BELSHIPS

Annual report 1998

Contents

Financial Calendar 1999

20 May: Annual general meeting
17 June: Result for the 1st four months
7 October: Result for the 2nd four months

Belships – an introduction

Belships is a shipping company quoted on the Oslo Stock Exchange and is active in the product tank, gas and dry cargo markets.

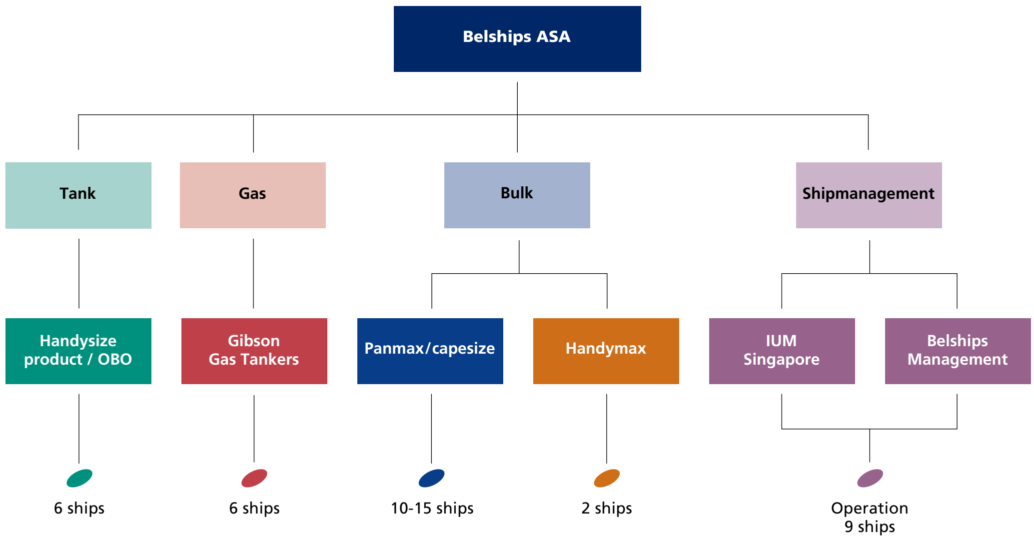
Handysize product tank
Belships has six product tankers of its own, of which five are managed by the wholly owned subsidiary Belships Tankers. The fleet carries refined petroleum products and vegetable oils, mainly between the industrialised countries.

Gas
Belships owns 60% of the gas shipping company Gibson Gas Tankers, based in Edinburgh. The company owns 6 gas tankers of between 2 000 and 7 000 cbm. The ships carry industrial and petroleum gasses such as butane, propane, etc.

Panmax and capesize dry cargo
Through the wholly owned subsidiary Belships Trading there is considerable involvement as an operator in the panmax dry cargo market. The company takes cargo positions and covers them with chartered ships. The panmax fleet mainly carries commodities such as coal, ore and grain all over the world. Belships also has an ownership stake in a capesize ship.

Handymax dry cargo
Belships owns two handymax dry cargo ships. The handymax dry cargo fleet carries mostly semi-finished goods for industry and operates all over the world. Until March 1999 Belships owned 23.5% of the dry cargo shipping company Western Bulk Shipping ASA.

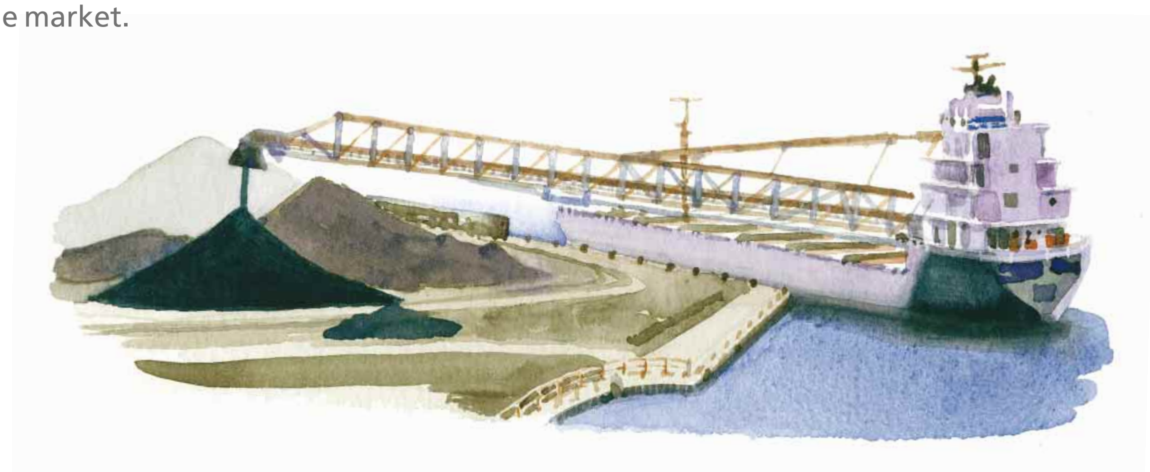
Ship management
Belships is involved to a considerable extent in ship management through the companies IUM Singapore in Singapore and Belships Management in Oslo. These companies are responsible for ship management both for Belships own ships and on behalf of other shipping companies.



Financial Highlights

NOK 1 000		1998	1997	1996
Operating income		**406 966**	581 822	316 163
Operating result		**-27 008**	20 153	25 721
Net result for the year		**-148 500**	-101 634	18 159
Cash flow		**-91 353**	21 061	19 557
Total assets		**989 201**	1 183 656	1 223 004
Equity		**138 096**	286 596	388 230
Interest coverage ratio		**-1.32**	0.59	0.84
Current ratio	%	**126.04**	95.62	106.36
Equity ratio	%	**13.96**	24.21	31.74
Earnings per share	NOK	**-10.25**	-7.02	1.33

Directors' report 1998 was a difficult year for Belships: not only did freight rates tumble in the group's segments but the combination of the Asian crisis and the generally bleak outlook for the shipping sector severely reduced the liquidity of the second-hand tonnage market.



The currency situation in Asia has led to major structural changes in the shipbuilding industry, with the Korean won's slide against the US dollar and Japanese yen bringing down the prices of both newbuildings and second-hand tonnage – and the world's shipbuilding industry already features considerable excess capacity.

The newbuilding order book is still substantial, giving particular cause for concern in the tanker market. A reduction in shipbuilding capacity in some segments is needed before the market can regain its balance.

Demand for tanker and, in particular, dry bulk tonnage has also been hit hard by the Asian crisis. Economic recovery in the Far East is vital for any real improvement in freight rates.

Financial performance

Belships generated operating income of NOK 407.0 million (1997: NOK 581.8 million) and an operating result of NOK -27.0 million (NOK 20.2 million) after capital gains of NOK 5.5 million (NOK 36.6 million) on the disposal of vessels.

The product carrier business generated an operating result of NOK 7.7 million (NOK 5.4 million), the gas carrier business an operating result of NOK -14.0 million (NOK 43.0 million), the Panmax/Capesize dry bulk carrier business an operating result of NOK -17.4 million (NOK -24.6 million), the Handymax dry bulk carrier business an operating result of NOK 5.0 million (NOK 4.3 million) and the ship management business an operating result of NOK 3.5 million (NOK 0.8 million).

Net financial items climbed from NOK -116.4 million to NOK -146.2 million. The group's shares in Western Bulk Shipping were written down to NOK 18 each, resulting in a NOK 62.9 million write-down charge, and the appreciation of the USD from NOK 7.33 to NOK 7.61 during the year led to exchange rate losses of NOK 29.9 million being charged to the profit and loss account.

Operations

Belships' efforts to reduce its exposure to product carriers was hampered by a particularly sluggish market for second-hand tonnage. Nevertheless, the M/T Beltrader was sold, the holding in the M/T Belanja was scaled down from 49% to 20% and all time-chartered vessels were redelivered. After slumping early in the year, rates held up fairly well during the second half.

Freight rates in the small gas carrier market - to which Belships is exposed through Gibson Gas Tankers - were weakening throughout 1998. The combination of subdued demand and a large number of operators is giving charterers increased bargaining power even though tonnage growth in the segment is only moderate by historical standards. The year saw Gibson Gas Tankers pool its three 6 - 7 000 cbm gas carriers with those of two other companies under the commercial management of the Anthony Veder group, with the success of this arrangement resulting in it being extended to February 2000.

The group's dry bulk carrier interests were unchanged in 1998, consisting of the Handymax vessels M/S Belnor and M/S Belstar, the Capesize vessel M/S Belmaj, the operating company Belships Trading and a 23.5% stake in Western Bulk Shipping ASA. With the exception of the M/S Belmaj, which was fixed at a good rate for much of the year, the dry bulk business put in a poor performance in 1998.

Belships operates a fleet of modern and efficient dry bulk carriers and it is the view of the board that these investment should be retained until the market recovers. The operating business has generated disappointing results, primarily due to changing trading patterns brought on by the Asian crisis. The business has therefore been reorganised with most marketing activities being transferred to Singapore – partly to be closer to the client base and partly because the Far East is believed to have the greatest potential worldwide. Project management will remain in Oslo.

Western Bulk Shipping performed poorly during the year in terms of its share price, its earnings and Belships' opportunity to exercise its rights as a major shareholder. As a result, the group sold its stake in March 1999 for NOK 18 per share.

At the end of the year Belships negotiated the sale of a 50% stake in NSSM with effect from 1 January 1999 to a strategic partner, Interocean Ugland Management (IUMG), which is part-owned by the Andreas O Ugland group. IUMG and a US sister company operate more than 50 tankers, reefers and vehicle carriers and are major players in the North Sea shuttle tanker market. The board believes this to be a good deal for Belships, laying the foundations for future growth.

Environment

Belships gives high priority to minimising pollution from its vessels and focuses on continual improvement in the safety and environmental performance of its operations. The group has therefore embarked on an active drive to raise standards both at sea and ashore. Belships meets all applicable environmental and safety standards, both national and international, and the companies in the group offer a good working environment.

Organisation

Belships' head office in Oslo handles the bulk of the group's commercial activities, insurance and the recruitment of Scandinavian officers. Other ship management activities are based in Singapore, and 1998 saw part of the group's marketing organisation for Handysize product carriers and large bulk transferred from Oslo to Singapore. The gas carrier fleet is run from Edinburgh in Scotland. The board believes in locating the group's operations wherever is most appropriate, in terms of either geography or legislation/taxation. The group had 52 employees at the year-end:

20 employees in Norway (of which 8 in Belships ASA)
17 employees in Singapore
15 employees in Scotland and Sri Lanka

Financial postion and other matters

Poor earnings and falling residual values undermined the parent company's equity base and cash position in 1998. The company entered into negotiations with its bankers concerning refinancing its debt in tune with its financial position. Some of the covenants related to the loans were not fulfilled at year-end. The respective lenders have accepted the situation. Extra-ordinary down payment of the loans may take place. Such down payments are not reflected in the accounts. The board is carefully monitoring the company's equity.

