SWEDISH ORIENT LINE

Press release, 25 October, 2000
from Svenska Orient Linien AB (publ)

Interim Report
January – September, 2000

- ***Result before tax MSEK -20 (-43)***
  MSEK 17 refund from SPP included
- ***MSEK 19 in higher bunker costs***
- ***Strategic collaboration, with company for Mediterranean traffic jointly owned by SOL and Scan Orient, begins on 1 October***
- ***Restructuring continues as planned and will take full effect from the beginning of 2001***
- ***New President and new Chairman appointed as of today***

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 has, as from 1 October, been operated via a joint venture, SolNiver Lines, with SOL holding 60% of the shares, and is based on 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.

Consolidated result

The consolidated result for the first nine months of the year was MSEK -20 (-43). The result includes MSEK 17 in the form of a refund from the insurance company SPP. On 1 September, the 50% holding in Sea Partner Sweden AB was sold at a profit of just under MSEK 2. The previous year's loss was related to the reefer operations, which were wound up at the end of 1999.

The operating result was very negatively affected by steeply rising bunker prices, traffic disruptions in Israeli ports and low freight rates. The higher bunker prices have resulted in substantial additional costs for SOL, about MSEK 19, compared with the corresponding 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, SOL has not accepted these adjustments.

Strategic collaboration

SOL has formed a joint venture together with Scan Orient Shipping Co. Ltd, a subsidiary of the Greek shipping company Niver Lines. SOL owns 60% of the shares in this new company, SolNiver Lines, which took over its two owners' liner services between the Nordic countries and the Mediterranean on 1 October. As a result, the company is the largest RoRo service operator in this traffic area.

The resources of the two shipping companies will be coordinated in the new company and SolNiver Lines will be the joint strategic partner also for the Swedish and Finnish export industries. Marketing and bookings will be carried out by agents in the countries where SOL is the general agent for Scandinavia, the Baltic States and the UK.

The shipping company's operations will primarily be carried on with tonnage on long-term charters which will be supplemented, when necessary, with external tonnage. Initially, SOL's present fleet of four RoRo vessels will be chartered on a long-term basis and a further three vessels will be employed by SolNiver Lines. This collaboration means that larger transport volumes can be coordinated more efficiently, which will result in better service to customers and better utilisation of joint resources, thus leading to improved profitability.

Rationalisation

Parallel with the establishment of SolNiver Lines, sweeping rationalisation measures have been instituted in the remaining SOL organisation resulting in personnel reductions of about 25% over and above the personnel transferred to SolNiver Lines.

Lower ship costs in the future

In October, SOL transferred the two first RoRo vessels in accordance with the contract of sale signed in May. The remaining two vessels will be transferred in November and December, respectively. The total proceeds of the sale, MUSD 43.5, will enable SOL to repay all its bank loans in addition to providing a liquidity infusion of about MSEK 10 at the current SEK/USD exchange rate.

At the same time, a long-term contract has been agreed on whereby the vessels will continue to sail on a T/C basis for SOL for at least seven years. As a result of the agreement, future ship costs will be reduced by about MSEK 10–15 per year depending on the SEK/USD exchange rate.

Financial position

On 30 September, consolidated liquid funds, including short-term investments and unutilised credit facilities, amounted to MSEK 29 (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. These will have been repaid in the entirety by the end of this year

The equity/assets ratio was 14%, compared with 15% at the beginning of the year. Investments during the period amounted to MSEK 1 (2).

About MSEK 4 of the approx. MSEK 21 refund to be paid out by the insurance company SPP to SOL directly and indirectly via Sea Partner has so far been paid out in cash. A portion of the remaining amount will be used for payments of pension premiums planned in conjunction with personnel reductions at the end of the year.

Parent Company

The Parent Company’s sales amounted to MSEK 0 (16). The operating profit before depreciation was MSEK 18 (-2) and the profit before tax was MSEK 12 (-9). The profit includes MSEK 0 of the refund from SPP. Total assets were MSEK 185 (433).

