

Annual Report



The J.J. Ugland
Companies

AS Uglands Rederi 2019



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THE OBJECTIVE OF THE J.J. UGLAND
COMPANIES IS TO CONDUCT BUSINESS IN
A SUSTAINABLE AND PROFITABLE MANNER
THAT SECURES EMPLOYMENT AND CREATES
CONFIDENCE AND TRUST AMONG PARTNERS,
CUSTOMERS AND FINANCIAL INSTITUTIONS



Message from the Chairman

Uglands Rederi operates a diversified fleet. Customer focus, flexibility, reliability, safety, high quality and the protection of the environment are governing elements of all our operations. In order to comply with these values, we need high quality ships and equipment and dedicated and experienced management and employees.

We continue our renewal program for our fleet of bulk carriers, which is our main business segment. In 2019 we took delivery of two new ultramax vessels and another is coming in 2020. In 2019 we celebrated 40 years anniversary of our close cooperation with the manning agency PTC in the Philippines. All our bulk carriers are fully manned with Filipino crew who are familiar with our corporate values.

Our safety procedures were challenged when our bulk carrier Bonita in November 2019 was subject to an unexpected pirate attack off the coast of Benin and 9 of our crewmembers kidnapped. The crewmembers acted according to procedures and there were no casualties during the attack. In the head office in Grimstad, our crisis management team was fully operative within hours thereafter. After 5 weeks, all 9 crewmembers were safely released and returned to their families. Our procedures worked.

In the oil service market our two modern PSVs continue to perform well on term contracts and our well-maintained shuttle tanker has been in continuous operation. Ugland Construction continue with complex barge operations and heavy lift operations. In Newfoundland, Canship Ugland continue to provide management services.

The change to low sulphur fuel to comply with IMO 2020 was swiftly implemented on all our vessels and our modern fleet is popular in the market. Climate change is a major concern and on top of the agenda for most governments. The biggest challenge for the shipping industry in this decade will be to further reduce CO2 emissions and comply with environmental requirements.

With a modest fleet growth and gradually improving world economy, the outlook for the shipping markets at the end of 2019 was encouraging. Since then the Corona shutdowns have sent shock waves into international financial markets and world economy is suffering. On top of this the latest OPEC oil price war has resulted in a major drop in oil prices. These developments have reduced the demand for transport of dry bulk cargo. The spot rates have fallen sharply but currently show signs of improvement. For long term charters the rates have been more stable. Market analysts predict an improving market when looking further ahead.

With a solid balance sheet, high quality fleet and equipment and experienced personnel at sea and on land, we continue on a steady course into this new decade.

Jørgen Lund
Chairman



The J.J. Ugland Companies - AS Uglands Rederi

The J.J. Ugland Companies presently incorporate:

- 42 owned or operated units totalling about 1.6 million deadweight tonnes.

The operated fleet includes 15 bulk carriers, 1 icebreaking special bulk carrier, 4 shuttle tankers, 2 oil/chemical tankers, 2 PSVs, 14 barges, 1 crane vessel, 2 tugs and 1 icebreaking passenger&cargo vessel.

In addition, one ultramax bulk carrier newbuild is scheduled for delivery in 2020.

- A commercial pool for their fleet of supramax/ultramax bulk carriers based on charter agreements for the transportation of iron ore, coal/coke, cement/clinker, grain, alumina, steel, scrap, salt and other commodities.
- A technical and commercial operation complying with the ISM-code, ISPS-code, ISO 9001:2015, ISO 14001:2015 and OHSAS 18001.
- A strong customer base in the offshore industry for their barge fleet and the self-propelled heavy lift crane vessel Uglen.
- AS Nymo yard with a proven track record in engineering, procurement and construction (EPC) of modules and equipment for the offshore industry.
- A fully integrated and professionally managed organisation in Norway and in St. John's, Canada.

The Board:



Jørgen Lund
(Chairman)



Peter D. Knudsen



Knut N. T. Ugland



Stein Rynning



Øyvind R. Boye



Bjørn Bodding

FROM THEIR HEADQUARTERS LOCATED AT VIKKILEN
IN GRIMSTAD, NORWAY, THE FAMILY OWNED
AS UGLANDS REDERI, FOUNDED IN 1930, AND
ITS SUBSIDIARIES PROVIDE WORLDWIDE SHIPPING
SERVICES

The Board of Director's Report

Introduction

From its headquarters in Grimstad, Norway, the family-owned AS Uglands Rederi and its subsidiaries provide worldwide shipping services. At the end of 2019, the company's fleet comprised 41 owned or operated units with an aggregate tonnage of 1.6 million deadweight tonnes – and consisted of 15 supramax and ultramax bulk carriers, one ice-breaking special bulk carrier, four advanced tankers equipped for offshore bow loading, two oil/chemical tankers, two platform service vessels (PSVs), 14 sea-going barges, two tugboats and one heavy lift, self-propelled crane vessel. In addition one ultramax bulk carrier is due to be delivered in June 2020. A breakdown of the fleet owned by the Group is provided in note 2.

The companies' main objective is to conduct its operations in a sustainable and profitable manner that secures employment and builds confidence and trust with partners, customers and financial institutions from a long-term perspective. This involves a focus on stable income streams, safety, the environment and quality-assurance of operations.

Earnings, Finance and Risk

The 2019 financial statements have been prepared based on the going concern assumption.

The figures stated below include both the parent company and its subsidiaries. The 2018 figures are indicated in parenthesis.

In 2019, the company posted operating income of NOK 897 million (891), which includes gain on sale of one bulk carrier and two barges. Operating expenses totalled NOK 826 million (836). The operating result before depreciation and impairment (EBITDA) came in at NOK 196 million (186), while the operating result (EBIT) closed on NOK 71 million (55). Total depreciation and amortisation recognised in the financial statements amounted to NOK 131 million (131).

In light of developments in the company's markets, the Board and management have evaluated the need to recognise impairment losses or reverse previous impairment losses on vessels and other property plant and equipment. Generally, market value is considered higher than book value for the bulk vessels in our fleet. For two of the bulk vessels where

impairment losses have previously been recorded, the recoverable amount is now considered to be substantially higher than the book value. Previously recognised impairment losses adjusted for depreciation, were reversed for these two vessels with a total of NOK 37 million.

For the tank vessel a depreciation plan is used, that depreciates the value of the vessel down to an assumed value by recycling. Due to new rules for recycling of vessels within EEA/EU, this residual value is now estimated lower than previously. The difference is NOK 31 million, stated as impairment losses in the accounts. Net financial expenses for the period amounted to NOK 5 million (NOK 14). The company's share of the results of the companies UM Bulk AS and Ugland Supplier AS (50 per cent shareholdings), which have investments in respectively bulk carriers and PSVs, are recognised under net financial expenses. The result for the year before tax and minority interests came in at NOK 65 million (41). After minority interests of NOK 1 million, and taxes of NOK 1 million, the consolidated result for the

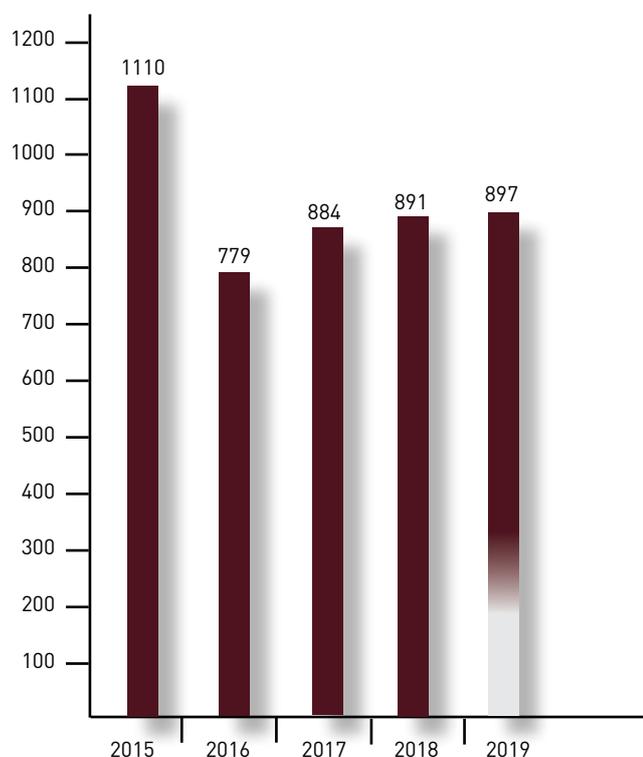
year closed on NOK 63 million.

The subsidiary Ugland Shipping AS owns 8 supramax bulk carriers and 3 ultramax bulk carriers. The company's earnings from the bulk carriers are impacted by market fluctuations. Although still relatively weak at the start of 2019, the market strengthened during the year, before falling again at the end of the year. Measured in USD, the market value of the bulk carriers was stable in 2019. The USD strengthened against NOK, with the result that the market values of Ugland Shipping's bulk carriers closed the year above book values. The bulk carrier Fermita was sold and delivered to new owners in July 2019. The sale generated a profit of NOK 15 million.

