

LAURITZEN NEWS #12



April 2010

Dynamic positioning



Financial results 2009 · Dynamic positioning · All systems go · Largest ship and cargo ever at Silvertown · Helping hands · Believe in you · Wearing many hats? · A showcase for Danish shipping · Very possibly the best job in town · Shanghai update · The Shell connection · Uncertainty after Copenhagen climate talks · From Team Ulsan to Team Manila · Revising the rules for gas carriers · Inspiration from top professors

OCEANS OF KNOW-HOW

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Dear Reader,

In 2009, the world economy experienced a major financial crisis that led to the deepest recession since the great depression in the 1930s. World GDP and global trade shrank drastically before starting to gradually recover from depressed levels in the second half of the year, and unemployment increased to double digits in many countries.

Against this unprecedented cyclical background, which affected different countries to varying degrees, governments and central banks swiftly took extraordinary steps to save the financial system, and thus avoid a complete economic meltdown. In addition, most governments adopted major fiscal stimulus packages and a wide range of other policy measures were undertaken that overall seem to have set the stage for a gradual world economic recovery.

As the recovery takes hold, the swift actions that were taken in response to the crisis will need to be re-addressed as to whether they help support sustainable growth going forward.

In terms of the shipping industry, additional uncertainties relate to tonnage supply. Order books remain large in relative terms and despite slippage, fleet growth will be considerable in all shipping markets and risks of tonnage oversupply prevail.

In view of these unparalleled cyclical conditions, I am pleased to report that JL's financial results for 2009 were positive and acceptable and that the outlook for 2010 remains positive as well.

Despite the difficult trading conditions that prevailed in 2009, I am also pleased to report that JL enjoyed strong customer loyalty and was successful in attracting new customers in all market segments during the year. Similarly, JL succeeded to broaden its sources of finance supporting our investments in new tonnage in all segments.

In 2009, JL also successfully accomplished the first steps of its offshore strategy initiated in 2007, securing medium to long-term contracts now covering all units including three shuttle tankers and an accommodation unit. The establishing of Lauritzen Offshore Services as a business unit is a unique example of JL's entrepreneurial spirit, innovative capabilities, and competence within the technologically advanced and highly demanding offshore sector.

Finally, I would like to thank all employees at sea and ashore for their professional and dedicated efforts in a very challenging year.

Sincerely,
Torben Janholt
President & CEO

*Torben Janholt,
President and CEO*



Photo by Carsten Lundager

Successful year in a

The international financial crisis that emerged in late 2008 continued into 2009 and developed into a deep world economic recession with severe impacts on the shipping industry. After plummeting freight markets in the last few months of 2008, the following characterized JL's main markets in 2009:

- *Freight rates bottomed out in the dry bulk market during the first quarter with huge volatility during the year.*
- *Freight rates for product tankers started the year at reasonable levels but dropped to lay-up levels during the second quarter.*
- *Freight rates for smaller gas carriers were fairly flat at reasonable levels, whereas spot market rates for ethylene carriers declined over the year, albeit from very high levels.*
- *The offshore market saw a slight decline. However with oil prices rising, business seemed to pick up towards the end of the year.*

Result for the year

In a year of severe world economic recession and a sharp decline in maritime transports and freight rates, JL achieved net results of USD 75 million in 2009 compared to USD 150 million in 2008. The 2009 results included USD 17.1 million profits from the sale of vessels and other fixed assets (USD 153.8 million in 2008) as well as provisions, write downs and reversals of these which affected EBITDA, operating income and net results in joint ventures.

Return on invested capital was 6.1% compared to 17.1% in 2008 and return on equity was 6.9% compared to 14.7% in 2008. JL's solvency ratio remained robust at 52% compared 59% in 2008.

Revenues totalled USD 483 million compared to USD 666 million in 2008. The decline was attributed to the downturn in the shipping markets that particularly affected JL's dry bulk and product tanker activities. The decrease was partly off-set by increasing revenues from the expanding fleet of ethylene gas carriers and offshore units and net gains on Forward Freight Agreements (FFAs) compared to net losses in 2008.

During 2009, JL took delivery of 16 new-buildings including nine bulk carriers, five gas carriers, and one product tanker. An Accommodation and Support vessel was also delivered after extensive conversion.

In 2009, JL successfully completed implementation of the new strategy in the offshore services market which was introduced in 2007 by securing medium to long-term contracts that now cover all units, including three shuttle tankers and an accommodation unit, (see article on page 6 in this edition of Lauritzen News).

All JL's owned newbuildings are self-funded until delivery from yards and in 2009 external finance was arranged for newbuildings with delivery stretching into 2011, not only through JL's lead banks, but also through new sources of finance including export credit agencies.

JL enjoyed strong customer loyalty with long-term customers and was also successful in attracting important new customers in all market segments during 2009.

During 2009, JL controlled, on average, a total fleet of 140 vessels compared to 135 vessels in 2008.

"JL's growth strategy was challenged by the adverse international business environment in 2009 and during the year JL took measures to protect its businesses through reduction of time-chartered tonnage and in cooperation with shipyards the newbuilding programme was restructured. Results were better than expected and acceptable in light of the difficult trading conditions".



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

Key figures USDm	Full year	
	2009	2008
Revenue	503.3	685.2
EBITDA	134.9	158.9
Depreciation	(76.4)	(142.6)
Sale of assets	17.1	153.8
Operating income	75.6	170.1
Joint ventures	17.0	27.3
Finance net	(16.5)	(38.1)
Result before tax	76.0	159.3
JL's share of the result	74.6	149.5
Invested capital (average)	1,519.4	1,155.9
ROIC	6.1%	17.1%
ROIC (excl prepayments)	9.6%	34.1%
Investments, net	442.4	283.6
Invested capital (period end)	1,813.7	1,225.1
- hereof vessels under constr.	444.9	658.5
Fleet (full year average)	140	135
- hereof pool/partner share	41	42
Average no. of employees	748	662

difficult market

Investments

At year-end, the invested capital amounted to USD 1.8 billion compared to USD 1.2 billion year-end 2008.

During the year, JL's investment in fleet expansion totalled USD 534 million compared to USD 707 million in 2008. Divestments of vessels and other assets amounted to USD 92 million compared to USD 424 million in 2008.

At year-end 2009, JL's newbuilding portfolio comprised a total of 38 wholly-owned vessels, including 21 bulk carriers, six gas carriers, nine product tankers, and two dynamically positioned shuttle tankers for delivery 2010-13. Partners will add another three newbuildings to the fleet controlled by JL. The total investment programme amounts to USD 1,656 million (USD 2,400 million in 2008) of which 38% has been prepaid by own funds.

