

# Belships – an introduction

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

## Handysize product tank

The wholly owned subsidiary Belships Tankers operates six owned ships and three chartered ships. 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 Ltd. based in Edinburgh. The company owns 6 gas ships of between 2 000 and 7 000 cbm. The ships carry industrial and petroleum gasses such as butane, propane and etc.

## Panmax/capesize bulk

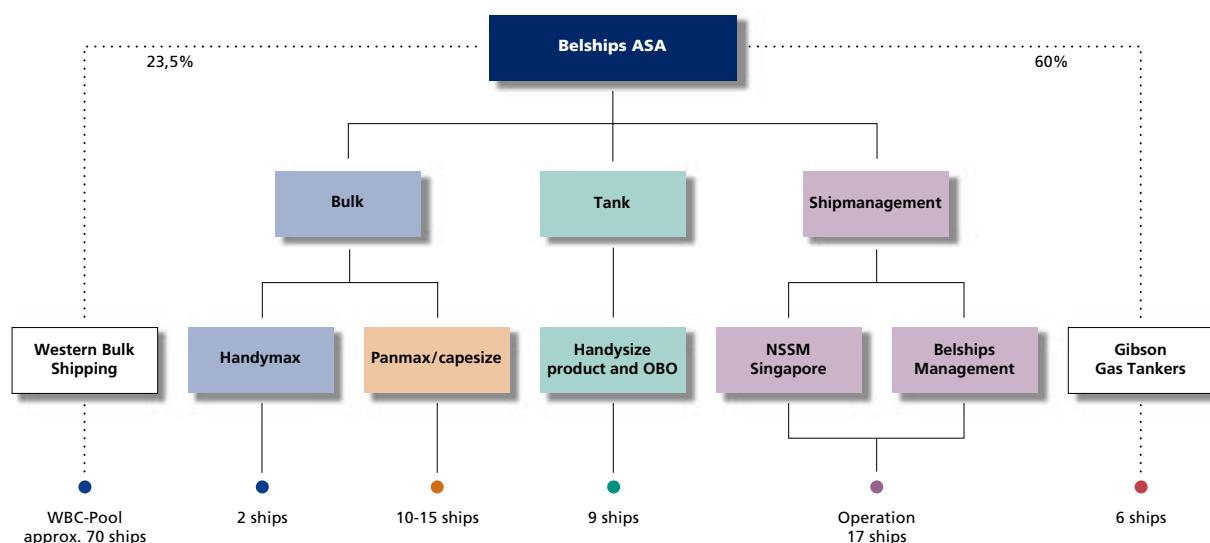
Through the wholly owned subsidiary Belships Trading there is considerable involvement as an operator in the panmax dry cargo market. The company takes cargo positions and covers them with chartered ships. The panmax fleet carries mainly commodities such as coal, ore and grain all over the world. Belships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

## Handymax bulk

Belships owns two handymax dry cargo ships as well as a 23.5% stake in Western Bulk Shipping. The handymax dry cargo fleet carries mostly semi-finished goods for industry and operates all over the world.

## Shipmanagement

Belships is considerably active in ship management through the companies Northsouth Shipmanagement (NSSM) in Singapore and Belships Management in Oslo. These companies are responsible for the technical management of not only Belships own ships but also on behalf of other shipping companies.



## FINANCIAL HIGHLIGHTS

NOK 1 000	1997	1996	1995
Operating income	<b>581 822</b>	316 163	422 389
Operating result	<b>20 153</b>	25 721	48 832
Net result for the year	<b>-101 634</b>	18 159	28 201
Cash flow	<b>21 523</b>	19 557	58 860
Total assets	<b>1 183 656</b>	1 223 004	790 290
Equity	<b>286 596</b>	388 230	345 990
Interest coverage ratio	<b>0.59</b>	0.84	3.62
Current ratio	<b>95.62</b>	106.36	188.47
Equity ratio	<b>24.21</b>	31.74	43.78
Earnings per share	<b>-7.02</b>	1.33	2.37



# Report of the Board of Directors

**1997 was characterised by significant changes in the company's national and international environment. Furthermore the conditions of our strategic investment in Western Bulk Shipping ASA (WBS) were completely altered.**

Nationally, the new taxation system for shipping companies was introduced, and Belships will make extensive use of this new regime. There is still much to be done before we see all the consequences of the rules. If the tax regime works as intended, Norwegian shipping will have a competitive framework in which to operate. However, there is some concern about the costs associated with the registration of ships in the Norwegian International Shipping Registry (NIS) since the authorities are still stipulating specifically Norwegian terms as a condition for registration.

Internationally, the economic crisis in Asia will have consequences for shipping, in particular for bulk and liner trade. The region has been, in recent years, a driving force behind the increasing international trade so the slow down, which is now occurring, will have a negative effect on the shipping industry. In the long-term however, we still consider conditions are right for renewed economic growth in this region.

During spring and summer it became apparent that a grouping, associated with the companies Sjøinvest AS and Kværner ASA, had taken over control of WBS. In July, Belships issued an offer to all shareholders to acquire the shares in the company for NOK 38 per share. Unfortunately only very few accepted the offer. The board regrets that the controlling group had no desire for Belships to be represented on the company's board.

## RESULTS

In 1997 Belships had an operating income of NOK 581.8 million (316.2 million in 1996). The operating result was NOK 20.2 million (25.7 million), of which, gains from the disposal of ships accounted for 36.6 million (14.6 million).

The product tank business generated an operating result of NOK 5.4 million (14.5 million), and gas an operating result of NOK 43.0 million (1.3 million), of which 36.6 million were gains from the disposal of ships. Panmax bulk was considerably more active than the year before, but produced a loss of NOK 24.6 million (-1.2 million) as a consequence of the difficult market situation. Handymax bulk produced an operating result of NOK 4.4 million (16.4 million) despite a weak market. Ship management produced an operating result of NOK 0.8 million (3.3 million).

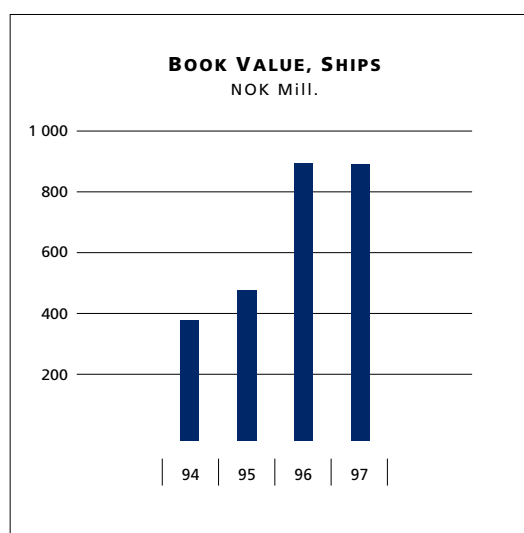
Net financial items were NOK -116.4 million (-30.7 million). Due to the increase in the US dollar exchange rate against the Norwegian kroner from 6.45 to 7.33 the accounts are charged with a currency exchange adjustment of a total of NOK 70.1 million. Pursuant to Norwegian accounting legislation, corresponding increases in the value of the company's ships are not reflected in the accounts.

During the first four months of 1997, the company's shares in WBS were accounted for according to the equity method. The company's result was thereby charged with NOK 9.9 million. The value of the shareholding in the company's accounts is written down accordingly as of 31 December. The investment's book value in the parent company and the company are, after this, in accordance with the presumed underlying value adjusted equity. Market capitalization of WBS on the Oslo Stock Exchange is about 20% below this value. In 1996, the company entered into the new taxation system for shipping companies and further assets have been transferred in 1997.

## THE FLEET AND BUSINESS ACTIVITY

The company's involvement in the product tank sector was broadly speaking constant throughout all of 1997. Except for M/T Belanja, which to a large extent, was involved in the transport of simple chemicals, the ships mainly carried clean petroleum products. A considerable influx of newbuildings caused lower rate levels than expected in this sector.

Belships is involved in the small gas carrier market as 60% owner of the Scottish shipping company Gibson Gas Tankers Ltd. (GGT). The market was weak during the year and as the ships' time charters expired earnings weakened slightly. We reckon that the market will continue to be weak, but expect that this investment will provide satisfactory results within a couple of



years. Towards the end of the year, an agreement was reached with I.M. Skaugen for a swap of tonnage. This involved GGT acquiring two LPG ships of about 6 500 cbm built in 1982 in exchange for M/T Teviot which is an ethylene ship of about 8 400 cbm built in 1989. The transaction produced a book profit of NOK 36.6 million. For GGT this means they have a more commercially homogeneous fleet.

The company's activity in the dry cargo segment consists of four elements: The operating company Belships Trading, the capesize ship M/V Belmaj, the handymax ships M/V Belnor and M/V Belstar and a 23.5% stake in WBS. Belships Trading began the year with an excess of cargo but chartered in tonnage in expectation of a market revival during the first half of the year. The market revival did not occur and this resulted in reduced earnings. The purchase of M/V Belmaj is a further development towards building up a large bulk tonnage. M/V Belnor and M/V Belstar will probably continue to sail on time charter until a satisfactory price can be obtained for the ships.

The board considers that Belships should strive to regain a decisive influence over strategic decisions in WBS. If this is not possible, the alternative must be to release the considerable resources Belships has tied up in the company.

The company Northsouth Shipmanagement (NSSM) in Singapore constitutes the group's ship management expertise. By year-end, the company was responsible for the management of 17 ships and the follow-up of four new building projects. All ships, for which NSSM has management responsibility, are now certified in accordance with applicable regulations as well as standards coming into force during 1998. The company's ships operated without significant accidents during 1997.

## ENVIRONMENT

Both in the political world and in the industry itself great emphasis is put on minimising pollution, a matter which is regulated by several environmental standards and certification systems. Belships works continuously and determinedly to raise standards onboard and on land. The company is concerned with making constant improvements in safety as well as preventing the activities from causing pollution to the environment. The requirements that the authorities and international regulations make in the areas of environment and safety are met in full. The company has employees from a number of countries and with different backgrounds. This provides the company with an important impetus and contributes to maintaining and developing the company's good working environment.

## ORGANISATION

The company's head office is in Oslo. Most of the company's commercial activity as well as insurance and manning of Scandinavian officers are carried out from here. The technical maritime management is carried out from Singapore, while the gas tank business is administered in Edinburgh. When choosing the location the company's various activities, particular emphasis is put on geographical proximity as well as overall conditions in the various regions.

At the end of 1997 a total of 60 people were employed in the group divided between the following locations:

- 28 people in Norway
- 17 people in Singapore
- 15 people in Scotland and Sri Lanka

## FINANCIAL CONDITIONS

Belships' liquidity and financial position were somewhat weakened in 1997. The company finds it difficult to make material investments without disposing of other assets. The board considers, however, the situation as satisfactory.

Book equity December 31, 1997 was NOK 286.6 million, which corresponds to about 24%. This is an 8% reduction from 1996.

