

Interim financial report – first half 2017

Some tailwinds and some headwinds

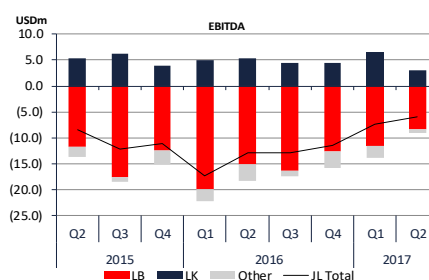
“Restoring dry cargo markets will, despite market improvements in Q2, take yet some time”, says CEO Mads P. Zacho, adding that “our largest gas carriers are being negatively impacted by the influx of new tonnage in the size segments above ours.”

Main events

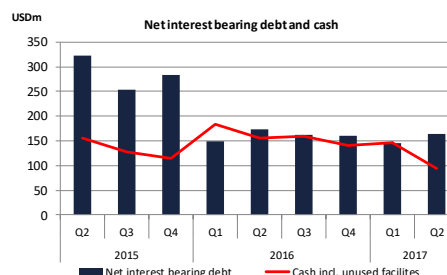
- Documentation regarding the agreement with our core lenders and our owner, Lauritzen Fonden, which will substantially strengthen our balance sheet and reduce our financing costs was finalised. The capital injection from our owner, which will ensure the repayment of the outstanding JLA02 corporate bond and the related hedging debt when these fall due in October 2017, will be executed in Q3 2017.
- Six handysize bulk carriers were taken on medium-term time-charter with options to extend.
- With effect from 1 July 2017, Thomas Wøidemann was promoted Chief Operating Officer (COO) responsible for the commercial and operational activities of Lauritzen Bulkers and Lauritzen Kosan.

Q2

Q2 EBITDA before special items amounted to USDm (6.0) against USDm (12.9) in Q2 2016. The improvement was primarily due to the strengthening of dry cargo markets compared to the very weak market conditions in Q2 2016, however partially eroded by weakened earnings for our gas carriers.



At period end, cash amounted to USDm 93 compared to USDm 141 at year-end 2016, mainly due to repayment of USDm 45 bank debt. Net interest bearing debt (NIBD) was USDm 165 against USDm 160 at year-end 2016.



First half year

EBITDA before special items for the first six months of 2017 amounted to USDm (13.4) against USDm (30.1) in H1 2016. Net result was USDm (20.8) compared to USDm (30.7) in H1 2016.

Lauritzen Bulkers

During H1, average number of operated vessels reached 99 compared to 93 in H1 2016. EBITDA before special items for H1 was USDm (19.8) against USDm (34.9) in H1 2016.

Lauritzen Kosan

During H1, average number of operated vessels reached 30 compared to 34 in H1 2016. EBITDA before special items totaled USDm 9.4 compared to USDm 10.4 in H1 2016.

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USDm	EBITDA before special items *)				
	2017 2nd quarter	2016 2nd quarter	2017 6 months	2016 6 months	2016 Full year
Lauritzen Bulkers	(8.2)	(15.0)	(19.8)	(34.9)	(63.9)
Lauritzen Kosan	3.0	5.4	9.4	10.4	19.2
Other/Unallocated	(0.8)	(3.2)	(3.1)	(5.6)	(9.8)
EBITDA before special items	(6.0)	(12.9)	(13.4)	(30.1)	(54.4)

*) Continuing operations only

Operating income

In H1, operating income before special items amounted to USDm (28.3) compared to USDm (47.7) in same period 2016.

Special items

In H1, special items amounted to USDm 14.6 against USDm 7.0 in H1 2016. For further information on special items, please see note 3.

Net financial items

Net financial items for H1 amounted to USDm (7.2) compared to USDm 10.0 in same period last year. For further information on financial items, please see note 4.

Assets and liabilities

Total assets amounted to USDm 533 down from USDm 617 at year-end 2016. Solvency ratio was 38%, compared 36% to year-end 2016.

Outstanding deliveries amount to one part-owned newbuilding for delivery mid-2018. In H1, we took delivery of five long-term time-chartered vessels and outstanding deliveries of long-term time-chartered vessels amounted to two vessels at period end for delivery July through October 2017. Total commitments related to long-term time-chartered vessels appear in note 6.

Outlook for 2017

Operating income before depreciation and special items (EBITDA) is expected to be within the range of USDm (40)-(10) in line with the latest guidelines of (40)-(0). Depreciation and special items are expected to be at levels similar to 2016. In line with the latest guidelines, 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 30 June 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 30 June 2017 and of the results of the Group's operations and cash flows for the period 1 January 2017 to 30 June 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, 18 August 2017.

