# Annual Report 2019


BELSHIPS

# Contents



**FINANCIAL CALENDAR 2020**

| | |
|---|---|
| Annual General Meeting | 14 May |
| Result for the 1st quarter | 15 May |
| Result for the 2nd quarter | 21 August |
| Result for the 3rd quarter | 11 November |

# An eventful year with continued growth

We are pleased to present you with Belships' new annual report. It reflects an eventful year with continued growth for our companies. Following the merger with Lighthouse Group little over a year ago, we laid out ambitious plans for Belships on how to develop our business further.

During 2019 we actively pursued vessel transactions with a combination of ship-for-share structures and bareboat charters with purchase options. We entered into nine acquisitions and later divested the two oldest vessels, which has modernised and increased the quality of our fleet. In total these transactions came at a net cash outlay of about USD 3m with new share issues totalling about USD 33m. Capital discipline remains fundamental when we consider next steps in terms of fleet development.

Much anticipation was put into the transition towards IMO 2020. We welcomed this regulatory change as compliant low sulphur fuel reduces emissions from the transport of goods worldwide. The environmental impact of shipping is something we take seriously and we support initiatives to further reduce the carbon footprint from the maritime industry. We also launched an emissions study of the design and operation of our vessels in 2019. It is encouraging that we can display progress and results from the modernisation of our fleet, and we plan to continue to take a proactive approach towards further improving the sustainability of shipping transportation business.

The new decade ahead of us could not have started more dramatically. The outbreak and global spread of coronavirus disease has become a serious threat to both the health and the economic wellbeing of people in most countries in the world. For our own part, our seafarers are prevented from returning home to their families and our staff on shore have adopted to working remotely. We have been able to keep our business running and we are benefiting from having a substantial part of our fleet contractually covered for 2020. As a truly global industry and an integral part of the worlds engine for economic development, we believe shipping is part of the solution in what is expected to be a recovery in the wake of the current situation.

Belships is well positioned as a fully integrated stocklisted shipowning company. Headquartered in Oslo and with commercial and technical management represented in offices across Asia, we are specialised within the segment of geared bulk carriers with a uniform fleet of Supramax and Ultramax vessels. We intend to remain focused in this area where the cargo base is diversified resulting in a more attractive risk/reward.

We shall seek further growth opportunities and aim to continue delivering high quality operations with an industry low cost base. We firmly believe good corporate governance and transparency creates a more valuable business. Our goal is to create value out of shipowning, and to return capital competitively over time.

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

Peter Frølich
*Chairman of the Board*

Lars Christian Skarsgård
*Chief Executive Officer*

# Highlights 2019

## February

- Belships appointed Lars Christian Skarsgard as CEO.

## March

- The Group entered into a new USD 140m loan facility. The first tranche of USD 110m replaced existing loan arrangements and the second tranche of USD 30m was available for fleet expansion. The loan has a margin of LIBOR+275bps and matures in Q2 2024. Following a voluntarily prepayment in January 2020, the next instalment is due in Q2 2021

## April

- BELCARGO was acquired. The purchase price was USD 13.0m, of which half paid in cash and the remaining consideration through issue of 8 060 650 new shares at NOK 7.00 per share.
- The Company acquired all shares in Sofie Victory AS, the owner SOFIE VICTORY. Belships assumed USD 14m in debt, paid USD 2m in cash and shares equivalent of USD 8m was issued at NOK 7.00 per share.
- Agreement was reached to purchase BELFRI. The price of USD 12.0m was settled 50 per cent in cash and the re-maining consideration through an issue of 7 405 114 new shares to the seller of the vessel at NOK 7.00 per share.

## May

- The Group raised USD 8.5m of capital through an equity issue towards new shareholders consisting of high quality private and institutional investors.

## July

- Entered into agreement for 10-year bareboat charter for a 64 000 dwt Ultramax bulk carrier newbuilding. The vessel will be delivered from Imabari Shipyard during the second half of 2021 and will be named BELMAR.

## August

- Entered into 7-year bareboat charters for two 61 000 dwt Ultramax bulk carrier newbuildings from Shin Kurushima shipyard, Japan. BELRAY was delivered in October 2019 and BELMOIRA was delivered in January 2020.

## October

- The group agreed a 7-year bareboat charter for a 61 000 dwt Ultramax bulk carrier newbuilding from Shin Kurushima shipyard, Japan. The ship was delivered in February 2020 and named BELAJA.
- BELEAST was divested through a bareboat charter and subsequent sale.

## December

- Entered into 10 year bareboat charter for a 64 000 dwt Ultramax bulk carrier newbuilding. The vessel will be delivered from Imabari Shipyard during the second half of 2020 and will be named BELFAST.
- Acquisition of a Ultramax bulk carrier built in 2017 by Imabari Shipyard for a price of USD 24.5 million. 50 per cent of the purchase price will be settled by issuing new shares to the sellers at NOK 7.15 each. Delivery is expected during the second quarter of 2020, and the vessel will be named BELHAVEN.
- Launched environmental impact study for 2019 with our leading classification society DNV GL to review fleet design and operation.
- Ended the year with four consecutive quarters of positive net results.

# Key financial figures

| 1 January-31 December | | | Consolidated | |
|---|---|---|---|---|
| USD 1 000 | | Footnote | **2019** | 2018 |
| **OPERATING STATEMENT** | | | | |
| Operating income | | | **131 316** | 98 354 |
| EBITDA | | 1 | **34 708** | 19 549 |
| EBIT | | 2 | **18 134** | 24 585 |
| Net result before tax | | | **6 755** | 19 442 |
| Net result for the year | | | **5 100** | 19 195 |
| **BALANCE SHEET** | | | | |
| Non-current assets | | | **332 805** | 245 453 |
| Current assets | | | **64 836** | 48 161 |
| **Total assets** | | | **397 641** | 293 614 |
| Equity | | | **156 115** | 123 782 |
| Non-current liabilities | | | **203 955** | 136 612 |
| Current liabilities | | | **37 571** | 33 220 |
| **Total equity and liabilities** | | | **397 641** | 293 614 |
| **KEY FINANCIAL FIGURES** | | | | |
| Cash and cash equivalents | | | **44 428** | 32 034 |
| EBITDA | | 1 | **34 708** | 19 549 |
| Interest expenses | | | **10 522** | 4 754 |
| Interest coverage ratio | | 3 | **1.72** | 5.17 |
| Current ratio | | 4 | **1.73** | 1.45 |
| Net profit ratio | | 5 | **0.04** | 0.20 |
| **EQUITY** | | | | |
| Share capital as at 31 December | | | **50 403** | 41 870 |
| Equity ratio | | 6 | **0.39** | 0.42 |
| Return on total assets | % | 7 | **4.6** | 8.4 |
| Return on equity | % | 8 | **3.3** | 15.5 |
| **KEY FIGURES SHARES** | | | | |
| Market price as at 31 December | USD | | **0.83** | 0.58 |
| Market price as at 31 December | NOK | | **7.25** | 5.00 |
| Number of shares as at 31 December | | | **212 224 705** | 175 117 993 |
| Diluted average number of shares (excluding treasury shares) | | | **198 363 313** | 94 502 830 |
| Earnings per share | USD | | **0.03** | 0.20 |
| EBITDA per share | USD | | **0.17** | 0.21 |
| Price/earnings ratio | | 9 | **34.54** | 5.29 |
| Price/book ratio | | 10 | **1.13** | 0.82 |
| Price/EBITDA ratio | | | **5.08** | 5.20 |

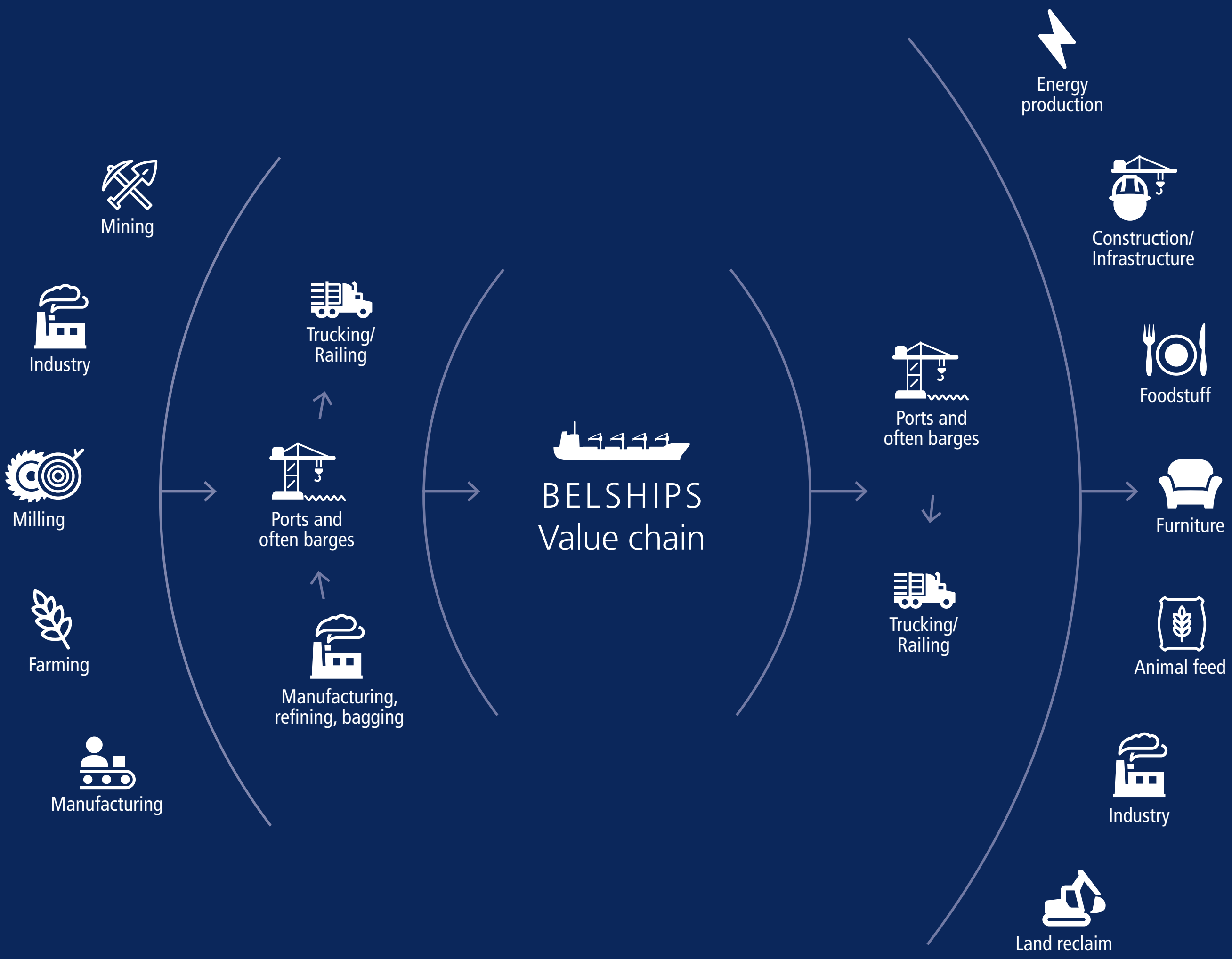
Figures from profit & loss for 2018 are based on unaudited pro forma financial statements.

### 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 intention 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.

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 profit ratio** — is defined as result after taxes, 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 total capital
8) **Return on equity** — is defined as net result for the year, divided by equity
9) **Price/earnings ratio** — is defined as market price of share, divided by earnings per share
10) **Price/book ratio** — is defined as market price of share, divided by equity per share


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 costs and efficient operations. The company is stock listed on the Oslo exchange with good access to capital markets and financial institutions. We have a modern and fully financed fleet of 23 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. Commercial operations are provided by Lighthouse Navigation (Bangkok) and the technical management and crewing by Belships Management (Singapore), both subsidiaries of Belships ASA.

Belships offers solutions for highly reputable customers amongst exporters, traders, operators and other 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 2019

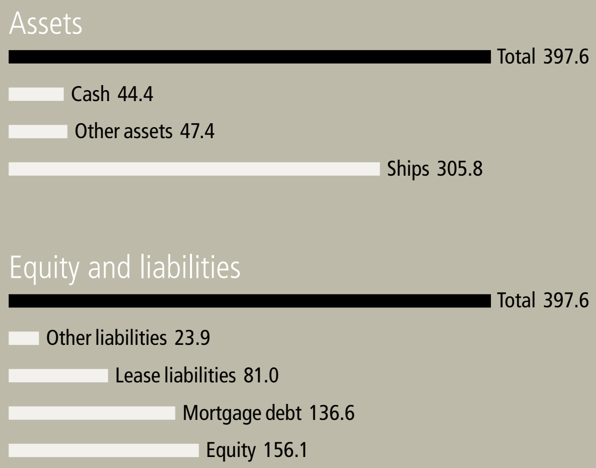
### Operating income
131 mUSD

### EBITDA
35 mUSD

### Net result
5.1 mUSD

### Cash break-even 2020 about
9 500
USD per shipday

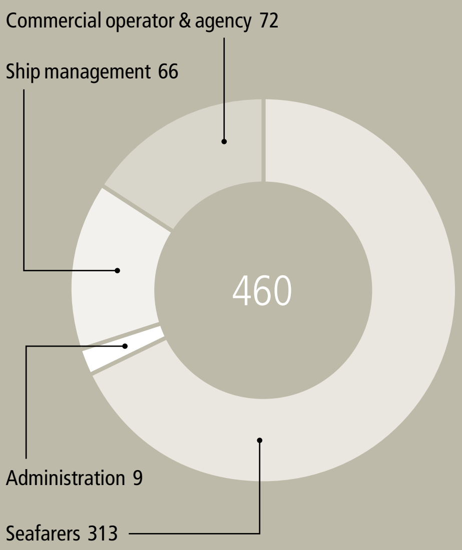
### Financial highlights
Consolidated balance sheet as per December 31, 2019 ($ million)



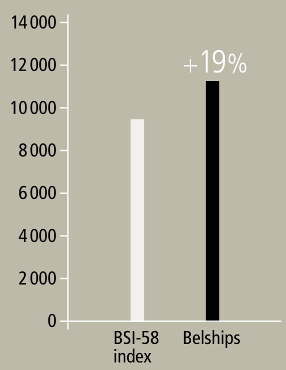

### Sailed distance
1 600 000
Nautical miles


### Number of shipdays
6 097

### Employees




### Belships shipping earnings in 2019
Average USD per ship day. Figures net of commission




### Average fleet age
Global handymax fleet
9
Belships
5

# Operational structure

**BELSHIPS**

### SHIPOWNING

23x Supra/Ultramax bulk carriers

Head office with industry low G&A

### COMMERCIAL OPERATIONS

Chartering performed by our sub-sidiary Lighthouse Navigation (50.01%)

Lighthouse engages in cargo trading, liner services and agency

### TECHNICAL & CREWING

Complete technical management

In-house crewing platform

# 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 and qualified crew management, mainly for Chinese and Burmese seafarers.