Outlook

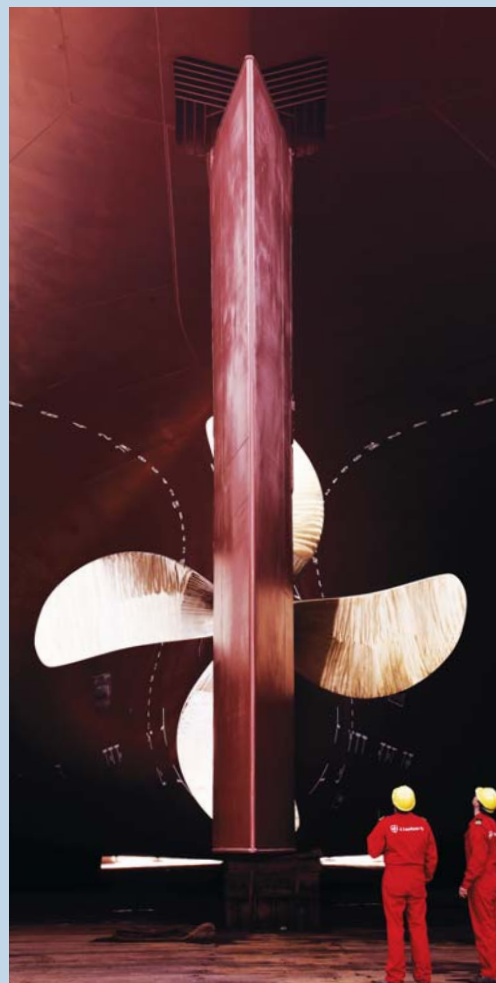
2010 will be a critical year for the world economy and international trade. The easing of financial policies is likely to be reversed as the room for further fiscal initiatives has narrowed considerably in

view of rising public debt in many countries. Low interest rates are unlikely to be maintained unless a deflationary scenario develops. Signs of rising protectionism may also have to be contained if shipping is to prosper.

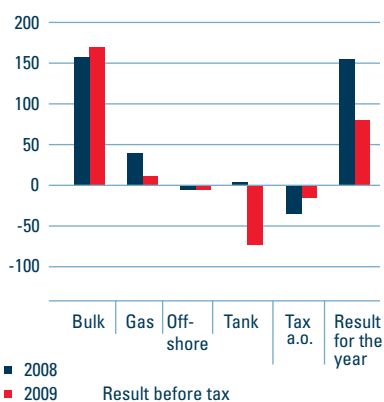
Whereas there seem to be many difficult issues, developments in consumer confidence, in business sentiment and expectations for future developments suggest that the world economy is recovering and that 2010 may witness economic growth with the possibility of ending the increase in unemployment.

In this environment, international trade and shipping is bound to grow quite briskly. Product tankers and bulk carriers saw sizeable growth in demand early in 2010, whereas the trends for gas carrier demand were slightly more subdued.

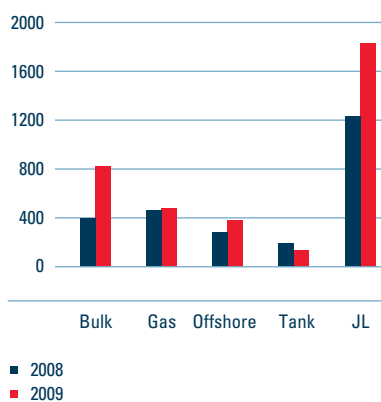
As of mid March 2010, 69% of JL's budgeted revenues for 2010 are covered and JL expects operating income (EBIT) of USD 90-105 million in 2010, excluding possible gains from the sale of vessels.



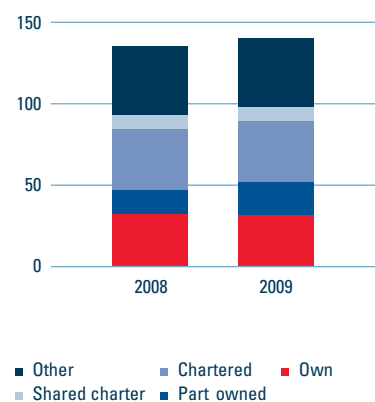
Results for the year, USDm



Invested capital year-end, USDm



Average number of vessels



For further details on JL's 2009 Annual Report, please visit our website: www.j-l.com



Dynamic positioning

Energy experts project that Brazil – until recently an oil importer – will in the next decade have one of the world’s biggest oil reserves. This poses a major challenge to Petrobras, Brazil’s state-controlled energy company, and to foreign oil companies attempting to develop newly discovered deep-sea oil fields that are more than 300 kilometres out in the Atlantic and under more than 2,000 metres of water. There is a rush to provide platforms, rigs, support vessels and drilling systems to develop tens of billions of barrels of oil. A rush that has opened a wide window of opportunity for the J. Lauritzen Group’s specialised dynamically positioned (DP) support vessels.

The Group has in record time built a strong foundation for growth within the offshore sector in Brazil. Apart from three shuttle tankers on long-term contracts with Petrobras and Transpetro, the J. Lauritzen Group has recently taken delivery of the dynamically positioned accommodation unit *Dan Swift*, which

went straight into its first contract for Statoil in Brazil to assist with hook-up and commissioning of two well-head platforms in the Campos Basin (see article, page 8). Involvement with DP support vessels all began as a single shuttle tanker project that gained momentum and snowballed into more projects. It quickly became apparent not only that there are major opportunities for growth in Brazil, but also that it is an area – unlike other shipping-related segments – that is far less affected by the financial crisis, due to strong demand for identifying new oil reserves in deeper waters.

Pioneering experience

In these projects, the J. Lauritzen Group is building on organisational experience gained by pioneering the first shuttle tanker, the *Campos Transporter*, which served Brazil’s Campos Basin from 1998 to 2005. This experience was instrumental in deciding to re-enter the business in 2008 with the *Dan Eagle*, a DP shuttle tanker that was converted from a former

product tanker and outfitted with state-of-the-art DP and bow-loading systems. The *Dan Eagle* is now under long-term contract with Petrobras, as are two purpose-built shuttle tanker newbuildings, which are to be delivered in 2011.

The new and converted shuttle tankers feature advanced DP-2 systems that enable them to maintain position and heading automatically using their special propellers and thrusters while they load oil safely from floating production,





The J. Lauritzen Group is set to be a strong supporting player in the race to develop deep-sea Brazilian oil fields.

storage, and offloading platforms (FPSOs) for transport to shore. In effect, a DP shuttle tanker becomes a “floating pipeline”, an arrangement that offers many competitive advantages for development of deepwater fields far from shore, where pipelines are neither economically attractive nor physically practical. Additionally, DP shuttle tankers and the FPSOs they serve can be redeployed as flexible units between fields according to production planning requirements.

Competitive strength

The *Dan Swift* is so far the only high-end monohull accommodation and support vessel of its kind, and there are not many competitors in the shuttle tanker segment. The J. Lauritzen Group’s offshore strategy is to remain focused on Brazil in the foreseeable future. In addition to Petrobras and Statoil, a number of foreign companies are operating in Brazil, which are all potential customers.

The J. Lauritzen Group has recently opened an office in Rio de Janeiro to position itself in this business and to provide full-time local presence under the direction of Lauritzen Offshore Services vice president Michael Kristensen, who has valuable experience from his previous posting in Brazil, where he was involved in J. Lauritzen’s reefer operations.



The Dan Eagle is now under long-term contract with Petrobras, as are two purpose-built shuttle tanker newbuildings, which are to be delivered in 2011.

All systems go

The Dan Swift is now home to about 230 workers, engineers and supervisors in Brazil's Campos Basin.



