

## Interim financial report – first quarter 2016

### Strengthening of balance sheet

“Previously advised transfers of certain non-strategic assets and obligations to LF Investment ApS were largely completed during Q1. These transactions have together with a capital injection strengthened our balance sheet and improved our cash position”, says Jan Kastrup-Nielsen, President and CEO adding “dry cargo markets remained under severe pressure and on average Q1 reached an unprecedented low level, whereas the gas carriers performed largely as expected”.

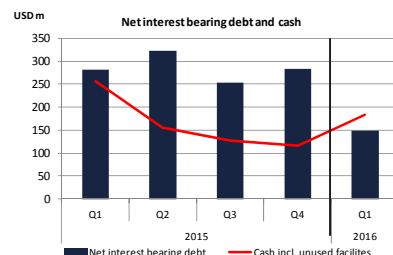
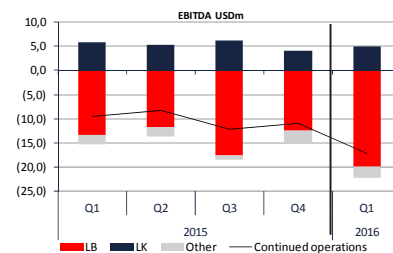
### Main events

- Sale of our shareholdings in Hafnia Tankers Ltd. and Danish Ship Finance together with our bonds in Axis Offshore Pte. Ltd. to LF Investment ApS, a company wholly-owned by Lauritzen Fonden. The sale of our shareholding in Axis Offshore Pte. Ltd. to LF Investment ApS is scheduled to be completed in Q3 2016.
- Capital injection of USD 19m.
- Write-downs and provisions totaling USD 17.8m from cash improving initiatives related to our newbuilding programme and long-term time-charter commitments.

EBITDA before special items for the first three months amounted to USD (17.2)m against (9.5)m in the same period last year, primarily due to dry bulk market developments.

Net result for the period amounted to USD (8.3)m against USD (27.0)m in Q1 2015.

At period end, cash amounted to USD 184m, compared to USD 116m at year-end 2015. Net interest bearing debt (NIBD) was USD 149m against USD 284m at year-end 2015.



### Lauritzen Bulkers

Average number of vessels reached 102 compared to 100 in Q1 2015. EBITDA before special items for Q1 was unsatisfactory at USD (19.9)m against USD (13.3)m in Q1 2015.

### Lauritzen Kosan

Average number of vessels reached 35 compared to 36 in Q1 2015. EBITDA before special items totaled USD 5.0m compared to USD 5.8m in Q1 2015.

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**Operating income**

Total operating income before special items for Q1 amounted to USD (25.6)m compared to USD (20.3)m in same period in 2015.

**Special items**

In Q1, special items amounted to USD (1.2)m against USD 6.7m in Q1 2015. For further information on special items, please see note 3.

**Net financial items**

Net financial items for the three months amounted to USD 18.4m compared to USD (13.4)m in same period last year, hereof USD 27.1m related to sale of non-strategic assets.

**Assets and liabilities**

Total assets amounted to USD 752m down from USD 859m at year-end 2015 due to sale of assets and cancellation of newbuilding contracts.

Solvency ratio improved to 33.8% against 31.5% at year-end 2015.

At period end, outstanding deliveries of wholly-owned and part-owned newbuildings have been reduced to four for delivery in 2016-17. Similarly, outstanding deliveries of long-term time-chartered vessels have been reduced to eight, some of which with postponed delivery. Total commitments related to long-term time-chartered vessels appear in note 8.

**Outlook for 2016**

The full year estimate is unchanged. For the remainder of the year there is still a high degree of uncertainty related mainly to the development in the dry bulk segment and hence to the global economy in general.

Currency and interest rate fluctuations as well as effects from 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 2016.

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 2016 and of the results of the Group's operations and cash flows for the period 1 January 2016 to 31 March 2016.

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, 11 May 2016.

