

Belships is a shipping company, listed on the Oslo Stock Exchange, engaged in the dry bulk and product tanker segments.

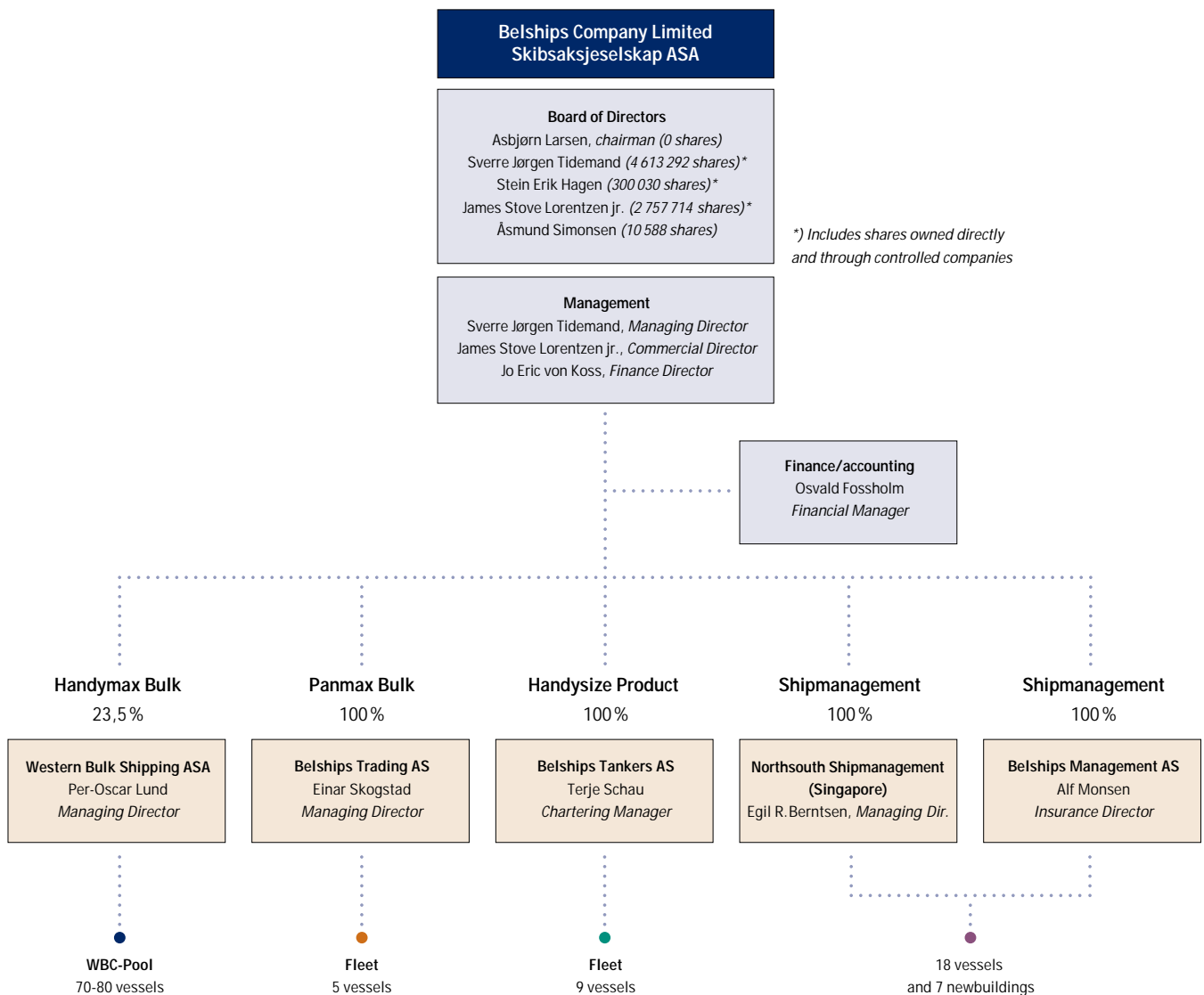
**Handymax dry bulk**  
Belships owns three handymax dry bulk carriers and a strategic 23.5% interest in Western Bulk Shipping (WBS). Belships' own ships and the WBS ships all sail in the Western Bulk Carriers pool, which comprises some 80 ships in all. The handymax fleet sails worldwide, in particular transporting semi-finished products for industrial customers.

**Panmax dry bulk**  
Through its wholly-owned subsidiary Belships Trading, the company is an operator of considerable standing in the panmax dry bulk segment. The company enters into freight contracts and covers them with chartering tonnage from the market. The fleet mainly carries such raw materials as coal, ore and grain worldwide.

**Product tankers**  
The wholly-owned subsidiary, Belships Tankers operates 4 owned and 5 chartered handysize product tankers. The fleet carries refined petroleum products and vegetable oils, mainly between industrialised countries.

**Shipmanagement**  
Belships is heavily engaged in ship management through Northsouth Shipmanagement in Singapore and Belships Management in Oslo. The two companies undertake technical and maritime management, not only of Belships' own ships but also on behalf of other owners.

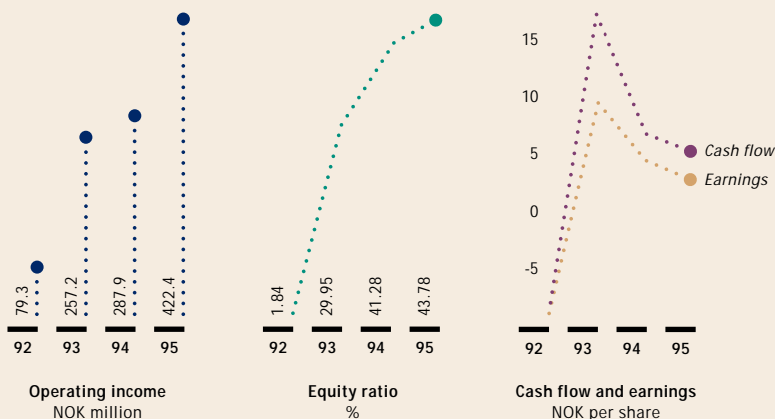
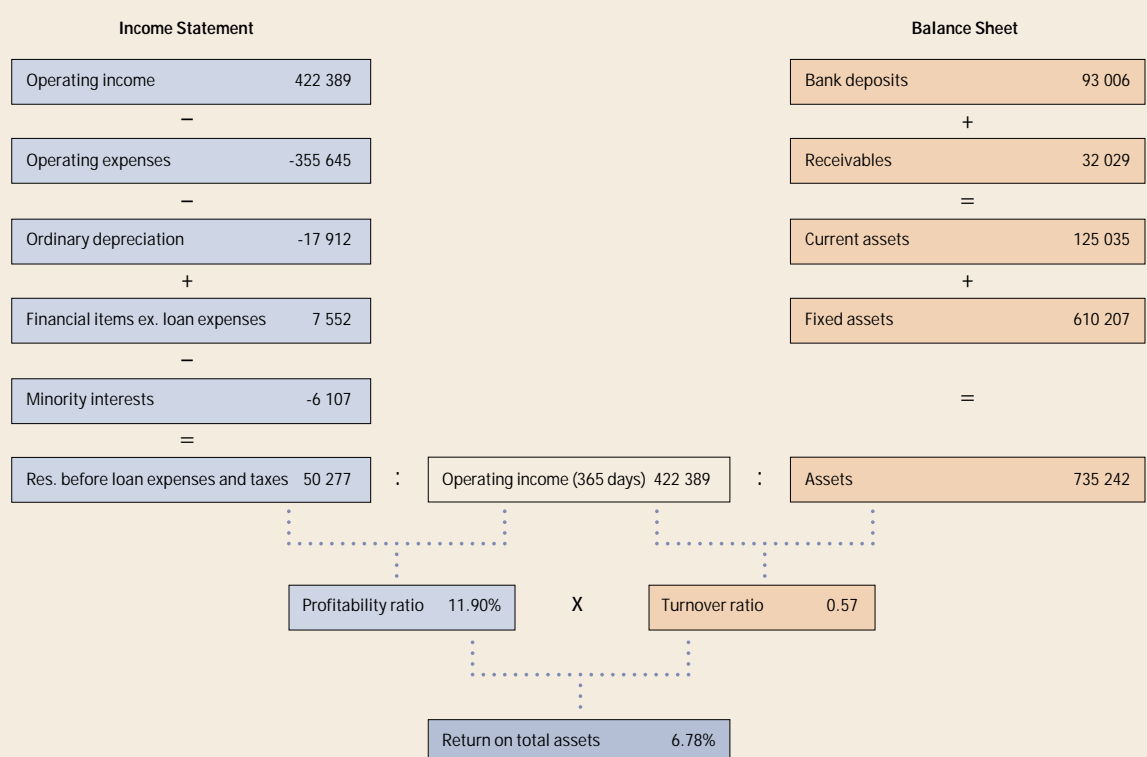
# This is Belships



# Financial Highlights

NOK 1 000	1995	1994	1993
Operating income	422 389	287 966	257 212
Operating result before other items	48 832	17 399	29 119
Net result for the year	28 201	52 069	79 715
Cash flow	58 860	83 960	155 299
Total assets	790 290	680 194	783 410
Equity	345 990	280 781	234 607
Interest coverage ratio	3.62	4.19	3.27
Current ratio	% 188.47	162.42	204.77
Equity ratio	% 43.78	41.28	29.95
Earnings per share	NOK 2.37	4.52	8.83

## Profitability analysis 1995



# Board of Directors' Report



**Belships achieved considerable growth in both activities and earnings in 1995 compared to 1994. Operating income rose by 47%, and the operating result by as much as 180%. The main reason for this progress was the favourable dry bulk market in 1995.**

## Main Strategy

Belships concentrates on the following activities:

- Maintaining direct investments in handymax bulk vessels while at the same time maintaining a strategic interest in Western Bulk Shipping.
- Further developing the company's large bulk activities through Belships Trading.
- Continuing to build up the company's product tanker business through Belships Tankers, using both own and hired tonnage.
- Continuously improving the technical and maritime ship management concept through Northsouth Shipmanagement and Belships Management.

