

Annual Report



The J.J. Uglund
Companies



AS Uglands Rederi 2017



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Front cover: Newbuild MV Belita delivered July 2017

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

Following a sustained period of challenging shipping markets, trading conditions improved during 2017 and global economic growth exceeded expectations. China was once again a key player and demand was further strengthened by improved industrial production in most other countries. The rising cost of steel and currency fluctuations resulted in lower levels of newbuilds and more incentives for end-recycling due to high scrap steel prices. All these factors make a key contribution to improving the demand/supply imbalance, which in turn boosts rates and asset values in a number of sectors.

The sector showing most improvement was the dry cargo market. The dry cargo freight market performed significantly better in 2017 as seaborne trade continued to absorb excess fleet capacity. The average Baltic Dry Index was 53 per cent higher in 2017 than in 2016, with spot prices reaching their highest level in five years. The stronger rates paved the way for an increase in period rates and asset prices, in particular in second-hand values. Oil prices strengthened significantly during the second half of

2017, providing a more positive backdrop for the offshore oil services sector in general. While the shuttle tanker market improved, the offshore support vessel (OSV) market is still suffering from excess fleet capacity and remains highly challenging.

During 2017, we took delivery of three and ordered two more ultramax bulk carriers. Our fleet of bulk carriers increased to 15 vessels on water, including four owned by UM Bulk, and three vessels on order, in total 18 vessels. In the offshore segment, our shuttle tanker Vinland was relocated from Brazil to Norway to enter a period charter with Statoil, while our two modern PSVs owned by Ugland Supplier have been fixed on period charters at sustainable rates. Our fleet of barges continues to service the offshore wind turbine and oil and gas industries. Our crane vessel provides coastal lifting services.

The outlook for the coming years is encouraging, in particular for the dry bulk sector, and we are well positioned to take advantage of a rising market. The biggest risk is that US measures to improve its trading balance with China and other nations triggers a global trade war. However, that would harm all nations. Common sense suggests that the USA, China and other involved nations will resolve their differences in a way that enables international trade and economy to continue to grow.

Jørgen Lund
Chairman



The J.J. Ugland Companies - AS Uglands Rederi



The Board of Directors, from left: Øyvind R. Boye, Knut N.T. Ugland, Jørgen Lund (Chairman), Peter D. Knudsen and Stein Rynning

The J.J. Ugland Companies presently incorporate:

- 45 owned and operated units totalling about 1.8 million deadweight tonnes.

The operated fleet includes 15 bulk carriers, one icebreaking special bulk carrier, 4 shuttle tankers, 1 oil/chemical tanker, 2 PSVs, 16 barges, 2 tugs and 1 crane vessel.

In addition, three ultramax bulk carrier newbuilds are scheduled for delivery in 2019/2020.

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

- A technical and commercial operation complying with the ISM-code, ISPS-code, ISO 9001:2008, 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.

- AS Nymo yard with a proven track record in engineering, procurement and construction (EPC) of modules and equipment for the offshore industry.

- A fully integrated and professionally managed organisation in Norway and in St. John's, Canada.

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

The Board of Director's Report

Introduction

From its headquarters in Grimstad, Norway, the family-owned AS Uglands Rederi and its subsidiaries provide worldwide shipping services. At the end of 2017, the company's fleet comprised 42 owned or operated units with an aggregate tonnage of 1.6 million deadweight tonnes – and consisted of 15 supramax and ultramax bulk carriers, one ice-breaking special bulk carrier, four advanced tankers equipped for offshore bow loading, one oil/chemical tanker, two platform service vessels (PSVs), 16 sea-going barges, two tugboats and one heavy lift, self-propelled crane vessel. A further three ultramax bulk carriers on order, two of which are due to be delivered in 2019 and one in 2020.

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

Earnings, Finance and Risk

The 2017 financial statements have been prepared based on the going concern assumption.

The figures stated below include both the parent company and its subsidiaries. The 2016 figures are indicated in parenthesis.

In 2017, the company posted operating income of NOK 884 million (779) and recognised operating expenses of NOK 858 million (803). The operating result before depreciation and impairment (EBITDA) came in at NOK 148 million (98), while the operating result (EBIT) closed on NOK 26 million (-24). Total depreciation and amortisation recognised in the financial statements amounted to NOK 129 million (121).

In light of developments in the company's markets, the Board and management have evaluated the need to recognise impairment losses or reverse previous impairment losses on vessels and other property plant

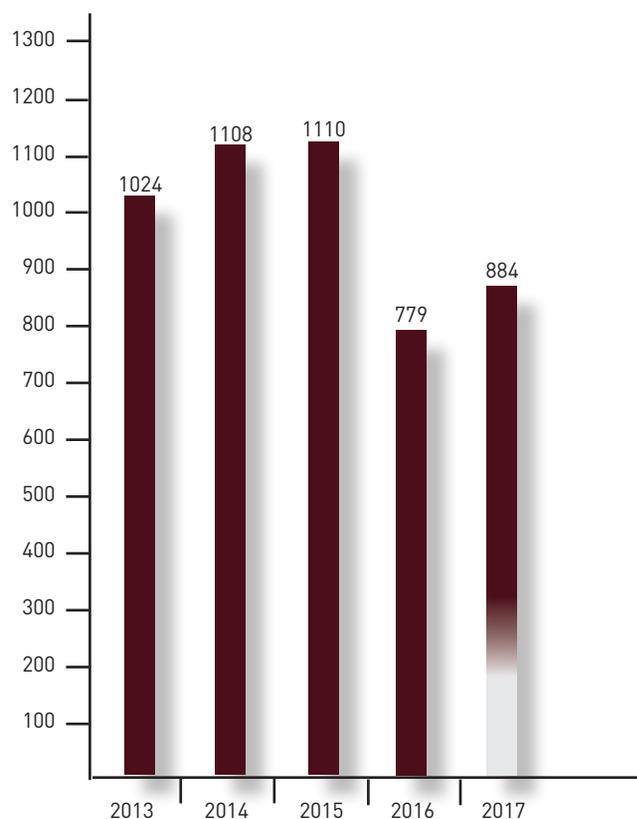
and equipment. For four of the bulk carriers, the difference between the vessels market and book values is considered material, and the recoverable amount is considered to be substantially higher than book value. Adjusting for depreciation, previously recognised impairment losses of NOK 7 million were reversed for the three vessels that had earlier been impaired. The analysis of recoverable amounts for the two PSVs revealed no need to recognise further impairment losses on the company's 50 per cent shareholding in Ugland Supplier AS, as the difference between the estimated recoverable amount and book value was not deemed to be material.

Net financial expenses for the period amounted to NOK 36 million (76). The company's share of the results of the companies UM Bulk AS and Ugland Supplier AS (50 per cent shareholdings), which have investments in respectively bulk carriers and PSVs, are recognised

under net financial expenses. The net loss for the year before tax and minority interests came in at NOK 10 million (loss of NOK 100 million). After the reversal of a tax expense of NOK 1 million, and minority interests of NOK 2 million, the consolidated loss for the year closed on NOK 11 million.

