Annual Report

The J.J. Ugland Companies

AS Uglands Rederi 2018

Contents

Front cover: Newbuild MV Jorita delivered in January 2019

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 years of weak shipping markets, the market conditions came closer to a balance in 2018. Demand for maritime transport has continued to increase, while rising cost of steel and currency fluctuations resulted in lower levels of newbuild orders. These factors made a key contribution to improving the demand/supply balance, which in turn improves rates and asset values in several sectors.

In the dry cargo market, stronger demand paved the way for an increase in rates and asset prices. Without long-term commitments, we could enjoy increased rates for our fleet of bulk carriers, and have recently also carefully started to fix long-term. We sold our oldest 52 000 dwt in 2018, took delivery of a new 63 000 dwt in January 2019 and have two ultramax bulk carriers on order for delivery later in 2019 and in 2020 respectively.

Oil price strengthened significantly during the first half of 2018, 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 suffered from excess fleet capacity throughout 2018. However, in 2019 there are signs of recovery for the OSV market. Our shuttle tanker Vinland entered a period charter in 2018, while our two modern PSVs, owned by Ugland Supplier AS, have been fixed on period charters at improved rates. Our fleet of barges continues to service the offshore wind turbine and oil and gas industries, and our crane vessel provides coastal lifting services to various industries.

In 2020 the IMO sulphur cap on marine fuel oil is coming into force. A key question for owners is whether to install expensive scrubbers and continue to burn heavy fuel oil, or to avoid this investment and start to burn the more expensive diesel oil or new types of low sulphur fuel oil. In general, it makes more sense to us that marine fuel is properly refined on shore by the suppliers than capturing the dirty emission on board the vessel. Moreover, the handling of the captured dirty emission is a challenge and we question whether the current solution with release to the sea is sustainable. Considering also the size and trading pattern of our vessels, we have decided not to install scrubbers on any of our vessels.

For the coming years, the fundamentals are encouraging with low order books in our main segments. The greatest risk is the impact of the increased signs of protectionism, and particularly a continued and expanded trade war between the USA and China. However, 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, 2 oil/chemical tankers, 2 PSVs, 16 barges, 2 tugs and 1 crane vessel.

In addition, two ultramax bulk carrier newbuilds are scheduled for delivery in 2019 and 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 9001:2015, ISO 14001:2015 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

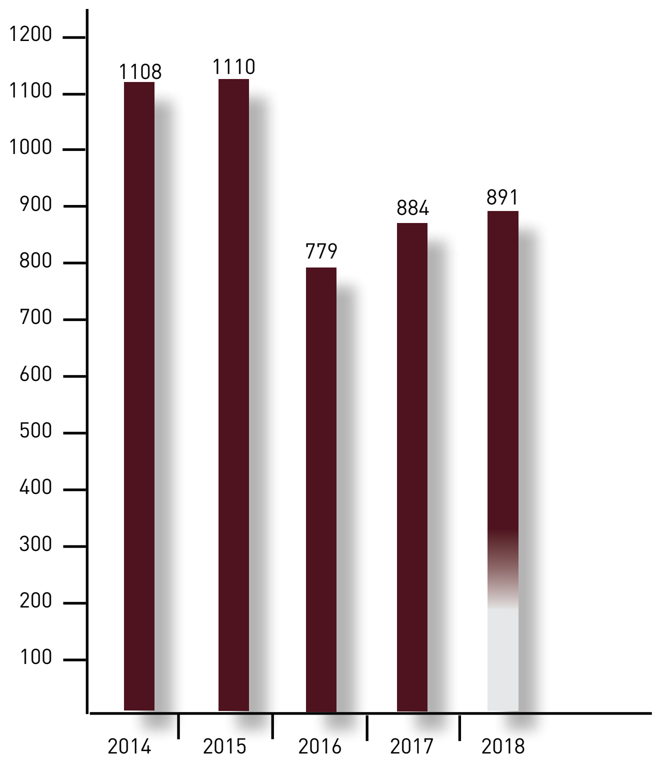
The Board of Director's Report

Introduction

From its headquarters in Grimstad, Norway, the family-owned AS Uglands Rederi and its subsidiaries provide worldwide shipping services. At the end of 2018, the company's fleet comprised 42 owned or operated units with an aggregate tonnage of 1.6 million deadweight tonnes – and consisted of 14 supramax and ultramax bulk carriers, one ice-breaking special bulk carrier, four advanced tankers equipped for offshore bow loading, two oil/chemical tankers, two platform service vessels (PSVs), 16 sea-going barges, two tugboats and one heavy lift, self-propelled crane vessel. One ultramax bulk carrier was delivered in January 2019. A further two ultramax bulk carriers are under construction, one of which is due to be delivered in the autumn of 2019 and the last 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.

Operating income (NOK million)



Earnings, Finance and Risk

The 2018 financial statements have been prepared based on the going concern assumption.

The figures stated below include both the parent company and its subsidiaries. The 2017 figures are indicated in parenthesis.

In 2018, the company posted operating income of NOK 891 million (884), which includes gain on sale of one bulk carrier. Operating expenses totalled NOK 836 million (858). The operating result before depreciation and impairment (EBITDA) came in at NOK 186 million (148), while the operating result (EBIT) closed on NOK 55 million (26). Total depreciation and amortisation recognised in the financial statements amounted to NOK 131 million (129).

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. Generally, market value is considered higher than book value for the vessels in our fleet. However, the Board has concluded that there is no need for reversal of previously recognised impairment losses in the 2018 accounts as the difference between the vessels market and book values is not considered material. Net financial expenses for the period amounted to NOK 14 million (NOK 36). 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 result for the year before tax and minority interests came in at NOK 37 million (loss of NOK 10). After minority interests of NOK 1 million, the consolidated result for the year closed on NOK 36 million.

The subsidiary Ugland Shipping AS owns 9 supramax bulk carriers and two ultramax bulk carriers, of which one was delivered in January 2019. The company's earnings from the bulk carriers are impacted by market fluctuations. Although still relatively fragile at the start of 2018, the market rallied during the year. 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. The bulk carrier Tamarita was sold and delivered to new owners in June 2018. The sale generated a profit of NOK 21 million.