Developments in 1995 have confirmed the Directors in their view that Belships' strategy is a good foundation for the company's continued progress. The strategy as defined leaves the company great flexibility in its choice of operational solutions.

## Results

Belships increased its operating income to NOK 422.4 million in 1995, from NOK 288.0 million the year before. The operating result before other items was NOK 48.8 million, as against NOK 17.4 million in 1994.

Belships had net financial expenses of NOK 6.3 million in 1995, compared to a net financial income of NOK 7.2 million in 1994, when previous years' unrealised foreign exchange losses totalling NOK 21 million were taken to income. The result for the

year was NOK 28.2 million as against NOK 52.1 million in 1994. The 1994 result included gains of NOK 39.7 million on sales of ships.

In addition to income from Belships' own ships (1.3 ships in 1995 compared to 2.3 in 1994), results in the handymax dry bulk sector also include the company's stake in Western Bulk Shipping. Operating income totalled NOK 52.2 million in 1995 as against NOK 57.3 million the year before. The operating result rose from NOK 16.2 million in 1994 to NOK 28.2 million.

## Favourable development and result in the company's panmax activity

The panmax dry bulk segment developed very favourably in 1995. Belships Trading made an operating income of NOK 250.4 million in 1995 as against NOK 113.2 million in 1994, and the operating result rose to NOK 21.8 million in 1995, from NOK 4.0 million the previous year.

The product tanker activities achieved an operating income in 1995 of NOK 101.6 million, compared to NOK 97.5 million in 1994. The operating result advanced from a loss of NOK 0.5 million in 1994 to a profit of NOK 3.8 million in 1995.

Belships' shipmanagement business produced an operating income of NOK 18.1 million in 1995, as against NOK 19.9 million the year before. The operating result declined from NOK 6.6 million to 3.4 million in 1995.

The Board of Directors is satisfied with the financial results achieved in 1995.

**Activities**

The dry cargo market was favourable in 1995.

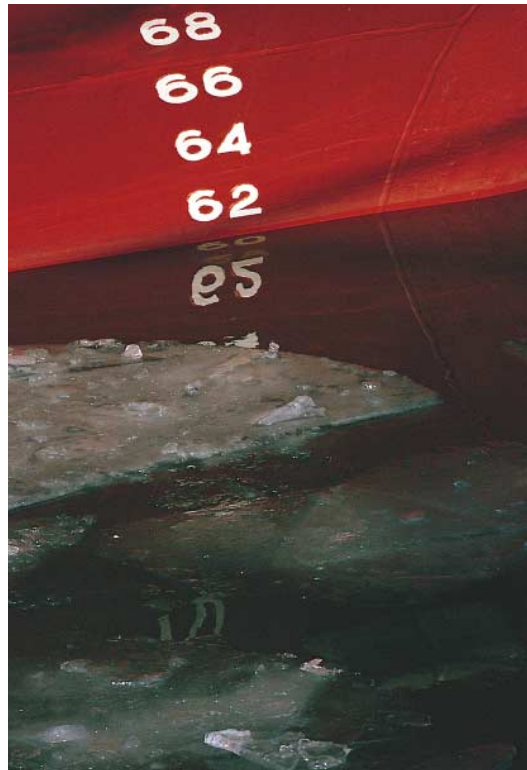
Despite a considerable amount of new tonnage, most segments recorded rates at new all-time highs. After rising for the first six months, the market levelled out before declining towards the year-end.

Belships' handysize bulk vessels benefited from the trends in the dry bulk market, returning record earnings in 1995. Developments over the year clearly demonstrated the Western Bulk pool's flexibility: despite a high contract coverage level at the beginning of the year, they were able to take advantage of the rising market.

The Panmax bulk business began the year positioned for a weak market, but Belships Trading managed to reposition itself in the course of the spring to take advantage of the upturn. Having strengthened its customer base considerably over the year, Belships Trading reached the year-end as a well-established panmax dry bulk operator. Belships Trading became a wholly-owned subsidiary in December 1995, when Belships acquired the remaining 30% of the shares in the company.

The product tanker market moved sideways in 1995, and Belships maintained a steady level of activity throughout the year. There are indications of a favourable trend in this market, and towards the end of the year Belships strengthened the commitment to the handysize product tanker tonnage.

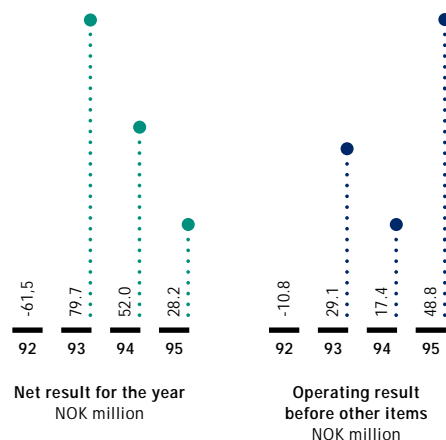
In addition to its shipping business, Belships has a 10.4% interest in the oil company Pelican, which produces oil and gas on the Ula and Gyda fields in the North Sea. Production from those fields will continue to decline, and with it the net contribution to the shareholders. The dividend from Pelican



amounted to NOK 2.1 million in 1995, of which NOK 0.7 million has been taken to income and NOK 1.4 million has been charged against the book value.

The company believes that a high level of competence results in competitive advantages. The company is constantly seeking to raise standards on board and ashore, especially in order to protect crew and the environment from pollution and other accidents. Belships' operations at sea satisfy all national and international requirements.

The group had 47 employees at the year-end, 19 of whom worked outside Norway. The working environment in the group is regarded as good.



## Prospects

Belships expects the level of activity to remain high in those sectors of the dry bulk market where we operate. Handymax dry bulk rates are expected to be generally lower in 1996, but the Western Bulk pool's contract cover and market position will enable us to outperform the market.

Lower rates than in 1995 are also expected in the panmax dry bulk segment, but Belships' mode of operation nevertheless enables us to expect a profit.

The product tanker rates are rising, and Belships is increasing its commitment to this segment, which should lead to improved results in 1996.

## Liquidity and Financing

Belships' liquidity and financial position are satisfactory. A private placement of 2 million shares was completed in October 1995, the net proceeds were NOK 45.8 million. The purpose of the capital increase was to finance the expansion in the product segment.

## NOK 45.8 million allocated to the company through share issue

Belships invested a total of NOK 111.8 million in ships in 1995.

The Board proposes a dividend of NOK 0.65 per share for 1995.

The parent company's income statement shows a net result for the year of NOK 8.0 million.

The Board proposes the following appropriations for 1995 (NOK million):

Dividend	8.8
Legal reserve	0.8
Distributable reserve	24.8
Undistributable reserve	-12.7
Group relief transfer	-13.7
	<hr/>
Net result for the year	8.0

Remuneration paid to the Directors, Managing Director and Auditor, and information on shareholdings, appear in the notes to the financial statements.

Oslo, 28 March 1996

Board of Directors of

Belships Company Limited Skibsaksjeselskap ASA

Asbjørn Larsen

Chairman



Sverre Jørgen Tidemand

Managing Director



Åsmund Simonsen



James Stove Lorentzen jr



Stein Erik Hagen



# Income Statement

Note	1 January - 31 December NOK 1 000	Belships			Consolidated		
		1995	1994	1993	1995	1994	1993
	<b>Operating income and expenses</b>						
1	Operating income	72 779	97 639	133 548	422 389	287 966	257 212
	Charterhire expenses	-22 245	-37 297	-55 604	-293 875	-184 479	-97 740
	Other operating expenses	-18 688	-26 935	-38 786	-25 654	-29 335	-55 793
3	General administrative expenses	-9 006	-9 661	-10 286	-36 116	-34 878	-35 615
6	Ordinary depreciation vessels	-15 220	-19 218	-26 491	-17 912	-21 875	-38 945
	<b>Total operating expenses</b>	<b>-65 159</b>	<b>-93 111</b>	<b>-131 167</b>	<b>-373 557</b>	<b>-270 567</b>	<b>-228 093</b>
	Operating result before other items	7 620	4 528	2 381	48 832	17 399	29 119
	Other items	0	52 226	-38 229	0	39 681	71 584
	<b>Operating result</b>	<b>7 620</b>	<b>56 754</b>	<b>-35 848</b>	<b>48 832</b>	<b>57 080</b>	<b>100 703</b>
	<b>Financial income and expenses</b>						
5	Share dividends	9 070	10 034	8 770	832	1 501	5 490
	Interest income	2 919	2 403	2 693	4 093	3 810	5 003
	Interest expenses	-12 297	-16 481	-19 755	-13 890	-19 769	-24 266
	Currency exchange gain/-loss	5 626	22 971	-23 953	6 315	22 847	-28 558
	Other financial items	-1 473	-164	-2 007	-3 688	-1 151	-3 189
	<b>Net financial items</b>	<b>3 845</b>	<b>18 763</b>	<b>-34 252</b>	<b>-6 338</b>	<b>7 238</b>	<b>-45 520</b>
	Minority interests	0	0	0	-6 107	-1 266	931
	<b>Result before taxes</b>	<b>11 465</b>	<b>75 517</b>	<b>-70 100</b>	<b>36 387</b>	<b>63 052</b>	<b>56 114</b>
11	Taxes	-3 441	-15 587	29 774	-8 186	-10 983	23 601
	<b>Net result for the year</b>	<b>8 024</b>	<b>59 930</b>	<b>-40 326</b>	<b>28 201</b>	<b>52 069</b>	<b>79 715</b>
	<b>Appropriations of net result</b>						
	Dividends	8 826	6 368	5 731			
	Distributable reserve	24 796	60 817	-32 177			
	Undistributable reserve	-12 726	-12 726	-12 726			
	Legal reserve	803	5 993	0			
	Group relief transfer	-13 675	-522	-1 154			
	<b>Total appropriations</b>	<b>8 024</b>	<b>59 930</b>	<b>-40 326</b>			

