



**BELSHIPS**



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## QUARTERLY REPORT – Q4 2019

*21 February 2020*

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## CONTINUED SPOT PERFORMANCE AND GROWTH

### HIGHLIGHTS

- Operating income of USD 40.4 million (Q4 2018: USD 29.2m)
- EBITDA of USD 7.4m (USD 5.9m)
- Net result of USD 2.1m (USD 1.2m, excl. purchase bargain gain)
- Net TCE earnings per ship of USD 11 992 per day versus BSI index of USD 10 226 net per day
- 70% of total ship days in Q1 2020 have been booked at USD 9 625 net per day
- Average cash breakeven per vessel about USD 9 500 per day for next 12 months
- Ship-for-shares acquisition of 2017-built 63 000 dwt Ultramax for delivery in Q2 2020
- Bareboat agreement with purchase options for 64 000 dwt Ultramax for delivery 2H 2020
- BELEAST delivered to its charterer in December for the agreed bareboat and subsequent sale
- Agreement for bareboat charter and subsequent sale of PACIFIC LIGHT
- Modern fleet with an average age of 5 years including newbuildings
- Initiated carbon footprint fleet study

### Fleet status

Time charter earnings per ship in the quarter were recorded at USD 11 992 net per day versus BSI index of USD 10 226 net per day for the same period. Net earnings per ship in the full year amounted to USD 11 201 versus BSI index of USD 9 451 net per day for the same period, representing a 19% premium to market indices. Outperformance of the BSI index is due to the optimized portfolio of period charter coverage and outsized spot earnings achieved by our subsidiary Lighthouse Navigation.

On 23 October Belships took delivery of Ultramax newbuilding BELRAY from Shin Kurushima, Japan.

On 3 December BELEAST delivered to its charterer for the agreed bareboat and subsequent sale.

Following a breakdown in September, PACIFIC LIGHT resumed operations after repairs in October. The remaining fleet sailed without significant off-hire in the quarter.

Belships has initiated a carbon footprint fleet study and engaged an independent third party to verify results. Belships aims to continue improving fleet efficiency and report in accordance with the Poseidon Principles.

Ultramax newbuildings BELFUJI (Imabari), BELMOIRA and BELAJA (Shin Kurushima) have been delivered during Q1 2020.

Two newbuilding resales of 64 000 dwt eco-design Ultramax bulk carriers will be delivered during the second half of 2020 and 2021. In addition, Belships will take delivery of a 2017-built Japanese 63 000 dwt Ultramax during Q2 2020.

### Vessel transactions

In October, Belships entered into an agreement with Marti Shipping & Ship Management of Turkey for a bareboat charter and subsequent sale of BELEAST. The 50 000 dwt bulk carrier was built in 2006 and was the oldest ship in Belships fleet. BELEAST was delivered in December as planned 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.

In October, Belships agreed a 7-year bareboat charter for a 61 000 dwt Ultramax bulk carrier newbuilding from Shin Kurushima, Japan. The vessel was delivered in February 2020 and named BELAJA. The estimated cash breakeven for the Vessel upon delivery is about USD 11 000 per day including operational expenses. Belships paid a sum of USD 3m prior to delivery. The agreement comes with purchase options below current market values and can be exercised after the fourth year until the end of the charter.

In December, Belships announced it had entered into agreement for a 10-year bareboat charter of a 64 000 dwt Ultramax bulk carrier newbuilding. The vessel will be delivered by Imabari Shipyard during second half of 2020. Estimated cash breakeven for the vessel upon delivery is about USD 10 750 per day including operational expenses. Belships will pay a sum of USD 3m upon signing contract, expected to occur during March 2020. The agreement comes with purchase options below current market values and can be exercised after the fourth year until the end of the charter.

In December, acquisition was announced for a modern secondhand Ultramax bulk carrier from Japanese Owners for a price of USD 24.5m. The 63 000 dwt vessel was built in 2017 by Imabari shipyard. Conditional subjects have been lifted and the agreements will be signed forthwith. Delivery is expected during the second quarter of 2020, after having passed its intermediate drydocking survey. The payment for the vessel will be settled by issuing new shares equivalent to 50 per cent of the purchase price at a subscription price of NOK 7.15 per share, and the remaining in cash upon delivery. The vessel is intended to utilise 60 per cent financing from the existing Accordion Tranche, equivalent to approximately 60 per cent of the purchase price. Hence, the transaction will have a positive cash effect of about USD 2.45 million.

These transactions signal the competitive advantage Belships has in sourcing ship finance. Belships' fleet continues to increase and improve with only modest cash investments. Taking into consideration 9 acquisitions and 2 divested vessels over the past 12 months the net cash effect is less than USD 3m. The Japanese Ultramax bulk carriers entering the fleet represent the highest quality and lowest fuel consumption available in the market today.

