

LAURITZEN NEWS #13



September 2010

Lauritzen Kosan cements position in Far Eastern markets

Half-year results 2010 · Lauritzen Kosan cements position in Far Eastern markets · On the move in Singapore · Lauritzen Kosan namegiving ceremony in China · Systems update · Lauritzen Bulkers steps up log transport worldwide · Achieving critical mass · New focus on charter activity for Japan office · Company man · Lauritzen Bulkers continues newbuilding programme · Offshore dribbling · New avenues of financing · Onshore resources for offshore services · Beginning a career with JL

3	Editorial
4	Half-year results 2010
6	Lauritzen Kosan cements position in Far Eastern markets
8	On the move in Singapore
8	Lauritzen Kosan namegiving ceremony in China
9	Systems update
9	Lauritzen Bulkers steps up log transport worldwide
10	Achieving critical mass
11	New focus on charter activity for Japan office
12	Company man
13	Lauritzen Bulkers continues newbuilding programme
14	Offshore dribbling
16	New avenues of financing
19	Onshore resources for offshore services
20	Beginning a career with JL



Dear Reader,

As you can read in this edition of Lauritzen News, the Chairman of JL, Bent Østergaard recently marked his 40th anniversary with the Lauritzen Group. This is an excellent example of the widespread opportunities that JL – and the Lauritzen Group – is able to provide to its employees. But it's definitely also an example of the dedication, loyalty and continuity that characterize JL as a company, which is so highly valued by our customers and business partners worldwide.

In 2003, JL's world-class vision and an associated set of common values were introduced, and they have served us extremely well ever since. I am confident that thanks to these core guiding principles JL has been able to manage through one of the most difficult periods in recent times. Nevertheless, the world has changed dramatically since the collapse of Lehman Brothers in September 2008 and the beginning of the world economic and financial crisis. Against this background, we will in the coming months evaluate how to refine and retune our core values so that they can remain our guiding principles and enable us to meet the challenges further ahead of us.

Macro economic uncertainties and additions to the world fleet continue to represent a serious challenge for the shipping industry. Thus, I am satisfied that JL's interim financial results for the first half of 2010 were better than expected and that the outlook for the balance of 2010 remains fairly positive as well.

I am also pleased to convey that JL succeeded in diversifying its sources of financing by an unsecured bond issue with subsequent listing on Oslo Børs (the Oslo Stock Exchange). The issue was received overwhelmingly well by a broad range of investors.

Since JL's reentry into the product tanker market in 2004 it has been our strategic objective to build scale. Therefore, it came as a welcome opportunity when JL, together with Marinvest, Rederi AB Gotland and L.G.R. di Navigazione SpA, was invited to become a founding partner in Hafnia Management A/S. The new entity will be responsible for the commercial management of the said owners' fleets of LR1 and MR product tankers.

I am confident that Hafnia Management will be a strong player and I look forward to a successful cooperation with our new partners, one of which, L.G.R. di Navigazione SpA, has already had a close relationship with Lauritzen Kosan for some years.

Sincerely,
Torben Janholt
President & CEO

*Torben Janholt,
President and CEO*



A good start to the

JL enjoyed a good start to the year and JL's share of results totaled USD 99.6m for the first six months of the year compared to USD 1.5m for the first half-year in 2009. The result for the period was better than expected primarily due to improved earnings from Lauritzen Bulkera's Handysize bulk carrier operations and non-recurring income from counterparty settlements.

Main events

During the first half-year the following main events occurred:

- Four Handysize bulk carriers and two MR product tankers were delivered to the fleet.
- Seven long-term time-chartered bulk carriers (one Handysize, five Handymax and one Capesize) were also added to the fleet.
- An order for two Handysize bulk carrier newbuildings for delivery in 2012 was placed with Jiangmen Nanyang Ship Engineering in China together with Dansk Rederi A/S, a

close partner of Lauritzen Bulkera.

- A loan agreement backed by Nippon Export and Investment Insurance (NEXI), one of two Japanese export credit agencies was signed. The agreement was the first of its kind with a company located in an OECD country for which NEXI provides its cover without the cooperation of Japan Bank for International Cooperation.
- An unsecured bond issue was successfully completed for listing on the Oslo Børs (the Oslo Stock Exchange).

Lauritzen Bulkera

The dry bulk market experienced high volatility during the first half of the year, primarily due to the new quarterly price settlement structure for iron ore and to port congestion.

Total number of ship days increased to 15,148 compared to 14,255 in the first half of 2009.

EBITDA was USD 106.2m compared to USD 42.8m in 2009 and operating income was USD 96.9m compared to USD 19.8m in 2009. The increase was primarily due to improved earnings from Lauritzen Bulkera's Handysize bulk carrier operations and non-recurring income from counterparty settlements.

Key figures USDm

	Year to date		Full Year
	2010	2009	2009
Revenue	383.8	252.7	503.3
EBITDA	153.6	58.1	134.9
Depreciation	(33.2)	(49.3)	(76.4)
Sale of assets	(0.8)	3.2	17.1
Operating income	119.6	12.1	75.6
Joint ventures	7.1	(1.4)	17.0
Finance net	(20.7)	(5.0)	(16.5)
Result before tax	105.9	5.7	76.0
JL's share of the result	99.6	1.5	74.6
Invested capital (average)	1,923.8	1,317.7	1,519.4
ROIC	13.2%	1.6%	6.1%
ROIC (excl prepayments)	17.5%	3.4%	9.6%
Investments, net	251.4	110.9	442.4
Invested capital (period end)	2,034.0	1,410.3	1,813.7
- hereof prepayments	506.4	713.7	444.9
Fleet (full year average)	149	138	140
- hereof pool/partner share	35	39	41
Average no. of employees	1,159	882	940

USDm	1st half		Full Year
	2010	2009	2009
EBITDA			
Lauritzen Bulkera	106,2	42,8	117,4
Lauritzen Kosan	13,1	16,1	34,6
Lauritzen Tankera	5,4	1,8	(9,8)
Lauritzen Offshore Services	29,7	(0,5)	4,0
Other/not allocated	(1,0)	(2,0)	(11,3)
	153,6	58,1	134,9
Operating income			
Lauritzen Bulkera	96,9	19,8	152,8
Lauritzen Kosan	(1,1)	4,3	9,1
Lauritzen Tankera	3,0	0,9	(68,5)
Lauritzen Offshore Services	21,7	(2,6)	(1,3)
Other/not allocated	(1,0)	(10,4)	(16,6)
	119,6	12,1	75,6

year

Lauritzen Kosan

The open market for smaller gas carriers held up quite well during the first half of the year, taking the normal seasonal pattern into consideration.

