J. LAURITZEN

Approved at the General Assembly 22 March 2018

Dorte Rolff, Chairman

www.j-lauritzen.com

Annual *Report* *2017*

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MANAGEMENT REVIEW

About J. Lauritzen

J. Lauritzen has been serving the maritime trade since 1884 and during our existence of over 130 years, we have been engaged in a range of different segments of the shipping industry.

Today, J. Lauritzen is a global provider of seaborne transportation of dry bulk cargoes as well as petrochemical and liquefied petroleum gases.

We offer our services through our operational business units Lauritzen Bulkers and Lauritzen Kosan.

Lauritzen Bulkers operates bulk carriers, primarily in the handysize segment of dry bulk shipping.

Lauritzen Kosan specialises in transportation of petrochemical and liquefied petroleum gases (LPG) - a segment of the shipping industry characterised by complex technical and operational requirements.

J. Lauritzen *Overview*

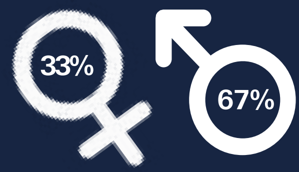
Offices worldwide
Headquarters in Copenhagen, Denmark and overseas offices in Singapore, the Philippines and the United States.

J. Lauritzen office location

J. LAURITZEN FACTS 2017

Owned by the Lauritzen Foundation **100%**

165 employees ashore
year-end



522 seafarers onboard owned vessels
year-end

Average controlled fleet of **118** vessels

Invested capital
year-end
USD **396m**

Revenue USD **555m**

Highlights *2017*

After bottoming out in 2016, dry cargo markets recovered during 2017, whereas the market for small gas carriers deteriorated during most of 2017. For J. Lauritzen, the outcome was operating income before depreciation (EBITDA) and special items of USDm (31), up USDm 23 on 2016.

The result for 2017 was USDm (45) compared to USDm (46) in 2016.

The 2017 results included special items of net USDm 30 mainly related to reversal of impairment and use of provisions for onerous contracts.

Total interest bearing debt decreased to USDm 198 at year-end 2017 from USDm 300 at year-end 2016 due to repayment of the JLA02 corporate bond and mortgage debt.

Main events in 2017
In early 2017, a series of cost reductions and organisational adjustments were implemented, which entailed redundancy of around 15% of the land-based workforce.

A new financing agreement with our core lenders, including the financing parties involved in our JPY-denominated NEXI loan, and our owner, Lauritzen Fonden, was completed. The agreement included capital injection of USDm 80 from Lauritzen Fonden to ensure repayment of the outstanding JLA02 corporate bond and the related hedging debt. The new agreement also included a four-year amortisation reduction and maturity extension to 2021.

The JLA02 corporate bond as well as the related hedging debt was repaid at maturity in October 2017. Thus, J. Lauritzen has no longer any listed debt.

Towards the end of Q2, a strategy revision was completed and during Q3, the implementation of a series of strategic initiatives commenced (see below for further detail).

With effect from 1 July 2017, Thomas Wøidemann was promoted to Chief Operating Officer (COO) and has since been responsible for the commercial and operational activities of Lauritzen Bulkers and Lauritzen Kosan.

Seven handysize bulk carriers were taken on medium-term (up to two years) time-charter with options for extension.

One gas carrier was sold and another gas carrier was taken on medium-term time-charter during the year.

During 2017, Lauritzen Bulkers and Lauritzen Kosan controlled a combined average fleet of 118 vessels compared to 128 vessels in 2016.

At year-end 2017, we owned ten bulk carriers and 18 gas carriers versus ten bulk carriers and 20 gas carriers at year-end 2016.

Business environment
2017 was a mixed year for the global shipping industry with the ClarkSea Index (weighted average earnings index for the main vessel types) up 15% y-o-y after the 35% decline in 2016. The increase was primarily due to improved markets in the dry bulk and container segments, whereas the markets for tankers and gas carriers declined.

A more vibrant international trade due to slightly stronger economic growth in key regions as well as rising commodity prices led to an increase in global seaborne trade of 4.9% versus 3.4% the year before, according to Clarksons. Contribution from mileage amounted to 0.9 percentage points versus 0.4 in 2016.

Despite increasing impediments to international trade, the deceleration of growth in global trade relative to global economic activity that occurred in 2015 and 2016 to the detriment of global shipping appears to have come to a halt in 2017.

Low interest rates and fiscal policies were conducive to fixed investments and thus beneficial for dry bulk and gas carriers.

Despite an upswing in new vessel ordering, the world orderbook continued its decline as deliveries outpaced contracting. Overall, deliveries were at the same level as in 2016. Newbuilding prices were on average stable with gains seen for dry bulk and reductions for larger tankers.

For dry bulk carriers, overall net fleet growth came to 3.0% compared to 2.2% in 2016. Net fleet growth in the handysize segment was 1.9%, compared to 1.5% in 2016, whereas growth in the supramax segment stood at 4.0% compared to 5.0% in 2016.

In 2017, demand growth for dry bulk carriers is on ton-mile basis estimated at 5.1%. Utilisation rate for handysize and supramax is estimated to have increased by almost 4 percentage points to 84%, according to Maritime Strategies International Ltd.

2017 turned out to be a very difficult year for small gas carriers with some players coming under severe financial stress due to rising tonnage surplus.

In the small gas carrier segment, supply growth is estimated at 3.9% compared to 4.7% in 2016 according to ViaMar.

Demand for small gas carriers is assessed to have fallen by almost 3.7% due to midsize gas carriers cutting into handysize

LPG liftings with cascading effects for small gas carriers. Despite strong growth in seaborne transportation of petrochemical gasses, the sizeable decline in LPG liftings combined with supply growth led to a deterioration of the market balance.

Strategy update

During Q2, we completed a comprehensive strategy review.

This review provided clarity in terms of aspirations, where to play and how to win, our capabilities as well as a series of associated strategic initiatives.

Aspirations

The review outlined that we will:

- Return to profit as markets improve
- Focus on our core, and do what we do best
- Manage and lower our risks
- Build an even stronger brand
- Establish a new winning spirit
- Become technologically advanced across functions

Where to play?

In our dry bulk business, we will focus on the handysize segment building on our proven track record and strong customer relations. In our gas business, we will build on our existing segments and long-standing customer relations.

How to win?

In dry bulk, we will pursue an operator play with own assets and we will strengthen our value proposition as well as our commercial positioning and risk management. In the gas carrier business, growth will be based on owned and commercially managed tonnage, technically managed in-house, focusing on developing new and existing customer relations.

Our capabilities

We will strive to be a leader in the use and application of analytics in decision-making and thus build and utilise superior data-driven market information.

Strategic initiatives

Implementation of a series of strategic initiatives ranging from redefining our purpose and values, reigniting our long-established brand, reducing operational vessel costs through analytics to strengthening our risk management was initiated in Q3. All strategic initiatives are expected to be fully implemented before year-end 2018.

New purpose and values

As part of the strategic initiatives, cf. above, we launched our new purpose and revised values in early 2018. Our new value foundation is the outcome of in-depth efforts crystallising who we are, how we work and how we succeed.

Our purpose is a condensed expression of why we exist with clear inspiration from the UN Sustainable Development Goals:

"We enable global trade through intelligent seaborne solutions – creating growth for local communities around the world".

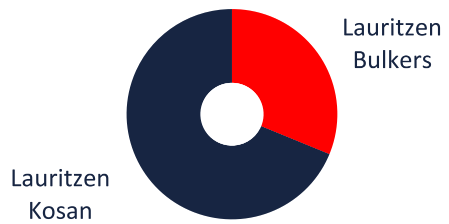
Our values are expressions of our core principles and behaviour encompassing:

- Accountability
- Resoluteness
- Empathy
- Adaptability

Assets and solvency

Total invested capital was USDm 396 at year-end 2017, up from USDm 379 at year-end 2016.

Share of invested capital at year-end 2017



The carrying amount of vessels totalled USDm 372 compared to USDm 380 in 2016.

Brokers' valuations of vessels totalled USDm 373.

At year-end 2017, the solvency ratio amounted to 52% (2016: 36%) and cash and cash equivalents were USDm 59 (in 2016: USDm 141). Net interest bearing debt amounted to USDm 140 equal to 37% of broker values (in 2016: USDm 160 and 41%, respectively).

After year-end event

In February 2018, it was decided that Kristian V. Mørch, CEO at Odfjell SE, Norway, and Barbara Plucnar Jensen, CFO at ISS, UK and Ireland, will stand for election as members of J. Lauritzen's Board of Directors at the Annual General meeting in March 2018. Simultaneously, Marianne Wiinholt, CFO & EVP at Ørsted, will resign from the Board.

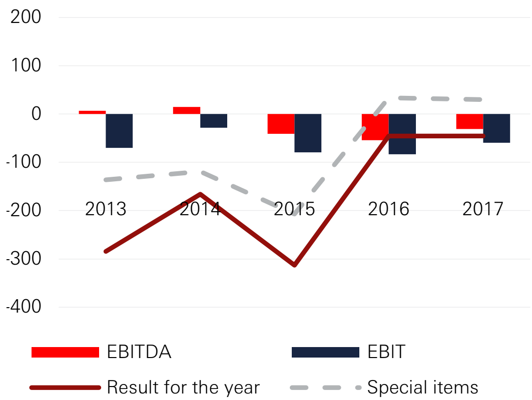
Group *Key Figures*

Main Figures for the Group USDm	2017	2016	2015	2014	2013
Income statement					
Revenue	555	420	349	443	501
Time-charter equivalent income (TCE)	345	279	268	351	352
Operating income before depreciation (EBITDA) and special items	(31)	(54)	(41)	15	7
EBITDA accounted for as discontinued operations	*0*	*0*	*0*	*16*	*48*
Operating income (EBIT) before special items	(60)	(83)	(79)	(28)	(70)
Special items, net	30	34	(207)	(119)	(136)
Financial items, net	(13)	1	(27)	(40)	(31)
Profit/(loss) from continuing operations before tax	(43)	(49)	(313)	(187)	(237)
Profit/(loss) from discontinued operations	0	0	1	19	(48)
J. Lauritzen Group's share of profit/(loss)	(45)	(46)	(313)	(166)	(285)
Balance sheet					
Non current assets	409	416	614	952	1,185
Total assets	504	617	859	1,208	1,877
Total equity	261	223	270	573	741
Invested capital	396	379	531	836	1,225
Net interest bearing debt (NIBD)	140	160	284	268	631

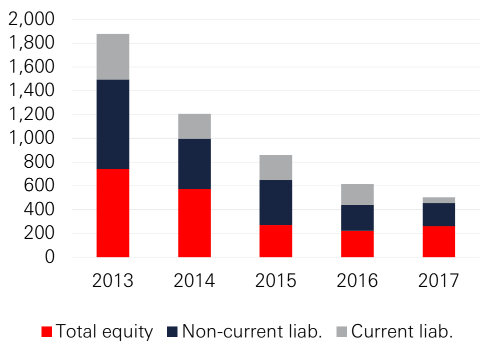
Main Figures for the Group USDm	2017	2016	2015	2014	2013
Cash flows and financial ressources					
Cash flow from operating activities	(48)	(41)	(61)	60	(20)
Cash flow from investment activities	(5)	129	75	553	28
- hereof investments in tangible fixed assets	(9)	(50)	(14)	(43)	(118)
Cash flow from financing activities	(30)	(63)	(80)	(572)	(126)
Changes for the year in cash and cash equivalents	(82)	25	(67)	41	(118)
Financial ressources at the end of the year	59	141	116	284	154
Key figures and financial ratios					
Average number of employees	698	782	956	1,064	1,125
Total number of ship days	43,213	46,940	49,688	53,515	56,736
DKK exchange rate year-end	621	705	683	612	541
Average DKK exchange rate	660	673	673	562	562
Profit margin	(10.5)%	(19.9)%	(23.7)%	(6.1)%	(12.7)%
NIBD/EBITDA	(4.5)	(2.9)	(6.9)	17.5	86.2
Solvency ratio	52%	36%	31%	47%	39%
Return on equity (ROE)	(18.8)%	(18.5)%	(74.3)%	(25.2)%	(35.8)%
Return on invested capital (ROIC)	(7.7)%	(10.9)%	(41.8)%	(14.3)%	(15.3)%

In 2013, JL decided to discontinue its operations in Lauritzen Offshore - Shuttle tankers and Lauritzen Tankers and thus these activities have been accounted for as discontinued operations for the periods

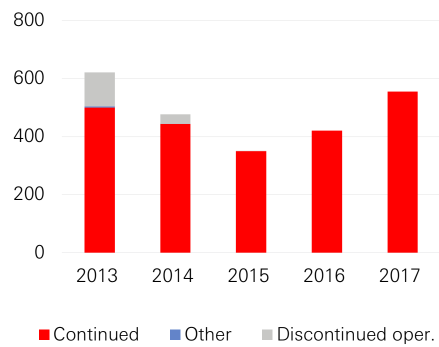
Selected key figures USDm



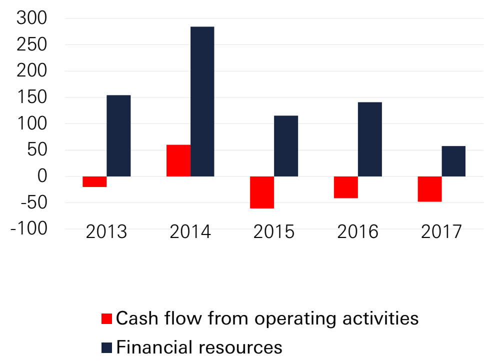
Capital structure USDm



Revenue USDm



Cash flow from operations and financial resources USDm



Outlook *2018*

The general consensus among international monetary organisations for the economic activity in 2018 is a slight rise in GDP growth compared to 2017. Growth in international trade is expected to benefit from the broad-based economic upswing.

Financial policies are anticipated to stimulate economic growth and trade. However, there are several risks to the outlook that may negatively affect international shipping, the most important of which include:

- Rising interest rates
- Financial unrest in China due to rising debt levels
- Stock market corrections leading to financial unrest
- The North Korean nuclear crisis
- US trade policy developments

Both the dry bulk market and the market for small gas carriers are anticipated to benefit from the expected rise in economic activity in 2018, more so as supply growth will be rather limited in both segments. For dry bulk though, slow steaming and congestion are at levels where capacity releases could dent the rise.

After strong rises in dry bulk rates in 2017, the outlook for 2018 is for continuation of this trend, but at a lower rate of change. Tonnage prices are forecast to continue increasing.

The market for gas carriers is in general expected to be weak for most segments due to sustained demand-supply imbalances. Small gas carriers, having the smallest order book yet to be delivered, are poised for a slow recovery in 2018, assuming there is no further loss of market share to midsize gas carriers. For larger gas carriers, the road to recovery is forecast to be somewhat longer.

Expectations for 2018
Based on the above, we expect 2018 to be another challenging year for our businesses on our way back to profitability.

Financially, we expect the result for 2018 will be better than in 2017, however not satisfactory.

Depreciation is expected to be at a level similar to 2017, whereas special items and net financial expenses are expected to be down on 2017.

Currency and interest rate fluctuations as well as effects from the sale of assets, if any, may impact the result.

The result for 2018 is subject to a considerable degree of uncertainty related to both our dry bulk and gas carrier activity and hence to the global economy and global trade in general.

Beyond 2018
The global ship yard capacity continues to threaten to make an upturn relatively muted in terms of duration and rate levels.

Improved market conditions require net fleet reduction through a combination of increased scrapping of fairly modern tonnage in many markets - in dry bulk in particular - and owners and investors refraining from ordering despite attractive newbuilding price levels.

Thus, restoring market equilibrium in the dry bulk market is bound to take time, but provided limited ordering is maintained in the next couple of years, a more sustainable recovery in dry bulk markets looks attainable in the medium term.

The market for smaller gas carriers is currently overtonnaged, in part due to increased competition from midsize gas carriers.

The semi-refrigerated and fully pressurised gas carrier subsegments up to 5,000 cbm are close to market balance, whereas the 5-23,000 cbm gas carrier segment is oversupplied. However, ordering has developed very slowly during the last couple of years and early 2018 the order book stands at 6% of the fleet on water.

Thus, a restoration of the market balance could be back in a couple of years time, based on demand growth in both LPG and petrochemical gasses on a positive trajectory.

Lauritzen *Bulkers*

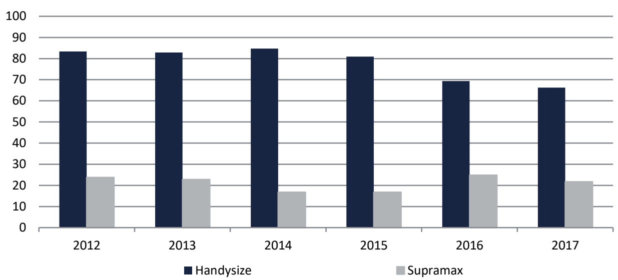
ACTIVITY IN 2017
Total number of ship-days performed reached 32,089 corresponding to 88 vessels on average, compared to 34,582 ship-days with 95 vessels on average in 2016.

We continued to lift a broad variety of cargoes, however, agricultural products, energy and construction materials constituted the majority of commodities carried. A large part of commodities carried are operationally demanding to handle due to their nature and/or location requiring dedicated efforts by our professional staff at sea and ashore.

As of 1 July 2017, Thomas Wøidemann was promoted Chief Operating Officer (COO) and since then has been responsible for the commercial and operational activities of Lauritzen Bulkers and Lauritzen Kosan.

GLOBAL MARKET DEVELOPMENTS
Spot market rates for handysize and supramax were up by approximately 50% on average in 2017 compared to 2016, as stronger than expexted demand growth outpaced supply growth. Larger vessel sizes also enjoyed higher rates, according to Clarksons.

Average number of vessels operated



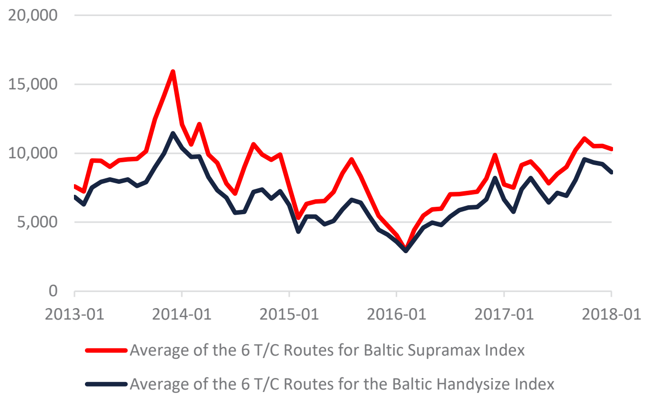
Demand growth in the order of 5.1% was furthered by the strengthening of the world economy as well as rising imbalances in major dry bulk commodities, e.g. grain. Shipping distances were on average slightly up on 2016, which contributed to demand growth.

