



**BELSHIPS**



**BELSHIPS**

## REPORT 3RD QUARTER 2019

*15 November 2019*

[www.belships.com](http://www.belships.com)

Lilleakerveien 4, P.O.Box 23, Lilleaker, N-0216 Oslo, Norway

Phone +47 22 52 76 00 | [chartering@belships.no](mailto:chartering@belships.no)

Enterprise no: NO 930776793 MVA



## CONTINUED PROFITABILITY AND GROWTH

### HIGHLIGHTS

- Operating income of USD 31.7 million (Q3 2018: USD 27.1m)
- EBITDA of USD 8.1m (Q3 2018: USD 6.4m)
- Net result of USD 0.3m (Q3 2018: USD 4.4m) impacted by one-off costs
- Net TCE (Time charter equivalent) per ship of USD 11,118 per day versus net BSI index of USD 11,886 per day
- About 65% of ship days in Q4 have been booked at about USD 12,625 net per day
- Average cash breakeven per vessel about USD 9,000 per day for next 12 months
- Reported EBITDA includes operating expenses of USD 1.3m arising from the service element embedded in long-term time charter lease agreements classified as financial leases
- Increased 2020 bunkers hedge from 24,000mt to 36,000mt
- Three bareboat charter agreements with purchase options concluded in the quarter
- One bareboat charter agreement with purchase options concluded in October
- Agreed bareboat charter and subsequent sale of the oldest vessel in the fleet in October
- Modern fleet with an average age of 6 years including newbuildings

### Fleet status

Time charter earnings per ship in the quarter were recorded at USD 11,118 net per day versus BSI index of USD 11,886 per day net for the same period. About 65% of ship days in Q4 have been booked at an average rate of USD 12,625 net per day. Net TCE per ship in the year to date period amounted to USD 10,877 versus BSI index of USD 9,170 net per day for the same period. Outperformance of the BSI index is due to the optimized portfolio of period charter coverage and outsized spot earnings earned by our subsidiary Lighthouse Navigation.

Belships took delivery of vessels SOFIE VICTORY and BELFRI in the quarter. In addition, BELRAY was delivered in October. PACIFIC LIGHT was off-hire in mid-September due to main engine damage. The vessel was repaired and resumed operations end of October. BELSTAR was dry docked in July. The remaining fleet sailed without significant off-hire in the quarter.

### Vessel transactions

During July, Belships announced that it had entered into an agreement to bareboat charter a newbuilding resale for a period of up to 10 years. The vessel is a 64,000 dwt Ultramax bulk carrier and will be delivered from a Japanese shipyard in the second half of 2021. Belships has purchase options at around today's market levels as from end of the fourth year and throughout the remaining charter period. This fully financed vessel calculates total cost of capital to about 5.5 per cent.

Furthermore, Belships has agreed 7 year bareboat charters for two 61,000 dwt Ultramax bulk carrier newbuildings. The vessels will be delivered by a Japanese shipyard during the fourth quarter of 2019 and first quarter of 2020. The estimated cash breakeven for the Vessels upon delivery is about USD 11,000 per day including operational expenses. Belships ASA will pay a sum of USD 3 million per



Vessel prior to delivery. The agreements come with purchase options below current market values and can be exercised as from the fourth year until the end of the charter.

We believe this strongly signals the competitive advantage Belships has in sourcing ship finance.

### **Newbuilding program**

Belships' newbuilding program has been expanded and now consists of four vessels, all Japanese eco-design Ultramax bulk carriers. One vessel will be delivered during Q4/2019, two vessels in Q1/2020 and the fourth during 2H/2021. There is no unfinanced capex remaining.

### **Financial and corporate matters**

Belships distributed a dividend of NOK 0.05 per share per share in the quarter.

The company has selected the option in IFRS 16 to separate the service element embedded in long-term time charter contracts to ship operation expenses. The company considers this option to provide more relevant information to the users of the financial statements through presentation of an interest and depreciation cost which excludes charges arising from the service element of long-term time charter contracts. Consequently, Belships' EBITDA and operational performance will be comparable over time regardless of financing method. As a result, EBITDA decreased by USD 1.3m in the quarter, whereof USD 0.8m relates to the first and second quarter of 2019.