The subsidiary Ugland Shipping AS owns 10 supramax bulk carriers and one ultramax bulk carrier. The company's earnings from the bulk carriers are impacted by market fluctuations. Although still fragile at the start of 2017, the market rallied during the year. However, the market is still too weak to generate a satisfactory return on invested capital. Measured in USD, the market value of the bulk carriers strengthened during the year, with the result that the market values of Ugland Shipping's bulk carriers closed the year above book values.

Operating income (NOK million)





From left:
Arnt Olaf Knutsen, Deputy Managing Director,
Halvor Ribe, Exec. Vice President
Finance, Insurance & ICT and
Øystein Beisland, President

consolidated group balance of NOK 2 515 million.

During 2017, the company took out a long-term mortgage loan to finance the bulk newbuild owned by Ugland Shipping. In addition, the long-term credit facility was used to finance the company's share of UM Bulk's two bulk newbuilds. The three mentioned newbuilds were delivered in 2017.

Since a substantial part of the consolidated group's income is denominated in foreign currency (USD), and administrative expenses are denominated in NOK, forward currency contracts have been entered into until 2020.

For information on financial market risk and the use of financial instruments, please refer to Note 12.

At NOK 1 874 million, recognised equity constitutes 74 per cent of total assets.

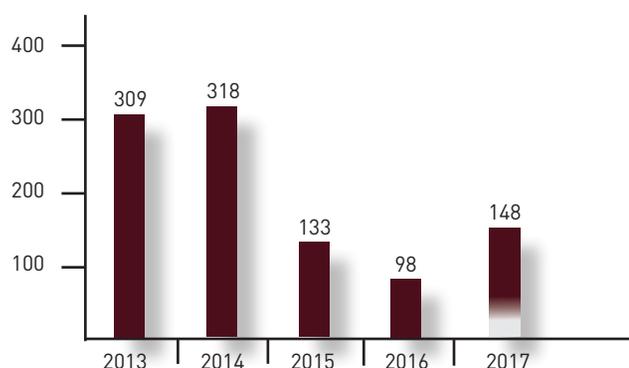
After a Group contribution from a subsidiary of NOK 120 000 000, the parent company AS Uglands Rederi posted a profit for the year of NOK 73 297 856. In 2017, a Group contribution of NOK 40 000 000 to J.J. Ugland Holding AS was recorded.

Bulk Carriers

A breakdown of the fleet is provided in note 2.

All the bulk carriers owned by Ugland Shipping AS are commercially operated by Ugland Bulk Transport AS (a flow through company owned by J.J. Ugland Holding AS, with the trading name UBULK Pool), while Ugland Marine Services AS is responsible for the technical management of the vessels. At the reporting date, the pool operated 11 pool vessels with an average age of about nine years. In 2017, pool revenues totalled NOK 272 million. In addition, Ugland Marine Services AS is responsible for technical and commercial management of the bulk carriers Belita, Olita, Ellenita and Lunita, which are owned by UM Bulk AS.

EBITDA - Operating results before depreciation (NOK million)



In 2017, Ugland Shipping AS signed purchase contracts for two ultramax bulk carriers to be delivered in 2019 and 2020.

The tanker Vinland, which was fixed on a long-term charter in Brazil, enjoyed stable operations and generated satisfactory ongoing earnings during the year.

As of 31 December 2017, Ugland Shipping AS owned a barge fleet comprising 16 units and one heavy lift crane vessel. The barge fleet's utilisation rates recovered from a low level during the year. Utilisation of the crane vessel was satisfactory throughout 2017.

Amortisation of loans and investments in vessels totalling NOK 292 million were recognised during 2017. In addition, a capital increase of NOK 33 million was made in Ugland Supplier AS and a further NOK 153 million was paid as shareholder loans to UM Bulk AS.

Ugland Supplier AS, which is jointly and equally owned by Ugland Offshore AS and a Norwegian co-investor, owns two platform service vessels (PSVs), while AS Uglands Rederi jointly and equally owns UM Bulk AS with a foreign co-investor. UM Bulk AS owns two supramax bulk carriers and two ultramax bulk carriers. Results from the two associates are recognised under other financial items in AS Uglands Rederi's financial statements.

AS Uglands Rederi and its subsidiaries have satisfactory liquidity, well adapted to the company's activities. At the reporting date, consolidated current assets were equivalent to short-term debts. The company can also access a loan under a partially unused credit facility at short notice. As of 31 December 2017, the unused credit facility amounted to NOK 121 million. At the same date, non-current interest-bearing liabilities comprised NOK 333 million of a total

Historically the bulk fleet has been fixed on long-term charter parties. The weak bulk market over the past few years has made it difficult to source acceptable long-term charter parties for the vessels. Consequently, most of the vessels are being fixed on short-term charter parties (TCs), pending a recovery in the market. During 2017, the market gradually improved and the period rates strengthened. Against this background, we have fixed one vessel on a long-term TC until autumn 2019, with a charterer's option for further 12 months. One UM Bulk vessel has also been fixed on a long-term TC until autumn 2019. The company's long-term objective of achieving a mix of short-term and longer-term charter parties remains unchanged. Three vessels are also deployed on indexed rates.

Ugland Shipping AS took delivery of the bulk carrier newbuild Livita of 63 000 deadweight tonnes from Imabari Shipbuilding Co., Ltd. in March 2017. The vessel is commercially operated in the UBULK Pool and is fixed on an index-based rate until the end of 2018. A sister vessel is scheduled to be delivered from the same yard in the first quarter of 2019.

In October 2017, Ugland Shipping AS signed a purchase contract for a bulk carrier of 64 000 deadweight tonnes from Tsuneishi Heavy Industries, Cebu in the Philippines. The vessel is due to be delivered in the second half of 2019. In addition, in November 2017, Ugland Shipping AS signed a purchase contract for a bulk carrier of 60 500 deadweight tonnes from Sanoyas Shipbuilding Corporation in Japan. The vessel is due to be delivered in the first half of 2020.

UM Bulk AS took delivery of the two bulk carrier newbuilds Olita and Belita, each of 60 500 deadweight tonnes, from Sanoyas Shipbuilding Corporation in March and July 2017, respectively. Both newbuilds are secured on TC contracts at market terms.

Tankers/PSV

A breakdown of the fleet is provided in note 2.

In November 2017, the seven-year charter party with Petrobras for the shuttle tanker Vinland came to an end. After dry docking in Odense, Denmark, in December, the vessel was delivered on TC to Statoil for operation in the North Sea from January 2018. The Statoil contract is for a fixed 16-month period, with options until August 2020. An agreement has been signed with OSM, Arendal, for technical management of Vinland.

Canship Ugland Ltd., in St. John's, Newfoundland, has management agreements for three shuttle tankers operating on the Grand Banks and off the coast of Venezuela, along with one ice-breaking bulk carrier, one oil/chemical tanker and two tugs serving Newfoundland's oil terminal.

The PSV Juanita is on time charter to Statoil until June 2018. Thereafter, the vessel will be on a new fixed time charter with Statoil until June 2021, with options until June 2024. In connection with the Statoil time charter, a battery/hybrid system will be installed onboard Juanita, making the vessel more energy-efficient and environmentally friendly.

The PSV Evita was laid up in Vikkilen from February until June 2017. The vessel completed its five-year class renewal in July 2017 and was then delivered on a six-month charter party to Aker BP. Evita has operated in the spot market since the beginning of January 2018. We are currently seeking long-term deployment for the vessel.

