

# **Annual Report**

**Umoe Gruppen AS**



**2010**



# Umoe Gruppen AS

## DIRECTORS' REPORT

2010 was the year when we focused on energy in a growth economy, consolidated our finances and finished tidying up after the financial crisis. We are beginning the New Year with a proper structure for the development in the world economy, no long-term debt in the parent companies and financial resources for new investments.

Our future is based on growth in Brazil, increased demand for gas and renewable energy and a strong domestic market in the rich, energy exporting, Norway. Umoe Gruppen AS has four main areas: ethanol production in Brazil, LNG transport, offshore and maritime security and restaurants in Norway and Sweden. In addition, Umoe is the majority shareholder in several medium-sized companies, has significant shareholdings in selected companies that are listed on the stock exchange and manages its surplus liquidity in a financial portfolio.

Umoe exercises active, long-term, ownership in the companies it controls by appointing representatives to their Boards of Directors and other governing bodies. The senior management of several of these companies has minority shareholdings in them. Umoe Gruppen AS has a small and highly qualified staff that exercises the active ownership. The company's registered office is at 84, Fornebuveien, 1324 Lysaker, Norway. The subsidiaries have their own management and they are largely financed by their own earnings and balance sheet. There is little synergy between the individual investments in the portfolio. The value drivers and market conditions for the individual companies are different. This allows flexibility and risk equalisation in the portfolio as a whole.

Our investments are mainly recognised at cost and, over time, considerable added value has been created for several of the investments compared to the book value. Investments whose value has decreased during the year have been written down to their estimated market value at the year-end. Umoe places emphasis on maintaining a good equity/assets ratio. The real equity ratio is significantly higher than the reported value. The bond loan has been repaid and both Umoe Gruppen AS and Umoe AS are holding companies without external debt and with significant investment capacity.

The Board of Directors would like to use this opportunity to extend its gratitude to our more than 7,000 employees for the good contribution they have made in a demanding year. Together we have laid down the basis for growth and good places of work.

## THE OPERATIONS DURING 2010

2010 was the year when we finally managed to clear things up after the financial crisis and outlined our investments in new areas. We finished the year with cash and cash equivalents totalling NOK 1.274 billion and profit after tax and minority interests amounting to NOK 60 million (NOK -444 million). The net cash flow from operational activities was NOK 184 million (NOK 377 million), whereas the operating loss before depreciation, amortisation and write-downs was NOK 122 million (NOK -187 million).

The Group's total assets amounted to 5.591 billion (NOK 5.998 billion). The Group's booked equity at 31

December totalled 1.946 billion, equivalent to an equity ratio of 34.8 % (30.7 %). The company has significant hidden reserves. The Board of Directors considers the Group's liquidity to be good.

Umoe Bioenergy ASA had its first full year of production, during which the agriculture, industry and organisation in Brazil functioned together efficiently. The industrial facility was upgraded and the whole 34,000 hectares of sugar cane was harvested.

Umoe IKT AS was sold to Atea ASA in December 2010, with a settlement in shares in Atea ASA.

Umoe Mandal AS delivered two missile torpedo boats (MTBs) to the Navy. There is still some uncertainty remaining with regard to this delivery, which is now expected to be completed during the first half of 2012.

The restructuring of the Umoe Schat-Harding Group was carried out as planned and this has ensured the further growth of the service division. The equipment division completed the development of FF1200, which has ensured a unique position for the company on the Norwegian offshore market.

The Umoe Restaurant Group has further strengthened its position during 2010 and ensured better productivity and earnings.

Umoe Shipping and Energy AS received 4 LNG ships built at the Daewoo shipyard in Korea and does not have any new construction projects.

As regards to the medium-sized companies, Umoe sold Umoe iTet AS to the company's minority shareholders in 2011. The ownership of Brattvåg Elektro AS has been assigned to Umoe AS. The polysilicon project in Umoe Solar was discontinued during the summer of 2010. There are currently negotiations with the Province of New Brunswick regarding the future of our companies in Canada.

The change in value on the financial market securities was very good in 2010, with an overall profit of NOK 245 million. We sold our shares in Petroleum Geo-Services ASA and Intex Resources ASA.

## **FINANCIAL MARKET RISK**

The Group is exposed to various risks such as market risks, credit risks and liquidity risks. Attempts are made to reduce unwanted risks through long-term contracts, advance payments, natural hedging, guarantees and credit lines with recognised banks or through investment of surplus liquidity in various listed companies. For a more detailed overview of the various risks, please refer to note 2 of the annual accounts.

## **OUR MAIN AREAS**

### **Umoe Bioenergy ASA**

Umoe Bioenergy ASA (UBE) is an upstream producer of pure and renewable ethanol and, from 2012, of electric power based on sugar cane. The sugar cane is supplied from the cultivation and harvesting of sugar cane on approx. 34,000 hectares of mostly leased areas in Paranapanema, the southwest region of the state of São Paulo in Brazil. UBE's goal is to maximise the added value from the various parts of the sugar cane and benefit from the sale of carbon certificates and/or environmentally friendly, quality products. The company has a plant that is currently licensed to crush a total of 2.6 million tonnes of sugar cane. The Group owns and operates its own equipment for harvesting, which is almost fully mechanised. Under normal weather conditions, the company can produce approx. 220 million litres of hydrous ethanol for the Brazilian fuel market. The company continues to have outstanding warrants issued in connection with a former bond loan the company took in 2007, which has since been repaid. These warrants expire in June 2012 and they are not considered to be of any economic value. In 2010, the Umoe Bioenergy Group had a turnover of NOK 446 million (NOK 316 million). Operating loss before depreciation, amortisation and write-downs amounted to NOK 7 million (NOK -207 million) and the pre-tax profit amounted to NOK 163 million (NOK -969 million).

In 2010, UBE harvested approx. 2.3 million tonnes of sugar cane. The harvest was lower than planned, primarily because of extreme weather conditions and drought during the third quarter of 2010. Nevertheless, this was the first year when UBE had a full working season and the entire crop from all the fields was harvested. The crop resulted in a total of 180 million litres of hydrous ethanol, 32 million litres more than the previous year. The

average price of ethanol on the Brazilian market was as budgeted and led to sales revenue of around BRL 130 million in 2010. The sales and distribution activities in 2010 were outsourced to Copersucar. UBE became a member of, and shareholder in, Copersucar in 2010. Through its membership in Copersucar, UBE is guaranteed market price plus 2 % on the ethanol.

The modern Sandovalina plant was expanded during 2010 to a crushing capacity of 2.6 million tonnes. As a result of this expansion, UBE has concentrated all of its production to this plant as from 2011. The investment of BRL 54 million (nearly NOK 180 million) was mainly financed through new loans in Brazil. In order to maximise the effect of the expansion, UBE will expand the sugar cane plantations and raise the agricultural efficiency. Work during the first quarter of 2010 was largely prevented due to unusually high rainfall.

UBE has large quantities of bagasse as a by-product of the ethanol production. The company has entered into agreements for the construction of an electrical power plant next to the Sandovalina facility, which will produce electric power from the middle of 2012. The Brazilian Development Bank, BNDES, has guaranteed 90 % of the financing for the project on very favourable terms and all necessary licenses have been obtained. The new plant will have a maximum capacity of 45 MW/hour and it is expected to have approx. 8,000 operating hours per year. The full utilisation of its capacity will require a certain increase in the supply of sugar cane, which is planned. The new plant will allow the company to produce electric power for its own use and for sale on the public and private market in Brazil. The project will increase and stabilise UBE's cash flow, raise its debt-servicing capacity, reduce the operational risk and also produce extra steam, which can be used for the production of anhydrous ethanol and other products with a high price and export quality.

The value development in the company is especially dependent on the price of ethanol and the successful implementation of the power plant project.

### **Umoe IKT AS**

Umoe IKT AS was sold to Atea AS on 21 December 2010. The sale of Umoe IKT AS was settled in 4 million shares in Atea ASA. Parts of the Atea shares were taken over only after it was issued at Atea ASA's Ordinary General Meeting of Shareholders on 28 April 2011.