Of the four tankers operated in our fleet, one is fully owned. The tanker Vinland is owned by Ugland Shipping AS and has been fixed on a charter party in the North Sea.

As of 31 December 2019, Ugland Shipping AS owned a barge fleet comprising 14 units and one heavy lift crane vessel. The utilisation of the heavy lift crane vessel

Operating income (NOK million)



The Management:



Øystein Beisland
President

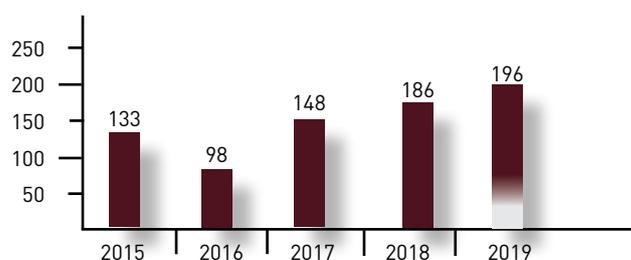


Arnt Olaf Knutsen
Exec. Vice President
Technical & HRM



Halvor Ribe
Exec. Vice President
Finance, Insurance & ICT

EBITDA - Operating results before depreciation (NOK million)



was strengthened while utilisation of the barges weakened compared to the previous year. During 2019, the barges UR 6 and UR 2 were sold. The sale generated a profit of NOK 5 million and NOK 9 million respectively.

Amortisation of loans and investments in vessels totalling NOK 506 million were made during 2019.

Ugland Supplier AS, which is jointly and equally owned by Ugland Offshore AS and a Norwegian co-investor, owns two platform service vessels (PSVs). In February 2020 the owners of Ugland Supplier AS have injected a total of NOK 20 million as increased capital. AS Uglands Rederi jointly and equally owns UM Bulk AS with a foreign co-investor. UM Bulk AS owns two supramax bulk carriers and two ultramax bulk carriers. Results from the two associates are recognised under other financial items in AS Uglands Rederi's financial statements.

AS Uglands Rederi and its subsidiaries have satisfactory liquidity, well adapted to the company's activities. The ratio

current assets to current liabilities as at 31.12.19 is 1.4. At short notice, the company can also access a loan under an unused credit facility. As of 31 December 2019, the unused credit facility amounted to NOK 192 million. At the same date, non-current interest-bearing liabilities comprised NOK 422 million of a total consolidated group balance of NOK 2 554 million.

At NOK 1 894 million, recognised equity constitutes 74 per cent of total assets.

The parent company AS Uglands Rederi posted a loss for the year of NOK -3 504 193. In 2019, a group contribution of NOK 40 000 000 to J.J. Ugland Holding AS was recorded.

Bulk Carriers

All the bulk carriers owned by Ugland Shipping AS are commercially operated by Ugland Bulk Transport AS (a flow through company owned by J.J. Ugland Holding AS, with the trading name UBULK Pool), while Ugland Marine Services AS is responsible for the technical management of the vessels.

A breakdown of the fleet is provided in note 2. At the reporting date, the pool operated 11 pool vessels with an average age of about 8.5 years. In 2019, pool revenues totalled NOK 334 million. In addition, Ugland Marine Services AS is responsible for technical and commercial management of the bulk carriers Belita, Olita, Ellenita and Lunita, which are owned by UM Bulk AS.

Historically the bulk fleet has been fixed on long-term charter parties. The weak bulk market over the past few years has made it difficult to source acceptable long-term charter parties for the vessels. Consequently, most of the vessels are being fixed on short-term charter parties (TCs), pending a recovery in the market. After a weak start in 2019, the market gradually improved and the period rates strengthened. Against this background, we have fixed two vessels on TCs until autumn 2020. One UM Bulk vessel has been fixed on a long-term TC until autumn 2023. The company's long-term objective of achieving a mix of short-term and longer-term charter parties remains unchanged. Three vessels are also deployed on indexed rates.

Ugland Shipping AS took delivery of the bulk carrier newbuild Jorita of 63 000 deadweight tonnes from Imabari Shipbuilding Co., Ltd. in January 2019. The vessel is commercially operated in the UBULK Pool and is fixed on an index-based TC-rate until the middle of 2021.

Ugland Shipping AS took delivery of the bulk carrier newbuild Sarita of 64 000 deadweight tonnes from Tsuneishi Heavy Industries, Cebu on the Philippines in November 2019. The vessel is commercially operated in the UBULK Pool and is fixed on an index-based rate until autumn 2020.

Ugland Shipping AS has one bulk carrier of 60 500 deadweight tonnes on order

from Sanoyas Shipbuilding Corporation, Japan. The vessel is due to be delivered in June 2020.

The bulk carrier *Fermita*, built in 2001, was sold and delivered to new owners in July 2019. As part of the fleet renewal, we are considering further sales of bulk carriers in 2020.

Tankers/PSV

The shuttle tanker *Vinland* is on TC to Equinor for operation in the North Sea. The Equinor contract is for a fixed period until May 2020, with options until August 2020. An agreement has been signed with OSM, Arendal, for technical management of *Vinland*.

Canship Uglund Ltd. in St. John's, Newfoundland, has management agreements for one ice-breaking bulk carrier, two oil/chemical tankers and two tugs operating in Canada, and also three shuttletankers operating internationally.

The PSV *Juanita* is on TC to Equinor until June 2021, with options until June 2024. In connection with the Equinor time charter, a battery/hybrid system has been installed making the vessel more energy-efficient and environmentally friendly.

The PSV *Evita II* was on a TC to the oil company CNOOC on the UK sector until November 2019. After a period in the spot-market, the vessel was fixed on a TC to ConocoPhillips Skandinavia AS until May/July 2020. An agreement has been signed with Vestland Management AS, Austevoll, for commercial and technical management of the vessel.

Uglund Offshore AS and Uglund Marine Services AS are responsible for the commercial and technical management of *Juanita* on behalf of Uglund Supplier AS.

Barges & Crane Vessel

The barges and the heavy lift crane vessel *Uglen* are operated in the Uglund Construction AS pool.

The 2019 sales for the heavy lift crane vessel *Uglen* has been good, however, for the barge fleet sales was significantly reduced compared to the previous year.

In 2019, the crane vessel *Uglen* performed assignments along the Norwegian Coast and in the Baltic Sea. In spring 2014 *Uglen* was refurbished and its lifting capacity upgraded from 600 to 800 tonnes. The upgraded lifting capacity has increased the vessel's market opportunities. The most important deployment for *Uglen* in 2019 was the lifting of modules for the development

of the Johan Sverdrup field and lifting of modules for the Njord project.

The barges traded in the North Sea, the Baltic Sea, the Gulf of Mexico and to the Far East. The most important market area has been transport of offshore modules and an offshore rig. In 2019, there has been little activity in the market for transport of wind mill components in European waters. We expect increased activity in this market in the coming years.

Insurance

In 2019, the hull and machinery, hull/freight interest and loss of hire insurances were renewed until 30 November 2020. The P&I insurance expires on 20 February 2021. War risk insurance is covered by Den Norske Krigsforsikring for Skib.

The total insurance coverage for the Group's fleet is NOK 4.1 billion.

Organisation, Health & The Environment

Uglund Marine Services AS is the commercial and/or technical manager of the bulk carriers, one shuttle tanker, one PSV vessel, 14 barges and the heavy lift crane vessel *Uglen*.

Uglund Marine Services AS owns 100 per cent of the shares in Uglund Marine Management AS, which is the crewing company for the shipping and offshore activities out of Grimstad, and 51 per cent of the shares in Canship Uglund Ltd., which is the technical, administration and crewing company for the Canadian activities.

At the end of 2019, a total of 769 persons was employed in the companies.

Office staff included 55 personnel employed by Uglund Marine Services AS in Grimstad and Stavanger and 23 personnel employed by Canship Uglund Ltd. in St. John's. Around 33 per cent of our total office staff are women. Vacancies are filled with the best qualified individuals, and the same practice is also used to avoid discrimination. The company employed 691 seafaring personnel including 454 Filipinos, 176 Canadians, 49 Norwegians, 6 Swedes and 6 other nationalities. Crew members' nationalities reflect the vessels' trading area.

The company has a long-standing partnership with a Philippine recruitment agency for vessels trading in international waters. The seafarers are employed on contracts complying with approved wage agreements in their respective countries.

The Group has procedures and guidelines allowing employees to report any censur-





HLY Uglen lifting at Åstifjordbrua



PSV Evita II, built in 2012

able conditions without fear of reciprocation. All reported matters are followed up through a specific investigation. If the investigation confirms the existence of censurable conditions, remedial actions will be implemented. Reporting routines are implemented based on Norwegian law. The Group has additionally arranged training courses for employees, and introduced routines to prevent corruption. The Group also contributes to measures to prevent money laundering. The Group supports the ten principles of the Global Compact, a UN initiative which focuses on universally sustainable business principles, irrespective of where business is conducted. Important areas covered in the Global Compact include human rights, labour standards, environment and anti-corruption, both within the company and for the company's sub-contractors. As a member of the Global Compact, the Group follows the Global Reporting Initiative as a standard for reporting and communicating the Group's work within the ten principles of the Global Compact. The Group's report is published on the website www.jjuc.no

No vessels were involved in any accidents causing serious damage or injuries, or environmental pollution during 2019. Absence due to illness onboard and onshore amounted to 1.5 per cent and 2.2 per cent respectively. We accord health, safety and the environment the

highest priority and continually strive to further reduce the risk of accidents and pollution. Two LTIs ("Lost-Time-Injury") were reported in 2019, which is above the company's goal.

