Annual Report 2018

BELSHIPS

1918-2018

Contents

FINANCIAL CALENDAR 2019

Annual General Meeting	23 May
Result for the 1st quarter	23 May
Result for the 2nd quarter	29 August
Result for the 3rd quarter	14 November

Well positioned and fully integrated

We are pleased to present you with Belships' new annual report. It reflects both an eventful year and the marking of our 100th anniversary as a company.

More than 90pct of all materials and goods are transported by sea, making shipping one of the world's truly global markets. As a shipowning business in a highly competitive market, we contribute to low and efficient transportation costs. We believe that transportation by ships improves world economic growth and is better for the environment.

Next year also marks the adoption of IMO regulations for lower sulphur content in marine bunkering fuels. We welcome this regulation and are preparing our ships to run on compliant fuel. In the short term this may create some disruption, however, we believe this to be manageable and may even result in a better freight market as slower steaming is expected as a consequence.

Following the successful merger last year, Belships is well positioned as a stocklisted fully integrated shipowning company. We are specialised within the segment of geared bulk carriers with a uniform fleet of Supramax and Ultramax vessels. Our fleet has increased from seven to 16. In addition to our technical management company in Singapore, we now have a majority interest in the dry bulk operating business Lighthouse Navigation, with offices in Asia and the Middle East. We intend to remain focused on these segments where the downside is smaller relative to the largest sized vessels.

We were pleased to announce the refinancing of our owned fleet into one facility backed by three reputable banks, namely DNB, Danske Bank and SR-Bank. With improved terms and flexibility, we are now robust and well prepared for any market conditions. Four ships remain on operating leases from Japan, a market of strategic importance for our continued growth as a shipowning company.

We shall seek growth in order to improve the valuation of our business and the liquidity of our shares. We need not seek scale for scale itself, as our costs are already low, nominally and on a per-ship-basis. Good corporate governance and transparency are important in itself, and we firmly believe it will lead to a more valuable business. Our goal is to create value out of shipowning, and to return capital competitively over time.

The opportunities ahead are many. We will last another 100 years if we are able to continue to learn and adapt.

We look forward to serving you and navigate towards the next milestone.

Peter Frølich
Chairman of the Board

Lars Christian Skarsgård
Chief Executive Officer

Shipping is an extremely volatile business. Looking back at Belships' one hundred year-long history, it is apparent that it has been a century of voyages between glorious gains and lamenting losses. The Company has experienced the global impact of roaring economic growth, numerous financial crises, terrorism and two wars.

A voyage between crises and successes

The First World War had entered its final months when Christen Smith, a Norwegian entrepreneur and master mariner, invited investors to become shareholders in *Skibsaktieselskabet Christen Smiths Rederi*. Before the war, Mr Smith had become the youngest man ever to command a Norwegian merchant vessel, at the age of 27 he was master of the largest ship in the nation's merchant fleet, the steamship *Henrik Ibsen*.

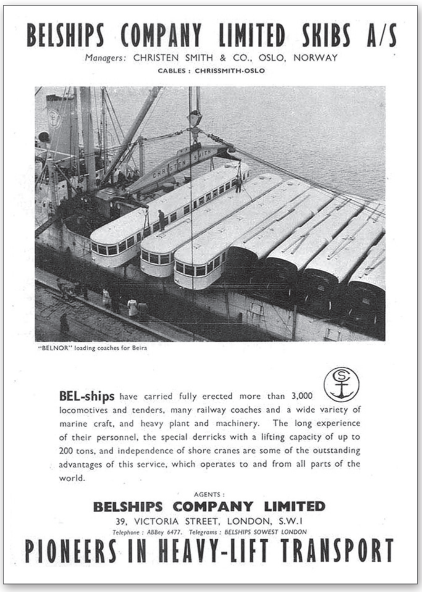
The Belships story could have ended just months after the Company's inception. Shortly after Christen Smith took delivery of his first three newbuildings, freight rates plummeted. 40 per cent of Norway's merchant fleet was laid-up by 1921. The creative Christen Smith desperately sought a solution outside the box. And he found it.

Railways were being expanded on a massive scale. In the so-called new world (Africa, Asia and South America) railways were being constructed to bring out resources from remote areas and to facilitate development in these regions. Locomotives and railway cars were manufactured in Europe, primarily in Great Britain. This is where Christen Smith saw his opportunity: no vessels were able to transport the heavy locomotives from Europe to the new railways, the traditional solution was to dismantle the locomotives, ship them in parts and then reassemble them at the destination. Christen Smith had found his niche. He designed ships with heavy duty cranes and derricks on deck, able to handle even the largest locomotives in one haul.

The concept became an immediate success. For more than a decade Christen Smith dominated the heavy lift trade. The chimneys decorated with the CS initial and the anchor (which still is Belships' logo), became a familiar sight in ports all over the world. The names of his vessels all had the prefix BEL (Smith's first two vessels were BELFRI and BELGOT), and in shipping circles heavy lifters were soon commonly referred to as "belships".

High ambitions and economic downturns tend to be a poor combination. In the mid-1930s the Company found itself in dire financial straits. Christen Smith had to undergo tough negotiations with his creditors. The Company was restructured and emerged in 1935 under its new name: *Belships Company Limited Skibs-A/S*. Two years later, the Company made another share issue and became listed on the Oslo Stock Exchange. The Norwegian newspaper Aftenposten covered the event under the title: *"Christen Smiths famous 38 000 tonne Bell fleet secured for Norway"*. The glorious news was however overshadowed by another event the same day: the christening of baby prince and heir to the Norwegian throne, prince Harald.

Through the 1937 listing and restructuring, three brothers became key shareholders: Axel, Frithjof and Jørgen Lorentzen. They soon assumed control of the Company. The brothers, their children and grandchildren would remain at the Belships helm for the next eighty years.



"...also Belships suffered losses of crew and ships, which constantly faced the threat of torpedo attacks by German submarines."

Christen Smith stayed on as a key member of the Company's management also after the restructuring, but succumbed to cancer after just a couple of years. He died in London in 1940, 57 years old.

During the Second World War the Belships fleet was in greater demand than ever before. Heavy military equipment needed to be transported efficiently over great distances. For the duration of the war, the fleet was under allied control. The owners back in nazi occupied Oslo had little or no contact with the vessels during this period. Like so many other Norwegian shipping companies, also Belships suffered losses of crew and ships, which constantly faced the threat of torpedo attacks by German submarines.

The post-war decade became Belships' heydays as a heavy lift shipping company. The world was being rebuilt after a devastating war. Locomotives and heavy machinery for industry and power plants were needed everywhere. In addition, the four year-long war on the Korean peninsula created significant transportation needs for the American forces.

But what goes up, tends to come down. As conventional liner vessels increasingly were equipped with heavy gear, the demand for the "belships" receded during the 1960s. Reconstruction after the war was completed, and with decolonisation the emerging countries increasingly set about manufacturing their own railway equipment and other heavy goods. The age of Christen Smiths invention, the heavy lift ship, was coming to an end after more than forty years. Belships sold its last heavy lift vessel in 1972.

However, the Company entered changing times in good shape. The heavy lift trade had been highly profitable for years and the Company had the financial resources to explore new opportunities. After having wet their feet in tankers, dry bulk, refrigeration and car transportation, Belships chose to focus on dry bulk and large tanker vessels. Then the 1970s shipping crisis hit.

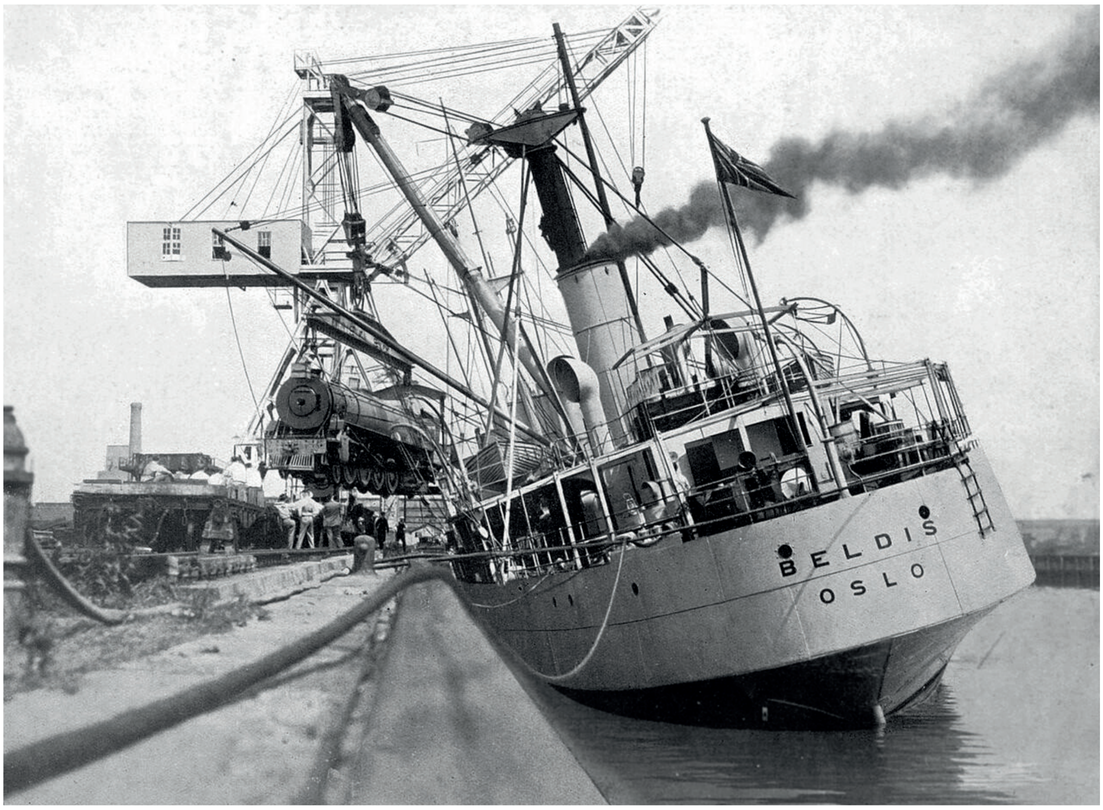
Dramatic changes in world trade, with particularly adverse effect on oil trade, coincided with an excess capacity of tankers. For years, the global shipping industry was dried up. Belships had contracted several new ships just before the market imploded. Almost brand new vessels were laid up, sold at losses or scrapped. Belships crude tanker adventure came to an abrupt halt.

Belship's management recognised that the times called for a focussing of the Company's activities, and chose dry bulk and the vessel category handysize; medium-sized vessels of 35-40 000 dwt. In the mid-1980s, Belships made one of its boldest moves ever. Dry cargo freight rates were low and prospects highly uncertain. Nevertheless, Belships acquired a significant number of handysize vessels, and stretched the Company's financial capabilities to the limit. Then the market turned. Towards the end of the 1980s, dry bulk rates were at exceptionally high levels and Belships risk taking was well rewarded.

During the 1980s, Belships together with other shipping companies revitalised the Western Bulk pool, which at the most operated nearly 80 handymax dry bulk vessels. The Western Bulk concept was taken further when Belships was central in establishing the shipowning company Western Bulk Shipping (WBS). For six years Belships owned 45 per cent of WBS and owned most of its handysize vessels through the joint venture. However, a conflict with other shareholders ended with Belships exiting WBS.

The Western Bulk controversy coincided with the Asia crisis at the end of the 1990s. Dry bulk rates fell to very low levels after some strong years. Belships needed to rethink its strategy. And the answer this time around was diversification. "Asset play" was the melody in fashion. Belships turned to larger dry bulk vessels as well as product tankers, with limited exposure in long term ownership of the steel. Also, Belships acquired the small Scottish gas tanker company Gibson Gas. Even at the outset, Belships clearly communicated that the acquisition was opportunistic, stating that it was "an interesting business opportunity, not a change in strategy". As it turned out, the acquisition of Gibson Gas was unsuccessful.

Christen Smith in Antwerp, July 1935



Nevertheless, as a new millennium dawns, Belships' activities are broad. Operations include three tonnage categories of dry bulk, product tankers and small gas tank shipping. Optimism prevails: the Asia crisis is over, and freight rates are climbing. All looks good. Until four hijacked airliners change the world.

When world trade finally recovers from the financial aftermath of 9/11, dry bulk is leading the way in the shipping markets. China's economic growth creates a strong demand for raw materials, and in the coming years the Middle Kingdom is the main driver in the dry bulk market. Belships decides to once again put all the eggs in the dry bulk basket, expands the fleet and acquires 50% of Elkem Chartering. Once again Belships has hit the bull's eye. Dry bulk freight rates reach all time high levels both in 2003 and 2004. Belships says goodbye to Gibson Gas and orders new ships. For the first time in quite a few years, Belships will have a significant and fully owned dry bulk fleet. And the Company turns to the new vessel category Supramax; dry cargo ships between 40 and 60 000 dwt. Times are extremely good.

Once again events in the United States changed the game. The 2007-2008 financial crisis affected world trade on an unprecedented scale. Freight rates plummeted again and financing of newbuildings became extremely difficult. When the crisis hit, Belships was in the process of acquiring six new vessels. Financing of the entire programme proved impossible, and Belships had to reduce the fleet expansion programme at a significant loss. In the annual report, the Company's Board of Directors described 2008 as "a year of extremes".

As the financial turmoil subsided, it was once again China that brought dry bulk freight rates back up. Belships made a profitable divestment of its stake in Elkem Chartering and exited all other segments but Supramax/Ultramax dry cargo. The Company's strategy going forward is straight and narrow: A pure supplier of Supramax/Ultramax dry bulk tonnage. At the beginning of 2018, Belships operated six vessels in this category on 1-3 year contracts.

When Belships merged with the Lighthouse companies in December 2018, the fleet was more than doubled and a forceful and pure Supramax/Ultramax dry bulk company was formed.

The merger also marks the end of an 80-year long family era. Through the decades since the Lorentzen brothers took part in the restructuring of Christen Smith's shipping company in 1937, the brothers and several of their children and grandchildren have been key owners and executives of Belships. The transaction represents the end of that tradition.

2018 will go into history as not only the year of a centennial anniversary, but also as the end of an era and the beginning of a new.

Highlights 2018

JANUARY

• Delivery of Belnippon (63 000 dwt built 2018 at Imabari). The ship enters into a charter with Cargill.

FEBRUARY

• Sonata AS decides to review its long-term ownership and Belships ASA starts evaluating strategic alternatives.

JUNE

• Review of potential strategic partners

JULY

• The Lighthouse group is chosen as strategic partner for a merger

SEPTEMBER

• The charters of Belocean and Belforest to Cargill are extended

OCTOBER

• The merger is approved

• Kontrari AS / Kontrazi AS becomes largest shareholder with 69%

NOVEMBER

• 100th anniversary celebrations in Singapore

DECEMBER

• The merger is completed and the nine Lighthouse ships are added to the fleet

Key financial figures

Figures from profit & loss are based on proforma financial statements. The key financial figures are unaudited and assume the merger took place on 1 January 2018.

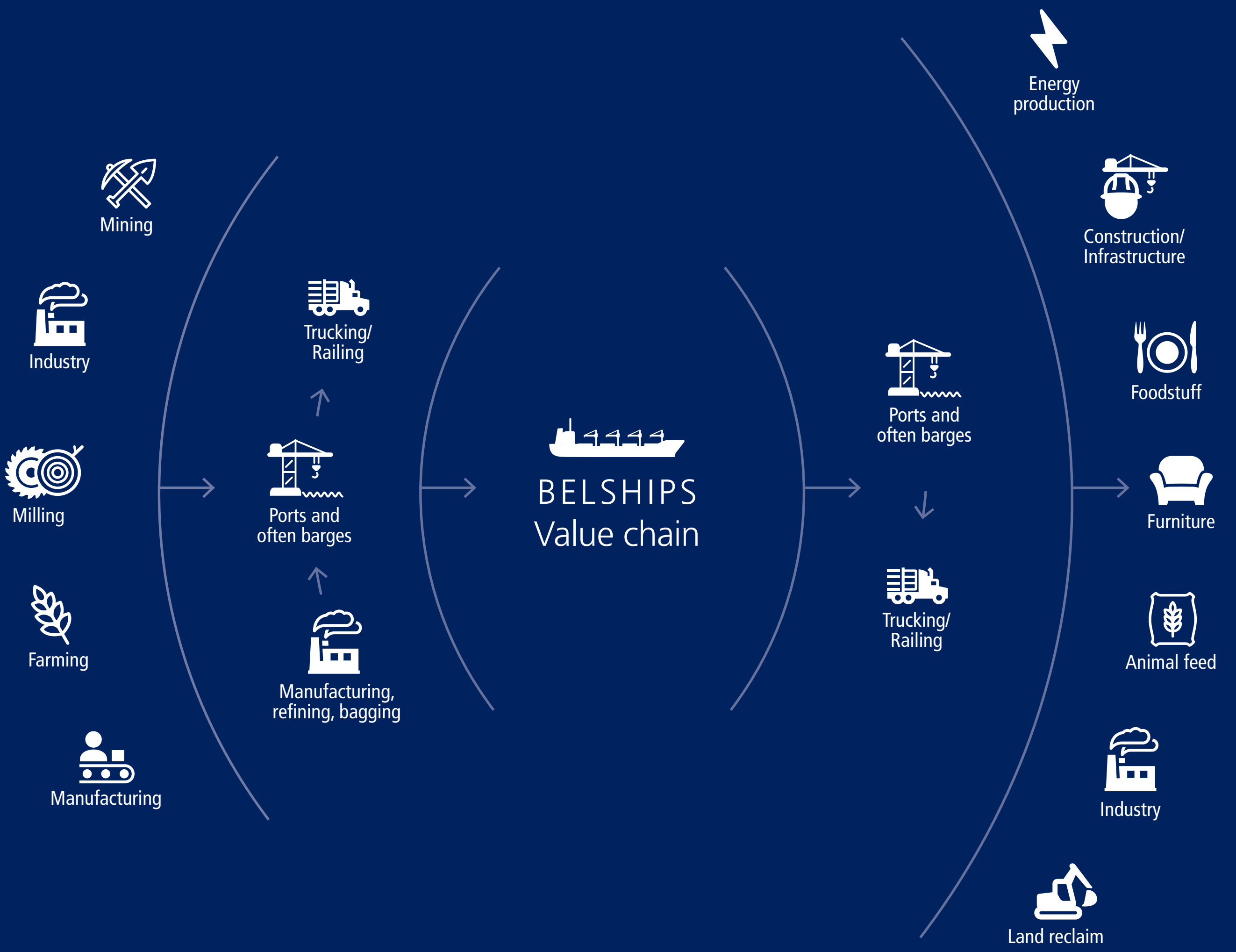
1 January-31 December			Consolidated
USD 1 000			2018
OPERATING STATEMENT			
Operating income			152 250
EBITDA	1		29 701
EBIT	2		29 260
Net result before tax			20 471
Net result for the year			20 084
BALANCE SHEET			
Non-current assets			245 453
Current assets			48 161
Total assets			293 614
Equity			123 782
Non-current liabilities			136 612
Current liabilities			33 220
Total equity and liabilities			293 614
KEY FINANCIAL FIGURES			
Cash and cash equivalents			32 034
EBITDA	1		29 701
Interest expenses			8 637
Interest coverage ratio	3	%	3.33
Current ratio	4	%	144.98
Net result ratio	5	%	19.12
EQUITY			
Share capital as at 31 December			41 870
Equity ratio	6		42.16
Return on total assets	7	%	12.79
Return on equity	8	%	23.93
KEY FIGURES SHARES			
Market price as at 31 December		USD	0.58
Market price as at 31 December		NOK	5.00
Number of shares as at 31 December			175 117 993
Average number of weighted shares (excluding treasury shares)			94 850 830
Earnings per share		USD	0.21
EBITDA per share		USD	0.31
Price/earnings ratio			2.72
Price/EBITDA			1.84

DEFINITION OF NON-IFRS FINANCIAL MEASURES

The Group's financial information is prepared in accordance with international financial reporting standards ("IFRS") as adopted by the European Union. In addition, it is the management's intenton to provide alternative performance measures that are regularly reviewed by management to enhance the understanding of the Group's performance, but not instead of, the financial statements prepared in accordance with IFRS. The alternative performance measures presented may be determined or calculated differently by other companies. Due to the recent establishment of the enlarged Group, Management is in the initial phase of assessing its external financial reporting and performance measures are therefore subject to change.

The alternative performance measures are intended to enhance comparability of the results and to give supplemental information to the users of the Group's external reporting.

1) **EBITDA** — is defined as operating result adjusted for depreciation and amortization, other gains/(losses), interest income, interest expenses and other financial items
2) **EBIT** — is defined as operating result adjusted for interest income, interest expenses and other financial items
3) **Interest coverage ratio** — is equal to earnings before interest and taxes (EBIT), divided by interest expenses
4) **Current ratio** — is defined as total current assets, divided by total current liabilities
5) **Net result ratio** — is defined as result before taxes adjusted for interest expenses, divided by operating income
6) **Equity ratio** — is equal to shareholders' equity including non-controlling interest, divided by total assets
7) **Return on total assets** — is defined as result before taxes adjusted for interest expenses, divided by average total capital
8) **Return on equity** — is defined as net result for the year, divided by average equity


Mining
Industry
Milling
Farming
Manufacturing
Trucking/ Railing
Ports and often barges
Manufacturing, refining, bagging
BELSHIPS
Value chain
Ports and often barges
Trucking/ Railing
Energy production
Construction/ Infrastructure
Foodstuff
Furniture
Animal feed
Industry
Land reclaim

Facts & figures

Belships ASA is a fully integrated ship owner and operator with low cost of operations. The company is stock listed on the Oslo exchange with good access to capital markets. We have a modern and fully financed fleet of 16 geared bulk carriers in the Supramax and Ultramax segment. All services and key functions are in-house and run by a management team with proven operational track record. Our commercial management and operation is provided by Lighthouse Navigation (Bangkok) and the technical management and crewing by Belships Management (Singapore), both subsidiaries of Belship ASA.

With this base Belships offer solutions for highly reputable customers such as shipowners, charterers and cargo owners.

The cargos we carry are very diverse and their end uses are many. The demand for our services is influenced by many of the global megatrends like urbanisation, demographic changes, infrastructure development and shifts in economic power.

Belships ASA will have continued focus on fleet expansion of modern geared dry bulk tonnage, supported by strong shareholders.

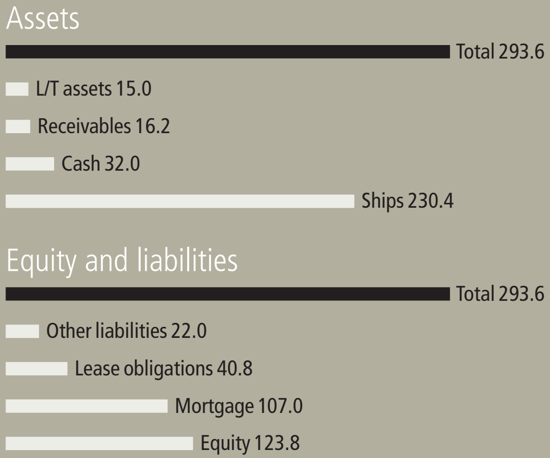
Belships ASA
Group Figures (pro-forma)*
*Assuming merger occurred on 1 January, 2018

Group revenue
152 mUSD

Group EBITDA
30 mUSD

Volume carried in 2018
4.9 million tonnes

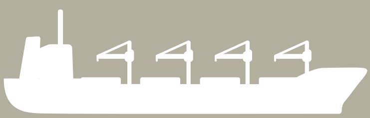
Financial highlights
Consolidated balance sheet as per December 31, 2018 ($ million)



Cash break-even 2019–20 about
7000
USD per open shipday

Average fleet age
Global handymax fleet
9.2

Belships
6.1

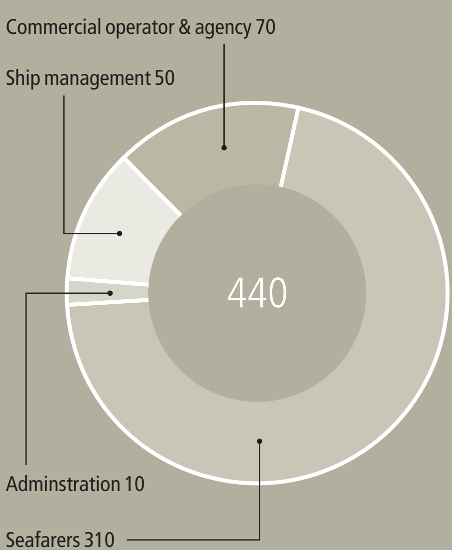


Number of shipdays 5 350

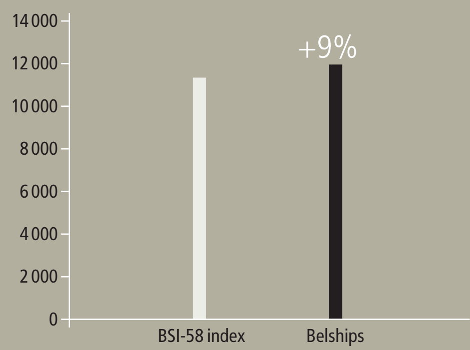
Contract coverage start 2019
about 2 000 shipdays – 30 mUSD

Sailed distance
800 000 Nm

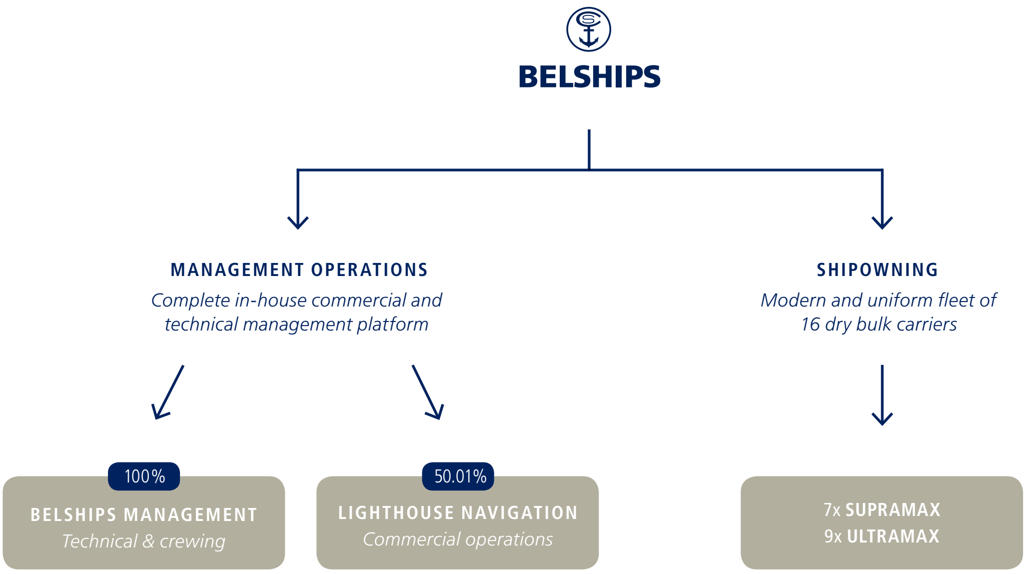
Employees



Belships shipping earnings in 2018 (pro-forma)
Average USD per ship day. Figures net of commission



Operational structure



Offices

We are close to the growing demands in Asia, Africa and the Middle East and the shipping capital market in Norway.

