J. LAURITZEN

Approved at the General Assembly 31 March 2017

Niels Heering, Chairman

www.j-lauritzen.com

Annual *Report* *2016*

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MANAGEMENT REVIEW

About J. Lauritzen

J. Lauritzen has been serving the maritime trade since 1884 and during our more than 130 years of existence, 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 in the handysize and supramax segments of dry bulk shipping with main presence in the handysize segment.

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
Headquarter in Copenhagen, Denmark and overseas offices in Singapore, China, the Philippines, the United States and Spain.

J. LAURITZEN FACTS 2016

Owned by the Lauritzen Foundation **100%**

195 employees ashore
year-end

32% 68%

549 seafarers onboard owned vessels
year-end

Average controlled fleet of **128** vessels

Invested capital
year-end
USD **379m**

Revenue USD **420m**

Highlights *2016-17*

Dry cargo freight markets fell to historic lows in early 2016 and despite some recovery during the year, average annual dry bulk vessel earnings turned out to be the weakest since 1985. Further, repercussions from the severe market decline for large gas carriers were from Q2 onwards increasingly felt in the segments for smaller gas carriers. For J. Lauritzen, the outcome was negative EBITDA of USDm (54.4) compared to USDm (41.1) in 2015.

EBITDA for 2016 was in line with our most recent outlook included in our interim financial report for the third quarter of 2016.

J. Lauritzen's result for 2016 was not satisfactory at USDm (45.6) compared to USDm (313.4) in 2015.

The 2016 result included special items totalling USDm 33.7 mainly related to use of provisions. By comparison, the result for 2015 included special items totalling USDm (207.2) mainly related to impairment losses and provisions.

Net interest bearing debt was reduced during 2016 by USDm 123.8 to USDm 159.8 at year-end. Since 2012, net interest bearing debt has been brought down by USDm 948.

Main events in 2016

In order to strengthen our balance sheet and improve our cash position, an agreement was reached in early 2016 with our sole shareholder, Lauritzen Fonden, to inject new equity of USDm 19.4 and to transfer a number of non-strategic assets and liabilities, including our shareholding in Axis Offshore Pte. Ltd and Hafnia Tankers, to LF Investment ApS, a wholly-owned subsidiary of Lauritzen Fonden. The transactions provided J. Lauritzen with additional cash of USDm 125 during 2016.

In line with planned generational change, Jesper T. Lok was elected Chairman and Niels Heering Vice Chairman of the Board of Directors at the Annual General Meeting in February.

In August 2016, CFO Birgit Aagaard-Svendsen left the company and in September, Mads P. Zacho took over as CEO replacing Jan Kastrup-Nielsen. Mads P. Zacho now constitutes the Executive Management of J. Lauritzen.

With the aim of further improving our cash position, two supramax bulk carrier newbuildings were sold and two wholly-owned and one part-owned handysize bulk carrier newbuildings were cancelled.

Lauritzen Kosan took delivery of the second of two 10,000 cbm time-chartered ethylene carriers with purchase obligations. According to agreement in early 2016, the purchase obligations were transferred to LF Investment ApS. The delivery of the two vessels was completed in Q4, and the two vessels are now employed on pool terms with Lauritzen Kosan.

One fully-pressurised gas carrier was sold during the year.

During 2016, Lauritzen Bulkers and Lauritzen Kosan controlled a combined average fleet of 128 vessels compared to 136 vessels in 2015. At year-end 2016, we owned 10 bulk carriers and 20 gas carriers versus 15 dry bulk carriers and 22 gas carriers at year-end 2015.

Business environment

2016 was a rough year for the global shipping industry with the ClarkSea Index (weighted average earnings index for the main vessel types) down 35% on 2015 and the lowest recorded since 1990, cf. Clarkson Research Services.

The global economy slowed slightly in 2016 reflecting subdued activity in advanced economies following the United Kindom's vote in favour of leaving the European Union (Brexit) and weaker than expected growth in the United States.

The on-going Chinese transition from investment driven growth into a service-oriented economy resulted in a slight slowdown in the Chinese growth.

Commodity prices plummeted in early 2016 and despite recovery during the year, average commodity prices remained at low levels to the detriment of raw material exporting countries.

The deceleration of growth in global trade relative to global economic activity that has occurred in recent years continued in 2016 to the detriment of global shipping. The reasons for the sluggish growth in global trade is yet not fully understood and apart from the generally weak economic environment and the rebalancing of the Chinese economy, may be a consequence of rising protectionism.

Global seaborne trade is projected to have expanded by 2.7% in 2016, slightly faster than the 1.9% recorded in 2015, but considerably below the 3.8% p.a. trend of 2011-14, cf. Clarkson Research Services.

In the dry bulk market, net supply growth slightly declined to 2.2% compared to 2.3% in 2015. Net supply growth in the handysize segment was 1.5%, compared to 1.5% in 2015 whereas growth in the supramax segment stood at 4.9% compared to 7.7% in 2015, cf Clarkson Research Services.

Demand growth for dry bulk carriers is estimated at 1.2% (compared to 0.0% in 2015), with mileage contributing a further 0.5% (0.9% in 2015), cf. Clarkson Research Services.

During 2016, the market for small gas carriers was not supported by LPG arbitrage across the Atlantic Basin, contrary to 2015. This put pressure on handysize gas carriers, which started part-cargoing and thereby putting downward pressure on the segments, in which Lauritzen Kosan is operating.

Second half of the year saw a significant rise in long-haul transportation of petrochemical gases, which brought an end to the decline in spot and period rates for smaller gas carriers. 2016 marked the end of the heavy schedule of deliveries in the fully-pressurised gas carrier segment, which led to some recovery in the spot and period rates East of Suez.

Strategy update

During the past years JL has been on a transformational journey, which is scheduled to continue in the next years.

Transformation of business models and divestments have been necessary to adapt to the serious challenges facing the global shipping industry. Supported by Lauritzen Fonden, a number of important steps were taken in 2016 to ensure that we can continue to develop the company.

Further steps will be taken in 2017 to continue addressing three main issues:

- Preservation of cash in order to ensure financial strength and flexibility through 2017-19.
- Grow the spot trading business in Lauritzen Bulkers based on an asset-light business model.
- Ensure fleet renewal in Lauritzen Kosan to support the successful business model based on high customer retention.

In that process, key challenges are:

- Operational cash flow will be limited in 2017 and improvements are scheduled to come slowly in subsequent years, and thus not at a pace commensurate with the current debt repayments and charter obligations.
- Increase spot trading volumes and improve margins for our core fleet as well as short-term time-chartered tonnage in Lauritzen Bulkers.
- Renewal of part of Lauritzen Kosan's fleet in order to meet demands from key customers.

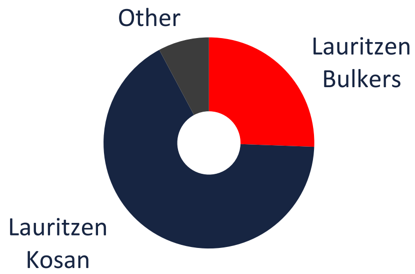
Assets and solvency

Total invested capital was USDm 378.7 at year-end 2016, down from USDm 531 at year-end 2015.

The carrying amount of vessels totalled to USDm 380.3, down USDm 64.4 on 2015. The reduction was due to the sale of vessels, reclassification of a financial leased vessel, depreciation and impairment losses.

Brokers' valuations of vessels were on average down 8% on 2015, both in Lauritzen Bulkers and in Lauritzen Kosan.

Share of invested capital at year-end 2016



At year-end 2016, the solvency ratio amounted to 36.1% (2015: 31.5%) and cash and cash equivalents were USDm 141 (2015: USDm 116). Net interest bearing debt amounted to USDm 160 equal to 41% of broker values (in 2015 USDm 284 and 57%, respectively).

AFTER YEAR-END EVENTS

After the end of the reporting period, following major events have occurred:

Capital structure and financing

On 23 February 2017, J. Lauritzen obtained support to main terms for a new financing package with our core lenders (financing banks) and our owner, Lauritzen Fonden, to among others improve the capital structure and ensure the continued financing of J. Lauritzen in 2017 as well as to meet our obligations and comply with loan agreement covenants.

In view of the expected sustained challenging market conditions in 2017 and the continued financing needed, the main terms include capital injection from Lauritzen Fonden, modification of the repayment schedule and amendments to existing loan facilities' covenants.

The terms involve Lauritzen Fonden to increase the share capital with nominal DKKm 10 at a value of USDm 30 and provide guarantee to the secured lenders at an amount corresponding to the repayment relief to be provided by the secured lenders, whereby the scheduled amortisations during 2017 to Q2 2021 will be reduced on average by 50%. The main terms additionally provide for extension of maturities on certain existing bank facilities to Q2-Q3 2021, originally scheduled to mature in 2019 and 2020 respectively, and extension of a reduced part of existing cross-currency swaps applied for the hedging of the JLA02 corporate bond.

Support to the main terms of the financing package are sought also from the financing parties on our JPY-denominated NEXI-backed loan facility, and consequently we expect main terms to be agreed by all secured lenders before the end of April 2017.

In parallel, as part of the financing package we have initiated negotiations with bondholders of the JLA 02 corporate bond to an agreement, whereby a NOK amount equivalent to approximately USDm 20 will be applied to a partial redemption of the original issued amount and extension of the maturity on the remainder of the issue from October 2017 to October 2021. Indications from certain bondholders indicate support for the proposed terms. The bondholders of JLA02 are summoned to approve the proposal at a meeting on 14 March 2017.

The completion of the financing package is subject to lenders' support, bondholder approval, final documentation and fulfilment of conditions precedent. Taking into consideration the agreed main terms with our core lenders (financing banks) and our owner, Lauritzen Fonden, Management expects all conditions of the financing package on reasonable terms to be fulfilled in Q2 2017, and thus expects that the financing needed during 2017 will be available.

Costs and organisational adjustments

In January 2017, cost reductions and organisational adjustments were implemented due to the ongoing market weakness, which when fully implemented by the end of 2017 will entail the redundancy of around 15% of the land-based workforce.

New Board member

Søren Roschmann, elected by the employees, left J. Lauritzen and resigned from the Board. He was replaced by Senior Vice President Claus Stahl, Lauritzen Bulkers.

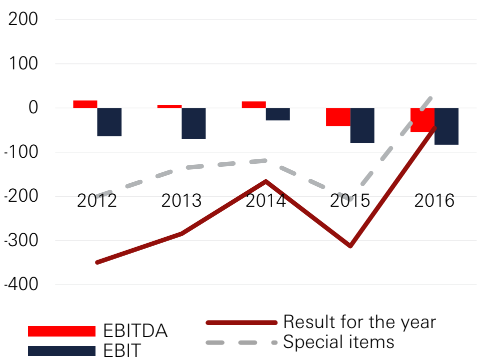
Group *Key Figures*

Main Figures for the Group USDm	2016	2015	2014	2013	2012
Income statement					
Revenue	420	349	443	501	558
Time-charter equivalent income (TCE)	279	268	351	352	388
Operating income before depreciation (EBITDA) and special items	(54)	(41)	15	7	17
EBITDA accounted for as discontinued operations	*0*	*0*	*16*	*48*	*55*
Operating income (EBIT) before special items	(83)	(79)	(28)	(70)	(64)
Special items, net	34	(207)	(119)	(136)	(200)
Financial items, net	1	(27)	(40)	(31)	(41)
Profit/(loss) from continuing operations before tax	(49)	(313)	(187)	(237)	(305)
Profit/(loss) from discontinued operations	0	1	19	(48)	(43)
J. Lauritzen Group's share of profit/(loss)	(46)	(313)	(166)	(285)	(350)
Balance sheet					
Non current assets	416	614	952	1,185	1,931
Total assets	617	859	1,208	1,877	2,315
Total equity	223	270	573	741	852
Non-current liabilities	217	378	424	754	1,297
Invested capital *	379	531	836	1,225	1,469
Net interest bearing debt (NIBD) *	160	284	268	631	685

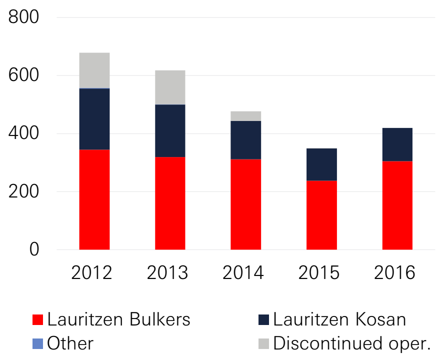
Main Figures for the Group USDm	2016	2015	2014	2013	2012
Cash flows and financial ressources					
Cash flow from operating activities	(41)	(61)	60	(20)	34
Cash flow from investment activities	129	75	553	28	(108)
- hereof investments in tangible fixed assets	(50)	(14)	(43)	(118)	(190)
Cash flow from financing activities	(63)	(80)	(572)	(126)	107
Changes for the year in cash and cash equivalents	25	(67)	41	(118)	33
Financial ressources at the end of the year	141	116	284	154	268
Key figures and financial ratios					
Average number of employees *	782	956	1,064	1,125	1,167
Total number of ship days *	46,940	49,688	53,515	56,736	59,156
DKK exchange rate year-end	705	683	612	541	566
Average DKK exchange rate	673	673	562	562	580
Profit margin	(19.9)%	(23.7)%	(6.1)%	(12.7)%	(10.0)%
NIBD/EBITDA *	(2.9)	(6.9)	17.5	86.2	39.4
Solvency ratio	36%	31%	47%	39%	37%
Return on equity (ROE)	(18.5)%	(74.3)%	(25.2)%	(35.8)%	(34.1)%
Return on invested capital (ROIC) *	(10.9)%	(41.8)%	(14.3)%	(15.3)%	(17.1)%

** Continuing operations only in 2012-2016*

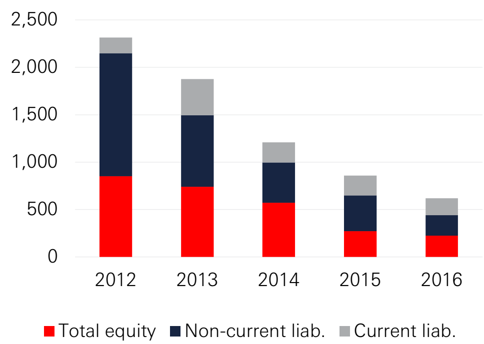
Selected key figures USDm



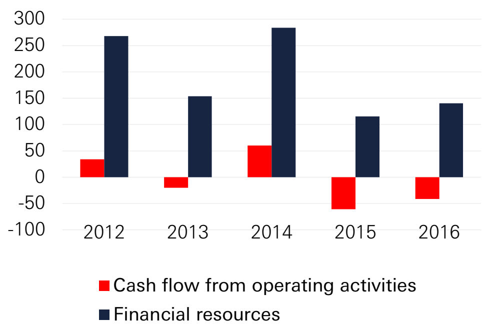
Revenue USDm



Capital structure USDm



Cash flow from operations and financial resources USDm



Outlook *2017*

The outlook for economic growth in key economic regions is forecast by leading international economic organisations to improve in 2017 and beyond. However, recent developments in global politics indicate that a less benevolent climate for international trade might evolve in the coming years.

Whereas neither dry bulk, LPG nor petrochemical gases might be hit directly by this development, the indirect impacts appear more likely and even more difficult to assess. In essence, growth in seaborne trade is anticipated to be negatively affected in the short to medium term by growing anti-globalisation and protectionist measures.

Equally concerning are the prospects of shifting regulatory targets and uneven enforcement of environmental standards.

Dry bulk markets have suffered one of the longest and deepest downturns in recent history and despite some recovery in late 2016, only a slight improvement is envisaged for 2017 as net fleet growth is projected to be in the same order of magnitude as in 2016.

LPG and petrochemical shipping markets are projected to see continued growth, albeit slowing from 2016 to 2017. As net supply growth is anticipated in general to outpace demand growth, freight rates are projected to remain under pressure.

Expectations for 2017
Based on the above, we expect 2017 to be another challenging year for our businesses.

Financially, operating income before depreciation and special items (EBITDA) is expected to be within the range of USDm (40)-(0), which is better than in 2016, however not satisfactory.

Depreciation and special items are expected to be at levels similar to 2016. Net financial expenses are expected to increase as financial income related to sale of shareholdings in 2016 is not repeated in 2017.

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

The result for 2017 is subject to a high degree of uncertainty related mainly to the development in the dry bulk segment and hence to the global economy in general.

Beyond 2017
Surplus capacity and continued large, albeit declining order books, remain a critical factor in major shipping markets, including dry bulk. 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 tempting newbuilding price levels.

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 may start in 2018.

The market for smaller gas carriers is more balanced. The segment for smaller fully-pressurised gas carriers is currently oversupplied, but ordering has come to a complete halt and scrapping set to increase. Restoration of the market balance could be back in a couple of years time, based on demand growth continuing at current levels and the orderbook being almost depleted towards the end of 2017.

Lauritzen *Bulkers*

EBITDA from our dry bulk activities amounted to USDm (63.9) in 2016 compared to USDm (55.0) in 2015. The continued unsatisfactory EBITDA reflects the combined effects of the depressed dry bulk markets and the average cost of our long-term chartered fleet which remained above market rates. Net revenue from our short-term trading was not sufficient to offset this.

The result was influenced by special items totalling USDm 43.5 mainly related to use of provisions. By comparison, the result for 2015 included special items totalling USDm (204.1) mainly related to impairment losses and provisions.

Operating income after special items amounted to USDm (26.7) compared to USDm (274.8) in 2015.

