



*The  
J.J. Ugland  
Companies*



Annual  
Report

A/S Uglands Rederi 2013



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

## Message from the Chairman

Although 2013 was on average yet another weak year for the world economy and global shipping markets, a turning point took place midway through the year. During the second half of the year, economic activity and world trade began to increase causing tonnage demand and freight rates to improve. Prevailing predictions for the world economy going forward suggest higher growth than in 2013. Forecasts for the Chinese economy, which is vital to the dry bulk freight market, suggest slightly lower growth than in previous years, but still at high levels. Analysts predict that demand growth will exceed fleet growth leading to further strengthening of the bulker market in the next coming years.

The demand for oil and gas and opening of new areas for drilling call for continued high activity in the offshore sector. A substantial increase in the world fleet of deepwater rigs should drive demand for high-end PSVs, and opening of arctic areas create demand for vessels fit for icy conditions.

The increasing international focus on climatic challenges as well as high bunker prices, drive demand for eco designed vessels in all segments. During 2013 and the first months of 2014, we have continued our renewal and expansion programme for our fleet of bulk carriers. Uglan Shipping and our joint venture with Mitsubishi Corp, UM Bulk, have ordered altogether six supra- and ultramax eco design vessels to be delivered by Japanese yards from 2014 through the beginning of 2017. We recently sold our oldest dry bulk carrier. We will maintain our position as a quality tonnage provider within this segment.

Uglan Offshore has been able to fix both of our high-end eco design PSVs on term contracts. We are now accepted and well established in this segment, prepared to continue our expansion. Uglan Construction has expanded its fleet and is now operating 21 seagoing barges as well as our crane vessel Uglen. Canship Uglan in Newfoundland continues its safe operation of shuttle tankers and is well positioned for further activities in Canadian and Arctic waters.

We believe the prospects for shipping are fairly good and that we have the human and financial resources and international network required to be able to succeed in this competitive industry.

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 1.6 million deadweight tonnes.

In addition, six supramax bulk carrier newbuildings are scheduled for delivery in the period from 2014-2017.

The operated fleet includes 11 bulk carriers, 6 shuttle tankers, 21 barges, 2 PSVs, 2 tugs and 1 crane vessel.

- A commercial pool for their fleet of supramax bulk carriers based on long-term charter agreements for the transportation of iron ore, coal/coke, cement/clinker, grain, alumina, steel, scrap, salt and other commodities.

- A technical and commercial operation complying with the ISM-code, ISPS-code, ISO 9001:2008, 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 2013, the fleet totalled 43 owned or operated units with an aggregate tonnage of 1.7 million deadweight tonnes. The fleet includes advanced tankers equipped for bow loading, supramax drybulk carriers, seagoing barges, a heavy lift, self-propelled crane vessel and a platform service vessel (PSV). In 2013, the company took delivery of two flattop barge newbuildings and sold an older barge. Additionally, in November 2013, a Letter of Intent was signed for the purchase of two 63 000 deadweight tonne bulk carrier newbuildings for delivery in 2017.

In December 2012, in cooperation with a Japanese co-investor, a new company owned 50% by A/S Uglands Rederi was established for investment in bulk carriers. The newly established company, UM Bulk AS, contracted in January 2013 two supramax bulk carriers for delivery in 2014 and 2015. In November 2013, a Letter of Intent was entered into between UM Bulk AS and a Japanese yard for the delivery of two 60 000 deadweight tonne bulk carriers in 2016 and 2017.

The above Letters of Intent are expected to be replaced with binding contracts during the first half of 2014.

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 high-quality ship management.

### Finance

The accounts for 2013 were prepared under the assumption of continued long-term business.

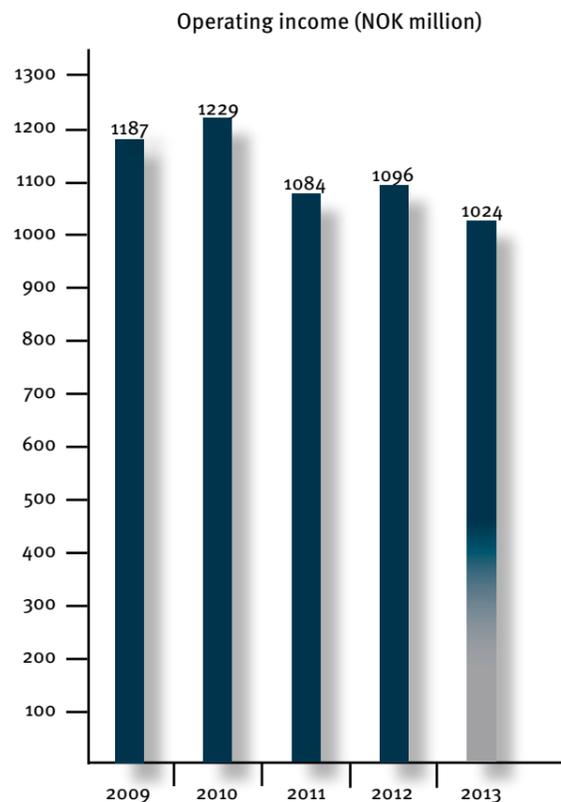
Both the parent company and its subsidiaries are included in the figures stated below. The 2012 figures are given in brackets.

The operating income amounted to NOK 1 024 million (1 096), including a sales gain of 8 million related to the sale of a barge. The operating result before depreciation (EBITDA) was NOK 309 million (290), and the operating result (EBIT) totalled NOK 138 million (151). Net financial expenses were in the amount of NOK 13 million (14). The result for the year before tax and minority interests was NOK 125 million (137), with a result for the year of NOK 125 million after a reversed tax expense of NOK 1.5 million and minority interests of NOK 1.5 million.

The subsidiary Ugland Shipping AS owns eleven supramax bulk carriers. In order to ensure a stable income, counteracting short-term fluctuations in the market, a considerable number of the fixtures are long-term. With high contract coverage in 2013, the operating result was satisfactory, even though it was lower than in 2012.

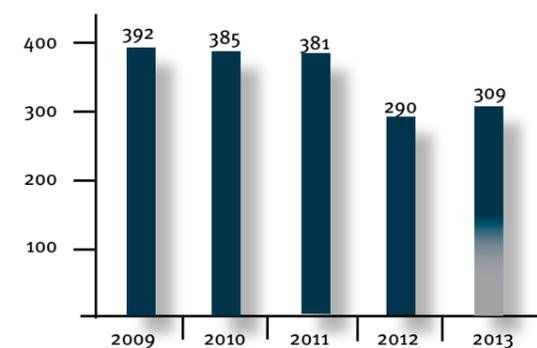
At the end of 2013, the owned fleet included two tankers equipped for bow loading. Both vessels are employed on long-term charter parties to solid charterers, generating a stable income.

