



BELSHIPS



Belships ASA – Q3 update

15 November 2019



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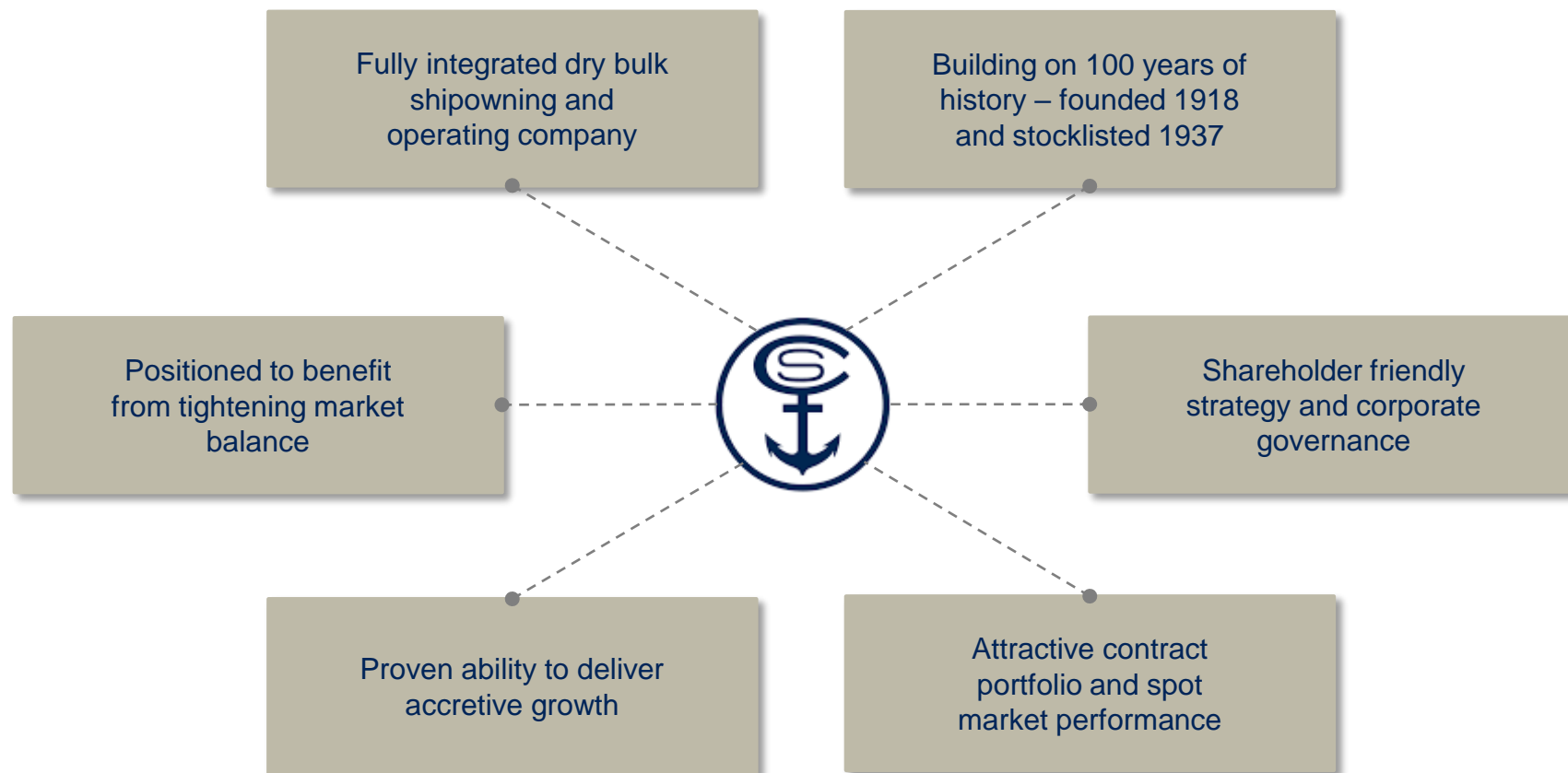
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Key investment highlights





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Q3 highlights

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Company introduction – Why Belships?

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Market snapshot

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Conclusion – What next?

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Belships ASA – Q3 highlights

Continued profitability and growth

- Operating income of USD 31.7 million (Q3 2018: USD 27.5m)
- EBITDA of USD 8.1m (USD 6.7m)
- Net result of USD 0.3m (USD 4.0m) impacted by one-off costs
- Net TCE (Time charter equivalent) per ship of USD 11,118 per day versus net BSI index of USD 11,886 per day
- About 65% of ship days in Q4 have been booked at about USD 12,783 net per day
- Average cash breakeven per vessel about USD 9,000 per day for next 12 months
- Reported EBITDA includes operating expenses of USD 1.3m arising from the service element embedded in long-term time charter lease agreements classified as financial leases
- Increased 2020 bunkers hedge from 24,000mt to 36,000mt
- Three bareboat charter agreements with purchase options concluded in the quarter
- One bareboat charter agreement with purchase options concluded in October
- Agreed bareboat charter and subsequent sale of the oldest vessel in the fleet in October
- Modern fleet with an average age of 6 years including newbuildings

Key performance indicators

Average TCE Q3
USD 11,118/day

BSI index USD 11,886/day net

Average TCE YTD
USD 10,877/day

BSI index USD 9,170/day net

Net Result Q3
USD 0.3m

EBITDA Q3
USD 8.1m



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BELSHIPS

Fully integrated owner and operator of geared dry bulk vessels

Shipowning¹



14x Ultramax



9x Supramax

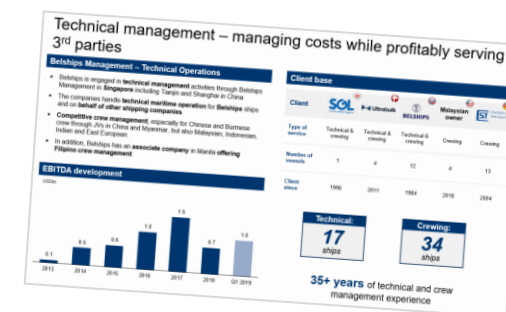
Pure play on the dry bulk market, with attractive portfolio of spot market exposure and charter backlog

Lighthouse Navigation²



Commercial Operations delivering outsized spot market performance and operating profits

Belships Management



Complete in-house technical management and crewing platform delivering cost control and operating profits