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 Belships 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

# 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 assumed 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.

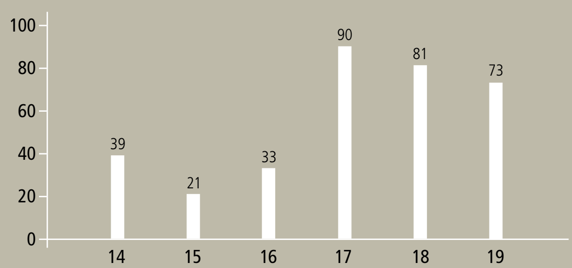
Siam Thara Agency Co., Ltd established in January 2014, is also controlled by Lighthouse Navigation. Siam Thara Agency offers comprehensive advice on ports, logistics and commodities both on the export and import fronts in Thailand and is considered leading in its handling of all other miscellaneous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

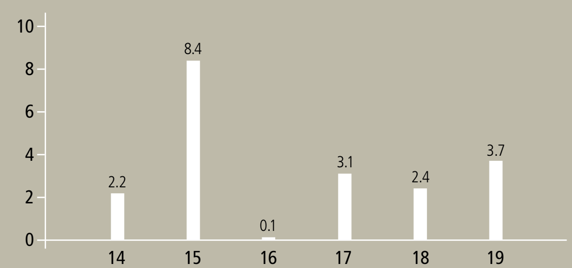
## Revenue and profit

Strong financial development and a profitable track record

Revenues mUSD




Profits before tax mUSD




## Average profits
before tax 2014 to 2019

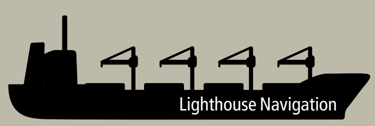
3.2 mUSD

## Employees

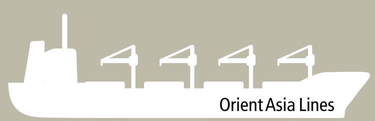
72

## Number of shipdays, 2019

6 525




5 199




1 326

## Annual volume

3.4 million tonnes

+73

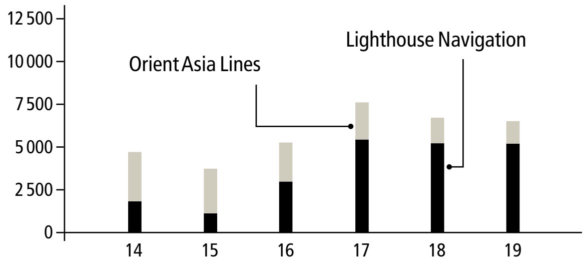
mUSD turnover

## Agricultural products 39% of total cargo volume

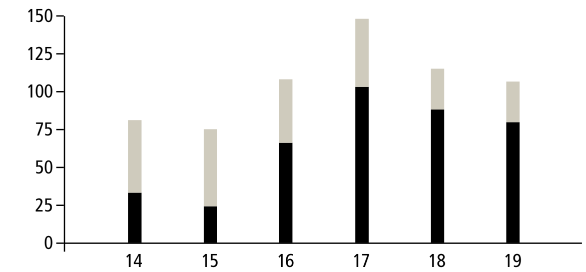
## Volumes per year

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

Number of vessel days per year



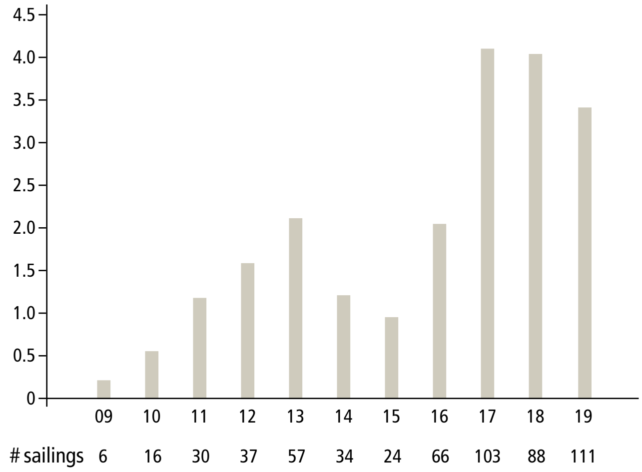

Number of voyages (per fixing)



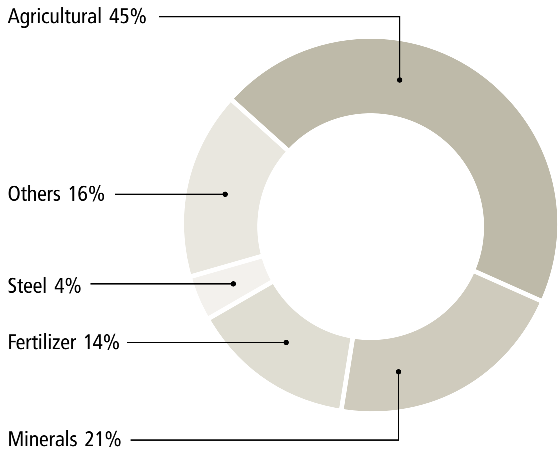

## Cargo development and number of sailings

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

Cargo — quantities carried (and type). Million tonnes




## Cargo type 2019



# Modern fleet with average age of ~5 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.

### 16 ULTRAMAX VESSELS

| Vessel | Built | DWT | Yard | Ownership |
|---|---|---|---|---|
| BELMAR (NEWBUILD) | 2021 | 64 000 | Imabari | BB-in [1] |
| BELFAST (NEWBUILD) | 2020 | 64 000 | Imabari | BB-in [2] |
| BELAJA | 2020 | 61 000 | Shin Kurushima | BB-in [3] |
| BELMOIRA | 2020 | 61 000 | Shin Kurushima | BB-in [3] |
| BELFUJI | 2020 | 63 000 | Imabari | TC-in [4] |
| BELRAY | 2019 | 61 000 | Shin Kurushima | BB-in [5] |
| BELNIPPON | 2018 | 63 000 | Imabari | TC-in [6] |
| BELHAVEN (TBD) | 2017 | 63 000 | Imabari | Owned [7] |
| BELISLAND | 2016 | 61 000 | Imabari | BB-in [8] |
| BELFOREST | 2015 | 61 000 | Imabari | BB-in [9] |
| 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 |

### 8 SUPRAMAX VESSELS

| Vessel | Built | DWT | Yard | Ownership |
|---|---|---|---|---|
| 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 [10] | 2007 | 50 000 | PT Pal | Owned |

1) On Delivery 2H 2021 ten years bareboat charter with purchase options after fourth year.
2) Delivery 2H 2020 ten years bareboat charter with purchase options after fourth year.
3) Delivery Q1 2020 for seven years bareboat charter with purchase options after fourth year.
4) Delivery Q1 2020 for eight years time charter with purchase options after fourth year.
5) Delivered in October 2019 seven years bareboat with purchase options after fourth year.
6) Eight years time charter with purchase options after fourth year.
7) Delivery Q2 2020.
8) Fifteen years bareboat charter with purchase options after fifth year.
9) Twelve years bareboat charter with purchase options after third year.
10) Bareboat charter from March 2020. The vessel will be sold to the charterers as part the agreement.

The Group has no purchase obligations on any of the lease agreements


BELRAY



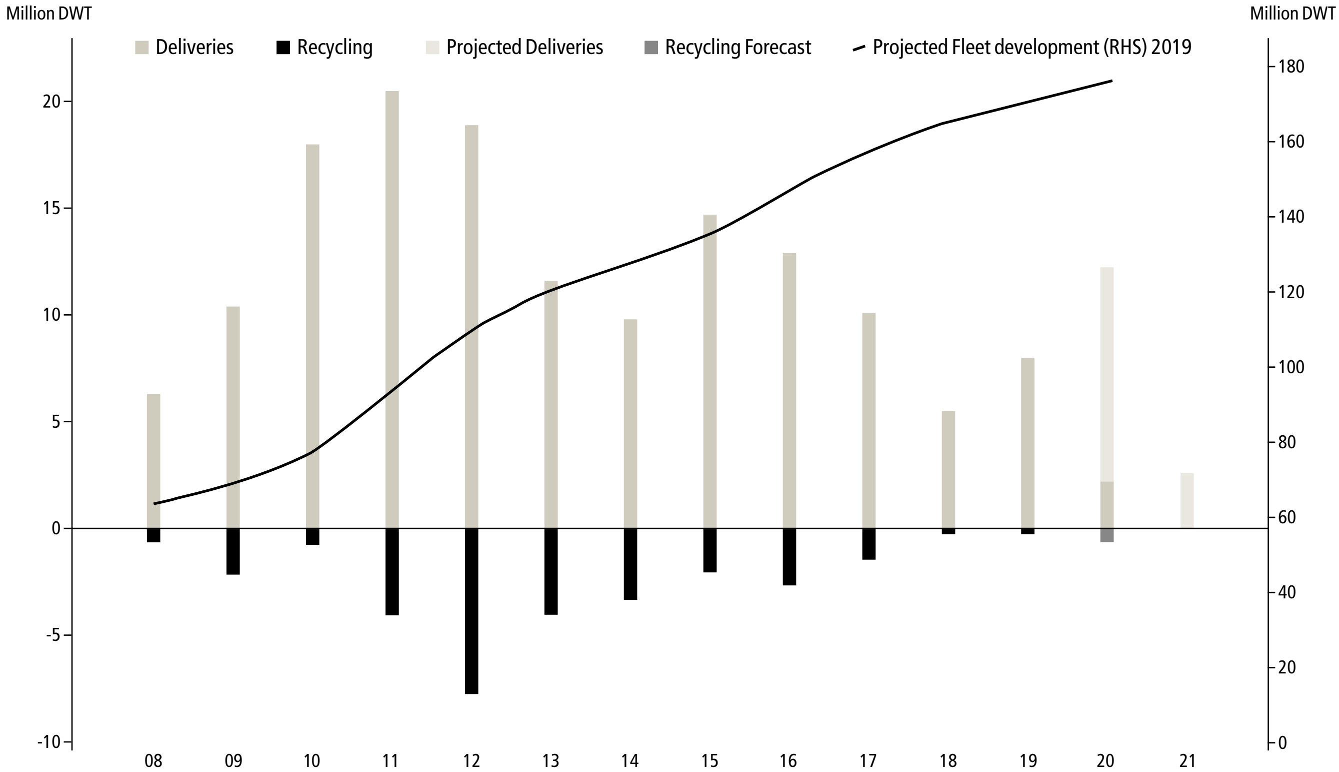
BELNOR

NO SMOKING

# Market information

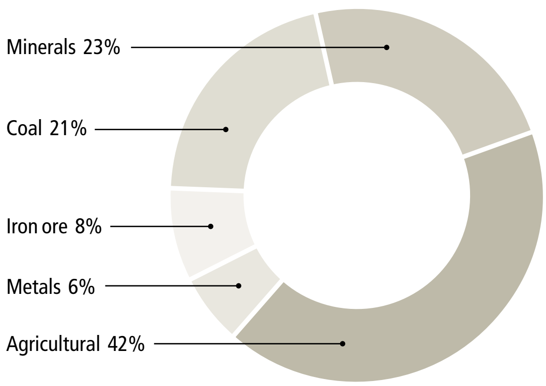
## Supra/Ultramax delivery and recycling scenario

Fleet growth 2020 forecasted 5% and 1% in 2021



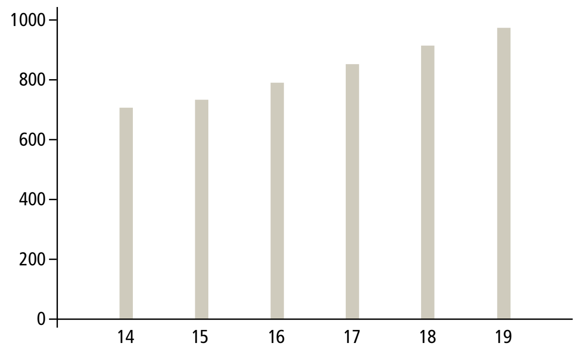

## Belships' cargo mix

Cargo by category. Diverse cargo base reduces risk




## Demand for Supra/Ultramax bulkers

Demand in million tonnes. CAGR 6.6% (2014–2019)




*Source: Fearnleys*

# Contributing towards cleaner and more efficient transportation

Belships ASA launched an environmental impact study in 2019, where we engaged our leading classification society DNV GL to review the fleet in detail, both by design and operation. This is an important component of our sustainability approach, enabling us to determine material issues in the face of increasing regulations from authorities and expectations from the wider public and not least from our stakeholders.

Belships was founded in 1918 and has been listed on the Oslo Stock Exchange since 1937. Our company has endured many crises, booms, and technological transformations. For the past decade the focus has been on the dry bulk market and today we have three business divisions – Shipowning, Commercial Operations and Technical Management.

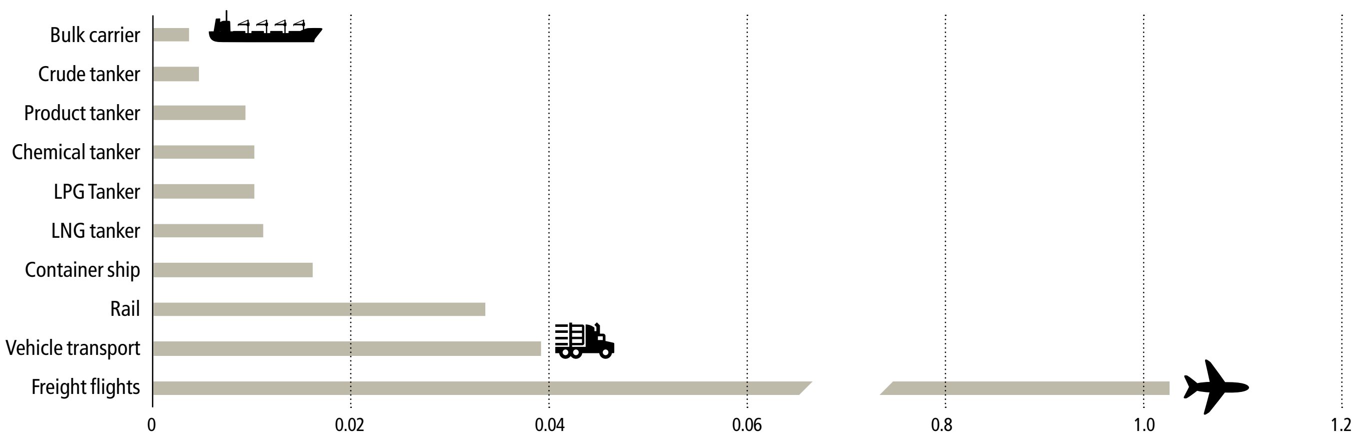
Currently we own 23 Supramax and Ultramax geared bulk carriers with an average age of about 5 years, including newbuildings.

Belships aims to become one of the leading owners and operators in the dry bulk market. In order to achieve that we believe in growing our business whilst representing high standards of environmental, social and governance within our segments.

Challenges and expectations related to climate change have become evident. Climate change is intrinsically linked to greenhouse gas emissions, and we anticipate stricter regulation from governments and regulatory institutions in the future. Belships is determined to be proactive and contribute to create a sustainable shipping industry, and we will continue to improve and create energy efficiency initiatives for our business operations.

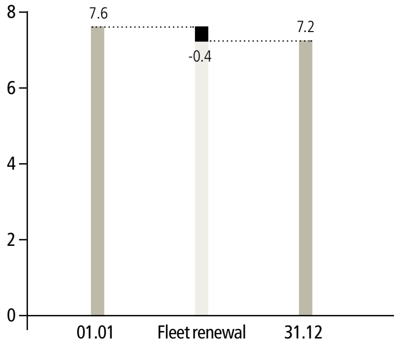
In 2019 we initiated a modernisation of our fleet where larger more economical vessels were acquired, and we began divesting older less economical ships. The modern Ultramaxes which now account for two

## $CO_2$ per tonne km

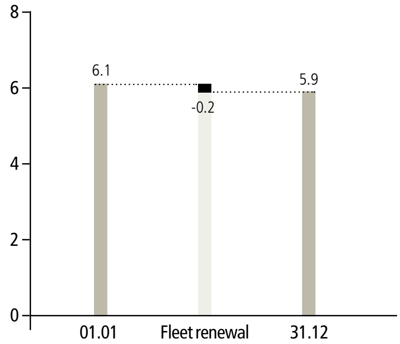



*Source: UK Government GHG Conversion Factors for Company Reporting 2019*

## Average EEOI per vessel 2019




## Average AER per vessel 2019




thirds of our fleet represent significantly lower fuel consumption and reduce emissions compared to any bulk carrier on the water. We are convinced that the continuing to improve energy efficiency will result in both environmental and economic advantages going forward.

Belships is dedicated to keeping our ships safe and the oceans clean. Our officers and crew have been trained and supplied from our own management since 1983. This enhances our ability to create a healthy culture for the wellbeing of our seafarers and the safe operations of our vessels in compliance with national and global regulations and certifications. All ships in the Belships fleet operate in accordance with the ISO 14001 standard for Environmental Management and OHSAS 18001 for the protection of health and safety.

To minimise energy consumption of our vessels we utilise digital platforms and weather routing data in planning voyage operations. Tracking each of our vessel's emissions and energy consumption is essential in monitoring efficiency and creating knowledge for methods of improvements aligned with regulations and company targets going forward.

2020 marked the adoption of IMO regulations for lower sulphur content in marine bunkering fuels. The IMO International Convention for the Prevention of Pollution from Ships (MARPOL) Annex VI limits the main air pollutants originating from ships' exhaust gas, including sulphur oxides (SOx) and nitrous oxides (NOx).

We welcomed this regulation and prepared all of our ships to run on compliant fuel within the end of 2019. We have not installed or plan to install any scrubbers on our vessels. We believe sailing on low sulphur compliant fuel is the best option currently available to reduce its environmental impact from energy consumption.

There is an increasing focus on CO2 emissions and its effects on climate change. The IMO has set out a 2030 strategy in line with the Paris Agreement to achieve CO2-emission reductions per transport work by at least 40 per cent compared to 2008 levels.

Belships aims to continue to work on new solutions and take active measures that will increase our energy efficiency and reduce our emissions. In 2020, we will continue mapping areas for improvement and consider further strategies for how Belships can contribute to the IMO 2030 strategy.

Ballast water management is regulated in order to safeguard marine life and species and is regulated by the International Convention for the Control and Management of Ships' Ballast Water and Sediments. The majority of our fleet already has this equipment installed and all our vessels will have ballast water exchange systems within the guidelines and time limits stipulated by the IMO.

Belships is conscious that oil spills have long-lasting adverse impacts on ecosystems, and incidents will cause serious impact on people and the environment. The highest likelihood of spills occurs in fuel transfer operations and from potential ship collisions. No oil spills or collisions were reported in 2019.

Ships represent hazardous waste which must be recycled under safe conditions with respect for human health, safety and environment. The Hong Kong Convention aims to ensure that ships, when recycled after reaching the end of their operational lives, do not pose a risk to safety of workers or to the environment. Belships supports these initiatives. Having a modern fleet we did not send any ships for recycling in 2019 and we do not expect to do so in 2020.

Shipping is by far the most energy efficient means of transporting goods and resources. More than 90pct of all goods and materials 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.


BELFOREST

# Steady course for growth

## THE DRY BULK MARKET 2019

In 2019, world seaborne trade of dry bulk increased by an estimated 1.0 per cent. However, as the total dry bulk fleet expanded by about 2.6 per cent the demand growth was not sufficient to materially improve average fleet utilization and rates were not able to surpass the levels of the preceding year.

