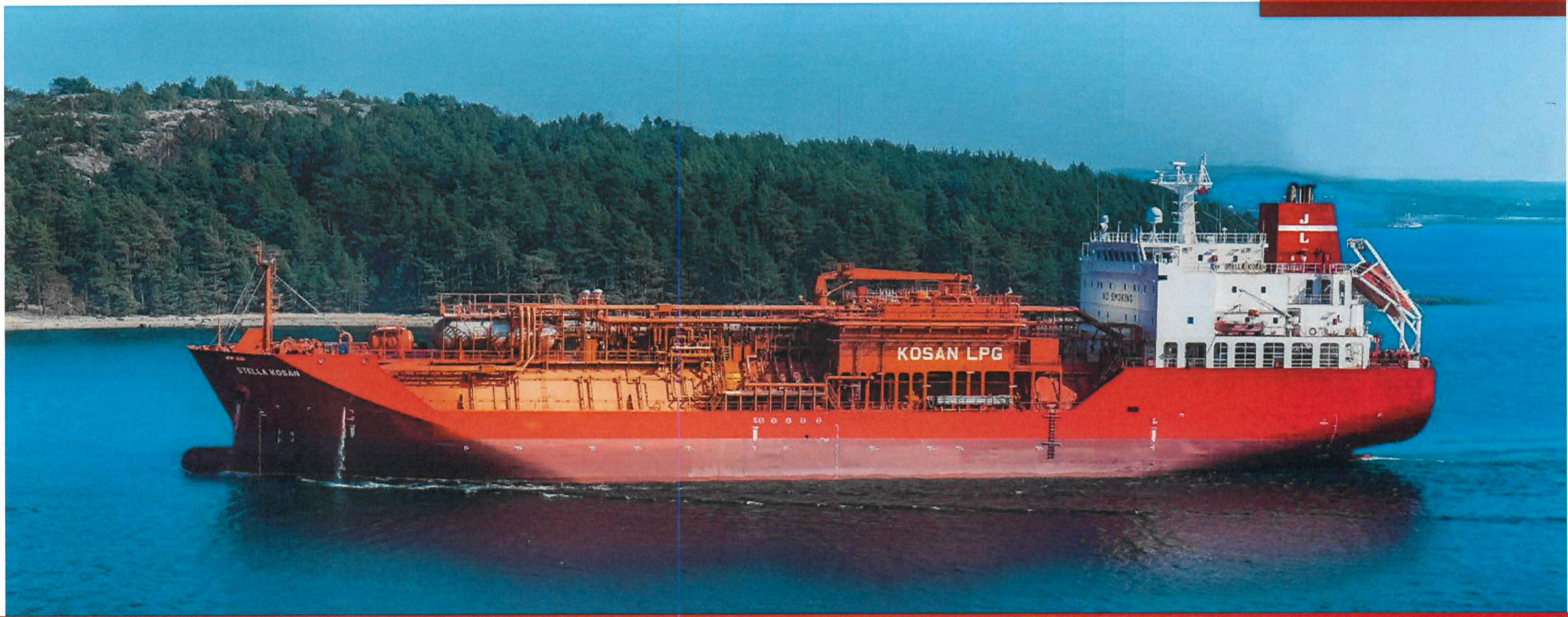
J. LAURITZEN



Approved at the General Assembly 25 March 2021

Dorte Rolff, Chairman

www.j-lauritzen.com

Lauritzen Kosan A/S
Tuborg Havnevej 15
2900 Hellerup
Denmark
CVR: 29 38 87 76

Lauritzen Kosan A/S

Annual *Report 2020*

Table of *contents*

MANAGEMENT REVIEW

About *Lauritzen Kosan A/S*

Lauritzen Kosan is a global provider of safe and reliable ocean transport solutions for liquefied gases comprising petrochemical and energy gases. We are present in the 3-12,000 cbm gas carrier segment.

Specialised gas activity became part of J. Lauritzen in 1989 through the acquisition of the 1944-founded gas carrier pioneer, Kosan Tankers.

Our purpose is to enable global trade through intelligent seaborne solutions – creating growth for local communities around the world. We are committed to our clients and live by our four values:
resoluteness, accountability, empathy and adaptability.

We use our in-depth experience together with the latest technology to provide efficient, reliable and safe seaborne transport solutions.

On 1 July 2020, Lauritzen Kosan was established as an independent business entity, wholly owned by J. Lauritzen, which has been part of the maritime worldwide trade for more than 135 years.

Towards the end of 2020, Epic Gas Ltd. and Lauritzen Kosan agreed to merge their activities into BW Epic Kosan Ltd. The transaction is subject to customary closing conditions.

J. Lauritzen is wholly owned by Lauritzen Fonden (the Lauritzen Foundation).

Lauritzen Kosan *overview*

Lauritzen Kosan's office location worldwide

Headquarters in Copenhagen, Denmark.
Overseas offices in Singapore and the Philippines.

LAURITZEN KOSAN FACTS 2020

Owned by J. Lauritzen **100%**

Headquarters in Copenhagen, Denmark. Overseas offices in Singapore and the Phillippines.

55 employees ashore year-end

31% | 69%

10 nationalities

354 seafarers onboard owned vessels year-end

Average controlled fleet of **34** vessels in 2020

Invested capital USDm **282.1** at year-end 2020

Revenues USDm **95.4** in 2020

Highlights and *market update*

Activity in 2020
The total number of ship days performed reached 12,488 corresponding to 34 vessels on average, compared to 12,061 ship days or 33 vessels on average in 2019.

One 3,500 cbm gas carrier was sold with delivery to the buyers in early 2020.

On 1 July 2020, the plan to establish Lauritzen Kosan as an independent company wholly owned by J. Lauritzen was completed – and took economic effect retrospectively from 1 January 2020. The aim of this reorganisation was to provide the best conditions for the continued development of Lauritzen Kosan and the continued pursuit of consolidation in the small gas carrier industry. As part of the transaction, two bare-boat chartered ethylene gas carriers previously owned by Lauritzen Fonden became part of Lauritzen Kosan.

A pool agreement with Teekay LNG Partners L.P. (Teekay LNG) comprising seven modern ethylene gas carriers owned by Teekay LNG was dissolved in September, but the parties agreed to continue the relationship under a different business model.

In late December 2020, Epic Gas Ltd and Lauritzen Kosan A/S announced that an agreement had been reached to combine their fleets and business activities into BW Epic Kosan Ltd. The merger is subject to customary closing conditions. The transaction is expected to be finalised in Q1 2021.

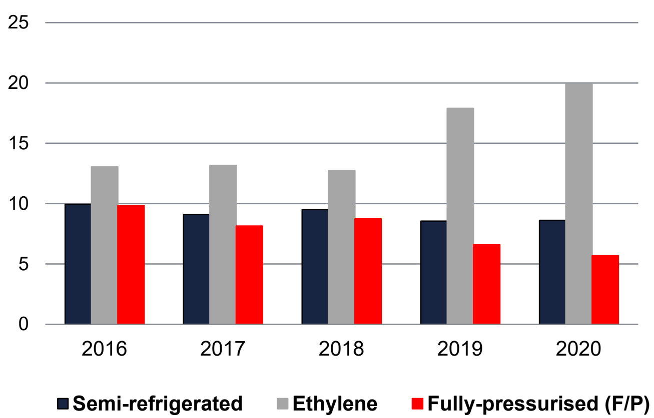
The merger will create a world leader in delivery of LPG and other speciality gases as well as petrochemicals. Lauritzen Kosan will contribute 34 gas carriers to Epic Gas's fleet of 43 pressurised gas vessels, in addition to certain other assets, in exchange for new shares in BW Epic Kosan Ltd, equivalent to a 27% stake.

Global market developments
Tensions in the Middle East, the outbreak of the COVID-19 pandemic and new IMO 2020 fuel regulations all contributed to uncertainty in the gas carrier markets in early 2020. The second quarter began with the world fully in the grip of the pandemic; however, China continued easing restrictions as did some other countries. The environment in China improved with increased buying activity and conclusion of business after a weak Q1.

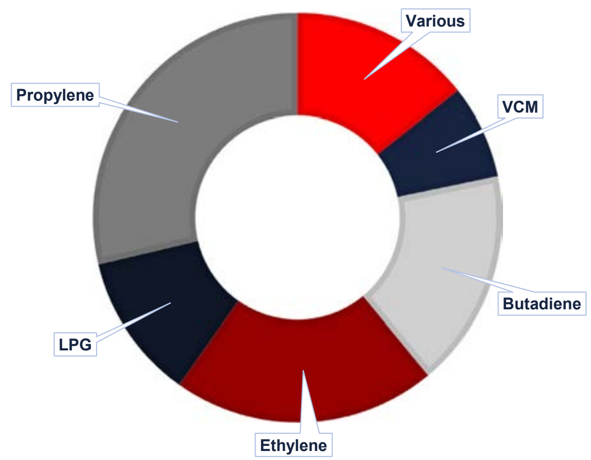
After a slow start to the year, and in spite of the pandemic, the long-haul shipping market finished 2020 stronger than the year before with freight rates increasing towards the end of the year.

