

Stena Perros in the Panama Canal.

INTERIM REPORT, 1 JANUARY–30 JUNE 2018

Weak tanker market awaits turnaround

**Q2
18**

- **Total income**
Q2: SEK 227.0 (211.1) million
HY1: SEK 426.6 (436.0) million
- **EBITDA**
Q2: SEK -9.3 (10.0) million
HY1: SEK -2.3 (39.3) million
- **Result before tax**
Q2: SEK -57.0 (-43.9) million
HY1: SEK -95.7 (-85.1) million
- **Result per share after tax**
Q2: SEK -1.19 (-0.92) million
HY1: SEK -2.01 (-1.78) million

Events in the second quarter

- Another quarter without any Lost Time Injuries
- Three suezmax vessels chartered in (50% share)
- Two MR (ECO) vessels chartered in (50% share)

Events after the end of the quarter

- One suezmax vessel chartered in (50% share)
- *Stena Paris* chartered out for 12 months

Key ratios

	Q2 (Apr–Jun)		6 months (Jan–Jun)		Full year
	2018	2017	2018	2017	2017
Total income, SEK million	227.0	211.1	426.6	436.0	827.5
EBITDA, SEK million	-9.3	10.0	-2.3	39.3	51.3
EBITDA, USD million	-1.2	1.1	-0.3	4.4	6.0
Operating result, SEK million	-55.5	-45.4	-91.9	-69.9	-624.6
Result after financial net, SEK million	-57.0	-43.9	-95.7	-85.1	-186.5
Result before tax, SEK million	-57.0	-43.9	-95.7	-85.1	-660.2
Result after tax, SEK million	-57.0	-43.9	-95.7	-85.1	-660.2
Equity ratio, %	41	49	41	49	41
Return on equity, %	-7	-3	-54	-3	-41.7
Available liquid funds, including unutilised credit facilities, SEK million	185.0	281.0	185.0	281.0	335.5
Result per share after tax, SEK	-1.19	-0.92	-2.01	-1.78	-13.83
Equity per share, SEK	25.94	38.29	25.94	38.29	25.60
Lost-time injuries	0	0	0	0	0



PRESIDENT'S OVERVIEW

Really tough second quarter

As expected, the tanker market remained weak during the second quarter of 2018. The reasons are well known but are worth repeating: The combination of OPEC's reduced production and stock withdrawals in the consuming countries has resulted in a reduced transport demand for both crude oil and product tankers. In addition, there have been extensive ship deliveries and overall this has resulted in low freight rates – for us and the rest of the sector.

The goals of the production cuts were to get oil prices up and to force a reduction in the record-high global oil stocks. Both goals have now been achieved. Oil prices have increased by over 50 percent compared with a year ago, while oil stocks have gradually declined and at the time of writing are back below an average five-year level.

Increased production

With the recent return to more normal stock levels, both OPEC and Russia have decided to increase production – and, ultimately, exports. This will bring a rise in demand for tank tonnage in the period ahead. In parallel, we expect that current high scrap prices and investments necessitated by new legal requirements will result in a continued phasing-out of older vessels. So far in 2018 (as of July), a total of 113 vessels have gone for recycling – compared with 78 in the full year 2017. If this rate persists, we may see almost zero growth rate in certain segments this year.

A progressively stronger market

The tanker market is both cyclical and volatile in nature. From a historical perspective, we can see that high peaks are followed by deep troughs and vice versa – and the fluctuations often come fast. This presents both opportunities and challenges. It is important to have a strategy that enables us to quickly adapt based on each given situation. To grasp the opportunities and deal with the troughs, we are working actively with our fleet. When times are good, it is about optimising opportunities, when they are harder, it is about ensuring

employment – and creating the right starting position for when the market turnaround comes.

And this is where we are now. The combination of increased demand for tanker transport and moderate fleet growth means that we maintain our belief in a progressively stronger market at the end of the year. We also position our fleet on the basis of this scenario. The majority of our vessels are on the open spot market and are fully ready to start transporting freight when the turnaround comes.

Strengthened positions

During the quarter, we decided to participate in charters of three suezmax vessels with Stena Bulk. Another suezmax vessel was chartered in after the end of the quarter. By chartering in the tankers, we strengthen our presence in the crude oil tanker segment and continue to increase our earning capacity. We have now brought in a total of ten vessels on short-term charters (50% share) during the last year – six MR (ECO) and four suezmax tankers. This means we are continuing to take advantage of the favourable chartering opportunities that arise in weak markets. During the quarter, we also secured employment for the P-MAX tanker *Stena Paris* for a further year. To be given a renewal of confidence for the sixth consecutive year by one of the world's largest oil companies is obviously really pleasing.

So, to reiterate what we previously said – the market is still weak but the fundamentals continue to point to an impending upturn.

Kim Ullman, CEO



Business activities

Spot market earnings for the product tanker fleet in the second quarter of 2018 were USD 11,300 (12,000) per day, which was higher than the average earnings for the market¹⁾, USD 8,200 (9,600), but lower than for the same quarter in 2017. Earnings for the suezmax fleet in the second quarter were USD 14,200 (17,600) per day, compared with the average earnings for the market¹⁾ of USD 12,700 (15,200) per day.

The product tanker fleet

The ten 65,200 dwt P-MAX tankers are the backbone of Concordia Maritime's fleet. At the end of the reporting period, three of the vessels were employed on longer contracts (time charters). The other seven vessels were employed in the spot market under agreements with Stena Bulk. The two long-term chartered IMOIMAX vessels *Stena Image* and *Stena Important* also continued to be employed under the cooperation with Stena Bulk.

The Company continues to position itself for the progressively stronger market that is expected, and two MR (ECO) vessels were chartered in during the quarter. These are joint charters with Stena Bulk, and Concordia Maritime's share amounts to 50 percent.

During the present quarter, the P-MAX vessel *Stena Paris* has been chartered out for 12 months.

Earnings

Average earnings for the entire product tanker fleet, spot and TC, during the second quarter were USD 12,400 (13,200) per day. For vessels employed on the spot market, average earnings for the quarter were USD 11,300 (12,000). For the six-month period, average earnings for the entire product tanker fleet, spot and TC, were USD 13,400 (14,400) per day. For vessels employed on the spot market, average earnings for the six-month period were USD 12,500 (13,300).

