



*The  
J. J. Ugland  
Companies*

*A/S Uglands Rederi*

**Annual Report 2011**

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*Jørgen Lund, Chairman*

## Message from the Chairman

The maritime industry is a global, knowledge based industry. Hard-edged international competition makes the need for innovation greater than ever. Increasing bunker prices and global climate changes are setting new criteria for international trade and industry. New eco-friendly and efficient maritime solutions must be developed to meet an ever increasing need for transport and energy extraction.

Based on a strong financial position The J.J. Ugland Companies' philosophy is to have a controlled growth within selected markets. The main objective is to conduct business in a manner that creates confidence and trust among customers, financial institutions and partners, establishing long-term relationships. Our experienced team of professionals enables us to be at the forefront of the development.

Since 2008, we have renewed and expanded our fleet of bulk carriers by disposing of old vessels and buying and ordering six efficient 58 000-dwt newbuildings of the TESS 58 design. To be

prepared for further expansion, we are following the development of the next generation eco design bulk carriers closely.

In the same period we have expanded our fleet of seagoing barges by five newbuildings to meet increasing demand from the offshore windmill industry.

At the end of last year, following comprehensive strategy work, we decided to re-enter the offshore supply vessel market. For this purpose we formed the management company Ugland Offshore AS, and together with a partner, the shipowning company Ugland Suppliers AS. The latter company entered into a contract with Kleven Maritime for the construction of an advanced platform supply vessel (PSV) with Clean Design notation to secure low emission. The vessel will be delivered in June this year. Our ambition is to order and operate a fleet of advanced offshore service vessels.

Jørgen Lund  
Chairman

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



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

*From their headquarters located at Ugland in Grimstad, Norway, 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.*

*A/S Uglands Rederi, founded in 1930, is the main company for the shipping activities in the J.J. Ugland Companies.*

### **The J.J. Ugland Companies incorporate:**

- ◆ 33 owned and operated units totalling about 1.5 million deadweight tonnes. In addition, a supramax bulk carrier and a PSV newbuilding are scheduled for delivery in 2012. The operated fleet includes 11 bulk carriers, 6 shuttle tankers, 13 barges, 2 tugs and 1 crane vessel.
- ◆ A commercial pool for their fleet of supramax bulk carriers based on contracts of affreightment and long-term charter agreements for the transportation of grain, coal/coke, iron ore, salt/sugar, steel, scrap, cement 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.

## 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 2011, the fleet totalled 33 owned and operated units with an aggregate tonnage of 1.5 million deadweight tonnes. The fleet includes advanced tankers equipped for bow loading, supramax drybulk carriers, seagoing barges and one heavy lift, self-propelled crane vessel. In 2011, three barge newbuildings and one supramax bulk carrier were added to the fleet. Furthermore, one bulk carrier newbuilding and a platform supply vessel (PSV) are on order for delivery in 2012.

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.

### Finance

The accounts for 2011 were prepared under the assumption of continued long-term business.

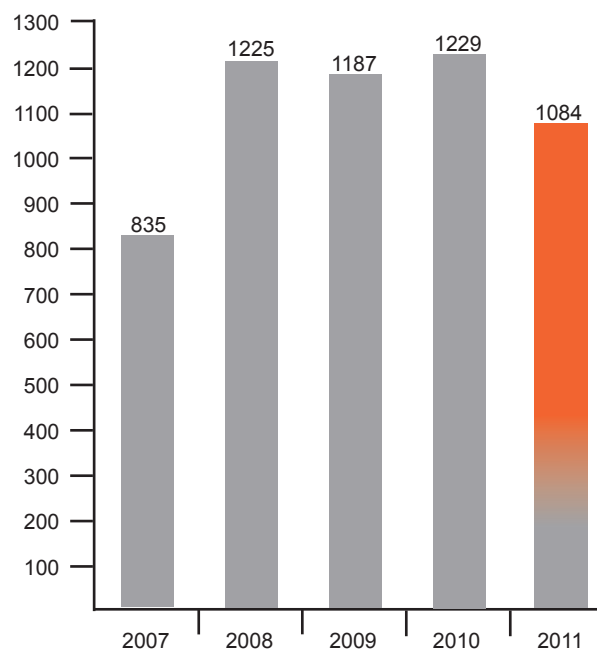
Both the parent company and its subsidiaries are included in the figures stated below. The 2011 figures are given in brackets.

The operating income amounted to NOK 1 084 million (1 229), the operating result before depreciation (EBITDA) was NOK 381 million (385), and the operating result (EBIT) totalled NOK 250 million (248). Net financial items were in the amount of minus NOK 13 million (-30). The result for the year before tax and minority interests was NOK 237 million (217), with a result for the year of NOK 230 million after deducting tax expenses of NOK 5 million and minority interests of NOK 2 million.