Our bulk carrier Bonita was boarded by pirates on 2 November 2019 off Cotonou/Benin while she was at anchor. Nine of

the Filipino crew members were taken off the vessel, including the captain. The crew were held hostages in Nigeria for five weeks. On 6 December 2019, after a complex process, all were released. They were all in physical good shape, the conditions taken into consideration. The insurance companies, Norges Rederiforbund and authorities all contributed and





helped freeing the hostages. To combat piracy in the Gulf of Guinea, it is important that active efforts are being made towards the authorities of the countries in the Gulf of Guinea.

Shipping is an environmentally friendly mode of transport. Nonetheless, a number of measures can still be implemented

to further reduce any negative impacts on the environment. The shipping industry is encountering increasingly stringent environmental requirements and demands from both the authorities and customers. In recent years, the international authorities have adopted limits for the sulphur content of marine fuel in some exposed areas, and have heightened requirements in previously established areas. A significant greenhouse gas emission reduction can be achieved by focusing on reduced marine fuel consumption and by using low-sulphur marine fuel. New IMO regulations effective from 2020 means that the amount of sulphur in marine fuel is reduced from 3.5 per cent to 0.5 per cent. The resolution implies that all vessels have to use low-sulphur marine fuel, gas or install cleaning systems (scrubbers) which removes sulphur emissions to air. The implementation of the IMO 2020 regulations for our fleet has been according to plan and without major problems. We have decided to use low-sulphur marine fuel instead of installing scrubbers. New regulations for the treatment of ballast water were approved in September 2016, effective September 2017. We continuously keep abreast of changes in and the effect of new ballast water treatment systems.

Ballast water contains micro-organisms which could harm the local marine environment when transferred from one part of the world to another. The company prioritises the environment and has prepared a dedicated environmental policy and defined procedures and practices to achieve its environmental targets. Every year, we set specific targets designed to prevent or reduce negative impacts on the environment. Harmful emissions and energy consumption are recorded and subsequently accounted for in an annual report. In 2018, we installed a battery/hybrid system onboard PSV Juanita which has reduced the vessel's carbon emissions both in transit and while on DP. The vessel can be connected to onshore power when it is moored at quay.

Ugland Marine Services AS, Canship Ugland Ltd. and the vessels are certified according to IMO's "International Ship Management Code" (ISM). The vessels are also certified in compliance with "The International Ship and Port Security Code" (ISPS). Both companies are also certified to ISO 9001:2015 Quality Management, ISO 14001:2015 Environmental Management and OHSAS 18001 Occupational Health and Safety.



Transport of subsea structures on barge UR 96 for DeepOcean for Equinor's Snorre Expansion Project

Outlook

After a relatively good dry bulk market in 2018, most market participants were optimistic that the market would strengthen in 2019. However, the result shows that the average index rate for supramax bulk carriers was reduced from about USD 11 500 per day in 2018 to about USD 10 000 per day in 2019.

The Board of Directors assumes that the bulk market will be demanding in 2020. The dry bulk market rates have fallen at the beginning of the year. The reason being a combination of seasonal fluctuations and the outbreak of the Corona virus in China. We believe that the market balance will improve throughout 2020. However, this might change as a continued trade war between the US and China could lead to reduced trade and recession in the world economy and also the Corona virus outbreak in China becoming more widespread than today. The shuttle tanker Vinland is fixed on a time charter to Equinor until May 2020, with options until August 2020. The PSV segment has gradually improved and we are relatively optimistic for 2020. The barge market has been challenging in 2019, but we expect a gradual improvement in the second half of 2020.

With our modern and low-mortgaged fleet, the Board of Directors considers the company to be well equipped for the future. Two new bulk carriers were delivered in January and November 2019, and a further bulk carrier will be delivered in June 2020.

The supramax/ultramax dry bulk vessels owned by Ugland Shipping AS, most of whose capacity is fixed on short-term time charter parties to reputable charterers, will continue to operate in the Ugland Bulk Transport AS pool. Three of the vessels are chartered out on indexed TC rates, while two vessels are on fixed

time charter parties until autumn 2020. One bulk vessel owned by UM Bulk AS is also on a fixed time charter party until autumn 2023.

The contract coverage for Ugland Shipping AS' owned bulk vessels for 2020 is approximately 45 per cent. The dry bulk market was considerably weaker at the beginning of 2020 than expected. We still believe that the market will tighten during 2020. However, there is a lot of uncertainty associated with the developments in the world economy at the beginning of 2020.

The supply side, through reduced new-build orders, combined with scrapping of older vessels, provides reason for some optimism for the bulk market in the years to come. It is primarily the demand side which is uncertain.

We have utilised the low newbuild prices over the past couple of years to order several newbuilds at favourable prices. At the same time, we have decided to retain our oldest vessels in expectation of an increase in vessel values. We are considering selling several of our oldest vessels during 2020. The bulk vessel Fermita, built in 2001, was sold in July 2019.

Thanks to our fleet of modern, high-quality vessels, we are well positioned for a market upturn in the years ahead.

The company is actively endeavouring to reduce the vessels' operating expenses. We are pleased to have succeeded in this during the last few years, without compromising the safety of the vessels or crew or day-to-day operation of the vessels. We aim to achieve further reductions in 2020.

The barge fleet is expected to encounter higher activity in 2020 compared with

2019 due to more contracts within the offshore wind transportation segment. The heavy lift vessel Uglen is expected to encounter relatively good market conditions in 2020.

The shuttle tanker Vinland, which is owned by Ugland Shipping AS, is on a time charter to Equinor until May 2020, with options until August 2020. No decision has been made yet as to Vinland's future after August 2020.

The PSV Juanita is contracted to Equinor until June 2021, with options until June 2024. The charter rate is satisfactory given the market conditions for PSV vessels. As mentioned earlier, a battery/hybrid system was installed onboard Juanita in 2018. Evita II has been on contract to the oil company CNOOC until the end of November 2019. After a period in the spot market, the vessel is now on contract to ConocoPhillips Skandinavia AS until May/July 2020. We have seen that the increased activity from the oil companies lately has provided a lift in the period rates, which gives us hope for improvements in this segment in the time to come.

Our main priorities are safeguarding lives, the environment, vessels and cargo. Long-term relationships, financial solvency and liquidity are also high on our agenda.

Good customer relationships and financial strength, combined with experienced and dedicated employees, make AS Uglands Rederi and its subsidiaries a robust and serious player in their targeted market segments.

The Board of Directors would like to take this opportunity to thank our employees both onshore and offshore for their continued contributions to the safe operation of the company's vessels.

Grimstad, 25 February 2020

Peter D. Knudsen
Deputy Chairman

Jørgen Lund
Chairman

Knut N.T. Ugland

Stein Rynning

Bjørn Bodding

Øyvind R. Boye

Øystein Beisland
President

The 89th Annual Accounts

Income statement 01.01.-31.12 (NOK)

Consolidated				AS Uglands Rederi	
2019	2018			2019	2018
		NOTE	NOTE		
Operating income					
534 242 669	530 386 931			131 400	127 500
362 289 256	361 044 913			0	0
896 531 925	891 431 844	2		131 400	127 500
Operating expenses					
-410 333 951	-392 285 710	3/8	Salaries	-1 169 525	-884 275
-131 356 567	-130 549 314	4	Ordinary depreciation	0	0
-30 835 490	0	4	Impairment losses	0	0
36 612 210	0	4	Reversal of impairment losses	0	0
-289 878 575	-313 567 028		Other operating expenses	-11 050 907	-9 575 075
-825 792 373	-836 402 052		Total operating expenses	-12 220 432	-10 459 350
70 739 552	55 029 792		Operating result	-12 089 032	-10 331 850
Financial income and expenses					
-5 375 442	-21 461 708	6	Result from associated companies	-5 549 041	-20 824 130
0	0		Received group contribution/dividends	2 294 243	122 410 621
0	0		Interest income from group companies	10 773 818	6 525 893
15 419 882	13 082 613		Other interest income	13 677 565	12 722 248
4 862 616	10 304 095	13	Other financial income	4 078 956	15 555 261
-15 859 436	-12 008 981		Other interest expenses	-12 176 741	-11 611 021
-4 305 947	-3 848 813	13	Other financial expenses	-4 072 766	-3 659 028
-5 258 327	-13 932 794		Net financial items	9 026 034	121 119 844
65 481 225	41 096 998		Operating result before tax	-3 062 998	110 787 994
-1 359 422	-4 071 356	10	Tax on ordinary result	-441 195	-2 591 730
64 121 803	37 025 642		Result for the year	-3 504 193	108 196 264
-764 733	-1 150 230	11	Minority interests		
63 357 070	35 875 412		Consolidated result for the year		
Information regarding:					
			Transferred to retained earnings	11	-43 504 193
			Group contribution	11	40 000 000
			Total disposals		-3 504 193
					108 196 264

