Annual Report 2005

BELSHIPS

Contents

FINANCIAL CALENDAR 2006

Annual General Meeting	27 April
Result for the 1st quarter	27 April
Result for the 2nd quarter	14 August
Result for the 3rd quarter	3 November

Belships – an introduction

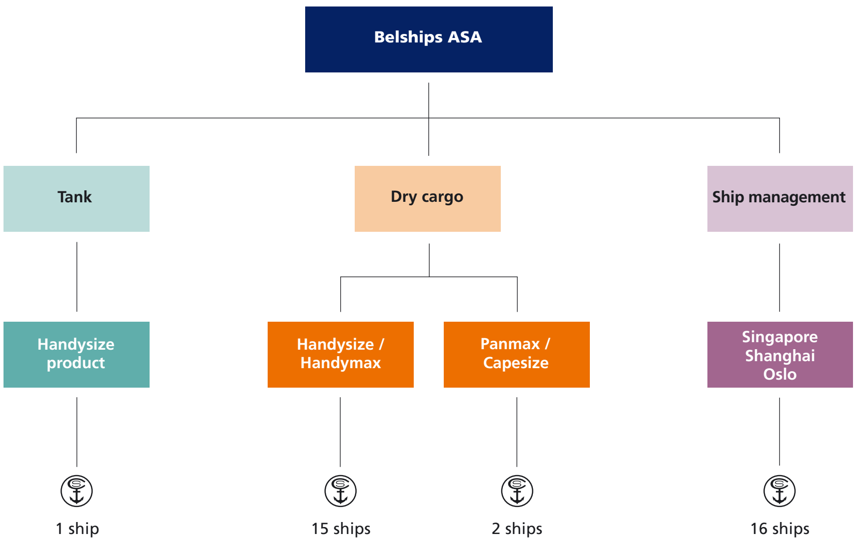
Belships is a shipping company quoted on the Oslo Stock Exchange with interests in the dry bulk carrier, product tanker and ship management markets.

Handysize/Handymax dry bulk carriers
Belships holds a 50% stake in Elkem Chartering (EC), which has interests in both the handysize and handymax dry cargo. EC operated a fleet of 14 vessels on a time-charter basis at the year-end, and has also concluded a five-year charter with two optional years for a 28 000 dwt newbuilding for delivery in the first half of 2007. Belships also owns a handymax bulker directly. The handysize/ handymax fleet transports mainly semi-finished goods for industry, and operates worldwide.

Panmax/Capesize dry bulk carriers
Belships has chartered in a panmax bulker until 2011 with two optional years. Elkem Chartering has an additional panmax vessel until spring 2006. The panmax/ capesize fleet transports mainly raw materials such as coal, ore and grain, and operates world-wide.

Handysize product tankers
Belships has concluded a seven-year charter with three option years for a 48 000 dwt product tanker newbuilding for delivery at the beginning of 2007. The product tanker fleet transports refined petroleum products and vegetable oils, mainly between the industrialised nations.

Ship management
Belships has a substantial ship management operation in the form of Belships Management in Singapore and Oslo. The companies undertake the technical/maritime management of both Belships' own and other companies' vessels. Belships holds a 50% stake in SNC Management Co. Ltd (Shanghai) which offers manning of ships with Chinese crew.



FINANCIAL HIGHLIGHTS

USD 1 000		**2005**	2004
Operating income		**67 837**	64 461
Operating result		**7 636**	14 514
Net result for the year		**3 925**	9 508
Cash flow from operations		**3 892**	16 359
Total assets		**41 605**	58 041
Equity		**16 663**	28 920
Interest coverage ratio		**10.99**	32.06
Current ratio	%	**197.86**	283.28
Equity ratio	%	**40.05**	49.83
Earnings per share	USD	**0.16**	0.38

Board of Directors’ Report 2005

The dry bulk market started the year with rates close to a historic high. In the course of the second quarter, destocking and reduced activities in China led to a substantial fall in rates and by early summer, the level had virtually been halved compared to the start of the year.

FINANCIAL PERFORMANCE

In 2005, Belships recorded an operating income of USD 67 837 000 (2004: USD 64 461 000). The company’s operating result amounted to USD 7 636 000 (USD 14 514 000). The reduction in operating result is mainly due to reduced contribution from Elkem Chartering.

Profit before taxes was USD 6 599 000 (USD 14 732 000), while profit after taxes was USD 3 925 000 (USD 9 508 000). The year’s taxes of USD 2 674 000 (USD 5 224 000) include the reversal of previously capitalised tax assets of USD 500 000 (USD 1 700 000). Belships had a positiv cashflow from the operation of USD 3 892 000.

The year’s result in the parent company was NOK 4 770 000 (NOK 94 644 000). In March 2006, Belships ASA received a dividend of NOK 26 805 000 from Elkem Chartering AS. This amount was recorded as income in 2005.

The Board of Directors recommends the following allocations for 2005 (NOK):

Transferred to retained earnings	4 770 000
Total allocations	4 770 000

The annual accounts have been prepared on a going concern basis in accordance with section 3-3 of the Norwegian Accounting Act. The Board confirms that this condition is fullfilled.

OPERATIONS

The dry bulk market started the year with rates close to a historic high. In the course of the second quarter, destocking and reduced activities in China led to a substantial fall in rates and by early summer, the level had virtually been halved compared to the start of the year. In the course of the third quarter, there was an upswing, but the rates did not reach earlier levels.

A restructuring of Elkem Chartering’s handysize operation portfolio was carried out in the course of the year. The company had a substantial surplus of shipping capacity in relation to cargo obligations and work was undertaken to reverse this situation. As a consequence of this process, it became necessary during an interim period to perform existing contracts with relatively expensive market tonnage. The restructuring was largely completed in the course of the year.

Elkem Chartering’s panmax ship M/S Anangel Express sailed on a time charter until the fourth quarter and was then fixed at a lower, but still satisfactory rate until the end of the year.

The handymax ships M/S Pax Phoenix and M/S Legend Phoenix continued on their charters throughout the year. The M/S Belpareil was redelivered from its charter in June and was then fixed for a new time charter until the turn of the year 2007/2008.

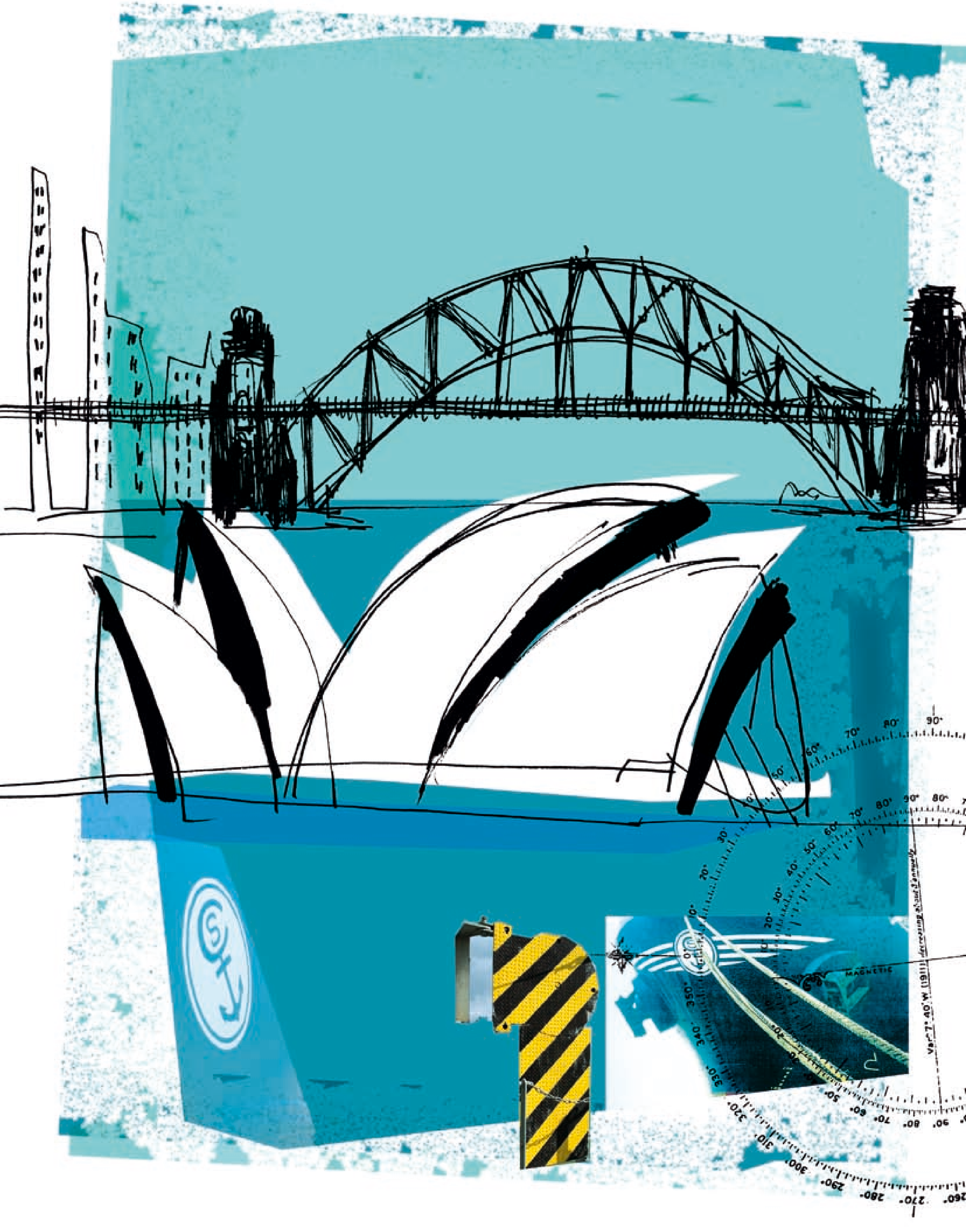
Of Belships’ own tonnage, both the M/S Belisland and the M/S Belnor were dry-docked as scheduled in 2005. After dry-docking, the M/S Belnor was delivered on a new timecharter running until the third quarter of 2008. The M/S Belisland continued on its charter which runs until August 2008.

The product tanker which Belships will receive as a newbuilding with a long-term time charter in the course of the first six months of 2007, has been sub-chartered to Danish charterers for a period of 5 years from delivery at a rate which will annually contribute approximately USD 0.8 million to the operating result.

ENVIRONMENT AND SAFETY

Belships gives high priority to minimising pollution from the company’s ships and focuses on continual improvements in safety, besides countering its operations from contaminating the environment.

The company is therefore working actively to raise standards both at sea and on land. Pollution from ships is covered by a number of national and international environment standards and certification schemes. Belships fully complies with all requirements made in the areas of environment and safety. The working environment in each company in the Belships Group is good.



ORGANISATION

The company's head office is in Oslo. The bulk of the company's commercial activities and insurance is handled here. Technical/maritime operations are based in Singapore. At the end of 2005, the group had 29 office staff and 184 seafaring personnel. Absence due to illness in the group's companies was low and the group had no serious industrial accidents in 2005. Belships aims to be a company where there is full equality between men and women, with no discrimination based on gender. The company's office staff includes 10 women.

FINANCIAL POSITION AND OTHER MATTERS

The company's solidity and financial position are sound. In May, the company paid a dividend of NOK 99 million (NOK 4 per share). At 31 December, the group's liquid reserves totalled USD 15.3 million, against 29.5 million at the beginning of the year. Mortgage debts were reduced by USD 1.6 million in the course of 2005, and amounted at year-end to USD 14.8 million. The company's functional currency is USD. Some of the income flow is currently translated into Norwegian kroner to cover the administration expenses of the company's office in Oslo. Exposure to changes in the interest rate level is low, as agreements have been concluded on an interest rate cap for the company's mortgage debt. With respect to credit risk in relation to customers, this is also regarded as being low.

Book value per share amounted to NOK 4.54 and book equity at 31 December was 40%.

Free equity at year-end constituted NOK 114.5 million.

The market value of the M/S Belnor is substantially higher than her book value. The Board will not recommend that a dividend be declared for the 2005 financial year.

CORPORATE GOVERNANCE

Belships gives high priority to corporate governance. In the Board's opinion, the company is largely in compliance with the requirements set out in the Norwegian recommendations concerning corporate governance.

Considering the nature and scope of the company's operations, the Board believes it is reasonable and appropriate that the managing director is a member of the Board of Directors and the company has no election committee, other Board committees or corporate assembly.

OUTLOOK

Based on the substantial supply of newbuildings that will have to be absorbed in the dry bulk market in the course of the year, it is in the Board's opinion not very likely that growth impulses from China will be strong enough to prevent a weakening of the rate level. For our ships sailing on time charters, this would not affect the results, but the handysize operation in Elkem Chartering could reap benefits from such a development. The management company Belships Management in Singapore is strengthening its presence in China through a subsidiary. We have for several years manned bulkship with Chinese crew, but in the course of 2006, we expect to obtain a licence for fully operative management with a base in Shanghai, something which will further serve to strengthen our competitivness.

Oslo, 31 March 2006
The Board of **Belships ASA**

Asbjørn Larsen
Chairman

Sverre J. Tidemand
Managing Director

Christian Rytter jr.

Kjersti Ringdal

Henrik von Platen

Income statement

Note	1 January-31 December	IFRS			NGAAP
	USD 1 000	2005	2004	2004	2003
	Operating income				
	Gross freight income	**88 574**	82 438	82 438	61 626
5	Voyage expenses	**-22 474**	-20 611	-20 611	-13 968
	Net freight income	**66 100**	61 827	61 827	47 658
	Other operating income	**1 737**	2 634	2 634	2 505
4	Total operating income	**67 837**	64 461	64 461	50 163
	Operating expenses				
	Time charterhire	**-52 469**	-42 936	-42 936	-23 641
5	Other operating expenses	**-1 077**	-1 195	-1 195	-10 465
15	General administrative expenses	**-5 857**	-5 207	-5 207	-6 128
8	Depreciations on fixed assets and intangible assets	**-980**	-1 095	-1 248	-5 153
	Total operating expenses	**-60 383**	-50 433	-50 586	-45 387
	Operating result before sale of fixed assets and write-down	**7 454**	14 028	13 875	4 776
	Write-down on ships	**0**	0	0	-8 884
11	Gain on sale	**182**	486	486	118
	Operating result	**7 636**	14 514	14 361	-3 990
	Financial income and expenses				
	Share dividends, interest income	**382**	318	318	85
	Interest expenses	**-711**	-419	-419	-1 422
	Other financial items	**-204**	-560	-560	-132
	Currency exchange gain /(-loss)	**-504**	879	879	210
	Net financial items	**-1 037**	218	218	-1 259
	Result before taxes	**6 599**	14 732	14 579	-5 249
18	Taxes	**-2 674**	-5 224	-5 224	4 604
	Net result for the year	**3 925**	9 508	9 355	-645
	Hereof minority interests	**0**	0	0	-3 939
	Hereof majority interests	**3 925**	9 508	9 355	3 294
19	Earnings per share	**0.16**	0.39	0.38	0.13
19	Diluted earnings per share	**0.16**	0.38	0.38	0.13

Balance sheet

Consolidated

Note	Per 31 December USD 1 000	IFRS 2005	IFRS 2004	NGAAP 2004	NGAAP 2003
	FIXED ASSETS				
	Intangible assets				
15	Deferred tax assets	**6 142**	6 642	6 642	8 571
7	Goodwill	**419**	392	319	293
	Total intangible assets	**6 561**	7 034	6 961	8 864
	Tangible fixed assets				
6	Ships	**14 919**	15 318	14 598	18 914
6	Other fixed assets	**467**	496	496	553
	Total fixed assets	**15 386**	15 814	15 094	19 467
	Financial fixed assets				
8	Shares	**304**	322	322	349
3	Other long-term receivables	**282**	271	271	414
	Total financial assets	**586**	593	593	763
	Total fixed assets	**22 533**	23 441	22 648	29 094
	CURRENT ASSETS				
	Bunkers	**1 795**	2 271	2 271	779
3	Trade debtors	**864**	2 034	2 034	1 215
3	Other receivables	**1 186**	810	810	3 165
	Bank deposits	**15 227**	29 485	29 485	10 035
	Total current assets	**19 072**	34 600	34 600	15 194
	Total assets	**41 605**	58 041	57 248	44 288
	EQUITY				
	Paid-in capital	**28 439**	28 373	28 373	28 260
	Retained earnings	**-11 776**	547	-15 480	-8 410
14	Total equity	**16 663**	28 920	12 893	19 850
	LIABILITIES				
	Provision for liabilities				
10	Pension obligations	**3 478**	3 657	2 466	1 856
	Other long-term liabilities				
3	Mortgage debt	**11 825**	13 250	16 400	18 558
	Short-term liabilities				
3	Mortgage debt,current portion	**3 000**	3 150	0	0
15	Tax payable	**2 059**	3 677	3 677	843
	Public taxes and duties payable	**251**	486	486	314
	Trade creditors	**648**	1 846	1 846	1 718
	Provision for dividend	**0**	0	16 425	0
3	Other short-term liabilities	**3 681**	3 055	3 055	1 149
	Total short-term liabilities	**9 639**	12 214	25 489	4 024
	Total liabilities	**24 942**	29 121	44 355	24 438
	Total equity and liabilities	**41 605**	58 041	57 248	44 288

