




Approved at the General Assembly 25 March 2021



Dorte Rolff, Chairman

[www.j-lauritzen.com](http://www.j-lauritzen.com)

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# J. Lauritzen A/S *Annual Report 2020*



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# About *J. Lauritzen*

Lauritzen has served the maritime trade worldwide for more than 135 years and has been engaged in a wide range of segments of the shipping industry. Today, we provide marine transportation of dry bulk cargoes as well as petrochemical and liquefied petroleum gases on a global scale.

The subsidiary Lauritzen Bulkters is an owner and operator of bulk carriers engaged in ocean transportation of dry bulk cargoes worldwide. Our main presence is in the handysize segment, where we maintain a leading global position.

The subsidiary 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.

J. Lauritzen's 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 J. Lauritzen values: resoluteness, accountability, empathy and adaptability.

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

On 1 July 2020, Lauritzen Bulkters and Lauritzen Kosan were established as independent legal entities with economic effect retrospectively from 1 January 2020.

In addition to being the owner of Lauritzen Bulkters and and Lauritzen Kosan, J. Lauritzen provides corporate services such as IT, human resource management, corporate communications and legal and insurance services for the two subsidiaries.

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).



## J. Lauritzen *overview*



**J. Lauritzen office location worldwide**  
 Headquarters in Copenhagen, Denmark.  
 Overseas offices in Singapore, the Philippines, Dubai and the United States. Office in Hong Kong to open April 2021.

### J. LAURITZEN FACTS 2020

Owned by  
J. Lauritzen

**100%**

Headquarters in Copenhagen, Denmark.  
 Overseas offices in Singapore, the Philippines,  
 Dubai and the United States. Office in Hong  
 Kong to open April 2021.

**155**  
 employees  
 ashore  
 year-end



**22** nationalities

**436**  
 seafarers onboard owned  
 vessels year-end



Average controlled fleet  
 of **107** vessels in 2020



# Highlights 2020

## Main events

On 1 July 2020, Lauritzen Bulkera and Lauritzen Kosan were established as independent legal entities – this 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 Bulkera's dry cargo activities and Lauritzen Kosan's gas carrier activities as well as the continued pursuit of consolidation in the small gas carrier industry.

As part of the reorganisation, two bare-boat chartered ethylene gas carriers previously owned by Lauritzen Fonden became part of Lauritzen Kosan.

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 regulatory approval and customary closing conditions.

Lauritzen Bulkera succeeded in becoming more asset-light during 2020 but continued to monitor possibilities for asset play. Long-term time-charter tonnage was redelivered and replaced by shorter-term period vessels (1–2 years) at attractive rates, which led to a further reduction of our exposure in the dry cargo market.

During the year, J. Lauritzen, DFDS and Lauritzen Fonden started discussions to establish a joint company to handle the bunker procurements for Lauritzen Bulkera, Lauritzen Kosan and DFDS. While premises for the joint company are being discussed and practicalities being worked on, J. Lauritzen took over the DFDS bunker procurement on 1 July 2020 based on an agency agreement. The annual volume to be handled by the joint company is about 300,000 mts

of marine fuel oil for Lauritzen Bulkera and Lauritzen Kosan and about 500,000 mts of marine fuel oil for DFDS. Besides giving synergies by combining the bunker procurement, the joint company will also be able to attract bunker procurement from other companies, for a commission.

During 2020, Lauritzen Bulkera and Lauritzen Kosan controlled a combined average fleet of 107 vessels compared to 104 vessels in 2019.

At year-end 2020, two bulk carriers and 14 gas carriers were wholly owned versus two bulk carriers and 13 gas carriers at year-end 2019.

## Business environment

Despite the numerous challenges caused by the COVID-19 pandemic, the cross-sector ClarkSea Index by Clarksons Research ended the year just 2% down y-o-y at USD 14,829 per day compared to USD 15,135 per day in 2019.

After a steep decline in H1, bulk carrier markets showed some improvements in H2 benefitting from the strong recovery of Chinese imports. However, average bulk carrier earnings were down by 18% y-o-y compared to 2019. Handysize bulk carrier earnings were down by 13% y-o-y compared to 2019.

The market for smaller gas carriers also suffered, in particular because utilisation of refineries was down due to the loss of demand from road and airborne traffic; however, freight rates started to improve during H2.

