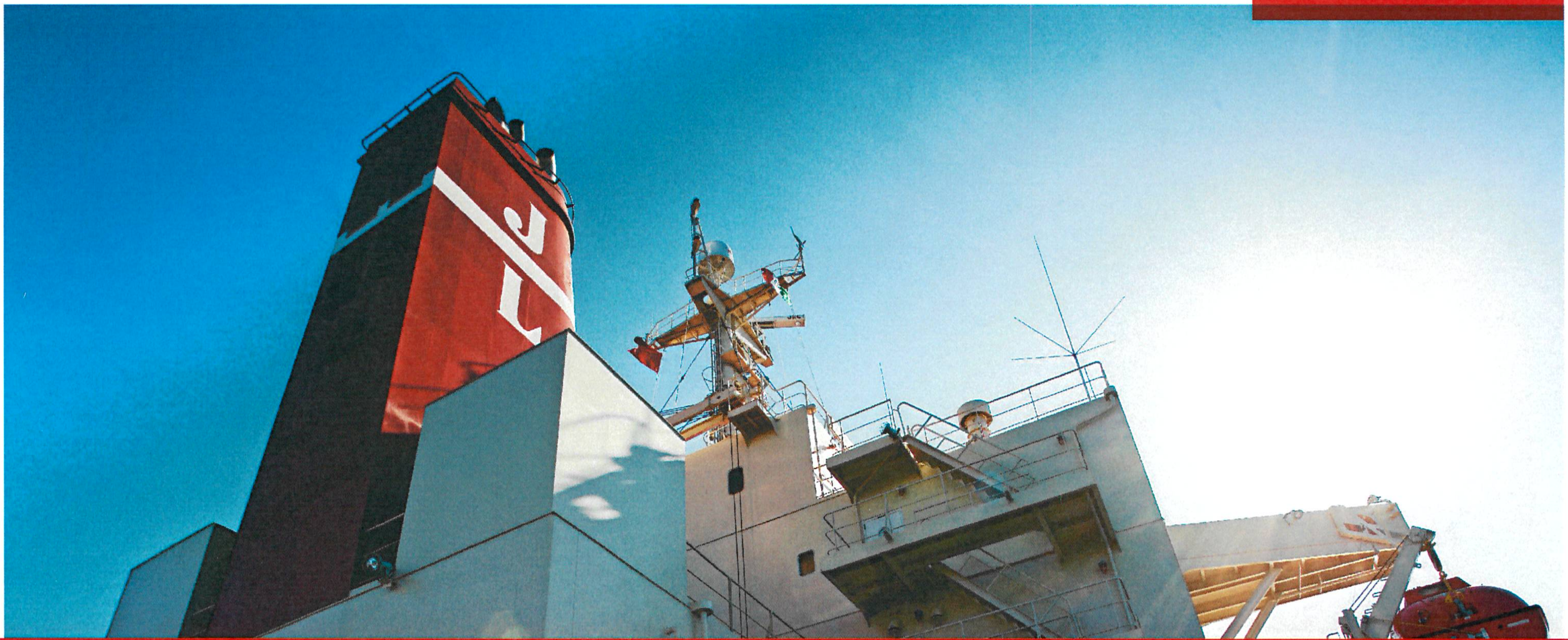
J. LAURITZEN



Approved at the General Assembly 23 April 2020

Dorte Rolff, Chairman

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Annual *Report* 2019

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MANAGEMENT REVIEW

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ABOUT *US*

About J. Lauritzen

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

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

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

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

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

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

J. Lauritzen *overview*

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

J. Lauritzen office location

J. LAURITZEN FACTS 2019

Owned by Lauritzen Fonden — **100%**

168 employees ashore Year-end — 31% / 69%

21 nationalities

333 seafarers onboard owned vessels Year-end

Average controlled fleet of **104** vessels in 2019

Invested capital — USD **423 m** Year-end 2019

Revenue — USD **502 m** in 2019

Highlights *2019*

For J. Lauritzen, the outcome was a result of USDm (105) compared to USDm (24) in 2018. The 2019 result was significantly impacted by special items totalling USDm (44) related to impairments, while the 2018 result included special items totalling USDm 25 mainly related to the use of provisions for onerous contracts and the reversal of impairments on vessels.

Overall results were disappointing. Apart from special items, the result for 2019 was impacted by the weak bulk market, in particular at the beginning of the year, and a weak gas carrier market in the second half of the year.

Main events in 2019
Lauritzen Bulkers' risk profile was rebalanced through a reduction of our long-term commitments. This was substituted by increased activity in short-term (0-4 months) trading. We also increased our commercial flexibility, mainly by the utilisation of Freight Forward Agreements (FFAs) as a risk mitigation tool.

Seven handysize bulk carriers were sold as part of our strategy to become more asset-light. Redelivery of time-charter tonnage and changes to cargo cover led to a further reduction of our exposure.

The continued development of our dry bulk activities included the opening of a commercial office in Dubai and strengthening of our research unit to support short-term trading and active management of our long-term position. The increased focus on short-term trading resulted in a positive contribution of USDm 10 to the net result.

An agreement was reached with Teekay LNG Partners L.P. (Teekay LNG) meaning that seven modern ethylene gas carriers owned by Teekay LNG joined Lauritzen Kosan's pool of ethylene carriers. Two of these vessels have LNG cargo carrying capacity. With the addition of the Teekay fleet, which was completed in early May 2019, the Lauritzen Kosan pool cemented its position as a leading supplier of gas carriers with ethylene carrying capacity in the small gas carrier segment totaling 21 units.

Securing compliance with the upcoming IMO 2020 sulphur regulations on bunker fuels was carried out in close cooperation between our technical, operational and commercial units ashore and vessel crews.

During 2019, Lauritzen Bulkers and Lauritzen Kosan controlled a combined average fleet of 104 vessels compared to 109 vessels in 2018.

At year-end 2019, two bulk carriers and 13 gas carriers were wholly-owned versus nine bulk carriers and 14 gas carriers at year-end 2018.

Business environment
2019 turned out to be a year with significant fluctuations in terms of freight rates in the different shipping sectors. The ClarkSea index was up by 24%, with tankers and LPG carriers enjoying rises of 98% and 65% respectively. Containers were up by 11% with bulk carriers down by 6% due to a very poor first half of the year.

As 2019 progressed, it became more and more evident that the world economy was (and still is) in a downswing cycle. Forecasts of economic growth were reduced for both 2019 and 2020. World industrial production was down by 0.3% October 2019 compared with October 2018.

This reduction in economic growth led to monetary policies in the USA, China and the EU being eased, the effects of which will be felt mainly in 2020.

The slowdown in economic activity led to a reduction in international trade in goods. The trade war between USA and China made things worse. Thus, trade in merchandise goods was down by 2.2% y-o-y and unit prices of the traded goods by 3.5%.

Seaborne trade growth was in general negatively affected by this. In early 2019, Clarksons Research forecasted world seaborne trade to grow 3.4% on a ton-mile basis in 2019. The most recent assessment by Clarksons Research, made in February 2020, indicates a 1.6% growth in 2019. The dry bulk and LPG markets have contributed with negative deviations to the original forecast of 0.6% and 1.6% due to the "trade war".

The world orderbook continued its decline, falling by 20% y-o-y in dwt terms. Order books of bulk carriers fell, with a slight increase in the gas carrier order book, primarily due to ordering of very large gas carriers (VLGCs) and midsize gas carriers.

Newbuilding prices for bulk carriers saw a slight decline with stability for gas carriers.

For dry bulk carriers, overall net fleet growth was 4% up from 2.9% in 2018. Net fleet growth in the handysize segment was 2% compared with 2.5% in the preceding year, whereas growth in the supramax segment stood at 3.6% compared to 2.5% in 2018, according to Clarksons Research.

In 2019, demand growth for dry bulk carriers is estimated at 1.1%, down from 2.6% the previous year.

The utilisation rate for the handysize and supramax segment is estimated by MSI to have fallen to 84.5%, down by 0.6 percentage point from 2018. However, short-term market volatility continued to create market and trading opportunities throughout the year.

After the upheavals of 2018, the small gas carrier market has moved most of its way towards a normalisation of the market place. Supply growth dropped to 1.4% in 2019 compared to 2.4% in 2018.

After a fall of 6.4% in 2017, a pick-up of gas transportation demand has taken place with demand growing by 2.3% in 2018 and 3.3% in 2019, thereby recovering most of the losses from 2017. All three subgroups of demand, including LPG, petrochemical gasses and ammonia have contributed to the recovery.

The utilisation for small gas carriers is estimated by ViaMar to have increased to 73% in 2019, up 4 percentage points from 2018.

Strategy
We were guided by our overall strategy defining where to play and how to win.

Where to play?
In our dry bulk business, we focus on the handysize segment, building on our proven track record and strong customer relations, and within this frame increase focus on optimising our short-term trading platform. In our gas business, we build on our existing segments and long-lasting customer relations with a view to increasing our market share.

How to win?
Our value proposition, our commercial positioning and our risk management in our dry bulk business was strengthened in 2019. This was achieved by the pursuit of an operator play, based on our own assets as well as medium and short-term chartered tonnage, making us more asset-light over time. In the gas carrier business, growth is based on owned and commercially managed tonnage, technically managed in-house and focused on developing new and existing customer relations both in the petrochemical gas and the LPG industries.

Our capabilities
We will strengthen the use and application of analytics to support the decision-making and thus build and improve utilisation of market information.

Strategic initiatives
During 2019, we rolled out a more active trading platform in dry bulk. In the gas carrier industry, we continued pursuing our growth strategy.

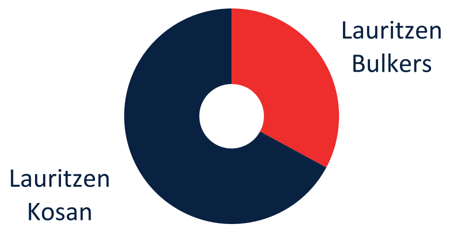
Assets and solvency
The carrying amount of owned and leased vessels totalled USDm 384, up from USDm 354 in 2018. The increase was mainly due to the adoption of IFRS 16 Leases, where long-term chartered vessels are recognised as right-of-use assets using the modified retrospective approach, i.e. without restating prior year figures.

Invested capital amounted to USDm 423, up from USDm 404 in 2018.

At year-end 2019, solvency was 27%, down from 51% at year-end 2018. The decrease of our solvency was partly due to the negative result for the year and partly due to the increase in total assets from the recognition of right-of-use assets.

Cash and cash equivalents were USDm 31 (2018: USDm 33). Net interest-bearing debt amounted to USDm 294 (2018: USDm 171).

Share of invested capital at year-end 2019



After year-end events
On 12 March 2020, J. Lauritzen obtained support from our owner, Lauritzen Fonden, to improve the capital structure. The agreement is that Lauritzen Fonden will increase the share capital with nominal DKK 50,000 at a value of USDm 20 in cash before the end of June 2020.

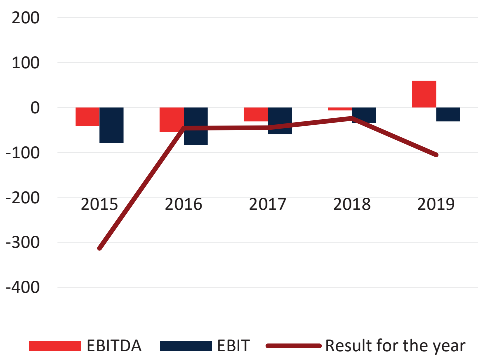
Group *key figures*

Main Figures for the Group USDm	2019	2018*	2017*	2016*	2015*
Income statement					
Revenue	502	565	555	420	349
Time-charter equivalent income (TCE)	327	381	345	279	268
Operating income before depreciation (EBITDA) and special items	59	(6)	(31)	(54)	(41)
Operating income (EBIT) before special items	(31)	(34)	(60)	(83)	(79)
Special items, net	(44)	25	30	34	(207)
Financial items, net	(29)	(13)	(13)	1	(27)
Profit/(loss) from continuing operations before tax	(104)	(23)	(43)	(49)	(313)
J. Lauritzen Group's share of profit/(loss)	(105)	(24)	(45)	(46)	(313)
Balance sheet					
Non current assets	422	391	409	416	614
Total assets	481	462	504	617	859
Total equity	131	236	261	223	270
Invested capital	423	404	396	379	531
Net interest bearing debt (NIBD)	294	171	140	160	284

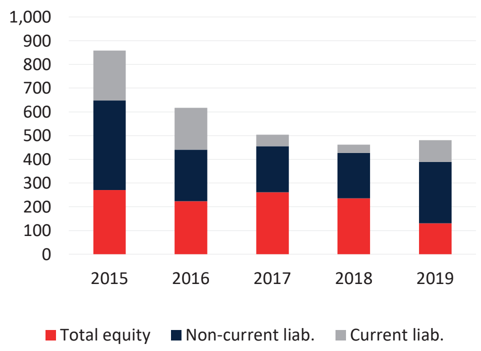
Main Figures for the Group USDm	2019	2018*	2017*	2016*	2015*
Cash flows and financial ressources					
Cash flow from operating activities	47	(25)	(48)	(41)	(61)
Cash flow from investment activities	56	(2)	(5)	129	75
- hereof investments in tangible fixed assets	(7)	(11)	(9)	(50)	(14)
Cash flow from financing activities	(106)	3	(30)	(63)	(80)
Changes for the year in cash and cash equivalents	(3)	(25)	(82)	25	(67)
Financial ressources at the end of the year	31	33	59	141	116
Key figures and financial ratios					
Average number of employees	499	725	698	782	956
Total number of ship days	37,787	39,907	43,213	46,940	49,688
DKK exchange rate year-end	668	652	621	705	683
Average DKK exchange rate	667	632	660	673	673
Profit margin	(6.2)%	(6.0)%	(10.5)%	(19.9)%	(23.7)%
NIBD/EBITDA	4.9	(27.2)	(4.5)	(2.9)	(6.9)
Solvency ratio	27%	51%	52%	36%	31%
Return on equity (ROE)	(57.2)%	(9.8)%	(18.8)%	(18.5)%	(74.3)%
Return on invested capital (ROIC)	(18.2)%	(2.5)%	(7.7)%	(10.9)%	(41.8)%

* Comparative figures for 2015-2017 have not been adjusted for change in accounting policies based on IFRS 9 and IFRS 15, and comparative figures for 2015-2018 have not been adjusted for change in accounting policies based on IFRS 16.

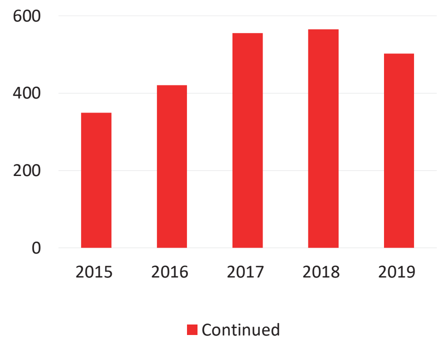
Selected key figures USDm



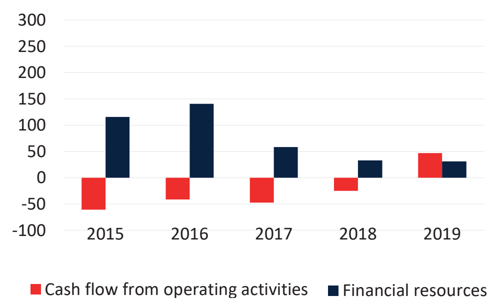
Capital structure USDm



Revenue USDm



Cash flow from operations and financial resources USDm



Outlook *2020 and beyond*

International monetary organisations all agree that economic activity and world trade growth is under pressure and will remain so into 2020, although a pick-up is forecast for the second half.

