



**BELSHIPS**

**REPORT 2ND QUARTER 2003**

## 2ND QUARTER 2003

### RESULTS

Belships' operating income for the 2nd quarter of 2003 amounted to USD 10,500,000 (2nd quarter of 2002: USD 4,903,000). The company's operating profit amounted to USD 311,000 (USD -1,121,000). The favourable profit trend which occurred during the 1st quarter continued during the 2nd quarter, and the company's operating profit for the first half of the year amounted to USD 1,067,000 (-379,000).

The company's operating profit for the 2nd quarter of this year includes a USD 0.4 million loss incurred from the sale of the M/S Belmaj, while the company's operating profit for the same period last year contained a USD 0.3 million loss from the sale of the gas ship M/T Quentin. The company posted a loss after tax for the 2nd quarter amounting to USD -241,000 (USD -1,498,000). The minority's share of profits amounted to USD -412,000 (USD -565,000) and is linked in its entirety to the ownership stakes in Gibson Gas Tankers. Belships' share of the reported results thus constitutes USD 171,000 (USD -933,000).

The quarterly accounts have been prepared in accordance with the standards relating to interim accounts. The accounting principles employed are the same as those used for the 2002 annual accounts.

### OPERATING PROFITS BY SEGMENTS

Product tankers generated an operating profit of USD 571,000 during the 2nd quarter (USD 132,000). This improvement is primarily attributable to a strong market. Gas tankers were responsible for an operating loss of USD -803,000 (USD -1,111,000) during the 2nd quarter. This development has been affected by continuing difficult market conditions for this type of ship. High operating expenses for some of the company's ships have also served to produce a negative contribution during this period.

The operating profit for dry cargo ships amounted to USD 638,000 (USD 55,000) for the 2nd quarter. The dry cargo market continued to strengthen from the first to the second quarter.

Those companies involved in technical management posted an operating profit of USD 107,000 (USD 84,000).

### OPERATIONS

After the war in Iraq was concluded, the market for product tankers experienced a drop. Falling rates were most prevalent in the Atlantic Ocean and especially in the Caribbean. However, towards the end of the quarter this trend reversed and rates strengthened again.

Despite the drop in rates M/T Belgrace posted a very satisfactory profit. Belships is continuing to operate the OBO ships, M/S Belgreeting and M/S Belguardian, on a commercial basis, even though we no longer have ownership stakes in these ships.

The dry cargo market is continuing to improve, primarily due to the growth in demand in China.

The handymax ship, M/S Belnor, has been contracted out to Korean charterers on a two-year timecharter at a net rate of USD 10,600 per day. This will ensure a satisfactory result for the ship during this period.

The operating company Elkem Chartering also contributed positive results. Apart from its core activities in the Atlantic Sea which are planned to be further strengthened, Elkem Chartering is also heavily involved in the handymax segment with three ships being hired on long-term charters.

As mentioned in the previous quarterly report, the capesize ship, Belmaj, was delivered to new owners in June.

Our participation in capesize chartering activities run by Bocimar in Belgium resulted in a positive contribution. The market for small gas ships was flat or slightly weaker during the quarter. The results posted by Gibson Gas Tankers were unsatisfactory.

### FINANCIAL POSITION AND OTHER INFORMATION

Belships strengthened its financial position during the 2nd quarter as a result of positive developments in its results and the sale of M/S Belmaj.

As at 30 June our liquid assets totalled USD 7.5 million, compared to USD 4.8 million at the end of the 1st quarter.

Our mortgage debt was reduced by USD 5.8 million during the 2nd quarter and amounted to USD 45.9 million as at 30 June. The book value per share, excluding minority interests, amounted to NOK 5.18, and the book equity ratio amounted to 28.7% as at 30 June.

Brokers' estimates for some of the company's ships are still lower than the capitalised values shown on the balance sheet. Based on estimates of discounted future cash flows from its ships, the company does not think it is necessary to undertake any write-downs.

### FUTURE PROSPECTS

During the summer the rates for product tankers have once again improved, especially in the East. If this tendency continues, the M/T Belgrace will continue to produce good results.