Oslo, 31 March 2006
The Board of **Belships ASA**

Asbjørn Larsen
Chairman

Sverre J. Tidemand
Man. director / member

Christian Rytter jr.
Member

Kjersti Ringdal
Member

Henrik von Platen
Member

Cash flow statement

1 January-31 December		IFRS		NGAAP
USD 1 000	**2005**	2004	2004	2003
FUNDS GENERATED FROM OPERATIONS				
Result before taxes	**6 599**	14 732	14 579	-5 249
Gain/loss from sale of fixed assets	**-182**	-486	-486	-118
Depreciations on fixed assets and intangible assets	**980**	1 095	1 248	5 153
Write-down on ships	**0**	0	0	8 884
Taxes paid	**-3 160**	-843	-843	56
Difference between pension expenses and paid pension premium	**283**	454	454	251
Change in bunkers, trade debitors and trade creditors	**448**	-2 183	-2 183	2 033
Change in other short-term items	**-1 076**	3 590	3 590	-2 006
Cash flow from operations	**3 892**	16 359	16 359	9 004
FUNDS FLOW FROM INVESTMENT				
Investments in fixed assets	**-475**	-239	-239	-293
Sale proceeds from fixed assets disposals	**257**	3 789	3 789	7 226
Change in other investments	**-351**	1 586	1 586	-2 196
Net cash flow from investments	**-569**	5 136	5 136	4 737
FUNDS FLOW FROM FINANCING				
Repayment of long-term debt	**-1 575**	-2 158	-2 158	-9 283
Dividend paid	**-15 822**	0	0	0
Share issue / acquisition of treasury shares	**-184**	113	113	64
Net cash flow from financing	**-17 581**	-2 045	-2 045	-9 219
Net change in liquid reserves	**-14 258**	19 450	19 450	4 522
Liquid reserves at 1 January	**29 485**	10 035	10 035	5 513
Liquid reserves at 31 December	**15 227**	29 485	29 485	10 035

Change in equity

				Paid-in	Retained	
USD 1 000	Share capital	Acquisition treasury shares	Share premium reserves	Other paid-in equity	Other equity	Total equity
Equity as at 1 January 2004	6 642	0	6 847	14 771	-8 961	19 299
Share issue	51	0	62	0	0	113
Net result for the period	0	0	0	0	9 508	9 508
Equity as at 31 December 2004	6 693	0	6 909	14 771	547	28 920
- Effect of implementation of IAS 32, 39	0	0	0	0	-175	-175
Equity as at 1 January 2005	6 693	0	6 909	14 771	372	28 745
Share issue	29	0	100	0	0	129
Acquisition treasury shares	0	-63	0	0	-250	-313
Dividend paid	0	0	0	0	-15 823	-15 823
Conversion fluctuation	0	0	0	0	0	0
Net result for the period	0	0	0	0	3 925	3 925
Equity as at 31 December 2005	6 722	-63	7 009	14 771	-11 776	16 663

Notes to the accounts

Consolidated

1 General information

Belships ASA is a public company registered in Norway. The company's main office is in Lilleakerveien 4, 0283 Oslo, Norway. The activity of the group is described in note 4. All amounts in the notes are in USD 1 000 unless otherwise stated.

2 Summary of the most important accounting principles used

A) Main principle

The group accounts of Belships ASA for the fiscal year 2005 have been prepared according to IFRS.

An assessment of differences between the group's accounting principles according to Norwegian accounting principles and the accounting principles to be used under IFRS, as well as a reconciliation of implementation effects in the accounts in the transition to IFRS, are described in note 21.

The group accounts are based on the principles of historical cost accounts, with the exception of derivatives and shares, which are assessed at net realisable value.

The group accounts have been prepared with uniform accounting principles for identical transactions and events under otherwise identical conditions.

The most important effects of the transition to IFRS for the Belships group concern the significantly different accounting treatment of pensions, goodwill, depreciation of ships and share options to employees in a significantly different manner. The principles have been explained below and the differences described in note 21.

B) Consolidation principles

The group accounts include Belships ASA and companies in which Belships ASA has a decisive influence. Decisive influence is normally achieved by the group owning more than 50 per cent of the shares in a company, with the group being able to exercise actual control over the company.

The purchase method of accounting is used in accounting for consolidated enterprises. Companies bought or sold during the year are included in the group accounts from the time control was achieved and until control ceases.

Jointly controlled enterprises are enterprises in which the group has joint control through a contract between the parties.

The group accounts include jointly controlled enterprises according to the cost method from the time joint control was achieved and until the joint control ceases.

Intercompany transactions and accounts, including internal profits, unrealised gains and losses are eliminated. Unrealised gains from transactions with affiliated companies or jointly controlled enterprises are eliminated with the group's share of the company/enterprise. Unrealised losses are likewise eliminated, but only to the degree that there is no indication of loss of value on the asset being sold internally.

C) Currency transactions

Functional currency and reporting currency

Accounting transactions undertaken by respective group companies use the currency ordinarily used by the financial environment in which they operate (functional currency). The group accounts are presented in USD.

The accounts for the units in the group which have a functional currency different from the group's reporting currency, convert their accounts into the reporting currency according to the following guidelines:

(i) Assets and debts are converted according to conversion rates on the balance sheet date

(ii) Income and costs are converted according to quarterly average conversion rates

Transactions in foreign currency

Transactions in foreign currency are converted at the rate at the time of the transaction. Monetary items in foreign currency are converted into USD using the rate on the balance sheet date. Non-monetary items which are measured at historical rates expressed in foreign currency, are converted into USD using the currency rate at the time of the transaction.

Non-monetary items which are measured at market value expressed in foreign currency are converted at the currency rate on the balance sheet date. Currency rate changes are charged continuously against income during the accounting period.

Activities abroad

Assets and liabilities in activities abroad, including goodwill and market value-adjustments as they emerge in the consolidation, are converted into USD using the conversion rate on the balance sheet date. Income and costs from foreign activities are recalculated into USD using the average conversion rate, quarterly. Currency rate differences are calculated into the equity.

D) Accounts receivable

Accounts receivable are entered at acquisition cost with expected loss of value deducted.

E) Tangible fixed assets

Tangible fixed assets are measured at acquisition cost, with accumulated depreciation and write-downs deducted. When assets are sold or divested, capitalised value is deducted and any gains or losses are entered in the profit and loss account. Acquisition cost for tangible fixed assets is the purchase price, including taxes and charges and expenses directly related to preparing the asset for use. Expenses incurred after the asset has been put to use, such as running maintenance, are entered in the profit and loss account, whereas other expenses which are expected to create future financial gains are capitalised. For ships, a straight line method of depreciation is used, based on a 25-year economic life from when the ship was new. Residual scrap value has been taken into account, and this is based on steel prices on the balance sheet date. Book value is compared to market value and utility value to assess the need for any further write-down compared to the ordinary depreciation plan.

Depreciation period and method are evaluated annually. The same applies to scrap value.

In accordance with IFRS, the ships have been broken down into separate components when estimating depreciation. Based on the condition of the ship, the company's ships are written unit as the value of any part of the ship with a useful life other than 25 years is considered to be insignificant.

Belships capitalises periodic maintenance expenses. Classification-related upgrades and improvements in connection with the dry-docking of vessels are capitalised and depreciated over the period through to the next classification/dry-docking (30 months on average).

F) Leasing

Financial leases

Leases in which the company assumes the better part of the risk and dividend associated with ownership of the asset, are financial leases. At the beginning of the lease, financial leases are entered at a sum equal to market value or the present value of the minimum lease sum, whichever is lower, with accumulated depreciation and write-downs deducted.

When calculating the present value of the lease, the implicit interest rate cost in the lease is used, if it can be calculated. If not, the company's marginal loan interest rate is used. Expenses directly connected to the establishment of the lease are included in the cost price of the asset. The depreciation period is the same as for the company's other depreciable assets.

If there is no reasonable certainty of the company assuming ownership when the lease expires, the asset is written off over the term of the lease or for the asset's financial service life, whichever is shortest.

Operational leases

Lease contracts in which the better part of the risk and dividend in associated with ownership of the asset are classified as operational lease contracts. Lease payments are classified as operating costs and entered using the straight line method over the contract period.

G) Financial instruments

In accordance with IAS 39, "Financial instruments: Recognition and Measurement", financial instruments under the scope of IAS 39 are classified in the following categories: Financial assets at market value through profit or loss (held for trading purposes), available-for-sale financial assets, loans and receivables, held-to-maturity investments and other liabilities.

Financial assets with fixed or determinable cash flow which are not listed in an active market are classified as loans and receivables, with the exception of instruments which the group has identified as being at market value through profit or loss or as available for sale.

Investments held to maturity, loans and receivables and other liabilities are entered at amortised cost.

Financial instruments classified as available for sale and held for trading purposes are entered at market value, as observed in the market on the balance sheet date, without deductions for costs related to sale.

Gains or losses as a result of changes in market value of financial investments classified as available for sale are charged directly against equity until the investment is divested. At the time of divestment, the accumulated gain or loss on the financial instrument which was previously charged against equity is reversed, and gains or losses are entered in the profit and loss account.

H) Goodwill

(i) Goodwill

The difference between acquisition cost and market value of net identifiable assets at the time of acquisition is classified as goodwill. When investing in affiliated companies, goodwill is included in the investment's capitalised value.

Goodwill is capitalised at cost, with any accumulated write-downs deducted. Goodwill is not depreciated, but tested annually for impairment on the balance sheet date.

(ii) Negative goodwill

Negative goodwill when acquiring businesses is taken to income immediately at the time of acquisition.

I) Provisions

A provision is entered in the accounts when the company has a liability (statutory or self-imposed) as a result of a previous event and where it is likely (more likely than not) that there will be a financial settlement as a result of this liability and that the size of the sum can be reliably determined. If the effect is considerable, the provision is calculated by discounting down the expected future cash flow with a discount rate before tax which reflects the market's evaluation of the time-specific of money and, if relevant, risks specifically connected to the liability.

Provisions for loss-creating contracts are included when the group's expected income from a contract is lower than the inevitable costs which were incurred in discharging the obligations of the contract.

J) Equity

(i) Debt and equity

Financial instruments are classified as debt or equity according to the underlying financial reality.

Interest, dividend, gains and losses related to a financial instrument classified as debt, will be presented as cost or income.

(ii) Treasury shares

When buying back own shares, the purchase price, including directly attributed costs, is entered as changes in equity. Treasury shares are presented as a reduction in equity. Loss or gains from transactions with treasury shares are not entered in the accounts.

(iii) Costs related to equity transactions

Transaction costs directly related to equity transactions are charged directly against the equity after tax deductions.

K) Income recognition

Gains will be taken to income when it is likely that transactions will generate future financial gains which will accrue to the company and the size of the sum can be estimated in a dependable manner. If the company acquires ships on spot charters in the future, one voyage will be defined as starting after discharging from the preceding voyage if a new charter has been entered into. Pursuant to IAS 18, income is not allocated to off-hire (vacant) days or ballast days if no charter exists. In such cases, income is earnt when the cargo has been loaded and the voyage begins, continuing until the goods have been delivered. Voyage-related expenses in connection with off-hire periods are expensed currently.

Income from interest is booked based on an effective interest method when it is earned.

Dividend is taken to income when the shareholders' right to receive dividend has been approved by the general meeting.

L) Employee benefits

Defined benefit pension schemes

Through its own pension fund, Belships ASA offers its employees a defined benefit pension scheme.

Net liability is calculated with a basis in the present value of the future pension payments which the employee has earned on the balance sheet date, with the market value of the pension assets deducted. The discount rate is equal to the interest rate on a 10-year government bond extrapolated based on term to maturity. The calculations have been made by a qualified actuary, and is based on a straight line earning model. The introduction of a new defined benefit scheme or an improvement of the current defined benefit scheme entails changes in the pension liabilities. These are recognised in the profit and loss account in a straight line until the effect of the change has been earned.

The introduction of new schemes or changes in existing schemes with retroactive effect, resulting in the employees having earned a paid-up policy (or changes in a paid-up policy) are recognised in the profit and loss account immediately. Gains or losses related to curtainment of pension plans are recognised in the profit and loss account when they take place.

Actuarial gains and losses due to new information and changes in actuarial assumptions are recognised in the income statement when the net cumulative, not booked actuarial gains or losses for each scheme exceed, at the end of the preceding accounting year, 10% of the higher of pension commitments and the pension assets' market value on the same date. Such gains and losses are amortised over the remaining service period by using corridor.

M) Taxes on income

Tax expenses consist of tax payable and changes in deferred tax. Deferred tax/tax assets are calculated on all differences between accounting values and tax values of assets and liabilities, with the exception of:

– temporary differences relating to goodwill that is not tax deductible

– temporary differences related to investments in subsidiaries, affiliated companies or jointly controlled enterprises when the group controls when the temporary differences will be reversed, and that is not expected to occur in the foreseeable future.

Deferred tax assets are entered in the accounts when it is likely that the company will have sufficient profit for tax purposes in subsequent periods that will enable the company to utilise the tax asset. The companies enter previously unentered deferred tax assets to the extent it has become likely that the company can utilise the deferred tax asset. Similarly, the company will reduce the deferred tax asset to the extent the company no longer regards it as being likely that it can utilize the deferred tax asset.

Deferred tax and deferred tax asset are measured on the basis of expected future tax rates for the companies in the group where temporary differences have occurred.

Deferred tax and deferred tax assets are entered at nominal value and are classified as financial fixed assets (long-term liability) on the balance sheet.

Tax payable and deferred tax are entered directly against equity to the extent the tax items relate to equity transactions.

Deferred tax linked to the tax-increasing temporary differences in the companies subject to shipping company taxation has not been booked in the balance sheet, as the company does not anticipate withdrawing from the scheme and therefore does not expect that the taxable income these temporary differences represent will materialise in the foreseeable future. Current profits from operations under the shipping company taxation scheme are not taxed until withdrawn. Net financial income is taxed consecutively. Tonnage tax is classified as an operating expense and is entered under "Other operating expenses".

N) Write-down of assets

At the end of each quarter, tangible fixed assets are assessed for any possible decrease in value. The same applies when events or changes occur that may entail that the asset's balance-sheet value may not be recycled. In assessing the need for write-downs, assets are grouped at the lowest level at which there are identifiable and predominantly independent cash flows. Depreciation is calculated as the difference between the asset's book value and the value considered as recyclable. The recyclable value is the higher of the asset's net selling price and its utility value to the company. Utility value is calculated by discounting anticipated future cash flows from the asset. When it is assumed that the asset's value is lower than its book value, this is written down to the recyclable amount. The depreciation amount is registered as an expense in the cost category corresponding to the asset in question.

Depreciation booked in earlier periods is reversed only in case of changes to the estimates used to determine the recyclable amount. However, the reversal amount may only be so high that book value after reversal at most corresponds to the value at which the asset would have been registered if it had not been written down earlier. Such reversals are entered in the income statement.

Financial assets classified as being available for sale are written down when there are objective indications that the asset has declined in value. The accumulated loss calculated directly in equity (the difference between acquisition cost and current market value, with deduction of write-downs previously included in the result and any amortisation amounts) is removed from the equity and included in the profit and loss account. If the market value of a debt instrument classified as available for sale increases in a subsequent period, and the increase can objectively be linked to an event that took place after the write-down was included in the result, the write-down shall be reversed over the profit and loss account. Write-downs in the profit and loss account for an investment in an equity instrument shall not be reversed over the profit and loss account.

O) Events after the balance sheet date

New information after the balance sheet date regarding the company's financial position as of the balance sheet date is taken into consideration in the annual accounts. Events after the balance sheet date that do not affect the company's financial position as of the balance sheet date, but which will have an impact on the company's financial position in the future are discussed if significant.

P) Use of estimates in preparation of the annual accounts

Preparing the annual accounts in conformity with IFRS requires the management to use estimates and assumptions affecting the amounts reported in the accounts with notes. The management bases its assumptions and valuations on past experience and on miscellaneous other factors assumed to be reasonable and appropriate, all things considered. This applies in particular to pensions, share-based payments, goodwill, deferred tax assets and the ship's residual scrap value. Future events can entail a change in these estimates. Estimates and the underlying assumptions are evaluated on a current basis. Changes in accounting estimates are entered in the period when the changes occur. If the changes also apply to future periods, the effect is distributed over the current and future periods.