In the smaller gas market, most segments saw declining rates in the first three quarters followed by a recovery in late Q4. The segment which was hardest hit was the European coastal trade, as it didn't recover to the same degree as the rest of the market

Average number of vessels operated



Cargo mix 2020

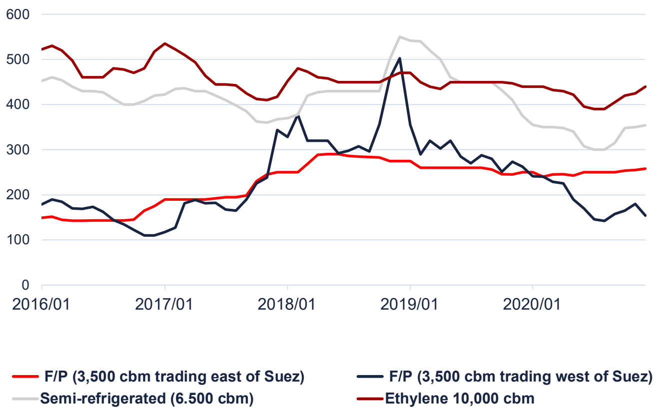


Fully pressurised 3,500 cbm vessels west of Suez experienced a difficult year with a decline of close to 40% in the spot TCE development, a sharp contrast to the rates in the east that increased slightly. Lauritzen Kosan managed to stay clear of the downturn in rates, due to high contract coverage. Semi-refrigerated 6,500 cbm, despite a weak start, was only slightly down over the full year. The ethylene 10,000 cbm spot market TCE was flat.

Supply growth in 2020 is estimated at 1.9%, up by 0.3 percentage points from 2019, reflecting a decline in demolition.

At year-end 2020, the orderbook amounted to 3% of the current fleet. This was the lowest level since 2004 and will support the supply/demand balance for smaller gas carriers in the years to come.

Spot market rates in T/C equivalent 1,000 USD/month



Note: Unadjusted for waiting time, if any.
Source: Own analysis based on data from Fearnleys.

Strategic positioning
Based on a fleet of primarily owned but also commercially managed and chartered tonnage, we have earned an enduring and solid brand position and enjoy high customer retention rates.

The main activity for our semi-refrigerated and ethylene gas carriers continued to be serving long-term customers, primarily on contracts of affreightment. The sublet market is also used quite extensively for the fully pressurised fleet.

Our long-term customers represent some of the world's largest petrochemical and oil companies as well as energy traders.

Fleet
Due to the COVID-19 pandemic, crew changes onboard our gas carriers was a substantial challenge in 2020 and, despite great efforts, we were not able to avoid overdue contracts. Throughout the pandemic, we have emphasised the importance of submitting all required and available information, including details on staff at sea and ashore to provide transparency.

The plan for IHM (Inventory of Hazardous Materials) inspections of vessels was delayed due to the COVID-19 pandemic; however, all our EU trading vessels had achieved certification at year-end 2020.

Maritime Cyber Risk Management in Safety Management Systems, cf. IMO Maritime Safety Committee Resolution 428(98), was implemented during 2020.

In 2020, we conducted three scheduled dry-dockings (five in 2019).

Ballast water treatment systems have so far been installed onboard five of our gas carriers. Installation plans for the fleet have been laid out and will be executed by 2024 to comply with the IMO convention and national regulation.

Fleet performance
The safety of our seafarers is of paramount importance to us. We always work to strengthen our safety culture in a demanding environment. We actively participate in the Partners in Safety Maritime programme initiated by Shell with an ambition to work systematically towards a zero-incident industry. We believe that active involvement in this programme on board, including increased verbal shore-side communication, supported us in getting through the pandemic without any physical or mental issues for our crews.

This has resulted in more than 425 days without any lost time injuries (LTIs) onboard our vessels.

We work systematically with performance management to minimise operational costs and increase energy efficiency to mitigate the environmental impact of our operations.

Decarbonisation has become a focus area for the maritime industry. As part of our efforts, we have joined the Getting to Zero coalition, the industry-led platform with a goal to make zero-emission vessels (ZEVs) commercially viable from 2030, in line with the IMO's goal to reduce emissions from shipping by 50% by 2050.

We also actively participate in other partnerships where vessel owners, suppliers, technological innovators and other maritime industry stakeholders seek to drive the decarbonisation agenda.

In 2020, average SIRE (Ship Inspection Report Programme) observations amounted to 3.44, below our target of 4.0 and the best result for the last 13 years. Our Port State Control (PSC) status ended at 0.9 in 2020, slightly above our target of 0.8.

Corporate responsibility
A description of our corporate responsibility efforts appears in the Corporate Responsibility report for 2020 of our owners, J. Lauritzen. Click here to read the report.

Key *figures*

USD'000	2020	2019	2018	2017	2016
Income statement					
Revenue	-	-	-	-	-
Operating income (EBIT) before special items	-	(1)	(1)	(1)	(2)
Special items, net	-	-	-	-	-
Financial items, net	-	-	-	-	-
Profit/(loss) from continuing operations before tax	-	(1)	(1)	(1)	(2)
Profit/(loss) from discontinued operations	(43,859)	-	-	-	-
Profit/(loss) for the year	(43,859)	(1)	(1)	(1)	(2)
Balance sheet					
Non current assets	17,587	-	-	-	-
Total assets	282,660	339	340	340	341
Total equity	80,708	338	339	340	341
Non-current liabilities	38,140	-	-	-	-
Current liabilities	163,812	1	-	-	1
Key figures and financial ratios					
Average number of employees	376	-	-	-	-
Total number of ship days	12,061	-	-	-	-
DKK exchange rate year-end	606	668	652	621	705
Average DKK exchange rate	653	667	632	660	673
Solvency ratio	29%	100%	100%	100%	100%
Return on equity (ROE)	(108.2)%	(0.3)%	(0.4)%	(0.3)%	(0.9)%

Outlook *2021*

International organisations engaged in monitoring and forecasting economic activity and world trade growth will find it difficult enough to monitor the economic impact of the coronavirus, and even harder to recommend any economic policies to reduce its negative consequences. As such, any forecasts are faced with a high level of uncertainty. Although vaccination has now commenced in industrialised countries, this uncertainty is here to stay.

During 2020, financial policies were more supportive of economic activity than ever before. In 2021, we anticipate that financial policies will also be supportive of economic growth. Further measures to support economic growth may emerge during the course of the year in order not to kill the recovery before it has had time to take root.

There are a number of risks to the outlook that may affect international shipping. The most important of these include:

- Continued development of COVID-19 and the impact on economic activity
- Climate change and the need to reduce transportation related carbon emissions
- International trade policy developments, especially the relationship between China and the US
- The signing of the Regional Comprehensive Economic Partnership (RCEP) agreement involving 15 Asia-Pacific nations and the potential negative effects on countries outside the bloc
- Oil and commodity price volatility
- The new US administration and potential energy reform

Ethylene export volumes out of the US Gulf are expected to reach 1 million tons in 2021, and are scheduled to keep the ethylene capable gas carrier fleet busy.

In Europe, the turnaround schedule is expected to be bigger in 2021 than initially expected because quite a few plant turnarounds were postponed from last year. This could put downward pressure on available commodities. In Asia, scheduled turnarounds are expected to be fewer as several plants had unexpected shutdowns last year.

Limited supply growth is in the pipeline, with very few deliveries expected in 2021 as well as 2022.

All together, the market for smaller gas carriers is likely to see improvement in 2021.

With the agreement to form BW Epic Kosan Ltd. and closing of the transaction expected to occur in Q1 2021, the result of Lauritzen Kosan's gas carriers in 2021 will be part of BW Epic Kosan's result for 2021.

People

In 2020, the retention rate remained high and we were again able to fill vacancies with well-qualified staff, bringing new ideas and competencies into the organisation.

We continued the successful sourcing of talented candidates from various universities and business schools for entry-level positions in different parts of the organisation.

At year-end, we employed 417 persons, of whom 55 were ashore and 354 at sea.

In conjunction with the closing of the announced transaction to form BW Epic Kosan Ltd., all employees will transfer to BW Epic Kosan Ltd.

Engagement
Our ongoing engagement survey reaffirmed that we have an engaged workforce who view Lauritzen Kosan as an attractive place to work. During the year, our overall engagement score was consistently positioned in the top 25th percentile compared to other companies within the sector.

Diversity
In 2020, we saw a greater proportion of additional nationalities among our new recruits compared to last year. We expect diversity to further increase in the coming years to the benefit of our clients, innovation and our overall profile as an attractive international company to work for.

At year-end 2020, the gender distribution of the shore-based organisation (including J. Lauritzen and Lauritzen Bulkers employees) remained at 31% female and 69% male, compared to 31% female and 69% male at year-end 2019, despite our efforts to achieve a more balanced gender distribution.

The distribution of women and men in managerial positions in our shore-based organisation was17% and 83% (12% and 88% respectively in 2019), which was below our goal of 20% and 80%. In accordance with our ambition for increased diversity, we continued to carefully examine the employee development interviews and incoming applications during 2020, along with other diversity initiatives. Our target for women in managerial positions is 25% in 2023.

Developing talent
n 2020, we welcomed students from the fifth intake of the bachelor's degree in shipping at Copenhagen Business School (CBS) to our Copenhagen office to embark on a nine-month internship. We continued recruiting well-qualified staff for junior commercial positions within the company via internships.