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

Barges & Crane Vessel

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

The barge fleet's deployment improved from a low level in 2017. The barges mainly traded in the North Sea and the Baltic Sea. The most important market area has been transport of offshore wind turbine components.

In 2017, the crane vessel Uglen performed assignments along the Norwegian Coast. In spring 2014 Uglen was refurbished and its lifting capacity upgraded from 600 to 800 tonnes. The upgraded lifting capacity has increased the vessel's market opportunities. However, there was a significant deterioration in Uglen's deployment during 2015/2016 as a result of lower demand for heavy lifting following a decrease in the construction of newbuild offshore vessels. In 2017, the company successfully secured alternative deployment for Uglen, which compensated for the loss of deployments in connection with construction of newbuild offshore vessels.







Insurance

In 2017, the hull and machinery, hull/freight interest and loss of hire insurances were renewed until 30 November 2018. The P&I insurance expires on 20 February 2019. War risk insurance is covered by Den Norske Krigsforsikring for Skib.

The total insurance coverage for the Group's fleet is NOK 3.8 billion.

Organisation, Health & The Environment

Ugland Marine Services AS is the commercial and/or technical manager of the bulk carriers, one shuttle tanker, two PSV vessels, 16 barges and the heavy lift crane vessel Uglen.

At the end of 2017, the company employed 747 personnel engaged in shipping activities.

Office staff included 55 personnel employed by Ugland Marine Services AS in Grimstad and Stavanger and 23 personnel employed by Canship Ugland Ltd. in St. John's. Around 31 per cent of our total office staff are women. Vacancies are filled with the best qualified individuals, and the same practice is also used to avoid discrimination. The company employed 669 sea-faring personnel including 363 Filipinos, 226 Canadians, 69 Norwegians, 7 Swedes and 4 other nationalities. Crew members' nationalities reflect the vessels' trading area. The company has a long-standing partnership with a Philippine recruitment agency for vessels trading in international waters. The seafarers

are employed on contracts complying with approved wage agreements in their respective countries.

The Group has procedures and guidelines allowing employees to report any censurable conditions without fear of reciprocation. All reported matters are followed up through a specific investigation. If the investigation confirms the existence of censurable conditions, remedial actions will be implemented. Reporting routines are implemented based on Norwegian law. The Group has additionally arranged training courses for employees, and introduced routines to prevent corruption. The Group also contributes to measures to prevent money laundering. The Group supports the ten principles of the Global Compact, a UN initiative which

focuses on universally sustainable business principles, irrespective of where business is conducted. Important areas covered in the Global Compact include human rights, labour standards, environment and anti-corruption, both within the company and for the company's subcontractors. As a member of the Global Compact, the Group follows the Global Reporting Initiative as a standard for reporting and communicating the Group's work within the ten principles of the Global Compact. The Group's report is published on the website www.jjuc.no

Ugland Marine Services AS wholly owns Ugland Marine Management AS, which employs our Norwegian, Swedish and Filipino crew members, and has a 51 per cent shareholding in Canship Ugland Ltd, which employs our Canadian crew members.

Ugland Construction AS was the management company formerly in charge of the chartering and operation of the J.J. Ugland Companies' barges and the HLV Uglen, as well as pool manager for the Ugland Barge Pool. As of 1 July 2017, all Ugland Construction AS's employees were transferred to Ugland Marine Services AS. It was further decided to merge Ugland Construction AS with Ugland Marine Services AS with accounting effect as of 1 January 2017. In order to retain the well-known market name Ugland Construction AS, it was decided that Ugland Barge Pool AS should change its name to Ugland Construction AS.

In 2017, Ugland Marine Services AS sold all its shares in Ugland Offshore AS to AS Uglands Rederi. In addition, AS Uglands Rederi transferred all its shares in Ugland Supplier AS to Ugland Offshore AS.

No vessels were involved in any



MT Vinland in drydock at Fayard, Odense, Denmark



HLV Uglen installing bridge elements at the Hålogaland bridge in northern Norway

Photo: Harald Harang

accidents causing serious damage or injuries, or environmental pollution during 2017. Absence due to illness onboard and onshore amounted to 0.9 per cent and 2.0 per cent respectively. We accord health, safety and the environment the highest priority and continually strive to further reduce the risk of accidents and pollution. No LTIs (Lost-Time-Injuries) were reported in 2017.

Shipping is an environmentally friendly mode of transport. Nonetheless, a number of measures can still be implemented to further reduce any negative impacts on the environment. The shipping industry is encountering increasingly stringent environmental requirements and demands from both the authorities and customers. In recent years, the international authorities have adopted limits for the sulphur content of fuel oil in some exposed areas, and have heightened requirements in previously established areas. A significant greenhouse gas emission reduction can be achieved by focusing on reduced fuel oil consumption and by using low-sulphur marine fuel. New regulations for the treatment of ballast water were approved in September 2016, effective September 2017. We continuously keep abreast of changes in and the effect of new ballast treatment systems. Ballast water contains micro-organisms which could harm the local marine environment when transferred from one part of the world to another. The company

prioritises the environment and has prepared a dedicated environmental policy and defined procedures and practices to achieve its environmental targets. Each year, we set specific targets designed to prevent or reduce negative impacts on the environment. Harmful emissions and energy consumption are recorded and subsequently accounted for in an annual report. In 2018, we will install a battery/hybrid system onboard PSV Juanita which will reduce the vessel's carbon emissions, both in transit and while on DP. The vessel can be connected to onshore

power when it is moored at quay.

Ugland Marine Services AS, Canship Ugland Ltd. and the vessels are certified according to IMO's "International Ship Management Code" (ISM). The vessels are also certified in compliance with "The International Ship and Port Security Code" (ISPS). Both companies are also certified to ISO 9001:2008 Quality Management, ISO 14001:2004 Environmental Management and OHSAS 18001 Occupational Health and Safety.



Barge UR 93 with modules S21 and S24 at Kværner Stord, arriving from Emtunga, Gothenburg

Outlook

After several demanding years for our shipping segments, 2017 proved a turning point, especially for the dry bulk market. Both vessel values and rates strengthened by about 30-40 per cent throughout the year. We expect this trend to continue in 2018 thanks to an improved market balance. The shuttle tanker Vinland is fixed on a time charter to Statoil until May 2019, with options until August 2020. With the exception of the PSV segment, we are optimistic and expect market conditions to normalise in our shipping segments in 2018.

With our modern and low-mortgaged fleet, the Board of Directors considers the company to be well equipped for the future. Three new bulk carriers were delivered in 2017, and three vessels will be delivered in 2019 and 2020.

Supramax/ultramax dry bulk vessels owned by Ugland Shipping AS, most of whose capacity is fixed on short-term time charter parties to reputable charterers, will continue to operate in the Ugland Bulk Transport AS pool. Three of the vessels are fixed on indexed rates, while one vessel is on a time charter party until autumn 2019, where the charterers have a further 12-month option. One bulk vessel owned by UM Bulk AS is also on a time charter party until autumn 2019.

