CONCORDIA
MARITIME

OUR POSITION

INTERIM REPORT FOR CONCORDIA MARITIME AB (publ)
1.1 - 30.6 1999

- **Profit of SEK 3.3 (78.7) million after financial net**
- **Weak development of freight market**
- **Poor freight market also anticipated in third quarter**
- **Continued good ship operation at low costs**

Concordia owns seven large tankers built in the mid-1970s as well as a product tanker and two self-discharging bulk carriers. In addition to these wholly-owned ships, Concordia has chartered a VLCC and has a freight contract equivalent to the capacity of one VLCC together with Stena Bulk. In terms of quality, the Group's large tankers are comparable with many younger vessels. They were built to very high specifications as regards both customer satisfaction and life-span. The quality of the vessels and the management and manning organisations is documented by quality certificates from Det Norske Veritas and the American Bureau of Shipping.

Two 314,000 DWT VLCCs, with a new and innovative design, were ordered in December, 1998, at Hyundai Heavy Industries in South Korea for delivery in the first half of 2001. These two vessels have been chartered to an American oil company on satisfactory terms for a period of three years.

SALES AND RESULT

Consolidated sales amounted to SEK 406.6 (593.3) million. The profit after financial items was SEK 3.3 (78.7) million and the profit per share after tax was SEK 0.34 (3.03) and SEK 0.36 (1.86) after full conversion.

The freight rates fell during the fourth quarter of 1998. This decline has continued and accelerated in 1999, mainly due to production cutbacks by OPEC which have resulted in sharply rising oil prices and consequently, lower demand for oil transportation. The average freight rate during the period was USD 18,400 (27,700) per day for the VLCC fleet and USD 27,200 (36,200) for the ULCC fleet, i.e. a drop of about USD 9,000 per day.

EQUITY RATIO AND NET WORTH

The equity ratio was 41% (42) while the adjusted equity ratio, i.e. including surplus values in ships, was 48% (56). After full conversion, these figures were 54% (57) and 59% (68), respectively. Net worth per share, excluding deferred tax, was estimated to be SEK 36.59 (44.06) on 30 June, which corresponds to SEK 25.76 (29.96) after full conversion. On 31-12-1998, net worth per share was SEK 38.14 and SEK 26.64 after full conversion. The fleet was appraised by three independent shipbrokers on 15-06-1999. The average value of the fleet according to these valuations was USD 164.0 (213.0) million. On 31-12-1998, the market value was USD 181.5 million. Compared with the end of last year, the ship values have fallen by about 10% which is in line with the general price trend for second-hand large tanker tonnage. On 30 June, Concordia‘s fleet had a book value equivalent to USD 137.5 million which represents a surplus value of USD 26.5 million. The SEK/USD exchange rate was 8.46 (7.96) on 30-06-1999.

LIQUIDITY AND INVESTMENTS

The Group's disposable liquid funds, including unutilised credit facilities, amounted to SEK 822.6 (205.6) million while the corresponding figure on 31-12-1998 was SEK 128.1 (196.2) million. The increase in the Group‘s liquidity is the result of a bank loan of USD 165 million raised during the spring which replaced an earlier bank loan of USD 65 million. This loan is intended to refinance the existing fleet and finance the two Stena V-MAX design VLCCs ordered at the end of 1998.

INVESTMENTS
Investments during the period totalled about SEK 140 million while they were negligible during the same period, last year. A substantial portion of the investments consists of part payment relating to the VLCCs under construction in South Korea.

PARENT COMPANY
The Parent Company's sales totalled to SEK 15.7 (15.5) million. Intergroup invoicing accounted for SEK 4.5 (5.0) million of this amount. The result after financial items was SEK 12.8 (-16.1) million. The difference in result is due exchange rate changes affecting receivables from foreign subsidiaries. In the Group, this currency effect is charged directly to equity and does not affect the result for the year. The Parent Company‘s disposable liquid funds, including unutilised credit facilities, amounted to SEK 13.2 (1.8) million while the corresponding figure on 31-12-1998 was SEK 6.7 (13.6) million. There were no investments during the period.