#### **Financial and corporate matters**

At the end of the quarter, cash and cash equivalents was USD 44.4m. Mortgage debt was USD 136.6m, while net lease obligation was USD 78.7m.

The fleet will be cash positive at a day rate of about USD 9 500 for the coming 12 months. The rate includes dry docking and finance cash flows.

At the end of the quarter, the book value per share amounted to NOK 6.46 (USD 0.74), while the equity ratio was 39.2 %.

In Q1 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. EBITDA in the quarter includes an unrealised loss on the same fuel oil hedging contracts of USD 1.3m. The Q1 2020 effect will be zero. Gains and losses have been included as part of other gains/losses.

The company has reclassified management fees of USD 2.2m to other income in the quarter. The gains relate to management fees in Belships Management Singapore on agreements which stem mainly from periods before 2019.

**Market highlights**

The market slowed down in the fourth quarter as the BSI58 index averaged USD 10 226 net per day, from USD 11 886 net per day in the third quarter, as supply growth increased slightly whereas shipment volumes flattened.

Year-on-year fleet growth trended below 3.0 per cent from the middle of 2018 to the middle of 2019, after which vessel deliveries increased and brought the growth rate to over 4.0 per cent by the end of the year. Going forward, the rate of vessel deliveries seen since the summer of roughly 1 million deadweight per month is likely to be maintained the first four or five months of 2020, after which it will drop to about half a million per month for the remainder of the year. The orderbook schedule for 2021 currently shows a marginal 0.2-0.3 million deadweight per month for the entire year, and new ordering activity remains very low.

On the demand side, Q4 was hit by an 'import ban' of coal into China as well as a nickel ore export ban from Indonesia. China still imported 17.6 mill tons in December, however this was significantly down from the 21 mill tons they imported in October and November, again a drop from the 25 mill tons they imported from May to September. The nickel ore ban reduced monthly export volumes by 15 mill tons in Q4, which is equivalent to 250 Supramax shipments.

Apart from the decline in Nickel Ore and Coal volumes, other commodities grew modestly so total volumes ended up falling by close to 3.0 per cent in the fourth quarter compared to the third quarter.

The transition towards IMO 2020 started to affect bunkers prices and availability in the fourth quarter. Bunkers spreads in the spot market peaked in December above USD 300 per mt as measured by the difference in fuel price between 3.5 and 0.5 per cent sulphur content. However, both price and availability has rapidly adjusted and during January the spreads moved to USD 200 per mt whilst the forward curve is pointing towards USD 170 and below.

The weak start to the markets in 2020 is primarily due to the negative economic impacts stemming from shutdowns in connection with the Corona virus. At the time of writing, preliminary data shows that the shutdowns have clearly affected economic activity. Consumption of steel, coal, copper and oil among others have dropped by 20-40 per cent according to various reports.

Going forward, the near-term outlook is clouded as much depends on when China resumes normal activity. However, when they do, it is probable to have a significant positive effect as pent-up demand will come in addition to volume normalization. Positive prospects remain for the overall market balance. Fleet growth is expected decrease significantly from the summer, and leading indicators are pointing to increased economic growth as low interest rates and energy prices have coincided with continued credit growth and other economic stimulus. The soft spot market from December in to the first part of 2020 is however different from previous down cycles, most clearly evidenced by the strength and contango in Forward Freight Assessments for the coming months. It is worth observing that forward rates today for standard Supramax vessels for the rest of 2020 are trading at USD 10 000 average, where adjusting conservatively for an Ultramax would put the figure at about USD 11 300.

**Subsequent events**

Belships 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. PACIFIC LIGHT will commence its charter during March or April of 2020. Belships will realize a gain of approximately USD 2.4m upon delivery. The Charterer has an obligation to purchase the vessel within 24 months and the net cash flow during the period will be approximately USD 1.8m after repayment of outstanding loans.

In January, 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. Belships fleet financing has a maturity date in 2024.

**Outlook**

The Company will soon control a modern fleet of 23 dry bulk carriers, including newbuildings, and continues to enhance its earnings with a combination of charter backlog and spot market performance. The Supramax and Ultramax segment continues to display the most attractive risk/reward within the dry bulk market.

Belships' strategy going forward is to grow as a fully integrated shipowner and operator of geared bulk carriers. Through the vessel acquisitions, financing and share issues, Belships has demonstrated its ability to deliver on this strategy. Belships expects that further transactions may be available and intends to pursue such transactions where accretive.

Following the transactions already announced and the issuances of new shares, the company continues to increase the free float in the Belships share, as well as broaden the shareholder base. It is Belships' intention to make further steps to increase the liquidity in the share.

