Interim financial report - first quarter of 2013

Challenging shipping markets prevail

"The world economic and political uncertainty and the tough business environment for international shipping that prevailed throughout 2012 continued into the first quarter of 2013. EBITDA for the first quarter of 2013 was in line with our expectations and down compared to the first quarter of 2012, but better than in the fourth quarter of 2012. We maintain our expectations for full-year EBITDA of USD 60-80m in spite of the continuous challenging business conditions for maritime transport, in particular in the dry bulk segment", says Jan Kastrup-Nielsen, President and CEO.

EBITDA was USD 9.4m for the first quarter of 2013 against USD 37.9m in the first quarter of 2012, which included non-recurring income from settlements and EBITDA from Accommodation and Support Vessel *Dan Swift*. EBITDA was in line with expectations.

The net result for the first quarter 2013 was USD (25.6)m against USD 1.1m in the first quarter of 2012. The result was unsatisfactory, but in line with expectations.

Cash flow from operations amounted to USD (15.2)m. Cash and undrawn credit facilities amounted to USD 198m at period-end.

Main events during the first three months:

- The Lauritzen Foundation, the sole owner of J. Lauritzen A/S (JL), decided to convert two subordinated loans of USD 156m into equity. The conversion was accomplished on 2 April 2013.
- The tenor of a bank loan was postponed and thus JL has no refinancing requirements until 2015.
- Jan Kastrup-Nielsen was appointed President & CEO as of 26 February 2013.
- Peter Borup joined Lauritzen Bulkers as President as of 1 February 2013.

EBITDA for the full year is as earlier announced expected to be in the range of USD 60-80m, despite the world economic and political uncertainty and the sustained depressed trading conditions in the dry bulk segment.

One of Lauritzen Kosan's pressurized gas carriers built in 1998 was sold late April 2013. Additionally, JL's share of an MR product tanker was sold early May 2013. The two transactions will cause a combined minor book loss of USD (2.1)m but have a positive cash effect of USD 11m.

On a general note, vessel values witnessed a slight increase for most segments. Newbuilding prices were in general stable during the first quarter of 2013 with capesize bulk carriers seeing higher prices.

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Lauritzen Bulkers

The depressed dry bulk market recorded at the end of 2012 continued into 2013 and spot market earnings for handysize opened on a very low note with supramax rates in steep decline. Seasonal grain movements were behind the pick-up from February sending the spot market to levels comparable to the latter part of the first quarter of 2012, but still at unsatisfactory levels.

Total number of ship days was 10,648, up 7% compared to 9,998 in the first quarter of 2012.

EBITDA was USD (10.4)m compared to USD 6.9m in 2012 and operating income was USD (20.3)m compared to USD (4.9)m in 2012. The decline was primarily due to continuous difficult market conditions and settlements received in the first quarter of 2012. EBITDA was in the lower range of expectations.

Lauritzen Kosan

Weak economic developments, mainly in Europe, impacted petrochemical gas movements with a slight negative impact on spot market rates during the first quarter. Weather related movements supported a spot market recovery for smaller vessel sizes from January onwards.

Total number of ship days was 3,891 compared to 3,857 in the first quarter of 2012.

EBITDA was USD 8.7m compared to USD 13.9m in 2012 and operating income was USD 2.0m compared to USD 7.1m in 2012. The decline was due to difficult market conditions, in particular in Europe and declining shipments out of the Middle East mainly as a result of the continuation of sanctions against Iran. EBITDA was in line with expectations.

Lauritzen Tankers

Due to seasonal factors and stronger economic fundamentals in the USA, spot market rates for MR product tankers held up quite strongly during the first quarter.

Total number of ship days was 1,150 compared to 1,180 in the first quarter of 2012.

EBITDA was USD 6.5m compared to USD 3.9m in 2012 and operating income was USD 4.2m compared to USD 2.0m in 2012. The improvement was mainly due to strengthening of the spot market. EBITDA was better than expected.

Lauritzen Offshore

EBITDA was USD 6.8m compared to USD 15.0m in 2012 and operating income was USD 3.8m compared to USD 9.5m in 2012. Results were in line with expectations and reflect that JL's Accommodation and Support Vessel activities were sold to part-owned Axis Offshore Pte. Ltd. as per 1 July 2012. EBITDA was in line with expectations.

Joint ventures

JL's share of profit in joint ventures amounted to USD (2.4)m compared to USD 2.0m in the first quarter of 2012. The negative result was due to losses in joint ventures related to the dry bulk business, partly as a result of sale of assets.

Net financials and cash position

Net financial items for the first quarter of 2013 amounted to USD (10.2)m compared to USD (12.2)m in the same period in 2012.