Beginning with the March 2008 issue, *Lauritzen News* has reported several times on the progress of the *Dan Swift*. Most recently, we noted that conversion work was completed and that the ship was headed to Brazil to assist Statoil in preparing two well-heads for oil production in the Campos Basin's Peregrino field. The final chapter of this story provides a perfect ending, as the *Dan Swift* passed all performance and safety tests with flying colors and was handed over to Statoil on Christmas Day, exactly as promised six months earlier.

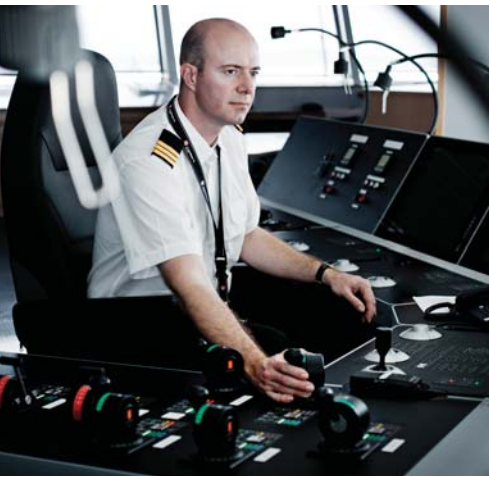
High marks

"As my contacts at Statoil remarked, this kind of precise on-time delivery almost never happens," says project manager Erik Møller. "They take charter vessel delivery delays as a matter of course, so we got high marks for project management as well as for a really outstanding ship." The *Dan Swift* performed its tests flawlessly. All the ship's mechanical and electronic systems worked well. A crucial test demonstration in which the gangway was lowered for the first time onto a moveable vessel came off perfectly, with the *Dan Swift's* dynamic positioning (DP) system holding the ship in place with less than five centimetres variation. "You could say that the gangway test cemented the contract," he says. "Nearly as impressive from my point of view is that the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) gave the

ship a perfect score. It's very seldom that a vessel doesn't receive a least a couple of comments, but the *Dan Swift* managed it."

Managing people

In fact, Erik Møller makes it clear that he had full confidence in the ship. "The hard part of handing over a vessel like this isn't technical, it's managing people," he says. "We had only limited time to get everything ready and in addition, the delivery time coincided with the period just before Christmas so obviously there was an element of time pressure. Moreover, we had multiple languages to deal with and a wide array of chores to accomplish: inspections had to be scheduled over the weekend, permission for tests obtained through the port authority, containers rented, an agent lined up. It was a hectic period. For example, the supply vessel we needed to help run tests on Saturday wasn't chartered in by Statoil until Friday afternoon. So we had plenty of close calls and exciting moments - including being stopped by the Brazilian coast guard late on Saturday afternoon when we used the supply vessel as a landing area to do tests with the gangway. They wanted to know why we were maneuvering close to a supply vessel in the bay. But I have to say that the Brazilian authorities were very well organized, and with the help of our Statoil colleagues, everything came together in the end. It was a satisfying conclusion to more than two years of planning and hard work."



Largest ship and cargo ever at London's Silvertown terminal

A growing fleet of Handymax vessels gives Lauritzen Bulkers increased flexibility to match customers' cargo requirements.

On 3 December 2009, Lauritzen Bulker's *Poseidon SW*, 55,688 metric tons dwt, chartered to the Mauritius Sugar Syndicate, arrived at Tate and Lyle's sugar refinery in London's Silvertown to discharge 42,000 metric tons of bulk raw sugar. The shipment made history on two counts. It was the largest vessel discharging the largest cargo ever at Silvertown. The wharf is within London's boundaries, just downstream from the Thames Barrier and a few hundred metres from London City Airport.

"Our core business has been in Handy-size vessels, which are around 27,000 to 30,000 tons," says Jacob Bliksted Sørensen, senior chartering manager/tonnage procurement for Lauritzen Bulkers, "but as the *Poseidon SW* shipment shows we're moving more strongly into the Handymax/Supramax segment as well. It's a segment we've been in for years, but one where we'd like to grow our spot business to better adapt to our customers' logistics chains. In the past, we sometimes had difficulty helping customers who wanted to ship in excess of Handy-size capacity. The Silvertown shipment is a good example. For years, we'd carried

cargoes of 25,000 to 30,000 tons for Mauritius Sugar. But the Silvertown shipment was 42,000 tons, which we were able to accommodate with a Handymax."

Making weight

The Port of London and Silvertown terminal have a draft restriction of 10 metres. A 54,000-ton Handymax draws 12.5 metres, so the cargo size had to be limited – and approved by the ship's captain and the terminal authorities – so that the ship could meet the draft requirement. At 42,000 tons it still broke the cargo size record. In addition to being the largest ship to discharge at Silvertown, the *Poseidon SW* came close to being the largest vessel to navigate this section of the Thames.

"Record shipments aside, a stronger presence in the Handymax segment will make us more flexible and more competitive in both up and down markets," says Ulrik Danstrøm, vice president with Lauritzen Bulkers. "We now have eight of these vessels. Within 2010 we'll take on three more under long-term charter agreements, then seven in 2011, and another three in 2012. That will give us a total of

21 owned and time-chartered Handymax vessels, although it's entirely possible that we could decide to take on additional units."

"Record shipments aside, a stronger presence in the Handymax segment will make us more flexible and more profitable in both up and down markets."

Ulrik Danstrøm
Vice President, Lauritzen Bulkers



Photo by Ken Smith



Helping hands

Support for typhoon victims initiated by Philippine seafarers is extended by the Lauritzen Foundation.

“My poor country was devastated and in a state of calamity due to massive floods brought about by the typhoons in October. On behalf of all of the typhoons’ victims, I can only say ‘Sa inyong lahat, maraming-maraming salamat po (To all of you, thank you very much)’.”

*Captain E. Diaz
Managing Director, Crossworld Marine Services*





The first of four typhoons to batter the Philippines last autumn made landfall in late September, when Ketsana (known in the Philippines as “Ondoy”) drenched the island nation with its heaviest rainfall in 40 years. A month’s worth of rainfall in a single day washed away homes and flooded large areas, stranding thousands on rooftops in the city and elsewhere. Over 900 people were killed by the multiple storms and hundreds more were injured. Some 100,000 people remain displaced in evacuation centres. Hundreds of thousands of homes were destroyed or damaged and total damage is estimated at approximately USD 650 million.

Immediate response

As news of the devastation began to reach Philippine crew members on Lauritzen Kosan’s *Ocean Prism*, they immediately took up a collection to help typhoon victims. Crossworld Marine Services, Lauritzen Kosan’s crewing agency in the Philippines, volunteered to help co-ordinate the collection effort and

sent word out to other Lauritzen Kosan vessels – and ultimately to other vessels who were devastated and in a state of calamity due to massive floods brought about by the typhoons in October. Typhoon Ondoy dumped more rains on Manila than Hurricane Katrina did in New Orleans,” says Captain E. Diaz, managing director of Crossworld. “The response from the ships’ crews was immediate, and we soon raised USD 12,000 from Lauritzen Kosan vessels alone. The total grew to USD 17,000 when contributions from other Crossworld-manned ships were received. On behalf of all of the typhoons’ victims, I can only say ‘Sa inyong lama, maraming-maraming salamat po (To all of you, thank you very much).’” All contributions were donated to ABS-CBN’s Sagip Kapamilya (Save a Family), a non-profit organization established by the Philippine’s largest TV network to lead the fund-raising drive for typhoon victims.

