

Interim financial report – third quarter 2016

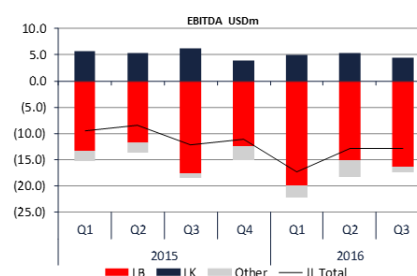
Reduced exposure

“In Q3 we reduced our exposure in continued challenging market conditions in dry bulk as well gastank and our newbuilding commitments have been reduced to one part-owned bulk carrier”, says CEO Mads P. Zacho, adding that “due to the sustained weak dry cargo markets we have lowered our EBITDA estimate for the full year”.

Main events

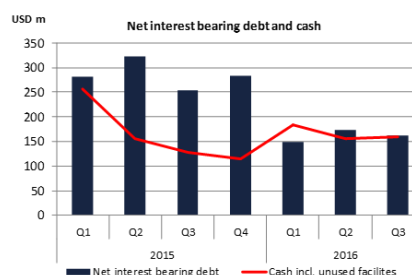
- Lauritzen Kosan secured a cargo contract with SABIC (Saudi Arabia Basic Industries Corporation) on transport of petrochemical gasses.
- Lauritzen Bulkers extended long-term cargo contract with US Enviva on transport of green energy wood pellets to Europe with additional 300,000 tons per year in 2018-26.
- Completion of the earlier reported sale of our shareholding in Axis Offshore Pte. Ltd. to LF Investment ApS, which added USDm 48 to the company’s cash position.
- Sale of 2003-built gas carrier Charlotte Kosan.
- As earlier reported, Mads P. Zacho took over as CEO replacing Jan Kastrup-Nielsen and Birgit Agaard-Svendsen.

Q3 EBITDA before special items amounted to USDm (12.9) against USDm (12.2) in Q3 2015 due to sustained weak dry bulk markets and increased pressure on the market for smaller gas carriers following the rate decline for large and medium sized gas carriers.



EBITDA before special items for the first nine months amounted to USDm (43.1) against USDm (30.0) in the same period last year. Net result was USDm (42.4) compared to USDm (160.7) in same period 2015, mainly due to special items (up USDm 97.3) and sale of non-strategic assets (USDm 27.1), however offset by the lower EBITDA.

At period end, cash amounted to USDm 160, compared to USDm 116 at year-end 2015. The sale of Axis Offshore and utilization of revolving credit facilities impacted our cash position positively.



Net interest bearing debt (NIBD) was USDm 162 against USDm 284 at year-end 2015.

Lauritzen Bulkers

Average number of vessels reached 98 compared to 99 in Q3 2015. EBITDA before special items for Q3 was USDm (16.3) against USDm (17.6) in Q3 2015.

Lauritzen Kosan

Average number of vessels reached 32 compared to 33 in Q3 2015. EBITDA before special items totaled USDm 4.4 compared to USDm 6.2 in Q3 2015.

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USDm	EBITDA before special items *)				
	2016 3rd quarter	2015 3rd quarter	2016 9 months	2015 9 months	2015 Full year
Lauritzen Bulkers	(16.3)	(17.6)	(51.2)	(42.4)	(55.0)
Lauritzen Kosan	4.4	6.2	14.8	17.4	21.4
Other/Unallocated	(1.0)	(0.8)	(6.7)	(4.9)	(7.4)
EBITDA before special items	(12.9)	(12.2)	(43.1)	(30.0)	(41.1)

*) Continuing operations only

Operating income

Total operating income before special items for Q3 amounted to USDm (20.3) compared to USDm (19.0) in Q3 2015. Operating income in the first nine months amounted to USDm (68.0) against USDm (60.1) in same period in 2015.

Special items

In Q3, special items amounted to USDm 13.8 against USDm 9.5 in Q3 2015. For the first nine months, special items were USDm 20.8 compared to USDm (76.5) in same period 2015. For further information on special items, please see note 3.

Net financial items

Net financial items for Q3 amounted to USDm (5.3) compared to USDm (6.9) in same period last year. For the first nine months, net financial items were USDm 4.7 against USDm (24.3) same period last year, hereof USDm 27.1 related to sale of non-strategic assets in Q1.