Global seaborne trade was strongly affected by COVID-19 and declined by 3.5% on tonnes basis in 2020. On tonne-mile basis, the decline was slightly less at 2.6%.

Newbuild order volumes were down by 29% overall on 2019 and particularly dry bulk ordering steeply declined by 58% compared to 2019, according to Clarksons Research.

The world orderbook continued its decline, falling by 19% y-o-y in dwt terms, to the lowest level in more than 30 years.

At year-end 2020, the overall dry bulk orderbook amounted to 6.6% of the existing fleet, whereas the orderbook in the handysize segment amounted to 3.6% – the lowest in more than 20 years.

At year-end 2020, the orderbook for smaller gas carriers amounted to 3% of the current fleet, which is the lowest level since 2004.

## 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.](#)



## 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, 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 its impact on economic activity
- Climate change and the need to reduce transport 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.

### Lauritzen Bulkers

Dry bulk freight rates have recovered after almost collapsing in Q1 and Q2. Rates are forecast to strengthen further in 2021,

as supply growth will continue to decline combined with a pick-up in demand growth. Newbuilding and secondhand prices are expected to remain subdued not least because yards' low order books and overcapacity exert pressure on prices.

Lauritzen Bulkers expects a positive net result in 2021, based on improved risk management and increased activity.

### Lauritzen Kosan

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.





# Lauritzen *Bulkers A/S*

## Activity in 2020

The total number of ship days performed reached 25,692 corresponding to 72 vessels on average, compared to 25,725 ship days with 73 vessels on average in 2019.

We continued to lift a variety of cargoes, the majority being agricultural products, energy and construction materials. It is operationally demanding to handle many of these commodities due to their nature and/or location and needs dedicated effort from our professional staff at sea and ashore.

On 1 July 2020, the plan to establish Lauritzen Bulkers as an independent company wholly owned by J. Lauritzen was completed with economic effect retrospectively from 1 January 2020. The aim of this reorganisation was to provide the best conditions for the continued development of the company.

Lauritzen Bulkers' risk profile was rebalanced through a further reduction of our long-term commitments. This was substituted by increased activity in short-term (0–4 months) trading. We also increased the use of Freight Forward Agreements (FFAs) as one of the tools to improve risk management.

During 2020, Lauritzen Bulkers became more asset light, but we continue to monitor possibilities for asset play. Long-term time-charter tonnage was redelivered and replaced by shorter-term period vessels (1–2 years) at attractive rates, which led to a further reduction of our exposure.

A portfolio management system was introduced to improve risk management and support freight trading. The system

assists us to monitor our exposure and market-to-market value – live – and provides vital information when taking positions and evaluating forward cargoes. The system is divided into separate books monitoring the bottom-line results, either for an individual book or consolidated. The two main books are:

- **Long-term book:** managing owned tonnage and period vessels with more than four months' commitment. Focus on activities up to two years in the future.
- **Short-term book:** managing short period vessels and all cargoes. The mandate allows this book to take positions four months forward.

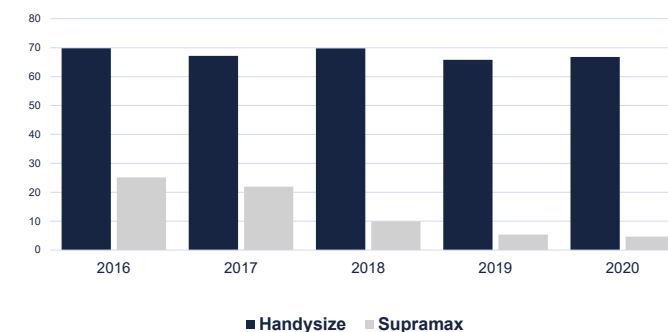
The portfolio management system was instrumental in managing the impact of COVID-19. Before entering Q2, the total position was changed to having more cargo than vessel exposure, resulting in a positive impact from the market decline.

Our commercial office in Dubai had its first full year with expansion of the client base. Our local presence and our ability to serve customers has proved valuable and expanded our market reach.