Belships has increased its hedge of the price differential between compliant 0.5% sulphur fuel oil (VLSFO) and 3.5% Sulphur fuel oil (HSFO) from 24,000 tons to 36,000 tons. The company has secured the fuel consumption for the equivalent of six vessels in 2020. The average fixed price differential is USD 214 per ton, with monthly settlements in 2020.

At the end of the quarter, cash and cash equivalents totalled USD 43.8m. The mortgage debt was USD 137.2m, while net lease obligation was USD 54.9m. Refinancing of Belships mortgage debt is now completed and Belships liquidity position is solid. Undrawn loan facility amounts to USD 15 million.

The fleet will be cash positive at a day rate of about USD 9,000 for the remaining coming 12 months. The rate includes dry docking and finance cash flows.

At the end of the quarter, the book value per share amounted to NOK 6.67 (USD 0.73), while the equity ratio was 42.2 %.

### **Market highlights**

The Supramax/Ultramax market improved strongly in the third quarter, with the BSI58 index averaging USD 11,886 net, up from USD 8,061 net in the second quarter. Inventory restocking following supply disruptions earlier this year, inefficiencies caused by prolonged dry dockings ahead of IMO 2020 and reduced sailing speeds contributed to the sharp upturn. Supramax/Ultramax supply growth is hovering around the lowest levels since 2001. The main reason for the volatile and at times weak markets have been due to negative demand developments, with global economic growth projections also being revised downwards. However, dry bulk growth remains at decent levels as China stimulated the economy through interest rate cuts and increased infrastructure spending. Growth in the South East Asian countries has also been strong, with the region on track to increase



raw material imports by 20% this year. Global economic growth is expected to support dry bulk demand growth in excess of three per cent.

We have not registered new Ultramax bulk carrier orders since the summer, and just 15 dry bulk vessels in total were ordered the last three months according to industry orderbooks. Bank financing for speculative orders remain scarce and the upcoming environmental regulations makes for uncertainty as to which ship types to order. The Supramax/Ultramax orderbook to existing fleet ratio stands at just 7 per cent, which is the lowest level since 1999. This ratio may continue to drop, which in turn presents an opportunity for better shipping markets.

The lack of newbuilding orders is positive for the market balance as the supply side will eventually be reduced. Uncertainty and scarcity of competitive financing has also affected the values of second hand vessels and therefore earnings and values have decoupled from historically very high correlation. The current situation reminds us of the period in 2016/17 when asset values did not react to the underlying market improvements before the following year.

However, the current market environment displays considerable short term volatility and we have seen a sharp downward correction taking place in the start of the fourth quarter. We remain with a constructive view of the markets, which should continue to be aided by inefficiencies from preparations and effects of IMO 2020 contributing to reducing the supply side. In our view, the Supramax/Ultramax segment continues to offer the greatest risk/reward within dry bulk markets.

### **Subsequent events**

In the beginning of October Belships entered into an agreement with Marti Shipping & Ship Management of Turkey for a bareboat charter and subsequent sale of BELEAST. The 50,000 dwt bulk carrier was built in 2006, and is the oldest ship in Belships' fleet of 22 Supramax and Ultramax vessels, including newbuildings. BELEAST will enter the bareboat charter during the fourth quarter of 2019 and Belships will realize a gain of approximately USD 4.0 million. The Charterer has an obligation to purchase the vessel within 24 months and the net cash flow during the period will be approximately USD 3.5 million after repayment of outstanding loans.

In October Belships also agreed a 7 year bareboat charter for a 61,000 dwt Ultramax bulk carrier newbuilding. The vessel will be delivered by a Japanese shipyard during the first quarter of 2020. The estimated cash breakeven for the Vessel upon delivery is about USD 11,000 per day including operational expenses. Belships ASA will pay a sum of USD 3 million prior to delivery. The agreement comes with purchase options below current market values and can be exercised after the fourth year until the end of the charter. Cost of capital is similar to the previous transactions.

### **Outlook**

The Company controls a fleet of 23 dry bulk carriers, including newbuildings, and continues to enhance its earnings with a combination of charter backlog and spot exposure.

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

Following the transactions already announced and the issuances of new shares, the company 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 increase the liquidity in the share.



Introducing dividends is an important part of developing Belships, and returning capital to the shareholders on a regular basis is an important part of the company's strategy.