Total number of ship days amounted to 8,657 compared to 8,243 in the first half of 2009.

EBITDA was USD 13.1m compared to USD 16.1m in 2009 and operating income was USD (1.1)m compared to USD 4.3m in 2009. Results were negatively affected by higher than expected unscheduled off-hire.

Lauritzen Tankers

After some improvement at the beginning of the year market conditions for medium range product tankers continued on a downward slope during the first half of 2010.

Total number of ship days amounted to 2,357 compared to 2,018 in the first half of 2009.

EBITDA was USD 5.4m compared to USD 1.8m in 2009 and operating income

was USD 3.0m compared to USD 0.9m in 2009. Results were better than expected due to higher spot earnings at the beginning of the period.

Lauritzen Offshore Services

Total number of ship days amounted to 362 compared to 171 in the first half of 2009 as both the accommodation and support vessel *Dan Swift* and the shuttle-tanker *Dan Eagle* were fully operational and performed very well.

EBITDA was USD 29.7m compared to USD (0.5)m in 2009 and operating income was USD 21.7m compared to USD (2.6)m in 2009. Results were in line with expectations.

Investments and balance sheet

Average invested capital amounted to USD 1,924m compared to USD 1,318m in the first half of 2009. The increase was in line with plans for fleet expansion and renewal.

JL maintains a solid balance sheet with a solvency ratio (excluding minority share-

holders share of equity) of 49.2% at of 30 June 2010.

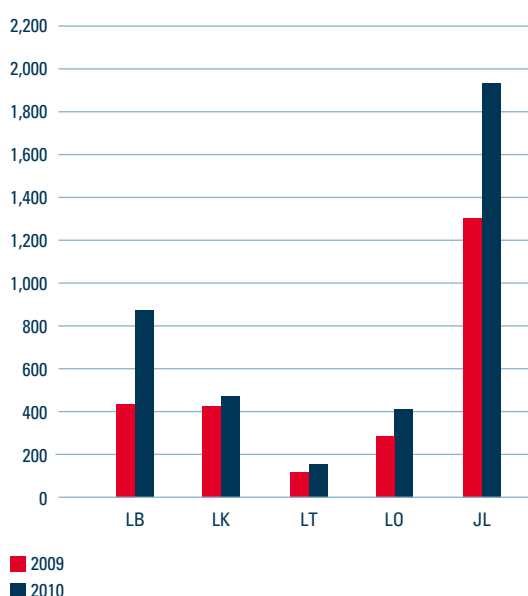
Outlook

Demand for seaborne transportation is expected to remain fairly strong in the second half of 2010. However, market conditions are expected to be affected by a significant delivery schedule of new tonnage, in particular of bulk carriers and product tankers.

JL's share of the result for the full year 2010 is expected to be USD 120-125m subject to possible gains and/or losses from sale of vessels.

You can also find JL's
2010 Interim report at
www.j-l.com

Invested capital (average) H1 2010, USDm



Return on invested capital (ROIC) was 13.2% compared to 1.6% in the same period in 2009. Excluding installments on vessels under construction, return on invested capital amounted to 17.5% compared to 3.4% in the first half of 2009. Cash and securities amounted to USD 282m at the end of June 2010, up from USD 218m at year-end 2009.

Average invested capital amounted to USD 1,924m compared to USD 1,318m in the first half of 2009. The increase was in line with plans for fleet expansion and renewal.



“We will use our strong base in Singapore and the pressurised segment to further expand into the growing markets of Asia and the Middle East in all segments.”

Jacob Bode

Vice President, Gas Activities, J. Lauritzen Singapore





Jacob Bode

Lauritzen Kosan cements position in Far Eastern markets

According to Jacob Bode, the new vice president of gas activities for JL's Singapore office, Singapore is a key to unlocking the potential of the growing pressurised gas market.

Within 2010, the Singapore office will have seven staff on the gas desk, compared to only one at the beginning of the year. Lauritzen Kosan has expanded its presence in the pressurised gas market by purchasing six purpose-built pressurised carriers at Kejin Yard in China. "I have personally been involved with gas shipping since 1997 with various companies," says Jacob Bode, "but especially during the last seven years in Singapore I have watched the 'garden-city' develop into a major shipping hub for traders and producers, as well as for shipowners in all segments and types of ships." With the fleet expanding and increased exposure to the gas markets, the office provides an ideal base to nurture closer contact with customers.

Strong regional opportunities

The pressurised segment is the workhorse of the Asian gas industry. The products are both petrochemical gasses and liquefied petroleum gasses being transported between the various refineries in Asia. Lauritzen Kosan has traditionally focused on servicing petrochemical clients, and

Singapore is one of the world's largest refinery hubs – that and the proximity to major markets like Indonesia and China have resulted in a large number of industry players being present. "With new-buildings due to deliver from September onwards," says Jacob Bode, "we feel that staff increases will assure our clients that we can handle their requirements in terms of human capacity as well as tonnage. We will use our strong base in Singapore and the pressurised segment to further expand into the growing markets of Asia and the Middle East in all segments."

One major example of Singapore's expanding refinery business is Shell's BUKOM refinery, which was officially opened in May 2010. The next expansion for the Singapore petrochemical sector is coming in 2011, when Exxon will open its new ethylene cracker. With the Singapore office providing close proximity and exposure to the markets, Lauritzen Kosan is well positioned to participate in this growth. "We also have a strong connection with our Shanghai office," says Jacob Bode, "where we are seeking to grow the

Chinese domestic business and taking advantage of the trend for Chinese clients to export. There is a strong trade between SE Asia and China, with many of the products being produced in the southern parts of Asia feeding growing demand in China. We plan to be a part of this pattern."

