



**BELSHIPS**

**REPORT 1ST QUARTER 2003**

# 1ST QUARTER 2003

## FINANCIAL PERFORMANCE

Belships recorded an operating income of USD 9,906,000 (first quarter 2002: USD 5,040,000) and an operating result of USD 756,000 (USD 741,000) in the first quarter of 2003. The operating result for the period includes gains of USD 0.5 million from the sale of the shares in Belobo Shipping Ltd., and the operating result for the same period the previous year included gains of USD 1.8 million from the sale of the shares in Pelican AS. The underlying trend for the results for the company's ongoing operation is therefore considerably improved. Apart from the general upturn in the market for dry bulk and product carriers, the increase in operating income is due to 50 per cent of Elkem Chartering AS being acquired in the fourth quarter of 2002.

In the first quarter the post-tax result was USD 410,000 (USD -136,000). The minority interests in Gibson Tankers accounted for -394,000 (USD -517,000) of the result, making Belships' share USD 804,000 (USD 381,000).

## SEGMENTAL RESULTS

The product carrier business generated an operating result of USD 1,158,000 (USD 177,000) in the first quarter, the increase primarily due to improvements in the market. In addition, and as previously mentioned, gains on sales of shares totalling USD 0.5 million were realised in the period.

In the first quarter the gas carrier business reported an operating result of USD -752,000 (USD -986,000) due to the continuance of the difficult market conditions from last year into 2003 and operational problems with some of the ships.

The operating result for dry bulk totalled USD 486,000 (USD -146,000) for the quarter and is due to a strong market.

The ship management business generated an operating result of USD 107,000 (USD 89,000).

## OPERATIONS

The market for product carriers was strong in the first quarter mainly caused by increased demand as a result of the war in Iraq, but also due to large amounts of scrapping that took place in 2002 which resulted in almost zero growth in the fleet, despite significant deliveries of newbuildings. Our interests in the OBO ships, M/S Belgreeting and M/S Belguardian, were sold in the first quarter but the ships will continue to be commercially operated by Belships for the time being. M/T Belgrace sailed in the spot market at good rates.

The strong growth in China continues to push the dry bulk market upwards. Both the transatlantic operations and

handymax operations in Elkem Chartering contributed to the positive results. M/S Belnor operated in the spot market at good rates. The capesize ship, M/S Belmaj, increased its earnings during the first months of the year. The pool operation in Belgium led by Bocimar returned a profit in the first quarter.

The small gas carrier market showed a marked increase over the winter, but whether this is a seasonal improvement or a sign of a trend is unclear. All of the Gibson Gas Carriers (GGT) ships are now contracted out on timecharters. The rates do not give satisfactory results, but represent a significant improvement compared with the previous year. The debt servicing for 2003 has been readjusted to fit the expected cash flow.

## FINANCIAL POSITION AND OTHER INFORMATION

Belships strengthened its financial position in the first quarter through positive results development and the sale of its shares in Belobo Shipping Ltd., which gave a liquidity contribution of approximately USD 2.5 million, all of which will go towards reduction of Belships ASA's debts.

As at 31 March 2003 liquid assets totalled USD 4.8 million compared with USD 5.5 million at the end of 2002. Mortgage debt in the quarter was reduced by USD 2.7 million to USD 54.0 million as at 31 March. Shareholders' equity at the end of the period was equivalent to 26.6 per cent of assets or NOK 5.13 per share excluding minority interests.

Broker's estimates for some of the group's ships were still lower than the book value. Based on estimates of discounted future cash flows for the ships, the company did not find it necessary to write down any of the ships.

## OUTLOOK

The end of the war in Iraq with an at least initial positive result, reduced uncertainty in the global financial picture, but it will also considerably reduce the demand for product carriers. We therefore expect a reduction in rates for this type of tonnage.

The market for dry cargo ships looks positive in the short term, but the outbreak of SARS in China may have negative consequences.