Key figures (USDm)	**2016**	**2015**
Revenue	305.1	237.6
Time-charter equivalent income	179.5	174.7
EBITDA	**(63.9)**	**(55.0)**
Depreciation	(6.1)	(16.9)
Profit/(loss) on sale of vessels etc.	0.0	0.1
Share of profits in joint ventures	(0.1)	1.1
Operating income before special items	**(70.2)**	**(70.7)**
Special items	43.5	(204.1)
Operating income after special items	**(26.7)**	**(274.8)**
Ship-days	34,582	36,680

ACTIVITY IN 2016

Total number of ship-days performed reached 34,582 corresponding to 95 vessels on average, compared to 36,680 ship-days with 100 vessels on average in 2015.

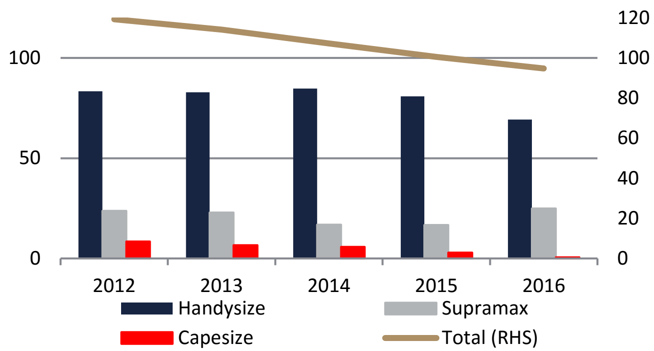
During 2016, we increased our trading activity and total short-term ship-days amounted to 18,926 compared to 11,630 in 2015.

The number of fixtures amounted to 1,267 in 2016, up from 1,156 in 2015.

A long-term cargo contract with Enviva, USA, for the transportation of green energy wood pellets to Europe was extended with an additional 300,000 tons per year in 2018-26.

Five vessels held for sale at year-end 2015 were delivered to new owners. Furthermore, two supramax newbuildings were sold, and two wholly-owned and one part-owned handysize newbuildings were cancelled.

Average number of vessels operated



ACTIVITY IN 2016

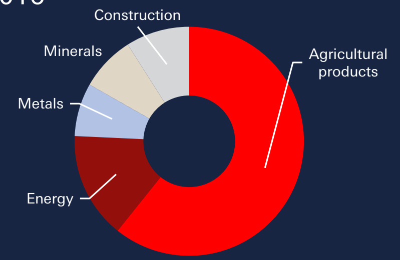
34,582
The number of performed ship-days corresponding to **95** vessels on average

Total spot ship-days

18,926	11,630
2016	**2015**

1,267
The number of fixtures

CARGO MIX, 2016



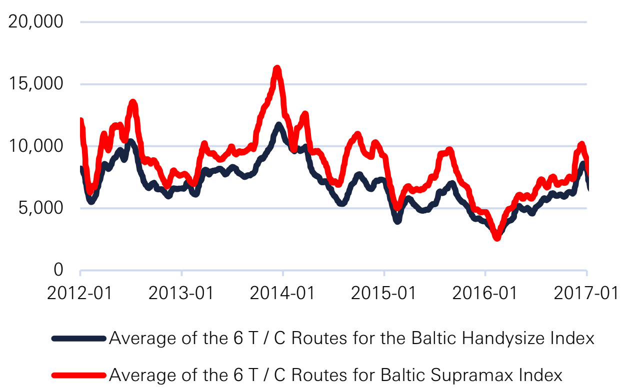
GLOBAL MARKET DEVELOPMENTS

2016 was a very difficult year for the dry bulk shipping market. After the Baltic Dry Index (BDI) reached a historic low in early February 2016, dry bulk markets improved during the year, albeit from exceptionally low levels. In particular, capesize vessels benefitted from increased shipments of iron ore into China as Chinese steel mills continued substituting domestically produced iron ore with imported iron ore, but all vessel sizes enjoyed improved earnings. However, average annual dry bulk earnings for all vessel sizes turned out to be the weakest since 1985.

Demolition continued at a fairly brisk pace (on an annual basis) and contracting likewise slowed considerably as a result of the weak market conditions.

Secondhand prices remained at low levels, although appear to have bottomed out for all vessel sizes.

Spot market rates in T/C equivalent USD/day



Source: Clarkson Research Services

STRATEGIC POSITIONING

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

Our main presence is in 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 owned and long-term time-chartered tonnage, we have in recent years substantially increased our business activities based on short-term trading.

Our strong client focus remains unchanged. A recent survey confirmed a very high satisfaction among Lauritzen Bulkers' clients and 91% of the clients stated that they would recommend LB to their peers.

During 2016, 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 38 vessels (down from 53 on average in 2015). At year-end 2016, our core fleet comprised 32 handysize and 6 supramax vessels.

A total of three long-term time-chartered vessels were delivered to the core fleet while seven vessels were redelivered to owners and pool partners.

Two scheduled dry dockings were completed in 2016. Unscheduled off-hire for our owned fleet came to 0.37% of available ship-days (0.30% in 2015).

Core fleet at year-end 2016

	Handysize	Supramax	Total	New-buildings
Owned	10	0	10	0
Part-owned	1	0	1	1
T/C in	18	6	24	8
Pool, etc.	3	0	3	0
Total	32	6	38	9

At year-end 2016, the average age of the owned fleet was 5.8 years (5.6 years at year-end 2015).

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 eight newbuildings on long-term time-charter to our 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 impacts and optimise on costs.

During 2016, efforts have been focused on data and data quality to identify and address lower performing vessels in our core fleet. These efforts have included a more structured approach to collecting and monitoring data from vessels, as well as increased collaboration with the owners of chartered vessels.

You can read more about our performance efforts and achievements in J. Lauritzen's Corporate Responsibility Report 2016 available on our website: http://www.j-l.com/sites/default/files/imce/jlcr2016.pdf

PERFORMANCE IN 2016

14% cut in CO_2 emissions since 2012

VERPs have improved the vessels' fuel-efficiency by approximately **7%**

5,650 metric tonnes

Fuel savings due to weather routing efforts

Lauritzen *Kosan*

EBITDA from our gas carrier activities amounted to USDm 19.2 compared to USDm 21.4 in 2015.

The decline was due to increased pressure on spot markets following the market collapse for large gas carriers, which spread into the segment for smaller gas carriers combined with a decline in performed ship-days.

The earnings per day were generally lower than in 2015 reflecting deteriorated market conditions. A further decline is expected in 2017 as a result of extensive scheduled delivery of newbuildings, mainly semi-refrigerated/ethylene carriers in the 13-23,000 cbm segment.

Special items related to impairment losses amounted to USDm (8.6) compared to USDm (0.5) in 2015. Operating income after special items amounted to USDm (12.0) compared to USDm (2.4) in 2015.

Key figures (USDm)	2016	2015
Revenue	114.9	111.5
Time-charter equivalent income	99.1	93.6
EBITDA	**19.2**	**21.4**
Depreciation	(23.8)	(24.8)
Profit/(loss) on sale of vessels etc.	0.6	-
Share of profits in joint ventures	0.5	1.6
Operating income before special items	**(3.4)**	**(1.8)**
Special items	(8.6)	(0.5)
Operating income after special items	**(12.0)**	**(2.4)**
Ship-days	12,357	13,009

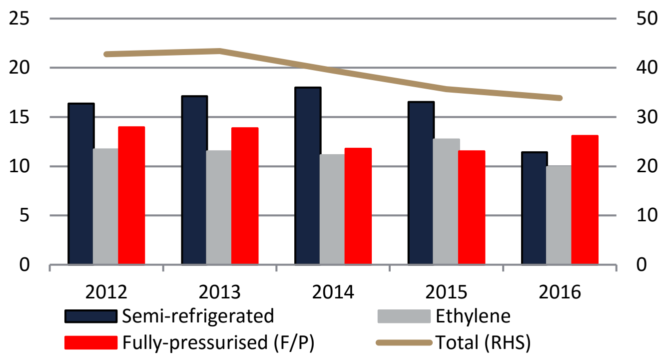
ACTIVITY IN 2016

The total number of ship-days performed in 2016 reached 12,357 corresponding to 34 vessels on average, compared to 13,009 ship-days or 36 vessels on average in 2015. The decrease reflects redelivery of tonnage as well as sale of older tonnage.

Serving long-term customers primarily on contracts of affreightment was the main activity for our semi-refrigerated and ethylene gas carriers, whereas the sublet market was used quite extensively for the fully-pressurised fleet. Serving long-term customers also required sublet of some cargoes. With the almost total disappearance of LPG arbitrage in the North Atlantic Basin for smaller gas carriers, serving customers with requirements for transportation of petrochemical cargoes became our largest business.

During the year, Lauritzen Kosan secured a cargo contract with SABIC (Saudi Arabia Basic Industries Corporation) for the transportation of petrochemical gasses.

Average number of vessels operated



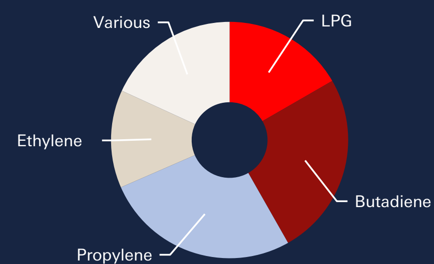
ACTIVITY IN 2016

12,357
The number of performed ship-days corresponding to **34** vessels on average

The combined average carrying capacity

202,282 cbm	237,416 cbm
2016	**2015**

CARGO MIX, 2016



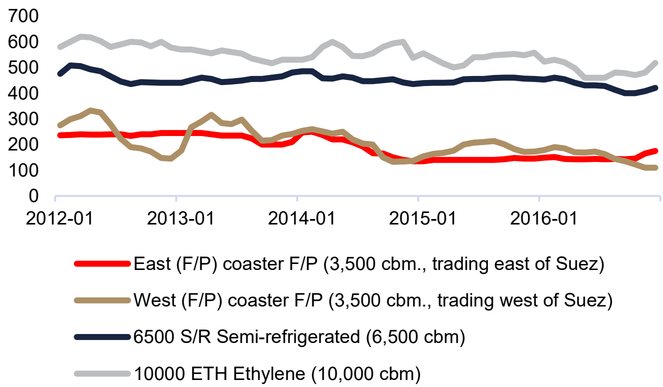
During the year, one gas carrier sold in 2015 was delivered to the new owner and an additional gas carrier was sold.

GLOBAL MARKET DEVELOPMENTS

2016 turned out to be more difficult than anticipated with spot market rates under pressure during H1 in the semi-refrigerated/ethylene segment, as 13-22,000 cbm gas carriers increasingly had to look for alternative employment due to the disappearance of arbitrage in the Atlantic Basin from mid-Q1. Towards the end of the year, a significant rise in long haul petrochemical movements led to slightly improved market conditions.

After a somewhat difficult start to the year, intra-Asian movements, supported by stronger imports of i.a. petrochemical gases into China, led the fully pressurised 3,500 cbm spot market into recovery. The European market for smaller fully-pressurised and semi-refrigerated tonnage went into very poor trading conditions mid-year.

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



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

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, LK has earned a solid position in the market, enjoying high customer retention rates.

Our position owes to the fact that the controlled fleet is run to the highest standards consistently based on the professionalism of our crews and the technical management team. This implies a performance in terms of reliability and flexibility at the highest industry standards which enables the chartering and operational teams to offer and serve customers with solutions for covering their transportation requirements.

Lauritzen Kosan has a 50-70% target cover for available ship days for the coming year, and in January 2017 the cover was in the upper end of this interval. 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. During 2016, Lauritzen Kosan served close to 75 customers and the top ten accounted for close to half of Lauritzen Kosan's 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 202,282 cbm in 2016 (237,416 cbm in 2015). At year-end 2016, the average age of the owned fleet was 11.3 years (10.8 years at year-end 2015).

We operated an average total fleet of 34 vessels in 2016. The average operated fleet totalled 11 semi-refrigerated vessels,

VESSEL INSPECTIONS

On our in-house technically managed gas carriers

113 inspections

Average vetting observations (SIRE)

3.57	3.96	< 4.0
2016	**2015**	**Target**

The number of Port State Control inspections: **50**

Average deficiencies

1.18	< 0.80
2016	**Target**

10 fully-pressurised vessels and 13 ethylene vessels in 2016.

During 2016, five chartered and pool vessels were redelivered and one older fully-pressurised gas carrier was sold.

Fleet at year-end 2016

	Semi-refrigerated	Ethylene	Fully-pressurised	Total
Owned	6	6	8	20
Part-owned	0	3	0	3
B/B in	4	0	0	4
T/C in	0	1	1	2
Pool, etc.	0	4	0	4
Total	**10**	**14**	**9**	**33**

In early 2016, we took delivery of the second of two 10,000 cbm time-chartered ethylene carriers with purchase obligation in late 2016. According to agreement with our owner, Lauritzen Fonden, the purchase obligations were transferred to LF Investment ApS. The purchase of the two vessels was completed in Q4, and the two vessels are now employed on pool terms with Lauritzen Kosan.

In 2016, we conducted ten scheduled dry-dockings (three in 2015). Unscheduled off-hire came to 1.6% of available vessel days in 2016 (3.6% in 2015).

PERFORMANCE

The overarching 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.

Early 2017, the Lauritzen Kosan fleet reached 365 days without any lost time injuries (LTI). This marks an important milestone in our efforts towards increased safety awareness amongst all crews.

You can read more about our performance efforts and achievements in J. Lauritzen's Corporate Responsibility Report 2016, available on our website: http://www.j-l.com/sites/default/files/imce/jlcr2016.pdf

PEOPLE IN NUMBERS

357 Crew members on board on average

Frequency of accidents lower than target

LTIF of **0.3** — **2016**

LTIF of **0.9** — **Target**

The seafarer retention rate was **93,3%** for officers and **97,2%** for ratings

People

Competent and motivated employees are essential for fulfilling our goals, and the future success of J. Lauritzen relies on our ability to attract talented people and provide them with the right tools and opportunities for competence development.

We employed an average of 782 persons at sea and ashore in 2016.

Our two business units have different set-ups in relation to recruitment of seafarers: Lauritzen Bulkers has outsourced ship management and crewing to external service providers. Lauritzen Kosan conducts ship management internally and employs all officers and crew together with external crew managers. Both business units prioritise strategic communication with seafarers and external crew managers to ensure safe and efficient operations as well as alignment of expectations.

Diversity
We consider diversity important for innovation and business development and thus our overall value creation. In 2016, we therefore 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 2016, the gender distribution within the organisation as a whole remained stable at 32% female and 68% male. The distribution of females and males in managerial positions of our shore-based organisation reached 17% and 83%, 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 2016 engaged in work with peers in the Danish Shipowners' Association to explore possible new ways to increase the influx and promotion of women in shipping.

Improving leadership skills
In 2016, we continued our efforts to further develop our managers and improve their leadership skills.

We consider quality leadership and the ability to execute on our goals vital to our future success, and our focus during 2016 was therefore on increasing our ability to implement and execute strategies in volatile markets and ensure that all employees work towards the same goal. Motivation, performance, change management and strategy implementation were also amongst the focus areas for our management development training during the year.

Developing young talents
In 2016 we welcomed the first students from the first 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 as a means to contribute to the training of young people for the industry and source talents for junior commercial positions within the company.

As part of our partnership with Shanghai Maritime University (SMU) and CBS, three students from SMU were given the opportunity to follow a semester at CBS, while nine CBS students received a scholarship financing summer school classes in Chinese language and culture with SMU.

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

PEOPLE IN NUMBERS

Shore-based personnel

At year-end the total headcount was **195**

Retention rate

2016	2015
86%	86%

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

Average age

2016	2015
44.7 years	43.4 years

Financing and *Investor Relations*

J. Lauritzen's fleet is financed with a mix of secured bank facilities, unsecured corporate bonds and equity.

FINANCING – STATUS YEAR-END 2016

Outstanding bank and bond debt (non-USD debt at hedged value, net) stood at USDm 334 at year-end 2016 (USDm 420 at year-end 2015), hereof USDm 255 long-term bank debt and the remainder sourced from a corporate bond listed at Oslo Børs.

Net interest bearing debt, net of cash, amounted to 41% of the market value of the fleet by year-end 2016. This was a decrease from 57% the year before.

Bank facilities

The average loan-to-value (total secured bank facilities as a ratio of the market value of the fleet) was 66% at year-end 2016.

Corporate bonds

The "JLA02" unsecured corporate bond, issued by J. Lauritzen A/S in 2012 with scheduled maturity October 2017, has a nominal NOKm 500 outstanding; J. Lauritzen itself holds a nominal NOKm 53 of the bonds.

Covenants

The bank facilities included the following financial covenants: Security maintenance: Ratio between security and outstanding debt in the particular facility, typically 125%.

Financial covenants: Value-adjusted consolidated solvency ratio of minimum 30%, consolidated liquidity of minimum USDm 50 and consolidated working capital ratio to be higher than one (excluding balloon payments falling due more than six months after the calculation date).

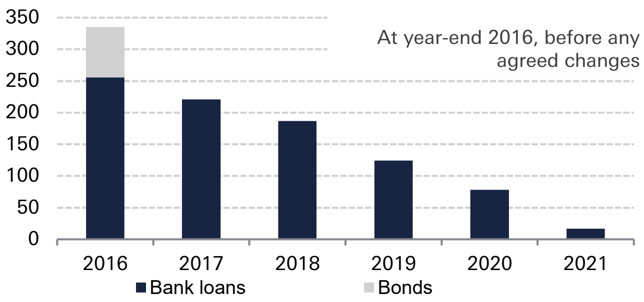
The JLA02 corporate bond had financial covenants requiring a consolidated solvency ratio of minimum 30% and a consolidated liquidity of minimum USDm 50.