Q) Share-based remuneration
The employees and management in Belships ASA have received options to purchase shares in the company. The market value of the awarded options is measured at the time of award and charged to expense over the vested period as a wage cost with corresponding increase in other equity.

R) Cash and cash equivalents
Cash and cash equivalents include cash in hand, bank deposits and other short-term and in particular liquid investments to be redeemed within 3 months. Cash and cash equivalents are booked at nominal values in the balance sheet. Frozen assets have been included.

S) Frozen assets
Frozen assets include all assets deposited in separate accounts, which will be used to cover accrued tax liabilities and deposits provided as security for certain guarantees.

T) Bunkers and other inventories
Inventories are carried at the lower of cost and net realisable value on a first-in/first-out basis less an allowance for obsolescence.

3 Receivables and liabilities

Receivables due later than 12 months	2005	2004
Loans to employees	**57**	50
Long-term freight income	**202**	221
Other long-term receivables	**23**	0
Total long-term receivables	**282**	271

Mortgage debt	Interest	Eff. interest rate 2005	Maturity date	Currency	Loan amount in USD
M/S Belnor	LIBOR +0.80%	4.23%	Feb.2010	USD	14 825

Repayment schedule	2006	2007	2008	2009	2010	Total
Mortgage debt on ships	3 000	3 000	3 000	1 000	4 825	14 825

The group renegotiated its mortgage debt late in the third quarter, and it is now in its entirety related to the M/S Belnor.

The mortgage debt is secured until August 2008 with a maximum LIBOR interest rate of 5 per cent on 7 000 of the debt and a LIBOR interest rate above 4 per cent until March 2007 on 5 500 of the debts. The forward rate agreements are seen as financial instruments according to IAS 32/39. As of 31 December 2005, these had a market value of 158. The change in value of the instruments has been entered as 17 in the income statement in 2005. The company does not use hedge accounting.

Tonnage with a book value of 14 825 has been pledged as security for the mortgage debt. The loan agreements have certain covenants. The covenants are mainly related to the ships' market value, insurance values, and minimum working capital. All the covenants were fulfilled at 31 December 2005.

Current receivables and short-term liabilities
Current receivables consist mainly of earned, not received freight revenues, and receivables related to operation of the ships. Other short term liabilities mainly include short term liability related to the ordinary operation of the ships. All current receivables and liabilities are due within 12 months.

"Consolidated" appears vertically in the right margin.

4 Segment information

Segment information is presented for business segments, which are the Group's primary reporting format. A secondary reporting format with a basis in geographical area of operations will not be used, as the operation are worldwide and a divide by ports, customer tendency etc. does not make sense.

The activities of the group are divided into strategic business units, separately organised and led.

The Belships group is divided into the business segments dry cargo and technical operations. Transactions between the business units are based on market conditions. Segment turnover, segment costs and segment results include transactions between segments. Transactions internally within the different segments are eliminated.

The company's balance sheet is in all essentials related to the company's dry bulk operations.

	Dry cargo	Product tank	Ship management	Administration	Total
2005					
Operating income	66 099	0	1 275	463	67 837
Operating expenses	-55 448	0	-1 017	-2 938	-59 403
Depreciations	-875	0	-7	-98	-980
Operating result before sale of fixed assets	9 776	0	251	-2 573	7 454
Profit from sale of fixed assets	182	0	0	0	182
Operating result	9 958	0	251	-2 573	7 636
Ships	14 919	0	0	0	14 919
Mortgage debt	14 825	0	0	0	14 825
Investments	475	0	0	0	475
Cash flow from operations	5 854	0	265	-2 227	3 892
Cash flow from investments	-569	0	0	0	-569
Cash flow from financing	-575	0	0	-17 006	-17 581
2004					
Operating income	62 339	360	1 158	604	64 461
Operating expenses	-45 315	-235	-937	-2 851	-49 338
Depreciations	-1 027	-68	0	0	-1 095
Operating result before sale of fixed assets	15 997	57	221	-2 247	14 028
Profit from sale of fixed assets	0	486	0	0	486
Operating result	15 997	543	221	-2 247	14 514
Ships	15 318	0	0	0	15 318
Mortgage debt	9 900	0	0	6 500	16 400
Investments	99	0	0	239	338
Cash flow from operations	17 397	138	224	-1 400	16 359
Cash flow from investments	-239	3 789	0	1 586	5 136
Cash flow from financing	-1 150	-1 008	0	113	-2 045

5 Specifications

Other operating expenses	2005	2004
Crew expenses	**485**	494
Maintenance expenses	**134**	321
Insurance	**231**	217
Management fees	**104**	111
Other operating expenses	**123**	51
Total	**1 077**	1 195

Voyage expenses	2005	2004
Port expenses	**4 861**	3 906
Bunkers expenses	**9 184**	4 434
Commission	**1 927**	2 896
Other voyage related expenses	**6 502**	9 375
Total	**22 474**	20 611

6 Restricted deposits

Restricted deposits for taxes withheld for employees amounted to 77 at yearend.

7 Subsequent events

No material events has taken place after 31 December 2005.

8 Ships and other fixed assets

	2005		2004	
	Ships	Other fixed assets	Ships	Other fixed assets
Cost per 1 January	**23 396**	**2 308**	32 860	2 308
Additions	**0**	**78**	0	239
Capitalized dry docking costs	**476**	**0**	0	0
Disposals	**0**	**0**	-9 464	-238
Cost per 31 December	**23 872**	**2 386**	23 396	2 309
Depreciations per 1 January	**8 078**	**1 971**	13 226	1 913
Depreciations	**675**	**110**	866	161
Depreciation on capitalized dry docking costs	**200**	**0**	148	0
Disposals	**0**	**0**	-6 162	-103
Depreciations per 31 December	**8 953**	**2 081**	8 078	1 971
Book value per 31 December	**14 919**	**304**	15 318	338
Other fixed assets	**0**	**163**	0	158
Total book value per 31 December	**14 919**	**467**	15 318	496

Ships are depreciated on a straight line basis. The economic lifetime is estimated as 25 years. Other fixed assets are depreciated over a 3 - 5 year period.

Docking expenses are depreciated on a straight line basis over a 30 month period.

Specification of ships	Built year	Ownership	Cost price	Booked value
Dry cargo				
M/S Belnor	1996	100 %	23 872	14 919

9 Environmental issues

The company has not been charged any penalties due to breach of environmental rules and regulations and is not committed to implement any specific actions in that respect. For further information see the Directors' report.

10 Contingencies

The Board is not aware of any material contingent liabilities as at 31 December 2005.

11 Shares

Two of the consolidated companies own small stakes in other companies, totalling 304. The shares are defined as “available for sale”.

The parent company sold its stake in Greenshields Shipping Ltd in 2005. The shares were capitalised at 75, which was also the cost price of the shares. The sale created a profit of 182.

The following companies are included in the consolidated accounts:

Company	Business location	Main activity	Ownership/ voting percentage
Elkem Chartering AS	Oslo	Chartering	50 %
SNC Management Co. Ltd	Shanghai	Manning	50 %
Belships Management AS	Oslo	Management	100 %
Belships Management (Singapore) Pte Ltd	Singapore	Technical management	100 %
Belcargo AS	Oslo	Shipping	100 %
Belships Rederi AS	Oslo	Shipping	100 %
Belmaj AS	Oslo	Shipping	100 %
Belanina AS	Oslo	Shipping	100 %
Belgrace AS	Oslo	Shipping	100 %
Belships Trading AS	Oslo	Shipping	100 %
Labaco Pte Ltd	Singapore	Chartering	100 %

12 Operational lease

Belships has entered into an 8-year charter party on the charter-in of panmax bulk ship M/S Belisland, delivered in August 2003. The agreed rate is approx. USD 10 000 per day for the entire period. Belships has an option to buy after the fifth year and for the remaining period. A long-term charter party with an option to buy for a 48 000 dwt product tanker with delivery in early 2007 has been entered into with a Japanese shipping company. The charterperiod is 8 and 10 years respectively for the two vessels and the purchase option is given with a strike equal to expected marketvalue. Both charter-agreements are therefore considered as operational leases.

Elkem Chartering (EC) currently has 5 ships for a period exceeding 12 months at varying rates. Beyond this, the Group has no chartered-in ships with leases lasting more than 12 months. EC has also entered into a long-term charter party with a Japanese shipping company for a handysize 28 000 dwt bulk ship for delivery in 2007.

	< 1 year	1-5 years	> 5 years
Liabilities related to long-term operational lease of ships	18 764	69 683	11 040

13 Pensions

The company's employees are members of a separate pension fund. As of 31 December 2005, a total of 12 employees were members of the service pension scheme. The service pension scheme also includes 11 former employees.

The service pension scheme is defined as a "net scheme", which makes the company's liabilities independent from any changes in the liabilities of the National Insurance. The company has chosen to handle the service pension scheme as a defined benefit scheme. The company's legal obligations are not affected by this accounting practice.

In addition come those pension liabilities which the company pays as part of its daily operations. These relate to early retirement, pension to former board members and pension to persons who for various reasons have not been included in the service pension scheme. Nine people are included in these schemes.

Pension assets are distributed as follows: 7% in real estate, 47% in bank and money market funds, 28% in shares and unit trusts, 18% in government bonds and mortgage loans. The capital yield rate for 2005 was 10.30% (2004: 7.70%). Annual pension costs are calculated by an independent actuary. The basis for the calculation is shown below.

Belships had non-amortised actuarial loss (pension liability) of 1 191 which were not recorded as of 31 December 2003. This sum was debited to equity as of 1 January 2004. The accumulated effect of estimate discrepancies beyond 10 per cent of gross pension funds or pension liabilities, whichever is higher, is amortised over the remaining contribution time. Payroll tax is calculated from net capitalised pension liabilities included estimate discrepancy.

Assumptions	**2005**	2004
Discount rate	**4.50 %**	5.50 %
Future wage adjustment	**3.30 %**	3.30 %
Pension adjustment/G-adjustment	**3.00 %**	3.00 %
Return on pension plan assets	**5.50 %**	6.50 %
Average remaining earning period (number of years)	**14.26**	14.14
Voluntary retirement before / after 45 years	**2 %/0 %**	2 %/0 %

Composition of the net pension expenses		
Present value of the year's pension earnings (incl. social security tax)	**265**	265
Interest charge on accrued pension obligations	**310**	352
Amortization of unrecognized pension obligations	**-38**	73
Return on pension plan assets	**-178**	-198
Net pension expenses	**359**	492

Composition of the net pension obligations	**31.12.05**	31.12.04
Gross pension obligations	**6 724**	6 924
Pension plan assets	**-3 095**	-3 183
Net pension obligations	**3 629**	3 741
Not amortized plan / actuarial gain/(loss)	**-151**	-84
Net pension obligations included in the balance sheet	**3 478**	3 657

14 Goodwill

Goodwill relates to the acquisition of a 50 per cent stake in Elkem Chartering.
Pursuant to IAS 36, an annual impairment test is made on the balance sheet date.

	2005	2004
Cost per 1 January	**538**	438
Additions	**27**	100
Cost per 31 December	**565**	538
Accumulated write-down / depreciations per 31 December	**-146**	-146
Total book value per 31 December	**419**	392

15 Salaries, number of employees

	2005	2004
Salaries	**2 904**	2 486
Social security tax	**396**	296
Pension expenses	**359**	492
Other allowances	**100**	124
Total salaries and sosial costs	**3 759**	3 398
Other administrative expenses	**2 098**	1 809
Total	**5 857**	5 207

Average number of employees in 2005 was 29 (28 in 2004).
Loans to employees are specified in note 3.

Remuneration	Managing director	Management excluding man.dir.	Board members
Saleries	268	502	0
Pension expenses	14	36	0
Other remuneration	30	55	65

Managing director has a right to early retirement at the age of 60. Belships has a commitment to pay an annual early retirement pension of 70% of the salary as from the date of retirement until the age of 67.

For share options for the Board of directors and management, see note 16.

Fees to the auditor	2005	2004
Remuneration for audit fees	**59**	68
Assistance related to the audit	**14**	17
Assistance related to tax and VAT matters	**13**	18
Total	**86**	103

16 Options to employees

During the 2005 annual general meeting, the board was authorised to issue up to 200 000 options to employees at a price of 15.65. The authorisation is valid for two years. In accordance with this authorisation, options for a total of 73 000 shares have been issued in 2005. The options can be exercised from the coming annual general meeting and until the annual general meeting in 2007. The options require a service period of 12 months before they can be exercised. The options can be exercised 12 to 24 months after being awarded. The options program includes all 11 employees in the parent company. The employees must work in the company at the time when the options were awarded in order to have a right to exercise them. The option's market value is calculated at award time and charged against income over the period until they can be exercised. 51 (7/12ths) have been charged to income in connection with the options program in 2005. The rest is charged in 2006.

Inventory of options outstanding:	2005
Options outstanding 1 January	**91 000**
Options awarded	**73 000**
Options exercised	**-91 000**
Options outstanding 31 December	**73 000**

Exercise price for options exercised	NOK 9.00
Market value of shares at time of exercise	USD 147 743

Market value of options estimated using the Black and Scholes options pricing model.
The average market value of awarded options in 2005 was NOK 10.65.

The following forms the basis for the calculation:
Share price at the time the option was awarded The share price is set as equal to the stock exchange share price when the option was awarded.
Exercise price per option The exercise price was 105 % of the stock exchange market price when the option was awarded.
Volatility Historic volatility set as indication of future volatility. Expected volatility equals a historic volatility of 137 %.
Duration of options It is assumed that all employees will exercise their options when the service period has been completed. The term of the options is estimated at two years.
Dividend Estimated dividend per share is NOK 0 per year.
Risk free interest rate used as a basis for calculating options is equal to the interest rate on government bonds over the duration of the options, i.e. 4 per cent for 2005.

17 Equity

Belships ASA's 24 852 000 shares, each with a face value of NOK 2, was, as of 31 December 2005, distributed among 806 shareholders. Each share has one vote.

During the latest annual general meeting, the board was given the authority to acquire 250 000 treasury shares. The company has acquired 200 000 of these shares. The shares have an average cost price of NOK 10.11. The purpose of buying treasury shares was to cover the need in relation to the issuing of options shares to employees.

Authority to issue shares

At the annual general meeting on 25 April 2005 the board received authorisation to issue up to 4 million new shares. The authorisation has not been used and is only valid to the next ordinary annual general meeting.

Number of shares	2005	2004
Ordinary shares, issued and paid per 1 January	**24 761 000**	24 589 000
Share options exercised by employees	**91 000**	172 000
Ordinary shares, issued and paid per 31 December	**24 852 000**	24 761 000
Dividend paid (NOK per share)	**4.00**	0.00

	The 20 largest shareholders in Belships at 31 December 2005	Number of shares	Percentage
1	Sonata AS	10 001 461	40.24 %
2	Jasto Invest AS	1 715 348	6.90 %
3	Rederiaktiebolaget Dalen	1 274 000	5.13 %
4	Longbow Limited	1 200 000	4.83 %
5	Consensio AS	1 059 832	4.26 %
6	MP Pensjon	735 000	2.96 %
7	Otto Grieg Tidemand	491 718	1.98 %
8	Tidinvest AS	320 376	1.29 %
9	Nordea Bank Denmark AS	293 000	1.18 %
10	Aure Holdings AS	260 000	1.05 %
11	Arild Eik	217 000	0.87 %
12	Kai Fredrik Johansen	209 000	0.84 %
13	Belships ASA	200 000	0.80 %
14	Carlings AS	200 000	0.80 %
15	Sam Juul	200 000	0.80 %
16	Torstein Søland	175 000	0.70 %
17	Jenssen & Co. AS	157 397	0.63 %
18	Atalanta AS	123 000	0.49 %
19	Tidships AS	113 897	0.46 %
20	Sverre J. Tidemand	109 011	0.44 %
	Total 20 largest shareholders	19 055 040	76.67 %
	Other shareholders	5 796 960	23.33 %
	Total number of shares	24 852 000	100.00 %

	Number of shares owned by Board members in Belships ASA	Owned shares	Options
	Asbjørn Larsen, *Chairman*	24 500	0
*	Sverre J. Tidemand	12 688 501	0
	Christian Rytter jr.	20 000	0
	Henrik von Platen	0	0
	Kjersti E. Ringdal	0	0

	Management in Belships ASA		
*	Sverre J. Tidemand, *Managing director*	12 688 501	10 000
*	Jo Eric von Koss, *Financial director*	90 000	10 000
	Stein H. Runsbech, *Commercial director*	0	10 000
*	Osvald Fossholm, *Financial manager*	49 500	10 000

* *Includes shares owned by family and companies with ownership of more than 50%, and shares owned by companies in which one has negative control.*

For changes in equity, see separate overview of changes in equity.

