J. LAURITZEN

Annual *Report* *2015*

www.j-lauritzen.com

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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, Switzerland and Spain.

J. LAURITZEN FACTS 2015

Owned by the Lauritzen Foundation — **100%**

206 employees ashore (year-end) — 37% / 63%

678 seafarers onboard owned vessels (year-end)

Average controlled fleet of **136** vessels

Invested capital (year-end) — USD **531m**

Revenue — USD **349m**

Highlights *2015-16*

The 2015 dry cargo markets turned out to be the weakest for the last 30 years and substantially weaker than expected at the beginning of the year. With no signs of recovery, dry cargo vessel values came under significant pressure during 2015. For J. Lauritzen the outcome was a negative EBITDA and substantial impairment losses related to our dry bulk activities whereas our gas carrier activities performed as expected.

J. Lauritzen's net results for 2015 were an unsatisfactory USD (313.4)m compared to USD (165.7)m in 2014.

The results for 2015 were impacted by special items totalling USD (207.2)m mainly related to impairment losses. In 2014, special items amounted to USD (118.9)m also mainly related to impairment losses.

On a comparable basis, excluding special items and profit from discontinued operations, the net results for 2015 were USD (106.8)m compared to USD (65.6)m for 2014.

EBITDA before special items at USD (41.1)m (USD 15.3m in 2014) were in line with our most recently announced expectations but substantially below our expectations at the beginning of the year. Due to impairment losses at year-end, net results were however below the announced expectations.

In May 2015, J. Lauritzen repaid its first corporate bond, (USD 71m, net). Total long-term debt was reduced during 2015 by USD 52.7m to USD 409.2m. Since 2012, net interest bearing debt has been reduced by USD 824m.

MAIN EVENTS IN 2015

As 2015 from the onset was expected to be challenging, a number of decisions were implemented to secure J. Lauritzen's cash balance and financial strength not least because the cash flow generation from our operations was negative throughout the year.

An agreement was reached in July 2015 with the charterer of Lauritzen Bulkers' two capesize bulk carriers the Churchill Bulker and the Corona Bulker to terminate the long-term charter parties against compensation payable during 2015-17. The vessels were subsequently sold.

This agreement and the vessel sales have and will improve our cash balance significantly during 2015-17. A total of seven additional dry cargo vessel sales, hereof five for delivery during 2016 Q1, also help preserve J. Lauritzen's cash balance.

To further reduce CAPEX commitments, two handysize dry bulk newbuildings were sold and chartered back.

Post-delivery financing for our remaining owned newbuilding orders was secured early 2015 and by August 2015 refinancing of bank debt maturing in early 2017 was secured.

Lauritzen Kosan took delivery of the first of two 10,000 cbm ethylene gas carriers late 2015. One older fully-pressurised gas carrier was sold for delivery during 2016 Q1.

During 2015, Lauritzen Bulkers and Lauritzen Kosan controlled a combined average fleet of 136 vessels compared to 147 vessels in 2014. At year-end 2015, we owned 15 bulk carriers (whereof five were sold but not yet delivered to the new owners) and 22 gas carriers (whereof one was sold but not delivered). At year-end 2014, we owned 19 dry bulk carriers and 22 gas carriers.

BUSINESS ENVIRONMENT

The global economy slowed slightly in 2015 with advanced economies recovering and other economies slowing down.

The Chinese economic transition from investment driven growth into a service-oriented economy resulted in a slowdown of the Chinese growth and a substantial decrease in Chinese dry cargo imports. This had a notable negative impact in 2015 for the commodity exporting emerging economies as well as commodity and energy prices and led to a significant decline in demand growth for dry bulk seaborne trade.

For dry bulk shipping, the continued deliveries of new tonnage into an already oversupplied market meant that the 2015 freight markets turned out even worse than anticipated.

This took dry bulk shipping freight rate levels close to operating costs or lower and consequently also led to sharp decreases in vessel values.

Hitherto solid growth in demand for seaborne transportation of dry cargo is tailing off whereas the supply of tonnage will continue to grow at least during the next two years. An abundance of yard capacity and low fuel costs add to the dire situation. The outlook is thus not pointing to significant improvements neither in freight rates nor in asset values for a foreseeable period.

Lauritzen Bulkers is positioned in the handysize and supramax segments with a core fleet of owned vessels and committed long-term time-chartered tonnage in freight markets which at present offer limited long-term employment or cargo contract opportunities.

Selling owned dry bulk vessels to reduce the exposure to the market is possible only at substantial capital losses whereas mitigation of losses related to the long-term time-chartered dry bulk fleet is contingent on counterparties' willingness to agree to new terms.

The present state is loss-making for Lauritzen Bulkers. We see no credible reason in the short to medium term to expect improvements in freight rates or vessel values whereby losses can be avoided.

For small gas carriers 2015 developed as expected and marked a turning point towards improvement. Looking ahead, we expect strong growth in the medium-term in seaborne trade of petrochemical gases and an improving balance in a freight market with good business opportunities.

Seaborne transportation of petrochemical gases and LPG is a segment of the shipping industry characterised by complex requirements from regulators and clients that create high barriers of entry for new operators. It is a market where Lauritzen Kosan has a track record of solid operational performance as foundation for a business with high client retention rate.

STRATEGY UPDATE

The very challenging conditions, in particular for dry bulk shipping, have resulted in negative return on our business activities for the past five years.

We have responded by adjusting our business portfolio, reduced the financial leverage, secured long-term financing and intensified the efforts to create value from operational excellence and conversion of knowledge and insight into new business.

The efforts are bringing our businesses in the right direction and they provide value as expected. Adjustments are continuing and will bring changes to the composition of our business portfolio and to our fleet.

We will allocate more of our capital resources to renew and expand our fleet in Lauritzen Kosan. Activity in Lauritzen Bulkers will increasingly be based on time-chartered tonnage with a focus on short-term and spot trading. Operations in Lauritzen Bulkers will continue to service clients worldwide in the handysize and supramax segments.

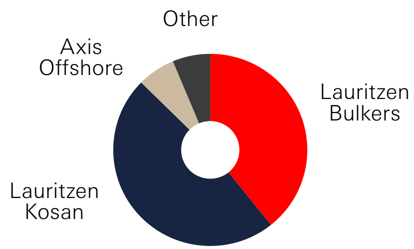
ASSETS AND SOLVENCY

Total invested capital was USD 531m at year-end 2015, down from USD 836m at year-end 2014.

The total book value of vessels (including vessels under construction, vessels sold but not delivered and vessel with purchase obligation) amounted to USD 495m, down USD 306m on 2014.

The change in book value is due to the sale of assets, depreciation and impairment losses whereas purchase obligation and other investments added to the book value at year-end 2015.

Share of invested capital, 2015



Brokers' valuations of vessels were on average down 22% on 2014 (41% in Lauritzen Bulkers and 9% in Lauritzen Kosan).

At year-end 2015, the solvency ratio amounted to 31.5% (2014: 47.4%) and cash stood at USD 116m (USD 184m). Net interest bearing debt amounted to USD 284m equal to 57% of broker values (in 2014 USD 268m and 37%, respectively).

AFTER YEAR-END EVENTS

To strengthen the balance sheet and improve the cash position an agreement was reached with Lauritzen Fonden, our sole shareholder, to inject new capital of approx. USD 19m and to transfer a number of non-strategic assets and obligations to LF Investment ApS, wholly-owned by Lauritzen Fonden. The transactions provide J. Lauritzen with additional cash of USD 125m during 2016. The assets have a combined book value of USD 105.9m. The transaction will include transfer of the shareholding in Axis Offshore Pte. Ltd.

In line with a planned generation change, Chairman of the Board of directors Bent Østergaard and Vice Chairman Ingar Skaug have decided not to stand for re-election. Jesper T. Lok will be elected as Chairman and Niels Heering as Vice Chairman of the Board of Directors.

Birgit Aagaard-Svendsen, CFO since 1998, has called her option to resign at the age of 60 to pursue opportunities outside JL. She vil vacate her position end of August at the latest.

Group *Key Figures*

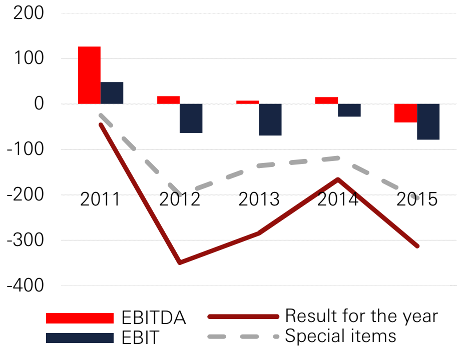
Main Figures for the Group USDm	2015	2014	2013	2012	2011
Income statement					
Revenue	349	443	501	558	587
Time-charter equivalent income (TCE)	268	351	352	388	520
Operating income before depreciation (EBITDA) and special items	(41)	15	7	17	126
EBITDA accounted for as discontinued operations	*0*	*16*	*48*	*55*	*N/A*
Operating income (EBIT) before special items	(79)	(28)	(70)	(64)	48
Special items, net	(207)	(119)	(136)	(200)	(25)
Financial items, net	(27)	(40)	(31)	(41)	(69)
Profit/(loss) from continuing operations before tax	(313)	(187)	(237)	(305)	(46)
Profit/(loss) from discontinued operations	1	19	(48)	(43)	N/A
J. Lauritzen Group's share of profit/(loss)	(313)	(166)	(285)	(350)	(46)
Balance sheet					
Non current assets	614	952	1,185	1,931	2,361
Total assets	859	1,208	1,877	2,315	2,682
Total equity	270	573	741	852	1,201
Non-current liabilities	378	424	754	1,297	1,311
Invested capital *	531	836	1,225	1,469	2,344
Net interest bearing debt (NIBD) *	284	268	631	685	1,160

Main Figures for the Group USDm	2015	2014	2013	2012	2011
Cash flows and financial ressources					
Cash flow from operating activities	(61)	60	(20)	34	86
Cash flow from investment activities	75	553	28	(108)	(330)
- hereof investments in tangible fixed assets	(14)	(43)	(118)	(190)	(438)
Cash flow from financing activities	(80)	(572)	(126)	107	323
Changes for the year in cash and cash equivalents	(67)	41	(118)	33	79
Financial ressources at the end of the year	116	284	154	268	292
Key figures and financial ratios					
Average number of employees *	956	1,064	1,125	1,167	1,300
Total number of ship days *	49,688	53,515	56,736	59,156	55,115
DKK exchange rate year-end	683	612	541	566	575
Average DKK exchange rate	673	562	562	580	536
Profit margin	(23.7)%	(6.1)%	(12.7)%	(10.0)%	7.4%
NIBD/EBITDA *	(6.9)	17.5	86.2	39.4	9.2
Solvency ratio	31%	47%	39%	37%	45%
Return on equity (ROE)	(74.3)%	(25.2)%	(35.8)%	(34.1)%	(3.8)%
Return on invested capital (ROIC) *	(41.8)%	(14.3)%	(15.3)%	(17.1)%	1.1%

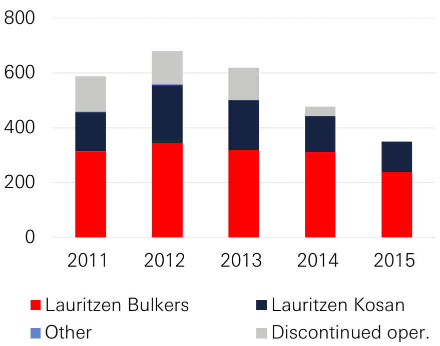
** Continuing operations only in 2012-2015*

In 2013, JL decided to discontinue its operations in Lauritzen Offshore - Shuttle tankers and Lauritzen Tankers and thus these activities have been accounted for as discontinued operations for the periods 2012-2015. Comparison figures for 2011 have not been re-presented.

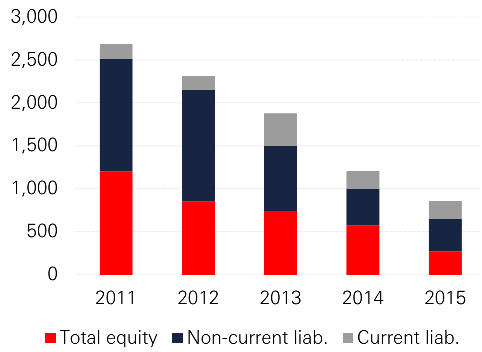
Selected key figures USDm



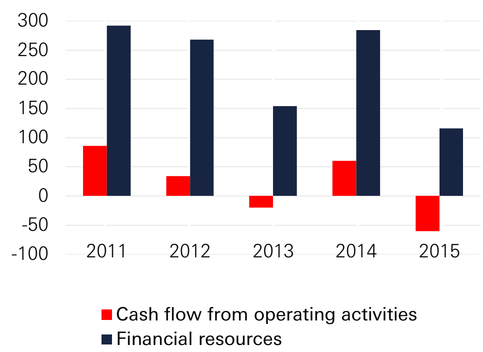
Revenue USDm



Capital structure USDm



Cash flow from operations and financial resources USDm



Outlook *2016*

Global economic activity is expected to grow slightly faster in 2016 than in 2015. Despite widespread uncertainty, the cyclical upturn in OECD countries is expected to continue, whereas economic growth in non-OECD countries is expected to recover after the serious commodity price decline in 2015, which hampered economic growth in commodity-exporting countries.

Uncertainty relates in particular to the Chinese economy in view of the country's rebalancing from investment to consumption and service driven growth, and its potential repercussions on many emerging markets. We regard this as a risk for a further decline of Chinese import growth of raw materials to the detriment of dry bulk shipping.

Major shipping markets, including dry bulk, suffer from serious imbalances and increased demolition of tonnage is required to restore market balances. This remains a challenge due to the relatively low average fleet age in major vessel size segments.

Crude oil prices have continued to fall and this is likely to have an impact on pricing of petrochemical products in the opening months of 2016. This might keep inventory building very cautious initially, potentially slowing seaborne trade growth slightly.

USA is expected to continue to increase production of ethane and LPG thereby increasing availability of cheap product – the more so as inventories are at record levels. This implies continued growth in US exports of LPG, and with the expansion of export terminal capacity strong growth is anticipated.

EXPECTATIONS FOR 2016

Based on the above, we expect 2016 to be another very challenging year for Lauritzen Bulkers whereas Lauritzen Kosan is expected to see slightly improved market conditions.

EBITDA for 2016 is expected to be at levels similar to 2015 offset by special items contributing positively due to the use of provisions. Depreciation will be reduced due to the sale of assets and finance net is expected to improve following the significant deleveraging of our balance sheet and sale of financial assets.

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

The results for 2016 are 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.

Based on our present tonnage composition the important sensitivities for the estimated results are:

Factors	Change	Impact on result
Dry bulk rate	+/- USD 1,000 / day	+/- USD 7.6m
Gas rate	+/- USD 500 / day	+/- USD 1.5m

The after year-end transactions have reduced J. Lauritzen's risk exposure.

BEYOND 2016

Excess carrying capacity and considerable order books remain a critical challenge in major shipping markets including dry bulk. Restoring a balance requires a 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 new ordering despite attractive prices and ample financing from export credit agencies. The recent deep decline in e.g. second hand prices for dry bulk carriers suggests that interest may change from new to existing vessels.

Even so, restoring market equilibrium in the dry bulk market is bound to take time, and as indicated by many observers this could take a couple of years or more.

The market for small gas carriers is more balanced. The segment for small fully pressurised gas carriers is oversupplied but ordering has come to a complete halt and with demolition set to increase, restoration of the market balance could be back in a couple of years time. Small gas carriers (3-13,000 cbm) has an order book of less than five per cent of the existing fleet but scrapping of old, over-aged tonnage is expected to rebalance that. Handysize gas carriers (13-23,000 cbm) looks slightly oversupplied for 2017 due to an order book of almost 40% but slippage may occur and a sizeable part of the fleet is approaching the end of its economic life in prime markets.

Lauritzen *Bulkers*

EBITDA from our dry bulk activities amounted to USD (55.0)m in 2015; down from USD 6.4m in 2014. The 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 current market rates. Income generated from our growing spot trading operation was not sufficient to offset this.

The results were influenced by special items totalling USD (204.1)m which comprised impairment losses and provisions of USD (281.3)m and revenue from settlements of USD 77.2m. By comparison, results for 2014 were impacted by special items totalling USD (118.9)m.

Operating income after special items amounted to USD (274.8)m compared to USD (132.5)m in 2014.

Key figures	2015	2014
Revenue	237.6	311.5
Time-charter equivalent income	174.7	248.8
EBITDA	**(55.0)**	**6.4**
Depreciation	(16.9)	(29.5)
Profit/(loss) on sale of vessels etc.	0.1	13.4
Share of profits in joint ventures	1.1	(3.9)
Operating income before special items	**(70.7)**	**(13.6)**
Special items	(204.1)	(118.9)
Operating income after special items	**(274.8)**	**(132.5)**
Ship-days	36,680	39,118

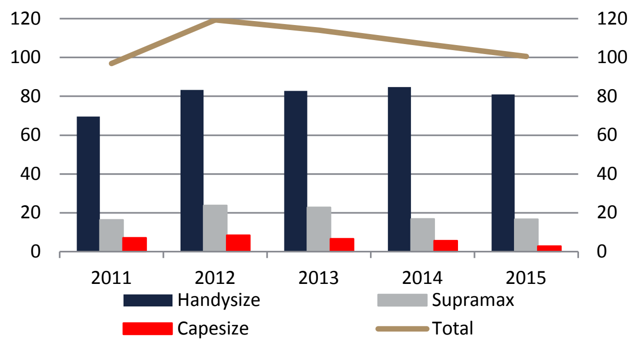
Measured by time-charter equivalent income, the total income in 2015 amounted to USD 174.7m, with average day-rates of USD 7,775/day in the handysize segment and USD 9,321/day in the supramax segment. The spot trading activity contributed with USD 15.7m net, up from USD 8.4m in 2014.

