



**BELSHIPS**



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## QUARTERLY REPORT – Q2 2020

*21 August 2020*

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## A CHALLENGING QUARTER – IMPROVING OUTLOOK AHEAD

### HIGHLIGHTS

- Operating income of USD 28.6 million (Q2 2019: USD 29.6m)
- EBITDA of USD 1.9m (USD 8.0m)
- Net result of USD -14.6m (USD 0.1m). Net result includes non-cash impairment of USD 4.9m total for the four oldest vessels in the fleet
- Net TCE earnings per ship of USD 6 927 per day versus BSI index of USD 5 210 net per day
- Realised FFA gains equivalent to USD 1 117 net per vessel day resulting in total outperformance of the Baltic Supramax market index of 54 per cent
- 60 per cent of remaining ship days in 2020 are booked at USD 9 600 net per day
- Taken delivery of BELHAVEN and issued shares
- Modern fleet of 23 vessels with an average age of 5 years including newbuildings

### Fleet status

Time charter earnings per ship in the quarter were recorded at USD 6 927 net per day versus BSI index of USD 5 210 net per day for the same period. In addition, FFA gains equivalent to USD 1 117 net per vessel day (USD 2.0m) were realised resulting in a total outperformance of the Baltic Supramax market index of 54 per cent. Outperformance of the BSI index is due to the portfolio of period charter coverage and outsized spot earnings achieved by our subsidiary Lighthouse Navigation.

About 60 per cent of remaining ship days in 2020 are booked at USD 9 600 net per day. About 90 per cent of available days in Q3 have been booked at about USD 9 000 net per day and about 40 per cent in Q4 are booked at about USD 11 000 net per day.

BELSOUTH and BELNOR were drydocked in the quarter. BELFORT underwent repairs in mid-April and resumed full operating at the end of the month.

The remaining fleet sailed without significant off-hire in the quarter.

### Vessel transactions

In May, Belships took delivery of BELHAVEN, a 63 000 dwt Ultramax from Japanese Owners. The vessel was built in 2017 by Imabari shipyard and delivered after having passed its dry-docking survey. The purchase price of USD 24.5m was settled by issuing new shares equivalent to 50 per cent at a subscription price of NOK 7.15 per share (USD/NOK 9.31), and the remaining in cash. Belships utilised 60 per cent financing of the purchase price, resulting in a positive cash effect of about USD 2.45 million. BELHAVEN is currently fixed for about 11-13 months time charter at about USD 12 200 per day net.

The recent vessel transactions signal the competitive advantage Belships has in sourcing ship finance. Belships' fleet continues to increase and improve with only modest cash investments. Taking into consideration nine acquisitions and two divested vessels over the past 12 months the net cash effect



is about USD 3m. The Japanese Ultramax bulk carriers entering the fleet represent the highest quality and lowest fuel consumption available in the market today.

### **Financial and corporate matters**

At the end of the quarter, cash and cash equivalents was USD 34.4m. Mortgage debt was USD 143.7m, while net lease obligation was USD 141.9m.

Belships recorded an impairment loss of USD 4.9m in the quarter. The impairment relates to the four oldest vessels in the fleet.

During January and February, Belships hedged some of its spot exposure by selling FFA contracts maturing from Q2 2020 to Q1 2021. A majority of the contracts were realised in the second quarter, generating a cash effect of USD 2.0m. At the end of the quarter, the remaining FFA portfolio comprised 450 days at an average rate of USD 9 400 per day.

As part of the consideration for BELHAVEN and based on the authorisation granted by the Annual General Meeting on 14 May 2020, the Board of directors resolved to increase the Company's share capital by the issuance of 15,950,699 new shares to the sellers. Following the registration of the share capital increase with the Norwegian Register of Business Enterprises, the Company's share capital was increased to NOK 456,350,808, divided by 228,175,404 shares, each with a par value of NOK 2.

At the end of the quarter, book value per share amounted to NOK 6.55 (USD 0.67), corresponding to an equity ratio of 34 per cent.

### **Market highlights**

In the second quarter, the Baltic Supramax 58 index averaged USD 5 210 net per day, with the market still reeling from the continued outbreak of COVID-19. Demand was hampered by global lockdowns and a widespread and historic slump in economic activity. On the supply side, scrapping virtually came to halt as travel bans and restrictions hindered any meaningful recycling of older vessels, so even though spot rates plummeted the net increase in the supply of vessels came in above projections.