Assets and liabilities

Total assets amounted to USDm 653 down from USDm 859 at year-end 2015 due to sale of assets and cancellation of newbuilding contracts.

Solvency ratio improved to 34.2% against 31.5% at year-end 2015.

Outstanding deliveries amount to one part-owned newbuilding, down from four wholly-owned and two part-owned newbuildings at the beginning of the year. Outstanding deliveries of long-term time-chartered vessels amounted to 8 vessels at period end compared to nine at the beginning of the year. Total commitments related to long-term time-chartered vessels appear in note 8.

Outlook for 2016

EBITDA for the full year is expected in the range USDm (60)-(50). The estimate is lower than earlier reported due to lower than expected earnings in dry bulk and the increased pressure on the markets for smaller gas carriers.

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 30 September 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 30 September 2016 and of the results of the Group's operations and cash flows for the period 1 January 2016 to 30 September 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, 18 November 2016.

Executive Management:

Mads P. Zachø
CEO

Board of Directors:

Jesper T. Lok
Chairman

Niels Heering
Vice Chairman

Peter Poul Lauritzen Bay

Marianne Wiinholt

Søren Berg*

Ulrik Danstrøm*

Søren Roschmann*

*) Elected by the employees

Financial statements – JL Group

INCOME STATEMENT - CONDENSED		2016	2015	2016	2015	2015
USD '000	Note	3rd quarter	3rd quarter	9 months	9 months	Full year
Revenue	2	122,729	84,024	278,181	264,708	349,078
Voyage related costs		(47,498)	(21,672)	(86,431)	(59,686)	(80,746)
Time-charter equivalent income		75,231	62,352	191,750	205,022	268,332
Other operating income		647	1,605	2,808	5,271	6,897
Hire of chartered vessels		(64,470)	(45,406)	(157,708)	(144,980)	(191,054)
Operating costs of vessels		(14,873)	(20,897)	(48,129)	(63,210)	(81,529)
Administrative costs		(9,452)	(9,837)	(31,774)	(32,139)	(43,699)
Operating income before depreciation (EBITDA) and special items		(12,916)	(12,183)	(43,053)	(30,037)	(41,053)
Profit/(loss) on sale of vessels and other assets		(125)	182	(166)	173	52
Depreciation		(7,099)	(9,193)	(22,274)	(32,639)	(41,678)
Share of profit in joint ventures		(141)	2,149	(2,479)	2,422	4,047
Operating income (EBIT) before special items		(20,281)	(19,045)	(67,972)	(60,079)	(78,633)
Special items, net	3	13,752	9,477	20,757	(76,540)	(207,192)
Financial items, net	4	(5,317)	(6,878)	4,695	(24,276)	(26,859)
Profit/(loss) from continuing operations before tax		(11,846)	(16,447)	(42,520)	(160,896)	(312,683)
Income tax		-	(42)	(46)	(123)	(1,322)
Profit/(loss) from continuing operations		(11,846)	(16,489)	(42,566)	(161,018)	(314,006)
Profit/(loss) from discontinued operations	6	147	400	194	342	560
Profit/(loss) for the period		(11,699)	(16,089)	(42,372)	(160,677)	(313,446)
Attributable to:						
The J. Lauritzen Group		(11,699)	(16,089)	(42,372)	(160,677)	(313,446)

STATEMENT OF COMPREHENSIVE INCOME		2016	2015	2016	2015	2015
USD '000		3rd quarter	3rd quarter	9 months	9 months	Full year
Profit/(loss) for the period		(11,699)	(16,089)	(42,372)	(160,677)	(313,446)
<i>Items that can be reclassified subsequently to profit or loss:</i>						
Other comprehensive income:						
Exchange differences on translating foreign operations		(160)	115	(85)	(613)	(772)
Fair value adjustment of hedging instruments		1,690	(5,328)	(1,276)	(4,912)	(2,547)
Deferred gains/(loss) on hedging instr. transfer to Financial items, net		1,134	2,274	4,536	6,593	8,252
Fair value adjustment of shares available for sale		-	33	1	636	6,152
Fair value adjustment of shares available for sale reclassified to Financial items, net	4	-	-	(27,072)	-	-
Other comprehensive income net of tax		2,664	(2,907)	(23,896)	1,705	11,085
Total comprehensive income for the period		(9,035)	(18,996)	(66,268)	(158,972)	(302,361)
Attributable to:						
The J. Lauritzen Group		(9,035)	(18,996)	(66,268)	(158,972)	(302,361)