Close connections

“When news of this spontaneous collection effort reached J. Lauritzen headquarters in Copenhagen, we did what we could to help co-ordinate it from here, and we also immediately thought of approaching the Lauritzen Foundation for further assistance,” says Simon Buhelt Frank, head of maritime personnel for Lauritzen Kosan. “The severe nature of the disaster as well as the close and long-standing connection between J. Lauritzen and our Philippine crew members made it natural for the Foundation to get involved.” The result was a USD 96,680 donation to a project organized by Save the Children in the Philippines, in which all funds will be earmarked for relief of the 2009 typhoon victims. At the next Lauritzen Kosan/Crossworld seminar in Manila a full review of the relief efforts will be presented. All in all, the relief effort has been an outstanding show of company spirit as all hands worked together to help the disaster victims.



Believe in you



With a new name and a new brand identity, Lauritzen Fonden (the Lauritzen Foundation) projects a clearer image of who it is and what it does.



The JL-Foundation is now the Lauritzen Foundation. The name change is just one element of a campaign to give the Foundation a sharper identity – one that better reflects the scope and nature of the work it does. Because of its previously low profile, even much of the Foundation’s widespread charitable, humanitarian and educational work sometimes went largely unrecognized – and its efforts in support of fledgling businesses were nearly invisible. “Most people are completely unaware of our work to support business start-ups and entrepreneurs in Denmark, which is actually part of our charter,” says Jens Ditlev Lauritzen, chairman of the Lauritzen Foundation. “An important goal of our refreshed brand image – on our website and in printed materials – is to educate people both within and outside of our organisation about the whole range of our activities. To begin with, we simplified our organisational structure by transforming Vesterhavet A/S, which was a holding company for ownership of J. Lauritzen and DFDS, into LF Investment ApS. The Foundation is now the direct owner of JL and the majority shareholder in DFDS, and through LF Investment we also either own or have invested in eight other companies, ranging from software to building supplies.”

Helping people

The Lauritzen Foundation’s charitable, humanitarian and educational projects are extensive. In this issue of *Lauritzen News* alone, there are reports on support for the new Danish Maritime Museum (page 15) and assistance to typhoon

victims in Manila (page 10). “Setting aside the assistance to the maritime museum, which was a one-of-a-kind grant,” says Inge Grønvold, executive manager of the Lauritzen Foundation, “last year we spent almost DKK 25 million on a variety of projects. These grants ranged from few thousand Danish crowns to a million, and were divided among more than 300 recipients, including about 150 humanitarian, 30 cultural, and 80 educational grants.” All the grants are very much aimed at helping individuals and supporting people’s lives, which is summed up in the central theme of the new branding campaign: Believe in you. As Inge Grønvold points out, it’s a line that can be read two ways: ‘We believe in you’ and ‘Believe in yourself’. “We’re saying that we’ll support you, but that you also need to make an effort yourself,” she says. This message is amplified by four key words that appear throughout the campaign: Passion, Ambition, Promise, and Strength.

Investing in ideas

“I think these messages apply equally to both the business and charitable sides of our work,” says Jens Ditlev Lauritzen. “The Foundation supports businesses at a very early stage, long before they could get assistance from conventional Danish growth foundations. We’re basically investing in ideas, which is especially important in today’s shaky economic climate. We know that all of these businesses can’t become commercially successful, but we give them the chance to believe in themselves and develop if they can. This brand makeover is a way

for us to reach out to the many stakeholders who have an interest in what the Foundation does. It’s particularly important to me that JL employees understand the scope of our activities, which goes beyond the internal educational programmes that have received much of the attention in the past. Everyone within JL should realize that profits earned by our operating units go to the Foundation and are directed back into society on a worldwide scale. That’s something for all of us to be proud of as individuals, and something that earns JL respect as a socially responsible company.”

“This brand makeover is a way for us to reach out to the many stakeholders who have an interest in what the Foundation does.”

*Jens Ditlev Lauritzen
Chairman, Lauritzen Foundation*



Wearing many hats?

Jan Kastrup-Nielsen fills multiple key positions within J. Lauritzen – and still has hopes of fitting in a bit of fly fishing . . . maybe.

Already a busy man as president of Lauritzen Kosan, Jan Kastrup-Nielsen has also taken over the leadership role at Lauritzen Tankers (replacing Anders Mortensen, who is now president of J. Lauritzen's recently formed Offshore Services business unit) and been appointed to join JL's executive management as executive vice president. Besides his various tasks at J. Lauritzen, Jan Kastrup-Nielsen also chairs the Danish Shipowners' Association's Policy Committee, which deals with such diverse issues as trade protectionism, CO₂ emission policies, and the increasing problem of piracy.

Questioned about stretching the limits of a 24-hour day, he takes an admirably low-key view of handling numerous high-level responsibilities: "I wouldn't really say that I'm wearing many hats – let's say it's more like one big hat. The way I see it, being head of Lauritzen Tankers and Lauritzen Kosan and now also part of executive management is basically filling three aspects of one job. In fact, my main responsibility is to do a good job of looking after the gas and product tanker business units. That's easier than it sounds because I've got so many excellent people working around me. I'm just one person trying

to help people in Lauritzen Kosan and Lauritzen Tankers do the best possible job – chiefly by not interfering unnecessarily and allowing them to do good work. But in my new capacity, I, of course, also have to take a broader view of J. Lauritzen and all its businesses and interests."

Focus on energy

Jan-Kastrup-Nielsen points out that he's always worked with and been interested in oil and energy, from crude oil to ethylene. Prior to coming to J. Lauritzen in 1986 he worked with product tankers in A. P. Moller-Maersk, which is also the area he began in when he joined J. Lauritzen. From 1993 to 2000, he worked in London for the international trading group Transammonia, where he was responsible for trading both petroleum and gas products. "This background prepared me to handle Lauritzen Kosan and Lauritzen Tankers," he says, "which are in fact the two most closely related J. Lauritzen business units. The commercial process is similar, contracts are negotiated in similar ways, and the markets function similarly. So it's not a huge transition to go from one to the other."



Executive management

His executive management duties especially focus on J. Lauritzen's overall business and financial strategies and are carried out together with CEO Torben Janholt and CFO Birgit Aagaard-Svendesen. "J. Lauritzen has big investment programmes in all our business areas, and this is especially true with the successful introduction of our new strategy within offshore services," he says. "The world has become a different place within the last 12 to 18 months, where trade and finance risks and possibilities must be monitored even more closely. I am therefore very enthusiastic about my new role as part of the executive management," he says.

Pressed about spare time activities, Jan Kastrup-Nielsen mentions playing football with his sons, reading history and politics, and fly fishing – but finally admits that the spare time is a little harder to come by than it used to be . . . no matter how you count the hats.

Anders Mortensen heads new business unit

Anders Mortensen, president of Lauritzen Offshore Services, has recently turned over leadership of Lauritzen Tankers to Jan Kastrup-Nielsen in order to give his full attention to developing the new business unit (see article, p. 6). He brings an uncommon depth of experience to the specialised and complex field of offshore services, having pioneered the industry's first shuttle tanker, the Campos Transporter, which served Brazil's Campos Basin from 1998 to 2005. This experience was instrumental in J. Lauritzen's decision to re-enter the business in 2008.

