

LAURITZEN NEWS #3

October 2005



New reefer company to be major player

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OCEANS OF KNOW-HOW

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Dear Reader,

This past six months, we have set the scene for another prosperous year at J. Lauritzen with lots of activity worldwide and many interesting projects completed or in the pipeline.

With a number of additional newbuilding orders, we have continued to build up the JL fleet, and we now have 18 vessels on order for delivery in coming years. In Singapore, we have also now set up a subsidiary so as to boost our activities in South East Asia.

With first half pre-tax profits of USD 166 million in 2005, our financial performance has also been very satisfactory. I am very pleased that all four business areas made positive contributions to the result. Even though Lauritzen Bulkers again contributed the lion's share of earnings, our fleet strategy for Lauritzen Kosan has now revealed its full strength. With the support of a healthy market, earnings from our gas carriers improved markedly compared to last year. Our reefer vessels employed through LauritzenCool once again enjoyed a strong season, and even though the market has levelled off considerably during the off-season, the underlying market dynamics are regarded as healthy. Lauritzen Tankers has made a good start in its first full year of operations, and a number of potential ventures indicate a positive future.

After a pre-notification procedure during the spring, official notice of the proposed merger of reefer operations at NYK Reefers and LauritzenCool was submitted to the EU Commission in July, and the proposal was unconditionally cleared by the Commission in August.

In June 2005, J. Lauritzen received the King Frederik IX Award, a most valuable recognition of the diligent and dedicated efforts made by all JL employees world-wide.

As another sign of confidence and recognition of J. Lauritzen, I took up the Chairmanship of the Danish Shipowners' Association in May 2005. The Danish shipping industry has grown tremendously during the past years, and it is with a great sense of pride and expectation that, on behalf of the vibrant Danish shipping community, I have taken on the important responsibility of representing Danish shipping in Denmark and abroad.

Sincerely,

Torben Janholt
President, CEO

JL's values – based on our vision, “Together we create a world-class shipping company” – have been the theme for a number of staff conferences during the first half of 2005. Today, they form an integral part of our daily operations throughout the organisation, to the benefit of our employees and, hopefully, our customers as well.

*Torben Janholt,
President and CEO*



Very satisfactory half-year results

Pre-tax earnings for the first half-year of 2005 were USD 166.1m (DKK 923.2m) up from USD 120.1m (DKK 701.7m) for the first half of 2004. Profits from the sale of vessels contributed USD 35m to the 38% improvement in results.

Return on invested capital was 82.2%, up from 66.2% for the same period in 2004. Return on equity was 64% (63% in 2004).

Equity ratio (solvency) was 74% (68% at year-end 2004).

As in 2004, Lauritzen Bulkers again had a major impact on JL's pre-tax earnings (USD 120m), but positive contributions to earnings were also reported by JL reefer activities handled via LauritzenCool (USD 21m), gas carrier activities at Lauritzen Kosan (USD 26m) and activities at Lauritzen Tankers (USD 3m).

During the first half, J. Lauritzen decided to invest in expanding the fleet as follows:

- Orders placed for two gas carriers with ethylene capacity for delivery in 2007/08.
- Orders placed for two Handysize bulk carriers for delivery in 2008/09.
- Time charter (five years) for a Cape-size bulk carrier newbuilding for delivery at the end of 2005.
- Time charters (five and seven years) for two product tanker newbuildings for delivery in 2007/08.
- Two second-hand Handysize bulk carriers.
- One second-hand Panamax bulk carrier.
- One second-hand reefer vessel.

J. Lauritzen thus has 18 newbuildings on order for delivery in the coming years, of which eight will be on long-term time charter. USD 268m are invested in own tonnage.

During the first half, J. Lauritzen also took advantage of the market to sell tonnage amounting to USD 107m (up from USD 12m in 2004), including:

- Sale and lease-back of three reefer vessels.
- Sale of three Handysize bulk carriers.
- Sale of three gas carriers.

Agreement between LauritzenCool and NYK Reefers to set up a 50:50 joint venture with effect from 1 January 2005 was filed with the EU competition authorities. Approval was granted in August.

J. Lauritzen is forecasting somewhat lower earnings for the second half of 2005 compared to the same period in 2004, primarily due to lower earnings expectations for the bulk segment and the lower rates forecast for the reefer segment during the low season.

Whole year 2005 expectations are in line with those announced earlier, with a very satisfactory pre-tax earnings forecast slightly down on 2004.