Three profitable business segments enhancing knowhow and earnings

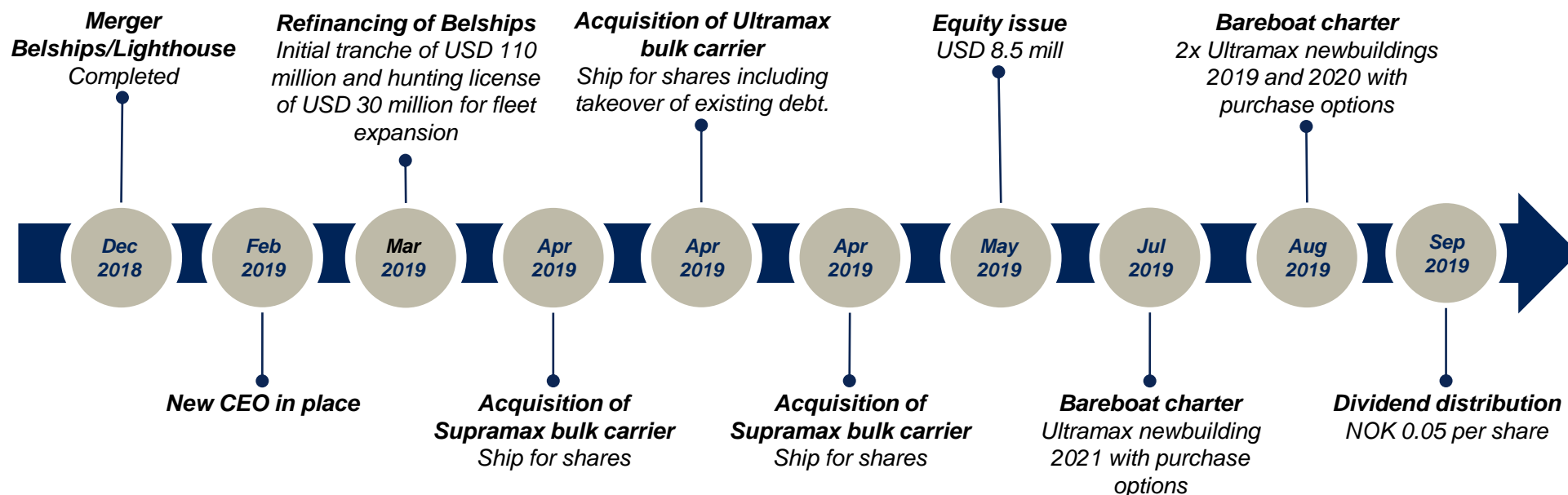
1) Including long term TC and BB charters with purchase options
2) Owned 50.01% by Belships ASA, remaining 49.99% owned by leading employees

Creating the best in-class listed dry bulk company






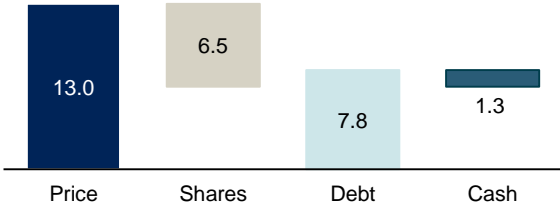


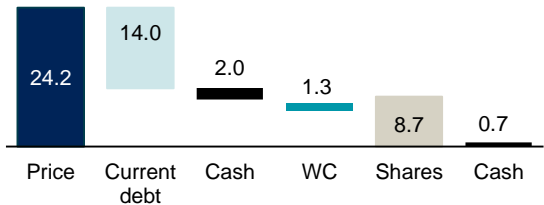


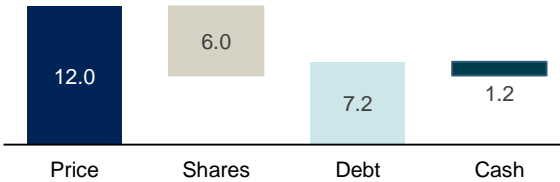

Recent activity post merger – Pushing the growth agenda



Market capitalization growth from USD 30m to of USD 165m











Three vessel acquisitions financed by ship/shares structures

Vessel	Transaction details	Purchase price and funding (USDm)	Liquidity impact (USDm)												
 Belcago	<ul style="list-style-type: none">Supramax - 58,700 dwt2008 built at Tsuneishi HI (Cebu)Ship-for-shares transactionAcquired from Wenaas Shipping60% LTV raised under accordion trancheAnnounced 2nd April 2019	 <table><tr><td>Price</td><td>Shares</td><td>Debt</td><td>Cash</td></tr><tr><td>13.0</td><td>6.5</td><td>7.8</td><td>1.3</td></tr></table>	Price	Shares	Debt	Cash	13.0	6.5	7.8	1.3	 + 1.3				
Price	Shares	Debt	Cash												
13.0	6.5	7.8	1.3												
 Bellight (Sofie Victory)	<ul style="list-style-type: none">Ultramax - 63,000 dwt2016 built at New TimesAttractive existing financingCharter to ED&F until March 2021Acquisition of all shares in Sofie Victory AS from EGD (80%) and Blossom Shipmanagement (20%)Announced 10th April 2019	 <table><tr><td>Price</td><td>Current debt</td><td>Cash</td><td>WC</td><td>Shares</td><td>Cash</td></tr><tr><td>24.2</td><td>14.0</td><td>2.0</td><td>1.3</td><td>8.7</td><td>0.7</td></tr></table>	Price	Current debt	Cash	WC	Shares	Cash	24.2	14.0	2.0	1.3	8.7	0.7	 - 0.7
Price	Current debt	Cash	WC	Shares	Cash										
24.2	14.0	2.0	1.3	8.7	0.7										
 Belfri	<ul style="list-style-type: none">Supramax - 55,866 dwt2007 built at Kawasaki HIShip-for-shares transactionAcquired from Prospero Marine Ltd (Kulukundis)60% LTV raised under accordion trancheAnnounced 30th April 2019	 <table><tr><td>Price</td><td>Shares</td><td>Debt</td><td>Cash</td></tr><tr><td>12.0</td><td>6.0</td><td>7.2</td><td>1.2</td></tr></table>	Price	Shares	Debt	Cash	12.0	6.0	7.2	1.2	 + 1.2				
Price	Shares	Debt	Cash												
12.0	6.0	7.2	1.2												
<div><div>3 ship for share transactions in 2019</div><div>~26m shares issued at NOK 7.0 per share</div><div>8 new high quality shareholders</div><div>60% LTV</div><div>USD 1.8m cash freed up</div></div>															



Four bareboat charters with purchase options proving ability to create exposure with industry low cost of capital

