

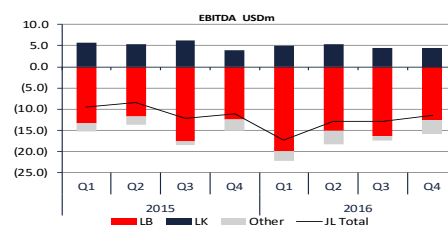
Financial report for 2016

Tough year for global shipping

"In early 2017, a number of organisational and cost adjustments were implemented in order to improve our competitive position, and main terms for a new financing package were agreed with our core lenders", says CEO Mads P. Zacho adding that "these initiatives follow a very tough year for global shipping where dry cargo markets fell to historic lows in February 2016 and where the serious market decline for large gas carriers was increasingly felt in the segments for smaller gas carriers".

In Q4 2016 EBITDA amounted to USDm (11.4), compared to USDm (12.9) in Q3 and USDm (11.0) in Q4 2015.

Full-year EBITDA was USD (54.4) compared to USDm (41.1) in 2015.

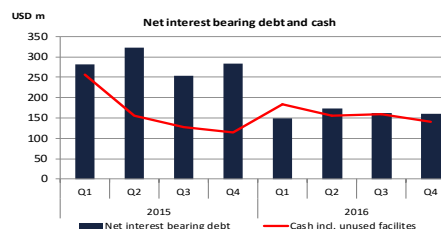


J. Lauritzen's result for 2016 was not satisfactory at USDm (45.6) (2015: USDm (313.4)). The result was impacted by USDm 33.7 special items, mainly related to use of provisions. By comparison, the result for 2015 included special items totalling USDm (207.2) mainly related to impairment losses and provisions.

Main initiatives and events:

- In early 2016 our owner, Lauritzen Fonden, agreed to inject new equity of USDm 19.4 and at the same time a number of non-strategic assets and liabilities were transferred to our owner, which in total provided J. Lauritzen with additional cash of USDm 125 in 2016.
- Two supramax bulk carrier newbuildings were sold and two wholly-owned and one part-owned handysize bulk carrier newbuildings were cancelled.

At year-end 2016, the solvency ratio amounted to 36.1% (2015: 31.5%) and cash and cash equivalents were USDm 141 (2015: USDm 116). Net interest bearing debt amounted to USDm 160 equal to 41% of broker values (in 2015 USDm 284 and 57%, respectively).



Net interest bearing debt was reduced during 2016 by USDm 123.8 to USDm 159.8 at year-end. Since 2012, net interest bearing debt has been brought down by USDm 948.

After year-end events

On 23 February 2017, J. Lauritzen obtained support to main terms for a new financing package with our core lenders (financing banks) and our owner, Lauritzen Fonden, to among others improve the capital structure and ensure the continued financing of J. Lauritzen in 2017 as well as to meet our obligations and comply with loan agreement covenants.

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In view of the expected sustained challenging market conditions in 2017 and the continued financing needed, the main terms include capital injection from Lauritzen Fonden, modification of the repayment schedule and amendments to existing loan facilities' covenants.

In parallel, as part of the financing package we have initiated negotiations with bondholders of the JLA 02 corporate bond to an agreement, whereby a NOK amount equivalent to approximately USDm 20 will be applied to a partial redemption of the original issued amount and extension of the maturity on the remainder of the issue from October 2017 to October 2021.

The completion of the financing package is subject to lenders' support, bondholder approval, final documentation and fulfilment of conditions precedent. Taking into consideration the agreed main terms with our core lenders (financing banks) and our owner, Lauritzen Fonden, Management expects all conditions of the financing package on reasonable terms to be fulfilled in Q2 2017 and thus expects that the financing needed during 2017 will be available.

In January 2017, cost reductions and organisational adjustments were implemented due to the ongoing market weakness, which when fully implemented by the end of 2017 will entail the redundancy of around 15% of the land-based workforce.

Outlook for 2017

We expect 2017 to be another challenging year for our businesses. Financially, operating income before depreciation and special items (EBITDA) is 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 Annual 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 Annual Report.