Suezmax

The long-term chartered suezmax tanker *Stena Supreme* (158,000 dwt) is employed on the spot market via Stena Sonangol Suezmax

Pool, controlled by Stena and the Angolan state oil company Sonangol. The pool is a long-time market leader in terms of suezmax tanker earnings.

As part of fleet positioning ahead of the progressively stronger market that is expected, three suezmax vessels were chartered in.

The positioning has continued during the present quarter, and another suezmax vessel has been chartered in.

These are all joint charters with Stena Bulk, and Concordia Maritime's share amounts to 50 percent. The chartered vessels are employed on the spot market via Stena Sonangol Suezmax Pool.

Earnings

Average earnings for the suezmax fleet were USD 14,200 (17,600) per day for the quarter and USD 13,700 (21,400) per day for the six-month period.

Repairs and drydock

There were no repairs or drydocking during the quarter.

Current status of contracted freights Q3 2018, as of August 10

	Average earnings (\$/day)	Share of chartered days [%]
Product tankers, spot	10,200	61
Suezmax, spot	16,000	34

The contracted average earnings are based on initial projections, which may change considerably during the course of an individual voyage. This means that the final accounting result may differ materially from the average earnings stated above.

1) Clarkson index

Earnings, spot¹⁾

USD per day	Number of vessels	Average earnings, Concordia Maritime				Average earnings, market ^{2,3)}			
		Q2 2018	Q2 2017	6 months 2018	6 months 2017	Q2 2018	Q2 2017	6 months 2018	6 months 2017
Product tankers	12.0	11,300	12,000	12,500	13,300	8,200	9,600	9,300	10,200
Suezmax	2.5	14,200	17,600	13,700	21,400	12,700	15,200	10,900	17,500

1) From 1 January 2018, spot earnings are presented net of commercial management commission. This generates earnings that are USD 300–600 higher than when commercial management commission is included. Comparative figures have been recalculated according to the new presentation principle.

2) Clarksons w.w. average MR Clean Earnings

3) Clarksons w.w. Suezmax Long Run Historical Earnings

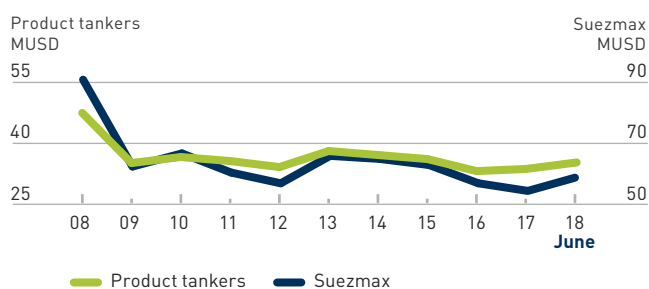
Concordia Maritime's spot market product tanker fleet achieved higher earnings per day than the Clarksons theoretical index in the second quarter of 2018. Niche trades for the P-MAX vessels and a good performance from the Stena Bulk pool, given the weak market, are among the main drivers.

Concordia Maritime's earnings in the suezmax segment were also higher than the index, which shows that the Stena Sonangol pool remains one of the industry's leaders.

EBITDA per quarter

USD millions	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Product tankers, time charter	5.8	7.6	4.8	3.3	3.6	4.0	5.6	5.4
Product tankers, spot, owned and leased tonnage	-4.5	-4.4	-1.8	-0.5	0.0	0.7	-0.2	0.5
Product tankers, spot, chartered tonnage	-0.4	-0.1	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2
Sale of ships	—	—	—	—	—	—	2.9	—
Product tankers, total	0.9	3.0	2.8	2.5	3.4	4.5	8.1	5.7
Suezmax, spot, owned and leased tonnage	-1.2	-1.3	-0.7	-1.3	-1.4	-0.4	1.4	0.9
Suezmax, spot, chartered tonnage	-0.0	—	—	—	—	—	0.0	-0.2
Sale of ships	—	—	—	—	—	—	3.5	—
Suezmax, total	-1.2	-1.3	-0.7	-1.3	-1.4	-0.4	4.9	0.7
Admin. and other	-0.8	-0.8	-0.9	-0.8	-0.9	-0.8	-0.6	-0.5
Total	-1.1	0.9	1.2	0.4	1.1	3.3	12.4	5.9

Newbuilding prices

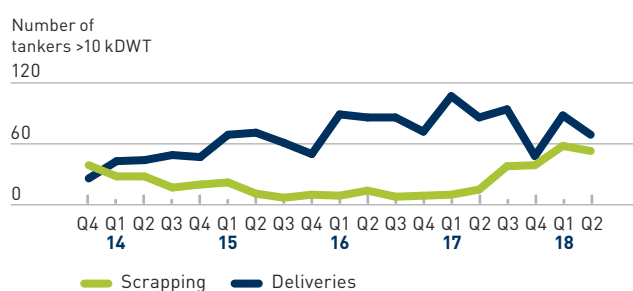


At the end of the quarter, the price of a standard product tanker was about USD 35 million. The price of an IMOII class MR tanker like our IMOIIIMAX vessels was about USD 35 million. This is the same price as when we placed our order with the shipyard in 2012. The price of a standard suezmax tanker at the end of the quarter was about USD 59 million.

The charts show the value at the end of each period and refer to standard vessels.

Source: Clarkson

Scrapping and deliveries



The scrapping rate has increased as a result of a weak tanker market and investment requirements due to new IMO regulations.



Financial summary

Result

Result after tax for the quarter was SEK -57.0 (-43.9) million. The continuing weak market meant low earnings for vessels on the spot market, which generated a negative EBITDA during the quarter and the first 6 months. Costs for operation and administration are at the same level as in the same period the previous year.

Equity

Equity per share was SEK 25.94 (38.29).

Changes in translation and hedging reserves

The Parent Company's functional currency is SEK, but the majority of the transactions in the Group are in USD. The Group's result is generated in USD, which means the result in SEK is a direct function of the SEK/USD exchange rate trend. In the second quarter of 2018, investments in foreign subsidiaries were partially hedged through the forward sale of USD 4 million as hedging instruments. The duration is 24 months. At the end of the quarter, this contract was valued at TSEK -9 million and was recognised in the hedging reserve through OCI.

