

# Annual Report

**Umoe Gruppen AS**



**2014**



# Umoe AS

## DIRECTORS' REPORT 2014

The financial results of the Umoe Gruppen Group are weak in 2014. This follows a very strong 2013 where the sale of Umoe Schat-Harding and the shares in REC Solar ASA in particular, led to large profits. Umoe has always invested mainly counter cyclically in companies with weak results in mature businesses aiming to create value through active ownership. This strategy allows for fluctuations in the underlying values, and the group's equity is sufficient to allow investments in weak and falling markets. The value created through active ownership often first becomes visible when a company is sold. Umoe did not divest any companies in 2014, and we continued to invest heavily in the turn-around of Umoe Bioenergy and in creating new growth for Umoe Restaurants. That the financial results are weak for 2014 is therefore not surprising. The underlying value creation is, in the opinion of the Board, satisfactory.

Umoe Gruppen AS continues to invest heavily in renewable energy through its sugarcane-ethanol project in Brazil and its investment in the publicly listed REC Silicon ASA where Umoe is the largest shareholder. Umoe Gruppen Group owns Umoe Restaurants, Scandinavia's largest restaurant business. Umoe Restaurants had record high investments in 2014 and is expanding rapidly, especially in Sweden and Denmark. Through the ownership of Umoe Gas Carriers is Umoe Gruppen part owner of a modern fleet of large specialized tankers of liquefied natural gas (LNG). Umoe is also the majority owner of several medium-sized companies.

Umoe is a large Norwegian group, with one controlling shareholder. Despite this, the Board of Umoe has responsibility and authority as is the case in companies with dispersed ownership. The main owner is both CEO and a Member of the Board, but not the Chairman. Three of the board's five members are external. Umoe follows the Norwegian Code of Practice for Corporate Governance where it is relevant and useful. This includes, for example, guidelines for equal treatment of shareholders and transactions with related parties. However, not all parts of the Code of Practice are equally relevant to a family owned company like Umoe.

Umoe has a staff of few, but highly qualified persons who exercise the ownership. The operational companies have their own management and with few exceptions they are also financed by their own earnings and independent of the Umoe Group. There are few synergies between the various investments in the portfolio. Value drivers and market conditions for each company are different. This provides flexibility and risk diversification in the portfolio as a whole.

Umoe focuses mainly on counter-cyclical investments in mature industries with the aim of active ownership leading to strong value creation. The Umoe strategy has room for value fluctuations in the underlying assets and the Group's equity is large enough both to invest during weak and falling markets, and to avoid forced sale of assets. Umoe has since the start in 1984 invested in the maritime industry and since the purchase of Umoe Restaurants Group in 2002 also in Norwegian sheltered industries. Umoe sells businesses when we consider that we no longer are the owner who can add the most value. In recent years, oil dependent investments have been sold and Umoe has reinvested in renewable energy. The investments in Brazil and in shares in REC Silicon are results of this strategy. In 2014 Umoe decided to combine the business of Sønnico Tele AS with a similar business owned by Eltel Networks. The businesses were combined at year-end and Umoe owns 50% of the new company Eltel Sønnico AS.

Our investments are primarily recorded in the books at historical cost and several of the engagements have a market value that is far in excess of book value. Engagements where the value has decreased during the year are recorded at their estimated fair value at year end. Umoe puts emphasis on maintaining a sound capital base. The real financial strength is substantially higher than the book equity.

Research and development takes place in the operating companies.

## **THE OPERATIONS DURING 2014**

Group turnover in 2014 was NOK 4 845 million (NOK 5 978 million). Operating profit before depreciation and amortization was NOK 147 million (NOK 752 million). Profit before tax was a loss of NOK 477 million (NOK 735 million). Last year's figures are in parentheses. The income statement for 2014 is effected by loss and write-downs in Umoe Bioenergy S.A., in addition to a fall in the stock price of REC Silicon shares.

Total assets amounted to NOK 5 174 million (NOK 4 767 million). Equity amounted to NOK 1 293 million as of December 31<sup>st</sup> (NOK 1 787 million), corresponding to an equity ratio of 25.0% (37.5%). Cash flow from operating activities in 2014 was respectively NOK 663 million (NOK -57 million) and NOK 302 million for Umoe Gruppen AS and Umoe Gruppen AS-Group. Total investments amounted to NOK 560 million (NOK 1 160 million). The Board considers the Group's liquidity to be prudent.

## **OUR MAIN BUSINESS AREAS**

### **Umoe Bioenergy S.A.**

Umoe Bioenergy S.A. (UBE) is a 100 % owned subsidiary of UBE Gruppen AS (formerly known as Umoe Bioenergy ASA), which produces clean and renewable ethanol from sugar cane. UBE cultivates and harvests almost all of the sugarcane on about 40.000 acres of owned and leased land in the southwest region, Parapanema, in the state of São Paulo, Brazil. The company's industrial plant has a capacity of 2.6 million tons of sugar cane. UBE owns and operates its own equipment for harvesting operations that are close to 100% mechanized. UBE Group, which includes the holding company UBE Gruppen AS, had a turnover of NOK 411 million (NOK 651 million). The low turnover compared to 2013 is mainly due to a desire to increase the ethanol inventory. Operating profit before depreciation and amortization was NOK -97 million (NOK -242 million) and profit before tax was NOK -418 million (NOK -594 million). The income statement for 2014 is impacted by write-downs of the biological inventory with NOK 68 million. The Brazilian real has strengthened compared to Norwegian kroner from 2.59 NOK/BRL in 2013 to 2.79 NOK/BRL in 2014.

In 2014 UBE harvested 1.9 million (1.9 million) tons of sugar cane. This resulted in a production of 149.5 million liters of regular ethanol (148 million liters). Of this, 72 million liters was converted to 68.5 million (80 million) liters of non-water-containing ethanol (anhydrous) that can be blended into gasoline and gives a higher price than regular ethanol. Also in 2014 the development in the biological mass was weak. The low production volume resulted in UBE producing too low volumes of bagasse for the production of electricity. Because of this, UBE in periods had to buy power in the spot market to cover its contractual obligations. In total, the weak result from ethanol, power production and also a small decline in the sales price of ethanol caused a weak operating result. Umoe AS has booked a write-down in shares in UBE Gruppen AS of NOK 347 million in its company accounts. Umoe AS has supplied UBE with capital through 2014, in the form of equity and will contribute with more capital in 2015.

UBE Gruppen AS has not received any new information from the Central Tax Office for Large Enterprises (Sentralskattekontoret for storbedrifter) about the on-going tax case from 2010 where UBE Gruppen AS demanded tax deduction for loss on claims of NOK 1.2 billion.

### **Umoe Restaurants AS**

Umoe Restaurants AS (UR) is Norway's largest and Scandinavia's leading restaurant group with 192 self-owned and 166 franchise restaurants in Norway and Sweden. The company operates the chains Burger King, Peppes Pizza, TGI Friday's, Starbucks and Blender. Blender consists of several different concepts which are located at airports and shopping centers, as well as some concept restaurants in the city centers. UR also owns 50% of Rail Gourmet Togservise Norway AS. The UR Group's own restaurants had revenues in 2014 of NOK 2 432 million (NOK 2 257 million). Operating profit before depreciation and amortization was NOK 164 million (NOK 198 million) and profit before tax was NOK -49 million (NOK 6 million).

The main focus in Umoe Restaurants in 2014 has been to operationalize the franchise agreements which were entered into with Burger King Corporation and Starbucks at the end of 2012. The Burger King agreement gives Umoe Restaurant the responsibility to monitor the operations of Burger King in Sweden, Norway and Denmark. Resulting from this agreement, 16 new Burger King restaurants were opened in 2014 in these 3 countries (where

7 are self-owned by Umoe Restaurants). UR also bought a company that owns and operates 7 Burger King restaurants in Denmark in 2014. This gives a good basis for further growth in Denmark. Considerable growth is planned also for the coming years. The Starbucks agreement gives Umoe Restaurants an equivalent responsibility for Starbucks in Norway and Sweden, where five new Starbuck entities were opened in Norway in 2014 and the first two in Sweden. More entities will be opened in both Norway and Sweden in 2015. In Peppes Pizza, the renewal and the focus on quality continued, while TGI opened a new restaurant at Jessheim in 2014. For Blender, increasing the number of customers and right sizing of the restaurants/concepts was the main focus. At the turn of the year 2014-2015 Umoe acquired and took over the operation of Westend Bakeri.

The strong focus on growth and renewal impacted UR's results in 2014. The company is not satisfied with the achieved financial results and a number of actions have been taken to improve turnover and profit in all the concepts.