Falling fuel oil bunkers also contributed to increased sailing speeds and ballasting in the quarter. In sum, the impact and consequences from COVID-19 eliminated the seasonal upturn usually experienced earlier in the second quarter.

However, the market started showing signs of bottoming out during April and May, and since then volumes have recovered as economies gradually reopened. In July, total shipment volume was 92 million tons - a new all-time high. The volume recovery was broad based and included all commodity sub-groups by varying degrees. Towards the end of June, the spot rates and short term FFA contracts picked up traction and expectations for a healthier market post-summer were evident.

### **Outlook**

In July, we have observed a significant improvement in the spot rates, with average rates in July climbing above USD 9 000 per day for the first time in 2020 and as per mid-August now stand at USD 10 500. Freight Forward Agreements (FFA) currently indicate a market for Supramaxes and Ultramaxs of around USD 10 500 and 11 500 per day for the remaining part of the year.



As we mentioned in our previous report, whilst total volumes shipped has rebounded, the supply side has needed to adjust in order to sustain a recovery in rates. The publicly quoted orderbook for our segment now stands at 5 per cent – historically low – and we expect this to lay the foundation for a potentially strong market in 2021. Furthermore, the average sailing speeds have increased by 5-7 per cent which will also help the fleet reach its true utilisation level in a stronger market. Going forward we are therefore more optimistic in terms of market prospects, with the main downside risks to our outlook being a potential new round of lockdowns and year-end import reductions. Consequently, Belships has a significant part of the fleet contractually covered for the next three quarters.

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

21 August 2020  
THE BOARD OF BELSHIPS ASA

Peter Frølich  
*Chairman*

Frode Teigen	Sverre Jørgen Tidemand	Sissel Grefsrud
Carl Erik Steen	Birthe Cecilie Lepsøe	Jorunn Seglem
	Lars Christian Skarsgård <i>CEO</i>	

**RESPONSIBILITY STATEMENT**

We confirm to the best of our knowledge that the unaudited condensed set of financial statements for the period 1 January to 30 June 2020 has been prepared in accordance with IAS 34 - Interim Financial Reporting, and gives a true and fair view of the Company's assets, liabilities, financial position and result for the period.

We also confirm to the best of our knowledge that the financial review includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the financial statements as described in the Securities Trading Act §5-6 fourth paragraph.

21 August 2020

THE BOARD OF BELSHIPS ASA

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*Chairman*

Frode Teigen	Sverre Jørgen Tidemand	Sissel Grefsrud
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**CONSOLIDATED STATEMENT OF INCOME***The quarterly figures are not audited*

USD 1 000	Note	Q2 2020	Q2 2019	YTD Q2 2020	YTD Q2 2019	2019
Gross freight revenue		37 873	35 127	87 348	71 303	153 909
Voyage expenses		-10 764	-8 068	-28 556	-15 805	-30 243
<b>Net freight revenue</b>	2	<b>27 109</b>	27 059	<b>58 792</b>	55 498	123 666
Management fees		1 508	2 511	3 381	5 148	7 650
<b>Operating income</b>	2	<b>28 617</b>	29 570	<b>62 173</b>	60 646	131 316
Share of result from j/v and assoc. comp.		742	608	1 315	1 242	2 715
T/C hire expenses		-14 692	-12 121	-30 275	-24 636	-49 825
Ship operating expenses		-9 467	-6 465	-19 368	-12 440	-33 558
Operating expenses ship management		-865	-916	-1 826	-1 887	-4 125
General and administrative expenses		-2 462	-2 700	-5 293	-4 843	-11 815
<b>Operating expenses</b>		<b>-26 744</b>	-21 594	<b>-55 447</b>	-42 564	-96 608
<b>EBITDA</b>		<b>1 873</b>	7 976	<b>6 726</b>	18 082	34 708
Depreciation and amortisation	3	-7 699	-4 702	-14 427	-9 257	-23 074
Impairment of ships	3	-4 868	0	-4 868	0	0
Gain on sale of ships		0	0	2 469	0	4 381
Other gains/(-losses)	6	-598	0	2 338	0	2 119
<b>Operating result (EBIT)</b>		<b>-11 292</b>	3 274	<b>-7 762</b>	8 825	18 134
Interest income		257	57	507	113	283
Interest expenses		-3 410	-2 652	-7 049	-5 269	-10 522
Other financial items		-152	-350	-376	-488	-1 127
Currency gains/(-losses)		82	-32	354	-188	-13
<b>Net financial items</b>		<b>-3 223</b>	-2 977	<b>-6 564</b>	-5 832	-11 379
<b>Result before taxes</b>		<b>-14 515</b>	297	<b>-14 326</b>	2 993	6 755
Taxes		-70	-164	-107	-314	-1 655
<b>Net result</b>		<b>-14 585</b>	133	<b>-14 433</b>	2 679	5 100
Hereof majority interests		-13 896	85	-13 896	1 923	3 487
Hereof non-controlling interests		-689	48	-537	756	1 613
Earnings per share		-0.07	0.00	-0.06	0.02	0.03
Diluted earnings per share		-0.07	0.00	-0.06	0.02	0.03