The Company has entered into a bunker hedge, which at the end of the quarter covered a total of 15,600 mt at an average price of USD 591, duration Jan-Dec 2020. The bunker hedge's fair value changes are recognised in other comprehensive income and the hedging reserve in equity. A fair value change of SEK 8.0 million for the bunker swap was reported in OCI during the quarter.

The closing amount in the hedging reserve at the end of the quarter was SEK 19.4 million. The closing balance for the translation differences, which are recognised in equity, amounted to SEK 490.3 (414.3) million at the reporting date. The changes are recognised in equity through OCI.

Investments and deposits

Investments in property, plant and equipment during the quarter amounted to SEK 0.9 (45.2) million.

The Company's net investments in financial assets during the quarter amounted to SEK 15.6 (88.6) million and were related to purchases of bonds and equities. These are classified as short-term deposits in the Company's balance sheet.

The Company has taken positions of a more speculative nature for the price differential between bunker grades HSFO and MGO for the full year 2020 and the first six months of 2021. The total volume is 54,000 mt, with an average spread of USD 282. Fair value changes in the positions are recognised in the income statement, SEK 29.7 (0.0) million for the quarter, and are classified as non-current receivables in the Company's balance sheet.

During the quarter, the Company has also taken positions of a more speculative nature in price development for freight route TC2 for the last quarter of 2019 and freight route TD20 for the first quarter of 2019. The total volume is 45,000 mt. Fair value changes in the positions are recognised in the income statement, and amount to SEK -0.3 (0.0) million for the quarter. These are classified as non-current liabilities in the Company's balance sheet.

Valuation of the fleet

The Group's standard process is to conduct six-monthly assessments of the fleet to determine whether there is any indication of impairment. The fleet is defined as a cash-generating unit, and an impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of fair value (external valuations) and value in use (future discounted cash flows). At the end of June 2018, the fleet's carrying amount did not exceed its recoverable amount and no impairment loss was therefore recognised.

Seasonal variations

Three vessels from the sailing fleet of 23 (10 owned, 3 on bareboat contracts and 10 on 50% time charters) were out on time charters at the end of the quarter. Earnings for the vessels that are not signed out to time charters are related to the freight level on the open market. This fleet deployment means that earnings are affected by the seasonal variations that occur in tanker shipping.

Employees

The number of employees in the Group at 30/06/2018 was 6 (6). The Group employed 488 (468) temporary seagoing employees through Stena Sphere's manning company.

Parent Company

The Parent Company's sales for the quarter amounted to SEK 50.4 (8.1) million. Intragroup invoicing represented SEK 0.6 (0.0) million of this amount.

Other

To generate returns on cash and cash equivalents, the Company has deposited USD 3 (26.8) million in a USD account. As the maturity of the deposit is less than three months, it is classified as cash and cash equivalents.

Events after the reporting date

There are no significant events to report after the end of the reporting date.

The Group's total income and earnings

SEK millions	Quarter 2		6 months	
	2018	2017	2018	2017
Total income ¹⁾	227.0	211.1	426.6	436.0
Operating result	-55.5	-45.4	-91.9	-69.9
Result after financial items	-57.0	-43.9	-95.7	-85.1
Result per share after tax, SEK	-1.19	-0.92	-2.01	-1.78

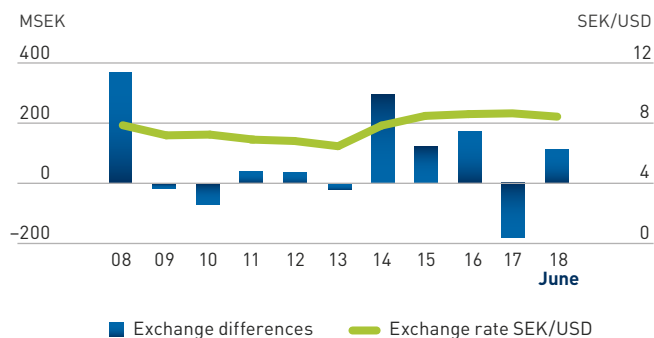
1) Accounting policies, see page 18.

Liquidity and financial position

SEK millions	30 June 2018	30 June 2017
Available liquid funds ¹⁾	185.0	281.0
Interest-bearing liabilities	1,686.2	1,808.6
Equity	1,238.1	1,827.4
Equity ratio, %	41	49

1) Includes unutilised available credit facilities, but excluding short-term investments in corporate bonds and equities.

Translation difference¹⁾



1) Reported in OCI.

As a result of the SEK/USD exchange rate, the Company's profit in SEK has changed, while profit in USD remains unchanged.



Sustainability report

Sustainability work at Concordia Maritime is conducted on a long-term basis and with relevance, openness and transparency as its main guiding principles. The work is based on a materiality analysis in which the main and most relevant sustainability issues are identified.

No Concordia Maritime vessel was involved in any incident that resulted in discharges of bunker oil or cargo during the quarter. This was another quarter in which there were no workplace accidents on vessels resulting in an individual employee being unable to return to a work shift on the day after the accident. There were no medical treatment cases or restricted work cases during the quarter.

There were four incidents that included material damage during the quarter (*Stena Performance*: two mooring ropes caught in the mooring boat's propeller, *Stena Perros*: contact with the lock chamber wall while transiting the Panama Canal x 2, *Stena Premium*: the vessel's own anchor damaged a tank). One incident was classified as high potential near miss during the quarter (*Stena Important* had a short "black out" – there were no vessels in the vicinity and the safety system re-started the electricity immediately).

Concordia Maritime's vessels were not involved in any piracy-related incidents.

External controls

Ten vetting inspections were conducted during the quarter. There were 21 observations during these inspections, resulting in an average of 2.1 observations per inspection. No single inspection had more than 5 observations. This outcome for the quarter is well in line with the Company's goal to have an average of less than 4 observations per

inspection for the fleet and to never have an inspection with more than 5 observations. No port state control resulted in the detention in port of any Concordia Maritime vessel during the quarter.