We are expecting to see further improvements in the dry cargo segment. The panmax ship, M/S Belisland, was delivered to us on a long-term charter in August, and at the same time it commenced a 2-year charter with European charterers, at a rate that will contribute approximately USD 2,600 per day during the period.

We are also expecting better results from Elkem Chartering during the remainder of the year.

As usual the market for small gas tankers has been quiet during the summer period. There are some expectations in the market that rates will be higher during the remainder of the year.

Oslo, 19 August 2003

The Board of BELSHIPS ASA

## Income statement

<i>USD 1 000</i>	2003	2002	2003	2002	2002
	Apr - Jun	Apr - Jun	Jan - Jun	Jan - Jun	Jan - Dec
Operating income	10 500	4 903	20 405	9 943	22 273
Charterhire expenses	-4 728	-522	-8 910	-1 125	-4 564
Operating expenses	-2 356	-2 416	-4 973	-5 172	-12 051
General administrative expenses	-1 187	-952	-2 445	-1 869	-4 893
Depreciations on fixed assets and intangible assets	-1 503	-1 826	-3 128	-3 639	-4 969
Total operating expenses	-9 774	-5 716	-19 456	-11 805	-26 477
Operating result before sales	726	-813	949	-1 862	-4 204
Gain/-loss on sales	-415	-308	118	1 483	1 484
Operating result	311	-1 121	1 067	-379	-2 720
Share dividend, interest income	20	60	33	78	252
Interest expenses	-381	-387	-818	-1 052	-2 124
Net currency exchange gain/-loss	-42	172	44	195	320
Other financial items	-117	-198	-120	-424	-389
Net financial items	-520	-353	-861	-1 203	-1 941
Result before taxes	-209	-1 474	206	-1 582	-4 661
Taxes	-32	-24	-40	-51	-81
Net result	-241	-1 498	166	-1 633	-4 742
Hereof minority interests	-412	-565	-806	-1 082	-2 104
Hereof majority interests	171	-933	972	-551	-2 638
Earnings per share on majority interests	0.01	-0.04	0.04	-0.02	-0.11
Diluted earnings per share on majority interests	0.01	-0.04	0.04	-0.02	-0.11

## Balance sheet

<i>USD 1 000</i>	2003	2002	2002
	Per 30 Jun	Per 30 Jun	Per 31 Dec
<b>Assets</b>			
Intangible assets	3 453	3 050	3 490
Ships	55 295	67 972	65 495
Other fixed assets	1 469	988	1 505
Bunkers	705	54	428
Other receivables	3 485	4 677	4 556
Bank deposits	7 464	8 583	5 512
Total assets	71 871	85 324	80 986
<b>Equity and liabilities</b>			
Paid-in capital	16 492	18 578	16 492
Retained capital	972	0	0
Minority interests	3 133	4 961	3 939
Long-term liabilities	48 249	57 445	56 733
Short-term liabilities	3 025	4 340	3 822
Total equity and liabilities	71 871	85 324	80 986

## Cash flow statement

	2003	2002	2002
<i>USD 1000</i>	<b>Jan - Jun</b>	<b>Jan - Jun</b>	<b>Jan - Dec</b>
<b>Funds generated from operations</b>			
Result before taxes	206	-1 582	-4 661
Gain/(+loss) from sale of fixed assets	-118	-1 483	-1 484
Depreciations on fixed assets and intangible assets	3 128	3 639	7 181
Payable tax	40	51	81
Diff. between pension expenses and pain in and drawn out	0	0	269
1 Change in bunkers, trade debtors and trade creditors	611	-224	-1 695
2 Change in other short-term items	-614	-183	518
Net cash flow from operations	3 253	218	209
<b>Funds generated from investment</b>			
Investments in fixed assets	-3	-1 319	-2 198
Sale proceeds from fixed assets disposals	7 226	7 542	7 543
Change in other investments	-103	242	-848
Net cash flow from investments	7 120	6 465	4 497
<b>Funds generated from financing</b>			
Received payments from raising new long-term debt	160	0	760
Repayment of long-term debt	-8 581	-7 652	-9 504
Net cash flow from financing	-8 421	-7 652	-8 744
Net change in liquid reserves	1 952	-969	-4 038
Liquid reserves at beginning of period	5 513	9 551	9 551
Liquid reserves at end of period	7 465	8 582	5 513
<b>CALCULATION OF CASH FLOW STATEMENT</b>			
	(A)	(B)	(B-A)
	2003	2002	
	30 Jun	31 Dec	
1) <b>Change in bunkers, trade debtors and trade creditors</b>			
Bunkers	705	428	-277
Trade debtors	2 007	2 934	927
Trade creditors	-1 014	-1 053	-39
Total	1 698	2 309	611
2) <b>Change in other short-term items</b>			
Other receivables	1 478	1 622	144
Public taxes and duties payable	-261	-329	-68
Other short-term liabilities	-1 750	-2 440	-690
Total	-533	-1 147	-614