Shareholders' equity stood at NOK 138.1 million and the equity ratio at 14.0% on 31 December, down from 24.2% a year earlier on account of the poor earnings and the drop in the value of some of the company's investments.

Estimated market value of the company's ships is NOK 35 million below book value. However, the ships are considered as long term assets and extraordinary depreciations are therefore not accounted for.

The board proposes that no dividends be paid to shareholders for 1998 and that the company's net loss of NOK 138.0 million be covered as follows:

Legal reserve	-1.8
Distributable reserve	-134.5
Group relief transfer	-1.7
Net result for the year	-138.0

Remuneration to the company's directors, managing director and auditor as well as information on shareholder structure appear in the notes to the accounts.

Under the new Norwegian Accounting Act that entered into force in Norway on 1 January 1999, companies may now present group accounts in a foreign currency where this dominates their cash flow – in the case of Belships this means the US dollar. Given the occasional problems that arise from financial reporting in Norwegian kroner, the board has decided to present the group accounts in USD starting with its interim report for the first four months of 1999.

The group's preparations for the year 2000 are well under way. All IT systems are being reviewed and tested to ensure that they will continue to function properly in the new millennium.

Outlook

The product carrier market is expected to deteriorate further on account of high volumes of newbuilding deliveries in 1999 and continued slack demand for oil products, most particularly in the Far East.

The gas carrier market is largely dependent on marginal production factors in the refinery and chemical industries, and an upturn in the world economy will be needed to push freight rates back in the right direction. The group is currently restructuring its gas carrier business.

When it comes to the dry bulk carrier market, a considerable part of the order book was delivered in 1998 and is therefore already discounted in today's freight rates. It is probable that this segment will be the first to recover, but again it is essential for growth to pick up in the Far East, especially in Japan.

Belships expects 1999 to be another difficult year.

Asbjørn Larsen
Chairman

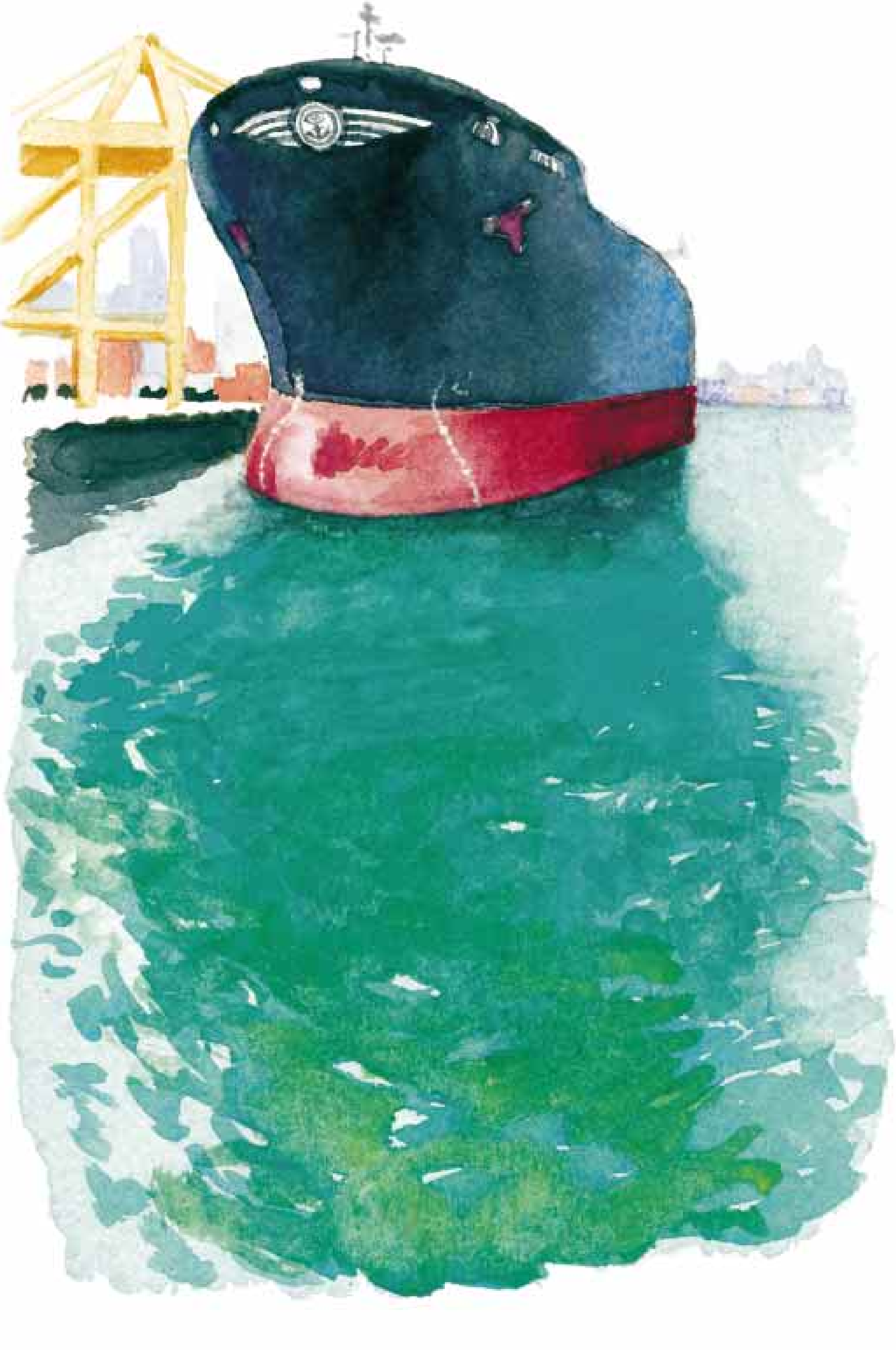
Sverre Jørgen Tidemand
Managing director

Åsmund Simonsen

James Stove Lorentzen

Hans Peter Jebsen

Oslo, 11 March 1999
The Board of **Belships ASA**



Income statement

Note	1 January-31 December NOK 1 000	Consolidated **1998**	 1997	 1996	Belships **1998**	 1997	 1996
	Operating income and expenses						
1	Operating income	**406 966**	581 822	316 163	**21 536**	24 186	60 291
	Charterhire expenses	**-205 927**	-376 635	-184 073	**0**	-171	-23 494
	Other operating expenses	**-130 340**	-121 140	-53 836	**-10 226**	-10 002	-17 081
4	General administrative expenses	**-50 089**	-52 903	-41 399	**-8 924**	-9 296	-8 917
3	Ordinary depreciation ships	**-53 154**	-47 623	-25 738	**-8 817**	-7 227	-11 213
	Total operating expenses	**-439 510**	-598 301	-305 046	**-27 967**	-26 696	-60 705
	Operating result before sale of ships	**-32 544**	-16 479	11 117	**-6 431**	-2 510	-414
	Gains from sale of ships	**5 536**	36 632	14 604	**0**	3 209	26 734
	Operating result	**-27 008**	20 153	25 721	**-6 431**	699	26 320
	Financial income and expenses						
	Share dividends	**320**	5 214	1 040	**2 630**	8 454	7 953
	Interest income	**3 431**	3 778	5 158	**6 351**	1 197	2 584
	Interest expense	**-56 306**	-53 678	-28 841	**-15 239**	-15 067	-14 748
	Currency exchange gain/-loss	**-29 914**	-70 122	-4 403	**-7 116**	-23 535	-1 086
2,5	Other financial items	**-63 709**	-1 567	-3 646	**-118 171**	-7 531	-41 114
	Net financial items	**-146 178**	-116 375	-30 692	**-131 545**	-36 482	-46 411
	Result before extraordinary items	**-173 186**	-96 222	-4 971	**-137 976**	-35 783	-20 091
	Minority interests	**12 438**	4 313	335	**0**	0	0
	Result before taxes	**-160 748**	-91 909	-4 636	**-137 976**	-35 783	-20 091
8	Taxes	**12 248**	-9 725	22 795	**0**	4 788	22 425
	Net result for the year	**-148 500**	-101 634	18 159	**-137 976**	-30 995	2 334
	Appropriations of net result						
	Dividends				**0**	0	4 345
	Distributable reserve				**-134 545**	-30 451	12 304
	Undistributable reserve				**0**	0	-12 726
	Legal reserve				**-1 771**	0	233
	Group relief transfer				**-1 660**	-544	-1 822
	Total appropriations				**-137 976**	-30 995	2 334
	Earnings per share (NOK)	**-10.25**	-7.02	1.33			

Balance sheet

Note	31 December	Consolidated			Belships		
	NOK 1 000	**1998**	1997	1996	**1998**	1997	1996
	ASSETS						
	Current assets						
6	Bank deposits	**47 945**	77 752	108 066	**6 776**	11 056	35 638
5	Intercompany balances	**0**	0	0	**126 220**	133 915	63 164
2	Shares	**57 654**	0	0	**57 654**	0	0
5	Other current assets	**37 729**	48 754	35 066	**3 835**	1 475	6 325
	Total current assets	**143 328**	126 506	143 132	**194 485**	146 446	105 127
	Fixed assets						
	Intercompany balances	**0**	0	0	**11 785**	6 276	6 755
2	Shares in associated companies	**18**	120 581	130 450	**3 399**	120 581	128 120
2	Other shares	**14 885**	14 885	25 598	**14 885**	14 885	25 598
2	Shares in subsidiaries	**0**	0	0	**105 526**	148 595	168 339
3	Ships	**811 692**	898 186	900 527	**159 004**	167 821	270 270
3	Other fixed assets	**19 278**	23 498	23 297	**5 772**	8 566	10 472
	Total fixed assets	**845 873**	1 057 150	1 079 872	**300 371**	466 724	609 554
	Total assets	**989 201**	1 183 656	1 223 004	**494 856**	613 170	714 681
	LIABILITIES AND SHAREHOLDERS' EQUITY						
	Short-term liabilities						
7	Mortgage debt	**27 184**	61 750	24 588	**7 610**	7 330	10 354
5	Other short-term liabilities	**86 529**	70 551	109 986	**27 987**	9 183	18 956
	Total short-term liabilities	**113 713**	132 301	134 574	**35 597**	16 513	29 310
	Long-term liabilities						
7	Mortgage debt	**697 645**	700 159	640 166	**205 212**	207 533	261 008
10	Pension obligations	**5 677**	4 609	4 993	**7 931**	6 692	6 692
8	Deferred taxes	**0**	13 483	4 220	**0**	0	4 788
	Total long-term liabilities	**703 322**	718 251	649 379	**213 143**	214 225	272 488
	Minority interests	**34 070**	46 508	50 821	**0**	0	0
	Shareholder's equity						
	Share capital	**28 966**	28 966	28 966	**28 966**	28 966	28 966
	Other equity	**109 130**	257 630	359 264	**217 150**	353 466	383 917
12	Total shareholders' equity	**138 096**	286 596	388 230	**246 116**	382 432	412 883
	Total liabilities and shareholders' equity	**989 201**	1 183 656	1 223 004	**494 856**	613 170	714 681