In the light of the company's weak result, the board does not consider it appropriate to propose a distribution of dividend for 1997.

The parent company's income statement shows a loss of NOK 31 million. The board proposes the following appropriations for 1997 (NOK million):

Distributable reserve	-30.5
Group relief transfer	-0.5
<b>Net result for the year</b>	<b>-31.0</b>

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

## STRATEGY

The changes which occurred in Western Bulk in 1997 emphasise that Belships' strategy in handymax bulk must be subject to continuous assessment. The sale of M/V Belnor and M/V Belstar will be postponed until conditions are better suited.

In the large bulk segment we will continue to expand our cargo portfolio and customer base. Further efforts will be put into developing larger projects so as to raise the quality of earnings.

The involvement in product tank will gradually be reduced. The main feature of the involvement in the tank sector will continue to be opportunistic.



Involvement in gas will be sought on a more simplified and focussed basis. It will probably be necessary in future to see Gibson Gas Tankers in a wider industry context .

#### THE FUTURE

Due to the economic upheaval in Asia, demand on the dry cargo market will in all likelihood, be weak also in 1998. This combined with the delivery of 12 million dwt of new building during the year, leads us to expect the market to continue to be weak. However, a relatively large number of ships are old and are thus candidates for scrapping. There is, therefore, hope that the weak market will not last long.

The demand for product tankers should be just as affected by the crisis in Asia as the dry cargo market. The fundamentals for oil tankers point to an improved market in the course of the year.

The gas market is also expected to be weak in 1998. However, this market is dependent on marginal changes in the production pattern in the petrochemical industry so surprises cannot be excluded.

**Asbjørn Larsen**  
Chairman



**Sverre Jørgen Tidemand**  
Managing director

**Åsmund Simonsen**

**James Stove Lorentzen jr**

**Stein Erik Hagen**

Oslo, 11 March 1998  
The Board of Belships ASA

# Income statement

Note	1 January - 31 December NOK 1 000	Consolidated			Belships		
		1997	1996	1995	1997	1996	1995
	<b>Operating income and expenses</b>						
1	Operating income	<b>581 822</b>	316 163	422 389	<b>24 186</b>	60 291	72 779
	Charterhire expenses	<b>-376 635</b>	-184 073	-293 875	<b>-171</b>	-23 494	-22 245
	Other operating expenses	<b>-121 140</b>	-53 836	-25 654	<b>-10 002</b>	-17 081	-18 688
5	General administrative expenses	<b>-52 903</b>	-41 399	-36 116	<b>-9 296</b>	-8 917	-9 006
4	Ordinary depreciation ships	<b>-47 623</b>	-25 738	-17 912	<b>-7 227</b>	-11 213	-15 220
	Total operating expenses	<b>-598 301</b>	-305 046	-373 557	<b>-26 696</b>	-60 705	-65 159
	Operating result before sale of ships	<b>-16 479</b>	11 117	48 832	<b>-2 510</b>	-414	7 620
	Gains from sale of ships	<b>36 632</b>	14 604	0	<b>3 209</b>	26 734	0
	Operating result	<b>20 153</b>	25 721	48 832	<b>699</b>	26 320	7 620
	<b>Financial income and expenses</b>						
	Share dividends	<b>5 214</b>	1 040	832	<b>8 454</b>	7 953	9 070
	Interest income	<b>3 778</b>	5 158	4 093	<b>1 197</b>	2 584	2 919
	Interest expense	<b>-53 678</b>	-28 841	-13 890	<b>-15 067</b>	-14 748	-12 297
	Currency exchange gain/-loss	<b>-70 122</b>	-4 403	6 315	<b>-23 535</b>	-1 086	5 626
	Other financial items	<b>-1 567</b>	-3 646	-3 688	<b>8</b>	-686	-1 473
	Net financial items	<b>-116 375</b>	-30 692	-6 338	<b>-28 943</b>	-5 983	3 845
	Result before extraordinary items	<b>-96 222</b>	-4 971	42 494	<b>-28 244</b>	20 337	11 465
	Write-down of shares	<b>0</b>	0	0	<b>-7 539</b>	-40 428	0
	Minority interests	<b>4 313</b>	335	-6 107	<b>0</b>	0	0
	Result before taxes	<b>-91 909</b>	-4 636	36 387	<b>-35 783</b>	-20 091	11 465
8	Taxes	<b>-9 725</b>	22 795	-8 186	<b>4 788</b>	22 425	-3 441
	Net result for the year	<b>-101 634</b>	18 159	28 201	<b>-30 995</b>	2 334	8 024
	Earnings per share (NOK)	<b>-7.02</b>	1.33	2.37			
	<b>Appropriations of net result</b>						
	Dividends				<b>0</b>	4 345	8 826
	Distributable reserve				<b>-30 451</b>	12 304	24 796
	Undistributable reserve				<b>0</b>	-12 726	-12 726
	Legal reserve				<b>0</b>	233	803
	Group relief transfer				<b>-544</b>	-1 822	-13 675
	Total appropriations				<b>-30 995</b>	2 334	8 024

# Balance sheet

Note	As at 31 December NOK 1 000				Consolidated		Belships
		1997	1996	1995	1997	1996	1995
	<b>ASSETS</b>						
	<b>Current assets</b>						
2	Bank deposits	77 752	108 066	93 752	11 056	35 638	43 803
	Intercompany balances	0	0	0	133 915	63 164	33 197
6	Other current assets	48 754	35 066	33 908	1 475	6 325	7 922
	Total current assets	126 506	143 132	127 660	146 446	105 127	84 922
	<b>Fixed assets</b>						
	Intercompany balances	0	0	0	6 276	6 755	11 233
3	Shares in associated companies	120 581	130 450	134 815	120 581	128 120	168 548
3	Other shares	14 885	25 598	26 071	14 885	25 598	26 071
3	Shares in subsidiaries	0	0	0	148 595	168 339	44 861
4	Ships	898 186	900 527	311 460	167 821	270 270	200 191
	Newbuilding	0	0	176 912	0	0	176 912
4	Other fixed assets	23 498	23 297	13 372	8 566	10 472	5 317
	Total fixed assets	1 057 150	1 079 872	662 630	466 724	609 554	633 133
	Total assets	1 183 656	1 223 004	790 290	613 170	714 681	718 055
	<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
	<b>Short-term liabilities</b>						
7	Mortgage debt	61 750	24 588	15 703	7 330	10 354	10 814
6	Other short-term liabilities	70 551	109 986	52 032	9 183	18 956	21 232
	Total short-term liabilities	132 301	134 574	67 735	16 513	29 310	32 046
	<b>Long-term liabilities</b>						
7	Mortgage debt	700 159	640 166	230 896	207 533	261 008	151 469
	Newbuilding commitments	0	0	115 293	0	0	115 293
10	Pension obligations	4 609	4 993	5 073	6 692	6 692	6 534
8	Deferred taxes	13 483	4 220	25 303	0	4 788	27 213
	Total long-term liabilities	718 251	649 379	376 565	214 225	272 488	300 509
	Minority interests	46 508	50 821	0	0	0	0
	<b>Shareholder's equity</b>						
	Share capital	28 966	28 966	27 158	28 966	28 966	27 158
	Legal reserve	218 921	218 921	192 923	218 921	218 921	192 923
	Undistributable reserve	0	0	12 726	0	0	12 726
	Distributable reserve/Group reserve	38 709	140 343	113 183	134 545	164 996	152 693
12	Total shareholders' equity	286 596	388 230	345 990	382 432	412 883	385 500
	Total liabilities and shareholders' equity	1 183 656	1 223 004	790 290	613 170	714 681	718 055
11	Uncalled capital commitments						
7	Pledges						

# Cash flow analysis

	1 January - 31 December			Belships		
	NOK 1 000	Consolidated		1997		1995
	1997	1996	1995	1997	1996	1995
<b>Funds generated from operations</b>						
*) Cash flow from operations	<b>-85 780</b>	4 953	62 314	<b>-24 226</b>	4 816	30 892
Change current assets/short-term liab.	<b>-15 961</b>	70 026	-11 388	<b>-78 154</b>	-31 106	-39 363
Net funds from operations	<b>-101 741</b>	74 979	50 926	<b>-102 380</b>	-26 290	-8 471
<b>Funds flow from investment</b>						
Investment in fixed assets	<b>-207 056</b>	-501 691	-115 384	<b>-3 694</b>	-27 974	-35 605
Sale proceeds from fixed assets disposals	<b>195 850</b>	78 401	372	<b>99 131</b>	125 946	372
Changes in other investments	<b>23 024</b>	-5 320	-18 201	<b>35 292</b>	-99 300	-14 585
Net cash flow from investments	<b>11 818</b>	-428 610	-133 213	<b>130 729</b>	-1 328	-49 818
<b>Funds flow from financing</b>						
Change in long-term liabilities	<b>59 609</b>	344 718	46 771	<b>-53 475</b>	-5 596	1 676
Payment of equity	<b>0</b>	27 572	45 834	<b>0</b>	27 572	45 834
Group relief transfer	<b>0</b>	0	0	<b>544</b>	1 822	13 675
Dividends	<b>0</b>	-4 345	-8 826	<b>0</b>	-4 345	-8 826
Net cash flow from financing	<b>59 609</b>	367 945	83 779	<b>-52 931</b>	19 453	52 359
Net change in liquid reserves	<b>-30 314</b>	14 314	1 492	<b>-24 582</b>	-8 165	-5 930
Liquid reserves at 1 January	<b>108 066</b>	93 752	92 260	<b>35 638</b>	43 803	49 733
Liquid reserves at 31 December	<b>77 752</b>	108 066	93 752	<b>11 056</b>	35 638	43 803
*) <i>This amount is arrived at as follows:</i>						
Result before taxes	<b>-91 909</b>	-4 636	36 387	<b>-35 783</b>	-20 091	11 465
Loss/-gain from sale of fixed assets	<b>-36 632</b>	-14 604	314	<b>-3 209</b>	-26 734	314
Write-down of receivables, shares and ships	<b>440</b>	0	1 342	<b>7 539</b>	40 428	3 066
Ordinary depreciations	<b>47 623</b>	25 738	19 710	<b>7 227</b>	11 213	16 047
Minority interests	<b>-4 313</b>	-335	6 107	<b>0</b>	0	0
Taxes payable	<b>-989</b>	-1 210	-1 546	<b>0</b>	0	0
Cash flow from operations	<b>-85 780</b>	4 953	62 314	<b>-24 226</b>	4 816	30 892



# 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 3. In the consolidated 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. 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 consolidated accounts using proportional consolidation, 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 between 20% and 50% in jointly controlled limited companies are also accounted for using the proportional consolidation. The group's holding in Western Bulk Shipping ASA (WBS) is until the end of April 1997 accounted for in accordance with the equity method. From that time, Belships lost controlling interest in the company and the investment has, for the rest of the year, been included in accordance with the cost method.

