



*The
J.J. Ugland
Companies*



Annual Report

A/S Uglands Rederi 2014



Contents

5	Message from the Chairman
6	The J.J. Ugland Companies – A/S Uglands Rederi
8	The Board of Directors' Report
15	Income statement
16-17	Balance sheet
18	Cash flow statement
19-26	Notes
27-28	Auditor's Report
30	Operated Fleet
32	First vessel of the new TESS 58 Aeroline design
34	Ugland sponsors the local football club Jerv
36	Corporate Social Responsibility
38	PSV Juanita - Support Vessel of the Year
39	Contact details

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

2014 was another year with weak shipping markets in the offshore and bulk segments. The year started with a positive trend, with a continued sustainable market for offshore vessels and increasing term rates in expectation of a recovery in the dry bulk market. However, both markets turned downwards during the year. The sharp drop in oil prices, sanctions against Russia and the corruption scandal in Brazil reduced the demand for offshore support vessels and resulted in lower rates. A strong drop in Chinese coal, bauxite and nickel ore imports turned the bulk market downwards. These negative trends have continued this year. Although orders for newbuildings have dropped and scrapping has increased, we do not expect a quick recovery in any of these markets. However, shipping has always been a cyclic industry, where recessions have been followed by recoveries.

The J.J. Uglund Companies have a long-term commitment to shipping. We have a diversified fleet and recognise that timing of investments and fixed-term contracts are essential. Our ambition is to conduct our business in a manner that 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.

In 2014, we continued our renewal program for our fleet of bulk carriers. We sold our oldest vessel in March 2014 and took delivery of our first eco-design supramax vessel in September 2014, and the second in March 2015. In this low market, we also ordered four new eco-design ultramax vessels for delivery in 2016 and 2017. Four of our eco-design vessels will be owned in a joint venture and two will be owned solely by us. On the offshore side, we took delivery of our second large PSV, owned in a joint venture and on a fixed-term contract.

We made a fair profit in 2014 and entered this year with significant contract coverage. With a robust balance sheet, solid partners, a modern fleet ordered at moderate prices and skilled employees onshore and offshore, we are well prepared to stand through this downturn in the market and enjoy a future upswing.

Jørgen Lund
Chairman



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



The Board of Directors, from left: Ivar Aune, Gunnar Frognes, Jørgen Lund (Chairman), Peter D. Knudsen and Stein Rynning.

The J.J. Ugland Companies presently incorporate:

- 43 owned and operated units totalling about 1.7 million deadweight tonnes.

In addition, four supramax bulk carrier newbuildings are scheduled for delivery in 2016 and 2017.

The operated fleet includes 12 bulk carriers, one icebreaking special bulk carrier, 6 shuttle tankers, 19 barges, 2 PSVs, 2 tugs and 1 crane vessel.

- A commercial pool for their fleet of supramax 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 9001:2008, ISO 14001:2004 and OHSAS 18001.

- A strong customer base in the offshore industry for their barge fleet 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 2014, the fleet totalled 42 owned or operated units with an aggregate tonnage of 1.7 million deadweight tonnes. The fleet consisted of 11 supramax bulk carriers, one icebreaking special bulk carrier, 6 advanced tankers equipped for offshore bow loading, 2 platform service vessels (PSV), 19 seagoing barges, 2 tug-boats and one heavy lift, self-propelled crane vessel. In addition, 5 supramax bulk carriers are under construction, with delivery set for 2015–2017. The company took delivery of one platform service vessel (PSV) in 2014 and sold one bulk carrier and two older barges. The company signed a contract with a Japanese yard for the delivery of two 60 000 dwt bulk carriers in 2016 and 2017, and a contract with another Japanese yard for the delivery of two 63 000 dwt bulk carriers in 2017.

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

Earnings, Finance and Risk

The accounts for 2014 were prepared assuming a long-term going concern scenario.

Both the parent company and its subsidiaries are included in the figures stated below. The 2013 figures are given in brackets.

The operating income amounted to NOK 1 108 million (1 024), including a sales gain of NOK 44 million related to the sale of one bulk carrier and two barges. The operating result before depreciation and impairment losses (EBITDA) was NOK 318 million (309), and the operating result (EBIT) totalled NOK 68 million (138). In addition to ordinary depreciation of NOK 176 million (171), to be on the side of caution, an impairment

of NOK 74 million was recognised for one of the shuttle tankers as a result of uncertainty surrounding the ship's future contract coverage. Net financial expenses were in the amount of NOK 10 million (13). The result for the year before tax expenses and minority interests was NOK 57 million (125), with a result for the year of NOK 77 million after a reversed tax expense of NOK 21 million and minority interests of NOK 2 million.

The subsidiary Ugland Shipping AS owns 10 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. Cumulative earnings for Ugland Shipping's bulk operations continued to be satisfactory in 2014, while market rates for bulk carriers weakened during the year.

At the end of 2014, the group's owned fleet included two tankers equipped for offshore

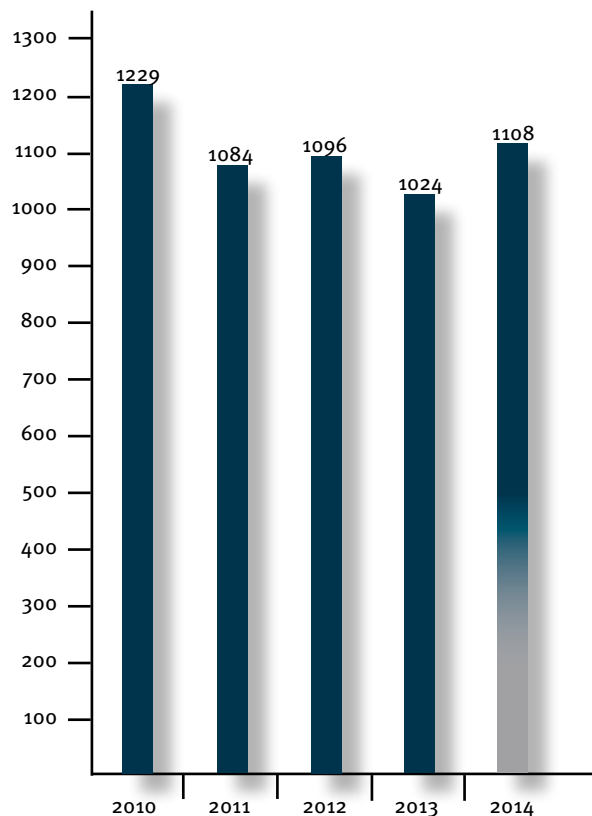
bow loading. Both vessels had a stable operation and satisfactory income in 2014.

