



**BELSHIPS**



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## QUARTERLY REPORT – Q3 2020

*11 November 2020*

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## MARKET REBOUND – POSITIONING FOR 2021

### HIGHLIGHTS

- Operating income of USD 43.3 million (Q3 2019: USD 31.7m)
- EBITDA of USD 5.9m (USD 8.1m)
- Net result of USD -4.2m (USD 0.3m)
- Net TCE per ship of USD 9 067 per day versus BSI index of USD 9 435 net per day
- 75 per cent of remaining ship days in 2020 are booked at USD 9 000 net per day
- All financing secured till May 2024 onwards after refinancing of SOFIE VICTORY
- Imabari newbuilding delivery amended from Q4 2020 to Q1 2021
- Belships regarded as leading within corporate governance by Danske Bank and on course for delivering emission cuts in line with industry ambitions for 2030
- Commercial platform expanded - Lighthouse Navigation
- Modern fleet of 23 vessels with an average age of 5 years including newbuildings

### Fleet status

Time charter earnings per ship in the quarter were recorded at USD 9 067 net per day versus BSI index of USD 9 435 net per day for the same period. Average net TCE per ship in the last twelve months amounted to USD 9 263 versus BSI index of USD 7 783 net per day for the same period, representing an outperformance of the BSI index of 19 per cent.

Our long-term outperformance of the BSI index is due to the portfolio of period charter coverage and outsized spot earnings earned by our subsidiary Lighthouse Navigation. The inherent lag in our business means that when the spot markets fall, our outperformance will tend to be higher. Oppositely, when the markets rise rapidly our performance will tend to lag on a short-term basis.

Approximately 30 per cent of remaining ship days in the next four quarters are booked at about USD 10 000 net per day. About 75 per cent of available days in Q4 have been booked at about USD 9 000 net per day.

BELINDA and BELNIPPON (time-chartered vessel) were drydocked in the quarter. The remaining fleet sailed without significant off-hire in the quarter.

BELFAST, an Ultramax newbuilding of 64 000 dwt currently under construction has been amended to deliver January/February 2021 instead of December 2020.

Belships' fleet modernisation is set to continue with the delivery of newbuildings BELFAST and BELMAR scheduled for delivery during 2021. Belships' fleet continues to increase and improve with only modest cash investments, signalling the competitive advantage Belships has in sourcing ship finance. Taking into consideration the recent nine acquisitions and two divested vessels at a net cash effect of about USD 3m. The Japanese Ultramax bulk carriers entering the fleet represent the highest quality and lowest fuel consumption available in the market today.

**Commercial platform**

Lighthouse Navigation has expanded its commercial platform with new offices established in Singapore, Melbourne and most recently Oslo. The aim of this expansion is to further enhance the vessels earning capability and to generate profits around cargo trading opportunities in the market. We expect this part of our business to expand further during 2021.

**Sustainability**

Belships is regarded as a market leader in corporate governance. Belships is also well placed and on course to deliver emission cuts in line with industry ambitions for 2030. A new carbon footprint study and review has been initiated with leading classification society DNVGL with the aim to monitor performance and identify areas for improvement. With continued fleet modernisation we expect to produce positive results.

**Financial and corporate matters**

At the end of the quarter, cash and cash equivalents was USD 35.5m, while mortgage debt was USD 142.7m. During the quarter, the loan agreement related to the vessel SOFIE VICTORY was amended in order to prolong the maturity and reduce the loan margin. The group's mortgage debt now comprises two loan facilities, both with a margin of 275 basis points above LIBOR and maturity in Q2 2024.

Net leasing obligation at the end of the quarter was USD 143.9m. Leasing liabilities have been calculated under the assumption that Belships will exercise its options to acquire all seven Ultramax bulk carriers on bareboat charter, whereas we have assumed that the company will not exercise the purchase options on time-chartered vessels BELNIPPON and BELFUJI. Belships has no contractual obligation to acquire any of its leased vessels.

At the end of the quarter, book value per share amounted to NOK 6.21 (USD 0.65), corresponding to an equity ratio of 32 per cent.

**Market highlights**

In the third quarter we observed a significant improvement in the spot rates with the Baltic Supramax 58 index averaging USD 9 435 net per day. This is compared to an average of USD 5 210 net per day in the second quarter evidencing a strong rebound since the outbreak of COVID-19.

As some economies began to reopen, demand rebounded from historical lows, with September being the first month showing positive year-on-year growth since the COVID-19 outbreak. Total Supramax shipment volumes came in at 261.3 million metric tons for the quarter, which marked a 9.6 per cent increase from 238.5 million metric tons in Q2. Of the main commodity groups, minor bulks and iron ore made the strongest recovery, growing by about 14 per cent. Seasonal grain shipments also increased markedly by 11 per cent, whereas steels grew by 2.2 per cent.