## **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 current 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 less ordinary depreciation.

Except for the gas tankers, ships are depreciated on a straight line basis over an economic life of 25 years. 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.

Depreciation of 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.

Lease obligations in GBP are hedged against USD until May/June 1998.

## **G) Proration of Freight Revenues**

Income and expenses related to a ship'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-docking 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.

In 1996 a new tax regime was implemented. As a result of this, part of the shipping activities in Belships has been transferred to the new tax system, both in 1996 and 1997. As Belships do not expect taxes payable in the near future, the capitalised value of deferred taxes related to the positive temporary differences transferred to the new tax regime and accumulated profit since entering the new regime are considered to be immaterial. This consideration is based on the assumption of sufficient liquidity reserve dividend policy and free equity in the part of the group which is or will be outside the new system and the intention to continue the shipping activity. See note 8 for further details.

## **M) Related Parties**

The main shareholders in Belships are also major shareholders in Western Bulk Shipping ASA and in Lorentzen & Stemoco AS. Belships are regularly doing business with these companies. The transactions are based at market terms. Material transactions with other related parties do not take place.

# Notes to the accounts

## 1 Operating income

	Consolidated			Belships		
	1997	1996	1995	1997	1996	1995
Income on timecharter basis	559 030	292 880	386 885	23 589	60 241	72 646
Ship management fee	22 792	23 283	19 697	597	50	133
Share of result Western Bulk Shipping	0	0	15 807	0	0	0
<b>Total operating revenue</b>	<b>581 822</b>	<b>316 163</b>	<b>422 389</b>	<b>24 186</b>	<b>60 291</b>	<b>72 779</b>

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

## 2 Bank deposits

Restricted deposits for taxes withheld for Belships employees at 31.12.97 amounted to NOK 984 212.

## 3 Shares

	Ownership consolidated	Company's share capital	Number of shares owned	Par value in total	Book value
<b>Shares in associated companies</b>					
Western Bulk Shipping ASA	23,5	400 052	3 203 013	96 090	120 581
<b>Other shares owned by parent company</b>					
AS Pelican	10,4	25 000	130 000	130	14 358
Greenshields Shipping Ltd	USD 2,4	316	75 000	7,5	527
<b>Total shares owned by parent company</b>					<b>14 885</b>
<b>Shares in consolidated companies</b>					
Belships Management AS	100	50	1	50	50
Northsouth Shipmanagement 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
AS Bel-Argo	100	2 586	200	2 586	0
Belships Finans AS	100	50	50	50	50
Western Obo II AS	100	50	50	50	50
1 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
2 Gibson Gas Tankers Ltd	GBP 60	100	60 000	60	98 624
Belships (Far East) Shipping Pte Ltd	SGD 50	500	250 000	250	0
Beltrader Shipping Ltd	USD 49	12	5 880	6	17 963
Western Obo AS	36	50	18	18	18
<b>Total shares in consolidated companies</b>					<b>148 595</b>
<b>Total</b>					<b>284 061</b>

1 Belships Rederi AS owns 100% of the shares in Belgrace AS, Belmaj AS og 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.

2 Belships has an option to sell 40% of the shares back to Anchor Holding Plc after three years 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.

4	<b>Ships and other fixed assets</b>				
		<b>Consolidated</b>		<b>Belships</b>	
		Ships	Other fixed assets	Ships	Other fixed assets
	Cost at 31 December 1996	956 562	24 925	300 863	12 391
	Additions 1997	201 425	5 631	1 590	2 104
	Retirements 1997	-156 700	-3 505	-123 875	-2 751
	Cost at 31 December 1997	1 001 287	27 051	178 578	11 744
	Accumulated depreciation at 31 December 1996	56 033	9 491	30 593	5 560
	Depreciation 1997	47 623	1 898	7 227	1 610
	Retirements 1997	-555	-432	-27 063	-432
	Accumulated depreciation at 31 December 1997	103 101	10 957	10 757	6 738
	Book value at 31 December 1997	898 186	16 094	167 821	5 006
	Other fixed assets	0	7 404	0	3 560
	Total book value at 31 December 1997	898 186	23 498	167 821	8 566

#### Investments and sales of fixed assets over the last five years

		<b>Consolidated</b>		<b>Belships</b>	
		Ships	Other fixed assets	Ships	Other fixed assets
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
1993	Investments	454 409	10 666	435 589	2 008
	Sales	792 429	794	406 281	794

#### Specification of ships

	Built year	Ownership consolidated	Cost price	Book value	
<b>Product tank / OBO</b>					
	M/T Belanja	1995	49%	76 352	70 620
	M/T Belgrace	1984/87	63%	65 056	45 369
	M/T Beltrader	1983	49%	44 694	38 226
	M/V Belguardian	1987	20%	17 230	16 050
	M/V Belgallantry	1987	20%	17 230	16 050
	M/V Belgreeting	1987	20%	17 230	16 050
<b>Capesize bulk</b>					
	M/V Belmaj	1990	25%	48 273	47 556
<b>Handymax bulk</b>					
	M/V Belnor	1996	100%	180 061	167 821
	M/V Belstar	1992	80%	138 059	105 375
1	<b>Gas</b>				
	M/T Lanrick	1992	60%	80 776	77 197
	M/T Ettrick	1991	60%	80 776	77 197
	M/T Eildon	1982	60%	74 008	71 563
	M/T Traquair	1982	60%	64 621	61 758
	M/T Yarrow	1982	60%	77 554	75 003
	M/T Quentin	1977	60%	12 924	12 351
	Total			994 844	898 186

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

**5 General adm. expenses / loans to employees**

General administrative expenses in Belships include remuneration to the Board of Directors of NOK 315 000 and remuneration of NOK 1 129 100 to the Managing Director.

The auditor's remuneration for 1997 for Belships amounted to NOK 200 000, and consulting fees amounted to NOK 92 000.

Loans to employees at 31 December 1997 amounted to NOK 2 358 000.

Belships rents offices from a company where Belships' main shareholders have a controlling interest. The rental for 1997 NOK 1 462 000.

**6 Other current assets and short-term liabilities**

Other current assets consist mainly 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.

**7 Mortgage debt, financial leases and off-balance items**

	Consolidated		Belships		Interest rate
	Short-term	Long-term	Short-term	Long-term	
M/V Belstar	5 651	90 982			USD 8.03% to 04/98
M/V Belnor	7 330	139 270	7 330	139 270	USD 6.32% to 02/01
M/V Belmaj	3 298	37 017			USD 6.61% to 03/98
M/T Belgrace	5 079	39 021			USD 7.22% to 05/98
M/T Belanja	2 873	53 875			USD 7.64% to 02/02
M/T Beltrader	4 490	23 346			USD 7.21% to 04/98
1 Anchor Holding		68 263		68 263	USD Floating
M/V Belguardian	1 222	13 683			USD 7.11% to 06/00
M/V Belgallantry	1 222	13 683			USD 7.11% to 06/00
M/V Belgreeting	1 222	13 683			USD 7.11% to 06/00
M/T Lanrick	14 301	61 257			GBP 6.75% to 04/98
M/T Ettrick	15 062	54 455			GBP 6.75% to 05/98
M/T Yarrow, Eildon, Quentin		91 625			USD 6.90% to 03/98
Total mortgage debt as at 31.12.97	61 750	700 159	7 330	207 533	

Mortgage debt in USD is booked at the year-end rate of USD/NOK 7.33 because this is higher than the drawdown rate for all loans.

With regard to Belships' mortgage debt totalling NOK 214.9 million, security has been provided over vessels and shares with a book value of NOK 266.4 million. In the consolidated accounts, ships and mortgage debt have a book value of NOK 898.2 million and NOK 761.9 million respectively. Some of the covenants related to loans were not fulfilled at 31 December 1997. The respective loaners 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 10 months.

1 No repayment until December 1999. Interest is accumulated and added to the loan balance.

8	Taxes	Consolidated		Belships	
		1997	1996	1997	1996
		Taxes payable	-989	-1 209	0
Changes in deferred taxes	-8 736	24 004	4 788	22 425	
Taxes	-9 725	22 795	4 788	22 425	

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	
	1997	1996	1997	1996
Accumulated tax reserve	59 640	106 756	50 992	85 973
Deferred sales gains	52 533	65 666	52 533	65 666
Accruals according to generally accepted accounting principles	-81 409	-75 337	-81 395	-74 252
Pension obligations	-4 609	-4 993	-6 692	-6 692
Tax loss carryforward	-105 578	-62 874	-62 594	-29 016
Net temporary differences	-79 423	29 218	-47 156	41 679
Deferred taxes /(gain) before remuneration	-22 238	8 181	-13 204	11 670
Remuneration	-9 805	-6 882	-9 805	-6 882
Deferred taxes Gibson Gas Tankers Ltd	12 900	2 921	0	0
Deferred taxes /(gain)	-19 143	4 220	-23 009	4 788
Deferred tax included in the Balance sheet	13 483	4 220	0	4 788
Deferred tax gains not included the Balance sheet	-32 626	0	-23 009	0

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	-35 784
Deferred sales gains transferred to companies under new tax regime	-3 209
Other changes in temporary differences	-1 313
Permanent differences	-8 326
Group relief transfer	544
Tax basis for the year	-48 088

#### The shipping taxation scheme

Temporary differences at time of implementation of new tax regime was NOK 114 657 409. Accumulated profit within the tax regime amounts to NOK 4 222 025. Tonnage tax amounting to NOK 179 880 has been provided for as at 31.12.97. 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 1997, 31 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's requirement to distinguish between benefit plans and contribution plans, 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 26 people are covered by these arrangements.

The company's pension scheme is over-funded. The over-funding has been assessed and it is assumed in the accounts that it will be utilised. The pension expenses for the year have been calculated by an independent actuary.

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. There are no changes in the 1997 assumption from prior years.