CONCORDIA‘S LARGE TANKERS ON THE SPOT MARKET
All the Group‘s large tankers have traded mainly on the spot market in 1999. A profitable freight contract together with Stena Bulk accounts for capacity equivalent to one VLCC.

Freight rates of about USD 19,000 per day for the VLCCs and USD 20,000 per day for the ULCCs are required to cover the vessel‘s daily running costs, capital costs and administrative costs.

OTHER VESSELS
The product tanker STENA BARBADOS and the self-discharging salt carriers KURE and CONVEYOR are signed to long-term charters with Texaco and Mitsubishi, respectively.

DRY-DOCKING
During the period, four VLCCs and one ULCC were dry-docked. These dry-dockings were carried out as planned and budgeted. During dry-docking, all the large tankers‘ voluntary quality certificates with the American Bureau of Shipping and Det Norske Veritas, respectively, were renewed with, once again, the highest grade – CAP 1. Following the dry-docking of the KURE in the autumn of 1999, all Concordia‘s vessels will have been dry-docked in 1998-1999. They are dry-docked on a regular basis about every third year.

The loss of income resulting from the planned dry-dockings carried out during the first half of the year is estimated at SEK 16 (7) million. Over the next two years, only the salt carrier KURE will be dry-docked.

MANAGEMENT AND OPERATION
The daily running costs for Concordia‘s vessels are among the lowest in the industry as a result of a continuous maintenance program which has preserved the very high quality of the vessels. The high quality, together with well-trained crews, insures smooth operation. There was no unforeseen off-hire. The daily running costs – including crew, insurance, repair, dry-docking. maintenance and administrative costs –

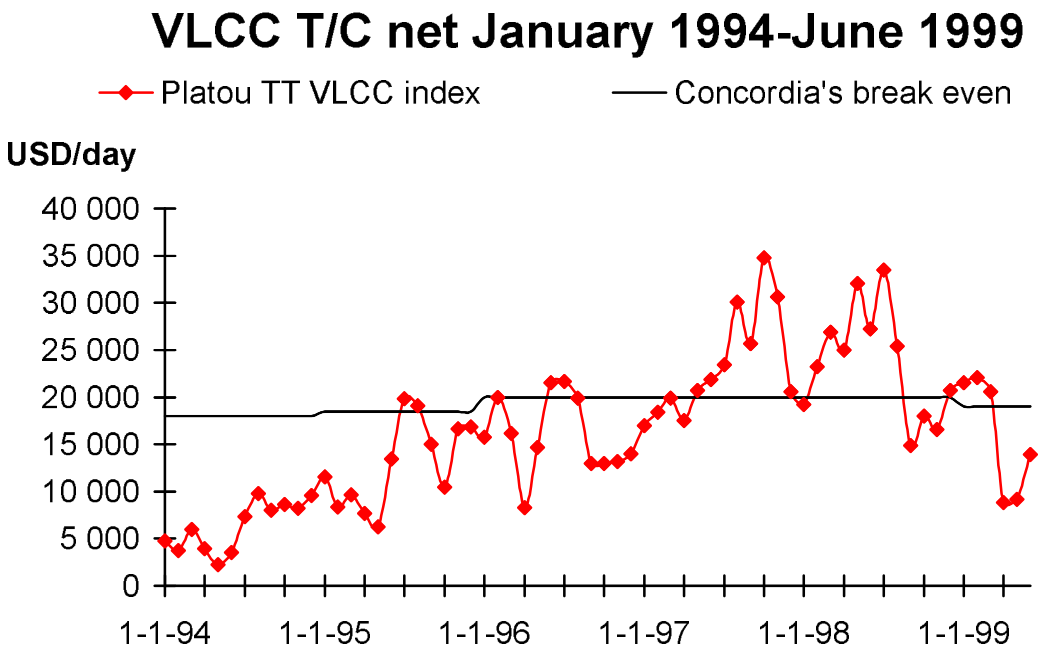
are USD 10,000 per day for the VLCCs and USD 12,000 per day for the ULCCs in 1999.