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

USD 1 000	Q2 2020	Q2 2019	YTD Q2 2020	YTD Q2 2019	2019
<b>Net result</b>	<b>-14 585</b>	133	<b>-14 433</b>	2 679	5 100
<i>Other comprehensive income not to be reclassified to profit or (loss) in subsequent periods:</i>					
Actuarial gain/(loss) on defined benefit plans	0	0	0	0	-10
<i>Items that may be subseq. reclassified to profit or (loss):</i>					
Exchange differences	-29	0	40	0	167
<b>Total comprehensive income</b>	<b>-14 614</b>	133	<b>-14 393</b>	2 679	5 257
Hereof majority interests	-13 925	85	-13 856	2 293	3 557
Hereof non-controlling interests	-689	48	-537	386	1 700

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

USD 1 000	Note	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>NON-CURRENT ASSETS</b>				
Intangible assets		3 053	5 816	4 629
Ships, owned	3	225 803	188 036	213 052
Ships, right-of-use assets	3	159 176	76 141	92 720
Prepayment of lease obligations on ships		0	0	6 000
Property, Plant, and Equipment		4 372	4 444	4 790
Investments in j/v and assoc. companies		2 995	2 762	3 303
Other non-current assets		13 937	1 498	8 311
<b>Total non-current assets</b>		<b>409 336</b>	<b>278 697</b>	<b>332 805</b>
<b>CURRENT ASSETS</b>				
Bunkers		7 235	6 836	5 832
Current receivables		6 697	9 915	14 576
Cash and cash equivalents		34 363	47 389	44 428
<b>Total current assets</b>		<b>48 295</b>	<b>64 140</b>	<b>64 836</b>
<b>Total assets</b>		<b>457 631</b>	<b>342 837</b>	<b>397 641</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Paid-in capital		137 705	111 184	125 927
Retained earnings		11 861	25 661	25 717
Non-controlling interests		3 850	3 930	4 471
<b>Total equity</b>		<b>153 416</b>	<b>140 775</b>	<b>156 115</b>
<b>Non-current liabilities</b>				
Mortgage debt	4	133 376	95 555	127 249
Lease liability	5	133 106	59 405	73 646
Other non-current liabilities		2 355	3 229	3 060
<b>Total non-current liabilities</b>		<b>268 837</b>	<b>158 189</b>	<b>203 955</b>
<b>Current liabilities</b>				
Mortgage debt	4	10 368	20 631	9 388
Lease liability	5	8 841	5 467	7 315
Other current liabilities		16 169	17 775	20 868
<b>Total current liabilities</b>		<b>35 378</b>	<b>43 873</b>	<b>37 571</b>
<b>Total equity and liabilities</b>		<b>457 631</b>	<b>342 837</b>	<b>397 641</b>