As of 31.12.13, Ugland Shipping AS and its subsidiary Skipsaksjeselskapet Kysten owned a fleet of 21 barges and one heavy lift crane vessel. The yield from both the barges and the crane vessel was satisfactory in 2013.



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)



A/S Uglands Rederi and its subsidiaries have good liquidity. As of 31.12.13, the current ratio was 2.0. During the course of 2013, NOK 60 million was used for amortisation of loans and investment in vessels. Another NOK 24 million was paid in as equity to UM Bulk AS. The long-term interest bearing debt constitutes NOK 234 million of a total balance of NOK 2 936 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 2 256 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 43 570 310. The Board of Directors recommends a dividend payout of NOK 115 per share, totalling NOK 49 694 030.

### Bulk Carriers

Specification of the fleet is given in note 2.

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 31.12.13, the pool operated eleven pool vessels with an average age of 7 years. Ugland Shipping AS owns all the vessels in the pool. In 2013, the pool revenue totalled NOK 301 million.

The greater part of the fleet is fixed on fairly long-term charter parties. Two bulk carrier time charter parties fixed to the same charterer were cancelled due to the charterer's failure to pay hire. Both vessels were subsequently fixed on new charters.

In November 2013, Ugland Shipping AS signed a Letter of Intent with Mitsubishi Corporation for the construction of two

63 000 deadweight tonne bulk carriers at a Japanese yard for delivery in 2017. The building contract is expected to be signed in March 2014.

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

The new eco-design vessels ensure reduced fuel consumption compared to existing tonnage.

In November 2013, UM Bulk AS signed a Letter of Intent with another Japanese yard for the construction of two 60 000 deadweight tonne bulk carriers for delivery in 2016 and 2017. A building contract is expected to be signed in April 2014.

In February 2014, Ugland Shipping AS signed an agreement for the sale of the bulk carrier Livanita, built in 1997. Delivery to the new owners will take place in February or March 2014.

### Tankers/PSV

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

Canship Ugland Ltd., St. John's, Newfoundland has management agreements for the shuttle tankers Mattea and Vinland, owned by A/S Uglands Rederi and subsidiaries. In addition, Canship

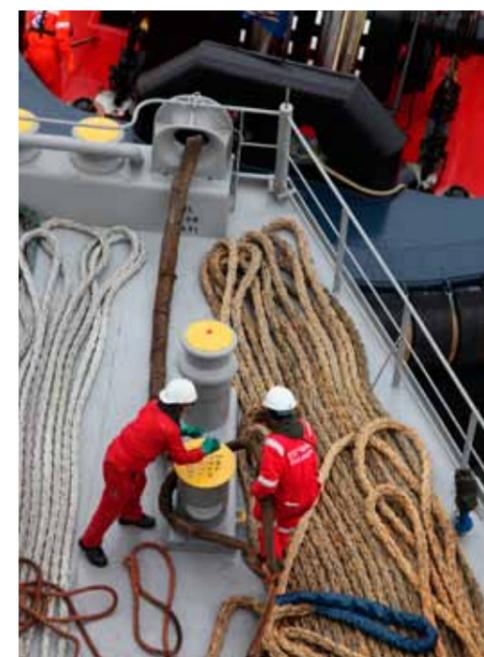


Canship Ugland Ltd. has management agreements for the shuttle tankers Mattea and Vinland, owned by A/S Uglands Rederi and subsidiaries.



Right:  
Captain Cesar T. Contreras  
on duty onboard  
MV Star Norita.

Far right:  
Crew onboard MV Star Norita  
preparing the mooring lines.



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

Vinland's charter party to Petrobras in Brazil expires in November 2016. The charter party includes options for another two years in total.

In March 2014, Ugland Supplier AS, owned 50% by A/S Uglands Rederi, takes delivery of Juanita, a platform service vessel (PSV) with a 1 035 m<sup>2</sup> deck area, built at Kleven Verft AS. In December 2013, 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 at the end of 2014 at the earliest, plus options for approximately 180 days.

#### Barges & Crane Vessel

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

In February 2013, the barge UR 161 was sold and delivered to new owners. The barge was built in 1975, but has in recent years undergone extensive maintenance work. The sale generated a booked sales gain of NOK 8 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. The state of the art units have a built-in system for the cleaning of ballast water. We have considered placing the barges in the Asian market while working on finding a cost effective solution for transporting the barges to Norway for North Sea service.

In 2013, the contract coverage for the barge fleet was satisfactory, but weaker

than in 2012. The barges mainly traded in the North Sea, the Baltic Sea and the Gulf of Mexico.

Uglen's contract coverage was satisfactory in 2013. The contracts were carried out along the Norwegian coast, in the North Sea and in the Baltic Sea. Uglen's existing lifting capacity is 600 tonnes. Our clients often require increased lifting capacity. During the autumn of 2013, we have carried out a concept study including engineering calculations attached to this. The feasibility study has resulted in a solution which we have decided to invest in. The planned upgrading of Uglen will increase its maximum lifting capacity to 800 tonnes.

#### Insurance

In 2013, the hull and machinery, hull and freight interest and loss of hire insurances were renewed with coverage until 30.11.2014. The P&I insurance expires on 20.02.2015.

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

The total insurance coverage for the fleet is NOK 3,9 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 whereas Ugland Construction AS is in charge of the commercial management of the latter units.

At the end of 2013, the workforce engaged in the shipping activities totalled 733 people.

The office staff included 56 people employed by Ugland Marine Services AS in Grimstad, 6 people employed by Ugland Construction AS in Stavanger and 27 people employed by Canship Ugland Ltd., St. John's. Women constituted 35% of the total office staff.

MV Star Norita, acquired in 2012, is one of six newly delivered TESS 58 Supramax bulk carriers.



Vacancies are filled with the best qualified person, and the same practice is also used to avoid discrimination. Seafarers constituted 644 people, representing 310 Filipinos, 276 Canadians, 47 Norwegians, 5 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 Filipino manning company. The seafarers are employed on contracts complying with approved employment settlements in their respective countries.

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

During 2013, a fatal accident occurred onboard one of our vessels. Apart from this the vessels were not involved in any accidents endangering life, vessel or the environment. Absence due to illness onboard and ashore was 1.2% and 2.2% 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 2013 were somewhat higher than the year target.