# Balance Sheet

Note	As at 31 December NOK 1 000	Belships			Consolidated		
		1995	1994	1993	1995	1994	1993
	<b>Assets</b>						
	<b>Current assets</b>						
4	Bank deposits	43 803	49 733	51 312	93 752	92 260	93 143
	Intercompany balances	33 197	23 363	13 097	0	0	0
7	Other current assets	7 922	6 739	9 191	33 908	30 150	25 148
	<b>Total current assets</b>	<b>84 922</b>	<b>79 835</b>	<b>73 600</b>	<b>127 660</b>	<b>122 410</b>	<b>118 291</b>
	<b>Fixed assets</b>						
	Intercompany balances	11 233	19 448	16 592	0	0	0
5	Shares in associated companies	168 548	168 548	168 388	134 815	120 610	135 696
5	Other shares	26 071	28 708	37 240	26 071	28 708	37 240
5	Shares in subsidiaries	44 861	21 338	21 338	0	0	0
6	Vessels	200 191	176 766	258 582	311 460	210 948	296 418
6	Newbuilding	176 912	180 775	178 659	176 912	180 775	178 659
6	Other fixed assets	5 317	7 330	6 250	13 372	16 743	17 106
	<b>Total fixed assets</b>	<b>633 133</b>	<b>602 913</b>	<b>687 049</b>	<b>662 630</b>	<b>557 784</b>	<b>665 119</b>
	<b>Total assets</b>	<b>718 055</b>	<b>682 748</b>	<b>760 649</b>	<b>790 290</b>	<b>680 194</b>	<b>783 410</b>
	<b>Liabilities and shareholders' equity</b>						
	<b>Short-term liabilities</b>						
8	Mortgage debt	10 814	6 296	21 078	15 703	7 640	23 613
8	Newbuilding commitments	0	37 576	0	0	37 576	0
7	Other short-term liabilities	21 232	16 691	16 358	52 032	30 149	34 155
	<b>Total short-term liabilities</b>	<b>32 046</b>	<b>60 563</b>	<b>37 436</b>	<b>67 735</b>	<b>75 365</b>	<b>57 768</b>
	<b>Long-term liabilities</b>						
8	Mortgage debt	151 469	144 098	282 839	230 896	173 242	318 951
8	Newbuilding commitments	115 293	122 088	157 547	115 293	122 088	157 547
9	Pension obligations	6 534	5 434	0	5 073	4 121	0
	Other long-term liabilities	0	0	0	0	5 040	3 965
11	Deferred taxes	27 213	23 772	9 792	25 303	18 663	10 944
	<b>Total long-term liabilities</b>	<b>300 509</b>	<b>295 392</b>	<b>450 178</b>	<b>376 565</b>	<b>323 154</b>	<b>491 407</b>
	Minority interests	0	0	0	0	894	-372
	<b>Shareholders' equity</b>						
	Share capital	27 158	23 158	22 924	27 158	23 158	22 924
	Legal reserve	192 923	150 286	141 401	192 923	150 286	141 401
	Undistributable reserve	12 726	25 452	38 178	12 726	25 452	38 178
	Distributable reserve/Group reserve	152 693	127 897	70 532	113 183	81 885	32 104
12	<b>Total shareholders' equity</b>	<b>385 500</b>	<b>326 793</b>	<b>273 035</b>	<b>345 990</b>	<b>280 781</b>	<b>234 607</b>
	<b>Total liabilities and shareholders' equity</b>	<b>718 055</b>	<b>682 748</b>	<b>760 649</b>	<b>790 290</b>	<b>680 194</b>	<b>783 410</b>
2	Uncalled capital commitments						
8,10	Pledges and guarantee commitments						

## Cash Flow Analysis

	1 January - 31 December			Consolidated		
	NOK 1 000	1995	1994	Belships 1993	1995	1994
<b>Funds generated from operations</b>						
*) Cash flow from operations	30 892	51 449	9 930	62 314	53 219	35 582
Change in other curr. assets/short-term liab.	-39 363	8 946	34 230	-11 388	6 227	-234 718
Net funds from operations	-8 471	60 395	44 160	50 926	59 446	-199 136
<b>Funds flow from investments</b>						
Investment in fixed assets	-35 605	-16 493	-437 597	-115 384	-16 651	-465 075
Sale proceeds from fixed assets disposals	372	128 188	407 075	372	129 338	793 223
Changes in other investments	-14 585	3 911	28 645	-18 201	9 935	-85 549
Net cash flow from investments	-49 818	115 606	-1 877	-133 213	122 622	242 599
<b>Funds flow from financing</b>						
Change in long-term liabilities	1 676	-174 200	-35 749	46 771	-180 093	-18 611
Payment of equity	45 834	3 510	21 120	45 834	3 510	21 120
Group relief transfer	13 675	-522	-1 154	0	0	0
Dividends	-8 826	-6 368	-5 731	-8 826	-6 368	-5 731
Net cash flow from financing	52 359	-177 580	-21 514	83 779	-182 951	-3 222
Net change in liquid reserves	-5 930	-1 579	20 769	1 492	-883	40 241
Liquid reserves at 1 January	49 733	51 312	30 543	92 260	93 143	52 902
Liquid reserves at 31 December	43 803	49 733	51 312	93 752	92 260	93 143
*) <i>This amount is arrived at as follows:</i>						
Result before taxes	11 465	75 517	-70 100	36 387	63 052	56 114
Loss/-gain from sale of fixed assets	314	-52 226	-18 987	314	-39 681	-120 511
Write-down of receivables, shares and vessels	3 066	8 940	72 526	1 342	8 940	64 237
Ordinary depreciations	16 047	19 218	26 491	19 710	21 875	39 739
Minority interests	0	0	0	6 107	1 266	-931
Taxes payable	0	0	0	-1 546	-2 233	-3 066
Cash flow from operations	30 892	51 449	9 930	62 314	53 219	35 582



# 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 5.

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

The cost of shares in subsidiaries is eliminated against equity in the subsidiary at the date of acquisition. The difference between cost of the shares and book equity at the time of acquisition is analysed and allocated to the book value of vessels and goodwill. Added value related to vessels is depreciated over the vessel'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

A significant part of Belships' activities relate to participation in limited partnerships. These investments are included in Belships corporate accounts using the gross method, implying that assets, liabilities, income and expenses are included in the accounts in accordance with Belships ownership percentage. The companies included using this method are specified in note 2. Interests in jointly controlled limited companies of between 36% and 50% are also accounted for using the gross method. The group's holding in Western Bulk Shipping ASA (WBS) is included in accordance with the equity 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 vessels which are converted at historical rates and mortgage debt which is converted at the higher of the historical rate and closing rate. The conversion difference is in reality a foreign currency gain/(loss) and included under financial items.

## d) Classification

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

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

## e) Depreciable Assets

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

In the case of ships ordinary depreciation is on a straight line basis over an economic life of 20 years for the vessel from new. No account is taken of the scrap value.

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

## f) Foreign Currency

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

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

## g) Proration of Freight Revenues

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

## h) Bunkers and Other Inventories

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

## i) Maintenance and Classification Expenses

A provision is made for accruing repair and maintenance expenses.

## j) Newbuilding Contract

The newbuilding contract is recorded in the balance sheet at contract price. A corresponding obligation less advanced payments has been recorded as short-term or long-term mortgage debt, depending on time of payment and existing financial arrangements.

## 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 9.

## 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 is included as a long-term liability in the balance sheet. Deferred taxes represents the tax chargeable on this year's and previous years' results at the balance sheet date, and which falls due for payment in later periods. The nominal tax rate of 28% has been used in the calculation.

## Notes to the financial statement

1	Opertating income					
	Belships			Consolidated		
	1995	1994	1993	1995	1994	1993
Income on timecharter basis	72 646	97 524	133 548	386 885	267 194	226 054
Other operating income	133	115	0	19 697	21 872	26 158
Result from associated companies	0	0	0	15 807	-1 100	5 000
Total operating revenue	72 779	97 639	133 548	422 389	287 966	257 212

*Other operating income relates to management fees.*

*Result from associated companies relates in its entirety to Western Bulk Shipping, including reversal of unrealised intercompany gains in former years.*

## 2 Participation in limited partnerships (Consolidated)

The following partnerships are included on a proportionally consolidated basis:

	Belstar KS 80%	Western Bell KS 50%	Belgrace KS 63%	Belanina KS 30%	Total
Results	5 266	5 131	-482	24	9 939
Current assets	6 703	5 873	3 447	4 608	20 631
Fixed assets	116 374	53 144	53 622	13 939	237 079
Short-term liabilities	7 630	4 724	7 204	3 608	23 166
Long-term liabilities	93 829	47 363	40 779	11 365	193 336
Committed capital	96 000	51 000	73 710	9 000	229 710
Paid in capital	48 000	20 400	50 668	5 250	124 318
Uncalled capital	48 000	30 600	23 042	3 750	105 392

K/S A/S Belocean has not been included in the list above since the investment is considered insignificant in terms of the Group. All committed capital in K/S A/S Belocean is paid-in.