The first quarter represented by seasonal weakness was compounded after the dam disaster in Brazil and severe weather storms in Australia. This corrected relatively quickly though and already from March the recovery in rates was clear. Also, both reduced fleet growth and sailing speed contributed to an improved market environment. By the third quarter this was further amplified as iron ore shipments recovered, coupled with record grain shipments and a meaningful part of the fleet taken out by scrubber retrofits. Coal imports to China were reduced towards the end of the year, as were tonne-mile effects for iron ore which resulted in a weak finish for the markets. Preparations and positioning ahead of IMO 2020 was the headline for much of 2019 and the strategies amongst shipowners were varied. The physical shift to compliant fuel commenced in November and December and pricing, availability and forward expectations clearly peaked around the New Year, where after the situation quickly normalised to the relief and expectation of the majority of shipowners who did not elect to install scrubbers.

Baltic Dry Indices ended the year slightly higher compared to January levels, whilst ship values and period time charter rates trended relatively flat.

## FINANCIAL AND CORPORATE MATTERS

The Group's solvency and financial position is strong. At the end of 2019, the book equity per share was NOK 6.46 (NOK 6.14), corresponding to an equity ratio of 39 per cent. Total book value of ships owned or leased was USD 305.8m, while the consolidated cash balance was USD 44.4m. Total mortgage debt amounted to USD 136.6m, while total lease obligations were USD 81.0m.

In 2019, the Group raised USD 29.0m of equity through ship-for-share transactions and capital allocations towards high quality private and institutional investors.

In April 2019, the Group entered into a new USD 140m loan facility. The first tranche of USD 110m replaced existing loan arrangements. The second tranche of USD 30m was made available for fleet expansion. The loan has a margin of 275 basis points over LIBOR and matures in Q2 2024. Following a voluntarily prepayment in January 2020, the next instalment is due in Q2 2021.

At the end of each reporting period, the Group assesses whether there are any impairment indicators present. The company has concluded that the declining market rates observed at the end of 2019 represents an impairment indicator pursuant to IAS 36. Consequently, the Group carried out an impairment test of ships owned or recognised as right-of-use assets per year-end. No impairments were made in 2019.

The Group adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

At the end of 2019, Belships held 548 000 treasury shares at an average cost of NOK 9.91 per share. The CEO has been granted options to subscribe for up to five million shares. Remaining employees held 400 000 options at year-end.

The Group's market risk exposure mainly relates to changes in freight rates, interest rates and fuel prices. Belships aims to minimize counterpart risk and time charter contracts are entered into with reputable charterers. The Group had no research and development costs in 2019.

All ships are owned by Norwegian companies and six of the companies are within the Norwegian tonnage tax regime. The Group had tax losses carried forward of USD 84.0 million as at 31 December 2019. No deferred tax benefits were recognised in the balance sheet.

## OPERATIONS

BELSTAR, BELNOR and BELISLAND continued in 2019 on their long-term charter parties to Canpotex Shipping Services Ltd., Canada, who are one of the world's largest exporters of fertilizer products.

BELOCEAN, BELFOREST and BELNIPPON were on time charter to Cargill, a leader within agricultural services. SOFIE VICTORY is chartered to ED&F Shipping Ltd – a leading operator within drybulk markets - until March 2021 at an index-based rate with a minimum floor above current market levels. The remaining fleet are operated in the spot market by Belships' subsidiary Lighthouse Navigation in Bangkok. Net earnings in 2019 per ship for the entire fleet amounted to USD 11 201 net per day versus BSI index of USD 9 451, representing a 19 per cent premium. In addition, Lighthouse Navigation on average operated 18 ships on short-term charter during 2019.

Belships entered into agreements to acquire a total of nine Supramax and Ultramax vessels through a combination of ship-for-share purchases and bareboat charters. Beleast was divested through a bareboat charter and subsequent sale and the vessel was delivered in December.

The company's fleet is modern with an average age of 5 years and all ships operated satisfactorily without significant off-hire. The operating expenses continued at a competitive level.

Belships Management (Singapore) Pte. Ltd. expanded its number of ships during 2019 and currently provides technical management for 19 ships for Belships and also two external well reputed clients.

## RESULTS

The Group had an operating income of USD 131.3m in 2019 (USD 98.4m), giving an EBITDA of USD 34.7m (USD 19.5m) and a consolidated operating result of USD 18.1m (USD 24.6m). The 2018 result includes purchase bargain gain of USD 12.8m. Result before tax was USD 6.8m (USD 19.4m), while net result for the Group was USD 5.1m (USD 19.2m).

The parent company's net result for the year was NOK 122.1m (NOK -54.0m). The result in 2019 includes reversal of impairment of shares and unrealised gain on shares in subsidiary amounting to NOK 83.3m.

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

| | |
|---|---|
| Transfer from other retained earnings | 122.1m |
| Total allocations | 122.1m |

## GOING CONCERN

The annual accounts are presented on a going concern basis in accordance with § 3 – 3 of the Norwegian Accounting Act. The Group's liquidity reserves are considered as robust. Taking into consideration time charter contracts and Forward Freight Agreements, Belships has more than 50 per cent of the fleet covered for 2020 at levels well in excess of cash breakeven.

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 2020. 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. The annual accounts give a fair view of the development, profit and overall financial position of Belships ASA 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 activities, and strives to improve safety. Measures are taken to prevent and minimise the impact on the environment. Belships works consciously to improve standards, both on board and ashore. Pollution from ship operations is governed by several national and international environmental standards and certifications. Belships meets official requirements in terms of safety and the environment.

All of our ships are equipped to meet regulatory standards and requirements and the modern fleet of Belships represents lower emissions and energy consumption compared to industry averages.

## ORGANISATION

Belships is headquartered in Oslo, from where it conducts financial, strategic development and investor relations together with the overall management of the Group's activities. Chartering and insurance is handled from Bangkok and technical management including crewing is organised from Singapore.

Management activities in Bangkok and Singapore increased significantly in 2019. The Group employed 147 office staff at the end of 2019. Ships under technical management employ 313 officers and crewmembers.

The sick leave was less than 2 per cent in 2019. The Group was not subject to any serious accidents in 2019. Belships treats women and men equally.


BELSTAR
SINGAPORE


noatum
noatum
GOTTWALD
BELOCEAN
SINGAPORE

No discrimination on the grounds of gender is tolerated. Of the Group's office staff, 44 per cent are women. The working environment in the companies within the Group is considered to be good.

## CORPORATE GOVERNANCE

Belships' goals and strategy are based on sound principles of corporate governance. The Company has been listed on the Oslo Stock Exchange since 1937, 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 a hundred years of 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:

- 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 behaviour 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

The new year was expected to be dramatic due to IMO 2020, however it turned out to be so for a very different reason. The adoption and implementation of low sulphur regulations proved to be much less of an availability issue than many predicted. Bunker markets have normalised quickly and the famously touted 'spread' narrowed from USD 400 to insignificant levels around USD 60 per tonne. We have no scrubbers installed in our fleet and we do not expect to change our position on this.

The outbreak of Coronavirus (COVID-19) in January, which has since spread to most countries in the world, has caused illness to hundreds of thousands of people already and massive disruptions in terms of productivity, demand and unemployment. Economic growth has in many cases imploded leading to record high fiscal stimulus and quantitative relief measures from central banks and governments in an attempt to mitigate the consequences.

Our markets have also been affected as both spot and period charter rates are significantly lower than usual. Prospects remain highly uncertain, though we share the optimism that the virus will eventually be defeated, and that shipping and trade will rebound. Very few newbuildings are being contracted adding optimism for a tighter market as the orderbook becomes historically low.

Belships has a uniform fleet of Supramaxes and Ultramaxes with approximately 50 per cent covered for the rest of 2020, whilst the remaining vessels operate in the spot market. We are focused on maintaining a solid balance sheet and liquidity position. Our strategy is to continue developing Belships as a fully integrated owner and operator of geared bulk carriers, through quality of operations and target accretive growth opportunities.

Oslo, 21 April 2020

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


BELNIPPON
PANAMA


# 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 2019.

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 2019 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 2019
- 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, 21 April 2020

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 | **2019** | 2018 |
| **OPERATING INCOME** | | | |
| Gross freight income | | **153 909** | 127 735 |
| Voyage expenses | | **-30 243** | -34 246 |
| **Net freight income** | | **123 666** | 93 489 |
| Management fees | | **7 650** | 4 865 |
| **Total operating income** | 5,6 | **131 316** | 98 354 |
| **OPERATING EXPENSES** | | | |
| Share of result from joint venture and associated companies | 12 | **2 715** | 2 012 |
| T/C hire expenses | 8 | **-49 825** | -56 466 |
| Ship operating expenses | 6, 21 | **-33 558** | -16 094 |
| Operating expenses ship management | 21 | **-4 125** | -420 |
| Payroll expenses | 15 | **-6 894** | -4 504 |
| Other general administrative expenses | 16 | **-4 921** | -3 333 |
| **Total operating expenses** | | **-96 608** | -78 805 |
| **EBITDA** | | **34 708** | 19 549 |
| Depreciations and amortisation | 7 | **-23 074** | -7 813 |
| Purchase bargain gain | 4 | **0** | 12 849 |
| Gain on sale of ships | | **4 381** | 0 |
| Other gains | | **2 119** | 0 |
| **Operating result (EBIT)** | | **18 134** | 24 585 |
| **FINANCIAL INCOME AND EXPENSES** | | | |
| Interest income | | **283** | 56 |
| Interest expenses | 8,11 | **-10 522** | -4 754 |
| Currency exchange gain/(loss) | | **-13** | -94 |
| Other financial items | | **-1 127** | -351 |
| **Net financial items** | | **-11 379** | -5 143 |
| **Net result before tax** | | **6 755** | 19 442 |
| Tax | 20 | **-1 655** | -247 |
| **Net result for the year** | | **5 100** | 19 195 |
| Hereof majority interests | | **3 487** | 18 169 |
| Hereof non-controlling interests | 12 | **1 613** | 1 026 |
| Earnings per share (USD) | 14 | **0.03** | 0.20 |
| Diluted earnings per share (USD) | 14 | **0.03** | 0.20 |

# Consolidated statement of comprehensive income

| 1 January-31 December | | Consolidated | |
|---|---|---|---|
| USD 1 000 | Note | **2019** | 2018 |
| **Net result for the year** | | **5 100** | 19 195 |
| *Other comprehensive income not to be reclassified to profit or loss in subsequent periods:* | | | |
| Actuarial gain/(loss) on defined benefit plan | 18 | **-10** | -9 |
| *Items that may be subsequently reclassified to profit or (loss):* | | | |
| Exchange differences | | **167** | 53 |
| **Total comprehensive income** | | **5 257** | 19 239 |
| Hereof majority interests | | **3 557** | 18 181 |
| Hereof non-controlling interests | | **1 700** | 1 058 |

# Consolidated statement of financial position



| 1 January-31 December | | Consolidated | |
|---|---|---|---|
| USD 1 000 | Note | **2019** | 2018 |
| **NON-CURRENT ASSETS** | | | |
| **Intangible assets** | | | |
| Contracts | 4 | **4 629** | 8 536 |
| **Tangible fixed assets** | | | |
| Ships, owned | 7 | **213 052** | 179 118 |
| Ships, right-of-use assets | 7 | **92 720** | 51 307 |
| Prepayment of ships | | **6 000** | 0 |
| Property, Plant and Equipment | 7 | **4 790** | 4 036 |
| **Total fixed assets** | | **316 562** | 234 461 |
| **Financial fixed assets** | | | |
| Financial investments | 12 | **3 303** | 1 939 |
| Cash and cash equivalents (restricted) | 9 | **215** | 281 |
| Other non-current receivables | | **8 096** | 236 |
| **Total financial assets** | | **11 614** | 2 456 |
| **Total non-current assets** | | **332 805** | 245 453 |
| **CURRENT ASSETS** | | | |
| Bunker inventory | | **5 832** | 4 230 |
| Trade debtors | | **1 419** | 3 454 |
| Other receivables | | **13 157** | 8 443 |
| Cash and cash equivalents (restricted) | 9 | **169** | 109 |
| Cash and cash equivalents | 9 | **44 259** | 31 925 |
| **Total current assets** | | **64 836** | 48 161 |
| **Total assets** | | **397 641** | 293 614 |
| **EQUITY** | | | |
| Paid-in capital | | **125 927** | 96 870 |
| Retained earnings | | **25 717** | 23 738 |
| Non-controlling interests | | **4 471** | 3 174 |
| **Total equity** | 13 | **156 115** | 123 782 |
| **LIABILITIES** | | | |
| **Provision for liabilities** | | | |
| Pension obligations | 18 | **745** | 735 |
| **Other non-current liabilities** | | | |
| Mortgage debt | 11 | **127 249** | 94 513 |
| Lease liabilities | 8 | **73 646** | 38 653 |
| Other non-current liabilities | | **2 315** | 2 711 |
| **Total other non-current liabilities** | | **203 210** | 135 877 |
| **Current liabilities** | | | |
| Current portion of mortgage debt | 11 | **9 388** | 12 500 |
| Current portion of lease liability | 8 | **7 315** | 2 119 |
| Tax payable | 20 | **1 450** | 497 |
| Public taxes and duties payable | | **260** | 314 |
| Trade creditors | | **1 851** | 3 257 |
| Other current liabilities | | **17 308** | 14 533 |
| **Total current liabilities** | | **37 571** | 33 220 |
| **Total liabilities** | | **241 526** | 169 832 |
| **Total equity and liabilities** | | **397 641** | 293 614 |

Oslo, 21 April 2020

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 cash flow

| 1 January-31 December | | **Consolidated** | |
|---|---|---|---|
| USD 1 000 | Note | **2019** | 2018 |
| **CASH FLOW FROM OPERATIONS** | | | |
| Net result before tax | | **6 755** | 19 442 |
| Adjustments to reconcile result before tax to net cash flows: | | | |
| Purchase bargain gain | 4 | **0** | -12 849 |
| Depreciations on fixed assets | 7 | **23 074** | 7 813 |
| Gain on sale of ships | 7 | **-4 381** | 0 |
| Share-based compensation expense | 17 | **23** | 5 |
| Difference between pension expenses and paid pension premium | 18 | **-51** | -81 |
| Share of result from joint venture and associated companies | 12 | **-2 715** | -2 012 |
| Net finance costs | | **11 379** | 5 143 |
| Working capital adjustments: | | | |
| Change in trade debtors and trade creditors | | **629** | 2 408 |
| Change in other current items | | **-2 609** | -1 925 |
| Interest received | | **283** | 56 |
| Interest paid | 8,11 | **-10 359** | -4 754 |
| Income tax paid | 20 | **-632** | -264 |
| **Net cash flow from operating activities** | | **21 396** | 12 982 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Payment of ships | 7 | **-21 500** | -19 430 |
| Distribution and capital reduction from joint ventures | | **0** | 2 340 |
| Net cash contribution from merger | 4 | **0** | 6 709 |
| Payment of other investments | | **-2 549** | 0 |
| **Net cash flow from investing activities** | | **-24 049** | -10 381 |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Proceeds from non-current debt | 11 | **123 755** | 19 750 |
| Paid-in capital | | **8 021** | 0 |
| Repayment of non-current debt | 11,19 | **-114 876** | -4 161 |
| Dividend paid | | **-1 205** | 0 |
| Dividend to non-controlling interests | | **-648** | -846 |
| **Net cash flow from financing activities** | | **15 047** | 14 743 |
| Net change in cash and cash equivalents during the period | | **12 394** | 17 344 |
| Cash and cash equivalents at 1 January | | **32 034** | 14 690 |
| **Cash and cash equivalents at 31 December** * | | **44 428** | 32 034 |

*) Includes restricted cash. See note 9.

# Consolidated statement of changes in equity

| USD 1 000 | Majority interest | | | | | | |
|---|---|---|---|---|---|---|---|
| | Paid-in | | | | Retained | | |
| | Share capital | Treasury shares | Share premium reserves | Other equity | Other equity | Non-controlling interest | Total equity |
| **At 31 December 2019** | | | | | | | |
| Equity as at 31 December 2018 | 41 870 | -166 | 18 166 | 37 000 | 23 738 | 3 174 | 123 782 |
| Share issue (incl. share issue exps.) | 8 533 | 0 | 21 333 | -832 | 0 | 0 | 29 034 |
| Dividend paid | 0 | 0 | 0 | 0 | -1 205 | 0 | -1 205 |
| Share-based payment expense | 0 | 0 | 0 | 23 | 0 | 0 | 23 |
| Adoption of IFRS 16 | 0 | 0 | 0 | 0 | -373 | 0 | -373 |
| NCI transactions | 0 | 0 | 0 | 0 | 0 | -403 | -403 |
| Net result for the year | 0 | 0 | 0 | 0 | 3 487 | 1 613 | 5 100 |
| Other comprehensive income | 0 | 0 | 0 | 0 | 70 | 87 | 157 |
| Total comprehensive income | 0 | 0 | 0 | 0 | 3 557 | 1 700 | 5 257 |
| **Equity as at 31 December 2019** | **50 403** | **-166** | **39 499** | **36 191** | **25 717** | **4 471** | **156 115** |
| **As 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 | 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** |

# Notes to the consolidated accounts

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

## NOTE 1 GENERAL INFORMATION

The Group is a fully integrated owner and operator of dry bulk ships. The company also provides commercial and technical 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.

The consolidated financial statements have been approved by the Board on 21 April 2020. 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.

The Board considers that the conditions for a going concern are in place.