Access to local talent

Lauritzen Kosan's growth in Singapore will be supported by a strong supply of local talent. This reflects the Singapore government's focus on trying to develop local resources within the shipping business. "We are glad to see that JL's name in Singapore is widely recognized within the educational system, with a large number of graduates eager to join the company," says Jacob Bode. "Our latest addition to the Lauritzen Kosan gas desk, Ms. Huang Min, is a good example of this – she graduated from Nanyang Technological University's Maritime Technology programme in May of 2010 and is now working with operations of our pressurised gas carriers."

On the move in Singapore

Photo by Michael Moter



Michael Elling (left) and Jesper Kragh Andresen

Changes include new faces in key positions and a renewed emphasis on Lauritzen Kosan's pressurised gas activities.

Three new executives are in place in JL's Singapore office, which opened in 2005. Jesper Kragh Andresen, formerly JL's group general counselor, has taken over the position of managing director from Tom Hansen. Mikael Elling, formerly head of business control and vice president of Lauritzen Kosan, has been appointed CFO. And Jakob Bode, a seven-year veteran of the gas shipping business in Singapore, has joined the office as vice president of gas activities.

In addition to his legal background, Jesper Kragh Andresen recently completed an executive MBA with INSEAD, which has campuses in France and Singapore, and last year he was based in Singapore for the entire year, working full time and studying part time. "This gave me a head-start with taking over as managing director," he says. "It's a natural progression to move into this new role. My goal is to become even closer to the business." His experience will be complemented by Mikael Elling's, who notes that "our skills and capabilities cover

quite a wide range with little overlap, so we'll be able to benefit from each other's knowledge and experience to support JL's business units here."

Growth on the agenda

"Singapore is an internationally attractive and competitive business environment, especially within shipping, and the intention is definitely to increase our business focus here," says Jesper Kragh Andresen. "It is now a fully fledged office, with its own fleet ownership, financing, and joint ventures with some of our partners – and the forecast is for further growth. At the beginning of this year ten employees were working out of the Singapore offices. This will have doubled to 20 employees at year end. As a consequence we have moved into new office space, chiefly to accommodate the growth in Lauritzen Kosan's activities but also to prepare for other possible future growth." (Please see the article on page 6 for more about Lauritzen Kosan's growing presence in Singapore.)

New general counsel joins JL

Lise Engel has joined JL to take up the position of general counsel. She will replace Jesper Kragh Andresen, who is now managing director of JL's Singapore office (see accompanying article). Lise, who is an attorney-at-law, has eight years of international experience. Prior to her employment with two Danish law firms, Kromann Reumert (2007-present) and Philip & Partners (2000-2007), Lise spent seven years with Holman Fenwick Willan in both their London and Hong Kong offices and one year with Haight, Gardner, Holland & Knight in New York.

Lauritzen Kosan namegiving ceremony in China

Two Lauritzen Kosan employees from Copenhagen recently had the honour of sponsoring new vessels – the *Helle Kosan* and the *Monica Kosan* – at the Yangzhou Kejin Shipyard in China. In the photo, Helle Savage, secretary, (left centre) and Monica Christensen, operations manager, (right centre) are flanked by Mr. Yuxin Sun, site manager for Lauritzen Kosan, and his spouse Mrs. Liang Huixin. Helle Savage and Monica Christensen flew into Shanghai, then travelled to the shipyard in Yangzhou province for the namegiving ceremony on 3 June. "It was a very emotional and wonderful experience – quite

overwhelming," says Helle Savage, "not least because we were treated so well, even down to a Rolls-Royce for the drive to the ceremony. It was also wonderful to meet people from our Shanghai and Singapore offices with whom we had previously had only phone and e-mail contact." Monica Christensen concurs: "Helle and I had absolutely royal treatment from arrival to departure," she says. "At the yard everything was planned down to the minute. Our colleagues in Shanghai took very good care of us and made sure we had a good taste of Shanghai."



Systems update

New state-of-the-art IT systems give JL better infrastructure, improved resource allocation, and greater flexibility.

In the digital world, even a few years is an eternity. When JL's IT department began looking into replacing the existing enterprise resource planning (ERP) system, it is not surprising that they also found support throughout the business units to replace other software, such as the company's communications system. "Basically, we found that there were a range of day-to-day problems occurring – with things as specialised as fleet voyage calculation and as fundamental as e-mail exchange – that were simply the result of technology that was out of date," says Herman Linder, head of the IT department. He stresses that the search for new software was very much driven by the business units themselves, with the IT department acting as technical consultant. "The IT department presented a concept for the overall project," says Herman Linder, "but most of the hard work of finally determining what was needed was done by project members from the individual business areas."

Stable, integrated systems

The answer to the replacement of the ERP system came in a pair of packages. The Integrated Maritime operations System (IMOS), developed by Veson Nautical, is designed specifically to provide an integrated approach to organising and

managing all the basic functions needed by a shipping company, from chartering and operations to accounting, trading and data services. A second ERP package, Microsoft Dynamics NAV, will be integrated with IMOS to serve general business and financial management functions. Finally, the communications system is being replaced with Business Mail, a system which is based on standard Microsoft Exchange software and makes it possible for groups to share e-mailboxes, ensuring that e-mails do not get lost in personal e-mailboxes. Additionally, automatic key wording minimises reading of irrelevant e-mails.

According to Herman Linder, the key advantage to these three core applications is that they are stable, standard products. "I am confident we'll get a lot of benefits from these changes," he says, "especially from the high level of integration between systems built on the latest Microsoft technology – all of it new, and up-to-date. Microsoft Dynamics NAV is already fully implemented, and we expect Business Mail to be in place by end September 2010, with IMOS online a month later. The entire company-wide changeover has required less than a year – which shows how highly everyone involved has prioritised the project."