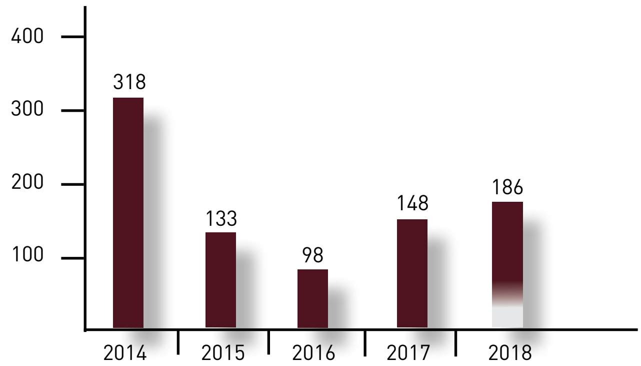
The tanker Vinland has been fixed on a charter party in the North Sea.

As of 31 December 2018, Ugland Shipping AS owned a barge fleet comprising 16 units and one heavy lift crane vessel. The utilisation of the barge fleet and the heavy lift crane vessel weakened somewhat compated to the previous year.

Amortisation of loans and investments in vessels totalling NOK 184 million were

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

EBITDA - Operating results before depreciation (NOK million)



made during 2018.

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 2018, the unused credit facility amounted to NOK 213 million. At the same date, non-current interest-bearing liabilities comprised NOK 199 million of a total consolidated group balance of NOK 2 308 million.

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 1 869 million, recognised equity constitutes 81 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 108 196 264. In 2018, 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 10 pool vessels with an average age of about nine years. In 2018, pool revenues totalled NOK 346 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.

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 2018, the market gradually improved and the period rates strengthened. Against this background, we have fixed two vessels on long-term TCs until autumn 2019. One UM Bulk vessel has also been fixed on a long-term TC until autumn 2023. The company's long-term objective of achieving a mix of short-term and longer-term charter parties remains unchanged. Two vessels are also deployed on indexed rates.

Ugland Shipping AS took delivery of the bulk carrier newbuild Jorita of 63 000 deadweight tonnes from Imabari Shipbuilding Co., Ltd. in January 2019. The vessel is commercially operated in the UBULK Pool and is fixed on an index-based rate until the middle of 2021.

Ugland Shipping AS have two bulk carriers on order from Japanse yards; one 64 000 deadweight tonnes bulk carrier from Tsuneishi Heavy Industries, Cebu in the Philippines, due to be delivered in the second half of 2019, and one bulk carrier of 60 500 deadweight tonnes from Sanoyas Shipbuilding Corporation in Japan, due to be delivered in the second quarter of 2020.

As part of the fleet renewal, the bulk carrier Tamarita, built in 2001, was sold and delivered to new owners in June 2018. We are planning further sale of older bulk carriers in 2019.

Tankers/PSV

A breakdown of the fleet is provided in note 2.

In November 2018, the shuttle tanker Vinland was delivered on TC to Equinor for operation in the North Sea. The Equinor contract is for a fixed period until November 2019, 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, two oil/chemical tankers and two tugs serving Newfoundland's oil terminal.

The PSV Juanita is on time charter to Equinor until June 2021, with options until June 2024. In connection with the Equinor time charter, a battery/hybrid system has been installed onboard Juanita, making the vessel more energy-efficient and environmentally friendly.

In May 2018, the PSV Evita II was delivered on a contract to Nexen Petroleum in the UK sector. The contract is for a fixed period of 18 months, and with 3 x 6 months options. In connection with the start-up of this contract, it was decided to change the vessel's flag state and classification company. An agreement has been signed with Vestland Management AS, Austevoll, for commercial and technical management of the vessel.

Ugland Offshore AS and Ugland Marine Services AS are responsible for the commercial and technical management of Juanita 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 2018 sales for the barge fleet as well as for the heavy lift crane vessel Uglen has been somewhat lower than in 2017. The barges traded in the North Sea, the Baltic Sea and the The Gulf of Mexico. The most important market area has been transport of offshore wind turbine components. After a very busy period the first six months of the year, the deployment was lower for the second half of the year.

In 2018, the crane vessel Uglen performed assignments along the Norwegian Coast and in the Baltic Sea. 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. The most important deployment for Uglen in 2018 was the lifting of modules for the development of the Johan Sverdrup field.

Insurance

In 2018, the hull and machinery, hull/freight interest and loss of hire insurances were renewed until 30 November 2019. The P&I insurance expires on 20 February 2020. War risk insurance is covered by Den Norske Krigsforsikring for Skib.

The total insurance coverage for the Group's fleet is NOK 4.2 billion.

Organisation, Health & The Environment

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

Ugland Marine Services AS owns 100 per cent of the shares in Ugland Marine Management AS, which is the crewing company for the shipping and offshore activities out of Grimstad, and 51 per cent of the shares in Canship Ugland Ltd., which is the technical, administration and crewing company for the Canadian activities.

At the end of 2018, a total of 786 persons was employed in the companies.

Office staff included 55 personnel employed by Ugland Marine Services AS in Grimstad and Stavanger and 22 personnel employed by Canship Ugland Ltd. in St. John's. Around 32 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 709 sea-faring personnel including 434 Filipinos, 214 Canadians, 49 Norwegians, 6 Swedes and 6 other nationalities. Crew members' nationalities reflect the vessels' trading area.

HLV Uglen lifting blister tank on Njord A

MV Livita, built in 2017

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

No vessels were involved in any accidents causing serious damage or injuries, or environmental pollution during 2018. Absence due to illness onboard and onshore amounted to 0.4 per cent and 1.9 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. One LTI ("Lost-Time-Injury") was reported in 2018.

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 marine fuel in some exposed areas, and have heightened require-

Below. CL Aquarius: In 2018, Canship Ugland Ltd. entered into a 1 year, plus 6 x 1 year options bare boat charter agreement with Suncor, for the CL Aquarius to conduct bunkering operations for vessels visiting the Port of Vancouver, British Columbia. This is groundbreaking in that it represents the first time fuel supply has been provided by tanker in the Port of Vancouver.

Transport of jackets for windmills; barge UR 99 to the left and barge UR 901 to the right

ments in previously established areas. A significant greenhouse gas emission reduction can be achieved by focusing on reduced marine fuel consumption and by using low-sulphur marine fuel. New IMO regulations effective from 2020 means that the amount of sulphur in marine fuel has to be reduced from 3.5 per cent to 0.5 per cent. The resolution implies that all vessels have to use low-sulphur marine fuel, gas or install cleaning systems (scrubbers) which removes the sulphur emissions. We closely monitor the development. We are actively preparing the implementation of the IMO 2020 regulations, and have decided to use low-sulphur marine fuel instead of installing scrubbers. This based on the investment cost for installing scrubbers being high compared with limited fuel consumption for the vessels in our fleet. 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 water 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 installed 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 9001:2015 Quality Management, ISO 14001:2015 Environmental Management and OHSAS 18001 Occupational Health and Safety.