The company is prepared for further growth, both in Norway and in the rest of Scandinavia. The growth will be particularly strong for the Starbucks and Burger King brands.

### **Umoe Gas Carriers AS**

Umoe Gas Carriers AS (UGC) is the group's holding company for shipping activities. The company is part owner of a modern fleet of large specialized tankers of liquefied natural gas (LNG). The Group's vessels are chartered on time charter contracts with first class energy companies. Knutsen OAS Shipping in Haugesund is responsible for the operational management of the vessels. Since the ownership interest in the ships varies from 37.5% to 50.0%, they are reported as "profit from associated companies" in the income statement. The company had a satisfying year in 2014. The LNG business resulted in a profit of NOK 11 million (NOK 58 million). Profit after tax was NOK 6 million compared to NOK 36 million in 2013. The reason for the lower profit from last year were non-realized loss on currency contracts in the ship owning companies due to the strong depreciation of NOK at the end of the year.

The company is affected by fluctuations in currency and interest rate markets. It uses active strategies and financial instruments to mitigate this risk. Currency risk is significant, since most of the revenues are in USD, while operating expenses are essentially in Euro. Here forward contracts are used to reduce the currency risk. The long term USD-loans also represent a natural hedge. In addition, a significant portion of the debt is hedged through long-term interest rate contracts.

### **REC Silicon ASA**

REC Silicon ASA (earlier Renewable Energy Corporation ASA) is a leading global producer of advanced silicon materials with high quality. The company has a production capacity of approximately 20.000 tons of polysilicon annually from two US-based manufacturing plants. REC Silicon is listed on the Oslo Stock Exchange (ticker: REC).

Two persons from Umoe AS' management are members of the company's board. Umoe AS increased its ownership to 23.00% (20.57%) of total shares including forwards. Umoe's investment in REC is treated as an associated company, where a share of the accounting result from the company is included in the results on the line for associated companies.

The book value of the shares in REC Silicon ASA as of 31<sup>st</sup> of December in the group amounted to NOK 876 million, which also was the market value at the same time. The market value on the 18<sup>th</sup> of June 2015 was NOK 863 million.

### **Other companies**

These companies have an estimated market value of NOK 1 004 million, almost 25% of the estimated value of the Group as a whole, where the Umoe Eiendom Group (real estate) alone amounts to NOK 306 million. The companies consist of Sønnico AS (former Sønnico Elektro AS), the Kagra IX-group (owner of Sønnico Tele AS), Umoe Alu Services AS, Umoe Consulting AS, Umoe Eiendom AS, Umoe Forestry AS, Umoe Mandal AS and Umoe Wind AS. These 8 groups / companies reported a combined revenue in 2014 of NOK 2 053 million (NOK 1 950 million). Operating profit before depreciation and amortization amounted to NOK 130 million (NOK 72 million) and profit before tax of NOK 72 million (NOK 13 million).

Umoe's goal with the ownership in these companies is to ensure that they have competent boards and have the necessary funding. It is also desired that management has minority positions in their own companies to ensure

that Umoe and management interests are aligned and that the management can take part in the value creation achieved.

During 2014 Umoe has sold its ownership in Sandsli Bygg.

The development in the two Sønnico companies was very different in 2014. Sønnico Tele had a positive development in earnings and achieved its budgets. In addition Sønnico Tele negotiated a new 5-year agreement with Telenor. This agreement was entered into by the new 50% owned Sønnico Tele-company Eltel Sønnico AS. The operations in Sønnico Tele are continued from Eltel Sønnico from the turn of the year 2014-2015. Umoe expects continued improvements from this company.

For Sønnico AS (former Sønnico Elektro AS) the development was weak in 2014. The company changed top management and extensive cost reductions have been implemented. Through these actions Umoe expects that a basis for positive earnings in 2015 has been established.

Umoe Alu Services had a good and profitable year. Due to the down turn in the Oil & Gas industry the activity in 2015 is somewhat more uncertain, even though the activity in the aluminum-industry compensates partly. Umoe Consulting did not manage to maintain its profitability compared to 2013, but expects continued positive earnings.

In Umoe Eiendom, Umoe Sterkoder has continued developing the industrial site on Dale. Sandsli Bygg was sold with a profit at the end of 2014. The prospects for Umoe Eiendom for 2015 are positive.

Umoe Forestry AS manages the ownership in Fornebu Lumber Company Inc., which produces building materials which are mainly exported to the US property market, and administers large forests. The development has been positive in the three last years and both turnover and earnings increased in 2014. The prospects for Umoe Forestry are very good.

Umoe Mandal AS (UM) and its subsidiary Umoe Advanced Composites AS (UAC) is engaged in research, development and production of advanced composite solutions for maritime, oil and gas and defense sectors. The last years UM has invested heavily in developing a new vessel concept which will serve offshore windmills. Umoe AS decided in 2013 that the Umoe-group should finance the building of, and own, a prototype vessel. Umoe Wind AS owns the prototype that got the name Umoe Ventus at the ceremonial ship launching in February 2015. Umoe Ventus entered into a contract with the Danish energy company DONG in March 2015. The prospects for UM depends to a great extent on the outcome that Umoe Ventus achieves in the day-to-day operations. UAC had positive earnings in 2014 and the prospects are good.

With the exception of an equity issue in Sønnico AS, limited amounts in loans to Umoe Mandal and financing of the production of the prototype owned by Umoe Wind AS, the Umoe Group has not contributed liquidity to the companies in this portfolio during 2014.

## **FINANCIAL MARKET RISK**

The Group is exposed to various risks such as market risk, credit risk and liquidity risk. Unwanted risk is reduced, respectively, by entering into long-term contracts, prepayments, natural hedging, receiving guarantees and credit lines in reputable banks or investing surplus liquidity. For a more detailed overview of the various risks, see note 2 to the accounts.

## **PROFIT/LOSS FOR THE YEAR**

The parent company, Umoe Gruppen AS, had a profit in 2014 of NOK 324 091 000. The Board of Directors proposes the profit to be allocated as follow:

Proposed dividend	20 000 000
Transferred from Other equity	304 091 000
<hr/> Total transfers and allocations	<hr/> 324 091 000

In accordance with the requirements placed by the Norwegian accounting legislation §3-3, the Board of Directors confirms that the accounts have been prepared on the assumption that the Group is a going concern.

## PERSONNEL AND ENVIRONMENT

Umoe Gruppen AS has no employees. The group had 7 765 employees, 5 351 full-time equivalents (4 608). The absence rate due to sickness for the group was 3.5% (3.6%). There have been 42 injuries resulting in absence in 2014, an increase of 17 compared to last year. All of the Umoe companies work with the intention to reduce accidents and thereby also personal injuries.

Also in 2014, the group conducted a survey of the work environment in most of the Norwegian companies. The study shows positive feedbacks regarding the working environment. There are still areas for improvement in individual companies, which each individual company addresses locally. A similar survey is planned for the autumn of 2015.

Umoe is focused on non-discrimination between genders. This happens through equal pay for equal work and when hiring new people competence, experience, and qualifications to meet the requirements of the position is emphasized. The company strives to be an attractive employer for all employees, regardless of gender, disability, religion, creed, ethnic or national origin. At the end of 2014, the Umoe Group had 36.4% female and 63.6% male employees. The Board consists of four men and one woman.

The Board emphasizes that the various group companies align their operations according to company-specific environmental regulations and directives in the respective sectors they operate in. In addition to the various regulations from authorities, Umoe has invested heavily in renewable energy and reduction of CO2 emissions through sugarcane-ethanol project in Brazil and the investment in REC Silicon.

## FUTURE PROSPECTS

A somewhat weaker development for the Norwegian and the Brazilian economy is likely in 2015, but on an international level further positive development is expected. The market potential for REC Silicon ASA is to a large extent determined by the ongoing trade war between USA and China, in addition to uncertainty connected to the demand for new solar power in China. For UBE 2015 will be a financially weak year, though somewhat better than 2014, but also the year when the basis for future profit without funding from Umoe must be established through high quality in the agricultural operations. The investment level in Umoe Restaurants will still be high, though not as high as in 2014. The signs of a weaker development in the retail trade in Norway and a decline in air passengers in Norway are followed up closely.

Umoe follows the development in the markets closely to ensure that our subsidiaries adapt to the economic realities and also allow room for new initiatives. Focus from owners and management is directed to ensure that measures are taken as soon as it is necessary to ensure profitability and a secure financial development. At the same time great importance is placed on following the various segments carefully so that the group can be an active participant in restructuring and industry consolidation.