We anticipate that financial policies will be less supportive of economic growth than in 2019, although further measures to support economic growth may emerge during the course of the year.

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

- coronavirus (COVID-19)
- stock market corrections
- international trade policy developments
- rising unrest in the Middle East in combination with more sanctions being imposed on Iran
- more emerging markets getting into some sort of financial distress
- growing corporate debt issuance at low credit rating
- oil and commodity price volatility
- Brexit and its implications for Western European economic performance.

Dry bulk freight rates have recovered throughout 2019 after their weakness during the first months of the year. Rates are forecast to strengthen further in 2020 and 2021, as supply growth reduces in line with a pick-up in demand growth. Newbuilding and second-hand prices are expected to remain subdued not least because yards' forward cover is rapidly declining – but also because of the current consolidation efforts in the ship-building industry.

The market for gas carriers substantially improved in 2019 due primarily to a large increase in LPG movements, based on cheap North American gas. So far, VLGCs, midsizes and to some extent handysizes have benefitted, but 2020 is likely to see this filtering down to gas carriers below 15,000 cbm as well. It is anticipated that a number of developments in the petrochemical industry will support these smaller carriers, especially if supply growth in this segment becomes negative.

Expectations for 2020

Our result for 2020 is expected to be better than in 2019. An expected moderate improvement of the gas carrier market and improved profitability in Lauritzen Bulkers due to an increased focus on low-risk, short-term trading activities and net cost from special items in 2019 (which are not expected to be repeated in 2020) will have a positive impact on the 2020 result.

However, the magnitude of the impact from the coronavirus is extremely difficult to predict and could potentially impact our 2020 result to a significant degree.

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

Beyond 2020

With order books relative to the global fleet being reduced to small single-digit figures in both the handysize and the supramax bulk carrier segments, the prospects for a recovery in the dry bulk market is rising. Brokers expect net fleet growth in the handysize segment to be negative in 2020-21.

Provided that limited ordering is maintained in the next couple of years, the foundation for a more sustainable recovery in dry bulk markets is on the cards, but the longer term may also pose its challenges in view of rapidly rising concerns and willingness to act on environmental and climatic challenges.

Volatility due to market imbalances and other factors remains a fundamental characteristic of global dry cargo markets, providing trading opportunities.

The market for small gas carriers is currently recovering from the demand shock in 2017 and the strong supply growth in recent years. The future looks promising as cheap LPG and ethylene becomes more available for transportation.

Supply growth in the small gas segment is forecast to be very modest in the coming years, as age and rising demands for cleaner fuels and other measures "force" owners to look for the scrap yard.

The market balance is therefore anticipated to be on a rising trend, as existing owners turn to the second-hand market and potential newcomers face high entry costs.

Increasing awareness of sustainability is expected to significantly impact the shipping industry in the coming years. Focus will be on reduction of fuel consumption, introduction of new fuels, ship design improvements etc. with the aim of reducing the shipping industry's carbon footprint. Taking a broader perspective, supply chains may change due to sustainability considerations, which may impact demand for seaborne transportation in the medium to long term.

Lauritzen *Bulkers*

Activity in 2019
The total number of ship days performed reached 25,725 corresponding to 70 vessels on average, compared to 28,619 ship days with 78 vessels on average in 2018. The reduction was primarily due to redelivery of expensive time-charter tonnage.

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

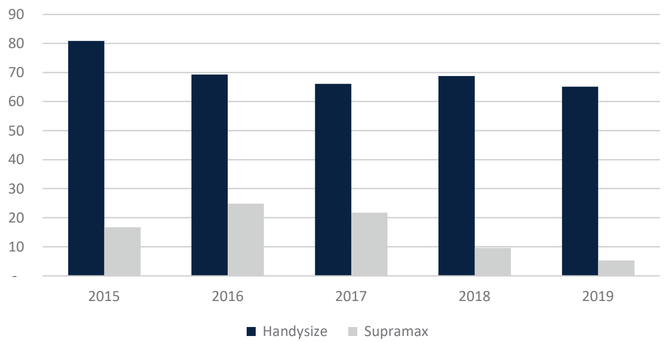
Lauritzen Bulkers' risk profile was rebalanced through a reduction of our long-term commitments. This was substituted by increased activity in short-term (0-4 months) trading. We also increased our flexibility, mainly by the utilisation of Freight Forward Agreements (FFAs) as a risk mitigation tool.

Seven handysize bulk carriers were sold as part of our strategy to become more asset-light. Redelivery of time-charter tonnage and changes to cargo cover led to a further reduction of our exposure.

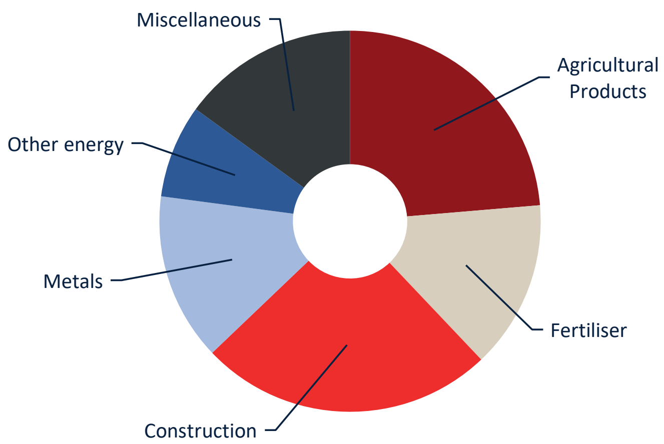
The continued development of our dry bulk activities included the opening of a commercial office in Dubai and strengthening of our research unit to support short-term trading and active management of our long-term position. The increased focus on short-term trading resulted in a positive contribution of USDm 10 to the net result.

Global market developments
In the first half of 2019, the market was very weak, resulting in lower average Baltic Indices compared to 2018. Thus, the Baltic Indices decreased on average for handysize by 18% to USD 7,150 per day and for supramax by 14% to USD 9,900 per day.

Average number of vessels operated 2019



Cargo mix 2019



Growth in demand was up by almost 1.2% in terms of tonnes. The contribution from major bulks is estimated to have been in the order of 1%. Minor bulks enjoyed an above-average rate of growth of 2%. In terms of tonne-miles, growth is estimated at 1.1%.

Deliveries were up by about 12.4 million dwt to 40.9 million dwt whereas demolition amounted to about 7 million dwt, an increase of about 3 million dwt from 2018.

Thus, net deliveries of 34 million dwt led to an increase in net supply above demand growth. Handysize and supramax bulk carriers saw a combined increase in deliveries of 1.5 million dwt.

For dry bulk carriers, overall net fleet growth was 4%, compared to a fleet growth of 2.9% in 2018. Net fleet growth in the handysize segment was 2.1% compared to 2.5% the preceding year, whereas growth in the supramax segment stood at 3.6% compared to 2.5% in 2018, according to Clarksons Research.

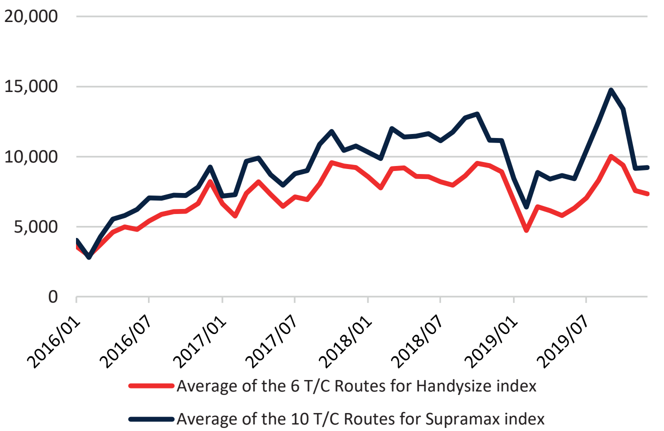
Contracting amounted to 24.6 million dwt, a reduction of 20 million dwt from 2018, 1.4 million dwt of which was in the handysize segment.

At year-end 2019, the overall dry bulk orderbook amounted to 10% of the existing fleet, whereas the orderbook in the handysize segment amounted to 5%.

In 2019, newbuilding prices for handysize and supramax bulk carriers declined by 2% in both size segments, whereas second-hand values were up by 10 and down by 4.5% respectively.

Utilisation rates for handysize and supramax are estimated by MSI to have been 84%, unchanged from 2018.

Spot market rates in T/C equivalent USD/day



Source: Clarksons Research

Strategic positioning

The transformation towards becoming an asset-light handysize operator is largely completed and we are pleased to see the results generated from the trading activities.

Lauritzen Bulkers is positioned in the handysize segment of dry bulk shipping and serves clients worldwide.

We maintain a leading position in the handysize segment, with a specific focus on the transportation of logs, grains, fertilisers, salt, biofuels and other bulk commodities.

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

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

Building on our long-term commitment to the market for handysize and supramax bulk carriers, and based on our core values of accountability, adaptability, empathy and resoluteness, we succeeded in applying our services still more efficiently during 2019.

In 2019, we served more than 256 customers and the top ten accounted for approximately 24% of Lauritzen Bulkers' revenues.

Fleet

Seven handysize bulk carriers were sold as part of our strategy to become more asset-light. Redelivery of time-charter tonnage and changes to cargo cover led to a further reduction of our exposure.

No scheduled dry dockings were completed in 2019 (two in 2018). Unscheduled off-hire for our owned fleet came to 0.006% of available ship days (0.03% in 2018).

At year-end 2019, the average age of the owned fleet was 7 years (8.3 years at year-end 2018).

Fleet performance

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

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

Lauritzen *Kosan*

Activity in 2019

The total number of ship days performed in 2019 reached 12,061 corresponding to 33 vessels on average, compared to 11,287 ship days or 31 vessels on average in 2018.

An agreement was reached with Teekay LNG Partners L.P. (Teekay LNG) meaning that seven modern ethylene gas carriers owned by Teekay LNG joined Lauritzen Kosan's pool of ethylene carriers. With the addition of the Teekay fleet, which was completed in early May 2019, the Lauritzen Kosan pool cemented its position as a leading supplier of gas carriers with ethylene carrying capacity in the small gas carrier segment of a total of 21 units.

One 5,900 cbm gas carrier was sold with delivery to the buyers in early 2019.

The project to overhaul and update our administrative systems within our technical organisation was successfully completed.

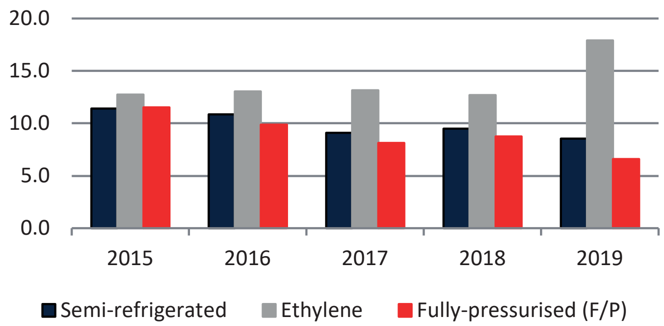
One additional gas carrier was reflagged to the Danish International Register of Shipping (DIS) in early August, bringing the total number of gas carriers under DIS to six.

Global market developments

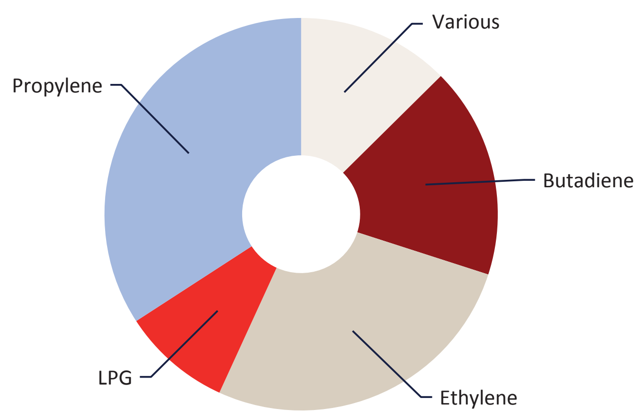
2019 proved more difficult than expected, as several developments hampered demand growth for small gas carriers. However, the strong rise in US exports of LPG contributed positively to demand growth in 2019, whilst supply growth remained subdued in all gas carrier segments.

The latter paved the way for a strong market recovery in VLGCs and midsizes with handysizes benefitting in Q4. The market for small gas carriers has yet to enjoy stronger rates.

Average number of vessels operated 2019



Cargo mix 2019



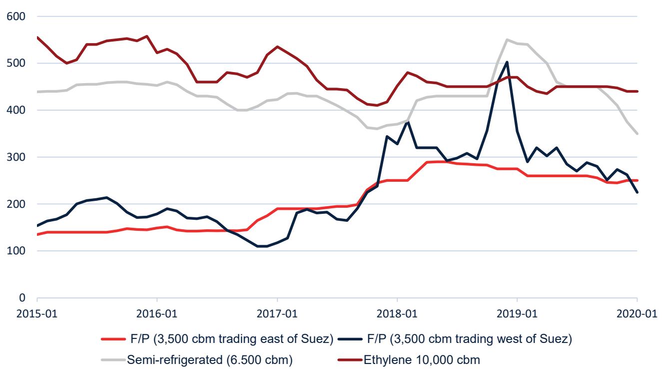
Fully pressurised 3,500 cbm vessels both east and west of Suez had a flat spot TCE development, whereas semi-refrigerated 6,500 cbm, after a strong Q1, experienced a difficult Q4. The ethylene 10,000 cbm spot market TCE was flat with some downward pressure. The carriers controlled by a key player were brought back into operation after a long period of idleness.

Supply growth in 2019 is estimated at 1.4%, down by 1.0 percentage points from 2018, reflecting a decline in both deliveries and demolition.

Ordering amounted to some 2.5% of the existing fleet. At year-end 2019, the orderbook amounted to 4% of the current fleet, which is the lowest level since 2004.

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

Note: Unadjusted for waiting time, if any.



Source: Own analysis based on data from Fearnleys.

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

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

We have 60-70% target cover for available ship days for the coming year. The major part of this cover is provided by long-term customers, representing some of the world's largest petrochemical and oil companies as well as energy traders. At year-end 2019, the actual cover for 2019 was close to our target.

Fleet
In 2019, we conducted five scheduled dry-dockings (eight in 2018).

Both the EU MRV (Monitoring, Reporting and Verification) system and the IMO DCS (Data Collection System) on fuel consumption are fully implemented, and reporting processes are in place and approved by our classification society.

In order to comply with the IMO's 0.5% fuel sulphur content cap regulation enforced from 1 January 2020, risk management and management of change procedures were thoroughly conducted to ensure a smooth transition and full compliance.

In preparation for the upcoming IMO Ballast Water Management Convention, which came into force in September 2019, ballast water treatment systems have so far been installed on two of our gas carriers. Installation plans for the fleet have been laid out and will be executed by 2024 to comply with the IMO convention and national regulation.

Fleet performance
The safety of our seafarers is of paramount importance to us. We always work to strengthen our safety culture in a demanding environment. We actively participate in the Partners in Maritime Safety programme initiated by Shell with an ambition to work systematically towards a zero-incident industry.

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

Decarbonisation has become a focus area for the maritime industry in 2020 and beyond. As part of these efforts, we joined the Getting to Zero coalition, the industry-led platform with a goal to make zero-emission vessels (ZEVs) commercially viable from 2030, in line with the IMO's goal to reduce emissions from shipping by 50% by 2050.

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

In 2019, average SIRE (Ship Inspection Report Programme) observations amounted to 3.96, slightly below our target of 4.0. Lost time injuries (LTI) of the fleet came to 0.6 (in 2018 LTI was 0.9). Our ambition remains for there to be zero harm to people.