As of 31 December 2014, Ugland Shipping AS and its subsidiary Skipsaksjeselskapet Kysten owned a fleet of 19 barges and one heavy lift crane vessel. The barge market weakened in 2014 and barge fleet earnings were reduced. For the crane vessel, however, 2014 was a year of high activity.

During the course of 2014, NOK 152 million was used for amortisation of loans and investment in vessels. Another NOK 110 million was paid in as equity to Ugland Supplier AS and UM Bulk AS.

Ugland Supplier AS, of which 50% is owned by A/S Uglands Rederi and 50% is owned by a Norwegian co-investor, owns two platform service vessels (PSV). A/S Uglands Rederi owns 50% of UM Bulk AS and 50% is owned by a foreign co-investor. UM Bulk AS owns one supramax bulk carrier and has three

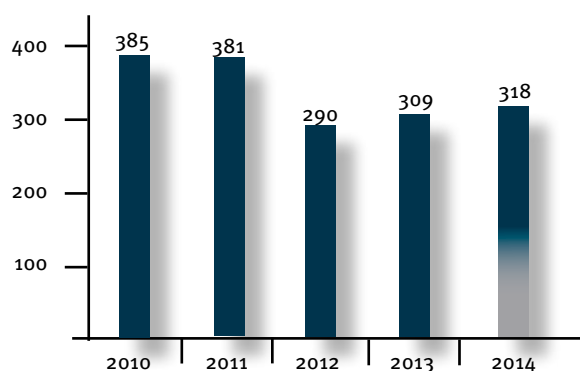
Operating income (NOK million)





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

EBITDA - Operating results before depreciation (NOK million)



vessels on order from yard. Results from these two associated companies are included under other financial income or expenses in the financial statements for A/S Uglands Rederi.

A/S Uglands Rederi and its subsidiaries have very good liquidity. As of 31 December 2014, the current ratio was 2.2. Long-term interest-bearing liabilities constitute NOK 242 million of a total group balance of NOK 2 984 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 2 317 million, and constitutes 78% of total assets.

The parent company A/S Uglands Rederi's result for the year was NOK 160 768 863. The Board of Directors recommends a dividend pay-out of NOK 106 per share, totalling NOK 45 804 932.

Bulk Carriers

Specification of the fleet is given in note 2.

All the bulk carriers owned by Uglund Shipping AS are commercially operated by Uglund Bulk Transport AS (UBULK Pool), while Uglund Marine Services AS is responsible for the technical management of the vessels. As of 31 December 2014, the pool operated 10 pool vessels with an average age of 7 years. In 2014, the pool revenue totalled NOK 377 million. In addition, Uglund Marine Services AS is responsible for the technical and commercial management of the bulk carrier Lunita, which is owned by UM Bulk AS.

Much of the fleet is fixed on fairly long-term charter parties. Earnings for the bulk carriers in 2014 remained significantly above the spot market rate.

In April 2014, UM Bulk AS signed a building contract with Sanoyas Shipbuilding Corporation for the construction of two 60 000 dwt bulk carriers for delivery in 2016

and 2017. These new eco-design vessels will reduce fuel consumption compared to existing tonnage.

In June 2014, Uglund Shipping AS signed a building contract with Mitsubishi Corporation for the construction of two 63 000 dwt bulk carriers from Imabari Shipbuilding Co., Ltd. for delivery in 2017. These new eco-design vessels will reduce fuel consumption compared to existing tonnage.

In February 2014, Uglund Shipping AS signed an agreement for the sale of the bulk carrier Livanita, built in 1997. The vessel was delivered to its new owner in March 2014. The sale resulted in a gain of NOK 26 million.

Tankers/PSV

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

Canship Uglund Ltd., in St. John's, Newfoundland, has management agreements for the shuttle tankers Mattea and Vinland, which are owned by A/S Uglands Rederi and its subsidiaries. In addition, Canship Uglund Ltd. manages another four shuttle tankers operating on the Grand Banks and off the coast of Venezuela, one icebreaking bulk carrier and two tugs serving Newfoundland's oil terminal.

Mattea's time charter party expires in September 2015, after which the charterers hold options for extending the charter party until November 2017. Mattea serves the Hibernia and Terra Nova fields on the Grand Banks off Newfoundland. Work is underway on a new transport solution on the Grand Banks, making Mattea's contract coverage beyond September 2015 uncertain.

Upon delivery, Mattea's depreciation plan assumed a technical and commercial service life of 25 years for the vessel. Due to a practice implemented by oil companies in recent years, assuming that most shuttle tankers no longer have a commercial service life of more than 20 years, Mattea's depreciation plan was changed in 2013. The changed depreciation plan entailed depreciation to estimated scrap value after 20 years. The uncertainty surrounding whether the ship's charter party will be extended beyond September 2015, has resulted in a need to consider additional impairment losses. Owing to the limited market demand for DP1 shuttle tankers, there is uncertainty associated with Mattea's earnings and market value if the current charterers do not employ their options. Therefore, an impairment loss of USD 10 million (NOK 74 million) has been recognised for Mattea beyond normal depreciation.

Vinland's charter party to Petrobras in Brazil was extended to November 2017 after the charterer employed its option to extend the charter party by another year. Petrobras has an additional one-year option to extend the charter party to November 2018.

In April 2014, Ugland Supplier AS took delivery of Juanita, a platform service vessel (PSV) with a deck area of 1 035 m², built by Kleven AS. In April 2014, the vessel was fixed to Statoil Petroleum AS on a two-year time charter party including 1+1 year options.

The PSV vessel Evita is serving on a time charter contract to Lundin Norway AS. The contract includes a fixed period expiring in June 2015 at the earliest.

Ugland Offshore AS and Ugland Marine Services AS are responsible for the commercial and technical management of the vessels on behalf of Ugland Supplier AS.

Barges & Crane Vessel

The barges and the heavy lift crane vessel Uglen are operated by Ugland Barge Pool AS.