Balance sheet as of 31.12. (NOK)

Consolidated			AS Uglands Rederi	
2019	2018		2019	2018
		NOTE		
ASSETS				
Tangible fixed assets				
1 733 206 939	1 406 654 165	4	0	0
3 169 050	3 546 126	4	657 034	657 034
67 001 198	168 552 489	4	0	0
1 803 377 187	1 578 752 780		657 034	657 034
Financial fixed assets				
0	0		173 354 299	173 354 299
167 200 812	173 006 022	6	165 554 646	171 113 687
332 757 228	346 396 633	7	698 316 774	401 773 628
499 958 040	519 402 655		1 037 225 719	746 241 614
2 303 335 227	2 098 155 435		1 037 882 753	746 898 648
Current assets				
Receivables				
96 389 608	87 428 931	7	3 437 941	120 790 100
96 389 608	87 428 931		3 437 941	120 790 100
Bank deposits, cash etc.				
154 370 852	121 946 809	9	12 214 490	16 898 371
250 760 460	209 375 740		15 652 431	137 688 471
2 554 095 687	2 307 531 175		1 053 535 184	884 587 119

Consolidated				AS Uglands Rederi	
2019	2018			2019	2018
		NOTE			
EQUITY AND LIABILITIES					
Equity					
Paid-in capital					
2 160 610	2 160 610		Share capital (432 122 shares of NOK 5 each)	2 160 610	2 160 610
686 977	686 977		Other paid-in equity	686 977	686 977
Retained earnings					
1 882 008 905	1 858 049 251		Other equity	585 403 143	628 907 336
8 980 402	8 430 762		Minority interests	0	0
1 893 836 894	1 869 327 600	11	Total equity	588 250 730	631 754 923
Liabilities					
Provisions					
5 811 190	5 135 211	10	Deferred tax liability	2 168 787	1 727 592
52 438 608	48 944 536	8	Other provisions	0	0
58 249 798	54 079 747		Total provisions	2 168 787	1 727 592
Other non-current liabilities					
421 974 666	198 795 000	9	Liabilities to financial institutions	421 974 667	131 370 000
421 974 666	198 795 000		Total other non-current liabilities	421 974 667	131 370 000
Current liabilities					
414 070	410 555	10	Income tax payable	0	0
179 620 259	184 918 273	7	Other current liabilities	41 141 000	119 734 604
180 034 329	185 328 828		Total current liabilities	41 141 000	119 734 604
660 258 793	438 203 575		Total liabilities	465 284 454	252 832 196
2 554 095 687	2 307 531 175		Total equity and liabilities	1 053 535 184	884 587 119

Grimstad, 31 December 2019

25 February 2020

Peter D. Knudsen
Deputy ChairmanJørgen Lund
Chairman

Knut N.T. Ugland

Stein Rynning

Bjørn Bodding

Øyvind R. Boye

Øystein Beisland
President

Cash flow statement (NOK)

Consolidated				AS Uglands Rederi	
2019	2018			2019	2018
		NOTE	NOTE		
Cash flow from operating activities					
65 481 225	41 096 998			-3 062 998	110 787 994
5 375 442	21 461 708	6	6	5 549 041	20 824 130
-914 010	-1 843 546	10	10	0	0
-28 019 399	-21 017 417			0	0
-480 611	0			-480 611	0
131 356 567	130 549 314	4		0	0
30 835 490	0			0	0
-36 612 210	0	4		0	0
-453 009	-4 061 614			-4 276 454	-12 214 724
-9 754 643	-23 431 929			38 734 506	42 113 134
156 814 841	142 753 514			36 463 484	161 510 534
Cash flow from investing activities					
79 748 314	70 318 646			0	0
514 661	0			514 661	0
-401 568 899	-35 922 963	4		0	0
16 047 180	19 643 697			-293 013 380	26 823 263
-305 258 744	54 039 380			-292 498 719	26 823 263
Cash flow from financing activities					
-104 417 705	-148 184 576			-34 593 836	-134 149 576
325 945 190	0			325 945 190	0
-40 000 000	-40 000 000	11	11	-40 000 000	-40 000 000
-659 540	-782 775			0	0
180 867 945	-188 967 351			251 351 354	-174 149 576
32 424 043	7 825 543			-4 683 881	14 184 221
121 946 809	114 121 266			16 898 371	2 714 150
154 370 852	121 946 809			12 214 490	16 898 371

Notes to the accounts

Note 1 - Accounting principles

General

The Annual Report and Accounts has been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway (Norwegian GAAP).

The Annual Report and Accounts is translated into English for information purposes only.

Consolidation

The consolidated financial statements show the financial position and financial performance of the parent company and its subsidiaries presented as a single economic entity. In the consolidated statements all intercompany transactions and balances have been eliminated.

The consolidated accounts have been prepared in accordance with the same accounting principles for both parent and subsidiaries. Foreign subsidiaries are translated into NOK using the rate of exchange as of 31.12. Translation gain or loss is accounted for as change in consolidated equity.

Operating income/Operating costs

Freight income is recognised at the time of execution, and operating costs are recognised as expenses in the same period as the related income. Costs not related to future income are recorded as expenses as they occur. Allocations for periodical maintenance and classification costs are made over the period up to the actual time of drydocking.

Classification of assets and liabilities

Fixed assets include intangible, tangible and financial assets intended for long-term ownership and use in the business.

Other assets are current assets. Receivables to be paid within a year are always classified as current assets. The same principles are used for the classification of current and long-term liabilities.

Current assets are recognised at the lower of historical cost and net realizable value. Fixed assets are recognised at historical cost, but reduced to net realizable value if and when the reduction is considered permanent.

Foreign exchange

Monetary items in foreign currency are recognised at the rate of exchange as of 31.12.19, which for NOK/USD was 8.80.

As of 31.12.18 the rate of exchange was 8.70.

Fixed assets and depreciation

Fixed assets are valued at acquisition cost

less accumulated depreciation. Fixed assets are depreciated linearly over the estimated economic lifespan, which is 25 years for the bulk carriers, barges and the crane vessel. The depreciation plan for the shuttle tanker is 20 years with an estimated residual value.

Prepaid installments to shipyards for vessels under construction are recognised as fixed assets. Depreciation starts when the newbuild is delivered. Remaining future newbuild installments to shipyards are not recognised as debt on the balance sheet date, but are stated in note 9.

If recoverable amount of the fixed asset is lower than the book value, the asset is written down to recoverable amount. Recoverable amount is the higher of net realizable sales value and value in use. Value in use is the present value of future cash flows that the asset is expected to generate. Previous impairments made are reversed when the recoverable amount is considerably higher than the book value.

Upgrading costs of owned vessels are capitalized and written off over the remaining estimated economic lifespan.

Estimates

When preparing the annual accounts in accordance with Norwegian GAAP, management has used estimates and assumptions that has affected the income statement and the valuation of assets and liabilities, including any contingent assets and liabilities as of the balance-sheet date.

Cash flow

The cash flow statement is prepared under the indirect method.

Shares

Investments in subsidiaries are valued at acquisition cost.

The group and parent company have chosen to make use of the option to recognise investments in associated companies under the equity method. In the accounts of the parent company, the option is also used for associated companies owned through wholly-owned subsidiaries.

Taxes and change in deferred tax

Taxes consist of tax payable on the financial result and changes in deferred tax liability/asset. Deferred tax liability/asset is calculated on temporary differences between values for

taxation and those used for financial reporting. Tax-increasing and tax-reducing temporary differences are netted if they are reversed or reversible in the same period. A net deferred tax asset is only recorded in the balance sheet when utilization is considered probable.

The shipping activity in the Norwegian shipping companies is subject to the Norwegian tonnage tax regime for shipping companies. Under the present regime profits derived from shipping operations are tax exempt on a permanent basis. However, finance income can be taxable according to specific rules. Instead of being subject to ordinary tax on profit, the shipping companies are required to pay a tonnage tax based on the net tonnage of its ship portfolio.

Deferred tax asset related to financial loss carry-forward in shipping companies is not recorded in the balance sheet as there is uncertainty about its future application.

Pension schemes with defined future benefits

Pension costs and pension obligations are estimated and recognised on a straight line basis considering final salary. The calculations are based on a number of criteria such as discount rate, estimated future salary increases, pensions and benefits from National Insurance, future return on pension funds as well as actuarial assumptions related to age of death and voluntary attrition.

Pension funds are recognised at market value and are deducted in net pension obligations in the balance sheet. Adjustments in pension obligations due to pension scheme changes are distributed over anticipated remaining service period. Any adjustments in the obligations and the pension funds caused by changes and deviations in actuarial assumptions (estimate adjustments) are distributed over estimated average remaining service period, provided that the deviations at the beginning of the year exceed 7% or 10% (dependent on pension scheme) of the higher of the maximum gross pension obligations and pension funds.

Contribution pension schemes (Unit Link)

Contributions paid are five percent of salaries between 0G and 7.1G and eight percent of salaries between 7.1G and 12G. (G=statutory basic amount, currently NOK 99 858).

