BELSHIPS

Belships ASA, company registration number 930 776 793

(A public limited company incorporated under the laws of Norway)

Listing of 17,755,334 new shares issued as consideration for vessel acquisitions

Listing of up to 10,372,187 new shares issued in connection with a private placement completed on 29 May 2019

Subsequent Offering and listing of up to 1,603,128 Offer Shares, each with a nominal value of NOK 2.00, at a Subscription Price of NOK 7.00 per Offer Share, with Subscription Rights for Eligible Shareholders

Subscription Period for the Subsequent Offering: From 09:00 hours (CEST) on 28 June 2019 to 16:30 hours (CEST) on 12 July 2019

This prospectus (the "**Prospectus**") has been prepared in connection with (i) the listing by Belships ASA (the "**Company**" or "**Belships**"), a public limited company incorporated under the laws of Norway (together with its subsidiaries, the "**Group**"), on Oslo Børs, a stock exchange operated by Oslo Børs ASA (the "**Oslo Stock Exchange**") of 17,755,344 new shares in the Company each with a par value of NOK 2.00 (the "**Consideration Shares**") issued as consideration to certain sellers of vessels acquired by Belships in April 2019 at a subscription price of NOK 7.00 per Consideration Share, (ii) the listing of up to 10,372,187 new shares in the Company each with a par value of NOK 2.00 (the "**Private Placement Shares**") issued at a subscription price of NOK 7.00 per Private Placement Share in connection with a private placement raising gross proceeds of approximately NOK 72.6 million (equivalent to approximately USD 8.3 million) completed on 29 May 2019 (the "**Private Placement**"), and (iii) the subsequent offering (the "**Subsequent Offering**") and listing on the Oslo Stock Exchange of up to 1,603,128 new shares in the Company, each with a par value of NOK 2.00 (the "**Offer Shares**") to be issued at a subscription price of NOK 7.00 per Offer Share (the "**Subscription Price**").

The shareholders of the Company as of close of trading 28 May 2019 (and being registered as such in the Norwegian Central Securities Depository (the "**VPS**") on 31 May 2019 pursuant to the two days' settlement procedure (the "**Record Date**")), and who were not allocated shares in the Private Placement and who are not resident in a jurisdiction where such offering would be unlawful, or for jurisdictions other than Norway, would require any filing, registration or similar action (the "**Eligible Shareholders**"), will be granted non-transferable subscription rights (the "**Subscription Rights**") that, subject to applicable law, provide preferential rights to subscribe for and be allocated Offer Shares at the Subscription Price.

Each Eligible Shareholder will be granted 0.06889 Subscription Rights for every existing share registered as held by such Eligible Shareholder as of the Record Date. Each Subscription Right will give the right to subscribe for, and be allocated, one Offer Share rounded down to the nearest whole share, subject to applicable securities laws. Over-subscription will be permitted, however, subscription without Subscription Rights will not be permitted. The subscription period will commence on 28 June 2019 and expire at 16:30 hours, Central European Summer Time ("**CEST**"), on 12 July 2019 (the "**Subscription Period**").

Subscription Rights that are not used to subscribe for Offer Shares before the expiry of the Subscription Period will have no value and will lapse without compensation to the holder.

The Company's existing shares are, and the Consideration Shares, Private Placement Shares and Offer Shares will be, listed on the Oslo Stock Exchange under the ticker code "BEL". Except where the context requires otherwise, references in this Prospectus to "Shares" will be deemed to include the existing shares in the Company, the Consideration Shares, Private Placement Shares and the Offer Shares. All of the existing shares and the Private Placement Shares are, and the Consideration Shares and the Offer Shares will be, registered in the VPS in book-entry form. The Private Placement Shares have been placed on a separate ISIN pending publication of this Prospectus, and will be listed and admitted to trading on the Oslo Stock Exchange following publication of this Prospectus. All of the Shares rank pari passu with one another and each carry one vote.

Investing in the Company's Shares, including the Offer Shares, involves a high degree of risk. Prospective investors should read the entire document and, in particular, consider Section 2 "Risk Factors" beginning on page 19 when considering an investment in the Company.

The Subscription Rights and the Offer Shares are being offered only in those jurisdictions in which, and only to those persons to whom, offers and sales of the Offer Shares (pursuant to the exercise of Subscription Rights) may lawfully be made and, for jurisdictions other than Norway, would not require any filing, registration or similar action.

The Shares have not been, and will not be, registered under United States Securities Act of 1933, as amended (the "U.S. Securities Act") or with any securities regulatory authority of any state or other jurisdiction in the United States of America ("U.S." or "United States"), and are being offered and sold: (i) in the United States only to Qualified Institutional Buyers ("QIBs") in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act; and (ii) outside the United States in compliance with Regulation S. Prospective purchasers are hereby notified that sellers of Offer Shares may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. The distribution of this Prospectus and the offer and sale of the Offer Shares in certain jurisdictions may be restricted by law. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. See Section 19 "Selling and Transfer Restrictions".

The due date for the payment of the Offer Shares is expected to be on or about 17 July 2019. Delivery of the Offer Shares is expected to take place on or about 19 July 2019 through the facilities of the VPS. Trading in the Offer Shares on the Oslo Stock Exchange is expected to commence on or about 19 July, under the ticker code "BEL".

Managers

Danske Bank	DNB Markets	Pareto Securities

The date of this Prospectus is 27 June 2019

IMPORTANT INFORMATION

This Prospectus has been prepared in connection with i) the Subsequent Offering and ii) the listing of the Consideration Shares, Private Placement Shares and the Offer Shares on the Oslo Stock Exchange.

This Prospectus has been prepared to comply with the Norwegian Securities Trading Act of 29 June 2007 no. 75 (the "**Norwegian Securities Trading Act**") and related secondary legislation, including the Commission Regulation (EC) no. 809/2004 implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 regarding information contained in prospectuses, as amended, and as implemented in Norway (the "**EU Prospectus Directive**"). This Prospectus has been prepared solely in the English language. The Financial Supervisory Authority of Norway (Nw.: Finanstilsynet) (the "**Norwegian FSA**") has reviewed and approved this Prospectus in accordance with Sections 7-7 and 7-8 of the Norwegian Securities Trading Act. The Norwegian FSA has not controlled or approved the accuracy or completeness of the information included in this Prospectus. The approval by the Norwegian FSA is dated on 27 June 2019 and only relates to the information included in accordance with pre-defined disclosure requirements. The Norwegian FSA has not made any form of control or approval relating to corporate matters described in or referred to in this Prospectus.

For definitions of certain other terms used throughout this Prospectus, see Section 21 "Definitions and glossary".

The Company has engaged Danske Bank, Norwegian Branch ("**Danske Bank**"), DNB Markets, a part of DNB Bank ASA ("**DNB Markets**"), and Pareto Securities AS ("**Pareto**") as "Joint Bookrunner", hereinafter together referred to as the "Managers".

The information contained herein is current as at the date hereof and is subject to change, completion and amendment without notice. In accordance with Section 7-15 of the Norwegian Securities Trading Act, significant new factors, or material mistakes or inaccuracies relating to the information included in this Prospectus, which are capable of affecting the assessment by investors of the Offer Shares between the time of approval of this Prospectus by the Norwegian FSA and the listing of the Shares on the Oslo Stock Exchange, will be included in a supplement to this Prospectus. Neither the publication nor distribution of this Prospectus, nor the sale of any Offer Share, shall under any circumstances imply that there has been no change in the Group's affairs or that the information herein is correct as at any date subsequent to the date of this Prospectus.

No person is authorized to give information or to make any representation concerning the Group or in connection with the Vessel Acquisitions, Private Placement or Subsequent Offering or the sale of the Offer Shares other than as contained in this Prospectus. If any such information is given or made, it must not be relied upon as having been authorized by the Company or the Managers or by any of the affiliates, representatives, advisors or selling agents of any of the foregoing.

The distribution of this Prospectus and the offer and sale of the Offer Shares and the granting or use of the Subscription Rights in certain jurisdictions may be restricted by law. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Offer Shares or use the Subscription Rights to subscribe for Offer Shares in any jurisdiction in which such offer or sale would be unlawful. Neither this Prospectus nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with applicable laws and regulations. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. In addition, the Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. None of the Company or the Managers, in any of their respective capacities in connection with the Private Placement and the Subsequent Offering, accept any legal responsibility for any violation by any person, whether or not a prospective purchaser of Offer Shares, of any such restrictions. The Company and the Managers reserve the right in their own absolute discretion to reject any offer to purchase Shares that the Company, the Managers or their respective agents believe may give rise to a breach or violation of any laws, rules or regulations. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. See Section 19 "Selling and Transfer Restrictions".

By accepting delivery of this Prospectus, each recipient and holder of Subscription Rights or representative of such holder acknowledges that such holder or representative, including a depositary bank, may not exercise Subscription Rights or otherwise subscribe for Offer Shares on behalf of any person that is located in a jurisdiction in which it would not be permissible to make an offer of the Offer Shares and any such representative, including a depositary bank, will be required, in connection with any exercise of Subscription Rights or other subscription of Offer Shares, to certify that such exercise or subscription is not made on behalf of such a person and is otherwise in accordance with the restrictions on the offer and sale of Offer Shares set forth in this Prospectus in Section 19 "Selling and Transfer Restrictions".

This Prospectus and the terms and conditions of the Subsequent Offering as set out herein and any sale and purchase of Offer Shares and the granting and use of the Subscription Rights hereunder shall be governed by and construed in accordance with Norwegian law. The courts of Norway, with Oslo as legal venue, shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Offering or this Prospectus.

The content of this Prospectus is not to be considered or interpreted as legal, financial or tax advice. It is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Group, the Managers or any of their respective representatives that any recipient of this Prospectus should subscribe for or purchase any Shares. Prior to making any decision of whether to purchase the Shares or use the Subscription Rights, prospective investors should ensure that they read the whole of this Prospectus and not just rely on key information or information summarised within it.

In making an investment decision, prospective investors must rely on their own examination, and analysis of, and enquiry into the Group and the terms of the Subsequent Offering, including the merits and risks involved. None of the Company or the Managers, or any of their respective representatives or advisers, is making any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment in the Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Offer Shares or the use of the Subscription Rights to subscribe for Offer Shares.

All Sections of the Prospectus should be read in context with the information included in Section 4 "General information".

NOTICE TO NEW HAMPSHIRE RESIDENTS

Neither the fact that a registration statement or an application for a license has been filed under chapter 421-B of the New Hampshire revised statutes with the state of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the state of New Hampshire constitutes a finding by the secretary of state of New Hampshire that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the secretary of state has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.

NOTICE TO INVESTORS IN THE UNITED STATES

Because of the following restrictions, prospective investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Offer Shares. The Offer Shares and the Subscription Rights have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered, sold, pledged or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable state securities laws. All offers and sales in the United States will be made only to QIBs as defined in Rule 144A or in other transactions exempt from registration requirements under the U.S. Securities Act. All offers and sales outside the United States will be made in reliance on Regulation S. **Prospective purchasers are hereby notified that the Company as seller of Offer Shares may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. See Section 19.2.1 "United States".**

Any Offer Shares or Subscription Rights offered or sold in the United States will be subject to certain transfer restrictions and each purchaser will be deemed to have made acknowledgements, representations and agreements, as set forth under Section 19.3.1 "United States". None of the Managers are SEC registered broker dealers and will only participate in the Offering outside of the United States.

Neither the Offer Shares nor the Subscription Rights have not been recommended by any United States federal or state securities commission or regulatory authority. Further, the foregoing authorities have not passed upon the merits of the Offering or confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offense under the laws of the United States.

In the United States, this Prospectus is being furnished on a confidential basis solely for the purposes of enabling a prospective investor to consider purchasing the particular securities described herein. The information contained in this Prospectus has been provided by the Company and other sources identified herein. Distribution of this Prospectus to any person other than the offeree specified by the Managers or their representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorized and any disclosure of its contents, without prior written consent of the Company, is prohibited. This Prospectus is personal to each offeree and does not constitute an offer to any other person or to the public generally to purchase Offer Shares or subscribe for or otherwise acquire any Shares.

To the extent that any of the Managers intends to effect any offers or sales of shares in the United States or to U.S. persons, it will do so through its respective U.S. registered broker-dealer affiliates, pursuant to applicable U.S. securities laws.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This Prospectus is only being distributed to and is only directed at (i) persons who are outside the United Kingdom (the "**UK**") or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "**Relevant Persons**"). The Offer Shares and the Subscription Rights are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Shares will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this document or any of its contents.

Each of the Managers has represented, warranted and agreed (i) that it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Offer Shares in circumstances in which section 21(1) of the FSMA does not apply to the Company and (ii) that it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offer Shares in, from or otherwise involving the UK.

NOTICE TO INVESTORS IN THE EEA

In any member state of the European Economic Area (the "**EEA**") that has implemented the EU Prospectus Directive, other than Norway (each, a "**Relevant Member State**"), this communication is only addressed to and is only directed at qualified investors in that Member State within the meaning of the EU Prospectus Directive. The Prospectus has been prepared on the basis that all offers of Offer Shares and Subscription Rights outside Norway will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus for offer of shares. Accordingly, any person making or intending to make any offer within the EEA of Offer Shares which is the subject of the Offering contemplated in this Prospectus within any EEA member state (other than Norway) should only do so in circumstances in which no obligation arises for the Company or any of the Managers to publish a prospectus or a supplement to a prospectus under the EU Prospectus Directive for such offer. Neither the Company, the Selling Shareholders nor the Managers have authorized, nor do they authorize, the making of any offer of Shares through any financial intermediary, other than offers made by Managers which constitute the final placement of Offer Shares contemplated in this Prospectus.

Each person in a Relevant Member State other than, in the case of paragraph (a), persons receiving offers contemplated in this Prospectus in Norway, who receives any communication in respect of, or who acquires any Offer Shares under, the offers contemplated in this Prospectus will be deemed to have represented, warranted and agreed to and with the Managers and the Company that:

a) it is a qualified investor as defined in the EU Prospectus Directive; and

b) in the case of any Offer Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) such Offer Shares acquired by it in the Offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the EU Prospectus Directive, or in circumstances in which the prior consent of the Managers has been given to the offer or resale; or (ii) where such Offer Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Offer Shares to it is not treated under the EU Prospectus Directive as having been made to such persons.

For the purposes of this provision, the expression an "offer to the public" in relation to any of the Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase any of the Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the EU Prospectus Directive in that Relevant Member State, and the expression "EU Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

See Section 19 "Selling and transfer restrictions" for certain other notices to investors.

INFORMATION TO DISTRIBUTORS

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, which any "manufacturer" (for the purposes of the Product Governance Requirements) may otherwise have with respect thereto, the Shares have been subject to a product approval process, which has determined that they each are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II (the "**Positive Target Market**"); and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Appropriate Channels for Distribution**"). Distributors should note that: the price of the Shares may decline and investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Conversely, an investment in the Shares is not compatible with investors looking for full capital protection or full repayment of the amount invested or having no risk tolerance, or investors requiring a fully guaranteed income or fully predictable return profile (the "**Negative Target Market**", and, together with the Positive Target Market, the "**Target Market Assessment**").

The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offer.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Shares and determining appropriate distribution channels.

ENFORCEMENT OF CIVIL LIABILITIES

The Company is a public limited company incorporated under the laws of Norway. As a result, the rights of holders of the Shares will be governed by Norwegian law and the Company's articles of association (the "**Articles of Association**"). The rights of shareholders under Norwegian law may differ from the rights of shareholders of companies incorporated in other jurisdictions. The members of the Company's board of directors (the "**Board Members**" and the "**Board of Directors**", respectively) and the members of the Company's senior management (the "**Management**") are not residents of the United States, and a substantial portion of the Company's assets are located outside the United States. As a result, it may be difficult for investors in the United States to effect service of process on the Company or its Board Members and members of Management in the United States or to enforce in the United States judgments obtained in U.S. courts against the Company or those persons, including judgments based on the civil liability provisions of the securities laws of the United States or any State or territory within the United States. Uncertainty exists as to whether courts in Norway will enforce judgments obtained in other jurisdictions, including the United States, against the Company or its Board Members or members of Management under the securities laws of those jurisdictions or entertain actions in Norway against the Company or its Board Members or members of Management under the securities laws of other jurisdictions. In addition, awards of punitive damages in actions brought in the United States or elsewhere may not be enforceable in Norway. The United States and Norway do not currently have a treaty providing for reciprocal recognition and enforcement of judgements (other than arbitral awards) in civil and commercial matters.

AVAILABLE INFORMATION

The Company has agreed that, for so long as any of the Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, it will during any period in which it is neither subject to Sections 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act"),** nor exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, provide to any holder or beneficial owners of Shares, or to any prospective purchaser designated by any such registered holder, upon the request of such holder, beneficial owner or prospective owner, the information required to be delivered pursuant to Rule 144A(d)(4) of the U.S. Securities Act.

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1 SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A– E (A.1 – E.7) below. This summary contains all the Elements required to be included in a summary for this type of securities and the issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

Section A – Introduction and Warnings

A.1	**Warning**	This summary should be read as an introduction to the Prospectus; any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor; where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states (the "**Member States**"), have to bear the costs of translating the Prospectus before the legal proceedings are initiated; and civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	**Warning**	Not applicable. No consent is granted by the Company for the use of the Prospectus for subsequent resale or final placement of the Shares.

Section B – Issuer

B.1	**Legal and commercial name**	Belships ASA
B.2	**Domicile and legal form, legislation and country of incorporation**	Belships ASA is a public limited liability company pursuant to the Norwegian Public Limited Liability Companies Act, incorporated under the laws of Norway. The Company was incorporated on 7 October 1935. The Company's registration number is 930 776 793, and its registered office is Lilleakerv 4, 0283, Oslo, Norway.
B.3	**Current operations, principal activities and markets**	Belships is a fully integrated shipowner and operator of geared bulk carriers focusing on the Supramax and Ultramax segments, with a 100 years of operating history. The objective of the Company is to create and extract value out of shipowning, operating and management of vessels owned or hired by Belships, as well as vessels managed on behalf of third parties. The Group is divided into three segments; Shipowning, Operating and Technical Management. Following the completion of the merger between Belships Lighthouse AS (formerly Belships Chartering AS), a wholly-owned subsidiary of Belships, and LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 AS and LHN Holdco 2 AS (together the "**Lighthouse Companies**" and together with

		its respective subsidiaries the "**Lighthouse Group** ") on 10 December 2018 (the "**Merger**"), Belships increased its fleet by 9 ships, significantly strengthening its position within the medium-sized bulker segments Supramax and Ultramax. The Group's business comprises a modern and fully financed fleet of 16 geared bulk carriers in the Supramax and Ultramax segment with eight vessels currently chartered out at fixed rates to reputable counterparties, whilst the remaining vessels operate in the spot market on short term contracts. In addition, the Group has recently acquired three new vessels, one of which was delivered on 31 May 2019 and two of which will be delivered between the date of this Prospectus and 15 August 2019 (the "**Recent Vessel Acquisitions**").
B.4a	**Significant recent trends affecting the issuer and the industry in which it operates**	In March 2019, Belships secured a USD 140,000,000 loan facility. The new loan replaces the Group's current senior debt of USD 105,000,000 and will be available in two tranches; (i) an initial tranche of USD 110,000,000 which replaces Belships' existing loan and strengthens the Group's working capital, in addition to (ii) an accordion tranche of USD 30,000,000 available for fleet expansion. The lenders for the new loan facility are DNB Bank, Danske Bank and Sparebank 1 SR-Bank. In April 2019, Belships announced the Recent Vessel Acquisitions, one of which was delivered on 31 May 2019 and two of which are expected to be delivered between the date of this Prospectus and 15 August 2019. Following such delivery, Belships' fleet will count 19 Supramax/Ultramax bulk carriers. As announced on 10 May 2019, Belships has entered into an agreement to hedge the price differential between compliant 0.5% sulphur fuel oil (VLSFO) and 3.5% sulphur fuel oil (HSFO), at USD 198 per ton for a quantity of 24,000 tons of bunkers with monthly settlements in 2020. The dry bulk market was under pressure during Q1 2019, with the BSI-58 index averaging USD 7,634 net per day for the quarter as a whole, down 33% from Q1 2018. However, after bottoming in early February, spot rates have slowly improved and more so on the activity in period time charters.
B.5	**Description of the Group**	Belships is the parent company of the Group owning 100% of the shares in each of Belships Management AS ("**Belships Management**"), Belships Lighthouse AS ("**Belships Lighthouse**"), Belships Shipholding AS ("**Belships Shipholding**"), Belships Management (Singapore) Pte Ltd ("**Belships Management (Singapore)**") and Belships Supramax (Singapore) Pte Ltd ("**Belships Supramax (Singapore)**"). Belships Management (Singapore) owns 100% of the shares in Belships (Shanghai) Shipmanagement Co Ltd ("**Belships (Shanghai)**") and has a 75% ownership interest in Belships (Tianjin) Ship Management & Consultancy Co Ltd. ("**Belships (Tianjin)**"). Belships Shipholding owns 100% of the shares in Bel Ship I AS (formerly known as Lighthouse Shipholding AS) ("**Bel**

	Ship I") and Bel Ship II AS (formerly known as Lighthouse Shipholding II AS ("**Bel Ship II**").
B.6 **Interests in the Company and voting rights**	As of 25 June 2019, the Company had 385 shareholders. The Company's 20 largest shareholders as of the same date are shown in the table below.

#	Shareholder	No. of Shares	% Shareholding
1	Kontrari AS	95,822,108	49.51
2	Kontrazi AS	37,463,265	19.36
3	Sonata AS	17,461,778	9.02
4	LGT Bank AG	11,903,828	6.15
5	Wenaasgruppen AS	10,573,275	5.46
6	UBS Switzerland AG	4,003,782	2.07
7	Pershing LLC	3,562,406	1.84
8	Jacob Hatteland Holding AS	3,070,861	1.57
9	Clearstream Banking S.A.	1,619,678	0.84
10	KBC Bank NV	1,591,508	0.82
11	Stavanger Forvaltning AS	1,000,000	0.52
12	Belships ASA	548,000	0.28
13	AS Torinitamar	417,100	0.22
14	ASL Holding AS	363,836	0.19
15	Ola Rustad AS	350,000	0.19
16	Nagatsuka	330,000	0.17
17	Åstveit Investor AS	285,714	0.15
18	Swedbank AS	285,714	0.15
19	Ole Kjetil Teigen	177,865	0.09
20	Kjell Egil Larsen	160,000	0.08

	Shareholders owning 5% or more of the Shares have an interest in the Company's share capital which is notifiable pursuant to the Norwegian Securities Trading Act. As of 25 June 2019, Kontrari AS and Kontrazi AS (controlled by Frode Teigen and family), jointly have an ownership interest of 68.86%. There are no differences in voting rights between the Shares. The Company is not directly or indirectly owned or controlled, nor is the Company aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.
B.7 **Selected historical key financial information**	The selected financial information included herein should be read in connection with, and is qualified in its entirety by reference to, the Financial Information incorporated by reference hereto, see Section 20.3 "Incorporated by reference". The Merger constituted a reverse acquisition under IFRS. As a consequence, the financial information included herein cover historical financial information for Belships and the Lighthouse Group prior to the Merger and for Belships as the combined entity post-Merger as follows: *(i)* The financial information related to Belships prior to the Merger has been derived from the 2017 and 2016 Financial Statements and the Pre-Merger Interim Financial Statements, as defined in Section 4.2.1 "Financial information". *(ii)* The financial information related to Belships post-Merger has been derived from the 2018 Financial

	Statements as defined in Section 4.2.1 "Financial information", with unaudited comparable financial information for the year ended 31 December 2017, the Post-Merger Interim Financial Statements, as defined in Section 4.2.1 "Financial information", and comparable financial information for the three months' period ended 31 March 2019. The 2018 Financial Statements comprise of financial information for the Lighthouse Group for the full year and for the combined Company post-Merger as of the completion of the Merger on 10 December 2018. Both the unaudited comparable financial information for the year ended 31 December 2017 contained in the 2018 Financial Statements and the comparable financial information for three months period ended 31 March 2019, only comprise financial information for the Lighthouse Group.

The pre-Merger consolidated income statement

The table below sets out selected data from Belships' audited consolidated income statement for the years ended 31 December 2017 and 2016 (the 2017 and 2016 Financial Statements) and from the unaudited consolidated interim income statement for the nine month periods ended 30 September 2018 and 2017 (the Pre-Merger Interim Financial Statements).

In USD thousands	**Nine months ended 30 September**		**Year ended 31 December**	
	2018	**2017**	**2017**	**2016**
	IAS 34	*IAS 34*	*IFRS*	*IFRS*
Operating income				
Freight income	21,505	16,712	22,646	21,338
Other operating income	3,008	3,029	4,663	4,077
Total operating income	**24,513**	**19,741**	**27,309**	**25,415**
Operating expenses				
T/C hire expenses	-3,309	0	0	0
Ship operating expenses	-6,169	-5,946	-8,175	-8,197
Operating expenses ship management	-2,702	-2,468	-3,371	-3,405
Payroll expenses[1]	-	-	-1,678	-1,659
Other general administrative expenses	-2,391	-1,761	-815	-874
Total operating expenses	**-14,571**	**-10,175**	**-14,039**	**-14,135**
EBITDA	**9,942**	**9,566**	**13,270**	**11,280**
Depreciations on ships and other fixed assets	-4,219	-3,412	-4,597	-4,901
Reversal/impairment of ships	1,269	500	2,544	-13,823
Loss on sale of ship/effect on onerous contracts	0	397	397	-1,463
Operating result (EBIT)	**6,992**	**7,051**	**11,614**	**-8,907**
Financial income and expenses				
Interest income	38	18	26	13
Interest expenses	-3,179	-3,581	-4,735	-4,833
Currency exchange gain/(loss)	-140	110	114	69
Other financial items	-20	-313	-361	-761
Net financial items	**-3,301**	**-3,766**	**-4,956**	**-5,512**
Net result before tax	**3,691**	**3,285**	**6,658**	**-14,419**
Tax	-106	-131	-294	-174
Net result for the year	**3,585**	**3,154**	**6,364**	**-14,593**
Hereof majority interests	3,574	3,120	6,304	-14,646

Hereof non-controlling interests	11	34	60	53
Earnings per share (USD)	7.66	6.74	13.60	-31.18
Diluted earnings per share (USD)	7.66	6.74	13.48	-31.18

1 Payroll expenses are included under "Other general administrative expenses" in the quarterly figures.

The pre-Merger consolidated statement of financial position

The table below sets out selected data from Belships' audited consolidated statement of financial position for the years ended 31 December 2017 and 2016 (the 2017 and 2016 Financial Statements) and from the unaudited consolidated interim income statement for the nine month periods ended 30 September 2018 and 2017 (the Pre-Merger Interim Financial Statements).

In USD thousands	**Nine months ended 30 September**		**Year ended 31 December**	
	2018	**2017**	**2017**	**2016**
	IAS 34	*IAS 34*	*IFRS*	*IFRS*
Non-current assets				
Tangible assets				
Ships	88,398	90,341	91,242	93,009
Prepaid timecharter hire	0	679	405	1,500
Other fixed assets	2,097	1,876	1,832	1,683
Total tangible assets	**90,495**	**92,896**	**93,479**	**96,192**
Financial assets				
Financial investments	398	139	126	108
Other long-term receivables	759	137	122	183
Total financial assets	**1,157**	**276**	**248**	**292**
Total non-current assets	**91,652**	**93,172**	**93,727**	**96,483**
Current assets				
Trade debtors	414	151	323	91
Prepaid timecharter hire	681	821	1,095	0
Other receivables	1,054	1,192	1,525	1,120
Cash and cash equivalents (restricted)	68	58	229	3,203
Cash and cash equivalents	5,208	7,816	5,230	4,715
Total current assets	**7,425**	**10,038**	**8,402**	**9,129**
Total assets	**99,077**	**103,211**	**102,129**	**105,612**
Equity				
Paid-in capital	43,628	43,595	43,620	43,620
Retained earnings	-14,586	-20,767	-17,590	-23,887
Non-controlling interests	305	325	352	411
Total equity	**29,347**	**23,153**	**26,382**	**20,144**
Liabilities				
Provision for liabilities				
Pension obligations	475	566	530	648
Other non-current liabilities				
Mortgage debt	19,336	27,220	22,999	30,883
Bareboat commitment	39,215	41,335	40,816	42,811
Financial instruments	0	157	8	323
Other non-current liabilities	1,463	1,501	1,458	1,407
Total other non-current liabilities	**60,489**	**70,779**	**65,281**	**75,424**
Current liabilities				
Current portion of mortgage debt/lease liability	5,000	5,000	5,000	5,000
Bareboat commitment	2,071	1,896	1,940	1,778
Tax payable[1]	-	-	256	131
Public taxes and duties payable[2]	-	-	155	284
Trade creditors	453	584	573	256
Other short-term liabilities	1,717	1,799	2,011	1,948

Total current liabilities	**9,241**	**9,279**	**9,936**	**9,396**
Total liabilities	**69,730**	**80,058**	**75,747**	**85,468**
Total equity and liabilities	**99,077**	**103,211**	**102,129**	**105,612**

1 Tax payable are included under "Other short-term liabilities" in the quarterly figures.
2 Public taxes and duties payable are included under "Other short-term liabilities in the quarterly figures".

The pre-Merger condensed consolidated statement of cash flow

The table below sets out selected data from Belships' audited consolidated statement of cash flow for the years ended 31 December 2017 and 2016 (the 2017 and 2016 Financial Statements) and from the unaudited consolidated interim income statement for the nine month periods ended 30 September 2018 and 2017 (the Pre-Merger Interim Financial Statements).

In USD thousands	**Nine months ended 30 September**		**Year ended 31 December**	
	2018	**2017**	**2017**	**2016**
	IAS 34	*IAS 34*	*IFRS*	*IFRS*
Cash flow from operations				
Net result before tax	3,691	3,285	6,658	-14,419
Adjustments to reconcile result before tax to net cash flows:				
Loss on sale of ship/effect on onerous contracts	0	-397	-397	1,463
Depreciations on ships and other fixed assets	4,219	3,412	4,597	4,901
Reversal impairment of ships	-1,269	-500	-2,544	13,823
Share-based compensation expense	8	-25	0	31
Difference between pension expenses and paid pension premium	-56	-134	-171	-210
Net finance costs	3,301	3,766	4,956	5,512
Working capital adjustments:				
Change in trade debitors and trade creditors	-211	269	85	-212
Change in other current items	-223	-472	-345	-241
Interest received	38	18	26	13
Interest paid	-3,179	-3,581	-4,735	-4,833
Income tax paid	-151	-67	-138	-118
Net cash flow from operating activities	**6,168**	**5,574**	**7,993**	**5,710**
Cash flow from investing activities				
Payment on newbuilding	0	0	0	-20,531
Sale of ship (net sales amount)	0	0	0	23,637
Payment of other investments	-369	-275	-271	1,923
Net cash flow from investing activities	**-369**	**-275**	**-271**	**1,183**
Cash flow from financing activities				
Dividend paid	-577	0	0	0
Repayment of non-current debt	-5,226	-5,108	-9,835	-6,491
Paid costs related to financing	-178	-253	-369	-484
Net cash flow from financing activities	**-5,981**	**-5,361**	**-10,204**	**-6,975**
Net change in cash and cash equivalents during the period	-183	-63	-2,482	-82
Cash and cash equivalents at 1 January	5,459	7,918	7,918	7,993

Cash and cash equivalents at 31 December[1]	**5,276**	**7,874**	**5,459**	**7,918**

1 Includes restricted cash.

The post-Merger consolidated income statement

The table below sets out selected data from Belships' audited consolidated income statement for the year ended 31 December 2018 (the 2018 Financial Statements) with unaudited comparable financial information for the year ended 31 December 2017, and from the unaudited consolidated interim income statement for the three months periods ended 31 March 2019 and 2018 (the Post-Merger Interim Financial Statements).

In USD thousands	**Three months ended 31 March**		**Year ended 31 December**	
	2019	**2018**	**2018**	**2017**
		Restated[2]		*Restated*[2]
	IAS 34	*IAS 34*	*IFRS*	*IFRS*
Operating income				
Gross freight income	36,040	24,864	127,735	120,932
Voyage expenses	-7,737	-5,334	-10,698	-8,304
Net freight income	28,303	**19,530**	**117,037**	**112,638**
Management fees	2,773	967	4,865	4,133
Total operating income	**31,076**	**20,497**	**121,902**	**116,761**
Operating expenses				
Share of result from joint venture and associated companies	634	395	2,012	2,215
T/C hire expenses	-12,515	-11,617	-80,014	-88,133
Ship operating expenses	-5,875	-4,080	-16,094	-10,218
Operating expenses ship management	-971	0	-420	0
Payroll expenses[1]	-	-	-4,504	-2,995
Other general administrative expenses	-2,143	-1,406	-3,333	-2,981
Total operating expenses	**-20,970**	**-16,708**	**-102,353**	**-102,112**
EBITDA	**10,106**	**3,789**	**19,549**	**14,649**
Depreciations and amortization	-4,555	1,847	-7,813	-5,330
Reversal impairment of ships	0	0	0	9,474
Purchase bargain gain	0	0	12,849	0
Operating result (EBIT)		**1,942**	**24,585**	**18,793**
Financial income and expenses				
Interest income	56	4	56	2
Interest expenses	-2,617	-879	-4,754	-2,949
Currency exchange gain/(loss)	-77	-29	-94	0
Other financial items	-315	-315	-351	-224
Net financial items	**-2,855**	**-1,219**	**-5,143**	**-3,171**
Net result before tax	**2,696**	**723**	**19,442**	**15,622**
Tax	-150	0	-247	-264
Net result for the year	**2,546**	**723**	**19,195**	**15,358**
Hereof majority interests	1,838	39	18,169	14,945
Hereof non-controlling interests	708	684	1,026	413
Earnings per share (USD)	0.01	0.01	0.20	-
Diluted earnings per share (USD)	0.01	0.01	0.20	-

1 Payroll expenses are included under "Other general administrative expenses" in the quarterly figures.

2 The comparative information (unaudited) reflects financial information from the Lighthouse Group due to the Merger accounted for as a reverse acquisition. For further information, see note 4 of the 2018 Financial Statements, incorporated by reference hereto, see Section 20.3 "Incorporated by reference".

The post-Merger consolidated statement of financial position

The table below sets out selected data from Belships' audited consolidated statement of financial position for the year ended 31 December 2018 (the 2018 Financial Statements) with unaudited comparable financial information for the year ended 31 December 2017, and from the unaudited consolidated statement of financial position for the three months period ended 31 March 2019.

In USD thousands

	Three months ended 31 March	Year ended 31 December	
	2019	**2018**	**2017**
			Restated[3]
	IAS 34	*IFRS*	*IFRS*
Non-current assets			
Intangible assets			
Goodwill	0	0	42
Contracts	7,182	8,536	0
Total intangible assets	**7,182**	**8,536**	**42**
Tangible fixed assets			
Ships	253,778	230,425	125,731
Property, Plant and Equipment	4,183	4,210	286
Total fixed assets	**257,961**	**234,635**	**126,017**
Financial fixed assets			
Financial investments	2,668	1,939	2,149
Cash and cash equivalents (restricted)	288	281	214
Other long-term receivables	0	62	0
Total financial assets	2,956	**2,282**	**2,363**
Total non-current assets	**268,099**	**245,453**	**128,422**
Current assets			
Inventories	4,971	4,230	3,391
Trade debtors	1,586	3,454	5,995
Other receivables	8,553	8,443	8,885
Cash and cash equivalents (restricted)	59	109	22
Cash and cash equivalents	34,677	31,925	14,668
Total current assets	**49,846**	**48,161**	**32,961**
Total assets	**317,945**	**293,614**	**161,383**
Equity			
Paid-in capital	96,893	96,870	31,951
Retained earnings	25,576	23,738	5,557
Non-controlling interests	3,882	3,174	6,567
Total equity	**126,351**	**123,782**	**44,075**
Liabilities			
Provision for liabilities			
Pension obligations	746	735	143
Other non-current liabilities			
Mortgage debt	75,781	94,513	66,000
Obligation under finance leases	60,801	38,653	0
Other non-current liabilities	3,425	2,711	36,397
Total non-current liabilities	**140,007**	**135,877**	**102,397**
Current liabilities			
Current portion of mortgage debt/lease liability	34,719	14,619	0
Tax payable[1]	-	497	119
Public taxes and duties payable[2]	-	314	33
Trade creditors	2,018	3,257	3,390
Other current liabilities	14,850	14,532	11,226
Total current liabilities	**51,587**	**33,220**	**14,768**

Total liabilities	**177,938**	**169,832**	**117,308**
Total equity and liabilities	**317,945**	**293,614**	**161,383**

1 Tax payable are included under "Other short-term liabilities" in the quarterly figures.
2 Public taxes and duties payable are included under "Other short-term liabilities" in the quarterly figures.
3 The comparative information for 2017 (unaudited) reflects financial information from the Lighthouse Group due to the Merger accounted for as a reverse acquisition. For further information, see note 4 of the 2018 Financial Statements, incorporated by reference hereto, see Section 20.3 "Incorporated by reference".

The post-Merger condensed consolidated statement of cash flow

The table below sets out selected data from Belships' audited consolidated statement of cash flow for the year ended 31 December 2018 (the 2018 Financial Statements) with unaudited comparable financial information for the year ended 31 December 2017, and from the unaudited consolidated statement of cash flow for the three months period ended 31 March 2019.

In USD thousands	**Three months ended 31 March**	**Year ended 31 December**	
	2019	**2018**	**2017**
			Restated[2]
	IAS 34	*IFRS*	*IFRS*
Cash flow from operations			
Net result before tax	2,696	19,442	15,622
Adjustments to reconcile result before tax to net cash flows:			
Purchase bargain gain	0	-12,849	0
Depreciations on fixed assets	4,555	7,813	5,330
Reversal impairment of ships	0	0	-9,474
Share-based compensation expense	23	5	0
Difference between pension expenses and paid pension premium	0	-81	0
Share of result from joint venture and associated companies	-634	-2,012	-2,215
Net finance costs	911	5,143	3,171
Working capital adjustments:			
Change in trade debitors and trade creditors	-152	2,407	1,150
Change in other current items	-353	-1,924	-2,030
Interest received	56	56	2
Interest paid	-2,617	-4,754	-2,949
Income tax paid	-132	-264	-400
Net cash flow from operating activities	**6,449**	**12,982**	**8,207**
Cash flow from investing activities			
Payment of ships	0	19,430	-6,731
Distribution and capital reduction from joint ventures	0	2,340	0
Net cash contribution from merger	0	6,709	0
Payment of other investments	0	0	-45
Net cash flow from investing activities	**0**	**-10,381**	**-6,776**
Cash flow from financing activities			
Proceeds from non-current debt	0	19,750	4,000
Paid-in capital	0	0	5,500
Repayment of non-current debt	-3,747	-4,161	-10,000
Dividend to non-controlling interests	0	-846	-1,200

Net cash flow from financing activities	**-3,747**	**14,743**	**-1,700**
Net change in cash and cash equivalents during the period	2,702	17,344	-269
Cash and cash equivalents at 1 January	32,034	14,690	14,959
Cash and cash equivalents at 31 December[1]	**34,736**	**32,034**	**14,690**

1 Includes restricted cash.
2 The comparative information for 2017 (unaudited) reflects financial information from the Lighthouse Group due to the Merger accounted for as a reverse acquisition. For further information, see note 4 of the 2018 Financial Statements, incorporated by reference hereto, see Section 20.3 "Incorporated by reference".

B.8	**Selected key pro forma financial information**	The unaudited pro forma condensed financial information has been prepared for illustrative purposes only, in order to show how the Merger might have affected Belships consolidated statements of comprehensive income for 2018 as if the Merger occurred on 1 January 2018. The unaudited pro forma condensed financial information has been prepared in accordance with Annex II of Regulation (EC) 809/2004. This information is not in compliance with SEC Regulation S-X, and had the securities been registered under the U.S. Securities Act of 1933, this unaudited pro forma condensed financial information, including the report by the auditor, would have been amended and/or removed from the Prospectus. The unaudited pro forma condensed financial information does not include all of the information required for financial statements under the IFRS and should be read in conjunction with the consolidated financial statements of Belships for the year ended 31 December 2018.

Unaudited pro forma condensed statement of comprehensive income

The table below sets out Belships' unaudited pro forma condensed statement of comprehensive income for the year ended 31 December 2018, as if the Merger had taken place at 1 January 2018.

USD thousands	**Belships ASA Consolidated (post-Merger)** *(audited)*	**Belships ASA Consolidated (pre-Merger) 1 Jan-30 Sep 2018** *(unaudited)*	**Belships ASA Consolidated (pre-Merger) 1 Oct-9 Dec 2018** *(unaudited)*	**Pro forma adjustments** *(unaudited)*	**Notes to pro forma adjustments**	**Pro forma** *(unaudited)*
Gross freight revenue	127,735	21,505	5,181	-3,136	1	151,285
Voyage expenses	-10,698	-	-			-10,698
Net freight income	**117,037**	**21,505**	**5,181**	**-3,136**		**140,587**
Management fees	4,865	3,008	654			8,527
Total operating income	**121,902**	**24,513**	**5,835**	**-3,136**		**149,114**
Share of result from joint venture and associated companies	2,012	-	-			2,012
T/C hire expenses	-80,014	-3,309	-961			-84,284
Ship operating expenses	-16,094	-6,169	-1,306			-23,569

Operating expenses ship management	-420	-2,702	-789			-3,911
Other general and administrative expenses	-7,837	-2,391	-2,263		*	-12,491
Total operating expenses	**-102,353**	**-14,571**	**-5,319**	**-**		**-122,243**
Operating result (EBITDA)	**19,549**	**9,942**	**516**	**-3,136**		**26,871**
Depreciation and amortization	-7,813	-4,219	-798	504	2	-12,326
Reversal/impairment of ships	-	1,269	-			1,269
Purchase bargain gain	12,849	-	-			12,849
Operating result (EBIT)	**24,585**	**6,992**	**-282**	**-2,632**		28,663
Interest income	56	38	4			98
Interest expenses	-4,754	-3,179	-704			-8,637
Currency gains/(-losses)	-94	-140	539			305
Other financial items	-351	-20	-182			-553
Net financial items	**-5,143**	**-3,301**	**-343**	**-**		-8,787
Net result before taxes	**19,442**	**3,691**	**-625**	**-2,632**		**19,876**
Taxes	-247	-106	-34	-	3	-387
Net result for the year	**19,195**	**3,585**	**-659**	**2,632**		**19,489**
Other comprehensive income						
Actuarial gain/(loss) on defined benefit plans	-9	-	-			-9
Exchange differences	53	-	-			53
Total comprehensive income	**19,239**	**3,585**	**-659**	**-2,632**		**19,533**

B.9	**Profit forecast or estimate**	Not applicable. No profit forecast or estimate is made.
B.10	**Audit report qualifications**	Not applicable. There are no qualifications in the audit reports.
B.11	**Insufficient working capital**	Not applicable. The Company is of the opinion that the working capital available to the Group is sufficient for the Group's present requirements, for the period covering at least 12 months from the date of this Prospectus.

Section C – Securities

C.1	**Type and class of securities admitted to trading and identification number**	The Company has only one class of Shares in issue, and in accordance with the Norwegian Public Limited Liability Companies Act, all Shares in that class will provide equal rights in the Company. The Shares are registered in book-entry form with the VPS under ISIN NO 000 3094104.
C.2	**Currency of issue**	The Shares are issued in NOK, and will be quoted and traded in NOK on the Oslo Stock Exchange.
C.3	**Number of shares in issue and par value**	As of the date of this Prospectus, the Company's share capital is NOK 387,101,660, divided into 193,550,830 Shares with each Share having a par value of NOK 2.00.

C.4	**Rights attaching to the securities**	The Company has only one class of Shares in issue, and in accordance with the Norwegian Public Limited Liability Companies Act, all Shares in that class will provide equal rights in the Company. Each of the Shares carries one vote. The rights attaching to the Shares are described in 15.9 "The Articles of Association".
C.5	**Restrictions on transfer**	The Company's Articles of Association do not provide for any restrictions on the transfer of Shares, or a right of first refusal for the Company. Share transfers are not subject to approval by the Board of Directors.
C.6	**Admission to trading**	The Shares are, and the Private Placement Shares and Offer Shares will be, admitted to trading on the Oslo Stock Exchange. Trading in the Private Placement Shares on the Oslo Stock Exchange is expected to commence on or about 28 June 2019, while trading in the Offer Shares on the Oslo Stock Exchange is expected to commence on or about 19 July 2019. The Company has not applied for admission to trading of the Shares on any other stock exchange or regulated market.
C.7	**Dividend policy**	Belships aims to maximize the value of the Shares through an efficient and profitable management of the Company's resources. A competitive total return is to be obtained through growth in the value of the Shares and/or the payment of competitive dividends. The Board of Directors does not have any authorization to distribute dividends.

Section D – Risks

D.1	**Key risks specific to the Company or its industry**	*Risks related to the industry in which the Group operates:* • The highly cyclical and volatile nature of the shipping industry and freight market may have a material adverse effect on the Group's business, financial condition, operating result and liquidity. • A deterioration in global economic conditions or an over-supply of dry bulk capacity may lead to reduction in charter rates and vessel values which could materially adversely affect the Group's business, financial condition and results of operations. • Increases in bunker fuel prices and other operating costs may significantly increase the Group's voyage expenses relating to the operation of its vessels on the spot market. • The Group is exposed to fluctuations in freight rates and spot market charter rates. Charter rates may fluctuate substantially and if rates are lower when the Group is seeking a new charter, the Group's revenues and cash flows may decline and in turn this can have an adverse effect on the value of the Group's vessels, which both could have a material adverse effect on the business, financial condition and results of operations of the Group. • The Group transports cargoes and commodities across a wide variety of national jurisdictions, which exposes the Group to risks inherent in operating internationally and in politically unstable regions. In addition, the Group has to work with local agents and business associates all over the world, which exposes it to the risk of breaching international sanctions and anti-bribery/anti-corruption laws, any of which may have a negative impact to the Group's reputation and financial condition.

		Risks related to the business of the Group: • The Group may not be able to implement its business strategy successfully or manage its growth effectively including that no assurance can be given that the Company will be able to acquire additional ships in the future. • The Group derives a significant portion of its revenues from a limited number of customers, and the loss of any such customers or default by any of these customers could result in a significant loss of revenues and cash flows. • Due to the lack of diversification of the Group's business, an adverse development in the dry bulk shipping industry would have a significant impact on the Group's financial condition and results of operations. • Over time, vessel values may fluctuate substantially and this may result in impairment charges and the Group could also incur a loss if these values are lower at a time when the Group is attempting to dispose of a vessel. • The ageing of the fleet or unexpected repairs may result in increased operating costs in the future, which could adversely affect the Group’s business, financial condition and operating results. • The Group is subject to international safety and environmental regulations and the failure to comply with these regulations may subject us to increased liability, which may adversely affect the Group's insurance coverage and may result in our vessels being denied access to, or detained in, certain ports, and which in turn may impact the business, results of operations and financial condition of the Group. • Changes in taxation law or the interpretation of taxation law may impact the business, results of operations and financial condition of the Group. *Risks related to financing:* • In order to execute the Group's growth strategy, the Group may require additional capital in the future, which may not be available.
D.3	**Key risks specific to the securities**	• Eligible Shareholders who do not participate in the Subsequent Offering may experience significant dilution in their shareholding. • The price of the Shares may fluctuate significantly. • Future issuances of Shares or other securities may dilute the holdings of shareholders and could materially affect the price of the Shares. • The Company may be unwilling or unable to pay any dividends in the future. • Investors may not be able to exercise their voting rights for Shares registered in a nominee account. • Kontrari AS and Kontrazi AS, controlled by Frode Teigen and family, will remain the major shareholder of the Group and will, accordingly, continue to have a majority of the shareholder vote, thereby having the ability to significantly influence the outcome of matters submitted for the vote of the Company's shareholders.

Section E – Offer

E.1	**Net proceeds and estimated expenses**	The Subsequent Offering consists of an offer by the Company to issue up to 1,603,128 Offer Shares, each with a nominal value of NOK 2.00, at a Subscription Price of NOK 7.00 per Offer Share, being equal to the subscription price in the Private Placement. Subject to all Offer Shares being issued, the Subsequent Offering will result in NOK million in gross proceeds. Total minimum net proceeds from the Private Placement and Subsequent Offering are estimated to amount to approximately NOK 82.5 million, based on the estimated total transaction costs of approximately NOK 6.5 million related to the Private Placement and Subsequent Offering.
E.2a	**Reasons for the Offering and use of proceeds**	The net proceeds from the Private Placement and the Subsequent Offering will serve several purposes, including: (i) Strengthen the Group's financial condition to prepare for further growth, (ii) expand shareholder base and liquidity in the share, and (iii) general corporate purposes.
E.3	**Terms and conditions of the Offering**	The Subsequent Offering consists of an offer by the Company to issue up to 1,603,128 Offer Shares, each with a nominal value of NOK 2.00, at a Subscription Price of NOK 7.00 per Offer Share, being equal to the subscription price in the Private Placement. Shareholders of the Company as of 28 May 2019, as registered in the Company's shareholder register in the VPS on 31 May 2019 (the Record Date), and who were not allocated shares in the Private Placement, will be granted non-transferable Subscription Rights that, subject to applicable law, provide preferential rights to subscribe for, and be allocated, Offer Shares in the Subsequent Offering at the Subscription Price. Over-subscription will be permitted, while subscription without Subscription Rights will not be permitted. No expenses or taxes are charged to the subscribers in the Subsequent Offering by the Company or the Managers. Subscription Rights and Offer Shares will not be issued or sold in certain jurisdictions or to residents of certain jurisdictions. The Subscription Period will commence on 28 June 2019 and expire at 16:30 hours (CEST) on 12 July 2019. The Subscription Period may not be shortened, but the Board of Directors may extend the subscription period if this is required by law due to the publication of a supplement to the prospectus. Each Eligible Shareholder will, subject to applicable securities laws, be granted 0.06889 Subscription Rights for each existing Share registered as held by such Eligible Shareholder on the Record Date, rounded down to the nearest whole Subscription Right. Each Subscription Right will, subject to applicable securities laws, give the right to subscribe for and be allocated one Offer Share in the Subsequent Offering. The Subscription Rights will be credited to and registered on each Eligible Shareholder's VPS account on or about 28 June 2019. The Subscription Rights will be distributed free of charge to Eligible Shareholders. The Subscription Rights are non-transferable and will accordingly not be listed on any regulated market place.
E.4	**Material and conflicting interests**	The Managers or their affiliates have provided from time to time, and may provide in the future, investment and commercial banking services to the Company and its affiliates in the ordinary course of

		business, for which they may have received and may continue to receive customary fees and commissions. The Managers do not intend to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so. The Managers will receive a management fee in connection with the Private Placement and, as such, have an interest in the Private Placement. Beyond the above-mentioned, the Company is not aware of any interest, including conflicting ones, of any natural or legal persons, which is material to the Private Placement.
E.5	**Selling shareholders and lock-up agreements**	Not applicable. There are no selling shareholders or any lock-up agreements.
E.6	**Dilution resulting from the Offering**	The dilutive effect of the Private Placement is approximately 5.6% and the dilutive effect subsequent to the Private Placement and the Subsequent Offering is approximately 6.4%.
E.7	**Estimated expenses charged to investor**	Not applicable. The expenses related to the Private Placement and the Subsequent Offering will be paid by the Company.

2 RISK FACTORS

An investment in the Company and the Shares involves inherent risks. Investors should carefully consider the risk factors and all information contained in this Prospectus, including the financial statements and related notes. The risks and uncertainties described in this Section 2 "Risk factors" are the material known risks and uncertainties faced by the Group as of the date of this Prospectus that the Company believes are the material risks relevant to an invest in the Shares. Before deciding whether or not to participate in the Offering, an investor should consider carefully all of the information set forth in this Prospectus, and in particular, the specific risk factors set out below. An investment in the Shares is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of their investment.

If any of the risks described below materialise, individually or together with other circumstances, they may have a material adverse effect on the Group's business, results of operations, cash flow and financial condition, which may cause a decline in the value and trading price of the Shares that could result in a loss of all or part of any investment in the Shares.

The order in which the risks are presented below does not reflect the likelihood of their occurrence or the magnitude of their potential impact on the Group's business, results of operations, cash flows, financial condition and/or prospects. The risks mentioned herein could materialise individually or cumulatively.

2.1 Risks relating to the Group and the industry in which the Group operates

2.1.1 Risks related to the volatility in the shipping industry and freight market

Historically, the shipping industry, including the dry bulk market in which the Group mainly has its assets and operations, has been highly cyclical, experiencing volatility in profitability and asset values. This has primarily been due to changes in the level and pattern of global economic growth, the highly competitive nature of the shipping industry and changes in the supply of and demand for vessel capacity. Both factors relating to the demand for dry bulk transportation and factors relating to the supply of ships to serve this demand, create instability and volatility in revenues and values. With a relative overcapacity of ships, rates can drop significantly and may not be sufficient to cover expenses and/or a return on capital. Downturns in the global economy can lead to a significant decline in world trade, and this will in turn result in decreases in freight volumes and may result in rate adjustments in the dry bulk industry and in the demand for maritime and logistics services of dry bulk and corresponding material decreases in the revenues of businesses in the industry. This was the situation in 2015 and 2016 when dry bulk rates and prices collapsing to 30-year lows which had an impact on the share price of the Company. Such events may have a material adverse effect on the Group's business, financial condition, operating result and liquidity.

2.1.2 Risk relating to fluctuations in freight rates

Fluctuations in freight rates are one of the key factors affecting the Group's business, financial condition, operating results and cash flow. To reduce the exposure to the freight rate risk, the Group has entered into several long-term time charter contracts. Due to the Group's long-term charter contracts, the Group's operating results and financial condition are less affected by fluctuations in freight rates, as long as the Group's charter contracts with its customers are not terminated and are honoured by the customers. However, there is no option to extend the current charter periods, and the Group will thus have to enter into new charter contracts, which may be more exposed to fluctuations in freight rates. In addition, the Group also operates in the spot market, and this part of the Group's operating results are consequently on a relative basis more sensitive to changes in market freight rates. An increase in the global supply of dry bulk vessel capacity without a commensurate increase in demand may have an adverse effect on charter rates and thereby the value of the Group's vessels, which could have a material adverse effect on the business, financial condition and results of operations of the Group.

The supply of dry bulk vessels in the industry is affected by, inter alia, assessments of the demand for these vessels by customers. During periods of high utilisation and high charter rates, industry participants may increase the supply of vessels by ordering construction of new vessels. Any over-estimation of demand for vessels may result in an excess supply of new dry bulk vessels. This may, in the longer term when the newbuildings enter the market and the existing charter parties expire, result in lower charter rates. Such events may have a material adverse effect on the Group's business, financial condition, results of operation and liquidity.

Prolonged periods of low utilisation and charter rates could also result in the recognition of impairment charges if future cash flow estimates, based upon information available at the time, indicate that the carrying value of these vessels may not be recoverable. Such events may have a material adverse effect on the Group's business, financial condition, results of operation and liquidity.

2.1.3 Lack of diversification

The Group relies mainly on the cash flow generated from the dry bulk transportation business which represented approximately 90% of the Group's revenues for the first three months of 2019. Due to the lack of diversification, an adverse development in the dry bulk shipping industry would have a significantly greater impact on the Group's financial condition and results of operations than if the Group maintained more diverse assets or lines of business.

2.1.4 Counterparty risks

The Group has entered into some long-term contracts for the employment of its dry cargo vessels. In case of a significant reduction of spot rates, the Group's counterparties may become unwilling to honour their obligations. This may cause the Group to seek alternative employment for the ships in the prevailing market, which may offer lower rates than the current contracts. Any non-performance by the Group's counterparties may have a material adverse effect on the Group's business, financial condition, results of operations and liquidity. The part of the Group which operates in the spot market, has a more diversified counterparty portfolio, and the coherent risk on operating results related to any specific counterparty is consequently lower.

2.1.5 The Group relies heavily on a small number of customers

The Group derives a significant portion of its revenues from a limited number of customers and the Group's business is accordingly subject to the risks associated with having a limited number of customers. See Section 8.6 "Customers/charterers" for a description of the Group's major customers. The Group's results of operations could hence be materially and adversely affected if any of these customers fail to compensate the Group for its services, were to terminate the contracts, lawfully or not, or refuse to award the Group new contracts and the Group is unable to enter into contracts with new customers at comparable charter hire. The ability of the Group's customers to meet their obligations towards the Group will be affected by the customers' financial and liquidity position. If a customer of the Group declares bankruptcy, insolvency or a similar protection under the customer's jurisdiction, the Group may not be able to enforce payment of the customer's obligations and incur loss on such claims. The bankruptcy, insolvency or similar protection of a customer may also lead to the loss of expected turnover for the Group from the customer, which may have adverse effects on the Group's results of operations and financial condition.

A part of the Group operates under short-term spot engagements with a broader customer base. The customers are often recurring. However, the risk related to any specific customer's insolvency or inability to compensate for the services provided by this part of the Group is low.

2.1.6 The Group may not be able to implement its business strategy successfully

The Group is aiming to grow accretively as a fully integrated shipowner and operator of geared dry bulk vessels inter alia by acquiring ships in the second-hand market whilst maintaining a robust balance sheet, see Section 8.3 "Strategy and operating plans" for further information. However, there is a risk that the Group may not be able to implement its business strategy successfully or manage its growth effectively including that that the Company will not be able to acquire additional ships in the future without raising additional equity.

2.1.7 Value of vessels, financial covenants, loss on sale, future financing/equity

Over time, vessel values may fluctuate substantially, which may result in an impairment of the book value of the Group's vessels, breach of financial covenants relating to the market value of the vessels or a loss upon a sale of the vessels. The fair market value of the Group's vessels or other ships possibly acquired in the future may increase or decrease depending on a number of factors, including:

- the prevailing level of dry bulk charter rates;
- general economic and market conditions affecting the dry bulk industry, including competition from other companies;
- types, sizes and ages of dry bulk vessels;

- supply and demand for dry bulk vessels;
- costs of newbuildings;
- governmental or other regulations; and
- technological advances.

If the Group sells its vessels or other vessels they acquire in the future when prices have fallen and before having recorded an impairment adjustment to the financial statements, the sale may be at less than the vessels' carrying amount in the financial statements, resulting in a loss.

The Group's financing arrangements are subject to customary covenants, including 30% booked equity to total assets and fair market value of the ships of 120% (130% from January 2021) of outstanding amounts, see Section 12.10.2 "Long-term debt" for further information. As is normal in the maritime industry, such covenants also relate to the market value of the Group's assets being financed. Lenders may accelerate loan repayments should there be a loss in the market value of the Group's vessels which results in a breach of the aforementioned covenants. Such loss or repayment may have a material adverse effect on the Group's business, financial condition, results of operation and liquidity.

The Group will be dependent on obtaining future financing and/or new equity to enable the contemplated growth of the Group. It is not certain that the Group will be able to obtain future financing on acceptable terms and conditions, nor that the Group will be able to raise new capital in the equity markets. If the Group is unable to obtain future debt and/or equity financing, it will not be possible for the Group to grow. This may have a material adverse effect on the Group's business, financial condition, results of operation and liquidity.

2.1.8 Service life and technical risks

The lifetime of the vessels owned by the Group will ultimately depend on their utilisation and market conditions, e.g. in 2008/2009 and in the first half of 2016, the average life time of dry bulk vessels decreased dramatically due to high scrapping activity. There can be no assurance that the vessels will be successfully deployed for the vessels' expected life time. There will always be some exposure to technical risks, and operational problems that may contribute to higher operational costs than budgeted and/or lost earnings for instance as a result of the vessels being off-hire under the charter contracts with the customers. Such events may have a material adverse effect on the Group's business, financial condition, results of operation and liquidity.

2.1.9 Adequate insurance protection

The Group's operations are subject to risks inherent in the maritime industry. The Group maintains insurance in accordance with industry standards. Their insurance is intended to cover risks associated with the conduct of the business, as well as environmental damage and pollution coverage. There is no assurance that the Group is adequately insured against all risks, that any future claims will be paid, or that they will be able to procure adequate insurance coverage at commercially reasonable rates in the future. If environmental regulations become even more stringent, insurance costs may further increase or make insurance against the risk of environmental damage or pollution unavailable. If such events were to occur, it may have a material adverse effect on the Group's business, financial condition, results of operation and liquidity.

2.1.10 Regulatory and political risks

Operations in international markets are subject to risks inherent in international business activities, including, in particular, fluctuating economic conditions, overlapping and differing tax structures, managing an organisation spread over various jurisdictions, unexpected changes in regulatory requirements and complying with a variety of foreign laws and regulations. Changes in the legislative, governmental and economic framework governing the activities of the shipping industry, could also have a material negative impact on the Group's results of operations and financial condition. An example of this is the implementation of the IMO 2020 regulations which will result in increased costs for the Group, see also Section 2.1.16 "New environmental regulations". Political decisions made in the countries/regions in which the Group's vessels operate may further expose the Group to political, governmental and economic instability, which could in turn harm operations. Any of the above could have a material adverse effect on the Group's business, financial condition, results of operation and liquidity.

2.1.11 *Risk of terrorist attacks, increased hostilities or war*

War, military tension and terrorist attacks have, inter alia, caused instability in the world's financial and commercial markets. This has in turn significantly increased political and economic instability in some of the geographic markets in which the Group operates (or may operate in the future), and has contributed to high levels of volatility in prices which affects the Group. Continuing instability may cause further disruption to financial and commercial markets and contribute to even higher level of volatility in prices. In addition, acts of terrorism and threats of armed conflicts in or around various areas in which the Group operates (or may operate in the future) could limit or disrupt its markets and operations, including by causing disruptions from evacuation of personnel, cancellation of contracts or the loss of personnel, vessels or other assets. Armed conflicts, terrorism and their effects on the Group or the Group's markets may have a significant adverse effect on the Group's business and results of operations in the future.

Vessels could be requisitioned by a government in the case of war or other emergencies or become subject to arrest. This could significantly and adversely affect the earnings of the relevant unit and the Group as well as the Group's liquidity forecast.

2.1.12 *Acts of piracy*

Acts of piracy have historically, and especially the last 7-8 years, affected ocean-going vessels trading in certain regions of the world, such as the South China Sea, Gulf of Aden off the coast of Somalia, including parts of Indian ocean, and the Gulf of Guinea. The Group regularly operates in these trading areas, which are listed as conditional trading areas or war risk zones and a higher premium has to be paid to insurers. Premiums payable for such insurance coverage could increase significantly and may be more difficult to obtain if the piracy risk increases. In addition, crew costs could also increase in such circumstances. Detention hijacking or other acts of piracy against the vessels, or an increase in cost or unavailability of insurance for the Group's vessels may have a material adverse effect on the Group's business, financial condition, results of operation and liquidity.

2.1.13 *Accidents and marine perils*

The Group's vessels are subject to perils particular to marine operations, including capsizing, grounding, collision and loss and damage from severe weather or storms. The Group's vessels may also be subject to other unintended accidents. Such circumstances may result in loss of or damage to the vessels, damage to property, including other vessels, and damage to the environment or to persons. Such events may lead to the Group being held liable for substantial amounts by injured parties, their insurer and public governments. In the event of pollution, the Group may be subject to strict liability. Environmental laws and regulations applicable in the countries in which they operate have become more stringent in recent years. Such laws and regulations may expose the Group to liability for the conduct of or conditions caused by others, or for acts by the Group that were in compliance with all applicable laws at the time such actions were taken.

The occurrence of the above mentioned events may have a material adverse effect on the Group's business, financial condition, results of operation and liquidity, and there can be no assurance that the Group's insurance will fully compensate any such potential losses and/or expenses.

2.1.14 *Unexpected repair costs*

The ageing of the fleet or unexpected repairs may result in increased operating costs in the future. The timing and costs of repairs on the Group's ships are difficult to predict with certainty and may be substantial. Many of these expenses, such as dry-docking and certain repairs for normal wear and tear, are typically not covered by insurance. Large repair expenses and repair time may have a material adverse effect on the Group's business, financial condition, results of operation and liquidity.

2.1.15 *Legal proceedings and contractual disputes*

In the course of its activities, the Group may become party to legal proceedings and disputes. The Group make provisions in such cases to cover the expected outcome of the proceedings and disputes, to the extent that negative outcomes are likely and reliable estimates can be made. However, the final outcome of legal proceedings and disputes are subject to uncertainties, and resulting liabilities may exceed booked provisions.

2.1.16 *New environmental regulations*

From January 2020, new regulations on SOx emissions from vessels will enter into effect. The Group has taken steps to prepare for the new regulation and estimated costs in connection thereto, however there is still risk that the implementation of these and any other new environmental regulations could impose additional costs on the Group. Such additional costs may exceed the estimates of the Group materially and thus have a material adverse effect on the Group's business, financial condition, results of operation and liquidity.

2.2 Risks related to financing

2.2.1 Interest rate risk

Exposure to interest rate risk principally arises in respect of long-term borrowings. The Management periodically reviews and assesses the interest rate risk. In 2015, the Company entered into a 5-year swap-agreement with forward start to reduce the risk. In addition, the Group has during the last few years entered into two financial lease agreements, which also limit the interest rate exposure as the interest rate is fixed throughout the period. However, there can be no assurance that such measures would be sufficient, and thus interest rate risk may have a material adverse effect on the Group's business, financial condition, results of operation and liquidity.

2.2.2 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, including administrative expenses, declaration of vessel purchase options and debt financing in other currencies than USD. The Group uses financial derivatives to reduce the currency exposure. However, there can be no assurance that such measures would be sufficient, which may have a material adverse effect on the Group's business, financial condition, results of operation and liquidity.

2.2.3 Borrowing and leverage

Borrowings create leverage. To the extent income derived from assets obtained with borrowed funds exceeds the interest and other expenses that the Group will have to pay, the Group's net income will be greater than if borrowings were not used. Conversely, if the income from the assets obtained with borrowed funds is not sufficient to cover the cost of borrowings, the net income of the Group will be less than if borrowing were not used. Furthermore, the cash flow must be sufficient to meet the repayment schedule for the borrowed funds in order to avoid default under the financing facilities. The Group will seek to borrow only when the directors of the Group believe that such borrowings will benefit the Group after taking into account considerations such as the costs of the borrowing, the repayment schedules and the likely returns on the assets financed with the borrowed funds. However, no assurance can be given that the income will exceed the interests and costs associated with the loan, nor be sufficient to repay the loan when due, which may have a material adverse effect on the Group's business, financial condition, results of operation and liquidity.

2.2.4 Access to credit

As further described in Section 8.3 "Strategy and operating plans" the Group has a growth strategy and the Group is accordingly exposed to material risks related to the availability of funding for future growth within its business segments. The Group is dependent on access to sufficient funding on acceptable terms. Any difficulty the Group may encounter in securing adequate sources of short and long-term funding, may have a material adverse effect on the Group's business, financial condition, results of operation and liquidity, including the refinancing of existing loans.

2.2.5 Taxation

Changes in taxation law or the interpretation of taxation law may impact the business, results of operations and financial condition of the Group. To the extent tax rules change, this could have both a prospective and retrospective impact on the Group, both of which could be material.

2.3 Risks related to the Shares

2.3.1 The price of the Shares may fluctuate significantly, which could cause investors to lose a significant part of their investment

The trading price of the Shares could fluctuate significantly in response to a number of factors beyond the Group's control, including, but not limited to, quarterly variations in operating results, adverse business developments, changes in financial estimates and investment recommendations or ratings by securities analysts, or any other risk discussed herein materialising or the anticipation of such risk materialising. The market price of the Shares may be affected by general financial market performance, and hence changes in the trading price of the Shares may occur without regard to the operating performance of the Group. The price of the Shares may therefore fluctuate based upon factors that have little or nothing to do with the Group, and these fluctuations may materially affect the price of its Shares.

2.3.2 *Future sales of Shares by the Group's major shareholders or any of its primary insiders may depress the price of the Shares*

The market price of the Shares could decline as a result of sales of a large number of Shares in the market, the perception that such sales could occur, or any sale of Shares by any of the Company's major shareholders or primary insiders from time to time. These sales, or the possibility that these sales may occur, might also make it more difficult for the Company to sell equity securities in the future at a time and at a price that it deems appropriate.

2.3.3 *Future issuances of Shares or other securities may dilute the holdings of existing shareholders and could materially affect the price of the Shares*

The Company may in the future decide to offer additional Shares or other equity based securities through directed offerings without pre-emptive rights for existing shareholders in order to finance new capital-intensive projects or acquisitions, or in connection with unanticipated liabilities or expenses, or for any other purposes. Any such additional offering could reduce the proportionate ownership and voting interests of holders of Shares, as well as the earnings per Share and the net asset value per Share.

2.3.4 *Pre-emptive rights to secure and pay for Shares in any additional issuance may not be available to U.S. or other shareholders*

Under Norwegian law, unless otherwise resolved at a general meeting, existing shareholders have pre-emptive rights to participate, on the basis of their existing share ownership, in the issuance of any new shares for cash consideration. Shareholders in the United States, however, may be unable to exercise any such rights to subscribe for new shares unless a registration statement under the U.S. Securities Act is in effect in respect of such rights and shares or an exemption from the registration requirements under the U.S. Securities Act is available. Shareholders in other jurisdictions outside Norway may be similarly affected if the rights and the new shares being offered have not be registered with, or approved by, the relevant authorities in such jurisdiction. The Group is under no obligation to file a registration statement under the U.S. Securities Act or seek similar approvals under the laws of any jurisdiction outside Norway in respect of any such rights and shares and doing so in the future may be impractical and costly. To the extent that the Group's shareholders are not able to exercise their rights to subscribe for new shares, their proportional interests in the Group will be reduced.

2.3.5 *Investors may not be able to exercise their voting rights for Shares registered in a nominee account*

Beneficial owners of the Shares that are registered in a nominee account (such as through brokers, dealers or other third parties) may not be able to vote such shares unless their ownership is re-registered in their names with the VPS prior to the Group's general meetings. The Group can provide no assurances that beneficial owners of the Shares will receive the notice of a general meeting in time to instruct their nominees to either effect a re-registration of their shares or otherwise vote their shares in the manner desired by such beneficial owners.

2.3.6 *The Group's ability to pay dividends is dependent on the availability of distributable equity*

Pursuant to the new loan facility entered into by the Company in March 2019, the Company's ability to declare dividend is limited to 50% of net profit for each calendar year, see Section 12.10.2 "Long-term debt". In addition, Norwegian law provides that any declaration of dividends must be adopted by the shareholders at the Company's general meeting of shareholders. The general meeting may, following the approval of the annual accounts, also authorise the board of directors of the Company to declare dividend. Dividends may only be declared to the extent that the Company has distributable equity and the Company's equity and liquidity is sound in relation to the risk and scope of the Company's business. As the Company's ability to pay dividends is dependent on the availability of distributable equity, it is, inter alia, dependent upon receipt of dividends and other distributions of value from its subsidiaries and the companies in which the Company has invested. In addition, the Group's existing loan agreements impose restrictions on the distribution of dividends from the Company's subsidiaries.

As a general rule, the general meeting may not declare higher dividends than the board of directors has proposed or approved. If, for any reason, the general meeting does not declare dividends in accordance with the above, a shareholder will, as a general rule, have no claim in respect of such non-payment, and the Company will, as a general rule, have no obligation to pay any dividends in respect of the relevant period.

Further, following the implementation of IFRS 16 on 1 January 2019, ships on long term charter are to be carried in the balance. This increases total liabilities and total assets and decreases the equity ratio but increase the EBITDA. These changes to key metrics may impact the capital policy and structure of the Company.

2.3.7 The transfer of Shares is subject to restrictions under the securities laws of the United States and other jurisdictions

The Shares have not been registered under the U.S. Securities Act or any U.S. state securities laws or any other jurisdiction outside Norway and are not expected to be registered in the future. As such, the Shares may not be offered or sold except pursuant to exemption from registration requirements of applicable securities laws. There can be no assurances that shareholders residing or domiciled in the United States will be able to participate in future capital increases or rights offerings.

2.3.8 Shareholders outside Norway are subject to exchange rate risk

The Shares are priced in NOK, and any future payments of dividends on the Shares will be denominated in NOK. Accordingly, each investor outside Norway may risk adverse movements in the NOK against its local currency, as the foreign currency equivalent of any dividends paid on the Shares or price received in connection with any sale of the Shares could be materially adversely affected.

2.3.9 Norwegian shareholders are subject to currency risk

Norwegian shareholders are subject to a currency risk, as the Group's assets and revenue mainly are nominated and traded in USD, while the share price is quoted in NOK. Further, Belships as a shipping company having "Net Asset Value" nominated in USD as a key performance indicators. Accordingly, Norwegian shareholders also have a risk related to development in NOK/USD related to both dividend capacity of Belships and also that changes in "Net Asset Value" significantly can impact the NOK equivalent amount pending on exchange rate.

2.3.10 The Group has one major shareholder

Following completion of the Subsequent Offering, it is expected that Kontrari AS ("**Kontrari**") and Kontrazi AS ("**Kontrazi**"), controlled by Frode Teigen and family, will remain the major shareholder of the Group and will, accordingly, continue to have a majority of the shareholder vote, thereby having the ability to significantly influence the outcome of matters submitted for the vote of the Company's shareholders, including the election of members of the Board of Directors. This concentration of ownership may not be in the best interest of the Group's other shareholders. For instance, it could delay, defer or prevent a change in control, impede a merger, consolidation, takeover or other business combination involving the Group. In addition, the interests of Kontrari and/or Kontrazi may not always coincide with the interests of other shareholders, and other investors may not agree with the manner in which Kontrari and/or Kontrazi acts, such as in relation to commercial relationships. Such conflicts could have a material adverse effect on the Belships' business, financial condition, results of operations, cash flows and/or prospects.

2.3.11 Investors may be unable to recover losses in civil proceedings in jurisdictions other than Norway

The Company is a public limited liability company organised under the laws of Norway. All members of its Board of Directors and of the Group's corporate management resides in Norway. As a result, it may not be possible for investors to effect service of process in other jurisdictions upon such persons or the Group, to enforce against such persons or the Group judgments obtained in non-Norwegian courts, or to enforce judgments on such persons or the Group in other jurisdictions.

2.3.12 Norwegian law may limit shareholders' ability to bring an action against the Group

The rights of holders of the Shares are governed by Norwegian law and by the Company's articles of association. These rights may differ from the rights of shareholders in other jurisdictions. In particular, Norwegian law limits the circumstances under which shareholders of Norwegian companies may bring derivative actions. For instance, under Norwegian law, any action brought by the Group in respect of wrongful acts committed against the Group will be prioritised over actions brought by shareholders claiming compensation in respect of such acts. In addition, it may be difficult to prevail in a claim against the Group under, or to enforce liabilities predicated upon, securities laws in other jurisdictions.

2.3.13 *Market interest rates may influence the price of the Shares*

One of the factors that may influence the price of the Shares is its annual dividend yield as compared to yields on other financial instruments. Thus, an increase in market interest rates will result in higher yields on other financial instruments, which could adversely affect the price of the Shares.

2.3.14 *The price of the Shares may be impacted by limited liquidity*

There can be no assurance as to the liquidity of the Shares in the secondary market, the ability of the holders of the Shares to sell their shares or the price at which the holders would be able to sell their shares. The liquidity of the trading market for the shares in the Group, and the market price quoted for the Shares, may be adversely affected by changes in the Group's financial performance or prospects or in the prospects for companies in the Group's industry in general. As a result, holders of Shares cannot be certain that the market for the Shares will be active and efficient.

3 RESPONSIBILITY FOR THE PROSPECTUS

3.1 The board of directors of Belships ASA

This Prospectus has been prepared in connection with the Offering described herein and the listing of the Shares on the Oslo Stock Exchange.

The board of directors of Belships ASA accepts responsibility for the information contained in this Prospectus. The members of the Board of Directors confirm that, after having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

27 June 2019

The Board of Directors of Belships ASA

____________________	____________________	____________________
Peter Frølich (Chairman)	Sissel Grefsrud	Carl Erik Steen
____________________	____________________	____________________
Jorunn Seglem	Frode Teigen	Sverre Jørgen Tidemand
	____________________	
	Birthe Cecilie Lepsøe	

4 GENERAL INFORMATION

4.1 Other important information

The information contained herein is current as of the date hereof and subject to change, completion and amendment without notice. In accordance with Section 7-15 of the Norwegian Securities Trading Act, significant new factors, material mistakes or inaccuracies relating to the information included in this Prospectus, which are capable of affecting the assessment by investors of the Offer Shares between the time of approval of this Prospectus by the Norwegian FSA and the Listing of the Offer Shares on the Oslo Stock Exchange, will be included in a supplement to this Prospectus. Neither the publication nor distribution of this Prospectus, nor the sale of any Offer Share, shall under any circumstances imply that there has been no change in the Group's affairs or that the information herein is correct as of any date subsequent to the date of this Prospectus.

No person is authorised to give information or to make any representation concerning the Group or in connection with the Offering or the sale of the Offer Shares other than as contained in this Prospectus. If any such information is given or made, it must not be relied upon as having been authorised by the Company or the Managers or by any of the affiliates, representatives, advisors or selling agents of any of the foregoing.

The Company has furnished the information in this Prospectus. No representation or warranty, express or implied is made by the Managers as to the accuracy, completeness or verification of the information set forth herein, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. The Managers assume no responsibility for the accuracy or completeness or the verification of this Prospectus and accordingly disclaim, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this Prospectus or any such statement.

Neither the Company nor the Managers, or any of their respective affiliates, representatives, advisers or selling agents, is making any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment in the Offer Shares. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Offer Shares.

Investing in the Offer Shares involves a high degree of risk. See Section 2 "Risk Factors" beginning on page 19.

In connection with the Offering, each of the Managers and any of their respective affiliates, acting as an investor for its own account, may take up Offer Shares in the Offering and in that capacity may retain, purchase or sell for its own account such securities and any Offer Shares or related investments and may offer or sell such Offer Shares or other investments otherwise than in connection with the Offering. Accordingly, references in the Prospectus to Offer Shares being offered or placed should be read as including any offering or placement of Offer Shares to any of the Managers or any of their respective affiliates acting in such capacity. None of the Managers intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. In addition, certain of the Managers or their affiliates may enter into financing arrangements (including swaps) with investors in connection with which such Managers (or their affiliates) may from time to time acquire, hold or dispose of Shares.

4.2 Presentation of financial and other information

4.2.1 Financial information

On 10 December 2018, the Merger between Belships Lighthouse AS (formerly Belships Chartering AS), a wholly-owned subsidiary of Belships, and the Lighthouse Companies, was completed. The Merger was structured as a so-called triangular merger, cf. section 13-2 second paragraph of the Norwegian Public Limited Liability Companies Act, which implies that Belships' wholly-owned subsidiary Belships Lighthouse AS assumed the assets, rights and obligations of the Lighthouse Companies in their entirety, in return for the shareholders in the Lighthouse Companies receiving consideration shares in Belships, issued through a share capital increase in the Company.

The Lighthouse Companies are holding companies established for the purpose of owning shares in:

- Lighthouse Shipholding, which through its wholly-owned subsidiaries, owns a fleet of five Ultramax size dry bulk carriers delivered between May 2015 and May 2016. Upon completion of the Merger, Belships Lighthouse AS will own 100% of the shares in Lighthouse Shipholding;

- Lighthouse Shipholding II which, through its wholly-owned subsidiaries, owns four Supramax dry bulk carriers built in 2006-2007. Subject to completion of the Merger, Belships Lighthouse AS will own 100% of the shares in Lighthouse Shipholding II; and

- Lighthouse Navigation, through its subsidiaries and investments in joint ventures, provides commercial management of the vessels in addition to customised transportation services for dry bulk charterers in the handy-size and supramax-size markets. Subject to completion of the Merger, Belships Lighthouse AS will own 50.01% of the shares in Lighthouse Navigation.

Notwithstanding the above, the Company, with reference to applicable accounting framework, assessed that the Merger constituted a reverse acquisition under IFRS. As such, in accordance with IFRS 3 Business Combination, the Lighthouse Companies comprise the acquirer for accounting purposes, and Belships comprise the acquiree for accounting purposes. Hence, the financial statements for the year ended 31 December 2018 comprise of financial information for the Lighthouse Group for the full year and for the combined Company post-Merger as of and from the completion of the Merger on 10 December 2018 to 31 December 2018.

As no consolidated financial statements historically have been prepared for the Lighthouse Companies as a group, no accounting principles under IFRS exist. Consequently, Belships' accounting principles will be applied in the preparation of the financial statements for the merged company. The financial statements for the year ended 31 December 2018 has, and future financial statements of the Group, will be prepared based on Belships' accounting principles but as if Lighthouse had acquired Belships, and comparative financial information will be retrospectively adjusted to reflect the continuation of the accounting acquirer's financial statements.

As a consequence of the above, the financial information contained in this Prospectus will cover historical financial information for Belships and the Lighthouse Group prior to the Merger and for Belships as the combined entity post-Merger as follows:

(i) The financial information contained in this Prospectus related to Belships prior to the Merger has been derived from Belships' audited consolidated financial statements as of and for the years ended 31 December 2017 and 2016 (the "**2017 and 2016 Financial Statements**") and the unaudited interim consolidated financial statements as of, and for the nine months' periods ended, 30 September 2018 and 2017 (the "**Pre-Merger Interim Financial Statements**").

(ii) The financial information contained in this Prospectus related to Belships post-Merger has been derived from the Group's audited consolidated financial statements as of and for the year ended 31 December 2018 (the "**2018 Financial Statements**"), with unaudited comparable financial information for the year ended 31 December 2017,[1] and the Group's unaudited interim consolidated financial statements as of, and for the three months' period ended, 31 March 2019 (the "**Post-Merger Interim Financial Statements**") and comparable financial information for three months' period ended 31 March 2018.[2]

The 2017 and 2016 Financial Statements and the 2018 Financial Statements are jointly referred to as the "**Financial Statements**". The Pre-Merger Interim Financial Statements and the Post-Merger Interim Financial Statements are jointly referred to as the "**Interim Financial Information**". Together, the Financial Statements and the Interim Financial information are jointly referred to as the "**Financial Information**".

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the European Union (the "**EU**"), while the Interim Financial Statements have been prepared

[1] The unaudited comparable financial information for the year ended 31 December 2017 contained in the 2018 Financial Statements comprise only of financial information for the Lighthouse Group.

[2] The unaudited comparable financial information for the three months' period ended 31 March 2018 contained in the Post-Merger Interim Financial Statements comprise only of financial information for the Lighthouse Group.

in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") as adopted by the EU.

The Financial Statements for the years ended 31 December 2018, 2017, and 2016 have been audited by Ernst & Young AS ("**EY**"), as set forth in their report included herein.

4.2.2 Alternative performance measures ("APMs")

To enhance the understanding of the Group's performance, the Company has presented a number of alternative performance measures ("**APMs**") in this Prospectus. An APM is defined as by ESMA guidelines as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the relevant accounting rules (IFRS).

It is Company's view that the APMs provides the investors relevant and specific operating figures which may enhance their understanding of the Group and its performance. The Company uses the following APM's:

- **EBITDA** is defined as net result before tax adjusted for depreciation and amortization, other gains/losses, interest income, interest expenses and other financial items.

- **EBIT** is defined as net result before tax adjusted for interest income, interest expenses and other financial items.

The APMs presented herein are not measurements of performance under IFRS or other generally accepted accounting principles and investors should not consider any such measures to be an alternative to: (a) operating revenues or operating profit (as determined in accordance with IFRS or other generally accepted accounting principles), as a measure of the Group's operating performance; or (b) any other measures of performance under generally accepted accounting principles. The APMs financial measures presented herein may not be indicative of the Group's historical operating results, nor are such measures meant to be predictive of the Group's future results. The Company believes that the APMs measures presented herein are commonly reported by companies in the markets in which it competes and are widely used by investors in comparing performance on a consistent basis without regard to factors such as depreciation, amortization and impairment, which can vary significantly depending upon accounting measures (particular when acquisitions have occurred), business practice or based on non-operating factors. Accordingly, the Group discloses the APMs financial measures presented herein to permit a more complete and comprehensive analysis of its operating performance relative to other companies across periods, and of the Group's ability to service its debt. Because companies calculate the APMs financial measures presented herein differently, the Group's presentation of these APMs financial measures may not be comparable to similarly titled measures used by other companies.

4.2.3 Industry and market data

In this Prospectus, the Company has used industry and market data obtained from independent industry publications, market research, other publicly available information, and specific market data the Company has commissioned from Clarksons and Bloomberg. Market data from Clarksons and Bloomberg is not publicly available information and can only be accessed to valid accounts. While the Company has compiled, extracted and reproduced industry and market data from external sources, the Company has not independently verified the correctness of such data. The Company cautions prospective investors not to place undue reliance on the above mentioned data. Unless otherwise indicated in the Prospectus, the basis for any statements regarding the Group's competitive position is based on the Company's own assessment and knowledge of the market in which it operates.

Although the industry and market data is inherently imprecise, the Company confirms that where information has been sourced from a third party, such information has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where information sourced from third parties has been presented, the source of such information has been identified, however, source references to websites shall not be deemed as incorporated by reference to this Prospectus.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and cannot give any assurances as to the accuracy of market data contained in this

Prospectus that was extracted from these industry publications or reports and reproduced herein. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

As a result, prospective investors should be aware that statistics, data, statements and other information relating to markets, market sizes, market shares, market positions and other industry data in this Prospectus (and projections, assumptions and estimates based on such information) may not be reliable indicators of the Group's future performance and the future performance of the industry in which it operates. Such indicators are necessarily subject to a high degree of uncertainty and risk due to the limitations described above and to a variety of other factors, including those described in Section 2 "Risk factors" and elsewhere in this Prospectus.

4.2.4 Other information

In this Prospectus, all references to "**NOK**" are to the lawful currency of Norway, all references to "**EUR**" are to euro; the single currency of the member states of the EU ("**Member States**") participating in the European Monetary Union having adopted the euro as its lawful currency, all references to "**USD**" are to the lawful currency of the United States. No representation is made that the NOK, EUR or USD amounts referred to herein could have been or could be converted into NOK, EUR or USD as the case may be, at the rates referred to in Section 4.4 "Exchange rates" and at any particular rate, or at all. The Financial Information is published in NOK.

4.2.5 Rounding

Certain figures included in this Prospectus have been subject to rounding adjustments (by rounding to the nearest whole number or decimal or fraction, as the case may be). Accordingly, figures shown for the same category presented in different tables may vary slightly. As a result of rounding adjustments, the figures presented may not add up to the total amount presented.

4.3 Cautionary note regarding forward-looking statements

This Prospectus includes forward-looking statements (as defined below) that reflect the Company's current views with respect to future events and financial and operational performance. All statements other than statements of historical facts included in this Prospectus, including, but not limited to, statements relating to the Company's financial position, the risks specific to the Group's business, the strengths of the Group, business strategy and the implementation of strategic initiatives, as well as other statements relating to the Group's future business development and financial performance, are forward-looking statements. These forward-looking statements can often, but not necessarily, be identified by the use of forward-looking terminology, including the terms "assumes", "projects", "forecasts", "estimates", "expects", "anticipates", "believes", "plans", "intends", "may", "might", "will", "would", "can", "could", "should" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements are not historic facts. They appear in a number of places throughout this Prospectus and include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, financial position, operating results, liquidity, prospects, growth, strategies and the industry in which the Group operates, such as, but not limited to, with respect to the demand for dry bulk products in the future, and for the transportation of these products.

Prospective investors in the Shares are cautioned that forward-looking statements are not guarantees of future performance and that the Group's actual financial position, operating results and liquidity, and the development of the industry in which the Group operates, may differ materially from those made in, or suggested, by the forward-looking statements contained in this Prospectus. The Company cannot guarantee that the intentions, beliefs or current expectations upon which its forward-looking statements are based will occur.

By their nature, forward-looking statements involve, and are subject to, known and unknown risks, uncertainties and assumptions as they relate to events and depend on circumstances that may or may not occur in the future. Because of these known and unknown risks, uncertainties and assumptions, the outcome may differ materially from those set out in the forward-looking statements. Important factors that could cause those differences include, but are not limited to:

- the competitive nature of the markets in which the Group operates and the competitive pressure and changes to the competitive environment in general;

- earnings, cash flow, dividends and other expected financial results and conditions;
- technological changes and new products and services introduced into the Group's market and industry;
- fluctuations of interest and exchange rates;
- changes in general economic and industry conditions, including changes to tax rates and regimes;
- political, governmental, social, legal and regulatory changes (including regulations relating to bribery and corruption, health, safety and the environment);
- dependence on and changes in management and failure to retain and attract a sufficient number of skilled personnel;
- access to funding;
- legal proceedings; and
- force majeure events.

The risks that are currently known to the Company and which could affect the Group's future results and could cause results to differ materially from those expressed in the forward-looking statements are discussed in Section 2 "Risk factors".

The information contained in this Prospectus, including the information set out under Section 2 "Risk factors", identifies additional factors that could affect the Group's financial position, operating results, liquidity and performance. Prospective investors in the Shares are urged to read all Sections of this Prospectus and, in particular, 2 "Risk factors" for a more complete discussion of the factors that could affect the Group's future performance and the industry in which the Group operates when considering an investment in the Company.

These forward-looking statements speak only as of the date on which they are made. The Company undertakes no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Company or to persons acting on the Company's behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

4.4 Exchange rates

The following table sets forth, for the previous five years as indicated, information regarding the average, high, low and period end reference rates for the Norwegian kroner, expressed in NOK per USD, in each case rounded to the nearest three decimal places, based on the daily exchange rate announced by the Central Bank of Norway:

Fiscal year	**Average[1]**
2016	8.399
2017	8.263
2018	8.134
2019 (through 31 May 2019)	8.608

1 Represents the average of the daily exchange rate announced by Norges Bank (the Norwegian Central Bank). Source: https://www.norges-bank.no/tema/Statistikk/Valutakurser/?id=USD

The following table sets forth, for the previous six months indicated, information regarding the average, high, low and period end reference rates for the Norwegian kroner, expressed in NOK per USD, in each case rounded to the nearest three decimal places, based on the daily exchange rate announced by the Central Bank of Norway:

Month	**Average[1]**
December 2018	8.605
January 2019	8.552
February 2019	8.585
March 2019	8.598

April 2019	8.565
May 2019	8.741
Through 26 June 2019	8.643

1 Represents the average of the daily exchange rate announced by Norges Bank (the Norwegian Central Bank). Source: https://www.norges-bank.no/tema/Statistikk/Valutakurser/?id=USD

5 REASONS FOR THE PRIVATE PLACEMENT AND SUBSEQUENT OFFERING

The Company raised gross proceeds of NOK 72.6 million (equivalent to approx. USD 8.3 million) through the Private Placement completed on 29 May 2019. The proceeds raised through the Private Placement will serve several purposes, including:

(i) **Strengthen the Group's financial condition to prepare for further growth**: Belships' strategy going forward is to grow accretive as a fully integrated owner and operator of geared dry bulk carriers. Through the three Recent Vessel Acquisitions as further described in Section 8.5.4 "The Recent Vessel Acquisitions", where sellers have agreed to receive partial settlement in shares, Belships has demonstrated its ability to deliver on this strategy. Belships expects that further "ship for share" transactions may be available, but anticipates that growth may also be achieved through cash acquisitions of vessels and long-term vessel charters;

(ii) **Expand shareholder base and liquidity in the share**: Following the Merger and the consecutive mandatory offer for all outstanding shares in the Company, Kontrari and Kontrazi reached an ownership share of more than 76% of the Company's outstanding shares and votes. As the company's overall strategy is to strengthen its relevance as an attractive investable share at Oslo Stock Exchange, the Private Placement serves the further purpose of broadening the ownership base of the Belships share, and thereby increase investor attention and support the liquidity in the share; and

(iii) **General corporate purposes**: The proceeds from the Private Placement may also be used for general corporate purposes.

The purpose of the Subsequent Offering is to enable all Eligible Shareholders to subscribe for Shares in the Company at the same price as in the Private Placement, thus limiting dilution of their shareholding. Eligible Shareholders are shareholders of the Company as of 28 May 2019 (as registered in the VPS on the Record Date) and who are not resident in a jurisdiction where such offering would be unlawful, or for jurisdictions other than Norway, would require any filing, registration or similar action, except for shareholders being allocated Private Placement Shares in the Private Placement. If the Subsequent Offer is fully subscribed for, the Company will raise and additional NOK 11.2 million in gross proceeds. The proceeds raised through the Subsequent Offering will serve the same purposes as the proceeds raised through the Private Placement, as described above.

6 DIVIDEND AND DIVIDEND POLICY

6.1 Dividend policy

When deciding whether to propose a dividend and in determining the dividend amount, the Board of Directors will take into account legal restrictions, as set out in the Norwegian Public Limited Liability Companies Act of 13 June 1997 No 45, as amended, (the "**Norwegian Public Limited Companies Act**") (see Section 6.2 "Legal constraints on the distribution of dividends"), the Company's capital requirements, including capital expenditure requirements, its financial condition, general business conditions, the maintaining of appropriate financial flexibility and any restrictions that contractual arrangements may place on its ability to pay dividends. Except in certain specific and limited circumstances set out in the Norwegian Public Limited Companies Act, the amount of dividends paid may not exceed the amount recommended by the Board of Directors.

Belships aims to maximize the value of the Shares through an efficient and profitable management of the Company's resources. A competitive total return is to be obtained through growth in the value of the Shares and/or the payment of competitive dividends.

The Board of Directors does not have any authorization to distribute dividends.

The Company has not paid any dividends for the years ended 31 December 2018 or 2016. At the annual general meeting on 24 April 2018, the Company's shareholders resolved to distribute a dividend of NOK 0.10 per share for the year ended 31 December 2017. The total provision for dividend amounted to NOK 4,735,000.

6.2 Legal constraints on the distribution of dividends

Dividends may be paid in cash or in some instances in kind. The Norwegian Public Limited Companies Act provides the following constraints on the distribution of dividends applicable to the Company:

- Section 8-1 of the Norwegian Public Limited Companies Act provides that the Company may distribute dividends to the extent that the Company's net assets following the distribution covers (i) the share capital, (ii) the reserve for valuation variances and (iii) the reserve for unrealised gains. The total nominal value of treasury shares which the Company has acquired for ownership or as security prior to the balance sheet date, as well as credit and security which, pursuant to Section 8-7 to Section 8-10 of the Norwegian Public Limited Companies Act fall within the limits of distributable equity, shall be deducted from the distributable amount.

  The calculation of the distributable equity shall be made on the basis of the balance sheet included in the approved annual accounts for the last financial year, provided however that the registered share capital as of the date of the resolution to distribute dividends shall be applied. Following the approval of the annual accounts for the last financial year, the general meeting may also authorise the board of directors to declare dividends on the basis of the Company's annual accounts.

- Dividends may also be resolved by the general meeting based on an interim balance sheet which has been prepared and audited in accordance with the provisions applicable to the annual accounts and with a balance sheet dated no more than six months before the date of the general meeting's resolution.

- Dividends can only be distributed to the extent that the Company's equity and liquidity following the distribution is considered sound.

The Norwegian Public Limited Companies Act does not provide for any time limit after which entitlement to dividends lapses. Subject to various exceptions, Norwegian law provides a limitation period of three years from the date on which an obligation is due. There are no dividend restrictions or specific procedures for non-Norwegian resident shareholders to claim dividends. For a description of withholding tax on dividends applicable to non-Norwegian residents, see Section 17 "Taxation".

6.3 Manner of dividend payments

Any future payments of dividends on the Shares will be denominated in NOK, and will be paid to the shareholders through the VPS. Shareholders registered in the VPS who have not supplied the VPS with details of their bank account, will not receive payment of dividends unless they register their bank account details with the VPS Registrar. The exchange rate(s) that is applied when denominating any future payments of dividends to the relevant shareholder's currency will be the VPS Registrar's exchange rate on the payment date. Dividends will be credited automatically to the VPS registered shareholders' accounts, or in lieu of such registered account, at the time when the shareholder has provided the VPS Registrar with their bank account details, without the need for shareholders to present documentation proving their ownership of the Shares. Shareholders' right to payment of dividend will lapse three years following the resolved payment date for those shareholders who have not registered their bank account details with the VPS Registrar within such date. Following the expiry of such date, the remaining, not distributed dividend will be returned from the VPS Registrar to the Company.

7 INDUSTRY AND MARKET OVERVIEW

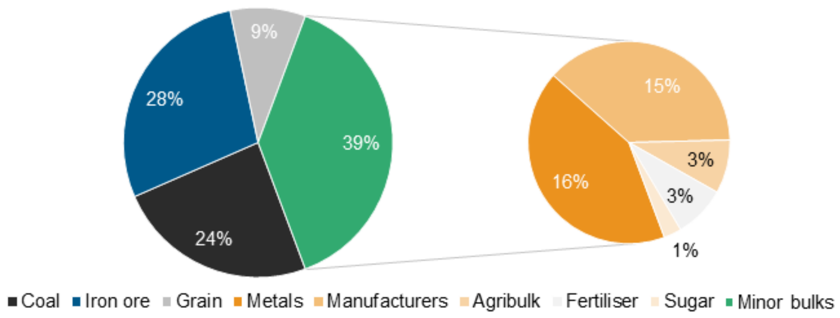
This Section 7 discusses the industry and markets in which the Group and Lighthouse operate. Information in this Section which relates to market environment, market developments, growth rates, market trends, industry trends, competition and similar, are estimates based on data compiled by professional organisations, consultants and analysts, as well as market data from other external and publicly available sources, and the Company's knowledge of the markets in which it operates. Data is based on information from Clarksons and Bloomberg as of June 2019. Data from these respective databases are not publicly available and can only be accessed through valid accounts.

The following discussion contains forward-looking statements, see Section 4.3 "Cautionary note regarding forward-looking statements". Any forecast information and other forward-looking statements in this Section are not guarantees of future outcomes and future outcomes could differ materially from current expectations. Numerous factors could cause or contribute to such differences, see Section 2 "Risk factors" for further details

7.1 Demand drivers

The three largest cargo categories for dry bulk vessels are coal, iron ore, and grain, amounting to approximately 60% of the total dry bulk demand. Iron ore is the primary ingredient in the production of steel together with coking coal and limestone. The seaborne coal trade comprises two types of coal: steam coal (used for electricity generation and industrial uses) and coking coal (key ingredient for steel making). Grain typically consists of wheat, corn, barley, oats, rye and soya bean/meal. The remaining 39% are minor bulks, which include goods such as metals and minerals, phosphate rock, fertilizers, bauxite, steel products, forest products, nickel, ore, sugar, salt and others.

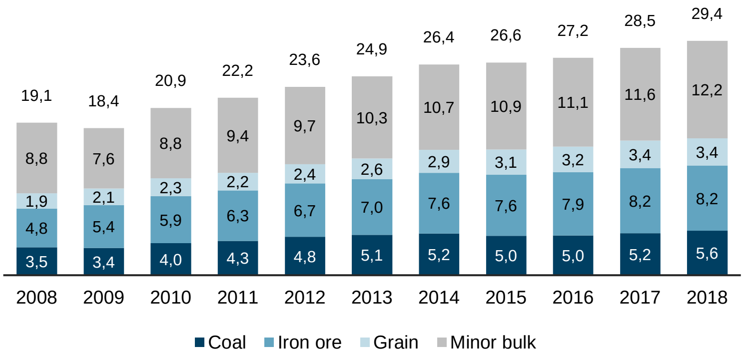
Figure 1: Seaborne Bulk trade and breakdown of minor bulk, 2018 (by tonnes)



Source: Clarksons as of 11/06/2019

Seaborne bulk trades increased to 5.2 billion tonnes and 29.4 billion tonnes-miles in 2018, which is a CAGR of 4.4% since 2008 as illustrated in Figure 2. Coal constitutes approximately a fifth of these trades in terms of tonnes-miles, with 79% of coal trades being steam coal and 21% coking coal. Although coal consumption is still growing and is a key source of energy in the global industry, the growth prospects of tonnes-miles are less optimistic with large Chinese coal mines continuing to come online and in turn reduces China's demand. The iron ore trade has had a 5.5% CAGR for 2008-2018, yet its current outlook is less clear following the Vale tailings dam collapse in January 2019. According to Clarksons about 93 mtpa of Vale's capacity is currently suspended, which is about 6% of the global seaborne supply. As a result, Brazilian iron ore exports declined by 26% year-on-year in March 2019. Minor bulk trade increased by approximately 5% from 2017 to 2018, and was supported by positive trends in a wide range of commodities, with China's imports of metals and minerals growing particularly firmly.

Figure 2: Seaborne bulk trade (trillion tonnes-miles)



CAGR[1]	Last 10y	Last 5y	LTM
Coal	*4.7%*	*1.9%*	*5.9%*
Iron ore	*5.5%*	*3.3%*	*0.1%*
Grain	*5.8%*	*5.3%*	*(1.0%)*
Minor bulk	*3.3%*	*3.6%*	*5.1%*
Overall	***4.4%***	***3.4%***	***3.1%***

1) Based on annual data

Source: Clarksons as of 11/06/2019

Demand for dry bulk products, and for the transportation of these products, is highly related to general global economic development, as measured by GDP and other economic indicators. As the geographic end market for different cargoes to a large extent overlaps across the different cargo types, economic development in these regions are of particular importance for the development in the dry bulk market. Economic growth in China, India and the rest of Asia continues to be a significant demand driver for the dry bulk market. The illustration below highlights certain important dry bulk trades.

Primary exporters of dry bulk products are countries and regions with significant natural resources or agricultural producing regions. The major importers of dry bulk products are countries and regions with significant industrial production and with a relative under-coverage of input factors. Figure 3 shows the most common trade routes in the Supramax and Ultramax segment, which primarily transports minor bulks in addition to coal and grain. The major exporting regions of coal are Australia, Indonesia, Russia and Colombia, while the top importers are Japan, India, China and South Korea. Major exporting regions of grain are the United States, Russia, Argentina and Ukraine, and major importers are Indonesia, Egypt, Algeria and Italy.

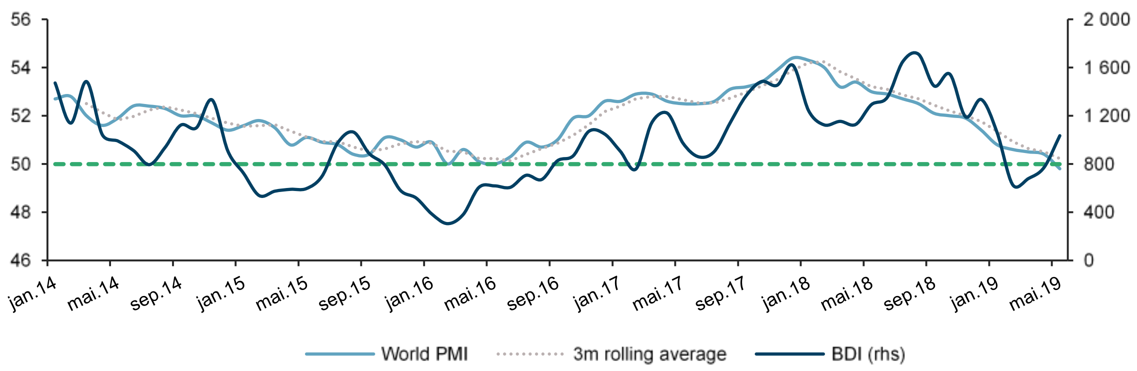
Within minor bulk, the most traded products measured by tonnes are metals, steel, forest products and agribulk. Bauxite is mainly transported from Brazil, Australia and the west coast of Africa, to the United States, China and Europe. Steel is mainly exported from China, Brazil and South Korea, to the United States. The major exporters of fertilizers are countries from the Middle East, Peru, Turkey and Canada, with the main importers being the United States, China, Australia and Brazil.

Figure 3: Global trade routes within dry bulk

Source: Danske Bank

As key dry bulk cargoes are important input factors in various industrial uses, the dry bulk market is highly correlated with the development in the global industry in general. Growth in steel production is positive for the dry bulk freight market as it directly increases demand particularly for iron ore, but also coking coal, scrap and other minor ores used to produce steel. A commonly used indicator of industrial development is the Purchase Manager Index (PMI), which is an industrial economic indicator derived from monthly surveys of private sector companies. The PMI for manufacturing is a forward-looking indicator for the industrial production, which is typically highly correlated to the world's steel production, which in turn explains the strong relationship between PMI and freight rates. The chart below illustrates the strong relationship between this general economic indicator and the development in dry bulk rates, here represented by the Baltic Dry Index. The Baltic Dry Index is a composite of the Capesize, Panamax and Supramax time charter averages.

Figure 4: World PMI vs Baltic Dry Bulk Index



Source: Clarksons and Bloomberg as of 11/06/2019

7.2 Supply

The dry bulk fleet is typically divided into four main size categories;

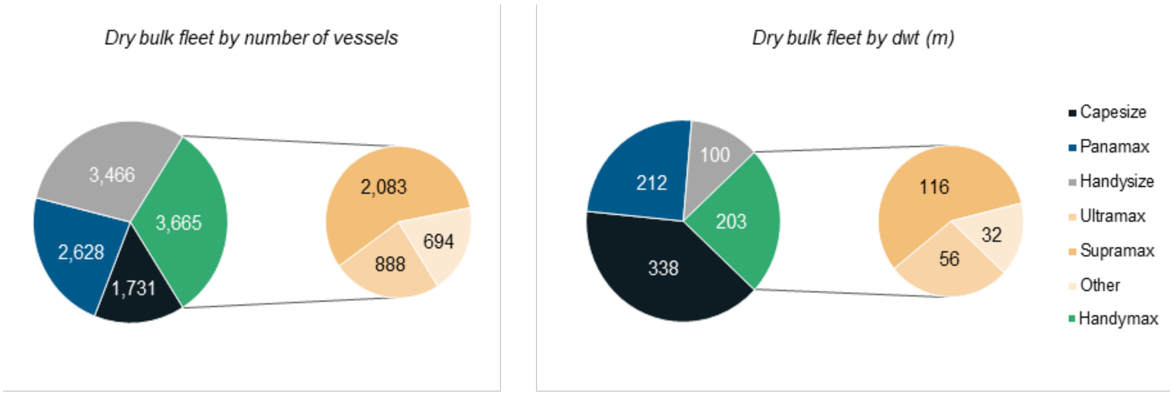
- Capesize (100,000- dwt)
- Panamax (65,000-99,999 dwt)
- Handymax (40,000-64,999 dwt)
- Handysize (10,000-39,999 dwt)

The main cargoes for Capesize and Panamax vessels are iron ore, coal and bauxite, in addition Panamax vessels also carry grain. Handymax and Handysize vessels primarily transport grain and minor bulk. In addition to the categories above there is a large fleet of smaller bulkers used in regional and coastal trade. Larger bulkers offer more economies of scale, but are restrained from many canals and ports. Within each category, there are typically several subcategories, concerning both size and specifications such as crane, cargo hold, etc. The Handymax segment includes the subsegments Ultramax, 60,000-64,999 dwt, Supramax, 50,000-59,999 dwt, and other Handymax bulk carriers, 40,000-49,999 dwt. As Belships' fleet consists of Ultramax and Supramax vessels, the Handymax segment will be the focus of this Section.

7.2.1 Dry Bulk supply

By 11 June 2019, the dry bulk fleet consisted of 11,490 vessels with a carrying capacity of 853 million dwt, of which 3,665 vessels with capacity of 203 million dwt are classified as Handymax. Furthermore, the Handymax fleet comprises 2,083 Supramaxes, 888 Ultramaxes and 694 other bulk carriers carrying 116, 56 and 32 million dwt, respectively.

Figure 5: Dry bulk carrier overview as of June 2019 (DWTm)



Source: Clarksons as of 11/06/2019

Table 1 shows the historical fleet development of the main dry bulk carriers, which is a result of deliveries and additions of vessels net of scrapping and removals. The years following the financial crisis were years with significant fleet growth in all segments, in fact record high fleet growth, due to high contracting activity prior to the crisis. Many deliveries were postponed due to the economic conditions, hence extending the period of high fleet growth. In recent years, supply growth has eased to levels not seen since the late 1990s/early 2000s, and with demand growth exceeding supply growth, this has led to a stronger dry bulk market.

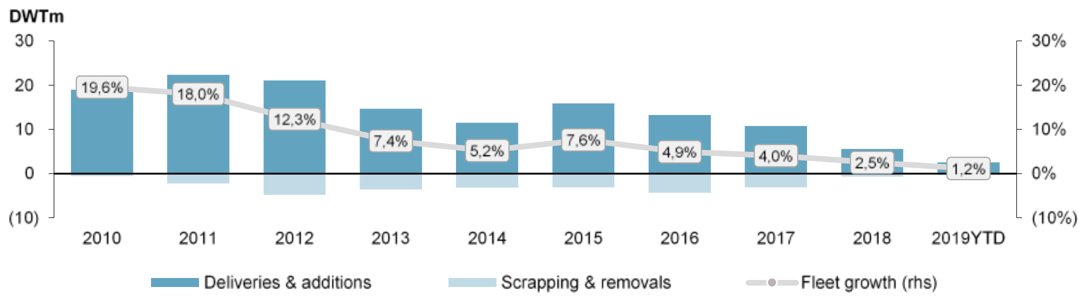
Table 1: Fleet development (DWTm)

Fleet	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019YTD
Capesize	210	249	280	294	308	309	315	324	335	338
Panamax	135	151	169	184	192	195	196	202	207	212
Handymax	111	132	148	159	167	180	188	196	201	203
Handysize	86	90	91	91	92	93	94	96	99	100
Total	**542**	**622**	**688**	**727**	**759**	**777**	**794**	**818**	**841**	**853**
Fleet growth	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019YTD**
Capesize	23.1%	18.9%	12.1%	5.0%	4.9%	0.4%	1.9%	2.8%	3.4%	0.9%
Panamax	12.1%	12.2%	12.0%	8.9%	4.4%	1.5%	0.5%	2.8%	2.7%	2.3%
Handymax	19.6%	18.0%	12.3%	7.4%	5.2%	7.6%	4.9%	4.0%	2.5%	1.2%
Handysize	8.5%	4.6%	1.7%	(0.7%)	1.3%	1.3%	1.4%	1.9%	2.5%	1.1%
Total	**17.0%**	**14.8%**	**10.6%**	**5.7%**	**4.4%**	**2.4%**	**2.2%**	**3.0%**	**2.9%**	**1.3%**

Source: Clarksons as of 11/06/2019

Figure 6 illustrates the historical development of deliveries and scrapping in the Handymax segment. Both expected delivery and scrapping are based on the status of the freight market, i.e. higher earnings motivates increased ordering and lower degree of scrapping. The main indicator for deliveries in the short term is the current orderbook, described below, while scrapping is also correlated with the fleet's age distribution and technical standard of the vessels. The upcoming IMO regulations, described in Section 7.2.6 "IMO Regulations", is also likely to accelerated scrapping.

Figure 6: Handymax net fleet growth (DWTm)

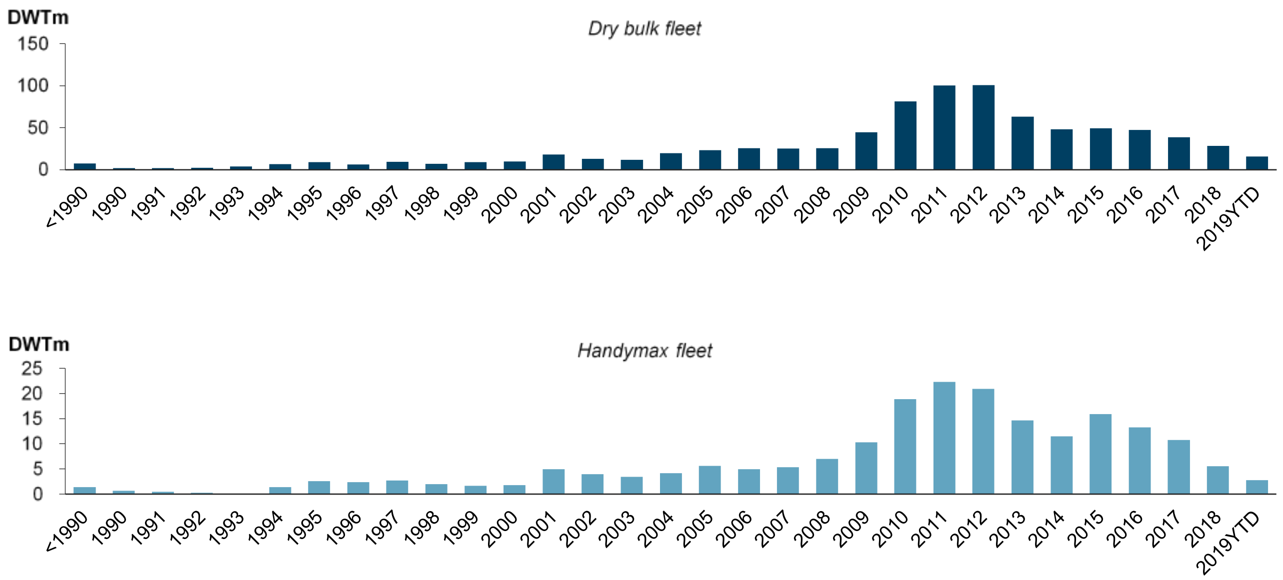


Source: Clarksons as of 11/06/2019

7.2.2 Age distribution

The high fleet growth in the past decade has resulted in a relatively young fleet of dry bulk carriers, with approximately 70% the total dry bulk fleet being younger than 10 years. The age distribution of the dry bulk fleet (including Handymax) and the Handymax fleet are illustrated in Figure 7. Considering the average lifetime of a dry bulk vessel is about 28 years, the fact that less than 10% of the fleet is older than 20 years old this indicates relatively low scrapping the next years all else being equal.