Executive Management:

Mads P. Zachø
CEO

Board of Directors:

Jesper T. Lok
Chairman

Niels Heering
Vice Chairman

Peter Poul Lauritzen Bay

Marianne Wiinholt

Rolf Andersen*

Søren Berg*

Karsten Gauger*

*) Elected by the employees

Financial statements – JL Group

INCOME STATEMENT - CONDENSED		2017	2016	2017	2016	2016
USD '000	Note	2nd quarter	2nd quarter	6 months	6 months	Full year
Revenue	2	147,707	68,054	270,947	155,452	420,017
Voyage related costs		(56,522)	(10,741)	(105,214)	(38,933)	(141,350)
Time-charter equivalent income		91,185	57,313	165,733	116,519	278,667
Other operating income		832	940	1,594	2,161	4,089
Hire of chartered vessels		(74,547)	(44,324)	(132,684)	(93,238)	(229,144)
Operating costs of vessels		(14,602)	(15,373)	(28,677)	(33,256)	(64,443)
Administrative costs		(8,865)	(11,452)	(19,368)	(22,323)	(43,598)
Operating income before depreciation (EBITDA) and special items		(5,997)	(12,897)	(13,401)	(30,137)	(54,429)
Profit/(loss) on sale of vessels and other assets		804	(67)	298	(41)	639
Depreciation		(7,127)	(7,571)	(14,543)	(15,175)	(29,895)
Share of profit in joint ventures		(68)	(1,587)	(605)	(2,338)	353
Operating income (EBIT) before special items		(12,388)	(22,121)	(28,252)	(47,691)	(83,332)
Special items, net	3	7,011	8,157	14,609	7,005	33,664
Financial items, net	4	(3,055)	(8,412)	(7,178)	10,012	740
Profit/(loss) from continuing operations before tax		(8,432)	(22,376)	(20,821)	(30,674)	(48,928)
Income tax		0	(38)	(1)	(46)	3,111
Profit/(loss) from continuing operations		(8,432)	(22,414)	(20,822)	(30,720)	(45,817)
Profit/(loss) from discontinued operations		-	1	-	47	195
Profit/(loss) for the period		(8,432)	(22,413)	(20,822)	(30,673)	(45,622)
Attributable to:						
The J. Lauritzen Group		(8,432)	(22,413)	(20,822)	(30,673)	(45,622)

STATEMENT OF COMPREHENSIVE INCOME		2017	2016	2017	2016	2016
USD '000		2nd quarter	2nd quarter	6 months	6 months	Full year
Profit/(loss) for the period		(8,432)	(22,413)	(20,822)	(30,673)	(45,622)
<i>Items that can be reclassified subsequently to profit or loss:</i>						
Other comprehensive income:						
Exchange differences on translating foreign operations		204	(69)	(120)	75	(178)
Fair value adjustment of hedging instruments		253	(456)	461	(2,966)	(565)
Deferred gains/(loss) on hedging instr. transfer to Financial items, net		324	1,352	609	3,402	6,478
Fair value adjustment of shares available for sale		-	52	-	1	1
Fair value adjustment of shares available for sale reclassified to Financial items, net	4	-	0	-	(27,071)	(27,072)
Other comprehensive income net of tax		781	880	951	(26,560)	(21,337)
Total comprehensive income for the period		(7,652)	(21,534)	(19,871)	(57,233)	(66,959)
Attributable to:						
The J. Lauritzen Group		(7,652)	(21,534)	(19,871)	(57,233)	(66,959)