The subsidiary Tarantell AS was sold earlier in the year to Making Waves AS with a settlement in shares in Making Waves AS. The shares in Making Waves AS and the Umoe iTet and Umoe Consulting subsidiaries was not part of the transaction with Atea AS and, for this reason, was sold by Umoe IKT AS to Umoe AS on 14 December 2010. In April 2011, Umoe AS sold the shares in Umoe iTet AS to the company's senior management.

Umoe IKT had consolidated revenue amounting to NOK 1.256 billion (NOK 1.272 billion), an operating loss before depreciation, amortisation and write-downs of NOK 36 million (NOK -10 million) and a pre-tax loss of NOK 6 million (NOK -99 million) for 2010.

### **Umoe Mandal AS**

Umoe Mandal AS and its subsidiary Umoe Advanced Composites AS develop and manufacture advanced composite solutions for the maritime industry and oil and gas sector. Umoe Mandal had consolidated revenue of NOK 171 million (NOK 210 million), an operating loss before depreciation, amortisation and write-downs of NOK 102 million (NOK -60 million) and a pre-tax loss of NOK 112 million (NOK -60 million) for 2010.

The work on the construction of five Skjold class missile torpedo boats (MTBs) and the upgrading of the KNM Skjold for the Royal Norwegian Navy has been under way since 2003 and it continued to be the company's main activity during 2010. The contract is worth approx. NOK 2 billion and the degree of completion as of year-end 2010 was 98.5 %. The last vessel in the series is expected to be delivered during the first half of 2012. The project has been delayed significantly, compared to the original schedule, primarily due to delays by the American supplier of the vessels' propulsion machinery. A dialogue has been initiated with the customer regarding day penalties and other compensations. These negotiations are expected to be completed during the first half of 2011. The necessary provisions connected to the project have been accrued for in the accounts.

The company's order book is weak and the company will need liquidity during 2011. The company was awarded a two-year contract with the Royal Norwegian Navy in March 2011 for inspections of Mine Counter Measure Vessels. The company is also well positioned in order to be able to supply components to the expected investments in new vessels in the United States in the coming years. In addition, the company is working with several interesting projects that are expected to make a positive contribution in the future.

Umoe Advanced Composites AS had a weaker development during 2010, partly due to the general market conditions and also because of certain specific production challenges. The revenue for 2011 is also expected to be moderate.

### **Umoe Schat-Harding Group AS**

Umoe Schat-Harding has the industry's largest global service network and supplies maritime lifesaving equipment and services to cruise ships, offshore installations and the merchant marine. The Group is represented in 25 locations around the world by its own service stations and in another 37 locations through service partners. Umoe Schat-Harding had a turnover of NOK 667 million (NOK 772 million) for 2010. Operating profit before depreciation, amortisation and write-downs amounted to NOK 41 million (NOK 34 million) and the pre-tax profit was NOK 5 million (NOK -20 million).

The Group carried out a restructuring where the service division and the production division were split into separate legal units as from 1 January 2010. In addition, separate units for the property portfolio and for the environmentally friendly cleaning of ship hulls, CleanHull AS, were established. This was done in order to better position the units against the different opportunities and challenges they are facing.

The split and a new management have ensured a significant strengthening in the position of the service division during 2010. Targeted recruitment for its own sales and marketing staff has resulted in a significant increase in the sales force and ensured a local presence in Brazil. These and several other initiatives have resulted in an additional growth in revenue of 7 % compared to 2009. The Group has also invested time and resources in training for doing maintenance of the equipment of other suppliers, which will also contribute to an additional increase in revenue in coming years. The Group will spend a significant amount of its resources on streamlining its sales and marketing activities in 2011, ensuring quality in all parts of the value chain and ensuring that the administrative systems reflect the global nature of the Group's operations. The division is also well equipped to take advantage of the opportunities created by potential new IMO rules.

The equipment division completed the production of loss-making contracts in 2010; nevertheless, profitability continues to be weak even if developments are going in the right direction. The financial crisis resulted in a historically low number of contracts for new ships in 2009, something that resulted in significantly lower revenue for the equipment division in 2010. We see, however, that both the number of new orders and the activity have recently picked up considerably. New regulations in the North Sea place even greater requirements on free-fall lifeboats. With its FF1200 free-fall lifeboat, Umoe Schat-Harding has shown that it can be successful in this market and the company has been awarded all new contracts, both for fixed and floating installations that comply with the new regulations. The development of the FF1200 boats and other development projects in both the cruise and offshore segments has had a negative effect on the accounts amounting to NOK 9 million and NOK 32 million for 2010 and 2009, respectively.

The equipment division has charged the accounts and paid NOK 18 million in connection with a settlement made in a lawsuit in the USA, where we dispute the insurance company's assessments regarding this lawsuit. Legal action has been taken in this context. In addition, the equipment division has been warned of an additional civil action in the USA. We have not received sufficient information about this lawsuit to be able to take a position on the need for possible accounting provisions.

### **Umoe Restaurant Group AS**

Umoe Restaurant Group AS is Norway's largest, and a leading Scandinavian, restaurant group with turnover amounting to NOK 1.944 billion (NOK 1.892 billion) for 2010. Operating result before depreciation, amortisation and write-downs was NOK 197 million (NOK 150 million) and the pre-tax profit amounted to NOK 22 million (NOK -99 million). The company owns and runs the following restaurant chains: Peppes Pizza, Burger King, La Baguette, Cafe Opus, Fattigmann, Pub Compagniet and TGI Friday's. The company also owns 50 % of Rail Gourmet Togservise Norge AS and several restaurants that are not part of a chain.

2010 was a very good year for Umoe Restaurant Group, with solid increase in profit for all of the largest chains. The company's focus on improvements in the operations is the main reason for the improvements in profit. Karen Kvalevåg, former CFO, was appointed as the new CEO as from 1 September. A new management team has been put together and is already working on both operational and strategic issues to further strengthen the group.

Peppes Pizza continues to improve their profit and has achieved productivity improvements in both the restaurant and the delivery/take-out segment of the market. 2010 was characterised by tough competition in the

pizza market. Nevertheless, the Peppes brand has maintained its strong position and Peppes has raised its market share during this period.

Umoe Concept Company, which consists of Cafe Opus, La Baguette, Fattigmann, Lufthavnserving (airport catering) and Konseptrestauranter (concept restaurants), also shows good improvements in sales and profits.

Burger King (King Food AS) continues the expansion and has opened three new restaurants during 2010, two of these are in Sweden. A further restaurant was opened in Sweden in January 2011. Burger King increased both its revenue and profit during 2010.

TGI Friday's continues its success from recent years and also shows solid improvements in sales and profit in 2010. The chain now operates a total of seven restaurants, three of these are in Sweden. A further restaurant is planned to open in Oslo in October 2011.

The profit of Rail Gourmet Togservice Norge AS, where the Group has a 50 % interest, was weaker in 2010. The reason for this was the expiration of the company's original contract with NSB and the greater scope of the new contract, which they need to adapt to. The term of the new contract is 3 years, with an option for the client to extend it by 1 + 1 year. In addition, the company has had additional costs related to contractual negotiations and moving to new premises.

### **Umoe Shipping and Energy AS**

Umoe Shipping and Energy AS is the Group's holding company in the shipping sector. The company has ownership interests in a modern fleet of specialised LNG tankers. The ownership interests are entered in the accounts as associated companies. The company had a good year in 2010, during which the fleet of large LNG ships doubled from 4 to 8 ships. The company owns between 37,5% and 50% in each of the 8 LNG vessels. The loss related to the LNG operations amounted to NOK 44.6 million compared to NOK -38.5 million for 2009. The main reason for the negative result was additional costs connected to the taken delivery of the four new buildings in 2010. In addition, the profit was affected by a significant foreign exchange loss totalling NOK 50 million connected to the refinancing of the loan in Norspan LNG VIII, associated with the delivery of the ship in November 2010. The operating profit was NOK 45.6 million compared to a loss of NOK 39.3 million for 2009. The good financial results are mainly owing to a significant profit on sale of short-term investments and interest gains from the loan to the Umoe Group. The profit after tax amounted to NOK 85.5 million compared to NOK 449.4 million for 2009.