PEOPLE IN NUMBERS

333 Crew members on board

Lost Time Injury Frequency (LTIF)

0.6	0.9
2019	**2018**

The seafarer retention rate was 93% for officers and 96% for ratings

People

In 2019, the retention rate was high and we were able to fill vacancies with well-qualified staff, bringing new ideas and competencies into the organisation.

Our presence on social media contributed to highlighting our strong employer brand and, for all vacancies, we had a pool of well-qualified jobseekers to choose from.

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

For our shore-based staff, the retention rate was 90.4% in 2019.

At year-end, we employed 501 persons, of whom 168 were ashore and 333 at sea.

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

We remained on par or above the benchmark for all significant underlying drivers of engagement.

Diversity
In 2019, we saw a greater proportion of additional nationalities among our new recruits compared to last year. We expect diversity to further increase in the coming years to the benefit of our clients, innovation and our overall profile as an attractive international company to work for.

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

At year-end 2019, the gender distribution of the shore-based organisation was 31% female and 69% male, compared to 34% female and 66% male at year-end 2018, despite our efforts to achieve a more balanced gender distribution.

The distribution of women and men in managerial positions in our shore-based organisation was 12% and 88% (15% and 85% respectively in 2018), which was below our goal of 20% and 80%. In accordance with our ambition for increased diversity, we carefully examined the employee development interviews and incoming applications during 2019. Despite having at least one candidate from the underrepresented gender in interviews, this did not produce a more equal gender distribution in managerial positions. Our target for women in managerial positions is 20% by year-end 2020 and 25% in 2023.

Leadership development
In 2019, we focused on managers' abilities to lead personnel, especially in terms of developing their skills and competencies to better identify growth potential among their teams and to inspire and engage. We revised our appraisal system to better reflect corporate values and to appraise leadership, and we began the journey of establishing a JL leadership foundation.

Developing talent
In 2019, we welcomed students from the fourth intake of the bachelor's degree in shipping at Copenhagen Business School (CBS) to our Copenhagen office to embark on a nine-month internship. We continued recruiting well-qualified staff for junior commercial positions within the company via internships.

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

PEOPLE IN NUMBERS

Shore-based personnel

At year-end the total headcount was 168

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

Average age

43.3 years
2019

43.5 years
2018

Financing

J. Lauritzen's core fleet comprises owned vessels, part-owned vessels, bareboat chartered vessels, long-term T/C in vessels, and medium-term T/C in vessels.

J. Lauritzen's fully owned vessels are financed with a mix of debt (secured bank loans) and equity.

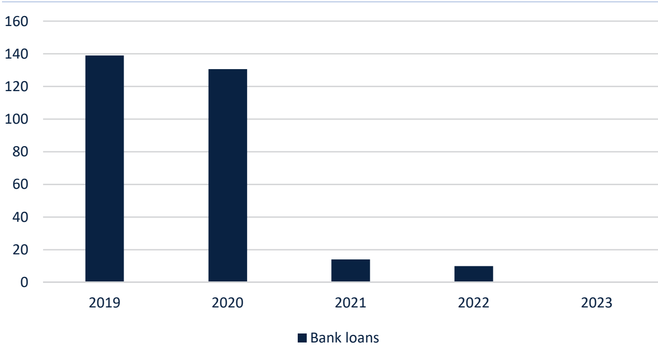
Outstanding bank debt (non-USD debt included at hedged value, net) amounted to USDm 133 at year-end 2019 (USDm 180 at year-end 2018). For a discussion of our hedging policies, please see the chapter on risk management under financial risk.

Bareboat chartered vessels and long-term T/C in vessels longer than one year are classified as "right-of-use assets" in accordance with IFRS16 and the corresponding liabilities are classified as "lease obligations".

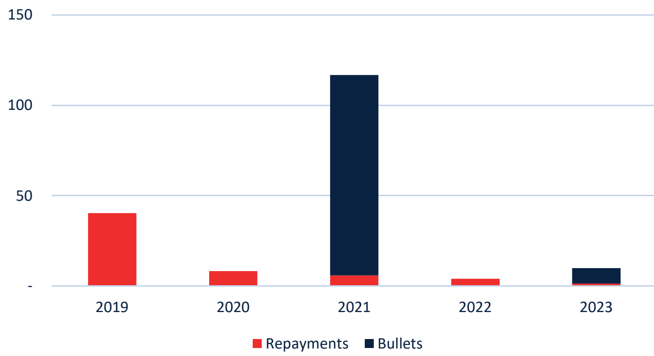
Lease obligations stood at USDm 190 (USDm 29 at year-end 2018) of which the sale and lease-back of four vessels completed in 2018 account for USDm 24 (USDm 29 at year-end 2018). IFRS16 was implemented in 2019.

The average loan-to-value ratio (secured bank debt as a ratio of the market value of the owned fleet) was 59% at year-end 2019 (56% at year-end 2018).

Outstanding bank debt, year-end, in USDm



Bank debt repayment profile, in USDm



Notes to charts: JPY debt at hedged value. 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.

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, they focus on risk management and internal control as well as ensuring that budgets and estimates are drawn up and approved and that monthly and quarterly reports are submitted. Procedures and key policies are annually reviewed in accordance with the annual wheel of the Board of Directors.

Board members elected at the general meeting serve for one year and may stand for re-election. At year-end 2019, the Board of Directors consisted of seven members: four elected by the general meeting and three by the employees.

The individual contribution of the Board's members, its results and cooperation with the Executive Management are evaluated annually.

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

According to the definitions of the Danish Committee on Corporate Governance, 75% of the members of the Board of Directors elected by the general meeting are independent. At year-end 2019, the average length of board members' service was five years.

In 2019, the Board met six times, including an annual strategy meeting. Between meetings, recommendations were submitted to the Board for written resolution.

Board committees
In order to improve efficiency and the overall quality of the work performed by the Board of Directors, two permanent Board Committees were established in 2010: the Audit Committee and the Nomination and Remuneration Committee. In 2019, the Audit Committee, which in addition to financial reporting assists the Board in terms of IT security and risk management, held five meetings and the Nomination and Remuneration Committee held two meetings.

Executive Management
The Executive Management is appointed by the Board of Directors and consists of Mads Peter Zacho as CEO, responsible for the day-to-day management of the organisation.

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

LAURITZEN FONDEN

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

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

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

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

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

Risk *management*

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

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

Stabilisation of the company's capital structure and financial strength remains highly important. Over the past four years, the financial leverage has been reduced through

- debt repayments
- finalisation of our newbuilding programme
- run-off of expensive long-term charter commitments
- liquidity sourced from asset sales
- capital injection from our owner, Lauritzen Fonden.

These efforts have strengthened our solvency and mitigated the negative effect from the introduction of IFRS 16, where operating leases are included as liabilities in the balance sheet. During the same period, our cash balance has decreased due to main-tenance investments, the repayment of debt and cash flow generation from operations.

Commercial risk

The central element of the business models for both Lauritzen Kosan and Lauritzen Bulkers is to assume exposure by taking commitments either to own or employ tonnage or to carry cargo.

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

Our business activities are exposed to risk factors common for cyclical, global industries like ocean shipping: essentially, demand and supply. Demand for the seaborne transportation of raw materials and energy typically fluctuates with global economic growth. On the other side is a supply of tonnage where capacity can only adapt at a slow pace. These factors have a direct impact on profit and financial strength through volatility in market rates, margins and vessel values. Furthermore, annual freight contracts, if of a certain size and not renewed, may impact our bottom line and financial performance.

During 2019, the commercial risk profile of Lauritzen Bulkers was rebalanced by reducing the amount of long-term commitments and by increasing flexibility. This was achieved mainly by reducing the owned fleet and partly replacing this with short and medium-term time-chartered tonnage.

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

Strategic risk

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

New tariffs imposed during 2019 – and the threat of more – together with the risk of sanctions create friction for global trade, with negative impacts on the demand for seaborne transportation. The impact of this on our business activities is uncertain as some commodities are substituted or carried over longer distances in reaction to tariffs or sanctions. Clarksons Research has assessed that, in 2019, total world seaborne trade of dry cargo and LPG was negatively affected on a tonne-mile basis by 0.6% and 1.5% respectively, due to the current trade conflict between the US and China.

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

Financial risk
Financial risk arises from payment obligations, from maturing debt raised to finance assets, from cash flows in currencies other than USD and from credit risk related to financial counterparties either through holding our deposits or in their role as counterparty to hedging.
Liquidity is managed to ensure availability of funds to cover daily flows. The liquidity management is supplemented with forecasts on changes in Group liquidity.

The bank facilities financing JL's own fleet have maturity in 2021 into 2023. Refinancing is expected to be arranged during 2020.

Based on the expected non-USD costs for the next 12 months, JL hedges 50-70% of its currency exposure. Most of the currency exposure on non-USD debt (principal) is hedged into USD. Risk related to floating interest rates is 40-60% hedged into fixed rate. The management of currency and interest rate risks remained unchanged in 2019.

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

Since mid-2018, we have been preparing to meet the new requirements to only burn low sulphur fuel from 1 January 2020, in order to address the wide range of related commercial, operational and technical issues as well as uncertainties and challenges. J. Lauritzen has chosen not to install scrubbers on its owned vessels.

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

The risk tolerance related to operational issues such as fleet management and safety is consequently, in principle, zero. Safety procedures are implemented not only to ensure compliance with the highest industry standards and client requirements but also to secure a safety performance among the industry leaders.

Risk related to the safety of our crews and our clients' cargo due to piracy or violent crime-related activity in certain parts of the world necessitates engagement of armed security teams on vessels operating in high-risk regions. We adhere to recommendations and best management practices from relevant national and international bodies.

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

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

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

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

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

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

IT (operational risk)
Tolerance related to IT security threats and IT systems' downtime is in principle low; IT is critical for our business and systems need to be available round-the-clock and accessible worldwide. As a global shipping company, we are exposed to risks related to IT security and cybercrime and our efforts to ensure IT security and procedures cover IT ashore and at sea. Frequent reviews are performed to ensure that mitigation efforts are satisfactory.

Corporate *responsibility*

Our corporate responsibility efforts build on our core values. They are aligned with our commitment to the ten principles of the UN Global Compact, the UN Sustainable Development Goals (SDGs), and the UN Guiding Principles on Business and Human Rights.

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

Highlights 2019
In 2019, we continued our efforts to improve energy-efficiency and to eliminate corrupt practices as a founding member of the Maritime Anti-Corruption Network (MACN). We also continued our work in shipping industry partnerships and initiatives supporting the sustainability agenda.

Environmental policy
During 2019, we reviewed our environment and climate policy, confirming our commitment and responsibility towards contributing to a greener environment. We constantly seek to minimise the environmental and climatic impact of our operations.

Energy-efficiency initiatives
In 2019 J. Lauritzen joined the Getting to Zero Coalition – the industry-led platform with a goal to make zero-emission vessels (ZEVs) commercially viable from 2030. This is in line with the IMO's goal to reduce emissions from shipping by 50% by 2050. The Coalition is organised in partnership between the Global Maritime Forum, the World Economic Forum, and Friends of Ocean Action. The organisation brings together leading stakeholders from the maritime, energy, infrastructure and financial sectors and is supported by key governments and intergovernmental organisations. The Coalition's work is aligned with the goals set out in the IMO's Initial GHG Strategy. In early 2020, we took a seat at the Danish Shipping Climate Change Advisory Board, which is tasked to advise the Board of Directors' of Danish Shipping on climate change-related matters associated with international shipping. This is part of the Danish Government's ambitions to drastically reduce greenhouse gas emissions.

The ECOPRODIGI project, founded by the Interreg Baltic Sea Region Programme, continued in 2019. Its tools and methodologies were further improved, and new technologies are being adapted to automate and optimise the daily work of operating our fleet to improve eco-efficiency. A general focus point of the ECOPRODIGI project is digitalisation and we work with our partners to gain further benefits from AIS (automatic identification system) and autologous data from our fleet.

Sulphur cap
As a founding member of the Trident Alliance, we worked towards the robust enforcement of the sulphur regulations – specifically the global 0.5% sulphur cap – that came into force on 1 January 2020.

Responsible ship recycling
Our policy on responsible ship recycling was last reviewed by the Board of Directors in December 2019 and acknowledges the severe impact of some recycling practices. The policy commits J. Lauritzen to ensuring the recycling of our owned vessels is in compliance with the requirements of both the 2009 Hong Kong Convention for the Safe and Environmentally Sound Recycling of Ships and the EU regulation on ship recycling – as well as being carried out with respect for human rights. Recognising a responsibility that often goes beyond owned vessels, the policy further commits us to take action to prevent and mitigate severe impacts when selling vessels for further trade. We did not recycle any ships in 2019.

Security policy
Instability and the risk of piracy-related activities against ships remains in many countries and regions. Our security policy for owned and operated vessels in high-risk areas therefore remains paramount. The policy was reviewed and amended in 2019.

Anti-corruption
In 2019, we continued our active participation in the Maritime Anti-corruption Network (MACN), the global business network working to free the maritime industry of corruption and to enable fair trade to the benefit of the society at large. Through the MACN, we discuss and share best practice with other representatives from the industry.

In 2019, we took a seat on the MACN's Steering Committee. That way, we will contribute to setting the way forward for the network and for the maritime industry at large.

Outlook 2020
In 2020, we will continue our corporate responsibility efforts and commitments with a constant focus on integration with our business strategy and thus our overall value creation.

Corporate Responsibility Report 2019
Please see our Corporate Responsibility Report 2019 for a comprehensive description of our corporate responsibility work, in accordance with the Danish Financial Statements Act (Sec. 99a).

The report serves as our Communication on Progress to the UN Global Compact and is available on our website. Click here to read the report.

Board of *directors*

CHAIRMAN OF THE BOARD
TOMMY THOMSEN

Member since 2018 // Remuneration: DKK 850,000
Chairman of the Nomination and Remuneration Committee
CEO of Lauritzen Fonden (from 1 January 2019)

Chairman of the Board of:
C.W. Obel
NanoNord
The Danish Maritime Fund

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

VICE CHAIRMAN OF THE BOARD
KRISTIAN V. MØRCH

Member since 2018 // Remuneration: DKK 550,000
Member of the Audit Committee
CEO of Odfjell SE, Norway

Chairman of the Board of:
Maersk Broker

BOARD MEMBER
BARBARA PLUCNAR JENSEN

Member since 2018 // Remuneration: DKK 450,000
Chairman of the Audit Committee
CFO of Tryg A/S

BOARD MEMBER
PETER POUL LAURITZEN BAY

Member since 2003 // Remuneration: DKK 350,000
Member of the Audit Committee
Managing Director, J. Krebs & Co. A/S

Member of:
Alm. Brand, Representatives Executive Committee

BOARD MEMBER
SØREN BERG*

Member since 2005 // Remuneration: DKK 250,000
Project Manager, J. Lauritzen A/S

Board member of:
De Forenede Sejlskibe I/S
LKT Gas Carriers Pte Ltd

BOARD MEMBER
ROLF ANDERSEN**

Member since 2017 // Remuneration: DKK 250,000
Fleet Manager, Fleet Management,
Lauritzen Kosan

BOARD MEMBER
KARSTEN GAUGER**

Member since 2017 // Remuneration: DKK 250,000
Head of People and Quality, Fleet Management,
Lauritzen Kosan

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

Management

CHIEF EXECUTIVE OFFICER (GROUP CEO)
MADS PETER ZACHO
Joined J. Lauritzen in 2016 // CEO since 2016

CEO LAURITZEN KOSAN
THOMAS WØIDEMANN
Joined J. Lauritzen in 2002 // In current position since December 2018

CEO LAURITZEN BULKERS
NIELS JOSEFSEN
Joined J. Lauritzen in 2018 // In current position since December 2018

SENIOR VICE PRESIDENT, J. LAURITZEN A/S
ERIK BIERRE
Corporate Control
Joined J. Lauritzen in 2000 // In current position since 2000

VICE PRESIDENT, J. LAURITZEN A/S
JAN ULRIK NIELSEN
Corporate Human Resources
Joined J. Lauritzen in 2011 // In current position since 2015

SENIOR VICE PRESIDENT, LAURITZEN KOSAN
CLAUS W. GRAUGAARD
Head of Fleet Management
Joined J. Lauritzen in 2013 // In current position since 2017

Financial *review*

On 1 January 2019, we adopted the IFRS 16 Leases using the modified retrospective approach, i.e. without restating prior year figures.