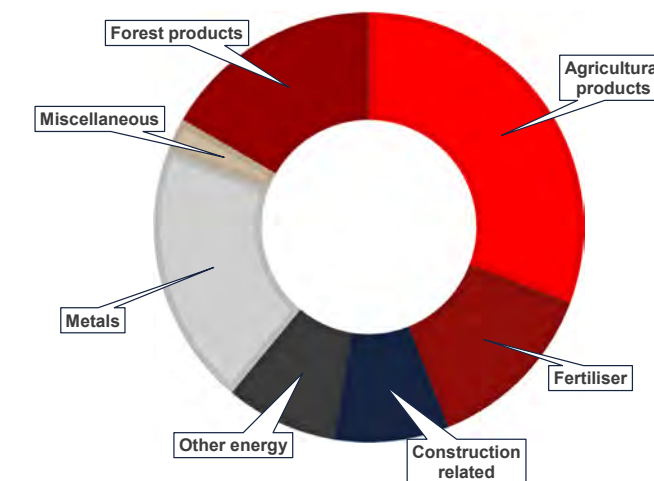
## Global market developments

2020 was a challenging year for dry bulk with a firm decline in the first half due to COVID-19, bottoming out in May at USD 4,108 per day for handysize vessels. However, the second half of the year showed good recovery with average index topping at USD 12,205 at the end of December, mainly driven by China recovering faster than rest of the world.

## Average number of vessels operated



## Cargo mix 2020





Dry bulk demand contracted by -2.1% in 2020. Minor bulks were hit by a decline of -3.2%, whereas major bulks suffered an estimated decline of -1.4%.

Vessel deliveries were up by about 6.8 million dwt to 48.4 million dwt, equal to an increase of 16%. Demolition amounted to about 14.5 million dwt, an increase of about 85% or 6.6 million dwt from 2019. Handysize and supramax bulk carriers saw a combined increase in deliveries of 0.1 million dwt to 11.3 million dwt.

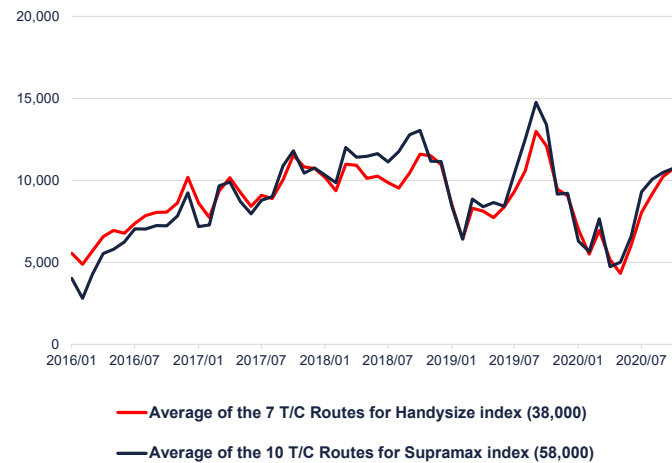
For dry bulk carriers, overall net fleet growth was 3.7%, compared to a fleet growth of 4.0% in 2019. Net fleet growth in the handysize segment was 1.3% compared to 2.1% the preceding year, whereas growth in the supramax segment stood at 3.6% compared to 3.7% in 2019, according to Clarksons Research.

At year-end 2020, the overall dry bulk orderbook amounted to 6.6% of the existing fleet, whereas the orderbook in the handysize segment amounted to 3.6% – the lowest in more than 20 years.

In 2020, newbuilding prices for handysize declined by 2.1% whereas supramax newbuilding prices declined by 5.9%. Secondhand values were down by 10.6% and 20% respectively for handysize and supramax.

Utilisation rates for handysize and supramax are estimated by MSI to have been 83%, marginally down from 2019 which was estimated at 83.7%.

### Spot market rates in T/C equivalent USD/day



Source: Clarksons Research

### Strategic positioning

In 2020, we further refined our business model and continued the transformation of becoming an asset-light handysize freight trader. We are pleased to see the robustness of the results generated from the trading activities.

Our long-term and expensive time-charter contracts are running out and are being replaced by vessels taken on time charter for 1-2 years to accommodate our strategic positioning.

To be present and to serve our clients the best way possible, it was decided to open a new commercial office in Hong Kong. The new office is scheduled to open during the second quarter 2021.

In addition to employing our owned and time-chartered tonnage in spot, COA and period markets, we rely on short-term chartered tonnage to perform our cargo commitments.

We continue to build and safeguard our knowledge, systems and organisation to take advantage of our craftsmanship and utilise the inherent volatility of the global dry cargo markets.

Building on our long-term commitment to the market for handysize bulk carriers, and based on our core values of accountability, adaptability, empathy and resoluteness, we succeeded in applying our services still more efficiently during 2020.

