

*Concordia Maritime is an international large-tanker shipping company, which owns two new 314,000 dwt VLCCs delivered in 2001 and four VLCCs of about 270,000 dwt built in the mid-1970s. The new vessels, Stena V-MAX, in addition to having mandatory double hulls, were built according to a completely new tanker concept for safer oil transportation with double main engines in two completely separate engine rooms, double rudders and steering gear, two propellers and double control systems. All the vessels were built to very high specifications as regards both customer satisfaction and lifespan. The quality of the vessels and the management and manning organisations is documented by quality certificates from Det Norske Veritas and the American Bureau of Shipping.*

### **INNOVATION AND PERFORMANCE**

*Our business concept is to provide our customers with safe and cost-efficient tanker transportation based on innovation and performance*

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## **REPORT ON FINAL ACCOUNTS, 2002**

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- **Result after financial net SEK -142.4 (251.9) million**
- **Weak freight market, characterised by weak global economy and political turbulence, during first ten months**
- **Dramatic improvement in freight market in November**
- **Continued safe and cost-efficient ship operation**
- **Strong first half of 2003 anticipated, but weaker second half probable**
- **Forecast for full year: SEK 100 million profit**
- **Prestige accident will affect future of tanker shipping – demands for increasingly safe transportation will grow**

### **PRESIDENT'S SUMMARY OF THE YEAR**

Even though the large-tanker market rose sharply towards the end of the year, the freight rates in 2002 were very low and Concordia posted a weak result.

The year saw yet another tanker accident, which will affect the future of tanker shipping in the same way as the Exxon Valdez in 1989 and the Erika in 1999. Politicians and legislators are trying to find ways of preventing these types of tanker accidents. We in the industry have

everything to gain by cooperating in order to ensure that good conditions are created for efficient oil transportation with a high level of safety. The authorities are fully occupied with tracing the worst ships, but little is being done to secure a future supply of safe tonnage and good crews. There are many who seem to be satisfied with expediting a faster transition from single hulls to double hulls without realising that a double hull does not in itself prevent accidents. It only limits the effects of certain types of accidents in the same way as an airbag in a car. Bad design and construction of ships may be the cause of 10% of the accidents but 90% is probably caused by human mistakes and shortcomings. Naturally, we will continue to work on improving the ships, but knowledgeable crews manning safe ships are the key to oil transportation with the minimum of accidents.

Concordia, in close collaboration with Stena, is at the forefront when it comes to developing new and modern tankers with all important functions doubled and with crews that are well-trained and drilled for their task.

Concrete illustrations of this are the V-MAX tankers *Stena Vision* and *Stena Victory* – two of the safest ships in the world. Concordia's subsidiary Universe Tankships is also responsible for the management and manning of Stena's coastal tankers *Stena Caribbean* and *Stena Calypso*, which were built and manned according to the same motto for charter to ChevronTexaco:

INNOVATION AND PERFORMANCE.

## SALES AND RESULT

### *Full year*

Consolidated sales amounted to SEK 779.7 (1,336.3) million. The result after financial items was SEK -142.4 (251.9) million, which included a profit of SEK 11.1 (1.5) million on the sale of ships. The result after tax was SEK -148.9 (231.3) million, which corresponds to a result per share after tax of SEK -3.12 (4.85).

### *Fourth quarter*

Sales during the fourth quarter amounted to SEK 214.7 (376.7) million. The result after financial items was SEK -17.6 (53.7) million, which included a profit of SEK 11.1 (1.5) million on the sale of ships. The result after tax was SEK -22.8 (48.4) million, which corresponds to a result per share after tax of SEK -0.48 (1.01).

### *Sales by geographical area*

Sales for the whole of 2002 are distributed geographically over the following markets (in %): US 35 (35), UK 26 (19), Saudi Arabia 9 (21), South Africa 9 (9), India 7 (5), Japan 4 (5), Switzerland 4 (2) and others 5 (4). The distribution of net sales is based on the respective customer's domicile.

### *Large-tanker market 2002*

The large-tanker market in 2002 was characterised by weak economic growth and political turbulence in the world. The demand for oil was weak, which resulted in production cuts in the OPEC countries and lower demand for oil transportation with large tankers. The downward trend on the freight market at the beginning of 2001 thus continued in 2002 and during large parts of the year, freight rates were very low. The lower capacity resulting from older tonnage being phased out (40 VL/ULCCs were scrapped or sold to offshore projects) has been compensated for by deliveries of 40 new ships.