Energy management

Efforts to reduce bunker consumption continued during the quarter. Bunker consumption in tonnes per day at sea fell by 0.05 tonnes (12 months rolling). This is less than the target for the year, which is to reduce consumption by 0.3 tonnes per day. Relatively major improvements have earlier been implemented to reduce bunker consumption. The annual target of reducing consumption by a further 0.3 tonnes per day presents a challenge.

Reduced bunker consumption means lower emissions. CO₂ emissions decreased by 114 tonnes during the quarter. SO_x emissions decreased by 4.5 tonnes and NO_x emissions by 3 tonnes.

Targets and outcomes, sustainability

Safety first

	Q2 2018	Q2 2017	6 months 2018	6 months 2017	Target 2018
LTI	0	0	0	0	0
LTIF	0	0	0	0	0
Number of inspections with more than 5 observations (owned vessels)	0	0	0	0	0
Average number of vetting observations (entire fleet)	2.1	3.0	2.1	2.3	<4
Number of port state controls resulting in detention	0	0	0	0	0
Number of piracy-related incidents	0	0	0	0	0
Material damage	4	1	5	2	0
Medical treatment case	0	0	0	1	0
Restricted work case	0	0	0	0	0
High potential near miss	1	2	3	2	0
High risk observation	0	0	0	0	0

Environmental responsibility

	Q2 2018	Q2 2017	6 months 2018	6 months 2017	Target 2018
Oil spills, litres	0	0	0	0	0
Reduced fuel consumption, mt/day (owned vessels) ¹⁾	0.05	1.5	0.13	1.3	0.3
CO ₂ reduction, mt	114	2,700	463	4,707	2,800
SO _x reduction, mt	4.5	23.0	9.0	40.5	36
NO _x reduction, mt	3.2	76.0	12.2	131.0	80
Reduction in emissions of particulates, mt	0.1	0.9	0.2	1.6	0.9

1) Bunker consumption for days at sea for the last 12 months is measured on the last day of the quarter. This 12-month figure is then compared with the same period the previous year.

Definitions, see page 15.

Framework and guidelines

In addition to internal regulations, Concordia Maritime follows a number of international frameworks and principles.

Global Compact

Concordia Maritime follows both the UN Global Compact Initiative and the Universal Declaration of Human Rights. The corporate members undertake to comply with ten principles on human rights, environment, labour and anti-corruption, and to respect them throughout the value chain.

MACN

In 2016, Concordia Maritime became a member of the Maritime Anti-Corruption Network (MACN), an international initiative created by maritime industry players to share experiences and promote best practice in combating all forms of corruption and bribery.

OECD guidelines

Concordia Maritime complies with the OECD guidelines for multinational enterprises. The guidelines deal with how these enterprises are to relate to human rights, environment and labour.

ILO's Fundamental Conventions

Concordia Maritime complies with the International Labour Organization's (ILO) eight fundamental conventions, which represent a minimum global standard for labour. The conventions address fundamental human rights at work.

World Ocean Council

Concordia Maritime is a member of the World Ocean Council, a global organisation consisting of shipping-related businesses that want to join together in taking responsibility for the world's ocean.

Corporate social responsibility

It is Concordia Maritime's aim to contribute to positive social development in various ways. The projects or initiatives that are supported must be clearly linked to Concordia Maritime's values and be related to shipping. They must contribute to a safer everyday life for each seagoing individual, support the progression towards more environmentally and socially sustainable shipping, or contribute to positive development of the local markets in which the Company operates.

During the quarter, Concordia Maritime increased its involvement in keeping the world's ocean clean by working with Håll Sverige Rent (Keep Sweden Tidy), where the focus is on educating the public about the importance of keeping the ocean clean, and by starting a collaboration with the Swedish Institute for the Marine Environment on mapping micro plastic in the world's ocean.



Next generation of officers

Since Concordia Maritime's scholarship program was launched in 2011, it has served as a springboard for maritime students in Bermuda. Scholarships are awarded annually to one or more applicants. In addition to the financial award, there is also an opportunity for supervision and mentoring.

Mercy Ships Cargo Day

Concordia Maritime is one of the participants supporting Mercy Ships Cargo Day. Mercy Ships provides surgery, dental care and other qualified medical care in places where the need is greatest. The activities are conducted on board the world's largest private hospital ship, Africa Mercy. mercyshipscargoday.org





Other information

Related party transactions

Concordia Maritime has a small internal organisation, and purchases services from related-party companies in Stena Sphere, which include Stena Bulk. The latter company conducts tanker business that coincides with Concordia Maritime in some respects. Accordingly, there is an agreement, entered into many years ago, which regulates the relationship between the two companies with respect to new business. Under the terms of this agreement, Concordia Maritime has the right to opt for 0, 50 or 100 percent participation in each new transaction.

Stena Bulk

Stena Bulk specialises in transportation of refined petroleum products and vegetable oils. Under an agreement with Stena Bulk, Concordia Maritime is entitled to the financial result arising from vessels that may from time to time be chartered in by Stena Wecco for a period of more than one year, should Concordia Maritime decide to participate in such charters. Other business generated by Stena Bulk is not available to Concordia Maritime.

Concordia Maritime purchases services on a regular basis from the Stena Sphere in the following areas

- **Vessel charter** Payment is based on a commission of 1.25 percent on freight rates.
- **Commission on the purchase and sale of vessels** Payment is based on a commission of 1 percent on freight rates.
- **Operation and manning of the Group's vessels (ship management)** Payment is based on a fixed price per year and vessel, with an additional payment for manning of vessels.
- **Commercial operation, administration, marketing, insurance, technical monitoring and development of Concordia Maritime's fleet** Payment is based on a fixed price per month and vessel. With regard to technical consulting services for newbuild projects, an hourly rate is applied on a cost-plus basis, which is then charged to the project.
- **Office rent and office services** A fixed annual price is charged.

Purchase of services from Stena Sphere

SEK millions	Quarter 2		6 months		Full year
	2018	2017	2018	2017	2017
Group	64.1	59.7	125.6	131.9	257.3
Parent Company	0.3	0.2	0.5	1.0	1.2

All related party transactions are conducted on commercial terms and at market-related prices.