Key figures (USD mio)	Half Year		Year
	2005 Actual	2004 Actual	2004 Actual
Ordinary result before tax			
LauritzenCool a.o.	20,6	15,9	15,1
Land-based activities	0,4	0,1	1,2
Lauritzen Kosan	25,8	1,9	15,1
Lauritzen Bulkers	120,2	100,6	214,7
Lauritzen Tankers	2,9	(0,3)	0,0
Other	(3,8)	1,9	(5,4)
Pre-tax result	166,1	120,1	240,8
Tax and minorities	(7,7)	(33,1)	(40,2)
Net result	158,4	87,0	200,6
Liquid funds	278,3	140,5	164,3
Long term debt, total	92,5	173,1	101,2
Equity	557,4	317,1	437,7
Total assets	755,3	568,8	642,7

Another record for LauritzenCool



Record kiwifruit cargo marks return to New Zealand waters

Whilst the Family Class reefer vessels operated by LauritzenCool have traded extensively in the Pacific Ocean in recent years, it has been a considerable time since they have been seen in New Zealand waters.

Zespri International Ltd, the sole marketing organisation for New Zealand kiwifruit, is handling an ever increasing volume and welcomed the LauritzenCool suggestion of a Family Class vessel loading at the height of the harvesting period, when cool stores and pack-houses are under considerable pressure

for space. As Zespri requested, LauritzenCool even arranged a maximum volume of on-deck reefer containers.

And so, on 30 May, the *Knud Lauritzen* presented in Tauranga. Some 48 hours later, the vessel sailed with a full underdeck cargo and 104 40-ft reefer containers on deck. The total cargo of 8,913 pallets was almost 3,000 pallets larger than any kiwifruit cargo ever shipped. This record cargo drew extensive publicity in both New Zealand and Europe, in the print media and on television, as well as gaining the vessel a predominant appearance in Zespri's promotional material.

Request for return voyage

Captain Anders Baggesen, together with his officers and crew, hosted functions on board in both Tauranga and Zeebrugge and gave many tours of the vessel to kiwifruit industry and media representatives. There was considerable praise from many quarters for their co-operation and the effort they made during the port stays and voyage. Zespri has already asked LauritzenCool to bring its vessel back next year.

Subsequently, *Ivar Lauritzen* and *Jørgen Lauritzen* have also loaded in this trade and have likewise drawn very many positive comments.

Just prior to the loading of the *Knud Lauritzen*, severe flooding occurred in the Tauranga region, leaving a lot of property damage and many people homeless. To recognise the significance of the occasion of this record loading, LauritzenCool made a generous donation to the Mayoral Flood Relief Fund.

Lauritzen Bulkers builds for the future

New vessels and entry into Capesize.

Act now to secure the future. That's the message communicated by the president of Lauritzen Bulkers, Jens Ditlev Lauritzen, when he describes the impetus behind the recent commissioning of another two newbuildings and one long-term charter. "We needed to do this now," he says. "Shipyards worldwide are already heavily backlogged, and if we waited to order these ships delivery might be delayed until 2010."

As it is, the two newbuildings, both 32,000 dwt. Handysize, are scheduled for the third quarter of 2008 and the first quarter of 2009. The ships will help Lauritzen Bulkers secure the long-term availability of this type of vessel. Both newbuildings will be delivered by Hakodate Shipyards in Japan, one of the best yards in the world at building this type of ship.

The new vessels are part of a long-term strategy of fleet expansion, and will closely follow two previously ordered newbuildings being delivered in 2006 and 2007. Additionally,

Lauritzen Bulkers has entered into a long-term charter for a vessel currently under construction at a Chinese shipyard. This ship – at 175,000 dwt., 289 meters LOA (Length Over All), and 45 meters beam - will be the largest ever in the J. Lauritzen fleet and marks Lauritzen Bulkers' entry into the Capesize segment of bulk shipping. It will be used chiefly for iron ore and coal trading, much of it to satisfy demand in China.

New reefer company to be major player

NYKLauritzenCool combines financial strength, global reach, and integrated logistics

When NYK Reefers and LauritzenCool received clearance in August from the European Commission to merge their reefer activities, a major player was born. The new company, NYKLauritzenCool AB, will become one of the world's largest reefer shipping companies, operating more than 70 specialised reefer vessels of various sizes, in all major reefer trades.

The new company, which will be owned on a 50:50 basis by NYK Reefers and J. Lauritzen, represents a perfect match of corporate capabilities. "LauritzenCool and NYK operate vessels of a similar size, but in different

trades, so our business areas complement each other, but don't overlap. This merger will immediately produce strong synergies and give us significant economies of scale," says Hiroshi Yamafuji, CEO of NYK Reefers. According to Lars Rutberg, COO of NYK Reefers, the cultural match between the two companies is also good: "I think you can say that there are definite similarities between the Japanese and Scandinavian approaches to strategy and long-term thinking, and the new company will benefit from this."

New logistics and transport concepts
NYKLauritzenCool enters the reefer market at a time of transition. As consumption increases and new markets are added, clients, especially at the buying end of the transport chain, are demanding more advanced logistic services, such as IT support, multi-destination capability, and just-in-time delivery. This calls for new ways of thinking and unconventional solutions, and NYKLauritzenCool is eager to meet the challenge.

