CONCORDIA MARITIME

# Annual Report 2008

# Contents



# 2008 in brief

- **Net sales: SEK 560.2 (457.2) million**
- **Profit after tax: SEK 95.8 (62.9) million**
- **Profit per share after tax: SEK 2.01 (1.32)**
- **Proposed dividend: SEK 1.00 (1.00) per share**
- **EBITDA of USD 24.7 (13.5) million**
- **Available liquid funds SEK 507.5 (515.9) million**

**• Long contracts provide stability in a weakening market**

All the vessels in the fleet were signed to fixed contracts. These long-term charters provide stability on a somewhat weakening market.

**• Newbuilding program proceeding according to plan**

No new vessels were delivered in 2008. However, construction of the two P-MAX tankers to be delivered at the end of 2009 began. The remaining two vessels in the program will be delivered in 2010.

**• Weaker trend towards end of year**

2008 as a whole was a strong year for transportation of oil and refined petroleum products. Towards the end of the year, however, freight rates fell in both the MR and the VLCC segment.

**• Falling prices in the shipbuilding and second-hand markets**

The strong shipbuilding market continued through much of 2008. The prices of all the different types of tankers continued to rise until the end of the third quarter. During the fourth quarter, however, the market weakened and prices in both the MR and the VLCC segment began to fall.

**• Events after 31 December 2008**

Damage to a reduction gear on board the *Stena Victory* was detected in conjunction with a routine inspection at the beginning of February. This damage is similar to the damage detected on the *Stena Vision* in 2006. Repairing the *Stena Victory's* reduction gear is expected to take much less time than in the case of the *Stena Vision*.

**• Forecast for 2009**

A profit before tax of approx. USD 8 million, equivalent to approx. SEK 70 million.

This lower forecast has been made in view of the current market situation, the damage to the *Stena Victory* and the fact that four of our P-MAX tankers will be dry-docked during the year. These dockings represent a revenue shortfall of about USD 1 million.

# 25 years of safe transportation

| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net sales, MSEK | 560.0 | 457.2 | 381.2 | 254.0 | 354.0 | 649.7 | 768.6 | 1,334.6 | 1,327.6 | 773.6 |
| whereof result from ship sales, MSEK | — | — | — | 56.2 | 646.6 | –15.1 | 11.1 | 1.5 | 16.6 | — |
| EBITDA, MSEK | 162.6 | 91.5 | 38.7 | –1.3 | 795.5 | 177.5 | 89.5 | 454.4 | 382.9 | 57.1 |
| Result after financial net, MSEK | 78.1 | 48.0 | 52.5 | 42.7 | 740.2 | 35.1 | –142.4 | 251.9 | 227.7 | –72.0 |
| Net result, MSEK | 95.8 | 62.9 | 51.9 | 57.2 | 740.2 | 77.1 | –148.9 | 231.3 | 207.3 | –62.5 |
| Investments, MSEK | 301.3 | 836.7 | 767.2 | 492.8 | 86.3 | 61.6 | — | 513.6 | 351.1 | 295.7 |
| Equity ratio, % | 56 | 58 | 73 | 93 | 94 | 73 | 51 | 51 | 48 | 38 |
| Equity per share, SEK | 41.21 | 34.08 | 34.09 | 37.10 | 33.87 | 21.51 | 24.16 | 33.62 | 26.67 | 20.03 |
| Return on capital employed, % | 3 | 4 | 5 | 6 | 49 | 3 | –4 | 12 | 14 | –2 |
| Dividend as percentage of profit, % | 49 | 76 | 92 | 83 | 19 | 31 | 0 | 12 | 22 | 0 |
| Profit per share, SEK | 2.01 | 1.32 | 1.09 | 1.20 | 15.51 | 1.62 | –3.12 | 4.85 | 4.47 | –0.96 |
| Dividend per share, SEK | 1.00[1] | 1.00 | 1.00 | 1.00 | 3.00 | 0.50 | — | 0.60 | 1.10 | — |
| Share price on closing date, SEK | 15.00 | 27.00 | 55.00 | 43.00 | 34.80 | 17.50 | 11.00 | 16.00 | 21.50 | 11.80 |

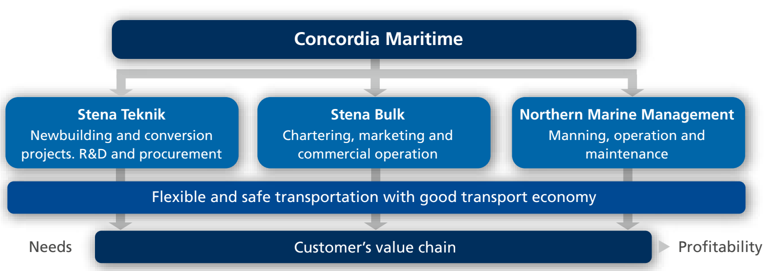
1) Proposed dividend

# This is
# Concordia Maritime

Concordia Maritime is an international tanker shipping company, which develops, builds, mans and charters vessels to customers with exacting demands on transport economy, flexibility and safety. The company's focus is on the transportation of refined petroleum products such as petrol, diesel fuel and aviation fuel. Concordia Maritime was established in 1984 when its Series B share was listed on Nasdaq OMX Stockholm. Its head office is located in Gothenburg, Sweden.

## Our goals

| | Growth | Profitability | Equity ratio |
|---|---|---|---|
| **Goal** | At least 10 per cent per year, while maintaining profitability. | Return on equity of at least 12 per cent. | At least 50 per cent over a business cycle. |
| **Development 2008** | 21% | 5% | 56% |
| **Explanation to the development** | Due to a stronger USD and a successful hedge policy, equity growth in 2008 amounted to SEK 360.8 million, which is equivalent to SEK 7.56 per share. | The company is not fully invested, i.e. it has too much equity, which, in turn, reduces the rate of return. | A high equity ratio as the investment program is in progress. |
| **Development 1999–2008** | Average of 14.0% | Average of 9.5% | Average of 63.5% |
| **Challenges ahead** | Increased borrowing requirements in the US could result in a weaker USD/SEK exchange rate. | To increase the rate of return as the vessels are added to the fleet. | To utilise the company's strong balance sheet to expand its business activities. |




**A small company in a large context**

Concordia Maritime has a small number of employees and sales of SEK 560.0 million. How is this possible? Concordia Maritime owns its vessels, but utilises service suppliers for chartering, commercial operation, manning and technical questions.

## Business concept

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

## Vision

To be the customers' first choice for safety, innovation and performance in efficient tanker transportation, which will result in good profitability, steady growth and financial stability.

## Strategy in brief

- To continue to develop Concordia Maritime's position as a partner of choice in transportation of oil and petroleum products.
- To continue to identify the market's need for efficient transportation and thereafter develop vessels and logistic solutions based on transport economy, flexibility and a well-developed environmental philosophy.
- To utilise our strong financial position to do new business with the right timing.
- To continue to take advantage of the unique competence existing in the Stena Sphere with respect to market know-how, shipbuilding and ship operation.

## What we transport

The change in business activities implemented in recent years has resulted in a shift in focus from the transportation of crude oil to the transportation of refined petroleum products. Twelve tankers have been ordered in the last few years, six of which have been delivered. They are all designed primarily to transport refined petroleum products such as petrol, diesel fuel and aviation fuel. In addition to our own vessels, we have also chartered two crude oil tankers from the US shipping company General Maritime (formerly Arlington Tankers). At the end of 2008, Concordia Maritime had ten vessels at its disposal. **Read more on pages 8–11.**

## Our market

2008 as a whole was a relatively strong year for the transportation of crude oil and refined petroleum products. Towards the end of the year, however, freight rates fell in both the MR and the VLCC segment. The average freight rate for an MR product tanker was about the same as in 2007, around USD 23,000 per day. In the large-tanker segment, however, freight rates were far higher than in 2007, around USD 70,000 (52,000) per day. **Read more on pages 12–14.**

## Our strengths

At Concordia Maritime, a deep understanding of the individual customer is combined with cutting-edge competence in the development and design of ships, shipbuilding, manning, chartering and commercial operation. The result is safe and efficient transportation. **Read more on pages 22–25.**

## Our customers

Concordia Maritime's customers include some of the world's largest oil and energy companies. Customer relations are characterised by partnership, cooperation and a long-term perspective. **Read more about our customers on page 28.**

## Our cooperation partners

Concordia Maritime conducts its business activities in close cooperation with several companies in the Stena Sphere. This means that the company's business activities can be conducted cost-effectively at the same time as its customers have access to the Stena Sphere's knowledge base. **Read more about Concordia Maritime's partners on page 30–31.**

## President's views

# Good opportunities in turbulent times

In many ways, 2008 was a particularly eventful year for global shipping. Most of the world's shipowners began the year with undiminished optimism. This took the form of, for example, continuing ship orders despite very large order books at the shipyards.

In some segments, especially the dry cargo and container segments, the markets began to show signs of weakening as early as during the first half of the year although the tanker markets remained relatively stable.

When September came, it proved to be a fateful month.

A lot happened in a very short time. The global economy came to a sudden and abrupt halt and the financial system was shaken to its very foundations. The bottom fell out of the dry-cargo market and the liner shipping companies found themselves facing container freight rates in free fall. New orders worldwide abruptly more or less dried up and second-hand values began to fall.

### End of the "super cycle"

For us at Concordia Maritime, the downturn was no surprise as such. But it was not triggered by a weakened market resulting from far too many deliveries of new vessels, as we had thought, but by a sudden halt caused by the collapse of the financial systems.

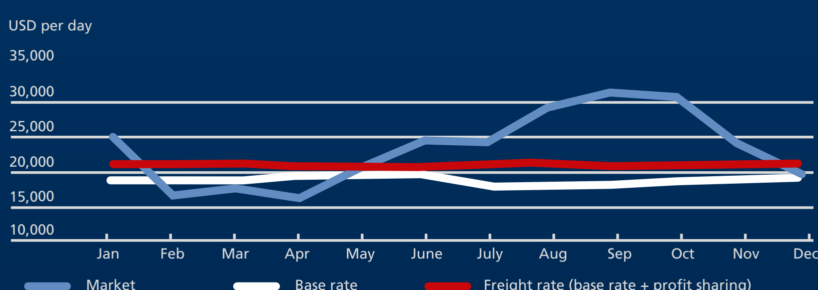
It is probably no exaggeration to say that the "super cycle" in tanker shipping, which began in around 2000, seems to have come to an end. We are entering a period during which we can probably expect to see casualties. A weak market in combination with a poorly functioning financial market will test many shipowners to the limit, and some of them will fail. A large number of the vessels ordered in recent years do not have financing. The inability to obtain financing will without any doubt result in delayed deliveries or even annulled newbuilding contracts. Paradoxically, this could speed up a trend towards a better balance between the demand for transportation and the supply of ships, thus strengthening the market.

### Good opportunities for Concordia Maritime

Where, then, is Concordia Maritime in this challenging market situation?

All the vessels in our fleet are signed to time charter contracts up until 2011 and are thus generating stable cash flows. Our financing for the four remaining newbuildings is secured and we have a strong balance sheet. This means that we can take advantage of the opportunities that may arise in the current market situation. At present, it is not our intention to set limits to exactly what this means in the form of new business deals and projects. In the past few years, we have focused on the product tanker segment, in particular our special P-MAX design, which has been developed in collaboration with customers. However, this does not mean that we will exclude other types of tanker tonnage if we consider them to be

**The product tanker fleet's average freight rate per vessel and day**




Both sales and the result trend for the full year were in line with the forecast. Sales for the full year amounted to SEK 560.0 (457.2) million. The result after financial items was SEK 78.1 (48) million. The profit after tax was SEK 95.8 (62.9) million, which corresponds to a result per share after tax of SEK 2.01 (1.32).

Our stable development during the year is a consequence of having signed our vessels to long-term charters. We have a fleet that has generated stable revenues well above the freight rates on the spot market during the period. The increase in sales and operating result compared with the previous year is mainly due to the delivery of the *Stena Perros* and new contracts for the *Stena Vision* and the *Stena Victory*.

attractive to and favourable for our customers and shareholders.

### Continued high demand for transportation

The downturn in the market is having a tendency to overshadow the fact that the demand for safe and efficient tanker transportation will continue to be large in the foreseeable future. Today, we are in a strong position in the market thanks to our pronounced customer focus, our cutting-edge competence in ship design and, not least, a high-class ship operation. We intend to retain and develop this position.

### Development according to plan

In 2008, our vessels continued to operate according to plan and generated charter revenues that, at times, exceeded the freight rates in the open market by a good margin. While no new vessels were delivered, work on the construction of the remaining four P-MAX tankers in the newbuilding program began during the year. The *Stena Polaris* and the *Stena Progress* will be delivered at the end of 2009, followed by the *Stena Premium* and the *Stena Penguin* at the end of 2010. When all the vessels have been delivered, we will have a very modern fleet at the cutting edge of technology and safety that gives us the advantages of having several vessels in the same series. We see the fact that all the vessels are already signed to charters as proof that they satisfy the demands the market makes on safety and transport economy.

### Competence and collaboration

In these turbulent times, Concordia Maritime has a solid and stable base and is well-positioned to continue to develop. This requires competence and collaboration, which we have in the form of all the people who are involved in our business activities; customers, partners and employees on board our vessels and ashore. I would like to thank all of them for a very good year. We are now looking forward to an exciting and challenging 2009.

Gothenburg, March 2009

Hans Norén
President

# The foundation of Concordia Maritime's business model

Concordia Maritime's business and revenue model consists of supply vessels to customers in need of transporting oil and petroleum products. The majority of its revenues are currently in the form of a freight rate agreed on in advance supplemented by revenue generated from profit-sharing clauses.

## Revenue

For shipping companies, like Concordia Maritime, that charter out vessels for long periods, revenues consist of a freight rate agreed on in advance that stretches over the entire charter period. The freight rate depends on the length of the charter and the state of the market when the contract is signed.

At the end of 2008, all Concordia Maritime's vessels so far delivered were signed to charters of between five and ten years (from the delivery date). For some of the vessels, the charters include a profit-sharing clause in addition to the freight rate. Somewhat simplified, this means that Concordia Maritime and the customer share the revenues that exceed a pre-specified level.

Another important revenue source is the sale of ships. Here, prices vary depending on the market and the condition of the vessels. Timing is thus crucial for a profitable sale.

## Costs

The largest costs are normally daily running costs, voyage costs and capital costs.

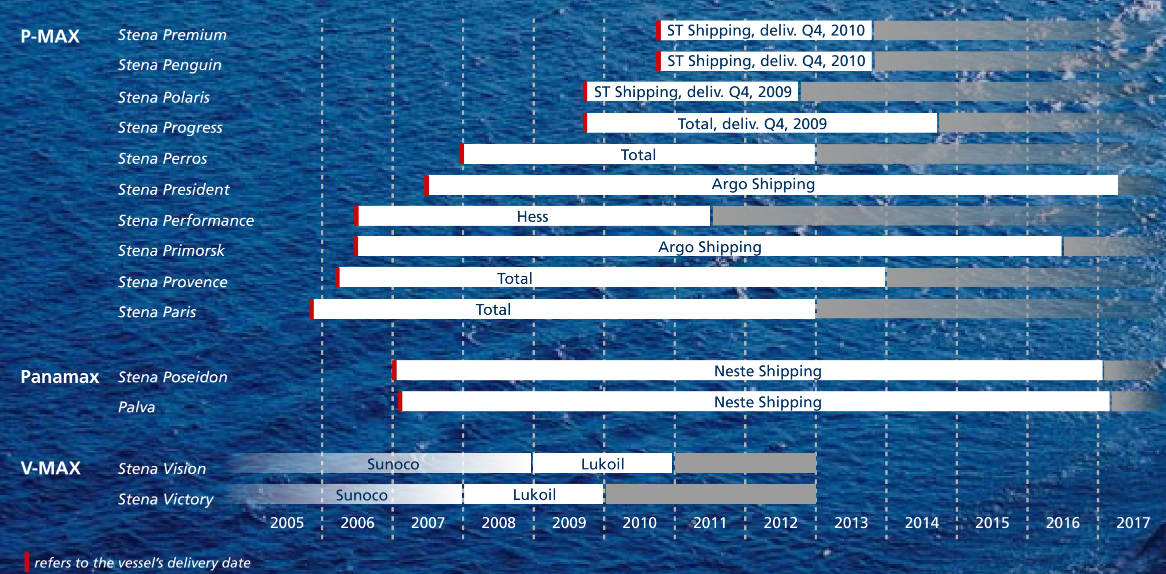
The vessels' *daily running costs* include costs for crews, periodic (dry-dockings) and day-to-day maintenance, repairs and insurance. For vessels signed to long-term charters, there are sometimes clauses that regulate the freight rate if daily running costs increase.

*Voyage costs* mainly consist of fuel consumption and port dues. For vessels in the charter market, like Concordia Maritime's vessels, the contracting party pays all the voyage costs.

*Capital costs*, depreciation and financial costs can vary considerable depending on the company's capital structure and debt equity ratio. Here, too, timing is crucial when it comes to purchasing vessels. Ship prices have a large impact on a vessel's capital costs and thus the shipping company's profitability over a long period of time.

| | Revenue | Costs |
|---|---|---|
| **Concordia Maritime's principal income and cost items** | • Revenue from charters<br>• Profit-sharing<br>• Sale of ships | • Daily running costs (crew, maintenance and insurance)<br>• Capital costs (depreciation and financial costs)<br>• Non-recurring costs<br>• Freight rates for time-chartered vessels |
| **Strategy** | • Close, long-term collaboration with customers<br>• Time with respect to purchases and sales of ships | • Long-term maintenance<br>• Efficient manning<br>• Control over capital costs |
| **Trend in 2008 (MUSD)** | 85.1 (67.6) | –72.0 (–62.6) |
| **Explanation of trend** | • Revenue from an additional vessel<br>• Lower revenue from profit-sharing clauses due to a somewhat weaker market | • Higher costs related to an additional vessel in operation<br>• Rising wage costs for crew |
| **Challenges ahead** | • Downward pressure on prices due to a surplus of vessels on the tanker market | • Higher manning costs due to increase in tonnage |

## Close relations with customers and long contracts




At the end of 2008, Concordia Maritime's fleet consisted of ten vessels, all of which were signed to long-term charters. A consequence of these charters is that the revenue (and thus cash flow) is not affected by short-term fluctuations in the market.

## Charter or spot market?

The two dominating charter types in tanker shipping are spot and time charters. In the spot market, the price can fluctuate from day to day. In the crude oil segment, freight prices can vary relatively heavily in a single day, and comparatively large variations in the price, "freight rate", can occur during a relatively short period. The market is influenced solely by supply and demand, which means that if there is a shortage of available vessels and a large demand for transportation, freight rates rise and vice versa.

On the time charter market (also called the "period market" or the "time-charter market"), vessels are instead contracted for longer periods, normally between one and three years, at a price determined in advance. There are longer contracts, but they are rare.

Normally, freight rates in the spot market reflect the shipping companies' and the customers' assessments of the economic climate in the short term. The time-charter market, on the other hand, reflects the economic trend anticipated by the parties in a somewhat longer perspective.

Most shipping companies use a combination of employment on the spot market and charters for their fleet. The majority of the world's large tankers are, however, employed on the open spot market. Generally speaking, it can be said that shipping companies are reluctant to tie up tonnage for long periods when prices are high on the spot market.

In addition to spot and time charters, there are also so-called COAs (Contract of Affreightment), which means that the contract is valid for a specific length of time and the shipping company assumes responsibility for a specific part of the customer's logistics solution. In other words, instead of offering a specific vessel, the shipping company offers a service, that is, to transport a certain quantity at a price determined in advance.

Read more about developments on the charter and spot markets on page 12–14

# Trade in oil
## the foundation of Concordia Maritime's business

The demand for oil and petroleum products is the most crucial prerequisite of Concordia Maritime's business. Despite increasing utilisation of renewable energy sources, the consumption of oil – and thus also the demand for tanker transport – is expected to continue to rise in the years ahead.

**SUMMARY**
In 2008, global trade in oil was heavily affected by the downturn in the world's economies, the current financial crisis, an extremely volatile oil price and relatively warm weather in the US and Europe. Taken together, these factors in part accounted for the fact that global growth was a record-low 0.33 per cent.

Since the mid-19th century, when it became possible to extract oil in a rational way, oil has played a central role in the development of modern society. Since then, and with a few exceptions, total global consumption has risen continuously. In the last 30 years, total global consumption of oil has almost tripled, from about 30 million barrels of oil per day to more than 86 million barrels per day.

Today, oil and petroleum products are the single largest commodity group in international trade. A high energy content in combination with the fact that it is relatively easy to transport and store has made oil the leading global energy raw material. Although global dependence on oil is decreasing relatively speaking, it still meets more than a third of the total global energy requirements.

**Oil consumption expected to increase**
A general desire to reduce the volume of carbon dioxide-related emissions in combination with at times a record-high oil price has resulted in a greater focus on other types of fuels and energy sources. For example, there has been a large increase in the utilisation of renewable energy sources, not least windpower. In terms of total global energy consumption, the share of the renewable energy sources has increased 15 per cent in the last five years.

From an environmental perspective, this is, of course, a positive trend. However, this trend has begun at a low level and in the future, growth must increase sharply if it is to keep pace with the anticipated increase in energy consumption. The US Department of Energy estimates that total global consump-

"When the world economy has recovered in 1–2 years, the demand for oil from China and India will gain renewed strength. The problem is on the supply side; there is no cheap oil anymore and it will be difficult to increase oil consumption to any appreciable extent from today's level of around 84-87 million barrels/day. However, the total demand for transport could increase as the distance between producer and consumer continues to increase."

Roy Berg, Chief Analyst, Stena AB

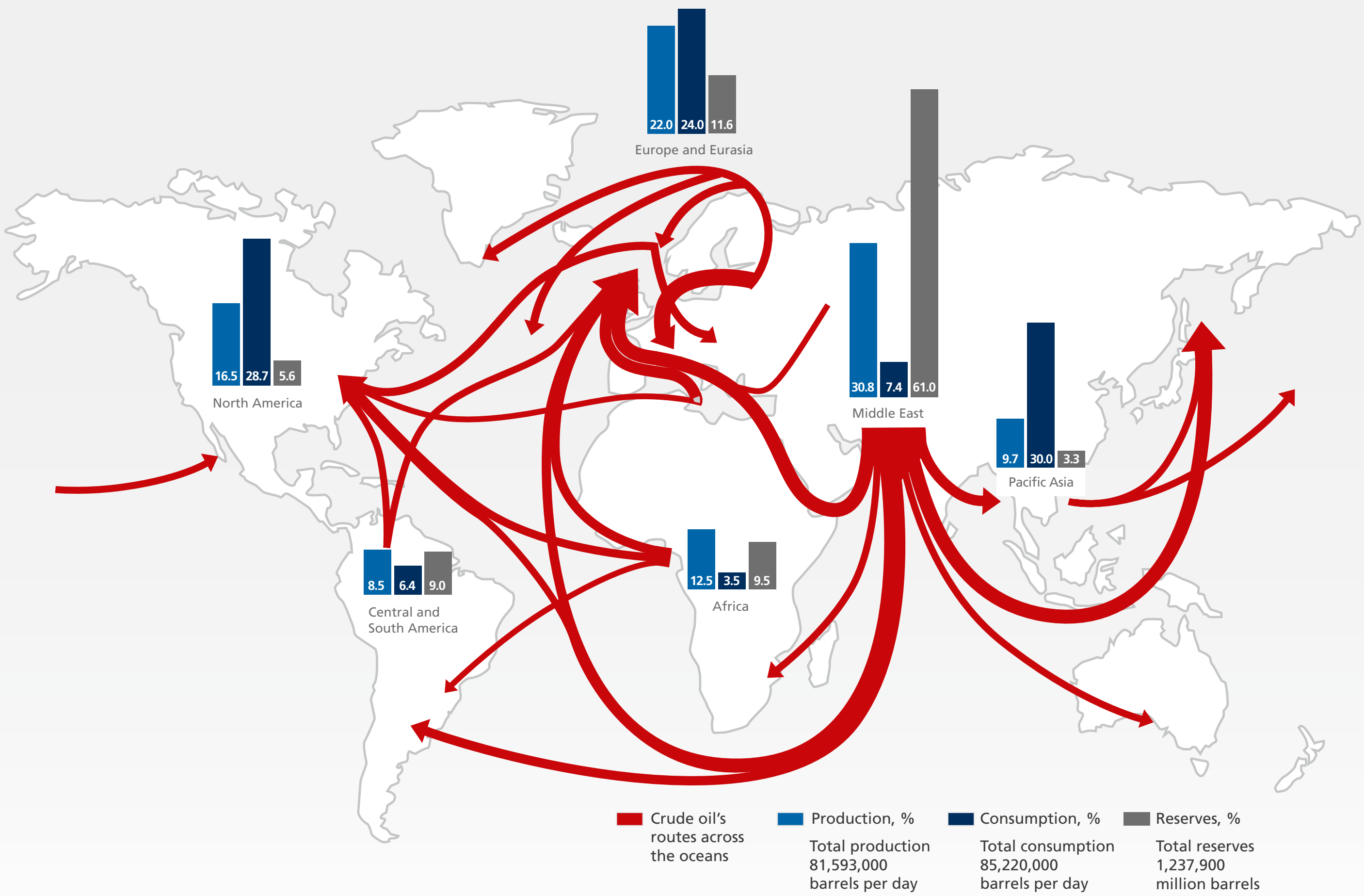

# Oil price trend in 2008

**Extreme price trend in 2008**
The price of oil in 2008 was extremely volatile. During the first half of the year, the price rose from about USD 90 per barrel to a record-high USD 147 per barrel. It then fell precipitously to USD 44 per barrel at the end of the year. This meant that for the year as a whole, the price fell about 50 per cent.

The fluctuations in price were very large even from a historical perspective. Between 1988 and 2000, the price of oil hovered between USD 10-30 per barrel and averaged around USD 20. In 2000, the price began to rise as a result of economic growth, a heavy increase in Asian demand for oil, a lack of investments in new production capacity and geopolitical instability (e.g. in Iraq). In the following years, the price of oil rose sharply and on 19 February 2008, it exceeded USD 100 per barrel for the first time. The price of oil continued to rise until 11 July when it reached a record USD 147.27 per barrel. The following months, the price turned downwards and in February 2009, a barrel of oil was priced at around USD 45.

**Reasons for the sharp upswing during the first half of 2008**
- Large-scale Chinese imports
- Relatively high US imports
- Speculation on the finance market
- Low stock levels
- Production disruptions in e.g. West Africa
- Threat of disruptions caused by storms in the Gulf of Mexico
- Volatile US dollar
- Geopolitical tension in the Middle East

**Reasons for the sharp downturn during the second half of 2008**
- Rapidly deteriorating world economy
- Continuing low demand in general in the US and Europe. Slower growth in China and India
- The financial crisis spreads from the US to Europe and Japan
- Worry about reduced fuel subsidies in Asia




## Oil in the world (2007)

| Region | Production % | Production Change 97–07, % | Consumption % | Consumption Change 97–07, % | Reserves % | Reserves Change 87–07, % |
|---|---|---|---|---|---|---|
| North America | 16.5 | –4.2 | 28.7 | 12.3 | 5.6 | –31.5 |
| Central and South America | 8.5 | 2.2 | 6.4 | 14.7 | 9.0 | 63.3 |
| Europe and Eurasia | 22.0 | 25.3 | 24.0 | 1.8 | 11.6 | 89.6 |
| Middle East | 30.8 | 15.9 | 7.4 | 40.2 | 61.0 | 33.3 |
| Africa | 12.5 | 32.8 | 3.5 | 28.9 | 9.5 | 100.1 |
| Pacific Asia | 9.7 | 2.2 | 30.0 | 26.8 | 3.3 | 2.5 |
| **Total** | **100.0** | **12.9** | **100.0** | **15.8** | **100.0** | **36.0** |

## The largest oil-producing countries 2008

| The largest oil producers | '000 barrels/day | Share (%) | Largest oil consumers, % | '000 barrels/day | Share (%) | Largest oil reserves | Billion barrels | Share (%) |
|---|---|---|---|---|---|---|---|---|
| Saudi Arabia | 10,413 | 12.6 | USA | 20,698 | 23.9 | Saudi Arabia | 264,2 | 21.3 |
| Russia | 9,978 | 12.6 | China | 7,855 | 9.3 | Iran | 138,4 | 11.2 |
| USA | 6,879 | 8.0 | Japan | 5,051 | 5.8 | Iraq | 115,0 | 9.3 |
| Iran | 4,401 | 5.4 | India | 2,748 | 3.3 | Kuwait | 101,5 | 8.2 |
| China | 3,743 | 4.8 | Russia | 2,699 | 3.2 | United Arab Emirates | 97,8 | 7.9 |

The figures are based on percentage of total global production, consumption and proven reserves.

Source: BP Statistical Review of World Energy, June, 2008. Sjöfartens bok 2009.

tion between 2005 and 2030 will rise 50 per cent with oil expected to account for 35 per cent of this increase.

### Growing demand for tanker transportation

With rising consumption of oil, the demand for safe and efficient transportation of oil will also continue to rise. The expansion of refining capacity currently taking place in locations far from the end users, which is resulting in longer transport distances, benefits the market. For a niche player such as Concordia Maritime, with vessels designed for specific needs, this represents continuing good opportunities for business in the future.

### Developments on the oil market

In 2008, global trade in oil was heavily affected by the current financial crisis, the downturn in the world's economies, at times record-high oil prices and relatively warm weather in the US and Europe.

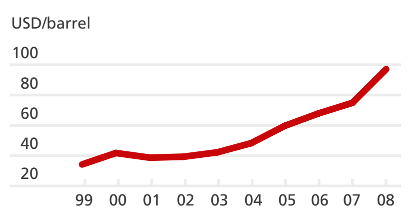
Taken together, these factors contributed to a continued growth in demand although at a much lower rate. Total global growth was a record-low 0.33 per cent. In 2008, the individual regions' and countries' consumption of oil followed more or less the same pattern as in recent years. In North America and Europe, consumption continued to fall while it rose steeply in the Middle East and several developing countries, not least China and India. Total demand was 86.19 million barrels per day.

### Continued limited production capacity

High oil prices in recent years are largely a consequence of high global demand for oil in combination with a lack of investments in new production capacity. During the "oil crises" in the 1970s, large price hikes resulted in lower demand. For the oil-producing countries in OPEC, this meant that much of their production capacity was idle for long periods. At the end of the 1990s, history repeated itself when OPEC decided to raise production capacity at the same time as Asia slid into a deep depression and the demand for oil fell once again. These two events have contributed to a large degree to a cautious attitude towards investments in overcapacity.

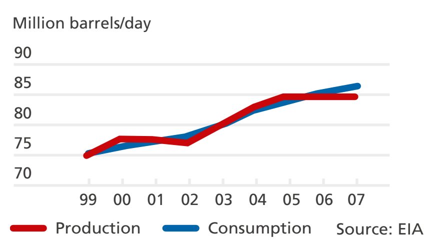
To this can be added a new phenomenon; a shortage of refinery capacity. As a result of tough environmental regulations and large investments costs, the construction of new refineries is no longer keeping pace with the rising consumption of oil. When demand is high and extraction capacity is limited, every threat of disruption in the global supply of oil tends to result in large price movements. In 2008, the price of oil was driven up by several oil-related geopolitical events, such as the threat of a Turkish invasion of Iraq and violence in Nigeria and the Middle East.

### Average oil price, 1999–2008



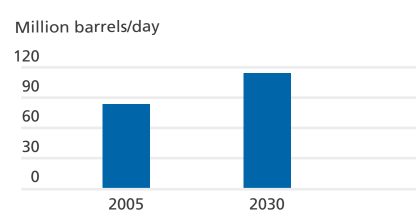
Source: Clarkson

### Global oil consumption and production, 1999–2007



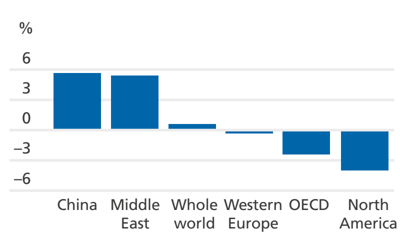
Source: EIA

### Anticipated increase in oil consumption



Source: EIA

### Change in the demand for oil in 2008



Source: OPEC

# Trend of the freight market in 2008

The growth in the demand for transportation of crude oil and refined petroleum products continued to be relatively modest. Totally, trade in the segment increased about 3 per cent. Higher demand in China, India and other Asian developing countries accounted, in principle, for almost all this growth.

**SUMMARY**

Taken as a whole, 2008 was a relatively strong year for transportation of oil and refined petroleum products. Towards the end of the year, however, freight rates fell in both the MR and large-tanker segments. The average freight rate for a MR product tanker was more or less the same as in 2007, about USD 23,000. In the large-tanker segment, on the other hand, freight rates were far higher than in 2007, around USD 70,000 (52,000) per day.

The market downturn in the last two years continued in 2008. The driving forces behind the low growth include uncertainty in the world economy, at times record-high oil prices and lower consumption in North America and Europe.

### Stable charter market

During the year, the low growth in the demand for transportation of refined petroleum products was only partially reflected in the freight rate trend. The market rate for a 3-year time charter of a product tanker averaged USD 22,000 per day, almost the same as in 2007. Generally speaking, the freight rates in the product tanker segment have been stable in recent years. In the large-tanker segment, the market rate for a 3-year time charter averaged USD 59,000 per day, which was about 20 per cent higher than in 2007.

### More volatile spot market

During the year, the spot market was far more volatile. In the case of the product tanker segment, the year began with low freight rates, around USD 16,000 per day and much lower than during the corresponding period in 2007. The low freight rates were largely due to a surplus of available tonnage in the market. During the second quarter, the freight rates rose sharply when the "driving season" began in the US and as a result of increased transportation across the Atlantic. To this can be added increased refinery capacity in the Middle East, which resulted in longer transport distances. During the third quarter, this trend became stronger and freight rates rose still further as a result of low petrol stocks and the hurricanes Gustav and Ike in the US. During the fourth quarter, the sharp downturn in the world economy began once again to be reflected in the trade in oil and petroleum products. Freight rates on the spot market fell steeply to about USD 20,000 per day at the end of the quarter.