Outsourcing expertise, insourcing service

Outsourcing is an important element of the revamped IT system because it will provide JL with a more stable and secure platform. Consequently, all infrastructure and application maintenance will be handled by a third-party company. "It comes down to a matter of specialised know-how and expertise," says Herman Linder. "We're a small department, so it is difficult to obtain the necessary scale to handle all the maintenance on multiple complex systems in a timely manner. Outsourcing to maintenance experts gives the business units assurance of reliable service and stability, as well as a high degree of data security."

"After the transfer, I'll remain the IT manager, but with an additional role as facilitator to make sure that our vendors perform well and to ensure the correct supply of any necessary new software or equipment. It's also important to stress that the outsourcing will be completely transparent to the business units – they'll continue to deal with the same familiar faces on our own IT help desk. On behalf of JL, I would like to thank the employees who will be transferred to the maintenance provider as a result of the outsourcing for their dedication and professionalism throughout the entire process," concludes Herman Linder.

Lauritzen Bulkers steps up log transport worldwide

Alert readers may recall that Lauritzen News #8 (March 2008) reported that Lauritzen Bulkers was resuming shipment of eucalyptus logs from Montevideo, Uruguay. As indicated by the accompanying photo of the *Nordic Bulker* loading cargo in Nanaimo, Canada, transport of logs is a growing business segment for Lauritzen Bulkers.

While Canada and New Zealand are particularly strong exporters, this is a worldwide market, reaching from South America to Alaska and the Far East.

Line Lund Clausen, chartering manager for Lauritzen Bulkers, remarks that "log exports have increased in recent years and are expected to increase further. The main reasons are a huge demand in China and increasing demand in India. There is plenty of cargo and great potential for Lauritzen Bulkers, especially as customers realise that we have both the hardware and experience they need."





Purely by coincidence, one of the Lauritzen Tankers vessels in Hafnia Management's fleet is the Freja Hafnia. Not so coincidental is the historical significance of the name chosen by the new company: "Hafnia" (meaning "harbour") is the old Latin name for the city of Copenhagen.

Achieving critical mass

Joining Hafnia Management A/S, a newly established product tanker management company, gives Lauritzen Tankers stronger market penetration.

Lauritzen Tankers is in the process of joining a new pooling arrangement with several other partners. The new entity, called Hafnia Management, will control the commercial activities of a combined fleet that will give each of the partners significantly greater market penetration than they could achieve alone. "As we've built up the Lauritzen Tankers fleet over the past four years, our ultimate goal has always been to achieve what you could call critical mass in the tanker market," says Jan Kastrup-Nielsen, president of Lauritzen Tankers. "This is the point at which you can easily have access to and do business with anyone in the world. And if they have cargo to transport, they'll call you. If you haven't reached this point, you have to concentrate your efforts within a smaller circle of established relationships. Joining Hafnia and pooling our tonnage will – within the next year or so – result in a total fleet of around 50 vessels, which will put us on

a fast track to achieving much stronger market presence."

An ownership stake

Hafnia Management will market the Lauritzen Tankers fleet of product carriers with responsibilities for daily chartering and commercial operation. A significant difference between Hafnia Management and other pooling arrangements is that Hafnia is owned by its initial members. "This was a key consideration for us," says Erik Donner, senior vice president of Lauritzen Tankers. "It means that we are a member of Hafnia's pool board and have a say in Hafnia's strategic marketing decisions, although all day-to-day chartering operations will be handled by Hafnia Management." Lauritzen Tankers will continue to operate as a ship-owning entity within J. Lauritzen, responsible for the overall management of the product tanker investments and technical management of vessels and will continue its

existing newbuilding programme, which includes eight vessels due to be delivered by 2013.

Shared resources

The new arrangement should be fully in place by the end of the third quarter. During the initial formation of the company, Hafnia employees have shared space with Lauritzen Tankers in JL's Sankt Annæ Plads headquarters building. When new Hafnia Management offices open in the Copenhagen area this October, four Lauritzen Tankers chartering employees will transfer to Hafnia. "Technically, they'll be changing employers," says Jan Kastrup-Nielsen, "but we'll be working so closely together that, except for the physical location, I don't think we'll see much difference. They will help get Hafnia off to a strong start, so we'll be contributing both good ships and excellent people to the new arrangement."



About Hafnia Management A/S

The business vision of Hafnia Management is to perform commercial management within the shipping industry. This service will be extended to shipowning companies that do not have commercial expertise and/or to companies that have a desire to partake in a pooling concept, whereby the earnings from trading the ships in the market are shared among the partners on an equal basis. The management and staff of Hafnia Management A/S have vast experience in this commercial field of shipping business, with previous track records from companies such as A. P. Møller/Mærsk, Torm A/S, and J. Lauritzen. Most of the management has been posted not only in Copenhagen, but have also gained international experience from living and working in shipping centres as diverse as Tokyo, Seoul, Singapore, London, Oslo, and Hamburg.

A note from the CEO

“This is my 30th year in the shipping business, and I am proud to take up a new challenge as the head of Hafnia Management. The fact that Lauritzen Tankers is one of the initial members of our new venture is indeed an honour, and I look forward working closely with the JL crew – not only my four new colleagues transferred from Lauritzen Tankers, but certainly also the management at Sankt Annæ Plads.

We at Hafnia Management are grateful to JL for the opportunity to work at JL’s headquarters over the summer, and we thank all involved for the warm welcome and the help rendered – all the way from the canteen to the top management. Starting this autumn we will continue our efforts in the ever challenging product tanker market from our own offices. All of our friends from JL are welcome to stop by to see us – we’ll keep the coffee warm.”

*Anders Engholm
CEO, Hafnia Management A/S*

New focus on charter activity for Japan office

Jørgen Kragh, the former head of JL’s US office, has taken over from Ib Hansen, who for many years was JL’s lead representative in Tokyo.