The new company will actively seek innovative solutions to old and new problems by developing new logistics



“The bottom line is that this new company will enable us to give even better service to our customers. The combination of NYK Reefers and LauritzenCool brings together the two strongest reefer groups in the business - a combined strength that will give us the opportunity to change the industry with new ideas, new services, and new types of vessels.”

*Mats Jansson
President, LauritzenCool AB*

and transport concepts. “Everyone is aware of the fact that contemporary ideas are needed, but they can only be realised by reefer companies with financial and organisational strength,” says Mats Jansson, president, LauritzenCool. “NYKLauritzenCool will be able to afford the best systems and ships, which will mean increased quality and service for our customers.”

The deregulation of many exporting markets is resulting in a large number of smaller growers and exporters, all of whom need integrated logistics and information handling.

NYKLauritzenCool will be especially well positioned to meet these demands through the activities of its subsidiary, LauritzenCool Logistics (LCL), which provides integrated logistics solutions to the world’s perishable trades. “The specialised reefer sector needs new ideas and designs to attract customers and compete with container lines, and this company will be able to deliver - especially when you consider LCL’s ability to meet the needs of small shippers,” says Lars Rutberg.

A smooth transition

The merger is planned to proceed without major organisational changes.

NYKLauritzenCool will be based in Stockholm, occupying LauritzenCool’s former head office. The NYK Reefers office in London will become a branch office and continue to service customers worldwide. “Our main task for the immediate future is to get our merged operations up and running at an optimum”, says Mats Jansson. “Our client contact staff will remain the same, and gradually our clients will experience an improvement in our services.”



On 15 September 2005 NYK Reefers and J. Lauritzen signed the agreement on the merger of their reefer activities.

LauritzenCool Logistic ground running in south

Creation of LCL Iberia and LCL Mediterranean add new dimensions to operations in Europe and beyond.

Within just a few months at the beginning of 2005, LauritzenCool Logistics positioned itself to make dramatic inroads into markets throughout Europe and around the Mediterranean. Through a rapidly executed strategy of acquisitions and affiliations, LauritzenCool Logistics has put in place two new companies: LCL Iberia, which provides trucking and distribution services across the length and breadth of Europe, and LCL Mediterranean, a holding company charged with setting up further

LCL operations throughout the Mediterranean.

“Simply put,” says Ole Schack-Petersen, managing director, LauritzenCool Logistics, “we created LCL Iberia because of the ability it gives us to provide better worldwide logistics for perishables. In fact, it opens up a whole new field of operations for us, which is land distribution by truck, chiefly from Spain to hub points in northern, central and eastern Europe but also including shipments

“We are able to serve the entire LCL logistics network with our access to a fleet of 500 trucks. The fact that it’s an international fleet from countries all over Europe is a tremendous competitive advantage.”

*Juergen Benz
President, LCL Iberia*

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from north to south, west to east, and east to west.” The Iberian Peninsula is the largest exporter of fresh fruit and produce in the world, and is also a major consumer. By locating in Spain and acquiring trucking partners there, LCL immediately gained access to a wealth of know-how and a well-established distribution system.

From Spain to Russia and Ukraine

“We are able to serve the entire LCL logistics network with our access to a fleet of 500 trucks,” says Juergen Benz, president, LCL Iberia. “The fact that it’s an international fleet from countries all over Europe is a tremendous competitive advantage. It gives us the flexibility to go easily and rapidly where the best markets are, where the buyers are - not just where trucks happen to be available - from season to season and year to year. This gives us a significant price advantage.” Operating through cross-docking and reloading hubs in northern Europe, the truck fleet transports Spanish produce as far away as Moscow, St. Petersburg, and Minsk, in Russia and to Kiev, in Ukraine. The same trucks do a strong and growing business in backload traffic, carrying, for example, fish from Scandinavia or out-of-season fruit from northern Europe or England back to Spain.

Additionally, the truck fleet is available to serve LCL customers who have cargo arriving in northern ports from outside the continent for further distribution in Europe and England. LCL Iberia services are attractive to customers, such as large suppliers of perishables to Europe from South America, who need to truck some of their shipment from south to north or north to south to correct imbalances in the amount or type of fruit available in a given market or to take advantage of regional prices.

Building Mediterranean partnerships

Just as LCL Iberia’s trucking fleet satisfies a strong demand throughout Europe, offices held by LCL Mediterranean allow LauritzenCool Logistics to gain a foothold in cities - such as Algeciras, Spain, and Ravenna, Italy, for example - that act as hub ports for significant amounts of reefer traffic around the Mediterranean. Growth in the immediate future includes plans for new offices in Morocco, Egypt, Italy, and Turkey with other Mediterranean and Black

alliance with LCL as a new way of doing things, and access to our world-wide network is attractive to them. Not to mention that there is clearly very strong potential for growth.” LCL will also tap into this growing Mediterranean network for synergies with existing business. When, for instance, NYK, one of the two shareholders in LCL, sends cargo from the Far East to Mediterranean ports, LCL Mediterranean representatives on the spot will be able to help book the best-paying return cargo.