Vessel	Transaction details	Structure	Cash break even	Loan to value
 Newbuild - TBN	<ul style="list-style-type: none"> ▪ Ultramax – 64,000 dwt ▪ 2021 built in Japan ▪ 10 year Bareboat charter ▪ Announced July 2019 	<ul style="list-style-type: none"> ▪ Zero upfront equity ▪ Purchase options from end of 4th year, at around today's market values¹ 	~USD 11,250 per day	 100%
 Newbuild - TBN Belmoira	<ul style="list-style-type: none"> ▪ Ultramax – 61,000 dwt ▪ 2020 built in Japan ▪ 7 year Bareboat charter ▪ Announced August 2019 	<ul style="list-style-type: none"> ▪ USD 3 mill paid upfront ▪ Purchase options from end of 4th year, below today's market values¹ 	~USD 11,000 per day	 90%
 Newbuild - TBN	<ul style="list-style-type: none"> ▪ Ultramax – 61,000 dwt ▪ 2020 built in Japan ▪ 7 year Bareboat charter ▪ Announced October 2019 	<ul style="list-style-type: none"> ▪ USD 3 mill paid upfront ▪ Purchase options from end of 4th year, below today's market values¹ 	~USD 11,000 per day	 90%
 Newbuild - Belray	<ul style="list-style-type: none"> ▪ Ultramax – 61,000 dwt ▪ 2019 built in Japan ▪ 7 year Bareboat charter ▪ Announced August 2019 	<ul style="list-style-type: none"> ▪ USD 3 mill paid upfront ▪ Purchase options from end of 4th year, below today's market values¹ 	~USD 11,000 per day	 90%
<div> <div>Four brand new Japanese Ultramaxs</div> <div>Flexible and unique exposure</div> <div>92% LTV => 5.50% CoC</div> <div>Enhancing return on Equity</div> <div>Total cash investment of USD 9.0m</div> </div>				

1) Basis valuations given by shipbrokers



Modern uniform fleet of 23 vessels with average age of 6 years

Ultramax vessels

	Vessel	Built	DWT	Yard	Ownership
14x Ultramax	NEWBUILDING	2021	64,000	Japan	BB-in ¹
	NEWBUILDING	2020	61,000	Shin Kurushima	BB-in ²
	BELMOIRA (NEWBUILDING)	2020	61,000	Shin Kurushima	BB-in ²
	BELFUJI (NEWBUILDING)	2020	63,000	Imabari	TC-in ³
	BELRAY (NEWBUILDING)	2019	61,000	Shin Kurushima	BB-in ⁴
	BELNIPPON	2018	63,000	Imabari	TC-in ⁵
	BELISLAND	2016	61,000	Imabari	BB-in ⁶
	BELFOREST	2015	61,000	Imabari	BB-in ⁷
	BELINDA	2016	63,000	Hantong	Owned
	BELMONT	2016	63,000	Hantong	Owned
	BELATLANTIC	2016	63,000	Hantong	Owned
	SOFIE VICTORY	2016	63,000	New Times	Owned
	BELPAREIL	2015	63,000	Hantong	Owned
	BELSOUTH	2015	63,000	Hantong	Owned

1) Delivery 2H 2021 ten years bareboat charter with purchase options after fourth year.

2) Delivery Q1 2020 for seven years bareboat charter with purchase options after fourth year.

3) Delivery Q1 2020 for eight years time charter with purchase options after fourth year.

4) Delivered in October 2019 seven years bareboat with purchase options after fourth year.

5) Eight years time charter with purchase options after fourth year.

6) Fifteen years bareboat charter with purchase options after fifth year.

7) Twelve years bareboat charter with purchase options after third year.

There are no purchase obligations on any of the lease agreements.

Supramax vessels

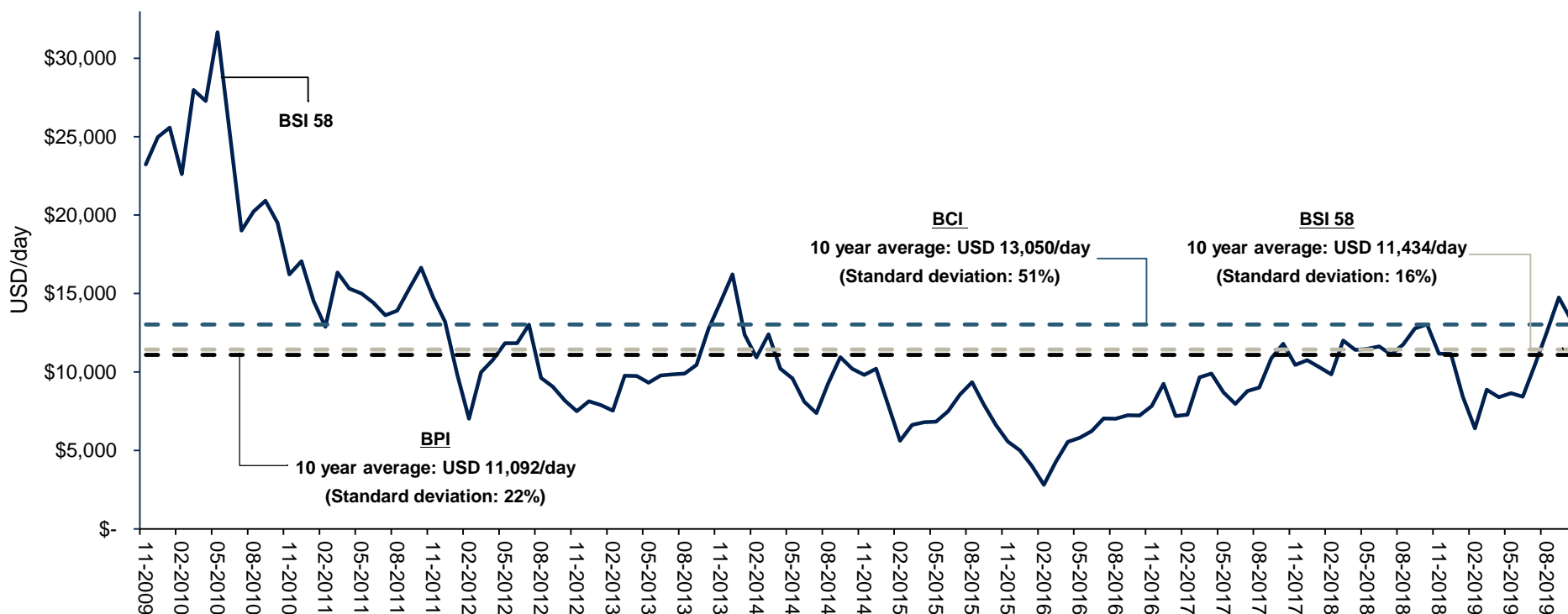
	Vessel	Built	DWT	Yard	Ownership
9x Supramax	BELOCEAN	2011	58,000	Dayang	Owned
	BELNOR	2010	58,000	Dayang	Owned
	BELSTAR	2009	58,000	Dayang	Owned
	BELCARGO	2008	58,000	Tsuneishi	Owned
	BELFRI	2007	55,000	Kawasaki	Owned
	BELORIENT	2008	50,000	PT Pal	Owned
	BELFORT	2008	50,000	PT Pal	Owned
	PACIFIC LIGHT	2007	50,000	PT Pal	Owned
	BELEAST ¹	2006	50,000	PT Pal	Owned

1) To enter into two year bareboat charter to Marti Shipping & Ship Management. The vessel will be sold to the charterers as part the agreement.