PSV Juanita in drydock at Kleven Myklebust

Outlook

After several demanding years for our shipping segments, 2018 proved a turning point, especially for the dry bulk market. Both vessel values and rates strengthened throughout the year. We expect this trend to continue in 2019, even though the dry bulk market rates fell sharply at the beginning of the year. We believe this to be seasonal fluctuations and that the underlying improvement in the market balance will improve the market throughout 2019. However, a trade war between the US and China could lead to reduced trade and recession in the world economy. The shuttle tanker Vinland is fixed on a time charter to Equinor until November 2019, with options until August 2020. With the exception of the PSV segment, and partly the barge segment, we are optimistic and expect market conditions to normalise in our shipping segments in 2019.

With our modern and low-mortgaged fleet, the Board of Directors considers the company to be well equipped for the future. One new bulk carrier was delivered in 2019, and a further two vessels will be delivered in the autumn of 2019 and in 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. Two of the vessels are fixed on indexed rates, while two vessels are on time charter parties until autumn 2019. One bulk vessel owned by UM Bulk AS is also on a time charter party until autumn 2023.
The contract coverage for Ugland Shipping AS' owned bulk vessels for 2019 is approximately 40 per cent. The dry bulk market was considerably weaker at the start of 2019 than at the same time in the previous year. We still believe that the market will tighten during 2019. Consequently, we expect somewhat higher rates for the bulk carriers in 2019 than in 2018. If this assumption is correct, 2019 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 2019. The Bulk vessel Tamarita, built in 2001, was sold in June 2018.

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. We are pleased to have succeeded in this during the last few years, without compromising the safety of the vessels or crew or day-to-day operation of the vessels. We aim to achieve further reductions in 2019.

Due to fewer contracts within the offshore wind transportation segment, the barge fleet is expected to encounter lower activity in 2019 compared with 2018. The heavy lift vessel Uglen is expected to encounter relatively good market conditions in 2019.

The shuttle tanker Vinland, which is owned by Ugland Shipping AS, is on a time charter with Equinor until November 2019, with options until August 2020. Vinland is expected to make a satisfactory contribution in 2019.

The PSV Juanita is contracted to Equinor 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 has been installed onboard Juanita in 2018. Evita II started the contract with Nexen Petroleum in May 2018. The contract is fixed for 18 months, and with 3 x 6 months options. We expect the PSV segment to be challenging in 2019, but increased activity from the oil companies lately has provided a lift in the period rates, which gives us hope for improvements in this segment in the time to come.

Our main priorities are safeguarding lives, the environment, 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, 26 February 2019

Peter D. Knudsen Deputy Chairman	Jørgen Lund Chairman	Knut N.T. Ugland
Stein Rynning	Øystein Beisland President	Øyvind R. Boye

The 88th Annual Accounts

Income statement 01.01.-31.12 (NOK)

Consolidated 2018	Consolidated 2017	NOTE		NOTE	AS Uglands Rederi 2018	AS Uglands Rederi 2017
			Operating income			
530 386 931	526 093 786		Sales revenue		127 500	126 001
361 044 913	357 703 587		Other operating income		0	0
891 431 844	**883 797 373**	**2**	**Total operating income**		**127 500**	**126 001**
			Operating expenses			
-392 285 710	-446 715 879	3/8	Salaries	3	-884 275	-713 125
-130 549 314	-128 508 106	4	Ordinary depreciation		0	0
0	6 653 874	4	Reversal of impairment losses		0	0
-313 567 028	-289 123 615		Other operating expenses		-9 575 075	-10 176 938
-836 402 052	**-857 693 726**		**Total operating expenses**		**-10 459 350**	**-10 890 063**
55 029 792	**26 103 647**		**Operating result**		**-10 331 850**	**-10 764 062**
			Financial income and expenses			
-21 461 708	-32 585 317	6	Result from associated companies	6	-20 824 130	-32 837 375
0	0		Received group contribution/dividends		122 410 621	120 000 000
0	0		Interest income from group companies		0	748 208
13 082 613	10 393 901		Other interest income		19 248 141	10 107 507
10 304 095	2 118 198	13	Other financial income	13	15 555 261	11 379
-12 008 981	-11 703 033		Other interest expenses		-11 611 021	-5 316 949
-3 848 813	-4 542 010	13	Other financial expenses	13	-3 659 028	-12 914 400
-13 932 794	**-36 318 261**		**Net financial items**		**121 119 844**	**79 798 370**
41 096 998	**-10 214 614**		**Operating result before tax**		**110 787 994**	**69 034 308**
-4 071 356	955 767	10	Tax on ordinary result	10	-2 591 730	4 263 548
37 025 642	**-9 258 847**		**Result for the year**		**108 196 264**	**73 297 856**
-1 150 230	-1 910 710	11	Minority interests			
35 875 412	**-11 169 557**		**Consolidated result for the year**			
			Information regarding:			
			Transferred to retained earnings	11	68 196 264	33 297 856
			Group contribution	11	40 000 000	40 000 000
			Total disposals		**108 196 264**	**73 297 856**

Balance sheet as of 31.12. (NOK)

Consolidated 2018	Consolidated 2017	NOTE		NOTE	AS Uglands Rederi 2018	AS Uglands Rederi 2017
			ASSETS			
			Intangible fixed assets			
0	0	10	Deferred tax asset	10	0	864 138
0	**0**		**Total intangible fixed assets**		**0**	**864 138**
			Tangible fixed assets			
1 406 654 165	1 579 613 444	4	Vessels and vessel equipment		0	0
3 546 126	2 731 852	4	Other tangible fixed assets	4	657 034	657 034
168 552 489	138 411 787	4	Newbuildings		0	0
1 578 752 780	**1 720 757 083**		**Total tangible fixed assets**		**657 034**	**657 034**
			Financial fixed assets			
0	0		Investments in subsidiaries	5	173 354 299	173 354 299
173 006 022	194 467 730	6	Investments/shares in other companies	6	171 113 687	191 937 817
346 396 633	348 441 782	7	Long-term receivables	7	401 773 628	405 646 258
519 402 655	**542 909 512**		**Total financial fixed assets**		**746 241 614**	**770 938 374**
2 098 155 435	**2 263 666 595**		**Total fixed assets**		**746 898 648**	**772 459 546**
			Current assets			
			Receivables			
87 428 931	137 658 605	7	Other receivables	7	120 790 100	120 574 082
87 428 931	**137 658 605**		**Total receivables**		**120 790 100**	**120 574 082**
			Bank deposits, cash etc.			
121 946 809	114 121 266	9	Bank deposits		16 898 371	2 714 150
209 375 740	**251 779 871**		**Total current assets**		**137 688 471**	**123 288 232**
2 307 531 175	**2 515 446 466**		**Total assets**		**884 587 119**	**895 747 778**