The contract coverage for Ugland Shipping AS' owned bulk vessels for 2018 is approximately 50 per cent. The dry bulk market was considerably stronger at the

start of 2018 than at the same time in the previous year. The improved market balance indicates that the market will probably tighten during 2018. Consequently, we expect higher rates for the bulk carriers in 2018 than in 2017. If this assumption is correct, 2018 will provide good opportunities to secure several of our vessels on long-term charters.

We have utilised the low newbuild prices over the past couple of years to order several newbuilds at favourable prices. At the same time, we have decided to retain our oldest vessels in expectation of an increase in vessel values, which would make it favourable to sell some of these vessels during the coming year.

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

The company is actively endeavouring to reduce the vessels' operating expenses and is pleased to confirm that we made progress in this area in 2017, without compromising the safety of the vessels or crew or day-to-day operation of the vessels. We aim to achieve further reductions in 2018.

The barge fleet and the heavy lift vessel Uglen are expected to encounter broadly similar market conditions in 2018 compared with 2017.

The shuttle tanker Vinland, which is owned by Ugland Shipping AS, is on a

time charter with Statoil until May 2019, with options until August 2020. Vinland is expected to make a satisfactory contribution in 2018.

The PSV Juanita is contracted to Statoil until June 2021, with options until June 2024. The charter rate is satisfactory given the market conditions for PSV vessels. As mentioned earlier, a battery/hybrid system will be installed onboard Juanita in 2018. Evita finished her contract with Aker BP in January 2018, and now operates in the spot market. The company is currently examining several deployment alternatives. We expect the PSV segment to remain challenging for the next few years, with continuing uncertainty with regard to future earnings and value development.

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

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

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

Grimstad, 21 February 2018

Peter D. Knudsen
Deputy Chairman

Jørgen Lund
Chairman

Knut N.T. Ugland

Stein Rynning

Øystein Beisland
President

Øyvind R. Boye

Balance sheet as of 31.12. (NOK)

Consolidated				AS Uglands Rederi	
2017	2016			2017	2016
		NOTE	NOTE		
ASSETS					
Intangible fixed assets					
0	0	10		864 138	0
Deferred tax asset					
			10		
0	0			864 138	0
Total intangible fixed assets					
Tangible fixed assets					
1 579 613 444	1 435 931 284	4		0	0
Vessels and vessel equipment					
2 731 852	2 465 026	4	4	657 034	657 034
Other tangible fixed assets					
138 411 787	174 404 743	4		0	0
Newbuildings					
1 720 757 083	1 612 801 053			657 034	657 034
Total tangible fixed assets					
Financial fixed assets					
0	0		5	173 354 299	173 230 270
Investments in subsidiaries					
194 467 730	194 553 046	6	6	191 937 817	192 275 197
Investments/shares in other companies					
348 441 782	206 470 024	7	7	405 646 258	153 423 061
Long-term receivables					
542 909 512	401 023 070			770 938 374	518 928 528
Total financial fixed assets					
2 263 666 595	2 013 824 123			772 459 546	519 585 562
Total fixed assets					
Current assets					
Receivables					
137 658 605	119 765 734	7	7	120 574 082	7 261 109
Other receivables					
137 658 605	119 765 734			120 574 082	7 261 109
Total receivables					
Bank deposits, cash etc.					
114 121 266	210 239 913	9		2 714 150	48 097 168
Bank deposits					
251 779 871	330 005 647			123 288 232	55 358 277
Total current assets					
2 515 446 466	2 343 829 770			895 747 778	574 943 839
Total assets					

Consolidated				AS Uglands Rederi	
2017	2016			2017	2016
		NOTE			
EQUITY AND LIABILITIES					
Equity					
Paid-in capital					
2 160 610	2 160 610			2 160 610	2 160 610
686 977	686 977			686 977	686 977
Retained earnings					
1 862 464 480	1 913 847 531			560 711 072	527 413 217
8 236 895	6 212 042			0	0
1 873 548 962	1 922 907 160	11	Total equity	563 558 659	530 260 804
Liabilities					
Provisions					
2 712 644	6 273 164	10	Deferred tax liability	0	3 399 410
53 231 791	56 519 801	8	Other provisions	0	0
55 944 435	62 792 965		Total provisions	0	3 399 410
Other non-current liabilities					
332 778 666	143 220 000	9	Liabilities to financial institutions	254 783 667	0
332 778 666	143 220 000		Total other non-current liabilities	254 783 667	0
Current liabilities					
1 221 377	113 613	10	Income tax payable	0	0
251 953 026	214 796 032	7	Other current liabilities	77 405 452	41 283 625
253 174 403	214 909 645		Total current liabilities	77 405 452	41 283 625
641 897 504	420 922 610		Total liabilities	332 189 119	44 683 035
2 515 446 466	2 343 829 770		Total equity and liabilities	895 747 778	574 943 839

Grimstad, 31 December 2017

21 February 2018

Peter D. Knudsen
Deputy ChairmanJørgen Lund
Chairman

Knut N.T. Ugland

Stein Rynning

Øystein Beisland
President

Øyvind R. Boye

Cash flow statement (NOK)

Consolidated				AS Uglands Rederi	
2017	2016			2017	2016
Cash flow from operating activities					
-10 214 614	-100 166 059			69 034 308	-36 836 369
32 585 317	69 813 850	6	Result from associated companies	32 837 375	70 045 439
-1 450 432	-34 572 507	10	Tax paid / tax refund from previous years	0	-2 433 877
0	-18 793 462		Gain / loss on sale of assets	0	0
128 508 106	121 423 118	4	Ordinary depreciations	0	0
-6 653 874	0	4	Reversal of impairment losses	0	0
-2 559 314	-2 639 453		Currency adjustments	8 188 844	4 297 569
15 596 125	12 287 262		Changes in other accruals	-77 315 171	-18 569 527
155 811 314	47 352 749		Net cash flow from operating activities	32 745 356	16 503 235
Cash flow from investing activities					
-32 500 000	-51 010 580	6	Cash outflow, investment in associated companies	-32 500 000	-51 010 580
0	0		Cash outflow, unwinding of subsidiary company	0	19 668 389
0	29 466 828		Cash inflow, sale of assets	0	0
-229 809 088	-65 144 576	4	Cash outflow, purchase of assets	0	0
267 646 845	0		Cash inflow, long-term debt	267 646 845	0
-155 107 448	-3 821 485		Cash inflow/outflow long-term receivables	-269 635 219	-4 142 635
-149 769 691	-90 509 813		Net cash flow from investing activities	-34 488 374	-35 484 826
Cash flow from financing activities					
-62 160 270	-35 236 856		Amortization of long-term debt	-3 640 000	0
-40 000 000	-19 877 612	11	Cash outflow, dividend /group contribution	-40 000 000	-19 877 612
0	-628 396		Cash outflow, minority interests	0	0
-102 160 270	-55 742 864		Net cash flow from financing activities	-43 640 000	-19 877 612
-96 118 647	-98 899 927		Net change cash and bank deposits	-45 383 018	-38 859 203
210 239 913	309 139 840		Cash and bank deposits 01.01	48 097 168	86 956 371
114 121 266	210 239 913		Cash and bank deposits 31.12	2 714 150	48 097 168

Notes to the accounts

Note 1 - Accounting principles

General

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

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

Consolidation

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

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

Operating income/Operating costs

Freight income is 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 31.12.17, which for NOK/USD was 8.21.