Operating pension schemes

Liabilities related to early retirement contracts are calculated using the same assumptions as for the defined benefit scheme and are recorded as pension obligations in the balance sheet.

Note 2 - Fleet / Sales revenue per area of activity

	Year built	DWT	Owner	% Share	Employment
Shuttle tanker					
VINLAND	2000	125 827	Ugland Shipping AS	100	TC
Supramax and Ultramax Bulk carriers					
ROSITA	2004	52 338	Ugland Shipping AS	100	Pool
FAVORITA	2005	52 220	Ugland Shipping AS	100	Pool
SE NORITA	2008	58 663	Ugland Shipping AS	100	Pool
CARMENCITA	2009	58 773	Ugland Shipping AS	100	Pool
ISABELITA	2010	58 080	Ugland Shipping AS	100	Pool
BONITA	2010	58 105	Ugland Shipping AS	100	Pool
KRISTINITA	2011	58 105	Ugland Shipping AS	100	Pool
STAR NORITA	2012	58 097	Ugland Shipping AS	100	Pool
LIVITA	2017	63 532	Ugland Shipping AS	100	Pool
JORITA	2019	63 532	Ugland Shipping AS	100	Pool
SARITA	2019	63 597	Ugland Shipping AS	100	Pool
Hull No. 1366	2020	60 500	Ugland Shipping AS	100	Pool/2020
Barges and crane vessel					
UR 3	1995	9 750	Ugland Shipping AS	100	Pool
UR 5	1996	9 750	Ugland Shipping AS	100	Pool
UR 7	1999	9 750	Ugland Shipping AS	100	Pool
UR 8	1999	9 750	Ugland Shipping AS	100	Pool
UR 93	2001	9 040	Ugland Shipping AS	100	Pool
UR 95	2001	9 025	Ugland Shipping AS	100	Pool
UR 96	2008	9 025	Ugland Shipping AS	100	Pool
UR 97	2008	9 025	Ugland Shipping AS	100	Pool
UR 98	2011	9 025	Ugland Shipping AS	100	Pool
UR 99	2011	9 025	Ugland Shipping AS	100	Pool
UR 141	1993	14 011	Ugland Shipping AS	100	Pool
UR 171	2011	16 800	Ugland Shipping AS	100	Pool
UR 901	2013	9 019	Ugland Shipping AS	100	Pool
UR 902	2013	9 019	Ugland Shipping AS	100	Pool
UGLEN	1978	2 600	Ugland Shipping AS	100	Pool

Sales revenue per area of activity	Consolidated 2019	Consolidated 2018
Shuttle tanker	140 960 451	110 056 595
Bulk carriers	315 022 868	314 831 911
Barges and crane vessel	49 963 115	75 704 726
Gain on sale of vessels/barges	28 019 399	21 017 417
Invoiced vessel costs/Management fee	362 566 092	369 821 195
	896 531 925	891 431 844

The shuttle tanker operated in the North Sea.

The barges and the crane vessel mainly traded in the North Sea.

Income from the bulk carriers was generated worldwide.

Note 3 - Salaries, number of employees and remuneration

Salaries etc.	Parent Company 2019	Parent Company 2018	Consolidated 2019	Consolidated 2018
Salaries	1 025 000	775 000	343 745 370	323 161 629
Employment duty	144 525	109 275	23 122 731	23 050 011
Other salary related costs	0	0	26 963 874	28 625 804
Pension costs	0	0	16 501 977	17 448 266
	1 169 525	884 275	410 333 951	392 285 710

(2018 figures in brackets)

Average full time employees - office	75 (74)
Average full time employees - seafarers	700 (689)

The president receives his salary from the subsidiary Ugland Marine Services AS. The president and board members do not have share based remuneration, bonus or severance pay. Pension benefits are accounted for in note 8.

Auditor

Auditor's remuneration (exclusive of VAT) from the parent company was NOK 127 000 (consolidated 837 208). In addition, the auditor received fees related to tax consultancy and accounting advice in the amount of NOK 44 500 (consolidated 121 051) and NOK 79 500 (consolidated NOK 211 687) respectively. In addition NOK 16 000, consolidated, was remunerated for other certifications.

Salaries etc. to the President and Board of Directors	President	Board of Directors
Salaries	2 500 098	1 025 000
Other benefits	18 235	0

Note 4 - Tangible fixed assets - vessels, vessels under construction and barges / Tenancy agreements

	Parent Company		Consolidated	
	Other Assets	Vessels	Other Assets	Total
Cost price 01.01.	657 034	2 784 712 748	10 617 335	2 795 330 083
Additions	0	400 454 211	1 114 688	401 568 899
Disposals	0	-168 712 983	-751 017	-169 464 000
Currency adjustments	0	0	46 324	46 324
Cost price 31.12.	657 034	3 016 453 976	11 027 330	3 027 481 306
Acc. depreciation and impairment	0	-1 216 245 838	-7 858 282	-1 224 104 120
Book value 31.12.	657 034	1 800 208 138	3 169 048	1 803 377 187
Depreciations 2019	0	129 818 473	1 538 094	131 356 567
Impairments 2019		30 835 490		30 835 490
Reversed impairments 2019		-36 612 210		-36 612 210

Tenancy agreements

AS Uglands Rederi and its subsidiaries have three long-term office tenancy agreements. Total rent recorded through the year was NOK 5 089 018.

Note 5 - Shares in subsidiaries

	Office	Ownership and voting share	Book Value
Ugland Shipping AS	Grimstad	100%	150 150 000
Ugland Offshore AS	Grimstad	100%	124 029
Ugland Marine Services AS	Grimstad	100%	23 080 270
Total			173 354 299

Note 6 - Shares and ownership interests in other companies

Company	Office location	Ownership share	Book Value 01.01.	Additions/ disposals 2019	Share of result after tax	Book Value 31.12
Associated companies:						
UM Bulk AS	Grimstad	50%	73 523 131	0	3 694 710	77 217 841
Ugland Supplier AS	Grimstad	50%	97 580 561	0	-9 243 756	88 336 805
Other company:						
Bjoren AS	Bygland	3.9%	10 000	-10 000	0	0
Total parent company			171 113 687	-10 000	-5 549 041	165 554 646
Associated company:						
11030 Newfoundland Inc.	Canada	45.34%	1 892 329	0	173 599	1 646 160
Total consolidated			173 006 022	-10 000	-5 375 442	167 200 812

Associated companies are recognised under the equity method.

Note 7 - Receivables, liabilities and related party transactions

	Parent Company		Consolidated	
	2019	2018	2019	2018
Pension funds	0	0	22 715 121	21 808 006
Receivables associated companies	276 342 107	292 153 627	276 342 107	292 153 627
Receivables subsidiaries	421 974 667	109 620 001	0	0
Other receivables falling due after one year	0	0	33 700 000	32 435 000
Total long-term receivables	698 316 774	401 773 628	332 757 228	346 396 633
Intercompany receivables / liabilities				
Long-term receivables group companies	0	0	33 600 000	31 060 000
Short-term receivables group companies	0	0	2 031 930	4 313 647
Short-term liabilities group companies	0	0	-19 765 202	-19 263 384
Short-term liabilities subsidiaries	0	-78 753 817	0	0
Short-term receivables subsidiaries	560 502	120 000 000	0	0
Short-term liabilities parent company	-40 000 000	-40 000 000	-44 456 202	-41 753 918

Related parties - transactions	Parent Company		Consolidated	
	2019	2018	2019	2018
Income				
Ugland Marine Services AS - rental income	131 400	127 500	0	0
Ugland Bulk Transport AS - freight income	0	0	309 135 695	313 311 911
Ugland Construction AS - freight income	0	0	49 963 115	73 164 101
J.J. Ugland Holding AS - administration fee	0	0	2 016 000	1 953 000
Vikkilen Industri AS - administration fee	0	0	1 641 000	1 590 000
J.J. Ugland AS - administration fee	0	0	1 641 000	1 590 000
Ugland Bulk Transport AS - other fees	0	0	18 855 335	18 478 698
Ugland Construction AS - other fees	0	0	9 440 900	0
AS Nymo - other fees	0	0	2 292 000	2 380 500
Ugland Supplier AS - administration fee	0	0	2 936 268	3 436 477
UM Bulk AS - other fees	0	0	8 845 808	8 066 551
UM Bulk AS - interest income	13 361 987	12 638 501	13 361 987	12 638 501
J.J. Ugland Holding AS - interest income	0	0	291 201	299 783
Ugland Construction AS - interest income	0	0	70 294	101 839
Expenses				
Ugland Marine Services AS - administration fee	-10 500 000	-9 000 000	0	0
Ugland Marine Services AS - interest income	-1 240 404	-761 674	0	0
J.J. Ugland AS - rent	0	0	-3 030 000	-2 846 563
Knut N.T. Ugland - rent	0	0	-80 286	-80 286
Ugland Bulk Transport AS - interest expenses	0	0	-673 797	-742 619

Note 8 - Provisions and pensions

	Consolidated	
	2019	2018
Provisions for maintenance and classification	46 509 283	42 823 871
Pension obligations	5 929 325	6 120 665
Total	52 438 608	48 944 536

The parent company has no employees and therefore no obligations under the compulsory company pension act. Subsidiaries with a staff have a pension scheme which entitles 68 people to receive defined future pension benefits. Additionally, 78 employees in Norway have joined a contribution pension scheme (Unit Link). The previous defined future pension benefits pension scheme for sea-faring personnel has been replaced with a contribution pension scheme. The previous defined future pension benefits pension scheme is considered discontinued at the end of 2019. All pension schemes are covered through an insurance company and comply with the regulations set forth in the pension act. As from now, pension schemes with defined future benefits are closed and future shore based employees will join the contribution pension scheme (Unit Link). One subsidiary company also has early retirement pension scheme obligations for one employee.