### Executive Management:

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Jan Kastrup-Nielsen  
President & CEO

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Birgit Aagaard-Svendsen  
Exec. Vice President & CFO

### 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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Søren Berg\*

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Ulrik Danstrøm\*

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Søren Roschmann\*

\*) Elected by the employees

## Financial statements – JL Group

INCOME STATEMENT - CONDENSED		2016	2015	2015
USD '000	Note	1st quarter	1st quarter	Full year
Revenue	2	87,398	89,586	349,078
Voyage related costs		(28,192)	(18,296)	(80,746)
Time-charter equivalent income		59,207	71,289	268,332
Other operating income		1,220	1,916	6,897
Hire of chartered vessels		(48,913)	(50,584)	(191,054)
Operating costs of vessels		(17,883)	(20,814)	(81,529)
Administrative costs		(10,871)	(11,305)	(43,699)
Operating income before depreciation (EBITDA) and special items		(17,240)	(9,498)	(41,053)
Profit/(loss) on sale of vessels and other assets		26	42	52
Depreciation		(7,604)	(11,709)	(41,678)
Share of profit in joint ventures		(751)	852	4,047
Operating income (EBIT) before special items		(25,570)	(20,313)	(78,633)
Special items, net	3	(1,152)	6,678	(207,192)
Financial items, net	4	18,424	(13,405)	(26,859)
Profit/(loss) from continuing operations before tax		(8,298)	(27,039)	(312,683)
Income tax		(8)	(9)	(1,322)
Profit/(loss) from continuing operations		(8,306)	(27,048)	(314,006)
Profit/(loss) from discontinued operations	6	46	69	560
Profit/(loss) for the period		(8,259)	(26,979)	(313,446)
Attributable to:				
<b>The J. Lauritzen Group</b>		<b>(8,259)</b>	<b>(26,979)</b>	<b>(313,446)</b>
Non-controlling interests		-	-	-
		(8,259)	(26,979)	(313,446)

STATEMENT OF COMPREHENSIVE INCOME		2016	2015	2015
USD '000		1st quarter	1st quarter	Full year
Profit/(loss) for the period		(8,259)	(26,979)	(313,446)
<i>Items that can be reclassified subsequently to profit or loss:</i>				
Other comprehensive income:				
Exchange differences on translating foreign operations		144	(840)	(772)
Fair value adjustment of hedging instruments		(2,510)	(2,332)	(2,547)
Deferred gains/(loss) on hedging instr. transfer to Financial items, net		2,049	2,401	8,252
Fair value adjustment of shares available for sale		(51)	(377)	6,152
Fair value adjustment of shares available for sale reclassified to Financial items, net	4	(27,072)	-	-
Other comprehensive income net of tax		(27,440)	(1,148)	11,085
Total comprehensive income for the period		(35,699)	(28,127)	(302,361)
Attributable to:				
<b>The J. Lauritzen Group</b>		<b>(35,699)</b>	<b>(28,127)</b>	<b>(302,361)</b>
Non-controlling interests		-	-	-
		(35,699)	(28,127)	(302,361)