Sea countries to follow. To establish a presence in these countries, LCL Mediterranean will establish affiliations with experienced people.

“We try to find the right partner for the local reefer market in each location,” says Raphael Llerena, regional manager, LCL Mediterranean. “There aren’t many with the kind of specialised capability we need, combining freight forwarding, logistics, and reefer experience. But those who qualify are usually eager to work with us. They see an

Finally, according to Ole Schack-Petersen, LauritzenCool Logistics is working on a similar model for expansion in the United States. The US market combines high volumes of imports and exports with heavy over-the-road distribution between the east and west coasts, which suggests that LCL Iberia/LCL Mediterranean-style operations would meet with success there.



Around the world to Copenhagen



*Eduardo Pérez Orúe
Manager, Business Development
Lauritzen Kosan A/S*

In late 2004, Eduardo Pérez Orúe was named head of Business Development, a new section within Lauritzen Kosan. Eduardo Pérez Orúe was born in Bilbao, Spain, but has pursued an entirely international career in the gas and chemical industry. Fourteen years with Dow Chemical Company, beginning in Tarragona, Spain, took him to postings in the Netherlands, Argentina, and the United States. He left a position in Singapore to join Lauritzen Kosan in Copenhagen, but *also* spends about half his time in Lauritzen Kosan's Bilbao office.

“For me personally,” says Eduardo, “this return to Europe is very good - especially the complete coincidence of being able to spend part of my time

in the city where I was born. Since I have built up so much experience in logistics and gas transportation with Dow, I wanted to continue that focus, and Lauritzen Kosan presented that chance.” Eduardo Pérez Orúe is now responsible for worldwide new business development, which ranges from seeking business in new geographical areas to developing ideas for new products or new approaches to existing products. He sees particularly strong future opportunities for Lauritzen Kosan in the Middle East. “It is exciting to be a part of serious developments that have the possibility of becoming the future of company,” says Eduardo Pérez Orúe, “especially at this time, when we have the resources to move aggressively ahead.”

From Hong Kong to Copenhagen

Although Thomas Wøidemann has been with the J. Lauritzen Group for just three and a half years, he has amassed experience that makes it easy to understand his appointment as the new head of Lauritzen Kosan's commercial activities. After acquiring several years of experience in gas and a spell with chemical tankers with previous employers, Thomas Wøidemann worked briefly with Sigas Kosan then spent two years in Hong Kong with Exmar Kosan, where he was actively involved in establishing the platform of Exmar Kosan activities.

"In the sense that I was directly involved in contract negotiations, sale and purchase, and the development of Exmar Kosan, my experience in Hong Kong was similar to my new responsibilities here in Copenhagen, which involve contracts with all the major players, such as Shell, RYTTSa, Total, BP, and others," says Thomas Wøidemann. "You can say that my previous jobs with Sigas Kosan and Exmar Kosan were natural stepping stones to my present position." While he is no longer involved with day-to-day chartering, the commercial department in Copenhagen does review Exmar Kosan contracts and Thomas Wøidemann still holds a position on the board of Exmar Kosan. As for the future, he says the goal of the Commercial Department is easily defined: "We want to be a market leader in our segments, and we constantly intend to maintain and improve on that position."



Thomas Wøidemann
Vice President, Lauritzen Kosan A/S

Open for business in Singapore



New office will represent J. Lauritzen's four business areas in Singapore and throughout South-East Asia.

The decision to establish a new J. Lauritzen office in Singapore is largely due to significant growth in China and, to some extent, in India and other countries in the region. "The activity in the J. Lauritzen Group that is benefiting most significantly from recent growth in demand is dry bulk, which initially will be the main activity of J. Lauritzen Singapore" says Ejner Bonderup, vice president, Lauritzen Bulkers. "The bulk carriers we own and operate will participate in a Global Marketing Agreement with Lauritzen Bulkers Copenhagen and their associates. The Singapore office will take responsibility for the commercial and operational activities of the Agreement that occur east of Suez."

For the past 12 years, Lauritzen Bulkers' activities in the southern part of the Pacific Rim has been managed by its office in Melbourne. The move to Singapore positions the company more effectively for growth throughout the region. Lauritzen Bulkers will have three chartering managers and one operations manager in the office.

