

Interim financial report for the first half of 2011

Summary

J. Lauritzen A/S (JL) experienced a challenging start to the year even though a sizeable part of forecast revenues were secured by contracts. The result for the period was slightly better than expected, however strongly impacted by weakening of markets and counterparty defaults.

EBITDA totaled USD 65.4m for the first six months of 2011 compared to USD 153.6m in 2010, which included non-recurring income from counterparty settlements.

Operating income was USD 29.6m (USD 119.6m in the first half of 2010) and JL's share of results amounted to USD 3.6m compared to USD 99.6m in 2010.

Return on invested capital (ROIC) was 3.1% compared to 13.2% in the same period in 2010. Excluding installments on vessels under construction return on invested capital amounted to 4.1% compared to 17.5% in the first half of 2010.

Cash and securities amounted to USD 156m at the end of June 2011 (USD 224m at year-end 2010). Invested capital amounted to USD 2,342 up from USD 2,033m at period-end 2010.

JL's remaining newbuilding program is fully-financed and no refinancing is required until 2015.

Main events during the first six months:

- JL successfully completed its offshore strategy by securing a long-term contract for Accommodation and Support Vessel *Dan Swift* with Petrobras and thus Lauritzen Offshore's four vessels are all on long-term contracts with the Brazilian oil major.
- JL took delivery of eight bulk carriers (four capesize, three handymax and one handysize), two fully pressurized gas carriers and two MR3 product tankers.
- Three gas carriers were sold. Purchase option for a bulk carrier was declared and the vessel was subsequently sold.
- A Korean charterer went into receivership and subsequently redelivered four long-term time chartered handymax bulk carriers to Lauritzen Bulkera and announced the intention not to fulfill contractual obligations to take delivery of a long-term time chartered capesize bulk carrier newbuilding in September 2011.
- Charter parties for two long-term time chartered capesize bulk carriers to a Chinese charterer were renegotiated and the new contractual obligations are fulfilled.

Uncertainties regarding the world economy and continuous deliveries of new tonnage, in particular bulk carriers, are anticipated to maintain freight markets at a low level for the balance of 2011. Due to these uncertainties and counterparty defaults, the result for the full year 2011 is expected to be lower than earlier expected and significantly down compared to the 2010 result in which one-offs of USD 73.8m in total were included.

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EBITDA and operating income by business segment

USDm	EBITDA			Operating Income		
	1st half	Full year		1st half	Full year	
	2011	2010	2010	2011	2010	2010
Lauritzen Bulkers	26.4	106.2	155.5	17.1	96.9	133.8
Lauritzen Kosan	17.9	13.1	30.7	5.3	(1.1)	7.2
Lauritzen Offshore	18.7	29.7	61.3	7.2	21.7	41.2
Lauritzen Tankers	6.8	5.4	12.1	4.4	3.0	11.8
Other/not allocated	(4.3)	(1.0)	(7.4)	(4.3)	(1.0)	(7.4)
	65.4	153.6	252.2	29.6	119.6	186.5

Lauritzen Bulkers

The dry bulk market was seriously impacted by weather-inflicted export constraints at the beginning of the year, high commodity prices and intense newbuilding deliveries throughout the period.

Total number of ship days increased to 16,890 compared to 15,148 in the first half of 2010.

EBITDA was USD 26.4m compared to USD 106.2m in 2010 and operating income was USD 17.1m compared to USD 96.9m in 2010. The decline was primarily due to the weakening of the market, counterparty defaults and non-recurring income included in the 2010 half-year result.

Lauritzen Kosan

The open market for smaller gas carriers held up quite well during the first half of the year due to the gradual market recovery.

Total number of ship days was 6,887 compared to 8,657 in the first half of 2010.

EBITDA was USD 17.9m compared to USD 13.1m in 2010 and operating income was USD 5.3m compared to USD (1.1)m in 2010. The improvement was due to market improvements and increased export volumes out of Middle East Gulf.

Lauritzen Tankers

The open market for medium range product tankers experienced high volatility during the first half of the year albeit with an upward trend.

Total number of ship days was 2,034 compared to 2,357 in the first half of 2010.

EBITDA was USD 6.8m compared to USD 5.4m in 2010 and operating income was USD 4.4m compared to USD 3.0m in 2010. The improvement was mainly due the improved spot market.

Lauritzen Offshore

The market for offshore service vessels continued its positive trend as deep water oil exploration and production gained further momentum, in particular in Brazil.

Total number of ship days was 342 compared to 362 in the first half of 2010.

EBITDA was USD 18.7m compared to USD 29.7m in 2010 and operating income was USD 7.2m compared to USD 21.7m in 2010. Results were in line with expectations and reflects changed employment pattern for the Accommodation and Support Vessel *Dan Swift*.

Net financials and debt financing

Net financial items for the first half of 2011 amounted to USD (31.6)m compared to USD (20.7)m in the same period in 2010. Increased financing costs were due to fleet expansion, bond issue in the second half of 2010 and exchange rate differences.

