

# OUR POSITION

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## INTERIM REPORT FOR CONCORDIA MARITIME AB (publ) 1.1 - 30.9 2002

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- **Result after financial net SEK -124.8 (198.2) million**
- **Stena Vision and Stena Victory – V-MAX tankers’ time-charter contracts generate good profits and cash flow**
- **Other tankers post weak earnings for period**
- **Large-tanker market improves in October**
- **Forecast for 2002: SEK -150 million (previous forecast: SEK -125 million)**

### CONCORDIA’S BUSINESS ACTIVITIES

#### *Business concept*

To provide our customers with safe and cost-efficient tanker transportation based on innovation and performance.

#### *Tonnage*

We are currently at a stage where our older quality vessels are gradually being sold for conversion into offshore structures for offshore storage and processing of oil. At the same time, Concordia took delivery last year of two of the world’s most advanced large tankers with a concept based on double safety functions and large cargo capacity. Concordia is continuing to develop and refine this concept.

### SALES AND RESULT

Consolidated sales amounted to SEK 565.0 (959.6) million for the first nine months. The result after financial items was SEK -124.8 (198.2) million. The result per share after tax was SEK -2.68 (4.08) and SEK -2.64 (3.83) after full conversion.

Sales are distributed geographically over the following markets (in %): US 39 (32), UK 19 (4), Saudi Arabia 10 (28), South Africa 8 (9), India 7 (7), Switzerland 6 (11), Japan 5 (6), China 2 (0) and others 4 (3). The distribution of net sales is based on the respective customer’s domicile.

The Parent Company’s sales totalled SEK 14.1 (2.0) million. Intergroup invoicing accounted for SEK 13.9 (1.9) million of this amount.

#### *Large-tanker market*

Growth in the demand for oil continued to be weak as a result of the generally weak world economy. OPEC’s production, which has a major influence on the large-tanker market, is currently about 26 million barrels per day (total world production is currently 77 million barrels per day).



At the end of 2000, when the large-tanker market was very strong, OPEC's production was about 10 % higher, 29 million barrels per day.

The total available transport capacity in the segment is more or less unchanged, about 400 vessels, which means that at current production levels, capacity utilisation is relatively low and the freight market is weak.

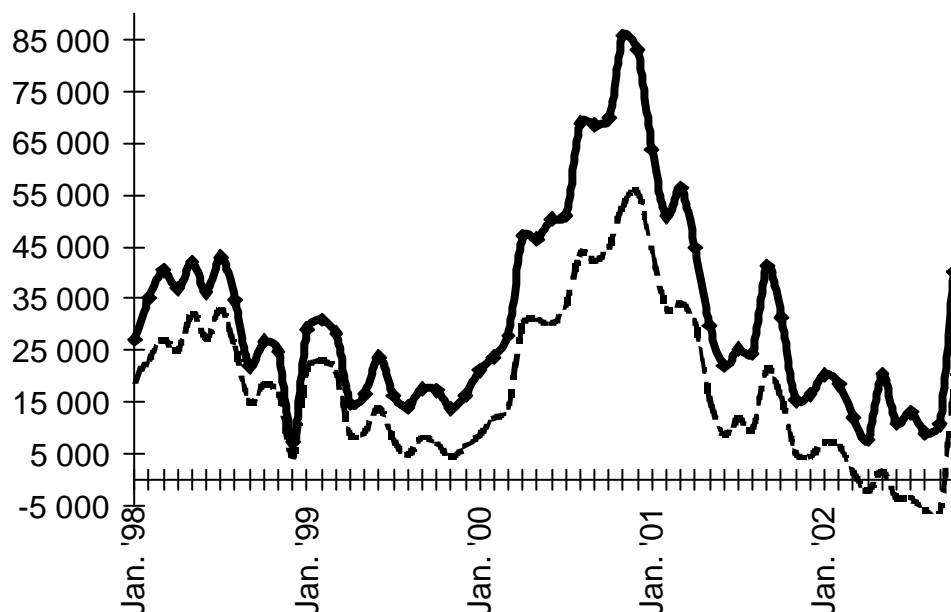
By mid-October, 27 new vessels had been delivered with a further 16 due for delivery before the end of the year. During the same period, 32 vessels were scrapped and four sold to offshore projects.

In recent weeks, freight rates have risen sharply. This is due to, among other things, the oil companies replenishing their stocks and worry about an attack on Iraq.

### FREIGHT MARKET FOR VLCCs

JANUARY, 1998 – OCTOBER, 2002

USD/dag      —●— Modern tonnage      - - - Turbine tankers



Source: Platou

#### V-MAX

The Group's two V-MAX VLCCs, the *Stena Vision* and the *Stena Victory*, which were delivered in 2001, continue to operate efficiently and smoothly on the West Africa – US East Coast trade. They are signed to time-charter contracts, which expire in mid-2004.