11 Uncalled capital commitments
7 Pledges

Cash flow analysis

1 January-31 December	Consolidated			Belships		
NOK 1 000	**1998**	1997	1996	**1998**	1997	1996
Funds generated from operations						
*) Cash flow from operations	**-61 405**	-85 780	4 953	**-10 917**	-24 226	4 816
Change current assets/short-term liab.	**-65 217**	-15 961	70 026	**-48 460**	-78 154	-31 106
Net funds from operations	**-126 622**	-101 741	74 979	**-59 377**	-102 380	-26 290
Funds flow from investment						
Investment in fixed assets	**-36 784**	-207 056	-501 691	**-1 038**	-3 694	-27 974
Sale proceeds from fixed assets disposals	**83 294**	195 850	78 401	**1 830**	99 131	125 946
Changes in other investments	**51 751**	23 024	-5 320	**53 727**	35 292	-99 300
Net cash flow from investments	**98 261**	11 818	-428 610	**54 519**	130 729	-1 328
Funds flow from financing						
Change in long-term liabilities	**-1 446**	59 609	344 718	**-1 082**	-53 475	-5 596
Payment of equity	**0**	0	27 572	**0**	0	27 572
Group relief transfer	**0**	0	0	**1 660**	544	1 822
Dividends	**0**	0	-4 345	**0**	0	-4 345
Net cash flow from financing	**-1 446**	59 609	367 945	**578**	-52 931	19 453
Net change in liquid reserves	**-29 807**	-30 314	14 314	**-4 280**	-24 582	-8 165
Liquid reserves at 1 January	**77 752**	108 066	93 752	**11 056**	35 638	43 803
Liquid reserves at 31 December	**47 945**	77 752	108 066	**6 776**	11 056	35 638
**) This amount is arrived at as follows:*						
Result before taxes	**-160 748**	-91 909	-4 636	**-137 976**	-35 783	-20 091
Loss/-gain from sale of fixed assets	**-5 536**	-36 632	-14 604	**-41**	-3 209	-26 734
Write-down of receivables, shares and ships	**62 928**	440	0	**118 283**	7 539	40 428
Ordinary depreciations	**53 154**	47 623	25 738	**8 817**	7 227	11 213
Minority interests	**-12 438**	-4 313	-335	**0**	0	0
Taxes payable	**1 235**	-989	-1 210	**0**	0	0
Cash flow from operations	**-61 405**	-85 780	4 953	**-10 917**	-24 226	4 816

Accounting principles

The financial statement has been prepared in accordance with Norwegian generally accepted accounting principles. The most important accounting principles are set out below. All amounts in the notes are in NOK 1 000 unless otherwise stated.

A) Consolidation principles

The Belships group includes the parent company Belships and subsidiaries as referred to in note 2.

In the group accounts all intercompany balances, transactions, gains and losses are eliminated.

The cost of shares in subsidiaries is eliminated against equity in the subsidiary at the date of acquisition. Same principle is used for jointly controlled limited companies. The difference between cost of the shares and book equity at the time of acquisition is analysed and allocated to the book value of ships and goodwill. Added value related to ships is depreciated over the ship's remaining lifetime. Cost in excess of fair value recorded as goodwill is depreciated on a straight line basis over ten years.

B) Participation in other companies

Some of Belships' activities relate to participation in limited partnerships. These investments are included in Belships corporate accounts using the gross method, implying that assets, liabilities, income and expenses are included in the accounts in accordance with Belships' ownership percentage. The companies included using this method are specified in note 11. Interests in jointly controlled limited companies of between 20% and 50% are also accounted for using the gross method. Marketable shares are included at the lower of cost and market value.

C) Conversion of foreign company accounts

The accounts of foreign companies are converted to NOK using the average exchange rate for the year with regard to the income statement, and the closing rate with regard to the balance sheet. Exceptions are made for ships, which are converted at historical rates and mortgage debt, which is converted at the higher of the historical rate and closing rate. The conversion difference is in reality a foreign currency gain/(loss) and included under financial items.

D) Classification

Assets which are intended to be owned by the company for a period exceeding one year from the year end are classified as fixed assets. Other assets are classified as short-term assets.

Debt with due date later than one year after year end is classified as long-term debt. Other debt is classified as short-term debt.

E) Depreciable assets

Depreciable assets are included in the balance sheet at cost price less ordinary depreciation.

Except for the gas tankers, ships ordinary depreciation is on a straight line basis over an economic life of 25 years for the ship from new. Depreciation of the gas tankers is based on an economic lifetime of 30 years. No account is taken of the scrap value.

Rights and obligations for ships on financial lease agreements are capitalised and classified as ships and debt. The interest element in the leasepayment is included under interest expenses and the capital element in the leasepayment is treated as instalment on debt. Lease obligations represent the remaining part of the principal. Realised and unrealised gains and losses are included in the income statement in accordance with the principles for long-term liabilities.

Depreciation on office equipment and vehicles has been charged to the operating result as administration expenses.

F) Foreign currency

Current assets and short-term liabilities in foreign currencies, with the exception of the current portion of long-term liabilities, are translated into NOK at rates of exchange at closing date. Both realised and unrealised gains and losses are included under financial items in the income statement.

Long-term liabilities and current portion of mortgage debt, are stated at the higher of historical or year end rates based on an individual assessment of each loan. Unrealised losses, reversals of prior years' unrealised losses and realised gains are included under financial items in the income statement.

G) Proration of freight revenues

Income and expenses related to a vessel's voyages are accounted for on the percentage of completion basis.

H) Accounts receivables

Accounts receivables are included after deduction of expected loss.

I) Bunkers and other inventories

Inventories are valued at the lower of cost (FIFO) and market value.

J) Classification and maintenance expenses

Provisions are made for future periodical maintenance and docking. At time of dry-doking, accumulated accruals from prior periods are netted against the actual expense.

K) Pensions

Net pension expenses consist of the period's pensions earnings (including expected wage growth) and interest expenses on the obligation less the estimated return on pension funds. The calculation assumptions are set out in note 10.

L) Taxes

The tax charge in the income statement consists both of taxes payable for the period and the change in deferred taxes. The change in deferred taxes reflects future taxes payable which arises as a result of the year's activities. Deferred taxes are included as a long-term liability in the balance sheet. Deferred taxes represent the tax chargeable on this year's and previous years' results at the balance sheet date and which fall due for payment in later periods. The nominal tax rate of 28% has been used in the calculation.

As Belships do not expect that the taxable income will be materialized in the near future, the capitalised value of deferred taxes related to the positive temporary differences are considered as immaterial. This consideration is based on the company's liquidityreserves, dividend policy, the ships market value and free equity in the part of the group which are outside the new system and the intention to continue the shipping taxation activity. See note 8 for further details.

M) Related parties

The main shareholders in Belships are main shareholders in the shipbroker company Lorentzen & Stemoco AS. Belships is regularly doing business with this company. The transactions are based on market terms. Material transactions with other related parties do not take place.

N) Contingent gains / losses

Contingent losses which are probable and quantified are accrued for. Contingent gains are not entered as income.

Notes to the accounts

1 Operating income

	Consolidated			Belships		
	1998	1997	1996	**1998**	1997	1996
Income on timecharter basis	**384 369**	559 030	292 880	**21 191**	23 589	60 241
Ship management fee	**22 597**	22 792	23 283	**345**	597	50
Total operating revenue	**406 966**	581 822	316 163	**21 536**	24 186	60 291

Reference is made to the management report for specification on the different segments

2 Shares

Note		Currency	Ownership consolidated	Company's share capital	Number of shares owned	Par value in total	Book value
	Marketable shares						
1	Western Bulk Shipping ASA		23.5	400 052	3 203 013	96 090	57 654
	Total marketable shares						57 654
	Shares in jointly controlled limited companies						
	Belships (Far East) Shipping Pte Ltd	SGD	50	500	250 000	250	0
1	Beltrader Shipping Ltd	USD	49	12	5 880	6	3 380
	Western Obo AS		36	50	18	18	18
	Palmiere Shipping Co Ltd	CYP	20	1	20	20	1
	Total shares in jointly controlled limited companies						3 399
	Other shares owned by parent company						
	AS Pelican		10.4	25 000	130 000	130	14 358
	Greenshields Shipping Ltd	USD	2.4	316	75 000	7.5	527
	Total other shares owned by parent company						14 885
	Shares in consolidated companies						
	Belships Management AS		100	50	1	50	50
2	IUM Singapore Pte Ltd	SGD	100	60	500	60	19 003
	Belships Tankers AS		100	250	250	250	825
	AS Belfri		100	150	200	150	301
	AS Belocean		100	100	100	100	0
	Belstar AS		100	50	50	50	50
	Western Bell AS		100	50	50	50	50
	Belships Bulk AS		100	2 586	200	2 586	0
	Belships Finans AS		100	50	50	50	50
	Western Obo II AS		100	50	50	50	50
3	Belships Rederi AS		100	50	50	50	50
	North East Maritime Corporation AS		100	5 027	5 027	5 027	4 424
	Belships Trading AS		100	1 400	1 400	1 400	6 675
	Belships Tankers Far East Pte Ltd	SGD	100	100	100 000	100	462
	Belships Trading Asia Pte Ltd	SGD	100	100	100 000	100	458
1,4	Gibson Gas Tankers Ltd	GBP	60	100	60 000	60	73 078
	Total shares in consolidated companies						105 526
	Total shares classified as fixed assets						123 810

1 *The 23.5% stake in WBS was sold in March 1999, and is at year-end written down to sales value. Shares in Beltrader Shipping Ltd. and Gibson Gas Tankers Ltd. are in the parent company written down by NOK 14 582 000 and NOK 25 546 336 respectively.*

2 *50% of the shares sold to Interocean Ugland Management with effect from 1 January 1999.*

3 *Belships Rederi AS owns 100% of the shares in Belgrace AS, Belmaj AS, Belanina AS, 49% of Belanja Shipping Ltd. and 20% of Bel Obo Shipping Ltd. The companies are included in the consolidated accounts and are under the new tax system for shipping activities.*

