

## Interim financial report – first quarter 2017

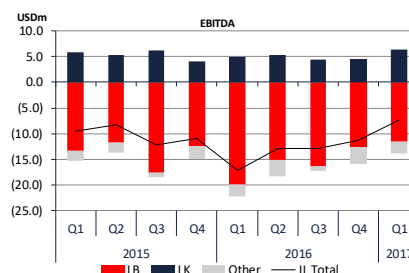
### Improved markets

“Despite market improvements in Q1, dry cargo markets continue to be challenging”, says CEO Mads P. Zachø, adding that “we are pleased that the market for smaller gas carriers saw some improvements in the first quarter of 2017.”

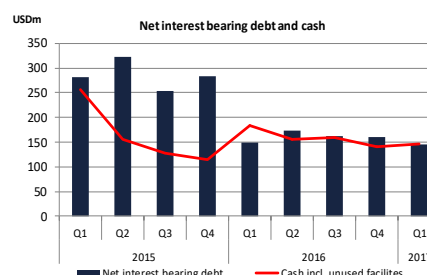
### Main events

- Organisational and cost adjustments were implemented to improve our competitive position.
- After the balance date, a new agreement was obtained with our core lenders and our owner, Lauritzen Fonden, regarding the financing package announced at the release of the 2016 Annual Report. The new agreement (announced on 11 April 2017) now includes a USDm 80 capital injection from our owner to ensure the repayment of the outstanding JLA02 corporate bond and the related hedging debt when these fall due in October 2017. The new agreement continues i.a. to include a four-year amortization reduction and maturity extension to 2021 by core bank creditors. The revised agreement, which is subject to satisfactory final documentation, will substantially strengthen our balance sheet and reduce our financing cost.

Q1 EBITDA before special items amounted to USDm (7.4) against USDm (17.2) in Q1 2016. The improvement was due to the strengthening of dry cargo markets compared to the sharp decline in Q1 2016 and improved market conditions for smaller gas carriers.



At period end, cash amounted to USDm 147, compared to USDm 141 at year-end 2016. Net interest bearing debt (NIBD) was USDm 146 against USDm 160 at year-end 2016.



### Lauritzen Bulkers

Average number of operated vessels reached 80 compared to 103 in Q1 2016. EBITDA before special items for Q1 was USDm (11.5) against USDm (19.9) in Q1 2016.

### Lauritzen Kosan

Average number of operated vessels reached 30 compared to 36 in Q1 2016. EBITDA before special items totaled USDm 6.4 compared to USDm 5.0 in Q1 2016.

#### Contacts:

Mads P. Zachø, CEO, phone + 45 33 96 82 00 or + 45 61 55 50 80

EBITDA before special items *)			
USDm	2017 1st quarter	2016 1st quarter	2016 Full year
Lauritzen Bulkers	(11.5)	(19.9)	(63.9)
Lauritzen Kosan	6.4	5.0	19.2
Other/Unallocated	(2.3)	(2.4)	(9.8)
EBITDA before special items	(7.4)	(17.2)	(54.4)

\*) Continuing operations only

### Operating income

Total operating income before special items for Q1 amounted to USDm (15.9) compared to USDm (25.6) in Q1 2016.

### Special items

In Q1, special items amounted to USDm 7.6 against USDm (1.2) in Q1 2016. For further information on special items, please see note 3.

### Net financial items

Net financial items for Q1 amounted to USDm (4.1) compared to USDm 18.4 in same period last year. For further information on financial items, please see note 4.

### Assets and liabilities

Total assets amounted to USDm 589 down from USDm 617 at year-end 2016. Solvency ratio was 36%, unchanged compared to year-end 2016.

Outstanding deliveries amount to one part-owned newbuilding for delivery mid-2018. During Q1, we took delivery of three long-term time-chartered vessels and outstanding deliveries of long-term time-chartered vessels amounted to five vessels at period end for delivery April through October 2017. Total commitments related to long-term time-chartered vessels appear in note 6.

### Outlook for 2017

The outlook for 2017 is unchanged relative to the Annual Report for 2016. Operating income before depreciation and special items (EBITDA) is still expected to be within the range of USDm (40)-(0), which is better than in 2016, however not satisfactory. Depreciation and special items are expected to be at levels similar to 2016. Net financial expenses are expected to increase as financial income related to sale of shareholdings in 2016 is not repeated in 2017. Currency and interest rate fluctuations as well as effects from the sale of assets, if any, may impact the result.