<b>3</b>	<b>General administrative expenses</b>	<b>4</b>	<b>Bank deposits</b>
	<p>General administrative expenses in Belships include Board of Directors fees of NOK 315,000 and remuneration of NOK 1,046,701 to the Managing Director.</p> <p>The auditor's remuneration for 1995 for Belships amounted to NOK 270,000.</p>		<p>Restricted deposits for taxes withheld for Belships employees at 31 December 1995 amounted to NOK 2,321,682.</p>

<b>5</b>	<b>Shares</b>				
	Ownership consolidated	Company's sharecapital	Number of shares owned	Par value in total	Book value
	<b>Shares in associated companies</b>				
	23.5%	400 052	3 203 013	96 090	<b>168 548</b>
	<b>Other shares owned by parent company</b>				
		125 000	130 000	13 000	24 758
		238 901	4 800	480	480
		50	80	8	8
		USD 20	320	USD 0.32	425
		21 730	10 000	50	400
	Total shares owned by parent company				<b>26 071</b>
	<b>Shares in consolidated companies</b>				
	100%	50	1	50	50
	"	SGD 60	500	SGD 60	19 003
	"	250	250	250	825
	"	150	200	150	301
	"	100	100	100	0
	"	50	50	50	50
	"	50	50	50	50
	"	50	50	50	50
	"	50	50	50	50
	"	50	50	50	50
	"	50	50	50	50
	"	5 027	5 027	5 027	0
	"	1 400	1 400	1 400	7 544
	50%	SGD 500		SGD 250	0
	49%	USD 12	5 880	USD 6	16 770
	36%	50	18	18	18
	Total shares in consolidated companies				<b>44 861</b>
	Total				<b>239 480</b>

\*) As reported under Accounting Principles, the group's interest in WBS is included as an associated company using the equity method. The consolidated balance sheet has thus been adjusted for the share of the results during the period of ownership. As a result of this, the book value of the ownership in the consolidated accounts is NOK 134.8 million against NOK 168.5 million in the parent company accounts. The share's market price at 31 December 1995 was NOK 29.00. The reduced value is considered to be temporary.

\*\*\*) In 1995, Belships received NOK 2.1 million in dividend from AS Pelican. NOK 0.7 million has been taken to income. The remaining amount is recorded as a reduction of the cost price, so that the book value corresponds to Pelican's equity.

6	Vessels and other fixed assets	Belships		Consolidated	
		Vessels	Other fixed assets	Vessels	Other fixed assets
Additions 1995	34 782	823	114 561	823	
Retirements 1995	0	-698	0	-698	
Cost at 31 December 1995	420 164	7 497	540 533	16 155	
Accumulated depreciation at 31 December 1994	27 841	4 140	34 249	5 068	
Depreciation 1995	15 220	828	17 912	1 798	
Retirements 1995	0	-336	0	-336	
Accumulated depreciation at 31 December 1995	43 061	4 632	52 161	6 530	
Book value at 31 December 1995	377 103	2 865	488 372	9 625	
Non-depreciable fixed assets	0	2 452	0	3 747	
Total book value at 31 December 1995	377 103	5 317	488 372	13 372	

#### Additions and retirements of fixed assets over the last five years

	Belships		Consolidated	
	Vessels	Other fixed assets	Vessels	Other fixed assets
Sales	0	372	0	372
1994 Investments	15 492	1 001	15 650	1 001
Sales	128 188	0	129 338	0
1993 Investments	435 589	2 008	454 409	10 666
Sales	406 281	794	792 429	794
1992 Investments	24 310	1 335	30 561	1 335
Sales	111 232	146	102 066	146
1991 Investments	409 118	744	458 351	744
Sales	58 836	296	52 409	296

#### Specification of vessels

	Built year	Ownership consolidated	Cost price	Book value
<b>Handymax bulk</b>				
1) Newbuilding (M/V Belnor)	1996	100%	176 912	176 912
M/V Belstar	1992	80%	138 059	115 911
M/V Western Bell	1991	50%	70 858	53 144
<b>Product tank</b>				
M/T Belanja	1995	49%	74 844	74 844
M/T Belgrace	1984/87	63%	65 056	53 622
M/T Belanina	1979	30%	14 804	13 939
Total			540 533	488 372

1) Delivered in February 1996

**7 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 vessels. Other short-term liabilities consist of commitments related to the vessels' operation and accrued interest expenses.

**8 Mortgage debt and off balance items**

		Belships		Consolidated			
		Short-term	Long-term	Short-term	Long-term	Currency	Interest rate
1)	M/V Western Bell	2 061	34 650	2 576	43 313	USD	Libor +1.500%
2)	M/V Belstar	3 437	76 850	3 928	87 829	USD	Libor +1.750%
3)	Newbuilding (M/V Belnor)	0	115 293	0	115 293	USD	
	M/T Belgrace	4 034	33 559	4 795	39 892	USD	Libor +1.250%
	M/T Belanja	0	0	2 481	50 248	USD	Libor +1.250%
	M/T Belanina	1 282	6 410	1 923	9 615	USD	Libor +1.375%
Total mortgage debt as at 31.12.95		10 814	266 762	15 703	346 190		

Mortgage debt in USD is booked at a rate of 6.33 with the exception of mortgage debt on M/T Belgrace and M/T Belanina which is booked at the drawdown rate of 6.92 and 6.41 respectively. With regard to Belships' mortgage debt totalling NOK 277.6 million, security has been provided over vessels with a book value of NOK 377.1 million. In the consolidated accounts, vessels and mortgage debt have a book value of NOK 488.4 million and NOK 361.9 million respectively. All covenants related to the loans were fulfilled at 31 December 1995.

Belships has given a guarantee of DEM 3 million as security for fulfilment of the charterparty for M/V Western Guardian. The general partners are fully liable for the debt in the underlying limited partnerships. Reference is made to Note 2 regarding uncalled limited partnership capital. The newbuilding contract has been entered into by Belships. The company is thus liable for the total newbuilding cost of the vessel.

**Interest rate/currency hedging**

- 1) Agreements have been signed on a LIBOR interest cap of 8.50% until January 1997.
- 2) Agreements have been signed on an interest floor/cap of LIBOR at 6.00%/8.00% until October 1997.
- 3) The currency risk of the remaining JPY instalment has been covered by forward contracts (JPY/USD). In February 1996 the vessel was financed by a USD-loan amounting to USD 21.5 million. An interest-swap agreement covering 5 years was fixed at 6.32% including margin.

**Charter obligations**

Belships Tankers has taken two handysize product vessels on time charter with a remaining duration of between 6 and 18 months. The average rate for the vessels is approximately USD 10,500 per day. In addition Belships has chartered in an OBO vessel, M/V Western Guardian, for one year with an option to extend until the end of 1997. The charter hire is USD 11,575 per day in 1996 and USD 12,575 per day in 1997.

Belships Trading has several vessels on time charter for shorter periods. At the year-end only two vessels were chartered for a period in excess of 6 months. The average rate for these vessels is approximately USD 12,000 per day. The company has also entered into freight contracts for 1996 which correspond to the employment of four vessels.

**Repayment schedule for the group's interest bearing liabilities**

USD 1 000	1996	1997	1998	1999	2000
Interest bearing debt as at 01.01	38 531	57 082	53 544	49 774	42 156
Agreed instalments	2 949	3 538	3 770	7 618	3 386
Agreed new debt	21 500	0	0	0	0
Total interest bearing debt as at 31.12	57 082	53 544	49 774	42 156	38 770

**9 Pensions**

Employees in the company are members of the company's own pension fund. At 31 December 1995, 26 Norwegian employees are members of the existing service pension scheme. In addition the service pension scheme includes 11 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 24 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.

**Assumptions**

	Belships	Consolidated
Discount rate	7.00%	7.00%
Future wage adjustment	3.30%	3.30%
Pension adjustment/G-adjustment	2.50%	2.50%
Return on pension	8.00%	8.00%
Estimated return on pension fund in 1995	8.00%	8.00%
Average remaining earning period (31.12.95/31.12.94)	17.75 years/17.75 years	16.76 years/16.76 years
Voluntary departure before/after 45 years	2% / 0%	2% / 0%

**Composition of the net pension expenses**

	Belships	Consolidated
	1995	1995
Present value of the year's pension earnings (incl. social security tax)	1 121	1 608
Interest charge on accrued pension obligations	1 206	1 666
Return on pension funds	-913	-1 548
Net pension expenses	1 414	1 726

**Composition of the net pension obligations**

	Belships		Consolidated	
	31.12.95	31.12.94	31.12.95	31.12.94
Gross pension obligations	18 722	17 339	25 805	24 059
Pension funds	-12 188	-11 905	-20 732	-19 938
Actual and capitalised net pension obligations	6 534	5 434	5 073	4 121

**10 Belships (Far East) Shipping (Pte) Ltd**

Belships receivable of USD 3.4 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.

11 Taxes	Belships		Consolidated	
	1995	1994	1995	1994
	Taxes payable	0	0	-1 546
Changes in deferred taxes	-3 441	-15 587	-6 640	-8 750
Taxes	-3 441	-15 587	-8 186	-10 983

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 at 31 December

Deferred taxes are calculated based on temporary differences existing between:

	Belships		Consolidated	
	1995	1994	1995	1994
Accumulated tax reserve	80 548	71 785	96 247	85 336
Deferred sales gains	82 083	115 844	82 083	115 844
Accruals according to generally accepted accounting principles	-34 330	-28 371	-29 943	-35 981
Pension obligations	-6 534	-5 434	-5 073	-4 121
Tax loss carryforward	-24 579	-68 924	-52 947	-94 425
Net temporary differences	97 188	84 900	90 367	66 653
Deferred taxes	27 213	23 772	25 303	18 663

In accordance with prevailing 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.

#### Changes in deferred taxes

	Belships	Consolidated
Deferred taxes at 31 December 1994	23 772	18 663
Changes in deferred taxes	3 441	6 640
Deferred taxes at 31 December 1995	27 213	25 303

#### Tax result for 1995 for Belships

The specification below shows the difference between result according to the Financial Statement and the taxable result.

Result before taxes	11 465
Permanent differences	-12 852
Group relief transfer	13 675
Changes in timing differences	32 057
Taxable result	44 345
Tax losses used	-44 345
Tax basis for the year	0

**12 Equity**

The company's 13 579 000 shares with a nominal value of NOK 2.00 were held by 742 shareholders at 31 December 1995.

