The J. J. Ugland Companies

Annual Report

A/S Uglands Rederi 2012

Contents

ANNUAL REPORT 2012

THE OBJECTIVE OF THE J.J. UGLAND COMPANIES IS TO CONDUCT BUSINESS IN SUCH A MANNER THAT IT CREATES CONFIDENCE AND TRUST AMONG CUSTOMERS, FINANCIAL INSTITUTIONS AND PARTNERS, ESTABLISHING LONG-TERM RELATIONSHIPS

Message from the Chairman

Growth in world trade is the main market driver of international deep sea shipping. 90% of world trade is transported by ships. The shipping boom from 2003 until the financial crisis hit in 2008 was mainly a result of an unpredicted hike in the world trade growth rate from 2002 and onwards. A setback in world trade in 2009, coupled with continued deliveries of many new ships, caused a drop in the world fleet utilization and significant decline in freight rates and ship values. In the subsequent years, there have been some market fluctuations, but the overall picture has been a weak market. 2012 was another challenging year for shipowners with declining freight rates and ship values. However, the shipyards' order books have been significantly reduced and the prospects for the world economy and trade now look better. Most analysts predict that the deep sea shipping markets will recover and be in balance a few years from now.

Growth in demand for energy and growth in offshore production of energy are the main market drivers for offshore vessels. The world's demand for energy is growing and offshore production and deep water production are increasing. These trends seem to continue. The markets for offshore vessels follow different market cycles and have been better than most deep sea shipping markets the last four years.

The J.J. Ugland Companies have a long-term commitment to shipping. We are comfortable with our diversification between the deep sea and offshore markets. Our main objective is to conduct our business in a manner which creates confidence and trust among partners, customers and financial institutions. We therefore maintain moderate financial gearing and focus on safety, the environment and high-quality ship management and vessels.

After the financial crisis hit in 2008 and prices were reduced, we started a programme of gradual renewal and expansion of our fleet. In 2012 and the first quarter of 2013, we have continued this by taking delivery of one new bulk carrier and together with a partner ordering two new eco-type bulk carriers, which will increase our fleet of supramax bulk carriers to 13 vessels.

In the offshore segment, we have together with a partner reentered the PSV market by ordering two large PSVs, one delivered in July 2012 and one to be delivered in January 2014. We have also expanded our fleet of seagoing barges from 12 to 21 units, including two on order to be delivered later this year. The long-term time charters for both our shuttle tankers were extended in 2012.

With our experienced and skilled employees ashore and aboard, our diversified fleet of high-quality vessels and low financial gearing, we are well positioned to maintain our long-term commitment to shipping.

Jørgen Lund
Chairman

The J. J. Ugland Companies - A/S Uglands Rederi

The Board, from left: Peter D. Knudsen, Gunnar Frognes, Knut N.T. Ugland, Jørgen Lund, Ragnar Belck-Olsen, Ivar Aune

The J.J. Ugland Companies incorporate:

- 41 owned and operated units totalling about 1.7 million deadweight tonnes. In addition, two supramax bulk carriers, one PSV newbuilding and two barge newbuildings are scheduled for delivery in the period from 2013-2015.

  The operated fleet includes 12 bulk carriers, 6 shuttle tankers, 19 barges, 1 PSV, 2 tugs and 1 crane vessel.

- A commercial pool for their fleet of supramax bulk carriers based on long-term 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 9001:2008 and ISO 14001:2004.

- A strong customer base in the offshore industry for their fleet of flat top barges and the self-propelled heavy lift crane vessel UGLEN.

- A.S 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.

From their headquarters located at Vikkilen in Grimstad, Norway, the family owned A/S Uglands Rederi, founded in 1930, and its subsidiaries provide worldwide shipping services

The Board of Director's Report

Introduction

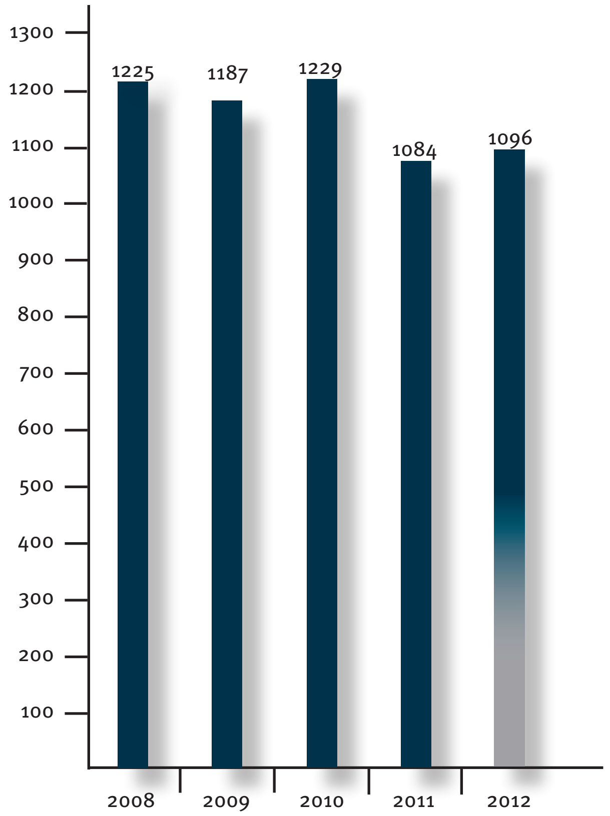
From its headquarters in Grimstad, Norway the family owned A/S Uglands Rederi and its subsidiaries provide worldwide shipping services. At the end of 2012, the fleet totalled 42 owned or operated units with an aggregate tonnage of 1.7 million deadweight tonnes. The fleet includes advanced tankers equipped for bow loading, supramax drybulk carriers, seagoing barges, a heavy lift, self-propelled crane vessel and a platform service vessel (PSV). In 2012, the company took delivery of a supramax bulk carrier newbuilding and added seven barges to its fleet, purchased from another owner. In addition, two barges were contracted scheduled for delivery in the summer of 2013.

Through a 50% owned company the J.J. Ugland Companies also took delivery of a platform service vessel (PSV) from a Norwegian shipyard. The same company contracted another platform service vessel scheduled for delivery in 2014.

In December 2012, in cooperation with a Japanese co-investor, a new company was established for investment in bulk carriers, owned 50% by A/S Uglands Rederi. The newly established company has subsequent to the expiry of the accounting year, contracted two supramax bulk carriers for delivery in 2014 and 2015.

The companies' main objective is to conduct business in such a manner that it, in a long-term perspective, creates confidence and trust among partners, customers and financial institutions. In addition to securing a stable income, this involves a continuous focus on safety, the environment and high-quality ship management.

Operating income (NOK million)



Finance

The accounts for 2012 were prepared under the assumption of continued long-term business.

Both the parent company and its subsidiaries are included in the figures stated below. The 2011 figures are given in brackets.

The operating income amounted to NOK 1 096 million (1 084), the operating result before depreciation (EBITDA) was NOK 290 million (381), and the operating result (EBIT) totalled NOK 151 million (250). Net financial expenses were in the amount of NOK 14 million (13). The result for the year before tax and minority interests was NOK 137 million (237), with a result for the year of NOK 132 million after deducting tax expenses of NOK 3 million and minority interests of NOK 1 million.

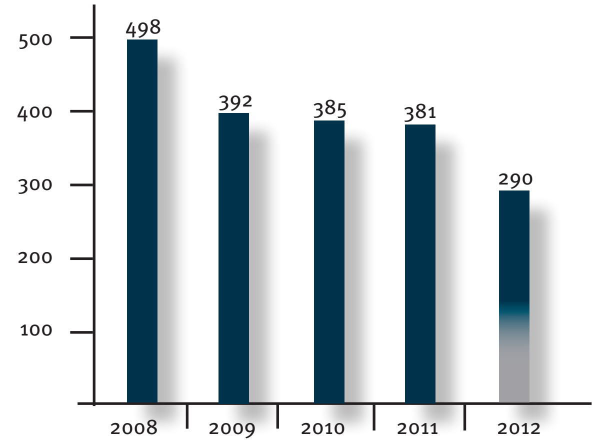
The subsidiary Ugland Shipping AS owns eleven supramax bulk carriers. In order to ensure a stable income, counteracting short-term fluctuations in the market, a considerable number of the fixtures are long-term. With high contract coverage in 2012, the operating result was satisfactory, even though it was lower than in 2011.