4 *Belships has as from December 1999 an option to sell 40% of the shares back to Anchor Holding Plc at cost price plus interests. The option has to be declared before March 2000. Anchor Holding Plc has a similar call option to purchase the shares at same terms. As a consequence Belships has shown Gibson Gas Tankers as a 60% subsidiary in the financial statement.*

3 Ships and other fixed assets

	Consolidated		Belships	
	Ships	Other fixed assets	Ships	Other fixed assets
Cost at 31 December 1997	1 001 287	27 051	181 651	11 549
Additions 1998	35 477	1 307	0	1 038
Retirements 1998	-85 455	-1 676	-1 590	-607
Cost at 31 December 1998	951 309	26 682	180 061	11 980
Accumulated depreciation at 31 December 1997	103 101	10 957	13 830	6 543
Depreciation 1998	53 154	2 309	8 817	1 354
Retirements 1998	-16 638	-408	-1 590	-408
Accumulated depreciation at 31 December 1998	139 617	12 858	21 057	7 489
Book value at 31 December 1998	811 692	13 824	159 004	4 491
Other fixed assets	0	5 454	0	1 281
Total book value at 31 December 1998	811 692	19 278	159 004	5 772

Investments and sales of fixed assets over the last five years

		Consolidated		Belships	
		Ships	Other fixed assets	Ships	Other fixed assets
1998	Investments	35 477	1 307	0	1 038
	Sales	81 985	1 309	1 590	240
1997	Investments	201 425	5 631	1 590	2 104
	Sales	192 777	3 073	96 812	2 319
1996	Investments	501 691	9 418	3 149	5 542
	Sales	78 402	312	125 503	312
1995	Investments	114 561	823	34 782	823
	Sales	0	698	0	698
1994	Investments	15 650	1 001	15 492	1 001
	Sales	129 338	0	128 188	0

Specification of ships

		Built year	Ownership consolidated	Cost price	Book value
	Product tank / OBO				
	M/T Urai	1995	20%	30 324	29 682
	M/T Belgrace	1984/87	63%	65 056	41 293
	M/T Beltrader	1983	49%	44 694	34 118
	M/S Belguardian	1987	20%	17 216	14 960
	M/S Belgallantry	1987	20%	17 216	14 960
	M/S Belgreeting	1987	20%	17 216	14 960
	Capesize bulk				
	M/S Belmaj	1990	25%	48 273	44 750
	Handymax bulk				
	M/S Belnor	1996	100%	180 061	159 004
	M/S Belstar	1992	80%	138 059	100 106
1	**Gas**				
	M/T Lanrick	1992	60%	78 833	73 831
	M/T Ettrick	1991	60%	78 833	73 685
	M/T Eildon	1982	60%	74 008	68 039
	M/T Traquair	1982	60%	68 304	59 587
	M/T Yarrow	1982	60%	80 081	71 803
	M/T Quentin	1977	60%	13 135	10 914
	Total			951 309	811 692

1 *The ships are included 100% in the financial statement, and 40% at minority interests.*

4 General adm. expenses / loans to employees

General administrative expenses in Belships include remuneration to the Board of Directors of NOK 375 000 and remuneration of NOK 1 116 053 to the Managing Director.

The auditor's remuneration for 1998 for Belships is expected to amount to NOK 200 000. Consulting fees to the auditor amounted to NOK 109 865.

Loans to employees at 31 December 1998 amounted to NOK 176 960.

Belships rents offices from a company where Belships' main shareholders have a controlling interest. The rental for 1998 amounted to NOK 1 414 000.

5 Other current assets and short-term liabilities

Other current assets mainly consist of earned, not received freight 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.

Accounts receivables on subsidiaries are in parent company written down with NOK 15 225 558.

6 Bank deposits

Restricted deposits for taxes withheld for Belships employees amounted to NOK 629 757 at year-end.

7 Mortgage debt, financial leases and off-balance items

			Consolidated		Belships	
		Currency	Short-term	Long-term	Short-term	Long-term
	M/S Belstar	USD	6 539	87 918		
	M/S Belnor	USD		136 980		136 980
	M/S Belmaj	USD	1 902	30 440		
	M/T Belgrace	USD	5 273	35 238		
	M/T Urai	USD	2 055	28 303		
	M/T Beltrader	USD		24 238		
	Anchor Holding	USD	7 610	68 232	7 610	68 232
	M/S Belguardian	USD	1 268	12 937		
	M/S Belgallantry	USD	1 268	12 937		
	M/S Belgreeting	USD	1 269	12 937		
1	M/T Lanrick	GBP		79 352		
1	M/T Ettrick	GBP		73 008		
	M/T Yarrow, Eildon, Quentin	USD		95 125		
	Total mortgage dept as at 31 December 1998		27 184	697 645	7 610	205 212

Mortgage debt in USD is booked at the year-end rate of USD/NOK 7.61 which is the higher of closing rate and drawdown rate of all loans. With regard to Belships' mortgage debt totalling NOK 212.8 million, security has been provided by vessels and shares with a book value of NOK 232.1 million. In the consolidated accounts, ships and mortgage debt have a book value of NOK 811.7 million and 724.8 million respectively. Some of the covenants related to loans were not fulfilled at 31 December 1998. The respective lenders have accepted the situation.

The general partners are fully liable for the debt in the underlying limited partnerships. Reference is made to Note 11 regarding uncalled limited partnership capital.

Charter obligations

Belships had at year-end, no vessels chartered for periods in excess of 12 months.

1 *Financial lease – The ships are financed in GBP by UK lease-agreements, and the currency risk between GBP and USD has not been hedged.*

8 Taxes

	Consolidated		Belships	
	1998	1997	**1998**	1997
Taxes payable	**-1 235**	-989	**0**	0
Changes in deferred taxes	**13 483**	-8 736	**0**	4 788
Taxes	**12 248**	-9 725	**0**	4 788

Calculation of deferred taxes is based on temporary differences existing between statutory books and tax values which exist at the end of the year.

Deferred tax as at 31 December

	Consolidated		Belships	
	1998	1997	**1998**	1997
Accumulated tax reserve	**74 435**	59 640	**65 541**	50 992
Deferred sales gains	**42 027**	52 533	**42 027**	52 533
Accruals according to generally accepted accounting principles	**-195 960**	-81 409	**-195 869**	-81 395
Pension obligations	**-5 677**	-4 609	**-7 931**	-6 692
Tax loss carryforward	**-163 039**	-105 578	**-97 015**	-62 594
Net temporary differences	**-248 214**	-79 423	**-193 247**	-47 156
Deferred taxes / (gain) before remuneration (28%)	**-69 500**	-22 238	**-54 109**	-13 204
Remuneration	**-7 438**	-9 805	**-7 438**	-9 805
Deferred taxes Gibson Gas Tankers Ltd	**0**	12 900	**0**	0
Deferred taxes / (gain)	**-76 938**	-19 143	**-61 547**	-23 009
Deferred tax included in the Balance sheet	**0**	13 483	**0**	0
Deferred tax gains not included the Balance sheet	**-76 938**	-32 626	**-61 547**	-23 009

In accordance with generally accepted accounting principles for taxes, negative temporary differences and positive temporary differences that are reversed, or can be reversed in the same period are assessed and the amount recorded net.

Tax result for Belships ASA

Result before taxes	-137 976
Change in temporary differences	102 056
Permanent differences	54
Group relief transfer	1 660
Tax basis for the year	-34 206

The shipping taxation scheme
Temporary differences at time of implementation of new tax regime was NOK 114 657 409. Accumulated result within the tax regime amounts to NOK -3 895 711. Tonnage tax amounting to NOK 225 111 has been provided for as at 31.12.98. Reference is made to note L) under Accounting principles.

9 Belships (Far East) Shipping (Pte) Ltd

Belships receivable of USD 3.5 million has in previous years been written down in full in the company accounts, since there is uncertainty whether Belships (Far East) will be able to repay the amount due. The write-down has been eliminated at group level. As reported in former annual reports, the company is negotiating with the authorities in Norway and Singapore as to the tax residence of Belships (Far East). The outcome of the negotiations has not yet been determined, but it is not expected that the company will incur further taxes payable.

10 Pensions

Employees in the company are members of the company's own pension fund. At 31 December 1998, 21 Norwegian employees are members of the existing service pension scheme. In addition the service pension scheme includes 9 former employees. The service pension scheme is defined as a net scheme which releases the company's liabilities from any changes in the National Insurance Fund. The company has, based upon the new accounting standard, chosen to treat the service pension scheme as a benefit plan. The company's legal obligation will not be affected by such accounting treatment.

In addition the company has uninsured pension obligations. This relates to early retirement pensions, pensions to former Board members and pensions to people who, for various reasons, have not been included in the service pension scheme. A total of 24 people are covered by these arrangements.

Against the background of the development in interest rate levels in recent years and in accordance with recommendation from the Oslo Stock Exchange, the assumptions set out below have been used. In proportion to previous years, the assumptions has been changed, regarding discount rate and return on pension fund, which both are reduced with 1%.

Assumptions

	Consolidated		Belships	
	1998	1997	**1998**	1997
Discount rate	**6.00%**	7.00%	**6.00%**	7.00%
Future wage adjustment	**3.30%**	3.30%	**3.30%**	3.30%
Pension adjustment/G-adjustment	**2.50%**	2.50%	**2.50%**	2.50%
Return on pension fund	**7.00%**	8.00%	**7.00%**	8.00%
Average remaining earning period	**17.29 år**	18.37 år	**18.43 år**	19.53 år
Volentary departure before/after 45 years	**2%/0%**	2%/0%	**2%/0%**	2%/0%

Composition of the net pension expenses

Present value of the year's pension earnings (incl. social security tax)	**1 806**	949	**1 710**	882
Interest charge on accrued pension obligations	**2 043**	1 773	**1 483**	1 243
Amortizing on pension obligations	**401**	0	**307**	0
Return on pension funds	**-1 588**	-1 780	**-879**	-996
Net pension expenses	**2 662**	942	**2 621**	1 129

Composition of the net pension obligations

	Consolidated		Belships	
	31.12.98	31.12.97	**31.12.98**	31.12.97
Gross pension obligations	**37 208**	27 307	**27 356**	19 967
Pension funds	**-24 114**	-22 698	**-13 308**	-13 275
Not amortized plan/estimate on change	**-7 417**	0	**-6 117**	0
Net pension obligations	**5 677**	4 609	**7 931**	6 692
Of which net uncovered pension obligations	**13 184**	12 675	**11 333**	10 465

11 Participation in limited partnerships (Consolidated)

The following partnerships are included on a proportionally consolidated basis:

	Belstar KS 80 %	Belgrace KS 63 %	Belmaj KS 25 %	Total
Results	-11 325	-420	-2 544	-14 289
Current assets	2 613	7 369	1 217	11 199
Fixed assets	100 106	41 293	44 750	186 149
Short-term liabilities	9 376	9 153	1 415	19 944
Long-term liabilities	87 918	35 238	32 342	155 498
Committed capital	96 000	73 710	17 500	187 210
Paid in capital	54 000	50 668	15 520	120 188
Uncalled capital	42 000	23 042	1 980	67 022

K/S A/S Belocean has not been included in the list above since the investment at 31.12.98 is considered immaterial for the Group. All committed capital in K/S A/S Belocean is paid-in.