During the final months of the year, the large-tanker market improved dramatically. A number of strikes broke out in Venezuela and oil production there came to an almost complete standstill. Consequently, Venezuelan oil, much of which is exported to the US and meets 15% of its import requirements, had to be replaced by oil from other regions and shipments from the OPEC countries around the Arabian Gulf immediately began to rise.

At the same time, stocks in the US needed to be built up from a relatively low level, in part due to the onset of a cold winter.

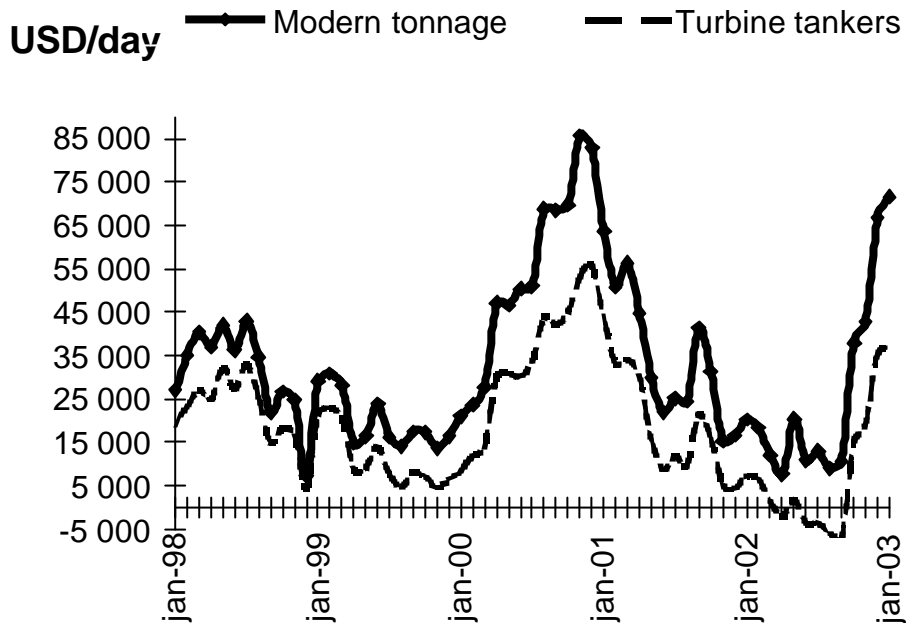
Added to this was the uncertainty concerning the supply of oil in the event of a war against Iraq.

As a result of the Prestige accident, some ships were not selected for transportation by charterers, which also reduced the supply of tonnage.

The collective impact of these factors resulted in a sharp increase in the demand for large-tanker transportation; the tonnage surplus rapidly became a tonnage deficit, thus causing freight rates to shoot up to levels not seen for many years.

## **FREIGHT MARKET FOR VLCCs**

JANUARY, 1998 – JANUARY, 2003



Source: Platou

### V-MAX

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

### VLCC and ULCC

During the year, the Group's four VLCCs were employed on the spot market and generated about USD 8,000 (32,100) per day, including waiting days. This covered daily running costs but did not contribute to depreciation and financing costs. During the fourth quarter, the freight rate was about USD 11,000 (33,200) per day. The freight rates for voyages begun around the end of 2002 reflect the current strong market and average USD 25-30,000 per day. The full impact of these good rates on the result will, however, not be felt until the first quarter of 2003.

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

The *Stena King* was delivered to her new owner on 24 June and the *Stena Queen* was delivered on 23 September. The parties agreed not to make public the selling price and other terms in the agreement. It was calculated that the effect on the result and cash flow would be the same as if the ships had not been sold. Up until they were sold, these tankers generated about USD 10,000 per day on the spot market, including waiting days and compensation from off-hire insurance in conjunction with med *Stena King's* collision in the Arabian Gulf at the end of March. The collision did not result in any oil leakage or personal injuries, nor were there any negative financial consequences.

### ***Other ships***

The self-discharging dry-cargo carrier *Kure* was sold at the beginning of December. The sale generated a profit of SEK 11.1 million.

### ***Fleet operation***

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

### ***FPSO (Floating Production, Storage and Offloading)***

The *Stena Continent* was sold at the end of 2000 for conversion into a FPSO unit and was delivered in January, 2001.

There is a dispute between Concordia Maritime and the buyer concerning the interpretation of certain parts of the sales agreement. The Company does not expect the dispute to have any financial consequences.