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

USD 1 000	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>Cash flow from operating activities</b>			
Net result before taxes	-14 326	2 993	6 755
Adjustments to reconcile profit before tax to net cash flows:			
Depreciations/impairment on fixed assets	19 295	9 257	23 074
Gains	-4 807	0	-4 381
Share-based compensation expense	288	23	23
Difference between pension exps and paid pension premium	0	-174	-51
Share of result from j/v and assoc. companies	-1 315	-1 242	-2 715
Net finance costs	6 564	5 832	11 379
Change in other short-term items	3 087	-1 898	-2 784
Interest received	507	113	283
Interest paid	-7 049	-5 269	-10 359
Income tax paid	-640	-247	-632
<b>Net cash flow from operating activities</b>	<b>1 604</b>	<b>9 388</b>	<b>20 592</b>
<b>Cash flow from investing activities</b>			
Payment of ships	-12 250	-13 000	-21 500
Received instalments from sale of ships	1 968	0	804
Payment of other investments	-3 869	-1 919	-2 549
<b>Net cash flow from investing activities</b>	<b>-14 151</b>	<b>-14 919</b>	<b>-23 245</b>
<b>Cash flow from financing activities</b>			
Proceeds from long-term debt	14 700	11 657	123 755
Paid-in capital (net)	0	14 291	8 021
Repayment of long-term debt	-12 134	-5 062	-114 876
Dividend paid	0	0	-1 205
Dividend to non-controlling interests	-84	0	-648
<b>Net cash flow from financing activities</b>	<b>2 482</b>	<b>20 886</b>	<b>15 047</b>
Net change in cash and cash equivalents during the period	-10 065	15 355	12 394
Cash and cash equivalents at 1 January	44 428	32 034	32 034
<b>Cash and cash equivalents at end of period (incl. restricted cash)</b>	<b>34 363</b>	<b>47 389</b>	<b>44 428</b>



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

USD 1 000

	Majority interest						Non-controlling interests	Total equity
	Paid-in				Retained			
	Share capital	Treasury shares	Share premium reserves	Other paid-in equity	Other equity			
<b>As at 30 June 2020</b>								
Equity as at 31 December 2019	50 403	-166	39 499	36 191	25 717	4 471	156 115	
Share issue	3 214	0	8 276	0	0	0	11 490	
Non-controlling interests	0	0	0	0	0	-84	-84	
Share-based payment expense	0	0	0	288	0	0	288	
Net result for the period	0	0	0	0	-13 896	-537	-14 433	
Other comprehensive income	0	0	0	0	40	0	40	
Total comprehensive income	0	0	0	0	-13 856	-537	-14 393	
<b>Equity as at 30 June 2020</b>	<b>53 617</b>	<b>-166</b>	<b>47 775</b>	<b>36 479</b>	<b>11 861</b>	<b>3 850</b>	<b>153 416</b>	
<b>As at 30 June 2019</b>								
Equity as at 31 December 2018	41 870	-166	18 166	37 000	23 738	3 174	123 782	
Share issue	4 231	0	10 578	-518	0	0	14 291	
Share-based payment expense	0	0	0	23	0	0	23	
Net result for the period	0	0	0	0	1 923	756	2 679	
Other comprehensive income	0	0	0	0	0	0	0	
Total comprehensive income	0	0	0	0	1 923	756	2 679	
<b>Equity as at 30 June 2019</b>	<b>46 101</b>	<b>-166</b>	<b>28 744</b>	<b>36 505 0</b>	<b>25 661</b>	<b>3 930</b>	<b>140 775</b>	



## KEY FINANCIAL FIGURES

		30 Jun 2020	30 Jun 2019	31 Dec 2019
EBITDA	USD 1000	6 726	18 082	34 708
Interest coverage ratio		-1.10	1.67	1.72
Current ratio		1.37	1.46	1.73
Equity ratio		0.34	0.41	0.39
Earnings per share	USD	-0.06	0.02	0.03
Earnings per share	NOK	-0.61	0.13	0.28
Equity per share	USD	0.67	0.73	0.74
Equity per share	NOK	6.55	6.20	6.46
Number of issued shares as at end of period		228 175 404	193 550 830	212 224 705