In June and July 2014, the barges UR 108 and UR 1 were sold and delivered to new owners. The sales resulted in a gain of NOK 18 million.

In July 2013, two barge newbuildings, UR 901 and UR 902, were delivered from a yard in China. The barges are owned by Ugland Shipping AS and Skipsaksjeselskapet Kysten respectively. These state of the art units are built with ballast water treatment system. The barges are under tow home to Europe. The tow has been significantly delayed due to financial problems encountered by the

tug owner. However, after a long delay at the Malacca Strait, the tug now has a new owner. The tow has been resumed and is now going according to plan.

The barge fleet's contract coverage has been weaker in 2014 than in 2013. The barges mainly traded in the North Sea, the Baltic Sea and the Gulf of Mexico.

Uglen's contract coverage was satisfactory in 2014. The contracts were primarily carried out along the Norwegian coast. In the spring of 2014, Uglen was upgraded by Nymo, increasing its lifting capacity from 600 to 800 tonnes. The increased lifting capacity addresses the need to perform heavier lifts for Uglen's largest customer, and also increases market opportunities in general.

Insurance

In 2014, the hull and machinery, hull and freight interest and loss of hire insurances were renewed with coverage until 30 November 2015. The P&I insurance expires on 20 February 2016. War risk insurance is covered in Den Norske Krigsforsikring for Skib.

The total insurance coverage for the group's fleet is NOK 4.9 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 two PSV vessels. The company is also the technical manager of the barges and the heavy lift crane vessel Uglen, while Ugland Construction AS is in charge of the commercial management of the latter vessels.

At the end of 2014, the workforce engaged in shipping activities totalled 859 people.

The office staff included 60 people employed by Ugland Marine Services AS in Grimstad, 7 people employed by Ugland Construction AS in Stavanger and 27 people employed by Canship Ugland Ltd. in St. John's. Women constituted 31% 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 765 people, with 338 Filipinos, 343 Canadians, 69 Norwegians, 9 Swedes and 6 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 Philippine crewing company. The seafarers are employed on contracts complying with approved employment settlements in their respective countries.



Canship Ugland Ltd. has management agreement with Statoil Petroleum AS. Pictured above, Vinland, on her way to Rio de Janeiro.

Right: PSV Juanita
Far right: Barge UR 93



Agreements for the shuttle tankers Mattea and Vinland, owned by A/S Uglands Rederi and subsidiaries. Rio de Janeiro for unloading.





PSV Juanita, delivered in 2014, is on charter to Statoil Petroleum AS.

Juanita is of the innovative SALT 100 state of the art design, integrating safety with environmentally friendly propulsion and operational flexibility.

Ugland Marine Services AS holds 100% of the shares in Ugland Construction AS, Ugland Offshore AS, and 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).

No vessels were involved in any accidents causing serious injuries or harm to the environment. Absence due to illness on board and ashore was 1.0% and 3.7% respectively. Health, safety and the environment are given top priority, and continuous efforts are made to further reduce the risk of accidents and pollution. No lost time injuries (LTI) were registered in 2014.

Shipping is an environmental-friendly mode of transport. Nevertheless, a number of measures can be 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 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 fuel 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 the local marine environment when transferred from one part of the world to another. With a high focus on protecting the environment, the company has implemented an environmental policy with defined procedures and practices to achieve its environmental targets. 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 quality certified, and environmentally certified according to ISO 14001:2004 and OHSAS 18001.

Outlook

It appears that our shipping segments will be affected by weak markets in 2015 and into 2016. However, we have faith in market recovery in the longer term and are optimistic for the future.

With a mortgage-free bulk and barge fleet, and a respectable cash reserve, the Board of Directors considers the company to be well equipped to meet the challenges of the years ahead. Five new bulk carriers will be delivered from 2015–2017, of which three of the vessels will be owned by UM Bulk AS.

The supramax drybulk carriers will continue to trade in the UBULK Pool managed by Uglund Bulk Transport AS, where a part of the capacity is fixed on fairly long-term time charter parties to solid charterers. The contract coverage for 2015 is approximately 40%. At the beginning of 2015, the dry bulk market was very weak and it is expected to remain weak through 2015.

As for the barge fleet, similar market conditions are expected for 2015 as last year.

Both the shuttle tankers owned by the group are fixed on time charter parties to solid charterers.

Vinland has been extended in Brazil until November 2017, while a new transport solu-

tion in Canada has resulted in uncertain contract coverage for Mattea after September 2015.

The PSV vessels are fixed on contracts until June 2015 and April 2016. Further investments in this segment have been put on hold due to lower activity deriving from the sharp fall in oil prices.

On the whole, we expect that our activities in 2015 will generate a positive 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, considering financial capacity and the right timing.

Our main priorities are to ensure the safety and security of life, the environment, vessels and cargo. In addition, emphasis is placed on long-term relationships, solidity and strong liquidity.

Good customer relationships and financial strength coupled with experienced and dedicated employees make A/S Uglands Rederi and its subsidiaries a robust and serious actor in their targeted market segments.

The Board of Directors wishes to thank all seagoing and shore-based staff for their contribution to the positive development of the company.

Grimstad, 24 February 2015

Gunnar Frognes
Deputy Chairman

Jørgen Lund
Chairman

Ivar Aune

Stein Rynning

Øystein Beisland
President

Peter D. Knudsen

Balance sheet as of 31.12. (NOK)

Consolidated			A/S Uglands Rederi	
2014	2013		2014	2013
		NOTE		
ASSETS				
Fixed assets				
Intangible fixed assets				
0	0		0	2 527 652
0	0		0	2 527 652
Tangible fixed assets				
1 988 424 260	2 208 987 157	4	0	0
2 158 821	1 741 541	4	657 034	657 034
73 101 337	0	4	0	0
2 063 684 418	2 210 728 698		657 034	657 034
Financial fixed assets				
0	0		190 866 440	190 866 440
261 077 200	155 940 191	6	259 246 196	154 235 971
112 189 188	47 943 908	7	62 228 296	0
373 266 388	203 884 099		512 340 932	345 102 411
2 436 950 806	2 414 612 797		512 997 966	348 287 097
Current assets				
Receivables				
150 239 737	117 154 794	7	11 930 224	12 827 994
150 239 737	117 154 794		11 930 224	12 827 994
Bank deposits, cash etc.				
397 191 122	404 489 701	9	21 829 540	62 737 979
397 191 122	404 489 701		21 829 540	62 737 979
547 430 859	521 644 495		33 759 764	75 565 973
2 984 381 665	2 936 257 292		546 757 730	423 853 070