### Forward-looking statements

The interim financial report contains forward-looking statements. Such statements are subject to risks and uncertainties as various factors, many of which are beyond the control of JL, may cause actual developments and actual results to differ materially from expectations contained in the interim financial report.

## Management statement

The Board of Directors and Executive Management have today discussed and approved the interim report of J. Lauritzen A/S (the Group) for the period 1 January to 31 March 2017.

The interim report has been prepared in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting" as adopted by the EU and additional Danish disclosure requirements for interim reports for listed companies. The interim report has not been audited or reviewed by the company's independent auditors.

In our opinion the interim report gives a true and fair view of the Group's assets, liabilities and financial position at 31 March 2017 and of the results of the Group's operations and cash flows for the period 1 January 2017 to 31 March 2017.

Further, in our opinion, the Management's review (page 1-2) gives a fair review of the development in the Group's operations and financial position as a whole and describes the significant risks and uncertainties affecting the Group.

Copenhagen, 16 May 2017.

## Executive Management:

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Mads P. Zacho  
CEO

## Board of Directors:

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Jesper T. Lok  
Chairman

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Niels Heering  
Vice Chairman

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Peter Poul Lauritzen Bay

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Marianne Wiinholt

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Rolf Andersen\*

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Søren Berg\*

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Karsten Gauger\*

\*) Elected by the employees

## Financial statements – JL Group

<b>INCOME STATEMENT - CONDENSED</b>		<b>2017</b>	2016	2016
USD '000	Note	<b>1st quarter</b>	1st quarter	<b>Full year</b>
Revenue	2	123,240	87,398	420,017
Voyage related costs		(48,692)	(28,192)	(141,350)
Time-charter equivalent income		74,548	59,207	278,667
Other operating income		762	1,220	4,089
Hire of chartered vessels		(58,136)	(48,913)	(229,144)
Operating costs of vessels		(14,076)	(17,883)	(64,443)
Administrative costs		(10,503)	(10,871)	(43,598)
<b>Operating income before depreciation (EBITDA) and special items</b>		<b>(7,405)</b>	<b>(17,240)</b>	<b>(54,429)</b>
Profit/(loss) on sale of vessels and other assets		(506)	26	639
Depreciation		(7,416)	(7,604)	(29,895)
Share of profit in joint ventures		(537)	(751)	353
<b>Operating income (EBIT) before special items</b>		<b>(15,864)</b>	<b>(25,570)</b>	<b>(83,332)</b>
Special items, net	3	7,598	(1,152)	33,664
Financial items, net	4	(4,123)	18,424	740
Profit/(loss) from continuing operations before tax		(12,389)	(8,298)	(48,928)
Income tax		(1)	(8)	3,111
Profit/(loss) from continuing operations		(12,390)	(8,306)	(45,817)
Profit/(loss) from discontinued operations		-	46	195
<b>Profit/(loss) for the period</b>		<b>(12,390)</b>	<b>(8,259)</b>	<b>(45,622)</b>
Attributable to:				
<b>The J. Lauritzen Group</b>		<b>(12,390)</b>	<b>(8,259)</b>	<b>(45,622)</b>

<b>STATEMENT OF COMPREHENSIVE INCOME</b>		<b>2017</b>	2016	2016
USD '000		<b>1st quarter</b>	1st quarter	<b>Full year</b>
Profit/(loss) for the period		(12,390)	(8,259)	(45,622)
<i>Items that can be reclassified subsequently to profit or loss:</i>				
Other comprehensive income:				
Exchange differences on translating foreign operations		(323)	144	(178)
Fair value adjustment of hedging instruments		208	(2,510)	(565)
Deferred gains/(loss) on hedging instr. transfer to Financial items, net		285	2,049	6,478
Fair value adjustment of shares available for sale		-	(51)	1
Fair value adjustment of shares available for sale reclassified to Financial items, net	4	-	(27,072)	(27,072)
Other comprehensive income net of tax		171	(27,440)	(21,337)
Total comprehensive income for the period		(12,219)	(35,699)	(66,959)
Attributable to:				
<b>The J. Lauritzen Group</b>		<b>(12,219)</b>	<b>(35,699)</b>	<b>(66,959)</b>