In addition, a contribution pension scheme (Unit Link) has been entered into for 199 Canadian employees.

Note 8 - Provisions and pensions (continued)

	Consolidated	
	2019	2018
Service costs	3 121 260	3 495 503
Interest cost on pension obligations	3 746 697	3 323 332
Expected return on pension funds	-5 971 776	-4 881 361
Amortisation of actuarial gain/loss	3 408 561	4 337 120
Pension scheme change	483 535	237 291
Administration costs	1 010 051	920 012
Payment to contribution pension scheme	9 437 646	9 010 309
Social security tax	1 266 004	1 162 474
Charged other companies	0	-156 416
Net pension costs	16 501 977	17 448 266

	2019	2018
Pension obligations operating pension schemes		
Projected pension obligation as of 31.12.	-6 131 791	-6 171 240
Unrecognised actuarial gain/loss	935 188	806 941
Social security tax	-732 721	-756 366
Recognised gross pension obligation	-5 929 324	-6 120 665

	2019	2018
Net pension funds		
Accrued pension obligations as of 31.12.	-144 735 579	-143 722 845
Pension scheme assets as of 31.12.	128 986 345	139 359 843
Unrecognised actuarial gain/loss	38 464 355	26 171 008
Net pension fund as of 31.12.	22 715 121	21 808 006

Net pension funds are included under long-term receivables in the balance sheet.

	2019	2018
Actuarial assumptions		
Discount rate	1.8%	2.6%
Assumed return on pension funds	4.2%	4.3%
" salary increase	2.25%	2.75%
" statutory basic amount increase (cf note 1)	2.00%	2.50%
" pension benefit increase	1.2%	1.2%

Estimated voluntary attrition before retirement age is 0-8% for employees under 50 years and zero after 50 years. The actuarial assumptions are based on demographic factors normally used within the insurance industry.

Note 9 - Mortgage liabilities/Guarantees/Pledged assets

	Consolidated
Liabilities secured by mortgage	
Liabilities to financial institutions	421 974 666
Book value of pledged assets	1 364 370 045

Future income and insurances related to mortgaged assets are pledged as security for liabilities to financial institutions. NOK 218 533 336 of the group long-term liabilities to financial institutions fall due after 31.12.2024.

The company's loan agreements includes minimum value clause, minimum liquidity and minimum equity requirements. Debt to financial institutions are denominated in USD, with interest rate being the sum of a fixed margin and USD LIBOR 6M.

	Consolidated				
	2020	2021	2022	2023	2024
Debt due	22 865 333	28 717 333	110 850 664	20 504 000	20 504 000

Remaining instalments on vessel newbuild contracts amounts to NOK 154 000 000 at year end, and are not recognised as liabilities in the balance sheet.

Restricted consolidated bank deposits as of 31.12.2019 amounted to NOK 4 045 275.

Note 10 - Taxes

	Parent Company		Consolidated	
	2019	2018	2019	2018
Current year's tax expense				
Tax payable	0	0	683 443	1 648 789
Change deferred tax	441 195	2 591 730	675 979	2 422 567
Income tax expense	441 195	2 591 730	1 359 422	4 071 356
Tax payable as of 31.12.				
Recognised tax payable	0	0	683 443	1 648 789
Prepaid tax Canada	0	0	-269 373	-1 238 234
Tax payable as of 31.12.	0	0	414 070	410 555
Reconciliation of effective rate and applicable corporate tax rate				
Result for the year before tax	-3 062 998	110 787 994	65 481 225	41 096 998
Expected income tax, nominal tax rate	-673 860	25 481 239	14 405 869	9 452 310
Tax effect of the following items				
Non-deductible expenses/non-taxable income	610 321	-22 810 982	-13 493 189	-5 597 813
Withholding tax paid	0	0	32 674	39 723
Effect of tax rate adjustments	0	-78 527	0	-233 418
Group contributions	504 733	0	0	0
Tax on financial result shipping company	0	0	414 070	410 555
Tax expense	441 195	2 591 730	1 359 422	4 071 356

Specification of change in deferred tax:	Parent Company		Consolidated	
	2019	2018	2019	2018
Deferred tax 01.01.	1 727 592	-864 138	5 135 211	2 712 644
Change recognised in income statement	441 195	2 591 730	675 979	2 422 567
Deferred tax/tax asset 31.12.	2 168 787	1 727 592	5 811 190	5 135 211

Specification of tax asset/liability effect of temporary differences	Parent Company		Consolidated			
	2019	2018	2019		2018	
	Tax Liabilities	Tax Assets	Tax Assets	Tax Liabilities	Tax Assets	Tax Liabilities
Tangible fixed assets	0	0	0	100 477	0	177 285
Pension obligations / funds	0	0	0	16 785 796	0	15 687 359
Unrealised currency gain/loss	34 112 799	29 836 345	0	34 112 799	0	29 836 345
Tax loss carry-forward	-24 254 675	-21 983 652	24 584 581	0	22 359 120	0
Total 31.12	9 858 124	7 852 693	24 584 581	50 999 072	22 359 120	45 700 989
Net deferred tax asset/liability (22%)	2 168 787	1 727 592		5 811 190		5 135 211

Under the Norwegian tonnage tax regime for shipping companies, tax is paid on finance income and high equity ratio according to special rules and defined limits. Instead of ordinary tax on income earned, the company pays a tonnage tax which is recorded as an ordinary operating expense. The tonnage tax of NOK 1 305 076 (2018: NOK 1 178 332) is recognised in the consolidated accounts and classified as an ordinary operating expense.

Note 11 - Equity

	Share Capital	Other Paid-in Equity	Other Equity	Minority Interests	Total
Parent Company					
Equity 31.12.18	2 160 610	686 977	628 907 336	0	631 754 923
Result for the year	0	0	-3 504 193	0	-3 504 193
Group contribution	0	0	-40 000 000	0	-40 000 000
Equity 31.12.19	2 160 610	686 977	585 403 143	0	588 250 730
Consolidated					
Equity 31.12.18	2 160 610	686 977	1 858 049 251	8 430 762	1 869 327 600
Result for the year	0	0	63 357 070	764 733	64 121 803
Group contribution/dividend	0	0	-40 000 000	-659 540	-40 659 540
Currency adjustments	0	0	602 584	444 447	1 047 031
Equity 31.12.19	2 160 610	686 977	1 882 008 905	8 980 402	1 893 836 894

AS Uglands Rederi's shareholders

The share capital consists of 432 122 shares with a total nominal value of NOK 2 160 610. All shares have equal rights.

Shares owned directly and indirectly:

J.J. Ugland Holding AS	389 961 shares
Knut N.T. Ugland	<u>42 161 shares</u>
Total	<u>432 122 shares</u>

J.J. Ugland Holding AS owns 90.24% of the shares in AS Uglands Rederi and prepares its own consolidated accounts.

Note 12 - Financial market risks / Financial instruments

AS Uglands Rederi and its subsidiaries are only to a limited extent exposed to fluctuations in exchange rates since the debt, operating income and most of the expenses are in USD. In the second-hand market the bulk vessels and shuttle tanker are valued in USD.

In order to secure future USD exchanges against NOK, the subsidiary Ugland Shipping AS has entered into a forward contract for an amount of USD 2 400 000 with due date in May 2020. The market value of this contract is NOK -1 301 667 as per 31.12.2019. This effect has not been recorded in the balance sheet at year end.

Note 13 - Other financial items

	Parent Company		Consolidated	
	2019	2018	2019	2018
Currency loss (disagio)	0	0	0	0
Other financial items	-4 072 766	-3 659 028	-4 305 947	-3 848 813
Other financial expenses	-4 072 766	-3 659 028	-4 305 947	-3 848 813
Currency gain (agio)	3 598 345	15 537 252	4 360 686	10 264 670
Other financial items	480 611	18 009	501 930	39 425
Other financial income	4 078 956	15 555 261	4 862 616	10 304 095



RSM Norge AS

To the General Meeting of AS Uglands Rederi

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Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of AS Uglands Rederi showing a loss of NOK 3 504 193 in the financial statements of the parent company and profit of NOK 64 121 803 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company AS Uglands Rederi (the Company), which comprise the balance sheet as at 31 December 2019, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of AS Uglands Rederi and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2019, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING

RSM Norge AS is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Norge AS or medlem av is a member of Den norske Revisørforening.

continued..