As of 31.12.16 the rate of exchange was 8.68.

Fixed assets and depreciation

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

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

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

Estimates

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

Cash flow

The cash flow statement is prepared under the indirect method.

Shares

Investments in subsidiaries are valued at acquisition cost.

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 0G and 7.1G and eight percent of salaries between 7.1G and 12G. [G=statutory basic amount, currently NOK 93 634].

Operating pension schemes

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

Note 2 - Fleet / Sales revenue per area of activity

	Year built	DWT	Owner	% Share	Employment
Shuttle tanker					
VINLAND	2000	125 827	Ugland Shipping AS	100	TC
Bulk carriers					
FERMITA	2001	52 380	Ugland Shipping AS	100	Pool
TAMARITA	2001	52 292	Ugland Shipping AS	100	Pool
ROSITA	2004	52 338	Ugland Shipping AS	100	Pool
FAVORITA	2005	52 220	Ugland Shipping AS	100	Pool
SEÑORITA	2008	58 663	Ugland Shipping AS	100	Pool
CARMENCITA	2009	58 773	Ugland Shipping AS	100	Pool
ISABELITA	2010	58 080	Ugland Shipping AS	100	Pool
BONITA	2010	58 105	Ugland Shipping AS	100	Pool
KRISTINITA	2011	58 105	Ugland Shipping AS	100	Pool
STAR NORITA	2012	58 097	Ugland Shipping AS	100	Pool
LIVITA	2017	63 532	Ugland Shipping AS	100	Pool
S-K096	2019	63 000	Ugland Shipping AS	100	Pool/2019
SC-330	2019	64 000	Ugland Shipping AS	100	Pool/2019
Hull No. 1366	2020	60 500	Ugland Shipping AS	100	Pool/2020
Barges and crane vessel					
UR 2	1995	9 750	Ugland Shipping AS	100	Pool
UR 3	1995	9 750	Ugland Shipping AS	100	Pool
UR 5	1996	9 750	Ugland Shipping AS	100	Pool
UR 6	1997	9 750	Ugland Shipping AS	100	Pool
UR 7	1999	9 750	Ugland Shipping AS	100	Pool
UR 8	1999	9 750	Ugland Shipping AS	100	Pool
UR 93	2001	9 040	Ugland Shipping AS	100	Pool
UR 95	2001	9 025	Ugland Shipping AS	100	Pool
UR 96	2008	9 025	Ugland Shipping AS	100	Pool
UR 97	2008	9 025	Ugland Shipping AS	100	Pool
UR 98	2011	9 025	Ugland Shipping AS	100	Pool
UR 99	2011	9 025	Ugland Shipping AS	100	Pool
UR 141	1993	14 011	Ugland Shipping AS	100	Pool
UR 171	2011	16 800	Ugland Shipping AS	100	Pool
UR 901	2013	9 019	Ugland Shipping AS	100	Pool
UR 902	2013	9 019	Ugland Shipping AS	100	Pool
UGLEN	1978	2 600	Ugland Shipping AS	100	Pool

Sales revenue per area of activity	Consolidated 2017	Consolidated 2016
Shuttle tanker	145 158 222	157 043 367
Bulk carriers	261 241 454	183 671 801
Barges and crane vessel	90 498 649	64 106 118
Gain on sale of vessels/barges	0	18 793 462
Invoiced vessel costs/Management fee	386 899 049	355 348 818
	883 797 374	778 963 566

The shuttle tanker operated in the Atlantic Ocean.

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 2017	Parent Company 2016	Consolidated 2017	Consolidated 2016
Salaries	625 000	1 250 000	369 262 205	356 672 777
Employment duty	88 125	176 250	25 908 920	25 862 253
Other salary related costs	0	0	28 051 323	28 843 262
Pension costs	0	0	23 493 431	23 814 600
	713 125	1 426 250	446 715 879	435 192 892

(2016 figures in brackets)

Average full time employees - office
Average full time employees - officers and crew

73 (77)
627 (632)

The president receives his salary from the subsidiary Uglund 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 107 470 (consolidated 765 992). In addition, the auditor received fees related to tax consultancy and accounting advice in the amount of NOK 49 800 (consolidated 120 900) and NOK 91 900 (consolidated NOK 211 000) respectively. In addition NOK 18 400, consolidated, was remunerated for other certifications.

Salaries etc. to the President and Board of Directors	President	Board of Directors
Salaries	2 204 824	1 000 000
Other benefits	24 045	0

Note 4 - Tangible fixed assets / Tenancy agreements

	Parent Company	Consolidated		
	Other Assets	Vessels	Other Assets	Total
Cost price 01.01.	657 034	2 641 146 029	7 782 804	2 648 928 833
Additions	0	228 886 183	922 905	229 809 088
Disposals	0	0	0	0
Currency adjustments	0	0	1 174	1 174
Cost price 31.12.	657 034	2 870 032 212	8 706 883	2 878 739 095
Acc. depreciation and impairment	0	-1 152 006 981	-5 975 031	-1 157 982 012
Book value 31.12.	657 034	1 718 025 231	2 731 852	1 720 757 083
Depreciations 2017	0	127 850 853	657 253	128 508 106
Reversal of impairment losses	0	-6 653 874	0	-6 653 874

Tenancy agreements

AS Uglands Rederi and its subsidiaries have three long-term office tenancy agreements. Total rent recorded through the year was NOK 5 137 922.

Note 5 - Shares in subsidiaries

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

Note 6 - Shares and ownership interests in other companies

Company	Office location	Ownership share	Book Value 01.01.	Addition 2017	Share of result after tax	Book Value 31.12
Associated Companies:						
UM Bulk AS	Grimstad	50%	79 953 032	0	-9 275 806	70 677 226
Ugland Supplier AS	Grimstad	50%	112 312 165	32 500 000	-23 561 569	121 250 596
Other Company:						
Bjoren AS	Bygland	3.9%	10 000	0	0	10 000
Total parent company			192 275 197	32 500 000	-32 837 375	191 937 817
Associated Company:						
11030 Newfoundland Inc.	Canada	45.4%	2 277 849	0	252 058	2 529 907
Total consolidated			194 553 046	32 500 000	-32 585 317	194 467 724

Associated companies are recognized under the equity method.