OPERATING ACTIVITIES

Results

In 2019, the result was USDm (105) compared to USDm (24) in 2018. Most of the decline related to Lauritzen Bulkers, however, Lauritzen Kosan also recorded a decline.

Revenue and time-charter equivalent income

Revenue decreased from USDm 565 in 2018 to USDm 502 in 2019. The decrease mainly related to Lauritzen Bulkers due to a reduction of our long-term tonnage position and the sale of vessels partly compensated by increasing revenue from our short-term trading.

Voyage-related costs decreased from USDm (185) in 2018 to USDm (175) in 2019, mainly reflecting the decreasing revenue.

The time-charter equivalent income amounted to USDm 327 based on 37,787 ship days, compared to USDm 381 in 2018 based on 39,907 ship days.

Hire of chartered vessels decreased from USDm (287) in 2018 to USDm (128) in 2019 mainly due to the adoption of IFRS 16 Leases, where hire of long-term charted vessels is replaced by operating costs, depreciation and interest costs.

Operating costs for owned and leased vessels totalled USDm (111), up from USDm (68) in 2018 due to operating costs for the leased vessels.

EBITDA before special items

Operating income before depreciation and special items (EBITDA) amounted to USDm 59 compared to USDm (6) in 2018. The increase in EBITDA from the adoption of IFRS 16 was partly offset by a minor decrease in earnings for Lauritzen Kosan.

Depreciation of owned and leased vessels amounted to USDm (91) against USDm (28) in 2018 due to depreciation on the leased vessels.

Operating income and special items

Operating income before special items amounted to USDm (31) compared to USDm (34) in 2018.

Special items in 2019 amounted to USDm (44) relating to impairments of vessels and right-of-use assets, while the 2018 result included special items totalling USDm 25 mainly related to the use of provisions for onerous contracts and the reversal of vessel impairments.

Financing and tax

Net financial income and expenses amounted to USDm (29), up from USDm (13) in 2018 due to interest costs on the leased vessels.

Income tax amounted to USDm (1) in line with 2018.

OPERATING ASSETS AND LIABILITIES

Vessels

The carrying amount of owned vessels totalled USDm 240, down from USDm 354 in 2018 mainly due to depreciation and sale of vessels. Right-of-use assets relating to the adoption of IFRS 16 amounted to USDm 145.

At year-end, we tested our fleet for impairment. The test caused an impairment loss of USDm (30) related to the right-of-use bulk carriers.

Investments in joint ventures

Investments in joint ventures totalled USDm 28 in line with 2018.

Net working capital and other receivables

Net working capital declined to USDm 1 from USDm 18 in 2018 due to a decrease in receivables and an increase in trade payables.

Invested capital

Invested capital amounted to USDm 423, up from USDm 404 in 2018.

At year-end 2019, total assets amounted to USDm 481 compared to USDm 462 in 2018.

CAPITAL STRUCTURE AND FINANCES

Equity
Shareholders' equity was USDm 131, down from USDm 236 in 2018. Solvency was 27%, down from 51% at year-end 2018. The decrease in solvency was partly due to the negative result for the year and partly due to the increase in total assets from the recognition of right-of-use assets.

Liabilities
Net interest-bearing debt increased to USDm 294 from USDm 171 in 2018 due to the recognised IFRS 16 lease liability, partly offset by repayment of mortgage debt.

At year-end 2019, total liabilities amounted to USDm 350, against USDm 226 in 2018 reflecting the increase in interest-bearing debt.

CASH FLOW AND FINANCIAL RESOURCES

Cash flow from operating activities totalled USDm 47 compared to USDm (25) in 2018. The increase reflects the increasing EBITDA and a decrease in working capital, partly offset by an increase in outgoing financial payments.

Cash flow from investment activities amounted to USDm 56 comprising proceeds from sales of vessels partly offset by investment in dry dockings. In 2018, cash flow from investment activities amounted to USDm (2) comprising investments in dry dockings and joint ventures, partly offset by proceeds from sales of vessels.

Cash flow from financing activities amounted to USDm (106), comprising repayment of mortgage debt and installment on lease debt. In 2018, cash flow from financing activities amounted to USDm 3 comprising debt repayment offset by the proceeds from a sale and lease-back of four gas carriers.

Cash and cash equivalents at year-end amounted to USDm 31 (2018: USDm 33).

At year-end 2019, undrawn committed facilities amounted to USD nil in line with 2018.

In addition to the cash and cash equivalents, J. Lauritzen has an unsecured, uncommitted overdraft facility for multi-currency short-term financing needs. At year-end, DKKm 12 (2018: DKKm 40) was undrawn.

Management *statement*

The Board of Directors and the Executive Management have today discussed and approved the annual report of J. Lauritzen A/S for the financial year 1 January - 31 December 2019.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and Parent Company at 31 December 2019 and of the results of their operations and cash flows for the financial year 1 January - 31 December 2019.

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

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

Hellerup, 17 March 2020

EXECUTIVE MANAGEMENT

Mads Peter Zacho
Chief Executive Officer (CEO)

BOARD OF DIRECTORS

* Elected by the employees

Tommy Thomsen, Chairman

Kristian V. Mørch, Vice Chairman

Barbara Plucnar Jensen

Peter Poul Lauritzen Bay

Søren Berg*

Rolf Andersen*

Karsten Gauger*

Independent *auditors' report*

TO THE SHAREHOLDER OF J. LAURITZEN A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of J. Lauritzen A/S for the financial year 1 January - 31 December 2019, which comprise income statement, statement of comprehensive income, balance sheet statement, cash flow statement, equity statement and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2019 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 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

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

Independence

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

Statement on the Management's review

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

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

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

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

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Copenhagen, 17 March 2020

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Torben Bender
State Authorised
Public Accountant
MNE no. 21332

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Income Statement

USD '000	Note	2019	2018*
Revenue	2.1, 2.2	502,355	565,368
Voyage related costs		(175,346)	(184,699)
Time-charter equivalent income		**327,009**	**380,669**
Other operating income		2,897	3,269
Hire of chartered vessels	2.2	(128,059)	(287,101)
Operating costs of vessels	2.4	(110,600)	(67,687)
Administrative costs	2.4	(32,097)	(35,435)
Operating income before depreciation (EBITDA) and special items		**59,149**	**(6,285)**
Profit/(loss) on sale of vessels and other assets		178	114
Depreciation	3.1, 3.2	(90,565)	(27,545)
Share of profit in joint ventures	3.5	46	(775)
Operating income (EBIT) before special items		**(31,192)**	**(34,492)**
Special items, net	2.2	(44,097)	24,524
Operating income (EBIT) after special items		**(75,288)**	**(9,968)**
Financial income	4.3	734	779
Financial expenses	4.4	(29,795)	(14,039)
Profit/(loss) before tax		**(104,349)**	**(23,227)**
Income tax	5.3	(674)	(1,092)
Profit/(loss) for the year		**(105,023)**	**(24,319)**
Profit/(loss) attributable to:			
The J. Lauritzen Group		**(105,023)**	**(24,319)**

* Financial figures for 2018 are not restated to reflect IFRS 16.

Statement of Comprehensive Income

USD '000	Note	2019	2018*
Profit/(loss) for the year		**(105,023)**	**(24,319)**
Items that can be reclassified subsequently to income statement:			
Other comprehensive income net of tax:			
Exchange differences on translating foreign operations		73	(313)
Fair value adjustment of hedging instruments during the year		(918)	287
Gain/(loss) on hedging instruments transferred to financial expenses		445	412
Other comprehensive income net of tax		**(400)**	**386**
Total comprehensive income for the year		**(105,422)**	**(23,933)**
Total comprehensive income attributable to:			
The J. Lauritzen Group		(105,422)	(23,933)
		(105,422)	**(23,933)**

* Financial figures for 2018 are not restated to reflect IFRS 16.

Balance sheet statement

ASSETS

USD '000	Note	2019	2018*
Vessels, property and equipment	3.1	241,377	356,237
Right-of-use assets	3.2	144,582	-
Investments in joint ventures	3.5	28,098	28,380
Deferred tax assets	5.3	2,200	2,200
Receivables from joint ventures		4,628	3,555
Other receivables		747	520
Non-current assets		**421,633**	**390,892**
Bunkers		12,599	16,321
Trade receivables	4.5	1,679	4,220
Other receivables	3.7	4,233	9,423
Prepayments		4,743	6,176
Current tax receivables	5.3	-	456
Derivative financial instruments	4.5	1,554	391
Cash and cash equivalents		30,908	33,431
		55,717	70,418
Assets held for sale	5.1	3,617	923
Current assets		**59,334**	**71,342**
Total assets		**480,967**	**462,233**

* Financial figures for 2018 are not restated to reflect IFRS 16.

LIABILITIES

USD '000	Note	2019	2018*
Share capital		65,473	65,473
Retained earnings		71,837	176,860
Reserves		(6,492)	(6,092)
Equity	4.6	**130,819**	**236,241**
Derivative financial instruments	4.5	382	290
Other non-current liabilities		506	-
Long-term borrowings	4.1	124,475	191,106
Long-term lease obligations	3.2, 4.1	132,902	-
Non-current liabilities		**258,266**	**191,397**
Current portion of long-term borrowings	4.1	6,977	13,305
Current portion of long-term lease obligations	3.2, 4.1	56,714	-
Bank debt		4,153	-
Trade payables		18,398	11,617
Other payables		4,715	7,622
Derivative financial instruments	4.5	836	2,051
Current tax payables	5.3	89	-
Current liabilities		**91,882**	**34,596**
Total liabilities		**350,148**	**225,993**
Total equity and liabilities		**480,967**	**462,233**

* Financial figures for 2018 are not restated to reflect IFRS 16.

Cash flow statement

USD '000	Note	2019	2018*
Operating income before special items		(31,192)	(34,492)
Depreciation carried back		90,565	27,545
Share of profit in joint ventures		(46)	775
Special items with cash flow effect		59	54
IFRS 15 adjustment in P/L carried back		-	(260)
(Profit)/loss on sale of vessels and other assets		(273)	(114)
Change in bunkers		3,722	(1,345)
Change in receivables		9,230	(5,184)
Change in payables		4,659	(6,896)
Cash flow from operations before financial items		76,725	(19,916)
Ingoing financial payments		734	779
Outgoing financial payments		(29,828)	(6,120)
Cash flow from ordinary operations		47,631	(25,257)
Paid corporate tax	5.3	(144)	(141)
Cash flow from operating activities		**47,487**	**(25,399)**
Investments in vessels	3.1	(7,050)	(11,003)
Investments in machinery and equipment	3.1	(1)	(14)
Investments in joint ventures	3.5	-	(2,145)
Investment in joint ventures, non cash		-	321
Sale of vessels		62,045	9,878
Sale of other non current assets		41	90
Sale of land and buildings		1,194	483
Cash flow from investment activities		**56,228**	**(2,390)**
Financial receivables		(735)	(1,624)
Installment on long-term debt		(47,231)	(24,632)
Proceeds from loans		4,153	-
Installment on lease debt (IFRS 16)		(62,469)	-
Proceeds from finance lease		-	29,815
Installment on finance lease debt		-	(822)
Cash flow from financing activities		**(106,281)**	**2,737**

	2019	2018*
Changes for the year in cash and cash equivalents	(2,565)	(25,052)
Cash and cash equivalents at beginning of year	33,431	58,540
Currency adjustments on cash and cash equivalents	43	(58)
Cash and cash equivalents at the end of the year	**30,908**	**33,431**
Undrawn committed credit facilities at end of year **	-	-
Financial resources at the end of the year	30,908	33,431

* Financial figures for 2018 are not restated to reflect IFRS 16.

** J. Lauritzen has an unsecured overdraft facility for multi-currency short-term financing needs. At year-end, DKKm 12 (2018: DKKm 40) was undrawn.

Equity statement

USD '000	Share capital	Hedging instruments	Shares available for sale	Translation gain/loss	**Reserves**	Retained earnings	**Total equity**
Equity 1/1 2019	65,473	(271)	(52)	(5,769)	(6,092)	176,860	236,241
Profit/(loss) for the year	-	-	-	-	-	(105,023)	(105,023)
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	73	73	-	73
Deferred (gain)/loss on hedging instruments transferred to financial expenses	-	445	-	-	445	-	445
Fair value adjustment of hedging instruments during the period	-	(918)		-	(918)	-	(918)
Other comprehensive income	-	(473)	-	73	(400)	-	(400)
Total comprehensive income	**-**	**(473)**	**-**	**73**	**(400)**	**(105,023)**	**(105,422)**
Equity 31/12 2019	**65,473**	**(744)**	**(52)**	**(5,696)**	**(6,492)**	**71,837**	**130,819**
Equity 1/1 2018*	65,473	(970)	(52)	(5,456)	(6,478)	201,928	260,923
Effect of change in accounting policies (implementing IFRS 15)	-	-	-	-	-	(749)	(749)
Profit/(loss) for the year	-	-	-	-	-	(24,319)	(24,319)
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	(313)	(313)	-	(313)
Deferred (gain)/loss on hedging instruments transferred to financial expenses	-	412	-	-	412	-	412
Fair value adjustment of hedging instruments during the period	-	287		-	287	-	287
Total other comprehensive income	-	699	-	(313)	386	-	386
Total comprehensive income	**-**	**699**	**-**	**(313)**	**386**	**(24,319)**	**(23,933)**
Equity 31/12 2018*	**65,473**	**(271)**	**(52)**	**(5,769)**	**(6,092)**	**176,860**	**236,241**

* Financial figures for 2018 are not restated to reflect IFRS 16.

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 2019 comprise J. Lauritzen A/S and its subsidiaries (The Group).

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

NOTE 1.2 CHANGE IN ACCOUNTING POLICIES AND NEW FINANCIAL REPORTING STANDARDS

With effective date 1 January 2019, we have adopted the standards and interpretations that became effective in EU from 2019. Only IFRS 16 Leases has affected recognition or measurement in 2019.

J. Lauritzen has adopted IFRS 16 Leases implying that all J. Lauritzen's operational lease-contracts with a duration of more than 12 months have been recognised at the Balance sheet as a lease liability and a right-of-use asset measured at the present value of lease payments. The Income statement is affected by depreciation of the right-of-use assets over the lease term, and the lease expenses are recognised as amortisation and interest. The Cash Flow statement is affected by repayment of lease-obligation being classified as cash flow from financing activities instead of cash flow from operating activities.

IFRS 16 Leases has been adopted using the modified retrospective approach where the right of use asset and lease liability are equal at the date of initial adoption (1 January 2019) without restating prior year figures.

Transition to IFRS 16

USDm	1 January 2019
Operating leasing of vessels 31 December 2018 (Annual Report 2018, note 3.2)	416
Lease obligation regarding assets not delivered	(29)
Service element of lease contracts (non-lease component)	(159)
Undiscounted lease payments excluding service element	228
Discounted lease payments excluding service element	206
Lease obligation recognised 1 January 2019	206

NOTE 1.3 GENERAL ACCOUNTING POLICIES

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

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

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

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

NOTE 1.3 GENERAL ACCOUNTING POLICIES CONTINUED

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

Enterprises in which the Group has joint controlling influence with one or more business partners are classified as joint ventures.