According to Fearnleys, new vessel deliveries dropped to 26 in Q3 from 43 in the previous quarter, which marked the lowest number of deliveries last two years. The orderbook delivery schedule for next year predict deliveries will be 25 per cent lower than this year, with 115 vessels scheduled for 2021 against 150 vessels this year. In 2022, just 28 vessels are currently scheduled for delivery, which would be the lowest number of deliveries since 2000. In relative terms, we are heading towards the lowest rate of supply growth in almost 30 years. The publicly quoted orderbook indicates fleet growth will drop to about 2 per cent by the end of next year (from currently 4.5 per cent) and in 2022 it will drop further to about 0.5 per cent. There will be changes to this outlook for fleet growth as the amount of newbuilding orders being placed over the next 6-9 months are uncertain and it is also normal that 10-20 per cent of the orderbook ends up being cancelled, deferred or simply incorrect.



However, we expect very few newbuilding orders as lack of conviction for fuel and propulsion systems will restrain ordering activity in the near term.

**Outlook**

The Baltic exchange Supramax index in October averaged USD 10 202 net per day. Freight Forward Agreements (FFA) currently indicate a market for Supramax and Ultramax of about USD 9 400 and 10 400 per day for the remaining part of the year. The softer sentiment in the market during the recent weeks can to some extent be attributed to weak demand outside China, reduced iron ore and coal demand towards the end of the year coupled with usual seasonal slowdown approaching in January and February.

As we mentioned in our previous report, whilst total volumes shipped has rebounded, the supply side has needed to adjust in order to sustain a recovery in rates. The publicly quoted orderbook for our segment now stands at 5 per cent – historically low – and we expect this to lay the foundation for a potentially strong market in 2021. Furthermore, the average sailing speeds have increased which will help the fleet reach higher utilisation levels in a stronger market. We are therefore more optimistic in terms of market prospects, with the main downside risks to our outlook being short term potential lockdowns and year-end import reductions. Belships has a significant part of the fleet contractually covered for the next two quarters.

Belships has a uniform and modern fleet of 23 Supramax/Ultramax bulk carriers whereof nine of our vessels are financed with purchase option agreements. This creates substantial upside and flexibility to capitalise on a potential recovery towards historical averages for vessel values in the future. We are focused on maintaining a solid balance sheet and liquidity position. Our strategy is to continue developing Belships as an owner and operator of geared bulk carriers, through quality of operations and target accretive growth opportunities.

11 November 2020  
THE BOARD OF BELSHIPS ASA

Peter Frølich  
*Chairman*

Frode Teigen	Sverre Jørgen Tidemand	Sissel Grefsrud
Carl Erik Steen	Birthe Cecilie Lepsøe	Jorunn Seglem

Lars Christian Skarsgård  
*CEO*

**CONSOLIDATED STATEMENT OF INCOME***The quarterly figures are not audited*

USD 1 000		Q3 2020	Q3 2019	YTD Q3 2020	YTD Q3 2019	2019
Gross freight revenue	Note	54 889	33 822	142 237	105 125	153 909
Voyage expenses		-12 591	-4 430	-41 147	-20 235	-30 243
<b>Net freight revenue</b>	2	<b>42 298</b>	29 392	<b>101 090</b>	84 890	123 666
Management fees		1 035	2 308	4 416	7 456	7 650
<b>Operating income</b>	2	<b>43 333</b>	31 700	<b>105 506</b>	92 346	131 316
Share of result from j/v and assoc. comp.		196	658	1 511	1 900	2 715
T/C hire expenses		-23 484	-11 231	-53 759	-35 867	-49 825
Ship operating expenses		-10 634	-9 166	-30 002	-21 606	-33 558
Operating expenses ship management		-535	-1 023	-2 361	-2 910	-4 125
General and administrative expenses		-2 936	-2 839	-8 229	-7 682	-11 815
<b>Operating expenses</b>		<b>-37 393</b>	-23 601	<b>-92 840</b>	-66 165	-96 608
<b>EBITDA</b>		<b>5 940</b>	8 099	<b>12 666</b>	26 181	34 708
Depreciation and amortisation	3	-6 823	-4 445	-21 250	-13 702	-23 074
Impairment	3	0	0	-4 868	0	0
Gain on sale of ships		0	0	2 469	0	4 381
Other gains/(-losses)	6	-282	0	2 056	0	2 119
<b>Operating result (EBIT)</b>		<b>-1 165</b>	3 654	<b>-8 927</b>	12 479	18 134
Interest income		236	71	743	184	283
Interest expenses		-3 386	-2 436	-10 435	-7 705	-10 522
Other financial items		-13	-250	-389	-738	-1 127
Currency gains/(-losses)		282	-491	636	-679	-13
<b>Net financial items</b>		<b>-2 881</b>	-3 106	<b>-9 445</b>	-8 938	-11 379
<b>Result before taxes</b>		<b>-4 046</b>	548	<b>-18 372</b>	3 541	6 755
Taxes		-127	-199	-234	-513	-1 655
<b>Net result</b>		<b>-4 173</b>	349	<b>-18 606</b>	3 028	5 100
Hereof majority interests		-4 260	321	-18 156	2 244	3 487
Hereof non-controlling interests		87	28	-450	784	1 613
Earnings per share		-0.02	0.00	-0.08	0.02	0.03
Diluted earnings per share		-0.02	0.00	-0.08	0.02	0.03