Consolidated 2018	Consolidated 2017	NOTE		NOTE	AS Uglands Rederi 2018	AS Uglands Rederi 2017
			EQUITY AND LIABILITIES			
			Equity			
			Paid-in capital			
2 160 610	2 160 610		Share capital (432 122 shares of NOK 5 each)		2 160 610	2 160 610
686 977	686 977		Other paid-in equity		686 977	686 977
			Retained earnings			
1 858 049 251	1 862 464 480		Other equity		628 907 336	560 711 072
8 430 762	8 236 895		Minority interests		0	0
1 869 327 600	**1 873 548 962**	**11**	**Total equity**	**11**	**631 754 923**	**563 558 659**
			Liabilities			
			Provisions			
5 135 211	2 712 644	10	Deferred tax liability	10	1 727 592	0
48 944 536	53 231 791	8	Other provisions		0	0
54 079 747	**55 944 435**		**Total provisions**		**1 727 592**	**0**
			Other non-current liabilities			
198 795 000	332 778 666	9	Liabilities to financial institutions		131 370 000	254 783 667
198 795 000	**332 778 666**		**Total other non-current liabilities**		**131 370 000**	**254 783 667**
			Current liabilities			
410 555	1 221 377	10	Income tax payable	10	0	0
184 918 273	251 953 026	7	Other current liabilities	7	119 734 604	77 405 452
185 328 828	**253 174 403**		**Total current liabilities**		**119 734 604**	**77 405 452**
438 203 575	**641 897 504**		**Total liabilities**		**252 832 196**	**332 189 119**
2 307 531 175	**2 515 446 466**		**Total equity and liabilities**		**884 587 119**	**895 747 778**

Grimstad, 31 December 2018

26 February 2019

Peter D. Knudsen
Deputy Chairman

Jørgen Lund
Chairman

Knut N.T. Ugland

Stein Rynning

Øystein Beisland
President

Øyvind R. Boye

Cash flow statement (NOK)

Consolidated 2018	Consolidated 2017	NOTE		NOTE	AS Uglands Rederi 2018	AS Uglands Rederi 2017
			Cash flow from operating activities			
41 096 998	-10 214 614		Operating result before tax		110 787 994	69 034 308
21 461 708	32 585 317	6	Result from associated companies	6	20 824 130	32 837 375
-1 843 546	-1 450 432	10	Tax paid	10	0	0
-21 017 417	0		Gain on sale of assets		0	0
130 549 314	128 508 106	4	Ordinary depreciations		0	0
0	-6 653 874	4	Reversal of impairment losses		0	0
-4 061 614	-2 559 314		Currency adjustments		-12 214 724	8 188 844
-23 431 929	15 596 125		Changes in other accruals		42 113 134	-77 315 171
142 753 514	**155 811 314**		**Net cash flow from operating activities**		**161 510 534**	**32 745 356**
			Cash flow from investing activities			
0	-32 500 000	6	Cash outflow, investment in associated companies	6	0	-32 500 000
70 318 646	0		Cash inflow, sale of assets		0	0
-35 922 963	-229 809 088	4	Cash outflow, purchase of assets		0	0
19 643 697	-155 107 448		Cash inflow/outflow long-term receivables		26 823 263	-269 635 219
54 039 380	**-417 416 536**		**Net cash flow from investing activities**		**26 823 263**	**-302 135 219**
			Cash flow from financing activities			
-148 184 576	-62 160 270		Amortization of long-term debt		-134 149 576	-3 640 000
0	267 646 845		Cash inflow, long-term debt		0	267 646 845
-40 000 000	-40 000 000	11	Cash outflow, dividend/group contribution	11	-40 000 000	-40 000 000
-782 775	0		Cash outflow, minority interests		0	0
-188 967 351	**165 486 575**		**Net cash flow from financing activities**		**-174 149 576**	**224 006 845**
7 825 543	**-96 118 647**		**Net change cash and bank deposits**		**14 184 221**	**-45 383 018**
114 121 266	210 239 913		Cash and bank deposits 01.01		2 714 150	48 097 168
121 946 809	**114 121 266**		**Cash and bank deposits 31.12**		**16 898 371**	**2 714 150**

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

Classification of assets and liabilities

Fixed assets include intangible, tangible and financial assets intended for long-term ownership and use in the business.

Other assets are current assets. Receivables to be paid within a year are always classified as current assets. The same principles are used for the classification of current and long-term liabilities.

Current assets are recognized at the lower of historical cost and net realizable value. Fixed assets are recognized at historical cost, but reduced to net realizable value if and when the reduction is considered permanent.

Foreign exchange

Monetary items in foreign currency are recognized at the rate of exchange as of 31.12.18, which for NOK/USD was 8.70. As of 31.12.17 the rate of exchange was 8.21.

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.

The group and parent company have chosen to make use of the option to recognize investments in associated companies under the equity method. In the accounts of the parent company, the option is also used for associated companies owned through wholly-owned subsidiaries.

Taxes and change in deferred tax

Taxes consist of tax payable on the financial result and changes in deferred tax liability/asset. Deferred tax liability/ asset is calculated on temporary differences between values for taxation and those used for financial reporting. Tax-increasing and tax-reducing temporary differences are netted if they are reversed or reversible in the same period. A net deferred tax asset is only recorded in the balance sheet when utilization is considered probable.

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

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

Pension schemes with defined future benefits

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

Pension funds are recognized at market value and are deducted in net pension obligations in the balance sheet. Adjustments in pension obligations due to pension scheme changes are distributed over anticipated remaining service period. Any adjustments in the obligations and the pension funds caused by changes and deviations in actuarial assumptions (estimate adjustments) are distributed over estimated average remaining service period, provided that the deviations at the beginning of the year exceed 3% or 10% (dependent on pension scheme) 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 96 883).

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
Supramax and Ultramax Bulk carriers					
FERMITA	2001	52 380	Ugland Shipping AS	100	Pool
ROSITA	2004	52 338	Ugland Shipping AS	100	Pool
FAVORITA	2005	52 220	Ugland Shipping AS	100	Pool
SENORITA	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
JORITA	2019	63 532	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 2018	Consolidated 2017
Shuttle tanker	110 056 595	145 158 222
Bulk carriers	314 831 911	261 241 454
Barges and crane vessel	75 704 726	90 498 649
Gain on sale of vessels/barges	21 017 417	0
Invoiced vessel costs/Management fee	369 821 195	386 899 049
	891 431 844	**883 797 373**

The shuttle tanker operated in the North Sea.