Note 7 - Receivables, liabilities and related party transactions

	Parent Company		Consolidated	
	2017	2016	2017	2016
Pension funds	0	0	21 701 191	21 471 962
Receivables associated companies	405 646 258	153 423 061	405 646 258	153 423 061
Liabilities/Other receivables falling due after one year	0	0	-78 905 667	31 575 000
Total long-term receivables	405 646 258	153 423 061	348 441 782	206 470 023
Intercompany receivables / liabilities				
Long-term receivables group companies	0	0	32 053 000	31 000 000
Short-term receivables group companies	0	0	14 154 400	2 572 786
Short-term liabilities group companies	0	0	23 520 641	22 554 089
Short-term liabilities subsidiaries	36 189 817	0	0	0
Short-term receivables subsidiaries	120 000 000	6 268 504	0	0
Short-term liabilities parent company	40 342 148	462 433	40 342 148	462 433
Receivables / Liabilities with associated companies:				
Receivables associated companies	405 646 258	153 423 061	405 646 258	153 423 061

Related parties - transactions	Parent Company		Consolidated	
	2017	2016	2017	2016
Income				
Ugland Marine Services AS - rental income	126 000	124 200	0	0
Penney Ugland Inc. - management fee	0	101 375	0	0
Ugland Bulk Transport AS - freight income	0	0	261 241 454	183 671 801
Ugland Construction AS - freight income	0	0	90 498 649	64 106 118
J.J. Ugland Holding AS - administration fee	0	0	1 896 000	1 845 000
Vikkilen Industri AS - administration fee	0	0	1 542 000	1 500 000
J.J. Ugland AS - administration fee	0	0	1 542 000	1 500 000
Ugland Bulk Transport AS - other fees	0	0	17 880 461	15 138 025
AS Nymo - administration fee	0	0	2 174 586	2 318 457
Ugland Supplier AS - administration fee	0	0	4 892 739	4 933 094
UM Bulk AS - administration fee	0	0	5 153 177	3 433 944
J.J. Ugland Holding AS - interest income	0	0	10 330	22 255
Ugland Construction AS - interest income	0	0	55 130	36 607
Ugland Marine Services AS - interest income	748 206	390 507	0	0
Expenses				
Ugland Marine Services AS - administration fee	-9 000 000	-9 000 000	0	0
J.J. Ugland AS - rent	0	0	-2 993 000	-2 876 001
Knut N.T. Ugland - rent	0	0	-187 040	-187 040
Ugland Bulk Transport AS - interest expense	0	0	-661 854	-556 291

Note 8 - Provisions and pensions

	Consolidated	
	2017	2016
Provisions for maintenance and classification	47 241 022	50 444 457
Pension obligations	5 990 769	6 075 345
Total	53 231 791	56 519 802

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 161 people (including 88 seafarers) to receive defined future pension benefits. Additionally, 28 employees in Norway have joined a contribution pension scheme (Unit Link). All pension schemes are covered through an insurance company and comply with the regulations set forth in the pension act. As from now, pension schemes with defined future benefits are closed and future shore based employees will join the contribution pension scheme (Unit Link). One subsidiary company also has early retirement pension scheme obligations for one employee.

In addition, a contribution pension scheme (Unit Link) has been entered into for 249 Canadian employees.

Note 8 - Provisions and pensions (continued)

	Consolidated	
	2017	2016
Service costs	4 802 277	4 690 058
Interest cost on pension obligations	3 351 036	3 659 102
Expected return on pension funds	-3 980 449	-4 083 583
Amortisation of actuarial gain/loss	3 821 691	3 558 343
Pension scheme change	0	-433 423
Administration costs	900 535	1 026 394
Payment to defined contribution pension scheme	13 344 171	14 115 641
Social security tax	1 409 217	1 436 424
Charged other companies	-155 047	-154 356
Net pension costs	23 493 431	23 814 600

	2017	2016
Pension obligations operating pension schemes		
Projected pension obligation as of 31.12.	-6 338 063	-6 381 753
Unrecognised actuarial gain/loss	1 106 520	1 094 997
Social security tax	-759 226	-788 589
Recognised gross pension obligation	-5 990 769	-6 075 345

	2017	2016
Net pension funds		
Accrued pension obligations as of 31.12.	-145 483 804	-156 170 078
Pension scheme assets as of 31.12.	124 440 236	132 009 572
Unrecognised actuarial gain/loss	42 744 759	45 632 468
Net pension fund as of 31.12.	21 701 191	21 471 962

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

	2017	2016
Actuarial assumptions		
Discount rate	2.3%	2.1%
Assumed return on pension funds	4.0%	3.0%
“ salary increase	2.5%	2.25%
“ statutory basic amount increase (cf note 1)	2.25%	2.0%
“ pension benefit increase	1.2%	1.2%

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

Note 9 - Mortgage liabilities/Guarantees/Pledged assets

	Consolidated
Liabilities secured by mortgage	
Liabilities to financial institutions	332 778 666
Book value of pledged assets	1 141 623 661

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 31.12.2022.

Restricted consolidated bank deposits as of 31.12.2017 amounted to NOK 5 432 577.

Note 10 - Taxes

	Parent Company		Consolidated	
	2017	2016	2017	2016
Current year's tax expense				
Tax payable	0	0	2 671 810	1 354 913
Withholding tax paid	0	2 399 614	0	2 431 934
Adjusted tax from previous years	0	34 263	0	-1 282 224
Change deferred tax	-4 263 548	-3 519 129	-3 627 577	-3 711 781
Income tax expense	-4 263 548	-1 085 252	-955 767	-1 207 158
Tax payable as of 31.12.				
Recognized tax payable	0	0	2 671 810	1 354 913
Prepaid tax Canada			-1 450 432	-1 241 300
Tax payable as of 31.12.	0	0	1 221 378	113 613
Reconciliation of effective rate and applicable corporate tax rate				
Result for the year before tax	69 034 308	-36 836 369	-10 214 614	-100 166 058
Expected income tax, nominal tax rate	16 568 234	-9 209 092	-13 288 773	-19 866 550
Tax effect of the following items				
Non-deductible expenses/non-taxable income	-20 869 353	5 831 573	11 620 504	17 985 648
Withholding tax paid	0	2 399 614	0	2 431 934
Effect of tax rate adjustments	37 571	-141 610	-115 024	-261 349
Adjusted tax from previous years	0	34 263		-1 496 841
Tax on financial result shipping company	0	0	827 527	0
Tax expense	-4 263 548	-1 085 252	-955 767	-1 207 158

Specification of change in deferred tax:	Parent Company		Consolidated	
	2017	2016	2017	2016
Deferred tax 01.01.	3 399 411	6 918 539	6 273 164	9 552 908
Change recognized in income statement	-4 263 548	-3 519 129	-3 627 576	-3 383 550
Adjusted tax from previous years	0	0	67 056	103 806
Deferred tax/tax asset 31.12.	-864 138	3 399 410	2 712 644	6 273 164

Specification of tax asset/liability effect of temporary differences	Parent Company		Consolidated			
	2017	2016	2017		2016	
	Tax Assets	Tax Liabilities	Tax Assets	Tax Liabilities	Tax Assets	Tax Liabilities
Tangible fixed assets	0	0	0	266 436	186 382	0
Pension obligations / funds	0	0	0	15 710 422	0	15 396 617
Unrealised currency gain/loss	17 621 622	25 810 465	0	17 621 622	0	25 810 465
Tax loss carry-forward	-21 378 740	-11 646 255	21 804 387	0	14 882 523	0
Total 31.12	-3 757 118	14 164 210	21 804 387	33 598 480	15 068 905	41 207 082
Net deferred tax asset/liability [23%/24%]	-864 138	3 399 410		2 712 644		6 273 164

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 1 098 164 (2016: NOK 1 121 280) is recognized in the consolidated accounts and classified as an ordinary operating expense.