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

USD 1 000		Q3 2020	Q3 2019	YTD Q3 2020	YTD Q3 2019	2019
<b>Net result</b>		<b>-4 173</b>	349	<b>-18 606</b>	3 028	5 100
<i>Other comprehensive income not to be reclassified to profit or (loss) in subsequent periods:</i>						
Actuarial gain/(loss) on defined benefit plans		0	0	0	0	-10
<i>Items that may be subseq. reclass. to profit or (loss):</i>						
Exchange differences		32	0	72	0	167
<b>Total comprehensive income</b>		<b>-4 141</b>	349	<b>-18 534</b>	3 028	5 257
Hereof majority interests		-4 228	321	-18 084	2 244	3 557
Hereof non-controlling interests		87	28	-450	784	1 700

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***The quarterly figures are not audited*

USD 1 000		30 Sep 2020	30 Sep 2019	31 Dec 2019
<b>NON-CURRENT ASSETS</b>				
	<i>Note</i>			
Intangible assets		2 506	6 650	4 629
Ships, owned	3	223 500	220 350	213 052
Ships, right-of-use assets	3	160 667	64 831	92 720
Prepayment of lease obligations on ships		3 000	6 000	6 000
Property, Plant, and Equipment		4 312	3 892	4 790
Investments in j/v and assoc. companies		1 883	3 496	3 303
Other non-current assets		13 392	0	8 311
<b>Total non-current assets</b>		<b>409 260</b>	<b>305 219</b>	<b>332 805</b>
<b>CURRENT ASSETS</b>				
Bunkers		6 174	2 232	5 832
Current receivables		13 053	17 675	14 576
Cash and cash equivalents		35 453	43 736	44 428
<b>Total current assets</b>		<b>54 680</b>	<b>63 643</b>	<b>64 836</b>
<b>Total assets</b>		<b>463 940</b>	<b>368 862</b>	<b>397 641</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Paid-in capital		137 830	126 704	125 927
Retained earnings		7 633	25 228	25 717
Non-controlling interests		3 937	3 893	4 471
<b>Total equity</b>		<b>149 400</b>	<b>155 825</b>	<b>156 115</b>
<b>Non-current liabilities</b>				
Mortgage debt	4	132 313	121 767	127 249
Lease liability	5	124 484	50 514	73 646
Other non-current liabilities		2 364	2 317	3 060
<b>Total non-current liabilities</b>		<b>259 161</b>	<b>174 598</b>	<b>203 955</b>
<b>Current liabilities</b>				
Mortgage debt	4	10 368	15 414	9 388
Lease liability	5	19 375	4 375	7 315
Other current liabilities		25 636	18 650	20 868
<b>Total current liabilities</b>		<b>55 379</b>	<b>38 439</b>	<b>37 571</b>
<b>Total equity and liabilities</b>		<b>463 940</b>	<b>368 862</b>	<b>397 641</b>

**CONSOLIDATED STATEMENT OF CASH FLOW***The quarterly figures are not audited*

USD 1 000	30 Sep 2020	30 Sep 2019	31 Dec 2019
<b>Cash flow from operating activities</b>			
Net result before taxes	-18 372	3 541	6 755
Adjustments to reconcile profit before tax to net cash flows:			
Depreciations/impairment on fixed assets	26 118	13 702	23 074
Gain on sale of ships	-2 469	0	-4 381
Share-based compensation expense	413	22	23
Difference between pension exps. and paid pension premium	0	0	-51
Share of result from j/v and assoc. companies	-1 511	-1 900	-2 715
Net finance costs	9 445	8 938	11 379
Change in other short-term items	6 027	-5 609	-2 784
Interest received	743	184	283
Interest paid	-10 435	-7 705	-10 359
Income tax paid	-958	-247	-632
<b>Net cash flow from operating activities</b>	<b>9 001</b>	<b>10 926</b>	<b>20 592</b>
<b>Cash flow from investing activities</b>			
Payment of ships	-12 250	-54 000	-21 500
Received instalments from sale of ships	2 011	0	804
Payment of other investments	-7 452	-1 378	-2 549
<b>Net cash flow from investing activities</b>	<b>-17 691</b>	<b>-55 378</b>	<b>-23 245</b>
<b>Cash flow from financing activities</b>			
Proceeds from long-term debt	14 700	137 718	123 755
Paid-in capital (net)	0	29 041	8 021
Repayment of long-term debt	-14 901	-109 957	-114 876
Dividend paid	0	0	-1 205
Dividend to non-controlling interests	-84	-648	-648
<b>Net cash flow from financing activities</b>	<b>-285</b>	<b>56 154</b>	<b>15 047</b>
Net change in cash and cash equivalents during the period	-8 975	11 702	12 394
Cash and cash equivalents at 1 January	44 428	32 034	32 034
<b>Cash and cash equiv. at end of period (incl. restricted cash)</b>	<b>35 453</b>	<b>43 736</b>	<b>44 428</b>