**Assumptions**

	<b>Consolidated</b>	<b>Belships</b>
Discount rate	7.00%	7.00%
Future wage adjustment	3.30%	3.30%
Pension adjustment/G-adjustment	2.50%	2.50%
Return on pension fund	8.00%	8.00%
Estimated return on pension fund in 1997	8.00%	8.00%
Average remaining earning period (31.12.97/31.12.96)	18,37 yrs/18,87 yrs	19,53 yrs/19,94 yrs
Voluntary departure before / after 45 years	2%/0%	2%/0%

**Composition of the net pension expenses**

	<b>Consolidated</b>	<b>Belships</b>
Present value of the year's pension earnings (incl. social security tax)	949	882
Interest charge on accrued pension obligations	1 773	1 243
Return on pension funds	-1 780	-996
<b>Net pension expenses</b>	<b>942</b>	<b>1 129</b>

**Composition of the net pension obligations**

	<b>Consolidated</b>		<b>Belships</b>	
	<b>31.12.97</b>	31.12.96	<b>31.12.97</b>	31.12.96
Gross pension obligations	<b>27 307</b>	27 011	<b>19 967</b>	19 549
Pension funds	<b>-22 698</b>	-22 018	<b>-13 275</b>	-12 857
<b>Actual and capitalised net pension obligations</b>	<b>4 609</b>	4 993	<b>6 692</b>	6 692
Of which uncovered pension obligations	<b>12 675</b>	12 385	<b>10 465</b>	10 203

**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	-11 532	-2 034	-776	-14 342
Current assets	5 332	6 064	4 088	15 484
Fixed assets	105 375	57 168	47 556	210 099
Short-term liabilities	8 920	7 060	4 660	20 640
Long-term liabilities	96 982	39 909	41 205	178 096
Committed capital	96 000	73 710	17 500	187 210
Payed in capital	48 000	50 668	10 470	109 138
Uncalled capital	48 000	23 042	7 030	78 072

K/S A/S Belocean, Western Bell KS and Belanina KS have not been included in the list above since the investments are considered insignificant in terms of the Group. Western Bell KS og Belanina KS will be dissolved during the course of 1998. All committed capital in K/S A/S Belocean is payed-in.

**12 Equity**

The company's 14 483 000 shares with a nominal value of NOK 2.00 were held by 588 shareholders at 31.12.97.

**Changes in equity 1997**

	Share capital	Legal reserve	Distributable reserve/ Group reserve	Equity
<b>Belships</b>				
Balance at 31 December 1996	28 966	218 921	164 996	412 883
Result 1997	0	0	-30 995	-30 995
Group relief from subsidiaries	0	0	544	544
Balance at 31 December 1997	28 966	218 921	134 545	382 432
<b>Consolidated</b>				
Balance at 31 December 1996	28 966	218 921	140 343	388 230
Result 1997	0	0	-101 634	-101 634
Balance at 31 December 1997	28 966	218 921	38 709	286 596

**Options**

The members of the Board and the employees have option to purchase 143 000 shares in Belships. Up to 23 May 1998 the shares can be purchased at NOK 26 per share.

**Authority to issue shares**

At the general meeting on May 14, 1997 the board received authorisation to issue 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

We have audited the annual accounts of Belships ASA for 1997, showing net loss of NOK 30 995 000 for the company and a net loss for the year of NOK 101 634 000 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 the Joint Stock Companies Act.

In our opinion, the annual accounts have been prepared in conformity with the Joint Stock Companies Act and present fairly the company's and the group's financial position as of 31 December 1997 and the result of its operations for the fiscal year in accordance with generally accepted accounting principles.

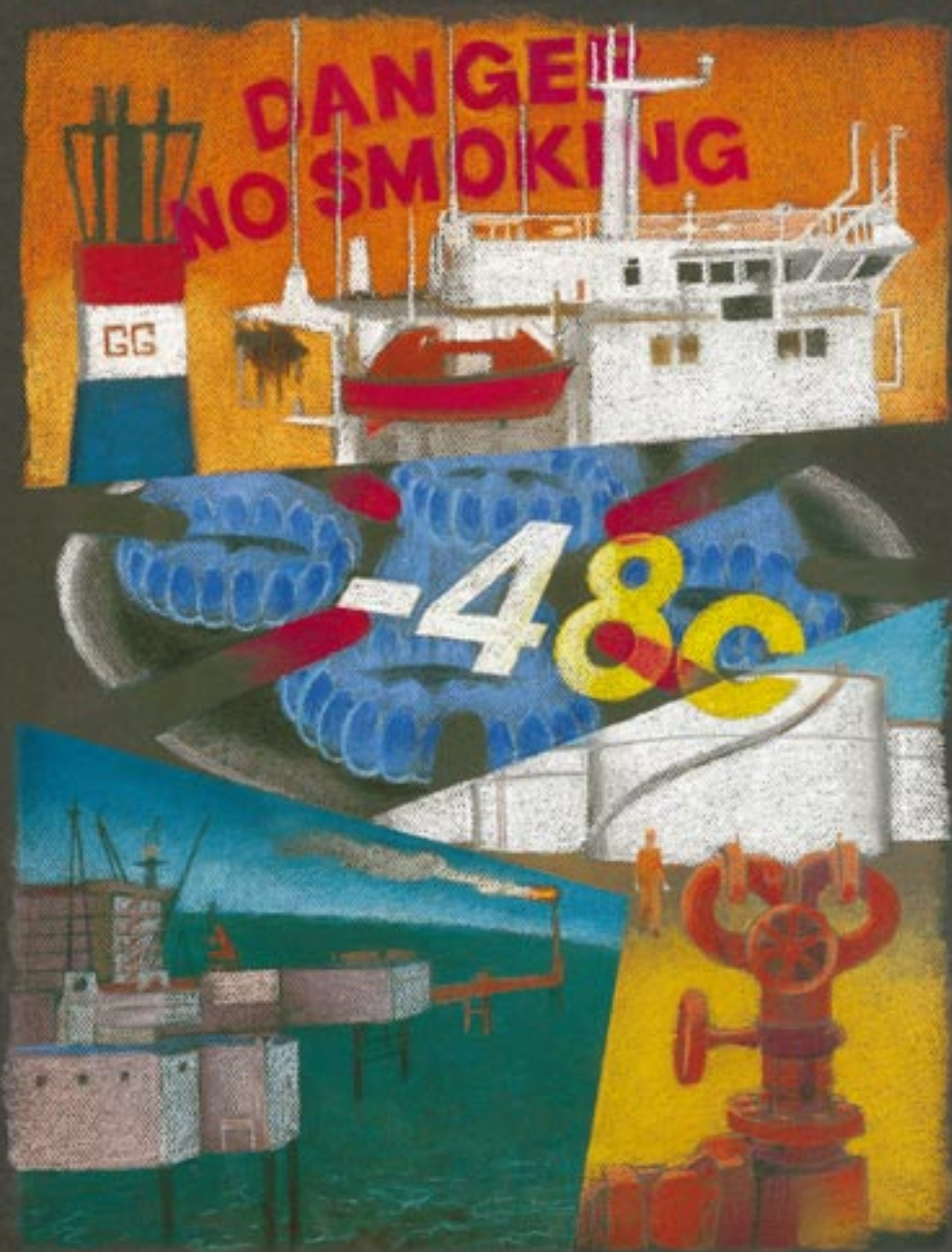
ARTHUR ANDERSEN & CO.

Morten Drake

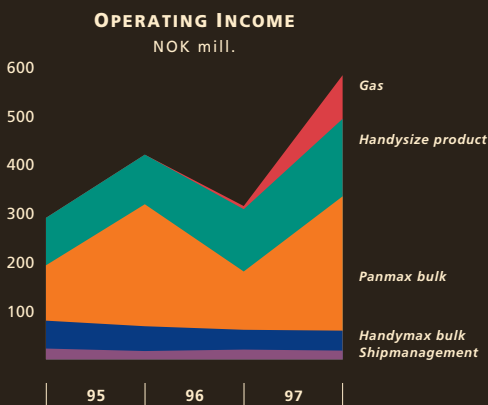
State Authorised Public Accountant (Norway)

Oslo, 11 March 1998

(Translation from Norwegian)



**B**elships' results for 1997 are affected by an unpredictable and weak dry cargo market which was strongly influenced throughout the year by the economic crisis in Asia. The expected revival in the product tank market did not occur and Belships chose to consolidate by diverting activity more towards chartering, management and operation. Gas is now an important activity for Belships and accounted for 15% of operating income (2% in 1996). The large bulk segment represented 47% (38%), product tank 27% (40%), handymax bulk 7% (13%) and ship management 3% (6%). Furthermore, the year was affected by the unrest that occurred in connection with Belships losing control and representation on the board of Western Bulk Shipping.



## Handymax product tank

NOK mill.	1997	1996	1995
Income on T/C basis	152.1	124.9	100.1
Operating result	5.4	14.5	3.8
Owned ships (per 31.12.)	2.2	2.2	1.4
T/C ships	3	3	3

**Handymax product tank vessels (35 000 to 50 000 dwt) carry mainly refined petroleum products and vegetable oils in addition to simple chemicals. The demand side is cyclical with the OECD nations as the main driving force. The level of demand in Asia is becoming increasingly important for this segment too.**

The start of 1997 saw a high level of activity and good rates in India and the Far East. This continued until April when the lack of activity in the region contributed to weaker rates. During autumn the economic crisis in Asia occurred, which led to a marked reduction in activity. The weak market continued through the rest of the year.

In the Atlantic area and in the Caribbean the year began with relatively high rate levels, although a little unstable. The positioning of tonnage from the Caribbean in the spring contributed to a somewhat improved summer market than the year before. During the autumn, low product prices, increased crude oil imports and high refinery utilisation in the USA led to stocks remaining at a high level. This caused a quiet market for petroleum products with correspondingly low earnings.

On the supply side the segment is characterised by strong growth in a fleet consisting of a relatively large proportion of old vessels. According to Clarkson, the overall order book is for 7.6 million dwt which corresponds to 13.7% of the fleet. Three million dwt of new building is expected to be delivered by 1998.

In 1997 Belships was active on both main geographical markets, but concentrating on the Atlantic market. In the past years, we have positioned ourself for a revival in the market. However, the expected revival did not occur in 1997 and we chose to consolidate within this segment. Our focus has consequently been on chartering, management and operation.

Belships has stakes in the product tankers M/T Belanja, M/T Belgrace and M/T Beltrader and in the OBO vessels M/V Belguardian, M/V Belgallantry and M/V Belgreeting. The OBO vessels were built to carry both liquid and dry cargo, but due to market conditions have only carried liquid cargo in 1997. In addition Belships has taken vessels on charter for commercial operation, either on the spot market or sub-hire for shorter or longer periods.

M/T Belanja has sailed throughout the year on the spot market, mainly with simple chemicals such as methanol. Average earnings were about USD 15 200 per day compared with about USD 13 500 in 1996.



The vessel was not off-hire in 1997 and has operated satisfactorily despite more repairs and maintenance than is normal for such a new vessel. Operating expenditure was USD 6 500 per day, which is above budget.

M/T Belgrace was on a time charter until the beginning of March at some USD 14 100 per day. Then the vessel made a positioning voyage to dock at Ulsan in Korea. After docking, the vessel returned to the time charter contract for USD 14 100 per day until February 1998. The vessel's operating expenses were USD 5 000 per day (USD 5 600). Dock charges amounted to about USD 1.1 million compared with the previous provision of USD 1 million.

M/T Beltrader was on time charter at USD 13 750 per day until June 23. After a spot voyage to the Mediterranean and the Black Sea the ship lay for nine days in Dubai for repairs and upgrading. Then the vessel sailed on the spot market in the Far East / Middle East until mid-October, and went on time charter with redelivery at the end of the year. M/T Beltrader was put on the market for sale, but no concrete offers have yet emerged. The vessel's operating expenses in 1997 were USD 7 900 per day (USD 5 400).