Supramax/Ultramax segment – superior risk/reward

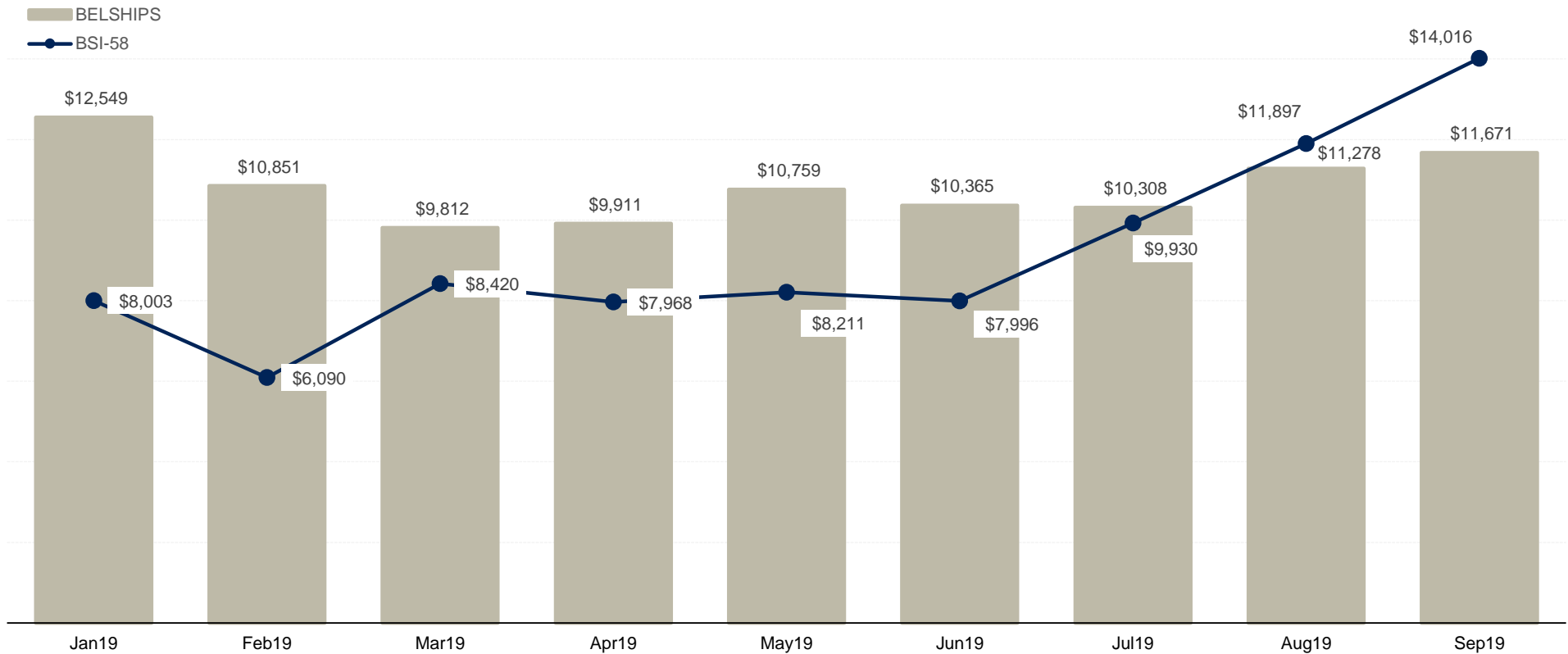
Supramax vs Panamax vs Capesize – last 10 years





Outperformance of the BSI index due to optimized portfolio of period charter coverage and outsized spot earnings

BELSHIPS TCE vs BSI 58 YTD 2019 (USD/day net)





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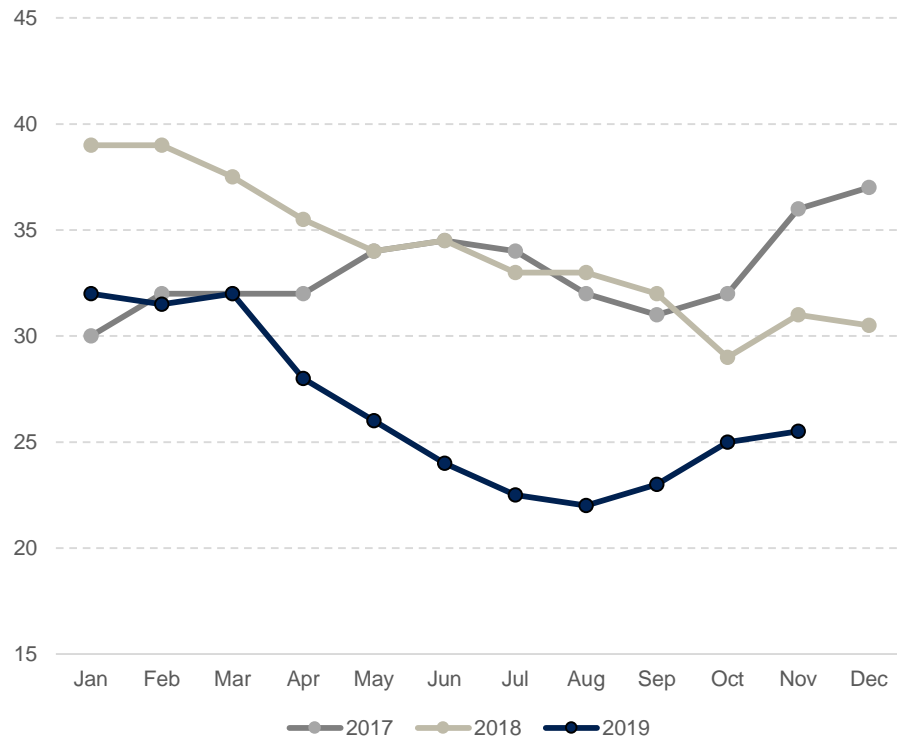
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Market snapshot