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 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 and OHSAS 18001.



## Balance sheet as of 31.12. (NOK)

Consolidated			A/S Uglands Rederi		
2013	2012	NOTE	2013	2012	NOTE
<b>ASSETS</b>					
<b>Fixed assets</b>					
<b>Intangible fixed assets</b>					
0	0		2 527 652	3 458 601	10
0	0		<b>2 527 652</b>	<b>3 458 601</b>	
<b>Tangible fixed assets</b>					
2 208 987 157	2 291 818 051	4	0	0	
1 741 541	2 484 385	4	657 034	657 034	4
0	35 002 211	4	0	0	
<b>2 210 728 698</b>	<b>2 329 304 647</b>		<b>657 034</b>	<b>657 034</b>	
<b>Financial fixed assets</b>					
0	0		190 866 440	190 866 440	5
155 940 191	133 816 200	6	154 235 971	132 241 201	6
0	0		0	36 084 400	7
47 943 908	46 721 595	7	0	0	7
<b>203 884 099</b>	<b>180 537 795</b>		<b>345 102 411</b>	<b>359 192 041</b>	
<b>2 414 612 797</b>	<b>2 509 842 442</b>		<b>348 287 097</b>	<b>363 307 676</b>	
<b>Current assets</b>					
<b>Receivables</b>					
117 129 667	90 483 311	7	12 802 866	32 716 684	
<b>117 129 667</b>	<b>90 483 311</b>		<b>12 802 866</b>	<b>32 716 684</b>	
<b>Investments</b>					
25 127	25 127		25 128	25 128	
<b>25 127</b>	<b>25 127</b>		<b>25 128</b>	<b>25 128</b>	
<b>Bank deposits, cash etc.</b>					
404 489 701	199 592 728	9	62 737 979	24 400 799	
<b>404 489 701</b>	<b>199 592 728</b>		<b>62 737 979</b>	<b>24 400 799</b>	
<b>521 644 495</b>	<b>290 101 166</b>		<b>75 565 973</b>	<b>57 142 611</b>	
<b>2 936 257 292</b>	<b>2 799 943 608</b>		<b>423 853 070</b>	<b>420 450 287</b>	

Consolidated			A/S Uglands Rederi		
2013	2012	NOTE	2013	2012	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	686 977		686 977	686 977	
<b>Retained earnings</b>					
2 247 584 787	2 158 130 469		368 881 380	375 005 100	
5 097 775	4 392 967		0	0	
<b>2 255 530 149</b>	<b>2 165 371 023</b>	<b>11</b>	<b>371 728 967</b>	<b>377 852 687</b>	<b>11</b>
<b>Liabilities</b>					
<b>Provisions</b>					
91 600 277	101 112 290	10	0	0	10
89 166 044	71 661 714	8	0	0	8
<b>180 766 321</b>	<b>172 774 004</b>		<b>0</b>	<b>0</b>	
<b>Other non-current liabilities</b>					
234 212 400	244 806 800	9	0	0	
52 100	132 418		52 100	132 418	
<b>234 264 500</b>	<b>244 939 218</b>		<b>52 100</b>	<b>132 418</b>	
<b>Current liabilities</b>					
19 550 977	27 958 932	10	0	0	10
49 694 030	40 187 346		49 694 030	40 187 346	
196 451 315	148 713 085	7	2 377 973	2 277 836	7
<b>265 696 322</b>	<b>216 859 363</b>		<b>52 072 003</b>	<b>42 465 182</b>	
<b>680 727 143</b>	<b>634 572 585</b>		<b>52 124 103</b>	<b>42 597 600</b>	
<b>2 936 257 292</b>	<b>2 799 943 608</b>		<b>423 853 070</b>	<b>420 450 287</b>	

Grimstad, 31 December 2013

26 February 2014

Gunnar Frognes  
Deputy ChairmanJørgen Lund  
Chairman

Ivar Aune

Stein Rynning

Øystein Beisland  
President

Peter D. Knudsen

## Cash flow statement (NOK)

Consolidated		A/S Uglands Rederi	
2013	2012	2013	2012
<b>Cash flow from operating activities</b>			
125 197 450	136 633 469	42 223 112	-10 500 668
2 370 009	8 710 466	2 499 230	8 785 952
-25 724 994	-31 502 673	2 278 147	-1 792 686
-8 119 987	0	0	0
170 912 221	138 796 216	0	0
20 387 969	-19 838 715	-2 655 250	2 855 600
37 123 263	-14 498 931	20 013 955	-27 815 483
<b>322 145 931</b>	<b>218 299 832</b>	<b>64 359 194</b>	<b>-28 467 286</b>
<b>Cash flow from investing activities</b>			
-24 494 000	-70 900 000	-24 494 000	-70 900 000
8 239 796	0	0	0
-26 734 442	-326 079 528	0	0
0	0	38 659 332	0
<b>-42 988 646</b>	<b>-396 979 528</b>	<b>14 165 332</b>	<b>-70 900 000</b>
<b>Cash flow from financing activities</b>			
-33 085 116	-32 972 554	0	-76 954
-160 000	-3 359 744	0	0
-40 187 346	0	-40 187 346	0
-827 850	-1 920 800	0	0
<b>-74 260 312</b>	<b>-38 253 098</b>	<b>-40 187 346</b>	<b>-76 954</b>
204 896 973	-216 932 794	38 337 180	-99 444 240
199 592 728	416 525 522	24 400 799	123 845 038
<b>404 489 701</b>	<b>199 592 728</b>	<b>62 737 979</b>	<b>24 400 799</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 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 31.12.13, which for NOK/USD was 6.12. As of 31.12.12 the rate of exchange was 5.56

## 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. As of 2013, the depreciation plan for the shuttle tankers was changed to 20 years with an estimated residual value, which resulted in an increase in depreciation of NOK 15 728 000 compared to previous years.

Other assets are depreciated over five to eight years.

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 actuarial 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 85 245.)