12 Equity

The company's 14 483 000 shares with a nominal value of NOK 2.00 were held by 566 shareholders at 31.12.98.

Changes in equity 1998

	Share capital	Legal reserve	Other equity	Equity
Belships				
Balance at 31 December 1997	28 966	218 921	134 545	382 432
Result 1998		-1 771	-136 205	-137 976
Group relief from subsidiaries			1 660	1 660
Balance at 31 December 1998	28 966	217 150	0	246 116
Consolidated				
Balance at 31 December 1997	28 966		257 630	286 596
Result 1998			-148 500	-148 500
Balance at 31 December 1998	28 966		109 130	138 096

Options
The members of the Board and the employees had up to 23 May 1998 option to purchase 143 000 shares in Belships ASA, to a fixed price. No options were declared.

Authority to issue shares
At the general meeting on 30 April 1998 the board received authorisation to issue up to 4 million new shares. This authorisation has not been used. The authorization is only valid up to the next Annual general meeting.

Auditor's Report

TO THE ANNUAL GENERAL MEETING OF BELSHIPS ASA
(Translation from Norwegian)

We have audited the annual accounts of Belships ASA for 1998, showing net loss of NOK 137 976 000 for the company and a net loss of NOK 148 500 000 for the group. The annual accounts, which consist of the Board of Directors' report, income statement, balance sheet, cash flow analysis, notes and the corresponding consolidated financial statements, are the responsibility of the Board of Directors and the Managing Director.

Our responsibility is to examine the company's annual accounts, its accounting records and the conduct of its affairs.

We have conducted our audit in accordance with applicable laws, regulations and generally accepted auditing standards. We have performed the auditing procedures we considered necessary to determine that the annual accounts are free of material errors or omissions. We have examined, on a test basis, the accounting material supporting the financial statements, the appropriateness of the accounting principles applied, the accounting estimates made by management and the overall presentation of the annual accounts. To the extent required by generally accepted auditing standards we have also evaluated the company's asset management and internal controls.

The appropriation of net loss, as proposed by the Board of Directors, complies with the requirements of corporate law.

In our opinion, the annual accounts have been prepared in conformity with corporate law and present fairly the company's and the group's financial position as of 31 December 1998 and the result of its operations for the fiscal year in accordance with generally accepted accounting principles.

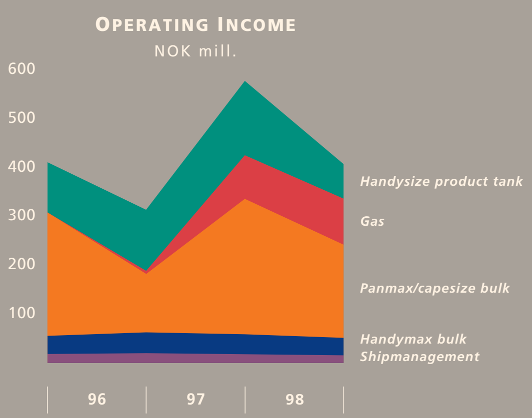
ARTHUR ANDERSEN & CO.
Morten Drake
State Authorised Public Accountant (Norway)

Oslo, 11 March 1999

Management report

1998 was a difficult year for Belships: not only did freight rates tumble in the group's segments but the combination of the Asian crisis and the generally bleak outlook for the shipping sector severly reduced the liquidity of the second-hand tonnage market.

Large bulk activity represented 47% of operating income, as last year. Gas represented 23% (15% in 1997), Product tankers 17% (27%), Handymax bulk 9% (7%) and shipmanagement 3%, as in 1997.



Handysize product tank

NOK mill.	**1998**	1997	1996
Income on T/C basis	**70.7**	152.1	124.9
Operating result	**7.7**	5.4	14.5
Owned ships (per 31.12.)	**1.9**	2.2	2.2
T/C ships	**0**	3	3

Handymax product carriers (35-50 000 dwt) carry mainly refined petroleum products, vegetable oils and various chemicals. Demand is cyclical and fuelled primarily by the OECD countries, though demand in Asia is coming to play an ever more important role.

The product carrier market continued to deteriorate in 1998 as the Asian crisis undermined demand. Historically high oil stocks and sliding oil prices weakened the market further throughout the year. The Asian crisis also hit demand for petroleum products from the Middle East.

Falling oil prices, an unusually mild winter in the US, high crude oil imports and high refinery utilisation together made for an extremely poor winter market in the Atlantic and Caribbean trades. While a drop in US refinery utilisation in the second half led to higher imports of petroleum products, this failed to trigger any tangible increase in freight rates on account of excess tonnage on the supply side.

Tonnage growth was high in 1998: capacity in terms of ton-miles increased 3.5% while demand for tonnage climbed just 0.9%. According to Clarkson, the world order book now stands at 4.1 million dwt or 7.4% of the existing fleet, compared with 8.1 million dwt and 16.0% a year ago, with 63,3% of the current order book expected to be delivered in 1999.

Following the decision to reduce the group's exposure to product carriers, Belships sold M/T Beltrader and scaled down its holding in M/T Belanja from 49% to 20%.

M/T Belgrace sailed under a time charter at USD 13 750/day until February and then operated in the spot market. Over the year, TC income averaged USD 10 560/day and running costs USD 4 973/day. The vessel was not off-hire in 1998.

M/T Beltrader operated primarily in the spot market, with TC income averaging USD 7 837/day and running costs USD 5 252/day. The vessel docked at El Ferrol in October at a total cost of USD 800 000 and spent a total of 50 days off-hire. She was then sold in November for USD 9.15 million for delivery to her new owner in January 1999. The sale is reflected in the accounts for 1998.

The M/T Belanja traded in the spot market until August, primarily carrying easy chemicals like methanol. The vessel was sold in September for USD 22 million and renamed M/T Urai. Belships has a 20% stake in the new holding company, which has fixed the vessel on a 12-year bareboat charter to Russian oil company Lukoil.

Given the state of the dry bulk market, the three combined OBO carriers – M/S Belguardian, M/S Belgreeting and M/S Belgallantry – were used exclusively for carrying clean and dirty petroleum products in 1998.

M/S Belguardian sailed in the spot market until June when she started a six-month time charter to BP at a rate of USD 13 100/day. The charter was subsequently extended for six months from 1 January 1999 at USD 12 750/day, with BP holding a further six-month extension option. The vessel is being used to carry dirty products in the Far East.

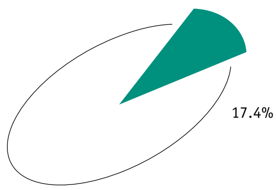
M/S Belgreeting operated primarily in the Atlantic spot market before transferring to the Far East at the end of the year.

M/S Belgallantry traded mainly in the Far East and in the Pacific.

TC income for the three OBO carriers averaged USD 10 779/day and running costs USD 6 003/day. M/S Belgallantry was dry-docked in December 1998 and the other two are expected to follow suit during the first four months of 1999.

At the beginning of the year Belships had three Russian-owned vessels on time charters but these were returned to their owners during the spring after generating an operating loss of NOK 5.8 million.

Demand is expected to remain weak until the Asian economies pick up. The impact of the upturn in the US is likely to be offset by high oil stocks and refinery utilisation, and cargo capacity will rise somewhat on account of high newbuilding deliveries. As a result, Belships expects the product carrier market to remain relatively weak in 1999.



SHARE OF TOTAL OPERATING INCOME

Gas

NOK mill.	**1998**	1997	1996 *
Income on T/C basis	**94.2**	**89.2**	6.5
Operating result	**-14.0**	**43.0**	1.3
Owned ships (per 31.12.)	**6**	**6**	5

** One month*

Small gas carriers (below 10 000 cbm) carry butane, propane, propylene and other gasses on short and medium trades. Most vessels feature refrigeration facilities that allow gasses to be condensed and carried in liquid form. Demand depends primarily on the general state of the world economy but also on temporary marginal factors in the chemical and refinery industry.

Belships has a 60% stake in the Scottish company Gibson Gas Tankers (GGT), which owns and operates a fleet of six gas carriers of 2-7 000 cbm. The fleet carries primarily petrochemical gasses (such as propylene and vinyl chloride monomer) and liquefied petroleum gasses (such as propane and butane). GGT is a fully integrated shipping company with 11 employees handling the chartering, operation and management of its vessels. There is also a subsidiary in Sri Lanka responsible for crewing (other than the fleet's British officers).

GGT's vessels are all semi-refrigerated and so they can carry gasses cooled to -48°C and condensed under pressure into a concentrated liquid form.

The overall market for small gas carriers deteriorated in 1998 on account of the Asian crisis and widespread stagnation in areas that impact on the performance of the gas carrier market. The winter upturn was also more short-lived than in previous years.

Most of the gas carriers were fixed on 12-month time charters and so relatively immune to the decline in market rates until new charters came to be negotiated.

The year saw GGT pool its three 6-7 000 cbm gas carriers with those of two other companies under the commercial management of the Anthony Veder group. The market for these vessels was difficult, with rates down for both European and transatlantic trades. The three GGT vessels in the pool – M/T Yarrow, M/T Eildon and M/T Traquair – generated an average freight income per month of USD 204 652, USD 196 781 and USD 216 457 respectively. GGT has extended the pooling agreement with Anthony Veder through to February 2000.

M/T Ettrick was fixed on a time charter at USD 190 000/month until October 1998 which was subsequently extended to September 1999 at USD 177 500/ month.

After a short time charter, M/T Lanrick was fixed to Anthony Veder on time charter from March 1998 to March 1999 at USD 168 500/month.

M/T Quentin operated in the European spot market throughout the year, with its performance marred by 40 days spent off-hire during the summer.

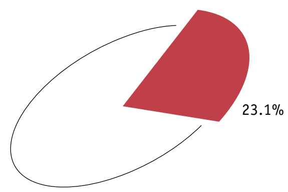
M/T Traquair spent 52 days docked in the US for rudder repairs, but most of the lost income and repair costs were covered by her insurers. Despite this off hire – which also proved a good opportunity to upgrade the vessel's cargo lines – the vessel generated acceptable TC income in 1998.