The prospects for selling the four remaining ships in the so-called Concordia Class for projects in the offshore segment remain good.

### **EQUITY**

Equity per share is SEK 24.16 (33.62). The SEK/USD exchange rate on 31-12-2002 was 8.83 (10.67).

### **LIQUIDITY AND FINANCING**

The Group's disposable liquid funds, including unutilised credit facilities, amounted to SEK 171.7 (381.4) million on 31-12-2002. The Group's existing fleet is financed via a credit facility of originally USD 165 million raised during the spring of 1999. This credit facility is amortised on an ongoing basis and amounted to USD 107.3 million at the end of the period.

### **CONVERTIBLE DEBENTURE LOAN**

The loan, which had run since April, 1995, and carried 7% interest, fell due on 30 April, 2002.

Only SEK 1.9 million remained of the original loan amount of SEK 275.4 million. The Company currently has no outstanding convertible loans, options or other instruments that will increase the number of shares in the future.

### **INVESTMENTS**

No investments were made during the period.

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

The joint charter business between Concordia and Stena Bulk, where the result is divided equally, consists of a multi-year freight contract, which is roughly equivalent to the employment of one VLCC. During the year, the freight contract generated a surplus of SEK 5.3 million for Concordia.

A modern double-hull VLCC (built in 1999) was time-chartered in February, 2003, for a period of 11-13 months within the framework of the joint charter business.

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

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

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

### PARENT COMPANY

The Parent Company's sales totalled SEK 18.4 (19.7) million. Intergroup invoicing accounted for SEK 18.2 (19.5) million of this amount. The result after financial items was SEK 3.5 (38.4, which included an anticipated dividend of SEK 50 million) million.

The Parent Company's disposable liquid funds, including unutilised credit facilities, amounted to SEK 60.9 (13.5) million. There were no investments during the period.

### ACCOUNTING PRINCIPLES AND METHODS OF CALCULATION

The Swedish Financial Accounting Standards Council's recommendation RR16 (Provisions, etc.), which the company has followed as of 01-01-2002, has resulted in a change of accounting principle relating to the periodic maintenance (docking costs) of the vessels. Previously, allocations were made for estimated future docking costs. As of 01-01-2002, the actual costs at the time of docking are included as a prepaid expense in the balance sheet and distributed evenly until the next time the vessel in question is docked according to plan. The change in principle will not affect either the result or equity, although it does affect certain items in the balance sheet, as shown below.

BALANCE SHEET (SEK million)	New accounting principle		Previous accounting principle	
	31 December, 2002	31 December, 2001	31 December, 2002	31 December, 2001
<i>Assets</i>				
Ships	1 907	2 544	1 982	2 675
Prepaid docking costs	39	100	0	0
<i>Liabilities</i>				
Allocations for future docking costs	0	0	36	31

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

The *Stena King* and *Stena Queen* will continue to be shown as fixed assets in the balance sheet after their sale and will be depreciated according to plan. SEK 8.5 million relating to depreciation after the date of sale has been charged to the net result for the year. Amortisation of loans is recorded as income when payment is made. The net result for the year includes SEK 4.4 million relating to such amortisation. Seller credit in conjunction with the sale has been secured by means of ship mortgages and promissory notes.

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

### FORECAST 2003

#### *World large-tanker fleet*

At the end of 2002, the world ULCC and VLCC fleet consisted of 435 vessels. The backlog of orders at the shipyards is equivalent to about 15% of the existing fleet. During the year, orders for only 13 vessels were placed compared with 27 in 2001. The low inflow of orders affected newbuilding prices and a double-hull VLCC could be ordered for about USD 63 million, 10% less than in 2001. In 2003, prices have once again begun to rise and today, they are in the region of USD 68 million with delivery at the end of 2005 at the earliest.

	Scrapped/sold to offshore	New orders	Deliveries/ Order book
2002	40	13	40
2003			40
2004			18
2005			6

#### *Freight market, 2003*

The dramatic improvement in the freight market, which began in November/December, 2002, has continued into 2003. The factors underlying this improvement; the strikes in Venezuela, the replenishment of stocks for winter and worry about a possible war, are however short term in nature. We believe that the growth in demand for oil will continue to be low due to the weak development of the world economy. Growth in some of the economies in Asia is good with China as the “locomotive”, but there is considerable uncertainty in the case of the US, Japan and Europe. Our assessment is that during the second quarter, freight rates will gradually fall.