<b>FINANCIAL POSITION</b>		<b>2016</b>	2015	2015
USD '000	Note	<b>31-mar</b>	31-mar	31-dec
<b>ASSETS</b>				
Vessels, property and equipment	5, 7	416,301	797,879	464,531
Investment in joint ventures		27,362	84,252	77,286
Deferred tax assets		2,700	3,600	2,700
Shares available for sale	9	52	40,462	46,982
Receivable from joint ventures		750	8,825	1,238
Other receivables		506	477	21,735
<b>Non-current assets</b>		<b>447,670</b>	<b>935,495</b>	<b>614,472</b>
Bunkers		3,276	10,391	7,152
Trade receivables		5,296	15,040	10,906
Other receivables		53,297	19,583	54,058
Prepayments		7,288	8,314	8,007
Current tax receivables		693	801	651
Derivative financial instruments		1,911	16,382	1,625
Securities		0	5,352	10,000
Cash at hand and in bank		184,051	255,827	115,570
		255,812	331,691	207,968
Assets held for sale		48,370	0	36,162
<b>Current assets</b>		<b>304,182</b>	<b>331,691</b>	<b>244,130</b>
<b>Total assets</b>		<b>751,853</b>	<b>1,267,186</b>	<b>858,603</b>
<b>EQUITY AND LIABILITIES</b>				
Share capital		63,864	62,356	62,356
Retained earnings		206,308	483,160	196,693
Reserves		(16,074)	(867)	11,366
<b>Equity</b>		<b>254,097</b>	<b>544,649</b>	<b>270,415</b>
Long-term provisions		25,991	27,270	31,842
Non-current derivative financial instruments		33,483	37,855	34,979
Long-term borrow ings		299,209	446,761	310,953
<b>Non-current liabilities</b>		<b>358,684</b>	<b>511,886</b>	<b>377,774</b>
Current portion of long-term borrow ings		33,951	95,990	98,251
Trade payables		7,317	10,931	7,481
Other payables		19,341	25,454	21,169
Provisions		65,495	26,109	66,118
Prepayments		242	200	812
Derivative financial instruments		12,727	51,969	16,584
Current tax payables		-	-	-
<b>Current liabilities</b>		<b>139,074</b>	<b>210,653</b>	<b>210,414</b>
<b>Total liabilities</b>		<b>497,756</b>	<b>722,537</b>	<b>588,188</b>
<b>Total equity and liabilities</b>		<b>751,853</b>	<b>1,267,186</b>	<b>858,603</b>

**EQUITY STATEMENT**

USD '000	Share capital	Hedging instruments	Shares available for sale	Translation gain/loss	Reserves	Retained earnings	Total
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>
Equity 1 January 2015	62,356	(15,434)	20,919	(5,204)	281	510,139	572,776
Profit/(loss) for the period	-	-	-	-	-	(26,979)	(26,979)
Other compr. Income	-	69	(377)	(840)	(1,148)	-	(1,148)
Total compr. income	-	69	(377)	(840)	(1,148)	(26,979)	(28,127)
<b>Equity 31 March 2015</b>	<b>62,356</b>	<b>(15,365)</b>	<b>20,542</b>	<b>(6,044)</b>	<b>(867)</b>	<b>483,160</b>	<b>544,649</b>

**CASH FLOW STATEMENT - CONDENSED**

USD '000	2016 3 months	2015 3 months
Cash flow from:		
Operating activities	6,107	(6,314)
- hereof Operations before financial items	16,397	(2,368)
- hereof Ordinary operations before tax	6,133	(4,352)
Investment activities	93,385	(4,830)
Financing activities	(32,455)	89,210
Changes for the period in cash and cash equivalents	67,037	78,066
Cash and cash equivalents at beginning of the period	115,570	184,388
Currency adjustments on cash and cash equivalents	1,444	(6,628)
Cash and cash equivalents at the end of the period	184,051	255,827
Financial resources at the end of the period	184,051	255,827
Committed facilities available upon delivery of vessels	37,180	-
<b>Financial resources incl. committed facilities available upon delivery of vessels</b>	<b>221,231</b>	<b>255,827</b>

## 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 2016. None of these have affected recognition and measurement.

Apart from adoption of new, amended or revised accounting standards, accounting policies are unchanged from those applied in the Annual Report 2015 of J. Lauritzen A/S.

## 2. Operating segments

USDm	Lauritzen Bulkers	Lauritzen Kosan	Lauritzen Offshore (discontinued operation)	Lauritzen Tankers (discontinued operation)	Total reportable segments	Other/ Unallocated	Total Group	Total Group Continuing Operations
<b>3 months 2016</b>								
Revenue	53.2	34.2	0.0	0.0	87.4	0.0	87.4	87.4
EBITDA before special items	(19.9)	5.0	0.0	0.0	(14.8)	(2.4)	(17.2)	(17.2)
Operating income before special items	(22.5)	(0.7)	0.0	0.0	(23.1)	(2.4)	(25.5)	(25.6)
Operating income after special items	(23.6)	(0.7)	0.0	0.0	(24.3)	(2.4)	(26.7)	(26.7)
<b>3 months 2015</b>								
Revenue	61.7	27.9	0.0	0.5	90.0	0.0	90.0	89.6
EBITDA before special items	(13.3)	5.8	0.0	(0.0)	(7.5)	(2.0)	(9.5)	(9.5)
Operating income before special items	(17.6)	(0.3)	0.0	(0.0)	(17.8)	(2.4)	(20.3)	(20.3)
Operating income after special items	(11.0)	(0.3)	0.0	(0.0)	(11.3)	(2.4)	(13.6)	(13.6)