Belships maintains focus on capital discipline with the aim of returning capital to the shareholders as an important part of the company's strategy.

21 February 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

USD 1 000		Q4 2019	Q4 2018	2019	2018
Gross freight revenue	Note	48 784	38 147	153 909	127 735
Voyage expenses		-8 583	-10 548	-30 243	-34 246
<b>Net freight revenue</b>	2	<b>40 201</b>	27 599	<b>123 666</b>	93 489
Management fees		194	1 621	7 650	4 865
<b>Operating income</b>	2	<b>40 395</b>	29 220	<b>131 316</b>	98 354
Share of result from j/v and assoc. comp.		815	1 030	2 715	2 012
T/C hire expenses		-16 473	-15 714	-52 340	-56 466
Ship operating expenses		-11 952	-4 516	-33 558	-16 094
Operating expenses ship management		-1 215	-420	-4 125	-420
General and administrative expenses		-4 133	-3 746	-11 815	-7 837
<b>Operating expenses</b>		<b>-32 958</b>	-23 366	<b>-99 123</b>	-78 805
<b>EBITDA</b>		<b>7 437</b>	5 854	<b>32 193</b>	19 549
Depreciation and amortisation	3	-6 857	-2 691	-20 559	-7 813
Purchase bargain gain		0	12 849	0	12 849
Gain on sale of ships		4 381	0	4 381	0
Other gains		694	0	2 119	0
<b>Operating result (EBIT)</b>		<b>5 655</b>	16 012	<b>18 134</b>	24 585
Interest income		99	35	283	56
Interest expenses		-2 817	-1 535	-10 522	-4 754
Other financial items		-389	6	-1 127	-351
Currency gains/(-losses)		666	-77	-13	-94
<b>Net financial items</b>		<b>-2 441</b>	-1 571	<b>-11 379</b>	-5 143
<b>Result before taxes</b>		<b>3 214</b>	14 441	<b>6 755</b>	19 442
Taxes		-1 142	-228	-1 655	-247
<b>Net result</b>		<b>2 072</b>	14 213	<b>5 100</b>	19 195
Hereof majority interests		1 243	13 841	3 487	18 169
Hereof non-controlling interests		829	372	1 613	1 026
Earnings per share		0.01	0.11	0.03	0.20
Diluted earnings per share		0.01	0.11	0.03	0.20

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

USD 1 000		Q4 2019	Q4 2018	2019	2018
<i>Other comprehensive income not to be reclassified to profit or (loss) in subsequent periods:</i>					
Actuarial gain/(loss) on defined benefit plans		-10	-9	-10	-9
<i>Items that may be subsequently reclassified to profit or (loss):</i>					
Exchange differences		167	13	167	53
<b>Total comprehensive income</b>		<b>2 229</b>	14 217	<b>5 257</b>	19 239
Hereof majority interests		1 313	13 831	3 557	18 181
Hereof non-controlling interests		916	386	1 700	1 058



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

USD 1 000		31 Dec 2019	31 Dec 2018
<b>NON-CURRENT ASSETS</b>			
	<i>Note</i>		
Intangible assets		4 629	8 536
Ships, owned	3	213 052	179 118
Ships, right-of-use assets	3	91 463	51 307
Prepayment of ships		6 000	0
Property, Plant, and Equipment		6 218	4 210
Investments in j/v and associated companies		3 163	1 939
Other non-current assets		8 583	343
<b>Total non-current assets</b>		<b>333 108</b>	<b>245 453</b>
<b>CURRENT ASSETS</b>			
Inventories		5 832	4 230
Current receivables		14 576	11 897
Cash and cash equivalents		44 428	32 034
<b>Total current assets</b>		<b>64 836</b>	<b>48 161</b>
<b>Total assets</b>		<b>397 944</b>	<b>293 614</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Paid-in capital		125 927	96 870
Retained earnings		25 717	23 738
Non-controlling interests		4 471	3 174
<b>Total equity</b>		<b>156 115</b>	<b>123 782</b>
<b>Non-current liabilities</b>			
Mortgage debt	4	128 880	94 513
Lease liability, ships	5	73 192	38 653
Other non-current liabilities		3 361	3 446
<b>Total non-current liabilities</b>		<b>205 433</b>	<b>136 612</b>
<b>Current liabilities</b>			
Mortgage debt	4	7 757	12 500
Lease liability, ships	5	5 487	2 119
Other current liabilities		23 152	18 601
<b>Total current liabilities</b>		<b>36 396</b>	<b>33 220</b>
<b>Total equity and liabilities</b>		<b>397 944</b>	<b>293 614</b>