Cash and undrawn credit facilities amounted to USD 198m at the end of the first quarter of 2013 (USD 276m end of first quarter 2012).

Outlook for 2013

We reiterate our previous expectation that economic growth will 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.

Overall, market conditions are unchanged. An expected decline in supply growth together with rising demand growth is anticipated to lead to improved market conditions in dry bulk during the second half of the year. The market for smaller gas carriers is also expected to see a slight market improvement in the second half. Seasonal factors may reduce spot market earnings for MR product tankers in coming months with improved vessel utilization towards the end of the year.

JL maintains its expectations for an EBITDA for the full year of USD 60-80m despite the world economic and political uncertainty and the sustained depressed trading conditions in the dry bulk segment.

The net result for 2013 is anticipated to remain unsatisfactory with an expected loss of USD (75-100)m. In JL's continuous efforts to adjust the tonnage portfolio, additional sale of assets may negatively affect the result for 2013, but have a positive effect on JL's cash position.

As of 1 April, 58% of remaining vessel days in 2013 are open. Freight rate changes of open vessel days of USD 1,000/day will impact the full-year profit before tax by about USD 15m

Currency and interest rate fluctuations may affect the result.

Group key financial ratios

Key figures	**1st quarter**		**Full Year**
	2013	**2012**	**2012**
Profit margin	(8.3)%	6.6%	(37.9%)
Solvency ratio	36%	44%	37%
Solvency ratio (JL's share of equity)	36%	43%	37%
Return on equity	(12.2)%	0.4%	(34.1%)
Return on invested capital	(3.1)%	2.3%	(13.5%)

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

EBITDA and operating income by business segment

	EBITDA			Operating Income		
	1st quarter		Full year	1st quarter		Full year
USDm	2013	2012	2012	2013	2012	2012
Lauritzen Bulkers	(10.4)	6.9	4.0	(20.3)	(4.9)	(243.2)
Lauritzen Kosan	8.7	13.9	35.7	2.0	7.1	10.3
Lauritzen Tankers	6.5	3.9	14.3	4.2	2.0	(40.9)
Lauritzen Offshore	6.8	15.0	40.4	3.8	9.5	16.1
Other/not allocated	(2.3)	(1.8)	(5.7)	(2.4)	(1.8)	(5.9)
	9.4	37.9	88.7	(12.7)	11.9	(263.6)

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 31 March 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 31 March 2013 and of the results of the Group's operations and cash flows for the period 1 January 2013 to 31 March 2013.

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, 16 May 2013

Executive Management:

Jan Kastrup-Nielsen
President & CEO

Birgit Aagaard-Svendsen
Exec. Vice President & CFO

Board of Directors:

Bent Østergaard
Chairman

Ingar Skaug
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	2012
USD '000	1st quarter	1st quarter	Full year
Revenue	153,122	180,461	695,558
Other operating income	3,748	3,063	13,825
Costs	(147,462)	(145,633)	(620,644)
Profit before depreciation (EBITDA)	9,409	37,892	88,738
Profit/(loss) on sale of assets	(51)	(86)	(102,356)
Depreciations and write-downs	(22,067)	(25,935)	(249,958)
Operating income	(12,710)	11,871	(263,576)
Share of profit in joint ventures	(2,434)	2,018	(26,203)
Net financial items	(10,156)	(12,194)	(59,451)
Profit/(loss) before tax	(25,300)	1,695	(349,230)
Income tax	(57)	(55)	783
Profit/(loss) for the period	(25,357)	1,640	(348,447)
Attributable to:			
The J. Lauritzen Group (JL result)	**(25,608)**	**1,102**	**(349,743)**
Non-controlling interests	251	539	1,296
	(25,357)	1,640	(348,447)

STATEMENT OF COMPREHENSIVE INCOME	2013	2012	2012
USD '000	1st quarter	1st quarter	Full year
Profit/(loss) for the period	(25,357)	1,640	(348,447)
Other comprehensive income			
Items that can be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	148	1,326	144
Fair value adjustment of hedging instruments during the period	(4,108)	(2,314)	(9,284)
Hedging instruments transferred to financial expenses	2,622	2,285	11,008
Fair value adjustment of shares available for sale	(500)	1,220	818
Other comprehensive income net of tax	(1,837)	2,517	2,685
Total comprehensive income for the period	(27,194)	4,158	(345,762)
Attributable to:			
The J. Lauritzen Group	(27,445)	3,619	(347,058)
Non-controlling interests	251	539	1,296
	(27,194)	4,158	(345,762)