The Norwegian shipping tax regime was amended with effect from 1 January 2007. The amendment meant that the shipping companies in the old system could choose to either join the new regime or stay in the existing scheme. Ulltveit-Moe Rederi AS opted to join the new regime with effect from 1 January 2007. A latent taxable profit at the rate of 28 % was assessed in connection with the transition. In February 2010, the Supreme Court of Norway passed a judgement in favour of the shipping companies regarding the transitional provisions adopted by the Norwegian Parliament in December 2007. The provisions regarding the transition from the old to the new shipping tax regime violated Section 97 of the Norwegian Constitution. The Ministry of Finance has proposed new transitional provisions in the revised national budget. The company has decided to opt for this transitional scheme, which involves a one-off settlement where 2/3 of the settlement accounts are taxed at the rate of 10 %.

The gas market was generally weak in 2010 but all the ships are on contracts with first-class charterers. Transport of liquefied natural gas is a rapidly growing market that fits in very well with the Group's strategy of having long-term contracts with first-class charterers. At year-end, the company had ownership interests in eight LNG ships in operation, all on time-charter contracts to oil and energy companies.

### **Other companies**

These companies have an estimated market value of NOK 317 million, close to 8 % of the estimated total value of the Group as a whole. The Umoe Eiendom Group alone stands for NOK 101 million of this value. These companies include Brattvåg Elektro AS, Sønnico AS, Offshore Rig Company KS, Umoe Alu Services AS, Umoe Consulting AS, Umoe Eiendom AS and Umoe Solar AS.

The main common features of these companies are that they are medium-sized niche companies where Umoe has become an owner by spinning them off from other investments. Umoe wants to develop these companies through active ownership. Umoe also wants the management to have ownership interests in their own companies.

Offshore Rig Company KS has sold its drilling rig and it will be wound up at the end of 2011. As regards the Canadian operations of Umoe Solar, Umoe started negotiations on divesting its companies in Canada in the spring of 2011. The negotiations are expected to be completed by the end of the first half of the year. A strategy has been implemented for Brattvåg Elektro, Sønnico and Umoe Consulting, which ensures a correct focus for the companies going forward. The operations of Sønnico AS have been split up, by placing the company's electrical operations as a separate company owned directly by Umoe AS with effect from 1 April 2011. In addition, the Group has made a provision in connection with a loss-making contract in Sønnico amounting to NOK 28.3 million and other provisions related to the separation of the electrical operations amounting to NOK 11.9 million in 2010. The Group has made provisions and write-downs totalling NOK 55.4 million in Røyken Sentrumsutvikling AS, a company owned by Umoe Eiendom, in 2010 as a result of changed market prospects for the company.

Weak earnings are expected in the first half of 2011 for both Brattvåg Elektro and Umoe Alu Services. These companies are dependent on an improvement in the number of orders in order to raise the revenue to acceptable levels. Umoe Consulting considers its markets prospects to be good. The turnover of Fornebu Lumber Company, a company owned by Umoe Solar AS, will be affected by developments in housing construction in the USA, the USD/CAD exchange rate and the price of raw timber. The company expects weak earnings, unless there is a significant upswing in new housing construction. Umoe Eiendom is expected to have stable revenues as its most significant properties are leased to customers on long-term contracts.

Umoe AS does not expect to contribute with equity, guarantees or liquidity to the companies in this portfolio during 2011.

### **Securities**

Intex Resources ASA; Umoe sold its shareholding in the company in the autumn of 2010 and has resigned from the Board of Directors. A gain and a profit share totalling NOK 22.6 million have been booked in the accounts in 2010.

Kverneland ASA; Umoe AS' shareholding at year-end was 31.8 %. The shares had a market value of NOK 319 million and a book value of NOK 223.6 million in the Group. Umoe is represented on the company's Board of Directors.

Petroleum Geo-Services ASA; Umoe sold its shares in the autumn of 2010. It is booked in the accounts as a profit of NOK 164 million in 2010.

As a result of the divestment of Umoe IKT AS to Atea in December 2010, Umoe is exposed with 4 million shares in Atea ASA. The change in market value for these shares was positive and amounted to NOK 28 million in 2010.

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

The parent company, Umoe Gruppen AS, posted a profit of NOK 735,780,000 for 2010. The Board of Directors proposes the profit to be allocated as follow:

Group contribution received	2,577,000
Group contribution recognised as a share investment	-2,577,000
Transferred to other equity	735,780,000
<b>Total transfers and allocations</b>	<b>735,780,000</b>

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

## **PERSONNEL, ENVIRONMENT, RESEARCH AND DEVELOPMENT**

Umoe Gruppen AS has no employees. The Group had 7,102 employees equivalent to 5,554 work-years (6,277) in 2010. The overall absence rate due to sickness in the Group was 3.1 % (3.5 %). There were 67 personal

injuries during 2010 (96) and a significant part of these were linked to Umoe BioEnergy ASA's operations in Brazil. Umoe BioEnergy ASA's new management has reduced the number of accidents by 60 % and it is emphasising the importance of a "zero accident" level.

The Group also carried out a working environment survey in several of its Norwegian companies in 2010. The survey shows good feedback on the working environment. There are still areas for improvement in individual companies and these areas are targeted locally in these companies. Corresponding surveys are planned to be carried out in the remaining Norwegian companies in the autumn of 2011.

The Group currently has around 50 different nationalities represented among our 7,102 employees and aspires to comply with and meet the objective of the Norwegian Anti-Discrimination Act. There is work underway on different levels to ensure equal opportunities and rights for employees and to prevent discrimination on the grounds of ethnic origin, ancestry, skin colour, language, religion and belief in the workplace. 31.6 % of the Group's employees were female and 68.4 % were male at the end of 2010. The Group pays equal pay for equal work. Both sexes take part equally in courses and management development schemes. The Board of Directors consists of four men and one woman.

As far as the Board of Directors is aware, the individual Group companies have adapted their operations to comply with the relevant environmental requirements and order in the various sectors in which they operate. These include waste sorting systems, system for returning EE waste and production licences for ethanol. In addition to compliance with various orders and requirements issued by the authorities, several of the companies have an additional focus on the environment thanks to their energy efficiency measures, use of environmentally certified products and cooperation with suppliers to reduce their environmental impact.

To the extent the Group does any research and development, it is carried out in the different subsidiaries.

## **FUTURE PROSPECTS**

The outlook for the world economy is good but uneven for 2011. The former developing countries are currently the world's growth motor, whereas the western industrial countries have weak growth and are struggling with the after-effects of the financial crisis. We will continue to focus on the energy sector in the developing countries and the sheltered sector in Norway as an energy exporting country. After solving a number of demanding problems in 2010, Umoe is going to focus on organic growth in our main areas in 2011.