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	2016 1st quarter	2015 1st quarter	2015 Full year
One-off revenue from sale of claims, claim settlements and termination of contracts	3,850	-	77,229
Impairment losses on vessels and vessels under construction	(12,500)	-	(217,564)
Provisions and use of provisions for onerous contracts	10,288	6,678	(29,630)
Impairment losses on vessels owned by joint ventures	(2,789)	-	(34,659)
Financial items related to termination of contracts	-	-	(2,568)
Special items, net	(1,152)	6,678	(207,192)

For further information about impairment and provisions for onerous contracts please refer to note 5.

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

INCOME STATEMENT - CONDENSED USD '000	2016 1st quarter	2015 1st quarter	2015 Full year
Revenue	91,248	89,586	426,307
Other operating income	1,220	1,916	6,897
Costs	(95,571)	(94,321)	(424,657)
Operating income before depreciation (EBITDA)	(3,102)	(2,820)	8,547
Profit/(loss) on sale of assets	26	42	52
Depreciation and impairment losses	(20,104)	(11,709)	(261,243)
Share of profit in joint ventures	(3,541)	852	(30,613)
Operating income	(26,721)	(13,634)	(283,257)
Net financial items	18,424	(13,405)	(29,427)
Profit/(loss) before tax	(8,298)	(27,039)	(312,683)
Income tax	(8)	(9)	(1,322)
Profit/(loss) from continuing operations	(8,306)	(27,048)	(314,006)

#### 4. Financial items

Due to sale of shares classified as shares available for sale, fair value adjustments of USD 27.1m have been reclassified from the Equity-reserve of Shares available for sale to Financial items, net.



USD '000	2016 1st quarter	2015 1st quarter	2015 Full year
Reclassification of fair value adjustment on shares available for sale	27,072	0	0
Financial income and expenses	(8,648)	(13,405)	(26,859)
Financial items, net	18,424	(13,405)	(26,859)

## 5. Impairment losses

Subsequent the approval of Annual Report 2015 further cash saving initiatives was initiated, among other things a cancellation of two newbuildings with delivery in 2018 and cancellation of a time charter contract. A cancellation agreement was entered into during March and finally agreed upon in Q2. The book value of the newbuilding contracts have been written off and provisions for onerous contracts have been recognised as a consequence of this agreement.

In addition hereto investments in joint ventures including part owned vessels have been impacted by sale of vessels at a lower value than estimated at year end 2015.

Operating segment	CGU	Impairment losses					
		Fully owned vessels	Part-owned vessels	Assets under construction	Provisions for onerous contracts	Use of provisions for onerous contracts	Total
USDm							
Lauritzen Bulkers	Small Bulk Carriers	-	(2.8)	(12.5)	(5.3)	15.6	(5.0)
Lauritzen Bulkers	Large Bulk Carriers	-	-	-	-	-	-
Lauritzen Kosan	FP Gas Carriers	-	-	-	-	-	-
Lauritzen Kosan	Other Gas Carriers	-	-	-	-	-	-
		-	(2.8)	(12.5)	(5.3)	15.6	(5.0)

## 6. Discontinued operations

Discontinued operations were phased out during 2014 and 2015 consists only of final transactions related to the unwind.

For additional information, please see our Annual Report 2015.