## CONSOLIDATED STATEMENT OF CASH FLOW

USD 1 000	2019	2018
<b>Cash flow from operating activities</b>		
Net result before taxes	6 755	19 442
Adjustments to reconcile profit before tax to net cash flows:		
Purchase bargain gain	0	-12 849
Depreciations on fixed assets	20 559	7 813
Gain on sale of ships	-4 381	0
Share-based compensation expense	23	5
Difference between pension exps and paid pension premium	-51	-81
Share of result from j/v and assoc. companies	-2 715	-2 012
Net finance costs	11 379	5 143
Change in other short-term items	236	483
Interest received	283	56
Interest paid	-10 522	-4 754
Income tax paid	-1 409	-264
<b>Net cash flow from operating activities</b>	<b>20 157</b>	<b>12 982</b>
<b>Cash flow from investing activities</b>		
Payment of ships	-54 000	-19 430
Distribution and capital reduction from joint ventures	0	2 340
Net cash contribution from merger	0	6 709
Payment of other investments	-1 441	0
<b>Net cash flow from investing activities</b>	<b>-55 441</b>	<b>-10 381</b>
<b>Cash flow from financing activities</b>		
Proceeds from long-term debt	137 718	19 750
Paid-in capital (net)	29 034	0
Repayment of long-term debt	-117 221	-4 161
Dividend paid	-1 205	0
Dividend to non-controlling interests	-648	-846
<b>Net cash flow from financing activities</b>	<b>47 678</b>	<b>14 743</b>
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
<b>Cash and cash equivalents at end of period (incl. restricted cash)</b>	<b>44 428</b>	<b>32 034</b>





## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

USD 1 000

	Majority interest						Total equity
	Paid-in				Retained		
	Share capital	Treasury shares	Share premium reserves	Other paid-in equity	Other equity	Non-controlling interests	
<b>As at 31 December 2019</b>							
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 period	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
<b>Equity as at 31 December 2019</b>	<b>50 403</b>	<b>-166</b>	<b>39 499</b>	<b>36 191</b>	<b>25 717</b>	<b>4 471</b>	<b>156 115</b>
<b>As at 31 December 2018</b>							
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 period	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
<b>Equity as at 31 December 2018</b>	<b>41 870</b>	<b>-166</b>	<b>18 166</b>	<b>37 000</b>	<b>23 738</b>	<b>3 174</b>	<b>123 782</b>

**KEY FINANCIAL FIGURES**

		2019	2018*
EBITDA	USD 1000	32 193	19 549
Interest coverage ratio		1.72	5.17
Current ratio	%	178.14	144.98
Equity ratio	%	39.23	42.16
Earnings per share	USD	0.03	0.20
Earnings per share	NOK	0.23	1.76
Equity per share	USD	0.74	0.71
Equity per share	NOK	6.46	6.14
Number of issued shares as at end of period		212 224 705	175 117 993
Average number of weighted shares (excluding treasury shares)		193 811 169	94 850 830

*\*) The merger between Belships and the Lighthouse companies was completed at 10 December 2018. This merger constitutes a reverse acquisition under IFRS. Figures up until 10 December 2018 reflect information from the Lighthouse group only. From 10 December 2018 legacy Belships is incorporated at fair value.*

**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.

- *Current ratio* - is defined as total current assets, divided by total current liabilities
- *EBITDA* - is defined as operating result adjusted for depreciation and amortization, other gains/(losses), interest income, interest expenses and other financial items
- *EBIT* - is defined as operating result adjusted for interest income, interest expenses and other financial items
- *Equity ratio* - is equal to shareholders' equity including non-controlling interest, divided by total assets
- *Interest coverage ratio* - is equal to earnings before interest and taxes (EBIT), divided by interest expenses



## 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 2018.

The merger between Belships and the Lighthouse companies was completed at 10 December 2018. This merger constitutes a reverse acquisition under IFRS. Comparative figures up until 10 December 2018 reflect information from the Lighthouse group only. From 10 December 2018 legacy Belships is incorporated at fair value. Since legacy Belships is the legal acquirer, financial statements are prepared based on legacy Belships accounting principles. Consequently, comparative financial information prior to 2019 relates to the Lighthouse Group. EPS is calculated based on actual outstanding shares in Belships ASA.

This report was approved by the Board of Directors on 21 February 2020.