**Changes in equity 1995**

	Share capital	Legal reserve	Undistributable reserve	Distributable reserve/ Group reserve	Equity
<b>Belships</b>					
Balance at 31 December 1994	23 158	150 286	25 452	127 897	326 793
Share issues 1995	4 000	41 834	0	0	45 834
Result 1995	0	803	0	7 221	8 024
Transferred from undistributable reserve	0	0	-12 726	12 726	0
Group relief from subsidiaries	0	0	0	13 675	13 675
Dividend accrued	0	0	0	-8 826	-8 826
<b>Balance at 31 December 1995</b>	<b>27 158</b>	<b>192 923</b>	<b>12 726</b>	<b>152 693</b>	<b>385 500</b>
<b>Consolidated</b>					
Balance 31 December 1994	23 158	150 286	25 452	81 885	280 781
Share issues 1995	4 000	41 834	0	0	45 834
Result 1995	0	803	0	27 398	28 201
Transferred from undistributable reserve			-12 726	12 726	0
Dividend accrued	0	0	0	-8 826	-8 826
<b>Balance at 31 December 1995</b>	<b>27 158</b>	<b>192 923</b>	<b>12 726</b>	<b>113 183</b>	<b>345 990</b>

**Auditor's Report** (Translation from Norwegian)**To the Annual General Meeting of Belships Company Limited Skibsaksjeselskap ASA**

We have audited the annual accounts of Belships Company Limited Skibsaksjeselskap ASA for 1995, showing a net result for the year of NOK 8,024,000 for the company and a net result for the year of NOK 28,201,000 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 profit and equity transfers, 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 1995 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, 28 March 1996





# Management Report

1995 was a year of economic growth in large parts of the world. The market for all kinds of dry bulk trade was strong throughout the year, especially in the first half. In view of the considerable increase in the fleet and the low level of scrapping, this was unexpected. There are many signs that the growth in industrial production in the OECD countries peaked around the middle of the year. The dry bulk rates fell due to the impact of continued deliveries of newbuildings.

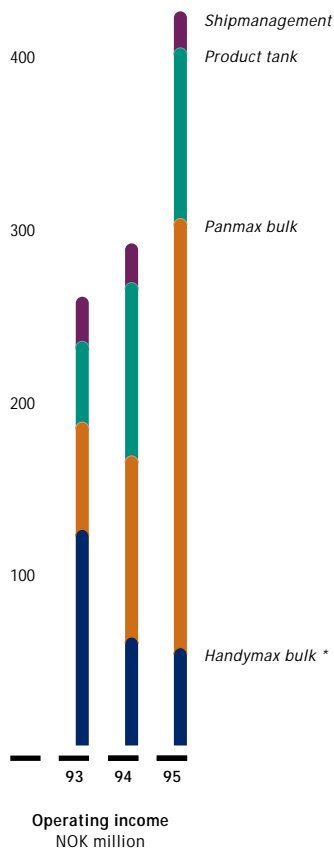
The market for product tankers tended to move sideways through 1995, but there was a better balance of tonnage and stronger demand at the end of the year than at the beginning.

Today's Belships is a diversified shipping company with three main areas of business; a traditional ship-owner, an operator, and a ship manager, and with commitments in three areas; handymax bulk, panmax bulk, and handysize product.

In 1995, handymax bulk accounted for 12% of group operating income, panmax bulk 59% and handysize product tank 24%. The graph shows developments in Belships' business areas over the past three years, in terms of operating income.

The handymax bulk segment significantly improved its profits in 1995, and the results achieved by the company's panmax bulk operation far exceeded expectations. The product tanker activities also moved in the right direction, although results were below expectations.

## Belships' strategy came into full function in 1995.



\* WBS is included in accordance with the equity method



Hailan Liu Paulsen, sponsor of M/V Belnor at the naming ceremony, 8 February 1996.

## Handymax bulk

NOK million	1995	1994	1993
Income on T/C-basis	36.3	57.0	117.0
Operating result*)	28.2	16.2	42.5
Number of ships	1.3	2.3	4.1
T/C earnings USD/day	12 700	10 200	11 000

\*) Includes the share of net result made by WBS.

**Handymax bulk carriers have carrying capacity between 35,000 and 50,000 dwt. They carry raw materials such as coal, iron ore, other minerals and grain in addition to semi-manufactured goods like steel, cement, fertilizer and forestry products. This segment is therefore closely related to general economic development, especially in the fast growing newly industrialised countries.**

The handymax ships are also equipped with more specialised loading gear than the larger bulk carriers. The global handymax bulk fleet finds half of its market in Asia, where rapid economic growth has led to steady high demand for its services. Other



features of the market are its extensive liquidity and versatility, leading to segmentation and specialisation. Compared to other shipping segments, the handymax market is characterised by a high degree of stability and steady growth. On the supply side, there has been a relatively steady flow of new tonnage, reflecting that over half of the world fleet is more than 15 years old.

The handymax bulk market was quite strong at the end of 1994, but rates continued to improve in the early months of 1995. Rates dropped again though in the latter half of the year, leaving the spot rate a little lower at the year-end than it had been at the beginning. The year as a whole, however, must be described as good.

Belships owns three handymax dry bulk carriers in addition to a strategic 23.5% interest in Western Bulk Shipping (WBS). The Belships' owned ships and the WBS ships all sail in the Western Bulk Carriers pool, which comprises some 80 ships in all.

The Western Bulk system is one of the world's leading players in the handymax dry bulk segment. The WBC pool's flexibility and strong position in the market means that its level of earnings tend to exceed market rates. Earnings in the WBC pool in 1995 were about 25% up on the 1994 level.

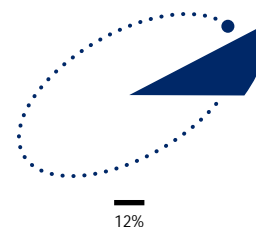
Although the WBC pool began 1995 with high contract coverage, it managed to benefit from the high rates in the first half of the year. The profit on Belships' interest in WBS totalled NOK 15.8 million after tax.

The vessels M/V Western Bell (50%) and M/V Belstar (80%) reported very good earnings in 1995, averaging T/C rates of USD 12,700 per day, compared to about USD 10,200 last year. The corresponding market rates are estimated to USD 10,300 per day in 1995 and USD 9,000 per day in 1994. Their operating expenses, excluding depreciation and docking costs, were as budgetted, an average of roughly USD 3,800 per day compared to USD 3,600 in 1994. Accrual covering drydocking costs amounts to USD 400 per day, per vessel.

The newbuilding M/V Belnor (100%) was delivered in February 1996 at the Oshima Shipyard in Japan. She will sail in the WBC pool. The ship's cost price was USD 26.7 million, 80% of which was debt financed.

Demand for handysize bulk transport is expected to increase marginally in 1996 (source: Marsoft). There has been a slight increase in the handysize fleet in recent years, and newbuildings delivered in 1996 are expected to total 6.8 million dwt, corresponding to about 6.2% of the fleet. Total orderbook is 11.8 million dwt, corresponding to about 10.7% of the fleet (source: Clarkson). Only moderate scrapping is anticipated, so we have reason to expect rates to remain at a lower level in 1996 than they obtained in 1995.

Share of total operating income



## Panmax bulk

NOK million	1995	1994	1993
Income on T/C-basis	250.4	110.0	36.0
Operating result	21.7	6.2	-2.6
Ship days	3 200	1 900	500
Volume carried (million tons)	3.9	2.3	0.6

**Panmax bulk carriers have carrying capacity between 50,000 and 80,000 dwt; the majority of newer vessels exceed 70,000 dwt. The ships in this segment are practically all standard ships, with very little specialisation.**

The world's panmax bulk fleet carries raw materials: coal, iron ore, other minerals and grain. This implies that the principal driving forces in the market are industrial demand for such commodities and international grain harvests.

On the demand side, the segment had a good year in 1995. Global iron ore trade reached a record level in the second quarter, and grain shipments worldwide rose to a very high level.

Despite considerable deliveries of new tonnage, the rates increased during the first six months of 1995. This was mainly due to a strong demand side.

In the second half of the year, some falling off in demand and a large increase in new tonnage depressed rates. From its all-time high of 2,350 points in May, the Baltic Freight Index (BFI) had dropped to 1,604 points by year-end.

The supply of new tonnage remains high, and newbuildings totalling 3.6 million dwt are expected to be delivered in 1996, corresponding to 6% of the fleet (source: Clarkson). No significant increase in scrapping is expected for some years.

Belships Trading is 100% owned by Belships, and handles the group's engagements in the large bulk segment. The company is a so-called "Contract Carrier", concluding contracts of affreightment and then hiring the necessary tonnage to perform them. The success for Belships Trading lies in striking the right balance between its commitments to cargo owners and its hired tonnage. By taking the right positions, the company can make money whether the market is rising or falling.

In 1995, its second full year of operations, Belships Trading strengthened its relations with the industrial sector by finding new customers and increasing its volume of contracts. Earnings were also boosted by active arbitrage of cargo and ship positions.

Belships Trading began 1995 with a balanced portfolio between contracts and vessels, anticipating a slackening market through the year. The company

was however, able to take advantage of the sharp upturn in the first half of the year, using its cargo positions as a basis for hiring in vessels on 4 to 8-month time-charters.

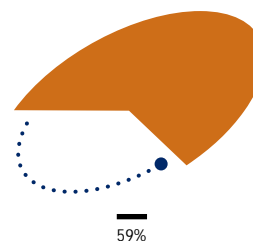
Belships Trading's long-term strategy has been to steadily increase its cargo volumes and ship days. The number of ship days rose from about 1,900 in 1994 to about 3,200 in 1995. The volume of cargo carried increased by some 70 per cent in 1995. During the year, the company operated at all times 8-10 vessels.

Belships Trading enters 1996 anticipating a further slackening of the market, and accordingly has only one vessel on a T/C longer than one year, in addition to four vessels on shorter charter parties. The company has thus positioned itself for a market which expects both lower demand and a large supply of ships. Its extensive cargo positions will enable it to benefit also from a falling market; should nevertheless, the market turn, the company can rapidly adjust the portfolio accordingly.

Belships Trading's ambition for 1996 is to consolidate and strengthen its position in the panmax segment while at the same time also building up a business in larger dry bulk carriers, the so-called capesize segment.