## Equity

	Share- capital	Paid-in Share premium res	Retained Other equity	Minority interests	Total equity
Equity as at 31 December 2002	6 610	9 882	0	3 939	20 431
Net result during the period	0	0	972	-806	166
Equity as at 30 June 2003	6 610	9 882	972	3 133	20 597

## Key financial figures

		2003 30 Jun	2002 30 Jun	2002 31 Dec
Net cash flow (incl. minority interests)	USD 1000	1 952	-969	-4 038
Interest coverage ratio		1.20	-0.69	-1.35
Current ratio	%	385.26	306.77	274.59
Equity ratio	%	28.66	27.59	25.23
Earnings per share (excl. minority interests)	USD	0.04	-0.02	-0.11
Cash flow per share (incl. minority interests)	USD	0.08	-0.04	-0.16

## Result by segments

### 1 January - 30 June 2003

<i>USD 1 000</i>	Dry cargo	Gas	Product- tank	Ship mgmt.	Admin. a.o.	TOTAL
Freight income	12 273	4 753	2 333	0	0	19 359
Fees	205	0	110	731	0	1 046
Total operating income	12 478	4 753	2 443	731	0	20 405
Charterhire expenses	-8 910	0	0	0	0	-8 910
Operating expenses	-787	-3 695	-562	121	-50	-4 973
General administrative exps.	-576	-512	-324	-638	-395	-2 445
Depreciations	-676	-2 101	-351	0	0	-3 128
Operating result before sales	1 529	-1 555	1 206	214	-445	949
Gain/-loss on sales	-405	0	523	0	0	118
Operating result	1 124	-1 555	1 729	214	-445	1 067
Share dividend/interest income	3	1	14	2	13	33
Interest expenses	-203	-462	-37	0	-116	-818
Net currency exchange gain/-loss	0	0	0	6	38	44
Other financial items	-7	1	-3	0	-111	-120
Net financial items	-207	-460	-26	8	-176	-861
Result before tax	917	-2 015	1 703	222	-621	206
Operating income per 30 Jun 02	2 526	4 704	2 100	613	0	9 943
<b>Operating income per 30 Jun 03</b>	<b>12 478</b>	<b>4 753</b>	<b>2 443</b>	<b>731</b>	<b>0</b>	<b>20 405</b>
Operating result per 30 Jun 02	-94	-2 097	309	172	1 331	-379
<b>Operating result per 30 Jun 03</b>	<b>1 124</b>	<b>-1 555</b>	<b>1 729</b>	<b>214</b>	<b>-445</b>	<b>1 067</b>

## Result by segments

### 1 Jan - 31 Mar 2003

<i>USD 1 000</i>	Dry cargo	Product- Gas tank	Ship mgmt.	Admin. etc.	Total
Freight income	5 719	2 430	1 297	0	9 446
Fees	36	0	53	370	459
Total operating income	5 755	2 430	1 350	370	9 905
Charterhire expenses	-4 182	0	0	0	-4 182
Operating expenses	-416	-1 878	-336	61	-2 617
General admin. exps.	-316	-254	-169	-324	-1 258
Depreciations	-355	-1 050	-220	0	-1 625
Operating result before sales	486	-752	625	107	223
Gain/-loss on sales	0	0	533	0	533
Operating result	486	-752	1 158	107	756