At the end of 2012, the owned fleet included two tankers equipped for bow loading. Both vessels are employed on long-term charter parties to solid charterers, generating a stable income.

As of 31.12.12, Ugland Shipping AS and its subsidiary Skipsaksjeselskapet Kysten owned a fleet of twenty barges and one heavy lift crane vessel. Seven barges were purchased from another owner in December 2012, having recently become part of the companies' barge operation. The yield from both the barges and the crane vessel was satisfactory in 2012.

From left: Halvor Ribe, Exec. Vice President Finance, Insurance & ICT, Øystein Beisland, President, Øyvind Aasland, Executive Vice President Crane Vessel and Barges and Arnt Olaf Knutsen, Deputy Managing Director.

EBITDA - Operating results before depreciation (NOK million)



A/S Uglands Rederi and its subsidiaries have good liquidity. As of 31.12.12, the current ratio was 1.3. During the course of 2012, NOK 359 million was used for amortisation of loans and investment in vessels. The long-term interest bearing debt constitutes NOK 245 million of a total balance of NOK 2 800 million. Information related to financial market risk and the use of financial instruments is included in note 12.

The book value of the equity totals NOK 2 165 million. The market value of the fleet exceeds the book value.

The parent company A/S Uglands Rederi's result for the year was minus NOK 8 834 753, which the Board of Directors recommends be covered by other equity.

A/S Uglands Rederi's free equity totals NOK 332 349 057.

Bulk Carriers

Specification of the fleet is given in note 2.

In September 2012, Ugland Shipping AS took delivery of Star Norita, a 58 100-dwt supramax bulk carrier built at Tsuneishi Shipyard, Zhoushan, China.

All the bulk carriers are commercially operated by Ugland Bulk Transport A/S (UBULK Pool), whilst Ugland Marine Services AS is responsible for the technical management of the vessels. As of 31.12.12, the pool operated eleven pool vessels with an average age of 6 years. Ugland Shipping AS owns all the vessels in the pool. The pool revenue in 2012 totalled NOK 317 million.

Most of the UBULK Pool vessels are equipped with bulk and log grabs for self-loading and discharging, as well as deck stanchions and other custom-made equipment for the transportation of logs.

The greater part of the fleet is fixed on fairly long-term charter parties.

A/S Uglands Rederi, in cooperation with a co-investor, established the company UM Bulk AS in December 2012. The shareholders own 50% each in the new company. In January 2013, UM Bulk AS signed a newbuilding contract with Tsuneishi Shipbuilding Co., Ltd. for the building of two TESS-58 bulk carriers. The vessels are scheduled for delivery in 2014 and 2015 from Tsuneishi Heavy Industries (Cebu), Inc., the Philippines.

A new eco-design ensures reduced bunker consumption compared to existing tonnage.

Tankers/PSV

All the operated tankers are equipped for offshore bow loading. Specification of the fleet is given in note 2.

Canship Ugland Ltd., St. John's, Newfoundland has management agreements for the shuttle tankers Mattea and Vinland, owned by A/S Uglands Rederi subsidiaries. In addition, Canship Ugland Ltd. manages another four shuttle tankers operating on the Grand Banks and off Brazil, as well as one icebreaking bulk carrier and two tugs serving Newfoundland's oil terminal.

Mattea's time charter party expires in November 2014. Thereafter the charterers hold options for extending the charter party for eight years in total. Mattea serves the Hibernia and Terra Nova fields on the Grand Banks off Newfoundland.

Vinland's charter party to Petrobras in Brazil expires in November 2016. The

Waiving farewell to the 2012-built supramax bulk carrier Star Norita in Narvik, Norway. Photo: Northland

Right:
Maintenance work onboard one of our bulk carriers.

Far right:
UR 96 carrying wind turbines to be installed at Sharingham Shoal Offshore Wind Farm.

charter party includes options for another two years in total.

In July 2012, Ugland Supplier AS, owned 50% by A/S Uglands Rederi, took delivery of Evita, a platform service vessel (PSV), with a 1 000 m² deck space, built at Kleven AS. Subsequent to delivery, the vessel operated in the spot market for a few months. In December 2012, Evita was delivered to Lundin Norway AS, entering into a 500 days' term contract plus options of 180 days in all.

In June 2012, Ugland Supplier AS signed a building contract with Kleven AS for the construction of an advanced platform service vessel of the SALT-100 design. The vessel is scheduled for delivery in January 2014.

Barges & Crane Vessel

The barges and the heavy lift crane vessel Uglen are operated by Ugland Barge Pool AS. In December 2012, seven seagoing barges were purchased from another owner and renamed UR 1, UR 2, UR 3 UR 5, UR 6, UR 7 and UR 8 prior to joining the Ugland Barge Pool. Subsequent to this acquirement, the pool was in charge of twenty seagoing barges.

In 2012, two barge newbuildings were contracted from a yard in China for delivery in the summer of 2013.

After the end of the accounting year an agreement was signed for the sale of the barge UR 161. The barge is expected to be delivered to her new owners in February 2013. A sales gain will then be recorded.

In 2012, the contract coverage for the barge fleet was satisfactory. The barges mainly traded in the North Sea, the Baltic Sea and the Gulf of Mexico.

Uglen's contract coverage was also satisfactory in 2012. The contracts carried out took place along the Norwegian and the North Sea coast.

Insurance

In 2012, the hull and machinery, hull and freight interest and loss of hire insurances were renewed with coverage until 30.11.2013. The P&I insurance expires on 20.02.2014.

War risk insurance is covered in Den Norske Krigsforsikring for Skib.

The total insurance coverage for the fleet is NOK 3.5 billion.

Organisation, Health & the Environment

Ugland Marine Services AS is the commercial and/or technical manager of the supramax drybulk carriers, two of the shuttle tankers and one PSV. The company is also the technical manager of the barges and the heavy lift crane vessel Uglen whereas Ugland Construction AS is in charge of the commercial management of the latter units.

At the end of 2012, the workforce engaged in the shipping activities totalled 810 people.

The office staff included 55 people employed by Ugland Marine Services AS in Grimstad, 5 people employed by Ugland Construction AS in Stavanger and 25 people employed by Canship Ugland Ltd., St. John's. Women constituted 34% of the total office staff. Vacancies are filled with the best qualified person, and the same practice is also used to avoid discrimination. Seafarers constituted 725 people, representing 339 Filipinos, 335 Canadians, 41 Norwegians, 6 Swedes and 4 from other nations. The crew members' nationality reflects the vessels' trading area. For vessels trading in international waters, the company has a long-standing cooperation with a Filipino manning company. The seafarers are employed on contracts complying with approved employment settlements in their respective countries.

Ugland Marine Services AS holds 100% of the shares in Ugland Construction AS, Ugland Offshore AS, Ugland Marine Management AS (an employment company for the Norwegian and Filipino seafarers) and 51% of the shares in Canship Ugland Ltd. (employing the Canadian seafarers).

During 2012, the vessels were not involved in any accidents endangering life, vessel or the environment. Absence

HLV Uglen pictured at Nymo, Eydehavn. Ugland Construction AS in Stavanger is in charge of the commercial operation of Uglen and a fleet of flat top barges in sizes between 10 000 and 16 000 dwt. The 19-strong barge fleet includes two fully submersible barges, all with high deck strength capacities.

due to illness onboard and ashore was 1.2% and 1.0% respectively. Health, safety and the environment (HSE) are given top priority, and continuous efforts are made to further reduce the risk of accidents and pollution. Recorded lost time injuries in 2012 were zero, a good indicator of safe operation.