Liquid funds, including short-term investments and credit facilities, totalled MSEK 28 (31-12-1999: MSEK 21).

Organisational changes

In conjunction with the establishment of SolNiver Lines and the transfer of Swedish Orient Line's principal business activity to this company, the Board of Directors has decided on a reorganisation according to which the present president of SOL, Hans Erikson, will take over as president of the subsidiary TransProCon and resign from the parent company's board. He will, however, continue as a member of SOL's management group. Hans Erikson will be succeeded by the company's chairman and former president between 1997 and 2000, Kent Flodberg. Michael Kjellberg, one of the company's two principal shareholders, has been appointed as Chairman of the Board.

Future prospects

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

This collaboration will generate significant commercial effects as a result of, among other things, larger transport volumes. This, in turn, will result in more efficient operation. For SOL, this, together with lower future ship costs and other cost rationalisation measures, will improve long-term profitability. However, this year, the effects will be marginal.

The previous forecast of a MSEK 25–35 (-193) loss for 2000 remains unchanged on condition that the present unrest in the Middle East does not negatively affect market conditions still further. The result for the year will include both restructuring costs and profits on the sale of cargo-handling equipment, etc. no longer needed as a result of the joint venture. The result for 1999 included a loss of MSEK 133 on the sale of ships. A profit is expected next year.

Next financial report

The Preliminary Report for 2000 will be published on Monday, 26 February, 2001.

Gothenburg, 25 October, 2000

SVENSKA ORIENT LINIEN AB (publ)
Board of Directors

Consolidated income statement

All figures in MSEK	**January – September 2000**	1999	Full year 1999
Shipping sales	**334**	466	630
Operating and administrative costs	**-287**	-400	-552
Personnel costs	**-22**	-25	-34
Proportion of associated company	-	-	-1
OPERATING PROFIT BEFORE DEPRECIATION	**25**	41	43
Depreciation	**-23**	-54	-70
OPERATING PROFIT AFTER DEPRECIATION	**2**	-13	-27
Net financial items	**-22**	-30	-34
PROFIT AFTER NET FINANCIAL ITEMS	**-20**	-43	-61
Sale of fixed assets	**-**	-	-133
Actual tax	**-**	-	-
Deferred tax	**-**	-	24
NET PROFIT	**-20**	-43	-170

Consolidated balance sheet

All figures in MSEK	**2000 Sep.**	1999 Sep.	1999 Dec.
Vessels	**348**	740	414
Other fixed assets	**10**	19	11
Current assets	**118**	134	125
Liquid funds	**11**	36	26
TOTAL ASSETS	**487**	929	576
Shareholders' equity	**67**	181	59
Provisions	**1**	25	1
Long-term liabilities	**291**	520	320
Current liabilities	**128**	203	196
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**487**	929	576

Consolidated cash-flow analysis

All figures in MSEK	**January – September 2000**	January – September 1999	Full year 1999
Liner operations	**-3**	28	36
Other	**6**	-17	-34
CASH FLOW	**3**	11	2
Change in working capital	**-37**	-5	-3
CASH FLOW FROM OPERATIONS	**-34**	6	-1
Investment activities	**45**	-2	216
Other financing activities	**-26**	-7	-228
CHANGE IN LIQUID FUNDS	**-15**	-3	-13

Key ratios and per-share data

		January - September 2000	January - September 1999	Full year 1999
Equity/assets ratio	*%*	**14**	19	15
Return on capital employed	*%*	**neg.**	neg.	neg.
Return on shareholders' equity	*%*	**neg.**	neg.	neg.
Shareholders' equity per share	*SEK*	**1.30**	7.30	1.70
Profit per share	*SEK*	**-0.80**	-2.60	-2.40
Operating cash flow per share	*SEK*	**0.00**	0.30	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.

For further information, please contact Kent Flodberg, President, Svenska Orient Linien AB,
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