The sale of M/S Belmaj, the capesize ship (25 per cent owner interest), for delivery in the second quarter will give an accounting loss of USD 400,000.

A previously mentioned it is uncertain how the gas market will develop, but little new tonnage will be delivered in the near future and therefore the decisive factor will be how the demand for LPG and industrial gases develops.

Oslo, 6 May 2003

The Board of BELSHIPS ASA

## Income statement

|  | 2003             | 2002          | 2002           |
|--|------------------|---------------|----------------|
| <i>USD 1 000</i>                             | <b>Jan - Mar</b> | Jan - Mar     | Jan - Dec      |
| Operating income                             | 9 906            | 5 040         | 22 273         |
| Charterhire expenses                         | -4 182           | -603          | -4 564         |
| Operating expenses                           | -2 618           | -2 757        | -12 051        |
| General administrative expenses              | -1 258           | -917          | -4 893         |
| Depreciations                                | -1 625           | -1 813        | -4 969         |
| <b>Total operating expenses</b>              | <b>-9 683</b>    | <b>-6 090</b> | <b>-26 477</b> |
| Operating result before sale of fixed assets | 223              | -1 050        | -4 204         |
| Gain/-loss on sale                           | 533              | 1 791         | 1 483          |
| <b>Operating result</b>                      | <b>756</b>       | <b>741</b>    | <b>-2 721</b>  |
| Share dividend, interest income              | 15               | 18            | 252            |
| Interest expenses                            | -437             | -665          | -2 124         |
| Currency exchange gain/-loss                 | 86               | 23            | 320            |
| Other financial items                        | -4               | -226          | -389           |
| <b>Net financial items</b>                   | <b>-340</b>      | <b>-850</b>   | <b>-1 941</b>  |
| Result before tax                            | 416              | -109          | -4 662         |
| Taxes  | -6               | -27           | -81            |
| <b>Result of the period</b>                  | <b>410</b>       | <b>-136</b>   | <b>-4 743</b>  |
| Hereof minority interests                    | -394             | -517          | -2 104         |
| Hereof majority interests                    | 804              | 381           | -2 639         |
| Earnings per share (excl. minor. interests)  | 0.03             | 0.02          | -0.11          |

## Balance sheet

|                                     | 2003          | 2002          | 2002          |
|-------------------------------------|---------------|---------------|---------------|
| <i>USD 1 000</i>                    | <b>31 Mar</b> | 31 Mar        | 31 Dec        |
| <b>Assets</b>                       |               |               |               |
| Intangible assets                   | 3 471         | 3 050         | 3 490         |
| Ships                               | 61 300        | 70 649        | 65 495        |
| Other fixed assets                  | 1 526         | 1 083         | 1 505         |
| <b>Current assets</b>               | <b>11 977</b> | <b>13 358</b> | <b>10 496</b> |
| <b>Total assets</b>                 | <b>78 274</b> | <b>88 140</b> | <b>80 986</b> |
| <b>Equity and liabilities</b>       |               |               |               |
| Equity                              | 17 296        | 19 511        | 16 492        |
| Minority interests                  | 3 545         | 5 526         | 3 939         |
| Long-term liabilities               | 54 028        | 58 221        | 56 733        |
| <b>Short-term liabilities</b>       | <b>3 405</b>  | <b>4 882</b>  | <b>3 822</b>  |
| <b>Total equity and liabilities</b> | <b>78 274</b> | <b>88 140</b> | <b>80 986</b> |