FREIGHT MARKET DURING THE FIRST HALF OF 1999

In 1998, oil prices fell to their lowest level for many years and a direct result of this was that the oil companies built up their stocks. This, in turn, resulted in good transport volumes in 1998 and good profits for tanker shipping companies. With the aim of raising oil prices, the OPEC countries officially cut their oil production by 1.7 million barrels per day from April, 1999. At the same time, quota discipline in OPEC improved drastically and the real production cut was more like four million barrels per day compared with February, 1998. This represents a reduction of about 15%. The price of crude from the Middle East rose from USD 10.50 at the end of 1998 to USD 16.50 per barrel at the end of June. This higher price has dampened the demand for oil transportation since most of the oil companies have chosen to draw from stock. Consequently, the market for large-tanker tonnage developed negatively during the first half of 1999 compared with the same period last year. The freight rates during the first half of the year were USD 18,400 per day for our VLCCs and USD 27,200 per day for our ULCCs.

During the period, the vessels were employed to a greater extent than before in traffic from the Middle East instead of in the Atlantic Basin. One reason for this was that several dry-dockings were carried out at shipyards in Singapore or Dubai which justified this rearrangement. A freight contract from West Africa to South Korea, which increase the utilisation level by limiting the number of ballast days, also contributed to this change in loading area. Rising oil prices caused the price of bunker oil to climb sharply. Concordia has largely covered its bunker oil requirements by purchasing futures and this has softened the effect of rising bunker prices. Without this, the cost of bunkers would have been about SEK 10 million higher during the period. Concordia has applied the same procedure for the second half of 1999.

During the period, 15 new VLCCs were delivered and 16 were scrapped or sold to the offshore industry.



SECOND HALF OF 1999

During the second half of 1999, the demand for crude is expected to increase as a result of industrial production in the Asian countries beginning to increase. One example of this is South Korea where industrial production has been contracting over the last 18 months. During the first half of 1999, however, this trend was broken and production is expected to increase by about 7% during the year. Last year, South Korea's industrial production fell 6%. According to many experts, Japanese industry is also poised to recover. South Korean and Japanese charterers account for about 45% of volume of oil exported on VLCCs from the Middle East. Consequently, there are good prospects of an improvement in the freight market at the end of this year and the beginning of the year 2000.

The warm weather in the US and Europe during the summer has generated increased demand for energy for power air conditioning and higher petrol consumption.

As long as oil prices are considered to be "high", i.e. higher than anticipated in the future, the volumes of oil shipped will remain low. When oil prices drop, we can expect an increase in shipments together with higher freight rates.

The oil companies could begin to replenish their oil stocks, partly because of low stock levels and partly in order to maintain a safety margin for the millennium shift. A positive factor is that Iraq seems to be setting an attractive price on its oil which could result in rising exports over long distances.

About 19 vessels will be delivered up until the end of 1999. At the same time, 25 VLCCs will be 25 years old which means that many of these vessels, as well as younger vessels in need of repairs, will be facing costly yard visits and long periods without revenues.

In the long term, we anticipate that the balance between supply and demand will be restored. Mainly due to the fact that ships around the 25-year mark now constitute as much as 45% of the large tanker fleet, but also as a result of a favourable development of the world economy.

SALES OF VLCCs TO THE OFFSHORE INDUSTRY
Low oil prices have delayed practically all new oil production projects. With rising crude oil prices, these projects have been started up again and the prospects of an increasing demand for technically advanced VLCCs are good.

STENA V-MAX
The planning of the Stena V-MAX tankers is continuing according to plan and negotiations on the details of the vessels are in progress. Concordia has now decided to have a new design of so-called intelligent main engines, developed by B&W in Denmark, installed. The advantages of these main engines include lower lube oil consumption, lower fuel consumption and less wear as well as very slow speed ahead which is impossible for a conventional VLCC. This is a very important factor when lightering at sea. Finally, the intelligent engine could be an attractive environmental alternative since nitric oxide (NOx) emissions can be limited.