The subsidiary Ugland Shipping AS owns ten handymax bulk carriers. In order to ensure

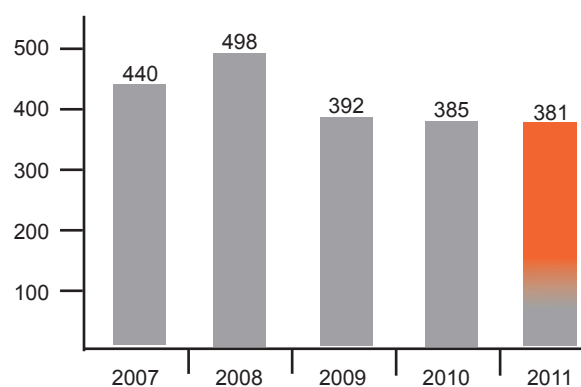
### Operating income

Operating income  
(NOK million)



### EBITDA - Operating results before depreciation

Operating results  
before depreciation  
(NOK million)



a stable income, counteracting short-term fluctuations in the market, a considerable number of the fixtures are long-term. With high contract coverage in 2011, the overall operating result was satisfactory.

At the end of 2011, the owned fleet included two tankers equipped for bow loading. Both vessels



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

are employed on long-term charter parties to solid charterers, generating a stable income.

As of 31.12.11, Ugland Shipping AS and its subsidiary Skipsaksjeselskapet Kysten owned an offshore fleet of thirteen barges and one heavy lift crane vessel. The yield from the barges was satisfactory in 2011 whilst the crane vessel did not attain profitability.

A/S Uglands Rederi and its subsidiaries have a very strong liquidity. As of 31.12.11 the current ratio was 2.9. During the course of 2011, NOK 475 million was used for amortisation of loans and investment in vessels. The long-term interest bearing debt constitutes NOK 299

million of a total balance of NOK 2 802 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 2 087 million. The market value of the fleet exceeds the book value.

The parent company A/S Uglands Rederi's result for the year was NOK 9 038 084, which the Board of Directors recommends be allocated to other equity.

A/S Uglands Rederi's free equity totals NOK 384 038 007.

*The 2011-built MV Kristinita*



## Bulk Carriers

Specification of the fleet is given in note 2.

In July 2011, Ugland Shipping AS took delivery of KRISTINITA, a 58 100-dwt supramax bulk carrier built at Tsuneishi Shipyard, Zhoushan, China.

JORITA, built in 1985, was sold for USD 6.7 million in April 2011. The vessel was delivered to her new owners in May 2011.

In July 2011, the 1984-built ELLENITA, was sold for USD 6.2 million. Delivery to her new owners took place in October 2011.

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 31.12.11, the pool operated ten pool vessels. Ugland Shipping AS owns all the vessels in the pool. With a total transported cargo volume of 3.4 million tonnes, the pool revenue in 2011 totalled NOK 404 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 UBULK Pool's marketing and chartering cooperation with Eastern Bulk Carriers AS continued in 2011.

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

## Tankers/PSV

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

Ugland Marine Services AS had a technical management agreement for EVI KNUTSEN until the vessel was sold in September 2011.

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.

*MT Vinland operating off Brazil*



The subsidiaries Penney Ugland Inc. and Penney Ugland II Inc. were merged in 2010. After redemption of the minority shareholder's ownership share of 3.5%, which took effect in March 2011, A/S Uglands Rederi owns 100% of the shares in Penney Ugland Inc.

MATTEA's time charter party expires in November 2012. Thereafter the charterers hold options for extending the charter party for ten years in total. The vessel serves the Hibernia and Terra Nova fields on the Grand Banks off Newfoundland.

VINLAND's charter party to Petrobras in Brazil expires in November 2014. The charter party includes options for another four years in total.

A/S Uglands Rederi and a co-investor established Ugland Supplier AS in December 2011. Each shareholder owns 50% of the new company. In December 2011, Ugland Supplier AS signed a contract with Kleven Maritime for the construction of an advanced platform supply vessel (PSV) designed by Wärtsilä Ship Design Norway. The vessel is to be equipped at Myklebust Verft and delivery is scheduled to take place in June 2012.



*The PSV in dock ready for outfitting at Myklebust Verft.  
Photo: Rolf-Inge Sandvik*

Ugland Offshore AS will be in charge of the commercial operation of the vessel, whilst technical management will be taken care of by Ugland Marine Services AS.

*The Barges UR 96 and UR 97 participating in renewable energy project as described on next page.*





## Offshore

The heavy lift crane vessel UGLEN and the barges are operated by the Ugland Barge Pool, being in charge of thirteen seagoing barges. The newbuildings, UR 98 and UR 99, were delivered from the construction yard in China in January 2011 and subsequently towed to the western coast of Norway to serve the North Sea market. In addition, a newbuilt barge, named UR 171, was acquired in September last year. Subsequent to delivery in Singapore, this barge was also towed to Norway for operation in the North Sea. Reflecting high activity in the barge market in 2011, the contract coverage of 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 reduced in 2011. The contracts carried out took place along the Norwegian and the North Sea coast.

## Insurance

In 2011, the hull and machinery, hull and freight interest and loss of hire insurances were renewed with coverage until 30.11.2012. The P&I insurance expires on 20.02.2013. War risk insurance is covered in Den Norske Krigsforsikring for Skib.

*UR 96 and UR 97 are currently operating on a long-term contract to A2SEA, owned by DONG and Siemens, transporting wind turbines from the construction yard in Esbjerg, Denmark to Great Yarmouth, located on the east coast of England. A2SEA has a contract with Statoil for the delivery and installation of 88 wind turbines to be installed at the Statkraft and Statoil-owned Sharingham Shoal Offshore Wind Farm.*

*When in place, the Wind Farm will produce electricity direct to the national grid generating enough energy to power 220 000 British households and save an estimated half a million tonnes of CO<sub>2</sub> a year. The barges carry six units per transport, including blades, turbines and a tower.*



*The self-propelled heavy lift crane vessel UGLEN, with a lifting capacity of 600 tonnes. Photo: Geir Otto Johansen, Statoil*

The total insurance coverage for the fleet is NOK 3.3 billion.