Supply growth reached 3.0% in 2017, up from 2.2% in 2016, mainly due to reduced demolition activity.

Contracting of newbuildings increased compared to 2016, albeit from very modest levels. At year-end 2017, the dry bulk orderbook amounted to 9.3% of the existing fleet, whereas the handysize orderbook stood at 6.2% at year-end 2017.

In 2017, newbuilding prices and prices for a five-year old secondhand handysize bulk carriers increased by 13% and 17%, respectively. For supramax, the percentage increases were even higher.

Spot market rates in T/C equivalent USD/day

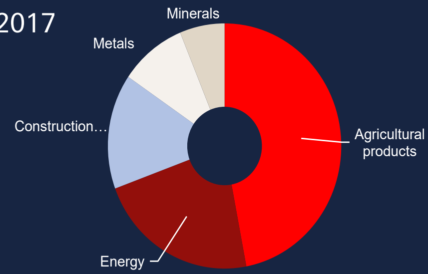


Source: Clarkson Research Services

ACTIVITY & PERFORMANCE

32,089
Number of performed ship-days 2017

CARGO MIX, 2017



14% cut in CO_2 emissions since 2012

STRATEGIC POSITIONING

Lauritzen Bulkers is positioned in the handysize and supramax segments of dry bulk shipping and we service clients worldwide.

Our key market is the handysize segment, where we maintain a leading position with specific focus on transportation of e.g. logs, grains, fertilisers, salt, and other minor bulk commodities.

In addition to employing our owned and long-term time-chartered tonnage in the spot, COA and period markets, Lauritzen Bulkers relies on short-term chartered tonnage to perform either short or long-term cargo commitments.

Lauritzen Bulkers continued to build on its strong brand and a recent survey confirmed that we are perceived as a tier one carrier within the handysize segment among customers delivering a high level of support and service.

During 2017, Lauritzen Bulkers served more than 300 customers and the top ten accounted for approximately 25% of Lauritzen Bulkers' revenues.

FLEET

Our core fleet of owned and long-term chartered vessels averaged 37 vessels compared to 39 in 2016. At year-end 2017, our core fleet comprised 31 handysize and seven supramax vessels.

In 2017, seven long-term time chartered handysize and one supramax bulk carrier were delivered to the fleet in accordance with contracts concluded in 2013-14.

During the year, five long-term time-chartered handysize and one supramax bulk carrier were redelivered to owners as commitments expired.

In addition, seven handysize bulk carriers were taken on medium-term time-charter with options for extension.

Four scheduled dry dockings were completed in 2017. Unscheduled off-hire for our owned fleet came to 0.3% of available ship-days (0.5% in 2016).

At year-end 2017, the average age of the owned fleet was 6.6 years (5.8 years at year-end 2016).

The newbuilding programme includes one part-owned handysize vessel ordered in a joint venture with scheduled delivery in 2018. Tonnage providers are expected to deliver a further two newbuildings on time-charter to us. During 2018, two long-term time-chartered vessels are scheduled to be redelivered.

Core fleet at year-end 2017

	Handysize	Supramax	Total	New-buildings
Owned	10	0	10	0
Part-Owned	1	0	1	1
Long-Term T/C in	21	7	28	1
Medium-Term TC in	7	0	7	1
Total	39	7	46	3

FLEET PERFORMANCE

We continuously work with our internal processes and organisation to strengthen our performance culture and ensure competitiveness in a cost-focused market, where reliability, responsibility and global presence are core elements of delivering a quality service to our clients.

Part of our performance focus remains on energy and fuel efficiency to minimise our environmental impact and optimise on costs.

During 2017, we initiated collection of Automatic Identification System (AIS) data from the entire fleet to ascertain where vessels are at any time. This enables us to react faster if vessels are off-track, or not following given instructions, and it also provides more accurate weather information to improve the reliability of vessel performance monitoring.

In terms of our owned vessels, we started to automatically collect data from critical equipment of high frequency, enabling office staff to get instant alerts if values are off-limit. It also provides the foundation for deeper root cause investigations and predictive maintenance.

Lauritzen *Kosan*

ACTIVITY IN 2017
The total number of ship-days performed in 2017 reached 11,125 corresponding to 30 vessels on average, compared to 12,357 ship-days or 34 vessels on average in 2016.

We continued to lift a broad variety of cargoes with Liquefied Petroleum Gasses (LPG), butadiene, propylene and ethylene constituting the majority of gasses carried.

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

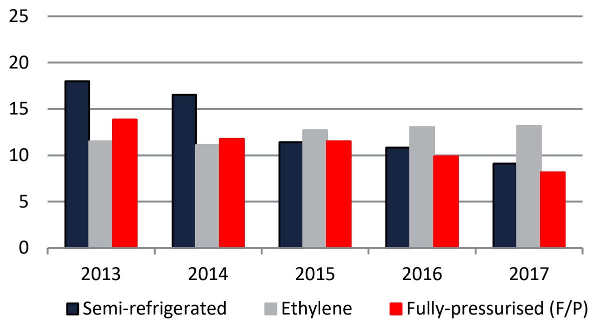
Due to sustained customer loyalty and appreciation of our high service level, we not only succeeded to renew, but also to gain new contracts.

During the year, four bareboat chartered gas carriers were extended. One gas carrier entered the fleet on pool terms and one vessel was sold.

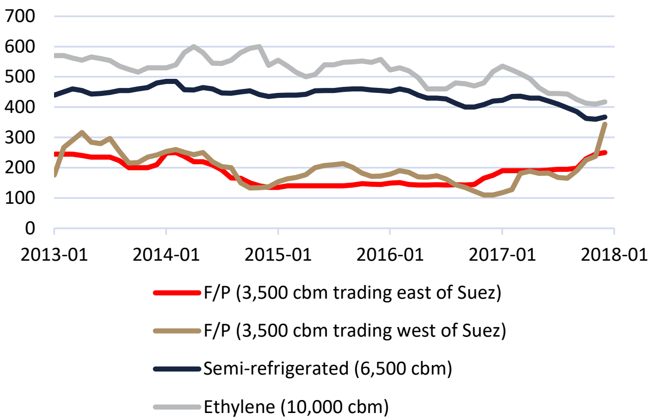
GLOBAL MARKET DEVELOPMENTS
Market developments turned out to be weak in 2017 as heavy deliveries of midsize gas carriers continued to take market share in the LPG trades from handysize carriers, which implied that small gas carriers, particularly in the 5-12,000 cbm size segment, came under pressure, also in petrochemical gas trades, according to ViaMar.

As a result, vessels above 5,000 cbm experienced downward pressure on rates, particularly in Q2 and Q3 before a slight improvement was seen in Q4.

Average number of vessels operated



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



Note: Unadjusted for waiting time, if any.
Source: Fearngas, Gas Market Report

ACTIVITY IN 2017

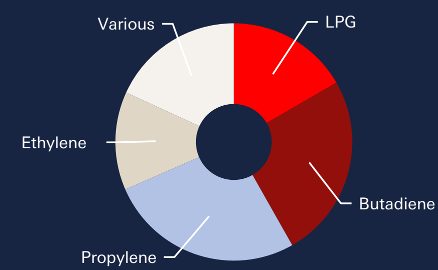
11,125
The number of performed ship-days corresponds to **30** vessels on average

The combined average carrying capacity

249,642 cbm

2017

CARGO MIX, 2017



With deliveries brought down to a low number and rising intra-regional trade in Asia, rates for vessels below 5,000 cbm improved.

Supply growth was 3.9% in 2017 compared to 4.7% in 2016 as deliveries of small gas carriers levelled off and demolition increased slightly.

Contracting of newbuildings was up in 2017 compared to 2016. Contracting came to 1.7% of the fleet in 2017. At year-end 2017, the orderbook amounted to 5.8% of the existing fleet, half of which for delivery in the first half of 2018.

STRATEGIC POSITIONING

Transportation of liquefied gases is a specialised segment of the shipping industry characterised by technically complex requirements from regulators and customers. Based on a fleet of primarily owned, but also commercially managed and chartered tonnage, we have earned a solid brand position and enjoy high customer retention rates.

Our position is due to the consistent running of our controlled fleet to the highest standards. This, in turn, is owed to the professionalism of our crews and the technical management team. This provides a performance of the highest industry standards, especially in terms of reliability and flexibility. This enables the chartering and operational teams to serve customers with solutions for covering their transportation requirements.

LK has a 60-70% target cover for available ship days for the coming year. The major part of this cover is provided by long-term customers, representing some of the world's largest petrochemical and oil companies as well as energy traders. At year-end 2017, the actual cover was in the upper end of our target range.

During 2017, Lauritzen Kosan served some 70 customers with the top ten accounting for approximately half of net revenues.

FLEET

Our operated fleet comprises owned, part-owned and chartered tonnage as well as vessels in commercial management (pool). In total, the combined average carrying capacity was 249,642 cbm in 2017. At year-end 2017, the average age of the owned fleet was 11.3 years (11.3 years at year-end 2016).

Fleet at year-end 2017

	Semi-refrigerated	Ethylene	Fully-pressurised	Total
Owned	5	6	7	18
Part-owned	0	3	0	3
B/B in	4	0	0	4
T/C in	0	0	2	2
Pool, etc.	1	4	0	5
Total	**10**	**13**	**9**	**32**

We operated an average total fleet of 30 vessels in 2017. The average operated fleet totalled nine semi-refrigerated vessels, eight fully-pressurised vessels and 13 ethylene vessels in 2017.

In 2017, we conducted five scheduled dry-dockings (ten in 2016). Unscheduled off-hire came to 2.8% of available vessel days in 2017 (1.6% in 2016).

Although the implementation of the International Maritime Organisation (IMO) ballast water management convention

VESSEL INSPECTIONS

On our in-house technically managed gas carriers

117 inspections

Average vetting observations (SIRE)

3.9	3.6	< 4.0
2017	**2016**	**Target**

The number of Port State Control inspections: **51**

Average deficiencies

1.7	< 0.9
2017	**Target**

has been postponed until September 2019, we installed our first ballast water treatment system on one of our gas carriers in late 2017. The next installation is scheduled to be completed in early 2018. Operational and project experience, alongside continuous monitoring of technological development, will secure fleet compliance with the IMO convention and national regulation.

FLEET PERFORMANCE

The principal goal of our fleet management is operational excellence and we continuously monitor our progress by means of performance KPIs specifically related to safety, customers and costs.

For our in-house technical management, the health and safety of our seafarers, protection of the environment and the safe transportation of our customers' cargoes are top priorities.

With our seafarers being our most valuable assets at sea, we always work to strengthen our safety culture in a demanding environment.

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

During 2017, we implemented a revised crewing strategy for our gas carrier fleet to ensure the most up-to-date, professionalised crew management to meet ever-growing regulatory and customer demands. As part of this process, OSM Maritime Group was appointed as our new crew manager.

In 2017, average SIRE (Ship Inspection Report Programme) amounted to 3.94 which is above 2016, but below our target of 4.0. Lost Time Injury Frequency rate of the fleet came to 1.5 versus 0.3 in 2016. Our ambition remains zero harm to people.

AFTER YEAR-END EVENTS

In early 2018, we reflagged two of our gas carriers to the Danish International Register of Shipping (DIS) for the first time since 2003.

PEOPLE IN NUMBERS

397 Crew members on board on average

Lost Time Injury Frequency (LTIF)

1.5	0.3
2017	**2016**

The seafarer retention rate was 96% for officers and 98% for ratings

People

2017 saw significant changes in terms of organisational adjustments and reduction of our land-based headcount. As part of these adjustments, a new setup with one commercial head of both business units was implemented.

During the year, we succeeded in attracting new talent from various universities and business schools to fill the entry level positions in commercial and corporate functions.

At year-end, we employed 687 persons of which 165 were ashore and 522 at sea.

Diversity
We consider diversity important for innovation and business development and thus our overall value creation. In 2017, we continued our efforts to promote an increasingly diverse workforce ashore and to ensure a continuous influx of new graduates as well as experienced shipping colleagues.

As part of our diversity management policy, we are committed to working towards a balanced gender composition at all management levels. Our target is that the overall gender distribution of our workforce shall be matched at management levels. At year-end 2017, the gender distribution within the organisation as a whole reached 33% female and 67% male compared to 32% female and 68% male at year-end 2016. The distribution of females and males in managerial positions of our shore-based organisation remained unchanged at 17% and 83%, and below our goal of 31% and 69%.

We experience that gender diversity in managerial positions and in shipping in general is an industry challenge. To remedy this imbalance, we therefore in 2017 continued the work with our peers in Danish Shipping, the trade and employer organisation for Danish shipping companies, to explore possible new ways to increase the influx and promotion of women in shipping, particularly in commercial positions.

Improving leadership feedback
For the first time in almost a decade we carried out engagement surveys across the entire land-based organisation in the second half of 2017.

The surveys provided clear insight in terms of tasks and projects that should be prioritised, which will enable us to make J. Lauritzen an even better place to work in the coming years. It will also assist us in identifying better ways of working. As the survey automatically collects employee feedback, we can instantly track our progress and point out new areas for actions to be taken both across the organisation and in departments and teams.

Developing young talent
In 2017, we welcomed students from the second batch of shipping bachelors from Copenhagen Business School (CBS) at our Copenhagen office to embark on a 9-month internship. We expect to continue this partnership with CBS to contribute to the training of young people for the industry and source talents for junior commercial positions within the company.

At our Singapore office, we continued our good cooperation with the Maritime Port Authority and offered internships again this year.

On a more ad hoc basis we also had interns from Danish Technical University and CBS staying and working with us this year.

PEOPLE IN NUMBERS

Shore-based personnel

At year-end the total headcount was 165

We employ **20** different nationalities across our offices

Average age

43.4 years
2017

44.7 years
2016

Financing

J. Lauritzen's fleet is financed with a mix of debt (secured bank loans) and equity.

Outstanding debt (non-USD debt at hedged value, net) stood at USDm 204 at year-end 2017 (USDm 334 at year-end 2016).

Net interest bearing debt, net of cash, amounted to 37% of the market value of the fleet by year-end 2017. This was a decrease from 41% the year before.

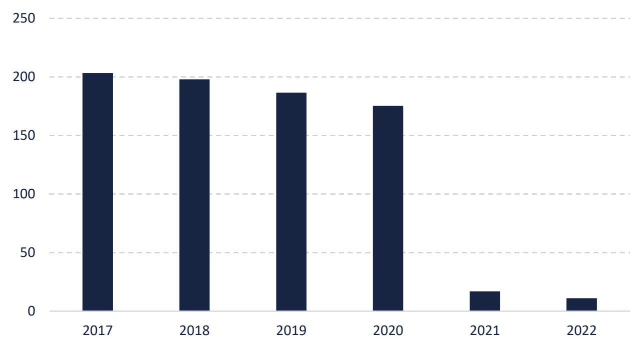
The average loan-to-value (total of secured loans as a ratio of the market value of the owned fleet) was 55% at year-end 2017.

Comprehensive financing agreements secured
The reduction in debt during 2017 was substantial and reflects the successful execution of the comprehensive financing agreements obtained with all existing lenders and with support from our owner.

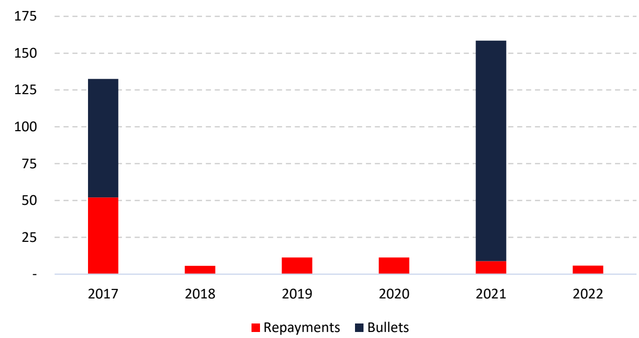
As a part of the agreements, J. Lauritzen received new equity from our owner ensuring the full redemption of the "JLA02" unsecured corporate bond at the scheduled maturity date in October 2017. Thus, J. Lauritzen has no longer any listed debt.

The agreements obtained with the lenders include reprofiling of the original loan amortisation schedules to reduce repayments during 2017-2020, extension of maturity dates into 2021 and amendments to financial covenants. All covenants were complied with throughout the year.

Outstanding debt, year-end, in USDm



Debt repayment profile, in USDm



Notes to charts: JPY debt at hedged value. Numbers may change subsequently.

Corporate *Governance*

Our corporate governance efforts are voluntarily guided by the "Recommendations for Corporate Governance" issued by the Danish Committee on 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 tasks of the Board of Directors are 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, focus is 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.

In 2017, the Board met eight times and held five online conference meetings. Between meetings, recommendations were submitted to the Board for written resolution.

The Board of Directors is supported by two permanent committees: The Audit Committee and the Nomination and Remuneration Committee. The Audit Committee held six meetings, and the Nomination and Remuneration Committee held two meetings in 2017.

Board members elected at the annual general meeting serve for one year and may stand for re-election. At year-end 2017, the Board of Directors consisted of seven members, four elected by the general meeting (all re-elected in March 2017) and three by the employees.

At an employee election in March 2017, Rolf Andersen and Karsten Gauger were elected and Søren Berg was reelected to the Board for a four-year period.

The diversity profile of the members of the Board, elected at the annual general meeting, is 25% female and 25% originating from outside Denmark, which is in compliance with the regulations of the Danish Business Authority.

The average length of board members' service was eight years.

Executive Management

The Executive Management is appointed by the Board of Directors and consists of Mads Peter Zacho as CEO. Day-to-day management is conducted by the Executive Management.

An Executive Group functions as the coordinating forum for the day-to-day management and includes the Executive Management, the Chief Operating Officer, and the heads of Corporate Control, Corporate Human Resources and Fleet Management.

Additional information

Please visit our corporate website for additional information on our Board Committees' Terms of Reference, competence profiles of Board members and Principles of Remuneration at http://www.j-l.com/about/corporate-governance

LAURITZEN FONDEN

J. Lauritzen A/S was founded in 1884 and ever since then has been engaged in ocean transport. Lauritzen Fonden (The Lauritzen Foundation) was established in 1945, and since then it has been the sole owner of J. Lauritzen.