## Cash flow statement

|  | 2003             | 2002      | 2002      |
|--|------------------|-----------|-----------|
| <i>USD 1000</i>  | <b>Jan - Mar</b> | Jan - Mar | Jan - Dec |
| <b>Funds generated from operations</b>                         |                  |           |           |
| Result before tax  | 416              | -109      | -4 661    |
| Gain/+loss from sale of fixed assets                           | -533             | -1 791    | -1 484    |
| Depreciations  | 1 625            | 1 813     | 7 181     |
| Taxes payable  | 6                | 27        | 81        |
| Diff. between pension expenses and paid-in and drawn-out       | 0                | 0         | 269       |
| 1 Change in bunkers, trade debtors and trade creditors         | 83               | -614      | -1 695    |
| 2 Change in other short-term items                             | -2 711           | 1 411     | 518       |
| Cash flow from operations                                      | -1 114           | 737       | 209       |
| <b>Funds flow from investments</b>                             |                  |           |           |
| Investments in fixed assets                                    | -21              | -870      | -2 198    |
| Sale proceeds from fixed assets disposals                      | 3 120            | 6 551     | 7 543     |
| Change in other investments                                    | -77              | 15        | -848      |
| Net cash flow from investments                                 | 3 022            | 5 696     | 4 497     |
| <b>Funds flow from financing</b>                               |                  |           |           |
| Received payments from raising new long-term debt              | 160              | 0         | 760       |
| Repayment of long-term debt                                    | -2 800           | -6 700    | -9 504    |
| Net cash flow from financing                                   | -2 640           | -6 700    | -8 744    |
| Net change in liquid reserves                                  | -732             | -267      | -4 038    |
| Liquid reserves at start of the period                         | 5 513            | 9 551     | 9 551     |
| Liquid reserves at end of the period                           | 4 781            | 9 284     | 5 513     |
| <b>Calculation of cash flow statement</b>                      |                  |           |           |
|  | (A)              | (B)       | (B-A)     |
|  | 2003             | 2002      |           |
|  | 31 Mar           | 31 Dec    |           |
| 1) <b>Change in bunkers, trade debtors and trade creditors</b> |                  |           |           |
| Bunkers  | 640              | 428       | -212      |
| Trade debtors  | 2 514            | 2 934     | 420       |
| Trade creditors  | -928             | -1 053    | -125      |
| Total  | 2 226            | 2 309     | 83        |
| 2) <b>Change in other short-term items</b>                     |                  |           |           |
| Other receiveables   | 4 041            | 1 622     | -2 419    |
| Public taxes and duties payable                                | -234             | -329      | -95       |
| Other short-term liabilities                                   | -2 243           | -2 440    | -197      |
| Total  | 1 564            | -1 147    | -2 711    |

## Key financial figures

|  |          | <b>2003</b>   | 2002   | 2002   |
|--|----------|---------------|--------|--------|
|  |          | <b>31 Mar</b> | 31 Mar | 31 Dec |
| Cash flow (incl. minority interests)           | USD 1000 | <b>-732</b>   | -267   | -4 038 |
| Interest coverage ratio                        |          | <b>1.75</b>   | 0.80   | -1.35  |
| Current ratio                                  | %        | <b>351.75</b> | 273.48 | 274.59 |
| Equity ratio                                   | %        | <b>26.63</b>  | 28.40  | 25.23  |
| Earnings per share (excl. minority interests)  | USD      | <b>0.03</b>   | 0.02   | -0.11  |
| Cash flow per share (incl. minority interests) | USD      | <b>-0.03</b>  | -0.01  | -0.16  |