- HQ — Oslo
- Commercial operations — Bangkok
- Technical management — Singapore and Shanghai
- Manning — Tianjin (P R C), Myanmar, Philippines

Belships Management
Ship management

Belships is engaged in technical management activities through Belships Management in Singapore including Tianjin and Shanghai in China. The companies handle technical maritime operation for Belships' own ships and on behalf of other ship owners.

We offer competitive crew management, especially for Chinese and Burmese crew through JVs in China and Myanmar, and other crew nationalities — Malaysian, Indonesian, Indian and East Europeans.

In addition, Belships has an associate company in Manila offering Filipino crew management.

Belships Management provides consultancy services in project management — for newbuilding supervision, sale and purchase inspection, project retrofit work on global sulphur cap for scrubber and ballast water treatment management.

Belships Management also offer Agency and husbandry services for ships calling Singapore. With more than 35 years of technical and crew management experience in handling various ships types like tankers, container vessels, car carriers, and bulk carriers, we offer reliable and efficient services to meet shipowners' requirements.

Development

1983	Incorporated under the name Northsouth Shipmanagement
1993	First company in Singapore with SEP and ISO 9002 certification by DNV-GL
2001	Opening office in Shanghai (PRC)
2006	Opening offices in the Philippines
2018	Attained Document of Compliance for NIS flag to manage the nine Lighthouse ships joining the Belship fleet.

Technical ships

19

Crewing ships

33

35 + yrs.

technical and crew management experience

Compliance

The Belships Management System is in compliance with the requirements of

- ISM Code
- ISO9001:2015
- ISO 14001:2015
- OHSAS 18001:2007
- MLC 2006
- DOC for Norwegian Flag vessels
- We are certified by Class NK


BELNIPPON

Lighthouse Navigation
Commercial operations

The Lighthouse Navigation Group offers services within transportation, ship agency and commercial management. Lighthouse Navigation (LHN) has offered customised transportation services for dry bulk charterers in the handy-size and Supramax-size markets since 2009, transporting commodities such as steel, rice, agricultural products, fertilizers and other break bulk cargoes.

Lighthouse also works closely with various commodity traders who need freight backing for cargo tenders and provides logistical advice to trading houses and industrial groups. The annual volume carried is about 4 million tonnes, and the turnover exceeds USD 100 million. The company is based in Asia and serves customers on a world-wide basis.

Further, Lighthouse Navigation has provided commercial management for the vessels owned by Lighthouse Shipholding and Lighthouse Shipholding II. From 2019 the group will assume this role for all ships controlled by Belships ASA

Part of the service is the liner operation provided by Orient Asia Lines BV since 2010, a joint venture with Nepa Holding (HK) Limited. Orient Asia Lines offers a regular liner service from South East Asia to the Middle East and the Eastern Mediterranean and specialises in the carriage of forestry products, such as sawn timber, wood pulp and paper, plywood and medium density fibreboard (MDF). Orient Asia Lines also carries project cargoes, steels and machineries.

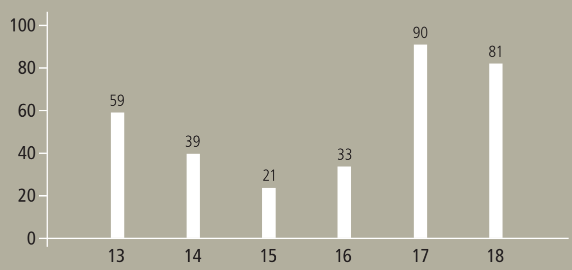
Siam Thara Agency Co., Ltd established in January 2014, is also controlled by Lighthouse Navigation. Siam Thara Agency offers comprehensive advice on ports, logistics and commodities both on the export and import fronts in Thailand and is considered leading in its handling of all other miscellaneous elements of port logistics.

The Lighthouse Navigation group is a dynamic organization, with the aim to open new operations for parcel and commodity trades when opportunities are seen in the market.

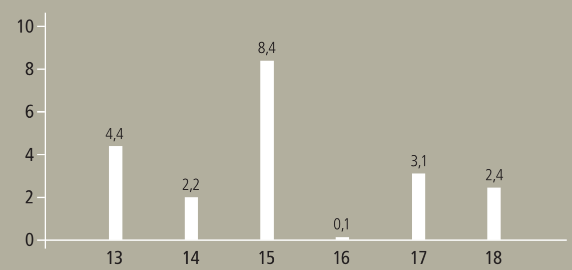
Revenue and profit

Strong financial development and a profitable track record

Revenues mUSD



Profits before tax mUSD



Average profits

before tax 2013 to 2018

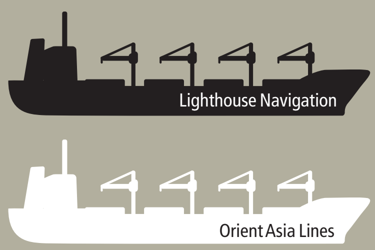
3.4 mUSD

Employees

70

Number of shipdays, 2018

6 680



5 212

1 468

Annual volume

4.0 million tonnes

+100

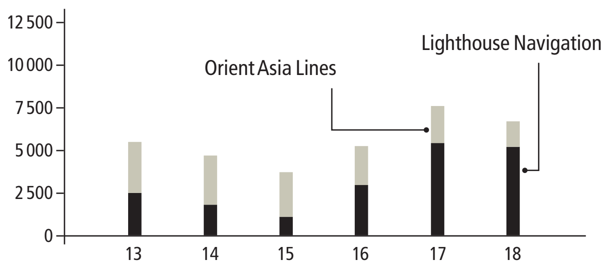
mUSD turnover

Agricultural products 39% of total cargo volume

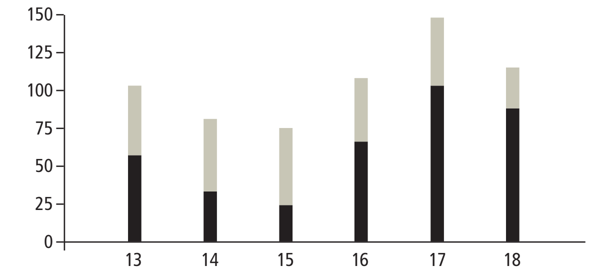
Volumes per year

Significant volume growth last five years, with regard to both number of vessel days and number of voyages

Number of vessel days per year



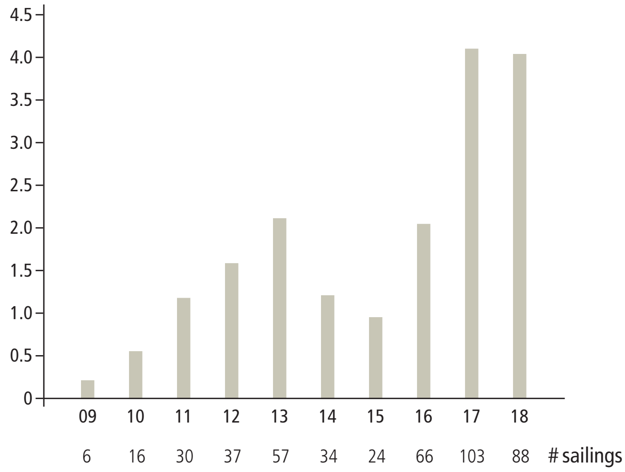
Number of voyages (per fixing)



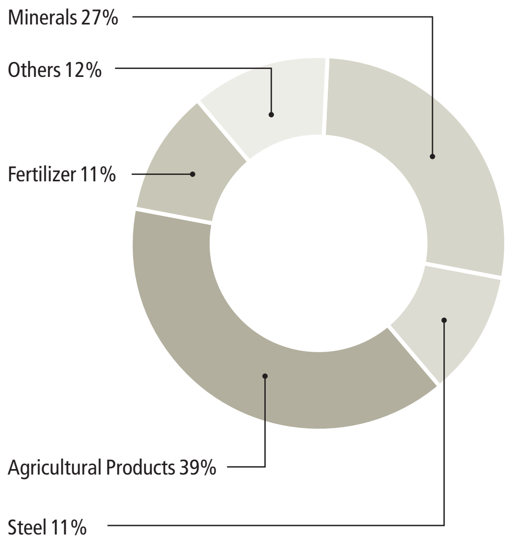
Cargo development and number of sailings

Strong growth in number of sailings and quantities carried the last years.

Cargo — quantities carried (and type). Million tonnes



Cargo type 2018



Modern uniform fleet with average age of ~6 years

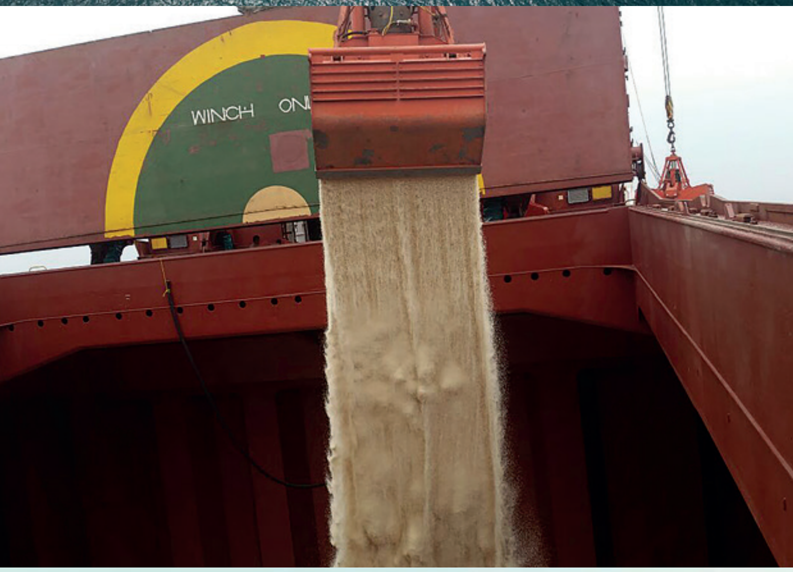
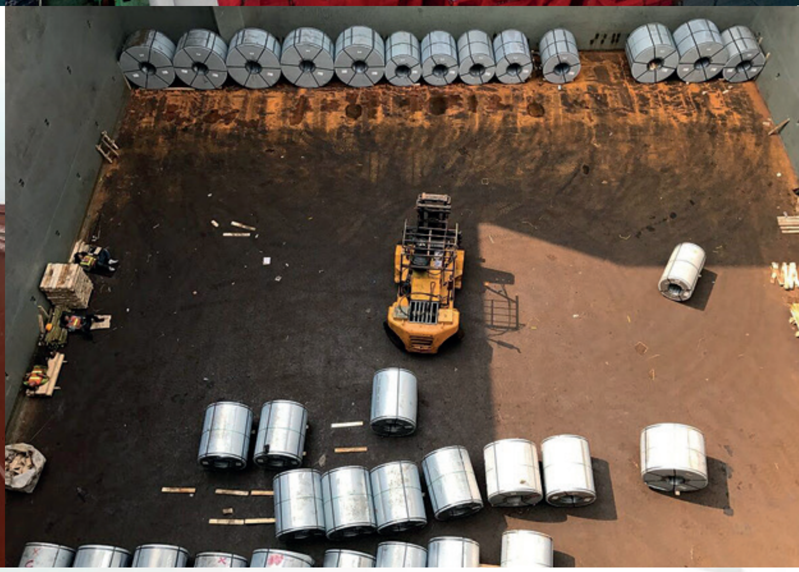
Our ships are versatile with cranes ("geared") to load and discharge the cargo, often to or from barges, and we can enter most ports of the world. Our largest ships, the Ultramaxes, are of eco-design combining high cargo capacity with low fuel / energy consumption. Some of our Supramaxes have boxed shaped cargo holds making them suitable for steel pipes, windmill components and project cargo.

VESSEL	TYPE	BUILT	DWT	YARD	OWNERSHIP	EMPLOYMENT
Imabari Newbuild	Ultramax	2020	63 000	Imabari	TC-in 1)	Open
Belnippon	Ultramax	2018	63 000	Imabari	TC-in 2)	TC to Cargill
Belisland	Ultramax	2016	61 000	Imabari	BB-in 3)	TC to Canpotex
Belforest	Ultramax	2015	61 000	Imabari	BB-in 4)	TC to Cargill
Belocean	Supramax	2011	58 000	Dayang	Owned	TC to Cargill
Belnor	Supramax	2010	58 000	Dayang	Owned	TC to Canpotex
Belstar	Supramax	2009	58 000	Dayang	Owned	TC to Canpotex
Belinda	Ultramax	2016	63 200	Hantong	Owned	Spot
Belmont	Ultramax	2016	63 200	Hantong	Owned	Spot
Belatlantic	Ultramax	2016	63 200	Hantong	Owned	Spot
Belpareil	Ultramax	2015	63 200	Hantong	Owned	Spot
Belsouth	Ultramax	2015	63 200	Hantong	Owned	Spot
Belorient	Supramax	2008	50 292	PT Pal	Owned	Spot
Belfort	Supramax	2008	50 292	PT Pal	Owned	Spot
Belpacific	Supramax	2007	50 198	PT Pal	Owned	Spot
Beleast	Supramax	2006	50 223	PT Pal	Owned	Spot

1) Time charter period of 8+1+1 years from February 2020 with purchase options after the fourth year
2) Time charter period of 8+1+1 years from January 2018 with purchase options after the fourth year
3) Bareboat charter lease period of 15 years from March 2016 with purchase options after the fifth year
4) Bareboat charter lease period of 12 years from September 2015 with purchase options after the third year


ATLANTIC LIGHT


LIGHTHOUSE

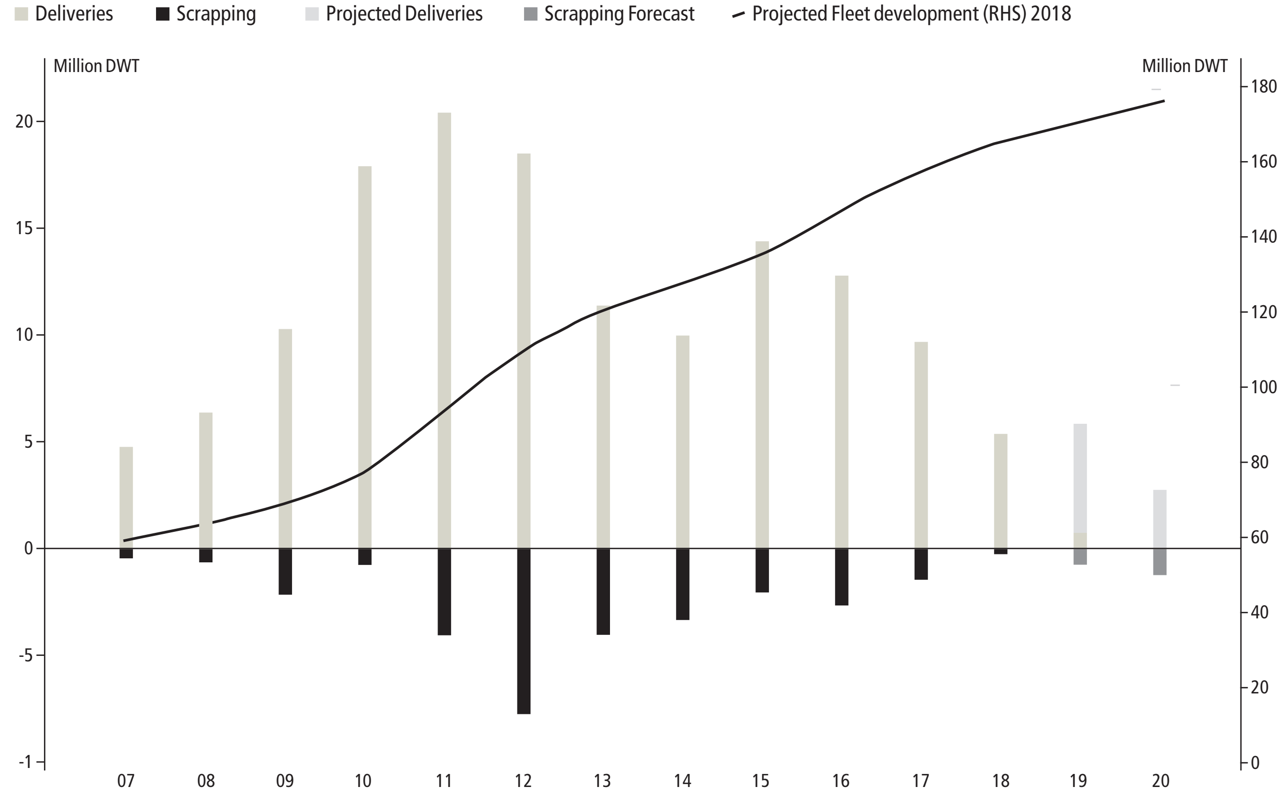

WINCH



Market information

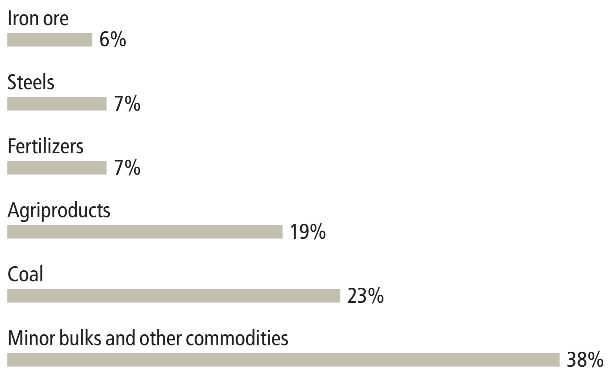
Data source: Fearnleys

Supra/Ultramax* delivery and scrapping scenario

Fleet growth 2019 forecasted 3% and 1% in 2020.

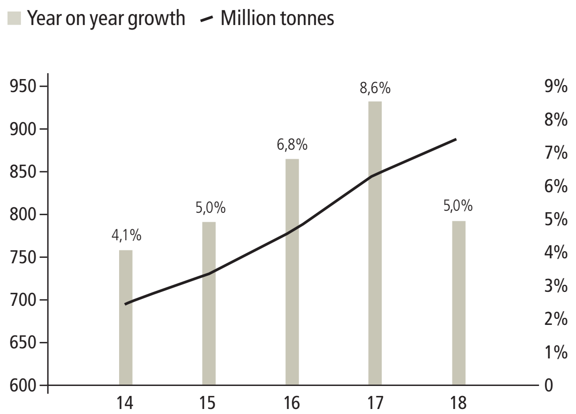


Supra/Ultramax* Demand by cargo type



Minor bulks = steel products, cement, gypsum, metal ores or concentrates, sugar, salt, sulphur, sand, fertilizers, forest products and wood chips.

Demand growth for Supra/Ultramax bulkers



* Supra/Ultramax is defined as 50 000–70 000 DWT

M/S Bellis with river-boats bound for Africa – Amsterdam, October 1957

Transformer underway from scotland to australia

A year defined by strategic development and growth

MERGER WITH THE LIGHTHOUSE GROUP

On 6 July 2018, Belships announced that the company's largest shareholder, Sonata AS, had accepted an offer from Kontrari AS and Kontrazi AS relating to a contemplated sale of 30.2% in the company to Kontrari. The share sale was followed by a merger between Belships and the Lighthouse companies, which were companies controlled by Kontrari and Kontrazi. The merger was completed 10 December 2018 and represents an excellent strategic fit, with a consolidation of two uniform and matching fleets. The technical management in Belships and the commercial management operations in Lighthouse are also highly complementary and the merged company therefore represents a complete in-house management platform.

The merger between Belships and the Lighthouse companies was completed at 10 December 2018. Belships is the legal acquirer and issued the consideration shares. For accounting purposes the merger is accounted for (or constitutes) as a reverse acquisition. Comparative figures for 2017 and figures up until 10 December 2018 reflect information from the Lighthouse group only. From 10 December 2018 legacy Belships was incorporated at fair value. Since legacy Belships is the legal acquirer, financial statements are prepared based on legacy Belships accounting principles. Earnings per share is calculated based on actual outstanding shares in Belships ASA.

THE DRY BULK MARKET 2018

In 2018, world seaborne dry bulk trade increased 2.6 percent. The average fleet utilization rate rose nearly 1 percentage point, which corresponds well with the observed freight market trend.

This was due to more long haul trades, higher port congestion and an increased ballast factor. By commodity, the strongest growth in trade was noticed in coal and minor bulks. The increasing coal trade was driven by higher imports to China, India and other emerging Asian economies.

A healthy macro-economic environment was supporting minor bulk trades, especially in the Pacific basin. In fertilizers, we noticed a very strong finish of the year in Brazilian imports.

The average dry bulk fleet size expanded by 2.4 percent. Deliveries totaled 28 mill dwt, with only 4 mill dwt sold for recycling. The low level of scrapping should also be seen as a sign of a better balanced market, after annual scrapping had averaged 25 mill dwt during 2015-2017.

Baltic Dry Indices ended the year higher compared to January levels. Index rates for Supramaxes in the spot market increased from USD 10 250 to USD 11 250 whilst the index for 5-year old secondhand vessels rose close to 5 per cent.

FINANCIAL AND CORPORATE MATTERS

The Group's solvency and financial position is strong. By end of 2018 the book equity of the Belships share was NOK 6.16 (NOK 4.57), while the book equity ratio was 42 %.

Consolidated liquidity was USD 32.0 million as of 31 December 2018. Total mortgage debt had a balance of USD 107.0 million, while net lease commitment was USD 40.8 million.

In March 2019 Belships secured a USD 140 million loan facility. The loan replaces the Group's current mortgage debt and is split in two tranches. An initial tranche of USD 110 million replacing existing loans and strengthing the Group's working capital and an accordion tranche of USD 30 million available for fleet expansion. The loan has a margin of 275 basis points with the first downpayment in Q3 2020. The initial tranche is based on a loan-to-value ratio (LTV) of 55%, while the accordion tranche is based on an LTV of 60%. Maturity date is 5 years after first drawdown.

The Group has conducted impairment tests in line with IAS 36, valuing the ships based on observable market values of equivalent ships today, and including the discounted added value of the charter parties entered into. Based on these internal valuations no impairment or reversals were recorded in 2018.

At the end of 2018 Belships held 548 000 treasury shares in total at an average cost of NOK 9.91 per share. In December 2018, the employees were granted options to purchase 200 000 shares at a strike price of NOK 5.26. These options can be exercised from the annual general meeting 2019 until the annual general meeting in 2020.

In 2018 a total of 19 337 000 shares were traded in 207 of 251 trading days. In 2017 a total of 17 535 000 shares were traded in 241 of 253 trading days.

The Group is exposed to market risks due to changes in FX rates, interest rates, freight rates and oil prices.

The Group's income and costs are mainly in USD. Belships' foreign exchange exposure is linked to administrative costs in Norway, Thailand and in Singapore. Compared to the Group's cash flows, however, this exposure is limited. Hedging of the Group's interest exposure on bank loan is considered on an ongoing basis. The hedging level of interest rate exposure is currently around 15% (leases excluded).

Fluctuating bunker prices will to some extent affect the Group as most of the ships are fixed on time charters where the charterers cover the fuel cost.

Belships aims to minimize counterpart risk and time charter contracts are entered into with reputable charterers.

The Group's limited tax cost is expected to continue. Three ships are owned by a Singaporean subsidiary within the local tonnage tax regime and nine ships are owned by single purpose companies within the Norwegian tonnage tax regime.

The Group's Norwegian entities have considerable tax loss carried forward.

OPERATIONS

M/S Belstar, M/S Belnor and M/S Belisland continued in 2018 on their long-term charter parties to Canpotex Shipping Services Ltd., 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. The net time charter rate is USD 16 000 per day for Belstar/Belnor and USD 17 300 per day for Belisland. M/S Belocean, M/S Belforest and M/S Belnippon are all on time charter to Cargill, an A-rated world leader within agricultural services. The remaining 9 ships are operated in the spot market by Belships' subsidiary Lighthouse Navigation in Bangkok. Earnings compared to index? In addition Lighthouse Navigation had on average 18 ships on short-term charter during 2018.

The company's tonnage is modern with an average age of 6 years and all ships operated satisfactorily without significant off-hire. The operating expenses continued at a competitive level.

The subsidiary Belships Management (Singapore) Pte. Ltd. expanded its customer base, and currently provides technical management for 12 ships, including Belships' own ships, and provides crewing for 38 ships.

RESULTS

The Group had an operating income of USD 127 735 000 in 2018, giving an EBITDA of USD 19 549 000 and a consolidated operating result of USD 24 585 000. Result before tax was USD 19 442 000, while net result for the Group was USD 19 195 000. The operating result includes purchase bargain gain of USD 12 849 000.

The parent company's net result for the year was NOK -54 048 000 (NOK 44 010 000).

The Board proposes the result for the year allocated as follows (NOK):

Total allocations	54 048 000
Transfer from other retained earnings	54 048 000

GOING CONCERN

The annual accounts are presented on a going concern basis in accordance with § 3 – 3 of the Norwegian Accounting Act.

Belships has three T/C agreements with Canpotex and three T/C agreements with Cargill covering most of 2019. The remaining fleet is operating in the spot market. Current activity is expected to generate sufficient liquidity to cover current debt and operating expenses throughout 2019. Based on this, the Board considers that the conditions for a going concern are in place.

In the opinion of the Board, the consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The information in the accounts gives a true and accurate representation of the company's and the Group's assets, liabilities, financial position and results as a whole. The annual accounts give a fair view of the development, profit and overall financial position of Belships ASA and the Group, and describe the most significant risks and uncertainties facing the Group and the parent company.

SAFETY AND THE ENVIRONMENT

Belships aims to minimize environmental impact from its activity, and strives to improve safety. Measures are taken to prevent the business polluting the environment. Belships works consciously to improve standards, on board and ashore. Pollution from ships is governed by a number of national and international environmental standards and certifications. Belships meets official requirements in terms of safety and the environment.