### *VLCC and ULCC*

During the 9-month period, the freight rate for the Group's four VLCCs was approx. USD 6,800 (31,000) per day, including waiting days. This hardly covers daily running costs and does not contribute to depreciation and financing costs. During the third quarter, the freight rate was approx. USD 7,100 (29,500) per day.

On 29 May, Concordia signed an agreement to sell the Group's two ULCCs.

The *Stena King* was delivered to her new owner on 24 June and the *Stena Queen* was delivered on 23 September.

### *Ship operation*

During the period, the fleet continued to be operated with a focus on safety and quality and the cost of ongoing ship operation remained at a low level.

### **EQUITY**

Equity per share after full conversion is SEK 26.11 (33.50). The SEK/USD exchange rate at the end of the period was 9.28 (10.66).

### **LIQUIDITY AND FINANCING**

The Group's disposable liquid funds, including unutilised credit facilities, amounted to SEK 173.2 (337.8) million on 30 September, 2002 while the corresponding figure on 31 December, 2001 was SEK 381.4 (699.9) million. The Group's existing fleet is financed via a credit facility of originally USD 165 million raised during the spring of 1999. This credit facility is amortised on an ongoing basis and amounted to USD 112 (146) million at the end of the period. The corresponding amount on 31 December, 2001 was USD 137 million.

The Parent Company's disposable liquid funds amounted to SEK 33.2 (11.9) million, while the corresponding figure on 31 December, 2001 was SEK 13.5 (10.9) million.

### *Convertible debenture loan*

The loan, which had run since April, 1995, and carried 7 % interest, fell due on 30 April, 2002. Only SEK 1.9 million remained of the original loan amount of SEK 275.4 million.

### **INVESTMENTS**

No investments were made during the period.

### **RELATED COMPANY TRANSACTIONS AND CHARTER COOPERATION WITH STENA BULK**

The joint charter business between Concordia and Stena Bulk consists of a multi-year freight contract, which is roughly equivalent to the employment of one VLCC. During the period, the freight contract generated a surplus of SEK 13.5 million for Concordia.

Concordia's four VLCCs and Stena's VLCC *Stena Conductor* were operated in a pool where the profit was divided equally per vessel until the middle of May, when the *Stena Conductor* was withdrawn from the pool following her sale.



Cooperation with other departments at Stena, such as Marketing, Technology, Finance, Bunker and Insurance, remains unchanged.

Concordia's wholly-owned subsidiary Universe Tankships provides ship management for two of Stena's vessels. Stena's subsidiary Northern Marine Management was responsible for the management of the *Stena King* and *Stena Queen* until they were sold.

### FORECAST 2002

As forecast in the Interim Report for the first six months, the third quarter was very weak. An improvement was forecast for the fourth quarter.

The freight market for large-tanker tonnage has improved sharply in October with levels of around USD 20,000-25,000 per day for turbine tankers. This is a result of a combination of seasonal purchases before winter and an improved market caused by political worry. Concordia Maritime cannot take full advantage of the improved market as some of the vessels were already fixed in the spot market before the upturn.

In general terms, there is still an imbalance between supply and demand on the tanker market. Compared with the previous record-high tanker market in 2000, 3 million tons less of OPEC oil are being shipped per day although the large-tanker fleet has remained more or less unchanged. Larger inventories of oil could result in lower transportation volumes in the months ahead.

It is more difficult than usual to forecast which way the freight market will go in the next few months as it is being affected to a larger degree by world politics.

Based on an assessment of the open ship positions, the forecast has been lowered from SEK -125 million (SEK -2.62 per share) to SEK -150 million (SEK -3.14 per share).

The average freight rate for unfixed days is expected to be about USD 12,000 per day for VLCCs (turbine tankers) which is equivalent to about USD 30,000 per day for modern tonnage. A change in freight rates for unfixed days of USD  $\pm$  1,000 per day would affect the annual result by about SEK  $\pm$  3 million.

### ACCOUNTING PRINCIPLES AND METHODS OF CALCULATION

The Swedish Financial Accounting Standards Council's recommendation RR16 (Provisions, etc.), which the company has followed as of 1 January, 2002, has resulted in a change of accounting principle relating to the periodic maintenance (docking costs) of the vessels. Previously, allocations were made for estimated future docking costs. As of 1 January, 2002, the actual costs at the time of docking are included as a prepaid expense in the balance sheet and distributed evenly until the next time the vessel in question is docked according to plan. The change in principle will not affect either the result or equity, although it does affect certain items in the balance sheet, as shown below.