### 1 Jan - 31 Mar 2002

	Dry cargo	Product- Gas tank	Ship mgmt.	Admin. etc.	Total
Freight income	1 234	2 381	1 035	0	4 645
Fees	17	0	74	301	395
Total operating income	1 251	2 381	1 109	301	5 040
Charterhire expenses	-605	0	0	0	-603
Operating expenses	-368	-1 920	-525	58	-2 757
General admin. exps.	-117	-226	-147	-270	-917
Depreciations	-307	-1 221	-285	0	-1 813
Operating result before sales	-146	-986	152	89	-1 050
Gain/-loss on sales	0	0	25	0	1 766
Operating result	-146	-986	177	89	741

### 1 Apr - 30 Jun 2003

<i>USD 1 000</i>	Dry cargo	Product- Gas tank	Ship mgmt.	Admin. etc.	Total
Freight income	6 555	2 323	1 036	0	9 914
Fees	169	0	57	360	586
Total operating income	6 724	2 323	1 093	360	10 500
Charterhire expenses	-4 728	0	0	0	-4 728
Operating expenses	-372	-1 817	-226	61	-2 356
General admin. exps.	-260	-258	-155	-314	-1 187
Depreciations	-321	-1 051	-131	0	-1 503
Operating result before sales	1 043	-803	581	107	726
Gain/-loss on sales	-405	0	-10	0	-415
Operating result	638	-803	571	107	311

### 1 Apr - 30 Jun 2002

	Dry cargo	Product- Gas tank	Ship mgmt.	Admin. etc.	Total
Freight income	1 229	2 323	891	0	4 443
Fees	47	0	100	313	460
Total operating income	1 276	2 323	991	313	4 903
Charterhire expenses	-432	0	0	0	-432
Operating expenses	-324	-1 702	-445	59	-2 415
General admin. exps.	-115	-232	-130	-288	-952
Depreciations	-350	-1 180	-296	0	-1 826
Operating result before sales	55	-791	120	84	-280
Gain/-loss on sales	0	-320	12	0	-308
Operating result	55	-1 111	132	84	-1 120

## Fleet list

As at 30 June 2003 Ship	Owner- ship	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 10/03	
M/T Yarrow	60 %	1982	6568 cbm	Spot	
M/T Eildon	60 %	1982	6077 cbm	T/C to 04/04	
<b>Panmax bulk</b>					
M/S Belisland *		2003	76 662	T/C to 08/05	08/11
<b>Handymax bulk</b>					
M/S Belnor	100 %	1996	47 600	T/C to 06/05	
<u>Elkem Chartering AS</u>	50 %				
<b>Handysize bulk</b>					
M/S Boonrika Naree		1990	27 881	COA/Spot	01/04
M/S Dania Portland		1986	27 000	COA/Spot	12/03
M/S Boris Livanov		1986	23 950	COA/Spot	03/04
M/S Vera Maretskaya		1984	24 105	COA/Spot	03/04
M/S Sergey Lemeshev		1983	24 105	COA/Spot	03/04
M/S Anangel Eagle		1983	34 070	COA/Spot	10/04
M/S Calypso N.		1983	33 009	COA/Spot	12/05
M/S Anangel Power		1982	34 111	COA/Spot	10/04
M/S Anna Prima		1980	38 510	COA/Spot	07/04
<b>Handymax bulk</b>					
M/S Belpareil		2003	52 961	Pool	07/10
M/S Pax Phoenix		2001	50 236	Pool	11/08
M/S Legend Phoenix		2002	50 209	Pool	07/07
<b>Number of ships</b>					
Type		Owned tonnage	Chartered tonnage	Commercial management	Total fleet
Handysize product carriers/ OBO		1		2	3
Gas		5			5
Panmax bulk			1 *		1
Handysize/ Handymax bulk		1	12		13
Total		7	13	2	22

\*) Delivery August 2003



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