Figure 7: Year built distribution of dry bulk fleet (by dwt)

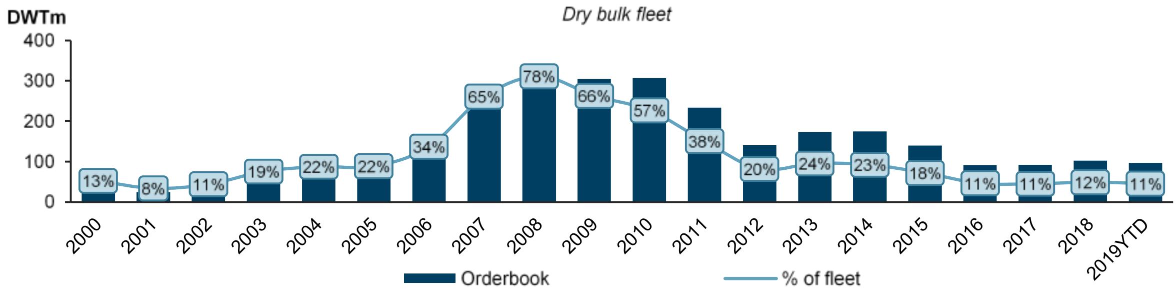


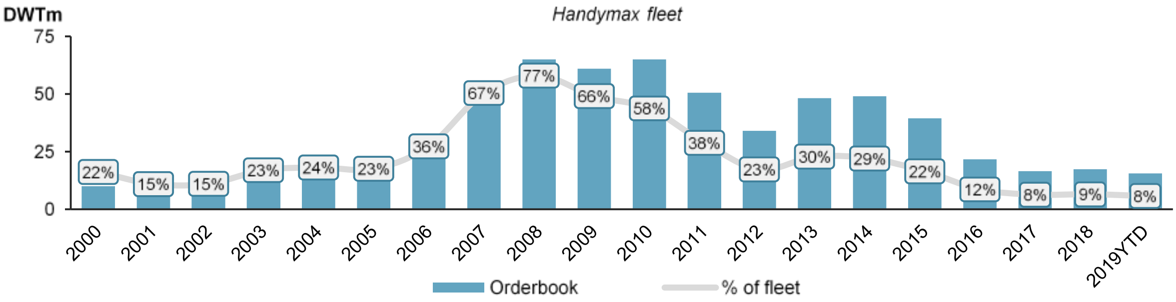
Source: Clarksons as of 11/06/2019

7.2.3 Orderbook

The strongest indicator of future supply growth is the level of the orderbook. Currently, the size of the dry bulk order book is 11% of the existing fleet, while the Handymax orderbook is below 8%. Compared to the historical averages of 28% and 30% for the dry bulk fleet and Handymax fleet, respectively, the supply growth in the short term has a rather moderate outlook.

Figure 8: Orderbook development (by dwt)

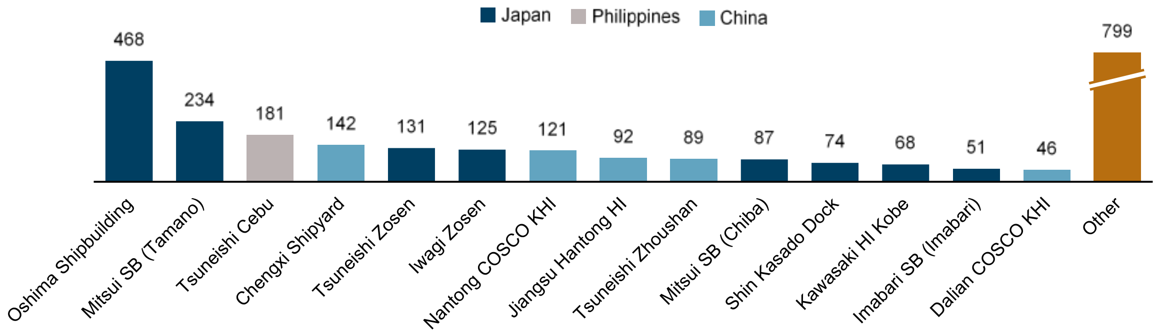




Source: Clarksons as of 11/06/2019

Handymax carriers are mainly built at Japanese and Chinese shipyards. There is a significant number of shipyards which have become less active or inactive in the construction of bulk carriers over the past 10 year period. Figure 9 illustrates top 14 active shipyards based on number of Handymax carriers built.

Figure 9: Handymax carriers built at active shipyards

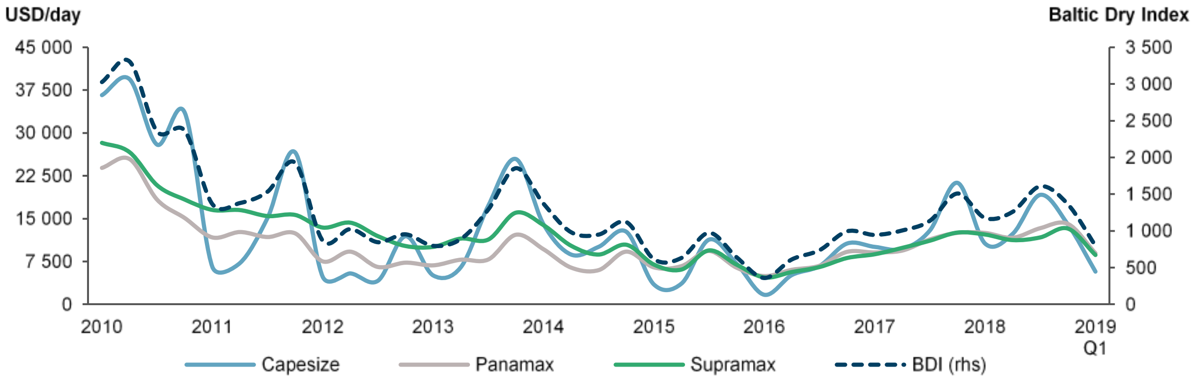


Source: Clarksons as of 11/06/2019

7.2.4 Earnings development

The high fleet growth following the financial crisis had a significant impact on the rate environment for dry bulk carriers. Due to the excess supply and idle capacity in the markets, the earnings dropped significantly. After years of low earnings, the rate environment gradually started to improve across all segments from end of 2016, with the largest vessels leading the way. The significant earnings decline in January 2019 is explained by the massive reduction in iron ore output from Brazil due to the collapse of the Vale dam. As a result of the Vale accident, the transportation of iron ore from Brazil to China has been reduced and this has especially impacted the Capesize earnings. Earnings by the Supramax segment have historically been less volatile than Capesize and Panamax, mainly explained by more diversified cargoes. The chart below illustrates the earnings for the different vessel categories, together with the Baltic Dry Index.

Figure 10: Earnings (USD/day)

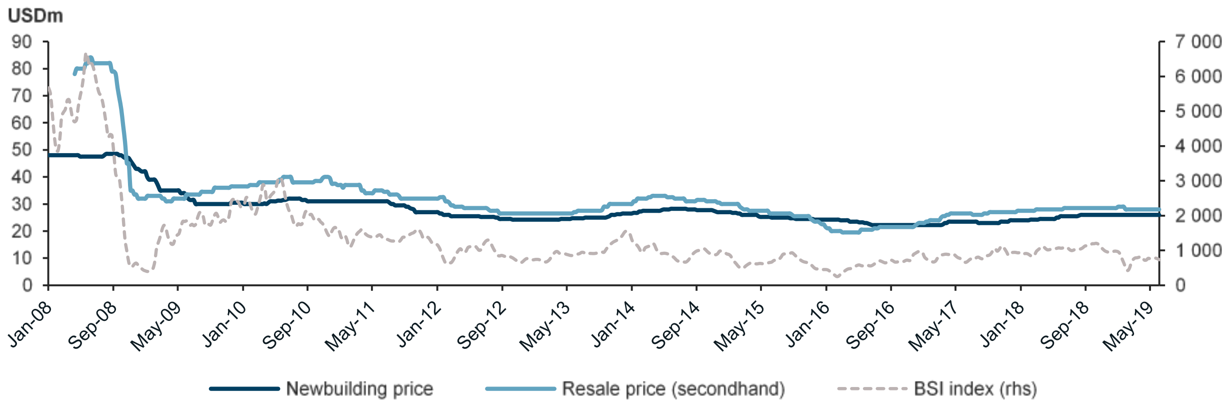


Source: Clarksons as of 11/06/2019

7.2.5 Handymax prices

As of 3 May 2019, the quoted price for a 63,000 dwt Handymax is USD 26m for a newbuilding and USD 28m for resale. Figure 11 illustrates the historical development in the newbuilding- and resale price, and the relationship with the Baltic Exchange Supramax Index (BSI). BSI was officially launched in 2006 and is a measure of the strength of spot freight earnings, currently based on a 63,000 dwt bulk carrier. During periods with relatively low freight earnings, less vessels are ordered and the vessel prices decline. Other factors impacting vessels prices are for instance BWTS instalment and new vessel specifications such as increased vessel size. When a newbuilding vessel is ordered there is a typical delivery time of 2-3 years, hence during periods with high earnings, the resale price of a vessel that can be delivered within a short timespan would clearly exceed the newbuilding price.

Figure 11: Newbuilding- and resale price for 63,000 dwt Handymax carrier



Source: Clarksons as of 11/06/2019

7.2.6 IMO Regulations

The IMO's Ballast Water Management Convention was applied from 8 September 2017, and requires operators to have a certified ballast water treatment system (BWTS) installed on vessels that discharge ballast water in international waters, within it first statutory dry docking survey after 2019. The most common solutions for BWTS are ultra-violet (UV) treatment, electrolytic systems and chemical injection systems.

From 1 January 2020, the global sulphur limit in fuel oil on board ships will be reduced from 3.5% to 0.5% m/m. As of today ship owners mainly have three options for meeting the IMO 2020 regulation: The ships could switch from conventional high-sulphur fuel oil (HSFO) to low-sulphur heavy fuel, marine gas oil (MGO) or other compliant blended fuels. These fuels are more expensive compared to HSFO, and the price spread may increase from 1 January 2020. The second option is that the ship could continue to consume HSFO fuel by installing a scrubber that removes the sulphur from the exhaust. The investment of such installation depends on vessel type and size, and for Supramax/Ultramax vessels normally ranges between USD 2-3 million. The last option is to retrofit today's propulsion system to a LNG or LPG propulsion engine using the respective gas as fuel.

In light of the investment requirements to install BWTS, and the investments needs to comply with the sulphur limit, the outlook of operating at substantially higher cost than vessels with a scrubber or LNG/LPG engine installed, owners of older, non-compliant vessels may find retirement of vessels increasingly attractive, in particular in weaker markets. A potential consequence may therefore be accelerated scrapping of vessels, as vessel operators find the implementation costs to exceed revenue potential of the vessels over their remaining expected operating life.

8 BUSINESS OF THE GROUP

8.1 Overview of the Group's business

Belships is a shipowner and operator of geared bulk carriers focusing on the Supramax and Ultramax segments, with a 100 years of operating history. The Company, with headquarters in Oslo and with offices in Bangkok, Singapore, Shanghai and Tianjin, has been listed on the Oslo Stock Exchange since 1937. The objective of the Company is to create and extract value out of shipowning, operating and management of vessels owned or hired by Belships, as well as vessels managed on behalf of third parties. Belships is presently operating a fleet of 16 ships[3] both own and on period charter. In addition, a 63,000 dwt eco-design Ultramax newbuilding under construction which will be delivered from Imabari Shipbuilding within first half of 2020 (the "**Imabari Newbuilding**"). Following the successful Merger with the Lighthouse Group completed in December 2018, Belships is well positioned as a fully integrated shipowning company with ambitions to pursue further growth.

The Group is divided into three segments; Shipowning, Operating and Technical Management. The Shipowning and Operating segment is focused on Supramax and Ultramax bulk carriers, whilst the Technical Management is mainly focused on dry cargo in general. The Operating segment was new to the Group as from the point of the Merger with the Lighthouse Group in December 2018.

The Group's business comprises a modern and fully financed fleet of 16 geared bulk carriers in the Supramax and Ultramax segment with eight vessels currently chartered out at fixed rates to reputable counterparties, whilst the remaining vessels operate in the spot market on short term contracts. The fleet operates globally, with a wide variety of cargoes and commodities being transported. In order to expand its fleet, the Group has recently acquired three new vessels, one of which was delivered on 31 May 2019 and two of which will be delivered between the date of the Prospectus and 15 August 2019. For further information on the Recent Vessel Acquisitions, see Section 8.5.4 "The Recent Vessel Acquisitions". The Company's tonnage is modern with an average age of about seven years and all ships operates satisfactorily without significant off-hire. As at the date of this Prospectus, the operating expenses are at a competitive level.

All services and key functions are in-house and run by a management team with proven operational track record. Belships' commercial management and operation is provided by Lighthouse Navigation (Bangkok) Pte Ltd ("**Lighthouse Navigation**") and the technical management and crewing is operated by Belships Management (Singapore), both subsidiaries of Belships. Belships Management (Singapore) has expanded its customer base throughout 2018, and following delivery of the Recently Acquired Vessels and the Imabari Newbuilding it will provide technical management for 19 ships and crewing for 34 ships, including Belships' own ships.

8.2 Competitive strengths

The Group believes that it has a number of competitive strengths which provide it with privileged access to benefit from the dry bulk transportation market, including:

- A proud heritage with 100 years of history and track record, which provides increased access to markets and financing;
- The ability to capture the value chain from shipowning, being a fully integrated shipowner and operator;
- A lean, experienced and effective organisation;
- Well positioned with access to proprietary deal flow and markets;
- Attractive contract portfolio and spot market performance; and
- A strong shareholder base and owners which enhances the ability to grow, raise equity and finance.

[3] This does not include the Imabari Newbuilding or two of the Recently Acquired Vessels, i.e. M/V Bellight (previously Sofie Victory) and M/V Belfri (previously Sephora), which is expected to be delivered between the date of this Prospectus and 15 August 2019.

8.3 Strategy and operating plans

Belships vision is to be a leading business within the dry bulk transportation market. Following the Recent Vessel Acquisitions, the Company will control a fleet of 19 dry bulk carriers and aims to enhance its earnings potential with a combination of charter backlog and spot exposure.

Belships' stated strategy going forward is to grow accretively as a fully integrated shipowner and operator of geared dry bulk vessels in order to improve the valuation of its business and the liquidity of its Shares. Good corporate governance and transparency are important to Belships, and Belships firmly believes it will lead to a more valuable business. Belships' goal is to create value out of shipowning, and to return capital competitively over time.

Through the three Recent Vessel Acquisitions, where the sellers have agreed to receive partial consideration in Belships Shares, the Company has demonstrated its ability to deliver on its strategy. Belships expects that further "ships for shares" transactions may be available, and intends to pursue such transactions where accretive, but anticipates that growth may also be achieved through cash acquisitions of vessels and long-term vessel charters.

8.4 History and important events

The Company was incorporated in 1918 by former navy officer Christen Smith. The rapidly growing railroads in the developing parts of the world created global transport requirement for railroad materials. Until then this requirement had been met by the locomotives being packed into crates and sent all over the world to then be assembled in the receiving country. Christen Smith undertook to transport complete locomotives from the factory to railway companies all over the world. This was something no one had attempted to do before and Christen Smith had to both develop new technology and convince his customers that it was actually possible to transport complete locomotives by sea to India, Argentina, Australia and Egypt.

Towards the end of the 1920s, Belships built six ships for the transport of railway materials. The ships were primarily constructed for heavy transport but were nevertheless versatile. These ships were in many ways the precursors of modern bulk ships. They could take on many different types of dry cargo, they had their own cranes on board and could thus load and unload quickly – also in simple ports without advanced equipment.

During the 1930s, Belships was the leading shipping company in heavy lift and transport of both railway materials and heavy components for the new oil refineries that were being built at that time in Asia and South America. However, both the economic depression of that decade and the shipping Company's own grand ambitions contributed to the company experiencing a serious financial crisis. Extensive credit negotiations and restructuring of the company in 1935 led to the business being continued under the new company Belships Company Limited Skibs-A/S which two years later became a listed public company.

The decade after the Second World War was Belships' golden age as a heavy lift shipping company. The new management was now faced with a market with strong demand for heavy lift ships. A whole world was to be rebuilt after six years of war.

Over the years, the family was to change Belships direction away from Christen Smiths' focus on technology towards a more market-oriented approach. Throughout the 1960s Belships was involved in both tank, dry cargo, refrigerated ships and car transport, in addition to heavy lift. In the 1970s, the focus was on dry cargo, in particular timber and large tankers. During the 1960's it became increasingly apparent that the good heavy lift market was drawing to an end, and in 1972 the company sold its last heavy lift ship.

Then came the shipping crisis. Belships experienced distress, and the owners basically had two options: either to continue the business with support from the authorities' newly established emergency aid organisation, the Guarantee Institute for ships and drilling vessels; or to sell ships and bear the whole loss themselves. The owners chose the latter and sold several ships at a large loss. In a few short years Belships was out of the large tank business.

Towards the end of the 1970s, rates and values were on the increase again. Belships' management saw a need to focus the Company's activity and chose Handysize bulk, i.e. dry cargo ships of 35-40 000 dwt.

Special market conditions at the beginning of the 1980s meant that Belships and its partners in a short time acquired a number of Handysize bulk ships. This occurred when rates were very low. The transaction had involved considerable risk, and the shipping company's financial resources were stretched to the limit. Then the market turned around and rates rose again.

During the 1990s Belships has concentrated its activity on product tank and panamax bulk, in addition to Handysize bulk. Through this moderate diversification the shipping company has ensured that risk has been spread, both by participating in diverse shipping segments and by choosing various forms of ownership and operation within the respective segments.

Over the past years, Belships has steadily increased its focus on its dry cargo operations. In 2013, the Company outlined a newbuilding program for eco-design Ultramax bulk carriers to be constructed by Imabari Shipbuilding Group in Japan and on 20 January 2014, the Company announced that it would be focusing solely on the dry bulk market. This strategic move has transformed the Company into a pure play dry bulk shipowning company.

In accordance with the shift in strategy, the product tanker M/T Belaia was redelivered to the owner Lauritzen Tankers at the expiry of the charter in March 2014 and the Company took delivery of three Ultramax bulk carriers in the period 2015-2018. Another Ultramax bulk is expected to be delivered from the shipyard during the first half of 2020.

As part of Belships' increased focus on its dry cargo operations, Belships completed a merger in 2018, whereby the Lighthouse Companies, was merged into Belships Lighthouse AS, formerly known as Belships Chartering AS, a wholly-owned subsidiary of the Company. For more information about the Merger, see Section 4.2.1 "Financial information". Following the Merger, Belships increased its fleet from seven[4] to 16 ships, significantly strengthening its position within the medium-sized bulker segments Supramax and Ultramax.

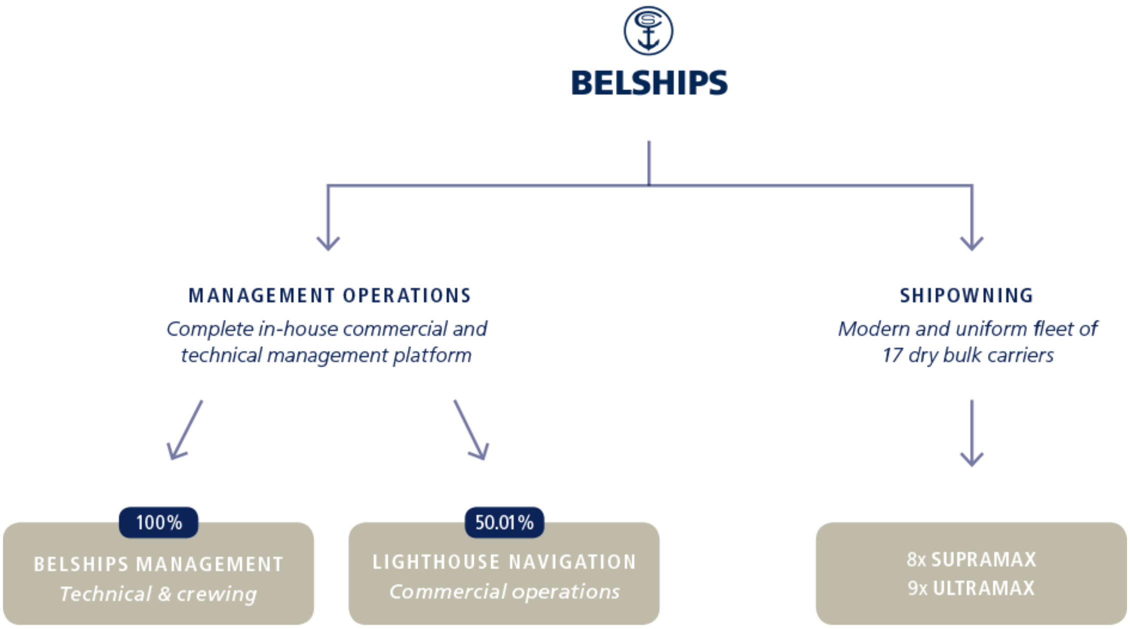
In April 2019, Belships announced the acquisition of two Supramax bulk carriers through two "ship for shares" transactions, and the acquisition of one Ultramax bulk carrier through the acquisition of 100% of the shares in the single purpose vehicle, Sofie Victory AS. For more information on the Recent Vessel Acquisitions, see Section 8.5.4 "The Recent Vessel Acquisitions".

Going forward, the Group aims to expand further as a focused tonnage provider of modern dry cargo vessels.

8.5 The fleet and business

8.5.1 Introduction

The Group is divided into three segments; Shipowning, Operating and Technical Management. The corporate structure of the Group can be illustrated as follows:



[4] This includes the Imabari Newbuilding.

8.5.2 *Overview of the fleet*

The table below shows an overview of the Group's fleet:[5]

Vessel	Historical name	Type	Built	DWT	Yard	Ownership
Belships vessels						
Imabari Newbuilding	N/A	Ultramax	2020	63,000	Imabari	TC-in[1]
Belnippon	N/A	Ultramax	2018	63,000	Imabari	TC-in[2]
Belisland	N/A	Ultramax	2016	61,000	Imabari	BB-in[3]
Belforest	N/A	Ultramax	2015	61,000	Imabari	BB-in[4]
Belocean	N/A	Supramax	2011	58,000	Dayang	Owned
Belnor	N/A	Supramax	2010	58,000	Dayang	Owned
Belstar	N/A	Supramax	2009	58,000	Dayang	Owned
Lighthouse vessels						
Belinda	Indian Light	Ultramax	2016	63,200	Hantong	Owned
Belmont	Baltic Light	Ultramax	2016	63,200	Hantong	Owned
Belatlantic	Atlantic Light	Ultramax	2016	63,200	Hantong	Owned
Belpareil	Northern Light	Ultramax	2015	63,200	Hantong	Owned
Belsouth	Southern Light	Ultramax	2015	63,200	Hantong	Owned
Belorient	Orient Light	Supramax	2008	50,292	PT Pal	Owned
Belfort	Bering Light	Supramax	2008	50,292	PT Pal	Owned
Belpacific	Pacific Light	Supramax	2007	50,198	PT Pal	Owned
Beleast	Eastern Light	Supramax	2006	50,223	PT Pal	Owned
Recently acquired vessels						
Bellight	Sofie Victory	Ultramax	2016	63,000	New Times	Owned[5]
Belcargo	Viola	Supramax	2008	58,700	Tsuneishi	Owned[6]
Belfri	Sephora	Supramax	2007	55,866	Kawasaki	Owned[5]

1 The charter period of 8+1+1 years from February 2020 with purchase options after the fourth year

2 Time charter period of 8+1+1+1 years from January 2018 with purchase options after the fourth year

3 Bareboat charter lease period of 15 years from March 2016 with purchase options after the fifth year

4 Bareboat charter lease period of 12 years from September 2015 with purchase options after the third year

5 To be delivered between the date of this Prospectus and 15 August 2019

6 Delivered on 31 May 2019 and time chartered until March 2021

8.5.3 *Dry cargo*

8.5.3.1 The Supramax dry bulk carriers

Belships owns three Supramax dry bulk carriers through its wholly-owned subsidiary Belships Supramax (Singapore). The ships are of 58,018 dwt and were built at the Yangzhou Dayang shipyard in China in the period 2009-2011. All of the ships are registered in Singapore. The M/S Belocean was delivered in March 2011, while the M/S Belstar and the M/S Belnor were delivered in August 2009 and May 2010, respectively. M/S Belocean is chartered to Cargill International S.A., Switzerland ("**Cargill**"), while M/S Belstar and M/S Belnor are both chartered to Canpotex Ltd, Canada ("**Canpotex**") on 10-year time charters effective from delivery. The charter for M/S Belstar expires in June 2019. The supramax dry bulk fleet mostly transports semi-finished industry products and operates worldwide.

[5] Including the Recently Acquired Vessels and the Imabari Newbuilding.

M/S BELSTAR (SUPRAMAX BULK)

OWNERSHIP	100%
BUILT YEAR	2009
DWT	58 018
EMPLOYMENT	T/C TO 08/19
T/C-RATE (NET USD/DAY)	16 000

M/S BELOCEAN (SUPRAMAX BULK)

OWNERSHIP	100%
BUILT YEAR	2011
DWT	58 018
EMPLOYMENT	T/C TO 08/18 (+2 MONTHS OPTION)

M/S BELNOR (SUPRAMAX BULK)

OWNERSHIP	100%
BUILT YEAR	2010
DWT	58 018
EMPLOYMENT	T/C TO 05/20
T/C-RATE (NET USD/DAY)	16 000

In addition, Belships owns four Supramax size box-shaped dry bulk carriers through its wholly-owned subsidiary Belships Lighthouse. The ships are of 50,000 dwt and were built at the PT PAL yard in the period 2006 - 2008 and are equipped with five box shaped cargo holds total 60,000 CBM, 4 x 35T cranes, single engine and single propeller. All of the ships are registered with the Norwegian International Ship Registry (NIS) with Egersund as home port and are classed by DNV-GL. Technical management and manning of the ships named M/V Beleast (previously Eastern Light) and M/V Belpacific (previously Pacific Light) is provided by Sunship Schiffahrtskontor KG in Germany, which has followed the ships since contracted. Technical management and manning of the ships named M/V Belfort (previously Bering Light) and M/V Belorient (previously Orient Light) is provided by Fleet Management Limited, which has followed the ships since delivered from the shipyard. All ships are in process of being transferred to Belships Management (Singapore).

M / V Belpacific (previously Pacific Light)

Built: 2007
LOA x BEAM 189.90 x 30.50 m
Gross Tonnage: 30,138
Deadweight: 50,222
Ship Type: Boxshaped Geared Bulk Carrier
IMO: 9336830
Flag: Norway (NIS)

M / V Belfort (previously Bering Light)

Built: 2008
LOA x BEAM: 189.9m × 30.5m
Gross Tonnage: 30,273
Deadweight: 50,292
Ship Type: Boxshaped Geared Bulk Carrier
IMO: 9335020
Flag: Norway (NIS)

M / V Belorient (previously Orient Light)

Built: 2008
LOA x BEAM: 189.84m × 30.5m
Gross Tonnage: 30,273
Deadweight: 50,202
Ship Type: Boxshaped Geared Bulk Carrier
IMO : 9382724
Flag : Norway (NIS)

M / V Beleast (previously Eastern Light)

Built: 2006
LOA x BEAM: 189.84m × 30.5m
Gross Tonnage: 30,273
Deadweight: 50,202
Ship Type: Boxshaped Geared Bulk Carrier
IMO: 9336828
Flag: Norway (NIS)

8.5.3.2 The Ultramax dry bulk carriers

The Company owns four Ultramax dry bulk carriers. The Company took delivery of one 61,000 dwt Ultramax bulk carrier in September 2015 (M/S Belforest) and a sister vessel in March 2016 (M/S Belisland). In January 2018, the Company took delivery of one 63,000 dwt Ultramax bulk carrier (M/S Belnippon). M/V Belforest is bareboat chartered for 12 years with purchase options from year three onwards, whereas M/V Belisland is bareboat chartered for 15 years with purchase options from year five onwards. M/S Belnippon is time chartered for eight years with purchase options from year four onwards. M/S Belforest is on charter to Cargill until August 2019, which has been extended for 11-13 months. M/S Belnippon is also on charter to Cargill, which has been extended for 7-9 months following February 2019. M/S Belisland is on charter to Canpotex until March 2021.

Another 63,000 dwt Ultramax bulk carrier (the Imabari Newbuilding) is scheduled for delivery during the first half 2020 and will be time chartered for eight years with purchase options from year four onwards. Belships will seek charter coverage for this newbuilding closer to delivery.

All four Ultramaxes are high quality bulk carriers with optimised fuel efficiency and low emissions built in Japan by Imabari Shipbuilding.

M/S BELISLAND (ULTRAMAX BULK)

OWNERSHIP	B/B TO 03/31
BUILT YEAR	2016
DWT	61 252
EMPLOYMENT	T/C TO 03/21
T/C-RATE (NET USD/DAY)	17 300

M/S BELNIPPON (ULTRAMAX BULK)

OWNERSHIP	T/C TO 2025 (1+1+1)
BUILT YEAR	2018
DWT	63 602
EMPLOYMENT	T/C TO 11/18 (+3 MONTHS OPTION)
T/C-RATE (NET USD/DAY)	11 070

IMABARI NEWBUILDING (ULTRAMAX BULK)

OWNERSHIP	T/C TO 2028 (1+1)
BUILT YEAR	DELIVERY 1ST HALF 2020
DWT	63 000

M/S BELFOREST (ULTRAMAX BULK)

OWNERSHIP	B/B TO 09/27
BUILT YEAR	2015
DWT	61 320
EMPLOYMENT	T/C TO 09/18 (+2 MONTHS OPTION)

In addition, Belships owns five Ultramax size dry bulk carriers of Dolphin-64 design through its wholly-owned subsidiary Belships Lighthouse. The design is a so-called eco design combining high cargo carrying capacity with low fuel consumption, and the vessel size is 64,000 DWT. These Ultramax dry bulk carriers are equipped with five cargo holds total 78,000 CBM, 4 x 36T cranes, single engine, single propeller and ballast water treatment system.

The five sister vessels, which are named M/V Belpareil (previously Northern Light), M/V Belsouth (previously Southern Light), M/V Belinda (previously Indian Light), M/V Belmont (previously Baltic Light) and M/V Belatlantic (previously Atlantic Light), were built at Jiangsu Hantong Ship Heavy Industry and delivered between May 2015 and May 2016. In May 2019, M/V Belsouth was fixed to Western Bulk Chartering AS ("**Western Bulk Chartering**") for a period of 6-9 months.

The fleet is registered with the Norwegian International Ship Registry (NIS) with Egersund as home port. The vessels' class certificates are maintained by DNV GL, and technical management and manning is provided by Fleet Management Limited in Hong Kong, one of the largest third party management companies in the world and a specialist in dry bulk vessels. All ships are in process of being transferred to Belships Management (Singapore).

M/V Belpareil (previously Northern Light)

Built: 2015
LOA x BEAM: 200m × 32m
Gross Tonnage: 36,321
Deadweight: 63,279
Ship Type: ULTRAMAX GEARED BULK CARRIER
IMO: 9744051
Flag: Norway (NIS)

M/V Belsouth (previously Southern Light)

Built: 2015
LOA x BEAM: 200m × 32m
Gross Tonnage: 36,321
Deadweight: 63,297
Ship Type: ULTRAMAX GEARED BULK CARRIER
IMO: 9744063
Flag: Norway (NIS)

M/V Belinda (previously Indian Light)

Built: 2016
LOA x BEAM: 199.90m × 32.26m
Gross Tonnage: 36,321
Deadweight: 63,338
Ship Type: ULTRAMAX GEARED BULK CARRIER
IMO: 9744075
Flag: Norway (NIS)

M/V Belmont (previously Baltic Light)

Built: 2016
LOA x BEAM: 199.90m × 32.26m
Gross Tonnage: 36,331
Deadweight: 63,263
Ship Type: ULTRAMAX GEARED BULK CARRIER
IMO: 9744087
Flag: Norway (NIS)

M/V Belatlantic (previously Atlantic Light)

Built: 2016
LOA x BEAM: 199.99m x 32.26 m
Gross Tonnage: 36,321
Deadweight: 63,279
Ship Type: ULTRAMAX GEARED BULK CARRIER
IMO: 9744104
Flag: Norway (NIS)

8.5.4 *The Recent Vessel Acquisitions*

In April 2019, Belships announced the acquisition of three new vessels named by Belships M/V Belcargo, M/V Belfri and M/V Bellight (together the "**Recently Acquired Vessels**"), as further described below:

(i) Belships has entered into an agreement to acquire the 58,700 dwt Supramax bulk carrier M/V Belcargo (previously Viola), from Wenaas Shipping AS, through a "ship for shares" transaction. The vessel was built at Tsuneishi Heavy Industries (Cebu), Inc. in the Philippines in 2008. The agreed purchase price is USD 13 million, of which half will be paid in cash. The remaining consideration is paid by the issuance of 8,060,650 new Belships Shares to the seller at an agreed transaction price of NOK 7.00 per share.

(ii) In addition, Belships has entered into an agreement to acquire the 55,866 dwt Supramax bulk carrier M/V Belfri (previously Sephora), from Prospero Marine Ltd, through a "ship for shares" transaction. The vessel was built by Kawasaki Heavy Industries, Japan in 2007. The agreed purchase price is USD 12 million, of which half will be paid in cash. The remaining consideration will be paid by the issuance of 7,045,114 new Belships Shares to the seller at an agreed transaction price of NOK 7.00 per share.

(iii) Lastly, Belships has entered into an agreement to acquire the 63,000 dwt Ultramax bulk carrier M/V Bellight (previously Sofie Victory), through the acquisition of 100% of the shares in the single purpose company Sofie Victory AS, being the owner of M/V Sofie Victory. The sellers are EGD Ultra Eco AS (holder of 80% of the shares in Sofie Victory AS) and Blossom Shipmanagement Ltd (holder of 20% of the shares in Sofie Victory AS). The agreed purchase price is on an enterprise value basis of USD 24.15 million, to be adjusted for the actual transaction closing balance sheet items. The agreed transaction consideration includes the assumption of approximately USD 14 million of debt. Of the net consideration of approximately USD 10 million, USD 2 million will be paid in cash, while the remaining amount will be settled by the issuance of in total 10,710,220 new Belships Shares to the sellers at an agreed transaction price of NOK 7.00 per share, of which EGD Ultra Eco AS will receive 8,568,176 Shares and Blossom Shipmanagement Ltd will receive the remaining 2,142,044 Shares. M/V Bellight has been time chartered to ED&F Man Shipping Ltd. ("**Man Shipping**") from delivery until March 2021.

M/V Belcargo was delivered on 31 May 2019 upon completion of the transaction with Wenaas Shipping AS as described in item (i) above, and M/V Belfri and M/V Bellight are expected to be delivered between the date of this Prospectus and 15 August 2019. Following the delivery of the Recently Acquired Vessels, Belships' fleet will count 19 Supramax/Ultramax bulk carriers.

8.5.5 *Technical ship management*

The Company is engaged in technical operation activities through Belships Management (Singapore) and its subsidiaries Belships (Tianjin) and Belships (Shanghai). The companies handle technical maritime operation for both Belships' own ships and on behalf of other shipping companies. As at the date of this Prospectus the Group provides technical management for 16 ships, including its own ships, and provides crewing for 31 ships. The Company expects that they will provide technical management and crewing for an additional three ships during third quarter 2019.

Belships Management (Singapore) and the subsidiaries Belships (Tianjin) and Belships (Shanghai) are in charge of the technical management of bulkers, while technical management is offered for tankers and product tankers through the company CST Belchem Singapore Pte Ltd.

8.5.6 *Transportation services and commercial management*

Through its subsidiary Lighthouse Navigation, the Group has offered customised transportation services for dry bulk charterers in the Ultramax and Supramax markets since 2009, transporting commodities such as steel, fertilisers, agricultural products and other break bulk cargoes. The Group 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 3.5 million tonnes, and the turnover exceeds USD 100 million.

Further, the subsidiary Lighthouse Navigation provides commercial management of the vessels owned or leased by Belships. The company is based in Asia and serves customers on a world-wide basis.

8.5.7 *Liner services*

Orient Asia Lines BV, which is owned 50% by Lighthouse Navigation, was established in 2010 and is a joint venture between the Group and Nepa Holding (HK) Limited. Orient Asia Lines (Malaysia) Sdn Bhd, a subsidiary of Orient Asia Lines, was established in September 2012.

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 lumber, sawn timber, wood pulp and paper, plywood and medium density fibreboard (MDF). Orient Asia Lines also carries project cargoes, steels and machineries.

8.5.8 *Ship agency services*

Siam Thara Agency Co., Ltd, ("**Siam Thara Agency**") established in January 2014, is owned 40% by the Company's subsidiary Lighthouse Navigation and 17.5% by Lighthouse Navigation Co. Ltd., which in turn is owned 40% by Lighthouse Navigation.

Siam Thara Agency is a full service agency company representing both owners and charterers, focusing on securing the interests of all parties with minimal conflict.

The company offers protective agency, where the protective agents undertake specific responsibilities as required by the client. Siam Thara Agency offers a fully customisable service to allow adequate protection of the client's commercial and legal interests locally and in real time. The company 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.

Further, the company provides vessel husbandry, which includes, inter alia, coordination of booked services, cash to master delivery, meet and greet with owner / charterer representatives, crew change formalities, pick up, repatriations, hospitalisation, shore leave, transportation and hotel accommodations, medical assistance, spare parts handling, lubricants and/or bunker delivery coordination and launch services, fresh water, provisions, deck and engine stores supplies.

Siam Thara Agency also provides logistics services, including stevedoring, barging, inland transportation, door to door delivery, warehousing and distribution, customs house brokerage services, documentation and registration with authorities for clearance and cargo insurance.

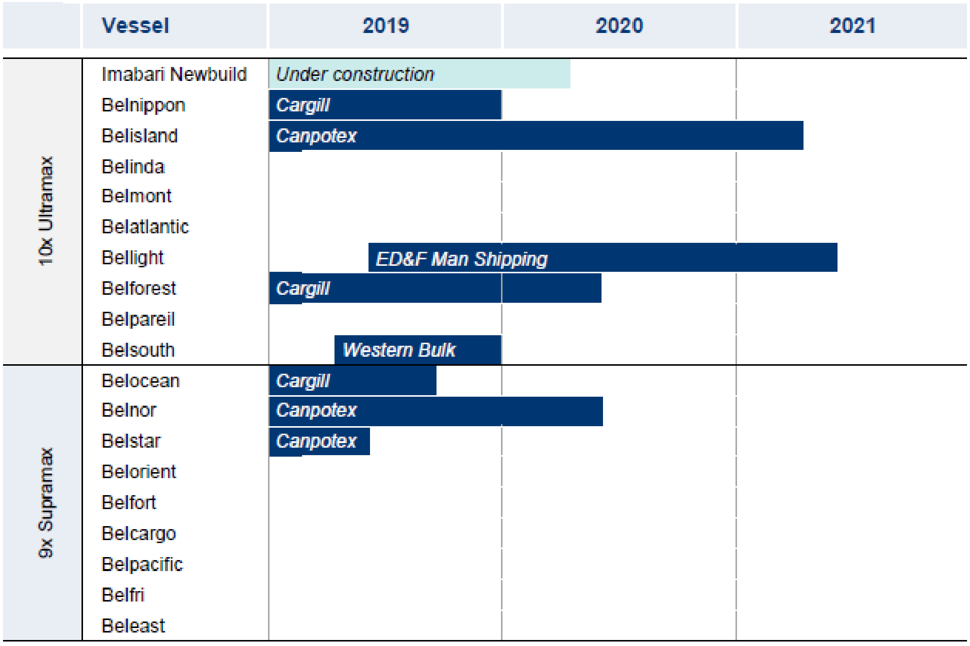
The company is also cargo booking agent for Nortrans Express Pte Ltd.

8.6 Customers/charterers

8.6.1 *Introduction*

The Company has an optimal mix of charter and spot market exposure. The Company has four main customers for charter. As at the date of this Prospectus, the two largest customers account for 25% of the Group's chartering revenues.

The chart below illustrates the Company's contracts for the current fleet.[1]



1 Belcargo (previously Viola) was delivered on 31 May 2019. Bellight (previously Sofie Victory) and Belfri (previously Sephora) will be delivered between the date of this Prospectus and 15 August 2019.

8.6.2 Canpotex

Canpotex is an international marketing and distribution company, wholly owned by the Saskatchewan potash producers: Agrium Inc., the Mosaic Company, and Potash Corporation of Saskatchewan Inc.

Canpotex is one of the world's largest exporter of potash. Potash is the common name for various mined and manufactured salts that contain potassium in water-soluble form, and is mostly used in the production of fertilizers. Canpotex' potash sales are normally in the range of 8-9 million metric tons a year. Major international markets include Australia, Brazil, China, India, Indonesia, Japan, Korea and Malaysia.

As a competitive world supplier, Canpotex markets and distributes Saskatchewan potash to customers overseas, principally to countries in Asia, Latin America, and Oceania. Operating since 1972, Canpotex has corporate offices in Singapore, Hong Kong, Tokyo, Saskatoon and Vancouver.

8.6.3 Cargill

Founded in 1865, Cargill is the world's largest privately owned company. The company is an active producer and a supplier in industries as diverse as agriculture, oil, shipping and heavy industry. Cargill's ocean transportation business, headquartered in Geneva, operates one of the world's largest dry bulk charter fleets with over 550 vessels under their control at any one time, calling nearly 1,000 ports worldwide and shipping more than 220 million metric tons of dry bulk cargo each year.

8.6.4 Western Bulk Chartering

Western Bulk Chartering is a global operator of dry bulk vessels and the World's third largest operator of Supramax vessels. In February 2016, Western Bulk Chartering was sold from Bulk Invest ASA to Kistefos AS. Following this transaction, Western Bulk Chartering is now a privately owned, independent chartering company.

The company has a diversified organizational structure with commercial authority distributed down to seven independent business units with geographical mandates. The units are based throughout the company's offices in Singapore, Santiago, Seattle and Miami. Each business unit makes its commercial decisions, which ensures diversified exposures, quick decision-making and good alignment of risk and rewards.

Based on the presence in different markets worldwide, the company has built a broad and well-diversified supplier and customer base. In 2015, Western Bulk Chartering operated an average fleet of 155 vessels to transport 48 million tonnes of dry bulk commodities for more than 360 cargo customers world-wide.

8.6.5 Man Shipping

Man Shipping is a wholly owned subsidiary of ED&F Holdings Ltd, the long established soft commodities trading company well known for its market leading positions in sugar, coffee, molasses and grain trading.

Man Shipping was established in 1983, initially as a competitive broker but quickly expanded into operating and shipowning. Today, the company operates a time charter fleet of around 35 Supramax and Ultramax craned bulk carriers trading worldwide. Man Shipping's headquarters are in London, with an office in Singapore covering its tonnage and orders in the Pacific basin.

8.6.6 Average earnings per day in the first quarter of 2019

The table below sets out the average earnings per day for the Belships' fleet in the first quarter of 2019 compared to the TCE spot market and the net BSI TCE index:

	USD per day	Number of vessels
Average TCE	11,359	16
Spot TCE	9,587	N/A
Net BSI TCE	7,634	N/A

8.7 Property, plants and equipment

Belships leases office properties in most of the countries in which it operates. The Company's headquarters are located in Oslo, whilst the commercial operations are located in Bangkok. Belships also have companies in Singapore and Shanghai for its technical management. In addition, Belships has manning offices in Tianjin, Myanmar and the Philippines. The table below sets out certain information on the Group's major leased properties:[6]

Location	Office type	2018 annual rent	Expiration of lease
Oslo	Headquarters	NOK 1,100,000	31 December 2021
Bangkok	Commercial operations	USD 237,609.90	31 August 2021
Singapore	Technical management	N/A[1]	2063

1 The lease contract for the Singapore office was entered into in 2007 for a period of 56 years expiring in 2063 for a fixed price of S$1,659,000 which has been fully paid.

8.8 Litigation and disputes

The Group is not, nor has it been during the course of the preceding twelve months, involved in any legal, governmental or arbitration proceedings which may have, or have had in the recent past, significant effects on the Group's financial position or profitability, and the Group is not aware of any such proceedings which are pending or threatened.

8.9 Environmental and other regulations

Belships is closely monitoring the development of all environmental regulations and has established a management system covering policies and procedures for compliance with the requirements of regulations such as the ISM Code, ISO 9001:2000, ISO 14001:2015, OHAS 18001:2007, MLC 2006, DOC for Norwegian Flag vessels. Internal audits and inspections are conducted by the various disciplines within the organisation, while external audits and inspections are conducted by coastal and flag state inspectors, regulatory authorities, classification bodies and other relevant governmental authorities.

Below is a summary of the environmental and other regulations Belships demonstrate compliance with:

8.9.1 IMO conventions

The International Maritime Organisation ("**IMO**") has adopted several international conventions that regulate the international shipping industry. These regulations have been adopted by many nations, including most of the jurisdictions in which the Group operates. The majority of conventions adopted under the auspices of IMO fall into three main categories. The first category is concerned with maritime safety; the second with the prevention of marine pollution; and the third with liability and compensation, especially in relation to damage caused by pollution.

[6] The leased properties in Shanghai, Tianjin Myanmar and the Philippines are not considered material to the Group.

Belships has demonstrated compliance with the IMO Resolution A.741(18).

8.9.2 ISO/OHSAS standards

The International Organization for Standardization ("**ISO**") is an independent, non-governmental international organization with a membership of 164 national standard bodies, and in total 3,573 technical bodies, comprising 249 technical committees, 504 subcommittees, 2,714 working groups and 106 ad hoc study groups to take care of standard development. The ISO International Standards ensure that products and services are safe, reliable and of good quality. Belships is certified to two ISO standards: ISO 9001:2000 and ISO 14001.

ISO 9001:2000 is a Quality Management Systems ("**QMS**") standard, whilst ISO 14001 is an Environment Management System Standard ("**EMS**"). The certificates are issued by the classification society and establish environmental standards and implementation routines. Continuous efforts are made by Belships 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.

OHSAS 18001:2007 is an internationally applied standard for Occupational Health and Safety management systems.

8.10 Insurance

The operation of any ocean-going vessel represents a potential risk of major losses and liabilities, death or injury of persons as well as property damage caused by adverse weather conditions, mechanical failures, human errors, war, terrorism, piracy and other circumstances or events. In addition, the transportation of dry cargo by sea is subject to the risk of pollution and other environmental damage, and to business interruptions due to political unrest, hostilities, labour strikes and boycotts. The results of any of these events may result in loss of revenues or increased costs. See also Section 2.1 "Risks relating to the Group and the industry in which the Group operates".

The Group maintains insurance in accordance with industry standards. The Group's vessels are currently insured for hull & machinery, loss of hire, war risk, including a protection and indemnity insurance (cargo claims, pollution claims, wreck removal and dock damage). The insurance is intended to cover risks associated with the conduct of the business, as well as environmental damage and pollution coverage.

8.11 Environmental, health and safety matters

The Group is an ambitious global organization with a corporate social responsibility policy that makes health, safety and environment ("**HSE**") responsibility an integral facet of its business. Belships aims to minimize environmental impact from its activity, and strives to improve safety. Measures are continuously taken to prevent the business from polluting the environment and Belships works consciously to improve standards, on board and ashore. The Group's approach is therefore to safeguard people, environment, cargo an vessel through implementation of the Group's values, policies, processes and procedures.

The Group runs a complex business and risk awareness both on individual and company level is critical for success. Further, the Group will strive to establish safeguards against identified risks, but it must always rely upon each individual's professional judgements.

8.12 Material contracts outside ordinary course of business

The Group has not entered into any material contracts outside the ordinary course of business which contain any provision under which any member of the Group has any obligation or entitlement.

8.13 Dependency on contracts, patents and licenses

Other than the loan agreement described in Section 12.10.2 "Long-term debt", the Group is not dependent on any patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Group's business or profitability.

9 CAPITALISATION AND INDEBTEDNESS

The tables below should be read in conjunction with the information included elsewhere in this Prospectus, in particular Section 10 "Selected financial information", and the Financial Statements and the Interim Financial Information and related notes, incorporated by reference hereto, see Section 20.3 "Incorporated by reference".

9.1 Introduction

This Section provides information about the Group's unaudited capitalisation and net financial indebtedness on an actual basis as at 31 March 2019 and, in the "As adjusted" columns, the Group's unaudited capitalisation and net financial indebtedness as at 31 March 2019 on an adjusted basis to give effect to the following events:

(i) The Company conducted an accelerated book building process for the Private Placement in the amount of NOK 72.6 million (equivalent to approx. USD 8.3 million) on 29 May 2019. The Private Placement consisted of 10,372,187 new Shares which were issued on 6 June 2019 pursuant to an authorisation granted to the Board of Directors by the annual general meeting on 23 May 2019. The Private Placement Shares have been issued under a separate ISIN pending approval and publication of the Prospectus. For further details regarding the Private Placement, see Section 18 "Listing of the consideration shares and Private Placement shares and the Terms of the Subsequent ".

(ii) On 31 may 2019 the Company took delivery of M/V Belcargo (previously named M/V Viola) from Wenaas Shipping AS and in connection with the completion of the transaction Belships issued 8,060,650 new Shares as part of the consideration to Wenaas Shipping AS, pursuant to a resolution by the annual general meeting on 23 May 2019. The new Shares were issued following registration of the share capital increase in the Norwegian Register of Business Enterprises on 3 June 2019. The new Shares have been issued and listed under Belships' ISIN NO 000 3094104 and since the number of new Shares did not exceed more than 10% of the outstanding shares in the Company at the time of issuance, there was no requirement to publish an offering or listing prospectus in this connection.

(iii) In March 2019, Belships secured a USD 140 million loan facility. The new loan is available in two tranches. An initial tranche of USD 110 million replaces Belships' existing loan and strengthens the Group's working capital in addition to an accordion tranche of USD 30 million for fleet expansion. As of 6 May 2019, USD 89 million has been drawn on the first tranche. See Section 12.10.2 "Long-term debt" for more details about the loan facility.

Other than set out above, there has been no material changes to the Group's unaudited capitalisation and net financial indebtedness since 31 March 2019.

9.2 Capitalization

Capitalization	**As of 31 March 2019**	**Adjustment amount**			**As adjusted**
(In USD thousands)		*Refinancing*	M/V Belcargo	Private Placement	
Indebtedness					
Total current debt:					
Guaranteed	0	0	0	-	0
Secured[1]	34,719	-7,500	0	-	21,894
Unguaranteed/Unsecured[2]	16,868	0	0	-	22,193
Total non-current debt:					
Guaranteed	0	0	0	-	0
Secured[1]	137,974	13,219	7,800	-	98,192
Unguaranteed and unsecured[3]	2,033	0	0	-	62,834
Total indebtedness	**191,594**	**5,719**	**7,800**	**-**	**205,113**
Shareholders' equity					
Share capital	41,870	-	1,843	2,372	43,767
Additional paid-in capital	55,023	-	4,608	5,929	59,765
Other reserves	0	-	0	0	0
Retained earnings	25,576	-	0	0	25,576

Non-controlling interests	3,882	-	0	0	3,882
Total shareholders' equity	**126,351**	**-**	**6,451**	**8,301**	**141,102**
Total capitalization	**317,945**	**5,719**	**14,251**	**8,301**	**346,215**

1	Mortgage debt and financial lease. See Section 12.10 "Existing borrowing arrangements" for a description of the assets secured.
2	Accounts payable etc.
3	Pension obligations, loss on contracts etc.

9.3 Net financial indebtedness

Indebtedness		**As of 31 March 2019**	**Adjustment amount**			**As adjusted**
(In USD thousands)			*Refinancing*	*M/V Belcargo*	Private Placement	
(A)	Cash	34,736	3,175	1,300	8,301	47,512
(B)	Cash equivalents	0	0			0
(C)	Trading securities	0	0			0
(D)	**Liquidity (A)+(B)+(C)**	**34,736**	**3,175**	**1,300**	**8,301**	**47,512**
(E)	**Current financial receivables**	**0**	**0**	**0**	**0**	**0**
(F)	Current bank debt	0	0	0	-	0
(G)	Current portion of non-current debt	34,719	-7,500	1,200	-	28,419
(H)	Other current financial debt	0	0	0	-	0
(I)	**Current financial debt (F)+(G)+(H)**	**34,719**	**-7,500**	**1,200**	**-**	**28,419**
(J)	**Net current financial indebtedness (I)-(E)-(D)**	**-17**	**-10,675**	**-100**	**-8,301**	**-19,093**
(K)	Non-current bank loans	77,173	13,219	6,600	-	96,992
(L)	Bonds issued	0	0	0	-	0
(M)	Other non-current loans	60,801	0	0	-	60,801
(N)	**Non-current financial indebtedness (K)+(L)+(M)**	**137,974**	**13,219**	**6,600**	**0**	**157,793**
(O)	**Net financial indebtedness (J)+(N)**	**137,957**	**2,544**	**6,500**	**-8,301**	**138,700**

9.4 Working capital statement

The Company is of the opinion that the working capital available to the Group is sufficient for the Group's present requirements, for the period covering at least 12 months from the date of this Prospectus.

9.5 Contingent indebtedness

The Company is not aware of any indirect or contingent indebtedness.

10 SELECTED FINANCIAL INFORMATION

10.1 Introduction

As further described under Section 4.2.1 "Financial information" and in note 1 to the 2018 Financial Statements included as Appendix C to the Prospectus, the Merger completed on 10 December 2018 was accounted for as a reverse take-over in the accounts of the Group and thus has impacted the presentation of the Group's financial information. The Prospectus therefore contains Financial Information for the Group prior to the Merger (see Section 10.3 "Selected financial information for Belships prior to the Merger") and Financial Information for the Group following the Merger (see Section 10.4 "Selected financial information for Belships post-Merger"). For historical financial information for the Lighthouse Group, see Financial Statements for Lighthouse for 2017 and 2016, attached hereto as appendix D.

The selected financial information presented herein should be read in connection with, and is qualified in its entirety by reference to, the Financial Information incorporated by reference hereto, see Section 20.3 "Incorporated by reference".

10.2 Summary of accounting policies and principles

For information regarding accounting policies and the use of estimates and judgments, see note 2 and 3 of the 2018 Financial Statements as at, and for the year ended, 31 December 2018, incorporated by reference hereto, see Section 20.3 "Incorporated by reference".

10.3 Selected financial information for Belships prior to the Merger

10.3.1 Consolidated income statement for Belships prior to the Merger

The table below sets out selected data from Belships' audited consolidated income statement for the years ended 31 December 2017 and 2016 (the 2017 and 2016 Financial Statements) and from the unaudited consolidated interim income statement for the nine month periods ended 30 September 2018 and 2017 (the Pre-Merger Interim Financial Statements).

In USD thousands	**Nine months ended 30 September**		**Year ended 31 December**	
	2018	**2017**	**2017**	**2016**
	IAS 34	*IAS 34*	*IFRS*	*IFRS*
Operating income				
Freight income	21,505	16,712	22,646	21,338
Other operating income	3,008	3,029	4,663	4,077
Total operating income	**24,513**	**19,741**	**27,309**	**25,415**
Operating expenses				
T/C hire expenses	-3,309	0	0	0
Ship operating expenses	-6,169	-5,946	-8,175	-8,197
Operating expenses ship management	-2,702	-2,468	-3,371	-3,405
Payroll expenses[1]	-	-	-1,678	-1,659
Other general administrative expenses	-2,391	-1,761	-815	-874
Total operating expenses	**-14,571**	**-10,175**	**-14,039**	**-14,135**
EBITDA	**9,942**	**9,566**	**13,270**	**11,280**
Depreciations on ships and other fixed assets	-4,219	-3,412	-4,597	-4,901
Reversal/impairment of ships	1,269	500	2,544	-13,823
Loss on sale of ship/effect on onerous contracts	0	397	397	-1,463
Operating result (EBIT)	**6,992**	**7,051**	**11,614**	**-8,907**
Financial income and expenses				
Interest income	38	18	26	13
Interest expenses	-3,179	-3,581	-4,735	-4,833
Currency exchange gain/(loss)	-140	110	114	69
Other financial items	-20	-313	-361	-761
Net financial items	**-3,301**	**-3,766**	**-4,956**	**-5,512**
Net result before tax	**3,691**	**3,285**	**6,658**	**-14,419**
Tax	-106	-131	-294	-174
Net result for the year	**3,585**	**3,154**	**6,364**	**-14,593**

In USD thousands	Nine months ended 30 September		Year ended 31 December	
	2018	**2017**	**2017**	**2016**
	IAS 34	*IAS 34*	*IFRS*	*IFRS*
Hereof majority interests	3,574	3,120	6,304	-14,646
Hereof non-controlling interests	11	34	60	53
Earnings per share (USD)	7.66	6.74	13.60	-31.18
Diluted earnings per share (USD)	7.66	6.74	13.48	-31.18

1 Payroll expenses are included under "Other general administrative expenses" in the quarterly figures.

10.3.2 Consolidated statement of financial position

The table below sets out selected data from Belships' audited consolidated statement of financial position for the years ended 31 December 2017 and 2016 (the 2017 and 2016 Financial Statements) and from the unaudited consolidated interim income statement for the nine month periods ended 30 September 2018 and 2017 (the Pre-Merger Interim Financial Statements).

In USD thousands	Nine months ended 30 September		Year ended 31 December	
	2018	**2017**	**2017**	**2016**
	IAS 34	*IAS 34*	*IFRS*	*IFRS*
Non-current assets				
Tangible assets				
Ships	88,398	90,341	91,242	93,009
Prepaid timecharter hire	0	679	405	1,500
Other fixed assets	2,097	1,876	1,832	1,683
Total tangible assets	**90,495**	**92,896**	**93,479**	**96,192**
Financial assets				
Financial investments	398	139	126	108
Other long-term receivables	759	137	122	183
Total financial assets	**1,157**	**276**	**248**	**292**
Total non-current assets	**91,652**	**93,172**	**93,727**	**96,483**
Current assets				
Trade debtors	414	151	323	91
Prepaid timecharter hire	681	821	1,095	0
Other receivables	1,054	1,192	1,525	1,120
Cash and cash equivalents (restricted)	68	58	229	3,203
Cash and cash equivalents	5,208	7,816	5,230	4,715
Total current assets	**7,425**	**10,038**	**8,402**	**9,129**
Total assets	**99,077**	**103,211**	**102,129**	**105,612**
Equity				
Paid-in capital	43,628	43,595	43,620	43,620
Retained earnings	-14,586	-20,767	-17,590	-23,887
Non-controlling interests	305	325	352	411
Total equity	**29,347**	**23,153**	**26,382**	**20,144**
Liabilities				
Provision for liabilities				
Pension obligations	475	566	530	648
Other non-current liabilities				
Mortgage debt	19,336	27,220	22,999	30,883
Bareboat commitment	39,215	41,335	40,816	42,811
Financial instruments	0	157	8	323
Other non-current liabilities	1,463	1,501	1,458	1,407
Total other non-current liabilities	**60,489**	**70,779**	**65,281**	**75,424**
Current liabilities				
Current portion of mortgage debt/lease liability	5,000	5,000	5,000	5,000
Bareboat commitment	2,071	1,896	1,940	1,778
Tax payable[1]	-	-	256	131

In USD thousands	Nine months ended 30 September		Year ended 31 December	
	2018	**2017**	**2017**	**2016**
	IAS 34	*IAS 34*	*IFRS*	*IFRS*
Public taxes and duties payable[2]	-	-	155	284
Trade creditors	453	584	573	256
Other short-term liabilities	1,717	1,799	2,011	1,948
Total current liabilities	**9,241**	**9,279**	**9,936**	**9,396**
Total liabilities	**69,730**	**80,058**	**75,747**	**85,468**
Total equity and liabilities	**99,077**	**103,211**	**102,129**	**105,612**

1 Tax payable are included under "Other short-term liabilities" in the quarterly figures.

2 Public taxes and duties payable are included under "Other short-term liabilities in the quarterly figures".

10.3.3 Condensed consolidated statement of cash flow

The table below sets out selected data from Belships' audited consolidated statement of cash flow for the years ended 31 December 2017 and 2016 (the 2017 and 2016 Financial Statements) and from the unaudited consolidated interim income statement for the nine month periods ended 30 September 2018 and 2017 (the Pre-Merger Interim Financial Statements).

In USD thousands	Nine months ended 30 September		Year ended 31 December	
	2018	**2017**	**2017**	**2016**
	IAS 34	*IAS 34*	*IFRS*	*IFRS*
Cash flow from operations				
Net result before tax	3,691	3,285	6,658	-14,419
Adjustments to reconcile result before tax to net cash flows:				
Loss on sale of ship/effect on onerous contracts	0	-397	-397	1,463
Depreciations on ships and other fixed assets	4,219	3,412	4,597	4,901
Reversal impairment of ships	-1,269	-500	-2,544	13,823
Share-based compensation expense	8	-25	0	31
Difference between pension expenses and paid pension premium	-56	-134	-171	-210
Net finance costs	3,301	3,766	4,956	5,512
Working capital adjustments:				
Change in trade debitors and trade creditors	-211	269	85	-212
Change in other current items	-223	-472	-345	-241
Interest received	38	18	26	13
Interest paid	-3,179	-3,581	-4,735	-4,833
Income tax paid	-151	-67	-138	-118
Net cash flow from operating activities	**6,168**	**5,574**	**7,993**	**5,710**
Cash flow from investing activities				
Payment on newbuilding	0	0	0	-20,531
Sale of ship (net sales amount)	0	0	0	23,637
Payment of other investments	-369	-275	-271	1,923
Net cash flow from investing activities	**-369**	**-275**	**-271**	**1,183**
Cash flow from financing activities				
Dividend paid	-577	0	0	0
Repayment of non-current debt	-5,226	-5,108	-9,835	-6,491
Paid costs related to financing	-178	-253	-369	-484
Net cash flow from financing activities	**-5,981**	**-5,361**	**-10,204**	**-6,975**

In USD thousands	Nine months ended 30 September		Year ended 31 December	
	2018	**2017**	**2017**	**2016**
	IAS 34	*IAS 34*	*IFRS*	*IFRS*
Net change in cash and cash equivalents during the period	-183	-63	-2,482	-82
Cash and cash equivalents at 1 January	5,459	7,918	7,918	7,993
Cash and cash equivalents at 31 December[1]	**5,276**	**7,874**	**5,459**	**7,918**

1 Includes restricted cash.

10.3.4 Condensed consolidated statement of changes in equity

The table below sets out selected data from Belships' audited consolidated statement of changes in equity for the years ended 31 December 2017 and 2016 (the 2017 and 2016 Financial Statements) and from the unaudited consolidated interim income statement for the nine month periods ended 30 September 2018 and 2017 (the Pre-Merger Interim Financial Statements).

In USD thousands	Majority interest						
	Paid-in				Retained		
Changes in equity	Share capital	Treasury shares	Share premium reserves	Other equity	Other equity	Non-controlling interest	Total equity
At 1 January 2016	**14,272**	**-166**	**13,751**	**15,732**	**-9,203**	**445**	**34,831**
Net result for the year	0	0	0	0	-14,646	53	-14,593
Other comprehensive income	0	0	0	0	-39	0	-39
Total comprehensive income	0	0	0	0	-14,685	53	-14,632
Share-based payments expense	0	0	0	31	0	0	31
Non-controlling interests transactions	0	0	0	0	0	-86	-86
At 31 December 2016	**14,272**	**-166**	**13,751**	**15,763**	**-23,888**	**412**	**20,144**
At 1 January 2017	14,272	-166	13,751	15,763	-23,888	412	20,144
Net result for the year	0	0	0	0	6,304	60	6,364
Other comprehensive income	0	0	0	0	-6	0	-6
Total comprehensive income	0	0	0	0	6,298	60	6,358
Share-based payments expense	0	0	0	0	0	0	0
Non-controlling interests transactions	0	0	0	0	0	-120	-120
At 31 December 2017	**14,272**	**-166**	**13,751**	**15,763**	**-17,590**	**352**	**26,382**
At 1 January 2018	**14,272**	**-166**	**13,751**	**15,763**	**-17,590**	**352**	**26,382**
Net result for the period	0	0	0	0	3,574	11	3,585
Other comprehensive income	0	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	3,574	11	3,585
Dividend paid	0	0	0	0	-570	0	-570
Transactions non-controlling interests	0	0	0	0	0	-58	-58
Net share-based payment	0	0	0	8	0	0	8
At 30 September 2018	**14,272**	**-166**	**13,751**	**15,771**	**-15,166**	**370**	**28,832**

10.4 Selected financial information for Belships post-Merger[7]

10.4.1 Consolidated income statement

The table below sets out selected data from Belships' audited consolidated income statement for the year ended 31 December 2018 (the 2018 Financial Statements) with unaudited comparable financial information for the year ended 31 December 2017,[8] and from the unaudited consolidated interim income statement for the three months period ended 31 March 2019 and 2018 (the Post-Merger Interim Financial Statements). Note that the figures included in the Post-Merger Interim Financial Statement for Q1 2018 only comprise financial information for the Lighthouse Group. As such, these figures are not directly comparable to the figures included in the Post-Merger Interim Financial Statement for Q1 2019, which comprise financial information for the entire Group following the Merger.

In USD thousands	**Three months ended 31 March**		**Year ended 31 December**	
	2019	**2018**	**2018**	**2017**
		Restated[2]		*Restated[2]*
	IAS 34	*IAS 34*	*IFRS*	*IFRS*
Operating income				
Gross freight income	36,040	24,864	127,735	120,932
Voyage expenses	-7,737	-5,334	-10,698	-8,304
Net freight income	28,303	**19,530**	**117,037**	**112,638**
Management fees	2,773	967	4,865	4,133
Total operating income	**31,076**	**20,497**	**121,902**	**116,761**
Operating expenses				
Share of result from joint venture and associated companies	634	395	2,012	2,215
T/C hire expenses	-12,515	-11,617	-80,014	-88,133
Ship operating expenses	-5,875	-4,080	-16,094	-10,218
Operating expenses ship management	-971	0	-420	0
Payroll expenses[1]	-	-	-4,504	-2,995
Other general administrative expenses	-2,143	-1,406	-3,333	-2,981
Total operating expenses	**-20,970**	**-16,708**	**-102,353**	**-102,112**
EBITDA	**10,106**	**3,789**	**19,549**	**14,649**
Depreciations and amortization	-4,555	1,847	-7,813	-5,330
Reversal impairment of ships	0	0	0	9,474
Purchase bargain gain	0	0	12,849	0
Operating result (EBIT)		**1,942**	**24,585**	**18,793**
Financial income and expenses				
Interest income	56	4	56	2
Interest expenses	-2,617	-879	-4,754	-2,949
Currency exchange gain/(loss)	-77	-29	-94	0
Other financial items	-315	-315	-351	-224
Net financial items	**-2,855**	**-1,219**	**-5,143**	**-3,171**
Net result before tax	**2,696**	**723**	**19,442**	**15,622**
Tax	-150	0	-247	-264
Net result for the year	**2,546**	**723**	**19,195**	**15,358**
Hereof majority interests	1,838	39	18,169	14,945
Hereof non-controlling interests	708	684	1,026	413
Earnings per share (USD)	0.01	0.01	0.20	-
Diluted earnings per share (USD)	0.01	0.01	0.20	-

1 Payroll expenses are included under "Other general administrative expenses" in the quarterly figures.

2 The comparative information (unaudited) reflects financial information from the Lighthouse Group due to the Merger accounted for as a reverse acquisition. For further information, see note 4 of the 2018 Financial Statements, incorporated by reference hereto, see Section 20.3 "Incorporated by reference".

[7] For more information about the content of the financial information, please see Section 4.2.1 "Financial information" and note 1 to the 2018 Financial Statements included as Appendix C to the Prospectus.

[8] The unaudited financial information for the year ended 31 December 2017 contained in the 2018 Financial Statements comprise only of financial information for the Lighthouse Group.

10.4.2 Consolidated statement of financial position

The table below sets out selected data from Belships' audited consolidated statement of financial position for the year ended 31 December 2018 (the 2018 Financial Statements) with unaudited comparable financial information for the year ended 31 December 2017,[9] and from the unaudited consolidated statement of financial position for the three months period ended 31 March 2019.

In USD thousands

	Three months ended 31 March	**Year ended 31 December**	
	2019	**2018**	**2017**
			Restated[3]
	IAS 34	*IFRS*	*IFRS*
Non-current assets			
Intangible assets			
Goodwill	0	0	42
Contracts	7,182	8,536	0
Total intangible assets	**7,182**	**8,536**	**42**
Tangible fixed assets			
Ships	253,778	230,425	125,731
Property, Plant and Equipment	4,183	4,210	286
Total fixed assets	**257,961**	**234,635**	**126,017**
Financial fixed assets			
Financial investments	2,668	1,939	2,149
Cash and cash equivalents (restricted)	288	281	214
Other long-term receivables	0	62	0
Total financial assets	2,956	**2,282**	**2,363**
Total non-current assets	**268,099**	**245,453**	**128,422**
Current assets			
Inventories	4,971	4,230	3,391
Trade debtors	1,586	3,454	5,995
Other receivables	8,553	8,443	8,885
Cash and cash equivalents (restricted)	59	109	22
Cash and cash equivalents	34,677	31,925	14,668
Total current assets	**49,846**	**48,161**	**32,961**
Total assets	**317,945**	**293,614**	**161,383**
Equity			
Paid-in capital	96,893	96,870	31,951
Retained earnings	25,576	23,738	5,557
Non-controlling interests	3,882	3,174	6,567
Total equity	**126,351**	**123,782**	**44,075**
Liabilities			
Provision for liabilities			
Pension obligations	746	735	143
Other non-current liabilities			
Mortgage debt	75,781	94,513	66,000
Obligation under finance leases	60,801	38,653	0
Other non-current liabilities	3,425	2,711	36,397
Total non-current liabilities	**140,007**	**135,877**	**102,397**
Current liabilities			
Current portion of mortgage debt/lease liability	34,719	14,619	0
Tax payable[1]	-	497	119
Public taxes and duties payable[2]	-	314	33
Trade creditors	2,018	3,257	3,390
Other current liabilities	14,850	14,532	11,226

[9] The unaudited financial information for the year ended 31 December 2017 contained in the 2018 Financial Statements comprise only of financial information for the Lighthouse Group.

In USD thousands	Three months ended 31 March	Year ended 31 December	
	2019	**2018**	**2017** *Restated*[3]
	IAS 34	*IFRS*	*IFRS*
Total current liabilities	**51,587**	**33,220**	**14,768**
Total liabilities	**177,938**	**169,832**	**117,308**
Total equity and liabilities	**317,945**	**293,614**	**161,383**

1 Tax payable are included under "Other short-term liabilities" in the quarterly figures.
2 Public taxes and duties payable are included under "Other short-term liabilities" in the quarterly figures.
3 The comparative information for 2017 (unaudited) reflects financial information from the Lighthouse Group due to the Merger accounted for as a reverse acquisition. For further information, see note 4 of the 2018 Financial Statements, incorporated by reference hereto, see Section 20.3 "Incorporated by reference".

10.4.3 Condensed consolidated statement of cash flow

The table below sets out selected data from Belships' audited consolidated statement of cash flow for the year ended 31 December 2018 (the 2018 Financial Statements) with unaudited comparable financial information for the year ended 31 December 2017,[10] and from the unaudited consolidated statement of cash flow for the three months period ended 31 March 2019.

In USD thousands	Three months ended 31 March	Year ended 31 December	
	2019	**2018**	**2017** *Restated*[2]
	IAS 34	*IFRS*	*IFRS*
Cash flow from operations			
Net result before tax	2,696	19,442	15,622
Adjustments to reconcile result before tax to net cash flows:			
Purchase bargain gain	0	-12,849	0
Depreciations on fixed assets	4,555	7,813	5,330
Reversal impairment of ships	0	0	-9,474
Share-based compensation expense	23	5	0
Difference between pension expenses and paid pension premium	0	-81	0
Share of result from joint venture and associated companies	-634	-2,012	-2,215
Net finance costs	911	5,143	3,171
Working capital adjustments:			
Change in trade debitors and trade creditors	-152	2,407	1,150
Change in other current items	-353	-1,924	-2,030
Interest received	56	56	2
Interest paid	-2,617	-4,754	-2,949
Income tax paid	-132	-264	-400
Net cash flow from operating activities	**6,449**	**12,982**	**8,207**
Cash flow from investing activities			
Payment of ships	0	19,430	-6,731
Distribution and capital reduction from joint ventures	0	2,340	0
Net cash contribution from merger	0	6,709	0
Payment of other investments	0	0	-45
Net cash flow from investing activities	**0**	**-10,381**	**-6,776**

[10] The unaudited financial information for the year ended 31 December 2017 contained in the 2018 Financial Statements comprise only of financial information for the Lighthouse Group.

In USD thousands	Three months ended 31 March	Year ended 31 December	
	2019	2018	2017
			Restated[2]
	IAS 34	*IFRS*	*IFRS*
Cash flow from financing activities			
Proceeds from non-current debt	0	19,750	4,000
Paid-in capital	0	0	5,500
Repayment of non-current debt	-3,747	-4,161	-10,000
Dividend to non-controlling interests	0	-846	-1,200
Net cash flow from financing activities	**-3,747**	**14,743**	**-1,700**
Net change in cash and cash equivalents during the period	2,702	17,344	-269
Cash and cash equivalents at 1 January	32,034	14,690	14,959
Cash and cash equivalents at 31 December[1]	**34,736**	**32,034**	**14,690**

1 Includes restricted cash.

2 The comparative information for 2017 (unaudited) reflects financial information from the Lighthouse Group due to the Merger accounted for as a reverse acquisition. For further information, see note 4 of the 2018 Financial Statements, incorporated by reference hereto, see Section 20.3 "Incorporated by reference".

10.4.4 Condensed consolidated statement of changes in equity

The table below sets out selected data from Belships' audited consolidated statement of changes in equity for the years ended 31 December 2017 and 2018 and from the unaudited consolidated statement of changes in equity for the three months period ended 31 March 2019.

In USD thousands

	Majority interest						
	Paid-in				Retained		
Changes in equity	Share capital	Treasury shares	Share premium reserves	Other equity	Other equity	Non-controlling interest	Total equity
At 1 January 2017[1]	**27,598**	**-166**	**4,519**	**0**	**-3,888**	**6,154**	**34,217**
Capital adjustments	0	0	0	0	-5,500	0	-5,500
Net result for the year	0	0	0	0	14,945	413	15,358
Other comprehensive income	0	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	14,945	413	15,358
At 31 December 2017[1]	**27,598**	**-166**	**4,519**	**0**	**5,557**	**6,567**	**44,075**
At 1 January 2018	**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
At 31 December 2018	**41,870**	**-166**	**18,166**	**37,000**	**23,738**	**3,174**	**123,782**
At 1 January 2019	**41,870**	**-166**	**18,166**	**37,000**	**23,738**	**3,174**	**123,782**
Net result for the period	0	0	0	0	1,838	708	2,569
Other comprehensive income	0	0	0	23	0	0	23

In USD thousands

Changes in equity	Majority interest						
	Paid-in				Retained		
	Share capital	Treasury shares	Share premium reserves	Other equity	Other equity	Non-controlling interest	Total equity
Total comprehensive income	0	0	0	23	1,838	708	2,569
At 31 March 2019	**41,870**	**-166**	**18,166**	**37,023**	**25,576**	**3,882**	**126,351**

1 The comparative information (unaudited) reflects financial information from the Lighthouse Group due to the Merger accounted for as a reverse acquisition. For further information, see note 4 of the 2018 Financial Statements, incorporated by reference hereto, see Section 20.3 "Incorporated by reference".

10.5 Auditor

As at the date of this Prospectus, the Company's auditor is PricewaterhouseCoopers AS with registration number 987 009 713. The partners of PricewaterhouseCoopers AS are members of The Norwegian Institute of Public Accountants (*Nw: Den Norske Revisorforeningen).* The address of PricewaterhouseCoopers AS is Dronning Eufemias gate 71, 0191 Oslo, Norway. PricewaterhouseCoopers AS was elected as the Company's statutory auditor at the Company's annual general meeting on 23 May 2019.

The 2018 Financial Statements and the 2017 and 2016 Financial Statements have been audited by the Company's former auditor, EY, with registration number 976 389 387. However, the comparative figures for 2017, which have been included in the 2018 Financial Statements have not been audited. The partners of EY are members of The Norwegian Institute of Public Accountants (*Nw: Den Norske Revisorforeningen*). The address of EY is Dronning Eufemias 6, 0191 Oslo, Norway. EY's Independent Practitioner's Assurance Report on the compilation of the unaudited pro forma financial information is attached hereto as appendix H.

EY's auditor report on the 2018 Financial Statements and the 2017 and 2016 Financial Statements was not qualified. However, the auditor's report in 2018 included an emphasis of matter to emphasize that the comparative numbers for 2017 was not audited.

The Financial Statements for Lighthouse for 2017 and 2016, as included in appendix D to this Prospectus, have been audited by the Company's current auditor, PricewaterhouseCoopers AS, except for the financial statements for Lighthouse Navigation (included in the Financial Statements for Lighthouse for the years ended 2017 and 2016), which have been audited by Moore Stephens International Limited.

Neither PricewaterhouseCoopers AS, EY nor More Stephens International Limited has audited, reviewed or produced any report or any other information provided in this Prospectus.

11 UNAUDITED PRO FORMA FINANCIAL INFORMATION

11.1 Background

On 6 July 2018, Belships announced that the Company's largest shareholder at the time, Sonata AS, 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 AS to Kontrari. The share sale was followed by a merger between certain subsidiaries of Kontrari and Kontrazi, and Belships Lighthouse AS (previously named Belships Chartering AS), a wholly-owned subsidiary of Belships, with consideration in Belships Shares (the Merger, as defined in Section 1 "Summary"). The Merger was completed on 10 December 2018. The Merger represented a significant gross change for the Company and triggers the preparation of pro forma financial information. The unaudited pro forma condensed financial information has been prepared upon the assumption that the Merger has been completed on 1 January 2018.

For the purpose of the presentation of this pro forma financial information, the Lighthouse Companies are considered to be under common control of Kontrari and Kontrazi. Consequently, the financial information for the Lighthouse Companies are presented based on continuity.

11.2 Cautionary note regarding unaudited pro forma financial information

Commission Regulation (EC) No. 809/2004 of 29 April 2004 sets out the requirements of pro forma financial information which needs to be included in a prospectus. Annex II of the Commission Regulation requires the preparation of a pro forma statement of comprehensive income for 2018, as if the Merger occurred on 1 January 2018. The Merger is fully reflected in the 31 December 2018 statement of financial position.

The unaudited pro forma condensed financial information has been prepared for illustrative purposes only, in order to show how the Merger might have affected Belships' consolidated statement of comprehensive income for 2018, as if the Merger occurred on 1 January 2018.

Because of its nature, the unaudited pro forma condensed financial information addresses a hypothetical situation and, therefore, does not represent the Company's actual results if the Merger had in fact occurred on the dates mentioned above and is not representative of the results of operations for any future periods. Investors are cautioned not to place undue reliance on this unaudited pro forma condensed financial information. The unaudited pro forma condensed financial information does not include all of the information required for financial statements under the IFRS and should be read in conjunction with the consolidated financial statements of Belships for the year ended 31 December 2018.

The unaudited pro forma condensed financial information has been prepared in accordance with Annex II of Regulation (EC) 809/2004. This information is not in compliance with SEC Regulation S-X, and had the securities been registered under the U.S. Securities Act of 1933, this unaudited pro forma condensed financial information, including the report by the auditor, would have been amended and/or removed from this Prospectus.

11.3 Independent assurance report on the unaudited pro forma financial information

With respect to the unaudited pro forma condensed financial information, EY has applied assurance procedures in accordance with International Standards on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of pro forma financial information included in a Prospectus, in order to express an opinion as to whether the unaudited pro forma condensed financial information has been properly compiled on the basis stated, and that such basis is consistent with the accounting policies of the Group. EY's report is included as Appendix H "Independent Practitioner's Assurance Report on the compilation of the unaudited pro forma financial information."

11.4 Basis for the unaudited condensed pro forma financial information

The unaudited pro forma condensed financial information has been prepared in a manner consistent with the accounting principles applied in the 2018 Financial Statements. Please refer to the 2018 Financial Statements for a description of the accounting policies.

The unaudited pro forma condensed financial information has been compiled based on:

- The 2018 Financial Statements, prepared in accordance with IFRS as adopted by the European Union and incorporated into this Prospectus by reference, see Section 20.3 "Incorporated by reference". Due to the

Merger accounted for as a reverse acquisition, the 2018 Financial Statements consist of financial information from the Lighthouse Companies up until completion of the Merger on 10 December 2018 and for the entire combined Group as of and following completion of the Merger;

- The unaudited interim consolidated financial statements for Belships prior to the Merger for the nine month period ending 30 September 2018 prepared in accordance with IAS 34 and included in the Prospectus in Appendix F; and

- Consolidated unaudited management accounts for Belships prior to the Merger for the period as of 1 October 2018 and to 9 December 2018 included in the Prospectus in Appendix G.

The unaudited pro forma condensed financial information is presented in USD, which is the functional and the presentation currency of Belships and the Lighthouse Companies. The unaudited pro forma condensed financial information has been prepared under the assumption of going concern.

11.5 Purchase price allocation

The unaudited pro forma condensed financial information also includes certain management assumptions and adjustments, which would not necessarily have been applied for an actual financial consolidation for the same periods.

The Merger is considered to constitute a reverse acquisition. As a result, 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 measured 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 Share as at 10 December 2018 and the agreed relative valuation of Belships and the Lighthouse Companies. The equity consideration is calculated based on the quoted market price of NOK 5.0 and 47,352,000 outstanding shares (equal to issued shares in the Company) as at 10 December 2018. The fair value of the consideration transferred stated in USD, is calculated based on the exchange rate published by Norges Bank as at 10 December 2018, i.e. 8.4801.

The PPA has formed the basis for the amortisation and depreciation charges in the unaudited pro forma condensed statement of comprehensive income. In the preliminary PPA, the fair value of the consideration has been allocated to the identifiable assets, liabilities and contingent liabilities of Belships.

Based on the preliminary PPA, the fair value of the accounting acquiree is as follows:

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

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 12,849,000 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 were 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 allocated to real estate relates to Belships Management (Singapore) in Singapore.

The business combination is also disclosed in note 4 of the 2018 Financial Statements, incorporated by reference hereto, see Section 20.3 "Incorporated by reference".

11.6 Unaudited pro forma condensed statement of comprehensive income

The table below sets out Belships' unaudited pro forma condensed statement of comprehensive income for the year ended 31 December 2018, as if the Merger had taken place at 1 January 2018.

USD thousands	**Belships ASA Consolidated (post-Merger)** *(audited)*	**Belships ASA Consolidated (pre-Merger) 1 Jan-30 Sep 2018** *(unaudited)*	**Belships ASA Consolidated (pre-Merger) 1 Oct-9 Dec 2018** *(unaudited)*	**Pro forma adjustments** *(unaudited)*	**Notes to pro forma adjustments**	**Pro forma** *(unaudited)*
Gross freight revenue	127,735	21,505	5,181	-3,136	1	151,285
Voyage expenses	-10,698	-	-			-10,698
Net freight income	**117,037**	**21,505**	**5,181**	**-3,136**		**140,587**
Management fees	4,865	3,008	654			8,527
Total operating income	**121,902**	**24,513**	**5,835**	**-3,136**		**149,114**
Share of result from joint venture and associated companies	2,012	-	-			2,012
T/C hire expenses	-80,014	-3,309	-961			-84,284
Ship operating expenses	-16,094	-6,169	-1,306			-23,569
Operating expenses ship management	-420	-2,702	-789			-3,911
Other general and administrative expenses	-7,837	-2,391	-2,263		*	-12,491
Total operating expenses	**-102,353**	**-14,571**	**-5,319**	**-**		**-122,243**
Operating result (EBITDA)	**19,549**	**9,942**	**516**	**-3,136**		**26,871**
Depreciation and amortization	-7,813	-4,219	-798	504	2	-12,326
Reversal/impairment of ships	-	1,269	-			1,269
Purchase bargain gain	12,849	-	-			12,849
Operating result (EBIT)	**24,585**	**6,992**	**-282**	**-2,632**		28,663
Interest income	56	38	4			98
Interest expenses	-4,754	-3,179	-704			-8,637
Currency gains/(-losses)	-94	-140	539			305
Other financial items	-351	-20	-182			-553
Net financial items	**-5,143**	**-3,301**	**-343**	**-**		-8,787
Net result before taxes	**19,442**	**3,691**	**-625**	**-2,632**		**19,876**
Taxes	-247	-106	-34	-	3	-387
Net result for the year	**19,195**	**3,585**	**-659**	**2,632**		**19,489**

Other comprehensive income						
Actuarial gain/(loss) on defined benefit plans	-9	-	-			-9
Exchange differences	53	-	-			53
Total comprehensive income	**19,239**	**3,585**	**-659**	**-2,632**		**19,533**

The notes to the unaudited pro forma statement of condensed comprehensive income are an integral part of the unaudited pro forma condensed financial information.

Notes to the unaudited pro forma condensed statement of comprehensive income – pro forma adjustments

Note 1

Excess value contracts

The excess value on the contracts has been amortised over the remaining contractual periods, which is between 1 and 10 years starting from 1 January 2018, and recognised as a reduction in freight revenue with USD 3,136,000. The adjustment will have continuing impact.

Note 2

Ships

The annual depreciation of the vessels has been adjusted to reflect the excess values recognized at the time of the Merger. The excess values have been depreciated over the remaining useful life, less the estimated residual value. An adjustment of USD 241,000 is recorded as an increase to depreciation and amortisation to reflect depreciation of the excess values of the vessels. The adjustment will have continuing impact.

The Management changed the estimate for residual value included in the basis for depreciation with effect from 1 October 2018. The change in estimate was concluded as part of the Merger process and, accordingly, the annual depreciation of the vessels has been adjusted to reflect the change in accounting estimate for residual value. A pro forma adjustment of USD 562,000 is recorded as a reduction to depreciation and amortisation in the unaudited pro forma condensed statement of comprehensive income. The adjustment will have continuing impact.

Loss contracts

The identified loss contracts has been amortised over the remaining contractual periods, which is between 1 and 8 years starting from 1 January 2018, and recognised as a decrease in depreciation and amortisation with USD 223,000. The adjustment will have continuing impact.

Real estate

The annual depreciation of other fixed assets has been adjusted to reflect the identified excess value in real estate recognized at the time of the Merger. The excess values have been depreciated over the remaining useful life, less the estimated residual value. An adjustment of USD 40,000 is recorded to depreciation and amortisation to reflect depreciation of the excess values. The adjustment will have continuing impact.

Amounts In USD thousands	
Depreciation excess values vessels	241
Change of estimate residual value	-562
Amortisation loss contracts	-223
Depreciation excess values real estate	40
Net pro forma adjustment	-504

The net of the adjustments above has reduced the depreciation and amortisation by USD 504,000.

Note 3

Taxes

Belships' ships and belonging charters are owned and operated partly by Belships in Singapore and in Norway. In Singapore, the operation is under the tonnage tax regime, while in Norway, Belships has significant unrecorded tax losses carried forward. Furthermore, the Company is not subject to tax on surplus values related to real estate in Singapore. Accordingly, no tax effect is recorded. This will have continuing impact.

(*) Transaction costs

The total transaction costs related to the Merger was USD 1,951,000, of which USD 451,000 is included in other general administrative expenses in the condensed statement of comprehensive income under Belships ASA Group consolidated (audited). The remaining USD 1,500,000 is included under other general administrative expenses under legacy Belships 01.10-09.12 (unaudited).

This will not have continuing impact.

12 OPERATING AND FINANCIAL REVIEW

12.1 Overview

12.1.1 General overview

The Group is an owner and operator of dry bulk ships, presently operating a fleet of 15 ships and 1 newbuilding under construction. The Group also provides commercial management and ship management services. Belships is a public limited liability company incorporated and domiciled in Norway and listed on the Oslo Stock Exchange.

On 10 December 2018, the Merger between Belships' wholly owned subsidiary Belships Lighthouse AS (previously named Belships Chartering AS) and the Lighthouse Companies was completed, pursuant to which Belships Lighthouse assumed the assets, rights and obligations of the Lighthouse Companies against issuance of shares in Belships. The Merger constituted a revers acquisition under IFRS and consequently the 2018 Financial Statements reflects the comparative figures for 2017 and figures up until 10 December 2018 for the Lighthouse Group only. From 10 December 2018, legacy Belships is incorporated in the 2018 Financial Statements at fair value. See Section 4.2.1 "Financial information" for more information. On this background the following discussion of the Group's financial condition and results of operations will be structured to reflect financial information for Belships both prior to and following completion of the Merger by covering (i) the latest financial periods with available financial information for legacy Belships, i.e. the years ended 31 December 2017 and 2016 and the nine months' period ended 30 September 2018 with comparable figures for the same period in 2017, (ii) financial information for "new" Belships for the year ended 31 December 2018 reflecting the figures for 2018 up until 10 December 2018 and comparative figures for 2017 for the Lighthouse Group only and (iii) financial information for the combined entity after the Merger for the three months ended 31 March 2019.

Investors should read the following discussion together with the Group's historical consolidated financial statements and the related notes, incorporated by reference into this Prospectus, as well as the other Sections of this Prospectus, and should not rely solely on the information contained in this Section.

12.1.2 Reporting segments

The Group is divided into the operating segments dry bulk and technical management. The dry bulk segment is further divided into 3 reportable segments: ships on long-term charter, ships operated in the spot market and operation/commercial management (Lighthouse Navigation).

12.2 Factors affecting the Group's results of operations

12.2.1 Operating revenue

The Group's operating revenue is earned from revenue received from vessels that operate on spot voyages and time charters.

The Group's revenue is driven primarily by the number of vessels in its fleet, the number of days during which the vessels in the fleet operate and the freight rates that the Group's vessels earn under charters, which, in turn, are affected by a number of factors discussed in Section 2 "Risk factors" and, in particular, Sections 2.1 "Risks relating to the Group and the industry in which the Group operates", 2.2 "Risks related to financing" and 2.3 "Risks related to the Shares".

8 vessels in the Group's fleet operate on spot voyages which is typically a single round trip that is priced on a current or spot market rate, while 8 vessels in the Group's fleet operation under a time charter, under which the vessel is chartered to a customer for fixed periods of time at rates that are generally fixed, see Section 8.6 "Customers/charterers" for further information.

12.2.2 Freight rates

The Group's operating revenue is based on the mix of spot and time charter rates for the maritime transportation of dry bulk, which are determined by market forces based upon various factors, such as the supply and demand for vessels and the number of available vessels. The operating revenue depends on freight rates, the distance that cargoes must be transported and the number of vessels expected to be available at the time such cargoes need to be transported.

Time charter rates reflect, among other things, the prevailing spot market rates and expectations of future time charter rates at the time of entry into the relevant time charter agreement.

12.2.3 Interest rate fluctuations

Change in national and international economic conditions, including interest rate levels, may influence the valuation of real and financial assets. The current macroeconomic situation is uncertain and there exist a risk of negative development in the interest rate levels which in turn will impact the Group's earnings negatively.

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.

12.2.4 Cyclicality

In the past, the dry bulk shipping market has been highly cyclical and volatile. For a discussion of certain factors that affect supply and demand for the dry bulk, see Section 2.1.1 "Risks related to the volatility in the shipping industry and freight market".

12.2.5 Voyage expenses

Voyage expenses represent expenses that are related to a spot voyage, including bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls and agency fees. Under a time charter, the charterer is responsible for these costs. Therefore, in accordance with the general industry practice, the Group incurs these voyage expenses only with respect to its spot voyages.

12.2.6 General and administrative expenses

General and administrative expenses comprised external statutory and professional fees, as well office rental, office supplies and travelling costs. While general and administrative expenses per vessel per day generally do not fluctuate significantly, the Group is exposed to inflation on expenses.

12.2.7 Other operating expenses

Other operating expenses include vessel operating expenses (such as insurance, expenses relating to repairs and maintenance, the cost of spares and consumable stores, lube oils and communication expenses), tonnage taxes and other miscellaneous expenses. Insurance costs are affected by general pricing trends in the insurance market, the size, age and composition of the fleet and the Group’s claims track record. The Group’s maintenance costs tend to increase or decrease as the average age of its vessels increases or decreases. Actual costs for regular maintenance are expensed as incurred. In general, most of the Group’s other operating expenses are not voyage variable.

12.2.8 Depreciation

The cost of the Group’s vessels is depreciated on a straight-line basis over the estimated remaining economic useful life of each vessel. Depreciation is based on the cost of the vessel less its estimated residual value. To comply with industry certification or governmental requirements, the Group’s vessels are required to undergo planned drydockings for major repairs and maintenance, which cannot be carried out while the vessels are operating. The Group recognises costs associated with drydockings and upgrades expenses in the carrying amount of vessels, and depreciates this element on a straight-line basis over the duration of the drydocking cycle or based on the Group’s assessment of the useful lives of the upgrades. Regular maintenance, repairs and replacements are expensed as incurred.

12.2.9 Impairment

Vessel values can fluctuate substantially over time. The Group conducts impairment tests in line with IAS 36, valuing the ships based on observable market values of equivalent ships today, and including the discounted added value of the charter parties entered into. The Group assesses at each balance sheet date whether there is any indication that a vessel’s value may be impaired. If any such indication exists, the Group will estimate the recoverable amount of the asset, and write down the vessel to its recoverable amount through the income statement. The estimation of recoverable amount will depend on many factors, such as freight rates, discount rates, operating expenses and other market conditions described above.

Based on these internal valuations no impairment or reversals were recorded in 2018.

12.2.10 *Tonnage tax*

The Group's shipowning entities are within the tonnage tax system in Norway and in Singapore. As such, the Group's shipowning entities are exempted from ordinary tax on their shipping income and the Group's shipowning entities pay a tonnage fee based on the size of the ship.

12.2.11 *Ordinary taxation*

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

12.3 Recent development and trends

Below is an overview of the developments and trends in the Group's business since 31 December 2018:

- With effect from 1 January 2019, Belships has adopted IFRS 16 Leases. The new standard is following the modified retrospective approach, and does not require any restatement of comparative information.

- As further described in Section 12.10.2 "Long-term debt", Belships secured a USD 140,000,000 loan facility in March 2019. The new loan replaces the Group's current senior debt of USD 105,000,000 and will be available in two tranches; (i) an initial tranche of USD 110,000,000 which replaces Belships' existing loan and strengthens the Group's working capital, in addition to (ii) an accordion tranche of USD 30,000,000 available for fleet expansion. The new loan enables fleet growth while also further improving the Group's financial robustness.

  The loan facility has a margin of 275 basis points, with the first down payment in Q3 2020. The initial tranche is based on a loan-to-value ratio ("**LTV**") of 55%, while the accordion tranche is based on an LTV of 60%. The lenders for the new loan facility are DNB Bank, Danske Bank and Sparebank 1 SR-Bank.

  Under the new financial framework, the Group will be cash positive (after opex, overhead and debt service) at a day rate below USD 5,000 for the remaining open ship days in the coming 12 months. In addition, Belships' cash holding upon completion of tranche one of the refinancing will be approximately USD 30,000,000.

- In April 2019, Belships announced the Recent Vessel Acquisitions as further described in Section 8.5.4 "The Recent Vessel Acquisitions". M/V Belcargo was delivered on 31 May 2019. Following the delivery of M/V Belfri and M/V Bellight between the date of this Prospectus and 15 August 2019, Belships' fleet will count 19 Supramax/Ultramax bulk carriers.

  A total of 60% financing of M/V Belcargo and M/V Belfri has been approved under the accordion tranche of the new loan facility as described above. Hence, the Recent Vessel Acquisitions are expected to be net cash positive of approximately USD 1,800,000.

- As announced on 10 May 2019, Belships has entered into an agreement to hedge the price differential between compliant 0.5% sulphur fuel oil (VLSFO) and 3.5% sulphur fuel oil (HSFO), at USD 198 per ton for a quantity of 24,000 tons of bunkers with monthly settlements in 2020. The bunker price differential hedge reduces downside risks and represents an efficient alternative to costly installations of scrubbers, whilst retaining full utilization of the fleet and the flexibility to adjust the position as the market develops.

- The dry bulk market was under pressure during Q1 2019, with the BSI-58 index averaging USD 7,634 net per day for the quarter as a whole, down 33% from Q1 2018. However, after bottoming in early February, spot rates have slowly improved and more so on the activity in period time charters.

- Further, the market was severely affected by the tragic tailings dam breach in Brazil, which contributed to a reduction in seaborne iron ore trade Q1 (y/y), flat coal volumes and weak grain volumes. Global steel production however, increased by 3.1% (y/y), indicating that the shortfall in seaborne trade to a large extent has been compensated through destocking, which would indicate that the effect could be temporary, and should lead to a future positive demand reaction driven by restocking. The growth in transportation of minor bulks evidenced last year has continued into 2019.

12.4 Explanations of IFRS income statement line items

For an explanation of IFRS income statement line items and a summary of the most important accounting principles applied, see note 2 of the 2018 Financial Statements as at, and for the year ended, 31 December 2018, incorporated by reference hereto, see Section 20.3 "Incorporated by reference".

12.5 Results of operations for Belships prior to the Merger

12.5.1 Year ended 31 December 2017 compared with year ended 31 December 2016

12.5.1.1 Operating revenue

The Group's freight income for the fleet increased by USD 1,308,000, or 6.1%, from USD 21,338,000 for the year ended 31 December 2016 to USD 22,646,000 for the year ended 31 December 2017. This was primarily attributable to improved market conditions with higher freight rates in the prime segment long-term charter.

Due to the improved market conditions, a reversal of previous impairment losses on the vessels of USD 2,544,000 was recorded in 2017, compared to an impairment loss of USD 13,823,000 in 2016. This contributed to net result of the year in 2017 of USD 6,364,000, an increase of USD 20,957,000 compared to 2016.

Freight income per voyage day for the entire fleet was USD 12,531 per day for the year ended 31 December 2017, an increase of 1.0% from USD 12,407 per day for the year ended 31 December 2016, largely due to variation in period TC rates.

The table below sets forth the Group's operating revenue by segment for the years ended 31 December 2017 and 2016.

In USD thousands	**Year ended 31 December**			
	2017	**2016**	**Variance**	**% change**
Operating revenue				
Ships on long-term charter	22,646	21,338	+1,308	+6.1
Operating management	289	279	+10	+3.6
Technical management	4,374	3,798	+576	+15.2
Total operating revenue	**27,309**	**25,415**	**+1,894**	**+7.5**

Operating data	**Year ended 31 December**			
	2017	**2016**	**Variance**	**% change**
Voyage days	1,817	1,740	+77	+4.4
Total calendar days	1,825	1,753	+72	+4.1

The segment "ships on long-term charter" consists of ships chartered to Canpotex Shipping Services Ltd and Cargill International on long-term time charter agreements. The dry bulk segment improved from 2016 to 2017 and the charter agreements with Cargill International were renegotiated to higher rates, resulting in a 6.1% increased revenue from this segment.

The calendar days increased by 72 days, or 4.4% to 1,825 days for the year ended 31 December 2017 from 1,753 days for the year ended 31 December 2016, due to delivery of M/V Belisland on 15 March 2016.

The segment "operating management" consists of income from accounting services. The increase by USD 10,000 is mainly attributable to a new customer.

The segment "technical management" consists of income from technical management services in Singapore and Tianjin. The income from this segment increased by USD 576,000, or 15.2%, from USD 3,798,000 for the year ended 31 December 2016 to USD 4,374,000 for the year ended 31 December 2017. The increase of USD 576,000 is related to increased income from crew management services.

12.5.1.2 Operating expenses

Other operating expenses comprise ship operating expenses, ship management expenses, payroll expenses and general and administrative expenses.

The Group's other operating expenses decreased by USD 96,000, or 0.7%, from USD 14,135,000 for the year ended 31 December 2016 to USD 14,039,000 for the year ended 31 December 2017. The minimal decrease is primarily attributable to lower administrative expenses which further attributable to lower travelling costs.

The table below sets forth the breakdown of the Group's other operating expenses for the years ended 31 December 2017 and 2016.

In USD thousands	**Year ended 31 December**			
	2017	**2016**	**Variance**	**% change**
Other operating expenses				
Ship operating expenses	8,175	8,197	-22	0.0
Ship management expenses	3,371	3,405	-34	-1.0
Pay roll expenses	1,678	1,659	+19	+1.2
General and administrative expenses[1]	815	874	-59	-6.8
Total other operating expenses	**14,039**	**14,135**	**-96**	**-0.7**

1 General and administrative expenses refers to office rental, office supplies, travelling costs and lawyer- and audit fees.

Ship operating expenses primarily comprise of crew expenses, maintenance and spare parts and insurance. The Group's ship operating expenses decreased by USD 22,000, from USD 8,197,000 for the year ended 31 December 2016 to USD 8,175,000 for the year ended 31 December 2017. The ship operating expenses has historically been stable for the different vessels and there was no significant changes in the business which could impact the operating expenses significantly.

Ship management expenses comprise of administration costs in Belships Management (Singapore).

The Group's ship management expenses decreased by USD 34,000, or 1.0%, from USD 3,405,000 for the year ended 31 December 2016 to USD 3,371,000 for the year ended 31 December 2017. The minimal decrease was primarily attributable to a reduction in the number of employees.

General and administrative expenses comprise of office rental, office supplies, travelling costs and lawyer and audit fees. The Group's general and administrative expenses decreased by USD 59,000, or 6.8%, from USD 874,000 for the year ended 31 December 2016 to USD 815,000 for the year ended 31 December 2017. This was primarily attributable to lower travelling costs.

12.5.1.3 Depreciation charge

The Group's depreciation charge decreased by USD 304,000, or 6.2%, from USD 4,901,000 for the year ended 31 December 2016 to USD 4,597,000 for the year ended 31 December 2017, which was primarily attributable to impairment of ships in 2016 as further explained under Section 12.5.1.4 "Impairment charge", and consequently a lower basis for depreciation in 2017.

12.5.1.4 Impairment charge

The Group had a reversal of previous impairment losses of USD 2,544,000 for the year ended 31 December 2017 as compared to a net impairment charge of USD 13,823,000 for the year ended 31 December 2016. The impairment in 2016 was a result of challenging market conditions with lower charter rates due. The market improved somewhat during 2017, which in turn had a positive impact on the charter rates and the market values of the vessels. This resulted in a reversal of previous impairment losses in 2017.

12.5.1.5 Net financial items

The Group's finance expense – net decreased by USD 556,000 for the year ended 31 December 2017 from 31 December 2016. The table below sets forth the breakdown of the Group's finance expense – net for the years ended 31 December 2017 and 2016.

In USD thousands	Year ended 31 December			
	2017	**2016**	**Variance**	**% change**
Net finance items				
Interest income	26	13	+13	+100.0
Interest expenses	-4,735	-4,833	+98	+2.0
Currency exchange gain/loss	114	69	+45	+65.2
Other financial items	-361	-761	+400	+52.6
Net financial items	**-4,956**	**-5,512**	**+556**	**+10.1**

The decrease in finance expense – net for the year ended 31 December 2017 was primarily due to a change in the negative fair value of the Company's interest swap agreement.

12.5.2 Nine months ending 30 September 2018 compared with the nine months ending 30 September 2017

12.5.2.1 Operating revenue

The Group's freight income for the entire fleet increased by USD 4,793,000, or 29%, from USD 16,712,000 for the nine months ended 30 September 2017 to USD 21,505,000 for the nine months ended 30 September 2018. This was primarily attributable to delivery of M/V Belnippon on 25 January 2018. M/V Belnippon was accounted for as an operational lease, which explains the T/C hire expenses of USD 3,309,000.

Due to improved market conditions, a reversal of previous impairment losses on the vessels of USD 1,269,000 was recorded in 2018, compared to USD 500,000 for the nine months ended 30 September 2017.

This contributed to net result for the nine months ended 30 September 2018 of USD 3,585,000, an increase of USD 431,000 compared to the nine months ended 30 September 2017.

Freight revenue per voyage day was USD 13,390 for the period ended 30 September 2018, an increase of 9.5% from USD 12,230 per voyage day for the period ended 30 September 2017, largely due to delivery of M/V Belnippon in January 2018.

The table below sets forth the Group's operating revenue by segment for the period ended 30 September 2018 and 2017.

In USD thousands	Period ended 30 September			
	2018	**2017**	**Variance**	**% change**
Operating revenue				
Ships on long-term charter	21,505	16,712	+4,792	+28,7
Operating management	230	217	+13	+6.0
Technical management	2,779	2,812	-33	-1.2
Total operating revenue	**24,513**	**19,741**	**+4,772**	**+24.2**

Operating data	Period ended 30 September			
	2018	**2017**	**Variance**	**% change**
Voyage days	1,605	1,361	244	17.9
Calendar days	1,615	1,365	250	18.3

The Group's freight income for the fleet increased by USD 4,793,000, or 29%, from USD 16,712,000 for the nine months ended 30 September 2017 to USD 21,505,000 for the nine months ended 30 September 2018. This was primarily attributable to delivery of M/V Belnippon in January 2018.

The segment "operating management" consists of income from accounting services. The increase by USD 13,000 is due to a minor increase in accounting fees.

The segment "technical management" consists of income from technical management services in Singapore and Tianjin. The decrease of USD 33,000 is due to minor reduction in management fees.

12.5.2.2 Operating expenses

Other operating expenses comprise ship operating expenses, ship management expenses, payroll expenses and general and administrative expenses.

The Group's other operating expenses increased by USD 4,396,000, or 43.2%, from USD 10,175,000 for the period ended 30 September 2017 to USD 14,571,000 for the period ended 30 September 2018. This is primarily attributable to T/C hire expenses related to M/V Belnippon, delivered in January 2018.

The table below sets forth the breakdown of the Group's other operating expenses for the period ended 30 September 2018 and 2017.

In USD thousands	**Period ended 30 September**			
	2018	**2017**	**Variance**	**% change**
Other operating expenses				
T/C hire expenses	3,309	0	+3,309	
Ship operating expenses	6,169	5,946	+223	+3,8
Ship management expenses	2,702	2,468	+234	+9,5
General and administrative expenses[1]	2,391	1,761	+630	+35.8
Total other operating expenses	**14,571**	**10,175**	**4,396**	

1 General and administrative expenses refers to office rental, office supplies, travelling costs and lawyer and audit fees.

Ship operating expenses comprise primarily of crew expenses, maintenance and spare parts and insurance.

The Group's ship operating expenses increased by USD 223,000, or 3.8%, from USD 5,946,000 for the period ended 30 September 2017 to USD 6,169,000 for the period ended 30 September 2018. This was primarily attributable to some additional maintenance costs.

Ship management expenses comprise of administration costs in Belships Management (Singapore).

The Group's ship management expenses increased by USD 234,000, or 9.5%, from USD 2,468,000 for the period ended 30 September 2017 to USD 2,702,000 for the period ended 30 September 2018. This was primarily attributable to preparation of increased activity.

General and administrative expenses comprise of office rental, office supplies, travelling costs and lawyer- and audit fees. The Group's general and administrative expenses increased by USD 630,000, or 35.8%, from USD 1,761,000 for the period ended 30 September 2017 to USD 2,391,000 for the period ended 30 September 2018. This was primarily attributable to increased costs to advisors in connection with the Merger process.

12.5.2.3 Depreciation charge

The Group's depreciation charge increased by USD 807,000, or 23.7%, from USD 3,412,000 for the period ended 30 September 2017 to USD 4,219,000 for the period ended 30 September 2018, as the estimate for residual value was lower in 2018 compared to 2017, and consequently a higher basis for depreciation.

12.5.2.4 Impairment charge

The Group had a reversal of net impairment charge of USD 1,269,000 for the period ended 30 September 2018 as compared to a reversal of net impairment charge of USD 500,000 for the period ended 30 September 2017.

12.5.2.5 Net financial items

The Group's finance expense – net decreased by USD 465,000 for the period ended 30 September 2018 from 30 September 2017. The table below sets forth the breakdown of the Group's finance expense – net for the period ended 30 September 2018 and 2017.

In USD thousands	Period ended 30 September			
	2018	**2017**	**Variance**	**% change**
Net finance items				
Interest income	38	18	+20	+111.1
Interest expenses	-3,179	-3,581	+402	-11.2
Currency exchange gain/loss	-140	110	-250	-227.3
Other financial items	-20	-313	+293	
Net financial items	**-3,301**	**-3,766**	**+465**	**10.1**

The decrease in finance expense – net for the period ended 30 September 2018 from 30 September 2017 was primarily due to lower interest expenses. The Group paid an extraordinary instalment in December 2017.

12.6 Results of operations for Belships post-Merger

12.6.1 Year ended 31 December 2018 compared with year ended 31 December 2017

12.6.1.1 General

The Group's net freight revenue increased by USD 4,409,000, or 3.9%, from USD 112,628,000 for the year ended 31 December 2017 to USD 117,037,000 for the year ended 31 December 2018. This was primarily attributable to increased activity and an increase in the number of ships in the fleet due to the completion of the Merger.

The table below sets forth the Group's operating revenue by segment for the year ended 31 December 2018 and 2017.

In USD thousands	Year ended 31 December			
	2018	**2017**	**Variance**	**% change**
Operating revenue				
Ships on long-term charter	2,586	0	+2,586	+100.0
Ships - spot	33,548	21,942	+11,606	+52.0
Lighthouse Navigation	85,389	94,819	-9,430	-10.0
Technical management	388	0	+388	+100.0
Admin. & group transactions	-9	0	-9	-100.0
Total operating revenue	**121,902**	**116,761**	**5,141**	**+4.4**
Voyage expenses				
Ships - Spot	8,993	6,656	+2,337	+28.8
Lighthouse Navigation	1,705	1,648	+57	+3.5
Total voyage expenses	**10,698**	**8,304**	**+2,394**	**+28.8**

Operating data	Year ended 31 December			
	2018	**2017**	**Variance**	**% change**
Voyage days				
Ships on long-term charter	184	0	+184	+100.0
Ships - spot	3,171	2,214	+957	+43.2
Total voyage days	**3,355**	**2,214**	**+1,141**	**51.5**
Calendar days				
Ships on long-term charter	186	0	+186	+100.0
Ships - spot	3,223	2,214	+1,009	+45,6
Total calendar days	**3,409**	**2,214**	**+1,195**	**+54.0**

12.6.1.2 Ships on long-term charter

The Group's income for ships on long-term charter increased by USD 2,586,000 for the year ended 31 December 2018 due to the Merger. There were no ships on long-term charter in 2017 for the Lighthouse Group.

12.6.1.3 Ships operating in the spot market

The Group's income from ships on spot increased by USD 11,606,000 or 52%, from USD 21,942,000 for the year ended 31 December 2017 to USD 33,548,000 for the year ended 31 December 2018. This was primarily attributable to an increase in the number of ships due to the Merger.

12.6.1.4 Operating and commercial management

The Group's income from operating and commercial management decreased by USD 9,430,000 or 10.0%, from USD 94,819,000 for the year ended 31 December 2017 to USD 85,389,000 for the year ended 31 December 2018. This was primarily attributable to reduced activity.

12.6.1.5 Technical management

The Group's income from technical management increased by USD 388,000 for the year ended 31 December 2018. The Group had no activity in this segment in 2017.

12.6.1.6 Voyage expenses

The Group's voyage expenses increased by USD 2,394,000 or 28.8%, from USD 8,304,000 for the year ended 31 December 2017 to USD 10,698,000 for the year ended 31 December 2018. This was primarily attributable to more ships on voyage charter.

12.6.1.7 Other operating expenses

Other operating expenses comprise share of result from joint venture and associated companies, T/C hire expenses, ship operating expenses, ship management expenses, payroll expenses and general and administrative expenses.

The Group's other operating expenses increased by USD 241,000, or 0.2%, from USD 102,112,000 for the year ended 31 December 2017 to USD 102,353,000 for the year ended 31 December 2018. This was primarily attributable to the Merger.

The table below sets forth the breakdown of the Group's other operating expenses for the years ended 31 December 2018 and 2017.