Lauritzen Fonden is a commercial foundation and is as such 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 in general and supporting education, culture, and social work.

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

In addition to its ownership of J. Lauritzen, two gas carriers employed in the Lauritzen Kosan pool and its controlling interest in DFDS A/S (42.8% holding), Lauritzen Fonden has holdings via wholly-owned LF Investment ApS in i.a. Prosafe (owner and operator of accommodation vessels), Hafnia Tankers (owner and operator of product tankers) and within NMR-technology, biotechnology and real estate.

Risk *Management*

Risk management is an integral part of the corporate governance efforts. Our focus is on monitoring and ensuring that net risk levels are acceptable, aligned with our strategy and commensurate with our financial strength.

BUSINESS RISK

Shipping is exposed to factors that are common for cyclical industries. The fundamental drivers of activity in shipping are global economic activity and the derived trade in commodities and manufactured goods between different regions. Our business spans across segments that have different characteristics; dry bulk shipping historically being more volatile and cyclical than the market for gas carriers.

Vessel investments and long-term chartering (please see note 3.2 on leasing obligations for details) are commitments expected to be covered by future earnings which in turn are dependent on freight market levels and margins. Likewise, future profits from cargo contracts (CoAs) are dependent on future charter rate levels for tonnage.

The risk embedded in the committed activity and the uncertainty of future earnings is addressed by obtaining forward employment and tonnage coverage by entering into cargo contracts, time charters, voyage charters and Forward Freight Agreements. The forward cover is managed on a daily basis.

The majority of our dry bulk business is booked in the spot market by either employing third party-vessels or vessels in our core fleet. The income from dry bulk business is consequently sensitive to freight rate levels, available trading margins and trading volume. For the gas carrier business, a substantial part of it is concluded as annually renewed contracts of affreightment performed with our controlled fleet. The income from gas carriers is generally sensitive to the freight rate levels, fleet size and waiting time in relation to CoA business.

FINANCIAL RISK

We maintain a low risk profile in relation to liquidity, credit risk, currency risk, interest rate risk and refinancing risk. Please see note 4.5 for details.

BUNKER OIL PRICE RISK

Bunker oil is in principle only a risk in relation to contracted cargo volumes not covered by BAF (Bunker Adjustment Factor) clauses. Most of the operated fleet is either employed in the spot market, re-let, on time-charter or employed on contract of affreightments with BAF clauses, and the bunker oil price risk is thus considered limited.

OPERATIONAL RISK

Tolerance related to operational risk issues such as fleet management and safety is in principle zero. Potential losses resulting from accidents, inadequate systems, piracy, human error, insufficient insurance, failure of IT systems or non-compliance with regulation are other examples of operational risk.

Operational risk associated with our corporate responsibility is assessed based on its significance to our core business, importance to our stakeholders and the severity of the negative impacts it may pose on the areas within human rights including labour rights, the environment and anti-corruption.

We are committed to work for a zero incident operation and zero environmental impact as defined by our policies.

Safety at sea

A strong safety culture is a top priority for us, primarily because of the human consequences of injuries or even casualties, but also because of the financial and reputational risk such incidents may pose to our business.

Our industry has implemented international safety standards, and a growing number of clients add further requirements. Safety procedures are implemented to ensure not only compliance with the highest industry standards but also to secure a safety performance amongst the leading industry peers.

Operation in high-risk areas

Risk related to the safety of our crews and our clients' cargoes due to piracy or violent crime-related activity in certain parts of the world has strict attention. The necessity for engaging armed security teams on vessels operating in high-risk regions is assessed prior to every voyage and by adhering to recommendations and Best Management Practices (BMP4) from relevant national and international bodies.

Insurance

Our assets, chartered and operated fleet, our liabilities and non-marine risk are generally covered by insurances. Insurances are taken out with first class international insurance companies and are always taken out with a certain financial safety margin to avoid any serious consequential financial impact from an incident or casualty.

IT systems

IT is critical for our business and systems need to be available round-the-clock and accessible worldwide. Tolerance related to IT security and down-time is low. As a global shipping company, we are exposed to risks related to IT security and cybercrime ashore and at sea. Our efforts to ensure IT security and procedures to treat the evolving threat scenarios are continually updated.

Non-compliance

Non-compliance is a significant risk factor in the shipping industry. We are exposed to different cultures and practices and are subject to various national regulations. Compliance policies for regulatory risk, including anti-corruption and sanctions are adopted and are supplemented by face-to-face compliance training of both sea and shore personnel. Compliance screening of counterparts is performed. Concerns from in-house and third parties can be reported on an J. Lauritzen's anonymous whistle-blower portal.

Corporate *Responsibility*

Our corporate responsibility efforts are based on our core values and are aligned with our commitment to the ten principles of the UN Global Compact and the UN Guiding Principles on Business and Human Rights.

We continuously work for increased integration of our corporate responsibility efforts into our business strategy and day-to-day operations.

HIGHLIGHTS 2017

In 2017, we continued our efforts in the ongoing implementation of energy-efficiency projects and our anti-corruption compliance programme. We also began work with the UN Sustainable Development Goals (SDG), which became an important source of inspiration in our work to define our overall purpose and values.

Environmental policy

During 2017, we updated our policy on environmental responsibility. It confirms our commitment to working toward a greener environment whilst at the same time creating value for our owners, clients and other stakeholders.

Energy efficiency initiatives

JL's involvement is the Blue INNOship project is in its final phase, and the benefits have already been substantial. Several improvements have been implemented to the decision support and processes around efficient ship operation with respect to energy efficiency and environmental performance.

ECOPRODIGI is a new project founded by the Interreg Baltic Sea Region Programme. As part of this, we teamed up with some of the partners from the Blue INNOship project to continue the development of digital solutions which focus on increasing the eco-efficiency of ships.

We have been an active partner in Green Ship of the Future for several years and we continue to support and participate in the promotion of both new and existing energy efficient technologies. Recently, we have been involved in a pilot project investigating the possibilities for the use of 3D printers onboard our vessels.

Sulphur cap

As founding member of the Trident Alliance, we continued the efforts for the robust enforcement of sulphur regulations in view of the upcoming global 0.5 sulphur cap scheduled to come into force in 1 January 2020.

Responsible ship recycling

Our policy on responsible ship recycling (approved in 2016) acknowledges the severe environmental and human impact of some recycling practices. The policy commits J. Lauritzen to ensure recycling of owned vessels in compliance with the requirements of the 2009 Hong Kong Convention for the Safe and Environmentally Sound Recycling of Ships and in respect for human rights.

Recognising a responsibility that often goes beyond owned vessels, the policy further commits us to take action to prevent and mitigate severe impacts when we sell vessels for further trade.

In early 2017, a 1992-built gas carrier was recycled in compliance with our policy on responsible recycling.

Security policy

Due to the instability in many countries and regions and the risk of piracy-related activities against ships, our security policy for owned and operated vessels in high-risk areas was updated.

Global Compact Network Denmark

In early 2018, we became signatory to the Global Compact Network Denmark, which was founded in late 2017.

OUTLOOK 2018

In 2018, we will continue our corporate responsibility efforts and commitments. Our focus will always be on the integration of our CR with our business strategy and thus our overall value creation.

ADDITIONAL INFORMATION

Please see our Corporate Responsibility Report 2017 for additional information. The report serves as our Communication on Progress to the UN Global Compact and is available on our website. Click here to read the report.

Board of *Directors*

Chairman
Jesper T. Lok
Member since 2014 // Remuneration: DKK 850,000

Other management duties, etc.:

Chairman of the Board:
Dagrofa

Deputy Chairman of the Board:
ALLIANCE+

Board member:
PostNord, Newsec Datea and Unicef Denmark

Vice Chairman
Niels Heering
Member since 2001 // Remuneration: DKK 500.000

Partner, Gorrissen Federspiel

Other management duties, etc.:

Chairman of the Board:
NTR Holding A/S, Civ.ing. N.T. Rasmussens Fond, Helgstrand Dressage A/S, Nesdu A/S, Henning Stæhr A/S, M. Goldschmidt Holding A/S, M. Goldschmidt Capital A/S, M. Goldschmidt Ejendomme A/S, MGE Hillerød Holding A/S, Imerco A/S and Inspiration A/S, Aquaporin A/S

Deputy Chairman of the Board:
15. Juni Fonden

Board member:
Aborethusene A/S
Scandinavian Private Equity A/S
Ole Mathiesen A/S
Slotshotellet ApS
Lise og Valdemar Kählers Familiefond

Board of *Directors - continued*

Peter Poul Lauritzen Bay
Member since 2003 // Remuneration: DKK 300,000

Managing Director, J. Krebs & Co. A/S

Other management duties, etc.:

Marianne Wiinholt
Member since 2011 // Remuneration: DKK 400,000

Executive Vice President and CFO, Ørsted

Other management duties, etc.:

Board member:
Hempel A/S, Norsk Hydro ASA

Søren Berg*
Member since 2005 // Remuneration: DKK 250,000

Project Manager, Lauritzen Kosan

Other management duties, etc.:

Board member:
De Forenede Sejlskibe I/S

Karsten Gauger**
Member since March 2017 // Remuneration: DKK 187,500

Head of People and Quality, Fleet Management, Lauritzen Kosan

Other management duties, etc.:

Rolf Andersen**
Member since March 2017 // Remuneration: DKK 187,500

Fleet Manager, Lauritzen Kosan

Other management duties, etc.:

AUDIT COMMITTEE
Niels Heering (Chairman), Marianne Wiinholt and Peter Poul Lauritzen Bay

NOMINATION & REMUNERATION COMMITTEE
Jesper T. Lok (Chairman) and Niels Heering

* Re-elected in March 2017 by the employees
** Elected in March 2017 by the employees

Management

EXECUTIVE MANAGEMENT AND EXECUTIVE COMMITTEE

Chief Executive Officer (CEO)
Mads Peter Zacho
Joined J. Lauritzen in 2016 // CEO since September 2016

OTHER EXECUTIVE COMMITTEE MEMBERS

Chief Operating Officer (COO)
Thomas Wøidemann
Joined J. Lauritzen in 2002 // In current position since July 2017

Senior Vice President
Corporate Control & IT
Erik Bierre
Joined J. Lauritzen in 2000 // In current position since 2000

Senior Vice President
Head of Fleet Management
Claus W. Graugaard
Joined J. Lauritzen in 2013 // In current position since July 2017

Vice President
Corporate Human Resources
Jan Ulrik Nielsen
Joined J. Lauritzen in 2011 // In current position since 2015

Financial *Review*

OPERATING ACTIVITIES

Results

In 2017, the result was USDm (45) compared to USDm (46) in 2016.

The 2017 results included special items of net USDm 30 mainly related to reversal of impairment and use of provisions for onerous contracts.

Revenue and time charter equivalent income

Revenue increased from USDm 420 in 2016 to USDm 555 in 2017. The increase was mainly due to termination of Lauritzen Bulkers' handysize pool mid-2016 and hence the transition from pool employment, where earnings were recognised on net distribution basis, but also due to strengthened dry cargo markets. Increased revenue for our bulk carriers was partly offset by revenue decrease for our largest gas carriers due to intensified competition from size segments above ours and by the impact from sale and redelivery of time-chartered gas carriers.

Voyage related costs increased from USDm (141) in 2016 to USDm (210) in 2017 mainly reflecting the termination of Lauritzen Bulkers' handysize pool.

The time-charter equivalent income amounted to USDm 345 based on 43,213 ship days compared to USDm 279 in 2016 based on 46,940 ship days.

Hire of chartered vessels increased from USDm (229) in 2016 to USDm (279) in 2017 due to delivery of additional time-chartered tonnage to Lauritzen Bulkers, but also reflecting the revised fleet composition upon the termination of the handysize pool.

Operating costs for owned and bareboat-chartered vessels totalled USDm (62), down from USDm (64) in 2016, mainly due to the sale of gas carriers.

EBITDA before special items

Operating income before depreciation (EBITDA) and special items amounted to USDm (31), up USDm 23 on 2016. The improvement was primarily due to the strengthening of dry cargo markets, however partially offset by weakened earnings for our gas carriers.

Depreciation amounted to USDm (28) down from USDm (30) in 2016 due to sale of gas carriers.

Operating income and special items

Operating income before special items amounted to USDm (60) compared to USDm (83) in 2016.

Special items amounted to USDm 30 mainly related to use of provisions for onerous contracts. By comparison, special items in 2016 of USDm 34 comprised USDm 52 from provisions, USDm (26) from impairment losses and USDm 8.0 related to claims and termination of contracts.

FINANCING AND TAX

Net financial income and expenses amounted to USDm (13) compared to USDm 0.7 in 2016. Decreased interest costs and increased exchange rate gains were partly offset by financial income in 2016 of USDm 27 related to sale of shareholdings that were not repeated in 2017.

Income tax amounted to USDm (2.2) compared to USDm 3.1 in 2016.

Operating assets and liabilities

Vessels

At year-end, we tested our fleet for impairment. The impairment test resulted in a reversal of write-downs of USDm 15 related to our bulk carriers due to an increase in broker values.

The carrying amount of vessels totalled USDm 372 compared to USDm 380 in 2016. Brokers' valuations totalled USDm 373.

Investments in joint ventures

Investments in joint ventures totalled USDm 27 against USDm 27 in 2016.

Net working capital and other receivables

Net working capital amounted to USDm 5.6 against USDm 12 in 2016. Other receivables totalled USDm 2.4, down from USDm 24 in 2016 mainly due to payments from charterers.

Provisions for onerous contracts

Provisions for onerous time charter contracts and other provisions amounted to USDm 15 down from USDm 35 in 2016 due to use of provisions, partly offset by an additional provision for onerous time charter contracts of USDm 15.

Invested capital

Invested capital amounted to USDm 396, up from USDm 379 in 2016 primarily due to payment of hedging debt and use of provisions for onerous contracts partly offset by depreciation.

At year-end 2017, total assets amounted to USDm 504, down USDm 113 on 2016 mainly due to use of cash for repayment of debt.

Capital structure and finances

Equity

Shareholders' equity was USDm 261, up from USDm 223 in 2016. This included capital injection of USDm 80 in September 2017. Solvency was 52%, up from 36% at year-end 2016.

Liabilities

Total interest bearing debt decreased to USDm 198 from USDm 300 in 2016 due to repayment of the JLA02 corporate bond and mortgage debt.

At year-end 2017, total liabilities amounted to USDm 244, against USDm 394 in 2016. The decrease of USDm 150 mainly comprised repayment of interest bearing debt, payment of hedging debt related to the corporate bond and a decrease in provisions for onerous contracts.

CASH FLOW AND FINANCIAL RESOURCES

Cash flow from operating activities totalled USDm (48), down from USDm (41) in 2016, mainly reflecting payment of hedging debt of USDm 31 related to the corporate bond and less inflow of cash related to receivables from charterers partly offset by the improved EBITDA.

Cash flow from investment activities amounted to USDm (5.0) which mainly related to dry dockings partly offset by proceeds from sale of vessels. In 2016, cash flow from investment activities amounted to USDm 129 which related to sale of vessels and other assets.

Cash flow from financing activities amounted to USDm (30) comprising a capital injection of USDm 80 and repayment of debt of USDm (110). In 2016, cash flow from financing activities amounted to USDm (63) comprising capital injection of USDm 19 and net repayment of debt of USDm (82).

Cash and cash equivalents at year-end amounted to USDm 59 compared to USDm 141 at year-end 2016.

At year-end 2017, financial resources, including undrawn committed facilities and committed facilities available upon delivery of vessels, totalled USDm 59 compared to USDm 141 at year-end 2016.

In addition to the financial resources noted above, J. Lauritzen has an unsecured, uncommitted overdraft facility of DKKm 40 for multi-currency short-term financing needs.

Management *Statement*

Today, the Board of Directors and the Executive Management have discussed and approved the annual report of J. Lauritzen A/S for the financial year 1 January – 31 December 2017.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and Parent Company at 31 December 2017 and of the results of the Group's and the Parent Company's operations and the cash flows for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters, the results of the Group's and the Parent Company's operations and financial position and describes the material risk and uncertainties affecting the Group and the Parent Company.

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

Hellerup, 23 February 2018

EXECUTIVE MANAGEMENT

Mads Peter Zacho
Chief Executive Officer (CEO)

BOARD OF DIRECTORS

* Elected by the employees

Jesper T. Lok, Chairman

Niels Heering, Vice Chairman

Marianne Wiinholt

Peter Poul Lauritzen Bay

Søren Berg*

Rolf Andersen*

Karsten Gauger*

Independent *Auditors' Report*

To the Shareholder of J. Lauritzen A/S

Opinion
We have audited the consolidated financial statements and the parent company financial statements of J. Lauritzen A/S for the financial year 1 January – 31 December 2017, which comprise income statement, statement of comprehensive income, balance sheet statement, cash flow statement, equity statement and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "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 Group 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.

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 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 our procedures, 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.