*The crew onboard our latest bulk carrier acquisition, the 2011-built MV Kristinita, pictured after winning the 2011 UMS Safety Award.*

### **Organisation, Health & the Environment**

Ugland Marine Services AS is the commercial and technical manager of the supramax drybulk carriers and the commercial manager for two of The J.J. Ugland Companies' shuttle tankers. The company is also the technical manager of the barges and the heavy lift crane vessel UGLEN with Ugland Construction AS taking care of the commercial management of the latter units.

At the end of 2011, the workforce engaged in the shipping activities totalled 767 people.

The office staff included 48 full time staff employed by Ugland Marine Services AS in Grimstad, 4 people employed by Ugland Construction AS in Stavanger and 28 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 681 people, representing 292 Filipinos, 352 Canadians, 35 Norwegians and 2 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, 100% of the shares in Ugland Marine Management AS, an employment company for the Norwegian and Filipino seafarers, and 51% of the shares in Canship Ugland Ltd.



*Final testing of Kristinita's MOB boat*

During 2011, the vessels were not involved in any accidents endangering life, vessel or the environment. Absence due to illness onboard and ashore was 1.5% and 1.4% 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 2011 were within the company's objective.

Shipping is by far the most environmental-friendly mode of transport. Nevertheless, a number of measures are being implemented to further reduce the trade's adverse impacts on the environment. As not only the authorities but also our customers continuously demand enhanced environmental standards for this trade, the shipping industry faces a growing number of new regulations and requirements. 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 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.

### **Future Prospects**

Despite the current weak 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 offshore fleet, and a respectable cash reserve, the company is well prepared to meet the challenges of the years

*On duty*



ahead. One new bulk carrier is scheduled for delivery in 2012.

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.

As for the offshore 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 Maritime represents a strategic investment, as we believe this segment has significant growth potential.

On the whole, we expect that the activities in 2012 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.

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 prepared for future challenges.

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

Grimstad, 22 February 2012

Jørgen Lund  
*Chairman*

Gunnar Frognes

Ragnar Belck-Olsen

Ivar Aune

Peter D. Knudsen

Øystein Beisland  
*President*

## THE 81ST ANNUAL ACCOUNTS

## Income statement 01.01. - 31.12. (NOK)

Consolidated				A/S Uglands Rederi	
2011	2010			2011	2010
		NOTE	NOTE		
			<b>Operating income</b>		
697 431 491	796 133 565		Sales revenue	1 225 400	2 457 015
386 638 688	433 176 364		Other operating income	0	0
<b>1 084 070 179</b>	<b>1 229 309 929</b>	2	<b>Total operating income</b>	<b>1 225 400</b>	<b>2 457 015</b>
			<b>Operating expenses</b>		
-310 127 541	-344 331 623	3	Salaries	-1 055 425	1 287 047
-131 161 280	-137 652 313	4	Ordinary depreciation	0	0
-392 442 686	-499 678 473		Other operating expenses	-7 804 699	-7 683 524
<b>-833 731 507</b>	<b>-981 662 409</b>		<b>Total operating expenses</b>	<b>-8 860 124</b>	<b>-6 396 477</b>
<b>250 338 672</b>	<b>247 647 520</b>		<b>Operating result</b>	<b>-7 634 724</b>	<b>-3 939 462</b>
			<b>Financial income and expenses</b>		
1 614 176	0		Income from other companies	10 617 152	75 000 000
0	0		Interest income from group companies	7 329 762	11 969 314
5 762 794	4 785 265		Other interest income	713 769	525 252
345 609	27 312 591	13	Other financial income	5 182 192	8 146 033
0	0		Interest expenses to group companies	-6 882 603	-17 791
-14 762 627	-21 076 167		Other interest expenses	-24 374	-11 138
-6 163 869	-41 305 672	13	Other financial expenses	-5 251	-2 210
<b>-13 203 917</b>	<b>-30 283 983</b>		<b>Net financial items</b>	<b>16 930 647</b>	<b>95 609 460</b>
<b>237 134 755</b>	<b>217 363 537</b>		<b>Operating result before tax</b>	<b>9 295 923</b>	<b>91 669 998</b>
-5 078 762	-7 098 989	10	Tax on ordinary result	-257 839	-5 269 196
<b>232 055 993</b>	<b>210 264 548</b>		<b>Result for the year</b>	<b>9 038 084</b>	<b>86 400 802</b>
-1 708 147	-1 408 138		Minority interests		
<b>230 347 846</b>	<b>208 856 410</b>		<b>Consolidated result for the year</b>		
			Information regarding:		
			Submitted group contribution after tax	0	-253 244 344
			Proposed dividend	0	0