In USD thousands	**Year ended 31 December**			
	2018	**2017**	**Variance**	**% change**
Other operating expenses				
Share of result from joint venture and associated companies	2,012	2,215	-203	-9.2
T/C hire expenses	-80,014	-88,133	+8,119	+9,2
Ship operating expenses	-16,094	-10,218	-5,876	-57.5
Ship management expenses	-420	0	-420	-100.0
Pay roll expenses	-4,504	-2,995	-1,509	-50.4
General and administrative expenses[1]	-3,333	-2,981	-352	-11.8
Total other operating expenses	**-102,353**	**-102,112**	**-241**	**-0.2**

1 General and administrative expenses refers to office rental, office supplies, travelling costs and lawyer- and audit fees.

Ship operating expenses comprise primarily of crew expenses, maintenance and spare parts and insurance. The Group's ship operating expenses increased by USD 5,876,000, or 57.5%, from USD 10,218,000 for the year ended 31 December 2017 to USD 16,094,000 for the year ended 31 December 2018. This was primarily attributable to an increase in the number of ships due to the completion of the Merger.

Ship management expenses comprise of administration costs in Belships Management (Singapore). The Group's ship management expenses amounted to USD 420,000 at year ended 31 December 2018. The Group entered into this activity in Q4 2018.

General and administrative expenses comprise of office rental, office supplies, travelling costs and lawyer- and audit fees. The Group's general and administrative expenses increased by USD 352,000, or 11.8%, from USD 2,981,000 for the year ended 31 December 2017 to USD 3,333,000 for the year ended 31 December 2018. This was primarily attributable to increased costs to advisors in connection with the Merger process.

12.6.1.8 Depreciation charge

The Group's depreciation charge increased by USD 2,483,000, or 46.6%, from USD 5,330,000 for the year ended 31 December 2017 to USD 7,813,000 for the year ended 31 December 2018. This was primarily attributable to an increase in the number of ships due to the completion of the Merger.

12.6.1.9 Impairment charge

The Group had a reversal of net impairment charge of USD 9,474,000 for the year ended 31 December 2017 as compared to no impairment or reversal of net impairment charge for the year ended 31 December 2018.

12.6.1.10 Purchase bargain gain

The purchase bargain gain recorded in 2018 is a result of the Merger between Belships and the Lighthouse Group completed on 10 December 2018. 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 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 12,849,000 was concluded to exist.

12.6.1.11 Net financial items

The Group's finance expense – net increased by USD 1,972,000 for the year ended 31 December 2018 from 31 December 2017. The table below sets forth the breakdown of the Group's finance expense – net for the year ended 31 December 2018 and 2017.

In USD thousands	**Year ended 31 December**			
	2018	**2017**	**Variance**	**% change**
Net finance items				
Interest income	56	2	+54	+2,700.0
Interest expenses	-4,754	-2,949	-1,805	+61,2
Currency exchange gain/loss	-94	0	-94	-100.0
Other financial items	-351	-224	-127	56.7
Net financial items	**-5,143**	**-3,171**	**-1,972**	**62.2**

The increase in finance expense – net for the year ended 31 December 2018 was primarily due to the Merger process with an increase in interest bearing liabilities.

12.6.2 Three months ending 31 March 2019

12.6.2.1 General

The Group's operating income for the three months ending 31 March 2019 amounted to USD 31.1 million. EBITDA amounted to USD 10.1 million and net result amounted to USD 2.5 million.

The table below sets forth the Group's operating revenue by segment for the period ended 31 March 2019.

In USD thousands	**31 March 2019**
Operating revenue	
Ships on long-term charter	7,290
Ships – spot	7,648
Lighthouse Navigation	14,388
Technical management	1,946
Admin. & group transactions	-196
Total operating revenue	**31,076**
Voyage expenses	
Ships - Spot	3,655
Lighthouse Navigation	4,082
Total voyage expenses	**7,737**

Operating data	**31 March 2019**
Voyage days	
Ships on long-term charter	526
Ships - spot	806

Operating data

	31 March 2019
Total voyage days	**1,332**
Calendar days	
Ships on long-term charter	540
Ships - spot	810
Total calendar days	**1,350**

12.6.2.2 Ships on long-term charter

Ships on long-term charter generated an income of USD 7,290,000 in the first quarter of 2019. M/V Belstar, M/V Belnor and M/V Belisland have continued the long-term contracts to Canpotex of Canada. The charter for M/V Belstar expires in June. M/V Belforest, M/V Belocean and M/V Belnippon are on time charter to Cargill. Belships' charter coverage represents a future nominal gross hire of around USD 30 million.

12.6.2.3 Ships operating in the spot market

Ships operating in the spot market generated an income of USD 7,648,000 during the first three months of 2019. The ships are operated in the spot market by Belships' subsidiary Lighthouse Navigation in Bangkok.

12.6.2.4 Operating and commercial management

The operating and commercial management segment (Lighthouse Navigation) generated an income of USD 14,388,000 in the first quarter of 2019. Lighthouse Navigation had on average 18 vessels on charter during Q1 2019, without taking into account the vessels owned by Belships ASA.

12.6.2.5 Technical management

Technical management generated an income of USD 1,946,000 in the first quarter of 2019. The income consist of technical management and crew management fees.

The technical management for the ex-Lighthouse ships are in the process of being transferred to Belships Management (Singapore). Currently have 6 ships been transferred and the remaining 3 ships will soon follow. Belships Management (Singapore) will soon have the technical management for 20 vessels.

12.6.2.6 Voyage expenses

Voyage expenses is related to the ships operated in spot market (both owned and through Lighthouse Navigation), and amounted to USD 7,737,000 in the first quarter of 2019.

12.6.2.7 Other operating expenses

The table below sets forth the breakdown of the Group's other operating expenses for the period ended 31 March 2019.

In USD thousands	Three months ended 31 March
	2019
Other operating expenses	
Share of result from joint venture and associated companies	634
T/C hire expenses	-12,515
Ship operating expenses	-5,975
Ship management expenses	-971
General and administrative expenses[1]	-2,143
Total other operating expenses	**-20,970**

1 General and administrative expenses refers to office rental, office supplies, travelling costs and lawyer- and audit fees.

T/C hire expenses are related to the business in Lighthouse Navigation and amounted to USD 12,515,000.

Ship operating expenses amounted to USD 5,975,000. Owned ships sailed without significant problems during the quarter.

Ship management expenses consists of administrative expenses in Belships Management (Singapore) and amounted to USD 971,000 in the first quarter of 2019.

General and administrative expenses is related to office staff in Bangkok and Oslo and amounted to USD 2,143,000 in the first quarter of 2019.

12.6.2.8 Depreciation charge

Depreciation amounted to USD 4,555,000 and are primarily related to ships.

12.7 Liquidity and capital resources for Belships prior to the Merger

12.7.1 Sources of liquidity

As at 30 September 2018, the Group had cash and cash equivalents of USD 5.3 million, compared to USD 5.5 million as at 31 December 2017. As at 30 September 2018 and for the years ended 31 December 2017 and 2016, majority of the Group's cash and cash equivalents were denominated in USD.

The Group's principal sources of funds for its liquidity needs are cash flows from operations and long-term bank borrowings. The Group's main uses of funds have been expenditures for the acquisition of new and second-hand vessels, voyage expenses and vessel operating expenses, and the repayment of borrowings and inter-company payables.

12.7.2 Balance sheet data

12.7.2.1 Assets

The following table sets out the Group's assets for the years ended 31 December 2017 and 2016, and nine months ended 30 September 2018 and 30 September 2017.

	Nine months ended 30 September	**Nine months ended 30 September**	**Year ended 31 December**	
In USD thousands	**2018**	**2107**	**2017**	**2016**
Non-current assets	91,652	93,173	93,727	96,483
Current assets	7,425	10,038	8,402	9,129
Total assets	**99,077**	**103,211**	**102,129**	**105,612**

The Group's non-current assets consist primarily of vessels. The current assets consist of cash and cash equivalents, trade and other receivables, and inventories.

The Group's total assets decreased by USD 3.5 million, or 3.3%, from USD 105.6 million at 31 December 2016 to USD 102.1 million at 31 December 2017, primarily as a result of depreciation of ships .

12.7.2.2 Liabilities

The following table sets out the Group's liabilities for the years ended 31 December 2017 and 2016, and nine months ended 30 September 2018 and 30 September 2017.

	Nine months ended 30 September	**Nine months ended 30 September**	**Year ended 31 December**	
In USD thousands	**2018**	**2107**	**2017**	**2016**
Non-current liabilities	60,489	70,779	65,811	76,072
Current liabilities	9,241	9,279	9,936	9,396
Total liabilities	**69,730**	**80,058**	**75,747**	**85,468**

For the years ended 31 December 2017 and 2016, the Group's liabilities consisted mainly of trade payables, other payables due to third parties as well as related corporations and external borrowings.

The Group's total liabilities decreased by USD 9.7 million, or 11.4%, from USD 85.5 at 31 December 2016 to USD 75.7 at 31 December 2017, primarily as a result of repayment of non-current debt.

12.7.3 Cash flows

The following table summarises the Group's historical cash flows extracted from the Group's 2017 and 2016 Financial Statements and the Pre-Merger Interim Financial Statements.

In USD thousands	**Nine months ended 30 September**	**Nine months ended 30 September**	**Year ended 31 December**	
	2018	**2107**	**2017**	**2016**
Net cash from operating activities	6,168	5,592	8,016	5,717
Net cash used in investing activities	-369	-275	-271	1,183
Net cash from financing activities	-5,981	-5,361	-10,204	-6,975
Net increase/(decrease) in cash and cash equivalents	-183	-44	-2,459	-75
Cash and cash equivalents at the beginning of the financial years	5,459	7,918	7,918	7,993
Cash and cash equivalents at the end of the financial years	5,276	7,874	5,459	7,918

12.7.4 Cash flows from operating activities

12.7.4.1 The nine months ending 30 September 2018 and 2017

Net cash flows from operating activities was USD 6.2 million for the nine months ending 30 September 2018 compared with net cash from operating activities of USD 5.6 million for the nine months ending 30 September 2017.

The increase was primarily due to increase in freight revenue.

12.7.4.2 Years ended 31 December 2017 and 2016

Net cash flows from operating activities was USD 8.0 million for the year ended 31 December 2017 compared with net cash from operating activities of USD 5.7 for the year ended 31 December 2016.

The increase was primarily due to increase in freight revenue and management fees.

12.7.5 Cash flows from investing activities

12.7.5.1 The nine months ending 30 September 2018 and 2017

Net cash used in investing activities was USD -0.4 million for the nine months ending 30 September 2018. This was related to minor investments.

Net cash used in investing activities was USD -0.3 million for the nine months ending 30 September 2017. This was related to minor investments.

12.7.5.2 Years ended 31 December 2017 and 2016

Net cash used in investing activities was USD -0.3 million for the year ended 31 December 2017. This was related to minor investments.

Net cash used in investing activities was USD 1.2 million for the year ended 31 December 2016. This was related to sale of ships.

12.7.6 Cash flows from financing activities

12.7.6.1 The nine months ending 30 September 2018 and 2017

Net cash provided by financing activities was USD -6.0 million for the nine months ending 30 September 2018. This was mainly related to repayment of non-current debt.

Net cash provided by financing activities was USD -5.4 million for the nine months ending 30 September 2017. This was mainly related to repayment of non-current debt.

12.7.6.2 Years ended 31 December 2017 and 2016

Net cash provided by financing activities was USD -10.2 million for the year ended 31 December 2017. This was mainly related to repayment of non-current debt

Net cash provided by financing activities was USD -7.0 million for the year ended 31 December 2016. This was mainly related to repayment of non-current debt.

12.8 Liquidity and capital resources for Belships post-Merger

12.8.1 Sources of liquidity

As at 31 March 2019, the Group had cash and cash equivalents of USD 34.7 million, compared to USD 32.0 million as at 31 December 2018. As at 31 March 2019 and for the year ended 31 December 2018, majority of the Group's cash and cash equivalents were denominated in USD.

The Group's principal sources of funds for its liquidity needs are cash flows from operations and long-term bank borrowings. The Group's main uses of funds have been expenditures for the acquisition of new and second-hand vessels, time-charter expenses, voyage expenses and vessel operating expenses, and the repayment of borrowings and inter-company payables.

The Group's liquidity needs, as of 31 March 2019, through to the end of 2019 primarily relate to new investments in ships.

There are no material legal or economic restrictions on the ability of subsidiaries to transfer funds to the Company in the form of cash dividends, loans or advances.

The Management believes that cash flows from operations, funds available under the existing loan facilities, and proceeds of the Private Placement and the Subsequent Offering, will be sufficient to support its growth strategy, which may involve the acquisition of newbuildings and secondhand vessels. Depending on market conditions in the dry bulk maritime transportation industry and acquisition opportunities that may arise, the Group may seek to obtain additional debt or equity financing.

12.8.2 Balance sheet data

12.8.2.1 Assets

The following table sets out the Group's assets for the year ended 31 December 2018.

In USD thousands	**As at 31 December**
	2018
Non-current assets	245,453
Current assets	48,161
Total assets	**293,614**

The Group's non-current assets consist primarily of vessels and newbuildings. The current assets consist of cash and cash equivalents, trade and other receivables, and inventories.

12.8.2.2 Liabilities

The following table sets out the Group's liabilities for the year ended 31 December 2018.

In USD thousands	As at 31 December 2018
Non-current liabilities	136,612
Current liabilities	33,220
Total liabilities	**169,832**

For the year ended 31 December 2018, the Group's liabilities consisted mainly of trade payables, other payables due to third parties as well as related corporations and external borrowings.

12.8.3 Cash flows

The following table summarises the Group's historical cash flows extracted from the Group's 2018 Financial Statements and the Post-Merger Interim Financial Statement.

In USD thousands	Three months ended 31 March 2019	Year ended 31 December 2018
Net cash from operating activities	6,449	12,982
Net cash used in investing activities	0	-10,381
Net cash from financing activities	-3,747	14,743
Net increase/(decrease) in cash and cash equivalents	2,702	17,344
Cash and cash equivalents at the beginning of the financial years	32,034	14,690
Cash and cash equivalents at the end of the financial years	34,736	32,034

12.8.4 Cash flows from operating activities

12.8.4.1 The three months ending 31 March 2019

Net cash flows from operating activities was USD 6,449,000 for the three months ending 31 March 2019. This cash flow was mainly generated by freight revenue and management fees. The cash flow contributions from Lighthouse Navigation and Belships Management (Singapore) were significant in the first quarter of 2019.

12.8.4.2 Year ended 31 December 2018

Net cash flows from operating activities was USD 12,982,000 for the year ended 31 December 2018. This cash flow was mainly generated by freight revenue and management fees. The general and administrative expenses were high in the fourth quarter of 2018 which was mainly related to the Merger process.

12.8.5 Cash flows from investing activities

12.8.5.1 The three months ending 31 March 2019

Net cash used in investing activities was USD 0 for the three months ending 31 March 2019. Investing activities varies a lot from period to period and there were no investments in the first quarter of 2019.

12.8.5.2 Year ended 31 December 2018

Net cash used in investing activities was USD 10,381,000 for the year ended 31 December 2018. This was related to ship investments as further described in Section 12.10.7 "Capital expenditure". Due to the Merger process the investing activity was rather slow for the year ended 31 December 2018.

12.8.6 Cash flows from financing activities

12.8.6.1 The three months ending 31 March 2019

Net cash provided by financing activities was USD -3,747,000 for the three months ending 31 March 2019. This was related to payment of debt.

12.8.6.2 Year ended 31 December 2018

Net cash provided by financing activities was USD 14,743,000 for the year ended 31 December 2018. This was related to proceeds from non-current debt. Two new ships were acquired in 2018 and financed by mortgage debt. Interest payments reduced the net cash flow from financing activities.

12.9 Impairment testing

At the end of each quarter, every ship is assessed for impairment indicators. The same applies when events or changes occur that may entail that the asset's carrying amount may not be recovered. In assessing the need for impairments, assets are grouped at the lowest level at which there is identifiable and predominantly independent cash inflows, which means per ship. Impairment is calculated as the difference between the asset's carrying amount and the value considered as recoverable. The recoverable amount is the higher of the asset's fair value less cost to sell and its value in use to the Group. Value in use is calculated by discounting anticipated future cash flows from the asset. When it is assumed that the asset's value is lower than its carrying amount, an impairment loss is recognised. Impairment loss recognised in earlier periods is reversed only in case of changes to the estimates used to determine the recoverable amount. However, the reversal amount may only be so high that book value after reversal at most corresponds to the value at which the asset would have been registered if it had not been impaired earlier. Such reversals are recorded in the profit and loss.

12.10 Existing borrowing arrangements

12.10.1 Introduction

Total loan balances of the Group as of 31 May 2019 were as follows:

Amounts in USD thousands	**31 May 2019**
Mortgages/Bank loans	139,800
Bareboat commitments (financial leases)	65,786
Total interest-bearing debt	**205,586**

The maturity profile for the interest-bearing debt as of 31 May 2019 is as follows:

Amounts in USD thousands	**31 May 2019**
Due in year 1 (1 June 2019-31 May 2020)	28,602
Due in year 2 (1 June 2020-31 May 2021)	18,985
Due in year 3 (1 June 2021-31 May 2022)	19,409
Due in year 4 (1 June 2022-31 May 2023)	19,861
Due in year 5 and later (from 1 Jun 2023)	118,729
Total interest-bearing debt	**205,586**

12.10.2 Long-term debt

In March 2019 the Group secured a USD 140 million loan facility with DNB Bank, Danske Bank and Sparebank 1 SR-Bank for 5 years, and is available in two tranches. An initial tranche of USD 110 million replaces the Group's a long-term financing agreement with ABN Ambro entered into in 2014 and strengthens the Groups working capital. An accordion tranche of USD 30 million will be available for fleet expansion. As of 6 May 2019, USD 89 million has been drawn on the first tranche.

The new loan facility has a margin of 275 basis points with the first down-payment in Q3 2020. The initial tranche is based on a loan-to-value ratio (LTV) of 55%, while the accordion tranche is based on an LTV of 60%. Main financial covenants are minimum: available cash of USD 0.5 million per ship, equity ratio of 30% and fair market value of the ships of 120% (130% from Jan 2021) of outstanding amounts. Declare of dividend is limited to 50% of net profit for each calendar year.

The loan is secured by assignment of earnings and first priority mortgages in the ships owned by the Group, i.e. at the date of this Prospectus 13 ships. Please see Section 8.5.2 "Overview of the fleet" for an overview of the ships owned by the Group.

12.10.3 Interest swap agreements

The Company has an interest swap agreement, which started in September 2015, at a rate of 1.9% and with a duration of five years covering USD 20 million, reduced by USD 2 million per year.

12.10.4 Current receivables and short-term liabilities

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

12.10.5 Bareboat charter commitments

The Company entered into a sale and leaseback agreement for M/S Belforest on 25 September 2015. The bareboat period is 12 years with purchase options from year three onwards. M/S Belisland was delivered 15 March 2016 and leased for a period of 15 years with purchase options from year five onwards. Both leases are considered as finance leases.

12.10.6 Time charter commitments

In January 2018, the newbuilding M/S Belnippon was delivered and entered the eight-years' time charter agreement to the Company. The Company has purchase options from year four onwards.

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

12.10.7 Capital expenditure

The Group's main capital expenditure arise from ship acquisitions.

The following table sets forth information about the Lighthouse Group's capital expenditures for the periods indicated:

In USD million	Year ended 31 December		
	2018	**2017**	**2016**
Newbuild / secondhand acquisitions[1]	19.4	4.8	79.9
Drydocking	1.4	2.7	0.0
Total	**20.8**	**7.5**	**79.9**

1 Figures include components that are allocated to and classified as drydock for financial reporting purpose.

Over a 12 month period from May 2015, the Ligthouse Group took delivery of five 64,000 dwt bulk carriers of which three were delivered in 2016 (Belatlantic (Atlantic Light), Belmont (Baltic Light) and Belinda (Indian Light)). In addition, the Lighthouse Group acquired Beleast (previously named Eastern Light, built in 2006) in 2016.

In 2017, the Lighthouse Group acquired Belpacific (previously named Pacific Light, built in 2007). Beleast and Belpacific were both dry-docked in 2017.

In 2018, the Lighthouse Group acquired Belorient (previously named Orient Light, built in 2008) and Belforth (previously named Bering Light, built in 2008). These vessels were also dry-docked in 2018.

The following table sets forth information about the capital expenditures for the periods indicated below for Belships prior to the Merger:

In USD million	Year ended 31 December		
	2018	**2017**	**2016**
Newbuild / secondhand acquisitions[1]	0.0	0.0	22.7
Drydocking	0.0	0.0	0.0
Total	**0.0**	**0.0**	**22.7**

In USD million	Year ended 31 December		
	2018	**2017**	**2016**

1 Figures include components that are allocated to and classified as drydock for financial reporting purpose.

On 15 March 2016, Belships took delivery of Belisland, which was constructed at Imabari Shipbuilding in Japan. The ship was at time of delivery sold to a Japanese counterpart and leased back for a period of 15 years with purchase options from year 5 onwards. There has been no dry-docking expenditures for the Belship fleet the last three years.

In April 2019, the Company announced that it had acquired three new ships, all to be paid party in cash and partly in Shares. Please see Section 8.5.4 "The Recent Vessel Acquisitions" for more information.

Belships' remaining newbuilding program with Imabari Shipbuilding in Japan consists of one 63 000 dwt eco-design Ultramax bulk carrier on a long-term T/C-in agreement incl. purchase option for delivery within first half 2020, hence no outstanding capital expenditure is due.

The following table sets forth information about the Group's planned capital expenditure for 2019 and the next three years:

In USD million - Unaudited	**2019F**	**2020F**	**2021F**	**2022F**	**Total payments**	**Cost price**
Newbuilding instalments	0.0	0.0	0.0	0.0	0.0	0.0
Ship acquisitions[1]	49.2	0.0	0.0	0.0	49.2	49.2
Dry-docking for maintenance and upgrades	1.3	5.8	3.4	2.6	13.1	13.1
- *Belships*	*1.3*	*1.3*	*1.3*	*0.0*	*3.9*	*3.9*
- *Lighthouse*	*0.0*	*2.1*	*1.4*	*2.6*	*6.1*	*6.1*
- *The Recently Acquired Vessels*	*0.0*	*2.4*	*0.7*	*0.0*	*3.1*	*3.1*

1 Please see Section 8.5.4 "The Recent Vessel Acquisitions" for more information.

12.10.8 Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

12.11 Quantitative and qualitative disclosure about market risk management

12.11.1 Introduction

The Group's activities expose it to a variety of financial risks: market risk (including price risk and currency risk); interest rate risk; credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

12.11.2 Market risk management

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.

12.11.3 Credit risk management

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 and Cargill. Those customers are considered to be solid and reputable counterparts. Other ships operates under short-term spot engagements with a broader customer base. The customers are often recurring, however, the risk related to any specific customer's insolvency or inability to compensate for the services provided is low.

12.11.4 Interest rate management

strategy is to manage interest risk. Hedging the Group's interest exposure is considered on an ongoing basis. Entering into interest rate hedging agreements are based on developments in the interest rate market and internal analysis. Belships entered in June 2015 into an interest swap agreement at a rate of 1.9% with a duration of 5 years currently covering USD 15 million, reducing by USD 2 million per year. Market value of this agreement amounted to USD 0.2 million at year end. The hedging level of interest rate exposure is currently around 40% (leases excluded). The market value of the agreement is recorded as noncurrent asset. The Group entered in 2015 and 2016 into two financial lease agreements, which also limit the interest rate exposure as the interest rate is fixed throughout the period. The company does not use hedge accounting.

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

Sensitivity to changes in interest rate levels	**2018**
Change in the interest rate level in basis points	-100/+100
Effect on result before tax	749/-749

12.11.5 Liquidity risk management

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

Six ships are secured on medium to long term charter contracts, toward two customers. The ships on long-term contracts will generate sufficient cash flow to cover operational expenses and planned instalments.

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

The Management prepares projections on a regular basis in order to plan the Group's liquidity requirements. These plans are updated regularly for various scenarios and form part of the decision basis for the Company's Board and Management. In March 2019, Belships secured a USD 140 million loan facility which replaces the current mortgage debt and will strengthen the working capital of the Group and enables future fleet growth.

12.12 Restrictions on use of capital

There are currently no restrictions on the use of the Company's capital resources that have materially affected or could materially affect, directly or indirectly, the Company's operations. The Company's long-term financing agreement does, however, contain a covenant limiting the payment of dividend to 50% of the net result, see Section 12.10.2 "Long-term debt".

12.13 Significant changes in the financial or trading position of the Group since 31 March 2019

Other than the completion of the new loan facility as further described in Section 12.10.2 "Long-term debt", the completion of the Private Placement as further described in Section 18.2 "The completed Private Placement" and the Recent Vessel Acquisitions described in Section 8.5.4 "The Recent Vessel Acquisitions" there has been no significant change in the financial or trading position of the Group since the date of the Post-Merger Interim Financial Statements for the three months ended 31 March 2019, which have been incorporated by reference into the Prospectus, see Section 20.3 "Incorporated by reference".

13 BOARD OF DIRECTORS, MANAGEMENT AND CORPORATE GOVERNANCE

13.1 Board of Directors

13.1.1 Overview of the Board of Directors

The Board of Directors is responsible for the overall management of the Company and may exercise all of the powers of the Company not reserved to the Company's shareholders by its articles of association or Norwegian law. Belships' articles of association provide that the Company's Board of Directors shall consist of a minimum of three and a maximum of seven board members, and possibly deputy members, elected by the Company's shareholders. In addition, the Company's shareholders may elect up to two observers to the Board of Directors. Belships' current Board of Directors is composed of seven shareholder-elected members, without any deputy members, and one observer.

The names and positions and current term of office of the board members, as at the date of this Prospectus are presented in the table below. The Company's registered business address, Lilleakerv 4, 0283 Oslo, Norway, serves as c/o address for the members of the Company's Board of Directors in relation to their directorship in the Company.

Name	Position	Served since	Term expires
Peter Frølich	Chairman	2018	AGM 2020
Sissel Grefsrud	Board member	2011	AGM 2020
Carl Erik Steen	Board member	2014	AGM 2020
Jorunn Seglem	Board member	2018	AGM 2020
Frode Teigen	Board member	2018	AGM 2020
Sverre Jørgen Tidemand	Board member	2018	AGM 2020
Birthe Cecilie Lepsøe	Board member	2018	AGM 2020
Jan Erik Sivertsen	Observer	2019	AGM 2020

The composition of the Board of Directors is in compliance with the independence requirements of the Corporate Governance Code (as defined below), meaning that (i) the majority of the shareholder-elected members of the Board of Directors are independent of the Management and material business contacts, (ii) at least two of the shareholder-elected board members are independent of the Company's main shareholders (shareholders holding more than 10% of the Shares), and (iii) no member of the Company's Management serves on the Board of Directors.

Frode Teigen, and his family, controls the Company's two largest shareholders Kontrari and Kontrazi, and Jan Erik Sivertsen is the CEO of Kontrari and Kontrazi. Sverre Tidemand controls Sonata AS, the Company's third largest shareholder. All other members of the Board of Directors are independent of the Company's significant business relations and large shareholders, and of the Management.

13.1.2 Brief biographies of the board members

Set out below are brief biographies of the board members of the Company, including their relevant management expertise and experience and an indication of any significant principal activities performed by them outside Belships.

Peter Frølich, chairman

Mr. Frølich has a degree in law from 1984 from the University of Bergen and a Diploma in International law and Taxation from McGeorge School of law, California, from 1986. He worked in the legal department of DNB from 1984 to 1992 (as regional head of the department from 1987 to 1992) and has thereafter been a partner at Wikborg Rein law firm, working primarily with financing, restructuring, M&A and shipping related law. He has vast experience assisting with the development of numerous businesses and participating as a member of the board of directors, currently in, inter alia, Fjord Line AS, Fana Sparebank, and previously in Lighthouse Shipholding AS, Lighthouse Shipholding II AS Wikborg Rein Advokatfirma AS. He is a Norwegian citizen and resides in Bergen, Norway.

Current directorships and senior management positions	*Fjord Line AS (chairman), J Berstad AS (chairman), Anthope AS (chairman), Racine AS (chairmasn), Wallendahl AS (chairman), Fana Sarebank (vice chairman), Kjøde Transport AS (chairman), Fusa Utviklingsselskap AS (chairman), Sigema AS (deputy board member), Sigema Eiendom AS (deputy board member), Sigema Holding AS (deputy board member), Gunnvor og Sigvart Ellingsens Legat (chairman), Banksjef C.J. Eges Stipendlegat (chairman) and Birgitte and Olaf Thorps Legat (chairman).*

Previous directorships and senior management positions last five years	*Lighthouse Shipholding AS, Lighthouse Shipholding II AS, Gundersen og Moldestad AS (chairman), Wikborg Rein Advokatfirma AS (Partner) and LHS 1 AS - LHS 9 AS (chairman).*

Sissel Grefsrud, board member

Mrs. Grefsrud holds an M.Sc. degree from the Norwegian School of Economics and Business Administration ("**NHH**") and is designated as a Chartered Financial Analyst (CFA). She is currently acting as a Director Market Analysis Transportation in ABN Amro Bank and holds a position as a member of the board of directors in ABN Amro Bank's Energy & Transportation division. Mrs. Grefsrud has previously been an executive in the Songa Group and First Olsen Tankers Ltd. and has held several directorships in Norway and Singapore. Mrs. Grefsrud is a Norwegian citizen and resides in Oslo, Norway.

Current directorships and senior management positions	*ABN Amro Bank (board member).*
Previous directorships and senior management positions last five years	*Borgestad ASA (board member).*

Carl Erik Steen, board member

Mr. Steen holds an M.Sc. degree in Industrial and Management Engineering from Eidgenössische Technische Hochschule in Zürich. He has extensive experience in ship finance and is currently a board member in several listed companies. When he left Nordea Bank in 2011 after 28 years of employment, he was Head of Shipping, Oil Services & International Division. He is a Norwegian citizen and resides in Oslo, Norway.

Current directorships and senior management positions	*N/A.*
Previous directorships and senior management positions last five years	*Euronav NV (chairman), Golar LNG Partners LP (board member), Golar LNG Ltd (board member), Wilh. Wilhelmsen Holding ASA (board member), Capreca AS (chairman), Bertel O. Steen Holding AS (board member), Pareto Bank ASA (board member), CMB NV (board member), OMP Capital AS (board member), A-K Maskin AS (board member).*

Jorunn Seglem, board member

Mrs. Seglem holds a degree in Naval Architecture MEng from the University of Southampton and a MBA from IESE Business School. She is currently the Managing Director of Knutsen Ballast Water AS, a company where she also holds a director position. In addition, Mrs. Seglem is a member of the board of directors of Knutsen NYK Offshore Tankers (KNOT). She is a Norwegian citizen and resides in Haugesund, Norway.

Current directorships and senior management positions	*Knutsen NYK Offshore Tankers (KNOT) (board member) and Knutsen Ballast Water AS (board member and CEO).*
Previous directorships and senior management positions last five years	*N/A.*

Frode Teigen, board member

Mr. Teigen holds a MBA from University of Denver. He is a private investor, and Chairman of the boards of investment companies Kontrari AS and Kontrazi AS. In addition, he holds director positions in several companies, including Egersund Group AS and Fjord Line AS. Mr. Teigen is a Norwegian citizen and resides in Egersund, Norway.

Current directorships and senior management positions	*Kontrari AS (chairman), Kontrai AS (chairman), Akva ASA (board member), Egersund Group AS (board member), Nordic Halibut AS (board member), Egersund Group Eiendom (board member), Svålholmen AS (board member), Telemarksrøye AS (board member), AS Egersund Investeringsselskap (board member), Desconda AS (board member), Seconda AS (board member), Camy Holding AS (board member), Havlide Jysereid AS (chairman), Åse-Vøllestad Skogen AS (chairman), Fjord Line AS (board member), Lighthouse Shipholding I AS (board*

	member), Lighthouse Shipholding II AS (board member) and LHS 1 AS – LHS 9 AS (board member).
Previous directorships and senior management positions last five years	*N/A.*

Sverre Jørgen Tidemand, board member

Mr. Tidemand was the managing director of Belships from 1979 to May 2011 and the chairman of Belships' board of directors from June 2011 to March 2019. He is an engineer and graduated from MIT with a Bachelor in Science of Naval Architecture and Marine Engineering and a Master of Science in Shipping and Shipbuilding Management in 1974. Mr. Tidemand worked for Lazard Brothers & Co. Ltd. in London from 1975 to 1979. Mr. Tidemand is a Norwegian citizen and resides in Oslo, Norway.

Current directorships and senior management positions	*Sonata AS (chairman and CEO).*
Previous directorships and senior management positions last five years	*N/A.*

Birthe Cecilie Lepsøe, board member

Mrs. Lepsøe holds a master degree in Business & Economics from the Norwegian Business School. She has experience in financial management, advisory functions and board positions in banking, shipping and real estate. She is currently a member of the board of directors of Sparebank 1 SR-Bank ASA and Smedvig Group. Mrs. Lepsøe has previously worked for Grieg Shipping Group and DNB Shipping. She is a Norwegian citizen and resides in Bergen, Norway.

Current directorships and senior management positions	*Sparebank 1 SR-Bank ASA (board member), Smedvig AS (board member), Smedvig Capital AS (board member), Smedvig Eiendom AS (board member), Askøy Kommunale Eiendomsselskap AS (incl. subsidiaries) (chairman), Vest Corporate Advisors AS (Partner) and Cebima AS (CEO).*
Previous directorships and senior management positions last five years	*Inventura Group AS (board member) and StyreAkademiet AS (board member).*

Jan Erik Sivertsen, observer

Mr. Sivertsen has been the managing director of Kontrari AS and Kontrazi AS since 2011 and been on the board of directors of both companies since 2011. In addition, he holds director positions in several other companies, including Egersund Group AS. Mr. Sivertsen holds a degree in auditing from Universitetet i Agder. He worked as an auditor from 1996 to 2007 (Ernst & Young/Iversen Revisjon), and from 2007 to 2011 he worked as CFO in B&G Group. Mr Sivertsen is a Norwegian citizen and resides in Egersund, Norway.

Current directorships and senior management positions	*Kontrari AS (CEO and board member), Kontrazi AS (CEO and board member), Egersund Group AS (board member), Camy Holding AS (CEO and board member), Desconda AS (chairman), Seconda AS (chairman), AS Egersund Investeringsselskap (chairman), Feyer Eiendom AS (chairman), Lagårdshallen AS (chairman), Grand Hotell AS (chairman), Endre AS (chairman), Fiskarvik Maritime Senter AS (chairman), Nordic Halibut AS (chairman), Svåholmen AS (board member), Egersund Group AS (board member), Egersund Group Eiendom AS (board member), Grand Hotell Egersund AS (board member), Havlide Jysereid AS (board member), Åse-Vøllestad Skogen AS (board member), Njord Salmon AS (board member).*
Previous directorships and senior management positions last five years	*Lighthouse Shipholding AS (board member), Lighthouse Shipholding II AS (board member), Liquiline AS (board member), LHS 1 – LHS 9 AS (board member), Liquiline LNG AS (board member).*

13.1.3 Shares held by board members

As of 18 June 2019, the board members had the following shareholdings in the Company:

Name	Position	Number of Shares
Peter Frølich	Chairman	75,000
Sissel Grefsrud	Board member	0
Carl Erik Steen	Board member	79,154
Jorunn Seglem	Board member	35,000
Frode Teigen[1]	Board member	133,285,373
Sverre Jørgen Tidemand[2]	Board member	17,461,778
Birthe Cecilie Lepsøe	Board member	7,500
Jan Erik Sivertsen	Observer	50,000

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 the only share with voting rights.

As of the date of this Prospectus, none of the board members holds any options for Shares.

13.2 Management

13.2.1 Overview of the Management

The Management is responsible for the day-to-day management of the Group's operations in accordance with Norwegian law and instructions set out by the Board of Directors. Among other responsibilities, the Group's chief executive officer ("**CEO**") is responsible for keeping the Group's accounts in accordance with existing Norwegian legislation and regulations and for managing the Group's assets in a responsible manner. In addition, the CEO must, according to Norwegian law, brief the Board of Directors about the Group's activities, financial position and operating results at least once a month.

The Management consists of two individuals. The names of the members of the Management as at the date of this Prospective, and their respective positions, are presented in the table below. The Company's registered business address, Lilleakerv 4, 0283 Oslo, Norway, serves as the business address for the members of the Management in relation to their employment with the Company.

Name	Current position within the Company	Employed with the Company since
Lars Christian Skarsgård	Chief Executive Officer	2019
Osvald Fossholm	Chief Financial Officer	1990

As at the date of this Prospectus, the Company is not aware of any planned changes to the Management as a result of the Private Placement or the Subsequent Offering.

13.2.2 Brief biographies of the members of the Management

Set out below are brief biographies of the members of the Management, including their relevant management expertise and experience and an indication of any significant principal activities performed by them outside the Company.

Lars Christian Skarsgård, Chief Executive Officer

Lars Christian Skarsgård has served as CEO of Belships ASA since 15 March 2019. Mr. Skarsgård holds a B.A. in Economics from Liverpool University. He has wide ranging shipping experience from sailing as a deck cadet, shipbroking to ship owning and management. Before joining Belships ASA, he served as Director and Global head of S&P with Fearnleys AS.

Current directorships and senior management positions	*AS Torintimar (chairman).*
Previous directorships and senior management positions last five years	*Fearnleys AS (Director and Global head of S&P).*

Osvald Fossholm, Chief Financial Officer

Osvald Fossholm graduated from BI Norwegian Business School in 1985 as an accountant, and holds a master in accounting and auditing from the Norwegian School of Economics and Business Administration. He worked at Arthur Andersen & Co from 1985 to 1990, and became financial manager of Belships in 1990.

Current directorships and senior management positions	*Krino Invest AS (chairman), Midttun Invest AS (chairman) and ScanAccount AS (chairman).*
Previous directorships and senior management positions last five years	*N/A.*

13.2.3 Shares held by members of the Management

As of 18 June 2019, the members of the Management had the following shareholdings in the Company:

Name[1]	**Position**	**Number of Shares**	**Outstanding options**
Lars Christian Skarsgård	Chief Executive Officer	437,000	5,000,000
Osvald Fossholm	Chief Financial Officer	35,000	33,000

1 Shares held through companies controlled by the respective member of Management.

13.3 Remunerations and benefits

13.3.1 Remuneration to the Board of Directors

The remuneration paid to the members of the Board of Directors for 2018 amounted to NOK 708,000. The table below sets out the remuneration to the members of the Board of Directors in 2018:

2018 (amounts in NOK)	**Board remuneration**
Sverre J. Tidemand[1]	NOK 176,000
Sissel Grefsrud	NOK 133,000
Kjersti Ringdal[2]	NOK 133,000
Christian Rytter3	NOK 133,000
Carl Erik Steen	NOK 133,000
Total remuneration	**NOK 708,000**

1 Sverre J. Tidemand was replaced by Peter Frølich as chairman of the Board of Directors on 13 December 2018. Sverre J. Tidemand is still a member of the Board of Directors.

2 Kjersti Ringdal resigned from the Board of Directors on 13 December 2018.

3 Christian Rytter resigned from the Board of Directors on 26 October 2018.

On 23 May 2019 the annual general meeting of the Company resolved to approve the remuneration to the Board of Directors for 2019. The remuneration to be paid to the chairman of the Board of Directors for 2019 will amount to NOK 400,000. The remuneration to be paid to each member of the Board of Directors for 2019 will amount to NOK 200,000.

13.3.2 Remuneration to the Management

The remuneration paid to the members of the Management for 2018 amounted to NOK 17,678,000. It is a policy of the Company to offer compensation which is competitive in order to secure that the Company has the necessary capacity and competence in its Management. The remuneration consists of the basic salary element based on current market standards, as set out below, and participation in the Company's share option programme described in Section 13.4 "Share option programs". The table below sets out the remuneration to the members of the Management for 2018:

2018 (amounts in NOK thousands)*	**Salaries**	**Share-based payment transaction exp.**	**Pension expenses**	**Other allowances**	**Total remuneration**
Ulrich Müller[1]	15,059	136	171	236	15,603
Osvald Fossholm	1,612	75	171	216	2,075
Total remuneration	**16,671**	**211**	**342**	**452**	**17,678**

* The amounts are extracted from the Company's financial statements for 2018, on a non-consolidated basis.

1 Ulrich Müller resigned from his position as CEO on 15 March 2019 and was replaced by Lars Christian Skarsgård on the same day. Mr. Müller was entitled to receive severance pay for a period of 24 months after his resignation. The severance pay was entered Profit & Loss in December 2018.

13.4 Share option programs

13.4.1 Introduction

As at the date of this Prospectus the Company has issued 5,140,000 share options, equal to 2.65% of the outstanding shares in the Company, of which 140,000 have vested. Each option gives the holder the right to acquire one share from the Company at a strike price defined in the individual share option agreement.

13.4.2 General employee share option program

The Company has a general share option program for its employees which is regularly renewed each year subject to the approval by the annual general meeting. The share 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 annual general meeting which approved the option program, and runs until the date of the next annual general meeting. The option program includes all employees in the 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.

At the annual general meeting held on 24 April 2018, the Board of Directors was authorised to issue up to 200,000 share options to employees, including the Management. The option price is 105% of closing share price on the day of the annual general meeting. The authorisation was valid for two years. In accordance with this authorisation, options to buy 200,000 shares in the Company at NOK 5.36 were awarded by the Board of Directors to employees in December 2018, including 60,000 options to the CEO at the time, Ulrich Müller and 33,000 options to the CFO, Osvald Fossholm. The 60,000 options granted to Ulrich Müller lapsed upon his resignation as CEO in March 2019. No options have been exercised.

At the annual general meeting held on 23 May 2019 the Board of Directors was again authorised to issue up to 200,000 share options to employees, including the Management. The option price is 105% of closing share price on the day of the annual general meeting. The authorisation is valid until the annual general meeting in 2020, but no longer than to 30 June 2020. At the date of this Prospectus, the Board of Directors have not awarded any options to employees pursuant to this authorisation.

As at 18 June 2019 the number of outstanding options were 140,000. A summary of outstanding options for the years ended 31 December 2018, 2017 and 2016 is set out in the table below:

Summary of outstanding options	**2018**	**2017**	**2016**
Outstanding 1 January	400,000	400,000	400,000
Awarded	200,000	200,000	200,000
Exercised	0	0	0
Not exercised and lapsed	-200,000	-200,000	-200,000
Outstanding 31 December	**400,000**	**400,000**	**400,000**

13.4.3 Share option program for the CEO

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 an issue, by sale of existing shares, or by way of 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 Mr. Skarsgård terminates his position as CEO or if he is terminated from his position with cause. If Mr. 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 Mr. Skarsgård is terminated without cause during the exercise period, the options will lapse unless they are exercised within three months.

13.4.4 Share option program for the Board of Directors

As at the date of this Prospectus the Company has not granted any share options to the members of the Board of Directors.

13.5 Benefits upon termination

According to the terms of the employment agreement with Lars Christian Skarsgård (CEO), Mr. Skarsgård is, upon termination by the Company of his employment, entitled to receive severance pay for a period of 12 months after the expiry of the term of notice. The severance pay is calculated on the basis of the employee's base salary as of the date of the termination. The severance pay is not included in the basis for calculation of holiday pay or pension, but is subject to ordinary tax withholdings. Mr. Skarsgård is not entitled to severance pay if he terminates the employment or the employment is terminates with immediate effect. Nor is Mr. Skarsgård entitled to severance pay if he retires due to reaching his retirement age.

Other than this, none of the members of the Management have entered into employment agreements which provide for special benefits upon termination. None of the Board Members or the members of the Company's nomination committee have service contracts which entitles them to any benefits upon termination and none will be entitled to any benefits upon termination of office.

13.6 Pension and retirement benefits

13.6.1 Defined contribution scheme

The Norwegian employees are members 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. The Company does not have any future liabilities related to this scheme.

None of the members of the Board of Directors are member of the Company's defined contribution scheme.

For more information on the defined contribution scheme, see note 18 to the consolidated Financial Statements as of and for the twelve month period ended 31 December 2018, incorporated by reference hereto, see Section 20.3 "Incorporated by reference".

13.6.2 Defined benefit scheme

In addition to the defined contribution scheme, 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. As at the date of this Prospectus, there are 6 retired persons included in this scheme.

None of the members of the Board of Directors are included in the Company's defined benefit scheme.

For more information on the defined benefit scheme, see note 18 to the consolidated Financial Statements as of and for the twelve month period ended 31 December 2018, incorporated by reference hereto, see Section 20.3 "Incorporated by reference".

13.7 Loans and guarantees

As at 31 December 2018, loans to employees amounted to USD 62,000. Average interest rate in 2018 was 2.15%. The repayment period is five years. As at 31 December 2018, loans to members of the Management amounted to USD 33,000.

13.8 Employees

As at 21 June 2019, the Group has 463 employees of which 8 works in administration in the Norwegian companies. The table below shows the numbers of employees by main category of activity:

	As of 21 June 2019 2019
Total Group[1]	**463**
By main category of activity:	
Commercial operator & agency	73
Ship management	57
Administration	8
Seafarers	325

1 All numbers are pro-forma (assuming merger with the Lighthouse Group occurred on 1 January 2018).

13.9 Audit committee

The Board of Directors has elected an audit committee amongst the members of the Board of Directors. As at the date of this Prospectus, the Company's audit committee comprises Birthe Cecilie Lepsøe (chairman) and Peter Frølich. The audit 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 Company's audit committee reports and makes recommendations to the Board of Directors, but the Board of Directors retains responsibility for implementing such recommendations.

13.10 Nomination committee

The Company's articles of association provides that the Company shall have a nomination committee. The nomination committee shall consist of two or three members, according to the decision of the general meeting.

As at the date of this Prospectus, the Company's nomination committee comprises Vegard Gjerde and Kristian Falnes. Both members of the nomination committee are independent of the Management and the Board of Directors.

The Company's nomination committee shall make recommendations to the general meeting for the election of shareholder elected members of the Board of Directors and members of the nomination committee, and the remuneration to the members of the Board of Directors and the nomination committee.

13.11 Remuneration committee

As at the date of this Prospectus, the Company does not have a remuneration committee.

The Board of Directors has considered, but not found the need to establish a remuneration committee in the past, but intends to establish a remuneration committee in 2019.

13.12 Corporate governance

The Company endeavours to be in compliance with "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 Company, with the exceptions set out in the following, is in compliance with the Corporate Governance Code:

- The Company has not prepared any principles on how to act in the event of a take-over bid. The Company is of the opinion that when bids are made, the Board of Directors considers it important that shareholders are treated equally and that the Company's operations are not unnecessarily disturbed. The Board of Directors' actions will take this into account in such a situation.

13.13 Conflict of interests

During the last five years preceding the date of this Prospectus, none of the Directors and members of the Management has, or had, as applicable:

- any convictions in relation to indictable offences or convictions in relation to fraudulent offences;

- received any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or was disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company; or

- been declared bankrupt or been associated with any bankruptcy, receivership or liquidation in his or her capacity as a founder, director or senior manager of a company.

Frode Teigen, and his family, controls the Company's two largest shareholders Kontrari and Kontrazi, and Jan Erik Sivertsen is the CEO of Kontrari and Kontrazi. Sverre Tidemand controls Sonata AS, the Company's third largest shareholder. There are currently no other actual or potential conflicts of interest between the Company and the private interests or other duties of any of the Directors and members of the Management, including any family relationships between such persons.

14 RELATED PARTY TRANSACTIONS

14.1 Introduction

Below is a summary of the Group's related party transactions for the periods covered by the historical financial information and up to the date of this Prospectus. For further information on related party transactions, please see note 10 of the Financial Statements, incorporated by reference hereto, see Section 20.3 "Incorporated by reference".

14.2 Transactions carried out with related parties in the years ended 31 December 2016, 2017 and 2018

14.2.1 Consultancy Service Agreement with Kontrari

As of the date of this Prospectus Kontrari is the largest shareholder of Belships with a shareholding of 95,822,108 Shares controlled by Frode Teigen and his family. Pursuant to a consultancy service agreement dated 13 September 2013 (the "**Consultancy Service Agreement**") Kontrari provided Belships with consultancy services in 2018. The total fees under the Consultancy Service Agreement for 2018 amounted to USD 210,000 and are in line with prevailing market rates. The Consultancy Service Agreement terminated 31 December 2018 and no fees have been paid in the period following 31 December 2018.

In USD thousands	**Summary of invoiced amounts**		
	2018	**2017**	**2016**
	210	207.5	152.5

14.2.2 Accounting Services Agreement with Sonata AS

Pursuant to an accounting services agreement dated 2 January 2012 and an agreement dated 6 January 2012 regarding hire of CFO services (together the "**Accounting Services Agreement**"), Belships Managament AS, a subsidiary of Belships, provides accounting services to Sonata AS, which as at the date of this Prospectus is the third largest shareholder of Belships with a shareholding of 17,461,778 Shares controlled by Sverre J. Tidemand and his family. The fees under the Accounting Services Agreement amounted to USD 10,000 for December 2018 and are in line with the prevailing market rates. The Accounting Service Agreement will terminate on 1 July 2019 and it is not expected that it will be renewed.

In USD thousands	**Summary of invoiced amounts**			
	31 March 2019	**2018**	**2017**	**2016**
	15	127	130	126

14.2.3 Loans and securities

In 2016 Sonata AS issued an on-demand guarantee amounting to USD 5 million to the ship mortgage lender. The on-demand guarantee carried a commission fee of 5%. The waiver from the lender was terminated in December 2017 and the on-demand guarantee from Sonata AS was cancelled. The total commission fee paid by Belships for the period the on-guarantee was in place amounted to USD 490,000.

Lighthouse Shipholding II AS had entered into three long term loan agreements with its shareholders; Kontrazi, Kontrari and Lighthouse Navigation amounting to USD 4 million. The loans did not carrying any interest and was settled by conversion into equity prior to the completion of the Merger. Lighthouse Shipholding AS had entered into three long term loan agreements with its shareholders; Kontrari, Kontrazi, Lighthouse Navigation, Nepa Shipholding B.V., Hans Spethoff and Ted Van Wees amounting to USD 40.6 million. The loans did not carry any interest and was settled by conversion into equity prior to the completion of the Merger.

No loans have been issued or securities provided with respect to the Company's shareholders or associated parties. However, certain members of the Management have loans from Belships. As at 31 March 2019, these loans amounted to USD 33,000.

14.3 Transactions carried out with related parties in the period following 31 March 2019

In the period following 31 March 2019 until the date of this Prospectus, the Group has not carried out any transactions with related parties, except for the continued delivery of accounting services under the Accounting Service Agreement. The fees under the Accounting Services Agreement will amount to USD 15,000 for Q2 2019, which is in line with the prevailing market rates.

15 CORPORATE INFORMATION AND DESCRIPTION OF SHARE CAPITAL

The following is a summary of certain corporate information and material information relating to the Shares and share capital of the Company and certain other shareholder matters, including summaries of certain provisions of the Company's articles of association and applicable Norwegian in effect as of the date of this Prospectus, including the Norwegian Public Limited Liability Companies Act. The summary does not purport to be complete and is qualified in its entirety by the Company's articles of association and applicable law.

15.1 Corporate information

The Company's registered name is Belships ASA. The Company is a public limited liability company organised and existing under the laws of Norway pursuant to the Norwegian Public Limited Liability Companies Act. The Company's registered office is located in the municipality of Oslo, Norway. The Company was incorporated in Norway on 7 October 1935. The Company's registration number in the Norwegian Register of Business Enterprises is 930 776 793, and the Shares are registered in book-entry form with the VPS under ISIN NO 000 3094104. The Company's register of shareholders in the VPS is administrated by DNB Bank ASA, Registrar Department, Dronning Eufemias gate 30, N-0191 Oslo, Norway. The Company's registered office is located at Lilleakerv 4, 0283 Oslo, Norway and the Company's main telephone number at that address is +47 22 52 76 00 and its telefax number is +47 22 52 76 82. The Company's website can be found at www.belships.com.

15.2 Legal structure

15.2.1 Legal structure of the Group

Belships is the parent company of the Group owning 100% of the shares in each of Belships Management AS, Belships Lighthouse AS (formerly known as Belships Chartering AS), Belships Shipholding AS, Belships (Singapore) Management Pte Ltd and Belships Supramax Singapore Pte Ltd. Although Belships mainly is a holding company, it is also party to the two sale and leaseback agreements for M/S Belforest and M/S Belisland, respectively, see Section 12.10.5 "Bareboat charter commitments".

Belships Management (Singapore) Pte Ltd owns 100% of the shares in Belships (Shanghai) Shipmanagement Co Ltd and has a 75% ownership interest in Belships (Tianjin) Ship Management & Consultancy Co Ltd.

Further, Belships Shipholding AS owns 100% of the shares in Bel Ship I AS (formerly known as Lighthouse Shipholding AS) and Bel Ship II AS (formerly known as Lighthouse Shipholding II AS).

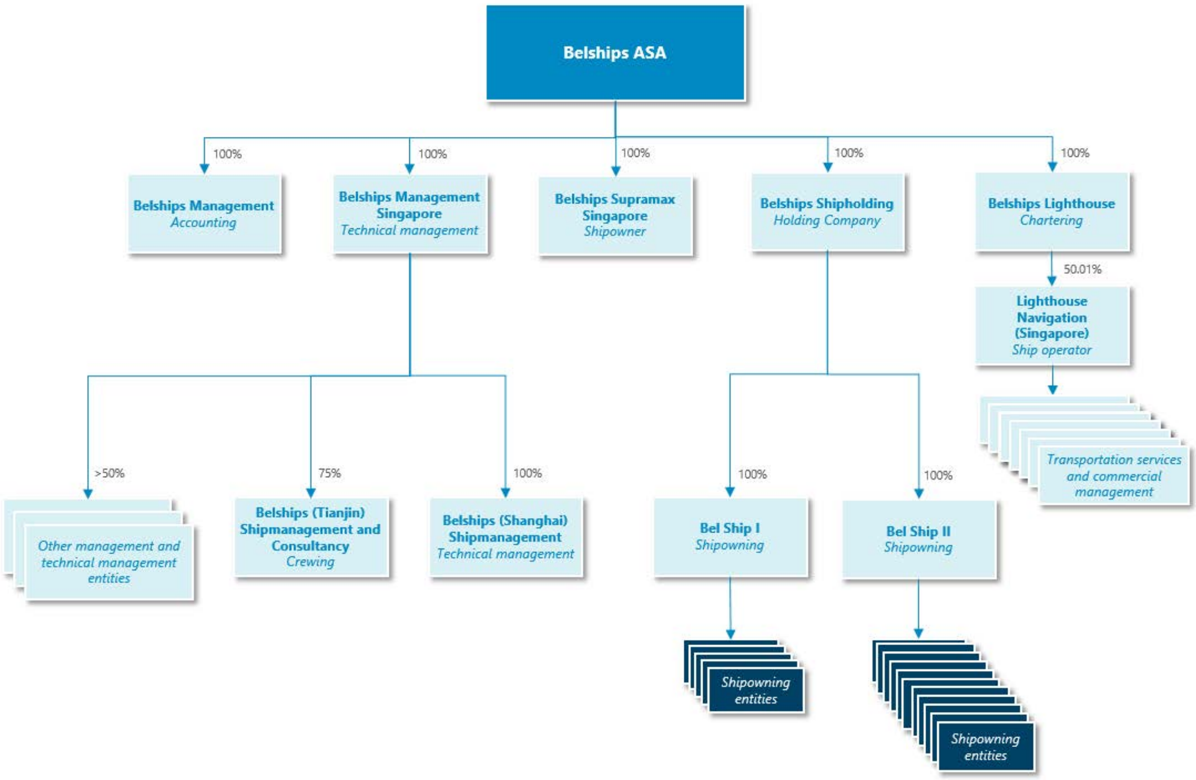
Lastly, Belships Lighthouse AS has a 50.1% ownership interest in Lighthouse Navigation Pte Ltd (Singapore).

The following table sets out information about the Company's subsidiaries:

Company	**Country of incorporation**	**Field of activity**	**% holding**
Belships Lighthouse AS	Norway	Chartering	100%
Belships Management AS	Norway	Insurance,claims and accounting	100%
Belships Shipholding AS	Norway	Holding company	100%
Belships Management (Singapore) Pte Ltd	Singapore	Technical management of ships	100%
Belships Supramax Singapore Pte Ltd	Singapore	Ship owning entity	100%

The Group is of the opinion that its holdings in the entities specified above are likely to have a significant effect on the assessment of its assets and liabilities, financial condition and profits and losses.

The legal structure of the Group, including the ownership percentage, is illustrated in the figure below.



15.2.2 *Joint ventures*

The Group has entered into two joint ventures. CST Belchem Singapore Pte Ltd, incorporated in January 2004, is a joint venture between Chemikalien Seetransport Gmbh, Hamburg, Germany and Belships Management (Singapore). CST Belchem Singapore Pte Ltd is 40% owned by Belships Management (Singapore). Incorporated in 2006, Belchem Philippines is a tripartite joint venture project between an international group of companies; United Philippine Lines Inc, Belships Singapore and Chemikalien Seetransport Gmbh of Hamburg, Germany.

Belships Management (Singapore) also has a cooperating company in Yangon (Myanmar) to improve access to qualified personnel.

15.3 Share capital and share capital history

As at the date of this Prospectus, the Company's share capital is NOK 387,101,660 divided into 193,550,830 Shares, each with a par value of NOK 2, of which the Company holds 498,000 as treasury shares. All the Shares have been created under the Norwegian Public Limited Liability Companies Act and are validly issued and fully paid.

The table below shows the development in the Company's share capital for the period from its incorporation to the date of this Prospectus.

Year of resolution	Type of change	Change in share capital (NOK)	Par value (NOK)	New number of Shares	New share capital (NOK)

1935	-	-	100.00	16,500	1,650,000
1968	Bond issue	1,650,000	100.00	33,000	3,300,000
1989	Share split	0	10.00	330,000	3,300,000
1991	Bond issue	3,300,000	10.00	660,000	6,600,000
1991	Share split	0	2.00	3,300,000	6,600,000
1993	Bond issue	6,600,000	2.00	6,600,000	13,200,000
1993	Share capital increase	9,424,000	2.00	11,462,000	22,624,000
1994	Share capital increase	234,000	2.00	11,579,000	23,158,000
1995	Share capital increase	4,000,000	2.00	13,579,000	27,158,000
1996	Share capital increase	1,808,000	2.00	14,483,000	28,966,000
2000	Share capital increase	20,000,000	2.00	24,483,000	48,966,000
2003	Share capital increase	212,000	2.00	24,589,000	49,178,000
2004	Share capital increase	344,000	2.00	24,761,000	49,522,000
2005	Share capital increase	182,000	2.00	24,852,000	49,704,000
2013	Share capital increase	45,000,000	2.00	47,352,000	94,704,000
2018	Share capital increase	255,531,986	2.00	175,117,993	350,235,986
2019	Share capital increase[1]	16,121,300	2.00	183,178,643	366,357,286
2019	Share capital increase[2]	20,744,374	2.00	193,550,830	387,101,660

1 Share capital increase in connection with completion of the acquisition of M/S Viola from Wenaas Shipping AS.

2 Share capital increase in connection with completion of the Private Placement.

15.4 Ownership structure

As of 25 June 2019, the Company had 385 shareholders. The Company's 20 largest shareholders as of the same date are shown in the table below.

#	Shareholder	No. of Shares	% Shareholding
1	Kontrari AS	95,822,108	49.51
2	Kontrazi AS	37,463,265	19.36
3	Sonata AS	17,461,778	9.02
4	LGT Bank AG	11,903,828	6.15
5	Wenaasgruppen AS	10,573,275	5.46
6	UBS Switzerland AG	4,003,782	2.07
7	Pershing LLC	3,562,406	1.84
8	Jacob Hatteland Holding AS	3,070,861	1.57
9	Clearstream Banking S.A.	1,619,678	0.84
10	KBC Bank NV	1,591,508	0.82
11	Stavanger Forvaltning AS	1,000,000	0.52
12	Belships ASA	548,000	0.28
13	AS Torinitamar	417,100	0.22
14	ASL Holding AS	363,836	0.19
15	Ola Rustad AS	350,000	0.19
16	Nagatsuka	330,000	0.17
17	Åstveit Investor AS	285,714	0.15
18	Swedbank AS	285,714	0.15
19	Ole Kjetil Teigen	177,865	0.09
20	Kjell Egil Larsen	160,000	0.08

As of 25 June 2019, Kontrari and Kontrazi (controlled by Frode Teigen and family), jointly, holds 133,285,373 Shares and have a majority ownership interest of approximately 68.86%.

Shareholders owning 5% or more of the Shares have an interest in Belships' share capital which is notifiable pursuant to the Norwegian Securities Trading Act. These shareholders will accordingly have the ability to significantly influence the outcome submitted for the vote of shareholders of the Company. No particular measures are initiated to ensure that control is not abused by large shareholders, but the Norwegian Public Limited Liability Companies Act provides certain protections against the abuse by a major shareholder of the minority shareholders of a Norwegian public limited liability company.

Other than set out in the table above, there are as of the date of this Prospectus no other persons or entities that has a shareholding in Belships which is notifiable pursuant to the Norwegian Securities Trading Act to the Company's knowledge.

Other than as set out above, the Company is not aware of any persons or entities that, directly or indirectly, jointly or severally, will exercise or could exercise control over Belships. The Company is not aware of any other arrangements than the Private Placement and the Subsequent Offering, which may at a subsequent date result in a change of control in Belships.

The Company's Articles of Association do not contain any provisions that would have the effect of delaying, deferring or preventing a change of control of the Company. There are no differences in voting rights between the shareholders.

On 21 December 2018, the Oslo Stock Exchange resolved not to impose a mandatory offer in relation to the Merger. However, the said resolution was later appealed by Tidships AS on 7 January 2019. The appeal was also endorsed by a few other minority shareholders of Belships.

On 28 February 2019, the Stock Exchange Appeals Committee resolved to repeal the decision made by the Oslo Stock Exchange that the Merger did not trigger an obligation to present an offer to acquire all outstanding shares in the Company. Consequently, Kontrari and Kontrazi were obliged to present a mandatory offer to acquire all outstanding shares in Belships.

On this basis, Kontrari and Kontrazi presented an offer in accordance with the Stock Exchange Appeals Committee's decision in an offer document dated 14 March 2019, at an offer price of NOK 7.00 per Share. For further information on the mandatory offer requirement pursuant to the Norwegian Securities Trading Act, see Section 16.9 "Mandatory offer requirement".

The acceptance period for the mandatory offer expired on 12 April 2019 at 16:30 (CEST). Following final counting of received and approved acceptances on 14 April 2019, acceptances of in total 12,831,175 Shares, corresponding to approximately 7.3% of the issued shares and votes in Belships, were received by Kontrari and Kontrazi. On 14 April 2019, all Shares acquired under the mandatory offer was transferred to Kontrari, which as a result thereof held 95,822,108 Shares (equivalent to 54.7%). Together with Kontrazi's shareholding of 37,463,265 Shares (equivalent to 21.4%), Kontrari and Kontrazi together held a total of 133,285,373 Shares, corresponding to approximately 76.1% of the issued shares and voting rights in Belships, following the completion of the mandatory offer.

15.5 Authorisation to increase the share capital

At the annual general meeting held on 23 May 2019, the Board of Directors was granted an authorisation to issue Shares to employees by increasing the share capital of the Company by a maximum of NOK 400,000. In addition, the Board of Directors was granted an authorisation to increase the share capital by a maximum of NOK 175,000,000. Both authorisations are valid until the Company’s annual general meeting in 2020, but no longer than to 30 June 2020.

15.6 Authorisation to acquire treasury Shares

At the annual general meeting held on 23 May 2019, the Board of Directors was granted an authorisation to acquire up to 15,000,000 treasury Shares. The authorisation is valid until the annual general meeting in 2020, but no longer than to 30 June 2020.

15.7 Other financial instruments

Other than the share option programs described in Section 13.4 "Share option programs" neither the Company nor any of its subsidiaries have issued any options, warrants, convertible loans or other instruments that would entitle a holder of any such instrument to subscribe for any shares in the Company or its subsidiaries. Furthermore, neither the Company nor any of its subsidiaries has issued subordinated debt or transferable securities other than the Shares and the shares in its subsidiaries which will be held, directly or indirectly, by the Company.

15.8 Shareholder rights

The Company has only one class of Shares in issue, and in accordance with the Norwegian Public Limited Liability Companies Act, all Shares in that class will provide equal rights in the Company. Each of the Shares carries one vote. The Shares are freely transferable.

15.9 The Articles of Association

*The information in this Section 15.9is a summary of certain corporate information and material information relating to the Shares and share capital of the Company and certain other shareholder matters, including summaries of certain provisions of the Company's articles of association (the "**Articles of Association**") and applicable Norwegian law in effect as of the date of this Prospectus. The summary does not purport to be complete and is qualified in its entirety by the Company's Articles of Association and applicable law.*

15.9.1 The Articles of Association

The Company's Articles of Association are set out in Appendix A to this Prospectus. Below is a summary of provisions of the Articles of Association.

Objective of the Company
Pursuant to section 3 of the Articles of Association, 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.

Registered office
The Company's registered office is in the municipality of Oslo, Norway.

Share capital and nominal value
The Company's share capital is NOK 387,101,660 distributed between 193,550,830 registered, fully paid-up Shares with a nominal value of NOK 2.00.

Board of Directors
The Company's Board of Directors consists of three to seven members, possibly with deputies depending on the decision of the general meeting. In addition, the general meeting may elect up to two observers. The chairman of the board is elected by the general meeting.

Signature rights
The Company is bound by the joint signatures of two members of the Board of Directors or by the joint signature of a member of the Board of Directors and the managing director. The Board of Directors may authorize others to sign on behalf of the Company per procuration.

Restrictions of transfer of Shares
The Articles of Association do not provide for any restrictions on the transfer of Shares, or a right of first refusal for the Company. Share transfers are not subject to approval by the Board of Directors.

General meetings
Documents concerning matters to be considered by the Company's general meeting, including documents which by law must be included in or enclosed with the notice of the general meeting, need not be sent to shareholders if the documents are made available on the Company's website. A shareholder may nevertheless request a copy of documents which concern matters to be considered at the general meeting.

The ordinary general meeting shall consider and decide on the following matters:

- Approval of the annual accounts and the annual report, including the distribution of dividends.
- Other matters which are required by law or the Articles of Association to be dealt with by the general meeting.

Shareholders may cast their vote in writing, including by electronic means, in a period prior to the general meeting. The Board of Directors may provide guidelines for such voting. The notice of the general meeting shall include the guidelines adopted by the Board of Directors.

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 days before the general meeting.

15.9.2 Certain aspects of Norwegian corporate law

General meetings
Through the general meeting, shareholders exercise supreme authority in a Norwegian company. In accordance with Norwegian law, the annual general meeting of shareholders is required to be held each year on or prior to 30 June. Norwegian law requires that written notice of annual general meetings setting forth the time of, the venue for and the agenda of the meeting be sent to all shareholders with a known address no later than 21 days before the annual general meeting of Norwegian public limited liability company listed on a stock exchange or other regulated market shall be held, unless the articles of association stipulate a longer deadline, which is not currently the case for the Company.

A shareholder may vote at the general meeting either in person or by proxy appointed at their own discretion. Although Norwegian law does not require the Company to send proxy forms to its shareholders for general meetings, the Company plans to include a proxy form with notices of general meetings. All of the Company's shareholders who are registered in the register of shareholders maintained with the VPS as of the date of the general meeting, or who have otherwise reported and documented ownership to Shares, are entitled to participate at general meetings, without any requirement of pre-registration.

Apart from the annual general meeting, extraordinary general meetings of shareholders may be held if the Board of Directors considers it necessary. An extraordinary general meeting of shareholders must also be convened if, in order to discuss a specified matter, the auditor or shareholders representing at least 5% of the share capital demands this in writing. The requirements for notice and admission to the annual general meeting also apply to extraordinary general meetings. However, the annual general meeting of a Norwegian public limited company may with a majority of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at a general meeting resolve that extraordinary general meetings may be convened with a fourteen days' notice period until the next annual general meeting provided the company has procedures in place allowing shareholders to vote electronically.

Voting rights–amendments to the Articles of Association
Each of the Company's Shares carries one vote. In general, decisions that shareholders are entitled to make under Norwegian law or the Company's Articles of Association may be made by a simple majority of the votes cast. In the case of elections or appointments, the person(s) who receive(s) the greatest number of votes cast are elected. However, as required under Norwegian law, certain decisions, including resolutions to waive preferential rights to subscribe in connection with any share issue in the Company, to approve a merger or demerger of the Company, to amend Articles of Association, to authorise an increase or reduction in the share capital, to authorise an issuance of convertible loans or warrants by the Company or to authorise the Board of Directors to purchase the Shares and hold them as treasury shares or to dissolve the Company, must receive the approval of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at a general meeting. Norwegian law further requires that certain decisions, which have the effect of substantially altering the rights and preferences of any shares or class of shares, receive the approval by the holders of such shares or class of shares as well as the majority required for amending the Articles of Association.

Decisions that (i) would reduce the rights of some or all of the Company's shareholders in respect of dividend payments or other rights to assets or (ii) restrict the transferability of the Shares, require that at least 90% of the share capital represented at the general meeting in question vote in favour of the resolution, as well as the majority required for amending the Articles of Association. Certain types of changes in the rights of shareholders require the consent of all shareholders affected thereby as well as the majority required for amending the Articles of Association.

In general, only a shareholder registered in the VPS is entitled to vote for such Shares. Beneficial owners of the Shares that are registered in the name of a nominee are generally not entitled to vote under Norwegian law, nor is any person who is designated in the VPS register as the holder of such Shares as nominees. Investors should note that there are varying opinions as to the interpretation of the right to vote on nominee registered shares. In the Company's view, a nominee may not meet or vote for Shares registered on a nominee account (NOM-account). A shareholder must, in order to be eligible to register, meet and vote for such Shares at the general meeting, transfer the Shares from such NOM-account to an account in the shareholder's name. Such registration must appear from a transcript from the VPS at the latest at the date of the general meeting.

There are no quorum requirements that apply to the general meetings.

Additional issuances and preferential rights

If the Company issues any new shares, including bonus share issues, the Company's Articles of Association must be amended, which requires the same vote as other amendments to the Articles of Association. In addition, under Norwegian law, the Company's shareholders have a preferential right to subscribe for new shares issued by the Company. Preferential rights may be derogated from by resolution in a general meeting passed by the same vote required to approve amending the Articles of Association. A derogation of the shareholders' preferential rights in respect of bonus issues requires the approval of all outstanding shares.

The general meeting may, by the same vote as is required for amending the Articles of Association, authorise the board of directors to issue new shares, and to derogate from the preferential rights of shareholders in connection with such issuances. Such authorisation may be effective for a maximum of two years, and the nominal value of the shares to be issued may not exceed 50% of the registered nominal share capital when the authorisation is registered with the Norwegian Register of Business Enterprises.

Under Norwegian law, the Company may increase its share capital by a bonus share issue, subject to approval by the Company's shareholders, by transfer from the Company's distributable equity or from the Company's share premium reserve and thus the share capital increase does not require any payment of a subscription price by the shareholders. Any bonus issues may be effected either by issuing new shares to the Company's existing shareholders or by increasing the nominal value of the Company’s outstanding shares.

Issuance of new shares to shareholders who are citizens or residents of the United States upon the exercise of preferential rights may require the Company to file a registration statement in the United States under United States securities laws. Should the Company in such a situation decide not to file a registration statement, the Company's U.S. shareholders may not be able to exercise their preferential rights. If a U.S. shareholder is ineligible to participate in a rights offering, such shareholder may not receive the rights at all and the rights may be sold on the shareholder's behalf by the Company.

Minority rights

Norwegian law sets forth a number of protections for minority shareholders of the Company, including but not limited to those described in this paragraph and the description of general meetings as set out above. Any of the Company's shareholders may petition Norwegian courts to have a decision of the Board of Directors or the Company's shareholders made at the general meeting declared invalid on the grounds that it unreasonably favours certain shareholders or third parties to the detriment of other shareholders or the Company itself. The Company's shareholders may also petition the courts to dissolve the Company as a result of such decisions to the extent particularly strong reasons are considered by the court to make necessary dissolution of the Company.

Minority shareholders holding 5% or more of the Company's share capital have a right to demand in writing that the Board of Directors convene an extraordinary general meeting to discuss or resolve specific matters. In addition, any of the Company's shareholders may in writing demand that the Company place an item on the agenda for any general meeting as long as the Company is notified in time for such item to be included in the notice of the meeting. If the notice has been issued when such a written demand is presented, a renewed notice must be issued if the deadline for issuing notice of the general meeting has not expired.

Rights of redemption and repurchase of Shares

The share capital of the Company may be reduced by reducing the nominal value of the Shares or by cancelling Shares. Such a decision requires the approval of at least two-thirds of the aggregate number of votes cast and at least two-thirds of the share capital represented at a general meeting. Redemption of individual Shares requires the consent of the holders of the Shares to be redeemed.

The Company may purchase its own Shares provided that the Board of Directors has been granted an authorisation to do so by the Company's general meeting with the approval of at least two-thirds of the aggregate number of votes cast and at least two-thirds of the share capital represented at the meeting. The aggregate nominal value of treasury shares so acquired, and held by the Company must not exceed 10% of the Company's share capital, and treasury shares may only be acquired if the Company's distributable equity, according to the latest adopted balance sheet or an interim balance sheet, exceeds the consideration to be paid for the shares. The authorisation by the general meeting of the Company's shareholders cannot be granted for a period exceeding two years.

Shareholder vote on certain reorganisations
A decision of the Company's shareholders to merge with another company or to demerge requires a resolution by the general meeting of the shareholders passed by at least two-thirds of the aggregate votes cast and at least two-thirds of the share capital represented at the general meeting. A merger plan, or demerger plan signed by the Board of Directors along with certain other required documentation, would have to be sent to all the Company's shareholders, or if the Articles of Association stipulate that, made available to the shareholders on the company's website, at least one month prior to the general meeting to pass upon the matter.

Liability of members of the Board of Directors
Members of the Board of Directors owe a fiduciary duty to the Company and its shareholders. Such fiduciary duty requires that the Board Members act in the best interests of the Company when exercising their functions and exercise a general duty of loyalty and care towards the Company. Their principal task is to safeguard the interests of the Company.

Members of the Board of Directors may each be held liable for any damage they negligently or wilfully cause the Company. Norwegian law permits the general meeting to discharge any such person from liability, but such discharge is not binding on the Company if substantially correct and complete information was not provided at the general meeting passing upon the matter. If a resolution to discharge the board members from liability or not to pursue claims against such a person has been passed by the general meeting with a smaller majority than that required to amend the Articles of Association, shareholders representing more than 10% of the share capital or, if there are more than 100 shareholders, more than 10% of the shareholders may pursue the claim on the Company's behalf and in its name. The cost of any such action is not the Company's responsibility but can be recovered from any proceeds the Company receives as a result of the action. If the decision to discharge any of the Company's directors from liability or not to pursue claims against the Board Members is made by such a majority as is necessary to amend the Articles of Association, the minority shareholders of the Company cannot pursue such claim in the Company's name.

Indemnification of Directors
Neither Norwegian law nor the Articles of Association contains any provision concerning indemnification by the Company of the Board of Directors. The Company is permitted to purchase insurance for the Board Members against certain liabilities that they may incur in their capacity as such.

Distribution of assets on liquidation
Under Norwegian law, the Company may be wound-up by a resolution of the Company's shareholders at the general meeting passed by at least two-thirds of the aggregate votes cast and at least two-thirds of the share capital represented at the meeting. In the event of liquidation, the Shares rank equally in the event of a return on capital.

15.9.3 Shareholders agreements

The Company is not aware of any shareholders' agreements related to the Shares.

16 SECURITIES TRADING IN NORWAY

Set out below is a summary of certain aspects of securities trading in Norway. The summary is based on the rules and regulations in force in Norway as at the date of this Prospectus, which may be subject to changes occurring after such date. The summary does not purport to be a comprehensive description of securities trading in Norway. Shareholders who wish to clarify the aspects of securities trading in Norway should consult with and rely upon their own advisors.

16.1 Introduction

The Oslo Stock Exchange was established in 1819 and is the principal market in which shares, bonds and other financial instruments are traded in Norway. As at 31 December 2018, the total capitalisation of companies listed on the Oslo Stock Exchange (including Merkur Market) amounted to approximately NOK 2,632 billion. Shareholdings of non-Norwegian investors as a percentage of total market capitalisation on 31 December 2018 amounted to approximately 40%.

The Oslo Stock Exchange has entered into a strategic cooperation with the London Stock Exchange group with regards to, inter alia, trading systems for equities, fixed income and derivatives.

16.2 Trading and settlement

Trading of equities on the Oslo Stock Exchange is carried out in the electronic trading system Millennium Exchange. This trading system is in use by all markets operated by the London Stock Exchange, including the Borsa Italiana, as well as by the Johannesburg Stock Exchange.

Official trading on the Oslo Stock Exchange takes place between 09:00 hours (CEST) and 16.20 hours (CEST) each trading day, with pre-trade period between 08:15 hours (CEST) and 09:00 hours (CEST), closing auction from 16:20 hours (CEST) to 16:25 hours (CEST) and a post-trade period from 16:25 hours (CEST) to 17:30 hours (CEST). Reporting of after exchange trades can be done until 17:30 hours (CEST).

The settlement period for trading on the Oslo Stock Exchange is two trading days (T+2). This means that securities will be settled on the investor's account in the VPS two days after the transaction, and that the seller will receive payment after two days.

SIX x-clear Ltd, a company in the SIX group, through its Norwegian branch, has a license from the Norwegian FSA to act as a central clearing service, and has from 18 June 2010 offered clearing and counterparty services for equity trading on the Oslo Stock Exchange.

Investment services in Norway may only be provided by Norwegian investment firms holding a license under the Norwegian Securities Trading Act, branches of investment firms from an EEA member state or investment firms from outside the EEA that have been licensed to operate in Norway. Investment firms in an EEA member state may also provide cross-border investment services into Norway.

It is possible for investment firms to undertake market-making activities in shares listed in Norway if they have a license to this effect under the Norwegian Securities Trading Act, or in the case of investment firms in an EEA member state, a license to carry out market-making activities in their home jurisdiction. Such market-making activities will be governed by the regulations of the Norwegian Securities Trading Act relating to brokers' trading for their own account. However, market-making activities do not as such require notification to the Norwegian FSA or the Oslo Stock Exchange except for the general obligation of investment firms being members of the Oslo Stock Exchange to report all trades in stock exchange listed securities.

16.3 Information, control and surveillance

Under Norwegian law, the Oslo Stock Exchange is required to perform a number of surveillance and control functions. The Surveillance and Corporate Control unit of the Oslo Stock Exchange monitors all market activity on a continuous basis. Market surveillance systems are largely automated, promptly warning department personnel of abnormal market developments.

The Norwegian FSA controls the issuance of securities in both the equity and bond markets in Norway and evaluates whether the issuance documentation contains the required information and whether it would otherwise be unlawful to carry out the issuance.

Under Norwegian law, a company that is listed on a Norwegian regulated market, or has applied for listing on such market, must promptly release any inside information directly concerning the company. Inside information means precise information about financial instruments, the issuer thereof or other matters which are likely to have a significant effect on the price of the relevant financial instruments or related financial instruments, and which are not publicly available or commonly known in the market. A company may, however, delay the release of such information in order not to prejudice its legitimate interests, provided that it is able to ensure the confidentiality of the information and that the delayed release would not be likely to mislead the public. The Oslo Stock Exchange may levy fines on companies violating these requirements.

16.4 The VPS and transfer of shares

The Company's principal share register is operated through the VPS. The VPS is the Norwegian paperless centralised securities register. It is a computerised book-keeping system in which the ownership of, and all transactions relating to, Norwegian listed shares must be recorded. The VPS and the Oslo Stock Exchange are both wholly-owned by Oslo Børs VPS Holding ASA.

All transactions relating to securities registered with the VPS are made through computerised book entries. No physical share certificates are, or may be, issued. The VPS confirms each entry by sending a transcript to the registered shareholder irrespective of any beneficial ownership. To give effect to such entries, the individual shareholder must establish a share account with a Norwegian account agent. Norwegian banks, Norges Bank (being Norway's central bank), authorised securities brokers in Norway and Norwegian branches of credit institutions established within the EEA are allowed to act as account agents.

As a matter of Norwegian law, the entry of a transaction in the VPS is prima facie evidence in determining the legal rights of parties as against the issuing company or any third party claiming an interest in the given security. A transferee or assignee of shares may not exercise the rights of a shareholder with respect to such shares unless such transferee or assignee has registered such shareholding or has reported and shown evidence of such share acquisition, and the acquisition is not prevented by law, the relevant company's articles of association or otherwise.

The VPS is liable for any loss suffered as a result of faulty registration or an amendment to, or deletion of, rights in respect of registered securities unless the error is caused by matters outside the VPS' control which the VPS could not reasonably be expected to avoid or overcome the consequences of. Damages payable by the VPS may, however, be reduced in the event of contributory negligence by the aggrieved party.

The VPS must provide information to the Norwegian FSA on an ongoing basis, as well as any information that the Norwegian FSA requests. Further, Norwegian tax authorities may require certain information from the VPS regarding any individual's holdings of securities, including information about dividends and interest payments.

16.5 Shareholder register

Under Norwegian law, shares are registered in the name of the beneficial owner of the shares. As a general rule, there are no arrangements for nominee registration and Norwegian shareholders are not allowed to register their shares in the VPS through a nominee. However, foreign shareholders may register their shares in the VPS in the name of a nominee (bank or other nominee) approved by the Norwegian FSA. An approved and registered nominee has a duty to provide information on demand about beneficial shareholders to the company and to the Norwegian authorities. In case of registration by nominees, the registration in the VPS must show that the registered owner is a nominee. A registered nominee has the right to receive dividends and other distributions, but cannot not vote in general meetings on behalf of the beneficial owners.

16.6 Foreign investment in shares listed in Norway

Foreign investors may trade shares listed on the Oslo Stock Exchange through any broker that is a member of the Oslo Stock Exchange, whether Norwegian or foreign.

16.7 Disclosure obligations

If a person's, entity's or consolidated group's proportion of the total issued shares and/or rights to shares in a company listed on a regulated market in Norway (with Norway as its home state, which will be the case for the Company) reaches, exceeds or falls below the respective thresholds of 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 or 90% of the share capital or the voting rights of that company, the person, entity or group in question has an obligation under the Norwegian Securities Trading Act to notify the Oslo Stock Exchange and the issuer immediately. The same applies if the disclosure thresholds are passed due to other circumstances, such as a change in the company's share capital.

16.8 Insider trading

According to Norwegian law, subscription for, purchase, sale or exchange of financial instruments that are listed, or subject to the application for listing, on a Norwegian regulated market, or incitement to such dispositions, must not be undertaken by anyone who has inside information, as defined in Section 3-2 of the Norwegian Securities Trading Act. The same applies to the entry into, purchase, sale or exchange of options or futures/forward contracts or equivalent rights whose value is connected to such financial instruments or incitement to such dispositions.

16.9 Mandatory offer requirement

The Norwegian Securities Trading Act requires any person, entity or consolidated group that becomes the owner of shares representing more than one-third of the voting rights of a company listed on a Norwegian regulated market (with the exception of certain foreign companies not including the Company) to, within four weeks, make an unconditional general offer for the purchase of the remaining shares in that company. A mandatory offer obligation may also be triggered where a party acquires the right to become the owner of shares that, together with the party's own shareholding, represent more than one-third of the voting rights in the company and the Oslo Stock Exchange decides that this is regarded as an effective acquisition of the shares in question.

The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares that exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

When a mandatory offer obligation is triggered, the person subject to the obligation is required to immediately notify the Oslo Stock Exchange and the company in question accordingly. The notification is required to state whether an offer will be made to acquire the remaining shares in the company or whether a sale will take place. As a rule, a notification to the effect that an offer will be made cannot be retracted. The offer and the offer document required are subject to approval by the Oslo Stock Exchange before the offer is submitted to the shareholders or made public.

The offer price per share must be at least as high as the highest price paid or agreed by the offeror for the shares in the six-month period prior to the date the threshold was exceeded. If the acquirer acquires or agrees to acquire additional shares at a higher price prior to the expiration of the mandatory offer period, the acquirer is obliged to restate its offer at such higher price. A mandatory offer must be in cash or contain a cash alternative at least equivalent to any other consideration offered.

In case of failure to make a mandatory offer or to sell the portion of the shares that exceeds the relevant threshold within four weeks, the Oslo Stock Exchange may force the acquirer to sell the shares exceeding the threshold by public auction. Moreover, a shareholder who fails to make an offer may not, as long as the mandatory offer obligation remains in force, exercise rights in the company, such as voting in a general meeting, without the consent of a majority of the remaining shareholders. The shareholder may, however, exercise his/her/its rights to dividends and pre-emption rights in the event of a share capital increase. If the shareholder neglects his/her/its duty to make a mandatory offer, the Oslo Stock Exchange may impose a cumulative daily fine that runs until the circumstance has been rectified.

Any person, entity or consolidated group that owns shares representing more than one-third of the votes in a company listed on a Norwegian regulated market (with the exception of certain foreign companies not including the Company) is obliged to make an offer to purchase the remaining shares of the company (repeated offer obligation) if the person, entity or consolidated group through acquisition becomes the owner of shares representing 40%, or more of the votes in the company. The same applies correspondingly if the person, entity or consolidated group through acquisition becomes the owner of shares representing 50% or more of the votes in the company. The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares which exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

Any person, entity or consolidated group that has passed any of the above mentioned thresholds in such a way as not to trigger the mandatory bid obligation, and has therefore not previously made an offer for the remaining shares in the company in accordance with the mandatory offer rules is, as a main rule, obliged to make a mandatory offer in the event of a subsequent acquisition of shares in the company.

16.10 Compulsory acquisition

Pursuant to the Norwegian Public Limited Companies Act and the Norwegian Securities Trading Act, a shareholder who, directly or through subsidiaries, acquires shares representing 90% or more of the total number of issued shares in a Norwegian public limited liability company, as well as 90% or more of the total voting rights, has a right, and each remaining minority shareholder of the company has a right to require such majority shareholder, to effect a compulsory acquisition for cash of the shares not already owned by such majority shareholder. Through such compulsory acquisition the majority shareholder becomes the owner of the remaining shares with immediate effect.

If a shareholder acquires shares representing more than 90% of the total number of issued shares, as well as more than 90% of the total voting rights, through a voluntary offer in accordance with the Securities Trading Act, a compulsory acquisition can, subject to the following conditions, be carried out without such shareholder being obliged to make a mandatory offer: (i) the compulsory acquisition is commenced no later than four weeks after the acquisition of shares through the voluntary offer, (ii) the price offered per share is equal to or higher than what the offer price would have been in a mandatory offer, and (iii) the settlement is guaranteed by a financial institution authorised to provide such guarantees in Norway.

A majority shareholder who effects a compulsory acquisition is required to offer the minority shareholders a specific price per share, the determination of which is at the discretion of the majority shareholder. However, where the offeror, after making a mandatory or voluntary offer, has acquired more than 90% of the voting shares of a company and a corresponding proportion of the votes that can be cast at the general meeting, and the offeror pursuant to Section 4-25 of the Norwegian Public Limited Companies Act completes a compulsory acquisition of the remaining shares within three months after the expiry of the offer period, it follows from the Norwegian Securities Trading Act that the redemption price shall be determined on the basis of the offer price for the mandatory/voluntary offer unless specific reasons indicate another price.

Should any minority shareholder not accept the offered price, such minority shareholder may, within a specified deadline of not less than two months, request that the price be set by a Norwegian court. The cost of such court procedure will, as a general rule, be the responsibility of the majority shareholder, and the relevant court will have full discretion in determining the consideration to be paid to the minority shareholder as a result of the compulsory acquisition.

Absent a request for a Norwegian court to set the price or any other objection to the price being offered, the minority shareholders would be deemed to have accepted the offered price after the expiry of the specified deadline.

16.11 Foreign exchange controls

There are currently no foreign exchange control restrictions in Norway that would potentially restrict the payment of dividends to a shareholder outside Norway, and there are currently no restrictions that would affect the right of shareholders of a company that has its shares registered with the VPS who are not residents in Norway to dispose of their shares and receive the proceeds from a disposal outside Norway. There is no maximum transferable amount either to or from Norway, although transferring banks are required to submit reports on foreign currency exchange transactions into and out of Norway into a central data register maintained by the Norwegian customs and excise authorities. The Norwegian police, tax authorities, customs and excise authorities, the National Insurance Administration and the Norwegian FSA have electronic access to the data in this register.

17 TAXATION

Set out below is a summary of certain Norwegian tax matters related to an investment in the Company. The summary regarding Norwegian taxation is based on the laws in force in Norway as at the date of this Prospectus, which may be subject to any changes in law occurring after such date. Such changes could possibly be made on a retrospective basis.

The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the shares in the Company. Shareholders who wish to clarify their own tax situation should consult with and rely upon their own tax advisors. Shareholders resident in jurisdictions other than Norway and shareholders who cease to be resident in Norway for tax purposes (due to domestic tax law or tax treaty) should specifically consult with and rely upon their own tax advisors with respect to the tax position in their country of residence and the tax consequences related to ceasing to be resident in Norway for tax purposes.

Please note that for the purpose of the summary below, a reference to a Norwegian or non-Norwegian shareholder refers to the tax residency rather than the nationality of the shareholder.

17.1 Norwegian taxation

17.1.1 Taxation of dividends

Norwegian Personal shareholders

Dividends distributed by the Company to shareholders who are individuals residing in Norway for tax purposes ("**Norwegian Personal Shareholders**") are taxable as ordinary income in Norway for such shareholders currently at an effective tax rate of 31.68% to the extent the dividend exceeds a tax-free allowance; i.e. dividends received, less the tax free allowance, shall be multiplied by 1.44 which are then included as ordinary income taxable at a flat rate of 22%, increasing the effective tax rate on dividends received by Norwegian Personal Shareholders to 31.68%.

The allowance is calculated on a share-by-share basis. The allowance for each share is equal to the cost price of the share multiplied by a determined risk free interest rate based on the effective rate of interest on treasury bills (Nw.: statskasseveksler) with three months maturity plus 0.5 percentage points, after tax. The allowance is calculated for each calendar year, and is allocated solely to Norwegian Personal Shareholders holding shares at the expiration of the relevant calendar year.

Norwegian Personal Shareholders who transfer shares will thus not be entitled to deduct any calculated allowance related to the year of transfer. Any part of the calculated allowance one year exceeding the dividend distributed on the share ("excess allowance") may be carried forward and set off against future dividends received on, or gains upon realisation, of the same share.

Norwegian Personal Shareholders may hold the shares through a Norwegian share saving account (Nw.: aksjesparekonto). Dividends received on shares held through a share saving account will not be taxed with immediate effect. Instead, withdrawal of funds from the share saving account exceeding the paid in deposit, will be regarded as taxable income, regardless of whether the funds are derived from gains or dividends related to the shares held in the account. Such income will be taxed with an effective tax rate of 31.68%, cf. above. Norwegian Personal Shareholders will still be entitled to a calculated tax-free allowance. Please refer to Section 17.1.2 "Taxation of capital gains on realisation of shares" – Norwegian Personal Shareholders for further information in respect of Norwegian share saving accounts.

Norwegian Corporate shareholders

Dividends distributed by the Company to shareholders who are limited liability companies (and certain similar entities) resident in Norway for tax purposes ("**Norwegian Corporate Shareholders**"), are effectively taxed at a rate of currently 0.66% (3% of dividend income from such shares is included in the calculation of ordinary income for Norwegian Corporate Shareholders and ordinary income is subject to tax at a flat rate of currently 22%).

Non-Norwegian Personal Shareholders

Dividends distributed by the Company to shareholders who are individuals not residing in Norway for tax purposes ("**Non-Norwegian Personal Shareholders**"), are as a general rule subject to withholding tax at a rate of 25%. The withholding tax rate of 25% is normally reduced through tax treaties between Norway and the country in which the shareholder is resident. The withholding obligation lies with the company distributing the dividends and the Company assumes this obligation.

Non-Norwegian Personal Shareholders residing within the EEA for tax purposes may apply individually to Norwegian tax authorities for a refund of an amount corresponding to the calculated tax-free allowance on each individual share. Please refer to Section 17.1.1 "Taxation of dividends" – Norwegian Personal Shareholders above. However, the deduction of the tax-free allowance does not apply in the event that the withholding tax rate, pursuant to an applicable tax treaty, leads to a lower taxation of the dividends than the withholding tax rate of 25% less the tax-free allowance.

If a Non-Norwegian Personal Shareholder is carrying on business activities in Norway and the shares are effectively connected with such activities, the shareholder will be subject to the same taxation of dividends as a Norwegian Personal Shareholder, as described above.

Non-Norwegian Personal Shareholders who have suffered a higher withholding tax than set out in an applicable tax treaty may apply to the Norwegian tax authorities for a refund of the excess withholding tax deducted.

All Non-Norwegian Personal Shareholders must document their entitlement to a reduced withholding tax rate by obtaining a certificate of residence issued by the tax authorities in the shareholder's country of residence, confirming that the shareholder is resident in that state. The documentation must be provided to either the nominee or the account operator (VPS).

Non-Norwegian Personal Shareholders should consult their own advisers regarding the availability of treaty benefits in respect of dividend payments, including the possibility of effectively claiming a refund of withholding tax.

Non-Norwegian Personal Shareholders resident in the EEA for tax purposes may hold their shares through a Norwegian share saving account. Dividends received on and gains derived upon the realisation of shares held through a share saving account by a Non-Norwegian Personal Shareholder resident in the EEA will not be taxed with immediate effect. Instead, withdrawal of funds from the share saving account exceeding the Non-Norwegian Personal Shareholder's paid in deposit, will be subject to withholding tax at a rate of 25% (unless reduced pursuant to an applicable tax treaty). Capital gains realised upon realisation of shares held through the share saving account will be regarded as paid in deposits, which may be withdrawn without taxation. Losses will correspondingly be deducted from the paid in deposit, reducing the amount which can be withdrawn without withholding tax.

The obligation to deduct and report withholding tax on shares held through a saving account, cf. above, lies with the account operator.

Non-Norwegian Corporate Shareholders
Dividends distributed to shareholders who are limited liability companies (and certain other entities) domiciled outside of Norway for tax purposes ("**Non-Norwegian Corporate Shareholders**"), are as a general rule subject to withholding tax at a rate of 25%. The withholding tax rate of 25% is normally reduced through tax treaties between Norway and the country in which the shareholder is resident.

Dividends distributed to Non-Norwegian Corporate Shareholders domiciled within the EEA for tax purposes are exempt from Norwegian withholding tax provided that the shareholder is the beneficial owner of the shares and that the shareholder is genuinely established and performs genuine economic business activities within the relevant EEA jurisdiction.

If a Non-Norwegian Corporate Shareholder is carrying on business activities in Norway and the shares are effectively connected with such activities, the shareholder will be subject to the same taxation of dividends as a Norwegian Corporate Shareholder, as described above.

Non-Norwegian Corporate Shareholders who have suffered a higher withholding tax than set out in an applicable tax treaty may apply to the Norwegian tax authorities for a refund of the excess withholding tax deducted. The same will apply to Non-Norwegian Corporate Shareholders who have suffered withholding tax although qualifying for the Norwegian participation exemption.

All Non-Norwegian Corporate Shareholders must document their entitlement to a reduced withholding tax rate by either (i) presenting an approved withholding tax refund application or (ii) present an approval from the Norwegian tax authorities confirming that the recipient is entitled to a reduced withholding tax rate. In addition, a certificate of residence issued by the tax authorities in the shareholder's country of residence, confirming that the shareholder is resident in that state, must be obtained. The documentation must be provided to either the nominee or the account operator (VPS).

The withholding obligation in respect of dividends distributed to Non-Norwegian Corporate Shareholders and on nominee registered shares lies with the company distributing the dividends and the Company assumes this obligation.

Non-Norwegian Corporate Shareholders should consult their own advisers regarding the availability of treaty benefits in respect of dividend payments, including the possibility of effectively claiming a refund of withholding tax.

17.1.2 Taxation of capital gains on realisation of shares

Norwegian Personal Shareholders

Sale, redemption or other disposal of shares is considered a realisation for Norwegian tax purposes. A capital gain or loss generated by a Norwegian Personal Shareholder through a disposal of shares is taxable or tax deductible in Norway. The effective tax rate on gain or loss related to shares realised by Norwegian Personal Shareholders is currently 31.68%; i.e. capital gains (less the tax free allowance) and losses shall be multiplied by 1.44 which are then included in or deducted from the Norwegian Personal Shareholder’s ordinary income in the year of disposal. Ordinary income is taxable at a flat rate of 22%, increasing the effective tax rate on gains/losses realised by Norwegian Personal Shareholders to 31.68%.

The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares disposed of.

The taxable gain/deductible loss is calculated per share as the difference between the consideration for the share and the Norwegian Personal Shareholder’s cost price of the share, including costs incurred in relation to the acquisition or realisation of the share. From this capital gain, Norwegian Personal Shareholders are entitled to deduct a calculated allowance provided that such allowance has not already been used to reduce taxable dividend income. Please refer to Section 17.1.1 "Taxation of dividends" – Norwegian Personal Shareholders above for a description of the calculation of the allowance. The allowance may only be deducted in order to reduce a taxable gain, and cannot increase or produce a deductible loss, i.e. any unused allowance exceeding the capital gain upon the realisation of a share will be annulled. Unused allowance may not be set off against gains from realisation of other shares.

If the Norwegian Personal Shareholder owns shares acquired at different points in time, the shares that were acquired first will be regarded as the first to be disposed of, on a first-in first-out basis.

Special rules apply for Norwegian Personal Shareholders that cease to be tax-resident in Norway.

Gains derived upon the realisation of shares held through a share saving account will be exempt from immediate Norwegian taxation and losses will not be tax deductible. Instead, withdrawal of funds from the share saving account exceeding the Norwegian Personal Shareholder's paid in deposit, will be regarded as taxable income, subject to tax at an effective tax rate of 31.68%. Norwegian Personal Shareholders will be entitled to a calculated tax-free allowance provided that such allowance has not already been used to reduce taxable dividend income, please refer to Section 17.1.1 "Taxation of dividends" – Norwegian Personal Shareholders above. The tax-free allowance is calculated based on the lowest paid in deposit in the account during the income year, plus any unused tax-free allowance from previous years. The tax-free allowance can only be deducted in order to reduce taxable income, and cannot increase or produce a deductible loss. Any excess allowance may be carried forward and set off against future withdrawals from the account or future dividends received on shares held through the account.

Norwegian Personal Shareholders holding shares through more than one share saving account may transfer their shares or securities between the share saving accounts without incurring Norwegian taxation.

Norwegian Corporate Shareholders

Norwegian Corporate Shareholders are exempt from tax on capital gains derived from the realisation of shares qualifying for participation exemption, including shares in the Company. Losses upon the realisation and costs incurred in connection with the purchase and realisation of such shares are not deductible for tax purposes.

Special rules apply for Norwegian Corporate Shareholders that cease to be tax-resident in Norway.

Non-Norwegian Personal Shareholders

Gains from the sale or other disposal of shares by a Non-Norwegian Personal Shareholder will not be subject to taxation in Norway unless the Non-Norwegian Personal Shareholder holds the shares in connection with business activities carried out or managed from Norway. Please refer to Section 17.1.1 "Taxation of dividends" – Non-Norwegian Personal Shareholders above for a description of the availability of a Norwegian share savings account.

Non-Norwegian Corporate Shareholders

Capital gains derived by the sale or other realisation of shares by Non-Norwegian Corporate Shareholders are not subject to taxation in Norway unless the shareholding is effectively connected to the conduct of trade or business in Norway.

17.1.3 Taxation of subscription rights

Norwegian Personal Shareholders

A Norwegian Personal Shareholder's subscription for shares pursuant to a subscription right is not subject to taxation in Norway. Costs related to the subscription for the shares, including the purchase price for any purchased subscription rights, will be added to the cost price of the shares.

Please note that subscription rights will not be comprised by the Norwegian share saving account as described in Section 17.1.2 "Taxation of capital gains on realisation of shares – Norwegian Personal Shareholders above.

Norwegian Corporate Shareholders

A Norwegian Corporate Shareholder's subscription for shares pursuant to a subscription right is not subject to taxation in Norway. Costs related to the subscription for the shares will be added to the cost price of the shares.

Non-Norwegian Shareholders

A Non-Norwegian (Personal or Corporate) Shareholder's subscription for shares pursuant to a subscription right is not subject to taxation in Norway.

Please note that subscription rights are not comprised by the Norwegian share saving account scheme for Non-Norwegian Personal Shareholders resident within the EEA as further described above in Section 17.1.1 "Taxation of dividends" – Non-Norwegian Personal Shareholders.

17.1.4 Net wealth tax

The value of shares is included in the basis for the computation of net wealth tax imposed on Norwegian Personal Shareholders. Currently, the marginal net wealth tax rate is 0.85% of the value assessed. The value for assessment purposes for listed shares is equal to 75% of the listed value as of 1 January in the year of assessment (i.e. the year following the relevant fiscal year). The value of debt allocated to the listed shares for Norwegian wealth tax purposes is reduced correspondingly (i.e. to 75%).

Norwegian Corporate Shareholders are not subject to net wealth tax.

Non-Norwegian (Personal and Corporate) Shareholders are generally not subject to Norwegian net wealth tax. Non-Norwegian Personal Shareholders can, however, be taxable if the shareholding is effectively connected to the conduct of trade or business in Norway.

17.1.5 VAT and transfer taxes

No VAT, stamp or similar duties are currently imposed in Norway on the transfer or issuance of shares.

17.1.6 Inheritance tax

A transfer of shares through inheritance or as a gift does not give rise to inheritance or gift tax in Norway.

18 LISTING OF THE CONSIDERATION SHARES AND PRIVATE PLACEMENT SHARES AND THE TERMS OF THE SUBSEQUENT OFFERING

18.1 Delivery of consideration shares for the Recent Vessel Acquisitions

18.1.1 Overview

As further described in Section 8.5.4 "The Recent Vessel Acquisitions", the Group has entered into agreements for the acquisition of three new vessels (Belcargo, Belfri and Bellight, and together the "Recently Acquired Vessels") whereby the Company shall settle parts of the consideration to the sellers in newly issued Shares. At the annual general meeting of the Company held on 23 May 2019, it was resolved to increase the share capital in order to deliver the consideration shares in relation to each of the Recently Acquired Vessels, see Section 18.1.2 "Resolution to issue the Consideration Shares" for further details.

Belcargo was delivered on 31 May 2019 upon completion of the transaction with Wenaas Shipping AS, and the Company has issued 8,060,650 new Shares (the "**Belcargo Consideration Shares**") to Wenaas Shipping AS as part of the settlement. The Belcargo Consideration Shares were registered with the Norwegian Register of Business Enterprises on 3 June 2019. Since the number of Belcargo Consideration Shares did not exceed more than 10% of the outstanding shares in the Company at the time of issuance, there was no requirement to publish an offering or listing prospectus in this connection and the Belcargo Consideration Shares have been listed and placed on ISIN NO 000 3094104.

Belfri and Bellight are expected to be delivered between the date of this Prospectus and 15 August 2019. In this connection, Belships will issue 7,045,114 new Shares to the seller of Belfri (the "**Belfri Consideration Shares**") and 10,710,220 new Shares to the sellers of Bellight (the "**Bellight Consideration Shares**" and together with the Belfri Consideration Shares the "**Consideration Shares**"). The Consideration Shares will be issued, registered with the Norwegian Register of Business Enterprises and admitted to trading on the Oslo Stock Exchange following publication of this Prospectus and completion of the transactions.

The issue of the Consideration Shares represents a deviation from the shareholders' pre-emptive right to subscribe for the new shares. The Company's general meeting bases such deviation inter alia on the basis that it was in the best interest of the Company and its shareholders to pursue growth opportunities by acquiring ships for shares, in addition to increase its shareholder-base.

18.1.2 Resolution to issue the Consideration Shares

Resolution to issue the Belcargo Consideration Shares

On 23 May 2019, the annual general meeting of Belships resolved to issue the Belcargo Consideration Shares and increase the share capital in connection with the acquisition of M/V Belcargo from Wenaas Shipping AS (translated from Norwegian):

(i) *The share capital is increased by NOK 16,121,300, from NOK 350,235,986 to NOK 366,357,286, by the issuance of 8,060,650 new shares, each with a nominal value of NOK 2.*

(ii) *The shares shall be subscribed for by Wenaas Shipping AS (reg no 989 601 369, address 6386 Måndalen, Rauma).*

(iii) *The shareholders' preferential right to subscribe for the new shares pursuant to section 10-4 of the Norwegian Public Limited Liabilities Companies Act is deviated from.*

(iv) *The new shares shall be subscribed for on a separate subscription within 30 September 2019.*

(v) *The subscription price is NOK 7 per new share. The total subscription amount is NOK 56,424,550, of which NOK 16,121,300 is share capital and NOK 40,303,250 is premium on shares.*

(vi) *The share contribution shall be settled either by way of set-off against the seller credit of NOK 56,424,550 from Wenaas Shipping AS to Belships ASA or by transfer of a debt receivable in the same amount against a subsidiary of Belships ASA, in connection with the purchase of M/V Viola. The company's auditor has prepares an auditor statement on the share contribution which is made available on www.belships.com.*

(vii) The new shares give full shareholder rights in the company, including the right to dividend, from the time the share capital is registered in the Norwegian Register of Business Enterprises.

(viii) The costs related to the share capital increase are estimated to approximately NOK 50,000. The costs shall be covered by the company.

(ix) Section 4 of the articles of association is amended to read as follows:

"The share capital is NOK 366,357,286, divided into 183,178,643 shares, each with a nominal value of NOK 2."

Resolution to issue the Belfri Consideration Shares

On 23 May 2019, the annual general meeting of Belships resolved to issue the Belfri Consideration Shares and increase the share capital in connection with the acquisition of M/V Belfri from Prospero Marine Ltd (translated from Norwegian):

(x) The share capital is increased by NOK 14,810,228 by issuance of 7,405,114 new shares, each with a nominal value of NOK 2.

(xi) The shares shall be subscribed for by Prospero Marine Ltd (address 80 Broad Street, Monrovia, Liberia).

(xii) The shareholders' preferential right to subscribe for the new shares pursuant to Section 10-4 of the Norwegian Public Limited Liabilities Companies Act is waived.

(xiii) The new shares shall be subscribed for on a separate subscription form within 30 September 2019.

(xiv) The subscription price is NOK 7 per share. The total subscription amount is NOK 51,835,798, of which NOK 14,810,228 is share capital and NOK 37,025,570 is premium on shares.

(xv) The share contribution shall be settled ether by way of set-off against the seller credit of NOK 51,835,798 from Prospero Marine Ltd to Belships ASA or by transfer of a debt receivable in the same amount against a subsidiary of Belships ASA, in connection with the purchase of M/V Sephora. The company's auditor has prepared an auditor statement on the share contribution which is made available on www.belships.com

(xvi) The new shares give full shareholder rights in the company, including the right to dividend, from the time the share capital is registered in the Norwegian Register of Business Enterprises.

(xvii) The costs related to the share capital increase are estimated to approximately NOK 50,000. The costs shall be covered by the company.

(xviii) Section 4 of the articles of association is amended to reflect the increase of the share capital following the subscription.

Resolution to issue the Bellight Consideration Shares

On 23 May 2019, the annual general meeting of Belships resolved to issue the Bellight Consideration Shares and increase the share capital in connection with the acquisition of Sofie Victory AS from EGD Ultra Eco AS and Blossom Shipmanagement Ltd (translated from Norwegian):

(i) The share capital is increased by minimum NOK 18,000,000 and maximum NOK 26,000,000 by issuance of minimum 9,000,000 and maximum 13,000,000 new shares, each with a nominal value of NOK 2.

(ii) The shares shall be subscribed for by EGD Ultra Eco AS (reg no 913 401 611, address Sydnesplassen 1, 5007 Bergen) and Blossom Shipmanagement Ltd (18 Kyriakou Matsi Str., Engomi Nicosia 2408 Cyprus).

(iii) The shareholders' preferential right to subscribe for the new shares pursuant to Section 10-4 of the Norwegian Public Limited Liabilities Companies Act is waived.

(iv) *De new shares shall be subscribed for on separate subscription forms within 30 September 2019.*

(v) *The subscription price is NOK 7 per share.*

(vi) *The share contribution shall be settled by way of set-off against the seller credit from EGD Ultra Eco AS and Blossom Shipmanagement Ltd in connection with the purchase of Sofie Victory AS. The company's auditor has prepared an auditor statement on the share contribution which is made available on www.belships.com.*

(vii) *The new shares give full shareholder rights in the company, including the right to dividend, from the time the share capital increase is registered in the Norwegian Register of Business Enterprises.*

(viii) *The costs related to the share capital increase are estimated to approximately NOK 50,000. The costs shall be covered by the company.*

(ix) *Section 4 of the articles of association is amended to reflect the increase of the share capital following the subscription.*

18.1.3 Participation of major shareholders and members of the Company's management, supervisory and administrative bodies

No members of the Company's management, supervisory or administrative bodies subscribed for, or were allocated, Consideration Shares.

18.1.4 Delivery and listing of the Consideration Shares

The share capital increase pertaining to the issue of the Belcargo Consideration Shares was registered with the Norwegian Register of Business Enterprises on 3 June 2019. The Belcargo Consideration Shares are delivered electronically in registered book-entry form in the VPS. The Company's VPS account operator is DNB Bank ASA, Registrars Department, N-0191 Oslo, Norway. The Belcargo Consideration Shares are registered on ISIN NO 000 3094104 and were listed and tradable on the Oslo Stock Exchange on 3 June 2019.

The Consideration Shares will be issued, registered with the Norwegian Register of Business Enterprises and admitted to trading on the Oslo Stock Exchange following publication of this Prospectus and completion of the transactions.

18.1.5 The rights conferred by the share issue

The Consideration Shares are and will be ordinary Shares in the Company each having a nominal value of NOK 2.00. The Consideration Shares are and will be issued electronically in registered form in accordance with the Norwegian Public Limited Companies Act.

The Consideration Shares rank in all respects pari passu with the existing Shares and carry full shareholder rights in the Company from the time of registration of the share capital increase pertaining to the share issue with the Norwegian Register of Business Enterprises. The Consideration Shares are eligible for any dividends that the Company may declare after such registration. All Shares, including the Consideration Shares, have voting rights and other rights and obligations which are standard under the Norwegian Public Limited Companies Act, and are governed by Norwegian law. See Section 15 "Corporate information and description of share capital" for a more detailed description of the Shares.

18.1.6 Dilution

The dilutive effect following the Private Placement and the issuance of the Belcargo Consideration Shares and the Consideration Shares is summarised in the table below:

	Initially	Subsequent to the Private Placement	Subsequent to the Private Placement and the issuance of Consideration Shares and Belcargo Consideration Shares
Number of Shares each with a nominal value of NOK 2.00	175,117,993	185,490,180	211,666,164
% dilution	0.0	5.6	17.3

18.1.7 Expenses related to the share issue

The fees and expenses related to the issuance of the Belcargo Consideration Shares and the Consideration Shares are expected to amount to approximately NOK 150,000, of which approximately the entire amount were fees legal costs and expenses. No expenses or taxes were charged by the Company to the subscribers in the share issues.

18.1.8 Interest of natural and legal persons involved in the share issue

The Managers or their affiliates have provided from time to time, and may provide in the future, investment and commercial banking services to the Company and its affiliates in the ordinary course of business, for which they may have received and may continue to receive customary fees and commissions. The Managers, their employees and any affiliate may currently own Shares in the Company. The Managers have not been involved in and will not receive any fees in connection with the issuance of the Belcargo Consideration Shares and the Consideration Shares.

18.2 The completed Private Placement

18.2.1 *Overview*

At the annual general meeting of the Company held on 23 May 2019 the Board of Directors was granted an authorisation to increase the share capital with up to NOK 175,000,000 through the issue of up to 87,500,000 new Shares. Pursuant to this authorisation, the Board of Directors resolved, on 29 May 2019, to increase the share capital by NOK 20,744,374 through the issue of 10,372,187 Private Placement Shares at a subscription price of NOK 7.00 per Private Placement Share, resulting in gross proceeds of approximately NOK 72.6 million (equivalent to approximately USD 8.3 million).

The Private Placement was directed towards investors in Norway and other jurisdictions subject to applicable exemptions from registration, filing, prospectus and other requirements under applicable securities laws, (i) outside the United States in reliance on Regulation S under the U.S. Securities Act and (ii) in the United States to QIBs, as defined in Rule 144A under the U.S. Securities Act as well as to major U.S. institutional investors under SEC Rule 15a-6 to the United States Exchange Act of 1934.

