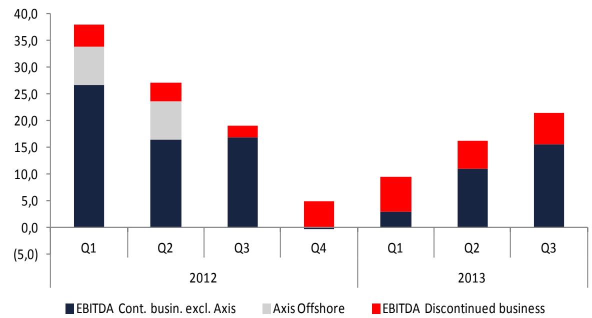
# Interim financial report – third quarter 2013

## EBITDA better than expected and sale of product tankers

*"EBITDA for the third quarter of 2013 of USD 21.5m was better than expected, however not satisfactory. Net result for Q3 was USD (2.9)m compared to USD (81.0)m in the same period in 2012. The better than expected EBITDA together with the sale of our product tankers confirm that we are on track securing the foundation, which will enable us to realise our plans for the coming years", says Jan Kastrup-Nielsen, President and CEO.*

EBITDA including EBITDA related to discontinuing business for Q3 2013 amounted to USD 21.5m, up USD 2.5m compared to Q3 2012, and better than expectations.




EBITDA for the first nine months of 2013 amounted to a total of USD 47.2m compared to USD 84.1m in the same period of 2012, (which included one-off settlements and income from JL's accommodation and support vessel activities now part of the joint venture, Axis Offshore).

On a comparable basis, EBITDA for the first nine months of 2013 was down USD (8.3)m on the same period in 2012 primarily due to the sustained depressed market conditions for bulk carriers.

Net result for Q3 was USD (2.9)m against USD (81.0)m in Q3 2012 primarily due to loss from sale of assets included in Q3 2012 and reversal of write-downs included in Q3 2013.

Main events during the third quarter of 2013:

- Agreement to sell ten wholly-owned product tankers to Hafnia Tankers. The agreement was formalized and signed on 22 October 2013, cf. announcement to Oslo Børs no. 7/2013. The vessel sale impacts the net result for Q3 2013 by USD 15.8m.
- The product tanker sale also concludes our newbuilding programme and thus outstanding CAPEX related to newbuildings amounts to nil.
- Sale of 16% shareholding in Axis Offshore Pte. Ltd. to HitecVision reducing our holding from 50% to 34% with a positive cash flow effect of USD 23m, However, net investment commitment remains unchanged as Axis Offshore in September 2013 called the option for a second ASV (accommodation and support vessel) newbuilding for delivery in 2015.
- Long-term time-charter of seven eco design bulk carrier newbuildings, of which six with purchase option, were secured for delivery 2014-16.
- EBITDA for the full year including discontinued operations is expected to be USD 50-60m and thus in the higher end of the earlier communicated range of USD 40-60m.

Contacts:
Jan Kastrup-Nielsen, President & CEO, phone + 45 33 96 82 00 or
Birgit Aagaard-Svendsen, Executive Vice President & CFO, phone + 45 33 96 84 10

## Effect of product tanker sale

As stated in aforementioned announcement to Oslo Børs no. 7/2013 dated 22 October 2013 regarding the sale of JL's fleet of wholly-owned product tankers, it is the intention that all ten vessels will be delivered to the new owners prior to end of February 2014.

As a consequence of the sales transaction, the product tanker activity has been defined as discontinued operation and assets and liabilities reclassified as "held for sale".

As vessel values increased during Q3 2013, the sales price of the ten product tankers exceeded the valuation of the vessels at the end of Q2 2013, and thus USD 19m of the USD 41m write-down that was made as per 30 June 2013 has been reversed, corresponding to an increase of vessel values by approximately 7%.

## Operating income

| Operating income | | | | | |
|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | 2012 |
| USDm | **3rd quarter** | **3rd quarter** | **9 month** | **9 month** | **Full year** |
| Lauritzen Bulkers | (7.0) | (67.7) | (183.5) | (120.7) | (243.2) |
| Lauritzen Kosan | 2.6 | 3.3 | 7.6 | 10.5 | 10.3 |
| Lauritzen Offshore | 6.1 | 2.6 | (14.4) | 13.3 | 16.1 |
| Unallocated | (1.8) | (0.7) | (6.0) | (3.3) | (5.9) |
| Operating income from continuing operations | (0.0) | (62.5) | (196.3) | (100.2) | (222.7) |
| Lauritzen Tankers (discontinued operations) | 22.3 | (0.6) | (11.6) | 2.4 | (40.9) |
| Operating income, total | 22.2 | (63.1) | (207.9) | (97.8) | (263.6) |

Total operating income in Q3 2013 was USD 22.2m (2012: (63.1)m) including reversal of write-down of USD 19m. For comparison, Q3 2012 included loss from sale of assets of USD (57.9)m.

Year-to-date operating income amounted to a total of USD (207.9)m compared to USD (97.8)m in 2012. On a comparable basis, excluding write-downs and loss from sale of assets etc., operating income amounted to USD (16.2)m in 2013 in line with the USD (16.6)m reported in 2012.