The market also fluctuated in the large-tanker segment. During the first quarter, freight rates fell, although from high levels. They continued to be high in the second and third quarters and in July, individual charters of VLCCs were signed for as much as USD 170,000 per day. This trend was largely due to lower oil stocks and fewer additions to the tanker fleet than anticipated. During the fourth quarter, freight rates fell to about USD 50,000 per day as a result of lower

"There has been large-scale opportunistic trade in oil and petroleum products for several years and this has contributed heavily to the increase in transport volumes and thus also a good balance between tonnage supply and demand. With the present global banking and finance crisis, this trade has shrunk dramatically and no increase can be expected in 2009–2010. This, combined with large deliveries of new tonnage, will have a negative impact on freight rates".

Jonas Kihlberg
Senior Vice President and head of Stena Bulk Houston

demand for oil. This, however, was still far higher than during much of 2007.

On average, the freight rates for an MR product tanker were at about the same level as in 2007, about USD 22,000 per day. In the large-tanker segment, the freight rates were far higher than in 2007, around USD 70,000 (52,000) per day.

### Energy market in balance

Price fluctuations on the spot market are mainly due to supply and demand in the oil energy sector being more or less in balance. Put somewhat simply, this means that the oil produced is consumed and not stockpiled. This state of balance means that small disruptions in the production, refining and distribution chains have a rapid and large impact on the freight market and its pricing.

### Increasingly long transport distances

The fact that the freight rates, despite the lower demand for oil, reached relatively high levels during parts of the year is due to a number of interacting factors. One of the main factors is the fact that the distance between producer and consumer is becoming longer as a result of an increasingly large share of refinery capacity being expanded in locations far from the end users. The expansion currently in progress is largely concentrated to the Middle East and India. As a consequence of this, the average distance refined petroleum products are transported has increased. For example, the shortage of refinery capacity in North America, Europe and Asia means that large volumes of petrol, diesel fuel and other petroleum products have to be transported across the Atlantic and the Pacific.

Another significant factor is continuing rising oil consumption in China and India, whose oil imports increased 9 and 4 per cent, respectively, during the year. Despite overall falling oil consumption in North America, imports of "pure" petroleum products remained at a relatively high level.


The *Stena Vision* being moored to an FPSO (Floating Production and Storage Offloading), a former Concordia Maritime tanker. The FPSO serves as a temporary storage facility for the oil pumped up by the rig in the background.

*Photo: Antun Kuznin, Stena Vision, Photo competition 2008*

### How is Concordia Maritime affected by fluctuations on the market?

In a more short-term perspective, Concordia Maritime is relatively insensitive to fluctuations in the market. All its vessels, both delivered and ordered, were employed in or signed to long-term charters, which give the company stable cash flows and a secure revenue level for several years ahead. Several of the charters include profit-sharing clauses, which means that revenues will increase if the market rates exceed certain levels.

In combination with a strong balance sheet, this gives financial freedom of action, not least in a weakening market, which could open the way for new business opportunities. At the end of 2008, for example, the downturn began to make itself felt in the price of both new and second-hand tonnage. More expensive financing for new tonnage as well as ships already ordered is one of the foremost reasons for this. This trend can be positive for companies with a strong balance sheet and stable cash flows and could offer opportunities for advantageous acquisitions.

## Two segments – two markets

### Crude oil tankers

ULCC Ultra Large Crude Carrier
over 320,000 dwt

V-MAX (VLCC-MAX)
313,000 dwt

VLCC Very Large Crude Carrier
200,000–320,000 dwt

Suezmax
120,000–165,000 dwt

Aframax
80,000–120,000 dwt

### Product tankers

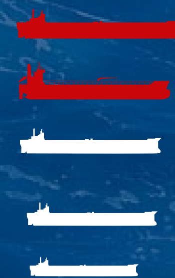
Panamax
55,000–75,000 dwt

P-MAX (Produkt-MAX)
65,200 dwt

Medium Range (MR)
Ca 40,000–50,000 dwt

Handysize
25,000–40,000 dwt

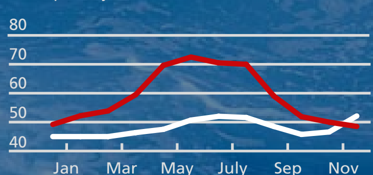
Intermediate
10,000–25,000 dwt



Red tankers are included in Concordia Maritime's fleet.

### Market trend, timecharter – VLCC

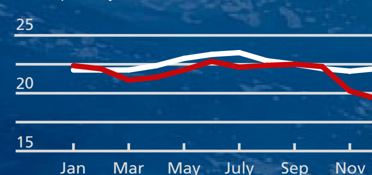
TUSD per day




2007 2008 Source: Platou

### Market trend, timecharter – MR

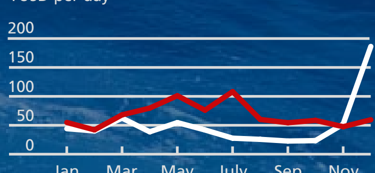
TUSD per day




2007 2008 Source: Platou

### Market trend, spot – VLCC

TUSD per day




2007 2008 Source: Platou

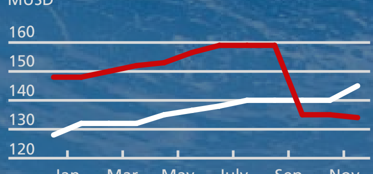
### Market trend, spot – MR

TUSD per day


2007 2008 Source: Platou

### Newbuilding prices – VLCC

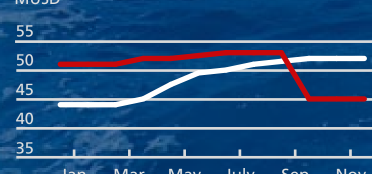
MUSD




2007 2008 Source: Platou

### Newbuilding prices – MR

MUSD




2007 2008 Source: Platou

# A growing tanker fleet

**Prices in the tanker market are very much a function of the supply of vessels. The size of the fleet is, in turn, dependent on the balance between newbuildings delivered and scrapping or conversion of older tonnage.**


**SUMMARY**

In 2008, the global order book increased for the sixth year in a row. All in all, the order book increased by about 20 per cent. The volume of tonnage scrapped continued to be very limited.

Prices continued to rise at the beginning of 2008. At the end of the year, however, prices fell about 10–20 per cent, a relatively large drop.


When the demand for tonnage is high, the number of newbuildings produced increases at the same time as the scrapping rate decreases. When, instead, demand is low, the opposite occurs.

The total number of tankers has increased in recent years, about 35 per cent since 2000. The corresponding figure for product tankers is 22 per cent.

A large number of newbuildings delivered together with continuing low scrapping levels meant that the total world fleet continued to grow in 2008. At the beginning of December 2008, the active tanker fleet consisted of about 4,856 vessels totalling more than 402 million deadweight tons, an increase of just under 5 per cent compared with the previous year. There were a total of 1,908 product tankers totalling approx. 89 million tons deadweight, an increase of about 10 per cent.

With the vessels ordered in recent years now beginning to be delivered, the fleet will continue to grow. Not until 2010, will growth fall off as a result of IMO's decision to ban single-hull vessels.

### Record-large order book

The strong market in recent years has also left its mark in the order statistics. In 2008, the global order book increased for the sixth year in a row despite many deliveries. All in all, the order book increased by about 20 per cent and consisted of 1,950 tankers totalling more than 180 million deadweight tons. In relation to the world fleet, this means that the order book's share in comparison with the total fleet is at a record-high level of about 44 per cent.

More than 40 per cent of the vessels in the order book were vessels for the transportation of refined oils, Concordia Maritime's segment. This was equivalent to 160 million deadweight tons. The majority of these vessels will be delivered in the next few years.

Not only will the fleet consist of more vessels in the future, the vessels themselves will also be larger.

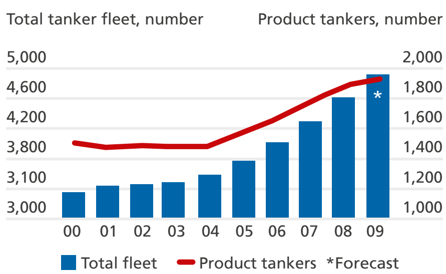
### Limited scrapping

The scrapping rate is very dependent on three factors: the age of the vessels, the economic climate in the freight market and new laws and regulations. A consequence of

"The tanker market has proved able to absorb the tanker tonnage added in the last six years. But with an order book equivalent to 40 per cent of the existing fleet, most of which will be delivered in 2009 and 2010, the market expectations for 2009 cannot be anything but weak".

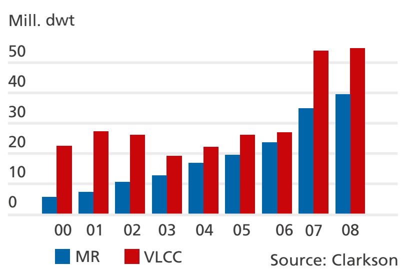
Kim Ullman
Executive Vice President & COO, Stena Bulk

## Trend of tanker fleet



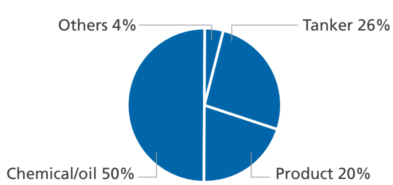

Source: Clarkson

## Order book




Source: Clarkson

## Order book distribution/no. of vessels




Source: Clarkson

the high freight rates is that the scrapping rate in recent years has been very low. Even though the number of vessels scrapped increased somewhat, this trend continued in 2008 when tankers totalling about only 4 million deadweight tons were scrapped (1 per cent of the fleet).

### Falling newbuilding prices

Developments in the shipbuilding industry usually follow developments in the freight market, but with a delay of a few years. After the weak years at the beginning of this century, many shipyards took a cautious approach to new investments in increased capacity. The good market situation and the decision to ban single-hull vessels have resulted in very high capacity utilisation at the shipyards in the last few years.

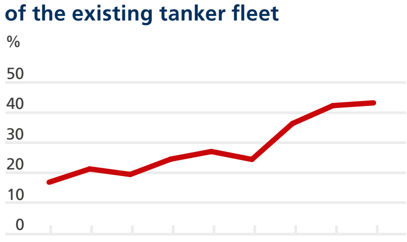
As a consequence of the increased demand for vessels, prices have rocketed. Between 2003 and 2008, the price of a new product tanker more than doubled. Prices continued to rise at the beginning of 2008.

At the end of the year, however, prices fell about 10–20 per cent, a relatively large drop.

The trend in the second-hand market was similar, although the price drop was far steeper. The price of a modern tanker fell about 25 per cent during the year.

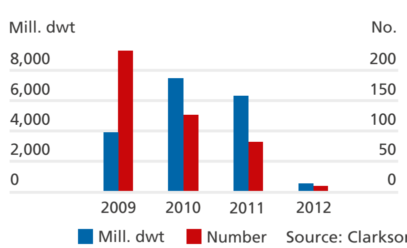
How prices will develop in the future will depend partly on the future demand for transport capacity and partly on the rate at which the yards increase their capacity, but above all on how the freight rates develop in the different segments.

## Order book as a percentage of the existing tanker fleet




Source: Clarkson

## Planned deliveries of product tankers




Source: Clarkson

## Largest shipbuilding nations in 2008*

| Country | 1,000 CGT** |
|---|---|
| 1. South Korea | 70 514 |
| 2. China | 60 635 |
| 3. Japan | 30 990 |
| 4. Germany | 3 710 |
| 5. The Philippines | 2 854 |

* Refers to merchant vessels
** Compensated gross tons

Source: ISL

The *Stena Progress* under construction at Brodosplit Shipyard in Croatia.


# Fewer but larger players

| | Company | No. of ships | Ships on order | Average age of fleet | Market segment: Crude oil | Market segment: Refined products | Market segment: Natural gas | Market segment: Refined gas | Dwt | Ownership form |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Concordia Maritime<br>concordia-maritime.se | 14 | 4 | 3.8 | ● | ● | | | 1,426,315 | Public (Nasdaq OMX Stockholm) |
| 2 | D/S Norden<br>ds-norden.com | 46 | 11 | 2.5 | ● | ● | | | 2,065,927 | Public (Copenhagen Stock Exchange) |
| 3 | Frontline<br>frontline.bm | 99 | 18 | 11.8 | ● | | | | 23,290,363 | Public (Oslo Stock Exchange and New York Stock Exchange) |
| 4 | General Maritime Corp<br>generalmaritimecorp.com | 31 | 0 | 8.9 | ● | ● | | | 3,967,000 | Public (New York Stock Exchange) |
| 5 | Maersk Tankers<br>maersktankers.com | 205 | 39 | 6.0 | ● | ● | ● | ● | 12,144,289 | Part of Maersk A/S, Public (Copenhagen Stock Exchange) |
| 6 | Omega Navigation<br>omeganavigation.com | 15 | 7 | 3.9 | | ● | | | 641,510 | Public (Nasdaq and Singapore Exchange) |
| 7 | Overseas Shipholding Group (OSG) osg.com | 154 | 37 | 9.4 | ● | ● | ● | | 15,865,517 | Public (New York Stock Exchange and Pacific Stock Exchange) |
| 8 | Teekay<br>teekay.com | 178 | 20 | 10.3 | ● | ● | ● | ● | 15,103,205 | Public (New York Stock Exchange) |
| 9 | Torm<br>torm.com | 153 | 32 | 6.6 | | ● | | | 10,106,092 | Public (Copenhagen Stock Exchange and Nasdaq) |
| 10 | Tsakos Energy Navigation<br>tenn.gr | 63 | 4 | 7.3 | ● | ● | ● | | 7,037,501 | Public (New York Stock Exchange and Bermuda Stock Exchange) |
| 11 | Sovcomflot<br>sovcomflot.ru | 130 | 25 | 6.5 | ● | ● | ● | ● | 11,168,420 | Unlisted |

The information on pages 18–19 gives only examples of players in the industry and does not claim to be complete. There may be deviations in the figures and descriptions in relation to Concordia Maritime.

# Competitors

**Few markets are as global as the market for transportation of oil and petroleum products. With the exception of the very smallest classes of vessels, mobility in the market is high and tonnage can easily be moved to the markets where the demand is largest.**

The market for transportation of oil and petroleum products is highly fragmented with a large number of players. Generally speaking, tanker shipping can be divided into two segments: crude oil and product tanker shipping (transportation of refined petroleum products). Normally, crude oil tankers, large tankers of between 80,000 and 320,000 dwt, are used to transport oil from the well to the refinery. Smaller vessels, product tankers of between 10,000 and 80,000 dwt, are used for transportation from the refinery to the depot.

Compared with other shipping companies, Concordia Maritime is a typical niche company in terms of both size and specialisation. It focuses on cost-effective and safe transportation of refined petroleum products. The development of ship types for specific requirements and close, long-term collaboration with customers are a fundamental part of its strategy.

There are a limited number of players active in the same segments as Concordia Maritime. In the world, there are total of about 400 vessels in the 55,000–75,000 dwt segment. Competition comes mainly from large international tanker shipping companies transporting both crude oil and refined petroleum products. Concordia Maritime's principal competitors include Danish Torm and Maersk and Canadian Teekay.

### Increasing tonnage

As a result of the high freight rates in recent years, several of these players have been able to expand heavily by ordering newbuildings and buying up other shipping companies. There has been a sharp increase in capacity in the product tanker segment. In the last ten years alone, total available deadweight in the segment has increased more than 35 per cent. The fleet's growth rate will continue to be high in the years immediately ahead.

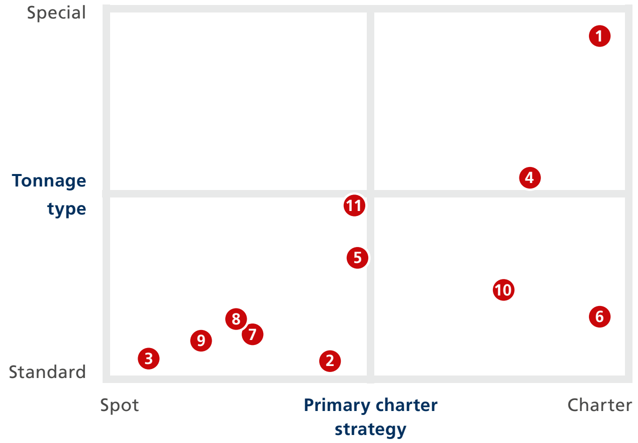
### Fewer but larger players

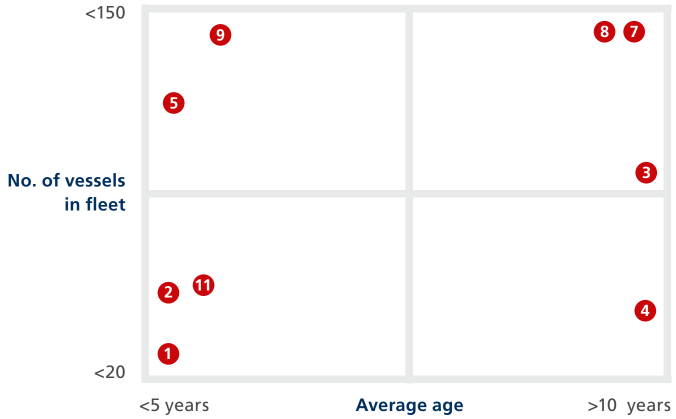
A clear trend in tanker shipping is that shipping companies are consolidating into larger units while the smaller shipping companies are decreasing in number. An example of this is Maersk Product Tankers' acquisition of Swedish Broström AB during the year. It is also becoming increasingly common for smaller shipowners to try to achieve advantages of scale by means of different forms of collaboration, e.g. operation, manning and chartering. The many different types of pools existing are examples of this. Torm and Navig8's pools of MR vessels are among the larger pools.

### Difficult to specify market shares

The many different ways of operating a fleet and the customers' in many cases specific requirements and mobility in the market make it difficult to describe the market in terms of market shares. The shipping companies on the list below operate about 26 per cent of the global existing tanker fleet, which totals 400 million deadweight tons.

### Concordia Maritime compared with its competitors



# Market forces

Trade in oil and petroleum products is heavily affected by how the global economy develops and the trend of the demand for oil. High growth normally results in high demand for oil and the opposite applies during periods of low growth. Here, a number of industry-specific factors also play a role, among them the location of the refineries and their capacity.

# Macroeconomic factors

The financial crisis and the sharp economic downturn left their mark in 2008. After several years of record-high growth figures, growth in the global economy fell drastically during the year. According to the IMF (International Monetary Fund), total growth was 3.5 per cent, a decline compared with 2008 (5.2 per cent). With a growth of 9 and 7.3 per cent, respectively, China and India continued to play the role of growth engines in 2008. In the US and Euroland, growth was very limited, about 1 per cent. Several countries, including Japan and Italy, even slid into recession with negative growth as a result.

It will likely be even worse in 2009. The IMF predicts that the global economy will grow only 0.5 per cent during the year. This would be the weakest growth since World War II. The anticipated weak growth would be mainly due to zero growth or a recession in the US, the EU and several other normally strong economies as well as slower growth in China, India and several other developing countries.

The recession is also having an impact on global trade. Between 2004 and 2007, growth averaged 8.6 per cent. It is estimated that growth fell more than 50 per cent to 4.1 per cent in 2008. In 2009, the volume of global trade is expected to fall still further, mainly due to lower US imports, which alone account for 15 per cent of total world trade.

### Demand for oil

The demand for oil is, of course, one of the foremost driving forces when it comes to how the tanker market develops. Despite increasing utilisation of renewable and alternative energy sources, the demand for oil is expected to rise sharply in the years ahead, not least in several nations in Asia with growing economies headed by China and India.

The rapid expanding Chinese market is one of the main reasons why the demand for the transportation of oil and petroleum products is continuing to rise. With increasing prosperity, consumption of oil and petroleum products has risen sharply. In the last ten years, China's oil requirements rose on average 8 per cent per year. Despite higher oil consumption, domestic production of oil has remained at steady level of about 3.7 million barrels/day. China thus needs to import large and steadily increasing volumes of oil. Today, nearly 50 per cent of its needs are met by imports and it is estimated that this figure will rise to nearly 65 per cent by 2010. It is calculated that China accounts for about 25 per cent the increased total global demand.

In 2008, China's GNP grew about 9 per cent. According to the IMF, the growth of the Chinese economy will slow down considerably but still remain at a relatively high level of around 6.7 per cent.

### Increased trade in Russian oil

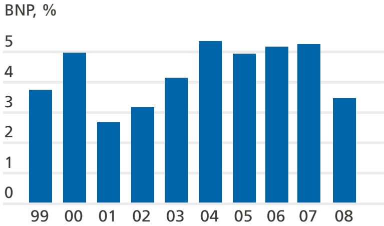
The increasing trade in Russian oil across the Baltic Sea is yet another factor behind the rising demand for tankers. Russian oil production has increased sharply in recent years. In 2008, an average of 9.7 million barrels of oil per day were produced, which is equivalent to about 12 per cent of global production.

Today, Russia is the world's second largest exporter of oil and has the second largest oil reserves in the world. According to EIA (Energy Information Administration), production in Russia will increase about 40 per cent up to 2030.

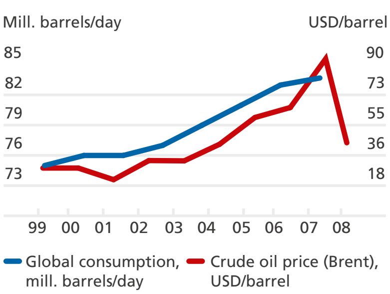
Russia has been the most important source of new oil on the world market for several years and has contributed heavily to meeting the increased demand, not least from China. In principle, there are four export routes for Russian oil, of which transportation across the Baltic Sea is one. In the Gulf of Finland, several existing ports are being enlarged and new ports are being built. When this work has been completed, it is estimated that oil equivalent to about 12 per cent of Europe's total consumption will be shipped across the Baltic Sea. In 2004, IMO (International Maritime Organisation) classed the Baltic Sea as a "Particularly Sensitive Sea Area", which means that the tankers transporting oil have to satisfy special requirements.

Source: IMF Projections; World Economic Outlook, Nov. 2008 and Jan. 2009. UN World Economic Situation and Prospects 2009, Nordea's Economic Outlook for 2009.

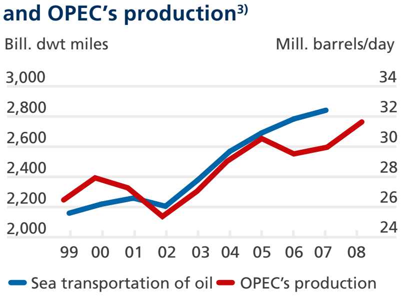

### Growth of world economy[1)]




### Consumption and price of oil[2)]




### Transportation by sea and OPEC's production[3)]




1) Source: IMF
2) Source: BP and Clarkson
3) Source: Unctad and OPEC

# Industry-specific factors

## Refinery capacity and regional differences in supply/demand

The industry-specific forces include insufficient refinery capacity, particularly in the US but also in the rest of the world. Total global refinery capacity has not been increased at the same rate as the rising demand for petroleum products and, as a result, refinery production is now concentrated to a small number of locations. Insufficient capacity is mainly due to the enormous costs and comprehensive environmental measures involved when building new facilities.

In addition to the shortage of capacity, the refineries' different specialisations also result in regional imbalances as regards specific products. For example, high-octane petrol is transported from the refineries in Europe to the US. At the same time, diesel fuel is transported from the refineries in the US to Europe.

Refinery specialization also means that there is a greater risk of disruptions in the flows caused by production stoppages due to e.g. storms or war/instability. Refinery capacity is now being increased, but in locations far from the consumers. For tanker shipping, this means a continuing high demand for the transportation of refined petroleum products between different markets.

## Low stock levels result in greater demand for just-in-time transportation

The shortage of refinery capacity in combination with high demand and a clear consolidation trend in the oil and chemical industries has resulted in generally speaking ever lower stock levels in recent years. All the oil extracted has, in principle, been consumed directly, which has increased the need for frequent shipments. Since the end of 2008, however, the oil price has been in contango, which means that the forward price is higher than the spot price (the price for immediate delivery). Consequently, it is not profitable to buy oil and store it. At the end of 2008, about 80 million barrels of oil, at a rough estimate, were stockpiled, the highest figure in 20 years. This is a consequence of the market anticipating higher oil prices in the future.

## Greater focus on the environment and safety

New laws and regulations have a large impact on both the demand for vessels and the composition of the world fleet. Increasingly stringent environmental regulations have contributed to the large increase in the demand for vessels built to high environmental and safety specifications. For example, the ban on single-hull vessels, which will come into force in 2010, has resulted in expectations that the rate at which vessels are phased out will increase. Demands from the customers are also behind the trend towards safer and more environmentally friendly transportation. The ongoing consolidation in the oil industry has resulted in fewer and larger oil companies with a small number of important brands with global coverage. The general public's trust is crucial for continued success.

# The MAX concept
## The foundation of a world-class fleet

**The company's business activities consist of developing and offering competitive transport solutions to customers with exacting demands on transport economy, flexibility and safety. Its focus is on the transportation of refined petroleum products such as petrol, diesel fuel and aviation fuel. To meet these demands, Concordia Maritime has developed the MAX concept.**

**SUMMARY**
Concordia Maritime's P-MAX tankers are among the safest product tankers in the world. They are built with double control systems and two separate engine rooms separated by fireproof and watertight bulkheads. Additionally, double rudders and propellers provide better manoeuvrability, which is also a major advantage in terms of efficiency and safety. A double hull is a matter of course.

Concordia Maritime focuses on the transportation of refined petroleum products. This segment is one of the most expansive in tanker shipping and offers large opportunities. Although the market may weaken still further due to the global economic climate, there is considerable long-term potential in the transportation of refined petroleum products. As a result of increasingly tough environmental regulations and enormous investment costs, refinery capacity is no longer being built in the Western World at the same rate at which consumption is rising. Instead, new refineries are being built in the Middle East or Asia, which means that distances from the refineries to the end consumers are longer. At the same time, growing demands are being made on cost-effectiveness, flexibility, safety and environmental considerations. For Concordia Maritime, this translates into excellent opportunities for good business deals. The company is working continuously to identify and evaluate both general market and specific customer requirements. Its goal is to continue to expand, while maintaining good profitability, together with both existing and new customers.

### The MAX concept – world class vessels

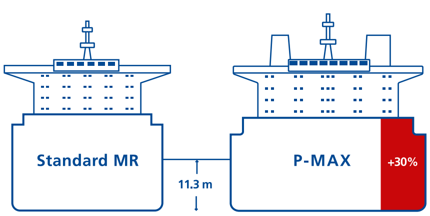
Behind the development of the MAX concept is a need for vessels able to operate in waters and ports with draft limitations and loading substantially more cargo. To meet this need, the vessels designed according to the MAX concept are much wider than other vessels in the same size class. Their larger beam gives them a much larger loading capacity on a limited draft. The unique design of the hull and the divided stern give both fuel economy and speed characteristics that are as good as or better than standard tonnage.

### At the forefront of safety

The MAX concept takes safety to a new level. The vessels are built with double systems for propulsion and manoeuvring, just like an aircraft. They have two separate engine rooms separated by fireproof and watertight bulkheads. All control systems are separated and each engine has its own fuel system. Additionally, double rudders and propellers provide better manoeuvrability, which is also a major advantage in terms of efficiency and safety. The bridge is designed to provide a 360° view and is


*Stena Vision* bunkering in the Bahamas.

*Photo: Alexander Mikhonin, Stena Vision, Photo competition 2008*

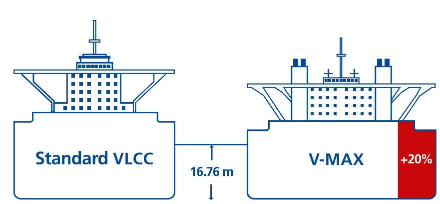



## P-MAX

Concordia Maritime's P-MAX tankers combine transport economy and flexibility with the very highest safety. Thanks to the hull design, the vessels can carry about 30 per cent more cargo than a standard tanker with the same draft at little extra cost. They have been designed to transport both crude oil and refined products. Effective tank cleaning and the design of the cargo tanks mean that switching between different petroleum products is fast with a minimum risk of contamination. With their double hulls, optimum corrosion control, two engine rooms and two separate propulsion systems, the P-MAX tankers are also the safest product tankers ever built. Flexible cargo capacity and high safety make the P-MAX a profitable investment.

## V-MAX

The V-MAX tankers *Stena Vision* and *Stena Victory* were the first to be built in accordance with the MAX concept. They were delivered in 2001 and with a deadweight of 313.000 tons, they are classed as VLCCs. Their design gives them a 20–40 per cent higher loading capacity compared with a conventional VLCC and 70–100 per cent higher than a Suezmax tanker. Their shallower draft enables the vessels to call at ports that were previously limited to Suezmax tonnage.



“It is both exciting and stimulating to be working everyday on the P-MAX project and at the same time have the advantage of collaborating and being supported by Stena Teknik’s skilled engineers.”

Torbjörn Rapp, Site Manager
Concordia Maritime Split

CONCORDIA MARITIME

Split, 16-10-2008

Shipbuilding continues at Brodosplit Shipyard in Croatia

It was with eager expectation and enthusiasm that I flew down to Split in the spring of 2008 to continue working on the construction of the P-MAX tankers.

I was happy to once again meet my old colleagues on the site team as well as the shipyard employees I had worked together with during the construction and sea trials of previous P-MAX tankers.

With my experience of having worked as an engine and equipment inspector in the P-MAX project at Brodosplit Shipyard and the fact that during the interval between ships I had worked on board a P-MAX tanker as an engineer while the vessel was in operation, I felt fully confident about beginning my new job as manager.

Our previous Site Manager, Per Läbom, was a fantastic mentor for me. He generously shared his solid experience with me over a period of several years. I was given an excellent introduction to the MAX concept by Per and we discussed ships in general and the P-MAX concept in particular during many rainy winter evenings in Split.

Based on my previous experience from working as a Chief Engineer on chemical tankers for a leading Norwegian chemical tanker operator, I believe that Concordia Maritime’s concept is second to none when it comes to safety and quality. Operationally, you feel safe with double main engines and steering gear in separate engine rooms. The fact that all the other equipment on board is manufactured by reputable suppliers contributes to the high reliability of the tankers.

It is both exciting and stimulating to be working everyday on the P-MAX project and at the same time have the advantage of collaborating and being supported by Stena Teknik’s skilled engineers.

Brodosplit Shipyard has worked hard, and successfully, to rationalise and improve its methods of working and I am convinced that the shipyard will deliver another four excellent vessels in time to Concordia Maritime.

Torbjörn Rapp, Site Manager. Concordia Maritime, Split equipped with a co-pilot system, i.e. double control systems, which enhances safety and facilitates training. A double hull is a matter of course and means that all tanks containing oil or oily water are protected by a hull consisting of two layers.

### Three ship types so far

The MAX concept has been developed in close cooperation with primarily Stena Bulk, Stena Teknik and Northern Marine Management. Since the concept began to be developed at the end of the 1990s, three ship types have been produced; V-MAX, P-MAX and C-MAX. Several other MAX vessels are under development.

### The fleet in 2008

At the end of the year, the fleet consisted of ten tankers: six P-MAX tankers, two Panamax tankers and two V-MAX tankers. A further four P-MAX tankers have been ordered and will be delivered from Brodosplit Shipyard in Croatia in 2009 and 2010.

When all the tankers have been delivered, Concordia Maritime will have one of the most modern tanker fleets in the world. Based on the philosophy of the MAX concept – transport economy, flexibility, safety and environmental consideration – these vessels are in a class of their own as regards transport economy and safety. Compared with a traditional product tanker of the same size, a P-MAX tanker can transport about 30 per cent more cargo. At the same time, double main engines, propellers and control systems make the vessels far safer. All this means that these tankers are very competitive, not least in areas and ports with extra high demands on safety.

### All vessels on order signed to charters

All the vessels, both on order and delivered, have been signed to charters of between five and ten years. These long-term charters give the company stability in terms of revenue, which is not affected by short-term developments in the market. In part as a result of the sale of the two V-MAX tankers in 2004, Concordia Maritime is now in a strong financial position. This creates good opportunities for taking advantage of the business opportunities that arise in a falling market.

## P-MAX – doubled for safety's sake

| Guiding principle in our development work | What did we want to achieve? | What did we do? | The result |
|---|---|---|---|
| **Transport economy** | • Maximum loading capacity<br>• Good fuel economy<br>• Long life | Our ship design with a wider vessel translates into 30 per cent higher loading capacity on a limited draft. The design of the hull, with its divided stern, delivers good or better fuel economy compared with standard tonnage. | **World-class transport economy** |
| **Safety and environment** | • A completely new safety concept in addition to the mandatory double-hull requirements<br>• Improved manoeuvrability | The tanker was equipped with double engines, propellers, steering gear and rudders. This represents a completely new safety concept, and thus environmental concept, which has also improved manoeuvrability. | **A new dimension of safety** |

# Our ships

## 31 December, 08:42

### P-MAX

DWT 65,200 Ice Class 1B

**1 *Stena Paris***
**Chartered to Total until 2012**
Discharging bunker oil in Huangpu, China

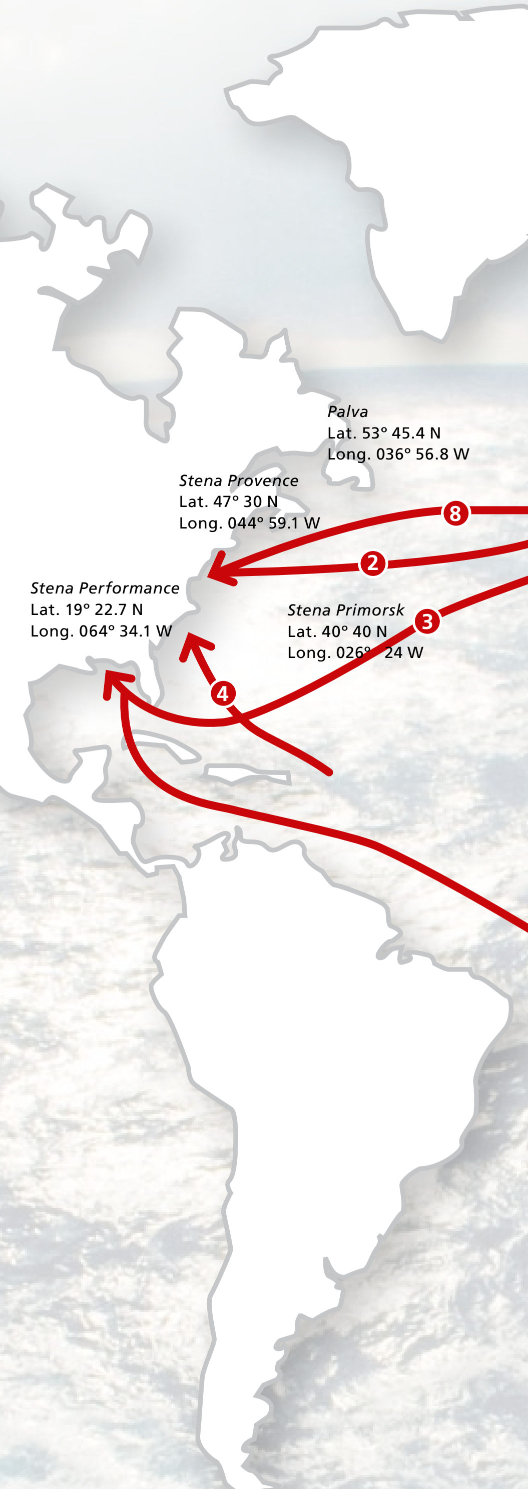
**2 *Stena Provence***
**Chartered to Total until 2013**
En route from Le Havre to New York with a cargo of gasoline. Sailing at a speed of 13.5 knots. Westerly wind, 8 on the Beaufort Scale/approx. 18 m/s.