The Private Placement represents a deviation from the shareholders' pre-emptive right to subscribe for the new shares. The Board of Directors bases such deviation inter alia on the basis that:

- The Private Placement is carried out following confidential conversations with a number of potential investors, and after a publicly announced book building process initiated by three brokerages;
- The market was announced by Belships on 23 May 2019, that the Managers were engaged to arrange for a number of investor meetings. Consequently, Belships and the Managers have had the opportunity to go wider than a traditional wall crossing;
- The Shares are traded on the Oslo Stock Exchange and as a consequence, the Shares will be available in the market for diluted shareholders following the Private Placement;
- The Private Placement will result in Belships getting a larger element of institutional and professional investors, thereby strengthening the Company's shareholder base, which again may lead to an increased turnover and liquidity in the interest of all the shareholders; and
- The Private Placement will be followed by a subsequent offering.

The Private Placement Shares were placed by the Managers to selected investors in the application period from 16:30 hours (CEST) on 28 May 2019 to 08:00 hours (CEST) on 29 May 2019. The Company and the Managers entered into application agreements (the "**Application Agreements**") with the investors, pursuant to which the investors undertook to subscribe for the Private Placement Shares. On 29 May 2019, the Company announced that the Private Placement had been completed successfully. The Private Placement Shares was registered with the Norwegian Register of Business Enterprises on 6 June 2019 and The Private Placement Shares have been placed on a separate ISIN pending publication of this Prospectus, and will be listed and admitted to trading on the Oslo Stock Exchange following publication of this Prospectus.

18.2.2 Resolution to issue the Private Placement Shares

On 29 May 2019, the Board of Directors resolved to issue the Private Placement Shares and increase the share capital in connection with the Private Placement, pursuant to an authorisation granted by the Company's general meeting on 23 May 2019 (translated from Norwegian):

(i) The share capital shall be increased by NOK 20,744,374 by the issuance of 10,372,187 shares.

(ii) The par value of the shares shall be NOK 2.00.

(iii) The subscription price shall be NOK 7.00 per share.

(iv) The shares shall be subscribed for by the investors set out in the investor presentation prepared by the managers. The shareholders' preferential right is thus deviated from, cf. section 10-5, cf. section 10-4 of the Norwegian Public Limited Liability Companies Act.

(v) The shares shall be subscribed for on a separate subscription form no later than 29 May 2019.

(vi) Payment shall be made to the Company's account no later than 3 June 2019.

(vii) The new shares carry rights to dividends and other rights in the Company from the registration of the share capital increase in the Norwegian Register of Business Enterprises.

(viii) The costs related to the share capital increase are estimated to NOK 200,000.

(ix) Article 4 of the articles of association shall be amended to reflect the share capital and number of shares following the share capital increase.

18.2.3 Participation of major shareholders and members of the Company's Management, supervisory and administrative bodies

The following members of the Company's management, supervisory or administrative bodies subscribed for, and were allocated, Private Placement Shares in the Private Placement:

- Peter Frølich, chairman of the Board of Directors, was allocated 75,000 Private Placement Shares;
- Birthe Cecilie Lepsøe, member of the Board of Directors, was allocated 7,500 Private Placement Shares;
- Jorunn Seglem, member of the Board of Directors, was allocated 35,000 Private Placement Shares;
- Lars Christian Skarsgård, CEO, through Torinitamar AS (a company controlled by Mr. Skarsgård), was allocated 35,000 Private Placement Shares;
- Osvald Fossholm, CFO, through Krino Invest AS (a company controlled by Mr. Fossholm), was allocated 35,000 Private Placement Shares; and
- Jan Erik Sivertsen, observer of the Board of Directors and CEO of Kontrari AS and Kontrazi AS, was allocated 50,000 Private Placement Shares.

18.2.4 Delivery and listing of the Private Placement Shares

The share capital increase pertaining to the Private Placement was registered with the Norwegian Register of Business Enterprises on 6 June 2019.

The Private Placement Shares issued in the Private Placement are delivered electronically in registered book-entry form in the VPS. The Company's VPS account operator is DNB Bank ASA, Registrars Department, N-0191 Oslo, Norway. The Private Placement Shares are registered on a separate ISIN number (ISIN NO 001 0856776) pending publication of this Prospectus, and will be listed and tradable on the Oslo Stock Exchange as soon as practicable possible after this Prospectus has been approved by the Norwegian FSA. The listing on Oslo Stock Exchange is expected to take place on or about 28 June 2019.

The Managers and the Company have entered into a share lending agreement with Kontrari pursuant to which Kontrari has lent a number of existing shares in the Company corresponding to the number of Private Placement Shares to the Managers in order to facilitate delivery versus payment settlement to the investors in the Private Placement. The shares allocated to the subscribers in the Private Placement will thus be tradable immediately after allocation. The Private Placement Shares issued by the Company shall be used to redeliver any and all borrowed shares to Kontrari. The borrowed shares will be redelivered by the Managers to Kontrari in the form of new shares in the Company issued following the registration of the new share capital pertaining to the Private Placement in the Norwegian Register of Business Enterprises.

18.2.5 The rights conferred by the Private Placement

The Private Placement Shares issued in the Private Placement are ordinary Shares in the Company each having a nominal value of NOK 2.00. The Private Placement Shares are issued electronically in registered form in accordance with the Norwegian Public Limited Companies Act.

The Private Placement Shares rank in all respects pari passu with the existing Shares and carry full shareholder rights in the Company from the time of registration of the share capital increase pertaining to the Private Placement with the Norwegian Register of Business Enterprises. The Private Placement Shares are eligible for any dividends that the Company may declare after such registration. All Shares, including the Private Placement Shares, have voting rights and other rights and obligations which are standard under the Norwegian Public Limited Companies Act, and are governed by Norwegian law. See Section 15 "Corporate information and description of share capital" for a more detailed description of the Shares.

18.2.6 Dilution

The Private Placement resulted in an immediate dilution of the existing Shares of approximately 5.6%.

18.2.7 Net proceeds and expenses related to the Private Placement

The fees and expenses related to the Private Placement amounted to approximately NOK 5.4 million, of which approximately NOK 4.8 million were fees to the Managers (5.7% of the gross proceeds from the Private Placement and NOK 0.7 million was a coordination fee to Danske Bank) and approximately NOK 0.6million were other fees, costs and expenses. No expenses or taxes were charged by the Company or the Managers to the subscribers in the Private Placement.

Hence, the total net proceeds from the Private Placement were approximately NOK 72.6 million. For a description of the use of such proceeds, see Section 5 "Reasons for the private placement and subsequent offering".

18.2.8 Interest of natural and legal persons involved in the Private Placement

The Managers or their affiliates have provided from time to time, and may provide in the future, investment and commercial banking services to the Company and its affiliates in the ordinary course of business, for which they may have received and may continue to receive customary fees and commissions. The Managers, their employees and any affiliate may currently own Shares in the Company. Furthermore, the Managers will receive fees in connection with the Private Placement and, as such, have an interest in the Private Placement. See Section 18.2.7 "Net proceeds and expenses related to the Private Placement" for information on fees to the Managers in connection with the Private Placement.

18.3 The Subsequent Offering

18.3.1 Overview

The Subsequent Offering consists of an offer by the Company to issue up to 1,603,128 Offer Shares, each with a nominal value of NOK 2.00, at a Subscription Price of NOK 7.00 per Offer Share, being equal to the subscription price in the Private Placement. Subject to all Offer Shares being issued, the Subsequent Offering will result in approximately NOK 11.2 million in gross proceeds.

The purpose of the Subsequent Offering is to enable the Eligible Shareholders to subscribe for Shares in the Company at the same price as in the Private Placement, thus limiting dilution of their shareholding. Eligible Shareholders who are beneficiaries of the Subsequent Offering, are shareholders of the Company as of close of trading 28 May 2019 (as registered in the VPS on the Record Date) and who are not resident in a jurisdiction where such offering would be unlawful, or for jurisdictions other than Norway, would require any filing, registration or similar action who were not allocated shares in the Private Placement. The net proceeds from the Subsequent Offering will be used for the same purposes as the net proceeds from the Private Placement.

Eligible Shareholders will be granted non-transferable Subscription Rights that, subject to applicable laws, provide a preferential right to subscribe for, and be allocated, Offer Shares in the Subsequent Offering. Over-subscription will be permitted, while subscription without Subscription Rights will not be permitted.

Subscription Rights and Offer Shares will not be issued or sold in certain jurisdictions or to residents of certain jurisdictions. For further information see Section 19 "Selling and transfer restrictions".

18.3.2 Use of proceeds

The net proceeds from the Subsequent Offering are expected to be approximately NOK 11.2 million, assuming that all the Offer Shares are issued. For a description of the use of such proceeds, see Section 5 "Reasons for the private placement and subsequent offering.

18.3.3 Resolution relating to the Subsequent Offering and the issue of the Offer Shares

On 27 June 2019, the Board of Directors resolved to issue the Offer Shares and increase the share capital in connection with the Subsequent Offering, pursuant to an authorisation granted by the Company's general meeting on 23 May 2019 (translated from Norwegian):

(i) The share capital shall be increased by up to NOK 3,206,256 by the issuance of up to 1,603,128 Offer Shares.

(ii) The par value of the shares shall be NOK 2.00.

(iii) The subscription price shall be NOK 7.00 per share.

(iv) The shares shall be subscribed for by shareholders of the Company as of 28 May 2019 who (i) were not allocated shares in the Private Placement, and (ii) who are not resident in a jurisdiction where such offering would be unlawful, or for jurisdictions other than Norway, would require registration or similar action. The shareholders' preferential right is thus deviated from, cf. section 10-5, cf. section 10-4 of the Norwegian Public Limited Liability Companies Act.

(v) The shares shall be subscribed for on a separate subscription form no later than 12 July 2019.

(vi) Payment shall be made to the Company's account no later than 17 July 2019.

(vii) The new shares carry rights to dividends and other rights in the Company from the registration of the share capital increase in the Norwegian Register of Business Enterprises.

(viii) The costs related to the share capital increase are estimated to NOK 50,000.

(ix) *Article 4 of the articles of association shall be amended to reflect the share capital and number of shares following the share capital increase.*

18.3.4 Timetable for the Subsequent Offering

Last day of trading in the Shares including Subscription Rights	28 May 2019
First day of trading in the Shares excluding Subscription Rights	29 May 2019
Record Date	31 May 2019
Subscription Period commences	28 June 2019 at 09:00 hours (CEST)
Subscription Period ends	12 July 2019 at 16:30 hours (CEST)
Allocation of the Offer Shares	Expected on or about 15 July 2019
Distribution of allocation letters	Expected on or about 15 July 2019
Publication of the results of the Subsequent Offering	Expected on or about 12 July 2019
Payment Date	17 July 2019
Registration	Expected on or about 19 July 2019
Delivery of the Offer Shares	Expected on or about 19 July 2019
Listing and commencement of trading in the Offer Shares on Oslo Børs	Expected on or about 19 July 2019

18.3.5 Subscription Price

The Subscription Price in the Subsequent Offering is NOK 7.00 per Offer Share, being the same as the subscription price in the Private Placement. No expenses or taxes are charged to the subscribers in the Subsequent Offering by the Company or the Managers.

18.3.6 Subscription Period

The Subscription Period will commence on 09:00 hours (CEST) on 28 June 2019 and end on 12 July 2019 at 16:30 hours (CEST). The Subscription Period may not be revoked, extended or shortened prior to the end of the Subscription Period.

18.3.7 Eligible Shareholders

Shareholders of the Company as of close of trading 28 May 2019, as registered in the Company's shareholder register in the VPS on 31 May 2019 (the Record Date), and who were not allocated shares in the Private Placement, will be granted non-transferable Subscription Rights that, subject to applicable law, provide preferential rights to subscribe for, and be allocated, Offer Shares in the Subsequent Offering at the Subscription Price.

Provided that the delivery of traded Shares was made with ordinary T+2 settlement in the VPS, Shares that were acquired on or before 28 May 2019 will give the right to receive Subscription Rights, whereas Shares that were acquired from and including 29 May 2019 will not give the right to receive Subscription Rights.

18.3.8 Subscription Rights

Eligible Shareholders will be granted non-transferable Subscription Rights giving a preferential right to subscribe for, and be allocated, Offer Shares in the Subsequent Offering. Each Eligible Shareholder will, subject to applicable securities laws, be granted 0.06889 Subscription Rights for each existing Share registered as held by such Eligible Shareholder on the Record Date, rounded down to the nearest whole Subscription Right. Each Subscription Right will, subject to applicable securities laws, give the right to subscribe for and be allocated one Offer Share in the Subsequent Offering.

The Subscription Rights will be credited to and registered on each Eligible Shareholder's VPS account on or about 28 June 2019. The Subscription Rights will be distributed free of charge to Eligible Shareholders. The Subscription Rights are non-transferable and will accordingly not be listed on any regulated market place.

The Subscription Rights may be used to subscribe for Offer Shares in the Subsequent Offering before the expiry of the Subscription Period on 12 July 2019 at 16:30 hours (CEST).

Subscription Rights that are not exercised before 16:30 hours (CEST) on 12 July 2019 will have no value and will lapse without compensation to the holder. Holders of Subscription Rights should note that subscriptions for Offer Shares must be made in accordance with the procedures set out in this Prospectus

and that the Subscription Rights does not in itself constitute a subscription of Offer Shares. The Subscription Rights are non-transferable.

Subscription Rights of Eligible Shareholders resident in jurisdictions where the Prospectus may not be distributed and/or with legislation that, according to the Company's assessment, prohibits or otherwise restricts subscription for Offer Shares (the "**Ineligible Shareholders**") will initially be credited to such Ineligible Shareholders' VPS accounts. Such credit specifically does not constitute an offer to Ineligible Shareholders to subscribe for Offer Shares. The Company will instruct the Managers to, as far as possible, withdraw the Subscription Rights from such Ineligible Shareholders' VPS accounts with no compensation to the holder.

18.3.9 Subscription procedures

Subscriptions for Offer Shares must be made by submitting a correctly completed subscription form, attached hereto as Appendix B (the "**Subscription Form**") to the Managers during the Subscription Period, or may, for subscribers who are residents of Norway with a Norwegian personal identification number, be made online as further described below.

Eligible Shareholders will receive Subscription Forms that include information about the number of Subscription Rights allocated to the Eligible Shareholder and certain other matters relating to the shareholding.

Correctly completed Subscription Forms must be received by the Managers no later than 16:30 hours (CEST) on 12 July 2019 at the following postal or email addresses:

Danske Bank, Norwegian Branch Bryggetorget 4 P.O. Box 1170 Sentrum 0107 Oslo Norway	DNB Markets, Registrars Department Dronning Eufemias gate 30 P.O. Box 1600 Sentrum N-0021 Oslo Norway	Pareto Securities Dronning Mauds gate 3 P.O. Box 1411 Vika N-0115 Oslo Norway
Tel.: +47 23 26 81 01 Email: emisjoner@danskebank.com www.danskebank.no/belships	Tel.: +47 23 26 80 20 Email: retail@dnb.no www.dnb.no/emisjoner	Tel.: +47 22 87 87 00 Email: subscription@paretosec.com www.paretosec.com

Subscribers who are residents of Norway with a Norwegian personal identification number may also subscribe for Offer Shares through the VPS online subscription system (or by following the link on www.danskebank.no/belships, www.dnb.no/emisjoner or www.paretosec.com which will redirect the subscriber to the VPS online subscription system). All online subscribers must verify that they are Norwegian residents by entering their national identity number (*Nw.: personnummer*). In addition, the VPS online subscription system is only available for individual persons and is not available for legal entities; legal entities must thus submit a Subscription Form in order to subscribe for Offer Shares. Subscriptions made through the VPS online subscription system must be duly registered before the expiry of the Subscription Period.

None of the Company or the Managers may be held responsible for postal delays, unavailable fax lines, internet lines or servers or other logistical or technical problems that may result in subscriptions not being received in time or at all by the Managers. Subscription Forms received after the end of the Subscription Period and/or incomplete or incorrect Subscription Forms and any subscription that may be unlawful may be disregarded at the sole discretion of the Company and/or the Managers without notice to the subscriber.

Subscriptions are binding and irrevocable, and cannot be withdrawn, cancelled or modified by the subscriber after having been received by the Managers, or in the case of subscriptions through the VPS online subscription system, upon registration of the subscription. The subscriber is responsible for the correctness of the information filled into the Subscription Form. By signing and submitting a Subscription Form, or by subscribing via VPS online subscription system, the subscribers confirm and warrant that they have read this Prospectus and are eligible to subscribe for Offer Shares under the terms set forth herein.

There is no minimum subscription amount for which subscriptions in the Subsequent Offering must be made. Over-subscription (i.e., subscription for more Offer Shares than the number of Subscription Rights held by the subscriber entitles the subscriber to be allocated) will be permitted, however, subscription without Subscription Rights will not be permitted.

Multiple subscriptions (i.e., subscriptions on more than one Subscription Form) are allowed. Please note, however, that two separate Subscription Forms submitted by the same subscriber with the same number of Offer Shares subscribed for on both Subscription Forms will only be counted once unless otherwise explicitly stated in one of the Subscription Forms. In the case of multiple subscriptions through the VPS online subscription system or subscriptions made both on a Subscription Form and through the VPS online subscription system, all subscriptions will be counted.

18.3.10 Mandatory Anti-Money Laundering Procedures

The Subsequent Offering is subject to the Norwegian Money Laundering Act of 1 June 2018 No. 23 and the Norwegian Money Laundering Regulations of 14 September 2018 No. 1324 (collectively, the "**Anti-Money Laundering Legislation**").

Subscribers who are not registered as existing customers of one of the Managers must verify their identity to the Manager in accordance with the requirements of the Anti-Money Laundering Legislation, unless an exemption is available. Subscribers who have designated an existing Norwegian bank account and an existing VPS account on the Subscription Form are exempted, unless verification of identity is requested by the Manager. Subscribers who have not completed the required verification of identity prior to the expiry of the Subscription Period will not be allocated Offer Shares.

Furthermore, participation in the Subsequent Offering is conditional upon the subscriber holding a VPS account. The VPS account number must be stated in the Subscription Form. VPS accounts can be established with authorised VPS registrars, who can be Norwegian banks, authorised securities brokers in Norway and Norwegian branches of credit institutions established within the EEA. However, non-Norwegian investors may use nominee VPS accounts registered in the name of a nominee. The nominee must be authorised by the Norwegian FSA. Establishment of a VPS account requires verification of identification to the VPS registrar in accordance with the Anti-Money Laundering Legislation.

18.3.11 Financial intermediaries

General

All persons or entities holding Shares or Subscription Rights through financial intermediaries (i.e. brokers, custodians and nominees) should read this Section 18.3.11 "Financial intermediaries". All questions concerning the timeliness, validity and form of instructions to a financial intermediary in relation to the exercise of Subscription Rights should be determined by the financial intermediary in accordance with its usual customer relations procedure or as it otherwise notifies each beneficial shareholder.

The Company is not liable for any action or failure to act by a financial intermediary through which Shares are held.

Subscription Rights

If an Eligible Shareholder holds Shares registered through a financial intermediary on the Record Date, the financial intermediary will customarily give the Eligible Shareholder details of the aggregate number of Subscription Rights to which it will be entitled. The relevant financial intermediary will customarily supply each Eligible Shareholder with this information in accordance with its usual customer relations procedures. Eligible Shareholders holding Shares through a financial intermediary should contact the financial intermediary if they have received no information with respect to the Subsequent Offering.

Subject to applicable law, Eligible Shareholders holding Shares through a financial intermediary may instruct the financial intermediary to sell some or all of their Subscription Rights, or to purchase additional Subscription Rights on their behalf. See Section 19 "Selling and transfer restrictions" for a description of certain restrictions and prohibitions applicable to the sale and purchase of Subscription Rights in certain jurisdictions outside Norway.

Eligible Shareholders who hold their Shares through a financial intermediary and who are Ineligible Shareholders will not be entitled to exercise their Subscription Rights but may, subject to applicable law, instruct their financial intermediary to sell their Subscription Rights transferred to the financial intermediary. Neither the Company nor the Managers will sell any Subscription Rights registered in the name of financial intermediaries.

Subscription Period

The time by which notification of exercise instructions for subscription of Offer Shares must validly be given to a financial intermediary may be earlier than the expiry of the Subscription Period. Such deadlines will depend on the financial intermediary. Eligible Shareholders who hold their Shares through a financial intermediary should contact their financial intermediary if they are in any doubt with respect to deadlines.

Subscription

Any Eligible Shareholder who is not an Ineligible Shareholder and who holds its Subscription Rights through a financial intermediary and wishes to exercise its Subscription Rights, should instruct its financial intermediary in accordance with the instructions received from such financial intermediary. The financial intermediary will be responsible for collecting exercise instructions from the Eligible Shareholders and for informing one of the Managers of their exercise instructions.

A person or entity who has acquired Subscription Rights that are held through a financial intermediary should contact the relevant financial intermediary for instructions on how to exercise the Subscription Rights.

See Section 19 "Selling and transfer restrictions" below for a description of certain restrictions and prohibitions applicable to the exercise of Subscription Rights in certain jurisdictions.

Method of Payment

Any Eligible Shareholder who holds its Subscription Rights through a financial intermediary should pay the Subscription Price for the Offer Shares that are allocated to it in accordance with the instructions received from the financial intermediary. The financial intermediary must pay the Subscription Price in accordance with the instructions in the Prospectus. Payment by the financial intermediary for the Offer Shares must be made to one of the Managers no later than the Payment Date. Accordingly, financial intermediaries may require payment to be provided to them prior to the Payment Date.

18.3.12 Allocation of the Offer Shares

Allocation of the Offer Shares will take place on or about 15 July 2019 in accordance with the following criteria:

(i) Allocation of Offer Shares to subscribers will be made in accordance with granted and acquired Subscription Rights which have been validly exercised during the Subscription Period. Each Subscription Right will give the right to subscribe for and be allocated one Offer Share in the Subsequent Offering.

(ii) If not all Subscription Rights are validly exercised during the Subscription Period, subscribers having exercised their Subscription Rights and who have over-subscribed, will be allocated additional Offer Shares on a pro rata basis based on the number of Subscription Rights exercised by each such subscriber. To the extent that pro rata allocation is not possible, the Company will determine the allocation by the drawing of lots.

(iii) No fractional Offer Shares will be allocated. The Company reserves the right to reject or reduce any subscription for Offer Shares not covered by Subscription Rights.

(iv) Allocation of fewer Offer Shares than subscribed for by a subscriber will not impact on the subscriber's obligation to pay for the number of Offer Shares allocated.

(v) The result of the Subsequent Offering is expected to be published on or about 12 July 2019 in the form of a stock exchange notification from the Company through the Oslo Stock Exchange information system and at the Company's website (www.belships.com). Notifications of allocated Offer Shares and the corresponding subscription amount to be paid by each subscriber are expected to be distributed in a letter from VPS on or about 12 July 2019.

18.3.13 Payment for the Offer Shares

Payment due date

The payment for Offer Shares allocated to a subscriber falls due on 17 July 2019 (the "**Payment Date**"). Payment must be made in accordance with the requirements set out below in this Section.

Subscribers who have a Norwegian bank account

Subscribers who have a Norwegian bank account must, and will by signing the Subscription Form, provide the Managers with a one-time irrevocable authorisation to debit a specified bank account with a Norwegian bank for the amount payable for the Offer Shares which are allocated to the subscriber.

The specified bank account is expected to be debited on or after the Payment Date. The Managers are only authorised to debit such account once, but reserve the right to make up to three debit attempts, and the authorisation will be valid for up to seven working days after the Payment Date.

The subscriber furthermore authorises the Managers to obtain confirmation from the subscriber's bank that the subscriber has the right to dispose over the specified account and that there are sufficient funds in the account to cover the payment.

If there are insufficient funds in a subscriber's bank account or if it for other reasons is impossible to debit such bank account when a debit attempt is made pursuant to the authorisation from the subscriber, the subscriber's obligation to pay for the Offer Shares will be deemed overdue.

Payment by direct debiting is a service that banks in Norway provide in cooperation. In the relationship between the subscriber and the subscriber's bank, the standard terms and conditions for "Payment by Direct Debiting – Securities Trading", which are set out on page 2 of the Subscription Form, will apply, provided, however, that subscribers who subscribe for an amount exceeding NOK 5 million by signing the Subscription Form provide the Managers with a one-time irrevocable authorisation to manually debit the specified bank account for the entire subscription amount.

Subscribers who do not have a Norwegian bank account

Subscribers who do not have a Norwegian bank account must ensure that payment with cleared funds for the Offer Shares allocated to them is made on or before the Payment Date.

Prior to any such payment being made, the subscriber must contact the Managers for further details and instructions.

Overdue payments

Overdue payments will be charged with interest at the applicable rate from time to time under the Norwegian Act on Interest on Overdue Payment of 17 December 1976 No. 100, currently 8.75% per annum as of the date of this Prospectus. If a subscriber fails to comply with the terms of payment, the Offer Shares will, subject to the restrictions in the Norwegian Public Limited Companies Act, not be delivered to such subscriber. The Managers, on behalf of the Company, reserve the right, at the risk and cost of the subscriber to, at any time, cancel the subscription and to re-allocate or otherwise dispose of allocated Offer Shares for which payment is overdue, or, if payment has not been received by the third day after the Payment Date, without further notice sell, assume ownership to or otherwise dispose of the allocated Offer Shares on such terms and in such manner as the Managers may decide in accordance with Norwegian law. The subscriber will remain liable for payment of the subscription amount, together with any interest, costs, charges and expenses accrued and the Managers, on behalf of the Company, may enforce payment for any such amount outstanding in accordance with Norwegian law.

18.3.14 Delivery of the Offer Shares

Subject to timely payment by the subscribers, the Company expects that the share capital increase pertaining to the Subsequent Offering will be registered with the Norwegian Register of Business Enterprises on or about 19 July 2019 and that the Offer Shares will be delivered to the VPS accounts of the subscribers to whom they are allocated on or about the next day. The final deadline for registration of the share capital increase pertaining to the Subsequent Offering with the Norwegian Register of Business Enterprises, and hence for the subsequent delivery of the Offer Shares, is, pursuant to the Norwegian Public Limited Companies Act, three months from the expiry of the Subscription Period, i.e. on 11 October 2019.

18.3.15 Listing of the Offer Shares

The Shares are listed on the Oslo Stock Exchange under ISIN NO 0003094104 and ticker code "BEL".

The Offer Shares will be listed on the Oslo Stock Exchange as soon as the share capital increase pertaining to the Subsequent Offering has been registered with the Norwegian Register of Business Enterprises and the Offer Shares have been registered in the VPS. The listing is expected to take place on or about 19 July 2019. The Company's registrar in the VPS is DNB Bank ASA, Registrar Department, N-0191 Oslo, Norway.

The Offer Shares may not be transferred or traded before they are fully paid and said registrations in the Norwegian Register of Business Enterprises and the VPS have taken place.

18.3.16 The rights conferred by the Offer Shares

The Offer Shares to be issued in the Subsequent Offering will be ordinary Shares in the Company each having a nominal value of NOK 2.00. The Offer Shares will be issued electronically in registered form in accordance with the Norwegian Public Limited Companies Act.

The Offer Shares will rank pari passu in all respects with the existing Shares and will carry full shareholder rights in the Company from the time of registration of the share capital increase pertaining to the Subsequent Offering with the Norwegian Register of Business Enterprises. The Offer Shares will be eligible for any dividends that the Company may declare after such registration. All Shares, including the Offer Shares, will have voting rights and other rights and obligations which are standard under the Norwegian Public Limited Companies Act, and are governed by Norwegian law. See Section 15 "Corporate information and description of share capital" for a more detailed description of the Shares.

18.3.17 LEI number

Legal Entity Identifier ("**LEI**") is a mandatory number for all companies investing in the financial market from January 2018. A LEI is a 20-character identifier that identifies distinct legal entities that engage in financial transactions. The Global Legal Identifier Foundation ("**GLEIF**") is not directly issuing LEIs, but instead it delegates this responsibility to Local Operating Units ("**LOUs**").

Norwegian companies can apply for a LEI number through the website https://www.dnb.no/bedrift/markets/vilkar-avtaler/mifid/leilogon.html. The application can be submitted through an online form and signed electronically with BankID. It normally takes one to two working days to process the application.

Non-Norwegian companies can find a complete list of LOUs on the website https://www.gleif.org/en/about-lei/get-an-lei-find-lei-issuing-organizations.

18.3.18 VPS registration

The Subscription Rights will be registered in the VPS under ISIN NO 0010859218. The Offer Shares will be registered in the VPS with the same ISIN as the existing Shares, i.e. ISIN NO 0003094104.

The Company's registrar with the VPS is DNB Bank ASA (the "**VPS Registrar**"), Registrars Department, N-0191 Oslo, Norway.

18.3.19 Dilution

The dilutive effect following the Private Placement and the Subsequent Offering (assuming subscription of the maximum number of Offer Shares in the Subsequent Offering) is summarised in the table below:

	Initially	Subsequent to the Private Placement	Subsequent to the Private Placement and the Subsequent Offering[1]	Subsequent to the Private Placement, the issuance of Consideration Shares and Belcargo Consideration Shares, and the Subsequent Offering
Number of Shares each with a nominal value of NOK 2.00	175,117,993	185,490,180	187,093,308	213,669,292
% dilution	0.0	5.6	6.4	17.9

1 The number of Shares does not reflect the share capital increase in connection with the completion of the acquisition of a supramax bulk carrier from Wenaas Shipping AS on 31 May 2019, pursuant to which 8,060,650 new Belships shares were issued to Wenaas Shipping AS. Please see Section 18.1.6 "Dilution" for information about the dilutive effect of the Belcargo Consideration Shares

18.3.20 Net proceeds and expenses related to the Subsequent Offering

The Company will bear the fees and expenses related to the Subsequent Offering, which are estimated to amount to approximately NOK 1.3 million (including VAT) assuming that all the Offer Shares are issued, of which approximately NOK 1.2 million are fees to the Managers (5.7% of the gross proceeds from the Subsequent Offering and 0.6 in coordination fee to Danske Bank) and approximately NOK 0.1 million are other fees, costs and expenses. No expenses or taxes will be charged by the Company or the Managers to the subscribers in the Subsequent Offering.

Hence, the total net proceeds from the Subsequent Offering are estimated to be approximately NOK 9.9 million, assuming that all the Offer Shares are issued. For a description of the use of such proceeds, see Section 18.3.2 "Use of proceeds".

18.3.21 Interest of natural and legal persons involved in the Subsequent Offering

The Managers or their affiliates have provided from time to time, and may provide in the future, investment and commercial banking services to the Company and its affiliates in the ordinary course of business, for which they may have received and may continue to receive customary fees and commissions. The Managers, their employees and any affiliate may currently own Shares in the Company. Further, in connection with the Subsequent Offering, the Managers, their employees and any affiliate acting as an investor for its own account may receive Subscription Rights (if they are Eligible Shareholders) and may exercise its right to take up such Subscription Rights and acquire Offer Shares, and, in that capacity, may retain, purchase or sell Offer Shares or Subscription Rights and any other securities of the Company or other investments for its own account and may offer or sell such securities (or other investments) otherwise than in connection with the Subsequent Offering. The Managers do not intend to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Further, the Managers have received a commission in connection with the Private Placement, and will receive a further commission in the Subsequent Offering, and, as such, have an interest in the Private Placement and the Subsequent Offering, see Sections 18.2.7 "Net proceeds and expenses related to the Private Placement" and 18.3.20 "Net proceeds and expenses related to the Subsequent Offering".

Beyond the abovementioned, the Company is not known with any interest, including conflicting ones, of natural and legal persons involved in the Subsequent Offering.

18.3.22 Participation of major existing shareholders and members of the Company's Management, supervisory and administrative bodies in the Subsequent Offering

The Company is not aware of whether any major shareholders of the Company or members of the Company's management, supervisory or administrative bodies intend to subscribe for Offer Shares in the Subsequent Offering, or whether any person intends to subscribe for more than 5% of the Subsequent Offering.

18.3.23 Publication of information relating to the Subsequent Offering

In addition to press releases which will be posted on the Company's website (www.belships.com), the Company will use the Oslo Stock Exchange's information system to publish information relating to the Subsequent Offering.

18.3.24 Governing law and jurisdiction

This Prospectus, the Subscription Forms and the terms and conditions of the Subsequent Offering shall be governed by, and construed in accordance with, and the Offer Shares will be issued pursuant to, Norwegian law. Any dispute arising out of, or in connection with, the Subscription Forms or the Subsequent Offering shall be subject to the exclusive jurisdiction of the courts of Norway, with Oslo District Court as legal venue.

19 SELLING AND TRANSFER RESTRICTIONS

19.1 General

As a consequence of the following restrictions, prospective investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Shares offered hereby.

Other than in Norway, the Company is not taking any action to permit a public offering of the Shares in any jurisdiction. Receipt of this Prospectus will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Prospectus is for information only and should not be copied or redistributed. Except as otherwise disclosed in this Prospectus, if an investor receives a copy of this Prospectus in any jurisdiction other than Norway, the investor may not treat this Prospectus as constituting an invitation or offer to it, nor should the investor in any event deal in the Shares, unless, in the relevant jurisdiction, such an invitation or offer could lawfully be made to that investor, or the Shares could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements. Accordingly, if an investor receives a copy of this Prospectus, the investor should not distribute or send the same, or transfer Shares, to any person or in or into any jurisdiction where to do so would or might contravene local securities laws or regulations.

19.2 Selling restrictions

19.2.1 United States

The Offer Shares have not been and will not be registered under the U.S. Securities Act, and may not be offered or sold except: (i) within the United States to QIBs in reliance on Rule 144A; or (ii) to certain persons in offshore transactions compliance with Regulation S under the U.S. Securities Act, and in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction. Accordingly, each Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any of the Offer Shares as part of its allocation at any time other than to QIBs in the United States in accordance with Rule 144A or outside of the United States in compliance with Rule 903 of Regulation S. Transfer of the Offer Shares will be restricted and each purchaser of the Offer Shares in the United States will be required to make certain acknowledgements, representations and agreements, as described under Section 19.3.1 "United States".

Any offer or sale in the United States will be made by affiliates of the Managers who are broker-dealers registered under the U.S. Exchange Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of Offer Shares within the United States by a dealer, whether or not participating in the Offering, may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A of the U.S. Securities Act and in connection with any applicable state securities laws.

19.2.2 United Kingdom

Each Manager has represented, warranted and agreed that:

a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Offer Shares in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and

b) it has complied and will comply with all applicable provisions of the FSMA with respect to everything done by it in relation to the Offer Shares in, from or otherwise involving the United Kingdom.

19.2.3 European Economic Area

In relation to each Relevant Member State, with effect from and including the Relevant Implementation Date, an offer to the public of any Offer Shares which are the subject of the offering contemplated by this Prospectus may not be made in that Relevant Member State, other than the offering in Norway as described in this Prospectus, once the Prospectus has been approved by the competent authority in Norway and published in accordance with the EU Prospectus Directive (as implemented in Norway), except that an offer to the public in that Relevant Member State of any Offer Shares may be made at any time with effect from and including the Relevant Implementation Date under the following exemptions under the EU Prospectus Directive, if they have been implemented in that Relevant Member State:

a) to legal entities which are qualified investors as defined in the EU Prospectus Directive;

b) to fewer than 100, or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the EU Prospectus Directive), as permitted under the EU Prospectus Directive, subject to obtaining the prior consent of the Joint Bookrunners for any such offer, or

c) in any other circumstances falling within Article 3(2) of the EU Prospectus Directive;

provided that no such offer of Offer Shares shall require the Company, the Selling Shareholder or any Manager to publish a prospectus pursuant to Article 3 of the EU Prospectus Directive or supplement a prospectus pursuant to Article 16 of the EU Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Securities to be offered so as to enable an investor to decide to purchase any Offer Shares, as the same may be varied in that Member State by any measure implementing the EU Prospectus Directive in that Member State the expression "EU Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

This EEA selling restriction is in addition to any other selling restrictions set out in this Prospectus.

19.2.4 Switzerland

The Offer Shares may not be publicly offered in Switzerland and will not be listed on the Swiss Exchange ("**SIX**") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under article 652a or article 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under article 27 ff of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Offer Shares or the Offering may be publicly distributed or otherwise made publicly available in Switzerland. Neither this document nor any other offering or marketing material relating to the Offering, the Company or our Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the Offering will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and the Offering has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). The investor protection afforded to acquirors of interests in collective investment schemes under the CISA does not extend to acquirors of shares.

19.2.5 Canada

This Prospectus is not, and under no circumstance is to be construed as, a prospectus, an advertisement or a public offering of the Offer Shares in Canada or any province or territory thereof. Any offer or sale of the Offer Shares in Canada will be made only pursuant to an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable provincial securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made.

19.2.6 Hong Kong

The Offer Shares may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong, or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong , and no advertisement, invitation or document relating to the Offer Shares may be issued or may be in the possession of any person for the purposes of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Offer Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

19.2.7 Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Offer Shares may not be circulated or distributed, nor may they be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

19.2.8 Additional jurisdictions

The Offer Shares may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into, Japan, Australia or any other jurisdiction in which it would not be permissible to offer the Offer Shares.

In jurisdictions outside the United States and the EEA where the Offering would be permissible, the Offer Shares will only be offered pursuant to applicable exceptions from prospectus requirements in such jurisdictions.

19.3 Transfer restrictions

19.3.1 United States

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Terms defined in Rule 144A or Regulation S shall have the same meaning when used in this Section.

Each purchaser of the Offer Shares outside the United States pursuant to Regulation S will be deemed to have acknowledged, represented and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed decision and that:

- The purchaser is authorised to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations.

- The purchaser acknowledges that the Offer Shares have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority or any state of the United States, and are subject to significant restrictions on transfer.

- The purchaser is, and the person, if any, for whose account or benefit the purchaser is acquiring the Offer Shares was located outside the United States at the time the buy order for the Offer Shares was originated and continues to be located outside the United States and has not purchased the Offer Shares for the benefit of any person in the United States or entered into any arrangement for the transfer of the Offer Shares to any person in the United States.

- The purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate, and is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Offer Shares from the Company or an affiliate thereof in the initial distribution of such Shares.

- The purchaser is aware of the restrictions on the offer and sale of the Offer Shares pursuant to Regulation S described in this Prospectus.

- The Offer Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S.

- The Company shall not recognise any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above restrictions.

- The purchaser acknowledges that the Company, the Selling Shareholder, the Managers and their respective advisers will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each purchaser of the Offer Shares within the United States pursuant to Rule 144A will be deemed to have acknowledged, represented and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

- The purchaser is authorised to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations.

- The purchaser acknowledges that the Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions to transfer.

- The purchaser (i) is a QIB (as defined in Rule 144A), (ii) is aware that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring such Offer Shares for its own account or for the account of a QIB, in each case for investment and not with a view to any resale or distribution to the Offer Shares, as the case

- The purchaser is aware that the Offer Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act.

- If, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Offer Shares, as the case may be, such Shares may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (ii) in accordance with Regulation S, (iii) in accordance with Rule 144 (if available), (iv) pursuant to any other exemption from the registration requirements of the U.S. Securities Act, subject to the receipt by the Company of an opinion of counsel or such other evidence that the Company may reasonably require that such sale or transfer is in compliance with the U.S. Securities Act or (v) pursuant to an effective registration statement under the U.S. Securities Act, in each case in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction.

- The purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate, and is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Offer Shares from the Company or an affiliate thereof in the initial distribution of such Shares.

- The Offer Shares are "restricted securities" within the meaning of Rule 144(a) (3) and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any Offer Shares, as the case may be.

- The Company shall not recognise any offer, sale pledge or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions.

- The purchaser acknowledges that the Company, the Selling Shareholder, the Managers and their respective advisers will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

19.3.2 European Economic Area

Each person in a Relevant Member State (other than, in the case of paragraph (a), persons receiving offers contemplated in this Prospectus in Norway) who receives any communication in respect of, or who acquires any Offer Shares under, the offers contemplated in this Prospectus will be deemed to have represented, warranted and agreed to and with each Manager and the Company that:

a) it is a qualified investor as defined in the EU Prospectus Directive; and

b) in the case of any Offer Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the EU Prospectus Directive, (i) the Offer Shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Managers has been given to the offer or resale; or (ii) where Offer Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Shares to it is not treated under the EU Prospectus Directive as having been made to such persons.

For the purposes of this representation, the expression an "offer" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the EU Prospectus Directive in that Relevant Member State and the expression "EU Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

20 ADDITIONAL INFORMATION

20.1 Auditor and advisors

The Company's independent auditor is PriceWaterhouseCoopers AS. PriceWaterhouseCoopers AS replaced Ernst & Young AS as the Company's independent auditor on the annual general meeting held on 23 May 2019. Both auditors are a member of Den Norske Revisorforening (The Norwegian Institute of Public Accountants).

Advokatfirmaet Thommessen AS (Haakon VII's gate 10, N-0161 Oslo, Norway) is acting as the Company's legal counsel for the listing process.

20.2 Documents on display

Copies of the following documents will be available for inspection at the Company's offices in Oslo, Lilleakerveien 4, during normal business hours from Monday to Friday each week (except public holidays) for a period of twelve months from the date of this Prospectus:

- The Company's Certificate of Incorporation and Articles of Association;
- All reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the issuer's request any part of which is included or referred to in the registration document;
- The historical financial information of the Company and its subsidiary undertakings for each of the two financial years preceding the publication of this Prospectus; and
- This Prospectus.

20.3 Incorporated by reference

The information incorporated by reference in this Prospectus should be read in connection with the following cross-reference table. References in the table to "Annex" and "Items" are references to the disclosure requirements as set forth in the Norwegian Securities Trading Act cf. the Norwegian Securities Trading Regulations by reference to such Annex (and Item therein) of Commission Regulation (EC) no. 809/2004.

Section in the prospectus	Disclosure requirement	Reference document and link	Page of reference document
Section 10	Audited historical financial information (Annex 1, Section 20.1)	**Financial Statements 2018:** https://hugin.info/17/R/2243043/885464.pdf	Page 26 – 68 (Accounts and notes)
		Financial Statements 2017: https://hugin.info/17/R/2179185/841045.pdf	Page 8 – 66 (Accounts and notes)
		Financial Statements 2016: https://hugin.info/17/R/2089979/789139.pdf	Page 8 – 6 (Accounts and notes)
Section 10	Auditor's report (Annex 1, Section 20.1)	**Auditor's report 2018:** https://hugin.info/17/R/2243043/885464.pdf	Page 69 - 71
		Auditor's report 2017: https://hugin.info/17/R/2179185/841045.pdf	Page 67 - 70
		Auditor's report 2016: https://hugin.info/17/R/2089979/789139.pdf	Page 68 - 70
Section 10.2	Accounting policies (Annex 1, Section 20.1)	**Accounting policies:** https://hugin.info/17/R/2243043/885464.pdf	Page 57 - 59
Section 10	Interim financial information (Annex 1, Section 20.6)	**Interim Financial Statements Q3 2018:** https://hugin.info/17/R/2222384/870318.pdf	Page 4 - 10 (Accounts and notes)
		Interim Financial Statements Q1 2019: https://hugin.info/17/R/2245106/886809.pdf	Page 6 - 14 (Accounts and notes)

20.4 Statement regarding expert opinion

Valuation on the Group's vessels included herein has been derived based on expert opinions from Fearnleys SA (Grev Wedels Plass 9, 0151 Oslo) and Nordic Shipping AS (Fridtjof Nansens plass 6, 0110 Oslo) as reflected in the independent third party valuation reports dated 30 April 2019 and 29 April 2019, respectively, and enclosed as

Appendix I. The valuation reports have been produced on request from Belships. Fearnleys AS and Nordic Shipping AS regularly assist companies, banks and financial institutions with valuation of commercial vessels, see www.fearnleys.com and https://www.nordic-shipping.no/ for more information with regard to experience and qualifications. Fearnleys AS and Nordic Shipping AS have consented to their reports being included in this Prospectus. Fearnleys AS and Nordic Shipping AS have no material interest in the Company.

21 DEFINITIONS AND GLOSSARY

2010 PD Amending Directive	Directive 2010/73/EU amending the EU Prospectus Directive.
2017 and 2016 Financial Statements	Belships' audited consolidated financial statements as of and for the years ended 31 December 2017 and 2016.
2018 Financial Statements	The Group's audited consolidated financial statements as of and for the year ended 31 December 2018.
Accounting Services Agreement	The accounting services agreement dated 2 January 2012 and the agreement dated 6 January 2012 between Belships Management AS and Sonata AS regarding hire of CFO services, together.
Anti-Money Laundering Legislation	Norwegian Money Laundering Act of 1 June 2018 No. 23 and the Norwegian Money Laundering Regulations of 14 September 2018 No. 1324, collectively.
APMs	Alternative performance measures.
Application Agreements	The application agreements entered into between the Company, the Managers and the investors, pursuant to which the investors undertook to subscribe for the Private Placement Shares.
Appropriate Channels for Distribution	Has the meaning ascribed to such term on page iv.
Articles of Association	The Company's articles of association attached as Appendix A to this Prospectus.
Belcargo Consideration Shares	The 8,060,650 new Shares issued to Wenaas Shipping AS as part of the settlement for Belship's acquisition of the 58,700 dwt Supramax bulk carrier M/V Belcargo (previously Viola) from Wenaas Shipping AS, at an agreed transaction price of NOK 7.00 per share.
Belfri Consideration Shares	The 7,045,114 new shares in the Company, each with a par value of NOK 2.00, issued to Prospero Marine Ltd as part of the settlement for Belship's acquisition of the 55,866 dwt Supramax bulk carrier M/V Belfri (previously Sephora) from Prospero Marine Ltd, at a subscription price of NOK 7.00 per share.
Bellight Consideration Shares	The 10,710,220 new shares in the Company, each with a par value of NOK 2.00, issued to Sofie Victory AS as part of the settlement for Belship's acquisition of the 63,000 dwt Ultramax bulk carrier M/V Bellight (previously Sofie Victory) from Sofie Victory AS, at a subscription price of NOK 7.00 per share.
Belships Lighthouse	Belships Lighthouse AS.
Belships Management	Belships Management AS.
Belships Management (Singapore)	Belships Management (Singapore) Pte Ltd.
Belships (Shanghai)	Belships (Shanghai) Shipmanagement Co Ltd.
Belships Shipholding	Belships Shipholding AS.
Belships Supramax (Singapore)	Belships Supramax (Singapore) Pte Ltd.
Belships (Tianjin)	Belships (Tianjin) Ship Managament & Consultancy Co Ltd.
Bel Ship I	Bel Ship I AS (formerly known as Lighthouse Shipholding AS).
Bel Ship II	Bel Ship II AS (formerly known as Lighthouse Shipholding II AS).
Board Members	Members of the Company's Board of Directors.
Board of Directors	The Board of Directors of the Company.
Canpotex	Canpotex Ltd, Canada.
Cargill	Cargill International S.A., Switzerland.
CEO	Chief executive officer.
CEST	Central European Summer Time.
CISA	Collective Investment Schemes.
Consideration Shares	The Belfri Consideration Shares and the Bellight Consideration Shares, jointly.
Consultancy Service Agreement	The consultancy service agreement dated 13 September 2013 between Kontrari and Belships regarding consultancy services.
Code	The Norwegian Code of Practice for Corporate Governance dated 17 October 2018.
Company or Belships	Belships ASA.
Danske Bank	Danske Bank, Norwegian Branch.
DNB Markets	DNB Markets, a part of DNB Bank ASA.
EBIT	Net result before tax adjusted for interest income, interest expenses and other financial items.

EBITDA	Net result before tax adjusted for depreciation and amortization, other gains/losses, interest income, interest expenses and other financial items.
EEA	The European Economic Area.
Eligible Shareholders	The shareholders of the Company as of the Record Date, and who were not allocated shares in the Private Placement and who are not resident in a jurisdiction where such offering would be unlawful, or for jurisdictions other than Norway, would require any filing, registration or similar action.
EMS	Environment Management System Standard.
EUR	The lawful common currency of the EU member states who have adopted the Euro as their sole national currency.
EU	The European Union.
EU Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, and amendments thereto, including directive 2010/73/EU to the extent implemented in the Relevant Member State.
EY	Ernst & Young AS.
Financial Information	The Financial Statements and the Interim Financial Information together.
Financial Statements	The 2017 and 2016 Financial Statements and the 2018 Financial Statements, jointly.
Forward-looking statements	Has the meaning ascribed to such term in Section 4.3 "Cautionary note regarding forward-looking statements".
FSMA	The Financial Services and Markets Act 2000.
GLEIF	The Global Legal Identifier Foundation.
Group	The Company together with its consolidated subsidiaries.
HSE	Health, safety and environment.
IAS 34	International Accounting Standard 34 "Interim Financial Reporting" as adopted by the EU.
IFRS	International Financial Reporting Standards as adopted by the EU.
Imabari Newbuilding	A 63,000 dwt eco-design Ultramax newbuilding under construction which will be delivered to Belships from Imabari Shipbuilding within first half of 2020.
IMO	The International Maritime Organisation.
Ineligible Shareholders	Subscription Rights of Eligible Shareholders resident in jurisdictions where the Prospectus may not be distributed and/or with legislation that, according to the Company's assessment, prohibits or otherwise restricts subscription for Offer Shares.
Interim Financial Information	The Pre-Merger Interim Financial Statements and the Post-Merger Interim Financial Statements, jointly.
ISO	The International Organization for Standardization.
Kontrari	Kontrari AS.
Kontrazi AS	Kontrazi AS.
LEI	Legal Entity Identifier.
Lighthouse Companies	LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 AS and LHN Holdco 2 AS, collectively.
Lighthouse Group	The Lighthouse Companies together with its respective subsidiaries.
Lighthouse Navigation	Lighthouse Navigation (Bangkok) Pte Ltd.
LOUs	Local Operating Units.
LTV	Loan-to-value ratio.
Management	The members of the Company's senior management.
Managers	Danske Bank, DNB Markets and Pareto, collectively.
Man Shipping	ED&F Man Shipping Ltd.
Member States	The participating member states of the European Union.
Merger	The merger completed on 10 December 2018 between Belships Lighthouse AS (formerly Belships Chartering AS), a wholly-owned subsidiary of Belships, and the Lighthouse Companies, whereby Belships issued consideration shares to the shareholders of the Lighthouse Companies.
MiFID II	EU Directive 2014/65/EU on markets in financial instruments, as amended.

MiFID II Product Governance Requirements	MiFID II, Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II and local implementing measures.
Negative Target Market	Has the meaning ascribed to such term on page iv.
NHH	Norges Handelshøyskole.
NOK	Norwegian Kroner, the lawful currency of Norway.
Non-Norwegian Corporate Shareholders	Shareholders who are limited liability companies and certain similar corporate entities not resident in Norway for tax purposes.
Non-Norwegian Personal Shareholders	Shareholders who are individuals not resident in Norway for tax purposes.
Norwegian Corporate Shareholders	Shareholders who are limited liability companies and certain similar corporate entities resident in Norway for tax purposes.
Norwegian FSA	The Financial Supervisory Authority of Norway (Nw.: *Finanstilsynet*).
Norwegian Personal Shareholder	Shareholders who are individuals resident in Norway for tax purposes.
Norwegian Public Limited Companies Act	Norwegian Public Limited Liability Companies Act of 13 June 1997 No 45 (*Nw.: allmennaksjeloven*).
Norwegian Securities Trading Act	The Norwegian Securities Trading Act of 28 June 2007, no. 75 (*Nw.: verdipapirhandelloven*).
Offer Shares	Up to 1,603,128 new shares, each with a nominal value of NOK 2, issued in the Subsequent Offering issued at a subscription price of NOK 7.00 per Offer Share.
Order	The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.
Oslo Stock Exchange	Oslo Børs, a Norwegian regulated stock exchange operated by Oslo Børs ASA.
Pareto	Pareto Securities AS.
Payment Date	17 July 2019.
PMI	The Purchase Manager Index, a commonly used indicator of industrial development.
Positive Target Market	Has the meaning ascribed to such term on page iv.
Post-Merger Interim Financial Statements	The Group's unaudited interim consolidated financial statements as of, and for the three months' period ended, 31 March 2019.
PPA	Purchase price allocation.
Pre-Merger Interim Financial Statements	The unaudited interim consolidated financial statements as of, and for the nine months' periods ended, 30 September 2018 and 2017.
Private Placement	The private placement announced by the Company on 28 May 2019 and completed on 29 May 2019.
Private Placement Shares	The 10,372,187 new Shares in the Company, each with a par value of NOK 2.00, issued in connection with the Private Placement at a subscription price of NOK 7.00 per Private Placement Share.
Prospectus	This Prospectus, dated 27 June 2019.
QIBs	Qualified Institutional Buyers.
QMS	Quality Management Systems.
Recent Vessel Acquisitions	The Company's recent acquisitions of the Recently Acquired Vessels, one of which was delivered on 31 May 2019 and two of which will be delivered between the date of this Prospectus and 15 August 2019.
Recently Acquired Vessels	M/V Belcargo (previously Viola), M/V Belfri (previously Sephora) and M/V Bellight (previously Sofie Victory), together.
Record Date	31 May 2019.
Regulation S	Regulation S under the U.S. Securities Act.
Relevant Member State	Each Member State of the European Economic Area which has implemented the EU Prospectus Directive.
Relevant Persons	Has the meaning ascribed to such term on page iv.
Rule 144A	Rule 144A under the U.S. Securities Act.
SFA	The Securities and Futures Act, Chapter 289 of Singapore.
Share(s)	The existing shares in the Company, the Consideration Shares, Private Placement Shares and the Offer Shares, each with a nominal value of NOK 2.00, or any one of them.
Siam Thara Agency	Siam Thara Agency Co., Ltd.
SIX	The Swiss Exchange.
Subscription Form	The subscription form attached as Appendix B of this Prospectus.

Subscription Period	From 28 June 2019 to 16:30 hours (CEST) on 12 July 2019.
Subscription Price	The subscription price of NOK 7.00 for the Offer Shares.
Subscription Rights	Non-transferable subscription rights that, subject to applicable law, provide preferential rights to subscribe for and be allocated Offer Shares at the Subscription Price.
Subsequent Offering	The subsequent repair offering and listing on the Oslo Stock Exchange of up to 1,603,128 Offer Shares at the Subscription Price.
Target Market Assessment	Has the meaning ascribed to such term on page iv.
UK	The United Kingdom.
U.S. Exchange Act	The United States Exchange Act of 1934, as amended.
U.S. or United States	The United States of America.
U.S. Securities Act	The United States Securities Act of 1933, as amended.
USD	United States Dollars, the lawful currency of the United States.
VPS	The Norwegian Central Securities Depository (*Nw.: Verdipapirsentralen*).
VPS Registrar	DNB Bank ASA, in its capacity as VPS registrar.
Western Bulk Chartering	Western Bulk Chartering AS.

APPENDIX A:

ARTICLES OF ASSOCIATION OF BELSHIPS ASA

ARTICLES OF ASSOCIATION

FOR

BELSHIPS ASA

Per 31 May 2019

§ 1

The name of the company is Belships ASA. The company is a public limited liability company.

§ 2

The company's registered business office is in Oslo municipality.

§ 3

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

§ 4

The company's share capital is NOK 387,101,660, distributed between 193,550,830 registered, fully paid-up shares with a nominal value of NOK 2.

§ 5

The Company's board consists of three (3) to seven (7) members, possibly with deputy members depending on the decision of the general meeting. In addition, the general meeting may elect up to two observers. The chairman of the board is elected by the general meeting.

The company is bound by the joint signatures of two (2) members of the board or by the joint signature of a board member and the managing director.

The board may authorise others to sign on behalf of the company per procuration.

§ 6

An ordinary general meeting of the company shall be held before the end of June each year. The ordinary general meeting shall consider and decide on the following matters:

1. Approval of the annual accounts and the annual report, including the distribution of dividends.

2. Other matters which are required by law or the Articles of Association to be dealt with by the general meeting.

Documents concerning matters to be considered at the company’s general meeting, including documents which by law must be included in or enclosed with the notice of the general meeting, need not be sent to shareholders if the documents are made available on the company's website. Notwithstanding the foregoing, a shareholder may request a copy of documents which concern matters to be considered at the general meeting.

The shareholders shall be able to cast their votes in writing, including by electronic means, in a period prior to the general meeting. The board of directors may provide guidelines for such voting. The notice of the general meeting shall include the guidelines adopted by the board of directors.

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, stating the number of shares they represent, and where appropriate who will be acting as proxy and on behalf of how many shares.

§ 7

The company shall have nomination committee. The nomination committee shall consist of two or three members, according to the decision of the general meeting. 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 of directors and the nomination committee. The remuneration to the members of the nomination committee shall be resolved by the general meeting. The general meeting may establish guidelines for the nomination committee.

APPENDIX B:

SUBSCRIPTION FORM

BELSHIPS ASA - SUBSEQUENT OFFERING	**SUBSCRIPTION FORM - MAY ONLY BE DISTRIBUTED TOGETHER WITH THE PROSPECTUS** **Information**: For information regarding the subsequent offering (the "**Subsequent Offering**") with non-transferable subscription rights ("**Subscription Rights**") directed towards the shareholders in Belships ASA (the "**Company**") as of close of trading on 28 May 2019, and being registered in the VPS on 31 May 2019 (the "**Record Date**"), and who were not allocated shares in the private placement announced by the Company on 29 May 2019 and who are not resident in a jurisdiction where such offering would be unlawful or, for jurisdictions other than Norway, would require any prospectus, filing, registration or similar action (the "**Eligible Shareholders**"), as well as corresponding terms for subscription, allotment and other information, reference is made to the prospectus dated 27 June 2019 (including annexes) issued in connection with the Subsequent Offering and listing of the Company's shares (the "**Prospectus**"). **Subscription**: Subscription of new shares in the Subsequent Offering (the "**Offer Shares**") may take place through correctly completing this subscription form (the "**Subscription Form**") and thereafter returning it by telefax, ordinary post, e-mail or hand-delivery, so that it is received in the period from and including 28 June 2019 at 9:00 CEST to 12 July 2019 at 16:30 CEST (the "**Subscription Period**") to one of the following managers (the "**Managers**"):

Danske Bank Markets, Norwegian Branch	**Pareto Securities AS**	**DNB Markets, a part of DNB Bank ASA**
Bryggetorget 4 P.O. Box 1170 Sentrum NO-0107 Oslo, Norway	Dronning Mauds gt. 3 P.O. Box 1411 Vika NO-0115 Oslo, Norway	Dronning Eufemias gate 30 P.O. Box 1600 Sentrum 0021 Oslo, Norway
Tel: +47 85 40 55 00 E-mail: emisjoner@danskebank.no	Tel: +47 22 87 87 00 E-mail: subscription@paretosec.com	Tel: +47 23 26 80 20 E-mail: retail@dnb.no

DETAILS OF THE SUBSCRIPTION

It is not sufficient for the Subscription Form to be postmarked within the expiry of the Subscription Period. Subscribers resident in Norway can obtain information and subscribe for Offer Shares through the following internet pages: www.danskebank.no/belships; www.dnb.no/emisjoner and www.paretosec.com, within the Subscription Period. Subscribers who are resident in Norway with a Norwegian personal identification number may also subscribe for the Offer Shares through the VPS online subscription system by following the link on the above-mentioned internet pages (which will redirect the subscriber to the VPS online subscription system). Subscribers for Offer Shares bear the risk of any postal delays, unavailable fax lines or technical computer problems relating to the above mentioned internet addresses which result in a subscription or a Subscription Form not being received by any of the Managers within the Subscription Period. The Company and the Managers reserve the right at their sole discretion to refuse any improperly completed, delivered or executed Subscription Form or any subscription which may be unlawful. By delivering the Subscription Form to the Managers for registration, or by subscription through the VPS online subscription system, the subscription for Offer Shares is binding and irrevocable, and may not be withdrawn, cancelled or modified. By subscribing for Offer Shares, the subscriber represents and warrants that it has read the Prospectus and is eligible to subscribe for Offer Shares in accordance therewith, and that it accepts the terms and conditions set out in this Subscription Form and in the Prospectus as applicable to its subscription of Offer Shares. In case of discrepancy between the Prospectus and the Subscription Form, the Prospectus shall prevail.

Subscription Rights: Each Eligible Shareholder will receive 0.06889 Subscription Rights for every existing share in the Company registered as held by such Eligible Shareholder as of the Record Date. The number of Subscription Rights issued to each Eligible Shareholders will be rounded down to the nearest whole number of Subscription Rights. Each Subscription Right grants the owner the right to subscribe for and be allocated one (1) Offer Share. The Subscription Rights will be issued and registered in the VPS under ISIN NO 0010859218. The Subscription Rights will be delivered free of charge. The Subscription Rights are personal, non-transferable and will, thus, not be listed. Over-subscription is allowed, while subscription without Subscription Rights will not be permitted. In case of over-subscription, the allocation will be made in accordance with the principles set out in Section 18.3.12 "Allocation of the Offer Shares" of the Prospectus. The Subscription Price is NOK 7.00 per Offer Share.

Relevant documentation: The Company's articles of association, the notice with appendices convening the annual general meeting, (the "**AGM**") and minutes from the AGM with the authorisation to the board of directors to increase the share capital in relation to the Subsequent Offering, the minutes of the board of directors that resolved the share capital increase pertaining to the Subsequent Offering, and the annual accounts and the annual report for the past two years (2018 and 2017), are available at the Company's office at Lilleakerveien 4, N-0216 Oslo, Norway and at www.belships.com (articles of association and annual accounts and reports) and at www.newsweb.oslobors.no (notice of and minutes from the EGM).

Allocation: Notifications of allocation of Offer Shares will be sent by post from the Manager on or about 15 July 2019.

Payment: By subscribing, the subscriber grants Danske Bank Markets, Norwegian Branch ("**Danske Bank**") an irrevocable one-time authorisation to debit the allotted subscription amount in NOK from the bank account designated by the subscriber. The amount will be debited on or about 17 July 2019. Danske Bank reserves the right to make up to three debit attempts within 24 July 2019 if there are insufficient funds on the account on the first debiting date. If there are insufficient funds on a subscriber's bank account or if it is impossible to debit a bank account for the amount the subscriber is obligated to pay, or payment is not received by Danske Bank according to other instructions, the allotted Offer Shares will be withheld. Interest will in such event accrue at a rate equal to the interest on late payment, currently 8.75 per cent per annum (to be increased to 9.25 percent per annum as of 1 July 2019). Subscribers not having a Norwegian bank account or subscribers subscribing for Offer Shares for more than NOK 5,000,000 must ensure that payment for their Offer Shares with cleared funds is made on or before 16:30 hours CEST on 17 July 2019 and should contact Danske Bank in this respect.

Delivery of Offer Shares. It is expected that the share capital increase pertaining to the Subsequent Offer will be registered in the Norwegian Register of Business Enterprises on or about 19 July 2019, and that delivery of allocated and paid Offer Shares will take place on or about 19 July 2019.

Subscriber's VPS-account no. (12 digits)	**Subscriber's LEI code (20 digits) (Legal entities only)**	**No. of Subscription Rights**	**Subscribes for (number of shares) at NOK 7.00 per Share**	**Total amount to be paid**
				NOK

Irrevocable authorisation to debit account (must be filled in):

The undersigned hereby grants an irrevocable authorisation to Danske Bank to debit the Norwegian bank account set out herein for the allotted amount (the value in NOK of: number of allotted shares x NOK 7.00)	**Norwegian bank account no. (11 digits)**

Place and date of subscription. (Must be dated within the Subscription Period)	Binding signature. The subscriber must have legal capacity. When signed by proxy, documentation in the form of company certificate or power of attorney must be enclosed.

DETAILS OF THE SUBSCRIBERS – ALL FIELDS MUST BE COMPLETED	
First name	Surname / company name
Home address / registered business address	Zip code and town
Date of birth / national identity number / company registration number	Nationality
Telephone number (daytime)	E-mail address

Regulatory Issues: In accordance with the Markets in Financial Instruments Directive ("**MiFID**") of the European Union, Norwegian law imposes requirements in relation to business investments. In this respect, the Managers must categorize all new clients in one of three categories: eligible counterparties, professional and non-professional clients. All subscribers in the Subsequent Offering who are not existing clients of any of the Managers will be categorized as non-professional clients. Subscribers can by written request to the Managers ask to be categorized as a professional client if the subscriber fulfils the provisions of the Norwegian Securities Trading Act. For further information about the categorization, the subscriber may contact; Danske Bank Markets, Norwegian Branch (P.O. Box 1170 Sentrum, NO-0107 Oslo, Norway, www.danskebank.no); DNB Markets, a part of DNB ASA (P.O. Box 1600 Sentrum, 0021 Oslo, Norway, www.dnb.no); or Pareto Securities AS (P.O. Box 1411 Vika, NO-0115 Oslo, Norway, www.paretosec.no). **The subscriber represents that he/she/it is capable of evaluating the merits and risks of an investment decision to invest in the Company by subscribing for Offer Shares, and is able to bear the economic risk, and to withstand a complete loss, of an investment in the Offer Shares.**

Selling and Transfer Restrictions: The attention of persons who wish to subscribe for Offer Shares is drawn to the restrictions in Section 19 of the Prospectus ("Selling and transfer restrictions"). The Company does not accept liability in the event of non-compliance with these restrictions. No one has taken any action that would permit a public offering of Shares to occur outside of Norway, and there will be no public offer of the Offer Shares outside of Norway. The Subscription Rights and the Offer Shares will, and may, not be offered, sold, resold, transferred, delivered or distributed (hereunder also taking into account that the Subscription Rights are non-transferable), directly or indirectly, within, into or from any jurisdiction where the offer or sale of the Subscription Rights or the Offer Shares is not permitted, or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any jurisdiction where the offer or sale is not permitted, except pursuant to an applicable exemption. The Subscription Rights and the Offer Shares have not been registered and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or with any regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, transferred or delivered (hereunder also taking into account that the Subscription Rights are non-transferable), directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and otherwise in compliance with the securities laws of any state or other jurisdiction of the United States. All offers and sales of the Subscription Rights and the Offer Shares in the Subsequent Offering will be made outside the United States in reliance on Regulation S under the U.S. Securities Act.

The Company has not authorised any offer to the public of its securities in any member state of the European Economic Area other than Norway. With respect to each member state of the European Economic Area, other than Norway, and which has implemented the EU Prospectus Directive (each, a "**Relevant Member State**"), no action has been undertaken or will be undertaken to make an offer to the public of the Subscription Rights or the Offer Shares requiring a publication of a prospectus in any Relevant Member State. Any acceptance of any subscription from outside Norway will only be made in circumstances where there is no obligation to produce a prospectus.

Execution Only: The Managers will treat this Subscription Form as an execution-only instruction. The Manager are not required to determine whether an investment in the Offer Shares is appropriate or not for the subscriber. Hence, the subscriber will not benefit from the protection of the relevant conduct of business rules in accordance with the Norwegian Securities Trading Act.

Information Exchange: The subscriber acknowledges that, under the Norwegian Securities Trading Act and the Norwegian Commercial Banks Act and foreign legislation applicable to the Managers, there is a duty of secrecy between the different units of each Manager as well as between the Managers and the other entities in the Managers' respective groups. This may entail that other employees of a Manager or a Managers' respective groups may have information that may be relevant to the subscriber, but which the relevant Manager will not have access to in their capacity as Manager for the Subsequent Offering.

Information Barriers: The Managers are securities firms that offer a broad range of investment services. In order to ensure that assignments undertaken in each Manager's corporate finance departments are kept confidential, the Manager's other activities, including analysis and stock broking, are separated from the Manager's corporate finance departments by information walls. The subscriber acknowledges that a Manager's analysis and stock broking activity may act in conflict with the subscriber's interests with regard to transactions of the Offer Shares as a consequence of such information walls.

Data protection: In accordance with the General Data Protection Regulation ("GDPR") and the Norwegian Data Protection Act of 15 June 2018/Data Protection: as data controllers, each of the Managers processes personal data to deliver the products and services that are agreed between the parties and for other purposes, such as to comply with laws and other regulations. Personal data will be processed as long as necessary for the purposes, and will subsequently be deleted unless there is a statutory duty to keep it. For detailed information on each Manager's processing of personal data, please review such Manager's privacy policy, which is available on its website or by contacting the relevant Manager. The privacy policy contains information about the rights in connection with the processing of personal data, such as the access to information, rectification, data portability, etc. If the applicant is a corporate customer, such customer shall forward the relevant Manager's privacy policy to the individuals whose personal data it discloses to the Managers.

Mandatory Anti-Money Laundering Procedures: The Subsequent Offering is subject to Norwegian anti-money laundering regulations, including the Norwegian Money Laundering Act No. 11 of 6 March 2009 and the Norwegian Money Laundering Regulations No. 302 of 13 March 2009 (collectively the "**Anti-Money Laundering Legislation**"). Subscribers who are not registered as existing customers with any of the Managers must verify their identity in accordance with the requirements of the Anti-Money Laundering Legislation, unless an exemption is available. Subscribers who have designated an existing Norwegian bank account and an existing VPS account on the Subscription Form are exempted, unless verification of identity is requested by any of the Managers. The verification of identity must be completed prior to the end of the Subscription Period. Subscribers that have not completed the required verification of identity may not be allocated Offer Shares. Further, in participating in the Subsequent Offering, each subscriber must have a VPS account. The VPS account number must be stated on the Subscription Form. VPS accounts can be established with authorised VPS registrars, which can be Norwegian banks, authorised securities brokers in Norway and Norwegian branches of credit institutions established within the EEA. Non-Norwegian investors may, however, use nominee VPS accounts registered in the name of a nominee. The nominee must be authorized by the Financial Supervisory Authority of Norway. Establishment of a VPS account requires verification of identity before the VPS registrar in accordance with the Anti-Money Laundering Legislation.

Investment decisions based on full Prospectus: Investors must neither accept any offer for, nor acquire any Offer Shares, on any other basis than on the complete Prospectus.

Terms and conditions for payment by direct debiting - securities trading: Payment by direct debiting is a service the banks in Norway provide in cooperation. In the relationship between the payer and the payer's bank the following standard terms and conditions will apply:

a) The service "Payment by direct debiting – securities trading" is supplemented by the account agreement between the payer and the payer's bank.
b) Costs related to the use of "Payment by direct debiting – securities trading" appear from the bank's prevailing price list, account information and/or information given by other appropriate manner. The bank will charge the indicated account for costs incurred.
c) The authorization for direct debiting is signed by the payer and delivered to the beneficiary. The beneficiary will deliver the instructions to its bank who in turn will charge the payer's bank account.
d) In case of withdrawal of the authorization for direct debiting the payer shall address this issue with the beneficiary. Pursuant to the Norwegian Financial Contracts Act, the payer's bank shall assist if the payer withdraws a payment instruction that has not been completed. Such withdrawal may be regarded as a breach of the agreement between the payer and the beneficiary.
e) The payer cannot authorize payment of a higher amount than the funds available on the payer's account at the time of payment. The payer's bank will normally perform a verification of available funds prior to the account being charged. If the account has been charged with an amount higher than the funds available, the difference shall immediately be covered by the payer.
f) The payer's account will be charged on the indicated date of payment. If the date of payment has not been indicated in the authorization for direct debiting, the account will be charged as soon as possible after the beneficiary has delivered the instructions to its bank. The charge will not, however, take place after the authorization has expired as indicated above. Payment will normally be credited to the beneficiary's account between one and three working days after the indicated date of payment/delivery.
g) If the payer's account is wrongfully charged after direct debiting, the payer's right to repayment of the charged amount will be governed by the account agreement and the Norwegian Financial Contracts Act.

National Client Identifier and Legal Entity Identifier: In order to participate in the Subsequent Offering, subscribers will need a global identification code. Physical persons will need a so-called National Client Identifier ("**NCI**") and legal entities will need a so-called Legal Entity Identifier ("**LEI**").

NCI code for physical persons: As of 3 January 2018, physical persons will need a NCI code to participate in a financial market transaction, i.e. a global identification code for physical persons. For physical persons with only a Norwegian citizenship, the NCI code is the 11 digit personal ID ("fødselsnummer"). If the person in question has multiple citizenships or another citizenship than Norwegian, another relevant NCI code can be used. Subscribers are encouraged to contact their bank for further information.
LEI code for legal entities: As of 3 January 2018, legal entities will need a LEI code to participate in a financial market transaction. A LEI code must be obtained from an authorized LEI issuer, and obtaining the code can take some time. Subscribers should obtain a LEI code in time for the subscription. For more information visit www.gleif.org. Further information is also included in Section 18.3.17 ("LEI number") of the Prospectus.

APPENDIX C:

FINANCIAL STATEMENTS FOR BELSHIPS FOR 2018, 2017 AND 2016

BELSHIPS

ANNUAL REPORT 2016

We are excited about our journey over the coming years

DEAR READER

I am proud to present the annual report for Belships ASA, and to introduce you to a company with a long history, extensive experience, strong expertise and a promising future.

From its origin in 1918 and focus on specialized heavy lift ships, the company made a valuable contribution for the Allied forces during World War II and during the Korean War. Later on, the company also entered both the tanker- and the energy sector.

Today, Belships ASA has developed into a pure dry bulk player with full concentration on one non-specialized asset type. The company has been stock listed on the Oslo Stock Exchange since 1937.

Our subsidiary, Belships Management (Singapore) Pte Ltd, has made its mark on one of the world's most challenging industries for close to 35 years – an industry where clients manage valuable assets and demand the highest level of expertise and ability from their partners. We focus without compromise on strict risk management to minimize the hazards to both people and the environment and we appreciate the demands and challenges made by our esteemed clients.

Belships ASA outlined in 2013 a bold newbuilding program for eco-design Ultramax bulk carriers to be constructed by Imabari Shipbuilding Group in Japan. This strategic move has transformed the business area into a state-of-the-art dry bulk service provider with high focus on quality, fuel efficiency and emission control. The Company took delivery of one 61,000 dwt Ultramax in September 2015 and a sister ship in March 2016. A 63,000 dwt Ultramax, owned by a sister company of the shipbuilder and scheduled for delivery in January 2018, will be chartered by the Company with purchase options. The first ship, Belforest, is fixed for a 12 months period to Cargill, wheras the second ship, Belisland, is fixed to Canpotex for a 5 year period from delivery in March 2016.

Our corporate strategy is to provide our reputable clients a reliable transportation solution based on long-term charters and partnership. We will have focus on growth in fleet size and diversification of our customer base through a careful selection of counterparts.

We are excited about our journey over the coming years.

Bernt Ulrich Müller
Chief Executive Officer
Belships ASA

KEY FINANCIAL FIGURES

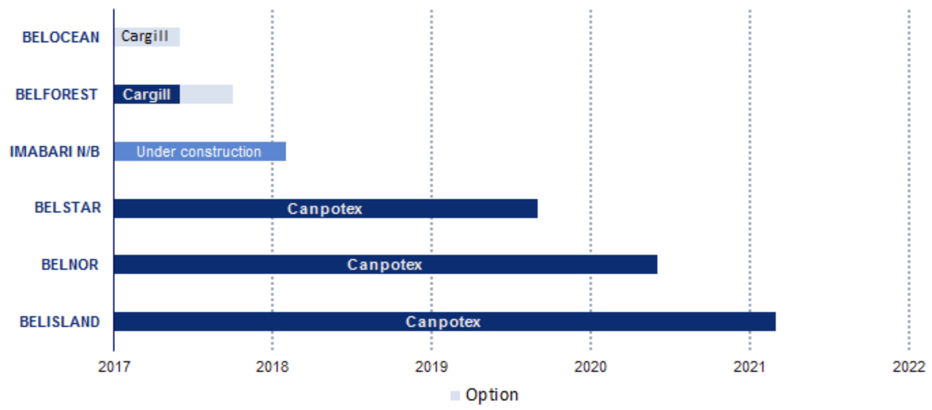
USD 1 000		2016	2015
Operating income		25 415	21 984
Operating result		-8 907	-26 660
Net result for the year		-14 593	-30 150
EBITDA		11 280	9 873
Total assets		105 612	103 248
Equity		20 144	34 831
Equity per share	NOK	3.71	6.56
Interest coverage ratio		-1.84	-12.20
Current ratio	%	97.16	115.31
Equity ratio	%	19.07	33.74
Earnings per share	US cent	-31.18	-64.42

FLEET LIST

SHIP		OWNER-SHIP	BUILT YEAR	DWT	EMPLOYMENT	T/C-RATE (NET USD/DAY)
Supramax						
M/S Belstar		100 %	2009	58 018	T/C to 08/19	16 000
M/S Belnor		100 %	2010	58 018	T/C to 05/20	16 000
M/S Belocean		100 %	2011	58 018	T/C to 05/17	4 000
Ultramax						
M/S Belforest		BBC	2015	61 320	T/C to 05/17 +4mo	5 775
M/S Belisland		BBC	2016	61 252	T/C to 03/21	17 300
Imabari newbuilding	1	TC	2018	63 000		

1) Delivery during 1st quarter of 2018 for long-term charter with purchase option. Charter period is eight years with three annual renewal options. Purchase option may be exercised at the end of year 4 to JPY 3.01 billion, with an annual decrease of JPY 110 million.

CHARTER COVERAGE



DIRECTORS' REPORT 2016

THE DRY BULK MARKET

While 2016 began on a negative note with dry bulk rates and prices collapsing to 30-year lows, the market rebounded from Q1. The key drivers behind the increasing freight rates were higher Chinese imports of iron ore, coal and grain products including increasing trade of steel products. According to Marsoft, Chinese imports rose by 6.2%, in tonne-mile terms, in 2016. It was a further decline in domestic Chinese iron ore production, which led to a 7.5% increase in Chinese iron ore imports for the year as a whole. After a shortening of the workweek at Chinese mines, causing a shortage of coal in the second half of the year, Chinese imports of coal went up again in 2016 to an annualized pace of 245 million tons.

Turning to the supply-side, the dry bulk fleet expanded by 2.2% in 2016, down from 2.6% growth in 2015. Scrapping activity was record high during the first half of the year, but the activity fell sharply in the second half due to a combination of rising freight rates and the onset of the monsoon season.
The Baltic Exchange Capesize Index ended the fourth quarter at USD 10 978 per day, whereas the Panamax-index ended at USD 6 826 per day. The Supramax-index ended the quarter at USD 9 445 per day. As per today, the Cape index stands at USD 9 425 per day, Panamax-index at USD 8 982 per day and Supramax-index at USD 8 848 per day.
The Baltic S&P Assessment values today a 5 year old Supramax at USD 14.4 million, which is up from USD 9.9 million one year ago.

OPERATIONS

M/S Belstar, M/S Belnor and M/S Belocean continued into 2016 on their long-term charter parties to Canpotex Shipping Services Ltd., Canada. Canpotex is one of the world's largest exporters of potash, a fertilizer product imported in large volumes by countries such as China, India and Brazil. The net time charter rate is USD 16 000 per day. The newbuilding M/S Belisland delivered ex yard to Canpotex in March by substituting M/S Belocean for the remaining 5-year period of the c/p. The net charter rate is USD 17 300 per day. In February M/S Belocean was fixed for 10-15 months to Cargill at around USD 4 000 per day. In July M/S Belforest was extended to Cargill for 10-14 months at around USD 6 000 per day, which is below market level as at today.

The company's tonnage is modern, and all ships operated satisfactorily without significant off-hire. The operating expenses were close to budgeted levels.
Belships' newbuilding program with Imabari Shipbuilding Group in Japan for 2 x 61 000 dwt eco-design Ultramax bulk carriers is completed. In addition, Belships will take delivery of a 63 000 dwt Ultramax bulk carrier from Imabari in January 2018 for long term charter including purchase option.
The subsidiary Belships Management (Singapore) Pte Ltd made a positive contribution from technical management services. The company expanded its customer base, and currently provides technical management for 10 ships, including Belships' own ships.

RESULTS

The Group had an operating income of USD 25 415 000 in 2016 (USD 21 984 000), giving a EBITDA of USD 11 280 000 (USD 9 873 000) and a consolidated operating result of USD -8 970 000 (USD -26 660 000).

Improvement in operating result by USD 17.7 million is mainly explained by reduced impairment of ships. The pre-tax result was USD -14 419 000 (USD -29 973 000), while net result for the Group was USD -14 593 000 (USD -30 150 000).

The parent company's net result for the year was NOK -143 824 000 (NOK -36 111 000). The Board proposes the result for the year to be allocated as follows:

AMOUNTS IN NOK	
PROVISION FOR DIVIDEND	0
TRANSFER FROM OTHER RETAINED EARNINGS	-143 824 000
TOTAL ALLOCATIONS	**-143 824 000**

GOING CONCERN

The annual accounts are presented on a going concern basis in accordance with § 3 – 3 of the Norwegian Accounting Act.
Belships has three long-term T/C agreements with Canpotex. The sale & leaseback of M/S Belforest (Q3 2015) and M/S Belisland (Q1 2016) provided additional liquidity to the Group.
The main shareholder has provided an on demand guarantee of USD 5 million. Current activity will also generate sufficient liquidity to cover current debt and operating expenses throughout 2017. Based on this, the Board considers that the conditions for a going concern are in place.

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The information in the accounts gives a true and accurate representation of the company's and the Group's assets, liabilities, financial position and results as a whole. The annual accounts give a fair view of the development, profit and overall financial position of Belships ASA and the Group, and describe the most significant risks and uncertainties facing the Group and the parent company.

SAFETY AND THE ENVIRONMENT

Belships aims to minimize environmental impact from its activity, and strives to improve safety. Measures are taken to prevent the business polluting the environment. Belships works consciously to improve standards, on board and ashore. Pollution from ships is governed by a number of national and international environmental standards and certifications. Belships meets official requirements in terms of safety and the environment.
The newbuildings from Imabari Shipbuilding have low emissions of pollutants and have ballast water treatment systems.

ORGANISATION

Belships is headquartered in Oslo, from where most of its commercial and financial business including insurance is handled. Technical management is handled from Singapore. There has been no change within the senior management in 2016. Management activities in Singapore were stable over the year. The Group employed 62 office staff at the end of 2016. Ships under management had 210 crew members on board. The sick leave was less than 2% in 2016. The Group was not subject to any serious accidents in 2016.

Belships aims to treat women and men equally. No discrimination on the grounds of gender is tolerated. Of the Group's office staff, 34 are women. The working environment at the various companies within the Group is considered to be satisfactory.

FINANCIAL AND OTHER MATTERS

The Group's solvency and financial position is satisfactory. By end of 2016 the book equity of the Belships share was NOK 3.71, while the book equity ratio was 19.1 % (33.7%). Added value related to the long-term charter for M/S Belisland is not included in the balance sheet.
Consolidated liquidity was USD 7.9 million (of which USD 3,5 million in deposit) as at 31 December 2016, against USD 8.0 million at the beginning of the year. Total mortgage debt had a balance of USD 36.3 million at year-end and was reduced by USD 5.0 million during 2016. Down payment of lease commitments amounted to USD 1.7 million.
In Q1 2016 Belships entered into a sale and leaseback agreement for M/S Belisland, which was sold and leased back for a period of 15 years with purchase options from year 5 onwards. Sales price was USD 24 million and this transaction improved Belships cash position with USD 7 million. In March 2016, M/S Belisland replaced M/S Belocean for the remaining 5 years of the charterparty with Canpotex. In connection with the sale and leaseback a new costprice of M/S Belsiland was established. The value of the favorable Charter party with Canpotex is not reflected in the ship value/book value of M/S Belisland.
The leases of M/S Belforest and M/S Belisland are considered to be financial leases.
The Group has conducted impairment tests in line with IAS 36, valuing the ships based on observable market values of equivalent ships today, and including the discounted added value of the charter parties entered into. These internal valuations indicated that there was a need for impairment of the company's ship investments with a total of USD 13.8 million in 2016, compared to USD 31.8 million in 2015.
Belships aims to provide its shareholders with a competitive dividend yield, but the current market do not allow any payment of dividend.

At the end of 2016 Belships held 548 000 treasury shares in total at an average cost of NOK 9.91 per share. In August 2016, the employees were granted options to purchase 200 000 shares at a strike price of NOK 3.11. These options can be exercised from the annual general meeting 2017 until the annual general meeting in 2018.
The Belships' share value has increased by 65 per cent in the course of 2016. By comparison, the OSEBX increased by 12%. A total of 5 501 000 shares were traded in 183 of 253 trading days. In 2015 a total of 2 112 000 shares were traded in 124 of the 251 trading days.
The Group is exposed to market risks due to changes in FX rates, interest rates, freight rates and oil prices.
The Group's income and costs are mainly in USD. Belships' foreign exchange exposure is linked to administrative costs in Norway and in Singapore. Compared to the Group's cash flows, however, this exposure is limited. Hedging of the Group's interest exposure on bank loan is considered on an ongoing basis. The hedging level of interest rate exposure is currently around 85% (leases excluded).
Fluctuating bunker prices will not affect the Group as the ships are fixed on long-term time charters where the charterers cover the fuel cost.
Belships aims to minimize counterpart risk by entering into long term time charter contracts with reputable charterers.
The Group's limited tax cost is expected to continue. Three ships are owned by a Singaporean subsidiary within the local tonnage tax regime.
The Group's Norwegian entities have considerable tax loss carried forward.

CORPORATE GOVERNANCE

Belships' corporate governance is based on the company's goals and strategy. The Company is listed on the Oslo Stock Exchange, and is subject to the Norwegian Accounting Act, the Securities Trading Act and the Public Limited Company Act.
With exception of establishing election committee, Belships follows the Norwegian code of good corporate governance of 30 October 2014. 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 close to a hundred years history. The Board is well aware of the direct and indirect impact Belships' activities have on the outside world as well as the company's shareholders. Belships is determined to create long-term shareholder values and at the same time act as a responsible participant in the society.
The most important issues for our business and our shareholders in respect of Corporate Social Responsibility (CSR) are considered to be:

– Environment
– Human and labour rights
– Anti-corruption

It is our policy to follow the standards, laws and regulations set by the national and international maritime regulatory authorities, but also the moral and ethical behavior as set by our culture. Belships reports on safety and environment in the annual report.
Belships does not tolerate any corrupt practices with our suppliers, customers or government entities affecting our business.

Belships do pay attention to the working conditions and safety within our own operations. Please see the separate statement of corporate social responsibility that appears as a section of the annual report in its own right.

OUTLOOK

Not surprisingly, seasonal factor led to a dip in spot rates during the first six weeks of 2017, but it is worth noting that rates in all sectors were well above their year-earlier levels. Last few weeks the spot rates have strengthened and the period activity is picking up.

New ships ordering is now down to almost zero and the order book is shrinking. Scrapping, cancellations and slippage together with little new ordering activity are helping to mitigate the net supply growth, which until 2019 could in fact be negative according to Fearnleys.

Belships' ships are chartered out on fixed rates to reputable counterparts, representing a future nominal gross hire of USD 63 million.
Focus will be to further develop Belships as an owner and operator of modern bulk carriers to reputable counterparts. Our ambition is to build a portfolio of quality ships and robust charter parties that will generate distributable cash flows.

OSLO, 16 MARCH 2017
BELSHIPS ASA

Sverre J. Tidemand Chairman of the Board	Christian Rytter Board member	Kjersti Ringdal Board member
Sissel Grefsrud Board member	Carl Erik Steen Board member	Bernt Ulrich Müller Chief Executive Officer

The annual report provides a true and fair overview

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 2016.

The Board has based this declaration on reports and statements from the Group's chairman and Chief Executive Officer, 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 2016 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 2016
- 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, 16 MARCH 2017
BELSHIPS ASA

Sverre J. Tidemand Chairman of the Board	Christian Rytter Board member	Kjersti Ringdal Board member
Sissel Grefsrud Board member	Carl Erik Steen Board member	Bernt Ulrich Müller Chief Executive Officer

Consolidated Statements of Comprehensive Income

1 JANUARY – 31 DECEMBER / USD 1 000	NOTE	2016	2015
Operating income			
Freight income		**21 338**	17 570
Other operating income		**4 077**	4 414
Total operating income	4	**25 415**	21 984
Operating expenses			
Ship operating expenses	8	**-8 197**	-5 717
Operating expenses ship management	8	**-3 405**	-3 694
Payroll expenses	9	**-1 659**	-1 933
Other general administrative expenses	6	**-874**	-767
Total operating expenses		**-14 135**	-12 111
Operating result (EBITDA)		**11 280**	9 873
Depreciations on fixed assets	7	**-4 901**	-4 686
Impairment of ships	7	**-13 823**	-31 847
Loss on sale of ship/effect on onerous contracts	7	**-1 463**	0
Operating result (EBIT)		**-8 907**	-26 660
Financial income and expenses			
Interest income		**13**	29
Interest expenses	13	**-4 833**	-2 185
Currency exchange gain/(loss)		**69**	-483
Other financial items	8	**-761**	-674
Net financial items		**-5 512**	-3 313
Net result before tax		**-14 419**	-29 973
Tax	12	**-174**	-177
Net result for the year		**-14 593**	-30 150
Hereof non-controlling interests		**53**	109
Hereof majority interests		**-14 646**	-30 259
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain/(loss) on defined benefit plan		**-39**	-23
Total comprehensive income		**-14 632**	-30 173
Hereof non-controlling interests		**53**	109
Hereof majority interests		**-14 685**	-30 282
Earnings per share (US cent)	11	**-31.18**	-64.42
Diluted earnings per share (US cent)	11	**-31.18**	-64.42

Consolidated balance sheets

PER 31 DECEMBER / USD 1 000	NOTE	2016	2015
FIXED ASSETS			
Tangible fixed assets			
Ships	7	**93 009**	87 730
Newbuilding instalments	7	**0**	4 225
Prepaid timecharter hire		**1 500**	0
Other fixed assets	7	**1 683**	1 676
Total fixed assets		**96 192**	93 631
Financial fixed assets			
Financial investments		**108**	151
Other long-term receivables	13	**183**	200
Total financial assets		**292**	351
Total fixed assets		**96 483**	93 982
CURRENT ASSETS			
Trade debtors	13	**91**	4
Other receivables	13	**1 120**	1 269
Cash and cash equivalents (restricted)	15	**3 203**	1 996
Cash and cash equivalents	15	**4 715**	5 997
Total current assets		**9 129**	9 266
TOTAL ASSETS		**105 612**	103 248
EQUITY			
Paid-in capital		**43 620**	43 588
Retained earnings		**-23 887**	-9 202
Non-controlling interests		**411**	445
Total equity	20	**20 144**	34 831
LIABILITIES			
Provision for liabilities			
Pension obligations	17	**648**	796
Other long-term liabilities			
Mortgage debt	13	**30 883**	35 767
Obligation under finance leases	13	**42 811**	21 809
Financial instruments	22	**323**	602
Other long-term liabilities		**1 407**	1 407
Total other long-term liabilities		**75 424**	59 585
Short-term liabilities			
Current portion of mortgage debt/lease liability	13	**6 778**	5 688
Tax payable	12	**131**	121
Public taxes and duties payable		**284**	301
Trade creditors		**256**	380
Other short-term liabilities	13	**1 948**	1 546
Total short-term liabilities		**9 396**	8 036
Total liabilities		**85 468**	68 417
TOTAL EQUITY AND LIABILITIES		**105 612**	103 248

OSLO, 16 MARCH 2017

BELSHIPS ASA

Sverre J. Tidemand Chairman of the Board	Christian Rytter Board member	Kjersti Ringdal Board member
Sissel Grefsrud Board member	Carl Erik Steen Board member	Bernt Ulrich Müller Chief Executive Officer

Consolidated cash flow statements

1 JANUARY – 31 DECEMBER/USD 1 000	NOTE	2016	2015
CASH FLOW FROM OPERATIONS			
Net result before tax		**-14 419**	-29 973
Adjustments to reconcile result before tax to net cash flows:			
Loss on sale of ship/effect on onerous contracts	7	**1 463**	0
Depreciations on fixed assets	7	**4 901**	4 686
Impairment of ships	7	**13 823**	31 847
Share-based compensation expense	16	**31**	25
Difference between pension expenses and paid pension premium	17	**-210**	-205
Net finance costs		**5 512**	3 313
Working capital adjustments:			
Change in trade debitors and trade creditors		**-212**	39
Change in other short-term items		**-241**	-213
Interest received		**13**	29
Interest paid		**-4 833**	-2 185
Income tax paid		**-118**	-41
Net cash flow from operating activities		**5 710**	7 322
CASH FLOW FROM INVESTING ACTIVITIES			
Payment on newbuilding	7	**-20 531**	-22 615
Sale of ship (net sales amount)	7	**23 637**	27 634
Prepayment bareboat hire		**0**	-6 000
Payment of other investments		**-1 923**	-1 732
Net cash flow from investing activities		**1 183**	-2 713
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long-term debt	13	**-6 491**	-5 187
Proceeds from new loan	7	**0**	1 423
Paid costs related to financing		**-484**	-559
Net cash flow from financing activities		**-6 975**	-4 323
Net change in cash and cash equivalents during the period		**-82**	286
Cash and cash equivalents at 1 January		**7 993**	8 064
Change currency NOK deposits		**7**	-357
Cash and cash equivalents at 31 December *		**7 918**	7 993

**) Includes certain restricted cash. See note 15.*

Consolidated statements of changes in equity

USD 1000	Note	Majority interests: Paid-in: Share capital	Majority interests: Paid-in: Treasury shares	Majority interests: Paid-in: Share premium reserves	Majority interests: Paid-in: Other equity	Majority interests: Other equity	Non-controlling interest	Total equity
As at 31 December 2016								
Equity as at 31 December 2015		14 272	-166	13 751	15 732	-9 203	445	34 831
Net result for the year		0	0	0	0	-14 646	53	-14 593
Other comprehensive income	17	0	0	0	0	-39	0	-39
Total comprehensive income		**0**	**0**	**0**	**0**	**-14 685**	**53**	**-14 632**
Share-based payment expense	16	0	0	0	31	0	0	31
Non-controll. interests transact.		0	0	0	0	0	-86	-86
Equity as at 31 December 2016		**14 272**	**-166**	**13 751**	**15 763**	**-23 888**	**412**	**20 144**
As at 31 December 2015								
Equity as at 31 December 2014		14 272	-166	13 751	15 707	21 079	408	65 051
Net result for the year		0	0	0	0	-30 259	109	-30 150
Other comprehensive income		0	0	0	0	-23	0	-23
Total comprehensive income		**0**	**0**	**0**	**0**	**-30 282**	**109**	**-30 173**
Share-based payments expense		0	0	0	25	0	0	25
Non-controll. interests transact.		0	0	0	0	0	-72	-72
Equity as at 31 December 2015		**14 272**	**-166**	**13 751**	**15 732**	**-9 203**	**445**	**34 831**

Notes to the consolidated accounts

NOTE 1
GENERAL INFORMATION

Belships is an owner and operator of dry bulk ships, presently operating a fleet of five ships. The company is also providing 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 belships.staging.wpengine.com, or by inquiry to the company's head office.

The consolidated financial statements have been approved by the Board on 16 March 2017.

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

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

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, which are measured at fair value.

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

The annual accounts are presented on a going concern basis in accordance with § 3 – 3 of the Norwegian Accounting Act. Belships has three long-term T/C agreements with Canpotex, which is favourable in the current market. Further the sale & leaseback agreements for M/S Belforest and M/S Belisland have contributed with additional liquidity to the Group. The main shareholder has provided an on demand guarantee of USD 5 million. Based on this, the Board considers that the conditions for a going concern are in place.

B) CONSOLIDATION PRINCIPLES

The consolidated financial statements comprise the financial statements of Belships ASA and its subsidiaries as at 31 December 2016. 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 8.6200 (2015: USD 8.8090) and SGD 5.9645 (2015: SGD 6.2386).

D) ACCOUNTS RECEIVABLE

Trade receivables are recognised at face value less any impairment. Provision for impairment is made when there is objective evidence of impairment that affects the estimated future cash-flow.

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.

Newbuilding contracts
Newbuilding contracts are recognised as a fixed asset based on instalments paid to the yard. Building supervision costs and project costs related to the newbuilding contracts are capitalised.

See section L) regarding treatment of borrowing costs.

F) LEASING

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

Assets financed under financial leases are capitalized at inception of the lease at the fair value of the leased 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.

G) FINANCIAL INSTRUMENTS

Financial instruments under the scope of IAS 39 are classified in the following categories:
• financial assets at market value through profit or loss (held for trading purposes)
• available for sale
• loans and receivables
• held to maturity investments
• other obligations

Financial assets with fixed or determinable cash flow which are not listed in an active market are classified as loans and receivables. Investments held to maturity, loans and receivables and other liabilities are measured at amortised cost.

H) PROVISIONS

A provision is recognised when the company has a liability (legal or constructive) as a result of a previous event and where it is probable (more probable than not) that there will be a financial settlement as a result of this liability and that the size of the sum can be reliably determined. If the effect is material, the provision is estimated by discounting the expected future cash flow with a discount rate before tax which reflects the market's evaluation of the time value of money and, if relevant, risks specifically connected to the liability.
A provision is recognised for any unavoidable net loss arising from the contract, the unavoidable cost under a contract reflect the least net cost of exiting from the contract, i.e. the lower of the cost of fulfilling the contract; and any compensation of penalties arising from failure to fulfill the contract.

I) EQUITY

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

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

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

J) REVENUE RECOGNITION

Revenue is recognised when it is likely that the economic benefits which will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenues from time charter accounted for as operational leases are recognized on a straight line basis over the rental periods of such charters, as service is performed.

K) EMPLOYEE BENEFITS

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

Defined benefit pension scheme
Actuarial gains and losses arising from changes in actuarial assumptions are recognised as other comprehensive income in the period in which they arise. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.
The company has unfunded pension liabilities. These relate to early retirement and pension to persons, that have not been included in the service pension scheme. Pension obligations are estimated by an independent actuary.

L) 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.

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 distant.

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

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

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 profit and loss account. 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 profit and loss, the impairment loss will be reversed over the profit and loss account.

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

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 disclosed if significant.

Q) SHARE-BASED PAYMENTS

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

R) CASH AND CASH EQUIVALENTS

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

S) 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.

T) 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 operating segments consist in dry cargo and technical operations, 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.

U) RELATED PARTY TRANSACTIONS

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

V) 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 15.

W) CLASSIFICATION BALANCE SHEET

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.

X) CHANGES IN ACCOUNTING POLICES

The accounting policies adopted are consistent with those of the previous financial year. Adoption of new standards effective from 2016 did not have any impact on the Group. Standards issued but not yet effective are as follows:

IFRS 9 Financial Instruments
IFRS 9 will eventually replace IAS 39 Financial Instruments: Recognition and Measurement. In order to expedite the replacement of IAS 39, the IASB divided the project into phases: classification and measurement, hedge accounting and impairment. New principles for impairment were published in July 2014 and the standard is now completed. The parts of IAS 39 that have not been amended as part of this project have been transferred into IFRS 9. If not early adopted, the standard becomes effective 1 January 2018. The group has made a preliminary assessment of the effect of the standard, and not identified any material impact on the group financial position of performance.

IFRS 15 Revenue from Contracts with Customers
The IASB and the FASB have issued their joint revenue recognition standard, IFRS 15. The standard replaces existing IFRS revenue requirements. The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets (e.g., disposals of property, plant and equipment).
Based on the current activity of the Group, implementation of IFRS 15 is not expedted to have any significant impact. The standard is effective from 1 January 2018.

IFRS 16 Leases
IFRS 16 replaces existing IFRS lease requirements in IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e., the customer ("lessee") and the supplier ("lessor"). The new lease standard requires lessees to recognize assets and liabilities for most leases, which is a significant change from current requirements. For lessor, IFRS 16 substantially carries forward the accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
Based on the current activity of the Group, implementation of IFRS 16 is not expected to have any significant impact. The new standards is effective from 1 January 2019.

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

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

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

SHIPS – IMPAIRMENT ASSESSMENT

The Group assess, at each reporting date, whether there are any indications that the ships may be impaired. Impairment is only made if carrying amount is higher than the asset's recoverable amount. Each ship is defined as a separate cash generating unit. The recoverable amount is based on the average of two independent broker estimates (charterfree), in addition to the net present value of the estimated fair value of the belonging charters for ships under contract with Canpotex. The key assumptions used for impairment testing of the ships are described in note 7.
The impairment calculation demands some degree of estimation. Management makes estimates and judgement of the estimated fair value of the belonging charters and the discount rate. For the broker values, management compares the value with comparable external non-distressed transactions of bulk ships, adjusted for size, yard and construction year.
Further, management also assess external available sources for the expected development in the world wide fleet, parity between newbuilding prices versus second-hand transactions and assumptions regarding future freight rates and implied capital cost to assess if the broker values used as basis is reliable. The dry bulk sector has several sources for second-hand prices and assumptions regarding future market development (rates and estimated fleet growth). Changes to these estimates could have significant impact on impairment/reversal of impairments.

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

OPERATING VERSUS FINANCIAL LEASE AGREEMENTS

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

In 2016 the Company entered into a sale and leaseback agreement on the ship M/S Belisland with a Japanese counterpart, and leased back for a period of 15 years, with annual purchase options from year 5. Based on an assessment of the terms of the lease contracts, including the levels of purchase options from year 5 and onwards, the Management has assessed that the leaseback is a financial lease.

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

NOTE 4
SEGMENT INFORMATION

The Belships Group is divided into the operating segments dry bulk and technical management and is in accordance with the reporting to the Chief Operating Decision Maker (CEO).

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

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

The dry bulk segment consists of ships chartered to Canpotex Shipping Services Ltd and Cargill International, and revenues from those charterers are representing 69% and 14% of total turnover respectively. The Group had no other single customers in any segment neither in 2016 nor 2015 where revenue accounted for more than 10% of the total turnover.

The operating segments have worldwide activities. The shipping market in general offers a global service covering major global trade routes. This is also the matter for the Group. Due to this, financial position is not allocated to geographical segments.

1 JANUARY – 31 DECEMBER 2016	DRY CARGO	TECHNICAL MANAGEMENT	ADMINI-STRATION	GROUP TRANSACTIONS	TOTAL
Freight revenue	20 903	0	0	435	**21 338**
Management fees – external	0	3 798	279	0	**4 077**
Management fees – internal	0	699	437	-1 136	**0**
Operating income	**20 903**	**4 497**	**716**	**-701**	**25 415**
Operating expenses	-8 896	-3 405	0	699	**-11 602**
General administrative exps.	-47	0	-2 488	2	**-2 533**
Operating expenses	**-8 943**	**-3 405**	**-2 488**	**701**	**-14 135**
Operating result (EBITDA)	**11 960**	**1 092**	**-1 772**	**0**	**11 280**
Loss sale ship/effect onerous contr.	-1 463	0	0	0	-1 463
Depreciations on fixed assets	-4 779	-53	-69	0	**-4 901**
Impairment of ships	-13 823	0	0	0	**-13 823**
Operating result	**-8 105**	**1 039**	**-1 841**	**0**	**-8 907**
Financial income	0	5	8	0	**13**
Financial expenses	-5 019	-68	-438	0	**-5 525**
Result before tax	**-13 124**	**976**	**-2 271**	**0**	**-14 419**
Tax	0	-174	0	0	**-174**
Net result	**-13 124**	**802**	**-2 271**	**0**	**-14 593**
Hereof non-controlling interests	0	53	0	0	**53**
Hereof majority interests	-13 124	749	-2 271	0	**-14 646**
Assets	99 749	3 866	1 998	0	**105 612**
Liabilities	82 317	1 880	1 270	0	**85 467**
Cash flow from operating activities	6 942	979	-2 211	0	**5 710**
Cash flow from investing activities	1 366	0	-183	0	**1 183**
Cash flow from financing activities	-6 975	0	0	0	**-6 975**

1 JANUARY – 31 DECEMBER 2015	DRY CARGO	TECHNICAL MANAGEMENT	ADMINI-STRATION	GROUP TRANSACTIONS	TOTAL
Freight revenue	17 273	0	0	297	**17 570**
Management fees – external	0	4 151	263	0	**4 414**
Management fees – internal	0	476	300	-776	**0**
Operating income	**17 273**	**4 627**	**563**	**-479**	**21 984**
Operating expenses	-6 193	-3 694	0	476	**-9 411**
General administrative exps.	-46	0	-2 657	3	**-2 700**
Operating expenses	**-6 239**	**-3 694**	**-2 657**	**479**	**-12 111**
Operating result (EBITDA)	**11 034**	**933**	**-2 094**	**0**	**9 873**
Depreciations on fixed assets	-4 582	-45	-59	0	**-4 686**
Impairment of ships	-31 847	0	0	0	**-31 847**
Operating result	**-25 395**	**888**	**-2 153**	**0**	**-26 660**
Financial income	0	14	15	0	**29**
Financial expenses	-2 403	-66	-873	0	**-3 342**
Result before tax	**-27 798**	**836**	**-3 011**	**0**	**-29 973**
Tax	0	-177	0	0	**-177**
Net result	**-27 798**	**659**	**-3 011**	**0**	**-30 150**
Hereof non-controlling interests	0	109	0	0	**109**
Hereof majority interests	-27 798	550	-3 011	0	**-30 259**
Assets	94 149	3 570	5 529	0	**103 249**
Liabilities	65 364	1 866	1 186	0	**68 417**
Cash flow from operating activities	8 675	906	-2 259	0	**7 322**
Cash flow from investing activities	-2 703	0	-10	0	**-2 713**
Cash flow from financing activities	-5 730	1 407	0	0	**-4 323**

NOTE 5
LEASE AGREEMENTS

LEASE OBLIGATIONS

Belships ASA entered on 25 September 2015 into a sale and lease back agreement for M/S Belforest. The bareboat period is 12 years with purchase options from year 3 onwards.
M/S Belisland, a 61 000 dwt Ultramax bulk carrier, was constructed at Imabari Shipbuilding in Japan and delivered 15 March 2016. The ship was at time of delivery sold to a Japanese counterpart and leased back for a period of 15 years with purchase options from year 5 onwards.
Both leases are considered as financial leases.
In January 2018 Belships will take delivery of a newbuilding on time charter for 8 years incl. purchase option. The newbuilding is an 63 000 dwt eco-design Ultramax bulk carrier from Imabari Shipbuilding in Japan.

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

NET PRESENT VALUE OF LEASE LIABILITY	< 1 YR	1-5 YR	> 5 YR	TOTAL
Maturity of financial lease liability	2 435	14 788	11 174	28 397
Whereof payments of purchase option	0	0	16 250	16 250
Hire obligation under financial lease	**2 435**	**14 788**	**27 424**	**44 647**

CONTRACTED TIME CHARTER REVENUE

M/S Belstar, M/S Belnor and M/S Belocean has been on 10-years time charters to Canpotex Shipping Services Ltd from time of delivery from yard in 2009, 2010 and 2011 respectively, at a net rate of USD 16 000 per day. There is no option to charter beyond this period.
On 25 February 2016, M/S Belocean ended her contract with Canpotex. The ship was replaced by the newbuilding M/S Belisland at a net rate of USD 17 300 per day with effect from time of delivery 15 March 2016 until the expiry of the remaining 5 year period. Cargill chartered from end of February 2016 M/S Belocean for 10-15 months at an average net rate of USD 3 750 per day.
M/S Belforest is chartered to Cargill unto May 2017 with charterers option for additional 4 months at a net rate of USD 5 775 per day.

AS AT 31 DECEMBER 2016	< 1 YR	1-5 YR	> 5 YR	TOTAL
Contracted timecharter revenue	19 446	43 316	0	62 762
Commitments related to long-term leased ships	4 909	19 650	37 210	100 486

AS AT 31 DECEMBER 2015	< 1 YR	1-5 YR	> 5 YR	TOTAL
Contracted timecharter revenue	21 199	60 461	1 070	82 730
Commitments related to long-term leased ships	2 306	23 726	39 680	65 712

Lease obligations are nominal amounts.

NOTE 6
OTHER GENERAL ADMINISTRATIVE EXPENSES

OTHER GENERAL ADMINISTRATIVE EXPENSES	2016	2015
Office expenses	**204**	197
Furniture, office supplies	**66**	82
Travelling, entertainment costs	**117**	86
Other services	**217**	228
Other general administrative expenses	**271**	174
Total administrative expenses Norwegian companies	**874**	767

NOTE 7
SHIPS AND OTHER FIXED ASSETS

	2016					2015				
		Ships					Ships			
	New-buildings	Ships excl. dry dock	Capital. costs dry dock	Total	Other fixed assets	New-buildings	Ships excl. dry dock	Capital. costs dry dock	Total	Other fixed assets
Cost per 1 January	8 475	145 490	3 709	149 199	**4 920**	14 125	118 756	954	119 710	4 896
Additions	20 531	22 740	1 140	23 880	183	22 600	26 734	2 755	29 489	71
Disposals	-29 006	0	0	0	-140	-28 250	0	0	0	-47
Cost per 31 Desember	**0**	**168 230**	**4 849**	**173 079**	**4 963**	**8 475**	**145 490**	**3 709**	**149 199**	4 920
Depreciations per 1 Jan.	4 250	60 381	1 088	61 469	3 565	0	30 467	324	30 791	3 490
Depreciation for the year	0	3 701	1 077	4 778	123	0	3 817	764	4 581	105
Impairment	0	13 823	0	13 823	0	5 750	26 097	0	26 097	0
Disposals	-4 250	0	0	0	-131	-1 500	0	0	0	-30
Deprec. as at 31 Dec.	**0**	**77 905**	**2 165**	**80 070**	**3 556**	**4 250**	**60 381**	**1 088**	**61 469**	**3 565**
Book value per 31 Dec.	**0**	**90 325**	**2 684**	**93 009**	**1 407**	**4 225**	**85 109**	**2 621**	**87 730**	**1 355**
Other fixed assets	0	0	0	0	276	0	0	0	0	320
Book value at 31 Dec.	**0**	**90 325**	**2 684**	**93 009**	**1 683**	**4 225**	**85 109**	**2 621**	**87 730**	**1 675**

SPESIFICATION OF THE GROUP'S SHIPS

SHIP	BUILT YEAR	OWNERSHIP	COST PRICE	ORDINARY DEPRECIATIONS	IMPAIRMENTS	CAPITALISED DRYDOCK EXPS.	BOOK VALUE
M/S Belstar	2009	100 %	40 542	-9 795	-13 135	185	17 797
M/S Belnor	2010	100 %	39 891	-8 874	-10 643	325	20 699
M/S Belocean	2011	100 %	38 317	-6 918	-20 387	741	11 753
M/S Belforest	2015	BBC	26 734	-918	-6 609	675	19 882
M/S Belisland	2016	BBC	22 740	-620	0	758	22 878
Total fleet			**168 224**	**-27 125**	**-50 774**	**2 684**	**93 009**

M/S Belstar, M/S Belnor and M/S Belocean (until mid February 2016) have continued the long-term contracts to Canpotex Shipping Services Ltd of Canada. In February 2016 M/S Belocean was fixed to Cargill International S.A of Switzerland for 10-15 month period. The ships have operated satisfactorily over the year. The three supramaxes are owned by the Group and reference is made to note 13 regarding financing.

M/S Belisland was delivered 15 March 2016. The remaining newbuilding commitment amounting to USD 19.8 million was paid at time of delivery. The ship was at time of delivery sold to a Japanese counterpart and leased back for a period of 15 years with purchase options from year 5 onwards. The sale generated a loss amounting to USD 1.1 million. The lease transaction is considered as a financial lease. The ship was chartered to Canpotex for 5 years from delivery.

M/S Belforest is leased for a period of 12 years with purchase options from year 3 onwards. The ship is chartered to Cargill unto mid of May 2017 with charterers option of further 4 months.

The counterparty risk with the charterers is considered to be low. The operating result is impacted by a provision of USD 0.4 million for unfavourable timecharter contracts for M/S Belocean and M/S Belforest.

IMPAIRMENT TESTS

Impairment tests for the company's assets are performed in accordance with IAS 36. Due to the declining dry bulk market (charter rates/ship values), Belships has had several impairment indicators in 2016, accordingly impairment tests have been performed every quarter. The impairment tests led to an impairment charge of USD 13.8 (31.8) million in 2016. The method and estimates applied in the impairment test is described in note 3.

For calculations of the net present value of the estimated fair value of the remaining 3-5 years charter, the Group has calculated the variance between the contractual rate and the current observable market rate for similar ships and a weighted average cost of capital ratio (WACC) of 8%. In the calculation of the required rate of return, the risk-free interest rate was set at the 5-year LIBOR at 1.75%, and the margin was fixed at 4% which is approximately equal to margin on external loan and implicit interest on the lease agreement. The equity risk premium was set at 6%, which is the estimated additional return required by investors in order to invest in a market portfolio above a risk-free interest rate.
For ships where the Group has entered into sale & leaseback agreements, the implied price in the agreement has also been taken into consideration in the impairment test.
The Company's impairment model has taken into consideration market expectations of future development in the dry bulk market. If the market continue to further detoriate, or the period until recovery is prolonged, additional impairment can be expected.

The table below shows sensitivity in the impairment tests of the ships.