ACTIVITY IN 2015
Total number of ship-days performed reached 36,680 corresponding to 100 vessels on average, compared to 39,118 ship-days with 107 vessels on average in 2014.

During 2015, we increased our spot-trading activity and total spot ship-days amounted to 11,630 compared to 10,311 in 2014.

The number of fixtures amounted to 1,156 in 2015, up from 2014.

Average number of vessels operated



ACTIVITY IN 2015

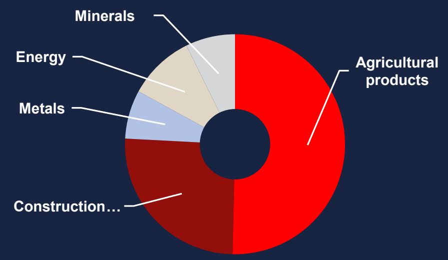
36,680
The number of performed ship-days corresponding to **100** vessels on average

Total spot ship-days

11,630	10,311
2015	**2014**

1,156
The number of fixtures

CARGO MIX, 2015

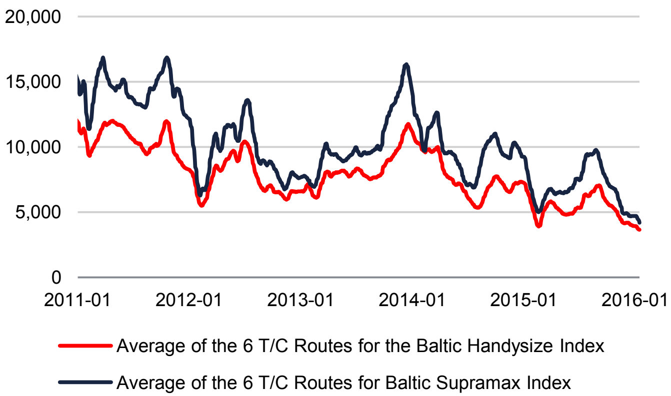


GLOBAL MARKET DEVELOPMENTS

2015 was from the onset not expected to bring improvements to the dry bulk shipping market as the supply was anticipated to grow at a slightly higher pace than demand. The market, however, turned out considerably worse than anticipated. During H1, the dry bulk shipping markets reached record low freight rates as the Chinese economic transition from investment-driven into a consumption and service-oriented economy caused a substantially lower growth in the Chinese dry cargo imports in general and in particular a decrease in Chinese imports of coal. Except for a short-lived spike in July, the dry bulk shipping markets continued to be very disappointing during H2. Spot rates hovered around OPEX levels or even lower for long periods, and vessel values (handysize) declined on average by one third y-o-y.

The spot market average (on time-charter equivalent basis, as reported by Clarkson Research Services) was down 30% in the handysize segment and 29% in the supramax segment compared to 2014.

Spot market rates in T/C equivalent USD/day



Source: Clarkson Research Services

STRATEGY UPDATE

Growth in demand for dry bulk transportation and scrapping of dry bulk vessels have so far been insufficient to counter the oversupply of dry bulk tonnage which sets a challenging background for freight rates and asset values.

The difficult outlook for dry bulk shipping is expected to persist for the foreseeable future for existing players making traditional business models based on debt financed ship ownership and/or long-term chartering of tonnage loss-making.

Our response is two-fold. Firstly, we are reducing our core fleet through sale of owned tonnage and increasing the use of short-term chartered tonnage. Secondly, we are transforming our business model into a trading platform whereby more emphasis is put on short-term fleet capacity adjustments. Our strong client-focus will remain unchanged.

The trading platform offers the potential to create value from spot trading: We leverage our market knowledge and earn margins from additional time-limited shipping risk, i.e. additional positions in cargo, periods or ship-days. Spot trading can generate positive returns also when the market outlook is poor.

Lauritzen Bulkers is active in the handysize and supramax segments of dry bulk shipping and service clients worldwide. Our main presence is in the handysize segment. Our activity in the capesize segment will terminate in 2016 Q3 with redelivery of a time-chartered vessel.

FLEET

Our core fleet of owned and long-term chartered vessels averaged 53 vessels (down from 57 on average in 2014). Vessels committed by pool partners averaged 16 (down from 22). At year-end 2015, our core fleet and vessels committed by pool partners comprised 50 handysize and 8 supramax vessels.

Following the termination of their long-term charter employment contracts, we decided to sell two capesize vessels. The buyer of one of the vessels refused, however, to take delivery, and the vessel was later sold and delivered to a new buyer. Legal proceedings are ongoing in relation to the frustrated sale.

A total of seven handysize vessels were sold, of which five for delivery during 2016 Q1, and one was taken back on time-charter. A further two handysize newbuildings were sold and chartered back. The sales are motivated by the dire outlook for dry bulk shipping.

We expect to offset the decrease of our core fleet by increased use of short-term time-chartered tonnage.

A total of five long-term time-chartered vessels were delivered to the core fleet while 18 vessels were redelivered to owners and pool partners.

Core fleet at year-end 2015

	Handy-size	Supra-max	Cape-size	Total	New-buildings
Owned	15	0	0	15	4
Part-owned	4	0	0	4	2
T/C in	20	8	1	29	9
Pool, etc.	11	0	0	11	0
Total	50	8	1	59	15

Nine scheduled dry dockings were completed in 2015. Unscheduled off-hire for our owned fleet came to 0.30% of available ship-days (0.47% in 2014).

At year-end 2015, the average age of the owned fleet was 5.6 years (4.6 years at year-end 2014).

The newbuilding programme includes four owned supramax vessels and a further two handysize vessels ordered in a joint venture with scheduled delivery in 2016-18. Tonnage providers are expected to deliver a further nine newbuildings on long-term time-charter to us.

Deliveries of new buildings

	2016	2017	2018
Owned			
Handysize			
Supramax	2		2
Part-owned			
Handysize		2	
Supramax			
Chartered			
Handysize	4	5	
Supramax			
Total	6	7	2

BUSINESS RISK MANAGEMENT

Freight rate levels, vessel values and the fluctuations in freight rates are the primary risk factors associated with our business model. With a business strategy focusing on the handysize and supramax segments, the majority of our business is conducted in the spot and shorter term period market. Rate volatility and the gap between current market rates and the cost of committed tonnage are consequently immediately reflected in our earnings. The existence of market volatility is, however, also supportive for our strategy to earn margins from the spot trading activity.

Other key risk factors associated with our business model are access to tonnage, credit risk related to counterparties and fleet portfolio management. We manage risk in relation to these factors in the following ways:

Tonnage: Securing and rejuvenating the controlled fleet with focus on size and fuel efficiency. Obtaining flexibility in charter parties in terms of trading, cargoes, nominations, period and extension/purchase options.

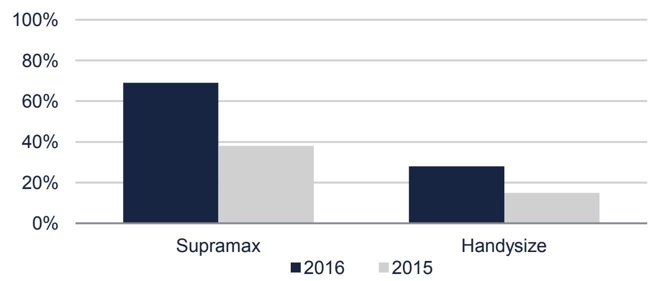
Counterparties: Careful scrutiny of counterparties, including their trading history, prior to concluding longer term contracts within predefined limits.

Fleet portfolio management: Balancing the needs for control, flexibility and commitment by having a core fleet of owned, part-owned and longer-term time-chartered vessels, vessels committed by partners as well as short-term chartered vessels.

CONTRACT COVERAGE

In early 2016, contract coverage related to our committed fleet in handysize and in supramax was higher than in early 2015.

Coverage (days) at the beginning of the year



We have one time-chartered capesize vessel in our fleet (to be redelivered during 2016) which is expected to be employed in the spot market.

PERFORMANCE

Despite low bunker prices, fuel consumption is still an important cost element and we continue to have a strong focus on fuel efficiency.

Vessel performance and operational excellence

To improve energy efficiency and fleet performance we work systematically with performance management.

Vessel Energy Renovation Plans (VERPs) have been implemented on a total of ten vessels for the purpose of achieving fuel savings and lowering our carbon footprint.

Weather routing and day-to-day operational performance analysis enabled significant voyage optimisations and contributed to fuel savings in the excess of 2,600 metric tonnes in 2015.

RightShip risk profile

RightShip's Ship Vetting Information System (SVIS) is used to rate our vessels' risk profile based on factors such as flag and class performance, technical manager performance, yard profile, casualty history, terminal reports and age.

The average risk ranking of our owned fleet remained high at 4.9 on the 5 star RightShip vetting scale at year-end 2015 compared to an average of 4.8 in 2014.

PEOPLE

Ship management and crewing is outsourced to external service providers.

An average 361 seafarers were working on the fleet.

We communicate strategically through officer seminars and newsletters with crews on various topics related to vessel safety and performance also as a means to move closer to our seafarers.

PERFORMANCE IN 2015

12% cut in CO_2 emissions since 2012

Average risk ranking of owned fleet at **4.9** on the 5 star RightShip Vetting Scale

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

2,600 metric tonnes

Fuel savings due to weather routing efforts

Lauritzen *Kosan*

EBITDA from our gas carrier activities amounted to USD 21.4m compared to USD 17.9m in 2014. Operating income after special items amounted to USD (2.4)m compared to USD (7.3)m in 2014. The improvement was achieved despite a 10% decrease in performed ship-days.

Measured as time-charter equivalent income, the total income amounted to USD 93.6m, with notable differences between vessel types and sizes, ranging from USD 6,117/day for the fully-pressurised vessels, USD 10,563/day for the semi-refrigerated vessels to USD 15,322/day for the ethylene vessels.

The earnings per day were generally higher than in 2014 reflecting improved market conditions. Further market improvements are expected in 2016.

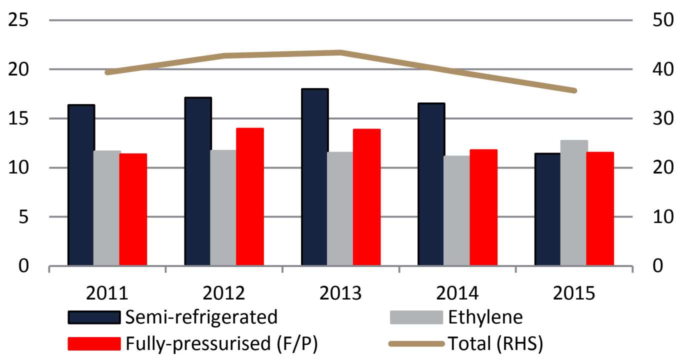
Key figures	2015	2014
Revenue	111.5	131.8
Time-charter equivalent income	93.6	102.3
EBITDA	**21.4**	**17.9**
Depreciation	(24.8)	(26.5)
Profit/(loss) on sale of vessels etc.	-	-
Share of profits in joint ventures	1.6	1.3
Operating income before special items	**(1.8)**	**(7.3)**
Special items	(0.5)	-
Operating income after special items	**(2.4)**	**(7.3)**
Ship-days	13,009	14,397

ACTIVITY IN 2015

The total number of ship-days performed in 2015 reached 13,009 corresponding to 36 vessels on average, compared to 14,397 ship-days or 39 vessels on average in 2014. The decrease was mainly seen in the semi-refrigerated vessel segment and reflects redelivery of tonnage to charterers and pool partners.

Transatlantic cargo contracts for carrying petrochemical gases from Europe to US across the Atlantic form an important basis for our activity, and during 2015 we maintained a strong presence in the Atlantic basin. Increased LPG shipments out of the US also added to our activity.

Average number of vessels operated



ACTIVITY IN 2015

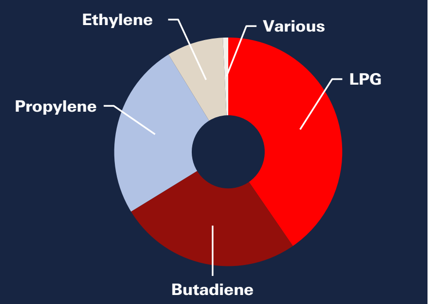
13,009

The number of performed ship-days corresponding to **36** vessels on average

The combined average carrying capacity

237,416 cbm	220,004 cbm
2015	**2014**

CARGO MIX, 2015



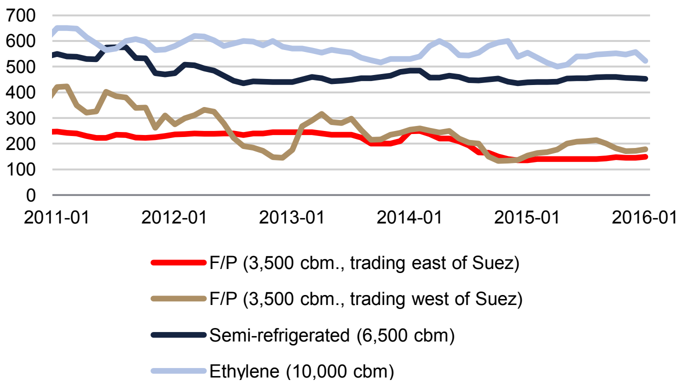
GLOBAL MARKET DEVELOPMENTS

Spot market rates for gas carriers started 2015 at depressed levels on the back of the negative influence from falling crude oil and petrochemical gas prices.

2015 H1 became as challenging as envisaged, whereas H2 brought improvements in parallel with reduced volatility in crude oil and LPG/petrochemical gas prices and normalisation of the petrochemical industry in terms of inventories and higher utilisation. Overall, 2015 developed as expected and marked a turning point for small gas carriers with a notable exception related to fully-pressurised tonnage where the supply situation had a negative impact on rate developments.

Economic growth on the rise in North America and Europe, and weakening activity in Asia, however still at a high level, support our expectations of further market improvements in 2016.

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



Note: Unadjusted for waiting time, if any.

Source: Own analysis based on data from Fearnley's.

STRATEGY UPDATE

The global consumption of plastics and of LPG for fuel, heating purposes and as petrochemical feedstock are the main drivers of demand for our gas carriers. Looking ahead, we expect strong growth in the medium-term in seaborne trade of liquefied gases and an improving balance in a freight market with good business opportunities.

Transportation of gases is a specialised segment of the shipping industry characterised by technically complex requirements from regulators and clients. We have a track record of solid operational performance as the foundation for a business where we have a high client retention rate.

Keeping this position is i.a. contingent on Lauritzen Kosan having access to tonnage that complies with client requirements and capacity to ensure we can service cargo contract commitments.

Today, we control and operate small semi-refrigerated, ethylene and fully-pressurised gas carriers in the 3-10,000 cbm segment.

Our strategic ambition is to be able to trade for any client anywhere. We have the capability to fulfil this ambition and the continued increase in demand for consumer goods and packaging material is supporting the long-term market growth for our business.

To realise our strategy we work to renew our fleet with modern and larger tonnage, most recently with the decision to add two 10,000 cbm ethylene gas carriers.

Maintaining our position as a quality provider of safe and flexible transportation services to our clients is another key element in realising our strategy. To achieve this we constantly focus on maintaining reliability and on embracing complexity and by this offer services to our clients supporting their value creation.

FLEET

Our operated fleet is composed of owned, part-owned and chartered tonnage as well as vessels in commercial management (pool). In total, the combined average carrying capacity was 237,416 cbm in 2015 (220,004 cbm in 2014). At year-end 2015, the average age of the owned fleet was 10.8 years (9.8 years at year-end 2014).

We operated an average total fleet of 36 vessels in 2015. The average operated fleet totalled 11.4 semi-refrigerated vessels, 11.5 fully-pressurised vessels and 12.7 ethylene vessels in 2015.

During 2015, four semi-refrigerated pool vessels and two bareboat chartered vessels were redelivered. One older fully-pressurised gas carrier was sold for delivery during 2016 Q1 and we took delivery of the first of the two 10,000 cbm ethylene carriers chartered-in for one year with purchase obligations (effective from 2016 Q4). The purchase obligation has

Fleet at year-end 2015

	Semi-refrigera ted	Ethyl-ene	Fully-pressur-ised	Total	New-buildings
Owned	6	6	10	22	0
Part-owned	0	3	0	3	0
B/B in	4	0	0	4	0
T/C in	0	1	2	3	0
Pool, etc.	2	4	0	6	0
Total	**12**	**14**	**12**	**38**	**0**

been transferred to LF Investment after year-end. Technical and commercial management of the vessels will be performed by Lauritzen Kosan.

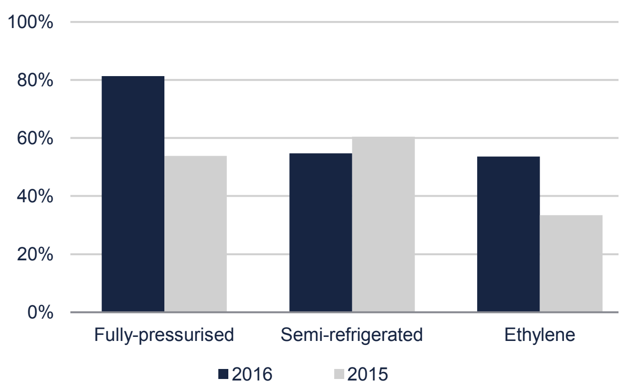
In 2015, we conducted three scheduled dry dockings (eight in 2014). Unscheduled off-hire came to 3.6% of available vessel days in 2015 (1.6% in 2014).