"The most important reason that it's not as difficult as it might seem to make job transitions is that our company has a strong set of values that apply no matter what you do. I have to delegate more now, but fortunately many people in the organisation have the competencies and are prepared to step in and help."

*Jan Kastrup-Nielsen
Executive Vice President, J. Lauritzen
President, Lauritzen Kosan
President, Lauritzen Tankers*

A showcase for Danish shipping

A Lauritzen Foundation grant contributes to the design and construction of a new Danish Maritime Museum in Elsinore.

As part of an ambitious remodelling of the area around Kronborg Castle in Elsinore, the Lauritzen Foundation, together with a group of leading Danish shipping companies, have contributed a total of DKK 300 million to build a new home for the Danish Maritime Museum now located within the castle. The Lauritzen Foundation has donated DKK 25 million, which, according to chairman Jens Ditlev Lauritzen, is the largest single grant it has ever awarded.

The new museum, scheduled to open in the spring of 2012, is under construction in an appropriately dramatic setting, dry dock No.1 of the old shipyard close to Kronborg Castle. The site itself presented an architectural and engineering challenge from the outset, as a major requirement was that the new structure should not obstruct the view of the castle. The winning design chosen from competing proposals was submitted by the Copenhagen-based architectural firm BIG (Bjarke Ingels Group). The building is being constructed entirely below ground level, with a large open-air area at the centre of the former dry dock. A striking series of bridges and descending staircases cross the open area and provide access to the museum.

Past and future

The new museum will provide a superb setting for displays presenting the history of Danish shipping. As Inge Grønvold, Lauritzen Foundation executive manager, points out, the new facility will be dedicated as much to shaping the future as to showcasing the past. “There will be conference and lecture rooms and space to accommodate various shipping industry activities. The Lauritzen Foundation is proud to contribute to preserving the heritage of Danish shipping and helping to stimulate new ideas. The museum’s director, Jørgen Selmer, is a progressive leader who will take an active part in highlighting the importance of Danish shipping.” The Danish Maritime Museum will be one element in a larger project under development by the Municipality of Elsinore, which will also include a new library and cultural centre, as well as recreating parks around the fortifications. The goal for the project as a whole is to enhance the area around Kronborg Castle, which has been designated by UNESCO

as a world heritage site. “The idea for the new maritime museum itself originated with the Danish Shipowners Association, which continues to be deeply involved in developing the project,” says Jens Ditlev Lauritzen. “Shipping has become an increasingly important segment of Danish industry, and – although other sites were considered – placing the museum near the castle will give maximum exposure to the history and future of Danish shipping. Not to mention the fact that the extremely creative design of the building should draw worldwide attention.”

Illustration courtesy of BIG (Bjarke Ingels Group)

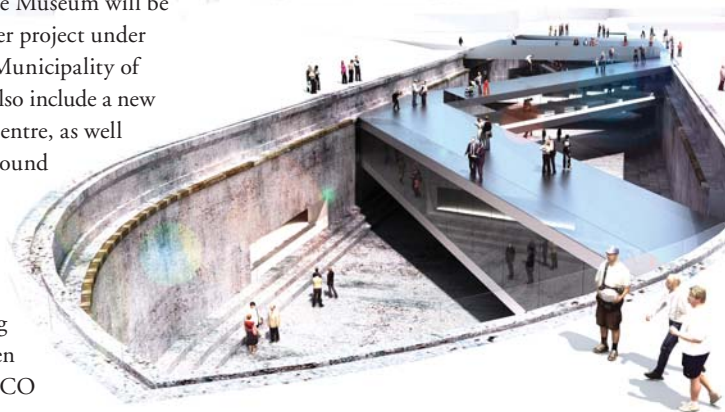


Photo by Ulla Munch-Petersen



Jan Kastrup-Nielsen, president of Lauritzen Kosan (at left), and Jørgen Selmer, director of the Danish Maritime Museum, with a model of the Isabella Kosan, which was donated to the museum by Lauritzen Kosan.

Thanks to generous support from the Lauritzen Foundation and other members of the Danish shipping industry, the new museum will feature state-of-the-art displays of Danish maritime history. Instead of long texts and traditional glass cases, we'll feature both IT-based and physical displays that visitors can interact with to shape their own experience of the museum.

Jørgen Selmer
Director, The Danish Maritime Museum

Very possibly the best job in town

Copenhagen's Andresen & Meyer A/S specialises in high-quality handmade design and scale models.

Andresen & Meyer is located anonymously in what appears to be an ordinary older building of residential flats on Jagtvej, in Copenhagen's Nørrebro district. Step into their workshop, however, and you're in another world altogether. A world of hand-crafted scale models of ships and trains mixed with the occasional high-style prototype for a new Bang & Olufsen stereo. Recent projects include the restoration of a scale model of the *Victoria Bulker* for J. Lauritzen. "Restoration" is actually too limited a word for this job, as Torben Janholt, president and CEO of J. Lauritzen, gave the existing model to Andresen & Meyer with the request to create a pair of identical models by cutting the original lengthwise and mounting the half-sections on mirrors. An extremely delicate job done entirely by hand – and entirely typical of a day's work at Andresen & Meyer.

Variety and precision

According to Claus Engquist, managing director of Andresen & Meyer, the shop's work is divided approximately into 50 percent ships and other scale models and 50 percent industrial design. "Most of our work is done for large companies,

including other shipping companies, like A. P. Moller-Maersk, as well as for museums," he says. "We're well known and also attract some foreign customers – we've done prototype designs of car doors for Aston Martin, for example." The model-making is a time-consuming process, as everything is done by hand – a large scale model of a ship can take two or three months to complete. Evidence of the painstaking nature of the work is everywhere in the workshop, including a large model of a DFDS ferry with exact replicas of the cars on board. Peer into the windows of a model ship's bridge and you'll see tiny computer screens, precise copies of captain's chairs – even the right brand of coffee pot in miniature.

"Usually we're provided with the drawings we need to build a model," says Claus Engquist, "but sometimes for very old ships we'll only be given photos and have to come up with the drawings ourselves. There is a tremendous variety in the work we do. Restoring an old model – we have one in the shop now from 1898 – is like handling an artefact, and we have to be able to work with the original materials and finishes. Which is of course very

different from working with David Lewis, Bang & Olufsen's head designer, to create a new product prototype. The combination of variety and precision is what makes this such an unusual place to work."

No Monday blues

Andresen & Meyer opened in 1969. Claus Engquist, who was trained as a blacksmith, joined the company 15 years ago and became managing director when the founders retired. "It takes about ten years to become completely skilled in this work," he says. "Nobody really starts out with exactly this kind of job in mind, but once they discover it they don't want to do anything else. Most people dread the end of the weekend – we always look forward to Monday morning. We're a total of four people now, and sometimes it seems we're part of a dying race. There aren't nearly as many competitors as there were 20 or 30 years ago. Probably only two or three other shops in Denmark do work on this level today. But that's the whole point – there'll always be a demand for 100 percent hand-crafted quality that just can't be handled by even the best mass model makers, and we're happy to meet it."