15 November 2019  
THE BOARD OF BELSHIPS ASA

Peter Frølich, Chairman

Frode Teigen  
Carl Erik Steen

Sverre Jørgen Tidemand  
Birthe Cecilie Lepsøe

Sissel Grefsrud  
Jorunn Seglem

Lars Christian Skarsgård  
CEO

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

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

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

USD 1 000	Q3 2019	Q3 2018	YTD Q3 2019	YTD Q3 2018	2018
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>					
Actuarial gain/(loss) on defined benefit plans	<b>0</b>	0	<b>0</b>	0	-9
<i>Items that may be subsequently reclassified to profit or (loss):</i>					
Exchange differences	<b>0</b>	0	<b>0</b>	0	53
<b>Total comprehensive income</b>	<b>349</b>	4 377	<b>3 028</b>	4 980	19 239
Hereof majority interests	<b>-387</b>	3 776	<b>2 244</b>	4 432	18 181
Hereof non-controlling interests	<b>736</b>	601	<b>784</b>	548	1 058

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

USD 1 000		<b>30 Sep 2019</b>	31 Dec 2018
<b>NON-CURRENT ASSETS</b>			
	<i>Note</i>		
Intangible assets		<b>6 650</b>	8 536
Ships	3	<b>285 181</b>	230 425
Prepayment of ships		<b>6 000</b>	0
Property, Plant, and Equipment		<b>3 892</b>	4 210
Investments in j/v and assoc. companies		<b>3 496</b>	1 939
Other non-current assets		<b>0</b>	343
<b>Total non-current assets</b>		<b>305 219</b>	245 453
<b>CURRENT ASSETS</b>			
Inventories		<b>2 232</b>	4 230
Current receivables		<b>17 675</b>	11 897
Cash and cash equivalents		<b>43 736</b>	32 034
<b>Total current assets</b>		<b>63 643</b>	48 161
<b>Total assets</b>		<b>368 862</b>	293 614
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Paid-in capital		<b>126 704</b>	96 870
Retained earnings		<b>25 228</b>	23 738
Non-controlling interests		<b>3 893</b>	3 174
<b>Total equity</b>		<b>155 825</b>	123 782
<b>Non-current liabilities</b>			
Mortgage debt	4	<b>121 767</b>	94 513
Lease liability	5	<b>50 514</b>	38 653
Other non-current liabilities		<b>2 317</b>	3 446
<b>Total non-current liabilities</b>		<b>174 598</b>	136 612
<b>Current liabilities</b>			
Mortgage debt	4	<b>15 414</b>	12 500
Lease liability	5	<b>4 375</b>	2 119
Other current liabilities		<b>18 650</b>	18 601
<b>Total current liabilities</b>		<b>38 439</b>	33 220
<b>Total equity and liabilities</b>		<b>368 862</b>	293 614

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

USD 1 000	YTD Q3 2019	YTD Q3 2018	2018
<b>Cash flow from operating activities</b>			
Net result before taxes	3 541	4 998	19 442
Adjustments to reconcile profit before tax to net cash flows:			
Purchase bargain gain	0	0	-12 849
Depreciations on fixed assets	13 702	5 122	7 813
Share-based compensation expense	22	0	5
Difference between pension exps and paid pension premium	0	0	-81
Share of result from j/v and assoc. companies	-1 900	-982	-2 012
Net finance costs	8 938	3 575	5 143
Change in other short-term items	-5 609	177	483
Interest received	184	20	56
Interest paid	-7 705	-3 488	-4 754
Income tax paid	-247	-88	-264
<b>Net cash flow from operating activities</b>	<b>10 926</b>	<b>9 334</b>	<b>12 982</b>
<b>Cash flow from investing activities</b>			
Payment of ships	-54 000	-19 430	-19 430
Distribution and capital reduction from joint ventures	0	0	2 340
Net cash contribution from merger	0	0	6 709
Payment of other investments	-1 378	0	0
<b>Net cash flow from investing activities</b>	<b>-55 378</b>	<b>-19 430</b>	<b>-10 381</b>
<b>Cash flow from financing activities</b>			
Proceeds from long-term debt	137 718	19 750	19 750
Paid-in capital (net)	29 041	0	0
Repayment of long-term debt	-109 957	-1 234	-4 161
Dividend to non-controlling interests	-648	0	-846
<b>Net cash flow from financing activities</b>	<b>56 154</b>	<b>18 516</b>	<b>14 743</b>
Net change in cash and cash equivalents during the period	11 702	8 420	17 344
Cash and cash equivalents at 1 January	32 034	14 690	14 690
<b>Cash and cash equivalents at end of period (incl. restricted cash)</b>	<b>43 736</b>	<b>23 110</b>	<b>32 034</b>