## Segmental results

1st Jan - 31st Mar 2003

| <i>USD 1 000</i>                      | Dry<br>cargo | Gas          | Product-<br>tank | Ship-<br>mgmt. | Admin.<br>a.o. | TOTAL        |
|---------------------------------------|--------------|--------------|------------------|----------------|----------------|--------------|
| Freight income                        | 5 719        | 2 430        | 1 297            | 0              | 0              | 9 446        |
| Fees                                  | 36           | 0            | 53               | 371            | 0              | 460          |
| <b>Total operating income</b>         | <b>5 755</b> | <b>2 430</b> | <b>1 350</b>     | <b>371</b>     | <b>0</b>       | <b>9 906</b> |
| Charterhire expenses                  | -4 182       | 0            | 0                | 0              | 0              | -4 182       |
| Operating expenses                    | -434         | -1 878       | -336             | 60             | -48            | -2 636       |
| General administrative expenses       | -316         | -254         | -169             | -324           | -195           | -1 258       |
| Depreciations                         | -337         | -1 050       | -220             | 0              | 0              | -1 607       |
| <b>Operating result before sale</b>   | <b>486</b>   | <b>-752</b>  | <b>625</b>       | <b>107</b>     | <b>-243</b>    | <b>223</b>   |
| Gain/-loss on sale                    | 0            | 0            | 533              | 0              | 0              | 533          |
| <b>Operating result</b>               | <b>486</b>   | <b>-752</b>  | <b>1 158</b>     | <b>107</b>     | <b>-243</b>    | <b>756</b>   |
| Share dividend/ interest income       | 1            | 2            | 10               | 1              | 0              | 14           |
| Interest expenses                     | -111         | -234         | -23              | 0              | -69            | -437         |
| Currency exchange gain/-loss          | 0            | 0            | -1               | 8              | 79             | 86           |
| Other financial items                 | -3           | 0            | -2               | 0              | 1              | -4           |
| <b>Net financial items</b>            | <b>-113</b>  | <b>-232</b>  | <b>-16</b>       | <b>9</b>       | <b>11</b>      | <b>-341</b>  |
| <b>Result before tax</b>              | <b>373</b>   | <b>-984</b>  | <b>1 142</b>     | <b>116</b>     | <b>-232</b>    | <b>415</b>   |
| Op. income per 31 Mar 02              | 1 251        | 2 381        | 1 109            | 301            | -2             | 5 040        |
| <b>Op. income per 31 Mar 03</b>       | <b>5 755</b> | <b>2 430</b> | <b>1 350</b>     | <b>371</b>     | <b>0</b>       | <b>9 906</b> |
| Operating result per 31 Mar 02        | -146         | -986         | 177              | 89             | 1 607          | 741          |
| <b>Operating result per 31 Mar 03</b> | <b>486</b>   | <b>-752</b>  | <b>1 158</b>     | <b>107</b>     | <b>-243</b>    | <b>756</b>   |

## Segmental results

| 1 Jan - 31 Mar 2003         |           |             |              |            |             |        | 1 Jan - 31 Mar 2002 |             |              |            |             |        |  |
|-----------------------------|-----------|-------------|--------------|------------|-------------|--------|---------------------|-------------|--------------|------------|-------------|--------|--|
| <i>USD 1 000</i>            | Dry cargo | Product-Gas | Product-tank | Ship-mgmt. | Admin. a.o. | Total  | Dry cargo           | Product-Gas | Product-tank | Ship-mgmt. | Admin. a.o. | Total  |  |
| Freight income              | 5 719     | 2 430       | 1 297        | 0          | 0           | 9 446  | 1 234               | 2 381       | 1 035        | 0          | -5          | 4 645  |  |
| Fees                        | 36        | 0           | 53           | 371        | 0           | 460    | 17                  | 0           | 74           | 301        | 3           | 395    |  |
| Total operating income      | 5 755     | 2 430       | 1 350        | 371        | 0           | 9 906  | 1 251               | 2 381       | 1 109        | 301        | -2          | 5 040  |  |
| Charterhire expenses        | -4 182    | 0           | 0            | 0          | 0           | -4 182 | -605                | 0           | 0            | 0          | 2           | -603   |  |
| Operating expenses          | -434      | -1 878      | -336         | 60         | -48         | -2 636 | -368                | -1 920      | -525         | 58         | -2          | -2 757 |  |
| General administrative exps | -316      | -254        | -169         | -324       | -195        | -1 258 | -117                | -226        | -147         | -270       | -157        | -917   |  |
| Depreciations               | -337      | -1 050      | -220         | 0          | 0           | -1 607 | -307                | -1 221      | -285         | 0          | 0           | -1 813 |  |
| Op. result before sale      | 486       | -752        | 625          | 107        | -243        | 223    | -146                | -986        | 152          | 89         | -159        | -1 050 |  |
| Gain/-loss on sale          | 0         | 0           | 533          | 0          | 0           | 533    | 0                   | 0           | 25           | 0          | 1 766       | 1 791  |  |
| Operating result            | 486       | -752        | 1 158        | 107        | -243        | 756    | -146                | -986        | 177          | 89         | 1 607       | 741    |  |