Most of our ships are equipped with ballast water treatment systems and have low emissions of pollutants.

M/S Christen Smith loading locomotives in New Jersey in 1957

Barges and locomotives – probably bound for India

Heavy – lifting from England to the Egyptian State Railways

M/S Belevelin

ORGANISATION

Belships has it's headquarter in Oslo, from where most of its financial business including insurance is handled. Commercial management is handled from Bangkok and technical management is handled from Singapore. CEO Ulrich Müller resigned in March 2019 and was replaced by Mr. Lars Christian Skarsgård.

Management activities in Bangkok and Singapore were stable over the year. The Group employed 130 office staff at the end of 2018. Ships under management had 310 crewmembers onboard.

The sick leave was less than 2% in 2018. The Group was not subject to any serious accidents in 2018.

Belships aims to treat women and men equally. No discrimination on the grounds of gender is tolerated. Of the Group's office staff, 69 are women. The working environment at the various companies within the Group is considered to be satisfactory.

CORPORATE GOVERNANCE

Belships' corporate governance is based on the company's goals and strategy. The Company has since 1937 been listed on the Oslo Stock Exchange, and is subject to the Norwegian Accounting Act, the Securities Trading Act and the Public Limited Company Act.

Belships follows the Norwegian code of good corporate governance of 17 October 2018. Please see the separate statement of corporate governance that appears as a section of the annual report in its own right.

CORPORATE SOCIAL RESPONSIBILITY

Belships is a shipping company with global reach and hundred years history. The Board is well aware of the direct and indirect impact Belships' activities have on the outside world as well as the company's shareholders. Belships is determined to create long-term shareholder values and at the same time act as a responsible participant in the society.

The most important issues for our business and our shareholders in respect of Corporate Social Responsibility (CSR) are considered to be:

- Environment
- Human and labor rights
- Anti-corruption

It is our policy to follow the standards, laws and regulations set by the national and international maritime regulatory authorities, but also the moral and ethical behavior as set by our culture. Belships reports on safety and environment in the annual report.

Belships does not tolerate any corrupt practices with our suppliers, customers or government entities affecting our business. Belships do pay attention to the working conditions and safety within our own operations. Please see the separate statement of corporate social responsibility that appears as a section of the annual report in its own right.

OUTLOOK

Slowing world economic activity and trade tensions combined with the recent disruption of iron ore production in Brazil resulted in a negative start to 2019 for freight markets. Earnings for Capesizes have naturally been hit the hardest by the shortfall of spot iron ore exports from Brazil. However, Supramaxes and Ultramaxes have again proven its relative strength to outperform the larger sized vessels in a weak market environment.

The market has recovered somewhat whilst little is being added to the order book. IMO-regulations for 2020 is widely expected to result in slower steaming and efficiency disruptions, hence an improving market is anticipated over the next two years.

Belships has a uniform fleet of Supramaxes and Ultramaxes with approximately 1/3 chartered out at fixed rates to reputable counterparties, whilst the remaining vessels operate in the spot market.

Focus remains to continue developing Belships as a fully integrated owner and operator of geared bulk carriers, through accretive growth and increasing distributable cash flows.

Oslo, 25 April 2019

Peter Frølich *Chairman of the Board*	Sissel Grefsrud *Board member*	Birthe Cecilie Lepsøe *Board member*	Jorunn Seglem *Board member*
Carl Erik Steen *Board member*	Frode Teigen *Board member*	Sverre J. Tidemand *Board member*	Lars Christian Skarsgård *Chief Executive Officer*

Consolidated statement of income

1 January-31 December		Consolidated	
USD 1 000	Note	**2018**	2017 1)
OPERATING INCOME			
Gross freight income		**127 735**	120 932
Voyage expenses		**-10 698**	-8 304
Net freight income		**117 037**	112 628
Management fees		**4 865**	4 133
Total operating income	5,6	**121 902**	116 761
OPERATING EXPENSES			
Share of result from joint venture and associated companies	12	**2 012**	2 215
T/C hire expenses	8	**-80 014**	-88 133
Ship operating expenses	21	**-16 094**	-10 218
Operating expenses ship management	21	**-420**	0
Payroll expenses	15	**-4 504**	-2 995
Other general administrative expenses	16	**-3 333**	-2 981
Total operating expenses		**-102 353**	-102 112
EBITDA		**19 549**	14 649
Depreciations and amortisation	7	**-7 813**	-5 330
Reversal impairment of ships	7	**0**	9 474
Purchase bargain gain	4	**12 849**	0
Operating result (EBIT)		**24 585**	18 793
FINANCIAL INCOME AND EXPENSES			
Interest income		**56**	2
Interest expenses	8,11	**-4 754**	-2 949
Currency exchange gain/(loss)		**-94**	0
Other financial items		**-351**	-224
Net financial items		**-5 143**	-3 171
Net result before tax		**19 442**	15 622
Tax	20	**-247**	-264
Net result for the year		**19 195**	15 358
Hereof majority interests		**18 169**	14 945
Hereof non-controlling interests	12	**1 026**	413
Earnings per share (USD)	14	**0.20**	
Diluted earnings per share (USD)	14	**0.20**	

Consolidated statement of comprehensive income

1 January-31 December		Consolidated	
USD 1 000	Note	**2018**	2017 1)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain/(loss) on defined benefit plan	18	**-9**	0
Items that may be subsequently reclassified to profit or (loss):			
Exchange differences		**53**	176
Total comprehensive income		**19 239**	15 534
Hereof majority interests		**18 181**	15 019
Hereof non-controlling interests		**1 058**	515

1) Comparative information (unaudited) reflects financial information from the Lighthouse group due to the merger accounted for as a reverse acquisition. See note 4.

Consolidated statement of financial position

1 January-31 December		Consolidated	
USD 1 000	Note	**2018**	2017 1)
NON-CURRENT ASSETS			
Intangible assets			
Goodwill		**0**	42
Contracts	9	**8 536**	0
Total intangible assets		**8 536**	42
Tangible fixed assets			
Ships	7	**230 425**	125 731
Property, Plant, and Equipment	7	**4 210**	286
Total fixed assets		**234 635**	126 017
Financial fixed assets			
Financial investments	12	**1 939**	2 149
Cash and cash equivalents (restricted)	23	**281**	214
Other long-term receivables		**62**	0
Total financial assets		**2 282**	2 363
Total non-current assets		**245 453**	128 422
CURRENT ASSETS			
Inventories		**4 230**	3 391
Trade debtors		**3 454**	5 995
Other receivables		**8 443**	8 885
Cash and cash equivalents (restricted)	23	**109**	22
Cash and cash equivalents	23	**31 925**	14 668
Total current assets		**48 161**	32 961
Total assets		**293 614**	161 383
EQUITY			
Paid-in capital		**96 870**	31 951
Retained earnings		**23 738**	5 557
Non-controlling interests		**3 174**	6 567
Total equity	13	**123 782**	44 075
LIABILITIES			
Provision for liabilities			
Pension obligations	18	**735**	143
Other non-current liabilities			
Mortgage debt	11	**94 513**	66 000
Obligation under finance leases	11	**38 653**	0
Other non-current liabilities	9,11	**2 711**	36 397
Total non-current liabilities		**135 877**	102 397
Current liabilities			
Current portion of mortgage debt/lease liability	11	**14 619**	0
Tax payable	20	**497**	119
Public taxes and duties payable		**314**	33
Trade creditors		**3 257**	3 390
Other current liabilities	11	**14 532**	11 226
Total current liabilities		**33 220**	14 768
Total liabilities		**169 832**	117 308
Total equity and liabilities		**293 614**	161 383

1) Comparative information (unaudited) reflects financial information from the Lighthouse group due to the merger accounted for as a reverse acquisition. See note 4.

Oslo, 25 April 2019

Peter Frølich
Chairman of the Board

Sissel Grefsrud
Board member

Birthe Cecilie Lepsøe
Board member

Jorunn Seglem
Board member

Carl Erik Steen
Board member

Frode Teigen
Board member

Sverre J. Tidemand
Board member

Lars Christian Skarsgård
Chief Executive Officer

Consolidated

Consolidated statement of cash flow

1 January-31 December		Consolidated	
USD 1 000	Note	**2018**	2017 1)
CASH FLOW FROM OPERATIONS			
Net result before tax		**19 442**	15 622
Adjustments to reconcile result before tax to net cash flows:			
Purchase bargain gain	4	**-12 849**	0
Depreciations on fixed assets	7	**7 813**	5 330
Reversal impairment of ships	7	**0**	-9 474
Share-based compensation expense		**5**	0
Difference between pension expenses and paid pension premium	18	**-81**	0
Share of result from joint venture and associated companies	12	**-2 012**	-2 215
Net finance costs		**5 143**	3 171
Working capital adjustments:			
Change in trade debitors and trade creditors		**2 407**	1 150
Change in other current items		**-1 924**	-2 030
Interest received		**56**	2
Interest paid	8,11	**-4 754**	-2 949
Income tax paid	20	**-264**	-400
Net cash flow from operating activities		**12 982**	8 207
CASH FLOW FROM INVESTING ACTIVITIES			
Payment of ships	7	**-19 430**	-6 731
Distribution and capital reduction from joint ventures		**2 340**	0
Net cash contribution from merger	4	**6 709**	0
Payment of other investments		**0**	-45
Net cash flow from investing activities		**-10 381**	-6 776
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from non-current debt	11	**19 750**	4 000
Paid-in capital		**0**	5 500
Repayment of non-current debt	11	**-4 161**	-10 000
Dividend to non-controlling interests		**-846**	-1 200
Net cash flow from financing activities		**14 743**	-1 700
Net change in cash and cash equivalents during the period		**17 344**	-269
Cash and cash equivalents at 1 January		**14 690**	14 959
Cash and cash equivalents at 31 December *		**32 034**	14 690

*) Includes restricted cash. See note 22.

1) Comparative information (unaudited) reflects financial information from the Lighthouse group due to the merger accounted for as a reverse acquisition. See note 4.

Consolidated statement of changes in equity

		Majority interest						
		Paid-in				Retained		
USD 1 000	Note	Share capital	Treasury shares	Share premium reserves	Other equity	Other equity	Non-controlling interest	Total equity
At 31 December 2018								
Equity as at 31 December 2017		27 598	-166	4 519	0	5 557	6 567	44 075
Consideration shares completion of merger		14 272	0	13 647	0	0	0	27 919
Restructuring as part of the merger	4	0	0	0	37 000	0	-4 451	32 549
Net result for the year		0	0	0	0	18 169	1 026	19 195
Other comprehensive income		0	0	0	0	12	32	44
Total comprehensive income		0	0	0	0	18 181	1 058	19 239
Equity as at 31 December 2018		**41 870**	**-166**	**18 166**	**37 000**	**23 738**	**3 174**	**123 782**
As at 31 December 2017 1)								
Equity as at 1 January 2016		27 598	-166	4 519	0	-3 888	6 154	34 217
Capital adjustments		0	0	0	0	-5 500	0	-5 500
Net result for the year		0	0	0	0	14 945	413	15 358
Other comprehensive income		0	0	0	0	0	0	0
Total comprehensive income		0	0	0	0	14 945	413	15 358
Equity as at 31 December 2017		**27 598**	**-166**	**4 519**	**0**	**5 557**	**6 567**	**44 075**

The merger between the Belships Group and the Lighthouse Group was completed on 10 December 2018, with Belships ASA as the legal acquirer. The merger constitutes a reverse acquisition under IFRS, with continuation of financial statements of the Lighthouse Group (accounting acquirer), with one adjustment to adjust retrospectively legal capital paid-in from Belships as the legal acquirer, which also issued the consideration shares in the merger.

Restructuring as part of the completion of the merger reflects certain conditions in the merger plan completed prior to effective date of the merger. Shareholder loans amounting to USD 35.5 million was transferred from the previous owner (Kontrari AS) to Belships Lighthouse AS and Lighthouse Navigation Ltd contributed a dividend in kind.

1) Comparative information (unaudited) reflects financial information from the Lighthouse group due to the merger accounted for as a reverse acquisition. See note 4.

Notes to the consolidated accounts

All amounts in the notes are in USD 1 000 unless otherwise stated

NOTE 1 GENERAL INFORMATION

Belships is an owner and operator of dry bulk ships, presently operating a fleet of 15 ships and 1 newbuilding. The company is also providing commercial management and ship management services.

Belships ASA is a public limited liability company incorporated and domiciled in Norway and listed on Oslo Stock Exchange. The head office is located in Lilleakerveien 4 in Oslo, Norway.

Copies of the consolidated financial statements may be downloaded from www.belships.com, or by inquiry to the company's head office.

IMPACT OF THE MERGER BETWEEN BELSHIPS AND LIGHTHOUSE GROUP

On 6 July 2018, Belships announced that the Company's largest shareholder, Sonata, had accepted an offer from Kontrari and Kontrazi (being companies controlled by Frode Teigen and family) relating to a contemplated sale of 14 285 714 shares (30.2%) in the Company from Sonata to Kontrari. Subsequent to the share sale, a subsidiary of Belships (Belships Lighthouse AS) merged with Lighthouse Shipholding AS, Lighthouse Shipholding II AS and Lighthouse Navigation Ltd against consideration shares in Belships.

- Lighthouse Shipholding (100 % owned), which through its wholly-owned subsidiaries, owns a fleet of five Ultramax size dry bulk carriers built in 2015 and 2016.
- Lighthouse Shipholding II (100 % owned), which through its wholly-owned subsidiaries, owns four Supramax dry bulk carriers built in 2006-2008.
- Lighthouse Navigation (50.01 % owned), through its subsidiaries and investments in joint ventures, provides commercial management of the ships in addition to customised transportation services for dry bulk charterers in the handy-size and Supramax-size markets.

Belships and Kontrari signed a Merger Plan on 4 October 2018, pursuant to which Belships Lighthouse AS assumed the assets, rights and obligations of the Lighthouse Companies against issuance of shares in Belships. The Merger was completed as a statutory triangular merger pursuant to and in accordance with Norwegian Law, whereby Belships Lighthouse was the surviving company and Belships keeps its name and continued to be listed on the Oslo Stock Exchange.

The Company, with reference to applicable accounting framework, assessed that the Merger constitutes a reverse acquisition under IFRS. As such, in accordance with IFRS 3 Business Combination, the Lighthouse Companies comprises the acquirer for accounting purposes ("Accounting Acquirer"), and Belships comprises the acquiree for accounting purposes ("Accounting Acquiree"). Financial statements of the Group are based on Belships' accounting principles but as if Lighthouse had acquired Belships, and comparative financial information are retrospectively adjusted to reflect the continuation of the accounting acquirer's financial statements (with one exception as described under the consolidated statement of changes in equity).

As no consolidated financial statements historically have been prepared for the Lighthouse Companies as a group, no accounting principles under IFRS exist. Consequently, Belships' accounting principles as described in note 2 is applied in the preparation of the financial statements for the merged companies with except for implementation of IFRS 9 Financial Instruments and IFRS 15 Revenue recognition as described in note 2.

The consolidated financial statements have been approved by the Board on 25 April 2019.

Belships has obtained approval from Oslo Stock Exchange and Norwegian tax authorities to publish its financial statements only in English.

NOTE 2 SUMMARY OF THE MOST IMPORTANT ACCOUNTING PRINCIPLES USED

A) BASIS OF PREPARATION

The consolidated financial statements of Belships ASA (the "Parent Company"), and all its subsidiaries (the "Group"), have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). The Group accounts have been prepared on a historical cost basis, except for derivatives and shares held for trading, which are measured at fair value.

The Group accounts are presented with uniform accounting principles for identical transactions and events under otherwise identical conditions.

The annual accounts are presented on a going concern basis in accordance with § 3 – 3 of the Norwegian Accounting Act.

Belships has three long-term time-charter agreements with Canpotex, which are favourable in the current market. The cash flow is positive in all entities. Based on this, the Board considers that the conditions for a going concern are in place.

B) CONSOLIDATION PRINCIPLES

The merger between Belships and the Lighthouse companies was completed at 10 December 2018. This merger constitutes a reverse acquisition under IFRS. Comparative figures for 2017 and figures up until 10 December 2018 reflect information from the Lighthouse group only. From 10 December 2018 legacy Belships is incorporated at fair value. Since legacy Belships is the legal acquirer, financial statements are prepared based on legacy Belships accounting principles. Based on above comparative financial information referred to relates to historical financial information from Lighthouse Group. Earnings per share (EPS) is calculated based on actual outstanding shares in Belships ASA.The purchase method of accounting is applied to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as fair value of the assets given, equity instruments issued, or liabilities incurred or assumed at the date of exchange. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value as of the date of acquisition, irrespective of the extent of any non-controlling interest.

The cost of acquisition exceeding the fair value of the Group's share of identifiable net assets acquired, is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of income.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Unrealised gains from transactions with affiliated companies are eliminated with the Group's share of the company/enterprise. Unrealised losses are likewise eliminated, but only to the degree that there is no indication of loss of value on the asset being sold internally.

C) CURRENCY TRANSACTIONS

Functional currency and reporting currency

Accounting transactions undertaken by respective Group companies use the currency ordinarily used by the financial environment in which they operate (functional currency). The Group accounts are presented in USD.

The accounts for the units in the Group which have a functional currency different from the Group's reporting currency, convert their accounts into the reporting currency according to the following guidelines:

- Assets and debts are converted according to conversion rates on the balance sheet date
- Income and costs are converted according to monthly average conversion rates

Transactions in foreign currency

Transactions in foreign currency are converted to the functional currency at the rate at time of the transaction. Monetary items in foreign currency are converted into functional currency using the rate at the balance sheet date. Non-monetary items which are measured at historical cost expressed in foreign currency, are converted into functional currency using the currency rate at the time of the transaction.

Non-monetary items, which are measured at fair value expressed in foreign currency, are converted at the currency rate on the date of measurement. Currency rate changes are recognised continuously against profit and loss during the accounting period. Currency rates at year end was USD 8.6885 (2017: USD 8.2050) and SGD 6.3808 (SGD 6.1410).

D) ACCOUNTS RECEIVABLE

Trade and other receivables are measured at transaction price upon initial recognition and subsequently measured at amortized costs.

E) TANGIBLE FIXED ASSETS

Tangible fixed assets are measured at acquisition cost, net of accumulated depreciation and impairments losses. When assets are sold or divested, the carrying amount is deducted and any gains or losses are recognised in the profit and loss account. Acquisition cost for tangible fixed assets is the purchase price, including taxes and charges and expenses directly related to preparing the asset for use. Expenses incurred after the asset has been put to use, are recognised in the profit and loss account, whereas other expenses which are expected to create future financial gains are capitalised. An estimated docking element is recognised as a separate component of the ship for depreciation purposes on the first occasion a ship is booked in the accounts. The amount corresponds to the estimated docking costs for the period. The docking component is depreciated on a straight-line basis the over the period to the next planned drydocking. Residual value has been taken into account, and this is estimated based on steel value of the ship at the balance sheet date less estimated cost to demolish the ship. Book value is compared to market value and value in use to assess the need for any further impairment compared to the ordinary depreciation plan. The depreciation period and method are assessed annually and are based on the management's estimates of the ships' future useful life. The same applies to residual value.

In accordance with IFRS, the ships have been separated into components for depreciation purposes. The ships are depreciated as one unit, as the value of any part of the ship with a useful lifetime other than 25 years is considered to be insignificant.

F) LEASING

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date. Leases are classified as financial leases if the terms of the lease agreement transfers substantially all the risks and rewards incidental to ownership of an asset. All other leases are classified as operating lease.

Assets financed under financial leases are capitalized at inception of the lease at the fair value of the leased ship or, if lower, at the present value of the minimum lease payments. The corresponding lease obligation is recognized as a liability in the balance sheet. Lease payments are split between interest cost and reduction of the lease liability. Interest cost is recognized in the income statement.

Financial leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term. For operating leases, the payments (time charter hire or bareboat hire) are recognized as an expense on a straight line basis over the term for the lease.

G) FINANCIAL INSTRUMENTS

Effectively 1 January 2018, the Group adopted IFRS 9 and applied the new standard retrospectively with no restatement of prior reporting periods as allowed by the standard. There have not been any material changes to income statement, other comprehensive income or statement of financial position of cash flow.

Financial assets and financial liabilities are recognized when the Company becomes party to the contractual obligations of the relevant instrument. The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL") or at amortized cost. The Group determines the classification of financial instruments at initial recognition. Currently, the Group does not apply hedge accounting

Classification and measurement

Financial instruments at fair value through profit and loss

This category comprises financial assets and liabilities held for trading, including all derivative instruments. Financial instruments in this category are initially recorded at fair value, and transaction costs are expensed in the consolidated statement of profit and loss. Realized and unrealized gains and losses arising from changes in the fair value are included in the consolidated statements of profit and loss in the period in which they arise.

Financial instruments at amortized cost
Financial assets and liabilities in this category are initially recognized at fair value, and subsequently carried at amortized cost, using the effective interest method less any allowance for impairment. This category includes accounts receivable, accounts payable and loans and other borrowings.

Financial assets at Fair value through profit and loss ("FVTPL")
The Group currently has some minor equity investments not considered significant (see note 12) in unlisted shares. Financial assets at FVTPL are carried in the statements of financial position at fair value with net changes in fair value recognized in profit or loss.

Impairment of trade receivables and contract assets
At each reporting date, the Company measures the loss allowance for the trade receivables and contract asset at an amount equal to the lifetime expected credit losses. For accounts receivables and contract assets, the Company uses a simplified approach in calculating expected credit losses. The Company recognizes a loss allowance using factors including aging of accounts, historical experience, customer concentration, customer creditworthiness and current industry and economic trends. An impairment loss, amounting to any difference between the carrying amount of the loss allowance and the expected credit losses at the reporting date, is recognized in the consolidated statement of profit and loss.

Derivative financial instruments and hedging
The Group uses derivative financial instruments to reduce its exposure related to fluctuations interest rates.

Derivative instruments are recognized in the consolidated statements of financial position at their fair values. Realized and unrealized gains and losses attributable to derivative instruments are recognized as other financial items, net, as they arise.

Financial liabilities
Financial liabilities are classified at initial recognition as financial liabilities at FVTPL, loans and borrowings or payables.

All financial liabilities are recognized initially at fair value and, in the case of loans/borrowings and payables net of directly attributable transaction costs. The group's financial liabilities include trade and other payables and loans.

The subsequent measurement depends on classification. No financial liabilities have currently been designated at FVTPL. Interest-bearing loans are after initial recognition measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liability through the amortization process or when derecognized.

Fair value estimation
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, using assumptions that market participants would use when pricing the asset or liability.

All assets and liabilities for which fair values are measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted market prices included in Level 1 are directly or indirectly observable.
- Level 3: Inputs are unobservable.

H) PROVISIONS

A provision is recognised when the company has a liability (legal or constructive) as a result of a previous event and where it is probable (more probable than not) that there will be a financial settlement as a result of this liability and that the size of the sum can be reliably determined. If the effect is material, the provision is estimated by discounting the expected future cash flow with a discount rate before tax which reflects the market's evaluation of the time value of money and, if relevant, risks specifically connected to the liability.

A provision is recognised for any unavoidable net loss arising from the contract, the unavoidable cost under a contract reflect the least net cost of exiting from the contract, i.e. the lower of the cost of fulfilling the contract; and any compensation of penalties arising from failure to fulfill the contract.

I) EQUITY

(i) Debt and equity
Financial instruments are classified as debt or equity according to the underlying substance of the contractual agreement. Interest, dividend, gains and losses related to a financial instrument classified as debt, is presented as income or expense.

(ii) Treasury shares
Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium. Share options exercised during the reporting period are fulfilled with treasury shares.

(iii) Costs related to equity transactions
Transaction costs directly related to equity transactions are charged directly against the equity after tax deductions.

J) LEASES AS A LESSOR

The determination of whether an arrangement contains a lease element is based on the substance of the arrangement at the inception of the lease. Leases are classified as finance lease if the terms of the lease agreement transfer substantially all the risk and benefits related to ownership of the leased item. All other leases are classified as operating leases.

The Group leases ships through time charter contracts. Payments made under operating leases are charged through the profit and loss on a straight-line basis over the period of the time charter contract.

K) REVENUE RECOGNITION

Revenue recognition in the Belships Group relates to three different types of revenue;

- Timecharter (freight income)
- Voyage charter (freight income)
- Other revenue related to services (e.g technical, crewing, port agency and logistical) (Management fees)

Time Charter
Most of the ships of the Group are leased out on Time Charter. A Time Charter contract contains both a lease (see leases as a lessor), by a right to use the ship, and service components which can include operation and maintenance of the ship (including crew) accounted for in accordance with IFRS 15. On Time Charter contracts, the Group only recognises Time Charter revenue when the ships are on-hire. When the ships are off-hire the Group does not recognise any Time Charter revenues except if the contracts can be negotiated with rates and for periodical maintenance days in accordance with contract, on which revenue is recognised.

Time Charte revenue arise from contracts with customers and is recognized when control of goods or services are transferred to the customer, and is classified as freight income. The contract period starts when the ships is made available to the customer and ends on agreed return date.

Voyage charter
In the Lighthouse Navigation Group most of the ships are leased chartered out on a voyage.

In a voyage charter contract, the charterer hires the ship to transport a specific agreed-upon cargo for a single voyage. The consideration for such a contract is determined on the basis of a freight rate per metric ton of cargo carried or occasionally on a lump sum basis. The charterer is responsible for any short loading of cargo or "dead" freight. The voyage charter party generally has standard payment terms of 90/95% freight paid within three to five days after completion of loading.

We have determined that our voyage charter contracts consist of a single performance obligation of transporting the cargo within a specified period. Therefore, the performance obligation is met evenly as the voyage progresses, and the revenue is recognized on a straight line basis over the estimated voyage days from the commencement of loading to completion of discharge.

Costs to obtain a voyage contract is immediately expensed as the Group has elected to apply the optional practical expedients for contracts expected to be recognized within a year.

Other revenue/Management fee
The Group also provides technical services, crewing, port agency and logistical services on ships not operated by the Group. Revenue on such services are recognized over time, as the performance obligation is satisfied over time.

For such revenue, the Group has a right to consideration from the customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date. This revenue is classified as Management fees.

L) EMPLOYEE BENEFITS

Defined contribution pension scheme
All employees are member of the company's defined contribution scheme. The premium is charged as incurred by operations. Social security tax expense is recognized based on the pension plan payments.