The barges and the crane vessel mainly traded in the North Sea.

Income from the bulk carriers was generated world-wide.

Note 3 - Salaries, number of employees and remuneration

Salaries etc.	Parent Company 2018	Parent Company 2017	Consolidated 2018	Consolidated 2017
Salaries	775 000	625 000	323 161 629	369 262 205
Employment duty	109 275	88 125	23 050 011	25 908 920
Other salary related costs	0	0	29 311 682	28 051 323
Pension costs	0	0	16 762 390	23 493 430
	884 275	**713 125**	**392 285 710**	**446 715 879**

(2017 figures in brackets)	
Average full time employees - office	74 (73)
Average full time employees - seafarers	689 (627)

Salaries etc. to the President and Board of Directors	President	Board of Directors
Salaries	2 408 926	775 000
Other benefits	17 928	0

The president receives his salary from the subsidiary Ugland Marine Services AS. The president and board members do not have share based remuneration, bonus or severance pay. Pension benefits are accounted for in note 8.

Auditor

Auditor's remuneration (exclusive of VAT) from the parent company was NOK 113 500 (consolidated 787 800). In addition, the auditor received fees related to tax consultancy and accounting advice in the amount of NOK 42 500 (consolidated 141 394) and NOK 78 000 (consolidated NOK 187 000) respectively. In addition NOK 15 500, consolidated, was remunerated for other certifications.

Note 4 - Tangible fixed assets / Tenancy agreements

	Parent Company	Consolidated		
	Other Assets	Vessels	Other Assets	Total
Cost price 01.01.	657 034	2 870 032 212	8 706 883	2 878 739 095
Additions	0	33 953 273	1 969 690	35 922 963
Disposals	0	-119 272 737	-58 193	-119 330 930
Currency adjustments	0	0	-1 045	-1 045
Cost price 31.12.	**657 034**	**2 784 712 748**	**10 617 335**	**2 795 330 083**
Acc. depreciation and impairment	0	-1 209 506 094	-7 071 209	-1 216 577 303
Book value 31.12.	**657 034**	**1 575 206 654**	**3 546 126**	**1 578 752 780**
Depreciations 2018	0	129 394 942	1 154 372	130 549 314

Tenancy agreements

AS Uglands Rederi and its subsidiaries have three long-term office tenancy agreements. Total rent recorded through the year was NOK 4 928 485.

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 2018	Share of result after tax	Book Value 31.12
Associated Companies:						
UM Bulk AS	Grimstad	50%	70 677 226	0	2 845 905	73 523 131
Ugland Supplier AS	Grimstad	50%	121 250 596	0	-23 670 035	97 580 561
Other Company:						
Bjoren AS	Bygland	3.9%	10 000	0	0	10 000
Total parent company			**191 937 817**	**0**	**-20 824 130**	**171 113 687**
Associated Company:						
11030 Newfoundland Inc.	Canada	45.34%	2 529 907	0	-637 578	1 892 329
Total consolidated			**194 467 730**	**0**	**-21 461 708**	**173 006 022**

Associated companies are recognized under the equity method.

Note 7 - Receivables, liabilities and related party transactions

	Parent Company		Consolidated	
	2018	2017	2018	2017
Pension funds	0	0	21 808 006	21 701 191
Receivables associated companies	401 773 628	405 646 258	292 153 627	294 537 592
Other receivables falling due after one year	0	0	32 435 000	32 202 999
Total long-term receivables	**401 773 628**	**405 646 258**	**346 396 633**	**348 441 782**
Intercompany receivables / liabilities				
Long-term receivables group companies	0	0	31 060 000	32 053 000
Short-term receivables group companies	0	0	4 313 647	14 154 400
Short-term liabilities group companies	0	0	-19 263 384	-23 520 641
Short-term liabilities subsidiaries	-78 753 817	-36 189 817	0	0
Short-term receivables subsidiaries	120 000 000	120 000 000	0	0
Short-term liabilities parent company	-1 753 918	-40 342 148	-1 753 918	-40 342 148

Related parties - transactions	Parent Company		Consolidated	
	2018	2017	2018	2017
Income				
Ugland Marine Services AS - rental income	127 500	126 000	0	0
Ugland Bulk Transport AS - freight income	0	0	313 311 911	261 241 454
Ugland Construction AS - freight income	0	0	73 164 101	90 498 649
J.J. Ugland Holding AS - administration fee	0	0	1 953 000	1 896 000
Vikkilen Industri AS - administration fee	0	0	1 590 000	1 542 000
J.J. Ugland AS - administration fee	0	0	1 590 000	1 542 000
Ugland Bulk Transport AS - other fees	0	0	18 478 698	17 880 461
AS Nymo - administration fee	0	0	2 380 500	2 174 586
Ugland Supplier AS - administration fee	0	0	3 436 477	4 892 739
UM Bulk AS - administration fee	0	0	8 066 551	7 198 885
UM Bulk AS - interest income	12 638 501	9 938 844	12 638 501	9 938 844
J.J. Ugland Holding AS - interest income	0	0	299 783	10 330
Ugland Construction AS - interest income	0	0	101 839	55 130
Ugland Marine Services AS - interest income	0	748 206	0	0
Expenses				
Ugland Marine Services AS - administration fee	-9 000 000	-9 000 000	0	0
Ugland Marine Services AS - interest income	-761 674	0	0	0
J.J. Ugland AS - rent	0	0	-2 846 563	-2 993 000
Knut N.T. Ugland - rent	0	0	-80 286	-187 040
Ugland Bulk Transport AS - interest expenses	0	0	-742 619	-661 854

Note 8 - Provisions and pensions

	Consolidated	
	2018	2017
Provisions for maintenance and classification	42 823 871	47 241 022
Pension obligations	6 120 665	5 990 769
Total	**48 944 536**	**53 231 791**

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 124 people (including 54 seafarers) to receive defined future pension benefits. Additionally, 29 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 additon, a contribution pension scheme (Unit Link) has been entered into for 236 Canadian employees.