18 Taxes

	2005	2004
Taxes payable	**2 174**	3 295
Change in deferred tax assets included in the Balance sheet	**500**	1 929
Total income tax expense	**2 674**	5 224

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

Tax result for the year	2005	2004
Result for the year before tax	**6 599**	14 732
Temporary differences on fixed assets	**425**	453
Permanent differences	**740**	-3 417
Tax base for the year	**7 764**	11 768
28% payable tax	**2 174**	3 295

Reconciliation of the year's income tax expense	2005	2004
Result for the year before tax	**6 599**	14 732
Statutory tax rate	**28 %**	28 %
Estimated tax expense at statutory rate	**1 848**	4 125
Taxes on permanent differences	**207**	-957
Difference between Norwegian and foreign tax	**51**	47
Deferred tax assets not included in the Balance sheet	**568**	2 009
Tax expense for the year	**2 674**	5 224
Effective tax percentage	**41 %**	35 %

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

The Belships-group has capitalised part of its deferred tax assets. Given the progress with the group's earnings projections the next 5 years, the Belships-group has decided to capitalise deferred tax assets of 6 142.

Deferred tax liabilities associated with temporary timing differences under the shipping taxation scheme is not included in the balance sheet. This procedure is based on the expectation that the shipping taxation scheme will continue and that taxable amount related to this temporary timing differences therefore will be immaterial.

The shipping taxation scheme

Temporary differences amount to -16 319 at 31 December 2005. Tonnage tax amounting to 13 has been provided for as at 31 December 2005, and are included in other operating expenses in the Income statement.

Tax financial loss carried forward within the shipping taxation regime amounts to 3 211 at 31 December 2005. Reference is made to note 2, pt. M).

Deferred tax per 31. desember	2005	2004
Temporary differences on fixed assets	**10**	-22
Write-down/accruals	**-3 505**	-3 934
Pensions	**-2 503**	-2 466
Total temporary differences	**-5 997**	-6 422
Tax loss carried forward	**-47 100**	-53 458
Net temporary differences	**-53 097**	-59 880
Deferred tax liabilities / (assets) before remuneration (28%)	**-14 867**	-16 766
Remuneration	**-691**	-1 549
Deferred tax liabilities / (assets)	**-15 558**	-18 315
Deferred tax assets included in the Balance sheet	**-6 142**	-6 642
Deferred tax assets not included in the Balance sheet	**-9 416**	-11 673

19 Earnings per share

The profit on ordinary activities per share was calculated as the ratio between the profit for the year, which accrues to regular shareholders (i.e. annual profit with dividend deducted) and the weighted average ordinary shares outstanding.

When calculating diluted earnings per share, the result accrues to the shareholders and the number of weighted average outstanding shares are adjusted for share options. In "the denominator" all share options (see note 16) which are "in-the-money" and exercisable are taken into consideration. In the calculations, share options are considered as having been converted at the time they were awarded.

	2005	2004
Net result for the year	**3 925**	9 508
Average number of weighted shares (excluding treasury shares)	**24 706 500**	24 675 000
Average number of options outstanding	**80 500**	111 000
Diluted average weighted number of shares (excluding treasury shares)	**24 787 000**	24 786 000
Earnings per share		
Ordinary	**0.16**	0.39
Diluted	**0.16**	0.38

20 Investments in jointly controlled companies

The company owns 50 per cent of Elkem Chartering AS, and the following main items from the company's profit and loss account and balance sheet have been included in the group's accounts:

	2005	2004
Current assets	**11 405**	18 227
Fixed assets	**317**	306
Short-term debt	**5 132**	7 524
Long-term debt	**0**	6
Operating income	**53 750**	49 439
Operating expenses	**-46 697**	-37 590
Net financial items	**430**	-521
Net result	**4 300**	8 661

See note 12 on the company's future liabilities from leasing of ships.

21 Transition to International Financial Reporting Standards (IFRS)

Belships has previously stated its group accounts in accordance with the Norwegian Accounting Act and generally accepted Norwegian accounting practices. As of Q1 2005, the company submitted its group accounts according to international EU-approved accounting principles – IFRS (International Financial Reporting Standards).

Presenting comparable information is required, and a consolidated balance sheet as of 1 January 2004 and 31 December 2004 has been calculated below, revised according to IFRS. In addition, the income statement for 2004 has been revised and presented.

The implementation effects of IFRS are calculated with a basis in the IFRS standards implemented as of 31 December 2005 and the accepted interpretation of these. These standards and interpretations are under continuous development and any changes which have an effect on Belships have been taken into consideration in the opening balance sheet for IFRS.

The revised balance sheet as of 1 January 2004, according to IFRS standards, shows that the equity has been reduced by USD 0.6m. This reduction is explained by the book value of the ships having been increased by USD 0.6m, while the group's pension liabilities increased by USD 1.2m. As of 31 December 2004, the equity had increased by USD16.4m due to the fact that proposed dividend according to IFRS shall not be debited to the equity before the dividend has been approved by the general meeting.

The individual items affected by the transition to IFRS are described below.

Effects in the opening balance sheet as of 1 January 2004.

A) Ships

The accounting practice has been to enter ships at historic cost price, written down over the expected lifetime and not taking any scrap value into account. Under IFRS, scrap value is taken into account while the write-down period reflects the expected service life of the ship. Scrap value was estimated to be USD 2m as of 1 January 2004, based on the assumed price of steel at the time. Taking into account the scrap value, we have re-calculated the accumulated write-offs, and quarterly write-offs in 2004 will, under IFRS, be reduced by USD 0.02m per quarter.

Book value is adjusted with changes in accumulated write-offs. Expected service life for the company's ships is identical with expected life-span. IFRS furthermore requires that the company's tangible assets are broken down and the different components are written off over the expected service life. This has not had substantial effects on the company's write-offs.

B) Goodwill
Under IFRS, goodwill shall not be depreciated and is included in the balance sheet at book value as of 31 December 2003. Impairment tests are performed at least once annually.

C) Mortgage debt
Instalments for the following year (USD 2.2m as of 31 December 2003) of long-term mortgage debt is, in accordance with IFRS, reclassified as short-term debt.

D) Pensions
Belships had non-amortised estimate discrepancies (pension liabilities) of approx. USD 1.2m which had not been capitalised as of 31 December 2003. This sum was debited to equity on 1 January 2004. According to IAS 19, future estimate changes will be amortised over the remaining contribution time.

E) Reclassification of dividend
Under IFRS, proposed dividend is to be shown as equity and will not become debt before appproved by the annual general meeting. As of 31 December 2004, provisions for dividend have therefore been reclassified from short-term debt to equity.

F) Share options
Share-based remuneration must, according to IFRS 2, be entered in the accounts at real value as of 1 January 2005. This entails that options which are awarded to employees must be charged against income at the real value at the time they were given. When IFRS 2 was implemented, Belships had 91 000 options outstanding and not fully earned as of 1 January 2005 and with a right to convert to shares. The opening balance sheet is not affected by this.

Effects in IFRS balance sheet as of 1 January 2005
As a result of the implementation of IAS 32/IAS 39, effective from 1 January 2005, the following circumstances will affect equity:

Interest instruments
Belships has two interest rate cap agreements. Under IFRS, the contracts shall be measured at market value and capitalised. At the end of the period, the market value must be obtained and any change be carried to profit. As of 1 January 2005, the interest rate cap agreements had a negative value of USD 0.2m.

The sum is debited to equity at this time and entered as short-term debt.

Income statement for 2004

Note	USD 1 000	**NGAAP**	Effect of transition to IFRS	**IFRS**
	Operating income			
	Gross freight income	82 438	0	82 438
	Voyage expenses	-20 611	0	-20 611
	Net freight income	61 827	0	61 827
	Other operating income	2 634	0	2 634
	Total operating income	**64 461**	**0**	**64 461**
	Operating expenses			
	Time charterhire	-42 936	0	-42 936
	Other operating expenses	-1 195	0	-1 195
	General administrative expenses	-5 207	0	-5 207
A,B	Depreciations on fixed assets and intangible assets	-1 248	153	-1 095
	Total operating expenses	**-50 586**	**153**	**-50 433**
	Operating result before sale of fixed assets and write-down	**13 875**	**153**	**14 028**
	Gain on sale of fixed assets	486	0	486
	Operating result	**14 361**	**153**	**14 514**
	Financial income and expenses			
	Share dividends, interest income	318	0	318
	Interest expenses	-419	0	-419
	Other financial items	-560	0	-560
	Currency exchange gain /(-loss)	879	0	879
	Net financial items	**218**	**0**	**218**
	Result before taxes	14 579	153	14 732
	Taxes	-5 224	0	-5 224
	Net result for the year	**9 355**	**153**	**9 508**

Balance sheet for 2004

Note	USD 1 000	NGAAP 31.12.04	Effect of transition to IFRS	IFRS 31.12.04	NGAAP 01.01.04	Effect of transition to IFRS	IFRS 01.01.04
	ASSETS						
	Fixed assets						
	Defered tax assets	6 642	0	**6 642**	8 571	0	**8 571**
B	Goodwill	319	73	**392**	293	0	**293**
A	Ships	14 598	720	**15 318**	18 914	640	**19 554**
	Other fixed assets	496	0	**496**	553	0	**553**
	Shares	322	0	**322**	349	0	**349**
	Long-term receivables	271	0	**271**	414	0	**414**
	Total fixed assets	22 648	793	**23 441**	29 094	640	**29 734**
	Current assets						
	Bunkers	2 271	0	**2 271**	779	0	**779**
	Other current assets	2 844	0	**2 844**	4 380	0	**4 380**
	Bank deposits	29 485	0	**29 485**	10 035	0	**10 035**
	Total current assets	34 600	0	**34 600**	15 194	0	**15 194**
	Total assets	57 248	793	**58 041**	44 288	640	**44 928**
	EQUITY AND LIABILITIES						
	Equity						
	Share capital	6 693	0	**6 693**	6 642	0	**6 642**
	Share premium reserve	6 909	0	**6 909**	21 618	0	**21 618**
	Other paid-in capital	14 771	0	**14 771**	0	0	**0**
	Retained equity	-15 480	16 027	**547**	-8 410	-551	**-8 961**
	Total equity	12 893	16 027	**28 920**	19 850	-551	**19 299**
	Long-term liabilities						
C	Mortgage debt	16 400	-3 150	**13 250**	18 558	-2 158	**16 400**
D	Pension obligations	2 466	1 191	**3 657**	1 856	1 191	**3 047**
	Total long-term debt	18 866	-1 959	**16 907**	20 414	-967	**19 447**
	Short-term liabilities						
C	Mortgage debt, current portion	0	3 150	**3 150**	0	2 158	**2 158**
	Trade creditors, duties and taxes payable	2 332	0	**2 332**	2 032	0	**2 032**
	Tax payable	3 677	0	**3 677**	843	0	**843**
D	Other short-term debt	19 480	-16 425	**3 055**	1 149	0	**1 149**
	Total short-term debt	25 489	-13 275	**12 214**	4 024	2 158	**6 182**
	Total debt	44 355	-15 234	**29 121**	24 438	1 191	**25 629**
	Total equity and liabilities	57 248	793	**58 041**	44 288	640	**44 928**

22 Financial market risk

The functional currency for the group's companies is USD. With the exception of administration costs, the companies' operating income and operating expenses are in USD. The same applies to ship values and mortgage debt. A part of the income flow is currently translated into NOK and SGD to cover administration costs. No currency hedging is made between USD and these currencies, as the risk of loss is considered to be limited.

Belships wishes to minimise the company's interest rate risk. An agreement on an interest rate cap has therefore been concluded for the company's mortgage debt. See note 3.

There will also be a credit risk as regards the company's customers. Belships tries to ensure that all agreements are entered into with creditworthy parties and has historically incurred only minor losses.

Oil price developments affect the group's results, as variations in the oil price cause fluctuations in bunker prices. Over time, the changes in bunker prices will affect the rate level, and for this reason there is no hedging of these prices.

23 Related parties

Belships rents offices from a company where Belships' main shareholder has an ownership interest. The rental agreement was renewed in 1997 and is in force for 10 years. The rental for 2005 amounted to 215.

Belships shares office premises with companies controlled by the main shareholders and the jointly controlled company Elkem Chartering. The costs are divided in accordance with actual use.

The main shareholder in Belships is also a main shareholder in the shipbroker company Lorentzen & Stemoco AS. Belships is regularly doing business with this company. The transactions are based on market terms.

No loans or deposit securities are given to the company's shareholders, the management or related parties.

Income statement

Note	1 January-31 December NOK 1 000	Belships ASA 2005	2004	2003
	Operating income			
	Gross freight income	**8 862**	53 082	56 786
	Voyage expenses	**-6**	-2 715	-6 123
	Net freight income	**8 856**	50 367	50 663
	Other operating income	**275**	523	500
	Total operating income	**9 131**	50 890	51 163
	Operating expenses			
	Timecharter hire	**-11 938**	-18 587	-16 997
	Other operating expenses	**-12**	-7 441	-9 554
13	General administrative expenses	**-11 663**	-9 368	-6 467
2	Depreciations on fixed assets	**-269**	-9 638	-8 689
	Total operating expenses	**-23 882**	-45 034	-41 707
	Operating result before sale of fixed assets	**-14 751**	5 856	9 456
5	Gain/loss on sale of ships/shares	**1 234**	28 581	-11 319
	Operating result	**-13 517**	34 437	-1 863
	Financial income and expenses			
5	Share dividends	**30 577**	70 674	2 012
	Interest income from subsidiaries	**3 551**	1 738	2 610
	Other interest income	**934**	640	204
	Interest expenses	**-1 376**	-2 669	-3 269
	Other financial items	**-321**	-567	-890
4	Write-down financial current assets	**-3 485**	-1 284	20 135
3	Write-down financial fixed assets	**-8 393**	-2 836	-75 606
3	Currency exchange gain/-loss	**-3 200**	4 511	-4 905
	Net financial items	**18 287**	70 207	-59 709
	Result before taxes	**4 770**	104 644	-61 572
10	Taxes	**0**	-10 000	28 699
	Net result for the year	**4 770**	94 644	-32 873
	Appropriations of net result			
	Provision for dividend	**0**	-99 044	0
	Transfer from/(to) other retained earnings	**-4 770**	4 400	32 873
	Total	**-4 770**	-94 644	32 873
	Earnings per share	**0.19**	3.84	-1.34
	Diluted earnings per share	**0.19**	3.82	-1.33

Balance sheet

Note	Per 31 December NOK 1 000	Belships ASA 2005	2004	2003
	FIXED ASSETS			
	Intangible assets			
10	Deferred tax assets	**40 699**	40 699	50 699
	Tangible fixed assets			
	Ships	**0**	0	124 730
2	Other fixed assets	**3 141**	3 685	3 815
	Total fixed assets	**3 141**	3 685	128 545
	Financial fixed assets			
5	Shares in subsidiaries	**46 383**	38 941	41 777
5	Shares in jointly controlled companies	**11 000**	11 000	11 000
3	Intercompany balances	**15 000**	8 393	8 393
	Other shares	**0**	527	527
3	Other long-term receivables	**385**	303	150
	Total financial assets	**72 768**	59 164	61 847
	Total fixed assets	**116 608**	103 548	241 091
	CURRENT ASSETS			
	Bunkers	**1 744**	6	5 329
4	Intercompany balances	**61 448**	138 192	74 506
4,5	Other receivables	**30 064**	58 259	3 943
	Total receivables	**93 256**	196 457	83 778
9	Cash and bank deposits	**26 035**	69 488	27 022
	Total current assets	**119 291**	265 945	110 800
	Total assets	**235 899**	369 493	351 891
	EQUITY			
	Paid-in capital			
	Share capital	**49 704**	49 522	49 178
	Treasury shares	**-400**	0	0
	Share premium reserve	**53 151**	52 513	152 100
	Other paid-in capital	**100 000**	100 000	0
	Total paid-in capital	**202 455**	202 035	201 278
	Retained earnings			
	Other equity	**14 514**	10 840	15 240
6	Total equity	**216 969**	212 875	216 518
	LIABILITIES			
	Provisions			
7	Pension obligations	**15 218**	13 357	10 621
	Other long-term liabilities			
3	Mortgage debt	**0**	39 195	116 883
	Short-term liabilities			
	Public taxes and duties payable	**927**	2 339	1 918
	Trade creditors	**453**	157	1 162
	Provision for dividend	**0**	99 044	0
	Other short-term liabilities	**2 332**	2 526	4 789
	Total short-term liabilities	**3 712**	104 066	7 869
	Total liabilities	**18 930**	156 618	135 373
	Total equity and liabilities	**235 899**	369 493	351 891

Oslo, 31 March 2006
The Board of **Belships ASA**

Asbjørn Larsen	Sverre J. Tidemand	Christian Rytter jr.	Kjersti Ringdal	Henrik von Platen
Chairman	*Man. director / member*	*Member*	*Member*	*Member*

Belships ASA

Cash flow statement

1 January - 31 December	Belships ASA		
NOK 1 000	**2005**	2004	2003
CASH GENERATED FROM OPERATIONS			
Result before tax	**4 770**	104 644	-61 572
Gain/ loss from sale of fixed assets	**-1 234**	-28 581	11 563
Write-down of receivables and shares	**11 878**	4 120	55 471
Depreciations on fixed assets	**269**	9 638	8 689
Difference between pension expenses and paid pension premium	**1 861**	2 736	1 673
Change in bunkers, trade debitors and trade creditors	**-1 442**	4 318	-2 445
Change in other short-term items	**85 172**	-119 844	12 206
Cash flow from operations	**101 274**	-22 969	25 585
CASH FLOW FROM INVESTMENTS			
Investments in fixed assets	**-7 442**	-1 400	-2 858
Sale proceeds from fixed tangible asset disposals	**0**	144 525	0
Sale proceeds from financial fixed asset disposals	**1 741**	0	17 850
Change in other investments	**-110**	-759	5 293
Net cash flow from investments	**-5 811**	142 366	20 285
CASH FLOW FROM FINANCING			
Repayment of long-term debt	**-39 195**	-77 688	-29 625
Dividend paid	**-99 044**	0	0
Acquisition treasury shares	**-2 022**	0	0
Share options to employees	**526**	0	0
Share issue	**819**	757	424
Net cash flow from financing	**-138 916**	-76 931	-29 201
Net change in liquid reserves	**-43 453**	42 466	16 669
Liquid reserves at 1 January	**69 488**	27 022	10 353
Liquid reserves at 31 December	**26 035**	69 488	27 022

Notes to the accounts

1 Accounting policies

The accounts are prepared in accordance with Norwegian accounting regulations and standards. All amounts in the notes are in NOK 1 000 unless otherwise stated.