Shipping is an environmental-friendly mode of transport. Nevertheless, a number of measures are being implemented to further reduce the trade's adverse impacts on the environment.

Not only the authorities but also our customers continuously demand enhanced environmental standards for this trade.

In recent years, in some exposed areas, international authorities have adopted limits for the sulphur content in bunker fuel oil and the requirements in previously established areas have become more stringent. A significant greenhouse gas emission reduction can be achieved by focusing on reduced bunker oil consumption and by using low sulphur marine fuel. New regulations for the treatment of ballast water are expected to be implemented in 2016 at the earliest. We continuously keep abreast with the development and effect of new ballast treatment systems. Ballast water contains micro-organisms which may harm local marine environment when transferred from one part of the world to another.

With a high focus on protecting the environment, Ugland Marine Services AS has implemented an environmental policy with defined procedures and practices to achieve its goals. Each year specific targets are set in order to prevent or reduce negative impacts on the environment. Harmful emissions and energy consumption are recorded and subsequently accounted for in a report prepared annually.

Ugland Marine Services AS, Canship Ugland Ltd. and the vessels are certified according to IMO's "International Ship Management Code" (ISM). In addition, the vessels are certified in compliance with "The International Ship and Port Security Code" (ISPS). Both companies are also ISO 9001:2008 certified, and certified according to ISO 14001:2004.

OHSAS 18001 certification is expected to take place during the first half of 2013.

Future Prospects

Despite reduced freight rates in several shipping segments, A/S Uglands Rederi and its subsidiaries have an optimistic view on the future.

With a mortgage free bulk and barge fleet, and a respectable cash reserve, the company is well prepared to meet the challenges of the years ahead. Two new bulk carriers, two barges and one PSV are scheduled for delivery in the period between 2013-2015.

The supramax drybulk carriers will continue to trade in the UBULK Pool managed by Ugland Bulk Transport A/S, where a substantial part of the capacity is fixed on fairly long-term time charter parties to solid charterers. The contract coverage for 2013 is 80%.

As for the barge fleet, a number of contracts are already secured for this year.
Both the shuttle tankers are fixed on time charter parties to solid charterers.
The contracting of a new PSV from Kleven represents a strategic investment in a segment which we assume has significant growth potential.
On the whole, we expect that the activities in 2013 will generate a satisfactory result provided that the vessels avoid significant unscheduled off-hire, and that our contract partners are able to meet their commitments.
The company continuously assesses a further increase and renewal of the fleet. Low newbuilding prices coupled with new eco design vessels can produce interesting investment opportunities in 2013.
Our main priorities for the shipping operations 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.
Good customer relationships and a solid financial situation coupled with experienced and dedicated employees make A/S Uglands Rederi and its subsidiaries well equipped for future challenges.
The Board of Directors wishes to thank all seagoing and shorebased staff for their contribution to a positive development of the company.

Grimstad, 19 February 2013

Gunnar Frognes Deputy Chairman	Jørgen Lund Chairman	Ivar Aune
Ragnar Belck-Olsen	Øystein Beisland President	Peter D. Knudsen

The 82nd Annual Accounts

Income statement 01.01.-31.12 (NOK)

Consolidated					A/S Uglands Rederi	
2012	2011	NOTE		NOTE	2012	2011
			Operating income			
698 535 577	697 431 491		Sales revenue		733 856	1 225 400
397 549 549	386 638 688		Other operating income		0	0
1 096 085 126	**1 084 070 179**	2	**Total operating income**		**733 856**	**1 225 400**
			Operating expenses			
-369 770 009	-374 771 541	3	Salaries	3	-1 283 625	-1 055 425
-138 796 216	-131 161 280	4	Ordinary depreciation		0	0
-436 462 266	-327 798 686		Other operating expenses		-7 145 737	-7 804 699
-945 028 491	**-833 731 507**		**Total operating expenses**		**-8 429 362**	**-8 860 124**
151 056 635	**250 338 672**		**Operating result**		**-7 695 506**	**-7 634 724**
			Financial income and expenses			
-8 710 466	1 614 176	6	Income from other companies		2 752 929	10 617 152
0	0		Interest income from group companies		266 057	7 329 762
2 181 417	5 762 794		Other interest income		708 466	713 769
738 311	345 609	13	Other financial income	13	626 842	5 182 192
0	0		Interest expenses to group companies		-30 840	-6 882 603
-8 377 786	-14 762 627		Other interest expenses		0	-24 374
-254 642	-6 163 869	13	Other financial expenses	13	-7 128 616	-5 251
-14 423 166	**-13 203 917**		**Net financial items**		**-2 805 162**	**16 930 647**
136 633 469	**237 134 755**		**Operating result before tax**		**-10 500 668**	**9 295 923**
-3 134 770	-5 078 762	10	Tax on ordinary result	10	1 665 915	-257 839
133 498 699	**232 055 993**		**Result for the year**		**-8 834 753**	**9 038 084**
-1 216 013	-1 708 147		Minority interests			
132 282 686	**230 347 846**		**Consolidated result for the year**			
			Information regarding:			
			Proposed dividend		**40 187 346**	**0**

Balance sheet as of 31.12. (NOK)

Consolidated 2012	Consolidated 2011	NOTE		NOTE	A/S Uglands Rederi 2012	A/S Uglands Rederi 2011
			ASSETS			
			Fixed assets			
			Intangible fixed assets			
0	0		Deferred tax asset	10	3 458 601	0
0	**0**		**Total intangible fixed assets**		**3 458 601**	**0**
			Tangible fixed assets			
2 291 818 051	2 083 821 524	4	Vessels and vessel equipment		0	0
2 484 385	2 703 589	4	Other tangible fixed assets	4	657 034	657 034
35 002 211	77 744 682	4	Newbuildings		0	0
2 329 304 647	**2 164 269 795**		**Total tangible fixed assets**		**657 034**	**657 034**
			Financial fixed assets			
0	0		Investments in subsidiaries	5	190 866 440	190 866 440
133 816 200	71 626 666	6	Investment in other companies	6	132 241 201	70 127 152
0	0		Loan to subsidiaries	7	36 084 400	38 940 000
46 721 595	44 657 804	7	Long-term receivables		0	0
180 537 795	**116 284 470**		**Total financial fixed assets**		**359 192 041**	**299 933 592**
2 509 842 442	**2 280 554 265**		**Total fixed assets**		**363 307 676**	**300 590 626**
			Current assets			
			Receivables			
90 483 311	104 879 621	7	Other receivables		32 716 684	3 906 991
90 483 311	**104 879 621**		**Total receivables**		**32 716 684**	**3 906 991**
			Investments			
25 127	25 127		Quoted shares		25 128	25 128
25 127	**25 127**		**Total investments**		**25 128**	**25 128**
			Bank deposits, cash etc.			
199 592 728	416 525 522	9	Bank deposits		24 400 799	123 845 038
199 592 728	**416 525 522**		**Total bank deposits, cash etc.**		**24 400 799**	**123 845 038**
290 101 166	**521 430 270**		**Total current assets**		**57 142 611**	**127 777 157**
2 799 943 608	**2 801 984 535**		**Total assets**		**420 450 287**	**428 367 783**

Consolidated 2012	Consolidated 2011	NOTE		NOTE	A/S Uglands Rederi 2012	A/S Uglands Rederi 2011
			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			
2 157 418 977	2 078 940 915		Other equity		375 005 100	424 027 199
5 104 459	5 326 875		Minority interests		0	0
2 165 371 023	**2 087 115 377**	11	**Total equity**	11	**377 852 687**	**426 874 786**
			Liabilities			
			Provisions			
101 112 290	113 020 176	10	Deferred tax liability	10	0	0
71 661 714	95 483 989	8	Other provisions	8	0	0
172 774 004	**208 504 165**		**Total provisions**		**0**	**0**
			Other non-current liabilities			
244 806 800	298 740 000	9	Liabilities to financial institutions		0	0
0	25 086 692	10	Income tax payable		0	0
132 418	209 372		Other long-term liabilities		132 418	209 372
244 939 218	**324 036 064**		**Total other non-current liabilities**		**132 418**	**209 372**
			Current liabilities			
27 958 932	27 343 964	10	Income tax payable	10	0	0
40 187 346	0		Dividends		40 187 346	0
148 713 085	154 984 966	7	Other current liabilities	7	2 277 836	1 283 625
216 859 363	**182 328 930**		**Total current liabilities**		**42 465 182**	**1 283 625**
634 572 585	**714 869 158**		**Total liabilities**		**42 597 600**	**1 492 997**
2 799 943 608	**2 801 984 535**		**Total equity and liabilities**		**420 450 287**	**428 367 783**