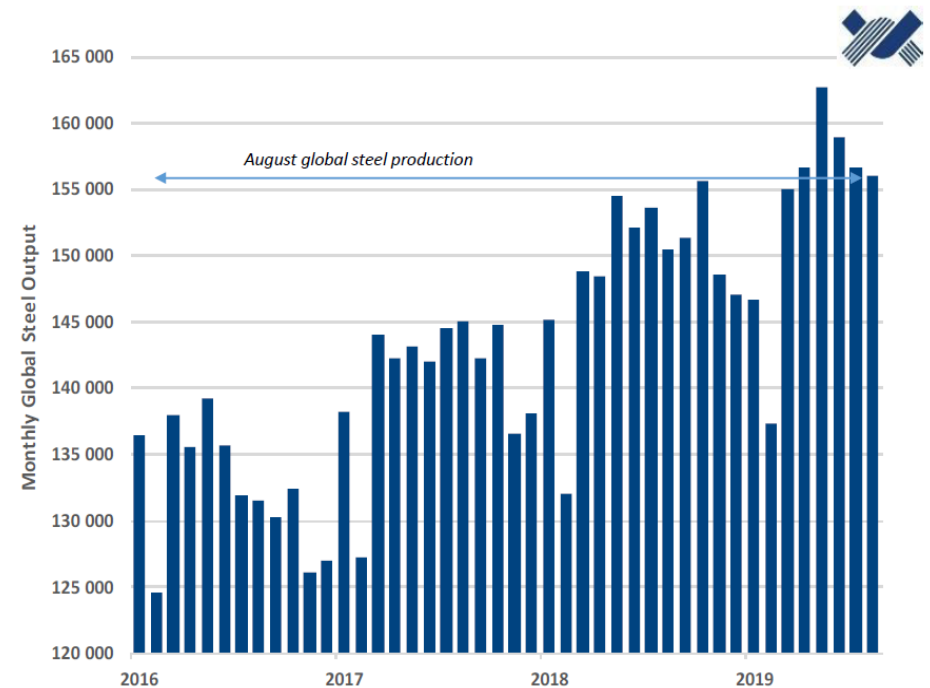
- The year of trade wars and iron ore supply disruption, however the dry bulk freight markets reacted sharply when the latter was resolved
- Rates doubled in two months, back to start on year-end import fears
- Continued high steel production combined with below average Chinese port inventories
- Economic growth projections stabilised, recession fears reduced
- Chinese stimulus and interest rate cuts; resulting in highest credit growth rate since 2014
- Tonne-mile dry bulk demand growth expected to accelerate 3+% in 2020
- IMO 2020 – leading to lower fleet efficiency, scrubber retrofitting 2019, slow steaming 2020?
- Low orderbook and low ordering activity – supply side to gradually work in favour of higher freight markets

Chinese port inventories below average – growing steel production

Days of iron ore inventories at Chinese ports

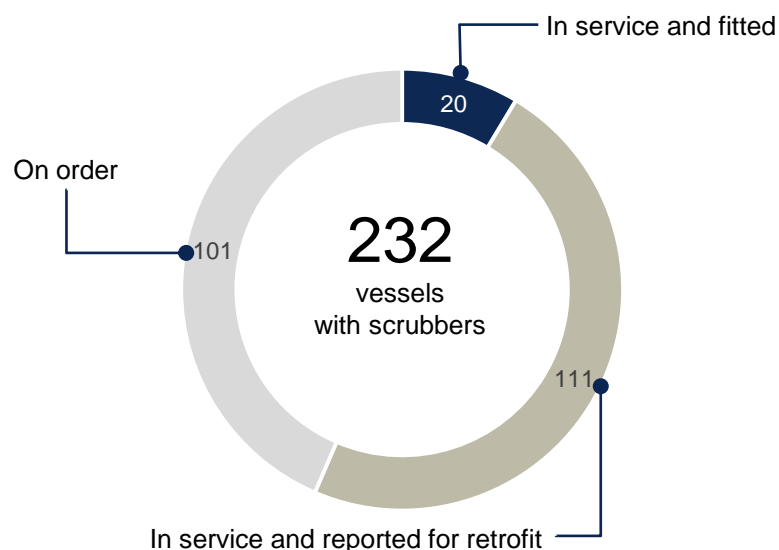


Monthly global steel production



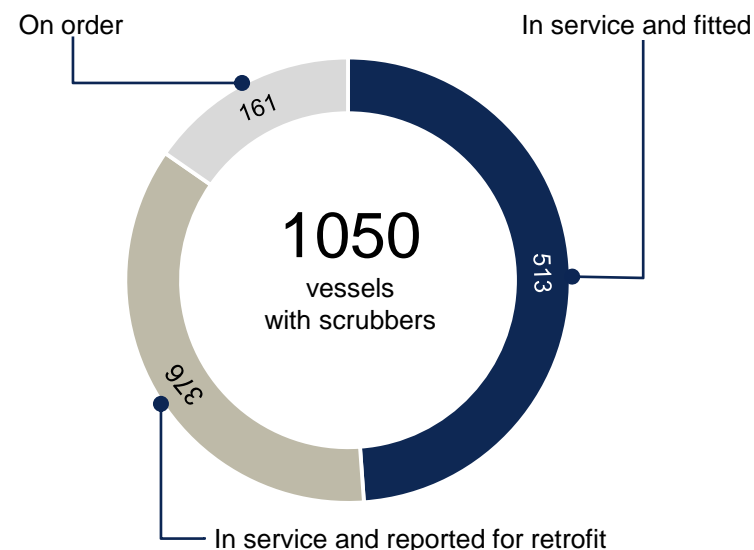
Vessels out of service for scrubber installations will continue to aid utilisation – cost of retrofitting underestimated

Supramax and Ultramax



Average days out of service for retrofit Q3 2019
44 days

Total bulk fleet



Number of bulk vessels with scrubbers at year-end
13%



Belships' IMO 2020 considerations

IMO 2020

Scrubber	Compliant fuel	LNG/LPG propulsion
<ul style="list-style-type: none"> ✓ Continue using HSFO ✓ Fuel availability ✗ Costly investment ✗ Increased bunker consumption ✗ Operational risk ✗ Technical risk 	<ul style="list-style-type: none"> ✓ No off-hire ✓ No investment ✗ Bet on price differential between VLSFO and HSFO 	<ul style="list-style-type: none"> ✓ Significant reduction in CO₂, NO_x and SO_x ✗ Significant investment ✗ Fuel availability

Key implications

Slow steaming

Increased offhire during installation process

Trigger scrapping of older vessels

Belships' strategy

Belships are proactive and remain agile

✓	Hedge the spread
✓	No offhire in market upturn
✓	Reduced operational and technical risk

Belships hedges 2020 fuel costs

Belships ASA (OSE: BEL) has entered into an agreement to hedge the price differential between compliant 0.5% sulphur fuel oil (VLSFO) and 3.5% sulphur fuel oil (HSFO).