### Note 2 Segment information

January - December 2019					
USD 1 000					
	<i>Owned ships</i>	<i>Lighthouse Navigation</i>	<i>Ship managm.</i>	<i>Admin. &amp; group trs.</i>	<i>Total</i>
Gross freight revenue	79 331	74 578	0	0	153 909
Voyage expenses	-11 352	-20 267	0	1 376	-30 243
<b>Net freight revenue</b>	<b>67 979</b>	<b>54 311</b>	<b>0</b>	<b>1 376</b>	<b>123 666</b>
Management fees	0	6 005	5 303	-3 658	7 650
<b>Operating income</b>	<b>67 979</b>	<b>60 316</b>	<b>5 303</b>	<b>-2 282</b>	<b>131 316</b>
Share of result from j/v and assoc. comp.	0	2 715	0	0	2 715
T/C hire expenses	-497	-51 843	0	0	-52 340
Ship operating expenses	-35 715	0	0	2 157	-33 558
Operating expenses ship management	0	0	-4 125	0	-4 125
General and administrative expenses	-555	-7 184	0	-4 076	-11 815
<b>Operating expenses</b>	<b>-36 767</b>	<b>-56 312</b>	<b>-4 125</b>	<b>-1 919</b>	<b>-99 123</b>
<b>EBITDA</b>	<b>31 212</b>	<b>4 004</b>	<b>1 178</b>	<b>-4 201</b>	<b>32 193</b>
Depreciation and amortisation	-19 598	-93	-868	0	-20 559
Gain on sale of ship	4 381	0	0	0	4 381
Other gains	180	0	1 939	0	2 119
<b>Operating result (EBIT)</b>	<b>16 175</b>	<b>3 911</b>	<b>2 249</b>	<b>-4 201</b>	<b>18 134</b>
Interest income	230	51	2	0	283
Interest expenses	-10 522	0	0	0	-10 522
Other financial items	-863	-215	-49	0	-1 127
Currency gains/(-losses)	-2	-27	16	0	-13
<b>Net financial items</b>	<b>-11 157</b>	<b>-191</b>	<b>-31</b>	<b>0</b>	<b>-11 379</b>
<b>Result before taxes</b>	<b>5 018</b>	<b>3 720</b>	<b>2 218</b>	<b>-4 201</b>	<b>6 755</b>
Taxes	-697	-958	0	0	-1 655
<b>Net result</b>	<b>4 321</b>	<b>2 762</b>	<b>2 218</b>	<b>-4 201</b>	<b>5 100</b>
Hereof majority interests	4 261	1 209	2 218	-4 201	3 487
Hereof non-controlling interests	60	1 553	0	0	1 613

**Note 2 Segment information, continued**

USD 1 000	January - December 2018				
	<i>Owned ships</i>	<i>Lighthouse Navigation</i>	<i>Ship managm.</i>	<i>Admin. &amp; group trs.</i>	<i>Total</i>
Gross freight revenue	45 127	81 991	0	617	127 735
Voyage expenses	-8 993	-25 253	0	0	-34 246
<b>Net freight revenue</b>	<b>36 134</b>	<b>56 738</b>	<b>0</b>	<b>617</b>	<b>93 489</b>
Management fees	0	5 103	388	-626	4 865
<b>Operating income</b>	<b>36 134</b>	<b>61 841</b>	<b>388</b>	<b>-9</b>	<b>98 354</b>
Share of result from j/v and assoc. comp.	0	2 012	0	0	2 012
T/C hire expenses	-403	-56 063	0	0	-56 466
Ship operating expenses	-16 094	0	0	0	-16 094
Operating expenses ship management	0	0	-420	0	-420
General and administrative expenses	-1 604	-5 309	0	-924	-7 837
<b>Operating expenses</b>	<b>-18 101</b>	<b>-59 360</b>	<b>-420</b>	<b>-924</b>	<b>-78 805</b>
<b>EBITDA</b>	<b>18 033</b>	<b>2 481</b>	<b>-32</b>	<b>-933</b>	<b>19 549</b>
Depreciation and amortisation	-7 705	-81	-5	-22	-7 813
Purchase bargain gain	0	0	0	12 849	12 849
<b>Operating result (EBIT)</b>	<b>10 328</b>	<b>2 400</b>	<b>-37</b>	<b>11 894</b>	<b>24 585</b>
Interest income	2	28	1	25	56
Interest expenses	-4 754	0	0	0	-4 754
Other financial items	-359	0	-1	9	-351
Currency gains/(-losses)	4	-19	17	-96	-94
<b>Net financial items</b>	<b>-5 107</b>	<b>9</b>	<b>17</b>	<b>-62</b>	<b>-5 143</b>
<b>Result before taxes</b>	<b>5 221</b>	<b>2 409</b>	<b>-20</b>	<b>11 832</b>	<b>19 442</b>
Taxes	0	-235	-12	0	-247
<b>Net result</b>	<b>5 221</b>	<b>2 174</b>	<b>-32</b>	<b>11 832</b>	<b>19 195</b>
Hereof majority interests	5 221	1 166	-50	11 832	18 169
Hereof non-controlling interests	0	1 008	18	0	1 026