### B) CONSOLIDATION PRINCIPLES

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 8.7803 (2018: USD 8.6885) and SGD 6.5276 (SGD 6.3808).

### 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.

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.

### F) LEASING

On adoption of IFRS 16 leases in 1 January 2019, Belships recognised lease liabilities in relation to leases previously classified as 'operating leases' under the principles of IAS 17 Leases. The implementation followed the modified retrospective approach, which requires no restatement of comparative information.

The liability arising from leasing agreements is recognised at net present value of remaining lease payments, discounted using the interest rate implicit in the lease. Interests are charged to the statement of income over the lease period. The associated right-of-use asset equals the initial lease liability adjusted for payments made before the lease commencement date and initial direct costs. After the commencement date, the right-of-use asset is depreciated in accordance with the requirements in IAS 16 Property, Plant and Equipment.

The Group has chosen the option to allocate the service component embedded in all long-term time charter contracts to ship operation expenses.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

### 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 Group 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 fi nan-cial 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 fulfil 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) REVENUE RECOGNITION

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

- Time Charter (freight income)
- Voyage charter (freight income)
- Other revenues such as technical, crewing, port agency, logistical and management fees.

***Time Charter***
The Group considers time charter contracts to contain both lease and service components. For time charter contracts where the Group acts as lessor and which does not transfer substantially all risks and rewards incidental to ownership of the ship are accounted as operational leases. Revenues are recognised in accordance with IFRS 15 and the Group only recognises time charter revenue when the ships are on-hire. The contract period starts when the ships is made available to the customer and ends on agreed return date. 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 charter agreements where the Group acts as lessee are accounted in accordance with IFRS 16 (See item F and Y.

***Voyage Charter***
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 through recognition of revenues and costs 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 recognised 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.

## K) EMPLOYEE BENEFITS

***Defined contribution pension scheme***
All current 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.

### L) 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.

### M) 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.

### N) 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.

### O) IMPAIRMENT OF ASSETS

At the end of each reporting period, 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.

### P) 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.

### Q) 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.

### R) SHARE-BASED PAYMENTS

Employees and management in Belships ASA have 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.

## S) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on 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.

## T) 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.

## U) 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 2 reportable segments: own ships (owned or leased) and 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.

## V) RELATED PARTY TRANSACTIONS

Transactions with related parties are carried out at market terms. See note 10 for further information.

## W) 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 9.

## X) 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.

## Y) CHANGES IN ACCOUNTING PRINCIPLES

***IFRS 16***

The Group adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. IFRS 16 supersedes IAS 17 Leases. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. The Company considers Bareboat agreements to meet the lease definition under IFRS 16, while the long-term time charter contract contains both lease and service components.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor.

The table below summarise the effects on the Group's consolidated statement of income and financial position from implementing IFRS 16:

| | IAS 17 Operational lease | IFRS 16 1 Jan. 2019 | IFRS 16 31 Dec. 2019 |
|---|---|---|---|
| **Time charter contracts** | | | |
| Right-of-use asset | - | 20 970 | 16 021 |
| Leasing liability | - | -21 090 | -16 529 |
| Interest costs | - | - | -1 205 |
| Depreciation | - | - | -4 949 |
| Ship operating expenses | -9 125 | - | -3 358 |
| | | - | |
| **Office rentals** | | | |
| Right-of-use asset | - | 1 406 | 1 166 |
| Leasing liability | - | -1 406 | -948 |
| Interest costs | - | - | -79 |
| Depreciation | - | - | -240 |
| G&A | -542 | - | - |

## 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. 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.

### IMPAIRMENT ASSESSMENT – SHIPS

The Group assess whether there are any impairment indicators present at the end of each reporting period. If an impairment indicator is identified, the Group carries out impairment tests pursuant to IAS 36. The Group also assess whether previous recorded impairment charges should be reversed.

Impairment test calculations demand a significant degree of estimation. The Group considers each ship as a separate cash generating unit and has compared recoverable amounts against carrying amounts at the end of the year. Recoverable amounts are based on observable market values or value in use calculations. Value-in-use values have been derived from calculation of present value of estimated cash flows over the useful life of the ship.

The value-in-use calculations of the Group's owned and leased ships are mainly sensitive to changes in revenue and cost of capital assumptions. Revenues have been based on the ships current contracts and long-term historical rates for equivalent ships. The useful life of assets and the method of depreciation are evaluated yearly. Remaining useful life is estimated on the date of the presentation of accounts.

Refer to note 7 for key assumptions used in the Group's impairment testing.

## NOTE 4 BUSINESS COMBINATION

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).

Management has performed a 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 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 PPA, the fair value of the consideration has been allocated to the identifiable assets, liabilities and contingent liabilities of Belships.

**Based on the 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 (2018)** | | **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 (2018)** | **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 2018, 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 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 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.

Two customers accounted for more than 10% of the total turnover in 2019 and 2018, refer to note 6. Beyond that, the Group has no single customers in any segment neither in 2019 nor 2018 which accounted for more than 10% of the total turnover.

The operating segments have worldwide activities. Shipping in general offers a global service covering major global trade routes. There are no particular focus on geographic region for ships as the charterers decide trade routes on individual basis. Consequently, no geographical segments have been presented other than the domicile of the largest charterers listed under note 6.

| 1 January - 31 December 2019 | Own ships | Lighthouse Navigation | Ship management | Admini-stration | Group transactions | Total |
|---|---|---|---|---|---|---|
| Gross freight revenue | 79 331 | 74 578 | 0 | 0 | 0 | 153 909 |
| Voyage expenses | -11 352 | -20 267 | 0 | 0 | 1 376 | -30 243 |
| **Net freight revenue** | **67 979** | **54 311** | **0** | **0** | **1 376** | **123 666** |
| Management fees | 0 | 6 005 | 5 303 | 0 | -3 658 | 7 650 |
| **Operating income** | **67 979** | **60 316** | **5 303** | **0** | **-2 282** | **131 316** |
| Share of result from j/v and associated companies | 0 | 2 715 | 0 | 0 | 0 | 2 715 |
| T/C hire expenses | -497 | -49 328 | 0 | 0 | 0 | -49 825 |
| Ship operating expenses | -35 715 | 0 | 0 | 0 | 2 157 | -33 558 |
| Operating expenses ship management | 0 | 0 | -4 125 | 0 | 0 | -4 125 |
| General and administrative expenses | -555 | -7 184 | 0 | -4 201 | 125 | -11 815 |
| **Operating expenses** | **-36 767** | **-53 797** | **-4 125** | **-4 201** | **2 282** | **-96 608** |
| **EBITDA** | **31 212** | **6 519** | **1 178** | **-4 201** | **0** | **34 708** |
| Depreciation and amortisation | -19 445 | -2 608 | -868 | -153 | 0 | -23 074 |
| Gain on sale of ship | 4 381 | 0 | 0 | 0 | 0 | 4 381 |
| Other gains | 180 | 0 | 1 939 | 0 | 0 | 2 119 |
| **Operating result** | **16 328** | **3 911** | **2 249** | **-4 354** | **0** | **18 134** |
| Interest income | 230 | 51 | 2 | 0 | 0 | 283 |
| Interest expenses | -10 522 | 0 | 0 | 0 | 0 | -10 522 |
| Other financial items | -863 | -215 | -49 | 0 | 0 | -1 127 |
| Currency gains/(-losses) | -2 | -27 | 16 | 0 | 0 | -13 |
| **Net financial items** | **-11 157** | **-191** | **-31** | **0** | **0** | **-11 379** |
| **Result before tax** | **5 171** | **3 720** | **2 218** | **-4 354** | **0** | **6 755** |
| Tax | -697 | -958 | 0 | 0 | 0 | -1 655 |
| **Net result** | **4 474** | **2 762** | **2 218** | **-4 354** | **0** | **5 100** |
| Hereof majority interests | 4 474 | 1 209 | 2 158 | -4 354 | 0 | 3 487 |
| Hereof non-controlling interests | 0 | 1 553 | 60 | 0 | 0 | 1 613 |
| Assets | 367 191 | 22 446 | 6 829 | 1 175 | 0 | 397 641 |
| Liabilities | 221 269 | 15 687 | 2 360 | 2 210 | 0 | 241 526 |
| Cash flow from operating activities | 20 094 | 2 607 | 3 307 | -4 612 | 0 | 21 396 |
| Cash flow from investing activities | -23 987 | 0 | 0 | -62 | 0 | -24 049 |
| Cash flow from financing activities | 8 879 | -600 | -48 | 6 816 | 0 | 15 047 |

| 1 January - 31 December 2018 | Own ships | Lighthouse Navigation | Ship management | Admini-stration | Group transactions | Total |
|---|---|---|---|---|---|---|
| Gross freight revenue | 45 127 | 81 991 | 0 | 0 | 617 | 127 735 |
| Voyage expenses | -8 993 | -25 253 | 0 | 0 | 0 | -34 246 |
| **Net freight revenue** | **36 134** | **56 738** | **0** | **0** | **617** | **93 489** |
| Management fees | 0 | 5 103 | 388 | 0 | -626 | 4 865 |
| **Operating income** | **36 134** | **61 841** | **388** | **0** | **-9** | **98 354** |
| Share of result from j/v and associated companies | 0 | 2 012 | 0 | 0 | 0 | 2 012 |
| T/C hire expenses | -403 | -56 063 | 0 | 0 | 0 | -56 466 |
| Ship operating expenses | -16 094 | 0 | 0 | 0 | 0 | -16 094 |
| Operating expenses ship management | 0 | 0 | -420 | 0 | 0 | -420 |
| General and administrative expenses | -1 604 | -5 309 | 0 | -933 | 9 | -7 837 |
| **Operating expenses** | **-18 101** | **-59 360** | **-420** | **-933** | **9** | **-78 805** |
| **EBITDA** | **18 033** | **2 481** | **-32** | **-933** | **0** | **19 549** |
| Depreciation and amortisation | -7 705 | -81 | -5 | -22 | 0 | -7 813 |
| Purchase bargain gain | 0 | 0 | 0 | 12 849 | 0 | 12 849 |
| **Operating result** | **10 328** | **2 400** | **-37** | **11 894** | **0** | **24 585** |
| Interest income | 2 | 28 | 1 | 25 | 0 | 56 |
| Interest expenses | -4 754 | 0 | 0 | 0 | 0 | -4 754 |
| Other financial items | -359 | 0 | -1 | 9 | 0 | -351 |
| Currency gains/(-losses) | 4 | -19 | 17 | -96 | 0 | -94 |
| **Net financial items** | **-5 107** | **9** | **17** | **-62** | **0** | **-5 143** |
| **Result before tax** | **5 221** | **2 409** | **-20** | **11 832** | **0** | **19 442** |
| Tax | 0 | -235 | -12 | 0 | 0 | -247 |
| **Net result** | **5 221** | **2 174** | **-32** | **11 832** | **0** | **19 195** |
| Hereof majority interests | 5 221 | 1 166 | -50 | 11 832 | 0 | 18 169 |
| Hereof non-controlling interests | 0 | 1 008 | 18 | 0 | 0 | 1 026 |
| Assets | 258 082 | 22 387 | 3 553 | 9 592 | 0 | 293 614 |
| Liabilities | 151 308 | 11 874 | 3 067 | 3 583 | 0 | 169 832 |
| Cash flow from operating activities | 14 146 | -17 | 62 | -1 209 | 0 | 12 982 |
| Cash flow from investing activities | -17 090 | 0 | 0 | 6 709 | 0 | -10 381 |
| Cash flow from financing activities | 15 589 | -600 | -246 | 0 | 0 | 14 743 |

## NOTE 6 REVENUE

BELSTAR, BELNOR and BELISLAND have been chartered to Canpotex Shipping Services Ltd in 2019. 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.

BELOCEAN, BELNIPPON and BELFOREST have been chartered to Cargill, a leader within agricultural services.

SOFIE VICTORY is chartered to ED&F Man Shipping Ltd until March 2021 at an index-based rate with a minimum floor above current market levels.

The remaining fleet have been operated in the spot market by Belships' subsidiary Lighthouse Navigation. Net earnings in 2019 per ship in for the entire fleet amounted to USD 11 201 versus BSI index of USD 9 451 net per day, representing a 19% premium to the market indices.

### PERIOD TIME CHARTERS

| | USD per day | Maturity | Charterer | Domicile |
|---|---|---|---|---|
| BELISLAND | 17 306 | Mar-21 | Canpotex | Canada |
| BELNOR | 16 005 | May-20 | Canpotex | Canada |
| BELSTAR | 16 005 | Jun-19 | Canpotex | Canada |
| BELFOREST | 10 656 | Feb-21 | Cargill | United States |
| BELNIPPON | 10 275 | Mar-20 | Cargill | United States |
| BELOCEAN | 11 550 | Aug-19 | Cargill | United States |
| SOFIE VICTORY* | 10 830 | Mar-21 | ED&F Man Shipping | United Kingdom |

* Index-based floor

## NOTE 7 SHIPS AND OTHER FIXED ASSETS

| | Ships, owned | | | Ships, right-to-use assets | | | |
|---|---|---|---|---|---|---|---|
| | Ships | Capitalised drydocking expenses | Total | Ships | Capitalised drydocking expenses | Total | Property, plant and equipment |
| **2019** | | | | | | | |
| Cost per 1 January | 189 910 | 7 836 | 197 746 | 50 751 | 749 | 51 500 | 3 084 |
| Adoption of IFRS16 | 0 | 0 | 0 | 20 970 | 0 | 20 970 | 1 406 |
| Additions | 46 520 | 2 600 | 49 120 | 27 351 | 700 | 28 051 | 62 |
| Disposals | -4 338 | -587 | -4 925 | 0 | 0 | 0 | 0 |
| **Cost per 31 December** | **232 092** | **9 849** | **241 941** | **99 072** | **1 449** | **100 521** | **4 552** |
| Depreciations per 1 January | 15 220 | 3 408 | 18 628 | 193 | 0 | 193 | 207 |
| Depreciation for the year | 8 798 | 1 996 | 10 794 | 7 262 | 383 | 7 645 | 246 |
| Disposals | -533 | 0 | -533 | -37 | 0 | -37 | 0 |
| **Depreciations per 31 December** | **23 485** | **5 404** | **28 889** | **7 418** | **383** | **7 801** | **453** |
| **Book value per 31 December** | **208 607** | **4 445** | **213 052** | **91 654** | **1 066** | **92 720** | **4 099** |
| Other non-depreciable assets | 0 | 0 | 0 | 0 | 0 | 0 | 690 |
| **Total book value per 31 December** | **208 607** | **4 445** | **213 052** | **91 654** | **1 066** | **92 720** | **4 789** |
| **2018** | | | | | | | |
| Cost per 1 January | 131 693 | 5 414 | 137 107 | 0 | 0 | 0 | 58 |
| Additions | 19 430 | 2 209 | 21 639 | 0 | 0 | 0 | 0 |
| From merger | 38 787 | 213 | 39 000 | 50 751 | 749 | 51 500 | 3 026 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Cost per 31 December** | **189 910** | **7 836** | **197 746** | **50 751** | **749** | **51 500** | **3 084** |
| Depreciations per 1 January | 9 781 | 1 594 | 11 375 | 0 | 0 | 0 | 33 |
| Depreciation for the year | 5 439 | 1 814 | 7 253 | 193 | 0 | 193 | 174 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Depreciations per 31 December** | **15 220** | **3 408** | **18 628** | **193** | **0** | **193** | **207** |
| **Book value per 31 December** | **174 690** | **4 428** | **179 118** | **50 558** | **749** | **51 307** | **2 877** |
| Other non-depreciable assets | 0 | 0 | 0 | 0 | 0 | 0 | 1 159 |
| **Total book value per 31 December** | **174 690** | **4 428** | **179 118** | **50 558** | **749** | **51 307** | **4 036** |

**Depreciations related to charter-party agreements amounted to 4 389 in 2019 (2018: 194).**
**See note 6 for further details related to period time charters.**

SPESIFICATION OF THE GROUP'S SHIPS

| | Built year | Ownership | Cost price | Accumulated ordinary depreciation | Capitalised drydocking expenses | Accumulated depreciation on capitalised dd. expenses | Book value |
|---|---|---|---|---|---|---|---|
| BELPAREIL | 2015 | 100 % | 24 492 | -4 128 | 700 | -651 | 20 413 |
| BELSOUTH | 2015 | 100 % | 24 535 | -3 852 | 700 | -606 | 20 777 |
| BELINDA | 2016 | 100 % | 24 569 | -3 550 | 700 | -557 | 21 162 |
| BELMONT | 2016 | 100 % | 24 596 | -3 493 | 700 | -548 | 21 255 |
| BELATLANTIC | 2016 | 100 % | 24 360 | -3 182 | 700 | -505 | 21 373 |
| PACIFIC LIGHT | 2007 | 100 % | 4 803 | -531 | 932 | -447 | 4 757 |
| BELFORT | 2008 | 100 % | 9 330 | -843 | 797 | -377 | 8 907 |
| BELORIENT | 2008 | 100 % | 10 100 | -1 021 | 1 364 | -424 | 10 019 |
| BELSTAR | 2009 | 100 % | 11 899 | -655 | 1 225 | -217 | 12 252 |
| BELNOR | 2010 | 100 % | 13 000 | -689 | 0 | 0 | 12 311 |
| BELOCEAN | 2011 | 100 % | 13 912 | -706 | 108 | -72 | 13 242 |
| BELCARGO | 2008 | 100 % | 12 220 | -424 | 780 | -105 | 12 471 |
| BELFRI | 2007 | 100 % | 11 475 | -312 | 525 | -75 | 11 613 |
| SOFIE VICTORY | 2016 | 100 % | 22 825 | -450 | 175 | -50 | 22 500 |
| **Ships, owned** | | | **232 116** | **-23 836** | **9 406** | **-4 634** | **213 052** |
| BELFOREST | 2015 | BBC | 24 920 | -1 144 | 351 | -180 | 23 947 |
| BELISLAND | 2016 | BBC | 25 838 | -1 168 | 398 | -180 | 24 888 |
| BELRAY | 2019 | BBC | 27 351 | -164 | 700 | -23 | 27 864 |
| BELNIPPON | 2018 | TC | 17 198 | -2 434 | 0 | 0 | 14 764 |
| SKYWALKER | 2015 | TC | 6 915 | -5 658 | 0 | 0 | 1 257 |
| **Ships, right-of-use assets** | | | **102 222** | **-10 568** | **1 449** | **-383** | **92 720** |
| **Total fleet** | | | **334 338** | **-34 404** | **10 855** | **-5 017** | **305 772** |

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## FLEET

The Group controlled a fleet of 18 ships at the end of the year. Ship transactions during the year include delivery of newbuilding BELRAY and sale of vessel the oldest vessel in the fleet, BELEAST. In addition, the Company took delivery of vessels BELCARGO, SOFIE VICTORY and BELFRI.