GROUP

Income statement, other comprehensive income and per-share data

SEK millions	Quarter 2 2018	Quarter 2 2017	6 months 2018	6 months 2017	Full year 2017
Consolidated income statement					
Average exchange rate SEK/USD	8.67	8.80	8.38	8.86	8.54
Time charter income, leasing of vessels	47.8	12.6	72.9	26.8	64.4
Time charter income, operational services	68.2	19.0	104.4	40.3	92.6
Spot charter income ¹⁾	111.0	179.5	249.3	368.9	670.5
Total income	227.0	211.1	426.6	436.0	827.5
Operating costs, ships ¹⁾	-172.7	-137.3	-303.5	-265.2	-519.0
Personnel costs, temporary seagoing	-51.0	-50.3	-99.1	-102.9	-199.2
Personnel costs, land-based	-4.4	-5.2	-9.7	-9.5	-21.2
Other external expenses	-8.2	-8.3	-16.5	-19.1	-36.8
Depreciation/impairment	-46.2	-55.4	-89.6	-109.1	-675.9
Total operating costs¹⁾	-282.4	-256.5	-518.5	-505.9	-1,452.2
Operating result	-55.5	-45.4	-91.9	-69.9	-624.6
Interest and similar income	19.6	20.4	36.1	22.6	37.3
Interest and similar expense	-21.2	-18.8	-39.9	-37.8	-72.9
Financial net	-1.6	1.6	-3.8	-15.2	-35.6
Result before tax	-57.0	-43.9	-95.7	-85.1	-660.2
Tax	0.0	0.0	0.0	0.0	0.0
Result after tax	-57.0	-43.9	-95.7	-85.1	-660.2
Other comprehensive income					
Items that have been/can be transferred to result for the period					
Translation differences	82.7	-119.6	104.2	-145.2	-173.3
Exchange differences transferred to income statement	0.0	0.0	0.0	-2.8	-2.8
Cash flow hedges, interest-related	0.0	-5.6	0.0	-5.4	-5.9
Changes in fair value of cash flow hedges for the period	8.0	0.0	9.5	0.0	-5.9
Changes in fair value of cash flow hedges transferred to result for the period	-0.8	0.0	-1.7	0.0	-1.7
Comprehensive income for the period	32.9	-169.0	16.2	-238.5	-843.9
Per-share data, SEK					
Number of shares	47,729,798	47,729,798	47,729,798	47,729,798	47,729,798
Result per share, before/after dilution	-1.19	-0.92	-2.01	-1.78	-13.83
Equity per share, SEK	25.94	38.29	25.94	38.29	25.60

1) Accounting policies, see page 18.

GROUP

Condensed balance sheet

SEK millions	30 Jun 2018	30 Jun 2017	31 Dec 2017
Closing exchange rate SEK/USD	8.94	8.43	8.18
Assets			
Ships and equipment	2,421.7 ¹⁾	2,892.1	2,305.7
Financial assets	0.1	0.1	0.1
Total non-current assets	2,421.8	2,892.2	2,305.8
Current receivables	262.2	261.4	196.2
Short-term deposits	274.2	402.4	222.8
Cash and bank balances	85.5	186.7	243.6
Total current assets	621.9	850.5	662.6
Total assets	3,043.8	3,742.7	2,968.5
Equity and liabilities			
Equity	1,238.1	1,827.4	1,221.9
Non-current liabilities	1,444.7 ¹⁾	1,574.7	1,412.6
Current liabilities	361.0 ¹⁾	340.6	334.0
Total equity and liabilities	3,043.8	3,742.7	2,968.5

Shares in subsidiaries have been pledged as collateral for the Company's liabilities

1) The significant value decline in vessels and equipment compared with the comparative period is an effect of the sale of two vessels, which are now chartered in on a bareboat basis and whose contracts are classified as operating leases. This is also the main reason for the reduction in liabilities compared with the comparative period.

Changes in equity

SEK millions	Share capital	Other paid-in capital	Translation reserve	Hedging reserve	Fair value reserve	Retained earnings	Total
Changes Jan–Jun 2018							
Opening balance 01.01.2018	381.8	61.9	386.1	11.7	0.0	380.4	1,221.9
Comprehensive income for the period			104.2	7.7		-95.7	16.2
Closing balance 30.06.2018	381.8	61.9	490.3	19.4	0.0	284.6	1,238.1
Changes Jan–Jun 2017							
Opening balance 01.01.2017	381.8	61.9	562.3	19.3	0.0	1,064.5	2,089.8
Comprehensive income for the period			-148.0	-5.4	0.0	-85.1	-238.5
Dividend						-23.9	-23.9
Closing balance 30.06.2017	381.8	61.9	414.3	13.9	0.0	955.5	1,827.4

GROUP

Condensed cash flow statement

SEK millions	Quarter 2 2018	Quarter 2 2017	6 months 2018	6 months 2017	Full year 2017
Operating activities					
Result before tax	-57.0	-43.9	-95.7	-85.1	-660.2
Adjustments:					
Depreciation	46.2	55.4	89.6	109.1	675.9
Other items	-1.5	-4.9	-12.6	-4.7	-30.6
Cash flow from operating activities before changes in working capital	-12.4	6.7	-18.7	19.4	-14.9
Changes in working capital	-57.0	19.9	-55.1	5.6	61.1
Cash flow from operating activities	-69.3	26.6	-73.8	25.0	46.2
Investing activities					
Sale of non-current assets	0.7	0.0	1.9	319.2	307.4
Investment in non-current assets	-0.9	-45.2	-0.9	-49.8	-78.0
Sale of financial assets	15.3	8.9	49.7	8.9	321.1
Investment in financial assets	-30.9	-97.5	-86.1	-162.8	-281.3
Other financial items	0.0	-0.6	0.0	-0.6	-0.6
Cash flow from investing activities	-15.8	-134.5	-35.5	114.9	268.5
Financing activities					
New loans	0.0	0.0	0.0	0.0	0.0
Amortisation of loans	-61.2	-43.5	-87.2	-305.5	-408.8
Dividend to shareholders	0.0	-23.9	0.0	-23.9	-23.9
Other financing	29.8	259.6 ¹⁾	25.3	-8.1	-9.5
Cash flow from financing activities	-31.4	192.2	-61.9	-337.5	-442.2
Cash flow for the period	-116.6	84.4	-171.2	-197.6	-127.6
Balance at beginning of period (Note 1)	193.2	118.0	243.6	406.3	406.3
Exchange differences (Note 2)	9.0	-15.8	13.1	-22.1	-35.1
Balance at end of period (Note 1)	85.5	186.7	85.5	186.7	243.6
Note 1. Balance consists of cash, bank balances and credit facility					
Note 2. Exchange differences attributable to:					
Cash and cash equivalents at beginning of year	17.4	-23.7	22.0	-29.6	-40.5
Cash flow for the period	-8.4	7.9	-8.8	7.5	5.4
	9.0	-15.8	13.1	22.1	-35.1