Share of total operating income





## Handysize product tankers

NOK million	1995	1994	1993
Income on T/C-basis	100.1	97.0	45.0
Operating result	3.8	-0.5	6.1
Owned ships	1.42	0.37	0.25
T/C ships	3	3	2

**Handysize product tankers are vessels between 30,000 and 50,000 dwt designed to carry refined petroleum products, vegetable oils, and certain chemicals.**

Demand is relatively cyclical, but with a steady underlying growth. The market is mainly driven by demand for petroleum products in the OECD countries, but the steady growth in demand in Asia is assuming increasing importance also to this segment.

On the supply side, the segment shows a moderate growth in a fleet consisting of a relatively high proportion of older vessels.

The year began with a relatively busy market showing favourable trends, but this was followed by some decline during the first half year. After a summer of more than normal activity, things quietened down again until November, when there was another upturn due to the severe cold in Europe and the USA. Rates were therefore rising at the end of 1995, and the upward trend has been maintained into 1996.

It is Belships' strategy to position itself to profit from a market upturn. For such a strategy to succeed, the most important factor is timing – getting in and out of the market at the right moments with both owned and hired tonnage.

M/T Belgrace is on time-charter at a rate of USD 14,000 per day. The vessel's operating expenses excluding depreciation and drydocking costs, were USD 4,932 in 1995 compared to 5,259 in 1994. Accrual covering drydocking costs amounts to USD 750 per day. In 1995, Belships increased its ownership in M/T Belgrace from 37% to 63%.

In September, Belships initiated the purchase of M/T Belanina, a 38,000 dwt product tanker built in 1979. Belships owns 30%. At the end of November, the newbuilding M/T Belanja, a 28,500 dwt product/chemical tanker, was delivered by the Admiralty Shipyard in St. Petersburg. The tanker is 49% owned by Belships, and was put into operation in the middle of February 1996 following extensive upgrading work.

M/T Torm Venture was returned to the owners at the end of March, and M/T Mekhanik Ilchenko was returned to the owners at the end of November after having been on a time charter to Belships Tankers since October 1994. The charter party for M/T

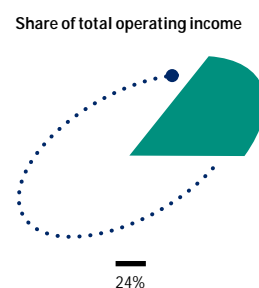


Mekhanik Yuryev has been renewed until April 1996 with an option to June 1996. M/T Yevgeniy Titov was hired in on a 6-month time charter at the beginning of November, with an option for a further 6+6 months.

M/V Western Guardian, a chartered OBO vessel, spent most of the year carrying dry bulk. OBO (Oil-bulk-ore) carriers are combined vessels capable of carrying both dry and liquid cargoes, and thus very flexible in the market. At the end of the year, the vessel switched to liquid cargoes. Average earnings were USD 12,800.

Both chartered and owned ships sailed through 1995 without encountering significant problems. The results achieved in the product tanker market were not up to the expectations the company had at the beginning of the year.

In the company's opinion, conditions in the product tanker segment are improving. The newbuilding rate for product tankers is relatively moderate, with 5.1 million dwt or 9.5% of the fleet on order (source: Clarkson). Together with developments in Asia and the OECD countries, this leaves Belships Tankers optimistic, anticipating a general upturn in the product tanker segment.



# Shipmanagement

NOK million	1995	1994	1993
Operating income	18.1	20.0	23.0
Operating result	3.4	6.6	5.4
Number of ships	18	19	19



The companies Northsouth Shipmanagement (NSSM) in Singapore and Belships Management in Oslo represent the group's technical maritime expertise. Just as the rest of the Belships group focusses on dry cargo carriers and product tankers, the two management companies have similarly built up their technical maritime management competence in those two segments. The tasks are divided between the two companies, NSSM is responsible for the day-to-day operation of the ships and their manning with foreign crews, while Belships Management handles the insurance side and manning with Norwegian officers.

It is Belships policy to strive for quality at all levels, so as to fully satisfy customers and meet national and international requirements. NSSM has had ISO 9002 certification for several years, and was also one of the first companies to obtain Det Norske Veritas' SEP (Safety and Pollution Prevention) approval. In 1995 the company underwent two periodic reviews for the ISO code and one for SEP/ISM (International Ship Management). Three ships received DNV-SEP-class notation in 1995 and a total of nine ships under NSSM management have received that notation.

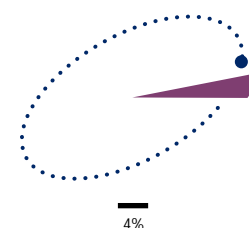


NSSM manages Belships' own ships and takes on management assignments from other owners. The company was managing 18 ships at the end of 1995, as against 19 at the beginning. Seven newbuildings are under construction, with NSSM acting as the owner's technical inspectors. They will all be attached to the management company in the course of 1996.

Two ships under NSSM management suffered accidents in the course of the year. On 9 June, M/V Belstar ran aground in Chile because of bad weather, and on 15 June, M/V Western Mariner was involved in a collision with M/V Kildinskiy in Balboa, Panama. The accidents caused no major damage or pollution, and were covered by insurance.

Most of NSSM's officers and crew are recruited from the Philippines. Most of those who sign on ships under NSSM management have first taken a qualifying course at the Norwegian Training Center in Manila.

Share of total operating income



## Key Financial Figures (consolidated)

NOK 1 000		1995	1994	1993
<b>Income statement</b>				
	Operating income	422 389	287 966	257 212
	Operating result before other items	48 832	17 399	29 119
	Operating result	48 832	57 080	100 703
	Result before taxes	36 387	63 052	56 114
	Net result for the year	28 201	52 069	79 715
<b>Balance sheet</b>				
	Current assets	127 660	122 410	118 291
	Fixed assets	662 630	557 784	665 119
	Total assets	790 290	680 194	783 410
	Short-term liabilities	67 735	75 365	57 768
	Long-term liabilities (ex. deferred taxes)	351 262	304 491	480 463
	Deferred taxes	25 303	18 663	10 944
	Minority interests	0	894	-372
	Equity	345 990	280 781	234 607
	Total liabilities and shareholders' equity	790 290	680 194	783 410
<b>Liquidity</b>				
1	Liquid reserves at 31 December	93 752	92 260	93 143
2	Cash flow	58 860	83 960	155 299
	Interest expenses	-13 890	-19 769	-24 266
3	Interest coverage ratio	3.62	4.19	3.27
4	Current ratio	% 188.47	162.42	204.77
5	Net result ratio	% 11.90	28.76	30.89
<b>Capital</b>				
	Share capital at 31 December	27 158	23 158	22 924
	Equity ratio	% 43.78	41.28	29.95
6	Return on total assets	% 6.78	11.32	10.11
7	Return on equity	% 9.00	20.21	63.92
<b>Key figures – shares</b>				
	Market price at 31 December	NOK 21.00	25.75	30.00
	Shares at 31 December	13 579 000	11 579 000	11 462 000
	Average number of shares	11 900 000	11 520 500	9 031 000
	Earnings per share	NOK 2.37	4.52	8.83
	Cash flow per share	NOK 4.95	7.29	17.20
	Dividend per share	NOK 0.65	0.55	0.50
	Price/earnings ratio	8.86	5.70	3.40
	Price/cash flow ratio	4.24	3.53	1.74

1 *Bank deposits*

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

3 *Result before taxes + interest expenses / interest expenses*

4 *Current assets in percent of short-term liabilities*

5 *Result before taxes + interest expenses / operating income*

6 *Result before taxes + interest expenses / average total capital*

7 *Net result for the year / average equity*

## Analytical information

### Operations

The components making up a shipping company's freight revenues vary with the pattern of its operations. If the company chooses to act as a cargo operator, it must also cover the voyage-related expenses of loading, bunkers and the like. If the vessel is hired to others for a voyage or a specific period, the company receives charter hire payments on the assumption that the user will cover such expenses.

Freight revenues on a T/C basis are an expression of the contribution margin remaining after voyage-related costs have been met. It is thus a uniform and comparable expression of income, whether the shipping company is a cargo operator or is hiring the vessel out to others. In respect of a company's own vessels freight revenues on a T/C basis are an expression of the contribution remaining to cover the ship's operating expenses, interest and instalments.

Belships' engagements are briefly described under the various chapters in the Management Report.

### Foreign Exchange

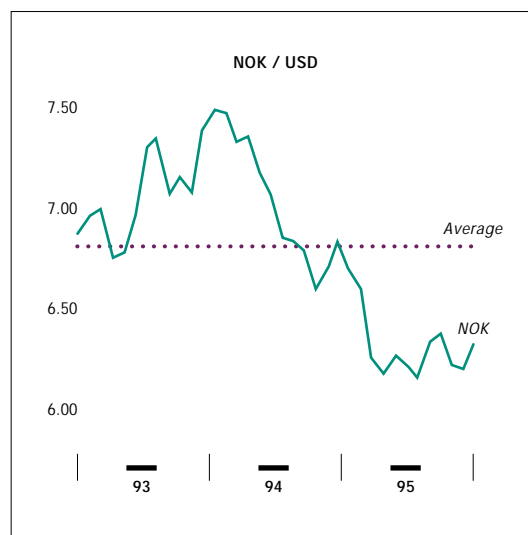
Belships seeks low foreign exchange exposure. For this purpose, group expenses should as far as possible be in the same currency as group income. However, Belships has no ambition or desire to eliminate the foreign exchange risk against Norwegian kroner.

Group income is in US dollars, and practically all investments are consequently financed in that currency. At the end of 1995, Belships' debt was entirely in US dollars.

Since income and expenses, with the exception of general administrative expenses, are entirely denom-

inated in US dollars, the financial statements are directly affected by the dollar to krone exchange rate.

The most material accounting correction lies in the foreign exchange losses arising when the mortgage debt is translated into kroner at a time when the dollar has strengthened. Present accounting rules do not permit such losses to be offset against corresponding unrealised gains on ships, unless the ships are employed in long-term charter parties.