Note 8 - Provisions and pensions (continued)

	Consolidated	
	2018	**2017**
Service costs	3 495 503	4 802 277
Interest cost on pension obligations	3 323 332	3 351 036
Expected return on pension funds	-4 881 361	-3 980 449
Amortisation of actuarial gain/loss	4 337 120	3 821 691
Pension scheme change	237 291	0
Administration costs	920 012	900 535
Payment to defined contribution pension scheme	8 324 433	13 344 171
Social security tax	1 162 474	1 409 217
Charged other companies	-156 416	-155 047
Net pension costs	**16 762 390**	**23 493 430**

Pension obligations operating pension schemes	**2018**	**2017**
Projected pension obligation as of 31.12.	-6 171 240	-6 338 063
Unrecognised actuarial gain/loss	806 941	1 106 520
Social security tax	-756 366	-759 226
Recognised gross pension obligation	**-6 120 665**	**-5 990 769**

Net pension funds	**2018**	**2017**
Accrued pension obligations as of 31.12.	-143 722 845	-145 483 804
Pension scheme assets as of 31.12.	139 359 843	124 440 236
Unrecognised actuarial gain/loss	26 171 008	42 744 759
Net pension fund as of 31.12.	**21 808 006**	**21 701 191**

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

Actuarial assumptions	**2018**	**2017**
Discount rate	2.6%	2.3%
Assumed return on pension funds	4.3%	4.0%
" salary increase	2.75%	2.5%
" statutory basic amount increase (cf note 1)	2.50%	2.25%
" 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

Liabilities secured by mortgage	**Consolidated**
Liabilities to financial institutions	198 795 000
Book value of pledged assets	1 057 288 072

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 31.12.2023.

Restricted consolidated bank deposits as of 31.12.2018 amounted to NOK 4 567 657.

Note 10 - Taxes

	Parent Company		Consolidated	
	2018	2017	2018	2017
Current year's tax expense				
Tax payable	0	0	1 648 789	2 671 810
Change deferred tax	2 591 730	-4 263 548	2 422 567	-3 627 577
Income tax expense	**2 591 730**	**-4 263 548**	**4 071 356**	**-955 767**
Tax payable as of 31.12.				
Recognized tax payable	0	0	1 648 789	2 671 810
Prepaid tax Canada	0	0	-1 238 234	-1 450 432
Tax payable as of 31.12.	**0**	**0**	**410 555**	**1 221 378**
Reconciliation of effective rate and applicable corporate tax rate				
Result for the year before tax	110 787 994	69 034 308	41 096 998	-10 214 614
Expected income tax, nominal tax rate	25 481 239	16 568 234	9 452 310	-13 288 773
Tax effect of the following items				
Non-deductible expenses/non-taxable income	-22 810 982	-20 869 353	-5 597 813	11 620 504
Withholding tax paid	0	0	39 723	0
Effect of tax rate adjustments	-78 527	37 571	-233 418	-115 024
Tax on financial result shipping company	0	0	410 555	827 527
Tax expense	**2 591 730**	**-4 263 548**	**4 071 356**	**-955 767**

Specification of change in deferred tax:	Parent Company		Consolidated	
	2018	2017	2018	2017
Deferred tax 01.01.	-864 138	3 399 411	2 712 644	6 273 164
Change recognized in income statement	2 591 730	-4 263 548	2 422 567	-3 627 576
Adjusted tax from previous years	0	0	0	67 056
Deferred tax/tax asset 31.12.	**1 727 592**	**-864 138**	**5 135 211**	**2 712 644**

	Parent Company		Consolidated			
	2018	2017	2018		2017	
Specification of tax asset/liability effect of temporary differences	Tax Liabilities	Tax Assets	Tax Assets	Tax Liabilities	Tax Assets	Tax Liabilities
Tangible fixed assets	0	0	0	177 285	0	266 436
Pension obligations / funds	0	0	0	15 687 359	0	15 710 422
Unrealised currency gain/loss	29 836 345	17 621 622	0	29 836 345	0	17 621 622
Tax loss carry-forward	-21 983 652	-21 378 740	22 359 120	0	21 804 387	0
Total 31.12	**7 852 693**	**-3 757 118**	**22 359 120**	**45 700 989**	**21 804 387**	**33 598 480**
Net deferred tax asset/liability (22%/23%)	**1 727 592**	**-864 138**		**5 135 211**		**2 712 644**

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 1 178 332 (2017: NOK 1 098 164) 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 31.12.17	2 160 610	686 977	560 711 072	0	563 558 659
Result for the year	0	0	108 196 264	0	108 196 264
Group contribution	0	0	-40 000 000	0	-40 000 000
Equity 31.12.18	**2 160 610**	**686 977**	**628 907 336**	**0**	**631 754 923**
Consolidated					
Equity 31.12.17	2 160 610	686 977	1 862 464 480	8 236 895	1 873 548 962
Result for the year	0	0	35 875 412	1 150 230	37 025 642
Group contribution/dividend	0	0	-40 000 000	-782 775	-40 782 775
Currency adjustment	0	0	-290 641	-173 588	-464 229
Equity 31.12.18	**2 160 610**	**686 977**	**1 858 049 251**	**8 430 762**	**1 869 327 600**

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	432 122 shares

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 exhange 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 a currency option agreement 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 9 600 000. The total market value of these contracts are NOK -2 825 077 as per 31.12.2018.

Note 13 - Other financial items

	Parent Company		Consolidated	
	2018	2017	2018	2017
Currency loss (disagio)	0	-8 599 236	0	0
Other financial items	-3 659 028	-4 315 164	-3 848 813	-4 542 010
Other financial expenses	**-3 659 028**	**-12 914 400**	**-3 848 813**	**-4 542 010**
Currency gain (agio)	15 537 252	0	10 264 670	2 084 012
Other financial items	18 009	11 379	39 425	34 186
Other financial income	**15 555 261**	**11 379**	**10 304 095**	**2 118 198**

RSM Norge AS

Frolandsvelen 6, 4847 Arendal
Org.nr: 982 316 588 MVA

T +47 38 07 07 00
F +47 23 11 42 01

www.rsmnorge.no

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 108 196 264 in the financial statements of the parent company and profit of NOK 37 025 642 in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company AS Uglands Rederi (the Company), which comprise the balance sheet as at 31 December 2018, 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 consolidated financial statements of AS Uglands Rederi and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2018, 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 Company as at 31 December 2018, 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 consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, 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 information in the annual report, except 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.

continued..