Grimstad, 31 December 2012
19 February 2013

Gunnar Frognes Deputy Chairman	Jørgen Lund Chairman	Ivar Aune
Ragnar Belck-Olsen	Øystein Beisland President	Peter D. Knudsen

Cash flow statement (NOK)

Consolidated 2012	Consolidated 2011		A/S Uglands Rederi 2012	A/S Uglands Rederi 2011
		Cash flow from operating activities		
136 633 469	237 134 755	Operating result before tax	-10 500 668	9 295 923
8 710 466	-1 614 176	Result from associated company	8 785 952	-117 152
-31 502 673	-35 323 752	Tax paid	-1 792 686	-2 096 065
0	-69 162 616	Gain on sale of assets	0	0
138 796 216	131 161 280	Ordinary depreciation	0	0
-19 838 715	4 049 114	Currency adjustments	2 855 600	-130 000
-14 498 931	-34 341 682	Changes in other accruals	-27 815 483	-127 577
218 299 832	**231 902 923**	**Net cash flow from operating activities**	**-28 467 286**	**6 825 129**
		Cash flow from investing activities		
-70 900 000	-70 000 000	Cash outflow, investment in associated company	-70 900 000	-70 000 000
0	71 747 356	Cash inflow, sale of assets	0	0
-326 079 528	-191 415 392	Cash outflow, purchase of assets	0	0
0	0	Cash inflow/outflow other long-term investments	0	320 000 000
-396 979 528	**-189 668 036**	**Net cash flow from investing activities**	**-70 900 000**	**250 000 000**
		Cash flow from financing activities		
-32 972 554	-34 475 984	Cash outflow, repayment of long-term debt	-76 954	-73 484
-3 359 744	1 788 600	Cash inflow/outflow of long-term receivables	0	0
0	-249 045 864	Cash inflow/outflow, dividend paid/group contribution	0	-249 045 864
-1 920 800	-12 035 724	Cash inflow/outflow, minority interests	0	0
-38 253 098	**-293 768 972**	**Net cash flow from financing activities**	**-76 954**	**-249 119 348**
-216 932 794	-251 534 085	Net change cash and bank deposits	-99 444 240	7 705 781
416 525 522	668 059 607	Cash and bank deposits 01.01	123 845 038	116 139 257
199 592 728	**416 525 522**	**Cash and bank deposits 31.12**	**24 400 799**	**123 845 038**

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 inter-company 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 recognized at the time of execution, and operating costs are reognized 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 recognized at the lower of historical cost and net realizable value. Fixed assets are recognized 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 recognized at the rate of exchange as of 31.12.12, which for NOK/USD was 5.56. As of 31.12.11 the rate of exchange was 6.00

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 vessels and 5 to 8 years for other assets.

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

Cash flow

The cash flow statement is prepared under the indirect method.

Shares

Investments in subsidiaries are valued at acquisition cost.

Investments in associated companies are recognized under the equity method. Accumulated results from previous years of NOK 75 486 related to the associated company 11030 Newfoundland Inc. and of NOK -8 751 951 from Ugland Supplier AS are included in the consolidated result and the parent company's result respectively.

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 recognized 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 actuary assumptions related to age of death and voluntary attrition.

Pension funds are recognized 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 10% 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 1G and 6G and eight percent of salaries between 6G and 12G. (G=statutory basic amount, currently NOK 82 122.)

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

	Year built	DWT	Owner	% Share	Employment
Shuttle tankers					
MATTEA	1997	126 000	Penney Ugland Inc.	100	TC until 11/14
VINLAND	2000	126 000	Ugland Shipping AS	100	TC until 11/16
Supramax bulk carriers					
FERMITA	2001	52 000	Ugland Shipping AS	100	Pool
LIVANITA	1997	45 000	Ugland Shipping AS	100	Pool
ROSITA	2004	52 000	Ugland Shipping AS	100	Pool
TAMARITA	2001	52 000	Ugland Shipping AS	100	Pool
FAVORITA	2005	52 000	Ugland Shipping AS	100	Pool
SENORITA	2008	58 000	Ugland Shipping AS	100	Pool
CARMENCITA	2009	58 800	Ugland Shipping AS	100	Pool
ISABELITA	2010	58 100	Ugland Shipping AS	100	Pool
BONITA	2010	58 100	Ugland Shipping AS	100	Pool
KRISTINITA	2011	58 100	Ugland Shipping AS	100	Pool
STAR NORITA	2012	58 100	Ugland Shipping AS	100	Pool
Barges and crane vessel					
UR 1	1994	9 750	Ugland Shipping AS	100	Pool from 2013
UR 2	1995	9 750	Ugland Shipping AS	100	Pool from 2013
UR 3	1995	9 750	Ugland Shipping AS	100	Pool from 2013
UR 5	1996	9 750	Ugland Shipping AS	100	Pool from 2013
UR 6	1997	9 750	Ugland Shipping AS	100	Pool from 2013
UR 7	1999	9 750	Ugland Shipping AS	100	Pool from 2013
UR 8	1999	9 750	Ugland Shipping AS	100	Pool from 2013
UR 93	2001	9 000	Ugland Shipping AS	100	Pool
UR 94	2001	9 000	Ugland Shipping AS	100	Pool
UR 95	2001	9 000	Skipsaksjeselskapet Kysten	100	Pool
UR 96	2008	9 000	Ugland Shipping AS	100	Pool
UR 97	2008	9 000	Skipsaksjeselskapet Kysten	100	Pool
UR 98	2011	9 000	Ugland Shipping AS	100	Pool
UR 99	2011	9 000	Skipsaksjeselskapet Kysten	100	Pool
UR 101	1993	10 000	Skipsaksjeselskapet Kysten	100	Pool
UR 108	1985	10 000	Ugland Shipping AS	100	Pool
UR 111	1976	11 000	Ugland Shipping AS	100	Pool
UR 141	1993	14 000	Ugland Shipping AS	100	Pool
UR 161	1975	16 000	Ugland Shipping AS	100	Pool
UR 171	2011	17 000	Ugland Shipping AS	100	Pool
UGLEN	1978	3 000	Ugland Shipping AS	100	Pool
Newbuildings					
UR 901	2013	9 000	Ugland Shipping AS	100	Pool from 2013
UR 902	2013	9 000	Skipsaksjeselskapet Kysten	100	Pool from 2013

Sales revenue per area of activity	Consolidated 2012	Consolidated 2011
Shuttle tankers	211 395 509	222 362 507
Bulk carriers	331 864 524	373 279 051
Barges and crane vessel	155 275 544	101 789 933
Gain on sale of vessels	0	69 025 106
Invoiced vessel costs/ Management fee	397 549 549	317 613 582
	1 096 085 126	1 084 070 179

In 2012, the shuttle tankers operated in the Atlantic and in the waters off the east coast of Canada, whilst 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 2012	Parent Company 2011	Consolidated 2012	Consolidated 2011
Salaries	1 125 000	925 000	299 719 765	303 605 739
Employment duty	158 625	130 425	18 320 366	18 321 840
Other salary related costs	0	0	38 897 491	42 534 211
Pension costs	0	0	12 832 388	10 309 750
	1 283 625	1 055 425	369 770 009	374 771 541

(2011 figures in brackets)	
Average full time employees - office	80 (81)
Average full time employees - officers and crew	703 (722)