#### *Forecast*

Our ships on the spot market are currently earning USD 25-30,000 per day and we believe that the result for the first quarter will be good, followed by a somewhat weaker second quarter. This could translate into a 6-month result of about SEK 100 million (SEK 2.10 per share). There is considerable uncertainty as regards the second half of the year, but it should provide a result in the region of  $\pm 0$  and our forecast for the full year is a result of about SEK 100 million (SEK 2.10 per share).

This forecast is based on an average freight rate of USD 16,000 per day for turbine tankers. A change in the average freight rates of USD  $\pm 1,000$  per day would affect the annual result by about SEK  $\pm 15$  million.

### DIVIDEND

Bearing in mind the loss posted for 2002, the Board proposes that no dividend be distributed for this year.

### **ANNUAL GENERAL MEETING AND FUTURE INFORMATION**

The Annual General Meeting with shareholders will be held at Lorensbergsteatern in Gothenburg, Sweden, on 29 April, 2003, at 2.00 pm. The Interim Report for the first three months of the year will be presented in conjunction with the AGM.

In April, the Annual Report for 2002 will be sent to all registered shareholders. The Interim Report for the first six months of 2003 will be published on 13 August and the 9-month Report on 23 October.

### **HANS NORÉN APPOINTED EXECUTIVE VICE PRESIDENT OF CONCORDIA**

Hans Norén, the company's Financial Manager, has been appointed as Executive Vice President of Concordia.

Historical and current reports, together with news and comments on the Company and the tanker markets, can be found on our web site [www.concordia-maritime.se](http://www.concordia-maritime.se).

Further information may be obtained from:

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Gothenburg, 18 February, 2003

### **CONCORDIA MARITIME AB (publ)**

Lars Carlsson  
President

### THE GROUP'S INCOME STATEMENT

(SEK million)	4 <sup>th</sup> quarter 2002	4 <sup>th</sup> quarter 2001	Full year 2002	Full year 2001
Average exchange rate SEK/USD	9.12	10.57	9.72	10.33
Net sales	203.6	375.2	768.6	1 334.8
Ship sales	11.1	1.5	11.1	1.5
<b>Total income</b>	<b>214.7</b>	<b>376.7</b>	<b>779.7</b>	<b>1 336.3</b>
Operating costs, ships	-122.3	-195.9	-494.5	-651.8
Other external costs	-13.5	-12.8	-45.4	-54.7
Personnel costs	-25.8	-47.2	-150.3	-175.4
Depreciation	-65.3	-52.3	-187.7	-161.9
<b>Total operating costs</b>	<b>-226.9</b>	<b>-308.2</b>	<b>-877.9</b>	<b>-1 043.8</b>
<b>Operating result</b>	<b>-12.2</b>	<b>68.5</b>	<b>-98.2</b>	<b>292.5</b>
Interest income and similar profit/loss items	0.0	1.6	1.3	7.6
Interest expenses and similar profit/loss items	-5.4	-16.4	-45.5	-48.2
<b>Financial net</b>	<b>-5.4</b>	<b>-14.8</b>	<b>-44.2</b>	<b>-40.6</b>
<b>Result after financial net</b>	<b>-17.6</b>	<b>53.7</b>	<b>-142.4</b>	<b>251.9</b>
Tax	-5.2	-5.3	-6.5	-20.6
<b>Result after tax</b>	<b>-22.8</b>	<b>48.4</b>	<b>-148.9</b>	<b>231.3</b>

### PER-SHARE DATA

(SEK)	4 <sup>th</sup> quarter 2002	4 <sup>th</sup> quarter 2001	Full year 2002	Full year 2001
Shares at end of period (Note 1)	47 729 798	46 406 600	47 729 798	46 406 600
Average number of shares (Note 1)	47 729 798	46 346 825	47 294 055	45 206 820
Result per share after tax, SEK	-0.48	1.04	-3.15	5.12
Result per share after tax, SEK, after full conversion	-0.48	1.01	-3.12	4.85
Equity per share, SEK	24.16	34.33	24.16	34.33
Equity per share, SEK, after full conversion (Note 1)	24.16	33.62	24.16	33.62

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

-	74 200	1 323 198	4 213 626
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### SUMMARY OF GROUP'S BALANCE SHEET