Independent Auditor's Report 2018 for AS Uglands Rederi

RSM

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.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to https://revisorforeningen.no/revisjonsberetninger

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 proposed allocation of the result 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's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Arendal, 26 February 2019
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 April 2019

Supramax and Ultramax 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 JORITA	63 532	2019
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 UMIAK 1 *)	31 992	2006
2 Newbuilds - 1 x 64 000 tdw + 1 x 60 500	124 500	2019/2020
18 Vessels	**1 026 364**	

Tankers			
Vessel Name		**DW tonnes**	**Year built**
MT GERD KNUTSEN	*)	146 273	1996
MT HEATHER KNUTSEN	*)	148 644	2005
MT JASMINE KNUTSEN	*)	148 706	2005
MT VINLAND	**)	125 827	2000
NORTH ATLANTIC KAIROS	*)	3 569	2008
CL AQUARIUS	*)	3 569	2007
6 Vessels		**576 588**	

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 April 2019 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**	**1 777 955 dwt**

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

MV BELITA - Safety Award Winner 2018

"Safety is given the highest priority on board all our vessels"

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 BELITA'S RESULTS:

Reported accidents (crew)	0	
Reported near accidents (crew)	13	
Port State Control	4	PSC / 0 deficiencies
Operational performance	Good	

Congratulations to all on board MV BELITA!

Battery hybrid conversion of PSV Juanita

The final touches are done after installing the battery system: The battery system was installed in two containers; the starboard container includes the batteries and the port container, the power converter.

During dry docking and 5-year class renewal in May 2018, a new battery hybrid system was installed onboard Juanita, now being the first battery hybrid vessel in the Ugland fleet. In June 2018, Juanita was delivered to Equinor with a fully approved and operational battery hybrid system that shall reduce fuel consumption and exhaust gas emissions.

Early 2017, Ugland Marine Services started studying battery hybrid concepts from different suppliers. In October 2017 an agreement with Wärtsilä Norway AS was entered into for design, supply and installation of a battery hybrid system including shore power connection. The installation was done by Kleven Myklebust, a Norwegian ship yard close to Ulsteinvik.

Juanita built in 2014, is an advanced offshore vessel, with diesel electric propulsion system and several measures to reduce fuel consumption and greenhouse gas emissions. The hull is especially developed to reduce drag resistance during transit, and the main propulsion consists of double contra-rotating propellers driven by permanent-magnet electro motors. The electric power is produced by three large and two small diesel generators connected to a 690V main switchboard, and controlled by a Wärtsilä power management system giving flexible possibilities for the crew to optimize power production.

Now, the battery system gives additional flexibility to the power production. The battery size of 678 kWh is not supposed to supply power alone, but work together with the diesel generators. The power consumption on a supply vessel often has large variations, especially when operating on DP ("Dynamic Positioning") next to offshore installations, loading and unloading cargo. When for instance large waves come up, the power consumption suddenly peaks, and this quick and large power peak is now being supplied by the battery. Likewise, when the power consumption drops, the over-production charges the battery. Consequently, the diesel generators will run on a steady and more optimal load called "peak shaving".

In addition, the battery adds more redundancy to the vessel (safety backup power). When the vessel operates in DP mode close to offshore installations, the number of running diesel generators have to increase in order to have sufficient power if any single generator failure should occur. Due to the battery system, the number of running diesel generators can now be reduced, since the battery will have spare power in case of a generator failure. Combined with the "peak shaving"-function reducing load variations on the generators, the remaining generators can run on a higher and more fuel optimal load. This is the most fuel saving function of the battery system.

Since the offshore supply base at Mongstad installed shore connection facilities at the quays, Juanita always connects the shore cables when moored, enabling shut

PSV Juanita next to the Oseberg B platform Photo: Morten Bogenes, Equinor

down of all diesel generators. The shore connection is automatically synchronized directly to the 690V main switchboard, and the generators can then be stopped without causing any power interruption. During shore connections, the battery is recharged.

While the main purpose of the system is to reduce fuel consumption, an additional benefit is increased power redundancy onboard. The battery is normally always connected to the main switchboard, standing by to deliver up to 1 500kW if needed. If the last running diesel generator fails and stops, the battery will immediately supply power. The power electronics are reacting quickly, and no interruption in voltage and frequency will occur in the main switchboard. This gives the engineers more time to troubleshoot and to start another diesel generator; meanwhile the ship still operates safely.

The fuel reduction due to battery alone is dependent on operations, but estimated to approximately 10% on average.

The double contra-rotating propellers on Juanita now also get power from the battery

Shore connection cables connected at Mongstad base, supplying electric power to the ship while moored at quay

Juanita's crew inspecting the shore power facilities at Mongstad base

In DP mode, the isolated reductions are estimated to approximately 20%. In addition, when shore power facilities are available at quay, fuel consumption can be significantly reduced. Since Juanita is now operating regularly from Mongstad, having shore power facilities, the total annual fuel reductions from all conditions, i.e. DP, transit and moored, are estimated up to 19%.

The upgrade has been successful and the crew, Equinor and the owners are happy with the battery hybrid system. One of the key factors for the successful installation was the project involvement of the crew through the entire process. Since this is new technology, further experience is needed in order to fine-tune the battery co-working behavior with the diesel generators. It is therefore expected that the system can be even further optimized after some time of operation. The upgrade was a large investment, but made possible together with Equinor, Ugland and the Norwegian NOx-fund that contributed significantly to the project.

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;	G4-EN-3, 6, 8, 15*, 19*, 21*, 23, 24
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.	G4-SO 3

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

THE GLOBAL COMPACT

WE SUPPORT

Implementation of the UN Global Compact ten principles 2018

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, and this work continued through 2018. Continued focus on reducing energy consumption and seeking environmentally friendly technologies are important, both for the company and its stakeholders.

Examples of focus areas ie programs and targets for 2018:
- Installation of garbage compactor on the bulk fleet, target being reduction of volume to shore
- Emission reduction through reduced usage of onboard incinerator, resulting in waste being delivered to shore facilities
- Participate in client fuel reduction incentive program
- Installation of battery hybrid system on one of the PSV's
- Increased recycling of plastic waste in the office
- Continued focus on reducing paper usage, office building upgrades, facilitate EL bicyle and car charging

During 2017, 3 newbuilds eco design ultramax bulk carriers (MV Livita, MV Olita, MV Belita) were delivered and went into operation. One ultramax bulk carrier (MV Jorita) was delivered in January 2019. In addition two ultramax bulk carrier newbuilds of eco design are scheduled for delivery later 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 procedures and guidelines related to averting corruption through gifts and other more specific office related subjects have for some time been a focus point both in the office and onboard the vessels. Anti-corruption efforts continue to be a point of focus with training and reporting in line with the anti-corruption procedure.

UR continues to collaborate with NSA in combating corruption on specific cases as they arise.

Uglen installing "Under"

HLV Uglen was delivered from Nymo in 1978, ie she was 40 years old last year and is «still going strong».

Among the lifting operations performed last year, is the installation of the underwater restaurant “Under”.