Salaries etc. to the President and Board of Directors	President	Board of Directors
Salaries	1 672 559	1 125 000
Other benefits	14 662	0

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 80 000 (consolidated 724 000). In addition, the auditor received fees related to tax consultancy and accounting advice/services in the amount of NOK 35 000 (consolidated 864 000) and NOK 75 000 (consolidated 202 000) respectively

Note 4 - Tangible fixed assets / Tenancy agreements

	Parent Company	Consolidated		
	Other Assets	Vessels	Other Assets	Total
Cost price 01.01.	657 034	3 422 648 480	8 765 710	3 431 414 190
Additions	0	325 604 217	475 311	326 079 528
Currency adjustments	0	-22 227 290	-21 164	-22 248 455
Cost price 31.12.	657 034	3 726 025 407	9 219 857	3 735 245 263
Acc. depreciation	0	-1 399 205 149	-6 735 468	-1 405 940 617
Book value 31.12.	657 034	2 326 820 258	2 484 389	2 329 304 647
Depreciation 2012	0	138 122 869	673 347	138 796 216

The 58 100-dwt supramax bulk carrier newbuilding Star Norita was acquired and delivered on 21 September 2012 from Tsuneishi Shipbuilding Inc., Zhoushan, China, subsequently joining the UBULK Pool.

In 2012, another two barge newbuildings have been contracted for delivery in June 2013 from Dalian Shipyard in China. Ugland Shipping AS and Skipsaksjeselskapet Kysten have ordered one barge each.

On 14 December 2012, Ugland Shipping AS purchased Viking's barge fleet consisting of seven standard North Sea barges. The barges have been renamed to UR 1, UR 2, UR 3, UR 5, UR 6, UR 7 and UR 8.

Tenancy agreements

A/S Uglands Rederi and its subsidiaries have two long-term office tenancy agreements. Total rent recorded through the year was NOK 3 179 693.

Note 5 - Shares in subsidiaries

	Office	Ownership and voting share	Book Value
Ugland Shipping AS	Grimstad	100%	150 150 000
Ugland Marine Services AS	Grimstad	100%	21 048 051
Penney Ugland Inc.	Canada	100%	19 668 389
Total			190 866 440

Note 6 - Shares and ownership interests in other companies

Company	Office location	Ownership share	Book Value 01.01.	Addition 2012	Share of result after tax	Book Value 31.12
Associated Companies:						
Ugland Supplier AS	Grimstad	50%	70 117 152	55 500 000	-8 785 952	116 831 200
UM Bulk AS	Grimstad	50%	0	15 400 000	0	15 400 000
11030 Newfoundland Inc	Canada	45.4%	1 499 514	0	75 486	1 575 000
Other Company:						
Bjoren AS	Bygland	3.9%	10 000	0	0	10 000
Total consolidated			71 626 666	70 900 000	-8 710 466	133 816 200

Associated companies are recognized under the equity method.

Note 7 - Receivables and liabilities

	Parent Company		Consolidated	
	2012	2011	2012	2011
Pension funds	0	0	21 418 321	21 283 209
Receivables falling due after one year	36 084 400	38 940 000	24 188 000	23 374 595
Total long-term receivables	**36 084 400**	**38 940 000**	**45 606 321**	**44 657 804**
Intercompany receivables / liabilities				
Short-term receivables parent company	0	954 136	0	0
Long-term receivables subsidiaries	36 084 400	38 940 000	0	0
Long-term receivables group companies	0	0	24 188 000	22 200 000
Short-term receivables group companies	0	0	15 183 059	13 726 632
Short-term liabilities group companies	0	0	1 557 896	21 644 764
Short-term receivables subsidiaries	31 416 685	2 952 855	0	0
Short-term liabilities parent company	0	0	1 213 312	0
Receivables associated companies	0	0	2 327 408	1 265 706

Intercompany transactions	Parent Company		Consolidated	
	2012	2011	2012	2011
Income				
Ugland Marine Services AS - rental income	114 600	112 200	0	0
Penney Ugland Inc. - guarantee commission	626 580	1 674 825	0	0
Penney Ugland Inc. - management fee	619 256	1 113 200	0	0
Ugland Bulk Transport A/S - freight income	0	0	315 834 833	354 187 979
Ugland Barge Pool AS - freight income	0	0	147 879 844	95 637 934
J.J. Ugland Holding A/S - administration fee	0	0	1 599 000	1 099 000
Expenses				
Ugland Marine Services AS - administration fee	-4 200 000	-4 200 000	0	0
J.J. Ugland AS - rental income	0	0	-2 673 900	-2 638 000

Note 8 - Provisions and pensions

	Consolidated	
	2012	2011
Provisions for maintenance and classification	45 695 185	60 309 251
Other provisions	18 437 825	27 460 942
Pension obligations	7 528 704	7 713 796
Total	**71 661 714**	**95 483 989**

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 81 people (including 38 seafarers) to receive defined future pension benefits. Additionally, 16 employees have joined a contribution pension scheme (Unit Link). Both pension schemes are covered through an insurance company and comply with the regulations set forth in the pension act. One subsidiary also has early retirement pension scheme obligations for one employee.

Note 8 - Provisions and pensions (continued)

	Consolidated 2012	Consolidated 2011
Service costs	4 513 931	4 226 496
Interest cost on pension obligations	4 818 638	5 113 825
Expected return on pension funds	-4 237 833	-5 241 442
Amortisation of actuarial gain/loss	4 537 138	4 396 198
Administration costs	785 901	726 005
Payment to defined contribution pension scheme	473 231	330 400
Social security tax	1 389 697	904 487
Settlement	899 119	0
Charged other companies	-347 434	-146 219
Net pension costs	12 832 388	10 309 750

Pension obligations	2012	2011
Projected pension obligation as of 31.12.	-7 934 302	-8 756 006
Unrecognised actuarial gain/loss	1 449 434	2 127 831
Social security tax	-1 043 837	-1 085 621
Recognised gross pension obligation	-7 528 704	-7 713 796

Net pension funds	2012	2011
Accrued pension obligations as of 31.12.	-117 419 569	-120 602 477
Pension scheme assets as of 31.12.	102 727 158	99 135 407
Unrecognised actuarial gain/loss	36 110 732	42 750 279
Net pension fund as of 31.12.	21 418 321	21 283 209

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

Actuarial assumptions	2012	2011
Discount rate	4.2%	3.8%
Assumed return on pension funds	3.6%	4.1%
" salary increase	3.25%	3.5%
" statutory basic amount increase (cf note 1)	3.0%	3.25%
" pension benefit increase	2.0%	2.15%

Estimated voluntary attrition before retirement age is 2-8% for employees under 40 years and zero after 40 years. The actuarial assumptions are based on demographic factors normally used within the insurance industry.

Note 9 - Mortgage liabilities/Guarantees/Pledged assets

Liabilities secured by mortgage	Consolidated
Liabilities to financial institutions	244 806 800
Book value of pledged assets	550 268 946

Future income and insurance settlement related to mortgaged assets are pledged as security for liabilities to financial institutions. All group long-term liabilities to financial institutions fall due before 31.12.2017.

A/S Uglands Rederi has issued a guarantee to the time charterers for USD 20 million on behalf of Penney Ugland Inc. (PUI) - the owner of the shuttle tanker Mattea - covering PUI's obligations under the time charter. This guarantee is valid until expiry of the time charter. Restricted consolidated bank deposits as of 31.12.2012 amounted to NOK 15 138 521.