J. Lauritzen complied with all covenants throughout 2016.

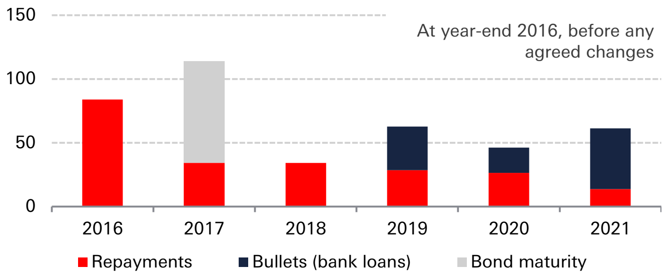
INVESTOR RELATIONS

An ongoing dialogue with lenders, investors and analysts is key for the continued financing of our fleet and our ambition is to provide timely, precise and relevant information to the stakeholders. Presentations, financial reports and announcements supporting the dialogue are available at our website.

Outstanding bank and bond debt year-end USDm



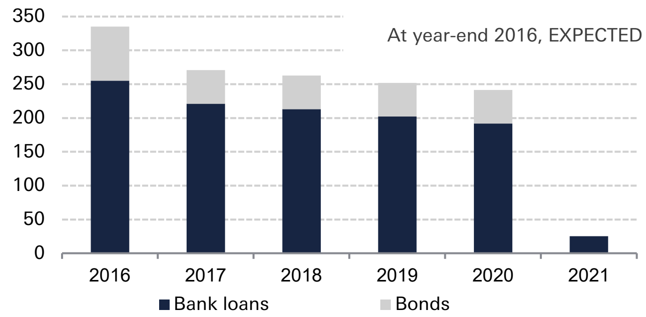
Repayment profile for bank and bond debt USDm



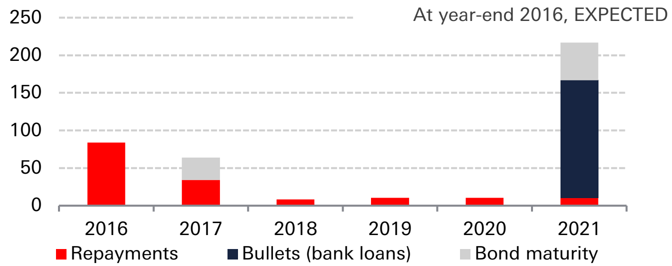
AFTER YEAR-END EVENTS

In February 2017, an agreement with core lenders and our owner was reached for a new financing package to strengthen the capital structure and to ensure the continued financing of J. Lauritzen, cf. page 5-6. When implemented, the new financing package will entail notable changes to the repayment profile of the bank and bond debt, as can be seen from the below charts.

Outstanding bank and bond debt year-end USDm



Repayment profile for bank and bond debt USDm



Notes to charts: Bond debt at hedged value less holdings of own bonds. JPY debt at hedged value. Numbers may change subsequently. "EXPECTED": Assuming agreement implemented and covering bonds and all bank facilities.

Corporate *Governance*

Our corporate governance efforts are conducted in accordance with the "Recommendations for Corporate Governance" issued by the Danish Committee on Corporate Governance and Section 107b of the Danish Financial Statements Act.

MANAGEMENT STRUCTURE

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

Board of Directors

The core task of the Board of Directors is to ensure that 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 2016, the Board met nine times, and held four online conference meetings. Between meetings, recommendations were submitted to the Board for written resolution five times.

The Board of Directors is supported by two permanent committees: The Audit Committee and the Nomination and Remuneration Committee. The Audit Committee held seven meetings and the Nomination and Remuneration Committee held two meetings in 2016.

Board members elected at the general meeting serve for one year and may stand for re-election. In February 2016, Bent Østergaard and Ingar Skaug left the Board, where after the Board of Directors consisted of seven members, four elected by the general meeting (all re-elected in February 2016) and three by the employees.

The diversity profile of the Board of Directors is 25% female and 25% originating from outside Denmark. It is the objective to increase the diversity of the Board of Directors in terms of gender and that the Board will have two female board members before 2019.

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

Executive Management

During the year, CEO Jan Kastrup-Nielsen and CFO Birgit Aagaard-Svendsen left the company.

The Executive Management is appointed by the Board of Directors and has since September consisted 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, Business Unit presidents and the heads of Corporate Control and Corporate Human Resources.

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-lauritzen.com/about/corporate-governance. Our statutory report on Corporate Governance 2016 is available at http://www.j-l.com/sites/default/files/imce/jl_corporate_governance_rapport_2016.pdf

LAURITZEN FONDEN

J. Lauritzen A/S was founded in 1884 and has ever since 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*

The objective of our business model is to create value from taking specific business risk and reducing other risk factors such as financial risk and operational risk by way of hedging, diversification or other ways of mitigation.

Our ability to attract new business also relies on our brand and reputation. We strive to continue to be recognised as an accountable shipowner and operator with prudent standards in all aspects of safety and corporate governance.

The objective for our risk management is to ensure risk monitoring and that risk levels are acceptable, aligned with our strategy and commensurate with our financial strength. Risk management policies are approved by the Board of Directors and are an integral part of the corporate governance efforts.

BUSINESS RISK
Our business is exposed to factors common for a volatile, cyclical, global industry such as shipping.

Global economic activity and the derived trade in commodities and manufactured goods between the different regions of the world are the fundamental drivers of the demand growth in shipping markets. Demand for raw materials (e.g. grain, fertilizer and cement) and for liquefied petroleum gasses as well as the consumption of plastics and the price development on raw materials and energy are important drivers of demand for our areas of business.

Supply of tonnage for seaborne transportation is impacted by the utilisation of the existing fleet, demolition of vessels and orders for newbuildings. Together these factors form the trading conditions for our business activities.

Volatility in freight rates and fluctuations in the value of our assets are key business risk factors that directly impact our earnings and financial strength.

Purchasing and chartering of vessels expose the company to financial liabilities expected to be covered by earnings which are dependent on freight market levels and margins.

The Board of Directors has issued policies on overall limits for off-balance sheet exposure (such as chartered tonnage). Details on financial liabilities relating to chartered vessels appear in note 3.2 (Operating leasing of vessels) in the accounts.

Uncertainty relating to earnings is managed by obtaining employment coverage for the committed, open ship-days by entering into cargo contracts, time charters, voyage charters and Forward Freight Agreements (FFAs) to the extent considered attractive and relevant. Employment coverage will periodically only be possible at rates that are lower than the cost of the committed tonnage due to market cyclicality and thus generate losses.

The level of contract coverage for 2017 as well as business risk factors specific to the business areas are discussed in the chapters on Lauritzen Bulkers and Lauritzen Kosan.

Our business portfolio spans across distinctively different areas of maritime transportation, and we are positioned in different vessel segments. Dry bulk shipping markets have historically been substantially more volatile and more cyclical both in terms of freight rate levels and vessel values than gas carrier markets.

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 clauses in our loan agreements. This risk is managed by having a diversified operated fleet comprising not only owned and part-owned vessels, but also pool and time-chartered vessels.

2016 saw an 8% decline in the market value of our owned vessels. Should vessel values decrease by 10% during 2017 compared to the December 2016 valuations, USDm nil would be required by year-end 2017 as additional security.

FINANCIAL RISK
Exposure to financial risk is monitored and optimised in order to maintain a limited risk profile in relation to liquidity risk, credit risk, currency risk, interest risk and to secure sufficient financial resources. Notes Section 4 of the accounts hold a detailed description and analysis regarding exposure and management of financial risk.

BUNKER OIL PRICE RISK
Bunker oil is a significant cost element but in principle only a risk in relation to contracted cargo volumes not covered by BAF (Bunker Adjustment Factor). Most of the operated fleet is either employed in the spot market, re-let, on time-charter or employed under a Contract of Affreightment (COA) with BAF, and the bunker oil price risk is thus considered limited.

OPERATIONAL AND CORPORATE RESPONSBILITY RISK
Potential losses resulting from accidents, inadequate systems, piracy, human error, insufficient insurance, failure of IT systems or non-compliance with regulation as well as direct and indirect impacts from climate and environmental challenges are examples of operational and corporate responsibility risks.

Risk tolerance related to operational issues such as fleet management and safety is in principle zero.

Risks associated with our corporate responsibility are identified and assessed through continuous due diligence and prioritised based on their significance to our core business, their importance to our stakeholders and the severity of the negative impacts they may pose on the areas within human rights including labour rights, the environment and anti-corruption.

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.

The shipping industry has widely implemented international safety standards, and an increasing number of clients pose additional requirements relating to safety. Safety procedures are well implemented to ensure that not only do we comply with the highest industry standards, but we also strive 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' cargo due to piracy or violent crime-related activity in certain parts of the world has our strictest attention. We mitigate by assessing the necessity for engaging armed security teams on vessels operating in high-risk regions prior to every voyage and by adhering to recommendations and Best Management Practices (BMP4) from relevant national and international bodies.

Insurance

An insurance policy is in place to reduce financial implications of incidents and casualties. Our insurances cover assets, chartered and operated fleet, liabilities and non-marine risk. As a general rule, insurances are always taken out with first class international insurance companies and are always taken out with a certain financial safety margin to avoid any serious consequential impact of an incident or casualty on our financial status.

IT systems

IT is critical for our business and it is imperative that our IT systems are available round-the-clock and are accessible worldwide.

As a global shipping company, we are exposed to risks related to IT security and cybercrime ashore and at sea. During 2016, we undertook a number of initiatives to increase IT security and adapting our procedures to the continuously changing threat scenario. Our efforts to mitigate risk of cybercrime related to the systems on board our vessels, which may lead to operational failures or security breaches, resulted in the development of a new risk assessment model. The new model assesses risk on the basis of severity and likelihood of the risk occurring and is scheduled to be rolled out to our existing IT systems in 2017.

Non-compliance

Non-compliance is a significant risk factor in the shipping industry where we are exposed to different cultures and practices and are subject to various national regulations. Compliance policies for relevant regulatory risk, including anti-corruption and sanctions are adopted and are supplemented by face-to-face compliance training of both sea and shore personnel. Likewise, compliance advice and compliance screenings of counterparts are available, just as compliance concerns from in-house and third parties can be reported on an anonymous whistle-blower portal.

Climate change and environmental challenges

Our business is impacted by the combined effects from increased focus on climate change and environmental challenges, political efforts to reduce consumption of fossil fuels and the transition in global energy consumption towards alternative energy sources.

Regional climate and environmental regulation designed to reduce emissions and manage releases to water creates a complex and opaque regulatory framework thus increasing the risk of non-compliance which may lead to financial and reputational damage.

The emergence of regional rather than global regulation also implies risk of unfair competition and lack of a level playing field. Growing concerns over climate change causing governments to introduce fuel levies or carbon pricing are also likely to have restrictive effects on seaborne trade.

We strive to reduce risk associated with climate change and environmental challenges by working actively with our internal policies, by staying on top of new regulation and by participating in industry networks through which we share knowledge and strive to use our combined leverage to influence regional and global regulators.

Coal constitutes approx. 25% of world seaborne dry bulk trade, and a drastic reduction in consumption of fossil fuels is likely to impact demands for dry bulk shipping in the long-term. According to MSI/CRS research, the demand for seaborne trade in coal has dropped by almost 10% over the last couple of years. Were this development to continue, the risk to our business would be imminent and we follow the development in the global demand closely to identify any changes in the nature of this strategic business risk.

Corporate *Responsibility*

Our corporate responsibility efforts build 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 business operations.

HIGHLIGHTS 2016

During 2016, we have focused our efforts on continuous human rights due diligence as well the continuous implementation of our energy-efficiency projects, our anti-corruption compliance programme and our responsible supply chain management programme.

CO_2 working group

In 2016, we participated in a working group in the Danish Shipowners' Association (DSA) which set out to draft a new climate policy and decide on a DSA suggestion for realistic and ambitious CO_2 reduction targets. The policy was launched in November 2016, and is based on a study undertaken during the year, which establishes solid and well-argued reduction targets based on proposed technical, legal and financial reduction mechanisms.

The working group was assembled in light of COP21 which failed to commit the IMO, the sole global regulator of shipping, to establish ambitious CO_2 reduction targets to ensure that international shipping delivers its fair contribution to the UN target of staying below a 2˚C temperature rise. The work of the DSA working group is intended to provide essential documentation in future international climate negotiations as a means to push for global rather than regional or national regulation.

Focus on limiting our CO_2 footprint has led to reductions of 14% and 10% respectively for our operated fleet of bulk and gas carriers since 2012. For the combined fleet, the reduction amounts to 31%. The latter figure is due to Lauritzen Bulkers' increased relative share of J. Lauritzen's total transport work.

Responsible ship recycling

Increased attention is being paid to ship recycling, mainly due to the nature of some ship recycling practices which are associated with unsafe labour practices and unsatisfactory environmental standards. Consequently, a new policy on responsible ship recycling was approved in 2016. The policy acknowledges the known severe impacts involved in some recycling practices and 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 selling vessels for further trade. To ensure the adoption of the new recycling policy and assist employees in complying with the policy, i.e. when selling vessels for further trade, a set of internal guidelines have been developed.

OUTLOOK 2017

In 2017, we will take our corporate responsibility efforts to a new phase of integration with our business strategy and thus our overall value creation. Focus will be on the further implementation of our corporate responsibility programmes. Furthermore, we will encourage business partners to respect the UN Guiding Principles on Business and Human Rights.

ADDITIONAL INFORMATION

Please see our Corporate Responsibility Report 2016 for additional information which is available on our website: http://www.j-l.com/sites/default/files/imce/jlcr2016.pdf

ACHIEVEMENTS IN 2016

Relative cut in CO_2 emissions of **14%** and **10%** from operated fleet of bulk and gas carriers since 2012

Anti-corruption training of our shore-based personnel and senior officers

5 suppliers have been engaged in dialogue

Board of *Directors*

Chairman
Jesper T. Lok
Member since 2014 // Remuneration: DKK 750,000

Other management duties, etc.:

Chairman of the Board
ESVAGT A/S
Deputy Chairman of the Board
Danish Crown A/S
Board member of:
Inchcape Shipping Services

Vice Chairman
Niels Heering
Member since 2001 // Remuneration: DKK 492.667

Partner, Gorrissen Federspiel

Other management duties, etc.:

Chairman of the Board:
NTR Holding A/S, Civ. Ing. N.T. Rasmussens Fond
Ellos A/S, Helgstrand Dressage A/S, Henning Stæhr A/S, Imerco A/S, M. Goldschmidt Holding A/S, Nesdu A/S

Deputy Chairman of the Board:
15. Juni Fonden, Aquaporin A/S

Board member:
Scandinavian Private Equity Partners A/S, Ole Mathiesen A/S
Lise og Valdemar Kählers Familiefond
NKB Infrastructure II Komplementar ApS
NKB Infrastructure Komplementar ApS
NKB Invest II Komplementar ApS
NKB Opportunity Komplementar ApS
NKB Private Equity VI A/S
NKB V DK Komplementar ApS
NKB Private Equity DK IV ApS
NKB Private Equity IV EURO ApS
NKB Private Equity III DK A/S
Slotshotellet ApS
Kapitalforeningen Nykredit Private Banking Elite

Board of *Directors - continued*

Peter Poul Lauritzen Bay
Member since 2003 // Remuneration: DKK 295,832

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

Other management duties, etc.:

Marianne Wiinholt
Member since 2011 // Remuneration: DKK 383,333

Executive Vice President and CFO, DONG Energy A/S

Other management duties, etc.:

Board member:
Norsk Hydro ASA

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

NOMINATION & REMUNERATION COMMITTEE
Jesper T. Lok (Chairman), Mads Peter Zacho, Jan Ulrik Nielsen

* Re-elected in 2013 by the employees
** Elected in 2013 by the employees and resigned in February 2017
*** Elected in 2013 by the employees as alternate member and joined the Board in February 2017

Board of *Directors - continued*

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

Project Manager, Lauritzen Kosan

Other management duties, etc.:

Board member:
De Forenede Sejlskibe I/S

Ulrik Danstrøm*
Member since 2009 // Remuneration: DKK 250,000

Senior Chartering Manager, Lauritzen Bulkers

No other management duties, etc.

Søren Roschmann**
Member since August 2014 // Remuneration: DKK 250,000

Senior Technical Manager, Head of Technical Department
Lauritzen Bulkers

No other management duties, etc.

Claus Stahl***
Member since February 2017 // Remuneration: DKK 0

Senior Vice President
Lauritzen Bulkers

No other management duties, etc.

* Re-elected in 2013 by the employees
** Elected in 2013 by the employees and resigned in February 2017
*** Elected in 2013 by the employees as alternate member and joined the Board in February 2017

Management

EXECUTIVE MANAGEMENT AND EXECUTIVE COMMITTEE

President & CEO
Mads Peter Zacho
Joined J. Lauritzen in 2016 // CEO since September 2016

OTHER EXECUTIVE COMMITTEE MEMBERS

President - Lauritzen Bulkers
Peter Borup
Joined J. Lauritzen in February 2013 // In current position since February 2013

President - Lauritzen Kosan
Thomas Wøidemann
Joined J. Lauritzen in 2002 // In current position since 2011

Senior Vice President, J. Lauritzen A/S Corporate Control
Erik Bierre
Joined J. Lauritzen in 2000 // In current position since 2000

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

Financial *Review*

OPERATING ACTIVITIES

Results

In 2016, the result was USDm (45.6) compared to USDm (313.4) in 2015.

The result for 2016 included special items totalling USDm 33.7 mainly related to use of provisions. By comparison, the result for 2015 included special items totalling USDm (207.2) mainly related to impairment losses and provisions.

Revenue and time charter equivalent income

Revenue increased from USDm 349.1m in 2015 to USDm 420.0 in 2016 mainly due to changed employment pattern of the bulk fleet from mid-2016, when Lauritzen Bulkers' handysize pool ceased. Voyage related costs increased from USDm (80.7) in 2015 to USDm (141.4) in 2016 also reflecting the changed employment pattern of the bulk fleet.

The time-charter equivalent income amounted to USDm 278.7 based on 46,940 ship days, corresponding to an average of 128 vessels, compared to USDm 268.3 in 2015 based on 49,688 ship days or an average of 136 vessels.