SENSITIVITY ANALYSIS	BELSTAR	BELNOR	BELOCEAN	BELFOREST	BELISLAND	TOTAL
Change in market value of the ships (incl. c/p agreements) when:						
WACC increase with 1%	-98	-149	0	0	-207	-454
WACC decrease with 1%	99	154	0	0	213	466
Market rate increase 5% and ship values increase 2.5%	-52	-97	297	500	-29	619
Market rate decrease 5% and ship values decrease 2.5%	52	97	-297	-500	29	-619

If the general charter rate increase more than expected in the company's impairment model, this will have a negative impact on the net present value on ships currently trading on long favorable charters, but partly offset by an increase in underlying broker values on the Company's ships. For ships without a long favorable charter, an increase in market value will have positive effect. If the general charter rate decrease more than expected, this will have a negative impact and additional impairment based on underlying broker values.

CALCULATION OF DEPRECIATIONS

Depreciation is calculated on a straight line basis over the estimated useful life of the ships taking its residual value into consideration. The useful life, which is also considered as the economic life of the ships, has been estimated to 25 years. Residual value is estimated based on steel prices of the ships less cost to demolish and is reassessed every year-end. Dry docking expenses are depreciated until next planned dry docking, typically 30-60 months.
Other assets have a useful life of 3-5 years, except for the office premises in Singapore in which the useful life is estimated at 57 years.

Reference is made to note 5 regarding contracted time charter incomes for the ships.

NOTE 8
SPECIFICATIONS OPERATING EXPENSES AND OTHER FINANCIAL ITEMS

	2016	2015
Ship operating expenses		
Crew expenses	**4 568**	3 121
Maintenance and spare parts	**1 968**	1 426
Insurance	**872**	675
Other ship operating expenses	**789**	495
Total ship operating expenses	**8 197**	**5 717**

The increase from 2015 to 2016 is due to delivery of M/S Belisland in March 2016.

Operating expenses ship management		
Administration costs	**2 302**	2 448
General & selling expenses	**612**	622
Fixed costs	**492**	624
Total operating expenses ship management	**3 405**	**3 694**

Other financial items		
Net unrealised gain/(loss) on interest swaps	**278**	-87
Borrowing costs	**-740**	-426
Other financial items	**-299**	-161
Total other financial items	**-761**	**-674**

NOTE 9
SALARIES, NUMBER OF EMPLOYEES

	2016	2015
Salaries	**1 204**	1 303
Social security tax	**217**	260
Pension expenses	**140**	142
Other allowances	**98**	228
Total payroll expenses Norwegian companies	**1 659**	1 933

Average number of office staff in 2016 was 63 (2015: 63) of which 8 in the Norwegian companies.

Loans to employees are specified in note 13. Loans to members of the management amounted to 64 (62) at yearend.

REMUNERATION	CHIEF EXECUTIVE OFFICER	FINANCIAL DIRECTOR	COMMERCIAL DIRECTOR
2016			
Salaries	367	175	206
Pension expenses (defined contribution)	19	19	19
Other remuneration	49	21	23
2015			
Salaries	362	178	209
Pension expenses (defined contribution)	19	19	19
Other remuneration	64	23	24

Remuneration in accordance with the Accounting Act § 7-31b is presented in note 10 in the parent company accounts.

BONUS
No bonus scheme was adopted for 2016. Nor for 2017.

SHARE OPTIONS
The Chief Executive Officer has a separate option scheme. For details see note 16.
For share options to the employees, see note 16. The Board members have not been awarded share options.

ALLOWANCE TO THE BOARD
The Board has received 77 in remuneration in 2016, divided into 19 to the Chairman and 14 to each of the other members. Additional, 3 of the board members represent an audit committee and have received 11 in remuneration in 2016, divided into 5 to the Chairman and 3 to each of the other members. The remunerations are paid in NOK and was unchanged from 2015.

THE GROUP'S FEES TO THE AUDITOR (EXCLUDING VAT)	2016	2015
Remuneration for audit services	**58**	65
Other assurance services	**22**	0
Assistance related to tax	**9**	11
Other audit related assistance	**10**	14
Total	**99**	89

NOTE 10
RELATED PARTIES

The subsidiary Belships Management AS provides accounting services to Sonata AS, which is owned by the chairman and his family. Fees amounted to 126 (128) in 2016.

Sonata AS issued in 2016 an on-demand guarantee amounting to USD 5 million to the lender. The guarantee carries a commission of 5% which amounted to 252 in 2016.

All fees are in line with prevailing market rates.

No loans were issued or security provided with respect to the company's shareholders or associated parties. Certain members of the management have loans from the company. These amounted to 64 (62) as at 31 December 2016.

NOTE 11
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 16) 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.
The diluted earnings per share is equal to the basic earnings per share, as the Group's result before tax are negative.

AVERAGE NUMBER OF SHARES (EXCLUDING TREASURY SHARES)	2016	2015
Average number of issued shares	**46 804 000**	46 804 000
Average number of options outstanding	**400 000**	400 000
Diluted average issued number of shares	**47 204 000**	47 204 000

EARNINGS PER SHARE		
Net result for the year	**-14 593**	-30 150
Earnings per share (US cent)	**-31.18**	-64.42
Diluted earnings per share (US cent)	**-31.18**	-64.42

Notes to the consolidated accounts

NOTE 12
TAXES

	2016	2015
Income tax expense	**174**	177

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.

RECONCILIATION OF THE YEAR'S INCOME TAX EXPENSE	2016	2015
Result for the year before tax	**-14 419**	-29 973
Statutory tax rate (Norway)	**25 %**	25 %
Estimated tax expense at statutory rate	**-3 605**	-7 493
Non tax deductible expenses	**107**	7 960
Change in temporary differences	**313**	355
Non taxed shipping income in Singapore	**1 969**	-1 113
Difference between Norwegian and Singapore regional national tax	**-70**	-32
Tax effect of deferred tax asset not recorded in the balance sheet including exchange rate effect	**1 460**	500
Total income tax expense/(income)	**174**	177

TAX LOSS CARRIED FORWARD

The Group had a tax loss carried forward of USD 58.5 million as at 31 December 2016 (2015: USD 46.7 million) in Norway. No deferred tax benefits are recognised in the balance sheet. The Group's revenue is generated mainly by companies in Singapore that are either within the national tonnage tax regime or are subject to regular national taxation. Dividends from these companies are nontaxable to the recipients. Taxable income subject to ordinary Norwegian taxation does not indicate any reporting of deferred tax benefits.

Future tax payable in the Group is expected to be low, due to AIS registration in Singapore and tax losses in Norway.

DEFERRED TAX PER 31 DECEMBER	2016	2015
Temporary differences		
Deferred sales gain/(loss)	**-829**	0
Accruals	**2 116**	1 010
Pensions	**-648**	-796
Total temporary differences	**639**	214
Tax loss carried forward	**-58 469**	-46 688
Net temporary differences	**-57 830**	-47 964
Nominal tax rate on deferred tax	**24 %**	25 %
Deferred tax assets	**-13 879**	-11 618
Deferred tax assets recognised in the Balance sheet	**0**	0
Deferred tax assets not recognised in the Balance sheet	**-13 879**	-11 618

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

NOTE 13
RECEIVABLES AND LIABILITIES

RECEIVABLES DUE LATER THAN 12 MONTHS	2016	2015
Loans to employees 1)	**178**	195
Other long-term receivables	**5**	5
Total long-term receivables	**183**	200

1) The average interest rate used for loans to employees was 2.28% (2.72%) in 2016. The repayment period is five years.

MORTGAGE DEBT

In 2014 Belships entered into a long-term financing agreement for M/S Belstar, M/S Belnor and M/S Belocean. The loan facility of USD 50 million is secured for a period of 6 years. The following principal conditions applies to the loan: agreed interest rate is LIBOR pluss margin of 2.75%, minimum market value of the ships is 110% of the outstanding loan balance, minimum value adjusted equity on a consolidated basis is 25% and the Group shall at all times have available liquidity of at least USD 5 million or 6% of total interest bearing debt.
The ship values have dropped significantly during the last two years. In order to avoid breach of loan covenants, Belships received a revised waiver from ship mortgage lender in November 2016. Main terms in the waiver period until 1 January 2018 are as follows: Minimum cash USD 5.0 million including restricted cash of USD 3.0 mill, minimum value 100% incl. restricted cash, minimum value adjusted equity of 20% and on-demand guarantee from main shareholder of USD 5 million. All the covenants were fulfilled as at 31 December 2016. The market value of the ships were 101% of the outstanding loan balance at year-end.

BAREBOAT COMMITMENT

Belships ASA entered in 2015 into a lease agreement for M/S Belforest. The bareboat period is 12 years with purchase options from year 3 onwards.
M/S Belisland was delivered 15 March 2016. Remaining newbuilding commitment amounting to USD 19.8 million was paid upon delivery. At time of delivery the ship was sold to a Japanese counterpart and leased back for a period of 15 years with purchase options from year 5 onwards.
Both leases are considered as financial leases.

REPAYMENT SCHEDULE	2017	2018	2019	2020	SUBSEQ	TOTAL
Mortgage debt	5 000	5 000	5 000	5 000	16 250	36 250
Obligation under finance leases	1 836	1 994	2 163	2 350	36 304	44 647
Total	**6 836**	**6 994**	**7 163**	**7 350**	**52 554**	**80 897**

INTEREST SWAP AGREEMENTS

Belships has an interest swap agreement with a fixed interest rate at 2.2% with a remaining duration of 1.5 years covering USD 10 million, reducing by USD 5 million per year. Another interest swap agreement started in September 2015 at a rate of 1.9% and with a duration of 5 years covering USD 19 million, reducing by USD 2 million per year.
Hedging the Group's interest exposure is considered on an ongoing basis. Hedge accounting is not used.

CURRENT RECEIVABLES AND SHORT-TERM LIABILITIES

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

NOTE 14
INVESTMENTS AND GROUP COMPANIES

THE FOLLOWING COMPANIES ARE INCLUDED IN THE CONSOLIDATED ACCOUNTS:	BUSINESS LOCATION	MAIN ACTIVITY	OWNERSHIP/ VOTING PERCENTAGE
Belships Management AS	Oslo	Management	100 %
Belships Management (Singapore) Pte Ltd	Singapore	Technical management	100 %
Belships Supramax Singapore Pte Ltd	Singapore	Shipping	100 %
Belships Chartering AS	Oslo	Shipping	100 %
Belships Management (Singapore) Pte Ltd			
Belships (Tianjin) Ship Management & Consultancy Co Ltd	China	Crewing	75 %
Belships (Shanghai) Shipmanagement Co Ltd	China	Crewing	60 %

INVESTMENT IN ASSOCIATED COMPANIES	BUSINESS LOCATION	OWNERSHIP/ VOTING PERCENTAGE
Belships (Myanmar) Shipmanagement Limited	Myanmar	40 %
Belchem Philippine Incorporation	Philippine	24 %
CST Belchem Singapore Pte Ltd	Singapore	20 %

NOTE 15
BANK DEPOSITS

The Group's bank balance amounted to 7 918 (7 993) at year-end. Restricted cash amounted to 3 203 (1 996), of which 3 000 (1 450) were related to deposit to external loan, 125 (458) to swap clearing account and 77 (88) to withholding tax employees.

NOTE 16
OPTIONS TO EMPLOYEES

At the Annual general meeting (AGM) in 2015, the Board was authorised to issue up to 200 000 share options to employees. The option price was 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 3.89 was awarded in August 2015. No options have been exercised.
At the AGM in 2016, 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 3.11 was awarded in August 2016.

Both 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	2016	2015
Outstanding 1 January	**400 000**	200 000
Awarded	**200 000**	200 000
Exercised	**0**	0
Not exercised	**-200 000**	0
Outstanding 31 December	**400 000**	400 000

Market value of options estimated using the Black and Scholes options pricing model. For the options awarded in 2015 and 2016 the market value per share was NOK 0.75 and NOK 0.60 respectively. The market value of outstanding share options are calculated at time of award and charged against profit and loss over the period until they can be exercised. In 2016 the calculated costs amounted to 9 and 7 for the 2015- and 2016-options respectively.

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 39.0%.
Duration of options: It is assumed that all employees will exercise their options when the service period has been completed. The term of the options is estimated at two years.
Dividend: Estimated dividend per share is NOK 0 per year.
Risk free interest rate: Interest rate used as a basis for calculating options is equal to the interest rate on government bonds over the duration of the options, i.e. 0.53% for 2016.
Decrease in the number of employees: Expected reduction is 0.

SHARE OPTION PLAN CHIEF EXECUTIVE OFFICER

In addition to the above share option plan the CEO has a separate share option plan with the following conditions:
The right to subscribe for up to 2 million shares in Belships ASA at a subscription price of NOK 5.00, of which:

- 500 000 shares may be subscribed for if the company's market value exceeds NOK 300 million (Sub-option A).
- The remaining 1.5 million shares may be subscribed for if the company's market value exceeds NOK 750 million (Sub-option B). Sub-option B is for 2 million shares if Sub-option A is not exercised within the time allowed for Sub-option A.

The market value is the product of the volume-weighted closing price of the company's shares on the Oslo stock exchange in a 15-day period and the number of outstanding shares less treasury shares and/or shares Belships issues after the option agreement date.
Sub-option A expires 30 June 2018, while sub-option B expires 30 June 2020.
In 2016 the calculated cost for this option amounted to 15.

Notes to the consolidated accounts

NOTE 17
PENSIONS

DEFINED CONTRIBUTION SCHEME

All the 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 related to these schemes amounted to 121 (120) in 2016. Pension costs in Singapore is reclassified as operating expenses ship management and amounted to 210 (227) in 2016.

DEFINED BENEFIT SCHEME

In addition to defined contribution scheme, the company has unfunded pension liabilities which are covered through the daily operations. These relate to early retirement and pension to persons, that have not been included in the defined contribution scheme. There are 7 retired persons included in this scheme.
Pension commitments are calculated by an independent actuary. The basis for the calculation is shown below. The new 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	2016	2015
Discount rate	**2.60 %**	2.70 %
Future wage adjustment	**2.50 %**	2.50 %
Pension adjustment/G-adjustment	**2.50 %**	2.50 %
Return on pension plan assets	**2.60 %**	2.70 %

CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION		
1 January	**796**	1 138
Interest cost	**19**	21
Benefits paid	**-229**	-226
Actuarial (gains)/losses on obligation	**39**	23
Currency exchange gain/(loss)	**23**	-160
31 December	**648**	796

PENSION EXPENSES IN CONSOLIDATED ACCOUNTS	2016	2015
Pension expenses defined benefit scheme	**19**	21
Pension expenses defined contribution scheme	**121**	120
Net pension expenses in consolidated accounts	**140**	141

NOTE 18
SUBSEQUENT EVENTS

No material events have taken place after 31 December 2016.

Notes to the consolidated accounts

NOTE 19
ENVIRONMENTAL ISSUES

The company has not been charged any penalties due to breach of environmental rules and regulations, and is not committed to implement any specific actions in that respect. For further information see the Directors' report.

Notes to the consolidated accounts

NOTE 20
EQUITY

SHARE CAPITAL

Belships ASA's 47 352 000 shares, each with a face value of NOK 2.00, was as of 31 December 2016 distributed among 481 shareholders (2015: 451). Each share has one vote.

TREASURY SHARES

The company holds 548 000 treasury shares in total with an average cost price of NOK 9.91 as of 31 December 2016. Belships ASA has lent 50 000 of the treasury shares to ABG Sundal Collier Norge ASA (ASC) in connection with ASC' role as liquidity provider for the company's shares on Oslo Stock Exchange.

AUTHORISATION TO ISSUE NEW SHARES

At the Annual general meeting in 2016 the Board received authorisation to issue up to 4.7 million new shares. The authorisation has not been used and is valid to the next ordinary Annual general meeting.

DIVIDEND

The Board of Directors of Belships ASA will at the general meeting on 25 April 2017 propose no payment of dividend (2016: 0).

THE 20 LARGEST SHAREHOLDERS IN BELSHIPS ASA AT 31 DECEMBER 2016		NUMBER OF SHARES	PERCENTAGE
1	Sonata AS	31 747 492	67.05 %
2	Tidships AS	6 041 336	12.76 %
3	Skandinaviska Enskilda Banken AB	987 419	2.09 %
4	Belships ASA	498 000	1.05 %
5	Carlings AS	400 000	0.84 %
6	Colorado Eiendom AS	355 000	0.75 %
7	Tidinvest II AS	315 414	0.67 %
8	Jenssen & Co A/S	302 816	0.64 %
9	Chrem Capital AS	270 000	0.57 %
10	Jovoko AS	250 000	0.53 %
11	Toru Nagatsuka	250 000	0.53 %
12	Liv Søland	240 000	0.51 %
13	ASL Holding AS	225 000	0.48 %
14	AR Vekst AS	218 995	0.46 %
15	HKG Holding AS	212 779	0.45 %
16	JSL AS	211 000	0.45 %
17	Carl Erik Steen	207 203	0.44 %
18	Bernhard Kielland	200 000	0.42 %
19	Arne Risøy	138 651	0.29 %
20	Torstein Søland	130 000	0.27 %
Total 20 largest shareholders		43 201 105	91.23 %
Other shareholders		4 150 895	8.77 %
Total number of shares		**47 352 000**	**100.00 %**

NUMBER OF SHARES OWNED BY BOARD MEMBERS IN BELSHIPS ASA	OWNED SHARES	OUTSTANDING OPTIONS
Sverre J. Tidemand *	31 747 492	0
Christian Rytter	270 000	0
Carl Erik Steen	207 203	0
Other members	0	0

**) Includes shares held by Sonata AS, a company in which Sverre J. Tidemand controls the only share with voting rights.*

NUMBER OF SHARES OWNED BY THE MANAGEMENT IN BELSHIPS ASA	OWNED SHARES	OUTSTANDING OPTIONS
Ulrich Müller, Chief Executive Officer *	0	120 000
Stein H. Runsbech, Commercial Director	40 000	66 000
Osvald Fossholm, Financial Director	0	66 000

**) See note 16 for more information about separate share option plan.*

For changes in equity, see separate statement.

NOTE 21
CONTINGENCIES

The Board is not aware of any material disputes the company may be in involved in at 31 December 2016.

NOTE 22
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 renowned 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.

See note 8 for the specification of other financial items.

INTEREST RATE RISK

The long-term interest rate is at a historical 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.

In August 2011 Belships entered into an interest rate swap agreement with 2 years forward start at 2.2%. Remaining duration is 1.5 years covering USD 10 million, reducing by USD 5 million per year. The market value of the agreement amounts to -123 at yearend (2015: -295). Another interest swap agreement with forward start was entered into in June 2015 at a rate of 1.9% and with a duration of 5 years covering USD 20 million, reducing by USD 2 million per year. Market value of this agreement amounts to -200 (-307) at yearend. The hedging level of interest rate exposure is currently around 85% (leases excluded). The market value of the agreements are recorded as long-term liability.
The Group has during the two last years entered into two financial lease agreements, which also limit the interest rate exposure as the interest rate is fixed throughout the period.

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	2016	2015
Change in the interest rate level in basis points	**-100/+100**	-100/+100
Effect on result before tax	**388/-388**	438/-438

AVERAGE EFFECTIVE INTEREST RATE ON DEBT (%)		
Mortgage debt	**3.72**	3.10

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%. Added value related to the long-term charter party for M/S Belisland is not included in the balance sheet. In addition an improved market is expected to increase the equity capital ratio up to 35%. The equity ratio is calculated by dividing the book equity to total assets as shown below:

	2016	2015
Total equity as at 31 December	**20 144**	34 831
Total assets	**105 612**	103 248
Equity ratio as at 31 December	**19 %**	34 %

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

	2016	2015
Interest-bearing debt	**80 472**	63 264
Trade creditors	**256**	380
Cash reserves	**-7 918**	-7 993
Net debt	**72 810**	55 651
Equity	**20 144**	34 831
Total equity and net debt	**92 954**	90 482
Net debt ratio	**78 %**	62 %

LIQUIDITY RISK

The Group's solvency and financial position is considered to be satisfactory. The debt ratio increased in 2016 mainly due to delivery of new ship. Total current assets cover 97% of total short-term liabilities as at 31 December.

CREDIT RISK

There will always be a credit risk related to the Group's business. Belships monitors this risk and the strategy is to carefully select counterparts. Historical losses have been small. The Group's ships are employed on long-term charter to Canpotex Shipping Services Ltd and to Cargill, which is considered to be solid and reputable counterparts.
There is no class of financial assets that is past due and/or impaired except for trade receivables. All accounts receivable in the balance sheet are due within 30 days from the balance sheet date.

CURRENCY RISK

The functional currency of all the consolidated companies is USD since the major part of revenues and costs are in USD. Belships currency exposure is related to administrative expenses in Norway, Singapore and China. This exposure is considered to be limited. At year end the Group had a cash balance of NOK 2.9 million, SGD 0.7 million and CNY 9.9 million. Belships has no currency hedge agreements as at 31 December 2016.
The company does not use hedge accounting.

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 2016. 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.

	LOANS AND RECEIVABLES		CHANGE IN FAIR VALUE THROUGH PROFIT AND LOSS		AVAILABLE FOR SALE		TOTAL	
SUMMARY OF FINANCIAL ASSETS AND OBLIGATIONS *	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Financial assets								
Investments					**108**	152	**108**	152
Other long-term receivables	**183**	200					**183**	200
Trade debtors	**91**	4					**91**	4
Other receivables	**1 120**	1 269					**1 120**	1 269
Bank deposits	**7 918**	7 993					**7 918**	7 993
Financial obligations								
Mortgage debt	**-36 250**	-41 250					**-36 250**	-41 250
B/B commitment	**-44 647**	-22 497					**-44 647**	-22 497
Financial instruments			**-323**	-602			**-323**	-602
Trade creditors	**-256**	-380					**-256**	-380
Other short-term liabilities	**-2 231**	-1 847					**-2 231**	-1 847
Total	**-74 071**	-56 508	**-323**	-602	**108**	152	**-74 286**	-56 958

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

ASSETS AND OBLIGATIONS MEASURED AT FAIR VALUE	LEVEL 1		LEVEL 2		LEVEL 3		TOTAL	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Financial investments					**108**	152	**108**	152
Interest agreements			**-323**	-602			**-323**	-602
Total			**-323**	-602	**108**	152	**-215**	-450

FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	2016	2015
Mortgage debt	-36 250	-41 250
B/B commitment	-44 647	-22 497
Total	**-80 897**	**-63 747**

The fair value of credit facilities and obligations under fiancial 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 2016 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.

Belships ASA income statements

1 JANUARY – 31 DECEMBER/ NOK 1 000	NOTE	2016	2015
Operating income			
Freight income	2	**73 550**	6 457
Other operating income	10	**4 773**	3 986
Total operating income		**78 323**	10 443
Operating expenses			
T/C hire	2	**-42 529**	0
Ship operating expenses	9	**-24 257**	-3 922
Payroll expenses	10	**-13 933**	-14 612
Other general administrative expenses	11	**-6 793**	-6 641
Depreciation of fixed assets	2	**-14 065**	-2 914
Impairment of fixed assets	2	**-34 717**	-48 357
Total operating expenses		**-136 295**	-76 446
Operating result before sale of ship a.o.		**-57 971**	-66 003
Loss on sale of ship/effect on onerous contracts	2	**-31 108**	0
Operating result		**-89 079**	-66 003
Financial income and expenses			
Share dividend	8	**3 113**	17 496
Interest income		**71**	120
Interest expenses	12	**-26 758**	-6 223
Interest expense on loan to subsidiary	4	**-131**	-150
Write-down on shares in subsidiary	8	**-34 382**	0
Other financial items	9	**3 646**	7 842
Currency exchange gain/-loss	9	**-303**	10 806
Net financial items		**-54 744**	29 891
Net result before tax		**-143 824**	-36 111
Income tax expense	16	**0**	0
Net result for the year		**-143 824**	-36 111
Appropriations of net result:			
Transfer from/(to) other retained earnings		**143 824**	36 111
Total		**143 824**	36 111

Belships ASA balance sheets

AS AT 31 DECEMBER/ NOK 1 000	NOTE	2016	2015
FIXED ASSETS			
Tangible fixed assets			
Ships	2	**368 567**	215 036
Instalments newbuildings	2	**0**	37 218
Prepaid time charter hire	2	**12 930**	0
Other fixed assets	2	**5 745**	5 329
Total tangible fixed assets		**387 242**	257 583
Financial fixed assets			
Shares in subsidiaries	8	**207 136**	241 518
Other shares		**141**	141
Other long-term receivables	12	**1 581**	1 764
Total financial assets		**208 858**	243 423
Total fixed assets		**596 100**	501 006
CURRENT ASSETS			
Other receivables		**4 702**	4 904
Cash and cash equivalents	5	**4 962**	35 922
Total current assets		**9 664**	40 826
Total assets		**605 764**	541 832
EQUITY			
Paid-in capital			
Share capital		**94 704**	94 704
Treasury shares		**-1 096**	-1 096
Share premium reserve		**93 333**	93 333
Other paid-in capital		**106 727**	106 463
Total paid-in capital		**293 668**	293 404
Retained earnings			
Other equity		**-117 116**	27 044
Total equity	6	**176 551**	320 448
LIABILITIES			
Long-term liabilities			
Bareboat commitment	12	**369 032**	190 586
Provision for losses on contracts	2	**17 612**	0
Pension obligations	7	**5 583**	7 008
Financial instruments	14	**1 480**	2 400
Intercompany balances	4	**5 848**	5 764
Total long-term liabilities		**399 556**	205 758
Short-term liabilities			
Bareboat commitment, current portion	12	**15 326**	6 060
Public taxes and duties payable		**2 447**	1 392
Trade creditors		**281**	788
Intercompany balances	4	**4 546**	6 126
Other short-term liabilities		**7 056**	1 260
Total short-term liabilities		**29 657**	15 626
Total liabilities		**429 213**	221 384
Total equity and liabilities		**605 764**	541 832

OSLO, 16 MARCH 2017

BELSHIPS ASA

Sverre J. Tidemand Chairman of the Board	Christian Rytter Board member	Kjersti Ringdal Board member
Sissel Grefsrud Board member	Carl Erik Steen Board member	Bernt Ulrich Müller Chief Executive Officer

Belships ASA cash flow statements

1 JANUARY – 31 DECEMBER/ NOK 1 000	NOTE	2016	2015
CASH GENERATED FROM OPERATIONS			
Net result before tax		**-143 824**	-36 111
Adjustments to reconcile result before tax to net cash flows:			
Depreciation of fixed assets	2	**14 065**	2 914
Impairment of tangible fixed assets	2	**34 717**	48 357
Gain/loss from sale of fixed assets	2	**31 108**	0
Share-based payment transaction expense	3	**263**	223
Difference between pension expenses and paid pension premium	7	**-1 761**	-1 654
Change in pension contribution and premium fund		**0**	24
Net financial items		**54 744**	-29 891
Working capital adjustments:			
Change in trade debitors and trade creditors		**-507**	89
Change in intercompany balances		**-1 495**	-23 594
Change in other short-term items		**2 656**	-2 585
Interest received		**71**	120
Interest paid		**-26 889**	-3 803
Net other financial items		**3 852**	-8 355
Net cash flow from operations		**-33 000**	-54 266
CASH FLOW FROM INVESTING ACTIVITIES			
Investment newbuildings		**-174 043**	-45 568
Investments in fixed assets	2	**-1 426**	-88
Sale proceeds from fixed asset disposals	2	**202 204**	51 235
Dividends/Group contribution received	8	**3 113**	17 496
Repayment share capital subsidiary	8	**0**	40 284
Change in other investments		**-12 747**	397
Net cash flow from investing activities		**17 101**	63 756
CASH FLOW FROM FINANCING ACTIVITIES			
Instalments b/b commitments		**-15 061**	-1 427
Net cash flow from financing activities		**-15 061**	-1 427
Net change in cash and cash equivalens		**-30 960**	8 063
Cash and cash equivalents at 1 January		**35 922**	27 859
Cash and cash equivalents at 31 December	5	**4 962**	35 922
Restricted bank deposits	5	**1 749**	4 812

Notes to the Belships ASA accounts

NOTE 1
ACCOUNTING POLICIES

Belships is owner and operator of dry bulk ships on long-term charter to reputable customers. Belships ASA is registered in Norway and listed on the Oslo Stock Exchange. The head office is located in Lilleakerveien 4 in Oslo, Norway.

The financial statements have been approved by the Board on 16 March 2017.

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.

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

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

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.

Newbuilding contracts
Newbuilding contracts are recognised as a fixed asset based on instalments paid to the yard. Building supervision costs and project costs related to the newbuilding contracts are capitalised.

D) IMPAIRMENT OF ASSETS

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

anticipated future cash flows from the asset. When it is assumed that the asset's value is lower than its carrying amount, an impairment loss is recognised.
Impairment loss recognised in earlier periods is reversed only in case of changes to the estimates used to determine the recoverable amount. However, the reversal amount may only be so high that book value after reversal at most corresponds to the value at which the asset would have been registered if it had not been impaired earlier. Such reversals are recorded in the income statement.
Financial assets classified as being available for sale are written down when there are objective indications that the asset has declined in value. An accumulated loss (the difference between acquisition cost and current market value, with deduction of impairments previously included in the result and any amortisation amounts) is included in the income statement. If the market value of a debt instrument classified as available for sale increases in a subsequent period, and the increase can objectively be linked to an event that took place after the impairment was included in the income statement, the impairment loss will be reversed over the income statement.
Impairment loss for an investment in an equity instrument classified as held for sale, will not be reversed over the income statement.

E) LEASING

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date. Leases are classified as financial leases if the terms of the lease agreement transfers substantially all the risks and rewards incidental to ownership of an asset. All other leases are classified as operating lease.
Assets financed under financial leases are capitalized at inception of the lease at the fair value of the leased vessel or, if lower, at the present value of the minimum lease payments. The corresponding lease obligation is recognized as a liability in the balance sheet. Lease payments are split between interest cost and reduction of the lease liability. Interest cost is recognized in the income statement.
Financial leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term. For operating leases, the payments (time charter hire or bareboat hire) are recognized as an expense on a straight line basis over the term for the lease.

F) INVESTMENTS IN OTHER COMPANIES

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

G) ACCOUNTS RECEIVABLE

Accounts receivable are booked at nominal amount less expected loss.

H) CASH FLOW STATEMENT

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

I) EQUITY

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

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

J) EMPLOYEE BENEFITS

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

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

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

K) PROVISIONS

A provision is recorded when the company has a liability (legal or constructive) as a result of a previous event, where it is likely (more likely than not) that there will be a financial settlement as a result of this liability and that the size of the sum can be reliably determined. If the effect is considerable, the provision is calculated by discounting the expected future cash flow with a discount rate before tax, which reflects the market's evaluation of the time value of money and, if relevant, risks specifically connected to the liability.
Provisions for loss-creating contracts are included when the group's expected income from a contract is lower than the inevitable costs which were incurred in discharging the obligations of the contract.

L) REVENUE RECOGNITION

Gains will be taken to income when it is likely that transactions will generate future financial gains which will be attributable to the company and the sum can be reliably estimated. Interest rate income is taken to income based on effective interest method according to when it is earned.
Dividend received from subsidiaries is accounted for in the same year as dividend has been accrued for in the subsidiary. If such dividend exceeds the prorata share of retained earnings after the acquisition of the shares, such excess portion represents repayment of capital and reduces the acquisition cost accordingly.

M) TRANSACTIONS IN FOREIGN CURRENCY

Transactions in foreign currency are converted at the rate at the time of the transaction. Monetary items in foreign currency are converted into Norwegian kroner using the rate on the balance sheet date. Non-monetary items which are measured at historical rates expressed in foreign currencies, are converted into Norwegian kroner using the currency rate at the time of the transaction. Non-monetary items which are measured at market value expressed in foreign currency are converted at the currency rate on the balance sheet date. Currency rate changes are charged against income during the accounting period.

N) CONTINGENT GAINS AND LOSSES

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

O) RELATED PARTY TRANSACTIONS

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

P) EVENTS AFTER THE BALANCE SHEET DATE

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

Q) USE OF ESTIMATES IN PREPARATION OF THE ANNUAL ACCOUNTS

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

R) EARNINGS PER SHARE

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

S) SHARE-BASED REMUNERATION

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

T) FINANCIAL INSTRUMENTS

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

Notes to the Belships ASA accounts

NOTE 2
FIXED ASSETS

2016	Newbuilding	Ships			Other fixed assets		
		Ship excl. dry docking costs	Capitalised dry dock.costs	Total ships	Depreciable assets	Non depreciable assets	Total other fixed assets
Cost price							
As at 1 January	55 521	228 067	7 678	235 745	16 867	4 113	20 980
Additions	174 043	194 055	7 680	201 735	1 426	0	1 426
Disposals	-229 564	0	0	0	-1 209	0	-1 209
As at 31 December	**0**	422 122	15 358	**437 480**	17 084	4 113	**21 197**
Depreciations							
As at 1 January	18 303	20 325	384	20 709	15 151	500	15 651
Depreciation for the year	0	10 798	2 689	13 487	579	0	579
Impairment	0	34 717	0	34 717	0	0	0
Disposals	-18 303	0	0	0	-778	0	-778
As at 31 December	**0**	65 840	3 073	**68 913**	14 952	500	**15 452**
Book value at 31 December	**0**	356 282	12 285	**368 567**	2 132	3 613	**5 745**

2015	Newbuilding	Ships			Other fixed assets		
		Ship excl. dry docking costs	Capitalised dry dock.costs	Total ships	Depreciable assets	Non depreciable assets	Total other fixed assets
Cost price							
As at 1 January	84 880	0	0	0	16 799	4 093	20 892
Additions	190 169	228 067	7 678	235 745	68	20	88
Disposals	-219 528	0	0	0	0	0	0
As at 31 December	**55 521**	228 067	7 678	**235 745**	16 867	4 113	**20 980**
Depreciations							
As at 1 January	0	0	0	0	14 676	0	14 676
Depreciation for the year	0	2 056	384	2 440	475	0	475
Impairment	30 088	18 269	0	18 269	0	500	500
Disposals	-11 785	0	0	0	0	0	0
As at 31 December	**18 303**	20 325	384	**20 709**	15 151	500	**15 651**
Book value at 31 December	**37 218**	207 742	7 294	**215 036**	1 716	3 613	**5 329**

M/S BELISLAND

M/S Belisland, a 61 000 dwt Ultramax bulk carrier, was constructed at Imabari Shipbuilding in Japan and delivered 15 March 2016. Remaining newbuilding commitment amounting to USD 19.8 million (NOK 174 million) was paid upon delivery. The ship was at time of delivery sold to a Japanese counterpart and leased back for a period of 15 years with purchase options from year 5 onwards. The sale generated a loss amounting to NOK 9.1 million. The lease transaction is considered as a financial lease. The ship is chartered to Canpotex for 5 years.

M/S BELFOREST

M/S Belforest, a 61,000 dwt Ultramax bulk carrier was delivered on 25 September 2015 and is leased for a period of 12 years with purchase options from year 3 onwards. The transaction is considered as a financial lease. The ship is chartered to Cargill unto late of

May 2017 with charterers option of further 4 months, at charter rate of around USD 6,000 per day. A provision of NOK 0.7 million are entered for the timecharter agreement with Cargill.

Net impairment for M/S Belisland and M/S Belforest amounting to NOK 34.7 million in 2016. See note 7 in the consolidated accounts regarding impairment.

M/S BELOCEAN

M/S Belocean, owned by Belships Supramax Singapore (BSS), ended her charter with Canpotex on 25 February 2016 and was further chartered by Cargill for 10-15 months at an average net rate of USD 3,750 per day. The charter agreement with Cargill was done with Belships ASA which at same time entered into a timecharter agreement with BSS. The timecharter rate on the agreement with BSS amounts to USD 16,000 per day.

A provision of NOK 21.3 million is recorded as estimated net loss on the timecharter agreements for M/S Belocean and M/S Belisland.

PREPAYMENT OF TIMECHARTER HIRE

Prepayment of timecharter hire amounting to USD 1.5 million is related to the newbuilding with delivery in January 2018.

OTHER FIXED ASSETS

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

NOTE 3
OPTIONS TO EMPLOYEES

At the Annual general meeting (AGM) in 2015, the Board was authorised to issue up to 200 000 share options to employees. The option price was 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 3.89 was awarded in August 2015. No options have been exercised.
At the AGM in 2016, 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 3.11 was awarded in August 2016.

Both 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	2016	2015
Outstanding 1 January	**400 000**	200 000
Awarded	**200 000**	200 000
Exercised	**0**	0
Not exercised	**-200 000**	0
Outstanding 31 December	**400 000**	400 000

Market value of options estimated using the Black and Scholes options pricing model. For the options awarded in 2015 and 2016 the market value per share was NOK 0.75 and NOK 0.60 respectively. The market value of outstanding share options are calculated at time of award and charged against profit and loss over the period until they can be exercised. In 2016 the calculated costs amounted to 74 and 64 for the 2015- and 2016-options respectively.

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 39.0%.
Duration of options: It is assumed that all employees will exercise their options when the service period has been completed. The term of the options is estimated at two years.
Dividend: Estimated dividend per share is NOK 0 per year.
Risk free interest rate: Interest rate used as a basis for calculating options is equal to the interest rate on government bonds over the duration of the options, i.e. 0.53% for 2016.
Decrease in the number of employees: Expected reduction is 0.

SHARE OPTION PLAN CHIEF EXECUTIVE OFFICER

In addition to the above share option plan the CEO has a separate share option plan with the following conditions:
The right to subscribe for up to 2 million shares in Belships ASA at a subscription price of NOK 5.00, of which:

- 500 000 shares may be subscribed for if the company's market value exceeds NOK 300 million (Sub-option A).
- The remaining 1.5 million shares may be subscribed for if the company's market value exceeds NOK 750 million (Sub-option B). Sub-option B is for 2 million shares if Sub-option A is not exercised within the time allowed for Sub-option A.

The market value is the product of the volume-weighted closing price of the company's shares on the Oslo stock exchange in a 15-day period and the number of outstanding shares less treasury shares and/or shares Belships issues after the option agreement date. Sub-option A expires 30 June 2018, while sub-option B expires 30 June 2020. The calculated cost for this option amounted to 125 in 2016.

Notes to the Belships ASA accounts

NOTE 4
INTERCOMPANY BALANCES

No interest is calculated on short-term intercompany accounts as these items are only considered as ordinary operating balances. 131 (2015: 150) are paid to a subsidiary related to long-term intercompany accounts of 5 848 (5 764) at yearend.

Interest at market terms is calculated on long-term intercompany balances, and the balance fall due when the cash position allows it.

NOTE 5
BANK DEPOSITS

Total bank deposit amounted to 4 962 (35 922) at year-end. Restricted funds for withholding tax for employees amounted to 668 (773) and other restricted deposits amounted to 1 081 (4 039) as at 31 December 2016.

Notes to the Belships ASA accounts

NOTE 6 EQUITY

	PAID-IN				RETAINED	
	SHARE CAPITAL	TREASURY SHARES	SHARE PREMIUM RESERVES	OTHER EQUITY	OTHER EQUITY	TOTAL
Equity per 31 December 2015	94 704	-1 096	93 333	106 463	27 044	**320 448**
Actuarial (gains)/losses on obligation	0	0	0	0	-336	**-336**
Share-based payments	0	0	0	263	0	**263**
Result for the year	0	0	0	0	-143 824	**-143 824**
Equity per 31 December 2016	94 704	-1 096	93 333	106 726	-117 116	**176 551**

SHARE CAPITAL

Belships ASA's 47 352 000 shares, each with a face value of NOK 2.00, was as of 31 December 2016 distributed among 481 shareholders (2015: 451). Each share has one vote.

TREASURY SHARES

The company holds 548 000 treasury shares in total with an average cost price of NOK 9.91 as of 31 December 2016. Belships ASA has lent 50 000 of the treasury shares to ABG Sundal Collier Norge ASA (ASC) in connection with ASC' role as liquidity provider for the company's shares on Oslo Stock Exchange.

AUTHORISATION TO ISSUE NEW SHARES

At the Annual general meeting in 2016 the Board received authorisation to issue up to 4.7 million new shares. The authorisation has not been used and is valid to the next ordinary Annual general meeting.

DIVIDEND

The Board of Directors of Belships ASA will at the general meeting on 25 April 2017 propose no payment of dividend (2016: 0).

THE 20 LARGEST SHAREHOLDERS IN BELSHIPS ASA AT 31 DECEMBER 2016		NUMBER OF SHARES	PERCENTAGE
1	Sonata AS	31 747 492	67.05 %
2	Tidships AS	6 041 336	12.76 %
3	Skandinaviska Enskilda Banken AB	987 419	2.09 %
4	Belships ASA	498 000	1.05 %
5	Carlings AS	400 000	0.84 %
6	Colorado Eiendom AS	355 000	0.75 %
7	Tidinvest II AS	315 414	0.67 %
8	Jenssen & Co A/S	302 816	0.64 %
9	Chrem Capital AS	270 000	0.57 %
10	Jovoko AS	250 000	0.53 %
11	Toru Nagatsuka	250 000	0.53 %
12	Liv Søland	240 000	0.51 %
13	ASL Holding AS	225 000	0.48 %
14	AR Vekst AS	218 995	0.46 %
15	HKG Holding AS	212 779	0.45 %
16	JSL AS	211 000	0.45 %
17	Carl Erik Steen	207 203	0.44 %
18	Bernhard Kielland	200 000	0.42 %
19	Arne Risøy	138 651	0.29 %
20	Torstein Søland	130 000	0.27 %
Total 20 largest shareholders		43 201 105	91.23 %
Other shareholders		4 150 895	8.77 %
Total number of shares		**47 352 000**	**100.00 %**

NUMBER OF SHARES OWNED BY BOARD MEMBERS IN BELSHIPS ASA	OWNED SHARES	OUTSTANDING OPTIONS
Sverre J. Tidemand *	31 747 492	0
Christian Rytter	270 000	0
Carl Erik Steen	207 203	0
Other members	0	0

**) Includes shares held by Sonata AS, a company in which Sverre J. Tidemand controls the only share with voting rights.*

NUMBER OF SHARES OWNED BY THE MANAGEMENT IN BELSHIPS ASA	OWNED SHARES	OUTSTANDING OPTIONS
Ulrich Müller, Chief Executive Officer *	0	120 000
Stein H. Runsbech, Commercial Director	40 000	66 000
Osvald Fossholm, Financial Director	0	66 000

**) See note 3 for more information about separate share option plan.*

NOTE 7
PENSIONS

DEFINED CONTRIBUTION SCHEME

All the 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 related to this scheme amounted to 1 011 in 2016 (2015: 968).

DEFINED BENEFIT SCHEME

In addition to defined contribution scheme, the company has unfunded pension liabilities which are covered through the daily operations. These relate to early retirement and pension to persons, that have not been included in the defined contribution scheme. There are 7 retired persons included in this scheme.
Pension commitments are calculated by an independent actuary. The basis for the calculation is shown below. The new 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.

	2016	2015
Assumptions		
Discount rate	**2.60 %**	2.70 %
Future wage adjustment	**2.50 %**	2.50 %
Pension adjustment/G-adjustment	**2.50 %**	2.50 %
Return on pension plan assets	**2.60 %**	2.70 %
Composition of the net pension obligations per 31 December		
Net pension obligations as at 1 January	**7 008**	8 458
Interest on accrued pension obligations	**163**	174
Employer benefits paid	**-1 925**	-1 827
Actuarial (gains)/losses on obligation	**337**	203
Net pension obligations as at 31 December	**5 583**	7 008

NET PENSION EXPENSES	2016	2015
Pension expenses defined benefit scheme	**163**	174
Pension expenses defined contribution scheme	**1 011**	968
Total pension expenses	**1 174**	1 142

Notes to the Belships ASA accounts

NOTE 8
SHARES

	BUSINESS OFFICE	TIME OF PURCHASE	COST PRICE	OWNER-SHIP/ VOTING SHARE	COMPANY'S SHARE CAPITAL	NUMBER OF SHARES OWNED	PAR VALUE	BOOK-VALUE
Shares in subsidiaries								
Belships Management AS	Oslo	09.12.85	7 493	100 %	100	2	TNOK 50	657
Belships Management (Singapore) Pte Ltd 1)	Singapore	31.12.83	12 075	100 %	TSGD 60	60 000	SGD 1	12 076
Belships Supramax Singapore Pte Ltd 2)	Singapore	18.06.09	253 782	100 %	MSGD 58.5	58.5 mill.	SGD 1	189 000
Belships Chartering AS	Oslo	27.01.93	221 181	100 %	5 403	2 700	TNOK 2	5 403
Total								207 136

1) *The company has provided dividend of 3 113 (17 496) in 2016*

2) *Book value of the shares is written-down with 34 382 in 2016, to be in line with booked equity in the subsidiary.*

Notes to the Belships ASA accounts

NOTE 9
SPECIFICATIONS

SHIP OPERATING EXPENSES	2016	2015
Crew expenses	**14 725**	2 071
Maintenance and spare parts	**3 977**	129
Insurance	**2 307**	397
Management fee	**2 039**	482
Other ship operating expenses	**1 209**	844
Total ship operating expenses	**24 257**	3 922

OTHER FINANCIAL ITEMS	2016	2015
Net guarantee commissions 1)	**-7 388**	-10 901
Financing costs	**3 270**	1 951
Other financial items	**473**	1 108
Net other financial items	**-3 646**	-7 842

1) The company is acting as a guarantor for the mortgage debt in the subsidiary Belships Supramax Singapore. A guarantee fee equal to 3% of loan balance amounting to 9 491 (10 901) has being charged in 2016.
Sonata AS issued in December 2015 an on-demand guarantee amounting to USD 5 million to the lender of the Group's mortgage debt. The guarantee carries an interest of 5% which amounted to 2 103 in 2016.

CURRENCY GAIN/(LOSS) IN INCOME STATEMENT	2016	2015
Realised currency exchange gain	**-37 184**	-26 598
Unrealised currency exchange gain	**-1 890**	0
Realised currency exchange loss	**35 868**	15 792
Unrealised currency exchange loss	**3 508**	0
Total	**303**	-10 806

Notes to the Belships ASA accounts

NOTE 10
SALARIES, NUMBER OF EMPLOYEES

SALARY EXPENSES	2016	2015
Salaries	**10 113**	10 505
Social security tax	**1 826**	2 096
Pension expenses	**1 174**	1 142
Other allowances	**819**	869
Total	**13 933**	14 612

Belships was charging the subsidiary Belships Management AS with a management fee amounting to 4 773 in 2016 (2015: 3 986).

The average number of employees in 2016 was 8 (2015: 8).

REMUNERATION TO THE MANAGEMENT	CHIEF EXECUTIVE OFFICER	FINANCIAL DIRECTOR	COMMERCIAL DIRECTOR
Salary	3 086	1 474	1 730
Share-based payment transaction expense	19	11	11
Pension expenses (defined contribution)	162	162	162
Other allowances	391	165	178

There exist no severance pay agreement.

SHARE OPTIONS

For information about share options, see note 3. The CEO has a separate option scheme that was approved in an extraordinary general meeting in June 2016. See note 3 for details.

BOARD REMUNERATION

Board members are not awarded share options. The Board has received 643 in remuneration in 2016 (2015: 643), divided into 161 to the Chairman and 120 to each of the other members. Additional, 3 of the board members represent an audit committee and have received 90 in remuneration in 2016 (2015: 90), divided into 34 to the Chairman and 28 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)	2016	2015
Remuneration for audit services	**220**	220
Other assurance services	**38**	0
Assistance related to tax matters	**41**	51
Other audit related assistance	**0**	111

LOANS TO EMPLOYEES

Loans to employees amounted to 1 536 (1 719) as at 31 December 2016. Of this, 550 (548) to the management. See note 12 for further details regarding the loans.

NOTE 11
OTHER GENERAL ADMINISTRATIVE EXPENSES

	2016	2015
Office expenses	**1 712**	1 584
Other services	**1 692**	1 702
Data, office equipment a.o.	**552**	661
Communication, advertising	**301**	346
Travel expenses	**954**	691
Other general administrative expenses	**1 582**	1 657
Total	**6 793**	6 641

NOTE 12
RECEIVABLES AND LIABILITIES

BAREBOAT COMMITMENT

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

M/S Belisland, a 61 000 dwt Ultramax bulk carrier, was constructed at Imabari Shipbuilding in Japan and delivered 15 March 2016. The remaining newbuilding commitment amounting to USD 19.8 million (NOK 174 million) was paid upon delivery. The ship was at time of delivery sold to a Japanese counterpart and leased back for a period of 15 years with purchase options from year 5 onwards.

Both leases are considered as financial leases. See note 13 in the consolidated accounts for repayment schedule.

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 covering USD 20 million, reducing by USD 2 million per year.

LOANS TO EMPLOYEES

Loans to employees amounted to 1 536 (1 719) as at 31 December 2016. The average interest rate used for the loans was 2.28% (2.72%) in 2016. The repayment period is five years.

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

Notes to the Belships ASA accounts

NOTE 13
SUBSEQUENT EVENTS

No material events have taken place after 31 December 2016.

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 8.6200 (8.8090), which was Norges Bank's exchange rate at 31 December 2016. 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 company had a cash balance of NOK 2.9 (3.8) 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 covering USD 20 million, reducing by USD 2 million per year. Market value of this agreement amounts to -1 480 (-2 400) at year end and is recorded as long-term liability.

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 fee for this. The fee amounted to 4 773 (3 986) in 2016.

The company receives a commission for acting as guarantor for mortgage debt in the subsidiary Belships Supramax Singapore Pte Ltd. The fee amounted to 9 491 (10 901) in 2016. See note 9 for further details.

All intercompany transactions have been conducted to market terms.

Sonata AS, the main shareholder in Belships ASA, issued in December 2015 an on-demand guarantee amounting to USD 5 million to the lender of the Group's mortgage debt. The guarantee carries a commission of 5% which amounting to 2 103. Except for this, it has not been issued loans or provided security to or from shareholders or related parties.

Members of the management have loans from the company. These amounts to 550 (548) per 31 December 2016.

Notes to the Belships ASA accounts

NOTE 16
TAX

TAX RESULT FOR THE YEAR FOR BELSHIPS ASA	2016	2015
Result for the year before tax	**-143 824**	-36 111
Change in temporary differences	**52 772**	-11 323
Permanent differences / other	**-2 852**	-17 555
Tax basis for the year	**-93 904**	-64 989
Taxes payable (25%)	**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	2016	2015
Result for the year before tax	**-143 824**	-36 111
Statutory tax rate	**25 %**	25 %
Estimated tax expense at statutory rate	**-35 956**	-9 028
Permanent differences / other	**-713**	-4 389
Expected tax expense	**-36 669**	-13 417
Change in deferred tax assets	**36 669**	13 417
Actual tax expense	**0**	0
Effective tax percentage	**0 %**	0 %

DEFERRED TAX PER 31 DECEMBER	2016	2015
Deferred sale fixed asset gain/(loss)	**-7 142**	0
Provision for loss on contracts	**-22 015**	
Pension obligations	**-5 583**	-7 008
Interest swap	**-1 481**	-2 400
Temporary differences fixed assets	**20 218**	11 795
Impairment loss on shares in subsidiaries abroad	**-64 782**	-30 400
Tax loss carried forward	**-398 955**	-305 051
Net temporary differences	**-479 740**	-333 064
Statutory tax rate	**24 %**	25 %
Deferred tax assets	**-115 138**	-83 266
Deferred tax assets in Balance sheets	**0**	0
Deferred tax assets not in Balance sheets	**-115 138**	-83 266

Calculation of deferred taxes is based on temporary differences between statutory books and tax values which exist at the end of the year. Deferred tax assets are not recorded in the balance sheet, as future utilization of tax losses cannot be reasonably assured.

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Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Belships ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Belships ASA comprising the financial statements of the parent company and the Group.

The financial statements of the parent company comprise the balance sheet as at 31 December 2016, the income statement and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements comprise the balance sheet as at 31 December 2016, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2016, and of 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 consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Impairment assessment of ships

Based on current market conditions management identified impairment indicators and tested recoverable amounts of the ships. The Group recognized an impairment charge of USD 13.8 million. When estimating recoverable amount for each ship, management's valuation model takes into consideration the average of two independent broker valuations (charter free) and the net present value of the estimated fair value of the related time-charter agreements for the ships, which has a remaining contract period of 3-5 years. Considering the extent of estimates and assumptions applied in the impairment evaluation, and Management's involvement and judgment in establishing them, we determined impairment of ships to be a key audit matter.

Our audit procedures included, among others, an evaluation of the valuation model prepared by Management, including a comparison of the average independent broker valuation to external observable transactions of similar ships, market data and external analysis of long–term expectations in the dry bulk sector. We tested assumptions regarding estimated fair value of the ships time-charter agreements against contract and market data. Furthermore, we compared the risk premium used in the weighted average cost of capital with external data and considered management's adjustments for company specific factors, and further evaluated the level of consistency applied in the valuation methodology from previous years. We also tested the mathematical accuracy of the valuation model and performed sensitivity analysis of the most critical assumptions.

Refer to note 3 in the consolidated financial statements regarding estimation uncertainties and note 7 in the consolidated financial statements regarding ships, applied valuation model and sensitivity to key assumptions.

Sale and leaseback M/S Belisland

In 2016 the Company entered into a sale and leaseback agreement for the ship M/S Belisland which required management's assessment of whether the transaction should be recognized as a financial or operational lease. Management concluded the lease agreement to be a financial lease due to the exercise prices of the purchase options from year 5 and onwards in the lease agreement. This was determined to be a key audit matter due to the financial significance and complexity of the transaction and judgment in the assessment.

In our audit, we gained an understanding of the substance of the transaction through discussions with management and reading of relevant agreements. We evaluated the exercise prices versus market value of the ship at inception and market data and external analysis of long-term expectations in the dry bulk sector.

Refer to note 3 in the consolidated financial statetements for further description of how the sale and leaseback transaction is recognized and presented in the financial statement.

Other information

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

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

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Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

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

Opinion on registration and documentation

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

Oslo, 17 March 2017
ERNST & YOUNG AS

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

Belships' values and ethical guidelines are intended to safeguard good corporate ethics

CORPORATE GOVERNANCE

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

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

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

Operations

The company's business is operation, purchase and sale of ships as well as participation in companies with similar objectives. The company is listed on the Oslo Stock Exchange and is for the time being engaged in dry bulk and technical management of ships.

Share capital and dividends

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. When increasing share capital through the issue of new shares for cash payment, the company's shareholders have normally a pre-emptive right of subscription.

The Board will propose private placements or the issue of shares as consideration in connection with investments only when this will safeguard the long-term interests of existing shareholders.

Until the coming General Meeting (GM), the Board is entitled to acquire on behalf of the company 200 000 own shares and to issue 4 700 000 new shares under conditions determined by the GM.

Equal rights for shareholders and transactions with related parties

The company has only one class of shares and the company's articles of association contain no limitations on voting rights. All shares carry equal rights and can be transferred freely.

In situations where the Board proposes that existing shareholders should waive their right to subscribe for shares, this will only be done where justified in light of the company's and the shareholders' interests. The justification shall be published in connection with the announcement of the increase in capital.

Belships provides limited management services to the company's principal shareholder. These services are provided at market terms. Any material transactions with closely related parties follow from sections 3-8 and 3-9 of the Norwegian Limited Liability Companies Act, and the agreements are adopted by the GM on the basis of a report submitted to the GM beforehand. The option programs are adopted by special authorization from the GM.

General Meeting

The GM is the company's supreme authority. The GM elects the Board and the auditor. Pursuant to the Limited Liability Companies Act, notice of GM must be sent to the shareholders no later than 21 days before the GM is to be held. The GM must be held by 30 June. Shareholders are registered in the Shareholders' Register with address. All shareholders are entitled to attend the GM and must give notice of attendance two days before the meeting is held. The Board, the company's management and the auditor attend GMs.

Election committee and audit committee

Considering the scope of the company's operations, the Board considers it reasonable and appropriate that the company should only have one board committee: the audit committee. The committee is made up of Christian Rytter (Chairman), Kjersti Ringdal and Sissel Grefsrud.

Members of the Board represent, directly and indirectly, more than 50 per cent of the shareholdings in Belships ASA. For this reason, no election committee has been established. The Board fulfills this role itself, and the work to review candidates for the Board is handled by ad hoc committees of the Board and chaired by the Chairman.

Board – composition and independence

The Board shall consist of 3-7 members. The Board elects its chairman. Members may be re-elected every two years. Board appointments are communicated through the notice of GM and the members are elected by majority vote.

The Board is made up of directors with broad experience and knowledge of the sector. Four directors are independent of day-to-day management, the majority shareholder and major business connections. Three directors own shares in the company.

The duties of the Board, risk management and internal control

The Board supervise the work of the administration. This means that the Board must review and approve strategies and follow up the implementation of the resolutions adopted.

Strategic decisions or decisions of material importance must be approved by the Board. The Board also appoints the Chief Executive Officer and determines his/her remuneration and the general framework for the Group's wage level.

The Board has prepared rules of procedure for the Chief Executive Officer, which specify his responsibilities and the decisions that have to be approved by the Board. The Board's duties comprise the review and supervision of the Group's internal control procedures and risk management. The same applies to ensuring that the company's integrity is safeguarded.

Focus is on ensuring that the Board functions as a team of independent members. The Board has also prepared rules of procedure for the Board's audit committee, which is to support the Board in performing its duties relating to reporting, audit, internal control and overall risk management.

The Board has an overall responsibility for safety, security and the environment. Our subsidiary in Singapore, which is responsible for the technical operation of Belships own and other ships, concentrates in particular on these matters.

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

Remuneration of directors

Remuneration of directors is approved by the company's GM. The remuneration is granted at the end of the year of service. Directors have no options to buy shares in the company, nor do they receive compensation other than the Board fees. The company endeavors to grant directors a remuneration based on market terms.

Remuneration to officers

The Board prepares guidelines for the remuneration of officers, pursuant to the law, which are submitted to the GM. Remuneration to the Chief Executive Officer is approved by the Board on the Chairman's recommendations.

The company has a share option scheme that applies to all employees in Norway. In addition the Chief Executive Officer has a separate share option agreement with the company. Details concerning the remuneration of the company's officers are provided in a separate note to the accounts.

Information and communication

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

Company takeover

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

Auditor

The company's auditor attends at least one Board meeting a year, normally in connection with the presentation of the annual accounts. In its meeting with the auditor, the Board focuses in particular on procedures relating to the company's internal control as well as current accounting issues.

The Board and the auditor meet at least once a year without the Chief Executive Officer or other executives being present. The auditor also attends the company's GM and has access to the company's minutes of board and GMs. The Board reviews the auditor's engagement on an annual basis.

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

The company's management meets the auditor regularly to discuss current tax and accounting issues.

The Board makes a running assessment of whether the audit is performed in a satisfactory manner.

Strong commitment to customers and quality creates value

CORPORATE SOCIAL RESPONSIBILITY

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

Belships has a clearly defined vision and mission statement and a set of core values, which we believe will ensure that the Company grows a value-creating and sustainable business.

Vision
Strong commitment to customers and quality creates value.

Mission
We are an ambitious global organization with focus on:
– Safety & environment
– Customers
– Quality
– People

Core values
– Respect
– Commitment
– Sincerety & Honesty

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

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

1. Environment

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

Belships recognizes its environmental responsibility and strive 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, NOX and SOX.

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

Belships are further 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. M/S Belforest and M/S Belisland 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.

2. Human and Labour rights

It is Belships policy to integrate attention to human and labor rights into its existing business processes. In practice, a large part of the human and labor rights agenda is covered by the Company's health and safety efforts. The health and safety of our employees is a key priority for Belships. As an international and multi-local industrial employer, the Company respects international and local legislation, including the provision of the International Labor Organization's Maritime Labor Convention of 2006 (the "MLC"). The MLC is widely 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 values its employees as a key resource. The Company will continue to focus on attracting and keeping the best qualified and motivated employees. As a global organization, Belships has a diversified working environment in which employment, promotions, responsibility and job enrichment are based on qualifications and abilities and not on gender, age, race and political or religious views The Company does not tolerate discrimination in any form.

Belships aims to continuously provide and enhance healthy, high-quality working conditions, both onshore and onboard vessels. Crewing and technical management are handled by Belships' subsidiaries in Singapore and China. These companies also have external customers and offer ship management-services to ship owners worldwide. A dedicated and well-trained ship- and onshore team is monitoring 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 2016.

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

Belships faces same challenges as other shipping companies when it comes to piracy. Piracy is still a challenge for the shipping industry and cannot be solved by the Company or the shipping industry alone. It must be dealt with by the international community and relevant authorities of UN working together. To create a secure environment in which our crew feels safe, the company has adopted a best management-practice consistent with the industry standards and under suggestion by Intertanko and Oil Companies International Marine Forum to deter piracy. All of our ships are registered with the EU Naval Force (Maritime security centre) which co-ordinates ship's transit schedules with the appropriate naval ships in the Gulf of Aden and Somali basin. Depending on the present conditions and individual risk factors for the particular ship, preventive measures are evaluated for each transit in accordance with Belships' piracy policy. There were no incidents of attempted hijackings of Belships-vessels in 2016.

3. Anti-corruption

Belships has defined a set of core values being reflected in everything the Company does, and are an integrated part of how the Company does its business.

Belships believes that corruption prevents well-functioning business processes and curbs economic development. Corruption or corrupt behavior is not accepted by the Company. Belships focuses on transparency in its business practices, supports free enterprise and competes in a fair and ethical manner.

Appendix

Definition of Non-IFRS financial measures

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

BELSHIPS

ANNUAL REPORT 2017

We are excited about our journey over the coming years

DEAR READER

I am proud to present the annual report for Belships ASA, and to introduce you to a company with a long history, extensive experience, strong expertise and a promising future.

From its origin in 1918 and focus on specialized heavy lift ships, the company made a valuable contribution for the Allied forces during World War II and during the Korean War. Later on, the company also entered both the tanker- and the energy sector.

Today, Belships ASA has developed into a pure dry bulk tonnage provider with full concentration on one non-specialized asset type. The company has been stock listed on the Oslo Stock Exchange since 1937.

Our subsidiary, Belships Management (Singapore) Pte Ltd, has made its mark on one of the world's most challenging industries for close to 35 years – an industry where clients manage valuable assets and demand the highest level of expertise and ability from their partners. We focus without compromise on strict risk management to minimize the hazards to both people and the environment and we appreciate the demands and challenges made by our esteemed clients.

Belships ASA outlined in 2013 a bold newbuilding program for eco-design Ultramax bulk carriers to be constructed by Imabari Shipbuilding Group in Japan. This strategic move has transformed the business area into a state-of-the-art dry bulk tonnage provider with high focus on quality, fuel efficiency and emission control. The Company took delivery of one 61,000 dwt Ultramax in September 2015 (Belforest), a sister ship in March 2016 (Belisland) and one 63,000 dwt Ultramax in January 2018 (Belnippon). Both Belforest and Belnippon are on charter to Cargill, whereas Belisland is on charter to Canpotex. Another 63,000 dwt Ultramax will be delivered from Imabari Shipbuilding within first half 2020.

Our corporate strategy is to provide our reputable clients a reliable transportation solution based on long-term charters and partnership. We will have focus on growth in fleet size and diversification of our customer base through a careful selection of counterparts.

Belships ASA will celebrate 100 years in 2018!

We are excited about our journey over the coming years.

Bernt Ulrich Müller
Chief Executive Officer
Belships ASA

KEY FINANCIAL FIGURES

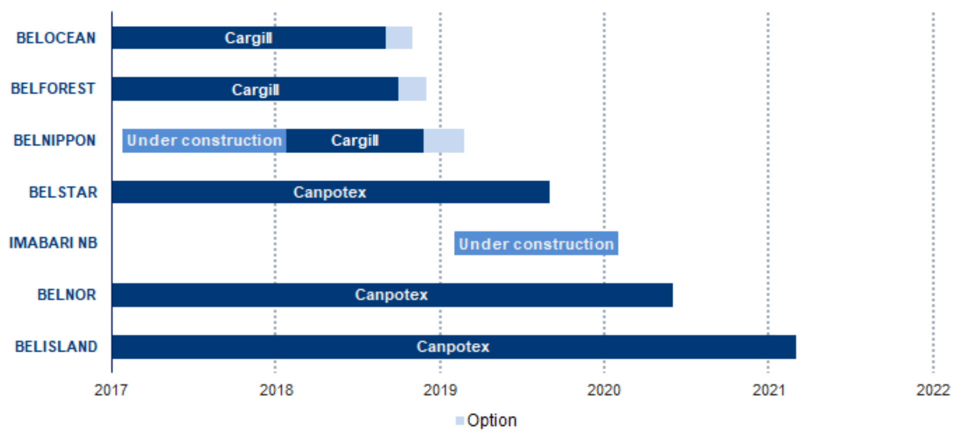
USD 1 000		2017	2016
Operating income		27 309	25 415
EBITDA		13 270	11 280
Operating result (EBIT)		11 614	-8 907
Net result for the year		6 364	-14 593
Total assets		102 129	105 612
Equity		26 382	20 144
Equity per share	NOK	4.62	3.71
Interest coverage ratio		2.45	-1.84
Current ratio	%	84.56	97.16
Equity ratio	%	25.83	19.07
Earnings per share	US cent	13.60	-31.18
Proposed dividend per share	NOK	0.10	0.00

FLEET LIST

SHIP	OWNERSHIP	BUILT YEAR	DWT	EMPLOYMENT	T/C-RATE (NET USD/DAY)
Supramax					
M/S Belstar	100 %	2009	58 018	T/C to 08/19	16 000
M/S Belnor	100 %	2010	58 018	T/C to 05/20	16 000
M/S Belocean	100 %	2011	58 018	T/C to 08/18	9 770
Ultramax					
M/S Belforest	BBC to 2027 +3 yrs	2015	61 320	T/C to 09/18	9 986
M/S Belisland	BBC to 2031 +5 yrs	2016	61 252	T/C to 03/21	17 300
M/S Belnippon *	TC to 2026 +3 yrs	2018	63 602	T/C to 12/18	11 070
Imabari newbuilding	TC to 2028 +2 yrs	2020	63 000		

**) Delivered 24th January 2018*

CHARTER COVERAGE



DIRECTORS' REPORT 2017

THE DRY BULK MARKET

Following the turnaround in the early part of 2016, the market continued to strengthen throughout 2017. The key drivers behind the increasing freight rates were higher Chinese imports of iron ore, coal, grain products and bauxite. Chinese imports rose by 6% in ton-mile terms in 2017. It was a further decline in domestic Chinese iron ore production, and a continued substitution to imported high-grade iron ore from Australia and Brazil. Chinese imports of coal increased further in 2017, despite the environmental concern from Chinese authorities.
Turning to the supply-side, the dry bulk fleet expanded by 2.1% in 2017, down from 2.6% growth in 2016. However, scrapping activity fell sharply compared to 2016 on the back of rising freight rates.

The Baltic Exchange Capesize Index ended the fourth quarter at USD 19 341 per day, whereas the Panamax-index ended at USD 11 183 per day. The Supramax-index ended the fourth quarter at USD 10 478 per day. As per today, the Cape index stands at USD 8 825 per day, Panamax-index at USD 12 902 per day and Supramax-index at USD 12 567 per day.
The Baltic Exchange S&P Assessment values today a 5 year old Supramax at USD 17.8 million, which is up from USD 14.4 million one year ago.

OPERATIONS

M/S Belstar, M/S Belnor and M/S Belisland continued in 2017 on their long-term charter parties to Canpotex Shipping Services Ltd., Canada. Canpotex is one of the world's largest exporters of potash, a fertilizer product imported in large volumes by countries such as China, India and Brazil. The net time charter rate is USD 16 000 per day for Belstar/Belnor and USD 17 300 per day for Belisland. M/S Belocean and M/S Belforest are both chartered to Cargill until September-October 2018 at around USD 10 000 per day net. M/S Belnippon, the long term 63 000 dwt t/c-in ship, was delivered from Imabari Shipbuilding on 24 January 2018 and has been chartered out to Cargill for 10-13 months at USD 11 500 per day.

The company's tonnage is modern, and all ships operated satisfactorily without significant off-hire. The operating expenses continued at a competitive level.
Belships will take delivery of a 63 000 dwt Ultramax bulk carrier from Imabari within first half 2020 for long-term charter including purchase option.
The subsidiary Belships Management (Singapore) Pte. Ltd. made a contribution of USD 1.2 million in net result from technical management services. The company expanded its customer base, and currently provides technical management for 12 ships, including Belships' own ships, and provides crewing for 24 ships.

RESULTS

The Group had an operating income of USD 27 309 000 in 2017 (USD 25 415 000), giving an EBITDA of USD 13 270 000 (USD 11 280 000) and a consolidated operating result of USD 11 614 000 (USD -8 907 000). Result before tax was USD 6 658 000 (USD -14 419 000), while net result for the Group was USD 6 364 000 (USD -14 593 000). The negative result in 2016 is explained by impairment of the fleet of USD 13.8 million. Net impairment reversal in 2017 amounted to USD 2.5 million.
The parent company's net result for the year was NOK 44 010 000 (NOK -143 824 000).

The Board proposes the result for the year allocated as follows:

AMOUNTS IN NOK	
PROVISION FOR DIVIDEND	4 735 000
TRANSFER FROM OTHER RETAINED EARNINGS	39 275 000
TOTAL ALLOCATIONS	**44 010 000**

GOING CONCERN

The annual accounts are presented on a going concern basis in accordance with § 3 – 3 of the Norwegian Accounting Act.
Belships has three long-term T/C agreements with Canpotex and two short term T/C agreements with Cargill covering most of 2018. Current activity will generate sufficient liquidity to cover current debt and operating expenses throughout 2018. Based on this, the Board considers that the conditions for a going concern are in place.
In the opinion of the Board, the consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

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

SAFETY AND THE ENVIRONMENT

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

The newbuildings from Imabari Shipbuilding have low emissions of pollutants and are all installed with ballast water treatment systems.

ORGANISATION

Belships has it's headquarter in Oslo, from where most of its commercial and financial business including insurance is handled. Technical management is handled from Singapore. There has been no change within the senior management in 2017. Management activities in Singapore were stable over the year. The Group employed 52 office staff at the end of 2017. Ships under management had 205 crewmembers onboard.

The sick leave was less than 2% in 2017. The Group was not subject to any serious accidents in 2017.
Belships aims to treat women and men equally. No discrimination on the grounds of gender is tolerated. Of the Group's office staff, 27 are women. The working environment at the various companies within the Group is considered to be satisfactory.

FINANCIAL AND OTHER MATTERS

The Group's solvency and financial position is satisfactory. By end of 2017 the book equity of the Belships share was NOK 4.57 (NOK 3.71), while the book equity ratio was 25.8 % (19.1%). Added value related to the long-term charter for M/S Belisland is not included in the balance sheet.
Consolidated liquidity was USD 5.5 million as at 31 December 2017, against USD 7.9 million at the beginning of the year. Total mortgage debt had a balance of USD 28.3 million at year-end and was reduced by USD 8.0 million during 2017. Down payment of lease commitments in 2017 amounted to USD 1.8 million.
The waiver from the ship mortgage lender was terminated in 4th quarter and the on-demand guarantee from the main shareholder was returned. Main terms in the loan agreement are as follows: Minimum cash USD 3 million, annual instalment USD 5 million, minimum value 120% in 2018 and 125% in 2019 and payment of dividend is limited to 50% of net result.
The Group has conducted impairment tests in line with IAS 36, valuing the ships based on observable market values of equivalent ships today, and including the discounted added value of the charter parties entered into. Based on these internal valuations an impairment reversal was recorded in 2017.
Belships aims to provide its shareholders with a competitive dividend yield, and the board propose a dividend payment of NOK 0.10 per share.
At the end of 2017 Belships held 548 000 treasury shares in total at an average cost of NOK 9.91 per share. In August 2017, the employees were granted options to purchase 200 000 shares at a strike price of NOK 5.12. These options can be exercised from the annual general meeting 2018 until the annual general meeting in 2019.

The Belships' share value has increased by 21% in the course of 2017. By comparison, the OSEBX increased by 19%. A total of 17 535 000 shares were traded in 241 of 253 trading days. In 2016 a total of 5 501 000 shares were traded in 183 of the 253 trading days.
The Group is exposed to market risks due to changes in FX rates, interest rates, freight rates and oil prices.
The Group's income and costs are mainly in USD. Belships' foreign exchange exposure is linked to administrative costs in Norway and in Singapore. Compared to the Group's cash flows, however, this exposure is limited. Hedging of the Group's interest exposure on bank loan is considered on an ongoing basis. The hedging level of interest rate exposure is currently around 78% (leases excluded).
Fluctuating bunker prices will not affect the Group as the ships are fixed on long-term time charters where the charterers cover the fuel cost.
Belships aims to minimize counterpart risk by entering into long term time charter contracts with reputable charterers.
The Group's limited tax cost is expected to continue. Three ships are owned by a Singaporean subsidiary within the local tonnage tax regime.
The Group's Norwegian entities have considerable tax loss carried forward.

CORPORATE GOVERNANCE

Belships' corporate governance is based on the company's goals and strategy. The Company has since 1937 been listed on the Oslo Stock Exchange, and is subject to the Norwegian Accounting Act, the Securities Trading Act and the Public Limited Company Act. With exception of establishing election committee, Belships follows the Norwegian code of good corporate governance of 30 October 2014. 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 close to a hundred years history. The Board is well aware of the direct and indirect impact Belships' activities have on the outside world as well as the company's shareholders. Belships is determined to create long-term shareholder values and at the same time act as a responsible participant in the society.
The most important issues for our business and our shareholders in respect of Corporate Social Responsibility (CSR) are considered to be:

– Environment
– Human and labour rights
– Anti-corruption

It is our policy to follow the standards, laws and regulations set by the national and international maritime regulatory authorities, but also the moral and ethical behavior as set by our culture. Belships reports on safety and environment in the annual report.
Belships does not tolerate any corrupt practices with our suppliers, customers or government entities affecting our business. Belships do pay attention to the working conditions and safety within our own operations. Please see the separate statement of corporate social responsibility that appears as a section of the annual report in its own right.

OUTLOOK

As expected, the market dropped ahead of the Chinese New Year celebration in February. However, last few weeks the spot rates have strengthened and the period activity has picked up. One year t/c-rates for Ultramax is now around USD 12 500-13 000 per day. Ordering activity has picked up considerably, but new orders now will be for delivery in 2020 or later. The 2020 sulphur cap regulations will probably trigger an increased scrapping and slower sailing speeds to mitigate higher cost for low-sulphur bunkers. Net supply the next three years is expected to increase by 1.7% on average, whereas the demand is expected to increase by 3% in ton-mile terms.

Belships' ships are chartered out on fixed rates to reputable counterparts, representing a future nominal gross hire of USD 52 million. Focus remains to continue developing Belships as an owner and operator of modern bulk carriers to reputable counterparts, building a portfolio of quality ships and robust charter parties that will generate distributable cash flows.

OSLO, 21 MARCH 2018
BELSHIPS ASA

Sverre J. Tidemand Chairman of the Board	Christian Rytter Board member	Kjersti Ringdal Board member
Sissel Grefsrud Board member	Carl Erik Steen Board member	Bernt Ulrich Müller Chief Executive Officer

The annual report provides a true and fair overview

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 2017.

The Board has based this declaration on reports and statements from the Group's chairman and Chief Executive Officer, 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 2017 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 2017
- 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 MARCH 2018
BELSHIPS ASA

Sverre J. Tidemand
Chairman of the Board

Christian Rytter
Board member

Kjersti Ringdal
Board member

Sissel Grefsrud
Board member

Carl Erik Steen
Board member

Bernt Ulrich Müller
Chief Executive Officer

Consolidated statement of comprehensive income

1 JANUARY – 31 DECEMBER / USD 1 000	NOTE	2017	2016
Operating income			
Freight income		**22 646**	21 338
Other operating income		**4 663**	4 077
Total operating income	4	**27 309**	25 415
Operating expenses			
Ship operating expenses	8	**-8 175**	-8 197
Operating expenses ship management	8	**-3 371**	-3 405
Payroll expenses	9	**-1 678**	-1 659
Other general administrative expenses	6	**-815**	-874
Total operating expenses		**-14 039**	-14 135
Operating result (EBITDA)		**13 270**	11 280
Depreciations on ships and other fixed assets	7	**-4 597**	-4 901
Reversal/Impairment of ships	7	**2 544**	-13 823
Loss on sale of ship/effect on onerous contracts	7	**397**	-1 463
Operating result (EBIT)		**11 614**	-8 907
Financial income and expenses			
Interest income		**26**	13
Interest expenses	13	**-4 735**	-4 833
Currency exchange gain/(loss)		**114**	69
Other financial items	8	**-361**	-761
Net financial items		**-4 956**	-5 512
Net result before tax		**6 658**	-14 419
Tax	12	**-294**	-174
Net result for the year		**6 364**	-14 593
Hereof non-controlling interests		**60**	53
Hereof majority interests		**6 304**	-14 646
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain/(loss) on defined benefit plan		**-6**	-39
Total comprehensive income		**6 358**	-14 632
Hereof non-controlling interests		**60**	53
Hereof majority interests		**6 298**	-14 685
Earnings per share (US cent)	11	**13.60**	-31.18
Diluted earnings per share (US cent)	11	**13.48**	-31.18

Consolidated statement of financial position

PER 31 DECEMBER / USD 1 000	NOTE	2017	2016
NON CURRENT ASSETS			
Tangible assets			
Ships	7	**91 242**	93 009
Prepaid timecharter hire		**405**	1500
Other fixed assets	7	**1 832**	1 683
Total tangible assets		**93 479**	96 192
Financial assets			
Financial investments		**126**	108
Other long-term receivables	13	**122**	183
Total financial assets		**248**	292
Total non current assets		**93 727**	96 483
CURRENT ASSETS			
Trade debtors	13	**323**	91
Prepaid timecharter hire		**1 095**	0
Other receivables	13	**1 525**	1 120
Cash and cash equivalents (restricted)	15	**229**	3 203
Cash and cash equivalents	15	**5 230**	4 715
Total current assets		**8 402**	9 129
TOTAL ASSETS		**102 129**	105 612
EQUITY			
Paid-in capital		**43 620**	43 620
Retained earnings		**-17 590**	-23 887
Non-controlling interests		**352**	411
Total equity	20	**26 382**	20 144
LIABILITIES			
Provision for liabilities			
Pension obligations	17	**530**	648
Other non current liabilities			
Mortgage debt	13	**22 999**	30 883
Obligation under finance leases	13	**40 816**	42 811
Financial instruments	22	**8**	323
Other non current liabilities		**1 458**	1 407
Total other non current liabilities		**65 281**	75 424
Current liabilities			
Current portion of mortgage debt/lease liability	13	**6 940**	6 778
Tax payable	12	**256**	131
Public taxes and duties payable		**155**	284
Trade creditors		**573**	256
Other short-term liabilities	13	**2 011**	1 948
Total current liabilities		**9 936**	9 396
Total liabilities		**75 747**	85 468
TOTAL EQUITY AND LIABILITIES		**102 129**	105 612

OSLO, 21 MARCH 2018

BELSHIPS ASA

Sverre J. Tidemand Chairman of the Board	Christian Rytter Board member	Kjersti Ringdal Board member
Sissel Grefsrud Board member	Carl Erik Steen Board member	Bernt Ulrich Müller Chief Executive Officer

Consolidated statement of cash flows

1 JANUARY – 31 DECEMBER/USD 1 000	NOTE	2017	2016
CASH FLOW FROM OPERATIONS			
Net result before tax		**6 658**	-14 419
Adjustments to reconcile result before tax to net cash flows:			
Loss on sale of ship/effect on onerous contracts	7	**-397**	1 463
Depreciations on ships and other fixed assets	7	**4 597**	4 901
Reversal/Impairment of ships	7	**-2 544**	13 823
Share-based compensation expense	16	**0**	31
Difference between pension expenses and paid pension premium	17	**-171**	-210
Net finance costs		**4 956**	5 512
Working capital adjustments:			
Change in trade debitors and trade creditors		**85**	-212
Change in other short-term items		**-345**	-241
Interest received		**26**	13
Interest paid		**-4 735**	-4 833
Income tax paid		**-138**	-118
Net cash flow from operating activities		**7 993**	5 710
CASH FLOW FROM INVESTING ACTIVITIES			
Payment on newbuilding	7	**0**	-20 531
Sale of ship (net sales amount)	7	**0**	23 637
Payment of other investments		**-271**	-1 923
Net cash flow from investing activities		**-271**	1 183
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of current debt	13	**-9 835**	-6 491
Paid costs related to financing		**-369**	-484
Net cash flow from financing activities		**-10 204**	-6 975
Net change in cash and cash equivalents during the period		**-2 482**	-82
Cash and cash equivalents at 1 January		**7 918**	7 993
Change currency NOK deposits		**23**	7
Cash and cash equivalents at 31 December *		**5 459**	7 918

**) Includes certain restricted cash. See note 15.*

Consolidated statement of changes in equity

		Majority interests						
		Paid-in						
USD 1000	Note	**Share capital**	**Treasury shares**	**Share premium reserves**	**Other equity**	**Other equity**	**Non-controlling interest**	**Total equity**
As at 31 December 2017								
Equity as at 1 January 2017		14 272	-166	13 751	15 763	-23 888	412	20 144
Net result for the year		0	0	0	0	6 304	60	6 364
Other comprehensive income	17	0	0	0	0	-6	0	-6
Total comprehensive income		**0**	**0**	**0**	**0**	**6 298**	**60**	**6 358**
Share-based payment expense	16	0	0	0	0	0	0	0
Non-controll. interests transact.		0	0	0	0	0	-120	-120
Equity as at 31 December 2017		**14 272**	**-166**	**13 751**	**15 763**	**-17 590**	**352**	**26 382**
As at 31 December 2016								
Equity as at 1 January 2016		14 272	-166	13 751	15 732	-9 203	445	34 831
Net result for the year		0	0	0	0	-14 646	53	-14 593
Other comprehensive income		0	0	0	0	-39	0	-39
Total comprehensive income		**0**	**0**	**0**	**0**	**-14 685**	**53**	**-14 632**
Share-based payments expense		0	0	0	31	0	0	31
Non-controll. interests transact.		0	0	0	0	0	-86	-86
Equity as at 31 December 2016		**14 272**	**-166**	**13 751**	**15 763**	**-23 888**	**412**	**20 144**

Notes to the consolidated accounts

NOTE 1
GENERAL INFORMATION

Belships is an owner and operator of dry bulk ships, presently operating a fleet of 6 ships (5 in 2017). The company is also providing 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 March 2018.

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

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

NOTE 2
SUMMARY OF THE MOST IMPORTANT ACCOUNTING PRINCIPLES USED

A) BASIS OF PREPARATION

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

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

The annual accounts are presented on a going concern basis in accordance with § 3 – 3 of the Norwegian Accounting Act.
Belships has three long-term time-charter agreements with Canpotex, which are favourable in the current market. The cash flow is positive in all entities. Based on this, the Board considers that the conditions for a going concern are in place.

B) CONSOLIDATION PRINCIPLES

The consolidated financial statements comprise the financial statements of Belships ASA and its subsidiaries as at 31 December 2017. 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 8.2050 (2016: USD 8.6200) and SGD 6.1410 (2016: SGD 5.9645).

D) ACCOUNTS RECEIVABLE

Trade receivables are recognised at face value less any impairment. Provision for impairment is made when there is objective evidence of impairment that affects the estimated future cash-flow.

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.

Newbuilding contracts
Newbuilding contracts are recognised as a fixed asset based on instalments paid to the yard. Building supervision costs and project costs related to the newbuilding contracts are capitalised.

See section P) regarding treatment of borrowing costs.

F) LEASING

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

Assets financed under financial leases are capitalized at inception of the lease at the fair value of the leased 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.

G) FINANCIAL INSTRUMENTS

Financial instruments under the scope of IAS 39 are classified in the following categories:
• financial assets at market value through profit or loss (held for trading purposes)
• available for sale
• loans and receivables
• held to maturity investments
• other obligations

Financial assets with fixed or determinable cash flow which are not listed in an active market are classified as loans and receivables. Investments held to maturity, loans and receivables and other liabilities are measured at amortised cost.

H) PROVISIONS

A provision is recognised when the company has a liability (legal or constructive) as a result of a previous event and where it is probable (more probable than not) that there will be a financial settlement as a result of this liability and that the size of the sum can be reliably determined. If the effect is material, the provision is estimated by discounting the expected future cash flow with a discount rate before tax which reflects the market's evaluation of the time value of money and, if relevant, risks specifically connected to the liability.
A provision is recognised for any unavoidable net loss arising from the contract, the unavoidable cost under a contract reflect the least net cost of exiting from the contract, i.e. the lower of the cost of fulfilling the contract; and any compensation of penalties arising from failure to fulfill the contract.

I) EQUITY

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

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

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

J) REVENUE RECOGNITION

Revenue is recognised when it is likely that the economic benefits which will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenues from time charter accounted for as operational leases are recognized on a straight line basis over the rental periods of such charters, as service is performed.

K) EMPLOYEE BENEFITS

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

Defined benefit pension scheme
Actuarial gains and losses arising from changes in actuarial assumptions are recognised as other comprehensive income in the period in which they arise. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. The company has unfunded pension liabilities. These relate to early retirement and pension to persons, that have not been included in the service pension scheme. Pension obligations are estimated by an independent actuary.

L) INVESTMENT IN ASSOCIATES

An associate is an entity over which the Group has significant influence, but not control, and which is not a subsidiary. Significant influence is defined as the right to participate in the financial and operating policy decisions of the investee, but is not control over

those policies.
Interests in associates are accounted for using the equity method. Under this method, the investment is carried in the Consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any provisions for impairment. The Consolidated Income Statement reflects the Group's share of net income of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share in the Consolidated Statement of 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 quarter, every ship is assessed for impairment indicators. The same applies when events or changes occur that may entail that the asset's carrying amount may not be recovered. In assessing the need for impairments, assets are grouped at the lowest level at which there is identifiable and predominantly independent cash inflows, which means per ship. Impairment is calculated as the difference between the asset's carrying amount and the value considered as recoverable. The recoverable amount is the higher of the asset's fair value less cost to sell and its value in use to the Group. Value in use is calculated by discounting anticipated future cash flows from the asset. When it is assumed that the asset's value is lower than its carrying amount, an impairment loss is recognised.

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

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 profit and loss account. 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 profit and loss, the impairment loss will be reversed over the profit and loss account.

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

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

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 operating segments consist in dry cargo and technical operations, 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 15.

X) CLASSIFICATION BALANCE SHEET

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 POLICES

Amendments to IAS 7 Statement of Cash Flows
Disclosure Initiative The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information in note 13.
Except for the above change, the same accounting policies and methods of compultation are followed in this financial statement as compared with the annual financial statement for 2016.

Standards issued but not yet effective are as follows:

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

IFRS 15 Revenue from Contracts with Customers
IFRS 15, effective from 1 January 2018, covers the recognition of revenue in the financial statements and related disclosure. IFRS 15 will replace IAS 18 Revenue. The main part of the group's revenue is freight income on ships. All ships are chartered out on time charter. The group has assessed that IFRS 15 will not have impact on revenue recognition, however additional break downs of revenue will be provided in note disclosure.

IFRS 16 Leases
IFRS 16, effective from 1 January 2019, covers the recognition of leases and related disclosure in the financial statement, and will replace IAS 17 Leases. The group is in the early phase of evaluating the impact of IFRS 16. The currently material lease contracts are related to ships and properties. Currently the company has 2 ships on financial lease in, and 1 ship on operational lease in. At this stage, the group does not intend to adopt the standard before its effective date.

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

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

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

SHIPS – IMPAIRMENT ASSESSMENT

The Group assess, at each reporting date, whether there are any indications that the ships may be impaired, or if previous recorded impairment charges should be reversed. Each ship is defined as a separate cash generating unit. The recoverable amount is based on the average of two independent broker estimates (charterfree), in addition to the net present value of the estimated fair value of the belonging charters for ships under contract with Canpotex.
In 2017, the market conditions for bulk ships have improved with increasing freight rates and underlying ships values. When the freight rates increase, the net present value of ships on long favorable charters decreases. The key assumptions used for impairment testing of the ships are described in note 7.

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

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

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

OPERATING VERSUS FINANCIAL LEASE AGREEMENTS

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

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

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

NOTE 4
SEGMENT INFORMATION

The Belships Group is divided into the operating segments dry bulk and technical management and segment reporting is in accordance with the reporting to the Chief Operating Decision Maker (CEO).

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

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

The dry bulk segment consists of ships chartered to Canpotex Shipping Services Ltd and Cargill International, and revenues from those charterers are representing 64% and 18% of total turnover respectively. The Group had no other single customers in any segment neither in 2017 nor 2016 where revenue accounted for more than 10% of the total turnover.

The operating segments have worldwide activities. The shipping market in general offers a global service covering major global trade routes. There are no particular focus on geographic region as all of the group's ships are on time charter out, and the charterers decide the trade routes on individual basis, accordingly no geographical segments are presented. Due to this, financial position is not allocated to geographical segments.

1 JANUARY – 31 DECEMBER 2017	DRY CARGO	TECHNICAL MANAGEMENT	ADMINI-STRATION	GROUP TRANSACTIONS	TOTAL
Freight revenue	22 190	0	0	456	**22 646**
Management fees – external	0	4 374	289	0	**4 663**
Management fees – internal	0	712	458	-1 170	**0**
Operating income	**22 190**	**5 086**	**747**	**-714**	**27 309**
Operating expenses	-8 887	-3 371	0	712	**-11 546**
General administrative exps.	-45	0	-2 450	2	**-2 493**
Operating expenses	**-8 932**	**-3 371**	**-2 450**	**714**	**-14 039**
Operating result (EBITDA)	**13 258**	**1 715**	**-1 703**	**0**	**13 270**
Effect on onerous contracts	397	0	0	0	**397**
Depreciations on fixed assets	-4 451	-59	-87	0	**-4 597**
Reversal of impairment of ships	2 544	0	0	0	**2 544**
Operating result	**11 748**	**1 656**	**-1 790**	**0**	**11 614**
Financial income	0	15	11	0	**26**
Financial expenses	-4 844	-138	0	0	**-4 982**
Result before tax	**6 904**	**1 533**	**-1 779**	**0**	**6 658**
Tax	0	-294	0	0	**-294**
Net result	**6 904**	**1 239**	**-1 779**	**0**	**6 364**
Hereof non-controlling interests	0	60	0	0	**60**
Hereof majority interests	6 904	1 179	-1 779	0	**6 304**
Assets	94 207	4 588	3 334	0	**102 129**
Liabilities	70 667	3 571	1 509	0	**75 747**
Cash flow from operating activities	8 264	1 592	-1 863	0	**7 993**
Cash flow from investing activities	-140	0	-131	0	**-271**
Cash flow from financing activities	-10 204	0	0	0	**-10 204**

1 JANUARY – 31 DECEMBER 2016	DRY CARGO	TECHNICAL MANAGEMENT	ADMINI-STRATION	GROUP TRANSACTIONS	TOTAL
Freight revenue	20 903	0	0	435	**21 338**
Management fees – external	0	3 798	279	0	**4 077**
Management fees – internal	0	699	437	-1 136	**0**
Operating income	**20 903**	**4 497**	**716**	**-701**	**25 415**
Operating expenses	-8 896	-3 405	0	699	**-11 602**
General administrative exps.	-47	0	-2 488	2	**-2 533**
Operating expenses	**-8 943**	**-3 405**	**-2 488**	**701**	**-14 135**
Operating result (EBITDA)	**11 960**	**1 092**	**-1 772**	**0**	**11 280**
Loss sale ship/effect onerous contr.	-1 463	0	0	0	**-1 463**
Depreciations on fixed assets	-4 779	-53	-69	0	**-4 901**
Impairment of ships	-13 823	0	0	0	**-13 823**
Operating result	**-8 105**	**1 039**	**-1 841**	**0**	**-8 907**
Financial income	0	5	8	0	**13**
Financial expenses	-5 019	-68	-438	0	**-5 525**
Result before tax	**-13 124**	**976**	**-2 271**	**0**	**-14 419**
Tax	0	-174	0	0	**-174**
Net result	**-13 124**	**802**	**-2 271**	**0**	**-14 593**
Hereof non-controlling interests	0	53	0	0	**53**
Hereof majority interests	-13 124	749	-2 271	0	**-14 646**
Assets	99 749	3 866	1 998	0	**105 612**
Liabilities	82 317	1 880	1 270	0	**85 467**
Cash flow from operating activities	6 942	979	-2 211	0	**5 710**
Cash flow from investing activities	1 366	0	-183	0	**1 183**
Cash flow from financing activities	-6 975	0	0	0	**-6 975**

NOTE 5
LEASE AGREEMENTS

LEASE OBLIGATIONS

Belships ASA entered on 25 September 2015 into a sale and lease back agreement for M/S Belforest. The bareboat charter period is 12 years with purchase options from year 3 onwards.
M/S Belisland was delivered 15 March 2016 and leased on bareboat charter for a period of 15 years with purchase options from year 5 onwards.
Both leases are considered as financial leases.

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

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

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

NET PRESENT VALUE OF LEASE LIABILITY	< 1 YR	1-5 YR	> 5 YR	TOTAL
Maturity of financial lease liability	2 594	15 754	7 653	26 001
Whereof payments of purchase option	0	0	16 850	16 850
Hire obligation under financial lease	**2 594**	**15 754**	**24 503**	**42 851**

CONTRACTED TIME CHARTER REVENUE

M/S Belstar, M/S Belnor and M/S Belisland are fixed on long-time charters to Canpotex Shipping Services Ltd from time of delivery from yard in 2009, 2010 and 2016 respectively, at a net rate of USD 16 000 per day for Belstar and Belnor and USD 17 300 for Belisland. The charter agreements expire in 2019, 2020 and 2021, respectively. There is no option to extend the charter period.
M/S Belforest and M/S Belocean have been on time charter to Cargill in 2017 at net average rates of USD 7 375 per day for Belforest and USD 7 006 per day for Belocean.
M/S Belnippon was at time of delivery in January 2018 fixed on time charter to Cargill for 10-13 months at USD 11 500 per day.

FIXED INCOME AND COMMITMENTS AS AT 31 DECEMBER 2017	< 1 YR	1-5 YR	> 5 YR	TOTAL
Contracted timecharter revenue	26 431	25 371	0	51 802
Commitments related to long-term leased ships	9 746	50 563	78 313	138 621

FIXED INCOME AND COMMITMENTS AS AT 31 DECEMBER 2016	< 1 YR	1-5 YR	> 5 YR	TOTAL
Contracted timecharter revenue	19 446	43 316	0	62 762
Commitments related to long-term leased ships	4 909	19 650	37 210	100 486

Lease obligations are nominal amounts.

NOTE 6
OTHER GENERAL ADMINISTRATIVE EXPENSES

OTHER GENERAL ADMINISTRATIVE EXPENSES	2017	2016
Office expenses	**200**	204
Furniture, office supplies	**80**	66
Travelling, entertainment costs	**43**	117
Other services	**266**	217
Other general administrative expenses	**227**	271
Total administrative expenses Norwegian companies	**815**	874

NOTE 7
SHIPS AND OTHER FIXED ASSETS

	2017				2016				
	Ships					Ships			
	Ships excl. dry dock	Capital. costs dry dock	Total	Other fixed assets	New-buildings	Ships excl. dry dock	Capital. costs dry dock	Total	Other fixed assets
Cost per 1 January	168 230	4 849	173 079	**4 963**	8 475	145 490	3 709	149 199	4 920
Additions	0	140	140	235	20 531	22 740	1 140	23 880	183
Disposals	0	0	0	-1 179	-29 006	0	0	0	-140
Cost per 31 Desember	**168 230**	**4 989**	**173 219**	**4 019**	**0**	**168 230**	**4 849**	**173 079**	4 963
Depreciations per 1 Jan.	77 905	2 165	80 070	3 565	4 250	60 381	1 088	61 469	3 565
Depreciation for the year	3 365	1 086	4 451	146	0	3 701	1 077	4 778	123
Impairment/reversal(-)	-2 544	0	-2 544	0	0	13 823	0	13 823	0
Disposals	0	0	0	-1 109	-4 250	0	0	0	-131
Deprec. as at 31 Dec.	**78 726**	**3 251**	**81 977**	**2 602**	**0**	**77 905**	**2 165**	**80 070**	**3 556**
Book value per 31 Dec.	**89 504**	**1 738**	**91 242**	**1 417**	**0**	**90 325**	**2 684**	**93 009**	**1 407**
Other fixed assets	0	0	0	415	0	0	0	0	276
Book value at 31 Dec.	**89 504**	**1 738**	**91 242**	**1 832**	**0**	**90 325**	**2 684**	**93 009**	**1 683**

SPESIFICATION OF THE GROUP'S SHIPS

SHIP	BUILT YEAR	OWNERSHIP	COST PRICE	ORDINARY DEPRECIATIONS	ACCUMULATED IMPAIRMENTS	CAPITALISED DRYDOCK EXPS.	BOOK VALUE
M/S Belstar	2009	100 %	40 542	-10 512	-15 554	208	14 684
M/S Belnor	2010	100 %	39 891	-9 705	-13 268	65	16 983
M/S Belocean	2011	100 %	38 317	-7 309	-18 036	393	13 365
M/S Belforest	2015	BBC	26 734	-1 602	-1 372	495	24 255
M/S Belisland	2016	BBC	22 740	-1 363	0	578	21 955
Total fleet			**168 224**	**-30 491**	**-48 230**	**1 739**	**91 242**

OWNED SHIPS (SUPRAMAXES)

M/S Belstar, M/S Belnor and M/S Belocean were delivered from Yangzhou Dayang yard in China in 2009, 2010 and 2011. Belstar and Belnor are employed on 10-year time charters to Canpotex Shipping Services Ltd from time of delivery, at a net rate of USD 16 000 per day. Canpotex is one of the world's largest exporters of potash, a fertilizer product imported in large volumes by countries such as China, India and Brazil.
M/S Belocean has from 2016 been fixed on time charter to Cargill International S.A of Switzerland. Net average rate in 2017 was USD 7 006 per day.
Reference is made to note 13 regarding financing of the ships.

CHARTERED SHIPS (ULTRAMAXES)

M/S Belforest and M/S Belisland was delivered from Imabari Shipbuilding in Japan in 2015 and 2016. The ships are leased on bareboat for a period of 12 years with purchase options from year 3 onwards for Belforest and a period of 15 years with purchase options from year 5 onwards for Belisland. Both leases are considered as financial leases. Belforest was from time of delivery fixed on time charter to Cargill. Average rate in 2017 were USD 7 375 per day. Belisland was from delivery chartered on long-time charter contract to Canpotex Shipping Services to 2021 at a net rate of USD 17 300 per day.

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

IMPAIRMENT TESTS/CALCULATION OF RECOVERABLE AMOUNT

During 2017 the dry bulk market has improved (charter rates/ship values) and it is expected that the positive market momentum will continue. The Group has over the last years recorded significant impairment on its ships. As described in note 3, with improved

market conditions the net present value of ships on long-term timecharter to Canpotex decreases, while the net present value of ships on short to medium timecharter to Cargill increases, due to this the company has tested the recoverable amount on its vessels in accordance with IAS 36.
On the ships M/S Belocean and M/S Belforest the impairment test resulted in a reversal of USD 7.5 million, which is a part of prior year's impairment charges. The reversal is based on improvements in rates in 2017 and market expectations for future market rates based on broker valuations. The ships M/S Belstar and M/S Belnor were impaired with USD 5.0 million, due to shorter remaining period on long-term timecharters. No impairment indicators exists on Belisland, the ship has not been impaired historically. The recoverable amount on the ships are shown in the table below, while the method and estimates applied in the impairment test is described in note 3.
For calculations of the net present value of the estimated fair value of the remaining 2-4 years timecharter, the Group has calculated the variance between the contractual rate and the current observable market rate for similar ships and a weighted average cost of capital ratio (WACC) of 8%. In the calculation of the required rate of return, the risk-free interest rate was set at LIBOR at 1.75%, and the margin was fixed at 4.25%, which is approximately equal to margin on external loan and implicit interest on the lease agreement. The equity risk premium was set at 6%, which is the estimated additional return required by investors in order to invest in a market portfolio above a risk-free interest rate.

The table below shows sensitivity in the impairment tests of the ships.

SENSITIVITY ANALYSIS	BELSTAR	BELNOR	BELOCEAN	BELFOREST	BELISLAND	TOTAL
Change in market value of the ships (incl. c/p agreements) when:						
WACC increase with 1%	-27	-50	0	0	0	-77
WACC decrease with 1%	27	52	0	0	0	79
Market rate increase 5% and ship values increase 2.5%	-13	-197	334	606	0	730
Market rate decrease 5% and ship values decrease 2.5%	-2	172	-334	-606	0	-770

If the general charter rate increase more than expected in the company's impairment model, this will have a negative impact on the net present value on ships currently trading on long favorable charters, but partly offset by an increase in underlying broker values on the Company's ships. For ships without a long favorable charter, an increase in market value will have positive effect. If the general charter rate decrease more than expected, this will have a negative impact and additional impairment based on underlying broker valuations.

CALCULATION OF DEPRECIATIONS

Depreciation is calculated on a straight line basis over the estimated useful life of the ships taking its residual value into consideration. The useful life, which is also considered as the economic life of the ships, has been estimated to 25 years. Residual value is estimated based on steel prices of the ships less cost to demolish and is reassessed every year-end. Dry docking expenses are depreciated until next planned dry docking, typically 30-60 months.
Other assets have a useful life of 3-5 years, except for the office premises in Singapore in which the useful life is estimated at 57 years.

Reference is made to note 5 regarding contracted time charter incomes for the ships.

NOTE 8
SPECIFICATIONS OPERATING EXPENSES AND OTHER FINANCIAL ITEMS

	2017	2016
Ship operating expenses		
Crew expenses	**4 743**	4 568
Maintenance and spare parts	**1 986**	1 968
Insurance	**775**	872
Other ship operating expenses	**671**	789
Total ship operating expenses	**8 175**	**8 197**
Operating expenses ship management		
Administration costs	**2 182**	2 302
General & selling expenses	**552**	612
Fixed costs	**636**	492
Total operating expenses ship management	**3 371**	**3 405**
Other financial items		
Net unrealised loss/(gain) on interest swaps	**-315**	-278
Borrowing costs	**476**	740
Other financial items	**200**	299
Total other financial items	**361**	**761**

NOTE 9
SALARIES, NUMBER OF EMPLOYEES

	2017	2016
Salaries	**1 254**	1 204
Social security tax	**228**	217
Pension expenses	**141**	140
Other allowances	**55**	98
Total payroll expenses Norwegian companies	**1 678**	1 659

Average number of office staff in 2017 was 52 (2016: 63) of which 8 in the Norwegian companies.

Loans to employees are specified in note 13. Loans to members of the management amounted to 51 (64) at year end.

REMUNERATION	CHIEF EXECUTIVE OFFICER	FINANCIAL DIRECTOR	COMMERCIAL DIRECTOR
2017			
Salaries	401	185	213
Pension expenses (defined contribution)	20	20	20
Other remuneration	50	37	41
2016			
Salaries	367	175	206
Pension expenses (defined contribution)	19	19	19
Other remuneration	49	21	23

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

BONUS

No bonus scheme was adopted for 2017. Nor for 2016.

SHARE OPTIONS

The Chief Executive Officer has a separate option scheme. For details see note 16.
For share options to the employees, see note 16. The Board members have not been awarded share options.

ALLOWANCE TO THE BOARD

The Board has received 81 in remuneration in 2017, divided into 20 to the Chairman and 15 to each of the other members. Additional, 3 of the board members represent an audit committee and have received 11 in additional remuneration in 2017, divided into 5 to the Chairman and 3 to each of the other members. The remunerations are paid in NOK and was increased with 3.5% from 2016.

THE GROUP'S FEES TO THE AUDITOR (EXCLUDING VAT)	2017	2016
Remuneration for audit services	**80**	58
Other assurance services	**12**	22
Assistance related to tax	**25**	9
Other audit related assistance	**0**	10
Total	**117**	99

NOTE 10
RELATED PARTIES

The subsidiary Belships Management AS provides accounting services to Sonata AS, which is owned by the chairman and his family. Fees amounted to 130 (126) in 2017.

Sonata AS issued in 2016 an on-demand guarantee amounting to USD 5 million to the ship mortgage lender. The guarantee carried a commission of 5% which amounted to 238 (252) in 2017. The waiver from the lender was terminated in December 2017 and the on-demand guarantee from Sonata was returned.

All fees are in line with prevailing market rates.

No loans were issued or security provided with respect to the company's shareholders or associated parties. Certain members of the management have loans from the company. These amounted to 51 (64) as at 31 December 2017.

NOTE 11
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 16) 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.
The diluted earnings per share is equal to the basic earnings per share, as the Group's result before tax are negative.

AVERAGE NUMBER OF SHARES (EXCLUDING TREASURY SHARES)	2017	2016
Average number of issued shares	**46 804 000**	46 804 000
Average number of options outstanding	**400 000**	400 000
Diluted average issued number of shares	**47 204 000**	47 204 000

EARNINGS PER SHARE		
Net result for the year	**6 364**	-14 593
Earnings per share (US cent)	**13.60**	-31.18
Diluted earnings per share (US cent)	**13.48**	-31.18

NOTE 12
TAXES

	2017	2016
Income tax expense	**294**	174

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.

RECONCILIATION OF THE YEAR'S INCOME TAX EXPENSE	2017	2016
Result for the year before tax	**6 658**	-14 419
Statutory tax rate (Norway)	**24 %**	25 %
Estimated tax expense at statutory rate	**1 598**	-3 605
Non tax deductible expenses	**-86**	107
Change in temporary differences	**1 832**	313
Non taxed shipping income in Singapore	**-228**	1 969
Difference between Norwegian and Singapore regional national tax	**-74**	-70
Tax effect of deferred tax asset not recorded in the balance sheet including exchange rate effect	**-2 748**	1 460
Total income tax expense/(income)	**294**	174

TAX LOSS CARRIED FORWARD

The Group had a tax loss carried forward of USD 68.3 million as at 31 December 2017 (2016: USD 58.5 million) in Norway. No deferred tax benefits are recognised in the balance sheet. The Group's revenue is generated mainly by companies in Singapore that are either within the national tonnage tax regime or are subject to regular national taxation. Dividends from these companies are nontaxable to the recipients. Taxable income subject to ordinary Norwegian taxation does not indicate any reporting of deferred tax benefits.

Future tax payable in the Group is expected to be low, due to AIS registration in Singapore and tax losses in Norway.

DEFERRED TAX PER 31 DECEMBER	2017	2016
Temporary differences		
Deferred sales gain/(loss)	**-696**	-829
Accruals	**9 690**	2 116
Pensions	**-529**	-648
Total temporary differences	**8 464**	639
Tax loss carried forward	**-68 257**	-58 469
Net temporary differences	**-59 793**	-57 830
Nominal tax rate on deferred tax	**23 %**	24 %
Deferred tax assets	**-13 752**	-13 879
Deferred tax assets recognised in the Balance sheet	**0**	0
Deferred tax assets not recognised in the Balance sheet	**-13 752**	-13 879

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

NOTE 13
RECEIVABLES AND LIABILITIES

RECEIVABLES DUE LATER THAN 12 MONTHS	2017	2016
Loans to employees 1)	**116**	178
Other long-term receivables	**5**	5
Total long-term receivables	**122**	183

1) The average interest rate used for loans to employees was 2.25% (2.28%) in 2017. The repayment period is five years.

MORTGAGE DEBT

In 2014 Belships entered into a long-term financing agreement for M/S Belstar, M/S Belnor and M/S Belocean. The loan facility is secured for a period of 6 years. Main terms in the loan agreement are as follows: Minimum cash USD 3 million, annual instalment USD 5 million, minimum value 120% in 2018 and 125% in 2019 and payment of dividend is limited to 50% of net result.
In order to avoid breach of loan covenants, Belships received a revised waiver from ship mortgage lender in November 2016. The waiver agreement included an on-demand guarantee from main shareholder of USD 5 million. The waiver was terminated in December 2017 and the on-demand guarantee from the main shareholder was returned. All the covenants were fulfilled as at 31 December 2017. The market value of the ships were 133% of the outstanding loan balance at year end.

BAREBOAT COMMITMENT

Belships ASA entered on 25 September 2015 into a sale and lease back agreement for M/S Belforest. The bareboat period is 12 years with purchase options from year 3 onwards.
M/S Belisland was delivered 15 March 2016 and leased for a period of 15 years with purchase options from year 5 onwards.
Both leases are considered as financial leases.

REPAYMENT SCHEDULE	2018	2019	2020	2021	SUBSEQ	TOTAL
Mortgage debt	5 000	5 000	18 250	0	0	28 250
Obligation under finance leases	1 994	2 163	2 350	2 536	33 768	42 811
Capitalized financing costs	-123	-123	-26	-7	-27	-305
Total	**6 871**	**7 040**	**20 574**	**2 529**	**33 740**	**70 755**

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2016	Cash flows	Non-cash changes			2017
			Deprec. financing costs	Foreign exchange movem.	Fair value changes	
Non-current mortgage debt	32 290	-8 000	116	49		24 455
Current part of financing	6 778	162				6 940
Lease liabilities	42 811	-1 997	7	-3		40 818
Interest swap agreements	323	0			-315	8
Total liabilities from financing activities	**82 202**	**-9 835**	**123**	**46**	**-315**	**72 221**

INTEREST SWAP AGREEMENTS

Belships has an interest swap agreement with a fixed interest rate at 2.2%. The agreement covers USD 5 million and ends in August 2018. Another interest swap agreement started in September 2015 at a rate of 1.9% and with a duration of 5 years covering USD 17 million, reducing by USD 2 million per year.
Hedging the Group's interest exposure is considered on an ongoing basis. Hedge accounting is not used.

CURRENT RECEIVABLES AND SHORT-TERM LIABILITIES

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

NOTE 14
INVESTMENTS AND GROUP COMPANIES

THE FOLLOWING COMPANIES ARE INCLUDED IN THE CONSOLIDATED ACCOUNTS:	OWNERSHIP/ VOTING PERCENTAGE	BUSINESS LOCATION	MAIN ACTIVITY
Belships Management AS	100 %	Oslo	Management
Belships Management (Singapore) Pte Ltd	100 %	Singapore	Technical management
Belships Supramax Singapore Pte Ltd	100 %	Singapore	Shipping
Belships Chartering AS	100 %	Oslo	Shipping
Belships Management (Singapore) Pte Ltd			
Belships (Tianjin) Ship Management & Consultancy Co Ltd	75 %	China	Crewing
Belships (Shanghai) Shipmanagement Co Ltd	60 %	China	Crewing

INVESTMENT IN ASSOCIATED COMPANIES	BUSINESS LOCATION	OWNERSHIP/ VOTING PERCENTAGE
Belships (Myanmar) Shipmanagement Limited	Myanmar	40 %
Belchem Philippine Incorporation	Philippine	24 %
CST Belchem Singapore Pte Ltd	Singapore	20 %

NOTE 15
BANK DEPOSITS

The Group's bank balance amounted to 5 459 (7 918) at year end. Restricted cash amounted to 229 (3 203), of which 142 (125) to swap clearing account and 87 (77) to withholding tax employees.

NOTE 16
OPTIONS TO EMPLOYEES

The Group operates two equity-settled share-based payment schemes, one includes all the employees in the parent company and the other one relates to CEO.

At the Annual general meeting (AGM) in 2016, 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 3.11 was awarded in August 2016. No options have been exercised.
At the AGM in 2017, the Board was authorised to issue up to 200 000 share options to employees. The option price is 105% of closing share price on the day of the AGM. The authorization is valid for two years. In accordance with this authorisation, options to buy 200 000 shares at NOK 5.12 was awarded in August 2017. 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.

The options awarded in 2015 were in April 2017 canceled with an agreement between the company and the employees that the company paid out the difference between exercise and market price. The payment amounted to 32. In March 2018 options awarded in 2016 were canceled and the difference between exercise and market price were paid to the employees. This payment amounted to 59.

SUMMARY OF OUTSTANDING OPTIONS	2017	2016
Outstanding 1 January	**400 000**	400 000
Awarded	**200 000**	200 000
Exercised	**0**	0
Not exercised	**-200 000**	-200 000
Outstanding 31 December	**400 000**	400 000

Market value of options estimated using the Black and Scholes options pricing model. For the options awarded in 2016 and 2017 the market value per share was NOK 0.60 and NOK 1.97 respectively. The market value of outstanding share options are calculated at time of award and charged against profit and loss over the period until they can be exercised. In 2017 the calculated costs amounted to 7 and 25 for the 2016- and 2017-options respectively.

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 77.0%.
Duration of options: It is assumed that all employees will exercise their options when the service period has been completed. The term of the options is estimated at two years.
Dividend: Estimated dividend per share is NOK 0 per year.
Risk free interest rate: Interest rate used as a basis for calculating options is equal to the interest rate on government bonds over the duration of the options, i.e. 0.59% for 2017.
Decrease in the number of employees: Expected reduction is 0.