<b>FINANCIAL POSITION</b>		<b>2017</b>	2016	2016
USD '000	Note	<b>31-mar</b>	31-mar	31-dec
<b>ASSETS</b>				
Vessels, property and equipment	5	380,309	416,301	384,153
Investment in joint ventures		27,300	27,362	26,871
Deferred tax assets		3,700	2,700	3,700
Shares available for sale	7	52	52	52
Receivable from joint ventures		-	750	560
Other receivables		479	506	472
<b>Non-current assets</b>		<b>411,840</b>	<b>447,670</b>	<b>415,808</b>
Bunkers		12,256	3,276	13,169
Trade receivables		2,614	5,296	10,418
Other receivables		798	53,297	24,001
Prepayments		7,695	7,288	6,268
Current tax receivables		2,922	693	2,870
Derivative financial instruments		3,809	1,911	4,017
Cash at hand and in bank		147,106	184,052	140,572
		177,200	255,812	201,317
Assets held for sale		0	48,370	-
<b>Current assets</b>		<b>177,200</b>	<b>304,182</b>	<b>201,317</b>
<b>Total assets</b>		<b>589,040</b>	<b>751,853</b>	<b>617,125</b>
<b>EQUITY AND LIABILITIES</b>				
Share capital		63,864	63,864	63,864
Retained earnings		156,555	206,308	168,945
Reserves		(9,800)	(16,074)	(9,971)
<b>Equity</b>		<b>210,618</b>	<b>254,097</b>	<b>222,837</b>
Long-term provisions		-	25,991	-
Non-current derivative financial instruments		1,198	33,483	1,381
Long-term borrow ings		207,669	299,209	215,948
<b>Non-current liabilities</b>		<b>208,867</b>	<b>358,684</b>	<b>217,329</b>
Current portion of long-term borrow ings		85,108	33,951	84,448
Trade payables		13,053	7,317	13,491
Other payables		12,017	19,341	10,451
Provisions		26,826	65,495	34,670
Prepayments		0	242	-
Derivative financial instruments		32,550	12,727	33,900
<b>Current liabilities</b>		<b>169,555</b>	<b>139,074</b>	<b>176,959</b>
<b>Total liabilities</b>		<b>378,422</b>	<b>497,756</b>	<b>394,288</b>
<b>Total equity and liabilities</b>		<b>589,040</b>	<b>751,853</b>	<b>617,125</b>

**EQUITY STATEMENT**

USD '000	Share capital	Hedging instruments	Shares available for sale	Translation gain/loss	Reserves	Retained earnings	Total
Equity 1 January 2017	63,864	(3,817)	-	(6,154)	(9,971)	168,945	222,838
Profit/(loss) for the period	-	-	-	-	-	(12,390)	(12,390)
Other compr. Income	-	494	-	(323)	171	-	171
Total compr. income	-	494	-	(323)	171	(12,390)	(12,219)
<b>Equity 31 March 2017</b>	<b>63,864</b>	<b>(3,323)</b>	<b>-</b>	<b>(6,477)</b>	<b>(9,800)</b>	<b>156,555</b>	<b>210,618</b>
Equity 1 January 2016	62,356	(9,730)	27,071	(5,976)	11,366	196,693	270,415
Profit/(loss) for the period	-	-	-	-	-	(8,259)	(8,259)
Other compr. Income	-	(461)	(27,123)	144	(27,440)	-	(27,440)
Total compr. income	-	(461)	(27,123)	144	(27,440)	(8,259)	(35,699)
<i>Transaction with owners:</i>							
Capital increase	1,508	-	-	-	-	17,874	19,382
<b>Equity 31 March 2016</b>	<b>63,864</b>	<b>(10,190)</b>	<b>(52)</b>	<b>(5,832)</b>	<b>(16,074)</b>	<b>206,308</b>	<b>254,097</b>

**CASH FLOW STATEMENT - CONDENSED**

USD '000	2017 1st quarter	2016 1st quarter
Cash flow from:		
Operating activities	20,351	6,107
- hereof Operations before financial items	25,240	16,397
- hereof Ordinary operations before tax	20,366	6,133
Investment activities	(4,004)	93,385
Financing activities	(10,313)	(32,455)
Changes for the period in cash and cash equivalents	6,033	67,037
Cash and cash equivalents at beginning of the period	140,572	115,570
Currency adjustments on cash and cash equivalents	500	1,444
Cash and cash equivalents at the end of the period	147,106	184,051
Financial resources at the end of the period	147,106	184,051
Committed facilities available upon delivery of vessels	-	37,180
<b>Financial resources incl. committed facilities available upon delivery of vessels</b>	<b>147,106</b>	<b>221,231</b>

\*) In addition J. Lauritzen has an unsecured overdraft facility of DKK 40m for multi-currency short-term financing needs.

