

Financial report for 2012

J. Lauritzen (JL) impacted by tough business environment

“Characterised by oversupply in major shipping markets, surplus shipbuilding capacity, low economic growth and tight credit conditions, 2012 brought plummeting asset values, a Baltic Freight Index at a 25 year low and further defaults among shipping companies. JL was obviously influenced by these circumstances and our 2012 result was very unsatisfactory”, says Jan Kastrup-Nielsen, JL’s new President and CEO.

Highlights 2012

The result for the year was USD (350)m against USD (46)m in 2011.

The result was significantly impacted by one-off items with a net effect of USD (254)m of which write-downs amounted to USD (167)m and sales of vessels due to counterparty defaults USD (104)m. Adjusted for such one-off items, JL’s result was USD (95)m, down from USD (21)m in 2011 mainly due to income lost as a consequence of counterparty defaults and the weaker bulk markets. Apart from Lauritzen Bulkers, JL’s three other business units (Lauritzen Kosan, Lauritzen Tankers and Lauritzen Offshore) reported better EBITDA than in 2011.

The result was in line with expectations stated in our stock exchange announcement to Oslo Børs in December 2012 but considerably below our expectations at the beginning of the year. The result is regarded as very unsatisfactory.

Return on invested capital was (13.5)% compared to 1.1% in 2011.

Main events:

- Joint venture with HitecVision, Norway, in the promising offshore market, the formation of Axis Offshore Pte. Ltd. and the following order for a modern semi-submersible ASV (Accommodation and Support Vessel) for delivery in 2015.
- Increased focus on long-term cargo contracts and related activities in Lauritzen Bulkers.
- Capesize bulk carriers left without contract cover due to defaults were sold.
- All business units were engaged in an energy savings programme launched in collaboration with DNV (Det Norske Veritas).
- Group finances were further strengthened with a new corporate bond issuance and the bonds were listed on Oslo Stock Exchange. At year-end 2012, cash amounted to USD 267m.
- JL took delivery of three bulk carrier, one gas carrier and three products tanker newbuildings.
- Due to fleet renewal and expansion efforts in recent years, JL owns a modern, efficient fleet of bulk carriers with an average age of 2.3 years, gas carriers 8.6 years, product tankers 3.6 years and dynamically positioned shuttle tankers 5.3 years.

After year-end events

In connection with the approval of JL’s Annual Report for 2012, the Lauritzen Foundation decided to convert two subordinated loans of originally DKK 850m into equity. At year-end 2012, the loans including accrued interest amounted to a total of DKK 903m, equivalent to USD 160m. The conversion increases JL’s solvency ratio from 37% at year-end 2012 to 44%.

Terms for the refinancing of a loan facility, originally due mid-2014, have been agreed upon late February 2013 and consequently no refinancing is required until 2015.

After more than 14 years as President & CEO, Torben Janholt retires as planned in conjunction with the release of JL's 2012 annual accounts. Jan Kastrup-Nielsen, who has been with JL since 2000 and member of Executive Management since 2009 is JL's new President & CEO.

Outlook 2013

2013 opened with very low spot earnings in all dry bulk markets, a slight improvement in the market for smaller semi-refrigerated gas carriers and firmness for fully pressurised gas carriers. The stronger spot market for MR product tankers recorded in late 2012 continued.

We expect economic growth to be somewhat subdued during the first half of 2013. A number of indicators suggest that economic growth will strengthen as the year progresses. Once economic growth rises, we expect to see inventories rebuilding which will contribute to seaborne trade growth.

During 2013, JL will take delivery of the last four vessels of the current newbuilding programme to be financed by at-delivery financing and own funds.

EBITDA is expected to be in the range of USD 60-80m, slightly up on 2012 taking one-off items and sold activity (USD 33.7m in total) included in the 2012 EBITDA into account.

The result for 2013 is anticipated to remain unsatisfactory with an expected loss of USD (75-100)m.

