Interim financial report for the first half of 2012

Difficult start to the year

"J. Lauritzen A/S (JL) was exposed to a difficult start to 2012. Continued slowing of world economic activity and surplus capacity in key shipping markets dented JL's result. Additionally, JL was hit by contract partner default with the effect that a capesize bulk carrier was sold. This caused a net loss of USD (39)m, which had a significant negative impact on our result for the first half of 2012", says Torben Janholt, President and CEO.

EBITDA was USD 65.0m for the first six months of 2012 (USD 65.4m in 2011), which was in line with expectations.

Operating income was USD (34.8)m compared to USD 29.6m in 2011 and below expectations mainly due to losses totaling USD (46.3)m related to the sale of assets.

JL's result for the first half of the year was USD (68.0)m compared to USD 3.6m in 2011.

Main events during the first six months:

- A 50/50 joint venture was established with the Norwegian-based leading oil and gas private equity investor HitecVision focusing on the offshore accommodation (ASV) segment. The joint venture represents the completion of the long-term strategy to expand the offshore activities, in particular in the accommodation segment. The proceeds from the transaction will be re-injected in the joint company with the aim of growing the accommodation activities.
- JL took delivery of seven newbuildings, including three handysize bulk carriers, two product tankers, one gas carrier and one shuttle tanker. Furthermore five bulk carriers, one gas carrier and three product tankers were taken on long-term time-charter in addition to renewals and declaration of optional periods.
- A charterer defaulted and redelivered two capesize bulk carriers, of which one was sold with a loss of USD (39)m, but with positive cash effect.

Continuous downward adjustments of the world economic forecasts and surplus capacity have reduced the expected earnings on open ship days for the balance of 2012. The consolidated EBITDA for the full year is thus expected at a level of around USD 100m. EBITDA in the second half is expected to be lower than in the first six months of the year and thus lower than earlier expectations of approximately USD 60m. Additionally, the sale of 50% of the offshore accommodation activities will reduce EBITDA.

In general vessel values have dropped during the first half of 2012. Based on JL's contract cover and estimated freight rates JL's value in use of the fleet is higher than market values and higher than book values. However, due to the world economic uncertainty and increased geopolitical uncertainty, especially in the Middle East, our rate scenarios may change into a prolonged period with further low dry bulk markets, in which case a need for write-downs at year-end 2012 of own vessels and vessels on long-term time-charter would materialise.

Further information: Torben Janholt, President & CEO, on phone + 45 33 96 84 00 or Birgit Aagaard-Svendsen, Executive Vice President & CFO, on phone + 45 33 96 84 00

EBITDA and operating income by business segment

	EBITDA			Operating Income		
	1st half		Full year	1st half		Full year
USDm	2012	2011	2011	2012	2011	2011
Lauritzen Bulkers	10.6	26.4	75.8	(53.1)	17.1	(0.7)
Lauritzen Kosan	20.8	17.9	33.2	7.2	5.3	9.1
Lauritzen Offshore Services	28.8	18.7	37.6	10.8	7.2	16.9
Lauritzen Tankers	7.5	6.8	12.2	3.0	4.4	5.9
Other/not allocated	(2.7)	(4.3)	(12.8)	(2.7)	(4.3)	(12.8)
	65.0	65.4	146.0	(34.8)	29.6	18.5

Lauritzen Bulkers

The dry bulk market was hit by weakening demand growth due to weather disturbances, reluctance to replenish stores due to anticipated commodity price declines and large newbuilding deliveries.

Total number of ship days increased to 20,623 up 21% compared to 16,980 in the first half of 2011.

EBITDA was USD 10.6m compared to USD 26.4m in 2011 and operating income was USD (53.1)m compared to USD 17.1m in 2011. The decline was primarily due to difficult market conditions and loss on sale of assets.

Lauritzen Kosan

The contract and petrochemical spot trades for smaller gas carriers remained healthy during the first half despite challenges in relation to the Iran sanctions, the fiscal situation in Europe and the US as well as slowing of demand growth towards the end of the period.

Total number of ship days was 7,608 up 10% compared to 6,887 in the first half of 2011.

EBITDA was USD 20.8m compared to USD 17.9m in 2011 and operating income was USD 7.2m compared to USD 5.3m in 2011. The improvement was due to market improvements, increased long-haul shipments of e.g. butadiene and a slightly larger fleet of fully pressurized gas carriers.

Lauritzen Tankers

The normal seasonal weakening of the market for medium range product tankers in the second quarter was more pronounced than anticipated.

Total number of ship days was 2,273 up 12% compared to 2,034 in the first half of 2011.

EBITDA was USD 7.5m compared to USD 6.8m in 2011 and operating income was USD 3.0m compared to USD 4.4m in 2011. The decline was mainly related to slightly lower markets and increased depreciations due to increase of own fleet.

Lauritzen Offshore

The market for offshore service vessels continued its positive trend as deep water oil exploration and production as well as maintenance of offshore installations gained further momentum.