JL's share of results totaled USD 3.6m for the first half-year compared to USD 99.6m in same period in 2010.

As of 30 June 2011 cash and cash equivalents totaled USD 156m compared to USD 224m at year-end 2010.

Total liabilities amounted to USD 1,299m of which interest bearing debt amounted to USD 1,243m.

Total non current interest bearing debt amounted to USD 1,176m compared USD 967m at year 2010.

JL's share of equity amounted USD 1,263m at period-end compared to USD 1,239m at year-end 2010

Outlook for 2011

Uncertainties regarding the world economy and continuous deliveries of new tonnage, in particular bulk carriers, are anticipated to maintain freight markets at a low level for the balance of 2011. Due to these uncertainties and counterparty defaults, also in relation to a long-term time chartered capesize bulk carrier for delivery second half of 2011, which has been sold with a medium-term lease-back, the result for the full year 2011 is expected to be lower than earlier expected and significantly down compared to the 2010 result in which one-offs of USD 73.8m in total were included.

Forwarded-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.

Group key financial ratios

Key figures	1st Half		Full Year
	2011	2010	2010
Profit margin	10.7%	32.0%	25.9%
Solvency ratio	49%	49%	52%
Solvency ratio (JL's share of equity)	49%	49%	51%
Return on equity	0.6%	17.1%	11.1%
Return on invested capital	3.1%	13.2%	10.2%

For definitions of financial ratios please refer to the Annual report for 2010.

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 2011.

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 2011 and of the results of the Group's operations and cash flows for the period 1 January 2011 to 30 June 2011.

Further, in our opinion, the Management's review (page 1-3) 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, 10 August 2011

Executive Management:

Torben Janholt
President & CEO

Birgit Aagaard-Svendsen
Exec. Vice President & CFO

Jan Kastrup-Nielsen
Exec. Vice President & COO

Board of Directors:

Bent Østergaard
Chairman

Ingar Skaug
Vice Chairman

Peter Poul Lauritzen Bay

Niels Heering

Vagn Rosenkilde

Marianne Wiinholt

Søren Berg*

Ulrik Danstrøm*

Per Gommesen*

*) Elected by the employees

Financial statements – JL Group

INCOME STATEMENT - CONDENSED	2011	2010	2010
USD '000	1st half	1st half	Full year
Income			
Revenue	277,014	373,375	718,824
Other operating income	8,214	10,435	20,701
Costs	(219,825)	(230,240)	(487,276)
Result before depreciation (EBITDA)	65,404	153,570	252,248
Profit and loss on sale of assets	6,572	(816)	(12,516)
Depreciations and write-downs	(42,387)	(33,183)	(53,219)
Operating income	29,589	119,570	186,514
Net result in Joint ventures	4,850	7,083	11,012
Net financial items	(31,556)	(20,721)	(56,300)
Result before tax	2,883	105,933	141,226
Income tax	1,765	(3,966)	(5,686)
Result for the period	4,648	101,967	135,540
Attributable to:			
The J. Lauritzen Group	3,590	99,590	130,652
Minority shareholders' share of result in subsidiaries	1,058	2,377	4,888
	4,648	101,967	135,540
STATEMENT OF COMPREHENSIVE INCOME	2011	2010	2010
USD '000	1st half	1st half	Full year
Net income recognised in the Income Statement	4,648	101,967	135,540
Other comprehensive income			
Exchange rate adjustments concerning foreign companies	1,895	2,493	(3,220)
Fair value adjustment of hedging instruments during the period	(6,703)	(25,172)	(22,045)
Hedging instruments transferred to the income statement	1,626	3,497	6,704
Fair value adjustment of shares available for sale	23,274	-	-
Share of equity movements in joint ventures	-	-	1,256
Tax on other comprehensive income	-	-	-
Other comprehensive income net of tax	20,092	(19,182)	(17,304)
Total comprehensive income	24,740	82,785	118,236
Attributable to:			
The J. Lauritzen Group	23,682	80,408	113,348
Minority shareholders' share of result in subsidiaries	1,058	2,377	4,888
	24,740	82,785	118,236

