SWEDISH ORIENT LINE

Press release, 17 August, 2000
from Svenska Orient Linien AB (publ)

Interim Report
January – June, 2000

- ***Result before tax MSEK -12 (-16)***
- ***MSEK 17 refund from SPP included***
- ***MSEK 12 in higher bunker costs***
- ***Strategic collaboration, with company for Mediterranean traffic jointly owned by SOL and Scan Orient, begins in second half of year and will result in substantially improved future profitability***
- ***Sale of shares in Sea Partner***

Operations

After winding up its reefer operations in December, 1999, SOL is now a dedicated liner shipping company. SOL’s core business is liner shipping, which it has been engaged in for nearly 90 years, between the Nordic countries and the eastern Mediterranean. This service is operated with four RoRo vessels which are supplemented by chartered tonnage when the need arises.

SOL also operates a container service between the Nordic countries and southern Africa and carries out agency operations for traffic to and from West Africa as well as international project consignments. The company owns 50% of the shares in Sea Partner Sweden AB, a ship management company, which is responsible for the operation of SOL’s and other shipping companies’ ships on an assignment basis.

Consolidated result

The consolidated result before tax for the first six months of the year was MSEK -12 (-16). The result includes MSEK 17 in the form of a refund from the insurance company SPP. The result was negatively affected by traffic disruptions in Israeli ports and steeply rising bunker prices.

The first few months of the year saw lower cargo volumes than normal for the liner service to and from the Mediterranean. Capacity utilisation has since improved. The waiting times in the Israeli ports, which were lengthy at the beginning of the year, have gradually diminished.

The sharply increased bunker prices, which have more than doubled since the first half of 1999, have resulted in substantial additional costs for SOL, about MSEK 12, compared to the same period last year . The company has only been able to partially compensate for these cost increases in the form of higher freight rates due to continued heavy competition on the freight market.

The container service between the Nordic countries and southern Africa and operations involving international project assignments have performed better than during the previous year.

About MSEK 5 has been charged to the consolidated result for the first six months as a result of retroactive adjustments of the result of the traffic pool in which SOL’s vessels participated in 1999. However, these adjustments have not been accepted by SOL.

Financial position

On 30 June, consolidated liquid funds, including short-term investments and unutilised credit facilities, amounted to MSEK 25 (31-12-1999: MSEK 26).

In February, 2000, a new issue of shares was floated, providing the Group with a net capital infusion of MSEK 47. MSEK 25 of this amount was used to make an amortisation of the long-term liabilities.

After the amortisation and repayment of ship loans in conjunction with the delivery of the last reefer at the beginning of January, the remaining interest-bearing liabilities amounted to MSEK 324.

The equity/assets ratio was 15%, which is the same as at the beginning of the year. Investments during the first half of the year amounted to MSEK 1 (2).

As a result of overconsolidation, the insurance company SPP has decided to give its corporate customers a refund. Svenska Orient Linien, directly and indirectly via its associated company Sea Partner AB, will receive approximately MSEK 21. This amount has been calculated in accordance with the present value method and recorded as income in accordance with the Swedish Financial Accounting Standards Council's recommendations, which means that MSEK 17 is included in the consolidated result for the first half of the year. MSEK 4 of the amount will be paid out in cash during the third quarter and the remainder will be used to reduce future payments of pension premiums.

Lower ship costs in the future

As reported in the previous interim report, an agreement has been reached according to which SOL will sell the four RoRo vessels for a total of MSEK 43.5 with delivery to be made in the last quarter of 2000. At the same time, a long-term contract has been agreed on whereby the vessels will continue to sail for SOL for at least seven years. The sale is expected to generate a limited capital gain during the second half of the year at the present USD exchange rate. As a result of the agreement, future ship costs will be reduced by about MSEK 14 per year and liquidity will be improved by about MSEK 30 per year.

Strategic collaboration

As announced earlier, SOL has agreed to form a joint-venture company called SOL Niver Lines, with SOL owning 60% of the shares, together with Scan Orient Shipping Co. Ltd, a subsidiary of the Greek shipping company Niver Lines. The new company will take over the two shipping companies' traffic between the Nordic countries and the Mediterranean.

This collaboration will create the necessary conditions for a more efficient service as a result of larger joint cargo volumes together with rationalisation on the personnel side. This will result in substantially improved profitability in the future.

