



**BELSHIPS**

**REPORT 2ND QUARTER 2007**

## 2ND QUARTER 2007

### RESULTS

Belships achieved an operating income in the 2007 2nd quarter of USD 13,370,000 (2nd quarter 2006: USD 11,772,000). The company's operating result was USD 2,847,000 (USD 2,098,000). The increase in operating income and the positive result performance are mainly related to positive developments in Elkem Chartering's Handysize operations.

Profit after tax in the 2nd quarter was USD 1,987,000 (USD 3,346,000). Last year's result included a tax reimbursement from Singapore of USD 1.9 million. The report for the 2nd quarter was submitted in accordance with IAS (International Accounting Standard) 34, and consistent accounting principles were used in relation to the accounts submitted at 31 December 2006.

### OPERATIONS

Growth in China continues to force dry cargo rates upwards. The demand for dry bulkers rose by around 7% on an annual basis, which is just above 1% more than the increase in supply. Despite the authorities' efforts, the queue of ships waiting for cargo in Australia has not been reduced to any significant extent. Elkem Chartering's time charter vessels were off-hire for around 60 days due to ordinary dry-docking in the 2nd quarter. In spite of this, earnings from Handysize operations improved. The two Handymax vessels continued on their charters with results as expected. At the end of June the newbuilding M/S Northern Light was delivered to Elkem Chartering on a 5 years charter, with the charterer's option for an extension of two years. The rate is very favourable compared to current market rates. The vessel will form part of the Handysize operations.

In Belships, the Handymax vessel M/S Belnor and the Panmax vessel M/S Belisland continued on their charters with results as expected.

The product carrier M/T Belaia has commenced its 5-year charter. The result reflects non-recurring expenses in connection with the delivery of the vessel.

The management company in Singapore delivered improved results compared to the preceding quarter. In June, Belships concluded 5 newbuilding contracts at

Yangzhou Dayang Shipyard in China. The vessels will be delivered in 2009/2010/2011. 5-year charters have been concluded for two of the vessels to Korean charterers, while the other three have been chartered out to Canadian charterers for a period of 10 years, with a right for Belships to sell one or two of the vessels after 5 or 7 years. The average annual operating result for each vessel will amount to around USD 3 million.

### FINANCIAL POSITION AND OTHER MATTERS

The company's solidity and financial position are robust. In June, the company raised a loan of USD 20 million to part-finance the first payment of the newbuilding contracts, totalling USD 39.2 million, which corresponds to 20% of the contract sum. Total cost price for the vessels is USD 196 million.

At 30 June, the Group's liquid reserves amounted to USD 20.4 million, against USD 41.2 million at 31 March. A dividend of USD 3.2 was paid during the quarter. The company's mortgage debt was USD 30.3 million at the end of the 2nd quarter. In addition, the company has a bond loan of USD 16.8 million.

At the end of the 2nd quarter, book value per share amounted to NOK 6.88, while the book equity ratio was 33.8%.

The market value of the of the company's fixed assets is substantially higher than their book value.

### OUTLOOK

Elkem Chartering expects a contribution from Handysize operations in the 2nd half-year in line with what was achieved in the first half.

Belships own tonnage and Elkem Chartering's two Handymax vessels are expected to produce contributions corresponding to those of the first half-year, with certain reservations concerning unexpected interruptions. Contributions from the tanker M/T Belaia will most likely increase in the next quarters.

As announced, the M/S Belnor was sold for delivery in October/November and the gains of USD 22 million will be taken to income in the 4th quarter.