FINANCIAL POSITION		2017	2016	2016
USD '000	Note	30-jun	30-jun	31-dec
ASSETS				
Vessels, property and equipment	5	371,342	405,985	384,153
Investment in joint ventures		27,223	26,261	26,871
Deferred tax assets		3,700	2,700	3,700
Shares available for sale	7	52	52	52
Receivable from joint ventures		-	-	560
Other receivables		516	494	472
Non-current assets		402,834	435,493	415,808
Bunkers		13,442	8,109	13,169
Trade receivables		5,554	3,010	10,418
Other receivables		1,781	24,939	24,001
Prepayments		8,480	6,699	6,268
Current tax receivables		3,169	668	2,870
Derivative financial instruments		4,098	3,869	4,017
Cash at hand and in bank		93,303	91,874	140,572
		129,827	139,167	201,317
Assets held for sale		0	51,304	-
Current assets		129,827	190,471	201,317
Total assets		532,661	625,964	617,125
EQUITY AND LIABILITIES				
Share capital		63,864	63,864	63,864
Retained earnings		148,123	183,894	168,945
Reserves		(9,020)	(15,194)	(9,971)
Equity		202,967	232,564	222,837
Long-term provisions		-	15,196	-
Non-current derivative financial instruments		1,250	33,880	1,381
Long-term borrow ings		198,996	230,446	215,948
Non-current liabilities		200,247	279,522	217,329
Current portion of long-term borrow ings		59,045	34,530	84,448
Trade payables		14,195	11,490	13,491
Other payables		10,879	15,209	10,451
Provisions		15,196	45,665	34,670
Prepayments		0	242	-
Derivative financial instruments		30,132	6,741	33,900
Current liabilities		129,447	113,878	176,959
Total liabilities		329,694	393,400	394,288
Total equity and liabilities		532,661	625,964	617,125

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	222,837
Profit/(loss) for the period	-	-	-	-	-	(20,822)	(20,822)
Other compr. Income	-	1,071	-	(120)	951	-	951
Total compr. income	-	1,071	-	(120)	951	(20,822)	(19,871)
Equity 30 June 2017	63,864	(2,746)	-	(6,273)	(9,020)	148,123	202,967
Equity 1 January 2016	62,356	(9,730)	27,071	(5,976)	11,366	196,693	270,415
Profit/(loss) for the period	-	-	-	-	-	(30,673)	(30,673)
Other compr. Income	-	436	(27,071)	75	(26,560)	-	(26,560)
Total compr. income	-	436	(27,071)	75	(26,560)	(30,673)	(57,233)
<i>Transaction with owners:</i>							
Capital increase	1,508	-	-	-	-	17,874	19,382
Equity 30 June 2016	63,864	(9,294)	0	(5,901)	(15,194)	183,894	232,564

CASH FLOW STATEMENT - CONDENSED

USD '000	2017 6 months	2016 6 months
Cash flow from:		
Operating activities	(1,716)	(8,831)
- hereof Operations before financial items	7,181	13,475
- hereof Ordinary operations before tax	(1,657)	(8,777)
Investment activities	(1,089)	88,320
Financing activities	(45,186)	(104,623)
Changes for the period in cash and cash equivalents	(47,991)	(25,134)
Cash and cash equivalents at beginning of the period	140,572	115,570
Currency adjustments on cash and cash equivalents	722	1,437
Cash and cash equivalents at the end of the period	93,303	91,874
Undrawn committed credit facilities at end of period *)	-	64,639
Financial resources at the end of the period	93,303	156,513
Committed facilities available upon delivery of vessels	-	-
Financial resources incl. committed facilities available upon delivery of vessels	93,303	156,513

*) 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
6 months 2017					
Revenue	220.7	50.2	270.9	0.0	270.9
EBITDA before special items	(19.8)	9.4	(10.4)	(3.1)	(13.4)
Operating income before special items	(23.3)	(1.9)	(25.2)	(3.1)	(28.3)
Operating income after special items	(8.7)	(1.9)	(10.6)	(3.1)	(13.6)
6 months 2016					
Revenue	97.5	57.9	155.5	0.0	155.5
EBITDA before special items	(34.9)	10.4	(24.5)	(5.6)	(30.1)
Operating income before special items	(40.6)	(1.5)	(42.0)	(5.6)	(47.6)
Operating income after special items	(32.5)	(1.5)	(34.0)	(6.7)	(40.6)