In 2020, we served more than 273 customers and the top ten accounted for approximately 20% of Lauritzen Bulkers' turnover.

### 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.](#)



# Lauritzen *Kosan A/S*

## 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 was successfully completed on 11 March 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.

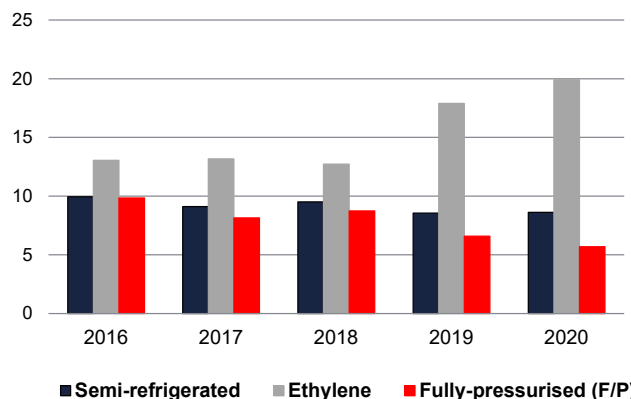
## Global market developments

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.

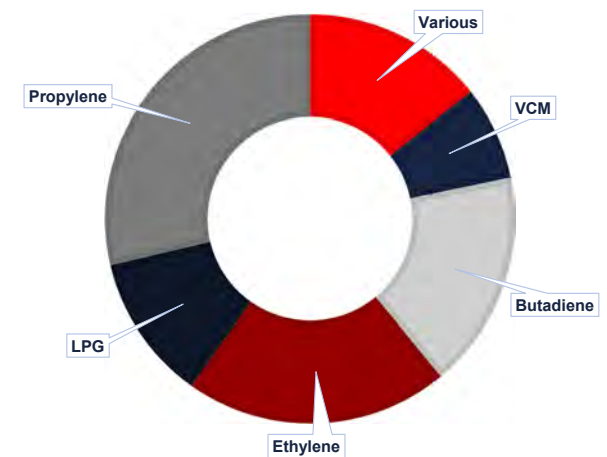
After a slow start to the year, and in spite of the pandemic, the long-haul shipping market finished 2020 stronger than the year before with freight rates increasing towards the end of the year.

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.

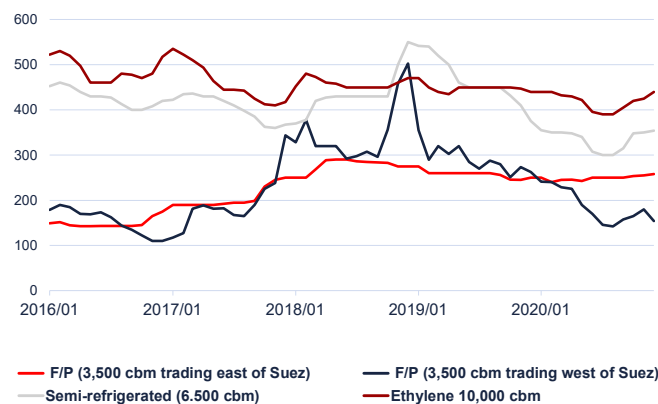
Supply growth in 2020 is estimated at 1.9%, up by 0.3 percentage points from 2019, reflecting a decline in demolition.

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 onboard, 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.](#)



# People

In 2020, the retention rate remained high in both Lauritzen Bulkers and Lauritzen Kosan, 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.

For our shore-based staff, the retention rate was 87% in 2020.

At year-end, we employed 591 persons, of whom 155 were ashore and 436 at sea.

## Engagement

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

## Diversity

In 2020, we saw an increase in the number of 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.

We are also committed to working towards a balanced gender composition at all management levels. Our target is that the overall gender distribution of our shore-based workforce should be matched at management levels.

At year-end 2020, the gender distribution of the shore-based organisation was 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 was 17% 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

In 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 **155**

We employ **22** different nationalities across our offices



### Average age



**43.1**  
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.

## The board

The core task of the board is to ensure that J. Lauritzen has a business strategy and an appropriate capital structure, just as the board must ensure the sound organisation of the activities of the company. In addition, they focus on risk management and internal control as well as ensuring that budgets and estimates are drawn up and approved. 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 three members, all elected by the general meeting.