Off to a strong start

The office was open and up to speed in short order. Considerable resources have been allocated to the venture, and an enthusiastic and very competent team is in place. Soon, the staff is expected to reach a total of seven people, ranging in origin from Asia and Australia to America and Europe. This might be seen as an extraordinarily diverse group in some places, but is not the least unusual in Singapore, which is a truly multicultural metropolis.

"Apart from our competent staff, a major criterion for success in this business is a top-class location, one that provides the ability to service our market in the most efficient way. With its central situation in the region and so many destinations within easy reach, Singapore would be tough to beat," says Tom Hansen, managing director, J. Lauritzen Singapore. "Also, Singapore is a good place to do business. We've already formed important partnerships, and look forward to building on the open reception and cooperative spirit we've encountered here."

Avenues for growth

In addition to dry bulk, other J. Lauritzen business activities also will benefit from the Singapore office. Lauritzen Kosan already holds a strong position in the region through its Exmar Kosan venture in Hong Kong, and LauritzenCool has a substantial network in Asia through its partnership with NYK. "It is too early to be specific, but the Group has great ambitions in Asia, and J. Lauritzen Singapore will be vigilant in identifying and developing opportunities in the region to complement existing activities," says Tom Hansen.



Sharp focus on safe management

“The idea is to get off to a strong start with the first inspection, especially as many of the oil majors share their results through an online system called SIRE. But it takes tremendous preparation, as the vettings cover everything from ship's cleanliness and crew certifications to procedures on the bridge.”

*Erik Møller
Fleet Manager, Lauritzen Tankers A/S*



Erik Møller



*Captain
Sven Laybourn*

Efficient coordination by captain, crew, and home office speeds vetting for Lauritzen Tankers newbuilding.

Ship vettings demanded by major - and also many smaller - oil companies are detailed, rigorous, and an absolute requirement. Without passing these inspections, even a new vessel is considered unfit for business. Which is why Lauritzen Tankers was preparing for the vetting process even before its latest newbuilding, the *Freja Atlantic*, left the shipyard.

Captain Sven Laybourn, one of two captains who commands the *Freja Atlantic*, points out that oil company vettings cover every conceivable area of a ship's operation. “It's not just to ensure that all the ship's equipment is in order. The vettings also focus strongly on crew procedures and our ability to document virtually everything we do. Especially with a new



vessel and new crew, vetting takes an intense effort by everyone to get up to speed and working together as a team.” Because Captain Laybourn’s recent experience had been aboard reefers, he prepared for the *Freja Atlantic* command with a trial run on a similar vessel to refresh his knowledge of tanker operations and safety. He and the other senior officers then worked to guide the new crew through a steep learning curve to prepare for and coordinate vettings with the home office.

A strong start

Vettings are normally required annually by the oil majors. Their overall purpose is to ensure safe management, that ship and crew meet or exceed ISM (International Ship Management) and ISPS (International Ship & Port Facility Security) requirements for human, cargo, and environmental safety and security. “The idea,” says Erik Møller, fleet manager, Lauritzen

Tankers, “is to get off to a strong start with the first inspection, especially as the oil majors share their results through an online system called SIRE, (Ship Inspection Report Programme) and one company will often accept the findings of another. But it takes tremendous preparation, as the vettings cover and document everything from ship’s cleanliness and crew certifications to procedures on the bridge.”

Preparation for these rigorous daylong inspections requires close coordination between the captain and the home office, which can offer all kinds of pre-vetting support in terms of documentation and guidance about vetting preferences of individual oil companies. To prepare the *Freja Atlantic*, Lauritzen Tankers decided to hire an independent surveyor to do a complete pre-vetting inspection. “The challenge with new-buildings is that no record exists, no history of vetting,” says Captain Hans Joensen, who shares command duties

with Captain Laybourn. “The pre-vetting inspection allowed us to identify potential problem areas and resolve them before the oil company inspectors came on board.”

An excellent finish

All of this early preparation paid off handsomely, as the *Freja Atlantic* passed her first vetting inspection with only one minor deficiency to be corrected. In a period of less than four months at the beginning of 2005, the ship acquired excellent reports from five of the major oil companies: Shell, BP, Exxon Mobil, Total, and Dreyfuss. “This was really an outstanding accomplishment,” says Erik Møller. “Getting so many major vettings accomplished this quickly is unusual and means that Lauritzen Tankers will be getting the most from this new vessel right from the start. It also shows how well our officers, crew, and home office personnel are able to perform under pressure.”

International shipping takes Captain David Aro from the Straits of Malacca to the North Sea



Filipino captain David Aro began his career with Lauritzen Kosan in 1991 as second officer. In search of a higher rating, he left the company in 1996 for a position with a Japanese gas carrier. During that time, he sailed throughout Southeast Asia, where he had begun his seafaring career. When he discovered that Lauritzen Kosan was seeking senior officers, David Aro returned to the company in 2003 as chief officer, and within five months was promoted to captain. He is presently master of the *Gitta Kosan*, a 4,415 cbm gas carrier built in 1990, which operates primarily in European waters.