Defined benefit pension scheme
Actuarial gains and losses arising from changes in actuarial assumptions are recognised as other comprehensive income in the period in which they arise. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

The company has unfunded pension liabilities. These relate to early retirement and pension to persons, that have not been included in the service pension scheme. Pension obligations are estimated by an independent actuary.

M) INVESTMENT IN ASSOCIATES AND JOINT VENTURES

A joint venture is a type of joint arrangement whereby the parties that have joint control have the right to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of the arrangement, which exists only when decisions about relevant activities require unanimous consent of the parties sharing control.

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's investments in joint ventures and associates are accounted for by using the equity method. Under this method, the investment is initially recognized at cost. Goodwill relating the associate or joint venture is included in the carrying amount of the investment and not tested for impairment individually.

The income statement reflects the Group's share of the net result after tax of the associate or joint venture. Any depreciation or amortization of the Group's excess values are included the net result from the joint ventures.

Any change in other comprehensive income of the associate or joint venture is presented separately in the Group's other comprehensive income.

N) CONTINGENT ASSETS AND OBLIGATIONS

Contingent liabilities are not recognised in the annual accounts. Significant contingent liabilities are disclosed, with the exception of contingent liabilities in which the possibility of loss is considered remote.

Contingent assets are not recognised in the annual accounts but are disclosed if there is a certain probability that a significant benefit will be added to the Group.

O) TAXES ON INCOME

Tax expenses consist of tax payable and changes in deferred tax. Deferred tax/tax assets are calculated on all differences between accounting values and tax values of assets and liabilities, with the exception of temporary differences related to investments in subsidiaries, affiliated companies or jointly controlled enterprises when the Group controls when the temporary differences will be reversed, and that is not expected to occur in the foreseeable future.

Deferred tax assets are recognised when it is likely that the company will have sufficient profit for tax purposes in subsequent periods that will enable the company to utilise the tax asset. Similarly, the company will reduce the deferred tax asset to the extent the company no longer regards it as being likely that it can utilize the deferred tax asset.

Deferred tax liabilities and deferred tax assets are measured on the basis of prevailing tax rates for the companies in the Group where temporary differences have occurred, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax liabilities and deferred tax assets are entered at nominal value calculated with the tax rate in the actual tax regime and are classified as long-term liability or intangible fixed asset in the balance sheet. Tax payable and deferred tax are entered directly against equity to the extent the tax items relate to equity transactions.

In addition to companies subject to ordinary taxation in Norway, Singapore and China, the Group consists of one company within the shipping taxation scheme in Singapore. The deferred tax positions associated with the different tax regimes cannot be offset. A corresponding situation also applies to tax positions between jointly controlled operations and the rest of the Group. These cannot be offset.

P) IMPAIRMENT OF ASSETS

At the end of each quarter, every ship is assessed for impairment indicators. The same applies when events or changes occur that may entail that the asset's carrying amount may not be recovered. In assessing the need for impairments, assets are grouped at the lowest level at which there is identifiable and predominantly independent cash inflows, which means per ship. Impairment is calculated as the difference between the asset's carrying amount and the value considered as recoverable. The recoverable amount is the higher of the asset's fair value less cost to sell and its value in use to the Group. Value in use is calculated by discounting anticipated future cash flows from the asset. When it is assumed that the asset's value is lower than its carrying amount, an impairment loss is recognised.

Impairment loss recognised in earlier periods is reversed only in case of changes to the estimates used to determine the recoverable amount. However, the reversal amount may only be so high that book value after reversal at most corresponds to the value at which the asset would have been registered if it had not been impaired earlier. Such reversals are recorded in the profit and loss.

Q) BORROWING COSTS

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

R) EVENTS AFTER THE BALANCE SHEET DATE

New information after the balance sheet date regarding the company's financial position as of the balance sheet date is taken into consideration in the annual accounts. Events after the balance sheet date that do not affect the company's financial position as of the balance sheet date, but which will have an impact on the company's financial position in the future are disclosed if significant.

S) SHARE-BASED PAYMENTS

Employees and management in Belships ASA received options to purchase company shares. Market value of the awarded options is measured at time of the award and charged to expense over the vesting period as a payroll cost with corresponding increase in other paid-in equity. The market value of the options granted is estimated using the Black and Scholes option pricing model.

T) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, bank deposits and other short-term and in particular liquid investments to be redeemed within 3 months. Cash and cash equivalents are recognised at nominal values in the balance sheet.

U) RESTRICTED DEPOSITS

Restricted cash include all deposits in separate accounts, which will be used to cover accrued taxes withheld for employees and deposits provided as security for certain guarantees.

V) REPORTING BY SEGMENTS

Operating segments are components of a business that are evaluated regularly by the chief operating decision maker for the purpose of assessing performance and allocating resources. The Groups chief operating decision maker is the CEO. The Group is divided into the operating segments dry bulk and technical management. The dry bulk segment is further divided into 3 reportable segments: ships on long-term charter, ships operated in the spot market and operation/commercial management (Lighthouse Navigation) , which is how the information is presented to the Management and the Board. Transactions between the business units are based on market conditions. Segment turnover, segment costs and segment results include transactions between segments.

W) RELATED PARTY TRANSACTIONS

Transactions with related parties are carried out at market terms. See note 22 for further information.

X) CASH FLOW STATEMENT

The cash flow statement has been prepared using the indirect method. Liquid assets include cash, bank deposits (restricted and unrestricted) and other short-term investments which can be converted to cash within 3 months. For restricted deposits, see note 23.

Y) CLASSIFICATION FINANCIAL POSITION

The Group presents assets and liabilities in statement of financial position based on current/non-current classification.

An asset is considered current when it is:

- expected to be realised or intended to sold or consumed in normal operating cycle
- held primarily for the purpose of trading
- expected to be realised within twelve months after the reporting period

or

- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is considered current when it is:

- expected to be settled in normal operating cycle
- held primarily for the purpose of trading
- due to be settled within twelve months after the reporting period

or

- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Z) CHANGES IN ACCOUNTING POLICES

IFRS 15 – Revenue recognition
With effect from 1 January 2018, the company implemented IFRS 15 – Revenue recognition. For the Group's ships operating on long-term fixed time charter, the implementation of IFRS 15 have no impact, except for requirements for further break downs in the notes.

For ships on voyage, the new standard requires Belships to recognize revenue from each freight service (performance obligation) in customer contracts over the period from load port to discharge port. The new standard has been implemented using the modified retrospective approach, which requires the recognition of the initially cumulative implementation effect to the opening balance of equity as at 1 January 2018. Belships has not identified a material impact to the financial statement when implementing the new standard. As a result, no cumulative adjustment is recorded against equity and the revenues and voyage expenses in 2018 would have been the same if reported under the past revenue recognition policies.

The Group also provides technical services, crewing, port agency and logistical services on ships not operated by the Group. Revenue on such services are recognized over time, as the performance obligation is satisfied over time. Belships has not identify any material impact to the financial statements when implementing the new standard.

IFRS 9 Financial instrument
The standard (as revised in 2014) superseded IAS 39 upon its effective date for annual periods beginning on or after 1 January 2018. The number of categories of financial assets have been reduced to financial assets measured at amortized cost and financial assets measured at fair value. However, the standard introduces a "fair value through other comprehensive income" measurement category for certain simple debt instruments. IFRS 9 also presents a new impairment model which is based on expected credit losses, rather than on incurred credit losses. Implementation of IFRS 9 Financial instrument did not have any impact.

The table below summarizes the reclassifications of financial instruments on adoption of IFRS 9:

	Measurement category		Carrying amount at transition date	
	Previous (IAS 39)	New (IFRS 9)	Previous (IAS 39)	New (IFRS 9)
Financial assets				
Investments	Available for sale	FVTPL	126	126
Trade and other receivables	Loans and receivables	Amortized cost	1 970	1 970
Bank deposits	Loans and receivables	Amortized cost	5 459	5 459
Total financial assets			7 555	7 555
Financial liabilities				
Interest-bearing loans	Amortized cost	Amortized cost	-71 061	-71 061
Financial instruments	Fair value	FVTPL	-8	-8
Trade and other liabilities	Amortized cost	Amortized cost	-2 739	-2 739
Total financial liabilities			-73 808	-73 808

IFRS 16 Leases
With effect from 1 January 2019, Belships will adopt IFRS 16 Leases, were lessees no longer distinguish between finance leases and operating leases. Belships will adopt the new standard following the modified retrospective approach, which requires no restatement of comparative information. Instead, for material lease contracts exceeding 12 months were Belships is the lessee, Belships will recognize a lease liability reflecting future lease payments and a right of use asset. Belships will recognize interest expense on the lease liability and the right of use asset will be depreciated. Straight-lining of deprecation and interest charges on the lease liability will result in a higher total charge to profit or loss in the initial periods, due to the unwinding of interest on the lease liability. During 2018, Belships performed an impact assessment of IFRS 16. Belships currently expects that the implementation of IFRS 16 on 1 January 2019 will increase the consolidated statements of financial position by adding lease liabilities estimated at USD 20.0 million and corresponding right-of-use assets on the asset side. Consequently, equity is not expected to be impacted from the implementation of IFRS 16. The figure is a preliminary estimate based on Belships current accounting policies. Currently the Group has 1 ship on operational lease.

The table below illustrates how commenced leases with lease term of 12 months or more will be allocated between different components applying IFRS 16 from 2019 and onwards. Operating expenses represent the service element which will be separated when calculating the right of use of assets. This amount is the estimated nominal value. The remaining non-cancellable lease payments are discounted with the incremental borrowing rate of 6.63%. Purchase options and option to extend the lease terms are not included in the calculation of the right of use of assets.

COMMENCED LEASE

	2019	2020	2021	2022	2023+	Total
Operating expenses	1 734	1 734	1 734	1 734	8 813	15 748
Interest element	1 254	1 145	1 022	894	2 231	6 545
Depreciation	2 199	2 205	2 199	2 199	11 150	19 951
Total commenced lease	5 186	5 083	4 954	4 826	22 195	42 244

NOTE 3 USE OF ESTIMATES AND JUDGEMENT IN PREPARATION OF THE ANNUAL ACCOUNTS

Preparing the annual accounts in accordance with IFRS as adopted by EU requires the management to use estimates and assumptions affecting the amounts reported in the accounts with notes. The management assumptions and valuations are based on past experience and on miscellaneous other factors assumed to be reasonable and appropriate. This applies in particular to impairment assessment of ships and lease classification assessment. Future events can entail a change in these estimates. Estimates and the underlying assumptions are evaluated on an ongoing basis.

Changes in accounting estimates are entered in the period when the changes occur. If the changes also apply to future periods, the effect is distributed over the current and future periods and appears in the current note.

SHIPS – IMPAIRMENT ASSESSMENT

The Group assess, at each reporting date, whether there are any indications that the ships may be impaired, or if previous recorded impairment charges should be reversed. Each ship is defined as a separate cash generating unit. The recoverable amount is based on the average of two independent broker estimates (charterfree), in addition to the net present value of the estimated fair value of the belonging charters for ships under contract with Canpotex.

When the freight rates increase, the net present value of ships on long favorable charters decreases. The key assumptions used for impairment testing of the ships are described in note 7.

The impairment calculation demands some degree of estimation. Management makes estimates and judgement of the estimated fair value of the belonging charters and the discount rate. For the broker valuations, management compares the value with comparable external non-distressed transactions of bulk ships, adjusted for size, yard and construction year.

Further, management also assess external available sources for the expected development in the world wide fleet, parity between newbuilding prices versus second-hand transactions and assumptions regarding future freight rates and implied capital cost to assess if the broker valuations used as basis are reliable. The dry bulk sector has several sources for second-hand prices and assumptions regarding future market development (rates and estimated fleet growth). Changes to these estimates could have significant impact on impairment/reversal of impairments.

Remaining useful life is estimated on the date of the presentation of accounts. The useful life of the assets and the method of depreciation are evaluated yearly. See note 7 for additional details.

OPERATING VERSUS FINANCIAL LEASE AGREEMENTS

Based on the content of a leasing agreement, the Company determines whether the agreement is considered as an operating or a financial lease agreement. In this determination, assumptions are made and if the same assumptions were judged differently, it could have an effect on the income statement and the statement of financial position. One of the most significant judgements is the forecasted future market value of the leased ship at the dates when the purchase option is expected to be declared.

Based on an assessment of the terms of the lease contracts, including the levels of purchase options, the Management assessed in 2015 and 2016 that the leaseback is a financial lease for both M/S Belforest and M/S Belisland.

Leased ships are at the inception of the lease measured at the lower of the fair value and the present value of minimum lease payments and expected timing of declaration of the purchase option. For the purpose of calculating the net present value, the interest rate implicit in the lease or the Company's current incremental borrowing rate is used as a discount factor.

BUSINESS COMBINATION

Allocation of excess value relating to any business combination is amongst other, based on the relative fair value of the assets and liabilities in the merger, supported by broker estimates and expected results. Refer to note 4 for additional information.

NOTE 4 BUSINESS COMBINATION

The Merger as described in note 1 is considered to constitute a reverse acquisition. Management has performed a preliminary purchase price allocation ("PPA") on Belships as the Accounting Acquiree, where the assets, liabilities and contingent liabilities/obligations of Belships are recorded at fair value.

For the purpose of the preliminary PPA, the purchase price (the fair value of the consideration transferred) has been calculated based on the quoted market price of the Belships Share as at 10 December 2018 and the agreed relative valuation of Belships and the Lighthouse Companies. In the preliminary PPA, the fair value of the consideration has been allocated to the identifiable assets, liabilities and contingent liabilities of Belships.

The excess/less values identified in this preliminary PPA may change when further and more complete information regarding the assets and liabilities acquired is available.

Based on the preliminary PPA, the fair value of the Accounting Acquiree is as follows:

Fair value of the consideration transferred (NOK 1000)	236 760
Fair value of the consideration transferred (USD 1000)	27 919
Fair value of net identifiable assets (USD 1000)	
Book equity (10 December 2018)	28 600
Fair value adjustment ships	6 075
Fair value adjustment contracts	4 232
Fair value adjustments real estate	1 861
Total fair value of assets acquired and liabilities assumed	40 768
Total equity consideration	27 919
Bargain purchase gain	**12 849**

Fair value of identifiable assets and liabilities at the date of acquisition was:

	Fair value	Book value
Ships	90 500	84 425
Value contracts	8 791	3 114
Other fixed assets	4 293	2 432
Current assets	2 094	2 094
Cash	6 709	6 709
Current liabilities	-11 569	-10 125
Non-current debt and liabilities	-60 050	-60 050
Net assets	40 768	28 600
Total equity consideration	27 919	
Net acquisition gain	12 849	

The acquisition method is used for accounting of the business combination. As the fair value of consideration transferred is less than the fair value of net identifiable assets, the Merger constituted a bargain purchase gain. According to IFRS 3, the management has reassessed the valuation of the assets acquired and the liabilities assumed and concluded that the values constitute the best estimate available, and consequently, a bargain purchase gain amounting to USD 12.8 million is concluded to exist. One argument that a bargain purchase exists is the very low trade volume in the Belships Share (liquidity discount) due to a controlling shareholder. The value of the acquired net assets is supported by negotiated pricing between independent, willing and well-informed parties. None of the parties involved in the Merger was in a distressed financial situation. The most important part of the net identifiable assets is the value of ships, which is supported by three independent broker estimates and second-hand transactions for similar ships involving non-distressed parties. Further, fair value of the contracts is supported by external observable market rates that have been compared with the fixed charter rates in the contract. The excess values in other fixed assets relates to Belships Management Singapore Pte Ltd in Singapore.

If the merger had taken place at the beginning of the year, the ordinary result before taxes for 2018 would have been USD 1.1 million higher and operating revenue USD 30.3 million higher. Total transaction costs amounted to USD 2.2 million. Since the merger was completed on 10 December 2018, legacy Belships has contributed with USD 3 million in revenue and USD 0.5 million in net result before taxes.

NOTE 5 SEGMENT INFORMATION

The Belships Group is divided into the operating segments dry bulk and technical management. The dry bulk segment is further divided into 3 reportable segments: ships on long-term charter, ships operated in the spot market and operation/commercial management (Lighthouse Navigation). The segments Ship L/T (long-term) charter and Ship Management was new segments from point of merger with Lighthouse Group in December 2018.The segment reporting is in accordance with the reporting to the Chief Operating Decision Maker (CEO).

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. The Group's financing (including finance costs and finance income) and income taxes are managed on a Group basis but are allocated to applicable operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Within the long-term charter segment, the Group has two customers where revenue accounting for more than 10% of the total turnover. Beyond that, the Group has no single customers in any segment neither in 2018 nor 2017 where revenue accounted for more than 10% of the total turnover.

GROSS REVENUE PER GEOGRAPHICAL AREA

Revenue from ships on voyage charter is allocated based on the customers country of incorporation.

	2018	2017
India	**1 594**	21 099
Switzerland	**30 576**	14 540
USA	**5 152**	1 279
Singapore	**11 433**	9 230
South Africa	**1 460**	18 001
UAE	**6 731**	6 682
Other countries	**2 972**	9 839
Total gross voyage income	**59 918**	80 670

The operating segments have worldwide activities. The shipping market in general offers a global service covering major global trade routes. There are no particular focus on geographic region for ships on time charter out, and the charterers decide the trade routes on individual basis, accordingly no geographical segments are presented for ships on time charter.

1 January - 31 December 2018	Ship - L/T charter	Ship - spot	Lighthouse Navigation	Ship management	Admin. & group trs.	Total
Gross freight revenue	2 586	42 541	81 991	0	617	127 735
Voyage expenses	0	-8 993	-1 705	0	0	-10 698
Net freight revenue	**2 586**	**33 548**	**80 286**	**0**	**617**	**117 037**
Management fees	0	0	5 103	388	-626	4 865
Operating income	**2 586**	**33 548**	**85 389**	**388**	**-9**	**121 902**
Share of result from j/v and associated companies	0	0	2 012	0	0	2 012
T/C hire expenses	-403	0	-79 611	0	0	-80 014
Ship operating expenses	-726	-15 368	0	0	0	-16 094
Operating expenses ship management	0	0	0	-420	0	-420
General and administrative expenses	0	-1 604	-5 309	0	-924	-7 837
Operating expenses	**-1 129**	**-16 972**	**-82 908**	**-420**	**-924**	**-102 352**
EBITDA	**1 457**	**16 576**	**2 481**	**-32**	**-933**	**19 549**
Depreciation and amortisation	-634	-7 071	-81	-5	-22	-7 813
Purchase bargain gain	0	0	0	0	12 849	12 849
Operating result	**823**	**9 505**	**2 400**	**-37**	**11 894**	**24 585**
Interest income	0	2	28	1	25	56
Interest expenses	-354	-4 400	0	0	0	-4 754
Other financial items	0	-359	0	-1	9	-351
Currency gains/(-losses)	0	4	-19	18	-97	-94
Net financial items	**-354**	**-4 753**	**9**	**17**	**-62**	**-5 143**
Result before tax	**469**	**4 752**	**2 409**	**-20**	**11 832**	**19 442**
Tax	0	0	-235	-12	0	-247
Net result	**469**	**4 752**	**2 174**	**-32**	**11 832**	**19 195**
Hereof majority interests	469	4 752	1 166	-50	11 832	18 169
Hereof non-controlling interests	0	0	1 008	18	0	1 026
Assets	97 851	160 231	22 387	3 553	9 592	293 614
Liabilities	63 927	87 381	11 874	3 067	3 583	169 832
Cash flow from operating activities	1 563	12 583	-17	62	-1 209	12 982
Cash flow from investing activities	0	-17 090	0	0	6 709	-10 381
Cash flow from financing activities	-1 426	17 015	-600	-246	0	14 743

Consolidated

1 January - 31 December 2017	Ship - L/T charter	Ship - spot	Lighthouse Navigation	Ship management	Admin. & group trs.	Total
Gross freight revenue	0	28 598	91 812	0	522	120 932
Voyage expenses	0	-6 656	-1 648	0	0	-8 304
Net freight revenue	**0**	**21 942**	**90 164**	**0**	**522**	**112 628**
Management fees	0	0	4 655	0	-522	4 133
Operating income	**0**	**21 942**	**94 819**	**0**	**0**	**116 761**
Share of result from j/v and associated companies	0	0	2 444	0	0	2 444
T/C hire expenses	0	0	-88 362	0	0	-88 362
Ship operating expenses	0	-10 218	0	0	0	-10 218
General and administrative expenses	0	-860	-5 116	0	0	-5 976
Operating expenses	**0**	**-11 078**	**-91 034**	**0**	**0**	**-102 112**
EBITDA	**0**	**10 864**	**3 784**	**0**	**0**	**14 649**
Depreciation and amortisation	0	-5 323	-7	0	0	-5 330
Reversal impairment of ships	0	9 474	0	0	0	9 474
Operating result	**0**	**15 015**	**3 778**	**0**	**0**	**18 793**
Interest income	0	0	2	0	0	2
Interest expenses	0	-2 949	0	0	0	-2 949
Other financial items	0	-231	7	0	0	-224
Net financial items	**0**	**-3 180**	**9**	**0**	**0**	**-3 171**
Result before tax	**0**	**11 835**	**3 787**	**0**	**0**	**15 622**
Tax	0	0	-264	0	0	-264
Net result	**0**	**11 835**	**3 523**	**0**	**0**	**15 358**
Hereof majority interests	0	11 835	3 110	0	0	14 946
Hereof non-controlling interests	0	0	413	0	0	413
Assets	0	138 746	22 638	0	0	161 384
Liabilities	0	104 413	12 895	0	0	117 308
Cash flow from operating activities	0	8 135	73	0	0	8 207
Cash flow from investing activities	0	-6 776	0	0	0	-6 776
Cash flow from financing activities	0	-500	-1 200	0	0	-1 700

NET AVERAGE EARNINGS PER DAY

	Ship - L/T charter	Ship - spot
Belstar *	16 000	
Belnor *	16 000	
Belocean *	11 148	
Belforest *	12 763	
Belisland *	17 300	
Belnippon *	10 734	
Belpareil (Northern Light)		9 762
Belsouth (Southern Light)		13 876
Belinda (Indian Light)		11 648
Belmont (Baltic Light)		10 189
Atlantic Light		13 007
Eastern Light		9 821
Pacific Light		10 695
Bering Light		8 110
Orient Light		8 920

*) only December 2018

Belstar and Belnor are employed on time charters to Canpotex Shipping Services Ltd, at a net rate of USD 16 000 per day. 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 has from 2016 been fixed on time charter to Cargill International S.A of Switzerland at various rates.

Belforest has from time of delivery in 2015 been fixed on time charter to Cargill at various timecharter rates.

Belisland is on long-time charter to Canpotex Shipping Services to 2021 at a net rate of USD 17 300 per day.

The remaining fleet is operating in the spot market.

NOTE 6 REVENUE

The Group's time charter contracts are separated into a lease element and service element. The lease element of the ship represents the use of the ship without any associated performance obligations and are accounted for in accordance with the lease standard. Revenues from time charter services (service element) and other revenue (e.g. bunkers and other services) are accounted for in accordance IFRS 15. The Group's performance obligation is to provide time charter services to its charterers.

Time charter hire of 565 are paid in advance per year-end.

	2018	2017
Voyage charter	**92 384**	117 174
Demurrage, dispatch, bunker	**-10 698**	-8 304
Management, liner agency, commercial	**4 865**	4 133
Revenue from contracts with a customer	**86 551**	113 003
Lease element	**35 351**	3 758
Total operating income	**121 902**	116 761

NOTE 7 SHIPS AND OTHER FIXED ASSETS

	2018				2017			
	Ships				Ships			
	Ships	Capitalised drydocking expenses	Total	Other fixed assets	Ships	Capitalised drydocking expenses	Total	Other fixed assets
Cost per 1 January	131 693	5 414	**137 106**	**58**	126 830	3 500	130 330	58
Additions	19 430	2 209	**21 639**	**0**	4 862	1 914	6 776	0
From merger	89 569	931	**90 500**	**3 026**	0	0	0	0
Disposals	0	0	**0**	**0**	0	0	0	0
Cost per 31 Desember	240 692	8 554	**249 245**	**3 084**	131 693	5 414	137 106	58
Depreciations per 1 January	9 781	1 594	**11 375**	**33**	14 771	767	15 538	22
Depreciation for the year	5 631	1 814	**7 445**	**174**	4 485	827	5 311	12
Impairment/Reversal of impairment (-)	0	0	**0**	**0**	-9 474	0	-9 474	0
Depreciations per 31 December	15 412	3 408	**18 820**	**207**	9 781	1 594	11 375	33
Book value per 31 December	225 279	5 146	**230 425**	**2 877**	121 911	3 820	125 731	24
Other non-depreciable assets	0	0	**0**	**1 333**	0	0	0	262
Total book value per 31 December	225 279	5 146	**230 425**	**4 210**	121 911	3 820	125 731	286

Depreciations related to charter-party agreements amounts to 194. See note 9 for further details.

SPESIFICATION OF THE GROUP'S SHIPS

	Built year	Ownership	Cost price	Accumulated ordinary depreciation	Capitalised drydocking expenses	Book value
M/S Belpareil	2015	100 %	24 492	-3 229	189	21 452
M/S Belsouth	2015	100 %	24 535	-2 952	234	21 817
M/S Belinda	2016	100 %	24 569	-2 647	283	22 205
M/S Belmont	2016	100 %	24 596	-2 590	292	22 298
M/S Atlantic Light	2016	100 %	24 360	-2 289	335	22 406
M/S Eastern Light	2006	100 %	4 338	-396	740	4 682
M/S Pacific Light	2007	100 %	4 803	-418	707	5 092
M/S Bering Light	2008	100 %	9 330	-421	640	9 549
M/S Orient Light	2008	100 %	10 100	-158	860	10 802
M/S Belstar	2009	100 %	11 899	-48	95	11 946
M/S Belnor	2010	100 %	13 000	-50	0	12 950
M/S Belocean	2011	100 %	13 912	-52	59	13 919
M/S Belforest	2015	BBC	24 920	-79	315	25 156
M/S Belisland	2016	BBC	25 838	-84	397	26 151
Total fleet			240 692	-15 412	5 146	230 425

OWNED SHIPS

Supramaxes
M/S Belstar, M/S Belnor and M/S Belocean were delivered from Yangzhou Dayang yard in China in 2009, 2010 and 2011 and are currently owned by the subsidiary Belships Supramax Singapore.

M/S Eastern Light, M/S Pacific Light, M/S Bering Light and M/S Orient Light, four Supramax size box-shaped dry bulk carriers of 50 000 DWT, were built at the PT PAL yard in the period 2006 - 2008 and are owned by Norwegian single purpose companies.