Fornebu, 29 April 2011

Sign.  
Johan Fr. Odfjell  
Chair 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

Figures in NOK 1.000

	Notes	Umoe Gruppen AS		Consolidated	
		2010	2009	2010	2009
Revenue		0	0	5 797 653	5 987 896
Other operating income		0	8	170 979	154 640
<b>Total operating income</b>	<b>3</b>	<b>0</b>	<b>8</b>	<b>5 968 632</b>	<b>6 142 536</b>
Cost of goods sold		0	0	2 483 156	2 576 307
Payroll and social expenses	4	447	429	2 358 628	2 553 102
Depreciation of fixed- and intangible assets	6	0	0	417 225	443 732
Write down of fixed- and intangible assets	6	0	0	43 626	356 229
Other operating expenses	5	728	871	1 248 556	1 200 017
<b>Operating profit</b>		<b>-1 175</b>	<b>-1 292</b>	<b>-582 559</b>	<b>-986 851</b>
Gain/loss/write-down/dividend subsidiaries	9	664 814	-349 942	0	0
Share of profit/loss from associated companies	8,9	0	0	21 522	-61 276
Financial income	9	97 303	296 526	335 130	815 024
Financial expenses	9	-39 480	-56 564	-154 825	-370 598
<b>Net financial items</b>		<b>722 637</b>	<b>-109 980</b>	<b>201 827</b>	<b>383 150</b>
<b>Ordinary profit (loss) before tax</b>		<b>721 462</b>	<b>-111 272</b>	<b>-380 732</b>	<b>-603 701</b>
Tax income (+)/tax cost (-)	15	14 318	-135 260	432 353	129 375
<b>Net profit (loss) of the year</b>	<b>13</b>	<b>735 780</b>	<b>-246 532</b>	<b>51 621</b>	<b>-474 326</b>
Minority's' share of the profit/loss				-8 678	-30 596
<b>Profit/loss for the year after minority interests</b>				<b>60 299</b>	<b>-443 730</b>

### Transfers and allocations

Group contribution - paid		0	-1 014 308		
Capital injection in daughter companies		-2 577	1 010 544		
Group contribution - received		2 577	3 763		
Transfer to (+)/from (-) other equity		-735 780	246 533		
<b>Total transfers and allocations</b>	<b>13</b>	<b>-735 780</b>	<b>246 532</b>		

# Umoe Gruppen AS

## Balance Sheet

Figures in NOK 1.000

	Notes	Umoe Gruppen AS		Consolidated	
		2010	2009	2010	2009
<b>Assets</b>					
Research and development	6	0	0	6 807	11 066
In-house developed software, other rights, etc.	6	0	0	42 433	56 882
Rental contracts	6	0	0	115 748	129 462
Deferred tax asset	15	0	0	192 593	3 842
Goodwill	6	0	0	93 263	409 675
<b>Total intangible assets</b>		<b>0</b>	<b>0</b>	<b>450 844</b>	<b>610 927</b>
Grounds, buildings and other real estate		0	0	669 916	666 596
Vessels, rigs and other resources		0	0	915 043	808 905
Equipment		0	0	313 899	354 253
<b>Total fixed assets</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>1 898 858</b>	<b>1 829 754</b>
Investment in subsidiaries	7	2 399 463	2 123 084	0	0
Loans to group companies		307 294	1 127 920	0	0
Investments in associated companies	8	0	0	463 212	321 030
Loans to associated companies		0	0	127 334	203 870
Other shares	10	0	0	38 141	40 054
Bonds		0	0	0	127
Other long-term receivables - interest-bearing		3 738	1 703	10 425	7 887
Other long-term receivables - non-interest-bearing		0	0	35 127	55 848
<b>Total financial assets</b>		<b>2 710 495</b>	<b>3 252 707</b>	<b>674 239</b>	<b>628 816</b>
<b>Total non current assets</b>		<b>2 710 495</b>	<b>3 252 707</b>	<b>3 023 941</b>	<b>3 069 497</b>
<b>Inventories</b>					
<b>Inventories</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>530 770</b>	<b>411 112</b>
Accounts receivable		0	0	467 600	630 368
Construction contracts	12	0	0	175 151	315 099
Short-term intercompany receivables		391 229	555 326	12	0
Other short-term receivables		122	0	119 470	177 046
<b>Total receivables</b>		<b>391 351</b>	<b>555 326</b>	<b>762 233</b>	<b>1 122 513</b>
Short-term investments		0	0	504 445	677 360
Bonds		0	0	0	1 855
Other current financial assets		-3 722	15 650	16 578	15 691
Cash and cash equivalents - non-restricted		73 115	150 875	733 400	693 479
Cash and bank equivalents - restricted		186	183	20 037	6 492
<b>Total cash and cash equivalents</b>		<b>69 579</b>	<b>166 708</b>	<b>1 274 460</b>	<b>1 394 877</b>
<b>Total current assets</b>		<b>460 930</b>	<b>722 034</b>	<b>2 567 463</b>	<b>2 928 502</b>
<b>Total assets</b>		<b>3 171 425</b>	<b>3 974 741</b>	<b>5 591 404</b>	<b>5 997 999</b>

## Umoe Gruppen AS

### Balance Sheet

Figures in NOK 1.000

	Notes	Umoe Gruppen AS		Consolidated	
		2010	2009	2010	2009
<b>Equity and debt</b>					
Share capital		375 000	375 000	375 000	375 000
Share premium fund		250 375	250 375	250 375	250 375
<b>Total paid-in capital</b>	<b>13</b>	<b>625 375</b>	<b>625 375</b>	<b>625 375</b>	<b>625 375</b>
Other equity		1 715 013	979 233	1 236 810	1 111 868
Minority interests		0	0	83 843	101 477
<b>Total equity</b>	<b>13</b>	<b>2 340 388</b>	<b>1 604 608</b>	<b>1 946 028</b>	<b>1 838 720</b>
<b>Non-current liabilities</b>					
Pension liabilities	14	0	0	35 800	52 261
Deferred tax	15	34 580	48 898	47 621	289 668
Deferred income		0	0	1	625
Accrual regarding associated companies	8	0	0	39 834	41 649
Other non-current liabilities		0	0	9 088	6 982
<b>Total non-current liabilities</b>		<b>34 580</b>	<b>48 898</b>	<b>132 344</b>	<b>391 185</b>
<b>Long-term debt</b>					
Bond loan		0	0	0	730 144
Long-term intercompany debt		500 000	1 129 483	0	0
Long-term interest-bearing debt		0	0	1 344 150	1 382 756
Other long-term debt		74 217	77 270	97 296	138 709
<b>Total long-term debt</b>	<b>16</b>	<b>574 217</b>	<b>1 206 753</b>	<b>1 441 446</b>	<b>2 251 609</b>
<b>Current liabilities</b>					
Short-term interest-bearing debt		109 541	0	802 403	80 413
Accounts payable		63	0	462 272	454 112
Tax payable	15	0	0	35 791	29 147
Provision for public duties		30	38	152 512	221 448
Dividends	13	0	0	923	4 902
Advance payments from customers		0	0	101 161	159 748
Short-term intercompany interest-bearing debt		110 143	1 113 619	0	0
Other short-term debt - non-interest-bearing		2 463	825	516 524	566 715
<b>Total current liabilities</b>		<b>222 240</b>	<b>1 114 482</b>	<b>2 071 586</b>	<b>1 516 485</b>
<b>Total equity and debt</b>		<b>3 171 425</b>	<b>3 974 741</b>	<b>5 591 404</b>	<b>5 997 999</b>

Fornebu, 29 April 2011

Sign.