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.

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
- Assumptions used in calculating right of use assets and lease liabilities - note 3.
- Impairment test of non-current assets and lease commitments – note 3.4

Critical accounting judgments:
- Special items – note 2.2
- Joint ventures – note 3.5
- Assets held for sale – note 5.1
- Tax – note 5.3

NOTE 1.4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

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
The central element of the business models for both Lauritzen Kosan and Lauritzen Bulkers is to assume exposure by taking commitments either to own or employ tonnage or to carry cargo.

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

Our business activities are exposed to risk factors common for cyclical, global industries like ocean shipping: essentially, demand and supply. Demand for the seaborne transportation of raw materials and energy typically fluctuates with global economic growth. On the other side is a supply of tonnage where capacity can only adapt at a slow pace. These factors have a direct impact on profit and financial strength through volatility in market rates, margins and vessel values. Furthermore, annual freight contracts, if of a certain size and not renewed, may impact our bottom line and financial performance.

During 2019, the commercial risk profile of Lauritzen Bulkers was rebalanced by reducing the amount of long-term commitments and by increasing flexibility. This was achieved mainly by reducing the owned fleet and partly replacing this with short and medium-term time-chartered tonnage.

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

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 2019. None of the issued accounting standards and interpretations are expected to have influence on the financial reporting for the Group. We expect to implement the standards and interpretations on effective date as issued by the IASB subject to their endorsement by the EU.

Section 2
Operating activities

NOTE 2.1 REVENUE

The revenue reported represents revenue from customers.

USD '000	**2019**	2018
Freight revenue	332,895	320,852
COA revenue	50,083	94,113
Time charter revenue	119,376	150,403
Total	**502,355**	**565,368**
Revenue per business unit		
Lauritzen Bulkers	403,307	461,892
Lauritzen Kosan	99,048	103,476
Total	**502,355**	**565,368**

ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

NOTE 2.2 SPECIAL ITEMS

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

USD '000	2019	2018*
A) One-off revenue from sale of claims, claim settlements and termination of contracts	59	54
B) Sale of vessels as a consequence of counterparty defaults or strategic initiatives	-	419
B) Impairment losses/reversals on vessels	(14,156)	8,403
B) Impairment losses on right-of-use assets	(30,000)	-
C) Use of provisions for onerous contracts	-	15,327
D) Impairment losses/reversals on vessels owned by joint ventures	-	321
Special items, net	**(44,097)**	**24,524**

* Financial figures for 2018 are not restated to reflect IFRS 16.

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		2019	2018*
Revenue	A)	502,414	565,422
Other operating income		2,897	3,269
Costs	C)	(446,102)	(559,595)
Operating income before depreciation (EBITDA)		**59,208**	**9,096**
Profit/(loss) on sale of assets		178	533
Depreciation and impairment losses	B)	(134,721)	(19,142)
Share of profit in joint ventures	D)	46	(454)
Operating income		**(75,288)**	**(9,968)**
Net financial items	E)	(29,060)	(13,260)
Profit/(loss) before tax		**(104,349)**	**(23,227)**
Income tax		(674)	(1,092)
Profit/(loss)		**(105,023)**	**(24,319)**

* Financial figures for 2018 are not restated to reflect IFRS 16.

ACCOUNTING POLICIES

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

CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

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

NOTE 2.3 OPERATING LEASING INCOME

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

	Total	
2019	USDm committed income	No. of vessels, full year equivalents
< 1 Year	37.5	9.9
1 - 2 Year	9.3	3.0
2 - 3 Year	-	-
3 - 4 Year	-	-
4 - 5 Year	-	-
> 5 Year	-	-
Total	**46.9**	**-**
2018		
< 1 Year	41.9	11.1
1 - 2 Year	5.9	1.8
2 - 3 Year	0.5	0.1
3 - 4 Year	-	-
4 - 5 Year	-	-
> 5 Year	-	-
Total	**48.2**	**-**

CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

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

USD '000	Staff costs onshore employees [1] 2019	2018	Staff costs, crew on vessels [2] 2019	2018	Total staff costs 2019	2018
Salaries	20,734	20,442	25,595	28,002	46,329	48,445
Pensions (defined contribution plan)	1,820	1,873	-	-	1,820	1,873
Social security	467	462	-	-	467	462
Contract labour	8	81	-	-	8	81
Total	**23,030**	**22,858**	**25,595**	**28,002**	**48,625**	**50,860**

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

	Number of employees, onshore 2019	2018	Number of employees, crew on vessels 2019	2018	Number of employees, total 2019	2018
Average number of employees	168	165	331	560	499	725
Number of employees at year end	168	167	333	538	501	705

USD '000	2019	2018
Remuneration to J. Lauritzen A/S'		
Executive Management - salaries	675	699
CEO Mads Peter Zacho	*675*	*699*
Executive Management - bonus	188	204
CEO Mads Peter Zacho	*188*	*204*
Board of Directors	442	479
	1,305	**1,382**

Remuneration to Executive Management consists of a fixed and variable compensation.

Section 3
Operating assets and liabilities

NOTE 3.1 VESSELS, PROPERTY & EQUIPMENT

USD '000 2019	Vessels	Land & buildings	Machinery, tools and equipment	Total
Cost as at 1 January	800,469	1,954	10,157	812,580
Transfer to other category	(81,066)	-	-	(81,066)
Exchange rate adjustments	21	(18)	(4)	(1)
Additions	7,050	-	1	7,051
Disposals	(257,995)	(1,605)	-	(259,600)
Cost as at 31 December	468,478	331	10,153	478,963
Depreciation and impairment losses as at 1 January	(446,697)	(942)	(8,702)	(456,342)
Transfer to other category	63,043	-	-	63,043
Exchange rate adjustments	(21)	18	1	(2)
Depreciation	(23,979)	(34)	(17)	(24,030)
Impairment losses	(14,156)	-	-	(14,156)
Disposals	193,272	628	-	193,900
Depreciation and impairment losses as at 31 December	(228,537)	(331)	(8,717)	(237,586)
Balance as at 31 December	**239,941**	**-**	**1,436**	**241,377**

USD '000 2018*	Vessels	Land & buildings	Machinery, tools and equipment	Total
Cost as at 1 January	811,104	2,489	10,181	823,774
Exchange rate adjustments	(384)	(52)	(11)	(447)
Additions	11,003	-	14	11,017
Disposals	(15,049)	(483)	(27)	(15,559)
Transfer, assets held for sale	(6,205)	-	-	(6,205)
Cost as at 31 December	800,469	1,954	10,157	812,580
Depreciation and impairment losses as at 1 January	(438,881)	(903)	(8,699)	(448,482)
Exchange rate adjustments	312	36	11	360
Depreciation	(27,454)	(76)	(16)	(27,545)
Reversal of impairment losses	8,403	-	-	8,403
Disposals	5,639	-	-	5,639
Disposals, loss of control of subsidiaries				-
Transfer, assets held for sale	5,282	-	-	5,282
Depreciation and impairment losses as at 31 December	(446,697)	(942)	(8,702)	(456,343)
Balance as at 31 December	**353,772**	**1,011**	**1,455**	**356,237**
Hereof finance leased assets	18,023	-	-	18,023

* Financial figures for 2018 are not restated to reflect IFRS 16.

NOTE 3.1 VESSELS, PROPERTY & EQUIPMENT CONTINUED

ACCOUNTING POLICIES

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

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

Costs relating to dry dockings are capitalised and depreciated on a straight line basis. The expected useful life of dry dockings 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.

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 2018 or 2019.

NOTE 3.2 LEASES (IFRS 16)

Right-of-use assets (leased assets)

USD '000 **2019**	Vessels	Land & buildings	Total
Balance as at 1 January	-	-	-
Effect of transition 1 January	223,673	1,315	224,987
Additions	16,128	-	16,128
Depreciation during the year	(65,546)	(987)	(66,533)
Impairment losses	(30,000)	-	(30,000)
Balance as at 31 December	**144,255**	**327**	**144,582**

Lease obligations

USD '000	**2019**
Maturity of lease obligations:	
<1 year	56,714
1-5 years	129,038
> 5 years	3,865
Total un-discounted lease obligation in Balance sheet statement 31 December	189,616
Lease obligation in Balance sheet statement	**189,616**
Short-term obligation	56,714
Long-term obligation	132,902
Obligation on service element of lease contracts not recognised at the balance sheet	175,547

Lease amounts recognised in the Income statement

USD '000	**2019**
Costs related to short-term leases (less than 12 months)	(128,059)
Service element not recognised as part of the lease obligation (opex)	(49,696)
Depreciations related to right-of-use assets	(66,533)
Interest expenses related to lease obligations	(16,556)

In 2019 the Group has paid USDm (128.7) related lease contracts recognised at the balance sheet, hereof interest of USDm (16.6) and repayment of lease obligations of USDm (62.5), while the service element not included in the recognised lease contracts amounts to USDm (49.7).

NOTE 3.2 LEASES (IFRS 16) CONTINUED

ACCOUNTING POLICIES

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

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

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

Definitions:

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

CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

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

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

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

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

NOTE 3.3 FINANCE LEASING OF VESSELS (2018)

In 2018 the Group entered into sale and lease back arrangements for 4 gas carriers. The contracts were considered as financial leases. At the end of the lease period, the owner of the vessels has a put-option to sell the vessels back to J. Lauritzen.

In 2018 the vessels were included in "Vessels, property and equipment" in the Balance sheet and note 3.1. Due to adoption of IFRS 16, the vessels has been transferred to Balance sheet item "Right-of-use assets" and are included in note 3.2.

USDm

2018*	Minimum lease payments	Interest	Present value of minimum lease payments
< 1 Year	7,585	2,979	4,605
1 - 5 Year	29,618	5,880	23,737
> 5 Year	-	-	-
Total	**37,202**	**8,860**	**28,343**

* Financial figures for 2018 are not restated to reflect IFRS 16.

NOTE 3.4 IMPAIRMENT TEST 2019

For Small Bulk Carriers, the impairment test at year end 2019, resulted in book values of owned and partowned vessels being supported by either broker values or value in use of the vessels. For the Right-of-use assets in the CGU, the book value exceeds the value in use, and hence an impairment loss of USDm 30 has been recognised at year end 2019.

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

ACCOUNTING POLICIES

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

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

CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

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

The CGUs applied in the impairment test for 2019 are identical to those applied for 2018:

Lauritzen Bulkers	Small bulk carriers
Lauritzen Kosan	Fully-pressurised Other gas carriers

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

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

For Bulk Carrier CGU's we use a nominal risk adjusted weighted average cost of capital of 9.4% equal to 7.1% in real terms after tax to discount deflated future cash flows, while the nominal risk adjusted weighted average cost of capital for Gas Carriers CGU's is 7.0% equal to 4.7% in real terms. In 2018 we used a nominal risk adjusted weighted average cost of capital of 9.0% equal to 6.9% in real terms after tax to discount deflated future cash flows for Bulk Carriers CGU's, and a nominal risk adjusted weighted average cost of capital of 7.3% equal to 5.1% in real terms after tax for Gas Carriers CGU's. Due to tonnage tax regulations, the pre-tax weighted average cost of capital corresponds to the weighted average cost of capital after income taxes.

NOTE 3.5 INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

USD '000	2019	2018
Cost as at 1 January	23,995	21,850
Additions during the year	-	2,145
Cost as at 31 December	23,995	23,995
Revaluation as at 1 January	(2,291)	(1,516)
Revaluations during the year	46	(775)
Revaluation as at 31 December	(2,246)	(2,291)
Balance as at 31 December	21,750	21,704
Negative equity settled against receivable from joint ventures	6,349	6,676
Balance as at 31 December	**28,098**	**28,380**

Key figures for joint ventures (100%):

USD '000	2019	2018
Revenue	23,093	19,520
Net profit	1,106	(144)
Assets	121,260	110,500
Liabilities	80,728	80,027
Group's share of net profit	575	(1,920)
Internal profit/loss	(530)	1,145
Net profit in joint ventures	46	(775)
Group's share of equity	21,801	19,912
Internal profit/loss	(51)	1,792
	21,750	21,704

Guarantees and payment obligations relating to joint ventures:

USDm	2019	2018
Guarantees undertaken for debt in joint ventures	17	20
Max. obligations to pay in capital into joint ventures	-	-

ACCOUNTING POLICIES

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

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

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

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

CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

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

NOTE 3.6 WORKING CAPITAL

USD '000	**2019**	2018
Bunkers	12,599	16,321
Trade receivables	1,679	4,220
Other receivables	4,235	9,423
Prepayments	4,743	6,176
Total working capital assets	23,257	36,140
Trade payables	18,398	11,617
Other payables	3,640	6,222
Total working capital liabilities	22,038	17,840
Net working capital	**1,219**	**18,300**

NOTE 3.7 OTHER RECEIVABLES

USD '000	**2019**	2018
Working capital receivables:		
Pool receivables	1,516	8,078
Insurance claims	1,528	-
Other short-term receivables	1,191	1,345
Total other receivables	**4,235**	**9,423**

NOTE 3.8 PROVISIONS

USD '000	**2019**	2018*
Provisions as at 1 January	-	15,327
Additions included in special items	-	-
Used during the year included in special items	-	(15,327)
Used during the year, other	-	-
Provisions as at 31 December	**-**	**-**
Hereof:		
Current liabilities	-	-
Provisions as at 31 December	**-**	**-**

* Financial figures for 2018 are not restated to reflect IFRS 16.

The provisions refer to onerous long-term time-charters.

Section 4
Capital structure and financing

NOTE 4.1 LONG-TERM BORROWINGS

	2019						
USD '000	<1 year	1 - 2 year	2 - 3 year	3 - 4 year	4 - 5 year	> 5 year	Total
Mortgages on vessels *	(6,977)	(112,422)	(2,365)	(9,688)	-	-	(131,453)
Lease liabilities	(56,714)	(44,368)	(39,945)	(33,992)	(10,733)	(3,865)	(189,616)
Total long-term borrowings	**(63,691)**	**(156,790)**	**(42,309)**	**(43,680)**	**(10,733)**	**(3,865)**	**(321,069)**

	2018**						
USD '000	<1 year	1 - 2 year	2 - 3 year	3 - 4 year	4 - 5 year	> 5 year	Total
Mortgages on vessels *	(8,700)	(8,700)	(141,689)	(5,419)	(10,912)	(0)	(175,419)
Finance leasing	(4,605)	(5,164)	(5,746)	(6,418)	(6,463)	(597)	(28,993)
Total long-term borrowings	**(13,305)**	**(13,864)**	**(147,434)**	**(11,837)**	**(17,375)**	**(597)**	**(204,412)**

* The bank facilities include covenants customary to ship finance, including:
- Security maintenance: Ratio between security and outstanding debt in the particular facility minimum 120%.
- Financial covenants: Value-adjusted consolidated solvency ratio of minimum 30%, consolidated liquidity of the higher of USD 25m and 10% of the total interest bearing debt of the Group calculated on a consolidated basis, and consolidated working capital ratio to be higher than one. Calculation of ratios to exclude IFRS 16. We complied with all covenants at year end 2019, like in previous years.