Ultramaxes
The five sister ships M/S Belpareil, M/S Belsouth, M/S Belinda, M/S Belmont and M/S Belatlantic were built at Jiangsu Hantong Ship Heavy Industry and delivered between May 2015 and May 2016 and are owned by Norwegian single purpose companies.

Reference is made to note 11 regarding financing of the ships.

CHARTERED SHIPS (ULTRAMAXES)

M/S Belforest and M/S Belisland were delivered from Imabari Shipbuilding in Japan in 2015 and 2016. The ships are leased on bareboat for a period of 12 years with purchase options from year 3 onwards for Belforest and a period of 15 years with purchase options from year 5 onwards for Belisland. Both leases are considered as financial leases and Belships expects to exercise the purchase options.

Belnippon was delivered from Imabari Shipbuilding on 24 January 2018. The ship is leased on timecharter for a period of 9 years with purchase option from year 4 onwards. The ship is considered as operational lease.

All the ships have operated satisfactorily over the year. The counterparty risk with the charterers is considered to be low.

IMPAIRMENT TESTS/CALCULATION OF RECOVERABLE AMOUNT

Per year end, no impairment of ship was recorded. Ship values was supported by the merger completed on 10 December 2018. The merger was between two independent parties, the relative values in the merger and three independent broker values supported book value of legacy Lighthouse ships, while the Belships ships initially was recorded at fair value at 10 December 2018.

CALCULATION OF DEPRECIATIONS

Depreciation is calculated on a straight line basis over the estimated useful life of the ships taking its residual value into consideration. The useful life, which is also considered as the economic life of the ships, has been estimated to 25 years. Residual value is estimated based on steel prices of the ships less cost to demolish and is reassessed every year-end. Dry docking expenses are depreciated until next planned dry docking, typically 30-60 months.

Other assets have a useful life of 3-5 years, except for the office premises in Singapore in which the useful life is estimated at 57 years.

Reference is made to note 5 and 6 regarding revenue for the ships.

NOTE 8 LEASE AGREEMENTS

LEASE OBLIGATIONS

In September 2015 Belships entered into a sale and lease back agreement for M/S Belforest. The bareboat charter period is 12 years with purchase options from year 3 onwards.

M/S Belisland was delivered in March 2016. The ship is leased on bareboat charter for a period of 15 years with purchase options from year 5 onwards.

Both leases are considered as financial leases. The purchase options are nominated in USD.

In January 2018 the newbuilding M/S Belnippon was delivered. The ship is leased on time charter for a period of 8 years with purchase option from year 4 onwards. The purchase option are nominated in JPY. The ship is considered as operational lease.

In June 2017 Belships signed an agreement to charter in an Ultramax bulk carrier of 63 000 dwt to be delivered from Imabari Shipbuilding first half 2020. The charter period will be for minimum 8 years plus two yearly options, with purchase option from end of fourth year.

PAYMENT IF OPTIONS ON FINANCIAL LEASED SHIPS IS EXERCISED

If the Company has an option to purchase a ship at a price, which at the inception of the lease is expected to be significant lower than the fair value at the date the option becomes exercisable, the lease payments comprise the payment required to exercise the option. Hence, the lease liabilities recorded in the balance sheet consist of one part which is deemed hire payments and one part which is the payment required if the option to purchase the ship should be exercised. The following table (page 42) provides an overview of the split between hire payments and payments required if the option is exercised.

NET PRESENT VALUE OF LEASE LIABILITY

	< 1 year	1-5 years	> 5 years	Total
Maturity of financial lease liability	2 764	16 792	3 851	23 407
Whereof payments of purchase option	0	0	17 450	17 450
Hire obligation under financial lease	2 764	16 792	21 301	40 857

CONTRACTED TIME CHARTER REVENUE

M/S Belstar, M/S Belnor and M/S Belisland are fixed on long-time charters to Canpotex Shipping Services Ltd from time of delivery from yard in 2009, 2010 and 2016 respectively, at a net rate of USD 16 000 per day for Belstar and Belnor and USD 17 300 for Belisland. The charter agreements expire in 2019, 2020 and 2021, respectively. There is no option to extend the charter period.

FIXED INCOME AND COMMITMENTS AS AT 31 DECEMBER 2018

	< 1 year	1-5 years	> 5 years	Total
Contracted timecharter revenue	20 861	9 614	0	30 475
Commitments related to long-term leased ships	13 332	61 346	60 163	134 841

Lease obligations are nominal amounts.

NOTE 9 TIME-CHARTER AGREEMENTS

For charter contracts on ships acquired as part of the reverse acquistion (see note 4) where agreed rates are above current market rate, a contract value of 8 536 is recorded as an intangible asset, while unfavourable charter value is 1 411, of which 77 is reflected under "Other current liabilities" and 1 334 is reflected under "Other non-current liabilities".

Net positive value of several contracts amounting to 4 232 is identified in the preliminary PPA. In 2018 charter contracts were depreciated with 194, based on the remaining life of contracts.

NOTE 10 RELATED PARTIES

Kontrari, which is owned by board member Frode Teigen and his family, provided Belships with consultancy services in 2018. Fees amounted to 210. The subsidiary Belships Management AS provides accounting services to Sonata AS, which is owned by the board member Sverre J. Tidemand and his family. Fees amounted to 10 for December 2018.

All fees are in line with prevailing market rates.

No loans were issued or security provided with respect to the company's shareholders or associated parties. Certain members of the management have loans from the company. These amounted to 33 as at 31 December 2018.

In accordance with the authorisation given to the Board at the last Annual general meeting, options to buy 200 000 shares at NOK 5.36 was awarded to employees in Belships Oslo in December 2018. No options have been exercised.

NOTE 11 RECEIVABLES AND LIABILITIES

MORTGAGE DEBT

The mortgage debt as at 31 December 2018 was USD 107.0 million with an interest rate from 5.50% to 6.15% and is financing ships at a book value of USD 230.4 million. The loan agreements have certain covenants. The covenants are mainly related to the ships' market value, insurance values, and minimum working capital. All the covenants were fulfilled at 31 December 2018.

In March 2019 the Belships Group secured a USD 140 million loan facility with DNB Bank, Danske Bank and Sparebank 1 SR-Bank for 5 years. The loan replaces the Group's current mortgage debt. The new loan will be available in two tranches. An initial tranche of USD 110 million will replace Belships existing loan and strengthen the Group's working capital. An accordion tranche of USD 30 million will be available for fleet expansion. The new loan facility has a margin of 275 basis points with the first downpayment in Q3 2020. The initial tranche is based on a loan-to-value ratio (LTV) of 55%, while the accordion tranche is based on an LTV of 60%. Main financial covenants are minimum: available cash of USD 7.5 million, equity ratio of 30% and fair market value of the ships of 120% (130% from Jan 2021) of outstanding amounts. Declare of dividend is limited to 50% of net profit for each calendar year.

BAREBOAT COMMITMENTS

Belships ASA entered on 25 September 2015 into a sale and lease back agreement for M/S Belforest. The bareboat period is 12 years with purchase options from year 3 onwards.

M/S Belisland was delivered 15 March 2016 and leased for a period of 15 years with purchase options from year 5 onwards.

Both leases are considered as financial leases.

TIMECHARTER COMMITMENTS

Belnippon was delivered from Imabari Shipbuilding on 24 January 2018. The ship is leased on timecharter for a period of 9 years with purchase option from year 4 onwards. The ship has been considered as operational lease.

In June 2017 Belships ASA signed an agreement to charter in an Ultramax bulk carrier of 63 000 dwt to be delivered from Imbari Shipbuilding first half of 2020. The charter period will be for minimum eight years plus two yearly options, with purchase option from end of fourth year.

REPAYMENT SCHEDULE *

	2019	2020	2021	2022	Subsequent	Total
Mortgage debt	18 510	84 346	3 293	3 140	7 939	117 227
Bareboat commitments	4 909	4 923	4 909	4 909	21 207	40 857
Total	23 419	89 269	8 203	8 049	29 146	158 084

*) The amounts includes instalments and interests. For calculation of interests, the ratio as per year-end are used.

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

				Non-cash changes		
	2017	Cash flows	From merger	Debt converted to share-capital	Calculated loss on t/c commitment	2018
Non-current mortgage debt	102 397	8 089	19 527	-35 500	0	94 513
Non-current lease commitments	0	0	40 030	0	1 334	41 364
Current part of financing	0	7 500	7 119	0	0	14 619
Total liabilities from financing activities	102 397	15 589	66 676	-35 500	1 334	150 496

INTEREST SWAP AGREEMENTS

Belships has an interest swap agreement started in September 2015 at a rate of 1.9% and with a duration of 5 years currently covering USD 15 million, reducing by USD 2 million per year.

Hedging the Group's interest exposure is considered on an ongoing basis. Hedge accounting is not used.

CURRENT RECEIVABLES AND LIABILITIES

Current receivables consist mainly of accrued revenues, and receivables related to operation of the ships. Other current liabilities mainly include current liability related to the ordinary operation of the ships. All current receivables and liabilities are due within 12 months.

NOTE 12 INVESTMENTS AND GROUP COMPANIES

COMPANIES INCLUDED IN THE CONSOLIDATED ACCOUNTS

	Note	Business location	Main activity	Ownership/ voting percentage
Bel Ship I AS	1	Oslo	Shipping	100.00 %
Bel Ship II AS	2	Oslo	Shipping	100.00 %
Belships Lighthouse AS *		Oslo	Shipping	100.00 %
Belships Supramax Singapore Pte Ltd *		Singapore	Shipping	100.00 %
Lighthouse Navigation Pte Ltd **	3	Singapore	Commercial mngmt	50.01 %
Belships Management (Singapore) Pte Ltd *	4	Singapore	Commercial mngmt	100.00 %
Belships Management AS *		Oslo	Management	100.00 %

*) Only profit and loss-figures for December are included in the consolidated accounts
**) Presented as separate segment

1) **BEL SHIP I AS**

Belpareil AS	Oslo	Shipping	100.00 %
Belsouth AS	Oslo	Shipping	100.00 %
Belinda AS	Oslo	Shipping	100.00 %
Belmot AS	Oslo	Shipping	100.00 %
Belatlantic AS	Oslo	Shipping	100.00 %

2) **BEL SHIP II AS**

Beleast AS	Oslo	Shipping	100.00 %
Belpacific AS	Oslo	Shipping	100.00 %
Belfort AS	Oslo	Shipping	100.00 %
Belorient AS	Oslo	Shipping	100.00 %

3) **LIGHTHOUSE NAVIGATION PTE LTD**

Afri-Bulk Navigation Private Limited	Singapore	Commercial mngmt	100.00 %
Lighthouse Maritime Limited	Hong Kong	Commercial mngmt	100.00 %
Lighthouse Navigation Co Ltd	Thailand	Commercial mngmt	100.00 %
Siam Thara Agency Co Ltd	Thailand	Agency	57.50 %

4) **BELSHIPS MANAGEMENT (SINGAPORE) PTE LTD**

Belships (Tianjin) Ship Management & Consultancy Co Ltd	China	Crewing	75.00 %
Belships (Shanghai) Shipmanagement Co Ltd	China	Crewing	100.00 %

INVESTMENT IN JOINT VENTURES (JV) AND ASSOCIATED COMPANIES (AC)

	Business location	JV / AC	Ownership/ voting percentage
Orient Asia Lines Ltd	Hong Kong	JV	50.00 %
Orient Asia Lines BV	The Netherlands	JV	50.00 %
OAL Holdings	The Netherlands	JV	50.00 %
Belships (Myanmar) Shipmanagement Limited	Myanmar	AC	40.00 %
Lighthouse Africa Carriers BV	The Netherlands	AC	25.05 %
Belchem Philippine Incorporation	Philippine	AC	24.00 %
CST Belchem Singapore Pte Ltd	Singapore	AC	20.00 %

THE SHARE OF PROFIT AND LOSS AND BALANCE SHEET ITEMS FOR INVESTMENTS IN JOINT VENTURES AND ASSOCIATES ARE RECOGNIZED BASED ON EQUITY METHOD:

	Orient Asia Lines BV	Orient Asia Lines Ltd	OAL Holdings	Lighthouse Africa Carriers BV	Total
2018					
Gross revenue	23 345	558		3 685	27 588
EBITDA	1 906	-672		477	1 711
EBIT	1 905	-672		473	1 706
Net result	2 153	1 394		468	4 015
Total comprehensive income	2 153	1 394	243	468	4 258
Group's share of profit for the year	**1 077**	**697**	**122**	**117**	**2 012**
Non-current assets	303	724	299	64	1 390
Current assets	5 803	1 290	20	593	7 706
Total assets	6 106	2 014	319	657	9 096
Non-current liabilities	304	663	0	0	967
Current liabilties	4 028	0	20	148	4 196
Total liabilities	4 332	663	20	148	5 163
Total equity opening balance	2 702	1 559	55	17	4 333
Group's share of profit for the year	2 153	1 394	243	468	4 258
Capital distribution/reduction	-3 081	-1 602	1	24	-4 658
Total equity closing balance	1 774	1 351	299	509	3 933
Owner interest	**887**	**676**	**150**	**120**	**1 832**
Minor share in other associated companies					107
Book value of owner interests					**1 939**
2017					
Gross revenue	27 460	22 035	0	0	49 495
EBITDA	2 882	1 467	-2	12	4 359
EBIT	2 862	1 467	-2	12	4 339
Net result	2 911	1 467	35	35	4 448
Total comprehensive income	2 911	1 467	35	35	4 448
Group's share of profit for the year	**1 456**	**734**	**18**	**9**	**2 215**
Non-current assets	317	0	73	21	411
Current assets	6 306	2 085	0	8	8 399
Total assets	6 623	2 085	73	29	8 810
Non-current liabilities	0	0	0	10	10
Current liabilties	3 921	526	18	2	4 467
Total liabilities	3 921	526	18	12	4 477
Total equity opening balance	1 883	2 991	312	0	5 186
Group's share of profit for the year	2 911	1 467	35	35	4 448
Capital distribution/reduction	-2 092	-2 899	-292	-18	-5 301
Total equity closing balance	2 702	1 559	55	17	4 333
Owner interest	**1 338**	**780**	**28**	**4**	**2 149**

NOTE 13 EQUITY

SHARE CAPITAL

Belships ASA's 175 117 993 shares, each with a face value of NOK 2.00, was as of 31 December 2018 distributed among 549 shareholders. Each share has one vote.

NUMBER OF SHARES

	2018	2017
Ordinary shares, issued and paid-in per 1 January	**47 352 000**	47 352 000
Share issue	**127 765 993**	0
Ordinary shares, issued and paid-in per 31 December	**175 117 993**	47 352 000

TREASURY SHARES

The company holds 548 000 treasury shares in total with an average cost price of NOK 9.91 as of 31 December 2018. Belships ASA has lent 50 000 of the treasury shares to ABG Sundal Collier Norge ASA (ASC) in connection with ASC' role as liquidity provider for the company's shares on Oslo Stock Exchange.

AUTHORISATION TO ISSUE NEW SHARES

At the Annual general meeting in 2018 the Board received authorisation to issue up to 4.7 million new shares. The authorisation has not been used and is valid to the next ordinary Annual general meeting.

THE 20 LARGEST SHAREHOLDERS IN BELSHIPS ASA AT 31 DECEMBER 2018

	Number of shares	Percentage
1 Kontrari AS	82 990 933	47.39 %
2 Kontrazi AS	37 463 265	21.39 %
3 Sonata AS	17 461 778	9.97 %
4 LGT Bank AG	11 853 828	6.77 %
5 Tidships AS	5 020 432	2.87 %
6 Pershing LLC	3 530 838	2.02 %
7 UBS Switzerland AG	3 003 782	1.72 %
8 Clearstream Banking S.A.	1 635 678	0.93 %
9 KBC Bank NV	1 591 508	0.91 %
10 Eitzen Rederi AS	657 249	0.38 %
11 Belships ASA	498 000	0.28 %
12 AR Fonds AS	416 183	0.24 %
13 AS Torinitamar	360 000	0.21 %
14 Toru Nagatsuka	330 000	0.19 %
15 Chrem Capital AS	320 000	0.18 %
16 Jomaho As	316 620	0.18 %
17 Jenssen & Co A/S	302 816	0.17 %
18 Citibank, N.A.	273 547	0.16 %
19 Carl Erik Steen	269 154	0.15 %
20 Jovoko AS	250 000	0.14 %
Total 20 largest shareholders	168 545 611	96.25 %
Other shareholders	6 572 382	3.75 %
Total number of shares	175 117 993	100.00 %

NUMBER OF SHARES OWNED BY BOARD MEMBERS IN BELSHIPS ASA

	Note	Number of shares	Outstanding options
Frode Teigen	1	120 454 198	0
Sverre J. Tidemand	2	17 461 778	0
Carl Erik Steen		269 154	0
Other members		0	0

NUMBER OF SHARES OWNED BY THE MANAGEMENT IN BELSHIPS ASA

Lars Christian Skarsgård, CEO *	3	379 900	5 000 000
Osvald Fossholm, CFO		0	66 000

*) See note 17 for more information about separate share option plan. The options were awarded in March 2019.

1) Includes shares held by Kontrari AS and Kontrazi AS, companies controlled by Frode Teigen.
2) Includes shares held by Sonata AS, a company in which Sverre J. Tidemand controls.
3) Includes shares held by AS Torinitamar, a company owned by Lars Christian Skarsgård.

For changes in equity, see separate statement.

NOTE 14 EARNINGS PER SHARE

Basic earnings per share is the ratio between net result of the year attributable to ordinary equity holders (i.e. net profit with dividend deducted) and the issued average number of shares outstanding during the period.

When calculating diluted earnings per share, net result attributable to ordinary equity holders and the number of issued average outstanding shares are adjusted for share options. In "the denominator" all share options (see note 17) which are "in-the-money" and exercisable are taken into consideration. In the calculations, share options are considered as having been converted at the time they were awarded.

AVERAGE NUMBER OF SHARES (EXCLUDING TREASURY SHARES)

Average number of issued shares	94 850 830
Average number of options outstanding	200 000
Diluted average issued number of shares	95 050 830

EARNINGS PER SHARE

	2018
Net result for the year	19 195
Earnings per share	0.20
Diluted earnings per share	0.20

NOTE 15 SALARIES, NUMBER OF EMPLOYEES

	2018	2017
Salaries	**4 317**	2 960
Social security tax	**87**	6
Pension expenses	**87**	18
Other allowances	**14**	11
Total payroll expenses	**4 504**	2 995

Number of full time office staff in 2018 was 130 of which 9 in the Norwegian companies.

LOAN TO EMPLOYEES

Loan to employees amounted to 62 at year-end. Average interest rate was 2.15% in 2018.

The repayment period is five years. Loans to members of the management amounted to 33 at year-end.

REMUNERATION*

2018	Chief executive officer	Financial director
Salaries	986	17
Pension expenses	2	2
Other remuneration	2	3

*) Only December month
Former CEO of Belships, Ulrich Müller was entitled to receive severance pay for a period of 24 months after his resignation. The severance pay was entered Profit & Loss in December 2018.

Remuneration in accordance with the Accounting Act § 7-31b is presented in note 10 in the parent company accounts. Other remuneration includes telephone, insurance agreements etc.

BONUS

No bonus scheme was adopted for 2018.

SHARE OPTIONS

Share options to the employees are described in note 17. The Chief Executive Officer has a separate option scheme which is described in note 17 too. The Board members have not been awarded share options.

ALLOWANCE TO THE BOARD

No remuneration has been paid to the Board of Directors in 2018.

THE GROUP'S FEES TO THE AUDITOR (EXCLUDING VAT)

	2018	2017
Remuneration for audit services	**233**	109
Other assurance services	**21**	17
Assistance related to tax	**2**	2
Other audit related assistance	**49**	0
Total	**305**	**129**

NOTE 16 OTHER GENERAL ADMINISTRATIVE EXPENSES

	2018	2017
Office expenses	**390**	201
Furniture, office supplies	**70**	105
Travelling, entertainment costs	**134**	50
Other services	**2 960**	2 189
Other general administrative expenses	**-222**	436
Total administrative expenses	**3 332**	**2 981**

NOTE 17 OPTIONS TO EMPLOYEES

At the Annual general meeting (AGM) in 2017, the Board was authorised to issue up to 200 000 share options to employees in legacy Belships ASA. The option price is 105% of closing share price on the day of the AGM. The authorization is valid for two years. In accordance with this authorisation, options to buy 200 000 shares at NOK 5.12 were awarded in August 2017.

At the AGM in 2018, the Board was authorised to issue up to 200 000 share options to employees. The option price is 105% of closing share price on the day of the AGM. The authorization is valid for two years. In accordance with this authorisation, options to buy 200 000 shares at NOK 5.36 were awarded in December 2018. No options have been exercised.

The above mentioned option programs require a service period of 12 months before they can be exercised. The option can be exercised after one year from the date of the AGM which approved the option program and runs unto the date of the next AGM. The option programs include all employees in the parent company. The employees must be employed in the company at the time when the options can be exercised in order to have a right to exercise them.

SUMMARY OF OUTSTANDING OPTIONS

	Number of options **2018**	Number of options 2017
Outstanding 1 January	**400 000**	400 000
Awarded	**200 000**	200 000
Exercised	**0**	0
Not exercised	**-200 000**	-200 000
Outstanding 31 December	**400 000**	400 000

Fair value of options estimated using the Black and Scholes options pricing model. For the options awarded in 2017 and 2018 the fair value per share was NOK 1.97 and NOK 1.80 respectively. The fair value of outstanding share options are calculated at time of award and charged against profit and loss over the period until they can be exercised. In 2018 the calculated costs amounted to 5.

The following forms the basis for the calculation:
Share price at the time the option was awarded: The share price is set as equal to the stock exchange share price when the option was awarded.

Exercise price per option: The exercise price was 105 % of the stock exchange market price when the option was awarded.

Volatility: Historic volatility set as indication of future volatility. Expected volatility equals a historic volatility of 66%.

Duration of options: It is assumed that all employees will exercise their options when the service period has been completed. The term of the options is estimated at two years.

Dividend: Estimated dividend per share is NOK 0 per year.

Risk free interest rate: Interest rate used as a basis for calculating options is equal to the interest rate on government bonds over the duration of the options, i.e. 1.07 % for 2018.

Decrease in the number of employees: Expected reduction is 0.

SHARE OPTION PLAN CHIEF EXECUTIVE OFFICER

The CEO in Belships, Lars Christian Skarsgård has in March 2019 been granted options to subscribe for up to five million shares in the Company with an exercise price of NOK 6 per share. The options can be exercised in the period between 36 months and 60 months from 15 March 2019. The company may honour exercised options by delivery of new shares in a share issue, by sale of existing shares, or by way cash settlement (i.e. payment of the difference between the market price of the shares less the exercise price). Options that have not been exercised will lapse if Skarsgård terminates his position as CEO or if he is terminated from his position with cause. If Skarsgård is terminated from his position without cause during the first 12 months, 2/3 of the options will lapse and if he is terminated from his position without cause during the first 24 months, 1/3 of the options will lapse. If Skarsgård is terminated without cause during the exercise period, the options will lapse unless they are exercised within three months.

NOTE 18 PENSIONS

DEFINED CONTRIBUTION SCHEME

The Norwegian employees are member of the company's defined contribution scheme, which is in line with the occupational pension scheme for employees in Norway in accordance with the Act on Mandatory occupational pensions. Annual payable cost is reflected in the income statements and the company does not have any future liabilities related to this scheme. Total costs amounted to 29 in 2018 (only December month for legacy Belships). Pension costs in Singapore is reclassified as operating expenses ship management and amounted to 20 in 2018.

DEFINED BENEFIT SCHEME

In addition to defined contribution scheme, the legacy Belships has unfunded pension liabilities which are covered through the daily operations. These relate to early retirement and pension to persons, that have not been included in the defined contribution scheme. There are 7 retired persons included in this scheme.

Pension commitments are calculated by an independent actuary. The basis for the calculation is shown below. The mortality table (K2013) for Norway is used in the calculations.

Social security costs are recorded based on net pension obligation in the balance sheet included estimate discrepancy. Change in the pension obligation for the subsidiary Lighthouse Navigation Pte Ltd amounted to 46 in 2018.

ASSUMPTIONS

	2018
Discount rate	2.60 %
Future wage adjustment	2.75 %
Pension adjustment/G-adjustment	2.75 %
Return on pension plan assets	2.60 %

CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION

	2018
1 January	144
Obligation from merger	530
Interest cost	11
Benefits paid	-35
Actuarial losses on obligation	110
Currency exchange gain/(loss)	-25
31 December	735

PENSION EXPENSES IN CONSOLIDATED ACCOUNTS

	2018
Pension expenses defined benefit scheme	57
Pension expenses defined contribution scheme	30
Net pension expenses in consolidated accounts	87

NOTE 19 FINANCIAL MARKET RISK

Financial market risk is considered to be the risk of changes in foreign exchange rates and interest rates that may affect the value of the Group's assets, obligations and future cash flows.

Belships has a continuing focus on its risk exposure. Derivatives may be used to reduce financial market risk, but are only used to hedge specific exposures. When use of derivatives are considered appropriate, only well-known conventional derivative instruments are considered, i.e. OTC agreements such as swaps, options and forward rate agreements. Derivative transactions are only made with reputable financial institutions. Credit risk relating to these derivatives is therefore limited.

Belships is only using derivatives to reduce or limit risk related to fluctuations in interest and foreign exchange rates.

Financial derivatives are not used to obtain financial revenues through fluctuating interest rates, nor are financial derivatives used when there is no underlying exposure.

INTEREST RATE RISK

The long-term interest rate is still at a low level. Belships strategy is to manage interest risk. Hedging the Group's interest exposure is considered on an ongoing basis. Entering into interest rate hedging agreements are based on developments in the interest rate market and internal analysis.

Belships entered in June 2015 into an interest swap agreement at a rate of 1.9% with a duration of 5 years currently covering USD 15 million, reducing by USD 2 million per year. Market value of this agreement amounted to USD 0.2 million at year end. The hedging level of interest rate exposure is currently around 40% (leases excluded). The market value of the agreement is recorded as non-current asset.

The Group entered in 2015 and 2016 into two financial lease agreements, which also limit the interest rate exposure as the interest rate is fixed throughout the period.

The company does not use hedge accounting.

The table below shows the sensitivity related to changes in interest rate levels. The calculation includes total interest-bearing debt.