## Balance sheet as of 31.12. (NOK)

Consolidated				A/S Uglands Rederi	
2011	2010			2011	2010
		NOTE	NOTE		
<b>ASSETS</b>					
<b>Fixed assets</b>					
<b>Tangible fixed assets</b>					
2 083 821 524	1 966 830 371	4	Vessels and vessel equipment	0	0
2 703 589	2 500 654	4	Other tangible fixed assets	657 034	657 034
77 744 682	126 530 365	4	Newbuildings	0	0
<b>2 164 269 795</b>	<b>2 095 861 390</b>		<b>Total tangible fixed assets</b>	<b>657 034</b>	<b>657 034</b>
<b>Financial fixed assets</b>					
0	0		Investments in subsidiaries	190 866 440	190 866 440
71 616 666	12 490	6	Investment in other companies	70 127 152	10 000
0	0		Loan to group companies	38 940 000	358 810 000
44 657 804	46 865 426	7	Other long-term receivables	0	0
<b>116 274 470</b>	<b>46 877 916</b>		<b>Total financial fixed assets</b>	<b>299 933 592</b>	<b>549 686 440</b>
<b>2 280 544 265</b>	<b>2 142 739 306</b>		<b>Total fixed assets</b>	<b>300 590 626</b>	<b>550 343 474</b>
<b>Current assets</b>					
<b>Receivables</b>					
104 889 621	98 046 925	7	Other receivables	3 906 991	8 411 650
<b>104 889 621</b>	<b>98 046 925</b>		<b>Total receivables</b>	<b>3 906 991</b>	<b>8 411 650</b>
<b>Investments</b>					
25 127	25 127		Quoted shares	25 128	25 128
<b>25 127</b>	<b>25 127</b>		<b>Total investments</b>	<b>25 128</b>	<b>25 128</b>
<b>Bank deposits, cash etc.</b>					
416 525 522	668 059 607	9	Bank deposits	123 845 038	116 139 257
<b>416 525 522</b>	<b>668 059 607</b>		<b>Total bank deposits, cash etc.</b>	<b>123 845 038</b>	<b>116 139 257</b>
<b>521 440 270</b>	<b>766 131 659</b>		<b>Total current assets</b>	<b>127 777 157</b>	<b>124 576 035</b>
<b>2 801 984 535</b>	<b>2 908 870 965</b>		<b>Total assets</b>	<b>428 367 783</b>	<b>674 919 509</b>

Consolidated				A/S Uglands Rederi	
2011	2010			2011	2010
		NOTE	NOTE		
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
<b>Paid-in capital</b>					
2 160 610	2 160 610			2 160 610	2 160 610
686 977	0			686 977	0
<b>Retained earnings</b>					
2 078 940 915	1 845 583 427			424 027 199	414 989 114
5 326 875	10 061 347			0	0
<b>2 087 115 377</b>	<b>1 857 805 384</b>	<b>11</b>	<b>11</b>	<b>426 874 786</b>	<b>417 149 724</b>
<b>Liabilities</b>					
<b>Provisions</b>					
113 020 176	112 961 783	10	10	0	0
95 483 989	98 740 944	8	8	0	0
<b>208 504 165</b>	<b>211 702 727</b>			<b>0</b>	<b>0</b>
<b>Other non-current liabilities</b>					
298 740 000	326 430 000	9		0	0
25 086 692	50 173 383	10		0	0
209 372	282 856			209 372	282 856
<b>324 036 064</b>	<b>376 886 239</b>			<b>209 372</b>	<b>282 856</b>
<b>Current liabilities</b>					
27 343 964	34 798 752	10	10	0	1 571 065
154 984 966	427 677 863	7	7	1 283 625	255 915 864
<b>182 328 930</b>	<b>462 476 615</b>			<b>1 283 625</b>	<b>257 486 929</b>
<b>714 869 158</b>	<b>1 051 065 581</b>			<b>1 492 997</b>	<b>257 769 785</b>
<b>2 801 984 535</b>	<b>2 908 870 965</b>			<b>428 367 783</b>	<b>674 919 509</b>

Grimstad, 31 December 2011

22 February 2012

Jørgen Lund  
*Chairman*

Gunnar Frognes

Ragnar Belck-Olsen

Ivar Aune

Peter D. Knudsen

Øystein Beisland  
*President*

## Cash flow statement (NOK)

Consolidated			A/S Uglands Rederi	
2011	2010		2011	2010
		<b>Cash flow from operating activities</b>		
237 134 755	217 363 537	Operating result before tax	9 295 923	91 669 998
-1 614 176	0	Result from associated company	-117 152	0
-35 323 752	53 236 394	Tax paid	-2 096 065	5 094 804
-69 162 616	-39 726 402	Gain on sale of assets	0	0
131 161 280	137 652 313	Ordinary depreciation	0	0
4 049 114	-7 021 685	Currency adjustments	-130 000	-1 674 000
-34 341 682	32 145 161	Change in other accruals	-127 577	-11 936 193
<b>231 902 923</b>	<b>393 649 318</b>	<b>Net cash flow from operating activities</b>	<b>6 825 129</b>	<b>83 154 609</b>
		<b>Cash flow from investing activities</b>		
-70 000 000	0	Cash outflow, investment in associated company	-70 000 000	0
71 747 356	128 250 933	Cash inflow, sale of assets	0	0
-191 415 392	-420 820 932	Cash outflow, purchase of assets	0	0
0	-2 102 445	Cash inflow/outflow other long-term investments	320 000 000	64 450 852
<b>-189 668 036</b>	<b>-294 672 444</b>	<b>Net cash flow from investing activities</b>	<b>250 000 000</b>	<b>64 450 852</b>
		<b>Cash flow from financing activities</b>		
-34 475 984	-50 370 601	Cash outflow, repayment of long-term debt	-73 484	-82 001
1 788 600	0	Cash inflow/outflow of long-term receivables	0	0
-249 045 864	-90 124 270	Cash inflow/outflow, dividend paid/group contribution	-249 045 864	-90 124 270
-12 035 724	0	Cash inflow/outflow, minority interests	0	0
<b>-293 768 972</b>	<b>-140 494 871</b>	<b>Net cash flow from financing activities</b>	<b>-249 119 348</b>	<b>-90 206 271</b>
<b>-251 534 085</b>	<b>-41 517 997</b>	Net change cash and bank deposits	<b>7 705 781</b>	<b>57 399 190</b>
668 059 607	709 577 604	Cash and bank deposits 01.01	116 139 257	58 740 067
<b>416 525 522</b>	<b>668 059 607</b>	<b>Cash and bank deposits 31.12.</b>	<b>123 845 038</b>	<b>116 139 257</b>