## 1. Accounting policies

### *Basis for consolidation*

The interim report comprises the condensed consolidated financial statements of J. Lauritzen A/S.

### *Accounting policies*

The present unaudited interim financial report has been prepared in accordance with IAS 34 'Interim Financial Reporting', and additional Danish disclosure requirements for interim reports of listed companies.

J. Lauritzen A/S has adopted the accounting standards and interpretations that became effective in EU from 2017. None of these have affected recognition and measurement.

Apart from adoption of new, amended or revised accounting standards, accounting policies and significant accounting estimates and judgements are unchanged from those applied in the Annual Report 2016 of J. Lauritzen A/S.

## 2. Operating segments

USDm	Lauritzen Bulkers	Lauritzen Kosan	Total reportable segments	Other/ Unallocated	Total Group
<b>1st quarter 2017</b>					
Revenue	96.4	26.8	123.2	0.0	123.2
EBITDA before special items	(11.5)	6.4	(5.1)	(2.3)	(7.4)
Operating income before special items	(13.6)	0.1	(13.6)	(2.3)	(15.9)
Operating income after special items	(6.1)	0.1	(6.0)	(2.3)	(8.3)
<b>1st quarter 2016</b>					
Revenue	53.2	34.2	87.4	0.0	87.4
EBITDA before special items	(19.9)	5.0	(14.8)	(2.4)	(17.2)
Operating income before special items	(22.5)	(0.7)	(23.1)	(2.4)	(25.5)
Operating income after special items	(23.6)	(0.7)	(24.3)	(2.4)	(26.7)

The revenue reported represents revenue from external customers. There is no inter-segment revenue.

## 3. Special items

Special items include significant one-off income and expenses, such as revenue from sale of claims, claim settlements and compensation from termination of contracts, sale of assets as a consequence of counterparty default or strategic initiatives, impairment losses on vessels and on investments in joint ventures as well as provisions for onerous contracts and the use and reversals hereof.

USD '000	2017 1st quarter	2016 1st quarter	2016 Full year
One-off revenue from sale of claims, claim settlements and termination of contracts	-	3,850	9,256
Impairment losses on vessels and vessels under construction	-	(12,500)	(24,014)
Provisions and use of provisions for onerous contracts	7,598	10,288	51,969
Impairment losses on vessels owned by joint ventures	-	(2,789)	(2,319)
Financial items related to termination of contracts	-	-	(1,229)
Special items, net	7,598	(1,152)	33,664

If special items had been included in the operating profit before special items, the Income Statement would be as follows:

INCOME STATEMENT - CONDENSED USD '000	2017 1st quarter	2016 1st quarter	2016 Full year
Revenue	123,240	91,248	429,273
Other operating income	762	1,220	4,089
Costs	(123,808)	(95,571)	(426,566)
Operating income before depreciation (EBITDA)	194	(3,102)	6,797
Profit/(loss) on sale of assets	(506)	26	639
Depreciation and impairment losses	(7,416)	(20,104)	(53,909)
Share of profit in joint ventures	(537)	(3,541)	(1,965)
Operating income	(8,266)	(26,721)	(48,438)
Net financial items	(4,123)	18,424	(490)
Profit/(loss) before tax	(12,389)	(8,298)	(48,928)
Income tax	(1)	(8)	3,111
Profit/(loss) from continuing operations	(12,390)	(8,306)	(45,817)

#### 4. Financial items

In 2016 Q1, sale of shares classified as Shares available for sale resulted in fair value adjustments of USDm 27.1 being reclassified from the Equity-reserve of Shares available for sale to Financial items, net.

USD '000	2017 1st quarter	2016 1st quarter	2016 Full year
Reclassification of fair value adjustment on shares available for sale	-	27,072	27,072
Financial income and expenses	(4,123)	(8,648)	(26,332)
Financial items, net	(4,123)	18,424	740