The three OBO vessels M/V Belguardian, M/V Belgallantry and M/V Belgreeting that were delivered in December 1996, traded on the spot tanker market for most of the year, except M/V Belgreeting which was contracted on time charter from April to November at USD 13 500 per day. The vessels' technical management was handled by Chemikalien Seetransport in Germany, who are closely related to the German co-owners of the vessels. Chartering and operation of the vessels was carried out by Belships Tankers AS. The OBO vessels' average earnings in 1997 were USD 13 200 per day.

In addition to current operating expenditure, the individual ships were charged with USD 500 - 750 per day as provisions for future docking costs.

All through the year Belships has had three Russian ships on time charter at an average USD 11 000 per day. In August the charter party for two of the ships was renewed for 12 months, with an option for a further 12 months at a T/C hire of about USD 12 250 per day rising to USD 12 750 per day for the last year. We have the third ship until April 1998. The management and operation of these ships has been problem-free. Earnings from these ships have been around USD 10 200 per day, which gives a total operating loss for these ships of NOK 8.4 million.

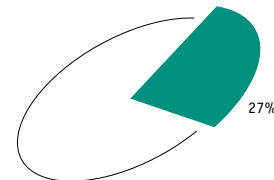
1997 was the first complete year for Belships Tankers (Far East). The company was established in Singapore and shares offices with NSSM. During the first half of the year the company entered into a contract with an American tanker operator for the commercial management of their ships in Asia. This business can be extremely variable, since the ships at times sail in other regions. In August, Belships Tankers F. E. was commissioned by a Thai shipping company to sell 10 ships and wind up the business. This task will be

completed in February/March 1998 and is expected to provide a positive contribution, as well as give certain synergy effects for other potential projects.

In view of the market, 1997 produced a satisfactory result. In the latter half of the year results were somewhat weaker than expected, mainly due to the weak Atlantic market. The expected increase in activity did not take place, which can be explained by high crude oil imports and refinery utilisation in the USA. Furthermore there was an early build-up of stocks of middle distillates to levels well above the average of previous years. Another reason was that several refineries in the Caribbean were out of action for long periods, due both to extended maintenance and unexpected production stoppages.

The market in the Far East was relatively quiet throughout the year, partly due to generally low activity and partly to good availability of modern tonnage.

The company considers conditions within the product tank segment still to be positive. There has been an increase in new building commitments, but this is no cause for concern given the relatively high age profile of the fleet. Meanwhile the negative developments in Asia have contributed to low activity and low rates at the start of 1998. We expect this to improve during the year.



**SHARE OF TOTAL OPERATING INCOME**

# Gas

NOK mill.	1997	1996 *
Operating income T/C basis	<b>89.2</b>	6.5
Operating result, owned ships	<b>43.0</b>	1.3
Owned ships (per 31.12.)	<b>6</b>	5

\* One month

**Small gas tankers (under 10 000 cbm cargo capacity) carry gases such as butane, propane, ethylene etc. over short and medium distances. Most ships have refrigeration capacity which means that the gas is refrigerated under pressure and becomes liquid. Demand is controlled primarily by the general state of the world economy, but also by incidental and marginal changes in the chemical industry.**

In December 1996 Belships purchased 60% of the shares in the Scottish shipping company Gibson Gas Tankers Ltd. (GGT). 1997 is the first complete trading year with Belships as owner. The company owns and operates six gas tankers of 2 000 - 7 000 cbm. These carry mainly chemical gasses (petrochemical gasses – butane and VCM) and energy gasses (LPG – propane and butane). The company is a fully integrated shipping company and has 12 employees. In addition there are three employees in a wholly owned subsidiary in Sri Lanka, which is responsible for the complete crewing of the ships except for British officers.

The market for small gas tankers weakened somewhat during the year and flattened out in the autumn. In October, for example, the rate for butane transatlantic was USD 80 per month compared with USD 100 in 1996, while the T/C rate for a gas ship of 8 000 cbm was USD 340 000 per month compared with USD 390 000 the year before. Normally the winter in Europe leads to increased demand for LPG and thus to an improved market, however, this development did not occur in 1997. Our gas tankers were mainly employed on one-year time charters and for this reason were not affected by the declining market. When the charter parties were renegotiated the new rates were, however, adjusted to the market level.

In December, GGT made an agreement with I.M.Skaugen's subsidiary Norwegian Gas Carriers for a swap of tonnage. GGT acquired M/T Norgas Mariner (M/T Yarrow, 1982, 6 568 cbm) and M/T Norgas Transporter (M/T Eildon, 1982, 6 077 cbm) and sold M/T Norgas Teviot (1989, 8 405 cbm). The transactions were carried out in December and provided GGT with liquidity of USD 6 million. The sale of M/T Norgas Teviot produced a book profit of NOK 36.6 million (100% basis).

GGT has now a more homogeneous fleet than previously with 6 LPG ships, three of which are of about 6 500 cbm, two of about 3 200 cbm and one of about 2 300 cbm. The ships are all of the semi-refrigerated type which means that they have a refrigeration capacity

down to -48 degrees Celsius. The gas is refrigerated under pressure so that it becomes liquid and strongly compressed.

At the beginning of February 1998 GGT entered into a cooperation agreement with the Anthony Veder group in Holland. This means that the company's' gas tankers of 6 000 - 7 000 cbm are to operate in a pool under the commercial management of the Anthony Veder group. For the moment GGT has three ships that are sailing in the pool; these are M/T Yarrow, M/T Eildon and M/T Traquair.

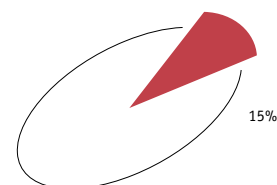
The ships M/T Lanrick (3 214 cbm) and M/T Quentin (2 280 cbm) have been employed on several short time charters in 1997 at an average USD 216 000 and USD 114 000 per month. M/T Etrick is employed at USD 190 000 per month.

The installation of new main engines in M/T Lanrick and M/T Etrick was paid for by the supplier and carried out in 1997. Each ship was off-hire for about 45 days whilst in the shipyard.

In 1997 M/T Quentin passed a 20-year check, called the Condition Assessment Programme (CAP). This is in addition to the normal classification approval and represents a thorough review of the ship's technical condition. The ship was off-hire for twelve days in connection with this.

During the year the Bureau Veritas carried out a review of GGT with a view to ISM approval. (ISM - International Safety Management). This is a standard that is compulsory from July 1, 1998 for all international shipping. The company was presented with a DOC, Document of Compliance in December 1997. One ship is currently approved and the remaining five ships will be implemented in good time before the deadline on July 1, 1998.

The market prospects for small gas tankers seem relatively stable for 1998. Some market analysts are expecting a revival of the market towards the end of the year, but others believe this lies somewhat further in the future. There are few immediate positive signals, even if new building commitments are beginning to decline and some old ships have been scrapped. The economic situation in Asia is still unstable, which affects the market. Despite the current upheaval on the market, we believe there will be a positive development in the LPG market some time in the future.



**SHARE OF TOTAL OPERATING INCOME**

# Panmax/Capesize bulk

NOK mill.	1997	1996	1995
Income on T/C basis	277.0	119.3	250.4
Operating result	-24.6	-1.2	21.7
Ship days	3 750	2 200	3 200
Cargo carried (mill. tonnes)	5.6	2.6	3.9

**Panmax vessels have a cargo capacity of 50 000 to 80 000 dwt and capesize vessels above 80 000 dwt. Most modern panmax vessels are over 70 000 dwt and are essentially standard vessels with little specialisation. The world's panmax and capesize dry cargo fleet carries raw materials. The commodities transported are coal, iron ore and other minerals as well as grain. This means that the main driving force in the market is industry's demand for such raw materials as well as the global grain trade.**

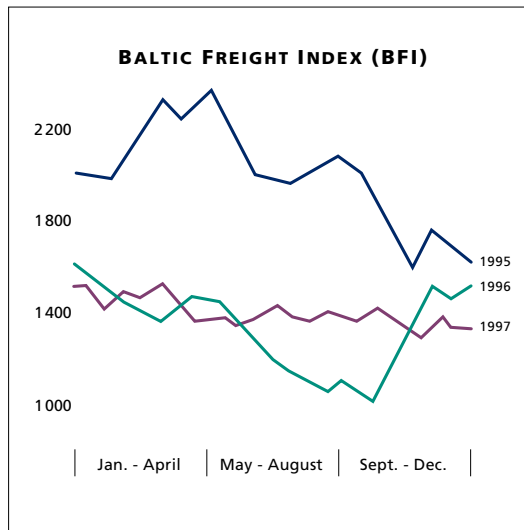
1997 began with a strong panmax market and this meant that several operators expected a repetition of the market revival of 1995. In April the market declined considerably and this situation lasted throughout the year. The capesize market was the exception as demand remained firm due to a high level of activity in the iron ore trade.

In 1997, 80 panmax vessels were delivered and 25 were scrapped, so the net increase in the panmax fleet was 55 vessels, corresponding to about 4.1 million dwt. The grain trade remained at the same level as the year before, while the coal trade increased slightly. However, this was not sufficient to absorb the large increase in tonnage. The economic crisis in Asia at the end of the year resulted in reduced activity in the transport of iron ore, coal, grain products, as well as most other commodities that are transported by bulk ships. This reduced activity further weakened the market.

Belships Trading began the year with an excess of cargo and chartered tonnage in expectation of a market revival in the first half of the year. The market revival did not occur and this resulted in reduced earnings. Despite a relatively low market in 1997, the year was also characterised by losses on return cargo contracts. The market in the Pacific was stronger than in the Atlantic area, which resulted in limited access to cheap tonnage for transport of commodities from the Pacific to the Atlantic.

Belships Trading increased its activity throughout the year and expanded its relations with a number of strategic charterers by entering into several contracts of affreightment. The company chartered two ships on a T/C basis for about 12 months against these contracts.

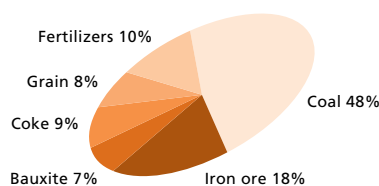
Belships took a 25% stake in the purchase of the capesize bulk vessel M/V Belmaj that was delivered in September. The vessel was chartered to European charterers for 12 months' T/C at USD 15 300 per day.



Belships Trading operated about 10-15 ships throughout the year and increased the number of ship days from about 2 200 in 1996, to about 3 750 in 1997. In total we carried 5.6 million tonnes in 1997 compared with 2.6 million tonnes the year before.

Belships Trading believes that the market will remain weak for much of 1998 and expects to maintain the same level of activity as in 1997. At the beginning of 1998 the company entered into a long-term contract of affreightment and will attempt to take advantage of the weak market to position ourselves on the ship side for an expected revival in the market before the year 2000. The most critical factor for the dry cargo market in 1998 will be the economic development of the world market, in particular in Asia with the consequences this will have for the rest of the world. There is much uncertainty and with a rapid improvement in the situation in Asia the market could be significantly better than expected.