According to the terms of the agreement, Scan Orient has received an option, valid until mid-September, to subscribe to 10 million Series B shares in SOL, which is equivalent to about 17% of the number of shares, at a price of SEK 2 per share. If Scan Orient exercises its option, the shares will be issued within the framework of the current authorisation granted to SOL's board of directors.

The final and detailed agreement is expected to concluded in mid-September at which time more information will be given.

Sale of shares in Sea Partner

Today, SOL has reached an agreement in principle to sell its 50% shareholding in the ship management company Sea Partner to Gorthon Lines, which already holds 50% of the shares in the company.

The sale, which is a logical consequence of earlier decisions to sell the RoRo vessels and to concentrate on liner shipping, will generate a small capital gain.

Parent Company

The Parent Company's sales amounted to MSEK 0 (13). The operating profit before depreciation was MSEK 19 (0) and the profit before tax was MSEK 15 (-3). The profit includes MSEK 0 of the refund from SPP. Total assets were MSEK 191 (416).

Liquid funds, including short-term investments and credit facilities, totalled MSEK 6 (31-12-1999: MSEK 13).

Future prospects

The completed structural change, as a result of the winding-up of the reefer shipping operations, and the new issue of shares have created the necessary conditions for development of the business operations including the collaboration with Scan Orient agreed on.

This collaboration, together with the sale and charter of the RoRo vessels will generate significant commercial effects and efficiency improvements in the future. However, this year, the net effect will be limited.

The result for the year for the SOL Group is expected to be a loss of MSEK 25-35 (-194) due to ongoing restructuring measures. The result for 1999 included a loss of MSEK 133 on the sale of ships.
A profit is anticipated in 2001.

Next financial report

The Interim Report for January–September, 2000, will be published on Thursday, 26 October, 2000.

Gothenburg, 17 August, 2000

SVENSKA ORIENT LINIEN AB (publ)
Board of Directors

Consolidated income statement

All figures in MSEK	January – June **2000**	January – June 1999	Full year 1999
Shipping sales	**225**	317	630
Operating and administrative costs	**-191**	-261	-552
Personnel costs	**-17**	-17	-34
Proportion of associated company	-	-	-1
OPERATING PROFIT BEFORE DEPRECIATION	**17**	39	43
Depreciation	**-15**	-36	-70
OPERATING PROFIT AFTER DEPRECIATION	**2**	3	-27
Net financial items	**-14**	-19	-34
PROFIT AFTER NET FINANCIAL ITEMS	**-12**	-16	-61
Sale of fixed assets	-	-	-133
Actual tax	-	-	-
Deferred tax	-	-	24
NET PROFIT	**-12**	-16	-170

Consolidated balance sheet

All figures in MSEK	**2000 June**	1999 June	1999 Dec.
Vessels	**355**	766	414
Other fixed assets	**11**	21	11
Current assets	**121**	140	125
Liquid funds	**7**	33	26
TOTAL ASSETS	**494**	960	576
Shareholders’ equity	**74**	209	59
Provisions	**1**	25	1
Long-term liabilities	**291**	527	320
Current liabilities	**128**	199	196
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES	**494**	960	576

Consolidated cash-flow analysis

All figures in MSEK	**January –June 2000**	January –June 1999	Full year 1999
Liner operations	**-4**	17	36
Other	**7**	3	-34
CASH FLOW	**3**	20	2
Change in working capital	**-41**	-17	-3
CASH FLOW FROM OPERATIONS	**-38**	3	-1
Investment activities	**45**	-2	216
Other financing activities	**-26**	-7	-228
CHANGE IN LIQUID FUNDS	**-19**	-6	-13

Key ratios and per-share data

		January - June 2000	January - June 1999	Full year 1999
Equity/assets ratio	%	**15**	22	15
Return on capital employed	%	**neg.**	neg.	neg.
Return on shareholders' equity	%	**neg.**	neg.	neg.
Shareholders' equity per share	*SEK*	**1.50**	8.40	1.70
Profit per share	*SEK*	**-0.80**	-3.00	-2.40
Operating cash flow per share	*SEK*	**0.20**	-0.10	0.40
Number of shares	*thousand*	**49 720**	24 860	24 860

All key ratios, where appropriate, are based on a rolling 12-month period.
Key figures and per-share data for 1999 are based on the profit excluding capital losses on assets.

This report has not been examined by the company's auditors.

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