Oslo, 23 August 2007

The Board of BELSHIPS ASA

## Income statement

	2007	2006	2007	2006	2006
<i>USD 1 000</i>	<b>Apr - Jun</b>	Apr - Jun	<b>Jan - Jun</b>	Jan - Jun	Jan - Dec
<b>Operating income</b>	<b>13 370</b>	11 772	<b>32 237</b>	23 565	51 315
Charterhire expenses	<b>-8 582</b>	-7 970	<b>-16 835</b>	-17 351	-36 346
Ship operating expenses	<b>-358</b>	-335	<b>-766</b>	-652	-1 282
General admin. expenses	<b>-1 383</b>	-1 113	<b>-2 768</b>	-2 389	-5 777
Depreciations	<b>-200</b>	-256	<b>-400</b>	-482	-876
<b>Total operating expenses</b>	<b>-10 523</b>	-9 674	<b>-20 769</b>	-20 874	-44 281
<b>Operating result</b>	<b>2 847</b>	2 098	<b>11 468</b>	2 691	7 034
Interest income	<b>491</b>	124	<b>743</b>	203	967
Other financial income	<b>3</b>	1 218	<b>47</b>	1 218	1 132
Interest expenses	<b>-541</b>	-112	<b>-1 083</b>	-225	-1 377
Currency exchange gain/(loss)	<b>-627</b>	214	<b>-367</b>	313	252
Other financial items	<b>467</b>	-125	<b>921</b>	-115	-590
<b>Net financial items</b>	<b>-207</b>	1 319	<b>261</b>	1 394	384
<b>Result before tax</b>	<b>2 640</b>	3 417	<b>11 729</b>	4 085	7 418
Tax	<b>-653</b>	-71	<b>-1 793</b>	-234	-1 391
<b>Net result of the period</b>	<b>1 987</b>	3 346	<b>9 936</b>	3 851	6 027
Earnings per share	<b>0.08</b>	0.13	<b>0.40</b>	0.15	0.25
Diluted earnings per share	<b>0.08</b>	0.13	<b>0.40</b>	0.15	0.25

## Balance sheet

	2007	2006	2006
<i>USD 1 000</i>	<b>30 Jun</b>	30 Jun	31 Dec
<b>ASSETS</b>			
<b><u>Fixed assets</u></b>			
Intangible assets	<b>5 380</b>	5 911	6 061
Ship	<b>13 719</b>	14 486	14 119
Newbuilding contracts	<b>39 162</b>	0	0
Other fixed assets	<b>1 856</b>	1 129	1 322
Total fixed assets	<b>60 117</b>	21 526	21 502
<b><u>Current assets</u></b>			
Bunkers	<b>2 028</b>	1 150	1 311
Receivables	<b>3 133</b>	3 378	1 733
Cash deposits	<b>20 419</b>	15 015	33 842
Total current assets	<b>25 580</b>	19 543	36 886
<b>Total assets</b>	<b>85 697</b>	41 069	58 388
<b>EQUITY AND LIABILITIES</b>			
<b><u>Equity</u></b>			
Paid-in equity	<b>28 417</b>	28 420	28 380
Retained equity	<b>532</b>	-7 970	-6 393
Total equity	<b>28 949</b>	20 450	21 987
<b><u>Liabilities</u></b>			
Mortgage debt	<b>27 325</b>	10 325	8 825
Bond issue	<b>16 770</b>	0	15 807
Pension obligations	<b>4 621</b>	3 898	4 247
Total long-term liabilities	<b>48 716</b>	14 223	28 879
Mortgage debt, current portion	<b>3 000</b>	3 000	3 000
Other short-term liabilities	<b>5 032</b>	3 396	4 522
Total short-term liabilities	<b>8 032</b>	6 396	7 522
<b>Total equity and liabilities</b>	<b>85 697</b>	41 069	58 388

## Cash flow statement

<i>USD 1000</i>	2007	2006	2006
	Jan - Jun	Jan - Jun	Jan - Dec
<b>Cash generated from operations</b>			
Result before tax	11 729	4 085	7 418
Depreciations	400	481	876
Payable tax	-1 481	-2 061	-2 061
Share option	15	0	56
Difference between pension exps. and paid pension premium	0	0	323
Change in bunkers, trade debtors and trade creditors	-623	1 443	441
Change in other short-term items	806	-2 596	-218
Net cash flow from operations	10 846	1 352	6 835
<b>Cash generated from investments</b>			
Investments in fixed assets	-666	0	-236
Sale proceeds from fixed tangible assets disposals	0	0	0
Change in other investments	48	0	-32
Net cash flow from investments	-618	0	-268
<b>Cash generated from financing</b>			
Repayment of long-term debt	-1 500	-1 500	-3 000
Instalment newbuilding contracts	-39 162	0	0
New loan raised	20 000	0	15 807
Dividend paid	-3 063	0	0
Acquisition treasury shares	0	-65	-759
Sale of treasury shares to employees	74	0	0
Net cash flow from financing	-23 651	-1 565	12 048
Net change in liquid reserves	-13 423	-213	18 615
Liquid reserves at start of period	33 842	15 227	15 227
Liquid reserves at end of period	20 419	15 014	33 842