Time charter equivalent income

USDm	2016	2015	Δ
Lauritzen Bulkers	179.5	174.7	4.8
Lauritzen Kosan	99.1	93.6	5.5
	278.7	268.3	10.4

Shipdays

	2016	2015	Δ
Lauritzen Bulkers	34,582	36,680	(2,097)
Lauritzen Kosan	12,357	13,009	(652)
	46,940	49,688	(2,749)

Hire of chartered vessels increased from USDm (191.1) in 2015 to USDm (229.1) in 2016 due to Lauritzen Bulkers' increasing use of short-term chartered tonnage, but also due to two ethylene gas carriers taken on time charter by Lauritzen Kosan. Operating costs for owned and bareboat-chartered vessels totalled USDm (64.4), down from USDm (81.5) in 2015, due to sale of vessels.

EBITDA before special items

Operating income before depreciations and special items (EBITDA) amounted to USDm (54.4), down USDm 13.4m on 2015.

EBITDA before special items

USDm	2016	2015	Δ
Lauritzen Bulkers	(63.9)	(54.9)	(9.0)
Lauritzen Kosan	19.2	21.3	(2.1)
Unallocated	(9.8)	(7.4)	(2.3)
	(54.4)	(41.1)	(13.4)

Depreciation amounted to USDm (29.9), down USDm 11.8 on 2015 due to sale of vessels.

Operating income and special items

Operating income before special items amounted to USDm (83.3) compared to USDm (78.6) in 2015.

Special items amounted to USDm 33.7 comprising USDm 52.0 from provisions, USDm (26.3) from impairment losses and USDm 8.0 related to claims and termination of contracts.

By comparison, special items in 2015 of USDm (207.2) comprised USDm (281.9) from impairment losses and provisions and a further USDm 74.7 related to claims and termination of contracts.

Special items

USDm	2016	2015
One-off revenue from sale of claims, claim settlements and termination of contracts	9.3	77.2
Impairment losses, vessels and vessels under construction	(24.0)	(217.6)
Provisions and use of provisions for onerous contracts	52.0	(29.6)
Impairment losses, vessels owned by joint ventures	(2.3)	(34.7)
Financial items related to termination of contracts	(1.2)	(2.6)
	33.7	(207.2)

FINANCING AND TAX

Net financials amounted to USDm 0.7, up from USDm (26.9) in 2015. The improvement mainly related to fair value adjustments of shares available for sale totalling USDm 27.1 transferred from equity to financial income due to the sale of our shareholdings in Hafnia Tankers Ltd. and Danish Ship Finance.

Income tax amounted to USDm 3.1 compared to USDm (1.3) in 2015.

OPERATING ASSETS AND LIABILITIES

Vessels

During 2016, we delivered five bulk carriers and one gas carrier, which were sold and classified as held for sale in 2015. Early 2016, one financial leased gas carrier was reclassified as operational lease as the purchase obligation was transferred to LF Investment ApS. Furthermore, two newbuildings scheduled for delivery in 2016 were sold, two newbuildings scheduled for delivery in 2018 were cancelled and one gas carrier was sold.

At year-end, the fleet was tested for impairment. The impairment test resulted in impairment losses of USDm (8.6) related to the fully pressurised gas carriers caused by a decline in broker values.

The carrying amount of vessels totalled USDm 380.3 compared to USDm 444.7m in 2015. Brokers' valuations totalled USDm 386.5. The carrying amount of vessels under construction amounted to nil (2015: USDm 14.6).

Investments in joint ventures
Investments in joint ventures totalled USDm 26.9, down from USDm 77.3 in 2015 due to the sale of our shareholding in Axis Offshore Pte. Ltd.

Shares available for sale
Shares available for sale totalled USDm 0.1, down from USDm 47.0 in 2015 due to the sale of our shareholdings in Hafnia Tankers Ltd. and Danish Ship Finance.

Net working capital and other receivables
Net working capital amounted to USDm 11.6 against USDm 5.5 in 2015. Other receivables totalled USDm 24.0, down USDm 30.1 on 2015 mainly due to payments from charterers and release of cash pledged as security for debt.

Securities
Securities amounted to nil (2015: USDm 10.0) due to sale of bonds.

Provisions for onerous contracts
Provisions for onerous time charter contracts and other provisions amounted to USDm 34.7, down from USDm 98.0 in 2015 due to use of provisions mainly related to onerous time charter contracts.

Invested capital
Invested capital amounted to USDm 378.7, down from USDm 531.0 in 2015 primarily due to sale of assets, impairment losses and depreciations.

At year-end 2016, total assets amounted to USDm 617.1, down USDm 241.5 on 2015 also due to sale of vessels and other assets, depreciation and impairment losses.

CAPITAL STRUCTURE AND FINANCES

Equity
Shareholders' equity was USDm 222.8 (2015: USDm 270.4m). This included a capital injection of USDm 19.4 received in March 2016. Solvency was 36.1%, up from 31.5% at the end of 2015.

Liabilities
At year-end 2016, total liabilities amounted to USDm 394.3, down USDm 193.9 on 2015.

Total interest bearing debt decreased to USDm 300.4 from USDm 409.2m in 2015 mainly due to repayment of mortgage debt.

For further details on capital structure and financing, reference is made to the description of After Year-end Events in Highlights 2016 on page 5-6.

CASH FLOW AND FINANCIAL RESOURCES

Cash flow from operating activities totalled USDm (41.2), up from USDm (60.8) in 2015 mainly reflecting payment on hedging instruments related to repayment of corporate bonds in 2015.

In 2016, cash flow from investment activities amounted to USDm 129.4, up from USDm 74.6 in 2015 due to sale of vessels and other assets and release of bank deposits pledged as security for debt.

Cash flow from financing activities amounted to USDm (62.9) compared to USDm (80.4) in 2015. The change was mainly due to the capital injection of USDm 19.4, repayment of corporate bonds in 2015 and repayment of debt related to vessels sold.

Cash and cash equivalents at year-end amounted to USDm 140.6 compared to USDm 115.6 at year-end 2015.

At year-end 2016, financial resources totalled USDm 140.6 compared to USDm 115.6 at year-end 2015.

In addition to the financial resources noted above, J. Lauritzen has an unsecured, uncommitted overdraft facility of DKKm 100 for multi-currency short-term financing needs.

Management *Statement*

The Board of Directors and Executive Management have today discussed and approved the annual report of J. Lauritzen A/S for the financial year 2016.

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. It is our opinion that the consolidated financial statements and parent company financial statements give a true and fair view of the financial position of the Group and the parent company at 31 December 2016 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January 2016 – 31 December 2016.

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 risks and uncertainties affecting the Group and the parent company.

We recommend that the annual report be approved at the Annual General Meeting.

Hellerup, 24 February 2017

EXECUTIVE MANAGEMENT

Mads Peter Zacho
President & CEO

BOARD OF DIRECTORS

* Elected by the employees

Jesper T. Lok, Chairman

Niels Heering

Marianne Wiinholt

Peter Poul Lauritzen Bay

Søren Berg*

Ulrik Danstrøm*

Claus Stahl*

Independent *Auditors' Report*

To the Shareholder of J. Lauritzen A/S

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 2016, which comprise income statement, statement of comprehensive income, balance sheet statement, cash flow statement, equity statement and notes, including a summary of significant accounting policies, for the group as well as for 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 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 the parent company at 31 December 2016 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 2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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" section of our report. 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 the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements and the parent company financial statements for the financial year 2016. These matters were addressed in the context of our audit of the consolidated financial statements and the parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements and the parent company financial statements.

Assessment related to capital structure and financing

As disclosed in note 4.1 to the consolidated financial statements, the Group has certain obligations related to repayment of existing loans during 2017 and later and has also agreed to comply with certain financial covenants in loan agreements. The availability of an appropriate capital structure and sufficient financing are therefore essential for the assessment of the going concern assumption applied by Management in the preparation of the financial statements.

Management's assessment in this context is based on existing loan agreements etc. but is also largely based on expectations and estimates of areas such as estimated future cash flows, forecasted results and margins from operations and availability of capital and financing. Estimates are based on subjective assumptions, including relating to future developments in the economy, the global shipping markets and the future operations of the Group.

How our audit addressed the Key Audit Matter

Our audit procedures in relation to assessment of the going concern assumption with respect to capital structure and financing included:

- Examination of the assumptions made by management in the forecasts made available to us. We have specifically devoted attention to the assumptions made with respect to factors significantly impacting the future cash flows in order to consider the company's ability to continue meeting its payment obligations and its obligations under the financing covenants in the year ahead.

- Discussions with Management on the main terms of the financing package and any uncertainties and risks related to the completion of the financing package as expected in Q2 2017, including any alternative measures to be taken by Management should the financing package not be completed as expected by Management.

- Assessment of the adequacy of disclosures about capital structure and financing in note 4.1 to the consolidated financial statements.

Valuation of vessels and measurement of provisions for onerous time-charter contracts
J. Lauritzen operates own and chartered vessels in the bulkers and gas shipping markets. Management's disclosures on the impairment testing are included in note 3.1 to the consolidated financial statements.

These areas are significant to our audit due to the size of the carrying values of vessels of USDm 380 and related provisions for onerous time-charter contracts as well as the management judgment involved in the assessment of accounting estimates and assessments involved in impairment testing.

Management prepares impairment tests for all cash generating unit's at least at year-end. Impairment testing is based on the estimated recoverable amounts, which is the higher of fair value less estimated costs of disposal and value in use. Fair value of vessels is for this purpose determined on the basis of the average of available independent broker valuations. Value in use is calculated for the cash generating units determined by Management, which therefore means that the value in use of certain ships are tested together at the level of a segment.

How our audit addressed the Key Audit Matter
Our audit procedures in relation to valuation of vessels and measurement of provisions for onerous time-charter contracts included:

- Examination of the value-in-use model prepared by Management, including consideration of the valuation methodology and challenging the reasonableness of key assumptions and input data based on our knowledge of the business and industry together with available supporting evidence such as available budgets and forecasts and externally observable market data related to expected future freight rates, interest rates etc. We furthermore examined contractual commitments to supporting contracts.

- Examination of fair value less cost of disposal for vessels calculated by Management, including comparison of carrying values of the ships with available valuations prepared by external and independent ship valuation brokers.

- Assessment of the useful life and scrap values used.

- Assessment of the adequacy of disclosures about key assumptions in note 3.1 to the consolidated financial statements.

Statement on the Management's review
Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements or the parent company financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we concluded that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatements of the Management's review.

Management's responsibilities for the consolidated financial statements and the parent company 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 disclosure requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company 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 the 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 these consolidated financial statements and parent company financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements or, if such disclosures are in-adequate, to modify our opinion. Our conclusion is 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 company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 24 February 2017

Ernst & Young
Godkendt Revisionspartnerselskab
CVR. 30 70 02 28

Torben Bender
State Authorised Public Accountant

Carsten Kjær
State Authorised Public Accountant

Consolidated Financial Statements

Notes

Income Statement

USD '000	Note	2016	2015
Revenue	2.1, 2.2	420,017	349,078
Voyage related costs		(141,350)	(80,746)
Time-charter equivalent income		**278,667**	**268,332**
Other operating income		4,089	6,897
Hire of chartered vessels	2.2	(229,144)	(191,054)
Operating costs of vessels	2.4	(64,443)	(81,529)
Administrative costs	2.4	(43,598)	(43,699)
Operating income before depreciation (EBITDA) and special items		**(54,429)**	**(41,053)**
Profit/(loss) on sale of vessels and other assets		639	52
Depreciation	3.1	(29,895)	(41,678)
Share of profit in joint ventures	2.2, 3.4	353	4,047
Operating income (EBIT) before special items		**(83,332)**	**(78,633)**
Special items, net	2.2	33,664	(207,192)
Operating income (EBIT) after special items		**(49,667)**	**(285,824)**
Financial income	4.3	27,708	4,246
Financial expenses	4.4	(26,968)	(31,105)
Profit/(loss) from continuing operations before tax		**(48,928)**	**(312,683)**
Income tax	5.4	3,111	(1,322)
Profit/(loss) from continuing operations		**(45,817)**	**(314,006)**
Profit/(loss) from discontinued operations	5.1	195	560
Profit/(loss) for the year		**(45,622)**	**(313,446)**
Profit attributable to:			
The J. Lauritzen Group		**(45,622)**	**(313,446)**

Statement of Comprehensive Income

USD '000	Note	2016	2015
Profit/(loss) for the year		**(45,622)**	**(313,446)**
Items that can be reclassified subsequently to income statement:			
Other comprehensive income net of tax:			
Exchange differences on translating foreign operations		(178)	(772)
Fair value adjustment of hedging instruments during the year		(565)	(2,547)
Gain/(loss) on hedging instruments transferred to financial expenses		6,478	8,252
Fair value adjustment of shares available for sale	4.5	1	6,152
Fair value adjustment of shares available for sale reclassified to Financial items, net		(27,072)	-
Other comprehensive income net of tax		**(21,337)**	**11,085**
Total comprehensive income for the year		**(66,959)**	**(302,361)**
Total comprehensive income attributable to:			
The J. Lauritzen Group		(66,959)	(302,361)
		(66,959)	**(302,361)**

Balance Sheet Statement

ASSETS

USD '000	Note	2016	2015
Vessels, property and equipment	3.1	384,153	464,531
Investments in joint ventures	3.4	26,871	77,286
Deferred tax assets	5.4	3,700	2,700
Shares available for sale	4.5	52	46,982
Receivables from joint ventures		560	1,238
Other receivables		472	21,735
Non-current assets		**415,808**	**614,472**
Bunkers		13,169	7,152
Trade receivables	4.5	10,418	10,906
Other receivables	3.7	24,001	54,058
Prepayments		6,268	8,007
Current tax receivables	5.4	2,870	651
Derivative financial instruments	4.5	4,017	1,625
Securities		-	10,000
Cash at hand and in bank		140,572	115,570
		201,317	207,968
Assets held for sale	5.1	-	36,162
Current assets		**201,317**	**244,130**
Total assets		**617,125**	**858,603**

LIABILITIES

USD '000	Note	2016	2015
Share capital		63,864	62,356
Retained earnings		168,945	196,693
Reserves		(9,971)	11,366
Equity	**4.6**	**222,837**	**270,415**
Long-term provisions	3.8	-	31,842
Non-current derivative financial instruments	4.5	1,381	34,979
Long-term borrowings	4.1	215,948	310,953
Non-current liabilities		**217,329**	**377,774**
Current portion of long-term borrowings	4.1	84,448	98,251
Trade payables		13,491	7,481
Other payables		10,451	21,169
Provisions	3.8	34,670	66,118
Prepayments		-	812
Derivative financial instruments	4.5	33,900	16,584
Current liabilities		**176,959**	**210,414**
Total liabilities		**394,288**	**588,188**
Total equity and liabilities		**617,125**	**858,603**

Cash Flow Statement

USD '000 - Inclusive discontinued operations	Note	2016	2015
Operating income before special items, continuing operations		(83,332)	(78,633)
Operating income before special items, discontinued operations		195	183
Depreciation carried back		29,895	41,678
Share of profit in joint ventures		(353)	(4,047)
Special items with cash flow effect		9,256	13,479
(Profit)/loss on sale of vessels and other assets		(639)	(52)
Change in bunkers		(6,017)	2,531
Change in receivables		49,055	13,534
Change in payables		(5,956)	(1,170)
Cash flow from operations before financial items		(7,896)	(12,496)
Ingoing financial payments		608	4,032
Outgoing financial payments		(33,793)	(50,129)
Cash flow from ordinary operations		(41,080)	(58,594)
Paid corporate tax	5.4	(161)	(2,211)
Cash flow from operating activities		**(41,241)**	**(60,805)**
Investments in vessels	3.1	(9,927)	(7,858)
Payments on vessels under construction	3.1	(20,158)	(6,511)
Payments on vessels under construction, held for sale		(20,267)	-
Investments in machinery and equipment	3.1	(7)	(13)
Investments in joint ventures	3.4	(5,940)	(9,238)
Payments of provisions related to joint ventures		(8,909)	-
Sale of vessels		78,589	93,499
Sale of other non current assets		(131)	53
Disposal of joint ventures	3.4	51,947	-
Dividend received from joint ventures	3.4	1,992	11,039
Purchase and sale of securities and shares available for sale		57,163	1,005
Bank deposits pledged as security for debt		5,027	(7,353)
Cash flow from investment activities		**129,381**	**74,622**
Financial receivables		747	500
Instalment on long-term debt		(147,708)	(270,033)
Proceeds from loans		64,019	189,778
Finance lease payments		630	(634)
Increase in share capital		19,382	-
Cash flow from financing activities		**(62,931)**	**(80,390)**

	2016	2015
Changes for the year in cash and cash equivalents	25,209	(66,573)
Cash and cash equivalents at beginning of year	115,570	184,388
Currency adjustments on cash and cash equivalents	(207)	(2,246)
Cash and cash equivalents at the end of the year	**140,572**	**115,570**
Undrawn committed credit facilities at end of year *)	-	-
Financial resources at the end of the year	140,572	115,570
Committed facilities available upon delivery of vessels	-	77,800
Financial resources incl. committed facilities available upon delivery of vessels	140,572	193,370

*) J. Lauritzen has an unsecured overdraft facility of 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 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)
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**
Equity 1/1 2015	62,356	(15,434)	20,919	(5,204)	281	510,139	572,776
Profit/(loss) for the year	-	-	-	-	-	(313,446)	(313,446)
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	(772)	(772)	-	(772)
Deferred (gain)/loss on hedging instruments transferred to financial expenses	-	8,252	-	-	8,252	-	8,252
Fair value adjustment of hedging instruments during the period	-	(2,547)		-	(2,547)	-	(2,547)
Fair value adjustment of shares available for sale	-	-	6,152	-	6,152	-	6,152
Total other comprehensive income	-	5,705	6,152	(772)	11,085	-	11,085
Total comprehensive income	**-**	**5,705**	**6,152**	**(772)**	**11,085**	**(313,446)**	**(302,361)**
Equity 31/12 2015	**62,356**	**(9,730)**	**27,071**	**(5,976)**	**11,366**	**196,693**	**270,415**

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 2016 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 D.