## 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
<b>Shuttle tankers</b>					
MATTEA	1997	126 000	Penney Ugland Inc.	100	TC until 11/14
VINLAND	2000	126 000	Ugland Shipping AS	100	TC until 11/16
<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
STAR NORITA	2012	58 100	Ugland Shipping AS	100	Pool
<b>Barges and crane vessel</b>					
UR 1	1994	9 750	Ugland Shipping AS	100	Pool
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	9 000	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 171	2011	17 000	Ugland Shipping AS	100	Pool
UR 901	2013	9 000	Ugland Shipping AS	100	Pool
UR 902	2013	9 000	Skipsaksjeselskapet Kysten	100	Pool
UGLEN	1978	3 000	Ugland Shipping AS	100	Pool

Sales revenue per area of activity	Consolidated 2013	Consolidated 2012
Shuttle tankers	238 176 271	211 395 509
Bulk carriers	285 642 092	331 864 524
Barges and crane vessel	170 851 591	155 275 544
Gain on sale of vessels/barges	8 105 796	0
Invoiced vessel costs/ Management fee	320 841 219	397 549 549
	1 023 616 969	1 096 085 126

In 2013, 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 2013	Parent Company 2012	Consolidated 2013	Consolidated 2012
Salaries	1 125 000	1 125 000	333 304 259	299 719 765
Employment duty	158 625	158 625	21 728 136	18 320 366
Other salary related costs	0	0	42 583 798	38 897 491
Pension costs	0	0	11 709 417	12 832 387
	1 283 625	1 283 625	409 325 609	369 770 009

(2012 figures in brackets)

Average full time employees - office

83 (80)

Average full time employees - officers and crew

644 (703)

**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	1 763 328	1 125 000
Other benefits	18 888	0

**Auditor**

Auditor's remuneration (exclusive of VAT) from the parent company was NOK 75 000 (consolidated 848 000). In addition, the auditor received fees related to tax consultancy and accounting advice in the amount of NOK 110 000 (consolidated 578 000) and NOK 75 000 (consolidated 169 000 + 65 000 for other services) respectively.

## Note 4 - Tangible fixed assets / Tenancy agreements

	Parent Company		Consolidated	
	Other Assets	Vessels	Other Assets	Total
Cost price 01.01.	657 034	3 726 025 407	9 219 857	3 735 245 263
Additions	0	26 531 844	202 598	26 734 442
Disposals	0	-13 000 000	-2 922 601	-15 922 601
Currency adjustments	0	25 713 955	7 685	25 721 640
Cost price 31.12.	657 034	3 765 271 206	6 507 538	3 771 778 744
Acc. depreciation	0	-1 556 284 048	-4 765 998	-1 561 050 046
Book value 31.12.	657 034	2 208 987 157	1 741 541	2 210 728 698
Depreciation 2013	0	170 078 899	833 322	170 912 221

In 2013, Ugland Shipping AS and Skipsaksjeselskapet Kysten each took delivery of one barge newbuilding from Dalian Shipyard in China.

**Tenancy agreements**

A/S Uglands Rederi and its subsidiaries have three long-term office tenancy agreements. Total rent recorded through the year was NOK 4 779 383.

## 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
<b>Total</b>			<b>190 866 440</b>

## Note 6 - Shares and ownership interests in other companies

Company	Office location	Ownership share	Book Value 01.01.	Addition 2013	Share of result after tax	Book Value 31.12
<b>Associated Companies:</b>						
Ugland Supplier AS	Grimstad	50%	116 831 200	0	-2 415 114	114 416 086
UM Bulk AS	Grimstad	50%	15 400 000	24 494 000	-84 116	39 809 884
<b>Other Company:</b>						
Bjoren AS	Bygland	3.9%	10 000	0	0	10 000
<b>Total parent company</b>			<b>132 241 200</b>	<b>24 494 000</b>	<b>-2 499 230</b>	<b>154 235 970</b>
<b>Associated Company:</b>						
11030 Newfoundland Inc.	Canada	45.4%	1 575 000	0	129 221	1 704 221
<b>Total consolidated</b>			<b>133 816 200</b>	<b>24 494 000</b>	<b>-2 370 009</b>	<b>155 940 191</b>

Associated companies are recognized under the equity method.

## Note 7 - Receivables and liabilities

	Parent Company		Consolidated	
	2013	2012	2013	2012
Pension funds	0	0	20 611 367	21 418 321
Receivables falling due after one year	0	36 084 400	27 332 541	25 303 274
<b>Total long-term receivables</b>	<b>0</b>	<b>36 084 400</b>	<b>47 943 908</b>	<b>46 721 595</b>
<b>Intercompany receivables / liabilities</b>				
Long-term receivables subsidiaries	0	36 084 400	0	0
Long-term receivables group companies	0	0	26 196 000	24 188 000
Short-term receivables group companies	0	0	16 283 346	15 183 059
Short-term liabilities group companies	0	0	19 948 313	1 557 896
Short-term receivables subsidiaries	10 959 816	31 416 685	0	0
Short-term liabilities parent company	0	0	455 911	1 213 312
Receivables associated companies	0	0	683 636	2 327 408

Related parties - transactions	Parent Company		Consolidated	
	2013	2012	2013	2012
<b>Income</b>				
Ugland Marine Services AS - rental income	117 000	114 600	0	0
Penney Ugland Inc. - guarantee commission	1 172 033	626 580	0	0
Penney Ugland Inc. - management fee	897 519	619 256	0	0
Ugland Bulk Transport A/S - freight income	0	0	272 487 837	315 834 833
Ugland Barge Pool AS - freight income	0	0	159 941 092	147 879 844
J.J. Ugland Holding A/S - administration fee	0	0	1 662 960	1 599 000
Vikkilen Industri AS - administration fee	0	0	1 353 040	1 301 000
J.J. Ugland AS - administration fee	0	0	1 352 000	1 300 000
Ugland Bulk Transport A/S - other fees	0	0	16 273 197	16 029 690
AS Nymo - administration fee	0	0	1 848 000	1 776 000
Ugland Supplier AS - building supervision and administration fee	0	0	3 804 795	1 231 312
Ugland Marine Services AS - interest income	568 401	20 102	0	0
Ugland Barge Pool AS - interest income	0	0	469 780	168 523
<b>Expenses</b>				
Ugland Marine Services AS - administration fee	-4 200 000	-4 200 000	0	0
J.J. Ugland AS - rent	0	0	-2 702 000	-2 673 900
J.J. Ugland Holding AS - interest expense	0	0	-5 297	0
Knut N.T. Ugland - rent	0	0	-223 240	-150 200
Ugland Bulk Transport A/S - interest expense	0	0	-376 898	-108 357

## Note 8 - Provisions and pensions

	Consolidated	
	2013	2012
Provisions for maintenance and classification	69 837 633	45 695 185
Other provisions	12 041 998	18 437 825
Pension obligations	7 286 413	7 528 704
<b>Total</b>	<b>89 166 044</b>	<b>71 661 714</b>

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 146 people (including 62 seafarers) to receive defined future pension benefits. Additionally, 20 employees have joined a contribution pension scheme (Unit Link). Both pension schemes are covered through an insurance company and comply with the regulations set forth in the pension act. One subsidiary also has early retirement pension scheme obligations for one employee.