CONTRACT COVERAGE

A substantial part of our activity is business performed for recurring clients that renew cargo contracts with us annually, and have done so for numerous years, some for up to 15 years or even more. The client base, representing some of the World's largest petrochemical and oil companies as well as energy traders, totals some 90 clients, and the top 10 clients accounted for half of our revenues.

Early 2016, contract coverage was slightly lower for our semi-refrigerated vessels and higher for our fully-pressurised vessels and ethylene vessels compared to early 2015.

Coverage at the beginning of the year



BUSINESS RISK MANAGEMENT

Vessel employment and freight rates are key risk factors associated with our business model. Compliance, utilisation and fleet portfolio management are other important risk factors associated with our business model.

Compliance: Non-compliance with requirements from regulators and clients can have a detrimental impact on daily business as well as on long-term business opportunities. To mitigate this, we have a strict focus on complying with requirements in all aspects of our business.

Utilisation: We strive to balance the need to provide tonnage to meet contract requirements on COAs with additional employment from time-charter and spot contracts in order to maximise fleet utilisation.

Fleet portfolio management: We work to secure tonnage and fleet renewal via time-charter, part-ownership, vessels supplied by pool partners in addition to sale and purchase of owned vessels. The modest size of the market for small gas carriers, however, limits the possibilities for chartering and sale & purchase turnover.

PERFORMANCE

The overarching goal of our fleet management is to achieve operational excellence, and we use KPIs to monitor our progress. Performance is measured on the three pillars Safety, Customers and Costs of Operation to ensure we continue to deliver quality services to our clients.

Improving energy efficiency

A systematic approach is applied to assessing and achieving fuel savings. Our performance management department monitors, develops and implements energy efficiency initiatives.

We work to strengthen the collaboration between land and sea and to increase crew awareness regarding energy efficiency.

We succeeded in maintaining high energy efficiency and to limiting our fuel consumption. Since 2012, our energy efficiency related to transport work has improved by almost 20% across our operated fleet.

Optimal weather routing systems have been implemented on all vessels to enable further fuel efficiency improvements. Increased crew awareness and knowledge about the system is expected to generate further fuel savings in 2016.

VESSEL INSPECTIONS

On our in-house technically managed gas carriers

112 inspections

Average vetting observations (SIRE)

3.96	4.10	< 4.0
2015	2014	Target

The number of Port State Control inspections: 42

Average deficiencies

0.81	< 0.80
2015	Target

VESSEL SAFETY / INSPECTIONS

We are subject to vessel inspections carried out by oil majors (vetting) and Port State Control (PSC) officers. These inspections enable increased transparency of our performance on various parameters including safety, environment and compliance with international regulations.

Vetting

The 25 gas carriers we managed technically in-house were inspected 112 times in 2015.

We are vetted under different vetting services; most frequently SIRE, conducted on behalf of oil majors affiliated with OCIMF (the Oil Companies International Marine Forum).

Port State Control (PSC)

In 2015, 42 Port State Control inspections were conducted on board our in-house technically managed gas carriers, compared to 44 in 2014.

A reduced number of vetting observations and PSC deficiencies will not only reduce the commercial implications originating from the vetting regime, it also reflects a positive development in our safety performance and culture.

PEOPLE

Our seafarers and office staff play an essential role in securing the success of our efforts. To achieve operational excellence we align the goals of individuals, departments, vessels and overall fleet management.

KPIs and performance measures are implemented to identify whether our seafarers' conditions and competences are optimal for delivering an efficient and reliable service and thus to strengthen our overall marine HR.

Focus on a safety culture

Health and safety are priorities for our business and for our stakeholders. We continue our efforts to strengthen our safety culture, the core of which is a commitment to safeguard our people, the environment and our clients' cargo as well as our vessels.

We work with our safety efforts to create value and increase safety performance by combining the experience of our seafarers with IT tools and business intelligence initiatives.

Seafarer recruitment

Our strategic performance management efforts also include the recruitment strategy as well as the competence development of our seafarers.

In 2015, we continued the implementation of our Cuban recruitment programme launched in 2014 for the purpose of strengthening our recruiting baseline.

PEOPLE IN NUMBERS

377 Crew members on board

Frequency of accidents lower than target

LTIF of 0.6	LTIF of 0.9
2015	**Target**

The seafarer retention rate was 95,7% for officers and 100% for ratings

Composition of seafarers

91%	7%	2%
Philippine	**Cuban**	**Spanish**

Other *Businesses*

In addition to the main business activities in the dry bulk and gas carrier segments, J. Lauritzen had at year-end 2015 shareholdings in the offshore service sector (Axis Offshore Pte. Ltd.) and in the product tanker segment (Hafnia Tankers Ltd.). These investments originate from activities that are no longer part of our business portfolio.

The agreement reached with Lauritzen Fonden to transfer certain non-strategic assets from J. Lauritzen to LF Investment, a company also fully-owned by Lauritzen Fonden, will include transfer of our shareholdings in Hafnia Tankers Ltd. and Axis Offshore Pte. Ltd.

People

Ability to attract talented people and providing them with the right tools and opportunities for competence development is essential for fulfilling our goals. A total of 956 persons were on average employed at sea or ashore in 2015.

Our business units have different set-ups in relation to recruitment of seafarers: Lauritzen Bulkers has outsourced ship management and crewing to external service providers, whereas Lauritzen Kosan employs all officers directly, and crewing is conducted together with external crew managers.

Irrespective of the technical management set-up, both business units emphasise communicating strategically with seafarers to ensure safe, efficient operations and alignment of expectations.

DIVERSITY
In 2015, we continued our efforts to promote an increasingly diverse workforce ashore as we consider diversity important for innovation and business development and thus our overall value creation.

At the core of our diversity management policy lays a commitment to work 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 2015, the gender distribution within the organisation as a whole remained stable at 37% and 63%. The distribution of females and males in managerial positions of our shore-based organisation reached 23% and 77%, below our goal of 31% and 69%, due to reductions in managerial positions and lower turnover among staff in managerial positions than expected. Executive management had an equal gender distribution.

To strengthen our ability to attract and retain a diverse workforce and to promote females in managerial positions, an assessment of the Group's diversity profile and goals will commence in 2016.

DEVELOPING AN INTERNAL TALENT PIPELINE
During 2015, we continued to prioritise training and development of our employees, while also recognising our responsibility to contribute to developing new talents for the shipping industry.

In 2015, five trainees joined training programmes with us.

We initiated a five-year partnership with Shanghai Maritime University (SMU) and Copenhagen Business School (CBS) and jointly established the SMU-CBS Lauritzen GLOBAL Talent Scholarship, as a means to strengthen our profile as an attractive employer. The scholarship includes an annual selection of three talented SMU students to join CBS for a semester or full year and nine CBS students to attend a four-week summer school programme at SMU.

NEW HEAD OFFICE
In May 2015, we relocated to our new headquarters in Hellerup north of Copenhagen. It provides an open office layout, reflecting our flat organisational structure and allows for better knowledge sharing and interaction across departments and business units.

PEOPLE IN NUMBERS

Shore-based personnel

At year-end the total headcount was **206**

Retention rate

86%	83%
2015	2014

We employ **21** different nationalities across our offices

Average age

43.4 years	42.3 years
2015	2014

Financing and *Investor Relations*

Net interest bearing debt, net of cash, amounted to 57% of the market value of the fleet by year-end 2015. This was an increase from 37% in 2014. The increase reflects that the fleet value decreased more than the debt was reduced during 2015. Since 2012, net interest bearing debt has been reduced by USD 824m.

At year-end 2015, net interest bearing debt included USD 30.9m in financial leasing debt related to the purchase obligation of one time-chartered gas carrier. After year-end 2015, the purchase obligation has been transferred to LF Investment and the time-charter obligation is recognised as operational leasing. Consequently, the financial leasing debt is not included in the following description of financing and investor relations.

Outstanding bank and bond debt (non-USD debt at hedged value, net) stood at USD 420m by year-end 2015.

FINANCING

Access to diversified and stable financing of our own vessels is important to us. The objective is to secure long-term financing commitments and to optimise the financing terms and leverage. The fleet is financed with a diversified mix of bank facilities, corporate bonds and equity.

At year-end 2015, bank facilities accounted for 80% of the long-term bank and bond debt with the remainder sourced from corporate bonds.

During Q1, a post-delivery bank financing commitment for our newbuilding programme was secured and in Q3 refinancing of a bank facility with maturity in early 2017 was completed.

Bank facilities

Scandinavian and international banks provide a total of six bank facilities. One facility is additionally supported by a guarantee from the Japanese government export credit agency NEXI.

The average loan-to-value (total bank facilities as a ratio of the market value of the fleet) was 70.3% (net of pledged cash security) at year-end 2015.

Corporate bonds

One corporate bond, the "JLA 02", issued by J. Lauritzen A/S in 2012 with a five year tenor, is outstanding with a nominal gross of NOK 500m (at year-end 2015 we hold a nominal NOK 34m in JLA 02). The "JLA 01" was redeemed in cash (USD 71m, net) at maturity in May.

Covenants

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 six 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.

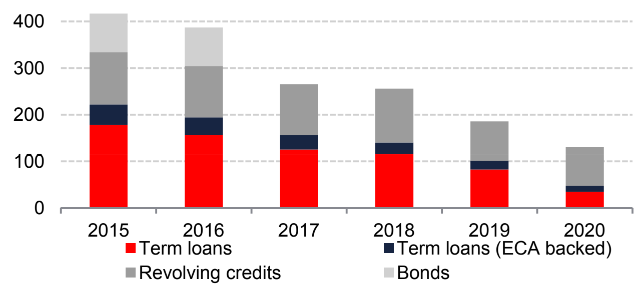
We complied with all covenants throughout 2015, like in previous years.

INVESTOR RELATIONS

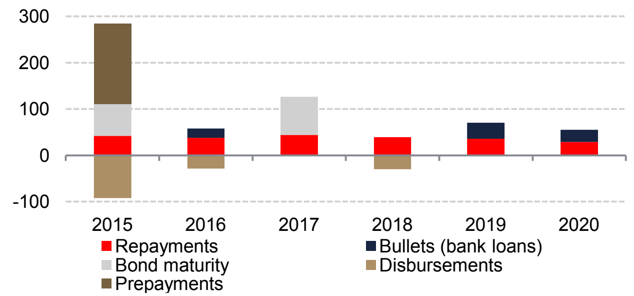
Investor relations activities are an integral part of ensuring our continued access to financing from banks and corporate bond investors. We recognise that providing timely, precise and relevant information and engaging in an ongoing dialogue with lenders, investors and analysts are essential for the continued financing of our fleet.

Presentations, financial reports and announcements are available at our website

Expected outstanding debt at year-end in USDm



Expected repayment profil in USDm



Notes to charts: Bond debt at hedged value less holdings of own bonds. Disbursements are amounts to be drawn from committed facilities upon delivery of newbuildings. Actual amounts may be lower and will e.g. depend on valuations. Numbers may change subsequently.

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 2015, the Board met eight times, including a strategy seminar. Between meetings, recommendations were submitted to the Board for written resolution seven times.

The Board of Directors is supported by two permanent committees: The Audit Committee and the Nomination and Remuneration Committee. The Audit Committee held five meetings and the Nomination and Remuneration Committee held two meetings in 2015.

Board members elected at the general meeting serve for one year and may stand for re-election. At year-end 2015, the Board of Directors consisted of nine members, six elected by the general meeting (all re-elected in March 2015) and three by the employees.

The diversity profile of the Board of Directors is 17% female and 34% originating from outside Denmark. Both figures are unchanged compared to 2014. Our goal is to have two female board members by 2017.

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

Executive Management

The Executive Management is appointed by the Board of Directors and consists of Jan Kastrup-Nielsen, President & CEO, and Birgit Aagaard-Svendsen, Executive Vice President & CFO. 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, Treasury 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 2015 is available at www.j-l.com/sites/default/files/imce/CorporateGovernance/jl_answer_cguk_2015.pdf

Lauritzen Fonden

J. Lauritzen A/S was founded in 1884 and has been engaged in ocean transport for more than 130 years. 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, humanitarian 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 and its controlling interest in DFDS A/S (42.8% holding), Lauritzen Fonden has holdings via wholly-owned LF Investment ApS in NMR-technology, software, healthcare products, 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 continue to attract new business also relies on our brand and reputation. It is vital for J. Lauritzen 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 activities are 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.

The specific drivers of demand in our areas of business are the demand for raw materials (e.g. grain, fertilizer and cement) and for liquefied petroleum gasses, the consumption of plastics as well as the price development on raw materials and energy.

The 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 J. Lauritzen to financial liabilities that are expected to be covered by earnings from our operations which are dependent on freight market levels.

The Board of Directors has issued policies on overall limits for off-balance sheet exposure (such as chartered tonnage). Reporting on these is an integral part of our internal reporting routines. 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.

Contract coverage is commented in the chapters on Lauritzen Bulkers and Lauritzen Kosan.

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

Dry bulk shipping markets have historically been substantially more volatile and more cyclical 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.

Business risk factors specific to the business areas are discussed further in the respective chapters covering each of the business areas.

See also the discussion in note 1.4 to the accounts regarding general business risk and the impact on financial position.

Fluctuations in the value of our owned vessels affect the income statement, balance sheet, compliance with financial covenants and can affect our liquidity via minimum value requirements in our loan agreements. This risk is managed by having a diversified operated fleet comprising not only owned and part-owned vessels but also pool vessels and time-chartered vessels.

2015 saw a decline in the market value of our owned vessels and we deposited USD 2.9m as additional security to ensure continued compliance with loan requirements. Should vessel values decrease by 10% during 2016 compared to the December 2015-valuations, less than USD 1m would be required by year-end 2016 as additional security.

FINANCIAL RISK

Exposure to financial risk is monitored and minimised 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.

Note 4.5 in the accounts holds a detailed description and analysis regarding exposure and management of liquidity risk, credit risk, currency and interest 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 RISK

Operational risk refers to potential losses resulting from non-compliance, human error and inadequate systems, accidents, piracy, insufficient insurance and IT systems. Operational risk is generally managed via detailed operating procedures and ongoing training. The chapters about our business units have specific discussions on topics relating to their operations. Our risk tolerance related to operational issues such as fleet management and safety is in principle zero.

Non-compliance

Regulatory compliance is a significant risk factor in the shipping industry where we are operating worldwide and exposed to different cultures and practices and subject to various national regulations. We have consequently adopted compliance policies for relevant regulatory risk, including anti-corruption and sanctions. The policies 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 both in-house and third parties can be reported on an anonymous whistleblower portal.

Safety

Casualties from ship operations can have serious consequences and the shipping industry has widely implemented international safety standards. Several clients have additional requirements relating to safety, environmental protection, etc. At J. Lauritzen, we have safety standards in place, complying not only with general safety standards, but also above and beyond client demands.

Operation in high-risk areas

Risk related to our crews and our clients' cargo due to piracy or violent crime-related activity in certain parts of the World has our strictest attention.

The necessity for engaging armed security teams on vessels operating in high-risk regions is assessed on the basis of voyage-specific risk assessments, and we adhere to recommendations and best management practices (BMP4) from relevant national and international bodies.

In 2015, Lauritzen Bulkers had 90 transits in high-risk areas whereas Lauritzen Kosan had 11. There were no incidents related to these transits.

Insurance

An insurance policy is adopted with the aim of reducing the financial implications of incidents and casualties. The insurances cover our assets, our chartered and operated fleet, our 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, and it is imperative that our IT systems are available round-the-clock and are accessible worldwide.

Redundant systems and duplicate infrastructure are in place, and systems are tested regularly to ensure that they can be restored within pre-defined time limits.

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 consider corporate responsibility an integral part of our business and we continuously strive to implement our efforts in our day-to-day business operations.

HIGHLIGHTS 2015

In 2015, our main corporate responsibility efforts were focused on developing a new corporate responsibility strategy and on conducting human rights due diligence.

Additionally, we continued the implementation of our energy-efficiency project, our anti-corruption compliance programme and the IMPA ACT programme on responsible supply chain management.

Corporate responsibility strategy

During 2015, a new corporate responsibility strategy was developed to guide and shape our future efforts.

The strategy rests on our corporate responsibility policy and is designed to support our business objective of being considered always approachable, always accountable and always looking towards shared value creation.

The core element of our corporate responsibility strategy is an action plan mapping and setting goals for our efforts within human resources (people), environment and business conduct.

Human rights due diligence

We have conducted due diligence of our potential and actual human rights impacts at our offices in Copenhagen and Singapore, which is aligned with the expectations of the UN Guiding Principles on Business and Human Rights.

Even if no severe human rights impacts were identified, some gaps were found in a few of our corporate policies and procedures. These have all been updated or are in the process of being evaluated to ensure that we do not cause or contribute to adverse impacts on our employees' human rights.

Through our human rights due diligence we identified a gap in our diversity policy as it only addresses gender diversity. In 2016, an assessment of the Group's diversity profile and goals will commence to identify how working actively with other diversity parameters may add value to our business.

Our human rights due diligence has been quality assured by external experts on business and human rights.

OUTLOOK 2016

In 2016, 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 as well as human rights due diligence for our remaining offices and our vessels.