NOTE 1.2 CHANGE IN ACCOUNTING POLICIES AND NEW FINANCIAL REPORTING STANDARDS

With effective date 1 January 2016, we have adopted the standards and interpretations that became effective in EU from 2016.

None of the changes in the IFRS's has affected recognition or measurement in 2016.

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 result 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 Annual Report 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.

A joint venture is a joint arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement. 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 result 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 JUDGMENTS

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 3.4
- 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
Our business portfolio spans across distinctively different areas of maritime transportation, and we are positioned in different vessel segments within the business units.

Risk related to our capital structure and financing are described in section 4 in the notes.

Purchasing and chartering of vessels expose J. Lauritzen to financial liabilities that are expected to be covered by earnings from our operations which are dependent on freight market levels. Any gap between current freight rate levels and the cost of committed tonnage will directly be reflected in our earnings when new employment is secured.

Dry bulk shipping markets have historically been substantially more cyclical and more volatile both in terms of freight rate levels and vessel values compared to the shipping markets for gas carriers. This partly mitigates the volatility in our earnings and the value of or assets.

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.

J. Lauritzen operates a diversified fleet comprising owned and part-owned vessels as well as pool vessels and time-chartered vessels. Time-charter commitments are disclosed in note 3.2.

Fluctuations in freight rate levels impact the income statement and cash position, however this is partly mitigated by contribution from spot trading operating.

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 2016.

In May 2014, IFRS 15 Revenue from Contracts with Customers was issued, introducing a five step model for recognition of revenue. During 2016, J. Lauritzen has commenced the analysis of the changed requirements. Effective date of the standard is 1 January 2018.

J. Lauritzen enters into 3 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 preliminary analysis of the effect of changed revenue recognition shows that the effect on revenue is fairly small, approximately 1% at year end 2016. The voyage related costs are presently also allocated over the estimated duration of the voyage from discharge to discharge. Allocating these from load til discharge will reduce the effect of the change in revenue implying an effect of less than 1% on the Time-charter equivalent income (TCE). With same activity and voyage pattern the effect of implementing IFRS 15 in January 2018 will be a 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 January 2016, IFRS 16 Leases was issued. The new standard implies that all J. Lauritzens'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 activitites. The effective date of IFRS 16 is 1 January 2019 (not yet approved by EU).

Except for IFRS 15 Revenue from Contracts with Customers 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 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 profit/(loss) divided by 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 SEGMENT INFORMATION

USDm **2016**	Lauritzen Bulkers	Lauritzen Kosan	Discontinued operations: Lauritzen Offshore	Lauritzen Tankers	**Total reportable segments**	Other/Un-allocated	**Total Group**	**Total Group continuing operations**
Revenue	305.1	114.9	0.0	0.0	420.1	0.0	420.1	420.0
Voyage related costs	(125.6)	(15.7)	0.0	0.2	(141.1)	0.0	(141.1)	(141.4)
T/C equivalent income	179.5	99.1	0.0	0.3	278.9	0.0	278.9	278.7
Other operating income	1.0	2.0	0.0	0.0	2.9	1.1	4.1	4.1
Hire of chartered vessels	(206.9)	(22.3)	0.0	0.0	(229.1)	0.0	(229.1)	(229.1)
Operating costs of vessels	(18.4)	(46.0)	0.0	(0.1)	(64.5)	(0.1)	(64.6)	(64.5)
Contribution II before special items	(44.8)	32.8	0.0	0.2	(11.8)	1.1	(10.7)	(10.9)
Administration costs	(19.1)	(13.6)	0.0	0.0	(32.7)	(10.9)	(43.6)	(43.6)
Operating income before depreciation (EBITDA) and special items	**(63.9)**	**19.2**	**0.0**	**0.2**	**(44.5)**	**(9.8)**	**(54.3)**	**(54.5)**
Depreciation	(6.1)	(23.8)	0.0	0.0	(29.9)	(0.0)	(29.9)	(29.9)
Profit/(loss) on sale of vessels etc.	0.0	0.6	0.0	0.0	0.6	0.0	0.7	0.7
Share of profit in joint ventures	(0.1)	0.5	0.0	0.0	0.4	(0.0)	0.4	0.4
Operating income before special items	**(70.1)**	**(3.4)**	**0.0**	**0.2**	**(73.4)**	**(9.8)**	**(83.2)**	**(83.4)**
Special items	43.5	(8.6)	0.0	0.0	34.9	(1.2)	33.7	33.7
Operating income after special items	**(26.6)**	**(12.0)**	**0.0**	**0.2**	**(38.5)**	**(11.0)**	**(49.5)**	**(49.7)**
Non current assets	115.0	295.2	0.0	0.0	410.2	5.6	415.8	415.8
Investments in joint ventures	2.7	24.2	0.0	0.0	26.9	0.0	26.9	26.9
Current assets	48.1	7.5	0.0	0.1	55.7	145.6	201.3	201.2
Total assets	163.1	302.7	0.0	0.1	465.8	151.3	617.1	617.0
Liabilities	116.0	187.3	0.2	0.8	304.3	90.0	394.3	393.3
Net assets	47.1	115.4	(0.2)	(0.6)	161.6	61.3	222.8	223.7
Onshore employees, average	68	57	0	0	125	71	196	196
Crew on vessels, average	229	357	0	0	586	0	586	586
Total employees, average	297	414	0	0	711	71	782	782
Profit margin	(22.9)%	(3.4)%	N/A	N/A	(17.6)%	N/A	(19.9)%	(19.9)%
Return on invested capital	(22.5)%	(3.7)%	N/A	N/A	(8.6)%	N/A	(10.9)%	(10.9)%
Investments in vessels etc. (CAPEX)	38.3	9.2	0.0	0.0	47.6	0.0	47.6	47.6
Invested capital - Year end	114.9	299.0	(0.1)	(0.6)	413.1	(35.1)	378.0	378.7
Invested capital - Average	118.4	328.8	(0.2)	(0.8)	446.1	7.7	453.8	454.8

The reportable segments in the Group consist of the business units Lauritzen Bulkers (bulk carriers), Lauritzen Kosan (gas carriers), and the discontinued operations Lauritzen Offshore (shuttle tankers) and Lauritzen Tankers (product tankers). The reportable segments are identical with how we have organized our business. Each business unit is operated independently as each business unit services different customers and employs different types of vessels.

The accounting policies of the reportable segments are consistent with the Group's accounting policies.

The revenue reported represents revenue from external customers. There were no inter-segment sales in 2016 or 2015.

Unallocated items include finance costs and corporate services not allocated to the business units as well as financial assets and financial liabilities not allocated to business units including the investment in Axis Offshore and Hafnia Tankers.

None of our businesses are limited to a specific geographical area and thus geographical information is irrelevant. As the Group is not reliant on any single major customer, no customer information is given.

ACCOUNTING POLICIES

Segment information
Segment information on key business areas is disclosed in line with the internal financial management, risks and accounting policies.

Assets in a segment comprise those that are directly attributable to the segment's operations, including intangible assets, vessels, property, equipment, investments in associated companies and joint ventures, inventories, trade and other receivables, prepayments and cash.

NOTE 2.1 SEGMENT INFORMATION (continued)

USDm 2015	Lauritzen Bulkers	Lauritzen Kosan	Discontinued operations: Lauritzen Offshore	Lauritzen Tankers	**Total reportable segments**	Other/Un-allocated	**Total Group**	**Total Group continuing operations**
Revenue	237.6	111.5	(0.1)	0.4	349.4	0.0	349.4	349.1
Voyage related costs	(62.9)	(17.9)	(0.0)	0.0	(80.8)	0.0	(80.8)	(80.7)
T/C equivalent income	174.7	93.6	(0.1)	0.4	268.6	0.0	268.7	268.3
Other operating income	3.6	2.3	0.0	0.4	6.3	1.0	7.3	6.9
Hire of chartered vessels	(179.2)	(11.8)	0.0	(0.5)	(191.6)	0.0	(191.6)	(191.1)
Operating costs of vessels	(33.2)	(48.1)	(0.1)	0.0	(81.4)	(0.2)	(81.6)	(81.5)
Contribution II before special items	(34.1)	35.9	(0.2)	0.3	2.0	0.8	2.8	2.6
Administration costs	(20.9)	(14.6)	0.0	(0.0)	(35.5)	(8.2)	(43.7)	(43.7)
Operating income before depreciation (EBITDA) and special items	**(55.0)**	**21.4**	**(0.1)**	**0.3**	**(33.4)**	**(7.4)**	**(40.9)**	**(41.1)**
Depreciation	(16.9)	(24.8)	0.0	0.0	(41.7)	(0.0)	(41.7)	(41.7)
Profit/(loss) on sale of vessels and other assets	0.1	0.0	0.0	0.0	0.1	0.0	0.1	0.1
Share of profit in joint ventures	1.1	1.6	0.0	0.0	2.7	1.4	4.0	4.0
Operating income before special items	**(70.7)**	**(1.8)**	**(0.1)**	**0.3**	**(72.4)**	**(6.1)**	**(78.5)**	**(78.6)**
Special items	(204.1)	(0.5)	0.0	0.0	(204.6)	(2.6)	(207.2)	(207.2)
Operating income after special items	**(274.8)**	**(2.4)**	**(0.1)**	**0.3**	**(277.0)**	**(8.7)**	**(285.7)**	**(285.8)**
Non current assets	160.9	353.6	0.0	0.0	514.5	100.0	614.5	614.5
Investments in joint ventures	7.4	21.5	0.0	0.0	28.9	48.4	77.3	77.3
Current assets	101.0	10.1	0.0	0.1	111.2	132.9	244.1	244.0
Total assets	261.8	363.7	0.0	0.1	625.6	233.0	858.6	858.5
Liabilities	228.1	183.6	0.5	1.0	413.1	175.1	588.2	586.7
Net assets	33.8	180.1	(0.5)	(0.9)	212.6	57.9	270.4	271.7
Onshore employees, average	83	67	0	0	151	67	218	218
Crew on vessels, average	361	377	0	0	738	0	738	738
Total employees, average	444	444	0	0	889	67	956	956
Profit margin	(30.2)%	(3.1)%	N/A	N/A	(21.5)%	N/A	(23.6)%	(23.7)%
Return on invested capital	(94.2)%	(0.7)%	N/A	N/A	(42.7)%	N/A	(41.8)%	(41.8)%
Investments in vessels etc. (CAPEX)	12.4	2.0	0.0	0.0	14.4	0.0	14.4	14.4
Invested capital - Year end	121.9	358.5	(0.4)	(0.9)	479.2	50.5	529.7	531.0
Invested capital - Average	291.6	357.6	(0.4)	0.1	648.8	34.3	683.1	683.4

Liabilities in a segment comprise those that are directly related to the segment's operation, including trade payables, accruals and other liabilities.

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. FFA's do not qualify as hedge accounting.

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 voygage-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	2016	2015
A) One-off revenue from sale of claims, claim settlements and termination of contracts	9,256	77,229
B) Impairment losses on vessels	(8,615)	(89,856)
B) Impairment losses on vessels under construction	(16,306)	(16,039)
B) Impairment losses on vessels classified as held for sale	907	(111,669)
C) Provisions for onerous contracts	(5,325)	(59,743)
C) Use of provisions for onerous contracts	57,294	30,113
D) Impairment losses on vessels owned by joint ventures	(2,319)	(34,659)
E) Financial items related to termination of contracts	(1,229)	(2,568)
Special items, net	**33,664**	**(207,192)**

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		2016	2015
Revenue	A)	429,273	426,307
Other operating income		4,089	6,897
Costs	C)	(426,566)	(424,657)
Operating income before depreciation (EBITDA)		**6,797**	**8,547**
Profit/(loss) on sale of assets		639	52
Depreciation and impairment losses	B)	(53,909)	(261,243)
Share of profit in joint ventures	D)	(1,965)	(30,613)
Operating income		**(48,438)**	**(283,257)**
Net financial items	E)	(490)	(29,427)
Profit/(loss) before tax		**(48,928)**	**(312,683)**
Income tax		3,111	(1,322)
Profit/(loss) from continuing operations		**(45,817)**	**(314,006)**

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:

	Lauritzen Bulkers		Lauritzen Kosan		Total	
2016	USDm committed income	No. of vessels, full year equivalents	USDm committed income	No. of vessels, full year equivalents	USDm committed income	No. of vessels, full year equivalents
< 1 Year	5.6	1.0	35.5	9.2	41.2	10.2
1 - 2 Year	2.4	0.4	4.4	0.9	6.8	1.4
2 - 3 Year	-	-	-	-	-	-
3 - 4 Year	-	-	-	-	-	-
4 - 5 Year	-	-	-	-	-	-
> 5 Year	-	-	-	-	-	-
Total	**8.0**	**-**	**39.9**	**-**	**48.0**	**-**
2015						
< 1 Year	5.6	1.0	20.1	5.3	25.7	6.3
1 - 2 Year	5.6	1.0	7.6	1.7	13.2	2.7
2 - 3 Year	2.4	0.4	-	-	2.4	0.4
3 - 4 Year	-	-	-	-	-	-
4 - 5 Year	-	-	-	-	-	-
> 5 Year	-	-	-	-	-	-
Total	**13.7**	**-**	**27.7**	**-**	**41.4**	**-**

CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

The Group enters into different contracts regarding chartering vessels out. The majority of these contacts can easily be categorized 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	**2016**	2015	**2016**	2015	**2016**	2015
Salaries	25,554	26,079	29,335	35,935	54,889	62,014
Pensions (defined contribution plan)	2,014	2,119	-	2	2,014	2,121
Social security	502	488	-	-	502	488
Contract labour	205	255	-	-	205	255
	28,275	28,941	29,335	35,937	57,610	64,878
Hereof related to discontinued operations:						
Lauritzen Offshore	-	(21)	-	54	-	33
Total continuing operations	**28,275**	**28,962**	**29,335**	**35,883**	**57,610**	**64,845**

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	
	2016	2015	**2016**	2015	**2016**	2015
Average number of employees	196	218	586	738	782	956
Number of employees at year end	195	206	549	678	744	884

USD '000	**2016**	2015
Remuneration to J. Lauritzen A/S'		
Executive Management - salaries	1,555	1,876
CEO Mads Peter Zacho	*188*	-
CEO Jan Kastrup Nielsen	*843*	*1,092*
CFO Birgit Aagaard-Svendsen	*524*	*784*
Executive Management - bonus	1,451	519
CEO Mads Peter Zacho	*253*	-
CEO Jan Kastrup Nielsen	*1,198*	*300*
CFO Birgit Aagaard-Svendsen	-	*219*
Board of Directors	430	498
	3,436	**2,893**

Remuneration to Executive Management consists of a fixed and variable compensation. No variable compensation has been paid in 2016 and 2015. In addition hereto, 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 **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**

USD '000 2015	Vessels	Vessels under construction	Land & buildings	Machinery, tools and equipment	Total
Cost as at 1 January	1,262,006	28,961	2,928	10,138	1,304,032
Exchange rate adjustments	(846)	-	(134)	(33)	(1,013)
Additions	39,428	6,511	-	13	45,953
Disposals	(29,761)	(4,800)	-	-	(34,561)
Transfer, assets held for sale	(390,116)	-	-	-	(390,116)
Cost as at 31 December	880,711	30,671	2,794	10,119	924,294
Depreciation and impairment losses as at 1 January	(489,027)	0	(628)	(6,162)	(495,817)
Exchange rate adjustments	223	-	28	30	280
Depreciation	(40,703)	-	(83)	(892)	(41,678)
Impairment losses	(89,856)	(16,039)	-	-	(105,895)
Disposals	23,320	-	-	-	23,320
Transfer, assets held for sale	160,026	-	-	-	160,026
Depreciation and impairment losses as at 31 December	(436,016)	(16,039)	(683)	(7,024)	(459,763)
Balance as at 31 December	**444,695**	**14,633**	**2,110**	**3,095**	**464,531**
Hereof finance leased assets	31,570	-	-	-	31,570

Impairment test 2016

The impairment test at the end of 2016 resulted in impairment losses on vessels of USDm (8.6) in the CGU Fully-pressurised gas carriers, due to a decline in broker values. The recoverable amount for the Fully-pressurised gas carriers is the fair value less costs of disposal estimated by use of two independent broker valuations.

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

In Q1 2016, cash saving initiatives were implemented causing impairments of USDm (15.7) and provisions of USDm (5.3) during 2016, related to sale and cancellation of newbuilding contracts and cancellation of a time charter contract. In addition impairment of vessels classified as held for sale at year end 2015, have been adjusted by USDm 0.3 at delivery.

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 recognized 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 2015 or 2016.

