



# OUR POSITION

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## NINE-MONTH REPORT FOR CONCORDIA MARITIME AB (publ) 1.1 - 30.9 2000

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- **Result after financial net SEK 131.6 (-14.2) million, including SEK 25.5 million on sale of ship**
- **Good freight rates also in fourth quarter**
- **Forecast for full 2000 SEK 220 million, which is equivalent to a profit per share of SEK 4.59 after full conversion**
- **Continued efficient ship operation**

### **Sales and result**

Consolidated sales in the first nine months amounted to SEK 903.5 (587.4) million. The profit after financial items, including a profit of SEK 25.5 million on the sale of a ship, was SEK 131.6 (-14.2) million and the profit per share after tax was SEK 4.34 (-0.49) and SEK 2.75 (-0.02) after full conversion.

### **VLCC**

During the period, Concordia's five VLCCs (Very Large Crude Carriers) were employed on the spot market. The average freight rate during the period was USD 21,300 (15,400) per day. During 2000, freight rates of USD 18,000 per day are required to cover the vessels' daily running costs and capital costs (break-even level).

### **ULCC**

The average freight rate for Concordia's ULCCs (Ultra Large Crude Carriers) STENA KING and STENA QUEEN was USD 27,600 (21,200) per day. The two vessels are employed on the spot market. The break-even level for these vessels is USD 19,000 per day in 2000.

### **Self-discharging bulk carriers**

The self-discharging salt carriers KURE and CONVEYOR continue to be chartered out on satisfactory contracts.



### **Sale of STENA BARBADOS**

In June, the product tanker STENA BARBADOS was sold and delivered to the Swedish shipping company Wisby Tankers and will continue to sail under the Swedish flag with a Swedish crew. Concordia has chartered back the vessel for at least two years to continue operating for Texaco in the Caribbean. The profit on the sale amounted to SEK 25.5 million before tax.

### **Sale of STENA CONTINENT**

The VLCC STENA CONTINENT, built in 1975, has been sold on subject for delivery around the beginning of 2001 together with the VLCC STENA CONCORDIA, sold by Stena for the same price.

### **Dry-docking**

There were no dry-dockings during the period. During the same period, last year, four VLCCs and one ULCC were dry-docked. The next dry-docking will be in November when planned maintenance will be carried out on the STENA KING. The loss of income resulting from the planned dry-dockings is charged to the result for the year while allocations for shipyard costs are distributed evenly during the period between dry-dockings.

### **Management and operation**

The daily running costs of our vessels have been kept at a low level with continued high operational and technical quality. Hydrostatically balanced loading (HBL) will be utilised on all Concordia's VLCCs by the end of the year. Most of the large oil companies and all the major oil traders have approved Concordia's tankers for the transportation of oil in HBL. HBL is an environmental protection system introduced by the UN agency The International Maritime Organisation (IMO) for vessels more than 25 years old and reduces the risk of oil spills caused by grounding and other hull damage. Concordia's other quality system, CAP, which, put simply, confirms that the hull strength of its tankers is 20% higher than the classification requirement, is appreciated by all major charterers.

### **Construction of two STENA V-MAX tankers**

The construction in South Korea of Concordia's two STENA V-MAX Class VLCCs, both of which will be signed to 3-year charters with the American oil company Sun, is proceeding according to budget and as scheduled. Delivery is expected to be made in April and June, 2001, respectively.

The keel of V-MAX I was laid on 17 October, 2000.

### ***Net worth***

Concordia's fleet was appraised by three independent shipbrokers on 30-06-2000. The market value according to these valuations was USD 152.8 (155.8) million, which represents a surplus value of SEK 333.3 (223.8) million. On 30-09-2000, net worth excluding deferred tax was estimated to be SEK 46.95 (34.50) per share, which corresponds to SEK 31.96 (24.58) after full conversion. The SEK/USD exchange rate was 9.68 (8.20) on 30-09-2000. Shareholders' equity per share after full conversion was SEK 25.00 (20.04).



### **Liquidity and investments**

The Group's disposable liquid funds, including unutilised credit facilities, amounted to SEK 903.4 (700.6) million on 30-09-2000 while the corresponding figure on 31-12-1999 was SEK 699.9 (128.1) million. The Group's existing fleet, together with the newbuildings under construction, is financed via a credit facility of USD 165 million raised during the spring of 1999.

### **Related company transactions – 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. The contract yields about USD 30,000 per day.

In order to hedge the revenues generated in the pool for VLCCs operated together with Stena Bulk, a freight swap equivalent to the capacity of one VLCC has been signed. This contract runs during the second half of 2000 and corresponds to a freight rate of about USD 26,000 per day. A similar contract has been signed for the period December, 2000 – May, 2001, and is equivalent to the capacity of 1.3 VLCCs at a freight rate of about USD 36,000 per day.

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

Stena's subsidiary Northern Marine Management is responsible for the technical management of Concordia's two ULCCs. Concordia's subsidiary Universe Tankships performs management assignments for three of Stena's large tankers.