SHARE OPTION PLAN CHIEF EXECUTIVE OFFICER

In addition to the above share option plan the CEO has a separate share option plan with the following conditions:
The right to subscribe for up to 2 million shares in Belships ASA at a subscription price of NOK 5.00, of which:

- 500 000 shares may be subscribed for if the company's market value exceeds NOK 300 million (Sub-option A).
- The remaining 1.5 million shares may be subscribed for if the company's market value exceeds NOK 750 million (Sub-option B). Sub-option B is for 2 million shares if Sub-option A is not exercised within the time allowed for Sub-option A.

The market value is the product of the volume-weighted closing price of the company's shares on the Oslo stock exchange in a 15-day period and the number of outstanding shares less treasury shares and/or shares Belships issues after the option agreement date. Sub-option A expires 30 June 2018, while sub-option B expires 30 June 2020.

NOTE 17
PENSIONS

DEFINED CONTRIBUTION SCHEME

All the 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 related to these schemes amounted to 123 (121) in 2017. Pension costs in Singapore is reclassified as operating expenses ship management and amounted to 181 (210) in 2017.

DEFINED BENEFIT SCHEME

In addition to defined contribution scheme, the company has unfunded pension liabilities which are covered through the daily operations. These relate to early retirement and pension to persons, that have not been included in the defined contribution scheme. There are 7 retired persons included in this scheme.
Pension commitments are calculated by an independent actuary. The basis for the calculation is shown below. The mortality table (K2013) for Norway is used in the calculations.
Social security costs are recorded based on net pension obligation in the balance sheet included estimate discrepancy.

ASSUMPTIONS	2017	2016
Discount rate	**2.40 %**	2.60 %
Future wage adjustment	**2.50 %**	2.50 %
Pension adjustment/G-adjustment	**2.50 %**	2.50 %
Return on pension plan assets	**2.40 %**	2.60 %

CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION		
1 January	**648**	796
Interest cost	**15**	19
Benefits paid	**-171**	-229
Actuarial (gains)/losses on obligation	**6**	39
Currency exchange gain/(loss)	**33**	23
31 December	**530**	648

PENSION EXPENSES IN CONSOLIDATED ACCOUNTS	2017	2016
Pension expenses defined benefit scheme	**15**	19
Pension expenses defined contribution scheme	**123**	121
Net pension expenses in consolidated accounts	**139**	140

Notes to the consolidated accounts

NOTE 18
SUBSEQUENT EVENTS

M/S Belnippon was delivered from Imabari Shipbuilding in January 2018 and has been fixed on time charter to Cargill for 10-13 months at USD 11 500 per day.

No other material events have taken place after 31 December 2017.

NOTE 19
ENVIRONMENTAL ISSUES

The company has not been charged any penalties due to breach of environmental rules and regulations, and is not committed to implement any specific actions in that respect. For further information see the Directors' report.

NOTE 20 EQUITY

SHARE CAPITAL

Belships ASA's 47 352 000 shares, each with a face value of NOK 2.00, was as of 31 December 2017 distributed among 594 shareholders (2016: 481). Each share has one vote.

TREASURY SHARES

The company holds 548 000 treasury shares in total with an average cost price of NOK 9.91 as of 31 December 2017. Belships ASA has lent 50 000 of the treasury shares to ABG Sundal Collier Norge ASA (ASC) in connection with ASC' role as liquidity provider for the company's shares on Oslo Stock Exchange.

AUTHORISATION TO ISSUE NEW SHARES

At the Annual general meeting in 2017 the Board received authorisation to issue up to 4.0 million new shares. The authorisation has not been used and is valid to the next ordinary Annual general meeting.

DIVIDEND

The Board of Directors of Belships ASA will at the Annual general meeting on 24 April 2018 propose a dividend of NOK 0.10 per share for 2017 (2016: 0).

THE 20 LARGEST SHAREHOLDERS IN BELSHIPS ASA AT 31 DECEMBER 2017		NUMBER OF SHARES	PERCENTAGE
1	Sonata AS	31 747 492	67.05 %
2	Tidships AS	5 080 432	10.73 %
3	Eitzen Rederi AS	806 134	1.70 %
4	Belships ASA	498 000	1.05 %
5	Carlings AS	400 000	0.84 %
6	Chrem Capital AS	320 000	0.68 %
7	Tidinvest II AS	315 414	0.67 %
8	Jenssen & Co A/S	302 816	0.64 %
9	Toru Nagatsuka	270 000	0.57 %
10	Carl Erik Steen	269 154	0.57 %
11	Jovoko AS	250 000	0.53 %
12	Danske Bank A/S	245 339	0.52 %
13	Liv Søland	240 000	0.51 %
14	JSL AS	231 191	0.49 %
15	ASL Holding AS	225 000	0.48 %
16	Arne Risøy	217 902	0.46 %
17	AR Vekst AS	203 995	0.43 %
18	Bernhard Kielland	200 000	0.42 %
19	HKD Holding AS	198 117	0.42 %
20	Jomaho AS	160 000	0.34 %
Total 20 largest shareholders		42 180 986	89.08 %
Other shareholders		5 171 014	10.92 %
Total number of shares		**47 352 000**	**100.00 %**

NUMBER OF SHARES OWNED BY BOARD MEMBERS IN BELSHIPS ASA	OWNED SHARES	OUTSTANDING OPTIONS
Sverre J. Tidemand 1)	31 747 492	0
Christian Rytter 2)	320 000	0
Carl Erik Steen	269 154	0
Other members	0	0

1) Includes shares held by Sonata AS, a company in which Sverre J. Tidemand controls the only share with voting rights.
2) Shares held by 100% owned Chrem Capital AS.

NUMBER OF SHARES OWNED BY THE MANAGEMENT IN BELSHIPS ASA	OWNED SHARES	OUTSTANDING OPTIONS
Ulrich Müller, Chief Executive Officer *	0	60 000
Stein H. Runsbech, Commercial Director	30 000	33 000
Osvald Fossholm, Financial Director	0	33 000

**) See note 16 for more information about separate share option plan.*

For changes in equity, see separate statement.

NOTE 21
CONTINGENCIES

The Board is not aware of any material disputes the company may be in involved in at 31 December 2017.

NOTE 22
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 renowned 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.

See note 8 for the specification of other financial items.

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.

In August 2011 Belships entered into an interest rate swap agreement with 2 years forward start at 2.2%. At year end 2017 the agreement covered USD 5 million and it ends in August 2018. The market value of the agreement amounted to -20 at year end (2016: -123). Another interest swap agreement with forward start was entered into in June 2015 at a rate of 1.9% and with a duration of 5 years covering USD 20 million, reducing by USD 2 million per year. Market value of this agreement amounted to 12 (-200) at year end. The hedging level of interest rate exposure is currently around 78% (leases excluded). The market value of the agreements are recorded as long-term liability.
The Group entered in 2015 and 2016 into two financial lease agreements, which also limit the interest rate exposure as the interest rate is fixed throughout the period.

The company does not use hedge accounting.

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

SENSITIVITY TO CHANGES IN INTEREST RATE LEVELS	2017	2016
Change in the interest rate level in basis points	**-100/+100**	-100/+100
Effect on result before tax	**338/-338**	388/-388

AVERAGE EFFECTIVE INTEREST RATE ON DEBT (%)		
Mortgage debt	**4.25**	3.72

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%. Added value related to the long-term charter party for M/S Belisland is not included in the balance sheet. In addition an improved market is expected to increase the equity capital ratio up to 35%. The equity ratio is calculated by dividing the book equity to total assets as shown below:

	2017	2016
Total equity as at 31 December	**26 382**	20 144
Total assets	**102 129**	105 612
Equity ratio as at 31 December	**26 %**	19 %

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.

	2017	2016
Interest-bearing debt	**70 755**	80 472
Trade creditors	**573**	256
Cash reserves	**-5 459**	-7 918
Net debt	**65 869**	72 810
Equity	**26 382**	20 144
Total equity and net debt	**92 251**	92 954
Net debt ratio	**71 %**	78 %

LIQUIDITY RISK

All ships are secured on charter contract's which will generate sufficient cash flow to cover operational expenses and planned instalments. The ship management business also provide positive cash flow from operations. Further, the debt ratio was reduced in 2017 due to better earning, and with total current assets covering 85 % of total short term liabilities at 31 December 2017. After amendment in December 2017, the terms in the loan agreements also provides the Group with some financial flexibility. Based on this, the Group's solvency and financial position is considered to be satisfactory, and the board has further proposed a dividend on NOK 4.7 million (USD 0.6 million).

CREDIT RISK

There will always be a credit risk related to the Group's business. Belships monitors this risk and the strategy is to carefully select counterparts. Historical losses have been small. The Group's ships are employed on long-term charter to Canpotex Shipping Services Ltd and to Cargill, which is considered to be solid and reputable counterparts.
There is no class of financial assets that is past due and/or impaired except for trade receivables. All accounts receivable in the balance sheet are due within 30 days from the balance sheet date.

CURRENCY RISK

The functional currency of all the consolidated companies is USD since the major part of revenues and costs are in USD. Belships currency exposure is related to administrative expenses in Norway, Singapore and China. This exposure is considered to be limited. Except for USD the Group had a cash balance of NOK 8.2 million, SGD 0.9 million and CNY 0.8 million at end of 2017. Belships has no currency hedge agreements as at 31 December 2017.

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 2017. 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 *	LOANS AND RECEIVABLES 2017	LOANS AND RECEIVABLES 2016	CHANGE IN FAIR VALUE THROUGH PROFIT AND LOSS 2017	CHANGE IN FAIR VALUE THROUGH PROFIT AND LOSS 2016	AVAILABLE FOR SALE 2017	AVAILABLE FOR SALE 2016	TOTAL 2017	TOTAL 2016
Financial assets								
Investments					**126**	108	**126**	108
Other long-term receivables	**122**	183					**122**	183
Trade debtors	**323**	91					**323**	91
Other receivables	**1 525**	1 120					**1 525**	1 120
Bank deposits	**5 459**	7 918					**5 459**	7 918
Financial obligations								
Mortgage debt	**-28 250**	-36 250					**-28 250**	-36 250
B/B commitment	**-42 811**	-44 647					**-42 811**	-44 647
Financial instruments			**-8**	-323			**-8**	-323
Trade creditors	**-573**	-256					**-573**	-256
Other short-term liabilities	**-2 166**	-2 231					**-2 166**	-2 231
Total	**-66 371**	-74 071	**-8**	-323	**126**	108	**-66 253**	-74 286

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

ASSETS AND OBLIGATIONS MEASURED AT FAIR VALUE	LEVEL 1 2017	LEVEL 1 2016	LEVEL 2 2017	LEVEL 2 2016	LEVEL 3 2017	LEVEL 3 2016	TOTAL 2017	TOTAL 2016
Financial investments					**126**	108	**126**	108
Interest agreements			**-8**	-323			**-8**	-323
Total			**-8**	-323	**126**	108	**118**	-215

FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST	2017	2016
Mortgage debt	-28 250	-36 250
B/B commitment	-42 811	-44 647
Total	**-71 061**	**-80 897**

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 2017 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.

Belships ASA income statements

1 JANUARY – 31 DECEMBER/ NOK 1 000	NOTE	2017	2016
Operating income			
Freight income	2	**89 907**	73 550
Other operating income	10	**4 976**	4 773
Total operating income		**94 883**	78 323
Operating expenses			
T/C hire	2	**-48 757**	-42 529
Ship operating expenses	9	**-26 496**	-24 257
Payroll expenses	10	**-13 880**	-13 933
Other general administrative expenses	11	**-6 224**	-6 793
Depreciation on ships and other fixed assets	2	**-15 774**	-14 065
Reversal/Impairment of fixed assets	2	**33 013**	-34 717
Total operating expenses		**-78 118**	-136 295
Operating result before sale of ship a.o.		**16 765**	-57 971
Loss on sale of ship/effect on onerous contracts	2	**21 058**	-31 108
Operating result		**37 824**	-89 079
Financial income and expenses			
Share dividend	8	**8 725**	3 113
Interest income		**88**	71
Interest expenses	12	**-26 573**	-26 758
Interest expense on loan to subsidiary	4	**-128**	-131
Write-down on shares in subsidiary	8	0	-34 382
Other financial items	9	**5 282**	3 646
Currency exchange gain/-loss	9	**18 792**	-303
Net financial items		**6 186**	-54 744
Net result before tax		**44 010**	-143 824
Income tax expense	16	**0**	0
Net result for the year		**44 010**	-143 824
Appropriations of net result:			
Dividend		**-4 735**	0
Transfer from/(to) other retained earnings		**-39 275**	143 824
Total		**-44 010**	143 824

Belships ASA balance sheets

AS AT 31 DECEMBER/ NOK 1 000	NOTE	2017	2016
NON CURRENT ASSETS			
Tangible assets			
Ships	2	**386 529**	368 567
Prepaid time charter hire	2	**3 323**	12 930
Other fixed assets	2	**6 172**	5 745
Total tangible assets		**396 024**	387 242
Financial assets			
Shares in subsidiaries	8	**207 136**	207 136
Other shares		**141**	141
Other long-term receivables	12	**952**	1 581
Total financial assets		**208 229**	208 858
Total non current assets		**604 252**	596 100
CURRENT ASSETS			
Prepaid time charter hire		**9 029**	0
Other receivables		**9 845**	4 702
Cash and cash equivalents	5	**13 714**	4 962
Total current assets		**32 589**	9 664
Total assets		**636 841**	605 764
EQUITY			
Paid-in capital			
Share capital		**94 704**	94 704
Treasury shares		**-1 096**	-1 096
Share premium reserve		**93 333**	93 333
Other paid-in capital		**106 729**	106 727
Total paid-in capital		**293 670**	293 668
Retained earnings			
Other equity		**-73 155**	-117 116
Total equity	6	**220 514**	176 552
LIABILITIES			
Non current liabilities			
Bareboat commitment	12	**334 908**	369 032
Provision for losses on contracts	2	**0**	17 612
Pension obligations	7	**4 340**	5 583
Financial instruments	14	**0**	1 480
Intercompany balances	4	**5 927**	5 848
Total non current liabilities		**345 175**	399 556
Current liabilities			
Bareboat commitment, current portion	12	**15 918**	15 326
Public taxes and duties payable		**1 276**	2 447
Trade creditors		**531**	281
Intercompany balances	4	**47 192**	4 546
Other current liabilities		**6 236**	7 056
Total current liabilities		**71 153**	29 657
Total liabilities		**416 327**	429 213
Total equity and liabilities		**636 841**	605 764

OSLO, 21 MARCH 2018

BELSHIPS ASA

Sverre J. Tidemand Chairman of the Board	Christian Rytter Board member	Kjersti Ringdal Board member
Sissel Grefsrud Board member	Carl Erik Steen Board member	Bernt Ulrich Müller Chief Executive Officer

Belships ASA cash flow statements

1 JANUARY – 31 DECEMBER/ NOK 1 000	NOTE	2017	2016
CASH GENERATED FROM OPERATIONS			
Net result before tax		**44 010**	-143 824
Adjustments to reconcile result before tax to net cash flows:			
Depreciation on ships and other fixed assets	2	**15 774**	14 065
Reversal/Impairment of ships	2	**-33 013**	34 717
Gain/loss from sale of fixed assets/effect on onerous contracts	2	**-21 058**	31 108
Share-based payment transaction expense	3	**2**	263
Difference between pension expenses and paid pension premium	7	**-1 291**	-1 761
Net financial items		**-6 186**	54 744
Working capital adjustments:			
Change in trade debitors and trade creditors		**250**	-507
Change in intercompany balances		**42 725**	-1 495
Change in other short-term items		**-2 730**	2 656
Interest received		**88**	71
Interest paid		**-26 701**	-26 889
Net other financial items		**3 778**	3 852
Net cash flow from operations		**15 647**	-33 000
CASH FLOW FROM INVESTING ACTIVITIES			
Investment newbuildings		**0**	-174 043
Investments in tangible assets	2	**-1 571**	-1 426
Sale proceeds from tangible asset disposals	2	**425**	202 204
Dividends/Group contribution received	8	**8 725**	3 113
Change in other investments		**585**	-12 747
Net cash flow from investing activities		**8 164**	17 101
CASH FLOW FROM FINANCING ACTIVITIES			
Instalments b/b commitments		**-15 060**	-15 061
Net cash flow from financing activities		**-15 060**	-15 061
Net change in cash and cash equivalens		**8 752**	-30 960
Cash and cash equivalents at 1 January		**4 962**	35 922
Cash and cash equivalents at 31 December	5	**13 714**	4 962
Restricted bank deposits	5	**1 877**	1 749

Notes to the Belships ASA accounts

NOTE 1
ACCOUNTING POLICIES

Belships is owner and operator of dry bulk ships on long-term charter to reputable customers. Belships ASA is registered in Norway and listed on the Oslo Stock Exchange. The head office is located in Lilleakerveien 4 in Oslo, Norway.

The financial statements have been approved by the Board on 21 March 2018.

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.

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

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

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.

Newbuilding contracts
Newbuilding contracts are recognised as a fixed asset based on instalments paid to the yard. Building supervision costs and project costs related to the newbuilding contracts are capitalised.

D) IMPAIRMENT OF ASSETS

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

Impairment loss recognised in earlier periods is reversed only in case of changes to the estimates used to determine the recoverable amount. However, the reversal amount may only be so high that book value after reversal at most corresponds to the value at which the asset would have been registered if it had not been impaired earlier. Such reversals are recorded in the income statement.
Financial assets classified as being available for sale are written down when there are objective indications that the asset has declined in value. An accumulated loss (the difference between acquisition cost and current market value, with deduction of impairments previously included in the result and any amortisation amounts) is included in the income statement. If the market value of a debt instrument classified as available for sale increases in a subsequent period, and the increase can objectively be linked to an event that took place after the impairment was included in the income statement, the impairment loss will be reversed over the income statement.
Impairment loss for an investment in an equity instrument classified as held for sale, will not be reversed over the income statement.

E) LEASING

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date. Leases are classified as financial leases if the terms of the lease agreement transfers substantially all the risks and rewards incidental to ownership of an asset. All other leases are classified as operating lease.
Assets financed under financial leases are capitalized at inception of the lease at the fair value of the leased vessel or, if lower, at the present value of the minimum lease payments. The corresponding lease obligation is recognized as a liability in the balance sheet. Lease payments are split between interest cost and reduction of the lease liability. Interest cost is recognized in the income statement. Financial leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term. For operating leases, the payments (time charter hire or bareboat hire) are recognized as an expense on a straight line basis over the term for the lease.

F) INVESTMENTS IN OTHER COMPANIES

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

G) ACCOUNTS RECEIVABLE

Accounts receivable are booked at nominal amount less expected loss.

H) CASH FLOW STATEMENT

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

I) EQUITY

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

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

J) EMPLOYEE BENEFITS

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

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

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

K) PROVISIONS

A provision is recorded when the company has a liability (legal or constructive) as a result of a previous event, where it is likely (more likely than not) that there will be a financial settlement as a result of this liability and that the size of the sum can be reliably determined. If the effect is considerable, the provision is calculated by discounting the expected future cash flow with a discount rate before tax, which reflects the market's evaluation of the time value of money and, if relevant, risks specifically connected to the liability.
Provisions for loss-creating contracts are included when the group's expected income from a contract is lower than the inevitable costs which were incurred in discharging the obligations of the contract.

L) REVENUE RECOGNITION

Gains will be taken to income when it is likely that transactions will generate future financial gains which will be attributable to the company and the sum can be reliably estimated. Interest rate income is taken to income based on effective interest method according to when it is earned.
Dividend received from subsidiaries is accounted for in the same year as dividend has been accrued for in the subsidiary. If such dividend exceeds the prorata share of retained earnings after the acquisition of the shares, such excess portion represents repayment of capital and reduces the acquisition cost accordingly.

M) TRANSACTIONS IN FOREIGN CURRENCY

Transactions in foreign currency are converted at the rate at the time of the transaction. Monetary items in foreign currency are converted into Norwegian kroner using the rate on the balance sheet date. Non-monetary items which are measured at historical rates expressed in foreign currencies, are converted into Norwegian kroner using the currency rate at the time of the transaction. Non-monetary items which are measured at market value expressed in foreign currency are converted at the currency rate on the balance sheet date. Currency rate changes are charged against income during the accounting period.

N) CONTINGENT GAINS AND LOSSES

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

O) RELATED PARTY TRANSACTIONS

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

P) EVENTS AFTER THE BALANCE SHEET DATE

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

Q) USE OF ESTIMATES IN PREPARATION OF THE ANNUAL ACCOUNTS

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

R) EARNINGS PER SHARE

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

S) SHARE-BASED REMUNERATION

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

T) FINANCIAL INSTRUMENTS

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

Notes to the Belships ASA accounts

NOTE 2
FIXED ASSETS

2017	Ships			Other fixed assets		
	Ships excl. dry docking costs	Capitalised dry dock.costs	**Total ships**	Depreciable assets	Non depreciable assets	**Total other fixed assets**
Cost price						
As at 1 January	422 122	15 358	437 480	17 084	4 113	21 197
Additions	0	0	0	1 571	0	1 571
Disposals	0	0	0	-7 066	0	-7 066
As at 31 December	422 122	15 358	**437 480**	11 589	4 113	**15 702**
Depreciations						
As at 1 January	65 840	3 073	68 913	14 952	500	15 452
Depreciation for the year	11 917	3 135	15 051	723	0	723
Reversal impairment	-33 013	0	-33 013	0	0	0
Disposals	0	0	0	-6 644	0	-6 644
As at 31 December	44 744	6 208	**50 951**	9 030	500	**9 530**
Book value at 31 December	377 378	9 150	**386 529**	2 558	3 613	**6 171**

2016	Newbuilding	Ships			Other fixed assets		
		Ship excl. dry docking costs	Capitalised dry dock.costs	**Total ships**	Depreciable assets	Non depreciable assets	**Total other fixed assets**
Cost price							
As at 1 January	55 521	228 067	7 678	235 745	16 867	4 113	20 980
Additions	174 043	194 055	7 680	201 735	1 426	0	1 426
Disposals	-229 564	0	0	0	-1 209	0	-1 209
As at 31 December	**0**	422 122	15 358	**437 480**	17 084	4 113	**21 197**
Depreciations							
As at 1 January	18 303	20 325	384	20 709	15 151	500	15 651
Depreciation for the year	0	10 798	2 689	13 487	579	0	579
Impairment	0	34 717	0	34 717	0	0	0
Disposals	-18 303	0	0	0	-778	0	-778
As at 31 December	**0**	65 840	3 073	**68 913**	14 952	500	**15 452**
Book value at 31 December	**0**	356 282	12 285	**368 567**	2 132	3 613	**5 745**

M/S BELISLAND

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

M/S BELFOREST

M/S Belforest, a 61 000 dwt Ultramax bulk carrier was delivered on 25 September 2015 and is leased on bareboat charter for a period of 12 years with purchase options from year 3 onwards. The transaction is considered as a financial lease. The ship is chartered to Cargill unto September 2018 with charterers option of further 2 months, at charter rate of around USD 10 000 per day. A provision of loss of NOK 0.7 million was entered in 2016 regarding the previous timecharter period with Cargill. The provision was reversed in 2017.

Reversal of previous impairments for M/S Belforest amounted to NOK 33 million in 2017. See note 7 in the consolidated accounts regarding impairment.

M/S BELOCEAN

M/S Belocean is owned by Belships Supramax Singapore (BSS) and is on time charter to Belships ASA at USD 16 000 per day. The ship is employed in the market on time charter to Cargill at USD 9 770 per day.

In 2016 a provision of NOK 21.3 million was recorded as estimated net loss on the timecharter agreements for M/S Belocean and M/S Belisland. Due to improved market, this provision was reversed in 2017.

PREPAYMENT OF TIMECHARTER HIRE

Prepayment of timecharter hire amounting to USD 1.5 million is related to the newbuilding delivered in January 2018.

OTHER FIXED ASSETS

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

NOTE 3
OPTIONS TO EMPLOYEES

At the Annual general meeting (AGM) in 2016, 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 3.11 was awarded in August 2016. No options have been exercised.
At the AGM in 2017, the Board was authorised to issue up to 200 000 share options to employees. The option price is 105% of closing share price on the day of the AGM. The authorization is valid for two years. In accordance with this authorisation, options to buy 200 000 shares at NOK 5.12 was awarded in August 2017. No options have been exercised.

Both 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.

The options awarded in 2015 were in April 2017 canceled with an agreement between the company and the employees that the company paid out the difference between exercise and market price. The payment amounted to 32. In March 2018 options awarded in 2016 were canceled and the difference between exercise and market price were paid to the employees. This payment amounted to 454.

SUMMARY OF OUTSTANDING OPTIONS	2017	2016
Outstanding 1 January	**400 000**	400 000
Awarded	**200 000**	200 000
Exercised	**0**	0
Not exercised	**-200 000**	-200 000
Outstanding 31 December	**400 000**	400 000

Market value of options estimated using the Black and Scholes options pricing model. For the options awarded in 2016 and 2017 the market value per share was NOK 0.60 and NOK 1.97 respectively. The market value of outstanding share options are calculated at time of award and charged against profit and loss over the period until they can be exercised. In 2017 the calculated costs amounted to 56 and 208 for the 2016- and 2017-options respectively.

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 77.0%.
Duration of options: It is assumed that all employees will exercise their options when the service period has been completed. The term of the options is estimated at two years.
Dividend: Estimated dividend per share is NOK 0 per year.
Risk free interest rate: Interest rate used as a basis for calculating options is equal to the interest rate on government bonds over the duration of the options, i.e. 0.59% for 2017.
Decrease in the number of employees: Expected reduction is 0.

SHARE OPTION PLAN CHIEF EXECUTIVE OFFICER

In addition to the above share option plan the CEO has a separate share option plan with the following conditions:
The right to subscribe for up to 2 million shares in Belships ASA at a subscription price of NOK 5.00, of which:

- 500 000 shares may be subscribed for if the company's market value exceeds NOK 300 million (Sub-option A).
- The remaining 1.5 million shares may be subscribed for if the company's market value exceeds NOK 750 million (Sub-option B). Sub-option B is for 2 million shares if Sub-option A is not exercised within the time allowed for Sub-option A.

The market value is the product of the volume-weighted closing price of the company's shares on the Oslo stock exchange in a 15-day period and the number of outstanding shares less treasury shares and/or shares Belships issues after the option agreement date. Sub-option A expires 30 June 2018, while sub-option B expires 30 June 2020.

NOTE 4
INTERCOMPANY BALANCES

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

Interest at market terms is calculated on long-term intercompany balances, and the balance fall due when the cash position allows it. Interest cost of 128 (2016: 131) are paid to a subsidiary due to long-term intercompany balance of 5 927 (5 848) at year end.

NOTE 5
BANK DEPOSITS

Total bank deposit amounted to 13 714 (4 962) at year-end. Restricted funds for withholding tax for employees amounted to 712 (668) and other restricted deposits amounted to 1 166 (1 081) as at 31 December 2017.

NOTE 6
EQUITY

		PAID-IN				RETAINED	
	NOTE	SHARE CAPITAL	TREASURY SHARES	SHARE PREMIUM RESERVES	OTHER EQUITY	OTHER EQUITY	TOTAL
Equity per 31 December 2016		94 704	-1 096	93 333	106 726	-117 116	**176 551**
Actuarial gains/(losses) obligation	7	0	0	0	0	-48	**-48**
Share-based payments	3	0	0	0	2	0	**2**
Dividend		0	0	0	0	4 735	**4 735**
Result for the year		0	0	0	0	39 275	**39 275**
Equity per 31 December 2017		94 704	-1 096	93 333	106 728	-73 154	**220 515**

SHARE CAPITAL

Belships ASA's 47 352 000 shares, each with a face value of NOK 2.00, was as of 31 December 2017 distributed among 594 shareholders (2016: 481). Each share has one vote.

TREASURY SHARES

The company holds 548 000 treasury shares in total with an average cost price of NOK 9.91 as of 31 December 2017. Belships ASA has provided 50 000 treasury shares to ABG Sundal Collier Norge ASA (ABGSC) as a facility for ABGSC' role as liquidity provider for the company's shares on Oslo Stock Exchange.

AUTHORISATION TO ISSUE NEW SHARES

At the Annual general meeting in 2017 the Board received authorisation to issue up to 4 million new shares. The authorisation has not been used and is valid to the next ordinary Annual general meeting.

DIVIDEND

The Board of Directors of Belships ASA will at the annual general meeting on 24 April 2018 propose a dividend of NOK 0.10 per share (2017: 0).

THE 20 LARGEST SHAREHOLDERS IN BELSHIPS ASA AT 31 DECEMBER 2017		NUMBER OF SHARES	PERCENTAGE
1	Sonata AS	31 747 492	67.05 %
2	Tidships AS	5 080 432	10.73 %
3	Eitzen Rederi AS	806 134	1.70 %
4	Belships ASA	498 000	1.05 %
5	Carlings AS	400 000	0.84 %
6	Chrem Capital AS	320 000	0.68 %
7	Tidinvest II AS	315 414	0.67 %
8	Jenssen & Co A/S	302 816	0.64 %
9	Toru Nagatsuka	270 000	0.57 %
10	Carl Erik Steen	269 154	0.57 %
11	Jovoko AS	250 000	0.53 %
12	Danske Bank A/S	245 339	0.52 %
13	Liv Søland	240 000	0.51 %
14	JSL AS	231 191	0.49 %
15	ASL Holding AS	225 000	0.48 %
16	Arne Risøy	217 902	0.46 %
17	AR Vekst AS	203 995	0.43 %
18	Bernhard Kielland	200 000	0.42 %
19	HKD Holding AS	198 117	0.42 %
20	Jomaho AS	160 000	0.34 %
Total 20 largest shareholders		42 180 986	89.08 %
Other shareholders		5 171 014	10.92 %
Total number of shares		**47 352 000**	**100.00 %**

NUMBER OF SHARES OWNED BY BOARD MEMBERS IN BELSHIPS ASA	OWNED SHARES	OUTSTANDING OPTIONS
Sverre J. Tidemand 1	31 747 492	0
Christian Rytter 2	320 000	0
Carl Erik Steen	269 154	0
Other members	0	0

1) Includes shares held by Sonata AS, a company in which Sverre J. Tidemand controls the only share with voting rights.
2) Shares held by 100% owned Chrem Capital AS.

NUMBER OF SHARES OWNED BY THE MANAGEMENT IN BELSHIPS ASA	OWNED SHARES	OUTSTANDING OPTIONS
Ulrich Müller, Chief Executive Officer *	0	60 000
Stein H. Runsbech, Commercial Director	30 000	33 000
Osvald Fossholm, Financial Director	0	33 000

**) See note 3 for more information about separate share option plan.*

Notes to the Belships ASA accounts

NOTE 7
PENSIONS

DEFINED CONTRIBUTION SCHEME

All the 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 related to this scheme amounted to 1 041 in 2017 (2016: 1 011).

DEFINED BENEFIT SCHEME

In addition to defined contribution scheme, the company has unfunded pension liabilities which are covered through the daily operations. These relate to early retirement and pension to persons, that have not been included in the defined contribution scheme. There are 7 retired persons included in this scheme.
Pension commitments are calculated by an independent actuary. The basis for the calculation is shown below. The mortality table (K2013) for Norway is used in the calculations.

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

	2017	2016
Assumptions		
Discount rate	**2.40 %**	2.60 %
Future wage adjustment	**2.50 %**	2.50 %
Pension adjustment/G-adjustment	**2.50 %**	2.50 %
Return on pension plan assets	**2.40 %**	2.60 %
Composition of the net pension obligations per 31 December		
Net pension obligations as at 1 January	**5 583**	7 008
Interest on accrued pension obligations	**127**	163
Employer benefits paid	**-1 418**	-1 925
Actuarial (gains)/losses on obligation	**48**	337
Net pension obligations as at 31 December	**4 340**	5 583

NET PENSION EXPENSES	2017	2016
Pension expenses defined benefit scheme	**127**	163
Pension expenses defined contribution scheme	**1 041**	1 011
Total pension expenses	**1 168**	1 174

NOTE 8 SHARES

	BUSINESS OFFICE	TIME OF PURCHASE	COST PRICE	OWNER-SHIP/ VOTING SHARE	COMPANY'S SHARE CAPITAL	NUMBER OF SHARES OWNED	PAR VALUE	BOOK-VALUE
Shares in subsidiaries								
Belships Management AS	Oslo	09.12.85	7 493	100 %	100	2	TNOK 50	657
Belships Management (Singapore) Pte Ltd 1)	Singapore	31.12.83	12 075	100 %	TSGD 60	60 000	SGD 1	12 076
Belships Supramax Singapore Pte Ltd	Singapore	18.06.09	253 782	100 %	MSGD 58.5	58.5 mill.	SGD 1	189 000
Belships Chartering AS	Oslo	27.01.93	221 181	100 %	5 403	2 700	TNOK 2	5 403
Total								207 136

1) The company has provided dividend of 7 225 (3 113) in 2017.

NOTE 9
SPECIFICATIONS

SHIP OPERATING EXPENSES	2017	2016
Crew expenses	**15 906**	14 725
Maintenance and spare parts	**4 536**	3 977
Insurance	**2 435**	2 307
Management fee	**1 985**	2 039
Other ship operating expenses	**1 634**	1 209
Total ship operating expenses	**26 496**	24 257

OTHER FINANCIAL ITEMS	2017	2016
Net guarantee commissions 1)	**-5 083**	-7 388
Financing costs	**-1 586**	3 270
Other financial items	**1 387**	473
Net other financial items	**-5 282**	-3 646

1) The company is acting as a guarantor for the mortgage debt in the subsidiary Belships Supramax Singapore. A guarantee fee equal to 3% of loan balance amounting to 7 061 (9 491) has being charged in 2017.
Sonata AS issued in December 2015 an on-demand guarantee amounting to USD 5 million to the lender of the Group's mortgage debt. The guarantee carried a commission of 5% which amounted to 1 978 (2 103) in 2017. The guarantee was returned in December 2017.

CURRENCY GAIN/(LOSS) IN INCOME STATEMENT	2017	2016
Realised currency exchange gain	**-32 496**	-37 184
Unrealised currency exchange gain	**-6 917**	-1 890
Realised currency exchange loss	**16 221**	35 868
Unrealised currency exchange loss	**4 400**	3 508
Total	**-18 792**	303

NOTE 10
SALARIES, NUMBER OF EMPLOYEES

SALARY EXPENSES	2017	2016
Salaries	**10 372**	10 113
Social security tax	**1 888**	1 826
Pension expenses	**1 168**	1 174
Other allowances	**451**	819
Total	**13 880**	13 933

The parent company received a management fee from the subsidiary Belships Management AS amounting to 4 976 in 2017 (2016: 4 773).

The average number of employees in 2017 was 8 (2016: 8).

REMUNERATION TO THE MANAGEMENT	CHIEF EXECUTIVE OFFICER	FINANCIAL DIRECTOR	COMMERCIAL DIRECTOR
Salary	3 318	1 527	1 765
Share-based payment transaction expense	118	65	65
Pension expenses (defined contribution)	166	166	166
Other allowances	299	239	270
Total	3 901	1 997	2 266

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 that was approved in an extraordinary general meeting in June 2016. See note 3 for details.

BOARD REMUNERATION

Board members are not awarded share options. The Board has received 666 in remuneration in 2017 (2016: 643), divided into 166 to the Chairman and 125 to each of the other members. Additional, 3 of the board members represent an audit committee and have received 93 in additional remuneration in 2017 (2016: 90), divided into 35 to the Chairman and 29 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)	2017	2016
Remuneration for audit services	**265**	220
Other assurance services	**93**	38
Assistance related to tax matters	**67**	41
Other audit related assistance	**0**	0
Total	**425**	299

LOANS TO EMPLOYEES

Loans to employees amounted to 952 (1 536) as at 31 December 2017. Of this, 419 (550) to the management. See note 12 for further details regarding the loans.

NOTE 11
OTHER GENERAL ADMINISTRATIVE EXPENSES

	2017	2016
Office expenses	**1 650**	1 712
Other services	**1 689**	1 692
Data, office equipment a.o.	**662**	552
Communication, advertising	**451**	301
Travel expenses	**358**	954
Other general administrative expenses	**1 414**	1 582
Total	**6 224**	6 793

NOTE 12
RECEIVABLES AND LIABILITIES

BAREBOAT CHARTER COMMITMENTS

Belships ASA entered in 2015 into a lease agreement for M/S Belforest. The bareboat period is 12 years with purchase options from year 3 onwards.
In 2016 Belships entered into a bareboat lease agreement for M/S Belisland. The ship is leased for a period of 15 years with purchase options from year 5 onwards.
Both leases are considered as financial leases.

TIME CHARTER COMMITMENTS

In January 2018 the newbuilding M/S Belnippon was delivered and entered the 8-years time charter agreement to Belships. Belships has purchase options from year 4 onwards.
In June 2017 Belships signed an agreement to charter in an Ultramax bulk carrier of 63 000 dwt to be delivered from Imabari Shipbuilding first half 2020. The charter period will be for minimum 8 years plus two yearly options, with purchase option from end of fourth year.

See note 13 in the consolidated accounts for payment schedule.

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 covering USD 20 million, reducing by USD 2 million per year.

LOANS TO EMPLOYEES

Loans to employees amounted to 952 (1 536) as at 31 December 2017. The average interest rate used for the loans was 2.20% (2.28%) in 2017. The repayment period is five years.

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

NOTE 13
SUBSEQUENT EVENTS

M/S Belnippon was delivered from Imabari Shipbuilding in January 2018 and has been fixed on time charter to Cargill for 10-13 months at USD 11 500/day.

No further material events have taken place after 31 December 2017.

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 8.2050 (8.6200), which was Norges Bank's exchange rate at 31 December 2017. 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 8.2 million (NOK 2.9 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 covering USD 20 million, reducing by USD 2 million per year. Market value of this agreement amounted to 100 (-1 480) at year end. The amount is not recorded in the books.

CREDIT RISK

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

NOTE 15
RELATED PARTIES

The company performs management services for a subsidiary and receives a fee for this. The fee amounted to 4 976 (4 773) in 2017.

The company receives a commission for acting as guarantor for mortgage debt in the subsidiary Belships Supramax Singapore Pte Ltd. The fee amounted to 7 061 (9 491) in 2017. See note 9 for further details.

All intercompany transactions have been conducted to market terms.

Sonata AS, the main shareholder in Belships ASA, issued in December 2015 an on-demand guarantee amounting to USD 5 million to the lender of the Group's mortgage debt. The guarantee carried a commission of 5% which amounted to 1 978 (2 103) in 2017. The guarantee was returned in December 2017. Except for this, it has not been issued loans or provided security to or from shareholders or related parties.

Members of the management have loans from the company. These amounts to 419 (550) per 31 December 2017.

Notes to the Belships ASA accounts

NOTE 16
TAX

TAX RESULT FOR THE YEAR FOR BELSHIPS ASA	2017	2016
Result for the year before tax	**44 010**	-143 824
Change in temporary differences	**-92 828**	52 772
Permanent differences / other	**-8 403**	-2 852
Tax basis for the year	**-57 222**	-93 904
Taxes payable (24%)	**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	2017	2016
Result for the year before tax	**44 010**	-143 824
Statutory tax rate	**24 %**	25 %
Estimated tax expense at statutory rate	**10 562**	-35 956
Permanent differences / other	**-2 017**	-713
Expected tax expense	**8 546**	-36 669
Change in deferred tax assets	**-8 546**	36 669
Actual tax expense	**0**	0
Effective tax percentage	**0 %**	0 %

DEFERRED TAX PER 31 DECEMBER	2017	2016
Deferred sale fixed asset gain/(loss)	**-5 714**	-7 142
Provision for loss on contracts	**0**	-22 015
Pension obligations	**-4 340**	-5 583
Interest swap	**0**	-1 481
Temporary differences fixed assets	**86 878**	20 218
Impairment loss on shares in subsidiaries abroad	**-64 782**	-64 782
Tax loss carried forward	**-456 177**	-398 955
Net temporary differences	**-444 133**	-479 740
Statutory tax rate	**23 %**	24 %
Deferred tax assets	**-102 151**	-115 138
Deferred tax assets in Balance sheets	**0**	0
Deferred tax assets not in Balance sheets	**-102 151**	-115 138

Calculation of deferred taxes is based on temporary differences between statutory books and tax values which exist at the end of the year. Deferred tax assets are not recorded in the balance sheet, as future utilization of tax losses cannot be reasonably assured.

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Belships ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Belships ASA comprising the financial statements of the parent company and the Group.

The financial statements of the parent company comprise the balance sheet as at 31 December 2017, the income statement and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements comprise the statement of financial position as at 31 December 2017, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, and of 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 consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Valuation assessment of ships

Based on current market conditions as of year-end 2017, management updated their valuation model for each of their ships and calculated the recoverable amounts, which in the group financial statements resulted in an impairment charge for USD 5.0 million and reversal of previously recorded impairment of USD 7.5 million. In the parent company financial statements a reversal of NOK 33.0 million in previous recorded impairment charge was recognized.

When estimating recoverable amount for each ship, management's valuation model takes into consideration the average of two independent broker valuations (charter free) and the net present value of the estimated fair value of the related time-charter agreements for the ships, which has a remaining contract period of 2-4 years. Considering the extent of estimates and assumptions applied in the valuation assessment of ships, and management's involvement and judgment in establishing them, we determined valuation assessment of ships to be a key audit matter.

Our audit procedures included, among others, an evaluation of the valuation model prepared by management, including a comparison of the average independent broker valuation to external observable transactions of similar ships, market data and external analysis of long–term expectations in the dry bulk market sector. Furthermore, we compared the risk premium used in the weighted average cost of capital with external data and considered management's adjustments for company specific factors, and further evaluated the level of consistency applied in the valuation methodology from previous years. We also tested the mathematical accuracy of the valuation model and performed sensitivity analysis of the most critical assumptions.

Refer to note 3 in the consolidated financial statements regarding estimation uncertainties and

note 7 in the consolidated financial statements and note 2 in the parent company financial statements regarding ships, applied valuation model and sensitivity to key assumptions.

Other information

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

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

Responsibilities of management for the financial statements

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

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

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Auditor's responsibilities for the audit of the financial statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

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

Opinion on registration and documentation

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

Oslo, 22 March 2018
ERNST & YOUNG AS

Jon-Michael Grefsrød

Jon-Michael Grefsrød
State Authorised Public Accountant (Norway)

Belships' values and ethical guidelines are intended to safeguard good corporate ethics

CORPORATE GOVERNANCE

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

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

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

Operations

The company's business is operation, purchase and sale of ships as well as participation in companies with similar objectives. The company is listed on the Oslo Stock Exchange and is for the time being engaged in dry bulk and technical management of ships.

Share capital and dividends

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. When increasing share capital through the issue of new shares for cash payment, the company's shareholders have normally a pre-emptive right of subscription.

The Board will propose private placements or the issue of shares as consideration in connection with investments only when this will safeguard the long-term interests of existing shareholders.

Until the coming General Meeting (GM), the Board is entitled to acquire on behalf of the company 200 000 own shares and to issue 4 700 000 new shares under conditions determined by the GM.

Equal rights for shareholders and transactions with related parties

The company has only one class of shares and the company's articles of association contain no limitations on voting rights. All shares carry equal rights and can be transferred freely.

In situations where the Board proposes that existing shareholders should waive their right to subscribe for shares, this will only be done where justified in light of the company's and the shareholders' interests. The justification shall be published in connection with the announcement of the increase in capital.

Belships provides limited management services to the company's principal shareholder. These services are provided at market terms. Any material transactions with closely related parties follow from sections 3-8 and 3-9 of the Norwegian Limited Liability Companies Act, and the agreements are adopted by the GM on the basis of a report submitted to the GM beforehand. The option programs are adopted by special authorization from the GM.

General Meeting

The GM is the company's supreme authority. The GM elects the Board and the auditor. Pursuant to the Limited Liability Companies Act, notice of GM must be sent to the shareholders no later than 21 days before the GM is to be held. The GM must be held by 30 June. Shareholders are registered in the Shareholders' Register with address. All shareholders are entitled to attend the GM and must give notice of attendance two days before the meeting is held. The Board, the company's management and the auditor attend GMs.

Election committee and audit committee

Considering the scope of the company's operations, the Board considers it reasonable and appropriate that the company should only have one board committee: the audit committee. The committee is made up of Christian Rytter (Chairman), Kjersti Ringdal and Sissel Grefsrud.

Members of the Board represent, directly and indirectly, more than 50% of the shareholdings in Belships ASA. For this reason, no election committee has been established. The Board fulfills this role itself, and the work to review candidates for the Board is handled by ad hoc committees of the Board and chaired by the Chairman.

Board – composition and independence

The Board shall consist of 3-7 members. The Board elects its chairman. Members may be re-elected every two years. Board appointments are communicated through the notice of GM and the members are elected by majority vote.

The Board is made up of directors with broad experience and knowledge of the sector. Four directors are independent of day-to-day management, the majority shareholder and major business connections. Three directors own shares in the company.

The duties of the Board, risk management and internal control

The Board supervise the work of the administration. This means that the Board must review and approve strategies and follow up the implementation of the resolutions adopted.

Strategic decisions or decisions of material importance must be approved by the Board. The Board also appoints the Chief Executive Officer and determines his/her remuneration and the general framework for the Group's wage level.

The Board has prepared rules of procedure for the Chief Executive Officer, which specify his responsibilities and the decisions that have to be approved by the Board. The Board's duties comprise the review and supervision of the Group's internal control procedures and risk management. The same applies to ensuring that the company's integrity is safeguarded.

Focus is on ensuring that the Board functions as a team of independent members. The Board has also prepared rules of procedure for the Board's audit committee, which is to support the Board in performing its duties relating to reporting, audit, internal control and overall risk management.

The Board has an overall responsibility for safety, security and the environment. Our subsidiary in Singapore, which is responsible for the technical operation of Belships own and other ships, concentrates in particular on these matters.

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

Remuneration of directors

Remuneration of directors is approved by the company's GM. The remuneration is granted at the end of the year of service. Directors have no options to buy shares in the company, nor do they receive compensation other than the Board fees. The company endeavors to grant directors a remuneration based on market terms.

Remuneration to officers

The Board prepares guidelines for the remuneration of officers, pursuant to the law, which are submitted to the GM. Remuneration to the Chief Executive Officer is approved by the Board on the Chairman's recommendations.

The company has a share option scheme that applies to all employees in Norway. In addition The Chief Executive Officer has an option to purchase shares. Details concerning the remuneration of the company's officers are provided in a separate note to the accounts.

Information and communication

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

Company takeover

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

Auditor

The company's auditor attends at least one Board meeting a year, normally in connection with the presentation of the annual accounts. In its meeting with the auditor, the Board focuses in particular on procedures relating to the company's internal control as well as current accounting issues.

The Board and the auditor meet at least once a year without the Chief Executive Officer or other executives being present. The auditor also attends the company's GM and has access to the company's minutes of board and GMs. The Board reviews the auditor's engagement on an annual basis.

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

The company's management meets the auditor regularly to discuss current tax and accounting issues.

The Board makes a running assessment of whether the audit is performed in a satisfactory manner.

Strong commitment to customers and quality creates value

CORPORATE SOCIAL RESPONSIBILITY

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

Belships has a clearly defined vision and mission statement and a set of core values, which we believe will ensure that the Company grows a value-creating and sustainable business.

Vision
Strong commitment to customers and quality creates value.

Mission
We are an ambitious global organization with focus on:
– Safety & environment
– Customers
– Quality
– People

Core values
– Respect
– Commitment
– Sincerety & Honesty

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

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

1. Environment

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

Belships recognizes its environmental responsibility and strive 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, NOX and SOX.

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

Belships are further 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. M/S Belforest and M/S Belisland 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.

2. Human and Labour rights

It is Belships policy to integrate attention to human and labor rights into its existing business processes. In practice, a large part of the human and labor rights agenda is covered by the Company's health and safety efforts. The health and safety of our employees is a key priority for Belships. As an international and multi-local industrial employer, the Company respects international and local legislation, including the provision of the International Labor Organization's Maritime Labor Convention of 2006 (the "MLC"). The MLC is widely 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 values its employees as a key resource. The Company will continue to focus on attracting and keeping the best qualified and motivated employees. As a global organization, Belships has a diversified working environment in which employment, promotions, responsibility and job enrichment are based on qualifications and abilities and not on gender, age, race and political or religious views The Company does not tolerate discrimination in any form.

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

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

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

3. Anti-corruption

Belships has defined a set of core values being reflected in everything the Company does, and are an integrated part of how the Company does its business.

Belships believes that corruption prevents well-functioning business processes and curbs economic development. Corruption or corrupt behavior is not accepted by the Company. Belships focuses on transparency in its business practices, supports free enterprise and competes in a fair and ethical manner.

Appendix

Definition of Non-IFRS financial measures

BACKGROUND ON USING NON-IFRS FINANCIAL KEY FIGURES

Belships consolidated financial information is prepared in accordance with the International Financial Reporting Standards as adopted by the EU ("IFRS"). In addition, it is Managements's intention to provide additional performance measures when this is deemed relevant for understanding of the financial performance.

In the context of its standard and mandatory reporting, Belships ASA employs Alternative Performance Measures (APMs), which are not defined within the IFRS framework and which are published as non-IFRS financial key figures.

On the one hand, Belships ASA uses these non-IFRS financial key figures as major performance indicators for internal group controlling as well as for variable management compensation. On the other hand, these financial figures aim at increasing comparability with other companies and it is Managements experience that these measures are frequently used by equity investors, analysts and other stakeholders.

Non-IFRS financial key figures serve as additional information as presented in the consolidated financial statement in accordance with IFRS financial figures.

Definition of non-IFRS financial key figures applied:

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 result before tax 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

Annual Report 2018

BELSHIPS

1918-2018

Contents

FINANCIAL CALENDAR 2019

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

Well positioned and fully integrated

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

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

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

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

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

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

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

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

Peter Frølich
Chairman of the Board

Lars Christian Skarsgård
Chief Executive Officer

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

A voyage between crises and successes

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

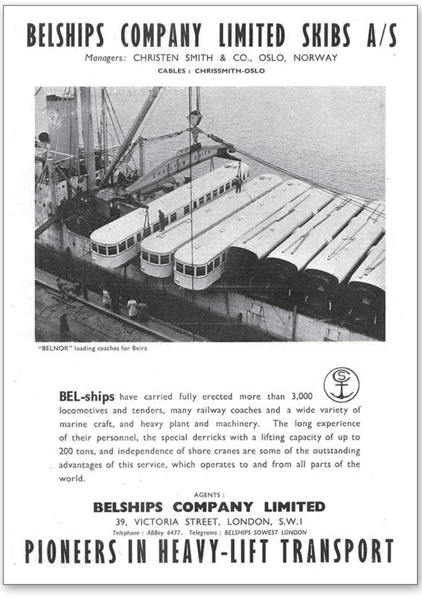
The Belships story could have ended just months after the Company's inception. Shortly after Christen Smith took delivery of his first three newbuildings, freight rates plummeted. 40 per cent of Norway's merchant fleet was laid-up by 1921. The creative Christen Smith desperately sought a solution outside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

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

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

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

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



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

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

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

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

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

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

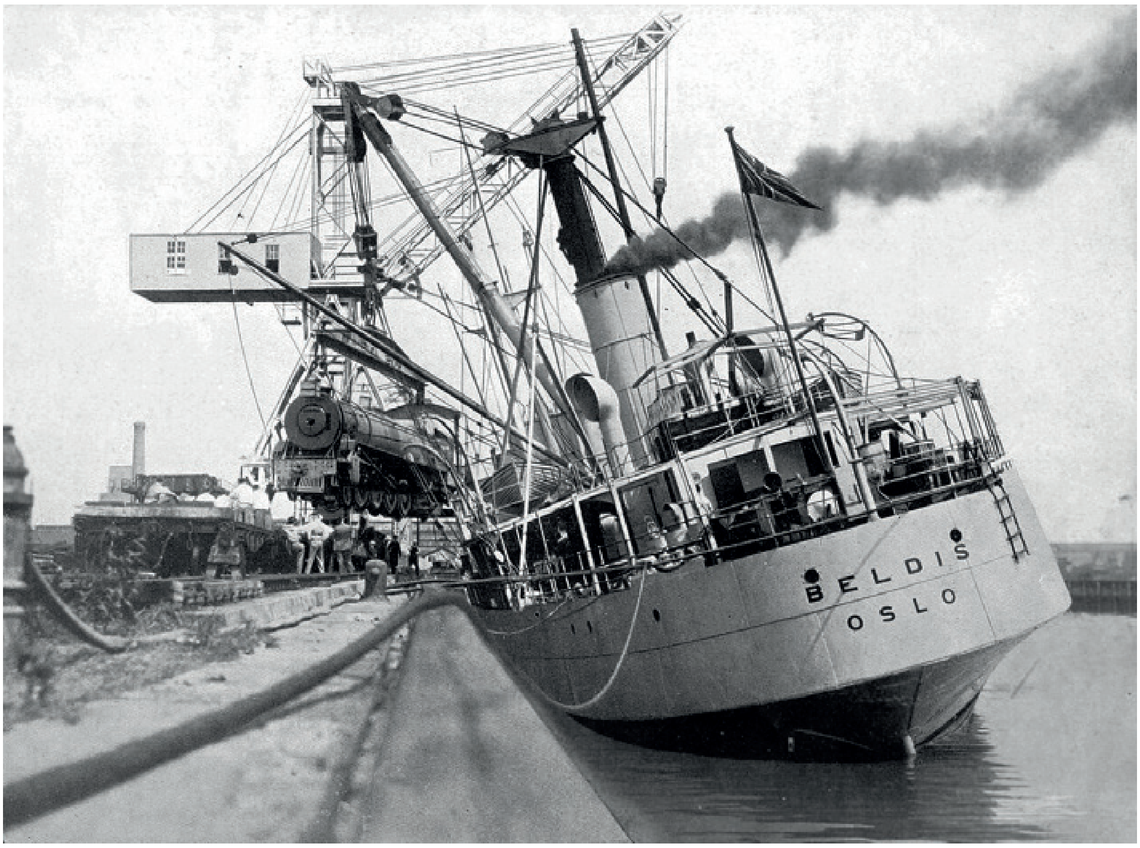
Dramatic changes in world trade, with particularly adverse effect on oil trade, coincided with an excess capacity of tankers. For years, the global shipping industry was dried up. Belships had contracted several new ships just before the market imploded. Almost brand new vessels were laid up, sold at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

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

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

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

Christen Smith in Antwerp, July 1935



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

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

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

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

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

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

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

Highlights 2018

JANUARY

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

FEBRUARY

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

JUNE

• Review of potential strategic partners

JULY

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

SEPTEMBER

• The charters of Belocean and Belforest to Cargill are extended

OCTOBER

• The merger is approved

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

NOVEMBER

• 100th anniversary celebrations in Singapore

DECEMBER

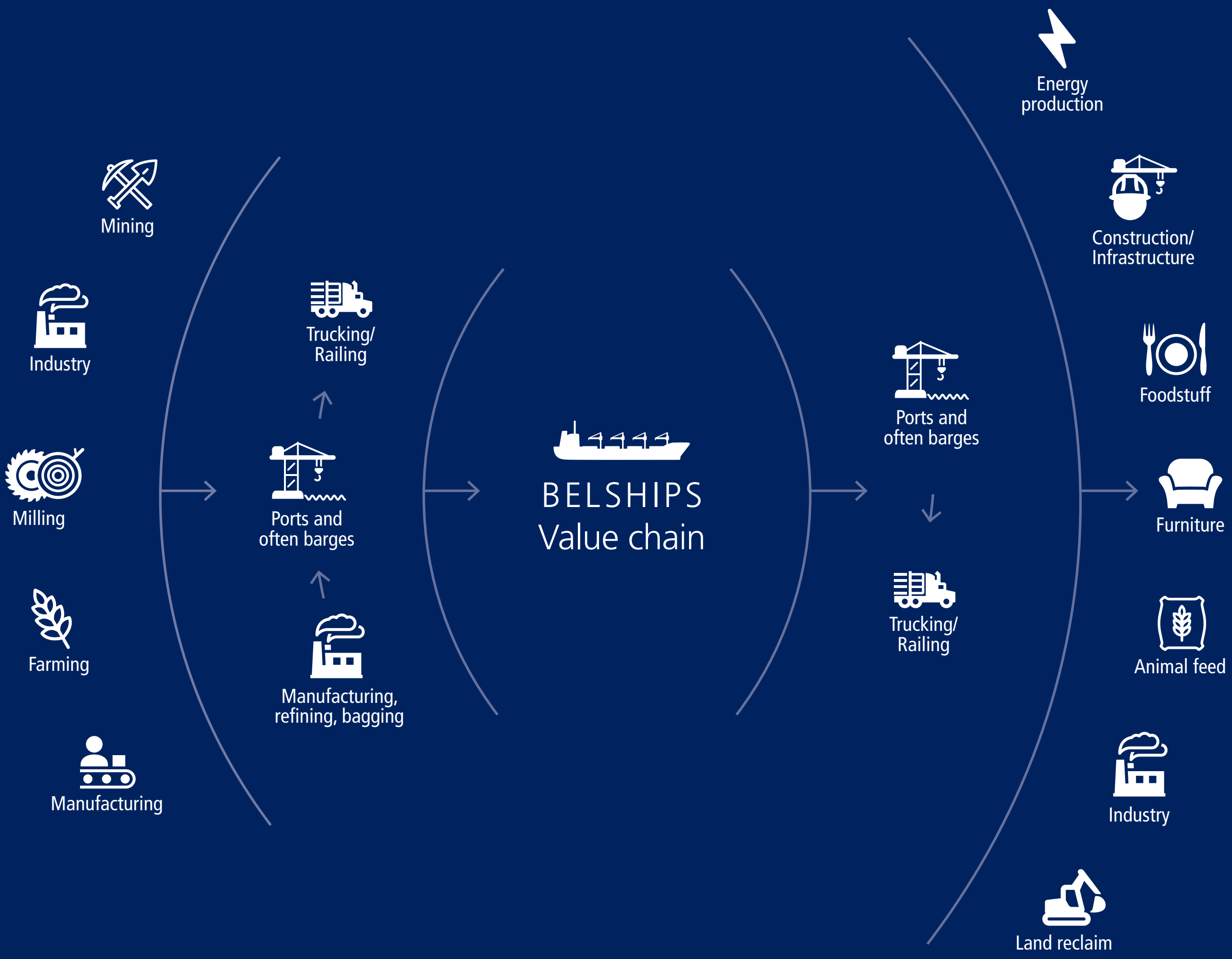
• The merger is completed and the nine Lighthouse ships are added to the fleet

Key financial figures

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

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

1) Result before taxes + interest expenses + unrealised currency exchange loss/(-gain) / interest expenses
2) Current assets in percent of current liabilities
3) Result before taxes + interest expenses / operating income
4) Result before taxes + interest expenses / average total capital
5) Net result for the year / average equity


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

Facts & figures

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

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

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

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

Belships ASA
Group Figures (pro-forma)*

*Assuming merger occurred on 1 January, 2018

Group revenue
152 mUSD

Group EBITDA
30 mUSD

Volume carried in 2018
4.9 million tonnes

Financial highlights

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

Assets
Total 293.6
L/T assets 15.0
Receivables 16.2
Cash 32.0
Ships 230.4

Equity and liabilities
Total 293.6
Other liabilities 22.0
Lease obligations 40.8
Mortgage 107.0
Equity 123.8

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

Average fleet age
Global handymax fleet
9.2

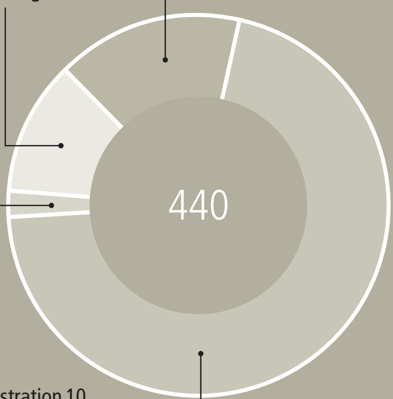
Belships
6.1

Number of shipdays 5 350

Contract coverage start 2019
about 2 000 shipdays – 30 mUSD

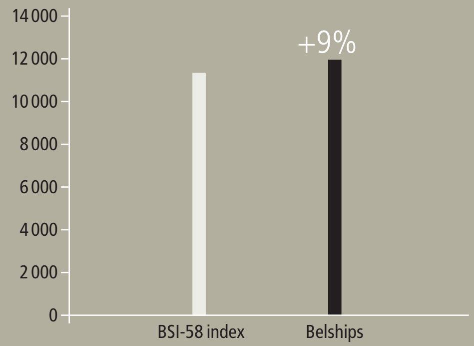
Sailed distance
800 000 Nm

Employees

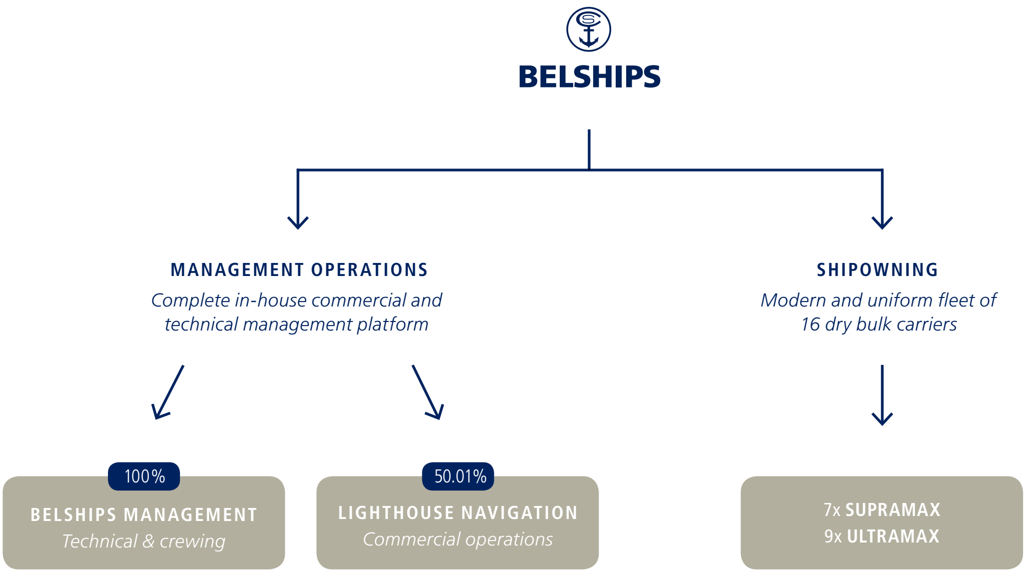


Belships shipping earnings in 2018 (pro-forma)

Average USD per ship day. Figures net of commission



Operational structure



Offices

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

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

Belships Management
Ship management

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

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

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

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

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

Development

1983 Incorporated under the name Northsouth Shipmanagement

1993 First company in Singapore with SEP and ISO 9002 certification by DNV-GL

2001 Opening office in Shanghai (PRC)

2006 Opening offices in the Philippines

2018 Attained Document of Compliance for NIS flag to manage the nine Lighthouse ships joining the Belship fleet.

Technical ships

19

Crewing ships

33

35 + yrs.

technical and crew management experience

Compliance

The Belships Management System is in compliance with the requirements of

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


BELNIPPON

Lighthouse Navigation
Commercial operations

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

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

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

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

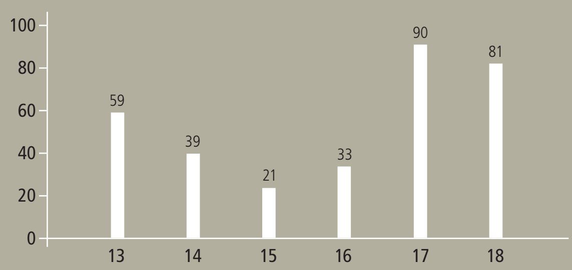
Siam Thara Agency Co., Ltd established in January 2014, is also controlled by Lighthouse Navigation. Siam Thara Agency offers comprehensive advice on ports, logistics and commodities both on the export and import fronts in Thailand and is considered leading in its handling of all other miscellaneous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

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

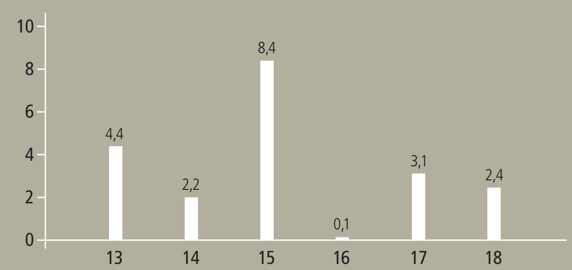
Revenue and profit

Strong financial development and a profitable track record

Revenues mUSD



Profits before tax mUSD



Average profits

before tax 2013 to 2018

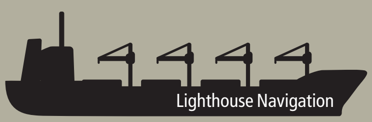
3.4 mUSD

Employees

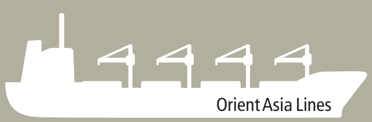
70

Number of shipdays, 2018

6 680



5 212



1 468

Annual volume

4.0 million tonnes

+100

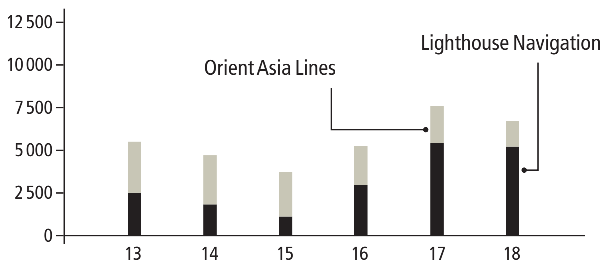
mUSD turnover

Agricultural products 39% of total cargo volume

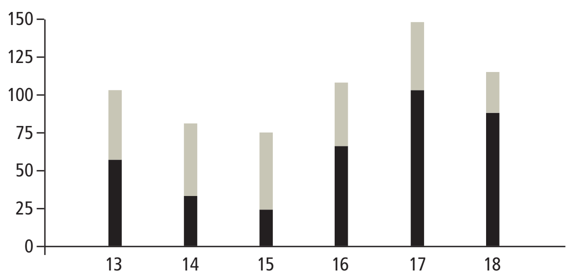
Volumes per year

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

Number of vessel days per year



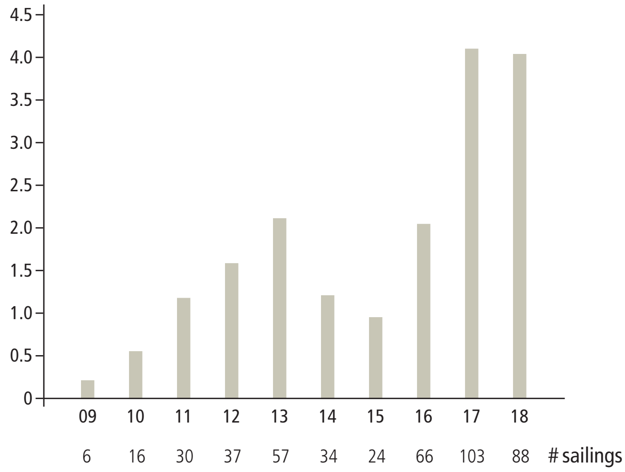
Number of voyages (per fixing)



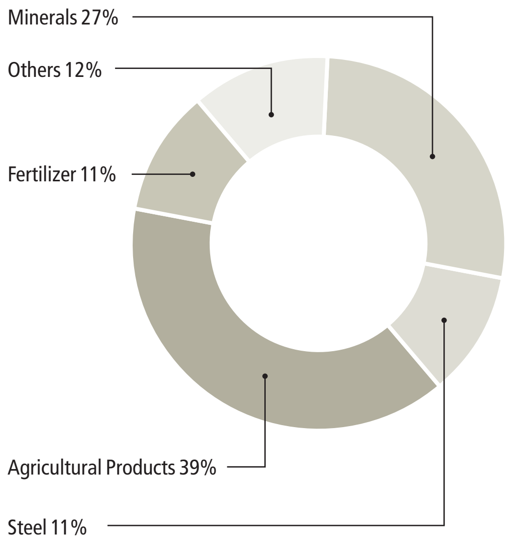
Cargo development and number of sailings

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

Cargo — quantities carried (and type). Million tonnes



Cargo type 2018



Modern uniform fleet with average age of ~6 years

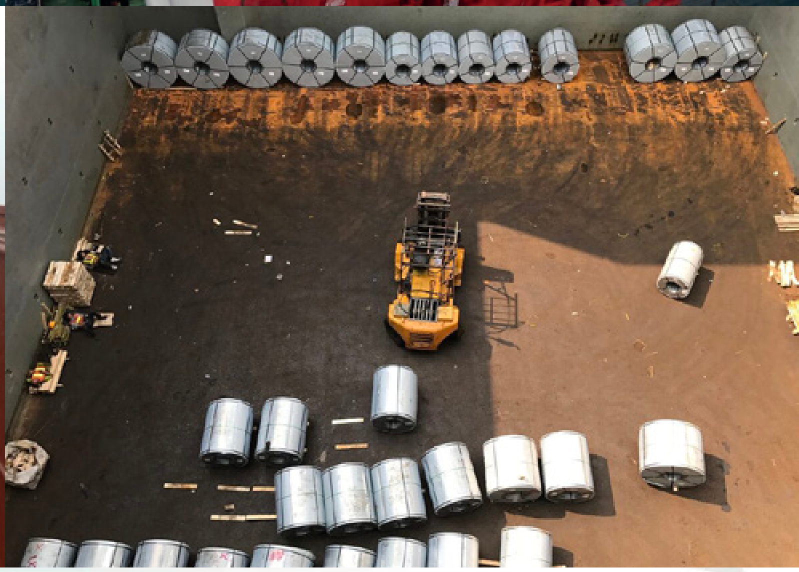
Our ships are versatile with cranes ("geared") to load and discharge the cargo, often to or from barges, and we can enter most ports of the world. Our largest ships, the Ultramaxes, are of eco-design combining high cargo capacity with low fuel / energy consumption. Some of our Supramaxes have boxed shaped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

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

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


ATLANTIC LIGHT


LIGHTHOUSE

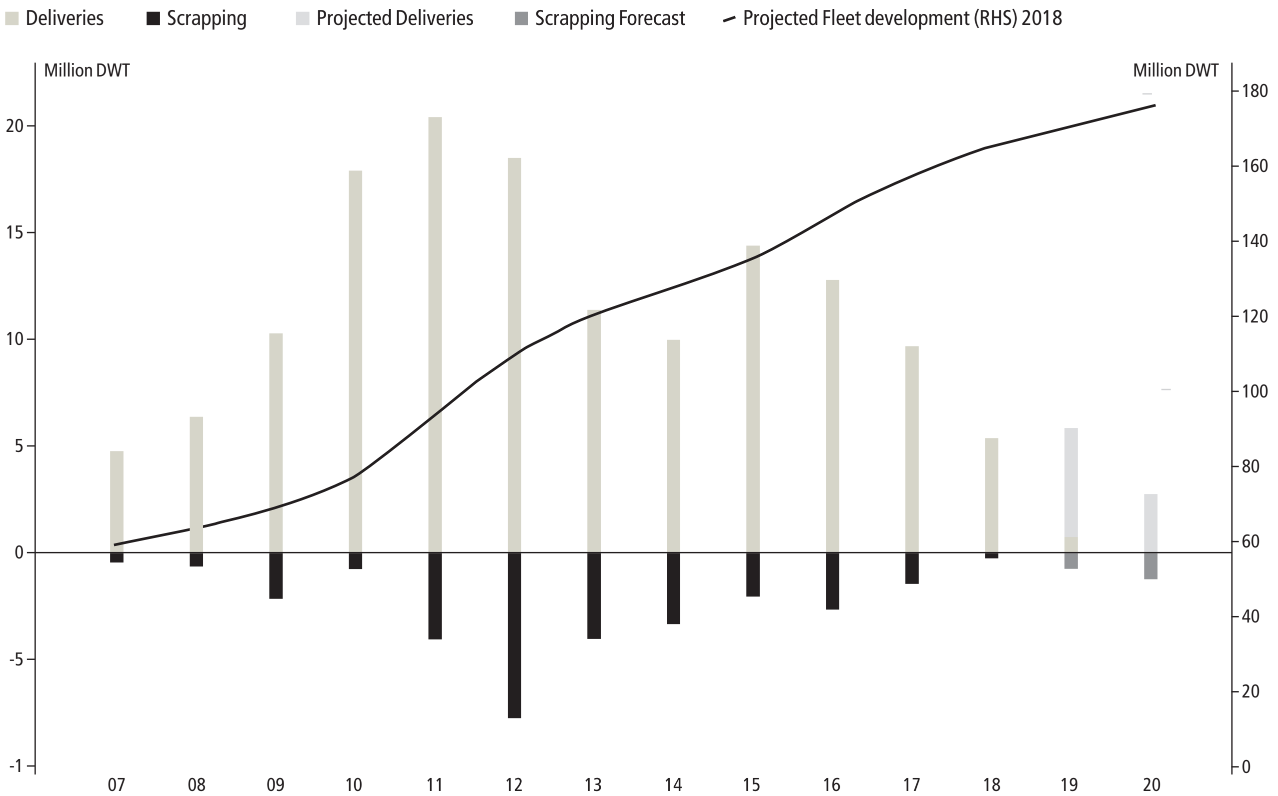

WINCH



Market information

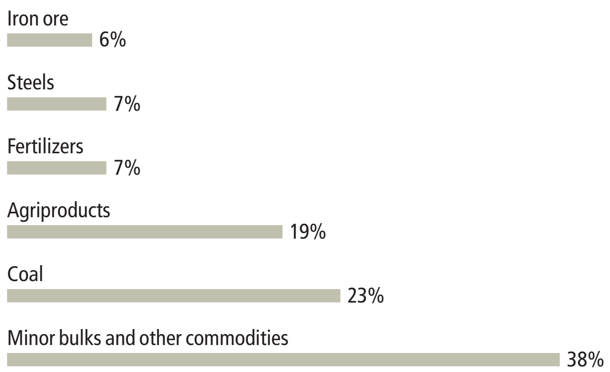
Data source: Fearnleys

Supra/Ultramax* delivery and scrapping scenario

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

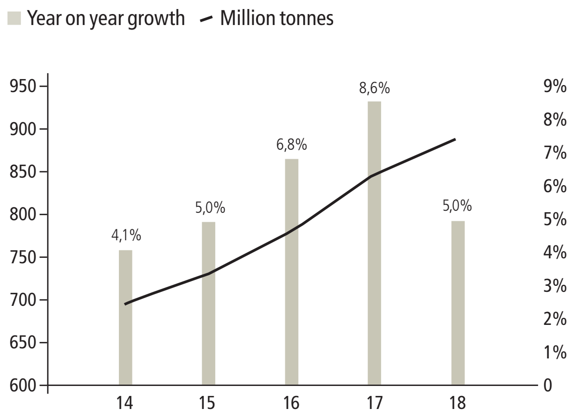


Supra/Ultramax* Demand by cargo type



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

Demand growth for Supra/Ultramax bulkers



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

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

Transformer underway from scotland to australia

A year defined by strategic development and growth

MERGER WITH THE LIGHTHOUSE GROUP

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

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

THE DRY BULK MARKET 2018

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

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

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

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

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

FINANCIAL AND CORPORATE MATTERS

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

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

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

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

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

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

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

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

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

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

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

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

OPERATIONS

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

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

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

RESULTS

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

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

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

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

GOING CONCERN

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

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

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

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

SAFETY AND THE ENVIRONMENT

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

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

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

Barges and locomotives, probably bound for India

Heavy-lifting from England to the Egyptian State Railways

Belevelin

ORGANISATION

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

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

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

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

CORPORATE GOVERNANCE

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

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

CORPORATE SOCIAL RESPONSIBILITY

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

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

- Environment
- Human and labor rights
- Anti-corruption

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

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

OUTLOOK

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

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

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

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

Oslo, 25 April 2019

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

Consolidated statement of income

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

Consolidated statement of comprehensive income

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

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

Consolidated statement of financial position

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

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

Oslo, 25 April 2019

Peter Frølich
Chairman of the Board

Sissel Grefsrud
Board member

Birthe Cecilie Lepsøe
Board member

Jorunn Seglem
Board member

Carl Erik Steen
Board member

Frode Teigen
Board member

Sverre J. Tidemand
Board member

Lars Christian Skarsgård
Chief Executive Officer

Consolidated statement of cash flow

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

*) Includes restricted cash. See note 22.

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

Consolidated statement of changes in equity

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

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

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

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

Notes to the consolidated accounts

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

NOTE 1 GENERAL INFORMATION

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

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

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

IMPACT OF THE MERGER BETWEEN BELSHIPS AND LIGHTHOUSE GROUP

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

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

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

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

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

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

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

NOTE 2 SUMMARY OF THE MOST IMPORTANT ACCOUNTING PRINCIPLES USED

A) BASIS OF PREPARATION

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

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

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

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

B) CONSOLIDATION PRINCIPLES

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

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

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

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

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

C) CURRENCY TRANSACTIONS

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

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

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

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

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

D) ACCOUNTS RECEIVABLE

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

E) TANGIBLE FIXED ASSETS

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

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

F) LEASING

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

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

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

G) FINANCIAL INSTRUMENTS

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

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

Classification and measurement
Financial instruments at fair value through profit and loss
This category comprises financial assets and liabilities held for trading, including all derivative instruments. Financial instruments in this category are initially recorded

at fair value, and transaction costs are expensed in the consolidated statement of profit and loss. Realized and unrealized gains and losses arising from changes in the fair value are included in the consolidated statements of profit and loss in the period in which they arise.

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

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

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

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

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

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

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

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

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

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

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

H) PROVISIONS

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

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

I) EQUITY

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

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

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

J) LEASES AS A LESSOR

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

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

K) REVENUE RECOGNITION

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

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

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

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

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

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

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

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

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

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

L) EMPLOYEE BENEFITS

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

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

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

M) INVESTMENT IN ASSOCIATES AND JOINT VENTURES

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

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

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

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

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

N) CONTINGENT ASSETS AND OBLIGATIONS

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

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

O) TAXES ON INCOME

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

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

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

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

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

P) IMPAIRMENT OF ASSETS

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

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

Q) BORROWING COSTS

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

R) EVENTS AFTER THE BALANCE SHEET DATE

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

S) SHARE-BASED PAYMENTS

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

T) CASH AND CASH EQUIVALENTS

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

U) RESTRICTED DEPOSITS

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

V) REPORTING BY SEGMENTS

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

W) RELATED PARTY TRANSACTIONS

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

X) CASH FLOW STATEMENT

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

Y) CLASSIFICATION FINANCIAL POSITION

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

An asset is considered current when it is:

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

or

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

All other assets are classified as non-current.

A liability is considered current when it is:

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

or

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

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

Z) CHANGES IN ACCOUNTING POLICES

IFRS 15 – Revenue recognition

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

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

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

IFRS 9 Financial instrument

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

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

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

IFRS 16 Leases

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

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

COMMENCED LEASE

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

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

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

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

SHIPS – IMPAIRMENT ASSESSMENT

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

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

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

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

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

OPERATING VERSUS FINANCIAL LEASE AGREEMENTS

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

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

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

BUSINESS COMBINATION

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

NOTE 4 BUSINESS COMBINATION

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

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

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

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

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

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

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

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

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

NOTE 5 SEGMENT INFORMATION

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

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

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

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

GROSS REVENUE PER GEOGRAPHICAL AREA

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

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

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

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

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

NET AVERAGE EARNINGS PER DAY

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

*) only December 2018

Belstar and Belnor are employed on time charters to Canpotex Shipping Services Ltd, at a net rate of USD 16 000 per day. Canpotex is one of the world's largest exporters of potash, a fertilizer product imported in large volumes by countries such as China, India and Brazil.

M/S Belocean has from 2016 been fixed on time charter to Cargill International S.A of Switzerland at various rates.

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

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

The remaining fleet is operating in the spot market.

NOTE 6 REVENUE

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

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

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

NOTE 7 SHIPS AND OTHER FIXED ASSETS

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

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

SPESIFICATION OF THE GROUP'S SHIPS

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

OWNED SHIPS

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

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

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

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

CHARTERED SHIPS (ULTRAMAXES)

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

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

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

IMPAIRMENT TESTS/CALCULATION OF RECOVERABLE AMOUNT

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

CALCULATION OF DEPRECIATIONS

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

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

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

NOTE 8 LEASE AGREEMENTS

LEASE OBLIGATIONS

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

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

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

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

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

PAYMENT IF OPTIONS ON FINANCIAL LEASED SHIPS IS EXERCISED

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

NET PRESENT VALUE OF LEASE LIABILITY

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

CONTRACTED TIME CHARTER REVENUE

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

FIXED INCOME AND COMMITMENTS AS AT 31 DECEMBER 2018

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

Lease obligations are nominal amounts.

NOTE 9 TIME-CHARTER AGREEMENTS

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

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

NOTE 10 RELATED PARTIES

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

All fees are in line with prevailing market rates.

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

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

NOTE 11 RECEIVABLES AND LIABILITIES

MORTGAGE DEBT

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

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

BAREBOAT COMMITMENTS

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

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

Both leases are considered as financial leases.

TIMECHARTER COMMITMENTS

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

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

Consolidated

REPAYMENT SCHEDULE *

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

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

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

INTEREST SWAP AGREEMENTS

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

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

CURRENT RECEIVABLES AND LIABILITIES

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

NOTE 12 INVESTMENTS AND GROUP COMPANIES

COMPANIES INCLUDED IN THE CONSOLIDATED ACCOUNTS

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

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

1) **BEL SHIP I AS**

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

2) **BEL SHIP II AS**

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

3) **LIGHTHOUSE NAVIGATION PTE LTD**

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

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

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

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

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

Consolidated

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

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

NOTE 13 EQUITY

SHARE CAPITAL

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

NUMBER OF SHARES

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

TREASURY SHARES

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

AUTHORISATION TO ISSUE NEW SHARES

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

THE 20 LARGEST SHAREHOLDERS IN BELSHIPS ASA AT 31 DECEMBER 2018

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

NUMBER OF SHARES OWNED BY BOARD MEMBERS IN BELSHIPS ASA

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

NUMBER OF SHARES OWNED BY THE MANAGEMENT IN BELSHIPS ASA

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

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

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

For changes in equity, see separate statement.

NOTE 14 EARNINGS PER SHARE

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

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

AVERAGE NUMBER OF SHARES (EXCLUDING TREASURY SHARES)

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

EARNINGS PER SHARE

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

NOTE 15 SALARIES, NUMBER OF EMPLOYEES

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

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

LOAN TO EMPLOYEES

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

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

REMUNERATION*

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

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

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

BONUS

No bonus scheme was adopted for 2018.

SHARE OPTIONS

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

ALLOWANCE TO THE BOARD

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

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

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

NOTE 16 OTHER GENERAL ADMINISTRATIVE EXPENSES

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

NOTE 17 OPTIONS TO EMPLOYEES

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

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

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

SUMMARY OF OUTSTANDING OPTIONS

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

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

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

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

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

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

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

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

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

SHARE OPTION PLAN CHIEF EXECUTIVE OFFICER

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

NOTE 18 PENSIONS

DEFINED CONTRIBUTION SCHEME

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

DEFINED BENEFIT SCHEME

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

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

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

ASSUMPTIONS

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

CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION

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

PENSION EXPENSES IN CONSOLIDATED ACCOUNTS

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

NOTE 19 FINANCIAL MARKET RISK

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

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

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

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

INTEREST RATE RISK

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

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

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

The company does not use hedge accounting.

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

SENSITIVITY TO CHANGES IN INTEREST RATE LEVELS

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

AVERAGE EFFECTIVE INTEREST RATE ON DEBT (%)

	2018
Mortgage debt	5.87

CAPITAL STRUCTURE AND EQUITY CAPITAL

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

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

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

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

LIQUIDITY RISK

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

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

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

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

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

CREDIT RISK

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

CURRENCY RISK

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

FAIR VALUE MEASUREMENTS

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

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

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

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

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

SUMMARY OF FINANCIAL ASSETS AND OBLIGATIONS *

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

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

ASSETS AND OBLIGATIONS MEASURED AT FAIR VALUE

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

FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST

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

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

NOTE 20 TAXES

TONNAGE TAX

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

ORDINARY TAXATION

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

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

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

RECONCILIATION OF THE YEAR'S INCOME TAX EXPENSE

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

TAX LOSS CARRIED FORWARD

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

DEFERRED TAX PER 31 DECEMBER

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

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

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

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

NOTE 21 SPECIFICATIONS OPERATING EXPENSES AND OTHER FINANCIAL ITEMS

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

NOTE 22 BANK DEPOSITS

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

NOTE 23 ENVIRONMENTAL ISSUES

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

For further information see the Directors' report.

NOTE 24 CONTINGENCIES

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

NOTE 25 SUBSEQUENT EVENTS

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

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

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

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

Income statements

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

Balance sheets

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

Oslo, 25 April 2019

Peter Frølich
Chairman of the Board

Sissel Grefsrud
Board member

Birthe Cecilie Lepsøe
Board member

Jorunn Seglem
Board member

Carl Erik Steen
Board member

Frode Teigen
Board member

Sverre J. Tidemand
Board member

Lars Christian Skarsgård
Chief Executive Officer

Cash flow statements

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

NOTE 1 ACCOUNTING POLICIES

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

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

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

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

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

MERGER WITH THE LIGHTHOUSE GROUP

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

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

A) CLASSIFICATION OF BALANCE SHEET ITEMS

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

B) TAXES ON INCOME

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

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

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

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

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

C) TANGIBLE FIXED ASSETS

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

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

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

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

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

D) IMPAIRMENT OF ASSETS

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

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

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

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

E) LEASING

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

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

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

F) INVESTMENTS IN OTHER COMPANIES

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

G) ACCOUNTS RECEIVABLE

Accounts receivable are booked at nominal amount less expected loss.

H) CASH FLOW STATEMENT

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

I) EQUITY

(i) Treasury shares

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

(ii) Costs related to equity transactions

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

J) EMPLOYEE BENEFITS

Defined contribution pension scheme

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

Defined benefit pension scheme

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

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

K) PROVISIONS

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

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

L) REVENUE RECOGNITION

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

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

M) TRANSACTIONS IN FOREIGN CURRENCY

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

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

N) CONTINGENT GAINS AND LOSSES

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

O) RELATED PARTY TRANSACTIONS

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

P) EVENTS AFTER THE BALANCE SHEET DATE

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

Q) USE OF ESTIMATES IN PREPARATION OF THE ANNUAL ACCOUNTS

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

R) EARNINGS PER SHARE

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

S) SHARE-BASED REMUNERATION

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

T) FINANCIAL INSTRUMENTS

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

NOTE 2 FIXED ASSETS

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

Depreciation method: Straight Line

M/S BELISLAND

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

M/S BELFOREST

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

M/S BELOCEAN

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

OTHER FIXED ASSETS

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

PREPAYMENT OF TIMECHARTER HIRE

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

NOTE 3 OPTIONS TO EMPLOYEES

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

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

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

SUMMARY OF OUTSTANDING OPTIONS

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

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

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

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

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

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

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

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

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

SHARE OPTION PLAN NEW CHIEF EXECUTIVE OFFICER

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

NOTE 4 INTER-COMPANY BALANCES

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

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

NOTE 5 BANK DEPOSITS

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

NOTE 6 EQUITY

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

SHARE CAPITAL

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

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

TREASURY SHARES

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

AUTHORISATION TO ISSUE NEW SHARES

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

THE 20 LARGEST SHAREHOLDERS IN BELSHIPS ASA AT 31 DECEMBER 2018

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

NUMBER OF SHARES OWNED BY BOARD MEMBERS IN BELSHIPS ASA

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

NUMBER OF SHARES OWNED BY THE MANAGEMENT IN BELSHIPS ASA

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

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

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

NOTE 7 PENSIONS

DEFINED CONTRIBUTION SCHEME

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

DEFINED BENEFIT SCHEME

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

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

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

ASSUMPTIONS

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

NOTE 8 SHARES

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

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

NOTE 9 SPECIFICATIONS

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

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

NOTE 10 SALARIES, NUMBER OF EMPLOYEES

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

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

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

REMUNERATION*

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

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

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

SHARE OPTIONS

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

BOARD REMUNERATION

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

GUIDELINES FOR THE REMUNERATION OF THE EXECUTIVE MANAGEMENT OF BELSHIPS ASA

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

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

FEES TO THE AUDITOR (EXCLUDING VAT) *

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

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

LOANS TO EMPLOYEES

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

NOTE 11 OTHER GENERAL ADMINISTRATIVE EXPENSES

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

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

NOTE 12 RECEIVABLES AND LIABILTIES

BAREBOAT CHARTER COMMITMENTS

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

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

Both leases are considered as financial leases.

TIME CHARTER COMMITMENTS

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

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

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

INTEREST SWAP AGREEMENT

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

LOANS TO EMPLOYEES

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

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

NOTE 13 SUBSEQUENT EVENTS

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

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

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

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

NOTE 14 FINANCIAL MARKET RISK

CURRENCY RISK

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

No hedging agreement towards NOK are concluded.

The company does not use hedge accounting.

INTEREST SWAP AGREEMENT

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

CREDIT RISK

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

NOTE 15 RELATED PARTIES

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

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

All intercompany transactions have been conducted to market terms.

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

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

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

NOTE 16 TAX

TAX RESULT FOR THE YEAR FOR BELSHIPS ASA

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

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

RECONCILIATION OF TAX EXPENSE

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

DEFERRED TAX PER 31 DECEMBER

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

Auditor's report

TO THE ANNUAL SHAREHOLDERS' MEETING OF BELSHIPS ASA

Report on the financial statements

We have audited the accompanying financial statements of Belships ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet as at 31 December 2011, the statements of income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements of the Group comprise the consolidated statement of balance sheets as at 31 December 2011, the statements of comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Managing Director's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the Parent Company and the International Financial Reporting Standards as adopted by the EU for the Group, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Opinion on the financial statements of the Parent Company

In our opinion, the financial statements of Belships ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as of 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the Group

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as of 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the Board of Directors' report and the statement on corporate governance

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and the statement on corporate governance concerning the financial statements and the going concern assumption 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 the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

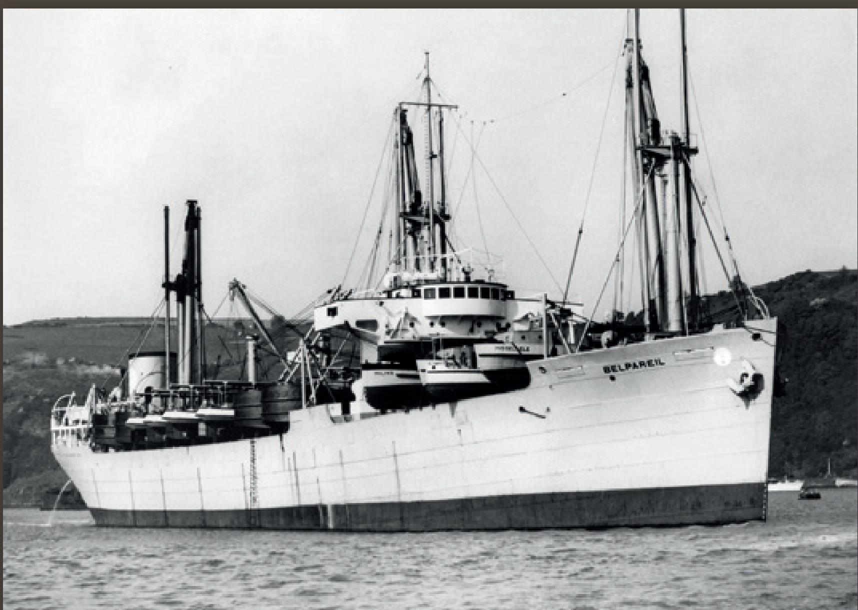
Oslo, 22 March 2012
ERNST & YOUNG AS

Finn Ole Edstrøm
State Authorised Public Accountant (Norway)

Auditor's report

Auditor’s report

M/S Christen Smith loading locomotives



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

Declaration by the board of directors and managing director

The board and managing director have today considered and approved the annual report and financial statements for the Belships group and its parent company Belships ASA for 2011. The board has based this declaration on reports and statements from the group's chairman and managing director, 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 directors of the parent company under obligation by the group's administration and subsidiaries.

To the best of our knowledge:

- the 2011 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 portrayal of the group and parent company's assets, liabilities, profit and overall financial position as of 31 December 2011
- the annual report provides a true and fair overview of:
  - the development, profit and financial position of the group and parent company
  - the most significant risks and uncertainties facing the group and the parent company

Oslo, 25 April 2019	Peter Frølich *Chairman of the Board*	Sissel Grefsrud *Board member*	Birthe Cecilie Lepsøe *Board member*	Jorunn Seglem *Board member*
	Carl Erik Steen *Board member*	Frode Teigen *Board member*	Sverre J. Tidemand *Board member*	Lars Christian Skarsgård *Chief Executive Officer*

Corporate governance

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

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

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

IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

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

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

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

THE BUSINESS

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

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

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

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

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

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

EQUITY AND DIVIDEND

Capital structure

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

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

Dividend policy

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

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

Transformer underway from scotland to australia. 1949

Authorisations to the board of directors

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

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

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

EQUAL RIGHTS FOR SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

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

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

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

SHARES AND NEGOTIABILITY

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

GENERAL MEETING

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

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

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

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

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

NOMINATION COMMITTEE

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

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

BOARD – COMPOSITION AND INDEPENDENCE

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

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

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

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

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

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

THE WORK OF THE BOARD OF DIRECTORS

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

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

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

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

Audit committee

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

Remuneration committee

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

REMUNERATION TO THE BOARD OF DIRECTORS

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

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

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

REMUNERATION TO THE EXECUTIVE MANAGEMENT

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

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

INFORMATION AND COMMUNICATION

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

COMPANY TAKEOVER

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

AUDITOR

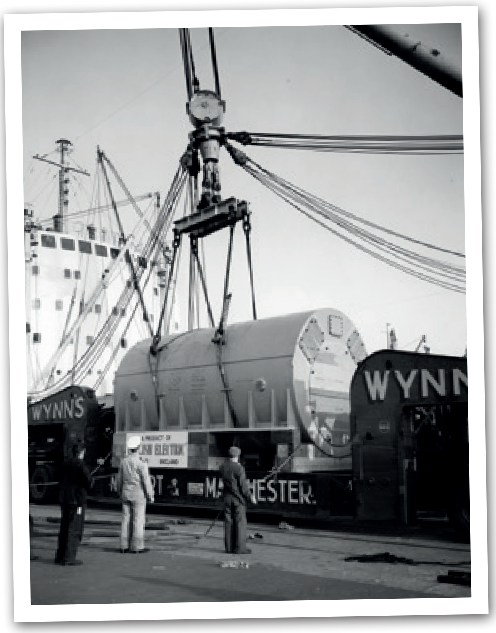
The auditor submits the main features of the company's annual audit plan to the audit committee.

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

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

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

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

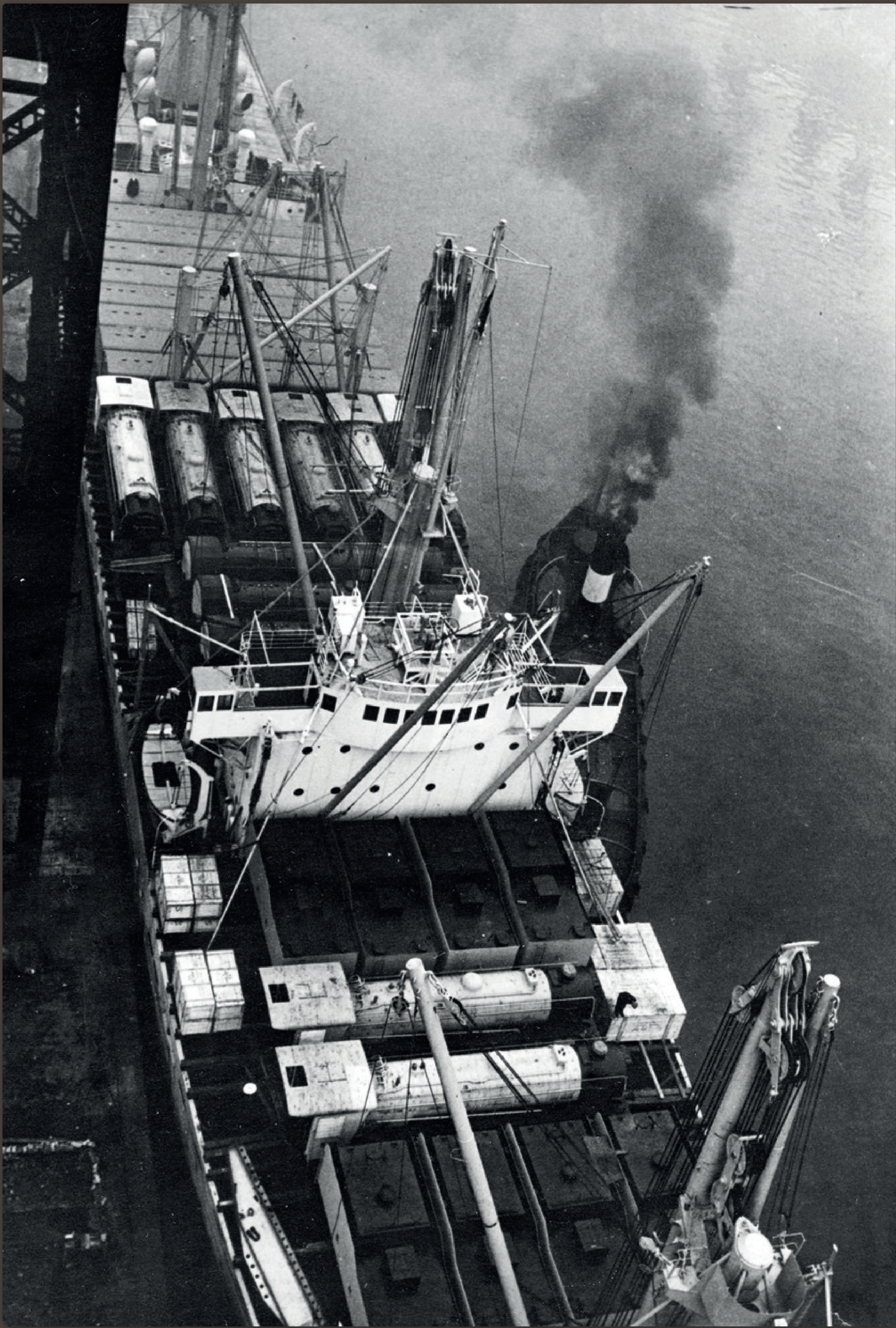


Transformer underway from English Electric to Port Augusta, South Australia

BELJEANNE

Shipping locomotives
and carriages to Port Sudan

Delivery of vessels to Paramaribo,
Suriname, South America



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

Strong commitment to customers and quality creates value

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

VISION, MISSION AND CORE VALUES

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

Our vision

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

Our mission

We are an ambitious global organization with focus on:

- Safety and environment
- Our customers
- Quality
- People

Our core values

- Respect
- Commitment
- Sincerity and honesty

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

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

APPLICABILITY

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

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

OUR CSR AMBITIONS – MAIN AREAS OF FOCUS

Environment

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

Belships recognizes its environmental responsibility, and strives to comply with and maintain high standards in order to reduce the environmental impact from its operations. The Company is focusing on reducing bunkers consumption, which is the main source of the shipping sector's emissions of CO_2, NOX and SOX.

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

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

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

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

Human rights and labour rights

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

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

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

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

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

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

Anti-corruption

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

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

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

BELSHIPS ASA

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chartering@lighthousenavigation.com
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Design and production: kingdesign.no

APPENDIX D:

FINANCIAL STATEMENTS FOR LIGHTHOUSE FOR 2017 AND 2016

Company Registration No: 200901318K

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS

31 DECEMBER 2016

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

31 DECEMBER 2016

CONTENTS **PAGE**

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The directors present their statement to the members together with the audited consolidated financial statements of Lighthouse Navigation Pte. Ltd. (the "Company") and its subsidiary (collectively the "Group") for the financial year ended 31 December 2016 and the statement of financial position of the Company as at 31 December 2016.

In the opinion of the directors:

(a) the consolidated financial statements of the Group and the statement of financial position of the Company as set out on pages 7 to 41 together with the notes thereto, are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2016 and of the financial performance, changes in equity and cash flows of the Group for the year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

1 Directors

The directors of the Company in office at the date of this statement are:

Anders Soedergren
Helge Bruns
Franciscus Andreas Nicolaas Teeuwen
Frode Bjorklund
Tan Boon Aun Rudy
Viparwan Smanattanon

2 Arrangements to Enable Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3 Directors' Interests in Shares or Debentures

The directors holding office at the end of the financial year and their interests in the share capital or debentures of the Company or its related corporations as recorded in the register of directors' shareholdings were as follows:

	Shareholding registered in the name of directors	
Name of director	At the beginning of financial year	At the end of financial year
	No. of ordinary shares	
Anders Soedergren	10,900	10,900
Helge Bruns	10,900	10,900
Franciscus Andreas Nicolaas Teeuwen	5,500	5,500

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

4 Options Granted

During the financial year, no option to take up unissued shares of the Company or its subsidiary has been granted.

5 Options Exercised

During the financial year, there were no shares of the Company or its subsidiary issued by virtue of the exercise of options to take up unissued shares.

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6 Options Outstanding

At the end of the financial year, there were no unissued shares of the Company or its subsidiary under option.

7 Independent Auditors

The independent auditors, Moore Stephens LLP, Public Accountants and Chartered Accountants, have expressed their willingness to accept reappointment.

On behalf of the Board of Directors,

....
ANDERS SOEDERGREN

....
FRANCISCUS ANDREAS NICOLAAS TEEUWEN

Singapore
20 June 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lighthouse Navigation Pte. Ltd. (the Company) and its subsidiary (the Group), as set out on pages 7 to 41, which comprise the statement of financial position of the Group and the Company as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). 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 Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises information included in the directors' statement set out on pages 1 to 3.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

(cont'd)

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

The directors' responsibilities include overseeing the Group's financial reporting process.

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 SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

(cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- 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 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 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 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.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Moore Stephens LLP

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
20 June 2017

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 US$	Group 2015 US$
Revenue	4	34,828,921	21,694,950
Direct costs		(35,202,802)	(17,809,334)
Gross (loss)/profit		(373,881)	3,885,616
Other income	5	536,857	376,897
Administrative expenses		(2,511,446)	(2,772,464)
Other expense		(1,000,000)	-
Share of profit of associated companies	10	481,553	283,073
Share of profit of joint ventures	11	1,984,908	6,665,081
(Loss)/Profit before income tax	6	(882,009)	8,438,203
Income tax	7	(44,840)	(162,741)
Net (loss)/profit for the year		(926,849)	8,275,462
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified subsequently to profit or loss		-	-
Total comprehensive (loss)/income for the year		(926,849)	8,275,462

The accompanying notes form an integral part of the financial statements

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$
ASSETS					
Non-Current Assets					
Intangible asset	8	14,056	25,543	14,056	25,543
Investment in a subsidiary	9	-	-	20	20
Investment in associated companies	10	2,778,817	675,130	2,778,817	675,130
Investment in joint ventures	11	2,749,322	4,014,414	1,253,670	1,913,094
Available-for-sale financial assets	12	494,000	1,294,000	494,000	1,294,000
		6,036,195	6,009,087	4,540,563	3,907,787
Current Assets					
Inventories	13	957,676	320,370	957,676	320,370
Trade and other receivables	14	6,369,825	1,354,008	6,274,731	1,258,914
Due from related parties	16	2,361,675	2,350,741	2,067,068	2,067,068
Loans receivable	17	232,619	323,085	-	-
Cash and cash equivalents	18	4,483,279	8,140,123	3,976,300	6,907,253
		14,405,074	12,488,327	13,275,775	10,553,605
TOTAL ASSETS		20,441,269	18,497,414	17,816,338	14,461,392
EQUITY AND LIABILITIES					
Equity					
Share capital	19	6,000,000	6,000,000	6,000,000	6,000,000
Merger reserve	20	(610,767)	(610,767)	-	-
Retained earnings		7,997,539	10,124,388	1,641,870	4,549,330
		13,386,772	15,513,621	7,641,870	10,549,330
Current Liabilities					
Trade and other payables	21	6,398,239	2,308,424	6,380,506	2,293,870
Due to a subsidiary	15	-	-	3,137,704	1,038,204
Due to an associated company	22	361,400	112,500	361,400	112,500
Due to related parties	16	-	95,381	-	-
Due to a joint venture	23	250,018	261,672	250,018	261,672
Provision of income tax		44,840	205,816	44,840	205,816
		7,054,497	2,983,793	10,174,468	3,912,062
TOTAL EQUITY AND LIABILITIES		20,441,269	18,497,414	17,816,338	14,461,392

The accompanying notes form an integral part of the financial statements

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Share Capital US$	Merger Reserve US$	Retained Earnings US$	Total Equity US$
At 1 January 2016	6,000,000	(610,767)	10,124,388	15,513,621
Loss for the year	-	-	(926,849)	(926,849)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(926,849)	(926,849)
Dividends (Note 24)	-	-	(1,200,000)	(1,200,000)
At 31 December 2016	6,000,000	(610,767)	7,997,539	13,386,772
At 1 January 2015	6,000,000	(610,767)	4,248,926	9,638,159
Profit for the year	-	-	8,275,462	8,275,462
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	8,275,462	8,275,462
Dividends (Note 24)	-	-	(2,400,000)	(2,400,000)
At 31 December 2015	6,000,000	(610,767)	10,124,388	15,513,621

The accompanying notes form an integral part of the financial statements

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	2016 US$	2015 US$
Cash Flows from Operating Activities		
(Loss)/Profit before income tax	(882,009)	8,438,203
Adjustments for:		
Amortisation of intangible asset	11,487	13,516
Impairment loss on available-for-sale financial assets	1,000,000	-
Share of profit of associated companies	(481,553)	(283,073)
Share of profit of joint ventures	(1,984,908)	(6,665,081)
Operating cash flow before working capital changes	(2,336,983)	1,503,565
Changes in working capital:		
Inventories	(637,306)	590,105
Trade and other receivables	(5,015,817)	3,758
Trade and other payables	4,089,815	124,073
Cash generated from operating activities	(3,900,291)	2,221,501
Income tax paid	(205,816)	(56,727)
Net cash (used in)/generated from operating activities	(4,106,107)	2,164,774
Cash Flows from Investing Activities		
Purchase of software license	-	(15,000)
Purchase of available-for-sale financial assets	(200,000)	-
(Increase)/Decrease in due from related parties	(106,315)	404,246
Decrease/(Increase) in loan to third parties and related parties	90,466	(1,487,500)
Investment in a joint venture	-	(592,140)
Investment in an associated company	(1,925,000)	(114,300)
Dividends received from joint ventures	3,250,000	4,787,500
Dividends received from associated companies	302,866	-
Net cash generated from investing activities	1,412,017	2,982,806
Cash Flows from Financing Activities		
(Decrease)/Increase in due to a joint venture	(11,654)	261,672
Increase/(Decrease) in due to an associated company	248,900	(67,500)
Dividends paid to owners of the Company	(1,200,000)	(2,400,000)
Net cash used in financing activities	(962,754)	(2,205,828)
Net (decrease)/increase in cash and cash equivalents	(3,656,844)	2,941,752
Cash and cash equivalents at the beginning of the financial year	8,140,123	5,198,371
Cash and cash equivalents at the end of the financial year (Note 18)	4,483,279	8,140,123

The accompanying notes form an integral part of the financial statements

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 General

Lighthouse Navigation Pte. Ltd. (the "Company") is a private limited company incorporated and domiciled in Singapore. The Company's registered office address is at 4 Robinson Road #05-01 House of Eden Singapore 048543 and principal place of business is at 87/2 All Seasons Place, Unit 4403 CRC Tower 44th Fl. Wireless Rd., Lumpinee, Pathumwan Bangkok 10330.

The principal activity of the Company is ship chartering. There has been no significant change in the nature of this activity during the financial year. The principal activities of the subsidiary are set out in Note 9.

These financial statements were approved and authorised for issue by the board of directors in accordance with a resolution of the directors on the date of the Directors' Statement.

The ultimate controlling shareholders of the Company comprise certain members of the Teigen family.

2 Significant Accounting Policies

(a) Basis of Preparation

The consolidated financial statements of the Group and the statement of financial position of the Company, which are expressed in United States dollar ("US$"), have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards ("FRS"). These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

Adoption of New/Revised FRS which are effective

The Group and Company have adopted all the new and revised standards which are relevant to the Group and the Company and are effective for annual financial periods beginning on or after 1 January 2016. The adoption of these standards did not have any material effect on the financial statements.

2 Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

New or Revised FRS issued but not yet effective

At the date of authorisation of these financial statements, the Group and the Company have not applied the following relevant new or revised FRS that have been issued but are not yet effective:

		Effective for accounting periods beginning on or after
Amendments to FRS 7	*Statement of Cash Flows*	1 January 2017
Amendments to FRS 12	*Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
FRS 109	*Financial Instruments*	1 January 2018
FRS 115	*Revenue from Contracts with Customers*	1 January 2018
FRS 116	*Leases*	1 January 2019

With the exception of FRS 109, FRS 115 and FRS 116 which the Group and the Company are currently evaluating, the directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

Amendment to FRS 7 *Statement of Cash Flows*

The amendments require new disclosure about changes in liabilities arising from financing activities in respect of:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchange rates;
- changes in fair values; and
- other changes.

The above disclosure also applies to changes in financial assets if cash flows from those financial assets are included in cash flows from financing activities.

2 **Significant Accounting Policies** (cont'd)

(a) Basis of Preparation (cont'd)

<u>*New or Revised FRS issued but not yet effective*</u> (cont'd)

Amendment to FRS 12 — *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments clarify the application of FRS 12 to unrealised losses on debt investments, and the assessment of future taxable profits against which deferred tax assets can be recognised.

- Deductible temporary differences will result from unrealised losses on debt investments measured at fair value in financial statements, but measured at cost for tax purposes. This is regardless of how the entity intends to realise the investment.

- Estimates of future taxable profits used to assess recoverability of deferred tax assets resulting from deductible temporary differences:

  a) includes profits on the recovery of assets for more than their carrying amount if such recovery is probable;
  b) includes only income types against which those temporary differences qualify to be deducted under tax legislation; and
  c) excludes tax deductions resulting from the reversal of those temporary differences.

FRS 109 — *Financial Instruments*

FRS 109 prescribes the accounting requirements for financial instruments and replaces the existing guidance in FRS 39 Financial Instruments: Recognition and Measurement. FRS 109 prescribes a new classification and measurement framework for financial instruments, requires financial assets to be impaired based on a new expected credit loss model, changes the hedge accounting requirements, and carries forward the recognition and de-recognition requirements for financial instruments from FRS 39.

FRS 115 — *Revenue from Contracts with Customers*

FRS 115 changes the revenue recognition model under IFRS. The core principle of IFRS 15 is to recognise the revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services.

2 **Significant Accounting Policies** (cont'd)

(a) Basis of Preparation (cont'd)

<u>*New or Revised FRS issued but not yet effective*</u> (cont'd)

FRS 116 *Lease*

FRS 116 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognised on the lease liability. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees.

(b) Consolidation

In 2013, the Company acquired the entire issued share capital of Lighthouse Maritime Limited, for a total consideration of US$20. This business combination has been accounted for in a manner similar to pooling of interests.

On this basis, the Company has been treated as the holding company of Lighthouse Maritime Limited from the date of the combination. The results of the combined entities have been brought into the financial statements for the financial period presented as from the date of combination. The assets and liabilities have been brought into the financial statements at their existing carrying amounts. The difference between the consideration and the nominal value of the shares acquired has been recorded as a merger reserve.

All intercompany balances and transactions are eliminated on consolidation.

(c) Investment in Subsidiary

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

2 **Significant Accounting Policies** (cont'd)

(c) Investment in Subsidiary (cont'd)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual agreements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Investment in a subsidiary is stated at cost less any impairment losses. An assessment of the investment in a subsidiary is performed when there is an indication that the investment may have been impaired.

On disposal of the investment in a subsidiary, the difference between the net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

(d) Investment in Associated Companies

Associates are entities over which the Company has significant influence, but not control, generally accompanied by a shareholding giving rise to between and including 20% and 50% of the voting rights. Investment in associates is accounted for in the financial statements using the equity method of accounting. Investment in associates is assessed for impairment as part of the investment.

Investment in associates is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In applying the equity method of accounting, the Company's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associates, including any other unsecured non-current receivables, the Company does not recognise further losses, unless it has obligations or has made payments on behalf of the associate.

2 **Significant Accounting Policies** (cont'd)

(d) Investment in Associated Companies (cont'd)

Unrealised gains on transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the associate have been changed where necessary to ensure consistency with the accounting policies adopted by the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Company determines at each statement of financial position date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associate are prepared as at the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

Dilution gains and losses arising from investment in an associate are recognised in profit or loss.

Investment in an associate is derecognised when the Company loses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and its fair value is recognised in profit or loss.