Johan Fr. Odfjell  
Chair 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

## Cash flow statement

Figures in NOK 1.000

	Notes	Umoe Gruppen AS		Consolidated	
		2010	2009	2010	2009
<b>Cash flow from operational activities</b>					
Profit before taxes		721 462	-111 272	-380 732	-603 701
Paid taxes	15	0	0	19 490	-72 870
Share of profit/loss of associated companies/ subsidiaries	8	-674 536	-515 051	76 677	86 088
Gain/loss from sale of fixed assets and securities		0	0	-19 733	855 086
Depreciation of fixed- and intangible assets	6	0	0	417 225	443 732
Write down of fixed assets and financial items	6	9 723	865 000	-20 794	-216 254
Effect of currency		0	0	-7 571	6 617
Difference between expensed and net paid pensions		0	-700	-16 330	-3 918
Changes to inventory, accounts payable and receivable		-55	4 228	122 926	50 636
Other items		13 394	-101 577	-6 940	-167 560
<b>Net cash flow from operational activities</b>		<b>69 988</b>	<b>140 628</b>	<b>184 218</b>	<b>377 856</b>
<b>Cash flow from investment activities</b>					
Cash inflow from sale of fixed and intangible assets	6	0	8 596	273 587	43 536
Cash outflow from purchase of fixed and intangible assets	6	0	0	-398 379	-360 102
Net proceeds from sale of shares and interests in other companies		-291 407	-189 711	-136 561	124 464
Net proceeds from sale of other investments (+/-)		92 208	2 021 670	73 998	65 077
<b>Net cash flow from investment activities</b>		<b>-199 199</b>	<b>1 840 555</b>	<b>-187 355</b>	<b>-127 025</b>
<b>Cash flow from financial activities</b>					
Cash inflow from raising interest-bearing debt		0	0	459 807	265 746
Cash outflow from repayment of interest-bearing debt		32 082	-1 821 275	-558 631	-482 029
Net payments to/from minority interests		0	0	-8 556	-29 146
Paid dividend		0	0	-3 979	-8 592
Change in equity - majority		0	0	-5 921	50 913
<b>Net cash flow from financing activities</b>		<b>32 082</b>	<b>-1 821 275</b>	<b>-117 280</b>	<b>-203 108</b>
Net change in cash and cash equivalents		-97 129	159 908	-120 417	47 723
Cash and cash equivalents as of January 1		166 708	6 800	1 394 877	1 347 154
<b>Cash and cash equivalents as of December 31</b>		<b>69 579</b>	<b>166 708</b>	<b>1 274 460</b>	<b>1 394 877</b>
Unutilized overdraft/credit facility		0	0	229 048	237 200
<b>Liquid reserves</b>		<b>69 579</b>	<b>166 708</b>	<b>1 503 508</b>	<b>1 632 077</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 7. 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.

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 considered as earned rights vis-à-vis the principal and is classified as operating revenue in the profit and loss account. In the case of construction contracts with a long production period, this includes the management's best estimate of the profit on the project commensurate with its progress. Contract bonuses are taken to income only when their size and the fact that the bonus will be achieved can be stated with some degree of certainty. Full provision is made for expected future losses on contracts. Income accrued on construction contracts is classified as trade accounts receivable. Construction contracts in progress are recorded in the balance sheet at their estimated value less any amounts billed to the customer. Payments in excess of the estimated accrued income are recorded as advances from customers. Construction contracts in foreign currencies that are not hedged are recorded at the exchange rate on 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.

**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.

**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.

**Cash flow Statement**

The cash flow statement is presented using the indirect method.

## Notes

### Note 1 Special items

#### 2010

The polysilicium project in Canada was decided to be put on hold in the summer of 2010. As a consequence, Umoe Solar GmbH have been decided to be liquidated.

During the summer of 2010 Umoe IKT AS sold the shares in Tarantell AS. The settlement was made with shares in Making Waves AS, in which Umoe now owns 24,9% .

As an ending to the restructuring of the Umoe Bioenergy ASA group, Christiania Bioenergia Participacoes S.A. merged with Destilaria Paranapanema S.A. with Destilaria Paranapanema S.A. as the only remaining company in Brazil. Destilaria Paranapanema S.A have after this merger changed its name to Umoe Bioenergy S.A.

Umoe Bioenergy ASA realized an intercompany loss of NOK 1.185 mill in this connection. It is assumed that the loss is tax deductible.

Umoe AS sold all of its shares in Umoe IKT AS to Atea AS 21 December 2010 for a price of NOK 121 mill. The settlement was made with shares in Atea ASA, in which 1,78 mill shares were received at the time of the sale and 2,22 mill shares will be issued at Atea ASA's shareholders meeting in 2011.

As part of the process of selling Umoe IKT AS, Umoe IKT AS sold its shares in Umoe Consulting AS, Umoe iTet AS and Making Waves AS to Umoe AS. Effects of these internal transactions have been eliminated in the group accounts.

To strengthen the solidity of Sønnico AS, Umoe AS bought the shares in Brattvåg Elektro AS from Sønnico AS. This transaction was made 23 December 2010.

#### 2009

1 January 2009, Umoe Gruppen AS sold 100% of the shares in Umoe Solar AS for NOK 10 mill. 97% of the shares were sold to Umoe AS. The sale was part of a restructuring of the Umoe Gruppen Group that started at the end of 2008.

By the end of 2008, Umoe Gruppen AS, through Umoe AS and Umoe Invest AS, owned 86,6% of the shares in Umoe Bioenergy ASA in addition to 61% of the bond loan issued by the company.

As a consequence of the financial restructuring in Umoe Bioenergy ASA in 2009, which is further explained in the director's report for 2009, Umoe AS, as a major creditor and owner, became important to secure a future for Umoe Bioenergy ASA. The board of directors in Umoe Bioenergy ASA chose Arctic Securities to perform an independent valuation of the company, in addition to negotiate with the owners and creditors. Based on this valuation the price was set to NOK 0,52 per share, which also was the basis for converting debt to equity. The creditors was also offered a cash settlement, at a price of NOK 0,44 per share. These prices where used in the following transactions.

The restructuring of Umoe Bioenergy ASA consisted of four different shares issues;  
In the first issue Umoe Bioenergy ASA's debt to Umoe Invest AS was converted to equity. These shares was then sold to Umoe AS, with a cash settlement. By doing this Umoe Invest got the same dividend as the other creditors that chose cash settlement. The transaction was handled in accordance with The Company Act §3-8.

In the second and third issue the bond loan in Umoe Bioenergy ASA was converted to equity. The bond holders was offered a settlement, which gave them 0,52% of face value if they choosed shares, and 0,44% of face value if they choosed cash settlement. Umoe AS choosed to convert the loans to equity, along with 3,6% of the other bond holders. In order for Umoe Bioenergy to be able to fulfill these obligations, a private placement where held against Umoe AS.

To make sure that all the shareholders in Umoe Bioenergy ASA were treated equally, Umoe Bioenergy ASA offered a repair issue to all other shareholders, where 32,7 mill shares could be subscribed at a price of NOK 0,44 per share. 3,3 mill shares were subscribed. From mid November to mid December Umoe AS bought additional 2,7 mill shares at a price between NOK 0,44 and NOK 0,52 per share.

As a consequence of the financial restructuring in Umoe Bioenergy ASA, where the shares was priced at NOK 0,52 per share, Umoe AS' shares in Umoe Bioenergy ASA was written down with NOK 197,8 mill. Also the bonds owned by Umoe AS was written down with NOK 73,3 mill.

Because of the low interest for converting the bond loan to equity and the low interest in the repair issue, the board of directors in Umoe AS decided to take out the remaining minority in Umoe Bioenergy ASA 17 December 2009. At year end Umoe AS owned 100% of Umoe Bioenergy ASA.

## 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 (formerly Umoe Industri AS)
- Shipping, through its ownership in Umoe Shipping and Energy 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 and the Norwegian Armed Forces. The Group seeks to reduce its credit risk through agreed payments on account or the use of various types of guarantees.

	Umoe Gruppen AS		Consolidated	
	2010	2009	2010	2009
Gross credit risk	702 383	1 684 949	1 039 488	1 472 317
of which;				
Accounts receivables	0	0	480 061	638 960
Construction contracts	0	0	175 151	315 099
Loans to group companies and associated companies	698 523	1 683 245	127 334	203 870
Other short term receivables	122	0	215 910	254 715
Bonds	0	0	0	1 982
Other long term receivables	3 738	1 704	41 032	57 691
Provision for bad debt	0	0	12 450	8 592

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.

#### Foreign exchange risk:

The Umoe AS 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 Umoe Bioenergy-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:

	2010	2009
NOK/BRL - average exchange rate	3,4374	3,1619
NOK/EUR - average exchange rate	8,0086	8,7414
NOK/USD - average exchange rate	6,0450	6,2929
NOK/BRL - closing rate	3,5148	3,3227
NOK/EUR - closing rate	7,8113	8,3055
NOK/USD - closing rate	5,8331	5,7921

#### Interest 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 Restaurant Group AS have entered into two swap agreements, one with maturity 30 November 2011, a fixed interest rate of 5,71% and a principal of NOK 600 mill., and one with maturity 29 December 2011, a fixed interest rate of 2,68% and a principal of NOK 250 mill. Umoe Sterkoder AS have entered into a swap agreement with maturity 11 August 2018, a fixed interest rate of 3,65% and a principal of NOK 25 mill.