BELCARGO (VIOLA) was taken over in May. The purchase price was USD 13.0m, of which half paid in cash. The remaining consideration was settled through issue of 8,060,650 new Belships shares to the seller of the vessel at NOK 7.00 per share.

In July, the Company acquired all shares in Sofie Victory AS, the owner SOFIE VICTORY. The agreed purchase price was USD 24.15m, of which USD 14m was debt. Of the net consideration of USD 10m, USD 2.0 was paid in cash. The remaining amount was settled through issue of new Belships shares to the sellers of Sofie Victory AS at NOK 7.00 per share.

In August, the Group took delivery of vessel BELFRI (SEPHORA). The agreed purchase price was USD 12.0m, of which half was paid in cash. The remaining consideration was settled through issue of 7 405 114 new Belships shares to the seller of the vessel at NOK 7.00 per share.

Newbuilding BELRAY (Shin Kurushima) was delivered in October.

The Group entered into an agreement with Marti Shipping & Ship Management of Turkey for a bareboat charter and subsequent sale of BELEAST on October. The 50 000 dwt bulk carrier was built in 2006 and was the oldest ship in Belships fleet. BELEAST was delivered in December and Belships realised a gain of USD 4.4m. The Charterer has an obligation to purchase the vessel within 24 months and the net cash flow during the period will be approximately USD 3.5m after repayment of outstanding loans.

During Q1 2020, the company took delivery of newbuildings BELFUJI (Imabari), BELMOIRA and BELAJA (Shin Kurushima). Two newbuilding resales of 64 000 dwt eco-design Ultramax bulk carriers will be delivered during the second half of 2020 and 2021. The Group has entered into an agreement with Marti Shipping & Ship Management of Turkey for a bareboat charter and subsequent sale of PACIFIC LIGHT. The 50 000 dwt bulk carrier was built in 2007, and is currently the oldest ship in Belships' fleet. In addition, Belships will take delivery of a 2017 built Japanese 63 000 dwt Ultramax during Q2 2020.

The Group will soon control a modern fleet of 23 dry bulk carriers.

## IMPAIRMENT TESTS

At the end of each reporting period, the Group assess whether there are any impairment indicators present. The company has concluded that the declining market rates observed at the end of 2019 represents an impairment indicator pursuant to IAS 36. Consequently, the Group carried out an impairment test of ships owned or recognised as right-of-use assets per year-end.

The company considers each ship as a separate cash-generating unit and has compared recoverable amounts against carrying amounts at the end of the quarter. Recoverable amounts are based on value-in-use and have been derived from calculation of present value of estimated cash flows over the useful life of the ship. The value-in-use calculations are mainly sensitive to changes in revenue and cost of capital assumptions. Revenues have been based on the ships current contracts and long-term historical rates for equivalent ships. Cash flows have been discounted using a cost of capital of 7 per cent.

At the end of the year, recoverable amounts were higher than carrying amounts for all ships and no impairment were recorded. The Group has performed sensitivity tests on the assumptions used in the impairment tests. Reducing the long-term rate by USD 1 000 per day would have led to an impairment recognition of USD 8.6m at year-end. One per cent increase in cost of capital would not have resulted in impairment of ships at year-end.

## NOTE 8 LEASE AGREEMENTS

### CURRENT FLEET

The Group had BELFOREST, BELISLAND and BELRAY on bareboat agreements at year-end. In addition,the company had BELNIPPON and SKYWALKER on long-term time charter agreements. The Company considers the bareboat agreements to meet the lease definition under IFRS 16, while the long-term time charter contract contains both lease and service components.

In September 2015, the Group entered into a sale and lease back agreement for BELFOREST. The bareboat charter period is 12 years with purchase options from year 3 and onwards.

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 and onwards.

In October 2017, Lighthouse Navigation took delivery of SKYWALKER (2015). The ship is leased on time charter for a period of 3 years.

BELNIPPON was delivered in January 2018. The ship is leased on time charter for a period of 8 years with purchase options from year 4 and onwards.

In October 2019, the Group took delivery of BELRAY. The ship is leased on bareboat charter for a period of 7 years with purchase options from year 4 and onwards.

### NEWBUILDS

In the first quarter 2020, the Group took delivery of BELFUJI (time charter), BELMOIRA (Bareboat) and BELAJA (Bareboat). In addition, the two newbuilds BELFAST (Bareboat) and BELMAR (Bareboat) will be delivered in second half of 2020 and 2021, respectively. All newbuilds includes purchase options callable after the fourth year.

The Company has no obligation to purchase any of the vessels on bareboat or time charter.

### T/C HIRE EXPENSES

T/C hire expenses of USD 49.3m relates to chartering activity in our subsidiary Lighthouse Navigation. Expenses comprise short-term hire of tonnage and services from other shipowners.

### SPECIFICATION OF LEASE AGREEMENTS

| Lease liabilities | Built year | Ownership | Lease maturity | Purchase option | Discount rate | Net present value of lease payments | Net present value of purchase option | Current | Non-current |
|---|---|---|---|---|---|---|---|---|---|
| **Ships** | | | | | | | | | |
| BELRAY | 2019 | Bareboat | 2026 | 2023-2026 | 5.57% | 13 444 | 11 425 | 1 030 | 23 839 |
| BELNIPPON | 2018 | T/C | 2025 | 2022-2025 | 6.63% | 15 195 | N/A | 2 144 | 13 051 |
| BELISLAND | 2016 | Bareboat | 2026 | 2021-2031 | 6.62% | 13 384 | 5 854 | 1 251 | 17 987 |
| BELFOREST | 2015 | Bareboat | 2025 | 2018-2027 | 5.88% | 13 941 | 5 436 | 1 062 | 18 316 |
| SKYWALKER | 2015 | T/C | 2020 | N/A | 5,25% | 1 334 | N/A | 1 334 | - |
| **Total ships** | | | | | | **57 298** | **22 715** | **6 821** | **73 192** |
| **Other** | | | | | | | | | |
| Office | N/A | Lease | 2021-2023 | N/A | 6.00% | N/A | N/A | 494 | 454 |
| **Total other** | | | | | | | | **494** | **454** |

### PAYMENT SCHEDULE

| | 2020 | 2021 | 2022 | 2023 | 2024 | Subsequent | Total |
|---|---|---|---|---|---|---|---|
| Lease payments | 12 297 | 10 798 | 10 431 | 10 372 | 10 376 | 49 947 | 104 221 |

*) The figures do not include lease payments related to newbuilds scheduled for delivery in 2020 and 2021.

## NOTE 9 BANK DEPOSITS

The Group's bank balance amounted to USD 44 643 (2018: USD 32 034) at year end. Restricted cash amounted to USD 169 (109) related to employees withholding tax.

## NOTE 10 RELATED PARTIES

The subsidiary Belships Management AS has provided accounting services to Sonata AS, which is owned by the board member Sverre J. Tidemand and his family. Fees amounted to USD 30 in 2019 (Dec 2018: USD 10). Fees are in line with prevailing market rate for comparable services. This agreement was terminated 1 July 2019.

No loans were issued or security provided with respect to the company's shareholders or associated parties.

## NOTE 11 RECEIVABLES AND LIABILITIES

### MORTGAGE DEBT

The Group entered into a new USD 140m loan facility in April 2019. The first tranche of USD 110m replaced existing loan arrangements. The second tranche of USD 30m was made available for fleet expansion. The loan has a margin of 275 basis points over LIBOR and matures in Q2 2024. Following a voluntarily prepayment in January 2020, the next instalment is due in Q2 2021.

The company acquired all shares in Sofie Victory AS, the owner of SOFIE VICTORY in July 2019. The agreement involved USD 14m of debt at a margin of 295 basis points above LIBOR. The loan matures in Q1 2021. Total mortgage debt was USD 136.6m at the end of the quarter. Arrangement fee and other transaction costs related to the mortgage debt were initially recorded as a reduction of the debt in the balance sheet, and are subsequently amortized over the loan period in accordance with the amortized cost principle.

The Group was in compliance with all covenants at the end of the year.

### REPAYMENT SCHEDULE

| | 2020 | 2021 | 2022 | 2023 | 2024 | Subsequent | Total |
|---|---|---|---|---|---|---|---|
| Mortgage debt | 9 414 | 26 627 | 14 314 | 14 314 | 71 967 | 0 | 136 637 |
| Interests | 4 632 | 4 169 | 3 347 | 2 840 | 1 045 | - | 16 033 |

### 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 | Ownerchip/ 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 % |
| Sofie Victory AS | | Oslo | Shipping | 100.00 % |

*) Under liquidation
**) 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 % |
| Belstar AS | Oslo | Shipping | 100.00 % |
| Belnor Ship AS | Oslo | Shipping | 100.00 % |
| Belocean AS | Oslo | Shipping | 100.00 % |
| Belcargo AS | Oslo | Shipping | 100.00 % |
| Belfri 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 % |
| Three Seas Shipping BV | The Netherlands | AC | 40.00 % |
| Belchem Philippine Incorporation | Philippine | AC | 24.00 % |
| CST Belchem Singapore Pte Ltd | Singapore | AC | 20.00 % |

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### 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 | Three Seas Shipping BV* | Total |
|---|---|---|---|---|---|
| **2019** | | | | | |
| Gross revenue | 28 426 | 1 251 | | 1 774 | 31 451 |
| EBITDA | 3 665 | 672 | | 94 | 4 429 |
| EBIT | 3 665 | 672 | | 94 | 4 429 |
| Net result | 3 577 | 672 | | 94 | 5 466 |
| Total comprehensive income | 3 577 | 672 | 1 123 | 94 | 5 466 |
| **Group's share of profit for the year** | **1 789** | **336** | **553** | **38** | **2 715** |
| Non-current assets | 257 | 0 | 1 210 | 0 | 1 467 |
| Current assets | 8 418 | 2 259 | 316 | 0 | 10 993 |
| Total assets | 8 675 | 2 259 | 1 526 | 0 | 12 460 |
| Non-current liabilities | 0 | 0 | 0 | 0 | 0 |
| Current liabilities | 5 824 | 736 | 29 | 0 | 6 589 |
| Total liabilities | 5 824 | 736 | 29 | 0 | 6 589 |
| Total equity opening balance | 1 774 | 1 351 | 299 | 509 | 3 424 |
| Group's share of profit for the year | 3 577 | 672 | 1 123 | 94 | 5 447 |
| Capital distribution/reduction | -2 500 | -500 | 0 | 0 | -3 000 |
| Total equity closing balance | 2 851 | 1 523 | 1 422 | 603 | 5 871 |
| **Owner interest** | **1 426** | **762** | **711** | **241** | **3 139** |
| Minor share in other associated companies | | | | | 164 |
| **Book value of owner interests** | | | | | **3 303** |
| **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 liabilities | 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** |

*) Lighthouse Africa Carriers BV was in 2019 renamed Three Seas Shipping BV.

## NOTE 13 EQUITY

### SHARE CAPITAL

Belships ASA's 212 224 705 shares, each with a face value of NOK 2.00, was as of 31 December 2019 distributed among 404 shareholders. Each share has one vote.

### NUMBER OF SHARES

| | **2019** | 2018 |
|---|---|---|
| Ordinary shares, issued and paid-in per 1 January | **175 117 993** | 47 352 000 |
| Share issue | **37 106 712** | 127 765 993 |
| Ordinary shares, issued and paid-in per 31 December | **212 224 705** | 175 117 993 |

### TREASURY SHARES

The company holds 548 000 treasury shares in total with an average cost price of NOK 9.91 as of 31 December 2019.

### AUTHORISATION TO ISSUE NEW SHARES

At the Annual general meeting in 2019 the Board received authorisation to issue up to 87.5 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 2019

| | Number of shares | Percentage |
|---|---|---|
| 1 Kontrari AS | 95 822 108 | 45.15 % |
| 2 Kontrazi AS | 37 463 265 | 17.65 % |
| 3 Wenaasgruppen AS | 18 050 670 | 8.51 % |
| 4 Sonata AS | 17 461 778 | 8.23 % |
| 5 LGT Bank AG | 12 460 079 | 5.87 % |
| 6 UBS Switzerland AG | 11 334 395 | 5.34 % |
| 7 Jakob Hatteland Holding AS | 4 470 861 | 2.11 % |
| 8 Pershing LLC | 3 622 406 | 1.70 % |
| 9 Clearstream Banking S.A. | 1 626 253 | 0.77 % |
| 10 KBC Bank NV | 1 591 508 | 0.75 % |
| 11 Stavanger Forvaltning AS | 1 000 000 | 0.47 % |
| 12 Six SIS AG | 900 000 | 0.43 % |
| 13 Ola Rustad AS | 850 000 | 0.40 % |
| 14 Belships ASA | 548 000 | 0.26 % |
| 15 AS Torinitamar | 417 100 | 0.20 % |
| 16 ASL Holding AS | 363 836 | 0.17 % |
| 17 Toru Nagatsuka | 300 000 | 0.14 % |
| 18 August Ringvold Agentur AS | 300 000 | 0.14 % |
| 19 Åstveit Investor AS | 285 714 | 0.13 % |
| 20 Swedbank AS | 285 714 | 0.13 % |
| Total 20 largest shareholders | 209 153 687 | 98.55 % |
| Other shareholders | 3 071 018 | 1.45 % |
| Total number of shares | 212 224 705 | 100.00 % |

### NUMBER OF SHARES OWNED BY BOARD MEMBERS IN BELSHIPS ASA

| | Note | Number of shares | Outstanding options |
|---|---|---|---|
| Peter Frølich (chairman) | | 75 000 | 0 |
| Frode Teigen | 1 | 133 285 373 | 0 |
| Sverre J. Tidemand | 2 | 17 461 778 | 0 |
| Carl Erik Steen | | 79 154 | 0 |
| Birthe Cecilie Lepsøe | | 7 500 | 0 |
| Jorunn Seglem | | 35 000 | 0 |
| Sissel Grefsrud | | 0 | 0 |

### NUMBER OF SHARES OWNED BY THE MANAGEMENT IN BELSHIPS ASA

| | | | |
|---|---|---|---|
| Lars Christian Skarsgård, CEO * | 3 | 437 000 | 5 000 000 |
| Osvald Fossholm, CFO | 4 | 35 000 | 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.
4) Includes shares held by Krino Invest AS, a company owned by Osvald Fossholm.

For changes in equity, see separate statement.

Consolidated

## 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

| | |
|---|---|
| Average number of issued shares | 193 744 313 |
| Treasury shares | 548 000 |
| Average number of options outstanding | 5 200 000 |
| Diluted average issued number of shares | 198 396 313 |

### EARNINGS PER SHARE

| | **2019** |
|---|---|
| Net result for the year | 5 100 |
| | |
| Earnings per share | 0.03 |
| Diluted earnings per share | 0.03 |

## NOTE 15 SALARIES, NUMBER OF EMPLOYEES

| | **2019** | 2018 |
|---|---|---|
| Salaries | **6 310** | 4 317 |
| Social security tax | **324** | 87 |
| Pension expenses | **204** | 87 |
| Other allowances | **57** | 13 |
| **Total payroll expenses** | **6 894** | **4 504** |

Number of full-time office staff in 2019 was 137 of which 9 in the Norwegian companies.

Payroll expenses in Singapore is reclassified as operating expenses ship management. See note 21 for more details.

### LOAN TO EMPLOYEES

Loan to employees amounted to USD 37 at year-end. Average interest rate was 2.20% in 2019.

The repayment period is five years. Loans to members of the management amounted to USD 22 at year-end.

### REMUNERATION

| 2019 | Chief executive officer | Financial director |
|---|---|---|
| Salaries | 216 | 227 |
| Pension expenses | 16 | 20 |
| Other remuneration | 460 | 24 |

*) Figures are related to current CEO who was employed on 15 March 2019.

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

CEO received 57 in bonus in 2019. No other bonus scheme was adopted for 2019.