** Financial figures for 2018 are not restated to reflect IFRS 16.

USD '000	Currency	Fixed/ Variable	Interest rate fixation	Average effective interest rate excl. hedging	Average effective interest rate incl. hedging	Book value
2019						
Bank debt:						
Mortgages on vessels	USD	Variable	3-6 month	4.51%	4.90%	(124,566)
Mortgages on vessels	JPY	Variable	6 month	2.00%	2.54%	(6,887)
				4.38%	4.78%	(131,453)
Other financing:						
Lease liabilities	USD	Fixed	0-60 month	7.78%	N/A	(189,616)
Total						**(321,069)**
2018*						
Mortgages on vessels	USD	Variable	3-6 month	5.04%	5.16%	(148,677)
Mortgages on vessels	JPY	Variable	6 month	2.07%	2.71%	(26,741)
				4.55%	4.75%	(175,419)
Other financing:						
Finance leasing	USD	Fixed	0-60 month	11.06%	N/A	(28,993)
Total						**(204,412)**

* Financial figures for 2018 are not restated to reflect IFRS 16.

NOTE 4.1 LONG-TERM BORROWINGS CONTINUED

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

	2019			2018		
USD '000	Book value	Currency hedging derivatives	Net currency exposure on loan	Book value	Currency hedging derivatives	Net currency exposure on loan
JPY	(6,887)	4,000	(2,887)	(26,741)	27,000	259
Total	**(6,887)**	**4,000**	**(2,887)**	**(26,741)**	**27,000**	**259**

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

USD '000	2019	2018
Total long-term borrowings (including current portion)	(131,453)	(175,419)
Hereof amortised transaction costs	1,695	4,411
Floating interest borrowings	(133,147)	(179,830)
Interest rate swaps floating to fixed, nominal	86,002	103,512
Exposure to floating interest rates at year end	**(47,145)**	**(76,317)**

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.

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

Changes in liabilities arising from financing activities

USD '000 **2019**	Mortage on vessels	Leases of vessels	Total liabilities from financing activities
Book value 1 of January	(175,419)	(28,993)	(204,412)
Transition to IFRS 16	-	(206,965)	(206,965)
Lease additions during the year	-	(16,128)	(16,128)
Repayment (Cash flow)	47,505	62,469	109,974
Foreign exchange movement	(532)	-	(532)
Amortised transaction costs	(3,007)	-	(3,007)
Balance as at 31 December	**(131,453)**	**(189,617)**	**(321,069)**

USD '000 2018*	Mortage on vessels	Finance lease of vessels	Total liabilities from financing activities
Book value 1 of January	(198,052)	-	(198,052)
Repayment (Cash flow)	24,632	822	25,454
Proceeds (Cash flow)	-	(29,815)	(29,815)
Foreign exchange movement	(584)	-	(584)
Amortised formation costs	(1,415)	-	(1,415)
Balance as at 31 December	**(175,419)**	**(28,993)**	**(204,412)**

* Financial figures for 2018 are not restated to reflect IFRS 16.

NOTE 4.2 MORTGAGES

USD '000	2019	2018
Debt for a total of	131,453	175,419
is secured by mortgages on assets at the following book values:		
Vessels	239,941	331,801

NOTE 4.3 FINANCIAL INCOME

USD '000	2019	2018
Interest income, bank deposits	641	687
Other financial income	93	93
Financial income	**734**	**779**

NOTE 4.4 FINANCIAL EXPENSES

USD '000	2019	2018*
Interest expenses on loans	(24,621)	(10,905)
Interest expenses on leases	(2,979)	(143)
Other financial expenses	(337)	(586)
Currency exchange gains and losses, net	(653)	(309)
Financial instruments at FV through P&L, net	(1,205)	(2,096)
Financial expenses	**(29,795)**	**(14,039)**

* Financial figures for 2018 are not restated to reflect IFRS 16.

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 2018.

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.

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

At year-end 2019, cash and cash equivalents amounted to USDm 31. An unsecured, uncommitted overdraft facility for multi-currency short-term financing needs is in place. At year end, DKKm 12 was undrawn.

The Group's loan portfolio consists of traditional mortgage-backed ship finance (approximately 95% of total facilities) and ECA (Export Credit Agency) backed agreements (approximately 5% 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 2019, the Group had pledged USDm 0m related to MVC in loan agreements (2018: USDm 0). There were no breaches of credit facilities at year end in 2019 and 2018. Should vessel values decrease by 10% during 2020 compared to the December 2019-valuations, nil would be required by year-end 2020 as additional security.

Changes in market values on derivatives could cause margin calls. To reduce the risk of margin calls, we have established credit lines with a number of financial counterparties based on second priority mortgages on our vessels. At year-end 2019, the Group had not pledged cash for cover of margin calls (2018: USDm 0).

Below is a maturity analysis of the financial liabilities at year-end 2019. A maturity analysis of lease obligations is also included in note 3.2.

USD '000

2019	Carrying amount	Contractual cash flow	<1 year	1 - 2 year	2 - 3 year	3 - 4 year	4 - 5 year	> 5 year
Interest-bearing debt *	(325,222)	(367,119)	(87,363)	(169,304)	(48,475)	(46,553)	(11,419)	(4,006)
Trade and other payables	(23,112)	(23,112)	(23,112)	-	-	-	-	-
Derivatives, liabilities at fair value	(1,218)	(1,219)	(836)	(310)	(49)	(22)	-	-
Total at 31 December 2019	**(349,552)**	**(391,450)**	**(111,311)**	**(169,614)**	**(48,524)**	**(46,575)**	**(11,419)**	**(4,006)**
2018**								
Interest bearing debt *	(204,412)	(238,863)	(25,861)	(25,404)	(154,457)	(14,177)	(18,334)	(630)
Trade payable and other payables	(19,239)	(19,239)	(19,239)	-	-	-	-	-
Derivatives, liabilities at fair value	(2,342)	(2,342)	(2,051)	(175)	(94)	(15)	(6)	(1)
Total at 31 December 2018*	**(225,993)**	**(260,444)**	**(47,151)**	**(25,579)**	**(154,551)**	**(14,191)**	**(18,340)**	**(631)**

* Contractual cash flow includes undiscounted interest payments based on interest levels at year-end. ** Financial figures for 2018 are not restated to reflect IFRS 16.

NOTE 4.5 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS CONTINUED

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 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 2019, 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 JPY, ref note 4.1.
Currency risk - Long-term borrowings
The long-term floating rate borrowings are fixed to a large extent (65%) using interest rate swaps.

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

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

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

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

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

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

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

Sensitivity of currency risk
To measure currency risk in accordance with IFRS 7, sensitivity is calculated as the change in fair value of future cash flows from financial instruments as a result of fluctuations in exchange rates on the balance sheet date. Other things being equal and after tax, sensitivity to fluctuations in non-USD currencies at balance sheet date based on a 10% decrease in currency translation rates against USD (assuming 100% effectiveness) would result in a net profit/(loss) of USDm (2.1) (2018: USDm (1.9)) and affect equity by USDm (2.1) (2018: USDm (1.9)). The effect of a 10% increase in the currency translation rates against USD would have a corresponding inverse effect.

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

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

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

NOTE 4.5 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS CONTINUED

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

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

On financial instruments at fair value, the calculated effect after tax based on a 1% interest rate increase would affect profit/loss by USDm 0.9 (2018: USDm 1.0)) and equity by USDm 1.0 (2018: USDm 1.5). On financial instruments with variable interest recognised at amortised costs, profit/loss and equity would be affected by USDm (1.0) (2018: USDm (1.4)).

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

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

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

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

Standard payment terms for the Bulk business is that 95% of the transaction price (estimated revenue) for the voyages is due 3 days after loading the cargo, while the remaining revenue is due after discharge, therefore the majority of the revenue is paid before releasing the cargo to the customer. For the Kosan business standard payment terms is 100% of the transaction price after discharge, when trading with known and creditworthy customers, otherwise it is typically agreed that payment is due before discharge.

Due to payment terms for the business, historic losses on trade receivables are immaterial, and therefore the Group do not recognise expected losses on trade receivables.

In 2019 and 2018 no provisions were made for losses on trade receivables. The Group did not have any further overdue trade receivables (2018: USD nil).

At year-end 2019, 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	**2019**	2018
Other long-term receivables	5,375	4,074
Trade receivables	1,679	4,220
Financial derivatives	1,554	391
Other short-term receivables	4,233	9,423
Cash and bank deposits	30,908	33,431
Maximum credit risk	**43,749**	**51,539**

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

NOTE 4.5 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS CONTINUED

Derivative financial instruments

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

USDm	Cash flow / Fair value hedge	2019 Nominal, USDm	2019 Duration, month	2019 Recognised on equity	2019 Fair value	2018 Nominal, USDm	2018 Duration, month	2018 Recognised on equity	2018 Fair value
Hedge accounting applied:									
Interest rate swaps	Cash flow	86.0	2-47	(0.8)	(0.9)	103.5	14-59	(0.3)	(0.4)
Terminated interest rate swap	Cash flow	N/A	N/A	0.0	N/A	N/A	N/A	0.1	N/A
Total				**(0.7)**	**(0.9)**			**(0.3)**	**(0.4)**
Hedge accounting not applied:									
Currency: USD/EUR	N/A	4.1	0-4	-	(0.2)	3.4	0-8	-	(0.1)
Currency: USD/DKK	N/A	21.0	0-8	-	(0.1)	21.1	0-9	-	(0.7)
Currency: USD/JPY	N/A	4.0	0-2	-	0.1	27.0	0-1	-	0.3
FFA's and oil contracts	N/A	N/A	1-18	-	1.4	N/A	1-12	-	(1.0)
Total				**-**	**1.2**			**-**	**(1.5)**
Total derivative financial instruments					**0.3**				**(1.9)**
Presented in the financial statement as:									
Derivative financial instruments, assets					1.6				0.4
Non-current derivative financial instr., liabilities					(0.4)				(0.3)
Derivative financial instruments, liabilities					(0.8)				(2.1)

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.

NOTE 4.5 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS CONTINUED

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	2019	2018*
Fin. assets at FV through P/L **	1,554	391
Loans and receivables***	42,195	51,148
Fin. liabilities - at FV through P/L **	(1,218)	(2,341)
Fin. liabilities - at amortised cost***	(348,334)	(223,651)

* Financial figures for 2018 are not restated to reflect IFRS 16.
** Figure includes financial derivatives designated for hedge accounting.
*** Amounts recognised for financial asset and liabilities at amortised cost do not differ materially from their fair value.

Fair value hierarchy
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.

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

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.

NOTE 4.5 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS CONTINUED

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. Until 2018 the incurred loss model was used to measure Trade and other receivables. From 2018 Trade and other receivables are measured using the ECL method, and expected losses are recognised in the profit and loss.

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

NOTE 4.6 EQUITY

The authorized and issued share capital of J. Lauritzen A/S amount to DKKm 460 (2018: DKKm 460) with 37 shares (2018: 37 shares) of DKK 50,000 or multiples of this.

	No. of shares		Nominal DKKm	
	2019	2018	**2019**	2018
1 January	37	37	460	460
31 December	**37**	**37**	**460**	**460**

Capital
J. Lauritzen A/S pursues a prudent dividend policy that secures the necessary liquidity and supports our daily operation.

At the end of 2019 and 2018, 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	2019	2018
Assets held for sale		
One gas carrier	3,617	923
Total assets held for sale	**3,617**	**923**

The vessel was sold with delivery to the new owner in February 2020.

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.

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 CONTINGENT LIABILITIES

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

USDm	2019	2018
Guarantees towards insurance company	-	1
Guarantees for debt in former joint ventures	-	56

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.

NOTE 5.3 TAX

USD '000	2019	2018
Tax in the Income Statement consists of:		
Current tax	(642)	947
Deferred tax	-	(1,900)
Income tax	**(642)**	**(953)**
Tax on the profit is specified as follows:		
Calculated 22% of result before tax	22,711	5,609
Tax effect of:		
Tonnage tax	(4,560)	(3,982)
Tax asset valuation adjustment	-	(1,900)
Non-taxable items	(18,171)	(1,057)
Adjustments previous year	(622)	377
	(642)	**(953)**
Effective tax rate	**1%**	**4%**
Deferred tax on the Balance Sheet:		
Deferred tax 1 January	2,200	4,100
Tax on profit	-	(1,900)
Deferred tax 31 December	**2,200**	**2,200**
Deferred tax concerns:		
Taxable losses carried forward to be used within five years	2,200	2,200
	2,200	2,200
Unrecognised share of taxable losses carried forward	2,800	1,100
Corporate tax (receivable)/payable can be specified as follows:		
Balance 1 January	(570)	385
Exchange rate adjustments	17	(8)
Provision for the year	20	(570)
Adjustment to prior years	622	(377)
	89	**(570)**

J. Lauritzen is subject to Danish tax regulations which means that by law it is taxed jointly with all Danish subsidiaries under the Lauritzen Foundation.

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

In 2005 the Danish based companies of the JL Group entered the Danish tonnage taxation system, the adoption of which is binding until at least 2024. JL does not expect to exit the tonnage taxation and thus no deferred tax provision has been made on the assets or liabilities effected by the Danish tonnage taxation system. If, however, J. Lauritzen were to leave the Danish tonnage taxation system there could be a deferred tax liability of up to a maximum of USDm 19.

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 5.4 FEES TO AUDITOR

USD '000	**2019**	2018
Total fees to elected auditors	270	492
Specified as follows:		
Statutory audit	245	254
Tax advisory services	3	2
Fee for other services	22	236

NOTE 5.5 RELATED PARTIES

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

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

Finally, additional related parties comprise joint ventures companies (cf. note 3.3) in which the Group has a significant influence. Subsidiaries and joint ventures together with the shareholding are shown in the List of group companies.

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

USD '000	**2019**	2018
Lauritzen Ship Owners:		
Bareboat hire	6,264	6,128
Management fee	-	8
LF Investment:		
Management fee	75	79
DFDS A/S		
Insurance refund	-	515
Joint ventures and associated companies:		
Management fee	1,171	1,065

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 5.6 EVENTS AFTER THE BALANCE SHEET DATE

On 12 March 2020, J. Lauritzen obtained support from our owner, Lauritzen Fonden, to improve the capital structure. The agreement is that Lauritzen Fonden will increase the share capital with nominal DKK 50,000 at a value of USDm 20 in cash before the end of June 2020.

List of group *companies*

COMPANY NAME	COUNTRY	OWNERSHIP %
Group operating entities (ship owning)		
J. Lauritzen A/S	Denmark	-
Other group operating entities		
J. Lauritzen (USA) Inc.	USA	100
J. Lauritzen Singapore Pte. Ltd.	Singapore	100
Joint-ventures (ship owning)		
Admiral Logistics Corporation	Panama	50
LKT Gas Carriers Pte. Ltd.	Singapore	50
Milau Pte. Ltd.	Singapore	50
Other operating interests		
De Forenede Sejlskibe I/S	Denmark	43
Dormant		
KRK 4 ApS	Denmark	100
Lauritzen Reefers A/S	Denmark	100

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Income statement

USD '000	Note	2019	2018*
Revenue	2.1	492,271	541,385
Voyage related costs		(174,318)	(183,929)
T/C equivalent income		**317,953**	**357,455**
Other operating income		2,841	3,294
Hire of chartered vessels	2.3	(136,980)	(297,684)
Operating costs of vessels	2.4	(97,340)	(45,852)
Administrative costs	2.4	(27,285)	(28,109)
Operating income before depreciation (EBITDA) and special items		**59,189**	**(10,897)**
Profit/(loss) on sale of vessels and other assets		(634)	-
Depreciation	3,1. 3,2	(84,012)	(17,928)
Operating income		**(25,457)**	**(28,824)**
Share of profit in joint ventures	3.6	246	(112)
Operating income (EBIT) before special items		**(25,211)**	**(28,937)**
Special items, net	2.2	(39,450)	17,439
Operating income (EBIT) after special items		**(64,661)**	**(11,498)**
Financial income	4.3	161,637	1,605
Financial expenses	4.4	(200,206)	(15,713)
Profit/(loss) before tax		**(103,230)**	**(25,606)**
Income tax	5.3	(642)	(953)
Profit/(loss) for the year		**(103,872)**	**(26,558)**

* Financial figures for 2018 are not restated to reflect IFRS 16.