### Sensitivity to Exchange Rate Fluctuations

On the basis of Belships' level of activity in 1995, a change in the USD exchange rate of +/-10% compared to the rate as of 31 December 1995 (NOK 6.33) would have an effect on the operating result and balance sheet amounts as illustrated below.

NOK mill.	Handymax bulk	Panmax bulk	Product	Management	Total
Changes in operating result	2.8	2.2	0.4	0.3	5.7
Changes in value of ships	37.2	0	15.6	0	52.8
Changes in mortgage debt	25.3	0	10.7	0	36.0
Changes in net ships-debt	11.9	0	4.9	0	16.8





### Interest

Both short and long-term USD interest rates developed favourably in 1995. Rates are likely to remain fairly stable in 1996, but we expect some increase in the medium term.

Belships' mortgage loans are all in USD and were initially at floating rates. Group financial expenses accordingly varied with dollar interest rates. As of 31 December, Belships had set cap rates and concluded forward rate agreements for 1996 for about 50% of the group's mortgage debt. In February 1996, a fixed rate of 6.32% for 5 years was agreed for the financing of the newbuilding M/V Belnor, which accounts for some 35% of the group's mortgage debt. Belships is keeping the possibility of concluding further hedging agreements under constant review.

### Market Values

The value of the group's ships is affected not only by changes in the dollar to krone exchange rate, but also by how values develop in the second-hand shipping market. Where the group's fleet is concerned, a 10% change in market values would correspond to roughly NOK 50 million. That does not include the ships owned indirectly through Western Bulk Shipping, since it is assumed that developments in that company's value are reflected in the price of its shares, which is also affected by other external factors.

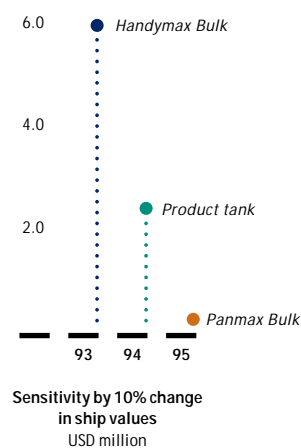
The worth of the operating units which do not own ships must in our opinion be calculated on the basis of their rates of return. This applies to Belships Trading, Belships Tankers and Belships Management/Northsouth Shipmanagement.

NOK million	Belships Trading	* Belships Tankers	Belships Management /Northsouth Ship-management
Result before taxes	20.4	-1.2	3.4
Average pre-tax profit last three years	7.1	-0.4	5.1
Share of book equity in the cons. balance sheet	3.5	-0.5	6.9

\* Including only management activity.

Belships' only investment in other areas than shipping is a 10.4% interest in the oil company Pelican AS, which has 5% and 4% stakes respectively in the Ula and Gyda fields. The value of the investment has been set at NOK 24 million in the consolidated balance sheet. On the basis of the known remaining oil reserves of 109 million and 89 million barrels respectively in the Ula and Gyda fields, and a net value of USD 5 per barrel, the book value is the same as the real value.

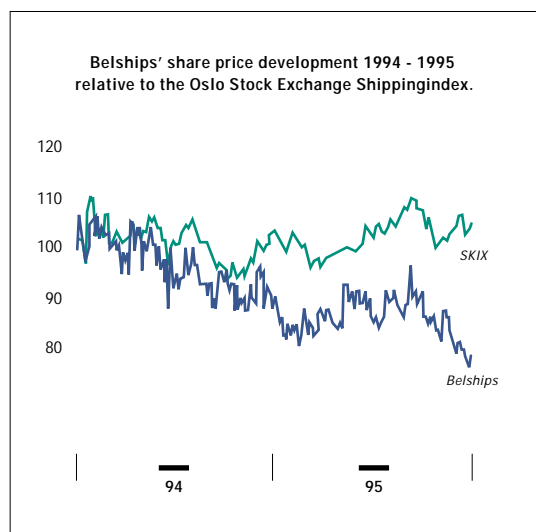
The sensitivity analysis below shows the change in the value of Belships' underlying assets if ship market values change by +/-10%.



# The Belships share

## Shareholder Policy

Belships wishes to achieve pricing of the company's share which is as correct as possible through efficient and profitable management of the company's resources. A competitive return will be obtained through a rise in the value of the company's results and future prospects. Belships is working to ensure that the company's share is an attractive and competitive investment alternative for both Norwegian and international investors. The company will keep shareholders, the stock market and the Oslo Stock Exchange continuously informed on developments through interim reports, annual reports and notices on important events. Belships also regularly give presentation for Norwegian and foreign investors. Belships considers timely and accurate information as essential for the share to achieve a pricing which reflects its underlying values and future prospects.



In the case of increases in share capital through the issue of new shares against cash, the company's shareholders will as a rule be given preferential subscription rights. The Board will propose placing of shares or the issue of shares as settlement in connection with investments only when this takes into account the long-term interests of existing shareholders.

## Share Capital

Belships' share capital is NOK 27,158,000 divided into 13,579,000 shares of NOK 2.00 par value. The share capital of Belships over the last five years has developed as shown in the table at the bottom of this page.

In 1995 a private placing was made in connection with investments in handysize product vessels.

There was, as in 1994, given a share option scheme for the Board and employees in Belships.

	Share option given 1994 To be exercised 19/05/95 - 19/05/97 (Price: NOK 32.- per share)	Share option given 1995 To be exercised 23/05/96 - 23/05/98 (Price: NOK 26.- per share)
Board	50 000	50 000
Employees	117 000	93 000
Total	167 000	143 000

## RISK

For Belships the following RISK amounts have been established:

1992	NOK 0.00
1993	NOK -0.50
1994	NOK -0.55
1995	NOK -0.65 (estimated)

The amounts apply from 1 Jan. of the following year.

Year	Type of change	Amount	Share par value	Number of shares	Share capital
1991	Bonus issue 1:1	3 300 000	10.00	660 000	6 600 000
	Share split 5:1		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 placement	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

## Shareholder Structure

The 20 largest shareholders in Belships at 31 December 1995:

		Number of shares	Percentage of share capital
1	Sonata A/S	3 791 065	27.92%
2	A/S Jasto	2 158 952	15.90%
3	A/S Consensio	1 173 289	8.64%
4	UNI Storebrand Pluss	695 400	5.12%
5	Tidinvest AS	303 116	2.23%
6	Otto Grieg Tidemand	253 681	1.87%
7	Hakon-Gruppen A/S	250 000	1.84%
8	Storeskar A/S	250 000	1.84%
9	Aksjefondet G-Invest	213 000	1.57%
10	Jeanette Basely	208 800	1.54%
11	UNI Storebrand 1982	192 200	1.42%
12	Dyno Finans A.S	165 000	1.22%
13	UNI Storebrand Finans	154 400	1.14%
14	Atalanta A/S	123 000	0.91%
15	Vesta Forsikring AS	110 000	0.81%
16	E.Galtung Døsvig A/S	100 000	0.74%
17	Tor Johan Stuve	100 000	0.74%
18	Analyseinvest A/S	93 240	0.69%
19	Gjensidige Livsforsikring	92 500	0.68%
20	Colonial Shipping Invest AS	88 060	0.65%
Total 20 largest shareholders		10 515 703	77.44%

*In aggregate the Grieg Tidemand and Stove Lorentzen families control approximately 60% of the shares.*

*At the end of 1995 the company had 742 shareholders. 12 of these had addresses outside Norway. The corresponding figures for 1994 were 849 and 11.*

## Liquidity

During 1995 the Belships share had slightly weaker liquidity on the Oslo Stock Exchange than in the previous year. The company is of the opinion that the generally low interest of shipping shares on the Oslo Stock Exchange is a reason for the liquidity and pricelevel of the share. In 1995 shares equivalent to

23% of the share capital were traded. The main shareholders traded shares to a very limited extent in 1995. The number of stock exchange trading days on which the Belships share was traded was 192 in 1995 against 221 in 1994.

Year	Turnover NOK mill.	Turnover in shares	Number of transactions	Number of days traded
1991	34.2	501 000	90	58 of 259
1992	1.3	22 000	48	38 of 249
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

# Counts customers, not ships



**After two years operating in the panmax segment, Belships is convinced that future shipping successes will have to be based on closeness to customers rather than on necessarily owning ships.**

Belships, through its subsidiary Belships Trading, has since 1993 steadily increased its involvement in the panmax dry bulk segment. Last year, this business made a significant contribution to the Belships results, without the company owning a single panmax vessel.

For the period of over two years during which Belships Trading has been in business, the market for panmax dry bulk vessels has been very volatile, with rates reaching their highest level ever in 1995.

Panmax is the term applied to dry bulk carriers from 50,000 to 80,000 dwt, with maximum beam of 32.3 metres to pass through the Panama Canal. Since vessels of this type first appeared some 30 years ago, their cargo carrying capacity has gradually increased, and most panmax newbuildings are exceeding 73,000 dwt.

Coal, grain and ore account for about 2/3 of all panmax trade, so that the main impulses naturally come from coal and ore consumption in industrialised countries and rapidly industrialising Asian countries, and from grain shipments to Eastern Europe and Asia.

Compared to handysize dry bulk carriers, which are largely targeted for semi-finished products of various kinds, panmax vessels carry raw materials only. Another feature distinguishing the panmax from the handysize fleet is the former's low degree of specialisation. In principle, the about 900 panmax vessels in the world are alike, and in other words all capable of carrying typical "panmax cargoes". It follows that they are also relatively simple low-cost vessels.

The panmax fleet is growing, with about 90 vessels currently being built and a relatively modest level of scrapping of older tonnage.

## Dry cargo market at historical all-time high in 1995.

The panmax market is very well suited to operators, and this is where Belships Trading sees a role to play.

The following important features of the panmax market are:

- It is an open market, with supply and demand published at all times, in contrast for instance to the relatively closed tanker market. The openness creates opportunities for active arbitrage of ships and cargoes.
- The volume is high in terms of the number of transactions. Other segments are higher measured for instance in ton/miles, but are more closed and less accessible to operators.