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

#### Classification of assets and liabilities

Fixed assets include intangible, tangible and financial assets intended for long-term ownership and use in the business. Other assets are current assets. Receivables to be paid within a year are always classified as current assets. The same principles are used for the classification of current and long-term liabilities.

Current assets are recognised at the lower of historical cost and net realizable value. Fixed

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

#### Foreign exchange

Monetary items in foreign currency are recognised at the rate of exchange as of 31.12.11, which for NOK/USD was 6.00. As of 31.12.10, the rate of exchange was 5.85.

#### 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 equipment.

Upgrading costs of owned vessels are capitalised 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.

As of 2011, investment in associated company is recognised under the equity method. An accumulated result from previous years of NOK 1 365 429 related to the associated company Newfoundland Inc. is included in the consolidated result.

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

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

#### **Pension schemes with defined future benefits**

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

related to age of death and voluntary attrition. Pension funds are recognised at market value and are deducted in net pension obligations in the balance sheet. Adjustments in pension obligations due to pension scheme changes are distributed over anticipated remaining service period. Any adjustments in the obligations and the pension funds caused by changes and deviations in actuarial assumptions (estimate adjustments) are distributed over estimated average remaining service period, provided that the deviations at the beginning of the year exceed 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 79 216)

#### **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 / Net results from vessel operation

	Year built	DWT	Owner	% Share	Employment
<b>Shuttle tankers</b>					
MATTEA	1997	126 000	Penney Ugland Inc.	100	TC until 11/12
VINLAND	2000	126 000	Ugland Shipping AS	100	TC until 11/14
<b>Supramax bulk carriers</b>					
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
SENRORITA	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
<u>Newbuilding:</u> SS 097	2012	58 100	Ugland Shipping AS	100	Pool from 09/12
<b>Barges and crane vessel</b>					
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
UGLEN	1978	3 000	Ugland Shipping AS	100	Pool
<u>Newbuilding:</u> UR 171	2011	17 000	Ugland Shipping AS	100	Pool from 2012

Sales revenue per area of activity	Consolidated 2011	Consolidated 2010
Shuttle tankers	221 073 795	302 818 646
Bulk carriers	357 721 440	406 304 515
Barges and crane vessel	95 637 933	87 010 405
Gain on sale of vessels	69 025 106	39 726 581
Invoiced vessel costs/ Management fee	340 611 905	393 449 782
	1 084 070 179	1 229 309 929

In 2011, 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 world-wide.

Net results from vessel operation (USD million)	Shuttle Tankers	Bulk Carriers	Barges/ Crane Vessel	Total
Sales revenue	36.4	61.9	15.9	114.2
Running expenses	-23.5	-25.8	-7.0	-56.3
Depreciation	-8.4	-11.6	-1.7	-21.7
Interest expenses on mortgage debt	-1.5	0.0	0.0	-1.5
Net results	3.0	24.5	7.2	34.7

The net results from vessel operation are recorded in USD and are based on the operating accounts which, as opposed to the financial accounts, include allocated internal management fees.

**Note 3 - Salaries, number of employees and remunerations**

Salaries etc.	Parent Company 2011	Parent Company 2010	Consolidated 2011	Consolidated 2010
Salaries	925 000	1 200 000	238 961 739	267 687 389
Employment duty	130 425	140 998	18 321 840	14 091 528
Other salary related costs	0	0	42 534 211	56 026 670
Pension costs (income)	0	-2 628 045	10 309 750	6 526 036
	1 055 425	-1 287 047	310 127 541	344 331 623

(2010 figures in brackets)	
Average full time employees - office	81 (81)
Average full time employees - officers and crew	722 (706)

Salaries etc. to the President and Board of Directors	President	Board of Directors
Salaries	1 520 788	925 000
Other benefits	14 016	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 105 000 (consolidated 881 000). In addition, the auditor received fees related to tax consultancy and accounting advice/services in the amount of NOK 30 000 (consolidated 161 000) and NOK 90 000 (consolidated 213 000) respectively.