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

USD 1 000

	Majority interest						Total equity
	Paid-in				Retained		
	Share capital	Treasury shares	Share premium reserves	Other paid-in equity	Other equity	Non-controlling interests	
<b>As at 30 September 2019</b>							
Equity as at 31 December 2018	41 870	-166	18 166	37 000	23 738	3 174	123 782
Share issue (incl. share issue exps)	8 533	0	21 333	-825	0	0	29 041
Share-based payment expense	0	0	0	22	0	0	22
NCI transactions	0	0	0	0	0	-48	-48
Net result for the period	0	0	0	0	2 244	784	3 028
Other comprehensive income	0	0	0	0	0	0	0
Total comprehensive income	0	0	0	0	2 244	784	3 028
<b>Equity as at 30 September 2019</b>	<b>50 403</b>	<b>-166</b>	<b>39 499</b>	<b>36 197</b>	<b>25 982</b>	<b>3 910</b>	<b>155 825</b>
<b>As at 31 December 2018</b>							
Equity as at 31 December 2017	27 598	-166	4 519	0	5 557	6 567	44 075
Consideration shares complet. of merger	14 272	0	13 647	0	0	0	27 919
Restructuring as part of the merger	0	0	0	37 000	0	-4 451	32 549
Net result for the period	0	0	0	0	18 169	1 026	19 195
Other comprehensive income	0	0	0	0	12	32	44
Total comprehensive income	0	0	0	0	18 181	1 058	19 239
<b>Equity as at 31 December 2018</b>	<b>41 870</b>	<b>-166</b>	<b>18 166</b>	<b>37 000</b>	<b>23 738</b>	<b>3 174</b>	<b>123 782</b>

**KEY FINANCIAL FIGURES**

		As at 30 Sep 2019	As at 31 Dec 2018*
EBITDA	<i>USD 1000</i>	<b>26 181</b>	19 549
Interest coverage ratio		<b>1.62</b>	5.17
Current ratio	%	<b>165.57</b>	144.98
Equity ratio	%	<b>42.24</b>	42.16
Earnings per share	<i>USD</i>	<b>0.00</b>	0.20
Earnings per share	<i>NOK</i>	<b>0.01</b>	1.76
Equity per share	<i>USD</i>	<b>0.73</b>	0.71
Equity per share	<i>NOK</i>	<b>6.67</b>	6.14
Number of issued shares as at end of period		<b>212 224 705</b>	175 117 993
Average number of weighted shares (excluding treasury shares)		<b>188 226 945</b>	94 850 830

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

**DEFINITION OF NON-IFRS FINANCIAL MEASURES**

The Group's financial information is prepared in accordance with international financial reporting standards ("IFRS") as adopted by the European Union. In addition, it is the management's intention to provide alternative performance measures that are regularly reviewed by management to enhance the understanding of the Group's performance, but not instead of, the financial statements prepared in accordance with IFRS. The alternative performance measures presented may be determined or calculated differently by other companies. Due to the recent establishment of the enlarged Group, Management is in the initial phase of assessing its external financial reporting and performance measures are therefore subject to change.

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

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



## NOTES TO THE CONSOLIDATED ACCOUNTS

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

### Note 1 Accounting principles

These interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting". They do not include all of the information required for full annual financial reporting, and should be read in conjunction with the consolidated financial statements of Belships for the year ended 31 December 2018.

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

This report was approved by the Board of Directors on 15 November 2019.