The secured exposure is for 24,000 tons of bunkers for the full calendar year 2020. The volume equals the annual fuel consumption of about four vessels. The fixed price differential is USD 198 per ton, with monthly settlements in 2020.

The company's trading fleet will be physically ready by January 2020 to comply with the IMO Sulphur Cap 2020, which prohibits marine bunkering fuels containing more than 0.5 per cent sulphur in order to improve the shipping industry's environmental footprint.

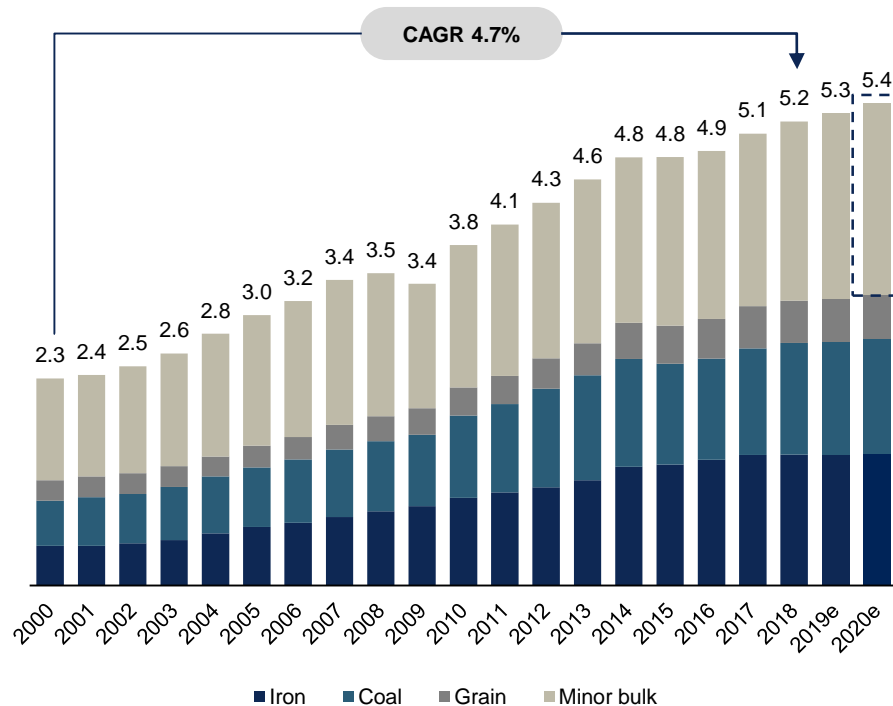
The bunker price differential hedge reduces downside risks and represents an efficient alternative to costly installations of scrubbers, whilst retaining full utilization of the fleet and the flexibility to adjust the position as the market develops.



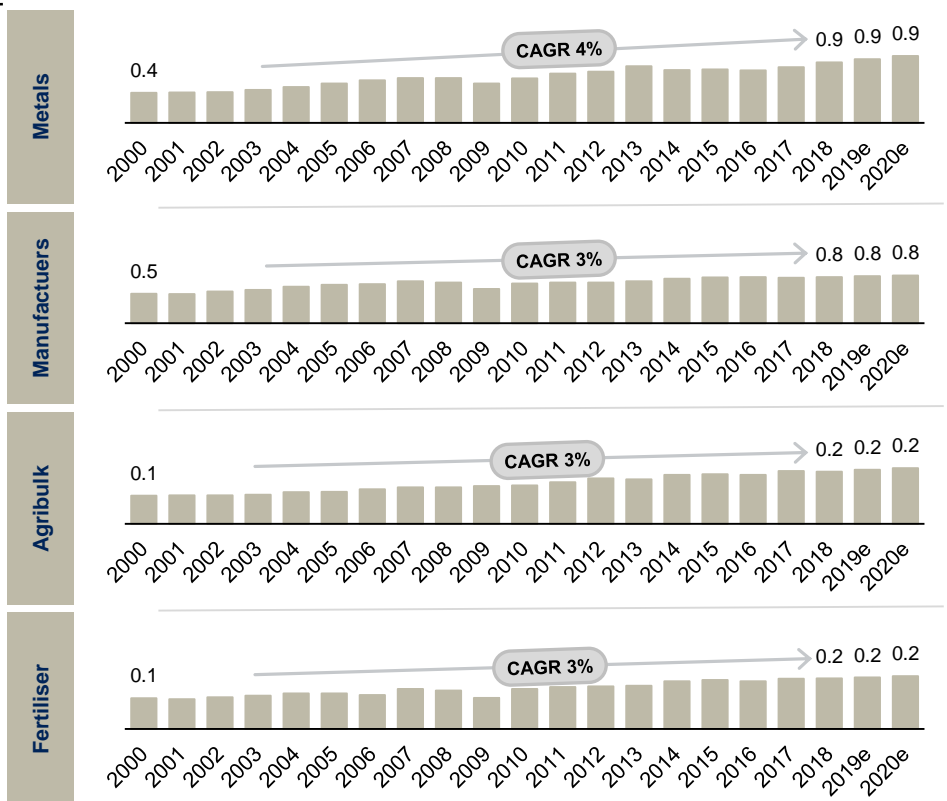
Key commodities exhibit strong and stable demand growth

Drybulk demand (million tonnes dwt)