#### Refinancing risk:

The Group had long-term liabilities of NOK 1,4 billion at the end of the year. The current situation in the banking market is associated with an increased refinancing risk. The agreed repayments are approximately NOK 901 mill in 2011. This includes the repayment of the bond loan of NOK 483 mill.

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

Attempts are made to hedge against 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) + 2%.

**Note 3****Revenue**

	Umoe Gruppen AS		Consolidated	
	2010	2009	2010	2009
Invoiced revenue	0	0	5 934 777	6 026 789
Change work in progress	0	0	-113 146	-38 351
Gain from disposals of property, plant and equipment	0	0	22 547	10 605
Other operating income	0	8	124 454	143 493
<b>Total operating income</b>	<b>0</b>	<b>8</b>	<b>5 968 632</b>	<b>6 142 536</b>

**Related to;**

Maritime	0	0	838 415	982 370
Catering/restaurants	0	0	1 944 068	1 994 797
Technology	0	0	1 283 924	1 272 630
Ethanol	0	0	445 938	316 039
Shipping	0	0	0	0
Other	0	8	1 456 288	1 576 700

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

Norway	0	8	4 686 935	4 870 907
Sweden, Denmark, Iceland and Finland	0	0	198 038	210 960
Rest of Europe	0	0	270 804	393 581
America	0	0	1 011 797	742 229
Africa	0	0	5 367	217 736
Asia/Australia	0	0	199 387	8 068
Eliminations	0	0	-403 696	-300 945

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

	Umoe Gruppen AS		Consolidated	
	2010	2009	2010	2009
Salaries	0	1 897	2 063 410	2 263 711
Employee benefit taxes	56	325	240 489	216 815
Pension cost	0	0	46 946	65 184
Other employee benefit costs	391	-1 793	7 783	7 392
<b>Total Payroll and social expenses</b>	<b>447</b>	<b>429</b>	<b>2 358 628</b>	<b>2 553 102</b>

Full time employee equivalents	0	0	5 554	6 277
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**Remuneration to the board and the CEO of Umoe AS (figures in NOK):**

	CEO	Board-members
Salaries/remuneration	499 613	400 000
Pension	0	0
Other benefits	3 926	0
<b>Total</b>	<b>503 539</b>	<b>400 000</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.

There are no agreements regarding bonuses.

Jarle Roth (senior management) owns through the company Kacin Holding AS, 0,46 % of the shares in Umoe AS and 0,16% of the shares in Umoe Shipping and Energy AS. The shares are purchased at fair value.

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

	Umoe Gruppen AS		Consolidated	
	2010	2009	2010	2009
Audit fee	201	150	10 242	8 649
Fee for tax services	0	0	2 405	627
Other services	13	0	1 059	3 487

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

**Note 6****Property, plant, equipment and goodwill**

<b>Consolidated</b>	Software and R&D	Rental Contracts	Goodwill	Operative equipment	Vessels, rigs and other resources	Land and other real estate	Total
Acquisition cost 1.1.	142 750	221 979	859 044	978 210	940 109	931 935	4 074 027
Additions	4 779	19 538	19 826	60 436	189 880	103 920	398 379
Sale/disposals	-427	-446	-431 431	-44 058	-134 663	-19 837	-630 862
<b>Acquisition cost 31.12.</b>	<b>147 102</b>	<b>241 071</b>	<b>447 439</b>	<b>994 588</b>	<b>995 326</b>	<b>1 016 018</b>	<b>3 841 544</b>
Accumulated depreciation 1.1.	78 382	93 834	448 420	617 863	80 733	246 958	1 566 190
Sale/disposals	-358	-7	-190 225	-31 080	-112 712	-8 224	-342 606
Depreciation of the year	18 270	30 305	90 304	94 035	88 911	95 400	417 225
Write-down	1 568	1 191	5 677	-129	23 351	11 968	43 626
<b>Net carrying value 31.12.</b>	<b>49 240</b>	<b>115 748</b>	<b>93 263</b>	<b>313 899</b>	<b>915 043</b>	<b>669 916</b>	<b>2 157 109</b>

Economic life	5 - 20 year	0-10 year	5 - 20 year	3-10 year	5-20 year	0-50 year
Depreciation scheme	Linear	Linear	Linear	Linear	Linear	Linear

<b>Consolidated goodwill</b>	Acquisition cost per 31.12.10	Goodwill pr. 1.1.10	Add/dispo 2010	Dep./Written. 2010	Goodwill pr. 31.12.10
Umoe AS	52 793	12 743	0	-6 557	6 186
Umoe Bioenergy ASA	3 075	0	0	0	0
Umoe Schat-Harding Group AS	22 899	2 843	19 315	-2 621	19 537
Umoe S.-H. Boatbuilding Qingdao Co Ltd	1 940	0	0	0	0
Umoe Schat-Harding BV	13 967	0	0	0	0
Umoe Schat-Harding Ltd.	1 820	0	0	0	0
Umoe Schat-Harding F.E.	6 022	4 011	0	-577	3 434
Umoe Schat-Harding SL	2 343	871	0	-481	390
Umoe Schat-Harding s.r.o	-423	0	0	0	0
CleanHull AS	15 523	3 977	0	-3 105	872
Willem Pot BV	37 182	27 980	0	-3 812	24 168
Umoe Advanced Composites AS	123	0	0	0	0
FJ Montasje AS	0	1 197	-866	-331	0
Umoe Restaurant Group AS	202 230	26 554	0	-22 321	4 233
Sønnico AS	21 260	8 458	-176	-7 680	602
Brattvåg Elektro AS	10 258	0	0	0	0
Umoe IKT AS	0	252 181	-214 987	-37 194	0
Umoe Consulting AS	17 867	11 568	0	-4 175	7 393
Tarantell AS	0	27 966	-24 666	-3 300	0
Umoe iTet AS	38 560	30 274	0	-3 827	26 447
<b>Total goodwill</b>	<b>447 439</b>	<b>410 624</b>	<b>-221 380</b>	<b>-95 981</b>	<b>93 263</b>

**Note 7****Shares in subsidiaries**

<b>Shares in subsidiaries owned by Umoe Gruppen</b>	Registered office	Owner %	Voting share %	Book value
Umoe Shipping and Energy AS	Haugesund	99,1 %	99,1 %	494 018
Umoe AS	Bærum	98,0 %	98,0 %	1 905 345
Umoe Invest AS	Bærum	100,0 %	100,0 %	100
<b>Total shares in subsidiaries owned by Umoe Gruppen</b>				<b>2 399 463</b>