Note 11 - Equity

	Share Capital	Other Paid-in Equity	Other Equity	Minority Interests	Total
Parent Company					
Equity 31.12.16	2 160 610	686 977	527 413 217	0	530 260 804
Result for the year	0	0	73 297 856	0	73 297 856
Group contribution	0	0	-40 000 000	0	-40 000 000
Equity 31.12.17	2 160 610	686 977	560 711 073	0	563 558 660
Consolidated					
Equity 31.12.16	2 160 610	686 977	1 913 847 531	6 212 042	1 922 907 160
Result for the year	0	0	-11 169 557	1 910 710	-9 258 847
Group contribution	0	0	-40 000 000	0	-40 000 000
Currency adjustment	0	0	-213 495	114 143	-99 351
Equity 31.12.17	2 160 610	686 977	1 862 464 479	8 236 895	1 873 548 962

AS Uglands Rederi's shareholders

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

Shares owned directly and indirectly:

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

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

Note 12 - Financial market risks / Financial instruments

AS 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 bulk vessels and shuttle tanker are valued in USD.

The subsidiary Ugland Shipping AS has entered into currency option agreements and forward contracts in order to secure future USD exchanges against NOK in the period up and until 2020 for a total amount of USD 16 800 000. The total market value of these contracts are NOK 3 209 563 as per 31.12.2017.

Note 13 - Other financial items

	Parent Company		Consolidated	
	2017	2016	2017	2016
Currency loss (disagio)	-8 599 236	-2 824 866	0	0
Other financial items	-4 315 164	-6 037 329	-4 542 010	-7 672 142
Other financial expenses	-12 914 400	-8 862 195	-4 542 010	-7 672 142
Currency gain (agio)	0	0	2 084 012	1 718 086
Other financial items	11 379	0	34 186	25 121
Other financial income	11 379	0	2 118 198	1 743 207

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To the General Meeting of AS Uglands Rederi

Independent Auditor's Report**Report on the Audit of the Financial Statements***Opinion*

We have audited the financial statements of AS Uglands Rederi showing a profit of NOK 73 297 856 in the financial statements of the parent company and loss of NOK 9 258 847 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2017, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

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

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

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

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

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

RSM Norge AS er medlem av /is a member of Den norske Revisorforening.

continued..



Auditor's Report 2017 for AS Uglands Rederi

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Company and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.

Auditor's Report 2017 for AS Uglands Rederi



- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and the 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 management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Arendal, 21 February 2018
RSM Norge AS

Jan Dønvik
State Authorised Public Accountant

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

Operated Fleet as of June 2018

Bulk Carriers		
Vessel Name	DW tonnes	Year built
MV BELITA	60 479	2017
MV BONITA	58 105	2010
MV CARMENCITA	58 773	2009
MV ELLENITA	57 501	2015
MV FAVORITA	52 220	2005
MV FERMITA	52 380	2001
MV ISABELITA	58 080	2010
MV KRISTINITA	58 105	2011
MV LUNITA	57 572	2014
MV LIVITA	63 532	2017
MV OLITA	60 495	2017
MV ROSITA	52 338	2004
MV SENORITA	58 663	2008
MV STAR NORITA	58 097	2012
MV TAMARITA	52 292	2001
MV UMIAK 1 *)	31 992	2006
3 Newbuilds - 1 x 63 000 dwt + 1 x 64 000 tdw + 1 x 60 500	187 500	2019/2020
19 Vessels	1 078 124	

Tankers		
Vessel Name	DW tonnes	Year built
MT GERD KNUITSEN *)	146 273	1996
MT HEATHER KNUITSEN *)	148 644	2005
MT JASMINE KNUITSEN *)	148 706	2005
MT VINLAND **)	125 827	2000
NORTH ATLANTIC KAIROS *)	3 569	2008
5 Vessels	573 019	

PSV			
Vessel Name	Deck Area	DW tonnes	Year built
MV EVITA II ***)	1 000 m ²	5 433	2012
MV JUANITA	1 016 m ²	5 456	2014
2 Vessels		10 889	

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

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

Operated Fleet as of June 2018 continued

HLV & Barges		
Vessel Name	DW tonnes	Year built
HLV UGLEN 800 t crane	2 600	1978
Barge UR 2	9 750	1995
Barge UR 3	9 750	1995
Barge UR 5	9 750	1996
Barge UR 6	9 750	1997
Barge UR 7	9 750	1999
Barge UR 8	9 750	1999
Barge UR 93	9 040	2001
Barge UR 95	9 025	2001
Barge UR 96	9 025	2008
Barge UR 97	9 025	2008
Barge UR 98	9 025	2011
Barge UR 99	9 025	2011
Barge UR 141	14 011	1993
Barge UR 171	16 800	2011
Barge UR 901	9 019	2013
Barge UR 902	9 019	2013
17 Units	164 114	
Total Operated Fleet	45 units	1 826 146 dwt

MV Kristinita - Safety Award Winner 2017

“Safety is given the highest priority on board all our vessels”



Safety is given the highest priority on board all vessels operated by Uglad Marine Services AS. As a result, all vessels have a good safety record. Each year the company selects a Safety Award Winner. MV Kristinita had the best score in 2017.

PRIZE CRITERIA:

1. Zero reported personnel injuries
2. Most reported Near Accidents related to personnel
3. Port State Control results
4. General operational performance

MV KRISTINITA'S RESULTS:

Reported accidents (crew)	0
Reported near accidents (crew)	9
Port State Controls	4 PSC / 3 deficiencies
Operational performance	Good



Congratulations to all onboard MV Kristinita!

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

“Thank you for life”

Text: Jannike Rognøy Olsson, Senior Manager, Liquid Cargo Claims, Gard AS

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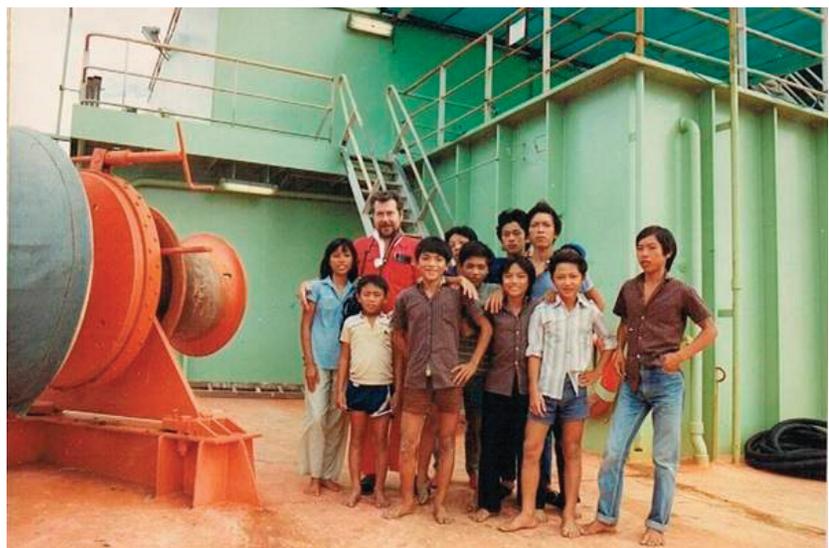
The rescue of persons in distress at sea, including refugees, is an obligation under international maritime law, as well as being a long established humanitarian duty. This is the story of one such rescue and the reunion of the vessel's crew and refugees some 30 years later.