DWTm



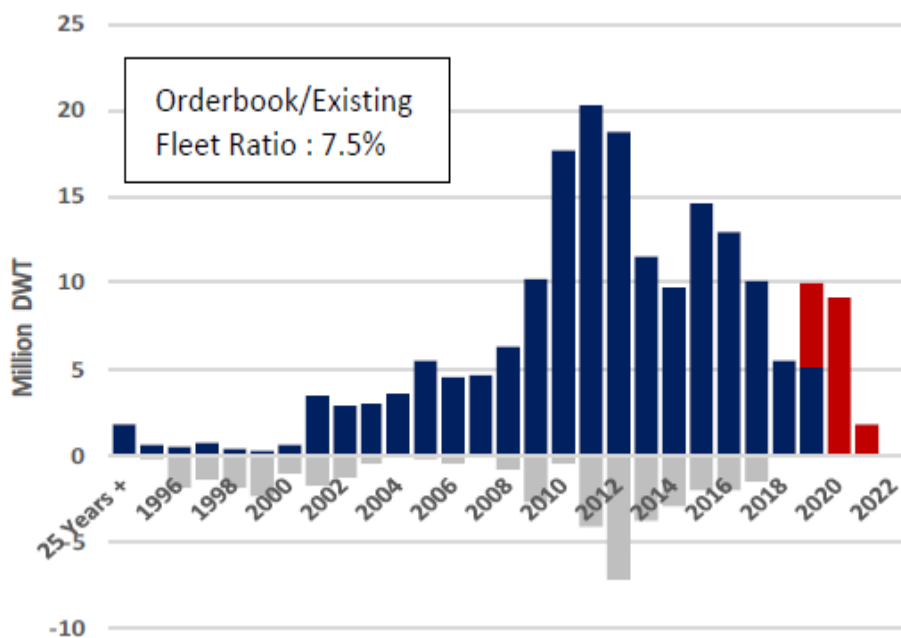
Top traded minor bulks (million tonnes dwt)





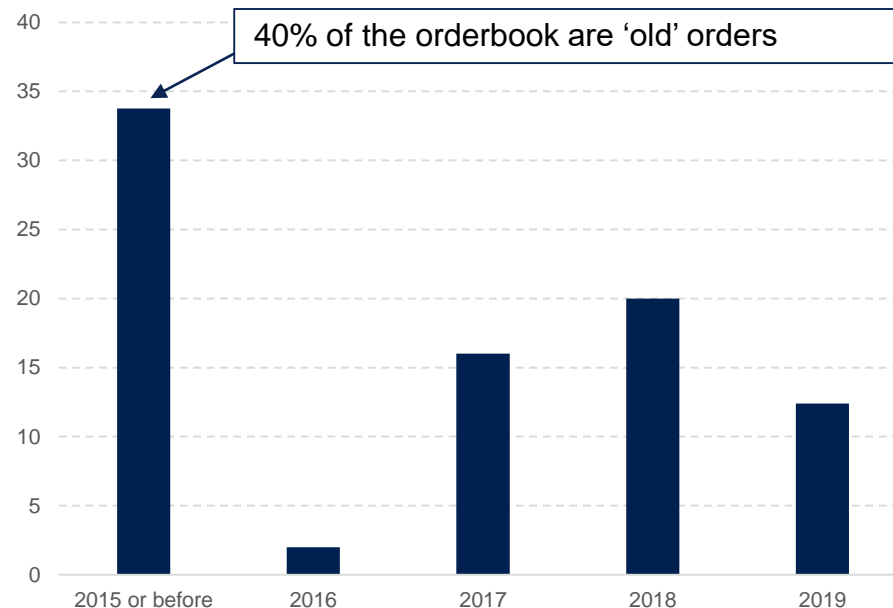
Low orderbook – lowest fleet growth since 2001-2003

Supramax and Ultramax



Supra/Ultramax orderbook
16 mill DWT = vessels <20 years age

Total bulk fleet



Non-deliveries and delays tracking ~20%



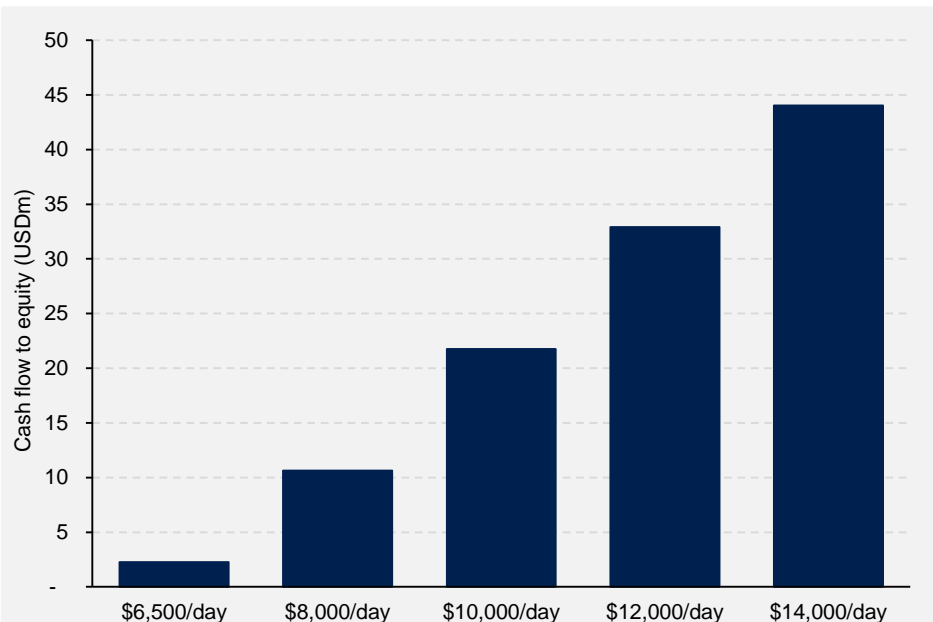
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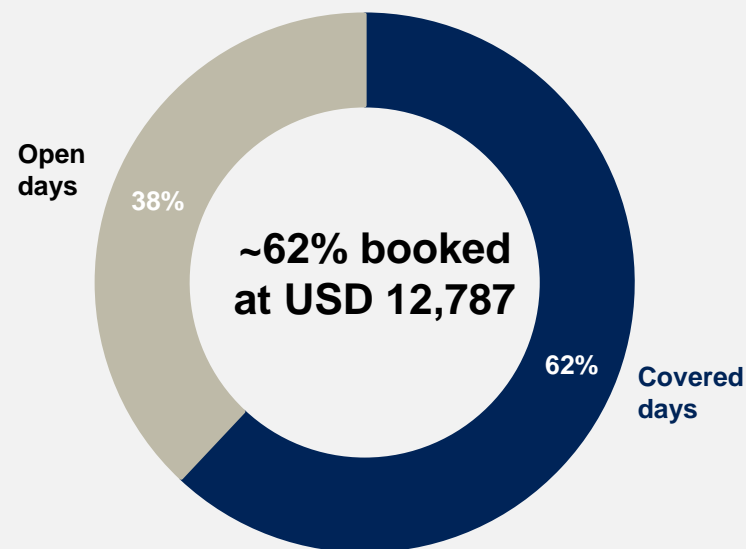
Strong cash flow to equity under most market conditions