A) Classification of balance sheet items
Assets intended for long-term ownership or use are classified as fixed assets and others as current assets, with all accounts receivable within one year classified as current assets. Liabilities due within 12 months, are classified as short-term liabilities except for mortgage debt, which in full is classified as long-term liabilities. Current assets are reported at the lower of cost and net realisable value, while current liabilities are carried at the nominal value at drawdown date.

B) Accounts receivable
Accounts receivable are entered at acquisition cost with loss of value deducted.

C) Tangible fixed assets
Tangible fixed assets are measured at acquisition cost, with accumulated depreciation and write-downs deducted. When assets are sold or divested, capitalised value is deducted and any gains or losses are entered in the profit and loss account. Acquisition cost for tangible fixed assets is the purchase price, including taxes and charges and expenses directly related to preparing the asset for use. Expenses incurred after the asset has been put to use, such as running maintenance, are entered in the profit and loss account, whereas other expenses which are expected to create future financial gains are capitalised. Other fixed assets are depreciated at the rate equivalent used for tax purposes.

D) Provisions
A provision is entered in the accounts when the company has a liability (statutory or self-imposed) as a result of a previous event, where it is likely (more likely than not) that there will be a financial settlement as a result of this liability and that the size of the sum can be reliably determined. If the effect is considerable, the provision is calculated by discounting down the expected future cash flow with a discount rate before tax which reflects the market's evaluation of the time-specific of money and, if relevant, risks specifically connected to the liability.

Provisions for loss-creating contracts are included when the group's expected income from a contract is lower than the inevitable costs which were incurred in discharging the obligations of the contract.

E) Contingent gains and losses
Provisions are made for contingent losses deemed probable and quantifiable. Contingent gains are not recognised.

F) Cash flow statement
The cash flow statement has been prepared using the indirect method. Liquid assets includes cash, bank deposits and other short-term investments which can be converted to cash within 3 months.

G) Related party transactions
Transactions with related parties are carried out at market terms. See note 11 for further information.

H) Equity
(i) *Treasury shares*
When acquiring treasury shares, the acquisition cost, including directly attributed costs, is entered as changes in equity. Treasury shares are presented as a reduction in equity. Loss or gains from transactions with treasury shares are not entered in the accounts.
(ii) *Costs related to equity transactions*
Transaction costs directly related to equity transactions are charged directly against the equity after tax deductions.

I) Income recognition
Gains will be taken to income when it is likely that transactions will generate future financial gains which will accrue to the company and the sum can be reliably estimated. Interest rate income is taken to income based on effective interest method according to when it is earned.

Dividend received from subsidiaries is normally accounted for in the same year as dividend has been accrued for in the subsidiary. If such dividend exceeds the prorata share of retained earnings after the acquisition of the shares, such excess portion represents repayment of capital and reduces the acquisition cost accordingly.

J) Accrual of freight income
Income and expenses relating to voyages in progress at the year-end are recognised on the basis of the number of days the voyage lasts each side of the year-end.

K) Transactions in foreign currency
Transactions in foreign currency are converted at the rate at the time of the transaction. Monetary items in foreign currency are converted into Norwegian kroner using the rate on the balance sheet date. Non-monetary items which are measured at historical rates expressed in foreign currency, are converted into Norwegian kroner using the currency rate at the time of the transaction.

Non-monetary items which are measured at market value expressed in foreign currency are converted at the currency rate on the balance sheet date. Currency rate changes are charged against income during the accounting period.

L) Employee benefits
Defined benefit pension schemes
Through its own pension fund, Belships ASA offers its employees a defined benefit pension scheme.

Net liability is calculated with a basis in the present value of the future pension payments which the employee has earned on the balance sheet date, with the market value of the pension assets deducted. The discount rate is equal to the interest rate on a 10-year government bond with an additional to take into regard the term to maturity. The calculations have been made by a qualified actuary, and is based on a straight line earning model. The introduction of a new defined benefit scheme or an improvement of the current defined benefit scheme entails changes in the pension liabilities. These are recognised in the profit and loss account in a straight line until the effect of the change has been earned.

The introduction of new schemes or changes in existing schemes with retroactive effect, resulting in the employees having earned a paid-up policy (or changes in a paid-up policy) are recognised in the profit and loss account immediately. Gains or losses related to curtailment of pension plans are recognised in the profit and loss account when they take place.

M) Taxes on income
Tax expenses consist of tax payable and changes in deferred tax. Deferred tax/tax assets are calculated on all differences between accounting values and tax values of assets and liabilities, with the exception of:
- temporary differences relating to goodwill that is not tax deductible
- temporary differences related to investments in subsidiaries, affiliated companies or jointly controlled enterprises when the group controls when the temporary differences will be reversed, and that is not expected to occur in the foreseeable future.

Deferred tax assets are entered in the accounts when it is likely that the company will have sufficient profit for tax purposes in subsequent periods that will enable the company to utilise the tax asset. The companies enter previously unentered deferred tax assets to the extent it has become likely that the company can utilise the deferred tax asset. Similarly, the company will reduce the deferred tax asset to the extent the company no longer regards it as being likely that it can utilize the deferred tax asset.

Deferred tax and deferred tax asset are measured on the basis of expected future tax rates for the companies in the group where temporary differences have occurred.

Deferred tax and deferred tax assets are entered at nominal value and are classified as financial fixed assets (long-term liability) on the balance sheet.

Tax payable and deferred tax are entered directly against equity to the extent the tax items relate to equity transactions.

N) Events after the balance sheet date
New information after the balance sheet date regarding the company's financial position as of the balance sheet date is taken into consideration in the annual accounts. Events after the balance sheet date that do not affect the company's financial position as of the balance sheet date, but which will have an impact on the company's financial position in the future are discussed if significant.

O) Use of estimates in preparation of the annual accounts
The management has used estimates and assumptions that have affected assets, debt, income, costs and information on potential liabilities. This applies particularly to pension liabilities, share-based remuneration and evaluation of goodwill. Future events can entail a change in these estimates. Estimates and the underlying assumptions are evaluated on a current basis. Changes in accounting estimates are entered in the period when the changes occur. If the changes also apply to future periods, the effect is distributed over the current and future periods.

P) Earnings per share
Earnings per share are calculated by dividing the net result by a weighted, average number of shares in the reporting period. Diluted earnings per share is calculated on the basis the dilution effect of issued options and convertible loans, if any.

Q) Investments in other companies
Investments in subsidiaries and jointly controlled companies are accounted for in the parent company using the cost method.

R) Share-based remuneration
The employees in Belships ASA have received options to purchase shares in the company. The market value of the awarded options is measured at the time of award and charged to expense over the earning period as a wage cost with corresponding increase in retained earnings.

2 Fixed assets

	2005		2004		2003
	Other fixed assets	Ships	Other fixed assets	Ships	Other fixed assets
Cost per 1 January	**13 088**	185 739	12 932	183 592	12 502
Additions	**85**	0	1 400	2 147	711
Disposals	**0**	-185 739	-1 244	0	-281
Cost per 31 December	**13 173**	0	13 088	185 739	12 932
Depreciations per 1 January	**10 459**	61 009	10 173	52 994	9 631
Depreciations	**629**	6 926	852	7 227	674
Depreciation on capitalized dry docking costs	**0**	1 860	0	788	0
Disposals	**0**	-69 795	-566	0	-132
Depreciations per 31 December	**11 088**	0	10 459	61 009	10 173
Book value at 31 December	**2 085**	0	2 629	124 730	2 759
Other investments	**1 056**	0	1 056	0	1 056
Total book value at 31 December	**3 141**	0	3 685	124 730	3 815

Other fixed assets include vehicles, office fixtures and furniture. These assets are depreciated over a 3 - 5 year period. Part of the year's write-offs are invoiced to subsidiaries and affiliated companies. The parent company's cost is 269.

3 Receivables and liabilities

	Receivables due later than 12 months	2005	2004	2003
1	Intercompany balances	**15 000**	8 393	8 393
	Loans to employees	**385**	303	150

1 *Receivables against subsidiaries are written down with 8 393 in 2005.*

The company paid off its mortgage debt in 2005. The company's currency-related losses are in all material aspects connected to the settling of the mortgage debt.

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.

4 Intercompany balances

	Receivables due within 12 months	2005	2004	2003
1	Consolidated companies	**61 448**	138 192	74 506
	Associated companies	**29 238**	1 694	2 984
	Total	**90 686**	139 886	77 490

1 *Receivables against subsidiaries are written down with 3 485 in 2005.*

All short-term receivables are due within 12 months.

5 Shares

		Business office	Time of purchase	Costprice	Ownership/ Voting share	Company's share capital	Number of shares owned	Par value in total	Book value
	Shares in joint controlled companies								
1	Elkem Chartering AS	Oslo	30.10.02	11 000	50 %	680	5 478	340	11 000
	Belships (Far East) Shipping Pte Ltd	Singapore	09.01.84	1 055	50 %	SGD 500	250 000	SGD 250	0
	Total shares in joint controlled companies								11 000
	Shares in subsidiaries								
	Belships Management AS	Oslo	09.12.85	2 836	100%	100	2	100	0
	Belships Man. (Singapore) Pte Ltd	Singapore	31.12.83	12 075	"	SGD 60	500	SGD 60	12 075
	Belcargo AS	Oslo	22.09.77	301	"	150	200	150	301
2	Belships Rederi AS	Oslo	01.01.93	100	"	100	100	100	100
	Belmaj AS	Oslo	30.06.03	-3 772	"	100	100	100	-3 772
	Belanina AS	Oslo	31.08.92	317	"	100	100	100	317
	Belgrace AS	Oslo	20.01.05	7 442	"	100	100	100	7 442
	Belships Trading AS	Oslo	27.01.93	29 675	"	5 400	2 700	5 400	29 675
	Labaco Pte Ltd	Singapore	01.09.01	247	"	SGD 50	50 000	SGD 50	245
	Total shares in subsidiaries								46 383
	Total shares classified as fixed assets								57 383

1 *In March 2006, Elkem Chartering AS decided to pay a dividend of 55 000. Belships ASA's share will be 26 805, and has been entered as earnings in 2005. See note 5 in the group accounts where the main items from the company's profit and loss account and balance sheet have been specified.*

2 *Belships Rederi AS is subject to shipping industry tax.*
The company sold the subsidiary Belgrace AS to Belships ASA in 2005. The sale created an accounting profit of 3 199 for Belships Rederi AS.

The company sold its stake in Greenshields Shipping Ltd in 2005, creating a profit of 1 234.

6 Equity

	Share capital	Treasury shares	Paid-in Share premium res.	Paid-in Other equity	Retained Other equity	Total
Equity per 31 December 2004	49 522	0	52 513	100 000	10 840	212 875
Share issue	182	0	638	0	0	820
Acquistion treasury shares	0	-400	0	0	-1 622	-2 022
Share options	0	0	0	0	526	526
Result for the year	0	0	0	0	4 770	4 770
Equity per 31 December 2005	49 704	-400	53 151	100 000	14 514	216 969

Belships ASA's 24 852 000 shares, each with a face value of NOK 2, was, as of 31 December 2005, distributed among 806 shareholders. Each share has one vote.

During the latest annual general meeting, the Board was given the authority to acquire 250 000 own shares. The company has acquired 200 000 of these shares. The shares have an average cost price of NOK 10.11. The purpose of buying treasury shares was to cover the need in relation to the issuing of options shares to employees. For options to employees, see note 14.

At the annual general meeting on 25 April 2005 the board received authorisation to issue up to 4 million new shares. The authorisation has not been used and is only valid to the next ordinary annual general meeting.

Number of shares	2005	2004	2003
Ordinary shares, issued and paid-in per 1 January	**24 761 000**	24 589 000	24 483 000
Share options exercised by employees	**91 000**	172 000	106 000
Ordinary shares, issued and paid-in per 31 December	**24 852 000**	24 761 000	24 589 000
Dividend paid (NOK per share)	**4.00**	0.00	0.00

	The 20 largest shareholders in Belships at 31 December 2005	Number of shares	Percentage
1	Sonata AS	10 001 461	40.24 %
2	Jasto Invest AS	1 715 348	6.90 %
3	Rederiaktiebolaget Dalen	1 274 000	5.13 %
4	Longbow Limited	1 200 000	4.83 %
5	Consensio AS	1 059 832	4.26 %
6	MP Pensjon	735 000	2.96 %
7	Otto Grieg Tidemand	491 718	1.98 %
8	Tidinvest AS	320 376	1.29 %
9	Nordea Bank Denmark AS	293 000	1.18 %
10	Aure Holdings AS	260 000	1.05 %
11	Arild Eik	217 000	0.87 %
12	Kai Fredrik Johansen	209 000	0.84 %
13	Belships ASA	200 000	0.80 %
14	Carlings AS	200 000	0.80 %
15	Sam Juul	200 000	0.80 %
16	Torstein Søland	175 000	0.70 %
17	Jenssen & Co. AS	157 397	0.63 %
18	Atalanta AS	123 000	0.49 %
19	Tidships AS	113 897	0.46 %
20	Sverre J. Tidemand	109 011	0.44 %
	Total 20 largest shareholders	19 055 040	76.67 %

	Number of shares owned by Board members in Belships ASA	Owned shares	options
	Asbjørn Larsen, *Chairman*	24 500	0
*	Sverre J. Tidemand	12 688 501	0
	Christian Rytter jr.	20 000	0
	Henrik von Platen	0	0
	Kjersti E. Ringdal	0	0
	Management in Belships ASA		
*	Sverre J. Tidemand, *Managing director*	12 688 501	10 000
*	Jo Eric von Koss, *Financial director*	90 000	10 000
	Stein H. Runsbech, *Commercial director*	0	10 000
*	Osvald Fossholm, *Financial manager*	49 500	10 000

* *Includes shares owned by family and companies with ownership of more than 50%, and shares owned by companies in which one has negative control.*

7 Pensions

Assumptions	**2005**	2004	2003
Discount rate	**4.50 %**	5.50 %	5.50 %
Future wage adjustment	**3.30 %**	3.30 %	3.30 %
Pension adjustment / G-adjustment	**3.00 %**	3.00 %	3.00 %
Return on pension plan assets	**5.50 %**	6.50 %	6.50 %
Average remaining earning period (number of years)	**14.26**	14.14	15.56
Voluntary retirement before / after 45 years	**2 %/0 %**	2 %/0 %	2 %/0 %
Composition of the net pension expenses			
Present value of the year's pension earnings (incl. social security tax)	**1 710**	1 784	1 446
Interest charge on accrued pension obligations	**1 939**	2 302	1 947
Amortization of unrecognized pension obligations	**-247**	500	350
Return on pension plan assets	**-1 146**	-1 334	-1 245
Net pension expenses	**2 256**	3 252	2 498

Composition of the net pension obligations	**31.12.05**	31.12.04	31.12.03
Gross pension obligations	**44 242**	45 359	38 678
Pension plan assets	**-20 949**	-21 421	-19 974
Net pension obligations	**23 293**	23 938	18 704
Not amortized plan / actuarial gain/(loss)	**-8 075**	-10 281	-8 083
Net pension obligations included in the balance sheet	**15 218**	13 657	10 621

The company's employees are members of a separate pension fund. As of 31 December 2005, a total of 12 employees and 11 former employees were members of the service pension scheme. The scheme is defined as a "net scheme", which makes the company's liabilities independent from any changes in the liabilities of the National Insurance. The company has chosen to handle the scheme as a defined benefit scheme. The company's legal obligations are not affected by this accounting practice.