Fornebu, 18<sup>th</sup> of June 2015

Sign.  
Johan Fr. Odfjell  
Chairman of the board

Sign.  
Ragnhild Kierulf Ulltveit-Moe

Sign.  
Harald Norvik

Sign.  
Victor D. Norman

Sign.  
Jens Ulltveit-Moe  
Board member and CEO

## Umoe Gruppen AS

### Income Statement

Amount in NOK 1.000

	Notes	Umoe Gruppen AS		Consolidated	
		2014	2013	2014	2013
Revenue		0	0	4 762 705	5 123 570
Other operating income		0	0	81 873	854 710
<b>Revenue</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>4 844 578</b>	<b>5 978 280</b>
Cost of goods sold		0	0	-1 602 388	-2 027 245
Payroll and social expenses	4	-799	-799	-1 956 763	-2 007 211
Depreciation of fixed- and intangible assets	7	0	0	-263 264	-251 868
Write down of fixed- and intangible assets	7	0	0	-127 719	-171 675
Other operating expenses	5,6	-1 319	-1 639	-1 138 470	-1 191 367
<b>Operating profit</b>		<b>-2 118</b>	<b>-2 438</b>	<b>-244 026</b>	<b>328 914</b>
Gain/loss/write-down/dividend subsidiaries	11	327 740	169 193	0	0
Share of profit/loss from associated companies	10,11	0	0	-136 053	83 879
Financial income	11	16 948	2 223	56 657	494 335
Financial expenses	11	-19 829	-60 635	-153 552	-172 392
<b>Net financial items</b>		<b>324 859</b>	<b>110 781</b>	<b>-232 948</b>	<b>405 822</b>
<b>Ordinary profit (loss) before tax</b>		<b>322 741</b>	<b>108 343</b>	<b>-476 974</b>	<b>734 736</b>
Tax income (+)/tax cost (-)	17	1 350	17 114	-11 379	-114 460
<b>Net profit (loss) of the year</b>	<b>15</b>	<b>324 091</b>	<b>125 457</b>	<b>-488 353</b>	<b>620 276</b>
Minority's share of the profit/loss				-4 655	8 793
<b>Profit/loss for the year after minority interests</b>				<b>-483 698</b>	<b>611 483</b>

#### Attributable to:

Group contribution - paid		0	-20 695
Tax on Group contribution - paid		0	5 795
Group contribution - received		0	14 900
Proposed dividend		-20 000	-20 000
Transfer to (+)/from (-) other equity		-304 091	-105 457
<b>Total transfers and allocations</b>	<b>15</b>	<b>-324 091</b>	<b>-125 457</b>

## Umoe Gruppen AS

### Balance Sheet

Amount in NOK 1.000

	Notes	Umoe Gruppen AS		Consolidated	
		2014	2013	2014	2013
<b>Assets</b>					
Research and development	7	0	0	3 580	0
In-house dev. software, trademarks, other rights etc.	7	0	0	37 062	15 204
Deferred tax asset	17	0	0	4 517	0
Goodwill	7	0	0	49 443	12 822
<b>Total intangible assets</b>		<b>0</b>	<b>0</b>	<b>94 602</b>	<b>28 026</b>
Grounds, buildings and other real estate		0	0	438 319	565 711
Ships, rigs, etc.		0	0	60 400	15 100
Rental contracts	7,8	0	0	290 986	151 739
Equipment		0	0	929 396	866 929
Fixtures and fittings, tools, etc.		0	0	114 798	204 332
<b>Total fixed assets</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>1 833 899</b>	<b>1 803 811</b>
Investments in subsidiaries	9	3 364 974	3 185 341	0	0
Loans to group companies		81 263	0	0	0
Investments in associated companies	10	0	0	1 300 986	1 182 017
Loans to associated companies		0	0	40 935	5 701
Other shares	12	0	0	49 723	48 273
Other long-term receivables - interest-bearing		1 770	1 725	217 285	261 593
Other long-term receivables - non-interest-bearing		0	0	105 495	49 795
<b>Total financial assets</b>		<b>3 448 007</b>	<b>3 187 066</b>	<b>1 714 424</b>	<b>1 547 379</b>
<b>Total non current assets</b>		<b>3 448 007</b>	<b>3 187 066</b>	<b>3 642 925</b>	<b>3 379 216</b>
<b>Inventories</b>					
	<b>13</b>	<b>0</b>	<b>0</b>	<b>562 822</b>	<b>359 306</b>
Accounts receivable		0	0	354 485	330 108
Construction contracts	14	0	0	118 081	95 739
Short-term intercompany receivables		387	184 093	0	0
Other short-term receivables		93	0	131 417	89 208
<b>Total receivables</b>		<b>480</b>	<b>184 093</b>	<b>603 983</b>	<b>515 055</b>
Other current financial assets		0	0	594	20
Cash and cash equivalents - non-restricted		621	1 784	347 678	509 677
Cash and bank equivalents - restricted		38	44	16 119	3 528
<b>Total cash and cash equivalents</b>		<b>660</b>	<b>1 828</b>	<b>364 391</b>	<b>513 225</b>
<b>Total current assets</b>		<b>1 140</b>	<b>185 921</b>	<b>1 531 196</b>	<b>1 387 586</b>
<b>Total assets</b>		<b>3 449 146</b>	<b>3 372 987</b>	<b>5 174 121</b>	<b>4 766 802</b>



## Umoe Gruppen AS

### Balance Sheet

Amount in NOK 1000

	Notes	Umoe Gruppen AS		Consolidated	
		2014	2013	2014	2013
<b>Equity and debt</b>					
Share capital		375 000	375 000	375 000	375 000
Share premium		250 375	250 375	250 375	250 375
<b>Total paid-in capital</b>	<b>15</b>	<b>625 375</b>	<b>625 375</b>	<b>625 375</b>	<b>625 375</b>
Other equity		2 511 562	2 207 471	616 385	1 029 587
Minority interests		0	0	51 565	131 861
<b>Total equity</b>	<b>15</b>	<b>3 136 937</b>	<b>2 832 846</b>	<b>1 293 324</b>	<b>1 786 823</b>
<b>Liabilities</b>					
Pension liabilities	16	0	0	6 099	7 493
Deferred tax	17	699	2 049	345 860	277 980
Accrual regarding associated companies	10	0	0	22 751	11 061
Other non-current liabilities		0	0	25 519	15 189
<b>Total non-current liabilities</b>		<b>699</b>	<b>2 049</b>	<b>400 228</b>	<b>311 723</b>
<b>Current liabilities</b>					
Long-term intercompany debt		9 725	305 523	9 725	0
Long-term interest-bearing debt		0	0	1 807 295	1 223 016
Other long-term debt		29 491	31 324	93 473	32 285
<b>Total long-term debt</b>	<b>18</b>	<b>39 216</b>	<b>336 847</b>	<b>1 910 494</b>	<b>1 255 301</b>
Short-term interest-bearing debt		0	0	441 316	264 224
Accounts payable		525	0	544 882	490 356
Tax payable	17	0	0	744	9 053
Other short-term interest-bearing debt		7 496	33 410	16 272	81 475
Provision for public duties		62	65	188 540	157 044
Dividends	15	20 000	20 000	20 879	25 719
Advance payments from customers		0	0	29 367	28 063
Short-term intercompany interest-bearing debt		244 076	147 537	0	0
Other short-term debt - non-interest-bearing		135	233	328 074	357 021
<b>Total current liabilities</b>		<b>272 294</b>	<b>201 245</b>	<b>1 570 074</b>	<b>1 412 955</b>
<b>Total equity and debt</b>		<b>3 449 146</b>	<b>3 372 987</b>	<b>5 174 121</b>	<b>4 766 802</b>

Fornebu, 18<sup>th</sup> of June 2015

Sign.

Johan Fr. Odfjell  
Chair of the board

Sign.

Ragnhild Kierulf Ulltveit-Moe  
Board member

Sign.

Harald Norvik  
Board member

Sign.

Victor D. Norman  
Board member

Sign.