## Change in equity

<i>USD 1000</i>				Paid-in	Retained	Total equity
	Share capital	Acquisition treasury shares	Share premium reserves	Other paid-in equity	Other equity	
<b>30 June 2007</b>						
Equity at 1 January 2007	6 722	-229	7 009	14 878	-6 393	21 987
Dividend paid	0	0	0	0	-3 063	-3 063
Share options expensed	0	0	0	15	0	15
Sale of treasury shares to employees	0	22	0	0	52	74
Net result for the period	0	0	0	0	9 936	9 936
Equity at 30 June 2007	6 722	-207	7 009	14 893	532	28 949
<b>30 June 2006</b>						
Equity at 1 January 2006	6 722	-63	7 009	14 822	-11 827	16 663
Acquisition treasury shares	0	-19	0	0	-45	-64
Net result for the period	0	0	0	0	3 851	3 851
Equity at 30 June 2006	6 722	-82	7 009	14 822	-8 021	20 450

## Key financial figures

		2007	2006	2006
		30 Jun	30 Jun	31 Dec
EBITDA	USD 1000	11 868	3 173	7 910
Interest coverage ratio		12.17	17.76	6.20
Current ratio	%	318.48	305.55	490.37
Equity ratio	%	33.78	49.79	37.66
Earnings per share	USD	0.40	0.15	0.25

## Segment information

### The period 1 Jan - 30 Jun 2007

<i>USD 1 000</i>	Dry cargo	Tank	Ship managem.	Admin. etc.	TOTAL
Freight income	29 518	1 583	0	0	31 101
Fees	0	0	936	200	1 136
<b>Total operating income</b>	<b>29 518</b>	<b>1 583</b>	<b>936</b>	<b>200</b>	<b>32 237</b>
Charterhire expenses	-15 424	-1 411	0	0	-16 835
Ship operating expenses	-743	-75	52	0	-766
General administrative expenses	-672	0	-676	-1 420	-2 768
Depreciations	-400	0	0	0	-400
<b>Total operating expenses</b>	<b>-17 239</b>	<b>-1 486</b>	<b>-624</b>	<b>-1 420</b>	<b>-20 769</b>
<b>Operating result</b>	<b>12 279</b>	<b>97</b>	<b>312</b>	<b>-1 220</b>	<b>11 468</b>
Interest income	168	0	4	571	743
Other financial income	0	0	0	47	47
Interest expenses	-324	0	0	-759	-1 083
Currency exchange gain/(loss)	0	0	-1	-366	-367
Other financial items	-66	0	0	987	921
<b>Net financial items</b>	<b>-222</b>	<b>0</b>	<b>3</b>	<b>480</b>	<b>261</b>
<b>Result before tax</b>	<b>12 057</b>	<b>97</b>	<b>315</b>	<b>-740</b>	<b>11 729</b>
Operating income at 30 Jun 2006	22 595	0	781	189	23 565
<b>Operating income at 30 Jun 2007</b>	<b>29 518</b>	<b>1 583</b>	<b>936</b>	<b>200</b>	<b>32 237</b>
Operating result at 30 Jun 2006	3 516	0	305	-1 130	2 691
<b>Operating result at 30 Jun 2007</b>	<b>12 279</b>	<b>97</b>	<b>312</b>	<b>-1 220</b>	<b>11 468</b>