Consolidated				A/S Uglands Rederi	
2014	2013			2014	2013
		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					
2 309 372 061	2 247 584 787		Other equity	483 845 311	368 881 380
5 253 812	5 097 775		Minority interests	0	0
2 317 473 460	2 255 530 149	11	Total equity	486 692 898	371 728 967
Liabilities					
Provisions					
60 502 678	91 600 277	10	Deferred tax liability	1 109 631	0
113 767 585	89 166 044	8	Other provisions	0	0
174 270 263	180 766 321		Total provisions	1 109 631	0
Other non-current liabilities					
241 549 315	234 212 400	9	Liabilities to financial institutions	0	0
0	52 100		Other long-term liabilities	0	52 100
241 549 315	234 264 500		Total other non-current liabilities	0	52 100
Current liabilities					
7 352 838	19 550 977	10	Income tax payable	0	0
45 804 932	49 694 030		Dividends	45 804 932	49 694 030
197 930 857	196 451 315	7	Other current liabilities	13 150 269	2 377 973
251 088 627	265 696 322		Total current liabilities	58 955 201	52 072 003
666 908 205	680 727 143		Total liabilities	60 064 832	52 124 103
2 984 381 665	2 936 257 292		Total equity and liabilities	546 757 730	423 853 070

Grimstad, 31 December 2014

24 February 2015

Gunnar Frøgnæs
Deputy ChairmanJørgen Lund
Chairman

Ivar Aune

Stein Rynning

Øystein Beisland
President

Peter D. Knudsen

Cash flow statement (NOK)

Consolidated			A/S Uglands Rederi	
2014	2013		2014	2013
		Cash flow from operating activities		
57 398 473	125 197 450	Operating result before tax	166 081 302	42 223 112
5 259 990	2 370 009	Result from associated companies	5 386 774	2 499 230
-41 006 927	-25 724 994	Tax paid / tax refund from previous years	-1 675 156	2 278 147
-44 451 525	-8 119 987	Gain on sale of assets	0	0
250 544 816	170 912 221	Ordinary depreciation and impairment losses	0	0
40 917 764	20 387 969	Currency adjustments	-10 172 854	-2 655 250
-7 065 772	37 123 263	Changes in other accruals	22 841 112	20 013 955
261 596 819	322 145 931	Net cash flow from operating activities	182 461 179	64 359 194
		Cash flow from investing activities		
-110 397 000	-24 494 000	Cash outflow, investment in associated companies	-110 397 000	-24 494 000
104 325 767	8 239 796	Cash inflow, sale of assets	0	0
-111 952 433	-26 734 442	Cash outflow, purchase of assets	0	0
-10 747 500	0	Cash outflow, short term debt	-10 747 500	0
-53 579 402	0	Cash inflow/outflow other long-term investments	-53 579 402	38 659 332
-182 350 568	-42 988 646	Net cash flow from investing activities	-174 723 902	14 165 332
		Cash flow from financing activities		
-39 579 300	-33 085 116	Cash outflow, amortization of long-term debt	0	0
3 355 701	-160 000	Cash inflow/outflow of long-term receivables	1 048 315	0
-49 694 030	-40 187 346	Cash inflow/outflow, dividend /group contribution	-49 694 030	-40 187 346
-627 200	-827 850	Cash inflow/outflow, minority interests	0	0
-86 544 829	-74 260 312	Net cash flow from financing activities	-48 645 715	-40 187 346
-7 298 579	204 896 973	Net change cash and bank deposits	-40 908 439	38 337 180
404 489 701	199 592 728	Cash and bank deposits 01.01	62 737 979	24 400 799
397 191 122	404 489 701	Cash and bank deposits 31.12	21 829 540	62 737 979

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 recognized 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 31.12.14, which for NOK/USD was 7.43. As of 31.12.13 the rate of exchange was 6.12.

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 tankers is 20 years with an estimated residual value.

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.

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 88 370.)

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 tankers					
MATTEA	1997	126 360	Penney Ugland Inc.	100	TC until 09/15
VINLAND	2000	125 827	Ugland Shipping AS	100	TC until 11/17
Supramax bulk carriers					
FERMITA	2001	52 380	Ugland Shipping AS	100	Pool
ROSITA	2004	52 338	Ugland Shipping AS	100	Pool
TAMARITA	2001	52 292	Ugland Shipping AS	100	Pool
FAVORITA	2005	52 220	Ugland Shipping AS	100	Pool
SENIORITA	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
S-K095	2016	63 000	Ugland Shipping AS	100	Pool/2016
S-K096	2017	63 000	Ugland Shipping AS	100	Pool/2017
Barges and crane vessel					
UR 2	1995	9 750	Ugland Shipping AS	100	Pool
UR 3	1995	9 750	Ugland Shipping AS	100	Pool
UR 5	1996	9 750	Ugland Shipping AS	100	Pool
UR 6	1997	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 94	2001	9 040	Ugland Shipping AS	100	Pool
UR 95	2001	9 025	Skipsaksjeselskapet Kysten	100	Pool
UR 96	2008	9 025	Ugland Shipping AS	100	Pool
UR 97	2008	9 025	Skipsaksjeselskapet Kysten	100	Pool
UR 98	2011	9 025	Ugland Shipping AS	100	Pool
UR 99	2011	9 025	Skipsaksjeselskapet Kysten	100	Pool
UR 101	1993	10 094	Skipsaksjeselskapet Kysten	100	Pool
UR 111	1976	11 285	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/2015
UR 902	2013	9 019	Skipsaksjeselskapet Kysten	100	Pool/2015
UGLEN	1978	2 600	Ugland Shipping AS	100	Pool

Sales revenue per area of activity	Consolidated 2014	Consolidated 2013
Shuttle tankers	282 362 637	238 176 271
Bulk carriers	316 410 060	285 642 092
Barges and crane vessel	106 459 537	170 851 591
Gain on sale of vessels/barges	44 498 699	8 105 796
Invoiced vessel costs/ Management fee	358 409 787	320 841 219
	1 108 140 720	1 023 616 969

In 2014, 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	Parent Company	Consolidated	Consolidated
	2014	2013	2014	2013
Salaries	1 125 000	1 125 000	399 133 261	331 261 755
Employment duty	158 625	158 625	26 306 662	22 271 087
Other salary related costs	0	0	32 222 641	30 985 172
Pension costs	0	0	29 142 946	24 807 595
	1 283 625	1 283 625	486 805 509	409 325 609

(2013 figures in brackets)

Average full time employees - office	86 (83)
Average full time employees - officers and crew	678 (644)

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.