## Note 8 - Provisions and pensions (continued)

	Consolidated	
	2013	2012
Service costs	4 090 730	4 513 931
Interest cost on pension obligations	5 136 180	4 818 638
Expected return on pension funds	-3 759 908	-4 237 833
Amortisation of actuarial gain/loss	3 395 674	4 537 138
Administration costs	781 989	785 901
Payment to defined contribution pension scheme	667 340	473 231
Social security tax	1 330 792	1 389 697
Settlement	481 854	899 119
Charged other companies	-415 235	-347 434
<b>Net pension costs</b>	<b>11 709 415</b>	<b>12 832 388</b>
<b>Pension obligations</b>	<b>2013</b>	<b>2012</b>
Projected pension obligation as of 31.12.	-7 583 795	-7 934 302
Unrecognised actuarial gain/loss	1 232 819	1 449 434
Social security tax	-935 437	-1 043 837
<b>Recognised gross pension obligation</b>	<b>-7 286 413</b>	<b>-7 528 704</b>
<b>Net pension funds</b>	<b>2013</b>	<b>2012</b>
Accrued pension obligations as of 31.12.	-128 817 775	-117 419 569
Pension scheme assets as of 31.12.	108 707 154	102 727 158
Unrecognised actuarial gain/loss	40 721 988	36 110 732
<b>Net pension fund as of 31.12.</b>	<b>20 611 367</b>	<b>21 418 321</b>

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

	2013	2012
<b>Actuarial assumptions</b>		
Discount rate	4.1%	4.2%
Assumed return on pension funds	4.4%	3.6%
“ salary increase	3.75%	3.25%
“ statutory basic amount increase (cf note 1)	3.5%	3.0%
“ pension benefit increase	1.95%	2.0%

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

## Note 9 - Mortgage liabilities/Guarantees/Pledged assets

	Consolidated
<b>Liabilities secured by mortgage</b>	
Liabilities to financial institutions	234 212 400
Book value of pledged assets	506 994 089

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 31.12.2018.

A/S Uglands Rederi has issued a guarantee to the time charterers for USD 20 million on behalf of Penney Ugland Inc. (PUJ) - the owner of the shuttle tanker Mattea - covering PUJ's obligations under the time charter. This guarantee is valid until expiry of the time charter.

Restricted consolidated bank deposits as of 31.12.2013 amounted to NOK 16 605 045.

## Note 10 - Taxes

	Parent Company		Consolidated	
	2013	2012	2013	2012
<b>Current year's tax expense</b>				
Tax payable	0	0	19 550 977	5 134 966
Withholding tax paid	2 169 814	1 792 686	2 214 023	1 895 984
Tax refund from previous years	-4 447 961	0	-3 784 302	0
Change deferred tax	930 949	-3 458 601	-19 731 062	-3 896 180
<b>Income tax expense</b>	<b>-1 347 198</b>	<b>-1 665 915</b>	<b>-1 750 364</b>	<b>3 134 770</b>
<b>Tax payable as of 31.12.</b>				
Recognized tax payable	0	0	19 550 977	5 134 966
Instalment payment shipping tax	0	0	0	25 086 691
Tax paid for 2012	0	0	0	-2 262 725
<b>Tax payable as of 31.12.</b>	<b>0</b>	<b>0</b>	<b>19 550 977</b>	<b>27 958 932</b>
<b>Reconciliation of effective rate and applicable corporate tax rate</b>				
Result for the year before tax	42 223 112	-10 500 667	125 197 450	136 633 469
Expected income tax, nominal tax rate (28%)	11 822 471	-2 940 187	8 026 306	-5 824 175
<b>Tax effect of the following items</b>				
Non-deductible expenses/non-taxable income	-10 489 729	-518 414	499 880	5 862 000
Withholding tax paid	2 169 814	-1 792 686	2 214 023	1 895 984
Increased tax loss/currency adjustments previous years	-495 410	0	-10 235 206	0
Effect of tax rate adjustments	93 617	0	-22 350	0
Tax refund previous years	-4 447 961	0	-3 784 302	0
Tax on financial result shipping company	0	0	1 551 285	1 200 961
<b>Tax expense</b>	<b>-1 347 198</b>	<b>-1 665 915</b>	<b>-1 750 364</b>	<b>3 134 770</b>

Specification of change in deferred tax:	Parent Company		Consolidated	
	2013	2012	2013	2012
Deferred tax 01.01.	-3 458 601	0	101 112 290	113 020 176
Change recognized in income statement	930 949	-3 458 601	-19 731 062	-3 896 180
Currency adjustments	0	0	10 219 049	-8 011 706
<b>Deferred tax/tax asset 31.12.</b>	<b>-2 527 652</b>	<b>-3 458 601</b>	<b>91 600 277</b>	<b>101 112 290</b>

Specification of tax asset/liability effect of temporary differences	Parent Company		Consolidated	
	2013	2012	2013	2012
<b>Consolidated</b>				
Tangible fixed assets	0	0	0	311 766 538
Pension obligations / funds	0	0	0	13 324 954
Unrealised currency gain/loss	0	0	0	3 075 582
Tax loss carry-forward	9 361 675	12 352 139	11 593 781	0
<b>Total 31.12</b>	<b>9 361 675</b>	<b>12 352 139</b>	<b>11 593 781</b>	<b>328 167 074</b>
<b>Net deferred tax asset/liability</b>	<b>2 527 652</b>	<b>3 458 601</b>	<b>91 600 277</b>	<b>101 112 290</b>

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 1 231 348 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
<b>Parent Company</b>					
Balance 01.01.	2 160 610	686 977	375 005 100	0	377 852 687
Result for the year	0	0	43 570 310	0	43 570 310
Dividends	0	0	-49 694 030	0	-49 694 030
Balance 31.12.	2 160 610	686 977	368 881 380	0	371 728 967
<b>Consolidated</b>					
Balance 01.01.	2 160 610	686 977	2 158 130 469	4 392 967	2 165 371 023
Result for the year	0	0	125 474 734	1 473 080	126 947 814
Dividends	0	0	-49 694 030	0	-49 694 030
Redemption of minority interest	0	0	0	-827 850	-827 850
Currency adjustment	0	0	13 673 614	59 578	13 733 192
Balance 31.12.	2 160 610	686 977	2 247 584 787	5 097 774	2 255 530 149

### 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 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 31.12.2013, the company, on a consolidated basis, had two fixed interest rate agreements. The fixed interest rate agreements with principal amount of USD 11 520 000 and USD 26 750 000, falling due in December 2015 and September 2016 respectively, are linked to mortgage loans on the two owned shuttle tankers.