**Note 2 Segment information, continued**

USD 1 000	Q1 - 2019					Q1 - 2018				
	Owned ships	LHN	Ship mgmt	Adm	Total	Owned ships	LHN	Ship mgmt	Adm	Total
Gross freight revenue	18 729	17 447	0	0	36 176	7 635	17 229	0	0	24 864
Voyage expenses	-3 655	-4 291	0	209	-7 737	-833	-4 684	0	183	-5 334
<b>Net freight revenue</b>	<b>15 074</b>	<b>13 156</b>	<b>0</b>	<b>209</b>	<b>28 439</b>	<b>6 802</b>	<b>12 545</b>	<b>0</b>	<b>183</b>	<b>19 530</b>
Management fees	0	1 232	1 946	-541	2 637	0	1 150	0	-183	967
<b>Operating income</b>	<b>15 074</b>	<b>14 388</b>	<b>1 946</b>	<b>-332</b>	<b>31 076</b>	<b>6 802</b>	<b>13 695</b>	<b>0</b>	<b>0</b>	<b>20 497</b>
Share of result from j/v and assoc. comp.	0	634	0	0	634	0	395	0	0	395
T/C hire expenses	0	-12 515	0	0	-12 515	0	-11 617	0	0	-11 617
Ship operating expenses	-6 384	0	0	409	-5 975	-4 080	0	0	0	-4 080
Operating expenses ship management	0	0	-971	0	-971	0	0	0	0	0
General and administrative expenses	-143	-1 189	0	-811	-2 143	-254	-1 152	0	0	-1 406
<b>Operating expenses</b>	<b>-6 527</b>	<b>-13 070</b>	<b>-971</b>	<b>-402</b>	<b>-20 970</b>	<b>-4 334</b>	<b>-12 374</b>	<b>0</b>	<b>0</b>	<b>-16 708</b>
<b>Operating result (EBITDA)</b>	<b>8 547</b>	<b>1 318</b>	<b>975</b>	<b>-734</b>	<b>10 106</b>	<b>2 468</b>	<b>1 321</b>	<b>0</b>	<b>0</b>	<b>3 789</b>
Depreciation and amortisation	-4 235	-20	-272	-28	-4 555	-1 826	-21	0	0	-1 847
<b>Operating result (EBIT)</b>	<b>4 312</b>	<b>1 298</b>	<b>703</b>	<b>-762</b>	<b>5 551</b>	<b>642</b>	<b>1 300</b>	<b>0</b>	<b>0</b>	<b>1 942</b>

  

USD 1 000	Q2 - 2019					Q2 - 2018				
	Owned ships	LHN	Ship mgmt	Adm	Total	Owned ships	LHN	Ship mgmt	Adm	Total
Gross freight revenue	17 898	17 229	0	0	35 127	12 383	17 457	0	0	29 840
Voyage expenses	-2 663	-5 559	0	303	-7 919	-3 667	-5 953	0	141	-9 479
<b>Net freight revenue</b>	<b>15 235</b>	<b>11 670</b>	<b>0</b>	<b>303</b>	<b>27 208</b>	<b>8 716</b>	<b>11 504</b>	<b>0</b>	<b>141</b>	<b>20 361</b>
Management fees	0	1 318	1 983	-790	2 511	0	1 334	0	-141	1 193
<b>Operating income</b>	<b>15 235</b>	<b>12 988</b>	<b>1 983</b>	<b>-487</b>	<b>29 719</b>	<b>8 716</b>	<b>12 838</b>	<b>0</b>	<b>0</b>	<b>21 554</b>
Share of result from j/v and assoc. comp.	0	608	0	0	608	0	230	0	0	230
T/C hire expenses	0	-12 121	0	0	-12 121	0	-13 048	0	0	-13 048
Ship operating expenses	-6 980	0	0	515	-6 465	-3 547	0	0	0	-3 547
Operating expenses ship management	0	0	-916	0	-916	0	0	0	0	0
General and administrative expenses	-115	-1 433	0	-1 152	-2 700	-523	-1 159	0	0	-1 682
<b>Operating expenses</b>	<b>-7 095</b>	<b>-12 946</b>	<b>-916</b>	<b>-637</b>	<b>-21 594</b>	<b>-4 070</b>	<b>-13 977</b>	<b>0</b>	<b>0</b>	<b>-18 047</b>
<b>Operating result (EBITDA)</b>	<b>8 140</b>	<b>42</b>	<b>1 067</b>	<b>-1 124</b>	<b>8 125</b>	<b>4 646</b>	<b>-1 139</b>	<b>0</b>	<b>0</b>	<b>3 507</b>
Depreciation and amortisation	-4 380	-22	-276	-24	-4 702	-2 336	-20	0	0	-2 356
Other losses	-149	0	0	0	-149	0	0	0	0	0
<b>Operating result (EBIT)</b>	<b>3 611</b>	<b>20</b>	<b>791</b>	<b>-1 148</b>	<b>3 274</b>	<b>2 310</b>	<b>-1 159</b>	<b>0</b>	<b>0</b>	<b>1 151</b>