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 2016 are identical to those applied for 2015:

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, counter-party 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. The Group uses a nominal risk adjusted weighted average cost of capital of 8.5% equal to 6.6% in real terms after tax (2015: 6.5%) 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:

	Lauritzen Bulkers		Lauritzen Kosan		Total	
2016	USDm committed obligation	No. of vessels, full year equivalents	USDm committed obligation	No. of vessels, full year equivalents	USDm committed obligation	No. of vessels, full year equivalents
< 1 Year	104.4	24.3	5.9	3.3	110.3	27.6
1 - 2 Year	102.7	23.4	0.1	0.1	102.8	23.5
2 - 3 Year	76.7	18.0	-	-	76.7	18.0
3 - 4 Year	63.6	14.7	-	-	63.6	14.7
4 - 5 Year	56.0	13.0	-	-	56.0	13.0
> 5 Year	129.4	29.8	-	-	129.4	29.8
Total	**532.8**	**-**	**6.0**	**-**	**538.9**	**-**
2015						
< 1 Year	121.5	27.0	9.7	5.3	131.2	32.3
1 - 2 Year	111.9	25.4	4.1	2.3	116.0	27.7
2 - 3 Year	105.4	24.4	-	-	105.4	24.4
3 - 4 Year	80.8	19.0	-	-	80.8	19.0
4 - 5 Year	67.1	15.7	-	-	67.1	15.7
> 5 Year	190.4	44.1	-	-	190.4	44.1
Total	**677.1**	**-**	**13.8**	**-**	**690.9**	**-**

At year-end 2016, the Group has purchase options on 22 bulk carriers (2015: 24 bulk carriers).

CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

The Group enters into different contracts regarding chartering vessels in. The majority of these contacts can easily be categorized 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 FINANCIAL LEASING OF VESSELS

At year-end 2015, J. Lauritzen had a time charter-agreement with a purchase obligation for one gas carrier that was considered a financial lease. In January 2016, the purchase obligation was transferred to LF Investment (wholly owned by Lauritzen Fonden), and the financial leased vessel was derecognised.

NOTE 3.4 INVESTMENTS IN JOINT VENTURES

USD '000	**2016**	2015
Cost as at 1 January	114,876	107,028
Additions during the year	5,940	9,238
Disposal during the year	(99,975)	(1,390)
Cost as at 31 December	20,842	114,876
Revaluation as at 1 January	(45,134)	3,373
Exchange rate adjustments	59	(2)
Dividends received	(1,992)	(11,539)
Revaluations during the year*	(2,616)	(17,613)
Disposal during the year	48,028	(19,353)
Revaluation as at 31 December	(1,655)	(45,134)
Impairment losses as at 1 January	-	(21,243)
Disposal during the year	-	21,243
Impairment losses as at 31 December	-	-
Balance as at 31 December	19,187	69,743
Negative equity settled against receivable from joint ventures	7,684	7,543
Balance as at 31 December	**26,871**	**77,286**

* In addition USDm 13 was recognised as provisions in 2015.

Key figures for joint ventures (100%):

USD '000	**2016**	2015
Revenue	51,542	112,725
Net profit	(3,452)	(1,004)
Assets	122,974	579,946
Liabilities	86,742	297,971
Group's share of net profit	(6,201)	(18,318)
Internal profit/loss	3,585	705
Net profit in joint ventures	(2,616)	(17,613)
Group's share of equity	20,104	75,136
Internal profit/loss	(917)	(5,393)
	19,187	69,743

Guarantees and payment obligations relating to joint ventures:

USDm	**2016**	2015
Guarantees undertaken for debt in joint ventures	100	134
Max. obligations to pay in capital into joint ventures	5	76

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.

Asssociates 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 3.5 CONTRACTUAL COMMITMENTS

At year-end the Group has no newbuilding contracts. At the end of 2015 the Group had newbuilding contracts with a remaining contractual commitment of USDm USDm 90.4, covering construction of 4 bulk carriers for delivery in 2016-2018. During 2016 these contracts have been cancelled or sold.

NOTE 3.6 WORKING CAPITAL

USD '000	**2016**	2015
Bunkers	13,169	7,152
Trade receivables	10,418	10,906
Other receivables	2,751	6,316
Prepayments	6,268	8,007
Total working capital assets	32,607	32,381
Trade payables	13,491	7,481
Other payables	7,519	18,550
Prepayments	0	812
Total working capital liabilities	21,011	26,844
Net working capital	**11,597**	**5,537**

NOTE 3.7 OTHER RECEIVABLES

USD '000	**2016**	2015
Bank deposits pledged as security for debt	-	5,242
Receivables from charterers	21,250	42,500
Working capital receivables:		
Pool receivables	1,778	2,519
Other short-term receivables	973	3,797
Total other receivables	**24,001**	**54,058**

NOTE 3.8 PROVISIONS

USD '000	**2016**	2015
Provisions as at 1 January	97,959	60,057
Additions included in special items	5,325	59,743
Additions, other	2,789	8,742
Used during the year included in special items	(57,294)	(30,113)
Used during the year, other	(15,135)	(469)
Reversal of provisions during the year	1,025	-
Provisions as at 31 December	34,670	97,959
Hereof:		
Non-current liabilities	-	31,842
Current liabilities	34,670	66,118
Provisions as at 31 December	34,670	97,959

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

	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, net *)	(51,531)	-	-	-	-	-	(51,531)
Total long-term borrowings	**(84,448)**	**(32,917)**	**(61,540)**	**(44,980)**	**(60,551)**	**(15,961)**	**(300,396)**

	2015						
USD '000	<1 year	1 - 2 year	2 - 3 year	3 - 4 year	4 - 5 year	> 5 year	Total
Mortgages on vessels *)	(84,416)	(31,956)	(31,956)	(60,580)	(42,396)	(74,723)	(326,027)
Issued bonds *)	-	(52,236)	-	-	-	-	(52,236)
Finance leasing **)	(13,834)	(1,711)	(1,711)	(1,711)	(1,711)	(10,264)	(30,941)
Total long-term borrowings	**(98,251)**	**(85,903)**	**(33,667)**	**(62,290)**	**(44,106)**	**(84,987)**	**(409,204)**

**) The bank facilities include covenants customary to ship finance, including:*
- Security maintenance: Ratio between security and outstanding debt in the particular facility, typically 125%.
- Financial covenants: Value-adjusted consolidated solvency ratio of minimum 30%, consolidated liquidity of minimum USD 50m and consolidated working capital ratio to be higher than one (excluding balloons becoming due more than 6 months after the calculation date).
The JLA02 corporate bond has financial covenants requiring a consolidated solvency ratio of minimum 30% and a consolidated liquidity of minimum USD 50m.
We complied with all covenants throughout 2016, like in previous years.

***) Early 2016, one financial leased gas carrier was reclassified as operational lease as the purchase obligation was transferred to LF Investment ApS.*

CAPITAL STRUCTURE AND FINANCING

On 23 February 2017, J. Lauritzen obtained support to main terms for a new financing package with our core lenders (financing banks) and our owner, Lauritzen Fonden, to among others improve the capital structure and ensure the continued financing of J. Lauritzen in 2017 as well as to meet our obligations and comply with loan agreement covenants.

In view of the expected sustained challenging market conditions in 2017 and the continued financing needed, the main terms include capital injection from Lauritzen Fonden, modification of the repayment schedule and amendments to existing loan facilities' covenants.

The terms involve Lauritzen Fonden to increase the share capital with nominal DKKm 10 at a value of USDm 30 and provide guarantee to the secured lenders at an amount corresponding to the repayment relief to be provided by the secured lenders, whereby the scheduled amortisations during 2017 to Q2 2021 will be reduced on average by 50%. The main terms additionally provide for extension of maturities on certain existing bank facilities to Q2-Q3 2021, originally scheduled to mature in 2019 and 2020 respectively, and extension of a reduced part of existing cross-currency swaps applied for the hedging of the JLA02 corporate bond. Support to the main terms of the financing package are sought also from the financing parties on our JPY-denominated NEXI-backed loan facility, and consequently we expect main terms to be agreed by all secured lenders before the end of April 2017.

In parallel, as part of the financing package we have initiated negotiations with bondholders of the JLA 02 corporate bond to an agreement, whereby a NOK amount equivalent to approximately USDm 20 will be applied to a partial redemption of the original issued amount and extension of the maturity on the remainder of the issue from October 2017 to October 2021. Indications from certain bondholders indicate support for the proposed terms. The bondholders of JLA02 are summoned to approve the proposal at a meeting on 14 March 2017.

The completion of the financing package is subject to lenders' support, bondholder approval, final documentation and fulfilment of conditions precedent. Taking into consideration the agreed main terms with our core lenders (financing banks) and our owner, Lauritzen Fonden, Management expects all conditions of the financing package on reasonable terms to be fulfilled in Q2 2017, and thus expects that the financing needed during 2017 will be available.

NOTE 4.1 LONG-TERM BORROWINGS (continued)

USD '000	Currency	Fixed/ Variable	Interest rate fixation	Average effective interest rate excl. hedging	Average effective interest rate incl. hedging	Book value
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)**
2015						
Mortgages on vessels	USD	Variable	3-6 month	2.92%	5.21%	(282,773)
Mortgages on vessels	JPY	Variable	6 month	2.22%	2.67%	(43,255)
Issued bonds	NOK	Variable	3 month	9.37%	8.57%	(52,236)
Finance leasing	USD	Fixed	12 months	3.00%	3.00%	(30,941)
Total				**3.78%**	**5.65%**	**(409,204)**

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

	2016			2015		
USD '000	Book value	Currency hedging derivatives	Net currency exposure on loan	Book value	Currency hedging derivatives	Net currency exposure on loan
JPY	(38,263)	30,000	(8,263)	(43,255)	15,900	(27,355)
NOK	(51,531)	51,531	-	(52,236)	52,236	-
Total	**(89,794)**	**81,531**	**(8,263)**	**(95,490)**	**68,136**	**(27,355)**

In addition to currency hedging derivatives on JPY, bank deposits of JPY covers the remaining net currency exposure of JPY debt.

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

USD '000	**2016**	2015
Total long-term borrowings (including current portion)	(300,396)	(409,204)
Hereof amortised formation costs	6,166	9,064
Hereof fixed to maturity	(51,531)	-
Floating interest borrowings	(255,031)	(418,268)
Interest rate swaps floating to fixed, nominal	161,046	340,833
Exposure to floating interest rates at year end	**(93,985)**	**(77,435)**

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.

NOTE 4.2 MORTGAGES

USD '000	2016	2015
Debt for a total of	248,865	326,027
is secured by mortgages on assets at the following book values:		
Vessels	373,074	433,217

NOTE 4.3 FINANCIAL INCOME

USD '000	2016	2015
Interest income, bank deposits	518	583
Other interest income	119	90
Dividends received on shares available for sale	-	2,595
Interest on financial instr. at FV through P&L	-	764
Financial instruments at FV through P&L, net	-	558
Reclassification of fair value adjustment on shares available for sale	27,072	-
Financial income	27,708	4,590
Hereof related to discontinued operations:		
Lauritzen Tankers	-	255
Lauritzen Offshore	-	89
Total continuing operations	**27,708**	**4,246**

NOTE 4.4 FINANCIAL EXPENSES

USD '000	2016	2015
Interest expenses on loans	(24,116)	(30,673)
Other financial expenses	(338)	(347)
Currency exchange gains and losses, net	(2,157)	(86)
Interest on financial instr. at FV through P&L	(27)	-
Financial instruments at FV through P&L, net	(331)	-
Financial expenses (continuing operations only)	**(26,968)**	**(31,105)**

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 2015.

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 2016, cash and cash equivalents amounted to USDm 141. In addition to cash and cash equivalents an unsecured, uncomitted overdraft facility of DKKm 100 for multi-currency short-term financing needs is in place.

The Group's loan portfolio consists of traditional mortgage-backed ship finance (approximately 65% of total facilities), ECA (Export Credit Agency) backed agreements (approximately 11% of total facilities) as well as unsecured corporate bonds (approximately 24% of total facilities).

The Group's refinancing need in 2017 relates to the unsecured corporate bond, JLA 02, which matures on 24 October 2017. The gross outstanding in JLA 02 is a nominal NOKm 500 whereof the company itself holds a nominal NOKm 53. In connection with the maturity on JLA 02 the connected hedging will also mature. The combined redemption (issued bonds less own bond holdings plus value of hedging) amounts to approximately USDm 80.

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 2016, the Group had pledged USDm 0.0 related to MVC in loan agreements (2015: USDm 2.9). There were no breaches of credit facilities in 2016 and 2015. Should vessel values decrease by 10% during 2017 compared to the December 2016-valuations, nil would be required by year-end 2017 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 2016, the Group had not pledged cash for cover of margin calls (2015: USDm 2.3).

A maturity analysis of the financial liabilities at year-end 2016 appears on the next page. A maturity analysis of operational lease obligations is included in note 3.2.

USD '000

2016	Carrying amount	Contractual cash flow	<1 year	1 - 2 year	2 - 3 year	3 - 4 year	4 - 5 year	> 5 year
Interest-bearing debt *)	(300,396)	(335,816)	(96,760)	(41,265)	(68,099)	(49,683)	(63,002)	(17,007)
Trade 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)**
2015								
Interest bearing debt *)	(409,204)	(457,746)	(113,610)	(97,430)	(40,982)	(68,104)	(48,425)	(89,196)
Trade payable and other payables	(28,650)	(28,650)	(28,650)	-	-	-	-	-
Derivatives, liabilities at fair value	(51,562)	(51,562)	(16,584)	(34,221)	(309)	(235)	(153)	(60)
Total at 31 December 2015	**(489,416)**	**(537,959)**	**(158,844)**	**(131,651)**	**(41,292)**	**(68,339)**	**(48,578)**	**(89,255)**

**) 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 2016, 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 NOK and JPY, ref note 4.1
Interest rate risk - Long-term borrowings
The long-term floating rate borrowings are fixed to a large extent (48%) 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) (2015: USDm 1.1) and affect equity by USDm (2.0) (2015: USDm (1.3)). 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 amortized 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 1.7 (2015: USDm 3.4)) and equity by USDm 3.8 (2015: USDm 7.5). On financial instruments with variable interest recognised at amortized costs, profit/loss and equity would be affected by USDm (1.6) (2015: USDm (3.0)).

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 2016 and 2015, no provisions were made for losses on trade receivables. The Group did not have any further overdue trade receivables (2015: USD nil).

At year-end 2016, 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:

USD '000	**2016**	2015
Other long-term receivables	1,032	22,973
Trade receivables	10,418	10,906
Financial derivatives	4,017	1,625
Other short-term receivables	24,001	54,058
Cash and bank deposits	140,572	115,570
Maximum credit risk	**180,041**	**205,132**

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

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		2016				2015			
	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)	87.2	22	(4.1)	(35.3)
Interest rate swaps	Cash flow	125.9	16-83	(2.4)	(2.7)	300.9	3-95	(6.0)	(8.6)
Terminated interest rate swap	Cash flow	N/A	N/A	0.2	N/A	N/A	N/A	0.4	N/A
Total				**(3.8)**	**(34.3)**			**(9.7)**	**(43.8)**
Hedge accounting not applied:									
Currency: USD/NOK	N/A	(6.9)	0-10	-	1.4	(1.3)	0-22	-	1.5
Currency: USD/EUR	N/A	-	-	-	-	3.4	0-1	-	(0.1)
Currency: USD/DKK	N/A	27.5	0-11	-	(0.8)	13.0	0-2	-	(0.2)
Currency: USD/JPY	N/A	30.0	1-12	-	(0.1)	15.9	0-1	-	(0.8)
Interest rate swaps	N/A	35.1	16	-	(0.1)	40.0	28	-	(0.2)
FFA's and oil contracts	N/A	N/A	1-15	-	2.6	N/A	0-24	-	(4.2)
Interest index swap	N/A	-	0	-	-	27.2	3	-	(2.2)
Total				**-**	**3.0**			**-**	**(6.1)**
Total derivative financial instruments					**(31.3)**				**(49.9)**
Presented in the financial statement as:									
Derivative financial instruments, assets					4.0				1.6
Non-current derivative financial instr., liabilities					(1.4)				(35.0)
Derivative financial instruments, liabilities					(33.9)				(16.6)

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	2016	2015
Fin. assets at FV through P/L *)	4,017	11,625
Loans and receivables**)	176,024	203,507
Fin. assets available for sale	52	46,982
Fin. liabilities - at FV through P/L *)	(35,280)	(51,562)
Fin. liabilities - at amortised cost**)	(324,338)	(437,854)

*) 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 with the exception of issued bonds. Fair value of issued bonds amount to USDm 49.8 whereas the carrying amount totalled USDm 52.2.

Fair value hierarchy
With the exception of listed bonds and shares of USDm 0 (2015: USDm 10.0) (level 1) and shares available for sale of USDm 0.1 (2015: USDm 47.0) (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 2016 fair value adjustment of Level 3 financial instruments amounted to USDm 0.0 recognised in other comprehensive income (2015: USDm 6.2). 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	2016	2015
Book value at 1 January	46,981	40,839
Sale during the year	(46,930)	(10)
Fair value adjustment	1	6,152
Book value at 31 December	52	46,981

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.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are not classified held for trading. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

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 authorised and issued share capital of J. Lauritzen A/S amount to DKKm 450 (2015: DKKm 440) with 1 share (2015: 1 share) of DKK 50,000 or multiples of this.

	No. of shares		Nominal DKKm	
	2016	2015	**2016**	2015
1 January	8,800	8,800	440	440
Capital increase	200	-	10	-
31 December	**9,000**	**8,800**	**450**	**440**

Capital management
The general guidelines on capital approved by the Board of Directors include minimum T/C adjusted solvency ratio of 40% for the Group.

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

At year-end 2016, and due to the challenging markets primarily related to the bulk segment J. Lauritzen does not comply with internal general guidelines related to Group T/C adjusted solvency of 40%.

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

At the end of 2016 and 2015, 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 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

USD '000	**2016**	2015
Assets held for sale		
Assets held for sale that do not qualify for discontinued operations:		
Five bulk carriers	-	33,530
One gas carrier	-	2,633
Total assets held for sale	**-**	**36,162**

Assets held for sale that do not qualify for discontinued operations
At year end 2016 there are no assets held for sale in the consolidated statement of financial position.