Additional information

Please see our Corporate Responsibility Report 2015 for additional and more detailed information about our corporate responsibility work and results. The report serves as our Communication on Progress to the UN Global Compact and is available at our website: www.j-l.com/sites/default/files/imce/CorporateResponsibility/jlcr2015.pdf

ACHIEVEMENTS IN 2015

Relative cut in CO_2 emissions of **19.5%** from operated fleet since 2012

Anti-corruption training of **75%** of our shore-based personnel and **ALL** senior officers

5 suppliers have been engaged in dialogue

Recipient of an IMPA award for our efforts within responsible supply chain management

Board of *Directors*

Chairman
Bent Østergaard
Member since 2003 // Remuneration: DKK 850,000

President, LF Investment ApS & Lauritzen Fonden

Other management duties, etc.:

Chairman of the Board:
Cantion A/S, DFDS A/S, Frederikshavn Maritime Erhvervspark A/S, NanoNord A/S, Meabco Holding A/S, Meabco A/S,

Board member:
Comenxa A/S, Desmi A/S, Durisol UK Ltd, Mama Mia Holding A/S, With Fonden

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Vice Chairman
Ingar Skaug
Member since 1998 // Remuneration: DKK 500,000

Other management duties, etc.:

Chairman of the Board:
Center for Creative Leadership, Ragni Invest AS, Vectura AS
Environor AS

Board member:
Berg-Hansen Reisebureau AS, Miros AS
Bery Maritime AS, PURE AS, Batteriforum, German Leadership Award

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Niels Heering
Member since 2001 // Remuneration: DKK 450,000

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 DK IV ApS
NKB Private Equity III DK A/S
NKB Private Equity IV EURO ApS
NKB Private Equity VI A/S
NKB V DK Komplementar ApS

Board of *Directors - continued*

Peter Poul Lauritzen Bay
Member since 2003 // Remuneration: DKK 250,000

Management Consultant, Head of Operations, Strategy Department, Accenture

Other management duties, etc.:

Board member:
J. Krebs & Co, A/S

Marianne Wiinholt
Member since 2011 // Remuneration: DKK 300,000

Executive Vice President and CFO, DONG Energy A/S

No other management duties, etc.

Jesper Lok
Member since March 2014 // Remuneration: DKK 250,000

Other management duties, etc.:

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

AUDIT COMMITTEE
Niels Heering (Chairman), Ingar Skaug, Marianne Wiinholt

NOMINATION & REMUNERATION COMMITTEE
Bent Østergaard (Chairman), Ingar Skaug, Niels Heering

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.

' Re-elected in 2013 by the employees
'' Elected in 2013 by the employees

Management

EXECUTIVE MANAGEMENT AND EXECUTIVE COMMITTEE

President & CEO
Jan Kastrup-Nielsen
Joined J. Lauritzen in 2000 // CEO since February 2013

Board member:
The Danish Shipowners' Association
Avance Gas Holding Limited

Executive Vice President & CFO
Birgit Aagaard-Svendsen
Joined J. Lauritzen in 1998 // In current position since 1998

Chairman of the Board:
DSEB (Danish Society for Education and Business)

Board member:
The West of England Ship Owners Mutual Insurance Association (Luxembourg)
Otto Mønsted A/S

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
Group Treasury
John Jørgensen
Joined J. Lauritzen in 2001 // In current position since 2008

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
*As from 1 January 2015

Financial *Review*

OPERATING ACTIVITIES

Result

J. Lauritzen's results were USD (313.4)m in 2015 compared to USD (165.7)m in 2014.

The results for 2015 were heavily impacted by special items totalling USD (207.2)m composed of USD (281.9)m from impairment losses and provisions and a further USD 74.7m from other special items (please refer to note 2.2 for full details).

By comparison, the results for 2014 were impacted by special items totalling USD (118.9)m related to impairment losses and revenue from sale of claims and other settlements.

Net results for 2015 included a USD 0.6m profit from discontinued operations (USD 18.7m in 2014).

Revenue and time charter equivalent income

Revenue declined from USD 443.3m in 2014 to USD 349.1m in 2015 due to lower operational activity in both segments (total shipdays decreased by 7% compared to 2014) as well as lower freight rates in dry bulk.

The time-charter equivalent income amounted to USD 268.3m based on 49,688 of shipdays, corresponding to an average of 136 vessels, compared to USD 351.1m in 2014, which was based on 53,515 shipdays or an average of 147 vessels.

Time charter equivalent income

USDm	2015	2014	Δ
Lauritzen Bulkers	174.7	248.8	(74.1)
Lauritzen Kosan	93.6	102.3	(8.7)
	268.3	351.1	(82.8)

Shipdays

	2015	2014	Δ
Lauritzen Bulkers	36,680	39,118	(2,438)
Lauritzen Kosan	13,009	14,397	(1,388)
	49,688	53,515	(3,827)

Hire of chartered vessels declined from USD (201.4)m in 2014 to USD (191.1)m in 2015 mainly due to the redeliveries of time-chartered bulk carriers and lower hire on new time-chartered vessels. Operating costs for owned and bareboat-chartered vessels totalled USD (81.5)m, down from USD (94.6)m in 2014, due to sale of vessels.

EBITDA before special items

Operating income before depreciations and special items (EBITDA) amounted to USD (41.1)m, down USD 56.4m on 2014.

EBITDA before special items

USDm	2015	2014	Δ
Lauritzen Bulkers	(55.0)	6.4	(61.4)
Lauritzen Kosan	21.4	17.9	3.5
Unallocated	(7.4)	(8.9)	1.5
	(41.1)	15.3	(56.4)

Operating income and Special items

Operating income before special items amounted to USD (78.6)m compared to USD (28.1)m in 2014.

Special items amounted to USD (207.2)m for 2015, while 2014 was impacted by USD (118.9)m from special items. In 2015 impairment losses on owned and part-owned vessels amounted to USD (252.2)m, while provisions and use of provisions for onerous time-charter contracts amounted to USD (29.6)m. Other special items amounted to USD 74.7m.

Special items

USDm	2015	2014
One-off revenue from sale of claims, claim settlements and termination of contracts	77.2	31.7
Sale of vessels as a consequence of counterparty defaults or strategic initiatives	-	10.4
Impairment losses, vessels and vessels under construction	(217.6)	(85.1)
Provisions and use of provisions for onerous contracts	(29.6)	(60.1)
Impairment losses, vessels owned by joint ventures	(34.7)	(15.8)
Financial items related to termination of contracts	(2.6)	-
	(207.2)	(118.9)

FINANCING AND TAX

Net financials amounted to USD (26.9)m, down from USD (40.4)m in 2014, mainly due to lower interest bearing debt following the repayment of a corporate bond, debt reduction in connection with vessel sales and gains on securities.

Income tax amounted to USD (1.3)m, down from USD 2.9m in 2014.

OPERATING ASSETS AND LIABILITIES

Vessels

An impairment test was carried out in Q2 2015 in light of the significant drop in broker values since year-end 2014 and the continued very low dry bulk market leading to a reduction of our rate estimates for the coming years. The impairment test resulted in impairment losses of USD (173.3)m related to Lauritzen Bulkers, hereof USD (94.2)m related to the termination of the charter parties for two capesize bulk carriers against a compensation.

Due to a significant further decrease in broker values from June 2015 towards year-end 2015 and a further reduction in our dry bulk rate estimates, an additional impairment test was conducted at year-end which resulted in additional impairment losses of USD (138.3)m in Lauritzen Bulkers.

In total, the 2015-results were affected by impairment losses of USD (252.2)m related to fully and part-owned vessels and USD (60.2)m on onerous time-charter contracts. Use of provisions for onerous contracts during 2015 amounted to USD 30.6m.

Impairment losses in 2015

USDm	Q2	Q4	Total
Small Bulk Carriers			
Fully owned	(62.2)	(43.1)	(105.3)
Part owned	(14.9)	(19.8)	(34.7)
Provisions for onerous contracts	(2.0)	(49.2)	(51.2)
Vessels held for sale	-	(15.8)	(15.8)
Large Bulk Carriers			
Fully owned	(87.4)	(8.6)	(96.0)
Provisions for onerous contracts	(6.8)	(1.8)	(8.6)
Gas Carriers			
Vessels held for sale	-	(0.5)	(0.5)
Total	(173.3)	(138.8)	(312.0)

The carrying amount of vessels and vessels under construction totalled USD 459.3m compared to USD 801.9m in 2014. Brokers' valuations totalled USD 457.1m (no broker valuations on newbuildings).

Investments in joint ventures

Investments in joint ventures totalled USD 77.3m against USD 89.2m in 2014. The decline was caused by impairment losses related to the dry bulk segment.

Vessels held for sale

Vessels held for sale comprise five bulk carriers and one gas carrier amounting to USD 36.2m (2014: nil). The vessels are sold with delivery in 2016. The vessels are measured at fair value less costs to sell.

Provisions for onerous contracts

Provisions for onerous time charter contracts and other provisions amounted to USD (98.0)m (2014: USD (60.1)m). Additional provisions as a result of the impairment tests carried out in Q2 and at year-end 2015 amounted to USD (60.2)m, while use of provisions during 2015 amounted to USD 30.6m.

Net working capital

Net working capital amounted to USD 5.5m against USD 20.4m in 2014.

Invested capital

Invested capital amounted to USD 531.0m at year-end 2015 down USD 304.9m from USD 835.9m at year-end 2014 primarily due to sale of vessels, impairment losses and depreciations.

At year-end 2015, total assets amounted to USD 858.6m, down USD 349.4m on 2014 also due to sale of vessels, depreciations and impairment losses.

CAPITAL STRUCTURE AND FINANCES

Equity

Shareholders' equity at year-end 2015 was down USD 302.4m to USD 270.4m. Solvency was 31.5%, down from 47.4% at the end of 2014.

Liabilities

At year-end 2015, total liabilities amounted to USD 588.2m, down USD 47.1m on 2014.

Total interest bearing debt decreased to USD 409.2m from USD 461.9m in 2014 due to repayment of corporate bonds and mortgage debt.

CASH FLOW AND FINANCIAL RESSOURCES

Cash flow from operating activities totalled USD (60.8)m, down from USD 60.4m in 2014 mainly reflecting the decrease in EBITDA, interest expenses and payment on hedging instruments related to repayment of corporate bonds.

In 2015, cash flow from investment activities amounted to USD 74.6m, down from USD 552.7m in 2014 where sale of vessels related to discontinued operations amounted to USD 403.4m.

Cash flow from financing activities amounted to USD (80.4)m compared to USD (572.3)m in 2014. The change was mainly due to repayment of issued corporate bonds and repayment of debt related to vessels sold.

Cash and cash equivalents at year-end amounted to USD 115.6m compared to USD 184.4m at year-end 2014.

At year-end 2015, financial resources, including undrawn committed facilities and committed facilities available upon delivery of vessels, totalled USD 193.4m compared to USD 393.1m at year-end 2014.

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

After year-end events
To strengthen the balance sheet and improve the cash position an agreement was reached with Lauritzen Fonden, our sole shareholder, to inject new capital of approx. USD 19m and to transfer a number of non-strategic assets and obligations to LF Investment ApS, wholly-owned by Lauritzen Fonden. The transactions provide J. Lauritzen with additional cash of USD 125m during 2016. The assets have a combined book value of USD 105.9m. The transaction will include transfer of the shareholding in Axis Offshore Pte. Ltd.

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 2015.

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 Group's and the parent company's financial position at 31 December 2015 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January 2015 – 31 December 2015.

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, 25 February 2016

EXECUTIVE MANAGEMENT

Jan Kastrup-Nielsen
President & CEO

Birgit Aagaard-Svendsen
Executive Vice President & CFO

BOARD OF DIRECTORS

* Elected by the employees

Bent Østergaard, Chairman

Ingar Skaug, Vice Chairman

Niels Heering

Peter Poul Lauritzen Bay

Marianne Wiinholt

Jesper T. Lok

Søren Berg*

Ulrik Danstrøm*

Søren Roschmann*

Independent *Auditors' Report*

TO THE SHAREHOLDER OF J. LAURITZEN A/S

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY FINANCIAL STATEMENTS

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 2015, 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 Danish disclosure requirements for listed companies.

Executive Management's responsibility for the consolidated financial statements and the parent company financial statements

Executive 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 Danish disclosure requirements for listed companies and for such internal control that Executive 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.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Executive Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2015 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 2015 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

STATEMENT ON THE MANAGEMENT'S REVIEW

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Hellerup, 25 February 2016

Ernst & Young
Godkendt Revisionspartnerselskab
CVR. 30 70 02 28

Henrik Kronborg Iversen
State Authorized Public Accountant

Carsten Kjær
State Authorized Public Accountant

Consolidated *Financial Statements*

Notes

Income *Statement*

USD '000	Note	2015	2014
Revenue	2.1, 2.2	349,078	443,295
Voyage related costs		(80,746)	(92,222)
Time-charter equivalent income		**268,332**	**351,073**
Other operating income		6,897	8,550
Hire of chartered vessels	2.2	(191,054)	(201,434)
Operating costs of vessels	2.4	(81,529)	(94,587)
Administrative costs	2.4	(43,699)	(48,292)
Operating income before depreciation (EBITDA) and special items		**(41,053)**	**15,310**
Profit/(loss) on sale of vessels and other assets		52	13,594
Depreciation	3.1	(41,678)	(56,018)
Share of profit in joint ventures	2.2, 3.4	4,047	(949)
Operating income (EBIT) before special items		**(78,633)**	**(28,063)**
Special items, net	2.2	(207,192)	(118,908)
Operating income (EBIT) after special items		**(285,824)**	**(146,971)**
Financial income	4.3	4,246	7,944
Financial expenses	4.4	(31,105)	(48,377)
Profit/(loss) from continuing operations before tax		**(312,683)**	**(187,404)**
Income tax	5.4	(1,322)	2,919
Profit/(loss) from continuing operations		**(314,006)**	**(184,485)**
Profit/(loss) from discontinued operations	5.1	560	18,743
Profit/(loss) for the year		**(313,446)**	**(165,742)**
Profit attributable to:			
The J. Lauritzen Group		**(313,446)**	**(165,742)**

Statement of *Comprehensive Income*

USD '000	Note	2015	2014
Profit/(loss) for the year		**(313,446)**	**(165,742)**
Items that can be reclassified subsequently to income statement:			
Other comprehensive income net of tax:			
Exchange differences on translating foreign operations		(772)	(1,466)
Fair value adjustment of hedging instruments during the year		(2,547)	(7,172)
Gain/(loss) on hedging instruments transferred to financial expenses		8,252	9,760
Fair value adjustment of shares available for sale	4.5	6,152	(2,587)
Other comprehensive income net of tax		**11,085**	**(1,465)**
Total comprehensive income for the year		**(302,361)**	**(167,207)**
Total comprehensive income attributable to:			
The J. Lauritzen Group		(302,361)	(167,207)
		(302,361)	**(167,207)**

Balance Sheet *Statement*

ASSETS

USD '000	Note	2015	2014
Vessels, property and equipment	3.1	464,531	808,215
Investments in joint ventures	3.4	77,286	89,158
Deferred tax assets	5.4	2,700	3,600
Shares available for sale	4.5	46,982	40,840
Receivables from joint ventures		1,238	9,343
Other receivables		21,735	541
Non-current assets		**614,472**	**951,697**
Bunkers		7,152	9,683
Trade receivables	4.5	10,906	16,817
Other receivables	3.7	54,058	16,668
Prepayments		8,007	7,641
Current tax receivables	5.4	651	-
Derivative financial instruments	4.5	1,625	11,435
Securities		10,000	9,711
Cash at hand and in bank		115,570	184,388
		207,968	256,343
Assets held for sale	5.1	36,162	-
Current assets		**244,130**	**256,343**
Total assets		**858,603**	**1,208,040**

LIABILITIES

USD '000	Note	2015	2014
Share capital		62,356	62,356
Retained earnings		196,693	510,139
Reserves		11,366	281
J. Lauritzen's share of equity		270,415	572,776
Non-controlling interests		-	-
Equity	**4.6**	**270,415**	**572,776**
Long-term provisions	3.8	31,842	33,343
Non-current derivative financial instruments	4.5	34,979	31,782
Long-term borrowings	4.1	310,953	359,209
Non-current liabilities		**377,774**	**424,334**
Current portion of long-term borrowings	4.1	98,251	102,648
Trade payables		7,481	10,969
Other payables		21,169	23,065
Provisions	3.8	66,118	26,713
Prepayments		812	200
Derivative financial instruments	4.5	16,584	46,105
Current tax payables	5.4	-	1,229
		210,414	210,930
Liabilities related to assets held for sale	5.1	-	-
Current liabilities		**210,414**	**210,930**
Total liabilities		**588,188**	**635,264**
Total equity and liabilities		**858,603**	**1,208,040**

Cash Flow *Statement*

USD '000 - Inclusive discontinued operations	Note	2015	2014
Operating income before special items, continuing operations		(78,633)	(28,063)
Operating income before special items, discontinued operations		183	15,708
Depreciation carried back		41,678	56,018
Share of profit in joint ventures		(4,047)	949
Special items with cash flow effect		13,479	31,680
(Profit)/loss on sale of vessels and other assets		(52)	(13,594)
Change in bunkers		2,531	2,581
Change in receivables		13,534	22,285
Change in payables		(1,170)	3,528
Cash flow from operations before financial items		(12,496)	91,092
Ingoing financial payments		4,032	2,075
Outgoing financial payments		(50,129)	(32,274)
Cash flow from ordinary operations		(58,594)	60,893
Paid corporate tax	5.4	(2,211)	(447)
Cash flow from operating activities		**(60,805)**	**60,445**
Investments in vessels	3.1	(7,858)	(13,711)
Payments on vessels under construction	3.1	(6,511)	(28,976)
Payments on vessels under construction, held for sale	5.1	-	(535)
Investments in machinery and equipment	3.1	(13)	(10)
Investments in joint ventures	3.4	(9,238)	(4,322)
Sale of vessels		93,499	601,835
Sale of other non current assets		53	1,850
Dividend received from joint ventures	3.4	11,039	10
Dividend to minority interest		-	(668)
Purchase and sale of securities and shares available for sale		1,005	(433)
Bank deposits pledged as security for debt		(7,353)	(2,354)
Cash flow from investment activities		**74,622**	**552,686**
Financial receivables		500	(1,178)
Instalment on long-term debt		(270,033)	(750,567)
Proceeds from loans		189,778	179,411
Finance lease payments		(634)	-
Cash flow from financing activities		**(80,390)**	**(572,334)**