PEOPLE IN NUMBERS
Shore-based personnel

At year-end the total headcount was **55**

We employ **10** different nationalities across our offices

Average age

47.1 years
2020

43.3 years
2019

Corporate *governance*

Management structure
In accordance with the Danish Companies Act, we have a two-tier management structure consisting of two separate bodies: the board of directors and the executive management. The board of directors is the central, supreme governing body. Day-to-day management is conducted by the executive management in line with the rules and procedures laid down by the board of directors.

Board of directors
The core task of the board of directors is to ensure that Lauritzen Kosan has a business strategy and an appropriate capital structure, just as the board must ensure the sound organisation of the company's activities. In addition, they focus on risk management and internal control as well as ensuring that budgets and estimates are drawn up and approved and that monthly and quarterly reports are submitted. Procedures and key policies are annually reviewed in accordance with the annual wheel of the board of directors.

Board members elected at the general meeting serve for one year and may stand for re-election. At year-end 2020, the board of directors consisted of six members: four elected by the general meeting and two by the employees.

The individual contribution of the board's members, its results and cooperation with the executive management are evaluated annually.

The diversity profile of the members of the board of directors elected by the General Meeting is 25% female, and one member resides outside Denmark.

At year-end 2020, the average length of board members' service was six years.

In 2020, the board conducted four meetings. Between meetings, recommendations were submitted to the board for written resolution.

Board committees
In order to improve efficiency and the overall quality of the work performed by the board of directors, a permanent audit committee is supporting the board. The audit committee, which in addition to financial reporting assists the board in terms of IT security and risk management, held three meetings in 2020.

Executive management
The executive management is appointed by the board of directors and consists of Thomas Wøidemann as CEO, responsible for the day-to-day management of the organisation.

LAURITZEN FONDEN

Lauritzen Kosan is wholly owned by J. Lauritzen A/S, which has been engaged in ocean transport since it was founded in 1884. Lauritzen Fonden (the Lauritzen Foundation) was established in 1945 and has been the sole owner of J. Lauritzen ever since.

Lauritzen Fonden is a commercial foundation and is a self-governing institution under Danish law. It is regulated by the Danish Act on Commercial Foundations and is subject to supervision by the Danish Business Authority.

Through its charter, the Foundation is committed to promoting and developing the Danish shipping industry and supporting related education, culture and social work.

The Foundation's policy is to ensure flexible capital structures of the companies it owns. Lauritzen Fonden supports our goal of having a well-balanced financial structure, giving consideration to J. Lauritzen's continued existence and development.

In addition to its ownership of J. Lauritzen, the Foundation has the controlling interest in DFDS A/S (43% holding), Northern Europe's largest integrated shipping and logistics company. Lauritzen Fonden also has holdings via the wholly owned LF Investment ApS in, for example, NMR technology, cancer research and real estate. LF Investment ApS is also engaged in financial and asset management including impact investing, with the aim of generating measurable social impact as well as financial return.

Risk *management*

We manage risk by assigning ownership of specific risk categories to senior managers. Each of these people owns the identification and assessment of their assigned risk and ensures that appropriate planning and mitigation action, or methods to capture business opportunities, are in place. The effectiveness of monitoring and mitigation efforts is regularly reviewed and reported, as are actual risk levels.

Risk tolerance is considered on a scale, with the lowest level being "in principle zero". This level includes risk related to safety, corporate governance and corporate responsibility. The next category, "low", covers risk types that are unlikely to occur, but equally could have severe consequences if unmitigated, and where mitigation efforts, e.g. IT security and insurances, would reduce any impact substantially. "Limited" risk tolerance applies to financial risk, where mitigation typically includes fixing financial cost and/or exposure. Finally, "moderate" risk tolerance is applied to commercial and strategic risk, i.e. categories of risk that we accept in anticipation of receiving an economic reward. We monitor financial, commercial and strategic risk continuously and manage them in relation to the current capital structure and projected financial strength of the company.

Commercial risk
The central element of the business model of Lauritzen Kosan is to assume exposure by taking commitments to carry cargo and to own or employ tonnage.

We focus on ensuring that, firstly, we only accept taking commercial risk that we get paid for and where the gross risk can be hedged, offset or minimised by way of contract, transfer, insurance, etc. in such a manner that the residual net risk is commercially acceptable to us. Secondly, we ensure that accepted commitments are aligned to the expected development in that particular market. Thirdly, we exercise due diligence and take constant care of the actual performance of the agreed business in order to realise the commercial value as expected.

Our business is exposed to risk factors common for cyclical, global industries like ocean shipping: essentially, demand and supply. Demand for the seaborne transportation of LPG and petrochemical gases typically fluctuates with global economic growth. In contrast, supply of tonnage capacity adapts at a slower pace. These factors have a direct impact on profit and financial strength due to volatility in market rates and vessel values. Furthermore, material annual freight contracts, if not renewed, may impact our bottom line and financial performance.

Lauritzen Kosan procures cover for its tonnage by the annual renewal of Contracts of Affreightment and, to some extent, by chartering-out tonnage.

Strategic risk
Changes to the external economic environment for our business and competitive landscape are strategic risk factors.

New tariffs, and the threat of more tariffs, together with the risk of sanctions create friction for global trade, with negative impact on the demand for seaborne transportation. The impact of this on our business is uncertain as some commodities are substituted or carried over longer distances in reaction to tariffs or sanctions.

Sanctions have in the past had a notable impact on Lauritzen Kosan, e.g. sanctions on Iranian exports of petrochemical gases from 2011 to 2016 (and again from 2018) reduced demand for ethylene gas carriers.

Financial risk
Financial risk arises from payment obligations, from maturing debt raised to finance assets, from cash flows in currencies other than USD and from credit risk related to financial counterparties either through holding our deposits or in their role as counterparty to hedging.

Liquidity is managed to ensure availability of funds to cover daily flows. The liquidity management is supplemented with monthly forecasting and projections for subsequent years.

The financing of Lauritzen Kosan's owned fleet was renewed in 2020 in connection with the separation and the new facility has been agreed with maturity in 2025. The bank financing in Lauritzen Kosan will be repaid and refinanced in conjunction with the closing of the transaction to form BW Epic Kosan.

Existing exchange rate and interest rate risk hedging instruments have been terminated before year-end in preparation for the closing of the BW Epic Kosan transaction expected to occur in Q1 2021.

Bunker risk
Bunker risk (price risk) arises from the committed business unless the cost of bunker consumption is carried fully by the client and the client defaults on his obligations to pay Lauritzen Kosan for bunkers. For vessels employed in the spot market, re-let, on time charter or under a Contract of Affreightment (CoA) with a Bunker Adjustment Factor (BAF) clause, the bunker risk is generally considered negligible, as it's carried by the client.

Safety at sea (operational risk)
Maintaining a strong safety culture is always a top priority for us, primarily because of the human consequences of injuries

or casualties. Of course, we also consider the financial and reputational risk such incidents may pose to our business.

The risk tolerance related to operational issues such as fleet management and safety is consequently, in principle, zero. We implement safety procedures not only to comply with the highest industry standards and client requirements but also to secure an industry-leading safety performance.

Ensuring the safety of our crews and our clients' cargo due to piracy or violent crime in parts of the world requires us to hire armed security teams on vessels operating in high-risk regions. We follow recommendations and best management practices from relevant national and international bodies.

Governance and corporate responsibility risk
Tolerance of non-compliance with regulatory requirements, anti-corruption and sanctions is in principle zero.

We are exposed to different cultures and practices and are subject to various national regulations. Non-compliance is a significant risk factor in the shipping industry.

Compliance policies for regulatory risk, including anti-corruption and sanctions, are adopted and supplemented by face-to-face compliance training of both sea and shore personnel.

Concerns from in-house and third parties can be reported on an anonymous whistle-blower portal.

Compliance screening of counterparts is performed as a part of the daily chartering activity.

Insurance (operational risk)
Insurances covering our assets, chartered and operated fleet, liabilities and non-marine risks are taken out with first-class international insurance companies and always include a certain financial safety margin in order to avoid any serious consequential financial impact from an incident or casualty. Coverage is reviewed and renewed at least annually.

IT (operational risk)
Tolerance of IT security threats, cybercrime and IT system downtime is in principle low: IT is critical for our business and systems need to be available round-the-clock and accessible worldwide. Frequent reviews are performed to ensure that mitigation efforts are satisfactory.