The diversity profile of the members of the board of directors elected by the General Meeting is 33% female, and one member resides outside Denmark.

At year-end 2020, the average length of board members' service was less than one year.

In 2020, the board conducted four meetings.

## Executive management

The executive management is appointed by the board of directors and consists of Dorte Rolff as managing director and Group General Counsel, responsible for the day-to-day management of the organisation.

## LAURITZEN FONDEN

J. Lauritzen A/S 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*

Our risk management efforts aim to help us achieve our business objectives in the bulk carrier and gas carrier segments.

It is vital that risks associated with our business operations are managed, assessed and mitigated to keep their potential financial – and any other – implications within defined and acceptable levels.

The boards of our business entities are responsible for supervising risk management and for approving risk appetite.

The audit committees of our business entities monitor the execution of risk management processes and the Management of identified key risks.

Executive management of our business entities are responsible for overseeing the day-to-day risk management.

Specific risk management processes have been designed for our business entities. For additional information, please see the 2020 Annual Reports for Lauritzen Bulkera and Lauritzen Kosan.

### Lauritzen Bulkera

During 2020, our dry cargo risk management capabilities were significantly strengthened by implementing a new risk management framework.

The new framework includes an in-house developed risk management system which integrates with our proprietary portfolio management system and route calculation system.

The framework provides a live overview of our exposure days, position values and other relevant risk parameters.

### Lauritzen Kosan

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.





# 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 Kosan 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

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## VICE CHAIRMAN OF THE BOARD

### KRISTIAN V. MØRCH

Member since 2018  
  
CEO of Odfjell SE, Norway

#### Chairman of the board of:

Maersk Broker

#### Vice Chairman of the board of:

Lauritzen Bulkers A/S  
Lauritzen Kosan A/S

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## BOARD MEMBER

### INGE GRØNVOLD

Member since 2020  
  
Director of Lauritzen Fonden

#### Chairman of the board of:

Lauritzen Ship Owner A/S

#### Board member of:

SmartVan A/S

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## MANAGEMENT

### DORTE ROLFF

Joined J. Lauritzen in 2013 // In current position since July 2020

Managing Director and Group General Counsel

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## Financial *review*

On 1 July 2020, Lauritzen Bulkera and Lauritzen Kosan were established as independent legal entities with economic effect retrospectively from 1 January 2020. At the same time, J. Lauritzen A/S was established and ownership of the subsidiaries Lauritzen Bulkera and Lauritzen Kosan was contributed to the company.

In addition to being the owner of Lauritzen Bulkera and Lauritzen Kosan, J. Lauritzen provides corporate services such as IT, human resource management, corporate communications and legal and insurance services for the two subsidiaries.

### Results

In 2020, the result of USDm (65.1) was impacted by impairment of subsidiaries of USDm (61.6) and costs related to the agreed merger between BW Epic Kosan Ltd and Lauritzen Kosan A/S, whereas the ongoing providing of corporate services is based on cost plus a minor mark-up.

### Assets

At year-end 2020, the total assets amounted to USDm 115.6, hereof USDm 111.4 as investment in subsidiaries, and USDm 3.2 in receivables from group entities.

### Liabilities

At year-end 2020, the total liabilities amounted to USDm 27.4. Of this, USDm 20.0 is a loan from Lauritzen Bulkera related to the sale of Lauritzen Kosan's activity from Lauritzen Bulkera A/S to J. Lauritzen A/S in 2020. Remaining liabilities of USDm 6.7 comprise VAT payable, accruals for costs related to the merger between Lauritzen Kosan and BW Epic Kosan Ltd. and employee related liabilities.

### Cash flow

Cash flow from operating activities totalled USDm 0.4.

Cash flow from investment activities amounted to USDm (10.1) related to capital increase in subsidiaries, offset by cash flow from financing activities of USDm 10.1 from increase of share capital.

Cash and cash equivalents at year-end amounted to USDm 0.3.





# Management *statement*

The board of directors and the executive management have today discussed and approved the annual report of J. Lauritzen 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, 26 March 2021

## EXECUTIVE MANAGEMENT

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### DORTE ROLFF

Managing Director and Group General Counsel

## BOARD OF DIRECTORS

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### TOMMY THOMSEN

Chairman

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### KRISTIAN V. MØRCH

Vice Chairman

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### INGE GRØNVOLD



# Independent *auditors' report*

## TO THE SHAREHOLDER OF J. LAURITZEN A/S

### Opinion

We have audited the financial statements of J. Lauritzen A/S for the financial year 1 January - 31 December 2020, which comprise income statement, balance sheet, cash flows 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.