Jannike Olsson, Senior Manager, Liquid Cargo Claims, shares her colleague, Alf Ove Stenhagen's, story of a rescue at sea and the celebration thirty years later organized by one of those saved. At the time, Alf Ove was the Chief Officer on board the Danita, a product tanker owned by Gard's Norwegian member, Ugland.

The Danita was sailing in ballast through the South China Sea, en-route from Japan to the Arabian Gulf. During the early hours of 2 June 1987, the lookout on the bridge spotted a fishing vessel that appeared to need help. There were several individuals on the deck of the fishing vessel, waving

desperately, seeking the attention of those on board the Danita. On closer examination, it became clear that this was no ordinary fishing vessel – she was carrying a considerable number of refugees who were clearly concerned about their safety on board the aged vessel and were desperately seeking rescue.

Danita's Master wasted no time. He immediately raised the ship's general emergency alarm, mustered his crew, and safely picked up all 58 Vietnamese refugees from the fishing vessel. The refugees included young men, women and infants. They had been at sea for fourteen days, and were running out of food and water.



Having rescued all those on board the fishing vessel, the fishing vessel was set on fire to avoid her becoming a navigation hazard to other ships. The Danita then deviated to Singapore to land those rescued. The voyage to Singapore took five days during which time the refugees were cared for by Danita's crew. The refugees were split by the crew on board into two groups – the first group included refugees from the same family who could document that they had relatives in another country, the second group contained the rest of the refugees. All 58 were landed in Singapore. At this point the UN representatives in Singapore took over - they repatriated the first group to the country that already had relatives of the refugees, and the second group were moved to a refugee camp in the Philippines. All of this was concluded within six months.

Thirty years later, Alf Ove received a call whilst at his desk in Arendal where he works in Gard's Liquid Cargo Claim's Team. The caller was Mr. Chanh Le aged 44, one of the refugees rescued that day in 1987 when he was only 14 years old. He was calling to say thank you for life. A re-union party followed in Oslo where other members of the Danita crew also



From left; Ole Skærning (Master), Alf Ove Stenhagen (Chief Officer) and Anders Staurvik (AB)

attended, including the Master, Chief Engineer and an AB. The party was attended by 90 family members of the refugees rescued by the Danita.

The refugees and their family members had come from the Netherlands, Denmark, Norway and as far away as California, USA. Alf Ove realized at the party just how significant the act of thirty years ago was, and how much it meant to the refugees, and their now extended families, that they had been given a second chance of life. Alf Ove commented "It is the duty

of crew members to rescue those at sea in need so at the time, I was just doing my job. Yet, the gratitude of those rescued thirty years later touched me deeply."

With this thought we also reflect on, and thank those, who continue to rescue refugees in distress, sometimes under very difficult conditions.



Corporate Social Responsibility

Global Compact - Communicating on Progress

AS Uglands Rederi has traditionally had and has a strong focus on sustainable business practice. Safety has always been the number one priority, but other key elements such as environmental and social impact as a consequence of conducting our business 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 AS Uglands Rederi to contribute to creating and maintaining a

positive and sustainable shipping environment.

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

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

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

The UN Global Compact ten principles

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

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



Implementation of the UN Global Compact ten principles 2017

The most important corporate social engagement is to provide a safe, sustainable and long term business and work environment for the employees, business partners and the local community. AS Uglands Rederi (UR) supports several initiatives in various communities, believing that social engagement in communities where business is conducted, contributes to creating shared value for both the company and society as a whole. UR is engaged in different social activities both in Norway and in the Philippines, seeking to continually renew and improve its approach to the local community.

In 2017, in accordance with ISO standards, efforts to ensure continuous improvement in safety and environmental performance were made. Continued focus on reducing energy consumption and seeking environmentally friendly technologies are important, both for the company and its stakeholders.

During 2017, 3 newbuilds eco design

supramax bulk carriers (MV Livita, MV Olita, MV Belita) were delivered and went into operation. A further 3 newbuilds of similar eco design are on order for delivery in 2019 and 2020.

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

UR has procedures and guidelines in place related to averting corruption through gifts and other more specific office related subjects. Anti-corruption efforts continue to be a point of focus with training and reporting in line with the anti-corruption procedure. The said procedure has been implemented, strengthening the existing routines, enabling an enhanced and systematic stance against corruption. Experience from 2016-2017 confirms the usefulness of said procedure heightening the threshold for resisting corruption attempts, and employee awareness. Employees are trained in accordance with recommendations from UNODC, Global Compact and The Norwegian Shipowners' Association (NSA).

UR collaborates with NSA in combating corruption on specific cases as they arise.

Exercise for a healthier working environment



The fact that exercise contributes to good health is a truth established some 2 400 years ago by the Ancient Greek philosopher and physician Hippocrates, also known as the "Father of Western Medicine", who said: "If we could give every individual the right amount of nourishment and exercise, not too little and not too much, we would have found the safest way to health."

Physical activity is a form of preventive medicine. A relative improvement in one's physical fitness adds years to one's life and life to one's years. A lifestyle that includes enough exercise provides a sound basis for good health!

At Ugland, we aim to encourage everyone to make good choices each day, and create a strong culture. Exercise helps because it leads to good health, and underpins high performance at work and at home.

For the past two years, Ugland employees in Grimstad have taken part in Avantas Aktiv AS's (www.avantasaktiv.no) "Great in Shape Challenge", which is consistent with the Norwegian government's public health initiatives. Everyone can participate and be a winner, irrespective of their physical condition or level of ambition. The objective is to encourage participation and get more people to engage in regular exercise through a shared commitment to something we are all concerned about – our own health.

Importantly, the programme is not based on the "most is best" principle. Because it doesn't require much to create

a healthy lifestyle and be sufficiently active. A suitable dose of hard training may be no bad thing, but is not the only way to achieve health benefits. For those who are generally inactive, it requires no more than 30 minutes a day of rapid walking, vigorous gardening, cycling, jogging or playing with the kids etc.

In addition, J.J. Ugland BIL (Ugland/Nymo Sports Team) offer several opportunities to keep fit during the year including football, walking and running, bike-to-work-campaigns, spinning, golf, and other programmes.

The Rechto Cup (an annual indoor football tournament) in Aalborg, Denmark has been a popular event for many years. As well as a sports event, it is also a highly sociable weekend, where participants can meet and get to know other football-playing employees from various shipping companies. Good food and popular music at the Saturday night dinner party also contribute to a highly successful weekend.

The first Rechto Cup was held in 1978 with 16 teams participating. Since then, the number of teams and participants have risen significantly and the event now attracts 1 000 people each year. Ugland has attended a total of 20 tournaments

Spinning classes are offered during autumn and winter.

Our walking and running programme (the "terrain carousel") organised by Aust-Agder county company sports circuit in the early autumn and late spring each year, is held on about 10-12 different tracks in the Arendal/Grimstad region. Around 4-5 kilometres long and in beautiful surroundings, the tracks inspire many people to use the woods and fields for enjoyable leisure activities. Participants can run or walk at their own pace and bring their families along.

The above all contributes to a win-win healthy and active lifestyle.



The J.J. Ugland Companies

www.jjuc.no

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UGLAND SUPPLIER AS
UM BULK AS

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