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY***The quarterly figures are not audited*

USD 1 000

	Majority interest						Non-controlling interests	Total equity
	Paid-in				Retained			
	Share capital	Treasury shares	Share premium reserves	Other paid-in equity	Other equity			
<b>As at 30 September 2020</b>								
Equity as at 31 December 2019	50 403	-166	39 499	36 191	25 717	4 471	156 115	
Share issue	3 214	0	8 276	0	0	0	11 490	
Non-controlling interests	0	0	0	0	0	-84	-84	
Share-based payment expense	0	0	0	413	0	0	413	
Net result for the period	0	0	0	0	-18 156	-450	-18 606	
Other comprehensive income	0	0	0	0	72	0	72	
Total comprehensive income	0	0	0	0	-18 084	-450	-18 534	
<b>Equity as at 30 September 2020</b>	<b>53 617</b>	<b>-166</b>	<b>47 775</b>	<b>36 604</b>	<b>7 633</b>	<b>3 937</b>	<b>149 400</b>	

**As at 30 September 2019**

Equity as at 31 December 2018	41 870	-166	18 166	37 000	23 738	3 174	123 782
Share issue	8 533	0	21 333	-825	0	0	29 041
Share-based payment expense	0	0	0	22	0	0	22
Non-controlling interests	0	0	0	0	0	-48	-48
Net result for the period	0	0	0	0	2 244	784	3 028
Other comprehensive income	0	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	2 244	784	3 028
<b>Equity as at 30 September 2019</b>	<b>50 403</b>	<b>-166</b>	<b>39 499</b>	<b>36 197</b>	<b>25 982</b>	<b>3 910</b>	<b>155 825</b>





## KEY FINANCIAL FIGURES

		30 Sep 2020	30 Sep 2019	2019
EBITDA	USD 1000	12 666	26 181	34 708
Interest coverage ratio		-0.86	1.62	1.72
Current ratio		0.99	1.66	1.73
Equity ratio		0.32	0.42	0.39
Earnings per share	USD	-0.08	0.02	0.03
Earnings per share	NOK	-0.76	0.15	0.28
Equity per share	USD	0.65	0.73	0.74
Equity per share	NOK	6.21	6.67	6.46
Number of issued shares as at end of period		228 175 404	212 224 705	212 224 705

## 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. Due to the recent establishment of the enlarged Group, Management is in the initial phase of assessing its external financial reporting and performance measures are therefore subject to change.

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

- *Time charter equivalent (TCE)* – is defined as freight revenues less voyage expenses divided by the number of available on-hire days
- *Current ratio* - is defined as total current assets, divided by total current liabilities
- *EBITDA* - is defined as operating result adjusted for depreciation and amortisation, other gains/(losses), interest income, interest expenses and other financial items
- *EBIT* - is defined as operating result adjusted for interest income, interest expenses and other financial items
- *Equity ratio* - is equal to shareholders' equity including non-controlling interest, divided by total assets
- *Interest coverage ratio* - is equal to earnings before interest and taxes (EBIT), divided by interest expenses



## NOTES TO THE CONSOLIDATED ACCOUNTS

The consolidated financial statements are presented in USD thousands unless otherwise indicated

### Note 1 Accounting principles

These interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting". They do not include all of the information required for full annual financial reporting and should be read in conjunction with the consolidated financial statements of Belships for the year ended 31 December 2019.

EPS is calculated based on actual outstanding shares in Belships ASA.

This report was approved by the Board of Directors on 11 November 2020.