### Note 2 Segment information

USD 1 000	January - September 2019				
	Owned ships	Lighthouse Navigation	Ship mgmt.	Admin. & group trs.	Total
Gross freight revenue	55 016	50 109	0	0	105 125
Voyage expenses	-8 405	-14 085	0	2 255	-20 235
<b>Net freight revenue</b>	<b>46 611</b>	<b>36 024</b>	<b>0</b>	<b>2 255</b>	<b>84 890</b>
Management fees	0	3 974	5 398	-1 917	7 456
<b>Operating income</b>	<b>46 611</b>	<b>39 998</b>	<b>5 398</b>	<b>338</b>	<b>92 346</b>
Share of result from j/v and assoc. comp.	0	1 900	0	0	1 900
T/C hire expenses	0	-35 867	0	0	-35 867
Ship operating expenses	-23 144	0	0	1 538	-21 606
Operating expenses ship management	0	0	-2 910	0	-2 910
General and administrative expenses	-457	-4 385	0	-2 840	-7 682
<b>Operating expenses</b>	<b>-23 601</b>	<b>-38 352</b>	<b>-2 910</b>	<b>-1 302</b>	<b>-66 165</b>
<b>EBITDA</b>	<b>23 010</b>	<b>1 646</b>	<b>2 488</b>	<b>-964</b>	<b>26 181</b>
Depreciation and amortisation	-12 997	-65	-563	-77	-13 702
<b>Operating result (EBIT)</b>	<b>10 013</b>	<b>1 581</b>	<b>1 925</b>	<b>-1 041</b>	<b>12 479</b>
Interest income	101	31	2	50	184
Interest expenses	-7 705	0	0	0	-7 705
Other financial items	-738	0	0	0	-738
Currency gains/(-losses)	7	-21	-20	-645	-679
<b>Net financial items</b>	<b>-8 335</b>	<b>10</b>	<b>-18</b>	<b>-595</b>	<b>-8 938</b>
<b>Result before taxes</b>	<b>1 678</b>	<b>1 591</b>	<b>1 907</b>	<b>-1 636</b>	<b>3 541</b>
Taxes	0	-135	-378	0	-513
<b>Net result</b>	<b>1 678</b>	<b>1 456</b>	<b>1 529</b>	<b>-1 636</b>	<b>3 028</b>
Hereof majority interests	1 678	723	1 478	-1 636	2 244
Hereof non-controlling interests	0	733	51	0	784

**Note 2 Segment information, continued**

USD 1 000	January - September 2018				
	<i>Owned ships</i>	<i>Lighthouse Navigation</i>	<i>Ship mgmt.</i>	<i>Admin. &amp; group trs.</i>	<i>Total</i>
Gross freight revenue	30 455	59 133	0	0	89 588
Voyage expenses	-5 735	-18 570	0	607	-23 698
<b>Net freight revenue</b>	<b>24 720</b>	<b>40 563</b>	<b>0</b>	<b>607</b>	<b>65 890</b>
Management fees	0	3 851	0	-607	3 244
<b>Operating income</b>	<b>24 720</b>	<b>44 414</b>	<b>0</b>	<b>0</b>	<b>69 134</b>
Share of result from j/v and assoc. comp.	0	982	0	0	982
T/C hire expenses	0	-40 752	0	0	-40 752
Ship operating expenses	-11 578	0	0	0	-11 578
General and administrative expenses	-1 132	-2 959	0	0	-4 091
<b>Operating expenses</b>	<b>-12 710</b>	<b>-42 729</b>	<b>0</b>	<b>0</b>	<b>-55 439</b>
<b>EBITDA</b>	<b>12 010</b>	<b>1 685</b>	<b>0</b>	<b>0</b>	<b>13 695</b>
Depreciation and amortisation	-5 060	-62	0	0	-5 122
Purchase bargain gain	0	0	0	0	0
<b>Operating result (EBIT)</b>	<b>6 950</b>	<b>1 623</b>	<b>0</b>	<b>0</b>	<b>8 573</b>
Interest income	0	20	0	0	20
Interest expenses	-3 488	0	0	0	-3 488
Other financial items	-90	0	0	0	-90
Currency gains/(-losses)	-1	-16	0	0	-17
<b>Net financial items</b>	<b>-3 579</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>-3 575</b>
<b>Result before taxes</b>	<b>3 371</b>	<b>1 627</b>	<b>0</b>	<b>0</b>	<b>4 998</b>
Taxes	0	-18	0	0	-18
<b>Net result</b>	<b>3 371</b>	<b>1 609</b>	<b>0</b>	<b>0</b>	<b>4 980</b>
Hereof majority interests	3 371	1 061	0	0	4 432
Hereof non-controlling interests	0	548	0	0	548