**BELSHIPS TRADING CARGO DISTRIBUTION**



**SHARE OF TOTAL OPERATING INCOME**

# Handymax bulk

NOK mill.	1997	1996	1995
Income on T/C basis	40.8	42.3	36.3
Operating result	14.2	18.4	15.9
Share WBS	-9.9	-2.0	12.3
Owned ships	1.8	1.8	1.3
T/C earnings USD/day	9 200	8 700	12 700

**Handymax dry cargo vessels have a cargo capacity of 35 000 to 50 000 dwt. The vessels carry raw materials such as coal, iron ore and other minerals, as well as grain and semi-finished goods such as steel, cement, fertiliser and timber. The development of demand in this segment is, therefore, closely linked to the general state of the world economy, in particular to growth in the newly industrialised countries.**

Asia represents the most important market for the world's handymax dry cargo fleet. The high level of economic growth in this region has provided a constant increase in demand throughout most of the 90s. The economic crisis in Asia in 1997 has therefore had a great effect on the market. After a marked increase early in the year, rates levelled out in spring and then weakened gradually over the year. At the end of the year the market touched the low level of the protracted crisis in dry cargo of the 1980s.

Until the beginning of the 90s, Belships came across as almost a pure handymax dry cargo shipping company. In recent years the company has concentrated its handymax bulk activity through ownership stakes of 23.5 % of Western Bulk Shipping (WBS). During spring and summer, a group associated with Sjøinvest AS and Kværner ASA took control of WBS. Belships and Belships' main shareholders are no longer even represented on the board. Otherwise refer to the Directors' report. WBS is one of the world's leading players in handymax dry cargo.

Until the beginning of December M/V Belnor and M/V Belstar were on T/C to WBS for an average daily rate of USD 9 300. M/V Belnor has performed very well with operating expenses of some USD 3 500 per day. M/V Belstar was docked in autumn 1997 and was thereby off-hire for 12 days. Operating expenses were about USD 3 800 per day as budgeted.

In addition to current operating expenses the income statement for the ships was charged with USD 400 per ship per day as a provision for future docking costs.

Despite considerable scrapping of older ships, continued growth in the handymax fleet is expected in 1998. Growth on the demand side is also expected in future, resulting in a better balance between supply and demand. Meanwhile the market is very unpredictable with the uncertainties in Asia.



# Shipmanagement

NOK mill.	1997	1996	1995
Income	<b>17.8</b>	19.9	18.1
Operating result	<b>0.8</b>	3.3	3.4
Number of ships (average)	<b>17</b>	18	18



**The companies Northsouth Shipmanagement (NSSM) in Singapore and Belships Management in Oslo constitute the group's technical maritime management expertise. In the same way Belships focuses on product tank and dry cargo, the management companies have built up maritime management expertise within the same segments. The division of roles between the two companies is that NSSM is in charge of the daily management of the ships and crewing of foreign crews, while Belships Management is responsible for the insurance side and crewing of Scandinavian officers.**

Belships' goal is to work towards quality at all levels. NSSM has been ISO 9002 certified for several years and was also one of the first companies to meet the so-called SEP environmental standard (Safety, Environment and Pollution) of Det Norske Veritas.

In November 1997 the last ship obtained ISM certification, so that all ships in the NSSM fleet are now certified, eight months before the expiry of the deadline.

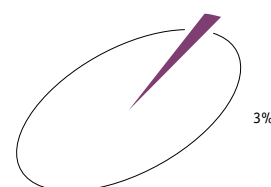
In addition to Belships' own ships NSSM is also in charge of the maritime management of ships for other shipping companies. During the year the company managed 17 ships and followed up four new building projects.

During the year we were forced, due to competition, to reduce the fees for our services. The business is exposed to a great deal of competition and we are under continual pressure to adjust prices to the market. To our advantage the weakness of the Singapore dollar against the USD has compensated for the reduction in income.

It is NSSM's aim to expand the customer base by a further two to three first-rate shipping companies. It is important for us to maintain a stable fleet of 15 - 25 ships to ensure optimal employment of our own officers. Furthermore, size is an important factor in obtaining competitive prices and increased discounts for our customers.

Most of NSSM's officers and crew are recruited from the Philippines. In addition, NSSM uses officers from India, Croatia and China. None of the ships under NSSM's management had serious accidents in 1997.

At the beginning of the year Egil Berntsen, who was managing director of NSSM for the past 13 years, took over as managing director of Gibson Gas Tankers (GGT) in Edinburgh. James Stove Lorentzen jr., board director and former commercial director of Belships ASA, took over on January 1, 1997 as managing director of NSSM.



**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. Two if the ships owned by GGT are financed by UK lease-agreements. The company's mortgage debt is converted to NOK at year end at the higher of closing rate and drawdown rate. This accounting procedure create 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.

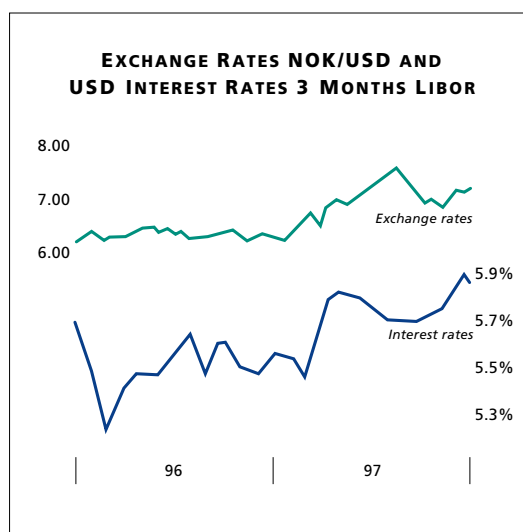
Based on Belships' level of activity in 1997, a change in the USD exchange rate of +/-10% compared to the rate as at 31 December 1997 (7.33), the effect on the income statement and the balance sheet will be as shown in the tabel below.

## 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 98 mill. in the value of the Belships fleet.

In 1997 Belships has invested NOK 201.4 mill. in ships and sold vessels for NOK 156.7 mill.

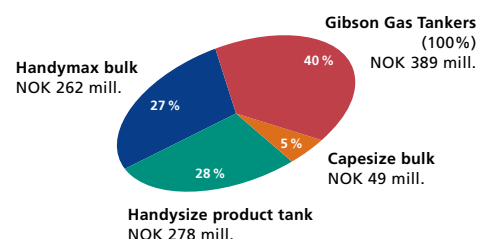
An increase in mortgage debt financing has reduced Belships equity ratio from 31.7% in 1996 to 24.2% in 1997. This means that return on equity is very much influenced by fluctuations in the marketvalues.



## INTEREST EXPENCES

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 a extensive numbers of hedging agreements. The tabel below shows the profile of interest fixing per 31. desember 1997.

## MARKET VALUE OF THE BELSHIPS FLEET



## CHANGE IN USD-EXCHANGE RATE +/- 10%

NOK mill.	Handysize product tank	Panmax / capesize bulk	Handymax bulk	Gas	Ship-management	Total
Changes in operating result	0.5	2.5	0.4	0.6	0.1	4.1
Changes in ships' values	27.7	4.9	26.1	38.9	0	97.6
Changes in mortgage debt	17.3	4.1	24.3	30.4	0	76.1
Changes in net ships debt	10.4	0.8	1.8	8.5	0	21.5

## PROFIL OF INTEREST FIXING PER 31 DECEMBER 1997

	< 1 year	2 year	3 year	4 year	5 year>	Total
USD 1 000	70 102	0	6 099	20 000	7 742	103 943
Percentage of total	67%	0%	6%	19%	8%	

# 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. Furthermore, Belships makes regular presentations for investors. 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 below:

At the general meeting on May 14, 1997 the board received authorisation to issue 4 million new shares. This authorisation has not been used.

## RISK

For Belships the following RISK amounts have been established:

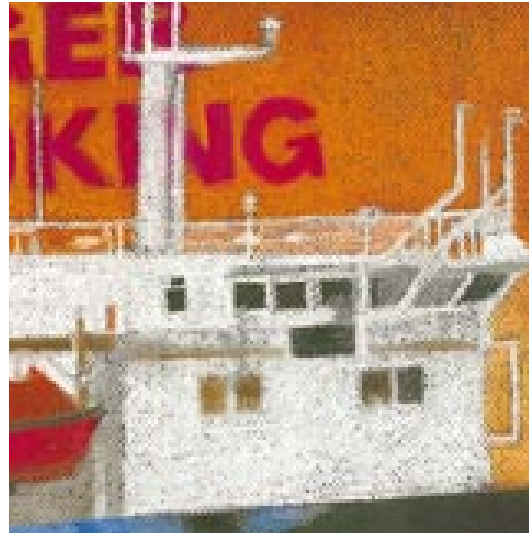
per 1 January 1998	(estimate) 0.00 NOK
per 1 January 1997	-0.30 NOK
per 1 January 1996	-0.50 NOK
per 1 January 1995	-0.55 NOK
per 1 January 1994	-0.50 NOK
per 1 January 1993	0.00 NOK

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 DEVELOPMENT AND LIQUIDITY

Throughout 1997 the price performance of the Belships share was 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.

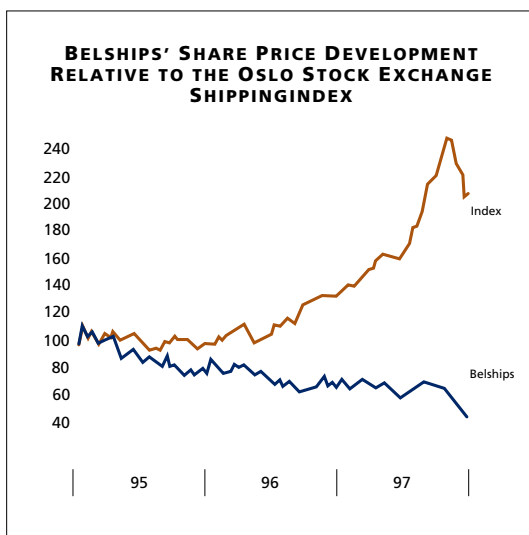
The volume traded during the course of the year corresponds to 11% of the company's shares. The main shareholders have increased their holding from 56% to 58% in 1997. The number of market days on which the Belships share was traded was 152 in 1997 compared with 211 in 1996.