### SHARE OPTIONS

Share options to the employees are described in note 17. The Chief Executive Officer has a separate option scheme which is also described in note 17.

### ALLOWANCE TO THE BOARD

Board members are not awarded share options. The present Board has received USD 182 in remuneration in 2019, divided into USD 45 to the Chairman and USD 23 to each of the other members. The previous Board received USD 80 in 2019 (2018: USD 79). Additional, USD 2 of the board members represented an audit committee and have received USD 10 in additional remuneration in 2019, divided into USD 6 to the Chairman and USD 4 to each of the other members. The previous audit committee received USD 10 in 2019 (2018: USD 9).

The Group has an election committee, consisting of 2 members. Each member received USD 3 in 2019.

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

| | **2019** | 2018 |
|---|---|---|
| Remuneration for audit services | **228** | 233 |
| Other assurance services | **17** | 21 |
| Assistance related to tax | **27** | 2 |
| Other audit related assistance | **83** | 49 |
| **Total** | **355** | **305** |

## NOTE 16 OTHER GENERAL ADMINISTRATIVE EXPENSES

| | 2019 | 2018 |
|---|---|---|
| Office expenses | **577** | 390 |
| Furniture, office supplies | **379** | 70 |
| Travelling, entertainment costs | **252** | 134 |
| Other services | **2 653** | 2 960 |
| Other general administrative expenses | **1 061** | -222 |
| **Total administrative expenses** | **4 921** | **3 332** |

## NOTE 17 OPTIONS TO EMPLOYEES

At the Annual general meeting (AGM) in 2018, the Board was authorised to issue up to 200 000 share options to employees in 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 5.36 were awarded in December 2018. No options have been exercised.

At the AGM in 2019, 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 8.79 were awarded in November 2019. 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

| | 2019 | 2018 |
|---|---|---|
| Outstanding options 1 January | **400 000** | 400 000 |
| Awarded | **5 200 000** | 200 000 |
| Exercised | **0** | 0 |
| Not exercised | **-200 000** | -200 000 |
| **Outstanding options 31 December** | **5 400 000** | 400 000 |

### EMPLOYEE SHARE OPTION PLAN

Fair value of options has been calculated using the Black and Scholes options pricing model. The fair value of options awarded in 2018 and 2019 was NOK 1.80 and NOK 1.57, 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. The calculated cost of USD 22 has been recognised as an expense in 2019.

### 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.

The fair value of the options at time of award was NOK 2.57 per share. The calculated cost of USD 401 has been recognised as an expense in 2019.

***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 33%.

*Duration of options:* It is assumed that all employees will exercise their options when the service period has been completed.

*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. 2% for 2019.

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

## 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 135 (29) in 2019. Pension costs in Singapore is reclassified as operating expenses ship management and amounted to 320 (20) in 2019.

### 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 6 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 254 (46) in 2019.

| | **2019** | 2018 |
|---|---|---|
| **ASSUMPTIONS** | | |
| Discount rate | **2.30 %** | 2.60 % |
| Future wage adjustment | **2.25 %** | 2.75 % |
| Pension adjustment/G-adjustment | **2.25 %** | 2.75 % |
| Return on pension plan assets | **2.30 %** | 2.60 % |
| **CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION** | | |
| 1 January | **735** | 144 |
| Obligation from merger | **0** | 530 |
| Interest cost | **57** | 11 |
| Benefits paid | **-51** | -35 |
| Actuarial losses on obligation | **10** | 110 |
| Currency exchange gain/(loss) | **-6** | -25 |
| 31 December | **745** | 735 |
| **PENSION EXPENSES IN CONSOLIDATED ACCOUNTS** | | |
| Pension expenses defined benefit scheme | **57** | 57 |
| Pension expenses defined contribution scheme | **147** | 30 |
| Net pension expenses in consolidated accounts | **204** | 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.

### FUEL HEDGING

During the year, The Group hedged the price differential between compliant 0.5% sulphur fuel oil (VLSFO) and 3.5% Sulphur fuel oil (HSFO). The company secured the fuel consumption for the equivalent of six vessels in 2020, or 36,000 tons. The average fixed price differential was USD 214 per ton, with monthly settlements in 2020.

In January 2020, Belships realized its fuel oil hedging contracts at an accumulative gain of USD 0.2m. The position was closed at average spread of USD 219 per mt. Gains on hedging contracts of USD 0.2m have been included as part of other gains/losses in 2019.

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

| | 2019 |
|---|---|
| Change in the interest rate level in basis points | -100/+100 |
| Effect on result before tax | 1379/-1379 |

### AVERAGE EFFECTIVE INTEREST RATE ON DEBT (%)

| | 2019 |
|---|---|
| Mortgage debt | 5.16 |

### 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%. The equity ratio is calculated by dividing the book equity to total assets as shown below:

| | 2019 |
|---|---|
| Total equity as at 31 December | 156 115 |
| Total assets | 397 641 |
| Equity ratio as at 31 December | 39 % |

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.

| | 2019 |
|---|---|
| Interest-bearing debt | 217 598 |
| Cash reserves | -44 643 |
| Net debt | 172 955 |
| Equity | 156 115 |
| Total equity and net debt | 329 070 |
| Net debt ratio | 53 % |

### 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 year-end 2019, the Group has outstanding long-term debt in the form of mortgage debt of USD 136.6 million and USD 81.0 million in lease liability. Available cash and cash equivalents amount to USD 44.5 million.

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 operate 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 2019. 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.

## SUMMARY OF FINANCIAL ASSETS AND OBLIGATIONS

| | | | Non-cash charges | | | | |
|---|---|---|---|---|---|---|---|
| | 01.01.2019 | Cash Flows | Interest charges | IFRS 16 imple-mentation | Changes in fair values | Other | 31.12.2019 |
| Investments | 1 939 | - | - | - | - | 1 364 | 3 303 |
| Bank deposits | 32 034 | 12 442 | - | - | -13 | - | 44 463 |
| Trade debtors | 3 454 | -2 035 | - | - | - | - | 1 419 |
| Lease liabilities | -40 772 | -11 303 | -3 961 | -22 496 | - | -25 034 | -80 961 |
| Mortgage debt | -107 013 | 9 063 | -6 561 | - | - | -14 000 | -136 637 |
| Trade creditors | -3 257 | -1 406 | - | - | - | - | -1 851 |
| Other assets (net) | -2 894 | 852 | - | - | -38 | 8 826 | 6 746 |
| Total | **-116 509** | **7 614** | **-10 522** | **-22 496** | **-51** | **-28 844** | **-163 518** |

## ASSETS AND OBLIGATIONS MEASURED AT FAIR VALUE

| | Level 1 | | Level 2 | | Level 3 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| Financial investments | | | **165** | | **3 468** | 1 939 | **3 633** | 1 939 |
| Interest agreement | | | **-29** | 174 | | | **165** | 174 |
| Total | **0** | 0 | **136** | 174 | **3 468** | 1 939 | **3 798** | 2 113 |

## FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST

| | **2019** |
|---|---|
| Mortgage debt | 136 637 |
| Financial lease | 80 961 |
| Total | 217 598 |

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 2019 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 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 USD 109 has been provided for as at 31 December 2019 and recognized as other operating expenses. The Group selected the option to withdraw 5 companies from the Norwegian tonnage tax regime in 2019. At year-end, the Group had 6 companies within the Norwegian tonnage tax regime.

### 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 22 %. 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 USD 958 (2018: USD 236) and payable tax in Singapore amounting to USD 430 (USD 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

| | 2019 | 2018 |
|---|---|---|
| Result for the year before tax | **6 755** | 19 442 |
| Result from companies within the tonnage tax regime | **1 469** | -5 221 |
| Net result for companies subject to ordinary company taxation | **8 224** | 14 221 |
| Statutory tax rate (Norway) | **22 %** | 23 % |
| Estimated tax expense at statutory rate | **1 809** | 3 271 |
| Net non tax related expenses/(income) | **10** | 6 |
| Results from joint venture and associated companies | **-597** | 342 |
| Difference between Norwegian, Singapore and Thailand regional national tax | **400** | -853 |
| Tax effect of deferred tax asset not recorded in the balance sheet incl. exchange rate effect | **32** | -2 519 |
| **Total income tax expense/(income)** | **1 655** | 247 |

### TAX LOSS CARRIED FORWARD

The Group had a tax loss carried forward of USD 84.0m as at 31 December 2019 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 non-taxable to the recipients. Taxable income subject to ordinary Norwegian taxation does not indicate any reporting of deferred tax benefits.

### DEFERRED TAX PER 31 DECEMBER

| | 2019 | 2018 |
|---|---|---|
| **Temporary differences** | | |
| Deferred sale gain/(loss) fixed asset | **-1 050** | -526 |
| Accruals | **21 092** | 14 093 |
| Pensions | **-303** | -545 |
| Capitalized borrowing costs | **1 232** | 0 |
| **Total temporary differences** | **20 971** | 13 022 |
| Tax loss carried forward | **- 84 006** | -73 482 |
| **Net temporary differences** | **-63 036** | -60 460 |
| Nominal tax rate on deferred tax | **22 %** | 22 % |
| Deferred tax assets | **- 13 868** | -13 301 |
| Deferred tax assets recognised in the Balance sheet | **0** | 0 |
| Deferred tax assets not recognised in the Balance sheet | **-13 868** | -13 301 |

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

| | 2019 | 2018 |
|---|---|---|
| **Ship operating expenses** | | |
| Crew expenses | **16 141** | 8 993 |
| Maintenance and spare parts | **9 481** | 3 897 |
| Insurance | **1 789** | 1 018 |
| Other ship operating expenses | **6 147** | 2 186 |
| **Total ship operating expenses** | **33 558** | 16 094 |
| **Operating expenses ship management** | | |
| Administration costs | **2 771** | 152 |
| General & selling expenses | **722** | 195 |
| Fixed costs | **633** | 72 |
| **Total operating expenses ship management** | **4 125** | 420 |

## NOTE 22 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.

## NOTE 23 CONTINGENCIES

The Board is not aware of any material disputes the company may be in involved in as at 31 December 2019.

## NOTE 24 SUBSEQUENT EVENTS

In March 2020, the outbreak of the COVID-19 virus was declared a global pandemic by the WHO. The effects of the virus on the global economy and our business are negative yet uncertain at the date of this report.

During Q1 2020, the Group took delivery of newbuildings BELFUJI (Imabari), BELMOIRA and BELAJA (Shin Kurushima). Two Ultramax bulk carrier newbuildings of 64 000 dwt eco-design will be delivered during the second half of 2020 and 2021. The Group has entered into an agreement with Marti Shipping & Ship Management of Turkey for a bareboat charter and subsequent sale of PACIFIC LIGHT. The 50 000 dwt bulk carrier was built in 2007. Furthermore, the Group will take delivery of a 2017 built Japanese 63 000 dwt Ultramax during Q2 2020 which will be named BELHAVEN.

In January 2020, an instalment of USD 6m for the USD 110m fleet financing originally due in Q3 2020 was prepaid. Next ordinary instalment in that facility is due in Q2 2021.

# Income statements

| 1 January-31 December | | Belships ASA | |
|---|---|---|---|
| NOK 1 000 | Note | **2019** | 2018 |
| **OPERATING INCOME** | | | |
| Freight income | | **151 261** | 141 453 |
| Other operating income | | **7 124** | 5 294 |
| **Total operating income** | | **158 384** | 146 747 |
| **OPERATING EXPENSES** | | | |
| T/C hire | 2 | **-70 687** | -86 190 |
| Ship operating expenses | 9 | **-38 383** | -28 177 |
| Payroll expenses | 10 | **-15 026** | -26 732 |
| Other general administrative expenses | 11 | **-20 366** | -19 934 |
| Depreciation of fixed assets | 2 | **-20 498** | -19 239 |
| Reversal of impairment of fixed assets | 2 | **1 441** | 11 525 |
| **Total operating expenses** | | **-163 520** | -168 747 |
| **Operating result** | | **-5 136** | -22 000 |
| **FINANCIAL INCOME AND EXPENSES** | | | |
| Share dividend | 8 | **17 677** | 9 834 |
| Interest income | | **972** | 458 |
| Interest income on loan to subsidiary | 4 | **23 345** | 322 |
| Interest expenses | 12 | **-26 257** | -23 941 |
| Other financial items | 9 | **101 275** | 4 339 |
| Currency exchange gain/-loss | 9 | **10 231** | -23 060 |
| **Net financial items** | | **127 242** | -32 048 |
| Net result before tax | | **122 106** | -54 048 |
| Income tax expense | 16 | **0** | 0 |
| **Net result for the year** | | **122 106** | -54 048 |
| **Appropriations of net result:** | | | |
| Dividend | | **0** | 0 |
| Transfer from/(to) other retained earnings | | **-122 106** | 54 048 |
| **Total** | | **-122 106** | 54 048 |
| Earnings per share (NOK) | | **1.29** | -0.57 |
| Diluted earnings per share (NOK) | | **1.28** | -0.57 |

# Balance sheets

| 1 January-31 December | | Belships ASA | |
|---|---|---|---|
| NOK 1 000 | Note | **2019** | 2018 |
| **FIXED ASSETS** | | | |
| **Tangible fixed assets** | | | |
| Ships | 2 | **619 251** | 380 213 |
| Prepayment of ships | | **52 682** | 0 |
| Other fixed assets | 2 | **6 459** | 8 108 |
| **Total tangible fixed assets** | | **678 392** | 388 321 |
| **Financial fixed assets** | | | |
| Shares in subsidiaries | 8 | **112 889** | 207 136 |
| Loan to subsidiaries | 4 | **672 605** | 354 281 |
| Other non-current receivables | 12 | **324** | 540 |
| **Total financial assets** | | **785 818** | 561 957 |
| **Total fixed assets** | | **1 464 209** | 950 278 |
| **CURRENT ASSETS** | | | |
| Prepaid T/C hire | | **3 556** | 4 144 |
| Bunker inventory | | **5 273** | 178 |
| Trade debtors | | **3 375** | 0 |
| Other receivables | | **4 825** | 4 338 |
| Cash and cash equivalents | 5 | **37 322** | 9 014 |
| **Total current assets** | | **54 352** | 17 674 |
| **Total assets** | | **1 518 561** | 967 952 |
| **EQUITY** | | | |
| **Paid-in capital** | | | |
| Share capital | | **424 449** | 350 236 |
| Treasury shares | | **-1 096** | -1 096 |
| Share premium reserve | | **388 346** | 202 813 |
| Other paid-in capital | | **99 881** | 106 834 |
| **Total paid-in capital** | | **911 580** | 658 787 |
| **Retained earnings** | | | |
| Other equity | | **-21 405** | -132 842 |
| **Total equity** | 6 | **890 175** | 525 945 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Lease commitments | 12 | **509 487** | 335 453 |
| Pension obligations | 7 | **2 662** | 4 734 |
| Intercompany balances | 4 | **55 521** | 0 |
| **Total non-current liabilities** | | **567 670** | 340 187 |
| **Current liabilities** | | | |
| Lease commitments, current portion | 12 | **48 178** | 18 799 |
| Public taxes and duties payable | | **2 150** | 2 565 |
| Trade creditors | | **143** | 1 177 |
| Intercompany balances | 4 | **1 340** | 67 464 |
| Other current liabilities | | **8 905** | 11 815 |
| **Total current liabilities** | | **60 716** | 101 820 |
| **Total liabilities** | | **628 386** | 442 007 |
| **Total equity and liabilities** | | **1 518 561** | 967 952 |

Oslo, 21 April 2020

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*

Belships ASA

# Cash flow statements

| 1 January-31 December | | Belships ASA | |
|---|---|---|---|
| NOK 1 000 | Note | **2019** | 2018 |
| **CASH FLOW FROM OPERATIONS** | | | |
| Net result before tax | | **122 106** | -54 048 |
| Adjustments to reconcile result before tax to net cash flows: | | | |
| Depreciation of fixed assets | 2 | **20 498** | 19 239 |
| Impairment of tangible fixed assets | 2 | **-1 441** | -11 525 |
| Share-based payment transaction expense | 3 | **333** | 105 |
| Difference between pension exps and paid pension premium | 7 | **-448** | -661 |
| Net finance items | | **-127 242** | 32 048 |
| Working capital adjustments: | | | |
| Change in trade debitors and trade creditors | | **-4 409** | 646 |
| Change in intercompany balances | | **-10 603** | 25 076 |
| Change in other short-term items | | **-6 253** | 17 682 |
| Interest received | | **24 316** | 780 |
| Interest paid | | **-26 257** | -23 941 |
| Net other financial items | | **101 811** | 4 999 |
| **Net cash flow from operations** | | **92 411** | 10 399 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Investments in fixed assets | 2 | **-79 569** | -3 508 |
| Sale proceeds from fixed asset disposals | 2 | **1 015** | 225 |
| Dividends received | 8 | **17 677** | 9 834 |
| Shares in subsidiary | | **-17 966** | 0 |
| Change in other investments | | **216** | 412 |
| **Net cash flow from investing activities** | | **-78 627** | 6 964 |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Paid out loan to subsidiaries | | **-23 983** | -365 012 |
| Increase in share capital | | **69 755** | 365 012 |
| Dividend paid | | **-10 584** | -4 735 |
| Instalments lease commitments | | **-20 664** | -17 328 |
| **Net cash flow from financing activities** | | **14 524** | -22 063 |
| Net change in cash and cash equivalents | | **28 308** | -4 700 |
| Cash and cash equivalents at 1 January | | **9 014** | 13 714 |
| **Cash and cash equivalents at 31 December** | 5 | **37 322** | 9 013 |
| Restricted bank deposits | 5 | **1 415** | 761 |

## NOTE 1 ACCOUNTING POLICIES

Belships ASA is an owner and operator of subsidiaries owning dry bulk ships. At the end of the year, the Group controlled a fleet of 18 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 4A in Oslo, Norway.