Management's responsibilities for the financial statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 Group's and the Parent 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 Group or the Parent 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent 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
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Copenhagen, 23 February 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Torben Bender
State Authorised
Public Accountant
MNE no. 21332

Consolidated Financial Statements

Notes

Income Statement

USD '000	Note	2017	2016
Revenue	2.1, 2.2	555,111	420,017
Voyage related costs		(209,877)	(141,350)
Time-charter equivalent income		**345,234**	**278,667**
Other operating income		3,146	4,089
Hire of chartered vessels	2.2	(278,989)	(229,144)
Operating costs of vessels	2.4	(62,403)	(64,443)
Administrative costs	2.4	(37,972)	(43,598)
Operating income before depreciation (EBITDA) and special items		**(30,984)**	**(54,429)**
Profit/(loss) on sale of vessels and other assets		364	639
Depreciation	3.1	(27,927)	(29,895)
Share of profit in joint ventures	2.2, 3.3	(1,076)	353
Operating income (EBIT) before special items		**(59,622)**	**(83,332)**
Special items, net	2.2	29,805	33,664
Operating income (EBIT) after special items		**(29,817)**	**(49,667)**
Financial income	4.3	3,914	27,708
Financial expenses	4.4	(17,351)	(26,968)
Profit/(loss) from continuing operations before tax		**(43,254)**	**(48,928)**
Income tax	5.4	(2,154)	3,111
Profit/(loss) from continuing operations		**(45,408)**	**(45,817)**
Profit/(loss) from discontinued operations	5.1	-	195
Profit/(loss) for the year		**(45,408)**	**(45,622)**
Profit/(loss) attributable to:			
The J. Lauritzen Group		**(45,408)**	**(45,622)**

Statement of Comprehensive Income

USD '000	Note	2017	2016
Profit/(loss) for the year		**(45,408)**	**(45,622)**
Items that can be reclassified subsequently to income statement:			
Other comprehensive income net of tax:			
Exchange differences on translating foreign operations		698	(178)
Fair value adjustment of hedging instruments during the year		1,773	(565)
Gain/(loss) on hedging instruments transferred to financial expenses		1,074	6,478
Fair value adjustment of shares available for sale	4.5	(52)	1
Fair value adjustment of shares available for sale reclassified to Financial items, net		-	(27,072)
Other comprehensive income net of tax		**3,493**	**(21,337)**
Total comprehensive income for the year		**(41,914)**	**(66,959)**
Total comprehensive income attributable to:			
The J. Lauritzen Group		(41,914)	(66,959)
		(41,914)	**(66,959)**

Balance Sheet Statement

ASSETS

USD '000	Note	2017	2016
Vessels, property and equipment	3.1	375,291	384,153
Investments in joint ventures	3.3	27,134	26,871
Deferred tax assets	5.4	4,100	3,700
Shares available for sale	4.5	-	52
Receivables from joint ventures		1,794	560
Other receivables		542	472
Non-current assets		**408,861**	**415,808**
Bunkers		14,976	13,169
Trade receivables	4.5	8,405	10,418
Other receivables	3.5	2,372	24,001
Prepayments		6,953	6,268
Current tax receivables	5.4	-	2,870
Derivative financial instruments	4.5	4,311	4,017
Cash and cash equivalents		58,540	140,572
Current assets		**95,557**	**201,317**
Total assets		**504,418**	**617,125**

LIABILITIES

USD '000	Note	2017	2016
Share capital		65,473	63,864
Retained earnings		201,928	168,945
Reserves		(6,478)	(9,971)
Equity	**4.6**	**260,923**	**222,837**
Non-current derivative financial instruments	4.5	477	1,381
Long-term borrowings	4.1	193,705	215,948
Non-current liabilities		**194,182**	**217,329**
Current portion of long-term borrowings	4.1	4,348	84,448
Trade payables		18,240	13,491
Other payables		10,083	10,451
Provisions	3.6	15,327	34,670
Derivative financial instruments	4.5	811	33,900
Current tax payables	5.4	504	-
Current liabilities		**49,313**	**176,959**
Total liabilities		**243,495**	**394,288**
Total equity and liabilities		**504,418**	**617,125**

Cash Flow Statement

USD '000 - Inclusive discontinued operations	Note	2017	2016
Operating income before special items, continuing operations		(59,622)	(83,332)
Operating income before special items, discontinued operations		-	195
Depreciation carried back		27,927	29,895
Share of profit in joint ventures		1,076	(353)
Special items with cash flow effect		-	9,256
(Profit)/loss on sale of vessels and other assets		(364)	(639)
Change in bunkers		(1,807)	(6,017)
Change in receivables		22,382	49,055
Change in payables		1,791	(5,956)
Cash flow from operations before financial items		(8,618)	(7,896)
Ingoing financial payments		1,088	608
Outgoing financial payments		(41,350)	(33,793)
Cash flow from ordinary operations		(48,879)	(41,080)
Paid corporate tax	5.4	1,174	(161)
Cash flow from operating activities		**(47,706)**	**(41,241)**
Investments in vessels	3.1	(9,427)	(9,927)
Payments on vessels under construction	3.1	-	(20,158)
Payments on vessels under construction, held for sale		-	(20,267)
Investments in machinery and equipment	3.1	(36)	(7)
Investments in joint ventures	3.3	(1,009)	(5,940)
Payments of provisions related to joint ventures		-	(8,909)
Sale of vessels		5,432	78,589
Sale of other non current assets		12	(131)
Disposal of joint ventures	3.3	-	51,947
Dividend received from joint ventures	3.3	-	1,992
Purchase and sale of securities and shares available for sale		-	57,163
Bank deposits pledged as security for debt		-	5,027
Cash flow from investment activities		**(5,028)**	**129,381**
Financial receivables		(5)	747
Installment on long-term debt		(109,622)	(147,708)
Proceeds from loans		-	64,019
Finance lease payments		-	630
Increase in share capital		80,000	19,382
Cash flow from financing activities		**(29,627)**	**(62,931)**

	2017	2016
Changes for the year in cash and cash equivalents	(82,362)	25,209
Cash and cash equivalents at beginning of year	140,572	115,570
Currency adjustments on cash and cash equivalents	331	(207)
Cash and cash equivalents at the end of the year	**58,540**	**140,572**
Undrawn committed credit facilities at end of year *)	-	-
Financial resources at the end of the year	58,540	140,572

*) J. Lauritzen has an unsecured overdraft facility of DKKm 40 (2016 DKKm 100) for multi-currency short-term financing needs.

Equity Statement

USD '000	Share capital	Hedging instruments	Shares available for sale	Translation gain/loss	**Reserves**	Retained earnings	**Total equity**
Equity 1/1 2017	63,864	(3,817)	-	(6,154)	(9,971)	168,945	222,837
Profit/(loss) for the year	-	-	-	-	-	(45,408)	(45,408)
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	698	698	-	698
Deferred (gain)/loss on hedging instruments transferred to financial expenses	-	1,074	-	-	1,074	-	1,074
Fair value adjustment of hedging instruments during the period	-	1,773		-	1,773	-	1,773
Fair value adjustment of shares available for sale	-	-	(52)	-	(52)	-	(52)
Other comprehensive income	-	2,847	(52)	698	3,493	-	3,493
Total comprehensive income	**-**	**2,847**	**(52)**	**698**	**3,493**	**(45,408)**	**(41,914)**
Transactions with owners:							
Capital increase	1,609	-	-	-	-	78,391	80,000
Total transactions with owners	**1,609**	**-**	**-**	**-**	**-**	**78,391**	80,000
Equity 31/12 2017	**65,473**	**(970)**	**(52)**	**(5,456)**	**(6,478)**	**201,928**	**260,923**
Equity 1/1 2016	62,356	(9,730)	27,071	(5,976)	11,366	196,693	270,415
Profit/(loss) for the year	-	-	-	-	-	(45,622)	(45,622)
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	(178)	(178)	-	(178)
Deferred (gain)/loss on hedging instruments transferred to financial expenses	-	6,478	-	-	6,478	-	6,478
Fair value adjustment of hedging instruments during the period	-	(565)		-	(565)	-	(565)
Fair value adjustment of shares available for sale	-	-	(27,071)	-	(27,071)	-	(27,071)
Total other comprehensive income	-	5,912	(27,071)	(178)	(21,337)	-	(21,337)
Total comprehensive income	**-**	**5,912**	**(27,071)**	**(178)**	**(21,337)**	**(45,622)**	**(66,959)**
Transactions with owners:							
Capital increase	1,508	-	-	-	-	17,874	19,382
Total transactions with owners	**1,508**	**-**	**-**	**-**	**-**	**17,874**	19,382
Equity 31/12 2016	**63,864**	**(3,817)**	**-**	**(6,154)**	**(9,971)**	**168,945**	**222,837**

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 consolidated financial statement as a whole are described below.

NOTE 1.1 GENERAL INFORMATION

J. Lauritzen A/S is a private limited company with domicile in Denmark. The consolidated financial statements for the period 1 January – 31 December 2017 comprise J. Lauritzen A/S and its subsidiaries (The Group).

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of reporting class C, large enterprise.

NOTE 1.2 CHANGE IN ACCOUNTING POLICIES AND NEW FINANCIAL REPORTING STANDARDS

With effective date 1 January 2017, we have adopted the standards and interpretations that became effective in EU from 2017. None of the changes in the IFRS's has affected recognition or measurement in 2017.

NOTE 1.3 GENERAL ACCOUNTING POLICIES

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

The accounting policies set out below have been applied consistently by all Group entities and to all periods presented in these consolidated financial statements.

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 Groups 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.

Basis of consolidation
The consolidated financial statements comprises the Parent Company, J. Lauritzen A/S, and subsidiaries controlled by the Parent Company. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are in substance exercisable or convertible are considered when assessing whether the Group has control or significant influence over another entity.

Enterprises in which the Group has a significant influence, but not control over the financial and operating policies are classified as associates.

Joint ventures and associates are recognised using the equity method.

The Consolidated Financial Statements are prepared on the basis of the financial statements of the Parent Company and its subsidiaries, by combining items of a uniform nature and eliminating intercompany transactions and balances, and are based on financial statements prepared in compliance with the Group's accounting policies.

Acquisitions, disposals and entities formed during the year are included in the Consolidated Financial Statements during the period of the Group's control or significant influence. Comparative figures are not adjusted for acquisitions.

Translation of foreign currencies
Items included in the Consolidated Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

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.

The results and financial position of any Group entity that has a functional currency different from J. Lauritzen's presentation currency are translated into the presentation currency as follows:

- Assets and liabilities, including goodwill and fair value adjustments arising on consolidation are translated at the closing rates at the date of the balance sheet.
- Income and expenses for each income statement are translated at exchange rates approximating the exchange rate of the date of transaction date, and all resulting exchange differences are recognised as a separate component of equity.
- Exchange differences arising from the translation of the net investment in foreign subsidiaries, associates, joint ventures and of borrowings or other currency instruments relating to hedging such investments are recognised in other comprehensive income in the translation reserve of equity. Exchange differences are released to the income statement upon disposal of the net investment.

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 1.4 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 consolidated financial statements, they are presented in the related notes:

Critical accounting estimates and judgments:
- Estimated useful life and residual value of vessels – note 3.1
- Impairment test of non current assets and charter commitments – note 3.1

Critical accounting judgments:
- Special items – note 2.2
- Leases – note 2.3 and 3.2
- Joint ventures – note 3.3
- Assets held for sale – note 5.1
- Tax – note 5.4

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
Shipping is exposed to factors common for cyclical industries. The fundamental drivers of activity in shipping are global economic activity and the derived trade in commodities and manufactured goods between different regions are. Our business span across segments that have different characteristics; dry bulk shipping historically being volatile and cyclical compared to the market for gas carriers.

Vessel investments and long-term chartering (please see note 3.2 on leasing obligations for details) are commitments expected to be covered by future earnings which in turn are dependent on freight market levels and margins. Likewise future profits from cargo contracts (CoAs) are dependent on future charter rate levels for tonnage.

The risk embedded in the committed activitiy and the uncertainty of future earnings is addressed by obtaining forward employment and tonnage coverage by entering into cargo contracts, time charters, voyage charters and Forward Freight Agreements. The forward cover is managed on a daily basis.

The majority of our dry bulk business is booked in the spot market by either employing third party-vessels or vessels in our core fleet for the trading. The income from dry bulk business is consequently sensitive to freight rate levels, available trading margins and trading volume. For the gas carrier business, a substantial part of it is concluded as annually renewed contracts of affreightment performed with our controlled fleet. The income from gas carriers is generally sensistive to the freight rate levels, fleet size and waiting time in relation to CoA business.

Fluctuations in freight rate levels impact the income statement and cash position. Fluctuations in the value of our owned vessels affect the income statement, balance sheet, compliance with financial covenants and can affect our liquidity via minimum value requirements in our loan agreements. Details are disclosed in note 4.5.

NOTE 1.5 NEW ACCOUNTING REGULATIONS FOR FUTURE IMPLEMENTATION

The IASB has issued a number of new or revised accounting standards (IAS and IFRS) and interpretations (IFRICs), that are not compulsory for the Group in the preparation of the financial statements for 2017.

In May 2014, IFRS 15 Revenue from Contracts with Customers was issued, introducing a five step model for recognition of revenue. During 2016 & 2017 J. Lauritzen has commenced the analysis of the changed requirements. Effective date of the standard is 1 January 2018.
J. Lauritzen plans to adopt the new standard on the required effective date using the modified retrospective method.

J. Lauritzen enters into 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. The latter includes a lease component and is therefore out of scope of IFRS 15. We identify each voyage as a performance obligation no matter if it is part of a spot or a COA.

The transaction price is agreed with the customer for all types of contracts. The voyage result (revenue and voyage related costs) recognised during the voyage is based on estimates of costs and the duration of the voyage. According to IFRS 15 the revenue should be recognised, when the entity satisfies a performance obligation, that is when a voyage is carried out, based on a contract with a customer. Our understanding of IFRS 15 is that only when there is a transfer of control to the customer, revenue can be recognised, meaning that revenue can be recognised from the vessel is ready for load of cargo until the discharge of cargo at the destination. This deviate from the practice of today, where revenue is recognised from discharge of cargo on one voyage to discharge of cargo on the subsequent voyage. This will affect open voyages on the reporting date.

The analysis of the effect of changed revenue recognition shows that the effect on revenue is fairly small, approximately 1% at year end 2017. The voyage related costs are presently also allocated over the estimated duration of the voyage from discharge to discharge. Allocating these from load to discharge will reduce the effect of the change in revenue implying an effect of less than 1% on the Time-charter equivalent income (TCE). The effect of implementing IFRS 15 in January 2018 will be an initial effect on equity of approximately 1% of TCE in 2017, and hereafter the effect of the changed practice at each reporting date will more or less set off the effect from the previous reporting period.

In July 2014, IFRS 9 Financial Instruments was issued to replace IAS 39. The new standard changes the classification and measurement of financial instruments and hedging requirements, and introduces an expected-credit-loss-model for financial assets.

It is assessed that the new three-step model for trade receivables and the new hedging requirements will not have any significant impact on J. Lauritzen. Effective date is 1 January 2018.

In January 2016, IFRS 16 Leases was issued. The new standard implies that all J. Lauritzen's operational lease-contracts with a duration of more than 12 months shall be recognised at the balance sheet as a lease liability and a right-of-use asset measured at the present value of lease payments (measured as bareboat charter for vessels). Implementing the changes in IFRS 16 will also have an impact on the Income Statement as the lease expenses will be recognised as amortisation and interest (below EBITDA), and on financial ratios. The Cash Flow Statement will be affected by lease payments being classified as cash flow from financing activities instead of cash flow from operating activities.
It is considered too early to disclose an effect of implementing the leasing standard in the Annual Report of 2017. A calculation of the effect is highly sensitive to composition of the time charter fleet in 2019, the estimated opex-level in 2019 per vessel class/size, as well as the discount rate.
The effective date of IFRS 16 is 1 January 2019.

Except for IFRS 15 Revenue from Contracts with Customers, IFRS 9 Financial Instruments and IFRS 16 Leases none of the issued accounting standards and interpretations are expected to have influence on the financial reporting for the Group. We expect to implement the standards and interpretations on effective date as issued by the IASB subject to their endorsement by the EU.

NOTE 1.6 KEY FIGURES, FINANCIAL RATIOS, AND NON-IFRS MEASURES

The Income statement includes financial measures which are not defined by IFRS. 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 Group's Income statement.

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 J. Lauritzen's share of profit/(loss) divided by J. Lauritzen's average share of equity.

Invested capital is total assets less cash, securities, non operational assets and non interest-bearing current liabilities.

Return on invested capital is calculated as operating income after special items divided by average invested capital.

Net interest bearing debt (NIBD) is Interest-bearing liabilities, less subordinated loan, interest-bearing assets and cash.

NIBD/EBITDA is calculated as NIBD divided by operating income before depreciations and special items.

Section 2
Operating Activities

NOTE 2.1 REVENUE

The revenue reported represents revenue from external customers.

USD '000	**2017**	2016
Freight revenue	394,561	279,094
COA revenue	109,613	92,333
Time charter revenue	50,937	48,589
Total	**555,111**	420,017

ACCOUNTING POLICIES

Revenues
Revenues include charter income, freight and demurrage revenues from the vessels. Revenues are recognised in the income statement as services are delivered. Uncompleted voyages are recognised with the share related to the financial year. Earnings from vessels which are engaged in pools are recognised in revenue on a net distribution basis.

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.

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.

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	2017	2016
A) One-off revenue from sale of claims, claim settlements and termination of contracts	-	9,256
B) Impairment losses/reversals on vessels	14,112	(8,615)
B) Impairment losses on vessels under construction	-	(16,306)
B) Impairment losses on vessels classified as held for sale	-	907
C) Provisions for onerous contracts	(15,914)	(5,325)
C) Use of provisions for onerous contracts	30,392	57,294
D) Impairment losses/reversals on vessels owned by joint ventures	1,215	(2,319)
E) Financial items related to termination of contracts	-	(1,229)
Special items, net	**29,805**	**33,664**

If special items had been included in the operating profit before special items, they would have been included in the Income Statement as follows:

INCOME STATEMENT - CONDENSED

USD '000		2017	2016
Revenue	A)	555,111	429,273
Other operating income		3,146	4,089
Costs	C)	(574,175)	(426,566)
Operating income before depreciation (EBITDA)		**(15,918)**	**6,797**
Profit/(loss) on sale of assets		364	639
Depreciation and impairment losses	B)	(14,402)	(53,909)
Share of profit in joint ventures	D)	139	(1,965)
Operating income		**(29,817)**	**(48,438)**
Net financial items	E)	(13,437)	(490)
Profit/(loss) before tax		**(43,254)**	**(48,928)**
Income tax		(2,154)	3,111
Profit/(loss) from continuing operations		**(45,408)**	**(45,817)**

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 OPERATING LEASING INCOME

At the balance sheet date the Group has the following contractually committed leasing income from time-charter contracts:

2017	USDm committed income	No. of vessels, full year equivalents
< 1 Year	36.4	10.6
1 - 2 Year	5.6	2.0
2 - 3 Year	3.2	1.1
3 - 4 Year	0.5	0.2
4 - 5 Year	-	-
> 5 Year	-	-
Total	**45.8**	**-**

2016		
< 1 Year	41.2	10.2
1 - 2 Year	6.8	1.4
2 - 3 Year	-	-
3 - 4 Year	-	-
4 - 5 Year	-	-
> 5 Year	-	-
Total	**48.0**	**-**

CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

The Group enters into different contracts regarding chartering vessels out. The majority of these contacts can easily be categorised as either operational or financial leases. However, some contracts may require judgment as to the substance of the agreement in order to recognise and measure them in accordance with the Group's accounting policies

NOTE 2.4 STAFF COSTS, OFFICE & FLEET

	Staff costs onshore employees [1]		Staff costs, crew on vessels [2]		Total staff costs	
USD '000	**2017**	2016	**2017**	2016	**2017**	2016
Salaries	22,301	25,554	27,214	29,335	49,515	54,889
Pensions (defined contribution plan)	2,295	2,014	-	-	2,295	2,014
Social security	406	502	-	-	406	502
Contract labour	198	205	-	-	198	205
Total	**25,200**	**28,275**	**27,214**	**29,335**	**52,415**	**57,610**

1) Included in "Administrative costs"
2) Included in "Operating costs of vessels"

	Number of employees, onshore		Number of employees, crew on vessels		Number of employees, total	
	2017	2016	**2017**	2016	**2017**	2016
Average number of employees	174	196	524	586	698	782
Number of employees at year end	165	195	522	549	687	744

USD '000	**2017**	2016
Remuneration to J. Lauritzen A/S'		
Executive Management - salaries	684	1,555
CEO Mads Peter Zacho	*684*	*188*
CEO Jan Kastrup Nielsen	-	*843*
CFO Birgit Aagaard-Svendsen	-	*524*
Executive Management - bonus	76	1,451
CEO Mads Peter Zacho	*76*	253
CEO Jan Kastrup Nielsen	-	*1,198*
Board of Directors	426	430
	1,186	**3,436**

Remuneration to Executive Management consists of a fixed and variable compensation. No variable compensation has been paid in 2017 and 2016. In 2016, Executive Management has been awarded a bonus subject to individual dates of resignation.