**3 *Stena Primorsk***
**Chartered to Argo Shipping until 2016**
En route from Antwerp to Baton Rouge, Louisiana. Sailing at a speed of 13.2 knots with a cargo of gas-oil shipped for Trafigura. South-westerly wind, 6 on the Beaufort Scale/approx. 12 m/s.

**4 *Stena Performance***
**Chartered to Hess until 2011**
En route from St. Croix to Charleston, West Virginia with a cargo of gasoline. North-westerly wind, 4 on the Beaufort Scale/approx. 7 m/s.

**5 *Stena President***
**Chartered to Argo Shipping until 2017**
Loading crude oil in Novorossiysk in the Black Sea for Scorpio.

**6 *Stena Perros***
**Chartered to Total until 2012**
Loading gasoline in Croyton.




### Panamax

DWT 74,900 Ice Class 1A

**7 *Stena Poseidon***
**Chartered to Neste Shipping until 2017**
Discharging aviation fuel in Le Havre.

**8 *Palva***
**Chartered to Neste Shipping until 2017**
En route from Porvoo to New York Sailing at a speed of 13.5 knots with a cargo of gasoline. Easterly wind, 5 on the Beaufort Scale/approx. 9 m/s.

### V-MAX

DWT 313,000

**9 *Stena Vision***
**Chartered to Lukoil until 2010**
Discharging bunker oil in Tanjung Pelapas for her charterer Litasco.

**10 *Stena Victory***
**Chartered to Lukoil until 2009**
En route from Angola to Louisiana Offshore Oil Port. Sailing at a speed of 14.8 knots with a cargo of crude oil for her charterer Litasco. Southerly wind, 2 on the Beaufort Scale/approx. 2 m/s.


## Beaufort Wind Scale

| Beaufort | Metre/second |
|---|---|
| 0 | 0.0–0.2 |
| 1 | 0.3–1.5 |
| 2 | 1.6–3.3 |
| 3 | 3.4–5.4 |
| 4 | 5.5–7.9 |
| 5 | 8.0–10.7 |
| 6 | 10.8–13.8 |
| 7 | 13.9–17.1 |
| 8 | 17.2–20.7 |
| 9 | 20.8–24.4 |
| 10 | 24.5–28.4 |
| 11 | 28.5–32.6 |
| 12 | 32.7– |


**(11) Additional vessels under construction at Brodosplit Shipyard in Split**

| Name | Type | Dwt | Ice Class | Delivery date |
|---|---|---|---|---|
| *Stena Progress* | P-MAX | 65,200 | 1B | Q4, 2009 |
| *Stena Polaris* | P-MAX | 65,200 | 1A | Q4, 2009 |
| *Stena Penguin* | P-MAX | 65,200 | 1A | Q4, 2010 |
| *Stena Premium* | P-MAX | 65,200 | 1B | Q4, 2010 |

# Customers with exacting demands

**Concordia Maritime's customers include some of the world's leading energy companies, each with its own specific requirements. Customer relations are characterised by a long-term perspective, cooperation and partnership.**

The goal in every project is to create effective transport solutions that generate value for both parties.

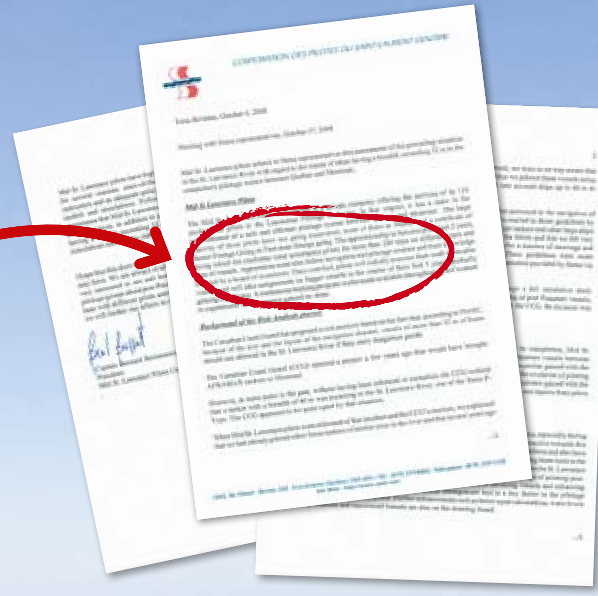
Satisfying our customers' transport and logistics requirements requires a deep understanding of both the forces driving the market and the individual customer's business. At Concordia Maritime, this knowledge is combined with cutting-edge competence in naval architecture and first-class manning and chartering.

### A long-term perspective creates stability

At the end of 2008, all Concordia Maritime's wholly-owned vessels and the vessels so far delivered were signed to charters of between 5 and 10 years from the date of delivery. This long-term perspective creates stability in the customer's transport flows and financial stability for Concordia Maritime.

| Customer | Company description | Vessel | Time chartered until | Principal route/trade |
|---|---|---|---|---|
| Total | With operations in 130 countries and 95,000 employees, French Total is the world's fourth largest oil and gas company. Sales in 2007 totalled EUR 158,752 million.<br>www.total.com | *Stena Paris*<br>*Stena Provence*<br>*Stena Perros*<br>*Stena Progress* | 2012<br>2013<br>2009<br>2009–2014 | World wide |
| Argo Shipping | A newly established small logistics company focusing on the Russian oil export market | *Stena Primorsk*<br>*Stena President* | 2016<br>2017 | World wide |
| HESS | A leading global energy company with 11,600 employees and sales of USD 23,255 million in 2007.<br>www.hess.com | *Stena Performance* | 2011 | Refined products on the Caribbean – US East Coast trade |
| ST Shipping | ST Shipping is part of Glencore, an international trading house specialising in raw materials and goods for industrial customers.<br>www.glencore.com | *Stena Penguin*<br>*Stena Polaris*<br>*Stena Premium* | 2010–2013<br>2009–2012<br>2010–2013 | World wide |
| Neste Oil | A leading oil company with 4,528 employees and sales of EUR 12,103 million in 2007.<br>www.nesteoil.com | *Palva* (50%)<br>*Stena Poseidon* (50%) | 2017<br>2017 | Refined petroleum products between the Baltic Sea and North America |
| LUKOIL | A leading gas and oil company with activities in 19 countries. The company's extraction and production operation is based in Russia.<br>www.lukoil.com | *Stena Victory* (chartered)<br>*Stena Vision* (chartered) | 2009<br>2010 | World wide<br>Crude oil from West Coast of Africa to USA |

"We told the Canadian Coast Guard that Concordia Maritime Tankers were the ships of the future and that we felt very fortunate to have them as pioneers of a new generation of ships. After a number of meetings and discussions, new interim guidelines were implemented. These guidelines were more representative of our pilots' assessment of Concordia Maritimes vessels. The documentation provided by Concordia Maritime via their Montreal agents was most useful to that process."



# Concordia Maritime's investment in safe transportation appreciated

Our P-MAX tankers have attracted the attention of private persons and pilots working in the area around the St. Lawrence River.

In their work on promoting safe transportation on the St. Lawrence River, the Canadian pilots at Mid St. Lawrence Pilots Corporation have mentioned in particular the P-MAX tankers as a ship type that is at the forefront of developments. As a consequence of the P-MAX concept, the Canadian Coast Guard has decided to initiate a study of the feasibility of permitting larger and safer ships to sail on the St. Lawrence River.

**From:** Paule Garon
**Sent:** July 1,2008,16:24
**To:** Concordia Maritime, info
**Subject:** Congratulations from a citizen

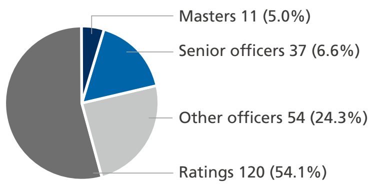
Hi,
Yesterday I saw a P-MAX on the St-Lawrence river in Quebec (Canada). I'm very impress by the boat that I saw. Normally we see old boats on the river. Back home, I go to Internet to see who did this beautiful boat. On the web site a read about Concordia Maritime.
It's very interesting.

Congratulations of your ship with the goal to make more secure.
A citizen who love her's river.
Excuse me for my english. I'm francophone.

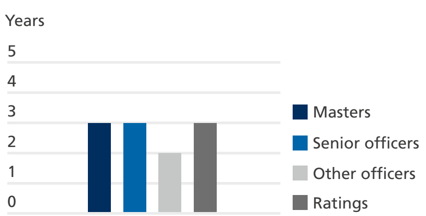
ule Garon
ntarville

# A small organisation with a world-class network

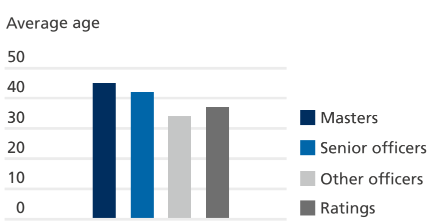
**Seagoing employees by category**




**Period of service**




**Age structure**




**Concordia Maritime's activities are conducted in close cooperation with several of the companies in the Stena Sphere. This gives the company access to cutting-edge competence in all areas of shipping.**

Like most shipping companies, Concordia Maritime can be divided into a shore-based and a seagoing organisation. Concordia Maritime's shore-based organisation consists of only a small number of employees; in 2008 two persons were employed in the parent company.

### A growing seagoing organisation

The seagoing organisation is growing as the vessels ordered enter service. The crews on the ten vessels operated in 2008 were mainly contracted via Stena-owned Northern Marine Management (NMM). Each vessel is normally manned by a crew of 24, which meant that at the end of 2008, the company had 170 seagoing employees.

All shipboard employees are employed under the terms of ITF agreements (International Transport Workers' Federation) or the Collective Bargaining Agreement for Deep Sea Trades. Personnel turnover was about 20 per cent.

To retain its shipboard employees, Concordia Maritime has launched a benefits program for these employees and their families. The cost of this program during the year amounted to SEK 2.6 million, which is equivalent to SEK 12,000 per seagoing employee.

### Competition for experienced seagoing personnel

Shipping is very much an international market in terms of both business and competition, but it is also an international labour market for seafarers. The supply of trained and experienced seafarers is limited. A consequence of the good market in recent years is that the demand for experienced seafarers has risen sharply, which has resulted in salaries on the world market having risen more than expected. The supply of trained and experienced seafarers is limited and is expected to shrink still further due to, among other things, the large number of seafarers retiring in the next few years but also because the number of vessels will increase sharply in the years ahead. Consequently, being able to attract the best officers and most experienced ratings is dependent on having a long-term approach and a good reputation as an employer.

### Continuous competence development

In addition to comprehensive international regulations, there are also strict internal requirements and routines for ensuring safety on board. In order to ensure that Concordia Maritime's own and its customers' quality, environmental and safety demands are met, the company works continuously on developing competence in both the shore-based and the seagoing organisation.

The training activities it provides are both general and specially adapted for a specific vessel. Northern Marine Management has well-developed routines and processes for training and education, not least in issues involving safety and the environment. The work on education during the year has, among other things, been focused on training the officers and ratings in the operation of the new ship type. The total cost of competence development during the year amounted to SEK 680,000, which is equivalent to SEK 4,000 per employee.

## Stena Bulk Responsible for chartering and marketing Concordia Maritime's vessels

Stena Bulk provides services for both companies in the Stena Sphere and external customers in the form of marketing, chartering and commercial management. Stena Bulk operates a total of 75 vessels worldwide. Its customers include major oil companies and refining companies as well as independent trading houses.

Working and being physically close to its customers is one of Stena Bulk's foremost success factors and competitive advantages. Offices in Gothenburg, Houston, New York, London, Moscow, Singapore and Beijing provide the optimum conditions for a good understanding of the customers' logistics and trading requirements. The company has a total of about 50 employees.

Stena Bulk functions as Concordia Maritime's marketing organisation and is responsible for the chartering, marketing and commercial management of the fleet.

Close collaboration with Stena Bulk gives Concordia Maritime access to a worldwide marketing organisation with solid know-how and experience in all the tanker market segments and one of the industry's foremost brand names.

www.stenabulk.com


## Northern Marine Management
## High competence in manning, management and maintenance

NMM is responsible for the manning, management and maintenance of Concordia Maritime's vessels. Since it was formed in 1983, the company has expanded heavily and is responsible for the management and/or manning of more than 120 vessels of varying types and sizes with a total of more than 5.000 shipboard employees. About 80 per cent of its assignments are for external clients outside the Stena Sphere, which include several leading shipping and oil companies.

The company has its head office in Glasgow together with offices in Aberdeen, Gothenburg, Houston, Manila, Mumbai, Singapore and St. Petersburg. The company's Safety Management System satisfies the requirements in the ISM Code, ISO 9001:2000 (quality) and ISO 14001:2000 (environment).

www.nmm-stena.com

## Stena Teknik A leader in naval architecture

Stena Teknik is a common resource for all the marine business areas in the Stena Sphere. Its activities consist of newbuilding and conversion projects, general marine technical advice and procurement. It also conducts research and development in the marine field.

Its work covers all types of shipping, from passenger traffic to oil tankers and rigs. As a result of these different undertakings, Stena Teknik has built up a comprehensive knowledge bank in naval architecture. Today, the company is a leading global player. Further proof of the company's high competence is that it often functions as a referral body in different questions relating to shipbuilding technology in the EU.

Stena Teknik provides Concordia Maritime with a variety of solutions to everything from corrosion protection, classification questions and safety as well as more comprehensive projects such as developing and taking responsibility for the construction of complete vessels.

www.stenateknik.com

# Safety first
## and foremost

At Concordia Maritime, extensive work is being conducted in order to continuously improve safety on board its vessels. The goal is to minimise the risk of damage to ships and the environment as well as personal injuries.

For many years, Concordia Maritime has projected an image of itself as a quality shipping company with high demands on safety at every level.

The vessels built according to the P-MAX concept are probably among the safest tankers in the world. However, the possibility of an accident occurring can never be excluded. Concordia Maritime invests substantial resources in continuously developing both ships and basic systems and routines in order to prevent accidents from occurring and to minimise the damage should an accident nevertheless occur.

The company's safety work is carried out on several different levels, partly at the design stage of the vessels themselves and their equipment and partly in the form of continuous work on identifying potential risks and dangerous elements in the work done. In addition, there are large-scale campaigns and training activities.

### Continuous risk identification

Continuous risk identification is the most important part of the work on improving safety on board. Here, the crew's participation is crucial. For example, on all the vessels operated by Northern Marine Management, ten minutes are spent every day on studying movement patterns and adherence to routines. Reports are made according to a standardised model and risks identified are subsequently eliminated. The observations are gathered in reports, which are sent to all the vessels. This enables continuous improvements to be made. In addition to this, dedicated safety meetings are held every month.

### A leader in safety

All this work has resulted in a low number of accidents on board Concordia Maritime's vessels compared with the industry as a whole. After the first P-MAX tanker was delivered in 2005, no serious accidents have occurred on board any of Concordia Maritime's owned or operated vessels. The most common accidents on board are due to slipping and falling, most often resulting in some degree of personal injury.

### Follow-ups and measures

When an accident or incident nevertheless occurs, it is followed up and measures are taken; on the vessel in question and on all the other vessels in the fleet. In the work on preventing accidents, there is a comprehensive exchange of information between shipping companies all over the world. Here, there is no competition.

Read more about how the P-MAX tankers are designed in order to optimise safety on pages 22–25.

**Ko Ko Naing is Safety, Environmental & Quality Manager at Northern Marine Management (NMM)**

*How does NMM work to prevent accidents and other types of incidents?*
"As the basis of our continuous work on improving safety on board, we have drawn up our own methodology, Behaviour Based Safety (BBS). This way of working can best be explained as a proactive way of identifying risk situations before an incident or accident occurs. The focus is on understanding why people expose themselves and others to different types of risks".

*What happens after a potential risk has been identified?*
"Some risks can be eliminated by means of protective devices or design changes. In other cases, it's a question of creating routines, getting people to understand the importance of following them and then drills, drills, drills".

*What did you focus on in 2008?*
"Our focus was mainly on continuing to work with our BBS program in combination with targeted campaigns and continuous training. Identifying and assessing risks should be a natural part of everyday life on board our ships. We have also created a number of key ratios that help us measure the trend over time".

*In 2008, more than 35 ships were hijacked by pirates. What is NMM doing to prevent hijacking?*
"Our ships have so far been spared from attacks. If you are attacked, there is not much you can do. However, we are working actively to gather information and we are collaborating with countries, authorities and other shipping companies. The ships in the areas at risk maintain frequent contact with each other and if an escort is available, we utilise it".


# 14 December 15:15

## Safety drill on board the *Stena Performance*

Just before three in the afternoon, the *Stena Performance's* alarm signal goes off and is heard all over the vessel. Fire in the engine room. Even though Captain Igor Glad had informed the crew about the drill in advance, the atmosphere is tense and everybody quickly makes his way to the muster stations.

Dmitry Molchanov and Denis Samsonenko quickly don their silver-coloured survival suits and oxygen masks and make their way towards the fire with a fire-hose. They keep close to each other and communicate with the team leader via walkie-talkie.

"The safety drills are always taken with the utmost seriousness. When something really does happen, there can be no mistakes. In the final analysis, it's a question of saving lives and preventing damage to the ship and the environment. Consequently, drills for, among other things, fire, evacuation, leakage from the tanks, engine breakdown and acute illness are held every month", says Igor Glad.

According to the drill, the vessel has to be evacuated. In the stern, there is a free-fall lifeboat. In the boat there are seats with safety belts as well as provisions and other equipment. When the alarm sounds, the crew don their lifejackets and take their places in the lifeboat. Both head and body are strapped firmly into position for protection from the heavy impact when the boat hits the water.

The lifeboat is suspended in such a way that it can be launched away from the ship and down into the water. This time, however, the drill finishes when everybody is sitting in the lifeboat. Afterwards, Captain Glad is satisfied with the drill.

"You can see that we've done this before. Everything went according to plan. In an emergency situation, you don't have time to think, everything has to be automatic. It's a question of practice, practice and more practice and never believing that you know it all. When it comes to the crunch, a single mistake could have devastating consequences. But what I've seen today, and earlier, makes me feel confident".

## Comprehensive regulations

Shipping is subject to comprehensive international regulations covering safety and environmental issues. Among the most important of these are the conventions drawn up at IMO (International Maritime Organization). These include MARPOL and Solas (IMO's conventions for the environment and for safety). Additionally, the EU, the classification societies, US EPA (the US Environmental Protection Agency) and other national maritime authorities also have a large influence.

External control of how the tanker shipping companies satisfy environmental and safety regulations has increased sharply in the last 15 years. In addition to the annual flag state controls, regular inspections are carried out by e.g. the oil companies and the classification societies. Over and above this, the shipping companies also have their own internal control systems.

# Trend towards more environmentally friendly transportation

**In all areas of shipping, extensive work on the global level is being conducted with the aim of further increasing safety and minimising the negative environmental impact. With the vessels in its P-MAX fleet, Concordia Maritime has contributed to raising the standard.**

The environmental impact of tanker shipping consists mainly of emissions from the vessels' engines, the use of toxic bottom paint, discharges of different types of water that have been used on board and the impact on the marine environment of emptying ballast water.

Reducing greenhouse gases as well as emissions of sulphur and nitric oxide is one of the most prioritised environmental issues in shipping. The work on making improvements is being conducted on several different levels and covers both technical developments and research on new types of environmentally friendly fuels. Sulphur is difficult to remove after it has been emitted and, consequently, the most effective way of protecting the environment is to burn bunker oil with a lower sulphur content. This oil is far more expensive and therefore agreements at the regional or global level are needed to ensure competitive neutrality.

In 2008, the UN agency IMO (International Maritime Organization) decided to gradually lower the limits for emissions of both sulphur and nitric oxide. The most far-reaching reductions will be introduced in the Sulphur Emission Control Areas (SECA) in the English Channel, the North Sea and the Baltic Sea. However, global shipping will also have to adapt to bunker oil with a lower sulphur content than today.

Tougher regulations are also expected to be introduced for discharges of ballast water. The goal of the new ballast water regulations is to prevent living organisms from spreading from one region to another. The transfer of organisms is regarded as one of the greatest threats to the oceans and one of shipping's most difficult problems.

### More environmentally friendly ship recycling

In recent years, the shipping industry has taken measures to reduce the impact of ship recycling on the environment and humans. In 2008, another step was taken as a result of MEPC's (Marine Environment Protection Committee) proposal for tougher environmental regulations applying to the whole chain from ship design and construction to operation and recycling. For example, all the material on board would have to be classified and the whole scrapping process structured and certified. This is something Concordia Maritime has been doing ever since the first P-MAX tanker was delivered in 2005. The *Stena Paris* was the first vessel to be certified in accordance with Det Norske Veritas' "Green Passport".

The proposal will be presented to the member countries for ratification during spring, 2009.

### Concordia Maritime's environmental work

Quality, environment and safety have been guiding principles in Concordia Maritime's business for many years. The company's safety and environmental work has two overall aims: to prevent accidents by working preventively and to minimise the amount of hazardous discharges to the sea and air.

Concordia Maritime's P-MAX concept was developed with the goal of combining good transport economy with concern for people and the environment. Its vessels are among the world's safest product tankers.

**Jacob Norrby at Stena Teknik is the project manager for the development of the P-MAX concept.**

*How does the P-MAX fleet compare from an environmental perspective?*
"Very well. The greatest advantage the vessels have from an environmental perspective is their lower fuel consumption in relation to their larger loading capacity. The shape of the hull and the twin skeg are optimised for minimum energy consumption".

*A tanker is in active service for about 25 years. What happens to it after that?*
"Most often, they are either recycled or used as floating storage for a period of time. When we designed the P-MAX tankers, we put a lot of work into optimising them from a life cycle perspective, that is, also after they have been withdrawn from service. The *Stena Paris*, for example, was the first newbuilding in the world to be certified with Det Norske Veritas's "Green Passport". The idea here is that there should be a complete inventory of all the materials in a vessel in order to be able to simplify environmentally friendly recycling".

*What is being done to improve the vessels' environmental performance still further?*
"The P-MAX tankers are being continuously improved and developed. On two of the vessels, for example, we have installed a so-called VA turbine (Variable Turbine Area). The turbine's job is to improve efficiency and thus reduce fuel consumption at part load. The installation is the first in the world for marine application and the test results indicate a fuel reduction of 2–4 per cent".

# Share price trend

**Concordia Maritime was founded in 1984 and its Series B share was listed on the Nasdaq OMX Stockholm the same year. In 2008, the share price fell 45 per cent.**

At the start of 2008, the share price of Concordia Maritime's Series B share was SEK 27.50 and at the end of the year SEK 15.00, a drop of 45 per cent. The Nasdaq OMX Stockholm's Nordic index fell 41 per cent (OMX Nordic 40) during the same period. The highest price paid during the year was SEK 30.10 and the lowest was SEK 11.35. Concordia Maritime's market value, in other words the value of all outstanding shares in Concordia Maritime, amounted to SEK 656 (1,289) million on 31 December, 2008.

In 2008, the total return on the shares, including the proposed dividend of SEK 1.00, was –41 per cent. In the last ten years, the total return on the shares has been approx. 19 per cent per year.

### Proposed dividend for 2008

For 2008, the board of directors proposes a dividend of SEK 1.00 (1.00) per share, which represents approx. 50 (76) per cent of the group's net result for the year. Concordia Maritime's payout ratio in historical terms is shown in the 10-year overview on pages 42–43.

### Sales

In 2008, 14.7 (16.8) million shares were traded at a total value of SEK 302 (670) million, which is equivalent to a turnover rate of 20.5 (38.4) per cent. The average trade per trading day was 59,471 (67,293) shares or SEK 1.2 (2.7) million.

### Share capital

At the end of 2008, share capital amounted to SEK 381.8 million, divided between 47.73 million shares, of which 43.73 million were Series B shares. The quota value is SEK 8 per share. Each Series A share represents ten votes and each Series B share one vote.

### Shareholders

There were 4.834 (4.963) shareholders as of 31 December, 2008, which represents a reduction of 2.6 per cent compared with the previous year. All Series A shares with voting rights are owned by the Stena Sphere, which has been the principal owner since the company was first listed in 1984. Stena has declared that a holding in Concordia Maritime of about 50 per cent of the capital is one of its long-term objectives. At year-end, the Stena Sphere owned 52 per cent of the share capital and had 72.7 per cent of the votes. The second largest owner is Fjärde AP-fonden, which owns shares equivalent to 5.6 per cent of the capital and 3.2 per cent of the votes.

As of 31 December, 2008, foreign ownership amounted to 16.1 (25.1) per cent of the share capital and 9.2 (14.3) per cent of the votes. Total ownership by institutions amounted to 11.4 (9.2) per cent. The board of directors and the President together own around 0.1 per cent of the total number of shares (Stena Sphere excluded).

### Equity

Equity per share amounted to SEK 41.21 (34.08) as of 31 December, 2008.

### Ticker code and trading unit

The ticker code is CCOR B and the ISIN code is SE0000102824. A trading unit consists of 200 shares.

### IR work during the year

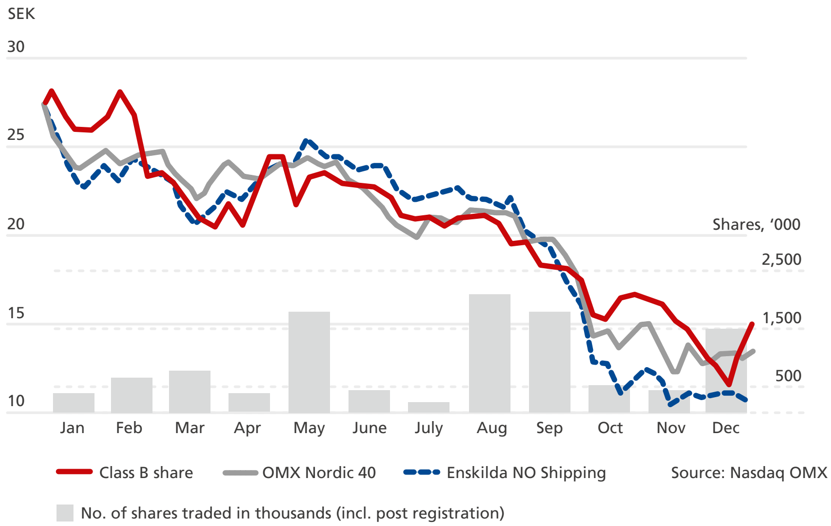
Concordia Maritime aims to facilitate the market's assessment of the company through clear information. In 2008, the company participated in a large number of investor meetings and meetings with customers at banks and trade organisations. In conjunction with the publication of financial reports, Concordia Maritime arranged teleconferences and met analysts and other professional players, either in person or via teleconferences. Concordia Maritime also conducted a number of road shows in Sweden and abroad.

### Shareholder contacts

Concordia Maritime aims to facilitate the market's assessment of the company through clear information.

For IR-related information, please contact:
Göran Hermansson, Financial Manager
+46 (0)31 85 50 46 or +46 (0)704 85 50 46
goran.hermansson@concordia-maritime.se

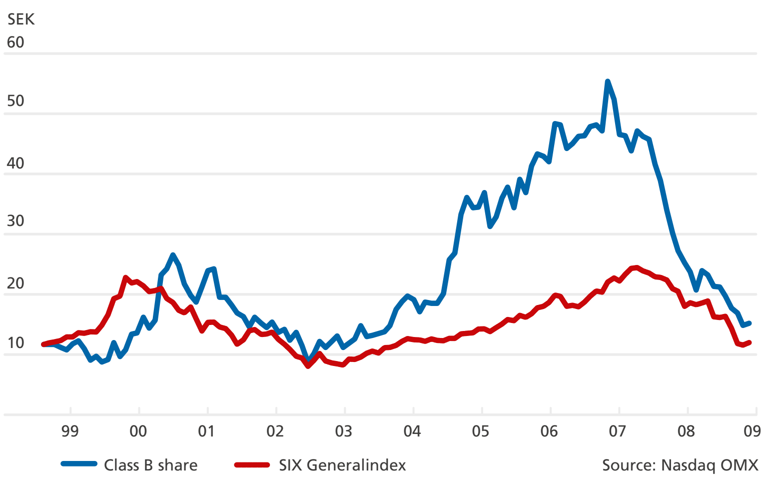
## Share price and turnover, 2008




## Press releases during the year

| | |
|---|---|
| 06-11-2008 | Concordia Maritime appoints HQ Bank as liquidity provider |
| 23-10-2008 | Interim Report 1 January–30 September 2008 |
| 22-10-2008 | Teleconference invitation |
| 17-10-2008 | Concordia Maritime, Total and MAN Diesel in joint Energy Savings |
| 05-09-2008 | Termination of equity hedge |
| 13-08-2008 | Interim Report 1 January–30 June 2008 |
| 11-08-2008 | Teleconference invitation |
| 20-05-2008 | Concordia Maritime concludes time charter contracts for three P-MAX newbuildings |
| 23-04-2008 | Press release from AGM Concordia Maritime AB (publ) |
| 22-04-2008 | Interim Report Concordia Maritime 1 January–31 March 2008 |
| 19-02-2008 | Report on final accounts 1 January–31 December 2007 |
| 18-02-2008 | Teleconference invitation |

## Concordia Maritime's share price, 1999–2008

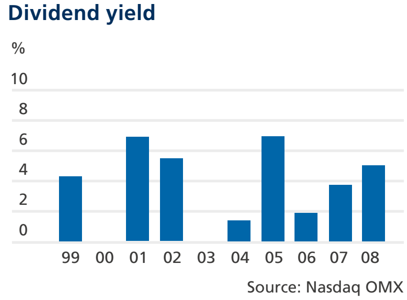



## Dividend policy

Concordia Maritime's long-term objective is to maximise the value of the shareholders' capital in the company through long-term growth in the value of the fleet and a good return on oil transport. This should provide the necessary conditions for a long-term, positive share price trend. The shareholders should be able to expect a reasonable dividend in relation to both the company's result and its investment requirements. The aim is for the dividend to amount to 20–30 per cent of the consolidated profit after tax. However, a minimum of 10 per cent of the profit should be distributed to shareholders.