"Nobody really starts out with exactly this kind of job in mind, but once they discover it they don't want to do anything else. Most people dread the end of the weekend – we always look forward to Monday morning."

*Claus Engquist
Managing Director, Andresen & Meyer A/S*



Shanghai update

J. Lauritzen steps up its presence in China.

Lauritzen Kosan opened a Shanghai office in 2006 to assist the head office in Copenhagen secure and serve long-term contracts in the Far East, with particular focus on meeting the increasing demand for pressurized gas carriers along China's western coast (see article in *Lauritzen News* #5). With the recent arrival of Lars Blanco-Hansen to serve as new business development manager, the office is taking on increased strategic significance for all of J. Lauritzen. Formerly a chartering manager in Lauritzen Tankers, his mission in Shanghai is to build business for Lauritzen Bulklers and Lauritzen Tankers. He will in coming months work to establish contacts and to strengthen the Shanghai office's ability to serve as a base – along with Singapore and Tokyo – for international trade in the Far East.

Learning the ropes

"Lars will be working in as many areas as possible," says Lin Siau, general manager, J. Lauritzen Shanghai Co. Ltd. Especially at the beginning, it will be valuable for him to get involved in our established gas business, which is an excellent way to come up to speed with how business is done in China, what the legal requirements are, and so on – all lessons that apply to developing business for Lauritzen Bulklers and Lauritzen Tankers."

In fact, in addition to supporting Lauritzen Kosan business, helping JL navigate

the sometimes choppy waters of Chinese government and business regulations has been an important function of the Shanghai office. "China can often be difficult when it comes to things like work and residency visas," says Lin Siau, "and having a company here allows us to facilitate the process – we've learned how to work with the laws and restrictions that can be frustrating for a newcomer." The Shanghai office also helps out with the business details involved with JL's four ongoing newbuilding projects in China, which include Handysize bulk vessels, a number of tankers, two shuttle tankers for Lauritzen Offshore Services and six gas carriers.

Potential for growth

"I think we've been successful in our original support mission," says Lin Siau. "We've helped serve major customers such as BP and are in regular contact with clients in China and Taiwan so that we can notify Copenhagen when they need long-term charters. Although the supply of pressurized ships in China has increased in the past 18 months, these are smaller ships and there is still a general lack of tonnage for big companies. Also, there are oil and chemical majors here who can't find ships they are willing to use because the Chinese owners don't meet the inspection and vetting standards of the majors. Not because they can't do it, but because they have plenty of other business.

"All this is good news for us, although we still need to find a local partner to help secure this business. We've been hindered in doing so by the financial downturn, but nevertheless I'm hopeful that within this calendar year we can strengthen our domestic shipping entity by getting approval to add new vessels. There is a gap in the market that Lauritzen Kosan could definitely fill. As our new business development efforts for Lauritzen Bulklers and Lauritzen Tankers indicate, there are many additional ways this office can help explore the possibilities of the huge, diverse, and growing China market. Let's just say that I can see a busy year ahead."



Lin Siau, (at left) and Lars Blanco-Hansen

As our new business development efforts for Lauritzen Bulklers and Lauritzen Tankers indicate, there are many additional ways this office can help explore the possibilities of the huge, diverse and growing China market.

Lin Siau
General Manager, J. Lauritzen Shanghai Co. Ltd.

The Shell connection

What does the number one company on the 2009 Fortune Global 500 list look for in a partner to transport ethylene for its largest ever petrochemicals investment?

Shell is not the only game in town, but it certainly is the biggest. The Shell Eastern Petrochemicals Complex (SEPC) project, is Shell's largest ever petrochemicals investment. Located in Singapore, which was already Shell's main petrochemical production and export centre in the Asia-Pacific region, the SEPC investment project will create Shell's largest fully integrated refinery and petrochemicals hub when it becomes completely operational in the coming months. Among other facilities, the project includes a new world-scale ethylene cracker on Pulau Bukom (Bukom Island), to the south of mainland Singapore.

Past experience

This is where Lauritzen Kosan, with its new fleet of highly advanced ethylene carriers, comes into the picture. "One of the key elements in connection with this new plant was to find a logistics partner for ethylene," says Sriram Musunuri, Shell's Regional Marine Manager/Asia-Pacific, "especially considering that the product can be extremely sensitive to handle. Lauritzen Kosan was a known quantity, with Shell contracts in Europe dating back several years, and on the basis of that experience was among three of four companies shortlisted for the SEPC contract." Shell is widely known for being

highly selective in choosing companies to work with, and a key criterion is finding partners that can meet its demanding HSSE (health, safety, security, environment) standards. Maritime incidents on Shell operations are rare because the company does intensive vetting of ship-owners, management processes, and safety records and maintains rigorous minimum requirements in these areas.

High standards

"We made our final decision based partly on Lauritzen Kosan's excellent track record with Shell in Europe," says Sriram Musunuri, "and on our confidence that they could meet our requirements on the commercial side. But we also wanted a

partner who would be committed to meeting and bettering our HSSE standards. We were impressed by Lauritzen Kosan's proven ability to handle the ethylene cargo safely and correctly. We felt it was clear that they understand the nature of the cargo and have processes in place to protect their people and equipment as well as ours – and to safeguard the environment. Shell has worked with the Singapore government and other local authorities to ensure all relevant social and environmental standards would be met, and Lauritzen Kosan will be a key part of that effort. All in all, we're very confident in Lauritzen Kosan's ability to work with us as we maintain a leading role in Asia's petrochemical industry."

"We felt it was clear that Lauritzen Kosan understands the nature of the cargo and has processes in place to protect their people and equipment as well as ours – and to safeguard the environment."

*Sriram Musunuri
Shell Regional Marine Manager/Asia-Pacific*



The ethylene cracker at Shell Eastern Petrochemical Complex in Singapore.

Uncertainty after Copenhagen climate talks

The United Nations Climate Change Conference in Copenhagen (COP15) that took place in December 2009 failed to deliver a clear message to the shipping industry.

The outcome of COP15 implies that the shipping industry still faces the uncertainty of a tax on emissions, and it leaves the door open for regional schemes that can lead to an uneven playing field to the detriment of owners and operators.

The shipping industry had hoped that the Copenhagen summit would provide a clear mandate for the IMO to continue its work within its Marine Environment

Protection Committee (MEPC). While the IMO did not have its mandate taken away at the meeting in Copenhagen, regional proposals could be brought into play before the IMO will be able to finish its work.

Although the “Copenhagen Accord” issued after the conference was silent on the treatment of shipping, this does not mean that shipping has been dropped from the

United Nations Framework Convention on Climate Change (UNFCCC) agenda. On the contrary, proposals whereby shipping might be expected to contribute a significant amount of funds earmarked to help developing countries in a clean-technology programme will most likely be considered at the UNFCCC meeting in Germany in late May 2010, prior to the UN Conference in Mexico in December 2010 (COP16).

JL speaks at international climate conferences



Jens Søndergaard at COP15 in Copenhagen

At the COP15 in Copenhagen, Jens Søndergaard, Senior Vice President of J. Lauritzen, acted as moderator at a side event exploring the shipping industry’s use of fuel and various methods for reducing fuel consumption and emissions. The event included speakers from Wallenius Marine, A.P. Moller Maersk and Lloyd’s Register.