Section 3
Operating Assets and Liabilities

NOTE 3.1 VESSELS, PROPERTY & EQUIPMENT

USD '000 **2017**	Vessels	Vessels under construction	Land & buildings	Machinery, tools and equipment	Total
Cost as at 1 January	847,963	24,340	2,320	10,108	884,730
Exchange rate adjustments	1,105	-	168	38	1,311
Additions	9,427	-	-	36	9,463
Disposals	(47,390)	(24,340)	-	-	(71,730)
Cost as at 31 December	811,104	-	2,489	10,181	823,774
Depreciation and impairment losses as at 1 January	(467,675)	(24,340)	(720)	(7,841)	(500,576)
Exchange rate adjustments	(607)	-	(100)	(36)	(743)
Depreciation	(27,022)	-	(83)	(823)	(27,927)
Reversal of impairment losses	14,112	-	-	-	14,112
Disposals	42,311	24,340	-	-	66,651
Depreciation and impairment losses as at 31 December	(438,881)	-	(903)	(8,699)	(448,483)
Balance as at 31 December	**372,224**	**-**	**1,586**	**1,483**	**375,291**

USD '000 2016	Vessels	Vessels under construction	Land & buildings	Machinery, tools and equipment	Total
Cost as at 1 January	880,711	30,671	2,794	10,119	924,294
Exchange rate adjustments	(293)	-	(473)	(18)	(784)
Additions	9,927	20,158	-	7	30,092
Disposals	(32,632)	(317)	-	-	(32,949)
Transfer, assets held for sale	(9,750)	(26,173)	-	-	(35,923)
Cost as at 31 December	847,963	24,340	2,320	10,108	884,730
Depreciation and impairment losses as at 1 January	(436,016)	(16,039)	(683)	(7,024)	(459,762)
Exchange rate adjustments	160	-	43	15	219
Depreciation	(28,981)	-	(80)	(834)	(29,895)
Impairment losses	(8,615)	(16,306)	-	-	(24,921)
Disposals	1,104	-	-	-	1,104
Transfer, assets held for sale	4,673	8,005	-	-	12,678
Depreciation and impairment losses as at 31 December	(467,675)	(24,340)	(720)	(7,841)	(500,577)
Balance as at 31 December	**380,288**	**-**	**1,600**	**2,266**	**384,153**

Impairment test 2017

For Small Bulk Carriers, the impairment test shows no impairment or reversal overall, but within the CGU a reversal of impairments of USDm 15.3 on fully and part-owned vessels is offset by a provision for onerous time charter contracts.

For Fully-pressurised Gas Carriers and Other Gas Carriers the book values were supported by either broker values or the value in use of the vessels.

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.

The cost of vessels acquired by way of finance leases are stated at the lower of fair value, and the present value of the minimum lease payments at the inception of the lease.

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 range 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.

Land
Land is measured at cost. Land is not depreciated.

Buildings
Buildings are measured at cost less accumulated depreciation and accumulated impairment losses. Buildings are depreciated on a straight line basis. Expected useful life of buildings is 50 years.

Machinery, tools and equipment
Machinery, tools and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Machinery, tools and equipment are depreciated on a straight line basis. Expected useful life of machinery, tools and equipment is 5-10 years.

Impairment
The carrying amount of fully owned and chartered vessels 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. If the total carrying amount of the assets in the CGU still exceeds the value in use of the CGU, provisions are made for onerous contracts. Provisions are made to individual contracts, if net present value from an individual contract is negative.

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 2016 or 2017.

Impairment test of non-current assets and charter commitments
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 2017 are identical to those applied for 2016:

Lauritzen Bulkers	Small bulk carriers
Lauritzen Kosan	Fully-pressurised 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. We use a nominal risk adjusted weighted average cost of capital of 8.9% equal to 6.7% in real terms after tax (2016: 6.6%) to discount deflated future cash flows. Due to tonnage tax regulations, the pre-tax weighted average cost of capital corresponds to the weighted average cost of capital after income taxes.

NOTE 3.2 OPERATING LEASING OF VESSELS

At the balance sheet date the Group has the following operational lease obligations from time-charter and bareboat contracts:

2017	USDm committed obligation	No. of vessels, full year equivalents
< 1 Year	115.7	30.2
1 - 2 Year	87.3	22.4
2 - 3 Year	67.1	16.1
3 - 4 Year	56.5	13.1
4 - 5 Year	55.7	12.8
> 5 Year	79.3	18.1
Total	**461.7**	-

2016		
< 1 Year	110.3	27.6
1 - 2 Year	102.8	23.5
2 - 3 Year	76.7	18.0
3 - 4 Year	63.6	14.7
4 - 5 Year	56.0	13.0
> 5 Year	129.4	29.8
Total	**538.9**	-

CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

The Group enters into different contracts regarding chartering vessels in. The majority of these contacts can easily be categorised as either operational or financial leases. However, some contracts may require judgment as to the substance of the agreement in order to recognise and measure them in accordance with the Group's accounting policies.

NOTE 3.3 INVESTMENTS IN JOINT VENTURES

USD '000	2017	2016
Cost as at 1 January	20,842	114,876
Additions during the year	1,009	5,940
Disposal during the year	-	(99,975)
Cost as at 31 December	21,850	20,842
Revaluation as at 1 January	(1,655)	(45,134)
Exchange rate adjustments	-	59
Dividends received	-	(1,992)
Revaluations during the year	139	(2,616)
Disposal during the year	-	48,028
Revaluation as at 31 December	(1,516)	(1,655)
Balance as at 31 December	20,335	19,187
Negative equity settled against receivable from joint ventures	6,799	7,684
Balance as at 31 December	**27,134**	**26,871**

Key figures for joint ventures (100%):

USD '000	2017	2016
Revenue	17,680	51,542
Net profit	(2,849)	(3,452)
Assets	91,340	122,974
Liabilities	54,756	86,742
Group's share of net profit	(1,425)	(6,201)
Internal profit/loss	1,564	3,585
Net profit in joint ventures	139	(2,616)
Group's share of equity	19,687	20,104
Internal profit/loss	648	(917)
	20,335	19,187

Guarantees and payment obligations relating to joint ventures:

USDm	2017	2016
Guarantees undertaken for debt in joint ventures	23	26
Max. obligations to pay in capital into joint ventures	3	5

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 associates 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 Group 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.

NOTE 3.4 WORKING CAPITAL

USD '000	**2017**	2016
Bunkers	14,976	13,169
Trade receivables	8,405	10,418
Other receivables	2,372	2,751
Prepayments	6,953	6,268
Total working capital assets	32,706	32,607
Trade payables	18,240	13,491
Other payables	8,850	7,519
Total working capital liabilities	27,090	21,011
Net working capital	**5,616**	**11,597**

NOTE 3.5 OTHER RECEIVABLES

USD '000	2017	2016
Receivables from charterers	-	21,250
Working capital receivables:		
Pool receivables	309	1,778
Other short-term receivables	2,063	973
Total other receivables	**2,372**	**24,001**

NOTE 3.6 PROVISIONS

USD '000	2017	2016
Provisions as at 1 January	34,670	97,959
Additions included in special items	15,914	5,325
Additions, other	-	2,789
Used during the year included in special items	(30,392)	(57,294)
Used during the year, other	(4,865)	(15,135)
Reversal of provisions during the year	-	1,025
Provisions as at 31 December	15,327	34,670
Hereof:		
Current liabilities	15,327	34,670
Provisions as at 31 December	**15,327**	**34,670**

The provisions refer primarily to onerous long-term time-charters, expected to be used within 1 year.

Section 4
Capital structure and financing

NOTE 4.1 LONG-TERM BORROWINGS

	2017						
USD '000	<1 year	1 - 2 year	2 - 3 year	3 - 4 year	4 - 5 year	> 5 year	Total
Mortgages on vessels *)	(4,348)	(9,961)	(9,961)	(157,599)	(5,326)	(10,859)	(198,052)
Total long-term borrowings	**(4,348)**	**(9,961)**	**(9,961)**	**(157,599)**	**(5,326)**	**(10,859)**	**(198,052)**

	2016						
USD '000	<1 year	1 - 2 year	2 - 3 year	3 - 4 year	4 - 5 year	> 5 year	Total
Mortgages on vessels *)	(32,917)	(32,917)	(61,540)	(44,980)	(60,551)	(15,961)	(248,865)
Issued bonds *)	(51,531)	-	-		-	-	(51,531)
Total long-term borrowings	**(84,448)**	**(32,917)**	**(61,540)**	**(44,980)**	**(60,551)**	**(15,961)**	**(300,396)**

*) The bank facilities include covenants customary to ship finance, including:

- Security maintenance: Ratio between security and outstanding debt in the particular facility minimum 120%.
- Financial covenants: Value-adjusted consolidated solvency ratio of minimum 30%, consolidated liquidity of the higher of USD 25m and 10% of the total interest bearing debt of the Group calculated on a consolidated basis, and consolidated working capital ratio to be higher than one

On 11 April 2017, J. Lauritzen successfully obtained a new comprehensive agreement with all but one of our core lenders and our owner, Lauritzen Fonden, to among others improve the capital structure and ensure the continued financing of J. Lauritzen as well as to meet our obligations and comply with loan agreement covenants. The terms involved a USDm 80 capital injection from Lauritzen Fonden to ensure the repayment of the outstanding JLA02 corporate bond and the related hedging debt due in October 2017. The new agreement continues i.a. to include a four-year amortisation reduction and maturity extension to 2021 by core bank creditors, and substantially strengthens our balance sheet and reduces our financing cost. The revised agreement was agreed with the remaining core lenders as of 15 November 2017.

The USDm 80 capital injection from Lauritzen Fonden allowed for the JLA02 corporate bond and related hedging debt to be successfully repaid in October 2017. We complied with all covenants throughout 2017, like in previous years.

USD '000	Currency	Fixed/ Variable	Interest rate fixation	Average effective interest rate excl. hedging	Average effective interest rate incl. hedging	Book value
2017						
Mortgages on vessels	USD	Variable	3-6 month	4.12%	4.32%	(172,004)
Mortgages on vessels	JPY	Variable	6 month	2.07%	2.85%	(26,048)
Total				3.82%	4.11%	**(198,052)**
2016						
Mortgages on vessels	USD	Variable	3-6 month	3.56%	4.12%	(210,602)
Mortgages on vessels	JPY	Variable	6 month	2.11%	2.78%	(38,263)
Issued bonds	NOK	Variable	3 month	9.36%	9.13%	(51,531)
Total				**4.46%**	**5.25%**	**(300,396)**

NOTE 4.1 LONG-TERM BORROWINGS (continued)

Currency exposure on non-USD long-term borrowings, net of hedging:

	2017			2016		
USD '000	Book value	Currency hedging derivatives	Net currency exposure on loan	Book value	Currency hedging derivatives	Net currency exposure on loan
JPY	(26,048)	27,000	952	(38,263)	30,000	(8,263)
NOK	-	-	-	(51,531)	51,531	-
Total	**(26,048)**	**27,000**	**952**	**(89,794)**	**81,531**	**(8,263)**

Interest exposure on long-term borrowings to floating interest rates:

USD '000	**2017**	2016
Total long-term borrowings (including current portion)	(198,052)	(300,396)
Hereof amortised formation costs	5,826	6,166
Hereof fixed to maturity	-	(51,531)
Floating interest borrowings	(203,878)	(255,031)
Interest rate swaps floating to fixed, nominal	143,739	161,046
Exposure to floating interest rates at year end	**(60,140)**	**(93,985)**

ACCOUNTING POLICIES

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.

Changes in liabilities arising from financing activities

USD '000 **2017**	Mortage on vessels	Corporate bonds	Total liabilities from financing activities
Book value 1 of January	248,865	51,531	300,396
Repayment (Cash flow)	(53,627)	(55,995)	(109,622)
Foreign exchange movement	1,599	4,138	5,737
Amortised formation costs	1,216	326	1,541
Balance as at 31 December	**198,052**	**-**	**198,052**

USD '000 **2016**	Mortage on vessels	Corporate bonds	Total liabilities from financing activities
Book value 1 of January	326,027	52,236	378,263
Repayment (Cash flow)	(145,388)	(2,320)	(147,708)
Proceeds (Cash flow)	64,019	-	64,019
Foreign exchange movement	1,700	1,225	2,924
Amortised formation costs	2,507	391	2,898
Balance as at 31 December	**248,865**	**51,531**	**300,396**

NOTE 4.2 MORTGAGES

USD '000	2017	2016
Debt for a total of	198,052	248,865
is secured by mortgages on assets at the following book values:		
Vessels	366,463	373,074

NOTE 4.3 FINANCIAL INCOME

USD '000	2017	2016
Interest income, bank deposits	996	518
Other financial income	92	119
Currency exchange gains and losses, net	13	-
Financial instruments at FV through P&L, net	2,812	-
Reclassification of fair value adjustment on shares available for sale	-	27,072
Financial income	**3,914**	**27,708**

NOTE 4.4 FINANCIAL EXPENSES

USD '000	2017	2016
Interest expenses on loans	(16,788)	(24,116)
Other financial expenses	(562)	(338)
Currency exchange gains and losses, net	-	(2,157)
Interest on financial instr. at FV through P&L	-	(27)
Financial instruments at FV through P&L, net	-	(331)
Financial expenses	**(17,351)**	**(26,968)**

ACCOUNTING POLICIES

Financial items include interest income and expenses, 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.

NOTE 4.5 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

Through its operations, investments and financing, the Group is exposed to certain financial risk; this financial risk relates to and is defined as follows:

Liquidity risk	The risk that J. Lauritzen is not able to meet its future cash flow needs
Market risk	The risk of losses in financial positions arising from movements in market prices to which J. Lauritzen is exposed
Credit risk	The risk of incurring a financial loss if a customer or counterparty fails to fulfill its contractual obligations

Financial risks are regularly assessed and prioritised based on how likely they are to occur and their potential impact. As defined by the Board of Directors, overall policies and objectives for financial risks were generally unchanged from 2016.

LIQUIDITY RISK

Liquidity is managed at Group level and monitored on a day-to-day basis to ensure that sufficient funds are available to cover daily flows.

The general guidelines on liquidity including a minimum liquidity requirement is approved by the Board of Directors

Liquidity forecasts are produced and updated regularly based on forecasts on operational cash flows, net financing cash flow, CAPEX and investment commitments. Sensitivity analyses and stress tests are performed regularly.

At year-end 2017, cash and cash equivalents amounted to USDm 59. In addition to cash and cash equivalents an unsecured, uncomitted overdraft facility of DKKm 40 for multi-currency short-term financing needs is in place.

The Group's loan portfolio consists of traditional mortgage-backed ship finance (approximately 86% of total facilities) and ECA (Export Credit Agency) backed agreements (approximately 14% of total facilities).

The Group's loan agreements include a minimum value clause (MVC) where cash security has to be pledged if outstanding loan to market value reaches a certain limit. At year-end 2017, the Group had pledged USDm 0m related to MVC in loan agreements (2016: USDm 0). There were no breaches of credit facilities in 2017 and 2016. Should vessel values decrease by 10% during 2018 compared to the December 2017-valuations, nil would be required by year-end 2018 as additional security.

Changes in market values on derivatives could cause margin calls. To reduce the risk of margin calls, we have established credit lines with a number of financial counterparties based on second priority mortgages on our vessels. At year-end 2017, the Group had not pledged cash for cover of margin calls (2016: USDm 0).

Below is a maturity analysis of the financial liabilities at year-end 2017. A maturity analysis of operational lease obligations is included in note 3.2.

USD '000

2017	Carrying amount	Contractual cash flow	<1 year	1 - 2 year	2 - 3 year	3 - 4 year	4 - 5 year	> 5 year
Interest-bearing debt *)	(198,052)	(232,338)	(13,963)	(19,226)	(18,761)	(162,592)	(6,437)	(11,358)
Trade and other payables	(28,323)	(28,323)	(28,323)	-	-	-	-	-
Derivatives, liabilities at fair value	(1,289)	(1,289)	(811)	(187)	(177)	(94)	(13)	(6)
Total at 31 December 2017	**(227,664)**	**(261,950)**	**(43,097)**	**(19,413)**	**(18,938)**	**(162,686)**	**(6,450)**	**(11,365)**
2016								
Interest bearing debt *)	(300,396)	(335,816)	(96,760)	(41,265)	(68,099)	(49,683)	(63,002)	(17,007)
Trade payable and other payables	(23,942)	(23,942)	(23,942)	-	-	-	-	-
Derivatives, liabilities at fair value	(35,281)	(35,281)	(33,900)	(545)	(416)	(271)	(126)	(23)
Total at 31 December 2016	**(359,619)**	**(395,039)**	**(154,601)**	**(41,811)**	**(68,516)**	**(49,953)**	**(63,129)**	**(17,029)**

*) Contractual cash flow includes undiscounted interest payments based on interest levels at year-end.