**Note 2 Segment information, continued**

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

  

USD 1 000	Q2 - 2019					Q2 - 2018				
	Owned ships	LHN	Ship mgmt	Adm	Total	Owned ships	LHN	Ship mgmt	Adm	Total
Gross freight revenue	17 898	17 229	0	0	35 127	12 383	17 457	0	0	29 840
Voyage expenses	-2 961	-5 410	0	303	-8 068	-3 667	-5 953	0	141	-9 479
<b>Net freight revenue</b>	<b>14 937</b>	<b>11 819</b>	<b>0</b>	<b>303</b>	<b>27 059</b>	<b>8 716</b>	<b>11 504</b>	<b>0</b>	<b>141</b>	<b>20 361</b>
Management fees	0	1 318	1 983	-790	2 511	0	1 334	0	-141	1 193
<b>Operating income</b>	<b>14 937</b>	<b>13 137</b>	<b>1 983</b>	<b>-487</b>	<b>29 570</b>	<b>8 716</b>	<b>12 838</b>	<b>0</b>	<b>0</b>	<b>21 554</b>
Share of result from j/v and assoc. comp.	0	608	0	0	608	0	230	0	0	230
T/C hire expenses	0	-12 121	0	0	-12 121	0	-13 048	0	0	-13 048
Ship operating expenses	-6 980	0	0	515	-6 465	-3 547	0	0	0	-3 547
Operating expenses ship management	0	0	-916	0	-916	0	0	0	0	0
General and administrative expenses	-115	-1 433	0	-1 152	-2 700	-523	-1 159	0	0	-1 682
<b>Operating expenses</b>	<b>-7 095</b>	<b>-12 946</b>	<b>-916</b>	<b>-637</b>	<b>-21 594</b>	<b>-4 070</b>	<b>-13 977</b>	<b>0</b>	<b>0</b>	<b>-18 047</b>
<b>Operating result (EBITDA)</b>	<b>7 842</b>	<b>191</b>	<b>1 067</b>	<b>-1 124</b>	<b>7 976</b>	<b>4 646</b>	<b>-1 139</b>	<b>0</b>	<b>0</b>	<b>3 507</b>
Depreciation and amortisation	-4 380	-22	-276	-24	-4 702	-2 336	-20	0	0	-2 356
<b>Operating result (EBIT)</b>	<b>3 462</b>	<b>169</b>	<b>791</b>	<b>-1 148</b>	<b>3 274</b>	<b>2 310</b>	<b>-1 159</b>	<b>0</b>	<b>0</b>	<b>1 151</b>

  

USD 1 000	Q3 - 2019					Q3 - 2018				
	Owned ships	LHN	Ship mgmt	Adm	Total	Owned ships	LHN	Ship mgmt	Adm	Total
Gross freight revenue	18 389	15 433	0	0	33 822	10 437	24 447	0	0	34 884
Voyage expenses	-1 789	-4 384	0	1 743	-4 430	-1 235	-7 933	0	283	-8 885
<b>Net freight revenue</b>	<b>16 600</b>	<b>11 049</b>	<b>0</b>	<b>1 743</b>	<b>29 392</b>	<b>9 202</b>	<b>16 514</b>	<b>0</b>	<b>283</b>	<b>25 999</b>
Management fees	0	1 424	1 469	-586	2 308	0	1 367	0	-283	1 084
<b>Operating income</b>	<b>16 600</b>	<b>12 473</b>	<b>1 469</b>	<b>1 157</b>	<b>31 700</b>	<b>9 202</b>	<b>17 881</b>	<b>0</b>	<b>0</b>	<b>27 083</b>
Share of result from j/v and assoc. comp.	0	658	0	0	658	0	357	0	0	357
T/C hire expenses	0	-11 231	0	0	-11 231	0	-16 087	0	0	-16 087
Ship operating expenses	-9 780	0	0	614	-9 166	-3 951	0	0	0	-3 951
Operating expenses ship management	0	0	-1 023	0	-1 023	0	0	0	0	0
General and administrative expenses	-199	-1 763	0	-877	-2 839	-355	-648	0	0	-1 003
<b>Operating expenses</b>	<b>-9 979</b>	<b>-12 336</b>	<b>-1 023</b>	<b>-263</b>	<b>-23 601</b>	<b>-4 306</b>	<b>-16 378</b>	<b>0</b>	<b>0</b>	<b>-20 684</b>
<b>Operating result (EBITDA)</b>	<b>6 621</b>	<b>137</b>	<b>446</b>	<b>894</b>	<b>8 099</b>	<b>4 896</b>	<b>1 503</b>	<b>0</b>	<b>0</b>	<b>6 399</b>
Depreciation and amortisation	-4 382	-23	-15	-25	-4 445	-898	-21	0	0	-919
<b>Operating result (EBIT)</b>	<b>2 239</b>	<b>114</b>	<b>431</b>	<b>869</b>	<b>3 654</b>	<b>3 998</b>	<b>1 482</b>	<b>0</b>	<b>0</b>	<b>5 480</b>