### Note 2 Segment information

USD 1 000					
	January - September 2020				
	<i>Own ships</i>	<i>Lighthouse Navigation</i>	<i>Ship managm.</i>	<i>Admin. &amp; group trs.</i>	<i>Total</i>
Gross freight revenue	56 191	86 046	0	0	142 237
Voyage expenses	-12 494	-29 925	0	1 272	-41 147
<b>Net freight revenue</b>	<b>43 697</b>	<b>56 121</b>	<b>0</b>	<b>1 272</b>	<b>101 090</b>
Management fees	0	4 345	3 415	-3 344	4 416
<b>Operating income</b>	<b>43 697</b>	<b>60 466</b>	<b>3 415</b>	<b>-2 072</b>	<b>105 506</b>
Share of result from j/v and assoc. comp.	0	1 491	20	0	1 511
T/C hire expenses	-386	-53 373	0	0	-53 759
Ship operating expenses	-30 253	-1 822	0	2 073	-30 002
Operating expenses ship management	0	0	-2 361	0	-2 361
General and administrative expenses	-258	-5 873	0	-2 098	-8 229
<b>Operating expenses</b>	<b>-30 897</b>	<b>-59 577</b>	<b>-2 341</b>	<b>-25</b>	<b>-92 840</b>
<b>EBITDA</b>	<b>12 800</b>	<b>889</b>	<b>1 074</b>	<b>-2 097</b>	<b>12 666</b>
Depreciation and amortisation	-18 784	-2 022	-47	-397	-21 250
Impairment	-4 868	0	0	0	-4 868
Gain on sale of ship	2 469	0	0	0	2 469
Other gains/-losses	2 056	0	0	0	2 056
<b>Operating result (EBIT)</b>	<b>-6 327</b>	<b>-1 133</b>	<b>1 027</b>	<b>-2 494</b>	<b>-8 927</b>
Interest income	726	7	3	7	743
Interest expenses	-10 331	-80	-13	-11	-10 435
Other financial items	-408	0	-10	29	-389
Currency gains/(-losses)	-28	3	1	660	636
<b>Net financial items</b>	<b>-10 041</b>	<b>-70</b>	<b>-19</b>	<b>685</b>	<b>-9 445</b>
<b>Result before taxes</b>	<b>-16 368</b>	<b>-1 203</b>	<b>1 008</b>	<b>-1 809</b>	<b>-18 372</b>
Taxes	0	-96	-138	0	-234
<b>Net result</b>	<b>-16 368</b>	<b>-1 299</b>	<b>870</b>	<b>-1 809</b>	<b>-18 606</b>
Hereof majority interests	-16 368	-735	756	-1 809	-18 156
Hereof non-controlling interests	0	-564	114	0	-450
Assets	418 140	37 819	4 850	3 131	463 940
Liabilities	285 991	25 090	2 483	976	314 540

**Note 2 Segment information, continued**

<i>USD 1 000</i>					
<b>January - September 2019</b>					
	<i>Own ships</i>	<i>Lighthouse Navigation</i>	<i>Ship managm.</i>	<i>Admin. &amp; group trs.</i>	<i>Total</i>
Gross freight revenue	55 016	50 109	0	0	105 125
Voyage expenses	-8 405	-14 085	0	2 255	-20 235
<b>Net freight revenue</b>	<b>46 611</b>	<b>36 024</b>	<b>0</b>	<b>2 255</b>	<b>84 890</b>
Management fees	0	3 974	5 398	-1 916	7 456
<b>Operating income</b>	<b>46 611</b>	<b>39 998</b>	<b>5 398</b>	<b>339</b>	<b>92 346</b>
Share of result from j/v and assoc. comp.	0	1 900	0	0	1 900
T/C hire expenses	0	-35 867	0	0	-35 867
Ship operating expenses	-23 144	0	0	1 538	-21 606
Operating expenses ship management	0	0	-2 910	0	-2 910
General and administrative expenses	-457	-4 385	0	-2 840	-7 682
<b>Operating expenses</b>	<b>-23 601</b>	<b>-38 352</b>	<b>-2 910</b>	<b>-1 302</b>	<b>-66 165</b>
<b>EBITDA</b>	<b>23 010</b>	<b>1 646</b>	<b>2 488</b>	<b>-963</b>	<b>26 181</b>
Depreciation and amortisation	-12 997	-65	-563	-77	-13 702
<b>Operating result (EBIT)</b>	<b>10 013</b>	<b>1 581</b>	<b>1 925</b>	<b>-1 040</b>	<b>12 479</b>
Interest income	101	31	2	50	184
Interest expenses	-7 705	0	0	0	-7 705
Other financial items	-738	0	0	0	-738
Currency gains/(-losses)	7	-21	-20	-645	-679
<b>Net financial items</b>	<b>-8 335</b>	<b>10</b>	<b>-18</b>	<b>-595</b>	<b>-8 938</b>
<b>Result before taxes</b>	<b>1 678</b>	<b>1 591</b>	<b>1 907</b>	<b>-1 635</b>	<b>3 541</b>
Taxes	0	-135	-378	0	-513
<b>Net result</b>	<b>1 678</b>	<b>1 456</b>	<b>1 529</b>	<b>-1 635</b>	<b>3 028</b>
Hereof majority interests	1 678	723	1 478	-1 635	2 244
Hereof non-controlling interests	0	733	51	0	784
Assets	341 226	19 222	5 481	2 934	368 862
Liabilities	196 974	12 160	2 326	1 578	213 037



