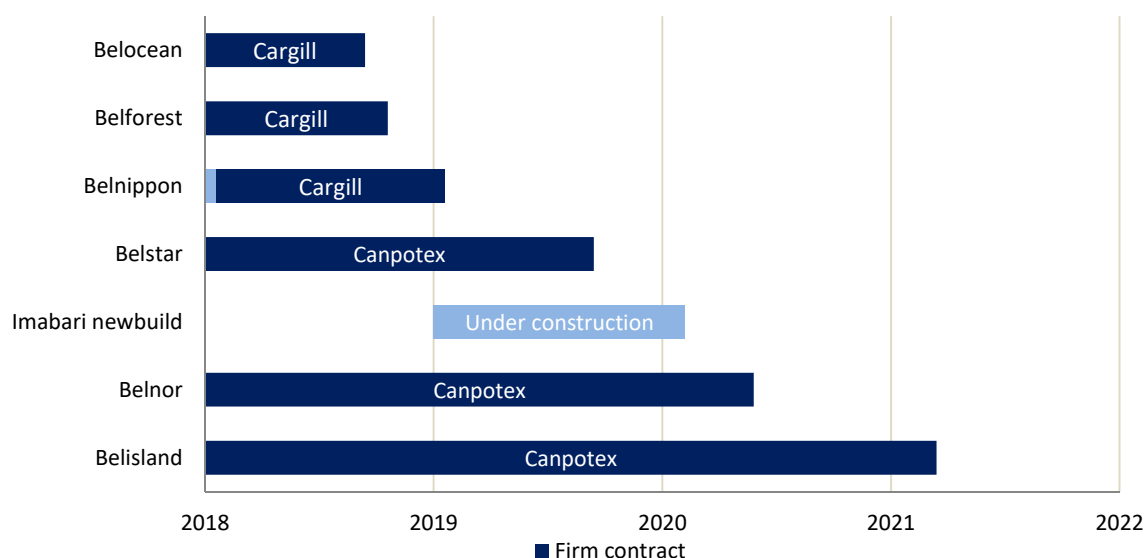
As at 30 June 2018

Ship	Ownership	Built year	Dwt	Employment	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 10/18	9 770
Ultramax					
M/S Belforest	BBC	2015	61 320	T/C to 11/18	9 986
M/S Belisland	BBC	2016	61 252	T/C to 03/21	17 300
M/S Belnippon	¹ TC	2018	63 000	T/C to 01/19	11 070
Imabari newbuilding	² TC	2020	63 000		

1) Delivered in January 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



One of the world's largest potash exporters, selling over 10 million tonnes of potash every year, representing about one-third of global capacity. Canpotex is a joint venture that is wholly owned by the two Saskatchewan potash producers, Mosaic and Nutrien.



Largest private US company in terms of revenue, with USD 109.7bn in revenues in 2017 and ~150,000 employees worldwide. Major business areas within agricultural services, crop and livestock, food, health and pharmaceuticals, and industrial and financial risk management.