Board of *directors & management*

CHAIRMAN OF THE BOARD

TOMMY THOMSEN
Member since 2018
CEO of Lauritzen Fonden

Chairman of the board of:
J. Lauritzen A/S
Lauritzen Bulkers A/S
C.W. Obel A/S
NanoNord A/S
The Danish Maritime Fund

Board member of:
Chemical Transportation Group
Meabco A/S
Durisol UK
PSA International Pte Ltd, Singapore
Panama Canal Advisory Board
Portchain
SmartVan A/S

VICE CHAIRMAN OF THE BOARD

KRISTIAN V. MØRCH
Member since 2018
Member of the audit committee
CEO of Odfjell SE, Norway

Chairman of the board of:
Maersk Broker

Vice Chairman of the board of:
J. Lauritzen A/S
Lauritzen Bulkers A/S

BOARD MEMBER

BARBARA PLUCNAR JENSEN
Member since 2018
Chairman of the audit committee
CFO of Tryg A/S

Board member of:
Lauritzen Bulkers A/S
Kapitalforeningen Tryg Invest Funds (KTIF)
Nordsøenheden

PETER POUL LAURITZEN BAY
Member since 2003
Member of the audit committee
Managing Director, J. Krebs & Co. A/S

Board member of:
Alm. Brand, Representatives Executive Committee

KARSTEN GAUGER**
Member since 2017
Head of People and Quality
Fleet Management
Lauritzen Kosan

TROELS MØLLER**
Member since 2017
Vessel Manager
Fleet Management
Lauritzen Kosan

MANAGEMENT

CHIEF EXECUTIVE OFFICER (CEO)
THOMAS WØIDEMANN
Joined Lauritzen Kosan in 2002 // In current position since December 2018

CHIEF FINANCIAL OFFICER (CFO)
JACOB WINTHEREIK
Joined J. Lauritzen in 2010 // In current position since July 2020

HEAD OF PEOPLE AND QUALITY
KARSTEN GAUGER
Joined Lauritzen Kosan in 2011 // In current position since December 2020

* Elected in 2017 by the employees
** Elected as substitute in 2017 by the employees; joined the board in 2020

Financial *review*

On 1 January 2020, the activities of Lauritzen Kosan A/S were separated from the activities of Lauritzen Bulkers A/S. The net assets of the Kosan activities were contributed from Lauritzen Bulkers A/S (formerly J. Lauritzen A/S) into Lauritzen Kosan A/S (formerly KRK 4 ApS). The shares of Lauritzen Kosan A/S were subsequently transferred from Lauritzen Bulkers A/S to the new J. Lauritzen A/S, a newly established company that is now the parent company of the J. Lauritzen Group.

In December 2020 it was announced that Lauritzen Kosan A/S and Epic Gas Ltd had entered into a transaction agreement to combine their fleet and business activities to create BW Epic Kosan Ltd. As a consequence hereof, the results of Lauritzen Kosan A/S are presented as discontinued activity, and assets and liabilities included in the transaction have been reclassified to assets held for sale and liabilities associated with assets held for sale.

Results

In 2020, the result was USDm (43.9), all related to discontinued operations. In 2019 the result was USDm nil, as the company KRK 4 Aps did not have any activity.

The 2020 result included special items of USDm (11.1) from impairment losses on vessels reclassified to assets held for sale, and amortised loan costs expensed due to the transaction with Epic Gas Ltd that implies that the debt will be refinanced.

The discontinued operations of 2020 were also impacted by a provision for tax of USDm (8.5). When leaving the Danish tonnage tax system, a deferred tax of USDm (8.5) is likely to become payable in 2023.

Assets

At year-end 2020, the assets included in the transaction with Epic Gas Ltd amounted to USDm 264.9. Hereof vessels amounted to USDm 226.5, while right-of-use assets amounted to USDm 16.8. Working capital assets of USDm 7.8 and cash and cash equivalents of USDm 13.7 are also included in the assets held for sale.

The reclassified assets are measured at the value agreed in the transaction with Epic Gas Ltd.

Remaining assets consist of investments in joint ventures that total USDm 15.4 and receivables from joint ventures of USDm 2.2. Lauritzen Kosan A/S will acquire the remaining part of the joint venture, and the assets of the joint venture will be sold into BW Epic Kosan.

Liabilities

At year-end 2020, the majority of the liabilities were reclassified to liabilities associated with assets held for sale, which amounted to USDm 163.4. Mortgage debt in vessels amounted to USDm 125.5 and lease debt amounted to USDm 23.9.

Working capital liabilities were also reclassified to liabilities associated with assets held for sale totalling USDm 8.0, along with the current bank debt of USDm 6.

Remaining liabilities on the balance sheet consist of USDm 29.6 debt to Lauritzen Ship Owner (owned by the Lauritzen Foundation), related to the sales transaction where Lauritzen Kosan A/S repurchased two vessels from the company, and tax payable of USDm 8.9, hereof USDm 8.5 related to deferred tax when leaving the Danish tonnage tax system.

Cash flow

Cash flow from operating activities totalled USDm 4.3.

Cash flow from investment activities amounted to USDm (46.9 comprising purchase of two vessels from Lauritzen Ship Owner, investment in dry dockings and proceeds from sale of a vessel.

Cash flow from financing activities amounted to USDm 36.2 , comprising proceeds from refinancing and a long-term intercompany loan, repayment of mortgage debt, and capital increase of USDm 10.

Cash and cash equivalents at year-end amounted to USDm 13.7.

Management *statement*

The board of directors and the executive management have today discussed and approved the annual report of Lauritzen Kosan A/S for the financial year 1 January - 31 December 2020.

The annual report has been prepared in accordance with Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the operations and cash flows for the financial year 1 January - 31 December 2020.

Further, in our opinion, the management's review gives a fair review of the development in the Company’s activities and financial matters, results for the year, cash flows and financial position as well as a description of material risks and uncertainties that the company faces.

We recommend that the annual report be approved at the annual general meeting.

Hellerup, 10 March 2021

EXECUTIVE MANAGEMENT

THOMAS WØIDEMANN
Chief Executive Officer (CEO)

BOARD OF DIRECTORS

TOMMY THOMSEN
Chairman

KRISTIAN V. MØRCH
Vice Chairman

BARBARA PLUCNAR JENSEN

PETER POUL LAURITZEN BAY

KARSTEN GAUGER*

TROELS MØLLER*

* Elected by the employees

Independent *auditors' report*

TO THE SHAREHOLDER OF LAURITZEN KOSAN A/S

Opinion

We have audited the financial statements of Lauritzen Kosan A/S for the financial year 1 January – 31 December 2020, which comprise income statement, balance sheet, cash flow statement, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position and cash flows of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management's review
Management is responsible for the management's review.
Our opinion on the financial statements does not cover the management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management's review and, in doing so, consider whether the management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the management's review.

Copenhagen, 10 March 2021

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Torben Bender
State Authorised
Public Accountant
MNE no. 21332

Financial *statements*

Notes

Income Statement

USD '000	Note	**2020**	2019
Administrative costs		-	(1)
Operating income		**-**	**(1)**
Financial income		-	-
Financial expenses		-	-
Profit/(loss) from continuing operations before tax		**-**	**(1)**
Income tax		-	-
Profit/(loss) from continuing operations		**-**	**(1)**
Profit/(loss) from discontinued operations	5.1	(43,859)	-
Profit/(loss) for the year		**(43,859)**	**(1)**

Balance sheet statement

ASSETS

USD '000	Note	2020	2019
Investments in joint ventures	3.4	15,407	-
Receivables from joint ventures		2,180	-
Non-current assets		**17,587**	**-**
Receivables from group entities		200	334
Assets held for sale/discontinued operations	5.1	264,872	-
Current assets		**265,073**	**334**
Total assets		**282,660**	**334**

LIABILITIES

USD '000	Note	2020	2019
Share capital		71	21
Retained earnings		80,637	312
Equity		**80,708**	**333**
Deferred tax	5.2	8,541	-
Long-term borrowings from group entities		29,599	
Non-current liabilities		**38,140**	**-**
Other payables		-	1
Current tax payables	5.2	366	-
Liabilities related to assets held for sale/discontinued operations	5.1	163,446	-
Current liabilities		**163,812**	**1**
Total liabilities		**201,952**	**1**
Total equity and liabilities		**282,660**	**334**

Cash flow statement

USD '000 - Inclusive discontinued operations	Note	2020	2019
Operating income		-	(1)
Operating income, discontinued operations		(12,450)	-
Depreciation carried back		32,325	-
Share of profit in joint ventures		277	-
(Profit)/loss on sale of vessels and other assets		(801)	-
Change in bunkers		(1,299)	-
Change in receivables		(7,949)	-
Change in payables		4,755	-
Cash flow from operations before financial items		14,858	(1)
Ingoing financial payments		9	-
Outgoing financial payments		(10,506)	-
Cash flow from ordinary operations		4,360	(1)
Paid corporate tax	5.2	(0)	-
Cash flow from operating activities		**4,360**	**(1)**
Investments in vessels	3.1	(51,367)	-
Sale of vessels		4,511	-
Sale of other non current assets		(93)	-
Cash flow from investment activities		**(46,949)**	**-**
Financial receivables		(200)	-
Installment on long-term debt		(11,194)	-
Proceeds from loans		51,904	-
Installment on lease debt (IFRS 16)		(15,888)	-
Change in intercompany rec./debt		1,602	1
Increase in share capital		10,000	-
Cash flow from financing activities		**36,223**	**1**

	2020	2019
Changes for the year in cash and cash equivalents	(6,365)	0
Cash and cash equivalents at beginning of year	0	-
Cash transferred 1/1 from parent company	20,000	-
Currency adjustments on cash and cash equivalents	68	-
Cash and cash equivalents at the end of the year	**13,703**	**0**

Equity statement

USD '000	Share capital	Hedging instruments	Reserves	Retained earnings	Total equity
Equity 1/1 2020	19	-	-	319	338
Activity contributed from Lauritzen Bulkers	-	-	-	114,229	114,229
Profit/(loss) for the year	-	-	-	(43,859)	(43,859)
Transactions with owners:					
Capital increase	-	-	-	10,000	10,000
Share capital increase from other reserves	52			(52)	-
Total transactions with owners	**52**	**-**	**-**	**9,948**	**10,000**
Equity 31/12 2020	**71**	**-**	**-**	**80,637**	**80,708**
Equity 1/1 2019	19		-	319	339
Profit/(loss) for the year	-	-	-	(1)	(1)
Total comprehensive income	**-**	**-**	**-**	**(1)**	**(1)**
Equity 31/12 2019	**19**	**-**	**-**	**319**	**338**

Section 1
Basis for reporting

For improved presentation and relevance of the contents of the financial report the explanatory notes are gathered into sections with information of key areas, and the accounting policies and critical accounting estimates and judgments are presented in the notes to which they relate.