In his introduction, Jens Søndergaard said that “shipping is by far the most energy-efficient form of commercial transport, and hence shipping remains the climate-friendly lifeblood of the global economy.

This is remarkable because most news media tend to portray the shipping in-

dustry as a very climate-unfriendly mode of transport. This does not mean that shipowners and operators are satisfied with things as they are, and the shipping industry is firmly committed to playing its part in reducing carbon emissions.”

“In fact the shipping industry is committed to achieving whatever global targets may be set for shipping by governments, under the condition that the same standards apply to all ships trading internationally and thus providing an even playing field for all actors,” Jens Søndergaard said in his concluding remarks.

In March 2010, Ejner Bonderup, President of Lauritzen Bulkera, was invited to speak at the Annual Marine Propulsion Conference in London.

In his presentation Ejner Bonderup shared his views on the environmental impacts of the shipping industry. He emphasized that “bulk carriers are typically regarded as the low-tech workhorses of the oceans, but that Lauritzen Bulkera through a variety of initiatives is building a fleet that is environmentally progressive.” “Lauritzen Bulkera’s initiatives to reduce the environmental impact of its opera-

tions include enhanced hull and propeller design, improved engine combustion and performance through the Lab-On-A-Ship (LOAS) system and a variety of other initiatives,” he said.

“There is little doubt that requirements in terms of climate and environment will increase, also within the bulk market. Corporate Social Responsibility (CSR) is gaining ground across industries, and we are already witnessing signs in the bulk market that dry bulk charterers are adapting to the strict requirements seen in the oil shipping markets. The Rightship initiative involving some of the world’s leading mining companies is just an example of a tendency that is likely to prevail in the future,” Ejner Bonderup said in his concluding remarks.



Ejner Bonderup at the 2010 Annual Marine Propulsion Conference in London.

From Team Ulsan to Team Manila

Flemming Schmidt-Andersen, vice president of Lauritzen Kosan, departs Korea to become head of Lauritzen Kosan's representative office in the Philippines.

By now, Flemming Schmidt-Andersen is a qualified Far East hand. During his 20 years with J. Lauritzen he has been in the Philippines on many projects, and is married to a Filipina. He spent periods of time off and on in South Korea for Lauritzen Kosan during the 1990s, including about a year from 1995 to 1999. For the past three years, he was head of the site team that successfully supervised construction of Lauritzen Kosan's ten advanced ethylene carriers at Sekwang Heavy Industries in Ulsan, South Korea. He finished that assignment last December and moved directly to Manila to manage another team – this



*Flemming Schmidt-Andersen
Vice President of Lauritzen Kosan's
Manila office*

one responsible for supporting a growing range of Lauritzen Kosan activities in the Philippines and throughout the Far East.

A skilled group

“The final ethylene carrier – which we were supervising for our partner LGR Navigazione – left Ulsan on the 11th December, and I was gone on the 18th,” says Flemming Schmidt-Andersen, “with the office completely closed down. This project left us all with a lot to be proud of – particularly the performance of the site team at Sekwang Heavy Industries. Over the course of the construction period, the team was made up of 20 people and seven different nationalities – all skilled and talented people who worked well together for three years. Personally, I am very happy that we were able to get 15 of the 20 other spots within J. Lauritzen when this contract was over. We were even able to help some of them transition to permanent employee status.”

The series of ten innovative and environmentally friendly vessels built at Sekwang set a new standard for semi-pressurized and refrigerated gas carriers – as was

recognized by the 2008 Lloyd's List Ship of the Year award to the *Isabella Kosan*. The ships have also been instrumental in securing significant new business for Lauritzen Kosan, such as the recent contract with Shell in Singapore (see story, p. 18).

Focus on education

Flemming Schmidt-Andersen will head up a team with an entirely different mission in Manila. His new role includes coordinating activities such as debriefing of seafarers, interviews with potential candidates, reviewing and reforming seafarer education, and strengthening Lauritzen Kosan's supply and support network in the Far East. “I've had a long and positive connection with Crossworld Marine Services, our crewing agency in the Philippines,” he says, “which dates back to setting up the contract between Lauritzen Kosan and Crossworld. The same is true for FOSCON, our crewing agent for Star Management, which is Lauritzen Kosan's crew management company for fully pressurized ships. I have good personal contacts, which I want to use to develop even closer working relationships with our team in Manila.”

A major area of focus is education. Together with Lauritzen Kosan fleet management in Copenhagen, Flemming Schmidt-Andersen will be setting up new courses for seafarers and engineers and scrutinizing and reviewing existing educational procedures. “We want to

Changing of the guard at overseas offices



Jesper Mehlsen Bab is the new head of J. Lauritzen (USA) Inc.

“Our team can serve as an extended arm of Lauritzen Kosan fleet management by joining a ship wherever necessary. As Lauritzen Kosan focuses more of its business in the Far East, it will give us greater flexibility to have some technical support resources based here as well.”

*Flemming Schmidt-Andersen
Vice President / Head of Lauritzen Kosan’s Manila office*

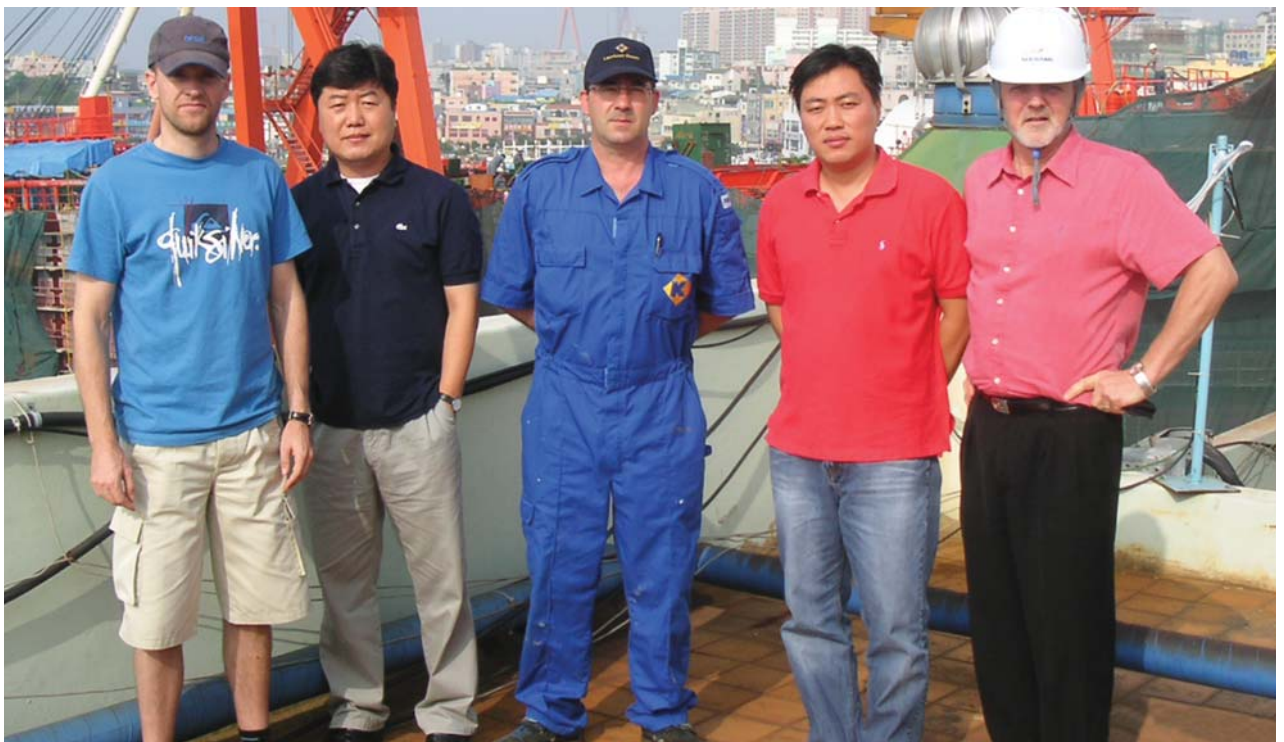
make sure we’re getting value for money and also determine what courses should be added,” he says. “We definitely need additional courses for engineers on the new ethylene carriers, which have very complex electric power plants and machinery.”