At the time he was interviewed for this article, Jørgen Kragh had been in his new position for only a few months, yet was already busy exploring the opportunity for more commercial bulk activities in Tokyo. “When I took over it was decided to make the office more commercially active through developing the bulk chartering business,” he says. “This is a natural step for me, since it’s what I’ve been doing in the US for the past ten years. To that end, we’ve transferred a chartering manager, Rasmus Hansen, from the Singapore office to handle our Japanese dry cargo business.”

Building trust

Jørgen Kragh goes on to point out that because Ib Hansen maintained excellent relationships with Japanese trading houses, the door is open to establish new connections for transportation of cargo. “This is a matter of making contact with other departments of trading houses we already know – so we’re already a step ahead. On the other hand, JL’s Tokyo office is not known for chartering in Japan – we’re primarily known for period deals and newbuildings. There is a lot of charter business, but it’s often done through strong ties between Japanese companies. We’ll have to compete within this environment and build trust over time. Our strong advantage is that we’ve been in Japan a long time and are a recognized worldwide carrier. Now we just need to settle in and take advantage of our

location, the fact that we’re here, on the spot, not just flying in for a meeting.”

Using JL’s established record to demonstrate its equivalence to Japanese carriers has already proven successful. The Tokyo office recently signed a contract with Marubeni on shipment of bauxite from Indonesia to Japan. “This is cargo that was being carried by a Japanese company,” says Jørgen Kragh. “We got the contract because the customer could see that Lauritzen Bulkcarriers is able to give them the service they require. We’re also doing business with the Japanese government, transporting wheat from the US and Canada to Japan.” In addition to building relationships with Japanese shipowners, other items on the Tokyo office’s agenda include maintaining strong ties with Japanese shipyards, and continuing to do period deals, not only for bulk carriers but also for Lauritzen Tankers’ product tankers.

Positive outlook

On a personal level, Jørgen Kragh says the transition has been surprisingly smooth. “My wife and I had a very enjoyable ten years in the US, but there’s nothing like Tokyo. It’s a fascinating city, safe and clean, and the food is a story in itself. We’re both very positive about living here.” On the business side, his outlook is equally positive. “My aim is basically the same here as it was in New York, to get closer to our customers and show them how we can differentiate ourselves from the competition. It’s a different atmosphere – you don’t approach things as directly as in the US and it takes time to build relationships. But it’s an enjoyable challenge. There is business here, the support is there from Copenhagen, and I’m convinced we’ll make good progress.”



*Jørgen Kragh
President, Far East Region*

Photo by Ulia Munch-Petersen

Company man

Bent Østergaard, chairman of the Board of directors of JL and DFDS and CEO of the Lauritzen Foundation (Lauritzen Fonden) and LF Investment ApS, recently marked his 40th anniversary with JL. Here, he looks back at the experience through decades of growth and change.



Snapshot of a career

- 1970 Assistant controller J. Lauritzen A/S
- 1981 Group treasurer, J. Lauritzen A/S
- 1992 CFO, J. Lauritzen A/S
- 1993 CFO, J. Lauritzen Holding A/S
- 1996 CEO, J. Lauritzen Holding A/S
- 2010 CEO, LF Investment ApS and Lauritzen Fonden

Directorships

- 2003 Chairman of the Board of Directors of J. Lauritzen A/S
- 2009 Chairman of the Board of Directors of DFDS A/S

How did you get your start with JL – did you join the company right out of school?

I worked with an audit company before joining JL as an assistant in the accounting department. The late shipowners Ivar and Knud Lauritzen were both still involved in the company, especially Knud, who was chairman. I knew them both and did some personal jobs for both of them. It's a little strange looking back at that period 40 years ago because it can seem both very immediate and distant at the same time – the strong continuity for me being that I've always been very happy to be with JL.

You've seen a lot of change in that time. What was JL like when you started?

What really brings the passage of time into focus is to look at JL's size. In 1970, JL had 19 ships, a balance of DKK 290 million, equity of DKK 150 million, and a profit of DKK 12.5 million. So the company has grown tremendously since then. The main business focus at that time was reefer and general cargo. In the 70s and 80s we were also heavily involved in offshore drilling services. The offshore business is a good example of how things can change. It was very good for a period of years, then we got out, and now we see new opportunities with the strategy for Lauritzen Offshore Services.

What would you say is the biggest change you've experienced – and the biggest challenge?

I came to J. Lauritzen Holding (JLH) in 1993 and became CEO in 1996. At that time, JLH was a diverse conglomerate. I'd say the single biggest change I've been involved in has been the readjusting and refocusing of the group's business portfolio. Managing the transition to what are now two very streamlined shipping companies – JL and

DFDS. The result of that change was that we no longer owned any industrial companies. Today, we're very efficient and competitive in our two diverse shipping companies.

The challenge moving ahead is to maintain that position and further develop the two companies. There are many new developments underway in JL today, such as our focus on business in the Far East and China, growing the bulk and gas business, and investments in tankers and offshore. And there are similar changes underway in DFDS. Recently we purchased Norfolkline, which is currently being merged with DFDS, creating one of Europe's largest ferry and logistics operators.

On a day-to-day basis, how do you handle challenges like these?

Openness is perhaps the most important characteristic – to be open minded and a good listener, receptive to people's challenges and ideas. It's always important as chairman to listen to management and those around you, to make decisions from what you hear and read – to actively seek out new ideas for change. You can't be static. And you have to give responsibility to management. Of course it's much easier when you as chairman have excellent management, as we have in JL and DFDS. I think that my individual strength is the ability to stay calm under pressure. This is not just something you're born with – you have to train to keep a broad overview.

Above all, working for 40 years at JL has been a tremendous experience for me. I've always seen myself as the company's man and it's important to me to protect the Lauritzen name and maintain its position and reputation within Denmark and world shipping.

Lauritzen Bulkers continues newbuilding programme

In 2008 and 2009, a total of six fully owned newbuildings were delivered and Lauritzen Bulkers continues to expand its already modern fleet. In 2010, four fully owned newbuildings have so far been added to the fleet and three additional newbuildings are scheduled for delivery before the end of the year.