(SEK million)	31 Dec 2002	31 Dec 2001
SEK/USD exchange rate on accounting date	8.83	10.67
<b>Assets</b>		
Ships and equipment	1 907.5	2 545.8
Financial assets	12.6	12.8
Total fixed assets	1 920.1	2 558.6
Current receivables	203.6	328.7
Cash and bank balances	115.2	263.0
Total current assets	318.8	591.7
<b>Total assets</b>	<b>2 238.9</b>	<b>3 150.3</b>
<b>Equity and liabilities</b>		
Equity	1 153.0	1 593.2
Provisions	46.1	48.5
Convertible debenture loan	0.0	17.1
Long-term liabilities	880.3	1 258.4
Current liabilities	159.5	233.1
<b>Total equity and liabilities</b>	<b>2 238.9</b>	<b>3 150.3</b>

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

(SEK million)	Full year 2002	Full year 2001
<b>Operating activities</b>		
Cash flow from operating activities before changes in working capital	35.5	394.7
Change in working capital	-50.4	93.8
<b>Cash flow provided by operating activities</b>	<b>-14.9</b>	<b>488.5</b>
<b>Cash flow from investing activities</b>	<b>41.2</b>	<b>-499.1</b>
<b>Cash flow from financing activities</b>	<b>-113.4</b>	<b>231.9</b>
<b>Dividend</b>	<b>-27.8</b>	<b>-49.4</b>
Conversion differences	1.5	-1.2
<b>Cash flow for the year</b>	<b>-113.3</b>	<b>170.7</b>
<b>Balance at beginning of period (Note 1)</b>	<b>263.0</b>	<b>81.0</b>
<b>Exchange rate differences, cash and bank balances (Note 2)</b>	<b>-34.4</b>	<b>11.3</b>
<b>Balance at end of period (Note 1)</b>	<b>115.2</b>	<b>263.0</b>

Note 1 Balance consists of cash and bank balances

Note 2 Exchange rate differences related to:

Balance at beginning of year	-44.9
Cash flow for the year	10.5
	<u>-34.4</u>

### CHANGES IN EQUITY, GROUP

# CONCORDIA MARITIME

(SEK million)

	Share capital	Conversion in progress	Restricted reserves	Non-restricted equity	TOTAL
<b>CHANGES JAN-DEC, 2002</b>					
Opening balance on 01-01- 2002	371.3	-	319.6	902.3	1 593.2
Exchange rate differences not shown in income statement	-	-	-29.7	-248.3	-278.0
Result for the period	-	-	-	-148.9	-148.9
Conversions during the year	10.5	-	4.0	-	14.5
Dividend	-	-	-	-27.8	-27.8
Closing balance on 31-12-2002	381.8	0.0	293.9	477.3	1 153.0
<b>CHANGES JAN-DEC, 2001</b>					
Closing balance on 31-12-2000 according to annual report	222.1	166.0	224.7	590.4	1 203.2
Effect of change in accounting principle	-	-	-	8.4	8.4
Opening balance on 01-01-2001, adjusted	222.1	166.0	224.7	598.8	1 211.6
Exchange rate differences not shown in income statement	-	-	76.8	74.5	151.3
Result for the period	-	-	-	231.3	231.3
Registered conversions in progress on 31-12-2000	115.5	-166.0	50.5	-	0.0
Conversions during the year	33.7	-	14.7	-	48.4
Changes between restricted and non-restricted equity	-	-	-47.1	47.1	0.0
Dividend	-	-	-	-49.4	-49.4
Closing balance on 31-12-2001	371.3	0.0	319.6	902.3	1 593.2

## SIX-YEAR SUMMARY

(SEK million)

	2002	2001	2000	1999	1998	1997
<b>Profit/loss and balance-sheet items</b>						
Net sales	768.6	1 334.6	1 327.6	773.6	1 102.9	1 114.5
Operating result	-98.2	292.5	246.0	-44.1	201.8	236.2
Result after financial items	-142.4	251.9	227.7	-72.0	114.0	156.3
Cash flow	35.5	392.1	337.2	15.9	205.8	246.4
Equity (Note 1)	1 153.0	1 593.2	1 211.6	721.5	760.9	650.3
Total assets (Note 1)	2 238.9	3 150.3	2 494.5	1 890.3	1 751.0	1 932.5
<b>Key ratios (%)</b>						
Equity ratio	51	51	48	38	43	34
Return on total capital	-4	11	12	-2	12	15
Return on capital employed	-5	12	14	-2	13	17
Return on equity	-11	16	21	-8	17	31
Note 1 Effect of change in accounting principle, SEK million:						
Equity			8.4	15.8	25.9	36.7
Total assets		-31.1				

Definitions: see Annual Report 2001