Independent Auditor's Report 2019 for AS Uglands Rederi

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to <https://revisorforeningen.no/revisionsberetninger>

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Arendal, 25 February 2020
RSM Norge AS

Johan Bringsverd
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

Operated Fleet as of May 2020

Supramax and Ultramax Bulk Carriers			
Vessel Name		DW tonnes	Year built
MV BELITA		60 479	2017
MV BONITA		58 105	2010
MV CARMENCITA		58 773	2009
MV ELLENITA		57 501	2015
MV FAVORITA		52 220	2005
MV ISABELITA		58 080	2010
MV JORITA		63 532	2019
MV KRISTINITA		58 105	2011
MV LUNITA		57 572	2014
MV LIVITA		63 532	2017
MV OLITA		60 495	2017
MV ROSITA		52 338	2004
MV SARITA		63 597	2019
MV SENORITA		58 663	2008
MV STAR NORITA		58 097	2012
MV UMIAK 1 *)		31 992	2006
1 Newbuild - 60 500 dwt		60 500	2020
17 Vessels		973 581	

Tankers			
Vessel Name		DW tonnes	Year built
MT GERD KNUTSEN *)		146 273	1996
MT HEATHER KNUTSEN *)		148 644	2005
MT JASMINE KNUTSEN *)		148 706	2005
MT VINLAND **)		125 827	2000
NORTH ATLANTIC KAIROS *)		3 569	2008
CL AQUARIUS *)		3 569	2007
6 Vessels		576 588	

PSV				
Vessel Name		Deck Area	DW tonnes	Year built
MV EVITA II ***)		1 005 m ²	5 433	2012
MV JUANITA		1 016 m ²	5 456	2014
2 Vessels			10 889	

Tugs / Icebreaking passenger&cargo vessel			
Vessel Name		DW tonnes	Year built
PLACENTIA PRIDE *)		N/A	1998
PLACENTIA HOPE *)		N/A	1998
NORTHERN RANGER *)		662	1986
3 Vessels		662	

*) Managed by Canship Uglund Ltd. **) Managed by OSM Ship Management AS ***) Managed by Vestland Management AS

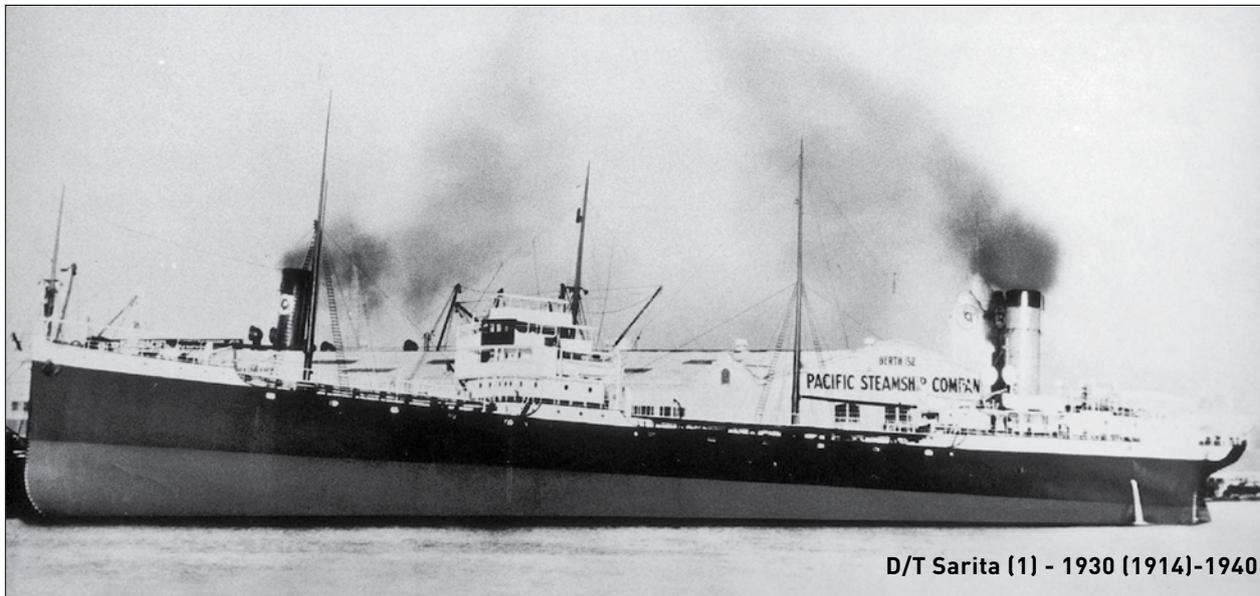
Operated Fleet as of May 2020 continued

HLV & Barges		
Vessel Name	DW tonnes	Year built
HLV UGLEN 800 t crane	2 600	1978
Barge UR 3	9 750	1995
Barge UR 5	9 750	1996
Barge UR 7	9 750	1999
Barge UR 8	9 750	1999
Barge UR 93	9 040	2001
Barge UR 95	9 025	2001
Barge UR 96	9 025	2008
Barge UR 97	9 025	2008
Barge UR 98	9 025	2011
Barge UR 99	9 025	2011
Barge UR 141	14 011	1993
Barge UR 171	16 800	2011
Barge UR 901	9 019	2013
Barge UR 902	9 019	2013
15 Units	144 614	
Total Operated Fleet	43 units	1 706 334 dwt

THE MAIN PRIORITIES FOR OUR TEAM OF PROFESSIONALS ARE TO ENSURE THE SAFETY AND SECURITY OF LIFE, THE ENVIRONMENT, VESSEL AND CARGO. IN ADDITION, EMPHASIS IS PLACED ON LONG-TERM RELATIONSHIPS, SOLIDITY AND STRONG LIQUIDITY

AS Uglands Rederi 90 years - The Sarita story

The history of today's J.J. Ugland Companies begins with the purchase of D/T Melania in 1930. A newly incorporated AS Uglands Rederi bought the tanker from the Anglo-Saxon Petroleum, Co. Ltd (Shell), and the vessel was chartered back to Anglo-Saxon for 10 years. The tanker was renamed Sarita after Mrs. Sarita Ugland (1892-1981), the wife of founder Mr. Johan Milmar Ugland (1881-1960), and since then there has almost continuously been a ship bearing that name in the Ugland fleet.



D/T Sarita (1) - 1930 (1914)-1940

D/T Sarita (Sarita 1), a ship of 8 540 dwt, was built in 1914 at Craig, Taylor & Co. Ltd. in England. The terms of the charter were five years at 5 sh 6 d per dwt, followed by 5 sh for the remaining period.

After some difficulties the first two years the operation ran smoothly, and many sailors from the southern coast of Norway made her acquaintance.

The ship's history ended in 1940 off Trinidad where she was firstly torpedoed and then sunk by cannon fire from a German submarine. However, the entire crew was picked up by a British steamship four days later.

M/T Sarita (Sarita 2)

In 1947, AS Uglands Rederi ordered a tanker of about 16 000 dwt from AB Gøtaverken, to be delivered in 1952.

The contracted price was 6 million Swedish kroner, but with the increasing cost of materials and salaries, the final price was 12

million kroner, exactly twice the original amount.

The ship was named by Mrs. Sarita Ugland and was chartered to the Anglo-Saxon Petroleum Co. Ltd. (Shell), before delivery, for 5 years at a satisfactory rate.

M/T Sarita was a reliable ship, and

apart from two minor collision damages, she never suffered serious breakdowns.

The freight income was steady, but gradually the operating expenses were too high for a tanker of that size, and a sale was the only way out. The ship was sold in 1965.



M/T Sarita (2) - 1952-1965

M/T Sarita/HLCS Sarita (Sarita 3);

The third tanker by the name of Sarita was also named by Mrs. Sarita Ugland and delivered in 1965 from Øresundsvarvet.

The 51 879 tdw tanker was one of the largest ships built by the yard at the time. The vessel was delivered in a low freight soft tanker market, with her first charter to BP at Interscale plus 10 percent.

It was never difficult to obtain contracts for the ship, but at rather low rates until the closing of the Suez canal in 1967. The demand for tankers was now high, and in one year (1968-1969), Sarita experienced an income of 15 million kroner which was most satisfactory, taking the investment of 32 million into consideration. However, the tanker market collapsed, and in 1975 the operating expenses were so high and the market rates so low that AS Uglands Rederi ceased their expansion in the tanker trade



M/T Sarita (3) – 1965-1975

and focused their interests in other trades.

When the idea of converting the tanker to a crane ship arose, this was found as the most favourable solution.

So the story of the tanker Sarita

ended in 1975, but this year also marked the beginning of a new and exciting chapter in the history of AS Uglands Rederi.

The conversion from tanker to crane ship started as early as July 1975 at AS Nymo in Grimstad, and the final outfitting took place in Bergen and at Stord. In the autumn of 1976 Sarita rose again as one of the world's largest crane ships.

Her first contract, for Phillips Petroleum Company on the Ekofisk field, started immediately after the trials and lasted for 14 months. During these months Sarita installed 6 of the major drilling/production platforms.

In 1978 the crane ship headed for the US Gulf and later on the Bay of Campeche in Mexico, where Sarita remained until December 1983. During these years Sarita installed 55 complete platforms of various dimensions and complexity.