## DEFINITION OF NON-IFRS FINANCIAL MEASURES

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

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

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



## NOTES TO THE CONSOLIDATED ACCOUNTS

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

### Note 1 Accounting principles

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

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

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

### Note 2 Segment information

January - June 2020					
USD 1 000					
	<i>Own ships</i>	<i>Lighthouse Navigation</i>	<i>Ship managm.</i>	<i>Admin. &amp; group trs.</i>	<i>Total</i>
Gross freight revenue	36 290	51 058	0	0	87 348
Voyage expenses	-9 575	-19 789	0	808	-28 556
<b>Net freight revenue</b>	<b>26 715</b>	<b>31 269</b>	<b>0</b>	<b>808</b>	<b>58 792</b>
Management fees	0	2 963	2 618	-2 200	3 381
<b>Operating income</b>	<b>26 715</b>	<b>34 232</b>	<b>2 618</b>	<b>-1 392</b>	<b>62 173</b>
Share of result from j/v and assoc. comp.	0	1 301	14	0	1 315
T/C hire expenses	0	-30 275	0	0	-30 275
Ship operating expenses	-19 500	-1 260	0	1 392	-19 368
Operating expenses ship management	0	0	-1 826	0	-1 826
General and administrative expenses	-139	-3 786	0	-1 368	-5 293
<b>Operating expenses</b>	<b>-19 639</b>	<b>-34 020</b>	<b>-1 812</b>	<b>24</b>	<b>-55 447</b>
<b>EBITDA</b>	<b>7 076</b>	<b>212</b>	<b>806</b>	<b>-1 368</b>	<b>6 726</b>
Depreciation and amortisation	-12 560	-1 589	-25	-253	-14 427
Impairment	-4 868	0	0	0	-4 868
Gain on sale of ship	2 469	0	0	0	2 469
Other gains	2 338	0	0	0	2 338
<b>Operating result (EBIT)</b>	<b>-5 545</b>	<b>-1 377</b>	<b>781</b>	<b>-1 621</b>	<b>-7 762</b>
Interest income	491	7	1	8	507
Interest expenses	-6 981	-35	0	-33	-7 049
Other financial items	-288	0	8	-96	-376
Currency gains/(-losses)	5	-3	19	333	354
<b>Net financial items</b>	<b>-6 773</b>	<b>-31</b>	<b>28</b>	<b>212</b>	<b>-6 564</b>
<b>Result before taxes</b>	<b>-12 318</b>	<b>-1 408</b>	<b>809</b>	<b>-1 409</b>	<b>-14 326</b>
Taxes	0	-12	-95	0	-107
<b>Net result</b>	<b>-12 318</b>	<b>-1 420</b>	<b>714</b>	<b>-1 409</b>	<b>-14 433</b>
Hereof majority interests	-12 318	-786	617	-1 409	-13 896
Hereof non-controlling interests	0	-634	97	0	-537
Assets	426 487	22 362	5 701	3 081	457 631
Liabilities	288 071	11 931	2 943	1 270	304 215

**Note 2 Segment information, continued**

<i>USD 1 000</i>					
<b>January - June 2019</b>					
	<i>Own ships</i>	<i>Lighthouse Navigation</i>	<i>Ship managm.</i>	<i>Admin. &amp; group trs.</i>	<i>Total</i>
Gross freight revenue	36 627	34 676	0	0	71 303
Voyage expenses	-6 616	-9 701	0	512	-15 805
<b>Net freight revenue</b>	<b>30 011</b>	<b>24 975</b>	<b>0</b>	<b>512</b>	<b>55 498</b>
Management fees	0	2 550	3 929	-1 331	5 148
<b>Operating income</b>	<b>30 011</b>	<b>27 525</b>	<b>3 929</b>	<b>-819</b>	<b>60 646</b>
Share of result from j/v and assoc. comp.	0	1 242	0	0	1 242
T/C hire expenses	0	-24 636	0	0	-24 636
Ship operating expenses	-13 364	0	0	924	-12 440
Operating expenses ship management	0	0	-1 887	0	-1 887
General and administrative expenses	-258	-2 622	0	-1 963	-4 843
<b>Operating expenses</b>	<b>-13 622</b>	<b>-26 016</b>	<b>-1 887</b>	<b>-1 039</b>	<b>-42 564</b>
<b>EBITDA</b>	<b>16 389</b>	<b>1 509</b>	<b>2 042</b>	<b>-1 858</b>	<b>18 082</b>
Depreciation and amortisation	-8 615	-42	-548	-52	-9 257
<b>Operating result (EBIT)</b>	<b>7 774</b>	<b>1 467</b>	<b>1 494</b>	<b>-1 910</b>	<b>8 825</b>
Interest income	45	31	1	36	113
Interest expenses	-5 269	0	0	0	-5 269
Other financial items	-405	0	-6	-77	-488
Currency gains/(-losses)	-8	-17	-8	-155	-188
<b>Net financial items</b>	<b>-5 637</b>	<b>14</b>	<b>-13</b>	<b>-196</b>	<b>-5 832</b>
<b>Result before taxes</b>	<b>2 137</b>	<b>1 481</b>	<b>1 481</b>	<b>-2 106</b>	<b>2 993</b>
Taxes	0	-18	-296	0	-314
<b>Net result</b>	<b>2 137</b>	<b>1 463</b>	<b>1 185</b>	<b>-2 106</b>	<b>2 679</b>
Hereof majority interests	315 951	17 156	3 749	5 980	342 837
Hereof non-controlling interests	187 484	10 312	2 341	1 925	202 062