The general accounting policies that apply to the financial statement as a whole are described below.

NOTE 1.1 GENERAL INFORMATION

With effective date January 1 2020 the activities of Lauritzen Kosan A/S were separated from the activities of Lauritzen Bulkers. The net assets of the Kosan activities were contributed from Lauritzen Bulkers A/S (formerly J. Lauritzen A/S) into Lauritzen Kosan A/S (formerly KRK 4 ApS). The shares of Lauritzen Kosan A/S were subsequently transferred from Lauritzen Bulkers A/S to the new J. Lauritzen A/S, a newly established company that is now the parent company of the J. Lauritzen Group.

The annual report has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act. Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed new and amended presentation and disclosure requirements. Lauritzen Kosan A/S has adopted IFRS 15 - *Revenue* and IFRS 16 - *Leases*. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

The company has changed the reporting currency from DKK to USD, which is the functional currency of the activities of Lauritzen Kosan A/S, comparison figures have been adjusted.

Intra-group business combinations
In connection with business combinations such as acquisition and disposal of equity investments, mergers, demergers, addition of assets and exchange of shares, etc., involving enterprises controlled by the parent company, the book value method is used.

NOTE 1.2 GENERAL ACCOUNTING POLICIES

Basis of preparation
The financial statements are presented in US dollars, which is Lauritzen Kosan’s functional currency. All amounts have been rounded to the nearest thousand.

Materiality in financial reporting
In preparation of the Annual Report, Management considers the presentation of financial statements to ensure content is relevant and material for the user. A judgment is made of whether more detailed specifications are necessary in the presentation of the companys financial position and results or whether an aggregation of less material amounts is preferred. The notes to the financial statement are prepared with focus on ensuring that the content is relevant and the presentation clear. All judgments are made with due consideration of legislation.

Translation of foreign currencies
Foreign currency transactions are translated into the functional currency at the exchange rate of the date when initially recognised. Gains and losses arising between the exchange rate of the transaction date and that of the settlement date are recognised in the income statement under financial items.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates then prevailing. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in the income statement under financial items.

Cash flow statement
The cash flow statement has been prepared according to the indirect method and shows the cash flows from operating, investing and financing activities for the year.

Cash and cash equivalents include bank deposits and short-term deposits that without restriction can be exchanged into cash funds.

NOTE 1.3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements includes management estimates and judgments that affect the recognition and carrying amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported performance. Estimates and judgments are based on historical data and other assumptions and sources that are considered reasonable. Actual results could differ from those estimates and judgments.

The following items have been identified as significant accounting estimates and judgments used in the preparation of its financial statements, they are presented in the related notes:

Critical accounting estimates and judgments:

NOTE 1.3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

- Estimated useful life and residual value of vessels - note 3.1
- Assumptions used in calculating right of use assets and lease liabilities - note 3.2
- Impairment test of non-current assets, assets held for sale and lease commitments - note 3.3

Critical accounting judgments:
- Special items – note 2.2
- Joint ventures – note 3.4
- Assets held for sale – note 5.1
- Tax – note 5.2

Methods for determination of fair value
A number of assets and liabilities are measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The methods for determination of fair value for measurement and/or disclosure purposes are described in the relevant notes.

General business risk and the impact on financial position
We manage risk by assigning ownership of specific risk categories to senior managers. Each of these people owns the identification and assessment of their assigned risk and ensures that appropriate planning and mitigation action, or methods to capture business opportunities, are in place. The effectiveness of monitoring and mitigation efforts is regularly reviewed and reported, as are actual risk levels.

Risk tolerance is considered on a scale, with the lowest level being “in principle zero”. This level includes risk related to safety, corporate governance and corporate responsibility. The next category, “low”, covers risk types that are unlikely to occur, but equally could have severe consequences if unmitigated, and where mitigation efforts, e.g. IT security and insurances, would reduce any impact substantially. “Limited” risk tolerance applies to financial risk, where mitigation typically includes fixing financial cost and/or exposure. Finally, “moderate” risk tolerance is applied to commercial and strategic risk, i.e. categories of risk that we accept in anticipation of receiving an economic reward. We monitor financial, commercial and strategic risk continuously and manage them in relation to the current capital structure and projected financial strength of the company.

Commercial risk
The central element of the business model of Lauritzen Kosan is to assume exposure by taking commitments to carry cargo and to own or employ tonnage.

We focus on ensuring that, firstly, we only accept taking commercial risk that we get paid for and where the gross risk can be hedged, offset or minimised by way of contract, transfer, insurance, etc. in such a manner that the residual net risk is commercially acceptable to us. Secondly, we ensure that accepted commitments are aligned to the expected development in that particular market. Thirdly, we exercise due diligence and take constant care of the actual performance of the agreed business in order to realise the commercial value as expected.

Our business is exposed to risk factors common for cyclical, global industries like ocean shipping: essentially, demand and supply. Demand for the seaborne transportation of LPG and petrochemical gases typically fluctuates with global economic growth. In contrast, supply of tonnage capacity adapts at a slower pace. These factors have a direct impact on profit and financial strength due to volatility in market rates and vessel values. Furthermore, material annual freight contracts, if not renewed, may impact our bottom line and financial performance.

Lauritzen Kosan procures cover for its tonnage by the annual renewal of Contracts of Affreightment and, to some extent, by chartering-out tonnage.

Strategic risk
Changes to the external economic environment for our business and competitive landscape are strategic risk factors.

New tariffs, and the threat of more tariffs, together with the risk of sanctions create friction for global trade, with negative impact on the demand for seaborne transportation. The impact of this on our business is uncertain as some commodities are substituted or carried over longer distances in reaction to tariffs or sanctions.

Sanctions have in the past had a notable impact on Lauritzen Kosan, e.g. sanctions on Iranian exports of petrochemical gases from 2011 to 2016 (and again from 2018) reduced demand for ethylene gas carriers.

Financial risk
Financial risk arises from payment obligations, from maturing debt raised to finance assets, from cash flows in currencies other than USD and from credit risk related to financial counterparties either through holding our deposits or in their role as counterparty to hedging.

Liquidity is managed to ensure availability of funds to cover daily flows. The liquidity management is supplemented with monthly forecasting and projections for subsequent years.

The financing of Lauritzen Kosan’s owned fleet was renewed in 2020 in connection with the separation and the new facility has been agreed with maturity in 2025. The bank financing in Lauritzen Kosan will be repaid and refinanced in conjunction with the closing of the transaction to form BW Epic Kosan.

NOTE 1.3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

Existing exchange rate and interest rate risk hedging instruments have been terminated before year-end in preparation for the closing of the BW Epic Kosan transaction expected to occur in Q1 2021.

Bunker risk
Bunker risk (price risk) arises from the committed business unless the cost of bunker consumption is carried fully by the client and the client defaults on his obligations to pay Lauritzen Kosan for bunkers. For vessels employed in the spot market, re-let, on time charter or under a Contract of Affreightment (CoA) with a Bunker Adjustment Factor (BAF) clause, the bunker risk is generally considered negligible, as it’s carried by the client.

Safety at sea (operational risk)
Maintaining a strong safety culture is always a top priority for us, primarily because of the human consequences of injuries or casualties. Of course, we also consider the financial and reputational risk such incidents may pose to our business.

The risk tolerance related to operational issues such as fleet management and safety is consequently, in principle, zero. We implement safety procedures not only to comply with the highest industry standards and client requirements but also to secure an industry-leading safety performance.

Ensuring the safety of our crews and our clients’ cargo due to piracy or violent crime in parts of the world requires us to hire armed security teams on vessels operating in high-risk regions. We follow recommendations and best management practices from relevant national and international bodies.

Governance and corporate responsibility risk
Tolerance of non-compliance with regulatory requirements, anti-corruption and sanctions is in principle zero.

We are exposed to different cultures and practices and are subject to various national regulations. Non-compliance is a significant risk factor in the shipping industry.

Compliance policies for regulatory risk, including anti-corruption and sanctions, are adopted and supplemented by face-to-face compliance training of both sea and shore personnel.

Concerns from in-house and third parties can be reported on an anonymous whistle-blower portal.

Compliance screening of counterparts is performed as a part of the daily chartering activity.

Insurance (operational risk)
Insurances covering our assets, chartered and operated fleet, liabilities and non-marine risks are taken out with first-class international insurance companies and always include a certain financial safety margin in order to avoid any serious consequential financial impact from an incident or casualty. Coverage is reviewed and renewed at least annually.