### **Investments**

Investments during the period totalled SEK 40.1 (286.8) million. The major part of these investments is related to the VLCCs under construction.

### **Parent Company**

The Parent Company's sales totalled SEK 16.4 (23.5) million. Intergroup invoicing accounted for SEK 2.1 (5.7) million of this amount. The result after financial items was SEK 11.3 (-12.6) million. The result for the period includes the SEK 25.5 million profit on the sale of the STENA BARBADOS. The Parent Company's disposable liquid funds, including unutilised credit facilities, amounted to SEK 44.2 (11.1) million while the corresponding figure on 31-12-1999 was SEK 12.3 (6.7) million. There were no investments during the period.

### **Market**

During the year, the tanker market has been very much affected by OPEC's decisions on production levels and, as a result, high oil prices. OPEC's explicit goal is to ensure that the price of oil stays between USD 22 and USD 28 per barrel. By raising or lowering production when the oil price rises above or falls below this price interval, OPEC is able to control the supply of oil and thus the price. As a result of the high oil price, OPEC has gradually raised oil production during the year. OPEC is facing heavy international pressure to increase its production levels. However, the demand for oil has pushed the price over the upper limit

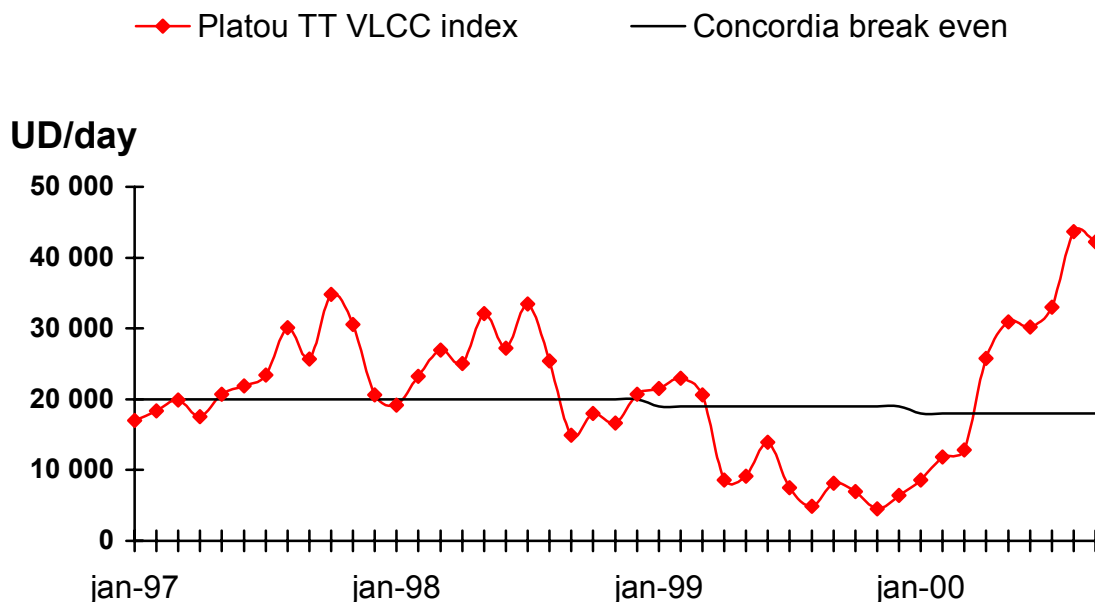


despite production increases. The high prices of crude oil have resulted in very high bunker prices although this has been compensated for to some extent by the strong freight market.

In the case of the large-tanker market, the trend on the oil market has generated the steepest increase in the demand for tonnage since the beginning of the 1980s. During the third quarter, Concordia's ULCCs generated USD 41,800 per day and its VLCCs USD 32,900 per day. Platou's large-tanker index for TT VLCC was USD 26,500 per day. The very strong freight market has continued into the fourth quarter with freight-rate levels exceeding those in the third quarter.

Concordia holds the view that there could be less activity on the markets as a result of a very intensive shipping period. This could result in rising stocks, falling oil prices and a somewhat stagnant demand for tonnage during parts of 2001. In contrast to previous upswings, the more long-term market benefits from the fact that the shipyards are already fully booked until 2003 with a varied portfolio of different ship types. This means that there have been fewer speculative orders than during previous upswings.

### Freight market for TT VLCC, 1997 – September, 2000





In the first nine months, 34 new VLCCs were delivered and 25 were scrapped. It is estimated that a total of about 65 vessels will reach the 25-year mark either this year or next year, thus providing the necessary conditions for continued scrapping.

VLCC	Delivered	Order book	Scrapped to date
1988	13		15
1999	30		34
2000	34	7	25
2001		28	
2002		35	

### Sales to FPSO

With high oil prices, the rate of investment in the offshore industry increases. It becomes more profitable to extract oil from small oil deposits and the demand for floating storage/production units increases. Several oil companies have shown interest in Concordia's tankers for this purpose.