	2015	2014
Changes for the year in cash and cash equivalents	(66,573)	40,798
Cash and cash equivalents at beginning of year	184,388	154,145
Currency adjustments on cash and cash equivalents	(2,246)	(10,555)
Cash and cash equivalents at the end of the year	**115,570**	**184,388**
Undrawn committed credit facilities at end of year *)	-	99,701
Financial resources at the end of the year	115,570	284,089
Committed facilities available upon delivery of vessels	77,800	109,000
Financial resources incl. committed facilities available upon delivery of vessels	193,370	393,089

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

Equity *Statement*

USD '000	Share capital	Hedging instruments	Shares available for sale	Translation gain/loss	**Reserves**	Retained earnings	**J.Lauritzen share of equity**	Non-controlling interests	**Total equity**
Equity 1/1 2015	62,356	(15,434)	20,919	(5,204)	281	510,139	572,776	-	572,776
Profit/(loss) for the year	-	-	-	-	-	(313,446)	(313,446)	-	(313,446)
Other comprehensive income:									
Exchange differences on translating foreign operations	-	-	-	(772)	(772)	-	(772)	-	(772)
Deferred (gain)/loss on hedging instruments transferred to financial expenses	-	8,252	-	-	8,252	-	8,252	-	8,252
Fair value adjustment of hedging instruments during the period	-	(2,547)		-	(2,547)	-	(2,547)	-	(2,547)
Fair value adjustment of shares available for sale	-	-	6,152	-	6,152	-	6,152	-	6,152
Other comprehensive income	-	5,705	6,152	(772)	11,085	-	11,085	-	11,085
Total comprehensive income	**-**	**5,705**	**6,152**	**(772)**	**11,085**	**(313,446)**	**(302,361)**	**-**	**(302,361)**
Transactions with owners:									
Paid dividend	-	-	-	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-
Equity 31/12 2015	**62,356**	**(9,730)**	**27,071**	**(5,976)**	**11,366**	**196,693**	**270,415**	**-**	**270,415**
Equity 1/1 2014	62,356	(18,022)	23,507	(3,738)	1,747	675,881	739,983	668	740,651
Profit/(loss) for the year	-	-	-	-	-	(165,742)	(165,742)	-	(165,742)
Other comprehensive income:									
Exchange differences on translating foreign operations	-	-	-	(1,466)	(1,466)	-	(1,466)	-	(1,466)
(Gain)/loss on hedging instruments transferred to financial expenses	-	9,760	-	-	9,760	-	9,760	-	9,760
Fair value adjustment of hedging instruments during the period	-	(7,172)		-	(7,172)	-	(7,172)	-	(7,172)
Fair value adjustment of shares available for sale	-	-	(2,587)	-	(2,587)	-	(2,587)	-	(2,587)
Total other comprehensive income	-	2,588	(2,587)	(1,466)	(1,465)	-	(1,465)	-	(1,465)
Total comprehensive income	**-**	**2,588**	**(2,587)**	**(1,466)**	**(1,465)**	**(165,742)**	**(167,207)**	**-**	**(167,207)**
Transactions with owners:									
Paid dividend	-	-	-	-	-	-	-	(668)	(668)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(668)**	**(668)**
Equity 31/12 2014	**62,356**	**(15,434)**	**20,919**	**(5,204)**	**281**	**510,139**	**572,776**	**-**	**572,776**

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 2015 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 2015, we have adopted:

- Annual improvements to IFRSs 2011-2013 Cycle

None of the changes in the IFRS's has affected recognition or measurement in 2015.

NOTE 1.3 GENERAL ACCOUNTING POLICIES

Basis of preparation

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

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

Materiality in financial reporting

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

Basis of consolidation

The 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 inter-company transactions and balances, and are based on financial statements prepared in compliance with the Group's accounting policies.

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

Translation of foreign currencies

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

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

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

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

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

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

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

Certain reclassifications have been made in the comparative figures compared to previously published financial information, to reflect the cash flow effect from special items.

NOTE 1.4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Critical accounting estimates and judgments:

- Estimated useful life and residual value of vessels – note 3.1
- Impairment test of non-current assets and charter commitments – note 3.1
- Critical accounting judgments:
- Special items – note 2.2
- Leases – note 2.3, 3.2 and 3.3
- 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.

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.

After year-end transactions has reduced J. Lauritzen's risk exposure.

By November 2016, 12 month prior to maturity, the JLA02 bond and related cross currency swap totaling USD 82.2m (net) becomes a current liability ref note 4.1 and 4.5 and six months later it will also be included in the calculated working capital ratio covenant ref note 4.1. J. Lauritzen has identified certain possible corrective measures to cover risk related to covenants and repayment of bond that can be implemented if the rate development go one-sided against J.Lauritzen.

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 2015.

In January 2016 a new standard on Leases (IFRS 16) was published. The new standard implies that all J. Lauritzens's operational lease-contracts 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). 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 effective date of IFRS 16 is 1 January 2019.

Exept for IFRS 16 Leases none of the issued accounting standards and interpretations are expected to to have significant 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 AND FINANCIAL RATIOS

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

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

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

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

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

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

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

Section 2 - *Operating Activities*

NOTE 2.1 SEGMENT INFORMATION

USDm 2015	Lauritzen Bulkers	Lauritzen Kosan	Discontinued operations: Lauritzen Offshore	Discontinued operations: 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 etc.	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

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 2015 or 2014.

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 2014	Lauritzen Bulkers	Lauritzen Kosan	Discontinued operations: Lauritzen Offshore	Discontinued operations: Lauritzen Tankers	**Total reportable segments**	Other/Un-allocated	**Total Group**	**Total Group continuing operations**
Revenue	311.5	131.8	18.9	14.4	476.6	0.0	476.6	443.3
Voyage related costs	(62.7)	(29.5)	(2.3)	(0.3)	(94.7)	(0.0)	(94.8)	(92.2)
T/C equivalent income	248.8	102.3	16.6	14.2	381.9	(0.0)	381.9	351.1
Other operating income	5.2	2.6	0.5	0.1	8.3	0.8	9.2	8.5
Hire of chartered vessels	(186.0)	(15.4)	0.0	(8.1)	(209.5)	0.0	(209.5)	(201.4)
Operating costs of vessels	(40.2)	(54.1)	(2.9)	(2.7)	(99.9)	(0.3)	(100.2)	(94.6)
Contribution II before special items	27.8	35.3	14.2	3.5	80.8	0.5	81.3	63.6
Administration costs	(21.4)	(17.4)	(1.8)	(0.2)	(40.8)	(9.4)	(50.2)	(48.3)
Operating income before depreciation (EBITDA) and special items	**6.4**	**17.9**	**12.4**	**3.3**	**40.0**	**(8.9)**	**31.1**	**15.3**
Depreciation	(29.5)	(26.5)	0.0	0.0	(56.0)	(0.0)	(56.0)	(56.0)
Profit/(loss) on sale of vessels and other assets	13.4	0.0	0.0	0.0	13.5	0.0	13.5	13.5
Share of profit in joint ventures	(3.9)	1.3	0.0	0.0	(2.6)	1.6	(0.9)	(0.9)
Operating income before special items	**(13.6)**	**(7.3)**	**12.4**	**3.3**	**(5.1)**	**(7.3)**	**(12.4)**	**(28.1)**
Special items	(118.9)	0.0	5.2	0.0	(113.7)	0.0	(113.7)	(118.9)
Operating income after special items	**(132.5)**	**(7.3)**	**17.6**	**3.3**	**(118.9)**	**(7.3)**	**(126.2)**	**(147.0)**
Non current assets	511.1	347.1	0.0	0.0	858.3	93.4	951.7	951.7
Investments in joint ventures	22.2	20.0	0.0	0.0	42.2	47.0	89.2	89.2
Current assets	30.1	15.4	0.0	2.4	47.9	208.4	256.3	253.9
Total assets	541.2	362.6	0.0	2.4	906.2	301.8	1,208.0	1,205.6
Liabilities	275.9	81.8	0.4	1.4	359.5	275.7	635.3	633.4
Net assets	265.4	280.8	(0.4)	1.0	546.7	26.1	572.8	572.2
Onshore employees, average	74	63	3	0	140	69	209	205
Crew on vessels, average	450	408	8	19	886	0	886	858
Total employees, average	524	471	11	20	1,026	69	1,095	1,064
Profit margin	(3.1)%	(6.5)%	65.8%	22.8%	(0.5)%	N/A	(2.4)%	(6.1)%
Return on invested capital	(20.9)%	(2.0)%	20.1%	2.8%	(9.9)%	N/A	(10.2)%	(14.3)%
Investments in vessels etc. (CAPEX)	34.8	8.4	0.0	0.0	43.2	0.0	43.2	43.2
Invested capital - Year end	461.3	356.6	(0.4)	1.0	818.4	18.0	836.4	835.9
Invested capital - Average	634.9	364.6	87.7	118.7	1,205.9	31.2	1,237.1	1,030.7

ACCOUNTING POLICIES (continued)

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.

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

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.

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 recognized as special items:

USD '000	**2015**	2014
A) One-off revenue from sale of claims, claim settlements and termination of contracts	77,229	31,680
B) Sale of vessels as a consequence of counterparty defaults or strategic initiatives	-	10,391
C) Impairment losses on vessels	(89,856)	(85,132)
C) Impairment losses on vessels under construction	(16,039)	-
C) Impairment losses on vessels classified as held for sale	(111,669)	-
D) Provisions and use of provisions for onerous contracts	(29,630)	(60,057)
E) Impairment losses on vessels owned by joint ventures	(34,659)	(15,790)
F) Financial items related to termination of contracts	(2,568)	-
Special items, net	**(207,192)**	**(118,908)**

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		**2015**	2014
Revenue	A)	426,307	474,974
Other operating income		6,897	8,550
Costs	D)	(424,657)	(496,591)
Operating income before depreciation (EBITDA)		**8,547**	**(13,067)**
Profit/(loss) on sale of assets	B)	52	23,985
Depreciation and impairment losses	C)	(261,243)	(141,150)
Share of profit in joint ventures	E)	(30,613)	(16,739)
Operating income		**(283,257)**	**(146,971)**
Net financial items	F)	(29,427)	(40,433)
Profit/(loss) before tax		**(312,683)**	**(187,404)**
Income tax		(1,322)	2,919
Profit/(loss) from continuing operations		**(314,006)**	**(184,485)**

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 CONTRACTUALLY COMMITTED CHARTER INCOME (LEASING)

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

	Lauritzen Bulkers		Lauritzen Kosan		Total	
2015	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	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**	**-**
2014						
< 1 Year	39.0	3.5	15.6	4.3	54.6	7.8
1 - 2 Year	32.3	3.0	6.3	2.0	38.6	5.0
2 - 3 Year	31.3	3.0	3.3	1.0	34.6	4.0
3 - 4 Year	28.1	2.4	0.1	-	28.2	2.4
4 - 5 Year	25.7	2.0	-	-	25.7	2.0
> 5 Year	147.7	12.6	-	-	147.7	12.6
Total	**304.1**	**-**	**25.4**	**-**	**329.5**	**-**

The decrease in contractually committed leasing income is primarily due to termination of long-term charter contracts, ref. announcement to Oslo Børs no. 3/2015 Cease of charter agreement dated 6 August 2015.

CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

The Group enters into different contracts regarding chartering vessels out. The majority of these contracts 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 recognize and measure them in accordance with the Group's accounting policies.

NOTE 2.4 STAFF, COSTS, OFFICE & FLEET

USD '000	Staff costs onshore employees [1] 2015	2014	Staff costs, crew on vessels [2] 2015	2014	Total staff costs 2015	2014
Salaries	26,079	28,543	35,935	47,050	62,014	75,593
Pensions (defined contribution plan)	2,119	2,659	2	138	2,121	2,797
Social security	488	473	-	66	488	539
Contract labour	255	251	-	-	255	251
	28,941	31,925	35,937	47,255	64,878	79,180
Hereof related to discontinued operations:						
Lauritzen Tankers	-	114	-	1,284	-	1,397
Lauritzen Offshore	(21)	533	54	1,743	33	2,276
Total continuing operations	**28,962**	**31,279**	**35,883**	**44,228**	**64,845**	**75,507**

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

	Number of employees, onshore 2015	2014	Number of employees, crew on vessels 2015	2014	Number of employees, total 2015	2014
Average number of employees	218	209	738	886	956	1,095
Number of employees at year end	206	213	678	798	884	1,011

USD '000	2015	2014
Remuneration to J. Lauritzen A/S'		
Executive Management - salaries	1,876	2,245
CEO Jan Kastrup Nielsen	*1,092*	*1,308*
CFO Birgit Aagaard-Svendsen	*784*	*937*
Executive Management - retention bonus	519	488
CEO Jan Kastrup Nielsen	*300*	*225*
CFO Birgit Aagaard-Svendsen	*219*	*263*
Board of Directors	498	591
	2,893	**3,324**

Remuneration to Executive Management consists of a fixed and variable compensation. No variable compensation has been paid in 2015 and 2014. In addition hereto, Executive Management has been awarded a retention bonus subject to individual dates of resignation.

Section 3 -*Operating Assets and Liabilities*

NOTE 3.1 VESSELS, PROPERTY & EQUIPMENT

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

USD '000 2014	Vessels	Vessels under construction	Land & buildings	Machinery, tools and equipment	Total
Cost as at 1 January	1,513,895	0	3,074	17,970	1,534,939
Exchange rate adjustments	(1,112)	-	(146)	(34)	(1,293)
Additions	13,711	28,976	-	10	42,697
Disposals	(192,365)	(16)	-	(7,807)	(200,188)
Transfer, assets held for sale	(72,123)	-	-	-	(72,123)
Cost as at 31 December	1,262,006	28,961	2,928	10,138	1,304,032
Depreciation and impairment losses as at 1 January	(492,769)	0	(570)	(11,267)	(504,606)
Exchange rate adjustments	195	-	29	34	258
Depreciation	(54,895)	-	(88)	(1,036)	(56,018)
Impairment losses	(85,132)	-	-	-	(85,132)
Disposals	120,422	-	-	6,106	126,528
Transfer, assets held for sale	23,153	-	-	-	23,153
Depreciation and impairment losses as at 31 December	(489,027)	0	(628)	(6,162)	(495,817)
Balance as at 31 December	**772,979**	**28,961**	**2,300**	**3,976**	**808,215**

Impairment test 2015

In total, the 2015-results were affected by impairment losses of USD (89.9)m on own vessels, USD (16.0) m on vessels under construction, USD (111.7)m on vessels classified as held for sale and USD (34.7)m on part owned vessels. Onerous time-charter contracts affected the 2015-results by USD (60.2)m, while use of provisions for onerous contracts during 2015 amounted to USD 30.6m. Please refer to Financial review for an overview of impairment losses in 2015 and note 2.2.

An impairment test was carried out in Q2 2015 in light of the significant drop in broker values from year-end 2014 and the continued very low dry bulk market leading to a reduction of our rate estimates for the coming years. The impairment test resulted in an impairment loss of USD (173.3)m related to Lauritzen Bulkers, hereof USD (87.4)m in the CGU Large Bulk Carriers related to the termination of the charter parties for two capesize vessels against a compensation, while provisions for onerous contracts in the CGU amounted to USD (6.8)m. In the CGU Small Bulk Carriers the impairment loss on fully and partowned vessels amounted to USD (79.1)m.

Due to a significant further decrease in broker values from June 2015 towards end-2015 and a further reduction in our dry bulk rate estimates an additional impairment test was conducted at year-end which resulted in additional impairment losses of USD (138.3)m in Lauritzen Bulkers. The impairment losses in the CGU Small Bulk Carriers amounted to USD (127.9)m, hereof USD (49.2)m as provisions for onerous contracts. In the CGU Large Bulk Carriers the impairment loss amounted to USD (8.6)m on fully owned vessels and USD (1.8)m on onerous contracts. For Lauritzen Kosan an impairment loss of USD (0.5)m was recognised in relation to sale of one vessel in December 2015 in the CGU FP Gas Carriers.

The recoverable amount of vessels in the GCU Small Bulk Carriers is the fair value less costs of disposal estimated by use of two independent broker valuations. At year end 2015 the CGU Large Bulk Carriers consist of time charter contracts only, the recoverable amount is the value in use of the contracts.

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 2014 or 2015.

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).

As reported in the interim report for H1 2015 the composition of CGUs in Lauritzen Kosan has changed compared to the CGUs applied for in the annual report 2014. In the gas carriers segment, significant and sustained increases in the US export have clearly and positively impacted the earnings capabilities of the semi-ref and ethylene vessels whereas the pressurized vessels cannot load these new volumes. As such we have split Lauritzen Kosan in two CGU's, one being the fully-pressurised vessels and the other being the larger size ethylene/semi-refrigerated vessels.

At year-end the CGUs applied in the impairment test for 2015 can be listed as follows:

Lauritzen Bulkers	Small bulk carriers Large bulk carriers
Lauritzen Kosan	Fully pressurized Other gas carriers

CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS (continued)

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

The key assumptions used in the impairment test include estimated future earnings (including charter income, COAs and estimated risk adjusted spot rates for open ship days), operating costs, counterparty risk, the composition of CGUs and the rate used to discount future cash flows. The estimated future earnings are based on internal forecasts in which input presented by ship broking research units and consultants are taken into consideration. We use a nominal risk adjusted weighted average cost of capital of 8.5% equal to 6.5% in real terms after tax (2014: 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	
2015	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	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**	**-**
2014						
< 1 Year	152.2	33.7	12.0	6.0	164.2	39.7
1 - 2 Year	119.7	26.2	7.7	4.3	127.4	30.5
2 - 3 Year	99.8	22.6	3.7	2.1	103.5	24.7
3 - 4 Year	93.4	21.4	-	-	93.4	21.4
4 - 5 Year	69.0	16.0	-	-	69.0	16.0
> 5 Year	221.1	50.1	-	-	221.1	50.1
Total	**755.3**	**-**	**23.4**	**-**	**778.6**	**-**

At year-end 2015, we had purchase option on 24 bulk carriers (2014: 21 bulk carriers).

CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

The Group enters into different contracts regarding chartering vessels in. The majority of these contracts 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

J. Lauritzen has concluded a transaction involving 12 months time charter of two ethylene gas carriers with purchase obligation at expiry of the charter period. The charters are considered financial leases.

One vessel was delivered in December 2015. The recognised lease liability is replaced by bank financing at the end of the charter period. Maturity for the lease obligation and the subsequent loan-facility is disclosed in note 4.1. In 2016 minimum lease payments amounts to USD 32.6m including the purchase price, while proceeds from loan will amount to USD 17.1m. Interest of the lease-period in 2016 will amount to USD 1.2m.

The second vessel was delivered in January 2016. The minimum lease payment in 2016 amounts to USD 32.6m and interest to USD 1.2m.

After the balance sheet day the purchase obligations have been transferred to LF Investment, cf. note 5.7 Events after the balance sheet day.

CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

The Group enters into different contracts regarding chartering vessels in. The majority of these contracts 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 3.4 INVESTMENTS IN JOINT VENTURES

USD '000	2015	2014
Cost as at 1 January	107,028	104,206
Additions during the year	9,238	4,322
Disposal during the year	(1,390)	(1,500)
Cost as at 31 December	114,876	107,028
Revaluation as at 1 January	3,373	18,124
Exchange rate adjustments	(2)	(45)
Dividends received	(11,539)	(10)
Revaluations during the year*	(17,613)	(16,739)
Share of equity movements	-	543
Disposal during the year	(19,353)	1,500
Revaluation as at 31 December	(45,134)	3,373
Impairment losses as at 1 January	(21,243)	(21,243)
Disposal during the year	21,243	-
Impairment losses as at 31 December	-	(21,243)
Balance as at 31 December	69,743	89,158
Negative equity settled against receivable from joint ventures	7,543	-
Balance as at 31 December	**77,286**	**89,158**

* In addition USD 13m has been recognised as provisions

Key figures for joint ventures (100%):

USD '000	2015	2014
Revenue	112,725	134,858
Net profit	(1,004)	(3,594)
Assets	579,946	647,508
Liabilities	297,971	395,679
Group's share of net profit	(18,318)	(13,593)
Internal profit/loss	705	(3,146)
Net profit in joint ventures	(17,613)	(16,739)
Group's share of equity	75,136	95,256
Internal profit/loss	(5,393)	(6,098)
	69,743	89,158

Key figures for material investments in joint ventures (100%):

Name	Country	Ownership
Axis Offshore Pte. Ltd.	Singapore	33.6%

USD '000	2015	2014
Revenue	44,698	45,624
Operating expenses	(17,237)	(19,463)
Depreciation and amortization	(12,058)	(12,081)
Finance, net	(9,546)	(9,266)
Tax	(163)	(119)
Net profit	4,694	4,694
Non-current assets	249,250	254,908
Current assets	31,036	46,698
- hereof cash at hand and in bank	25,253	32,397
Total assets	280,286	301,606
Non-current liabilites	132,049	142,908
Current liabilities	2,168	17,600
Total liabilities	134,217	160,508

Guarantees and payment obligations relating to joint ventures:

USDm	2015	2014
Guarantees undertaken for debt in joint ventures	101	121
Max. obligations to pay in capital into joint ventures	76	102

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.

ACCOUNTING POLICIES (continued)

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

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

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

CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

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

NOTE 3.5 CONTRACTUAL COMMITMENTS

The Group has entered into newbuilding contracts with a remaining contractual commitment of USD 90.4 million (2014: USD 139.3m). These contracts cover the construction of 4 bulk carriers due for delivery in 2016- 2018.

The Group has two finance lease contracts with purchase obligations at expiry of the charter period in December 2016. At year-end 2015 one of the vessels and the corresponding liability is recognised at the balance sheet. The purchase price amounts to USD 28.5m per vessel.

After the balance sheet day the purchase obligations have been transferred to LF Investment, ref. note 5.7 Events after the balance sheet day.

NOTE 3.6 WORKING CAPITAL

USD '000	2015	2014
Bunkers	7,152	9,683
Trade receivables	10,906	16,817
Other receivables	6,316	14,314
Prepayments	8,007	7,641
Total working capital assets	32,381	48,455
Trade payables	7,481	10,969
Other payables	18,550	16,853
Prepayments	812	200
Total working capital liabilities	26,844	28,022
Net working capital	**5,537**	**20,432**

NOTE 3.7 OTHER RECEIVABLES

USD '000	2015	2014
Bank deposits pledged as security for debt	5,242	2,354
Receivables from charterers	42,500	-
Working capital receivables:		
Pool receivables	2,519	7,782
Receivable from Export Credit Agency	-	1,656
Other short-term receivables	3,797	4,876
Total other receivables	**54,058**	**16,668**

NOTE 3.8 PROVISIONS

USD '000	2015	2014
Provisions as at 1 January	60,057	-
Additions	68,485	60,057
Used during the year	(30,582)	-
Provisions as at 31 December	97,959	60,057
Hereof:		
Non-current liabilities	31,842	33,343
Current liabilities	66,118	26,713
Provisions as at 31 December	97,959	60,057

The provisions refer primarily to onerous long term time-charters, expected to be used within 2 years.

Section 4 -*Capital structure and financing*

NOTE 4.1 LONG-TERM BORROWINGS

	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, net *)	-	(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)**

	2014						
USD '000	<1 year	1 - 2 year	2 - 3 year	3 - 4 year	4 - 5 year	> 5 year	Total
Mortgages on vessels *)	(47,918)	(65,659)	(96,324)	(33,099)	(35,807)	(66,088)	(344,894)
Issued bonds *)	(54,168)	-	(62,232)	-	-	-	(116,400)
Other debt	(562)	-	-	-	-	-	(562)
Total long-term borrowings	**(102,648)**	**(65,659)**	**(158,556)**	**(33,099)**	**(35,807)**	**(66,088)**	**(461,857)**

**) 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 2015, like in previous years.

***) The finance lease contract is replaced by a purchase of the leased vessel at the end of 2016. The maturity table above reflects the agreed financing of the vessel after the end of the leasing period .*

USD '000	Currency	Fixed/ Variable	Interest rate fixation	Average effective interest rate excl. hedging	Average effective interest rate incl. hedging	Book value
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)**
2014						
Mortgages on vessels	USD	Variable	3-6 month	2.10%	4.59%	(295,178)
Mortgages on vessels	JPY	Variable	6 month	2.26%	2.69%	(49,716)
Issued bonds	NOK	Fix./Var.	1-3 years	10.23%	10.12%	(116,400)
Other debt	DKK	Fixed	1 year	4.00%	4.00%	(562)
Total				**4.96%**	**6.68%**	**(461,857)**

NOTE 4.1 LONG-TERM BORROWINGS (continued)

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

	2015			2014		
USD '000	Book value	Currency hedging derivatives	Net currency exposure on loan	Book value	Currency hedging derivatives	Net currency exposure on loan
JPY	(43,255)	15,900	(27,355)	(49,716)	18,300	(31,416)
DKK	-	-	-	(562)	-	(562)
NOK	(52,236)	52,236	-	(116,400)	116,400	-
Total	**(95,490)**	**68,136**	**(27,355)**	**(166,679)**	**134,700**	**(31,978)**

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

USD '000	**2015**	2014
Total long-term borrowings (including current portion)	(409,204)	(461,857)
Hereof amortized formation costs	9,064	13,368
Hereof fixed to maturity	-	(54,730)
Floating interest borrowings	(418,268)	(420,495)
Interest rate swaps floating to fixed, nominal	340,833	493,504
Exposure to floating interest rates at year end	**(77,435)**	**73,009**

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	**2015**	2014
Debt for a total of	326,027	344,894
is secured by mortgages on assets at the following book values:		
Vessels	433,967	758,512

NOTE 4.3 FINANCIAL INCOME

USD '000	**2015**	2014
Interest income, bank deposits	583	180
Other interest income	90	119
Currency exchange gains and losses, net	-	5,869
Dividends received on shares available for sale	2,595	1,015
Interest on financial instr. at FV through P&L	764	760
Financial instruments at FV through P&L, net	558	-
Financial income	4,590	7,944
Hereof related to discontinued operations:		
Lauritzen Tankers	255	-
Lauritzen Offshore	89	-
Total continuing operations	4,246	7,944

NOTE 4.4 FINANCIAL EXPENSES

USD '000	**2015**	2014
Interest expenses on loans	(30,673)	(45,065)
Other financial expenses	(347)	(1,181)
Currency exchange gains and losses, net	(86)	-
Financial instruments at FV through P&L, net	-	(4,938)
Financial expenses	(31,105)	(51,184)
Hereof related to discontinued operations:		
Lauritzen Tankers	-	(471)
Lauritzen Offshore	-	(2,335)
Total continuing operations	(31,105)	(48,377)

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 2014.

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 2015, cash and cash equivalents amounted to USD 116m. In addition to cash and cash equivalents an unsecured overdraft facility of DKK 100m for multi-currency short-term financing needs is in place. The Group's refinancing need in 2016 is approximately USD 22m and relates to two bulk vessels. Funding of our newbuilding program consisting of four vessels is secured.

The Group's loan portfolio consists of traditional mortgage-backed ship finance (approximately 74% of total facilities), ECA (Export Credit Agency) backed agreements (approximately 11% of total facilities) as well as unsecured corporate bonds (approximately 15% of total facilities).

The Group's loan agreements include a minimum value clause (MVC) where cash security has to be pledged if outstanding loan to market value reaches a certain limit. At year-end 2015, the Group had pledged USD 2.9m related to MVC in loan agreements (2014: USD nil). There were no breaches of credit facilities in 2015 and 2014. Should vessel values decrease by 10% during 2016 compared to the December 2015-valuations, less than USD 1m would be required by year-end 2016 as additional security.

Below is a maturity analysis of the financial liabilities at year-end 2015. A maturity analysis of operational lease obligations is included in note 3.2.

USD '000

2015	Carrying amount	Contractual cash flow	<1 year	1 - 2 year	2 - 3 year	3 - 4 year	4 - 5 year	> 5 year
Interest-bearing debt *)	(409,204)	(457,746)	(113,610)	(97,430)	(40,982)	(68,104)	(48,425)	(89,196)
Trade and other payables	(28,652)	(28,652)	(28,652)	-	-	-	-	-
Derivatives, liabilities at fair value	(51,562)	(51,562)	(16,584)	(34,221)	(309)	(235)	(153)	(60)
Total at 31 December 2015	**(489,418)**	**(537,961)**	**(158,846)**	**(131,651)**	**(41,292)**	**(68,339)**	**(48,578)**	**(89,255)**
2014								
Interest bearing debt *)	(461,857)	(516,089)	(120,763)	(79,540)	(168,398)	(37,204)	(39,426)	(70,759)
Trade payable and other payables	(34,034)	(34,033)	(34,033)	-	-	-	-	-
Derivatives, liabilities at fair value	(77,887)	(77,887)	(46,105)	(15,864)	(9,356)	(3,304)	(2,340)	(919)
Total at 31 December 2014	**(573,779)**	**(628,010)**	**(200,901)**	**(95,404)**	**(177,754)**	**(40,507)**	**(41,765)**	**(71,678)**

*) Contractual cash flows include 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 2015, the Group had no non-USD commitments on newbuildings
Currency risk - Financing
Relates to long-term borrowing 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 (81%) 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 minimizes 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 USD 1.1m (2014: 1.0m) and affect equity by USD (1.3)m (2014: (1.4)m). 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.

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 2015, the Group had pledged cash for cover of margin calls amounting to USD 2.3m (2014: USD 2.4m).

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 recognized 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 decrease (however, not below zero interest rates) would affect profit/loss by USD (3.4)m (2014: (4.9)m) and equity by USD (6.4)m (2014: USD (9.2)m). On financial instruments with variable interest recognised at amortised costs, profit/loss and equity would be affected by USD 3.0m (2014: 2.4m).

A 1% interest rate increase would as a minimum 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 2015 and 2014, no provisions were made for losses on trade receivables. The Group did not have any further overdue trade receivables (2014: USD nil).

At year-end 2015, 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	**2015**	2014
Other long-term receivables	22,973	9,343
Trade receivables	10,906	16,817
Financial derivatives	1,625	11,435
Other short-term receivables	54,058	16,668
Cash and bank deposits	115,570	184,388
Maximum credit risk	**205,132**	**238,651**

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		2015				2014			
	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	22	(4.1)	(35.3)	206.0	5-34	(5.1)	(51.6)
Interest rate swaps	Cash flow	300.9	3-95	(6.0)	(8.6)	448.7	1-107	(10.6)	(12.7)
Terminated interest rate swap	Cash flow	N/A	N/A	0.4	N/A	N/A	N/A	0.3	N/A
Total				**(9.7)**	**(43.8)**			**(15.4)**	**(64.3)**
Hedge accounting not applied:									
Currency: USD/NOK	N/A	(1.3)	0-22	-	1.5	(47.0)	0-4	-	8.1
Currency: USD/EUR	N/A	3.4	0-1	-	(0.1)	2.7	0-1	-	(0.2)
Currency: USD/DKK	N/A	13.0	0-2	-	(0.2)	18.0	0-1	-	(0.7)
Currency: USD/JPY	N/A	15.9	0-1	-	(0.8)	(81.7)	0-6	-	(1.0)
Interest rate swaps	N/A	40.0	28	-	(0.2)	44.8	40	-	(0.2)
FFA's and oil contracts	N/A	N/A	0-24	-	(4.2)	N/A	0-24	-	(3.9)
Interest index swap	N/A	27.2	3	-	(2.2)	30.8	15	-	(4.2)
Total				**-**	**(6.1)**			**-**	**(2.1)**
Total derivative financial instruments					**(49.9)**				**(66.4)**
Presented in the financial statement as:									
Derivative financial instruments, assets					1.6				11.4
Non-current derivative financial instr., liabilities					(35.0)				(31.8)
Derivative financial instruments, liabilities					(16.6)				(46.1)

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	2015	2014
Fin. assets at FV through P/L *)	11,625	21,146
Loans and receivables**)	203,507	227,216
Fin. assets available for sale	46,982	40,840
Fin. liabilities - at FV through P/L *)	(51,562)	(77,887)
Fin. liabilities - at amortised cost**)	(437,854)	(495,891)

*) 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 USD 49.8m whereas the carrying amount totalled USD 52.2m.

Fair value hierarchy
With the exception of listed bonds and shares of USD 10.0m (2014: USD 9.7m) (level 1) and shares available for sale of USD 47.0m (2014: USD 40.8m) (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 2015, fair value adjustment of Level 3 financial instruments amounted to USD 6.2m recognised in other comprehensive income (2014: (2.6)m). 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 categorized at Level 3 have developed as follows:

USD '000	2015	2014
Book value at 1 January	40,839	43,427
Sale during the year	(10)	-
Fair value adjustment	6,152	(2,587)
Book value at 31 December	46,981	40,839

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 authorized and issued share capital of J. Lauritzen A/S amount to DKK 440m (2014: 440m) with 1 share (2014: 1 share) of DKK 50,000 or multiples of this, During the last 5 years the only change in share capital was DKK 10m in 2013.

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 2015 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 2015 and 2014, 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

USD '000	2015	2014
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 2015, the consolidated statement of financial position includes assets held for sale of USD 36m (2014: nil) that do not qualify for discontinued operation. The assets held for sale relate to five bulk carriers and one gas carrier sold with delivery in 2016. The vessels are measured at net sales price, implying an impairment loss of USD 17.4m at year end 2015. During the year vessels classified as assets held for sale have been impaired by USD 111.7m in total, hereof USD 94.3m relates to vessels sold during the year.

Profit/(loss) from discontinued operations

USD '000	2015	2014
Lauritzen Tankers	586	2,815
Lauritzen Offshore Shuttle tankers	(26)	15,928
Total profit/(loss) from discontinued operations	**560**	**18,743**

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	2015	2014
Revenue	408	14,431
Other operating income	416	121
Costs	(493)	(11,281)
EBITDA	332	3,271
Finance net	255	(456)
Pretax profit/(loss) from discontinued operations	586	2,815
Income taxes	-	-
Profit/(loss) on discontinued operations, net of taxes	**586**	**2,815**

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	**2015**	2014
Revenue	(65)	18,897
Other operating income	-	489
Costs	(84)	(6,949)
EBITDA	(149)	12,437
Profit/(loss) on sale of vessels	-	5,162
Finance, net	89	(2,335)
Pretax profit/(loss) from discontinued operations	(60)	15,263
Income taxes	34	665
Profit/(loss) on discontinued operations, net of taxes	**(26)**	**15,928**

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	**2015**	2014
Cash flow from operating activities	(60,805)	60,446
Hereof cash flow from operating activities - discontinued operations:		
Lauritzen Tankers	2,159	17,864
Lauritzen Offshore Shuttle tankers	(95)	9,016
Cash flow from operating activities, continuing operations	**(62,869)**	**33,566**
Cash flow from investment activities	74,622	552,686
Hereof cash flow from investment activities - discontinued operations:		
Lauritzen Tankers	294	219,031
Lauritzen Offshore Shuttle tankers	-	184,382
Cash flow from investing activities, continuing operations	**74,328**	**149,273**
Cash flow from financing activities	(80,390)	(572,334)
Hereof cash flow from financing activities - discontinued operations:		
Lauritzen Tankers	-	(142,259)
Lauritzen Offshore Shuttle tankers	-	(124,460)
Cash flow from financing activities, continuing operations	**(80,390)**	**(305,615)**

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	**2015**	2014
<1 year	873	649
1-5 years	2,910	3,896
> 5 years	-	325
Total	**3,783**	**4,870**

In 2015, operational lease of offices recognised in the income statement amounts to USD (0.6)m (2014: nil).