**Note 2 Segment information, continued**
**BELSHIPS ASA**

USD 1 000	Q3 - 2019					Q3 - 2018				
	Owned ships	LHN	Ship mgmt	Adm	Total	Owned ships	LHN	Ship mgmt	Adm	Total
Gross freight revenue	18 389	15 433	0	0	33 822	10 437	24 447	0	0	34 884
Voyage expenses	-2 087	-4 235	0	318	-6 004	-1 235	-7 933	0	283	-8 885
<b>Net freight revenue</b>	<b>16 302</b>	<b>11 198</b>	<b>0</b>	<b>318</b>	<b>27 818</b>	<b>9 202</b>	<b>16 514</b>	<b>0</b>	<b>283</b>	<b>25 999</b>
Management fees	0	1 424	1 469	-585	2 308	0	1 367	0	-283	1 084
<b>Operating income</b>	<b>16 302</b>	<b>12 622</b>	<b>1 469</b>	<b>-267</b>	<b>30 126</b>	<b>9 202</b>	<b>17 881</b>	<b>0</b>	<b>0</b>	<b>27 083</b>
Share of result from j/v and assoc. comp.	0	658	0	0	658	0	357	0	0	357
T/C hire expenses	0	-11 231	0	0	-11 231	0	-16 087	0	0	-16 087
Ship operating expenses	-9 780	0	0	614	-9 166	-3 951	0	0	0	-3 951
Operating expenses ship management	0	0	-1 023	0	-1 023	0	0	0	0	0
General and administrative expenses	-199	-1 763	0	-877	-2 839	-355	-648	0	0	-1 003
<b>Operating expenses</b>	<b>-9 979</b>	<b>-12 336</b>	<b>-1 023</b>	<b>-263</b>	<b>-23 601</b>	<b>-4 306</b>	<b>-16 378</b>	<b>0</b>	<b>0</b>	<b>-20 684</b>
<b>Operating result (EBITDA)</b>	<b>6 323</b>	<b>286</b>	<b>446</b>	<b>-530</b>	<b>6 525</b>	<b>4 896</b>	<b>1 503</b>	<b>0</b>	<b>0</b>	<b>6 399</b>
Depreciation and amortisation	-4 382	-23	-15	-25	-4 445	-898	-21	0	0	-919
Other gains	1 574	0	0	0	1 574	0	0	0	0	0
<b>Operating result (EBIT)</b>	<b>3 515</b>	<b>263</b>	<b>431</b>	<b>-555</b>	<b>3 654</b>	<b>3 998</b>	<b>1 482</b>	<b>0</b>	<b>0</b>	<b>5 480</b>

USD 1 000	Q4 - 2019					Q4 - 2018				
	Owned ships	LHN	Ship mgmt	Adm	Total	Owned ships	LHN	Ship mgmt	Adm	Total
Gross freight revenue	24 315	24 469	0	0	48 784	14 672	22 858	0	617	38 147
Voyage expenses	-2 947	-6 182	0	546	-8 583	-3 258	-6 683	0	-607	-10 548
<b>Net freight revenue</b>	<b>21 368</b>	<b>18 287</b>	<b>0</b>	<b>546</b>	<b>40 201</b>	<b>11 414</b>	<b>16 175</b>	<b>0</b>	<b>10</b>	<b>27 599</b>
Management fees	0	2 031	-95	-1 742	194	0	1 252	388	-19	1 621
<b>Operating income</b>	<b>21 368</b>	<b>20 318</b>	<b>-95</b>	<b>-1 196</b>	<b>40 395</b>	<b>11 414</b>	<b>17 427</b>	<b>388</b>	<b>-9</b>	<b>29 220</b>
Share of result from j/v and assoc. comp.	0	815	0	0	815	0	1 030	0	0	1 030
T/C hire expenses	-497	-15 976	0	0	-16 473	-403	-15 311	0	0	-15 714
Ship operating expenses	-12 571	0	0	619	-11 952	-4 516	0	0	0	-4 516
Operating expenses ship management	0	0	-1 215	0	-1 215	0	0	-420	0	-420
General and administrative expenses	-98	-2 799	0	-1 236	-4 133	-472	-2 350	0	-924	-3 746
<b>Operating expenses</b>	<b>-13 166</b>	<b>-17 960</b>	<b>-1 215</b>	<b>-617</b>	<b>-32 958</b>	<b>-5 391</b>	<b>-16 631</b>	<b>-420</b>	<b>-924</b>	<b>-23 366</b>
<b>Operating result (EBITDA)</b>	<b>8 202</b>	<b>2 358</b>	<b>-1 310</b>	<b>-1 813</b>	<b>7 437</b>	<b>6 023</b>	<b>796</b>	<b>-32</b>	<b>-933</b>	<b>5 854</b>
Depreciation and amortisation	-6 601	-28	-305	77	-6 857	-2 645	-19	-5	-22	-2 691
Purchase bargain gain	0	0	0	0	0	0	0	0	12 849	12 849
Gain on sale of ships	4 381	0	0	0	4 381	0	0	0	0	0
Other gains/losses	-1 245	0	1 939	0	694	0	0	0	0	0
<b>Operating result (EBIT)</b>	<b>4 737</b>	<b>2 330</b>	<b>324</b>	<b>-1 736</b>	<b>5 655</b>	<b>3 378</b>	<b>777</b>	<b>-37</b>	<b>11 894</b>	<b>16 012</b>