Investment in an associated company is carried at cost less accumulated impairment losses in the Company's statement of financial position.

(e) Investment in Joint Ventures

The Company's joint ventures are entities over which the Company has contractual arrangements to jointly share the control over the economic activity of the entities with one or more parties. The Company's interest in joint ventures is accounted for in the financial statements using the equity method of accounting.

Investments in joint ventures are carried at cost less accumulated impairment losses in the Group's statement of financial position.

2 Significant Accounting Policies (cont'd)

(f) Functional and Foreign Currencies

(i) Functional and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in United States Dollar ("US$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

(ii) Transactions and balances

In preparing the financial statements of the individual group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss, unless they arise from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in equity and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(iii) Translation of group entities' financial statements

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing exchange rates at the reporting date;
- income or expense for each statements presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and
- all resulting currency translation differences are recognised in other comprehensive income.

2 **Significant Accounting Policies** (cont'd)

(f) Functional and Foreign Currencies (cont'd)

On the disposal of a foreign operation, all of the accumulated currency translation differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any currency translation differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

(g) Intangible Assets

Intangible assets acquired separately are measured initially at cost. Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting year, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful lives of software licences are 5 years.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation year and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation year or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Gain or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

(h) Impairment of Non-Financial Assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, the recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to.

2 Significant Accounting Policies (cont'd)

(h) Impairment of Non-Financial Assets (cont'd)

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognised immediately in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss for an asset is recognised immediately in profit or loss.

(i) Inventories

Any bunkers remaining on board the vessel are stated at the lower of cost or net realisable value. Cost is determined using the first-in, first-out basis.

Net realisable value is the estimated selling price at which the inventories can be realised in the normal course of business after allowing for obsolete, slow-moving and defective inventories.

(j) Financial Assets

Classification

The Company classifies its financial assets as loans and receivables and available-for-sale financial assets. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are initially measured at fair value less transaction costs. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. These are presented as current assets, except for those maturing later than 12 months after the statement of financial position date which are presented as non-current assets. Loans and receivables are presented as trade and receivables (excluding advances to agents), due from a subsidiary and related parties, loan receivable and cash and cash equivalents on the statement of financial position.

2 **Significant Accounting Policies** (cont'd)

(j) Financial Assets (cont'd)

Classification (cont'd)

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within twelve months after the statement of financial position date.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on a trade-date basis - the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sales proceeds is recognised in profit or loss.

Available-for-sale financial assets are included in non-current assets unless the carrying value is expected to be recovered principally through sale rather than continuing use, in which case they are included within current assets.

Initial recognition

Financial assets are initially recognised at fair value plus transaction costs.

Subsequent measurement

i. Loans and receivables

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

ii. Available-for-sale financial assets

Available-for-sale financial assets are subsequently carried at fair value, where this can be reliably measured, with movements in fair value recognised directly in other comprehensive income. Gains or losses on available-for-sale financial assets are recognised in other comprehensive income until the investment is sold, collected or otherwise disposed of, or until the financial asset is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in profit and loss. Equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recorded at cost less impairment.

2 **Significant Accounting Policies** (cont'd)

(j) Financial Assets (cont'd)

Impairment

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

Any impairment losses on equity investments classified as available-for-sale financial assets are recognised in profit and loss.

(k) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank which is subject to an insignificant risk of changes in value. For the purpose of presentation in the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(l) Financial Liabilities

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provision of the financial instrument. A financial liability is derecognised when the obligation under the liability is extinguished.

Trade and other payables, including amount due to an associated company, are initially recognised at fair value, and subsequently measured at amortised cost, using the effective interest method.

2 **Significant Accounting Policies** (cont'd)

(m) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

(n) Dividends to Company's Shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

(o) Operating Leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income.

As lessor

Leases of vessels where substantially all risk and rewards incidental to ownership are retained by the owner are classified as operating leases. Rental income from operating leases is recognised in profit and loss on a straight line basis over the lease terms.

As lessee

Leases of vessel where substantially all risk and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases are recognised in profit and loss on a straight line basis over the period of the lease.

(p) Revenue Recognition

Revenue of the Group is recognised as follows:

Time Charter Income

Time charter income is recognised on a time-apportioned basis. Provision is made for all hire receivable at the statement of financial position date in respect of time charter voyages in progress.

Voyage Freight Income

Voyage freight forwarding and demurrage income are recognised when the service is rendered.

Commission Income

Commission income is recognised upon the rendering of services to customers.

2 **Significant Accounting Policies** (cont'd)

(q) Income Tax

Current income tax for current and prior year is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted and substantively enacted by the statement of financial position date.

Deferred income tax is provided using the liability method on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are recognised for all temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss;

- In respect of temporary differences associated with investments in subsidiaries, joint ventures and associates where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and

- In respect of deductible temporary differences and carry-forward of unutilised tax credits and tax losses, if it is not probable that taxable profits will be available against which those deductible temporary differences and carry-forward of unutilised tax credits and tax losses can be utilised.

Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the statement of financial position date.

3 Critical Accounting Estimates, Assumptions and Judgements

The preparation of financial statements in conformity with FRS requires management to exercise judgement in the process of applying the Company's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial periods. Although, these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

(a) Critical Judgements in Applying Accounting Policies

In the process of applying the Group's accounting policies, the application of judgements that are expected to have a significant effect on the amounts recognised in the financial statements are discussed below.

Write down of inventories

The Group and the Company write down the cost of inventories whenever the net realisable value of inventories becomes lower than the cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. No allowance for inventories has been made for the financial years ended 31 December 2016 and 31 December 2015.

The carrying amount of inventories of the Group and the Company as at 31 December 2016 was US$957,676 (2015: US$320,370) (Note 13).

(b) Key Sources of Estimation Uncertainty

The following are the key sources of estimation and assumptions at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of available-for-sale financial assets

The Group reviews its available-for-sale investments at each balance sheet date to assess whether they are impaired. The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates, among other factors, the financial health and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flow.

For the financial year ended 31 December 2016, the amount of impairment loss recognised for available-for-sale financial assets was US$1,000,000 (2015: Nil). The carrying amount of financial assets, available-for-sale as at 31 December 2016 was US$494,000 (2015: US$1,294,000). Further details are given in Note 12 to the financial statements.

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4 Revenue

	Group 2016 US$	Group 2015 US$
Voyage freight income	27,556,239	17,073,077
Time charter income	5,900,181	3,545,906
Commission income	1,372,501	1,075,967
	34,828,921	21,694,950

5 Other Income

	Group 2016 US$	Group 2015 US$
Consultancy fee income	313,500	328,000
Administrative services	223,357	48,897
	536,857	376,897

6 (Loss)/Profit before Income Tax

	Group 2016 US$	Group 2015 US$
This was arrived after charging:		
Other expense:		
Impairment loss on available-for-sale financial assets	1,000,000	-
Administrative expenses:		
Hire expenses	17,778,700	8,596,872
Bunker costs	7,299,178	4,346,595
Port expenses	2,451,713	1,974,021
Consultants fee expense	2,134,826	2,384,909
Amortisation of intangible asset	11,488	13,516

7 Income Tax

	Group 2016 US$	Group 2015 US$
Current tax		
- Current year	-	205,816
- Under/(over) provision in prior years	44,840	(43,075)
	44,840	162,741

7 **Income Tax** (cont'd)

The income tax expense on the (loss)/profit before income tax varies from the amount of income tax expense determined by applying the applicable tax rates in each jurisdiction the Group operates due to the following differences:

	Group	
	2016 US$	2015 US$
(Loss)/Profit before income tax	(882,009)	8,438,203
Income tax expense calculated at applicable tax rate	(153,844)	1,416,866
Effect of expenses that are not deductible	190,717	37,425
Tax effect on Productivity and Innovation Credit	-	(10,200)
Share of profits of associates and joint ventures	(414,827)	(1,162,423)
Deferred tax asset not recognised	377,954	-
Tax rebate	-	(14,145)
Income tax exemption	-	(18,336)
Under/(over) provision in prior years	44,840	(43,075)
Others	-	(43,371)
	44,840	162,741

The corporate income tax rate applicable to the Company is 17% (2015: 17%).

The corporate income tax rate applicable to the subsidiary is 16.5% (2015: 16.5%).

At the statement of financial position date, no deferred tax liability (2015: Nil) has been recognised for taxes that would be payable on the undistributed earnings of the Group's associate and joint ventures as:

- The Group has determined that undistributed earnings of its associate will not be distributed in the foreseeable future as the Group does not have control over the entity.

- The joint ventures of the Group cannot distribute their earnings until they obtain the consent of both the venturers. At the statement of financial position date, the Group does not foresee giving such consent.

Such temporary differences for which no deferred tax liability has been recognised aggregate to US$1,089,155 (2015: US$1,896,801). The deferred tax liability is estimated to be US$185,155 (2015: US$322,456).

As at 31 December 2016, the Group has estimated unutilised tax losses of approximately US$2,223,000 (2015: Nil) that are available for set-off against future taxable profits, subject to the agreement of the tax authorities and compliance with the relevant provisions of the Income Tax Act. The deferred tax benefit of approximately US$378,000 (2015: Nil) arising from these unutilised tax losses has not been recognised in the financial statements in accordance with the Group's accounting policies (Note 2 (q)).

8 Intangible Asset

	Group and Company	
	2016	2015
	US$	US$
Computer Software		
Cost		
At the beginning of the financial year	121,000	106,000
Additions	-	15,000
At the end of the financial year	121,000	121,000
Accumulated amortisation		
At the beginning of the financial year	95,457	81,941
Amortisation expense	11,487	13,516
At the end of the financial year	106,944	95,457
Net book value	14,056	25,543

9 Investment in a Subsidiary

	Company	
	2016	2015
	US$	US$
Unquoted equity shares, at cost:		
At the beginning and end of the financial year	20	20

The details of the subsidiary of the Company as at the statement of financial position date are as follows:

Name of company and country of incorporation	Principal activities	Equity held by the Group 2016 %	Equity held by the Group 2015 %	Cost of investment 2016 US$	Cost of investment 2015 US$
Held by the Company					
Lighthouse Maritime Limited Hong Kong [1]	Provision of dry bulk ocean shipping services and investment holding	100	100	20	20

[1] Audited by Moore Stephens, Certified Public Accountants, Hong Kong

10 Investment in Associated Companies

	Group and Company	
	2016	2015
	US$	US$
At the beginning of the financial year	675,130	277,757
Addition	1,925,000	114,300
Share of profit of associated companies	481,553	283,073
Dividends received	(302,866)	-
At the end of the financial year	2,778,817	675,130

The details of the associates are as follows:

Name of associates	Principal activities	Country of incorporation and operation	Proportion of ownership interest and voting power held	
			2016	2015
			%	%
Held by the Company				
Lighthouse Navigation Co., Ltd. ("LNTH") (1)	Provide advisory services on shipping business	Thailand	40	40
Siam Thara Agency Co., Ltd. ("STA") (1) (3)	Provide advisory services on shipping business	Thailand	40	40
Lighthouse Shipholding II AS ("LHNO II") (2)	Ship owning and operating bulk carriers	Norway	35	-
Held by LNTH				
Siam Thara Agency Co., Ltd. ("STA") (1) (3)	Provide advisory services on shipping business	Thailand	17.5	17.5

(1) Audited by PricewaterhouseCoopers, Bangkok, Thailand.
(2) Audited by PricewaterhouseCoopers AS, Norway.
(3) New shares issued on 9 June 2015, 17.5% of equity interest owned by LNTH and 40% of equity interest owned by the Company.

10 **Investment in an Associated Companies** (cont'd)

Summarised financial information of the Group's material associated companies not adjusted for the Group's proportionate share is set out as below:

	Siam Thara Agency Co., Ltd.		Lighthouse Shipholding II AS	
	2016	2015	2016	2015
	US$	US$	US$	US$
Current assets	2,412,514	2,679,288	1,095,429	-
Non-current assets	332,099	183,257	4,279,126	-
Total assets	2,744,613	2,862,545	5,374,555	-
Current liabilities	(1,724,249)	(2,070,142)	(111,723)	-
Non-current liabilities	(31,292)	-	-	-
Total liabilities	(1,755,541)	(2,070,142)	(111,723)	-
Net assets	989,072	792,403	5,262,832	-
Total revenue	3,195,960	1,729,311	263,933	-
Profit/(Loss) for the year	1,044,109	548,653	(208,772)	-
Dividends received from associate during the year	302,866	-	-	-

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associates recognised in the consolidated financial statements:

	Siam Thara Agency Co., Ltd.		Lighthouse Shipholding II AS	
	2016	2015	2016	2015
	US$	US$	US$	US$
Net assets of the associates	989,072	792,403	5,262,832	-
Proportion of the Group's ownership interest in the associates	40%	40%	35%	-
Carrying amount of the Group's interest in the associates	395,629	316,961	1,841,991	-

11 Investment in Joint Ventures

	Group		Company	
	2016	2015	2016	2015
	US$	US$	US$	US$
At the beginning of the financial year	4,014,414	1,544,693	1,913,094	695,927
Additions	-	592,140	-	592,140
Share of profit of joint ventures	1,984,908	6,665,081	1,090,576	5,412,527
Dividends received	(3,250,000)	(4,787,500)	(1,750,000)	(4,787,500)
At the end of the financial year	2,749,322	4,014,414	1,253,670	1,913,094

The details of the joint ventures are as follows:

Name of Joint Venture, Country of incorporation and operation	Principal Activities	Proportion of ownership interest and voting power held	
		2016	2015
		%	%
Held by the Company			
Orient Asia Lines B.V. [1] The Netherlands	Chartering, operations and shipping	50	50
OAL Holding B.V. [1] The Netherlands	Chartering, operations and shipping	50	50
Held by Lighthouse Maritime Limited			
Orient Asia Lines Limited [2] Hong Kong	Provision of liner services	50	50
Held by OAL Holding B.V.			
Orient Asia Lines (Malaysia) Sdn Bhd [3] Malaysia	Shipping agency, freight contractor, and forwarding agent	55	55
Africa Navigation B.V. [1] The Netherlands	Chartering, operations and shipping	100	100

(1) Audited by CROP register accountants, the Netherlands.
(2) Audited by Esmond W.T. Leung & Co., Hong Kong.
(3) Audited by HL Thong & Associates, Malaysia.

11 Investment in Joint Ventures (cont'd)

Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with FRSs. Summarised financial information of the joint ventures is set out as below:

	Orient Asia Lines B.V.		Orient Asia Lines Limited	
	2016 US$	2015 US$	2016 US$	2015 US$
Cash and cash equivalents	5,247,308	5,745,985	1,210,591	3,130,432
Other current assets	1,622,929	3,789,306	2,382,204	2,945,673
Non-current assets	238,035	119,082	-	-
Total assets	7,108,272	9,654,373	3,592,795	6,076,105
Current liabilities	(5,225,090)	(5,845,296)	(601,488)	(1,873,462)
Non-current liabilities	-	-	-	-
Total liabilities	(5,225,090)	(5,845,296)	(601,488)	(1,873,462)
Net assets	1,883,182	3,809,077	2,991,307	4,202,643
Revenue	21,388,447	32,085,203	19,111,643	33,519,003
Profit from operations and total comprehensive income	1,574,105	4,425,815	1,788,664	7,505,109
Dividends received from joint venture during the year	-	-	1,500,000	2,500,000

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint ventures recognised in the consolidated financial statements:

	Orient Asia Lines B.V.		Orient Asia Lines Limited	
	2016 US$	2015 US$	2016 US$	2015 US$
Net assets of the joint venture	1,883,182	3,809,077	2,991,307	4,202,643
Proportion of the Group's ownership interest in the joint venture	50%	50%	50%	50%
Carrying amount of the Group's interest in the joint venture	941,591	1,904,539	1,495,654	2,101,322

11 Investment in Joint Ventures (cont'd)

Aggregate information of joint ventures that are not individually material:

	Group 2016 US$	Group 2015 US$
The Group's share of profit from operations and total comprehensive income	16,571	998,128
Aggregate carrying amount of the Group's interests in the joint ventures	312,077	309,486

12 Available-for-sale Financial Assets

	Group and Company 2016 US$	Group and Company 2015 US$
Unquoted investment – Non-current		
At the beginning of the financial year	1,294,000	1,294,000
Additions	200,000	-
Provision of impairment	(1,000,000)	-
At the end of the financial year	494,000	1,294,000

On 29 November 2013, the Company entered into an agreement to acquire 7,400 fully paid ordinary shares of Lighthouse Shipholding AS ("LHNO"), constituting 5% of its issued and paid–up share capital, for a total consideration of US$2,722,750. LHNO is a company incorporated in Norway, the principal activities of which are those of ship owning and operating bulk carriers.

As at the statement of financial position date, the Group has invested US$1,294,000 of the total consideration. The balance of US$541,250 and final payment of US$887,500 have been injected in June 2014 and March 2015 respectively in the form of shareholder loans. The Group has further invested US$200,000 following the equity issue by LHNO.

As at 31 December 2016, the Group has recognised a total provision of impairment on available-for-sale financial assets of US$1,000,000 against the carrying amount of its available-for-sale financial assets. The impairment loss for unquoted equity instruments was recognised as there was a "significant" or "prolonged" decline in the fair value of this investment below its carrying amount. The Group treats "significant" generally as 20% and "prolonged" as greater than 6 months.

The available-for-sale financial asset is measured at cost less impairment at the end of the financial year as management is of the opinion that the fair value cannot be reliably measured. The investment is not quoted on any market and does not have comparable industry peers that are listed. The Group and the Company do not intend to dispose of this investment in the foreseeable future.

13 Inventories

	Group and Company	
	2016	2015
	US$	US$
Bunkers, at cost	957,676	320,370

14 Trade and Other Receivables

	Group		Company	
	2016	2015	2016	2015
	US$	US$	US$	US$
Trade receivables:				
- Third parties	5,036,081	816,816	5,036,101	816,836
- Related parties	350,645	-	350,645	-
	5,386,726	816,816	5,386,746	816,836
Other receivables:				
- Advances to agents	644,529	357,489	644,529	357,489
- Unbilled receivables	243,456	58,164	243,456	58,164
- Loan to a director	77,896	77,896	-	-
- Prepayments	-	26,425	-	26,425
- Others	17,218	17,218	-	-
	6,369,825	1,354,008	6,274,731	1,258,914

The normal credit terms for trade and other receivables is 30 days.

The subsidiary has advanced loans totalling US$77,896 (2015: US$77,896) and US$232,619 (2015: US$323,085) (Note 17) to a director and third parties, respectively, at 31 December 2016.

As at 31 December 2016 and 2015, 60% of the shares of a company incorporated in Thailand, Lighthouse Navigation Co., Ltd. ("Lighthouse Navigation"), which is jointly controlled by the aforementioned director and certain third parties, were pledged to the subsidiary as security for the loan to a director and certain loans receivable of US$77,896 (2015: US$77,896) and US$194,739 (2015: US$194,739), respectively. The director and the third parties have also granted the subsidiary an option to purchase 60% of the shares of Lighthouse Navigation held by the director and the third parties.

As at 31 December 2016, 12.5% (2015: 43%) of the shares of a company incorporated in Thailand, Siam Thara Agency Co., Ltd. ("Siam Thara"), which is jointly controlled by certain third parties, were pledged to the subsidiary as security for the loans receivable of US$37,880 (2015: US$128,346). The third parties have granted the subsidiary an option to purchase 12.5% (2015: 43%) of the shares of Siam Thara held by the third parties.

The subsidiary has not exercised this option up to the date of these financial statements. In the opinion of the directors, the fair value of the option is immaterial to be recognised in the financial statements.

15 Due to a Subsidiary

The amount due to a subsidiary is non-trade in nature, unsecured, interest-free and repayable on demand based on cash terms.

16 Due from/(to) Related Parties

The amounts due from/(to) related parties are non-trade in nature, unsecured, interest-free and repayable on demand based on cash terms.

17 Loans Receivable

	Group	
	2016	2015
	US$	US$
Loans receivable - Third parties	232,619	323,085

The loans receivable are interest-free and are repayable on demand. The loans are secured against 60% (2015: 60%) of shares in Lighthouse Navigation Co., Ltd. and 12.5% (2015: 43%) of shares in Siam Thara Agency Co., Ltd.. Further details of the security are provided in Note 14.

18 Cash and Cash Equivalents

	Group		Company	
	2016	2015	2016	2015
	US$	US$	US$	US$
Cash at bank	4,483,279	8,140,123	3,976,300	6,907,253

19 Share Capital

	Group and Company			
	2016		2015	
	No. of shares	US$	No. of shares	US$
Issued and fully paid:				
At beginning and end of financial year	60,000	6,000,000	60,000	6,000,000

Ordinary shares of the Company have no par value. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction and rank equally with regard to the Company's residual assets.

20 Merger Reserve

During the financial year ended 31 December 2013, the Company acquired a 100% equity interest in Lighthouse Maritime Limited for a consideration of US$20. This business combination has been accounted for in a manner similar to pooling of interests. The difference between the consideration and the nominal value of the shares of the subsidiary has been taken to shareholders' equity as "Merger Reserve" and adjusted accordingly in the financial statements.

21 Trade and Other Payables

	Group		Company	
	2016	2015	2016	2015
	US$	US$	US$	US$
Trade payables:				
- Third parties	1,515,239	881,954	1,508,447	877,700
- Related parties	116,520	116,520	116,520	116,520
	1,631,759	998,474	1,624,967	994,220
Deferred income	2,807,334	960,146	2,807,334	960,146
Accrued operating expenses	1,959,146	349,804	1,948,185	339,484
Other payable	-	-	20	20
	6,398,239	2,308,424	6,380,506	2,293,870

The normal credit terms for trade and other payables is 30 days.

Deferred income refers to advance billings to charterers.

22 Due to an Associated Company

The amount due to an associated company is non-trade in nature, unsecured, interest-free and repayable on demand based on cash terms.

23 Due to a Joint Venture

The amount due to a joint venture is non-trade in nature, unsecured, interest-free and repayable on demand based on cash terms.

24 Dividends

	Group and Company	
	2016	2015
	US$	US$
One-tier (tax exempt) interim dividend paid in respect of 2016 of US$20 (2015: US$20) per share	1,200,000	1,200,000
One-tier (tax exempt) final dividend paid in respect of 2014 of US$20 per share	-	1,200,000
	1,200,000	2,400,000

25 Related Party Transactions

Parties are considered to be related if an individual or a close member of that individual's family has the ability, directly or indirectly, to control the Group entities, exercise significant influence over the Group entities in making financial and operating decisions, or is a member of the key management personnel of the Group entities. Parties are also considered to be related if they are subject to common control or common significant influence and a person who has significant influence over the entity or is a member of the key management personnel of the entity. Related parties may be individuals or corporate entities.

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties during the financial year at terms agreed between the parties:

(a) Purchase of Services

	Group	
	2016	2015
	US$	US$
Associated company		
- Consultants fee expense *	721,400	789,375
Related parties**		
- Consultants fee expense	1,342,893	1,432,378
- Shareholder loans	-	2,028,750

* This includes staff costs for the administrative function provided by the associated company.

** Related parties refer to the companies with common ultimate controlling shareholders.

25 Related Party Transactions (cont'd)

(b) Key Management Remuneration

The Group's key management decisions are undertaken by the Directors of the Company. As at 31 December 2016, the Directors were employed and remunerated by its associated company, Lighthouse Navigation Co. Ltd., a company incorporated in Thailand.

The directors of the Company did not receive any remuneration during the current and previous financial year.

26 Operating Lease Commitments

Where the Group and Company are lessors

The Group and the Company have chartered out a number of vessels under time charter which are classified as non-cancellable operating leases. As at the statement of financial position date, future minimum lease receipts receivable under these are as follows:

	Group and Company	
	2016	2015
	US$	US$
Due within one year	4,159,217	1,226,891

Operating lease receipts are recognised in profit or loss during the year as part of revenue.

Where the Group and Company are lessees

At the statement of financial position date, the Group and the Company have commitments for time charters under non-cancellable operating leases as follows:

	Group and Company	
	2016	2015
	US$	US$
Due within one year	4,346,046	935,405

27 Financial Instruments

(a) Financial Risk Management and Policies

The Group and the Company do not have formal risk management policies or guidelines. Generally, the Group and the Company adopt conservative strategies on its risk management and seeks to minimise potential adverse effects on the Group's and the Company's financial performance. The main risks include credit risk, interest rate risk, foreign currency risk and liquidity risk.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company.

The Group's and the Company's primary exposure to credit risk arises through its trade and other receivables, including amount due from related parties. It is the Group and Company's policy to enter into transactions with creditworthy customers to mitigate any significant credit risk. The Group and the Company have procedures in place to control credit risk and exposure to such risk is monitored on an ongoing basis.

Other financial assets of the Group and the Company with exposure to credit risk include cash at banks. Bank deposits that are neither past due nor impaired are placed with reputable financial institutions with high credit-ratings assigned by international credit-rating agencies.

The Group's and the Company's maximum exposure to credit risk in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position.

The maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position. The Group has significant concentration of credit risk from trade receivables as more than 55% (2015: 70%) of trade receivables are due from three customers as at 31 December 2016 (2015: three).

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired of approximately US$2,990,002 (2015: US$655,187) are creditworthy parties with good payment records with the Group and the Company.

27 Financial Instruments (cont'd)

(a) Financial Risk Management and Policies (cont'd)

(i) Credit risk (cont'd)

Financial assets that are past due but not impaired

There is no other class of financial assets that is past due but not impaired except for trade receivables. The age analysis of trade and other receivables past due at the statement of financial position date but not impaired is as follows:

	Group and Company	
	2016	2015
	US$	US$
Past due 1 to 30 days	2,391,165	-
Past due 31 to 60 days	1,600	-
Past due over 60 days	342,529	314,907
	2,735,294	314,907

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group and the Company have no significant exposure to market risk for changes in interest rates as it has no significant interest-bearing assets and liabilities.

(iii) Foreign currency risk

The Group and the Company are not exposed to foreign currency risk as nearly all transactions and balances are denominated in United States dollar.

(iv) Liquidity risk

Liquidity risk refers to the risk that the Group and the Company will not be able to meet its financial obligations as they fall due.

In managing liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. Typically, the Group and the Company ensure that they have sufficient cash on demand to meet expected operational expenses for a year of 365 days and this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

27 **Financial Instruments** (cont'd)

(a) Financial Risk Management and Policies (cont'd)

(iv) Liquidity risk (cont'd)

The Group and the Company do not have non-current financial liabilities. The current financial liabilities due within 12 months approximate their expected contractual undiscounted cash flows.

(b) Fair Values

The fair value information presented represents the Group's and the Company's best estimate of those values and may be subject to certain assumptions and limitations. The methodologies and assumptions used in the estimation of fair values depend on the terms and characteristics of the various instruments.

The Group's and the Company's financial instruments include cash and cash equivalents, trade and other receivables, amount due from a subsidiary and related parties, trade and other payables, amount due to a subsidiary, joint venture and related parties and amount due to an associated company. The fair values of these financial instruments approximate their carrying amounts due to their short term nature. The fair value of the Group's and the Company's available-for-sale financial assets with a maturity of more than one year is disclosed in Note 12.

28 **Capital Management**

The Group and the Company manage its capital to safeguard the Group's and the Company's abilities to continue as a going concern in order to provide returns for shareholders, to support the Group's and Company's stability and growth and to provide capital for the purpose of strengthening the Group's and the Company's financial management capability. Management reviews the capital structure on an annual basis. As a part of the review, management considers the cost of capital and the risks associated with each class of capital. Accordingly, the Group and the Company will balance its overall capital structure through payment of dividends as well as the issue of new debt or the redemption of existing debt. The Group and Company's overall strategy remain unchanged from 2014.

Management monitors capital with reference to a net debt against equity ratio. The Group's and the Company's strategies are to maintain a prudent balance between the advantage and flexibility afforded by a strong capital position and the higher return on equity that is possible with greater leverage.

28 Capital Management (cont'd)

The capital structure of the Group and the Company consists of net debt (which includes trade and other payables and due to an associated company, subsidiary, related parties and joint venture, net of cash and cash equivalents) and total equity comprising share capital, retained earnings and reserves. The net debt against equity ratio is calculated as net debt divided by total equity.

	Group		Company	
	2016 US$	2015 US$	2016 US$	2015 US$
Net debt/(cash)	2,526,378	(5,362,146)	6,153,328	(3,201,007)
Total equity	13,386,772	15,513,621	7,641,870	10,549,330
Net debt against total equity	19%	-*	80%	-*

* The Group and the Company have net cash of US$5,362,146 and US$3,201,007 as at 31 December 2015.

The Group and Company do not have to comply with any externally imposed capital requirements for the financial years ended 31 December 2016 and 2015.

29 Subsequent Event

Subsequent to the financial year ended 31 December 2016, the Company made an additional investment of US$1,925,000 in an associated company, Lighthouse Shipholding II AS (Note 10). The additional investment did not change the proportion of ownership interest and voting power held by the Company.

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

THE FOLLOWING DETAILED INCOME STATEMENT

HAS BEEN PREPARED FOR MANAGEMENT PURPOSES ONLY

AND DOES NOT FORM PART OF THE AUDITED FINANCIAL STATEMENTS

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

DETAILED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	2016 US$	2015 US$
REVENUE		
Time charter income	5,900,181	3,545,906
Voyage freight income	27,556,239	17,073,077
Commission income	536,190	350,630
	33,992,610	20,969,613
Less: DIRECT COSTS		
Address commission expense	447,256	258,462
Agency fee expense	307,234	165,717
Broker's commission	700,361	383,309
Bunker cost	7,299,178	4,346,595
Despatch expense	344,525	277,029
Port expenses	2,451,713	1,974,021
Hire expenses	17,778,700	8,596,872
Others	5,861,064	2,111,881
	35,190,031	18,113,886
GROSS (LOSS)/PROFIT	(1,197,421)	2,855,727
Less: ADMINISTRATIVE EXPENSES		
Amortisation of intangible asset	11,488	13,516
Audit fee	2,806	18,503
Bank service charge - general and administration	3,103	4,142
Bank service charge - voyage related	26,159	11,366
Consultants fee expense	791,993	865,164
General expense	4,115	3,861
IT support services	32,367	29,790
Maintenance fees	25,200	24,700
Membership	3,757	3,726
Realised foreign exchange loss/(gain)	5,327	(3,619)
Secretary fee	11,035	12,740
Subscriptions	16,568	14,378
Sundry expense	3,911	3,157
Travelling	99,500	137,432
	1,037,329	1,138,856
Less: Impairment loss on available-for-sale financial assets	1,000,000	-
Share of profit of associated companies	481,553	283,073
Share of profit of joint ventures	1,090,577	2,912,527
(LOSS)/PROFIT BEFORE INCOME TAX	(1,662,620)	4,912,471

Company Registration No: 200901318K

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

DIRECTORS' STATEMENT
AND FINANCIAL STATEMENTS

31 DECEMBER 2017

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

31 DECEMBER 2017

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LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The directors present their statement to the members together with the audited consolidated financial statements of Lighthouse Navigation Pte. Ltd. (the "Company") and its subsidiary (collectively the "Group") for the financial year ended 31 December 2017 and the statement of financial position of the Company as at 31 December 2017.

In the opinion of the directors:

(a) the consolidated financial statements of the Group and the statement of financial position of the Company as set out on pages 7 to 42 together with the notes thereto, are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2017 and of the financial performance, changes in equity and cash flows of the Group for the year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

1 Directors

The directors of the Company in office at the date of this statement are:

Anders Soedergren
Helge Bruns
Franciscus Andreas Nicolaas Teeuwen
Frode Bjorklund
Tan Boon Aun Rudy

2 Arrangements to Enable Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3 Directors' Interests in Shares or Debentures

The directors holding office at the end of the financial year and their interests in the share capital or debentures of the Company or its related corporations as recorded in the register of directors' shareholdings were as follows:

Name of director	*Shareholding registered in the name of directors* At the beginning of financial year	At the end of financial year
	No. of ordinary shares	
Anders Soedergren	10,900	10,900
Helge Bruns	10,900	10,900
Franciscus Andreas Nicolaas Teeuwen	5,500	5,500

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

4 Options Granted

During the financial year, no option to take up unissued shares of the Company or its subsidiary has been granted.

5 Options Exercised

During the financial year, there were no shares of the Company or its subsidiary issued by virtue of the exercise of options to take up unissued shares.

6 Options Outstanding

At the end of the financial year, there were no unissued shares of the Company or its subsidiary under option.

7 Independent Auditors

The independent auditors, Moore Stephens LLP, Public Accountants and Chartered Accountants, have expressed their willingness to accept reappointment.

On behalf of the Board of Directors,

....
ANDERS SOEDERGREN

....
FRANCISCUS ANDREAS NICOLAAS TEEUWEN

Singapore

22 JUN 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lighthouse Navigation Pte. Ltd. (the Company) and its subsidiary (the Group), as set out on pages 7 to 42, which comprise the statement of financial position of the Group and the Company as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). 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 Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises information included in the directors' statement set out on pages 1 to 3.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

(cont'd)

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

The directors' responsibilities include overseeing the Group's financial reporting process.

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 SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

MOORE STEPHENS LLP
CHARTERED ACCOUNTANTS OF SINGAPORE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

(cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- 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 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 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 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.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
22 June 2018

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 US$	2016 US$
Revenue	4	96,021,303	35,075,971
Direct costs		(93,045,332)	(35,449,852)
Gross profit/(loss)		2,975,971	(373,881)
Other income	5	732,850	536,857
Administrative expenses		(2,968,675)	(2,511,446)
Other expense		(324,586)	(1,000,000)
Share of profit of associated companies	10	657,930	481,553
Share of profit of joint ventures	11	2,214,711	1,984,908
Profit/(Loss) before income tax	6	3,288,201	(882,009)
Income tax	7	-	(44,840)
Net profit/(loss) for the year		3,288,201	(926,849)
Other comprehensive income: Items that may be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified subsequently to profit or loss		-	-
Total comprehensive income/(loss) for the year		3,288,201	(926,849)

The accompanying notes form an integral part of the financial statements

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		Group		Company	
	Note	2017	2016	2017	2016
		US$	US$	US$	US$
ASSETS					
Non-Current Assets					
Intangible asset	8	7,395	14,056	7,395	14,056
Investment in a subsidiary	9	-	-	20	20
Investment in associated companies	10	5,038,835	2,778,817	5,038,835	2,778,817
Investment in joint ventures	11	2,149,033	2,749,322	1,369,693	1,253,670
Available-for-sale financial assets	12	494,000	494,000	494,000	494,000
		7,689,263	6,036,195	6,909,943	4,540,563
Current Assets					
Inventories	13	2,043,309	957,676	2,043,309	957,676
Trade and other receivables	14	8,369,326	6,369,825	8,369,326	6,274,731
Due from related parties	16	4,102,666	2,361,675	3,238,613	2,067,068
Loans receivable	17	310,515	232,619	-	-
Cash and cash equivalents	18	4,364,990	4,483,279	3,381,462	3,976,300
		19,190,806	14,405,074	17,032,710	13,275,775
TOTAL ASSETS		26,880,069	20,441,269	23,942,653	17,816,338
EQUITY AND LIABILITIES					
Equity					
Share capital	19	6,000,000	6,000,000	6,000,000	6,000,000
Merger reserve	20	(610,767)	(610,767)	-	-
Retained earnings		11,285,740	7,997,539	4,610,902	1,641,870
		16,674,973	13,386,772	10,610,902	7,641,870
Current Liabilities					
Trade and other payables	21	9,934,940	6,398,239	9,923,891	6,380,506
Due to a subsidiary	15	-	-	3,137,704	3,137,704
Due to an associated company	22	240,000	361,400	240,000	361,400
Due to related parties	16	30,156	-	30,156	-
Due to a joint venture	23	-	250,018	-	250,018
Provision of income tax		-	44,840	-	44,840
		10,205,096	7,054,497	13,331,751	10,174,468
TOTAL EQUITY AND LIABILITIES		26,880,069	20,441,269	23,942,653	17,816,338

The accompanying notes form an integral part of the financial statements

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Share Capital US$	Merger Reserve US$	Retained Earnings US$	Total Equity US$
At 1 January 2017	6,000,000	(610,767)	7,997,539	13,386,772
Profit for the year	-	-	3,288,201	3,288,201
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	3,288,201	3,288,201
At 31 December 2017	6,000,000	(610,767)	11,285,740	16,674,973
At 1 January 2016	6,000,000	(610,767)	10,124,388	15,513,621
Loss for the year	-	-	(926,849)	(926,849)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(926,849)	(926,849)
Dividends (Note 24)	-	-	(1,200,000)	(1,200,000)
At 31 December 2016	6,000,000	(610,767)	7,997,539	13,386,772

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	2017 US$	2016 US$
Cash Flows from Operating Activities		
Profit/(Loss) before income tax	3,288,201	(882,009)
Adjustments for:		
Amortisation of intangible asset	6,661	11,487
Impairment loss on available-for-sale financial assets	-	1,000,000
Share of profit of associated companies	(657,930)	(481,553)
Share of profit of joint ventures	(2,214,711)	(1,984,908)
Operating cash flow before working capital changes	422,221	(2,336,983)
Changes in working capital:		
Increase in inventories	(1,085,633)	(637,306)
Increase in trade and other receivables	(1,999,501)	(5,015,817)
Increase in trade and other payables	3,536,701	4,089,815
Cash generated from/(used in) operating activities	873,788	(3,900,291)
Income tax paid	(44,840)	(205,816)
Net cash generated from/(used in) operating activities	828,948	(4,106,107)
Cash Flows from Investing Activities		
Purchase of available-for-sale financial assets	-	(200,000)
Increase in amount due from related parties	(1,710,835)	(106,315)
(Increase)/Decrease in loan to third parties and related parties	(77,896)	90,466
Investment in an associated company	(1,925,000)	(1,925,000)
Dividends received from joint ventures	2,815,000	3,250,000
Dividends received from associated companies	322,912	302,866
Net cash (used in)/generated from investing activities	(575,819)	1,412,017
Cash Flows from Financing Activities		
Decrease in amount due to a joint venture	(250,018)	(11,654)
(Decrease)/Increase in amount due to an associated company	(121,400)	248,900
Dividends paid to owners of the Company	-	(1,200,000)
Net cash used in financing activities	(371,418)	(962,754)
Net decrease in cash and cash equivalents	(118,289)	(3,656,844)
Cash and cash equivalents at the beginning of the financial year	4,483,279	8,140,123
Cash and cash equivalents at the end of the financial year (Note 18)	4,364,990	4,483,279

The accompanying notes form an integral part of the financial statements

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 General

Lighthouse Navigation Pte. Ltd. (the "Company") is a private limited company incorporated and domiciled in Singapore. The Company's registered office address is at 4 Robinson Road #05-01 House of Eden Singapore 048543 and principal place of business is at 87/2 All Seasons Place, Unit 4403 CRC Tower 44th Fl. Wireless Rd., Lumpinee, Pathumwan Bangkok 10330.

The principal activity of the Company is ship chartering. There has been no significant change in the nature of this activity during the financial year. The principal activities of the subsidiary are set out in Note 9.

These financial statements were approved and authorised for issue by the board of directors in accordance with a resolution of the directors on the date of the Directors' Statement.

The ultimate controlling shareholders of the Company comprise certain members of the Teigen family.

2 Significant Accounting Policies

(a) Basis of Preparation

The consolidated financial statements of the Group and the statement of financial position of the Company, which are expressed in United States dollar ("US$"), have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards ("FRS"). These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

Adoption of New/Revised FRS which are effective

The Group and Company have adopted all the new and revised standards which are relevant to the Group and the Company and are effective for annual financial periods beginning on or after 1 January 2017. The adoption of these standards did not have any material effect on the financial statements.

2 Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

New or Revised FRS issued but not yet effective

At the date of authorisation of these financial statements, the Group and the Company have not applied the following relevant new or revised FRS that have been issued but are not yet effective:

		Effective for accounting periods beginning on or after
FRS 109	*Financial Instruments*	1 January 2018
FRS 115	*Revenue from Contracts with Customers*	1 January 2018
FRS 116	*Leases*	1 January 2019
Amendments to FRS 28	*Long-term Interests in Associates and Joint Ventures*	1 January 2019

With the exception of FRS 109, FRS 115 and FRS 116 which the Group and the Company are currently evaluating, the directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

FRS 109 *Financial Instruments*

FRS 109 prescribes the accounting requirements for financial instruments and replaces the existing guidance in FRS 39 Financial Instruments: Recognition and Measurement. FRS 109 prescribes a new classification and measurement framework for financial instruments, requires financial assets to be impaired based on a new expected credit loss model, changes the hedge accounting requirements, and carries forward the recognition and de-recognition requirements for financial instruments from FRS 39.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 changes the revenue recognition model under SFRS. The core principle of SFRS 15 is to recognise the revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services.

FRS 116 *Leases*

FRS 116 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognised on the lease liability. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees.

2 **Significant Accounting Policies** (cont'd)

(b) Consolidation

In 2013, the Company acquired the entire issued share capital of Lighthouse Maritime Limited, for a total consideration of US$20. This business combination has been accounted for in a manner similar to pooling of interests.

On this basis, the Company has been treated as the holding company of Lighthouse Maritime Limited from the date of the combination. The results of the combined entities have been brought into the financial statements for the financial period presented as from the date of combination. The assets and liabilities have been brought into the financial statements at their existing carrying amounts. The difference between the consideration and the nominal value of the shares acquired has been recorded as a merger reserve.

All intercompany balances and transactions are eliminated on consolidation.

(c) Investment in Subsidiary

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual agreements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

2 **Significant Accounting Policies** (cont'd)

(c) Investment in Subsidiary (cont'd)

Investment in a subsidiary is stated at cost less any impairment losses. An assessment of the investment in a subsidiary is performed when there is an indication that the investment may have been impaired.

On disposal of the investment in a subsidiary, the difference between the net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

(d) Investment in Associated Companies

Associates are entities over which the Company has significant influence, but not control, generally accompanied by a shareholding giving rise to between and including 20% and 50% of the voting rights. Investment in associates is accounted for in the financial statements using the equity method of accounting. Investment in associates is assessed for impairment as part of the investment.

Investment in associates is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In applying the equity method of accounting, the Company's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associates, including any other unsecured non-current receivables, the Company does not recognise further losses, unless it has obligations or has made payments on behalf of the associate.

Unrealised gains on transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the associate have been changed where necessary to ensure consistency with the accounting policies adopted by the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Company determines at each statement of financial position date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

2 **Significant Accounting Policies** (cont'd)

(d) Investment in Associated Companies (cont'd)

The financial statements of the associate are prepared as at the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

Dilution gains and losses arising from investment in an associate are recognised in profit or loss.

Investment in an associate is derecognised when the Company loses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and its fair value is recognised in profit or loss.

Investment in an associated company is carried at cost less accumulated impairment losses in the Company's statement of financial position.

(e) Investment in Joint Ventures

The Company's joint ventures are entities over which the Company has contractual arrangements to jointly share the control over the economic activity of the entities with one or more parties. The Company's interest in joint ventures is accounted for in the financial statements using the equity method of accounting.

Investments in joint ventures are carried at cost less accumulated impairment losses in the Group's statement of financial position.

(i) Functional and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in United States Dollar ("US$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

2 Significant Accounting Policies (cont'd)

(f) Functional and Foreign Currencies

(ii) Transactions and balances

In preparing the financial statements of the individual group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss, unless they arise from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in equity and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(iii) Translation of group entities' financial statements

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing exchange rates at the reporting date;
- income or expense for each statements presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and
- all resulting currency translation differences are recognised in other comprehensive income.

2 **Significant Accounting Policies** (cont'd)

(f) Functional and Foreign Currencies (cont'd)

(iii) Translation of group entities' financial statements (cont'd)

On the disposal of a foreign operation, all of the accumulated currency translation differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any currency translation differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

(g) Intangible Assets

Intangible assets acquired separately are measured initially at cost. Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting year, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful lives of software licences are 5 years.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation year and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation year or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Gain or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

2 **Significant Accounting Policies** (cont'd)

(h) Impairment of Non-Financial Assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, the recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognised immediately in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss for an asset is recognised immediately in profit or loss.

(i) Inventories

Any bunkers remaining on board the vessel are stated at the lower of cost or net realisable value. Cost is determined using the first-in, first-out basis.

Net realisable value is the estimated selling price at which the inventories can be realised in the normal course of business after allowing for obsolete, slow-moving and defective inventories.

(j) Financial Assets

Classification

The Company classifies its financial assets as loans and receivables and available-for-sale financial assets. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

2 **Significant Accounting Policies** (cont'd)

(j) Financial Assets (cont'd)

Classification (cont'd)

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are initially measured at fair value less transaction costs. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. These are presented as current assets, except for those maturing later than 12 months after the statement of financial position date which are presented as non-current assets. Loans and receivables are presented as trade and receivables (excluding advances to agents), due from a subsidiary and related parties, loan receivable and cash and cash equivalents on the statement of financial position.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within twelve months after the statement of financial position date.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on a trade-date basis - the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sales proceeds is recognised in profit or loss.

Available-for-sale financial assets are included in non-current assets unless the carrying value is expected to be recovered principally through sale rather than continuing use, in which case they are included within current assets.

Initial recognition

Financial assets are initially recognised at fair value plus transaction costs.

2 **Significant Accounting Policies** (cont'd)

(j) Financial Assets (cont'd)

Subsequent measurement

i. Loans and receivables

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

ii. Available-for-sale financial assets

Available-for-sale financial assets are subsequently carried at fair value, where this can be reliably measured, with movements in fair value recognised directly in other comprehensive income. Gains or losses on available-for-sale financial assets are recognised in other comprehensive income until the investment is sold, collected or otherwise disposed of, or until the financial asset is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in profit and loss. Equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recorded at cost less impairment.

Impairment

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

Any impairment losses on equity investments classified as available-for-sale financial assets are recognised in profit and loss.

2 Significant Accounting Policies (cont'd)

(k) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank which is subject to an insignificant risk of changes in value. For the purpose of presentation in the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(l) Financial Liabilities

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provision of the financial instrument. A financial liability is derecognised when the obligation under the liability is extinguished.

Trade and other payables, including amount due to an associated company, are initially recognised at fair value, and subsequently measured at amortised cost, using the effective interest method.

(m) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

(n) Dividends to Company's Shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

(o) Operating Leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income.

As lessor

Leases of vessels where substantially all risk and rewards incidental to ownership are retained by the owner are classified as operating leases. Rental income from operating leases is recognised in profit and loss on a straight line basis over the lease terms.

As lessee

Leases of vessel where substantially all risk and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases are recognised in profit and loss on a straight line basis over the period of the lease.

2 **Significant Accounting Policies** (cont'd)

(p) Revenue Recognition

Revenue of the Group is recognised as follows:

Time Charter Income

Time charter income is recognised on a time-apportioned basis. Provision is made for all hire receivable at the statement of financial position date in respect of time charter voyages in progress.

Voyage Freight Income

Voyage freight forwarding and demurrage income are recognised when the service is rendered.

Commission Income

Commission income is recognised upon the rendering of services to customers.

(q) Income Tax

Current income tax for current and prior year is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted and substantively enacted by the statement of financial position date.

Deferred income tax is provided using the liability method on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are recognised for all temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss;

- In respect of temporary differences associated with investments in subsidiaries, joint ventures and associates where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and

- In respect of deductible temporary differences and carry-forward of unutilised tax credits and tax losses, if it is not probable that taxable profits will be available against which those deductible temporary differences and carry-forward of unutilised tax credits and tax losses can be utilised.

2 Significant Accounting Policies (cont'd)

(q) Income Tax (cont'd)

Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the statement of financial position date.

3 Critical Accounting Estimates, Assumptions and Judgements

The preparation of financial statements in conformity with FRS requires management to exercise judgement in the process of applying the Company's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial periods. Although, these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

(a) Critical Judgements in Applying Accounting Policies

In the process of applying the Group's accounting policies, the application of judgements that are expected to have a significant effect on the amounts recognised in the financial statements are discussed below.

Write down of inventories

The Group and the Company write down the cost of inventories whenever the net realisable value of inventories becomes lower than the cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. No allowance for inventories has been made for the financial years ended 31 December 2017 and 31 December 2016.

The carrying amount of inventories of the Group and the Company as at 31 December 2017 was US$2,043,309 (2016: US$957,676) (Note 13).

3 Critical Accounting Estimates, Assumptions and Judgements

(b) Key Sources of Estimation Uncertainty

The following are the key sources of estimation and assumptions at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of available-for-sale financial assets

The Group reviews its available-for-sale investments at each balance sheet date to assess whether they are impaired. The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates, among other factors, the financial health and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flow.

For the financial year ended 31 December 2017, no impairment loss was recognised for available-for-sale financial assets (2016: US$1,000,000). The carrying amount of financial assets, available-for-sale as at 31 December 2017 was US$494,000 (2016: US$494,000). Further details are given in Note 12 to the financial statements.

4 Revenue

	Group	
	2017	2016
	US$	US$
Voyage freight income	70,109,335	27,556,239
Time charter income	21,702,608	5,900,181
Commission income	2,319,723	1,372,501
Demurrage income	1,889,637	247,050
	96,021,303	35,075,971

5 Other Income

	Group	
	2017	2016
	US$	US$
Consultancy fee income	375,000	313,500
Administrative services	345,419	223,357
Others	12,431	-
	732,850	536,857

6 Profit /(Loss) before Income Tax

	Group	
	2017	2016
	US$	US$
This was arrived after charging:		
Direct costs:		
Hire expenses	51,949,456	17,778,700
Bunker costs	19,308,222	7,299,178
Port expenses	9,541,033	2,451,713
Administrative expenses:		
Consultants fee expense	2,739,871	2,134,826
Amortisation of intangible asset	6,661	11,488
Other expense:		
Impairment loss on available-for-sale financial assets	-	1,000,000
Pre-operating costs of joint venture	324,586	-

7 Income Tax

	Group	
	2017	2016
	US$	US$
Current tax		
- Current year	-	-
- Under provision in prior years	-	44,840
	-	44,840

The income tax expense on the profit/(loss) before income tax varies from the amount of income tax expense determined by applying the applicable tax rates in each jurisdiction the Group operates due to the following differences:

	Group	
	2017	2016
	US$	US$
Profit/(Loss) before income tax	3,288,203	(882,009)
Income tax expense calculated at applicable tax rate	557,398	(153,844)
Effect of expenses that are not deductible	69,528	190,717
Share of profits of associates and joint ventures	(484,681)	(414,827)
Deferred tax asset not recognised	-	377,954
Utilisation of previously unrecognized deferred tax asset	(142,245)	-
Under/(over) provision in prior years	-	44,840
	-	44,840

7 **Income Tax** (cont'd)

The corporate income tax rate applicable to the Company is 17% (2016: 17%).

The corporate income tax rate applicable to the subsidiary is 16.5% (2016: 16.5%).

At the statement of financial position date, no deferred tax liability (2016: Nil) has been recognised for taxes that would be payable on the undistributed earnings of the Group's associate and joint ventures as:

- The Group has determined that undistributed earnings of its associate will not be distributed in the foreseeable future as the Group does not have control over the entity.

- The joint ventures of the Group cannot distribute their earnings until they obtain the consent of both the venturers. At the statement of financial position date, the Group does not foresee giving such consent.

Such temporary differences for which no deferred tax liability has been recognised aggregate to US$6,230,597 (2016: US$1,089,155). The deferred tax liability is estimated to be US$1,059,201 (2016: US$185,155).

As at 31 December 2017, the Group has estimated unutilised tax losses of approximately US$1,386,000 (2016: US$2,223,000) that are available for set-off against future taxable profits, subject to the agreement of the tax authorities and compliance with the relevant provisions of the Income Tax Act.

8 **Intangible Asset**

	Group and Company	
	2017	2016
	US$	US$
Computer Software		
Cost		
At the beginning and end of the financial year	121,000	121,000
Accumulated amortization		
At the beginning of the financial year	106,944	95,457
Amortisation expense	6,661	11,487
At the end of the financial year	113,605	106,944
Net book value	7,395	14,056

9 Investment in a Subsidiary

	Company 2017 US$	Company 2016 US$
Unquoted equity shares, at cost:		
At the beginning and end of the financial year	20	20

The details of the subsidiary of the Company as at the statement of financial position date are as follows:

Name of company and country of incorporation	Principal activities	Equity held by the Group 2017 %	Equity held by the Group 2016 %	Cost of investment 2017 US$	Cost of investment 2016 US$
Held by the Company					
Lighthouse Maritime Limited Hong Kong [1]	Provision of dry bulk ocean shipping services and investment holding	100	100	20	20

[1] Audited by Moore Stephens, Certified Public Accountants, Hong Kong

10 Investment in Associated Companies

	Group and Company 2017 US$	Group and Company 2016 US$
At the beginning of the financial year	2,778,817	675,130
Addition	1,925,000	1,925,000
Share of profit of associated companies	657,930	481,553
Dividends received	(322,912)	(302,866)
At the end of the financial year	5,038,835	2,778,817

10 Investment in Associated Companies (cont'd)

The details of the associates are as follows:

Name of associates	Principal activities	Country of incorporation and operation	Proportion of ownership interest and voting power held	
			2017	2016
			%	%
Held by the Company				
Lighthouse Navigation Co., Ltd. ("LNTH") [1]	Provide advisory services on shipping business	Thailand	40	40
Siam Thara Agency Co., Ltd. ("STA") [1] [3]	Provide advisory services on shipping business	Thailand	40	40
Lighthouse Shipholding II AS ("LHNO II") [2]	Ship owning and operating bulk carriers	Norway	35	35
Held by LNTH				
Siam Thara Agency Co., Ltd. ("STA") [1] [3]	Provide advisory services on shipping business	Thailand	17.5	17.5

(1) Audited by PricewaterhouseCoopers, Bangkok, Thailand.
(2) Audited by PricewaterhouseCoopers AS, Norway.
(3) New shares issued on 9 June 2015, 17.5% of equity interest owned by LNTH and 40% of equity interest owned by the Company.

During the current year, the Company made an additional investment of US$1,925,000 in an associated company, Lighthouse Shipholding II AS. The additional investment did not change the proportion of ownership interest and voting power held by the Company.

10 Investment in Associated Companies (cont'd)

Summarised financial information of the Group's material associated companies not adjusted for the Group's proportionate share is set out as below:

	Siam Thara Agency Co., Ltd.		Lighthouse Shipholding II AS	
	2017	2016	2017	2016
	US$	US$	US$	US$
Current assets	3,084,631	2,412,514	5,610,717	1,095,429
Non-current assets	338,628	332,099	10,422,247	4,279,126
Total assets	3,423,259	2,744,613	16,032,964	5,374,555
Current liabilities	(2,353,264)	(1,724,249)	(639,462)	(111,723)
Non-current liabilities	(96,301)	(31,292)	(4,000,751)	-
Total liabilities	(2,449,565)	(1,755,541)	(4,640,213)	(111,723)
Net assets	973,694	989,072	11,392,751	5,262,832
Total revenue	3,112,454	3,195,960	4,935,497	263,933
Profit/(Loss) for the year	776,660	1,044,109	655,089	(208,772)
Dividends received from associate during the year	322,912	302,866	-	-

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associates recognised in the consolidated financial statements:

	Siam Thara Agency Co., Ltd.		Lighthouse Shipholding II AS	
	2017	2016	2017	2016
	US$	US$	US$	US$
Net assets of the associates	973,694	989,072	11,392,751	5,262,832
Proportion of the Group's ownership interest in the associates	40%	40%	35%	35%
Carrying amount of the Group's interest in the associates	389,478	395,629	3,987,463	1,841,991

10 Investment in Associated Companies (cont'd)

Aggregate information of associated companies that are not individually material:

	Group	
	2017	2016
	US$	US$
Current assets	949,546	738,549
Non-current assets	206,140	146,045
Total assets	1,155,686	884,594
Current liabilities	(78,394)	(72,605)
Non-current liabilities	(47,188)	(19,559)
Total liabilities	(125,582)	(92,164)
Net assets	1,030,104	792,430
Total revenue	1,638,878	1,667,547
Profit/(Loss) for the year	154,695	172,531
Dividends received from associate during the year	-	-
The Group's share of profit from operations and total comprehensive income	116,718	136,981
Aggregate carrying amount of the Group's interests in the associated companies	661,894	541,197

11 Investment in Joint Ventures

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
At the beginning of the financial year	2,749,322	4,014,414	1,253,670	1,913,094
Share of profit of joint ventures	2,214,711	1,984,908	1,481,023	1,090,576
Dividends received	(2,815,000)	(3,250,000)	(1,365,000)	(1,750,000)
At the end of the financial year	2,149,033	2,749,322	1,369,693	1,253,670

11 Investment in Joint Ventures (cont'd)

The details of the joint ventures are as follows:

Name of Joint Venture, Country of incorporation and operation	Principal Activities	Proportion of ownership interest and voting power held 2017 %	2016 %
Held by the Company			
Orient Asia Lines B.V. [1] The Netherlands	Chartering, operations and shipping	50	50
OAL Holding B.V. [1] The Netherlands	Chartering, operations and shipping	50	50
Held by Lighthouse Maritime Limited			
Orient Asia Lines Limited [2] Hong Kong	Provision of liner services	50	50
Held by OAL Holding B.V.			
Orient Asia Lines (Malaysia) Sdn Bhd [3] Malaysia	Shipping agency, freight contractor, and forwarding agent	55	55
Africa Navigation B.V. [1] The Netherlands	Chartering, operations and shipping	100	100

(1) Audited by CROP register accountants, the Netherlands.
(2) Audited by Esmond W.T. Leung & Co., Hong Kong.
(3) Audited by HL Thong & Associates, Malaysia.

11 Investment in Joint Ventures (cont'd)

Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with FRSs. Summarised financial information of the joint ventures is set out as below:

	Orient Asia Lines B.V.		Orient Asia Lines Limited	
	2017	2016	2017	2016
	US$	US$	US$	US$
Cash and cash equivalents	3,960,409	5,247,308	505,466	1,210,591
Other current assets	2,345,317	1,622,929	1,579,681	2,382,204
Non-current assets	317,600	238,035	-	-
Total assets	6,623,326	7,108,272	2,085,147	3,592,795
Current liabilities	(3,923,074)	(5,225,090)	(526,466)	(601,488)
Non-current liabilities	-	-	-	-
Total liabilities	(3,923,074)	(5,225,090)	(526,466)	(601,488)
Net assets	2,700,252	1,883,182	1,558,681	2,991,307
Revenue	27,459,717	21,388,447	22,035,136	19,111,643
Profit from operations and total comprehensive income	2,917,070	1,574,105	1,467,375	1,788,664
Dividends received from joint venture during the year	1,050,000	-	1,450,000	1,500,000

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint ventures recognised in the consolidated financial statements:

	Orient Asia Lines B.V.		Orient Asia Lines Limited	
	2017	2016	2017	2016
	US$	US$	US$	US$
Net assets of the joint venture	2,700,252	1,883,182	1,558,681	2,991,307
Proportion of the Group's ownership interest in the joint venture	50%	50%	50%	50%
Carrying amount of the Group's interest in the joint venture	1,350,126	941,591	779,341	1,495,654

11 Investment in Joint Ventures (cont'd)

Aggregate information of joint ventures that are not individually material:

	Group	
	2017	2016
	US$	US$
Cash and cash equivalents	130	694
Other current assets	-	-
Non-current assets	72,909	664,925
Total assets	73,039	665,619
Current liabilities	(17,875)	(20,819)
Non-current liabilities	-	-
Total liabilities	(17,875)	(20,819)
Net assets	55,164	644,800
Revenue	-	-
Profit from operations and total comprehensive income	35,209	33,142
Dividends received from joint venture during the year	315,000	-
The Group's share of profit from operations and total comprehensive income	17,605	16,571
Aggregate carrying amount of the Group's interests in the joint ventures	19,566	312,077

12 Available-for-sale Financial Assets

	Group and Company	
	2017	2016
	US$	US$
Unquoted investment – Non-current		
At the beginning of the financial year	494,000	1,294,000
Additions	-	200,000
Provision of impairment	-	(1,000,000)
At the end of the financial year	494,000	494,000

On 29 November 2013, the Company entered into an agreement to acquire 7,400 fully paid ordinary shares of Lighthouse Shipholding AS ("LHNO"), constituting 5% of its issued and paid–up share capital, for a total consideration of US$2,722,750. LHNO is a company incorporated in Norway, the principal activities of which are those of ship owning and operating bulk carriers.

12 Available-for-sale Financial Assets (cont'd)

As at 31 December 2016, the Group has invested US$1,294,000 of the total consideration. The balance of US$541,250 and final payment of US$887,500 have been injected in June 2014 and March 2015 respectively in the form of shareholder loans. The Group has further invested US$200,000 following the equity issue by LHNO.

As at 31 December 2016, the Group has recognised a total provision for impairment on available-for-sale financial assets of US$1,000,000 against the carrying amount of its available-for-sale financial assets. The impairment loss for unquoted equity instruments was recognised as there was a "significant" or "prolonged" decline in the fair value of this investment below its carrying amount. The Group treats "significant" generally as 20% and "prolonged" as greater than 6 months.

The available-for-sale financial asset is measured at cost less impairment at the end of the financial year as management is of the opinion that the fair value cannot be reliably measured. The investment is not quoted on any market and does not have comparable industry peers that are listed. The Group and the Company do not intend to dispose of this investment in the foreseeable future.

13 Inventories

	Group and Company	
	2017	2016
	US$	US$
Bunkers, at cost	2,043,309	957,676

14 Trade and Other Receivables

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Trade receivables:				
- Third parties	5,184,892	5,036,081	5,184,892	5,036,101
- Related parties	-	350,645	-	350,645
	5,184,872	5,386,726	5,184,892	5,386,746
Other receivables:				
- Advances to agents	1,196,759	644,529	1,196,759	644,529
- Unbilled receivables	459,737	243,456	459,737	243,456
- Loan to a director	-	77,896	-	-
- Advances to shipowners	1,518,772	-	1,518,772	-
- Prepayments	9,166	-	9,166	-
- Others	-	17,218	-	-
	8,369,326	6,369,825	8,369,326	6,274,731

14 Trade and Other Receivables (cont'd)

The normal credit terms for trade and other receivables is 30 days.

The subsidiary has advanced loans totalling Nil (2016: US$77,896) and US$310,515 (2016: US$232,619) (Note 17) to a director and third parties, respectively, at 31 December 2017.

As at 31 December 2016, 60% of the shares of a company incorporated in Thailand, Lighthouse Navigation, which was jointly controlled by a certain director and certain third parties, were pledged to the subsidiary as security for the loans to director and certain loans receivable of US$77,896 and US$194,739, respectively. The director and the third parties had also granted the subsidiary an option to purchase 60% of the shares of a company of Lighthouse Navigation held by the director and the third parties.

During the current year, the director has resigned and the loan pertaining to the former director were reclassified to the loans to third parties.

As at 31 December 2017, 12.5% (2016: 12.5%) of the shares of a company incorporated in Thailand, Siam Thara Agency Company Limited ("Siam Thara"), which is jointly controlled by certain third parties, were pledged to the subsidiary as security for the loans receivable of US$37,880 (2016: US$37,880). The third parties have granted the subsidiary an option to purchase 12.5% (2016: 12.5%) of the shares of Siam Thara held by the third parties.

The subsidiary has not exercised this option up to the date of these financial statements. In the opinion of the directors, the fair value of the option is immaterial to be recognised in the financial statements.

15 Due to a Subsidiary

The amount due to a subsidiary is non-trade in nature, unsecured, interest-free and repayable on demand based on cash terms.

16 Due from/(to) Related Parties

The amounts due from/(to) related parties are non-trade in nature, unsecured, interest-free and repayable on demand based on cash terms.

17 Loans Receivable

	Group	
	2017	2016
	US$	US$
Loans receivable - Third parties	310,515	232,619

The loans receivable are interest-free and are repayable on demand. The loans are secured against 60% (2016: 60%) of the shares in Lighthouse Navigation Co., Ltd. and 12.5% (2016: 12.5%) of the shares in Siam Thara Agency Co., Ltd.. Further details of the security are provided in Note 14.

18 Cash and Cash Equivalents

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Cash at bank	4,364,990	4,483,279	3,381,462	3,976,300

19 Share Capital

	Group and Company			
	2017		2016	
	No. of shares	US$	No. of shares	US$
Issued and fully paid:				
At beginning and end of financial year	60,000	6,000,000	60,000	6,000,000

Ordinary shares of the Company have no par value. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction and rank equally with regard to the Company's residual assets.

20 Merger Reserve

During the financial year ended 31 December 2013, the Company acquired a 100% equity interest in Lighthouse Maritime Limited for a consideration of US$20. This business combination has been accounted for in a manner similar to pooling of interests. The difference between the consideration and the nominal value of the shares of the subsidiary has been taken to shareholders' equity as "Merger Reserve" and adjusted accordingly in the financial statements.

21 Trade and Other Payables

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Trade payables:				
- Third parties	2,907,837	1,515,239	2,907,837	1,508,447
- Related parties	-	116,520	-	116,520
	2,907,837	1,631,759	2,907,837	1,624,967
Deferred income	4,795,971	2,807,334	4,795,971	2,807,334
Accrued operating expenses	1,803,995	1,959,146	1,792,926	1,948,185
Provisions	427,137	-	427,137	-
Other payable	-	-	20	20
	9,934,940	6,398,239	9,923,891	6,380,506

The normal credit terms for trade and other payables is 30 days.

Deferred income refers to advance billings to charterers.

22 Due to an Associated Company

The amount due to an associated company is non-trade in nature, unsecured, interest-free and repayable on demand based on cash terms.

23 Due to a Joint Venture

The amount due to a joint venture is non-trade in nature, unsecured, interest-free and repayable on demand based on cash terms.

24 Dividends

	Group and Company	
	2017	2016
	US$	US$
One-tier (tax exempt) interim dividend paid in respect of 2016 of US$20 (2015: US$20) per share	-	1,200,000
	-	1,200,000

25 Related Party Transactions

Parties are considered to be related if an individual or a close member of that individual's family has the ability, directly or indirectly, to control the Group entities, exercise significant influence over the Group entities in making financial and operating decisions, or is a member of the key management personnel of the Group entities. Parties are also considered to be related if they are subject to common control or common significant influence and a person who has significant influence over the entity or is a member of the key management personnel of the entity. Related parties may be individuals or corporate entities.

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties during the financial year at terms agreed between the parties:

(a) Purchase of Services

	Group	
	2017 US$	2016 US$
Associated company		
- Consultants fee expense *	840,000	721,400
Related parties**		
- Consultants fee expense	1,862,724	1,342,893

* This includes staff costs for the administrative function provided by the associated company.
** Related parties refer to the companies with common ultimate controlling shareholders and/or common key management personnel.

(b) Key Management Remuneration

The Group's key management decisions are undertaken by the Directors of the Company. As at 31 December 2017, the Directors were employed and remunerated by its associated company, Lighthouse Navigation Co. Ltd., a company incorporated in Thailand.

The directors of the Company did not receive any remuneration during the current and previous financial year.

26 Operating Lease Commitments

Where the Group and Company are lessors

The Group and the Company have chartered out a number of vessels under time charter which are classified as non-cancellable operating leases. As at the statement of financial position date, future minimum lease receipts receivable are as follows:

	Group and Company	
	2017	2016
	US$	US$
Due within one year	5,708,370	4,159,217

Operating lease receipts are recognised in profit or loss during the year as part of revenue.

Where the Group and Company are lessees

At the statement of financial position date, the Group and the Company have commitments for time charters under non-cancellable operating leases as follows:

	Group and Company	
	2017	2016
	US$	US$
Due within one year	5,258,430	4,346,046

27 Financial Instruments

(a) Financial Risk Management and Policies

The Group and the Company do not have formal risk management policies or guidelines. Generally, the Group and the Company adopt conservative strategies on its risk management and seeks to minimise potential adverse effects on the Group's and the Company's financial performance. The main risks include credit risk, interest rate risk, foreign currency risk and liquidity risk.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company.

27 **Financial Instruments** (cont'd)

(a) Financial Risk Management and Policies (cont'd)

(i) Credit risk (cont'd)

The Group's and the Company's primary exposure to credit risk arises through its trade and other receivables, including amount due from related parties. It is the Group and Company's policy to enter into transactions with creditworthy customers to mitigate any significant credit risk. The Group and the Company have procedures in place to control credit risk and exposure to such risk is monitored on an ongoing basis.

Other financial assets of the Group and the Company with exposure to credit risk include cash at banks. Bank deposits that are neither past due nor impaired are placed with reputable financial institutions with high credit-ratings assigned by international credit-rating agencies.

The Group's and the Company's maximum exposure to credit risk in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position.

The maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position. The Group has significant concentration of credit risk from trade receivables as more than 49% (2016: 55%) of trade receivables are due from two customers as at 31 December 2017 (2016: three).

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired of approximately US$3,931,676 (2016: US$2,990,002) are creditworthy parties with good payment records with the Group and the Company.

Financial assets that are past due but not impaired

There is no other class of financial assets that is past due but not impaired except for trade receivables. The age analysis of trade and other receivables past due at the statement of financial position date but not impaired is as follows:

	Group and Company	
	2017	2016
	US$	US$
Past due 1 to 30 days	1,049,855	2,391,165
Past due 31 to 60 days	240,217	1,600
Past due over 60 days	422,861	342,529
	1,712,933	2,735,294

27 Financial Instruments (cont'd)

(a) Financial Risk Management and Policies (cont'd)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group and the Company have no significant exposure to market risk for changes in interest rates as it has no significant interest-bearing assets and liabilities.

(iii) Foreign currency risk

The Group and the Company are not exposed to foreign currency risk as nearly all transactions and balances are denominated in United States dollar.

(iv) Liquidity risk

Liquidity risk refers to the risk that the Group and the Company will not be able to meet its financial obligations as they fall due.

In managing liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. Typically, the Group and the Company ensure that they have sufficient cash on demand to meet expected operational expenses for a year of 365 days and this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

The Group and the Company do not have non-current financial liabilities. The current financial liabilities due within 12 months approximate their expected contractual undiscounted cash flows.

(b) Fair Values

The fair value information presented represents the Group's and the Company's best estimate of those values and may be subject to certain assumptions and limitations. The methodologies and assumptions used in the estimation of fair values depend on the terms and characteristics of the various instruments.

The Group's and the Company's financial instruments include cash and cash equivalents, trade and other receivables, amount due from a subsidiary and related parties, trade and other payables, amount due to a subsidiary, joint venture and related parties and amount due to an associated company. The fair values of these financial instruments approximate their carrying amounts due to their short term nature. The fair value of the Group's and the Company's available-for-sale financial assets with a maturity of more than one year is disclosed in Note 12.

28 Capital Management

The Group and the Company manage its capital to safeguard the Group's and the Company's abilities to continue as a going concern in order to provide returns for shareholders, to support the Group's and Company's stability and growth and to provide capital for the purpose of strengthening the Group's and the Company's financial management capability. Management reviews the capital structure on an annual basis. As a part of the review, management considers the cost of capital and the risks associated with each class of capital. Accordingly, the Group and the Company will balance its overall capital structure through payment of dividends as well as the issue of new debt or the redemption of existing debt. The Group and Company's overall strategy remain unchanged from 2014.

Management monitors capital with reference to a net debt against equity ratio. The Group's and the Company's strategies are to maintain a prudent balance between the advantage and flexibility afforded by a strong capital position and the higher return on equity that is possible with greater leverage.

The capital structure of the Group and the Company consists of net debt (which includes trade and other payables and due to an associated company, subsidiary, related parties and joint venture, net of cash and cash equivalents) and total equity comprising share capital, retained earnings and reserves. The net debt against equity ratio is calculated as net debt divided by total equity.

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Net debt/(cash)	5,840,106	2,526,378	9,950,289	6,153,328
Total equity	16,674,973	13,386,772	10,610,902	7,641,870
Net debt against total equity	35%	19%	94%	80%

The Group and Company do not have to comply with any externally imposed capital requirements for the financial years ended 31 December 2017 and 2016.

29 Subsequent Event

Subsequent to the financial year ended 31 December 2017, the Group incorporated a new subsidiary in Singapore namely Afri-Bulk Navigation Private Limited ("Afri-Bulk"). Afri-Bulk is 100% owned by the Company and its primary activity is chartering of vessels.

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

THE FOLLOWING DETAILED INCOME STATEMENT

HAS BEEN PREPARED FOR MANAGEMENT PURPOSES ONLY

AND DOES NOT FORM PART OF THE AUDITED FINANCIAL STATEMENTS

LIGHTHOUSE NAVIGATION PTE. LTD.
(Incorporated in Singapore)

DETAILED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	2017 US$	2016 US$
REVENUE		
Time charter income	21,702,608	5,900,181
Voyage freight income	70,109,335	27,556,239
Commission income	1,883,769	536,190
Demurrage Income	1,889,637	247,050
	95,585,349	34,239,660
Less: DIRECT COSTS		
Address commission expense	1,597,196	447,256
Agency fee expense	664,039	307,234
Broker's commission	1,446,000	700,361
Bunker cost	19,308,222	7,299,178
Despatch expense	626,432	344,525
Port expenses	9,541,033	2,451,713
Hire expenses	51,949,456	17,778,700
Others	7,901,720	6,108,114
	93,034,098	35,437,081
GROSS PROFIT/(LOSS)	2,551,251	(1,197,421)
Less: ADMINISTRATIVE EXPENSES		
Amortisation of intangible asset	6,661	11,488
Audit fee	18,290	2,806
Bank service charge - general and administration	2,098	3,103
Bank service charge - voyage related	43,078	26,159
Consultants fee expense	1,201,147	791,993
General expense	12,610	4,115
Hosting fees	24,500	-
IT support services	24,927	32,367
Maintenance fees	25,200	25,200
Membership	3,332	3,757
Realised foreign exchange loss	2,399	5,327
Secretary fee	11,804	11,035
Subscriptions	16,859	16,568
Sundry expense	3,681	3,911
Travelling	-	99,500
	1,396,586	1,037,329
Less: OTHER EXPENSES		
Impairment loss on available-for-sale financial assets	-	1,000,000
Pre-operating costs of joint venture	324,586	-
	324,586	1,000,000
Share of profit of associated companies	657,930	481,553
Share of profit of joint ventures	1,481,023	1,090,577
PROFIT/(LOSS) BEFORE INCOME TAX	2,969,032	(1,662,620)

NOT PART OF THE AUDITED FINANCIAL STATEMENTS

Lighthouse Shipholding AS
(organisational number 911 703 033)
Annual report for 2016

Business of the company
Lighthouse Shipholding AS was founded on 6 March 2013. The objective of the company is to conduct shipping business and connected activities, including through participation in other companies. The company took during 2015 and 2016 delivery of five 64,000 dwt bulk carriers from Jiangsu Hantong Ship Heavy Industry. The vessels have mainly been employed in the market for trip timecharters. Technical management and manning is outsourced to Fleet Ship Management Ltd.

After transferring the ships to fully owned special purpose companies, Lighthouse Shipholding AS is a pure holding company providing administration services to its subsidiaries. The company is conducting its business from its premises in Nedre Bekkegate 1 in Eigersund municipal in Norway.

Profit and loss statement and balance sheet
In 2016, the company had a deficit of USD 17,751,399. The deficit is proposed to be covered with USD 2,282,000 from the Share premium and USD 15,469,399 as Loss brought forward.

The total company equity as per 31.12.2016 was less than half of the Share capital. With reference to Norwegian Companies Act section 3-4 and 3-5, the Board of Directors finds the capitalization of the company satisfactory. The shareholders have on pro-rata basis provided a fully subordinated and interest free loan of USD 40,575,000. This subordinated loan is added to equity when calculating the consolidated book equity ratio required by the group's senior lenders. The company has accordingly a book equity ratio close to 100% and a consolidated book equity ratio of 40%.
The annual accounts for 2016 are premised on the going concern assumption, and the Board of Directors confirms that such assumption is appropriate, cf. the Norwegian Accounting Act section 4-5.

In 2016 the group on consolidated basis had a deficit of USD 10,738,763. The difference between Operating profit and Net cash flow from operations is mainly caused by depreciation and impairment of fixed assets.

Risk assessment

The dry bulk shipping market was in 2016 very soft with recovery expected only from 2018. The group is fully exposed to this market with its vessels mainly operated on short charterparties. The group has however a healthy cash position and good access to capital expected sufficient to cover all liabilities. With no concentration of debtors, the credit risk is manageable. All the group income is nominated in USD, so is debt service and most of the voyage and operating expenses. The currency risk for the group is accordingly very limited.

The holding company has no external debtors, and credit risk is accordingly very low. Most of costs are nominated in NOK whilst service fee invoiced to the subsidiaries for administration services is nominated in USD. If any shortfall the fees will be adjusted accordingly, and the currency risk is accordingly very limited.

In 2016 the company completed its newbuilding program and now focuses on operating the total fleet of five vessels.

Working environment
As per 31 December 2016 the company has still one employee only. There are no plans to increase the staff, and accordingly the Board of Directors has not considered it necessary to carry out specific measures yet with regards to the working environment and equal opportunities.

There are no employees in the ship owning subsidiaries.

Environment
The group's ships are new and energy efficient, however operating on marine fuels there are emissions to the air. Additional investments are made to reduce fuel consumption and emissions. The ships are equipped with ballast water treatment systems preventing the transfer of marine species. The Board of Directors emphasizes that the company and the group shall operate its business in accordance with applicable national and international regulations.

Research and development
The company and group have not conducted research and development activities in 2016.

12 June 2017

The Board of Directors in Lighthouse Shipholding AS

Peter Frølich Chairman of the board	Jan Erik Sivertsen Director	Frode Teigen Director
Anders Sødergren Director	Kai Einhauser Director	Frode Bjørklund CEO

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12 June 2017

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Peter Frølich
Chairman of the board

Jan Erik Sivertsen
Director

Frode Teigen
Director

Anders Södergren
Director

Kai Einhauser
Director

Frode Bjørklund
CEO

Lighthouse Shipholding AS

ALL NUMBERS IN USD

INCOME STATEMENT 01.01-31.12

PARENT 2015	PARENT 2016	Note		Note	GROUP 2016	GROUP 2015
			Operating income and operating expenses			
215 206	233 333		Revenue		11 155 229	3 361 932
215 206	**233 333**		**Operating Income**		**11 155 229**	**3 361 932**
162 549	228 271	7	Payroll expenses	7	228 271	162 549
10 865	11 041	2	Depreciation and amortisation expense	2	4 624 877	1 007 138
0	0	2	Write down on tangible and intangible assets	2	5 937 252	3 960 000
0	0		Loss on tangible and intangible assets		0	2 552 563
3 055 836	242 404	7,9	Other operating expenses	7,10	8 495 559	3 513 105
3 229 250	**481 716**		**Operating expenses**		**19 285 959**	**11 195 355**
-3 014 044	**-248 383**		**Operating profit**		**-8 130 730**	**-7 833 423**
			Financial income and expenses			
0	0		Other interest income		132	1 166
1 564 355	1 365 651		Interest income from group companies		0	0
11 938	10 487		Other financial income		13 953	13 708
6 996	18 834 980		Impairment of other financial fixed assets		0	0
0	0		Interest expense to other group companies		0	0
34	1 155		Other Interest expenses		2 564 404	2 633 880
138 125	43 019		Other financial expenses		57 714	163 391
1 431 138	**-17 503 016**		**Net financial income and expenses**		**-2 608 033**	**-2 782 397**
-1 582 906	**-17 751 399**		**Operating result before tax**		**-10 738 763**	**-10 615 820**
305 131	0	6	Tax cost	6	0	305 131
-1 888 037	**-17 751 399**		**Operating result after tax**		**-10 738 763**	**-10 920 951**
			Brought forward			
-86 637	-2 282 000		From Share premium			
-1 801 400	-15 469 399		Loss brought forward			
-1 888 037	**-17 751 399**	4	**Total brought forward**			

Lighthouse Shipholding AS

ALL NUMBERS IN USD

BALANCE SHEET 31.12.

PARENT 2015	PARENT 2016	Note	ASSETS	Note	GROUP 2016	GROUP 2015
			Fixed assets			
			Tangible fixed assets			
0	0	**11**	Ships	**11**	110 500 000	49 046 395
0	0	**11**	Ships under construction	**11**	0	17 708 107
43 458	35 940		Equipment and other movables		35 940	43 458
43 458	**35 940**	**2**	**Total tangible fixed assets**	**2**	**110 535 940**	**66 797 960**
			Financial fixed assets			
34 980	33 000 000	**5,11**	Investments in subsidiaries		0	0
48 640 118	12 322 251	**9**	Loans to group companies		0	0
48 675 098	**45 322 251**		**Total financial fixed assets**		**0**	**0**
48 718 556	**45 358 191**		**Total fixed assets**		**110 535 940**	**66 797 960**
			Current assets			
0	0		Inventories	**11**	0	223 485
0	0	**11**	Accounts receivables	**11**	310 639	279
8 423	7 529		Other receivables		1 792 228	2 875 819
8 423	**7 529**		**Total debtors**		**2 102 867**	**2 876 098**
16 165 724	5 168 876	**8**	Cash and bank deposits	**8**	8 267 287	18 691 455
16 174 147	**5 176 405**		**Total current assets**		**10 370 154**	**21 791 038**
64 892 703	**50 534 596**		**Total assets**		**120 906 094**	**88 588 998**

Lighthouse Shipholding AS

ALL NUMBERS IN USD

BALANCE SHEET 31.12.

PARENT					GROUP	
2015	**2016**	**Note**	**EQUITY AND LIABILITIES**	**Note**	**2016**	**2015**
			Restricted equity			
25 880 000	27 598 000	3	Share capital	3	27 598 000	25 880 000
0	0		Share premium		0	0
25 880 000	**27 598 000**		**Total restricted equity**		**27 598 000**	**25 880 000**
0	0		Other equity		0	0
-1 801 400	-17 711 704		Loss brought forward		-19 303 050	-10 846 293
-1 801 400	**-17 711 704**		**Total retained earnings**		**-19 303 050**	**-10 846 293**
24 078 600	**9 886 296**	**4**	**Total equity**	**4**	**8 294 950**	**15 033 707**
			Liabilities			
			Other long term liabilities			
0	0		Liabilities to financial institutions	11	71 000 000	31 500 000
40 454 994	40 574 994	9	Other long term loans	9	40 574 994	40 454 994
0	0	9	Liabilities to group companies	9	0	0
40 454 994	**40 574 994**		**Total of other long term liabilities**		**111 574 994**	**71 954 994**
			Current liabilities			
22 217	11 382		Trade creditors		172 106	159 089
305 131	0		Tax payable		0	305 131
12 193	42 384		Public duties payable		42 384	12 193
19 569	19 540		Other short term liabilities		821 660	1 123 884
359 110	**73 306**		**Total short term liabilities**		**1 036 150**	**1 600 297**
40 814 104	**40 648 300**		**Total liabilities**		**112 611 144**	**73 555 291**
64 892 703	**50 534 596**		**Total equity and liabilities**		**120 906 094**	**88 588 998**

Egersund 12.06.2017

Jan Erik Sivertsen Styremedlem	Peter Frølich Styrets leder	Frode Teigen Styremedlem
Anders Sødergren Styremedlem	Frode Bjørklund Daglig leder	Kai Einheuser Styremedlem

Lighthouse Shipholding AS

ALL NUMBERS IN USD

CASH FLOW STATEMENT 01.01-31.12.

PARENT 2015	PARENT 2016	Note		Note	GROUP 2016	GROUP 2015
			Cash flow from operations			
-1 582 906	-17 751 399		Profit before income taxes		-10 738 763	-10 615 820
0	-305 131		Paid tax		-305 131	0
10 865	11 041		Depreciation		4 624 877	1 007 138
0	0		Impairment of fixed assets		5 937 252	3 960 000
0	18 834 980		Impairment of financial assets		0	0
0	0		Change in inventory		223 485	-223 485
0	0		Change in trade debtors		-310 360	-279
-1 133	-10 835		Change in trade creditors		13 017	135 739
-23 404	31 058		Change in other provisions		817 120	-1 798 462
-1 596 578	**809 714**		**Net cash flow from operations**		**261 497**	**-7 535 169**
			Cash flow from investments			
0	-440 905		Cash effect of merger		0	0
29 359 289	0		Proceeds from sale of fixed assets		0	0
-54 323	-3 523		Purchase of fixed assets		-54 305 663	-42 405 809
-34 980	-51 800 000		Purchase of shares and investments in other companies		0	0
-48 640 118	36 317 867		Long term loans to group companies		0	0
-19 370 132	**-15 926 561**		**Net cash flow from investments**		**-54 305 663**	**-42 405 809**
			Cash flow from financing			
0	4 000 000		Capital increase		4 000 000	0
29 629 994	120 000		Proceeds from long term loans		39 620 000	61 129 994
29 629 994	**4 120 000**		**Net cash flow from financing**		**43 620 000**	**61 129 994**
			Exchange gains / (losses) on cash and cash equivalents			
8 663 284	-10 996 847		Net change in cash and cash equivalents		-10 424 166	11 189 016
7 502 441	16 165 724		Cash and cash equivalents at the beginning of the period		18 691 455	7 502 441
16 165 724	**5 168 876**		**Cash and cash equivalents at the end of the period**		**8 267 287**	**18 691 455**

ALL NUMBERS IN USD

Lighthouse Shipholding AS

BALANCE SHEET 31.12.

PARENT					GROUP	
2015	2016	Note	EQUITY AND LIABILITIES	Note	2016	2015
			Restricted equity			
25 880 000	27 598 000	3	Share capital	3	27 598 000	25 880 000
0	0		Share premium		0	0
25 880 000	27 598 000		**Total restricted equity**		27 598 000	25 880 000
0	0		Other equity		0	0
-1 801 400	-17 711 704		Loss brought forward		-19 303 050	-10 846 293
-1 801 400	-17 711 704		**Total retained earnings**		-19 303 050	-10 846 293
24 078 600	9 886 296	4	**Total equity**	4	8 294 950	15 033 707
			Liabilities			
			Other long term liabilities			
0	0		Liabilities to financial institutions	11	71 000 000	31 500 000
40 454 994	40 574 994	9	Other long term loans	9	40 574 994	40 454 994
0	0	9	Liabilities to group companies	9	0	0
40 454 994	40 574 994		**Total of other long term liabilities**		111 574 994	71 954 994
			Current liabilities			
22 217	11 382		Trade creditors		172 106	159 089
305 131	0		Tax payable		0	305 131
12 193	42 384		Public duties payable		42 384	12 193
19 569	19 540		Other short term liabilities		821 660	1 123 884
359 110	73 306		**Total short term liabilities**		1 036 150	1 600 297
40 814 104	40 648 300		**Total liabilities**		112 611 144	73 555 291
64 892 703	50 534 596		**Total equity and liabilities**		120 906 094	88 588 998

Egersund 12.06.2017

Jan Erik Siversen Styremedlem	Peter Frølich Styrets leder	Frode Teigen Styremedlem
Anders Sødergren Styremedlem	Frode Bjørklund Daglig leder	Kai Einheuser Styremedlem

Note 1 Accounting principles

The annual accounts have been prepared in compliance with the Accounting Act and accounting principles generally accepted in Norway.

Investments in other companies

The cost method is applied to investments in other companies. The cost price is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are initially taken to income. Dividends exceeding the portion of retained equity after the purchase are reflected as a reduction in purchase cost. Dividend/group contribution from subsidiaries are reflected in the same year as the subsidiary makes a provision for the amount. Dividend from other companies are reflected as financial income when it has been approved.

Merger
Lighthouse Shipholding AS was the acquiring company in a merger in 2016. Lighthouse Shipholding AS owned 100% of the shares in LHS6 - Pacific Light AS 01.01.2016. In terms of accounting, the merger was effecitve from and including 01.01.2016. At this point, LHS 6 - Pacific Light AS was a wholly owned subsidiary of Lighthouse Shipholding AS and the merger was performed based on the concept of consistency with no compensation. As a general rule, a merger in itself does not qualify for a revision of the basis of comparison. Hence, the prior year result and balance-sheet figures including also the cash flow statement are Lighthouse Shipholding AS' figures for the prior year.

Consolidation
The consolidated financial statements include all subsidiaries. Subsidiaries are all units over which the group has control. Control over a unit arises when the group experiences variation in the return from the unit and has the ability to influence this return because of its power over the unit. Subsidiaries are consolidated from the day control arises and deconsolidated when control ceases.

The following fully owned subsidiaries of Lighthouse Shipholding AS are included in the consolidated accounts 31.12.16:
LHS1 - Northern Light AS
LHS2 - Southern Light AS
LHS3 - Indian Light AS
LHS4 - Baltic Light AS
LHS5 - Atlantic Light AS

The acquisition method is used for acquisitions of business. The remuneration paid is measured at the fair value of the assets transferred, liabilities assumed and equity instruments issued. The fair value of all assets or liabilities according to the agreement on conditional consideration are also included in the remuneration. Identifiable assets, liabilities and contingent liabilities are recognized at their fair value on the acquisition date.

Intra-group transactions, intra-company balances and unrealized profit between group companies are eliminated. Unrealized losses are also eliminated

Revenues
Income from sale of goods and services are recognised at fair value of the consideration, net after deduction of VAT, returns, discounts and reductions. Sales are taken to income when the company has delivered its products to the customer and there are no unsatisfied commitments which may influence the customer's acceptance of the product. Services are recognised in proportion to the work performed.

Classification of balance sheet items

Assets intended for long term ownership or use have been classified as fixed assets. Assets relating to the trading cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities. First year's instalment on long term liabilities and long term receivables are, however, not classified as short term liabilities and current assets.

Purchase costs

The purchase cost of assets includes the cost price for the asset, adjusted for bonuses, discounts and other rebates received, and purchase costs (freight, customs fees, public fees which are non-refundable and any other direct purchase costs). Purchases in foreign currencies are reflected in the balance sheet at the exchange rate at the transaction date.

For fixed assets and intangible assets purchase cost also includes direct expenses to prepare the asset for use, such as expenses for testing of the asset.

Interest expense incurred in connection with the production of fixed assets is recognised in the balance sheet.

Fixed assets

Land is not depreciated. Other fixed assets are reflected in the balance sheet and depreciated to residual value over the asset's expected useful life on a straight-line basis. If changes in the depreciation plan occur the effect is distributed over the remaining depreciation period. Direct maintenance of an asset is expensed under operating expenses as and when it is incurred. Additions or improvements are added to the asset's cost price and depreciated together with the asset. The split between maintenance and additions/improvements is calculated in proportion to the asset's condition at the acquisition date.

Asset impairments

Impairment tests are carried out if there is indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent cashflows can be identified. If the carrying amount is higher than both the fair value less cost to sell and recoverable amount (net present value of future use/ownership), the asset is written down to the highest of fair value less cost to sell and the recoverable amount.

Previous impairment charges, except writedown of goodwill, are reversed in later periods if the conditions causing the write-down are no longer present.

Debtors

Trade debtors are recognised in the balance sheet after provision for bad debts. The bad debts provision is made on basis of an individual assessment of each debtor and an additional provision is made for other debtors to cover expected losses. Significant financial problems at the customers, the likelihood that the customer will become bankrupt or experience financial restructuring and postponements and insufficient payments, are considered indicators that the debtors should be written down.

Currency

The company's functional currency is USD. All figures are presented in this currency.

Inventories

Inventories are valued at the lower of purchase cost (according to the FIFO principle) and fair value. Recoverable amount has been used as approximation to net realisable value for raw mateials and work in progress. Fair value is estimated sales costs less expenses for completion and sale.

Foreign currencies

Assets and liabilities in foreign currencies are valued at the exchange rate on the balance sheet date. Exchange gains and losses relating to sales and purchases in foreign currencies are recognised as operating income and cost of goods sold.

Liabilities
Liabilities, with the exception of certain liability provisions, are recognised in the balance sheet at nominal amount.

Taxes

The company is subject to the Norwegian shipping corporate taxation. According to this legislation, net income from the shipping operation is not taxable. Instead, the company pays a tonnage tax which is based on the size of the ships. This tax is taken into the accounts as other operating expenses. Finance income is taxable by the regular income tax act; however only a portion of the finance expenses and foreign curency exchange rate gain/loss is deductable.

The tax charge is matched with the net pre-tax income. Tax related to equity transactions, such as group contribution, is booked against equity.

The tax charge in the income statement includes both payable taxes for the period and changes in defered taxes. The tax charge is split on ordinary net income and the effect of principle changes and corrections of incorrect tax basis. Deferred tax liabilities and deferred tax assets which may be shown in the balance-sheet, are presented net.

Cash flow statement
The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits, and other short term investments which immediately and with minimal exchange risk can be converted into known cash amounts, with due date less than three months from purchase date.

Note 2 Fixed assets

Parent

Fixed assets	Equipment and other movables	Total fixed assets
Purchase cost pr. 31.12.	54 323	54 323
Additions	3 523	3 523
Disposals	0	0
Purchase cost pr. 31.12.	57 846	57 846
Accumulated impairment 31.12.	0	0
Accumulated depreciation 31.12.	-21 906	-21 906
Net book value 31.12.	**35 940**	**35 940**
		0
Depreciation in the year	11 041	**11 041**
Impairment in the year	0	**0**

Group

Fixed assets	Ships	Equipment and other movables	Total fixed assets
Purchase cost pr. 31.12.2015	71 705 220	54 323	71 759 543
Transfers	0	0	0
Additions	54 302 140	3 523	54 305 663
Disposals	0	0	0
Purchase cost pr. 31.12.2016	126 007 360	57 846	126 065 206
Accumulated impairment 31.12.2016	-9 897 252	0	-9 897 252
Accumulated depreciation 31.12.2016	-5 610 108	-21 906	-5 632 014
Net book value 31.12.2016	**110 500 000**	**35 940**	**110 535 940**
			0
Depreciation in the year	4 613 836	11 041	**4 624 877**
Impairment in the year	5 937 252	0	**5 937 252**

Due to the challenging conditions in the dry-bulk shipping marked, the management has performed an impairment test of all the ships included in the group. The calculated Value in Use vs. the Net Book Value of each ship resultet in a total impairment of 5.937.252 USD for the group in 2016. The Value in Use of the asset was calculated as the Net Present Value of the cash flows net of tax deriving from the utilization of the assets along their useful lives, discounted using a post-tax rate (WACC) of 9%.

Note 3 Share capital and shareholder information

The share capital of USD 27 598 000 consists of 148 000 shares with nominal value of USD 186,47 each.

List of shareholders 31.12.2016	Number of shares	Ownership
Kontrari AS*	74 000	50,0 %
Kontrazi AS*	40 700	27,5 %
Lighthouse Navigation Pte. Ltd.**	7 400	5,0 %
Nepa Shipholding BV.***	19 980	13,5 %
Ted van Wees	2 960	2,0 %
Hans Spliethof	2 960	2,0 %
Total	**148 000**	**100,0 %**

* Represented by Frode Teigen and Jan Erik Sivertsen in the board.
** Represented by Anders Sødergren in the board.
*** Represented by Kai Einheuser in the board.

Note 4 Equity

Parent

	Share capital	Share premium	Uncovered loss	Total
Equity 01.01.2016	25 880 000	0	-1 801 400	**24 078 600**
Increase of capital	1 718 000	2 282 000	0	4 000 000
Profit for the year	0	-2 282 000	-15 469 399	-17 751 399
Effect of merger	0	0	-440 905	-440 905
Equity 31.12.2016	**27 598 000**	**0**	**-17 711 704**	**9 886 296**

Group

	Share capital	Share premium	Uncovered loss	Total
Equity 01.01.2016	25 880 000	0	-10 846 293	**15 033 707**
Increase of capital	1 718 000	2 282 000	0	4 000 000
Profit for the year	0	-2 282 000	-8 456 763	-10 738 763
Other changes	0	0	0	0
Equity 31.12.2016	**27 598 000**	**0**	**-19 303 050**	**8 294 950**

Note 5 Subsidiaries

Parent

Investments in subsidiaries are booked according to the cost method.

Subsidiaries	Location	Ownership/ voting right	Acquisition cost	Equity 2016	Profit/loss 2016	Balance sheet value
LHS1 - Northern Light AS	Egersund	100 %	10 706 996	6 878 683	-2 491 456	7 000 000
LHS2 - Southern Light AS	Egersund	100 %	10 906 996	6 681 921	-2 534 500	7 000 000
LHS3 - Indian Light AS	Egersund	100 %	10 706 996	6 623 823	-2 205 780	7 000 000
LHS4 - Baltic Light AS	Egersund	100 %	10 606 996	6 405 959	-2 345 577	7 000 000
LHS5 - Atlantic Light AS	Egersund	100 %	8 906 996	4 818 268	-2 245 031	5 000 000
Balance sheet value 31.12.2016						**33 000 000**

Note 6 Taxes

Parent/Group

Tax expense:	**2016**	**2015**
Payable tax	0	305 131
Change in deferred tax	0	0
Tax expense	**0**	**305 131**

Payable tax in the balance-sheet:	**2016**	**2015**
Payable tax on this year's result	0	305 131
Adjustments in respect to priors	0	0
Total payable tax in the balance-sheet	**0**	**305 131**

The company is subject to the Norwegian shipping company tax system.

Note 7 Payroll expenses, number of employees, remunerations, loans to employees, etc.

Parent/Group

Payroll expenses	**2016**	**2015**
Salaries/wages	162 147	117 301
Social security fees	45 620	19 105
Pension expenses	8 422	8 578
Other remuneration	12 082	17 565
Total	**228 271**	**162 549**

Number of employees in the accounting year:	1	1

The company's pensjon schemes meet the requirements of the Norwegian Mandatory Occupational Pension Scheme Act

Remuneration to executives	**General manager**	**Board**
Salaries/board fee	162 506	0
Pension expenses	8 426	0
Other remuneration	15 494	0

No loans/secureties have been granted to the general manager, Board chairman or other related parties.

Expensed audit fee	**Parent**		**Group**	
	2016	**2015**	**2016**	**2015**
Statutory audit (incl. technical assistance)	29 930	11 280	79 484	11 280
Other assistance (to be specified)	0	0	0	0
Total audit fees	**29 930**	**11 280**	**79 484**	**11 280**

VAT is not included in the audit fee.

Note 8 Restricted bank deposits

Parent/Group

	2016	**2015**
Withheld employee taxes	-14 944	-6 906

Note 9 Related parties balances

Parent

	Long term debt	
	2016	**2015**
Shareholders	40 574 994	40 454 994
Total	40 574 994	40 454 994

Lighthouse Shipholding AS has entered into three long term loan agreements with its shareholders; Kontrari AS, Kontrazi AS, Lighthouse Navigation P.T.E Ltd, Nepa Shipholding B.V., Hans Spethoff and Ted Van Wees;

Loan agreement of 10.825.000 USD May 26th 2014
Loan agreement of 17 750.000 USD April 1st 2015
Loan agreement of 12.000.000 USD December 1st 2015

An agreement of duration or fixed part payments is not set. The loans are not carrying any interest.

Company	Relationship	Country	Long term receivables 2016	2015
LHS1 - Northern Light AS	Subsidiary	Norway	2 500 903	10 778 231
LHS2 - Southern Light AS	Subsidiary	Norway	1 993 278	10 654 947
LHS3 - Indian Light AS	Subsidiary	Norway	2 191 845	9 188 518
LHS4 - Baltic Light AS	Subsidiary	Norway	2 134 520	8 791 941
LHS5 - Atlantic Light AS	Subsidiary	Norway	3 501 705	6 360 210
LHS6 - Pacific Light AS	Subsidiary	Norway	0	2 866 271
Total			12 322 251	48 640 118

Note 10 Related-party transactions

Remuneration to executives is disclosed in note 7, and balance with group companies is disclosed in note 9.

Parent

Company	Relationship	Country	Description	2016	2015
LHS1 - Northern Light AS	Subsidiary	Norway	Sale ship under construction	0	7 709 409
LHS2 - Southern Light AS	Subsidiary	Norway	Sale ship under construction	0	5 277 966
LHS3 - Indian Light AS	Subsidiary	Norway	Sale ship under construction	0	5 147 961
LHS4 - Baltic Light AS	Subsidiary	Norway	Sale ship under construction	0	5 124 703
LHS5 - Atlantic Light AS	Subsidiary	Norway	Sale ship under construction	0	5 094 690
LHS6 - Pacific Light AS	Subsidiary	Norway	Sale ship under construction	0	5 049 788
Total				**0**	**33 404 517**

Lighthouse Shipholding AS transferred all six shipbuilding contracts to its subsidiaries on March 23rd 2015 along with the relating liabilities.

Company	Relationship	Country	Description	2016	2015
LHS1 - Northern Light AS	Subsidiary	Norway	Interest income	288 057	410 122
LHS2 - Southern Light AS	Subsidiary	Norway	Interest income	276 605	301 324
LHS3 - Indian Light AS	Subsidiary	Norway	Interest income	271 688	234 659
LHS4 - Baltic Light AS	Subsidiary	Norway	Interest income	262 934	214 941
LHS5 - Atlantic Light AS	Subsidiary	Norway	Interest income	266 065	203 178
LHS6 - Pacific Light AS	Subsidiary	Norway	Interest income	0	200 131
Total				**1 365 349**	**1 564 355**

Group

Transaction description	Company	Relationship	2016	2015
Service fee cost	Kontrari AS	Owner	150 000	116 569

Note 11 Debtors and liabilities

Debtors which fall due later than one year	Parent/Group 2016	2015
Other long term debtors	0	0
Total	**0**	**0**

Long term liabilities which fall due later than 5 years

	Parent		Group	
	2016	2015	2016	2015
Liabilities to credit institution	0	0	46 000 000	21 500 000
Total	**0**	**0**	**46 000 000**	**21 500 000**

Liabilities secured by mortgage

	Parent		Group	
	2016	2015	2016	2015
Liabilities to financial institutions secured by mortgage	0	0	71 000 000	31 500 000
Total	**0**	**0**	**71 000 000**	**31 500 000**

	Parent		Group	
Balance sheet value of assets placed as security:	**2016**	**2015**	**2016**	**2015**
Investments in subsidiaries	33 000 000	34 980	0	0
Fixed assets	0	0	110 500 000	66 754 502
Inventory	0	0	0	223 485
Trade debtors	0	0	310 639	279
Total	**33 000 000**	**34 980**	**110 810 639**	**66 978 266**

DnB has provided payment guaranties in favour of the crew of both the Northic Light, Southern Light, Indian Light, Baltic Light and Atlantic Light of NOK 500.000 per ship, total of 2.500.000 NOK.
The total group loan from DnB to Lighthouse Shipholding AS' subsidiaries amounts to 71.000.000 USD.
The guarantee liability of Lighthouse Shipholding AS for the loans in its subsidiaries is limited to 125.000.000 USD plus any interest.

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To the General Meeting of Lighthouse Shipholding AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lighthouse Shipholding AS showing a loss of USD 17 751 399 in the financial statements of the parent company and loss of USD 10 738 763 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, and 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 financial statements of the group, which comprise the balance sheet as at 31 December 2016, and 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.

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 parent company as at 31 December 2016, 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 financial statements give a true and fair view of the financial position of the group as at 31 December 2016, 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.

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.

Other information

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T: 02316, org.no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include 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 in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, 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 use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

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 International Standards on Auditing (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.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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

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 concerning the financial statements, the going concern assumption 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.

Egersund, 12 June 2017
PricewaterhouseCoopers AS

Per Trygve Årstad
State Authorised Public Accountant

pwc

Til generalforsamlingen i Lighthouse Shipholding AS

Uavhengig revisors beretning

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert Lighthouse Shipholding AS' årsregnskap som viser et underskudd i selskapsregnskapet på USD 17 751 399 og et underskudd i konsernregnskapet på USD 10 738 763. Årsregnskapet består av:

- selskapsregnskapet, som består av balanse per 31. desember 2016, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter, herunder et sammendrag av viktige regnskapsprinsipper, og
- konsernregnskapet, som består av balanse per 31. desember 2016, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening:

- er årsregnskapet avgitt i samsvar med lov og forskrifter
- gir det medfølgende selskapsregnskapet et rettvisende bilde av den finansielle stillingen til Lighthouse Shipholding AS per 31. desember 2016 og av selskapets resultater og kontantstrømmer for regnskapsåret som ble avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.
- gir det medfølgende konsernregnskapet et rettvisende bilde av den finansielle stillingen til konsernet Lighthouse Shipholding AS per 31. desember 2016 og av konsernets resultater og kontantstrømmer for regnskapsåret som ble avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av årsregnskapet. Vi er uavhengige av selskapet og konsernet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Øvrig informasjon

Ledelsen er ansvarlig for øvrig informasjon. Øvrig informasjon består av årsberetningen, men inkluderer ikke årsregnskapet og revisjonsberetningen.

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Vår uttalelse om revisjonen av årsregnskapet dekker ikke øvrig informasjon, og vi attesterer ikke den øvrige informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese øvrig informasjon med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom øvrig informasjon og årsregnskapet, kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon.

Dersom vi konkluderer med at den øvrige informasjonen inneholder vesentlig feilinformasjon er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

Styrets og daglig leders ansvar for årsregnskapet

Styret og daglig leder (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettvisende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik intern kontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil.

Ved utarbeidelsen av årsregnskapet er ledelsen ansvarlig for å ta standpunkt til selskapets og konsernets evne til fortsatt drift, og på tilbørlig måte å opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avviklet.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål med revisjonen er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og anslår vi risikoen for vesentlig feilinformasjon i regnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av intern kontroll.

- opparbeider vi oss en forståelse av den interne kontroll som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets og konsernets interne kontroll.

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- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.

- konkluderer vi på hensiktsmessigheten av ledelsens bruk av fortsatt drift-forutsetningen ved avleggelsen av regnskapet, basert på innhentede revisjonsbevis, og hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets og konsernets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i regnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifiserer vår konklusjon om årsregnskapet og årsberetningen. Våre konklusjoner er basert på revisjonsbevis innhentet inntil datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet og konsernet ikke fortsetter driften.

- evaluerer vi den samlede presentasjonen, strukturen og innholdet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet representerer de underliggende transaksjonene og hendelsene på en måte som gir et rettvisende bilde.

- innhenter vi tilstrekkelig og hensiktsmessig revisjonsbevis vedrørende den finansielle informasjonen til enhetene eller forretningsområdene i konsernet for å kunne gi uttrykk for en mening om det konsoliderte regnskapet. Vi er ansvarlige for å lede, følge opp og gjennomføre konsernrevisjonen. Vi alene er ansvarlige for vår revisjonskonklusjon.

Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen og til hvilken tid revisjonsarbeidet skal utføres. Vi utveksler også informasjon om forhold av betydning som vi har avdekket i løpet av revisjonen, herunder om eventuelle svakheter av betydning i den interne kontrollen.

Uttalelse om øvrige lovmessige krav

Konklusjon om årsberetningen

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet og forutsetningen om fortsatt drift er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets og konsernets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

pwc

Egersund 12. juni 2017
PricewaterhouseCoopers AS

Per Trygve Årstad
Statsautorisert revisor

Lighthouse Shipholding II AS
(organisational number 917 593 019)
Annual report for 2016

Business of the company

Lighthouse Shipholding II AS was founded on 5 August 2016. The objective of the company is to conduct shipping business and connected activities, including through participation in other companies. A subsidiary of the company took in November 2016 delivery of one 50,000 dwt bulk carrier built in 2006 and the company signed in December 2016 a Memorandum of Agreement to purchase a sister vessel with delivery in 2017. The ship delivered has been employed in the market for trip timecharters. Technical management and manning is outsourced to Sunship Schiffahrtskontor KG.

The company is conducting its business from its premises in Nedre Bekkegate 1 in Eigersund municipal in Norway.

Profit and loss statement and balance sheet

In 2016, the company had a deficit of USD 20,426. The deficit is proposed to be covered from the Share premium. The annual accounts for 2016 are premised on the going concern assumption, and the board of directors confirms that such assumption is appropriate, cf. the Norwegian Accounting Act section 4-5.

In 2016, the group on consolidated basis had a deficit of USD 259,236. The difference between Operating profit and Net cash flow from operations is mainly caused by a change in provisions.

Risk assessment

The dry bulk shipping market was in 2016 very soft with recovery expected only from 2018. The group is fully exposed to this market with its vessels operated on short charterparties. The group has however good access to capital expected sufficient to cover all liabilities. With no concentration of debtors, the credit risk is manageable.

All the group income is nominated in USD, so are most of the voyage and operating expenses. The currency risk for the group is accordingly very limited.

The holding company has no external debtors, and credit risk is accordingly very low. Most of costs are nominated in USD and so is the service fee invoiced to the subsidiaries for administration services. The currency risk is accordingly very limited.

Working environment

As per 31 December 2016 the company has no employees. There are no plans to increase the staff, and accordingly the Board of Directors has not considered it necessary to carry out specific measures yet with regards to the working environment and equal opportunities.

There are no employees in the ship owning subsidiaries

Environment
Operating on marine fuels there are emissions to the air, however additional investments are planned to reduce fuel consumption and emissions. The Board of Directors emphasizes that the company shall operate its business in accordance with applicable national and international regulations.

Research and development
The company and group have not conducted research and development activities in 2016.

29 June 2017

The Board of Directors in Lighthouse Shipholding II AS

Peter Frølich Chairman of the board	Jan Erik Sivertsen Director	Frode Teigen Director
Frode Bjørklund CEO		

Lighthouse Shipholding II AS

ALL NUMBERS IN USD

INCOME STATEMENT 05.08-31.12

PARENT 2016	Note		Note	GROUP 2016
		Operating income and operating expenses		
6 667		Revenue		277 120
6 667		**Operating Income**		**277 120**
0		Depreciation and amortisation expense	**2**	30 773
32 760	**7,10**	Other operating expenses	**7,10**	467 773
32 760		**Operating expenses**		**498 546**
-26 093		**Operating profit**		**-221 426**
		Financial income and expenses		
0		Other interest income		20
43 789	**10**	Interest income from group companies		0
151		Other financial income		608
1 160		Other financial expenses		1 325
42 780		**Net financial income and expenses**		**-697**
16 687		**Operating result before tax**		**-222 123**
37 113	**6**	Tax cost	**6**	37 113
-20 426		**Operating result after tax**		**-259 236**
		Brought forward		
-20 426		From share premium		
-20 426	**4**	**Total brought forward**		

Lighthouse Shipholding II AS

ALL NUMBERS IN USD

BALANCE SHEET 31.12.

PARENT 2016	Note	ASSETS	Note	GROUP 2016
		Fixed assets		
		Tangible fixed assets		
0		Ships	**2**	4 292 234
0		**Total tangible fixed assets**		**4 292 234**
		Financial fixed assets		
8 000	**5**	Investments in subsidiaries		0
3 780 000	**9,11**	Loans to group companies		0
3 788 000		**Total financial fixed assets**		**0**
3 788 000		**Total fixed assets**		**4 292 234**
		Current assets		
8 334		Accounts receivables		8 334
1 444 406	**9**	Group receivables		0
3 247		Other receivables		713 701
1 455 987		**Total debtors**		**722 035**
268 981	**8**	Cash and bank deposits	**8**	448 051
1 724 968		**Total current assets**		**1 170 086**
5 512 968		**Total assets**		**5 462 320**

ALL NUMBERS IN USD

Lighthouse Shipholding II AS

BALANCE SHEET 05.08-31.12

PARENT 2016	Note	EQUITY AND LIABILITIES	Note	GROUP 2016
		Restricted equity		
5 000 000	3	Share capital	3	5 000 000
475 574		Share premium		475 574
5 475 574		**Total restricted equity**		**5 475 574**
0		Other equity		0
0		Loss brought forward		-237 911
0		**Total retained earnings**		**-237 911**
5 475 574	4	**Total equity**	4	**5 237 663**
		Liabilities		
		Non-current liabilities		
37 113	6	Deferred tax	6	37 113
37 113		**Total non-current liabilities**		**37 113**
		Current liabilities		
280		Trade creditors		170 643
0		Tax payable		0
0		Other short term liabilities		16 900
280		**Total current liabilities**		**187 543**
37 393		**Total liabilities**		**224 656**
5 512 968		**Total equity and liabilities**		**5 462 320**

Egersund 29.06.2017

Jan Erik Sivertsen
Styremedlem

Peter Frølich
Styrets leder

Frode Teigen
Styremedlem

Frode Bjørklund
Daglig leder

Lighthouse Shipholding II AS

ALL NUMBERS IN USD

CASH FLOW STATEMENT 01.01-31.12.

