SWEDISH ORIENT LINE

Press release, 24 February, 2000
from Swedish Orient Line

*Report on **F**inal Accounts for 1999*

Result according to forecast

- ***The loss on current operations MSEK -61 (-29), forecast MSEK –55 to -65***
- ***SOL dedicated liner shipping company – reefer shipping wound up in December. Capital loss of MSEK 133***
- ***New MSEK 50 share issue completed in February, 2000***

Consolidated income statement

All figures in MSEK	**1999**	1998
Shipping sales	**630**	771
Operating and administrative costs	**-552**	-649
Personnel costs	**-34**	-38
Proportion of associated company	**-1**	-1
OPERATING PROFIT BEFORE DEPRECIATION	**43**	83
Depreciation	**-70**	-74
OPERATING PROFIT AFTER DEPRECIATION	**-27**	9
Net financial items	**-34**	-38
PROFIT AFTER NET FINANCIAL ITEMS	**-61**	-29
Sale of fixed assets	**-133**	-
Write down of vessels	**-**	-173
Actual tax	**-**	-1
Deferred tax	**24**	14
NET PROFIT	**-170**	-189

Consolidated result

The loss for the year on current operations was MSEK -61 (-29) . The loss for the year is entirely related to reefer shipping, while liner shipping posted a profit.

The winding up of the reefer shipping operation resulted in a capital loss of MSEK 133 on the sale of the reefers.

Shipping sales per business area

All figures in MSEK	**1999**	1998
SOL Lines	**517**	515
SOL Reefers	**113**	256
TOTAL SHIPPING SALES	**630**	771

Sales figures for SOL Reefers are not comparable due to changed contract structure.

SOL Lines

Shipping sales for the liner services increased by MSEK 26, mainly due to transportation of materiel to Kosovo for the KFOR forces between June and October.

Cargo volumes to and from the Mediterranean fluctuated in 1999 at the same time as there was continued downward pressure on freight rates. Liner services were also affected by steep increases in bunker prices.

Taken as a whole, this has resulted in lower margins, which cost reductions have only partially been able to compensate for. These cost reductions have also resulted in more than 10% lower costs related to the shore-based organisation as well as lower seagoing personnel costs. However, it has not been possible to reduce costs on the scale required due to the drawn out transition to mixed crews on the Swedish flagged vessels as the agreements do not allow notice of dismissal of the employees. In order to achive the necessary cost reductions, the vessels will have to be reregistered to another flag in the future.

Low transport volumes around the turn of the year as well as large-scale strikes in Israeli ports in January–February and further increased bunker prices have negatively affected the result so far this year. However, the situation is expected to return to normal in March at the same time the need for transports to Kosovo are expected to return.

Agency operations posted lower revenue and profits in 1999. This was mainly related to the container traffic to and from South Africa. How-ever, lower transportation capacity and a better economic climate in South Africa enabled the freight rates to be raised before the end of the year. This enabled agency operations to improve profits towards the end of last year and this trend is expected to continue during the year 2000.

Profit after net financial items, per business area

All figures in MSEK	**1999**	1998
SOL Lines	**6**	18
SOL Reefers	**-59**	-40
Proportion of associated company	**-1**	-1
Joint Group items	**-7**	-6
TOTAL	**-61**	-29

Reefer shipping wound up

The last two years' decline on the reefer freight market, which is the largest ever experienced, resulted in very large losses for SOL. The loss on operations in 1999 was MSEK 61 (-41).

The Board of Directors expects that it will take time for the reefer freight market to recover. In addition, it is concerned about the long-term structural changes in the reefer market and the increasing complication from reefer containers. In the light of this the reefer business was wound up in December and the vessels were sold, the last being delivered on 05-01-2000. The sales resulted in a capital loss of MSEK 133 at the same time as they removed any risk of future losses from reefer shipping.

The sales had no immediate effect on liquidity since all the sales proceeds, MSEK 260 plus, were used to amortise the reefer loans. At the same time, an agreement was reached with the lenders concerning the financing of the remaining debt, MUSD 9.4, from the reefers.

Investments

Investments in 1999 amounted to MSEK 2 (15).