Note 10 - Taxes

	Parent Company		Consolidated	
	2012	2011	2012	2011
Current year's tax cost				
Tax payable	0	0	5 134 966	2 257 273
Withholding tax paid	1 792 686	525 000	1 895 984	525 000
Change deferred tax	-3 458 601	-267 161	-3 896 180	2 296 489
Income tax expense	-1 665 915	257 839	3 134 770	5 078 762
Tax payable as of 31.12.				
Recognized tax payable	0	0	5 134 966	2 257 273
Instalment payment shipping tax	0	0	25 086 691	25 086 691
Tax paid for 2012	0	0	-2 262 725	0
Tax refund/payable as of 31.12. - short-term	0	0	27 958 932	27 343 964
Tax payable as of 31.12. - long-term	0	0	0	25 086 691
Reconciliation of effective rate and applicable corporate tax rate				
Result for the year before tax	-10 500 667	9 295 923	136 633 469	237 134 755
Expected income tax, nominal tax rate (28%)	-2 940 187	2 602 858	-5 824 175	7 002 868
Tax effect of the following items				
Non-deductible expenses/non-taxable income	-518 414	-2 870 019	5 862 000	-2 967 018
Withholding tax paid	1 792 686	525 000	1 895 984	525 000
Tax on financial result shipping company	0	0	1 200 961	517 912
Tax expense	-1 665 915	257 839	3 134 770	5 078 762

Specification of change in deferred tax:	Parent Company		Consolidated	
	2012	2011	2012	2011
Deferred tax 01.01.	0	0	113 020 176	112 961 783
Change recognised in income statement	-3 458 601	-267 161	-3 896 180	2 296 489
Tax effect group contribution	0	267 161	0	267 161
Currency adjustments	0	0	-8 011 706	-2 505 257
Deferred tax/tax asset 31.12.	-3 458 601	0	101 112 290	113 020 176

	Parent Company 2012	Consolidated 2012		Consolidated 2011	
Specification of tax asset/liability effect of temporary differences	Tax Asset	Tax Assets	Tax Liabilities	Tax Assets	Tax Liabilities
Consolidated					
Tangible fixed assets	0	0	355 226 615	0	408 016 945
Pension obligations / funds	0	0	13 889 617	0	13 569 413
Unrealised currency gain/loss	0	0	5 023 682	0	4 313 862
Tax loss carry-forward	12 352 139	25 519 728	0	35 711 238	0
Total 31.12.	12 352 139	25 519 728	374 139 914	35 711 238	425 900 220
Net deferred tax asset/liability	3 458 601		101 112 290		113 014 176

The consolidated tax loss to be used within 2014-2030: NOK 10 556 510

Under the Norwegian tonnage tax regime for shipping companies, tax is paid on finance income and equity according to special rules. 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 1 108 540 is recognised in the consolidated accounts and classified as an ordinary operating expense.

Note 11 - Equity

	Share Capital	Other Equity	Other Paid-in Equity	Minority Interests	Total
Parent Company					
Balance 01.01.	2 160 610	424 027 199	686 977	0	426 874 786
Result for the year	0	-8 834 753	0	0	-8 834 753
Dividends	0	-40 187 346	0	0	-40 187 346
Balance 31.12.	2 160 610	375 005 100	686 977	0	377 852 687
Consolidated					
Balance 01.01	2 160 610	2 078 940 915	686 977	5 326 875	2 087 115 377
Result for the year	0	132 282 686	0	1 216 013	133 498 699
Dividends	0	-40 187 346	0	0	-40 187 346
Redemption of minority interest	0	0	0	-1 920 800	-1 920 800
Currency adjustment	0	-12 905 787	0	-229 121	-13 134 908
Balance 31.12.	2 160 610	2 158 130 468	686 977	4 392 967	2 165 371 023

A/S 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 A/S	389 961 shares
Knut N.T. Ugland	42 161 shares
Total	432 122 shares

J.J. Ugland Holding A/S owns 90.24% of the shares in A/S Uglands Rederi and prepares its own consolidated accounts available at the company's office address, J.M. Uglands vei 20, 4878 Grimstad.

Note 12 - Financial market risks / Financial instruments

A/S Uglands Rederi and its subsidiaries are only to a minor extent exposed to fluctuations in exhange rates since most of the debt, income and expenses are in USD. In the second-hand market the vessels are valued in USD.

As of 31.12.2012, the company, on a consolidated basis, had two fixed interest rate agreements. The fixed interest rate agreements of USD 14 280 000 and USD 29 750 000, falling due in December 2015 and September 2016 respectively, are linked to mortgage loans on two owned shuttle tankers.

Note 13 - Other financial items

	Parent Company		Consolidated	
	2012	2011	2012	2011
Currency loss (disagio)	-7 120 578	0	0	-6 070 747
Other financial items	-8 038	-5 251	-254 642	-93 122
Other financial expenses	-7 128 616	-5 251	-254 642	-6 163 869
Currency gain (agio)	0	3 499 102	722 702	0
Other financial items	626 842	1 683 089	15 609	345 609
Other financial income	626 842	5 182 191	738 311	345 609

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To the Annual Shareholders' Meeting of
A/S Uglands Rederi

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of A/S Uglands Rederi, comprising the financial statements for the Parent Company and the Group. The financial statements for the Parent Company and the Group comprise the balance sheet as at 31 December 2012, the statements of income showing a loss of NOK 8 834 753 for the Parent Company and a profit of NOK 133 498 699 for the Group, cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Managing Director's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

continued..

ERNST & YOUNG

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Opinion

In our opinion, the financial statements of A/S Uglands Rederi have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Parent Company and the Group as at 31 December 2012 and their financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

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 Directors' report concerning the financial statements, the going concern assumption and the coverage for the loss 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 the Board of Directors and Managing Director have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Arendal, 19 February
ERNST & YOUNG AS

Jan Dønvik
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

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

Operated Fleet as of April 2013

Bulk Carrier		
Vessel Name	**DW tonnes**	**Year built**
MV BONITA	58 105	2010
MV CARMENCITA	58 773	2009
MV FAVORITA	52 220	2005
MV FERMITA	52 380	2001
MV ISABELITA	58 080	2010
MV KRISTINITA	58 110	2011
MV LIVANITA	45 426	1997
MV ROSITA	52 338	2004
MV SENORITA	58 663	2008
MV STAR NORITA	58 097	2012
MV TAMARITA	52 292	2001
MV UMIAK 1 *)	31 992	2006
2 Newbuildings SC 219 and SC 220 Tsuneishi 2 x 57 700 dwt	115 400	2014/15
14 Vessels	751 876	

Tankers		
Vessel Name	**DW tonnes**	**Year built**
MV CATHERINE KNUTSEN *)	141 720	1992
MT HEATHER KNUTSEN *)	148 644	2005
MT JASMINE KNUTSEN *)	148 706	2005
MT KOMETIK *)	126 647	1997
MT MATTEA *)	126 360	1997
MT VINLAND *)	125 827	2000
6 Vessels	817 904	

PSV		
Vessel Name	**DW tonnes**	**Year built**
MV EVITA	5 300	2012
Newbuilding NB 361, Kleven Verft	5 000	2014
2 Vessels	10 300	

Tugs		
Vessel Name	**DW tonnes**	**Year built**
PLACENTIA PRIDE *)	N/A	1998
PLACENTIA HOPE *)	N/A	1998
2 Vessels	N/A	

* Managed by Canship Ugland Ltd.

Operated Fleet as of April 2013 continued

HLV & Barges		
Vessel Name	**DW tonnes**	**Year built**
HLV UGLEN 600 t crane	2 600	1978
Barge UR 1	9750	1994
Barge UR 2	9 750	1995
Barge UR 3	9 750	1995
Barge UR 5	9 750	1996
Barge UR 6	9 750	1997
Barge UR 7	9 750	1999
Barge UR 8	9 750	1999
Barge UR 93	9 040	2001
Barge UR 94	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 101	10 094	1993
Barge UR 108	9 694	1985
Barge UR 111	11 285	1976
Barge UR 141	14 011	1993
Barge UR 171	16 800	2011
Barge Newbuildings 2 x 9 000 dwt	18 000	2013
22 Units	213 939	

Total Operated Fleet	46 units	1.8 million dwt

The dry bulk market

Demand for shipment of dry bulk cargo

The majority of the world's trade is transported by sea both in terms of volume and value. The cargo carried by the dry bulk fleet is mainly iron ore, coal/coke, soybean, grain, steel, timber, cement and other commodities, dependent on the demand for raw materials and semi-finished products. Other demand drivers affecting the market are raw material prices, import versus domestic production, world economic growth, weather conditions and trading patterns.