## Note 2 Segment information, continued

USD 1 000	Q1 - 2020					Q1 - 2019				
	Own ships	LHN	Ship mgmt	Adm/ Grp trs	Total	Own ships	LHN	Ship mgmt	Adm/ Grp trs	Total
Gross freight revenue	20 005	29 470	0	0	49 475	18 729	17 447	0	0	36 176
Voyage expenses	-5 240	-12 909	0	357	-17 792	-3 655	-4 291	0	209	-7 737
<b>Net freight revenue</b>	<b>14 765</b>	<b>16 561</b>	<b>0</b>	<b>357</b>	<b>31 683</b>	<b>15 074</b>	<b>13 156</b>	<b>0</b>	<b>209</b>	<b>28 439</b>
Management fees	0	1 600	1 306	-1 033	1 873	0	1 232	1 946	-541	2 637
<b>Operating income</b>	<b>14 765</b>	<b>18 161</b>	<b>1 306</b>	<b>-676</b>	<b>33 556</b>	<b>15 074</b>	<b>14 388</b>	<b>1 946</b>	<b>-332</b>	<b>31 076</b>
Share of result j/v and assoc. comp.	0	573	0	0	573	0	634	0	0	634
T/C hire expenses	0	-15 583	0	0	-15 583	0	-12 515	0	0	-12 515
Ship operating expenses	-10 158	-419	0	676	-9 901	-6 384	0	0	409	-5 975
Operating expenses ship management	0	0	-961	0	-961	0	0	-971	0	-971
General and administrative expenses	-138	-1 962	0	-731	-2 831	-143	-1 189	0	-811	-2 143
<b>Operating expenses</b>	<b>-10 296</b>	<b>-17 391</b>	<b>-961</b>	<b>-55</b>	<b>-28 703</b>	<b>-6 527</b>	<b>-13 070</b>	<b>-971</b>	<b>-402</b>	<b>-20 970</b>
<b>Operating result (EBITDA)</b>	<b>4 469</b>	<b>770</b>	<b>345</b>	<b>-731</b>	<b>4 853</b>	<b>8 547</b>	<b>1 318</b>	<b>975</b>	<b>-734</b>	<b>10 106</b>
Depreciation and amortisation	-6 054	-655	-13	-6	-6 728	-4 235	-20	-272	-28	-4 555
Gain on sale of ship	2 469	0	0	0	2 469	0	0	0	0	0
Other gains/(-losses)	2 936	0	0	0	2 936	0	0	0	0	0
<b>Operating result (EBIT)</b>	<b>3 820</b>	<b>115</b>	<b>332</b>	<b>-737</b>	<b>3 530</b>	<b>4 312</b>	<b>1 298</b>	<b>703</b>	<b>-762</b>	<b>5 551</b>

USD 1 000	Q2 - 2020					Q2 - 2019				
	Own ships	LHN	Ship mgmt	Adm/ Grp trs	Total	Own ships	LHN	Ship mgmt	Adm/ Grp trs	Total
Gross freight revenue	16 285	21 588	0	0	37 873	17 898	17 229	0	0	35 127
Voyage expenses	-4 335	-6 880	0	451	-10 764	-2 961	-5 410	0	303	-8 068
<b>Net freight revenue</b>	<b>11 950</b>	<b>14 708</b>	<b>0</b>	<b>451</b>	<b>27 109</b>	<b>14 937</b>	<b>11 819</b>	<b>0</b>	<b>303</b>	<b>27 059</b>
Management fees	0	1 363	1 312	-1 167	1 508	0	1 318	1 983	-790	2 511
<b>Operating income</b>	<b>11 950</b>	<b>16 071</b>	<b>1 312</b>	<b>-716</b>	<b>28 617</b>	<b>14 937</b>	<b>13 137</b>	<b>1 983</b>	<b>-487</b>	<b>29 570</b>
Share of result j/v and assoc. comp.	0	728	14	0	742	0	608	0	0	608
T/C hire expenses	0	-14 692	0	0	-14 692	0	-12 121	0	0	-12 121
Ship operating expenses	-9 342	-841	0	716	-9 467	-6 980	0	0	515	-6 465
Operating expenses ship management	0	0	-865	0	-865	0	0	-916	0	-916
General and administrative expenses	-1	-1 824	0	-637	-2 462	-115	-1 433	0	-1 152	-2 700
<b>Operating expenses</b>	<b>-9 343</b>	<b>-16 629</b>	<b>-851</b>	<b>79</b>	<b>-26 744</b>	<b>-7 095</b>	<b>-12 946</b>	<b>-916</b>	<b>-637</b>	<b>-21 594</b>
<b>Operating result (EBITDA)</b>	<b>2 607</b>	<b>-558</b>	<b>461</b>	<b>-637</b>	<b>1 873</b>	<b>7 842</b>	<b>191</b>	<b>1 067</b>	<b>-1 124</b>	<b>7 976</b>
Depreciation and amortisation	-6 506	-934	-12	-247	-7 699	-4 380	-22	-276	-24	-4 702
Impairment	-4 868	0	0	0	-4 868	0	0	0	0	0
Other gains/(-losses)	-598	0	0	0	-598	0	0	0	0	0
<b>Operating result (EBIT)</b>	<b>-9 365</b>	<b>-1 492</b>	<b>449</b>	<b>-884</b>	<b>-11 292</b>	<b>3 462</b>	<b>169</b>	<b>791</b>	<b>-1 148</b>	<b>3 274</b>