Jens Ulltveit-Moe  
Board member and CEO

## Umoe Gruppen AS

### Statement of cash flows

Amount in NOK 1.000

	Notes	Umoe Gruppen AS		Consolidated	
		2014	2013	2014	2013
<b>Cash flow from operating activities</b>					
Profit before taxes		322 741	108 343	-476 974	734 736
Paid taxes	17	-5 832	0	33 306	-27 155
Share of profit/loss of associated companies/ subsidiaries	11	0	0	-370 864	-71 531
Gain/loss from sale of fixed assets and securities		3 700	0	-22 531	-931 145
Depreciation of fixed- and intangible assets	7	0	0	316 719	251 868
Write down of fixed assets and financial items	7,11	0	0	575 590	36 312
Effect of currency changes		0	0	-86 314	148 291
Difference between expensed and net paid pensions		0	0	-1 397	-10 893
Changes to inventory, accounts payable and receivable		238	-488	-240 246	413 311
Other changes		342 212	-165 318	-29 042	-216 171
<b>Net cash flow from operational activities</b>		<b>663 059</b>	<b>-57 462</b>	<b>-301 753</b>	<b>327 622</b>
<b>Cash flow from investing activities</b>					
Cash inflow from sale of fixed and intangible assets	7	0	0	269 510	1 058 890
Cash outflow from purchase of fixed and intangible assets	7	0	0	-560 333	-461 432
Net proceeds from sale of shares and interests in other companies		542 646	0	-396 348	-462 652
Net proceeds from sale of other investments (+/-)		-827 368	48 432	13 448	21 508
<b>Net cash flow from investment activities</b>		<b>-284 722</b>	<b>48 432</b>	<b>-673 723</b>	<b>156 314</b>
<b>Cash flow from financing activities</b>					
Cash inflow from raising interest-bearing debt	18	0	14 106	883 256	775 113
Cash outflow from repayment of interest-bearing debt	18	-359 505	-12 955	-158 939	-1 075 022
Net payments to/from minority interests	15	0	0	-46 166	-66 552
Change in equity - majority	15	-20 000	0	148 491	0
<b>Net cash flow from financing activities</b>		<b>-379 505</b>	<b>1 151</b>	<b>826 642</b>	<b>-366 461</b>
Net change in cash and cash equivalents		-1 168	-7 879	-148 834	117 475
Cash and cash equivalents as of January 1 <sup>st</sup>		1 828	9 707	513 225	395 750
<b>Cash and cash equivalents as of 31.12</b>		<b>660</b>	<b>1 828</b>	<b>364 391</b>	<b>513 225</b>
Unutilized overdraft/credit facility		0	0	232 000	383 446
<b>Liquid reserves</b>		<b>660</b>	<b>1 828</b>	<b>596 391</b>	<b>896 671</b>

# Umoe Gruppen AS

## Accounting principles

The accounts have been prepared in accordance with the Norwegian Accounting Act of 1998 and Norwegian generally accepted accounting practices (NGAAP).

## Consolidation principles

The consolidated accounts include Umoe Gruppen AS and all subsidiaries in which Umoe Gruppen AS directly or indirectly owns more than 50 per cent of the voting capital and/or has a controlling interest. The subsidiaries are specified in note 9. All significant intercompany transactions and balances have been eliminated. Acquired companies are consolidated in the accounts using the acquisition method of accounting. The difference between the cost price assigned to the individual assets and the book value of net assets at the time of acquisition is added to/deducted from the assets to which the added value/shortfall in value is linked. Positive differences that cannot be so allocated are recorded as goodwill. Companies acquired during the year are consolidated in the profit and loss account from the date of acquisition. Companies that are sold during the year are consolidated in the profit and loss account through to the date of the divestment. Goodwill is amortized over its economic life.

Minority interests are shown as a separate item under equity in the balance sheet. In the profit and loss account, the minority interests' share of the profit/loss is calculated on the profit/loss after tax.

Stakes in limited liability companies and general and limited partnerships are included in the consolidated accounts at cost if the stake is less than 20 per cent and according to the equity method if the stake is between 20 and 50 per cent. In the company accounts, all ownership interests are recorded using the cost method. The equity-method is also applied if the ownership is below 20% and Umoe has a considerable influence on the company's decisions.

Foreign subsidiaries' balance sheet items are translated at the rate applicable on the balance sheet date, while profit and loss items are translated at the average exchange rate for the year in question. Any differences in rates are recognized directly in equity as translation differences.

## Principles governing revenue and cost accounting

Sales of goods and services are recorded as operating revenue at the time of delivery. In the case of long-term manufacturing contracts and construction contracts, revenue is recognized on the basis of current accounts. Costs are recorded in the same period that related income is recognized.

## Construction contracts/long-term manufacturing contracts

Earned income on construction contracts is for the employer considered as earned rights and is classified as operating revenue in the income statement. The income is allocated to net income proportionally with the project's degree of completion. When the transaction's outcome cannot be estimated reliably, only the income, analogously with the project expenses, will be allocated to net income. When there in one period is identified that a project will give negative result, the estimated loss on that contract will be allocated in its entirety. Bonuses on contracts are entered as income only when the amount is determined with reasonable certainty and when it is determined that the bonus will be obtained.

Construction contracts under execution, are entered in the balance sheet to its calculated value with deduction of invoiced amount. Invoicing beyond calculated earned income is classified as advance from costumers. Construction contracts in currency which is not forward covered, is estimated to the balance sheet date.

## Fixed assets

Operating equipment is recorded in the balance sheet at historical cost less straight-line depreciation over the expected technical/economic life of the asset. Land and artworks, etc., are not depreciated. Fixed assets are valued at the lower of their book value and fair value unless a fall in value is considered to be of a temporary nature. Gains on the sale of operating equipment are recorded as operating revenue and losses as other operating expenses, while gains and losses on the sale of long-term shareholdings are recorded as financial items.

## Inventories

Inventories are recorded at the lowest of fair value and cost. Agricultural inventories are recognized at production cost, which includes planting, fertilization etc. These costs are amortized over the harvest period.

**Other current assets**

Other current assets, including shares and securities, are recorded at the lower of their fair value and cost. Market-based short-term investments that are part of a trading portfolio/liquid assets are recorded at their fair value.

**Receivables and liabilities in foreign currencies**

Cash and current and long-term receivables and liabilities denominated in foreign currencies are recorded in the balance sheet at the exchange rate applicable on the date when the accounts are closed. Realized and estimated foreign exchange losses are recorded as financial expenses. When the receivable or liability is hedged by way of a forward contract or other contract, the contract's exchange rate is applied.

Differences in the rate of exchange, which arises on monetary items as a part of a net investment in a foreign unit, is posted directly to the equity.

**Latent liabilities and provisions for warranties**

Provisions for estimated losses are made for latent liabilities and conditional outcomes. Provisions are made for warranty obligations and for special circumstances that exist when the accounts are presented. The warranty period is normally one year, but may be up to two years for specific projects.

**Leasing**

Operating equipment financed by means of a financial lease is capitalized and depreciated. The purchase price, less any advance rent paid, is presented as debt and the rent paid for the lease is treated as interest on and repayment of debt. Lease expenses related to operational leasing agreements, where the risk and return is not transferred, is treated as operating expenses and recognized over the contract period.

**Research and development costs**

All research, development and prototype costs are expensed directly over the profit and loss account, with the exception of project-specific costs. Production molds are classified as operating equipment and capitalized at their production cost as machinery and equipment.

**Public subsidies**

Subsidies received are classified as either operating subsidies or investment subsidies. Operating subsidies are recorded in the profit and loss account together with the income they are intended to increase or the costs they are intended to reduce. Investment subsidies are recorded gross in that the asset is stated at its gross cost and depreciated over its economic life. The subsidies are dealt with as deferred income and recorded in the profit and loss account as a correction to the depreciation, in line with the depreciation period.

**Pension liabilities**

Net pension costs, together with the effect of changes in estimates/assumptions, are in their entirety classified as payroll expenses in the profit and loss account. In the balance sheet, net pension assets in the funded schemes are classified as fixed assets, while net unfunded pension liabilities are classified under provisions for liabilities and charges. The amount for unfunded pension liabilities/net pension assets also includes the employer's national insurance contributions that will accrue/have actually been paid at the prevailing rates.

Deviations between the estimated pension liabilities/ estimated value of pension assets at the end of the previous financial year and the actuarially calculated pension liabilities/actual value of pension assets at the beginning of the year are considered in a corridor, and any deviation in excess of 10 per cent is amortized over the average remaining earnings period.

Payments regarding contribution-based schemes is booked as expenses continuously or when due.

**Taxes**

The profit and loss account shows taxes payable and deferred tax together as the tax charge. The balance sheet shows the tax calculated on the basis of the taxable profit for the year as tax payable under current liabilities. Deferred tax/deferred tax assets are calculated on the basis of the temporary differences that exist at the year-end between values for taxation purposes and values for accounting purposes, as well as carry-forward losses for tax purposes. Tax calculated on net positive temporary differences after set-off is shown as deferred tax under long-term liabilities. The remaining part of the deferred tax assets after set-off, to the extent that it also meets the requirements for recognition in the balance sheet, is shown as a deferred tax asset under fixed assets.