FINANCIAL POSITION		2016	2015	2015
USD '000	Note	30-sep	30-sep	31-dec
ASSETS				
Vessels, property and equipment	5, 7	397,114	532,897	464,531
Investment in joint ventures		25,899	81,625	77,286
Deferred tax assets		2,700	3,600	2,700
Shares available for sale	9	52	41,476	46,982
Receivable from joint ventures		-	1,928	1,238
Other receivables		499	21,747	21,735
Non-current assets		426,264	683,273	614,472
Bunkers		7,763	9,596	7,152
Trade receivables		10,012	8,231	10,906
Other receivables		32,811	53,176	54,058
Prepayments		7,262	6,692	8,007
Current tax receivables		698	901	651
Derivative financial instruments		3,463	1,384	1,625
Securities		-	6,763	10,000
Cash at hand and in bank		160,117	127,859	115,570
		222,127	214,601	207,968
Assets held for sale		5,077	36,295	36,162
Current assets		227,203	250,896	244,130
Total assets		653,467	934,170	858,603
EQUITY AND LIABILITIES				
Share capital		63,864	62,356	62,356
Retained earnings		172,195	349,462	196,693
Reserves		(12,530)	1,986	11,366
Equity		223,528	413,804	270,415
Long-term provisions		7,598	16,572	31,842
Non-current derivative financial instruments		29,686	35,756	34,979
Long-term borrowings		286,942	329,986	310,953
Non-current liabilities		324,226	382,314	377,774
Current portion of long-term borrowings		34,629	58,166	98,251
Trade payables		12,978	8,478	7,481
Other payables		12,225	22,398	21,169
Provisions		40,229	30,380	66,118
Prepayments		60	200	812
Derivative financial instruments		5,591	18,430	16,584
Current liabilities		105,712	138,053	210,414
Total liabilities		429,938	520,366	588,188
Total equity and liabilities		653,467	934,170	858,603

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	-	-	-	-	-	(42,372)	(42,372)
Other compr. Income	-	3,260	(27,071)	(85)	(23,896)	-	(23,896)
Total compr. income	-	3,260	(27,071)	(85)	(23,896)	(42,372)	(66,268)
<i>Transaction with owners:</i>							
Capital increase	1,508	-	-	-	-	17,874	19,382
Equity 30 September 2016	63,864	(6,469)	-	(6,061)	(12,530)	172,195	223,528
Equity 1 January 2015	62,356	(15,434)	20,919	(5,204)	281	510,139	572,776
Profit/(loss) for the period	-	-	-	-	-	(160,677)	(160,677)
Other compr. Income	-	1,681	636	(613)	1,705	-	1,705
Total compr. income	-	1,681	636	(613)	1,705	(160,677)	(158,972)
Equity 30 September 2015	62,356	(13,753)	21,556	(5,817)	1,986	349,462	413,804

CASH FLOW STATEMENT - CONDENSED

USD '000	2016 9 months	2015 9 months
Cash flow from:		
Operating activities	(34,078)	(39,634)
- hereof Operations before financial items	(6,873)	3,036
- hereof Ordinary operations before tax	(33,995)	(37,492)
Investment activities	128,756	57,062
Financing activities	(51,902)	(72,020)
Changes for the period in cash and cash equivalents	42,777	(54,591)
Cash and cash equivalents at beginning of the period	115,570	184,388
Currency adjustments on cash and cash equivalents	1,770	(1,938)
Cash and cash equivalents at the end of the period	160,117	127,859
Undrawn committed credit facilities at end of period *)	-	-
Financial resources at the end of the period	160,117	127,859
Committed facilities available upon delivery of vessels	-	77,800
Financial resources incl. committed facilities available upon delivery of vessels	160,117	205,659