## Note 13 - Other financial items

	Parent Company		Consolidated	
	2013	2012	2013	2012
Currency loss (disagio)	0	-7 120 578	-3 457 870	0
Other financial items	-3 950	-8 038	-471 443	-254 642
Other financial expenses	-3 950	-7 128 616	-3 929 313	-254 642
Currency gain (agio)	9 379 891	0	0	722 702
Other financial items	1 172 349	626 842	143 315	15 609
Other financial income	10 552 240	626 842	143 315	738 311



Statsautoriserte revisorer  
Ernst & Young AS

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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 2013, the statements of income showing a profit of NOK 43 570 310 for the Company and a profit of NOK 126 947 814 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.

A member firm of Ernst & Young Global Limited

continued..



#### *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 2013 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, Arendal, 26th February 2014  
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 May 2014

Bulk Carrier		
Vessel Name	DW tonnes	Year built
MV BONITA	58 105	2010
MV CARMENCITA	58 773	2009
MV FAVORITA	52 220	2005
MV FERMITA	52 380	2001
MV ISABELITA	58 080	2010
MV KRISTINITA	58 110	2011
MV 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
6 Newbuildings - 2 x 57 700 dwt + 2 x 60 000 dwt + 2 x 63 000 dwt	361 400	2014-2017
17 Vessels	952 450	

Tankers		
Vessel Name	DW tonnes	Year built
MV 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	Deck Area	DW tonnes	Year built
MV EVITA	1 000 m <sup>2</sup>	5 433	2012
MV JUANITA	1 035 m <sup>2</sup>	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 May 2014 continued

HLV & Barges		
Vessel Name	DW tonnes	Year built
HLV UGLEN 600 t crane	2 600	1978
Barge UR 1	9 750	1994
Barge UR 2	9 750	1995
Barge UR 3	9 750	1995
Barge UR 5	9 750	1996
Barge UR 6	9 750	1997
Barge UR 7	9 750	1999
Barge UR 8	9 750	1999
Barge UR 93	9 040	2001
Barge UR 94	9 040	2001
Barge UR 95	9 025	2001
Barge UR 96	9 025	2008
Barge UR 97	9 025	2008
Barge UR 98	9 025	2011
Barge UR 99	9 025	2011
Barge UR 101	10 094	1993
Barge UR 108	9 694	1985
Barge UR 111	11 285	1976
Barge UR 141	14 011	1993
Barge UR 171	16 800	2011
Barge UR 901	9 019	2013
Barge UR 902	9 019	2013
22 Units	213 977	

Total Operated Fleet	49 units	2 million dwt
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## The high lift crane vessel Uglen

### Upgrading of Uglen's lifting capacity from 600 to 800 tonnes nearly completed

Uglen was built in 1978. The heavy lift crane vessel has a lifting capacity of 600 tonnes and with the high lift boom in place the vessel can lift 200 tonnes up to 155 metres above sea level - which is unique even today.

In 1978, HLV Uglen was the first complete vessel to be built at AS Nymo and the largest contract for the yard up to then.

HLV Uglen is operated by Ugland Construction AS in Stavanger. From delivery the lifting vessel has worked most satisfactorily and has been a very important tool for the offshore industry in the construction of a number of oil platforms and for the ship building industry where the vessel has been contracted to lift superstructures and sections.

The high lift boom has been used for the building of suspension bridges in Norway. In fact, most of the suspension bridges in Norway have been lifted in place by Uglen.

Despite her 36 years in operation HLV Uglen is in very good shape and has proved that she is still attractive in the market. She is an effective lifting vessel with very good manoeuvring and high lift capacities.

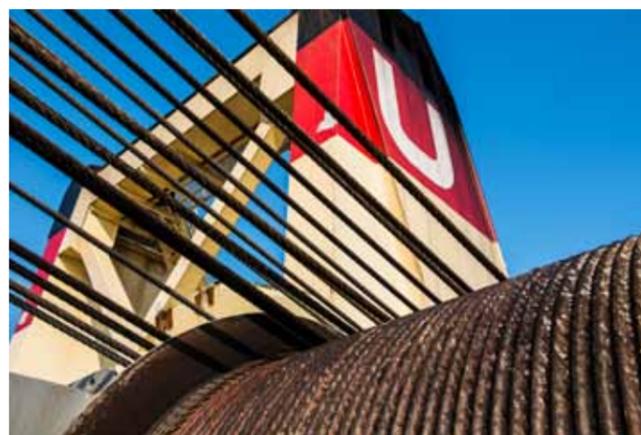
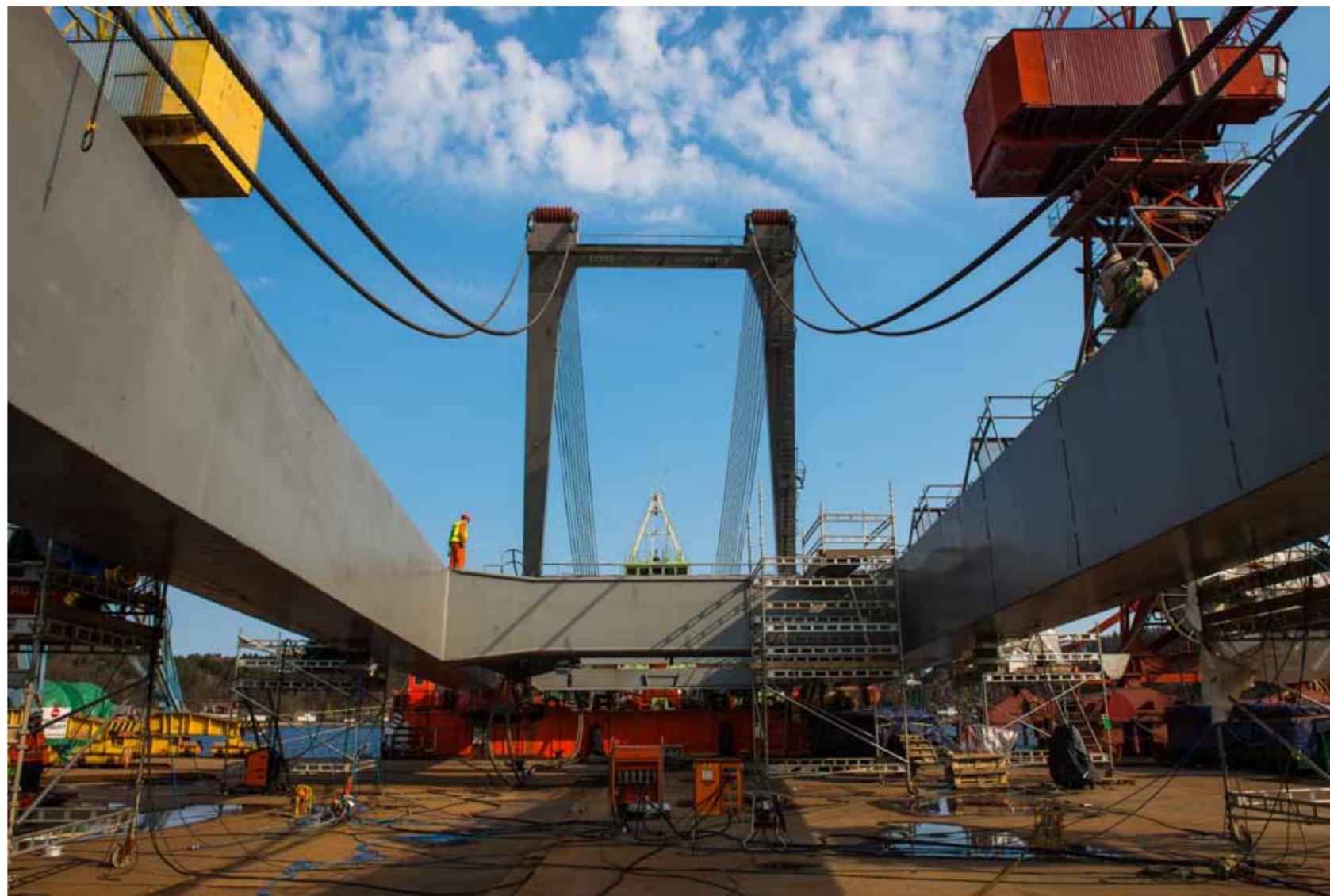
Uglen's trading area is primarily north Europe with Norway as the most important market. The offshore industry is the largest contractor covering approximately 80% of the contract coverage, whilst the remaining contracts relate to ship building, harbour contracts and bridge building.