NOTE 5.3 CONTINGENT LIABILITIES

USDm	**2015**	2014
Guarantees towards insurance company	20	20
Guarantees regarding claims	3	20

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.

At year end 2015, J. Lauritzen has claimed two counterparts for a total of about USD 13m plus costs and interest. The unrecognised claims relate to default insurance cover and release of down payment of 20% of purchase price related to default vessels sale.

NOTE 5.4 TAX

USD '000	2015	2014
Tax in the Income Statement consists of:		
Current tax	(389)	281
Deferred tax	(900)	3,303
Income tax	(1,289)	3,584
Hereof related to discontinued operations:		
Lauritzen Tankers	-	-
Lauritzen Offshore	34	665
Total continuing operations	**(1,322)**	**2,919**
Tax on the profit is specified as follows:		
Calculated 23.5% (2014: 24.5%) of result before tax	73,481	45,914
Adjustment in foreign companies deviating from 23.5%/24.5% tax	33	63
Tax effect of:		
Tonnage tax	(70,458)	(35,772)
Non-taxable items	(3,274)	(6,651)
Adjustments previous year	(353)	267
Share of profit joint ventures	(718)	(237)
	(1,289)	**3,584**
Effective tax rate	**0%**	**-2%**
Deferred tax on the Balance Sheet:		
Deferred tax 1 January	3,600	297
Tax on profit	(900)	3,303
Deferred tax 31 December	**2,700**	**3,600**
Deferred tax concerns:		
Taxable losses carried forward to be used within five years	2,700	3,600
	2,700	3,600
Unrecognised share of taxable losses carried forward	3,800	4,300

USD '000	2015	2014
Corporate tax (receivable)/payable can be specified as follows:		
Balance 1 January	1,229	1,952
Exchange rate adjustments	(58)	(7)
Paid during the year	(2,211)	(434)
Provision for the year	36	(14)
Adjustment to prior years	353	(267)
	(651)	**1,229**

Certain Group companies are jointly taxed with subsidiaries of the Lauritzen Foundation, the sole owner of J. Laurtizen 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 USD 6m.

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.

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	**2015**	2014
Total fees to elected auditors	289	371
Specified as follows:		
Statutory audit	225	314
Tax advisory services	15	32
Fee for other services	49	25

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 on page 66.

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

USD '000	**2015**	2014
LF Investment:		
Management fee	123	176
Rental of office facilities	(708)	(1,684)
Board Member:		
Legal advice	-	41
Joint ventures and associated companies:		
Management fee	1,917	2,997

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

To strengthen the balance sheet and improve the cash position an agreement was reached with Lauritzen Fonden, our sole shareholder, to inject new capital of approx. USD 19m and to transfer a number of non-strategic assets and obligations to LF Investment ApS, wholly-owned by Lauritzen Fonden. The transactions provide J. Lauritzen with additional cash of USD 125m during 2016. The assets have a combined book value of USD 105.9m. The transaction will include transfer of the shareholding in Axis Offshore Pte. Ltd.

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 I	Denmark	44
K/S Danred II	Denmark	40
K/S Danred III	Denmark	35
K/S Danred V	Denmark	50
K/S Danskib 63	Denmark	14
Admiral Glory Shipping Corporation	Panama	50
Admiral Logistics Corporation	Panama	50
Axis Offshore Pte. Ltd.	Singapore	34
LKT Gas Carriers Pte. Ltd.	Singapore	50
Milau Pte. Ltd.	Singapore	50
Other operating interests		
De Forenede Sejlskibe I/S	Denmark	43
Star Management Associates	Japan	30
Liquidation pending		
Segetrans Argentina S.A.	Argentina	100
Handyventure Singapore Pte. Ltd.	Singapore	50
Dormant		
KRK 4 ApS	Denmark	100
Lauritzen Reefers A/S	Denmark	100
Lauritzen Ship Owner A/S	Denmark	100

Stock Exchange *Announcements*

25 Feb.	Financial report for 2014
11 May	Interim financial report - first quarter of 2015
6 July	Cease of charter agreement
13 Aug.	Interim financial report - first half of 2015
12 Nov.	Interim financial report - third quarter 2015

Parent Company *Financial Statements*

Notes

Income *Statement*

USD '000	Note	2015	2014
Revenue	2.1	312,521	388,060
Voyage related costs		(72,785)	(76,245)
T/C equivalent income		**239,736**	**311,815**
Other operating income		6,995	9,395
Hire of chartered vessels	2.1	(195,873)	(202,651)
Operating costs of vessels	2.3	(56,394)	(67,416)
Administrative costs	2.3	(34,573)	(39,585)
Operating income before depreciation (EBITDA) and special items		**(40,109)**	**11,558**
Profit/(loss) on sale of vessels and other assets		(138)	12,526
Depreciation	3.1	(27,777)	(40,094)
Operating income (EBIT) before special items		**(68,023)**	**(16,010)**
Special items, net	2.1	(130,009)	(70,812)
Operating income (EBIT) after special items		**(198,033)**	**(86,823)**
Financial income	4.3	56,067	111,670
Financial expenses	4.4	(179,252)	(44,521)
Profit/(loss) from continuing operations before tax		**(321,216)**	**(19,673)**
Income tax	5.4	(1,162)	923
Profit/(loss) from continuing operations		**(322,378)**	**(18,750)**
Profit/(loss) from discontinued operations	5.1	635	2,700
Profit/(loss) for the year		**(321,742)**	**(16,050)**

Statement of *Comprehensive Income*

USD '000		2015	2014
Profit/(loss) for the year		**(321,742)**	**(16,050)**
Items that can be reclassified subsequently to profit or loss:			
Other comprehensive income net of tax:			
Exchange differences on translating foreign operations		463	(1,499)
Fair value adjustment of hedging instruments during the year		(2,547)	(7,172)
Deferred gains/(loss) on hedging instruments transferred to financial expenses		11,152	9,760
Fair value adjustment of shares available for sale	4.5	6,152	(2,587)
Other comprehensive income net of tax		**15,220**	**(1,499)**
Total comprehensive income for the year		**(306,523)**	**(17,549)**

Balance Sheet *Statement*

USD '000	Note	2015	2014
ASSETS			
Vessels, property and equipment	3.1	301,022	581,045
Investments in subsidiaries	3.4	232,084	312,084
Investments in joint ventures	3.5	7,256	52,492
Deferred tax assets	5.4	2,700	3,600
Shares available for sale	4.5	46,982	40,840
Other receivables		21,735	541
Non-current assets		**611,778**	**990,602**
Bunkers		6,759	9,031
Trade receivables	4.5	8,883	13,953
Other receivables	3.8	52,330	15,929
Prepayments		8,063	7,402
Receivables from affiliated companies		3,630	4,362
Current tax receivables	5.4	666	-
Derivative financial instruments	4.5	1,625	11,435
Securities		10,000	9,711
Cash at hand and in bank		110,174	171,507
		202,129	243,329
Assets held for sale	5.1	12,490	-
Current assets		**214,619**	**243,329**
Total assets		**826,397**	**1,233,931**

USD '000	Note	2015	2014
LIABILITIES			
Share capital		62,356	62,356
Retained earnings		175,891	497,633
Reserves		21,039	5,819
Equity	**4.6**	**259,285**	**565,808**
Long-term provisions	3.9	31,842	33,344
Non-current derivative financial instruments	4.5	34,979	31,782
Long-term borrowings	4.1	220,981	297,594
Non-current liabilities		**287,802**	**362,720**
Current portion of long-term borrowings	4.1	69,101	91,681
Trade payables		6,933	9,857
Other payables		19,384	21,377
Provisions	3.9	66,118	26,714
Prepayments		630	-
Debt to affiliated companies		100,561	107,537
Derivative financial instruments	4.5	16,584	46,105
Current tax payables	5.4	-	2,132
Current liabilities		**279,310**	**305,403**
Total liabilities		**567,111**	**668,123**
Total equity and liabilities		**826,397**	**1,233,931**

Cash Flow *Statement*

USD '000 - Inclusive discontinued operations	Note	2015	2014
Operating income before special items, continuing operations		(68,023)	(16,010)
Operating income before special items, discontinued operations		332	3,273
Depreciation carried back		27,777	40,153
Special items with cash flow effect		13,479	31,680
(Profit)/loss on sale of vessels and other assets		138	(12,452)
Change in bunkers		2,272	(2,827)
Change in receivables		13,395	34,485
Change in payables		(6,841)	(52,154)
Cash flow from operations before financial items		(17,471)	26,147
Ingoing financial payments		3,418	1,673
Outgoing financial payments		(45,657)	(21,903)
Cash flow from ordinary operations		(59,709)	5,917
Paid corporate tax	5.4	(2,965)	(50)
Cash flow from operating activities		**(62,674)**	**5,867**
Investments in vessels	3.1	(3,980)	(8,568)
Payments on vessels under construction	3.1	(6,511)	(28,960)
Payments on vessels under construction, held for sale	5.1	-	(535)
Purchase of company	3.4	-	(104)
Investments in joint ventures	3.5	(9,238)	(4,322)
Sale of vessels		106,379	420,079
Sale of other non current assets		53	1,850
Dividend received from subsidiaries	4.3	50,000	103,053
Dividend received from joint ventures	4.3	230	10
Purchase and sales of securities and shares available for sale		1,005	-
Repurchase of issued bonds		-	(433)
Bank deposits pledged as security for debt		(7,353)	(2,354)
Cash flow from investment activities		**130,585**	**479,715**
Financial receivables		-	(558)
Installment on long-term debt		(258,840)	(484,293)
Proceeds from loans		132,478	46,843
Finance lease payments		(634)	-
Cash flow from financing activities		**(126,997)**	**(438,007)**

USD '000	Note	2015	2014
Changes for the year in cash and cash equivalents		(59,087)	47,487
Cash and cash equivalents at beginning of year		171,507	132,877
Currency adjustments on cash and cash equivalents		(2,246)	(8,857)
Cash and cash equivalents at the end of the year		**110,174**	**171,507**

Equity *Statement*

USD '000	Share capital	Hedging instruments	Shares available for sale	Translation gain/loss	**Reserves**	Retained earnings	Proposed dividends	**Total**
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
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)**
Transactions with owners:								
Paid dividend	-	-	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Equity 31/12 2015	**62,356**	**(6,830)**	**27,071**	**798**	**21,039**	**175,891**	**-**	**259,285**
Equity 1/1 2014	62,356	(18,023)	23,507	1,834	7,318	513,683	-	583,357
Profit/(loss) for the year	-	-	-	-	-	(16,050)	-	(16,050)
Other comprehensive income:								
Exchange differences on translating foreign operations	-	-	-	(1,499)	(1,499)	-	-	(1,499)
Deferred (gain)/loss on hedging instruments transferred to financial expenses	-	9,760	-	-	9,760	-	-	9,760
Fair value adjustment of hedging instruments during the period	-	(7,172)		-	(7,172)	-	-	(7,172)
Fair value adjustment of shares available for sale	-	-	(2,587)	-	(2,587)	-	-	(2,587)
Total other comprehensive income	-	2,588	(2,587)	(1,499)	(1,499)	-	-	(1,499)
Total comprehensive income	**-**	**2,588**	**(2,587)**	**(1,499)**	**(1,499)**	**(16,050)**	**-**	**(17,549)**
Transactions with owners:								
Paid dividend	-	-	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Equity 31/12 2014	**62,356**	**(15,435)**	**20,919**	**335**	**5,819**	**497,633**	**-**	**565,808**

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 recognized 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 characterized 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. None of the new standards and interpretations are expected to have material effect on the financial statement 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	2015	2014
A) One-off revenue from sale of claims and claim settlements and termination of contracts	77,229	31,680
B) Sale of vessels as a consequence of counterparty defaults or strategic initiatives	-	10,391
C) Impairment losses on vessels	(57,444)	(52,826)
C) Impairment losses on vessels under construction	(16,039)	-
C) Impairment losses on vessels classified as held for sale	(101,764)	-
D) Provisions for onerous contracts	(29,630)	(60,057)
E) Financial items related to termination of contracts	(2,362)	-
Special items, net	**(130,009)**	**(70,812)**

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.	2015	2014
Revenue	A)	389,750	419,740
Other operating income		6,995	9,395
Costs	D)	(387,254)	(445,952)
Operating income before depreciation (EBITDA)		**9,492**	**(16,818)**
Profit/(loss) on sale of assets	B)	(138)	22,917
Depreciation and impairment losses	C)	(205,025)	(92,920)
Operating income		**(195,671)**	**(86,822)**
Financial items, net	E)	(125,546)	67,148
Profit/(loss) before tax		**(321,216)**	**(19,673)**
Income tax		(1,162)	923
Profit/(loss) from continuing operations		**(322,378)**	**(18,750)**

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	
2015	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	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**	**-**
2014						
< 1 Year	39.0	3.5	5.9	1.2	44.9	4.6
1 - 2 Year	32.3	3.0	-	-	32.3	3.0
2 - 3 Year	31.3	3.0	-	-	31.3	3.0
3 - 4 Year	28.1	2.4	-	-	28.1	2.4
4 - 5 Year	25.7	2.0	-	-	25.7	2.0
> 5 Year	147.7	12.6	-	-	147.7	12.6
Total	**304.1**	**-**	**5.9**	**-**	**310.0**	**-**

The decrease in contractually committed leasing income is primarily due to termination of long-term charter contracts, ref. announcement to Oslo Børs no. 3/2015 Cease of charter agreement dated 6 August 2015.

NOTE 2.3 STAFF COSTS, OFFICE & FLEET

	Staff costs onshore employees [1]		Staff costs, crew on vessels [2]		Total staff costs	
USD '000	**2015**	2014	**2015**	2014	**2015**	2014
Salaries	18,099	21,813	25,193	33,894	43,292	55,708
Pensions (defined contribution plan)	1,964	2,427	2	-	1,966	2,427
Social security	59	79	-	2	59	81
Contract labour	255	251	-	-	255	251
	20,377	24,571	25,195	33,896	45,572	58,467
Hereof related to discontinued operations:						
Lauritzen Tankers	-	114	-	1,284	-	1,397
Total continuing operations	**20,377**	**24,458**	**25,195**	**32,613**	**45,572**	**57,070**

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	
	2015	2014	**2015**	2014	**2015**	2014
Average number of employees	159	156	504	639	663	795
Number of employees at year end	151	161	444	559	595	720

USD '000	**2015**	2014
Remuneration to J. Lauritzen A/S'		
Executive Management - salaries	1,876	2,245
CEO Jan Kastrup Nielsen	*1,092*	1,308
CFO Birgit Aagaard-Svendsen	*784*	937
Executive Management - retention bonus	519	488
CEO Jan Kastrup Nielsen	*300*	225
CFO Birgit Aagaard-Svendsen	*219*	263
Board of Directors	498	591
	2,893	**3,324**

Remuneration to Executive Management consists of a fixed and variable compensation. No variable compensation has been paid in 2015 and 2014. In addition Executive Management has been awarded a retention bonus subject to individual dates of resignation.

Section 3 -*Operating Assets and Liabilities*

NOTE 3.1 VESSELS, PROPERTY & EQUIPMENT

USD '000

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

2014	Vessels	Vessels under	Machinery, tools and equipment	Total
Cost as at 1 January	1,150,474	-	17,305	1,167,778
Additions	8,568	28,960	-	37,529
Disposals	(180,116)	-	(7,807)	(187,923)
Transferred to assets held for sale (note 5.1)	(70,923)	-	-	(70,923)
Cost as at 31 December	908,003	28,960	9,497	946,460
Depreciation and impairment losses				
as at 1 January	(396,886)	-	(10,696)	(407,582)
Depreciation	(39,075)	-	(1,019)	(40,094)
Impairment losses	(52,826)	-	-	(52,826)
Disposals	106,455	-	6,106	112,561
Transferred to assets held for sale (note 5.1)	22,526	-	-	22,526
Depreciation and impairment losses				
as at 31 December	(359,806)	-	(5,609)	(365,416)
Balance as at 31 December	**548,197**	**28,960**	**3,888**	**581,044**

In total, the 2015-results were affected by impairment losses of USD (57.4)m on own vessels, USD (16.0) m on vessels under construction and USD (101.8)m on vessels classified as held for sale. Onerous time-charter contracts affected the 2015-results by USD (60.2)m, while use of provisions for onerous contracts during 2015 amounted to USD 30.6m. Please refer to Financial review for an overview of impairment losses in 2015.

An impairment test was carried out in Q2 2015 in light of the significant drop in broker values from year-end 2014 and the continued very low dry bulk market leading to a reduction of our rate estimates for the coming years. The impairment test resulted in an impairment loss of USD (151.3)m related to Lauritzen Bulkers, hereof USD (87.4)m in the CGU Large Bulk Carriers related to the termination of the charter parties for two capesize vessels against a compensation, while provisions for onerous contracts in the CGU amounted to USD (6.8)m. In the CGU Small Bulk Carriers the impairment loss on fully and part-owned vessels amounted to USD (57.1)m.

Due to a significant further decrease in broker values from June 2015 towards end-2015 and a further reduction in our dry bulk rate estimates an additional impairment test was conducted at year-end which resulted in additional impairment losses of USD (116.0)m in Lauritzen Bulkers. The impairment losses in the CGU Small Bulk Carriers amounted to USD (105.7)m, hereof USD (49.2)m as provisions for onerous contracts. In the CGU Large Bulk Carriers the impairment loss amounted to USD (8.6)m on fully owned vessels and USD (1.8)m on onerous contracts.