MARKET RISKS

Market risk is the risk of losses on financial positions arising from movements in market prices to which the Group is exposed through financial instruments. Market risk is regularly assessed and prioritised based on how likely they are to occur and their potential impact. Based on this assessment, the following market risk factors are considered significant for the Group:

Currency risk - Operational cash flow
Currency risk from operations is related to non-USD costs where DKK expenses are the largest contributor
Currency risk - Investments
Relates to the risk of contractual commitments in non-USD. At year-end 2017, the Group had no non-USD commitments on newbuildings
Currency risk - Financing
Relates to long-term borrowings in non-USD. At year-end, the Group had long-term borrowings denominated in JPY, ref note 4.1
Interest rate risk - Long-term borrowings
The long-term floating rate borrowings are fixed to a large extent (73%) using interest rate swaps

To a minor extent the Group is exposed to other market risk factors that are considered less significant. These include risk on financial instruments related to share prices, oil prices and freight rates (FFA). We use derivatives to hedge oil and freight rates when applicable. The fair value of these instruments is disclosed in the table "Derivative financial instruments".

Below is a description of how we manage the significant market risk factors and perform sensitivity analysis of the exposure.

Sensitivity information is calculated at balance sheet date and comprises only sensitivity relating to financial instruments, so the amounts disclosed do not necessarily give a complete picture of the Group's risk relating to changes in currency rates and interest rates.

Currency risk

The operating and reporting currency is USD and thus all amounts are recorded and reported in USD. Matching income and expenses and assets and liabilities minimises the net currency risk, leaving net positions to be focused on.

Our policy is to use derivative instruments to hedge the currency risks relating to net non-USD cash flows from operating activities, investments and financing. The general hedging policy is approved by the Board of Directors.

The hedging strategy for operating costs is based on estimated annual net non-USD cash flows, i.e. 12 months rolling cash flow. Hedge accounting is not applied to forward contracts relating to future costs in non-USD currencies.

Please refer to note 4.1 for further disclosure of the currency exposure of long-term borrowings and hedging hereof.

Sensitivity of currency risk
To measure currency risk in accordance with IFRS 7, sensitivity is calculated as the change in fair value of future cash flows from financial instruments as a result of fluctuations in exchange rates on the balance sheet date. Other things being equal and after tax, sensitivity to fluctuations in non-USD currencies at balance sheet date based on a 10% decrease in currency translation rates against USD (assuming 100% effectiveness) would result in a net profit/(loss) of USDm (2.0) (2016: USDm (2.0)) and affect equity by USDm (2.0) (2016: USDm (2.0)). The effect of a 10% increase in the currency translation rates against USD would have a corresponding inverse effect.

Interest rate risk
Our policy is to hedge risk associated with changes in interest rates to limit the negative financial effects of adverse changes in interest rates by converting variable interest rates to fixed interest rates. Net interest rate risk may be hedged via forward rate agreements, interest rate swaps and related instruments if assessed as advantageous. The general hedging policy is approved by the Board of Directors.

Cash flow hedge accounting is used in respect of interest rate derivatives. These are recycled in the income statement over the term of the hedged loans. Please refer to note 4.1 for disclosure of the exposure to floating interest rates at balance sheet date.

Sensitivity of interest rate risk
Sensitivity of interest fluctuations is calculated as the hypothetic effect on net profit and equity as a result of fluctuations in interest rates at balance sheet date.

The sensitivity analysis includes financial instruments recognised at fair value for which the calculated effect on equity represents an immediate fair value change from a thought change in interest rates and financial instruments with variable interest recognised at amortised costs for which the calculated effect represents a one year effect on net profit and equity based on balances at year end.

Assumptions for the sensitivity analysis:
- All hedging instruments are assumed 100% effective.
- Changes in interest rates are global and thus the impact on the fair value of forward currency contracts and similar derivatives is not considered.
- Shares available for sale and shares at fair value through profit or loss are not included in sensitivity calculations due to inability to reliably measure the sensitivity of share prices to interest rate changes.

On financial instruments at fair value, the calculated effect after tax based on a 1% interest rate increase would affect profit/loss by USDm 1.3 (2016: USDm 1.7)) and equity by USDm 2.3 (2016: USDm 3.8). On financial instruments with variable interest recognised at amortised costs, profit/loss and equity would be affected by USDm (1.4) (2016: USDm (1.6)).

A 1% interest rate decrease would as a maximum have a corresponding inverse effect.

CREDIT RISK
Credit risk is the risk of incurring a financial loss if a customer or counterparty fails to fulfill their contractual obligations.

Our placement of deposits entails a potential credit risk and we only place deposits with banks that are either categorised as Structurally Important Financial Institutions (SIFI) or meet a minimum rating requirement.

Likewise, contracts for long-term business entail a potential counterparty credit risk. To mitigate the counterparty risk related to business contracts, we perform a thorough credit assessment prior to concluding long-term contracts. Large contracts are approved by the Board of Directors.

In 2017 and 2016, no provisions were made for losses on trade receivables. The Group did not have any further overdue trade receivables (2016: USD nil).

At year-end 2017, the majority of our financial counterparties had credit ratings of or above Baa2. The exposure to credit risk at balance sheet date can be illustrated as follows:

The maximum credit risk corresponds to the carrying value of the individual assets.

USD '000	**2017**	2016
Other long-term receivables	2,336	1,032
Trade receivables	8,405	10,418
Financial derivatives	4,311	4,017
Other short-term receivables	2,372	24,001
Cash and bank deposits	58,540	140,572
Maximum credit risk	**75,963**	**180,041**

DERIVATIVE FINANCIAL INSTRUMENTS

Our policy is to use derivative financial instruments to hedge financial risk. At year-end, the Group held the following derivatives:

USDm	Cash flow / Fair value hedge	2017 Nominal, USDm	2017 Duration, month	2017 Recognised on equity	2017 Fair value	2016 Nominal, USDm	2016 Duration, month	2016 Recognised on equity	2016 Fair value
Hedge accounting applied:									
Currency: USD/NOK	Cash flow	-	-	-	-	87.2	10	(1.7)	(31.6)
Interest rate swaps	Cash flow	113.5	4-72	(1.1)	(1.3)	125.9	16-83	(2.4)	(2.7)
Terminated interest rate swap	Cash flow	N/A	N/A	0.1	N/A	N/A	N/A	0.2	N/A
Total				**(1.0)**	**(1.3)**			**(3.8)**	**(34.3)**
Hedge accounting not applied:									
Currency: USD/NOK	N/A	-	0	-	-	(6.9)	0-10	-	1.4
Currency: USD/DKK	N/A	22.5	0-12	-	1.1	27.5	0-11	-	(0.8)
Currency: USD/JPY	N/A	27.0	1-9	-	0.4	30.0	1-12	-	(0.1)
Interest rate swaps	N/A	30.3	4	-	(0.0)	35.1	16	-	(0.1)
FFA's and oil contracts	N/A	N/A	1-12	-	2.8	N/A	1-15	-	2.6
Total				**-**	**4.3**			**-**	**3.0**
Total derivative financial instruments					**3.0**				**(31.3)**
Presented in the financial statement as:									
Derivative financial instruments, assets					4.3				4.0
Non-current derivative financial instr., liabilities					(0.5)				(1.4)
Derivative financial instruments, liabilities					(0.8)				(33.9)

ACCOUNTING POLICIES

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 Group 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.

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.

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The following categories of financial assets and liabilities are recognised in the balance sheet:

USD '000	2017	2016
Fin. assets at FV through P/L *)	4,311	4,017
Loans and receivables**)	71,653	176,024
Fin. assets available for sale	-	52
Fin. liabilities - at FV through P/L *)	(1,288)	(35,280)
Fin. liabilities - at amortised cost**)	(226,375)	(324,338)

*) Figure includes financial derivatives designated for hedge accounting
**) Amounts recognised for financial asset and liabilities at amortised cost do not differ materially from their fair value.

Fair value hierarchy
With the exception of shares available for sale of USDm 0.0 (2016: USDm 0.1) (Level 3), all financial instruments are stated at fair value on the basis of observable market prices (Level 2), directly as prices or indirectly derived from prices.

In 2017, fair value adjustment of Level 3 financial instruments amounted to USDm (0) recognised in other comprehensive income (2016: USDm 0). The fair value adjustment relate to unlisted shares for which a valuation technique has been used to determine fair value. Material inputs in the valuation comprise equity value and expected ROE compared to our return requirements. Financial instruments categorised at Level 3 have developed as follows:

USD '000	2017	2016
Book value at 1 January	52	46,981
Sale during the year	-	(46,930)
Fair value adjustment	(52)	1
Book value at 31 December	**-**	**52**

ACCOUNTING POLICIES

Financial assets
Investments are classified in the following categories:

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

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 less allowances for doubtful trade receivables. The allowances are based on an individual assessment of each receivable.

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.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised in equity. When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the Income statement as gains and losses from available-for-sale financial assets.

Methods for determination of fair value
Listed shares: For listed shares the fair value is determined as the stock exchange closing price at the balance sheet date.

Bonds: The fair value of investments in bonds is based on the closing price at the balance sheet date obtained directly from the market or from third parties. The fair value of bond related products where an active and liquid market does not exist, is obtained by using discounted cash flow techniques and observable market data prevailing at the balance sheet date.

Shares available for sale: Include unlisted shares for which valuation techniques are used to measure fair value. Changes in fair value are recognised in equity.

NOTE 4.6 EQUITY

The authorized and issued share capital of J. Lauritzen A/S amount to DKKm 460 (2016: DKKm 450) with 37 shares (2016: 36 shares) of DKK 50,000 or multiples of this.

	No. of shares		Nominal DKKm	
	2017	2016	**2017**	2016
1 January	36	35	450	440
Capital increase	1	1	10	10
31 December	**37**	**36**	**460**	**450**

Capital
J. Lauritzen A/S pursues a prudent dividend policy that secures the necessary liquidity and supports our ability to grow the business organically.

J. Lauritzen is - like in previous years - in full compliance with financial covenants related to our counterparties.

At the end of 2017 and 2016, no proposed dividends were included in retained earnings.

ACCOUNTING POLICIES

Proposed dividend is recognised as a separate item under equity until approved at the Annual General Meeting, where after it is recognised as a liability.

Section 5
Other notes

NOTE 5.1 DISCONTINUED OPERATIONS

Profit/(loss) from discontinued operations

USD '000	**2017**	2016
Lauritzen Tankers	-	195
Lauritzen Offshore Shuttle tankers	-	-
Total profit/(loss) from discontinued operations	**-**	**195**

I) Lauritzen Tankers

As stated in announcement to Oslo Børs no. 6/2013 dated 15 August 2013, a strategic decision had been taken to exit the product tanker segment. The conditions for classifying Lauritzen Tankers “as held for sale” and “discontinued operation” were fulfilled in the end of 3rd quarter 2013.

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

USD '000	**2017**	2016
Revenue	-	49
Other operating income	-	209
Costs	-	(63)
EBITDA	-	195
Finance net	-	-
Pretax profit/(loss) from discontinued operations	-	195
Income taxes	-	-
Profit/(loss) on discontinued operations, net of taxes	**-**	**195**

NOTE 5.1 DISCONTINUED OPERATION (continued)

II) Lauritzen Offshore Shuttle Tankers

Towards the end of 2013 the Group received an offer to sell its fleet of three shuttle tankers. The agreement to sell was lifted on January 15 2014 and the vessels were were delivered to new owners during 2nd and 3rd quarter 2014.

The sale of the shuttle tankers caused a closing of the operating segment, and Lauritzen Offshore Shuttle Tankers is presented as discontinued operations for all periods presented. The Income statement for the discontinued operations can be presented as follows:

USD '000	**2017**	2016
Revenue	-	(65)
Costs	-	(84)
EBITDA	-	(149)
Finance, net	-	89
Pretax profit/(loss) from discontinued operations	-	(60)
Income taxes	-	34
Profit/(loss) on discontinued operations, net of taxes	**-**	**(26)**

Cash flow from discontinued operations:

The Cash flow from Lauritzen Tankers and Lauritzen Offshore Shuttle Tankers is included in the Cash Flow Statement for all periods presented.

USD '000	**2017**	2016
Cash flow from operating activities	(47,706)	(41,241)
Hereof cash flow from operating activities - discontinued operations:		
Lauritzen Tankers	-	(13)
Lauritzen Offshore Shuttle Tankers	-	47
Cash flow from operating activities, continuing operations	**(47,706)**	**(41,275)**
Cash flow from investment activities	(5,028)	129,381
Hereof cash flow from investment activities - discontinued operations:		
Lauritzen Tankers	-	-
Cash flow from investing activities, continuing operations	**(5,028)**	**129,381**
Cash flow from financing activities, continuing operations	**(29,627)**	**(62,931)**

ACCOUNTING POLICIES

Discontinued operations
A component of the entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. Discontinued operations is a component of the entity that has either been disposed of, or classified as held for sale, and the sale is expected to be executed within one year.

In Income Statement discontinued operation is presented in a single amount as the total of a) the pre-tax profit or loss of discontinued operations and b) pre-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation. Prior period comparative information is re-presented to reflect the discontinued operations. In the notes to the financial position is an analysis of revenue, expenses, revaluations to fair value and pre-tax profit or loss of discontinued operations as well as related income tax.

The net cash flows attributable to the operating, investing and financing activities of discontinued operations are disclosed in the notes to the financial statements.

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 OTHER OPERATING LEASES

In 2014, J. Lauritzen A/S entered into a rental contract of offices from May 2015. The contract is not terminable until 2020.

USD '000	**2017**	2016
<1 year	976	873
1-5 years	1,301	2,037
> 5 years	-	-
Total	**2,277**	**2,910**

In 2017, operational lease of offices recognised in the income statement amounts to USDm (1.0) (2016: USDm (1.0)).

NOTE 5.3 CONTINGENT LIABILITIES

USDm	**2017**	2016
Guarantees towards insurance company	20	20
Guarantees for debt in former joint ventures	56	74

For guarantees and payment obligations relating to joint ventures, please refer to note 3.3.

Certain claims have been raised against the Group. The judgment of the management is that the outcome of these claims will not have any material impact on the Group's financial position.

J. Lauritzen A/S has issued certain guarantees in connection with sale of assets, which are not expected to have a material impact on the Group's financial position.

NOTE 5.4 TAX

USD '000	2017	2016
Tax in the Income Statement consists of:		
Current tax	(2,554)	2,111
Deferred tax	400	1,000
Income tax	(2,154)	3,111
Total continuing operations	**(2,154)**	**3,111**
Tax on the profit is specified as follows:		
Calculated 22% of result before tax	9,516	10,764
Adjustment in foreign companies deviating from 22% tax	37	87
Tax effect of:		
Tonnage tax	(10,550)	(9,650)
Tax asset valuation adjustment	400	1,000
Non-taxable items	806	121
Adjustments previous year	(2,096)	277
Share of profit joint ventures	(267)	512
	(2,154)	**3,111**
Effective tax rate	**5%**	**(6)%**
Deferred tax on the Balance Sheet:		
Deferred tax 1 January	3,700	2,700
Tax on profit	400	1,000
Deferred tax 31 December	**4,100**	**3,700**
Deferred tax concerns:		
Taxable losses carried forward to be used within five years	4,100	3,700
	4,100	3,700
Unrecognised share of taxable losses carried forward	100	1,600

USD '000	2017	2016
Corporate tax (receivable)/payable can be specified as follows:		
Balance 1 January	(2,870)	(651)
Exchange rate adjustments	(353)	61
Paid during the year	1,174	(169)
Provision for the year	458	(1,834)
Adjustment to prior years	2,096	(277)
	504	**(2,870)**

Certain Group companies are 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.

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. We do not expect to exit the tonnage taxation and thus no deferred tax provision has been made on the assets or liabilities effected by the Danish tonnage taxation system. If, however, the Danish Group companies were to leave the Danish tonnage taxation system there could be a deferred tax liability of up to a maximum of USDm 6.

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.

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.

ACCOUNTING POLICIES (continued)

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 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 Group recognises 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 5.5 FEES TO AUDITORS

USD '000	**2017**	2016
Total fees to elected auditors	343	444
Specified as follows:		
Statutory audit	316	371
Tax advisory services	-	17
Fee for other services	27	56

NOTE 5.6 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 J. Lauritzen 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 Group has a significant influence. Subsidiaries and joint ventures together with the shareholding are shown in the List of group companies.

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

USD '000	**2017**	2016
Lauritzen Ship Owners:		
Management fee	350	-
LF Investment:		
Management fee	142	136
Sale of non strategic assets	-	106,000
Joint ventures and associated companies:		
Management fee	911	412

Increase in share capital:
In Q3 2017 an agreement was reached with Lauritzen Fonden, our sole shareholder to inject new capital of USDm 80.

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

Remuneration to key management personnel is disclosed in note 2.4.