**Note 2 Segment information, continued**

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

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

**Note 3 Ships**

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

The Company considers each ship as a separate cash-generating unit and has compared recoverable amounts against carrying amounts at the end of the quarter. Recoverable amounts are based on value-in-use and have been derived from calculation of present value of estimated cash flows over the useful life of the ship. Assumptions represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the ships. The value-in-use calculations are mainly sensitive to changes in revenue and cost of capital assumptions. Revenues have been based on current contracts and long-term historical rates for equivalent ships derived from the Baltic Supramax market index. OPEX and CAPEX estimates have been derived from the budgets approved by Board of Directors. Cash flows have been discounted using a cost of capital of 6.2 per cent.

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

The Company has performed sensitivity tests on the assumptions used in the impairment tests. Reducing the long-term rate by 10 per cent per day would have led to an impairment recognition of USD 61.4m in total. At the end of the quarter, an increase of one percentage point cost of capital would have resulted in impairments of USD 10.4m in total.

**Note 4 Mortgage debt**

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

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

The Company acquired all shares in Sofie Victory AS, the owner of SOFIE VICTORY in July 2019. The agreement involved USD 14m debt at a margin of 295 basis points above LIBOR. The loan has semi-annual repayments of USD 0.5m until maturity in Q3 2021.

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

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

**Note 5 Leasing**

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

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

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

Leasing liabilities at the end of the quarter arising from bareboat obligations and long-term time charters were USD 141.9m. Corresponding right-of-use assets, including upfront payments relating to the purchase options, were recorded at USD 159.2m.

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

**Note 6 Financial instruments**

Forward Freight Agreements (FFA) are measured at fair value at the end of each reporting period. Net loss from unrealised fair value changes and realised positions amounting to USD 0.6m have been included in other gains and losses. At the end of the quarter, the remaining FFA portfolio comprised 450 days at an average rate of USD 9 400 per day.

**Note 7 Subsequent events**

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



## 20 LARGEST SHAREHOLDERS

Updated 12 August 2020

Shareholder	Number of shares	%
KONTRARI AS	95 822 108	41.99%
KONTRAZI AS	32 463 265	14.23%
DNB MARKETS AKSJEHANDEL/-ANALYSE	18 051 127	7.91%
SONATA AS	17 461 778	7.65%
CITIBANK, N.A.	15 936 699	6.98%
LGT BANK AG	12 576 060	5.51%
JAKOB HATTELAND HOLDING AS	11 000 000	4.82%
UBS SWITZERLAND AG	8 804 395	3.86%
PERSHING LLC	3 574 648	1.57%
KBC BANK NV	1 629 398	0.71%
CLEARSTREAM BANKING S.A.	1 626 253	0.71%
SIX SIS AG	1 054 724	0.46%
STAVANGER FORVALTNING AS	1 000 000	0.44%
OLA RUSTAD AS	850 000	0.37%
OLE KETIL TEIGEN	700 000	0.31%
BELSHIPS ASA	548 000	0.24%
ARAGES HOLDING AS	500 000	0.22%
AS TORINITAMAR	417 100	0.18%
ASL HOLDING AS	363 836	0.16%
TORU NAGATSUKA	300 000	0.13%
OTHER SHAREHOLDERS	3 496 013	1.53%
<b>TOTAL OUTSTANDING SHARES</b>	<b>228 175 404</b>	<b>100.00%</b>



**FLEET LIST**

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

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

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

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