



Q2  
17

## Interim report, 1 January–30 June 2017

- Total income<sup>1)</sup>  
Q2: SEK 211.1 (280.8) million  
6 months: SEK 436.0 (544.4) million
- Result after tax  
Q2: SEK –43.9 (12.4) million  
6 months: SEK –85.1 (45.8) million
- EBITDA  
Q2: SEK 10.0 (57.2) million  
6 months: SEK 39.3 (160.6) million
- Result per share after tax  
Q2: SEK –0.92 (0.26)  
6 months: SEK –1.78 (0.96)
- Two ECO MR vessels chartered on a 50% basis with Stena Weco.
- Contract signed to charter out the P-MAX tanker *Stena Paris*. The contract is for one year, with an option to extend for a further year.
- Another quarter without any lost time injuries\*.

### Key ratios

	Q2 (Apr–Jun)		6 months (Jan–Jun)		Full year
	2017	2016	2017	2016	2016
Total income <sup>1)</sup> , SEK million	211.1	280.8	436.0	544.4	1,038.2
EBITDA, SEK million	10.0	57.2	39.3	160.6	319.9
EBITDA, USD million	1.1	7.0	4.4	19.3	37.4
Operating result, SEK million	–45.4	0.7	–69.9	45.1	82.7
Result before tax, SEK million	–43.9	12.4	–85.1	45.8	56.9
Result after tax, SEK million	–43.9	12.4	–85.1	45.8	69.5
Equity ratio, %	49	44	49	44	50
Return on equity, %	–3	8	–3	8	3.6
Available liquid funds, including unutilised credit facilities, SEK million	281.0	385.9	281.0	385.9	507.4
Result per share after tax, SEK	–0.92	0.26	–1.78	0.96	1.46
Equity per share, SEK	38.29	39.83	38.29	39.83	43.78
Lost-time injuries	0	0	0	0	0

1) Accounting policies: see page 16.

\* Definitions: see page 14.



## PRESIDENT'S OVERVIEW

# Continued challenging markets

Concordia Maritime continued to generate higher earnings than the overall market in the second quarter, but the generally weak market still led to a negative result for the quarter. Overall, we reported a result before tax of SEK -43.9 (12.4) million. EBITDA was SEK 10.0 (57.2) million, corresponding to USD 1.1 (7.0) million.

As expected, the second quarter of 2017 was weak. In addition to the natural seasonal decline, high inventory levels, continued reductions in OPEC production and extensive ship deliveries contributed to generally low tanker market rates. Compared with the same period the previous year, average rates were about 30 percent lower in the MR segment and almost 50 percent lower in the Suezmax segment.

As far as our own operations are concerned, all vessels in the fleet performed well, with good employment. Several of them have continued to operate in niche trades during the quarter, which contributed to higher income than the overall market also in this quarter. In the product tanker segment, our spot income was USD 11,700 per day, compared with the market average of about USD 9,500.

The fact that we are outperforming the market quarter after quarter shows both the strength of our vessels and our chartering strategy. It also shows the expertise that exist within our organisation and in the network we have access to. Tanker shipping is highly cyclical in nature, and we are not, of course, able to influence fundamental drivers such as demand for oil and little opportunity to influence the size of the global fleet.

### Active work on the fleet

Given the weak market, we are doing what we can to optimise income here and now, and to prepare for the upturn we are expecting. Significant events during the quarter include the chartering out of the P-MAX tanker *Stena Paris* and the chartering in of two MR tankers. *Stena Paris* has been employed on consecutive voyages for one of the world's largest oil companies for several years. The freight under this contract has been spot market related. Now that we have renegotiated the arrangement to a more classic time charter, we ensure employment and income for the vessel for a year ahead. This is also fully in line with our aim to concentrate employment on niche trades where the P-MAX vessels' unique properties are most beneficial. Given the challenging market conditions, we are pleased with the level of the contract. However, it is important that we ensure a long-term

perspective and continuing cooperation with one of the world's largest oil companies.

The chartering in of two modern IMO2/3 class MR tankers clearly demonstrates our ability to act quickly when the right opportunity arises – this time by taking positions counter-cyclically, thereby strengthening our position prior to the market improvement we expect.