1) The amount refers to the period's reclassification from short-term deposits to cash and cash equivalents.

PARENT COMPANY

Condensed income statement

SEK millions	6 months 2018	6 months 2017
Net sales	50.4	8.1
Operating costs, ships	-54.1	-10.1
Other external expenses	-6.4	-9.1
Personnel expenses	-7.1	-6.9
Operating result	-17.2	-17.9
Result from subsidiaries	0.0	0.0
Other interest and similar income	53.4	32.8
Interest and similar expense	-47.5	-30.9
Result before tax	-11.3	-16.1
Tax	0.0	0.0
Result after tax	-11.3	-16.1

Condensed balance sheet

SEK millions	30 Jun 2018	30 Jun 2017
Assets		
Ships and equipment	0.0	0.0
Financial assets	0.0	0.0
Investments in Group companies	745.8	745.8
Total non-current assets	745.8	745.8
Current receivables	43.4	16.1
Receivables from Group companies	1,173.6	1,307.0
Cash and bank balances	20.3	16.9
Total current assets	1,237.3	1,339.9
Total assets	1,983.1	2,085.8
Equity and liabilities		
Equity	556.0	544.5
Non-current liabilities	1,196.7	1,323.5
Current liabilities	230.4	217.8
Total equity and liabilities	1,983.1	2,085.8



Risks and risk management

As with all commercial enterprises, Concordia Maritime's activities are associated with certain risks, the occurrence of which may have a material adverse effect on the Company's business, earnings, financial position and future prospects or result in a fall in value for the Company's shares, meaning that investors could lose all or part of their invested capital. The risks below are not presented in order of importance and are not the only risks and uncertainties the Company faces. Additional risks and uncertainties of which the Company is currently unaware or does not consider significant may also develop into factors that may have a material adverse effect on the Company's business, earnings, financial position or future prospects. The description does not claim to be complete or exact, as risks and their extent vary over time.

The overall risk areas are corporate risks, market risks, operational risks and financial risks.

- *Corporate risks* refer mainly to overall risks related to the actual management and operation of the Company. These include risks associated with trademarks, employees, liquidity and funding.
- *Market-related risks* are primarily risks associated with changes in the external environment and market. The Board and management have only a limited opportunity to control these risks in the short term, but must still deal with them in the longer-term planning of the business. These include risks associated with the economy, freight rates, oil price movements and political risks.
- *Operational risks* are risks related to the management of the operational side of the business. These include risks associated with insurance issues, the environment and ship operation.
- *Credit and financial risks* are mainly counterparty risks relating to customers, shipyards and other subcontractors and cooperation partners.

More information about risks and risk management can be found in Concordia Maritime's 2017 annual report, which is available at www.concordiamaritime.com.

Definitions, shipping

CO₂

Carbon dioxide.

High Potential Near Miss

Incident that could have resulted in a serious accident.

Lost Time Injury (LTI)

An accident that results in an individual being unable to carry out his or her duties or return to work on a scheduled shift on the day after the injury, unless this is due to delays getting medical treatment ashore. Also includes fatalities.

Lost Time Injury Frequency (LTIF)

Safety performance measure which is the number of LTIs per million exposure hours in man-hours (LTIF = LTIs x 1,000,000 / exposure hours).

Material damage

An event that results in damage to the vessel, and/or vessel equipment costing more than USD 2,000 to repair (excludes system/equipment failure).

Medical Treatment Case (MTC)

Work-related injury requiring treatment by a doctor, dentist, surgeon or qualified health professional. MTC does not include LTI, RWC, hospitalisation for observation or a consultative examination by a doctor.

NO_x

Nitric oxide.

Restricted Work Case (RWC)

An injury that results in an individual being unable to carry out normal duties during a scheduled work shift or being temporarily or permanently assigned other duties on the day after the injury.

SO_x

Sulphur oxide.

Spot charter (open market)

Hiring of vessels on a voyage-by-voyage basis.

Time charter

Hiring of vessels for a specified period at a fixed rate.

Alternative performance measures¹⁾

Cash flow from operating activities

Result after financial net plus depreciation minus tax paid (cash flow before change in working capital and investments and before effect of ship sales). The Company believes that the key figure provides a deeper understanding of the Company's profitability.

EBITDA

Performance measure which indicates operating result before interest, taxes, impairment, depreciation and amortisation. The Company believes that the key figure provides a deeper understanding of the Company's profitability.

Equity ratio

Equity as a percentage of total assets. The Company believes that the key figure makes it easier for investors to form a picture of the Company's capital structure.

Result excluding impairment and tax

Performance measure which indicates result before tax and impairment. The Company believes that the key figure provides a deeper understanding of the Company's profitability and better comparability over reporting periods.

Return on capital employed

Result after financial net plus finance costs as an average of the last twelve months expressed as a percentage of average capital employed on a 12-month rolling basis. Capital employed refers to total assets minus non-interest-bearing liabilities, including deferred tax liability. The Company believes that the key figure provides a deeper understanding of the Company's profitability.

Return on equity

Result after tax as an average of the last twelve months expressed as a percentage of average equity on a 12-month rolling basis. The Company believes that the key figure provides a deeper understanding of the Company's profitability.