*) In addition J. Lauritzen has an unsecured overdraft facility of DKK 100m 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 2016. 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 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
9 months 2016								
Revenue	192.5	85.7	0.0	0.0	278.2	0.0	278.2	278.2
EBITDA before special items	(51.2)	14.8	0.0	0.2	(36.3)	(6.7)	(42.9)	(43.1)
Operating income before special items	(58.4)	(3.0)	0.0	0.2	(61.2)	(6.6)	(67.8)	(68.0)
Operating income after special items	(36.5)	(3.0)	0.0	0.2	(39.2)	(7.8)	(47.0)	(47.2)
9 months 2015								
Revenue	180.4	84.3	(0.1)	0.5	265.1	0.0	265.1	264.7
EBITDA before special items	(42.4)	17.4	(0.1)	0.4	(24.9)	(4.9)	(29.8)	(30.0)
Operating income before special items	(55.3)	(0.2)	(0.1)	0.4	(55.3)	(4.5)	(59.8)	(60.1)
Operating income after special items	(129.6)	(0.2)	(0.1)	0.4	(129.6)	(6.7)	(136.4)	(136.6)

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 3rd quarter	2015 3rd quarter	2016 9 months	2015 9 months	2015 Full year
One-off revenue from sale of claims, claim settlements and termination of contracts	-	-	3,926	77,229	77,229
Sale of vessels as a consequence of counterparty defaults or strategic initiatives	-	-	-	-	-
Impairment losses on vessels and vessels under construction	912	-	(15,394)	(151,587)	(217,564)
Provisions and use of provisions for onerous contracts	13,034	8,378	38,935	14,935	(29,630)
Impairment losses on vessels owned by joint ventures	-	-	(5,481)	(14,919)	(34,659)
Financial items related to termination of contracts	(194)	1,099	(1,229)	(2,198)	(2,568)
Special items, net	13,752	9,477	20,757	(76,540)	(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 3rd quarter	2015 3rd quarter	2016 9 months	2015 9 months	2015 Full year
Revenue	122,729	84,024	282,107	341,938	426,307
Other operating income	647	1,605	2,808	5,271	6,897
Costs	(123,258)	(89,434)	(285,107)	(285,080)	(424,657)
Operating income before depreciation (EBITDA)	118	(3,804)	(192)	62,128	8,547
Profit/(loss) on sale of assets	(125)	182	(166)	173	52
Depreciation and impairment losses	(6,187)	(9,193)	(37,668)	(184,226)	(261,243)
Share of profit in joint ventures	(141)	2,149	(7,960)	(12,497)	(30,613)
Operating income	(6,335)	(10,667)	(45,986)	(134,421)	(283,257)
Net financial items	(5,511)	(5,780)	3,466	(26,474)	(29,427)
Profit/(loss) before tax	(11,846)	(16,447)	(42,520)	(160,896)	(312,683)
Income tax	-	(42)	(46)	(123)	(1,322)
Profit/(loss) from continuing operations	(11,846)	(16,489)	(42,566)	(161,018)	(314,006)

4. Financial items

In 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	2016 3rd quarter	2015 3rd quarter	2016 9 months	2015 9 months	2015 Full year
Reclassification of fair value adjustment on shares available for sale	-	-	27,072	-	-
Financial income and expenses	(5,317)	(6,878)	(22,377)	(24,276)	(26,859)
Financial items, net	(5,317)	(6,878)	4,695	(24,276)	(26,859)

5. Impairment losses

During first half 2016 cash saving initiatives were implemented causing impairments and provisions totalling USDm (27.1) related to sale and cancellation of newbuilding contracts and cancellation of a time charter contract.

In Q3 adjustment of 2015 impairments of USDm 0.3 was recognised due to final settlement of sales costs related to vessels held for sale at year end 2015. In addition, 2016Q1-impairments of sold newbuildings were adjusted by USDm 0.6 at delivery.

In Q3 use of provisions for onerous contracts amounts to USDm 13.0, and the total use of provisions for 2016 amounts to USDm 44.3.