Salaries etc. to the President and Board of Directors	President	Board of Directors
Salaries	1 856 839	1 125 000
Other benefits	15 656	0

Auditor

Auditor's remuneration (exclusive of VAT) from the parent company was NOK 95 000 (consolidated 979 385). In addition, the auditor received fees related to tax consultancy and accounting advice in the amount of NOK 125 000 (consolidated 745 672) and NOK 75 000 (consolidated NOK 465 750) respectively.

Note 4 - Tangible fixed assets / Tenancy agreements

	Parent Company	Consolidated		
	Other Assets	Vessels	Other Assets	Total
Cost price 01.01.	657 034	3 765 271 206	6 507 538	3 771 778 744
Additions	0	110 813 754	1 138 673	111 952 427
Disposals	0	-165 891 000	-233 000	-166 124 000
Currency adjustments	0	51 406 170	16 166	51 422 336
Cost price 31.12.	657 034	3 761 600 129	7 429 378	3 769 029 507
Acc. depreciation and impairment	0	-1 700 074 518	-5 270 571	-1 705 345 089
Book value 31.12.	657 034	2 061 525 612	2 158 807	2 063 684 418
Depreciation and impairment 2014	0	249 894 415	650 399	250 544 815

Tenancy agreements

A/S Uglands Rederi and its subsidiaries have three long-term office tenancy agreements. Total rent recorded through the year was NOK 4 746 703.

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 2014	Share of result after tax	Book Value 31.12
Associated Companies:						
Ugland Supplier AS	Grimstad	50%	114 416 086	65 000 000	-3 680 460	175 735 626
UM Bulk AS	Grimstad	50%	39 809 884	45 397 000	-1 706 314	83 500 570
Other Company:						
Bjoren AS	Bygland	3,9%	10 000	0	0	10 000
Total parent company			154 235 970	110 397 000	-5 386 774	259 246 196
Associated Company:						
11030 Newfoundland Inc.	Canada	45,4%	1 704 221	0	126 783	1 831 004
Total consolidated			155 940 191	110 397 000	-5 259 991	261 077 200

Associated companies are recognized under the equity method.

Note 7 - Receivables and liabilities

	Parent Company		Consolidated	
	2014	2013	2014	2013
Pension funds	0	0	21 345 892	20 611 367
Receivables falling due after one year	62 228 296	0	91 213 509	27 332 541
Total long-term receivables	62 228 296	0	112 559 401	47 943 908
Intercompany receivables / liabilities				
Long-term receivables group companies	0	0	27 890 000	26 196 000
Short-term receivables group companies	0	0	13 315 551	16 283 346
Short-term liabilities group companies	0	0	13 919 914	19 948 313
Short-term liabilities subsidiaries	11 766 643	0	0	0
Short-term receivables subsidiaries	0	10 959 816	0	0
Short-term receivables parent company	0	0	594 830	455 911
Short-term liabilities associated companies	0	0	7 384 308	0
Receivables associated companies	73 399 342	0	75 811 629	683 636

Related parties - transactions	Parent Company		Consolidated	
	2014	2013	2014	2013
Income				
Ugland Marine Services AS - rental income	119 400	117 000	0	0
Penney Ugland Inc. - guarantee commission	1 128 099	1 172 033	0	0
Penney Ugland Inc. - management fee	971 365	897 519	0	0
Ugland Bulk Transport AS - freight income	0	0	316 410 060	272 487 837
Ugland Barge Pool AS - freight income	0	0	106 459 537	159 941 092
J.J. Ugland Holding AS - administration fee	0	0	1 729 500	1 662 960
Vikkilen Industri AS - administration fee	0	0	1 407 182	1 353 040
J.J. Ugland AS - administration fee	0	0	1 406 102	1 352 000
Ugland Bulk Transport AS - other fees	0	0	15 486 399	16 273 197
AS Nymo - administration fee	0	0	2 246 000	1 848 000
Ugland Supplier AS - building supervision and administration fee	0	0	5 271 252	6 108 242
Ugland Marine Services AS - interest income	0	568 401	0	0
J.J. Ugland Holding AS - interest income	0	0	30 829	0
Ugland Barge Pool AS - interest income	0	0	250 930	469 780
Expenses				
Ugland Marine Services AS - administration fee	-6 949 800	-4 200 000	0	0
J.J. Ugland AS - rent	0	0	-2 867 000	-2 702 000
J.J. Ugland Holding AS - interest expense	0	0	0	-5 297
Knut N.T. Ugland - rent	0	0	-186 240	-223 240
Ugland Marine Services AS - interest expense	-239 807	0	0	0
Ugland Bulk Transport AS - interest expense	0	0	-937 459	-376 898

Note 8 - Provisions and pensions

	Consolidated	
	2014	2013
Provisions for maintenance and classification	100 257 095	69 837 633
Other provisions	7 356 467	12 041 998
Pension obligations	6 154 023	7 286 413
Total	113 767 585	89 166 044

When Vinland was acquired along with the mortgage loan, an obligation attached to an interest rate swap was also taken over. The provision is recognized as income when the mortgage loan's interest is expensed.

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 169 people (including 87 seafarers) to receive defined future pension benefits. Additionally, 24 employees in Norway have joined a contribution pension scheme (Unit Link). 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 370 Canadian employees.