The recoverable amount of vessels in the GCU Small Bulk Carriers is the fair value less costs of disposal estimated by use of two independent broker valuations. At year end 2015 the CGU Large Bulk Carriers consist of time charter contracts only, the recoverable amount is the value in use of the contracts.

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	
2015	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	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**	**-**
2014						
< 1 Year	152.2	33.7	7.0	4.0	159.2	37.7
1 - 2 Year	119.7	26.2	7.0	4.0	126.7	30.2
2 - 3 Year	99.8	22.6	3.7	2.1	103.5	24.7
3 - 4 Year	93.4	21.4	-	-	93.4	21.4
4 - 5 Year	69.0	16.0	-	-	69.0	16.0
> 5 Year	221.1	50.1	-	-	221.1	50.1
Total	**755.2**	**-**	**17.6**	**-**	**772.8**	**-**

At year-end 2015 J. Lauritzen had purchase option on 24 bulk carriers (2014: 21 bulk carriers).

NOTE 3.3 FINANCE LEASING OF VESSELS

J. Lauritzen has concluded a transaction involving 12 months time charter of two ethylene gas carriers with purchase obligation at expiry of the charter period. The charters are considered financial leases.

One vessel was delivered in December 2015. The recognised lease liability is replaced by bank financing at the end of the charter period. Maturity for the lease obligation and the subsequent loan facility is disclosed in note 4.1.In 2016 minimum lease payments amounts to USD 32.6m including the purchase price, while proceeds from loan will amount to USD 17.1m. Interest of the lease period in 2016 will amount to USD 1.2m.

The second vessel was delivered in January 2016. The minimum lease payment in 2016 amounts to USD 32.6m and interest to USD 1.2m.

After the balance sheet day the purchase obligations have been transferred to LF Investment, ref. note 5.7 Events after the balance sheet day.

NOTE 3.4 INVESTMENT IN SUBSIDIARIES

	Ownership	
	2015	2014
Lauritzen Reefers A/S, Denmark	100%	100%
Lauritzen Ship Owner A/S, Denmark	100%	100%
J. Lauritzen Singapore Pte., Singapore	100%	100%
KRK 4 ApS, Denmark	100%	100%
Segetrans Argentina S.A., Argentina	100%	100%
J. Lauritzen Shanghai Co. Ltd., China	100%	100%
Gasnaval S.A., Spain	100%	100%
J. Lauritzen (USA) Inc., USA	100%	100%
J. Lauritzen S.A., Switzerland	100%	100%

USD '000	**2015**	2014
Cost as at 1 January	448,909	448,881
Additions during the year	-	104
Disposal during the year	-	(76)
Cost as at 31 December	448,909	448,909
Accumulated impairment losses at 1 Jan	(136,826)	(136,826)
Revaluations during the year	(80,000)	-
Revaluation as at 31 December	(216,826)	(136,826)
Balance as at 31 December	**232,084**	**312,084**

Vessels and other assets and liabilities in subsidiaries have been recognized 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	2015	2014
Cost as at 1 January	52,492	49,670
Additions during the year	9,238	4,322
Disposal during the year	(1,890)	(1,500)
Cost as at 31 December	59,840	52,492
Impairment losses	(52,585)	-
Balance as at 31 December	**7,256**	**52,492**

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	2015	2014
Revenue	46,460	58,634
Net profit	(10,734)	(9,227)
Assets	163,114	211,482
Liabilities	63,476	125,283

Guarantees and payment obligations relating to joint ventures:

USDm	2015	2014
Guarantees undertaken for debt in joint ventures	12	17
Max. obligations to pay in capital into joint ventures	9	35

NOTE 3.6 CONTRACTUAL COMMITMENTS

The Group has entered into newbuilding contracts with a remaining contractual commitment of USD 90.4 million (2014: USD 139.3m). These contracts cover the construction of 4 bulk carriers due for delivery in 2016- 2018.

The Group has two finance lease contracts with purchase obligations at expiry of the charter period in December 2016. At year-end 2015 one of the vessels and the corresponding liability is recognised at the balance sheet. The purchase price amounts to USD 28.5m per vessel.

After the balance sheet day the purchase obligations have been transferred to LF Investment, ref. note 5.7 Events after the balance sheet day.

NOTE 3.7 WORKING CAPITAL

USD '000	2015	2014
Bunkers	6,759	9,031
Trade receivables	8,883	13,953
Other receivables	4,588	13,575
Prepayments	8,063	7,402
Total working capital assets	28,293	43,960
Trade payables	6,933	9,857
Other payables	17,300	15,603
Prepayments	630	-
Total working capital liabilities	24,864	25,461
Net working capital	**3,429**	**18,499**

NOTE 3.8 OTHER RECEIVABLES

USD '000	2015	2014
Bank deposits pledged as security for debt	5,242	2,354
Receivables from charterers	42,500	-
Working capital receivables:		
Pool receivables	2,519	7,782
Receivable from Export Credit Agency	-	1,656
Other short term receivables	2,069	4,137
Total other receivables	**52,330**	**15,929**

NOTE 3.9 PROVISIONS

USD '000	2015	2014
Provisions as at 1 January	60,057	-
Additions	68,485	60,057
Used during the year	(30,582)	-
Provisions as at 31 December	**97,959**	**60,057**
Hereof:		
Non-current liabilities	31,842	33,343
Current liabilities	66,118	26,713
Provisions as at 31 December	**97,959**	**60,057**

The provisions refer primarily to onerous long-term time-charters, and are expected to be used within two years.

Section 4 - *Capital Structure and Financing*

NOTE 4.1 LONG-TERM BORROWINGS

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

	2014			
USD '000	<1 year	1-5 year	> 5 year	Total
Mortgages on vessels *)	(36,951)	(187,019)	(48,342)	(272,312)
Issued bonds *)	(54,168)	(62,232)	-	(116,400)
Other debt	(562)	-	-	(562)
Total long-term borrowings	**(91,681)**	**(249,252)**	**(48,342)**	**(389,275)**

**) Please refer to note 4.1 in the Consolidated financial statement for a description of financial covenants.*

***) The finance lease contract is replaced by a purchase of the leased vessel at the end of 2016. The maturity table above reflects the agreed financing of the vessel after the end of the leasing period .*

USD '000	Currency	Fixed/ Variable	Interest rate fixation	Average effective interest rate, excl. hedging	Average effective interest rate incl. hedging	Book value
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)**
2014						
Mortgages on vessels	USD	Variable	3-6 month	1.89%	4.52%	(222,596)
Mortgages on vessels	JPY	Variable	6 month	2.26%	2.69%	(49,716)
Issued bonds	NOK	Fix./Var.	1-3 years	10.23%	10.12%	(116,400)
Other debt	DKK	Fixed	1 year	4.00%	4.00%	(562)
Total				**4.96%**	**6.68%**	**(389,275)**

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

	2015			2014		
USD '000	Book value	Currency hedging derivatives	Net currency exposure on loan	Book value	Currency hedging derivatives	Net currency exposure on loan
JPY	(43,255)	15,900	(27,355)	(49,716)	18,300	(31,416)
DKK	-	-	-	(562)	-	(562)
NOK	(52,244)	52,244	-	(116,400)	116,400	-
Total	**(95,499)**	**68,144**	**(27,355)**	**(166,679)**	**134,700**	**(31,978)**

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

USD '000	**2015**	2014
Total long-term borrowings (including current portion)	(290,082)	(389,275)
Hereof amortized formation costs	8,033	12,174
Hereof fixed to maturity	-	(54,730)
Floating interest borrowings	(298,115)	(346,719)
Interest rate swaps floating to fixed at year end, nominal	340,833	493,504
Exposure to floating interest rates at year end	**42,718**	**146,785**

NOTE 4.2 MORTGAGES

USD '000	2015	2014
Debt for a total of	206,906	272,312
is secured by mortgages on assets		
at the following book values:		
Vessels	262,799	546,047

NOTE 4.3 FINANCIAL INCOME

USD '000	2015	2014
Interest income, bank deposits	582	179
Currency exchange gains and losses, net	-	6,934
Financial instruments at FV through P&L, net	558	-
Other financial income	1,642	-
Dividends on shares available for sale	2,595	1,015
Dividends received from subsidiaries	50,000	103,053
Dividends received from joint ventures	230	10
Interest on financial instr. at FV through P&L	764	760
Financial income	**56,371**	**111,952**
Hereof related to discontinued operations:		
Lauritzen Tankers	303	0
Total continuing operations	**56,067**	**111,951**

NOTE 4.4 FINANCIAL EXPENSES

USD '000	2015	2014
Interest expenses on loans	(30,071)	(39,697)
Interest on debt to subsidiaries	(523)	(282)
Other financial expenses	(661)	(415)
Currency exchange gains and losses, net	(522)	-
Financial instruments at FV through P&L, net	-	(4,938)
Loss on sale of shares in joint ventures	(1,890)	-
Provision for obligations in joint ventures	(13,000)	-
Impairment joint ventures	(52,585)	-
Impairment subsidiaries	(80,000)	-
Financial expenses	**(179,251)**	**(45,332)**
Hereof related to discontinued operations:		
Lauritzen Tankers	0	(529)
Total continuing operations	**(179,252)**	**(44,803)**

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 financwial 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 2014. 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 2015:

2015	Carrying amount	Contractual cash flows	< 1 year	1-5 years	> 5 years
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)**

2014					
Interest bearing debt *)	(389,275)	(437,018)	(108,133)	(276,399)	(52,486)
Trade and other payables	(31,234)	(31,234)	(31,234)	-	-
Debt to affiliates	(107,537)	(107,537)	(107,537)	-	-
Derivatives, liabilities at fair value	(77,887)	(77,887)	(46,105)	(31,044)	(738)
Total at 31 December 2014	**(605,933)**	**(653,676)**	**(293,009)**	**(307,443)**	**(53,224)**

*) 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 USD 1.1m (2014: 1.0m) and affect equity by USD (1.3) m (2014: (1.4)m). 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 decrease (however, not below zero interest rates) would affect profit/loss by USD (3.4)m (2014: (4.9)m) and equity by USD (6.4)m (2014: USD (9.2)m). On financial instruments with variable interest recognised at amortised costs, profit/loss and equity would be affected by USD 1.6m (2014: 1.6m).

A 1% interest rate increase would as a minimum 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 2015 and 2014, no provisions were made for losses on trade receivables. The Parent Company did not have any further overdue trade receivables (2014: USD nil).

At year-end 2015, 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	**2015**	2014
Other long-term receivables	21,735	-
Trade receivables	8,883	13,953
Financial derivatives	1,625	11,435
Other short-term receivables	52,330	15,929
Cash and bank deposits	110,174	171,507
Maximum credit risk	**194,746**	**212,823**

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

DERIVATIVE FINANCIAL INSTRUMENTS

USDm		2015				2014			
	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	22	(4.1)	(35.3)	206.0	5-34	(5.1)	(51.6)
Interest rate swaps	Cash flow	181.9	3-95	(3.1)	(5.7)	448.7	1-107	(10.6)	(12.7)
Terminated interest rate swap	Cash flow	N/A	N/A	0.4	N/A	N/A	N/A	0.3	N/A
Total				**(6.8)**	**(40.9)**			**(15.4)**	**(64.3)**
Hedge accounting not applied:									
Currency: USD/NOK	N/A	(1.3)	0-22	-	1.5	(47.0)	0-4	-	8.1
Currency: USD/EUR	N/A	3.4	0-1	-	(0.1)	2.7	0-1	-	(0.2)
Currency: USD/DKK	N/A	13.0	0-2	-	(0.2)	18.0	0-1	-	(0.7)
Currency: USD/JPY	N/A	15.9	0-1	-	(0.8)	(81.7)	0-6	-	(1.0)
Interest rate swaps	N/A	159.0	28	-	(3.1)	44.8	40	-	(0.2)
FFA's and oil contracts	N/A	N/A	0-24	-	(4.2)	N/A	0-24	-	(3.9)
Interest index swap	N/A	27.2	3	-	(2.2)	30.8	15	-	(4.2)
Total				**-**	**(9.0)**			**-**	**(2.1)**
Total derivative financial instruments					**(49.9)**				**(66.4)**
Presented in the financial statement as:									
Derivative financial instruments, assets					1.6				11.4
Non-current derivative financial instr., liabilities					(35.0)				(31.8)
Derivative financial instruments, liabilities					(16.6)				(46.1)

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

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

USD '000	2015	2014
Fin. assets at FV through P/L *)	11,625	21,146
Loans and receivables**)	193,121	201,388
Fin. assets available for sale	46,982	40,840
Fin. liabilities - at FV through P/L *)	(51,562)	(77,887)
Fin. liabilities - at amortised cost**)	(316,399)	(420,509)

*) 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 USD 49.8m whereas the carrying amount totalled USD 52.2m.

Fair value hierarchy

With the exception of listed bonds and shares of USD 10.0m (2014: USD 9.7m) (level 1) and shares available for sale of USD 47.0m (2014: USD 40.8m) (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 2015, fair value adjustment of Level 3 financial instruments amounted to USD 6.2m recognised in other comprehensive income (2014: (2.6)m). 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	2015	2014
Book value at 1 January	40,840	43,427
Sale during the year	(10)	-
Fair value adjustment	6,152	(2,587)
Book value at 31 December	**46,982**	**40,840**

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	**2015**	2014
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 operations
At year-end 2015, the statement of financial position includes assets held for sale of USD 12.5m (2014: nil) that do not qualify for discontinued operation. The assets held for sale relate to two bulk carriers sold with delivery in 2016. The vessels are measured at net sales price, implying an impairment loss of USD 11.0m at year end 2015. During the year vessels classified as held for sale have been impaired by USD 101.8m in total, hereof USD 90.8m relates to vessels sold during the year.

Profit/(loss) from discontinued operations:

USD '000	**2015**	2014
Lauritzen Tankers	635	2,700
Total profit/(loss) from discontinued operations	**635**	**2,700**

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	**2015**	2014
Revenue	408	14,431
Other operating income	416	121
Costs	(493)	(11,279)
EBITDA	332	3,273
Depreciation	-	(58)
Finance net	304	(530)
Profit/(loss) on the remeasurement to fair value less costs to sell	-	15
Pretax profit/(loss) from discontinued operations	635	2,700
Income taxes	-	-
Profit/(loss) on discontinued operations, net of taxes	**635**	**2,700**

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

USD '000	**2015**	2014
Cash flow from operating activities	(62,674)	5,779
Hereof cash flow from operating activities - discontinued operations	2,159	17,864
Cash flow from operating activities, continuing operations	(64,833)	(12,085)
Cash flow from investment activities	130,585	479,715
Hereof cash flow from investment activities - discontinued operations	294	219,031
Cash flow from investing activities, continuing operations	130,291	260,684
Cash flow from financing activities	(126,997)	(438,007)
Hereof cash flow from financing activities - discontinued operations	-	(142,259)
Cash flow from financing activities, continuing operations	(126,997)	(295,748)

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	**2015**	2014
<1 year	873	649
1-5 years	2,910	3,896
> 5 years	-	325
Total	**3,783**	**4,870**

In 2015, operational lease of offices recognised in the income statement amounts to USD (0.6)m (2014: nil).

NOTE 5.3 CONTINGENT LIABILITIES

USDm	**2015**	2014
Guarantees undertaken for debt in subsidiaries	120	132
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	2015	2014
Tax in the Income Statement consists of:		
Current tax	(262)	(2,380)
Deferred tax	(900)	3,303
Income tax	**(1,162)**	**923**
Tax on the profit is specified as follows:		
Calculated 23,5% (2014: 24.5%) of result before tax	75,336	4,158
Tax effect of:		
Tonnage tax	(56,037)	(25,932)
Non-taxable items	(19,965)	25,250
Adjustments previous year	(496)	(2,554)
	(1,162)	**923**
Effective tax rate	**0%**	**(5)%**
Deferred tax on the Balance Sheet:		
Deferred tax 1 January	3,600	297
Tax on profit	(900)	3,303
Deferred tax 31 December	**2,700**	**3,600**
Deferred tax concerns:		
Taxable losses carried forward to be used within five years	2,700	3,600
	2,700	3,600
Unrecognised share of taxable losses carried forward	1,800	1,700
Corporate tax (receivable)/payable can be specified as follows:		
Balance 1 January	2,132	(256)
Exchange rate adjustments	(95)	59
Paid during the year	(2,965)	(50)
Provision for the year	(234)	(174)
Adjustment to prior years	496	2,554
	(666)	**2,132**

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 USD 6m.

NOTE 5.5 FEES TO AUDITORS

USD '000	2015	2014
Total fees to elected auditors	249	272
Specified as follows:		
Statutory audit	194	**215**
Tax advisory services	25	**32**
Fee for other services	31	25

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 on page 66.

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

USD '000	**2015**	2014
LF Investment:		
Management fee	123	176
Rental of office facilities	(708)	(1,684)
Group companies:		
Management fee, income/(expenses)	(2,918)	(1,349)
Rental and lease income/(expenses)	-	52
Guarantee commission income/(expenses)	1,642	1,292
Received dividend from subsidiaries	50,000	103,053
Received dividend from joint ventures	230	10
Joint ventures and associated companies:		
Management fee	1,917	2,997

NOTE 5.7 EVENTS AFTER THE BALANCE SHEET DATE

To strengthen the balance sheet and improve the cash position an agreement was reached with Lauritzen Fonden, our sole shareholder, to inject new capital of approx. USD 19m and to transfer a number of non-strategic assets and obligations to LF Investment ApS, wholly-owned by Lauritzen Fonden. The transactions provide J. Lauritzen with additional cash of USD 77m during 2016. The assets have a combined book value of USD 58m.

FINANCIAL YEAR
1 January - 31 December

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