Bridgehead for technical support

“This kind of local training can be very

useful for Lauritzen Kosan,” he says. “With well trained seafarers, we’ll be in a better position to maintain our high standards of service. With a presence in the Philippines our team can serve as an extended arm of Lauritzen Kosan fleet management by joining a ship wherever necessary. As Lauritzen Kosan focuses more of its business in the Far East, it will give us greater flexibility to have

some technical support resources based here as well. As a Manila bridgehead for Lauritzen Kosan fleet management, this office can mobilize local resources at short notice. I’m compiling a master list of FE/SEA service companies and visiting shipyards so that we have key contacts in place when we need them.”



Team members in Ulsan, from left to right: Peder Nielsen, Dong-Youl Oh, Jesus Carlos Zamacona, Won Ho Lee and Flemming Schmidt-Andersen



Jørgen Kragh, former head of J. Lauritzen (USA) Inc., is the new head of J. Lauritzen (Japan) K.K.



Ib Hansen, former head of J. Lauritzen (Japan) K.K., has returned to Sankt Annæ Plads to take up the position of vice president with Lauritzen Offshore Services



Captain Fernando Granda heads Lauritzen Tankers’ newbuilding programme at Guanzhou Shipyard International, China, as of January 2010

Revising the rule



s for gas carriers

Lauritzen Kosan and other industry representatives review the IMO code for ship construction and equipment.

Work is nearing completion on a first-draft revision of the IMO's International Code for the Construction and Equipment of Ships Carrying Liquefied Gases in Bulk (IGC code). The project was initially approved by the IMO in 2007, and in early 2008 it was decided that representatives from the industry itself – split into ten working groups – would review and revise the code. This is the first time the IMO has handed over revision of one of its codes to industry, and Lauritzen Kosan was among the participants. Naval architect Hans-Henrik Ahrenst from Lauritzen Kosan Fleet Management was a member of Working Group 2/Ship Arrangements and Survival. Peter Justesen, vice president and head of Lauritzen Kosan Fleet Management was the chairman of Working Group 6/Cargo Tank Pressure Relieving Systems and also a member of the steering group. Additional members of the working groups – a total of around 130 people – included experts from classification societies, LNG and LPG ship owners and operators, design companies, and shipyards specialising in gas carrier construction. The entire project has been co-ordinated by SIGTTO, a non-profit company that promotes high operating standards and best practices in gas tankers and terminals throughout the world.

Striking a balance

“Like our other industry colleagues in the working groups, we were voluntary participants in the project,” says Hans-Henrik Ahrenst. “We felt that Lauritzen

Kosan had to be involved for a couple of important reasons. First, this code revision is something that will affect the industry for years to come – the code was initially adopted in 1983, and the current edition dates from 1993. For J. Lauritzen to be a world-class company, it's necessary to participate in a project like this. Second, it was also important for us to represent our own interests and those of other LPG owners. Owners of larger LNG ships often have a much different set of priorities – among other things, because they carry just one grade of cargo, whereas LPG vessels carry a variety of cargoes under different pressures and temperatures. If the preferences of LNG owners were to dominate the code revision, it could make business difficult and costly for LPG owners. It's a matter of striking a balance, which I think we achieved.”

Compelling evidence

Each working group was responsible for revising one chapter of the code, and there were numerous technical issues up for discussion in each group. “For reasons of technological advancement alone, many revisions were necessary to the existing edition of code,” says Peter Justesen. “In all instances, we searched for compelling evidence that existing rules were not adequate and not ensuring a high standard of safety. The IGC code is the Bible of building gas tankers, so we needed to be positive that changes were needed. When we were, we approved revisions regardless of potential cost to the industry. By the same token, the

working groups voted against proposed changes that couldn't stand up to close scrutiny. For example, it was decided that a requirement for double bottoms on small Type C LPG carriers would be counterproductive. Such double bottom designs would be very small and difficult to fabricate and would also compromise basic ship design. We were always mindful of the fact that this industry has an outstanding safety record, and we wanted to keep it that way.”

Revising the code has been a long and intense process, stretching from spring 2008 through autumn 2009. During this period the working groups met eight times in locations worldwide, which meant a heavy commitment of travel and work time for all involved. J. Lauritzen hosted one working group meeting and a meeting of the steering group. A first draft of the revision should be ready soon for review by the steering group, which is comprised of the chairs of the various working groups and headed by UK Maritime & Coastguard Agency chairman David MacRea. This will be followed by a draft for initial IMO review late this summer. SIGTTO hopes a corrected draft can be sent to the IMO's Maritime Safety Committee (MSC) in March 2012 for comment and approval. The timeline after that is for the code to be adopted in 2013 and in force by July 2014.

“Lauritzen Kosan is one of the leading operators of smaller LPG carriers. Especially in this age of increasingly bigger LNG ships, we needed to ensure a full cross-section of the industry in our review of the IGC code. This was a crucial part of the process and Lauritzen Kosan provided a much needed viewpoint.”

*Roger Roue
Project Coordinator, SIGTTO*

Inspiration from top professors

During the past couple of years, JL has worked closely together with IMD, Lausanne, and IESE, Barcelona, two internationally top-ranked business schools. Tailor-made strategy seminars

and in-company programmes have been arranged for JL senior managers.



Pedro Videla, IESE



Peter Killing, IMD

In June 2009, Pedro Videla, professor of Economics at IESE, presented his views on the global economy to JL's Board of Directors and in early March 2010 to a group of senior managers. "We learn from Professor Videla's sharp macro economic analyses and benefit from his vast international experience", says Torben Janholt, president and CEO of J. Lauritzen.

During 2009, JL worked closely together with Peter Killing, professor of Strategy at IMD implementing the "Must-win Battles" concept by focusing on the battles that must be won for JL to remain successful. "Working with Peter Killing brings experience and inspiration from some of the biggest global corporations to JL. It sharpens our approach to our most important challenges and re-energises our strategic thinking", says Torben Janholt.

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*

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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 750 persons and together with partners/associates controls a combined fleet of about 220 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