Twelve month cash flow to equity sensitivity



Cash break even next twelve months
~USD 9,000/day

Q4 2019 guidance



Cash break even open days Q4 2019
~USD 7,000/day



Near-term strategic priorities

Growth

- Capacity to increase the fleet to 30 vessels
- Additional ship-for-share deals or optional leases

Liquidity

- Continue to build free float through ship/shares or equity issues where accretive
- Increased attention in capital markets and IR

Capital discipline

- Low costs and cash break-even
- Strong balance sheet
- Build dividend capacity



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CONSOLIDATED STATEMENT OF INCOME	Q3	Q3	YTD Q3	YTD Q3	
USD 1 000	2019	2018	2019	2018	2018
Gross freight revenue	33 822	34 884	105 125	89 588	127 735
Voyage expenses	-4 430	-8 885	-20 235	-23 698	-34 246
Net freight revenue	29 392	25 999	84 890	65 890	93 489
Management fees	2 308	1 084	7 456	3 244	4 865
Operating income	31 700	27 083	92 346	69 134	98 354
Share of result from j/v and assoc. comp.	658	357	1 900	982	2 012
T/C hire expenses	-11 231	-16 087	-35 867	-40 752	-56 466
Ship operating expenses	-9 166	-3 951	-21 606	-11 578	-16 094
Operating expenses ship management	-1 023	0	-2 910	0	-420
General and administrative expenses	-2 839	-1 003	-7 682	-4 091	-7 837
Operating expenses	-23 601	-20 684	-66 165	-55 439	-78 805
EBITDA	8 099	6 399	26 181	13 695	19 549
Depreciation and amortisation	-4 445	-919	-13 702	-5 122	-7 813
Purchase bargain gain	0	0	0	0	12 849
Operating result (EBIT)	3 654	5 480	12 479	8 573	24 585
Interest income	71	8	184	20	56
Interest expenses	-2 436	-1 379	-7 705	-3 488	-4 754
Other financial items	-250	262	-738	-90	-351
Currency gains/(-losses)	-491	6	-679	-17	-94
Net financial items	-3 106	-1 103	-8 938	-3 575	-5 143
Result before taxes	548	4 377	3 541	4 998	19 442
Taxes	-199	0	-513	-18	-247
Net result	349	4 377	3 028	4 980	19 195
<i>Hereof majority interests</i>	-387	3 776	2 244	4 432	18 169
<i>Hereof non-controlling interests</i>	736	601	784	548	1 026
<i>Earnings per share</i>	0.00	0.07	0.02	0.07	0.20
<i>Diluted earnings per share</i>	0.00	0.07	0.02	0.07	0.20

The quarterly figures are not audited



CONSOLIDATED STATEMENT OF FINANCIAL POSITION	30 Sep	31 Dec
USD 1 000	2019	2018
NON-CURRENT ASSETS		
Intangible assets	6 650	8 536
Ships	285 181	230 425
Prepayment of ships	6 000	0
Property, Plant, and Equipment	3 892	4 210
Investments in j/v and assoc. companies	3 496	1 939
Other non-current assets	0	343
Total non-current assets	305 219	245 453
CURRENT ASSETS		
Inventories	2 232	4 230
Current receivables	17 675	11 897
Cash and cash equivalents	43 736	32 034
Total current assets	63 643	48 161
Total assets	368 862	293 614
EQUITY AND LIABILITIES		
Equity		
Paid-in capital	126 704	96 870
Retained earnings	25 228	23 738
Non-controlling interests	3 893	3 174
Total equity	155 825	123 782
Non-current liabilities		
Mortgage debt	121 767	94 513
Lease liability	50 514	38 653
Other non-current liabilities	2 317	3 446
Total non-current liabilities	174 598	136 612
Current liabilities		
Mortgage debt	15 414	12 500
Lease liability	4 375	2 119
Other current liabilities	18 650	18 601
Total current liabilities	38 439	33 220
Total equity and liabilities	368 862	293 614



Experienced management and Board of Directors with aligned incentives with shareholders

Management



Lars Christian Skarsgård, CEO

0.44m shares
5.0m options

Lars Christian Skarsgård has served as CEO of Belships ASA since 13 March, 2019. Mr. Skarsgård has wide ranging shipping experience from sailing as a deck crew, shipbroking to ship owning and management. Before joining Belships ASA, he served as Director and Global head of S&P with Fearnleys AS. BA Economics from Liverpool University.



Osvald Fossholm, CFO

35k shares
66k options

Osvald Fossholm has served as Belships CFO since 1993. He graduated from BI Norwegian Business School in 1985 as an accountant, and is also a certified public accountant from the Norwegian School of Economics and Business Administration. He worked at Arthur Andersen & Co from 1985 to 1990, and became financial manager of Belships in 1990.

Board of Directors



Peter Frølich, Chairman of the Board

75k shares

- Lawyer with vast financial and board member experience
- Currently involved in i.a. Fana Sparebank, Fjord Line AS and Kredittforeningen for Sparebanker



Frode Teigen, Board member

133m shares

- Majority owner and acting board member in Belships ASA, Egersund Group AS, Fjord Line AS and Nordic Halibut AS through Kontrari AS and Kontrazi AS
- Held various management positions in Thoresen Thai in addition to being one of the largest shareholders – exit in 2005



Sverre J. Tidemand, Board member

17m shares

- Owner Sonata AS
- Managing director of Belships from 1979 to May 2011 and previously chairman of the board



Carl Erik Steen, Board member

50k shares

- Extensive experience in ship finance
- Currently Chairman of the BoD in Euronav and board member in several companies i.a. Bertel O. Steen Holding AS and Wilh. Wilhelmsen Holding ASA



Sissel Grefsrud, Board member

- Director of ABN Amro Bank's Energy & Transportation division.
- Previously executive in the Songa Group and First Olsen Tankers Ltd.



Jorunn Seglem, Board member

50k shares

- CEO and board member Knutsen Ballast Water AS
- Board member Knutsen Nyk Offshore Tankers AS



Birthe Cecilie Lepsøe, Board member

7.5k shares

- Partner, Vest Corporate Advisors AS
- Board member in several companies, i.a. Inventura Group AS, Smedvig AS and Sparebank 1 SR-Bank ASA