### Independent auditor's report

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.

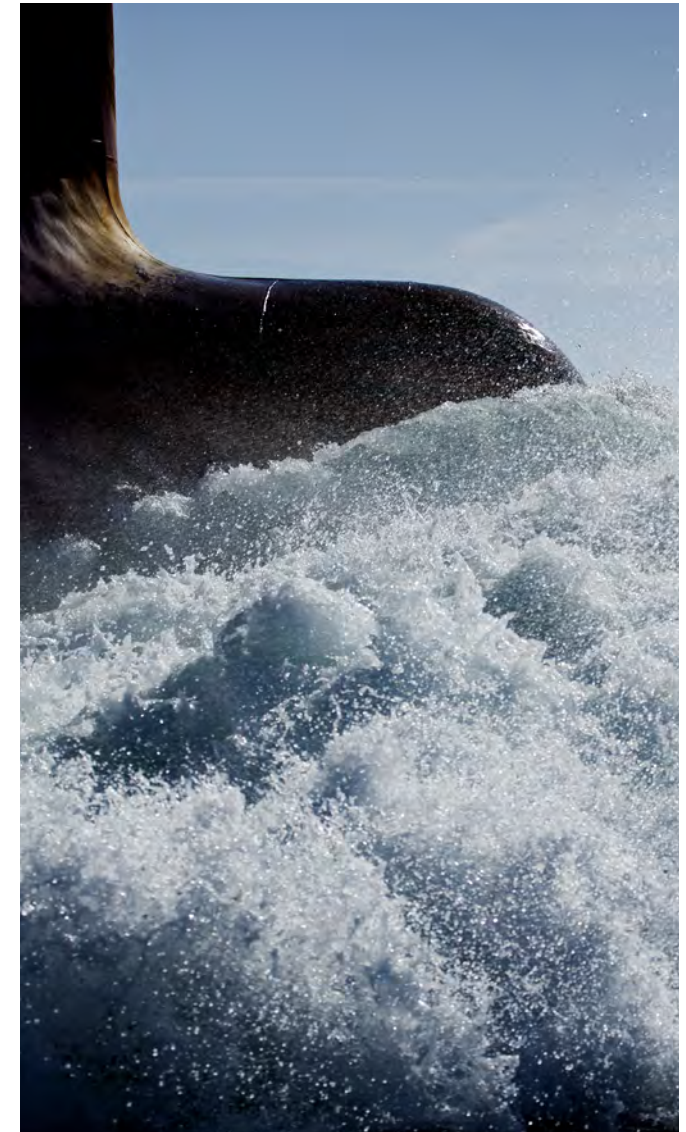
Based on the work we have performed, we conclude that the management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management's review.

Copenhagen, 26 March 2021

EY Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

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Torben Bender  
State Authorised  
Public Accountant  
MNE no. 21332





# Financial *statements*

Income statement  
Balance sheet statement  
Balance sheet liabilities  
Cash flow statement  
Equity statement

## Notes

### **Section 1 - Basis for reporting**

- 1.1 General information
- 1.2 General accounting policies

### **Section 2 - Operating activities**

- 2.1 Staff costs

### **Section 3 - Operating assets and liabilities**

- 3.1 Investment in subsidiaries

### **Section 4 - Finance**

- 4.1 Financial income
- 4.2 Financial expenses

### **Section 5 - Other notes**

- 5.1 Tax
- 5.2 Auditors
- 5.3 Related parties
- 5.4 Contingent liabilities
- 5.5 Events after balance sheet date



## Income Statement

USD '000	Note	2020
Other operating income		349
Administrative costs	2.1	(3,317)
<b>Operating income (EBIT)</b>		<b>(2,968)</b>
Financial income	4.1	52
Financial expenses	4.2	(62,246)
<b>Profit/(loss) before tax</b>		<b>(65,162)</b>
Income tax	5.1	38
<b>Profit/(loss) for the year</b>		<b>(65,124)</b>