The final job under the ownership of AS Uglands Rederi was the installation of the Eureka platform off Long Beach, California, - the largest jacket so far installed at the US West Coast, and the sixth largest ever installed.

In October 1984 the crane ship was sold and delivered to her new owners after having served the company for 19 years.



HLCS Sarita (3) – 1975-1984



M/T Sarita (4) – 1986

M/T Sarita (Sarita 4), a shuttle tanker of 124 474 tdw, was built at Daewoo Shipbuilding and Heavy Machinery Ltd. in South Korea, delivered in June 1986.

The vessel was named by Mrs. Wenche Øxnevad in a ceremony at Mongstad, Norway. Sarita entered into a 10-year charter party with Statoil for transport of oil from the Gullfaks field.

The tanker was the first shuttle tanker with double bottom and double side tanks and equipped with two main engines, two propellers and two rudders.

She was flying Norwegian flag and all officers and crew were Norwegians. Sarita operated very well without any serious accidents.

The economic result was satisfactory, but the operating costs were high due to the short and frequent voyages, mainly from the Gullfaks and Statfjord oil fields to various North Sea ports.

Sarita was transferred to Interocean Ugland Management in connection with the demerger of AS Uglands Rederi in 1996.

She continued as a shuttle tanker, owned by various companies until 2009, and has since then operated as a FPSO off Qatar, and is still in service there, by the name Falcon Spirit.

MV Sarita (Sarita 5), a 64 000 tdw ultramax bulk carrier, is the latest vessel by this historic name. The vessel was delivered from Tsunishi Heavy Industries (Cebu) Inc., and named by sponsor Ms. Mari Helene Aas, in November 2019. The vessel is on a one-year charter to Swire, Singapore.



MV Sarita (5) – 2019



MV Sarita (5) – 2019

Vinland financed 19 years in the same bank

Last autumn, the Vinland bank loan was redeemed. The lender was The Bank of Nova Scotia, one of Canada's largest banks. The bank financed Vinland when the vessel was delivered in 2000. At the time, several banks participated in a loan syndicate led by The Bank of Nova Scotia.

The shuttletanker Vinland was built in South Korea to enter into a 10-year charter party to serve the oil fields on the Grand Banks off Newfoundland in Canada. This was a very large investment for The J.J. Ugland Companies. As a result of the long charter party with a group of seven oil companies, the loan syndicate could offer higher leverage ratio than usual.

After many years, the loan agreement was replaced with a new extended loan agreement with The Bank of Nova Scotia. Several years thereafter the loan was again extended. When the 10 year charter party in Canada came to an end, 7 years on a charter party with Petrobras in Brazil followed. For the last couple of years, the vessel has operated in the North Sea on charter to Equinor. All the time, the vessel has been financed through The Bank of Nova Scotia. During these years, the loan had been steadily repaid, and we made our final payment last autumn. It is not often that a bank finances the same vessel for 19 years.



From left: Exec. Vice President Halvor Ribe and Director Matt Tuskin

During all these years, there has been a close and trusting cooperation between the bank and Ugland. For The J.J. Ugland Companies, this is an example of a very long-term and strong relationship, which we have greatly appreciated.

Vinland has also been shown attention by the bank. As the vessel transported oil on the East Coast

of Canada, the bank asked our permission to use a photo of Vinland in their Annual Report.

Earlier this year, a meeting was held in London between the bank's customer contact Mr. Matt Tuskin and Mr. Halvor Ribe from Ugland to mark the redemption of the Vinland loan and thus ending this long and close cooperation.



Corporate Social Responsibility

Global Compact - Communicating on Progress

AS Uglands Rederi has traditionally had and has a strong focus on sustainable business practice. Safety has always been the number one priority, but other key elements such as environmental and social impact as a consequence of conducting our business receive increased focus. Knowing that company activities affect society in many ways, and that the company is affected by its surroundings, it is important for AS Uglands Rederi to contribute to creating and maintaining a

positive and sustainable shipping environment.

As a consequence of the above, AS Uglands Rederi joined the UN Global Compact during 2012. The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, the environment and anti-corruption. This has

been integrated, as part of the AS Uglands Rederi company policy, and the corporate culture.

As a member of this initiative an annual "Communication on Progress" is required, and has been submitted, which is available on the Global Compact website. This is a public disclosure to stakeholders on progress made in implementing the ten principles.

The UN Global Compact ten principles

HUMAN RIGHTS		(GRI Reference)
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and	G4-HR 3, 5
Principle 2	Businesses should make sure that they are not complicit in human rights abuses.	G4-HR 3, 5
LABOUR STANDARDS		
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	G4-10, 11, G4-LA 1,
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labour;	G4-HR 3, 4
Principle 5	Businesses should uphold the effective abolition of child labour;	G4-HR 3, 4
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	G4-10, 11 G4-LA 1, G4-HR 3
ENVIRONMENT		
Principle 7	Businesses should support a precautionary approach to environmental challenges;	
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility; and	G4-EN-3, 6, 8, 15*, 19*, 21*, 23, 24
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies.	
ANTI-CORRUPTION		
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	G4-SO 3

* Partly reported ** Note, GRI reference above are standard disclosures and core elements only



Implementation of the UN Global Compact ten principles 2019

The most important corporate social engagement is to provide a safe, sustainable and long term business and work environment for the employees, business partners and the local community.

AS Uglands Rederi (UR) supports several initiatives in various communities, believing that social engagement in communities where business is conducted, contributes to creating shared value for both the company and society as a whole. UR is engaged in different social activities both in Norway and in the Philippines, seeking to continually renew and improve its approach to the local community.

In accordance with ISO standards, efforts to ensure continuous improvement in safety and environmental performance remain points of focus. Reducing energy consumption, thereby reducing emissions, and seeking environmentally friendly technologies are important, both for the company and its stakeholders.

Examples of focus areas and programs for 2019:

- Reduction of garbage volume to shore through use of garbage compactor
- Increase sludge delivery to shore

- facilities; reduced incineration
- Participate in client fuel reduction incentive program
- Optimization of battery hybrid unit on one of the PSV's
- Optimization of shore power connection and time for one of the PSV's and the HLV
- Increased recycling of office plastic waste
- Continuous focus on reducing paper usage, office building upgrades, facilitate EL bicycle and car charging
- IMO 2020 Low Sulphur fuel transition for vessels and disconnect office oil furnace

During the past years, as part of the company's fleet renewal program, 4 newbuilds eco design ultramax bulk carriers (MV Livita, MV Olita, MV Belita, MV Jorita) have been delivered and are in operation. One ultramax bulk carrier (MV Sarita) was delivered in November 2019 and directly commencing operation. In addition one ultramax bulk carrier newbuild of eco design is scheduled for delivery in June 2020.

UR supports and respects the protec-

tion of internationally proclaimed human rights, and as a consequence, the Supplier Declaration process remains in use (a questionnaire to suppliers related to Quality, Environment, Social Responsibility, Transparency and Health & Safety). The supplier declaration provides guidance when choosing suppliers identifying those that support a precautionary approach to environmental and social challenges, undertake initiatives to promote greater environmental responsibility, and encourage the development and diffusion of environmentally friendly technologies. UR through policy and procedures strives not to contribute to any kind of forced labour, child labour and discrimination in respect of employment, occupation, gender, age and culture.

UR procedures and guidelines related to averting corruption through gifts and other more specific office related subjects remain a focus point especially onboard the vessels.

UR continues to collaborate with NSA in combating corruption on specific cases as they arise.

MV Bonita - Attacked by pirates

Our bulk carrier Bonita was boarded by pirates on 2 November 2019 off Cotonou/Benin while she was at anchor. Nine of the Filipino crew members were taken off the vessel, including the captain. The crew were held hostages in Nigeria for five weeks. The following press release was published after the hostages were released:



FREE AND SAFE: Eight of the nine hostages from MV Bonita en route to Manila, the ninth crew member is behind the camera. Executive Vice President in Umland, Arnt Olaf Knutsen, behind

We are delighted to confirm that late on Friday evening, December 6, 2019, the nine crew members from MV Bonita held as hostages, were released in Nigeria and brought to a safe place in southern Nigeria, after 35 days in captivity.

All crew members have gone through medical examinations Friday and Saturday. The doctor declared all nine fit to fly/travel on Saturday.

Needless to say, the captivity has been a very difficult experience for them. The crew members will receive further care and follow up after arrival in the Philippines. Umland will continue to work with our crew members throughout their recovery process.

After being safely transported out of Nigeria, the crew members have now safely arrived in Manila, Philippines, to reunite with their families and colleagues.

Representatives from Umland headquarters in Grimstad, Norway and other parties have been actively engaged in the process of bringing the hostages home and have been present both in Nigeria and the Philippines.

We are very thankful and relieved that the crew are now free and back home.

President Øystein Beisland says: "We are truly happy that the nine crew members are now reunited with their families and have their wellbeing at heart. I would on behalf of the company like to sincerely thank all parties that have contributed to resolving this difficult situation".



The J.J. Ugland Companies

www.jjuc.no

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UGLAND SUPPLIER AS
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