# EBITDA by business segments

| EBITDA | | | | | |
|---|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 | 2012 |
| USDm | **3rd quarter** | **3rd quarter** | **9 month** | **9 month** | **Full year** |
| Lauritzen Bulkers | 1.6 | 1.6 | (11.2) | 12.2 | 4.0 |
| Lauritzen Kosan | 9.3 | 10.2 | 26.5 | 31.0 | 35.7 |
| Lauritzen Offshore | 6.6 | 5.8 | 20.1 | 34.7 | 40.4 |
| Unallocated | (1.8) | (0.6) | (5.8) | (3.3) | (5.7) |
| EBITDA from continuing operations | 15.7 | 17.0 | 29.5 | 74.6 | 74.4 |
| Lauritzen Tankers (discontinued operations) | 5.8 | 2.0 | 17.7 | 9.5 | 14.3 |
| EBITDA total | 21.5 | 19.0 | 47.2 | 84.1 | 88.7 |

## Lauritzen Bulkers

Market conditions for handysize and supramax bulk carriers remained depressed in the first three quarters of 2013 with average spot earnings down by 6% and 10% respectively compared to 2012 mainly due to strong fleet growth up to mid 2013. Furthermore crop failures in USA and the Former Soviet Union in 2012 have constrained export volumes in 2013.

Average number of vessels reached 112 compared to 117 in the first nine months of 2012.

EBITDA for the third quarter of 2013 was USD 1.6m (2012: USD 1.6m) up from USD (2.5)m in the second quarter of 2013 mainly due to higher spot activity in the handysize segment.

EBITDA for the first three quarters of 2013 was USD (11.2)m compared to USD 12.2m in 2012 (including one-offs of USD 14.6m). The lower EBITDA was due to the continued gloomy market conditions.

Operating income was USD (183.5)m compared to USD (120.7)m in 2012. Excluding write-downs and loss from sale of assets, operating income amounted to USD (40.3)m compared to USD (38.7)m in the same period in 2012.

## Lauritzen Kosan

Spot market rates for smaller gas carries were during the first three quarters on average 2-7% below the same period in 2012 primarily due to less than expected availability of petrochemical gases from the Middle East and the slow economic activity in Europe.

Average number of vessels was 44 compared to 42 in the first three quarters of 2012.

EBITDA for the third quarter of 2013 was USD 9.3m (2012: USD 10.2m) up from USD 8.4m in the second quarter of 2013 due to rate improvements and less waiting days.

EBITDA for the first three quarters of 2013 was USD 26.5m compared to USD 31.0m in 2012 and operating income was USD 7.6m compared to USD 10.5m in 2012. The decline is primarily due to increased spot market exposure due to less contract coverage following the tightening of the sanctions against Iran from May 2012 onwards.

## Lauritzen Offshore

EBITDA for the third quarter was USD 6.6m (2012: USD 5.8m) in line with USD 6.8m in the second quarter of 2013.

Year-to-date EBITDA was USD 20.1m compared to USD 34.7m in first nine months of 2012 and operating income was USD (14.4)m compared to USD 13.3m in same period in 2012. As earlier reported, the decline of EBITDA reflects that JL's Accommodation and Support Vessel activities were sold to part-owned Axis Offshore Pte. Ltd. as per 1 July 2012. Operating income in 2013 is heavily affected by write-down of JL's oldest and smallest shuttle tanker, *Dan Eagle.*

## Lauritzen Tankers (discontinued operation)

Average spot market earnings for MR product tankers recovered by up to 50% in the first three quarters of 2013 compared to the same period in 2012. The Atlantic Basin witnessed even stronger markets in part due to strongly rising products export from the USA. Likewise, the Pacific experienced solid market improvement.

Average number of vessels was 15 compared to 13 in the first three quarters of 2012.

EBITDA for the third quarter of 2013 was USD 5.8m (2012: 2.0m) compared to USD 5.4m in the second quarter of 2013.

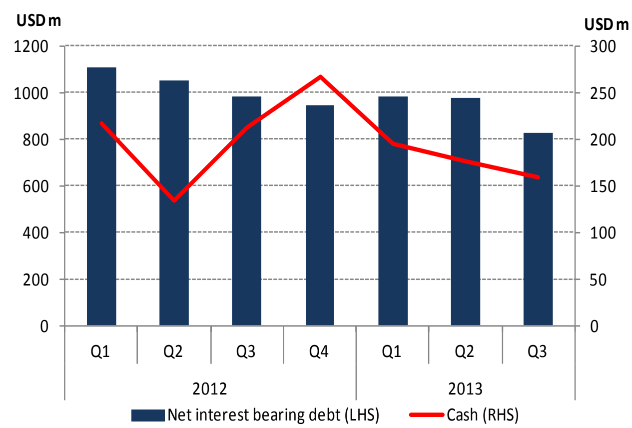
EBITDA for the first three quarters of 2013 was USD 17.7m compared to USD 9.5m in 2012 due to increased fleet and improved markets conditions. Operating income was USD (11.6)m compared to USD 2.4m in 2012 mainly due to write-downs included in 2013.