SENSITIVITY TO CHANGES IN INTEREST RATE LEVELS

	2018
Change in the interest rate level in basis points	-100/+100
Effect on result before tax	749/-749

AVERAGE EFFECTIVE INTEREST RATE ON DEBT (%)

	2018
Mortgage debt	5.87

CAPITAL STRUCTURE AND EQUITY CAPITAL

The primary objective of the Group's capital management is to achieve best possible credit rating, and to maximize the shareholders values. The company's goal is to maintain an equity capital ratio of at least 35%. In addition an improved market is expected to increase the equity capital ratio up to 35%. The equity ratio is calculated by dividing the book equity to total assets as shown below:

	2018
Total equity as at 31 December	123 782
Total assets	293 614
Equity ratio as at 31 December	42 %

Net debt is defined as interest-bearing debt (short and long-term) and accounts payable less cash. Equity comprises paid-in equity and retained earnings.

	2018
Interest-bearing debt	147 785
Trade creditors	3 257
Cash reserves	-32 034
Net debt	119 008
Equity	123 782
Total equity and net debt	242 790
Net debt ratio	49 %

LIQUIDITY RISK

Liquidity risk is the risk that suitable sources of funding for the Group's business activities may not be available. Prudent liquidity risk management implies maintaining sufficient cash balances, credit facilities and other financial resources to maintain financial flexibility under dynamic market conditions. The Group's principal source of liquidity are operating cash flows from its operational assets. In addition to its operating cash flows, the Group relies on the debt capital markets for long-term funding. At yearend 2018, the Group has outstanding long-term debt in the form of mortgage debt of USD 107 million and USD 40.8 million in lease liability. Available cash and cash equivalents amounts to USD 31.9 million.

The ships acquired through the merger are secured on medium to long term charter contracts, toward two customers. The ships on long-term contracts will generate sufficient cash flow to cover operational expenses and planned installments.

Other ships operates under short-term spot engagements with a broader customer base. The customers are often recurring, however, the risk related to any specific customer's insolvency or inability to compensate for the services provided is considered to be low. As those ships operate in the spot market, results are consequently on a relative basis more sensitive to changes in market freight rates. An increase in the global supply of dry bulk ship capacity without a commensurate increase in demand may have an adverse effect on charter rates and thereby the liquidity.

The Management of the Group prepares projections on a regular basis in order to plan the Group's liquidity requirements. These plans are updated regularly for various scenarios and form part of the decision basis for the Company's Board of Directors and executive management.

In March 2019, Belships secured a USD 140 million loan facility which replaces the current mortgage debt and will strengthen the working capital of the Group and enables future fleet growth. See note 26 Subsequent events.

CREDIT RISK

There will always be a credit risk related to the Group's business. Belships monitors this risk and the strategy is to carefully select counterparts. The ships acquired through the merger are secured on medium to long-term charter contracts, toward two customers, Canpotex Shipping Services Ltd and Cargill. Those customers are considered to be solid and reputable counterparts. Other ships operates under short-term spot engagements with a broader customer base. The customers are often recurring, however, the risk related to any specific customer's insolvency or inability to compensate for the services provided is low.

CURRENCY RISK

The functional currency of Belships is USD as the majority of the Group's transactions are denominated in USD. Currency risks arise in connection with transactions that are completed in other currencies than USD, mainly in NOK or THB. This applies mainly to administrative expenses, salaries and declaration of ship purchase options.

FAIR VALUE MEASUREMENTS

The valuation has the following classification of levels for measuring fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Valuation based on other observable factors, either directly (prices) or indirectly (derived from prices) than quoted prices included within level 1 of the asset or obligation.

Level 3: Valuation based on factors not taken from observable markets (not observable assumptions).

There was no change in levels in 2018. Interest swap agreements are valued in accordance with the principles described as level 2. Fair value is defined as present value of future cash flows. For the above derivatives, fair value is confirmed by the financial institution, which is counterpart. The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts. The long-term liabilities have floating interest rate with a fixed margin. The margin is considered not to have significantly changed since drawing date, thus carrying amount is considered a reasonable estimate of fair value.

Consolidated

SUMMARY OF FINANCIAL ASSETS AND OBLIGATIONS *

	Loans and recievables		Change in fair value through profit and loss		Total	
	2018	2017	**2018**	2017	**2018**	2017
Financial assets						
Investments			**1 939**	2 149	**1 939**	2 149
Other non-current receivables	**62**				**62**	0
Financial instrument			**174**		**174**	0
Trade debtors	**3 454**	5 995			**3 454**	5 995
Other receivables	**8 443**	8 885			**8 443**	8 885
Bank deposits	**32 315**	14 904			**32 315**	14 904
Financial obligations						
Mortgage debt	**-107 148**	-66 000			**-107 148**	-66 000
B/B commitment	**-40 817**				**-40 817**	0
Other non-current liability	**-1 377**				**-1 377**	0
Trade creditors	**-3 257**	-3 390			**-3 257**	-3 390
Other current liabilities	**-14 847**	-11 259			**-14 847**	-11 259
Total	**-123 172**	-50 864	**2 113**	2 149	**-121 059**	-48 715

*) The figures express both book value and fair value as these are identical

ASSETS AND OBLIGATIONS MEASURED AT FAIR VALUE

	Level 1		Level 2		Level 3		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Financial investments					**1 939**	2 149	**1 939**	2 149
Interest agreement			**174**				**174**	0
Total	**0**	0	**174**	0	**1 939**	2 149	**2 113**	2 149

FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST

	2018
Mortgage debt	107 148
Bareboat commitments	40 817
Total	147 965

The fair value of credit facilities and obligations under financial leases is estimated by discounting future cash flows using rates currently available for debt on similar items. The obligations under financial leases as of 31 December 2018 reflects best timing estimate of declaring purchase options. Further, the lease agreements are newly entered into, and there has not been any significant changes in the credit risk of the Group. Fair value of the obligations under financial leases are therefore not considered to be materially different from book value as of the reporting date. Based on the discussions Belships have had with its lender over the last year related to amendment of the loan agreement, the Group has not made observations indicating that there has been any significant difference between the fair value and carrying amount except for un-amortised loan transaction costs.

NOTE 20 TAXES

TONNAGE TAX

The Group's ship owning entities are within the tonnage tax system in Norway and in Singapore. Companies subject to Tonnage tax are exempt from ordinary tax on their shipping income. Companies within the tonnage tax system in Norway and in Singapore pay a tonnage fee based on the size of the ship. Tonnage tax amounting to x has been provided for as at 31 December 2018, and recognized as other operating expenses.

ORDINARY TAXATION

Further, in Norway, Thailand and Singapore the Group has several management companies subject to ordinary income tax, with a tax rate from 16 % to 23 %. In Norway, the Group has a significant tax loss carried forward, currently without any convincing evidence of utilizing the tax losses. Accordingly, no deferred tax asset related to temporary differences is recorded related to the Norwegian companies within ordinary tax regime.

In Singapore and in Thailand there are minimal temporary differences related to the commercial and ship management operation. In Thailand the Company has a tax payable related to ordinary company taxation of 236 (2017: 301) and acquired payable tax in Singapore a result of the merger amounting to 11.

In the Group have Management companies (including commercial and ship management) under ordinary company taxation in Thailand, Singapore and Norway. In Norway the Group companies have a significant tax loss carried forward.

RECONCILIATION OF THE YEAR'S INCOME TAX EXPENSE

	2018	2017
Result for the year before tax	**19 442**	15 622
Result from companies within the tonnage tax regime	**-5 221**	-11 835
Net result for companies subject to ordinary company taxation	**14 221**	3 787
Statutory tax rate (Norway)	**23 %**	24 %
Estimated tax expense at statutory rate	**3 271**	909
Net non tax related expenses/(income)	**6**	-756
Results from joint venture and associated companies	**342**	377
Difference between Norwegian, Singapore and Thailand regional national tax	**-853**	-265
Tax effect of deferred tax asset not recorded in the balance sheet incl. exchange rate effect	**-2 519**	0
Total income tax expense/(income)	**247**	264

TAX LOSS CARRIED FORWARD

The Group had a tax loss carried forward of USD 74.3 million as at 31 December 2018 in Norway. No deferred tax benefits are recognised in the balance sheet. The Group's revenue is generated mainly by companies in Singapore that are either within the national tonnage tax regime or are subject to regular national taxation. Dividends from these companies are nontaxable to the recipients. Taxable income subject to ordinary Norwegian taxation does not indicate any reporting of deferred tax benefits.

DEFERRED TAX PER 31 DECEMBER

	2018
Temporary differences	
Deferred sale gain/(loss) fixed asset	**-526**
Accruals	**14 093**
Pensions	**-545**
Total temporary differences	**13 022**
Tax loss carried forward	**-74 282**
Net temporary differences	**-61 260**
Nominal tax rate on deferred tax	**22 %**
Deferred tax assets	**-13 477**
Deferred tax assets recognised in the Balance sheet	**0**
Deferred tax assets not recognised in the Balance sheet	**-13 477**

Calculation of deferred taxes is based on temporary differences between statutory books and tax values which exist at the end of the year.

In accordance with IAS 12 for treatment of taxes, tax reducing temporary differences and tax increasing temporary differences that are reversed, or can be reversed in the same period and jurisdiction are assessed and the amount recorded net.

Future tax payable in the Group is expected to be related to ship management and commercial operation in Singapore and in Thailand. In Norway the group has significant tax losses.

NOTE 21 SPECIFICATIONS OPERATING EXPENSES AND OTHER FINANCIAL ITEMS

	2018	2017
Ship operating expenses		
Crew expenses	**8 993**	6 207
Maintenance and spare parts	**3 897**	1 681
Insurance	**1 018**	603
Other ship operating expenses	**2 186**	1 727
Total ship operating expenses	**16 094**	10 218
Operating expenses ship management		
Administration costs	**152**	
General & selling expenses	**195**	
Fixed costs	**72**	
Total operating expenses ship management	**420**	

NOTE 22 BANK DEPOSITS

The Group's bank balance amounted to 32 034 (14 690) at year end. Restricted cash amounted to 109 related to withholding tax employees.

NOTE 23 ENVIRONMENTAL ISSUES

The company has not been charged any penalties due to breach of environmental rules and regulations, and is not committed to implement any specific actions in that respect.

For further information see the Directors' report.

NOTE 24 CONTINGENCIES

The Board is not aware of any material disputes the company may be in involved in at 31 December 2018.

NOTE 25 SUBSEQUENT EVENTS

In March 2019 the Belships Group secured a USD 140 million loan facility. The new loan will be available in two tranches. An initial tranche of USD 110 million will replace Belships existing loan and strengthen the Group's working capital. An accordion tranche of USD 30 million will be available for fleet expansion.

In April 2019, Belships entered into an agreement to acquire a 58 700 dwt bulk carrier. The ship was built at Tsuneishi Heavy Industries (Cebu), Inc. in the Philippines in 2008. The agreed purchase price is USD 13.0 million, of which half will be paid in cash. The remaining consideration will be settled through a proposed issue of 8 060 650 new Belships shares to the seller of the ship. The agreed share price in the transaction is NOK 7.00 per share. Delivery of the ship is expected in the second quarter 2019.

Belships ASA entered in April 2019 into an agreement to acquire the 63 000 dwt bulk carrier M/V Sofie Victory. The Ultramax ship was built at New Times Shipbuilding, China in 2016. Belships will acquire all shares in the single purpose company Sofie Victory AS, being the owner of M/V Sofie Victory. Sellers are the Bergen, Norway based company EGD Ultra Eco AS (holding 80 per cent of the shares in Sofie Victory AS) and Cyprus based Blossom Shipmanagement Ltd (holding 20 per cent of the shares in Sofie Victory AS). EGD Ultra Eco AS is ultimately controlled by investor Espen Galtung Døsvig. The agreed purchase price is USD 24.15 million, of which approximately USD 14 million is debt. Of the net consideration of approximately USD 10 million, USD 2.0 million will be paid in cash while the remaining amount will be settled through a proposed issue of new Belships shares to the sellers of Sofie Victory AS. The agreed share price in the transaction is NOK 7.00 per share. The ship is time chartered to ED&F Man Shipping Ltd until March 2021 at an index based rate with a minimum floor above current market levels.

No other material events have taken place after 31 December 2018.

Income statements

1 January-31 December		Belships ASA	
NOK 1 000	Note	**2018**	2017
OPERATING INCOME			
Freight income	2	**141 453**	89 907
Other operating income	10	**5 294**	4 976
Total operating income		**146 747**	94 883
OPERATING EXPENSES			
T/C hire	2	**-86 190**	-48 757
Ship operating expenses	9	**-28 177**	-26 496
Payroll expenses	10	**-26 732**	-13 880
Other general administrative expenses	11	**-19 934**	-6 224
Depreciation of fixed assets	2	**-19 239**	-15 774
Reversal of impairment of fixed assets	2	**11 525**	33 013
Total operating expenses		**-168 747**	-78 118
Operating result before sale of ship		**-22 000**	16 765
Loss on sale of ship/effect on onerous contracts		**0**	21 058
Operating result		**-22 000**	37 823
FINANCIAL INCOME AND EXPENSES			
Share dividend	8	**9 834**	8 725
Interest income		**458**	88
Interest income on loan to subsidiary		**322**	0
Interest expenses	12	**-23 941**	-26 573
Interest expense on loan from subsidiary	4	**0**	-128
Other financial items	9	**4 339**	5 283
Currency exchange gain/-loss	9	**-23 060**	18 792
Net financial items		**-32 048**	6 187
Net result before tax		**-54 048**	44 010
Income tax expense	16	**0**	0
Net result for the year		**-54 048**	44 010
Appropriations of net result:			
Dividend		**0**	-4 735
Transfer from/(to) other retained earnings		**54 048**	-39 275
Total		**54 048**	-44 010
Earnings per share (NOK)		**0.57**	
Diluted earnings per share (NOK)		**0.57**	

Balance sheets

1 January-31 December		Belships ASA	
NOK 1 000	Note	**2018**	2017
FIXED ASSETS			
Tangible fixed assets			
Ship	2	**380 213**	386 529
Prepaid T/C hire		**0**	3 323
Other fixed assets	2	**8 108**	6 172
Total tangible fixed assets		**388 321**	396 024
Financial fixed assets			
Shares in subsidiaries	8	**207 136**	207 136
Loan to subsidiaries	4	**354 281**	0
Other shares		**0**	141
Other long-term receivables	12	**540**	952
Total financial assets		**561 957**	208 229
Total fixed assets		**950 278**	604 253
CURRENT ASSETS			
Prepaid T/C hire	2	**4 144**	9 029
Other receivables		**4 516**	9 845
Cash and cash equivalents	5	**9 014**	13 714
Total current assets		**17 674**	32 588
Total assets		**967 952**	636 841
EQUITY			
Paid-in capital			
Share capital		**350 236**	94 704
Treasury shares		**-1 096**	-1 096
Share premium reserve		**202 813**	93 333
Other paid-in capital		**106 834**	106 729
Total paid-in capital		**658 787**	293 670
Retained earnings			
Other equity		**-132 842**	-73 155
Total equity	6	**525 945**	220 515
LIABILITIES			
Long-term liabilities			
Bareboat commitment	12	**335 453**	334 908
Pension obligations	7	**4 734**	4 340
Intercompany balances		**0**	5 927
Total long-term liabilities		**340 188**	345 175
Short-term liabilities			
Bareboat commitment, current portion	12	**18 799**	15 918
Public taxes and duties payable		**2 565**	1 276
Trade creditors		**1 177**	531
Intercompany balances	4	**67 464**	47 192
Other short-term liabilities		**11 815**	6 234
Total short-term liabilities		**101 819**	71 151
Total liabilities		**442 007**	416 326
Total equity and liabilities		**967 952**	636 841

Oslo, 25 April 2019

Peter Frølich
Chairman of the Board

Sissel Grefsrud
Board member

Birthe Cecilie Lepsøe
Board member

Jorunn Seglem
Board member

Carl Erik Steen
Board member

Frode Teigen
Board member

Sverre J. Tidemand
Board member

Lars Christian Skarsgård
Chief Executive Officer

Cash flow statements

1 January-31 December		Belships ASA	
NOK 1 000	Note	**2018**	2017
CASH FLOW FROM OPERATIONS			
Net result before tax		**-54 048**	44 010
Adjustments to reconcile result before tax to net cash flows:			
Depreciation of fixed assets	2	**19 239**	15 774
Impairment of tangible fixed assets	2	**-11 525**	-33 013
Effect on onerous contracts	2	**0**	-21 058
Share-based payment transaction expense	3	**105**	2
Difference between pension exps and paid pension premium	7	**-661**	-1 291
Net finance items		**32 048**	-6 187
Working capital adjustments:			
Change in trade debitors and trade creditors		**646**	250
Change in intercompany balances		**25 076**	42 725
Change in other short-term items		**17 682**	-2 730
Interest received		**780**	88
Interest paid		**-23 941**	-26 701
Net other financial items		**4 999**	3 778
Net cash flow from operations		**10 399**	15 647
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in fixed assets	2	**-3 508**	-1 571
Sale proceeds from fixed asset disposals	2	**225**	425
Dividends received	8	**9 834**	8 725
Change in other investments		**412**	585
Net cash flow from investing activities		**6 964**	8 164
CASH FLOW FROM FINANCING ACTIVITIES			
Paid out loan to subsidiary		**-365 012**	0
Increase in share capital		**365 012**	0
Dividend paid		**-4 735**	0
Instalments b/b commitments		**-17 328**	-15 059
Net cash flow from financing activities		**-22 063**	-15 059
Net change in cash and cash equivalens		**-4 700**	8 752
Cash and cash equivalents at 1 January		**13 714**	4 962
Cash and cash equivalents at 31 December	5	**9 013**	13 714
Restricted bank deposits	5	**761**	1 877

NOTE 1 ACCOUNTING POLICIES

Belships ASA is an owner and operator of subsidiaries owning dry bulk ships, presently operating a fleet of 15 ships. The company is also providing commercial management and ship management services through subsidiaries. The company is a public limited liability company incorporated and domiciled in Norway and listed on Oslo Stock Exchange. The head office is located in Lilleakerveien 4 in Oslo, Norway.

The financial statements have been approved by the Board on 25 April 2019.The accounts are prepared in accordance with Norwegian Generally Accepted Accounting Principles (NGAAP).

The accounts form part of the consolidated accounts of Belships ASA. The consolidated financial statements have been prepared in accordance with IFRS as adopted by EU.

Belships has obtained approval from Oslo Stock Exchange and Norwegian tax authorities to only publish its financial statements in English.

All amounts in the notes are in NOK 1 000 unless otherwise stated.

MERGER WITH THE LIGHTHOUSE GROUP

On 6 July 2018, Belships announced that the company's largest shareholder, Sonata AS, had accepted an offer from Kontrari AS and Kontrazi AS relating to a contemplated sale of 30.2% in the company to Kontrari. The share sale was followed by a three way merger between Belships, Belships Lighthouse AS (former Belships Chartering AS) and the Lighthouse companies, which were companies controlled by Kontrari and Kontrazi. Consideration shares were issued by Belships ASA, while Belships Lighthouse merged with the Lighthouse companies. The merger was completed 10 December 2018, and resulted in a merger receivable of USD 35.5 million (NOK 301.0 million).

The merger is accounted for (or constitutes) as a reverse acquisition in the consolidated figures.

A) CLASSIFICATION OF BALANCE SHEET ITEMS

Assets intended for long-term ownership or use are classified as fixed assets. Other assets inclusive accounts receivable within 12 months are classified as current assets. Liabilities due within 12 months, are classified as short-term liabilities. Current assets are reported at the lower of cost and net realisable value, while current liabilities are carried at the nominal value at drawdown date.

B) TAXES ON INCOME

Tax expenses consist of tax payable and changes in deferred tax. Deferred tax/tax assets are calculated on all differences between accounting values and tax values of assets and liabilities.

Deferred tax assets are included in the balance sheets when it is likely that the company will have sufficient profit for tax purposes in subsequent periods that will enable the company to utilise the tax asset. The company records previously unrecorded deferred tax assets to the extent it has become likely that the company can utilise the deferred tax asset. Similarly, the company will reduce the deferred tax asset to the extent the company no longer regards it as being likely that it can utilize the deferred tax asset.

Deferred tax and deferred tax asset are measured on the basis of expected future tax rates for the companies in the group where temporary differences have occurred.

Deferred tax and deferred tax assets are entered at nominal value and are classified as financial fixed assets (long-term liability) on the balance sheet.

Tax payable and deferred tax are booked directly against equity to the extent the tax items relate to equity transactions.

C) TANGIBLE FIXED ASSETS

Tangible fixed assets are measured at acquisition cost, net of accumulated depreciation and impairments losses. When assets are sold or divested, the carrying amount is deducted and any gains or losses are recognised in the income statement. Acquisition cost for tangible fixed assets is the purchase price, including taxes and charges and expenses directly related to preparing the asset for use. Expenses incurred after the asset has been put to use, are recognised in the income statement, whereas other expenses which are expected to create future financial gains are capitalised.

An estimated docking element is recognised as a separate component of the ship for depreciation purposes on the first occasion a ship is booked in the accounts. The amount corresponds to the estimated docking costs for the period. The docking component is depreciated on a straight-line basis the over the period to the next planned drydocking.

Residual value has been taken into account, and this is estimated based on steel value of the ship at the balance sheet date less estimated cost to demolish the ship.

Book value is compared to market value and value in use to assess the need for any further impairment compared to the ordinary depreciation plan. The depreciation period and method are assessed annually and are based on the management's estimates of the ships' future useful life. The same applies to residual value.

The ships are depreciated as one unit, as the value of any part of the ship with a useful lifetime other than 25 years is considered to be insignificant.

D) IMPAIRMENT OF ASSETS

At the end of each quarter, every ship is assessed for impairment indicators. The same applies when events or changes occur that may entail that the asset's carrying amount may not be recovered. In assessing the need for impairments, assets are grouped at the lowest level at which there is identifiable and predominantly independent cash inflows, which means per ship. Impairment is calculated as the difference between the asset's carrying amount and the value considered as recoverable. The recoverable amount is the higher of the asset's fair value less cost to sell and its value in use to the Company. Value in use is calculated by discounting anticipated future cash flows from the asset. When it is assumed that the asset's value is lower than its carrying amount, an impairment loss is recognised.

Impairment loss recognised in earlier periods is reversed only in case of changes to the estimates used to determine the recoverable amount. However, the reversal amount may only be so high that book value after reversal at most corresponds to the value at which the asset would have been registered if it had not been impaired earlier. Such reversals are recorded in the income statement.

Financial assets classified as being available for sale are written down when there are objective indications that the asset has declined in value. An accumulated loss (the difference between acquisition cost and current market value, with deduction of impairments previously included in the result and any amortisation amounts) is included in the income statement. If the market value of a debt instrument classified as available for sale increases in a subsequent period, and the increase can objectively be linked to an event that took place after the impairment was included in the income statement, the impairment loss will be reversed over the income statement.

Impairment loss for an investment in an equity instrument classified as held for sale, will not be reversed over the income statement.

E) LEASING

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date. Leases are classified as financial leases if the terms of the lease agreement transfers substantially all the risks and rewards incidental to ownership of an asset. All other leases are classified as operating lease.

Assets financed under financial leases are capitalized at inception of the lease at the fair value of the leased vessel or, if lower, at the present value of the minimum lease payments. The corresponding lease obligation is recognized as a liability in the balance sheet. Lease payments are split between interest cost and reduction of the lease liability. Interest cost is recognized in the income statement.

Financial leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term. For operating leases, the payments (time charter hire or bareboat hire) are recognized as an expense on a straight line basis over the term for the lease.

F) INVESTMENTS IN OTHER COMPANIES

Investments in subsidiaries and jointly controlled companies are accounted for in the parent company using the cost method.

G) ACCOUNTS RECEIVABLE

Accounts receivable are booked at nominal amount less expected loss.

H) CASH FLOW STATEMENT

The cash flow statement has been prepared using the indirect method. Liquid assets includes cash, bank deposits (restricted and unrestricted) and other short-term investments, which can be converted to cash within 3 months. For restricted deposits, see note 5.

I) EQUITY

(i) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium. Share options exercised during the reporting period are fulfilled with treasury shares.

(ii) Costs related to equity transactions

Transaction costs directly related to equity transactions are charged directly against the equity after tax deductions.

J) EMPLOYEE BENEFITS

Defined contribution pension scheme

All employees are member of the company's defined contribution scheme. The premium is charged as incurred by operations. Social security tax expense is recognized based on the pension plan payments.

Defined benefit pension scheme

The company has unfunded pension liabilities. These relate to early retirement and pension to persons, that have not been included in the service pension scheme. Pension obligations are estimated by an independent actuary.

Actuarial gains and losses arising from changes in actuarial assumptions are charged and credited to equity through other comprehensive income in the period in which they arise.

K) PROVISIONS

A provision is recorded when the company has a liability (legal or constructive) as a result of a previous event, where it is likely (more likely than not) that there will be a financial settlement as a result of this liability and that the size of the sum can be reliably determined. If the effect is considerable, the provision is calculated by discounting the expected future cash flow with a discount rate before tax, which reflects the market's evaluation of the time value of money and, if relevant, risks specifically connected to the liability.

Provisions for loss-creating contracts are included when the group's expected income from a contract is lower than the inevitable costs which were incurred in discharging the obligations of the contract.

L) REVENUE RECOGNITION

Gains will be taken to income when it is likely that transactions will generate future financial gains which will be attributable to the company and the sum can be reliably estimated. Interest rate income is taken to income based on effective interest method according to when it is earned.

Dividend received from subsidiaries is accounted for in the same year as dividend has been accrued for in the subsidiary. If such dividend exceeds the prorata share of retained earnings after the acquisition of the shares, such excess portion represents repayment of capital and reduces the acquisition cost accordingly.

M) TRANSACTIONS IN FOREIGN CURRENCY

Transactions in foreign currency are converted at the rate at the time of the transaction. Monetary items in foreign currency are converted into Norwegian kroner using the rate on the balance sheet date. Non-monetary items which are measured at historical rates expressed in foreign currencies, are converted into Norwegian kroner using the currency rate at the time of the transaction.

Non-monetary items which are measured at market value expressed in foreign currency are converted at the currency rate on the balance sheet date. Currency rate changes are charged against income during the accounting period.

N) CONTINGENT GAINS AND LOSSES

Provisions are made for contingent losses deemed probable and quantifiable. Contingent gains are not recognised.

O) RELATED PARTY TRANSACTIONS

Transactions with related parties are carried out at market terms. See note 15 for further information.