Key figures

	2012	2011
Profit margin	(37.9)%	3.1%
Solvency ratio	37%	45%
Solvency ratio (JL's share of equity)	37%	45%
Return on equity	(34.1)%	(3.8)%
Return on invested capital	(13.5)%	1.1%

Segment information

USDm	EBITDA		Operating Income	
	2012	2011	2012	2011
Lauritzen Bulkers	4.0	75.8	(243.2)	(0.7)
Lauritzen Kosan	35.7	33.2	10.3	9.1
Lauritzen Tankers	14.3	12.2	(40.9)	5.9
Lauritzen Offshore	40.4	37.6	16.1	16.9
Other/not allocated	(5.7)	(12.8)	(5.8)	(12.8)
	88.7	146.0	(263.6)	18.5

JL's Annual Report for 2012 and report on Corporate Responsibility are available at www.j-l.com.

Conference call

A conference call for investors and analysts will be held on **Wednesday, February 27, 2013 at 10:00 am (CPH time)** where Executive Vice President & CFO, Birgit Aagaard-Svendsen, will make a presentation of JL's 2012 Annual Report and take questions subsequently.

An accompanying investor presentation will be available at www.j-l.com (Financial information > Investor Relations > Presentations) prior to the start of the call. Hyperlink to the presentation:
http://www.j-l.com/upload/jl_fy2012_call_presentation.pdf

Those who wish to participate in the conference call should use the following dial-in details: 70 25 23 00 (Denmark) or +44 208 817 9311 (international) and quote the passcode: 66573023#.

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 interim financial report.

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Financial statements – JL Group

INCOME STATEMENT - CONDENSED	2012	2011
USD '000		
Revenue	695,558	604,265
Other operating income	13,825	16,834
Costs	(620,644)	(475,092)
Profit before depreciation (EBITDA)	88,738	146,006
Profit/(loss) on sale of assets	(102,356)	(36,248)
Depreciations and write-downs	(249,958)	(91,241)
Operating income	(263,576)	18,518
Share of profit in joint ventures	(26,203)	4,708
Net financial items	(59,451)	(69,167)
Profit/(loss) before tax	(349,230)	(45,941)
Income tax	783	1,926
Profit/(loss) for the period	(348,447)	(44,015)
Attributable to:		
The J. Lauritzen Group (JL result)	(349,743)	(46,210)
Non-controlling interests	1,296	2,195
	(348,447)	(44,015)

STATEMENT OF COMPREHENSIVE INCOME	2012	2011
USD '000		
Profit/(loss) for the period	(348,447)	(44,015)
Other comprehensive income		
Exchange differences on translating foreign operations	144	4
Fair value adjustment of hedging instruments during the period	(9,284)	(20,481)
Hedging instruments transferred to financial expenses	11,008	5,594
Fair value adjustment of shares available for sale	818	21,245
Other comprehensive income net of tax	2,685	6,362
Total comprehensive income for the period	(345,762)	(37,653)
Attributable to:		
The J. Lauritzen Group	(347,058)	(39,848)
Non-controlling interests	1,296	2,195
	(345,762)	(37,653)

FINANCIAL POSITION - CONDENSED	2012	2011
USD '000		
ASSETS		
Vessels, property and equipment	1,752,449	2,214,841
Financial assets	178,897	145,861
Non-current assets	1,931,346	2,360,702
Bunkers and other current assets	116,873	84,929
Securities	157	2,103
Cash at hand and in bank	267,000	234,132
Current assets	384,030	321,164
Total assets	2,315,376	2,681,865
EQUITY AND LIABILITIES		
Share capital	60,633	60,633
Retained earnings	806,670	1,156,413
Reserves	(15,235)	(17,920)
JL's share of equity	852,069	1,199,127
Non-controlling interests	371	1,956
Equity	852,440	1,201,082
Long-term borrowings	1,284,709	1,310,843
Non-current liabilities	1,284,709	1,310,843
Current portion of long-term borrowings	90,387	83,240
Other current liabilities	87,822	85,663
Provisions	18	1,037
Current liabilities	178,227	169,940
Total liabilities	1,462,936	1,480,783
Total equity and liabilities	2,315,376	2,681,865