In addition there are pension liabilities which the company pays as part of its daily operations. These relate to early retirement, pension to former board members and pension to persons who for various reasons have not been included in the service pension scheme. Nine people are included in these schemes.

Pension assets are distributed as follows: 7% in real estate, 47% in bank and money market funds, 28% in shares and unit trusts, 18% in government bonds and mortgage loans. The capital yield rate for 2005 was 10.30% (2004: 7.70%) Annual pension costs are calculated by an independent actuary. The basis for the calculation is shown above.

Accumulated effects of actuarial gains/losses in excess of 10% of the higher of gross pensions assets and pension obligations, are amortized over the average remaining service period. Social security costs are recorded based on net pension obligation in the balance sheet included estimate discrepancy.

8 Earnings per share

The profit on ordinary activities per share was calculated as the ratio between the profit for the year, which falls to regular shareholders (i.e. annual profit with dividend deducted) and the weighted average ordinary shares outstanding.

When calculating diluted earnings per share, the result which falls to the shareholders and the number of weighted average outstanding shares are adjusted for share options. In "the denominator" all share options (see note 14) which are "in-the-money" and exercisable are taken into consideration. In the calculations, share options are considered as having been converted at the time they were awarded.

	2005	2004	2003
Net result for the year	**4 770**	94 644	-32 873
Average number of weighted shares (excluding treasury shares)	**24 706 500**	24 675 000	24 536 000
Average number of options outstanding	**80 500**	111 000	139 000
Diluted average weighted number of shares (excluding treasury shares)	**24 787 000**	24 786 000	24 675 000
Earnings per share			
Ordinary	**0.19**	3.84	-1.34
Diluted	**0.19**	3.82	-1.33

9 Restricted deposits

Restricted deposits for taxes withheld for employees amounted to 524 at yearend.

10 Taxes

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

Deferred tax per 31. desember	**2005**	2004	2003
Temporary differences on fixed assets	**0**	0	29 406
Write-down/accruals	**-54 896**	-42 286	-166 069
Pensions	**-15 218**	-13 357	-10 621
Total	**-69 059**	-55 643	-147 284
Tax loss carried forward	**-230 152**	-217 961	-172 572
Net temporary differences	**-299 211**	-273 604	-319 856
Deferred tax liabilities / (assets) before remuneration (28%)	**-83 779**	-76 609	-89 560
Remuneration	**-4 674**	-9 341	-10 088
Deferred tax liabilities / (assets)	**-88 453**	-85 950	-99 648
Deferred tax assets included in the Balance sheet	**-40 699**	-40 699	-50 699
Deferred tax assets not included in the Balance sheet	**-47 754**	-45 251	-48 949

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

The Belships-group has capitalised part of its deferred tax assets. Given the progress with the group's earnings projections, the Belships-group has decided to capitalise deferred tax assets of 40 699. The group's tax loss carryforward is established during the last nine years.

Tax result for the year for Belships ASA	**2005**	2004	2003
Result for the year before tax	**4 769**	104 644	-61 571
Change in temporary differences	**13 416**	-84 281	45 225
Permanent differences / other	**-30 376**	-67 910	183
Tax loss carried forward	**0**	0	0
Tax basis for the year	**-12 191**	-47 547	-16 163
Taxes payable (28%)	**0**	0	0
Change in deferred tax assets included in the Balance sheet	**0**	10 000	-28 699
Total income tax expense	**0**	10 000	-28 699

Reconciliation of the year's income tax expense	**2005**	2004	2003
Result for the year before tax	**4 769**	104 644	-61 571
Statutory tax rate	**28 %**	28 %	28 %
Estimated tax expense at statutory rate	**1 335**	29 300	-17 240
Permanent differences / other	**-8 505**	-19 301	51
Expected tax expense	**-7 170**	10 000	-17 189
Deferred tax assets not included in the Balance sheet	**7 170**	0	0
Increase in deferred tax assets included in the Balance sheet	**0**	0	-11 510
Actual tax expense	**0**	10 000	-28 699
Effective tax percentage	**0 %**	10 %	47 %

11 Related parties

Belships rents offices from a company where Belships' main shareholder has an ownership interest. The rental agreement was renewed in 1997 and is in force for 10 years. The rental for 2005 amounted to 510.

Belships shares office premises with companies controlled by the main shareholders and the jointly controlled company Elkem Chartering. The costs are divided in accordance with actual use.

The main shareholder in Belships is also a main shareholder in the shipbroker company Lorentzen & Stemoco AS. Belships is regularly doing business with this company. The transactions are based on market terms.

No loans or deposit securities are given to the company's shareholders, the management or related parties.

12 Financial market risk

The company's functional currency is USD. Some of the cash-flow is continuously converted into Norwegian kroner to cover administration costs at the Oslo office.

As regards the credit risk towards customers, this is considered low as the signing of all major contracts are preceded by a credit investigation of the other party to the contract. The company has not had losses from outstanding accounts receivable during 2005.

13 Salaries, number of the employees a.o.

Salary expenses	2005	2004	2003
Salaries	**6 660**	5 236	3 918
Social security tax	**1 212**	1 059	803
Pension expenses	**2 256**	3 252	2 498
Other allowances	**421**	426	477
Transferred to subsidiaries	**-3 123**	-2 814	-2 599
Total salaries and sosial costs	**7 426**	7 159	5 097
Other administrative expenses	**3 876**	2 209	1 370
Total	**11 302**	9 368	6 467

The average number of employees in 2005 was 11.

Remuneration	Managing director	Management excluding man.dir.	Board members
Salary	1 724	3 231	0
Pension expenses	87	230	0
Other allowances	192	352	440

Managing director has a right to early retirement at the age of 60. Belships has a commitment to pay an annual early retirement pension of 70% of the salary as from the date of retirement until the age of 67.

For share options for the board of directors and management, see note 14.

Fees to the auditor	2005	2004	2003
Remuneration for audit fees	**200**	200	210
Assistance related to the audit	**90**	113	80
Assistance related to tax and VAT matters	**68**	110	61

Loans to employees
Loans to employees amounted to 385 as at 31 December 2005.

14 Options to employees

During the 2005 annual general meeting, the board was authorised to issue up to 200 000 options to employees at a price of 15.65. The authorisation is valid for two years. In accordance with this authorisation, options for a total of 73 000 shares have been issued in 2005. The options can be exercised from the coming annual general meeting and until the annual general meeting in 2007. The options require a service period of 12 months before they can be exercised. The options can be exercised 12 to 24 months after being awarded. The options program includes all 11 employees in the parent company. The employees must work in the company at the time when the options were awarded in order to have a right to exercise them. The option's market value is calculated at award time and charged against income over the period until they can be exercised. 526 (7/12ths) have been charged against income in connection with the options program in 2005. The rest is charged in 2006.

Inventory of options outstanding:	2005
Options outstanding 1 January	**91 000**
Options awarded	**73 000**
Options exercised	**-91 000**
Options outstanding 31 December	**73 000**
Exercise price for options exercised	9.00
Market value of shares at time of exercise	890 890

Market value of options estimated using the Black and Scholes options pricing model.
The average market value of awarded options in 2005 was NOK 10.65.

The following forms the basis for the calculation:
Share price at the time the option was awarded The share price is set as equal to the stock exchange share price when the option was awarded.
Exercise price per option The exercise price was 105 % of the stock exchange market price when the option was awarded.
Volatility Historic volatility set as indication of future volatility. Expected volatility equals a historic volatility of 137 %.
Duration of options It is assumed that all employees will exercise their options when the service period has been completed. The term of the options is estimated at two years.
Dividend Estimated dividend per share is NOK 0 per year.
Risk free interest rate used as a basis for calculating options is equal to the interest rate on government bonds over the duration of the options, i.e. 4 per cent for 2005.

Auditor's report

TO THE ANNUAL GENERAL MEETING IN BELSHIPS ASA

We have audited the annual financial statements of Belships ASA as of 31 December 2005, showing a profit of NOK 4 770 000 for the parent company and a profit of USD 3 925 000 for the group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The financial statements comprise the financial statements for the parent company and the group. The financial statements of the parent company comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The financial statements of the group comprise the balance sheet, the statements of income and cash flows, the statement of equity and the accompanying notes. The regulations of the Norwegian Accounting Act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the parent company. IFRSs as adopted by the EU have been applied in the preparation of the financial statements of the group. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with laws, regulations and auditing standards and practices generally accepted in Norway, including the auditing standards adopted by the Norwegian Institute of Public Accountants. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards, an audit also comprises a review of the management of the company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion
- the financial statements of the parent company are prepared in accordance with laws and regulations and present fairly, in all material respects the financial position of the company as of 31 December 2005, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the financial statements of the group are prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the group as of 31 December 2005, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with IFRSs as adopted by the EU
- the company's management has fulfilled its duty to properly record and document the accounting information as required by law and bookkeeping practice generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with law and regulations.

Oslo, 31 March 2006
ERNST & YOUNG AS

Eirik Tandrevold
State Authorised Public Accountant (Norway)

Note: The translation to English has been prepared
for information purposes only.

Organisation

Belships ASA

Board of Directors
Asbjørn Larsen, *chairman*
Sverre J. Tidemand
Christian Rytter
Henrik von Platen
Kjersti Ringdal

Management
Sverre J. Tidemand, *Man. director*
Jo Eric von Koss, *Financial director*
Stein H. Runsbech, *Commercial director*
Mette G. Harwiss, *Secretary*

Finance/accounting
Osvald Fossholm, *Financial manager*
Edwin Johansen, *Accounting manager*
Pål Stavn, *Accounting manager*
Carina Y. Jakobsen, *Accounting*
Tanya J. Sebastian, *Accounting*

Befraktning / operasjon
Ove B. Staurset, *IT-manager*
Siri Baardson, *Accounting manager*

Belships Management (Singapore) Pte Ltd
(Ship management, Singapore)
Joel Ye Zhan Hua, *Man. director*
Yee Tuck Foo, *Technical director*
Anthony Sng, *Financial manager*

Elkem Chartering AS *(Handysize/handymax bulk)*
Jøel Baardson, *Man. director*
Ian Hillgaar, *Chartering manager*
Christer Abrahamsen, *Chartering*
Per S. Kleppe, *Chartering manager*
Turid Hurlen, *Operations*
Kjetil Høntorp, *Operations*
Ellen Westlie, *Accounting manager*

Dry bulk carriers

USD mill.	**2005**	2004
Income on T/C-basis	**66.1**	62.3
Operating result	**10.0**	16.0
Owned ships (per 31.12.)	**1.0**	1.0
Chartered ships (per 31.12)	**15.0**	21.0

Handysize bulk carriers have a capacity of between 20 000 and 35000 dwt, while handymax ships have a capacity of between 35 000 and 55 000 dwt. Panmax ships have a capacity of between 55 000 and 90 000 dwt and capesize ships have a capacity of over 90 000 dwt. Most newer panmax ships are above 70 000 dwt and are in all essentials standard ships with a minor degree of specialisation.

The world's bulk fleet transports raw materials. The goods transported are coal, iron ore and other minerals, in addition to grains and semi-products such as steel, cement, fertilisers and timber. This means that the main driver in the market is the industry's demand for such raw materials, the global trade in cereals and general global economic growth.

The bulk market started the year with rates at nearly a historic high, and developments in the first quarter showed marked parallels to the same period in 2004. In the course of the second quarter, destocking in China and a large number of newbuilding deliveries caused a substantial fall in rates, and by early summer, the level had virtually been halved compared to the beginning of the year. The bulk market continued to decline in July, but in the course of August, the demand rose sufficiently to reverse this trend and the rates were higher at the end of the third quarter than in its beginning. The market for bulk carriers weakened through the fourth quarter due to substantial newbuilding deliveries that were not fully balanced by the growth in China, and the year ended at a level which was almost 50 per cent of the level at the beginning of the year.

The handymax ship M/S Belnor, which in addition to Elkem Chartering represents the company's involvement in the handymax bulker trade, generated earnings in 2005 of approximately USD 13 500 per day. The ship's running expenses, excluding dry-docking costs, amounted to approximately USD 3 350 per day. Belships' objective has been to secure long-term, satisfactory earnings for the ships, and as part of this objective, after scheduled dry-docking in September, the M/S Belnor was fixed for a new charter to Canadian charterers for a period of approximately 3 years. In 2006, M/S Belnor is expected to contribute an operating profit of USD 4.8 million. The ship was not affected by any operational problems in 2005

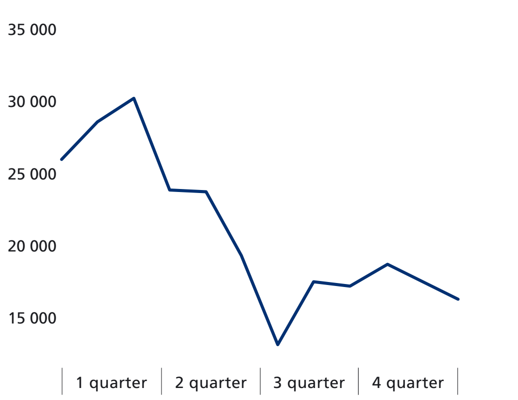
The panmax ship M/S Belisland continued on its long-term charter, which expires in August 2008. The ship was dry-docked as scheduled in the fourth quarter, and sailed otherwise without any appreciable interruptions. The ship contributed in 2005 with approximately USD 900 000 to the company's operating result and is expected to generate a similar amount in 2006.

The capesize cooperation with Bocimar was further reduced in 2005 and is expected to be wound up in the course of 2006.

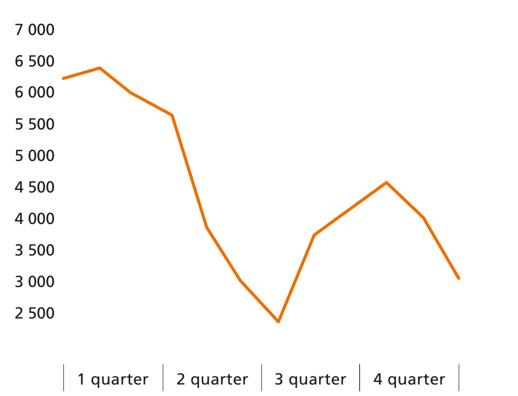
Elkem Chartering (EC) is in the commercial chartering business, chartering ships and concluding both long-term and short-term freight contracts. Seaborne bulk transport for Elkem ASA, such as shipments of coke from China and charcoal from Indonesia to Elkem's plants in Norway and Iceland, also forms part of EC's operations, while this side of business has gradually become less important to the company.

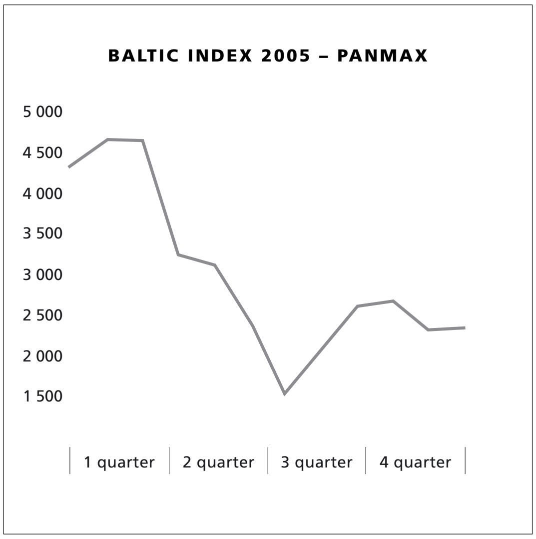
EC achieved sales of USD 107.5 million and had an operating profit of USD 13.8 million in 2005. During the year, EC operated at any time around 25 ships and its operations in 2005 corresponded approximately to those of the preceding year. The company's chartered ships

BALTIC INDEX 2005 – HANDYMAX



BALTIC INDEX 2005 – CAPESIZE





transported approximately 5 million mts of cargo, chiefly fertilisers, grain, alumina, sugar, coal and iron ore. In 2004, the company entered into an agreement with Japanese interests on the charter of a newbuilding of approximately 28 000 dwt for a period of 5 years, with an option to extend this period on the part of EC. The ship will be delivered in 2007. In 2005, a freight contract was concluded, with start-up in the middle of 2006 and expiry in 2009. Positive contributions are expected from EC also in 2006.