**Note 3 Ships**

Belships assess whether there are any indicators that ships and other assets may be impaired at each reporting date. No impairment indicators existed at the end of the quarter.

**Note 4 Mortgage debt**

Belships entered into a new USD 140m loan facility in April 2019. The first tranche of USD 110m replaced existing loan arrangements. The second tranche of USD 30m was made available for fleet expansion. At the end of the third quarter, USD 15m of the second tranche remained undisbursed. The first instalment is due in Q4 2020. The loan has a margin of 275 basis points over LIBOR and matures in Q2 2024.

The company acquired all shares in Sofie Victory AS, the owner of SOFIE VICTORY in July 2019. The agreement involved USD 14m of debt at a margin of 295 basis points above LIBOR. The loan matures in 3Q 2021.

Belships has entered into two interest rate swaps from floating to fixed interest rates for a total nominal amount of USD 21.5m. The value change each quarter is included in net financial items. At the end of the quarter, 60% of Belships' total interest bearing loans and lease liabilities were affected by interest rate movements.

Total mortgage debt was USD 137.2m at the end of the quarter. Arrangement fee and other transaction costs related to the mortgage debt were initially recorded as a reduction of the debt in the balance sheet, and are subsequently amortized over the loan period in accordance with the amortized cost principle.

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

**Note 5 Leasing**

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

At the end of third quarter 2019, Belships had BELFOREST and BELISLAND on bareboat agreements. In addition, the company had BELNIPPON under a long-term time charter agreement. The company considers bareboat agreements to meet the lease definition under the new standard, while long-term time charter contracts contains both lease and service components.

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

Belships has from the third quarter 2019 chosen the option to allocate the service component embedded in all long-term time charter contracts to ship operation expenses. The company considers this option to provide more relevant information to the users of the financial statements through presentation of an interest and depreciation cost which excludes charges arising from the service element of long-term time charter contracts. Consequently, Belships' EBITDA and operational performance will be comparable over time and regardless of financing method. As a result, EBITDA decreased by USD 1.3m in the quarter, whereof USD 0.8m relates to the first and second quarter of 2019. The net result decreased by USD 1.8m, whereof USD 1.2m relates to the first and second quarter of 2019. Change in Net result was also driven by an adjustment in the useful life for BELNIPPON to reflect the duration of the associated charter. Leasing liability decreased by USD 8.6m and USD 9.4m at 30 September 2019 and 1 January 2019, respectively.

Leasing liability at the end of the quarter arising from bareboat obligations and long term time charter was USD 39.2m and USD 15.7m, respectively.

**Note 6 Subsequent events**

In the beginning of October Belships entered into an agreement with Marti Shipping & Ship Management of Turkey for a bareboat charter and subsequent sale of BELEAST. The 50,000 dwt bulk carrier was built in 2006, and is the oldest ship in Belships' fleet. BELEAST will enter the bareboat charter during the fourth quarter of 2019 and Belships will realise a gain of approximately USD 4.0m. The Charterer has an obligation to purchase the vessel within 24 months and the net cash flow during the period will be approximately USD 3.5m after repayment of outstanding loans.

In October Belships also agreed a 7 year bareboat charter for a 61,000 dwt Ultramax bulk carrier newbuilding. The vessel will be delivered by a Japanese shipyard during the first quarter of 2020.