M/T Yarrow spent 11 days in dry-dock in connection with the takeover from her previous owner, and M/T Ettrick spent 15 days docked due to propeller damage.

The new main engines on M/T Ettrick and M/T Lanrick fitted in 1997, functioned satisfactorily without any particular problems.

GGT was certified under the International Safety Management Code in December 1997, with the fleet certified shortly afterwards and well ahead of the 1 July deadline.

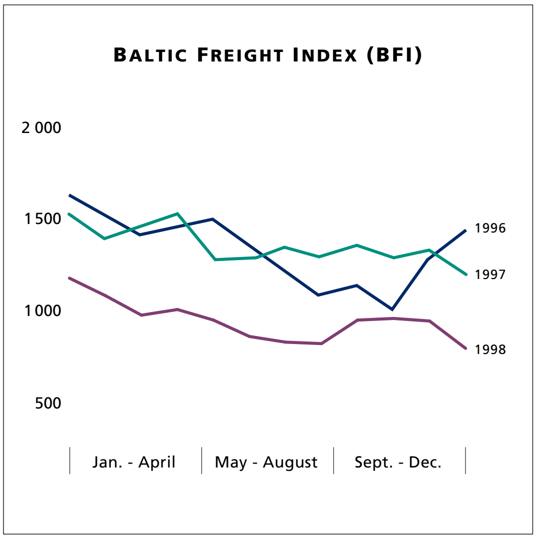
The outlook for 1999 is uncertain but it is hoped that consolidation on the supply side will strengthen the market during the course of the year.



SHARE OF TOTAL OPERATING INCOME

Panmax /capesize bulk

NOK mill.	**1998**	1997	1996
Income on T/C basis	**190.6**	277.0	119.3
Operating result	**-17.4**	-24.6	-1.2
Ship days	**3 954**	3 750	2 200
Cargo carried (mill. tonnes)	**5.2**	5.6	2.6



Panmax (50-80 000 dwt) and Capesize (over 80 000 dwt) dry bulk carriers carry mainly raw materials (such as coal, iron ore and other minerals) and grain. Most modern Panmax vessels have a capacity of more than 70 000 dwt and are standardised rather than specialised vessels. Demand for dry bulk tonnage depends on the need for raw materials in industry and the need to transport grain.

1998 was a dismal year for the dry bulk market, with the Biffex index tumbling from its starting point of 1 200 at the beginning of the year and twice, most recently in December, dipping below 800 – levels not seen since the crisis in the 1980s.

The Panmax market was hit hardest: the fleet expanded by 2% during the year, demand for grain capacity – a key parameter in this segment – was undermined by a good harvest in China, and the Asian crisis reduced demand in the Far East.

Further fleet growth means that the outlook for the Panmax market in 1999 is bleak. The high volume of newbuilding deliveries expected – equivalent to 7% of the existing fleet – is unlikely to be matched by scrapping activity, resulting in net supply growth of 2-3%. Meanwhile, demand is expected to remain subdued due to high grain stocks and low economic growth in Japan and elsewhere in Asia.

The Capesize market surged briefly in the autumn on account of a sudden increase in demand for coal in Europe met by mines in Australia, but fell back to extremely low levels at the end of the year. Despite a slight decrease in tonnage during the year, rates declined, mainly due to a decrease in steel production in the Asian countries.

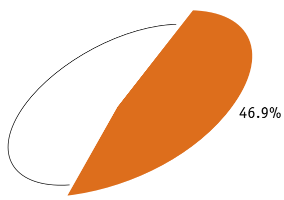
1999 is not looking good for the Capesize market either. Newbuilding deliveries equivalent to 5.5% of the existing fleet are forecast and, although scrapping activity is likely to be high, there will probably be a small net increase in the size of the fleet. Furthermore, demand depends primarily on the steel industry in Europe and Asia, whose prospects are less than rosy.

Belships Trading started the year with two vessels on time charters at rates above market levels that were returned to their owners in September. 1998 brought a unique situation where freight rates on return loads from the Pacific to the Atlantic were higher than rates from the Atlantic. This was bad news for Belships Trading, which traditionally has the major share of its cargo base in the back haul market. Further problems came when one of the company's contractual partners failed to meet its commitments, leading to considerable lost income for which compensation cannot realistically be expected. Activity at Belships Trading climbed 5.5% to 3 954 vessel-days in 1998, equivalent to operating ten vessels throughout the year.

M/S Belmaj continued sailing under a satisfactory time charter until August 1998, before performing a low-rate voyage charter and then being fixed on a 12-month time charter at USD 9 000/day, with the charterer holding an option to extend by a further 12 months at USD 12 500/day. TC income for the year averaged USD 11 500/day and running costs USD 4 700/day. The vessel functioned satisfactorily.

Belships Trading was reorganised during the year: James Stove Lorentzen took over as general manager and a new company called Belships Trading Asia was set up in Singapore to strengthen ties with charterers and shipowners in the Pacific Rim, which is Belships Trading's traditional stronghold.

Belships Trading entered 1999 with only one vessel on a time charter with more than three months to run. The vessel in question, built in 1989 with a capacity of 69 000 dwt, has been fixed at a rate of USD 6 800/day until October. Belships Trading has only nine cargoes on the books, all from the Pacific to the Atlantic, and so is actively seeking new business, both standard 6-12 month contracts and longer contracts.



SHARE OF TOTAL OPERATING INCOME

Handymax bulk

NOK mill.	**1998**	1997	1996
Income on T/C-basis	**35.7**	40.8	42.3
Operating result	**5.0**	14.2	18.4
Share WBS	**0.0**	-9.9	-2.0
Owned ships	**1.8**	1.8	1.8
T/C earnings USD/day	**7 260**	9 200	8 700

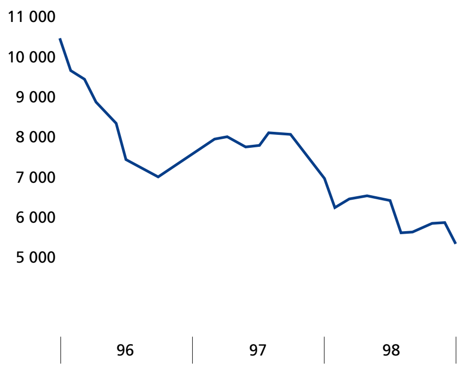
Handymax dry bulk carriers (35-50 000 dwt) carry mainly raw materials (such as coal, iron ore and other minerals), grain and semi-finished goods (such as steel, cement, fertilisers and timber). Demand is closely related to the general state of the global economy and, in particular, growth in the newly industrialised countries.

The Asian crisis did not take long to impact on the Handymax segment, which is heavily dependent on economic growth in Asia just like the rest of the dry bulk market. However, the design and flexibility of these particular vessels allows for alternative uses, in terms of both cargoes and trading patterns, and so Handymax rates were not hit as hard by the Asian crisis as Panmax and Capesize rates.

Two factors dominated the market in 1998: falling freight rates and a change in the cargo balance between the Atlantic and the Pacific. 1998 brought a reversal in the traditional situation where rates for voyages from the Atlantic to the Pacific are substantially higher than those for return loads. Handymax rates dropped by more than USD 2 000/day in 1998 to the lowest level for many years.

Looking at the supply side, investors appear to have developed a clear preference for the Handymax segment over smaller Handysize vessels and so Handymax tonnage is expected to increase its share of the Handysize market in the coming years. Newbuilding deliveries have climbed 50% since 1995, but the world order book has dropped off sharply over the last two years. Demand is expected to pick up, fuelled primarily by grain, steel, fertilisers and timber.

HANDYMAX T/C FREIGHT RATES

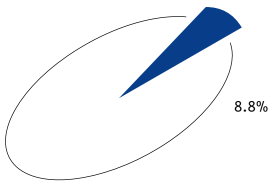


The group's exposure to the Handymax segment comprises the M/S Belnor and M/S Belstar (80%). Belships also had a 23.5% stake in Western Bulk Shipping ASA at the year-end.

M/S Belnor was, during the year, fixed on various time charters, at rates averaging USD 7 700/day. Running costs amounted to USD 3 000/day.

M/S Belstar was also fixed on various short-term time charters at rates averaging USD 6 400/day. Running costs were USD 3 600/day.

Belships sold its stake in Western Bulk Shipping in March 1999 for a total of NOK 57.7 million. The value of the holding has been written down to the sale price in the 1998 accounts.



SHARE OF TOTAL OPERATING INCOME

Ship management

NOK mill.	**1998**	1997	1996
Income	**15.6**	17.8	19.9
Operating result	**3.5**	0.8	3.3
Number of ships (average)	**13**	17	18

The group's ship management business comprises IUM Singapore (formerly NSSM) and Belships Management in Oslo. Both companies focus on tankers and bulkers in line with the rest of the group and have amassed substantial management expertise in these segments. IUM Singapore handles the day-to-day operation of the vessels and recruits overseas crews, while Belships Management deals with insurance and recruits Scandinavian officers.

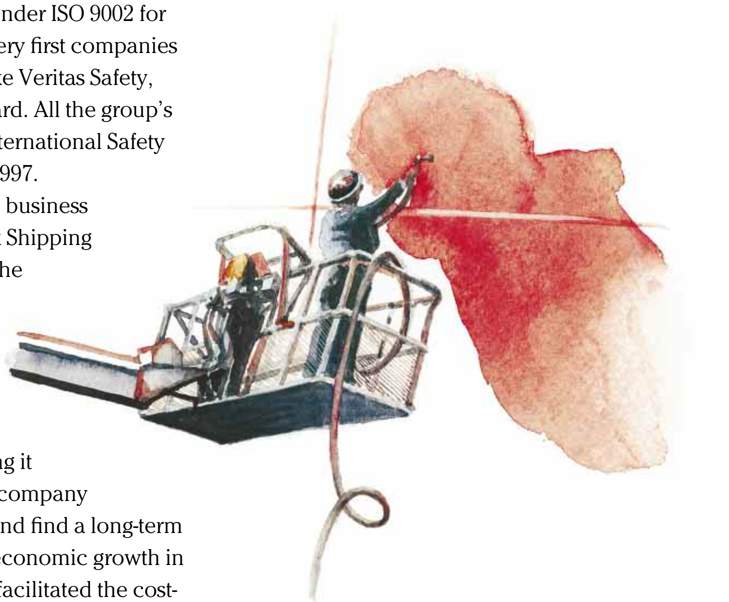
Belships aims to provide a high-quality service at every level. NSSM has been accredited under ISO 9002 for several years and was one of the very first companies to be certified under the Det Norske Veritas Safety, Environment and Pollution Standard. All the group's vessels were certified under the International Safety Management Code in November 1997.