## Share turnover, last five years


## Dividend yield



## Key figures for the share

| | 2008[1] | 2007[1] | 2006[1] | 2005[1] | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 |
|---|---|---|---|---|---|---|---|---|---|---|
| Dividend, SEK | 1.00[2] | 1.00 | 1.00 | 1.00 | 3.00 | 0.50 | — | 0.60 | 1.10 | — |
| Dividend as % of net result after tax | 50[3] | 76 | 92 | 83 | 19 | 31 | — | 12 | 22 | — |
| Shares outstanding at year-end, millions | 47.73 | 47.73 | 47.73 | 47.73 | 47.73 | 47.73 | 47.73 | 46.41 | 42.19 | 27.22 |
| Average number of shares outstanding, millions | 47.73 | 47.73 | 47.73 | 47.73 | 47.73 | 47.73 | 47.07 | 44.30 | 34.71 | 27.22 |
| Share price at year-end, SEK | 15.00 | 27.00 | 55.00 | 43.00 | 34.80 | 17.50 | 11.00 | 16.00 | 21.50 | 11.80 |
| Dividend yield, % [4] | 6.6[3] | 3.7 | 1.81 | 2.32 | 8.62 | 2.86 | — | 3.75 | 5.11 | — |
| Total return, Concordia shares, % | –40.74[3] | –49.09 | 30.23 | 26.44 | 116.00 | 63.64 | –31.25 | –22.79 | 91.53 | 2.61 |
| P/E ratio including ship sales | 7.5 | 20.5 | 50.5 | 35.8 | 2.2 | 10.8 | neg. | 3.3 | 4.8 | neg. |
| P/E ratio excluding ship sales | — | — | — | 2,150.0 | 17.8 | 9 | neg. | 3.3 | 5.2 | — |
| Turnover of shares per year, thousands | 14,749 | 16,810 | 32,393 | 18,608 | 24,289 | 8,443 | 5,791 | 8,875 | 16,863 | 6,535 |
| Rate of turnover, % | 33 | 38 | 74 | 43 | 56 | 19 | 13 | 21 | 65 | 26 |
| Market value at year-end, SEK million | 716 | 1,288 | 2,625 | 2,052 | 1,661 | 835 | 525 | 743 | 907 | 321 |
| Number of shareholders | 4,834 | 4,963 | 5,942 | 6,209 | 6,081 | 5,431 | 5,542 | 5,215 | 5,551 | 5,268 |

1) Key figures for 2005, 2006, 2007 and 2008 are recalculated in accordance with IFRS accounting principles
2) The board's proposal
3) Calculated on the proposed dividend
4) Dividend per share divided by the share price at year-end

## Shareholder categories

| | Capital % | Votes % |
|---|---|---|
| Foreign owners | 16.1 | 9.2 |
| Swedish owners | 83.8 | 90.8 |
| of which | | |
| - Institutions | 11.4 | 6.5 |
| - Unit trusts | 0.8 | 0.5 |
| - Private individuals | 71.7 | 83.9 |

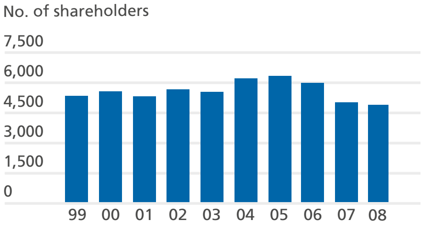
## Ownership concentration

| | Capital % | Votes % |
|---|---|---|
| The 10 largest shareholders | 77.8 | 87.4 |
| The 25 largest shareholders | 83.8 | 90.8 |
| The 100 largest shareholders | 88.4 | 93.4 |

## The 10 largest shareholders

| | Capital % | Votes % |
|---|---|---|
| Stena Sphere | 52.0 | 72.7 |
| Fjärde AP-fonden | 5.6 | 3.2 |
| Odin fonder | 4.4 | 2.5 |
| DWS-Scudder fonder | 3.8 | 2.2 |
| Upland Securities AB | 3.0 | 1.7 |
| SEB | 2.1 | 1.2 |
| Andersson Stig | 2.0 | 1.1 |
| Apotekets pensions-stiftelse | 1.8 | 1.0 |
| Mariedals Lantbruk AB | 1.7 | 1.0 |
| F&C Asset Management Plc | 1.4 | 0.8 |

## Shareholder trend, 1999–2008




Source: Nasdaq OMX

## Shareholder structure

| Shareholding | Owners | Shares | Capital % | Votes % |
|---|---|---|---|---|
| 1–1,000 | 3,942 | 1,221,960 | 2.6 | 1.3 |
| 1,001–10,000 | 756 | 2,430,776 | 5.1 | 2.9 |
| 10,001–100,000 | 108 | 3,314,915 | 6.9 | 4.0 |
| 100,000– | 28 | 40,762,147 | 85.4 | 91.8 |
| **Total** | **4,834** | **47,729,798** | **100** | **100** |

# Risk and sensitivity analysis

**The fact that all Concordia Maritime's vessels are signed to long-term charters contributes to some extent to reducing the risks otherwise associated with shipping.**

The risks that Concordia Maritime is exposed to can be divided into four main categories:

1. Corporate risks
2. Operational risks
3. Financial risks
4. External risks

The risks that Concordia Maritime is exposed to can be divided into four main categories – corporate risks, operational risks, financial risks and external risks.

### 1. Corporate risks

Corporate risks refer principally to overall risks related to the actual management and operation of the company.

#### A Brand

Despite insurance cover, an accident could have a very serious impact on Concordia Maritime. The oil industry's demands for safety and environmental responsibility are comprehensive, and an accident at sea or in port would have not only negative environmental consequences, but could also damage the Concordia Maritime brand. For many years, the company has been a quality shipowner, with high demands in all aspects of safety. This position makes particularly high demands on control and responsibility. Guarding against this type of risk is difficult, and can only be achieved by extensive preventive work and complete openness should an accident nevertheless occur.

#### B Employees

Concordia Maritime is very dependent on being able to attract and retain employees. This applies in the case of e.g. technicians and employees responsible for customers and partners, but above all skilled seagoing personnel. Concordia Maritime has only a small organisation of its own, and this normally means that there is a great dependency on a number of key individuals.

In Concordia Maritime's case, this is to some extent counterbalanced by the close co-operation with several companies in the Stena Sphere. Concordia Maritime also puts much effort into creating a stimulating workplace, with good opportunities to develop.

#### C Liquidity

A prerequisite of the continuing existence of the company's business in both the short and the long term is, of course, access to capital and the ability to obtain financing. The company's newbuilding program is fully financed, which is especially important in times of financial instability.

One of Concordia Maritime's overall objectives has been to secure a sound financial position that enables it to make long-term investments. The decision to sign the vessels in its fleet to long-term charters is an important component of this strategy. It ensures stability in cash flows and a strong equity ratio in the long term. When there is both a financial and an economic downturn, this is a strength, not least because it makes it possible to take advantage of the business opportunities that may arise. In Concordia Maritime's case, good liquidity and good bank connections are also positive factors.

#### D Financing risk

Financing risk refers to the risk of Concordia Maritime being unable to satisfy its need for new capital. However, with stable cash flows, good liquidity, short-term investments in mainly corporate bonds and good relations with banks and other lenders, this risk is relatively limited as far as Concordia Maritime is concerned.

### 2. Market-related risks

Market-related risks refer primarily to risks associated with the outside world and the market, in other words, risks that the board and management only have a limited chance of influencing in the short term, but must nevertheless deal with in the longer-term planning of the business.

#### A Economic trends

Shipping is a highly cyclical business. The demand for transportation of petroleum and chemical products is largely determined by the consumption of these products. This, in turn, is largely determined by the state of the economy. The effects of an economic recession are, in the short term, largest in the spot market, but in the long term they also have an effect on the time-charter market. It is difficult to guard against a long-term economic recession. However, the fact that Concordia Maritime has long-term contracts means that the risks are limited.

#### B Freight rates

Freight rates in tanker shipping can fluctuate significantly from time to time. A downturn in freight rates may be due to reduced demand for transport capacity, or an increased supply of vessels. A change in rates can have a significant impact on the profitability of the business. Freight rates on the spot market normally fluctuate more than the rates on the time-charter market. With the whole fleet currently signed to long-term charters, Concordia Maritime's exposure to changes in freight rates is limited.

### C *Oil price*

Freight rates in tanker shipping can fluctuate considerably over time. Changes in oil prices do not affect Concordia Maritime to any great extent. The business is largely based on time charter contracts, which means that the customers are responsible for the costs of the voyage (bunker oil, port dues, pilots, tugs, etc.). Changes in the price of oil affect freight rates, which, in turn, have an impact on shipping company's revenue.

### D *Political risks*

The company operates in a market that is subject to a number of regulations that may change from time to time depending on changing environmental factors and/or political decisions. This includes decisions to do with regulations for international trade, safety and the environment.

As regards international trade, the trend in recent years has been towards increased global free trade, and fewer restrictions of a commercial policy nature. There has also been harmonisation in the area of taxation, which to some extent has reduced the risks that fiscal policy changes might affect the competitive situation. The main risk of changes would appear to lie in the area of safety and the environment, where there is a continual review of international and national laws, industry-related conventions, regulations and practice. This trend is being driven from several directions, both political and from trade associations and industry. But having one of the world's safest and most modern fleets means that for Concordia Maritime, the increased focus on safety and environmental issues is if anything an opportunity.

### E *War and instability*

A large part of global oil production takes place in areas of political instability. War or other disturbances may limit access to oil and petroleum products, but also increase the need for transport to and from various storage depots. As Concordia Maritime's business is largely based on long-term contracts, the risks of this affecting its business are relatively limited in the short term.

## 3. Operational risks

Operational risks refer primarily to risks related to the management of the operational side of the business.

### A *Ship management and insurance issues*

As regards the risks related to the actual operating of vessels, Concordia Maritime has taken out insurance policies customary in the industry. The vessels are insured against damage and loss (Hull & Machinery) at amounts representing the vessels' market value.

Protection & Indemnity applies without limitation of amount, except for responsibility for oil spills, where the limitation of amount is USD 1 billion. The vessels are also insured against Loss of Hire.

In addition to the insurance policies above, Concordia Maritime has also taken out the customary insurance for operating in specific waters. One example is COFR insurance (Certificate of Financial Responsibility), which is required in order to operate vessels in American waters. COFR is issued by the US Coast Guard to an operator (owner/bareboat charterer) who can demonstrate having the financial capability, via insurance, to pay for cleaning up oil spills and oil damage up to the amounts required by the American Oil Pollution Act, OPA 90.

### B *Environment*

An accident at sea or in port (shipwreck, oil spill, collision, etc.) could lead to extensive negative consequences both to the environment and to property. The new vessels, built in accordance with the P-MAX principle, are probably among the world's safest product tankers.

The vessels have been specially designed for operation in sensitive waters. The fact that accidents happen can never be excluded. However, Concordia Maritime devotes considerable resources to the continuous development of both vessels and basic systems and procedures, both to prevent accidents and to minimise damage should an accident nevertheless occur.

### C *Higher personnel costs*

The economic boom in recent years combined with fewer applicants to maritime education programs has resulted in increased competition for competent seagoing personnel in the last few years. A direct consequence of this is that salaries have risen sharply and that personnel costs are now one of the largest challenges for many shipping companies. Recruiting the best crews requires having a good reputation on the market. Concordia Maritime strives to be an attractive employer that looks after its employees. Salaries and other economic incentives are, of course, important in this context, but also a positive work environment and the possibility of long-term employment are also highly important.

## 4. Credit risks

Credit risks are a significant part of the financial risks to which Concordia Maritime is exposed. Here, they are mainly in the form of counterparty risks: customers as well as shipyards and other subcontractors as well as partners. Other financial risks are reported in Note 20 on page 70.

### Change in the risk environment in 2008

The largest change in the risk environment in 2008 involved risks related to the economic climate, freight rates, oil prices and credit risks related to counterparties. The probability of all these risks has increased as a consequence of the economic climate.

### Ⓐ *Counterparty risks – customers*

Risks related to customers refer to both the risk of a customer choosing to terminate collaboration with the company and the risk of a customer being unable to meet its commitments to Concordia Maritime.

As regards the first aspect, Concordia Maritime's strategy is based on close and long-term collaboration with its customers. At the end of 2008, 10 of the total of 14 vessels in the fleet were signed to charters of between two and nine years. The remaining four vessels will be delivered in 2009 and 2010 (see the graph on page 7). These vessels have, however, already been signed to charters of between three and five years.

Normally, there is a higher risk when basing one's business activities on a limited number of customers. In Concordia Maritime's case, however, the long-term charters, signed with mainly leading, financially strong energy companies, provide operational and financial stability during the period covered by the charters.

### Ⓑ *Counterparty risks – subcontractors and partners*

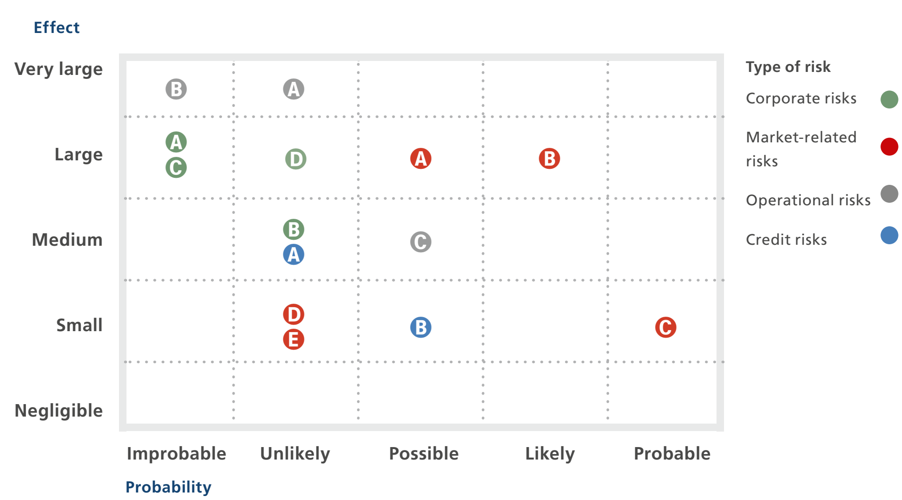
When it comes to counterparty risks related to subcontractors and partners, the greatest risk is that contracted shipyards do not meet their commitments; either due to financial problems or because they are unable to deliver in time.

Concordia Maritime attempts in different ways to protect itself from these types of risks. Prior to contracting a shipyard in conjunction with a newbuilding project, great importance is attached to not only the price but also factors such as the shipyard's long-term perspective and financial position. In addition to this, there are agreements covering bank guarantees if a shipyard finds itself in financial trouble or goes bankrupt. All the contracts also include penalty clauses in the event of a project being delayed.

## Financial risks

The financial risks, mainly related to currency and interest rates, are described in Note 20 on page 72 and are thus not described here.

| | Type of risk | Effect (1–5) | Probability (1–5) | Risk strategy |
|---|---|---|---|---|
| **1. Corporate risks** | Ⓐ Brand | 4 | 1 | Quality at every stage. Far-reaching preventive work. A leader in safety. |
| | Ⓑ Employees | 3 | 2 | Close collaboration with several companies in the Stena Sphere. |
| | Ⓒ Liquidity | 4 | 1 | Stable cash flows as a result of long-term charters. Good bank relations. |
| | Ⓓ Financing risk | 4 | 2 | Stable cash flows generated by long-term charters. Good bank relations. |
| **2. Market-related risks** | Ⓐ Economic trends | 4 | 3 | Customer relations to a large extent based on long-term charters. |
| | Ⓑ Freight rates | 4 | 4 | Customer relations to a large extent based on long-term charters. |
| | Ⓒ Oil price | 2 | 5 | The customer pays the cost of bunker oil. |
| | Ⓓ Political risk | 2 | 2 | A market leader when it comes to safety and environmental work. |
| | Ⓔ War and instability | 2 | 2 | The chosen contract strategy in combination with continuous business intelligence. |
| **3. Operational risks** | Ⓐ Ship management and insurance issues | 5 | 2 | Continuous maintenance work in combination with comprehensive insurance cover. |
| | Ⓑ Environment | 5 | 1 | Continuous work on preventive measures. |
| | Ⓒ Higher personnel costs | 3 | 3 | Economic incentives in combination with a positive work environment and the possibility of long-term employment. |
| **4. Credit risks** | Ⓐ Counterparty risks – customer | 3 | 2 | Financially stable customers. Close long-term collaboration. |
| | Ⓑ Counterparty risks – shipyards and partners | 2 | 3 | Financially strong players. Bank guarantees and penalty clauses. |



# Ten-year summary

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| **Profit/loss items, SEK million** | | | | | |
| Net sales | 560.0 | 457.2 | 381.2 | 254.0 | 354.0 |
| Operating costs | –473.6 | 423.2 | 376.5 | 312.0 | 271.2 |
| Operating result | 86.4 | 34.0 | 4.7 | –1.8 | 729.4 |
| of which result from ship sales | — | — | — | 56.2 | 646.6 |
| EBITDA | 162.6 | 91.5 | 38.7 | –1.3 | 795.5 |
| Result after financial net | 78.1 | 48.0 | 52.5 | 42.7 | 740.2 |
| Net result after tax | 95.8 | 62.9 | 51.9 | 57.2 | 740.2 |
| Cash flow from operating activities[1] | 203.2 | 121.11 | 100.0 | 20.4 | 136.2 |
| Investments | 301.3 | 838.6 | 767.2 | 492.8 | 86.3 |
| **Balance sheet items, SEK million** | | | | | |
| Ships | 2,059.6 | 1,769.6 | 1,048.7 | 304.2 | 32.5 |
| (Number of ships) | 7[2] | 7[2] | 4 | 1 | 1 |
| Ships under construction | 536.3 | 158.3 | 222.3 | 384.7 | 128.0 |
| (Number of ships) | 4 | 4 | 7 | 6 | 7 |
| Cash and cash equivalents | 31.3 | 55.6 | 30.2 | 280.4 | 1,123.4 |
| Short-term investments | 283.6 | 397.1 | 517.6 | 559.1 | 130.7 |
| Other assets | 575.7 | 429.6 | 413.7 | 368.9 | 313.4 |
| Interest-bearing liabilities | 1,369.2 | 1,073.0 | 506.2 | 0.0 | 0.0 |
| Other liabilities and provisions | 150.3 | 110.7 | 99.3 | 126.4 | 111.2 |
| Equity | 1,967.0 | 1,626.5 | 1,627.0 | 1,770.9 | 1,616.8 |
| Balance sheet total | 3,486.5 | 2,810.2 | 2,232.5 | 1,897.3 | 1,728.0 |
| **Key ratios, %** | | | | | |
| Equity ratio | 56 | 58 | 73 | 93 | 94 |
| Return on total capital | 3 | 4 | 4 | 5 | 47 |
| Return on capital employed | 3 | 4 | 5 | 6 | 49 |
| Return on equity | 5 | 3 | 3 | 3 | 56 |
| **Per-share data, SEK** | | | | | |
| Net result after tax | 2.01 | 1.32 | 1.09 | 1.20 | 15.51 |
| of which result from ship sales | — | — | — | 1.18 | 13.55 |
| Cash flow[1] | 4.26 | 2.54 | 2.10 | 0.43 | 2.85 |
| Equity | 41.21 | 34.08 | 34.09 | 37.10 | 33.87 |
| Equity/market value | 2.75 | 1.26 | 0.62 | 0.86 | 0.97 |
| Share price at year-end | 15.00 | 27.00 | 55.00 | 43.00 | 34.80 |
| Dividend[3] | 1.00 | 1.00 | 1.00 | 1.00 | 3.00 |
| Dividend as % of net result after tax | 49.82 | 75.88 | 91.96 | 83.44 | 19.34 |
| **Other** | | | | | |
| P/E ratio including ship sales | 7.5 | 20.5 | 50.5 | 35.8 | 2.2 |
| P/E ratio excluding ship sales | — | — | — | 2,150.0 | 17.8 |
| Number of shareholders | 4,834 | 4,963 | 5,942 | 6,209 | 6,081 |

1) Ship sales not included

2) Six wholly-owned ships and two ships in which the group has a 50 per cent holding

3) Proposed dividend for 2008

Comparative figures for 1999–2003 have not been recalculated in accordance with IFRS.

| 2003 | 2002 | 2001 | 2000 | 1999 |
|---|---|---|---|---|
| 649.7 | 768.6 | 1,334.6 | 1,327.6 | 773.6 |
| 575.7 | 877.9 | 1,043.6 | 1,098.2 | 817.7 |
| 58.9 | –98.2 | 292.5 | 246.0 | –44.1 |
| –15.1 | 11.1 | 1.5 | 16.6 | — |
| 177.5 | 89.5 | 454.4 | 382.9 | 57.1 |
| 35.1 | –142.4 | 251.9 | 227.7 | –72.0 |
| 77.1 | –148.9 | 231.3 | 207.3 | –62.5 |
| 150.5 | 40.0 | 392.1 | 337.2 | 15.9 |
| 61.6 | — | 513.6 | 351.1 | 295.7 |
| | | | | |
| 1,223.9 | 1,907.0 | 2,544.3 | 1,073.3 | 1,121.3 |
| 4 | 6 | 9 | 9 | 10 |
| 55.4 | — | — | 1,001.8 | 573.7 |
| 6 | — | — | 2 | 2 |
| 40.3 | 115.2 | 263.0 | 81.0 | 16.2 |
| — | — | — | — | — |
| 87.8 | 216.7 | 343.0 | 338.4 | 180.1 |
| 300.7 | 926.6 | 1,261.7 | 938.5 | 953.4 |
| 80.2 | 159.3 | 295.4 | 352.8 | 232.2 |
| 1,026.5 | 1,153.0 | 1,593.2 | 1,203.2 | 705.7 |
| 1,407.4 | 2,238.9 | 3,150.3 | 2,494.5 | 1,891.3 |
| | | | | |
| 73 | 51 | 51 | 48 | 38 |
| 3 | –4 | 11 | 12 | –2 |
| 3 | –4 | 12 | 14 | –2 |
| 7 | –11 | 16 | 21 | –8 |
| | | | | |
| 1.62 | –3.12 | 4.85 | 4.47 | –0.96 |
| –0.32 | 0.23 | 0.03 | 4.11 | — |
| 3.15 | 0.84 | 8.21 | 7.14 | 0.68 |
| 21.51 | 24.16 | 33.62 | 26.67 | 20.03 |
| 1.22 | 2.20 | 2.10 | 1.24 | 1.70 |
| 17.50 | 11.00 | 16.00 | 21.50 | 11.80 |
| 0.50 | — | 0.60 | 1.10 | — |
| 30.95 | 0.00 | 12.04 | 22.39 | 0.00 |
| | | | | |
| 10.8 | neg | 3.3 | 4.8 | neg |
| 9 | neg | 3.3 | 5.2 | — |
| 5,431 | 5,542 | 5,215 | 5,551 | 5,268 |

## The new fleet takes shape

The trend in net sales, costs and result in recent years is a consequence of Concordia Maritime's strategic shift from crude oil transportation to product tankers and the newbuilding program currently in progress. As the fleet takes shape, the company will increase its borrowing, which can be seen in the trend of the equity ratio – from nearly 100 per cent in 2004 to 56 per cent at the end of 2008. Since the newbuilding program was initiated in 2003, Concordia Maritime has invested SEK 2,545.9 million in the new fleet. Important measures of the result, such as EBITDA, are expected to increase as the fleet grows.

## Definitions

**Equity ratio** Equity expressed as a percentage of the balance sheet total.

**Return on total capital** Earnings after financial net plus financial expenses as a percentage of average balance sheet total.

**Return on capital employed** Earnings after financial net plus financial expenses as a percentage of average capital employed. Capital employed refers to the balance sheet total minus non interest-bearing liabilities, including deferred tax liability.

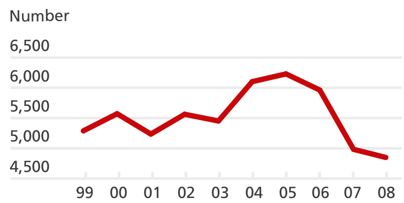
**Return on equity** Earnings for the year expressed as a percentage of average equity.

**Cash flow from operating activities** Earnings after financial net plus depreciation minus tax paid (cash flow before change in working capital and investments and before effect of ship sales).

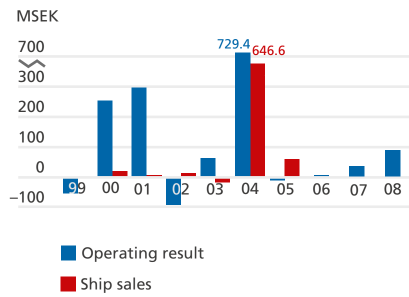
**P/E ratio** Share price at year-end in relation to profit per share after tax.

# Key ratios

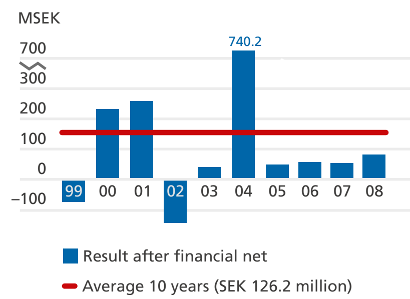
### Number of shareholders



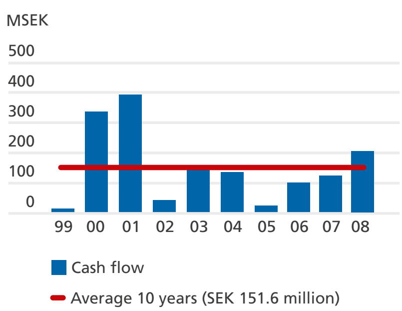

### Operating result



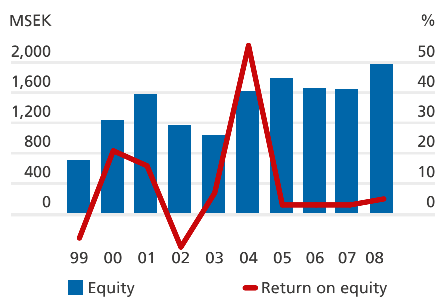

### Result after financial net



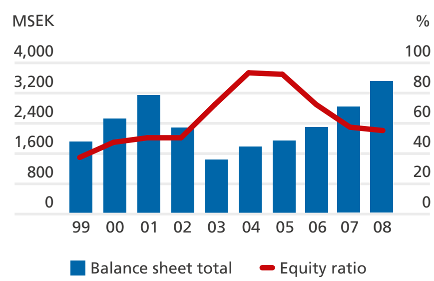

### Cash flow from operating activities



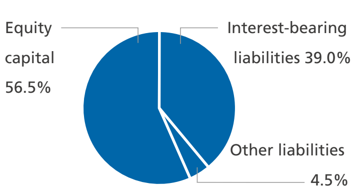

### Return on equity



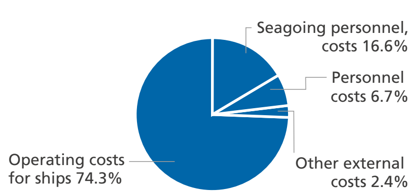

### Equity ratio



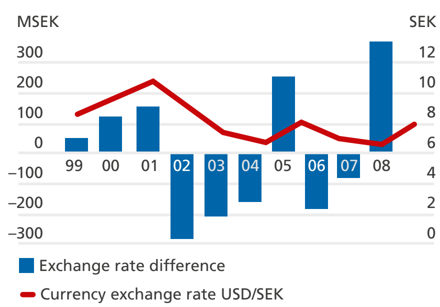

### Equity and liabilities




### Operating expenses



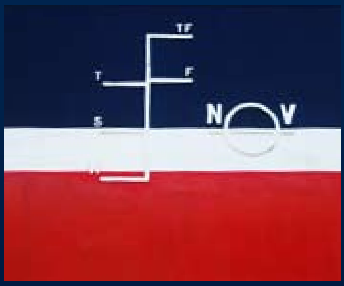

### Exchange rate differences against equity




For definitions, see page 43.

# Financial information






**FACT Plimsoll line**

The Plimsoll line is a load line that indicates a vessel's load capacity depending on the circumstances. Both maximum safe draft and minimum freeboard are marked in relation to the density of the water and for different seasons.

The basis for the line was established by the British member of parliament Samuel Plimsoll who saw how overloaded vessels took to sea with one reason in mind; to sink as fast as possible and claim the insurance from the ship-owner.

In 1875, the British parliament adopted the act that made the load line mandatory for all vessels. The Plimsoll line then spread across the world, and in 1930 the line became international.

Source: Wikipedia

# Board of Directors' report

The Board of Directors and the President of Concordia Maritime AB (publ), corp. ID 556068-5819, hereby submit the Annual Report for the financial year 1 January – 31 December 2008. The parent company is Stena Sessan Rederi AB, which controls approx. 52 % of the capital and 73 % of the total voting power. Its parent company is Stena Sessan AB.

## Business summary

### *Product tankers*

Concordia Maritime's product tanker fleet consisted of six wholly-owned P-MAX tankers and two partly owned Panamax tankers. All tankers are chartered out for periods ranging from 3 to 10 years from delivery date. The *Stena Provence*, *Stena Perros* and *Stena Paris* are in service for Total, the *Stena Performance* for Hess Corporation and the *Stena Primorsk* and *Stena President* for Argo Shipping. The fleet operates in different geographical markets across the world, with both clean (e.g. petrol) and dirty oil products (e.g. heavy oil) and crude oil.

The two Panamax tankers *Palva* and *Stena Poseidon*, which Concordia Maritime owns jointly with Neste Shipping, have continued to sail in transatlantic traffic for Neste Oil.

The segment reports EBITDA for 2008 of USD 28.7 (23.1) million.

### *Large tankers/VLCC*

In the large tanker segment, Concordia Maritime is active with two vessels that are both time-chartered from the US shipping company General Maritime. The sister ships *Stena Victory* and *Stena Vision* are both in service for Lukoil. The charter for the *Stena Victory* expires at the end of 2009 when the ship will be redelivered to General Maritime. Concordia Maritime can extend the contract through three one-year options if it so wishes. The charter for the *Stena Vision* expires at the end of 2010 when the ship will be redelivered to General Maritime. Concordia Maritime is able to extend the contract through two one-year options, if it so wishes.

The segment reports EBITDA an for 2008 of USD –2.4 (–5.6) million.

## Newbuilding programme

Concordia Maritime's current newbuilding programme is proceeding according to plan.

At the end of 2009, an additional two P-MAX tankers will be delivered. The remaining two vessels in the programme will be delivered in 2010. Torbjörn Rapp was appointed as manager of the site office in Split in 2008.

## Freight market development

### *First quarter*

*Product tanker market*

Freight rates during the first quarter were around USD 16,000 per day, which was on a par with the fourth quarter of 2007 but well below the corresponding period in 2007. The relatively low freight rates did not affect the time-chartering market, where three-year charters were signed at levels of around USD 23,000 per day.

*VLCC market*

The strong market at the end of 2007 continued at the beginning of 2008. Freight rates for a modern VLCC in the first quarter were around USD 90,000 per day. Trade in futures was around USD 60,000 per day for the remaining part of 2008.

### *Second quarter*

*Product tanker market*

Following a mediocre first quarter, the market improved in the second quarter producing rates on the spot market of around USD 25,000 per day. Among the driving forces were a seasonal upturn and increased refinery capacity in the Middle East and Asia which meant longer freight distances. In the futures market, transatlantic services were traded for around USD 19,000 per day for the remainder of the year.

*VLCC market*

The strong market continued through the second quarter, with rates of up to USD 150,000 per day. This unexpectedly strong market was a consequence of falling oil stocks and the growth in the fleet being lower than expected. On the futures market, contracts were traded at rates of around USD 100,000 per day.

### *Third quarter*

*Product tanker market*

The market in the third quarter remained strong. Low petrol stocks, increased refinery capacity and the hurricanes Gustav and Ike contributed to keeping the market buoyant. On the futures market, transatlantic services were traded for around USD 19,000 per day for the remainder of the year.

*VLCC market*

The market was significantly lower in the third quarter but freight rates were still at historically high levels, around USD 80,000 per day. The principle driving forces were falling oil stocks and the growth of the fleet being lower than expected.

### *Fourth quarter*

*Product tanker market*

The major downturn in the world economy began during the fourth quarter and was also reflected in the trade in oil and petroleum products. Rates on the spot market dropped drastically to around USD 17,000 per day at the end of the quarter. This drop was due, for the most part, to a relatively weak demand for oil. The time-charter market also started to weaken and 3-year charters were signed at around USD 20,000 per day.

As an average for the year, the freight rates for an MR product tanker were in line with 2007, around USD 23,000 per day.

*VLCC market*

The VLCC market was also weaker at the end of the year. The falling demand for oil contributed to a drop in rates to around USD 50,000 per day, although this was considerably higher than for most of 2007. On average, the rates were considerably higher than during the previous year at around USD 90,000 per day (52,000).

### Shipbuilding market trends

The shipbuilding market remained strong during most of 2008. Up until and including the third quarter, prices for all types of tankers continued to rise. However, the fourth quarter saw a reverse and the prices started to drop in both the MR and VLCC segments. In the middle of January 2009, a VLCC was priced at around USD 133 million, and a standard MR tanker at around USD 44.5 million. The downturn was even more pronounced in the second-hand market where prices have now fallen by around 25 percent since the summer of 2008. There are still relatively few charters being signed on the market. P-MAX tankers have a unique design with, among other things, considerably larger cargo capacity and should therefore not be compared to standard tonnage. The valuations of independent shipbrokers are in the range USD 50–60 million for a P-MAX. Note that tanker valuations are based on prompt delivery for the open market (spot market).

### Results and position

Full-year sales for 2008 were SEK 560.0 (457.2) million. The result after financial items was SEK 78.1 (48.0) million. The result after tax was SEK 95.8 (62.9) million, which corresponds to a net result per share of SEK 2.01 (1.32). This includes a positive tax effect of SEK 17.7 (14.9) million.

### Securities, short-term investments and investments

*General Maritime*

Arlington Tankers and General Maritime were merged in the fourth quarter of 2008. Concordia Maritime's shareholding consists of 1,534,785 shares, which is equivalent to 2.7 % of the total number of shares. In accordance with the general rule, the listed holdings must be valued at share value on the closing day, but in 2008 trading in the then Arlington Tankers was severely restricted. This means that the holding is valued at the end of the year in line with the alternative method based on the future expected dividend. Valuation methods are tested on a continuous basis. The holding has been valued in line with the principles mentioned in the balance sheet against equity and is included in the "fair value reserve".

*Short-term investments*

Concordia Maritime has an investment portfolio consisting primarily of corporate bonds. This involves excess liquidity that is placed in a portfolio with a due-date structure that fully complies with the investment programme. These securities give Concordia Maritime a return of 7–8 percent (also known as purchase yield). With the amendments made by IASB and EU in October 2008 to IFRS 7 and IAS 39, the company has decided to reclassify its bond holdings to the category "held until maturity". Reclassification has been made on 1 October 2008. Other holdings (primary funds) are valued at market value on the closing day and the accumulated profit effect for the year at SEK –28.5 (–7.4) million.

*Investments*

Investments in 2008 amounted to SEK 301.3 (838.6) million and consisted of advance payments and project costs relating to the vessels on order.

### Liquidity and financing

The Group's available liquidity, including unutilised credit facilities, amounted to SEK 507.5 (515.9) million on the closing day. Net liabilities increased in the period from SEK 1,073.1 to SEK 1,369.3 million. Equity on the closing date was SEK 1,967.0 (1,626.5) million, and the equity ratio was 56 percent (58).

### Principles for remuneration for senior executives

Remuneration of the Chairman of the Board, Deputy Chairman of the Board and the Board of Directors shall be in accordance with the decision of the annual general meeting. There is no special remuneration of committee work. The AGM has decided on the following guiding principles for the remuneration for senior executives. Remuneration comprises a fixed salary, variable compensation, pension and other benefits. In order to attract and retain competence, Concordia Maritime strives to offer its personnel an attractive and competitive fixed salary. The level depends upon the scope and complexity of the position held and the performance of the individual during the year. Performance is reflected especially in the variable compensation. This is based on, among other things, the development of the company and its success in meeting, for example, commercial, operational and financial goals. These goals shall be determined by the Board. Agreement with respect to further remuneration can be pertinent when considered necessary in order to attract and retain key competence or to induce individuals to move to new locations or accept new positions. This type of remuneration should be for a limited period, however.