### No incidents and continued reduction of environmental impact

We were spared from any serious incidents and accidents during the quarter. The absence of serious incidents is the result of focused efforts, with considerable resources being allocated to training and education, compliance with procedures and monitoring of processes. Nothing comes before the safety of our crews on board. This is our highest priority, regardless of economic or market conditions.

In addition to the continuous safety work, we also allocate considerable resources on reducing our environmental and climate impact. The major focus here is on reducing emissions into the sea and air. The reduction in emissions continued during the quarter.

### Better balance between supply and demand

Our assessment of future market development is unchanged. We expect the market to remain weak for the remainder of 2017. Thereafter, a number of factors point to a gradual improvement. Global oil consumption is expected to increase by about 1.4 million barrels per day in the coming year. Stocks of oil and oil products remain high, but a gradual decline is taking place as a result of OPEC's output cuts. Normalisation is expected in winter or in the first half of next year. On the supply side, the order book is now low and net growth in new MRI vessels is expected to be only about 1-2 percent in 2018. Overall, these factors contribute to a more balanced market.

Kim Ullman, CEO





## Business activities

Spot market income for the product tanker fleet in the second quarter of 2017 was USD 11,700 (19,300) per day, which was higher than the average income for the market<sup>1)</sup> USD 9,600 (12,800) but significantly lower than in the same quarter in 2016. Income for the suezmax tanker *Stena Supreme* during the quarter was USD 17,300 (33,300) per day, compared with the market<sup>1)</sup> average income of USD 15,200 (27,900) 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, five of the vessels were employed on longer contracts (time charters or consecutive voyage charters). The other five vessels were employed in the spot market under agreements with Stena Bulk and Stena Weco. The two IMOIIIMAX vessels *Stena Image* and *Stena Important* continued to be employed under the cooperation with Stena Weco.

During the quarter, a contract was signed for the charter of two IMO2/3 class MR tankers. This is a joint chartering arrangement with Stena Weco, and Concordia Maritime's share amounts to 50 percent. The contract is for one year, and the charters run from June and July 2017. The vessels were built in 2013 and are ECO-design tankers.

The product tanker fleet also includes an IMO2/3 class MR tanker (ECO design) that was previously chartered in. This is also a joint chartering arrangement with Stena Weco, and Concordia Maritime's share amounts to 50 percent. The contract, which runs from the end of November 2015, is for two years with an option for a further 1–6 months.

### Income

Average income for the entire product tanker fleet, spot and TC, during the second quarter was USD 13,000 (19,500) per day.

For vessels employed on the spot market, average income for the quarter was USD 11,700 (19,300). For the six-month period, average income for the entire product tanker fleet, spot and TC, was USD 14,100 (19,900) per day. For vessels employed on the spot market, average income for the six-month period was USD 12,900 (20,000).

### Suezmax

The 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 income.

### Income

Average income for *Stena Supreme* was USD 17,300 (33,300) per day for the quarter and USD 21,000 (35,000) per day for the six-month period.

### Repairs and drydock

The scheduled drydocking of *Stena Supreme* took place during the quarter.

1) Clarkson index

## Income, spot

USD per day	Number of vessels	Average income, Concordia Maritime				Average income, market			
		Q2 2017	Q2 2016	6 months 2017	6 months 2016	Q2 2017	Q2 2016	6 months 2017	6 months 2016
Product tankers	10.5	11,700	19,300	12,900	20,000	9,600	12,900	10,200	14,600
Suezmax	1.0	17,300	33,300	21,000	35,000	15,200	27,900	17,500	32,500

Concordia Maritime's spot market product tanker fleet achieved a higher income per day than the Clarksons theoretical index in the first and second quarters of 2017. Niche trades for P-Max vessels and a good performance by the Stena Weco pool meant that the product tanker fleet was able to achieve higher income than the market.