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

### SHAREHOLDER STRUCTURE

The 20 largest shareholders in Belships at 31.12.97

		Number of shares	Percentage of share capital
1	Sonata A/S	3 822 015	26.39%
2	Jasto A/S	2 223 002	15.35%
3	Consensio A/S	1 223 289	8.45%
4	Enskilda Securities	904 000	6.24%
5	Tidinvest AS	303 116	2.09%
6	Verdipapirfondet Odin Maritim	287 000	1.98%
7	Meieribrukets Pensjonskasse	270 000	1.86%
8	Tidemand, Otto Grieg	253 681	1.75%
9	G-Fondspar 2020	236 200	1.63%
10	Alfred Berg Aksjespar	220 000	1.52%
11	Jeanette Basely	208 800	1.44%
12	Lærdal Finans AS	182 000	1.26%
13	Eidesvik Trading A/S	177 500	1.23%
14	Gjensidige Aksjespar	150 000	1.04%
15	G-Fondspar 2005	139 800	0.97%
16	Atalanta A/S	123 000	0.85%
17	Bratrud, Gudmund Joar	117 500	0.81%
18	G-Fondspar 2010	115 000	0.79%
19	G-Fondspar 2015	111 500	0.77%
20	Olsen, Karl M.	106 800	0.74%
	Total 20 largest shareholders	11 174 203	77.15%



*In aggregate the Grieg Tidemand and Stove Lorentzen families control approximately 58% of the shares. At the end of 1997 the company had 588 shareholders. 16 of these had addresses outside Norway. The corresponding figures for 1996 were 736 and 13.*





# Key financial figures

Consolidated

NOK 1 000		1997	1996	1995
<b>Income statement</b>				
	Operating income	581 822	316 163	422 389
	Operating result before other items	-16 479	11 117	48 832
	Operating result	20 153	25 721	48 832
	Result before taxes	-91 909	-4 636	36 387
	Net result for the year	-101 634	18 159	28 201
<b>Balance sheet</b>				
	Current assets	126 506	143 132	127 660
	Fixed assets	1 057 150	1 079 872	662 630
	Total assets	1 183 656	1 223 004	790 290
	Short-term liabilities	132 301	134 574	67 735
	Long-term liabilities (ex. deferred taxes)	704 768	645 159	351 262
	Deferred taxes	13 483	4 220	25 303
	Minority interests	46 508	50 821	0
	Equity	286 596	388 230	345 990
	Total liabilities and shareholders' equity	1 183 656	1 223 004	790 290
<b>Liquidity</b>				
1	Liquid reserves at 31 December	77 752	108 066	93 752
2	Cash flow	21 523	19 557	58 860
	Interest expense	-53 678	-28 841	-13 890
3	Interest coverage ratio	0.59	0.84	3.62
4	Current ratio	% 95.62	106.36	188.47
5	Net result ratio	% -5.48	7.68	11.90
<b>Capital</b>				
	Share capital at 31 December	28 966	28 966	27 158
	Equity ratio	% 24.21	31.74	43.78
6	Return on total assets	% -3.87	2.54	6.78
7	Return on equity	% -30.12	5.43	9.00
<b>Key figures shares</b>				
	Market price at 31 December	NOK 15.70	21.00	21.00
	Shares at 31 December	14 483 000	14 483 000	13 579 000
	Average number of shares	14 483 000	13 640 000	11 900 000
	Earnings per share *)	NOK -7.02	1.33	2.37
	Cash flow per share	NOK 1.49	1.43	4.95
	Dividend per share	NOK 0.00	0.30	0.65
	Price/earnings ratio	-2.24	15.77	8.86
	Price/cash flow ratio	10.56	14.65	4.24

1 Bank deposits

2 Net result for the year + depreciation and write down + change deferred taxes - minority interests

3 Result before taxes + interest expense / 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



# 80 years of heavy lifting

**B**elships could have easily been history even before the shipping company had got properly off the ground. When the former navy

officer Christen Smith established the company in 1918, one of the era's worst shipping crises was just two years away. Had Christen Smith known what was coming he probably would have let matters rest. Or perhaps not: it turned out that the man's ingenuity and abilities were to overcome even the heaviest of seas.

Christen Smith set up his new shipping company in 1918 and immediately ordered two new ships. M/V Belgot went on a 12-month charter party when it was delivered in 1920. At the expiry of the charter party the shipping company did not manage to find employment for the ship and she had to be laid up. The situation was even worse for the sister ship M/V Belfri, which was delivered in 1921. She had to go directly from the shipyard to the mooring buoys. Christen Smith and the newly established shipping company were hit full on by the international shipping crisis of the beginning of the 1920s. In 1921 40% of the Norwegian merchant fleet was laid up. At the end of the year the average freight rate had fallen to a quarter of what it had been the year before.

In this difficult situation Christen Smith showed fully what he was made of. Smith was not just a proficient seaman; he also had uncommon technical gifts and a good head for business. In his search for opportunities for the shipping company he combined all these qualities – and found the niche he was looking for.

### LOCOMOTIVES

Smith noticed that railways were growing rapidly in new parts of the world. In South America, Africa as well as in Asia and Australia new railways were being constructed. At the same time the production of locomotives and railway carriages was concentrated in Europe – primarily in England – and in the USA. This created a global transport requirement for railway materials. Until then this requirement had been met by the locomotives being packed into crates and sent all over the world to then be assembled in the receiving country. This was a laborious process, and at the same time it was not always so simple to assemble the locomotives where they were to be used.

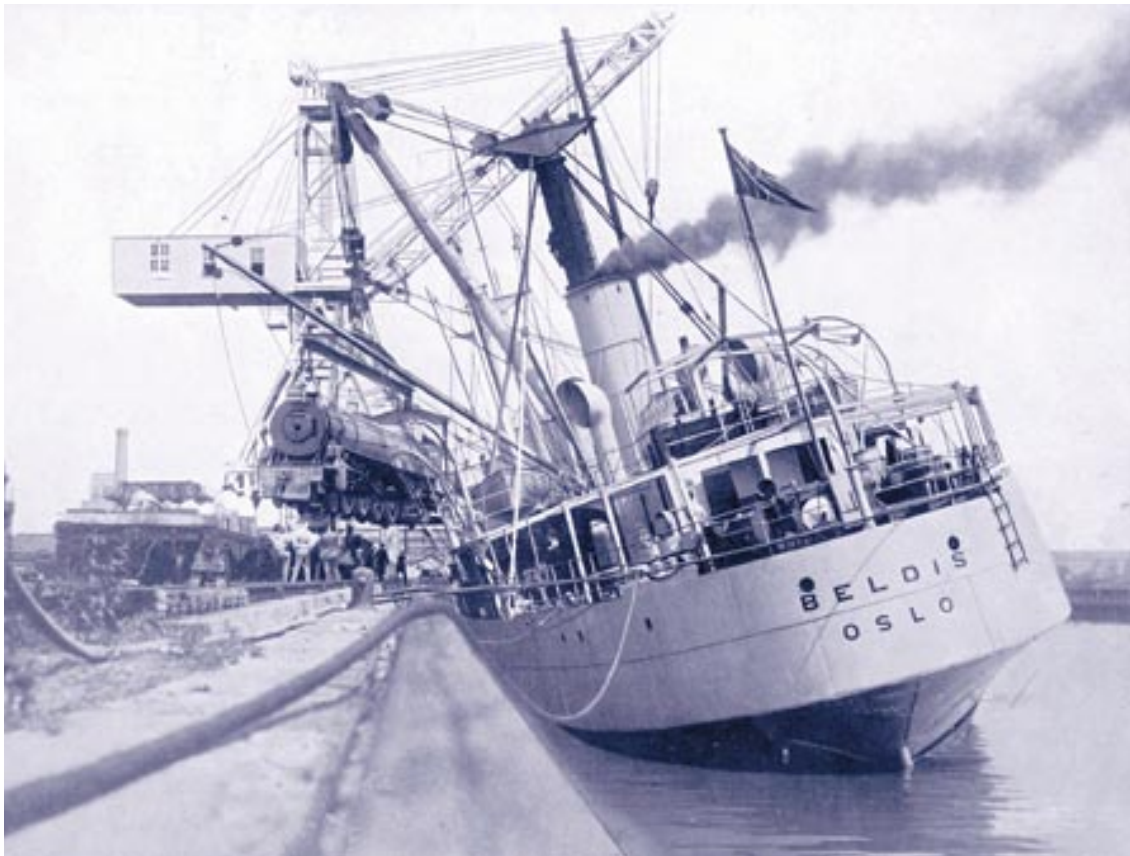
Christen Smith undertook to transport complete locomotives from the factory to railway companies all over the world. This was something no one had attempted to do before and Smith had to both develop new technology and convince his customers that it was actually possible to transport complete locomotives by sea to India, Argentina, Australia and Egypt.

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

During the 1930s Belships was the leading shipping company in heavy lift and transport of both railway materials and heavy components for the new oil







refineries that were being built at that time in Asia and South America. Christen Smith had established a new sector in the shipping industry – and had shown that he was one of Norwegian shipping's most important innovators.

For Christen Smith's shipping company the 1930s were characterised by the development of the heavy lift trade the company itself had created. However, both the economic depression of that decade and the shipping company's own grand ambitions contributed to the company experiencing a serious financial crisis. Extensive credit negotiations and restructuring of the company in 1935 led to the business being continued under the new company Belships Company Limited Skibs-A/S which two years later became a listed public company.

#### **VITAL DURING THE WAR**

When the Second World War came the Belships fleet was naturally vital to the Allies' transport of heavy military material. Christen Smith himself did not live to see his ships assuming this important role for the Allied forces, he died in the summer of 1940.

The importance of the Belships fleet in heavy lift shipping and in the Allied convoys during the war was such that the designation "belships" was used as a synonym for heavy lift ships. After the war the shipping company had quite a fight with the British shipping authorities to have the company name protected by having the official designation for this type of vessels

changed from "belships" to "heavy lift ships".

The decade after the Second World War was Belships' golden age as a heavy lift shipping company. The brothers Jørgen Johannes, Axel and Frithjof Lorentzen had now taken over the management of the shipping company. The Lorentzen family had come in on the ownership side in connection with the restructuring of the company in 1937. Since then the shipping company's founder had passed away and the company had been under Allied control during the war years. The Lorentzen brothers' background was in shipbroking and they could also point to a century-long family tradition in Norwegian shipping. Over the years the family was to change Belships direction away from Christen Smiths' focus on technology towards a more market-oriented approach.

The new management was now faced with a market with strong demand for heavy lift ships. A whole world was to be rebuilt after six years of war. There was in particular, a great need for new railway materials. Belships ordered a number of new heavy lift ships, and demand was further boosted during the Korean War at the beginning of the fifties.

In the 1960s it became increasingly apparent to the management of Belships that the shipping company's golden age as a heavy lift shipping company was drawing to an end. The reconstruction after the Second World War was over, and the market for heavy lift ships was thus smaller. More and more ships were being equipped with powerful cranes and the segment

Belships had dominated for so many years had changed character. Furthermore, at the beginning of the sixties there was increasing national protectionism, that had an overall effect on the Norwegian merchant fleet. Belships, therefore chose to get completely out of heavy lift shipping, an area the shipping company had dominated for fifty years. In 1972 the company sold its last heavy lift ship.