IT (operational risk)
Tolerance of IT security threats, cybercrime and IT system downtime is in principle low: IT is critical for our business and systems need to be available round-the-clock and accessible worldwide. Frequent reviews are performed to ensure that mitigation efforts are satisfactory.

NOTE 1.4 KEY FIGURES, FINANCIAL RATIOS, AND FINANCIAL MEASURES

The financial statements includes financial measures which are not defined by the Danish Financial Statement Act. These measures are included because they are used to analyse and manage the business and to provide management and stakeholders with useful information on the company’s financial statements.

Time-charter equivalent income is defined as revenue less voyage related costs.

EBITDA before special items is defined as Operating income before depreciation and special items.

Profit margin is calculated as operating income before special items excl. share of profit in joint ventures divided by revenue.

Solvency ratio is calculated as total equity at year end divided by total assets at year end.

Return on equity is calculated as Lauritzen Kosan’s share of profit/(loss) divided by Lauritzen Kosan’s average share of equity.

Section 2
Operating activities

NOTE 2.1 REVENUE

The revenue reported represents revenue from customers.

USD '000	2020
Freight revenue	36,873
COA revenue	27,413
Time charter revenue	31,078
Total, discontinued operations	**95,364**

ACCOUNTING POLICIES

Revenues
Revenue consist of three types of contracts with customers; spot contracts with carriage of a specific quantity of cargo in a single voyage, Contract of Affreightment (COA) with carriage of a certain quantity of cargo with multiple voyages over a specified period of time, and time-charter contracts of vessels. Each voyage is recognized as a performance obligation no matter if it is part of a spot contract or a COA.

The transaction price is agreed with the customer for all types of contracts. The voyage result (revenue and voyage related costs) is recognised during the voyage based on estimates of costs and the duration of the voyage. Revenue is recognized using load to discharge method and revenue is recognized during the time the cargo is transported.

In addition, revenue comprises changes in fair value on forward freight agreements (FFA) used to hedge future freight income. Hedge accounting is not applied for these transactions.

Voyages in progress
Revenue is recognized as a percentage of the estimated revenue for the voyage based on the percentage of completion of the estimated duration of the voyage. There is a higher uncertainty for revenue recognized from voyages in progress compared to completed voyages, as conditions can change for the estimated uncompleted part of the voyage.

Voyage related costs
Voyage related costs include bunker oil, port costs, agent's commissions and other voyage related costs. Furthermore, voyage related costs include fair value changes on financial bunkers contracts used to hedge future bunkers purchases. Hedge accounting is not applied for these transactions.

Time-charter equivalent income
The time-charter equivalent income is an industry specific key ratio, consisting of revenue less voyage-related costs.

Other operating income
Other operating income includes commercial and technical management fee.

Operating cost of vessels
Operating cost of vessels includes maintenance and repairs, crew staff costs, insurance of hulls and machinery, consumption of lubricants and supplies etc. Furthermore, a part of the lease payments on time charters is considered a service element and recognised as OPEX after implementation of IFRS 16 Leases

NOTE 2.2 SPECIAL ITEMS

To increase the comparability of the operating activities, a number of one-off items have been recognised as special items:

USD '000	2020
A) One-off revenue from sale of claims, claim settlements and termination of contracts	-
B) Impairment losses/reversals on vessels	(9,640)
E) Financial items related to termination of contracts	(1,445)
Special items, net, discontinued operations	**(11,085)**

ACCOUNTING POLICIES

“Special items” include significant one-off income and expenses, such as revenue from sale of claims and claim settlements and compensation from termination of contracts, sale of assets as a consequence of counterparty default or strategic initiatives, impairment losses on vessels and on investments in joint ventures as well as provisions for onerous contracts and the use and reversals hereof. These items are presented separately in the income statement to increase the transparency and comparability of the operating activities.

CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

The use of special items entails management judgment in the separation from other items in the income statement. Management carefully considers such changes in order to ensure the correct distinction between the operating activities and one-off items.

NOTE 2.3 STAFF COSTS

	Staff costs onshore employees		Staff costs, crew on vessels		Total staff costs	
USD '000	**2020**	2019	**2020**	2019	**2020**	2019
Salaries	7,324	-	18,034	-	25,358	-
Pensions (defined contribution plan)	788	-	-	-	788	-
Social security	86	-	-	-	86	-
Contract labour	4	-	-	-	4	-
Total, discontinued operations	**8,201**	**-**	**18,034**	**-**	**26,236**	**-**

	Number of employees, onshore		Number of employees, crew on vessels		Number of employees, total	
	2020	2019	**2020**	2019	**2020**	2019
Average number of employees	62	-	314	-	376	-
Number of employees at year end	55	-	311	-	366	-

USD '000	**2020**	2019
Remuneration to Lauritzen Kosan A/S' Board of Directors & Executive Management	547	-
	547	**-**

Section 3
Operating assets and liabilities

NOTE 3.1 VESSELS, PROPERTY & EQUIPMENT

USD '000 **2020**	Vessels	Total
Cost as at 1 January	-	-
Transfer to other entities	290,936	290,936
Additions	51,367	51,367
Disposals	(1,316)	(1,316)
Transfer, assets held for sale	(340,987)	(340,987)
Cost as at 31 December	-	-
Depreciation and impairment losses as at 1 January	-	-
Transfer to other entities	(86,706)	(86,706)
Exchange rate adjustments	-	-
Depreciation	(19,483)	(19,483)
Impairment losses	(6,467)	(6,467)
Disposals	1,316	1,316
Transfer, assets held for sale	111,340	111,340
Depreciation and impairment losses as at 31 December	-	-
Balance as at 31 December	**-**	**-**

ACCOUNTING POLICIES

Vessels
Vessels are measured at cost less accumulated depreciation and accumulated impairment losses. Vessels are depreciated on a straight-line basis to an estimated scrap value. The expected useful life of vessels is 25 years.

Rebuilding of vessels is capitalised if the rebuilding is intended to extend the service life and/or improve the earning potential. Rebuilding is depreciated over the expected service life of the investment.

Costs relating to dry dockings are capitalised and depreciated on a straight-line basis. The expected useful life of dry dockings ranges from 30 to 60 months.
Vessels under construction are measured at cost incurred until the time the vessel is taken into service less accumulated impairment losses.

CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

Estimated useful life and residual value of vessels
The estimated useful life and residual value of vessels are assessed annually and adjusted if appropriate. The residual value is based on estimates on steel value less costs to scrap. Estimated useful life of vessels is 25 years and the useful life of dry dockings range from 30 to 60 months.

There has been no significant impact on profit/loss arising from changes in estimated useful life or residual value in 2019 or 2020.

NOTE 3.2 LEASES / RIGHT OF USE ASSETS

Right-of-use assets (leased assets)

USD '000 **2020**	Vessels	Total
Balance as at 1 January	-	-
Transfer other entities	45,267	45,267
Depreciation during the year	(12,843)	(12,843)
Disposals	(15,664)	(15,664)
Transfer assets held for sale	(16,760)	(16,760)
Balance as at 31 December	**-**	**-**

Lease amounts recognised in the Income statement (profit/loss from discontinued operations)

USD '000	**2020**
Costs related to short-term leases (less than 12 months)	(666)
Service element not recognised as part of the lease obligation (opex)	(1,978)
Depreciations related to right-of-use assets	(12,843)
Interest expenses related to lease obligations	(3,689)
Hereof related to discontinued operations:	
Lauritzen Kosan	(19,175)

In 2020 the Group has paid USDm (20.7) related lease contracts recognised at the balance sheet, hereof interest of USDm (3.7) and repayment of lease obligations of USDm (15.0), while the service element not included in the recognised lease contracts amounts to USDm (2.0).

ACCOUNTING POLICIES

Right of use assets are arising from lease agreements with a duration of more than 12 months. Lauritzen Kosan have lease contracts on vessels. The lease contracts are recognised as right-of-use assets and lease liabilities measured as the present value of lease payments at initial recognition (when the asset is available for use for the company). A service element corresponding to OPEX on a similar vessel is excluded from the lease at recognition.

The lease expenses are recognised as OPEX, depreciation of the right of use asset and interest expenses. The right-of-use assets are depreciated on a straight-line basis over the lease term.

The cash flow related to repayment of the lease obligation is classified as cash flow from financing activities and interest expenses are classified as cash flow from operating activities.

Definitions:

- Leases: A firm period above 12 months, with no redelivery options prior to the firm period and with full control of the asset. All leases have been assessed, and low value leased are excluded.
- Discount rates: The discount rate is calculated as a weighted average of the secured and unsecured borrowing rate for a like to like asset. The discount rate is calculated in nominal terms as the cash flows are also in nominal terms based on a 60/40 loan ratio.
- Service elements: The lease commitment is reduced by the service element that has been estimated as the average vessel operating cost of a like to like asset on market terms.

CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

Recognition of the right of use assets implies assumptions and estimates about the lease, related to lease term, service element and discount rate.

Lauritzen Kosan includes the minimum lease period according to the contract, options to extend the lease term is only included if it is highly probable that the option will be exercised.

When calculating the right of use asset, the lease is reduced by a service element corresponding to estimated average vessel operating cost of a like to like asset.