## 5. Vessels, property and equipment

USD '000	<b>Vessels</b>	<b>under construction</b>	<b>Land and Buildings</b>	<b>Machinery, tools and equipment</b>	<b>Total</b>
<b>2017</b>					
Cost as at 1 January	847,963	24,340	2,320	10,108	884,730
Exchange rate adjustments	177	-	27	6	210
Additions	4,272	-	-	-	4,272
Disposals	(17,908)	-	-	-	(17,908)
Cost as at 31 March	834,504	24,340	2,346	10,113	871,304
Depr. and impairment losses as at 1 January	(467,674)	(24,340)	(720)	(7,841)	(500,575)
Exchange rate adjustments	(77)	-	(16)	(6)	(99)
Depreciation	(7,159)	-	(20)	(237)	(7,416)
Disposals	17,096	-	-	-	17,096
Depr. and impairment losses as at 31 March	(457,814)	(24,340)	(756)	(8,084)	(490,994)
Balance as at 31 March	376,690	-	1,590	2,030	380,310
<b>2016</b>					
Cost as at 1 January	880,710	30,671	2,793	10,119	924,293
Exchange rate adjustments	315	-	50	10	375
Additions	1,787	1,409	-	-	3,196
Disposals	(23,379)	-	-	-	(23,379)
Cost as at 31 March	859,433	32,080	2,843	10,129	904,485
Depr. and impairment losses as at 1 January	(436,015)	(16,039)	(683)	(7,024)	(459,761)
Exchange rate adjustments	(148)	-	(11)	(10)	(169)
Depreciation	(7,362)	-	(21)	(222)	(7,604)
Impairment losses	-	(12,500)	-	-	(12,500)
Disposals	(8,150)	-	-	-	(8,150)
Depr. and impairment losses as at 31 March	(451,674)	(28,539)	(715)	(7,256)	(488,184)
Balance as at 31 March	407,759	3,541	2,128	2,873	416,301

## 6. Lease obligations

At the balance sheet date, J. Lauritzen has the following operational lease obligations from time-charter and bareboat contracts:

	Bulkers		Kosan		Total continuing business	
	USDm committed obligation	No. of vessels, full year equivalents	USDm committed obligation	No. of vessels, full year equivalents	USDm committed obligation	No. of vessels, full year equivalents
2017						
2nd - 4th quarter 2017	82.1	19.2	3.9	2.1	86.0	21.3
1 - 2 Year	103.4	23.6	0.1	0.1	103.5	23.7
2 - 3 Year	76.8	18.0			76.8	18.0
3 - 4 Year	63.6	14.7			63.6	14.7
4 - 5 Year	56.0	13.0			56.0	13.0
> 5 Year	129.7	29.8			129.7	29.8
Total	511.7	-	4.0	-	515.7	-
2016						
2nd - 4th quarter 2016	83.0	18.7	14.1	5.0	97.1	23.7
1 - 2 Year	106.8	24.2	4.1	2.3	110.9	26.5
2 - 3 Year	101.6	23.4			101.6	23.4
3 - 4 Year	76.8	18.0			76.8	18.0
4 - 5 Year	63.0	14.7			63.0	14.7
> 5 Year	182.0	41.6			182.0	41.6
Total	613.3	-	18.2	-	631.5	-

At end of March 2017 J. Lauritzen had purchase option on 22 bulk carriers (end of March 2016: 22 bulk carriers).

## 7. Fair value measurement of financial instruments

The techniques used for calculation of fair values in this interim report are consistent with the Annual Report of 2016 to which reference is made.

Carrying amount of financial instruments recognized in the statement of financial position at amortized cost does not differ materially from their fair value with the exception of issued corporate bonds. At March 31 2017 fair value of issued bonds amounted to USDm 49.4, whereas the carrying amount totalled USDm 51.9.

### *Fair value hierarchy*

With the exception of shares available for sale of USDm 0.1 (Level 3), all financial instruments at fair value are stated on the basis of observable market prices (Level 2), directly as prices or indirectly derived from prices.

Financial instruments categorized at Level 3 have developed as follows:

	2017	2016	2016
USD '000	31-mar	31-mar	31-dec
Book value at 1 January	52	46,981	46,981
Sale during the year	-	(46,930)	(46,930)
Fair value adjustment of shares available for sale recognised on other comprehensive income	-	1	1
Book value end of period	52	52	52

## 8. Events after the balance date

After the balance date, a new agreement was obtained with our core lenders and our owner, Lauritzen Fonden, regarding the financing package announced at the release of the 2016 Annual Report. The new agreement (announced on 11 April 2017) now includes a USDm 80 capital injection from our owner to ensure the repayment of the outstanding JLA02 corporate bond and the related hedging debt when these fall due in October 2017. The new agreement continues i.a. to include a four-year amortization reduction and maturity extension to 2021 by core bank creditors. The revised agreement, which is subject to satisfactory final documentation, will substantially strengthen our balance sheet and reduce our financing cost.

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