The financial statements have been approved by the Board on 21 April 2020.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.

### 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.

## 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 company'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 |
| **2019** | | | | | | |
| **Cost price** | | | | | | |
| As at 1 January | 422 122 | 15 664 | **437 786** | 13 431 | 4 113 | **17 544** |
| Additions | 250 844 | 6 421 | **257 265** | 546 | 0 | **546** |
| Disposals | 0 | 0 | **0** | -2 350 | 0 | **-2 350** |
| As at 31 December | 672 966 | 22 085 | **695 051** | 11 627 | 4 113 | **15 740** |
| **Depreciations** | | | | | | |
| As at 1 January | 48 294 | 9 280 | **57 574** | 8 935 | 500 | **9 435** |
| Depreciation for the year | 16 381 | 3 286 | **19 667** | 831 | 0 | **831** |
| Impairment | -1 441 | 0 | **-1 441** | 0 | 0 | **0** |
| Disposals | 0 | 0 | **0** | -985 | 0 | **-985** |
| As at 31 December | 63 235 | 12 566 | **75 800** | 8 781 | 500 | **9 281** |
| Book value at 31 December | 609 731 | 9 519 | **619 251** | 2 846 | 3 613 | **6 459** |
| **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** |
| Depreciation | 25 years | 2.5 years | | 3 - 5 years | | |

Depreciation method: Straight Line

### SHIPS IN BELSHIPS ASA

Belships ASA is controlling the ships BELFOREST, BELISLAND, BELNIPPON and BELRAY. During Q1 2020, the company took delivery of newbuildings BELFUJI (Imabari), BELMOIRA and BELAJA (Shin Kurushima).

### 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.

## NOTE 3 OPTIONS TO EMPLOYEES

At the Annual general meeting (AGM) in 2018, the Board was authorised to issue up to 200 000 share options to employees in 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 5.36 were awarded in December 2018. No options have been exercised.

At the AGM in 2019, 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 8.79 were awarded in November 2019. 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 **2019** | Number of options 2018 |
|---|---|---|
| Outstanding 1 January | **400 000** | 400 000 |
| Awarded | **5 200 000** | 200 000 |
| Exercised | **0** | 0 |
| Not exercised | **-200 000** | -200 000 |
| **Outstanding 31 December** | **5 400 000** | 400 000 |

### EMPLOYEE SHARE OPTION PLAN

Fair value of options has been calculated using the Black and Scholes options pricing model. The fair value of options awarded in 2018 and 2019 was NOK 1.80 and NOK 1.57, 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. The calculated cost of USD 22 has been recognised as an expense in 2019.

### 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.

The fair value of the options at time of award was NOK 2.57per share. The calculated cost of USD 401 has been recognised as an expense in 2019.

***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 33%.

*Duration of options:* It is assumed that all employees will exercise their options when the service period has been completed.

*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. 2% for 2019.

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

## 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. Calculated interest income on non-current intercompany balances amounted to 23 345 (2018: 322).

## NOTE 5 BANK DEPOSITS

Total bank deposit amounted to 37 322 (9 014) at year-end. Restricted funds for withholding tax for employees amounted to 1 415 (761) at 31 December 2019.

## NOTE 6 EQUITY

| | Paid-in | | | | Retained | |
|---|---|---|---|---|---|---|
| | Share capital | Treasury shares | Shares premium res. | Other equity | Other equity | Total |
| Equity per 31 December 2018 | 350 236 | -1 096 | 202 813 | 106 833 | -132 841 | 525 945 |
| Share issue | 74 213 | 0 | 185 534 | -7 286 | 0 | 252 461 |
| Remeasurements loss | 0 | 0 | 0 | 0 | -85 | -85 |
| Share-based payments | 0 | 0 | 0 | 333 | 0 | 333 |
| Dividend | 0 | 0 | 0 | 0 | -10 584 | -10 584 |
| Result for the year | 0 | 0 | 0 | 0 | 122 106 | 122 106 |
| Equity per 31 December 2019 | 424 449 | -1 096 | 388 347 | 99 880 | -21 404 | 890 175 |

### SHARE CAPITAL

Belships ASA's 212 224 705 shares, each with a face value of NOK 2.00, was as of 31 December 2019 distributed among 404 shareholders (2018: 549). Each share has one vote.

| | **2019** | 2018 |
|---|---|---|
| **Number of shares** | | |
| Ordinary shares, issued and paid-in per 1 January | 175 117 993 | 47 352 000 |
| Share issue | 37 106 712 | 127 765 993 |
| Ordinary shares, issued and paid-in per 31 December | 212 224 705 | 175 117 993 |

### TREASURY SHARES

The company holds 548 000 treasury shares in total with an average cost price of NOK 9.91 as of 31 December 2019. Belships ASA entered in June 2019 into a market making agreement with Norne Securities.

### AUTHORISATION TO ISSUE NEW SHARES

At the Annual general meeting in 2019 the Board received authorisation to issue up to 87.5 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 2019

| | Number of shares | Percentage |
|---|---|---|
| 1 Kontrari AS | 95 822 108 | 45.15 % |
| 2 Kontrazi AS | 37 463 265 | 17.65 % |
| 3 Wenaasgruppen AS | 18 050 670 | 8.51 % |
| 4 Sonata AS | 17 461 778 | 8.23 % |
| 5 LGT Bank AG | 12 460 079 | 5.87 % |
| 6 UBS Switzerland AG | 11 334 395 | 5.34 % |
| 7 Jakob Hatteland Holding AS | 4 470 861 | 2.11 % |
| 8 Pershing LLC | 3 622 406 | 1.70 % |
| 9 Clearstream Banking S.A. | 1 626 253 | 0.77 % |
| 10 KBC Bank NV | 1 591 508 | 0.75 % |
| 11 Stavanger Forvaltning AS | 1 000 000 | 0.47 % |
| 12 Six SIS AG | 900 000 | 0.43 % |
| 13 Ola Rustad AS | 850 000 | 0.40 % |
| 14 Belships ASA | 548 000 | 0.26 % |
| 15 AS Torinitamar | 417 100 | 0.20 % |
| 16 ASL Holding AS | 363 836 | 0.17 % |
| 17 Toru Nagatsuka | 300 000 | 0.14 % |
| 18 August Ringvold Agentur AS | 300 000 | 0.14 % |
| 19 Åstveit Investor AS | 285 714 | 0.13 % |
| 20 Swedbank AS | 285 714 | 0.13 % |
| Total 20 largest shareholders | 209 153 687 | 98.55 % |
| Other shareholders | 3 071 018 | 1.45 % |
| Total number of shares | 212 224 705 | 100.00 % |

## NUMBER OF SHARES OWNED BY BOARD MEMBERS IN BELSHIPS ASA

| | Note | Number of shares | Outstanding options |
|---|---|---|---|
| Peter Frølich (chairman) | | 75 000 | 0 |
| Frode Teigen | 1 | 133 285 373 | 0 |
| Sverre J. Tidemand | 2 | 17 461 778 | 0 |
| Carl Erik Steen | | 79 154 | 0 |
| Birthe Cecilie Lepsøe | | 7 500 | 0 |
| Jorunn Seglem | | 35 000 | 0 |
| Sissel Grefsrud | | 0 | 0 |

## NUMBER OF SHARES OWNED BY THE MANAGEMENT IN BELSHIPS ASA

| | Note | Number of shares | Outstanding options |
|---|---|---|---|
| Lars Christian Skarsgård, CEO * | 3 | 437 000 | 5 000 000 |
| Osvald Fossholm, CFO | 4 | 35 000 | 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.
4) Includes shares held by Krino Invest AS, a company owned by Osvald Fossholm.

## 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 1.2 million in 2019.

### 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 6 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

| | **2019** | 2018 |
|---|---|---|
| Discount rate | 2.30 % | 2.60 % |
| Future wage adjustment | 2.25 % | 2.75 % |
| Pension adjustment/G-adjustment | 2.25 % | 2.75 % |
| Return on pension plan assets | 2.30 % | 2.60 % |
| | | |
| **Composition of the net pension obligations** | | |
| Net pension obligations as at 1 January | 4 734 | 4 340 |
| Interest on accrued pension obligations | -1 710 | 96 |
| Employer benefits paid | -447 | -661 |
| Actuarial (gains)/losses on obligation | 85 | 959 |
| **Net pension obligations as at 31 December** | **2 662** | **4 734** |
| | | |
| **Net pension expenses** | | |
| Pension expenses defined benefit plan | -1 710 | 96 |
| Pension expenses defined contribution scheme | 1 185 | 1 105 |
| **Total pension expenses** | **-525** | **1 201** |

## 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 3) | Singapore | 18.06.09 | 253 782 | 100 % | SGD 100 | 100 000 | SGD 100 | 0 |
| Belships Lighthouse AS | Oslo | 27.01.93 | 221 181 | 100 % | 5 403 | 2 700 | 5 403 | 5 403 |
| Belships Shipholding AS | Oslo | 05.02.19 | 60 | 100 % | 30 | 1 000 | 30 | 60 |
| Sofie Victory AS | Oslo | 03.06.19 | 94 693 | 100 % | USD 2 381 | 250 000 | USD 81 | 94 693 |
| Total | | | | | | | | 112 889 |

1) The company has provided dividend of NOK 1.4 million in 2019 (2018: NOK 1 million)
2) The company has provided dividend of NOK 16.3 million in 2019 (NOK 8.8 million).
3) The company will be winded up during 2020.

## NOTE 9 SPECIFICATIONS

| | **2019** | 2018 |
|---|---|---|
| **Ship operating expenses** | | |
| Crew expenses | **18 276** | 15 892 |
| Maintenance and spare parts | **6 061** | 5 191 |
| Insurance | **2 370** | 2 342 |
| Management fee | **2 306** | 1 952 |
| Other ship operating expenses | **9 370** | 2 799 |
| **Total** | **38 383** | 28 177 |
| **Other financial items** | | |
| Guarantee commission 1) | **18 977** | 6 076 |
| Gain on shares in subsidiary | **18 522** | 0 |
| Reversal of impairment of shares in subsidiary | **64 782** | 0 |
| Other financial costs/(income) | **-1 006** | -1 737 |
| Total | **101 275** | 4 339 |
| **Currency loss/(gain) in Income statement** | | |
| Realised currency exchange gain | **72 806** | 29 929 |
| Unrealised currency exchange gain | **15 275** | 8 676 |
| Realised currency exchange loss | **-62 583** | -45 394 |
| Unrealised currency exchange loss | **-15 267** | -16 271 |
| **Total** | **10 231** | -23 060 |

1) The company is acting as a guarantor of the mortgage debt in subsidiary.

## NOTE 10 SALARIES, NUMBER OF EMPLOYEES

| | **2019** | 2018 |
|---|---|---|
| Salaries | **12 588** | 22 870 |
| Social security tax | **2 464** | 2 092 |
| Pension expenses | **-525** | 1 201 |
| Other allowances | **499** | 570 |
| **Total payroll expenses** | **15 026** | 26 732 |

The average number of employees in 2019 was 9 (2018: 8).

### REMUNERATION

| 2019 | CEO* | Financial director |
|---|---|---|
| Salaries | 1 903 | 2 000 |
| Share-based payment transaction exp. | 0 | 87 |
| Pension expenses | 137 | 178 |
| Other allowances | 517 | 198 |
| Total | 2 557 | 2 463 |

*) Figures are related to the present CEO who was employed 15 March 2019.

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 present Board has received 1 600 in remuneration in 2019 , divided into 400 to the Chairman and 200 to each of the other members. The previous Board received 708 in 2019 (2018: 687). Additional, 2 of the board members represented an audit committee and have received 65 in additional remuneration in 2019, divided into 50 to the Chairman and 35 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)

| | **2019** | 2018 |
|---|---|---|
| Remuneration for audit services | **574** | 223 |
| Other assurance services | **112** | 826 |
| Assistance related to tax matters | **101** | 98 |
| Other audit related assistance | **523** | 700 |
| Total | **1 310** | 1 847 |

### LOANS TO EMPLOYEES

Loans to employees amounted to 324 (540) at 31 December 2019. Of this, 195 (285) to the management. See note 12 for further details related to the loans.

## NOTE 11 OTHER GENERAL ADMINISTRATIVE EXPENSES

| | **2019** | 2018 |
|---|---|---|
| Office expenses | **1 352** | 1 499 |
| Other services * | **8 903** | 15 444 |
| Data, office equipment a.o. | **2 774** | 655 |
| Communication, advertising | **465** | 495 |
| Travel expenses | **1 332** | 325 |
| Other general administrative expenses | **5 541** | 1 517 |
| **Total** | **20 366** | 19 934 |

*) In 2018 the amount includes expenses related to the merger process.

## NOTE 12 RECEIVABLES AND LIABILTIES

### CURRENT FLEET

The Group had BELFOREST, BELISLAND and BELRAY on bareboat agreements at year-end. In addition, the company had BELNIPPON under a long-term time charter agreement. The previous audit committee received 95 in 2019 (2018: 96).

The company has an election committee, consisting of 2 members. Each member received 25 in 2019.

In September 2015, the Group entered into a sale and lease back agreement for BELFOREST. The bareboat charter period is 12 years with purchase options from year 3 onwards.

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 and onwards. In January 2018, the company took delivery of the newbuild BELNIPPON. The ship is leased on time charter for a period of 8 years with purchase option from year 4 onwards.

BELRAY was delivered in October 2019. The ship is leased on bareboat charter for a period of 7 years with purchase options from year 4 and onwards.

### NEWBUILDS

In the first quarter 2020, the Group took delivery of BELFUJI (time charter), BELMOIRA (Bareboat) and BELAJA (Bareboat). In addition, the two newbuilds BELFAST and BELMAR will be delivered in second half of 2020 and 2021, respectively. All newbuilds includes purchase options callable after the fourth year.

The Company has no obligation to purchase any of the vessels on bareboat or time charter.

### 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 13 million, reducing by USD 2 million per year.

### LOANS TO EMPLOYEES

Loans to employees amounted to 324 (540) as at 31 December 2019. The average interest rate used for the loans was 2.20% (2.15%) in 2019. The repayment period is five years.

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

## NOTE 13 SUBSEQUENT EVENTS

In March 2020, the outbreak of the COVID-19 virus was declared a global pandemic by the WHO. The effects of the virus on the global economy and our business are negative yet uncertain at the date of this report.

During Q1 2020, the Group took delivery of newbuildings BELFUJI (Imabari), BELMOIRA and BELAJA (Shin Kurushima). Two Ultramax bulk carrier newbuildings of 64 000 dwt eco-design will be delivered during the second half of 2020 and 2021.

## 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 8.7803 (8.6885), which was Norges Bank's exchange rate at 31 December 2019. 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 4.5 million (NOK 3.4 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 13 million, reducing by USD 2 million per year. Market value of this agreement amounted to -254 (1 511) at year end. The amount is 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 2 497 (5 294) in 2019.

The company receives a commission for acting as guarantor for mortgage debt in the subsidiary Belships Shipholding AS. The fee amounted to 18 977 in 2019.

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 2019 amounted to 195.

## NOTE 16 TAX

### TAX RESULT FOR THE YEAR FOR BELSHIPS ASA

| | 2019 | 2018 |
|---|---|---|
| Result for the year before tax | **122 106** | -54 048 |
| Change in temporary differences | **-56 820** | -36 314 |
| Permanent differences / other | **-72 822** | -9 623 |
| **Tax basis for the year** | **-7 536** | -99 985 |
| 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

| | 2019 | 2018 |
|---|---|---|
| Result for the year before tax | **122 106** | -54 048 |
| Statutory tax rate | **22 %** | 23 % |
| Estimated tax expense at statutory rate | **26 863** | -12 431 |
| Permanent differences / other | **-16 021** | -2 213 |
| **Expected tax expense** | **10 843** | **-14 644** |
| Change in deferred tax assets | **10 843** | 14 644 |
| **Actual tax expense** | **0** | 0 |
| Effective tax percentage | **0 %** | 0 % |

### DEFERRED TAX PER 31 DECEMBER

| | 2019 | 2018 |
|---|---|---|
| Deferred sale fixed asset gain/(loss) | **-3 657** | -4 571 |
| Pension obligations | **-2 662** | -4 734 |
| Temporary differences fixed assets | **176 278** | 122 444 |
| Impairment loss shares in subsidiaries abroad | **0** | -64 782 |
| Tax loss carried forward | **-550 661** | - 543 125 |
| Net temporary differences | **-380 702** | -494 768 |
| Nominal tax rate on deferred tax | **22 %** | 22 % |
| Deferred tax assets | **-83 755** | -108 849 |
| Deferred tax assets in the Balance sheet | **0** | 0 |
| Deferred tax assets not recorded in the Balance sheet | **-83 755** | -108 849 |

# Independent auditor's report

**To the General Meeting of Belships ASA**

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Belships ASA, which comprise:

- The financial statements of the parent company Belships ASA (the Company), which comprise the balance sheet as at 31 December 2019, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Belships ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2019, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows 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 accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and 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 as required by laws and regulations, and we have fulfilled our other ethical responsibilities 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 of the current period. 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.