Note 8 - Provisions and pensions (continued)

	Consolidated	
	2014	2013
Service costs	4 735 358	4 090 730
Interest cost on pension obligations	5 468 700	5 136 180
Expected return on pension funds	-4 875 805	-3 759 908
Amortisation of actuarial gain/loss	3 765 062	3 395 674
Administration costs	866 792	781 989
Payment to defined contribution pension scheme	17 723 962	13 765 519
Social security tax	1 606 150	1 330 792
Settlement	0	481 854
Charged other companies	-147 272	-415 235
Net pension costs	29 142 946	24 807 595
Pension obligations operating pension schemes	2014	2013
Projected pension obligation as of 31.12.	-6 878 406	-7 583 795
Unrecognised actuarial gain/loss	1 560 518	1 232 819
Social security tax	-836 135	-935 437
Recognised gross pension obligation	-6 154 023	-7 286 412
Net pension funds	2014	2013
Accrued pension obligations as of 31.12.	-153 396 375	-128 817 775
Pension scheme assets as of 31.12.	120 218 977	108 707 154
Unrecognised actuarial gain/loss	54 523 290	40 721 988
Net pension fund as of 31.12.	21 345 892	20 611 367

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

Actuarial assumptions	2014	2013
Discount rate	2.3%	4.1%
Assumed return on pension funds	3.2%	4.4%
“ salary increase	2.75%	3.75%
“ statutory basic amount increase (cf note 1)	2.5%	3.5%
“ pension benefit increase	1.2%	1.95%

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

Liabilities secured by mortgage	Consolidated
Liabilities to financial institutions	241 549 315
Book value of pledged assets	406 348 666

Future income and insurances related to mortgaged assets are pledged as security for liabilities to financial institutions. All group long-term liabilities to financial institutions fall due before 31.12.2019.

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 31.12.2014 amounted to NOK 20 089 846.

Note 10 - Taxes

	Parent Company		Consolidated	
	2014	2013	2014	2013
Current year's tax expense				
Tax payable	0	0	27 232 566	19 550 977
Withholding tax paid	971 484	2 169 814	1 000 927	2 214 023
Adjusted tax from previous years	925 987	-4 447 961	1 247 437	-3 784 302
Change deferred tax	3 414 968	930 949	-50 844 815	-19 731 062
Income tax expense	5 312 439	-1 347 198	-21 363 885	-1 750 364
Tax payable as of 31.12.				
Recognized tax payable	0	0	27 232 566	19 550 977
Prepaid tax Canada	0	0	-19 879 728	0
Tax payable as of 31.12.	0	0	7 352 838	19 550 977
Reconciliation of effective rate and applicable corporate tax rate				
Result for the year before tax	166 081 302	42 223 112	57 398 472	125 197 450
Expected income tax, nominal tax rate	44 841 952	11 822 471	-10 495 589	8 026 306
Tax effect of the following items				
Non-deductible expenses/non-taxable income	-41 426 983	-10 489 729	1 629 401	499 880
Withholding tax paid	971 484	2 169 814	1 000 927	2 214 023
Currency adjustments	0	0	-15 899 709	-10 235 206
Adjusted tax from previous years	0	93 617	0	-22 350
Tax on financial result shipping company	925 987	-4 943 371	1 247 437	-3 784 302
	0	0	1 153 648	1 551 285
Tax expense	5 312 439	-1 347 198	-21 363 885	-1 750 364

Specification of change in deferred tax:	Parent Company		Consolidated	
	2014	2013	2014	2013
Deferred tax 01.01.	-2 527 652	-3 458 601	91 600 277	101 112 290
Change recognized in income statement	3 414 968	930 949	-50 844 815	-19 731 062
Adjusted tax from previous years	222 315	0	222 315	0
Currency adjustments	0	0	19 524 901	10 219 049
Deferred tax/tax asset 31.12.	1 109 631	-2 527 652	60 502 678	91 600 277

Specification of tax asset/liability effect of temporary differences	Parent Company		Consolidated			
	2014	2013	2014		2013	
	Tax Assets	Tax Assets	Tax Assets	Tax Liabilities	Tax Assets	Tax Liabilities
Consolidated						
Tangible fixed assets	0	0	0	196 947 886	0	311 766 538
Pension obligations / funds	0	0	0	15 191 869	0	13 324 954
Unrealised currency gain/loss	8 821 365	0	0	8 821 365	0	3 075 582
Tax loss carry-forward	-4 711 619	-9 361 675	11 490 307	0	11 593 781	0
Total 31.12	4 109 746	-9 361 675	11 490 307	220 961 120	11 593 781	328 167 074
Net deferred tax asset/liability	1 109 631	-2 527 652		60 502 678		91 600 277

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 1 170 368 (2013: NOK 1 231 348) is recognized 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					
Balance 01.01.	2 160 610	686 977	368 881 380	0	371 728 967
Result for the year	0	0	160 768 863	0	160 768 863
Dividends	0	0	-45 804 932	0	-45 804 932
Balance 31.12.	2 160 610	686 977	483 845 311	0	486 692 898
Consolidated					
Balance 01.01	2 160 610	686 977	2 247 584 787	5 097 775	2 255 530 149
Result for the year	0	0	77 160 254	1 602 104	78 762 358
Dividends	0	0	-45 804 932	0	-45 804 932
Redemption of minority interest	0	0	0	-627 200	-627 200
Currency adjustment	0	0	30 431 952	-818 867	29 613 085
Balance 31.12.	2 160 610	686 977	2 309 372 061	5 253 812	2 317 473 460

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 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 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 exchange rates since the debt, operating income and most of the expenses are in USD. In the second-hand market the vessels are valued in USD.

As of 31.12.2014, the company, on a consolidated basis, had two fixed interest rate agreements. The fixed interest rate agreements with principal amount of USD 8 760 000 and USD 23 750 000, falling due in December 2016 and September 2017 respectively, are linked to mortgage loans on the two owned shuttle tankers.

Note 13 - Other financial items

	Parent Company		Consolidated	
	2014	2013	2014	2013
Currency loss (disagio)	0	0	0	-3 457 870
Other financial items	-7 219	-3 950	-347 307	-471 443
Other financial expenses	-7 219	-3 950	-347 307	-3 929 313
Currency gain (agio)	17 631 713	9 379 891	1 201 509	0
Other financial items	1 128 309	1 172 349	397 725	143 315
Other financial income	18 760 022	10 552 240	1 599 234	143 315



Statsautoriserte revisorer
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Medlemmer av Den norske revisorforening

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 2014, the statements of income showing a profit of NOK 160 768 863 for the Company and a profit of NOK 78 762 358 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.

continued..



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.