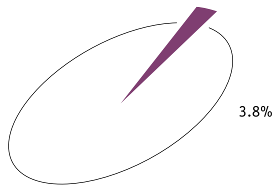
1998 saw the ship management business lose its largest client, Western Bulk Shipping (WBS). This was a direct result of the shareholder situation at WBS rather than a reflection on NSSM's performance. NSSM had just nine vessels under management at the year-end, taking it below its critical mass, and so the company embarked on a drive to cut costs and find a long-term solution to its new situation. Low economic growth in Asia and a weak Singapore dollar facilitated the cost-cutting programme.

At the end of the year Belships negotiated the sale of a 50% stake in NSSM with effect from 1 January 1999 to a strategic partner, Interocean Ugland Management in Grimstad (IUMG), which is part-owned by the Andreas O. Ugland group. IUMG and a US sister company operate more than 50 tankers, reefers and vehicle carriers and are major players in the North Sea shuttle tanker market.

NSSM changed its name to IUM Singapore Pte Ltd in connection with this agreement. James Stove Lorentzen kept on as general manager.

These changes are good news for Belships, ensuring continuity in the management of its clients' vessels and laying the foundations for future growth. IUM Singapore and IUMG complement each other well, in terms of both geography and each company's resources and strengths. IUMG has an office in Poland, while IUM Singapore has a stake in a crewing office in Manila and also employs Chinese crews, which may prove a useful resource in the future. IUMG is active in the sophisticated North Sea market, while IUM Singapore focuses on the highly competitive dry bulk market. These operations require different types of expertise from which both companies can profit and learn.





Share of total operating income

Analytical information

Foreign exchange

Belships transaction currency is USD, which means that income and expenses are created in that currency. Belships does not take any steps to eliminate the foreign exchange risk between USD and NOK.

The ship values are considered in USD and are financed in the same currency, with the exception of two of the ships owned by Gibson Gas Tankers. They are financed in GBP by UK lease-agreements. The currency risk between GBP and USD has not been hedged.

The company's mortgage debt is converted to NOK at year end at the higher of closing rate and drawdown rate. This accounting procedure creates an unrealised exchange loss or gain in the income statement. According to generally accepted accounting principles this loss or gain can not be neutralized by a corresponding adjustment of the ship values. However, from 1 January 1999 onwards Belships will prepare financial reports in USD, and converting figures into NOK will be history.

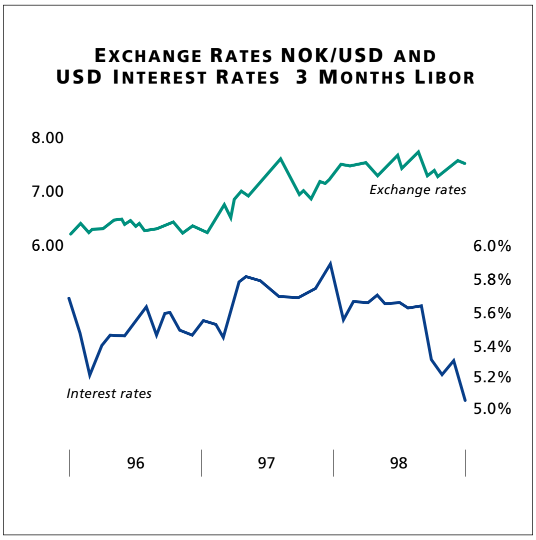
Based on Belships' level of activity in 1998, a change in the USD exchange rate of +/-10% compared to the rate as at 31 December 1998 (7.61), the effect on the income statement and the balance sheet will be as shown in the table below.

Interest expenses

Belships mortgage debt is based on a floating USD interest rate, LIBOR. In order to eliminate the fluctuations in the interest market, the company has entered into some hedging agreements. The table below shows the profile of interest fixing per 31.12.98.

Market values

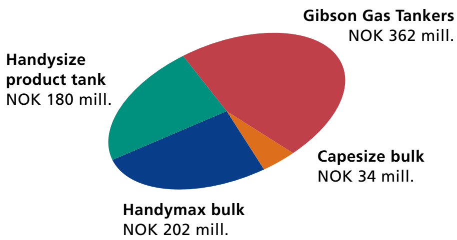
The value of the company's ships is decided by the development in the secondhand market. A 10% change in marketvalues corresponds to a change of about NOK 81 mill. in the value of the Belships fleet.



Belships' equity ratio is reduced from 24.2% in 1997 to 14.0% in 1998. This means that return on equity is very much influenced by fluctuations in the marketvalues.

During 1998 Belships has reduced its fleet through sale of M/T Beltrader and reduction of ownership in M/T Belanja from 49% to 20%. No new investments have taken place during 1998. The illustration below shows estimated market value at 31.12.98 for the Belships' fleet.

Market Value of the Belships Fleet



Change in USD-Exchange +/- 10%

NOK mill.	Product tank	Panmax/ Capesize	Handymax bulk	Gas	Ship-management	Total
Changes in operating result	0.2	1.7	0.5	1.4	0.4	4.2
Changes in ships' values	18.0	3.4	20.2	36.1	0	77.7
Changes in mortgage debt	13.7	3.2	23.1	32.3	0	72.3
Changes in net ships debt	4.3	0.2	-2.9	3.8	0	5.4

Profile of Interest Fixing per 31 December 1998

		< 1 year	2 year	3 year	4 year	> 5 year	Total
1998	USD 1 000	70 194	5 600	18 000	0	3 900	97 694
	% of total	72%	6%	18%	0%	4%	
1997	USD 1 000	70 102	0	6 099	20 000	7 742	103 943
	% of total	67%	0%	6%	19%	8%	
1996	USD 1 000	62 877	4 165	0	6 600	29 134	102 776
	% of total	61%	4%	0%	7%	28%	

Key financial figures

Consolidated

	NOK 1 000		**1998**	1997	1996
	Income statement				
	Operating income		**406 966**	581 822	316 163
	Operating result before other items		**-32 544**	-16 479	11 117
	Operating result		**-27 008**	20 153	25 721
	Result before taxes		**-160 748**	-91 909	-4 636
	Net result for the year		**-148 500**	-101 634	18 159
	Balance sheet				
	Current assets		**143 328**	126 506	143 132
	Fixed assets		**845 873**	1 057 150	1 079 872
	Total assets		**989 201**	1 183 656	1 223 004
	Short-term liabilities		**113 713**	132 301	134 574
	Long-term liabilities (ex. deferred taxes)		**703 322**	704 768	645 159
	Deferred taxes		**0**	13 483	4 220
	Minority interests		**34 070**	46 508	50 821
	Equity		**138 096**	286 596	388 230
	Total liabilities and shareholders' equity		**989 201**	1 183 656	1 223 004
	Liquidity				
1	Liquid reserves at 31 December		**47 945**	77 752	108 066
2	Cash flow		**-91 353**	21 061	19 557
	Interest expense		**-56 306**	-53 678	-28 841
3	Interest coverage ratio		**-1.32**	0.59	0.84
4	Current ratio	%	**126.04**	95.62	106.36
5	Net result ratio	%	**-25.66**	-6.57	7.68
	Capital				
	Share capital at 31 December		**28 966**	28 966	28 966
	Equity ratio	%	**13.96**	24.21	31.74
6	Return on total assets	%	**-9.61**	-3.87	2.54
7	Return on equity	%	**-69.93**	-30.12	5.43
	Key figures shares				
	Market price at 31 December	NOK	**3.50**	15.70	21.00
	Shares at 31 December	1 000	**14 483**	14 483	14 483
	Average number of shares	1 000	**14 483**	14 483	13 640
	Earnings per share	NOK	**-10.25**	-7.02	1.33
	Cash flow per share	NOK	**-6.31**	1.45	1.43
	Dividend per share	NOK	**0.00**	0.00	0.30
	Price/earnings ratio		**-0.34**	-2.24	15.77
	Price/cash flow ratio		**-0.55**	10.80	14.65

1 *Bank deposits*
2 *Net result for the year + depreciation and write down + change deferred taxes - minority interests + unrealised exchange loss*
3 *Result before taxes + interest expense - unrealised exchange loss / interest expense*
4 *Current assets in percent of short-term liabilities*
5 *Result before taxes + interest expense / operating income*
6 *Result before taxes + interest expense / average total capital*
7 *Net result for the year / average equity*

The Belships share

Shareholder policy

Belships wants to obtain the most appropriate price for the company's shares by effective and profitable management of the company's resources. A competitive yield is to be obtained by increasing the value of the company's shares and a dividend distribution that is in relation to the company's results and future prospects. Our clear objective is that the Belships share will be an interesting and competitive investment option.

The company keeps the Oslo Stock Exchange, the share market and shareholders continuously informed through interim reports, annual reports and notifications of important developments. Belships regards up-to-date and accurate information as necessary for the share to obtain a price that reflects the company's underlying value and future prospects.

When there is an increase in share capital with an issue of new shares for a cash payment, the company's shareholders will have pre-emption rights to the new issue. The board will propose a private placement or share issue as a settlement in connection with investments only when this takes account of existing shareholders' long-term interests.

The share capital

Belships' share capital amounts to NOK 28 966 000 divided into 14 483 000 shares with a face value of NOK 2.00. The development of Belships' share capital in recent years is shown in the table to the right.

At the general meeting on 30 April 1998 the board received authorisation to issue up to 4 million new shares. This authorisation has not been used.

RISK

For Belships the following RISK amounts have been established:

per 1 January 1999	(estimate) 0.00 NOK
per 1 January 1998	0.00 NOK
per 1 January 1997	-0.30 NOK
per 1 January 1996	-0.50 NOK
per 1 January 1995	-0.55 NOK
per 1 January 1994	-0.50 NOK
per 1 January 1993	-1.00 NOK

The alternative entry value as at 1 January 1992 is 34.13.