The estimated cash breakeven for the Vessel upon delivery is about USD 11,000 per day including operational expenses. Belships ASA will pay a sum of USD 3.0m prior to delivery. The agreement comes with purchase options below current market values and can be exercised after the fourth year until the end of the charter.

No other material events have taken place after 30 September 2019.



## 20 LARGEST SHAREHOLDERS

Updated 8 November 2019

Shareholder	Number of shares	%
KONTRARI AS	95 822 108	45.15%
KONTRAZI AS	37 463 265	17.65%
SONATA AS	17 461 778	8.23%
LGT BANK AG	12 441 285	5.86%
UBS SWITZERLAND AG	11 334 395	5.34%
WENAASGRUPPEN AS	10 573 275	4.98%
EGD SHIPHOLDING AS	8 477 395	3.99%
PERSHING LLC	3 622 406	1.71%
JAKOB HATTELAND HOLDING AS	3 070 861	1.45%
BNP PARIBAS SECURITIES SERVICES	2 142 044	1.01%
CLEARSTREAM BANKING S.A.	1 626 253	0.77%
KBC BANK NV	1 591 508	0.75%
STAVANGER FORVALTNING AS	1 000 000	0.47%
BELSHIPS ASA	548 000	0.26%
AS TORINITAMAR	417 100	0.20%
ASL HOLDING AS	363 836	0.17%
OLA RUSTAD A.S	350 000	0.16%
TORU NAGATSUKA	300 000	0.14%
ÅSTVEIT INVESTOR AS	285 714	0.13%
SWEDBANK AS	285 714	0.13%
OTHER SHAREHOLDERS	3 047 768	1.44%
<b>TOTAL OUTSTANDING SHARES</b>	<b>212 224 705</b>	<b>100.00%</b>





**FLEET LIST**

Ship	Ownership	Built year	Dwt	Employment	T/C-rate (net USD/day)
<b>Supramax</b>					
BELSTAR	100 %	2009	58 018	Spot	
BELNOR	100 %	2010	58 018	T/C to 05/20	16 000
BELOCEAN	100 %	2011	58 018	Spot	
BELEAST	<sup>1</sup> 100 %	2006	50 223	BBC	
BELPACIFIC	100 %	2007	50 198	Spot	12 150
BELFORT	100 %	2008	50 292	Spot	
BELORIENT	100 %	2008	50 292	Spot	
BELCARGO	100 %	2008	58 729	Spot	
BELFRI	100 %	2007	55 866	Spot	
<b>Ultramax</b>					
BELFOREST	BBC	2015	61 320	T/C to 04/20	11 100
BELISLAND	BBC	2016	61 252	T/C to 03/21	17 300
BELNIPPON	<sup>2</sup> TC	2018	63 000	T/C to 12/19	11 200
BELPAREIL	100 %	2015	63 200	T/C to 12/19	11 250
BELSOUTH	100 %	2015	63 200	T/C to 11/19	11 500
BELINDA	100 %	2016	63 200	T/C to 12/19	12 550
BELMONT	100 %	2016	63 200	T/C to 01/20	11 900
SOFIE VICTORY	<sup>3</sup> 100 %	2016	63 073	T/C to 03/21	10 800
BELATLANTIC	100 %	2016	63 200	Spot	
BELRAY	BBC	2019	61 000	Spot	
BELFUJI	<sup>4</sup> TC	2020	61 000	Open	
BELMOIRA	<sup>5</sup> BBC	2020	61 000	Open	
NEWBUILDING JAPAN	<sup>5</sup> BBC	2020	61 000	Open	
NEWBUILDING JAPAN	<sup>6</sup> BBC	2021	64 000	Open	

1) The company entered into an agreement with Marti Shipping & Ship Management of Turkey for a bareboat charter and subsequent sale of BELEAST

2) 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.

3) Index based time charter with a floor rate of USD 10,800 net per day

4) Delivery during 1st quarter 2020 for long-term lease with purchase option. Charter period is eight years with two annual renewal options.

5) Delivery during 1st quarter 2020 for long-term lease with purchase option. Charter period is seven years.

6) Delivery during 4<sup>th</sup> quarter 2021 for long-term lease with purchase option. Charter period is ten years.