**Note 2 Segment information, continued**

USD 1 000	Q3 - 2020					Q3 - 2019				
	Owned ships	LHN	Ship mgmt	Adm/ Grp trs	Total	Owned ships	LHN	Ship mgmt	Adm/ Grp trs	Total
Gross freight revenue	19 901	34 988	0	0	54 889	18 389	15 433	0	0	33 822
Voyage expenses	-2 919	-10 136	0	464	-12 591	-1 789	-4 384	0	1 743	-4 430
<b>Net freight revenue</b>	<b>16 982</b>	<b>24 852</b>	<b>0</b>	<b>464</b>	<b>42 298</b>	<b>16 600</b>	<b>11 049</b>	<b>0</b>	<b>1 743</b>	<b>29 392</b>
Management fees	0	1 382	797	-1 144	1 035	0	1 424	1 469	-585	2 308
<b>Operating income</b>	<b>16 982</b>	<b>26 234</b>	<b>797</b>	<b>-680</b>	<b>43 333</b>	<b>16 600</b>	<b>12 473</b>	<b>1 469</b>	<b>1 158</b>	<b>31 700</b>
Share of result j/v and assoc. comp.	0	190	6	0	196	0	658	0	0	658
T/C hire expenses	-386	-23 098	0	0	-23 484	0	-11 231	0	0	-11 231
Ship operating expenses	-10 753	-562	0	681	-10 634	-9 780	0	0	614	-9 166
Operating expenses ship management	0	0	-535	0	-535	0	0	-1 023	0	-1 023
General and administrative expenses	-119	-2 087	0	-730	-2 936	-199	-1 763	0	-877	-2 839
<b>Operating expenses</b>	<b>-11 258</b>	<b>-25 557</b>	<b>-529</b>	<b>-49</b>	<b>-37 393</b>	<b>-9 979</b>	<b>-12 336</b>	<b>-1 023</b>	<b>-263</b>	<b>-23 601</b>
<b>Operating result (EBITDA)</b>	<b>5 724</b>	<b>677</b>	<b>268</b>	<b>-729</b>	<b>5 940</b>	<b>6 621</b>	<b>137</b>	<b>446</b>	<b>895</b>	<b>8 099</b>
Depreciation and amortisation	-6 224	-433	-22	-144	-6 823	-4 382	-23	-15	-25	-4 445
Other gains/(-losses)	-282	0	0	0	-282	0	0	0	0	0
<b>Operating result (EBIT)</b>	<b>-782</b>	<b>244</b>	<b>246</b>	<b>-873</b>	<b>-1 165</b>	<b>2 239</b>	<b>114</b>	<b>431</b>	<b>870</b>	<b>3 654</b>

**Note 3 Ships**

At the end of each reporting period, the Company assesses whether there are any impairment indicators present. The Company has concluded that the ongoing COVID-19 outbreak is an impairment indicator pursuant to IAS 36. Consequently, Belships carried out an impairment test of ships owned or recognised as right-of-use assets at the end of the quarter.

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. Assumptions represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the ships. The value-in-use calculations are mainly sensitive to changes in revenue and cost of capital assumptions. Revenues have been based on current contracts and long-term historical rates for equivalent ships derived from the Baltic Supramax market index. OPEX and CAPEX estimates have been derived from the budgets approved by Board of Directors. Cash flows have been discounted using a cost of capital of 6.0 per cent.

At the end of Q2 2020, recoverable amounts were higher than carrying amounts for all ships, except for the four oldest vessels in the fleet. Consequently, Belships recorded an impairment loss of USD 4.9m in the second quarter.

At the end of Q3 2020, recoverable amounts were higher than carrying amounts for all ships and no impairments were recorded.

The Company has performed sensitivity tests on the assumptions used in the impairment tests. Reducing the long-term rate by 10 per cent per day would have led to an impairment recognition of USD 52.4m in total. At the end of the quarter, an increase of one percentage point cost of capital would have resulted in impairments of USD 2.8m in total.

**Note 4 Mortgage debt**

Belships entered into a new USD 140m loan facility in April 2019. The first tranche of USD 110m replaced previous loan arrangements. The loan has a margin of 275 basis points over LIBOR and matures in Q2 2024. Following a voluntary prepayment in January 2020, the next instalment on the first tranche is due in Q2 2021.

The second tranche of USD 30m was made available for fleet expansion and utilised to acquire BELCARGO, BELFRI and BELHAVEN. The second tranche has a margin of 275 basis points over LIBOR and semi-annual repayments of USD 1.2m.

The USD 14m loan acquired as part of the acquisition of shares in Sofie Victory AS was amended in Q3 2020. The margin was reduced to 275 basis points over LIBOR and the maturity was extended until Q2 2024, with semi-annual repayments of USD 0.5m.

Total mortgage debt at the end of the quarter amounted to USD 143.7m. Transaction costs related to the mortgage debt were initially recorded as a reduction of debt in the balance sheet and subsequently amortised over the loan period in accordance with the amortised cost principle.

Belships was in compliance with all covenants at the end of the quarter.

**Note 5 Leasing**

In January, newbuilding BELFUJI was delivered. The ship is leased on time charter for a period of 8 years and increased leasing liabilities at the end of the first quarter by USD 15.5m.

In January, newbuilding BELMOIRA was delivered. The ship is leased on bareboat charter for a period of 7 years and increased leasing liabilities at the end of the first quarter by USD 25.0m, including the USD 3.0m prepayment made in 2019.