BALANCE SHEET (SEK million)	New accounting principle		Previous accounting principle	
	30 September, 2002	31 December, 2001	30 September, 2002	31 December, 2001
<i>Assets</i>				

Ships	2 107	2 544	2 206	2 675
Prepaid docking costs	45	100	0	0
<i>Liabilities</i>				
Allocations for future docking costs	0	0	54	31

The comparative figures for 2001 have been recomputed in accordance with the new principles, while the figures for 1997-2000 have not been recomputed since the change does not affect the company's equity and the adjustment in the balance sheet does not materially affect comparisons between the years.

The vessels sold during the year will continue to be shown as fixed assets in the balance sheet. Seller credit in conjunction with the sale has been secured by means of ship mortgages and promissory notes.

With the exception of the above-mentioned, the accounting principles applied are the same as those applied in the Annual Report for 2001.

This interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendations and statements that came into force on 1 January, 2002 or earlier.

This report has not been examined by the Company's accountants.

### REPORTS AND INFORMATION

The result for the full year will be presented on 18 February, 2003.

Historical and current reports, together with other information, can be found on our web site: [www.concordia-maritime.se](http://www.concordia-maritime.se).

Further information may be obtained from:

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Gothenburg, 23 October, 2002

**CONCORDIA MARITIME AB (publ)**

Lars Carlsson  
President

### THE GROUP'S INCOME STATEMENT

(SEK million)	3 <sup>rd</sup> quarter 2002	3 <sup>rd</sup> quarter 2001	9 months 2002	9 months 2001	Whole year 2001
Average exchange rate SEK/USD	9.35	10.55	9.93	10.24	10.33
Net sales	162.3	302.0	565.0	959.6	1 334.8
Ship sales	-	-	-	-	1.5
<b>Total income</b>	<b>162.3</b>	<b>302.0</b>	<b>565.0</b>	<b>959.6</b>	<b>1 336.3</b>
Operating costs, ships	-106.5	-108.3	-372.2	-455.9	-651.8
Other external costs	-6.2	-14.0	-31.9	-41.9	-54.7
Personnel costs	-35.5	-46.5	-124.5	-128.2	-175.4
Depreciation according to plan	-38.4	-53.2	-122.4	-109.6	-161.9
<b>Total operating costs</b>	<b>-186.6</b>	<b>-222.0</b>	<b>-651.0</b>	<b>-735.6</b>	<b>-1 043.8</b>
<b>Operating result</b>	<b>-24.3</b>	<b>80.0</b>	<b>-86.0</b>	<b>224.0</b>	<b>292.5</b>
Interest income and similar profit/loss items	0.0	0.1	1.5	6.0	7.6
Interest expenses and similar profit/loss items	-14.5	-23.6	-40.3	-31.8	-48.2
<b>Financial net</b>	<b>-14.5</b>	<b>-23.5</b>	<b>-38.8</b>	<b>-25.8</b>	<b>-40.6</b>
<b>Result after financial net</b>	<b>-38.8</b>	<b>56.5</b>	<b>-124.8</b>	<b>198.2</b>	<b>251.9</b>
Tax	0.0	-4.7	-1.3	-15.3	-20.6
<b>Result after tax</b>	<b>-38.8</b>	<b>51.8</b>	<b>-126.1</b>	<b>182.9</b>	<b>231.3</b>

### PER-SHARE DATA

(SEK)	3 <sup>rd</sup> quarter 2002	3 <sup>rd</sup> quarter 2001	9 months 2002	9 months 2001	Whole year 2001
Shares at end of period (Note 1)	47 729 798	46 332 400	47 729 798	46 332 400	46 406 600
Average number of shares (Note 1)	47 729 798	46 122 053	47 148 808	44 826 819	45 206 820
Profit per share after tax, SEK	-0.81	1.12	-2.68	4.08	5.12
Profit per share after tax, SEK, after full conversion	-0.81	1.09	-2.64	3.83	4.85
Equity per share, SEK	26.11	33.50	26.11	33.50	34.33
Equity per share after full conversion (Note 1)	26.11	32.79	26.11	32.79	33.62

Note 1. Conversions of the convertible debenture loan (duration until 30 April, 2002) were made during the period and the number of shares increased by:

-	252 416	1 323 198	4 139 426	4 213 626
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### SUMMARY OF GROUP'S BALANCE SHEET