Statement of comprehensive income

USD '000	Note	2019	2018*
Profit/(loss) for the year		**(103,872)**	**(26,558)**
Items that can be reclassified subsequently to profit or loss:			
Other comprehensive income net of tax:			
Exchange differences on translating foreign operations		62	363
Fair value adjustment of hedging instruments during the year		(918)	287
Deferred gains/(loss) on hedging instruments transferred to financial expenses		445	412
Fair value adjustment of shares available for sale		-	-
Other comprehensive income net of tax		**(410)**	**1,063**
Total comprehensive income for the year		**(104,282)**	**(25,495)**

* Financial figures for 2018 are not restated to reflect IFRS 16.

Balance sheet statement

USD '000	Note	2019	2018*
ASSETS			
Vessels, property and equipment	3.1	234,446	223,709
Right-of-use assets	3.2	144,582	-
Investments in subsidiaries	3.5	36,955	208,984
Investments in joint ventures	3.6	21,801	5,083
Deferred tax assets	5.3	2,200	2,200
Receivables from joint ventures		10,976	-
Other receivables	4.5	747	520
Non-current assets		**451,707**	**440,495**
Bunkers		12,599	16,161
Trade receivables	4.5	1,764	4,554
Other receivables	3.8	2,485	9,129
Prepayments		4,737	6,293
Receivables from affiliated companies		1,232	1,879
Current tax receivables	5.3	-	570
Derivative financial instruments	4.5	1,554	391
Cash and cash equivalents		30,411	28,713
		54,784	67,689
Assets held for sale	5.1	3,617	-
Current assets		**58,401**	**67,689**
Total assets		**510,108**	**508,184**

* Financial figures for 2018 are not restated to reflect IFRS 16.

USD '000	Note	2019	2018*
LIABILITIES			
Share capital		65,473	65,473
Retained earnings		57,680	161,551
Reserves		79	490
Equity	4.6	**123,232**	**227,514**
Derivative financial instruments	4.5	382	290
Other non-current liabilities		506	-
Long-term borrowings	4.1	124,475	119,035
Long-term lease obligations	3.2, 4.1	132,902	-
Non-current liabilities		**258,265**	**119,324**
Current portion of long-term borrowings	4.1	6,977	10,567
Current portion of long-term lease obligations	3.2, 4.1	56,714	-
Bank debt		4,153	-
Trade payables		18,386	11,212
Other payables		4,374	6,279
Debt to affiliated companies		37,081	131,236
Derivative financial instruments	4.5	836	2,051
Current tax payables	5.3	89	-
Current liabilities		**128,611**	**161,346**
Total liabilities		**386,876**	**280,670**
Total equity and liabilities		**510,108**	**508,184**

* Financial figures for 2018 are not restated to reflect IFRS 16.

Cash flow statement

USD '000	Note	2019	2018*
Operating income before special items		(25,211)	(28,937)
Depreciation carried back		84,012	17,928
Share of profit in joint ventures		(246)	112
Special items with cash flow effect		59	54
(Profit)/loss on sale of subsidiary carried back		(40)	-
IFRS 15 adjustment in P/L carried back		-	(260)
(Profit)/loss on sale of vessels and other assets		634	-
Change in bunkers		3,562	(1,476)
Change in receivables		10,987	6,276
Change in payables		3,479	(6,089)
Cash flow from operations before financial items		77,235	(12,391)
Ingoing financial payments		(541)	(532)
Outgoing financial payments		(25,885)	(1,242)
Cash flow from ordinary operations		50,809	(14,165)
Paid corporate tax	5.3	-	-
Cash flow from operating activities		**50,809**	**(14,165)**
Investments in vessels	3.1	(3,147)	(10,120)
Sale of vessels	3.1	45,986	-
Sale of other non current assets		41	-
Investments in joint ventures	3.6	-	(1,495)
Reversal of provisions related to joint ventures	4.3	-	321
Cash flow from investment activities		**42,880**	**(11,294)**
Financial receivables		(235)	(4)
Installment on long-term debt		(33,485)	(23,116)
Proceeds from loans		4,153	-
Installment on lease debt (IFRS 16)		(62,469)	-
Proceeds from finance lease proceeds		-	29,815
Installment on finance lease debt		-	(822)
Cash flow from financing activities		**(92,035)**	**5,873**

USD '000	2019	2018*
Changes for the year in cash and cash equivalents	1,655	(19,585)
Cash and cash equivalents at beginning of year	28,713	48,357
Currency adjustments on cash and cash equivalents	43	(58)
Cash and cash equivalents at the end of the year	**30,411**	**28,713**

* Financial figures for 2018 are not restated to reflect IFRS 16.

Equity statement

USD '000	Share capital	Hedging instruments	Shares available for sale	Translation gain/loss	**Reserves**	Retained earnings	**Total**
Equity 1/1 2019	65.473	(259)	(52)	801	490	161.551	227.513
Profit/(loss) for the year	-	-	-	-	-	(103.872)	(103.871)
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	62	62	-	62
Deferred (gain)/loss on hedging instruments transferred to financial expenses	-	445	-	-	445	-	445
Fair value adjustment of hedging instruments during the period	-	(918)		-	(918)	-	(918)
Other comprehensive income	-	(473)	-	62	(411)	-	(411)
Total comprehensive income	**-**	**(473)**	**-**	**62**	**(411)**	**(103.872)**	**(104.282)**
Equity 31/12 2019	**65.473**	**(731)**	**(52)**	**863**	**79**	**57.680**	**123.232**
Equity 1/1 2018*	65.473	(958)	(52)	437	(573)	188.858	253.758
Effect of change in accounting policies (implementing IFRS 15)	-	-	-	-	-	(749)	(749)
Profit/(loss) for the year	-	-	-	-	-	(26.558)	(26.558)
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	363	363	-	363
Deferred (gain)/loss on hedging instruments transferred to financial expenses	-	412	-	-	412	-	412
Fair value adjustment of hedging instruments during the period	-	287		-	287	-	287
Total other comprehensive income	-	699	-	363	1.063	-	1.063
Total comprehensive income	**-**	**699**	**-**	**363**	**1.063**	**(26.558)**	**(25.496)**
Equity 31/12 2018*	**65.473**	**(259)**	**(52)**	**801**	**490**	**161.551**	**227.513**

* Financial figures for 2018 are not restated to reflect IFRS 16.

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 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.

Except for the changes described below the accounting policies for the financial statement of the parent company are unchanged compared to last financial year.

Change in accounting policies
Due to establishment of the branch-setup for Singapore activities it has been decided to change the accounting policy of the parent company related to recognition of associates and joint ventures from cost less accumulated impairment losses to equity method, which is consistent with the accounting policies of the Group.

The change in accounting policy has the following effect on the financial years 2019 and 2018, there is no effect on the opening balance of 2018:

USD '000	**2019**	2018
Change in:		
Net result	246	(112)
Investment in joint ventures	134	(112)
Equity	134	(112)

SUPPLEMENTARY ACCOUNTING POLICIES FOR THE PARENT COMPANY

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

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

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

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

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

NOTE 1.3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

NOTE 1.4 NEW ACCOUNTING REGULATIONS FOR FUTURE IMPLEMENTATION

Reference is made to note 1.5 of the Group consolidated financial statements for disclosure of new accounting regulation. None of the issued accounting standards and interpretations are expected to have influence on the financial reporting of the parent company.

Section 2
Operating activities

NOTE 2.1 REVENUES

The revenue reported represents revenue from external customers.

USD '000	2019	2018
Freight revenue	330,679	315,808
COA revenue	50,733	95,079
Time charter revenue	110,859	130,498
Total	**492,271**	541,385
Revenue per business unit:		
Lauritzen Bulkers	399,120	453,596
Lauritzen Kosan	93,152	87,789
Total	**492,271**	541,385

NOTE 2.2 SPECIAL ITEMS

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

USD '000	2019	2018*
A) One-off revenue from sale of claims and claim settlements and termination of contracts	59	54
B) Sale of vessels as a consequence of counterparty defaults or strategic initiatives	-	419
B) Impairment losses/reversals on vessels	(9,509)	1,640
B) Impairment losses on right-of-use assets	(30,000)	-
C) Use of provisions for onerous contracts	-	15,327
Special items, net	**(39,450)**	**17,439**

* Financial figures for 2018 are not restated to reflect IFRS 16.

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.	2019	2018*
Revenue	A)	492,330	541,438
Other operating income		2,841	3,294
Costs	C)	(435,924)	(540,248)
Operating income before depreciation (EBITDA)		**59,248**	**4,484**
Profit/(loss) on sale of assets		(634)	419
Depreciation and impairment losses	B)	(123,521)	(16,288)
Share of profit in joint ventures	5)	246	(112)
Operating income		**(64,661)**	**(11,497)**
Financial items, net	D)	(38,569)	(14,108)
Profit/(loss) before tax		**(103,230)**	**(25,606)**
Income tax		(642)	(953)
Profit/(loss) from continuing operations		**(103,872)**	**(26,558)**

* Financial figures for 2018 are not restated to reflect IFRS 16.

NOTE 2.3 OPERATING LEASING INCOME

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

2019	USDm committed income	No. of vessels, full year equivalents
< 1 Year	37.5	9.9
1 - 2 Year	9.3	3.0
2 - 3 Year	-	-
3 - 4 Year	-	-
4 - 5 Year	-	-
> 5 Year	-	-
Total	**46.9**	**-**
2018*		
< 1 Year	5.9	11.1
1 - 2 Year	0.5	1.8
2 - 3 Year	-	-
3 - 4 Year	-	-
4 - 5 Year	-	-
> 5 Year	-	-
Total	**6.4**	**-**

NOTE 2.4 STAFF COSTS, OFFICE & FLEET

	Staff costs onshore employees [1]		Staff costs, crew on vessels [2]		Total staff costs	
USD '000	**2019**	2018	**2019**	2018	**2019**	2018
Salaries	15,893	14,143	20,398	20,039	36,290	34,181
Pensions (defined contribution plan)	1,708	1,762	-	-	1,708	1,762
Social security	167	104	-	-	167	104
Contract labour	8	81	-	-	8	81
Total	**17,776**	**16,090**	**20,398**	**20,039**	**38,174**	**36,128**

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	
	2019	2018	**2019**	2018	**2019**	2018
Average number of employees	132	118	228	380	360	498
Number of employees at year end	155	119	230	381	385	500

USD '000	**2019**	2018
Remuneration to J. Lauritzen A/S'		
Executive Management - salaries	675	699
CEO Mads Peter Zacho	*675*	*699*
Executive Management - bonus	188	204
CEO Mads Peter Zacho	*188*	*204*
Board of Directors	442	479
	1,305	**1,382**

Remuneration to Executive Management consists of a fixed and variable compensation.

Section 3
Operating assets and liabilities

NOTE 3.1 VESSELS, PROPERTY & EQUIPMENT

USD '000

2019	Vessels	Vessels under construction	Machinery, tools and equipment	Total
Cost as at 1 January	564,224	-	9,497	573,722
Transfer to other category	(81,066)			(81,066)
Additions	3,147	-	-	3,147
Transfer from other entities	102,879			102,879
Disposals	(180,189)	-	-	(180,189)
Cost as at 31 December	408,995	-	9,497	418,493
Depreciation and impairment losses as at 1 January	(341,914)	-	(8,099)	(350,013)
Transfer to other category	63,043			63,043
Depreciation	(17,479)	-	-	(17,479)
Impairment losses	(9,509)	-	-	(9,509)
Disposals	129,911	-	-	129,911
Depreciation and impairment losses as at 31 December	(175,948)	-	(8,099)	(184,047)
Balance as at 31 December	**233,048**	**-**	**1,398**	**234,446**

2018*	Vessels	Vessels under construction	Machinery, tools and equipment	Total
Cost as at 1 January	554,507	-	9,497	564,005
Additions	10,120	-	-	10,120
Disposals	(403)	-	-	(403)
Transferred to assets held for sale (note 5.1)	-	-	-	-
Cost as at 31 December	564,224	-	9,497	573,722
Depreciation and impairment losses as at 1 January	(326,029)	-	(8,099)	(334,128)
Depreciation	(17,928)	-	-	(17,928)
Reversal of impairment losses	1,640	-	-	1,640
Disposals	403	-	-	403
Depreciation and impairment losses as at 31 December	(341,914)	-	(8,099)	(350,013)
Balance as at 31 December	**222,310**	**-**	**1,398**	**223,709**
Hereof finance leased assets	18,023	-	-	18,023

* Financial figures for 2018 are not restated to reflect IFRS 16.

NOTE 3.2 LEASES

USD '000

2019	Vessels	Land & buildings	Total
Balance as at 1 January	-	-	-
Effect of transition 1 January	223,673	1,315	224,987
Additions	16,128	-	16,128
Depreciation during the year	(65,546)	(987)	(66,533)
Impairment losses	(30,000)	-	(30,000)
Balance as at 31 December	**144,255**	**327**	**144,582**

Lease obligations

USD '000	2019
Maturity of lease obligations:	
<1 year	56,714
1-5 years	129,038
> 5 years	3,865
Total un-discounted lease obligation in Balance sheet statement 31 December	189,616
Lease obligation in Balance sheet statement	**189,616**
Short-term obligation	56,714
Long-term obligation	132,902
Obligation on service element of lease contracts not recognised at the balance sheet	175,547

Lease amounts recognised in the income statement

USD '000	2019
Costs related to short-term leases (less than 12 months)	(128,059)
Service element not recognised as part of the lease obligation (opex)	(49,696)
Depreciations related to right-of-use assets	(66,533)
Interest expenses related to lease obligations	(16,556)

In 2019 the Group has paid USDm (128.7) related lease contracts recognised at the balance sheet, hereof interest of USDm (16.6) and repayment of lease obligations of USDm (62.5), while the service element not included in the recognised lease contracts amounts to USDm (49.7).

NOTE 3.3 FINANCE LEASING OF VESSELS (2018)

In 2018 the parent company entered into sale and lease back contracts for 4 gas carriers. The contracts were considered as financial leases. At the end for the lease period, the owner of the vessels has a put-option to sell the vessels back to J. Lauritzen.

In 2018 the vessels were included in "Vessels, property and equipment" in the Balance sheet and note 3.1. Due to adoption of IFRS 16, the vessels has been transferred to Balance sheet item "Right-of-use assets" and are included in note 3.2.

USDm

2018*	Minimum lease payments	Interest	Present value of minimum lease payments
< 1 Year	7,585	2,979	4,605
1 - 5 Year	29,618	5,880	23,737
> 5 Year	-	-	-
Total	**37,202**	**8,860**	**28,343**

* Financial figures for 2018 are not restated to reflect IFRS 16.

NOTE 3.4 IMPAIRMENT TEST 2019

For Small Bulk Carriers, the impairment test at year end 2019, resulted in book values of owned and partowned vessels being supported by either broker values or value in use of the vessels. For the Right-of-use assets in the CGU, the book value exceeds the value in use, and hence an impairment loss of USDm 30 has been recognised at year end 2019.