Profit/(loss) from discontinued operations

USD '000	**2016**	2015
Lauritzen Tankers	195	586
Lauritzen Offshore Shuttle tankers	-	(26)
Total profit/(loss) from discontinued operations	**195**	**560**

I) Lauritzen Tankers

As stated in announcement to Oslo Børs no. 6/2013 dated 15 August 2013, a strategic decision had been taken to trim the balance sheet by gradual exit of 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 as the wholly-owned fleet, cf. announcement to Olso Børs no. 7/2013 dated 22 October 2013 was reported sold with delivery before the end of February 2014.

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	**2016**	2015
Revenue	49	408
Other operating income	209	416
Costs	(63)	(493)
EBITDA	195	332
Finance net	-	255
Pretax profit/(loss) from discontinued operations	195	586
Income taxes	-	-
Profit/(loss) on discontinued operations, net of taxes	**195**	**586**

NOTE 5.1 ASSETS HELD FOR SALE (continued)

II) Lauritzen Offshore Shuttle Tankers

Towards the end of 2013, the Group received an offer to sell its fleet of three shuttle tankers, and the three vessels were classified as held for sale as per 31 Dec 2013. The agreement to sell was lifted on January 15 2014 and reported to Oslo Børs cf. announcement no 1/2014. The vessels 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	**2016**	2015
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	2016	2015
Cash flow from operating activities	(41,241)	(60,805)
Hereof cash flow from operating activities - discontinued operations:		
Lauritzen Tankers	(13)	2,159
Lauritzen Offshore Shuttle Tankers	47	(95)
Cash flow from operating activities, continuing operations	(41,275)	(62,869)
Cash flow from investment activities	129,381	74,622
Hereof cash flow from investment activities - discontinued operations:		
Lauritzen Tankers	-	294
Cash flow from investing activities, continuing operations	129,381	74,328
Cash flow from financing activities, continuing operations	(62,931)	(80,390)

ACCOUNTING POLICIES

Assets held for sale

Assets held for sale comprise non-current asset or disposal groups if its carrying amount will be recovered principally through a sale transaction within one year rather than through continuing use. A disposal group is a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Non-current assets (or disposal group) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Depreciation and amortisation ceases when the assets are classified as held for sale.

Impairments arising from the first classification to assets held for sale and subsequent gains or losses on re-measurement to the lower of its carrying amount and fair value less costs to sell are recognised in the income statement and specified in the notes.

In the statement of financial position, non-current assets or assets and liabilities in a disposal group are presented separately from other assets and liabilities in the statement of financial position. Prior period comparative information is not re-presented. In the notes to the financial statements the major classes of assets and liabilities classified as held for sale are separately disclosed.

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 either has 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	**2016**	2015
<1 year	873	873
1-5 years	2,037	2,910
> 5 years	-	-
Total	**2,910**	**3,783**

In 2016, operational lease of offices recognised in the income statement amounts to USDm (1.0) (2015:USDm (0.6))

NOTE 5.3 CONTINGENT LIABILITIES

USDm	**2016**	2015
Guarantees towards insurance company	20	20
Guarantees regarding claims	-	3

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

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	2016	2015
Tax in the Income Statement consists of:		
Current tax	2,111	(389)
Deferred tax	1,000	(900)
Income tax	3,111	(1,289)
Hereof related to discontinued operations:		
Lauritzen Offshore	-	34
Total continuing operations	**3,111**	**(1,322)**
Tax on the profit is specified as follows:		
Calculated 22% (2015: 23.5%) of result before tax	10,764	73,481
Adjustment in foreign companies deviating from 22% tax	87	33
Tax effect of:		
Tonnage tax	(9,650)	(69,558)
Tax asset valuation adjustment	1,000	(900)
Non-taxable items	121	(3,274)
Adjustments previous year	277	(353)
Share of profit joint ventures	512	(718)
	3,111	**(1,289)**
Effective tax rate	**(6)%**	**0%**
Deferred tax on the Balance Sheet:		
Deferred tax 1 January	2,700	3,600
Tax on profit	1,000	(900)
Deferred tax 31 December	**3,700**	**2,700**
Deferred tax concerns:		
Taxable losses carried forward to be used within five years	3,700	2,700
	3,700	2,700
Unrecognised share of taxable losses carried forward	1,600	3,800

USD '000	2016	2015
Corporate tax (receivable)/payable can be specified as follows:		
Balance 1 January	(651)	1,229
Exchange rate adjustments	61	(58)
Paid during the year	(169)	(2,211)
Provision for the year	(1,834)	36
Adjustment to prior years	(277)	353
	(2,870)	**(651)**

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 8.

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	**2016**	2015
Total fees to elected auditors	444	289
Specified as follows:		
Statutory audit	371	225
Tax advisory services	17	15
Fee for other services	56	49

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 are conducted at arms length and have comprised the following income/(expenses):

USD '000	**2016**	2015
LF Investment:		
Management fee	136	123
Rental of office facilities	-	(708)
Sale of non strategic assets	106,000	-
Joint ventures and associated companies:		
Management fee	412	1,917

Sale of non-strategic assets
In Q1 2016, an agreement was reached with Lauritzen Fonden, our sole shareholder to inject new apital of USDm 19.4 and to transfer a number of non-strategic assets and obligations to LF Investment ApS, wholly-owned by Lauritzen Fonden. The agreement was made in order to strengthen the balance sheet and improve the cash position.

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

Please refer to note 4.1 Capital structure and financing.

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
Joint-ventures (ship owning)		
K/S Danred V	Denmark	50
Admiral Glory Shipping Corporation	Panama	50
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

Stock Exchange *Announcements*

25 Feb	Financial report for 2015
11 May	Interim financial report - first quarter of 2016
24 May	New CEO
19 Aug	Interim financial report - first half of 2016
18 Nov	Interim financial report - third quarter 2016

Parent Company Financial Statements

Notes

Income Statement

USD '000	Note	2016	2015
Revenue	2.1	392,693	312,521
Voyage related costs		(137,069)	(72,785)
T/C equivalent income		**255,624**	**239,736**
Other operating income		3,978	6,995
Hire of chartered vessels	2.1	(237,305)	(195,873)
Operating costs of vessels	2.3	(41,962)	(56,394)
Administrative costs	2.3	(34,974)	(34,573)
Operating income before depreciation (EBITDA) and special items		**(54,639)**	**(40,109)**
Profit/(loss) on sale of vessels and other assets		674	(138)
Profit/(loss) on sale of subsidiaries		123	-
Depreciation	3.1	(19,344)	(27,777)
Operating income (EBIT) before special items		**(73,186)**	**(68,023)**
Special items, net	2.1	42,324	(130,009)
Operating income (EBIT) after special items		**(30,862)**	**(198,033)**
Financial income	4.3	28,899	56,067
Financial expenses	4.4	(42,314)	(179,252)
Profit/(loss) from continuing operations before tax		**(44,276)**	**(321,216)**
Income tax	5.4	3,366	(1,162)
Profit/(loss) from continuing operations		**(40,910)**	**(322,378)**
Profit/(loss) from discontinued operations	5.1	197	635
Profit/(loss) for the year		**(40,713)**	**(321,742)**

Statement of Comprehensive Income

USD '000	Note	2016	2015
Profit/(loss) for the year		**(40,713)**	**(321,742)**
Items that can be reclassified subsequently to profit or loss:			
Other comprehensive income net of tax:			
Exchange differences on translating foreign operations		268	463
Fair value adjustment of hedging instruments during the year		(565)	(2,547)
Deferred gains/(loss) on hedging instruments transferred to financial expenses		3,874	11,152
Fair value adjustment of shares available for sale	4.5	1	6,152
Fair value adjustment of shares available for sale reclassified to Financial items, net		(27,072)	-
Other comprehensive income net of tax		**(23,494)**	**15,220**
Total comprehensive income for the year		**(64,207)**	**(306,523)**

Balance Sheet Statement

USD '000	Note	2016	2015
ASSETS			
Vessels, property and equipment	3.1	234,819	301,022
Investments in subsidiaries	3.4	214,104	232,084
Investments in joint ventures	3.5	2,692	7,256
Deferred tax assets	5.4	3,700	2,700
Shares available for sale	4.5	52	46,982
Other receivables		472	21,735
Non-current assets		**455,838**	**611,778**
Bunkers		12,822	6,759
Trade receivables	4.5	8,685	8,883
Other receivables	3.8	23,435	52,330
Prepayments		6,861	8,063
Receivables from affiliated companies		4,124	3,630
Current tax receivables	5.4	2,984	666
Derivative financial instruments	4.5	4,017	1,625
Securities		-	10,000
Cash at hand and in bank		132,367	110,174
		195,295	202,129
Assets held for sale	5.1	-	12,490
Current assets		**195,295**	**214,619**
Total assets		**651,133**	**826,397**

USD '000	Note	2016	2015
LIABILITIES			
Share capital		63,864	62,356
Retained earnings		153,051	175,891
Reserves		(2,455)	21,039
Equity	**4.6**	**214,460**	**259,285**
Long-term provisions	3.9	-	31,842
Non-current derivative financial instruments	4.5	1,381	34,979
Long-term borrowings	4.1	135,118	220,981
Non-current liabilities		**136,498**	**287,802**
Current portion of long-term borrowings	4.1	75,307	69,101
Trade payables		13,203	6,933
Other payables		9,785	19,384
Provisions	3.9	34,670	66,118
Prepayments		89	630
Debt to affiliated companies		133,223	100,561
Derivative financial instruments	4.5	33,900	16,584
Current tax payables	5.4	-	-
Current liabilities		**300,176**	**279,310**
Total liabilities		**436,674**	**567,111**
Total equity and liabilities		**651,133**	**826,397**

Cash Flow Statement

USD '000 - Inclusive discontinued operations	Note	2016	2015
Operating income before special items, continuing operations		(73,186)	(68,023)
Operating income before special items, discontinued operations		197	332
Depreciation carried back		19,344	27,777
Special items with cash flow effect		9,256	13,479
(Profit)/loss on sale of vessels and other assets		(674)	138
Change in bunkers		(6,063)	2,272
Change in receivables		47,121	13,395
Change in payables		27,238	(6,841)
Cash flow from operations before financial items		23,234	(17,471)
Ingoing financial payments		(104)	3,418
Outgoing financial payments		(29,968)	(45,657)
Cash flow from ordinary operations		(6,838)	(59,709)
Paid corporate tax	5.4	-	(2,965)
Cash flow from operating activities		**(6,838)**	**(62,674)**
Investments in vessels	3.1	(6,242)	(3,980)
Payments on vessels under construction	3.1	(20,159)	(6,511)
Payments on vessels under construction, held for sale	5.1	(20,267)	-
Sale of vessels		54,989	106,379
Sale of other non current assets		(131)	53
Increase of share capital in subsidiaries	3.4	(320)	-
Sale of controlling interest in subsidiaries		300	-
Dividend received from subsidiaries	4.3	-	50,000
Investments in joint ventures	3.5	(3,440)	(9,238)
Payments of provisions related to joint ventures		(6,917)	-
Disposal of joint ventures		3,577	-
Dividend received from joint ventures	4.3	-	230
Purchase and sales of securities and shares available for sale		57,163	1,005
Bank deposits pledged as security for debt		5,027	(7,353)
Cash flow from investment activities		**63,581**	**130,585**
Financial receivables		(3)	-
Installment on long-term debt		(70,612)	(258,840)
Proceeds from loans		16,260	132,478
Finance lease payments		630	(634)
Increase in share capital		19,382	-
Cash flow from financing activities		**(34,343)**	**(126,997)**

USD '000	Note	2016	2015
Changes for the year in cash and cash equivalents		22,400	(59,087)
Cash and cash equivalents at beginning of year		110,174	171,507
Currency adjustments on cash and cash equivalents		(207)	(2,246)
Cash and cash equivalents at the end of the year		**132,367**	**110,174**

Equity Statement

USD '000	Share capital	Hedging instruments	Shares available for sale	Translation gain/loss	**Reserves**	Retained earnings	**Total**
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)
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**
Equity 1/1 2015	62,356	(15,435)	20,919	335	5,819	497,633	565,808
Profit/(loss) for the year	-	-	-	-	-	(321,742)	(321,742)
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	463	463	-	463
Deferred (gain)/loss on hedging instruments transferred to financial expenses	-	11,152	-	-	11,152	-	11,152
Fair value adjustment of hedging instruments during the period	-	(2,547)		-	(2,547)	-	(2,547)
Fair value adjustment of shares available for sale	-	-	6,152	-	6,152	-	6,152
Total other comprehensive income	-	8,605	6,152	463	15,220	-	15,220
Total comprehensive income	**-**	**8,605**	**6,152**	**463**	**15,220**	**(321,742)**	**(306,523)**
Equity 31/12 2015	**62,356**	**(6,830)**	**27,071**	**798**	**21,039**	**175,891**	**259,285**

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

The 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 all Danish subsidiaries under the Lauritzen Foundation.

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 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 SPECIAL ITEMS

To better illustrate the underlying development, a number of one-off items have been recognized as special items:

USD '000	**2016**	2015
A) One-off revenue from sale of claims and claim settlements and termination of contracts	9,256	77,229
B) Impairment losses on vessels	(1,822)	(57,444)
B) Impairment losses on vessels under construction	(16,306)	(16,039)
B) Impairment losses on vessels classified as held for sale	455	(101,764)
C) Provisions for onerous contracts	(5,325)	(59,743)
C) Use of provisions for onerous contracts	57,294	30,113
D) Financial items related to termination of contracts	(1,229)	(2,362)
Special items, net	**42,324**	**(130,009)**

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.	**2016**	2015
Revenue	A)	401,950	389,750
Other operating income		3,978	6,995
Costs	C)	(399,340)	(387,254)
Operating income before depreciation (EBITDA)		**6,588**	**9,492**
Profit/(loss) on sale of assets		674	(138)
Profit/(loss) on sale of subsidiaries		123	-
Depreciation and impairment losses	B)	(37,017)	(205,025)
Operating income		**(29,632)**	**(195,671)**
Financial items, net	D)	(14,644)	(125,546)
Profit/(loss) before tax		**(44,276)**	**(321,216)**
Income tax		3,366	(1,162)
Profit/(loss) from continuing operations		**(40,910)**	**(322,378)**

NOTE 2.2 OPERATING LEASING INCOME

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

	Lauritzen Bulkers		Lauritzen Kosan		Total	
2016	USDm committed income	No. of vessels, full year equivalents	USDm committed income	No. of vessels, full year equivalents	USDm committed income	No. of vessels, full year equivalents
< 1 Year	5.6	1.0	24.3	4.5	30.0	5.5
1 - 2 Year	2.4	0.4	4.0	0.7	6.4	1.2
2 - 3 Year	-	-	-	-	-	-
3 - 4 Year	-	-	-	-	-	-
4 - 5 Year	-	-	-	-	-	-
> 5 Year	-	-	-	-	-	-
Total	**8.0**	**-**	**28.3**	**-**	**36.4**	**-**
2015						
< 1 Year	5.6	1.0	11.0	1.9	16.7	2.9
1 - 2 Year	5.6	1.0	4.5	0.8	10.2	1.8
2 - 3 Year	2.4	0.4	-	-	2.4	0.4
3 - 4 Year	-	-	-	-	-	-
4 - 5 Year	-	-	-	-	-	-
> 5 Year	-	-	-	-	-	-
Total	**13.7**	**-**	**15.6**	**-**	**29.2**	**-**

NOTE 2.3 STAFF COSTS, OFFICE & FLEET

	Staff costs onshore employees [1]		Staff costs, crew on vessels [2]		Total staff costs	
USD '000	**2016**	2015	**2016**	2015	**2016**	2015
Salaries	17,643	18,099	20,754	25,193	38,396	43,292
Pensions (defined contribution plan)	1,900	1,964	-	2	1,900	1,966
Social security	68	59	-	-	68	59
Contract labour	205	255	-	-	205	255
Total	**19,815**	**20,377**	**20,754**	**25,195**	**40,569**	**45,572**

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	
	2016	2015	**2016**	2015	**2016**	2015
Average number of employees	142	159	399	504	541	663
Number of employees at year end	140	151	370	444	510	595

USD '000	**2016**	2015
Remuneration to J. Lauritzen A/S'		
Executive Management - salaries	1,555	1,876
CEO Mads Peter Zacho	*188*	-
CEO Jan Kastrup Nielsen	*843*	*1,092*
CFO Birgit Aagaard-Svendsen	*524*	*784*
Executive Management - bonus	1,451	519
CEO Mads Peter Zacho	*253*	-
CEO Jan Kastrup Nielsen	*1,198*	*300*
CFO Birgit Aagaard-Svendsen	-	*219*
Board of Directors	430	498
	3,436	**2,893**

Remuneration to Executive Management consists of a fixed and variable compensation. No variable compensation has been paid in 2016 and 2015. In addition 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

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**

2015	Vessels	Vessels under construction	Machinery, tools and equipment	Total
Cost as at 1 January	908,003	28,960	9,497	946,460
Additions	35,550	6,511	-	42,061
Disposals	(26,141)	(4,800)	-	(30,941)
Disposals, loss of control to subsidiaries	(36,596)	-	-	(36,596)
Transferred to assets held for sale (note 5.1)	(274,993)	-	-	(274,993)
Cost as at 31 December	605,823	30,671	9,497	645,991
Depreciation and impairment losses as at 1 January	(359,806)	-	(5,609)	(365,415)
Depreciation	(26,905)	-	(872)	(27,777)
Impairment losses	(57,444)	(16,039)	-	(73,483)
Disposals	19,700	-	-	19,700
Disposals, loss of control to subsidiaries	23,527	-	-	23,527
Transferred to assets held for sale (note 5.1)	78,480	-	-	78,480
Depreciation and impairment losses as at 31 December	(322,449)	(16,039)	(6,482)	(344,970)
Balance as at 31 December	**283,374**	**14,632**	**3,015**	**301,022**
Hereof finance leased assets	31,570	-	-	31,570

Impairment test 2016

The impairment test at the end of 2016 resulted in impairment losses on vessels of USDm (1.8) in the CGU Fully-pressurised gas carriers, due to a decline in broker values. The recoverable amount for the Fully-pressurised gas carriers is the fair value less costs of disposal estimated by use of two independent broker valuations.