In February, newbuilding BELAJA was delivered. The ship is leased on bareboat charter for a period of 7 years and increased leasing liabilities at the end of the first quarter by USD 25.0m, including the USD 3.0m prepayment made in 2019.

Leasing liabilities at the end of the quarter arising from bareboat obligations and long-term time charters were USD 143.9m. Corresponding right-of-use assets, including upfront payments relating to the purchase options, were recorded at USD 160.7m.

Belships has no obligation to purchase any of the leased vessels.

**Note 6 Financial instruments**

Forward Freight Agreements (FFA) are measured at fair value at the end of each reporting period. Net loss from unrealised fair value changes and realised positions amounting to USD 0.3m have been included in other gains and losses. At the end of the quarter, the remaining FFA portfolio comprised 900 days at an average rate of USD 9 600 per day.

**Note 7 Subsequent events**

No other material events have taken place after 30 September 2020.



## 20 LARGEST SHAREHOLDERS

Updated 6 November 2020

Shareholder	Number of shares	%
KONTRARI AS	95 822 108	41.99%
KONTRAZI AS	32 463 265	14.23%
DNB MARKETS AKSJEHANDEL/-ANALYSE	18 051 008	7.91%
SONATA AS	17 461 778	7.65%
CITIBANK, N.A.	15 886 181	6.96%
LGT BANK AG	12 610 754	5.53%
JAKOB HATTELAND HOLDING AS	11 000 000	4.82%
UBS SWITZERLAND AG	7 804 395	3.42%
PERSHING LLC	3 574 648	1.57%
KBC BANK NV	1 629 398	0.71%
CLEARSTREAM BANKING S.A.	1 625 132	0.71%
STAVANGER FORVALTNING AS	1 200 000	0.53%
SIX SIS AG	1 069 191	0.47%
OLA RUSTAD AS	850 000	0.37%
OLE KETIL TEIGEN	700 000	0.31%
BELSHIPS ASA	548 000	0.24%
ARAGES HOLDING AS	500 000	0.22%
AS TORINITAMAR	417 100	0.18%
AUGUST RINGVOLD AGENTUR AS	375 048	0.16%
ASL HOLDING AS	363 836	0.16%
OTHER SHAREHOLDERS	4 223 562	1.85%
<b>TOTAL OUTSTANDING SHARES</b>	<b>228 175 404</b>	<b>100.00%</b>

**FLEET LIST**

Ship	Ownership	Built year	Dwt	Yard
<b>Ultramax</b>				
Newbuilding tbn BELMAR	BBC <sup>1</sup>	2021	64,000	Imabari
Newbuilding tbn BELFAST	BBC <sup>2</sup>	2021	64,000	Imabari
BELFUJI	TC <sup>3</sup>	2020	63,000	Imabari
BELMOIRA	BBC <sup>4</sup>	2020	61,000	Shin Kurushima
BELAJA	BBC <sup>4</sup>	2020	61,000	Shin Kurushima
BELRAY	BBC <sup>5</sup>	2019	61,000	Shin Kurushima
BELNIPPON	TC <sup>6</sup>	2018	63,000	Imabari
BELHAVEN	100%	2017	63,000	Imabari
BELISLAND	BBC <sup>7</sup>	2016	61,000	Imabari
BELINDA	100%	2016	63,000	Hantong
BELMONT	100%	2016	63,000	Hantong
BELATLANTIC	100%	2016	63,000	Hantong
SOFIE VICTORY	100%	2016	63,000	New Times
BELFOREST	BBC <sup>8</sup>	2015	61,000	Imabari
BELPAREIL	100%	2015	63,000	Hantong
BELSOUTH	100%	2015	63,000	Hantong
<b>Supramax</b>				
BELOCEAN	100%	2011	58,000	Dayang
BELNOR	100%	2010	58,000	Dayang
BELSTAR	100%	2009	58,000	Dayang
BELFORT	100%	2008	50,000	PT Pal
BELORIENT	100%	2008	50,000	PT Pal
BELCARGO	100%	2008	58,000	Tsuneishi
BELFRI	100%	2007	55,000	Kawasaki

- 1) Delivery 2H 2021 ten years bareboat charter with purchase options after fourth year.
- 2) Delivery January/February 2021 ten years bareboat charter with purchase options after fourth year
- 3) Delivered January 2020 eight years time charter with purchase options after fourth year
- 4) Delivered Q1 2020 seven years bareboat charter with purchase options after fourth year
- 5) Delivered October 2019 seven years bareboat with purchase options after fourth year
- 6) Delivered January 2018 eight years time charter with purchase options after fourth year
- 7) Delivered 2016 fifteen years bareboat charter with purchase options after fifth year
- 8) Delivered 2015 twelve years bareboat charter with purchase options after third year

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

*BELFAST and PACIFIC LIGHT have been delivered to Marti Shipping & Ship Management of Turkey for bareboat charter and subsequent sale.*