Total number of ship days was 719 compared to 342 in the first half of 2011.

EBITDA was USD 28.8m compared to USD 18.7m in 2011 and operating income was USD 10.8m compared to USD 7.2m in 2011. Results were in line with expectations and reflect that two shuttletanker newbuildings have been added to the operational fleet. Operating income includes USD (6.9)m impairment related to the establishment of the aforementioned 50/50 joint venture, mainly due to expense of amortized loan costs and unused tax assets.

Net financials and cash position

Net financial items for the first half of 2012 amounted to USD (31.2)m compared to USD (31.6)m in the same period in 2011.

Cash and securities amounted to USD 136m at the end of June 2012 (USD 155m in 2011). Including undrawn facilities cash available amounted to USD 202m (USD 209m in 2011).

Outlook for 2012

Continuous downward adjustments of the world economic forecasts and surplus capacity have reduced the expected earnings on open ship days for the balance of 2012. The consolidated EBITDA for the full year is thus expected at a level of around USD 100m. EBITDA in the second half is expected to be lower than in the first six months of the year and thus lower than earlier expectations of approximately USD 60m. Additionally, the sale of 50% of the offshore accommodation activities will reduce EBITDA.

Depreciation is expected to be reduced due to the sale of assets and thus expected to increase by app. 12% only on 2011 compared to an increase of app. 20% in earlier estimates.

Finance net is expected to be slightly down on 2011, however currency and interest rate developments may affect the result.

Net result will be significantly down compared to 2011, mainly due to losses on sale of assets included in the first half year result, the negative development in the bulk market and the initial effect of the establishment of the ASV joint venture.

In general vessel values have dropped during the first half of 2012. Based on JL's contract cover and estimated freight rates JL's value in use of the fleet is higher than market values and higher than book values. However, due to the world economic uncertainty and increased geopolitical uncertainty, especially in the Middle East, our rate scenarios may change into a prolonged period with further low dry bulk markets, in which case a need for write-downs at year-end 2012 of own vessels and vessels on long-term time-charter would materialize.

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.

Group key financial ratios

Key figures	1st Half		Full Year
	2012	2011	2011
Profit margin	-9.5%	10.7%	3.1%
Solvency ratio	44%	49%	45%
Solvency ratio (JL's share of equity)	44%	49%	45%
Return on equity	-11.7%	0.6%	(3.8%)
Return on invested capital	-3.1%	3.1%	1.1%

For definitions of financial ratios please refer to the Annual report for 2011.

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 2012.

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 2012 and of the results of the Group's operations and cash flows for the period 1 January 2012 to 30 June 2012.

Further, in our opinion, the Management's review (page 1-4) 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 August 2012

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	Marianne Wiinholt	Søren Berg*
Ulrik Danstrøm*	Per Gommesen*	

*) Elected by the employees

Financial statements – JL Group

INCOME STATEMENT - CONDENSED	2012	2011	2011
USD '000	1st half	1st half	Full year
Income			
Revenue	365,817	277,014	604,265
Other operating income	6,263	8,214	16,834
Costs	(307,059)	(219,825)	(475,092)
Profit before depreciation (EBITDA)	**65,021**	**65,404**	**146,006**
Profit/(loss) on sale of assets	(46,343)	6,572	(36,248)
Depreciations and w rite-dow ns	(53,442)	(42,387)	(91,241)
Operating income	**(34,764)**	**29,589**	**18,518**
Share of profit in joint ventures	(992)	4,850	4,708
Net financial items	(31,209)	(31,556)	(69,167)
Profit/(loss) before tax	**(66,965)**	**2,883**	**(45,941)**
Income tax	(240)	1,765	1,926
Profit/(loss) for the period	**(67,205)**	**4,648**	**(44,015)**
Attributable to:			
The J. Lauritzen Group (JL result)	(68,010)	3,590	(46,210)
Non-controlling interests	805	1,058	2,195
	(67,205)	**4,648**	**(44,015)**

STATEMENT OF COMPREHENSIVE INCOME	2012	2011	2011
USD '000	1st half	1st half	Full year
Profit/(loss) for the period	(67,205)	4,648	(44,015)
Other comprehensive income			
Exchange differences on translating foreign operations	(3,757)	1,895	4
Fair value adjustment of hedging instruments during the perioc	(1,611)	(6,703)	(20,481)
Hedging instruments transferred to financial expenses	-	1,626	5,594
Fair value adjustment of shares available for sale	355	23,274	21,245
Share of other comprehensive income of joint ventures	-	-	(0)
Other comprehensive income net of tax	(5,013)	20,092	6,362
Total comprehensive income for the period	**(72,218)**	**24,740**	**(37,653)**
Attributable to:			
The J. Lauritzen Group	(73,023)	23,682	(39,848)
Non-controlling interests	805	1,058	2,195
	(72,218)	**24,740**	**(37,653)**