There is still a solid growth in the world's seaborne trade of dry bulk cargoes. The overall transportation demand increased by 7% in 2012, being twice as much as the global economic growth of 3.2% in the same period. Chinese import of major commodities such as iron ore and coal were the main drivers of the bulk market, representing a growth of close to 12%. This was supported by a decline in world market prices for coal and iron ore, while prices for domestically produced Chinese coal and iron ore continued to exceed international levels.

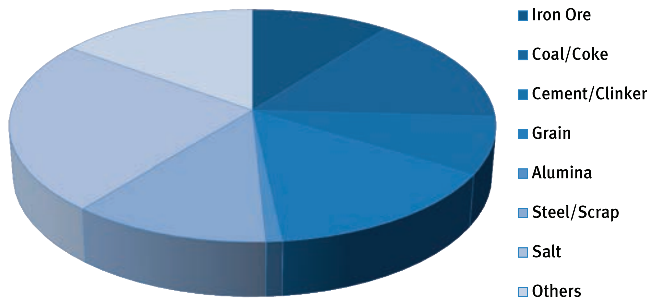
The graph to the right shows the current utilization rate for the world's dry bulk fleet of 83%. In practice, a rate of 90% is considered to imply full utilization.

Supply - still strong, but slowing growth of newbuildings being delivered

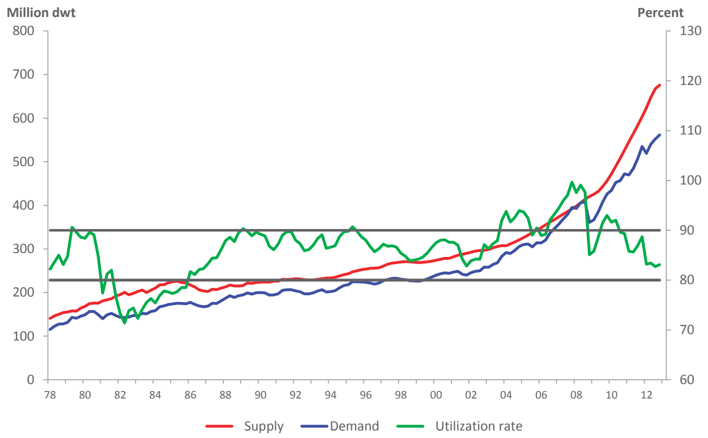
The dry bulk newbuildings are, to a great extent, being delivered as ordered and are still expanding the supply side of the market. Even though scrapping in 2012 reached the high level of 3.9% of the existing supramax fleet, the net tonnage increase was 13.9% or 14.2 million deadweight tons. However, the considerable ordering of newbuildings seen over the last years is now reduced, and the orderbook for dry bulk vessels has fallen substantially compared to last year, constituting 13.7% of the existing supramax fleet at the turn of the year. The majority of the vessels is scheduled for delivery in 2013, while only 2.9% (of the existing fleet) will be delivered in 2014 and 2015.

Market imbalance has led to higher inefficiency due to increased ballast sailings and port congestion time. At the same time, high bunker prices and a weak freight market have led to slow steaming, meaning that the speed is lowered to optimize fuel consumption. Slow steaming may reduce fuel costs significantly, benefitting both the owners and charterers. This utilization practice gives some support to a dry bulk market where the capacity still is substantially higher than the demand for transport.

Total bulk cargo lifted in 2012 was 4.9 million tonnes (JJUC)

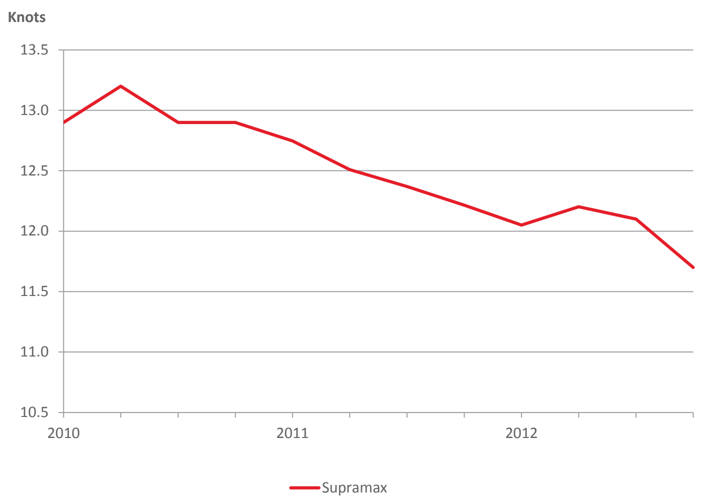


Supply, demand and utilization rate - dry bulk ships 10 000 dwt +



Source: RS Platou Economic Research

Observed average speed of Supramax Bulk Carriers

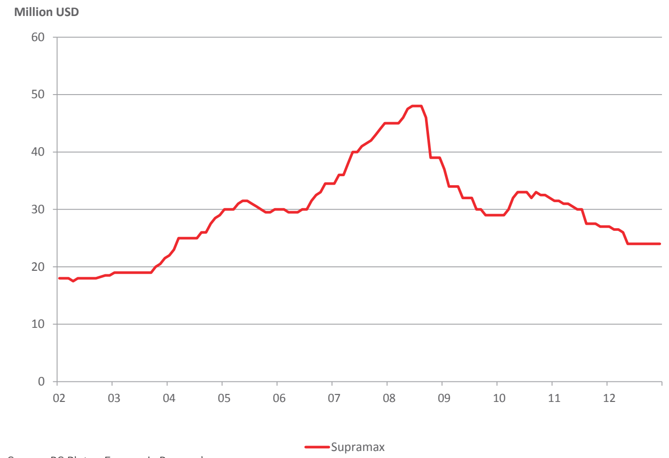


Source: RS Platou Economic Research

Freight rates Supramax Bulk Carriers - spot market, monthly average

Source: RS Platou Economic Research

Newbuilding prices for Supramax Bulk Carriers



Source: RS Platou Economic Research

A weaker freight market

In 2012, the dry bulk market was significantly weaker and more volatile compared to 2011. The Baltic supramax index decreased with 34%, averaging 9 450 USD/day. The global economic growth and significant expansion in volume of seaborne trade did not absorb the great capacity increase through delivered newbuildings, resulting in reduced freight rates.

Over the last years, The J.J. Ugland Companies (JJUC) has had a considerable number of long-term fixtures. This has counteracted short-term fluctuations and resulted in a performance above the spot market. To a great extent this is due to the company's strategy where the greater part of the fleet was fixed on fairly long-term charter parties prior to 2012. At the beginning of 2012, approximately 75% of the total income days were fixed on charter parties to solid charterers.

Market outlook and future opportunities

The dry bulk market charter rates have fallen significantly over the last years, and consequently ship values have come down.

Weak freight rates in combination with a restrictive capital market, give reasons to believe that ordering of newbuildings will be moderate in the near future. The current orderbook is also supporting the view that the supply side of the market is flattening off, after substantial deliveries over the last years. It is expected that world economic growth will continue to increase the demand for transport, thereby reducing overcapacity of tonnage. This forms the basis for JJUC's expectation of a more balanced market and normalized freight rates in coming years.

This market view, together with the company's low financial gearing, has resulted in the contracting of two new supramax bulk carriers of the TESS-58 design. The vessels have been ordered together with a partner. The vessels will be built to the modern Eco-ship design, with reduced fuel consumption and emissions to the air.

Source: Dry bulk market figures and statistics from RS Platou Economic Research

Ugland invests in new Clean Design PSV vessel

Significant improvement in fuel consumption

Photo Illustration of SALT 100

The J.J. Ugland Companies (JJUC) together with partner has signed a contract with Kleven AS for the construction of one more advanced platform service vessel (PSV), this time designed by Salt Ship Design. The vessel, which will be the first of the new SALT 100 PSV-design, is to be equipped at Kleven's Ulsteinvik yard. Delivery is scheduled for January 2014.