### Phasing out single-hull vessels through new legislation

After the loss of the tanker "Erika" off the French Coast in December, 1999, the EU Commission demanded a substantially accelerated transition to double-hull tankers solely based on the age of the single-hull vessels. At the request of the EU nations, this question has been transferred to IMO, the international legislative agency for shipping, where a joint proposal was drawn up during a meeting at the beginning of October. According to this proposal, single-hull tankers will gradually be withdrawn from service between 2003 and 2015 or 2017 on the basis of both age and documented quality. Concordia is playing an active part in these discussions and welcomes the proposal to make quality criteria a guiding principle in the phasing-out process. A decision on this question will be made at IMO's next meeting in April, 2001. See our web site for further information.

### Forecast for 2000

Based on fixtures done and an estimated freight rate for unfixed days of USD 38,000 for VLCCs and USD 50,000 for ULCCs, the full-year result before tax, including sales of ships, should be in the region of SEK 220 million. This would be equivalent to SEK 7.96 per share and SEK 4.59 after full conversion.

A change in the freight rates of USD 1,000 per day for the rest of the year would affect Concordia's annual profit by about SEK 4 million.



### **Reports**

The result for the full year will be presented on 23 January. In addition to the presentation of the result for the full year, Concordia also publishes three interim reports.

Further information may be obtained from:

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

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

Gothenburg, 20 October, 2000

**CONCORDIA MARITIME AB**

Lars Carlsson

*President*



### THE GROUP'S INCOME STATEMENT

(SEK million)	9 months, 2000	9 months, 1999	Full year, 1999
Average exchange rate SEK/USD	8.92	8.24	8.26
Net sales	<b>903.5</b>	587.4	773.6
Sales, ship	<b>25.5</b>	-	-
<b>Total income</b>	<b>929.0</b>	587.4	773.6
Operating costs, ships	<b>-539.0</b>	-345.0	-505.9
Other external costs	<b>-29.1</b>	-36.9	-43.1
Personnel costs	<b>-120.2</b>	-124.0	-167.5
Depreciation according to plan	<b>-80.5</b>	-75.8	-101.2
<b>Total operating costs</b>	<b>-768.8</b>	-581.7	-817.7
<b>Operating result</b>	<b>160.2</b>	5.7	-44.1
Other interest income and similar profit/loss items	<b>1.8</b>	11.7	13.3
Interest expenses and similar profit/loss items	<b>-30.4</b>	-31.6	-41.2
<b>Financial net</b>	<b>-28.6</b>	-19.9	-27.9
<b>Result after financial items</b>	<b>131.6</b>	-14.2	-72.0
Tax on profit for the year	<b>-12.5</b>	0.9	9.5
<b>Net result for the year</b>	<b>119.1</b>	-13.3	-62.5



### SUMMARY OF GROUP'S BALANCE SHEET

(SEK million)	30-09-2000	30-09-1999	31-12-1999
SEK/USD exchange rate on accounting date	9.68	8.20	8.53
<b>Assets</b>			
Fixed assets	<b>1 843.1</b>	1 647.2	1 702.4
Current assets	<b>300.0</b>	161.2	172.7
Cash and bank balances	<b>54.6</b>	40.0	16.2
<b>Total assets</b>	<b>2 197.7</b>	1 848.4	1 891.3
<b>Equity and liabilities</b>			
Equity	<b>964.4</b>	722.1	705.7
Provisions	<b>60.3</b>	31.9	31.3
Convertible debenture loan	<b>232.9</b>	237.7	237.7
Long-term liabilities	<b>758.0</b>	759.5	758.2
Current liabilities	<b>182.1</b>	97.2	158.4
<b>Total equity and liabilities</b>	<b>2 197.7</b>	1 848.4	1 891.3





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

(SEK million)	9 months, 2000	9 months, 1999	Full year, 1999
Cash flow from operating activities before changes in working capital	162.0	59.6	15.9
Change in working capital	-86.2	9.0	61.8
<b>Cash flow provided by operating activities</b>	<b>75.8</b>	<b>68.6</b>	<b>77.7</b>
Cash flow from investing activities	24.7	-285.8	-294.9
Cash flow from financing activities	-66.3	133.8	116.3
Conversion difference	1.3	-7.2	-14.9
<b>Cash flow for the year</b>	<b>35.5</b>	<b>-90.6</b>	<b>-115.8</b>
Balance at beginning of year	16.2	128.1	128.1
Exchange rate differences, cash and bank balances	2.9	2.5	3.9
<b>Balance at end of year</b>	<b>54.6</b>	<b>40.0</b>	<b>16.2</b>



### PER-SHARE DATA

(SEK)	30-09-2000	30-09-1999	31-12-1999
Profit after tax	4.34	-0.49	-2.30
Profit after tax after full conversion	2.75	-0.02	-0.96
Cash flow	6.84	2.19	0.59
Cash flow after full conversion	4.17	1.50	0.68
Equity	34.89	26.52	25.92
Equity after full conversion	25.00	20.04	19.70
Net worth	46.95	34.50	33.78
Net worth after full conversion	31.96	24.58	24.17
Share price on accounting date	24.00	9.55	11.80