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 2014 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 and the going concern assumption 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, 24 February 2015
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 2015

Bulk Carrier		
Vessel Name	DW tonnes	Year built
MV BONITA	58 105	2010
MV CARMENCITA	58 773	2009
MV ELLENITA	57 501	2015
MV FAVORITA	52 220	2005
MV FERMITA	52 380	2001
MV ISABELITA	58 080	2010
MV KRISTINITA	58 105	2011
MV LUNITA	57 572	2014
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
4 Newbuildings - 2 x 60 000 dwt + 2 x 63 000 dwt	246 000	2016/2017
17 Vessels	952 118	

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	Deck Area	DW tonnes	Year built
MV EVITA	1 000 m ²	5 433	2012
MV JUANITA	1 035 m ²	5 456	2014
2 Vessels		10 889	

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 2015 continued

HLV & Barges		
Vessel Name	DW tonnes	Year built
HLV UGLEN 800 t crane	2 600	1978
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 111	11 285	1976
Barge UR 141	14 011	1993
Barge UR 171	16 800	2011
Barge UR 901	9 019	2013
Barge UR 902	9 019	2013
20 Units	194 533	
Total Operated Fleet	47 units	1 975 444 dwt

First vessel of the new TESS 58 Aeroline design delivered to UM Bulk AS

On 10 March 2015, UM Bulk AS took delivery of MV Ellenita, the first vessel of the TESS 58 Aeroline design delivered by the Tsuneishi shipbuilding group of Japan. UM Bulk AS is a 50/50 joint venture between The J.J. Ugland Companies (JJUC) and Mitsubishi Corporation. Both companies have a long-standing relationship with Tsuneishi. JJUC already has a number of TESS 58 bulk carriers in the fleet. TESS is an abbreviation for Tsuneishi Economical Standard Ship, and a large number of vessels of this 58 000 tdw design have been delivered to shipping companies around the world. These supramax bulk carriers have a reputation for being reliable, versatile and fuel-efficient.

With its new Aeroline design, Tsuneishi has improved upon the standard TESS 58 to make the ships even more fuel efficient and environmentally friendly without changing the main hull proportions and cargo capacities. UM Bulk AS and JJUC are focusing on eco ships for their newbuildings and believe this makes sense both from a business perspective as well as from an environmental perspective.

Some of the important features of the new TESS 58 Aeroline design are described below. Ellenita is expected to show significant savings in fuel consumption, while maintaining the well-known TESS 58 characteristics of being a reliable, versatile and efficient ship to operate.

The accommodation building is turned 90 degrees to reduce air resistance together with more streamlined bridge-wings (curved construction painted blue), rounded hatch-covers and a modified bow. These are the most visible innovations compared to the standard design, but there are also a number of innovations below deck.

The main engine turbo charger has a separate air intake on starboard bridge-wing. The main engine is a MAN B&W 7 cylinder S50ME-B9 electronically controlled two-stroke engine. The design and performance parameters have been upgraded and optimised to comply with the International Maritime Organisation (IMO) Tier II emission regulations.



From left, photo no. 2:

The Main Engine Turbine Hydraulic System (THS) enables waste heat recovery on the main engine turbine side. When the main engine is running at more than 50% power, the turbocharger will produce hydraulic power to transfer to the crankshaft by means of hydraulic pumps driving a hydraulic motor fitted to the forward end of the crankshaft.



The advantages of the ME-B are quite extensive and listed below:

- Its control system is delivered with more precise timing, giving better engine balance with equalised thermal-load in and between cylinders.
- Lower specific fuel oil consumption (SFOC) and better performance parameters thanks to variable electronically controlled fuel injection timing.
- Appropriate fuel injection pressure and rate shaping at any load.
- Improved emissions characteristics, with smokeless operation.
- System comprising performance, adequate monitoring and diagnostics of engine for longer time between overhauls.
- Lower rpm possible for manoeuvring

Central cooling seawater pumps have a frequency inverter system to regulate speed (rpm) to reduce power consumption.

Ellenita has ballast water treatment system with two separate mud strainers and back flushing to sea to avoid mud being pumped into the ballast tanks, and with chemical treatment for neutralising and disinfection of the ballast water.

Also worth mentioning is the hull appendage MT-FAST, which is an energy saving device that reduces fuel consumption. Its multiple blades are fitted ahead of the ship's propeller to reduce the swirl generated by the propeller and thereby enhance propulsion efficiency.

Finally, a newly designed propeller together with an asymmetric high lift reaction rudder with a bulb will contribute to improved performance.



From left, photo no. 3:
The shaft generator system will produce sufficient power at sea to avoid running diesel generators for producing electric power and thus reduce fuel consumption. This is the most energy efficient way of producing electricity at sea.

JJUC sponsors the local football club Jerv

The J.J. Ugland Companies (JJUC) provides significant financial support to sporting, cultural and charitable organizations, and see this as part of our corporate social responsibility. For two sports clubs in the local community, JJUC is the main sponsor. The objective is to create positive associations, increase knowledge of JJUC's brand, being a motivating factor for JJUC's employees as well as promote good customer and supplier relations. As one of the largest employers among the companies in Grimstad as well as in the county of Aust-Agder, we believe that active and thriving sports clubs are important for the local community as an attractive place to work and live. Below, the largest of these clubs is presented.

FK Jerv is a Norwegian football club founded in 1921 and is currently Aust-Agder's top football club, with the first team playing in Division 1 (level 2 in Norway) and a total of around 500 members. Jerv has teams from Old Boys down to 6-year-olds. The club aims to offer something for everyone. Those who want to focus on football

at a high level can do so, while those who just want to play for fun can do that too.

Although there is a big difference between FC Barcelona and FK Jerv, Barcelona's motto "més que un club" ("more than a club") is also fitting for Jerv. In addition to all the football teams, Jerv has a seniors group and an after-school football programme called Fotball Fritidsordning (FFO) for both girls and boys from the 2nd to the 7th grade. Children who come from schools further away, are picked up by FFO coaches or members of the seniors group at the end of the school day.

They get a simple and healthy meal and then it's time for homework, with helpers on hand to provide assistance. They finish up with around 75 minutes of football training with players from Jerv's A-team and junior teams. FFO has become very popular, with over 20 children participating several days a week.



Jerv playing home match in local derby against Arendal. The new main stand in the background.



The Jerv team celebrating promotion to Division 1

Jerv's seniors group consists of seniors who volunteer their services to help the club. In addition to helping with picking up kids for FFO, they are also responsible for the maintenance and operation of the clubhouse, organising events around the A-team's matches, parties and catering for various social events. In addition, they meet at the clubhouse every Wednesday, where they discuss football and other things over piping hot waffles.