The company's policy with regard to pensions is to follow the pratice adopted by the local market in the country in question. In the case of the President, a premium corresponding to 35 percent of the monthly pensionable salary and compensation at any point in time is paid into the pension. For other senior executives in Sweden, a premium-based retirement pension plan is applied in addition to the basic plans in the Swedish labour market.

The basic principle is that other benefits, for example, a company car, shall be at a competitive level in the local market.

For senior executives in Sweden, the reciprocal period of notice is three to twelve months depending on the position held. In the case of notice of termination by the company one-off compensation of up to 24 months salary is paid.

See note 16.

### Information about risks and uncertainty factors

As regards the risks related to the actual operating of vessels, Concordia Maritime has taken out insurance policies customary in the industry. The vessels are insured against damage and loss, (Hull & Machinery) that amounts representing the vessels' market value. Protection & Indemnity applies without limitation of amount, except for responsibility for oil spills, where the amount is limited to USD 1 billion. The vessels are also insured against Loss of Hire. In addition to the insurance policies above, Concordia Maritime has also taken out the customary insurance for operating in specific waters. One example is COFR insurance (Certificate of Financial Responsibility), which is required in order to operate vessels in US waters. A COFR is issued by the US Coast Guard to an operator (owner/bareboat charterer) who can demonstrate having the financial capability, via insurance, to pay for cleaning up oil spills and oil damage up to the amounts required by the US Oil Pollution Act, OPA 90.

Despite insurance cover, an accident could have a very serious impact on Concordia Maritime. The oil industry's demands on safety and environmental responsibility are comprehensive, and an accident at sea or in port would have not only negative environmental consequences, but could also damage the Concordia Maritime brand. Ever since its establishment in 1984, the company has promoted its image as a quality shipowner, with high demands in all aspects of safety. This position places particularly high demands on control and responsibility. Guarding against this type of risk is difficult, and can only be achieved by extensive preventative work and complete openness should an accident nevertheless occur.

Tanker shipping is a highly cyclical business. The demand for transportation of petroleum and chemical products is largely determined by the consumption of these products. This, in turn, is largely determined by the state of the economy. The effects of an economic downturn are, in the short term, largest in the spot market, but in the long term they also have an effect on the futures market.

It is difficult to guard against a long-term economic downturn. However, Concordia Maritime strives to limit the risks by basing operations partially on long-term charters. The scope of long-term charters may vary over time.

Freight rates in tanker shipping can fluctuate significantly from time to time. A downturn in freight rates may be due to reduced demand for transport capacity, or an increased supply of vessels. A change in rates can have a significant impact on the profitability of the business. Freight rates on the spot market normally fluctuate more than the rates on the futures market. With a large part of the fleet contracted out over long periods, Concordia Maritime's exposure to changes in freight rates over a 3-5 year period is relatively limited.

Concordia Maritime works closely with the Stena Sphere, which among other things provides chartering, operations, manning and newbuilding services. The company management believes that this co-operation is one of Concordia Maritime's greatest strengths vis-à-vis the competition even though this relationship is associated with a degree of risk, as essential services are purchased from a single supplier. Concordia Maritime and the Stena Group are to a degree interconnected as a brand.

## Safety and Environment

For Concordia Maritime, safety of humans and protection of the marine environment have the highest priority both as a principle in its day-to-day activities and in the company's overall objectives Safety and the protection of the maritime environment must be an integral part of its day-to-day business. Only with the commitment of all employees, both onboard and ashore, will it be possible to maintain a high safety standard and good protection of the marine environment.

## Our environmental principles

- Protecting the maritime environment is of the utmost importance. The only consideration that takes precedence over this is people's safety.
- Through innovation and performance, we will achieve better control of the risk factors that can damage the environment.
- Through innovation and performance, we shall strive to control and reduce the negative impact of our operations on the environment and increase the efficiency of both existing vessels and newbuildings with regard to fuel consumption and emissions.
- Through innovation and performance, we shall strive to engage in safer and more effective shipping in environmentally sensitive areas.
- All personnel shall be given adequate training and information and shall be encouraged to participate actively in environmental matters.

## Financial instruments and risk management

See note 20.

## Shares

There have been no new issues, bonus issues or such like during the year. Consequently the number of shares is unaltered. The number of A shares amounts to 4,000,000, each representing ten votes. The number of B shares amounts to 43,729,798, each representing one vote.

## Expectations as regards future development

Concordia Maritime's fleet consists of six P-MAX tankers, two V-MAX tankers and two Panamax tankers. Two newly built P-MAX tankers are set for delivery in 2009. The tanker market is expected to continue to weaken in 2009 due to, among other things, growth of the global fleet. Average freight levels are expected to be lower than in 2008. As previously published, the result before tax is estimated at around USD 8 million or approx. USD 0.17 per share. When converted into SEK the result before tax corresponds to about SEK 70 million or SEK 1.47 per share.

## Events after closing date

See note 27.

## Proposed appropriation of the company's result

The Board of Directors and President propose that SEK 80.2 million of the result brought forward be made available for appropriation as follows:

| SEK million | **2008** | 2007 | 2006 |
|---|---|---|---|
| Dividend (47,729,798 shares x SEK 1.00 per share) | 47.7[1] | 47.7 | 47.7 |
| To be carried forward | 32.5 | 71.2 | 102.1 |
| **Total** | **80.2** | **118.9** | **149.8** |

1) Proposed dividend

With regard to the company's result and position as a whole, please refer to the following income statement, balance sheet and notes to the accounts.

## The Board of Directors' statement regarding the proposed dividend

After distribution of the proposed dividend, the Group's equity ratio and liquidity are satisfactory, which means all Group companies can meet their commitments in both the short and long term. The proposed dividend can thus be justified in terms of the Swedish Companies Act, chap. 17 § 3 sections 2–3.

# Group income statement

| 1 January–31 December, SEK million | Note | 2008 | 2007 |
|---|---|---|---|
| Net sales | 2, 3, 21 | 560.0 | 457.2 |
| **Total income** | | **560.0** | **457.2** |
| | | | |
| Operating costs for ships | 21 | –295.2 | –282.2 |
| Seagoing personnel costs | | –65.8 | –42.5 |
| Other external costs | 5 | –26.8 | –31.0 |
| Personnel costs | 4, 16 | –9.6 | –10.0 |
| Depreciation according to plan | 8 | –76.2 | –57.5 |
| **Total operating costs** | 9 | **–473.6** | **–423.2** |
| **Operating result** | 2, 3, 5, 24 | **86.4** | **34.0** |
| | | | |
| Financial income | | 59.2 | 66.2 |
| Financial costs | | –67.5 | –52.2 |
| **Financial net** | 6 | **–8,3** | **14,0** |
| **Result before tax** | | **78.1** | **48.0** |
| | | | |
| Tax | 7 | 17.7 | 14.9 |
| **Result for the year** | | **95.8** | **62.9** |
| | | | |
| **Result per share** | 14 | **2.01** | **1.32** |

# Group balance sheet

| As of 31 December, SEK million | Note | **2008** | 2007 |
|---|---|---|---|
| **Assets** | | | |
| **Fixed assets** | 9, 22 | | |
| Ships | 8 | 2,059.6 | 1,769.6 |
| Ships under construction | 8 | 536.3 | 158.3 |
| Equipment | 8 | 0.1 | 0.1 |
| Financial investments | 10, 20 | 454.8 | 218.5 |
| Long-term receivables | 11 | 5.6 | 7.7 |
| Deferred tax assets | 7 | 49.7 | |
| **Total fixed assets** | | **3,106.1** | **2,154.2** |
| | | | |
| Other short-term receivables | 11 | 21.2 | 156.8 |
| Prepaid expenses and accrued income | 12 | 44.3 | 46.5 |
| Short-term investments | 10, 20 | 283.6 | 397.1 |
| Cash and cash equivalents | 13 | 31.3 | 55.6 |
| **Total current assets** | | **380.4** | **656.0** |
| **Total assets** | | **3,486.5** | **2,810.2** |
| | | | |
| **Equity** | | | |
| Share capital | | 381.8 | 381.8 |
| Other contributed capital | | 61.9 | 61.9 |
| Reserves | | 171.6 | –120.8 |
| Result brought forward (including result for the year) | | 1,351.7 | 1,303.6 |
| **Total equity** | | **1,967.0** | **1,626.5** |
| | | | |
| **Liabilities** | | | |
| **Long-term liabilities** | 9, 15, 20 | | |
| Liabilities to credit institutions | | 1,349.8 | 1,063.1 |
| Other long-term liabilities | 18 | 5.6 | 7.7 |
| Other provisions | 17 | | 6.1 |
| Deferred tax liabilities | 7 | 11.5 | 18.9 |
| **Total current liabilities** | | **1,366.9** | **1,095.8** |
| | | | |
| **Short-term interest-bearing liabilities** | 9, 15, 20 | | |
| Liabilities to credit institutions | | 19.4 | 10.0 |
| Accounts payable | | 1.1 | |
| Other liabilities | 18 | 31.9 | 8.9 |
| Provisions | 17 | 17.8 | 9.5 |
| Accrued expenses and deferred income | 19 | 82.4 | 59.5 |
| **Total current liabilities** | | **152.6** | **87.9** |
| **Total current liabilities** | | **1,519.5** | **1,183.7** |
| | | | |
| **Total equity and liabilities** | | **3,486.5** | **2,810.2** |

For information on the Group's pledged assets and contingent liabilities, see note 23.

# Summary of changes in the group's equity

| SEK million | Share capital | Other contributed capital | Reserves[2] Translation reserve | Fair value reserve | Hedging reserve | Profit brought forward[1] | Total equity |
|---|---|---|---|---|---|---|---|
| Opening balance, 1 Jan 2008 | 381.8 | 61.9 | –231.7 | 21.0 | 89.9 | 1,303.6 | 1,626.5 |
| Change in translation reserve | | | 320.1 | 4.6 | 7.4 | | 332.1 |
| Tax attributable to hedging | | | 40.7 | | | | 40.7 |
| Change in reserve | | | | | –80.4 | | –80.4 |
| **Total changes in wealth reported directly in terms of equity, excluding transactions with the company owner** | | | **360.8** | **4.6** | **–73.0** | | **292.4** |
| Result for the year | | | | | | 95.8 | 95.8 |
| **Total changes in wealth, excluding transactions with the company's owner** | | | **360.8** | **4.6** | **–73.0** | **95.8** | **388.2** |
| Dividends | | | | | | –47.7 | –47.7 |
| **Closing balance, 31 Dec 2008** | **381.8** | **61.9** | **129.1** | **25.6** | **16.9** | **1,351.7** | **1,967.0** |

| SEK million | Share capital | Other contributed capital | Reserves[2] Translation reserve | Fair value reserve | Hedging reserve | Profit brought forward[1] | Total equity |
|---|---|---|---|---|---|---|---|
| Opening balance, 01 Jan 2007 | 381.8 | 61.9 | –156.0 | 35.5 | 15.4 | 1,288.4 | 1,627.0 |
| Change in translation reserve | | | –51.9 | –1.6 | | | –53.5 |
| Tax attributable to hedging | | | –23.8 | | | | –23.8 |
| Change in reserves | | | | –12.9 | 74.5 | | 61.6 |
| **Total changes in wealth reported directly in terms of equity, excluding transactions with the company's owner** | | | **–75.7** | **–14.5** | **74.5** | | **–15.7** |
| Result for the year | | | | | | 62.9 | 62.9 |
| **Total changes in wealth, excluding transactions with the company's owner** | | | **–75.7** | **–14.5** | **74.5** | **62.9** | **47.2** |
| Dividends | | | | | | –47.7 | –47.7 |
| **Closing balance, 31 Dec 2007** | **381.8** | **61.9** | **–231.7** | **21.0** | **89.9** | **1,303.6** | **1,626.5** |

1) Result brought forward including result for the year.
2) See note 20.

# Group cash flow statement

| 1 January–31 December, SEK million | Note | 2008 | 2007 |
|---|---|---|---|
| | 26 | | |
| **Cash flow from operations** | | | |
| Result before tax | | 78.1 | 48.0 |
| Adjustments for items not included in cash flow | | 125.1 | 75.0 |
| Paid income tax | | | |
| **Cash flow from operating activities before changes in working capital** | | **203.2** | **123.0** |
| | | | |
| **Cash flow from changes in working capital** | | | |
| Increase (–)/Decrease (+) in operating receivables | | 52.6 | 26.1 |
| Increase (+)/Decrease (–) in operating liabilities | | 11.8 | 11.5 |
| **Cash flow provided by operating activities** | | **267.6** | **160.6** |
| | | | |
| **Investment activities** | | | |
| Acquisition of fixed assets | | –301.3 | –838.6 |
| Acquisition of financial assets | | –52.2 | |
| Sale of financial fixed assets | | 25.2 | 81.1 |
| **Cash flow from investment activities** | | **–328.3** | **–757.5** |
| | | | |
| **Financing activities** | | | |
| Utilisation of credit facility | | 128.4 | 694.1 |
| Amortisation of credit facility | | –48.8 | –69.6 |
| Dividend | | –47.7 | –47.7 |
| Other financing | | 10.8 | 35.6 |
| **Cash flow from financing activities** | | **42.7** | **612.4** |
| | | | |
| Cash flow for the year | | –18.0 | 15.5 |
| Cash and cash equivalents, opening balance | | 55.6 | 30.2 |
| Exchange rate differences | | –6.3 | 9.9 |
| **Cash and cash equivalents, at year-end** | | **31.3** | **55.6** |

# Income statement for the parent company

| 1 January–31 December, SEK million | Note | 2008 | 2007 |
|---|---|---|---|
| Net sales | 2, 3 | 50.3 | 51.7 |
| **Total income** | | **50.3** | **51.7** |
| | | | |
| Operating costs for ships | | –12.4 | –16.1 |
| Seagoing personnel costs | | –14.6 | –14.7 |
| Other external costs | | –15.1 | –13.5 |
| Personnel costs | 4, 16 | –7.8 | –9.0 |
| Depreciation according to plan | 8 | –18.6 | –18.5 |
| **Operating result** | 4, 5, 24 | **–18.2** | **–20.1** |
| | | | |
| Results from financial items: | | | |
| Result from shares in Group companies | | 163.7 | |
| Results from other securities and receivables that are fixed assets | | 2.6 | |
| Other interest income and similar items | | 11.3 | 104.2 |
| Interest expenses and similar profit/loss items | | –206.6 | –55.5 |
| **Result after financial net** | 6 | **–47.2** | **28.6** |
| | | | |
| **Result before tax** | | **–47.2** | **28.6** |
| | | | |
| Tax | 7 | 55.7 | –8.9 |
| **Result for the year** | | **8.5** | **19.7** |

# Balance sheet for the parent company

| As of 31 December, SEK million | Note | 2008 | 2007 |
|---|---|---|---|
| **Assets** | | | |
| **Fixed assets** | 22 | | |
| Tangible fixed assets | 8 | 415.1 | 433.8 |
| *Financial fixed assets* | | | |
| Shares in Group companies | 25 | 745.8 | 754.2 |
| Other long-term securities | 20 | 28.5 | |
| Other long-term receivables | 11 | 5.6 | 7.7 |
| Deferred tax assets | 7 | 46.3 | |
| *Total financial fixed assets* | | *826.2* | *761.9* |
| **Total fixed assets** | | **1,241.3** | **1,195.7** |
| **Current assets** | | | |
| *Short-term receivables* | | | |
| Receivables Group companies | | 164.6 | |
| Other receivables | 11 | 2.1 | 40.0 |
| Prepaid expenses and accrued income | 12 | 4.1 | 3.6 |
| *Total current receivables* | | *170.8* | *43.6* |
| *Short-term investments* | | | |
| Other short-term investments | 20 | 30.1 | 61.6 |
| *Total short-term investments* | | *30.1* | *61.6* |
| Cash and cash equivalents | 26 | 322.1 | 271.5 |
| **Total current assets** | | **523.0** | **376.7** |
| **Total assets** | | **1,764.3** | **1,572.4** |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| *Restricted equity* | | | |
| Share capital | 14 | 381.8 | 381.8 |
| Reserve fund | | 138.3 | 138.3 |
| *Non-restricted equity* | | | |
| Result brought forward | | 71.7 | 99.2 |
| Result for the year | | 8.5 | 19.7 |
| **Total equity** | | **600.3** | **639.0** |
| **Long-term liabilities** | | | |
| Liabilities to credit institutions | 15, 20 | 1,087.1 | 836.4 |
| Other liabilities | 18 | 5.6 | 7.7 |
| Deferred tax liability | 7 | | 9.2 |
| *Total current liabilities* | | *1,092.7* | *853.3* |
| **Total current liabilities** | | | |
| Liabilities to credit institutions | 20 | 29.3 | 34.4 |
| Accounts payable | | 1.1 | |
| Liabilities to Group companies | | | 30.7 |
| Other liabilities | | 17.7 | 1.9 |
| Accrued expenses and deferred income | 19 | 23.2 | 13.1 |
| *Total current liabilities* | | *71.3* | *80.1* |
| **Total equity and liabilities** | | **1,764.3** | **1,572.4** |

# Pledged assets and contingent liabilities for the parent company

| As at 31 December, SEK million | Note | 2008 | 2007 |
|---|---|---|---|
| **Pledged assets** | 23 | 312.8 | 257.3 |
| **Contingent liabilities** | 23 | 189.5 | 352.4 |

# Summary of changes in the parent company's equity

| | Restricted equity | | Non-restricted equity | | |
|---|---|---|---|---|---|
| SEK million | Share capital | Reserve fund | Result brought forward | Result for the year | **Total equity** |
| Opening balance, 1 Jan 2008 | 381.8 | 138.3 | 99.2 | 19.7 | 639.0 |
| Result for the previous year | | | 19.7 | –19.7 | 0.0 |
| Result for the year | | | | 8.5 | 8.5 |
| Group contribution | | | 0.7 | | 0.7 |
| Tax for Group contribution | | | –0.2 | | –0.2 |
| Dividends | | | –47.7 | | –47.7 |
| **Closing balance, 31 Dec 2008** | **381.8** | **138.3** | **71.7** | **8.5** | **600.3** |

| | Restricted equity | | Non-restricted equity | | |
|---|---|---|---|---|---|
| SEK million | Share capital | Reserve fund | Result brought forward | Result for the year | **Total equity** |
| Opening balance, 01 Jan 2007 | 381.8 | 138.3 | 72.1 | 77.7 | 669.9 |
| Result for the previous year | | | 77.7 | –77.7 | 0.0 |
| Result for the year | | | | 19.7 | 19.7 |
| Group contribution | | | –4.0 | | –4.0 |
| Tax for Group contribution | | | 1.1 | | 1.1 |
| Dividends | | | –47.7 | | –47.7 |
| **Closing balance, 31 Dec 2007** | **381.8** | **138.3** | **99.2** | **19.7** | **639.0** |

# Cash flow statement for the parent company

| 1 January–31 December, SEK million | Note | 2008 | 2007 |
|---|---|---|---|
| | 26 | | |
| **Cash flow from operations** | | | |
| Result before tax | | –47.2 | 28.6 |
| Adjustments for items not included in cash flow | | 44.9 | –22.3 |
| **Cash flow from operating activities before changes in working capital** | | **–2.3** | **6.3** |
| | | | |
| **Cash flow from changes in working capital** | | | |
| Increase (-)/Decrease (+) in operating receivables | | 45.0 | –11.2 |
| Increase (+)/Decrease (–) in operating liabilities | | –20.6 | –189.7 |
| **Cash flow provided by operating activities** | | **22.1** | **–194.6** |
| | | | |
| **Investment activities** | | | |
| Investment in vessels | | –1.3 | |
| Sale of financial assets | | 19.5 | |
| Acquisition of financial assets | | –20.1 | |
| **Cash flow from investment activities** | | **–1.9** | **0.0** |
| | | | |
| **Financing activities** | | | |
| Utilisation of credit facility | | 121.8 | 517.3 |
| Amortisation of credit facility | | –43.7 | –62.1 |
| Dividend | | –47.7 | –47.7 |
| **Cash flow from financing activities** | | **30.4** | **407.5** |
| | | | |
| Cash flow for the year | | 50.6 | 213 |
| Cash and cash equivalents, opening balance | | 271.5 | 58.5 |
| **Cash and cash equivalents, at year-end** | | **322.1** | **271.5** |

# Notes to the financial statements

## 1 Accounting Principles

**(a) Agreement with norms and legislation**
The consolidated accounts have been drawn up in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and statements of interpretation from the International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the EU Commission for application within the EU. Furthermore, the Financial Accounting Standards Council's recommendation RFR 1.1 Supplementary rules for consolidated financial statements has been applied.

The parent company applies the same accounting principles as the Group, except in those cases specified below in "The parent company's accounting principles". The deviations that arise between the parent company's and the Group's principles are caused by limits to the options for applying IFRS in the parent company as a result of the Swedish Annual Accounts Act and the Act on Safeguarding of Pension Commitments, and in some cases for tax purposes.

The annual accounts and consolidated accounts were approved for issue by the Board of Directors on 11 March, 2009. The consolidated income statement and balance sheet, as well as the parent company's income statement and balance sheet will be submitted for approval at the ordinary Annual General Meeting on 28 April, 2009.

**(b) Conditions for the preparation of the parent company's and Group's financial reports**
The Group's functional currency is the US dollar, but the Swedish krona (SEK) is used as the reporting currency for the parent company and the Group. This means that the financial reports are presented in Swedish krona. All sums, unless otherwise stated, are reported in SEK millions. Assets and liabilities are reported at historic acquisition values, except some financial assets and liabilities, which are reported at fair value. Financial assets and liabilities reported at fair value consist of derivative instruments, financial assets classified as financial assets valued at fair value via the income statement or as financial assets available for sale.

Fixed assets held for sale are reported at whichever is the lowest of the previously reported value and the fair value after deductions for selling expenses.

Creating the financial reports in accordance with IFRS requires the company's management to make assessments and estimates, as well as assumptions that affect the application of the accounting principles and the reported sums from assets, liabilities, income and expenses. The estimates and assumptions are based on historical experience and a number of other factors that, under normal conditions, would seem reasonable. The results of these estimates and assumptions are then used to assess the reported values of assets and liabilities that cannot be clarified by other means or sources. The actual result may deviate from these estimates and assessments. Estimates and assumptions are revised regularly. Changes to estimates are reported in the period the change was implemented if the change only affected that period, or in the period the change was implemented and subsequent periods if the change affects both the current period and subsequent periods.

Assessments made by the company's management when applying IFRS which have a considerable impact on the financial reports, and estimates which may lead to significant adjustments in future financial reports, are deemed not to exist at the present time.

The accounting principles mentioned below for the Group have been applied consistently in all periods recorded in the Group's financial reports, unless otherwise stated. The Group's accounting principles have been applied consistently to reporting and consolidation of the parent company, subsidiaries and joint venture companies.

**(c) New/revised accounting principles**
*(i) Reclassification*
In accordance with the amendments to IAS 39 and IFRS 7, the company has decided to reclassify the bond holdings for the year from its trading portfolio to investments that are held until maturity. Reclassification was made at 1 October 2008 when the market value in the bond portfolio was USD 52.6 million (of which the parent company USD 3.6 million). Up until this time the value changes were recognised against the income statement. At the end of the year the same bond portfolio (without changes to the holding) had a market value of USD 47.1 million (of which the parent company USD 2.4 million). Thus an additional USD –5.5 million (of which the parent company USD –1.2 million). would have been recognised in the income statement if the reclassification had not been made. The bond portfolio's nominal value at 31/12/08 was USD 54.1 million (of which the parent company USD 4.0 million)

*(ii) New IFRS and interpretations that have not yet been applied*
IFRS 8 Operations segment determines what an operative segment is and the information that must be provided about them in the financial reports. The standard, compiled by the EU, shall be applicable from and including the financial year 2009. The introduction of IFRS 8 is at present not considered to have any significant impact on the Group's segment reports.

Amendments to IAS 1 Structure of financial reports entail a degree of change to the presentation of the financial reports and the proposal of new, non-compulsory, titles for the reports. The changes do not affect the determination of the amounts that are reported. The amended IAS 1 is to be applied to the financial year that began 1 January 2009 or later.

Changes have been made to IAS 23 Loan costs, and these stipulate that there must be an activation of loan costs that directly concern purchase, construction or production of assets for the specific purpose or sale, if they demand a longer period to carry out. Changes that as yet have not been adopted by the EU shall apply to the financial year 2009. These will not have any effect since the activation of loan costs occurs even today when the above criteria are met.

Amendments to IAS 27 Cost of an Investment in a subsidiary, jointly controlled entity or associate. Applied to the financial year that began 1 January 2009 or later. Amendments affect, among other things, dividends received from subsidiaries, associated companies and joint venture companies and how the formation of a new parent company is recognised. Amendments is to apply to the financial year that began 1 January 2009 or later.

**(d) Segment reporting**

A segment is an identifiable part of the Group included in the accounts that either supplies products or services (lines of business) or goods or services within specific economic circumstances (geographical area), which are exposed to risks and opportunities that differ from other segments. Segment information is submitted in accordance with IAS 14 for the Group only.

**(e) Classification**

Fixed assets and long-term liabilities in the parent company and the Group consist almost entirely of amounts that are expected to be recovered or paid more than twelve months after the closing day. Current assets and liabilities in the parent company and the Group consist almost entirely of amounts expected to be recovered or paid within twelve months of the closing day.

**(f) Consolidation principles**

*(i) Subsidiaries*

Subsidiaries are companies over which Concordia Maritime AB (publ) has a controlling influence. A controlling influence means having the right, directly or indirectly, to shape a company's financial and operative strategies for the purpose of achieving financial advantages. When determining whether or not a controlling influence exists, potential voting shares that can be utilised or converted without delay must also be considered.

Subsidiaries are recognised using the acquisition method. This means that the acquisition of a subsidiary is regarded as a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes responsibility for its liabilities and contingent liabilities. The consolidation acquisition value is established through an acquisition analysis in connection with the acquisition. The analysis determines both the acquisition value of the share or business and the fair value of acquired identifiable assets and assumed liabilities and contingent liabilities. The difference between the acquisition value of the subsidiary's shares and the fair value of acquired assets, assumed liabilities and contingent liabilities constitutes consolidated goodwill, or negative goodwill. The financial reports of subsidiaries are included in the consolidated accounts from the acquisition date until the date the controlling influence ceases.

*(ii) Joint ventures*

Joint ventures are companies in the accounts over which the Group has a common controlling influence over operational and financial management through co-operation agreements with one or more parties. Shareholdings in joint ventures are consolidated using the proportional method in the consolidated accounts. The proportional method means that for joint-venture companies, the Group's ownership of the companies' income and expenses and assets and liabilities is reported in the consolidated income statement and balance sheet. This is done by the joint owner's share of assets and liabilities, income and expenses in a joint-venture company being merged item for item with corresponding items in the joint owner's consolidated accounts. Only equity earned after the acquisition is reported in the consolidated equity. The proportional method is applied from the date when the common controlling influence was gained until the date when it ceases.

*(iii) Transactions to be eliminated on consolidation*

Intra-Group receivables and liabilities, income or expenses and unrealised gains or losses that arise through intra-Group transactions between Group companies are eliminated in their entirety when drawing up the consolidated accounts. Unrealised gains that arise from transactions with associated companies and jointly controlled companies are eliminated to an extent equivalent to the Group's participating share in the company. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no indication of a requirement for impairment losses.

**(g) Foreign currency**

*(i) Transactions in foreign currencies*

Transactions in foreign currencies are translated into the functional currency at the exchange rate on the transaction day. Monetary assets and liabilities in foreign currencies are converted to the functional currency at the closing day rate. Exchange rate differences that arise during translation are reported in the income statement. Non-monetary assets and liabilities that are reported at the historical acquisition value are converted at the exchange rate on the transaction day. Non-monetary assets and liabilities that are reported at their fair value are converted to the functional currency at the rate applicable at the time when the fair value was determined. The exchange rate fluctuation is then reported in the same way as any other change in value for the asset or liability.

*(ii) Financial reports concerning foreign operations*

Assets and liabilities relating to foreign operations, including goodwill and other consolidation surplus and negative surplus values, are converted to Swedish krona at the closing day. Income and expenses from a foreign operation are converted to Swedish krona at an average exchange rate that is an approximation of the rates on each transaction day. Translation differences that occur during currency conversion of foreign operations are reported directly against equity as a translation reserve.

*(iii) Net investment in foreign operations*

Translation differences that arise in connection with translation of a foreign net investment and the associated effects of hedging of net investments are reported directly in the translation reserve under equity. When disposing of a foreign operation, the accumulated translation differences attributable to the operation after deductions for any currency hedging are realised in the consolidated income statement.

**(h) Income**

Consolidated income mainly consists of freight income and time-charter income for ships. Freight income is generated when ships are employed on the open market (also called the spot market), i.e. chartered voyage by voyage. Freight income is received and recognised as revenue when the voyage in question is concluded. Freight income for voyages ongoing at the time of each report is divided between the current report period and future report periods on the basis of the number of days the voyage lasts. If the net income (freight income less direct travel expenses) for the voyage is negative, the entire income is included in the current report period. Time-charter income is received when the ships are chartered out for a fixed period, normally one year or more. The income, which consists of a fixed charter rate for the vessel, is paid every month in advance and recognised as revenue in the same way as freight income. Profit-sharing contracts are reported as settled with the charterer. If the settlement period and the financial reporting period deviate, the profit-sharing contract is reported on the basis of the company management's assessments and estimates, based on the market situation and the charterer's actual earnings for the financial reporting period. The usual settlement period for profit-sharing contracts is monthly, per 90-day period or per 180-day period.

**(i) Operating expenses and financial income and expenses**

*(i) Payments regarding operating leases*

Time-charter agreements are classified as operating leases. For time-chartering, the ship's owner normally retains all risks, for example, when a ship is out of service due to repairs or technical problems. The shipowner is normally responsible for operations and the crew. The leaser's commitments normally cease at the end of the time-charter period. Payments regarding operating lease contracts are reported in the income statement in the same way as freight income above.

*(ii) Financial income and expenses*

Financial income and expenses comprise interest income from bank balances and receivables, as well as interest-bearing securities, interest expenses on loans, dividend income, exchange rate differences, unrealised and realised gains on financial investments, and derivative instruments used in financial activities.

Interest income on receivables and interest expenses on liabilities are calculated using the effective rate method. The effective rate is the rate that causes the present value of all future payments in and out during the fixed interest term to be the same as the reported value of the receivable or liability. Interest income includes allocated amounts for transaction costs and any discounts, premiums and other differences between the original value of the receivable and the amount received on maturity.

Dividend income is reported once the right to receive payment has been established.

**(j) Financial instruments**

Financial instruments that are reported in the balance sheet include, on the assets side, things like cash and cash equivalents, accounts receivable, shares and other equity instruments, loan and bond receivables, as well as derivatives. Items regarded as liabilities and equity include accounts payable, loans and derivatives.

Financial instruments are initially reported at an acquisition value equivalent to the instrument's fair value, with additions for transaction costs for all financial instruments except those that belong to the financial asset category reported at fair value via the income statement, which are instead reported at fair value excluding transaction costs. Further reporting then depends on how the instruments are classified, in accordance with the following.

A financial asset or financial liability is recognised in the balance sheet when the company becomes party to the instrument's contractual terms. Accounts receivable are recognised in the balance sheet once an invoice has been issued. Any liability is recognised once the other party has performed its contractual obligations for which payment is required, even if no invoice has been received. Accounts payable are recognised once an invoice has been received.

A financial asset is removed from the balance sheet once the rights as per the contract are realised or fall due, or the company loses control over the rights. The same applies to part of a financial asset. A financial liability is removed from the balance sheet once the contractual obligation has been fulfilled or has otherwise expired. The same applies to part of a financial liability.

The acquisition and sale of financial assets is reported on the trade date, which is the day on which the company commits itself to acquire or sell the asset, except in those instances when the company acquires or sells listed securities, which are instead reported on the settlement date.

The fair value of listed financial assets corresponds to the asset's listed buying price on the closing day providing there is an effective and liquid market.
In other cases, the equivalent fair value corresponds to the discounted cash flows. The fair value of unlisted financial assets is determined using valuation methods, for example, recently completed transactions, prices of similar instruments and discounted cash flows. For further information, see note 20.

On each reporting date, the company assesses whether or not there are any objective indications that a financial asset or a Group of financial assets is in need of an impairment loss. For equity instruments classified as available-for-sale assets, a significant and protracted downturn in the fair value below the acquisition value of the instrument is required before an impairment loss is recognised. If an impairment loss is required for an asset in the available-for-sale category, any previously accumulated reduction in value reported directly against equity is transferred to the income statement. Impairment losses of equity instruments recognised in the income statement must not be reversed later via the income statement.

IAS 39 classifies financial instruments into categories. The classification depends on the intended purpose in acquiring the financial instrument. The company's management determines the classification on the original acquisition date. The categories are as follows:

*Financial assets valued at fair value via the income statement*

Financial assets held for trade are included here. A financial asset is classified as being held for trading if it is acquired for the purpose of being sold in the short term. Stand-alone and embedded derivatives are classified as being held for trading, except when they are used for hedge accounting. Assets in this category are continuously measured at fair value with changes in value reported in the income statement.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. Receivables arise when companies provide money, goods or services direct to the borrower with no intention of carrying on trade in the rights in action. Accounts receivable are reported at the amount expected to flow in after deductions for unsecured receivables that have been assessed individually. The expected term for accounts receivable is short, which is why the value has been reported at a nominal amount without any discounting.
Write-downs of accounts receivable are reported in the operating expenses. This category also includes acquired receivables. Assets in this category are measured at the accrued acquisition value. The accrued acquisition value is determined on the basis of the effective rate calculated on the acquisition date.

*Held-to-maturity investments*

Financial assets with payment streams that are fixed or can be determined in advance and have a fixed term, which the company expressly intends to hold, and is able to hold until maturity. Assets in this category are measured at the accrued acquisition value. The accrued acquisition value is determined on the basis of the effective rate calculated on the acquisition date. This means that surplus and negative surplus values, as well as direct transaction expenses, are allocated over the term of the instrument. In accordance with the amendments made to IFRS 7 and IAS 39 in October 2008, the company has reclassified its bond holding to this category from "Financial assets valued at fair value via the income statement".