BALANCE SHEET - CONDENSED	2011	2010	2010
USD '000	30-Jun	30-Jun	31-Dec
ASSETS			
Intangible assets	0	0	0
Vessels	1,819,213	1,215,687	1,251,625
Land and buildings	3,070	2,761	2,916
Machinery, tools and equipment	11,548	15,564	11,054
Vessels under construction	349,686	506,366	663,058
Vessels, property and equipment	2,183,518	1,740,379	1,928,653
Financial assets	149,096	138,438	133,666
Total non current assets	2,332,614	1,878,817	2,062,319
Bunkers and other current assets	74,161	135,425	123,367
Securities	2,654	11,025	9,930
Cash and bank deposits	153,014	271,202	213,922
	229,830	417,651	347,219
Assets held for sale	-	157,209	1,241
Total current assets	229,830	574,860	348,460
Total assets	2,562,444	2,453,677	2,410,779
EQUITY AND LIABILITIES			
Share capital	60,633	60,633	60,633
Reserve for hedging instruments	(23,582)	(24,839)	(18,505)
Reserve for exchange rate adjustments	19,392	80	(5,777)
Other reserves	1,206,213	1,170,161	1,202,623
Proposed dividend	-	-	-
JL's share of equity	1,262,656	1,206,034	1,238,974
Minority shareholders' share of equity	819	7,250	4,761
Total Equity	1,263,475	1,213,284	1,243,735
Provisions	343	3,562	251
Interest bearing debt	1,175,814	1,071,785	966,829
Total non current liabilities	1,176,156	1,075,347	967,080
Interest bearing debt	67,545	53,387	86,780
Other current liabilities	51,873	104,351	107,663
Provisions	3,395	7,308	5,521
Total current liabilities	122,813	165,046	199,963
Total liabilities	1,298,969	1,240,392	1,167,043
Total equity and liabilities	2,562,444	2,453,677	2,410,779

CASH FLOW STATEMENT - CONDENSED	2011	2010	2010
USD '000	1st half	1st half	Full year
Cash flow from:			
Operations before finance	50,732	81,073	216,528
Ordinary operations before tax	21,671	65,315	168,580
Operating activities	17,840	62,741	163,515
Investment activities	(208,583)	(255,219)	(324,968)
Financing activities	187,829	256,610	142,184
Changes for the year in cash and cash equivalents	(2,914)	64,132	(19,269)
Cash and cash equivalents at beginning of the period	154,384	172,061	172,061
Currency adjustments on cash and cash equivalents	586	530	1,592
Cash and cash equivalents at the end of the period	152,056	236,723	154,384
Undrawn committed credit facilities at end of period*)	510,646	368,500	745,662
Financial resources at the end of the period	662,702	605,223	900,046

*) Undrawn credit facilities include facilities committed to financing of vessels for delivery in 2011-2012.

EQUITY STATEMENT	Share	Reserves for:	Result	Proposed	Minority	Total	Minority	Total
USD '000	capital	hedging	exchange	carried	dividend	Total	interests	Total
		instruments	rate adj.	forward				
Equity 1/1 2011	60,633	(18,505)	(5,777)	1,202,623	-	1,238,974	4,761	1,243,735
Total compr. income	-	(5,077)	25,169	3,590	-	23,682	1,058	24,740
Paid dividend	-	-	-	-	-	-	(5,000)	(5,000)
Proposed dividend	-	-	-	-	-	-	-	-
Equity 30/6 2011	60,633	(23,582)	19,392	1,206,213	-	1,262,656	819	1,263,475
Equity 1/1 2010	60,633	(3,164)	(2,413)	1,070,571	-	1,125,626	4,873	1,130,499
Total compr. income	-	(21,675)	2,493	99,590	-	80,408	2,377	82,785
Paid dividend	-	-	-	-	-	-	-	-
Proposed dividend	-	-	-	-	-	-	-	-
Equity 30/06 2010	60,633	(24,839)	80	1,170,161	-	1,206,034	7,250	1,213,284

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 accounting policies set out in the Annual Report 2010 of J. Lauritzen A/S. Furthermore the interim financial report and Management's review are prepared in accordance with additional Danish disclosure requirements for interim reports of listed companies.

J. Lauritzen A/S has adopted all new, amended or revised accounting standards and interpretations ('IFRSs') endorsed by the EU effective for accounting period beginning on 1 January 2011.

Neither these IFRSs nor the change of class under the Danish disclosure requirements have had a significant impact on the consolidated interim financial report.

2. Operating segments

USD '000	Lauritzen Bulkers	Lauritzen Kosan	Lauritzen Offshore	Lauritzen Tankers	Total reportable segments	Non- reportable segments	Un- allocated	Total Group
1st half 2011								
Revenue	141.9	70.2	33.3	30.6	276.0	1.0	0.0	277.0
EBITDA	26.4	17.9	18.7	6.8	69.7	(4.2)	(0.1)	65.4
Operating income	17.1	5.3	7.2	4.4	33.9	(4.2)	(0.1)	29.6
Result after tax	5.6	5.7	(1.4)	0.5	10.4	(5.6)	(0.2)	4.6
1st half 2010								
Revenue	223.3	54.4	51.9	39.8	369.4	3.9	0.0	373.4
EBITDA	106.2	13.1	29.7	5.4	154.5	1.9	(2.9)	153.6
Operating income	96.9	(1.1)	21.7	3.0	120.5	2.0	(2.9)	119.6
Result after tax	93.8	(6.0)	11.9	4.0	103.7	7.4	(9.2)	102.0

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

3. Events after the balance sheet date

In early August 2011, a capesize bulk carrier newbuilding scheduled for delivery in September 2011 was sold with medium term lease-back. The transaction will negatively impact the full-year result for 2011 with approximately USD (43)m, but have a positive cash effect of approximately USD 10m.