FINANCIAL POSITION - CONDENSED	2013	2012	2012
USD '000	31-Mar	31-Mar	31-Dec
ASSETS			
Vessels, property and equipment	1,757,230	2,293,103	1,752,449
Financial assets	175,717	156,454	178,897
Non-current assets	1,932,947	2,449,557	1,931,346
Bunkers and other current assets	136,344	97,953	116,873
Securities	-	1,827	157
Cash at hand and in bank	195,790	216,403	267,000
Current assets	332,134	316,182	384,030
Total assets	2,265,081	2,765,739	2,315,376
EQUITY AND LIABILITIES			
Share capital	60,633	60,633	60,633
Retained earnings	781,062	1,157,514	806,670
Reserves	(17,072)	(15,403)	(15,235)
JL's share of equity	824,623	1,202,745	852,069
Non-controlling interests	623	2,495	371
Equity	825,246	1,205,240	852,440
Long-term provisions	-	110	-
Long-term borrowings	1,239,657	1,405,938	1,284,709
Non-current liabilities	1,239,657	1,406,047	1,284,709
Current portion of long-term borrowings	95,228	94,011	90,387
Other current liabilities	104,896	59,772	87,822
Provisions	54	669	18
Current liabilities	200,178	154,452	178,227
Total liabilities	1,439,835	1,560,499	1,462,936
Total equity and liabilities	2,265,081	2,765,739	2,315,376

CASH FLOW STATEMENT - CONDENSED	2013	2012	2012
USD '000	1st quarter	1st quarter	Full year
Cash flow from:			
Operations before financial items	(2,132)	18,051	91,625
Ordinary operations before tax	(15,326)	2,827	31,541
Operating activities	(15,241)	2,302	34,059
Investment activities	(32,730)	(114,449)	(107,914)
Financing activities	(18,579)	94,603	107,150
Changes for the period in cash and cash equivalents	**(66,550)**	**(17,545)**	**33,295**
Cash and cash equivalents at beginning of the period	267,000	234,132	234,132
Currency adjustments on cash and cash equivalents	(4,661)	(184)	(427)
Cash and cash equivalents at the end of the period	**195,790**	**216,403**	**267,000**
Undrawn committed credit facilities at end of period *)	2,018	59,975	1,009
Financial ressources at the end of the period	**197,808**	**276,379**	**268,009**
Committed facilities available upon delivery of vessels	63,000	40,319	63,000
Financial ressources incl. committed facilities available upon delivery of vessels	**260,808**	**316,698**	**331,009**

**) In addition JL has an unsecured overdraft facility of DKK 100m for multi-currency short-term financing needs.*

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
Total compr. income	-	(1,486)	(500)	148	(1,837)	(25,608)	(27,445)	251	(27,194)
Paid dividend	-	-	-	-	-	-	-	-	-
Proposed dividend	-	-	-	-	-	-	-	-	-
Equity 31/03 2013	**60,633**	**(33,154)**	**21,563**	**(5,481)**	**(17,072)**	**781,062**	**824,623**	**623**	**825,246**
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	-	(29)	1,220	1,326	2,517	1,102	3,619	539	4,158
Paid dividend	-	-	-	-	-	-	-	-	-
Proposed dividend	-	-	-	-	-	-	-	-	-
Equity 31/03 2012	**60,633**	**(33,420)**	**22,465**	**(4,447)**	**(15,403)**	**1,157,514**	**1,202,745**	**2,495**	**1,205,240**

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 mentioned 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.

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.

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.

2. Operating segments

USD '000	Lauritzen Bulkers	Lauritzen Kosan	Lauritzen Tankers	Lauritzen Offshore	Total reportable segments	Non-reportable segments	Un-allocated	Total Group
1st quarter 2013								
Revenue	74.2	50.3	19.1	8.9	152.4	0.0	0.7	153.1
EBITDA	(10.4)	8.7	6.5	6.8	11.7	0.1	(2.4)	9.4
Operating income	(20.3)	2.0	4.2	3.8	(10.3)	0.1	(2.5)	(12.7)
Profit/(loss)	(30.9)	2.0	2.3	3.8	(22.8)	(0.0)	(2.5)	(25.4)
1st quarter 2012								
Revenue	95.7	46.2	17.3	21.1	180.4	0.0	0.1	180.5
EBITDA	6.9	13.9	3.9	15.0	39.7	0.0	(1.9)	37.9
Operating income	(4.9)	7.1	2.0	9.5	13.7	0.0	(1.9)	11.9
Profit/(loss)	(10.2)	6.9	0.2	6.2	3.0	(0.1)	(1.3)	1.6

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

3. Events after the balance sheet date

There have been no events after the balance sheet date that could materially affect the accounts as presented.