**Statement of cash flow**

The cash flow statement is presented using the indirect method.

## Notes

### Note 1 Special events

#### 2014

Through 2014, Umoe AS has increased their ownership in REC Silicon ASA from 20,57% to 23,00%.

In October Umoe AS carried out a debt to equity-conversion in UBE Gruppen AS (former Umoe Bioenergy ASA) of NOK 746 million.

Umoe Restaurants AS established the company Westend Bakeri AS in November.

At the end of december Umoe Eiendom AS sold 60% of Sandsli Bygg AS and 54% of Sandsli Bygg KS. After the sale Umoe has no ownership in any of the companies. The sales resulted in a gain for Umoe AS and the group of NOK 13,6 mill. and NOK 0,2 mill. respectively.

At the end of 2014 Bilbao Knutsen, which is owned by Norspan LNG AS, was refinanced, at the end of the maturity.

#### 2013

Umoe Gas Carriers bought 2.5% of Norspan LNG Medio 2013, and owned close up to 50% at year end 2013.

At the end of 2013 all LNG-owning companies were sold to a new subsidiary, Umoe LNG AS. This was partly done to simplify the legal structure of the LNG-ownership, and Ulltveit Rederi LNG Holding AS, Ulltveit Rederi LNG II AS and Umoe Gas Carriers AS has no holdings of LNG-related companies after this restructuring.

Cadiz Knutsen, owned by Norspan LNG II AS, Iberiza Knutsen, owned by Norspan LNG III AS and Ribera del Duero Knutsen owned by Norspan LNG VIII AS was refinanced at the end of 2013.

In March Umoe AS bought 50% of the shares in CleanHull Ltd. from Umoe Schat-Harding Group AS. The shares was in January 2014 sold for EUR 1,-.

In April, Umoe AS bought Umoe Schat-Harding CleanHull AS from Umoe Schat-Harding Group AS for NOK 9 mill. After the purchase, Umoe changed the name to Umoe CleanHull AS, and at the autumn 2013, the company was merged into Umoe AS.

At the beginning of July, Umoe AS sold all the shares in Umoe Schat-Harding Group AS. Umoe recorded a gain of NOK 789 mill. on company-level and NOK 702 mill in the group-accounts.

In June, Umoe AS sold the remaining 33.3% of the shares in Brattvaag Electro AS for NOK 5.9 mill.

During 2013, Umoe AS bought additional shares in REC Silicon ASA and at year-end Umoe AS owned 20.57% of the company, partly through shares and partly through forward contracts. Since Umoe AS is considered to have considerable influence over REC Silicon ASA, the shares is presented as Associated Company and accounted for as associated company in the group accounts.

Umoe Mandal AS demerged the land/properties into a separate subsidiary, Umoe Mandal Eiendom AS.

Umoe Restaurants AS merged Umoe Konseptrestauranter AS into Blender AS. In addition Umoe Restaurants AS established a new subsidiary in Sweden; Umoe Restaurants AB.

In December 2013 Umoe AS carried out a debt to equity conversation in UBE Gruppen AS of NOK 398 mill.

### Note 2

#### Financial market risk

##### *Credit risk:*

- Umoe Gruppen AS mainly consist of two business areas;
- Strategic and long term investments, through its ownership in Umoe AS
  - Shipping, through its ownership in Umoe Gas Carriers AS

Credit risk is mainly related to the activities in Umoe AS.

The Umoe AS Group assumes responsibility for construction contracts of varying duration and scope, mainly relating to the maritime industry. The Group seeks to reduce its credit risk through agreed pre-payments or the use of various types of guarantees.

	Umoe Gruppen AS		Consolidated	
	2014	2013	2014	2013
Gross credit risk	83 420	185 818	1 024 337	917 597
of which;				
Accounts receivables	287	0	359 887	333 770
Construction contracts	0	0	118 081	95 739
Loans to group companies and associated companies	83 033	184 093	40 935	5 701
Other short term receivables	100	0	131 417	174 661
Other long term receivables		1 725	379 419	311 388
Provision for bad debt	0	0	-5 401	-3 662

Loans to group companies have payment terms that means that these loans may be repaid later than one year, and due to this is classified as long term receivables.

**Currency risk:**

The group has activities in Norway and abroad that naturally include a foreign exchange risk due to the buying and selling of goods, services and securities.

The group utilizes the opportunity to obtain natural hedging by borrowing in the same currencies as its revenues.

In addition, the group utilizes derivatives for hedging purposes and active position-taking.

Umoe uses market values for all its foreign currency positions, with the exception of long-term debt which is hedged through contractually agreed revenues in foreign currencies. In such cases, the part of the loan that is considered to be hedged is recorded at the rate which applied on the date when the loan was raised.

For the UBE Gruppen-group, which has its main operative business in Brazil, there is a currency risk between BRL/NOK.

No hedging of this risk has been carried out.

**Exchange rates used in the accounts:**

	2014	2013
NOK/BRL - average exchange rate	2,6799	2,7294
NOK/SEK - average exchange rate	0,9188	0,9027
NOK/USD - average exchange rate	6,3087	5,8817
NOK/BRL - closing rate	2,7862	2,5934
NOK/SEK - closing rate	0,9593	0,9442
NOK/USD - closing rate	7,4299	6,0815

**Interest rate risk:**

The Group has various interest-rate clauses linked to its loan portfolio, with lock-in periods varying from a floating rate to a fixed rate until the maturity of the loan. Umoe Sterkoder AS have entered into a swap agreement with maturity December 2020, a fixed interest rate of 2.77% and a principal of NOK 34 mill. Further has Umoe Restaurants AS a interest swap agreement with maturity in December 2019, a fixed interest rate of 2.375% and a principal of NOK 630 mill. (NOK 755 mill. in 2013)

**Refinancing risk:**

The Group had long-term liabilities of NOK 1 910 mill. at the end of the year. The agreed repayments are approximately NOK 779 mill. in 2015. This includes NOK 350 mill. in Umoe Bioenergy S.A. in Brazil. Of these is NOK 201 mill. is drawn credit lines towards the cooperative Copersucar, which normally are renewed by selling ethanol on forward contracts.

**Risk relating to the prices of raw materials**

Attempts are made to hedge the risk of fluctuations in the prices of raw materials through long-term purchase contracts and strategic agreements with suppliers and other market players. It is mainly Umoe Bioenergy that is exposed towards the fluctuations in the commodity markets through production of ethanol. Umoe Bioenergy is exposed to risk related to the price of ethanol in Brazil.

No hedging of this risk has been carried out. Through the membership in the cooperative Copersucar Umoe is secured a price of Esalq (market price).

**Note 3**

**Revenue**

	Umoe Gruppen AS		Consolidated	
	2014	2013	2014	2013
Invoiced revenue	0	0	4 739 984	5 062 663
Change work in progress	0	0	22 721	60 907
Gain from disposals of property, plant, equipment and operations	0	0	23 238	702 278
Other operating income	0	0	58 635	152 432
<b>Total operating income</b>	<b>0</b>	<b>0</b>	<b>4 844 578</b>	<b>5 978 280</b>

**Related to;**

Ethanol production	0	0	411 035	651 150
Maritime	0	0	264 035	642 555
Restaurants	0	0	2 431 720	2 257 244
Shipping	0	0	0	0
Other	0	0	1 737 789	2 427 331

**The Group's revenue divided into geographical areas:**

Norway	0	0	3 781 749	4 399 998
Sweden, Denmark, Iceland and Finland	0	0	275 547	228 868
Rest of Europe	0	0	3 139	157 865
America	0	0	829 400	1 132 084
Africa	0	0	0	1 711
Asia/Australia	0	0	8 420	105 985
Eliminations	0	0	-53 676	-48 231

**Note 4****Payroll costs, no. of work-years, remuneration, loans to employees, etc.**

	Umoe Gruppen AS		Consolidated	
	2014	2013	2014	2013
Salaries	0	0	1 712 085	1 748 623
Employee benefit taxes	99	99	189 770	214 182
Pension cost	0	0	26 406	36 582
Other employee benefit costs	700	700	28 502	7 824
<b>Total Payroll and social expenses</b>	<b>799</b>	<b>799</b>	<b>1 956 763</b>	<b>2 007 211</b>
Full time employee equivalents	0	0	5 351	4 608

**Remuneration to the board and the CEO of Umoe AS (figures in NOK):**

	CEO	Board- members
Salaries/remuneration	533 237	800 000
Pension	0	0
Other benefits	5 252	0
<b>Total</b>	<b>538 489</b>	<b>800 000</b>

The remuneration to the board reported above, is paid by and recognized in the financial statement of Umoe Gruppen AS.