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

NOTE 3.5 INVESTMENT IN SUSIDIARIES

	Ownership	
	2019	2018
Lauritzen Reefers A/S, Denmark	100%	100%
J. Lauritzen Singapore Pte., Singapore	100%	100%
Lauritzen Kosan Manila ROHQ	100%	100%
KRK 4 ApS, Denmark	100%	100%
Gasnaval S.A., Spain (in liquidation)	100%	100%
J. Lauritzen (USA) Inc., USA	100%	100%
J. Lauritzen S.A., Switzerland (liquidated)	0%	100%

USD '000	**2019**	2018
Cost as at 1 January	340,155	340,874
Disposal during the year	(104)	(719)
Cost as at 31 December	340,050	340,155
Accumulated impairment losses at 1 Jan	(131,172)	(127,185)
Revaluations during the year	(171,925)	(4,706)
Disposal during the year	-	719
Revaluation as at 31 December	(303,096)	(131,172)
Balance as at 31 December	**36,955**	**208,984**

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

NOTE 3.6 INVESTMENT IN JOINT VENTURES

USD '000	**2019**	2018
Cost as at 1 January	5,195	3,700
Additions during the year	16,472	1,495
Cost as at 31 December	21,667	5,195
Revaluation as at 1 January	(112)	-
Revaluations during the year	246	(112)
Revaluation as at 31 December	134	(112)
Balance as at 31 December	**21,801**	**5,083**

Assets in joint ventures consist of vessels which have been impairment tested in accordance with the company's principles for impairment testing.

Key figures for joint ventures, in total:

USD '000	**2019**	2018
Revenue	23,093	983
Net profit	1,106	(224)
Assets	121,260	26,168
Liabilities	80,728	25,395

Guarantees and payment obligations relating to joint ventures:

USDm	**2019**	2018
Max. obligations to pay in capital into joint ventures	17	-

NOTE 3.7 WORKING CAPITAL

USD '000	**2019**	2018
Bunkers	12,599	16,161
Trade receivables	1,764	4,554
Other receivables	2,485	9,129
Prepayments	4,737	6,293
Total working capital assets	21,586	36,136
Trade payables	18,386	11,212
Other payables	3,299	5,201
Total working capital liabilities	21,685	16,413
Net working capital	**(98)**	**19,723**

NOTE 3.8 OTHER RECEIVABLES

USD '000	**2019**	2018
Working capital receivables:		
Pool receivables	1,516	8,078
Other short term receivables	969	1,050
Total other receivables	**2,485**	**9,129**

NOTE 3.9 PROVISIONS

USD '000	**2019**	2018*
Provisions as at 1 January	-	15,327
Additions, included in special items	-	-
Used during the year included in special items	-	(15,327)
Used during the year, other	-	-
Provisions as at 31 December	**-**	**-**
Hereof:		
Current liabilities	-	-
Provisions as at 31 December	**-**	**-**

* Financial figures for 2018 are not restated to reflect IFRS 16.

The provisions refer primarily to onerous long-term time-charters.

Section 4
Capital structure and financing

NOTE 4.1 LONG-TERM BORROWINGS

	2019			
USD '000	<1 year	1-5 year	> 5 year	Total
Mortgages on vessels *	(6,977)	(124,475)	-	(131,453)
Lease liabilities	(56,714)	(129,038)	(3,865)	(189,616)
Total long-term borrowings	**(63,691)**	**(253,513)**	**(3,865)**	**(321,069)**

	2018**			
USD '000	<1 year	1-5 year	> 5 year	Total
Mortgages on vessels *	(5,962)	(94,647)	-	(100,609)
Finance leasing **	(4,605)	(23,791)	(597)	(28,993)
Total long-term borrowings	**(10,567)**	**(118,438)**	**(597)**	**(129,602)**

* Please refer to note 4.1 in the Consolidated Financial Statements for a description of financial covenants, capital structure and refinancing.
** Financial figures for 2018 are not restated to reflect IFRS 16.

USD '000	Currency	Fixed/ Variable	Interest rate fixation	Average effective interest rate, excl. hedging	Average effective interest rate incl. hedging	Book value
2019						
Bank debt:						
Mortgages on vessels	USD	Variable	3-6 months	4.51%	4.90%	(124,566)
Mortgages on vessels	JPY	Variable	6 months	2.00%	2.54%	(6,887)
				4.38%	4.78%	(131,453)
Other financing:						
Lease liabilities	USD	Fixed	0-60 months	7.78%	N/A	(189,616)
Total						**(321,069)**
2018*						
Bank debt:						
Mortgages on vessels	USD	Variable	3-6 months	4.90%	5.13%	(73,868)
Mortgages on vessels	JPY	Variable	6 months	2.07%	2.71%	(26,741)
				3.82%	4.44%	(100,609)
Other financing:						
Finance leasing	USD	Fixed	0-60 months	11.06%	N/A	(28,993)
Total						**(129,602)**

* Financial figures for 2018 are not restated to reflect IFRS 16.

NOTE 4.1 LONG-TERM BORROWINGS CONTINUED

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

	2019			2018		
USD '000	Book value	Currency hedging derivatives	Net currency exposure on loan	Book value	Currency hedging derivatives	Net currency exposure on loan
JPY	(6,887)	4,000	(2,887)	(26,741)	27,000	259
Total	**(6,887)**	**4,000**	**(2,887)**	**(26,741)**	**27,000**	**259**

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

USD '000	2019	2018*
Total long-term borrowings (including current portion)	(131,453)	(100,609)
Hereof amortised formation costs	1,695	3,678
Floating interest borrowings	(133,147)	(104,287)
Interest rate swaps floating to fixed at year end, nominal	86,002	103,512
Exposure to floating interest rates at year end	**(47,145)**	**(775)**

* Financial figures for 2018 are not restated to reflect IFRS 16.

Changes in liabilities arising from financing activities:

USD '000 **2019**	Mortage on vessels	Leases of vessels and property	Total liabilities from financing activities
Book value 1 of January	100,609	28,993	129,602
Transition to IFRS 16	-	206,965	206,965
Lease additions during the year	-	16,128	16,128
Transfer of loans from group entities	61,359	-	61,359
Repayment (Cash flow)	(33,501)	(62,469)	(95,970)
Foreign exchange movement	532	-	532
Amortised formation costs	2,453	-	2,453
Balance as at 31 December	**131,453**	**189,617**	**321,069**

USD '000 **2018***	Mortage on vessels	Finance lease of vessels	Total liabilities from financing activities
Book value 1 of January	122,020	-	122,020
Repayment (Cash flow)	(23,116)	(822)	(23,939)
Proceeds (Cash flow)	-	29,815	29,815
Foreign exchange movement	584	-	584
Amortised formation costs	1,122	-	1,122
Balance as at 31 December	**100,609**	**28,993**	**129,602**

* Financial figures for 2018 are not restated to reflect IFRS 16.

NOTE 4.2 MORTGAGES

USD '000	2019	2018
Debt for a total of	131,453	100,609
is secured by mortgages on assets at the following book values:		
Vessels	233,048	204,288

NOTE 4.3 FINANCIAL INCOME

USD '000	2019	2018
Interest income, bank deposits	646	639
Other financial income	568	645
Dividends received from subsidiaries	160,422	-
Reversal of impairment on Joint ventures	-	321
Financial income	**161,637**	**1,605**

NOTE 4.4 FINANCIAL EXPENSES

USD '000	2019	2018*
Interest expenses on loans	(8,166)	(6,831)
Lease interest	(16,556)	(143)
Interest on debt to subsidiaries	(1,187)	(1,171)
Other financial expenses	(231)	(304)
Currency exchange gains and losses, net	(843)	(462)
Financial instruments at FV through P&L, net	(1,205)	(2,096)
Impairment subsidiaries	(172,019)	(4,706)
Financial expenses	**(200,206)**	**(15,713)**

* Financial figures for 2018 are not restated to reflect IFRS 16.

NOTE 4.5 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

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

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

Financial risk is regularly assessed and prioritised based on how likely it is to occur and its potential impact. As defined by the Board of Directors, overall policies and objectives for financial risks were generally unchanged from 2018. 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 2019:

USD '000

2019	Carrying amount	Contractual cash flows	< 1 year	1-5 years	> 5 years
Interest-bearing debt *	(325,223)	(367,119)	(87,363)	(275,750)	(4,006)
Trade and other payables	(22,759)	(22,759)	(22,759)	-	-
Debt to affiliates	(37,081)	(37,081)	(37,081)	-	-
Derivatives, liabilities at fair value	(1,218)	(1,218)	(836)	(382)	-
Total at 31 December 2019	**(386,281)**	**(428,177)**	**(148,040)**	**(276,132)**	**(4,006)**

2018**					
Interest bearing debt *	(129,602)	(153,961)	(19,005)	(134,326)	(630)
Trade and other payables	(17,491)	(17,491)	(17,491)	-	-
Debt to affiliates	(131,236)	(131,236)	(131,236)	-	-
Derivatives, liabilities at fair value	(2,342)	(2,342)	(2,051)	(291)	-
Total at 31 December 2018*	**(280,672)**	**(305,030)**	**(169,783)**	**(134,617)**	**(630)**

* Contractual cash flows include undiscounted interest payments based on interest levels at year-end.
** Financial figures for 2018 are not restated to reflect IFRS 16.

Market risk

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

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

Currency risk

To measure currency risk in accordance with IFRS 7, sensitivity is calculated as the change in fair value of future cash flows from financial instruments as a result of fluctuations in exchange rates on balance sheet date. Other things being equal and after tax, sensitivity to fluctuations in non-USD currencies at balance sheet date based on a 10% decrease in currency translation rates against USD (assuming 100% effectiveness) would result in a net profit/loss of USDm (2.1) (2018: USDm (1.9)) and affect equity by USDm (2.1) (2018: USDm (1.9)). 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 dueto inability to reliably measure the sensitivity of share prices to interest rate changes.

NOTE 4.5 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS CONTINUED

On financial instruments at fair value, the calculated effect after tax based on a 1% interest rate increase would affect profit/loss by USDm 0.9 (2018: USDm 1.0)) and equity by USDm 1.0 (2018: USDm 1.5). On financial instruments with variable interest recognised at amortised costs, profit/loss and equity would be affected by USDm (1.0) (2018: USDm (0.7)).

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

CREDIT RISK

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

In 2019 and 2018 no provisions were made for losses on trade receivables. The Parent Company did not have any further overdue trade receivables (2018: USD nil).

At year-end 2019, 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	**2019**	2018
Other long-term receivables	11,723	520
Trade receivables	1,764	4,554
Financial derivatives	1,554	391
Other short-term receivables	3,717	11,007
Cash and bank deposits	30,411	28,713
Maximum credit risk	**49,170**	**45,184**

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

NOTE 4.5 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS CONTINUED

Our policy is to use derivative financial instruments to hedge financial risks. At year end the Company held the following derivatives:

USDm		2019				2018			
	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:									
Interest rate swaps	Cash flow	86.0	2-47	(0.8)	(0.9)	77.7	14-59	(0.3)	(0.4)
Terminated interest rate swaps	Cash flow	N/A	N/A	0.0	N/A	N/A	N/A	0.1	N/A
Total				**(0.7)**	**(0.9)**			**(0.3)**	**(0.4)**
Hedge accounting not applied:									
Currency: USD/EUR	N/A	4.1	0-4	-	(0.2)	3.4	0-8	-	(0.1)
Currency: USD/DKK	N/A	21.0	0-8	-	(0.1)	21.1	0-9	-	(0.7)
Currency: USD/JPY	N/A	4.0	0-2	-	0.1	27.0	0-1	-	0.3
Interest rate swaps	N/A	-	-	-	-	25.8	-	-	0.0
FFA's and oil contracts	N/A	N/A	1-12	-	1.4	N/A	1-12	-	(1.0)
Total				**-**	**1.2**			**-**	**(1.5)**
Total derivative financial instruments					**0.3**				**(1.9)**
Presented in the financial statement as:									
Derivative financial instruments, assets					1.6				0.4
Non-current derivative financial instr., liabilities					(0.4)				(0.3)
Derivative financial instruments, liabilities					(0.8)				(2.1)

NOTE 4.5 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS CONTINUED

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

USD '000	2019	2018*
Fin. assets at FV through P/L **	1,554	391
Loans and receivables***	36,639	44,793
Fin. liabilities - at FV through P/L **	(1,218)	(2,341)
Fin. liabilities - at amortised cost***	(389,722)	(278,329)

* Financial figures for 2018 are not restated to reflect IFRS 16.
** Figure includes financial derivatives designated for hedge accounting
*** Amounts recognised for financial asset and liabilities at amortised cost do not differ materially from their fair value.

Fair value hierarchy
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.

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

USD '000	2019	2018
Assets held for sale		
One gas carrier	3,617	-
Total	**3,617**	**-**

The vessel was sold with delivery to the new owner in February 2020.

NOTE 5.2 CONTINGENT LIABILITIES

USDm	2019	2018
Guarantees for debt in subsidiaries	-	76
Guarantees for debt in former joint ventures	-	56
Guarantees towards insurance company	-	1

For guarantees and payment obligations relating to joint ventures, please refer to note 3.6.

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 5.3 TAX

USD '000	**2019**	2018
Tax in the Income Statement consists of:		
Current tax	(642)	947
Deferred tax	-	(1,900)
Income tax	**(642)**	**(953)**
Tax on the profit is specified as follows:		
Calculated 22% of result before tax	22,711	5,609
Tax effect of:		
Tonnage tax	(4,560)	(3,982)
Tax asset valuation adjustment	-	(1,900)
Non-taxable items	(18,171)	(1,057)
Adjustments previous year	(622)	377
	(642)	**(953)**
Effective tax rate	**1%**	**4%**
Deferred tax on the Balance Sheet:		
Deferred tax 1 January	2,200	4,100
Tax on profit	-	(1,900)
Deferred tax 31 December	**2,200**	**2,200**
Deferred tax concerns:		
Taxable losses carried forward to be used within five years	2,200	2,200
	2,200	2,200
Unrecognised share of taxable losses carried forward	2,800	1,100
Corporate tax (receivable)/payable can be specified as follows:		
Balance 1 January	(570)	385
Exchange rate adjustments	17	(8)
Provision for the year	20	(570)
Adjustment to prior years	622	(377)
	89	**(570)**

J. Lauritzen is subject to Danish tax regulations which means that by law it is taxed jointly with all Danish subsidiaries under the Lauritzen Foundation.

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

In 2005 the Danish based companies of the JL Group entered the Danish tonnage taxation system, the adoption of which is binding until at least 2024. JL does not expect to exit the tonnage taxation and thus no deferred tax provision has been made on the assets or liabilities effected by the Danish tonnage taxation system. If, however, J. Lauritzen were to leave the Danish tonnage taxation system there could be a deferred tax liability of up to a maximum of USDm 19.

NOTE 5.4 FEES TO AUDITORS

USD '000	2019	2018
Total fees to elected auditors	219	403
Specified as follows:		
Statutory audit	202	176
Tax advisory services	3	2
Fee for other services	14	225

NOTE 5.5 RELATED PARTIES

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

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

Finally, additional related parties comprise joint ventures companies (cf. note 3.4) in which J. Lauritzen has a significant influence. Subsidiaries and joint ventures together with J. Lauritzen's shareholding are shown in the List of group companies.

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

USD '000	2019	2018
Lauritzen Ship Owners:		
Bareboat hire	6,264	6,128
Management fee	-	8
LF Investment:		
Management fee	75	79
DFDS A/S:		
Insurance refund	-	515
Group companies:		
Management fee, income/(expenses)	(2,070)	(2,420)
Guarantee commission income/(expenses)	568	645
TC income/(expenses)	(1,947)	(7,231)
Internal interests income/(expenses)	(1,187)	(1,171)
Joint ventures and associated companies:		
Management fee	1,171	1,065

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 5.6 EVENTS AFTER THE BALANCE SHEET DATE

Please refer to note 5.6 in the consolidated statements.

FINANCIAL YEAR
1 January - 31 December

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