Share Capital Development

Year	Type of change	Amount	Share par value	Number of shares	Share capital
1935	Founded	1 650 000	100.00	16 500	1 650 000
1968	Bonus issue	1 650 000	100.00	33 000	3 300 000
1989	Share split	0	10.00	330 000	3 300 000
1991	Bonus issue 1:1	3 300 000	10.00	660 000	6 600 000
	Share split 5:1	0	2.00	3 300 000	6 600 000
1993	Bonus issue 1:1	6 600 000	2.00	6 600 000	13 200 000
	Private placements	9 724 000	2.00	11 462 000	22 924 000
1994	Private placement	234 000	2.00	11 579 000	23 158 000
1995	Private placement	4 000 000	2.00	13 579 000	27 158 000
1996	Private placement	1 808 000	2.00	14 483 000	28 966 000

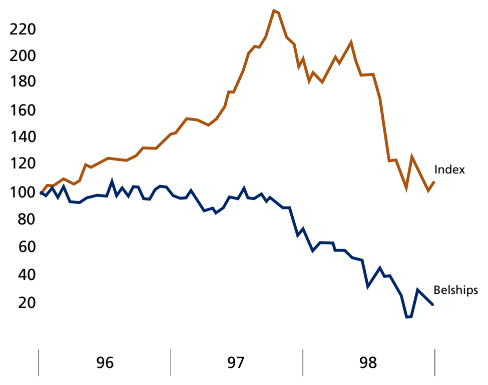
Share Price performance and Liquidity

Throughout 1998 the price performance of the Belships share was very weak and the traded volume declined. We consider that the performance of the Belships share does not reflect the underlying value of the company and we will increase our efforts so that the company's share obtains a more accurate price on the market and the share becomes an interesting and competitive investment option.

The volume traded during the course of the year corresponds to 13% of the company's shares. The main shareholders have increased their holding from 58% to 59% in 1998. The number of market days on which the Belships share was traded was 84 in 1998 compared with 152 in 1997.

Year	Turnover NOK mill.	Turnover in shares	Number of transactions	Number of days traded
1993	293.4	7 748 000	2 057	180 of 252
1994	143.7	4 681 000	1 351	221 of 253
1995	65.6	2 694 000	761	192 of 251
1996	138.7	6 489 000	797	211 of 250
1997	63.3	3 137 000	405	152 of 250
1998	18.6	1 926 000	179	84 of 251

Belships' Share Price Development Relative to the Oslo Stock Exchange Shippingindex



Shareholder Structure

The 20 largest shareholders in Belships at 31.12.98

		Number of shares	Percentage of share capital
1	Sonata A/S	3 822 015	26.38%
2	Jasto A/S	2 250 002	15.53%
3	Consensio A/S	1 253 789	8.65%
4	Anchor Holding Plc. (SE-banken)	904 000	6.24%
5	Odin Maritim	575 300	3.97%
6	Gill-Johannessen A/S	421 500	2.91%
7	Otto Grieg Tidemand	337 681	2.33%
8	Tidinvest AS	306 376	2.11%
9	G-Fondspar 2020	275 034	1.89%
10	Meieribrukets Pensjonskasse	270 000	1.86%
11	Banque Degroof	191 000	1.31%
12	Caiano Invest AS	177 500	1.22%
13	G-Fondspar 2005	152 207	1.05%
14	G-Fondspar 2010	139 985	0.96%
15	Atalanta A/S	123 000	0.84%
16	G-Fondspar 2015	122 577	0.84%
17	Bratrud, Gudmund Joar	117 500	0.81%
18	Svakstrøm AS	100 000	0.69%
19	Jenssen & Co. A/S	93 101	0.64%
20	Gjensidige Livsforsikring	92 500	0.63%
	Total 20 largest shareholders	11 725 067	80.86%

In total the Grieg Tidemand and Stove Lorentzen families own about 59% of the shares. At the end of 1998 the company had 566 shareholders. Of these, 14 shareholders are resident outside Norway. The corresponding numbers for 1997 were 588 and 16.

Fleet list

Per 31 December 1998 Ship	Ownership	Built year	Dwt	Operation	Time of redelivery
Product tank / OBO					
M/T Belgrace	63%	1984/87	40 900	Spot	
M/T Beltrader	49%	1983	40 520	Sold 01/99	
M/T Urai	20%	1995	28 500	B/B to 09/10	
M/S Belguardian	20%	1987	43 500	T/C to 06/99	
M/S Belgallantry	20%	1987	43 500	Spot	
M/S Belgreeting	20%	1987	43 500	Spot	
Gas					
M/T Lanrick	60%	1992	3 215 cbm	T/C to 04/00	
M/T Ettrick	60%	1991	3 215 cbm	T/C to 10/99	
M/T Traquair	60%	1982	6 616 cbm	Pool	
M/T Yarrow	60%	1982	6 568 cbm	Pool	
M/T Eildon	60%	1982	6 077 cbm	Pool	
M/T Quentin	60%	1977	2 280 cbm	Spot	
Capesize bulk					
M/S Belmaj	25%	1990	149 516	T/C to 12/99	
Panmax bulk, chartered tonnage					
M/S Mui Kim		1989	68 774	Spot	10/99
Handymax bulk					
M/S Belnor	100%	1996	47 600	Spot	
M/S Belstar	80%	1992	43 400	Spot	
Ships under commercial management					
M/T Magnolia		1983	84 656	T/C to 07/00	

Number of ships

Type	Owned tonnage	External management	Chartered tonnage	Commercial management	Total fleet
Handysize product tank / OBO	1.9	0.8		3.3	6.0
Gas	3.6			2.4	6.0
Capesize bulk	0.3			0.7	1.0
Panmax bulk			1.0		1.0
Handysize bulk	1.8			0.2	2.0
Aframax				1.0	1.0
Total	7.6	0.8	1.0	7.6	17.0

Organisation

Belships ASA

Board of directors

Asbjørn Larsen, *chairman*	2 500 shares
Sverre Jørgen Tidemand	4 684 992 shares
James Stove Lorentzen	2 917 478 shares
Åsmund Simonsen	588 shares
Hans Peter Jebsen	0 shares

Management
Sverre Jørgen Tidemand, *managing director*
Jo Eric von Koss, *financial director*
Einar Skogstad, *commercial director*

Finance / Accounting
Osvald Fossholm, *financial manager*
Edwin Johansen, *accounting manager*

Belships Trading AS
(Panmax / capesize bulk)

James Stove Lorentzen, *managing director*
Bent L. Larssen, *chartering manager*
Tor Lauritzsen, *operation manager*
Dag Storheill, *operation*
Ove B. Staurset, *accounting manager*

Belships Tankers AS
(Handysize product)

Stein H. Runsbech, *chartering manager*
Per S. Kleppe, *chartering*
Tor Lauritzsen, *operation manager*
Dag Storheill, *operation*
Ove B. Staurset, *accounting manager*

Belships management AS
(Insurance / Crewing)

Trine L. Kjellsby, *insurance manager*
Tore Jan Sandboe, *crew manager*

IUM Singapore pte ltd
(Shipmanagement, Singapore)

James Stove Lorentzen, *managing director*
Yap Soon Huat, *technical manager*
Shripad Gajanan Tole, *quality and safety*
Anthony Sng, *financial manager*

Belships Trading asia pte ltd
(Panmax / capesize bulk)

Anders Zorn, *chartering manager*

Belships Tankers Far East pte ltd
(Tank, Singapore)

Terje Schau, *chartering manager*

Gibson Gas Tankers Ltd
(Gas, Edinburgh)

Egil R. Berntsen, *managing director*
Stuart Rae, *financial manager*

Articles of Association

Adopted by the statutory general meeting on 7 October 1935, as amended lastly by the Board of Directors on 27 November 1996.

§1 The name of the company is Belships ASA. The company is a public limited company.

§2 The registered office of the company is in Oslo.

§3 The company's object is to conduct shipping operations, act as agents in the chartering, buying and selling of ships, engage in offshore petroleum operations, participate in explorarion for and production of petroleum, manufacturing and trade and participate in companies of whatever kind having similar objects.

§4 The share capital of the company amounts to NOK 28 966 000,- divided into 14 483 000 shares of NOK 2.00 each, fully paid and registered.

§5 The Board of the company consists of from three to seven directors, together with any deputies, as decided by the general meeting. The directors elect each year the Chairman of the Board. Power of signature for the company is exercised by two directors jointly or by the chief executive officer alone if he is a director.
The Board may grant power of procuration.
The chief executive officer is appointed by the Board of Directors.

§6 The ordinary general meeting deals with:
1. Adoption of the income statement and balance sheet.
2. Employment of the year's profit or coverage of the year's loss in accordance with the adopted balance sheet, and the question of declaring dividends.
3. Election of directors and the amount of their remuneration.
4. Election of the auditor and the amount of his/her remuneration.
5. Any other matters which pertain by law or these articles to the general meeting.

Extraordinary general meetings will be held whenever considered necessary by the board of directors.

§7 The shares in the company shall be registered in the Norwegian Securities Registry. Dividends will be paid to those who are regisrered as shareholders on the day the dividends are declared. The notice of the general meeting may provide that shareholders who intend to participate in the general meeting, personally or by proxy, shall report to the company within a period ending not less than two days before the date of the general meeting, stating the number of shares they represent and naming their proxy if any and the number of shares represented by him/her.

Terms and expressions

Biffex
Baltic International Freight Futures Exchange (London) – Exchange for trading future contracts based on the index of dry bulk freight-rates

Capesize
Vessel exceeding 80 000 dwt

Charterer
Hirer of a vessel

Charterhire
Hire expenses for a ship

Charterparty
An agreement to hire a vessel

Dry bulk
Cargo as grain, coal, ore or steel

Dwt
Dead weight tons – The maximum weight a vessel can carry as cargo and stores

Handymax
Vessels between 35 000 and 50 000 dwt

Handysize
Vessels between 10 000 and 50 000 dwt

Income on T/C-basis
Freight income after deduction of all voyage related expenses such as loading- and discharging expenses, bunkers etc.

LPG vessels
Vessels for transportation of liquid gas refrigirated to minus 48 degrees Celcius.

OBO-carriers
Vessels for carrying oil and oil products or drycargo as grain, coal and ore (Oil - Bulk - Ore)

Off-hire
The period during which a vessel is temporarily out of operation in relation to the terms of the relevant charterparty with a loss of agreed hire under this as a consequence

Operating expenses
Crew expenses and all expenses in connection with vessel's technical operation including insurance

Operator
The holder of a freight contract with a cargo shipper and/or the manager of tonnage

Panmax
Vessels between 50 000 and 80 000 dwt

Pool
A joint sailing agreement

Product
Refined oilproducts

Spot market
Markets for vessels operating on a tramp basis

Time Charter (T/C)
An agreement to let a vessel which is manned and ready for operation for an agreed period

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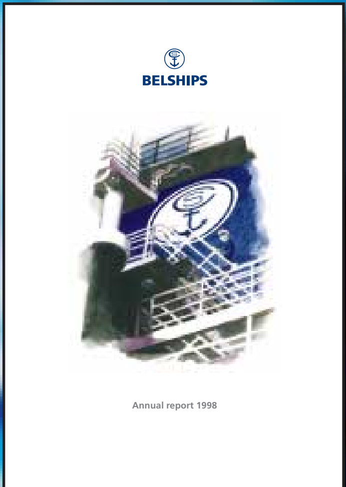
Belships



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