Return on total capital

Result after financial net plus finance costs as an average of the last twelve months expressed as a percentage of average total assets on a 12-month rolling basis. The Company believes that the key figure provides a deeper understanding of the Company's profitability.

Result per share excluding impairment and tax

Performance measure which indicates result per share before tax and impairment. The Company believes that the key figure provides a deeper understanding of the Company's profitability and better comparability over reporting periods.

1) Alternative performance measures as defined by the European Securities and Markets Authority (ESMA)

Reconciliation of alternative performance measures

EBITDA

SEK millions	Quarter 2 2018	Quarter 2 2017	6 months 2018	6 months 2017	Full year 2017
Operating result	-55.5	-45.4	-91.9	-69.9	-624.6
Depreciation/impairment	46.2	55.4	89.6	109.1	675.9
EBITDA	-9.3	10.0	-2.3	39.3	51.3

Result excluding impairment and tax

SEK millions	Quarter 2 2018	Quarter 2 2017	6 months 2018	6 months 2017	Full year 2017
Result after tax	-57.0	-43.9	-95.7	-85.1	-660.2
Impairment	0.0	0.0	0.0	0.0	473.7
Tax	0.0	0.0	0.0	0.0	0.0
Result excluding impairment and tax	-57.0	-43.9	-95.7	-85.1	-186.5

Result per share excluding impairment and tax

SEK millions	Quarter 2 2018	Quarter 2 2017	6 months 2018	6 months 2017	Full year 2017
Result excluding impairment and tax	-57.0	-43.9	-95.7	-85.1	-186.5
Number of shares (millions)	47.729798	47.729798	47.729798	47.729798	47.729798
Result per share excluding impairment and tax	-1.19	-0.92	-2.01	-1.78	-3.91

Return on equity

SEK millions	6 months 2018	6 months 2017	Full year 2017
Result after tax	-670.8	-61.4	-660.2
Equity	1,231.1	1,963.0	1,582.2
Return on equity	-54%	-3%	-42%

Return on capital employed

SEK millions	6 months 2018	6 months 2017	Full year 2017
Result after financial net	-685.8	-74.0	-660.2
Finance costs	74.9	62.2	70.7
Result after financial net plus finance costs	-610.9	-11.8	-589.5
Total assets	3,006.5	4,079.6	3,468.5
Non-interest-bearing liabilities	-114.4	-106.4	-105.8
Capital employed	2,892.1	3,973.2	3,362.6
Return on capital employed	-21.1%	-0.3%	-17.5%

Return on total capital

SEK millions	6 months 2018	6 months 2017	Full year 2017
Result after financial net	-685.8	-74.0	-660.2
Finance costs	74.9	62.2	70.7
Result after financial net plus finance costs	-610.9	-11.8	-589.5
Total assets	3,006.5	4,079.6	3,468.5
Return on total capital	-20.3%	-0.3%	-17.0%

Equity ratio

SEK millions	6 months 2018	6 months 2017	Full year 2017
Equity	1,238.1	1,827.4	1,221.9
Total assets	3,043.8	3,742.7	2,968.5
Equity ratio	40.7%	48.8%	41.2%

Accounting policies

This interim financial report in summary for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and relevant provisions of the Swedish Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with chapter 9 of the Swedish Annual Accounts Act. For the Group and Parent Company, the same accounting policies have been applied as in the most recent annual report. From 1 January 2016, it has been decided to report spot charter income and costs on a gross basis under 'Spot charter income' and 'Operating costs, ships' in the consolidated income statement. These were previously netted under 'Spot charter income' and the change is being made in order to clearly reflect the individual components of the spot charter result. The Group's income and operating expenses were affected, but the change did not have any net effect on the Group's operating result.

With effect from the 2018 financial year, IAS 18 Revenue will be replaced by IFRS 15 Revenue from Contracts with Customers. The Company has chosen to apply a prospective transition, which means that there has been no restatement of comparative figures. Application of IFRS 15 has not resulted in any significant changes in the Group's financial statements.

As part of the transition to IFRS 15, the Company has divided time charter income into a portion related to leasing of vessels and

a portion related to operating activities. The division of time charter income is based on the vessel's cost composition, i.e. the relationship between operating expenses and capital costs.

The Company's surplus liquidity is invested in bonds and shares. With effect from the 2018 financial year, these are reported as "financial assets at fair value through profit or loss" in accordance with IFRS 9, which means they are recognised at fair value in the income statement. The accounting is unchanged from the previous accounting under IAS 39. The bonds and shares are measured at fair value according to Level 1, observable market data.

The transition to IFRS 9 has not had any material impact on the income statement, other comprehensive income or the statement of financial position in respect of the hedge accounting applied in accordance with IAS 39 for the interest rate swap that was terminated in 2017 and for which the capital gain is recognised in the income statement through OCI over the term of the agreement.

Hedge accounting is applied for the Company's bunker hedge, which means that fair value is recognised through other comprehensive income. The positions of a more speculative nature for the price differential between bunker grades HSFO and MGO in 2020 and 2021 are classified as "financial assets at fair value through profit or loss" and are recognised in the income statement.

The Concordia Maritime Group applies International Financial Reporting Standards (IFRS) as adopted by the EU. The Group applies the same accounting policies and calculation methods in the quarterly reports as in the annual report for 2017, in addition to those described in this report.

The Group's interim report has been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act.

The report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act. The Board of Directors and CEO confirm that the interim report provides a true and fair overview of the operations, financial position and performance of the Parent Company and Group, and describes material risks and uncertainties faced by the Parent Company and Group companies. The report has not been reviewed by the Company's auditors.