# Fleetlist

| Per 31 March 2003          |               |                   |                       |                |            |
|----------------------------|---------------|-------------------|-----------------------|----------------|------------|
| Ship                       | Ownership     | Built year        | Dwt                   | Operation      | T/C-period |
| <b>Product carriers</b>    |               |                   |                       |                |            |
| M/T Belgrace               | 63 %          | 1984/87           | 40 900                | Spot           |            |
| <b>Gas</b>                 |               |                   |                       |                |            |
| M/T Lanrick                | 60 %          | 1992              | 3215 cbm              | T/C to 10/03   |            |
| M/T Ettrick                | 60 %          | 1991              | 3215 cbm              | T/C to 10/03   |            |
| M/T Traquair               | 60 %          | 1982              | 6616 cbm              | T/C to 11/03   |            |
| M/T Yarrow                 | 60 %          | 1982              | 6568 cbm              | T/C to 06/03   |            |
| M/T Eildon                 | 60 %          | 1982              | 6077 cbm              | T/C to 04/04   |            |
| <b>Capesize bulk</b>       |               |                   |                       |                |            |
| M/S Belmaj                 | 25 %          | 1990              | 149 516               | Pool           |            |
| <b>Panmax bulk</b>         |               |                   |                       |                |            |
| Newbuilding                |               | 2003              | 76 000                | Delivery 08/03 | 08/11      |
| <b>Handymax bulk</b>       |               |                   |                       |                |            |
| M/S Belnor                 | 100 %         | 1996              | 47 600                | Spot           |            |
| <u>Elkem Chartering AS</u> | 50 %          |                   |                       |                |            |
| <b>Handysize bulk</b>      |               |                   |                       |                |            |
| Boontrika Naree            |               | 1990              | 27 881                | T/C to 06/03   | 01/04      |
| Dania Portland             |               | 1986              | 27 000                | T/C to 07/03   | 12/03      |
| Boris Livanov              |               | 1986              | 23 950                | Spot           | 03/04      |
| Vera Maretskaya            |               | 1984              | 24 105                | Spot           | 03/04      |
| Maria I. A.                |               | 1984              | 37 593                | T/C to 05/03   | 09/03      |
| Sergey Lemeshev            |               | 1983              | 24 105                | Spot           | 03/04      |
| Anangel Eagle              |               | 1983              | 34 070                | Spot           | 10/04      |
| Calypso N.                 |               | 1983              | 33 009                | Spot           | 12/05      |
| Anangel Power              |               | 1982              | 34 111                | Spot           | 10/04      |
| Anna Prima                 |               | 1980              | 38 510                | Spot           | 10/03      |
| <b>Handymax bulk</b>       |               |                   |                       |                |            |
| Belpareil                  |               | 2003              | 52 961                | Pool           | 07/10      |
| Pax Phoenix                |               | 2001              | 50 236                | Pool           | 11/08      |
| Legend Phoenix             |               | 2002              | 50 209                | Pool           | 07/07      |
| <b>Number of ships</b>     |               |                   |                       |                |            |
| Type                       | Owned tonnage | Chartered tonnage | Commercial management | Total fleet    |            |
| Handysize produkttank/ OBO | 1.0           |                   | 2.0                   | 3.0            |            |
| Gas                        | 3.0           |                   | 2.0                   | 5.0            |            |
| Capesize bulk              | 0.3           |                   | 0.7                   | 1.0            |            |
| Panmax bulk                |               | 1.0               |                       | 1.0            |            |
| Handysize/ Handymax bulk   | 1.0           | 13.0              |                       | 14.0           |            |
| Total                      | 5.3           | 14.0              | 4.7                   | 24.0           |            |



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