(SEK million)	30 Sep 2002	30 Sep 2001	31 Dec 2001
SEK/USD exchange rate on accounting date	9.28	10.66	10.67
<b>Assets</b>			
Ships and equipment	2 107.8	2 621.2	2 545.8
Financial assets	11.7	14.2	12.8
Total fixed assets	2 119.5	2 635.4	2 558.6
Current receivables	209.7	413.8	328.7
Cash and bank balances	51.6	129.6	263.0
Total current assets	261.3	543.4	591.7
<b>Total assets</b>	<b>2 380.8</b>	<b>3 178.8</b>	<b>3 150.3</b>
<b>Equity and liabilities</b>			
Equity	1 246.1	1 552.3	1 593.2
Provisions	46.6	45.4	48.5
Convertible debenture loan	0.0	18.0	17.1
Long-term liabilities	962.7	1 341.8	1 258.4
Current liabilities	125.4	221.3	233.1
<b>Total equity and liabilities</b>	<b>2 380.8</b>	<b>3 178.8</b>	<b>3 150.3</b>

### SUMMARY OF GROUP'S CASH-FLOW ANALYSIS

(SEK million)	9 months 2002	9 months 2001	Whole year 2001
<b>Operating activities</b>			
Cash flow from operating activities before changes in working capital	-3.7	307.7	394.7
Change in working capital	-5.3	-3.6	93.8
<b>Cash flow provided by operating activities</b>	<b>-9.0</b>	<b>304.1</b>	<b>488.5</b>
<b>Cash flow from investing activities</b>	<b>0.0</b>	<b>-558.4</b>	<b>-499.1</b>
<b>Cash flow from financing activities</b>	<b>-143.8</b>	<b>340.7</b>	<b>182.5</b>
<b>Dividend</b>	<b>-27.8</b>	<b>-49.4</b>	
Conversion differences	-9.5	3.1	-1.2
<b>Cash flow for the year</b>	<b>-190.1</b>	<b>40.1</b>	<b>170.7</b>
<b>Balance at beginning of period (Note 1)</b>	<b>263.0</b>	<b>81.0</b>	<b>81.0</b>
<b>Exchange rate differences, cash and bank balances (Note 2)</b>	<b>-21.3</b>	<b>8.5</b>	<b>11.3</b>
<b>Balance at end of period (Note 2)</b>	<b>51.6</b>	<b>129.6</b>	<b>263.0</b>
Note 1. Balance consists of cash and bank balances			
Note 2. Exchange rate differences related to:			
Balance at beginning of year	-33.7		
Cash flow for the year	12.4		
	-21.3		

### CHANGES IN EQUITY, GROUP

(SEK million)	Share capital	Conversion in progress	Restricted reserves	Non-restricted equity	TOTAL
<b>CHANGES JANUARY-SEPTEMBER, 2002</b>					
Opening balance on 01-01-2002	371.3	-	319.6	902.3	1 593.2
Exchange rate differences not shown in income statement	-	-	-25.5	-182.2	-207.7
Result for the period	-	-	-	-126.1	-126.1
Conversions during the year	10.5	-	4.0	-	14.5
Dividend	-	-	-	-27.8	-27.8
Closing balance on 30-09-2002	381.8	0.0	298.1	566.2	1 246.1

### CHANGES JANUARY-SEPTEMBER, 2001

Closing balance on 31-12-2000 according to annual report	222.1	166.0	224.7	590.4	1 203.2
Effect of change in accounting principle	-	-	-	8.4	8.4
Opening balance on 01-01-2001, adjusted	222.1	166.0	224.7	598.8	1 211.6
Exchange rate differences not shown in income statement	-	-	88.1	71.5	159.6
Result for the period	-	-	-	182.9	182.9
Registered conversions in progress on 31-12-2000	115.5	-166.0	50.5	-	0.0
Conversions during the year	33.1	-	14.5	-	47.6
Dividend	-	-	-	-49.4	-49.4
Closing balance on 30-09-2001	370.7	0.0	377.8	803.8	1 552.3

### SIX-YEAR SUMMARY

	9 months					
	2002	2001	2000	1999	1998	1997
<b>Profit/loss and balance-sheet items (SEK million)</b>						
Net sales	565.0	1 334.6	1 327.6	773.6	1 102.9	1 114.5
Operating result	-86	292.5	246.0	-44.1	201.8	236.2
Result after financial items	-124.8	251.9	227.7	-72.0	114.0	156.3
Cash flow	-3.7	392.1	337.2	15.9	205.8	246.4
Equity (Note 1)	1 246.1	1 593.2	1 211.6	721.5	760.9	650.3
Total assets (Note 1)	2 380.8	3 150.3	2 494.5	1 890.3	1 751.0	1 932.5
<b>Key ratios (%)</b>						
Equity ratio	52	51	48	38	43	34
Return on total capital	-4	11	12	-2	12	15
Return on capital employed	-5	12	14	-2	13	17
Return on equity	-12	16	21	-8	17	31
Note 1. Effect of change in accounting principle, SEK million:						
Equity			8.4	15.8	25.9	36.7
Total assets		-31.1				

Definitions: see Annual Report 2001