The newbuilding programme has given Lauritzen Bulkers a fleet of modern, energy-efficient vessels with an average vessel age of only six years for the operated fleet and less than three years for the owned fleet. Recently Lauritzen Bulkers, in partnership with Dansk Rederi, contracted two additional Handysize newbuildings at JNS in China. This brings the order book to 33 newbuildings to be delivered over the next three years, the majority of which will be owned by Lauritzen Bulkers. The order book will further reduce the fleet's average vessel age and improve its overall energy efficiency.

*LB newbuildings delivered
in 2008/2009*



1



Photo by Stuart Scott

2



3



Photo by Tomas Ostberg-Jacobsen

4



Photo by Rogelio Oudejans

5



6

1. *Laura Bulker, 2008* 2. *Gry Bulker, 2009* 3. *Nona Bulker, 2009*
4. *Maren Bulker, 2008* 5. *Camilla Bulker, 2009* 6. *Caecilie Bulker, 2009*



Offshore dribbling

Advanced dynamic positioning technology, two telescopic gangways, a large knuckle-boom crane, and a helideck – all this and more is what makes the *Dan Swift* unique. But when the World Cup matches rolled around earlier this summer, the big question was: What about football?

Far from the beaches of Brazil, a team of Brazilians play football on the deck of the *Dan Swift*. They are oil rig workers living on J. Lauritzen's one-of-a-kind accommodation and support vessel, and their mission is to accomplish hook-up and commissioning of two well-head platforms for Statoil in the Peregrino oil field. But now, just off a 12-hour shift and with free time, they head straight to the football "field" – a green area 30 meters by 30 meters. Safety railings mark the out of bounds. The "grass" is green plastic webbing that provides traction even when wet. The goals are made from blue pipes and welded chunks of iron. The rules are clear: spectators line up behind the goals to stop the ball from

flying through the railings. The players must keep the ball low, on the ground. One high shot and the ball will fly off the deck, disappear down a ten-story drop, splash into the ocean and drift away. Players rotate in, score a couple of goals, then let another play his turn. No one keeps score, there is no referee but the footwork and tricks are worthy of a YouTube highlight reel.

A winning combination

Brazil has been a football powerhouse for decades. Now, with recent multi-billion-barrel oil finds off the coast, they have entered the Major Leagues of oil. Inevitably these two worlds came together. With oil workers so passionate about football,

oil companies were quick to recognize the value of providing not only football pitches, but also making World Cup match days a massive celebration.

Which explains why a hundred workers could be found packed into the *Dan Swift's* offshore café during the Brazil-Ivory Coast World Cup match. Brazilian flags sprouted from their chairs while a screeching wail of vuvuzelas drowned out the commentary. During the match, there are no distinctions between ranking officers and welders. "You can't help joining the celebration," said Gustavo Romero, a mechanic who hails from Uruguay. "The passion just makes it impossible to ignore so there I am screaming and cheering for Brazil."



“You can tell when there is a football match coming up – all the Brazilians are happy and everyone comes together,” says Alan Wong, Chief Safety officer of the *Dan Swift*, which houses some 200 oil workers, as well as crew members. “My job is to keep everyone safe, and out here football is a great tension release. Especially when there is a World Cup match even the calmest guys, the ones who are quiet all the time, are screaming, crying, and clutching their shirts. After a match, they’re totally relaxed – the ship is united. Stress goes down and safety goes up. That’s a big payoff from football.”

First-rate accommodations

It’s no secret that work on deepwater oil platforms is demanding. The *Dan Swift* – a virtual floating hotel – offers a surprisingly comfortable retreat from long days and tough jobs. Football is just the beginning. The vessel’s amenities include:

- 291 berths in total with 256 passenger berths
- Four single cabins
- 34 double cabins
- 46 four-person cabins
- Galley, mess and dayrooms
- Hospital
- Offices for executives
- Conference room
- Cinema and satellite TVs
- Free telephone service
- Fitness center
- Swimming pool
- Library and internet café
- Day lounge
- Sun terrace on top of accommodation areas

New avenues of financing



*Birgit Aagaard-Svendsen,
Executive Vice President
& Chief Financial Officer*

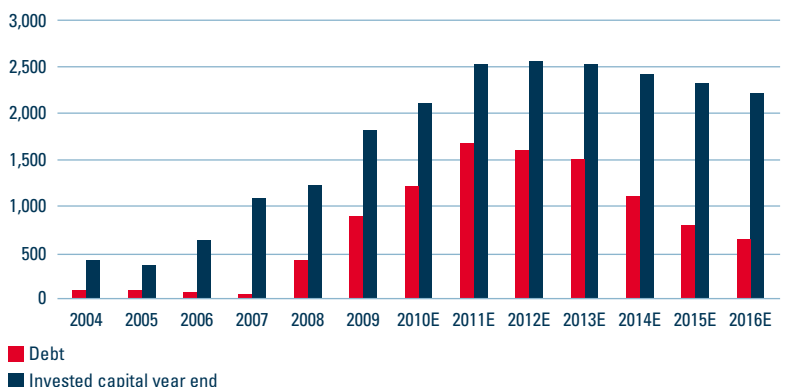
“JL has historically financed its activities through secured bank financing supported by first-rate core banking partners – such as Danske Bank, Nordea and Danish Ship Finance – all very well known in the Scandinavian markets,” says Birgit Aagaard-Svendsen, executive vice president and CFO of J. Lauritzen. “Our long-standing and strong relationships with our core banking partners proved helpful during the financial crisis. However, in order to support our significant newbuilding programme initiated in 2004 JL has during the past years worked on diversifying the funding sources. The breakthrough in this respect came in 2009 in the middle of the financial crisis. Not only has our roster of funding banks increased to include more international banks, but the financing flexibility has also increased through utilisation of different financial instruments, such as government-backed ECA (export credit agency) loans and bonds. It is strong testimony to JL’s underlying strength and

stability that we’ve been able to do so even in the midst of the financial crisis.”