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

	Registered office	Owner %	Voting share %	Book value
American Bistro Scandinavia AS	Bærum	100,00 %	100,00 %	143 872
American Bistro Sweden AB	Sweden	100,00 %	100,00 %	42 329
Brattvåg Elektro AS	Brattvåg	100,00 %	100,00 %	41 542
CleanHull AS	Rosendal	100,00 %	100,00 %	15 678
Fornebu Development Corporation	Canada	100,00 %	100,00 %	867
Fornebu Lumber Company Inc	Canada	100,00 %	100,00 %	32 545
IP4Home AS	Bodø	100,00 %	100,00 %	110
iTet Business Solutions AS	Bodø	100,00 %	100,00 %	4 716
King Food AB	Sweden	100,00 %	100,00 %	5 023
King Food AS	Bærum	100,00 %	100,00 %	95 773
Mulder & Rijke Limited	England	100 %	100 %	9
Offshore Rig Co Norway I KS	Bærum	68,15 %	68,15 %	4 423
Peppes Pizza AS	Bærum	100,00 %	100,00 %	699 542
Peppes Pizza Kina	Bærum	100,00 %	100,00 %	0
Røyken Sentrumsutvikling AS	Bærum	96,31 %	96,31 %	16 000
Softspring AS	Bodø	100,00 %	100,00 %	5 053
Sønnico AS	Oslo	100,00 %	100,00 %	38 102
Sønnico Elektro Østfold AS	Fredrikstad	75,00 %	75,00 %	0
Sønnico Installasjon Tele Sweden AB	Sweden	100,00 %	100,00 %	960
Ulltveit Rederi LNG Holding AS	Haugesund	100,00 %	100,00 %	509 456
Ulltveit Rederi LNG II AS	Haugesund	100,00 %	100,00 %	150 338
Ulltveit-Moe Rederi AS	Haugesund	100,00 %	100,00 %	100
Umoe Advanced Composites AS	Mandal	100,00 %	100,00 %	7 728
Umoe Alu Iceland hf	Iceland	96,00 %	96,00 %	1 370
Umoe Alu Services AS	Karmøy	80,00 %	80,00 %	9 906
Umoe Bioenergy ASA	Bærum	100,00 %	100,00 %	471 377
Umoe Bioenergy S.A.	Brazil	100,00 %	100,00 %	972 507
Umoe Catering Cafe AS	Bærum	100,00 %	100,00 %	195 757
Umoe Consulting AS	Bergen	78,70 %	78,70 %	24 678
Umoe Eiendom AS	Bærum	100,00 %	100,00 %	101 414
Umoe Eiendom Hovedgård AS	Bærum	100,00 %	100,00 %	49 516
Umoe Eiendom Vest AS	Kristiansund	100,00 %	100,00 %	76 200
Umoe iTet AS	Bodø	90,10 %	90,10 %	18 714
Umoe Karmsund AS	Karmøy	100,00 %	100,00 %	9 900
Umoe Konseptrestauranter AS	Bærum	100,00 %	100,00 %	70 071
Umoe Mandal AS	Mandal	100,00 %	100,00 %	91 693
Umoe Restaurant Group AS	Bærum	90,10 %	90,10 %	669 443
Umoe Schat-Harding Boatbuilding Qingdao Co Ltd	China	100,00 %	100,00 %	19 085
Umoe Schat-Harding BV	Netherlands	100,00 %	100,00 %	5 100
Umoe Schat-Harding Eiendom AS	Rosendal	100,00 %	100,00 %	4 424
Umoe Schat-Harding Equipment AS	Rosendal	100,00 %	100,00 %	76 121
Umoe Schat-Harding FE	Singapore	100,00 %	100,00 %	1
Umoe Schat-Harding GmbH	Germany	100,00 %	100,00 %	6 433
Umoe Schat-Harding Group AS	Kvinnherad	99,82 %	99,82 %	112 760
Umoe Schat-Harding Inc	USA	100,00 %	100,00 %	6 400
Umoe Schat-Harding LSA Service (Shanghai) Co Ltd	China	100,00 %	100,00 %	834
Umoe Schat-Harding LTD	England	100,00 %	100,00 %	2 064
Umoe Schat-Harding S.L	Spain	100,00 %	100,00 %	3 126
Umoe Schat-Harding s.r.o	Czech Rep.	100,00 %	100,00 %	26 761
Umoe Schat-Harding Services AS	Rosendal	100,00 %	100,00 %	84 059
Umoe Solar AS	Bærum	97,00 %	97,00 %	42 000
Umoe Solar Canada Inc	Canada	100 %	100 %	0
Umoe Solar GmbH	Germany	100,00 %	100,00 %	202
Umoe Solar New Brunswick Inc	Canada	100,00 %	100,00 %	6 165
Umoe Sterkoder AS	Kristiansund	96,11 %	96,11 %	10 589
Willem Pot BV	Netherlands	100,00 %	100,00 %	56 482

**Note 8****Shares in associated companies**

Company	Owner/voting share	Opening balance	Reclassifications	Add/disp 2010	Profit/loss /write-down	Closing balance
Norspan LNG AS and IS	47,5 %	43 853	0	0	2 304	46 157
Norspan LNG II AS and IS	37,5 %	5 944	0	0	-1 133	4 811
Norspan LNG III AS and IS	42,5 %	-39 843	0	0	9	-39 834
Norspan LNG IV AS and IS	42,5 %	3 666	0	8 500	-9 206	2 960
Norspan LNG V AS and IS	45,0 %	-862	0	9 000	-4 113	4 025
Norspan LNG VI AS and IS	45,0 %	2 121	0	9 000	-557	10 564
Norspan LNG VII AS and IS	45,0 %	263	0	9 000	98	9 361
Norspan LNG VIII AS and IS	50,0 %	-945	0	166 203	-32 016	133 242
Intex Resources ASA	0,0 %	54 671	-5 522	-71 791	22 642	0
Kverneland ASA	31,8 %	193 356	-10 600	0	40 825	223 581
Making Waves AS	24,9 %	0	0	15 180	-609	14 571
Rail Gourmet Togservice Norge AS	50,0 %	17 156	-6 494	0	3 278	13 940
<b>Total associated companies - consolidated</b>		<b>279 381</b>	<b>-22 616</b>	<b>145 092</b>	<b>21 522</b>	<b>423 378</b>

Total associated companies includes a liability regarding associated companies of NOK 39,8 mill.

The price of shares in Kverneland has increased in the stock market and as a consequence a previous write down of NOK 52 mill. have been reversed.

**Note 9****Financial income and financial expenses**

	Umoe Gruppen AS		Consolidated	
	2010	2009	2010	2009
Group contribution received	677 265	540 274		
Gain/loss from sale of subsidiaries	-2 728	-24 466		
Write-down	-9 723	-865 750		
<b>Gain/loss/write-down from subsidiaries</b>	<b>664 814</b>	<b>-349 942</b>		
Profit/loss from associated companies	0	0	-76 677	-86 088
Gain/loss from sale of associated companies	0	0	33 779	-735 671
Write-down	0	0	64 420	760 483
<b>Profit/loss/write-down from associated companies</b>	<b>0</b>	<b>0</b>	<b>21 522</b>	<b>-61 276</b>
Interest income - external	2 263	4 306	41 397	43 610
Interest income - intercompany	29 937	53 802	0	767
Net gain (+) from sale of securities	0	0	191 624	212 135
Write-down of shares (-) / reversal of write-down (+)	0	0		207 598
Bonds	0	0	15 254	0
Currency gain	65 103	238 418	79 869	324 279
Other financial income	0	0	6 986	26 635
<b>Financial income</b>	<b>97 303</b>	<b>296 526</b>	<b>335 130</b>	<b>815 024</b>
Interest expenses – external	-1 847	-3	-139 903	-221 214
Interest expenses – intercompany	-37 633	-56 412	0	-3 705
Bonds	0	0	0	-53 471
Currency loss	0	0	0	0
Other financial expenses	0	-149	-14 922	-92 208
<b>Financial expenses</b>	<b>-39 480</b>	<b>-56 564</b>	<b>-154 825</b>	<b>-370 598</b>

**Note 10****Other shares owned by group companies**

	Registered office	Ownership %	% of votes	Book value
IT Fornebu Holding AS	Bærum	4,5 %	4,5 %	30 827
Barahonda Investors AS	Kristiansand	10,8 %	10,8 %	6 690
Other				624
<b>Total other shares owned by Umoe Gruppen consolidated</b>				<b>38 141</b>

**Note 11****Inventory**

	Umoe Gruppen AS		Consolidated	
	2010	2009	2010	2009
Raw-materials and bough semi-finished goods	0	0	297 561	305 697
Self-produced and acquired finished goods	0	0	171 634	98 123
Prepayments to suppliers for goods	0	0	96 439	77 669
Allocations for old stock	0	0	-34 864	-70 377
<b>Total raw-materials and finished goods</b>	<b>0</b>	<b>0</b>	<b>530 770</b>	<b>411 112</b>

Note 12 Construction contracts	Umoe Gruppen AS		Consolidated	
	2010	2009	2010	2009
<b>Margin - ongoing projects</b>				
Revenue recognized - ongoing projects	0	0	2 733 327	2 814 971
Cost recognized - ongoing projects	0	0	2 718 192	2 713 470
<b>Margin - ongoing projects</b>	0	0	15 135	101 501
<b>Work in progress</b>				
Work in progress to be invoiced, included in accounts receivable	0	0	135 307	162 596
Customer retentions	0	0	0	0
Contract costs to complete unprofitable contracts	0	0	66 403	295 362
Advances received	0	0	69 527	137 428