RELATED COMPANY TRANSACTIONS – CHARTER COOPERATION WITH STENA BULK
At the beginning of this year, the joint charter business between Concordia and Stena Bulk consisted of one VLCC and two Aframax tankers. The Aframax tankers were redelivered during the year while the charter period for the VLCC, which is trading on the spot market, expires at the beginning of the year 2000. The collaboration with other departments in Stena, such as Technical, Finance, Bunker and Assurance, remains unchanged.

Y2K PROBLEM
The program initiated in 1997 to deal with the transition to the year 2000 is proceeding as planned. Equipment and systems which could cause problems were identified in 1998. A small number of systems on each ship have been marked for further examination. Safety checks of these systems are expected to be completed in August. Concordia does not anticipate any Y2K problems with its own ships.

UPDATE OF FULL-YEAR FORECAST
The freight market is weak. A poor third quarter is anticipated while an improvement is forecast for the fourth quarter and thereafter. Even with a recovery of the freight rates during the fourth quarter, 1999 will be a poor year. With the current freight rates of about USD 12,000 per day for VLCCs and USD 15,000 for ULCCs, the full-year result after tax would be in the region of SEK -60 million. Concordia anticipates a loss of between SEK 40 and 50 million. This would correspond to between SEK -1.47 and SEK -1.84 per share and between SEK -0.84 and SEK -1.04 per share after full conversion.

SENSITIVITY ANALYSIS
A change in the earnings level of USD 1,000 per day for the remainder of 1999 will affect Concordia's result by about SEK 7 million.

AWARDS AND COMPARISONS WITH COMPETITORS
Marine Money, the respected American shipping journal has voted Concordia the world's best tanker shipping company in 1998, based on return on total capital. The return was 12%.

Concordia's annual report was voted Best Annual Report for the third year in a row by the Shareholders' Association's journal *Aktiespararen*. As in previous years, the annual report was judged – this year, together with another company's annual report – to be the most informative and shareholder-friendly of all the listed companies' annual reports.

REPORTS
The result for the period January – September will be reported on 22 October. In addition to the presentation of the result for the whole of 1999, Concordia also publishes three interim reports. Historical and current reports, together with other information, can be found on our homepage www.concordia-maritime.se.
Further information may be obtained from Lars Carlsson, President, (tel. +46 31-85 50 03 or mobile +46 705-85 51 01) or Jan-Erik Hammer, Financial Manager, (tel. +46 31-85 50 46 or mobile +46 704-85 50 46).

This report has been examined by the Company's accountants.

Gothenburg, 10 August, 1999

CONCORDIA MARITIME AB (publ)

Lars Carlsson
President

THE GROUP'S INCOME STATEMENT

(SEK million)	6 months 1999	6 months 1998	Whole year 1998
Average exchange rate SEK/	**8.21**	7.91	7.95
Net sales	**406.6**	593.3	1 102.9
Total income	**406.6**	593.3	1 102.9
Operating costs, ships	**-228.9**	-325.1	-593.8
Other external costs	**-22.0**	-26.4	-56.7
Personnel costs	**-84.9**	-71.2	-154.7
Depreciation according to plan	**-50.3**	-47.7	-95.9
Total operating costs	**-386.1**	-470.4	-901.1
Operating result	**20.5**	122.9	201.8
Other interest income and similar profit/loss items	**4.1**	9.9	15.4
Interest expenses and similar profit/loss items	**-21.3**	-54.1	-103.2
Financial net	**-17.2**	-44.2	-87.8
Result after financial items	**3.3**	78.7	114.0
Tax on profit for the year	**6.1**	2.2	3.3
Net result for the year	**9.4**	80.9	117.3

SUMMARY OF GROUP'S BALANCE SHEET

(SEK million)	30-06-1999	30-06-1998	31-12-1998
SEK/USD exchange rate on accounting date	8.46	7.96	8.07
Assets			
Fixed assets	**1 574.0**	1 190.0	1 417.1
Current assets	**184.6**	261.9	205.8
Cash and bank balances	**111.7**	163.8	128.1
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Total assets	**1 870.3**	1 615.7	1 751.0
Equity and liabilities			
Equity	**772.3**	686.6	735.0
Provisions	**18.8**	44.5	53.1
Long-term liabilities	**996.2**	776.3	820.2
Current liabilities	**83.0**	108.3	142.7
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Total equity and liabilities	**1 870.3**	1 615.7	1 751.0