**Note 4 - Tangible fixed assets / Tenancy agreements**

	Parent Company	Consolidated		
	Other Assets	Vessels	Other Assets	Total
Cost price 01.01.	657 034	3 333 793 824	8 331 397	3 342 125 221
Additions	0	190 308 330	1 107 062	191 415 392
Disposals	0	-109 719 642	-677 055	-110 396 697
Currency adjustments	0	8 265 967	4 306	8 270 274
Cost price 31.12.	657 034	3 422 648 480	8 765 710	3 431 414 190
Acc. depreciation	0	-1 261 082 274	-6 062 121	-1 267 144 395
Book value 31.12.	657 034	2 161 566 206	2 703 589	2 164 269 795
Depreciation 2011	0	130 367 336	793 944	131 161 280

The 58 100-dwt supramax bulk carrier newbuilding, KRISTINITA, was acquired and delivered from Tsuneishi Shipbuilding Inc., Zhoushan, China on 5 July 2011, subsequently joining the UBULK Pool.

One sister vessel is on order from the same yard in China scheduled for delivery in September 2012. Payment related to this contract totals NOK 42 575 010.

Two barge newbuildings were delivered from Dalian Shipyard, China on 7 January 2011 and a resale barge newbuilding was purchased in 2011 and delivered from Poet Shipbuilding, Singapore on 14 September 2011. Payment related to the latter barge contract was NOK 35 169 672.

**Tenancy agreements**

A/S Uglands Rederi and its subsidiaries have two long-term office tenancy agreements. Total rent recorded through the year was NOK 3 121 193.

**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 2011	Share of result after tax	Book Value 31.12
<b>Associated Companies:</b>						
Ugland Supplier AS	Grimstad	50%	0	70 000 000	117 152	70 117 152
11030 Newfoundland Inc	Canada	45.4%	2 490	0	1 497 024	1 499 514
<b>Other Company:</b>						
Bjoren AS	Bygland	3.9%	10 000	0	0	10 000
Total consolidated			12 490	70 000 000	1 614 176	71 626 666

Associated companies are recognized under the equity method.

**Note 7 - Receivables and liabilities**

	Parent Company		Consolidated	
	2011	2010	2011	2010
Pension funds	0	0	21 283 209	22 632 820
Receivables falling due after one year	38 940 000	358 810 000	23 374 595	24 232 606
<b>Total long-term receivables</b>	<b>38 940 000</b>	<b>358 810 000</b>	<b>44 657 804</b>	<b>46 865 426</b>
<b>Intercompany receivables / liabilities</b>				
Short-term receivables parent company	954 136	0	44 657 804	0
Long-term receivables subsidiaries	38 940 000	358 810 000	0	0
Long-term receivables group companies	0	0	22 200 000	23 065 000
Short-term receivables group companies	0	0	13 726 632	2 858 687
Short-term liabilities group companies	0	0	21 644 764	0
Short-term receivables subsidiaries	2 952 855	2 839 826	0	0
Short-term liabilities parent company	0	254 506 033	0	254 506 033
Receivables associated companies	0	0	1 265 706	1 167 606

Intercompany transactions	Parent Company		Consolidated	
	2011	2010	2011	2010
<b>Income</b>				
Ugland Marine Services AS - rental income	112 200	110 100	0	0
Penney Ugland Inc. - guarantee commission	1 674 825	1 823 806	0	0
Penney Ugland Inc. - management fee	1 113 200	2 346 915	0	0
Ugland Bulk Transport AS - freight income	0	0	354 187 979	385 282 868
Ugland Barge Pool AS - freight income	0	0	95 637 934	81 311 205
J.J. Ugland Holding A/S - administration fee	0	0	1 099 000	0
<b>Expenses</b>				
Ugland Marine Services - administration fee	-4 200 000	-2 700 000	0	0
J.J. Ugland - rental income	0	0	-2 638 000	-2 587 997

**Note 8 - Provisions and pensions**

	Parent Company		Consolidated	
	2011	2010	2011	2010
Provisions for maintenance and classification	0	0	60 309 251	52 037 057
Other provisions	0	0	27 460 942	38 951 250
Pension obligations	0	0	7 713 796	7 752 637
<b>Total</b>	<b>0</b>	<b>0</b>	<b>95 483 989</b>	<b>98 740 944</b>

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 73 people (including 30 seafarers) to receive defined future pension benefits. Additionally, 14 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 two employees.

	Consolidated		Parent Company	
	2011	2010	2011	2010
Service costs	4 226 496	3 996 571	0	0
Interest cost on pension obligations	5 113 825	5 565 978	0	146 472
Expected return on assets	-5 241 442	-5 132 655	0	0
Amortisation of actuarial gain/loss	4 396 198	3 371 843	0	221 023
Recorded obligations on exit of agreement	0	-3 016 192	0	-3 016 192
Administration costs	726 005	861 586	0	0
Payment to defined contribution pension scheme	330 400	358 196	0	0
Social security tax	904 487	928 165	0	20 652
One-off effect amortisation	0	331 720	0	0
Charged other companies	-146 219	-739 176	0	0
Net pension costs	10 309 750	6 526 036	0	-2 628 045

	2011	2010	2011	2010
<b>Pension obligations</b>				
Projected pension obligation as of 31.12.	-8 756 006	-10 348 705	0	0
Unrecognised actuarial gain/losses	2 127 831	3 705 400	0	0
Social security tax	-1 085 621	-1 109 332	0	0
Recognised gross pension obligation	-7 713 796	-7 752 637	0	0