#### Note 13

##### Equity

	Share capital	Share premium fund	Other equity	Total	
<b>Umoe Gruppen AS</b>					
Equity pr. 31. December 2009	375 000	250 375	979 233	1 604 608	
Profit/(loss) of the year	0	0	735 780	735 780	
<b>Equity pr. 31. December 2010</b>	375 000	250 375	1 715 013	2 340 388	
<b>Umoe Gruppen - consolidated</b>					
Equity pr. 31. December 2009	375 000	250 375	1 111 868	101 477	1 838 720
Profit/(loss) of the year	0	0	60 299	-8 678	51 621
Dividends, purchase of minority and share issues in subsidiaries	0	0	25 164	-8 557	16 607
Currency effect of intercompany loans	0	0	145 388	0	145 388
Currency translation effects	0	0	-105 909	-399	-106 308
<b>Equity pr. 31. December 2010</b>	375 000	250 375	1 236 810	83 843	1 946 028

#### 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	D/CEO	59 %	11 250	210 000	221 250
UM Holding AS v/Ragnhild K. Ulltveit-Moe		20 %	0	75 000	75 000
Agnes Holding AS (controlled by Jens Ulltveit-Moe)	D/CEO	20 %	0	75 000	75 000
Hanne Kierulf		1 %	0	3 750	3 750
<b>Total number of shares</b>		100 %	11 250	363 750	375 000
Face value			1 000	1 000	1 000
Share capital			11 250 000	363 750 000	375 000 000

D = Director

#### Note 14

##### 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.

#### Financial assumptions

	2010	2009
Discount rate	5,00 %	5,00 %
Estimated yield on pension assets	5,60 %	5,60 %
Salary increases	4,25 %	4,30 %
Increase in pensions	1,30 %	1,30 %
Increase in NIS basic amount (G)	4,00 %	4,00 %
Contractually agreed early retirement (AFP) – utilization rate	0,0% - 35,0%	0% - 35%

<b>This year's pension cost including social security tax</b>	Consolidated	
	2010	2009
Defined contribution pension costs	34 304	34 349
Present value of the year's pension earnings	26 781	33 236
Interest cost on incurred pension liabilities	11 074	13 550
Estimated yield on pension assets	-10 265	-11 030
Estimate deviations and changes to pension plans	-9 006	3 889
Administration costs	2 170	1 889
<b>This year's pension cost</b>	<b>55 060</b>	<b>75 883</b>

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

Estimated liabilities incurred	167 846	281 944
Estimated value of the pension assets	124 085	178 593
Net pension liabilities	43 761	103 351
Unamortized deviations	-12 481	-57 133
Estimated pension liabilities in the balance sheet	31 280	46 218
Of which schemes with net assets	4 520	6 043
Of which schemes with net liabilities	35 800	52 261

**Note 15**

**Taxes**

	Umoe Gruppen AS		Consolidated	
	2010	2009	2010	2009
<b>Tax charge for the year</b>				
Pre-tax profit/loss	721 462	-111 272	-380 732	-603 701
Permanent differences in the results	-772 598	594 397	-135 690	-292 492
<b>Basis for tax payable for the year</b>	<b>-51 136</b>	<b>483 125</b>	<b>-516 422</b>	<b>-896 193</b>
Tax rate	28,00 %	28,00 %	32,03 %	38,66 %
Tax payable on the profit/loss for the year	-14 318	135 275	-165 403	-346 428
Reversed deferred tax assets due to the upper-limit rule	0	0	-266 246	324 260
Effect of changed shipping tax	0	0	0	-114 256
Other direct tax cost	0	0	-336	9 319
Other	0	-15	-368	-2 270
<b>Total tax</b>	<b>-14 318</b>	<b>135 260</b>	<b>-432 353</b>	<b>-129 375</b>

**Tax payable in the balance sheet:**

Tax payable for the year	-14 318	135 260	-432 353	-129 375
Changes in and bought/sold deferred tax	14 318	-37 826	460 190	107 614
Tax payable on Group contributions received	0	1 463	0	0
Tax payable on Group contributions paid	0	-98 897	0	0
Provisions made in previous years	0	0	29 147	69 557
Paid and bought/sold tax payable	0	0	-21 904	-72 870
Claim on repayment of too much paid shipping tax	0	0	0	37 789
Translation differences etc.	0	0	711	16 432
<b>Total tax payable</b>	<b>0</b>	<b>0</b>	<b>35 791</b>	<b>29 147</b>

**Specification of basis for deferred tax:**

Total relating to short-term balance sheet items	-3 722	15 650	62 910	259 044
Total relating to long-term balance sheet items	127 221	158 985	1 492 651	883 449
Loss carried forward maturing within 5 years	0	0	0	0
Loss carried forward maturing after 5 years	0	0	-3 734 487	-2 336 261
<b>Total basis for temporary differences</b>	<b>123 499</b>	<b>174 635</b>	<b>-2 178 926</b>	<b>-1 193 768</b>
Net deferred tax	34 580	48 898	-683 796	-394 607
Deferred tax on shipping tax	0	0	40 637	55 900
Reversed deferred tax assets due to the upper-limit rule	0	0	498 187	624 533
<b>Net deferred tax in the balance sheet</b>	<b>34 580</b>	<b>48 898</b>	<b>-144 972</b>	<b>285 826</b>

**Note 16****Long term debt - Umoe Gruppen AS**

	Remaining pr. 31.12.10	Remaining pr. 31.12.09
Loan from Umoe Shipping and Energy (group)	500 000	1 122 644
Loan from Umoe AS (formerly Umoe Industri AS) (group)	0	0
Loan from other group companies	0	6 840
Loan from related parties and associated companies	74 217	77 270
<b>Total long term debt</b>	<b>574 217</b>	<b>1 206 754</b>

Debt maturing later then 2015 and 2014, respectively 0 1 206 754

**Long term debt - Umoe Gruppen consolidated**

	Remaining pr. 31.12.10	Remaining pr. 31.12.09
Bond loan 06/11 FRN (classified as short term amounting to NOK 483 mill. from April 2010)	0	730 144
Debt to group companies and related parties	74 217	24 580
Mortgage loan	1 173 615	1 382 756
Other long term debt	193 614	114 129
<b>Total long term debt</b>	<b>1 441 446</b>	<b>2 251 610</b>

Debt maturing later then 2015 and 2014, respectively 172 597 132 306

**Pledges**

	Umoe Gruppen AS		Consolidated	
	2010	2009	2010	2009
Book value of assets pledged as security for the company's debt 31.12.;				
Buildings, land and quays	0	0	194 599	163 500
Machinery and equipment	0	0	268 859	343 356
Construction contracts, trade accounts receivable, inventories, etc.	0	0	578 969	776 095
Securities	0	0	1 197	69 689
<b>Total pledged assets</b>	<b>0</b>	<b>0</b>	<b>1 043 623</b>	<b>1 352 640</b>

Off balance sheet guarantee and surety obligations 0 29 784 242 530 305 710

Umoe Shipping and Energy 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 975 million (NOK 678 million in 2009). The company has also pledged guarantee for 50 percent of an interest rate swap in the amount of EUR 293 million (EUR 301 million in 2009) on behalf of Norspan LNG AS/IS and Norspan LNG II AS/IS. The company has also guaranteed for 50 percent of the interest rate swaps for Norspan LNG V AS/IS, Norspan LNG VI AS/IS and Norspan LNG VII AS/IS through the building periods, amounting to USD 620 mill (USD 580 mill in 2009).

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 2010, 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 of 31 December 2010 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 properly record and document the Company's accounting information as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 11. May 2011  
ERNST & YOUNG AS

Bjarne Møller  
State Authorised Public Accountant (Norway)

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