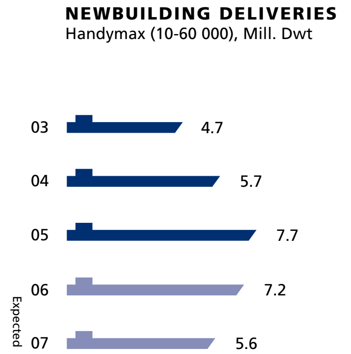
EC's handymax ships, the M/S Legend Phoenix and the M/S Pax Phoenix, continued on their time charters, generating a contribution to Belships' profit of USD 0.9 million and USD 2.2 million respectively, while the M/S Belpareil contributed USD 2.2 million. In June 2005, the M/S Belpareil was fixed for a new, long-term charter up to the turn of the year 2007/2008 at a rate expected to produce an operating contribution to Belships of around USD 4.5 million for the whole period. As part of the objective of securing satisfactory earnings over time, all of EC's three handymax ships have contracts till the turn of the year 2007/2008.

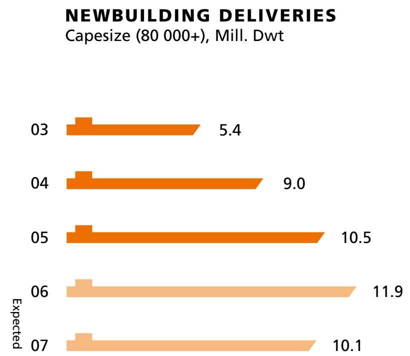
After completing its time-charter, the panmax ship M/S Anangel Express was operating with lower, but satisfactory results. The ship is expected to be returned to the owner in the course of the second quarter of 2006.

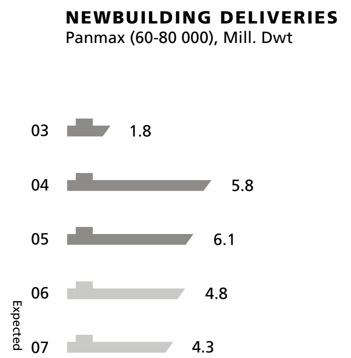
We expect a continued weakening of the dry bulk market. This development has already prompted a growing interest in scrapping older tonnage. The strong market in the two last years would appear to have led to a considerable overhang of tonnage ripe for demolition, and this may to a certain extent counter the effect of the increasingly large influx of newbuildings (reproduced from the quarterly report).

The imbalance between charter income and charter expenses in EC's handysize operation will continue throughout the first quarter and parts of the second quarter of 2006. If the dry bulk market continues to weaken, as expected, the rebalancing of the portfolio will subsequently have been completed and earnings will improve.

In addition, the M/S Belisland, the M/S Belnor and EC's handymax ships will generate good results throughout 2006 through their long-term charter.







Belships Management

USD mill.	2005	2004
Income	**1.3**	1.2
Operating result	**0.3**	0.2
Number of ships (average)	**16**	14

The companies Belships Management (Singapore) Pte Ltd and Belships Management AS in Oslo represent the group's technical and maritime expertise in the field of product tanker and dry bulk. According to the division of roles between the companies, Belships Singapore is responsible for the day-to-day operation of the ships, while Belships Oslo is in charge of insurance and damage.

Belships aims to work for quality at all levels. Belships Management Singapore has for several years been certified pursuant to ISO 9002 and was also one of the first companies to comply with the socalled SEP standard (Safety, Environment and Pollution) of Det Norske Veritas.

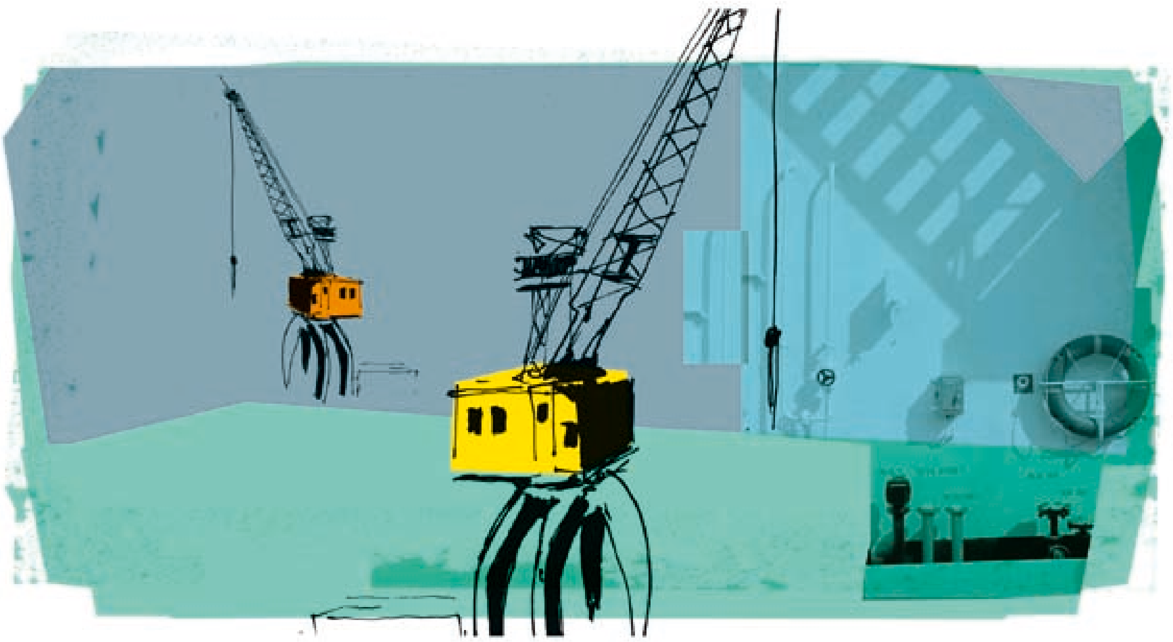
Belships Management Singapore is in charge of the technical management of bulk and car carriers, and is offered technical management for tanker and product tanker vessels through the company Belchem Singapore Pte Ltd. (Belchem), which is 40% owned by Belships Management Singapore. In addition, Belships Management Singapore owns the crewing company SNC Management Co. Ltd. (SNC) in Shanghai together with Cosco Shanghai Manning Co. Ltd. SNC increased its operations in 2005 and was at year-end responsible for the manning of 9 bulk carriers with Chinese crews. There are plans to expand SNC's area of operations to include the possibility for offering fully technical management in Shanghai

Belships Management increased its activity during the year by 2 ships on management and had at the end of 2005 responsibility for the technical operation of 16 vessels, of which 7 through Belchem. No material problems occurred in connection with these technical operations. One ship was dry-docked during the year for planned, periodic maintenance. The ships on management have not spent any appreciable time off-hire in excess of planned dry-docking and repairs.

Operational expenses for ships under our management have been stable, with minor pressure on wages and other costs. In addition to operating the company's regular fleet, the company also provided services for a total of 52 ships in 2005

In conformity with the company's requirements to safety, quality and environment, the audit of the ISM Code Document of Compliance (DOC) and ISO 9001 and ISO 14001 was completed in the course of the year. Both Belships Management Singapore and Belchem are now certified pursuant to ISO 14001:2004, in addition to ISO 9001:2004 and the ISM Code.

No serious pollution incidents occurred in 2005. At the end of 2005, Belships Management Singapore had 17 onshore employees.



Fleet list

Consolidated

Per 31 December 2005 Ship	Ownership	Built year	Dwt	Operation	T/c-period Minimum	T/c-period Option
PRODUCT CARRIER						
Newbuilding		2007	48 000	T/C to 01/12	01/14	1+1+1 yr
PANMAX BULK						
M/S Belisland		2003	76 662	T/C to 08/08	08/11	1+1 yr
HANDYMAX BULK						
M/S Belnor	100%	1996	47 600	T/C to 08/08		
ELKEM CHARTERING AS	50%					
Handysize bulk						
Newbuilding		2007	28 000		2012	1+1 yr
M/S Dusita Naree		1996	18 496	COA/Spot	03/06	
M/S Apisara Naree		1996	18 596	COA/Spot	01/06	
M/S Boontrika Naree		1990	27 881	COA/Spot	02/06	
M/S Anangel Eagle		1983	34 070	COA/Spot	04/06	
M/S Calypso N.		1983	33 009	COA/Spot	10/06	
M/S Anangel Power		1982	34 111	COA/Spot	04/06	
M/S Fenix		1985	30 027	COA/Spot	03/06	
M/S Goldenstar		2001	28 383	COA/Spot	03/06	
M/S Century Forest		1999	31 762	COA/Spot	01/07	
M/S Nipha Naree		1984	33 025	COA/Spot	09/08	
Handymax bulk						
M/S Belpareil		2003	52 961	T/C to 01/08	12/09	1+1+1 yr
M/S Pax Phoenix		2001	50 236	T/C to 03/07	07/08	1+1+1 yr
M/S Legend Phoenix		2002	50 209	T/C to 02/07	02/07	1+1+1 yr
Panmax bulk						
M/S Anangel Express		1982	61 537	T/C to 12/05	12/05	

The Belships Share

SHAREHOLDER POLICY

Belships aims to maximize the price for the company's share through an efficient and profitable management of the company's resources. A competitive return is to be obtained through growth in the value of the company's shares and the payment of dividends which is in proportion to the company's results and prospects. Our clear objective is that the Belships share should be an interesting and competitive investment opportunity.

The company keeps the Oslo Stock Exchange the share market and shareholders fully updated through interim reports annual reports and press releases on important events. Belships regards timely and accurate information as essential for obtaining a price for the share which will reflect the company's underlying value and potential.

When increasing the share capital through the issue of new shares for cash payment the company's shareholders have a pre-emptive right of subscription. The Board will propose private placements or issue of shares as consideration in connection with investments only when this will safeguard the long-term interests of existing shareholders.

RISK

The following RISK amounts have been established (NOK)

per 01.01.06	0.00	per 01.01.99	0.00
per 01.01.05	-4.00	per 01.01.98	0.00
per 01.01.04	-0.17	per 01.01.97	-0.30
per 01.01.03	1.43	per 01.01.96	-0.50
per 01.01.02	0.00	per 01.01.95	-0.55
per 01.01.01	0.00	per 01.01.94	-0.50
per 01.01.00	-0.39	per 01.01.93	-1.00

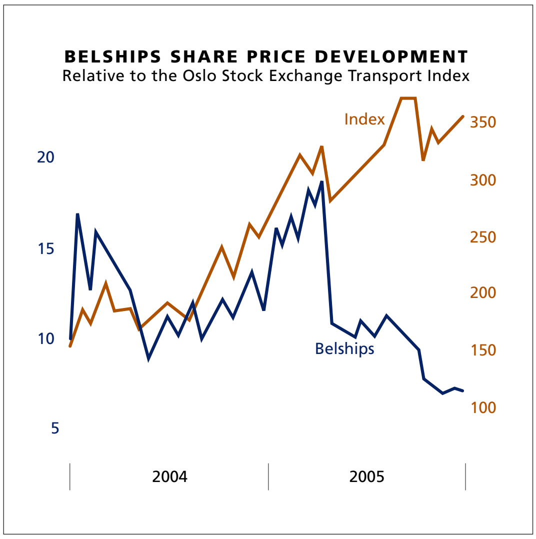
The alternative entry value at 1 January 1992 is 34.13.

SHARE CAPITAL

Belships has a share capital of NOK 49 704 000 divided into 24 852 000 shares each with a nominal value of NOK 2. During the last years Belships' share capital has had a development as shown in the table below. The general meeting of 25 April 2005 renewed the Board's authority to issue up to 4 million new shares. This authority was not used. In the same general meeting the company was authorised to acquire 250 000 own shares. The company has acquired 200 000 of these shares and makes regular assessments of whether to acquire additional shares under this authority. Employees have been granted options to purchase a total of 73 000 shares at a price of 15.65 between the forthcoming general meeting and the ordinary general meeting in 2007.

TRENDS IN SHARE PRICES AND LIQUIDITY

Belships is listed on the Oslo Stock Exchange Match list. To qualify for this list the share must on an average have had at least 10 trades per trading day. Taking into account dividends the price of the Belships share was reduced by approximately 9% in 2005 while trade volume in 2005 was at the same



level as in the preceding year.

The Tidemand family is the principal shareholder in Belships controlling approximately 54% of the shares in the company.

In January 2005 Belships entered into an agreement securing liquidity guarantee for the company's shares. This agreement was concluded with ABG Sundal Collier Norge ASA which will provide binding buying and selling prices for the share.

The objective of this agreement is to promote trade in the company's shares within the framework of the liquidity guarantor scheme of the Oslo Stock Exchange.

CORPORATE GOVERNANCE

Belships gives high priority to corporate governance. In the Board's opinion the company is largely in compliance with the requirements set out in the Norwegian recommendations concerning corporate governance.

However considering the nature and scope of the company's operations the Board believes it is reasonable and appropriate that the following main points are not in line with these recommendations: the managing director is a member of the Board of Directors and the company has no election committee, other Board comittees or corporate assembly.

SHARE CAPITAL DEVELOPMENT

Year	Type of change	Amount	Share par value	Number of shares	Share capital
1935	Founded	1 650 000	100.00	16 500	1 650 000
1968	Bonus issue	1 650 000	100.00	33 000	3 300 000
1989	Share split	0	10.00	330 000	3 300 000
1991	Bonus issue 1:1	3 300 000	10.00	660 000	6 600 000
	Share split 5:1	0	2.00	3 300 000	6 600 000
1993	Bonus issue 1:1	6 600 000	2.00	6 600 000	13 200 000
	Private placements	9 724 000	2.00	11 462 000	22 924 000
1994	Private placement	234 000	2.00	11 579 000	23 158 000
1995	Private placement	4 000 000	2.00	13 579 000	27 158 000
1996	Private placement	1 808 000	2.00	14 483 000	28 966 000
2000	Rights issue	20 000 000	2.00	24 483 000	48 966 000
2003	Private placement	212 000	2.00	24 589 000	49 178 000
2004	Private placement	344 000	2.00	24 761 000	49 522 000
2005	Private placement	182 000	2.00	24 852 000	49 704 000

Key financial figures

	Per 31 December		IFRS			NGAAP
	USD 1 000		**2005**	2004	2004	2003
	INCOME STATEMENT					
	Operating income		**67 837**	64 461	64 461	50 163
	Operating result before gain on sales and write-down on ships		**7 454**	14 028	13 875	4 776
	Operating result		**7 636**	14 514	14 361	-3 990
	Result before taxes		**6 599**	14 732	14 579	-5 249
	Net result for the year		**3 925**	9 508	9 355	-645
	BALANCE SHEET					
	Fixed assets		**22 533**	23 441	22 648	29 094
	Current assets		**19 072**	34 600	34 600	15 194
	Total assets		**41 605**	58 041	57 248	44 288
	Equity		**16 663**	28 920	12 893	19 850
	Provisions		**3 478**	3 657	2 466	1 856
	Long-term liabilities		**11 825**	13 250	16 400	18 558
	Short-term liabilities		**9 639**	12 214	25 489	4 024
	Total equity and liabilities		**41 605**	58 041	57 248	44 288
	LIQUIDITY					
1	Liquid reserves at 31 December		**15 227**	29 485	29 485	10 035
	Cash flow from operations		**3 892**	16 359	16 359	9 004
	Interest expenses		**-711**	-419	-419	-1 422
2	Interest coverage ratio		**10.99**	34.06	33.70	-2.84
3	Current ratio	%	**197.86**	283.28	135.74	377.58
4	Net result ratio	%	**10.78**	23.50	23.27	-7.63
	CAPITAL					
	Share capital at 31 December		**6 722**	6 693	6 693	6 642
	Equity ratio	%	**40.05**	49.83	22.52	44.82
5	Return on total assets	%	**14.67**	29.61	29.54	-6.11
6	Return on equity	%	**17.22**	38.99	57.14	-3.20
	KEY FIGURES SHARES					
	Market price at 31 December	USD	**1.05**	2,09	2.09	1.34
	Number of shares at 31 December	1 000	**24 852**	24 761	24 761	24 589
	Average number of weighted shares (excl. treasury shares)	1 000	**24 706**	24 675	24 675	24 492
	Earnings per share	USD	**0.16**	0.39	0.38	0.13
	Cash flow per share	USD	**0.16**	0.66	0.66	0.37
	Price/ earnings ratio		**6.61**	5.42	5.50	9.99
	Price/ cash flow ratio		**6.67**	3.15	2.65	7.28

1 *Bank deposits*
2 *Result before taxes + interest expenses + unrealised currency exchange loss/(-gain) / interest expenses*
3 *Current assets in percent of short-term liabilities*
4 *Result before taxes + interest expenses / operating income*
5 *Result before taxes + interest expenses / average total capital*
6 *Net result for the year/ average equity*

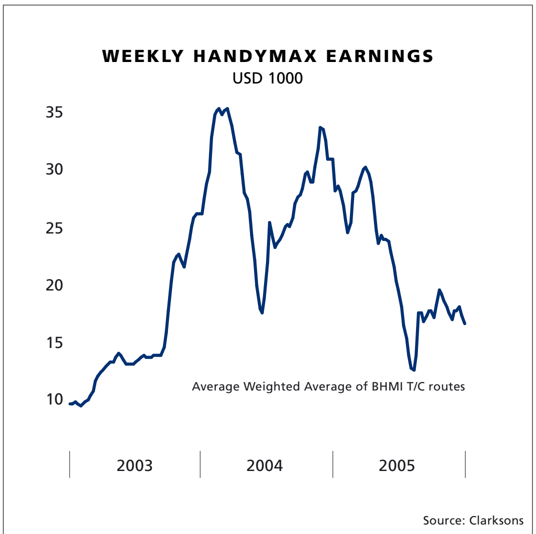
The dry bulk carrier market in 2005

2005 was the year when dry bulk shipping markets tumbled. Despite an underlying firm growth in trade, tonnage supply exceeded demand, and rates fell sharply as the summer commenced. A partial recovery was seen in the second half, but not near last year's high. The strong fleet growth is set to continue.