## Net financials and cash position

Net financial items (excluding Lauritzen Tankers) for the first three quarters of 2013 amounted to USD (29.8)m compared to USD (45.1)m in the same period in 2012. The improvement was mainly due to adjustments of JPY debt due to the depreciation of JPY against USD and less debt.

Cash and securities amounted to USD 159m at the end of September 2013 (USD 276m in 2012).

Interest bearing debt amounted to USD 986m compared to USD 1,353m at the end of the third quarter 2012. The decline is due to ordinary repayment of debt, the conversion of two subordinated loans from the Lauritzen Foundation to equity in April 2013 and re-classification of debt associated with product tankers held for sale.




Net interest bearing debt amounts to USD 827m, equal to 75% of June broker valuations of fleet related to continued operations.

Equity amounts to USD 755.7m, down USD 96.7m compared to year-end 2012. The decrease mainly relates to loss for the period (USD (265)m including write-downs of USD (188)m) and a capital increase (USD 155.6m) due to loan conversions mentioned above.

## Outlook for 2013

Despite both economic growth and international trade are rising faster than during the first half of 2013, growth rates are still fairly modest and lower than projected a year ago. Monetary policies in the USA continue to support growth, whereas policies applied in the EU and a number of emerging markets limit economic growth to the detriment of international trade.

The third quarter of 2013 witnessed a strengthening of the dry bulk market balance with spot rates for handysize and supramax only slightly below spot rates in Q3 2012. The outlook for Q4 2013 is for significantly higher spot market rates compared to Q4 2012.

A fairly balanced market for smaller gas tankers has led to a generally flat spot market, although 8-10,000 cbm ethylene carriers have witnessed declining rates in part due to reduced availability of petrochemical gases for export in the Middle East and increased competition from semi-refrigerated 17-22,000 cbm tonnage. The downward pressure on spot market rates leading to increased waiting time during Q3 is dragging into Q4. Despite global economic activity is rising, the immediate outlook for higher rates is poor, in part as some destocking is presently taking place in the petrochemical sector.

Spot market earnings for MR products tankers were up by 60% during Q3 2013 compared to 2012. However, demand growth may be contained during Q4 by emerging markets experiencing a slowing of economic growth which might reduce spot market earnings compared with Q3.

EBITDA for the full year including discontinued operations is expected to be USD 50-60m and thus in the higher end of the earlier communicated range of USD 40-60m.

The net result for 2013 is anticipated to remain unsatisfactory with an expected loss of USD (280-290)m, an improvement of USD 30m compared to earlier announcement due to reversal of write-downs on product tankers and improved EBITDA.

As of 1 October, 44% of remaining vessel days in 2013 were open. Freight rate changes of open vessel days of USD 1,000/day will impact the full-year profit before tax by about USD 4m.

Currency and interest rate fluctuations may affect the result.

## Group key financial ratios

| Key figures | **2013** | 2012 | 2012 |
|---|---|---|---|
| | **9 month** | **9 month** | **Full year** |
| Profit margin | (48.5)% | (20.5)% | (35.1%) |
| Solvency ratio | 38% | 42% | 37% |
| Solvency ratio (JL's share of equity) | 38% | 42% | 37% |
| Return on equity *) | (44.0)% | (17.7)% | (34.1%) |
| Return on invested capital *) | (16.1)% | (5.7)% | (13.5%) |

*) Incl. discontinued operations

For definitions of financial ratios please refer to the Annual report for 2012.

## 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 2013.

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 2013 and of the results of the Group's operations and cash flows for the period 1 January 2013 to 30 September 2013.

Further, in our opinion, the Management's review (page 1-5) gives a fair review of the development in the Group's operations and financial matters, the result of the Group's operations and financial position as a whole and describes the significant risks and uncertainties affecting the Group.

Copenhagen, 14 November 2013.

**Executive Management:**

| | |
|---|---|
| Jan Kastrup-Nielsen<br>President & CEO | Birgit Aagaard-Svendsen<br>Exec. Vice President & CFO |

**Board of Directors:**

| | | |
|---|---|---|
| Bent Østergaard<br>Chairman | Ingar Skaug<br>Vice Chairman | Peter Poul Lauritzen Bay |
| Niels Heering | Marianne Wiinholt | Søren Berg* |
| Ulrik Danstrøm* | Jan Lystlund Sørensen* | |