### How our audit addressed the Key Audit Matter

*Impairment assessment of property, plant and equipment*

Belships ASA has vessels and related assets with a carrying amount of MUSD 305 as at 31st December 2019. The vessels comprise 77 % of book value of total assets.

Management's assessment of recoverable amounts of vessels and related assets requires estimates and assumptions relating to operational and market factors and involves a high degree of judgement.

In addition, the calculation of recoverable amount requires financial modelling of the cash flows related to the cash generating units, which can be complex and may require use of additional judgements.

We focus on this area because vessels and related assets constitute a significant share of total assets in the balance sheet. Assessment of recoverable amounts is complex and involves management judgement. As always when dealing with management judgement and complex calculations, there is an inherent risk of errors that may materially impact net profit.

Management did not identify any impairment.

See note 7 where management explain their impairment assessment.

We assessed management's identification of impairment indicators as part of management's quarterly assessment and agreed that indicators were present.

We obtained management impairment calculation. For each cash generating unit, we assessed the key inputs in the calculation of recoverable amounts, and assessed the mathematical and methodological integrity of management's impairment models. We challenged management on the assumptions used in the model. This included tracing input data to contracts and budget approved by the board of directors, considering whether charter hire rates and utilization are consistent with our knowledge of the industry. We also compared management's assessment of charter hire to the external source; the Baltic Index (BSI 58). We also compared utilization levels against historical utilization for such vessels. To consider the reliability of estimated operating expense, we compared the estimates to historical performance, and considered whether deviations between estimates and historical performance had a reasonable explanation. When we considered management's analysis of sensitivity, we noted that the forecasted cash flow was sensitive to changes to assumptions, and most of all revenue. We found management's assumptions in relation to the value in use calculations to be reasonable.

We assessed the discount rate by comparing the assumptions uses to build the discount rate with observed external market rate data. We considered that the used discount rate was within an appropriate range.

We evaluated the disclosures made in note 7 and found reasonable explanations of the valuation process and uncertainties inherent in the assumptions.

### IFRS 16 leases

The Group adopted IFRS 16 with effect for the 2019 financial statements. The main effect is that total assets values are increased by 23,7 MUSD compared to when leases were considered to be operational and expensed as an operational cost. Now, the operational cost is replaced by estimated amounts presented as depreciation and interest expenses.

Management calculates the value of right of use assets using a discounted cash flow model. The amortization of the right of use assets are based on a straight line amortization plan over the either the fixed period of use or expected economic lifetime.

We focused on this area because the effects on assets and liabilities of the implementation is significant and because adoption of a new accounting standard constitutes an inherent risk of errors. Further, the calculations made by management is dependent on judgment related to factors such as estimated utilization, disposals values, charter hire rates and discount rates applied to future cash flow.

See note 8 where management explains how they implemented IFRS 16, the reasoning underlying assumptions and the financial impact of the implementation.

Our procedures directed at management's implementation and ongoing assessment of IFRS 16 includes obtaining management's model and evaluating whether the model contains the elements required by accounting regulation.

We challenged management on the assumptions used in the model. This included tracing input data to contracts on all vessels and considering whether estimated charter hire rates and expected utilization of the assets are consistent with internal reports. We tested the model for internal consistency and mathematical accuracy. Based on available evidence we found management's assumptions in relation to the IFRS 16 calculations to be reasonable and the model to be mathematically sound.

We assessed the discount rate by comparing the assumption used to build the discount rate with observed external market data. We concluded that the used discount rate was within an appropriate range.

We assessed the completeness of contracts by discussing with management and utilizing our previously obtained knowledge of the Group. We concluded that management had included all relevant contracts in their calculations.

We evaluated the appropriateness of the related disclosures and that they satisfied the requirements in IFRS (note 8)

### Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

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 the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, 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 and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 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 laws, regulations, and auditing standards and practices generally accepted 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. We 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 or the Group's internal control.
- eevaluate 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 and the Group'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 and the Group 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 the Board of Directors 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 the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 the Board of Directors, 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

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 the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

### Opinion on Registration and Documentation

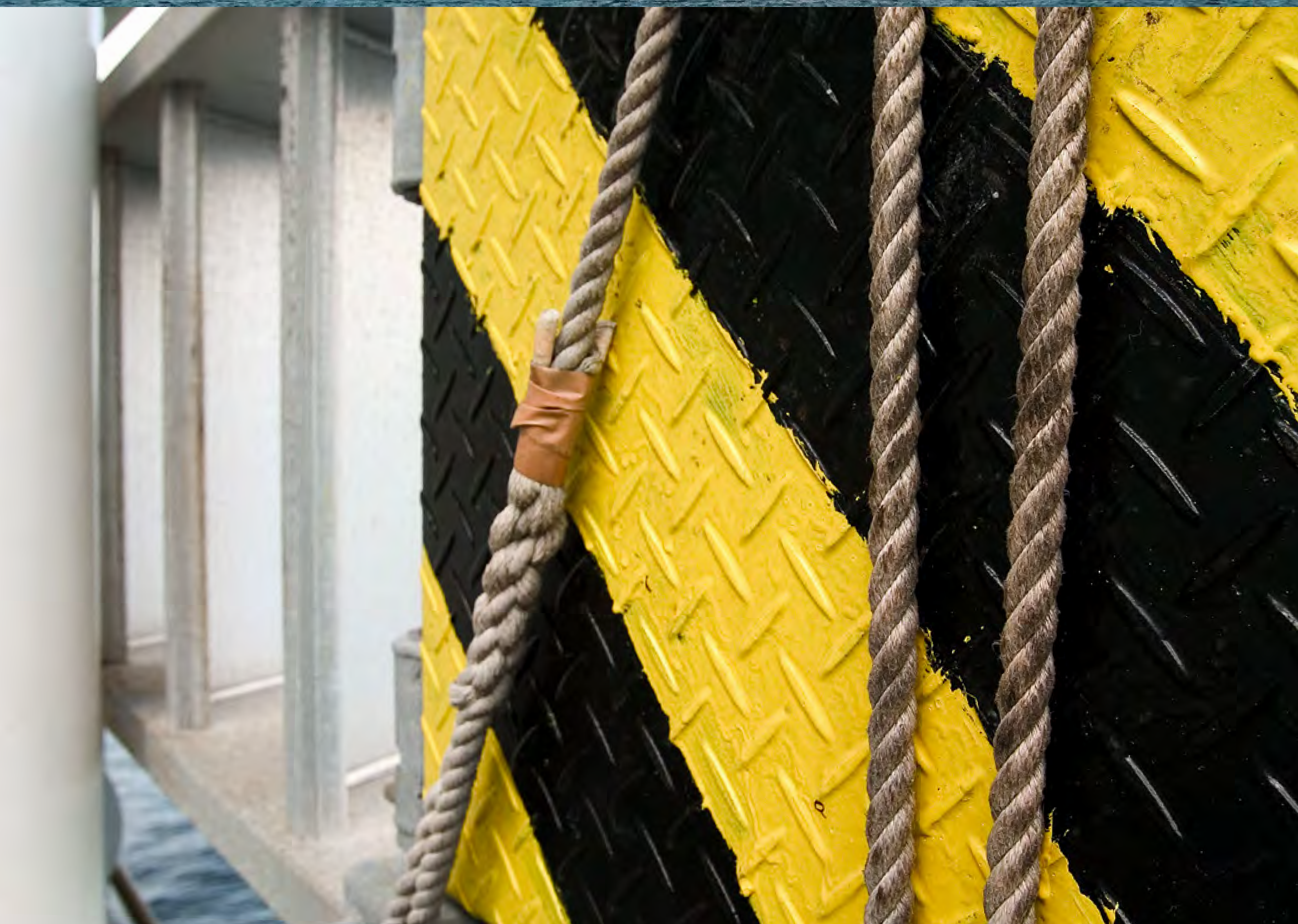
Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 21 April 2020
PricewaterhouseCoopers AS

Henrik Z. Nessler
State Authorised Public Accountant


BELFOREST
PANAMA

13M
12M
11M
10M
9M


BELSTAR
SINGAPORE


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 and the greatest possible value for its shareholders over time.

# Transparency and fairness creates value

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.

Pursuant to section 3-3 (B) of the Norwegian Accounting Act and the Code (as defined below), the board reviews and updates the company's principles for corporate governance on an annual basis. This report is included in the company's annual report.

## 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 and management contributes to achieving open communication, equal rights for all shareholders and good control and corporate governance mechanisms. The board 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."*

## EQUITY AND DIVIDEND

### Capital structure

As at 31 December 2019, the company had a total equity of USD 156.1 million, corresponding to an equity ratio of 39.2%. The board deems the liquidity position of the company to be satisfactory, with cash and cash equivalents of USD 44.4 million. The company had mortgage debt of USD 136.6 million as of 31 December 2019 and a net lease obligation of USD 78.6 million.

The board 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.

On 25 September 2019, the general meeting of the company resolved to distribute dividends corresponding to a payment of NOK 0.05 per share, implying a total payment of NOK 10 583 835 to its shareholders.

The board will ask for an authorization to distribute dividend at the general meeting in 2020.

### Authorisations to the board of directors

At the general meeting in 2019, the board was granted an authorization to increase the share capital with up to NOK 400 000 (corresponding to 200 000 new shares, each with a par value of NOK 2). The authorization can be used in connection with the company's share option program for employees. The authorization is valid until the general meeting in 2020, but not longer than 30 June 2020.

At the general meeting in 2019, the board was also granted an authorization to increase the share capital with up to NOK 175 000 000 (corresponding to 87 500 000 new shares, each with a par value of NOK 2). This authorization covers more than one purpose, but the board is of the view that such authorization 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 authorization is valid until the general meeting in 2020, but not longer than 30 June 2020.

The board was also granted an authorization to, on behalf of the company, acquire up to 15 000 000 treasury shares (corresponding to a total par value of NOK 30 000 000) at the board's discretion. The authorization 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 has not made any resolutions to increase the share capital based on the authorizations granted at the general meeting in 2019.

The board was given an authorization at the general meeting in 2019 to acquire treasury shares. No such transactions have taken place in 2019.

In the event of any not immaterial transactions between the company and shareholders, a shareholder's parent company, members of the board, 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 2019.

## 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 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 2019.

The board 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 and the extraordinary general meeting in 2019 were chaired by the chairman of the board.

## NOMINATION COMMITTEE

The company's articles of association state that the company shall have a nomination committee of two or three members. The members of the committee, including the chairman, shall be elected by the general meeting. Unless otherwise resolved by the general meeting, the elections shall be held every two years.

The nomination committee shall make recommendations to the general meeting for the election of shareholder elected board members and members of the nomination committee and the remuneration to the members of the board and the nomination committee. The remuneration to the members of the nomination committee shall be resolved by the general meeting. The general meeting has established guidelines for the nomination committee.

The members of the nomination committee are currently Vegard Gjerde and Kristian Falnes, both elected by the annual general meeting in 2019.

The nomination committee has held 1 meeting since the 2019 general meeting.

## BOARD – COMPOSITION AND INDEPENDENCE

The board consists of seven members and one observer, 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.

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

The chairman of the board is elected by the general meeting.

The term of office for the board members is one year, 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 6 of 7 directors own shares in the company. Further information regarding the board is included the annual report.

## THE WORK OF THE BOARD

The board has the final responsibility for the management and organisation of the company and supervising routine management and business activities. This involves that the board is responsible for establishing control arrangements to secure that the company operates in accordance with the adopted values and Code of Conduct as well as with shareholders' expectations of good corporate governance. The board primarily looks after the interests of all the shareholders, but is also responsible for the company's other stakeholders.

The board's main task is to ensure that the company develops and creates value. Furthermore the board shall contribute to the shaping of and implementation of the Group's strategy, ensure appropriate supervision and control of management and in other ways ensure that the Group is well operated and organised. The board sets the objectives for the financial performance and adopts the company's plans and budgets. Items of major strategic or financial importance for the Group are the responsibility of the board. The board hires the CEO, defines his or her work description and authority and sets his or her salary and other compensation. The board each year produces an annual plan for its work as recommended.

The board 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 or her responsibilities and the decisions that have to be approved by the board. The board can decide to deviate from instructions in certain cases. The board and executive personnel shall make the company aware of any material interests that they may have in items to be considered by the board. The board 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 receives regular financial reports on the Group's economic and financial status.

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

The board meets at least 6 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 consists 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.

The committee has held 5 meetings since the annual general meeting in 2019.

### Remuneration committee

A remuneration committee has not been established. Remuneration tasks are handled by the board.

## 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

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 annual general meeting.

The remuneration of the board should not be linked to the company's performance. The company should not grant share options to members of its board.

Members of the board and/or companies with which they are associated should not take on specific assignments for the company in addition to their appointment as a member of the board. If they do nonetheless take on such assignments, this should be disclosed to the full board. The remuneration for such additional duties should be approved by the board.

Any remuneration in addition to normal directors' fees should be specifically identified in the annual report.

## 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 general meeting. 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 the head office of Belships ASA, including the executive management. In addition, the Chief Executive Officer has a separate option arrangement.

General meeting has voted separately on the approval of the authorization to the board to issue shares to honor the option program.

## INFORMATION AND COMMUNICATION

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.

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.

The company's financial calendar is published on the company's website and through the Oslo Stock Exchange publication system. All shareholders have equal access to financial and other material company information.

## COMPANY TAKEOVER

The board has established guidelines 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 shall ensure that shareholders are given sufficient information and time to form a view of the offer. The board shall not seek to prevent or obstruct take-over bids for the company's business or shares unless there are particular reasons to do so.

Any agreement with a bidder for the shares of the company that acts to limit the company's ability to arrange other bids for the company's shares should only be entered into where such an agreement clearly is in the common interest of the company and the shareholders. This provision shall also apply to any agreement on the payment of financial compensation to a bidder if the bid does not proceed.

In the event of a take-over bid for the company's shares, the board shall not exercise authorizations or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the general meeting subsequent to the announcement of the bid.

If an offer is made for the shares in the company, the board shall issue a statement making a recommendation as to whether shareholders should or should not accept the offer. The board's statement on a bid shall make it clear whether the views expressed are unanimous, and if this is not the case, it shall explain the basis on which specific members of the board have excluded themselves from the board's statement. Before issuing its final statement the board shall arrange for an evaluation of the financial aspects of the bid from an independent expert. The evaluation shall include an explanation and shall be made public no later than at the time the board's statement is made public.

## AUDITOR

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

The auditor is always invited to be present during the board's discussion of the annual accounts. At this meeting the board is briefed on the annual accounts and any other issues of particular concern to the auditor. Part of the meeting is also executed without the presence of the CEO and other executive management. The board has implemented guidelines in respect of use of the auditor by the executive management for services other than the audit.

The board reviews the company's internal control procedures together with the auditor at least annually.

The company's auditor is Pricewaterhouse-Coopers AS. 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.

## AIMING FOR THE BEST STANDARDS OF CORPORATE GOVERNANCE

### Ship Management

Belships performs all commercial and technical management in-house and has no related party transactions.

### Board Independence

Belships board of directors consists of seven members, whereof four are independent. Since 2007, more than 40 per cent of the board has been represented by female board members.

### Finance and vessel transactions

Belships utilizes only external advisors or brokers in any transactions and no related third parties.

### Board Policy

The board has separate Audit and Board Nomination committees. Belships does not have any shareholder disenfranchisement policies such as poison pills or similar.

### Transparency

The company and board maintain sound principles of transparency and fairness in regard to availability of information, presentations and practices.


BELOCEAN
NO SMOKING

Belships' main contribution to society is to develop a sustainable and value-creating business for our customers, employees and shareholders. Our aim is to ensure that our business practices as well as our investments are sustainable and contribute to economic development, with care for the environmental and social impact we have on society.

# 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.

## MISSION AND CORE VALUES

Belships has a clearly defined 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 mission

- To be a leading provider of shipping transportation services

### Our core values

- Deliver Quality to our Customers
- Preserve Safety and the Environment
- A place for Learning and Teamwork for our People
- Create Value for our Shareholders

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 employees and all members of the board of directors of the Company and of the Company's subsidiaries and to 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 to global emissions of greenhouse gases (GHG) through consumption of bunkers. Although international shipping is a 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 $CO_2$, $NO_X$ and $SO_X$.

Belships' ambition is to optimize energy consumption to reduce its environmental impact, by investing in new ships and designs, but also taking measures aimed at reducing the footprint of existing vessels where possible.

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-cultural 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, sexual orientation 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 conducted from 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, 2018 and in 2019.

Attracting and retaining qualified seafarers remain 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 continue to develop and implement crew welfare initiatives in order to meet the Company's ambition of maintaining the retention rate and thereby create safe and well performing vessels.

Piracy, hi-jacking and kidnapping continues to represent a significant risk in certain regions of the world. To create a safe environment for our crew and vessels, the Company has adopted best management-practices consistent with the industry standards and recommendations from governing bodies. Specifically, 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. An internal risk assessment is also made prior entering into a voyage in any part of the world. Depending on the present conditions and individual risk factors for the particular ship, preventive measures are evaluated for each transit in accordance with Belships' policy. There were no incidents of attempted hijackings of ships in the Belships fleet in 2017, 2018 and in 2019.

### Anti-corruption

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 we will actively strive to fight it.

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