**Note 3 Ships**

At the end of each reporting period, Belships assess whether there are any impairment indicators present. The company has concluded that the declining market rates observed at the end of 2019 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. 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%.

At the end of the quarter, recoverable amounts were higher than carrying amounts for all ships and no impairment were recorded.

**Note 4 Mortgage debt**

Belships 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 3Q 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.

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

**Note 5 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.

At the end of the quarter, Belships had BELFOREST, BELISLAND and BELRAY on bareboat agreements. In addition, the company had BELNIPPON under a long-term time charter agreement. The company considers bareboat agreements to meet the lease definition under the new standard, while long-term time charter contracts contains both lease and service components.

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.

Belships has chosen the option to allocate the service component embedded in all long-term time charter contracts to ship operation expenses. The company considers this option to provide more relevant information to the users of the financial statements through presentation of an interest and depreciation cost which



excludes charges arising from the service element of long-term time charter contracts. Consequently, Belships' EBITDA and operational performance will be comparable over time and regardless of financing method.

Leasing liabilities at the end of the quarter arising from bareboat obligations and long-term time charter were USD 63.5m and USD 15.2m, respectively. Corresponding right-of-use assets, including upfront payments relating to the purchase options, were recorded at USD 76.7m and USD 14.8m, respectively.

**Note 6 Subsequent events**

Belships 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. PACIFIC LIGHT will commence its charter during March or April of 2020. Belships will realize a gain of approximately USD 2.4m upon delivery. The Charterer has an obligation to purchase the vessel within 24 months and the net cash flow during the period will be approximately USD 1.8m after repayment of outstanding loans.

In January, 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. Belships fleet financing has a maturity date in 2024.

No other material events have taken place after 31 December.



**20 LARGEST SHAREHOLDERS***Updated 14 February 2020*

Shareholder	Number of shares	%
KONTRARI AS	95 822 108	45.15%
KONTRAZI AS	37 463 265	17.65%
WENAASGRUPPEN AS	18 050 670	8.51%
SONATA AS	17 461 778	8.23%
LGT BANK AG	12 469 008	5.88%
UBS SWITZERLAND AG	9 804 395	4.62%
JAKOB HATTELAND HOLDING AS	6 000 000	2.83%
PERSHING LLC	3 631 006	1.71%
KBC BANK NV	1 627 548	0.77%
CLEARSTREAM BANKING S.A.	1 626 253	0.77%
STAVANGER FORVALTNING AS	1 000 000	0.47%
SIX SIS AG	900 000	0.42%
OLA RUSTAD AS	850 000	0.40%
BELSHIPS ASA	548 000	0.26%
AS TORINITAMAR	417 100	0.20%
ASL HOLDING AS	363 836	0.17%
TORU NAGATSUKA	300 000	0.14%
AUGUST RINGVOLD AGENTUR AS	300 000	0.14%
ÅSTVEIT INVESTOR AS	285 714	0.13%
SWEDBANK AS	285 714	0.13%
OTHER SHAREHOLDERS	3 018 310	1.42%
<b>TOTAL OUTSTANDING SHARES</b>	<b>212 224 705</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>	2020	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 (to be delivered)	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
Pacific Light	100%	2007	50,000	PT Pal
Belfri	100%	2007	55,000	Kawasaki

- 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) *Delivered January 2020 for eight years time charter with purchase options after fourth year.*
- 4) *Delivered Q1 2020 for seven years bareboat 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) *Fifteen years bareboat charter with purchase options after fifth year*
- 8) *Twelve years bareboat charter with purchase options after third year.*

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

- 9) *Agreement with Marti Shipping & Ship Management of Turkey for a bareboat charter and subsequent sale of PACIFIC LIGHT*