### NEW TIMES

The owners' market orientation meant that the transition had been well prepared. Good earnings from heavy lift operations in the 1950s gave the company the financial capability to gain experience in other areas of shipping. Throughout the 1960s Belships was involved in both tank, dry cargo, refrigerated ships and car transport – in addition to heavy lift. In the 1970s the focus was on dry cargo, in particular timber and large tank. Then came the shipping crisis.

The tank market collapsed first, then the bulk market crashed. Several orders just before the collapse intensified the crisis for Belships. For example, the company had considerable ownership stakes in a new 311 000 tonne turbine tanker. The ship entered into a 5-year charter party at a relatively cheap rate, and was thereafter laid up. After a short period, the ship was sold for scrap. Belships' owners had two options: either to continue the business with support from the authorities' newly established emergency aid organisation, the Guarantee Institute for ships and drilling vessels; or to sell the ships and bear the whole loss themselves. The owners chose the latter and sold several ships at a large loss. In a few short years Belships was out of the large tank business.

Towards the end of the 1970s rates and values were on the increase again. Belships' management saw a need to focus the company's activity and chose handysize bulk, i.e. dry cargo ships of 35-40 000 dwt. Western Bulk Carriers was revitalised: it had already been a joint sailing pool for a time in the 1960s. Western Bulk's task was to build up contracts of affreightment, while Belships also had some activity on the time charter market for large bulk ships and OBO ships.

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

However, it became apparent that the shipping company's currency exposure in connection with the commitments was a good deal larger than either the management or the share market had realised. When this became clear the company's main shareholders assumed responsibility for this and for Belship's share being priced on a false basis on the market. An offer was, therefore, made to the other shareholders to

purchase their Belships' shares at the share's highest price over the previous 12 months. Only 5% of the shareholders chose to take up the offer.

### DRY CARGO

Towards the end of the 1980s the rates for handysize bulk ships were high and both Belships' and Western Bulk's commitment to this segment had proved successful. The handysize bulk market, like all other shipping markets, has its fluctuations. However, over the past 10 years the handysize bulk market has been a sensible place for Belships to be. This market experienced its highest level yet in 1995.

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

International shipping is an area with large variations both in activity and in earnings. It is thus an area that makes considerable demands on the owners of shipping companies. Farsightedness and an ability to withstand slumps are important. Belships' management today are the grandchildren of the Lorentzen brothers, who came into the company in 1935, and represent the fifth generation of this family in shipping. Belships' history shows main shareholders who want to take responsibility and who support the company in times when this is necessary. Belships is also a listed company, and thus the company's management and main shareholders are required at all times to look after the interests of all the shareholders. This is

demanding both on the shipping company's management and main shareholders, and this is how we want it to be.

Now that the shipping company can look back on 80 years in business, we are again in a situation with low rates and uncertainty. In many ways today's situation



reflects the history of the company: it is in bad times that stable ownership and farsightedness show their strength.

# Fleet list

Per 31 December 1996 Ship	Ownership	Built year	DWT	Operation	Time of redelivery	
<b>Product tank / OBO</b>						
M/T Belanja	49%	1995	28 500	Spot		
M/T Belgrace	63%	1984/87	40 900	T/C to 02/98		
M/T Beltrader	49%	1983	40 520	Spot		
M/V Belguardian	20%	1987	43 500	Spot		
M/V Belgallantry	20%	1987	43 500	Spot		
M/V Belgreeting	20%	1987	43 500	Spot		
<b>Gas</b>						
M/T Lanrick	60%	1992	3 215 cbm	Spot		
M/T Ettrick	60%	1991	3 215 cbm	T/C to 10/98		
M/T Traquair	60%	1982	6 616 cbm	T/C to 12/98		
M/T Quentin	60%	1977	2 280 cbm	T/C to 01/98		
M/T Yarrow	60%	1982	6 568 cbm	Spot		
M/T Eildon	60%	1982	6 077 cbm	T/C to 08/98		
<b>Capesize bulk</b>						
M/V Belmaj	25%	1990	149 516	T/C to 08/98		
<b>Panmax bulk, chartered tonnage</b>						
M/T Bunga Saga Empat		1994	73 496	Spot	09/98 <sup>1)</sup>	
M/T Bunga Saga Tiga		1994	73 496	Spot	10/98 <sup>1)</sup>	
<b>Handymax bulk</b>						
M/V Belnor	100%	1996	47 600	Spot		
M/V Belstar	80%	1992	43 400	T/C to 08/98		
<b>Product tank, chartered tonnage</b>						
M/T Mekhanik Yuryev		1986	29 900	Spot	08/98 <sup>1)</sup>	
M/T Mekhanik Ilchenko		1986	29 900	Spot	08/98 <sup>1)</sup>	
M/T Yevgeniy Titov		1986	28 810	T/C to 03/98	03/98	
<b>Ships under commercial management</b>						
M/T Magnolia		1983	84 656	Spot		
1) + option 12 months						
<b>Number of ships</b>						
Type			Owned tonnage	Chartered tonnage	Commercial management	Available fleet
Handysize product tank / OBO			2.2	3.0	3.8	9.0
Gas			3.6		2.4	6.0
Capesize bulk			0.3		0.7	1.0
Panmax bulk				2.0		2.0
Handysize bulk			1.8		0.2	2.0
Aframax					1.0	1.0
Total			7.9	5.0	8.1	21.0

# Organisation

## **BELSHIPS ASA**

### BOARD OF DIRECTORS

Asbjørn Larsen, chairman 2 500 shares  
Sverre Jørgen Tidemand 4 669 742 shares  
James Stove Lorentzen jr. 2 846 764 shares  
Åsmund Simonsen 10 588 shares  
Stein Erik Hagen

### MANAGEMENT

Sverre Jørgen Tidemand, *managing director*  
Jo Eric von Koss, *financial director*

### FINANCE / ACCOUNTING

Osvald Fossholm, *financial manager*  
Espen Grepperud, *accounting manager*

## **BELSHIPS TRADING AS**

(PANMAX BULK)

Einar Skogstad, *managing director*  
Arthur C. Knudtzon, *chartering manager*

### CHARTERING

Anders Zorn

### OPERATION / ACCOUNTING

Tor Lauritzsen, *operation manager*  
Dag Storheill  
Ove B. Staurset, *accounting manager*

## **BELSHIPS TANKERS AS**

(HANDYSIZE PRODUCT)

Stein H. Runsbach, *chartering manager*

### CHARTERING

Per S. Kleppe

### OPERATION / ACCOUNTING

Tor Lauritzsen, *operation manager*  
Dag Storheill  
Ove B. Staurset, *accounting manager*

## **BELSHIPS MANAGEMENT AS**

(INSURANCE / CREWING)

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

## **NORTHSOUTH SHIPMANAGEMENT PTE LTD**

(SHIPMANAGEMENT, SINGAPORE)

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

## **BELSHIPS TANKERS FAR EAST PTE LTD**

(TANK, SINGAPORE)

Terje Schau, *chartering manager*

## **GIBSON GAS TANKERS LTD**

(GAS, EDINBURGH)

Egil Berntsen, *managing director*  
Andrew Niven, *chartering manager*  
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.
- §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 exploration 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 registered 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 refrigerated to minus 45 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

## **WBC-pool**

The vessel managed by WBC as operator

**Belships ASA**

Lilleakerveien 4  
P O Box 23 Lilleaker  
N-0216 Oslo, Norway  
Telephone +47 22 52 76 00  
Telefax +47 22 52 77 90  
E-mail [administration@belships.no](mailto:administration@belships.no)  
Comtext A43NN919  
Internet [www.huginonline.no/BEL/](http://www.huginonline.no/BEL/)  
Enterprise no. 930776793

**Belships Trading AS**

Lilleakerveien 4  
P O Box 23 Lilleaker  
N-0216 Oslo, Norway  
Telephone +47 22 52 76 00  
Telefax +47 22 52 76 91  
Telex 72550 belco n  
E-mail [trading@belships.no](mailto:trading@belships.no)  
Comtext A43NN920

**Belships Tankers AS**

Lilleakerveien 4  
P O Box 23 Lilleaker  
N-0216 Oslo, Norway  
Telephone +47 22 52 76 00  
Telefax +47 22 52 76 91  
Telex 76050 stove n  
E-mail [tankers@belships.no](mailto:tankers@belships.no)  
Comtext A43NN921

**Belships Management AS**

Lilleakerveien 4  
P O Box 23 Lilleaker  
N-0216 Oslo, Norway  
Telephone +47 22 52 76 00  
Telefax +47 22 52 77 90  
Telex 76050 stove n  
E-mail [management@belships.no](mailto:management@belships.no)  
Comtext A43NN919

**Northsouth Shipmanagement Pte Ltd**

78 Shenton Way  
Hex 31-02  
Singapore 079120  
Telephone +65 225 3538  
Telefax +65 225 3425  
Telex RS 56198 Norso  
Comtext A41RS088

**Gibson Gas Tankers Ltd**

11 John's Place  
Leith, Edinburgh EH6 7EL  
Telephone +44 131 554 4466  
Telefax +44 131 554 3843  
Telex 727492

## CONTENTS

1	<b>This is Belships</b>
1	<b>Financial Highlights</b>
3	<b>Board of Directors' Report</b>
	<b>Financial Statements</b>
6	Income Statement 1 January - 31 December
7	Balance Sheet as at 31 December
8	Cash Flow Analysis
9	Accounting Principles
10	Notes to the Financial Statements
16	Auditor's Report
	<b>Management Report</b>
18	Handysize product tankers
20	Gas
21	Panmax / capesize bulk
22	Handymax bulk
23	Shipmanagement
	<b>Analytical information</b>
25	<b>The Belships share</b>
	<b>Key financial figures</b>
29	<b>The history of Belships</b>
30	<b>Fleet List</b>
34	<b>Organisation</b>
35	<b>Articles of Association</b>
36	<b>Terms and Expressions</b>

### James Stove Lorentzen (1921 - 1998)



James Stove Lorentzen passed away 3rd March 1998.

He was part of the management of Belships from 1952 to 1993; first as co-owner of the company Christen Smith & Co., then as chairman of Belships' Board of Directors.

James Stove Lorentzen dedicated the major part of his professional career to Belships and was always very much engaged in the company's well being. His wide circle of acquaintances, both at home and abroad, brought many interesting business opportunities to Belships.

To his many friends and connections in the national and international shipping circles, the announcement of his demise came as sad tidings. His creativity and dedication will be greatly missed. One of Norway's most brilliant shipping personalities as now passed away.

May he rest in peace.

### FINANCIAL DIARY FOR 1998

30 April: Annual general meeting

16 June: Result for the 1st four months

6 October: Result for the 2nd four months



**BELSHIPS**



ANNUAL REPORT 1997

# Belships

# 97

Table of Contents

Overview

Summary 1997

Key figures

Report of the Board of Directors

Income Statement

Balance Sheet

Cash Flow Analysis

Notes

Shareholders Policy