The lease contracts do not include interest rates, therefore the right of use asset and corresponding lease obligation is discounted by assessing Lauritzen Kosan's alternative borrowing rate. The discount rate is estimated based on a weighted average of secured and unsecured borrowing rates including margins and assessments on the capital structure.

NOTE 3.3 IMPAIRMENT OF ASSETS

ACCOUNTING POLICIES

Impairment
The carrying amount of fully owned and leased vessels (right of use assets) and vessels under construction together with part owned vessels through investments in joint ventures and associates are tested annually for impairment.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses of assets within a CGU are allocated to the carrying amount of the assets in the CGU on a pro rata basis to the higher of fair value less cost to sell and value in use. Provisions are made for onerous time charter contracts on leased vessels that are not yet delivered if the total carrying amount of the assets in the CGU still exceeds the value in use of the CGU after allocation of impairment loss. Provisions are made to individual contracts, if net present value from an individual contract is negative.

CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

Impairment test of non-current assets and right of use assets
The impairment test is carried out at the lowest level for which there are separately identifiable cash inflows (cash generating units, CGU).

The CGUs applied in the impairment test for 2020 are identical to those applied for 2019:

Lauritzen Kosan	Fully pressurised gas Carriers Other gas carriers

Fair value less costs of disposal is estimated by use of at least two independent broker valuations (considered level 3 in fair value hierarchy), and value in use is calculated as present value of future cash flows to be derived from the vessels and other non-current assets during their useful life.

The key assumptions used in the impairment test include estimated future earnings (including charter income, COAs and estimated risk adjusted spot rates for open ship days), operating costs, counterparty risk, the composition of CGUs and the rate used to discount future cash flows. The estimated future earnings are based on internal forecasts in which input presented by ship broking research units and consultants are taken into consideration.

For Gas Carrier CGU's we use a nominal risk adjusted weighted average cost of capital of 7.3% equal to 5.6% in real terms after tax to discount deflated future cash flows. In 2019 we used a nominal risk adjusted weighted average cost of capital of 7.0% equal to 4.7% in real terms after tax to discount deflated future cash flows for Gas Carriers CGU's. Due to tonnage tax regulations, the pre-tax weighted average cost of capital corresponds to the weighted average cost of capital after income taxes.

Impairment test of assets held for sale
An impairment test is carried out for the group of assets which are reclassified as Assets Held for Sale (as one CGU) where an agreement for the sale of those assets to a buyer is in place. The key assumptions to establish the recoverable amount for that CGU are, firstly, the agreed consideration from said buyer, and secondly, the estimated amount of additional consideration from said buyer, if any. Where such amount of additional consideration is contingent of future revenue, the future revenue for the relevant period is estimated based on internal forecasts in which input presented by ship broking research units and consultants are taken into consideration.

NOTE 3.4 INVESTMENTS IN IN ASSOCIATED COMPANIES AND JOINT VENTURES

USD '000	2020
Cost as at 1 January	-
Transferred from other entities	21,940
Cost as at 31 December	21,940
Revaluation as at 1 January	-
Transferred from other entities	(5,534)
Revaluations during the year	(999)
Revaluation as at 31 December	(6,533)
Balance as at 31 December	**15,407**

Key figures for joint ventures (100%):

USD '000	2020
Revenue	14,949
Net profit	480
Assets	71,882
Liabilities	39,029

Guarantees and payment obligations relating to joint ventures:

USDm	2020
Guarantees undertaken for debt in joint ventures	15

ACCOUNTING POLICIES

Share of profit in associated companies and joint ventures
The proportionate share of the net profit after tax in associated companies and joint ventures, after the elimination of proportional share of internal profit/loss is recognised in the income statement.

Investments in associated companies and joint ventures
Investments in associates and joint ventures are recognised according to the equity method of accounting.

Any goodwill resulting from the acquisition is included in the carrying value of the investment. The investments in associates and joint ventures are tested annually for impairment.

Associates and joint ventures with negative equity are measured at USD 0 (nil), unless the company has a legal or constructive obligation to cover the negative balance of the associate.

CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

The assessment of the level of control in an investment and thereby the classification of an investment as subsidiaries, associates or joint ventures is based on managerial judgment

Section 4
Capital structure and financing

NOTE 4.1 FINANCIAL INCOME

USD '000	2020
Interest income, bank deposits	9
Financial instruments at FV through P&L, net	803
Financial income, discontinued operations	**812**

NOTE 4.2 FINANCIAL EXPENSES

USD '000	2020
Interest expenses on loans	(8,594)
Interest expenses on leases	(2,441)
Other financial expenses	(213)
Currency exchange gains and losses, net	(259)
Financial expenses, discontinued operations	**(11,508)**

ACCOUNTING POLICIES

Long-term borrowings
Mortgage debt and other interest-bearing debt are initially recognised at fair value less any transaction costs incurred. Subsequently, financial liabilities are measured at amortised cost using the effective interest rate method, such that the difference between the proceeds and the redemption value is recognised in the income statement over the lifetime of the loan.

Lease obligations are initially recognised as the net present value of future lease payments discounted by an alternative incremental borrowing rate, and reduced by a service element, corresponding to OPEX on leased vessels. The lease obligation is remeasured if there are changes in the lease term.

Financial income/expenses
Financial items include interest income and expenses, interest on leased assets, realised and unrealised exchange gains and losses, adjustments to the value of securities and certain financial instruments and other financial income and expenses.
Borrowing costs directly attributable to the acquisition or construction of assets are capitalised as part of the cost of the asset.

Financial instruments and financial risk
Derivatives are recognised at fair value. Positive and negative fair values of derivatives are presented in the statement of financial position in separate line items, and offsetting is made only when the company has the right and intention to settle several derivatives net.

Fair value hedge
Changes in the fair value of derivatives designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability. Hedging of future cash flows relating to firm commitments are treated as fair value hedges.

Cash flow hedge
Where a derivative financial instrument is designated as a hedge of a highly probable forecasted transaction, the effective part of any gain or loss on it is recognised in other comprehensive income in the hedging reserve of equity. When the forecasted transaction is subsequently realised, the associated cumulative gain or loss is reclassified from other comprehensive income in the hedging reserve of equity to the income statement in the same period or periods during which the hedged forecasted transaction affects profit or loss. The ineffective part of any gain or loss is recognised in the income statement immediately.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in other comprehensive income in the hedging reserve of equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is immediately recognised in the income statement.

Net investment hedge
Derivatives used to hedge net investments in foreign subsidiaries, associates or joint ventures are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain and loss relating to the ineffective portion is immediately recognised in the income statement.

Derivatives that do not qualify for hedge accounting
For derivatives that do not qualify for hedge accounting, changes in fair value are recognised in the income statement as they occur.

SECTION 4 CAPITAL STRUCTURE AND FINANCING. ACCOUNTING POLICIES CONTINUED

Methods for determination of fair value – derivatives
The fair values of derivative instruments are based on their listed market price, if available, or estimated using appropriate market rates prevailing at the balance sheet date.

Financial assets
Investments are classified in the following categories:

- Financial assets at fair value through profit or loss (financial derivatives)
- Loans and receivables

The classification depends on the purpose for which the investments were acquired.Management determines the classification of its investments on initial recognition and re-evaluates this designation at every reporting date to the extent that such a designation is permitted and required. Financial assets classified at fair value through profit or loss is investments that are measured and reported at fair value in the internal management reporting.

Financial assets at fair value through profit or loss
Comprise financial derivatives on which hedge accounting is not applied and securities which is classified as such on initial recognition.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in Trade receivables and Other receivables in the statement of financial position. Trade receivables and Other receivables are stated at amortised cost. Trade and other receivables are measured using the ECL method, and expected losses are recognized in the profit and loss.

Recognition and measurement of financial assets
Purchases and sales of investments are recognised on the settlement date. Investments are initially recognised at fair value plus transaction costs for all financial assets not classified as fair value through profit or loss.

Section 5
Other notes

NOTE 5.1 ASSETS HELD FOR SALE AND DISCONTINUED OPERATION

On 23rd December 2020 Epic Gas Ltd., a leading LPG shipping solutions company, and Lauritzen Kosan A/S, the gas carrier division of J. Lauritzen, announced that they have have entered into a transaction agreement to combine their fleet and business activities to create BW Epic Kosan. In the Financial Statements of the J. Lauritzen Group, the activities of Lauritzen Kosan are therefore presented as discontinued operations as per 31th December 2020.

USD '000	Note	2020
Assets held for sale		
Assets held for sale that qualify for discontinued operation:		
Vessels	3.1	226,474
Right-of-use assets	3.2	16,760
Deposits		147
Working capital assets		7,788
Cash and cash equivalents		13,703
Total assets held for sale		**264,872**

Liabilities associated with assets held for sale, qualifying for discontinued operations

Mortgage		125,506
Lease liabilities		23,936
Working capital liabilities		14,004
Total liabilities associated with assets held for sale		**163,446**

Profit/(loss) from discontinued operations

The results of Lauritzen Kosan are presented as discontinued operations for all periods presented. The Income statement for the discontinued operations can be presented as follows:

USD '000	Note	2020
Revenue	2.1	95,364
Other operating income		5,070
Costs		(81,083)
EBITDA		19,351
Profit/loss from sale of vessels and other assets		801
Depreciations		(32,325)
Share of result in joint ventures		(277)
Special items	2.2	(11,807)
Finance net	4.1, 4.2	(10,696)
Pretax profit/(loss) from discontinued operations		(34,952)
Income taxes		(8,907)
Profit/(loss) on discontinued operations, net of taxes		**(43,859)**

ACCOUNTING POLICIES

Assets held for sale

Assets held for sale comprise non-current asset or disposal groups if it's carrying amount will be recovered principally through a sale transaction within one year 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 assets (or disposal group) classified as held for sale are measured at the lower of their 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 the carrying amount and fair value less costs to sell are recognised in the income statement and specified in the notes.