In recent years, we have seen increasing activity and frequent demand for enhanced lifting capacity. We have therefore decided to upgrade Uglen's lifting capacity from 600 to 800 tonnes.

After competitive tendering, AS Nymo won the contract with the best bid. The upgrading work has already started and is expected to be completed after the Easter holiday.

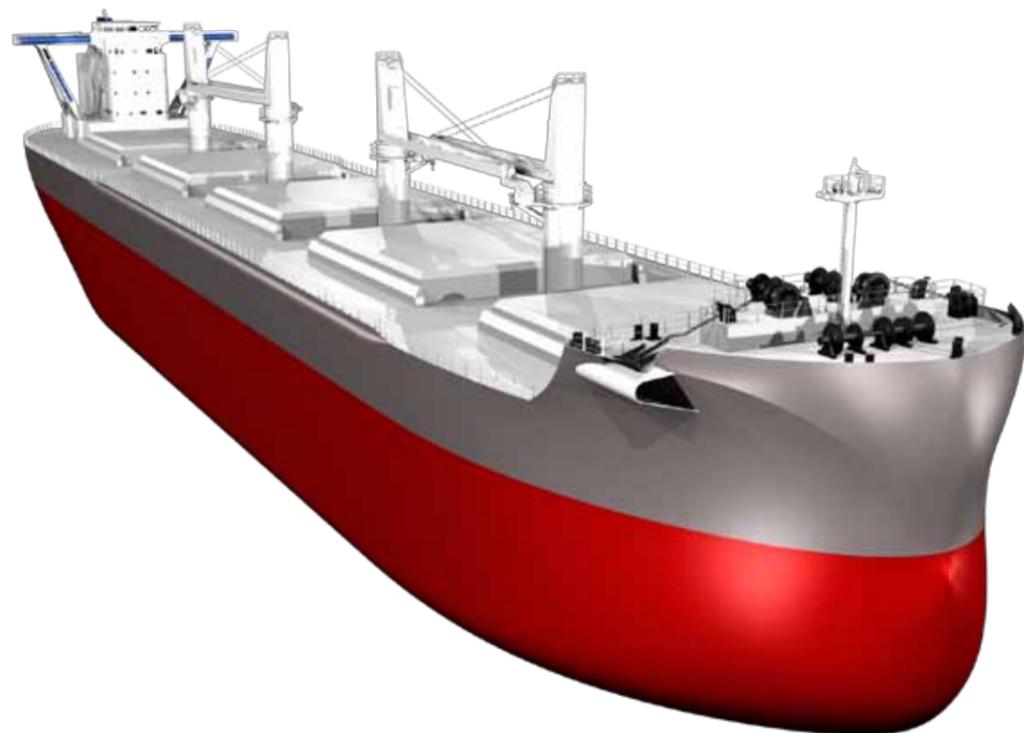
The Uglen wheel has turned inasmuch as it was Nymo that built Uglen in the first place and now again contributes to revitalising and increasing her lifespan for many active years.

Uglen being upgraded at Nymo to meet the demand for increased lifting capacity. (Photos: Innoventi - JP Lehne). The far right picture shows Uglen at work. (Photo: Jan Otto Johansen, Statoil)



## Ugland invests in new bulk carrier design

UM Bulk AS, Grimstad has signed an agreement with Tsuneishi Shipbuilding Co., Ltd, Japan to buy two TESS 58 bulk carriers. The newest design is illustrated below.



UM Bulk AS is a 50/50 Joint Venture between The J.J. Ugland Companies, Grimstad and Mitsubishi Corporation, Tokyo. These orders represent a broadening of a long-term cooperation between the two companies.

UM Bulk AS thinks the timing is good for investing in new, more eco-friendly bulk carriers.

Scheduled for delivery in 2014 and 2015 from Tsuneishi Heavy Industries, Cebu, the Philippines, the newbuildings represent the next generation bulk carriers with eco-design and more effective engines with reduced fuel consumption. This provides more economical vessels and reduces

emissions to the environment.

Other features of the TESS 58 design such as the main hull proportions and cargo capacities have been maintained.

The new main engine, of the MAN ME-type, not only has a lower fuel consumption and air emission rate but also reduced RPM, resulting in improved propeller efficiency. With the fully electronically controlled main engine, optimal operation is possible under most conditions and will particularly have a positive effect when slow-steaming.