P) EVENTS AFTER THE BALANCE SHEET DATE

New information after the balance sheet date regarding the company's financial position as of the balance sheet date is taken into consideration in the annual accounts. Events after the balance sheet date that do not affect the company's financial position as of the balance sheet date, but which will have an impact on the company's financial position in the future are revealed if significant.

Q) USE OF ESTIMATES IN PREPARATION OF THE ANNUAL ACCOUNTS

The management has used estimates and assumptions that have affected assets, debt, income, costs and information on potential liabilities. This applies particularly to pension liabilities and share-based remuneration. Future events can entail a change in these estimates. Estimates and the underlying assumptions are evaluated on an ongoing basis. Changes in accounting estimates are entered in the period when the changes occur. If the changes also apply to future periods, the effect is distributed over the current and future periods.

R) EARNINGS PER SHARE

Earnings per share are calculated by dividing the net result by a weighted, average number of shares in the reporting period. Diluted earnings per share are calculated on the basis the dilution effect of issued options and convertible loans, if any.

S) SHARE-BASED REMUNERATION

The employees in Belships ASA have received options to purchase shares in the company. The market value of the awarded options is measured at the time of the award and charged to expense over the vesting period as a wage cost with corresponding increase in other paid-in equity. The market value of the options granted is estimated using the Black and Scholes option pricing model.

T) FINANCIAL INSTRUMENTS

Financial instruments are valued at lowest of cost and estimated fair value.

NOTE 2 FIXED ASSETS

	Ships			Other fixed assets		
	Ships	Capitalised drydocking expenses	Total	Depreciable assets	Non Depreciable assets	Total
2018						
Cost price						
As at 1 January	422 122	15 358	**437 480**	11 589	4 113	**15 702**
Additions	0	306	**306**	3 202	0	**3 202**
Disposals	0	0	**0**	-1 360	0	**-1 360**
As at 31 December	422 122	15 664	**437 786**	13 431	4 113	**17 544**
Depreciations						
As at 1 January	44 744	6 208	**50 952**	9 030	500	**9 530**
Depreciation for the year	15 075	3 072	**18 147**	1 092	0	**1 092**
Reversal of impairment	-11 525	0	**-11 525**	0	0	**0**
Disposals	0	0	**0**	-1 187	0	**-1 187**
As at 31 December	48 294	9 280	**57 574**	8 935	500	**9 435**
Book value at 31 December	373 828	6 385	**380 212**	4 496	3 613	**8 109**
2017						
As at 1 January	422 122	15 358	**437 480**	17 084	4 113	**21 197**
Additions	0	0	**0**	1 571	0	**1 571**
Disposals	0	0	**0**	-7 066	0	**-7 066**
As at 31 December	422 122	15 358	**437 480**	11 589	4 113	**15 702**
Depreciations						
As at 1 January	65 840	3 073	**68 913**	14 952	500	**15 452**
Depreciation for the year	11 917	3 135	**15 052**	722	0	**722**
Reversal of impairment	-33 013	0	**-33 013**	0	0	**0**
Disposals	0	0	**0**	-6 644	0	**-6 644**
As at 31 December	44 744	6 208	**50 952**	9 030	500	**9 530**
Book value at 31 December	377 378	9 150	**386 528**	2 559	3 613	**6 172**
Depreciation	25 years	2.5 years		3 - 5 years		

Depreciation method: Straight Line

M/S BELISLAND

M/S Belisland, a 61 000 dwt Ultramax bulk carrier was delivered on 15 March 2016 and is leased on bareboat charter for a period of 15 years with purchase options from year 5 onwards. The lease transaction is considered as a financial lease. The ship is chartered to Canpotex for 5 years from delivery at a net rate of USD 17 300 per day.

M/S BELFOREST

M/S Belforest, a 61 000 dwt Ultramax bulk carrier was delivered on 25 September 2015 and is leased on bareboat charter for a period of 12 years with purchase options from year 3 onwards. The transaction is considered as a financial lease. The ship has been chartered to Cargill at an average charter rate of around USD 10 745 per day in 2018. Due to improved market, NOK 11.5 million of previous impairments were reversed in 2018.

M/S BELOCEAN

M/S Belocean is owned by Belships Supramax Singapore (BSS) and is on time charter to Belships ASA at USD 16 000 per day. The ship has been chartered to Cargill at an average charter rate of approximately USD 10 329 per day in 2018.

OTHER FIXED ASSETS

Depreciable assets include vehicles, office furniture and office equipment. Depreciation period is 3-5 years. Non-depreciable assets include apartment and art, which is being tested for impairment annually.

PREPAYMENT OF TIMECHARTER HIRE

Prepayment of timecharter hire at NOK 4.1 million is related to M/S Belnippon which was delivered in January 2018. The ship is considered as operational lease and time charter expenses amounted to NOK 86.2 million in 2018.

NOTE 3 OPTIONS TO EMPLOYEES

At the Annual general meeting (AGM) in 2017, the Board was authorised to issue up to 200 000 share options to employees in legacy Belships ASA. The option price is 105% of closing share price on the day of the AGM. The authorization is valid for two years. In accordance with this authorisation, options to buy 200 000 shares at NOK 5.12 were awarded in August 2017.

At the AGM in 2018, the Board was authorised to issue up to 200 000 share options to employees. The option price is 105% of closing share price on the day of the AGM. The authorization is valid for two years. In accordance with this authorisation, options to buy 200 000 shares at NOK 5.36 were awarded in December 2018. No options have been exercised.

The above mentioned option programs require a service period of 12 months before they can be exercised. The option can be exercised after one year from the date of the AGM which approved the option program and runs unto the date of the next AGM. The option programs include all employees in the parent company. The employees must be employed in the company at the time when the options can be exercised in order to have a right to exercise them.

SUMMARY OF OUTSTANDING OPTIONS

	Number of options **2018**	Number of options 2017
Outstanding 1 January	**400 000**	400 000
Awarded	**200 000**	200 000
Exercised	**0**	0
Not exercised	**-200 000**	-200 000
Outstanding 31 December	**400 000**	400 000

Market value of options estimated using the Black and Scholes options pricing model. For the options awarded in 2017 and 2018 the market value per share was NOK 1.97 and NOK 1.80 respectively. The market value of outstanding share options are calculated at time of award and charged against profit and loss over the period until they can be exercised. In 2018 the calculated costs amounted to 105.

The following forms the basis for the calculation:
Share price at the time the option was awarded: The share price is set as equal to the stock exchange share price when the option was awarded.

Exercise price per option: The exercise price was 105 % of the stock exchange market price when the option was awarded.

Volatility: Historic volatility set as indication of future volatility. Expected volatility equals a historic volatility of 66%.

Duration of options: It is assumed that all employees will exercise their options when the service period has been completed. The term of the options is estimated at two years.

Dividend: Estimated dividend per share is NOK 0 per year.

Risk free interest rate: Interest rate used as a basis for calculating options is equal to the interest rate on government bonds over the duration of the options, i.e. 1.07 % for 2018.

Decrease in the number of employees: Expected reduction is 0.

SHARE OPTION PLAN
NEW CHIEF EXECUTIVE OFFICER

The new CEO in Belships, Lars Christian Skarsgård, who commenced his position in March 2019, has been granted options to subscribe for up to five million shares in the Company with an exercise price of NOK 6 per share. The options can be exercised in the period between 36 months and 60 months from 15 March 2019. The company may honour exercised options by delivery of new shares in a share issue, by sale of existing shares, or by way cash settlement (i.e. payment of the difference between the market price of the shares less the exercise price). Options that have not been exercised will lapse if Skarsgård terminates his position as CEO or if he is terminated from his position with cause. If Skarsgård is terminated from his position without cause during the first 12 months, 2/3 of the options will lapse and if he is terminated from his position without cause during the first 24 months, 1/3 of the options will lapse. If Skarsgård is terminated without cause during the exercise period, the options will lapse unless they are exercised within three months.

NOTE 4 INTERCOMPANY BALANCES

No interest is calculated on current intercompany balances, as these items are only considered as ordinary operating balances.

Interest at market terms is calculated on non-current intercompany balances, and the balance fall due when the cash position allows it. Interest income of 322 (2017: 127) are received from subsidiary due to non-current intercompany balance of NOK 354.3 million (NOK -5.9 million) at year-end.The increase in intercompany receivables relates to the merger receivable as a consequence of the three way merger (see note 4 in the consolidated financial statement). The merger receivable amounts to NOK 301.0 million. If the receivable is converted to debt or repaid, part of the receivable will result in tax losses and gains in Belships and Belships Lighthouse. Payable tax resulting as a consequence, can be offset with group contribution.

NOTE 5 BANK DEPOSITS

Total bank deposit amounted to 9 014 (13 714) at year-end. Restricted funds for withholding tax for employees amounted to 761 (711) at 31 December 2018.

NOTE 6 EQUITY

	Paid-in				Retained	
	Share capital	Treasury shares	Shares premium res.	Other equity	Other equity	Total
Equity per 31 December 2017	94 704	-1 096	93 333	106 728	-73 154	220 515
Effect of merger	255 532	0	109 480	0	0	365 012
Remeasurements loss	0	0	0	0	-959	-959
Share-based payments	0	0	0	105	0	105
Dividend	0	0	0	0	-4 680	-4 680
Result for the year	0	0	0	0	-54 048	-54 048
Equity per 31 December 2018	350 236	-1 096	202 813	106 833	-132 841	525 945

SHARE CAPITAL

Belships ASA's 175 117 993 shares, each with a face value of NOK 2.00, was as of 31 December 2018 distributed among 549 shareholders (2017: 594). Each share has one vote.

	2018	2017
Number of shares		
Ordinary shares, issued and paid-in per 1 January	47 352 000	47 352 000
Share issue	127 765 993	0
Ordinary shares, issued and paid-in per 31 December	175 117 993	47 352 000

TREASURY SHARES

The company holds 548 000 treasury shares in total with an average cost price of NOK 9.91 as of 31 December 2018. Belships ASA has provided 50 000 treasury shares to ABG Sundal Collier Norge ASA (ABGSC) as a facility for ABGSC' role as liquidity provider for the company's shares on Oslo Stock Exchange.

AUTHORISATION TO ISSUE NEW SHARES

At the Annual general meeting in 2018 the Board received authorisation to issue up to 4.7 million new shares. The authorisation has not been used and is valid to the next ordinary Annual general meeting.

THE 20 LARGEST SHAREHOLDERS IN BELSHIPS ASA AT 31 DECEMBER 2018

	Number of shares	Percentage
1 Kontrari AS	82 990 933	47.39 %
2 Kontrazi AS	37 463 265	21.39 %
3 Sonata AS	17 461 778	9.97 %
4 LGT Bank AG	11 853 828	6.77 %
5 Tidships AS	5 020 432	2.87 %
6 Pershing LLC	3 530 838	2.02 %
7 UBS Switzerland AG	3 003 782	1.72 %
8 Clearstream Banking S.A.	1 635 678	0.93 %
9 KBC Bank NV	1 591 508	0.91 %
10 Eitzen Rederi AS	657 249	0.38 %
11 Belships ASA	498 000	0.28 %
12 AR Fonds AS	416 183	0.24 %
13 AS Torinitamar	360 000	0.21 %
14 Toru Nagatsuka	330 000	0.19 %
15 Chrem Capital AS	320 000	0.18 %
16 Jomaho As	316 620	0.18 %
17 Jenssen & Co A/S	302 816	0.17 %
18 Citibank, N.A.	273 547	0.16 %
19 Carl Erik Steen	269 154	0.15 %
20 Jovoko AS	250 000	0.14 %
Total 20 largest shareholders	168 545 611	96.25 %
Other shareholders	6 572 382	3.75 %
Total number of shares	175 117 993	100.00 %

NUMBER OF SHARES OWNED BY BOARD MEMBERS IN BELSHIPS ASA

	Note	Number of shares	Outstanding options
Frode Teigen	1	120 454 198	0
Sverre J. Tidemand	2	17 461 778	0
Carl Erik Steen		269 154	0
Other members		0	0

NUMBER OF SHARES OWNED BY THE MANAGEMENT IN BELSHIPS ASA

	Note	Number of shares	Outstanding options
Lars Christian Skarsgård, CEO *	3	379 900	5 000 000
Osvald Fossholm, CFO		0	66 000

*) See note 3 for more information about separate share option plan. The options were awarded in March 2019.

1) Includes shares held by Kontrari AS and Kontrazi AS, companies controlled by Frode Teigen.
2) Includes shares held by Sonata AS, a company in which Sverre J. Tidemand controls.
3) Includes shares held by AS Torinitamar, a company owned by Lars Christian Skarsgård.

NOTE 7 PENSIONS

DEFINED CONTRIBUTION SCHEME

All the employees in the parent company are member of a defined contribution scheme, which is in line with the occupational pension scheme for employees in Norway in accordance with the Act on Mandatory occupational pensions. Annual payable cost is reflected in the income statements and the company does not have any future liabilities related to this scheme. Total costs amounted to NOK 1.1 million in 2018.

DEFINED BENEFIT SCHEME

In addition to defined contribution scheme, the legacy Belships has unfunded pension liabilities which are covered through the daily operations. These relate to early retirement and pension to persons, that have not been included in the defined contribution scheme. There are 7 retired persons included in this scheme.

Pension commitments are calculated by an independent actuary. The basis for the calculation is shown below. The mortality table (K2013) for Norway is used in the calculations.

Social security costs are recorded based on net pension obligation in the balance sheet included estimate discrepancy.

ASSUMPTIONS

	2018	2017
Discount rate	2.60 %	2.40 %
Future wage adjustment	2.75 %	2.50 %
Pension adjustment/G-adjustment	2.75 %	2.50 %
Return on pension plan assets	2.60 %	2.40 %
Composition of the net pension obligations		
Net pension obligations as at 1 January	4 340	5 583
Interest on accrued pension obligations	96	127
Employer benefits paid	-661	-1 418
Actuarial (gains)/losses on obligation	959	48
Net pension obligations as at 31 December	**4 734**	**4 340**
Net pension expenses		
Pension expenses defined benefit plan	96	127
Pension expenses defined contribution scheme	1 105	1 041
Total pension expenses	**1 201**	**1 168**

NOTE 8 SHARES

	Business office	Time of purchase	Cost price	Voting share	Ownership/ share capital	Company's of shares owned	Number Par value in total	Book value
Shares in subsidiaries								
Belships Management AS 1)	Oslo	09.12.85	7 493	100 %	100	2	100	657
Belships Mgmt (Singapore) Pte Ltd 2)	Singapore	31.12.83	12 075	100 %	SGD 60	500	SGD 60	12 076
Belships Supramax Singapore Pte Ltd	Singapore	18.06.09	253 782	100 %	SGD 100	100 000	SGD 100	189 000
Belships Lighthouse AS 3)	Oslo	27.01.93	221 181	100 %	5 403	2 700	5 403	5 403
Total								207 136

1) The company has provided dividend of NOK 1.0 million in 2018.
2) The company has provided dividend of NOK 8.8 million in 2018 (2017: NOK 7.2 million).
3) The name was changed from Belships Chartering AS in January 2019.

NOTE 9 SPECIFICATIONS

	2018	2017
Ship operating expenses		
Crew expenses	**15 892**	15 906
Maintenance and spare parts	**5 191**	4 536
Insurance	**2 342**	2 435
Management fee	**1 952**	1 985
Other ship operating expenses	**2 799**	1 634
Total	**28 177**	26 496
Other financial items		
Net guarantee commissions income 1)	**6 076**	5 083
Other financial costs/(income)	**-1 737**	200
Total	**4 339**	5 283
Currency loss/(gain) in Income statement		
Realised currency exchange gain	**29 929**	32 496
Unrealised currency exchange gain	**8 676**	6 917
Realised currency exchange loss	**-45 394**	-16 221
Unrealised currency exchange loss	**-16 271**	-4 400
Total	**-23 060**	18 792

1) The company is acting as a guarantor of the mortgage debt in the subsidiary Belships Supramax Singapore. A guarantee fee of NOK 6.1 million (NOK 7.1 million) equal to 3% of loan balance was charged in 2018.

NOTE 10 SALARIES, NUMBER OF EMPLOYEES

	2018	2017
Salaries	**22 870**	10 372
Social security tax	**2 092**	1 888
Pension expenses	**1 201**	1 168
Other allowances	**570**	452
Total payroll expenses	**26 732**	**13 880**

The parent company received a management fee from the subsidiary Belships Management AS amounting to NOK 5.3 million in 2018 (2017: NOK 5.0 million).

The average number of employees in 2018 was 8 (2017: 8).

REMUNERATION*

2018	CEO	Financial director
Salaries	15 059	1 612
Share-based payment transaction exp.	136	75
Pension expenses	171	171
Other allowances	236	216
Total	15 603	2 075

*) Former CEO of Belships, Ulrich Müller was granted a bonus compensation equal to 12 months base salary when merger was completed. He is also entitled to receive severance pay for a period of 24 months after his resignation.

Other allowances include telephone, insurance agreements etc. There exist no severance pay agreement.

SHARE OPTIONS

For information about share options, see note 3. The CEO has a separate option scheme which also is described in note 3.

BOARD REMUNERATION

Board members are not awarded share options. The Board has received 687 in remuneration in 2018 (2017: 666), divided into 171 to the Chairman and 129 to each of the other members. Additional, 3 of the board members represented an audit committee and have received 96 in additional remuneration in 2018 (2017: 93), divided into 36 to the Chairman and 30 to each of the other members.

GUIDELINES FOR THE REMUNERATION OF THE EXECUTIVE MANAGEMENT OF BELSHIPS ASA

In conformity with the provisions of section 6-16a of the Norwegian Public Limited Liability Companies Act, the Board has prepared the following statement on the company's guidelines for the remuneration of the executive management:

- Belships will have a competitive bonus scheme to ensure that the company will have the necessary capacity and competence.
- Belships will seek to have fixed salaries at market terms. There will also be a variable part (bonuses and share options), which will be evaluated annually.

FEES TO THE AUDITOR (EXCLUDING VAT) *

	2018	2017
Remuneration for audit services	**223**	265
Other assurance services	**826**	93
Assistance related to tax matters	**98**	67
Other audit related assistance	**700**	0
Total	**1 847**	425

*) Approximately NOK 1.5 million of the amounts in 2018 are related to due diligence and the merger with Lighthouse Group.

LOANS TO EMPLOYEES

Loans to employees amounted to 540 (952) at 31 December 2018. Of this, 285 (360) to the management. See note 12 for further details related to the loans.

NOTE 11 OTHER GENERAL ADMINISTRATIVE EXPENSES

	2018	2017
Office expenses	**1 499**	1 650
Other services *	**15 444**	1 689
Data, office equipment a.o.	**655**	662
Communication, advertising	**495**	451
Travel expenses	**325**	358
Other general administrative expenses	**1 517**	1 414
Total	**19 934**	6 224

*) The amount includes expenses related to the merger process.

NOTE 12 RECEIVABLES AND LIABILTIES

BAREBOAT CHARTER COMMITMENTS

Belships ASA entered in 2015 into a lease agreement for M/S Belforest. The bareboat period is 12 years with purchase options from year 3 onwards.

In 2016 Belships entered into a bareboat lease agreement for M/S Belisland. The ship is leased for a period of 15 years with purchase options from year 5 onwards.

Both leases are considered as financial leases.

TIME CHARTER COMMITMENTS

In January 2018 the newbuilding M/S Belnippon was delivered and entered the 8-years time charter agreement to Belships. Belships has purchase options from year 4 onwards. The ship was considered as operational lease in 2018.

In June 2017 Belships signed an agreement to charter in an Ultramax bulk carrier of 63 000 dwt to be delivered from Imabari Shipbuilding first half 2020. The charter period will be for minimum 8 years plus two yearly options, with purchase option from end of fourth year.

See note 11 in the consolidated accounts for payment schedule for the lease-agreements.

INTEREST SWAP AGREEMENT

In 2015 Belships entered into an interest swap agreement at a rate of 1.9% and with a duration of 5 years currently covering USD 15 million, reducing by USD 2 million per year.

LOANS TO EMPLOYEES

Loans to employees amounted to 540 (952) as at 31 December 2018. The average interest rate used for the loans was 2.15% (2.20%) in 2018. The repayment period is five years.

All short-term receivables and liabilities are due within 12 months.

NOTE 13 SUBSEQUENT EVENTS

In March 2019 the Belships Group secured a USD 140 million loan facility. The new loan will be available in two tranches. An initial tranche of USD 110 million will replace Belships existing loan and strengthen the Group's working capital. An accordion tranche of USD 30 million will be available for fleet expansion.

In April 2019, Belships entered into an agreement to acquire a 58 700 dwt bulk carrier. The vessel was built at Tsuneishi Heavy Industries (Cebu), Inc. in the Philippines in 2008. The agreed purchase price is USD 13.0 million, of which half will be paid in cash. The remaining consideration will be settled through a proposed issue of 8,060,650 new Belships shares to the seller of the vessel. The agreed share price in the transaction is NOK 7.00 per share. Delivery of the vessel is expected in the second quarter 2019.

Belships ASA entered in April 2019 into an agreement to acquire the 63 000 dwt bulk carrier M/V Sofie Victory. The Ultramax ship was built at New Times Shipbuilding, China in 2016. Belships will acquire all shares in the single purpose company Sofie Victory AS, being the owner of M/V Sofie Victory. Sellers are the Bergen, Norway based company EGD Ultra Eco AS (holding 80 per cent of the shares in Sofie Victory AS) and Cyprus based Blossom Shipmanagement Ltd (holding 20 per cent of the shares in Sofie Victory AS). EGD Ultra Eco AS is ultimately controlled by investor Espen Galtung Døsvig. The agreed purchase price is USD 24.15 million, of which approximately USD 14 million is debt. Of the net consideration of approximately USD 10 million, USD 2.0 million will be paid in cash while the remaining amount will be settled through a proposed issue of new Belships shares to the sellers of Sofie Victory AS. The agreed share price in the transaction is NOK 7.00 per share. The ship is time chartered to ED&F Man Shipping Ltd until March 2021 at an index based rate with a minimum floor above current market levels.

No other material events have taken place after 31 December 2018.

NOTE 14 FINANCIAL MARKET RISK

CURRENCY RISK

The functional currency of the company is USD and the presentation currency is NOK. Balance sheet items in USD have been converted to NOK at currency rate 8.6885 (8.2050), which was Norges Bank's exchange rate at 31 December 2018. Income and expenses related to the ships occurs in USD. The company makes ongoing currency exchanges to cover the administrative expenses in NOK. At year end the deposit of NOK amounted to 3.4 million (NOK 8.2 million).

No hedging agreement towards NOK are concluded.

The company does not use hedge accounting.

INTEREST SWAP AGREEMENT

An interest swap agreement was entered into in 2015 at a rate of 1.9% and with a duration of 5 years currently covering USD 15 million, reducing by USD 2 million per year. Market value of this agreement amounted to 1 511 (100) at year end. The amount is not recorded in the books.

CREDIT RISK

There will always exist a credit risk related to the company's business. Belships monitors this risk and the strategy is to carefully select counterparts. Historical losses have been limited.

NOTE 15 RELATED PARTIES

The company performs management services for a subsidiary and receives a fee for that. The fee amounted to 5 294 (4 976) in 2018.

The company receives a commission for acting as guarantor for mortgage debt in the subsidiary Belships Supramax Singapore Pte Ltd. The fee amounted to 6 076 (7 061) in 2018. See note 9 for further details.

All intercompany transactions have been conducted to market terms.

Except for the above mentioned, it has not been issued loans or provided security to or from shareholders or related parties.

A member of the management has received loan from the company. Outstanding balance as at 31 December 2018 amounted to 285.

In March 2019, a subsidiary of Belships ASA signed a new loan agreement, which effectively will restructure the Group companies external loans (see note 11 in the consolidated financial statements). Belships ASA has guaranteed for the new loan.

NOTE 16 TAX

TAX RESULT FOR THE YEAR FOR BELSHIPS ASA

	2018	2017
Result for the year before tax	**-54 048**	44 010
Change in temporary differences	**-36 314**	-92 828
Permanent differences / other	**-9 623**	-8 403
Tax basis for the year	**-99 985**	-57 222
Taxes payable (23%)	**0**	0
Total income tax expense	**0**	0

In accordance with NGAAP, tax reducing temporary differences and tax increasing temporary differences that are reversed, or can be reversed in the same period are assessed and the amount recorded net.

RECONCILIATION OF TAX EXPENSE

	2018	2017
Result for the year before tax	**-54 048**	44 010
Statutory tax rate	**23 %**	24 %
Estimated tax expense at statutory rate	**-12 431**	10 562
Permanent differences / other	**-2 213**	-2 017
Expected tax expense	**-14 644**	**8 546**
Change in deferred tax assets	**14 644**	-8 546
Actual tax expense	**0**	0
Effective tax percentage	**0 %**	0 %

DEFERRED TAX PER 31 DECEMBER

	2018	2017
Deferred sale fixed asset gain/(loss)	**-4 571**	-5 714
Pension obligations	**-4 734**	-4 340
Temporary differences fixed assets	**122 444**	86 878
Impairment loss shares in subsidiaries abroad	**-64 782**	-64 782
Tax loss carried forward	**-556 161**	-456 177
Net temporary differences	**-507 804**	-444 133
Nominal tax rate on deferred tax	**22 %**	23 %
Deferred tax assets	**-111 717**	-102 151
Deferred tax assets in the Balance sheet	**0**	0
Deferred tax assets not recorded in the Balance sheet	**-111 717**	-102 151

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Statsautoriserte revisorer
Ernst & Young AS

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Independent auditor's report

To the annual shareholders' meeting of Belships ASA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Belships ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2018, the income statement, statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2018, the statements of other comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2018, and of its financial performance for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Business combination

In December 2018, a merger between Belships Chartering AS, a wholly owned subsidiary of Belships ASA, and certain subsidiaries of Kontrari AS and Kontrazi AS (the Lighthouse Group), was completed. The transaction was settled with consideration shares issued by Belships ASA. The merger was accounted for as a reverse acquisition. The fair value of the acquired assets was determined based on estimates and assumptions about the future performance of the acquired fleet of vessels and the dry bulk market. The most complex part of the purchase price allocation was related to the valuation of the vessels and contracts, which was based on discounted cash flows. Vessel values was also supported by two third-party valuation reports obtained from brokers by the Company.

The merger is a key audit matter due to the significance of the transaction and due to the significant judgments and assumptions involved in the recognition and measurement of the acquired assets, assumed liabilities and the bargain gain amounting to USD 12 849 thousand from the business combination in the consolidated statement of comprehensive income.