The rest is paid by and recognized in the financial statement of Umoe AS, the company that manages Umoe Gruppen AS.

There are no agreements regarding bonuses in Umoe Gruppen AS. Umoe AS has given loan to member of the board of total NOK 1 million, secured by sufficient pledge. There is not given any loans to other board members or leading management.

Espen Klitzing and Hans Aasnæs (senior management) owns 0.16% of the shares in Umoe AS each through the companies NCV Invest AS and Øra Industrier AS. The shares are purchased at fair value.

**Note 5****Auditor's fee**

	Umoe Gruppen AS		Consolidated	
	2014	2013	2014	2013
Audit fee	145	190	4 760	7 167
Fee for tax services	461	504	848	867
Other services	20	347	686	3 362

Audit fees reported above are mainly exclusive of value added tax.

**Note 6****Other operating expenses**

	Umoe Gruppen AS		Consolidated	
	2014	2013	2014	2013
Costs on premises	0	0	478 484	417 142
Maintenance on machines, equipment etc.	0	0	108 949	142 634
Sales and marketing expenses	0	0	85 078	88 562
Costs on franchise and licenses	0	0	95 824	86 794
Consulting services	0	0	3 489	63 328
<b>Other operating expenses</b>	<b>1 319</b>	<b>1 639</b>	<b>366 646</b>	<b>392 907</b>
<b>Total other operating expenses</b>	<b>1 319</b>	<b>1 639</b>	<b>1 138 470</b>	<b>1 191 367</b>

**Note 7**

**Property, plant, equipment and goodwill**

<b>Consolidated</b>	Research and development	Software, other rights	Goodwill	Operative equipment	Machinery	Costs re. rented premises	Land, real estate and ships*	Total
Acquisition cost 1.1.	19 702	70 444	313 276	705 677	1 636 176	673 280	1 658 024	5 076 579
Additions	286	23 059	42 080	64 781	55 929	128 421	245 778	560 334
Sale/disposals	0	0	-10 560	-52 690	-12 058	-11 238	-143 696	-230 242
<b>Acquisition cost 31.12.</b>	<b>19 988</b>	<b>93 503</b>	<b>344 796</b>	<b>717 768</b>	<b>1 680 047</b>	<b>790 463</b>	<b>1 760 106</b>	<b>5 406 671</b>
Accumulated depreciation 1.1.	-15 818	-51 150	-297 041	-592 169	-674 982	-438 699	-1 095 309	-3 165 168
Sale/disposals	0	0	8 066	37 366	4 637	11 717	11 681	73 467
Depreciation of the year	-590	-5 291	-6 375	-48 049	-80 306	-65 783	-56 869	-263 263
Write-down	0	0	0	-119	0	-6 712	-120 889	-127 720
<b>Net carrying value 31.12.</b>	<b>3 580</b>	<b>37 062</b>	<b>49 446</b>	<b>114 797</b>	<b>929 396</b>	<b>290 986</b>	<b>498 720</b>	<b>1 923 987</b>
Economic life	7 years	5 - 20 years	5 - 10 years	3-10 years	5-20 years	5-20 years	0-50 years	
Depreciation scheme	Linear	Linear	Linear	Linear	Linear	Linear	Linear	

\* 1st year of work on the cultivated land in Umoe Bioenergy is included under "Land and other real estate" with an amount of NOK 119 mill.

<b>Consolidated goodwill</b>	Acquisition cost as of 31.12.14	Goodwill as of 1.1.14	Add./disp. in 2014	Dep./Write-d. in 2014	Goodwill as of 31.12.14
Kagra IX AS (former Sønnico Installasjon AS)	21 000	0	0	0	0
Sønnico AS	1 670	0	1 670	-83	1 587
Sønnico Tele AS	369	0	-2 494	0	-2 494
Umoe AS	76 411	11 809	0	-4 724	7 086
Umoe Advanced Composites AS	123	0	0	0	0
UBE Gruppen AS	-269 359	0	0	0	0
Umoe Consulting AS	23 529	222	0	-222	0
Umoe Restaurants AS	246 269	0	43 702	-1 017	42 685
Umoe Gas Carriers AS	1 422	908	0	-328	580
<b>Total goodwill</b>	<b>101 434</b>	<b>12 939</b>	<b>42 878</b>	<b>-6 374</b>	<b>49 443</b>

**Note 8**

**Lease agreements**

<b>Obligations of financial leases recognized in the balance sheet - group figures</b>	Operative equipment	Vessels and other resources	Land and other real estate	Total
<b>Cost current year</b>	<b>646</b>	<b>2 329</b>	<b>0</b>	<b>2 975</b>
Cost next year	559	2 356	0	2 915
Total costs 2-5 years	68	3 583	0	3 651
Total costs after 5 years	0	0	0	0
<b>Total future leasing costs</b>	<b>627</b>	<b>5 939</b>	<b>0</b>	<b>6 566</b>
Discounted effect	0	-425	0	-425
<b>Net present value leasing costs</b>	<b>627</b>	<b>5 513</b>	<b>0</b>	<b>6 140</b>

The assets associated with these liabilities are included in note 7.

**Expensed operational leasing - group figures**

Future minimum payments is as follows:

	Operative equipment	Vessels and other resources	Land and other real estate	Total
<b>Cost current year</b>	<b>14 744</b>	<b>968</b>	<b>264 014</b>	<b>279 726</b>
Cost next year	11 517	38	273 855	285 409
Total costs 2-5 years	18 307	0	779 220	797 527
Total costs after 5 years	0	0	337 034	337 034
<b>Total future minimum leasing costs</b>	<b>29 824</b>	<b>38</b>	<b>1 390 109</b>	<b>1 419 970</b>

**Note 9**

**Shares in subsidiaries**

<b>Shares in subsidiaries owned by Umoe Gruppen</b>	Registered office	Owner %	Voting share %	Book value
Umoe AS	Bærum	99,1 %	99,1 %	2 682 144
Umoe Gas Carriers AS (tidligere Shipping and Energy AS)	Haugesund	99,4 %	99,4 %	682 730
Umoe Invest AS	Bærum	100,0 %	100,0 %	100
<b>Total shares in subsidiaries owned by Umoe Gruppen</b>				<b>3 364 974</b>



**Shares in subsidiaries owned by Group companies:**

	Registered office	Owner %	Voting share %	Book value
American Bistro Scandinavia AS	Lysaker	100,0 %	100,0 %	147 973
American Bistro Sweden AB	Sweden	100,0 %	100,0 %	42 329
Blender AS	Lysaker	100,0 %	100,0 %	265 829
Burger Mandal AS	Lysaker	100,0 %	100,0 %	376
Fornebu Lumber Company Inc	Canada	100,0 %	100,0 %	32 545
Kagra IX AS	Oslo	100,0 %	100,0 %	113 750
King Food A/S	Denmark	100,0 %	100,0 %	12 483
King Food AB	Sweden	100,0 %	100,0 %	5 023
King Food AS	Lysaker	100,0 %	100,0 %	95 772
Peppes Pizza AS	Lysaker	100,0 %	100,0 %	599 543
Røyken Sentrumsutvikling AS	Bærum	100,0 %	100,0 %	72 366
Sønnico AS	Oslo	100,0 %	100,0 %	27 181
Sønnico Tele AS	Oslo	94,5 %	94,5 %	1 752
Umoe Advanced Composites AS	Mandal	100,0 %	100,0 %	5 853
Umoe Alu Iceland hf	Iceland	96,0 %	96,0 %	0
Umoe Alu Services AS	Karmøy	80,0 %	80,0 %	9 906
UBE Gruppen AS (former Umoe Bioenergy ASA)	Bærum	100,0 %	100,0 %	792 385
Umoe Bioenergy S.A	Brazil	100,0 %	100,0 %	322 300
Umoe Consulting AS	Bergen	62,2 %	62,2 %	16 198
Umoe Eiendom AS	Bærum	100,0 %	100,0 %	303 343
Umoe Eiendom Hovedgård AS	Bærum	100,0 %	100,0 %	49 516
Umoe Eiendom Vest AS	Karmøy	100,0 %	100,0 %	76 200
Umoe Forestry AS	Bærum	100,0 %	100,0 %	140 054
Umoe Karmsund AS	Karmøy	100,0 %	100,0 %	10 763
Umoe LNG AS	Haugesund	100,0 %	100,0 %	156 912
Umoe Mandal AS	Mandal	100,0 %	100,0 %	133 700
Umoe Mandal Eiendom AS	Mandal	100,0 %	100,0 %	27 965
Umoe Mandal Inc AS	USA	100,0 %	100,0 %	0
Umoe Restaurant Group Coffee AB	Sweden	100,0 %	100,0 %	9 653
Umoe Restaurant Group Coffee AS	Lysaker	100,0 %	100,0 %	13 558
Umoe Restaurants AB	Sweden	100,0 %	100,0 %	47
Umoe Restaurants AS	Bærum	91,0 %	91,0 %	762 580
Umoe Sterkoder AS	Kristiansund	98,1 %	98,1 %	12 162
Umoe Wind AS	Bærum	100,0 %	100,0 %	50 000
Westend Bakeri AS	Lysaker	100,0 %	100,0 %	200
	Bærum			