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.

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

Ugland has a long-standing cooperation with Mitsubishi and Tsuneishi which has resulted in the delivery of six newly acquired supramax bulk carriers of the TESS 58 design, four of which have been built at Tsuneishi Group (Zhoushan) Shipbuilding Inc., China.

These vessels fly the Norwegian flag and are wholly owned by Ugland Shipping AS.

## Delivery of the state of the art barge newbuildings UR 901 and UR 902

The barges are equipped with an integrated Ballast Water Treatment Plant. Both the oil and gas market as well as the windfarm market have responded positively to the the new barges, mainly due to their extraordinary deck strength capacity.



Built at Changxing Dalian Shipyard in China, the 9 019-deadweight tonne flat top barges were successfully launched on 7 June 2013.

In June 2012, The J. J. Ugland Companies, Ugland Shipping AS and Skipsaksjelskapet Kysten, signed contracts for the building of two flat top barges with Dalian General Industrial Development Company in Dalian, P.R. China. This yard has previously built eight barges of basically the same design for us.

Two new design features were decided for the new barges. The deck load carrying capacity was increased from 25 tonnes/m<sup>2</sup> to 30 tonnes/m<sup>2</sup> to increase flexibility and competitiveness. In order to strengthen our environmental profile and meet the upcoming requirements for clean ballast discharge, the barges were contracted with Ballast Water Treatment systems

matching the ballast pumping capacities.

Reflecting the upgraded design, the two barges were named UR 901 and UR 902.

The construction of the barges commenced early autumn 2012, being closely followed up by our hired-in Chinese supervision team. Representatives from the Grimstad office attended intermittently to follow up both the yard and our supervisors.

Another design improvement introduced to these two new barges during the construction period compared with previous design, was separating the engine room and the pump room to improve the operators' working conditions. In addition, the engine room has been sound and

temperature insulated. The pump room has been under deck insulated so as to avoid condensation, protect the equipment from humidity and avoid corrosion. The main deck of the barges has been treated with sinc-silcate coating which has improved anticorrosion and mechanical properties.

The progress during the construction period was more or less on schedule but due to some of the abovementioned improvements introduced during the building period, the delivery took place early July 2013, slightly delayed.

## Corporate Social Responsibility

### Global Compact - Communicating on Progress



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

As a 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
- Principle 2 Businesses should make sure that they are not complicit in human rights abuses.

#### LABOUR STANDARDS

- Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4 Businesses should uphold the elimination of all forms of forced and compulsory labour;
- Principle 5 Businesses should uphold the effective abolition of child labour;
- Principle 6 Businesses should uphold the elimination of discrimination in respect of employment and occupation.

#### ENVIRONMENT

- Principle 7 Businesses should support a precautionary approach to environmental challenges;
- Principle 8 Businesses should undertake initiatives to promote greater environmental responsibility; and
- 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.

#### (GRI Reference)

- G4-HR 3, 5
- G4-HR 3, 5
- G4-10, 11  
G4-LA 1, 2
- G4-HR 3, 4
- G4-HR 3, 4
- G4-10, 11  
G4-LA 1, G4-HR 3
- Profile disclosure and G4-EN:  
3, 6, 8, 15\*, 19\*, 21\*, 23, 24 and G4-HR5
- G4-SO 3

Note: The GRI references above are standard disclosures and core elements only. \* Partly reported.

### Implementation of the UN Global Compact ten principles 2012

The most important corporate social engagement is to provide a safe, sustainable and long term business and work environment for the employees, business partners and the local community. 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 2013, in accordance with ISO standards, efforts to ensure continuous improvement in safety and environmental performance were made. As continued focus on reducing energy consumption and seeking environmentally friendly technologies are important, both for the company and its stakeholders, a newbuilding contract for an eco-design supramax bulk carrier was signed in 2013. In 2014, the new platform supply vessel

(PSV) Juania with the SALT 100 design will be delivered containing several new and progressive solutions, tailored to meet the oil companies' needs for a modern, fuel efficient and operationally flexible Platform Supply Vessel. Fleet renewal with eco-friendly design and technology is an ongoing process and will continue in the years to come.

UR supports and respects the protection of internationally proclaimed human rights. In 2012, steps were taken to improve performance in this area by renewing and expanding the "supplier declaration" (a questionnaire to suppliers related to Quality, Environment, Social Responsibility, Transparency and Health & Safety). The supplier declaration provides guidance when choosing suppliers identifying those that support a precautionary approach to environmental and social challenges, undertake initiatives to promote greater environmental responsibility, and encourage the development and diffusion of environmentally friendly technologies. 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. In 2012, anti-corruption efforts were intensified by formalizing an anti-corruption procedure more specifically focused for the fleet and crew onboard. 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.

For more information, please view the company's webpage: [www.jjuc.no](http://www.jjuc.no).

### 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 materiality analysis performed during the fall of 2013, both the internal company and stakeholder analysis,

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. As this will be the first annual report in line with GRI 4 and it is the first materiality analysis, the results are considered to give valid guidance.

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 2013.

For full report and further details and information, please view the company's home page [www.jjuc.no](http://www.jjuc.no).

JJUC sponsors marine cultural centre located close to its headquarters



In 2004, The J.J. Uglund Companies (JJUC) signed a sponsorship agreement to support the establishment of a marine cultural centre situated at Skjeviga, Vikkilen. The centre is owned by Kystlaget Terje Vigen, the local branch of Forbundet Kysten, an association for the use and preservation of historical vessels and coastal environment. The agreement was renewed in 2010 for a period of 5 years.

Ship and boat building have presumably taken place along the Vikkilen fjord from the Age of the Vikings until today.

The present buildings at the centre were initially owned by Alf Bratteberg who established a boat building yard on the

site in 1945. The yard was in full operation until 1967. 160 wooden boats were built at the premises which now have been rebuilt and upgraded to house the many activities of Kystlaget Terje Vigen.

The selfmade handtools and electrically driven machines are still in the building and in partial use by the association's members for various restoration projects, such as the preservation of traditional crafts.

The members have altogether worked several thousand hours in their spare time to restore the buildings. It is an important goal for Forbundet Kysten to protect our cultural heritage.



Photos page 38-39: Innoventi - JP Lehne

## The J.J. Uglund Companies

[www.jjuc.no](http://www.jjuc.no)

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 UGLAND BARGE POOL AS  
 UGLAND OFFSHORE AS  
 UGLAND SHIPPING AS  
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