What stands out in your mind about your initial period with Lauritzen Kosan in the first half of the 1990s?

I was young and single then and looking forward to making a change and experiencing something different. Before I joined Lauritzen Kosan, I had worked in much larger ships - 250,000 dwt. rather than 1,599 dwt.- and I thought I might prefer the switch to gas tankers. That turned out to be true, but at first I paid a price for the change. In comparison with larger vessels, gas tankers were like being in a lifeboat, and I was terribly seasick at the beginning. Also, this was my first experience of North Sea weather. I had been through my share of severe weather before, but sailing in the North Sea definitely makes you stronger - better than those who haven't experienced it.

A career spent at sea provides wide-ranging experience, culminating in the challenge of command.

Captain David Aro



How did you end up leaving Lauritzen Kosan for a few years, then returning as chief officer and master?

Well, I was happy with working for Lauritzen Kosan, but was ambitious to move up in rank. This was impossible for me, as top officers on Danish-flagged ships were required to be Danish nationals. At that time, the beginning of the huge Chinese demand for gas was causing Japanese shippers to expand their tanker fleets, and they needed officers. So, during a five-year period, I worked for two Japanese shipping companies. Personally, this was good for me, as I had married and could see my wife more often as my ships sailed in Southeast Asia and frequently stopped in Philippine ports. Also, during this time I took and passed my masters exams. So, when I heard that Lauritzen Kosan gas carriers had been flagged out and were sailing under the Isle of Man Register, which meant I could be eligible for a master's rating, I was eager to return to the company.

What distinguishes Lauritzen Kosan from other shippers you've worked for?

One thing that really stands out is the emphasis on communication between the home office and officers and crew. The company holds a conference in Manila twice a year to review operations and procedures, introduce new policies, and review vetting inspections. This isn't done so thoroughly at other companies I know of, especially the fact that Lauritzen Kosan includes not just senior officers but also, for the final sessions, brings in all available crew members who are home in the Philippines between assignments. These meetings are open to questions from everyone and encourage an exchange of opinions - they're proactive and productive. And they end with a social dinner including officers' wives, so there's a good level of personal contact, too.

What was it like sailing for the first time as master?

Of course, it was different. Naturally, there is a lot more pressure, but I

never expected it would be just a piece of cake. As captain, you've got lots of responsibilities - the safety and well-being of crew, the commercial interest of company, keeping the ship commercially fit to transport cargo. It's interesting that I don't see myself in same light as I viewed masters ten or twenty years ago, because at that time - especially on large ships with a larger officer staff - the master wasn't so deeply involved in paperwork and regulations. Today, we have much more intense security, safety, and environmental regulations than existed then, and I am directly involved in making sure we comply with company and international standards.

Are there any particularly challenging moments you faced after taking command?

Actually, I have had two very dramatic experiences, which could have happened to anyone . . . but they happened to me. During my first voyage, my very first command, one of our crew members had a heart attack onboard ship. We did everything we could - I even >>>

>>> tried to resuscitate him myself - but we couldn't save him. A ship's crew is very close, so this was very difficult and emotional, a great misfortune.

The second challenge I encountered was more legal and bureaucratic. While sailing off the coast of France, the French navy said my ship was leaking oil. We had no indication of a discharge at all, so there was some confusion at first. To make a long story short, our monitoring and alarm system had malfunctioned - we did have an oil leak, but had been unable to detect it. Then everything became complicated. The ship was detained in harbour, and I had to appear in court, which was very unpleasant for me as I had never before been to court for so much as a parking ticket. Even though

the oil leak was due to an unavoidable mechanical problem, the French authorities levied a huge fine against me, as the captain, as a "deterrent" measure. Here was a time when I was very relieved to be working for Lauritzen Kosan and their internal manager, Lauritzen Fleet Management, since they stood by me in court, posting bond to cover the fine. Naturally, the ship fully met all international regulations. And, as you can see, they are happy to keep me on as master. In fact the home office has joked with me by saying that everything possible happened to me in my first year of command, and from here out it will be smooth sailing. Let's hope they're right.

Finally, do you think much about the cultural differences you've

encountered, being from the Philippines, working for a Danish company and dealing in the North Sea trade - and are you still able to see your family in Manila on a regular schedule?

Not really - day to day, I am not much aware of cultural differences. I guess I have just got completely accustomed to whatever differences there are. After all, I have worked with Scandinavians since the earliest days of my career. Besides, just because of the nature of our work, seamen are the most adaptable, flexible people you can imagine - we have to be. And yes, I am able to be back with my family in Manila for periods of two or three months at a time between my five-month work contracts with Lauritzen Kosan.