In the restaurant "Under", semi-submerged beneath the harsh waters of the North Sea in Spangereid, Lindesnes, in the southern part of Norway, guests are invited to dine five and a half meters below the surface with the panoramic view of the ocean floor providing the dramatic backdrop. The restaurant opened in March 2019.

The prefabricated 1 640 tons concrete structure was launched last July during night time. Early in the morning, HLV Uglen was connected to the floating structure and the positioning operation started.

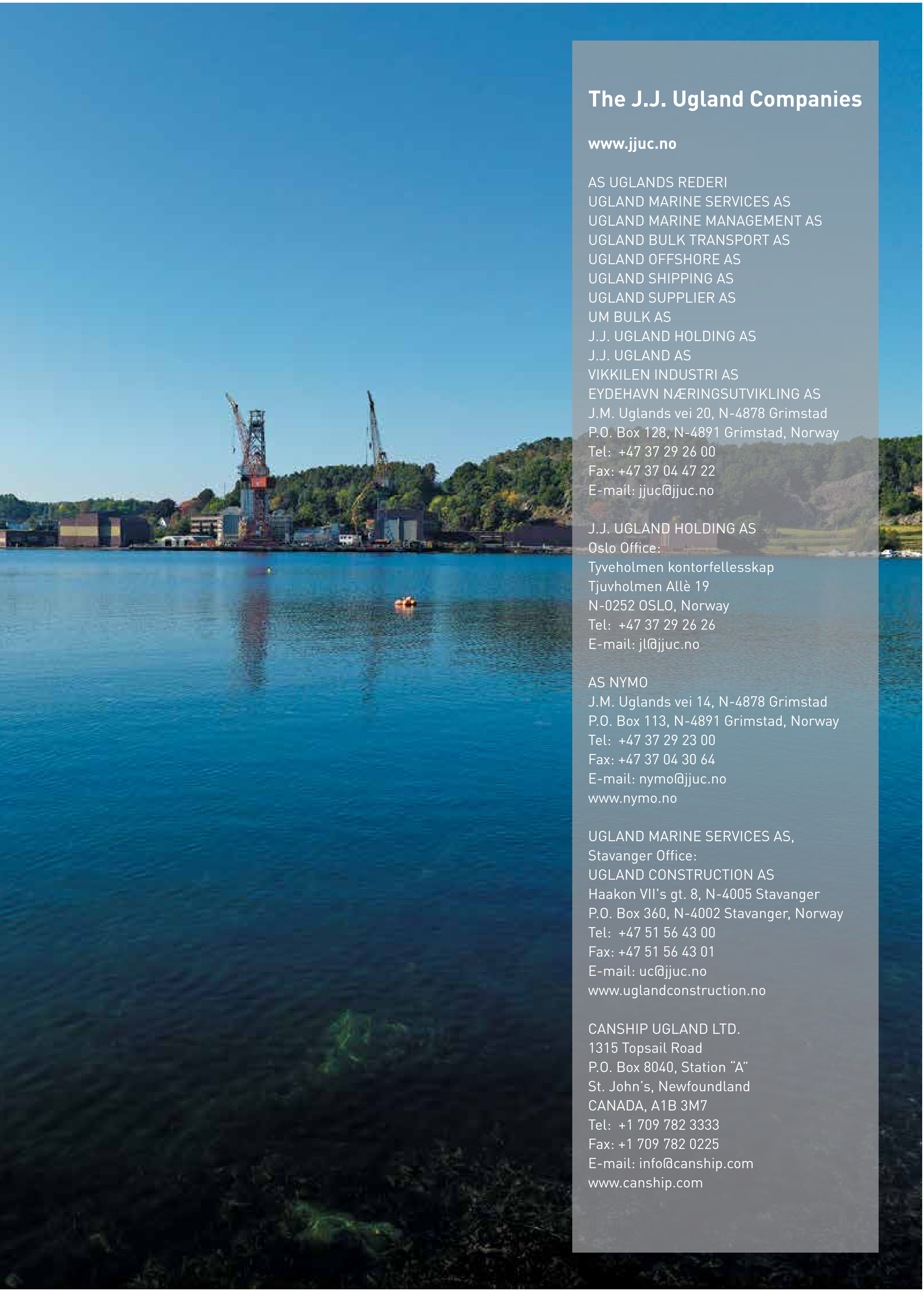
Uglen’s many possibilities for mooring systems are very useful for such operations, as the use of thrusters are limited with divers in the water.

The restaurant is the world's largest underwater restaurant, and has been designed by the Norwegian company Snøhetta.

Facts about the construction:

Bottom surface: 26.5 m long, 12.5 m wide, Exterior walls: 0.5 m thick, reinforced concrete, Window: 0.32 m thick, w x h: 11 m x 3.5 m, Mezzanine: 139 m^2, Restaurant: 265 m^2

Photo: Ivar Kvaal



The J.J. Ugland Companies

www.jjuc.no

AS UGLANDS REDERI
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UGLAND SUPPLIER AS
UM BULK AS
J.J. UGLAND HOLDING AS
J.J. UGLAND AS
VIKKILEN INDUSTRI AS
EYDEHAVN NÆRINGSUTVIKLING AS
J.M. Uglands vei 20, N-4878 Grimstad
P.O. Box 128, N-4891 Grimstad, Norway
Tel: +47 37 29 26 00
Fax: +47 37 04 47 22
E-mail: jjuc@jjuc.no

J.J. UGLAND HOLDING AS
Oslo Office:
Tyveholmen kontorfellesskap
Tjuvholmen Allè 19
N-0252 OSLO, Norway
Tel: +47 37 29 26 26
E-mail: jl@jjuc.no

AS NYMO
J.M. Uglands vei 14, N-4878 Grimstad
P.O. Box 113, N-4891 Grimstad, Norway
Tel: +47 37 29 23 00
Fax: +47 37 04 30 64
E-mail: nymo@jjuc.no
www.nymo.no

UGLAND MARINE SERVICES AS,
Stavanger Office:
UGLAND CONSTRUCTION AS
Haakon VII's gt. 8, N-4005 Stavanger
P.O. Box 360, N-4002 Stavanger, Norway
Tel: +47 51 56 43 00
Fax: +47 51 56 43 01
E-mail: uc@jjuc.no
www.uglandconstruction.no

CANSHIP UGLAND LTD.
1315 Topsail Road
P.O. Box 8040, Station "A"
St. John's, Newfoundland
CANADA, A1B 3M7
Tel: +1 709 782 3333
Fax: +1 709 782 0225
E-mail: info@canship.com
www.canship.com

The J.J. Ugland Companies