Gothenburg, 14 August 2018

Carl-Johan Hagman
Chairman

Stefan Brocker
Deputy Chairman

Mats Jansson

Helena Levander

Michael G:son Löw

Alessandro Chiesi

Daniel Holmgren

Mahmoud Sifaf

Kim Ullman
CEO

Quarterly overview

SEK millions	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Profit/loss items								
Total income ¹⁾	227.0	199.6	193.8	197.7	211.1	233.0	278.5	215.3
Operating costs excluding impairment ¹⁾	-282.4	-236.0	-226.7	-245.9	-256.5	-257.4	-231.0	-225.1
Operating result (EBIT)	-55.5	-36.4	-32.9	-521.8	-45.4	-24.4	47.5	-9.8
of which result from sale of investments in jointly-controlled entities (vessels)	—	—	—	—	—	—	—	—
Financial net	-1.6	-2.2	-9.1	-11.2	1.6	-16.8	-14.0	-12.6
Result after financial net	-57.0	-38.7	-42.0	-533.1	-43.9	-41.2	33.5	-22.4
Result after tax	-57.0	-38.7	-42.0	-533.1	-43.9	-41.2	34.3	-10.6
Cash flow from operating activities	-69.3	-4.4	-3.2	39.5	11.4	-1.6	-20.0	37.5
EBITDA	-9.3	7.0	10.1	1.9	10.0	29.3	108.4	50.8
Balance-sheet items								
Ships (number)	2,421.7 (11)	2,303.9 (11)	2,305.7 (11)	2,319.5 (11)	2,892.1 (11)	3,104.7 (11)	3,165.5 (11)	3,810.4 (13)
Ships under construction (number)	0	0	0	0	0	0	0	0
Liquid funds incl. investments	359.7	435.5	466.4	546.9	589.1	722.7	679.5	305.3
Other assets	262.2	206.3	196.2	201.4	261.4	267.0	276.7	223.2
Interest-bearing liabilities	1,686.2	1,620.2	1,635.6	1,702.3	1,808.6	1,975.3	1,946.5	2,310.5
Other liabilities and provisions	119.5	120.3	111.0	106.8	106.7	98.8	105.9	114.0
Equity	1,238.1	1,205.3	1,221.9	1,259.0	1,827.4	2,020.4	2,089.8	1,914.5
Total assets	3,043.8	2,945.8	2,968.5	3,068.1	3,742.7	4,094.6	4,142.2	4,339.0
Key ratios, %								
Equity ratio	41	41	41	41	49	49	50	44
Return on total capital	-20	-18	-17	-14	0	0	2	2
Return on capital employed	-21	-19	-18	-14	0	0	2	2
Return on equity	-54	-48	-42	-32	-3	-3	4	5
Operating margin	-24	-18	-17	-264	-21	-11	17	-5
Share data								
Total income ¹⁾	4.76	4.18	4.06	4.14	4.42	4.88	5.83	4.51
Operating costs excluding impairment	-5.92	-4.95	-4.75	-5.15	-5.37	-5.22	-4.84	-4.72
Operating result	-1.16	-0.76	-0.69	-10.93	-0.95	-0.51	0.99	-0.21
Financial net	-0.03	-0.05	-0.19	-0.23	0.03	-0.35	-0.29	-0.26
Result after tax	-1.19	-0.81	-0.88	-11.17	-0.92	-0.86	0.72	-0.22
Cash flow from operating activities	-1.45	-0.09	-0.07	0.83	0.24	-0.03	-0.42	0.79
EBITDA	-0.19	0.15	0.21	0.04	0.21	0.61	2.27	1.06
Equity	25.94	25.25	25.60	26.38	38.29	42.33	43.78	40.11

Please note that there has been no dilution effect since 2002.

Definitions: see page 16.

¹⁾ Accounting policies, see page 18.

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Calendar

Q3 2018	8 November 2018
Stora Aktiedagen (Gothenburg)	12 November 2018
Q4 2018	30 January 2019

Distribution For environmental reasons, we only publish our interim reports digitally. Concordia Maritime's interim reports and additional financial information about the Company can be read or downloaded from concordiamaritime.com

The information in this report is information that Concordia Maritime is required to disclose in accordance with the Swedish Securities Market Act and/or the Swedish Financial Instruments Trading Act. The information was made public on 14 August 2018 at approx. 2.00 p.m.

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Fleet at 14/08/2018

Product tankers	Employment	Partner
P-MAX		
Stena Premium	Spot	Stena Bulk
Stena Polaris	Spot	Stena Bulk
Stena Performance	Spot	Stena Bulk
Stena Provence	Time charter to Sep 2018	Stena Bulk
Stena Progress	Time charter to May 2019	Stena Bulk
Stena Paris	Time charter to July 2019	Stena Bulk
Stena Primorsk	Spot	Stena Bulk
Stena Penguin	Spot	Stena Bulk
Stena Perros	Spot	Stena Bulk
Stena President	Spot	Stena Bulk

IMOIMAX		
Stena Image ¹⁾	Spot	Stena Bulk
Stena Important ²⁾	Spot	Stena Bulk

MR ECO		
Unnamed vessel ³⁾	Spot	Stena Bulk
Unnamed vessel ⁴⁾	Spot	Stena Bulk
Unnamed vessel ⁴⁾	Spot	Stena Bulk
Unnamed vessel ⁵⁾	Spot	Stena Bulk
Unnamed vessel ⁴⁾	Spot	Stena Bulk
Unnamed vessel ⁴⁾	Spot	Stena Bulk

Crude oil tankers

Suezmax		
Stena Supreme ⁷⁾	Spot	Stena Sonangol Suezmax Pool
Unnamed vessel ⁸⁾	Spot	Stena Sonangol Suezmax Pool
Unnamed vessel ⁹⁾	Spot	Stena Sonangol Suezmax Pool
Unnamed vessel ¹⁰⁾	Spot	Stena Sonangol Suezmax Pool
Unnamed vessel ¹¹⁾	Spot	Stena Sonangol Suezmax Pool

1) Contracted on a bareboat basis until 2024, with annual purchase options from 2020

2) Contracted on a bareboat basis until 2026, with purchase obligation in the same year and annual purchase options from 2021

3) 50% charter December 2017–November 2018 (with option for further 12 months)

4) 50% charter June/July 2017–June/July 2019

5) 50% charter January 2018–January 2020

6) 50% charter April/May 2018–April/May 2019

7) Contracted on a bareboat basis until 2028, with annual purchase options from 2019

8) 50% charter May 2018–May 2019 (with option for further 6 months)

9) 50% charter May 2018–May 2019 (with option for further 6 months)

10) 50% charter June 2018–June 2019 (with option for further 6 months)

11) 50% charter July 2018–June 2019