	2011	2010
<b>Net pension funds</b>		
Accrued pension obligations as of 31.12.	-120 602 477	-106 059 358
Pension scheme assets as of 31.12.	99 135 407	96 302 217
Unrecognised actuarial gain/losses	42 750 279	32 389 961
Net pension fund as of 31.12.	21 283 209	22 632 820

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

Actuarial assumptions	2011	2010
Discount rate	3.8%	4.6%
Assumed return on pension funds	4.1%	5.4%
“ salary increase	3.5%	4.0%
“ statutory basic amount increase (cf note I)	3.25%	3.75%
“ pension benefit increase	2.15%	2%

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

Liabilities secured by mortgage	Parent Company	Consolidated
Liabilities to financial institutions	0	298 740 000
Book value of pledged assets	0	621 340 088

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 31.12.2016.

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. amounted to NOK 15 477 259.

## Note 10 - Taxes

	Parent Company		Consolidated	
	2011	2010	2011	2010
<b>Current year's tax cost</b>				
Tax payable	0	3 916 688	2 257 273	12 046 311
Withholding tax paid	525 000	0	525 000	0
Change deferred tax	-267 161	1 352 508	2 296 489	-4 947 322
Income tax expense	257 839	5 269 196	5 078 762	7 098 989
<b>Tax payable as of 31.12.</b>				
Recognized tax payable	0	3 916 688	2 257 273	12 046 311
Receivable / Instalment payment shipping tax	0	0	25 086 691	25 086 691
Withholding tax paid	0	-1 072 557	0	-1 072 557
Tax effect group contribution	0	-1 273 065	0	-1 261 693
Tax refund/payable as of 31.12. - short-term	0	1 571 066	27 343 964	34 798 752
Tax payable as of 31.12. - long-term	0		25 086 691	50 173 383
<b>Reconciliation of effective rate and applicable corporate tax rate</b>				
Result for the year before tax	9 295 923	91 669 998	237 134 755	217 363 538
Expected income tax, nominal tax rate (28%)	2 602 858	25 667 599	7 002 868	5 268 366
<b>Tax effect of the following items</b>				
Non-deductible expenses/non-taxable income	-2 870 019	-20 398 403	-2 967 018	721 482
Withholding tax paid	525 000	0	525 000	0
Tax on financial result shipping company		0	517 912	1 109 141
Tax expense	257 839	5 269 196	5 078 762	7 098 989

Specification of change in deferred tax:	Parent Company		Consolidated	
	2011	2010	2011	2010
Deferred tax 01.01.	0	1 919 874	112 961 783	145 301 608
Change recognised in income statement	-267 161	-1 352 508	2 296 489	-4 947 322
Tax effect group contribution	267 161	0	267 161	0
Withholding tax carry forward	0	-567 366	0	567 366
Currency adjustments	0	0	-2 505 257	-27 959 869
Deferred tax/tax asset 31.12.	0	0	113 020 176	112 961 783

Specification of tax asset/liability effect of temporary differences	Consolidated 2011		Consolidated 2010	
	Tax Assets	Tax Liabilities	Tax Assets	Tax Liabilities
<b>Consolidated</b>				
Tangible fixed assets	0	408 016 945	0	449 287 365
Pension obligations / funds	0	13 569 413	0	14 880 183
Unrealised currency gain/loss	0	4 313 862	0	5 669 773
Tax loss carry-forward	35 711 238	0	79 248 183	0
Total 31.12.	35 711 238	425 900 220	79 248 183	469 837 321
Net deferred tax liability		113 014 176		112 961 783

The consolidated tax loss to be used within 2024-2030: NOK 35 711 238

A/S Uglands Rederi and its subsidiaries have opted for the voluntary settlement of shipping tax liabilities accrued under the previous shipping tax regime. Based on the accumulated income from the companies under the old tonnage tax regime the tax totals NOK 70 685 685, falling due from 2011 to 2013, of which NOK 50 173 382 still remains payable. Shipping companies under the new tonnage tax scheme are given permanent tax exemption. 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 1 101 539 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
<b>Parent Company</b>					
Balance 01.01.	2 160 610	414 989 114	0	0	417 149 724
Group contribution	0	0	686 977	0	686 977
Result for the year	0	9 038 085	0	0	9 038 085
Balance 31.12.	2 160 610	424 027 199	686 977	0	426 874 786
<b>Consolidated</b>					
Balance 01.01	2 160 610	1 845 583 427	0	10 061 347	1 857 805 384
Group contribution	0	0	686 977	0	686 977
Result for the year	0	230 347 846	0	1 708 147	232 055 993
Redemption of minority interest	0	0	0	-12 035 724	-12 035 724
Currency adjustment 01.01.	0	31 074 438	0	1 520 953	32 595 391
Currency adjustment 2011	0	-28 064 796	0	4 072 152	-23 992 644
Balance 31.12.	2 160 610	2 078 940 915	686 977	5 326 875	2 087 115 377

**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	<u>42 161 shares</u>
Total	<u>432 122 shares</u>

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 exchange 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 31.12.2011, the company, on a consolidated basis, had two fixed interest rate agreements. The fixed interest rate agreements of USD 17 040 000 and USD 32 750 000, 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	
	2011	2010	2011	2010
Currency loss (disagio)	0	0	-6 070 747	0
Other financial items	-5 251	-2 210	-93 122	-41 305 672
Other financial expenses	-5 251	-2 210	-6 163 869	-41 305 672
Currency gain (agio)	3 499 102	6 275 729	0	24 954 856
Other financial items	1 683 089	1 870 604	345 609	2 357 735
Other financial income	5 182 191	8 146 333	345 609	27 312 591



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

State Authorised Public Accountants  
Ernst & Young AS

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Accountants

## 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 2011, the statements of income showing a profit of NOK 9.038.084 for the Parent Company and a profit of NOK 232.055.993 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.