NOTE 5.1 ASSETS HELD FOR SALE. ACCOUNTING POLICIES CONTINUED

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.

CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

Assets held for sale: Whether or not a sale is highly probable within a year is based on managerial judgment.

NOTE 5.2 TAX

USD '000	2020	2019
Tax in the Income Statement consists of:		
Current tax	(366)	-
Non-current tax liability	(8,541)	-
Total, discountined operations	**(8,907)**	**-**
Tax on the profit is specified as follows:		
Calculated 22% of result before tax	7,690	-
Tax effect of:		-
Tonnage tax	(5,262)	-
Deferred tax	(8,541)	-
Non-taxable items	(2,575)	-
Share of profit joint ventures	(219)	-
	(8,907)	**-**
Effective tax rate	**1%**	**0%**
Deferred tax liability on the Balance Sheet:		
Deferred tax 1 January	-	-
Expected tax of transition balance (leaving Danish Tonnage Tax Scheme)	8,541	-
Deferred tax 31 December	**8,541**	**-**

USD '000	2020	2019
Corporate tax (receivable)/payable can be specified as follows:		
Balance 1 January	-	-
Provision for the year	366	-
	366	**-**

Lauritzen Kosan A/S is jointly taxed with subsidiaries of the Lauritzen Foundation.

Provision for income tax for the year includes estimates of non-deductible finance expenses under the interest ceiling rules as well as estimates on the effect of joint taxation contribution.

In 2005 the Danish based companies of the Group entered the Danish tonnage taxation system, the adoption of which is binding until at least 2024. Due to the transaction with BW Epic Kosan the vessels of Lauritzen Kosan A/S will be transferred to a company outside the Danish Tonnage Tax Scheme, and hence a deferred tax on the transition balance is likely to become payable in 2023.

ACCOUNTING POLICIES

Income tax
Income tax consists of tax calculated according to the regulations of the Danish Tonnage Tax Act for Danish based shipping activities and according to foreign tax regulations for foreign activities, as well as adjustments related to deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity. Current and non-current income tax balances are not discounted.

Corporate and deferred tax
Corporate tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, as well as any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not recognised: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries to the extent that they will

NOTE 5.2 TAX. ACCOUNTING POLICIES. ACCOUNTING POLICIES CONTINUED

probably not reverse in the foreseeable future. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

The company recognizes deferred tax assets, including the expected tax value of tax loss carryforwards, if management assesses that these tax assets can be offset against positive taxable income in the foreseeable future. This judgment is made annually and based on budgets and business plans for the coming years, including planned initiatives.

NOTE 5.3 AUDITORS

USD '000	**2020**	2019
Total fees to elected auditors	123	1
Specified as follows:		
Statutory audit	123	1
Tax advisory services	-	-
Fee for other services	-	-

NOTE 5.4 RELATED PARTIES

As owners of J. Lauritzen A/S, the Lauritzen Foundation and its affilliated companies, are related parties.

Other related parties with a significant influence on the activities of Lauritzen Kosan A/S is the company's Board of Directors and the Executive Management (key management personnel). Finally, additional related parties comprise joint ventures companies (cf. note 3.3) in which the company has a significant influence.

Transactions with related parties comprised the following income/(expenses):

USD '000		**2020**
Lauritzen Ship Owners:		
Bareboat hire		(3,132)
Group companies:		
Service level agreement		(4,561)
Management fee, income/(expenses)		(417)
Joint ventures and associated companies:		
Management fee		1,119

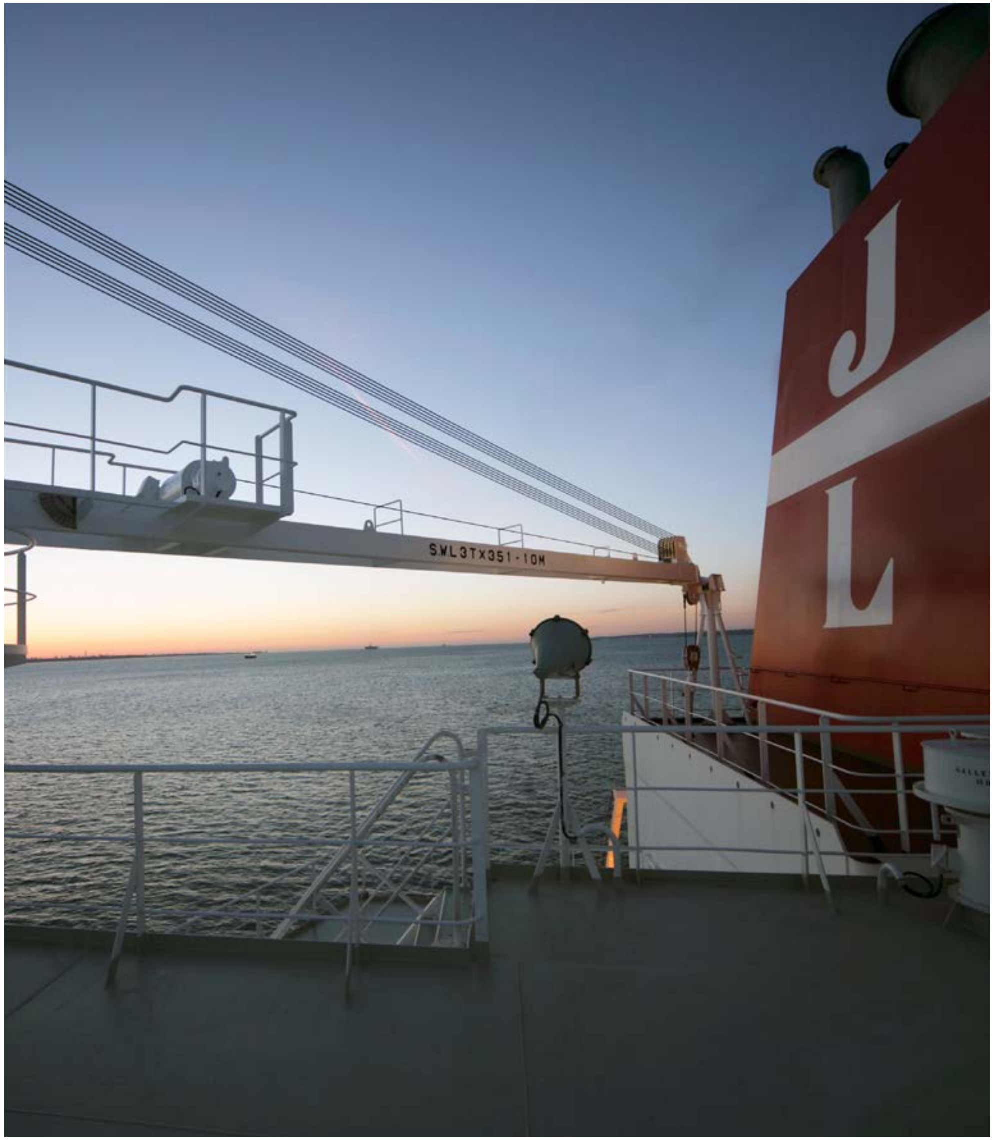
There have been no other material transactions with related parties other than those stated above.

NOTE 5.5 EVENTS AFTER THE BALANCE SHEET DATE

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

List of *companies*

COMPANY NAME	COUNTRY	OWNERSHIP %
Lauritzen Kosan A/S	**Denmark**	**-**
Lauritzen Kosan A/S *	**Denmark**	**100**
LKT Gas Carriers Pte. Ltd.	Singapore	50



* Branch offices in Singapore and Manilla

HEAD OFFICE
LAURITZEN KOSAN A/S
Tuborg Havnevej 15
2900 Hellerup
DENMARK
Phone: +45 3396 8000
www.j-l.com
CVR: 29 38 87 76

FINANCIAL YEAR
1 January - 31 December

SINGAPORE
LAURITZEN KOSAN A/S
SINGAPORE BRANCH
1 Harbourfront Avenue
#16-18 Keppel Bay Tower
Singapore 098632
SINGAPORE
Phone: +65 6275 8000

PHILIPPINES
LAURITZEN KOSAN MANILA
ROHQ
5th Floor, OSM Building
479 Pedro Gil Street
Ermita, 1000 Manila
PHILIPPINES
Phone +63 2231 2809/2810

OWNER
LAURITZEN FONDEN
Tranegaardsvej 20
2900 Hellerup
DENMARK
Phone: +45 3396 8425
www.lauritzenfonden.com

AUDITORS
EY Godkendt Revisionspartnerselskab
Dirch Passers Alle 36
Postboks 250
2000 Frederiksberg
DENMARK
Phone: +45 7323 3000