SUMMARY OF GROUP'S STATEMENTS OF CHANGES IN FINANCIAL POSITION

(SEK million)	6 months 1999	6 months 1998	Whole year 1998
Cash flow from operating activities before changes in working capital	**51.7**	126.4	205.8
Change in working capital	**-24.3**	-52.7	51.6
Cash flow provided by operating activities	**27.4**	73.7	257.4
Cash flow from investing activities	**-138.6**	6.1	-253.5
Cash flow after investing activities	**-111.2**	79.8	3.9
Cash flow from financing activities	**96.9**	-428.5	-375.2
Group adjustment, exchange rate difference	**-7.4**	5.4	-10.8
Cash flow for the year	**-21.7**	-343.3	-382.1
Balance at beginning of year	**128.1**	503.4	503.4
Exchange rate difference, cash and bank balances	**5.3**	3.7	6.8
Balance at end of year	**111.7**	163.8	128.1

FIVE-YEAR SUMMARY

	6 months 1999	1998	1997	1996	1995
Profit/loss and balance sheet items (SEK million)					
Net sales	**406.6**	1 102.9	1 114.5	734.9	714.1
Operating result	**20.5**	201.8	236.2	90.6	64.2
Result after financial items	**3.3**	114.0	156.3	11.4	-25.6
Cash flow	**51.7**	205.8	246.4	91.4	63.6
Equity	**772.3**	735.0	613.6	358.5	325.2
Surplus values in ships	**223.8**	303.3	605.1	508.3	399.3
Total assets	**1 870.3**	1 751.0	1 932.5	1 574.9	1 525.6
Key ratios (%)					
Equity ratio	**41**	42	32	23	21
Adjusted equity ratio	**48**	51	48	42	38
Adjusted equity ratio after full conversion	**59**	62	58	55	52
Return on total capital	**3**	12	15	7	4
Return on capital employed	**3**	13	17	7	5
Return on equity	**2**	17	32	4	-6
Per-share data * (SEK)					
Profit after tax	**0.34**	4.38	6.23	0.57	-0.88
Profit after tax after full conversion	**0.36**	2.79	3.68	0.68	-0.17
Cash flow	**1.90**	7.69	9.72	3.78	2.66
Cash flow after full conversion	**1.25**	4.64	5.52	2.30	1.86
Equity	**28.37**	27.00	23.35	14.66	13.58
Equity after full conversion	**21.09**	20.31	18.00	13.11	12.54
Net worth	**36.59**	38.14	46.37	35.48	30.25
Net worth after full conversion	**25.76**	26.64	30.64	23.73	20.87
Share price at year-end	**12.10**	11.50	23.50	17.80	16.20
Miscellaneous					
P/E ratio **	**17.62**	2.62	3.77	31.27	neg.
P/E ratio after full conversion **	**16.59**	4.12	6.39	26.04	neg.
Number of shareholders	**5 859**	6 305	5 923	5 406	6 065

Definitions: See Annual Report. 1998

*) Number of shares is 27,222,272. On full conversion, the number of shares is 47,894,136.

**) In the calculation of the PE ratio, a full-year result based on the half year trend has been used.

Result per ship type

SEK million	ULCC	VLCC	Other tankers and bulk carriers	Joint	Total
Freight revenues	109.9	191.0	119.9		420.8
Voyage costs	-33.0	-65.0	-62.9		-160.9
T/C (Time charter result)	76.9	125.9	57.0		259.8
Daily running costs and administration	-36.2	-73.1	-63.5	-16.1	-189.0
Result before depreciation	40.7	52.8	-6.6	-16.1	70.8
Depreciation	-7.5	-40.6	-2.2		-50.3
Operating result	33.2	12.2	-8.8	-16.1	20.5
Financial net					-17.2
Result after financial items					3.3
T/C per day	27,200	18,400			
Number of ships	2.0	5.0			