## Balance sheet statement

### ASSETS

USD '000	Note	2020
Investments in subsidiaries		111,425
Deferred tax assets	5.1	38
Other receivables		571
<b>Non-current assets</b>		<b>112,033</b>
Other receivables		20
Receivables from group entities		3,226
Cash and cash equivalents		273
<b>Current assets</b>		<b>3,519</b>
<b>Total assets</b>		<b>115,553</b>

### LIABILITIES

USD '000	Note	2020
Share capital		60
Retained earnings		88,115
<b>Equity</b>		<b>88,176</b>
Long-term borrowings from group entities		20,018
<b>Non-current liabilities</b>		<b>20,018</b>
Trade payables		615
Other payables		6,744
<b>Current liabilities</b>		<b>7,359</b>
<b>Total liabilities</b>		<b>27,377</b>
<b>Total equity and liabilities</b>		<b>115,553</b>



## Cash flow statement

USD '000	Note	2020
Operating income		(2,968)
Change in receivables		1,834
Change in payables		2,020
Cash flow from operations before financial items		886
Ingoing financial payments		(241)
Outgoing financial payments		(214)
<b>Cash flow from operating activities</b>		<b>431</b>
Increase of share capital in subsidiaries		(10,068)
<b>Cash flow from investment activities</b>		<b>(10,068)</b>
Financial receivables		(5)
Increase in share capital		10,068
<b>Cash flow from financing activities</b>		<b>10,063</b>
Changes for the year in cash and cash equivalents		426
Cash and cash equivalents at beginning of year		-
Currency adjustments on cash and cash equivalents		(153)
<b>Cash and cash equivalents at the end of the year</b>		<b>273</b>



## Equity statement

USD '000	Share capital	Retained earnings	Total equity
Equity 1/1 2020	-	-	-
Establishment of company and addition from change of control of subsidiaries	60	123,171	123,232
Profit/(loss) for the year	-	(65,124)	(65,124)
<i>Transactions with owners:</i>			
Capital increase	-	30,068	30,068
<b>Total transactions with owners</b>	-	<b>30,068</b>	<b>30,068</b>
<b>Equity 31/12 2020</b>	<b>60</b>	<b>88,115</b>	<b>88,176</b>



# 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**

On 1 July 2020, Lauritzen Bulkers and Lauritzen Kosan were established as independent legal entities with economic effect retrospectively from 1 January 2020. At the same time, J. Lauritzen A/S was established and ownership of the subsidiaries Lauritzen Bulkers and Lauritzen Kosan was contributed to the company.

The annual report of J. Lauritzen A/S has been prepared in accordance with the provisions applying to reporting class C, medium sized enterprises, under the Danish Financial Statements Act.

Pursuant to section 110(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements. The annual reports of J. Lauritzen A/S and its subsidiaries are included in the consolidated financial statements of the Lauritzen Foundation.

### **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 USD, as the Company's most significant transactions are settled in USD. All amounts have been rounded to the nearest thousand. At the balance sheet date, the DKK/USD exchange rate was 605,76.

#### **Basis of recognition and measurement**

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All costs, including depreciation, amortisation and impairment losses are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

#### **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 company's 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.

#### **Income statement**

Administrative expenses comprise staff costs, office-rent and other administrative expenses.

#### **Balance sheet**

Receivables are measured at amortised cost, which is in general equal to the nominal value. Write-down is made of the value for anticipated bad debt losses.

Liabilities are measured at amortised cost, corresponding to the nominal value.

#### **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.



## Section 2

### *Operating activities*

#### NOTE 2.1 STAFF COSTS

	Total staff costs
USD '000	2020
Salaries	4,589
Pensions (defined contribution plan)	350
Social security	79
Contract labour	30
<b>Total</b>	<b>5,048</b>

	Number of employees, total
	2020
Average number of employees	24
Number of employees at year end	24

USD '000	2020
Remuneration to J. Lauritzen A/S'	
Board of directors & executive management	450
	<b>450</b>





## Section 3

### *Operating assets and liabilities*

#### NOTE 3.1 INVESTMENT IN SUBSIDIARIES

USD '000	Ownership	Profit/loss for the year	Equity
Lauritzen Bulkera A/S	100%	(19,288)	30,873
Lauritzen Kosan A/S	100%	(43,859)	80,708

USD '000	2020
Cost as at 1 January	-
Transferred from other entities	173,025
Revaluations during the year	(61,600)
Cost as at 31 December	111,425
<b>Balance as at 31 December</b>	<b>111,425</b>

#### ACCOUNTING POLICIES

Investments in subsidiaries are recognised in the financial statement at cost less accumulated impairment losses. Cost includes fair value of consideration paid plus directly attributable acquisition costs.