*Available-for-sale financial assets*

The Available For Sale financial assets category (AFS) includes financial assets not classified in any other category or those that the company initially chose to classify in this category. Assets in this category are continuously measured at fair value with changes in value against equity under the heading "Fund for fair value". In accordance with the general rule, the listed holdings must be valued at share value on the closing day, but in 2008 trading in Arlington Tankers was severely restricted. This means that the holding was valued in accordance with an alternative method on the basis of future expected cash flows. When investments are removed from the balance sheet, any previously reported accumulated result in equity is transferred to the income statement.

*Financial liabilities valued at fair value via the income statement*

This category consists of financial liabilities held for trading and derivatives (stand-alone and embedded) which are not used for hedge accounting. Liabilities in this category are continuously measured at fair value with changes in value recognised in the income statement.

*Other financial liabilities*

Financial liabilities that are not held for trading are measured at their accrued acquisition value. The accrued acquisition value is based on the effective interest rate as calculated when the liability is accepted. This means that surplus and negative surplus values, as well as direct issue expenses, are allocated over the term of the liability.

*Derivatives used for hedge accounting*

All derivatives are reported at their fair value in the balance sheet. Value changes are reported in the income statement for hedging at fair value. For cash flow hedging and hedging of net investments in a foreign currency, the value changes are reported in specific categories within equity, pending the hedged item being reported in the income statement. Hedge accounting is described in greater detail below.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash funds and instantly accessible balances at banks and similar institutions, as well as short-term liquid investments with a term from the acquisition date of less than three months, which are exposed to only a minor risk of value fluctuations.

*Financial investments*

Financial investments consist of either financial assets or short-term investments, depending on the purpose of the holding. If the term or the expected term of possession is more than one year, they are financial assets and if shorter than one year, they are short-term investments.

Financial investments that consist of shares belong to either the financial assets valued at their fair value via the income statement category or the available-for-sale financial assets category.

Interest-bearing securities that are acquired for the purpose of being held until maturity belong to financial assets held until maturity and are valued at the accrued acquisition value.

Interest-bearing securities not likely to be held to maturity are classified as financial assets valued at their fair value via the income statement or available-for-sale financial assets.

When valued at fair value via the income statement, the value change is reported as financial net income/expense.

*Long-term receivables and other receivables*

Long-term receivables and other short-term receivables are receivables that arise when the company provides money with no intention of carrying on trade involving rights in action. If the expected term of possession is more than one year, they are classed as long-term receivables, and if it is less, as other receivables. These receivables belong to the loans and receivables category.

*Liabilities*

Liabilities are classified as other financial liabilities, which means that they are initially reported at the received amount after deductions for transaction costs. After the time of acquisition the loan is valued to its fair value. Long-term liabilities have an expected term of more than one year, while current liabilities have a term of less than one year.

*Accounts payable*

Accounts payable belong to the other financial liabilities category. Accounts payable have a short expected term and are measured without discounting at a nominal amount. For further information, see note 20.

**(k) Derivatives and hedge accounting**

Derivative instruments comprise things like futures contracts, warrants and swaps that are utilised to cover the risks of exchange rate fluctuations and/or exposure to interest rate risks. Derivatives are also agreement terms embedded in other agreements. Embedded derivatives must be reported separately if they are not closely related to the contract. Value changes affecting derivative instruments, both stand-alone and embedded, are reported in the income statement according to the purpose of possession. If a derivative is used for hedge accounting to the extent this is effective, value changes affecting the derivative are reported on the same line in the income statement as the hedged item. Even if hedge accounting is not used, increases and decreases in value affecting the derivative are reported as income or an expense in the operating result or in the financial net income/expense based on the purpose of using the derivative instrument and whether the use is to be related to an operating item or a financial item. In hedge accounting, ineffectiveness is reported in the same way as value changes affecting a derivative that is not being used for hedge accounting.

If hedge accounting is not applied when using interest swaps, the interest coupon is reported as interest, and other changes in the value of the interest swap are reported as other financial income or other financial expense.

In order to meet the requirements for hedge accounting as per IAS 39, an unambiguous connection to the hedged item is required. It must also be the case that hedging effectively protects the hedged item, that hedge documentation has been completed and that the effectiveness is measurable. Gains and losses associated with hedging are reported in the income statement at the same time as gains and losses are reported for hedged items. In those instances when the conditions for hedge accounting can no longer be met, the derivative instrument is reported at fair value with the change in value via the income statement in accordance with the principle described above.

*Receivables and liabilities in a foreign currency*

When hedging assets or liabilities against exchange rate risk, instruments such as currency futures can be used. No hedge accounting is required for these hedges, as both the hedged item and hedging instrument are valued at their fair value with changes in value reported in the income statement under exchange rate differences. Changes in value for business-related receivables and liabilities are reported in the operating result, while changes in value for financial receivables and liabilities are reported as a financial net income/expense.

*Transaction exposure – cash flow hedges*

Currency exposure regarding future forecasted cash flows is hedged through currency futures, for example. The instrument that protects the forecast cash flow is recorded in the balance sheet at fair value. The value changes are reported directly against equity in the hedging reserve until the hedged cash flow reaches the income statement, when the hedging instrument's accumulated value changes are transferred to the income statement in order to meet and match the profit effects of the hedged transaction. The hedged cash flows can be both contracted or forecast transactions.

As the hedged future cash flow refers to a transaction set up as an asset in the balance sheet, the hedging reserve is dissolved when the hedged item is reported in the balance sheet. If the hedged item consists of a non-financial asset or a non-financial liability, the dissolution from the hedging reserve is included in the original acquisition value for the asset or liability. If the hedged item consists of a financial asset or financial liability, the hedging reserve is gradually dissolved against the income statement as the hedged item affects the result.

When a hedging instrument falls due, is sold, liquidated or redeemed, or the company modifies identification of the hedging relationship before the hedged transaction has occurred and the forecast transaction is still expected to occur, the reported accumulated profit or loss in the hedging reserve remains as equity and is reported in a similar way as above when the transaction occurs.

If the hedged transaction is no longer expected to occur, the hedging instrument's accumulated profit or loss is immediately dissolved against the income statement in accordance with the principles described above for derivative instruments.

*Hedging of the Group's fixed interest – cash flow hedges*

Interest swaps are used to hedge interest risks, etc. The instrument is measured at fair value in the balance sheet. In the income statement, the interest coupon part is continually reported as interest income or interest expense; any other value change in the instrument is reported directly against the hedging reserve as equity, provided the criteria for hedge accounting and effectiveness are met.

*Hedging a fair value*

When a hedging instrument is used to hedge a fair value, the derivative is entered at fair value in the balance sheet and the hedged asset/liability is also entered at fair value with regard to the risk being hedged. The change in value of the derivative is reported in the income statement along with the change in value of the hedged item.

*Net investments*

Investments in foreign subsidiaries (net assets including goodwill) have to a certain extent been hedged through the raising of futures contracts. On the closing day these are recognised at the closing day rate. Exchange rate differences recognised as income by the parent company are eliminated in the consolidated accounts on conversion of net assets in the subsidiary transferred as equity. In those instances hedging is not effective, the ineffective part is reported in the income statement.

**(l) Tangible fixed assets**

*(i) Owned assets*

Tangible fixed assets are reported as assets in the balance sheet if it is likely that future financial advantages will be gained by the company and the acquisition value of the asset can be calculated in a reliable way.

Tangible fixed assets are reported in the Group at acquisition value after deductions for accumulated depreciation and any impairment loss. The acquisition value includes the purchase price and expenses directly attributable to the asset in order to acquire it in a condition where it can be utilised in accordance with the aim of the acquisition. Examples of directly attributable expenses included in the acquisition value are cost of delivery and handling, installation, land registration, consultancy services and legal services. Loan costs are included in the acquisition value for non-current assets produced by the Group. The accounting principles for impairment losses are shown below.

The acquisition value for non-current assets produced by the group includes material costs, remuneration expenses for employees and, if applicable, other manufacturing costs regarded as directly attributable to the asset.

Tangible fixed assets that consist of parts with varying economic lives are treated as separate components of tangible fixed assets.

The reported value for tangible fixed assets is removed from the balance sheet when scrapped, sold or when no future financial advantages are expected from use or scrapping/selling the asset. Any profit or loss resulting from the sale or scrapping of an asset comprises the difference between the sale price and the asset's reported value with deductions for direct selling expenses. The result is reported as other operating income/cost.

*(ii) Additional expenses and periodic maintenance*

Additional expenses for periodic maintenance are added to the acquisition value only if it is likely that the future financial advantages that are associated with the asset will be available to the company and the acquisition value can be calculated in a reliable way. Depreciation charges for periodic maintenance are reported in the income statement as part of Operating costs for ships, and not as Depreciation according to plan. This division is made in order to clarify the results for operating ships. In note 8, the depreciation charges for periodic maintenance are reported in a separate line. All other additional expenses are reported as a cost for the period in which they arise. The depreciation period for periodic maintenance for owned tonnage is between thirty months and five years, while the depreciation period for time-chartered tonnage runs until the next dry-docking or until re-delivery of the vessel.

A decisive factor in assessing when an additional expense is added to the acquisition value is whether the expense refers to the exchange of identified components, or parts thereof, when such expenses are set up as an asset. Even in those instances when a new component has been created, the expense is added to the acquisition value. Any undepreciated reported values for exchanged components, or parts of components, are scrapped and written off in connection with the exchange. Repairs are written off on an ongoing basis.

*(iii) Loan costs*

Loan costs which are directly attributable to the purchase, construction or production of an asset, which requires a significant period of time to be made ready for the intended use or sale, are included in the asset's acquisition value. Loan costs are capitalised, provided it is probable that they will lead to future financial advantages and the costs can be measured in a reliable way.

*(iv) Depreciation principles*

Depreciation is done in a straight line over the asset's estimated economic life. The Group applies component depreciation, which means that the components' assessed economic life forms the basis for any depreciation.

Estimated economic lives:

| | |
|---|---|
| Ships | 25 years |
| Periodic maintenance (docking) ship components | 2.5–5 years |
| Equipment, tools and installations | 2–5 years |

An asset's residual value and economic life are assessed annually.

**(m) Impairment losses**

The reported values of the Group assets are checked on every closing day with respect to the need for impairment losses.

**(n) Share capital**

*Dividends*

Dividends are reported as a liability once the Annual General Meeting has approved the dividend.

**(o) Remuneration to employees**

*Defined-contribution pensions*

All pension plans in the Group are classified as defined-contribution pension plans. The company's obligation for each period consists of the sums that the company is to contribute for the period in question. This sum is charged to the income statement for the period.

**(p) Provisions**

A provision is reported in the balance sheet when the Group has an existing legal or informal obligation as a result of an event that has occurred, and it is likely that an outflow of resources will be required to settle the obligation, and a reliable assessment of the amount can be made. Where the effect of the date of payment is important, provisions are calculated by discounting the expected future cash flow at a rate of interest before tax that reflects current market assessments of the time value of money and, where applicable, the risks associated with the liability.

**(q) Taxes**

Income tax comprises current tax and deferred tax. Income tax is reported in the income statement, except when an underlying transaction is reported directly as a change in equity, whereby any pertaining tax effect is reported as equity.

Current tax is tax that must be paid or received in relation to the current year, with application of the tax rates that have been adopted or adopted in practice as of the closing day; this also includes adjustment of current tax attributable to previous periods. Deferred tax is calculated as per the balance sheet method based on temporary differences between the reported and taxable values of assets and liabilities. The following temporary differences are not taken into account; initial reporting of assets and liabilities that are not business acquisitions and, at the time of the transaction, affect neither the reported nor taxable profit; furthermore temporary differences attributable to shares in subsidiaries or associated companies not expected to be reversed within the foreseeable future are not taken into consideration. The valuation of deferred tax is based on how reported values of assets or liabilities are expected to be realised or settled. Deferred tax is calculated with application of the tax rates and tax rules that have been adopted or adopted in practice as of the closing day. Deferred tax assets regarding deductible temporary differences and deficit deductions are reported only to the extent it is likely these can be utilised. The value of deferred tax assets is reduced when it is assessed to be no longer likely that these can be utilised. Any additional income tax that arises through dividends is reported at the same time as the dividend is reported as a liability.

**(r) Fixed assets held for sale**

The implication of a fixed asset classified as held for sale is that its reported value will be recovered, in the main, through its sale and not through use.

Immediately before classification as held for sale, the reported value of the assets must be determined in accordance with applicable standards.

When first classified as held for sale, fixed assets are reported at whichever is the lowest, the reported value or fair value with deduction for selling expenses. According to IFRS 5.5, certain balance sheet items are exempt from the valuation rules that apply to IFRS 5. For each subsequent report, the fixed asset must be valued as a whole at the fair value with deductions for selling expenses.

Losses as a result of a drop in value on initial classification as held for sale are included in the income statement, even when it is a question of revaluation. The same is applied to profits or losses on subsequent revaluations. A company may not write off a fixed asset as long as it is classified as being held for sale.

**(s) Contingent liabilities**

A contingent liability is reported when there is a possible commitment arising from an event that has occurred and whose occurrence is confirmed only by one or more uncertain future events, or when there is a commitment that is not being reported as a liability or provision because it is unlikely that an outflow of resources will be required.

**The parent company's accounting principles**

The parent company has drawn up its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and the Financial Accounting Standards Council's recommendation RFR 2.1, Accounting for Legal Entities. RFR 2.1 means that the parent company in the annual accounts for the legal entity must apply all IFRS and statements approved by the EU, provided this is possible within the framework of the Annual Accounts Act and with regard to the connection between accounting and taxation. The recommendation states which exceptions and additions are to be made to IFRS. The differences between the Group and parent company's accounting principles are described here.

The accounting principles mentioned below for the parent company have been applied consistently in all periods recorded in the parent company's financial reports.

**Net sales**

*Sale of goods and implementation of service assignments*

Service assignments are reported as profit in the parent company in accordance with the Annual Accounts Act chap. 2 § 4 once the service is completed. Until then, ongoing work on behalf of others with regard to service assignments is reported at whichever is the lowest, the acquisition value or net sales value on the closing day.

*Dividends*

Dividend income is reported when the shareholders' right to receive payment is deemed to be certain.

*Financial instruments*

The parent company applies Annual Accounts Act chap. 4 § 14 a–e, which permits the valuation of certain financial instruments at fair value.

*Derivatives and hedge accounting*

Derivatives not used for hedging are valued in the parent company at their fair value as per the Annual Accounts Act. Reporting of derivatives used for hedging is controlled by the hedged item. This means that the derivative is treated as an off balance-sheet item, provided the hedged item is not included in the balance sheet or is in the balance sheet at acquisition value. Once the hedged item is reported in the balance sheet, the derivative is reported in the balance sheet at its fair value.

**Tangible fixed assets**

*Owned assets*

Tangible fixed assets in the parent company are reported at acquisition value after deductions for accumulated depreciation and any impairment loss in the same way as for the Group, but with the addition of any written-up values.

**Taxes**

The parent company reports untaxed reserves including deferred tax liability. In the consolidated accounts, untaxed reserves are allocated between deferred tax liability and equity.

**Group contributions and shareholders' contributions for legal entities**

The company reports Group contributions and shareholders' contributions in accordance with the statement from the Financial Accounting Standards Council (UFR 2). Shareholders' contributions are transferred directly to equity for the receiver and are capitalised as assets in shares and participating interests by the giver, to the extent no impairment loss is required. Group contributions are reported according to financial substance. This means that Group contributions made for the purpose of minimising the Group's total tax are reported directly to profit brought forward after deductions for its current tax effect.

**Fixed assets held for sale and discontinued operations**

Fixed assets held for sale and discontinued operations are not reported separately in the parent company's income statement and balance sheet as the parent company observes AAAs standard layouts for income statements and balance sheets. Information on fixed assets held for sale and discontinued operations i submitted as a note instead. Furthermore, depreciation is made in accordance with the Annual Accounts Act.

## 2 Segment reporting

Segment reporting is used for the Group's lines of business (Product Tanker and Large Tanker/VLCC) and geographical areas (America, France and Other). The Group's internal reporting system is based on monitoring the return from the Group's various freight services, which is why lines of business are the primary basis for division. There is no internal trade between the different segments.

The result, assets and liabilities for each segment include directly attributable items and items that can be divided by segment in a reasonable and reliable manner.

Non-divided items consist of interest and dividend income, profits from the disposal of financial investments, interest expenses, losses from the disposal of financial investments, tax expenses and general administrative costs. Assets and liabilities that have not been divided by segment are deferred tax assets and deferred tax liabilities or other assets or liabilities that are not directly attributable to a specific segment. Investments in property, plant and equipment for the segment include all investments, apart from investments in short-term equipment and equipment of lesser value.

**Lines of business**

Lines of business constitute the Group's primary segments. The Group consists of the following lines of business:

- Product tankers
- Large tankers/VLCC

**Geographic areas**

The Group's segments are divided into the following three geographical areas: America, France and Other. Geographical areas comprise the Group's secondary segments. The information presented with regard to segment income refers to the geographical areas grouped according to where customers are located.

| Income by material type of income | The Group | | The parent company | |
|---|---|---|---|---|
| SEK million | **2008** | 2007 | **2008** | 2007 |
| Net sales: | | | | |
| Time-charter income | 560.0 | 457.2 | 50.3 | 51.7 |
| **Total** | **560.0** | **457.2** | **50.3** | **51.7** |

**Lines of business**

| | Product tankers | | Large tankers/VLCC | | The Group | |
|---|---|---|---|---|---|---|
| The Group | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 |
| Net sales | 352.3 | 275.6 | 207.7 | 181.6 | 560.0 | 457.2 |
| Result from ship sales | | | | | | |
| **Total income** | **352.3** | **275.6** | **207.7** | **181.6** | **560.0** | **457.2** |
| Result per line of business | 114.2 | 85.7 | –17.2 | –40.7 | 97.0 | 45.0 |
| Unallocated costs | | | | | –10.6 | –11.0 |
| **Operating result** | | | | | **86.4** | **34.0** |
| Financial net | | | | | –8.3 | 14.0 |
| Tax expenses | | | | | 17.7 | 14.9 |
| **Result for the year** | | | | | **95.8** | **62.9** |
| Assets | 3,091.0 | 1,913.0 | 278.5 | 272.1 | 3,369.5 | 2,185.2 |
| Unallocated assets | | | | | 117.0 | 625.0 |
| **Total assets** | | | | | **3,486.5** | **2,810.2** |
| Liabilities | 1,392.2 | 1,109.5 | 44.3 | 27.5 | 1,436.5 | 1,137.0 |
| Unallocated liabilities | | | | | 83.0 | 46.7 |
| **Total current liabilities** | | | | | **1,519.5** | **1,183.7** |
| Investments | 301.3 | 834.7 | | 3.9 | 301.3 | 838.6 |
| Depreciation | 74.9 | 56.5 | 1.3 | 1.0 | 76.2 | 57.5 |
| EBITDA before administration expenses (cash flow measurement) | 189.1 | 156.0 | –15.9 | –37.3 | | |

## 3 Division of income

**Geographic areas**

| | America | | France | | Other | |
|---|---|---|---|---|---|---|
| The Group | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 |
| Net sales | 125.3 | 208.9 | 143.5 | | 291.2 | 248.3 |

The parent company's income is attributable to Other.

## 4 Employee and personnel costs

### Remuneration expenses for employees

| The Group | 2008 | 2007 |
|---|---|---|
| Salaries and remuneration etc. | 59.2 | 40.4 |
| Pension expenses, contribution-based pensions | 1.3 | 1.3 |
| Social security expenses | 2.8 | 2.9 |
| | **63.3** | **44.6** |

### Average number of employees

| The parent company | 2008 | Of which men | 2007 | Of which men |
|---|---|---|---|---|
| Sweden | 2 | 100% | 2 | 100% |
| **Total parent company** | **2** | **100%** | **2** | **100%** |
| Subsidiaries | | | | |
| Switzerland | 2 | 0% | 2 | 50% |
| Bermuda | 1 | 100% | 1 | 100% |
| **Total for subsidiaries** | **3** | **33%** | **3** | |
| Seagoing personnel | 170 | 100% | 161 | 100% |
| **Group, total** | **175** | **99%** | **166** | **99%** |

Information on absence due to illness is not provided, as the parent company in Sweden has fewer than 10 employees.

### Gender distribution of company management

| The parent company | 2008 Share of women | 2007 Share of women |
|---|---|---|
| The Board of Directors | 0% | 0% |
| Other senior executives | 0% | 0% |
| The Group | | |
| The Board of Directors | 0% | 0% |
| Other senior executives | 33% | 25% |

### Salaries, other remuneration and social security expenses

| | 2008 | | 2007 | |
|---|---|---|---|---|
| The parent company | Salaries and remu-neration | Social security expenses | Salaries and remu-neration | Social security expenses |
| The parent company | 5.2 | 3.7 | 5.7 | 3.8 |
| (of which pension expenses) | | 1.0[1] | | 1.1[1] |

1) Of the parent company's pension expenses, SEK 1,003 (1,104) thousand relates to the Board of Directors, the Management Group and the President.

### Salaries and other remuneration by country and between Board members, etc. and other employees

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Board of Directors, President and Man-agement Group | Other employees | Board of Directors, President and Man-agement Group | Other employees |
| Parent company: Sweden | 5.7 | | 6.2 | |
| Subsidiaries: Switzerland | 1.4 | 0.3 | 4.0 | 0.1 |
| Subsidiaries: Bermuda | 0.1 | | 0.1 | |
| Seagoing personnel | | 51.7 | | 32.0 |
| **Group, total** | **7.2** | **52.0** | **10.3** | **32.1** |
| (of which Board fees) | (1.9) | | (1.8) | |

For further information, see note 16.

## 5 Auditors' fees and costs

| | The Group | | The parent company | |
|---|---|---|---|---|
| SEK million | 2008 | 2007 | 2008 | 2007 |
| KPMG | | | | |
| Audit assignments | 1.5 | 1.1 | 0.8 | 0.5 |
| Other assignments | 0.3 | 0.1 | 0.1 | 0 |

Audit assignments refer to the examination of the Annual Report, the accounts and the administration of the Board of Directors and the President; other tasks included in the duties of the company's auditor as well as advice and other assistance occasioned by observations made during his/her examination or performance of these other tasks. Everything else falls under other assignments.

## 6 Financial net

| The Group, SEK million | 2008 | 2007 |
|---|---|---|
| Interest income on cash and cash equivalents | 5.1 | 2.3 |
| Interest income on financial assets held to maturity | 31.1 | |
| Interest income on financial assets valued at fair value | | 39.7 |
| Dividends on financial assets available for sale | 23.0 | 24.2 |
| **Financial income** | **59.2** | **66.2** |
| Interest expenses on financial liabilities valued at fair value | 38.4 | 38.5 |
| Other financial expenses | 0.6 | 0.4 |
| Net loss due to disposal of financial assets valued at fair value | 1.1 | 0.1 |
| Net change in value on revaluation of financial assets | 27.4 | 13.0 |
| Net exchange rate differences | | 0.2 |
| **Financial costs** | **67.5** | **52.2** |
| **Financial net** | **–8.3** | **14.0** |

| | Profit from shares in Group companies | |
|---|---|---|
| The parent company, SEK million | 2008 | 2007 |
| Dividends from the Group company | 172.1 | 0 |
| Impairment losses for shares in Group companies | –8.4 | 0 |
| **Total** | **163.7** | **0** |

| | Result from other securities and receivables | | Interest income and similar profit/loss items | |
|---|---|---|---|---|
| The parent company, SEK million | 2008 | 2007 | 2008 | 2007 |
| Interest income, other | | | 11.0 | 1.7 |
| Interest income on financial assets held to maturity | 2.5 | | | |
| Interest income on financial assets valued at fair value | | | | 2.8 |
| Dividend from financial assets valued at fair value | | | 0.3 | |
| Net result due to disposal of financial assets valued at fair value | 0.1 | | | |
| Net exchange rate differences | | | | 99.7 |
| | **2.6** | | **11.3** | **104.2** |

| | Interest expenses and similar profit/loss items | |
|---|---|---|
| The parent company, SEK million | 2008 | 2007 |
| Interest expenses, Group companies | | 3.5 |
| Interest expenses on financial liabilities valued at fair value | 52.1 | 51.5 |
| Net change in value on revaluation of financial assets/liabilities | 7.3 | 0.5 |
| Net result on disposal of financial exchange rate differences | 147.2 | |
| | **206.6** | **55.5** |

## 7 Taxes

### Reported in the income statement

| The Group, SEK million | 2008 | 2007 |
|---|---|---|
| Current tax expense(–)[/tax income(+)] | –0.1 | 0.1 |
| Deferred tax with regard to temporary differences | –0.6 | –20.7 |
| Deferred tax income during the year capitalised as tax loss carry forward | 62.8 | 11.7 |
| Tax reported against equity | –40.7 | 23.8 |
| Effect of changed tax rate | –3.7 | |
| **Total reported tax expense for the Group** | **17.7** | **14.9** |

| The parent company, SEK million | 2008 | 2007 |
|---|---|---|
| Deferred tax expense (–) [/tax income (+)] | | |
| Deferred tax income during the year capitalised as tax loss carry forward | 59.4 | 11.7 |
| Deferred tax expense resulting from excess depreciation | | –20.6 |
| Effect of changed tax rate | –3.7 | |
| **Total reported tax expense for the parent company** | **55.7** | **–8.9** |

Cont. note 7

### Reconciliation of effective tax

| The Group, SEK million | 2008, % | 2008 | 2007, % | 2007 |
|---|---|---|---|---|
| Result before tax | | 78.1 | | 48.0 |
| Tax as per applicable tax rate for parent company | 28 | 21.9 | 28 | 13.4 |
| Effect of other tax rates for foreign subsidiaries | –58 | –45.3 | –61 | –29.0 |
| Non-deductible expenses | 3 | 2.6 | 1 | 0.4 |
| Effect of changed tax rate | 5 | 3.7 | | |
| Adjustment for previous years | | | 1 | 0.3 |
| Tax-exempt income | –1 | –0.6 | | |
| **Reported effective tax** | **–23** | **–17.7** | **–31** | **–14.9** |

| The parent company, SEK million | 2008, % | 2008 | 2007, % | 2007 |
|---|---|---|---|---|
| Result before tax | | –47.2 | | 28.6 |
| Tax as per applicable tax rate for parent company | –28 | –13.2 | 28 | 8.1 |
| Non-deductible expenses | 6 | 2.6 | 1 | 0.3 |
| Tax-exempt dividend | –102 | –48.2 | | |
| Effect of changed tax rate | –1 | –0.6 | | |
| Adjustment for previous years | | | 2 | 0.5 |
| Tax-exempt income | 8 | 3.7 | | |
| **Reported effective tax** | **–117** | **–55.7** | **31** | **8.9** |

### Tax items reported directly against equity

| The Group, SEK million | 2008 | 2007 |
|---|---|---|
| Tax attributable to hedging | –40.7 | 23.8 |
| | **–40.7** | **23.8** |

*Reported in the balance sheet*
*Deferred tax assets and liabilities*

### Reported deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| | Deferred – tax assets | | Deferred tax liability | |
|---|---|---|---|---|
| The Group, SEK million | 2008 | 2007 | 2008 | 2007 |
| Provisions | | | 11.5 | 9.7 |
| Tax loss carry forwards | 94.9 | 39.4 | | |
| Excess depreciation | | | 45.2 | 48.6 |
| **Tax assets/liabilities** | **94.9** | **39.4** | **56.7** | **58.3** |
| Offset | –45.2 | –39.4 | –45.2 | –39.4 |
| **Tax assets/liabilities, net** | **49.7** | **0.0** | **11.5** | **18.9** |

### Reported deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| | Deferred tax assets/ liabilities | |
|---|---|---|
| The parent company, SEK million | 2008 | 2007 |
| Tax loss carry forwards | 91.5 | 39.4 |
| Excess depreciation | –45.2 | –48.6 |
| **Tax assets/liabilities, net** | **46.3** | **–9.2** |

The parent company's change between the years has been reported as deferred tax income.

The Group's tax loss carry forwards are distributed as follows:

| SEK million | 2008 | 2007 |
|---|---|---|
| Sweden | 347.9 | 140.6 |
| **Total** | **347.9** | **140.6** |

No tax loss carry forwards have a due date.

## 8 Tangible fixed assets

| The Group, SEK million | Ships | Ships under construction | Equipment | Total |
|---|---|---|---|---|
| *Acquisition value* | | | | |
| Opening balance, 1 January, 2008 | 1,870.2 | 158.3 | 0.4 | 2,028.9 |
| Purchases | 11.6 | 289.3 | 0.1 | 301.0 |
| Reclassification to vessels | | | | 0.0 |
| Sales/Scrapping | –3.3 | | | –3.3 |
| Exchange rate differences | 404.7 | 88.7 | | 493.4 |
| **Closing balance, 31 December, 2008** | **2,283.2** | **536.3** | **0.5** | **2,820.0** |
| Opening balance, 1 January, 2007 | 1,086.9 | 222.3 | 0.3 | 1,309.5 |
| Purchases | 12.5 | 826.0 | 0.1 | 838.6 |
| Reclassification to vessels | 883.4 | –883.4 | | |
| Exchange rate differences | –112.6 | –6.6 | | –119.2 |
| **Closing balance, 31 December, 2007** | **1,870.2** | **158.3** | **0.4** | **2,028.9** |
| *Depreciation and impairment losses* | | | | |
| Opening balance, 1 January, 2008 | 100.6 | | 0.3 | 100.9 |
| Depreciation for the year | 76.2 | | 0.1 | 76.3 |
| Depreciation for the year periodic maintenance | 12.6 | | | 12.6 |
| Sales/Scrapping | –3.3 | | | –3.3 |
| Exchange rate differences | 37.5 | | | 37.5 |
| **Closing balance, 31 December, 2008** | **223.6** | | **0.4** | **224.0** |
| Opening balance, 1 January, 2007 | 38.2 | | 0.2 | 38.4 |
| Depreciation for the year | 57.4 | | 0.1 | 57.5 |
| Depreciation for the year periodic maintenance | 10.1 | | | 10.1 |
| Exchange rate differences | –5.1 | | | –5.1 |
| **Closing balance, 31 December, 2007** | **100.6** | | **0.3** | **100.9** |
| Reported values | | | | |
| 1 January, 2008 | 1,769.6 | 158.3 | 0.1 | 1,928.0 |
| **31 December, 2008** | **2,059.6** | **536.3** | **0.1** | **2,596.0** |
| 1 January, 2007 | 1,048.7 | 222.3 | 0.1 | 1,271.1 |
| **31 December, 2007** | **1,769.6** | **158.3** | **0.1** | **1,928.0** |

### Loan costs

| The Group 2008, SEK million | Ships | Ships under construction | Total |
|---|---|---|---|
| Loan costs included in asset acquisition values during the reporting period | | 5.5 | 5.5 |

| The Group 2007, SEK million | Ships | Ships under construction | Total |
|---|---|---|---|
| Loan costs included in asset acquisition values during the reporting period | 7.6 | 2.6 | 10.2 |

| The parent company, SEK million | Ships | Equipment | Total |
|---|---|---|---|
| *Acquisition value* | | | |
| Opening balance, 1 January, 2008 | 465.3 | 0.4 | 465.7 |
| Acquisitions | 1.2 | 0.1 | 1.3 |
| **Closing balance, 31 December, 2008** | **466.5** | **0.5** | **467.0** |
| Opening balance, 1 January, 2007 | 465.3 | 0.3 | 465.6 |
| Acquisitions | | 0.1 | 0.1 |
| **Closing balance, 31 December, 2007** | **465.3** | **0.4** | **465.7** |
| Depreciation | | | |
| Opening balance, 1 January, 2008 | 31.6 | 0.3 | 31.9 |
| Depreciation for the year | 19.9 | 0.1 | 20.0 |
| **Closing balance, 31 December, 2008** | **51.5** | **0.4** | **51.9** |
| Opening balance, 1 January, 2007 | 11.6 | 0.2 | 11.8 |
| Depreciation for the year | 20.0 | 0.1 | 20.1 |
| **Closing balance, 31 December, 2007** | **31.6** | **0.3** | **31.9** |
| Reported values | | | |
| 1 January, 2008 | 433.7 | 0.1 | 433.8 |
| **31 December, 2008** | **415.0** | **0.1** | **415.1** |
| 1 January, 2007 | 453.7 | 0.1 | 453.8 |
| **31 December, 2007** | **433.7** | **0.1** | **433.8** |

### Securities

As of 31 December, 2008, ships with a reported value of SEK 2,084.6 (1,769.6) million have been offered as security for the available credit facility.

## 9 Participating interests in joint ventures

**Group**

The Group has a 50 percent holding in the joint-venture companies Terra LTD and Lacus LTD, two shipping companies.