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

In Q1 2016 cash saving initiatives were implemented causing impairments of USDm (15.7) and provisions of USDm (5.3) during 2016, related to sale and cancellation of newbuilding contracts and cancellation of a time charter contract.

NOTE 3.2 OPERATING LEASING OF VESSELS

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

	Lauritzen Bulkers		Lauritzen Kosan		Total	
2016	USDm committed obligation	No. of vessels, full year equivalents	USDm committed obligation	No. of vessels, full year equivalents	USDm committed obligation	No. of vessels, full year equivalents
< 1 Year	104.4	24.3	3.9	2.3	108.3	26.6
1 - 2 Year	102.7	23.4	-	-	102.7	23.4
2 - 3 Year	76.7	18.0	-	-	76.7	18.0
3 - 4 Year	63.6	14.7	-	-	63.6	14.7
4 - 5 Year	56.0	13.0	-	-	56.0	13.0
> 5 Year	129.4	29.8	-	-	129.4	29.8
Total	**532.8**	**-**	**3.9**	**-**	**536.8**	**-**
2015						
< 1 Year	121.5	27.0	7.0	4.0	128.5	31.0
1 - 2 Year	111.9	25.4	4.0	2.3	115.9	27.7
2 - 3 Year	105.4	24.4	-	-	105.4	24.4
3 - 4 Year	80.8	19.0	-	-	80.8	19.0
4 - 5 Year	67.1	15.7	-	-	67.1	15.7
> 5 Year	190.4	44.1	-	-	190.4	44.1
Total	**677.1**	**-**	**10.9**	**-**	**688.0**	**-**

At year-end 2016, J. Lauritzen has purchase options on 22 bulk carriers (2015: 24 bulk carriers).

NOTE 3.3 FINANCE LEASING OF VESSELS

At year-end 2015, J. Lauritzen had a time-charter-agreement with a purchase obligation for one gas carrier that was considered a financial lease. In January 2016 the purchase obligation was transferred to LF Investment (wholly owned by Lauritzen Fonden), and the financial leased vessel was derecognised.

NOTE 3.4 INVESTMENT IN SUBSIDIARIES

	Ownership	
	2016	2015
Lauritzen Reefers A/S, Denmark	100%	100%
Lauritzen Ship Owner A/S, Denmark	0%	100%
J. Lauritzen Singapore Pte., Singapore	100%	100%
KRK 4 ApS, Denmark	100%	100%
Segetrans Argentina S.A., Argentina	0%	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	**2016**	2015
Cost as at 1 January	448,909	448,909
Additions during the year	320	-
Disposal during the year	(108,704)	-
Cost as at 31 December	340,525	448,909
Accumulated impairment losses at 1 Jan	(216,826)	(136,826)
Revaluations during the year	(18,000)	(80,000)
Disposal during the year	108,404	-
Revaluation as at 31 December	(126,422)	(216,826)
Balance as at 31 December	**214,104**	**232,084**

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 in line with the equity.

NOTE 3.5 INVESTMENT IN JOINT VENTURES

USD '000	2016	2015
Cost as at 1 January	59,840	52,492
Additions during the year	3,440	9,238
Disposal during the year	(60,589)	(1,890)
Cost as at 31 December	2,692	59,840
Impairment losses	-	(52,585)
Balance as at 31 December	**2,692**	**7,256**

Assets in Joint Ventures primarily 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	2016	2015
Revenue	30,684	46,460
Net profit	28	(10,734)
Assets	4,697	163,114
Liabilities	3,330	63,476

Guarantees and payment obligations relating to joint ventures:

USDm	2016	2015
Guarantees undertaken for debt in joint ventures	-	12
Max. obligations to pay in capital into joint ventures	5	9

NOTE 3.6 CONTRACTUAL COMMITMENTS

At year-end J. Lauritzen A/S has no newbuilding contracts. At year-end 2015, J. Lauritzen A/S had newbuilding contracts with a remaining contractual commitment of USDm USDm 90.4, covering construction of 4 bulk carriers for delivery in 2016-2018. During 2016, these contracts have been cancelled or sold.

NOTE 3.7 WORKING CAPITAL

USD '000	2016	2015
Bunkers	12,822	6,759
Trade receivables	8,685	8,883
Other receivables	2,185	4,588
Prepayments	6,861	8,063
Total working capital assets	30,553	28,293
Trade payables	13,203	6,933
Other payables	7,655	17,300
Prepayments	89	630
Total working capital liabilities	20,947	24,864
Net working capital	**9,606**	**3,429**

NOTE 3.8 OTHER RECEIVABLES

USD '000	2016	2015
Bank deposits pledged as security for debt	-	5,242
Receivables from charterers	21,250	42,500
Working capital receivables:		
Pool receivables	1,778	2,519
Other short term receivables	407	2,069
Total other receivables	**23,435**	**52,330**

NOTE 3.9 PROVISIONS

USD '000	2016	2015
Provisions as at 1 January	97,959	60,057
Additions, included in special items	5,325	59,743
Additions, other	2,789	8,742
Used during the year included in special items	(57,294)	(30,113)
Used during the year, other	(15,135)	(469)
Reversal of provisions during the year	1,025	-
Provisions as at 31 December	**34,670**	**97,959**
Hereof:		
Non-current liabilities	-	31,842
Current liabilities	34,670	66,118
Provisions as at 31 December	**34,670**	**97,959**

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

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

	2015			
USD '000	<1 year	1-5 year	> 5 year	Total
Mortgages on vessels *)	(55,266)	(130,638)	(21,002)	(206,906)
Issued bonds *)	-	(52,236)	-	(52,236)
Finance leasing	(13,834)	(6,842)	(10,264)	(30,940)
Total long-term borrowings	**(69,101)**	**(189,716)**	**(31,265)**	**(290,082)**

**) Please refer to note 4.1 in the Consolidated Financial Statements for a description of financial covenants, capital structure and refinancing.*
***) Early 2016, one financial leased gas carrier was reclassified as operational lease as the purchase obligation was transferred to LF Investment ApS.*

USD '000	Currency	Fixed/ Variable	Interest rate fixation	Average effective interest rate, excl. hedging	Average effective interest rate incl. hedging	Book value
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)**
2015						
Mortgages on vessels	USD	Variable	3-6 month	2.96%	6.15%	(163,651)
Mortgages on vessels	JPY	Variable	6 month	2.22%	2.67%	(43,255)
Issued bonds	NOK	Variable	3 month	9.37%	8.57%	(52,236)
Finance leasing	USD	Fixed	12 months	3.00%	3.00%	(30,940)
Total				**4.18%**	**6.35%**	**(290,082)**

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

	2016			2015		
USD '000	Book value	Currency hedging derivatives	Net currency exposure on loan	Book value	Currency hedging derivatives	Net currency exposure on loan
JPY	(38,263)	30,000	(8,263)	(43,255)	15,900	(27,355)
NOK	(51,531)	51,531	-	(52,244)	52,244	-
Total	**(89,794)**	**81,531**	**(8,263)**	**(95,499)**	**68,144**	**(27,355)**

In addition to currency hedging derivatives on JPY, bank deposits of JPY covers the remaining net currency exposure of JPY debt.

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

USD '000	2016	2015
Total long-term borrowings (including current portion)	(210,425)	(290,082)
Hereof amortised formation costs	5,322	8,033
Floating interest borrowings	(215,747)	(298,115)
Interest rate swaps floating to fixed at year end, nominal	161,046	340,833
Exposure to floating interest rates at year end	**(54,701)**	**42,718**

NOTE 4.2 MORTGAGES

USD '000	2016	2015
Debt for a total of	158,894	206,906
is secured by mortgages on assets at the following book values:		
Vessels	231,673	262,799

NOTE 4.3 FINANCIAL INCOME

USD '000	2016	2015
Interest income, bank deposits	509	582
Financial instruments at FV through P&L, net	-	558
Other financial income	1,318	1,642
Dividends on shares available for sale	-	2,595
Dividends received from subsidiaries	-	50,000
Dividends received from joint ventures	-	230
Interest on financial instr. at FV through P&L	-	764
Reclassification of fair value adjustment on shares available for sale	27,072	-
Financial income	**28,899**	**56,371**
Hereof related to discontinued operations:		
Lauritzen Tankers	-	303
Total continuing operations	**28,899**	**56,067**

NOTE 4.4 FINANCIAL EXPENSES

USD '000	2016	2015
Interest expenses on loans	(18,641)	(30,071)
Interest on debt to subsidiaries	(613)	(523)
Other financial expenses	(541)	(661)
Currency exchange gains and losses, net	(2,346)	(522)
Financial instruments at FV through P&L, net	(331)	-
Loss on sale of shares in joint ventures	(1,843)	(1,890)
Provision for obligations in joint ventures	-	(13,000)
Impairment joint ventures	-	(52,585)
Impairment subsidiaries	(18,000)	(80,000)
Financial expenses (continuing operations only)	**(42,314)**	**(179,251)**

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 2015. 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 2016:

USD '000

2016	Carrying amount	Contractual cash flows	< 1 year	1-5 years	> 5 years
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)**
2015					
Interest bearing debt *)	(290,082)	(325,294)	(81,192)	(209,508)	(34,595)
Trade and other payables	(26,317)	(26,317)	(26,317)	-	-
Debt to affiliates	(100,561)	(100,561)	(100,561)	-	-
Derivatives, liabilities at fair value	(51,562)	(51,562)	(16,584)	(34,942)	(37)
Total at 31 December 2015	**(468,522)**	**(503,734)**	**(224,653)**	**(244,449)**	**(34,632)**

) 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) (2015: USDm 1.1) and affect equity by USDm (2.0) (2015: USDm (1.3)). 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 1.9 (2015: USDm 3.4)) and equity by USDm 3.8 (2015: USDm 7.5). On financial instruments with variable interest recognised at amortised costs, profit/loss and equity would be affected by USDm (0.8) (2015: USDm (1.8)).

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 2016 and 2015 no provisions were made for losses on trade receivables. The Parent Company did not have any further overdue trade receivables (2015: USD nil).

At year-end 2016, 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	**2016**	2015
Other long-term receivables	472	21,735
Trade receivables	8,685	8,883
Financial derivatives	4,017	1,625
Other short-term receivables	27,559	55,960
Cash and bank deposits	132,367	110,174
Maximum credit risk	**173,101**	**198,376**

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

DERIVATIVE FINANCIAL INSTRUMENTS

USDm		2016				2015			
	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)	87.2	22	(4.1)	(35.3)
Interest rate swaps	Cash flow	75.7	38-83	(2.1)	(2.3)	181.9	3-95	(3.1)	(5.7)
Terminated interest rate swap	Cash flow	N/A	N/A	0.2	N/A	N/A	N/A	0.4	N/A
Total				**(3.5)**	**(33.9)**			**(6.8)**	**(40.9)**
Hedge accounting not applied:									
Currency: USD/NOK	N/A	(6.9)	0-10	-	1.4	(1.3)	0-22	-	1.5
Currency: USD/EUR	N/A	-	0	-	-	3.4	0-1	-	(0.1)
Currency: USD/DKK	N/A	27.5	0-11	-	(0.8)	13.0	0-2	-	(0.2)
Currency: USD/JPY	N/A	30.0	1-12	-	(0.1)	15.9	0-1	-	(0.8)
Interest rate swaps	N/A	85.3	16	-	(0.5)	159.0	28	-	(3.1)
FFA's and oil contracts	N/A	N/A	1-15	-	2.6	N/A	0-24	-	(4.2)
Interest index swap	N/A	-	0	-	-	27.2	3	-	(2.2)
Total				**-**	**2.6**			**-**	**(9.0)**
Total derivative financial instruments					**(31.3)**				**(49.9)**
Presented in the financial statement as:									
Derivative financial instruments, assets					4.0				1.6
Non-current derivative financial instr., liabilities					(1.4)				(35.0)
Derivative financial instruments, liabilities					(33.9)				(16.6)

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

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

USD '000	**2016**	2015
Fin. assets at FV through P/L *)	4,017	11,625
Loans and receivables**)	169,083	196,751
Fin. assets available for sale	52	46,982
Fin. liabilities - at FV through P/L *)	(35,280)	(51,562)
Fin. liabilities - at amortised cost**)	(366,635)	(416,960)

**) 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 with the exception of issued bonds. Fair value of issued bonds amount to USDm 48.9 whereas the carrying amount totalled USDm 51.5.*

Fair value hierarchy

With the exception of listed bonds and shares of USDm 0 (2015: USDm 10.0) (level 1) and shares available for sale of USDm 0.1 (2015: USDm 47.0) (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 2016 fair value adjustment of Level 3 financial instruments amounted to USDm 0 recognised in other comprehensive income (2015: USDm 6.2). 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:

USD '000	**2016**	2015
Book value at 1 January	46,982	40,840
Sale during the year	(46,930)	(10)
Fair value adjustment	1	6,152
Book value at 31 December	**52**	**46,982**

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 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

USD '000	2016	2015
Assets held for sale:		
Assets held for sale that do not qualify for discontinued operation:		
Two bulk carriers	-	12,490
Total assets held for sale	**-**	**12,490**

Assets held for sale that do not qualify for discontinued operation
At year end 2016 there are no assets held for sale in the statement of financial position.

Profit/(loss) from discontinued operations:

USD '000	2016	2015
Lauritzen Tankers	197	635
Total profit/(loss) from discontinued operations	**197**	**635**

I) Lauritzen Tankers
As stated in announcement to Oslo Børs no. 6/2013 dated 15 August 2013, a strategic decision had been taken to trim the balance sheet by gradual exit of 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 as the wholly-owned fleet, cf. announcement to Olso Børs no. 7/2013 dated 22 October 2013 was reported sold with delivery before the end of February 2014.

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

USD '000	2016	2015
Revenue	49	408
Other operating income	209	416
Costs	(61)	(493)
EBITDA	197	332
Depreciation	-	-
Finance net	-	304
Profit/(loss) on the remeasurement to fair value less costs to sell	-	-
Pretax profit/(loss) from discontinued operations	197	635
Income taxes	-	-
Profit/(loss) on discontinued operations, net of taxes	**197**	**635**

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

USD '000	2016	2015
Cash flow from operating activities	(6,838)	(62,674)
Hereof cash flow from operating activities - discontinued operations	(13)	2,159
Cash flow from operating activities, continuing operations	(6,825)	(64,833)
Cash flow from investment activities	63,581	130,585
Hereof cash flow from investment activities - discontinued operations	-	294
Cash flow from investing activities, continuing operations	63,581	130,291
Cash flow from financing activities, continuing operations	(34,343)	(126,997)

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	**2016**	2015
<1 year	873	873
1-5 years	2,037	2,910
> 5 years	-	-
Total	**2,910**	**3,783**

NOTE 5.3 CONTINGENT LIABILITIES

USDm	**2016**	2015
Guarantees undertaken for debt in subsidiaries	91	120
Guarantees towards insurance company	20	20
Guarantees related to claims	-	3

For guarantees and payment obligations relating to joint ventures, please refer to note 3.5.

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	2016	2015
Tax in the Income Statement consists of:		
Current tax	2,366	(262)
Deferred tax	1,000	(900)
Income tax	**3,366**	**(1,162)**
Tax on the profit is specified as follows:		
Calculated 22% (2015: 23.5%) of result before tax	10,335	75,336
Tax effect of:		
Tonnage tax	(5,243)	(56,937)
Tax asset valuation adjustment	1,000	900
Non-taxable items	(3,093)	(19,965)
Adjustments previous year	366	(496)
	3,366	**(1,162)**
Effective tax rate	**(7)%**	**0%**
Deferred tax on the Balance Sheet:		
Deferred tax 1 January	2,700	3,600
Tax on profit	1,000	(900)
Deferred tax 31 December	**3,700**	**2,700**
Deferred tax concerns:		
Taxable losses carried forward to be used within five years	3,700	2,700
	3,700	2,700
Unrecognised share of taxable losses carried forward	1,600	1,800
Corporate tax (receivable)/payable can be specified as follows:		
Balance 1 January	(666)	2,132
Exchange rate adjustments	48	(95)
Paid during the year	-	(2,965)
Provision for the year	(2,000)	(234)
Adjustment to prior years	(366)	496
	(2,984)	**(666)**

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 8.

NOTE 5.5 FEES TO AUDITORS

USD '000	2016	2015
Total fees to elected auditors	363	249
Specified as follows:		
Statutory audit	297	194
Tax advisory services	10	25
Fee for other services	56	31

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 are conducted at arms length and have comprised the following income/(expenses):

USD '000	**2016**	2015
LF Investment:		
Management fee	136	123
Rental of office facilities	-	(708)
Sale of non strategic assets	57,630	-
Group companies:		
Management fee, income/(expenses)	(2,764)	(2,918)
Guarantee commission income/(expenses)	1,318	1,642
Received dividend from subsidiaries	-	50,000
Received dividend from joint ventures	-	230
Joint ventures and associated companies:		
Management fee	412	1,917

Sale of non-strategic assets:
In Q1 2016, an agreement was reached with Lauritzen Fonden, our sole shareholder to inject new capital of USDm 19.4 and to transfer a number of non-strategic assets and obligations to LF Investment ApS, wholly-owned by Lauritzen Fonden. The agreement was made in order to strengthen the balance sheet and improve the cash position.

There have been no other material transactions with related parties other than those stated above. Consideration to key management personnel is disclosed in note 2.3.

NOTE 5.7 EVENTS AFTER THE BALANCE SHEET DATE

Please refer to note 4.1 Capital structure and Financing in the Consolidated Financial Statements.

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

FINANCIAL YEAR
1 January - 31 December

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