Loan agreement for newbuildings

Early in 2010 JL secured an ECA-backed loan for approximately JPY 15.5 billion (more than USD 150 million) financing five Handysize bulk carriers and one Capesize bulk carrier under construction at Japanese shipyards. The loan is issued by Société Générale Corporate & Investment Bank (SG) and The Bank of Tokyo-Mitsubishi UFJ Ltd. (BTMU) and backed by Nippon Export and Investment Insurance (NEXI), one of two Japanese export credit agencies. “ECA loans are based not on a ship mortgage, which is how we have traditionally financed newbuildings, but on the guarantee of the shipbuilding country’s government,” explains Birgit Aagaard-Svendsen. “These loans have been available before, but the financial crisis has increased focus on ECAs due to credit limits in the financial markets. For JL, this is another way to assure a steady stream of financing,

J. Lauritzen Invested capital and debt, USDm



JL's invested capital in 2010 is more than five times as high as in 2004, and concurrent with vessel deliveries scheduled to enter the fleet, the invested capital will further increase in the coming years. The growth is financially supported by different financial packages, and with the recent loan agreement backed by a Japanese government agency and an unsecured bond issue in Norway, JL has further increased its financial flexibility.



*From left:
Mikkel Christiansen
and Lars Rose Olsen*

the advantage being longer tenors and lower margins compared to the traditional ship finance agreements which have been signed after the financial crisis.”

The agreement supports JL's close cooperation with Japanese shipyards and trading houses. There is a long-standing and strong relationship between JL and Japan (see article on page 11), and for more than 25 years the Lauritzen Group has been represented in Japan through J. Lauritzen (Japan) K.K. “It is also noteworthy that

this agreement is the first of its kind with a company located in an OECD country for which NEXI will provide its cover without the cooperation of Japan Bank for International Cooperation,” says Birgit Aagaard-Svendsen. “Going forward we will consider similar financial arrangements not only in Japan but in other ship-building countries as well.”

Bonds traded on Oslo Stock Exchange

In May 2010 JL issued NOK 700 million (approximately USD 119 million)

unsecured bonds on the Oslo Børs (the Oslo Stock Exchange) with a five-year maturity. As JL is not a publicly quoted company, it was decided to apply for listing on the Oslo Børs, which is very well reputed for issuing bonds related to the shipping industry. The interest among investors was high – ending up with 43 investors and an oversubscription. Geographically the bonds were sold to investors in Denmark (39%), Luxembourg (25%), Norway (24%), and the UK and Switzerland (total of 12%).

Continued next page

“We are pleased with the strong investor demand that has enabled us to diversify our sources of financing in a way that is new to us,” says Birgit Aagaard-Svendsen. “Due to JL’s strong brand reputation we have been able to build a diverse book of investors, including both private and company sources who chose to invest in JL not through shares but through unsecured lending. I think that bond issues will be a very interesting financing source, and we aim to follow up on this successful bond issue in the years to come.”

Validation of company values

Birgit Aagaard-Svendsen points out that the process of securing both the Japanese loan and the Norwegian bond issue was complex and time consuming (see sidebar). “It’s a matter of providing a level of comfort about how we run our business, about our visions and values,” she says. In relation to the bond issue a road show was conducted in Copenhagen, Oslo, and London whereas the NEXI deal included a detailed presentation in Tokyo and Copenhagen. “Giving comfort to investors and financial institutions who do not know JL in detail is not only a matter of involving the finance department, but also a matter of intensive cooperation between the finance department and the business units,” says Birgit Aagaard-Svendsen.

“When our lenders and investors commit themselves to finance JL’s investments they are basically making a commitment to JL’s company culture and history, and in this regard it’s no exaggeration to say that JL’s corporate values – especially our 126-year record of accountability – were the most important factor in getting access to these new avenues of financing. Another key issue was transparency, especially the ability to demonstrate the connection between our business model and our financial reporting, and our compliance with international rules. Thanks to a lot of hard work and long hours by everyone concerned, we were in both instances able to make our case very successfully.”

Busy days for Finance

JL’s finance department has doubled in size in the past years from three to six persons, yet still finds itself working against tight deadlines. “Simply put,” says John Jørgensen, group treasurer of J. Lauritzen, “everything having to do with banks goes through us. We manage all bank relations, not only the existing long-term relations but also potential new banks approaching us. Cash management and financing are two major tasks carried out in close corporation with the business units. You might see us as forming a kind of spider web of connections between banks and all of JL’s business units and departments.”

One of the finance department’s major responsibilities is financing and negotiating loan conditions for newbuildings and second-hand vessels. Before the financial crisis, shipping companies could order newbuildings and finance later. Now credit has tightened and banks are more reluctant to lend. As mentioned in the accompanying article, JL has successfully expanded its circle of banks, which keeps the finance department busy with complex and extensive company presentations, which in each case are put together in a joint effort with the various operating units.

The process was even more involved with the bond issue and especially with the ECA loan, which in addition to review by the banks also need approval from state agencies. “However, when comfort has been given to the lenders and guarantors, the upside is that once we’ve been through this process, it’s much easier the second time around,” says John Jørgensen.

Other key areas of responsibility for the finance department include:

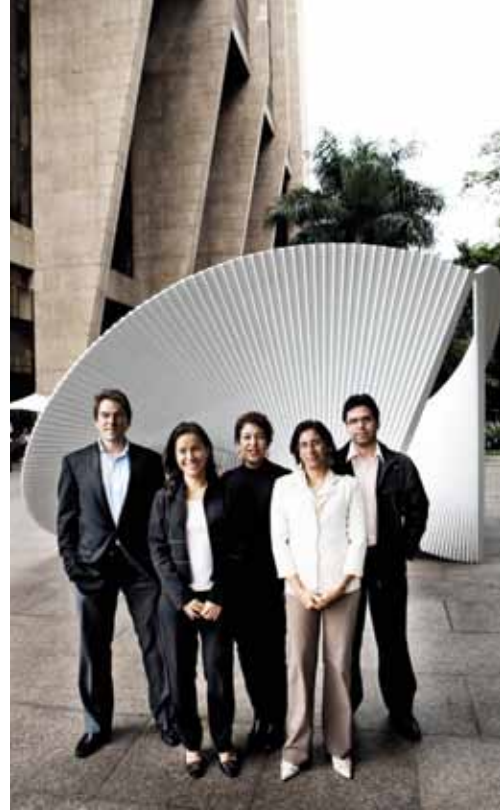
- Cash management – overseeing and optimising day-to-day operating cash flow including negotiating prices for services and deposits with banks.
- Risk management – including currency, interest rates, price of oil, and other areas where hedge instruments may apply.
- Counter party management – overseeing the rating of banks where JL has cash and managing the risk of bank default.