NOTE 5.7 EVENTS AFTER THE BALANCE SHEET DATE

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

List of group *companies*

Company name	Country	Ownership %
Group operating entities (ship owning)		
J. Lauritzen A/S	Denmark	-
J. Lauritzen Singapore Pte. Ltd.	Singapore	100
Gasnaval S.A.	Spain	100
Other group operating entities		
J. Lauritzen Shanghai Co. Ltd	China	100
J. Lauritzen S.A.	Switzerland	100
J. Lauritzen (USA) Inc.	USA	100
Lauritzen Kosan Manila ROHQ	Philippines	100
Joint-ventures (ship owning)		
Admiral Logistics Corporation	Panama	50
LKT Gas Carriers Pte. Ltd.	Singapore	50
Milau Pte. Ltd.	Singapore	50
Other operating interests		
De Forenede Sejlskibe I/S	Denmark	43
Dormant		
KRK 4 ApS	Denmark	100
Lauritzen Reefers A/S	Denmark	100

Parent Company Financial Statements

Notes

Income Statement

USD '000	Note	2017	2016
Revenue	2.1, 2.2	526,189	392,693
Voyage related costs		(206,446)	(137,069)
T/C equivalent income		**319,743**	**255,624**
Other operating income		3,143	3,978
Hire of chartered vessels	2.2	(287,355)	(237,305)
Operating costs of vessels	2.4	(42,069)	(41,962)
Administrative costs	2.4	(29,882)	(34,974)
Operating income before depreciation (EBITDA) and special items		**(36,419)**	**(54,639)**
Profit/(loss) on sale of vessels and other assets		300	674
Profit/(loss) on sale of subsidiaries		-	123
Depreciation	3.1	(18,071)	(19,344)
Operating income (EBIT) before special items		**(54,190)**	**(73,186)**
Special items, net	2.2	25,093	42,324
Operating income (EBIT) after special items		**(29,097)**	**(30,862)**
Financial income	4.3	4,877	28,899
Financial expenses	4.4	(16,282)	(42,314)
Profit/(loss) from continuing operations before tax		**(40,500)**	**(44,276)**
Income tax	5.4	(2,084)	3,366
Profit/(loss) from continuing operations		**(42,584)**	**(40,910)**
Profit/(loss) from discontinued operations	5.1	-	197
Profit/(loss) for the year		**(42,584)**	**(40,713)**

Statement of Comprehensive Income

USD '000	Note	2017	2016
Profit/(loss) for the year		**(42,584)**	**(40,713)**
Items that can be reclassified subsequently to profit or loss:			
Other comprehensive income net of tax:			
Exchange differences on translating foreign operations		(629)	268
Fair value adjustment of hedging instruments during the year		1,489	(565)
Deferred gains/(loss) on hedging instruments transferred to financial expenses		1,074	3,874
Fair value adjustment of shares available for sale	4.5	(52)	1
Fair value adjustment of shares available for sale reclassified to Financial items, net			(27,072)
Other comprehensive income net of tax		**1,883**	**(23,494)**
Total comprehensive income for the year		**(40,701)**	**(64,207)**

Balance Sheet Statement

USD '000	Note	2017	2016
ASSETS			
Vessels, property and equipment	3.1	229,877	234,819
Investments in subsidiaries	3.3	213,690	214,104
Investments in joint ventures	3.4	3,700	2,692
Deferred tax assets	5.4	4,100	3,700
Shares available for sale	4.5	-	52
Other receivables	4.5	542	472
Non-current assets		**451,909**	**455,838**
Bunkers		14,685	12,822
Trade receivables	4.5	6,657	8,685
Other receivables	3.6	1,561	23,435
Prepayments		7,015	6,861
Receivables from affiliated companies		2,301	4,124
Current tax receivables	5.4	-	2,984
Derivative financial instruments	4.5	4,311	4,017
Cash and cash equivalents		48,357	132,367
Current assets		**84,885**	**195,295**
Total assets		**536,795**	**651,133**

USD '000	Note	2017	2016
LIABILITIES			
Share capital		65,473	63,864
Retained earnings		188,858	153,051
Reserves		(573)	(2,455)
Equity	**4.6**	**253,758**	**214,460**
Non-current derivative financial instruments	4.5	477	1,381
Long-term borrowings	4.1	118,895	135,118
Non-current liabilities		**119,372**	**136,498**
Current portion of long-term borrowings	4.1	3,125	75,307
Trade payables		17,650	13,203
Other payables		8,839	9,785
Provisions	3.7	15,327	34,670
Prepayments		-	89
Debt to affiliated companies		117,528	133,223
Derivative financial instruments	4.5	811	33,900
Current tax payables	5.4	385	-
Current liabilities		**163,665**	**300,176**
Total liabilities		**283,037**	**436,674**
Total equity and liabilities		**536,795**	**651,133**

Cash Flow Statement

USD '000 - Inclusive discontinued operations	Note	2017	2016
Operating income before special items, continuing operations		(54,190)	(73,186)
Operating income before special items, discontinued operations		-	197
Depreciation carried back		18,070	19,344
Special items with cash flow effect		-	9,256
(Profit)/loss on sale of vessels and other assets		(300)	(674)
Change in bunkers		(1,863)	(6,063)
Change in receivables		9,055	47,121
Change in payables		550	27,238
Cash flow from operations before financial items		(28,678)	23,234
Ingoing financial payments		(263)	(104)
Outgoing financial payments		(37,635)	(29,968)
Cash flow from ordinary operations		(66,576)	(6,838)
Paid corporate tax	5.4	1,245	-
Cash flow from operating activities		**(65,331)**	**(6,838)**
Investments in vessels	3.1	(7,594)	(6,242)
Payments on vessels under construction	3.1	-	(20,159)
Payments on vessels under construction, held for sale	5.1	-	(20,267)
Sale of vessels		5,368	54,989
Sale of other non current assets		12	(131)
Increase of share capital in subsidiaries	3.3	(349)	(320)
Sale of controlling interest in subsidiaries		-	300
Investments in joint ventures	3.4	(1,009)	(3,440)
Payments of provisions related to joint ventures		-	(6,917)
Disposal of joint ventures		-	3,577
Purchase and sales of securities and shares available for sale		-	57,163
Bank deposits pledged as security for debt		0	5,027
Cash flow from investment activities		**(3,572)**	**63,581**
Financial receivables		(5)	(3)
Installment on long-term debt		(95,434)	(70,612)
Proceeds from loans		-	16,260
Finance lease payments		-	630
Increase in share capital		80,000	19,382
Cash flow from financing activities		**(15,439)**	**(34,343)**

USD '000	Note	2017	2016
Changes for the year in cash and cash equivalents		(84,341)	22,400
Cash and cash equivalents at beginning of year		132,367	110,174
Currency adjustments on cash and cash equivalents		331	(207)
Cash and cash equivalents at the end of the year		**48,357**	**132,367**

Equity Statement

USD '000	Share capital	Hedging instruments	Shares available for sale	Translation gain/loss	**Reserves**	Retained earnings	**Total**
Equity 1/1 2017	63,864	(3,521)	-	1,066	(2,455)	153,051	214,460
Profit/(loss) for the year	-	-	-	-	-	(42,584)	(42,584)
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	(629)	(629)	-	(629)
Deferred (gain)/loss on hedging instruments transferred to financial expenses	-	1,074	-	-	1,074	-	1,074
Fair value adjustment of hedging instruments during the period	-	1,489		-	1,489	-	1,489
Fair value adjustment of shares available for sale	-	-	(52)	-	(52)	-	(52)
Other comprehensive income	-	2,563	(52)	(629)	1,883	-	1,883
Total comprehensive income	**-**	**2,563**	**(52)**	**(629)**	**1,883**	**(42,584)**	**(40,701)**
Transactions with owners:							
Capital increase	1,609	-	-	-	-	78,391	80,000
Total transactions with owners	**1,609**	**-**	**-**	**-**	**-**	**78,391**	**80,000**
Equity 31/12 2017	**65,473**	**(958)**	**(52)**	**437**	**(573)**	**188,858**	**253,758**
Equity 1/1 2016	62,356	(6,830)	27,071	798	21,039	175,891	259,285
Profit/(loss) for the year	-	-	-	-	-	(40,713)	(40,713)
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	268	268	-	268
Deferred (gain)/loss on hedging instruments transferred to financial expenses	-	3,874	-	-	3,874	-	3,874
Fair value adjustment of hedging instruments during the period	-	(565)	-	-	(565)	-	(565)
Fair value adjustment of shares available for sale	-	-	(27,071)	-	(27,071)	-	(27,071)
Total other comprehensive income	-	3,308	(27,071)	268	(23,494)	-	(23,494)
Total comprehensive income	**-**	**3,308**	**(27,071)**	**268**	**(23,494)**	**(40,713)**	**(64,207)**
Transactions with owners:							
Capital increase	1,508	-	-	-	-	17,874	19,382
Total transactions with owners	**1,508**	**-**	**-**	**-**	**-**	**17,874**	**19,382**
Equity 31/12 2016	**63,864**	**(3,521)**	**-**	**1,066**	**(2,455)**	**153,051**	**214,460**

Section 1
Basis for reporting

NOTE 1.1 GENERAL INFORMATION

The separate financial statements for the parent company form part of the Annual Report as required by the Danish Financial Statement Act.

NOTE 1.2 ACCOUNTING POLICIES

TThe accounting policies for the financial statements of the parent company are unchanged compared to last financial year and are the same as for the Group consolidated financial statements with the following additions. For a description of the accounting policies of the Group, please refer to the notes of the Group consolidated financial statements.

SUPPLEMENTARY ACCOUNTING POLICIES FOR THE PARENT COMPANY

Financial assets
Investments in subsidiaries, associates and joint ventures are recognised in the financial statement of the parent company at cost less accumulated impairment losses. Cost includes fair value of consideration paid plus directly attributable acquisition costs.

If there are indications of impairment, impairment test is performed as described in accounting policies to the consolidated financial statements.

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.

Tax
J. Lauritzen A/S is subject to the Danish tax regulations which means that by law it is taxed jointly with its parent company, the Lauritzen Foundation and all Danish subsidiaries under the Lauritzen Foundation.

J. Lauritzen A/S are subject to compulsory joint taxation with LF Investment ApS and DFDS A/S. LF Investment ApS is the administration company in the joint taxation and settles all payment of company tax with the authorities . Tax receivables and tax payables are recognised as current assets and current liabilities respectively. Outstanding tax contributions from other companies included in the joint taxation are recognised as receivable/debt from affiliated companies.

NOTE 1.3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in conformity with IFRS requires management to make estimates and judgments that affect the reported carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported performance. Management bases its estimates on historical experience and various other assumptions and sources that are considered reasonable. Actual results could differ from those estimates.

The critical accounting estimates and judgments described in the notes of the Group consolidated financial statement also apply for the financial statement of the parent company. In addition hereto material accounting estimates for the parent company comprise estimates included in impairment testing of investments and receivables in affiliated companies.

NOTE 1.4 NEW ACCOUNTING REGULATIONS FOR FUTURE IMPLEMENTATION

Reference is made to note 1.5 of the Group consolidated financial statements for disclosure of new accounting regulation. Except for IFRS 15 Revenue from Contracts with Customers, IFRS 9 Financial Instruments and IFRS 16 Leases none of the issued accounting standards and interpretations are expected to have influence on the financial reporting of the parent company

Section 2
Operating Activities

NOTE 2.1 REVENUES

The revenue reported represents revenue from external customers.

USD '000	**2017**	2016
Freight revenue	384,457	270,860
COA revenue	103,937	87,105
Time charter revenue	37,795	34,728
Total	**526,189**	392,693

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	**2017**	2016
A) One-off revenue from sale of claims and claim settlements and termination of contracts	-	9,256
B) Impairment losses/reversals on vessels	10,615	(1,822)
B) Impairment losses on vessels under construction	-	(16,306)
B) Impairment losses on vessels classified as held for sale	-	455
C) Provisions for onerous contracts	(15,914)	(5,325)
C) Use of provisions for onerous contracts	30,392	57,294
D) Financial items related to termination of contracts	-	(1,229)
Special items, net	**25,093**	**42,324**

If special items had been included in the operating profit before special items, they would have been included in the Income Statement as follows:

INCOME STATEMENT - CONDENSED

USD '000	Ref.	**2017**	2016
Revenue	A)	526,189	401,950
Other operating income		3,143	3,978
Costs	C)	(550,684)	(399,340)
Operating income before depreciation (EBITDA)		**(21,352)**	**6,588**
Profit/(loss) on sale of assets		300	674
Profit/(loss) on sale of subsidiaries		-	123
Depreciation and impairment losses	B)	(8,044)	(37,017)
Operating income		**(29,096)**	**(29,632)**
Financial items, net	D)	(11,405)	(14,644)
Profit/(loss) before tax		**(40,500)**	**(44,276)**
Income tax		(2,084)	3,366
Profit/(loss) from continuing operations		**(42,584)**	**(40,910)**

NOTE 2.3 OPERATING LEASING INCOME

At the balance sheet date J. Lauritzen A/S has the following contractually committed leasing income from time-charter contracts:

2017	USDm committed income	No. of vessels, full year equivalents
< 1 Year	19.4	3.9
1 - 2 Year	-	-
2 - 3 Year	-	-
3 - 4 Year	-	-
4 - 5 Year	-	-
> 5 Year	-	-
Total	**19.4**	**-**
2016		
< 1 Year	30.0	5.5
1 - 2 Year	6.4	1.2
2 - 3 Year	-	-
3 - 4 Year	-	-
4 - 5 Year	-	-
> 5 Year	-	-
Total	**36.4**	**-**

NOTE 2.4 STAFF COSTS, OFFICE & FLEET

	Staff costs onshore employees [1]		Staff costs, crew on vessels [2]		Total staff costs	
USD '000	**2017**	2016	**2017**	2016	**2017**	2016
Salaries	14,802	17,643	19,112	20,754	33,913	38,396
Pensions (defined contribution plan)	1,832	1,900	-	-	1,832	1,900
Social security	16	68	-	-	16	68
Contract labour	198	205	-	-	198	205
Total	**16,848**	**19,815**	**19,112**	**20,754**	**35,959**	**40,569**

1) Included in "Administrative costs"

2) Included in "Operating costs of vessels"

	Number of employees, onshore		Number of employees crew on vessels		Number of employees, total	
	2017	2016	**2017**	2016	**2017**	2016
Average number of employees	122	142	346	399	468	541
Number of employees at year end	117	140	340	370	457	510

USD '000	**2017**	2016
Remuneration to J. Lauritzen A/S'		
Executive Management - salaries	684	1,555
CEO Mads Peter Zacho	*684*	188
CEO Jan Kastrup Nielsen	-	*843*
CFO Birgit Aagaard-Svendsen	-	*524*
Executive Management - bonus	76	1,451
CEO Mads Peter Zacho	*76*	253
CEO Jan Kastrup Nielsen	-	*1,198*
Board of Directors	426	430
	1,186	**3,436**

Remuneration to Executive Management consists of a fixed and variable compensation. No variable compensation has been paid in 2017 and 2016. In 2016 Executive Management has been awarded a bonus subject to individual dates of resignation.

Section 3
Operating Assets and Liabilities

NOTE 3.1 VESSELS, PROPERTY & EQUIPMENT

USD '000

2017	Vessels	Vessels under construction	Machinery, tools and equipment	Total
Cost as at 1 January	577,029	24,340	9,497	610,867
Additions	7,594	-	-	7,594
Disposals	(30,116)	(24,340)	-	(54,456)
Cost as at 31 December	554,507	-	9,497	564,005
Depreciation and impairment losses as at 1 January	(344,413)	(24,340)	(7,295)	(376,048)
Depreciation	(17,268)	-	(804)	(18,071)
Reversal of impairment losses	10,615	-	-	10,615
Disposals	25,037	24,340	-	49,377
Depreciation and impairment losses as at 31 December	(326,029)	-	(8,099)	(334,128)
Balance as at 31 December	**228,479**	**-**	**1,398**	**229,877**

Impairment test 2017
For Small Bulk Carriers, the impairment test shows a reversal of impairments of USDm 10.6 on fully owned vessels.

For Fully-pressurised Gas Carriers and Other Gas Carriers the book values were supported by either broker values or the value in use of the vessels.

2016	Vessels	Vessels under construction	Machinery, tools and equipment	Total
Cost as at 1 January	605,823	30,671	9,497	645,991
Additions	6,242	20,159	-	26,401
Disposals	(25,285)	(317)	-	(25,602)
Disposals, loss of control to subsidiaries	-	-	-	-
Transferred to assets held for sale (note 5.1)	(9,750)	(26,173)	-	(35,923)
Cost as at 31 December	577,029	24,340	9,497	610,867
Depreciation and impairment losses as at 1 January	(322,449)	(16,039)	(6,482)	(344,970)
Depreciation	(18,530)	-	(814)	(19,344)
Impairment losses	(1,822)	(16,306)	-	(18,128)
Disposals	(6,285)	-	-	(6,285)
Disposals, loss of control to subsidiaries	-	-	-	-
Transferred to assets held for sale (note 5.1)	4,673	8,005	-	12,678
Depreciation and impairment losses as at 31 December	(344,413)	(24,340)	(7,295)	(376,048)
Balance as at 31 December	**232,617**	**-**	**2,202**	**234,819**

NOTE 3.2 OPERATING LEASING OF VESSELS

At the balance sheet date, J. Lauritzen A/S has the following operational lease obligations from time-

2017	USDm committed obligation	No. of vessels, full year equivalents
< 1 Year	115.7	29.3
1 - 2 Year	87.3	22.4
2 - 3 Year	67.1	16.1
3 - 4 Year	56.5	13.1
4 - 5 Year	55.7	12.8
> 5 Year	79.3	18.1
Total	**461.7**	-

2016		
< 1 Year	108.3	26.6
1 - 2 Year	102.7	23.4
2 - 3 Year	76.7	18.0
3 - 4 Year	63.6	14.7
4 - 5 Year	56.0	13.0
> 5 Year	129.4	29.8
Total	**536.8**	-

NOTE 3.3 INVESTMENT IN SUBSIDIARIES

	Ownership	
	2017	2016
Lauritzen Reefers A/S, Denmark	100%	100%
J. Lauritzen Singapore Pte., Singapore	100%	100%
Lauritzen Kosan Manila ROHQ	100%	100%
KRK 4 ApS, Denmark	100%	100%
J. Lauritzen Shanghai Co. Ltd., China	100%	100%
Gasnaval S.A., Spain	100%	100%
J. Lauritzen (USA) Inc., USA	100%	100%
J. Lauritzen S.A., Switzerland	100%	100%

USD '000	**2017**	2016
Cost as at 1 January	340,525	448,909
Additions during the year	349	320
Disposal during the year	-	(108,704)
Cost as at 31 December	340,874	340,525
Accumulated impairment losses at 1 Jan	(126,422)	(216,826)
Revaluations during the year	(763)	(18,000)
Disposal during the year	-	108,404
Revaluation as at 31 December	(127,185)	(126,422)
Balance as at 31 December	**213,690**	**214,104**

Vessels and other assets and liabilities in subsidiaries have been recognised in accordance with the company's accounting principles including principles for impairment testing. Consequently the cost price after impairment losses is accounted for in the equity.

NOTE 3.4 INVESTMENT IN JOINT VENTURES

USD '000	2017	2016
Cost as at 1 January	2,692	59,840
Additions during the year	1,009	3,440
Disposal during the year	-	(60,589)
Cost as at 31 December	3,700	2,692
Balance as at 31 December	**3,700**	**2,692**

Assets in joint ventures consist of vessels which have been recognised and impairment tested in accordance with the company's principles for impairment testing. Consequently the cost price after impairment losses is in line with the equity value.

Key figures for joint ventures, in total:

USD '000	2017	2016
Revenue	-	30,684
Net profit	-	28
Assets	3,700	4,697
Liabilities	-	3,330

Guarantees and payment obligations relating to joint ventures:

USDm	2017	2016
Max. obligations to pay in capital into joint ventures	3	5

NOTE 3.5 WORKING CAPITAL

USD '000	2017	2016
Bunkers	14,685	12,822
Trade receivables	6,657	8,685
Other receivables	1,561	2,185
Prepayments	7,015	6,861
Total working capital assets	29,918	30,553
Trade payables	17,650	13,203
Other payables	7,893	7,655
Prepayments	-	89
Total working capital liabilities	25,543	20,947
Net working capital	**4,374**	**9,606**

NOTE 3.6 OTHER RECEIVABLES

USD '000	2017	2016
Receivables from charterers	-	21,250
Working capital receivables:		
Pool receivables	309	1,778
Other short term receivables	1,252	407
Total other receivables	**1,561**	**23,435**

NOTE 3.7 PROVISIONS

USD '000	2017	2016
Provisions as at 1 January	34,670	97,959
Additions, included in special items	15,914	5,325
Additions, other	-	2,789
Used during the year included in special items	(30,392)	(57,294)
Used during the year, other	(4,865)	(15,135)
Reversal of provisions during the year	-	1,025
Provisions as at 31 December	**15,327**	**34,670**
Hereof:		
Current liabilities	15,327	34,670
Provisions as at 31 December	**15,327**	**34,670**

The provisions refer primarily to onerous long-term time-charters expected to be used within 1 year.