## Segment information

Jan - Mar 2007						Jan - Mar 2006				
<i>USD 1 000</i>	Dry cargo	Tank	Ship manag.	Adm. etc.	Total	Dry cargo	Ship manag.	Adm. etc.	Total	
Freight income	18 072	290	0	0	18 362	10 209	0	0	10 209	
Fees	0	0	405	100	505	0	326	94	420	
<b>Total operating income</b>	<b>18 072</b>	<b>290</b>	<b>405</b>	<b>100</b>	<b>18 867</b>	<b>10 209</b>	<b>326</b>	<b>94</b>	<b>10 629</b>	
Charterhire expenses	-7 998	-255	0	0	-8 253	-8 218	0	0	-8 218	
Ship operating expenses	-400	-31	23	0	-408	-346	29	0	-317	
General administrative exps.	-328	0	-336	-721	-1 385	-352	-255	-669	-1 276	
Depreciations	-200	0	0	0	-200	-216	-2	-8	-226	
<b>Operating result</b>	<b>9 146</b>	<b>4</b>	<b>92</b>	<b>-621</b>	<b>8 621</b>	<b>1 077</b>	<b>98</b>	<b>-583</b>	<b>592</b>	
Apr - Jun 2007						Apr - Jun 2006				
<i>USD 1 000</i>	Dry cargo	Tank	Ship manag.	Adm. etc.	Total	Dry cargo	Ship manag.	Adm. etc.	Total	
Freight income	11 446	1 293	0	0	12 739	11 223	0	0	11 223	
Fees	0	0	531	100	631	0	455	94	549	
<b>Total operating income</b>	<b>11 446</b>	<b>1 293</b>	<b>531</b>	<b>100</b>	<b>13 370</b>	<b>11 223</b>	<b>455</b>	<b>94</b>	<b>11 772</b>	
Charterhire expenses	-7 426	-1 156	0	0	-8 582	-7 970	0	0	-7 970	
Ship operating expenses	-343	-44	29	0	-358	-367	21	11	-335	
General administrative exps.	-344	0	-340	-699	-1 383	-231	-266	-616	-1 113	
Depreciations	-200	0	0	0	-200	-216	-3	-37	-256	
<b>Operating result</b>	<b>3 133</b>	<b>93</b>	<b>220</b>	<b>-599</b>	<b>2 847</b>	<b>2 439</b>	<b>207</b>	<b>-548</b>	<b>2 098</b>	

## Fleet list

At 30 June 2007						
Ship	Ownership	Built year	Dwt	Employment	T/C-period minimum	T/C-period option
<b>Product tank</b> M/T Belaia *		2007	48 000	T/C to 03/12	03/14	1+1+1 yrs
<b>Panmax bulk</b> M/S Belisland *		2003	76 662	T/C to 08/08 (+1 yr)	08/11	1+1 yrs
<b>Handymax bulk</b> M/S Belnor **	100 %	1996	47 600	T/C to 08/08		
<u>Elkem Chartering AS</u>	50 %					
<b>Handysize bulk</b> M/S Northern Light		2007	28 000	COA/Spot	2012	1+1 yrs
M/S Lena		1983	34 070	COA/Spot	09/08	
M/S Nipha Naree		1984	33 025	COA/Spot	09/08	
M/S Thamisa Naree		1982	34 072	COA/Spot	08/09	
M/S Kanok Naree		1985	33 024	COA/Spot	07/09	
M/S Kritika Naree		1982	34 072	COA/Spot	09/09	
M/S Urana Naree		1983	33 055	COA/Spot	07/09	
M/S Darin Naree		1984	30 898	COA/Spot	08/09	
M/S Asian Hope		2005	18 829	COA/Spot	12/07	
M/S Siam Star		1984	29 617	COA/Spot	12/07	
M/S Nikat		1983	42 964	COA/Spot	08/08	
<b>Handymax bulk</b> M/S Pax Phoenix		2001	50 236	T/C to 12/08	06/09	1+1 yrs
M/S Legend Phoenix		2002	50 209	T/C to 02/10	02/10	

\*) Purchase option

\*\*) Sold with delivery in 4th quarter 2007



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