**Note 10**
**Shares in associated companies**

Company	Owner/voting share	Opening balance	Add/disp. 2014	Profit/loss	Gain/loss	Write down rev.WD	Reclass other	Closing balance
CleanHull Limited	0,0 %	0	0	0	-16 033	16 033	0	0
Eltel Sønnico AS	50,0 %	0	7 515	-2 983	0	0	0	4 532
Norspan LNG AS and IS	49,9 %	59 262	-2 452	8 867	0	0	14 400	80 077
Norspan LNG II AS and IS	37,5 %	29 580	0	-3 754	0	0	-1 187	24 639
Norspan LNG III AS and IS	42,0 %	12 941	0	-3 520	0	0	2 323	11 744
Norspan LNG IV AS and IS	42,0 %	-11 062	0	-7 839	0	0	-3 850	-22 751
Norspan LNG V AS and IS	45,0 %	36 769	0	-747	0	0	8 017	44 039
Norspan LNG VI AS and IS	45,0 %	27 744	0	-2 085	0	0	5 781	31 440
Norspan LNG VII AS and IS	45,0 %	40 983	0	1 248	0	0	9 310	51 541
Norspan LNG VIII AS and IS	49,9 %	122 500	-52	18 687	0	0	30 534	171 669
Rail Gourmet Togservise Norge AS	50,0 %	8 125	0	84	0	0	-2 913	5 296
REC Silicon ASA*	22,1 %	844 114	176 550	346 411	32 528	-522 950	-644	876 010
<b>Total associated companies - consolidated</b>		<b>1 170 956</b>	<b>181 561</b>	<b>354 369</b>	<b>16 495</b>	<b>-506 917</b>	<b>61 771</b>	<b>1 278 235</b>

\* The balance, but not the voting share, includes 35.3 millioner shares on a forward contract.

Total associated companies includes a liability regarding associated companies of NOK 22.7 mill.

**Note 11****Financial income and financial expenses**

	Umoe Gruppen AS		Consolidated	
	2014	2013	2014	2013
Group contribution and dividend received	327 740	169 193		
Gain/loss from sale of subsidiaries	0	0		
<b>Gain/loss/write-down from subsidiaries</b>	<b>327 740</b>	<b>169 193</b>		
Profit/loss from associated companies	0	0	354 368	80 420
Gain/loss from sale of associated companies	0	0	16 495	1 423
Write-down*	0	0	-506 917	2 037
<b>Profit/loss/write-down from associated companies</b>	<b>0</b>	<b>0</b>	<b>-136 053</b>	<b>83 879</b>
Interest income - external	62	38	20 924	10 295
Interest income - intercompany	2 449	2 244	40	1 498
Net gain (+) from sale of securities	0	0	0	272 426
Dividend	0	0	16 224	38 547
Write-down, reversal of write-down long term shares	0	0	0	150 034
Bonds	0	0	0	40
Currency gain (net)	14 437	0	5 459	0
Other financial income	0	0	14 011	21 495
<b>Financial income</b>	<b>16 948</b>	<b>2 282</b>	<b>56 657</b>	<b>494 335</b>
Interest expenses – external	1 031	1 411	123 289	118 784
Interest expenses – intercompany	18 798	21 499	325	0
Write-down of shares	0	0	784	0
Currency loss (net)	0	37 725	0	35 093
Other financial expenses	0	0	29 154	18 515
<b>Financial expenses</b>	<b>19 829</b>	<b>60 635</b>	<b>153 552</b>	<b>172 392</b>

\*) Write down/reversed write down in 2013 relates to the shares in UBE Gruppen AS, Umoe Forestry AS, Umoe Mandal AS and Kagra IX AS.

Write down/reversed write down in 2014 relates to the shares in UBE Gruppen AS, Umoe Restaurants AS, Umoe Consulting AS, Umoe Forestry AS, Umoe Mandal AS and Kagra IX AS. For an overview of the investments, see Note 10.

**Note 12****Other shares owned by group companies**

	Registered office	Ownership %	% of votes	Book value
Koksa Eiendom AS	Bærum	4,51 %	4,51 %	30 827
Copersucar S.A	Brazil	2,00 %	2,00 %	17 854
Alliance Venture Spring AS				1 000
Others				42
<b>Total other shares owned by Umoe Gruppen consolidated</b>				<b>49 723</b>

**Note 13****Inventory**

	Umoe Gruppen AS		Consolidated	
	2014	2013	2014	2013
Raw-materials and bought semi-finished goods	0	0	273 456	250 539
Self-produced and acquired finished goods	0	0	233 709	55 262
Prepayments to suppliers for goods	0	0	56 643	85 453
Allocations for obsolete stock	0	0	-986	-31 948
<b>Total raw-materials and finished goods</b>	<b>0</b>	<b>0</b>	<b>562 822</b>	<b>461 803</b>

**Note 14****Construction contracts**

	Umoe Gruppen AS		Consolidated	
	2014	2013	2014	2013
<b>Margin - on-going projects</b>				
Revenue recognized - on-going projects	0	0	394 822	546 187
Cost recognized - on-going projects	0	0	364 888	449 533
Margin - on-going projects	0	0	29 934	96 654
<b>Work in progress</b>				
Work in progress to be invoiced, included in accounts receivable	0	0	12 613	13 961
Customer retentions	0	0	0	0
Contract costs to complete unprofitable contracts	0	0	0	0
Advances received	0	0	33 702	45 883

**Note 15****Equity**

<b>Umoe Gruppen AS</b>	Share capital	Share premium	Other equity	Total
Equity as of 31 December 2013	375 000	250 375	2 207 471	2 832 846
Profit/(loss) of the year	0	0	324 091	324 091
Accrued dividend	0	0	-20 000	-20 000
<b>Equity as of 31 December 2014</b>	<b>375 000</b>	<b>250 375</b>	<b>2 511 562</b>	<b>3 136 937</b>

<b>Umoe Gruppen - consolidated</b>	Share capital	Share premium	Other equity	Minority share	Total
Equity as of 31 December 2013	375 000	250 375	1 029 587	131 861	1 786 823
Profit/(loss) of the year	0	0	-483 698	-4 655	-488 353
Dividends, purchase of minority, share issues in subsidiaries, etc.	0	0	-12 549	-78 236	-90 785
Currency effect of intercompany loans	0	0	4 633	294	4 927
Currency translation effects	0	0	78 411	2 301	80 712
<b>Equity as of 31 December 2014</b>	<b>375 000</b>	<b>250 375</b>	<b>616 385</b>	<b>51 565</b>	<b>1 293 324</b>

**Share capital and information about shareowners**

The share capital in Umoe Gruppen AS consists of two share classes:

	Post	Own share	A-shares	B-shares	Total
JUM Holding AS v/Jens Ulltveit-Moe	B/CEO	59,5 %	11 250	211 875	223 125
UM Holding AS v/Ragnhild K. Ulltveit-Moe	B	20,0 %	0	75 000	75 000
Agnes Holding AS (controlled by Jens Ulltveit-Moe)	B/CEO	20,0 %	0	75 000	75 000
Hanne Kierulf		0,5 %	0	1 875	1 875
<b>Total number of shares</b>		<b>100 %</b>	<b>11 250</b>	<b>363 750</b>	<b>375 000</b>
Face value			1 000	1 000	1 000
Share capital			11 250 000	363 750 000	375 000 000

B = Board member

**Note 16****Pensions**

All of the Umoe Group's Norwegian companies and some of its foreign companies have pension schemes for their employees. Some of these schemes entitle the employees to a defined future benefit, but many of the companies have defined contribution schemes. The defined benefit schemes are mainly based on the pension-earning period, the pay level at retirement age and the size of the benefits payable under the Norwegian National Insurance Scheme (NIS). The company pension schemes are financed by funds built up in insurance companies.