*) Elected by the employees

# Financial statements – JL Group

| INCOME STATEMENT - CONDENSED | | 2013 | 2012 | 2013 | 2012 | 2012 |
|---|---|---|---|---|---|---|
| USD '000 | Note | 3rd quarter | 3rd quarter | 9 month | 9 month | Full year |
| Revenue | | 131,658 | 153,620 | 404,390 | 487,956 | 634,511 |
| Other operating income | | 2,653 | 3,163 | 9,047 | 9,161 | 13,277 |
| Costs | | (118,636) | (139,780) | (383,933) | (422,549) | (573,392) |
| Profit before depreciation (EBITDA) | | 15,675 | 17,003 | 29,505 | 74,567 | 74,396 |
| Profit/(loss) on sale of assets | | 1,678 | (57,858) | (7,784) | (104,201) | (102,356) |
| Depreciations and write-downs | | (17,381) | (21,625) | (217,974) | (70,613) | (194,695) |
| Operating income | | (28) | (62,480) | (196,253) | (100,247) | (222,654) |
| Share of profit in joint ventures | | (6,160) | 1,475 | (13,179) | 454 | (25,139) |
| Net financial items | | (12,303) | (17,469) | (29,827) | (45,051) | (51,891) |
| Profit/(loss) from continuing operations before tax | | (18,491) | (78,474) | (239,259) | (144,843) | (299,684) |
| Income tax | | (58) | (45) | (223) | (284) | 518 |
| Profit/(loss) from continuing operations | | (18,549) | (78,519) | (239,482) | (145,127) | (299,167) |
| Profit/(loss) from discont. operations, net of income tax | 4 | 15,653 | (2,456) | (25,315) | (3,052) | (49,280) |
| Profit/(loss) for the period | | (2,897) | (80,975) | (264,797) | (148,179) | (348,447) |
| Attributable to: | | | | | | |
| **The J. Lauritzen Group (JL result)** | | **(2,905)** | **(81,243)** | **(265,097)** | **(149,253)** | **(349,743)** |
| Non-controlling interests | | 8 | 269 | 300 | 1,074 | 1,296 |
| | | (2,897) | (80,975) | (264,797) | (148,179) | (348,447) |

| STATEMENT OF COMPREHENSIVE INCOME | 2013 | 2012 | 2013 | 2012 | 2012 |
|---|---|---|---|---|---|
| USD '000 | 3rd quarter | 3rd quarter | 9 month | 9 month | Full year |
| Profit/(loss) for the period | (2,897) | (80,975) | (264,797) | (148,179) | (348,447) |
| Other comprehensive income | | | | | |
| *Items that can be reclassified subsequently to profit or loss:* | | | | | |
| Exchange differences on translating foreign operations | 18 | 1,957 | 1,704 | (1,213) | 144 |
| Fair value adjustment of hedging instruments during the period | (1,304) | (4,714) | 1,729 | (10,957) | (9,284) |
| Hedging instruments transferred to financial expenses | 2,806 | 2,564 | 8,174 | 7,195 | 11,008 |
| Fair value adjustment of shares available for sale | 827 | 581 | 913 | 349 | 818 |
| Other comprehensive income net of tax | 2,347 | 387 | 12,520 | (4,626) | 2,685 |
| Total comprehensive income for the period | (549) | (80,587) | (252,277) | (152,805) | (345,762) |
| Attributable to: | | | | | |
| The J. Lauritzen Group | (558) | (80,856) | (252,577) | (153,878) | (347,058) |
| Non-controlling interests | 8 | 269 | 300 | 1,074 | 1,296 |
| | (549) | (80,587) | (252,277) | (152,805) | (345,762) |

| FINANCIAL POSITION | | 2013 | 2012 | 2012 |
|---|---|---|---|---|
| USD '000 | note | 30-Sep | 30-Sep | 31-Dec |
| **ASSETS** | | | | |
| Vessels, property and equipment | 5 | 1,273,958 | 1,916,536 | 1,752,449 |
| Shares available for sale | 6 | 28,182 | 25,542 | 26,010 |
| Deferred tax assets | | 655 | 2,707 | 655 |
| Investment in joint ventures | | 98,243 | 149,565 | 130,247 |
| Receivable from joint ventures | | 10,276 | 21,090 | 21,985 |
| Non-current assets | | 1,411,313 | 2,115,440 | 1,931,346 |
| Bunkers | | 11,472 | 12,400 | 16,755 |
| Trade receivables | | 22,898 | 13,721 | 5,250 |
| Other receivables and prepayments | | 93,157 | 86,004 | 82,751 |
| Tax receivables | | 1,448 | 1,356 | 1,117 |
| Derivative financial instruments | | 3,133 | 1,477 | 11,000 |
| Securities | | - | 893 | 157 |
| Cash at hand and in bank | | 159,490 | 213,023 | 267,000 |
| | | 291,597 | 328,875 | 384,030 |
| Assets held for sale | 4 | 295,060 | 34,800 | - |
| Current assets | | 586,657 | 363,675 | 384,030 |
| Total assets | | 1,997,969 | 2,479,115 | 2,315,376 |
| **EQUITY AND LIABILITIES** | | | | |
| Share capital | | 62,355 | 60,633 | 60,633 |
| Retained earnings | | 695,398 | 1,007,160 | 806,670 |
| Reserves | | (2,715) | (22,545) | (15,235) |
| JL's share of equity | | 755,039 | 1,045,248 | 852,069 |
| Non-controlling interests | | 671 | 3,030 | 371 |
| Equity | | 755,710 | 1,048,277 | 852,440 |
| Long-term provisions | | - | 111 | - |
| Non-current derivative financial instruments | | 22,950 | 27,690 | 12,140 |
| Long-term borrowings | | 907,313 | 1,246,007 | 1,284,709 |
| Non-current liabilities | | 930,263 | 1,273,808 | 1,296,849 |
| Current portion of long-term borrowings | | 79,184 | 106,979 | 90,387 |
| Trade payables | | 9,091 | 14,146 | 14,740 |
| Other current liabilities | | 26,149 | 22,258 | 34,954 |
| Derivative financial instruments | | 17,633 | 13,457 | 25,988 |
| Provisions | | 562 | 190 | 18 |
| Liabilities associated with assets held for sale | 4 | 179,377 | - | - |
| Current liabilities | | 311,996 | 157,030 | 166,087 |
| Total liabilities | | 1,242,259 | 1,430,838 | 1,462,936 |
| Total equity and liabilities | | 1,997,969 | 2,479,115 | 2,315,376 |