*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 of 31 December 2011 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 proposal for the allocation of the profit 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, 22 February 2012  
ERNST & YOUNG AS

Jan Dønvik  
State Authorised Public Accountant (Norway)

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

## Ugland invests in Clean Design PSV vessel

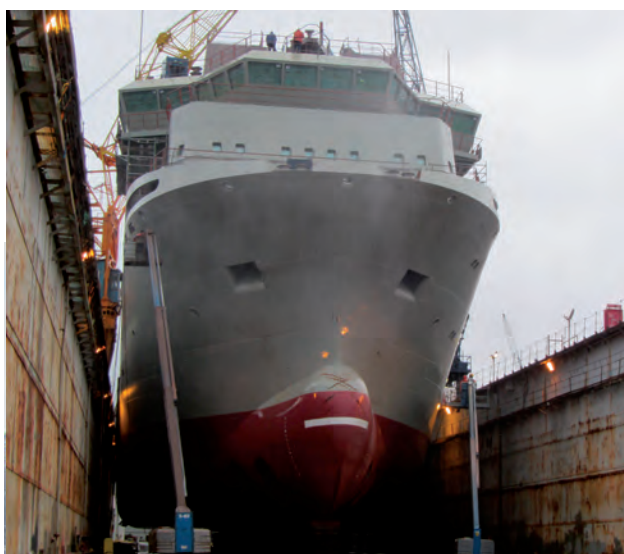
The J.J. Ugland Companies (JJUC) and another investor have signed a contract with Kleven Maritime for the construction of an advanced platform supply vessel (PSV) designed by Wärtsilä Ship Design Norway. The vessel is to be equipped at Myklebust Verft, Gursken, in Sande municipality, Norway. Delivery is scheduled to June 2012.

The vessel of about 5,000-dwt will have a length of 85 metres, a beam of 20 metres and a deck space of 1,000 m<sup>2</sup>. 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, a new environmental-friendly requirement for vessels. With light ice class (ICE C), 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. Wärtsilä delivers design, generators, automation and electrical systems.

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. The vessel will fly the Norwegian flag and have Norwegian crew.

Historically, the Ugland companies have long experience from operation of offshore service vessels and have previously owned and operated two anchor handling vessels in the North Sea as well as several offshore construction vessels. The investment in a PSV newbuilding thus marks JJUC's re-entering into a market segment where the company anticipates increased demand. JJUC regards this as a strategically long-term area of commitment and expects to invest further in this segment.



## Implementation of OHSAS 18001 well underway



*Photo from typical maintenance work onboard. Personal safety and protective wear are always of great importance.*

*Left: The PSV shortly after arrival at Myklebust Verft for outfitting.  
Below: Safe scaffolding is important during construction.*



Ugland Marine Services AS (UMS) is well underway with the implementation of OHSAS 18001, and aims to be certified by the end of 2012. The Occupational Health and Safety Assessment Series (OHSAS) Standard has been developed in response to organizations' demand for a recognizable occupational health and safety management system standard against which their management systems can be assessed and certified. OHSAS 18001 has been developed to be compatible with the ISO 9001 (Quality) and ISO 14001 (Environmental) management system standards, to which we are certified.

UMS has been, and is, increasingly concerned with achieving and demonstrating occupational health and safety (OH&S) performance by controlling our OH&S risks, consistent with our OH&S policy and objectives. The company performs regular reviews and audits to assess our OH&S performance, but to be effective, this needs to be conducted within a structured management system, integrated within the organization. Knowledge about, and identification of hazards relating to its operations and work environment, shall be considered a priority task for the company and its managers. The aim is to neutralise/reduce risks and eliminate hazards.

## Operated Fleet as of April 2012 - The J. J. Ugland Companies

### Bulk Carriers

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 TAMARITA	52 292	2001
MV UMIAK I *)	31 992	2006
Newbuilding SS-097	58 100	2012
12 Vessels	636 479	

### Tankers

Vessel Name	DW tonnes	Year built
MT CATHERINE KNUITSEN *)	141 720	1992
MT HEATHER KNUITSEN *)	148 644	2005
MT JASMINE KNUITSEN *)	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
Newbuilding - Myklebust Verft	5 000	2012

### HLV & Barges

Vessel Name	DW tonnes	Year built
HLV UGLEN - 600 t Crane	2 600	1978
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 161	15 650	1975
Barge UR 171	16 800	2011
14 Units	143 339	

### Tugs

Vessel Name	DW tonnes	Year built
PLACENTIA PRIDE *) BHP 5 500	N/A	1998
PLACENTIA HOPE *) BHP 5 500	N/A	1998

<b>Total Operated Fleet</b>	<b>35 units</b>	<b>1.6 million dwt</b>
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\*) Managed by Canship Ugland Ltd.

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