The SALT 100 includes a number of new and innovative features and is tailored to meet the oil companies' requirements for a state-of-the-art PSV. SALT 100 combines new developments within design and technology aimed at achieving better operational economy, increased safety and more efficient operations. The vessel will have significantly lower fuel consumption with the first of its kind redundant counter rotating propulsion (CRP) and new and more flexible solutions for cargo handling.

The vessel of about 5 000 dwt will have a length of 88.9 metres, a beam of 20 metres and a cargo deck area of 1 035 m².

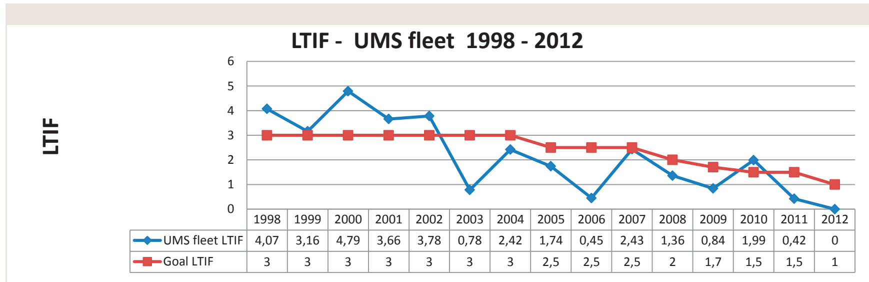
The class notation Clean Design will ensure low emissions. A catalytic system will reduce the engines' NOx emissions considerably, and in addition, the vessel will be equipped with a ballast water treatment system, an up-coming environmentally-friendly requirement for vessels.

With light ice class (ICE C), and class notation DEICE, the vessel will be well suited for operations in northern waters. The vessel will also have oil recovery equipment (OIL REC and NOFO 2009) and be equipped for standby services and rescue operations.

Commercial and technical operation will be taken care of by the Grimstad-based and JJUC-owned Ugland Offshore AS and Ugland Marine Services AS respectively. This ensures that the vessel will be operated by a fully integrated shipping company.

2012 - A year without Lost Time Injuries

2 500 days without LTI



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
UMS fleet LTIF	4,07	3,16	4,79	3,66	3,78	0,78	2,42	1,74	0,45	2,43	1,36	0,84	1,99	0,42	0
Goal LTIF	3	3	3	3	3	3	3	2,5	2,5	2,5	2	1,7	1,5	1,5	1

LTIF: Lost Time Injuries per 1 million exposure hours. Men hours are based on 24 hours per day.

The Quality Management System records any lost time injuries (LTI). If there is an accident on board or in the office resulting in an employee not being able to return to work for the next shift or workday, this will be recorded as an LTI. An example could be a hand injury requiring medical treatment and one or more days' rest from work. No LTI has been reported in 2012 by vessels managed by Ugland Marine Services AS (UMS), a result of long-term commitment, focus and hard work from everyone. This is a collective achievement. We are proud as well as humble of the 2012 result of "0" LTIs, and as seen from the graph, the downward trend has had its ups and downs.

The way forward will be to continue to involve ships' personnel in the continuous improvement process as described in the Quality Management System. Health & Safety are a joint effort from ships' personnel and staff onshore. UMS is in the fortunate situation that most of its shipboard personnel have been serving in the Company over many years, and thus know the Company and its system.

UMS has the firm conviction that accidents can be prevented and the 2012 results give renewed focus for the year 2013.

Corporate Social Responsibility

Global Compact - Communicating on Progress

A/S Uglands Rederi has traditionally had 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 have received increased focus. Knowing that company activities affect society in many ways, and that the company is affected by its surroundings, it is important for A/S Uglands Rederi to contribute to creating and maintaining a positive and sustainable shipping environment.

As a result of this focus, A/S Uglands Rederi joined the United Nations (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. A/S Uglands Rederi has embarked on making this a part of the company policy, operations and strategy, and an integral part of the corporate culture.

As member of this initiative an annual "Communication on Progress" is required, which shall be 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	HR 1-7
Principle 2	Businesses should make sure that they are not complicit in human rights abuses.	HR 1,2
LABOUR STANDARDS		
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	HR 5 LA 4-5
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labour;	HR 7
Principle 5	Businesses should uphold the effective abolition of child labour:	HR 6
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	HR 4 LA 2, 13, 14
ENVIRONMENT		
Principle 7	Businesses should support a precautionary approach to environmental challenges;	Profile disclosure 4, 11
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility; and	EN 2, 5-7, 10, 13, 14, 18, 21, 22, 26, 27
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies.	EN 2, 5, 6, 7, 10, 18, 26, 27
ANTI-CORRUPTION		
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	SO 2, SO 3, SO 4

Implementation of the UN Global Compact ten principles 2012

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. JJUC supports several initiatives in various communities, believing that social engagement in communities where we do business contributes to creating shared value for both the company and society as a whole. JJUC is engaged in various social activities both in Norway and in the Philippines seeking to continually renew and improve its approach to the local community.

In 2012, in accordance with ISO standards, efforts to ensure continuous improvement in safety and environmental performance were made. One example related to seeking environmentally friendly technologies, was the signing in 2012 of a building contract for a new platform service vessel (PSV) with the SALT 100 design. SALT 100 contains several new and progressive solutions, tailored to meet the oil companies' needs for a modern platform service vessel. SALT 100 combines innovations in design and technology to achieve better fuel efficiency, and reduce emissions.

JJUC supports and respect the protection of internationally proclaimed human rights. In 2012, steps were taken to improve performance in this area, by renewing and expanding the "supplier declaration" (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. JJUC through policy and procedures strives not to contribute to any forms of forced labour, child labour and discrimination in respect of employment, occupation, gender, age and culture.

JJUC has had procedures and guidelines in place related to averting corruption through gifts and other more specific office related subjects. In 2012, anti-corruption efforts were intensified by formalizing an anti-corruption procedure specifically for the fleet and crew onboard. The said procedure is an attempt to formalize the existing routine enabling an enhanced and systematical stance against corruption. Employees are trained in accordance with recommendations from The United Nations Office on Drugs and Crime (UNODC), Global Compact and The Norwegian Shipowners' Association. JJUC is considering membership in organizations and networks where corruption can be combatted together with other shipping companies and organizations at a higher level.

Global Reporting Initiative

Global Reporting Initiative, as the most widely applied standard for reporting on the ten principles of Global Compact, has been chosen as the company's reporting framework. The objective of the Global Reporting Initiative is to create a platform where the reported information is transparent, reliable, comparable and precise.

The Global Reporting Initiative's (GRI) vision is that disclosure on economic, environmental, and social performance is as commonplace and comparable as financial reporting, and important to organizational success.

Sustainability reports based on the GRI framework can be used to benchmark organizational performance with respect to laws, norms, codes, performance standards and voluntary initiatives; demonstrate organizational commitment to sustainable development; and compare organizational performance over time.

The A/S Uglands Rederi Global Reporting Initiative report is structured as a matrix naming the GRI element/indicator and referencing the documents and page where relevant information is publicly noted. When not referenced, specific information may be noted. As this is the company's first report, not all GRI elements/indicators are reported on, either they are not applicable or the requested information is not readily available. It is the company's intention to continiously improve and expand its GRI reporting. Please review the GRI report on the company's home page www.jjuc.no.

The Ugland Street

In 2010, our co-operation partner, the manning company Philippine Transmarine Carriers, Inc. launched its first housing and community development project, the Pacific Terraces Community, for its seafarers and their families to address the need for quality and affordable housing, as well as to provide them with a more stable and secure community life. This housing project, composed of 319 housing units, is located at the progressive municipality of Imus, Cavite, the Philippines. PTC wished to name one of the streets in their seafarer residential community "the Ugland Street" in recognition of the many fruitful and solid years of partnership. The picture is taken after the naming ceremony.

The J.J. Ugland Companies

www.jjuc.no

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