Commander of the Order of Bernardo O'Higgins

At a reception in May held at the residence of the Chilean Ambassador to Denmark, Don Jaime Lagos, Torben Janholt, president & CEO, J. Lauritzen A/S, was made Commander of the Order of Bernardo O'Higgins. The order is the highest decoration given to foreigners in recognition of bilateral work with Chile. J. Lauritzen's activities in Chile date back to the 1930's and JL has had an office in Santiago since 1990.

Who was Bernardo O'Higgins?

Don Bernardo O'Higgins was born around 1776/78 in the small town of Chillán in Chile. He was the illegitimate son of Ambrosio O'Higgins, a Spanish officer who held the position of Governor of Chile and later became Viceroy of Peru. His father's position gave Don O'Higgins the chance to travel and he was educated in Peru

and England. During his stay in England, he met Francisco Miranda, a leading Latino political activist fighting for the independence of Latin America. Under the tutelage of Miranda, Don O'Higgins gained a deep sense of nationalist pride, and throughout his life he fought for an independent Chile free of Spanish rule. Back in Chile he became involved in the independence movement and then had to spend some years in exile in Argentina, where he rose through the ranks and was eventually promoted to General-in-Chief of the defence forces.

He returned to Chile in 1817. Fighting alongside Don José de San Martín and an Argentine army, they succeeded in overpowering the Spanish. Don O'Higgins was elected interim Supreme Director and he continued to work towards his goal

of freeing Latin America by invading Peru. However, Don O'Higgins soon lost favour and was forced to resign as Supreme Director in 1823. From 1823 until his death, Don O'Higgins lived in exile in Peru.



Team-building exercises make for a stronger organisation

Walkie-talkies, rope bridges, and rappelling

A growing fleet requires a tight-knit team to oversee operations, a fact which led Lauritzen Bulkers to host a team-building event in southern Sweden at the end of April 2005. This two-day retreat was held at a converted farm, and was attended by all Copenhagen-based employees as well as employees from as far away as New York and Melbourne. Q-Courage, a Copenhagen-based consulting company, coordinated a series of outdoor exercises, including communicating via walkie-talkie, building a rope bridge across a river, and rappelling.

The exercises were the culmination of an earlier survey which J. Lauritzen had carried out earlier in 2005 for all

Copenhagen-based offices. According to Ejner Bonderup, vice president, Lauritzen Bulkers, the purpose of this second annual assessment was to highlight areas for improvement. He says that the main point they determined to focus on in the team-building exercises was improved communication throughout all levels of Lauritzen Bulkers. “Actually,” says Ejner Bonderup, “the idea of improved communication includes other important points as well, such as knowledge sharing and heightened respect for the different jobs we all do. We wanted to press home the fact that the success of Lauritzen Bulkers rests equally on all our efforts - this was the whole point of the outdoor exercises, in which we



all had to depend on our team mates to succeed.”

This effort by Lauritzen Bulkers is closely tied to a larger J. Lauritzen corporate initiative for employees, (see back cover). Jens Ditlev Lauritzen, president, Lauritzen Bulkers, says that the team-building seminar was valuable from a number of perspectives: “We had the chance to see the teamwork and leadership capability of all members of our division, and were very satisfied with the enthusiasm generated by this two-day exercise. It’s not easy to find good people in our corner of the shipping industry, and we want to do everything possible to make this a desirable place to work.” To continue the emphasis on open communication, Lauritzen Bulkers has instituted regular weekly meetings in the home office and holds more frequent video conferences with overseas offices.



**Despite volatility
after strong
beginning in
2005, outlook
remains positive**



The positive trend in the reefer market continued through the first six months of 2005, highlighted by tight vessel supply, a booming general shipping market, and strong export campaigns by most Southern Hemisphere fruit producers. The typical reefer rate curve has traditionally been composed of a peak season that culminates in the months February-April and then declines around Easter as the Southern Hemisphere deciduous season ends. In recent years, this trend has begun to wane, with less distinct peak season rates and generally higher off-season rates, and initially 2005 was no exception. In fact, peak-season rate levels were already achieved in January, and high levels were maintained beyond Easter.

Sharp drop during the summer

In mid-June, some signs suggested that the market was slowing down. The prime reason for this was a sharp reduction in banana production in Ecuador, reflecting an unstable situation involving government intervention regarding minimum prices, temporary strikes among Ecuadorian workers, and just plain bad weather. As the summer progressed, it also appeared that cold storage facilities in Europe and Russia were filled to the extent that there was very little room for more imports. Huge supplies of European summer fruit clashed with the increasing intake of imported fruit;