PARENT 2016	Note		Note	GROUP 2016
		Cash flow from operations		
16 687		Profit before income taxes		-222 123
0		Depreciation		30 773
-8 334		Change in trade debtors		-8 334
280		Change in trade creditors		170 643
-3 245		Change in other provisions		-695 901
5 388		**Net cash flow from operations**		**-724 942**
		Cash flow from investments		
0		Proceeds from sale of fixed assets		0
0		Purchase of fixed assets		-4 323 007
-8 000		Purchase of shares and investments in other companies		0
-1 444 406		Short term loans to group companies		0
-3 780 000		Long term loans to group companies		0
-5 232 406		**Net cash flow from investments**		**-4 323 007**
		Cash flow from financing		
0		Proceeds from long term loans		0
0		**Net cash flow from financing**		**0**
		Exchange gains / (losses) on cash and cash equivalents		
-5 227 018		Net change in cash and cash equivalents		-5 047 949
5 496 000		Cash and cash equivalents at the beginning of the period		5 496 000
268 981		**Cash and cash equivalents at the end of the period**		**448 051**

Note 2 Fixed assets

Group

Fixed assets	Ships	Total fixed assets
Purchase cost pr. 05.08.2016	0	0
Additions	4 323 007	4 323 007
Disposals	0	0
Purchase cost pr. 31.12.2016	4 323 007	4 323 007
Accumulated depreciation 31.12.2016	-30 773	-30 773
Net book value 31.12.2016	**4 292 234**	**4 292 234**
Depreciation in the year	30 773	**30 773**

Note 3 Share capital and shareholder information

The share capital of USD 5.000.000 consists of 500.000 shares with nominal value of USD 10 each.

List of shareholders 31.12.2016	Number of shares	Ownership
Kontrari AS*	162 500	32,5 %
Kontrazi AS*	162 500	32,5 %
Lighthouse Navigation Pte. Ltd.**	175 000	35,0 %
Total	**500 000**	**100,0 %**

* Represented by Frode Teigen and Jan Erik Sivertsen in the board.
** Represented by Peter Frølich in the board in the board.

Note 4 Equity

Parent

	Share capital	Share premium	Other Equity	Total
Equity 05.08.2016	5 000 000	496 000	0	**5 496 000**
Profit for the year	0	-20 426	0	**-20 426**
Equity 31.12.2016	**5 000 000**	**475 574**	**0**	**5 475 574**

Group

	Share capital	Share premium	Uncovered loss	Total
Equity 05.08.2016	5 000 000	496 000	0	**5 496 000**
Profit for the year	0	-20 426	-238 810	**-259 236**
Other changes	0	0	899	**899**
Equity 31.12.2016	**5 000 000**	**475 574**	**-237 911**	**5 237 663**

Note 5 Subsidiaries

Parent

Investments in subsidiaries are booked according to the cost method.

Subsidiaries	Location	Ownership/ voting right	Equity 2016	Result 2016	Balance sheet value
LHS6 - Eastern Light AS	Egersund	100 %	-234 385	-238 828	4 000
LHS7 - Pacific Light AS	Egersund	100 %	4 474	19	4 000
Balance sheet value 31.12.2016					**8 000**

Note 6 Taxes

Parent/Group

Tax expense:	**2016**
Payable tax	0
Change in deferred tax	38 089
Exchange rate difference - conversion USD to NOK	-977
Tax expense	**37 113**

Payable tax in the balance-sheet:	**2016**
Payable tax on this year's result	0
Adjustments in respect to priors	0
Total payable tax in the balance-sheet	**0**

	2016	
Basis for income tax expense, changes in deferred tax and tax payable	**Parent**	**Group**
Result before taxes	16 687	16 706
Exchange rate difference - conversion USD to NOK*	140 331	140 448
Permanent differences	-2 381	-4 167
Basis for the tax expense for the year	**154 637**	**152 987**
Change in temporary differences**	-190 096	-190 096
Basis for payable taxes	**-35 459**	**-37 110**
Calculated payable tax (25%)	**0**	**0**

	2016	
Temporary differences 2016	**Parent**	**Group**
Exhange rate difference long term receivables	190 096	190 096
Net temporary differences	**190 096**	**190 096**
Tax losses carried forward	-35 460	-37 110
Basis for deferred tax	**154 636**	**152 986**
Calculated deferred tax (24%)	37 113	36 717
Deferred tax recognised in balance sheet	**37 113**	**37 113**

Note 7 Payroll expenses, number of employees, remunerations, loans to employees, etc.

Parent/Group

The company (both parent and group) has no employees and are not required to implement any pension schemes according to the Norwegian Mandatory Occupational Pension Scheme Act.

The company's general manager is employed and remunerated by the associated company, Lighthouse Shipholding AS.

Remuneration to executives	**General manager**	**Board**
Salaries/board fee	0	0
Pension expenses	0	0
Other remuneration	0	0

No loans/secureties have been granted to the general manager, Board chairman or other related parties.

Expensed audit fee	**Parent 2016**	**Group 2016**
Statutory audit (incl. technical assistance with financial statements)	1 769	3 538
Other assistance (to be specified)	0	0
Total audit fees	**1 769**	**3 538**

VAT is not included in the audit fee.

Note 8 Restricted bank deposits

Parent/Group

	2016
Withheld employee taxes	0

Note 9 Related parties balances

Parent

Short term receivables	**2016**
LHS6 - Eastern Light AS	944 406
LHS7 - Pacific Light AS	500 000
Total	**1 444 406**

Long term receivables	**2016**
LHS6 - Eastern Light AS*	3 780 000
Total	**3 780 000**

Note 10 Related-party transactions

Remuneration to executives is disclosed in note 7, and balance with group companies is disclosed in note 9.

Parent

Company	Relationship	Country	Description	2016
LHS6 - Eastern Light AS	Subsidiary	Norway	Interest income	43 789
Total				**43 789**

Group

Company	Relationship	Country	Description	2016
Kontrari AS	Shareholder	Norway	Service fee cost	13 333
Total				**13 333**

Note 11 Debtors and liabilities

Debtors which fall due later than one year	**Group 2016**
Other long term debtors	1 890 000
Total	**1 890 000**

The compbany (both parent and group) has no long term liabilities which fall due later than 5 years
DnB has provided a payment guarantee in favour of the crew of the Eastern Light of NOK 500.000.

To the General Meeting of Lighthouse Shipholding II AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lighthouse Shipholding II AS showing a loss of USD 20 426 in the financial statements of the parent company and loss of USD 259 236 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, and 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 financial statements of the group, which comprise the balance sheet as at 31 December 2016, and 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.

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 parent company as at 31 December 2016, 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 financial statements give a true and fair view of the financial position of the group as at 31 December 2016, 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.

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.

Other information

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T: 02316, org.no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include 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 in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, 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 use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

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 International Standards on Auditing (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.

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- 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.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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

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 concerning the financial statements, the going concern assumption 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.

Egersund, 29 June 2017
PricewaterhouseCoopers AS

Per Trygve Årstad
State Authorised Public Accountant

Lighthouse Shipholding II AS

ALL NUMBERS IN USD

INCOME STATEMENT 01.01-31.12 (05.08-31.12)

PARENT 2016	PARENT 2017	Note		Note	GROUP 2017	GROUP 2016
			Operating income and operating expenses			
6 667	40 000	1	Revenue		7 949 268	277 120
6 667	**40 000**		**Operating Income**		**7 949 268**	**277 120**
0	0		Depreciation and amortisation expense	2	596 910	30 773
32 760	173 843	7,10	Other operating expenses	7,10	6 807 985	467 773
32 760	**173 843**		**Operating expenses**		**7 404 895**	**498 546**
-26 093	**-133 843**		**Operating profit**		**544 373**	**-221 426**
			Financial income and expenses			
0	0		Other interest income		57	20
43 789	590 479	10	Interest income from group companies		0	0
151	476		Other financial income		2 962	608
1 160	560		Other financial expenses		1 058	1 325
42 780	**590 390**		**Net financial income and expenses**		**1 956**	**-697**
16 687	**456 547**		**Operating result before tax**		**546 329**	**-222 123**
37 113	18 322	6	Tax cost	6	18 322	37 113
-20 426	**438 225**		**Operating result after tax**		**528 007**	**-259 236**
			Brought forward			
-20 426	0		From share premium			
0	438 225		To other equity			
-20 426	**438 225**	4	**Total brought forward**			

Lighthouse Shipholding II AS

ALL NUMBERS IN USD

BALANCE SHEET 31.12.

PARENT 2016	PARENT 2017	Note	ASSETS	Note	GROUP 2017	GROUP 2016
			Fixed assets			
			Tangible fixed assets			
0	0		Ships	2	10 426 514	4 292 234
0	**0**		**Total tangible fixed assets**		**10 426 514**	**4 292 234**
			Financial fixed assets			
8 000	2 408 000	5	Investments in subsidiaries		0	0
3 780 000	7 740 000	9,11	Loans to group companies		0	0
3 788 000	**10 148 000**		**Total financial fixed assets**		**0**	**0**
3 788 000	**10 148 000**		**Total fixed assets**		**10 426 514**	**4 292 234**
			Current assets			
8 334	0		Accounts receivables		548 892	8 334
1 444 406	2 334 711	9	Group receivables		0	0
3 247	2 010 289		Other receivables		2 506 158	713 701
1 455 987	**4 345 000**		**Total debtors**		**3 055 050**	**722 035**
268 981	1 029 509	8	Cash and bank deposits	8	2 472 347	448 051
1 724 968	**5 374 509**		**Total current assets**		**5 527 397**	**1 170 086**
5 512 968	**15 522 509**		**Total assets**		**15 953 911**	**5 462 320**

Lighthouse Shipholding II AS

ALL NUMBERS IN USD

BALANCE SHEET 31.12

PARENT				GROUP		
2016	2017	Note	EQUITY AND LIABILITIES	Note	2017	2016
			Restricted equity			
5 000 000	6 000 000	3	Share capital	3	6 000 000	5 000 000
475 574	4 975 574		Share premium		4 975 574	475 574
5 475 574	**10 975 574**		**Total restricted equity**		**10 975 574**	**5 475 574**
0	438 225		Other equity		290 094	0
0	0		Loss brought forward		0	-237 911
0	**438 225**		**Total retained earnings**		**290 094**	**-237 911**
5 475 574	**11 413 799**	4	**Total equity**	4	**11 265 668**	**5 237 663**
			Liabilities			
			Non-current liabilities			
37 113	0	6	Deferred tax	6	0	37 113
0	4 000 000	12	Other long term loans	12	4 000 000	0
37 113	**4 000 000**		**Total non-current liabilities**		**4 000 000**	**37 113**
			Current liabilities			
280	53 275		Trade creditors		309 356	170 643
0	55 435	6	Tax payable	6	55 435	0
0	0		Other short term liabilities		323 451	16 900
280	**108 710**		**Total current liabilities**		**688 242**	**187 543**
37 393	**4 108 710**		**Total liabilities**		**4 688 242**	**224 656**
5 512 968	**15 522 509**		**Total equity and liabilities**		**15 953 911**	**5 462 320**

Egersund 27.06.2018

Jan Erik Sivertsen
Styremedlem

Peter Frølich
Styrets leder

Frode Teigen
Styremedlem

Frode Bjørklund
Daglig leder

Lighthouse Shipholding II AS

ALL NUMBERS IN USD

CASH FLOW STATEMENT 01.01-31.12 (05.08-31.12)

PARENT				GROUP		
2016	**2017**	**Note**		**Note**	**2017**	**2016**
			Cash flow from operations			
16 687	456 547		Profit before income taxes		546 329	-222 123
0	0		Depreciation	**2**	596 910	30 773
-8 334	8 334		Change in trade debtors		-540 558	-8 334
280	52 995		Change in trade creditors		138 713	170 643
-3 245	-2 007 042		Change in other provisions		-1 485 908	-695 901
5 388	**-1 489 166**		**Net cash flow from operations**		**-744 514**	**-724 942**
			Cash flow from investments			
0	0		Purchase of fixed assets	**2**	-6 731 190	-4 323 007
-8 000	-2 400 000		Purchase of shares and investments in other companies		0	0
-1 444 406	-890 305		Short term loans to group companies	**9**	0	0
-3 780 000	-3 960 000		Long term loans to group companies		0	0
-5 232 406	**-7 250 305**		**Net cash flow from investments**		**-6 731 190**	**-4 323 007**
			Cash flow from financing			
0	5 500 000	**4**	Capital increase	**4**	5 500 000	0
0	4 000 000	**12**	Proceeds from long term loans	**12**	4 000 000	0
0	**9 500 000**		**Net cash flow from financing**		**9 500 000**	**0**
			Exchange gains / (losses) on cash and cash equivalents			
-5 227 018	760 529		Net change in cash and cash equivalents		2 024 296	-5 047 949
5 496 000	268 981		Cash and cash equivalents at the beginning of the period		448 051	5 496 000
268 981	**1 029 509**		**Cash and cash equivalents at the end of the period**		**2 472 347**	**448 051**

Note 2 Fixed assets

Group

Fixed assets	Ships	Total fixed assets
Purchase cost pr. 31.12.2016	4 323 007	4 323 007
Additions	6 731 190	6 731 190
Disposals	0	0
Purchase cost pr. 31.12.2017	11 054 197	11 054 197
Accumulated depreciation 31.12.2017	-627 683	-627 683
Net book value 31.12.2017	**10 426 514**	**10 426 514**
Depreciation in the year	596 910	**596 910**
Impairment in the year	0	**0**

Note 3 Share capital and shareholder information

The share capital of USD 6.000.000 consists of 500.000 shares with nominal value of USD 12 each.

List of shareholders 31.12.2017	Number of shares	Ownership
Kontrari AS*	162 500	32,5 %
Kontrazi AS*	162 500	32,5 %
Lighthouse Navigation Pte. Ltd.**	175 000	35,0 %
Total	**500 000**	**100,0 %**

* Represented by Frode Teigen and Jan Erik Sivertsen in the board.
** Represented by Peter Frølich in the board.

Note 4 Equity

Parent

	Share capital	Share premium	Other Equity	Total
Equity 31.12.2016	5 000 000	475 574	0	**5 475 574**
Capital Increase	1 000 000	4 500 000	0	**5 500 000**
Profit for the year	0	0	438 225	**438 225**
Equity 31.12.2017	**6 000 000**	**4 975 574**	**438 225**	**11 413 799**

Group

	Share capital	Share premium	Uncovered loss	Other Equity	Total
Equity 31.12.2016	5 000 000	475 574	-237 911	0	**5 237 663**
Capital Increase	1 000 000	4 500 000	0	0	**5 500 000**
Profit for the year	0	0	237 911	290 094	**528 007**
Other changes	0	0	0	0	**0**
Equity 31.12.2017	**6 000 000**	**4 975 574**	**0**	**290 094**	**11 265 668**

Note 5 Subsidiaries

Parent

Investments in subsidiaries are booked according to the cost method.

Subsidiaries	Location	Ownership/ voting right	Acquisition Cost	Equity 2017	Result 2017	Balance sheet value
LHS6 - Eastern Light AS	Egersund	100 %	1 204 000	1 300 715	335 100	1 204 000
LHS7 - Pacific Light AS	Egersund	100 %	1 204 000	959 154	-245 319	1 204 000
Balance sheet value 31.12.2017						**2 408 000**

Note 6 Taxes

Parent/Group

Tax expense:	**2017**	**2016**
Payable tax	55 435	0
Change in deferred tax	-38 990	38 089
Exchange rate difference - conversion USD to NOK	1 877	-977
Tax expense	**18 322**	**37 113**

Payable tax in the balance-sheet:	**2017**	**2016**
Payable tax on this year's result	55 435	0
Adjustments in respect to priors	0	0
Total payable tax in the balance-sheet	**55 435**	**0**

The company will try to enter the Norwegian shipping tax regulations with effect from 01.01.17, and the tax calculation is prepared in accordance to this. However, there is uncertainty regarding the legal permission to enter this tax regulation. If the company will be assessed to not qualify for the Norwegian shipping tax systems they will be subject for ordinary tax rules.
The company has also prepared a tax calculation in accordance to ordinary tax rules, and the difference between the two calculations is assessed to not be material. In addition the subsidiary, LHS7 - Pacific Light AS, are trying to enter the Norwegian shipping tax regulation from 01.01.17. For the subsidiary, there will not be any effect in tax expense whether or not they qualify for the Norwegian shipping tax systems.

Note 7 Payroll expenses, number of employees, remunerations, loans to employees, etc.

Parent/Group

The company (both parent and group) has no employees and are not required to implement any pension schemes according to the Norwegian Mandatory Occupational Pension Scheme Act.

The company's general manager is employed and remunerated by the associated company, Lighthouse Shipholding AS.

Remuneration to executives	**General manager**	**Board**
Salaries/board fee	0	0
Pension expenses	0	0
Other remuneration	0	0

No loans/secureties have been granted to the general manager, Board chairman or other related parties.

Expensed audit fee	**Parent 2017**	**Parent 2016**	**Group 2017**	**Group 2016**
Statutory audit (incl. technical assistance)	6 656	1 769	10 408	3 538
Other assistance (to be specified)	3 812	0	9 500	0
Total audit fees	**10 468**	**1 769**	**19 908**	**3 538**

VAT is not included in the audit fee.

Note 8 Restricted bank deposits

Parent/Group

	2017	**2016**
Withheld employee taxes	0	0

Note 9 Related parties balances

Parent

Short term receivables	**2017**	**2016**
LHS6 - Eastern Light AS	1 201 588	944 406
LHS7 - Pacific Light AS	1 133 123	500 000
Total	**2 334 711**	**1 444 406**

Long term receivables	**2017**	**2016**
LHS6 - Eastern Light AS	3 780 000	3 780 000
LHS7 - Pacific Light AS	3 960 000	0
Total	**7 740 000**	**3 780 000**

Note 10 Related-party transactions

Remuneration to executives is disclosed in note 7, and balance with group companies is disclosed in note 9.

Parent

Company	Relationship	Country	Description	2017	2016
LHS6 - Eastern Light AS	Subsidiary	Norway	Interest income	316 354	43 789
LHS7 - Pacific Light AS	Subsidiary	Norway	Interest income	274 091	0
Total				**590 445**	**43 789**

Group

Company	Relationship	Country	Description	2017	2016
Kontrari AS	Shareholder	Norway	Service fee cost	40 000	13 333
Total				**40 000**	**13 333**

Note 11 Debtors and liabilities

Debtors which fall due later than one year	**Group**	
	2017	**2016**
Other long term debtors	3 780 000	1 890 000
Total	**3 780 000**	**1 890 000**

The compbany (both parent and group) has no long term liabilities which fall due later than 5 years

Note 12 Related parties balances

Parent

	Long term debt	
	2017	**2016**
Shareholders	4 000 000	0
Total	**4 000 000**	**0**

Lighthouse Shipholding II AS has entered into three long term loan agreements with its shareholders; Kontrazi AS, Lighthouse Navigation P.T.E Ltd, KontrariAS;

Loan agreement of 1.300.000 USD December 15th 2017
Loan agreement of 1.300.000 USD December 15th 2017
Loan agreement of 1.400.000 USD December 15th 2017

An agreement of duration or fixed part payments is not set. The loans are not carrying any interest.

pwc

To the General Meeting of Lighthouse Shipholding II AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lighthouse Shipholding II AS showing a profit of USD 438 225 in the financial statements of the parent company and profit of USD 528 007 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and 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 financial statements of the group, which comprise the balance sheet as at 31 December 2017, and 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.

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 parent company as at 31 December 2017, 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 financial statements give a true and fair view of the financial position of the group as at 31 December 2017, 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.

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.

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 in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, 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 use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

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 and the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company or 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 or 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.

Report on Other Legal and Regulatory Requirements

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 and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Egersund, 27 June 2018
PricewaterhouseCoopers AS

Per Trygve Årstad
State Authorised Public Accountant

Lighthouse Shipholding AS
(organisational number 911 703 033)
Annual report for 2017

Business of the company

Lighthouse Shipholding AS was founded on 6 March 2013. The objective of the company is to conduct shipping business and connected activities, including through participation in other companies. The company took during 2015 and 2016 delivery of five 64,000 dwt bulk carriers from Jiangsu Hantong Ship Heavy Industry. The vessels have mainly been employed in the market for trip timecharters. Technical management and manning is outsourced to Fleet Ship Management Ltd.

After transferring the ships to fully owned special purpose companies, Lighthouse Shipholding AS is a pure holding company providing funding and administration services to its subsidiaries. The company is conducting its business from its premises in Nedre Bekkegate 1 in Eigersund municipal in Norway.

Profit and loss statement and balance sheet

In 2017 the company had a profit of USD 12,302,874. The profit is proposed to be allocated against Loss brought forward.

With reference to Norwegian Companies Act section 3-4 and 3-5, the Board of Directors finds the capitalization of the company satisfactory. The shareholders have on pro-rata basis provided a fully subordinated and interest free loan of USD 35,575,000. This subordinated loan is added to equity when calculating the consolidated book equity ratio required by the group's senior lenders. The company has accordingly a book equity ratio close to 100% and a consolidated book equity ratio of 45%.

The annual accounts for 2017 are premised on the going concern assumption, and the Board of Directors confirms that such assumption is appropriate, cf. the Norwegian Accounting Act section 4-5.

In 2017 the group on consolidated basis had a profit of USD 11,536,584. The difference between Operating profit and Net cash flow from operations is mainly caused by depreciation and impairment of fixed assets.

Risk assessment

The dry bulk shipping market was in recovery in 2017 where the Baltic index for handysize ships improved about 46% and for supramaxes 52%. The group is fully exposed to this market with its vessels operated on short charterparties and has good access to capital expected sufficient to cover all liabilities. With no concentration of debtors, the credit risk is manageable. All the group income is nominated in USD, so is debt service and most of the voyage and operating expenses. The currency risk for the group is accordingly very limited.

The holding company has no external debtors, and credit risk is accordingly very low. Most of costs are nominated in NOK whilst service fee invoiced to the subsidiaries for administration services is nominated in USD. If any shortfall the fees will be adjusted accordingly, and the currency risk is accordingly very limited.

In 2016 the company completed its newbuilding program and now focuses on operating the total fleet of five vessels.

Working environment
As per 31 December 2017 the company has still one employee only. There are no plans to increase the staff, and accordingly the Board of Directors has not considered it necessary to carry out specific measures yet with regards to the working environment and equal opportunities.

There are no employees in the ship owning subsidiaries.

Environment
The group's ships are new and energy efficient, however operating on marine fuels there are emissions to the air. Additional investments are made to reduce fuel consumption and emissions. The ships are equipped with ballast water treatment systems preventing the transfer of marine species. The Board of Directors emphasizes that the company and the group shall operate its business in accordance with applicable national and international regulations.

Research and development
The company and group have not conducted research and development activities in 2017.

30 June 2018

The Board of Directors in Lighthouse Shipholding AS

Peter Frølich Chairman of the board	Jan Erik Sivertsen Director	Frode Teigen Director
Anders Sødergren Director	Kai Einhauser Director	Frode Bjørklund CEO

Lighthouse Shipholding AS

ALL NUMBERS IN USD

INCOME STATEMENT 01.01-31.12

PARENT 2016	PARENT 2017	Note		Note	GROUP 2017	GROUP 2016
			Operating income and operating expenses			
233 333	252 976		Revenue		21 049 658	11 155 229
233 333	**252 976**		**Operating Income**		**21 049 658**	**11 155 229**
228 271	181 881	7	Payroll expenses	7	181 881	228 271
11 041	11 570	2	Depreciation and amortisation expense	2	4 726 149	4 624 877
0	0	2	Write down on tangible and intangible assets	2	-9 474 340	5 937 252
0	0		Loss on tangible and intangible assets		0	0
242 404	195 033	7,9	Other operating expenses	7,10	11 062 658	8 495 559
481 716	**388 484**		**Operating expenses**		**6 496 348**	**19 285 959**
-248 383	**-135 508**		**Operating profit**		**14 553 310**	**-8 130 730**
			Financial income and expenses			
0	0		Other interest income		207	132
1 365 651	507 931		Interest income from group companies		0	0
10 487	2 030		Other financial income		5 623	13 953
18 834 980	-12 000 000		Impairment of other financial fixed assets		0	0
0	0		Interest expense to other group companies		0	0
1 155	74		Other Interest expenses		2 949 069	2 564 404
43 019	7 593		Other financial expenses		9 575	57 714
-17 503 016	**12 502 294**		**Net financial income and expenses**		**-2 952 814**	**-2 608 033**
-17 751 399	**12 366 786**		**Operating result before tax**		**11 600 496**	**-10 738 763**
0	63 912	6	Tax cost	6	63 912	0
-17 751 399	**12 302 874**		**Operating result after tax**		**11 536 584**	**-10 738 763**
			Brought forward			
-2 282 000			From Share premium			
-15 469 399	-12 302 874		Loss brought forward			
-17 751 399	**-12 302 874**	4	**Total brought forward**			

Lighthouse Shipholding AS

ALL NUMBERS IN USD

BALANCE SHEET 31.12.

PARENT				GROUP		
2016	**2017**	**Note**	**ASSETS**	**Note**	**2017**	**2016**
			Fixed assets			
			Tangible fixed assets			
0	0	**11**	Ships	**11**	115 304 538	110 500 000
0	0	**11**	Ships under construction	**11**	0	0
35 940	24 370		Equipment and other movables		24 370	35 940
35 940	**24 370**	**2**	**Total tangible fixed assets**	**2**	**115 328 908**	**110 535 940**
			Financial fixed assets			
33 000 000	45 000 000	**5,11**	Investments in subsidiaries		0	0
12 322 251	10 530 036	**9**	Loans to group companies		0	0
45 322 251	**55 530 036**		**Total financial fixed assets**		**0**	**0**
45 358 191	**55 554 406**		**Total fixed assets**		**115 328 908**	**110 535 940**
			Current assets			
0	0		Inventories	**11**	0	0
0	0	**11**	Accounts receivables	**11**	261 036	310 639
7 529	7 788		Other receivables		1 559 255	1 792 228
7 529	**7 788**		**Total debtors**		**1 820 291**	**2 102 867**
5 168 876	2 337 777	**8**	Cash and bank deposits	**8**	5 642 724	8 267 287
5 176 405	**2 345 565**		**Total current assets**		**7 463 015**	**10 370 154**
50 534 596	**57 899 971**		**Total assets**		**122 791 923**	**120 906 094**

Lighthouse Shipholding AS

ALL NUMBERS IN USD

BALANCE SHEET 31.12.

PARENT				GROUP		
2016	2017	Note	EQUITY AND LIABILITIES	Note	2017	2016
			Restricted equity			
27 598 000	27 598 000	3	Share capital	3	27 598 000	27 598 000
0	0		Share premium		0	0
27 598 000	**27 598 000**		**Total restricted equity**		**27 598 000**	**27 598 000**
0	0		Other equity		0	0
-17 711 704	-5 408 829		Loss brought forward		-7 766 467	-19 303 050
-17 711 704	**-5 408 829**		**Total retained earnings**		**-7 766 467**	**-19 303 050**
9 886 296	**22 189 171**	4	**Total equity**	4	**19 831 533**	**8 294 950**
			Liabilities			
			Other long term liabilities			
0	0		Liabilities to financial institutions	11	66 000 000	71 000 000
40 574 994	35 574 994	9	Other long term loans	9	35 574 994	40 574 994
0	0	9	Liabilities to group companies	9	0	0
40 574 994	**35 574 994**		**Total of other long term liabilities**		**101 574 994**	**111 574 994**
			Current liabilities			
11 382	18 567		Trade creditors		172 758	172 106
0	63 912		Tax payable		63 912	0
42 384	32 872		Public duties payable		32 872	42 384
19 540	20 455		Other short term liabilities		1 115 854	821 660
73 306	**135 806**		**Total short term liabilities**		**1 385 396**	**1 036 150**
40 648 300	**35 710 800**		**Total liabilities**		**102 960 390**	**112 611 144**
50 534 596	**57 899 971**		**Total equity and liabilities**		**122 791 923**	**120 906 094**

Egersund 30.06.2018

Jan Erik Sivertsen Styremedlem	Peter Frølich Styrets leder	Frode Teigen Styremedlem
Anders Sødergren Styremedlem	Frode Bjørklund Daglig leder	Kai Einheuser Styremedlem

Lighthouse Shipholding AS

ALL NUMBERS IN USD

CASH FLOW STATEMENT 01.01-31.12.

PARENT 2016	PARENT 2017	Note		Note	GROUP 2017	GROUP 2016
			Cash flow from operations			
-17 751 399	12 366 786		Profit before income taxes		11 600 496	-10 738 763
-305 131	0		Paid tax		0	-305 131
11 041	11 570		Depreciation		4 726 149	4 624 877
0	0		Impairment of fixed assets		-9 474 340	5 937 252
18 834 980	-12 000 000		Impairment of financial assets		0	0
0	0		Change in inventory		0	223 485
0	0		Change in trade debtors		49 603	-310 360
-10 835	7 185		Change in trade creditors		652	13 017
31 058	-8 854		Change in other provisions		517 657	817 120
809 714	**376 687**		**Net cash flow from operations**		**7 420 217**	**261 497**
			Cash flow from investments			
-440 905	0		Cash effect of merger		0	0
0	0		Proceeds from sale of fixed assets		0	0
-3 523	0		Purchase of fixed assets		-44 778	-54 305 663
-51 800 000	0		Purchase of shares and investments in other companies		0	0
36 317 867	1 792 215		Long term loans to group companies		0	0
-15 926 561	**1 792 215**		**Net cash flow from investments**		**-44 778**	**-54 305 663**
			Cash flow from financing			
4 000 000	0		Capital increase		0	4 000 000
120 000	-5 000 000		Proceeds from long term loans		-10 000 000	39 620 000
4 120 000	**-5 000 000**		**Net cash flow from financing**		**-10 000 000**	**43 620 000**
			Exchange gains / (losses) on cash and cash equivalents			
-10 996 847	-2 831 098		Net change in cash and cash equivalents		-2 624 561	-10 424 166
16 165 724	5 168 876		Cash and cash equivalents at the beginning of the period		8 267 287	18 691 455
5 168 876	**2 337 777**		**Cash and cash equivalents at the end of the period**		**5 642 724**	**8 267 287**

Note 1 Accounting principles

The annual accounts have been prepared in compliance with the Accounting Act and accounting principles generally accepted in Norway.

Investments in other companies

The cost method is applied to investments in other companies. The cost price is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are initially taken to income. Dividends exceeding the portion of retained equity after the purchase are reflected as a reduction in purchase cost. Dividend/group contribution from subsidiaries are reflected in the same year as the subsidiary makes a provision for the amount. Dividend from other companies are reflected as financial income when it has been approved.

Merger

Lighthouse Shipholding AS was the acquiring company in a merger in 2016. Lighthouse Shipholding AS owned 100% of the shares in LHS6 - Pacific Light AS 01.01.2016. In terms of accounting, the merger was effective from and including 01.01.2016. At this point, LHS 6 - Pacific Light AS was a wholly owned subsidiary of Lighthouse Shipholding AS and the merger was performed based on the concept of consistency with no compensation. As a general rule, a merger in itself does not qualify for a revision of the basis of comparison. Hence, the prior year result and balance-sheet figures including also the cash flow statement are Lighthouse Shipholding AS' figures for the prior year.

Consolidation

The consolidated financial statements include all subsidiaries. Subsidiaries are all units over which the group has control. Control over a unit arises when the group experiences variation in the return from the unit and has the ability to influence this return because of its power over the unit. Subsidiaries are consolidated from the day control arises and deconsolidated when control ceases.
The following fully owned subsidiaries of Lighthouse Shipholding AS are included in the consolidated accounts 31.12.17:
LHS1 - Northern Light AS
LHS2 - Southern Light AS
LHS3 - Indian Light AS
LHS4 - Baltic Light AS
LHS5 - Atlantic Light AS

The acquisition method is used for acquisitions of business. The remuneration paid is measured at the fair value of the assets transferred, liabilities assumed and equity instruments issued. The fair value of all assets or liabilities according to the agreement on conditional consideration are also included in the remuneration. Identifiable assets, liabilities and contingent liabilities are recognized at their fair value on the acquisition date.

Intra-group transactions, intra-company balances and unrealized profit between group companies are eliminated. Unrealized losses are also eliminated

Revenues

Income from sale of goods and services are recognised at fair value of the consideration, net after deduction of VAT, returns, discounts and reductions. Sales are taken to income when the company has delivered its products to the customer and there are no unsatisfied commitments which may influence the customer's acceptance of the product. Services are recognised in proportion to the work performed.

Classification of balance sheet items

Assets intended for long term ownership or use have been classified as fixed assets. Assets relating to the trading cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities. First year's instalment on long term liabilities and long term receivables are, however, not classified as short term liabilities and current assets.

Purchase costs
The purchase cost of assets includes the cost price for the asset, adjusted for bonuses, discounts and other rebates received, and purchase costs (freight, customs fees, public fees which are non-refundable and any other direct purchase costs). Purchases in foreign currencies are reflected in the balance sheet at the exchange rate at the transaction date.

For fixed assets and intangible assets purchase cost also includes direct expenses to prepare the asset for use, such as expenses for testing of the asset.

Interest expense incurred in connection with the production of fixed assets is recognised in the balance sheet.

Fixed assets
Land is not depreciated. Other fixed assets are reflected in the balance sheet and depreciated to residual value over the asset's expected useful life on a straight-line basis. If changes in the depreciation plan occur the effect is distributed over the remaining depreciation period. Direct maintenance of an asset is expensed under operating expenses as and when it is incurred. Additions or improvements are added to the asset's cost price and depreciated together with the asset. The split between maintenance and additions/improvements is calculated in proportion to the asset's condition at the acquisition date.

Asset impairments
Impairment tests are carried out if there is indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent cashflows can be identified. If the carrying amount is higher than both the fair value less cost to sell and recoverable amount (net present value of future use/ownership), the asset is written down to the highest of fair value less cost to sell and the recoverable amount.
Previous impairment charges, except writedown of goodwill, are reversed in later periods if the conditions causing the write-down are no longer present.

Debtors
Trade debtors are recognised in the balance sheet after provision for bad debts. The bad debts provision is made on basis of an individual assessment of each debtor and an additional provision is made for other debtors to cover expected losses. Significant financial problems at the customers, the likelihood that the customer will become bankrupt or experience financial restructuring and postponements and insufficient payments, are considered indicators that the debtors should be written down.

Currency
The company's functional currency is USD. All figures are presented in this currency.

Inventories
Inventories are valued at the lower of purchase cost (according to the FIFO principle) and fair value. Recoverable amount has been used as approximation to net realisable value for raw mateials and work in progress. Fair value is estimated sales costs less expenses for completion and sale.

Foreign currencies
Assets and liabilities in foreign currencies are valued at the exchange rate on the balance sheet date. Exchange gains and losses relating to sales and purchases in foreign currencies are recognised as operating income and cost of goods sold.

Liabilities
Liabilities, with the exception of certain liability provisions, are recognised in the balance sheet at nominal amount.

Taxes

The company is subject to the Norwegian shipping corporate taxation. According to this legislation, net income from the shipping operation is not taxable. Instead, the company pays a tonnage tax which is based on the size of the ships. This tax is taken into the accounts as other operating expenses. Finance income is taxable by the regular income tax act; however only a portion of the finance expenses and foreign curency exchange rate gain/loss is deductable.

The tax charge is matched with the net pre-tax income. Tax related to equity transactions, such as group contribution, is booked against equity.

The tax charge in the income statement includes both payable taxes for the period and changes in defered taxes. The tax charge is split on ordinary net income and the effect of principle changes and corrections of incorrect tax basis. Deferred tax liabilities and deferred tax assets which may be shown in the balance-sheet, are presented net.

Cash flow statement
The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits, and other short term investments which immediately and with minimal exchange risk can be converted into known cash amounts, with due date less than three months from purchase date.

Note 2 Fixed assets

Parent

Fixed assets	Equipment and other movables	Total fixed assets
Purchase cost pr. 31.12.2016	57 846	57 846
Additions	0	0
Disposals	0	0
Purchase cost pr. 31.12.2017	57 846	57 846
Accumulated impairment 31.12.2017	0	0
Accumulated depreciation 31.12.2017	-33 476	-33 476
Net book value 31.12.2017	**24 370**	**24 370**
		0
Depreciation in the year	11 570	**11 570**
Impairment in the year	0	**0**

Group

Fixed assets	Ships	Equipment and other movables	Total fixed assets
Purchase cost pr. 31.12.2016	126 007 360	57 846	126 065 206
Transfers	0	0	0
Additions	44 778	0	44 778
Disposals	0	0	0
Purchase cost pr. 31.12.2017	126 052 138	57 846	126 109 984
Accumulated impairment 31.12.2017	-422 912	0	-422 912
Accumulated depreciation 31.12.2017	-10 324 688	-33 476	-10 358 164
Net book value 31.12.2017	**115 304 538**	**24 370**	**115 328 908**
			0
Depreciation in the year	4 714 579	11 570	**4 726 149**
Impairment in the year	-9 474 340	0	**-9 474 340**

Due to the prior years challenging conditions in the dry-bulk shipping marked, the company had accumulated write-downs of 9.987.252 USD as of 1.1.17. The management has performed an impairment test of all the ships included in the group as of 31.12.17. The calculated Value in Use vs.the Net Book Value of each ship resultet in a total reversal of impairment of 9.474.340 USD for the group in 2017. The Value in Use of the asset was calculated as the Net Present Value of the cash flows net of tax deriving from the utilization of the assets along their useful lives, discounted using a post-tax rate (WACC) of 9%.The impairment is reversed to the caclulated net booked amount of the ships as of 31.12.17 without write offs prior years.

Note 3 Share capital and shareholder information

The share capital of USD 27 598 000 consists of 148 000 shares with nominal value of USD 186,47 each.

List of shareholders 31.12.2017	Number of shares	Ownership
Kontrari AS*	74 000	50,0 %
Kontrazi AS*	40 700	27,5 %
Lighthouse Navigation Pte. Ltd.**	7 400	5,0 %
Nepa Shipholding BV.***	19 980	13,5 %
Ted van Wees	2 960	2,0 %
Hans Spliethof	2 960	2,0 %
Total	**148 000**	**100,0 %**

* Represented by Frode Teigen and Jan Erik Sivertsen in the board.

** Represented by Anders Sødergren in the board.

*** Represented by Kai Einheuser in the board.

Note 4 Equity

Parent

	Share capital	Share premium	Uncovered loss	Total
Equity 01.01.2017	27 598 000	0	-17 711 704	**9 886 296**
Profit for the year	0	0	12 302 874	12 302 874
Equity 31.12.2017	**27 598 000**	**0**	**-5 408 829**	**22 189 171**

Group

	Share capital	Share premium	Uncovered loss	Total
Equity 01.01.2017	27 598 000	0	-19 303 050	**8 294 950**
Profit for the year	0	0	11 536 584	11 536 584
Equity 31.12.2017	**27 598 000**	**0**	**-7 766 467**	**19 831 533**

Note 5 Subsidiaries

Parent

Investments in subsidiaries are booked according to the cost method.

Subsidiaries	**Location**	**Ownership/ voting right**	**Acquisition cost**	**Equity 2017**	**Profit/loss 2017**	**Balance sheet value**
LHS1 - Northern Light AS	Egersund	100 %	10 706 996	9 332 652	2 453 969	10 000 000
LHS2 - Southern Light AS	Egersund	100 %	10 906 996	8 630 544	1 948 623	9 000 000
LHS3 - Indian Light AS	Egersund	100 %	10 706 996	8 702 129	2 078 306	9 000 000
LHS4 - Baltic Light AS	Egersund	100 %	10 606 996	8 757 851	2 351 892	9 000 000
LHS5 - Atlantic Light AS	Egersund	100 %	8 906 996	7 219 186	2 400 920	8 000 000
Balance sheet value 31.12.2017						**45 000 000**

Note 6 Taxes

Parent/Group

Tax expense:	**2017**	**2016**
Payable tax	63 912	0
Change in deferred tax	0	0
Tax expense	**63 912**	**0**

Payable tax in the balance-sheet:	**2017**	**2016**
Payable tax on this year's result	63 912	0
Adjustments in respect to priors	0	0
Total payable tax in the balance-sheet	**63 912**	**0**

The company is subject to the Norwegian shipping company tax system.

Note 7 Payroll expenses, number of employees, remunerations, loans to employees, etc.

Parent/Group

Payroll expenses	2017	2016
Salaries/wages	147 337	162 147
Social security fees	6 293	45 620
Pension expenses	17 850	8 422
Other remuneration	10 401	12 082
Total	**181 881**	**228 271**

Number of employees in the accounting year:	1	1

The company's pensjon schemes meet the requirements of the Norwegian Mandatory Occupational Pension Scheme Act

Remuneration to executives	General manager	Board
Salaries/board fee	146 385	0
Pension expenses	17 818	0
Other remuneration	16 741	0

No loans/secureties have been granted to the general manager, Board chairman or other related parties.

Expensed audit fee	Parent		Group	
	2017	2016	2017	2016
Statutory audit (incl. technical assistance)	28 743	29 930	44 294	79 484
Other assistance (to be specified)	7 668	0	7 668	0
Total audit fees	**36 411**	**29 930**	**51 962**	**79 484**

VAT is not included in the audit fee.

Note 8 Restricted bank deposits

Parent/Group

	2017	2016
Withheld employee taxes	21 932	15 249

Note 9 Related parties balances

Parent

	Long term debt	
	2017	2016
Shareholders	35 574 994	40 574 994
Total	35 574 994	40 574 994

Lighthouse Shipholding AS has entered into three long term loan agreements with its shareholders; Kontrari AS, Kontrazi AS, Lighthouse Navigation P.T.E Ltd, Nepa Shipholding B.V., Hans Spethoff and Ted Van Wees;

Loan agreement of 10.825.000 USD May 26th 2014
Loan agreement of 17 750.000 USD April 1st 2015
Loan agreement of 12.000.000 USD December 1st 2015

An agreement of duration or fixed part payments is not set. The loans are not carrying any interest.

Company	Relationship	Country	Long term receivables 2017	2016
LHS1 - Northern Light AS	Subsidiary	Norway	1 492 198	2 500 903
LHS2 - Southern Light AS	Subsidiary	Norway	1 973 778	1 993 278
LHS3 - Indian Light AS	Subsidiary	Norway	1 782 687	2 191 845
LHS4 - Baltic Light AS	Subsidiary	Norway	1 604 582	2 134 520
LHS5 - Atlantic Light AS	Subsidiary	Norway	3 676 790	3 501 705
Total			10 530 035	12 322 251

Note 10 Related-party transactions

Remuneration to executives is disclosed in note 7, and balance with group companies is disclosed in note 9.

Parent

Company	Relationship	Country	Description	2017	2016
LHS1 - Northern Light AS	Subsidiary	Norway	Sale ship under construction	0	0
LHS2 - Southern Light AS	Subsidiary	Norway	Sale ship under construction	0	0
LHS3 - Indian Light AS	Subsidiary	Norway	Sale ship under construction	0	0
LHS4 - Baltic Light AS	Subsidiary	Norway	Sale ship under construction	0	0
LHS5 - Atlantic Light AS	Subsidiary	Norway	Sale ship under construction	0	0
Total				**0**	**0**

Lighthouse Shipholding AS transferred all six shipbuilding contracts to its subsidiaries on March 23rd 2015 along with the relating liabilities.

Company	Relationship	Country	Description	2017	2016
LHS1 - Northern Light AS	Subsidiary	Norway	Interest income	91 295	288 057
LHS2 - Southern Light AS	Subsidiary	Norway	Interest income	80 500	276 605
LHS3 - Indian Light AS	Subsidiary	Norway	Interest income	90 842	271 688
LHS4 - Baltic Light AS	Subsidiary	Norway	Interest income	70 062	262 934
LHS5 - Atlantic Light AS	Subsidiary	Norway	Interest income	175 085	266 065
Total				**507 784**	**1 365 349**

Group

Transaction description	Company	Relationship	2017	2016
Service fee cost	Kontrari AS	Owner	10 023	150 000

Note 11 Debtors and liabilities

Debtors which fall due later than one year	Parent/Group 2017	2016
Other long term debtors	0	0
Total	**0**	**0**

Long term liabilities which fall due later than 5 years

	Parent		Group	
	2017	2016	2017	2016
Liabilities to credit institution	0	0	41 000 000	46 000 000
Total	**0**	**0**	**41 000 000**	**46 000 000**

Liabilities secured by mortgage

	Parent		Group	
	2017	2016	2017	2016
Liabilities to financial institutions secured by mortgage	0	0	66 000 000	71 000 000
Total	**0**	**0**	**66 000 000**	**71 000 000**

	Parent		Group	
Balance sheet value of assets placed as security:	2017	2016	2017	2016
Investments in subsidiaries	45 000 000	33 000 000	0	0
Fixed assets	0	0	115 304 538	110 500 000
Inventory	0	0	0	0
Trade debtors	0	0	261 036	310 639
Total	**45 000 000**	**33 000 000**	**115 565 574**	**110 810 639**

The total group loan from DnB to Lighthouse Shipholding AS' subsidiaries amounts to 66.000.000 USD.
The guarantee liability of Lighthouse Shipholding AS for the loans in its subsidiaries is limited to 125.000.000 USD plus any interest.

To the General Meeting of Lighthouse Shipholding AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lighthouse Shipholding AS showing a profit of USD 12 302 874 in the financial statements of the parent company and profit of USD 11 536 584 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and 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 financial statements of the group, which comprise the balance sheet as at 31 December 2017, and 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.

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 parent company as at 31 December 2017, 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 financial statements give a true and fair view of the financial position of the group as at 31 December 2017, 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.

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.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include 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.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

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 in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, 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 use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

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 and the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company or 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 or 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.

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 concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit 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 and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 30 June 2018
PricewaterhouseCoopers AS

Per Trygve Årstad
State Authorised Public Accountant

APPENDIX E:

INTERIM FINANCIAL STATEMENTS FOR BELSHIPS FOR Q1 2019

REPORT 1ST QUARTER 2019

23 May 2019

www.belships.com

Lilleakerveien 4, P.O.Box 23, Lilleaker, N-0216 Oslo, Norway
Phone +47 22 52 76 00 | chartering@belships.no
Enterprise no: NO930776793MVA

HIGHLIGHTS

- A strong quarter on all fronts for Belships post-merger with the Lighthouse Group
- Operating income of USD 31.1 million (Q1 2018: USD 20.5 m)
- EBITDA of USD 10.1 m (USD 3.8 m)
- Net result of USD 2.5 m (USD 0.7 m)
- All ships operating normally – modern fleet – average age 6 years
- USD 27.9 million fixed charter backlog
- Efficient utilization and continued outperformance of spot market
- Net earnings per ship of USD 11 359 per day vs net BSI index of 7 634
- Lighthouse Navigation approx. net result USD 1.3 million - continues to generate positive net results in challenging markets.
- New loan facility and accordion for growth at attractive terms
- Low cash breakeven of ~USD 7 000 per day for remaining open days next 24 months
- Concluded 3 vessels acquisitions with consideration paid partly in shares in April
- Positive net cash effect and excess of 26.0 million new shares proposed issued for the three vessel acquisitions.
- Belships ASA contemplating a further equity issue and will conduct investor meetings

Vessel transactions

During April, Belships ASA announced the following acquisitions:

- M/V Viola, a 58,700 dwt bulk carrier owned by Wenaas Shipping AS, acquired at a purchase price of USD 13 million, with 50 per cent to be paid in cash and the remainder to be paid through the issuance of 8 060 650 new Belships shares to the seller at an agreed price of NOK 7.00 per share.
- M/V Sofie Victory, a 63 000 dwt bulk carrier owned by Sofie Victory AS, where Belships ASA will acquire 100 per cent of the shares in Sofie Victory AS at an agreed purchase price on an enterprise value basis of USD 24.15 million, to be adjusted for the actual transaction closing balance sheet items. The agreed transaction consideration includes the assumption of approx. USD 14 million of debt USD 2 million to be paid in cash, and the remaining purchase price to be settled by the issuance of new Belships shares at an agreed price of NOK 7.00 per share. The vessel has a long-term charter to ED&F Man Shipping Ltd for 24 months at USD 11 000 net per day.
- M/V Sephora, a 55 600 dwt bulk carrier owned by Prospero Maritime Ltd, for a purchase price of USD 12 million, of which 50 per cent will be paid in cash and the remainder will be settled through the issuance of 7 405 114 new Belships shares at an agreed price of NOK 7.00 per share.
- 60 per cent financing of the M/V VIOLA and M/V SEPHORA has been approved under the accordion tranche of the new loan facility, hence these three transactions are expected to be net cash positive of about USD 1.5 mill.

Fleet status

Net earnings per ship was recorded at USD 11 359 per day versus net BSI index of net 7 634 per day for the same period. This outperformance of the index is due to the optimized portfolio of period charter coverage and outsized spot earnings.
Of the spot trading ships in the fleet, net earnings of USD 9 587 per day shows a premium of ~25% to the BSI spot index was achieved.

The integration of Lighthouse Navigation into Belships ASA has shown a competitive advantage in the operation and chartering of the company's spot trading vessels.

M/V Belstar, M/V Belnor and M/V Belisland have continued the long-term contracts to Canpotex of Canada. The charter for M/V Belstar expires in June. M/V Belforest, M/V Belocean and M/V Belnippon are on time charter to Cargill.

In April the time charter for M/V Belnippon was extended to Cargill for 7-9 months at USD 10,900 net per day, and the time charter for M/V Belforest was also extended to Cargill for 11-13 months at USD 10,800 net per day.

In May, M/V Belsouth was fixed to Western Bulk Chartering for a period of 6-9 months which equates to USD 11,950 net per day for the remaining part of 2019. Together with the time charter to ED&F Man Shipping Ltd for M/V Sofie Victory, Belships ASA continues to build on the portfolio of reputable Charterers for the fleet.

Belships' charter coverage represents a future nominal gross hire of around USD 27.9 million.

The remaining ships are operated in the spot market by Belships' subsidiary Lighthouse Navigation in Bangkok. Lighthouse Navigation had on average 18 vessels on charter during Q1 2019, without taking into account the vessels owned by Belships ASA.

All ships have sailed without significant off-hire. The technical management for the ex-Lighthouse ships are in the process of being transferred to Belships Management (Singapore). Currently 6 ships are transferred and the remaining 3 ships will soon follow. Belships Management (Singapore) will soon have the technical management for 20 vessels, enhancing the earnings and contribute positively to the Group's EBITDA growth.

Newbuilding program
Belships' remaining newbuilding program with Imabari Shipbuilding in Japan consists of one 63 000 dwt eco-design Ultramax bulk carrier on a long-term T/C-in agreement incl. purchase option for delivery within first half 2020, hence no outstanding capital expenditure is due.

2020 Bunker differential hedge
As announced on May 10th, the Company has entered into agreement to hedge the price differential between compliant 0.5% sulphur fuel oil (VLSFO) and 3.5% sulphur fuel oil (HSFO), at USD 198 per ton for a quantity of 24,000 tons of bunkers with monthly settlements in 2020. The bunker price differential hedge reduces downside risks and represents an efficient alternative to costly installations of scrubbers, whilst retaining full utilization of the fleet and the flexibility to adjust the position as the market develops.

Financial and corporate matters
In March 2019 Belships secured a USD 140 million loan facility. The new loan is available in two tranches. An initial tranche of USD 110 replaces Belships' existing loan and strengthens the Groups working capital in addition to an accordion tranche of USD 30 mill for fleet expansion. The loan has a margin of 275 basis points with the first downpayment in Q3 2020. Under this new financial framework, the Group will be cash positive (after opex, overhead and debt service) at a day rate of approximately USD 7,000 for the remaining open ship days in the coming 24 months. The initial tranche is based on a loan-to-value ratio (LTV) of 55%, while the accordion tranche is based on an LTV of 60%.

As at 31 March the Group's cash totaled USD 34.7 million. The mortgage debt as per 31 March was USD 105.2 million, while net lease obligation was USD 66.8 million. In addition Belships has a long-term loan facility of SGD 2 million, secured by the lease agreement for our Singapore office. As at 31 March all loan covenants are met.

Hedging the Group's interest exposure on bank loan is considered on an ongoing basis. The hedging level of interest rate exposure is currently around 40%.

At the end of the Q1 2019, the book value per share amounted to NOK 6.20 (USD 0.72), while the equity ratio was 39.7 %.

With effect from 1 January 2019, Belships adopted IFRS 16 Leases. The new standard is following the modified retrospective approach, and does not require any restatement of comparative information. Lease liability reflecting future lease payments, right of use asset and interest expense on the lease liability are recognized and the right of use asset is depreciated. Straight-lining of deprecation and interest charges on the lease liability will result in a higher total charge to profit or loss in the initial periods, due to the unwinding of interest on the lease liability.

Market highlights
The dry bulk market was under pressure during Q1 with the BSI-58 index averaging USD 7 634 per day (net) for the quarter as a whole, down 33% from Q1 2018. After bottoming in early February, however, spot rates have slowly improved and more so on the activity in period time charters.

The market was severely affected by the tragic tailings dam breach in Brazil, which contributed to a reduction in seaborne iron ore trade Q1 (y/y), flat coal volumes, and weak grain volumes. Iron ore constitutes a relatively minor share of supramax volumes, hence the Supramax/Ultramax segment again performed better than the largest sized vessels during a downturn. Global steel production, however, increased by 3.1% y/y, indicating that the shortfall in seaborne trade to a large extent has been compensated through destocking, which would indicate that the effect could be temporary, and should lead to a future positive demand reaction driven by restocking. The growth in transportation of minor bulks evidenced last year has continued into 2019.

Despite soft markets, scrapping has been limited in the supra- and ultramax segment. Fleet growth year to date has been around 0.9% with 1.6 million dwt delivered, of which 0.3 million dwt delivered after quarter end. Only 6 vessels has been ordered during the quarter, supporting a continued historical low orderbook. Asset values for Supramax/Ultramax bulk carriers was slightly lower during the period but have recently stabilized. Fearnleys currently estimate the value of a 5 years old ultramax at USD 22m compared to USD 24m by the end of 2018.

General optimism is set for the remaining part of 2019, in addition to next year. This is due to the relatively low supply of new ships coupled with preparations for IMO 2020, and an expectation for increased slow steaming as a result thereof, potentially reducing the supply side further.

Outlook
The Company will soon control a fleet of 19 dry bulk carriers and aims to enhance its earnings potential with a combination of charter backlog and spot exposure.

Belships' strategy going forward is to grow accretively as a fully integrated shipowner and operator of geared bulk carriers. Through the three recent vessel acquisitions, where sellers have agreed to receive partial consideration in shares, Belships has demonstrated its ability to deliver on this strategy.

Belships expects that further “ships for shares” transactions may be available, and intends to pursue such transactions where accretive, but anticipates that growth may also be achieved through cash acquisitions of vessels and long-term vessel charters.

Following the three vessel acquisitions already announced and the associated proposed issuance of approximately 26 million shares, the company has increased the free float in the Belships share, as well as broadened the shareholder base. It is Belships’ intention to make further steps to broaden shareholder base and increase liquidity in the share. Belships has therefore mandated Danske Bank, DNB, and Pareto Securities to arrange a series of investor meetings. Subject to, inter alia, market conditions, a smaller equity issue raising the equivalent of USD 15m may follow. Use of proceeds of the equity issue would be financing of the cash portion of further vessel acquisitions, as well as general corporate purposes.

23 May 2019

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		Q1 2019	Q4 2018	Q1 2018	2018
Gross freight revenue	*Note*	**36 040**	38 147	24 864	127 735
Voyage expenses		**-7 737**	-2 964	-5 334	-10 698
Net freight revenue	2	**28 303**	35 183	19 530	117 037
Management fees		**2 773**	1 621	967	4 865
Operating income	2	**31 076**	36 804	20 497	121 902
Share of result from j/v and associated companies		**634**	1 030	395	2 012
T/C hire expenses		**-12 515**	-23 298	-11 617	-80 014
Ship operating expenses		**-5 975**	-4 516	-4 080	-16 094
Operating expenses ship management		**-971**	-420	0	-420
General and administrative expenses		**-2 143**	-3 746	-1 406	-7 837
Operating expenses		**-20 970**	-30 950	-16 708	-102 353
EBITDA		**10 106**	5 854	3 789	19 549
Depreciation and amortisation	3	**-4 555**	-2 691	-1 847	-7 813
Purchase bargain gain		**0**	12 849	0	12 849
Operating result (EBIT)		**5 551**	16 012	1 942	24 585
Interest income		**56**	35	4	56
Interest expenses		**-2 617**	-1 535	-879	-4 754
Other financial items		**-138**	6	-315	-351
Currency gains/(-losses)		**-156**	-77	-29	-94
Net financial items		**-2 855**	-1 571	-1 219	-5 143
Result before taxes		**2 696**	14 441	723	19 442
Taxes		**-150**	-228	0	-247
Net result		**2 546**	14 213	723	19 195
Hereof majority interests		**1 838**	13 841	39	18 169
Hereof non-controlling interests		**708**	372	684	1 026
Earnings per share		**0.01**	0.11	0.01	0.20
Diluted earnings per share		**0.01**	0.11	0.01	0.20

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The quarterly figures are not audited

USD 1 000	Q1 2019	Q4 2018	Q1 2018	2018
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Actuarial gain/(loss) on defined benefit plans	**0**	-9	0	-9
Items that may be subsequently reclassified to profit or (loss):				
Exchange differences	**0**	13	0	53
Total comprehensive income	**2 546**	14 217	723	19 239
Hereof majority interests	**1 838**	13 831	39	18 181
Hereof non-controlling interests	**708**	386	684	1 058

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The quarterly figures are not audited

USD 1 000		31 Mar 2019	31 Dec 2018
NON-CURRENT ASSETS	*Note*		
Intangible assets		**7 182**	8 536
Ships	*3*	**253 778**	230 425
Property, Plant, and Equipment		**4 183**	4 210
Investment in jv and assoc. companies		**2 897**	1 939
Other non-current assets		**59**	343
Total non-current assets		**268 099**	245 453
CURRENT ASSETS			
Inventories		**4 971**	4 230
Current receivables		**10 139**	11 897
Cash and cash equivalents		**34 736**	32 034
Total current assets		**49 846**	48 161
Total assets		**317 945**	293 614
EQUITY AND LIABILITIES			
Equity			
Paid-in capital		**96 893**	96 870
Retained earnings		**25 576**	23 738
Non-controlling interests		**3 882**	3 174
Total equity		**126 351**	123 782
Non-current liabilities			
Mortgage debt	*4*	**75 781**	94 513
Obligation under finance leases	*4*	**60 801**	38 653
Other non-current liabilities		**3 425**	3 446
Total non-current liabilities		**140 007**	136 612
Current liabilities			
Current portion of mortgage debt/lease liability	*4*	**34 719**	14 619
Other current liabilities		**16 868**	18 601
Total current liabilities		**51 587**	33 220
Total equity and liabilities		**317 945**	293 614

CONSOLIDATED STATEMENT OF CASH FLOW

The quarterly figures are not audited

USD 1 000	31 Mar 2019	31 Dec 2018
Cash flow from operating activities		
Net result before taxes	**2 696**	19 442
Adjustments to reconcile profit before tax to net cash flows:		
Purchase bargain gain	**0**	-12 849
Depreciations on fixed assets	**4 555**	7 813
Share-based compensation expense	**23**	5
Difference between pension exps and paid pension premium	**0**	-81
Share of result from j/v and assoc. companies	**-634**	-2 012
Net finance costs	**2 855**	5 143
Change in other short-term items	**-353**	483
Interest received	**56**	56
Interest paid	**-2 617**	-4 754
Income tax paid	**-132**	-264
Net cash flow from operating activities	**6 449**	12 982
Cash flow from investing activities		
Payment of ships	**0**	-19 430
Distribution and capital reduction from joint ventures	**0**	2 340
Net cash contribution from merger	**0**	6 709
Net cash flow from investing activities	**0**	-10 381
Cash flow from financing activities		
Proceeds from long-term debt	**0**	19 750
Repayment of long-term debt	**-3 747**	-4 161
Dividend to non-controlling interests	**0**	-846
Net cash flow from financing activities	**-3 747**	14 743
Net change in cash and cash equivalents during the period	**2 702**	17 344
Cash and cash equivalents at 1 January	**32 034**	14 690
Cash and cash equivalents at end of period	**34 736**	32 034

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The quarterly figures are not audited

USD 1 000

	Majority interest						
	Paid-in				Retained		
As at 31 March 2019	**Share capital**	**Treasury shares**	**Share premium reserves**	**Other paid-in equity**	**Other equity**	**Non-controlling interests**	**Total equity**
Equity as at 31 December 2018	41 870	-166	18 166	37 000	23 738	3 174	123 782
Net result for the period	0	0	0	0	1 838	708	2 546
Other comprehensive income	0	0	0	23	0	0	23
Total comprehensive income	0	0	0	23	1 838	708	2 569
Equity as at 31 March 2019	**41 870**	**-166**	**18 166**	**37 023**	**25 576**	**3 882**	**126 351**

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 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
Equity as at 31 December 2018	**41 870**	**-166**	**18 166**	**37 000**	**23 738**	**3 174**	**123 782**

KEY FINANCIAL FIGURES

		31 Mar 2019	31 Dec 2018 *
EBITDA	*USD 1000*	**10 106**	19 549
Interest coverage ratio		**2.12**	5.17
Current ratio	*%*	**96.63**	144.98
Equity ratio	*%*	**39.74**	42.16
Earnings per share	*USD*	**0.01**	0.20
Earnings per share	*NOK*	**0.12**	1.76
Equity per share	*USD*	**0.72**	0.71
Equity per share	*NOK*	**6.20**	6.14
Number of issued shares as at end of period		**175 117 993**	175 117 993
Average number of weighted shares (excluding treasury shares)		**174 569 993**	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 intenton to provide alternative performance measures that are regularly reviewed by management to enhance the understanding of the Group's performance, but not instead of, the financial statements prepared in accordance with IFRS. The alternative performance measures presented may be determined or calculated differently by other companies. Due to the recent establishment of the enlarged Group, Management is in the initial phase of assessing its external financial reporting and performance measures are therefore subject to change.

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

- *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

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. Based on above comparative financial information referred to relates to historical financial information from Lighthouse Group. EPS is calculated based on actual outstanding shares in Belships ASA.
With effect from January 1, 2019 the company implemented IFRS 16. The implementation increased the lease liabilities and corresponding right of use assets on the asset side with USD 26.6 million.
The consolidated financial statements are presented in USD thousands unless otherwise indicated.
This report was approved by the Board of Directors on 23 May 2019.

Note 2 Segment information

USD 1 000	January - March 2019					
	Ship - L/T charter	*Ship - spot*	*Lighthouse Navigation*	*Ship managm.*	*Admin. & group trs.*	*Total*
Gross freight revenue	7 290	11 303	17 447	0	0	36 040
Voyage expenses	0	-3 655	-4 291	0	209	-7 737
Net freight revenue	**7 290**	**7 648**	**13 156**	**0**	**209**	**28 303**
Management fees	0	0	1 232	1 946	-405	2 773
Operating income	**7 290**	**7 648**	**14 388**	**1 946**	**-196**	**31 076**
Share of result from jv and assoc. comp.	0	0	634	0	0	634
T/C hire expenses	0	0	-12 515	0	0	-12 515
Ship operating expenses	-1 958	-4 426	0	0	409	-5 975
Operating expenses ship management	0	0	0	-971	0	-971
General and administrative expenses	0	-143	-1 189	0	-811	-2 143
Operating expenses	**-1 958**	**-4 569**	**-13 070**	**-971**	**-402**	**-20 970**
EBITDA	**5 332**	**3 079**	**1 318**	**975**	**-598**	**10 106**
Depreciation and amortisation	-2 397	-1 838	-20	-273	-28	-4 555
Operating result (EBIT)	**2 935**	**1 241**	**1 298**	**703**	**-626**	**5 551**
Interest income	41	0	15	0	0	56
Interest expenses	-1 430	-1 187	0	0	0	-2 617
Other financial items	-140	-8	0	10	0	-138
Currency gains/(-losses)	0	2	-15	4	-147	-156
Net financial items	**-1 529**	**-1 193**	**0**	**14**	**-147**	**-2 855**
Result before taxes	**1 406**	**48**	**1 298**	**717**	**-773**	**2 696**
Taxes	0	0	-18	-132	0	-150
Net result	**1 406**	**48**	**1 280**	**585**	**-773**	**2 546**
Hereof majority interests	1 383	48	595	585	-773	1 838
Hereof non-controlling interests	23	0	685	0	0	708

USD 1 000	January - March 2018					
	Ship - L/T charter	*Ship - spot*	*Lighthouse Navigation*	*Ship managm.*	*Admin. & group trs.*	*Total*
Gross freight revenue	0	7 635	17 229	0	0	24 864
Voyage expenses	0	-833	-4 684	0	183	-5 334
Net freight revenue	**0**	**6 802**	**12 545**	**0**	**183**	**19 530**
Management fees	0	0	1 150	0	-183	967
Operating income	**0**	**6 802**	**13 695**	**0**	**0**	**20 497**
Share of result from j/v and assoc. comp.	0	0	395	0	0	395
T/C hire expenses	0	0	-11 617	0	0	-11 617
Ship operating expenses	0	-4 080	0	0	0	-4 080
Operating expenses ship management	0	0	0	0	0	0
General and administrative expenses	0	-254	-1 152	0	0	-1 406
Operating expenses	**0**	**-4 334**	**-12 374**	**0**	**0**	**-16 708**
EBITDA	**0**	**2 468**	**1 321**	**0**	**0**	**3 789**
Depreciation and amortisation	0	-1 826	-21	0	0	-1 847
Purchase bargain gain	0	0	0	0	0	0
Operating result (EBIT)	**0**	**642**	**1 300**	**0**	**0**	**1 942**
Interest income	0	0	4	0	0	4
Interest expenses	0	-879	0	0	0	-879
Other financial items	0	-315	0	0	0	-315
Currency gains/(-losses)	0	-2	-27	0	0	-29
Net financial items	**0**	**-1 196**	**-23**	**0**	**0**	**-1 219**
Result before taxes	**0**	**-554**	**1 277**	**0**	**0**	**723**
Taxes	0	0	0	0	0	0
Net result	**0**	**-554**	**1 277**	**0**	**0**	**723**
Hereof majority interests	0	-554	593	0	0	39
Hereof non-controlling interests	0	0	684	0	0	684

Note 3 Ships

Belships has assessed its recoverable amount on its ships. No impairment indicators exists as of 31 March 2019. The useful life, which is considered as the economic life of the ships, has been estimated to 25 years. Residual value is estimated based on steelprices of the ships.

Note 4 Mortgage debt/Lease obligations

Mortgage debt as of 31 March 2019 was USD 105.2 million. A new loan facility is replacing the existing loan in 2nd 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.

Net bareboat obligation as at 31 March was USD 40.0 million, of which USD 2.2 million is classified as current. The bareboat obligation is related to M/S Belforest and M/S Belisland. These two ships are included in the balance sheet as financial leases.

Net timecharter obligation as at 31 March was USD 25.9 million, of which USD 3.1 million is classified as current. The timecharter obligation is related to M/S Belnippon. The ship is included in the balance sheet as operational lease.

Note 5 Related parties

The subsidiary Belships Management AS provides accounting services to Sonata AS, which is owned by the board member Sverre J. Tidemand and his family. Fees amounted to 15 for Q1 2019 (Dec 2018: 10).
All fees are in line with prevailing market rates.
No loans were issued or security provided with respect to the company's shareholders or associated parties.
Certain members of the management have loans from the company. These amounted to 33 (34) as at 31 March 2019.
In accordance with the authorisation given to the Board at last Annual general meeting, options to buy 200 000 shares at NOK 5.36 was awarded to employees in Belships Oslo in December 2018. No options have been exercised. Market value of the options amounted to NOK 1.80 per share and calculated cost amounting to 23 was accounted for in profit and loss. The options can be exercised unto the date of the next AGM.

Share option plan chief executive officer

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

Note 6 Subsequent events

During April, Belships ASA announced the following acquisitions:

- M/V Viola, a 58,700 dwt bulk carrier owned by Wenaas Shipping AS, for a purchase price of USD 13 million. 50 per cent will be paid in cash and the rest will be financed through the issuance of 8 060 650 new Belships shares at an agreed price of NOK 7.00 per share.
- M/V Sofie Victory, a 63 000 dwt bulk carrier owned by Sofie Victory AS, where Belships ASA will acquire 100 per cent of the shares in Sofie Victory AS for a purchase price of Usd 24.15 mill. The agreed transaction price consists of abt USD 14 mill debt, while USD 2 mill will be paid in cash and the remaining by the issuance of new Belships shares at an agreed price of NOK 7.00 per share. The vessel has a long-term charter to ED&F Man Shipping Ltd for 24 months at USD 11 000 net per day.
- M/V Sephora, a 55 600 dwt bulk carrier owned by Prospero Maritime Ltd, for a purchase price of USD 12 million. 50 per cent will be paid in cash and the rest will be financed through the issuance of 7 405 114 new Belships shares at an agreed price of NOK 7.00 per share.

No other material events have taken place after 31 March 2019.

Note 7 Main shareholders as at 20 May 2019

Name	Number of shares	%
KONTRARI AS	95 822 108	54.72%
KONTRAZI AS	37 463 265	21.39%
SONATA AS	17 461 778	9.97%
LGT BANK AG	11 853 828	6.77%
PERSHING LLC	3 535 838	2.02%
UBS SWITZERLAND AG	3 003 782	1.72%
CLEARSTREAM BANKING S.A.	1 619 678	0.92%
KBC BANK NV	1 591 508	0.91%
BELSHIPS ASA	498 000	0.28%
AS TORINITAMAR	360 000	0.21%
TORU NAGATSUKA	330 000	0.19%
ASL HOLDING AS	225 000	0.13%
KJELL EGIL LARSEN	160 000	0.09%
OLE KETIL TEIGEN	152 465	0.09%
ROBERT WIKERØY	100 000	0.06%
LACASA AS	50 000	0.03%
CARL ERIK STEEN	49 154	0.03%
ABG SUNDAL COLLIER ASA, MEGLERKTO INNLAND	40 676	0.02%
OLE MAGNUS HOLMEN	40 131	0.02%
BENT GUSTAV SAANUM	35 000	0.02%
OTHER SHAREHOLDERS	725 782	0.41%
TOTAL OUTSTANDING SHARES	175 117 993	100.00%

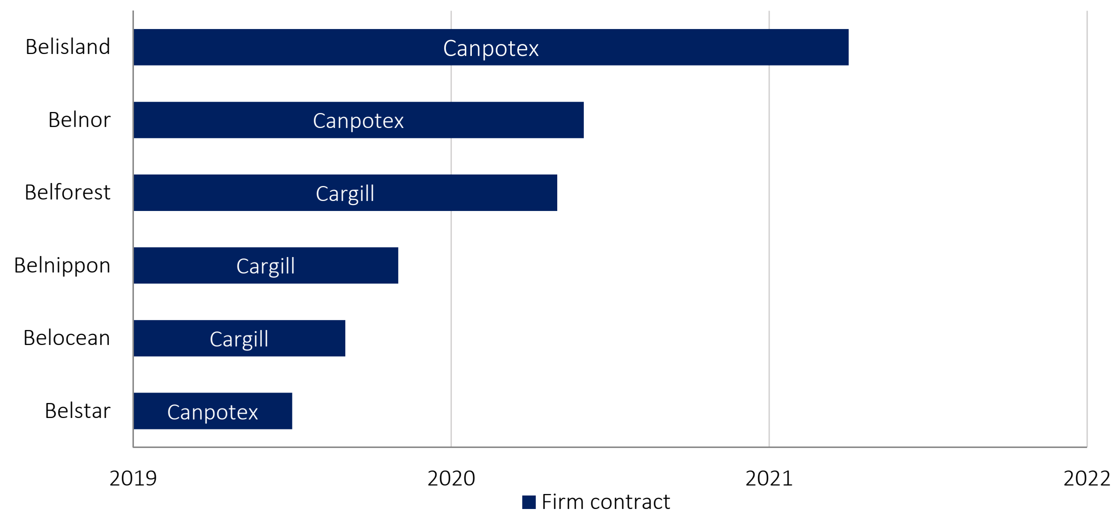
FLEET LIST

As at 31 March 2019

Ship	Ownership	Built year	Dwt	Employment	T/C-rate (net USD/day)
Supramax					
M/V Belstar	100 %	2009	58 018	T/C to 06/19	16 000
M/V Belnor	100 %	2010	58 018	T/C to 05/20	16 000
M/V Belocean	100 %	2011	58 018	T/C to 08/19	11 550
M/V Eastern Light	100 %	2006	50 223	Spot	
M/V Pacific Light	100 %	2007	50 198	Spot	
M/V Bering Light	100 %	2008	50 292	Spot	
M/V Orient Light	100 %	2008	50 292	Spot	
Ultramax					
M/V Belforest	BBC	2015	61 320	T/C to 04/20	10 800
M/V Belisland	BBC	2016	61 252	T/C to 03/21	17 300
M/V Belnippon [1]	TC	2018	63 000	T/C to 10/19	10 900
M/V Belpareil	100 %	2015	63 200	Spot	
M/V Belsouth	100 %	2015	63 200	Spot	
M/V Belinda	100 %	2016	63 200	Spot	
M/V Belmont	100 %	2016	63 200	Spot	
M/V Atlantic Light	100 %	2016	63 200	Spot	
Imabari newbuilding [2]	TC	2020	63 000		

1) *Delivered in January 2018 for long-term lease with purchase option. Charter period is eight years with three annual renewal options. Purchase option may be exercised at the end of year 4 to JPY 3.01 billion, with an annual decrease of JPY 110 million.*
2) *Delivery during 1st half of 2020 for long-term lease with purchase option. Charter period is eight years with two annual renewal options.*

TIMECHARTER COVERAGE



One of the world's largest potash exporters, selling over 10 million tonnes of potash every year, representing about one-third of global capacity.
Canpotex is a joint venture that is wholly owned by the two Saskatchewan potash producers, Mosaic and Nutrien.

Largest private US company in terms of revenue, with USD 109.7bn in revenues in 2017 and ~150,000 employees worldwide. Major business areas within agricultural services, crop and livestock, food, health and pharmaceuticals, and industrial and financial risk management.

APPENDIX F:

INTERIM FINANCIAL STATEMENTS FOR BELSHIPS FOR Q3 2018

REPORT 3RD QUARTER 2018

26 October 2018

www.belships.com

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Phone +47 22 52 76 00 | chartering@belships.no
Enterprise no: NO930776793MVA

HIGHLIGHTS

- Operating income of USD 8.3 m (Q2: USD 8.3 m)
- EBITDA of USD 3.2 m (USD 3.5 m)
- No impairment/impairment reversal
- Net result of USD 0.6 m (USD 0.9 m)
- Average TC-income (net) per ship per day Q3: USD 13 400 (Q2: 13 250)
- All ships operating normally – modern fleet – average age 5.2 years
- Contract coverage 100% for delivered ships – around USD 38 million fixed charter backlog
- The merger plan to be approved by the Extraordinary General Meeting

3rd quarter 2018 results

Belships operating income in 3rd quarter 2018 was USD 8.3 million (Q2: USD 8.3 million), while EBITDA amounted to USD 3.2 million (USD 3.5 million). The Group's operating result amounted to USD 1.8 million (USD 2.1 million), while net result for 3rd quarter 2018 was USD 0.6 million (USD 0.9 million).

Fleet status

Belships concentrates on the dry bulk market, with 6 modern Supramax/Ultramax in service.
M/V Belstar, M/V Belnor and M/V Belisland have continued the long-term contracts to Canpotex of Canada. Canpotex is one of the world's largest exporters of potash, a fertilizer product imported in large volumes by countries such as China, India and Brazil. M/V Belforest, M/V Belocean and M/V Belnippon are all on time charter to Cargill. In September the c/p's with Cargill for M/V Belforest and M/V Belocean were extended until August and October 2019 at USD 13,500 and USD 12,000 daily respectively. Next open position will then be M/V Belnippon in February 2019.

All ships have sailed without significant off-hire. Technical management is handled by Belships Management (Singapore), with a total fleet of 10 ships under technical management.

Newbuilding program

Belships' remaining newbuilding program with Imabari Shipbuilding in Japan consists of one 63 000 dwt eco-design Ultramax bulk carrier on a long-term T/C-in agreement incl. purchase option for delivery within first half 2020.

Financial and corporate matters

As per 30 September the Group's cash totaled USD 5.3 million, which is unchanged from 30 June.

The mortgage debt as per 30 September was USD 24.5 million. Net lease obligation as at 30 June was USD 41.2 million. In addition Belships has a long-term loan facility of SGD 2 million, secured by the lease agreement for our Singapore office. Net lease obligation and mortgage debt were reduced by USD 1.7 million in the 3rd quarter.

Hedging the Group's interest exposure on bank loan is considered on an ongoing basis. The hedging level of interest rate exposure is currently around 60%.

At the end of the 3rd quarter of 2018, the book value per share amounted to NOK 5.07 (USD 0.62), while the equity ratio was 29.6 %. Added value related to the long-term charter party for M/S Belisland is not reflected in the balance sheet.

Market highlights

The Capesize-index ended the 3rd quarter at USD 18 350 per day, whereas the Kamsarmax-index ended at USD 15 351 per day. The Supramax-index ended the quarter at USD 13 273 per day. As per today the Cape index stands at USD 18 683 per day, Kamsarmax-index at USD 16 110 per day and Supramax-index at USD 13 319 per day. Baltic S&P Assessment's valuation of a 5-year old Supramax is currently USD 18.5 million.

Outlook

After a slow start due to Chinese holidays, the Supramax market has risen slightly in October. There is more interest for period deals and for Far East delivery fixtures around USD 13-14,000 per day have been reported.

Belships' ships are fully covered until February 2019 when M/V Belnippon becomes open. The company is well positioned for a dry bulk market that we believe will be strengthening in 2019-20.

Belships' ships are chartered out on fixed rates to reputable counterparts, representing a future nominal gross hire of around USD 38 million.

Focus remains to continue developing Belships as an owner and operator of modern bulk carriers to reputable counterparts, building a portfolio of quality ships and robust charter parties that will generate distributable cash flows.

In today's Extraordinary General Meeting the merger with Lighthouse is expected to be approved. The Board of Directors believes this transaction will be in the best interest of all the shareholders and the company.

Following this transaction the combined entity will control a fleet of 16 dry bulk carriers and enhance its earnings potential with a combination of charter backlog and spot exposure. Complementing management activities create a complete in-house operational structure, ideally positioning Belships as a platform for further growth. The company will concentrate on the dry bulk market and expect to benefit from a fully in-house commercial and technical management.

26 October 2018
THE BOARD OF BELSHIPS ASA

Sverre Jørgen Tidemand, Chairman

Christian Rytter   Kjersti Ringdal   Sissel Grefsrud   Carl Erik Steen

CEO Ulrich Müller
Phone no. +47 22 52 76 15

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The quarterly figures are not audited

BELSHIPS ASA

USD 1 000	Note	Q3 2018	Q2 2018	YTD Q3 2018	Q3 2017	Q2 2017	YTD Q3 2017	2017
Freight revenue		**7 402**	7 231	**21 505**	5 808	5 538	16 712	22 646
Management fees		**890**	1 061	**3 008**	874	901	3 029	4 663
Operating income	2	**8 292**	8 292	**24 513**	6 682	6 439	19 741	27 309
T/C hire expenses		**-1 188**	-1 183	**-3 309**	0	0	0	0
Ship operating expenses		**-2 065**	-2 081	**-6 169**	-1 933	-1 925	-5 946	-8 175
Operating expenses ship management		**-996**	-823	**-2 702**	-722	-887	-2 468	-3 371
General and administrative expenses		**-893**	-674	**-2 391**	-499	-596	-1 761	-2 493
Operating expenses		**-5 142**	-4 761	**-14 571**	-3 154	-3 408	-10 175	-14 039
Operating result (EBITDA)		**3 150**	3 531	**9 942**	3 528	3 031	9 566	13 270
Depreciation and amortisation		**-1 373**	-1 393	**-4 219**	-1 149	-1 147	-3 412	-4 597
Reversal/impairment of ships	4	**0**	0	**1 269**	500	0	500	2 544
Effect on onerous contracts		**0**	0	**0**	0	234	397	397
Operating result (EBIT)		**1 777**	2 138	**6 992**	2 879	2 118	7 051	11 614
Interest income		**15**	20	**38**	5	5	18	26
Interest expenses		**-1 058**	-1 060	**-3 179**	-1 182	-1 186	-3 581	-4 735
Other financial items		**-57**	-38	**-20**	-60	-176	-313	-361
Currency gains/(-losses)		**-81**	-131	**-140**	72	7	110	114
Net financial items		**-1 181**	-1 209	**-3 301**	-1 165	-1 350	-3 766	-4 956
Result before taxes		**596**	929	**3 691**	1 714	768	3 285	6 658
Taxes		**-23**	-52	**-106**	-46	-38	-131	-294
Net result		**573**	877	**3 585**	1 668	730	3 154	6 364
Hereof non-controlling interests		**-7**	-4	**11**	16	13	34	60
Hereof majority interests		**580**	881	**3 574**	1 652	717	3 120	6 304
Other comprehensive income								
Actuarial gain/(loss) on defined benefit plans		**0**	0	**0**	0	0	0	-6
Total comprehensive income		**573**	877	**3 585**	1 668	730	3 154	6 358
Hereof non-controlling interests		**-7**	-4	**11**	16	13	34	60
Hereof majority interests		**580**	881	**3 574**	1 652	717	3 120	6 298
Earnings per share (US cent)		**1.22**	1.87	**7.66**	3.56	1.56	6.74	13.60
Diluted earnings per share (US cent)		**1.22**	1.87	**7.66**	3.56	1.56	6.74	13.60

CONSOLIDATED BALANCE SHEET

The quarterly figures are not audited

BELSHIPS ASA

USD 1 000		**30 Sep 2018**	30 Jun 2018	30 Sep 2017	31 Dec 2017
ASSETS	*Note*				
Fixed assets					
Ships	*4*	**88 398**	89 734	90 341	91 242
Prepaid timecharter hire		**0**	0	679	405
Other fixed assets		**3 254**	2 623	2 153	2 080
Total fixed assets		**91 652**	92 357	93 173	93 727
Current assets					
Short-term receivables		**1 468**	1 887	1 343	1 848
Prepaid timecharter hire		**681**	957	821	1 095
Cash and cash equivalents		**5 276**	5 400	7 874	5 459
Total current assets		**7 425**	8 244	10 038	8 402
Total assets		**99 077**	100 601	103 211	102 129
EQUITY AND LIABILITIES					
Equity					
Paid-in capital		**43 628**	43 628	43 595	43 620
Retained earnings		**-14 586**	-15 166	-20 767	-17 589
Non-controlling interests		**305**	370	325	351
Total equity		**29 347**	28 832	23 153	26 382
Long-term liabilities					
Mortgage debt	*3*	**19 336**	20 557	27 220	22 999
Bareboat commitment	*3*	**39 215**	39 765	41 335	40 816
Pension obligations		**475**	504	566	530
Other long-term liabilities		**1 463**	1 467	1 658	1 466
Total long-term liabilities		**60 489**	62 293	70 779	65 811
Short-term liabilities					
Mortgage debt	*3*	**5 000**	5 000	5 000	5 000
Bareboat commitment	*3*	**2 071**	2 026	1 896	1 940
Other short-term liabilities		**2 170**	2 450	2 383	2 996
Total short-term liabilities		**9 241**	9 476	9 279	9 936
Total equity and liabilities		**99 077**	100 601	103 211	102 129

CONSOLIDATED CASH FLOW STATEMENTS

The quarterly figures are not audited

BELSHIPS ASA

USD 1 000	**YTD Q3 2018**	YTD Q2 2018	2017
Cash flow from operating activities			
Net result before taxes	**3 691**	3 095	6 658
Adjustments to reconcile profit before tax to net cash flows:			
Effect on onerous contracts	**0**	0	-397
Depreciations on fixed assets	**4 219**	2 846	4 597
Reversal/impairment of ships	**-1 269**	-1 269	-2 544
Share-based compensation expense	**8**	8	0
Difference between pension exps and paid pension premium	**-56**	-29	-171
Net finance costs	**3 301**	2 120	4 956
Working capital adjustments:			
Change in trade debitors and trade creditors	**-211**	166	85
Change in other short-term items	**-223**	-687	-322
Interest received	**38**	23	26
Interest paid	**-3 179**	-2 121	-4 735
Income tax paid	**-151**	-95	-137
Net cash flow from operating activities	**6 168**	4 057	8 016
Cash flow from investing activities			
Payment of other investments	**-369**	-369	-271
Net cash flow from investing activities	**-369**	-369	-271
Cash flow from financing activities			
Repayment of long-term debt	**-5 226**	-2 992	-9 835
Dividend paid	**-577**	-577	0
Paid costs related to financing	**-178**	-178	-369
Net cash flow from financing activities	**-5 981**	-3 747	-10 204
Net change in cash and cash equivalents during the period	**-183**	-59	-2 459
Cash and cash equivalents at 1 January	**5 459**	5 459	7 918
Cash and cash equivalents at end of period	**5 276**	5 400	5 459

BELSHIPS

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The quarterly figures are not audited

USD 1 000	Majority interest						
	Paid-in				Retained		
As at 30 September 2018	**Share capital**	**Treasury shares**	**Share premium reserves**	**Other paid-in equity**	**Other equity**	**Non-controll. interests**	**Total equity**
Equity as at 31 December 2017	14 272	-166	13 751	15 763	-17 590	352	26 382
Net result for the period	0	0	0	0	3 574	11	3 585
Other comprehensive income	0	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	3 574	11	3 585
Dividend paid	0	0	0	0	-570	0	-570
Transactions non-controlling interests	0	0	0	0	0	-58	-58
Net share-based payment	0	0	0	8	0	0	8
Equity as at 30 September 2018	**14 272**	**-166**	**13 751**	**15 771**	**-14 586**	**305**	**29 347**
As at 30 June 2018							
Equity as at 31 December 2017	14 272	-166	13 751	15 763	-17 590	352	26 382
Net result for the period	0	0	0	0	2 994	18	3 012
Other comprehensive income	0	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	2 994	18	3 012
Dividend paid	0	0	0	0	-570	0	-570
Share-based payment expense	0	0	0	8	0	0	8
Equity as at 30 June 2018	**14 272**	**-166**	**13 751**	**15 771**	**-15 166**	**370**	**28 832**

KEY FINANCIAL FIGURES

		YTD Q3 2018	YTD Q2 2018	2017
EBITDA	*USD 1000*	**9 942**	6 792	13 270
Interest coverage ratio		**2.20**	2.46	2.45
Current ratio	*%*	**80.35**	87.00	84.56
Equity ratio	*%*	**29.62**	28.66	25.83
Earnings per share	*US cent*	**7.66**	6.44	13.60
Earnings per share	*NOK*	**0.63**	0.53	1.12
Equity per share	*USD*	**0.63**	0.62	0.56
Equity per share	*NOK*	**5.13**	5.03	4.62
Number of issued shares (excluding treasury shares)		**46 804 000**	46 804 000	46 804 000
Average number of issued shares (excluding treasury shares)		**46 804 000**	46 804 000	46 804 000

Definition of Non-IFRS financial measures

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

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 2017.

With effect from 1 January 2018, the company implemented IFRS 15 – Revenue recognition and IFRS 9 – Financial instruments. All ships are chartered out on long-term fixed timecharter, accordingly no impact on implementation on IFRS 15. In the notes to the annual report additional breakdown on revenue will be provided for. IFRS 9 did not have any impact.

This report was approved by the Board of Directors on 26 October 2018.

The accounting policies adopted are consistent with those followed in the preparation of the Company's and the Group's annual financial statements for the year ended 31 December 2017.

Note 2 Segment information

USD 1 000	January - September 2018				
	Dry cargo	*Technical managm.*	*Admini-stration*	*Group transacts.*	*Total*
Freight revenue	21 104	0	0	401	21 505
Management fees	0	3 311	631	-934	3 008
Operating income	**21 104**	**3 311**	**631**	**-533**	**24 513**
T/C hire expenses	-3 309	0	0	0	-3 309
Ship operating expenses	-6 701	0	0	532	-6 169
Operating expenses ship management	0	-2 702	0	0	-2 702
General and administrative expenses	-12	0	-2 380	1	-2 391
Operating expenses	**-10 022**	**-2 702**	**-2 380**	**533**	**-14 571**
Operating result (EBITDA)	**11 082**	**609**	**-1 749**	**0**	**9 942**
Depreciation and amortisation	-4 113	-46	-60	0	-4 219
Reversal/impairment of ships	1 269	0	0	0	1 269
Operating result (EBIT)	**8 238**	**563**	**-1 809**	**0**	**6 992**
Interest income	0	7	31	0	38
Interest expenses	-3 167	0	-12	0	-3 179
Other financial items	-138	-10	128	0	-20
Currency gains/(-losses)	-9	-46	-85	0	-140
Net financial items	**-3 314**	**-49**	**62**	**0**	**-3 301**
Result before taxes	**4 924**	**514**	**-1 747**	**0**	**3 691**
Taxes	0	-106	0	0	-106
Net result	**4 924**	**408**	**-1 747**	**0**	**3 585**
Hereof non-controlling interests	0	11	0	0	11
Hereof majority interests	4 924	397	-1 747	0	3 574

BELSHIPS

Note 2 Segment information, *continued*

USD 1 000		2018				2017			
		Dry cargo	*Techn. manag.*	*Admin/ Grp.trs.*	*Total*	*Dry cargo*	*Techn. manag.*	*Admin/ Grp.trs.*	*Total*
Q1	Freight revenue	6 743	0	129	6 872	5 254	0	112	5 366
	Management fees	0	1 156	-99	1 057	0	1 300	-46	1 254
	Operating income	**6 743**	**1 156**	**30**	**7 929**	**5 254**	**1 300**	**66**	**6 620**
	T/C hire expenses	-938	0	0	-938	0	0	0	0
	Ship operating expenses	-2 201	0	178	-2 023	-2 206	0	118	-2 088
	Operating expenses ship management	0	-883	0	-883	0	-859	0	-859
	General and administrative expenses	-12	0	-812	-824	-6	0	-660	-666
	Operating expenses	**-3 151**	**-883**	**-634**	**-4 668**	**-2 212**	**-859**	**-542**	**-3 613**
	Operating result (EBITDA)	**3 592**	**273**	**-604**	**3 261**	**3 042**	**441**	**-476**	**3 007**
	Depreciation and amortisation	-1 420	-16	-17	-1 453	-1 090	-13	-13	-1 116
	Reversal/impairment of ships	1 269	0	0	1 269	0	0	0	0
	Effect on onerous contracts	0	0	0	0	163	0	0	163
	Operating result (EBIT)	**3 441**	**257**	**-621**	**3 077**	**2 115**	**428**	**-489**	**2 054**
Q2	Freight revenue	7 095	0	136	7 231	5 424	0	114	5 538
	Management fees	0	1 160	-99	1 061	0	1 070	-169	901
	Operating income	**7 095**	**1 160**	**37**	**8 292**	**5 424**	**1 070**	**-55**	**6 439**
	T/C hire expenses	-1 183	0	0	-1 183	0	0	0	0
	Ship operating expenses	-2 257	0	176	-2 081	-2 164	0	239	-1 925
	Operating expenses ship management	0	-823	0	-823	0	-887	0	-887
	General and administrative expenses	0	0	-674	-674	0	0	-596	-596
	Operating expenses	**-3 440**	**-823**	**-498**	**-4 761**	**-2 164**	**-887**	**-357**	**-3 408**
	Operating result (EBITDA)	**3 655**	**337**	**-461**	**3 531**	**3 260**	**183**	**-412**	**3 031**
	Depreciation and amortisation	-1 357	-15	-21	-1 393	-1 109	-15	-23	-1 147
	Effect on onerous contracts	0	0	0	0	234	0	0	234
	Operating result (EBIT)	**2 298**	**322**	**-482**	**2 138**	**2 385**	**168**	**-435**	**2 118**
Q3	Freight revenue	7 266	0	136	7 402	5 690	0	118	5 808
	Management fees	0	995	-105	890	0	975	-101	874
	Operating income	**7 266**	**995**	**31**	**8 292**	**5 690**	**975**	**17**	**6 682**
	T/C hire expenses	-1 188	0	0	-1 188	0	0	0	0
	Ship operating expenses	-2 243	0	178	-2 065	-2 109	0	176	-1 933
	Operating expenses ship management	0	-996	0	-996	0	-722	0	-722
	General and administrative expenses	0	0	-893	-893	-2	0	-497	-499
	Operating expenses	**-3 431**	**-996**	**-715**	**-5 142**	**-2 111**	**-722**	**-321**	**-3 154**
	Operating result (EBITDA)	**3 835**	**-1**	**-684**	**3 150**	**3 579**	**253**	**-304**	**3 528**
	Depreciation and amortisation	-1 336	-15	-22	-1 373	-1 109	-15	-25	-1 149
	Reversal/impairment of ships	0	0	0	0	500	0	0	500
	Operating result (EBIT)	**2 499**	**-16**	**-706**	**1 777**	**2 970**	**238**	**-329**	**2 879**
Q4	Freight revenue	0	0	0	0	5 822	0	112	5 934
	Management fees	0	0	0	0	0	1 741	-107	1 634
	Operating income	**0**	**0**	**0**	**0**	**5 822**	**1 741**	**5**	**7 568**
	Ship operating expenses	0	0	0	0	-2 408	0	179	-2 229
	Operating expenses ship management	0	0	0	0	0	-903	0	-903
	General and administrative expenses	0	0	0	0	-37	0	-695	-732
	Operating expenses	**0**	**0**	**0**	**0**	**-2 445**	**-903**	**-516**	**-3 864**
	Operating result (EBITDA)	**0**	**0**	**0**	**0**	**3 377**	**838**	**-511**	**3 704**
	Depreciation and amortisation	0	0	0	0	-1 143	-16	-26	-1 185
	Reversal/impairment of ships	0	0	0	0	2 044	0	0	2 044
	Operating result (EBIT)	**0**	**0**	**0**	**0**	**4 278**	**822**	**-537**	**4 563**

Note 3 Mortgage debt/Bareboat obligation

Mortgage debt as of 30 September 2018 was USD 24.5 million, of which USD 5.0 million is classified as current. 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.
Net bareboat obligation as at 30 September was USD 41.3 million, of which USD 2.1 million is classified as current. The bareboat obligation is related to M/S Belforest and M/S Belisland. These two ships are included in the balance sheet as financial leases.

Note 4 Ships

Belships has assessed its recoverable amount on its ships. As as result of an improved dry bulk market, a net reversal of a part of prior periods impairment amounting to USD 1.3 million have been recorded in the first quarter. The company has applied the same impairment model and assumptions as described in the annual report for 2017, however market related assumptions are updated to reflect the situation as of 30 September. With effect from 1 January 2018, the company has assessed the residual value to be zero.

Note 5 Subsequent events - Merger

On 4 October 2018 an extended stock exchange announcement was made regarding the merger between Belships Chartering AS, a wholly-owned subsidiary of Belships (as the assignee company) and LHS Holdco AS, LHS Holdco II AS, LHN Holdco 1 AS and LHN Holdco 2 AS (as the assigning companies), against issuance of consideration shares in the Company (the "Merger"). The merger plan and the share capital increase pertaining is expected to be approved by the general meeting held 26 October.

20 LARGEST SHAREHOLDERS

Updated 23 October 2018

Name	Number of shares	%
SONATA AS	31 747 492	67.05%
TIDSHIPS AS	5 020 432	10.60%
EITZEN REDERI AS	657 249	1.39%
BELSHIPS ASA	498 000	1.05%
AR FONDS AS	416 183	0.88%
AS TORINITAMAR	360 000	0.76%
NAGATSUKA TORU	330 000	0.70%
CHREM CAPITAL AS	320 000	0.68%
JOMAHO AS	316 681	0.67%
JENSSEN & CO A/S	302 816	0.64%
CITIBANK, N.A. S/A BANKINTER S.A. C	273 547	0.58%
TIDINVEST II AS	269 651	0.57%
STEEN CARL ERIK	269 154	0.57%
JOVOKO AS	250 000	0.53%
SØLAND LIV	240 000	0.51%
JSL AS	236 180	0.50%
ASL HOLDING AS	225 000	0.48%
KIELLAND BERNHARD	200 000	0.42%
AR VEKST AS	198 995	0.42%
HKG HOLDING AS	168 117	0.36%
OTHER SHAREHOLDERS	5 052 503	10.64%
TOTAL OUTSTANDING SHARES	47 352 000	100.00%

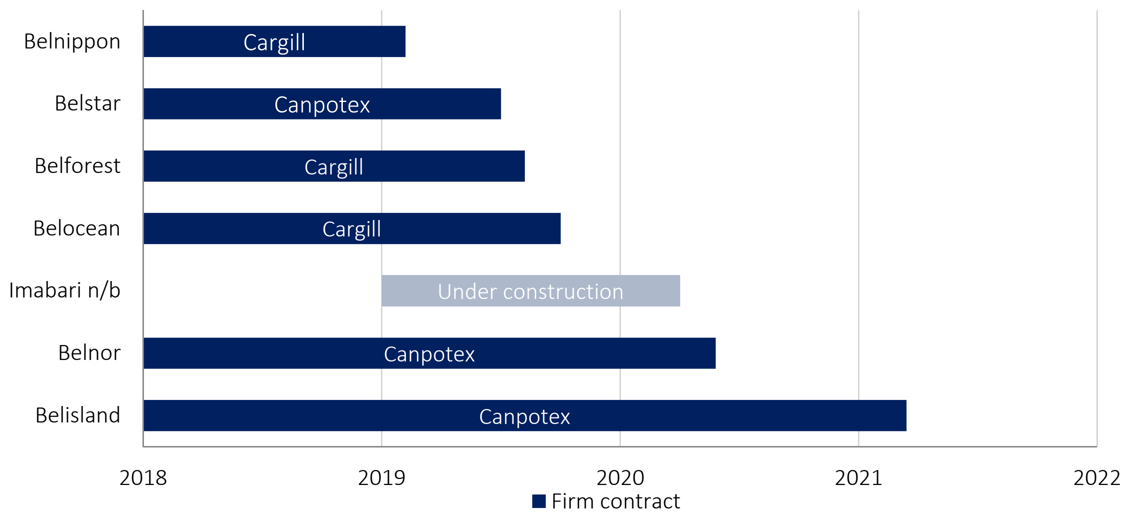
FLEET LIST

As at 30 September 2018

Ship		Ownership	Built year	Dwt	Employment	T/C-rate (net USD/day)
Supramax						
M/S Belstar		100 %	2009	58 018	T/C to 08/19	16 000
M/S Belnor		100 %	2010	58 018	T/C to 05/20	16 000
M/S Belocean		100 %	2011	58 018	T/C to 08/19	11 550
Ultramax						
M/S Belforest		BBC	2015	61 320	T/C to 08/19	13 000
M/S Belisland		BBC	2016	61 252	T/C to 03/21	17 300
M/S Belnippon	*1*	TC	2018	63 000	T/C to 01/19	11 070
Imabari newbuilding	*2*	TC	2020	63 000		

1) *Delivered in January 2018 for long-term lease with purchase option. Charter period is eight years with three annual renewal options. Purchase option may be exercised at the end of year 4 to JPY 3.01 billion, with an annual decrease of JPY 110 million.*
2) *Delivery during 1st half of 2020 for long-term lease with purchase option. Charter period is eight years with two annual renewal options.*

CHARTER COVERAGE



One of the world's largest potash exporters, selling over 10 million tonnes of potash every year, representing about one-third of global capacity.
Canpotex is a joint venture that is wholly owned by the two Saskatchewan potash producers, Mosaic and Nutrien.

Largest private US company in terms of revenue, with USD 109.7bn in revenues in 2017 and ~150,000 employees worldwide.
Major business areas within agricultural services, crop and livestock, food, health and pharmaceuticals, and industrial and financial risk management.

APPENDIX G:

CONSOLIDATED MANAGEMENT ACCOUNTS

Legacy Belships Group

(Management accounts for the period Oct 1 to 9 December)

	2018
Income statement	
Gross Freight Income	5 181
Other Revenue	654
Total operating income	**5 835**
T/C hire expenses	-961
Ship operating expenses	-1 306
Operating expenses ship management	-789
Other G&A	-2 263
Total operating expenses	**-5 319**
EBITDA	**516**
Depreciation and amortisation Ships	-736
Impairment/reversal impairment	0
Depreciation other fixed assets	-62
EBIT	**-282**
Dividend	0
Interest income	4
Interest expenses	-704
Currency exchange gain /loss	539
Other financial expenses	-182
Net financial items	**-343**
Results before tax	**-625**
Taxes	-34
Net result for the period	**-659**

APPENDIX H:

INDEPENDENT PRACTITIONER'S ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

EY
Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

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www.ey.no
Medlemmer av Den norske revisorforening

To the Board of Directors of Belships ASA

Independent Practitioners' Assurance Report on the compilation of pro forma financial information included in a prospectus

We have completed our assurance engagement to report on the compilation of pro forma financial information of Belships ASA (the "Company") by the Board of Directors and Management of the Company. The pro forma condensed financial information consists of the unaudited condensed pro forma statement of comprehensive income for the year ended 31 December 2018, and related notes as set out in section 11 of the prospectus dated 27 June 2019 issued by the Company (the "Prospectus"). The applicable criteria on the basis of which the Board of Directors and Management of the Company have compiled the pro forma financial information are specified in Commission Regulation (EC) no. 809/2004 as incorporated in the Securities Trading Act section 7-13 and described in section 11 of the Prospectus (the "applicable criteria"). The historical financial information of the Company for the nine months ended 30 September 2018 and the consolidated Management accounts for the period 1 October 2018 to 9 December 2018 used in the compilation of the Pro Forma Financial Information is unaudited and accordingly we do not accept any responsibility for that information.

The pro forma financial information has been compiled by the Board of Directors and Management of the Company to illustrate the impact of the merger set out in section 11 of the Prospectus on the Company's consolidated financial performance for the year ended 31 December 2018 as if the merger had taken place at 1 January 2018. As part of this process, information about the Company's consolidated financial performance has been extracted by the Board of Directors and Management from the Company's consolidated financial statements for 2018, from the unaudited consolidated financial statements for the nine months ended 30 September 2018 and from the unaudited management accounts for the period 1 October 2018 to 9 December 2018.

The Board of Directors and Management's responsibility for the Pro Forma Financial Information

The Board of Directors and Management is responsible for compiling the pro forma financial information on the basis of the applicable criteria.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibilities

Our responsibility is to express an opinion, as required by Annex II item 7 of EU Regulation No 809/2004 about whether the pro forma financial information has been compiled by the Board of Directors and Management's on the basis of the applicable criteria.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the practitioner plan and perform procedures to obtain reasonable assurance about whether the Board of Directors and Management has compiled the pro forma financial information on the basis of the applicable criteria and whether this basis is consistent with the accounting policies of the Company. Our work primarily consisted of comparing the unadjusted financial information with the source documents as described in section 11 of the Prospectus, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with Management of the Company.

The aforementioned opinion does not require an audit of historical unadjusted financial information, or the assumptions summarized in section 11 of the Prospectus. For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of the merger on unadjusted financial information of the Company as if the transaction occurred or had been undertaken at an earlier date selected for purposes of the illustration. Because of its nature, the Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not represent the Company's actual performance. Accordingly, we do not provide any assurance that the actual outcome of the transaction for the year ended 31 December 2018 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled on the basis stated involves performing procedures to assess whether the applicable criteria used by the Board of Directors and Management in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria;
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information; and
- The pro forma financial information has been compiled on a basis consistent with the accounting policies of the Company.

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The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated in section 11 of the Prospectus; and
b) that basis is consistent with the accounting policies of the Company

This report is issued for the sole purpose of offering of shares in Norway and the admission of shares on Oslo Stock Exchange, and other regulated markets in the European Union or European Economic Area as set out in the Prospectus approved by the Financial Supervisory Authority of Norway. Our work has not been carried out in accordance with auditing, assurance or other standards and practices generally accepted in the United States and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices. Therefore, this report is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the listing and issuance of shares described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any type of transaction, including the sale of securities other than the listing of the shares on Oslo Stock Exchange and other regulated markets in the European Union or European Economic Area, as set out in the Prospectus approved by the Financial Supervisory Authority of Norway.

Oslo, 27 June 2019
ERNST & YOUNG AS

Jon-Michael Grefsrød
State Authorized Public Accountant (Norway)

APPENDIX I:

VESSEL VALUATION REPORTS

NORDIC SHIPPING

Belships ASA
Att: Mr Lars Christian Skarsgård

Oslo, 29th April, 2019

CERTIFICATE OF VALUATION

Dear Sirs,

To the best of our ability, but without any guarantee of accuracy on our part, we have today concluded valuation of the below named vessels on an individual basis and based upon the market conditions as per 29th April 2019 and on the assumption that the vessels are in good working order for commercial use and available for fairly prompt charter-free delivery.

NAME	DWT	BUILT	VALUE ABT, MUSD
Belisland	61.250	2016 Shin Kasado	25.5
Belatlantic	63.300	2016 Hantong	24.2
Belmont	63.300	2016 Hantong	24.2
Indian Light	63.300	2016 Hantong	24.2
Southern Light	63.300	2015 Hantong	23.0
Belpareil	63.800	2015 Hantong	23.0
Belforest	61.200	2015 Shin Kasado	24.5
Orient Light	51.000	2008 Pal	11.5
Bering Light	51.000	2008 Pal	11.5

ADRESS
Nordic Shipping AS
Fridtjof Nansens plass 6
P.O Box 1244 Vika
0110 Oslo
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CONTACT
Tel: +47 22 48 21 00
E-mail: ships@nordic-shipping.no

Org.no: 992 073 330

Pacific Light	51.000	2007 Pal	10.7
Eastern Light	51.000	2006 Pal	10.0
Belocean	58.000	2011 Dayang	13.5
Belnor	58.000	2010 Dayang	13.0
Belstar	58.000	2009 Dayang	12.5

Yours faithfully,
Nordic Shipping AS

Lasse Gandolfi
Partner

TERMS & CONDITIONS

This Certificate is for the private use of the party who commissioned it and is not for circulation or publication, however we confirm our acceptance to share it with the financiers. No liability can be accepted to any other person.

The valuation set forth on this Certificate is solely a statement of our opinion of the fair and reasonable market value of the subject vessels on the basis of a willing buyer and willing seller including balance of charter, if stated. The figure relates to the value at the date given and should not be taken to apply to any other date.

No assurance can be given that the valuation can be sustained or is realisable in an actual transaction. No assessment has been made of the validity of the charter parties or the financial standing of the charterers.

In giving such opinion we have assumed in all respects the accuracy of the information concerning the characteristics and condition of the subject vessels set forth in this Certificate. Our opinion is based on part of such information as published in standard reference works or obtained by us from such other sources as we have deemed appropriate. We assume no responsibility whatsoever for the accuracy of any information concerning the vessels. We note that the information available in published reference works may be inaccurate or out-of-date.

We have conducted no inspection of the vessels or of the vessel's classification society records. We have assumed that the vessels are in the condition noted in this Certificate solely for the purpose of expressing our opinion as to the vessel's value in such condition and it is to be understood that we express no opinion as to the actual condition of the vessel in any respect.

Nothing contained in this Certificate constitutes any representation or warranty as to condition value or any other fact or matter, and no one is entitled to rely on any statement or matter contained in this Certificate as a representation or warranty made by us. All persons are cautioned to conduct such independent investigation as they may deem necessary in order to determine the accuracy of any statements, matters or opinions set forth in this Certificate.

Fearnleys

FEARNSALE

CERTIFICATE OF VALUATION

Name	IMO Number	Dwt	Type	Built	Yard	Value
Belstar	9490648	57970	Bulk Carrier	2009	Yangzhou Dayang Shipbuilding	USD 11.75M
Belnor	9490703	58018	Bulk Carrier	2010	Yangzhou Dayang Shipbuilding	USD 12.75M
Belocean	9490818	58018	Bulk Carrier	2011	Yangzhou Dayang Shipbuilding	USD 13.75M
Eastern Light	9336828	50223	Bulk Carrier	2006	Pal Indonesia	USD 9.75M
Pacific Light	9336830	50198	Bulk Carrier	2007	Pal Indonesia	USD 10.50M
Bering Light	9335020	50292	Bulk Carrier	2008	Pal Indonesia	USD 11.50M
Orient Light	9382724	50292	Bulk Carrier	2008	Pal Indonesia	USD 11.50M
Belforest	9698185	61252	Bulk Carrier	2015	Shin Kasado Dockyard Co Ltd	USD 24.50M
Belpareil	9744051	63800	Bulk Carrier	2015	Jiangsu Hantong Ship HI	USD 23.00M
Belsouth	9744063	63296	Bulk Carrier	2015	Jiangsu Hantong Ship HI	USD 23.00M
Belinda	9744075	63338	Bulk Carrier	2016	Jiangsu Hantong Ship HI	USD 24.50M
Belmont	9744087	63263	Bulk Carrier	2016	Jiangsu Hantong Ship HI	USD 24.25M
Belatlantic	9744104	63318	Bulk Carrier	2016	Jiangsu Hantong Ship HI	USD 24.25M
Belisland	9698197	61252	Bulk Carrier	2016	Shin Kasado Dockyard Co Ltd	USD 25.50M

as per 30 April 2019

Date: 30 April 2019

Fearnleys

QUALITY SYSTEM CERTIFICATION DNV·GL ISO 9001

This valuation is subject to our valuation disclaimer

Fearnleys

FEARNSALE

VALUATION DISCLAIMER

(i) Introduction

This valuation represents our opinion as to the fair and reasonable market value of the vessel(s) as specified, on the basis of the further assumptions set out herein as of the date hereof, and is given to the best of our knowledge.

(ii) Main valuation assumptions

This valuation is performed on the basis of "willing seller and willing buyer" at arm's length (assuming that no party is in a forced situation). The valuation is provided on a gross basis, not taking into account relevant transaction costs to bring a sale about. The valuation is provided on the basis of vessels being sold individually. No assurance can be given that the values can be sustained or are realisable in actual transactions.

The valuation and particulars are statements of opinion and are not to be taken as representations of fact. The figures relate solely to our opinion of the market value as of the date given and should not be taken to apply to any other date.

(iii) Factual assumptions and estimates and valuation methodology

The valuation may be based on factual assumptions and estimations and in some cases forward looking estimates. There may also exist uncertainty relating to the facts in question. A breach of these assumptions may have consequences for the valuation, rendering it invalid or non-representable.

Any forward looking estimates involve known and unknown risks, uncertainties and other factors which can result in a deviation from the estimates and might thus change the final result, outcome or development. Such forward looking statements may also be based on many assumptions relating to the vessel(s), the owner of the vessel and market conditions.

The valuation methodology is adapted to each case, based on our professional judgment, and the valuation depends upon this. A change in the method or the weighing of different factors may have consequences for the valuation, rendering it invalid or non-representable. In addition, the valuation may require the exercise of judgment, and differences of opinion as to the judgments may have consequences for the valuation.

Reference sales and prices might form part of our valuation, and such prices are only representative at and around the relevant time of transaction. Later transactions or subsequent market events might change the relevance of these prices significantly, and may have consequences for the valuation. New transactions concluded concurring with the finalization of our valuation may not have been taken into consideration. Estimation of potential sales prices based on estimates of bid- or ask prices on vessel(s) for sale might form part of our valuation, and its subjective and uncertain nature are prone to estimation errors.

Our valuation does not take into consideration the form or level of debt, if any. Any value of market debts relating to the vessel(s) or secured mortgages in the vessel(s) are not taken into consideration. Furthermore, our valuation does not take into account the potential implicit value of the vessel(s) based on an enterprise- or equity value of the owner of the vessel. Material changes in these market prices will therefore be deemed irrelevant for our valuation.

(iv) No physical inspection - good and seaworthy condition

We have not made a physical inspection of the vessel, nor have we inspected the classification or maintenance records. Our opinion is based on information of the vessel stipulated in standard reference books, or obtained by other sources as we have deemed appropriate. We have assumed for the purpose of the valuation that the vessel is in good and seaworthy condition with prompt charter free delivery (unless otherwise noted), with her class fully maintained, free of conditions and recommendations, undamaged and normally equipped. We have not assessed the validity of employment contracts or the standing of charterers. Our assumptions are made irrespective of any actual knowledge of facts to the contrary. We assume no responsibility for the accuracyofsuchassumptionsorinformation. Anypersoncontemplatingenteringintoatransactionorotherwiserelyingonthisvaluationshouldsatisfyhimselfbyinspectionofthevesselor otherwise as to the correctness of the statements and assumptions which the valuation contains.

(v) Conflicting mandates

We might have valuation assignments and/or other advisory mandates for your competitors or for potential buyers of similar vessel(s), which could be construed as a conflict of interest. We might also be involved as advisor or otherwise in transactions for purchase or sale of vessel(s), which we for confidentiality reasons may not take into account in our valuations.

(vi) Addressees

This valuation is provided solely for the use of the person to whom it is addressed for the intended non-public purposes. No liability or responsibility can be accepted towards any other person, neither by ourselves or our officers or directors. The valuation should not be disclosed to any third party, published or circulated without our written permission.

(vii) Date and duration

This valuation has been made as of the date specified, and is only representative of the fair value as of this date. It does not purport to be forward looking, and any material facts or matters of any kind arising up to or beyond this date may have significance for the assumptions and the opinion and estimation of fair market value stated herein.

This valuation shall be governed by the Agreement and Norwegian law, with Oslo city court as exclusive venue for any disputes arising in relation hereto.

Date: 30 April 2019

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