The Group's financial reports include the items below that constitute the Group's ownership in the joint-venture company's assets, liabilities, income and expenses.

| The Group, SEK million | 2008 | 2007 |
|---|---|---|
| Net sales | 45.5 | 42.5 |
| Costs | –38.0 | –40.1 |
| **Result** | **7.5** | **2.4** |
| Fixed assets | 342.5 | 292.0 |
| Current assets | 27.6 | 14.7 |
| **Total assets** | **370.1** | **306.7** |
| Long-term liabilities | 262.7 | 226.6 |
| Total current liabilities | 20.7 | 16.0 |
| **Total current liabilities** | **283.4** | **242.6** |
| **Net assets/net liabilities** | **86.7** | **64.1** |

## 10 Financial investments

| The Group, SEK million | 2008-12-31 | 2007-12-31 |
|---|---|---|
| Financial investments that are fixed assets and held to maturity | 189.2 | |
| *Financial assets available for sale (valued via fair value reserve in equity)* | | |
| Shares and participating interests | 265.6 | 218.5 |
| | **454.8** | **218.5** |
| *Short-term investments that are current assets* | | |
| Interest-bearing securities held to maturity | 250.9 | |
| *Financial assets held for trade* | | |
| Interest-bearing securities | | 365.7 |
| Other holdings | 32.7 | 31.4 |
| | **283.6** | **397.1** |

In accordance with the amendments to IAS 39 and IFRS 7, the company has decided to reclassify the bond holdings for the year from its trading portfolio to investments that are held to maturity. Reclassification was made at 1 October 2008 when the market value in the bond portfolio was USD 52.6 million (of which the parent company USD 3.6 million). Up until this time the value changes were recognised against the income statement. At the end of the year the same bond portfolio (without changes to the holding) had a market value of USD 47.1 million (of which the parent company US 2.4 million). Thus an additional USD –5.5 million (of which the parent company USD –1.2 million). would have been recognised in the income statement if the reclassification had not been made. The bond portfolio's nominal value at 31/12/08 was USD 54.1 million (of which the parent company USD 4.0 million)

## 11 Long-term receivables and other receivables

| The Group, SEK million | 2008-12-31 | 2007-12-31 |
|---|---|---|
| *Long-term receivables that are fixed assets* | | |
| Endowment insurance for pension commitments | 5.6 | 7.7 |
| | **5.6** | **7.7** |
| *Other receivables that are current assets* | | |
| Other short-term receivables | 11.3 | 28.1 |
| Derivatives held for hedging | 9.9 | 128.7 |
| | **21.2** | **156.8** |

| The parent company, SEK million | 2008-12-31 | 2007-12-31 |
|---|---|---|
| *Long-term receivables* | | |
| Endowment insurance for pension commitments | 5.6 | 7.7 |
| | **5.6** | **7.7** |
| *Other receivables (short-term)* | | |
| Other receivables | 2.1 | 1.2 |
| Derivatives held for hedging | | 38.8 |
| | **2.1** | **40.0** |
| *Long-term receivables* | | |
| Accumulated acquisition values, opening balance | 7.7 | 9.0 |
| Payments | –2.1 | –1.3 |
| **Closing balance, 31 December** | **5.6** | **7.7** |

## 12 Prepaid expenses and accrued income

| | The Group | | The parent company | |
|---|---|---|---|---|
| SEK million | 2008-12-31 | 2007-12-31 | 2008-12-31 | 2007-12-31 |
| Prepaid time-charter hire | 10.1 | 21.5 | | |
| Other prepaid expenses | 12.4 | 9.1 | 2.2 | 0.5 |
| Accrued financial income | 21.8 | 15.9 | 1.9 | 3.1 |
| | **44.3** | **46.5** | **4.1** | **3.6** |

## 13 Cash and cash equivalents

| The Group, SEK million | 2008-12-31 | 2007-12-31 |
|---|---|---|
| *The following sub-components are included in cash and cash equivalents:* | | |
| Cash and bank balances | 31.3 | 46.6 |
| Deposits | | 9.0 |
| **Total as per balance sheet** | **31.3** | **55.6** |
| **Total as per cash flow statement** | **31.3** | **55.6** |

## 14 Profit per share

During 2008 or 2007 the company has not carried out any transactions that affect the number of issued shares henceforth. See list below. There has therefore been no dilution. The calculation is applied to the average number of shares outstanding.

There are no outstanding financial instruments that can cause a dilution effect in the future.

**Profit per share for total, residual and discontinued activities**

| SEK | 2008 | 2007 |
|---|---|---|
| Profit per share | 2.01 | 1.32 |
| Profit per share from residual activities | 2.01 | 1.32 |

**List of issued shares**

| Number | 2008 | 2007 |
|---|---|---|
| Class A shares | 4,000,000 | 4,000,000 |
| Class B shares | 43,729,798 | 43,729,798 |
| **Total** | **47,729,798** | **47,729,798** |

## 15 Interest-bearing liabilities

| The Group, SEK million | 2008-12-31 | 2007-12-31 |
|---|---|---|
| Bank loans (Revolving credit facility) | 1,349.8 | 1,063.0 |
| **Total current liabilities** | **1,349.8** | **1,063.0** |

| The Group, SEK million | 2008-12-31 | 2007-12-31 |
|---|---|---|
| Bank loans (Revolving credit facility) | 12.7 | 10.0 |
| Current account credit | 6.7 | |
| **Total current liabilities** | **19.4** | **10.0** |

| The parent company, SEK million | 2008-12-31 | 2007-12-31 |
|---|---|---|
| Bank loans (Revolving credit facility) | 1,087.1 | 836.4 |
| **Total current liabilities** | **1,087.1** | **836.4** |

The Group has credit arrangements totalling USD 360.2 million, of which USD 174.2 million had been utilised at the year-end. The arrangement is conditional on achieving certain financial key figures. For more information on the company's exposure to interest risk and risk from exchange rate fluctuations, refer to note 20.

## 16 Remuneration to employees

**Defined-contribution pensions**

In Sweden the Group has defined-contribution pension plans for its employees that are totally financed by the company.

Outside Sweden, there are defined-contribution plans for which the costs are partially borne by subsidiaries and partially by employee contributions.

Payment for these plans is made continually as per the rules for each plan.

| | The Group | | The parent company | |
|---|---|---|---|---|
| SEK million | 2008-12-31 | 2007-12-31 | 2008-12-31 | 2007-12-31 |
| Costs of defined-contribution pensions | 1.3 | 1.3 | 1.1 | 1.1 |

**Benefits for senior executives (Group)**

*Remuneration and other benefits during the year*

| SEK thousand | Basic salary, Board of Directors' fees | Variable remuneration | Other benefits | Pension cost | Total |
|---|---|---|---|---|---|
| Chairman of the Board | 350 | | | | 350 |
| Deputy Chairman of the Board | 350 | | | | 350 |
| Board members (5 people) | 875 | | | | 875 |
| President | 2,565 | 399 | 153 | 1,003 | 4,120 |
| Other senior executives (2 people) | 1,744 | 301 | 88 | 305 | 2,438 |
| **Total** | **5,884** | **700** | **241** | **1,308** | **8,133** |

See Corporate governance section for information regarding remuneration, benefits and agreements for the Board, President and senior executives.

## 17 Provisions

| The Group, SEK million | 2008-12-31 | 2007-12-31 |
|---|---|---|
| *Provisions that are long-term liabilities* | | |
| Commitments relating to ship management | | 6.1 |
| **Total** | | **6.1** |
| | | |
| *Provisions that are current liabilities* | | |
| Commitments relating to ship management | 10.0 | 9.5 |
| Other short-term provisions | 7.8 | |
| **Total** | **17.8** | **9.5** |

### Group: Commitments relating to ship management

| The Group, SEK million | 2008-12-31 | 2007-12-31 |
|---|---|---|
| Reported value at start of period | 15.6 | 32.7 |
| Amount used during the period | –5.6 | –17.1 |
| **Reported value at end of period** | **10.0** | **15.6** |

### Group: Other short-term provisions

| The Group, SEK million | 2008-12-31 | 2007-12-31 |
|---|---|---|
| Reported value at start of period | | |
| Provisions made during the period | 7.8 | |
| Amount used during the period | | |
| **Reported value at end of period** | **7.8** | **0.0** |

### Total provisions for the Group

| The Group, SEK million | 2008-12-31 | 2007-12-31 |
|---|---|---|
| Total reported value at start of period | 15.6 | 32.7 |
| Provisions made during the period[1] | 7.8 | |
| Amount used during the period | –5.6 | –17.1 |
| **Total reported value at end of period** | **17.8** | **15.6** |
| | | |
| Of which total long-term element of provisions | 0 | 6.1 |
| Of which total short-term element of provisions | 17.8 | 9.5 |

1) Provisions made during the year include existing provisions.

### Payments

| The Group, SEK million | 2008-12-31 | 2007-12-31 |
|---|---|---|
| Sums for which the provision is expected to be paid after more than twelve months | 0.0 | 6.1 |

## 18 Other liabilities

| The Group/parent company, SEK million | 2008-12-31 | 2007-12-31 |
|---|---|---|
| *Other long-term liabilities* | | |
| Pension commitments (covered by endowment insurance) | 5.6 | 7.7 |
| | **5.6** | **7.7** |

| The Group, SEK million | | |
|---|---|---|
| *Other current liabilities* | | |
| Liabilities to other affiliated parties | | 0.9 |
| Tax liability | 3.8 | 3.4 |
| Other current liabilities | 11.3 | 4.6 |
| Derivatives | 16.8 | |
| | **31.9** | **8.9** |

## 19 Accrued expenses and deferred income

| | The Group | | The parent company | |
|---|---|---|---|---|
| SEK million | 2008-12-31 | 2007-12-31 | 2008-12-31 | 2007-12-31 |
| Accrued voyage costs ships | 18.7 | 16.5 | 6.1 | 3.8 |
| Accrued personnel costs | 3.7 | 0.9 | 3.7 | 0.6 |
| Other accrued expenses | 12.2 | 10.7 | 2.2 | 3.6 |
| Accrued interest costs | 12.6 | 7.2 | 11.2 | 5.1 |
| Deferred income | 35.2 | 24.2 | | |
| | **82.4** | **59.5** | **23.2** | **13.1** |

## 20 Financial risks and finance policies

As a result of its activities, the Group is exposed to various types of financial risks. Financial risks refer to fluctuations in the company's income and cash flow as a result of changes in exchange rates, interest levels, refinancing and credit risks. The Group’s finance policy for managing financial risks has been drawn up by the Board and forms a framework of guidelines and rules in the form of risk mandates and limits for financial activities. The responsibility for the Group's financial transactions and risks is handled centrally by the parent company’s finance department. The overall objective for the finance function is to supply cost-effective financing and to reduce the negative effects of market fluctuations on the Group’s earnings.

### Liquidity risks

The term liquidity risk (also referred to as the financing risk) refers to the risk that financing cannot be obtained at all, or only at significantly increased cost. According to the finance policy, there must always be sufficient ready cash and guaranteed credit facilities to cover the next six months. The Group has guaranteed borrowing of up to approx. 80% of the total investment sum for ten P-MAX tankers. Borrowing has also been guaranteed up to around 80% for the two Panamax tankers being built as a joint venture. Guaranteed borrowing together with available financial assets mean that the Group will have a very low debt/equity ratio when investments in the new fleet are concluded in 2010.

### Interest risks

The interest risk is the risk that the value of a financial instrument will vary due to changes in market interest rates. Interest risk may consist of both changes in fair value – price risk, and changes in cash flow – cash flow risk. A significant factor

Cont. note 20

affecting the interest risk is the fixed-rate period. Long fixed-rate periods mainly affect the cash-flow risk, while shorter fixed-rate periods affect the price risk.

Management of the Group's interest exposure is centralised, which means that the central finance function is responsible for identifying and managing this exposure. No hedging of future interest expense has been initiated. No hedging has been carried out for the interest-bearing instruments held by the Group (consisting of corporate bonds). The finance department continually follows the interest market and submits a recommendation to the Board regarding any interest-rate hedging required. At 31 December 2008 the Group had taken out interest rate swaps corresponding to USD 128 million or around 65 % of the available credit facilities. The valuation of these contracts of SEK –16.9 million has been recognised as part of equity under the hedging reserve section. See also the currency risk section in the operating activities below.

### Effective rate and due-date structure

Interest-bearing financial assets and liabilities. The table below shows the effective rate on the closing day, and the due-date structure of financial assets and liabilities.

| The Group, SEK million | Interest rate, % | Fixed-rate period | Effective rate % | Currency | Nominal sum in original currency | **2008-12-31** | 2007-12-31 |
|---|---|---|---|---|---|---|---|
| Corporate bond portfolio | 9.84 | Fixed during term | 23.3 | USD | 53,990 | 411.6 | 365.7 |
| Revolving credit facility | | Variable 3 months | 3.46 | USD | 139,000 | –1,087.1 | –836.4 |
| Bank loans | | Variable 3 months | 3.1 | USD | 35,219 | –275.5 | –236.7 |

| | **2008** | | | | | | 2007 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| The Group, SEK million | Total | Within 1 year | 2 years | 3 years | 4 years | 5 years and longer | Total | Within 1 year | 2 years | 3 years | 4 years | 5 years and longer |
| Corporate bond portfolio | 411.5 | 250.9 | 40.3 | | 120.3 | | 365.7 | | 214.4 | 34.7 | | 116.6 |
| Revolving credit facility | –1,087.1 | | | | | –1,087.1 | –836.4 | | | | | –836.4 |
| Bank loans | –275.5 | –12.7 | –12.7 | –12.7 | –12.7 | –224.7 | –236.7 | –10.0 | –10.0 | –10.0 | –10.0 | –196.7 |
| Current account credit | –6.7 | –6.7 | | | | | | | | | | |

### Credit risks

*Credit risks for financial activities*

Financial risk management involves exposure to credit risks. It is primarily counter-party risks in connection with claims on banks and other counter-parties that arise when purchasing derivative instruments. The finance policy contains a special counter party clause that specifies that derivatives and similar items are only made for a selection of banks. In terms of the credit risk for other financial assets, such as corporate bonds, the Group primarily invests in the sector and branch which the Group is active in and thus knows, which is judged to reduce the risk significantly.

*Credit risks for Accounts receivable*

The risk that the Group's/company's customers do not meet their obligations, i.e. that payment is not received for Accounts receivable, constitutes a customer credit risk. The majority of the Group's customers have good or very good credit. A bank guarantee or other security is required for customers with a low credit rating or insufficient credit history. On the closing day, there was no significant concentration of credit exposure. The maximum exposure to credit risk is shown by the reported value in the balance sheet for each financial asset.

*Credit risks for investments*

The group's investments in ships involve advances being paid on an ongoing basis to the shipyard during the construction period. Bank guarantees are issued to secure repayment of advances in the event of the counter-party being unable to meet its obligations.

### Currency risks

*Translation exposure*

The Group is exposed to various types of currency risk as specified below. It should be noted that currency risks are hedged in their entirety when they are attributable to a financial asset or liability in a currency other than SEK and USD. As per the policy, standardised derivatives must be used. In the accounts, hedge accounting is applied. See note 1.

### Currency risk equity

A strong US dollar increases Concordia Maritime's equity and net asset value, and vice versa. The exchange rate effect that arises during translation to Swedish krona involving foreign subsidiaries is reported directly against equity in the consolidated balance sheet. The exchange rate was 6.43 as of 31/12/2007 and 7.82 as of 31/12/2008. The positive net effect on equity from a stronger dollar is SEK 360.8 (–75.7) million, corresponding to SEK 7.56 per share (–1.59).

The accumulated exchange rate differences, including the effects of forward cover, reported directly to equity are SEK 129.1 (–231.7) million, corresponding to SEK 2.70 per share (–4.85). A change in the USD exchange rate of SEK 0.10 is deemed to affect Concordia Maritime's equity by around USD 31 million or USD 0.64 per share.

### Currency risk in current activities (transaction exposure)

The Group's entire income is in US dollars. The cost side is also strongly dominated by the US dollar, except for certain administrative costs in Swedish krona and the Swiss franc. Exchange rate variations thus affect neither the cash flow nor earnings significantly. The exchange rate difference in the business amounts to SEK 0.0 (0.0) million. No hedging against exchange rate variations in current activities has been implemented.

Some future shipyard payments will be in Euro. When the contract started in 2006, these were hedged against the US dollar. In total, EUR 45.7 million has been hedged against the US dollar. As at 31 December, 2008, a total of SEK 33.8 (89.9) million has been reported as a hedging reserve in equity (see also the section on cash flow hedging in Note 1). This EUR 45.7 million will be paid in sequence with the new construction programme and will only affect asset acquisition values. For further information on the expected time of payment, see Note 22 Investment commitments.

### Financial exposure – outstanding derivative instruments

The Group's borrowing takes place in the investment currency of US dollars and is thus not affected by currency exposure.

### Sensitivity analysis

The Group aims to reduce short-term fluctuations in the Group's earnings by managing its interest rate and currency risks. In the long term, however, permanent changes in exchange rates and interest rates will have an effect on the consolidated earnings.

A general increase of 1 percent in SEK against the US dollar has been estimated to reduce the consolidated earnings before tax by approx. SEK 0.8 million for the year ending 31 December, 2008 (SEK 0.9 million). Changes in the value of currency futures have been included in this estimate.

As at 31 December, 2008, a general increase in the US LIBOR interest rates of 1 percent is estimated to reduce the Group's result before tax by approx. SEK 9.2 (8.4) million.

Cont. note 20

| **The Group 2008, SEK million** | Financial assets held for trade | Financial assets held to maturity | Derivatives used in hedge accounting | Accounts and loans receivables | Available-for-sale financial assets | Financial liabilities valued at fair value via the income statement | Other liabilities | Total reported value | Total fair value |
|---|---|---|---|---|---|---|---|---|---|
| Financial investments | | 189.2 | | | 265.6 | | | 454.8 | 412.8 |
| Long-term receivables | | | | 5.6 | | | | 5.6 | 5.6 |
| Other receivables | | | 9.9 | | | | | 9.9 | 9.9 |
| Short-term investments | 32.7 | 250.9 | | | | | | 283.6 | 283.3 |
| **Total** | **32.7** | **440.1** | **9.9** | **5.6** | **265.6** | | | **753.9** | **711.6** |
| Long-term interest-bearing liabilities | | | | | | 1,349.8 | | 1,349.8 | 1,349.8 |
| Other long-term liabilities | | | | | | | 5.6 | 5.6 | 5.6 |
| Short-term interest-bearing liabilities | | | | | | 19.4 | | 19.4 | 19.4 |
| Accounts payable and other liabilities | | | 16.8 | 1.1 | | | | 17.9 | 17.9 |
| **Total** | | | **16.8** | **1.1** | | **1,369.2** | **5.6** | **1,392.7** | **1,392.7** |
| **Unreported profit/loss** | **0** | **–42.3** | **0** | **0** | **0** | **0** | **0** | **–42.3** | **–42.3** |

| The Group 2007, SEK million | Financial assets held for trade | Derivatives used in hedge accounting | Accounts and loans receivables | Available-for-sale financial assets | Financial liabilities valued at fair value via the income statement | Other liabilities | Total reported value | Total fair value |
|---|---|---|---|---|---|---|---|---|
| Financial investments | | | | 218.5 | | | 218.5 | 218.5 |
| Long-term receivables | | | 7.7 | | | | 7.7 | 7.7 |
| Other receivables | | 128.7 | | | | | 128.7 | 128.7 |
| Short-term investments | 397.1 | | | | | | 397.1 | 397.1 |
| **Total** | **397.1** | **128.7** | **7.7** | **218.5** | | | **752.0** | **752.0** |
| Long-term interest-bearing liabilities | | | | | 1,063.1 | | 1,063.1 | 1,063.1 |
| Other long-term liabilities | | | | | | 7.7 | 7.7 | 7.7 |
| Short-term interest-bearing liabilities | | | | | 10.0 | | 10.0 | 10.0 |
| Accounts payable and other liabilities | | | | | | | 0 | 0 |
| **Total** | | | | | **1,073.1** | **7.7** | **1,080.8** | **1,080.8** |
| **Unreported profit/loss** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |

| **The parent company 2008, SEK million** | Financial assets held for trade | Financial assets held to maturity | Derivatives used in hedge accounting | Accounts and loans receivables | Available-for-sale financial assets | Financial liabilities valued at fair value via the income statement | Other liabilities | Total reported value | Total fair value |
|---|---|---|---|---|---|---|---|---|---|
| Long-term receivables | | | | 5.6 | | | | 5.6 | 5.6 |
| Financial investments | | 28.5 | | | | | | 28.5 | 18.9 |
| Other receivables | | | | | | | | | |
| Short-term investments | 30.1 | | | | | | | 30.1 | 30.1 |
| **Total** | **30.1** | **28.5** | | **5.6** | | | | **64.2** | **54.6** |
| Long-term interest-bearing liabilities | | | | | | 1,087.1 | | 1,087.1 | 1,087.1 |
| Short-term interest-bearing liabilities | | | | | | | | | |
| Other long-term liabilities | | | | | | | 5.6 | 5.6 | 5.6 |
| Accounts payable and other liabilities | | | 16.8 | 1.1 | | | | 17.9 | 17.9 |
| **Total** | | | **16.8** | **1.1** | | **1,087.1** | **5.6** | **1,110.6** | **1,110.6** |
| **Unreported profit/loss** | **0** | **–9.6** | **0** | **0** | **0** | **0** | **0** | **–9.6** | **–9.6** |

Cont. note 20

| The parent company 2007, SEK million | Financial assets held for trade | Derivatives used in hedge accounting | Accounts and loans receivables | Available-for-sale financial assets | Financial liabilities valued at fair value via the income statement | Other liabilities | Total reported value | Total fair value |
|---|---|---|---|---|---|---|---|---|
| Long-term receivables | | | 7.7 | | | | 7.7 | 7.7 |
| Other receivables | | 38.8 | | | | | 38.8 | 38.8 |
| Short-term investments | 61.6 | | | | | | 61.6 | 61.6 |
| **Total** | **61.6** | **38.8** | **7.7** | | | | **108.1** | **108.1** |
| Long-term interest-bearing liabilities | | | | | 836.4 | | 836.4 | 836.4 |
| Other long-term liabilities | | | | | | 7.7 | 7.7 | 7.7 |
| Short-term interest-bearing liabilities | | | | | 34.4 | | 34.4 | 34.4 |
| **Total** | | | | | **870.8** | **7.7** | **878.5** | **878.5** |
| **Unreported profit/loss** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |

**Assessment of fair value**

The following summarises the methods and assumptions primarily used to determine the fair value of the financial instruments reported in the table above.

**Securities**

Assets in this category are measured continually at fair value. In accordance with the main rule, listed holdings are valued at share price on the closing day. However, trading in Arlington Tankers was severely restricted in 2008. This means that the holding was valued in accordance with an alternative method on the basis of future expected cash flows. When investments are removed from the balance sheet, any previously reported accumulated result in equity is transferred to the income statement.

**Derivative instruments**

Futures are either valued at the actual market price by using listed market prices or by discounting the forward price and then deducting the current spot rate. Outstanding currency futures contracts as at 31 December 2008 against USD are EUR 45.7 (77.2) million, and against the SEK are USD 7.5 (135) million.

**Accounts receivable and payable**

For accounts receivable and payable with a remaining economic life of less than one year, the reported value is regarded as reflecting the fair value.

**Interest-bearing liabilities**

Fair value for liabilities that are not derivative instruments are assessed on the basis of the future cash flow of equity and of interest rates, discounted to current market rates on closing day.

## 21 Operating leases

The Group's contracts with respect to time charters in and out of ships are classified as operating leases. Non-declared options are not included in the estimation of accounts.

**Leasing agreements where the company is the lessee (time charter in)**

Non-terminable leasing payments amount to:

| SEK million | The Group 2008 | The Group 2007 |
|---|---|---|
| Within one year (2009) | 150.3 | 170.2 |
| Between one and five years (2010-2013) | | 150.0 |
| Longer than five years | | |
| | **150.3** | **320.2** |

The Group has time-chartered for five years the ships *Stena Vision* and *Stena Victory*, which were sold to Arlington Tankers LTD in 2004. During the fourth and fifth year of the agreement, in addition to a fixed charter rate, a variable charter rate must be paid amounting to 50% of what the ships generate in freight receipts, in addition to the fixed hire. There are no agreements running beyond 2010.

| SEK million | The Group 2008 | The Group 2007 |
|---|---|---|
| Time-charter costs | 229.9 | 195.5 |
| Time-charter income for objects that are chartered out amounts to | 245.8 | 185.5 |

**Leasing agreements where the company is the lessor (chartering out)**

The future non-terminable leasing payments are as follows:

| SEK million | The Group 2008 | The Group 2007 |
|---|---|---|
| Within one year (2008) | 629.3 | 520.2 |
| Between one and five years (2009-2012) | 1,397.9 | 1,563.9 |
| Longer than five years | 554.4 | 828.2 |
| | **2,581.6** | **2,912.3** |

Agreements to charter out ships have been signed for all tankers in the new construction programme and for the two time-chartered tankers *Stena Vision* and *Stena Victory*.

The assessment above is based on the fixed charter rates specified in the agreements to charter out vessels, so, where relevant, profit-split clauses are not observed. The time-charter agreements are in USD and are translated at the closing day rate.

## 22 Investment commitments

**The Group**

Contractual commitments concerning investments in ships amount to SEK 816.3 (260.0) million. For 2009 and onwards, this obligation amounts to SEK 500.3 (1,083.1) million.

## 23 Pledged assets, contingent liabilities and contingent assets

| The Group, SEK million | The Group 2008 | The Group 2007 | The parent company 2008 | The parent company 2007 |
|---|---|---|---|---|
| **Pledged assets** | | | | |
| *In the form of pledged assets for own liabilities and provisions* | | | | |
| Ship mortgages | 2,084.6 | 1,788.1 | 312.8 | 257.3 |
| Shares in subsidiaries | 1,709.1 | 1,314.4 | | |
| **Total pledged assets** | **3,793.7** | **3,102.5** | **312.8** | **257.3** |
| **Contingent liabilities** | | | | |
| Parent company's guarantees for completing time-charter agreements in subsidiaries. The sum consists of minimum payments during the term of the contract. | | | 189.5 | 352.4 |
| **Total contingent liabilities** | | | **189.5** | **352.4** |

The rights for certain insurance, new construction and time-charter agreements have been pledged on behalf of the banks that have issued credit commitments.

## 24 Affiliated parties

**Relationships with affiliated parties**

The parent company is closely affiliated to its subsidiaries. See note 25.

**List of transactions with affiliated parties**

| Relationships with affiliated parties Group, SEK million | Year | Purchase of services from affiliated parties | Liabilities to affiliated parties on 31 December | Recievables from affiliated parties on 31 December |
|---|---|---|---|---|
| Other affiliated parties | 2008 | 24.8 | 0.1 | |
| Other affiliated parties | 2007 | 22.2 | 0.9 | |

| Relationships with affiliated parties Parent company, SEK million | Year | Purchase of services from affiliated parties | Liabilities to affiliated on 31 December | Recievables from affiliated parties on 31 December |
|---|---|---|---|---|
| Subsidiaries | 2008 | | | 164.6 |
| Subsidiaries | 2007 | | 30.7 | |
| Other affiliated parties | 2008 | 4.7 | 0.1 | |
| Other affiliated parties | 2007 | 4.1 | 0.9 | |

Concordia Maritime's organisation is limited and thus buys services from the affiliated company Stena Bulk, which runs similar tanker operations. Accordingly, there is an agreement which regulates the relationship between the two companies with respect to new business. This agreement gives Concordia Maritime the right to decline or partake to the extent of 50 or 100 percent in any new business opportunity. Services in the following areas are bought from Stena Bulk or other companies within the Stena Sphere on a regular basis:

- Vessel charter. Payment is based on a commission of up to 1.25 percent of freight rates.
- Commission for purchase or sale of vessels. Remuneration is based on a commission of one percent.
- Operation and manning of the Group's ships, so-called ship management. Ship management fees are based on a fixed price per year and vessel.
- Purchases of bunker oil. Remuneration is based on a fixed commission per purchased tonne.
- Administration, marketing, insurance services, technical follow-up and development of Concordia Maritime's fleet. Payment is based on a fixed price per month and vessel, while insurance services are covered by a variable price per vessel. In the case of technical consultancy services for newbuilding projects, an hourly rate is charged on an ongoing basis, which is then charged to the project.
- Office rent and office services for Concordia Maritime's personnel. A fixed price per year is charged

All company transactions between affiliated parties take place on commercial terms and at market prices.

## 25 Group companies

### Significant subsidiary holdings

| | Subsidiary's registered office, country | Ownership in % 2008 | 2007 |
|---|---|---|---|
| Concordia Maritime Chartering AB | Sweden | 100 | 100 |
| Concordia Maritime AG | Switzerland | 100 | 100 |
| Concordia Maritime (Bermuda) Ltd | Bermuda | 100 | 100 |
| CM V-MAX I Ltd | Bermuda | 100 | 100 |
| CM V-MAX II Ltd | Bermuda | 100 | 100 |
| CM P-MAX I Ltd | Bermuda | 100 | 100 |
| CM P-MAX II Ltd | Bermuda | 100 | 100 |
| CM P-MAX IV Ltd | Bermuda | 100 | 100 |
| CM P-MAX V Ltd | Bermuda | 100 | 100 |
| CM P-MAX VI Ltd | Bermuda | 100 | 100 |
| CM P-MAX VII Ltd | Bermuda | 100 | 100 |
| CM P-MAX VIII Ltd | Bermuda | 100 | 100 |
| CM P-MAX IX Ltd | Bermuda | 100 | 100 |
| CM P-MAX X Ltd | Bermuda | 100 | 100 |
| Terra LTD | Bermuda | 50 | 50 |
| Lacus LTD | Bermuda | 50 | 50 |

| The parent company, SEK million | 2008 | 2007 |
|---|---|---|
| Accumulated acquisition values | 754.2 | 754.2 |
| Impairment losses | -8.4 | |
| **Closing balance, 31 December** | **745.8** | **754.2** |

### Specification of the parent company's direct holdings of shares in subsidiaries

| Subsidiary/Corporate ID/Registered office | Number of shares | Share in % | 2008-12-31 Reported value | 2007-12-31 Reported value |
|---|---|---|---|---|
| Concordia Maritime Chartering AB, 556260-8462, Gothenburg | 250,000 | 100 | 29.6 | 38.0 |
| Rederi AB Concordia, 556224-6636, Gothenburg | 3,000 | 100 | 0.4 | 0.4 |
| Concordia Maritime AG, Switzerland | 15,000 | 100 | 715.8 | 715.8 |
| | | | **745.8** | **754.2** |

## 26 Cash flow statement

### Cash and cash equivalents

| The Group, SEK million | 2008-12-31 | 2007-12-31 |
|---|---|---|
| *The following sub-components are included in cash and cash equivalents:* | | |
| Cash and cash equivalents | 31.3 | 46.6 |
| Deposits | | 9.0 |
| **Total as per balance sheet** | **31.3** | **55.6** |
| **Total as per cash flow statement** | **31.3** | **55.6** |

| The parent company, SEK million | 2008-12-31 | 2007-12-31 |
|---|---|---|
| *The following sub-components are included in cash and cash equivalents:* | | |
| Cash and cash equivalents | 322.1 | 271.5 |
| **Total as per balance sheet** | **322.1** | **271.5** |
| **Total as per cash flow statement** | **322.1** | **271.5** |

### Interest paid and dividend received

| | The Group | | The parent company | |
|---|---|---|---|---|
| SEK million | 2008-12-31 | 2007-12-31 | 2008-12-31 | 2007-12-31 |
| Dividend received | 23.0 | 24.2 | 0.3 | |
| Interest received | 36.2 | 53.9 | 13.5 | 4.6 |
| Interest paid | –31.2 | –49.2 | –44.9 | –54.9 |
| | **28.0** | **28.9** | **–31.1** | **–50.3** |

### Items not included in cash flow

| | The Group | | The parent company | |
|---|---|---|---|---|
| SEK million | 2008-12-31 | 2007-12-31 | 2008-12-31 | 2007-12-31 |
| Depreciation | 76.2 | 57.5 | 18.6 | 18.5 |
| Depreciation of periodic maintenance | 12.6 | 10.1 | 1.4 | 1.5 |
| Unrealised exchange rate differences | | | 163.7 | –42.9 |
| Changes in value of financial instruments | 27.5 | 12.6 | 24.1 | 0.5 |
| Provisions | | | | |
| Income from sale of financial assets | 1.1 | 0.3 | 0.1 | |
| Anticipated dividend | | | –172.1 | |
| Impairment loss for shares in subsidiaries | | | 8.4 | |
| Other | 7.7 | –5.5 | 0.7 | 0.1 |
| | **125.1** | **75,0** | **44.9** | **–22.3** |

## 27 Events after closing date

In connection with a routine inspection at the beginning of February, a reduction gear was found to be damaged onboard *Stena Victory*. The damage is of the same type of damage experienced to *Stena Vision* in 2006. The repairs to *Stena Victory* are expected to progress significantly quicker than they did for *Stena Vision*.

## 28 Information on the parent company

Concordia Maritime AB (publ) is a Swedish-registered limited company with its registered office in Gothenburg. The company's shares are listed on the Nasdaq OMX Stockholm. The address of the head office is SE-405 19 Gothenburg, Sweden.

The consolidated accounts for 2008 consist of the parent company and its subsidiaries, together referred to as the Group. The Group also includes the owned share of joint-venture companies.

Stena Sessan Rederi AB, whose parent company is Stena Sessan AB, corp. ID 556112-6920, with its registered office in Gothenburg, owns around 52 % of the capital and around 73 % of the total number of votes in Concordia Maritime AB.

### Verification of the Board of Directors

The Board of Directors and President give their assurance that the annual report has been compiled in accordance with sound accounting practices in Sweden and the consolidated report has been prepared in accordance with the international accounting standards as adopted by the European Parliament through ordinance (EG) no. 1606/2002 of 19 July 2002 for the application of international accounting standards. The annual report and consolidated report give a true and fair view of the parent company's financial position and results. The Board of Directors' report for the parent company and the Group give an honest account of the development of the Group's and the parent company's operations, positions and results, and, in addition, explain the considerable risks and uncertainties facing the parent and the group companies in the future.

Gothenburg, 11 March, 2009

| | | | | |
|---|---|---|---|---|
| Per Bjurström | Stefan Brocker | Bert Åke Eriksson | Mats Jansson | C. Mikael von Mentzer<br>Vice Chairman |
| Morten Chr. Mo | Hans Norén<br>President | Dan Sten Olsson<br>Chairman | Jens Ole Hansen | Jörgen Lorén |

My audit report was submitted 11 March 2009

Johan Kratz
Authorised Public Accountant

# Audit report

**To the Annual General Meeting of Concordia Maritime AB (publ)**
**Corp. ID 556068-5819**

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Concordia Maritime AB (publ) for the year 2008. The annual report and the consolidated report are included in the printed version of this document on pages 46–79. It is the Board of Directors and the President who bear the responsibility for the accounting records and management, for the application of the Annual Accounts Act in the preparation of the Annual Report, and that the IFRS international reporting standard, as adopted by the EU and the Annual Accounts Act, is applied in the preparation of the consolidated accounts. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

This audit was conducted in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain a high but not absolute assurance that the annual accounts and consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and assessing significant estimates made by the Board of Directors and the President when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken, and the circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. I have also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion as set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's financial position and results in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international accounting standards (IFRS) as adopted by the EU and the Annual Accounts Act and provide a true and fair view of the Group's financial position and results. The Board of Directors' report is consistent with the various parts of the annual accounts and the consolidated accounts.