**EQUITY STATEMENT**

| USD '000 | Share capital | Hedging instruments | Shares available for sale | Translation gain/loss | Reserves | Retained earnings | Total | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|
| Equity 1/1 2013 | 60,633 | (31,668) | 22,063 | (5,630) | (15,235) | 806,670 | 852,068 | 371 | 852,440 |
| Profit/(loss) for the period | - | - | - | - | - | (265,097) | (265,097) | - | (265,097) |
| Other compr. Income | - | 9,903 | 913 | 1,704 | 12,520 | - | 12,520 | 300 | 12,820 |
| Total compr. income | - | 9,903 | 913 | 1,704 | 12,520 | (265,097) | (252,577) | 300 | (252,277) |
| *Transaction with owners:* | | | | | | | | | |
| Capital increase | 1,722 | - | - | - | - | 153,825 | 155,547 | - | 155,547 |
| **Equity 30/09 2013** | **62,355** | **(21,765)** | **22,976** | **(3,925)** | **(2,715)** | **695,398** | **755,039** | **671** | **755,710** |
| Equity 1/1 2012 | 60,633 | (33,391) | 21,245 | (5,773) | (17,920) | 1,156,413 | 1,199,126 | 1,956 | 1,201,082 |
| Profit/(loss) for the period | - | - | - | - | - | (149,253) | (149,253) | - | (149,253) |
| Other compr. Income | - | (3,762) | 349 | (1,213) | (4,626) | - | (4,626) | 1,074 | (3,552) |
| Total compr. income | - | (3,762) | 349 | (1,213) | (4,626) | (149,253) | (153,878) | 1,074 | (152,805) |
| **Equity 30/09 2012** | **60,633** | **(37,153)** | **21,594** | **(6,986)** | **(22,545)** | **1,007,160** | **1,045,248** | **3,030** | **1,048,277** |

| **CASH FLOW STATEMENT - CONDENSED**<br>USD '000 | **2013**<br>**9 month** | **2012**<br>**9 month** |
|---|---|---|
| Cash flow from: | | |
| Operations before financial items | 25,510 | 67,645 |
| Ordinary operations before tax | (19,097) | 31,439 |
| Operating activities | (19,651) | 30,631 |
| Investment activities | (64,162) | (131,786) |
| Financing activities | (25,732) | 82,974 |
| **Changes for the period in cash and cash equivalents** | **(109,544)** | **(18,180)** |
| Cash and cash equivalents at beginning of the period | 267,000 | 234,132 |
| Currency adjustments on cash and cash equivalents | 2,033 | (2,928) |
| **Cash and cash equivalents at the end of the period** | **159,490** | **213,024** |
| Undrawn committed credit facilities at end of period *) | - | - |
| **Financial resources at the end of the period** | **159,490** | **213,024** |
| Committed facilities available upon delivery of vessels | - | 63,000 |
| **Financial resources incl. committed facilities available upon delivery of vessels** | **159,490** | **276,024** |

**) In addition JL 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.

Apart from the below amendment to presentation under IAS 1, presentation of derivatives into non-current and current and adoption of new, amended or revised accounting standards accounting policies are unchanged from those applied in the Annual Report 2012 of J. Lauritzen A/S. However, due to the divestment and discontinuing of Lauritzen Tankers accounting policies have been added to describe the policies for assets held for sale and discontinued operations.

*Assets held for sale*
Assets held for sale comprise non-current asset or disposal groups if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. A disposal group is a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Non-current asset (or disposal group) classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell. Depreciation and amortisation ceases when the assets are classified as held for sale.

Impairments arising from the first classification to assets held for sale and subsequent gains or losses on re-measurement to the lower of its carrying amount and fair value less costs to sell are recognised in the income statement and specified in the notes.

In the statement of financial position non-current assets or assets and liabilities in a disposal group are presented separately from other assets and liabilities in the statement of financial position. Prior period comparative information is not re-presented. In the notes to the financial statements the major classes of assets and liabilities classified as held for sale are separately disclosed.

*Presentation of discontinued operations*
A component of the entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. Discontinued operation is a component of the entity that either has been disposed of, or classified as held for sale, and the sale is expected to be executed within one year.