All the Norwegian companies in the group with employees, are obliged to have a defined contribution pension scheme for employees according to the Obligated Contribution Pension Act (lov om obligatorisk tjenestepensjon). The companies' pension schemes are in accordance with this Act.

**Financial assumptions**

	2014	2013
Discount rate	3,00 %	4,10 %
Estimated yield on pension assets	3,80 %	4,40 %
Salary increases	3,00 %	3,50 %
Increase in NIS basic amount (G)	3,00 %	3,50 %
Increase in pensions	0,10 %	0,60 %
Number of members - contribution-based arrangement	4 168	4 712
Number of members - earnings-related arrangement	185	168

<b>This year's pension cost including social security tax</b>	Consolidated	
	<b>2014</b>	<b>2013</b>
Defined contribution pension costs	26 892	34 079
Present value of the year's pension earnings	2 395	2 734
Interest cost on incurred pension liabilities	1 029	1 474
Estimated yield on pension assets	-586	-859
Estimate deviations and changes to pension plans	515	-1 339
Administration costs	421	493
<b>This year's pension cost</b>	<b>30 666</b>	<b>36 582</b>

**Pension liabilities and pension assets as at 31 December:**

Estimated liabilities incurred	44 132	42 713
Estimated value of the pension assets	31 478	29 164
Net pension liabilities	12 654	13 549
Unamortized deviations	-6 554	-6 056
Estimated pension liabilities in the balance sheet	6 100	7 493
Of which schemes with net assets	0	0
Of which schemes with net liabilities	6 099	7 493

**Note 17**

**Taxes**

	Umoe Gruppen AS		Consolidated	
	2014	2013	2014	2013
<b>Tax charge for the year</b>				
Pre-tax profit/loss	322 741	108 343	-476 974	734 736
Permanent differences	-327 740	-169 193	136 645	-1 183 462
<b>Tax basis</b>	<b>-4 999</b>	<b>-60 850</b>	<b>-340 329</b>	<b>-448 726</b>
Tax rate	27,00 %	28,00 %	20,65 %	38,51 %
Tax on this year profit	-1 350	-17 038	-70 272	-172 799
Effect of change in tax-rate	0	-76	0	-1 723
Reversed deferred tax assets due to the upper-limit rule	0	0	141 019	281 672
Other direct tax cost	0	0	-60 542	7 310
Other	0	0	1 174	0
<b>Total tax income (-)/tax cost (+)</b>	<b>-1 350</b>	<b>-17 114</b>	<b>11 379</b>	<b>114 460</b>

**Tax payable in the balance sheet:**

This years tax cost/income	-1 350	-17 114	11 379	114 460
Changes in and bought/sold deferred tax	1 350	22 823	-7 502	-113 083
Tax payable on Group contributions paid	0	-5 794	0	0
Paid and bought/sold tax payable	0	0	-3 833	-27 155
Translation differences etc.	0	85	700	34 831
<b>Total tax payable</b>	<b>0</b>	<b>0</b>	<b>744</b>	<b>9 053</b>

**Specification of basis for deferred tax:**

Total relating to short-term balance sheet items	-7 450	-33 410	-74 564	-79 529
Total relating to long-term balance sheet items	32 759	40 998	-2 468 723	-87 417
Loss carried forward maturing after 5 years	0	0	-3 376 395	-737 186
Loss carried forward maturing after 5 years - disputed tax losses*	-22 720	0	-1 386 816	-1 386 816
<b>Total basis for temporary differences</b>	<b>2 589</b>	<b>7 588</b>	<b>-7 306 498</b>	<b>-2 290 948</b>
Calculated deferred tax	699	2 049	-827 498	-754 690
Reversed deferred tax assets due to the upper-limit rule	0	0	1 168 840	1 032 670
<b>Net deferred tax in the balance sheet</b>	<b>699</b>	<b>2 049</b>	<b>341 342</b>	<b>277 980</b>

\* There is an on-going dialogue between the Central Tax Office for Large Enterprises (Sentralskattkontoret for storbedrifter) and UBE Gruppen AS (UBE) regarding the tax deduction in the income tax form for UBE in 2010 on NOK 1,2 billion. The Central Tax Office has now notified a change, and based on prudence considerations UBE has decided not to recognize the deferred tax asset in the balance sheet. A final clarification on how far the tax deduction is genuine, is still in trial at the tax authorities.

**Note 18**

**Long term debt - Umoe Gruppen AS**

	Remaining pr. 31.12.14	Remaining pr. 31.12.13
Loan from Umoe AS	0	26 523
Loan from JUM Holding AS	9 725	0
Loan from Umoe Gas Carriers AS	0	279 000
Loan from related parties and associated companies	29 491	31 324
<b>Total long term debt</b>	<b>39 216</b>	<b>336 847</b>

Debt maturing later then 2019 and 2018, respectively 0 0

## Long term debt - Umoe Gruppen consolidated

	Remaining pr. 31.12.14	Remaining pr. 31.12.13
Debt to group companies and related parties	39 216	0
Mortgage loan	1 807 295	1 223 018
Other long term debt	63 983	32 283
<b>Total long term debt</b>	<b>1 910 494</b>	<b>1 255 301</b>

Debt maturing later then 2019 and 2018, respectively 867 981 358 201

Pledges	Umoe Gruppen AS		Consolidated	
	2014	2013	2014	2013
Book value of assets pledged as security for the company's debt 31.12;				
Buildings, land and quays	54 803	54 803	508 512	313 932
Shares in subsidiaries	0	0	2 088 027	0
Other shares	0	0	525 606	1 164 157
Loans, etc.	0	0	200 000	0
Construction contracts, trade accounts receivable, inventories, etc.	0	0	318 041	1 000 849
<b>Total pledged assets</b>	<b>54 803</b>	<b>54 803</b>	<b>3 640 186</b>	<b>2 478 938</b>
Off balance sheet guarantees	60 000	60 000	185 022	430 583

Umoe Gas Carriers AS has also pledged security and guarantees in relation to the liabilities in the ship-owning companies which is presented in accordance to the net method. The total amount of guarantees was NOK 686 mill. (NOK 943 mill. in 2013). The company has also pledged guarantee for 50 per cent of an interest rate swap in the amount of EUR 50 mill. (EUR 50 mill. in 2013) on behalf of Norspan LNG AS/IS and Norspan LNG II AS/IS.

## Note 19

### Transactions with related companies

Umoe AS delivers accounting services to several of the group companies. The group also has a number of intercompany deposits. The loans are priced based on NIBOR with a added margin which takes the risk in consideration.

	Umoe Gruppen AS	
	2014	2013
<b>Interest income</b>		
Umoe AS	2 449	746
JUM Holding AS	0	1 498
<b>Total</b>	<b>2 449</b>	<b>2 244</b>

<b>Interest expenses</b>		
Umoe AS	-62	-182
Umoe Gas Carriers AS	-18 411	-21 317
JUM Holding AS	-325	0
<b>Total</b>	<b>-18 798</b>	<b>-21 499</b>

	Umoe Gruppen AS	
	31.12.14	31.12.13
<b>Interest bearing loans from Umoe Gruppen AS</b>		
Umoe AS	81 263	0
<b>Total</b>	<b>81 263</b>	<b>0</b>

<b>Interest bearing loans to Umoe Gruppen AS</b>		
Umoe AS	0	26523
JUM Holding AS	9 725	0
Umoe Gas Carriers AS	59 076	279 000
<b>Total</b>	<b>68 801</b>	<b>305 523</b>

To the Annual Shareholders' Meeting of  
Umoe Gruppen AS

## AUDITOR'S REPORT

### Report on the financial statements

We have audited the accompanying financial statements of Umoe Gruppen AS, comprising the financial statements for the Parent Company and the Group. The financial statements for the Parent Company and the Group comprise the balance sheet as at 31 December 2014, the statements of income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

#### *The Board of Directors' and Chief Executive Officer's responsibility for the financial statements*

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

### *Opinion*

In our opinion, the financial statements of Umoe Gruppen AS have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Parent Company and the Group as at 31 December 2014 and their financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

### **Report on other legal and regulatory requirements**

#### *Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report concerning the financial statements, the going concern assumption and the proposal for the 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 the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 10 July 2015  
ERNST & YOUNG AS

Finn Kinserdal  
State Authorised Public Accountant (Norway)

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