Consolidated balance sheet

All figures in MSEK	**1999**	1998
Vessels	**414**	784
Other fixed assets	**11**	22
Current assets	**125**	139
Liquid funds	**26**	39
TOTAL ASSETS	**576**	984
Shareholders' equity	**59**	223
Provisions	**1**	25
Long-term liabilities	**320**	523
Current liabilities	**196**	213
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**576**	984

Shareholders' equity as of 31-12-1999 includes MSEK 20 which corresponds to the portion of the new share issue that the principal owners have undertaken to subscribe to.

Financial position

Consolidated liquid funds, including short-term investments, amounted to MSEK 26 (39) at year-end.

During 1999 have long-term interest bearing debts been repaid with MUSD 27 (MSEK 228).

After the delivery of all the reefers, the interest-bearing liabilities amounted to MUSD 47 (equivalent to MSEK 352).

At an extraordinary general meeting held on 28 December, 1999, it was decided to float a one to one new issue of shares at a price of SEK 2 per share and to reduce the share capital by MSEK 75. The new share issue was fully subscribed to and in February, SOL received a net capital infusion of about MSEK 47 million. Half this amount will be used to make a one-time amortisation of the interest-bearing liabilities.

After the sale of the reefers and the new share issue, the equity ratio is about 15% (23%).

As a result of overconsolidation, the insurance company SPP has decided to give its corporate customers a refund. It is calculated that Svenska Orient Linien, directly and indirectly via its associated company Sea Partner AB, will receive approximately MSEK 21. This amount is not included in this report; instead, it will be taken up and reported as soon as SPP has clarified the way in which this refund can be utilised.

Consolidated cash flow analysis

All figures in MSEK	**1999**	1998
SOL Lines	**36**	50
SOL Reefers	**-27**	-3
Other	**-7**	-7
CASH-FLOW	2	40
Change in working capital	**-3**	-2
CASH FLOW FROM OPERATIONS	**-1**	38
Investments activities	**216**	-15
Dividend	-	-12
Other financing activities	**-228**	-56
CHANGE IN LIQUID FUNDS	**-13**	-45

Key ratios and data per share

		99-12-31	98-12-31
Equity/assets ratio	*%*	**15**	23
Return on capital employed	*%*	**neg**	2
Return on shareholders' equity	*%*	**neg**	neg
Shareholders' equity per share	*SEK*	**1.70**	9.00
Profit per share	*SEK*	**-2.40**	-1.20
Operating cash flow per share	*SEK*	**0.40**	1.80
Number of shares	*thousand*	**24,860**	24,860

The equity ratio and shareholders' equity per share are calculated on the basis of a fully-subscribed new share issue. Key ratios and per-share data for 1998 are based on the result excluding write downs and capital losses on assets.

Parent Company

The Parent Company's sales amounted to MSEK 18 (39). The operating profit before depreciation was MSEK -8 (-7) and the result before capital losses, allocations and tax was MSEK -15 (-15). Shareholders' equity amounted to MSEK 63. Total assets were MSEK 199 (387).

Long-term liabilities amounted to MSEK 81 (31-12-1998: 153).

Liquid funds, including short-term investments, totalled MSEK 13 (31-12-1998: 34).

Ownership change

During the year, B&N Nordsjöfrakt sold its whole shareholding, about 25%, in SOL and the European shipping group Navalmar acquired about 15% of the shares in SOL.

Dividend

The Board of Directors proposes that no dividend be paid for the fiscal year 1999.

Continuing measures

As a result of the structural changes made, SOL is now a dedicated liner shipping company. At the same time, the Company has new owners, which operate liner and contract shipping in partly the same traffic areas, and a new issue of shares has been carried out.

The ambition is to grow in the area of liner operations and create prerequisites for increased profitability. The growth can also be achieved through strategic co-operations or alliances.

At the same time, the internal action programs aimed at rationalising and increasing the efficiency of SOL's operations continue to be applied.

Annual General Meeting

The Annual General Meeting will be held 4 May, 2000, at 4 p.m. at SOL's offices in Gothenburg, Sweden.

Financial information

The Annual Report for 1999 will be distributed at the beginning of April and can be ordered from the Company.

The following information on the Company's operations will be published during the year 2000:

Interim Report, Jan – March	4 May, 2000
Interim Report, Jan – June	17 August 2000
Interim Report, Jan – Sep	26 October 2000
Preliminary Report, 2000	February, 2001
Annual Report, 2000	April, 2001

Göteborg, 24 February, 2000

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The Board of Directors

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