In Income Statement discontinued operation is presented in a single amount as the total of a) the post-tax profit or loss of discontinued operations and b) post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation. Prior period comparative information is re-presented to reflect the discontinued operations. In the notes to the financial position is an analysis of revenue, expenses, revaluations to fair value and post-tax profit or loss of discontinued operations as well as related income tax.

The net cash flows attributable to the operating, investing and financing activities of discontinued operations are disclosed in the notes to the financial statements.

The amendment of IAS 1 requires items of Other comprehensive income, classified by nature, to be grouped into those that may be reclassified subsequently to the Income statement when specific conditions are met and those that will not.

The presentation of derivative financial instruments in the statement of financial position was amended as per the interim report for the first half-year of 2013. Fair value of derivative financial instruments is split in a non-current part and a current part reflecting the maturity of the financial instruments. Previously the full amount was presented as current. Comparison figures have been amended.

Effective 1 January 2013 J. Lauritzen A/S has adopted Amendments to IAS 1, Amendments to IFRS 1, Amendments to IFRS 7, IFRS 13, IAS 19 (amended 2011), IFRIC 20 and Annual improvements to IFRSs 2009-2011. These IFRSs have not affected recognition and measurement.

## 2. Operating segments

| USDm | Lauritzen Bulkers | Lauritzen Kosan | Lauritzen Offshore | Lauritzen Tankers (discontinued operation) | Total reportable segments | Un-allocated | Total Group | Total Group Continuing Operations |
|---|---|---|---|---|---|---|---|---|
| **9 month 2013** | | | | | | | | |
| Revenue | 228.1 | 148.1 | 27.0 | 60.9 | 464.1 | 1.2 | 465.2 | 404.4 |
| EBITDA | (11.2) | 26.5 | 20.1 | 17.7 | 53.0 | (5.8) | 47.2 | 29.5 |
| Operating income | (183.5) | 7.6 | (14.4) | (11.6) | (201.9) | (6.0) | (207.9) | (196.3) |
| Profit/(loss) | (217.8) | 8.3 | (15.0) | (25.3) | (249.8) | (15.0) | (264.8) | (239.5) |
| **9 month 2012** | | | | | | | | |
| Revenue | 278.7 | 156.3 | 51.0 | 44.8 | 530.8 | 1.9 | 532.8 | 488.0 |
| EBITDA | 12.2 | 31.0 | 34.7 | 9.5 | 87.4 | (3.3) | 84.1 | 74.6 |
| Operating income | (120.7) | 10.5 | 13.3 | 2.4 | (94.5) | (3.3) | (97.8) | (100.2) |
| Profit/(loss) | (141.7) | 10.1 | 6.1 | (3.1) | (128.6) | (19.6) | (148.2) | (145.1) |

The revenue reported represents revenue from external customers. There is no inter-segment revenue.

## 3. Impairment

Impairment test is carried out on the lowest level for which there is separately identifiable cash inflow (cash generating units, CGU) when there is indication that the carrying amount of vessels etc. exceeds the recoverable amounts which is the higher of fair value less costs of disposal and value in use.

As reported in the interim report for the first half-year of 2013, JL's management concluded, based on the impairment test carried out, that the carrying amount exceeded the recoverable amount of certain GCU's and therefore write-down of vessels, vessels under construction and joint ventures were conducted at the end of the first half-year of 2013 of total USD (207)m. Allocation per CGU is specified in the quarterly table below.

Following the decision of discontinuing the product tanker division, the fleet of product tankers were impaired at the end of second quarter 2013 to its fair value defined as an average of independent broker values. At the end of third quarter of 2013, the market price for second-hand product tankers improved and write-downs of USD 19m were reversed in accordance with the agreement to sell the wholly-owned product tanker fleet, cf. announcement to Oslo Børs no. 7/2013.

As reported in the interim report for the first half-year 2013, JL has separated the two capesize bulk carriers – redelivered due to the STX Pan Ocean default - into their own CGU as the vessels are expected to be sold at the end of the current T/C employment during 2014. Consequently the two vessels were impaired at the end of the first half-year of 2013 to values corresponding to broker values. During Q3 2013 capesize spot earnings and second-hand values increased indicating reversals of impairments. However, the current increase of second-hand values reflecting spot rate increases are not foreseen to be sustainable and as the income from the two vessels has been fixed on time-charter contracts until mid 2014, JL's management has decided not to make any reversals at this stage.

At the end of third quarter 2013 there was no indication of impairment or reversal of impairments in the other CGUs.