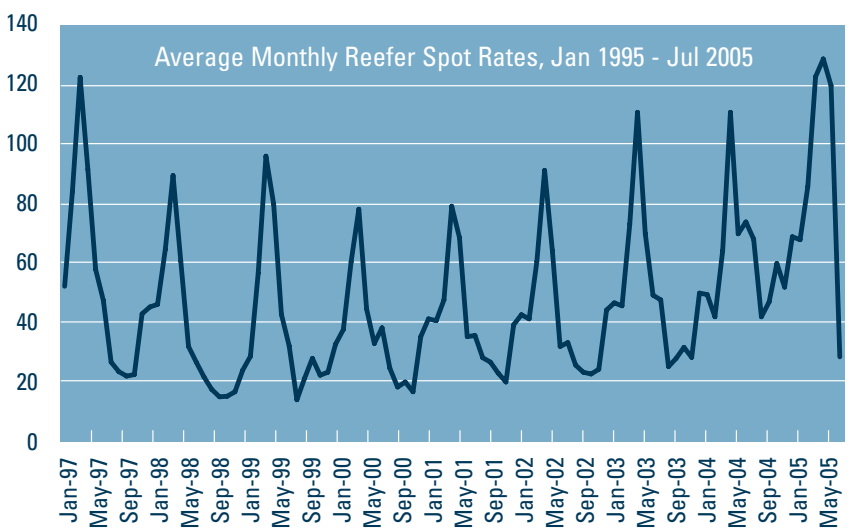
at the same time it can be suspected that consumption went down due to the extremely hot weather in the main consumer markets. Movement of fruit is expected to increase again as school starts in September and temperatures drop.

Spot market walking a tight rope

Overall, the summer events suggest that the market is very volatile, as fewer actors are engaging in spot voyages, and even minor changes can have a severe impact on market rates. Even a mild pick-up from the summer slump in September-December will generate a 2005 average that is clearly above any comparable figures from the last decade, although it may not reach the astonishing off-season level of 2004.

Increased sales activities

A positive outlook for the reefer market is once again indicated by increasing activity on the sales and purchasing side; approximately 40 vessels had changed owners through the first half of 2005 at prices that in some cases were twice as high as only two or three years ago. Demolitions were virtually non-existent. At the same time, there have been indications of some new-buildings finally being ordered for delivery in the coming years. They are too few, however, to reverse the trend of a net decrease in the reefer fleet, and therefore the supply situation will continue to be very tight.



J. Lauritzen honoured

At a ceremony on 8 June at the Danish Royal family's summer residence, Torben Janholt, president & CEO and Birgit Aagaard-Svendsen, executive vice president & CFO received the King Frederik IX Award for services to Danish exports. J. Lauritzen received the distinction in recognition of the company's efforts in promoting and contributing to Danish export activities.

HRH Prince Henrik of Denmark presented Torben Janholt and Birgit Aagaard-Svendsen with a statuette and diploma in recognition of JL's efforts. Five other Danish companies were also honoured for their services to exports.



The JL Foundation celebrates Hans Christian Andersen

As part of the worldwide celebrations of the 200th anniversary of the Danish writer of fairy tales, Hans Christian Andersen, whose stories are so loved by children on all continents, the JL Foundation has given financial support for the publication and distribution of his fairy tales in Chile.

The books will be distributed among school children and youngsters from socially deprived areas of Chile.

Boris Gersling, general manager of the JL office in Chile, with Danish Ambassador to Chile Anita Hugau, after handing over a cheque on behalf of the JL Foundation (JL-Fondet).



Corporate bonding

During 2004 and the first half-year of 2005, the JL Group has worked intensely to “massage” its re-formulated core values into employees.

Copenhagen-based staff all attended a series of seminars focusing on JL’s mission, vision and core values. The aim of the seminars is not only to get to know and understand JL’s values, but also to ensure that everyone can relate to them and is willing to conform to them.

The seminars were organised with groups consisting of a mixture of staff from the various JL companies and departments/sections who do not normally work together or usually contact each other in their daily work. This set-up gave staff the added bonus of being able to build new networks and inter-company contacts during the seminars.

Another side-effect of the core values process has been that some of

the companies and departments have subsequently wished to strengthen internal links between staff and have arranged team-building seminars (see page 17).

Another series of JL seminars is planned for the autumn of 2005 when one of the main topics will be “the Art of Communication”. Hopefully, these seminars will be as successful as the first series.

Information on fleet lists for the various J. Lauritzen business units are available through their websites, accessible through www.j-lauritzen.com

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Facts on J. Lauritzen A/S

J. Lauritzen A/S operates globally through these business units: LauritzenCool, Lauritzen Bulk, Lauritzen Kosan, and Lauritzen Tankers. In addition, JL is also engaged in land-based activities through LauritzenCool Logistics, which provides integrated transport solutions to the reefer market. JL employs a staff of approximately 860 and together with partners/associates controls more than 240 vessels representing specialised reefer vessels, gas and dry-bulk carriers as well as product tankers.

For more details on JL’s business activities and on the fleet, see www.j-lauritzen.com.