In the income statement dividends received during the year from subsidiaries are shown under financial income. If the distribution from subsidiaries exceeds retained earnings, the distribution reduces the cost of the investment in subsidiaries when the distribution is characterised as repayment of the parent company's investment.

## Section 4

### *Finance*

#### NOTE 4.1 FINANCIAL INCOME

USD '000	2020
Interest income, bank deposits	52
<b>Financial income</b>	<b>52</b>

#### NOTE 4.2 FINANCIAL EXPENSES

USD '000	2020
Interest expenses on loans	(332)
Other financial expenses	(39)
Currency exchange gains and losses, net	(275)
Impairment subsidiaries	(61,600)
<b>Financial expenses</b>	<b>(62,246)</b>

#### ACCOUNTING POLICIES

##### 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.



## Section 5

### *Other notes*

#### NOTE 5.1 TAX

USD '000	2020
Tax in the Income Statement consists of:	
Current tax	-
Deferred tax	38
<b>Total</b>	<b>38</b>
Tax on the profit is specified as follows:	
Calculated 22% of result before tax	784
Tax effect of:	
Tax asset valuation adjustment	38
Non-taxable items	(784)
	<b>38</b>
<b>Effective tax rate</b>	<b>(1)%</b>
Deferred tax on the Balance Sheet:	
Deferred tax 1 January	-
Tax on profit	38
<b>Deferred tax 31 December</b>	<b>38</b>
Deferred tax concerns:	
Taxable losses carried forward to be used within five years	38
	<b>38</b>

J. Lauritzen A/S is jointly taxed with subsidiaries of the Lauritzen Foundation, the sole owner of J. Lauritzen A/S.

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.

#### ACCOUNTING POLICIES

##### Tax for the year

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts recognised directly in equity is recognised directly in equity. The tax expense recognised in the income statement relating to the extraordinary profit/loss for the year is allocated to this item, whereas the remaining tax expense is allocated to the profit/loss for the year from ordinary activities.

#### NOTE 5.2 AUDITORS

USD '000	2020
Total fees to elected auditors	21
Specified as follows:	
Statutory audit	21
Tax advisory services	-
Fee for other services	-

**NOTE 5.3 RELATED PARTIES**

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

Other related parties with a significant influence on the activities of J. Lauritzen A/S is the company's Board of Directors and the Executive Management (key management personnel).

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

USD '000	2020
<b>LF Investment:</b>	
Management fee	77
<b>DFDS:</b>	
Pension fund	56
Bunker commission	84
<b>Group companies:</b>	
Service level agreement	8,799

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

**NOTE 5.4 CONTINGENT LIABILITIES**

USDm	2020
Guarantees for debt in subsidiaries	143
Guarantees for lease liabilities in subsidiary	19

**NOTE 5.5 EVENTS AFTER BALANCE SHEET DATE**

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



## List of group *companies*

COMPANY NAME	COUNTRY	OWNERSHIP %
<b>J. Lauritzen A/S</b>	<b>Denmark</b>	-
<b>Lauritzen Bulkera A/S *</b>	<b>Denmark</b>	<b>100</b>
Lauritzen Bulkera Ship Owner A/S.	Denmark	100
J. Lauritzen Singapore Pte. Ltd.	Singapore	100
J. Lauritzen (USA) Inc.	USA	100
<b>Joint-ventures (ship owning)</b>		
Admiral Logistics Corporation	Panama	50
Milau Pte. Ltd.	Singapore	50
<b>Dormant</b>		
Lauritzen Reefers A/S	Denmark	100
<b>Lauritzen Kosan A/S **</b>	<b>Denmark</b>	<b>100</b>
LKT Gas Carriers Pte. Ltd.	Singapore	50
<b>Other operating interests</b>		
De Forenede Sejlskibe I/S	Denmark	43

\* Branch offices in Singapore and Dubai

\*\* Branch offices in Singapore and Manila





#### HEAD OFFICE

##### J. LAURITZEN A/S

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[www.j-l.com](http://www.j-l.com)  
CVR: 41 40 73 60

#### FINANCIAL YEAR

1 January - 31 December

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#### OWNER

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#### AUDITORS

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