Financial report for 2017

Ready for market recovery

"The refinancing and recapitalisation completed in 2017 strengthened our balance sheet", says CEO Mads P. Zacho, adding that "we are pleased to note the continued strong loyalty shown by our many existing customers, but also that we succeeded in attracting a growing number of new customers during the year."

Main initiatives and events

- End of Q2, a revision of our strategy was finalised, and a series of strategic initiatives commenced with scheduled completion during 2018.
- Our strategic ambition is to be the leading player within smaller gas tankers and handysize dry bulk carriers building on our current strengths and competitive advantages.
- Our new strategy was financially supported by an agreement with our core lenders together with a capital injection of USDm 80 from our owner, Lauritzen Fonden, providing a stronger footing ahead of the expected gradual recovery of the market conditions.
- Repayment of the outstanding JLA02 corporate bond and related hedging debt after which we do not have any listed debt.
- Seven handysize bulk carriers were taken on medium-term (up to two years) time-charter with options for extension. One gas carrier was sold, and another taken on medium-term time-charter.
- Implementation of a new crewing strategy for our gas carrier fleet leading to OSM Maritime Group being appointed as new crew manager.

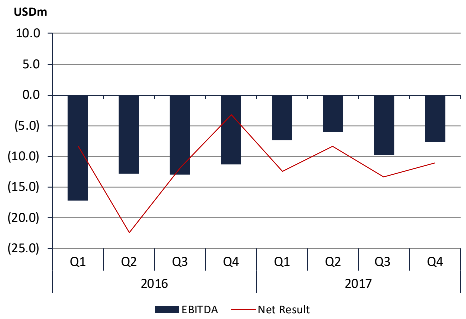
Business performance

After bottoming out in 2016, dry cargo markets improved during 2017 as stronger than expected demand growth outpaced supply growth. The market for small gas carriers deteriorated during most of the year as heavy deliveries of large and midsize gas carriers negatively affected market conditions for our smaller gas carriers.

During 2017, we controlled an average fleet of 118 vessels compared to 128 vessels in 2016.

In Q4, operating income before depreciation (EBITDA) and special items amounted to USDm (7.7), up USDm 3.7 on same period in 2016.

Full-year operating income before depreciation (EBITDA) and special items amounted to USDm (31.0), up USDm 23.4 on 2016. The result was within the range of earlier reported expectation of USDm (40)-(10).



Liquidity

At period end, cash and cash equivalents amounted to USDm 59 compared to USDm 141 at year-end 2016. The repayment of bank debt of more than USDm 50 in 2017 contributed to the decrease.

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Assets and liabilities

Total assets amounted to USDm 504 compared to USDm 617 at year-end 2016. Solvency ratio was 52%, compared 36% at year-end 2016.

Outlook for 2018

Both the dry bulk market and the market for small gas carriers are anticipated to benefit from the expected rise in economic activity in 2018, more so as supply growth will be rather limited in both segments. Financially, we expect the result for 2018 to be better than in 2017, yet not satisfactory.

For further information, please refer to our Annual Report 2017 and our report on Corporate Responsibility that are both available at www.j-l.com