FINANCIAL POSITION - CONDENSED	2012	2011	2011
USD '000	30-jun	30-jun	31-dec
ASSETS			
Vessels, property and equipment	**2,021,403**	**2,183,518**	**2,214,841**
Financial assets	**147,123**	**149,096**	**145,861**
Non-current assets	**2,168,526**	**2,332,614**	**2,360,702**
Bunkers and other current assets *)	113,191	75,119	84,929
Securities	1,504	2,654	2,103
Cash at hand and in bank *)	134,563	152,056	234,132
	249,258	**229,830**	**321,164**
Assets held for sale	133,281	-	-
Current assets	**382,539**	**229,830**	**321,164**
Total assets	**2,551,065**	**2,562,444**	**2,681,865**
EQUITY AND LIABILITIES			
Share capital	60,633	60,633	60,633
Retained earnings	1,088,403	1,206,213	1,156,413
Reserves	(22,933)	(4,190)	(17,920)
JL's share of equity	1,126,103	1,262,656	1,199,126
Non-controlling interests	2,761	819	1,956
Equity	**1,128,865**	**1,263,475**	**1,201,082**
Long-term provisions	111	343	-
Long-term borrowings	1,256,926	1,175,814	1,310,843
Non-current liabilities	**1,257,036**	**1,176,156**	**1,310,843**
Current portion of long-term borrowings	83,329	67,545	83,240
Other current liabilities	81,538	51,873	85,663
Provisions	298	3,395	1,037
Current liabilities	**165,164**	**122,813**	**169,940**
Total liabilities	**1,422,201**	**1,298,969**	**1,480,783**
Total equity and liabilities	**2,551,065**	**2,562,444**	**2,681,865**

*) At 30 Jun 2011 and 31 Dec 2011 pledged liquidity of USD 1.0m and USD 11.6m respectively have been reclassified from "Cash at hand and in bank" to "Bunkers and other current assets".

CASH FLOW STATEMENT - CONDENSED USD '000	2012 1st half	2011 1st half	2011 Full year
Cash flow from:			
Operations before financial items	25,212	50,732	140,303
Ordinary operations before tax	3,867	21,671	90,970
Operating activities	3,185	17,840	85,750
Investment activities	(179,453)	(208,583)	(329,582)
Financing activities	76,753	187,829	322,888
Changes for the period in cash and cash equivalents	**(99,516)**	**(2,914)**	**79,056**
Cash and cash equivalents at beginning of the period	234,132	154,384	154,384
Currency adjustments on cash and cash equivalents	(53)	586	692
Cash and cash equivalents at the end of the period	**134,563**	**152,056**	**234,132**
Undrawn committed credit facilities at end of period	67,289	56,708	58,312
Financial ressources at the end of the period	**201,852**	**208,764**	**292,444**
Committed facilities available upon delivery of vessels	58,500	453,938	183,741
Financial ressources incl. committed facilities available upon delivery of vessels	**260,352**	**662,702**	**476,185**

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 2012	60,633	(33,391)	21,245	(5,773)	(17,920)	1,156,413	1,199,126	1,956	1,201,082
Total compr. income	-	(1,611)	355	(3,757)	(5,013)	(68,010)	(73,023)	805	(72,218)
Paid dividend	-	-	-	-	-	-	-	-	-
Equity 30/6 2012	**60,633**	**(35,002)**	**21,600**	**(9,530)**	**(22,933)**	**1,088,403**	**1,126,103**	**2,761**	**1,128,865**
Equity 1/1 2011	60,633	(18,505)	-	(5,777)	(24,282)	1,202,623	1,238,974	4,761	1,243,735
Total compr. income	-	(5,077)	23,274	1,895	20,092	3,590	23,682	1,058	24,740
Paid dividend	-	-	-	-	-	-	-	(5,000)	(5,000)
Equity 30/6 2011	**60,633**	**(23,582)**	**23,274**	**(3,882)**	**(4,190)**	**1,206,213**	**1,262,656**	**819**	**1,263,475**

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 2011 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 2012.

Neither of these have had a significant impact on the consolidated interim financial report.

2. Operating segments

USD '000	Lauritzen Bulkers	Lauritzen Kosan	Lauritzen Offshore Services	Lauritzen Tankers	Total reportable segments	Non-reportable segments	Un-allocated	Total Group
1st half 2012								
Revenue	186.3	105.5	41.9	31.5	365.2	0.6	0.0	365.8
EBITDA	10.6	20.8	28.8	7.5	67.7	(2.6)	(0.1)	65.0
Operating income	(53.1)	7.2	10.8	3.0	(32.1)	(2.6)	(0.1)	(34.8)
Profit/(loss)	(67.6)	6.6	4.2	(0.6)	(57.4)	(9.6)	(0.2)	(67.2)
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
Profit/(loss)	5.6	5.7	(1.4)	0.5	10.4	(5.6)	(0.2)	4.6

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