- Trading patterns are complex. Whereas tanker trading essentially involves regular routes, panmax dry bulk carriers tend instead to trade to ports practically all over the world. This results in a market characterised by liquidity and flexibility. Furthermore, this opens up great opportunities for a skilled operator with a well-developed network, in combining voyages to keep ballast time to a minimum.

## A panmax vessel is a dry bulk carrier from 50,000 to 80,000 dwt.

- In view of the homogeneous nature of the panmax fleet and the liquidity of the market, competitiveness lies in having steady access to cargoes at all times – and in finding “smarter” solutions than the competition.
- The panmax market is very volatile, with rates fluctuating considerably with economic developments and grain harvests in various parts of the world. Such volatility is a problem for a traditional shipowner, but the breath of life to a “trader”.

Belships Trading, in other words, what is known as an operator in the panmax market. An operator can be defined as a shipowner without his own ships, or as a “freight trader”, who deals in freights just as an oil trader deals in oil cargoes.

The necessity for such operators in this market arises because much of the panmax fleet has owners who by tradition do not take an industrial approach to their business, but prefer to sail in spot markets or

on shorter or longer time charters. Cargo owners, on the other hand, often industrial companies or traders, look for stable long-term contracts in meeting their transport requirements. In this market, the operator takes on the charterer’s freight risk by undertaking the transport assignment at a fixed price. On the other hand, the operator charters in vessels from owners who prefer a steady flow of revenue to operating in the volatile spot market.

An operator’s portfolio is the total number of vessels at his disposal relative to his freight obligations. A skilled operator makes his money by seeing that he has more ships than cargoes under his control in an

rising market, and a surplus of cargoes in a falling market.

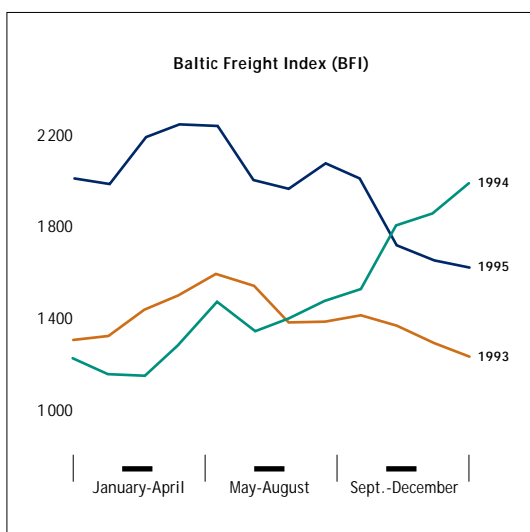
The more combinations and flexibility an operator can manage within his portfolio of ships and cargoes, the higher, of course, his earnings will be.

## Belships Trading is not dependent on high rates in order to achieve good earnings.

For an operator, then, there is no such thing as a “bad” market. Profits (and losses!) can be made just as readily in rising as in falling markets, and portfolios which are wrongly positioned in relation to market trends can be rapidly reversed. An operator’s most important skill, therefore, is the ability to predict developments before his competitors do.

The staff has to make up their minds about market developments at all times. They may take a neutral view for short periods, but they soon have to reach conclusions and take positions accordingly. The success of Belships Trading depends on reading the market correctly.

Operators who have not been particularly successful in the panmax dry bulk market have usually operated along classical shipowning lines, with a surplus of ships, often their own, in their portfolios. Belships own ships, too, but not in this segment. That leaves Belships Trading an operating company pure and simple, and frees them from any shipowning role.



Belships sees this as essential to success in the panmax segment. Where a classical shipowner has ships and looks for cargoes, Belships Trading has the opposite approach:

- Customer contacts are established
- Belships Trading conclude a contract of affreightment
- The necessary tonnage is found and hired.

In the majority of situations, it is much easier and less time-consuming to find vessels than to find customers and cargoes. Belships Trading creates new activity by maintaining and extending existing customer relations while establishing connections with new cargo owners. Therefore, it is the cargo side, and not the tonnage side, which is the decisive factor in the company's expansion. This is the background for Belships Trading saying they measure their success in the number of customers, not in the number of ships.

The company defines the following three criteria for success as operators in the panmax dry bulk segment:

1. Commercial expertise. The company's traders must be able to read the markets and predict developments 3 to 6 months ahead. They must be capable of combining information from many different sources with their own experience, competence and gut feeling.

2. Maritime control. The company must optimize operation of the vessels, with rapid entry and departure from ports and quick problem solution. They must also be quick in seeing combination opportunities in the portfolio.

3. Organization and control in the back office. This type of trading leads to complicated contractual relations. Changes are constantly occurring, and it is essential to have all the necessary formalities under control so that operations can proceed as smoothly as possible.

When Belships Trading was established in 1993, the strategy was to build up close relations with a limited number of industrial companies in suitable geographical regions, thereby preparing the ground for taking on other cargoes on a smaller scale. Without tonnage of its own, the company was dependent on constantly adding value by "beating" the market. After operating for a little over two years, Belships Trading is entering 1996 with more contracts of affreightment than a year earlier. The number of contract partners has increased, and the company has extended its geographical field of operations.

## An Operator's Instruments

An operator in the panmax market makes his money between a rock and a hard place: he has to satisfy both the shipowner and the cargo owner. To succeed in this balancing act, the operator has various instruments at his disposal.

On the cargo side, he can make the following arrangements with customers:

- Contracts of Affreightment (COA). These meet customer demands for stable costs and services. Such contracts fix both the volume, the number of shipments, and the price, and are typically for one year at a time, though they can also be concluded for a number of years.
- Forward fixing. These contracts tend to be for single cargoes some time ahead. They are very common for instance in the grain trade between the USA and Japan.
- Spot contracts cover single cargoes for immediate shipment.

Where hiring ships is concerned, the operator has a range of alternatives.

- Timecharter. He can for instance negotiate a "T/C trip", i.e. hire a ship for a single voyage, or hire it on a time-charter for some months or a year or several years, often with an option to extend the agreed period. The time spread on shorter time charters works like an option: if at the end of the planned voyage market prices have fallen below the T/C hire, the operator returns the ship as soon as possible. In a rising market, on the other hand, the operator holds on to the ship to the agreed limit. An operator who hires a ship on a time charter assumes the risks relating to weather, time, harbour problems, bunker charges, currency fluctuations and the like. The owner remains responsible for the technical operation, insurance, and crewing.
- Voyage relet. Relet the cargo to another owner or operator on back to back terms, with only the rate being different.

In addition to how he balances his portfolio and the forms of contract he chooses, an operator has other instruments for hedging against risk exposure:

- Biffex, an exchange for Freight Futures contracts. Similarly to the interest and currency markets, one can for instance hedge one's position in the physical market by taking the opposite position on the exchange.
- Bunkers hedging. By buying a "paper swap", the operator can reduce his exposure to rising bunker prices. These can swing a great deal, and make up a significant part of the operating expenses.
- Currency hedging. All operator's contracts are settled in USD. The main items of currency exposure for Norwegian operators are likely to be overheads in NOK and harbour fees in local currencies.

## Fleet list at 31 December 1995

Vessel	Ownership	Built year	DWT	Operation	Time of redelivery
<b>Handymax bulk</b>					
M/V Belnor	100%	1996	47 600	Delivery 02/96	
M/V Belstar	80%	1992	43 400	Western Bulk Carriers	
M/V Western Bell	50%	1991	42 000	Western Bulk Carriers	
<b>Product tankers</b>					
M/T Belanja	49%	1995	28 500	Spot	
M/T Belgrace	63%	1984/87	40 900	T/C to 08/96	
M/T Belanina	30%	1979	38 000	Spot	
<b>Panmax bulk, chartered tonnage</b>					
M/V Channel Fortune		1995	73 400	Belships Trading	04/96
M/V Marquesa		1993	70 300	Belships Trading	05/97
M/V Bunga Srigading		1982	65 900	Belships Trading	07/96
<b>Product tank/OBO, chartered tonnage</b>					
M/V Western Guardian		1987	43 500	Western-OBO-Pool	12/97
M/T Mekhanik Yuryev		1987	29 900	Spot	06/96
M/T Yevgeniy Titov		1986	28 810	Spot	06/96-07/97
<b>Vessels under commercial management</b>					
M/V Western Gallantry		1987	43 500	Western-OBO-Pool	09/97
M/V Western Greeting		1987	43 500	Western-OBO-Pool	11/97
M/T Magnolia		1983	84 656	Spot	

Vessels owned through Western Bulk Shipping ASA are not included in the list.

In total WBS owns between 52% - 100% in 9 handymax bulk vessels.

### Number of vessels and dwt.

Type	Owned tonnage	Owned through WBS	Chartered tonnage	Commercial management	Total vessels	Total DWT
Handysize bulk	2.3	1.9			4.2	186 533
Panmax bulk			3.0		3.0	209 600
Produkt tank	1.4		2.0		3.4	109 842
OBO			1.0	2.0	3.0	130 500
Aframax				1.0	1.0	84 656
Total	3.7	1.9	6.0	3.0	14.6	721 131



# Articles of Association

Adopted by the statutory general meeting on 7 October 1935,  
as amended lastly by the Board of Directors on 23 October 1995.

- §1 The name of the company is Belships Company Limited Skibsaksjeselskap 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 27,158,000.- divided into 13,579,000 shares of NOK 2.- 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.

## **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



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## Terms and Expressions

### Financial Diary for 1996

9 May: Annual General Meeting  
10 May: Shares listed ex. dividend  
29 May: Payment of dividends  
6 June: Result for the 1st four months  
10 October: Result for the 2nd four months

## Highlights 1995

- Significant growth in activities and earnings
- Dry cargo market at historical all-time high level
- Favourable development and result in the company's panmax activity
- Significant investments in handysize product vessels: NOK 112 million
- NOK 46 million allocated to the company through share issue

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**HUGIN**  
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*1995*