Section 4
Capital Structure and Financing

NOTE 4.1 LONG-TERM BORROWINGS

	2017			
USD '000	<1 year	1-5 year	> 5 year	Total
Mortgages on vessels *)	(3,125)	(108,036)	(10,859)	(122,020)
Total long-term borrowings	**(3,125)**	**(108,036)**	**(10,859)**	**(122,020)**

	2016			
USD '000	<1 year	1-5 year	> 5 year	Total
Mortgages on vessels *)	(23,776)	(119,157)	(15,961)	(158,894)
Issued bonds *)	(51,531)	-	-	(51,531)
Total long-term borrowings	**(75,307)**	**(119,157)**	**(15,961)**	**(210,425)**

*) Please refer to note 4.1 in the Consolidated Financial Statements for a description of financial covenants, capital structure and refinancing.

USD '000	Currency	Fixed/ Variable	Interest rate fixation	Average effective interest rate, excl. hedging	Average effective interest rate incl. hedging	Book value
2017						
Mortgages on vessels	USD	Variable	3-6 month	4.12%	4.32%	(95,972)
Mortgages on vessels	JPY	Variable	6 month	2.07%	2.85%	(26,048)
Total				**3.82%**	**4.11%**	**(122,020)**
2016						
Mortgages on vessels	USD	Variable	3-6 month	3.54%	4.52%	(115,639)
Mortgages on vessels	JPY	Variable	6 month	2.11%	2.78%	(43,255)
Issued bonds	NOK	Variable	3 month	9.36%	9.13%	(51,531)
Total				**4.82%**	**5.86%**	**(210,425)**

NOTE 4.1 LONG-TERM BORROWINGS (continued)

Currency exposure on non-USD long-term borrowings, net of hedging:

	2017			2016		
USD '000	Book value	Currency hedging derivatives	Net currency exposure on loan	Book value	Currency hedging derivatives	Net currency exposure on loan
JPY	(26,048)	27,000	952	(38,263)	30,000	(8,263)
NOK	-	-	-	(51,531)	51,531	-
Total	**(26,048)**	**27,000**	**952**	**(89,794)**	**81,531**	**(8,263)**

Interest exposure on long-term borrowings to floating interest rates:

USD '000	**2017**	2016
Total long-term borrowings (including current portion)	(122,020)	(210,425)
Hereof amortised formation costs	4,800	5,322
Floating interest borrowings	(126,820)	(215,747)
Interest rate swaps floating to fixed at year end, nominal	143,739	161,046
Exposure to floating interest rates at year end	**16,918**	**(54,701)**

Changes in liabilities arising from financing activities

USD '000 **2017**	Mortage on vessels	Corporate bonds	Total liabilities from financing activities
Book value 1 of January	158,894	51,531	210,425
Repayment (Cash flow)	(39,439)	(55,995)	(95,434)
Foreign exchange movement	1,599	4,138	5,737
Amortised formation costs	966	326	1,292
Balance as at 31 December	**122,020**	**-**	**122,020**

USD '000 **2016**	Mortage on vessels	Corporate bonds	Total liabilities from financing activities
Book value 1 of January	206,906	52,236	259,142
Repayment (Cash flow)	(68,292)	(2,320)	(70,612)
Proceeds (Cash flow)	16,260	-	16,260
Foreign exchange movement	1,700	1,225	2,924
Amortised formation costs	2,320	391	2,710
Balance as at 31 December	**158,894**	**51,531**	**210,425**

NOTE 4.2 MORTGAGES

USD '000	2017	2016
Debt for a total of	122,020	158,894
is secured by mortgages on assets at the following book values:		
Vessels	228,479	231,673

NOTE 4.3 FINANCIAL INCOME

USD '000	2017	2016
Interest income, bank deposits	991	509
Other financial income	789	1,318
Financial instruments at FV through P&L, net	3,096	-
Reclassification of fair value adjustment on shares available for sale	-	27,072
Financial income	**4,877**	**28,899**

NOTE 4.4 FINANCIAL EXPENSES

USD '000	2017	2016
Interest expenses on loans	(13,456)	(18,641)
Interest on debt to subsidiaries	(1,254)	(613)
Other financial expenses	(417)	(541)
Currency exchange gains and losses, net	(392)	(2,346)
Financial instruments at FV through P&L, net	-	(331)
Loss on sale of shares in joint ventures	-	(1,843)
Impairment subsidiaries	(763)	(18,000)
Financial expenses	**(16,282)**	**(42,314)**

NOTE 4.5 FINANCIAL INSTRUMENTS AND FINANCIAL RISK

Financial risk for J. Lauritzen A/S relates to:

Liquidity risk	The risk that J. Lauritzen is not able to meet its future cash flow needs
Market risk	The risk of losses in financial positions arising from movements in market prices to which J. Lauritzen is exposed
Credit risk	The risk of incurring a financial loss if a customer or counterparty fails to fulfill its contractual obligations

Financial risk is regularly assessed and prioritised based on how likely it is to occur and its potential impact. As defined by the Board of Directors, overall policies and objectives for financial risks were generally unchanged from 2016. For a description of financial risk and how it is managed reference is made to note 4.5 of to the consolidated financial statements.

LIQUIDITY RISK

Liquidity risk relates to the risk that J. Lauritzen will not be able to fulfill its financial obligations as they fall due. Below is a maturity analysis of financial liabilities at year-end 2017.

USD '000

2017	Carrying amount	Contractual cash flows	< 1 year	1-5 years	> 5 years
Interest-bearing debt *)	(122,020)	(144,710)	(9,298)	(124,054)	(11,358)
Trade and other payables	(26,489)	(26,489)	(26,489)	-	-
Debt to affiliates	(117,528)	(117,528)	(117,528)	-	-
Derivatives, liabilities at fair value	(1,289)	(1,289)	(811)	(469)	(9)
Total at 31 December 2017	**(267,326)**	**(290,016)**	**(154,126)**	**(124,523)**	**(11,367)**
2016					
Interest bearing debt *)	(210,425)	(233,674)	(84,334)	(132,335)	(17,005)
Trade and other payables	(22,987)	(22,987)	(22,987)	-	-
Debt to affiliates	(133,223)	(133,223)	(133,223)	-	-
Derivatives, liabilities at fair value	(35,280)	(35,280)	(33,900)	(1,341)	(40)
Total at 31 December 2016	**(401,916)**	**(425,165)**	**(274,444)**	**(133,675)**	**(17,045)**

*) Contractual cash flows include undiscounted interest payments based on interest levels at year-end.

MARKET RISK

Market risk is risk of losses on financial positions arising from movements in market prices to which J. Lauritzen A/S is exposed through financial instruments. The sensitivity analysis of J. Lauritzen A/S's exposure to market risk is disclosed below.

Sensitivity information is calculated at balance sheet date and comprises only sensitivity relating to financial instruments, therefore the amounts disclosed do not necessarily give a complete picture of the Parent Company's risk relating to changes in currency rates and interest rates.

Currency risk

To measure currency risk in accordance with IFRS 7, sensitivity is calculated as the change in fair value of future cash flows from financial instruments as a result of fluctuations in exchange rates on balance sheet date. Other things being equal and after tax, sensitivity to fluctuations in non-USD currencies at balance sheet date based on a 10% decrease in currency translation rates against USD (assuming 100% effectiveness) would result in a net profit/loss of USDm (2.0) (2016: USDm (2.0)) and affect equity by USDm (2.0) (2016: USDm (2.0)). The effect of a 10% increase in the currency translation rates against USD would have a corresponding inverse effect.

Interest rate risk

Sensitivity of interest fluctuations is calculated as the hypothetic effect on net profit and equity as a result of fluctuations in interest rates at balance sheet date.

The sensitivity analysis includes financial instruments recognised at fair value for which the calculated effect on equity represents an immediate fair value change from a thought change in interest rates and financial instruments with variable interest recognised at amortised costs for which the calculated effect represents a one year effect on net profit and equity based on balances at year-end.

Assumptions for the sensitivity analysis:

- All hedging instruments are assumed 100% effective.
- Changes in interest rates are global and thus the impact on the fair value of forward currency contracts and similar derivatives is not considered.
- Shares available for sale and shares at fair value through profit or loss are not included in sensitivity calculations due to inability to reliably measure the sensitivity of share prices to interest rate changes.

On financial instruments at fair value, the calculated effect after tax based on a 1% interest rate increase would affect profit/loss by USDm 1.1 (2016: USDm 1.9)) and equity by USDm 2.3 (2016: USDm 3.8). On financial instruments with variable interest recognised at amortised costs, profit/loss and equity would be affected by USDm (0.7) (2016: USDm (0.8)).

A 1% interest rate decrease would as a maximum have a corresponding inverse effect.

CREDIT RISK

Credit risk is the risk of incurring a financial loss if a customer or counterparty fails to fulfill its contractual obligations.

In 2017 and 2016 no provisions were made for losses on trade receivables. The Parent Company did not have any further overdue trade receivables (2016: USD nil).

At year-end 2017, the majority of our financial counterparties had credit ratings of or above Baa2.

J. Lauritzen A/S's exposure to credit risks at balance sheet date can be illustrated as follows:

USD '000	**2017**	2016
Other long-term receivables	542	472
Trade receivables	6,657	8,685
Financial derivatives	4,311	4,017
Other short-term receivables	3,861	27,559
Cash and bank deposits	48,357	132,367
Maximum credit risk	**63,727**	**173,101**

DERIVATIVE FINANCIAL INSTRUMENTS

Our policy is to use derivative financial instruments to hedge financial risk. At year-end, the Parent held the following derivatives:

USDm		2017				2016			
	Cash flow / Fair value hedge	Nominal, USDm	Duration, month	Recognised on equity	Fair value	Nominal, USDm	Duration, month	Recognised on equity	Fair value
Hedge accounting applied:									
Currency: USD/NOK	Cash flow	-	-	-	-	87.2	10	(1.7)	(31.6)
Interest rate swaps	Cash flow	71.4	26-72	(1.1)	(1.2)	75.7	38-83	(2.1)	(2.3)
Terminated interest rate swaps	Cash flow	N/A	N/A	0.1	N/A	N/A	N/A	0.2	N/A
Total				**(1.0)**	**(1.2)**			**(3.5)**	**(33.9)**
Hedge accounting not applied:									
Currency: USD/NOK	N/A	-		-	-	(6.9)	0-10	-	1.4
Currency: USD/DKK	N/A	22.5	1-12	-	1.1	27.5	0-11	-	(0.8)
Currency: USD/JPY	N/A	27.0	1-9	-	0.4	30.0	1-12	-	(0.1)
Interest rate swaps	N/A	72.3	4	-	(0.0)	85.3	16	-	(0.5)
FFA's and oil contracts	N/A	N/A	-	-	2.8	N/A	1-15	-	2.6
Total				**-**	**4.3**			**-**	**2.6**
Total derivative financial instruments					**3.0**				**(31.3)**
Presented in the financial statement as:									
Derivative financial instruments, assets					4.3				4.0
Non-current derivative financial instr., liabilities					(0.5)				(1.4)
Derivative financial instruments, liabilities					(0.8)				(33.9)

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The following categories of financial assets and liabilities are recognised in the balance sheet:

USD '000	2017	2016
Fin. assets at FV through P/L *)	4,311	4,017
Loans and receivables**)	59,417	169,083
Fin. assets available for sale	-	52
Fin. liabilities - at FV through P/L *)	(1,288)	(35,280)
Fin. liabilities - at amortised cost**)	(266,037)	(366,635)

**) Figure includes financial derivatives designated for hedge accounting*

***) Amounts recognised for financial asset and liabilities at amortised cost do not differ materially from their fair value*

Fair value hierarchy

With the exception of shares available for sale of USDm 0.0 (2016: USDm 0.1) (Level 3), all financial instruments are stated at fair value on the basis of observable market prices (Level 2), directly as prices or indirectly derived from prices.

In 2017, fair value adjustment of Level 3 financial instruments amounted to USDm (0.1) recognised in other comprehensive income (2016: USDm 0). The fair value adjustment relates to unlisted shares for which a valuation technique has been used to determine fair value. Material inputs in the valuation comprise equity value and expected ROE compared to our return requirements. Financial instruments categorised at Level 3 have developed as follows:

.:	2017	2016
Book value at 1 January	52	46,982
Sale during the year	-	(46,930)
Fair value adjustment	(52)	1
Book value at 31 December	**-**	**52**

NOTE 4.6 EQUITY

Composition of share capital and dividends are disclosed in note 4.6 in the consolidated statements.

Section 5
Other Notes

NOTE 5.1 DISCONTINUED OPERATIONS

Profit/(loss) from discontinued operations: USD '000	**2017**	2016
Lauritzen Tankers	-	197
Total profit/(loss) from discontinued operations	**-**	**197**

As stated in announcement to Oslo Børs no. 6/2013 dated 15 August 2013, a strategic decision had been taken to exit the product tanker segment. The conditions for classifying Lauritzen Tankers "as held for sale" and "discontinued operation" were fulfilled in the end of 3rd quarter 2013.

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

USD '000	**2017**	2016
Revenue	-	49
Other operating income	-	209
Costs	-	(61)
EBITDA	-	197
Finance net	-	-
Pretax profit/(loss) from discontinued operations	-	197
Income taxes	-	-
Profit/(loss) on discontinued operations, net of taxes	**-**	**197**

The Cash flow from Lauritzen Tankers is included in the Cash Flow Statement for all periods presented.

USD '000	**2017**	2016
Cash flow from operating activities	(65,331)	(6,838)
Hereof cash flow from operating activities - discontinued operations	-	(13)
Cash flow from operating activities, continuing operations	(65,331)	(6,825)
Cash flow from investment activities	(3,572)	63,581
Cash flow from investing activities, continuing operations	(3,572)	63,581
Cash flow from financing activities	(15,439)	(34,343)
Cash flow from financing activities, continuing operations	**(15,439)**	**(34,343)**

NOTE 5.2 OTHER OPERATING LEASES

In 2014, J. Lauritzen has entered into a rental contract of offices from May 2015. The contract is not terminable until 2020.

USD '000	2017	2016
<1 year	976	873
1-5 years	1,301	2,037
> 5 years	-	-
Total	**2,277**	**2,910**

In 2017 operational lease of offices recognised in the income statement amounts to USDm (1.0) (2016: USDm (1.0)).

NOTE 5.3 CONTINGENT LIABILITIES

USDm	2017	2016
Guarantees for debt in subsidiaries	77	91
Guarantees for debt in former joint ventures	56	74
Guarantees towards insurance company	20	20

For guarantees and payment obligations relating to joint ventures, please refer to note 3.4.

Certain claims have been raised against J. Lauritzen A/S. The judgment of the management is that the outcome of these claims will not have any material impact on the financial position.

J. Lauritzen A/S has issued certain guarantees in connection with sale of assets, which are not expected to have a material impact on the financial position.

NOTE 5.4 TAX

USD '000	**2017**	2016
Tax in the Income Statement consists of:		
Current tax	(2,484)	2,366
Deferred tax	400	1,000
Income tax	**(2,084)**	**3,366**
Tax on the profit is specified as follows:		
Calculated 22% of result before tax	8,973	10,335
Tax effect of:		
Tonnage tax	(9,084)	(5,243)
Tax asset valuation adjustment	400	1,000
Non-taxable items	(273)	(3,093)
Adjustments previous year	(2,099)	366
	(2,084)	**3,366**
Effective tax rate	**5%**	**(7)%**
Deferred tax on the Balance Sheet:		
Deferred tax 1 January	3,700	2,700
Tax on profit	400	1,000
Deferred tax 31 December	**4,100**	**3,700**
Deferred tax concerns:		
Taxable losses carried forward to be used within five years	4,100	3,700
	4,100	3,700
Unrecognised share of taxable losses carried forward	100	1,600
Corporate tax (receivable)/payable can be specified as follows:		
Balance 1 January	(2,984)	(666)
Exchange rate adjustments	(360)	48
Paid during the year	1,245	-
Provision for the year	385	(2,000)
Adjustment to prior years	2,099	(366)
	385	**(2,984)**

J. Lauritzen is subject to Danish tax regulations which means that by law it is taxed jointly with all Danish subsidiaries under 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 JL Group entered the Danish tonnage taxation system, the adoption of which is binding until at least 2024. JL does not expect to exit the tonnage taxation and thus no deferred tax provision has been made on the assets or liabilities effected by the Danish tonnage taxation system. If, however, J. Lauritzen were to leave the Danish tonnage taxation system there could be a deferred tax liability of up to a maximum of USDm 6.

NOTE 5.5 FEES TO AUDITORS

USD '000	**2017**	2016
Total fees to elected auditors	270	363
Specified as follows:		
Statutory audit	243	297
Tax advisory services	-	10
Fee for other services	27	56

NOTE 5.6 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 J. Lauritzen 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 3.4) in which J. Lauritzen has a significant influence. Subsidiaries and joint ventures together with J. Lauritzen's shareholding are shown in the List of group companies.

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

USD '000	**2017**	2016
Lauritzen Ship Owners:		
Management fee	350	-
LF Investment:		
Management fee	142	136
Sale of non strategic assets	-	57,630
Group companies:		
Management fee, income/(expenses)	(3,173)	(2,836)
Guarantee commission income/(expenses)	789	1,318
TC income/(expenses)	(9,028)	(6,051)
Internal interests income/(expenses)	(1,254)	(613)
Joint ventures and associated companies:		
Management fee	875	412

Increase in share capital
In Q3 2017 an agreement was reached with Lauritzen Fonden, our sole shareholder to inject new apital of USDm 80.

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

Remuneration to key management personnel is disclosed in note 2.4.

NOTE 5.7 EVENTS AFTER THE BALANCE SHEET DATE

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

FINANCIAL YEAR
1 January - 31 December

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