In recent years, it has been exciting to follow Jerv's A-team from the stands at J.J. Ugland Stadium – Levermyr. The team moved up from level 4 to level 3 in 2011. It was only a brief stay in level 3, as Jerv dropped right back down the same season. However, Jerv's board, management, players and sponsors would not be beaten. And they were back up in level 3 in 2013. To ensure that it would not be as short-lived as the last time, they made some changes. Among other things, the team brought in a new coach and they implemented a more professional apparatus to support the A-team and several other parts of the club. This produced rather unexpected results not only for Grimstad and Jerv, but also for the rest of football Norway when Jerv celebrated their promotion to level 2 in Norway in late October 2014. Ahead of the season, several media and "experts" had predicted that Jerv would end up fighting the relegation battle. The team is currently working to improve players, management, their facilities and everything else they need to stay at the second highest level in Norwegian football. Over the past year, Jerv has also strengthened its focus on young local players, so hopefully some local boys will make the club's first eleven. Among other initiatives, Jerv is starting up its own football academy in the spring of 2015 for those who have the drive, the ability and the desire to get more out of football.

Jerv has had a close relationship with the J.J. Ugland Companies (JJUC) for decades and JJUC is the club's main sponsor. The owner of JJUC, Knut N.T. Ugland, was formerly the keeper on Jerv's A-team and a club board member, and has a strong passion for FK Jerv. As did his grandfather, J.J. Ugland, who played over 370 matches for the A-team over a span of 20 years and headed the Levermyr Committee, which was responsible for the construction and operation of the club's football facilities, for 30 years. When the stadium needed upgrading a few years ago, the ownership was transferred to Grimstad Municipality who took over operational responsibility. To meet the requirements set by the Football Association of Norway, they built a new main stand, which also housed team dressing rooms and a doping test room. The new main stand was built with a significant contribution from JJUC. In recognition of this commitment, Grimstad Municipality adopted a resolution to rename the football stadium J.J. Ugland Stadium – Levermyr.

The team expects to see many spectators and strong local involvement – with Bergen's football pride Brann as the most famous visiting team this season.



Above and below: All local children are invited to join Jerv



Establishing good values is just as important as developing football skills

Corporate Social Responsibility

Global Compact - Communicating on Progress



A/S 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 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 consequence of the above, A/S 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 A/S Uglands Rederi company policy and the corporate culture.

As 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

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, 2
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;	Profile disclosure and G4-EN:
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility; and	3, 6, 8, 15*, 19*, 21*, 23, 24 and G4-HR5
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
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Note: The GRI references above are standard disclosures and core elements only. * Partly reported.

Implementation of the UN Global Compact ten principles 2014

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. A/S 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 2014, in accordance with ISO standards, efforts to ensure continuous improvement in safety and environmental performance were made. Continued focus on reducing energy consumption and seeking environmentally friendly technologies are important, both for the company and its stakeholders.

Two newbuilding eco-design supramax bulk carriers were delivered and have been in operation since autumn 2014 and

spring 2015. The PSV Juanita of the SALT 100 design has been in operation since the spring of 2014, showing favourable fuel economy and operational flexibility. In addition the PSV Juanita was awarded the Support Vessel of the Year 2015 by the Offshore Support Journal. The company has continued focus on eco-friendly design and has in addition to above, 4 supramax bulk carriers on order from Japanese yards.

UR supports and respects the protection of internationally proclaimed human rights. Steps were taken in 2012 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. 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 has procedures and guidelines in place related to averting corruption through gifts and other more specific office related subjects. Anti-corruption efforts continue to be a point of focus where training and reporting have been intensified in line with the anti-corruption procedure. The said procedure has been implemented, strengthening the existing routines, enabling an enhanced and systematic stance against corruption. Employees are trained in accordance with recommendations from UNODC, Global Compact and The Norwegian Shipowners' Association.

UR is still considering membership in organizations and networks where corruption can be combated 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.

UR is through its improvement cycle continuously seeking best practice. In this respect, UR has performed a materiality analysis in order to identify aspects that have the most material value for the company. Improvement initiatives can therefore be focused on these aspects. A materiality analysis can be described as a CSR checklist. It enables the company to perform a self-evaluation as well as an evaluation by external stakeholders: owner, employees, clients/main suppliers, partners/financial and insurance institutions, local community(ies).

The last and still valid materiality analysis for both the internal company and stakeholder highlighted three

aspects that warrant the company's focus; Environmental work, Anti-Corruption work and Supply chain with a special focus on labour conditions.

These three aspects will then be reported in the GRI 4 report as core aspects. The aspects are of material value both for the company and society at large and as such are viewed without boundaries.

This report has not been subject to verification by an external body, nor submitted specifically to GRI for verification purposes. The report is made and published in an honest and open manner representing the status of CSR and the Global Compact – GRI status for 2014.

For full report and further details and information, please view the company's home page www.jjuc.no.

PSV Juanita - Support Vessel of the Year 2015

Ugland Supplier AS' newest platform supply vessel Juanita won the Offshore Support Journal's "Support Vessel of the Year" award for 2015. The award was presented at the Annual Offshore Support Journal Conference at a Gala Dinner in London 18 February 2015.

According to the jury, this PSV is an extremely innovative design with innovative propulsion, cargo handling and winterised notation. It has a new type of propulsion system and cargo pumps that enable it to carry more of the chemicals offshore that oil and gas platforms increasingly need. Although externally not dissimilar from many other offshore vessels, below the waterline, it differs significantly, having a pair of contra-rotating propellers, each driven by a permanent magnet motor, and an especially flexible cargo-handling arrangement with Framo deepwell pumps in all of the ship's mud, brine and special product tanks.

"Sponsored by DNV GL, designed by Salt Ship Design and built by Kleven Verft in Norway for Ugland Supplier, Juanita, the 2015 Support Vessel of the Year, is unlike any other platform supply vessel"



From left:
 Arnstein Eknes (DNV GL), Arnt Olaf Knutsen (Ugland),
 Tor Henning Vestbøstad (Salt Ship Design) and
 Ståle Rasmussen (Kleven)

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The J.J. Ugland Companies

www.jjuc.no

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