I recommend to the annual general meeting of shareholders that the income statement and balance sheet for the parent company and the Group be adopted, that the profit for the parent company be dealt with in accordance with the proposal in the directors' report and that the members of the Board of Directors and the President be discharged from liability for the operating year.

Gothenburg, 11 March, 2009

Johan Kratz
Authorised Public Accountant

# Corporate governance 2008

**Concordia Maritime complies with the terms of the Swedish Code of Corporate Governance and this corporate governance report has been drawn up as part of the application of the Code. The report has not been reviewed by the Group's external auditors.**

The governance of Concordia Maritime is based on the Swedish Companies Act and Nasdaq OMX Stockholm's regulations including the Swedish Code of Corporate Governance (the Code) as well as other applicable Swedish and foreign laws and regulations. No deviations from the Code are reported for the accounting year 2008.

### Ownership structure

According to the share register maintained by Värdepapperscentralen AB (VPC), as of 31 December 2008, Concordia Maritime had 4,834 shareholders. The largest owner is the Stena Sphere, which has been the principal owner since the company was first listed in 1984. Stena has declared that a holding in Concordia Maritime of about 50 per cent of the capital is one of its long-term objectives. At year-end, the Stena Sphere owned 52 per cent of the share capital and had 72.7 per cent of the votes.

Information on shareholders and ownership is updated every quarter on Concordia Maritime's website.

### Voting right

The share capital consists of Series A shares and Series B shares, both of which entitle their holders to a share in the company's assets and profit and an equally large dividend. The quota value is SEK 8 per share. Each Series A share represents ten votes and each Series B share one vote. At year-end all the Series A shares were controlled by the Stena Sphere.

On 31 December 2008, the share capital amounted to SEK 381.8 million divided between 47.73 million shares, of which 43.73 million were Series B shares.

*Good corporate governance is a question of clarity in the areas of responsibility and accountability, clarity in the decision-making processes and openness so that the owners can understand and follow the development of the company. In previous annual reports, Concordia Maritime has attached great importance to explaining the company's corporate governance. This is, however, the first year that The Swedish Code of Corporate Governance (The Code) has been implemented in full and the ambition of this corporate governance section has been to make the description as relevant, comprehensible and clear as possible.*

*Gothenburg, March 2009*

*Dan Sten Olsson*
*Chairman of the Board*

### Nomination process

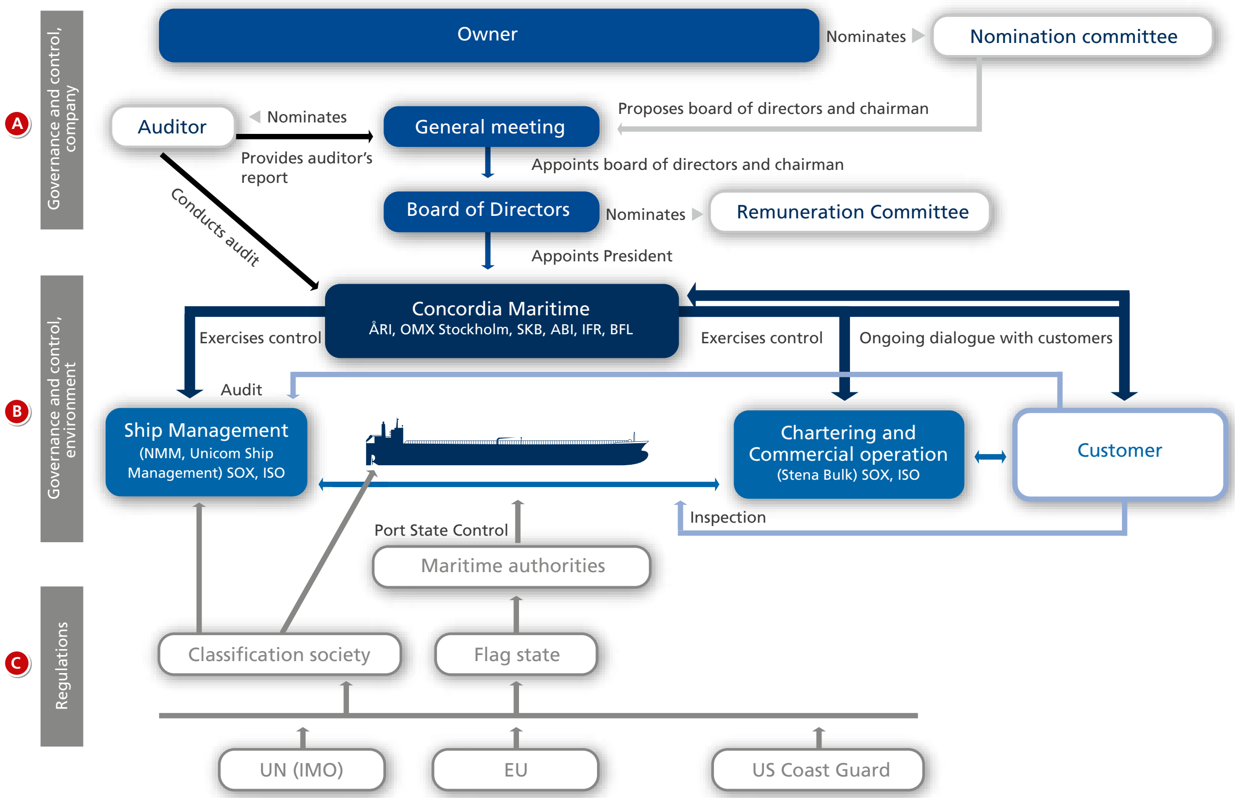
Concordia Maritime's nomination process for the election of board members includes the appointment of a nomination committee consisting of three board members. These members shall be the board's Deputy Chairman and one representative of each of the two largest shareholders, in terms of votes, who wish to appoint a representative.

The composition of the nomination committee is based on shareholder statistics from VPC as of the last banking day in August the year before the annual general meeting and other reliable ownership information provided to the company at this time. The names of the representatives on the nomination committee and the shareholders they represent shall be made public as soon as they have been appointed, although no later than six months prior to the annual general meeting. If the shareholdings of the major shareholders change during the nomination process, the composition of the nomination committee may be changed to reflect this.

The guidelines for the largest shareholders' choice of committee member are that the person shall have knowledge and experience relevant to Concordia Maritime. The rules in the Swedish Code of Corporate Governance applying to independent board members shall be observed.

The task of the nomination committee is to submit proposals to the AGM concerning the following questions:

- Chairman of the AGM
- Board members
- Chairman of the Board
- Remuneration of each board member
- For work on committees
- For the nomination committee for the following year




## Governance and control

The corporate governance and control of Concordia Maritime's operations can be described from several different perspectives.

(A) From an owner perspective, its operations are governed by a board of directors elected by the shareholders. The board formulates the frameworks for the operations and exercises control over the company's management. It has recourse to an elected auditor whose task is to provide an auditor's report for Concordia Maritime AB's annual report and consolidated accounts and the administration of the company by the board and the President.

(B) As a public and listed Swedish company, Concordia Maritime is also governed by a number of laws and regulations. Among the most important of these are the Swedish Companies Act, the Swedish Annual Accounts Act, International Financial Reporting Standards (IFRS), Nasdaq OMX Stockholm stock exchange listing and the Swedish Code of Corporate Governance.

The day-to-day operation of the company is ultimately guided by the customers' demands for effectiveness and reliability. Concordia Maritime has chosen a strategy that involves collaboration with a number of subcontractors for e.g.the commercial operation and ship management functions. This collaboration is regulated by binding contracts as well as mutual trust. There is an extensive exchange of information between the parties and here, too, the control and reporting systems are well developed.

(C) In addition to these legal control mechanisms, Concordia Maritime's business activities are subject to and governed by a number of industry-specific regulations. The most important of these are UN, EU and US regulations related to shipping and trade in oil and petroleum products and the oil companies' own ship inspections (vetting). There are also regulations related to individual flag states, classification societies and national maritime authorities. All these bodies exercise continuous control over the activities down to ship level.

The nomination committee's proposal together with a report on its work shall be published no later than in conjunction with the notice convening the AGM. Shareholders are given the opportunity to present nomination proposals to the nomination committee.

### Nomination committee for the 2009 AGM

The composition of the nomination committee was announced on Concordia Maritime's website on 26 September 2008.

In 2008, the nomination committee met once in addition to a number of contacts over the telephone. The nomination committee consisted of C. Mikael von Mentzer (Deputy Chairman, Concordia Maritime), Karl-Magnus Sjölin (Stena Sessan Rederi AB), and Arne Lööw (Fjärde AP-fonden). The nomination committee represented approx. 3.2 per cent of the shareholders' votes.

As of 11 March 2009, no changes had been made to the composition of the nomination committee. Shareholders wishing to present proposals for the composition of the nomination committee may do so via e-mail to *info@concordia-maritime.se*

### Annual General Meeting

The shareholders' right to make decisions about Concordia Maritime's business is exercised at the shareholders' meeting. To participate in decisions, the shareholder must be present at the shareholders' meeting, either in person or via a proxy. Additionally, the shareholder must be registered in the share register by a certain date prior to the AGM and the company must have been formally informed of his intention to attend the AGM.

Decisions at shareholders' meetings are normally taken by simple majority vote. In certain questions, however, the Swedish Companies Act stipulates that decisions be taken by a larger majority of the shares represented at the shareholders' meeting and votes given.

Individual shareholders wishing to have a matter considered at the annual general meeting can normally apply to the board in good time before the shareholders' meeting at the address published on the company's website.

The annual general meeting is held in the Gothenburg region in the first half of every year. At the annual general meeting, decisions are taken on questions concerning approval of the annual report, dividends, remuneration of the board and the auditors, the election of board members and, where appropriate, auditors, guidelines for remuneration of group management together with other important matters.

An extraordinary annual general meeting may be held if the board considers it necessary or if Concordia Maritime's auditors or owners of at least 10 per cent of the shares so request.

### Annual General Meeting 2008

The 2008 annual general meeting was held on 22 April 2008. The meeting was attended by 97 shareholders, either in person or via a proxy, representing 77.5 per cent of the votes. All the board members elected by the meeting were present with the exception of Morten Chr. Mo, Mats Jansson and Stefan Brocker. Also present were the company's auditor and members of the nomination committee.

The decisions taken at the meeting included the following:

- In accordance with board's and the President's proposal, to pay a dividend of SEK 1.00 per share for 2007.
- Re-election of the board members Dan Sten Olsson, C. Mikael von Mentzer, Per Bjurström, Stefan Brocker, Mats Jansson, Morten Chr. Mo, Bert Åke Eriksson, Göran Dahlman, Jens Ole Hansen and Jörgen Lorén to the board.
- Re-election of Dan Sten Olsson as Chairman of the Board.
- That the annual fee, not including travel expenses, paid to the members of the board of directors shall amount to SEK 1,575,000, to be distributed as follows: SEK 350,000 each to the Chairman and the Deputy Chairman and SEK 175,000 to each of the other members not employed in the Group; and that the auditors shall receive remuneration for reasonable costs as specified in invoices based on the actual time spent on carrying out the assignments.
- Principles for remuneration and terms of employment for the President and other senior executives.
- Routines for the appointment of the nomination committee and its work.

## Board members' presence and remuneration

| | Independent[1)] | Salary compensation committee | Total fee, SEK[2)] | Presence at board meetings, % |
|---|---|---|---|---|
| Dan Sten Olsson | Dependent | • | 350,000 | 100 |
| C. Mikael von Mentzer | Independent | • | 350,000 | 100 |
| Per Bjurström | Independent | | 175,000 | 100 |
| Stefan Brocker | Independent | | 175,000 | 38 |
| Bert Åke Eriksson | Dependent | | 175,000 | 75 |
| Mats Jansson | Independent | | 175,000 | 75 |
| Morten Chr. Mo | Independent | | 175,000 | 63 |
| Göran Dahlman Deputy, employee representative | Independent | | 25,000 | 75 |
| Jens Ole Hansen Employee representative | Independent | | 25,000 | 75 |
| Jörgen Lorén Employee representative | Independent | | 25,000 | 88 |
| **Total** | | | **1,650,000** | |

1) Independent is defined as independent of the company, its management or its major shareholders.

2) Remuneration for the board of directors is decided by the annual general meeting and is paid to the members who are not employed by Concordia Maritime.

For information on board members, see www.concordia-maritime.se and pages 86–87.

## The board of directors

*The tasks of the board of directors*

The overall task of the board is to administer the business of the Group on behalf of the owners in such a way that the owners' interest in a good return on capital in the long term is satisfied in the best possible way. The board's work is regulated by, among other things, the Swedish Companies Act, the company's articles of association, the Code and the rules of procedure established by the board for its work. The board makes decisions in questions concerning the Group's overall objectives, strategic direction and more important policies such as significant questions involving financing, investments, acquisitions and sales. The board monitors and considers, among other things, the follow-up and control of the activities in the Group, the Group's external communications and organisational questions, including the evaluation of the Group's operative management. The board's responsibility includes appointing and, when appropriate, dismissing the company's president. It also has the overall responsibility for establishing effective systems for internal controls and risk handling.

*Rules of procedure and board meetings*

Every year, the board establishes rules of procedure for its work. When necessary, these rules of procedure are revised. The chairman's special role and tasks as well as the areas of responsibility for the committees appointed by the board are described in the rules of procedure. According to the rules of procedure, the chairman shall ensure that the board's work is conducted in an effective way and that the board performs its tasks. The chairman shall also organize and distribute the board's work among its members and ensure that the board's decisions are implemented in an efficient manner and that the board carries out an evaluation of its work every year. The rules of procedure also include detailed instructions to the president and other corporate functions concerning what questions require the board's approval. Among other things, the instructions specify the highest amount different decision-making bodies in the Group are entitled to approve in conjunction with credits, investments and other outlays.

The rules of procedure stipulate that the statutory board meeting shall be held directly after the annual general meeting. At this meeting, decisions are taken on, for example, the election of the deputy chairman and who shall sign Concordia Maritime's business name. In addition, the board holds six ordinary meetings per year. Four of these meetings are held in conjunction with the Group's annual report and interim reports. These meetings are normally held in Gothenburg. Additional meetings, including teleconferences, are held when necessary.

*Ensuring the quality of financial reporting*

Concordia Maritime is a company with a limited number of customers and a limited number of employees. Its business is based on long-term contracts. Taken as a whole, this means that relatively few transactions take place every year and as a result, the financial reporting at the company is relatively easy to verify. For this reason there is no specific function for internal controls in the Group. The President bears the ultimate responsibility for ensuring that internal controls function satisfactorily. Day-to-day work, however, is delegated to the business administration and finance function.

The rules of procedure decided on by the board every year includes detailed instructions concerning what financial reports and other financial information shall be submitted to the board. In addition to the interim reports and the annual report, other financial information relating to the company and its areas of activity are examined and evaluated on an ongoing basis.

*Control environment*

The core of the internal control of the financial reporting is based on the Group's directives, guidelines and instructions as well as a structure of responsibility and authority that has been adapted to the Group's organisation in order to create and maintain a satisfactory control environment. The principles for internal controls and directives and guidelines for financial reporting are collected in the Group's financial policy. Since there are relatively few internal transactions, which by their nature are not especially complex, in the company, the company's management and board have not considered it necessary to establish a special function for internal audits.

A fundamental component of Concordia Maritime's control environment is the corporate culture existing in the Group in which management and employees work. Concordia Maritime works actively with communication and training/education as regards the basic values, which are described in an internal document that ties all the business areas together and constitutes an important part of the common culture in the Stena Sphere.

*Risk assessment*

Risks related to the financial reporting are assessed and monitored by the board as whole. There is no separate audit committee; instead, audit matters are considered by the whole board.

Prior to examining interim reports and the annual report, the board members are given access to relevant information in good time before publication in conjunction with the following board meeting. The reports are then discussed in detail at a board meeting. A few days before publication, Concordia Maritime's financial manager reserves time to answer any questions that may be asked by the board members.

The board also examines the most important accounting principles applied in the Group with respect to the financial reporting as well as significant changes in these principles.

The external auditors report to the board when necessary but at least once a year.

*Financial reporting and information*

Concordia Maritime's routines and systems for external communication are intended to provide the market with relevant, reliable, correct and current information about the Group's development and financial position. Concordia Maritime has an information policy that satisfies the demands made on a listed company. Financial information is provided regularly in the form of:

- Interim reports, which are published as press releases
- Annual reports
- Press releases regarding important news and events that could have a significant impact on the share price
- Presentations and teleconferences for financial analysts, investors and media on the same day as interim reports and annual reports are published and in conjunction with the publication of other important information
- Meetings with financial analysts and investors

All reports, presentations and press releases are published at the same time on the Group's website *www.concordia-maritime.se*

*Evaluation of the work of the board of directors*

Led by the Deputy Chairman, the board of directors carries out an annual evaluation of its work. The evaluation covers working methods and work climate, the direction of the board's work and access to and the need of special competence on the board. The evaluation is used as an aid in developing the board's work and also forms a basis of the nomination committee's work. The evaluation as a whole for 2008 gave a positive picture of the work of the board of directors.

*The composition of the board*

Concordia Maritime's board of directors consists of seven ordinary members and three employee representatives, one of which is a deputy. The employee representatives are elected by the trade unions in accordance with Swedish law. None of the board members is a member of the executive management of the company. One of the board members is a foreign citizen.

For information on the board members, see *www.concordia-maritime.se* and pages 86–87.

*Independence*

The board is considered to be in compliance with both Nasdaq OMX Stockholm's regulations and the Code's requirements regarding independence. All the board members elected by the annual general meeting, with the exception of Dan Sten Olsson and Bert Åke Eriksson, have been considered independent of both Concordia Maritime's major owners and of the company and its executive management by the nomination committee prior to the annual general meeting in 2009.

Dan Sten Olsson is considered not to be independent of Concordia Maritime's major owners. Dan Sten Olsson is the principal owner of, among others, Stena Sessan Rederi AB, which holds approx. 52 per cent of the capital and 73 per cent of the total number of votes. Bert Åke Eriksson is the President of Stena Sessan Rederi AB and consequently, he is not considered to be independent in relation to the principal owner.

*The work of the board of directors in 2008*

In 2008, six ordinary meetings were held together with telephone meetings and a number of per capsulam meetings for decisions on urgent matters. All the ordinary meetings were held in Gothenburg.

At the ordinary meetings, the president gives an account of the Group's income and financial position, including the prospects for the following quarters. Additionally, investments, the establishment of new business activities and acquisitions and sales are discussed.

The company's auditor participated in one board meeting in February 2009 when the Final Accounts for 2008 were approved. All the meetings during the year followed an approved agenda, which, together with documentation of each item on the agenda, was given to the members before the board meetings. Karl-Magnus Sjölin, the CFO at Stena Sessan, was the secretary at all the board meetings.

*Significant questions during the year*

- Strategy questions
- Market assessments
- Financial risks

*Salary compensation committee*

There is a salary compensation committee, the main task of which is to propose principles for the remuneration of members of group management. The committee presents proposals for remuneration guidelines regarding:

- Objectives of and reasons for calculating variable compensation
- The relation between fixed salary and variable compensation
- Changes in fixed salaries or variable compensation
- Criteria for the evaluation of variable compensation, long-term incentives, pensions and other benefits

The committee also decides on salaries and other terms of employment for the President. The committee consists of the Chairman and the Deputy Chairman of the board. In 2008, the committee met twice.

*Management and corporate structure*

The Concordia Maritime group consists of the parent company Concordia Maritime AB (publ) and three subsidiaries, which report directly to the President. The parent company's organisation is very limited. In principle, the company consists of only its executive management and a small staff. Other functions are purchased from cooperation partners and subcontractors.

*President and group management*

Concordia Maritime's group management consists of the Financial Manager and a general manager of the subsidiaries in addition to the President.

The President is appointed by and receives instructions from the board of directors. The President is responsible for the daily administration of the company in accordance with the board's guidelines and directions, produces information and decision documentation prior to board meetings and acts as a rapporteur at these meetings. The President also has the ultimate responsibility for communication and ensuring the quality of contacts with the company's cooperation partners.

Pursuant to the rules of procedure, which among other things regulate the relationship between the President and the board of directors, group management is responsible for formulating the Group's overall strategy, business management, division of financial resources within activities and the Group's financing and risk management. These tasks also include issues concerning company acquisitions and other major projects. Group management is also responsible for compiling the Group's financial reports, communications with the stock market and a number of other issues of general interest to the Group.

*Remuneration for group management*

Concordia Maritime endeavours to offer total remuneration that is both fair and competitive. All its employees receive remuneration in the form of a fixed salary and a prospective bonus. Guidelines for remuneration for the group management are decided by the annual general meeting on the basis of proposals from the board. Remuneration for the President is thereafter decided on by the salary compensation committee. Remuneration for other leading executives is prepared and decided on by the President.

For further information on remuneration, long-term incentives and pension plans, see Note 16 in the financial report.

*Audit*

The auditor provides an auditor's report for Concordia Maritime AB's annual report and consolidated accounts, the administration by the board and the President of Concordia Maritime AB (publ) plus the annual reports for the subsidiaries.

The audit is carried out in compliance with the Swedish Companies Act and audit standards in Sweden in accordance with FAR, which are based on international auditing standards according to the International Federation of Accountants (IFAC). The audit of annual financial statements for legal entities outside Sweden is in accordance with legal requirements and other applicable regulations in the countries concerned and with generally accepted accounting standards as defined by IFAC for the issue of audit reports for the legal entities.

An auditor is proposed by the principal owner and elected by the AGM for a period of four years. At the AGM in 2007, Johan Kratz was elected as the company's external auditor until the AGM in 2011. He has been an authorised public accountant since 1995 and has the main responsibility for the audit of Concordia Maritime AB. In addition to this assignment, Johan Kratz is in charge of audits at a number of companies such as Akzo Nobel Functional Chemicals AB, Eka Chemicals AB and Nobel Biocare AB. KPMG has been in charge of audits at Concordia Maritime since 1984. The audit comprises mainly an ongoing audit and examination of the annual accounts. KPMG also assists Concordia Maritime AB with advice in the field of accounting. In recent years, this has involved issues primarily relating to the introduction of accounting in accordance with IFRS. Additionally, KPMG has provided assistance in a number of tax-related issues. No circumstances have been found that are felt to have affected the impartiality and independence of the auditors as a result of this advice.

The auditor's fee is charged on an ongoing basis. In 2008, KPMG received fees totalling SEK 1.8 million.

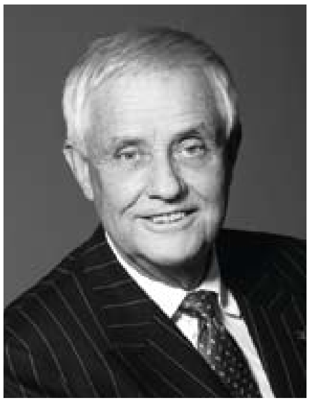
The parent company in the Concordia Maritime Group is the Swedish public joint-stock company Concordia Maritime AB (publ), corporate ID 556068-5819.

In addition to the parent company, the Group consists of 16 wholly or part-owned subsidiaries. The registered office of the board of directors is in Gothenburg. The address of the Group's head office is Concordia Maritime AB, SE-405 19 Gothenburg, Sweden.

Further information on corporate governance at www.concordia-maritime.se includes the following:

- More detailed information on internal control documentation, e.g. the articles of association.
- Information from Concordia Maritime's annual general meetings as of 2008; notices, minutes and financial reports.

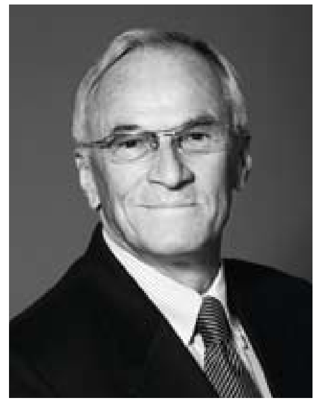
# Board of directors



**Dan Sten Olsson**
Born 1947. Chairman of the board. MBA. President and CEO Stena AB. Board member since 1984. Employed by the Stena Group since 1972. Nationality: Swedish

*Other current assignments:* Chairman of Stena Line Holding B.V., Stena Metall AB, Stena Bulk AB, Stena Sessan AB, Deputy Chairman of the Swedish Shipowners' Association.

*Shares held in Concordia Maritime:* Via companies (see page 38). Regarded as dependent in relation to Concordia Maritime's major shareholders.



**C. Mikael von Mentzer**
Born 1944. Deputy Chairman. M. Pol. Sc. Consultant, UK. Board member since 1998. Nationality: Swedish

*Background:* Managing Director Offshore Accommodation Group,Safe Partners AB, Götaverken Arendal AB.

*Other current assignments:* Board member of Teekay Offshore Partners L.P.

*Shares held in Concordia Maritime:* 50,000 B shares

**Per Bjurström**
Born 1939. Master Mariner. B.A. L.Sc. business economics. Director. Board member since 1988. Nationality: Swedish

*Background*: Managing Director, Göteborgs Hamn AB; Director, Swedish Shipowners' Association; Vice President and head of operations, Liner Division, Broström.

*Other current assignments:* Chairman of the board Dolphin Holding AB, Reseriet AB, Ondina Invest AB. Board member of O.F. Ahlmark & Co. Eftr. A.-B, Romulus B.V.

*Shares held in Concordia Maritime:* 0

**Mats Jansson**
Born 1945. B.A. President and CEO NYKCool AB until March 2009. Board member since 2005. Nationality: Swedish

*Background:* CEO Argonaut

*Other current assignments*: Board member of MGA Holding, Öster-ströms Rederi AB, NYKCool AB and LCL Sweden AB.

*Shares held in Concordia Maritime:* 0

**Morten Chr. Mo**
Born 1948. Certified economist BI (Oslo) and IMEDE (PED), Lausanne. Board member since 2000. Nationality: Norwegian.

*Background:* Director Quillfeldt Rønneberg & CO, President Stemoco Shipping AS.

*Other current assignments:* Chairman of Stemoco Holding AS, Stemoco Partners AS, MCM Shipping & Investments AS, Finance Development AS, Pecamo AS, BituTank AS, MOCO Projects AS and board member of CellVision AS, Bitutank Pte. Ltd. Singapore and Ashgrove Shipping Ltd. Cyprus.

*Shares held in Concordia Maritime:* 0

**Göran Dahlman**
Born 1953. Deputy, employee representative. Company management training, LO-skolan. Employed by the Stena Group since 1989. Board member since 1996. Nationality: Swedish

*Background:* Götaverken, Bilspedition, SEKO sjöfolk.

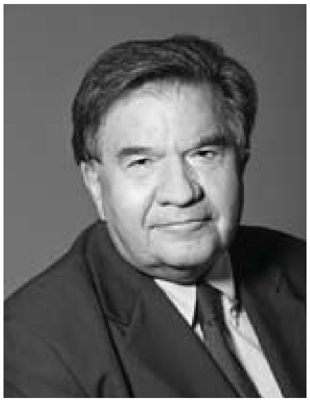
*Other current assignments:* Club chairman SEKO Sjöfolk, ordinary board member of Torslanda Kulturhus. Deputy board member of Stena Marine Management AB and Gatubolaget AB.

*Shares held in Concordia Maritime:* 0

**Stefan Brocker**
Born 1966. Lawyer.
Managing Partner and President Mannheimer Swartling Advokatbyrå AB.
Board member since 2007.
Nationality: Swedish

*Other current assignments:* Board member Mannheimer Swartling Advokatbyrå AB. Honorary Greek Consul in Gothenburg.

*Shares held in Concordia Maritime:* 0

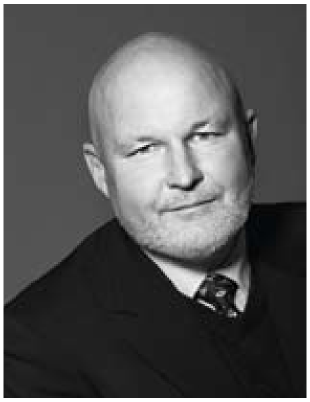


**Bert Åke Eriksson**
Born 1944. B.A.
President, Stena Sessan AB
Board member since 1998.
Nationality: Swedish.

*Background:* President Rederi AB Gotland, President United Tankers AB

*Other current assignments:* Board member of Stena Sessan AB, Meda AB, Beijer Electronics AB.

*Shares held in Concordia Maritime:* 0
Regarded as dependent in relation to Concordia Maritime's major shareholders.



**Jörgen Lorén**
Born 1961. Employee representative.
Master Mariner. Dipl CMO (Commercial Management and Organization in Nautical Science). Employed by the Stena Group since 1985.
Board member since 2003.
Nationality: Swedish

*Other current assignments:* Chairman of Sveriges Fartygsbefälsförening, Club chairman of SFBF Stena Line, Employee representative at Stena AB, Stena Line Scandinavia AB.

*Shares held in Concordia Maritime:* 0

**Jens Ole Hansen**
Born 1951. Employee representative.
Company management training, LO-skolan Employed by the Stena Group since 1973.
Board member since 1995.
Nationality: Danish

*Other current assignments:* Club chairman SEKO Sjöfolk, board member SEKO Sjöfolk. Employee representative at Stena Rederi AB, Stena AB, Stena Line Scandinavia AB. Board member of Stena Marine Management AB.

*Shares held in Concordia Maritime:* 0

**Sten A. Olsson**
Honorary Chairman
Shipowner, Hovås.
Chairman of the board 1984–1990.

# Auditor

**Johan Kratz**
Authorised Public Accountant, KPMG
Engagement since 2007.

# Annual General Meeting and dates for information

### Annual General Meeting
The Annual General Meeting will be held at Storan, Kungsparken 1, Gothenburg, Sweden, on 28 April 2009, at 2 p.m. when the interim report for the first three months of the year will be issued.

### Participation
Shareholders who wish to participate in the AGM must be registered in the share register maintained by Euroclear Sweden AB (former VPC AB) no later than Wednesday, 22 April 2009, and must register with the company at the following address:

Concordia Maritime AB
SE-405 19 Gothenburg, Sweden

or by telephone +46 (0)31 85 50 19
fax +46 (0)31 12 06 51
e-mail: arsstamma@concordia-maritime.se
or via the website: www.concordia-maritime.se, no later than Wednesday, 22 April 2009.

### Dividend
The board of directors is proposing a dividend of SEK 1.00 per share. The proposed registration day for dividends is Monday, 4 May 2008. If the Annual General Meeting adopts the proposal, the dividend will be paid out by VPC AB on Thursday, 7 May 2009.

### Nominee shares
In order to be entitled to participate in the Annual General Meeting, shareholders must have temporarily registered their shares in their own name with VPC AB through a bank's trust department or an individual fund manager. Shareholders who wish to re-register shares in their own names must inform the manager of this well before 22 April 2009.

### Reporting dates
The Annual Report for 2008 will be sent to all registered shareholders. The interim report for the first three months will be published on 28 April, the interim report for the first six months on 12 August and the third quarter report on 28 October 2009.

# Executive management

### Hans Norén
Born 1957. President.
B.Sc. Economics.
Employed since 1994.

*External assignments:* Board member of Nordisk Skibsrederforening

*Call options in Concordia Maritime:* 0

*Shares held in Concordia Maritime:* 0

### Göran Hermansson
Born 1975. Financial Manager.
Master of Science in International Accounting and Control.
Employed since 2005 (at Stena since 2001)

*External assignments:* Member of the financial committee at The Swedish Shipowners' Association

*Call options in Concordia Maritime:* 0

*Shares held in Concordia Maritime:* 0

### Barbara Oeuvray
Born 1966. President, Concordia Maritime AG. Swiss Certified Finance and Accounting Specialist.
Employed since 2005 (at Stena since 1989)

*External assignments:* None

*Call options in Concordia Maritime:* 0

*Shares held in Concordia Maritime:* 0

# Glossary

Barrel Unit for trading oil. One barrel is the equivalent of around 159 litres.

Beaufort The Beaufort scale is a wind force scale devised by Sir Francis Beaufort, a British admiral. The scale has 17 classes and is the international scale for measuring wind speed.

Brent Type of North Sea oil that functions as a commercial benchmark.

Bunker, bunkering The name for the ship's fuel, i.e. the oil burnt in the ship's machinery. Bunkering refers to the taking aboard of bunker.

Charterer A cargo owner or the party leasing the ship. Charterer is also the professional term for shipping clerks or clerks at brokers who conduct business on the freight market.

Daily cost Costs of the ship's crew, insurance and maintenance.

Deadweight/dwt The weight of the load, bunker and loose equipment the ship is able to carry.

Distance minute (nautical mile) = 1,852 metres.

FPSO Floating Production and Storage Offloading.

Freight rate The agreed price expressed in USD per day.

IMO International Maritime Organization. The UN's international regulatory maritime organisation.

Intertanko Organisation for independent tanker companies.

ISM International Safety Management Code. Standardised regulations for organising companies in relation to ship safety and prevention of environmental pollution.

ISO 9002 Standard for quality-control system.

ISO 14000 Standard for environmental management systems.

Knot A unit of speed for nautical vessels. One knot = one distance minute per hour, i.e. 1.85 km/hour.

MARPOL International convention under IMO that regulates pollution at sea.

Spot market The part of the maritime market that leases ships for individual journeys.

Time charter The shipping company charters out its ships complete and crewed for a payment based on a certain sum per day or a certain sum per dwt and month. The party chartering the ship pays for bunker and port fees.

## Addresses

Concordia Maritime AB (publ)
SE-405 19 Gothenburg, Sweden
Tel +46 (0)31 85 50 00
Corp. ID: 556068-5819
Registered office: Gothenburg

Concordia Maritime AG
Bahnhofplatz
CH-6300 Zug
Switzerland
Tel +41 (0)41 728 81 21

Hans Norén
President
Tel +46 (0)31 85 51 01
or +46 (0)704 85 51 01
hans.noren@concordia-maritime.se

Göran Hermansson
Financial Manager
Tel +46 (0)31 85 50 46
or +46 (0)704 85 50 46
goran.hermansson@
concordia-maritime.se
www.concordia-maritime.se

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Concordia Maritime AB (publ)
SE-405 19 Gothenburg
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