Volatile Markets

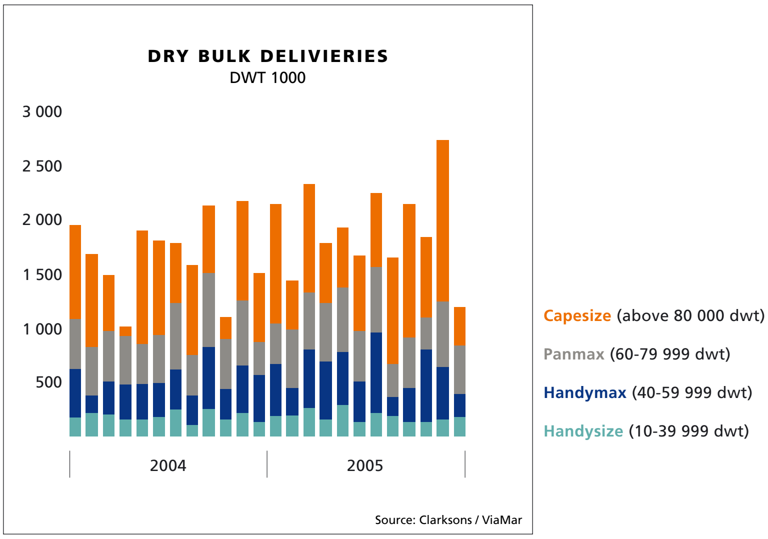
BY REIDAR A. SUNDVOR AND ANDERS K. LUNDE PARTNERS, VIAMAR

A YEAR OF CHANGING TIDES is left behind, with earnings in the Handymax segment reflecting the fact that while the demand continued to grow at a very high level, supply grew even more. Ordering has been quite high since 2002, ensuring that the cyclical nature of shipping remained and thus reversed the super cycle. The fleet expanded by more than 6% in 2005.



Coming into the year at a high level, the Baltic Handymax Index (BHMI) T/C Routes earnings index lost some momentum into mid February of 2005 – dropping more than 8 000 usd/day from their end-November peak levels. The fourth quarter being the peak season for grain, a correction was perhaps natural. The first quarter of 2005 presented high earnings still, despite being lower than the fantastic peak during the same period of 2004. The first quarter of last year started out averaging at 27 500 usd/day.

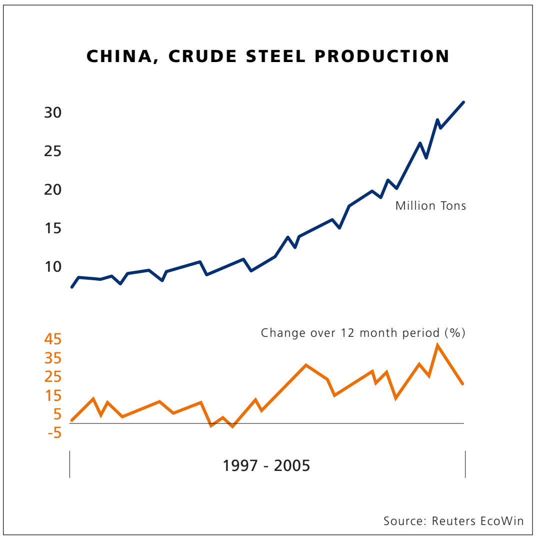
Anticipated sharp increases in the prices of iron ore on contract volumes, effectively to commence on April 1st. 2005, drove steel mills into stockpiling already prior to the start of the year. The rapid increase in demand for transportation of iron ore generated not only a strong demand for shipments from India, Australia and Brazil – the infrastructure to load and discharge the volumes just was not adequate. So like the year before, congestion again rose and hence high vessel demand was joined by increasing turnaround times and queues, both at the exporter's facilities and in China. Congestion effectively reduced vessel productivity and helped keep Capes and Panamaxes busy, and earnings at a high level across the board.



Stockpiling turned out to be a smart move – as contract ore prices skyrocketed 71.5%. The "run" on ore had the effect of shoring up demand during the start of the year, but at the same time it set the stage for a dramatic fall in earnings towards the seasonally slow summer market. Only this year around, 23 million dwt of deliveries (and virtually no scrapping of tonnage) would ensure a much more moderate rebound during the second half. Earnings fluctuated at markedly lower levels during the second half of 2005 than the same time the year before.

On August 29th Hurricane Katrina landed and devastated communities along the coastlines of Louisiana, Mississippi and Alabama. Though the losses were immense for those personally affected, the effect on grain shipments and the dry bulk market was little.

CHINA'S APPETITE FOR STEEL is without doubt the main driver of the dry bulk markets, and will continue to be the number one factor in dry bulk demand. So keeping a finger on the pulse of Chinese steel was, and continues to be, a large part of the game. The annual output of Chinese steel has more than tripled in volume, rising from 108 million tons in 1997 to 348 million tons in 2005. The average growth rate since 2002 has been almost 26%, with 2005 steel output growth accelerating to a mind boggling rate of 32%!



With global steel related trades generating some 46% of seaborne demand for dry bulk transportation, the Chinese developments ensured that high demand growth for dry bulk transportation continued in 2005. To satisfy its enormous need for imported ore, China increased her imports by 67 million tons to 275 million tons. Thus the worldwide seaborne volume of iron ore trade increased 11.5% on 2004.

All in all, global seaborne trade in dry bulk commodities increased by about 120 million tons, to 2450 million tons in 2005. A sizeable portion clearly came from Chinese imported ore.

SECOND HAND SHIPVALUES

The major turn of fortune in the dry bulk charter markets had its solid effects on shipvalues in 2005. From a lucky and optimistic start of the year, all dry bulk ship types witnessed a fall through the year to dramatically lower values in December.

Clearly this trend was seen in the Cape size category where 10 year old 150 000 dwt ships in January 2005 was valued at USD 51 mill. An apparent strong belief among participants in this market that the chartermarket would revive in the fall, kept shipvalues at more or less the same level until July, despite the fact that earnings had by then come down considerably. A lack of support for continued optimism was manifested when the charter earnings did not copy the rise of the second half of 2004, and shipvalues kept falling throughout the latter part of 2005. By December the value of a 10 year old 150 000 dwt dry bulk carrier had reached USD 38 mill, a staggering 25% decline over the year.

An even steeper decline in values was seen for the Panamax size vessels. The 10 year old 69 000 dwt type was valued at USD 35,5 mill at the

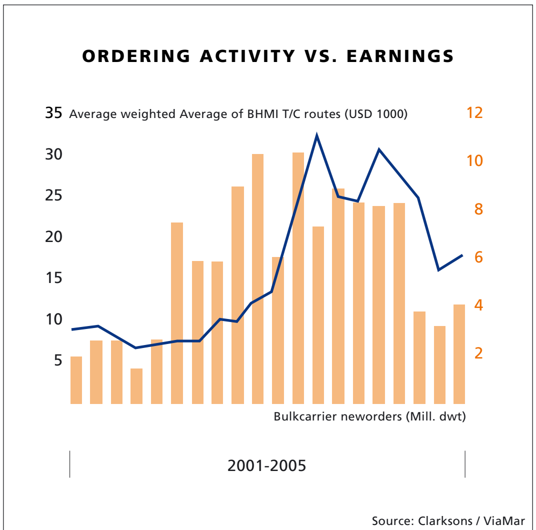
beginning of the year. By mid year the value was kept pretty much intact, however, throughout the second half, values dived to reach as low as USD 24 mill in December. The loss over the entire year is about 32%, with most of the movements recorded in the second half.

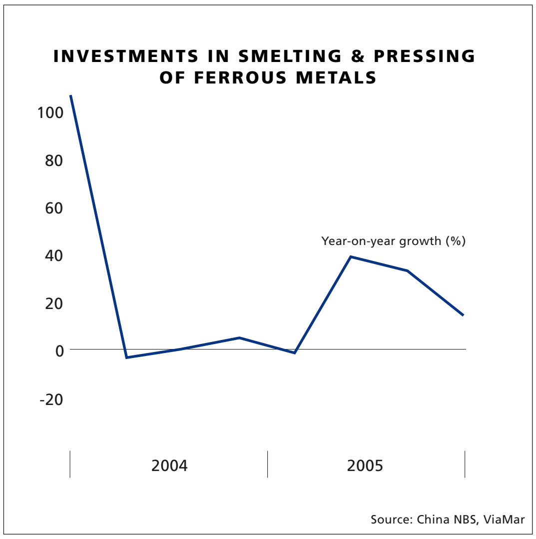
The Handymax size vessels did not escape unscathed from the above developments. A 42-45 000 dwt, 10 year old vessel, which was valued at USD 25,5 mill in the beginning of 2005, saw it's value fall to USD 20,5 mill at the end of the year. Also for these vessels the fall was chiefly recorded during the latter half of the year as a response to the lack of positive signals from the chartermarkets.

NEWBUILDING PRICES

Reduced ordering activity in the 2nd through 4th quarter of 2005 contributed to the lower newbuilding prices in the second half of the year. Whilst the ordering activity was brisk in the 1st. quarter with a total of 8,5 mill dwt (bulk carriers only), near 14% higher than 1st. quarter 2004, the volume of new orders fell sharply to 3,9 mill. dwt in the second quarter (57% less than same quarter 2004). Also in the 2nd. and 3rd. quarters of 2005, the ordering activity remained much lower than the previous year (- 61% and -50% respectively y-o-y) and the total for the year ended at 19,8 mill dwt., or about 40% less than the aggregated ordering of bulk carriers in 2004. Once again we witness the close relationship of earnings and sentiment.

Newbuilding prices were not affected by this change in interest from the shipowners. The price for a 170 000 dwt. cape size bulkcarrier, which had gone from USD 50 mill. to USD 64 mill. during 2004, reached a top in March-May 2005 at USD 68 mill. This increase in purchase price of USD 18 mill, or nearly 36%, from January 2004 was soon to be reduced.





By December of 2005 the price had come down to USD 59 mill, a reduction of USD 7 mill from January of 2005 constituting a 11% price cut over the year.

The Panamax size vessels witnessed a similar development. From a price at the start of the year 2004 at USD 29,5 mill, the price of a newbuilding had reached USD 40,5 mill in May of 2005. This 37% increase in the purchase price did not last for long, as prices tumbled in the second half of the year to reach USD 36 mill. in December 2005, some 4% down on the prices at the beginning of the same year.

During last year the focus on China's economic development slowly shifted from being on whether or not the read-hot economy was overheating, to a focus on whether or not there would be a slowing down. Would the perceived bubble-like construction sector collapse? How much more infrastructure is needed? The quality of macroeconomic and industry data from China being difficult to interpret did not help in the outlining of strategies.

However, a forewarning of the slowing down of Chinese steel output could be interpreted from investments in the decline of investment growth in the Chinese steel sector. Chinese macro control policy set in place after the first quarter of 2004, in order to cool the much to strong growth of investment in various sectors, including steel, lead to a dramatic cooling off of steel related investment. And as less capacity comes on line – production growth should moderate – as it has since May 2005, ending the year up "a mere" 16%.

This review was written by Reidar A. Sundvor and Anders K. Lunde, both partners with ViaMar AS.
ViaMar AS is a Oslo based, independent shipping market analyst company that serves a list of international clients in the tanker, dry bulk, gas and container shipping industries with strategic market research and advice.
www.viamar.no

Articles of association

**Adopted by the statutory general meeting on 7 October 1935,
last amended 13 May 2005**

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

§2 The company's registered business office is in Oslo.

§3 The objective of the company is shipping, charter brokerage and purchase and sale of vessels, offshore operations, participation in the exploration for and the production of petroleum, trade and industry as well as participation in companies of any sort with similar objectives.

§4 The company's share capital is NOK 49 704 000 distributed between 24 852 000 registered, fully paid-up shares with a nominal value of NOK 2.

§5 The company's board consists of three (3) to seven (7) members, possibly with deputies depending on the decision of the general meeting. Each year the board elects a chairman among the board members.

The company is bound by the joint signatures of two (2) members of the board or by the signature of the managing director alone provided that he/she is a member of the board.

The board may authorise others to sign on behalf of the company per procurationem.

The managing director is appointed by the board.

§6 An ordinary general meeting of the company shall be held before the end of June each year. The ordinary general meeting shall consider and decide on the following matters:

1. Approval of the annual accounts and the annual report, including the distribution of dividends.
2. Other matters which are required by law or the Articles of Association to be dealt with by the general meeting.

§7 The company's shares shall be registered with the Norwegian Central Securities Depository (VPS).

Dividends are to be disbursed to persons registered as shareholders on the day that the dividend is agreed upon.

In the notice of the general meeting, it may be decided that shareholders who wish to take part in the general meeting, either in person or by proxy, must notify the company to this effect by a deadline of up to two (2) days before the general meeting, stating the number of shares they represent, and where appropriate who will be acting as proxy and on behalf of how many shares.

Terms and expressions

CAPESIZE
Vessel exceeding 90 000 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 55 000 dwt

HANDYSIZE
Vessels between 10 000 and 35 000 dwt

INCOME ON T/C-BASIS
Freight income after deduction of all voyage related expenses such as loading- and discharging expenses, bunkers etc.

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 55 000 and 90 000 dwt

POOL
A joint sailing agreement

PRODUCT
Refined oil products

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

The Illustrations in this year's Annual Report have been produced by Inger Sandved Anfinsen. She was educated at The National Academy of the Arts (KHiO) in Oslo and majored in graphic design and illustration. She has been self employed since 1992 and is now an affilliate of KOBOLT. The illustrations are inspired by our company's activiities as an active player in the global marketplace.

BELSHIPS ASA
Lilleakerveien 4
P O Box 23 Lilleaker
N-0216 Oslo, Norway
Phone +47 22 52 76 00
Telefax +47 23 50 08 82
administration@belships.no
www.belships.com
Organization no. 930 776 793

BELSHIPS TRADING AS
Lilleakerveien 4
P O Box 23 Lilleaker
N-0216 Oslo, Norway
Phone +47 22 52 76 00
Telefax +47 23 50 08 84
Telex 72550 belco n
trading@belships.no

BELSHIPS MANAGEMENT AS
Lilleakerveien 4
P O Box 23 Lilleaker
N-0216 Oslo, Norway
Phone +47 22 52 76 00
Telefax +47 23 50 08 82
Telex 76050 stove n
management@belships.no

BELSHIPS MANAGEMENT (SINGAPORE) PTE LTD
78 Shenton Way
Hex 31-02
Singapore 079120
Phone +65 6324 7288
Telefax +65 6220 9098
Telex RS 56198 BSMS
mail@belships.com.sg

SNC MANAGEMENT CO. LTD (SHANGHAI)
Rm 508 Chang Yang Building
No. 1551-1555 Chang Yang Road
Shanghai, China 200090
Phone: +86 21 6518 1122
Telefax: +86 21 6519 2272
sncjamesjia@vip.sina.com

ELKEM CHARTERING AS
Lilleakerveien 4
P O Box 53 Lilleaker
N-0216 Oslo, Norway
Phone +47 22 52 78 00
Telefax +47 23 50 14 60
chartering@elkem-chartering.no
Organization no. 961 495 164

Design and production: www.kingdesign.no Printing: Kampen Grafisk