Operating segment	CGU	Impairment losses and provisions (9 months 2016)					
		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	0.3	(5.5)	(15.6)	(5.3)	39.1	12.9
Lauritzen Bulkers	Large Bulk Carriers	-	-	-	-	5.2	5.2
Lauritzen Kosan	FP Gas Carriers	-	-	-	-	-	-
Lauritzen Kosan	Other Gas Carriers	-	-	-	-	-	-
		0.3	(5.5)	(15.6)	(5.3)	44.3	18.1

6. Discontinued operations

Discontinued operations were phased out during 2014-2015 and 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	Vessels under construction	Land and Buildings	Machinery, tools and equipment	Total
2016					
Cost as at 1 January	880,710	30,671	2,793	10,119	924,293
Exchange rate adjustments	160	-	26	2	187
Additions	5,876	20,261	-	7	26,144
Disposals	(28,463)	(317)	-	-	(28,779)
Transferred to assets held for sale	(9,750)	(26,173)	-	-	(35,923)
Cost as at 30 September	848,534	24,443	2,819	10,127	885,922
Depr. and impairment losses as at 1 January	(436,015)	(16,039)	(683)	(7,024)	(459,761)
Exchange rate adjustments	(70)	-	(6)	(3)	(79)
Depreciation	(21,577)	-	(62)	(635)	(22,274)
Impairment losses	-	(16,306)	-	-	(16,306)
Disposals	(3,066)	-	-	-	(3,066)
Transferred to assets held for sale	4,673	8,005	-	-	12,678
Depr. and impairment losses as at 30 September	(456,055)	(24,340)	(751)	(7,662)	(488,808)
Balance as at 30 September	392,479	103	2,067	2,466	397,114
2015					
Cost as at 1 January	1,262,005	28,960	2,927	10,138	1,304,031
Exchange rate adjustments	(656)	-	(104)	(25)	(785)
Additions	6,484	3,047	-	13	9,544
Disposals	(28,010)	(4,800)	-	-	(32,810)
Transferred to assets held for sale	(240,524)	-	-	-	(240,524)
Cost as at 30 September	999,299	27,207	2,823	10,127	1,039,456
Depr. and impairment losses as at 1 January	(489,025)	-	(628)	(6,163)	(495,816)
Exchange rate adjustments	152	-	21	23	196
Depreciation	(31,907)	-	(62)	(670)	(32,639)
Impairment losses	(62,174)	-	-	-	(62,174)
Disposals	21,569	-	-	-	21,569
Transferred to assets held for sale	62,304	-	-	-	62,304
Depr. and impairment losses as at 30 September	(499,080)	-	(669)	(6,810)	(506,559)
Balance as at 30 September	500,218	27,207	2,154	3,318	532,897

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
2016						
4th quarter 2016	25.6	6.1	3.1	1.4	28.7	7.4
1 - 2 Year	104.3	24.0	4.1	2.3	108.4	26.3
2 - 3 Year	103.0	23.4			103.0	23.4
3 - 4 Year	77.1	18.0			77.1	18.0
4 - 5 Year	63.9	14.7			63.9	14.7
> 5 Year	187.1	42.7			187.1	42.7
Total	561.0	-	7.2	-	568.2	-
2015						
4th quarter 2015	34.8	7.8	2.9	1.5	37.7	9.3
1 - 2 Year	121.4	26.9	7.7	4.3	129.1	31.2
2 - 3 Year	106.0	23.9	3.7	2.1	109.7	26.1
3 - 4 Year	97.3	22.4	-	-	97.3	22.4
4 - 5 Year	72.8	17.0	-	-	72.8	17.0
> 5 Year	224.0	51.4	-	-	224.0	51.4
Total	656.3	-	14.3	-	670.6	-

At end of September 2016 J. Lauritzen had purchase option on 24 bulk carriers (end of September 2015: 22 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 september 30 2016 fair value of issued bonds amounted to USDm 52.4, whereas the carrying amount totalled USDm 55.2.

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:

USD '000	2016 30-sep	2015 30-sep	2015 31-dec
Book value at 1 January	46,982	40,839	40,839
Sale during the year	(46,930)	-	(10)
Fair value adjustment of shares available for sale recognised on other comprehensive income	-	637	6,153
Book value end of period	52	41,476	46,982

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. USDm 19 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 USDm 125 during 2016. The assets have a combined book value of USDm 105.9. The transaction included transfer of the shareholding in Axis Offshore Pte. Ltd., which was executed in Q3, while the injection of new capital and transfer of other assets was executed in Q1 2016.

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