Quarterly table of (write-downs)/reversals in 2013 per CGU:

| Operating segment | CGU | 2012 Full year | 2013 Q1 | 2013 Q2 | 2013 Q3 | 2013 YTD |
|---|---|---|---|---|---|---|
| Lauritzen Bulkers | Small bulk carriers | (120) | - | (61) | - | (61) |
| Lauritzen Bulkers | Large bulk carriers | - | - | - | - | - |
| Lauritzen Bulkers | Two capes "marked for sale" *) | | | (77) | - | (77) |
| Lauritzen Kosan | All gas carriers | - | - | - | - | - |
| Lauritzen Tankers | All product tankers | (47) | - | (41) | 19 | (22) |
| Lauritzen Offshore | large shuttle tankers | - | - | - | - | - |
| Lauritzen Offshore | Small shuttle tanker *) | | | (28) | - | (28) |
| **JL group total** | | **(167)** | **-** | **(207)** | **19** | **(188)** |
| Vessels | | (124) | - | (189) | 16 | (173) |
| Vessels under construction | | (25) | - | (14) | 3 | (10) |
| Investment in joint ventures | | (18) | - | (5) | - | (5) |
| **JL group total** | | **(167)** | **-** | **(207)** | **19** | **(188)** |

*) The marked CGU's were defined as separate CGU's as from Q2 2013.

## 4. Discontinued operations

The discontinued operations relate to the operating segment Lauritzen Tankers. As stated in announcement to Oslo Børs no. 6/2013 dated 15 August 2013, a strategic decision had been taken to trim our balance sheet by gradual exit of the product tanker segment. The conditions for classifying Lauritzen Tankers "as held for sale" and "discontinued operation" were fulfilled at the end of 3Q 2013.

The results of Lauritzen Tankers are presented as discontinued operations in the Consolidated Income Statement for all periods presented.

| USD '000 | **2013 3rd quarter** | 2012 3rd quarter | **2013 9 month** | 2012 9 month | 2012 Full year |
|---|---|---|---|---|---|
| Revenue | 21,921 | 13,329 | 60,852 | 44,810 | 61,047 |
| Other operating income | 166 | 198 | 478 | 464 | 548 |
| Costs | (16,287) | (11,485) | (43,658) | (35,775) | (47,253) |
| EBITDA | 5,801 | 2,042 | 17,672 | 9,499 | 14,342 |
| Depreciation and impairments | 16,481 | (2,620) | (29,315) | (7,074) | (55,264) |
| Finance and share of result in JV's | (6,629) | (1,879) | (13,672) | (5,477) | (8,624) |
| Pretax profit/(loss) from discontinued operations | 15,653 | (2,456) | (25,315) | (3,052) | (49,546) |
| Income taxes | - | - | - | - | 265 |
| Profit/(loss) on discontinued operations, net of taxes | 15,653 | (2,456) | (25,315) | (3,052) | (49,280) |
| Attributable to: | | | | | |
| **The J. Lauritzen Group** | **15,644** | **(2,724)** | **(25,615)** | **(4,126)** | **(50,577)** |
| Non-controlling interests | 8 | 269 | 300 | 1,074 | 1,296 |
| | 15,653 | (2,456) | (25,315) | (3,052) | (49,280) |

The assets and liabilities of Lauritzen Tankers are presented as held for sale in the Consolidated Statements of Financial Position as of 30 September 2013 and are measured at the lower of their previous carrying amount and fair value less costs to sell. The carrying amounts of the major classes of assets and liabilities of Lauritzen Tankers were as follows:

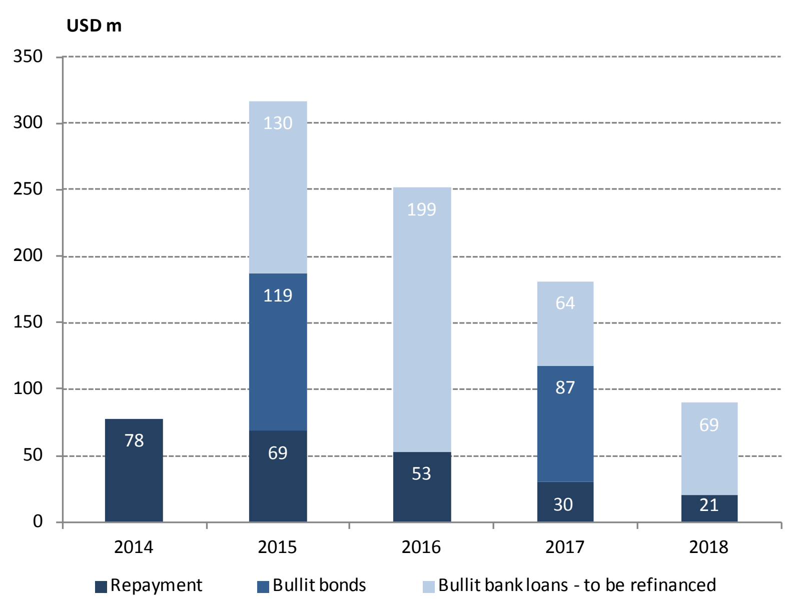
| USD '000 | **2013 30-Sep** |
|---|---|
| Vessels, property and equipment | 295,060 |
| **Assets held for sale** | **295,060** |
| Mortgage debt | 179,377 |
| **Liabilities associated with assets held for sale** | **179,377** |

The cash flow from Lauritzen Tankers is included in the Cash Flow Statement for all periods presented.