Building valuable experience

No one knows better than Mikkel Christiansen and Lars Rose Olsen – both assistant treasurers for JL – that when it comes to loans and bond issues, the devil is in the details. And a lot of details there are, as they know from first-hand experience. They also point out that when it came to the recent bond issue, no one in house had been through such a process before. “At first, it was difficult to see the complete picture of legal documents involved and thus we might have underestimated the work load. We needed much more documentation than we had anticipated and everything had to be accomplished within only two months,” says Mikkel Christiansen. “Fortunately we had very good advice from Nordea Bank and BNPP, who have been through this many times before and they were able to help us through the process of preparing documentation and putting together investor presentations, which were delivered in Copenhagen, Oslo, and London. A second issue will be much simpler by comparison because now we know the ropes.”

Pressure or no pressure, the effort was extremely successful. The original target was for a bond issue of USD 100 million. However, due to strong demand, the book was closed at NOK 700m, which is nearly USD 120 million, and the subscription was accomplished within less than two hours.

Onshore resources for offshore services



From left: Michael Kristensen, Vanuza Caju, Simone Kassel, Aida Santos and Sergio Nogueira

JL's growing Lauritzen Offshore Services business unit is backed by a new office in Rio de Janeiro.

Vanuza Caju, financial controller for Lauritzen Offshore Services' (LO) new Rio de Janeiro office, has – together with vice president Michael Kristensen – been involved in all the details of the startup. An interview with her offers a snapshot of the office and its mission.

How long has the office been in operation, and what was the startup procedure like?

Initial registration of the company in Brazil took place on September 24th 2009. We wanted to be productive from the start, so for the first months we rented a temporary furnished office while we worked on all the official requirements to start up and operate. Starting a business in Brazil is not a fast process and patience is needed. We developed a detailed list of procedures, along with the time and cost of complying with each one – things like obtaining licenses and permits and completing the required documentation for the company and our employees. We worked our way through all this, and in January 2010 we printed our first local invoice (Nota Fiscal) regarding the *Dan Swift* (see article on page 14) contract with Statoil that had taken effect on December 25th 2009.

What is the office like now that you're up and running? And what's the advantage of having a local presence?

We found a nice spot to rent for a permanent location and after two months of renovation and infrastructure setup, we moved there in February 2010. It's a small office, only 60 squares meters, but very functional. At present, there are five employees plus two subcontractors. The first person from LO in Rio was Michael Kristensen, then I was hired. After that we were joined by Simone Kassel, executive assistant; Sergio Nogueira, tax assistant; and Aida Santos, accounting analyst. The subcontractors are Alexandre Araujo and Fernando Leite, both in charge of logistics issues.

We have a dynamic team here, and being a small group allows us to respond quickly to client needs. The offshore services industry has grown considerably in Brazil, and Rio has emerged as an attractive offshore services destination. In addition to giving us close contact with clients, having an office in Rio is valuable to LO because it's important to have local people dealing with issues such as taxation and subcontracting in areas like catering, medical services, port agents, visa brokers, and local crewing.

Rio de Janeiro is a big city – where are you located and what's the neighbourhood like?

Our office is located at one of the best addresses in Rio de Janeiro, the Botafogo district, which is the central business and tourism area. It's a very pleasant location near the Corcovado, the Sugar Loaf, and just in front of Guanabara Bay. The main reason that we decided to set up the office here is that it locates us in the same building as our client, Statoil, and there are also a lot of other oil and gas companies in the neighbourhood.

What is the office's focus today and its outlook for the near future?

Today the office is focused on supporting our *Dan Swift* contract with Statoil, which will probably run until the beginning of 2011. We're also working with Petrobras, the Brazilian state-owned oil and gas company, on an ambitious program to expand their activities. In addition, the Petrobras subsidiary Transpetro has initiated a program to renew its existing fleet. We already have one shuttle tanker, the *Dan Eagle*, under contract with Petrobras, which will soon be joined by two new vessels, the *Dan Cisne* and the *Dan Sabiá*. So we see a lot of future opportunity for LO in the Brazilian market.

Beginning a career with JL



End July this year, five trainees completed a two-year intensive programme within either shipping or finance.

Jonas Andersen, Kuno Ystrøm, and Daniel Wind are now fully fledged operations managers and Mia Valhøj Ebdahl and Adam Nordhald assistant controllers. All five are ready to embark upon a challenging career within the J. Lauritzen Group either at the Copenhagen head office or with JL-Singapore.

Editors

*Torben Janholt
Tove Elisabeth Nielsen
Jens Søndergaard
Maj Faurholm*

J. Lauritzen A/S

*Sankt Anne Plads 28
1250 Copenhagen K
Denmark
Tel: +45 3396 8000*

Editorial support and design

*Cross-Border Communications
Copenhagen*

Lauritzen News is a semiannual

*publication. Reproduction
permitted only after agreement
with the editors.*

J. Lauritzen A/S operates globally and is engaged in diversified ocean transport through Lauritzen Bulkers (dry bulk cargoes), Lauritzen Kosan (petrochemical and liquefied petroleum gases) and Lauritzen Tankers (refined oil products). J. Lauritzen also serves the offshore oil exploration and production industry with specialised tonnage through Lauritzen Offshore Services.

JL employs a staff of approximately 1,200 persons and together with partners/associates controls a combined fleet of about 200 vessels including vessels on order consisting of bulk carriers, gas carriers, product tankers and dynamically positioned offshore support vessels.

For more details on JL's business activities and fleets, see www.j-l.com