## 7. Vessels, property and equipment

USD '000	Vessels under construction	Vessels under construction	Land and Buildings	Machinery, tools and equipment	Total
<b>2016</b>					
Cost as at 1 January	880,710	30,671	2,793	10,119	924,293
Exchange rate adjustments	315	-	50	9	373
Additions	1,787	1,409	-	-	3,196
Disposals	(23,379)	-	-	-	(23,379)
Transferred to assets held for sale	-	-	-	-	-
Cost as at 31 March	859,433	32,080	2,843	10,127	904,484
Depr. and impairment losses as at 1 January	(436,015)	(16,039)	(683)	(7,024)	(459,761)
Exchange rate adjustments	(148)	-	(11)	(9)	(168)
Depreciation	(7,362)	-	(21)	(221)	(7,603)
Impairment losses	-	(12,500)	-	-	(12,500)
Disposals	(8,150)	-	-	-	(8,150)
Transferred to assets held for sale	-	-	-	-	-
Depr. and impairment losses as at 31 March	(451,674)	(28,539)	(715)	(7,254)	(488,182)
Balance as at 31 March	407,759	3,541	2,128	2,874	416,301
<b>2015</b>					
Cost as at 1 January	1,262,005	28,960	2,927	10,138	1,304,031
Exchange rate adjustments	(961)	-	(152)	(29)	(1,143)
Additions	2,200	5	-	4	2,208
Transfer from vessels under constr.	-	-	-	-	-
Disposals	(2,335)	-	-	-	(2,335)
Transferred to assets held for sale	-	-	-	-	-
Cost as at 31 March	1,260,910	28,965	2,775	10,112	1,302,762
Depr. and impairment losses as at 1 January	(489,025)	-	(628)	(6,163)	(495,816)
Exchange rate adjustments	247	-	31	29	308
Depreciation	(11,462)	-	(21)	(226)	(11,709)
Disposals	2,335	-	-	-	2,335
Transferred to assets held for sale	-	-	-	-	-
Depr. and impairment losses as at 31 March	(497,906)	-	(618)	(6,359)	(504,883)
Balance as at 31 March	763,004	28,965	2,157	3,753	797,879

## 8. 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
<b>2016</b>						
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
<b>Total</b>	<b>613.3</b>	<b>-</b>	<b>18.2</b>	<b>-</b>	<b>631.5</b>	<b>-</b>
<b>2015</b>						
2nd - 4th quarter 2015	109.2	24.1	9.0	4.5	118.2	28.6
1 - 2 Year	118.9	26.0	7.7	4.3	126.6	30.3
2 - 3 Year	102.4	23.0	3.7	2.1	106.1	25.1
3 - 4 Year	93.5	21.4	-	-	93.5	21.4
4 - 5 Year	69.0	16.0	-	-	69.0	16.0
> 5 Year	219.5	49.9	-	-	219.5	49.9
<b>Total</b>	<b>712.5</b>	<b>-</b>	<b>20.4</b>	<b>-</b>	<b>732.9</b>	<b>-</b>

At end of March 2016 J. Lauritzen had purchase option on 22 bulk carriers (end of March 2015: 21 bulk carriers).

## 9. 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 2015 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 2016 fair value of issued bonds amounted to USD 48.7m, whereas the carrying amount totalled USD 55.7m.

### *Fair value hierarchy*

With the exception of shares available for sale of USD 0.1m (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:

USD '000	2016	2015	2015
	31-mar	31-mar	31-dec
Book value at 1 January	46,981	40,839	40,839
Sale during the year	(46,930)	-	(10)
Fair value adjustment of shares available for sale recognised on other comprehensive income	1	(377)	6,152
Book value end of period	52	40,462	46,981

## 10. Related parties

In order to strengthen the balance sheet and improve the cash position, in Q1 2016 an agreement was reached with Lauritzen Fonden, our sole shareholder to inject new capital of approx. USD 19m and to transfer a number of non-strategic assets and obligations to LF Investment ApS, wholly-owned by Lauritzen Fonden. The transactions provide J. Lauritzen with additional cash of USD 125m during 2016. The assets have a combined book value of USD 105.9m. The transaction will include transfer of the shareholding in Axis Offshore Pte. Ltd., which is classified as held for sale as per end of March 2016, while the injection of new capital and transfer of other assets have been executed in Q1 2016.

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