We read the agreement and gained an understanding of the transaction and its rationale including criteria for reverse acquisitions through discussions with management. We assessed the identification and valuation of the acquired assets (e.g. vessels and contracts) and other assets and liabilities assumed in the acquisition. The identification of fair value adjustments was assessed based on our understanding of the acquired companies and the plans of the management that supported the acquisition. We evaluated the methodology and assumptions used in the valuation of the acquired vessels and compared these valuations with Belships' methodology for valuations of similar vessels. For the contracts, we compared key terms used in managements valuation against market rates. We considered the key assumptions in the cash flows projected by management through comparing the assumptions to external sources for future market expectations, independent broker valuations, and tested the mathematical accuracy of the valuation model.

Refer to note 4 in the consolidated financial statements disclosures regarding the business combination.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

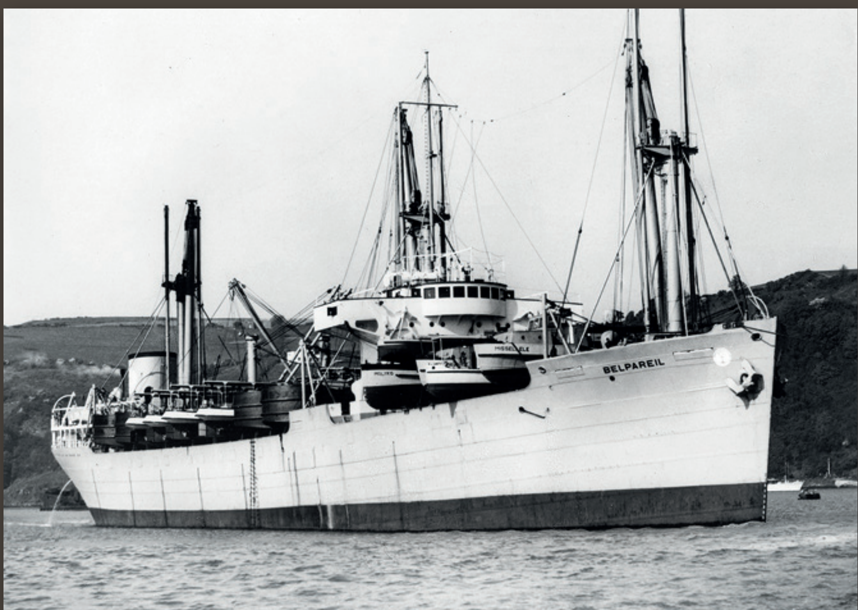
Other matters

The financial statements for the Group for the year ended 31 December 2018 includes comparative figures for 2017, which are not audited. Our opinion is not qualified in respect of this matter.

Oslo, 29 April 2019
ERNST & YOUNG AS

Jon-Michael Grefsrød (sign.)
State Authorised Public Accountant (Norway)

M/S Christen Smith loading locomotives



M/S Belpareil on her way from Dartmouth in Massachusetts to Apapa in Lagos in 1950.

Directors' responsibility statement

The Board and Chief Executive Officer have today considered and approved the annual report and financial statements for the Belships group and its parent company Belships ASA for 2018.

The Board has based this declaration on reports and statements from the Group's chairman and CEO, on the results of the group's activities and on other information that is essential to assess the Group's position, provided to the Board of the parent company under obligation by the Group's administration and subsidiaries.

To the best of our knowledge:

- the 2018 financial statements for the Group and parent company have been prepared in accordance with all applicable accounting standards
- the information provided in the financial statements gives a true and fair representation of the Group and parent company's assets, liabilities, profit and overall financial position as of 31 December 2018
- the annual report provides a true and fair overview of:
  - the development, profit and financial position of the Group and parent company
  - the most significant risks and uncertainties facing the Group and the parent company

Oslo, 25 April 2019

Peter Frølich *Chairman of the Board*	Sissel Grefsrud *Board member*	Birthe Cecilie Lepsøe *Board member*	Jorunn Seglem *Board member*
Carl Erik Steen *Board member*	Frode Teigen *Board member*	Sverre J. Tidemand *Board member*	Lars Christian Skarsgård *Chief Executive Officer*

Corporate governance

Good corporate governance is a prerequisite for cooperation based on trust between the company's owners, its Board and management, with a view to achieving the objective of long-term growth.

All relevant parties must be confident that the company is soundly operated and that the corporate governance is well defined, fit for purpose and carried out with integrity and independence.

Belships competitiveness hinges on stakeholders and prospective customers trust in the company's integrity and ethical behavior. Board members, management and employees will therefore always strive to uphold and develop trust in the company. Belships' values and ethical guidelines are intended to safeguard good corporate ethics.

IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

Belships' corporate governance policy is based on "The Norwegian Code of Practice for Corporate Governance" (the "Code"), most recently revised on 17 October 2018 and issued by the Norwegian Corporate Governance Policy Board. The policy is designed to establish a basis for good corporate governance to support achievement of the company's core objectives on behalf of its shareholders, including the achievement of sustainable profitability.

By pursuing the principles of corporate governance, the board of directors and management contributes to achieving open communication, equal rights for all shareholders and good control and corporate governance mechanisms. The board of directors assesses and discusses the corporate governance policy on a yearly basis.

Belships aspire to comply with the recommendations of the Code. If the Code is deviated from, the deviation is described and explained in the relevant section of this statement.

THE BUSINESS

The company's business is clearly described in the company's articles of association and is as follows:

"The objective of the company is shipping, charter brokerage and purchase and sale of vessels, offshore operations, participation in the exploration for and the production of petroleum, trade and industry as well as participation in companies of any sort with similar objectives."

The company is listed on the Oslo Stock Exchange and is for the time being engaged in dry bulk and technical management of ships.

The board of directors has defined objectives, strategies and risk profiles for the company's business activities, and is in the process of further developing and adapting these objective, strategies and risk profiles in light of the newly combined business of Belships and the Lighthouse Group in order to create value for the company's shareholders.

The board of directors evaluates the company's objectives, strategies and risk profiles on an annual basis.

The company has implemented guidelines for how it integrates corporate social responsibility into its activities. These guidelines are further described in the company's social responsibility report included on page 79 to the annual report.

EQUITY AND DIVIDEND

Capital structure

As at 31 December 2018, the company had a total equity of USD 123.8 million, corresponding to an equity ratio of 42.2%. The board of directors deems the liquidity position of the company to be satisfactory, with cash and cash equivalents of USD 32 million. The company had mortgage debt of USD 107 million as of 31 December 2018, and a net lease obligation of USD 40.8 million.

The board of directors is of the view that the capital structure of the company is appropriate to the company's objectives, strategies and risk profile.

Dividend policy

Belships aims to maximize the value for the company's share through an efficient and profitable management of the company's resources. A competitive return is to be obtained through growth in the value of the company's shares and the payment of competitive dividends.

The board of directors does not have any authorization to distribute dividend.

M/S Bellis – Heavy lifting anno 1961

Authorisations to the board of directors

At the AGM in 2018, the board was granted an authorisation to increase the share capital by issuing up to NOK 400 000. The authorisation can be used in connection with the company's share option program for employees. The authorisation is valid until the AGM in 2019, but not longer than 30 June 2019.

At the AGM in 2018, the board was also granted an authorisation to increase the share capital by issuing up to 4 700 000 new shares. The authorisation can be to raise equity through subscription of new shares or in connection with the acquisition of others companies by merger or otherwise and / or for the acquisition of shares in ships, including shares in limited partnerships and general partnerships. This authorisation accordingly covered more than one purpose, but the board is of the view that such authorisation gives the board a flexibility to increase the share capital either in connection with acquisitions, to raise equity or a combination of the two, depending on the specific needs of the company. The authorisation is valid until the AGM in 2019, but not longer than 30 June 2019.

The board was also granted an authorisation to, on behalf of the company, acquire up to 700 000 treasury shares at the Board's discretion. The authorisation was not limited to a specific purpose in order to give the board sufficient flexibility.

EQUAL RIGHTS FOR SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

When increasing share capital through the issue of new shares for cash payment, the company's shareholders have normally a pre-emptive right to subscribe for the new shares. If the board resolves to carry out an increase in share capital and waive the pre-emptive rights of existing shareholders on the basis of an authorization granted to the board, this will only be done where justified in light of the company's and the shareholders' interests. Such justification will be published in connection with the announcement of the increase in capital. The board of directors has not made any resolutions to increase the share capital based on the authorizations granted at the GM in 2018.

The board of directors was given an authorization at the GM in 2018 to acquire treasury shares. No such transactions have taken place in 2018.

In the event of any not immaterial transactions between the company and shareholders, a shareholder's parent company, members of the board of directors, executive personnel or close associates of any such parties, the board will arrange for a valuation to be obtained from an independent third party. This will not apply if the transaction requires the approval of the general meeting pursuant to the requirements of the Public Companies Act. Independent valuations will also be arranged in respect of transactions between companies in the same group where any of the companies involved have minority shareholders. No such transactions have taken place in 2018 other than the merger with the Lighthouse Group which was approved by the general meeting pursuant to the requirements of the Public Companies Act.

SHARES AND NEGOTIABILITY

The shares in Belships are freely negotiable and there are no restrictions on any party's ability to own, trade or vote for the share in the company.

GENERAL MEETING

The board of directors seeks to ensure that as many of the company's shareholders as possible can participate in the general meeting and that the resolutions and any supporting documentation are sufficiently detailed, comprehensive and specific allowing shareholders to understand and form a view on all matters to be considered at the general meeting.

In the notice of the general meeting, it may be decided that shareholders who wish to take part in the general meeting, either in person or by proxy, must notify the company to this effect by a deadline of up to two (2) days before the general meeting.

The members of the board have been present at the general meetings in 2018. The company did not have a nomination committee in 2019.

The board of directors has previously considered the need for an independent chairman for the general meeting on a case to case basis. The company's annual general meeting in 2018 was chaired by the chairman of the board of directors, while the company's extraordinary general meeting in October 2018 was chaired by an independent chairman.

The company has not in the past accommodated for advanced voting, but the board of directors, but the board of directors intend to propose for the annual general meeting in 2019 that the articles of association are amended so that shareholders who are unable to be present at the general meeting will be given the opportunity to vote by proxy or through written voting in a period prior to the general meeting. The company will in this respect provide information on the procedure and prepare a proxy form/written voting form, which will be set up so that it is possible to vote on each of the items on the agenda and candidates that are nominated for election.

NOMINATION COMMITTEE

As members of the board of directors historically has represented, directly and indirectly, more than 50% of the shareholdings in Belships ASA, the company has not had a nomination committee in the past. The Board has fulfilled this role itself, and the work to review candidates for the board has been handled by ad hoc committees of the board and chaired by the chairman.

The board of directors have, however, decided to propose for the annual general meeting in 2019 that a nomination committee is established and is laid down in the company's articles of association. The nomination committee will be established in accordance with the recommendation included in the Code.

BOARD – COMPOSITION AND INDEPENDENCE

The Board consists of seven members and the Board is made up of directors with broad experience and knowledge of the sector in order to attend to the common interests of all shareholders and meet the company's need for expertise, capacity and diversity.

Five directors are independent of day-to-day management, the majority shareholder and major business connections. The board of directors does not include members of the executive management.

The board has historically elected its own chairman, which is a deviation from the Code, but the board of directors will propose for the annual general meeting in 2019 that the chairman is elected by the general meeting going forward.

The term of office for the board members are two years and members may be re-elected.

Further information regarding the expertise of the members of the board and information on their record of attendance at board meetings is included in the annual report.

Board members are encouraged to own shares in the company and three directors own shares in the company. Further information regarding the board of directors, including their record of attendance is included the annual report.

THE WORK OF THE BOARD OF DIRECTORS

The board of directors have adopted instructions for its own work and for the executive management. The rules of procedure that apply to the Chief Executive Officer, specify his responsibilities and the decisions that have to be approved by the Board. The Board's duties comprise the review and supervision of the Group's internal control procedures and risk management. The same applies to ensuring that the company's integrity is safeguarded.

The board of directors have also implemented procedures to ensure that members of the board of directors and executive personnel make the company aware of any material interests that they may have in items to be considered by the board of directors. The board of directors will also be chaired by some other member of the board if the board is to consider matters of a material character in which the chairman of the board is, or has been, personally involved.

The board establishes an annual plan for its work and evaluates its performance and expertise annually.

The Board meets at least six times a year and receives a monthly report on the company's operations. In addition, the Board is consulted on or informed about matters of special importance.

Audit committee

The audit committee consist of Birthe Cecilie Lepsøe (chairman) and Peter Frølich. The committee's objective is to act as a preparatory working committee and support in connection with the board's supervisory roles with respect to financial reporting and the effectiveness of the company's internal control system. The members of the audit committee are independent of the company and at least one member of the audit committee is competent in respect of finance and audit. The Board has prepared rules of procedure for the audit committee.

Remuneration committee

The board of directors has considered, but not found the need to establish a remuneration committee in the past, but in intends to establish a remuneration committee in accordance with the recommendations of the Code in 2019.

RISK MANAGEMENT AND INTERNAL CONTROL

The board is responsible for ensuring that the company has sound internal control and believes that the systems for risk management implemented by the company are appropriate in relation to the extent and nature of the company's activities. The company's systems for internal control are closely linked to the company's guidelines for corporate social responsibility.

The board annually reviews the company's most important areas of exposure to risk and its internal control arrangements.

REMUNERATION TO THE BOARD OF DIRECTORS

The company endeavors to grant directors a remuneration based on market terms which reflect the responsibility, expertise, time commitment and the complexity of the company's activities. The remuneration to directors is approved by the company's GM. The remuneration is granted at the end of the year of service.

Directors have no options to buy shares in the company or any other remuneration linked to the company's results, nor do they receive compensation other than the Board fees.

None of the directors perform other assignments for the company in addition to their appointment as member of the board of directors.

REMUNERATION TO THE EXECUTIVE MANAGEMENT

The Board has prepared guidelines for the remuneration of the executive management, pursuant to the law, which are submitted to the GM. Details concerning the remuneration of the company's officers are provided in a separate note to the accounts.

The company has a share option scheme that applies to all employees in Norway, including the executive management. In addition, the Chief Executive Officer has a separate option arrangement. GM has voted separately on the approval of the authorization to the board to issue shares to honor the option program.

INFORMATION AND COMMUNICATION

The company keeps Oslo Stock Exchange, the stock market and shareholders fully updated through interim reports, annual reports and press releases on important events. The company also has a website, which is regularly updated. Belships regards timely and accurate information as essential for obtaining a price for the share that will reflect the company's underlying value and prospects.

COMPANY TAKEOVER

The Board has not prepared any principles for how to act in the event of a take-over bid. If such a bid should be made, the Board considers it important that shareholders are treated equally and that the company's operations are not unnecessarily disturbed. The Board's actions will take this into account in such a situation.

AUDITOR

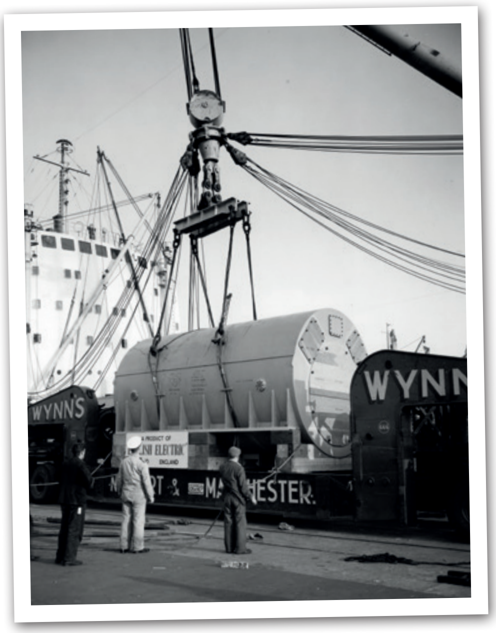
The auditor submits the main features of the company's annual audit plan to the audit committee.

The company's auditor attends the board meetings that deal with the annual accounts. At such board meetings, the auditor reports on any material changes in the company's accounting principles and key aspects of the audit, comments on any material estimated accounting figures and reports all material matters on which there has been disagreement between the auditor and the executive management of the company. The board reviews the company's internal control procedures together with the auditor at least annually.

The board and the auditor also meet at least once a year without the Chief Executive Officer or other members of the executive management being present. The auditor also attends the company's GM and has access to the company's minutes of board and GMs.

The company's auditor is Ernst & Young. Besides ordinary audits, Belships receives assistance from Ernst & Young in connection with accounting and tax issues within the field in which the auditor can assist under the rules of independence. The auditing and counseling fees appear from the notes to the accounts. The Board makes a running assessment of whether the audit is performed in a satisfactory manner.

The company's management meets the auditor regularly to discuss current tax and accounting issues. The board of directors have established guidelines for such use of the auditor by the executive management.

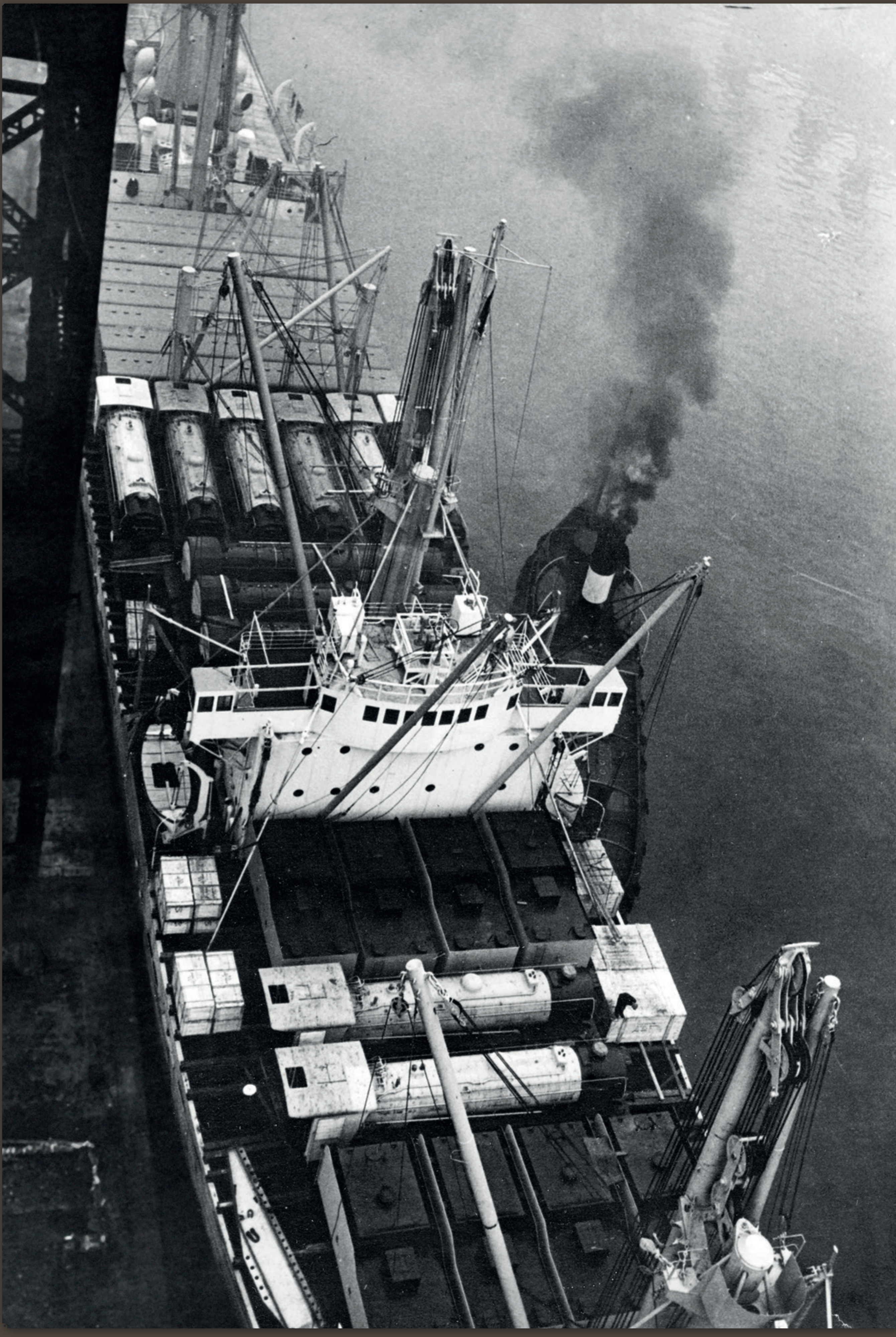


Transformer underway from English Electric to Port Augusta, South Australia

M/S Beljeanne – Loading tank cars in Bremen, May 1960

Shipping locomotives
and carriages to Port Sudan

Delivery of vessels to Paramaribo,
Suriname, South America



Belships' main contribution to society is to grow and develop a long-term, sustainable and value-creating business for our stakeholders. Our aim is to ensure that our business practices as well as our investments are sustainable and contribute to long-term economic, environmental and social development.

Strong commitment to customers and quality creates value

Belships has identified certain material sustainability challenges relating to the Company, as well as their potential impact on the Company's business. This Corporate Social Responsibility Policy presents how Belships integrates the most material sustainability issues into its business strategies and processes.

Belships has identified the Company's material sustainability issues and their potential impact on our business. With reference to the Norwegian Accounting Act section 3-3c, the following chapters present how Belships integrates the most material sustainability issues into its business strategies and processes.

VISION, MISSION AND CORE VALUES

Belships has a clearly defined vision and mission statement and a set of core values which we believe will ensure that the Company continues to grow and develop its value-creating and sustainable business.

Our vision

To be a leading business within the dry bulk transportation market.

Our mission

We are an ambitious global organization with focus on:

- Safety and environment
- Our customers
- Quality
- People

Our core values

- Respect
- Commitment
- Sincerity and honesty

Our core values are reflected in everything we do. They are an integrated part of how we conduct our business.

APPLICABILITY

This Corporate Social Responsibility Policy applies to all Company employees, as well as all members of the board of directors, of the Company, the Company's subsidiaries and any other person or entity acting for or on behalf of the Company.

The policies set out in the Corporate Social Responsibility Policy should be read and understood in conjunction with Belships' Code of Conduct and the guidelines and obligations contained therein.

OUR CSR AMBITIONS – MAIN AREAS OF FOCUS

Environment

International shipping contributes significantly to global emissions of greenhouse gases (GHG) through consumption of bunkers. Although international shipping is a significant contributor to global emissions, it produces substantially less emissions per unit distance than other methods of transportation when carrying a shipment.

Belships recognizes its environmental responsibility, and strives to comply with and maintain high standards in order to reduce the environmental impact from its operations. The Company is focusing on reducing bunkers consumption, which is the main source of the shipping sector's emissions of CO2, NOX and SOX.

Belships ambition is to optimize bunker consumption to reduce its environmental impact, including hull cleaning and propeller polishing in addition to testing of fuel additives for improved combustion, both aimed at reducing fuel consumption and air pollution.

Belships is certified with Environmental Management Systems Certificate ISO 14001 as well as ISO 9001:2000. The certificates are issued by the classification society and establish environmental standards and implementation routines. Continuous efforts are made in order to reduce the general waste produced by the ships and to dispose of waste onshore in a controlled manner at approved port waste reception facilities. The fleet complies with the IMO recommendations on waste management.

Pollution by invasive species carried with ballast water has become an important issue. Most of our ships have ballast water treatment systems in place. Belships is actively preparing for the expected implementation of regulations on ballast water treatment entering into force. In fact, some of our third party managed ships have already started to use ballast water treatment system.

Belships is closely monitoring the development of all environmental regulation. The Company will continue to comply with all legislation and follow best practices to minimize the Company's impact on the environment.

Human rights and labour rights

It is Belships' policy to integrate attention to human rights and labor rights into its existing business processes. In practice, a large part of the human and labor rights agenda is covered by the Company's health and safety efforts. The health and safety of our employees is a key priority for Belships. As an international and multi-local industrial employer, the Company respects international and local legislation, including the provision of the International Labour Organization's Maritime Labour Convention of 2006 (the "MLC"). The MLC is commonly known as the "seafarers' bill of rights", and sets out seafarers' right to decent working conditions, including elements such as minimum age of seafarers, payment of wages, hours of work or rest, onboard medical care, paid annual leave and freedom of association.

Belships' employees are a key resource to the Company. The Company will continue to focus on attracting and keeping the best qualified and motivated employees. As a global organization, Belships has a diversified working environment in which employment, promotions, responsibility and job enrichment are based on qualifications and abilities and not on gender, age, race and political or religious views The Company does not tolerate discrimination in any form.

Belships aims to continuously provide and enhance healthy, high-quality working conditions, both onshore and onboard vessels. Crewing and technical management is handled by Belships' subsidiaries in Singapore and China. These companies also have external customers and offer ship management-services to ship owners worldwide. A dedicated and well-trained ship- and onshore team monitors the health, safety, environment and quality performance.

Belships' goal is to run the operations of the Company with zero fatal accidents. This goal was achieved in 2017 and 2018.

Attracting and retaining qualified seafarers remains an area of strategic importance for Belships. The objective is to strengthen Belships' brand and image. To ensure a continued recruitment of dedicated and qualified officers, Belships is engaged in training of seafarers and education of cadets and has 140 cadet positions onboard the Company's vessels. The Company will further develop the crewing strategy and the implementation of crew welfare initiatives in order to meet the Company's ambition of maintaining the officers' retention rate at a high level and maintaining a challenging and motivating work place, thus creating top performing vessels.

Belships faces the same challenges as other shipping companies when it comes to piracy. Piracy is still a challenge for the shipping industry and cannot be solved by the Company or the shipping industry alone. It must be dealt with by the international community and relevant authorities of UN working together. To create a secure environment in which our crew feels safe, the company has adopted a best management-practice consistent with the industry standards and under suggestion by Intertanko and Oil Companies International Marine Forum to deter piracy. All of our ships are registered with the EU Naval Force (Maritime security centre) which co-ordinates ship's transit schedules with the appropriate naval ships in the Gulf of Aden and Somali basin. Depending on the present conditions and individual risk factors for the particular ship, preventive measures are evaluated for each transit in accordance with Belships' piracy policy. There were no incidents of attempted hijackings of ships in the Belships-fleet in 2017 and 2018.

Anti-corruption

Belships has defined a set of core values which is reflected in everything the Company does, and which is integrated in how the Company conducts its business.

Belships believes that corruption prevents well-functioning business processes and curbs economic development. Belships focuses on transparency in its business practices, supports free enterprise and competes in a fair and ethical manner.

Corruption or corrupt behaviour is not accepted by Belships, and in conjunction with our operations, we will actively strive to fight it.

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