| USD '000 | 2013 9 month | 2012 9 month |
|---|---|---|
| Cash flow from operating activities | (19,651) | 30,631 |
| Herof cash flow from operating activities - discontinued operations | 1,286 | (3,068) |
| Cash flow from operating activities, continuing operations | (20,937) | 33,699 |
| Cash flow from investment activities | (64,162) | (131,786) |
| Herof cash flow from investing activities - discontinued operations | (67,155) | (57,197) |
| Cash flow from investing activities, continuing operations | 2,993 | (74,589) |
| Cash flow from financing activities | (25,732) | 82,974 |
| Herof cash flow from financing activities - discontinued operations | 43,941 | 42,746 |
| Cash flow from financing activities, continuing operations | (69,673) | 40,228 |

Concurrently with the delivery of the ten product tankers to the new owners, the mortgage debt related to each vessel will be repaid, which will change the repayment profile of J. Lauritzen's outstanding debt.

**Repayment profile less mortgage related to product tankers**




*Note: Actual data as per end-September 2013. Numbers may change subsequently, e.g. in case of sale of a vessel, prepayment, reduction in use of revolving facilities.*

## 5. Vessels, property and equipment

| USDm | Vessels | Vessels under construction | Land and Buildings | Machinery, tools and equipment | Total |
|---|---|---|---|---|---|
| **2013** | | | | | |
| Cost as at 1 January | 2,176,196 | 73,894 | 3,038 | 19,052 | 2,272,180 |
| Exchange rate adjustments | 104 | - | 35 | (24) | 115 |
| Additions | 5,598 | 98,105 | - | - | 103,703 |
| Transfer from vessels under constr. | 87,820 | (87,820) | - | - | - |
| Disposals | (12,464) | (45,356) | - | (244) | (58,063) |
| Transfered to assets held for sale | (420,592) | (38,823) | - | - | (459,415) |
| Cost as at 30 September | 1,836,662 | 0 | 3,074 | 18,784 | 1,858,520 |
| Depr. and write-down, 1 January | (474,283) | (34,829) | (476) | (10,143) | (519,731) |
| Exchange rate adjustments | 16 | - | (6) | 22 | 31 |
| Transfer from vessels under constr. | (20,796) | 20,796 | - | - | - |
| Depreciation | (62,299) | - | (65) | (1,660) | (64,024) |
| Write down | (188,668) | (13,578) | - | - | (202,246) |
| Reversal of write down | 15,893 | 3,088 | - | - | 18,981 |
| Disposals | 7,040 | 10,819 | - | 212 | 18,071 |
| Transfered to assets held for sale | 150,651 | 13,704 | - | - | 164,355 |
| Depr. and write-down as at 30 September | (572,445) | 0 | (548) | (11,569) | (584,562) |
| Balance as at 30 September | 1,264,217 | 0 | 2,525 | 7,215 | 1,273,958 |
| **2012** | | | | | |
| Cost as at 1 January | 2,262,295 | 255,436 | 3,384 | 18,873 | 2,539,988 |
| Exchange rate adjustments | (10) | - | (33) | 1 | (42) |
| Additions | 5,059 | 170,676 | - | 225 | 175,959 |
| Transfer from vessels under constr. | 362,632 | (362,632) | - | - | - |
| Disposals | (86,040) | - | - | - | (86,040) |
| Disposals, loss of control of subsidiaries | (257,505) | - | (341) | - | (257,846) |
| Transfered to assets held for sale | (102,362) | - | | - | (102,362) |
| Cost as at 30 September | 2,184,068 | 63,480 | 3,010 | 19,099 | 2,269,657 |
| Depr. and write-down, 1 January | (293,612) | (23,490) | (445) | (7,599) | (325,146) |
| Exchange rate adjustments | 7 | - | 5 | 1 | 13 |
| Transfer from vessels under constr. | (13,342) | 13,342 | - | - | - |
| Depreciation | (75,649) | - | (101) | (1,937) | (77,687) |
| Disposals | 8,941 | - | - | - | 8,941 |
| Disposals, loss of control of subsidiaries | 29,775 | - | 92 | - | 29,867 |
| Transfered to assets held for sale | 10,891 | - | - | - | 10,891 |
| Depr. and write-down as at 30 September | (332,989) | (10,148) | (449) | (9,535) | (353,121) |
| Balance as at 30 September | 1,851,079 | 53,332 | 2,561 | 9,564 | 1,916,536 |

## 6. 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 2012 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 30 September 2013, fair value of issued bonds amounted to USD 194.0m, whereas the carrying amount totalled USD 198.2m.

*Fair value hierarchy*

With the exception of shares available for sale of USD 28.2m (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** | **2013** | 2012 | 2012 |
|---|---|---|---|
| | **30-Sep** | **30-Sep** | **31-Dec** |
| Book value at 1 January | 26,010 | 24,788 | 24,788 |
| Purchase during the year | 1,259 | 404 | 404 |
| Fair value adjustment of shares available for sale recognised on other comprehensive income | 913 | 349 | 818 |
| Book value end of period | 28,182 | 25,542 | 26,010 |

## 7. Events after the balance sheet date

Apart from product tanker reclassification, there have been no further events after the balance sheet date that could materially affect the accounts as presented.