For further information, please refer to JL's Annual Report 2016 and report on Corporate Responsibility available at www.j-l.com

Financial statements – JL Group

INCOME STATEMENT - CONDENSED USD '000	2016	2015	2016	2015
	4th quarter	4th quarter	Full year	Full year
Revenue	141,836	84,369	420,017	349,078
Voyage related costs	(54,919)	(21,059)	(141,350)	(80,746)
Time-charter equivalent income	86,917	63,310	278,667	268,332
Other operating income	1,281	1,626	4,089	6,897
Hire of chartered vessels	(71,436)	(46,074)	(229,144)	(191,054)
Operating costs of vessels	(16,314)	(18,320)	(64,443)	(81,529)
Administrative costs	(11,824)	(11,560)	(43,598)	(43,699)
Operating income before depreciation (EBITDA) and special items	(11,376)	(11,017)	(54,429)	(41,053)
Profit/(loss) on sale of vessels and other assets	805	(121)	639	52
Depreciation	(7,621)	(9,040)	(29,895)	(41,678)
Share of profit in joint ventures	2,833	1,624	353	4,047
Operating income (EBIT) before special items	(15,359)	(18,553)	(83,332)	(78,633)
Special items, net	12,907	(130,652)	33,664	(207,192)
Financial items, net	(3,955)	(2,583)	740	(26,859)
Profit/(loss) from continuing operations before tax	(6,407)	(151,787)	(48,928)	(312,683)
Income tax	3,157	(1,200)	3,111	(1,322)
Profit/(loss) from continuing operations	(3,251)	(152,987)	(45,817)	(314,006)
Profit/(loss) from discontinued operations	1	218	195	560
Profit/(loss) for the period	(3,250)	(152,769)	(45,622)	(313,446)
Attributable to:				-
The J. Lauritzen Group	(3,250)	(152,769)	(45,622)	(313,446)

STATEMENT OF COMPREHENSIVE INCOME USD '000	2016	2015	2016	2015
	4th quarter	4th quarter	Full year	Full year
Profit/(loss) for the period	(3,250)	(152,769)	(45,622)	(313,446)
<i>Items that can be reclassified subsequently to profit or loss:</i>				
Other comprehensive income:				
Exchange differences on translating foreign operations	(93)	(159)	(178)	(772)
Fair value adjustment of hedging instruments	711	2,365	(565)	(2,547)
Deferred gains/(loss) on hedging instr. transfer to Financial items, net	1,942	1,659	6,478	8,252
Fair value adjustment of shares available for sale	-	5,516	1	6,152
Fair value adjustment of shares available for sale reclassified to Financial items, net	-	-	(27,072)	-
Other comprehensive income net of tax	2,559	9,380	(21,337)	11,085
Total comprehensive income for the period	(691)	(143,389)	(66,959)	(302,361)
Attributable to:				
The J. Lauritzen Group	(691)	(143,389)	(66,959)	(302,361)

FINANCIAL POSITION	2016	2015
USD '000	31-dec	31-dec
ASSETS		
Vessels, property and equipment	384,153	464,531
Investment in joint ventures	26,871	77,286
Deferred tax assets	3,700	2,700
Shares available for sale	52	46,982
Receivable from joint ventures	560	1,238
Other receivables	472	21,735
Non-current assets	415,808	614,472
Bunkers	13,169	7,152
Trade receivables	10,418	10,906
Other receivables	24,001	54,058
Prepayments	6,268	8,007
Current tax receivables	2,870	651
Derivative financial instruments	4,017	1,625
Securities	-	10,000
Cash at hand and in bank	140,572	115,570
	201,317	207,968
Assets held for sale	-	36,162
Current assets	201,317	244,130
Total assets	617,125	858,603
EQUITY AND LIABILITIES		
Share capital	63,864	62,356
Retained earnings	168,945	196,693
Reserves	(9,971)	11,366
Equity	222,837	270,415
Long-term provisions	-	31,842
Non-current derivative financial instruments	1,381	34,979
Long-term borrowings	215,948	310,953
Non-current liabilities	217,329	377,774
Current portion of long-term borrowings	84,448	98,251
Trade payables	13,491	7,481
Other payables	10,451	21,169
Provisions	34,670	66,118
Prepayments	-	812
Derivative financial instruments	33,900	16,584
Current liabilities	176,959	210,414
Total liabilities	394,288	588,188
Total equity and liabilities	617,125	858,603