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	2017 2nd quarter	2016 2nd quarter	2017 6 months	2016 6 months	2016 Full year
One-off revenue from sale of claims, claim settlements and termination of contracts	-	76	-	3,926	9,256
Impairment losses on vessels and vessels under construction	(587)	(3,806)	(587)	(16,306)	(24,014)
Provisions and use of provisions for onerous contracts	7,598	15,613	15,196	25,901	51,969
Impairment losses on vessels owned by joint ventures	-	(2,692)	-	(5,481)	(2,319)
Financial items related to termination of contracts	-	(1,035)	-	(1,035)	(1,229)
Special items, net	7,011	8,157	14,609	7,005	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 2nd quarter	2016 2nd quarter	2017 6 months	2016 6 months	2016 Full year
Revenue	147,707	68,130	270,947	159,379	429,273
Other operating income	832	940	1,594	2,161	4,089
Costs	(146,938)	(66,278)	(270,746)	(161,849)	(426,566)
Operating income before depreciation (EBITDA)	1,601	2,793	1,795	(310)	6,797
Profit/(loss) on sale of assets	804	(67)	298	(41)	639
Depreciation and impairment losses	(7,715)	(11,377)	(15,131)	(31,481)	(53,909)
Share of profit in joint ventures	(68)	(4,279)	(605)	(7,819)	(1,965)
Operating income	(5,377)	(12,930)	(13,643)	(39,651)	(48,438)
Net financial items	(3,055)	(9,447)	(7,178)	8,977	(490)
Profit/(loss) before tax	(8,432)	(22,377)	(20,821)	(30,674)	(48,928)
Income tax	0	(38)	(1)	(46)	3,111
Profit/(loss) from continuing operations	(8,432)	(22,414)	(20,822)	(30,720)	(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 2nd quarter	2016 2nd quarter	2017 6 months	2016 6 months	2016 Full year
Reclassification of fair value adjustment on shares available for sale	-	-	-	27,072	27,072
Financial income and expenses	(3,055)	(8,412)	(7,178)	(17,060)	(26,332)
Financial items, net	(3,055)	(8,412)	(7,178)	10,012	740

5. Vessels, property and equipment

USD '000	Vessels	under	Land and	Machinery,	Total
	Vessels	construction	Buildings	tools and	
				equipment	
2017					
Cost as at 1 January	847,963	24,340	2,320	10,108	884,730
Exchange rate adjustments	697	-	105	22	824
Additions	6,423	4	-	1	6,428
Disposals	(29,331)	-	-	-	(29,331)
Cost as at 30 June	825,753	24,343	2,425	10,131	862,652
Depr. and impairment losses as at 1 January	(467,674)	(24,340)	(720)	(7,841)	(500,575)
Exchange rate adjustments	(357)	-	(62)	(21)	(441)
Depreciation	(14,038)	-	(41)	(465)	(14,544)
Disposals	24,251	-	-	-	24,251
Depr. and impairment losses as at 30 June	(457,818)	(24,340)	(823)	(8,328)	(491,309)
Balance as at 30 June	367,935	-	1,602	1,804	371,343
2016					
Cost as at 1 January	880,710	30,671	2,793	10,119	924,293
Exchange rate adjustments	126	-	19	1	146
Additions	2,637	4,775	-	-	7,412
Disposals	(27,430)	(100)	-	-	(27,530)
Transferred to assets held for sale	-	(10,939)	-	-	(10,939)
Cost as at 30 June	856,043	24,407	2,812	10,120	893,383
Depr. and impairment losses as at 1 January	(436,015)	(16,039)	(683)	(7,024)	(459,761)
Exchange rate adjustments	(54)	-	(4)	(2)	(61)
Depreciation	(14,706)	-	(41)	(428)	(15,175)
Impairment losses	-	(16,306)	-	-	(16,306)
Disposals	(4,099)	-	-	-	(4,099)
Transferred to assets held for sale	-	8,005	-	-	8,005
Depr. and impairment losses as at 30 June	(454,874)	(24,340)	(729)	(7,454)	(487,397)
Balance as at 30 June	401,169	67	2,083	2,666	405,985

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						
3rd - 4th quarter 2017	58.3	13.6	6.3	3.0	64.6	16.6
1 - 2 Year	107.2	24.8	5.2	3.9	112.4	28.7
2 - 3 Year	76.9	18.0	4.1	3.0	81.0	21.0
3 - 4 Year	63.6	14.7	1.6	1.1	65.2	15.8
4 - 5 Year	56.0	13.0			56.0	13.0
> 5 Year	129.7	29.8			129.7	29.8
Total	491.8	-	17.3	-	509.0	-
2016						
3rd - 4th quarter 2016	53.6	12.5	8.7	3.2	62.3	15.6
1 - 2 Year	105.7	24.3	4.1	2.3	109.8	26.7
2 - 3 Year	102.6	23.4			102.6	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	185.8	42.3			185.8	42.3
Total	588.7	-	12.8	-	601.5	-

At end of June 2017 J. Lauritzen had purchase option on 22 bulk carriers (end of June 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 recognised in the statement of financial position at amortised cost does not differ materially from their fair value with the exception of issued corporate bonds. At June 30 2017 fair value of issued bonds amounted to USDm 53.8, whereas the carrying amount totalled USDm 53.1.

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 categorised at Level 3 have developed as follows:

USD '000	2017	2016	2016
	30-jun	30-jun	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

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