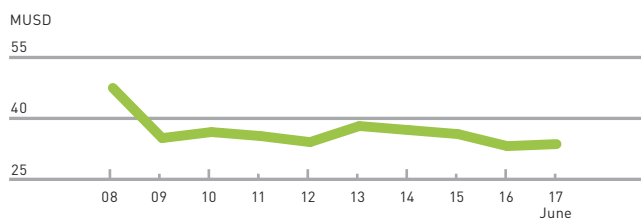
In the Suezmax segment, Concordia Maritime's income for the first and second quarters of 2017 was better than the Clarksons theoretical index (as it was for the full year 2016), which shows that the Stena Sonangol Pool remains one of the industry's leaders.

## EBITDA per quarter

USD millions	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Product tankers, time charter	3.6	4.0	5.6	5.4	4.5	2.4	1.3	1.2
Product tankers, spot, owned and leased tonnage	0.0	0.7	-0.2	0.5	0.9 <sup>1)</sup>	7.9	10.3	9.4
Product tankers, spot, chartered tonnage	-0.2	-0.2	-0.2	-0.2	0.1	0.1	0.0	0.0
Sale of ships	—	—	2.9	—	—	—	—	—
<b>Product tankers, total</b>	<b>3.4</b>	<b>4.5</b>	<b>8.1</b>	<b>5.7</b>	<b>5.5</b>	<b>10.5</b>	<b>11.6</b>	<b>10.6</b>
Suezmax, spot, owned and leased tonnage	-1.4	-0.4	1.4	0.9	2.2	2.4	2.8	2.9
Suezmax, spot, chartered tonnage	—	—	0.0	-0.2	0.3	0.3	0.9	0.7
Sale of ships	—	—	3.5	—	—	—	—	—
<b>Suezmax, total</b>	<b>-1.4</b>	<b>-0.4</b>	<b>4.9</b>	<b>0.7</b>	<b>2.5</b>	<b>2.7</b>	<b>3.7</b>	<b>3.6</b>
Admin. and other	-0.9	-0.8	-0.6	-0.5	-1.0	-1.0	-1.4	-0.9
<b>Total</b>	<b>1.1</b>	<b>3.3</b>	<b>12.4</b>	<b>5.9</b>	<b>7.0</b>	<b>12.2</b>	<b>13.9</b>	<b>13.3</b>

1) Includes cost of USD 9.25 million for settlement of the arbitration case and receipt of additional non-recurring IMOIIIMAX-related payment of USD 5.0 million.

## Newbuilding prices product tankers (MR)

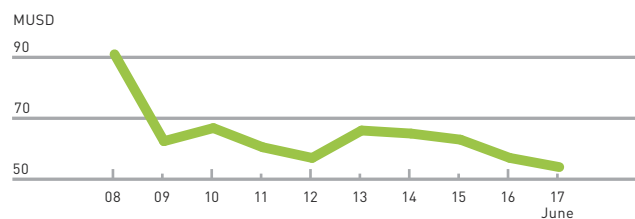


At the end of the quarter, the price of a standard product tanker was about USD 33.5 (33.5) million. The price of an IMOII class MR tanker like our IMOIIIMAX vessels was about USD 35 million. This is the same price as when we placed our order with the shipyard in 2012. The price of a standard suezmax tanker at the end of the quarter was about USD 54 (58) million.

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

Source: Clarkson

## Newbuilding prices Suezmax







## Financial summary

### Result

Result after tax for the quarter was SEK –43.9 (12.4) million. Poor markets mean low income for the vessels on the spot market. Two non-recurring events affected the result for the quarter.

- The Exit USD hedge generated + SEK 14.4 million
- An arbitration judgement resulted in + SEK 8.4 million

The decline in the result compared with Q2 2016 is largely in the face of a generally weaker market.

### Equity

Equity per share was SEK 38.29 (39.83).

### 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 third and fourth quarters of 2016, investments in foreign subsidiaries were partially hedged through the forward sale of USD 35 million as hedging instruments. The duration was 15 months. The Company decided to terminate this hedging arrangement during the quarter. This was carried out at favourable exchange rates for the Company and generated a gain of SEK 14.4 million. This gain is included in the Company's income statement for the quarter and the fair value change previously reported in OCI, with fair value changes accumulated in a separate component of equity (translation reserve), was reversed.

The Company has entered into an interest rate swap totalling USD 75 million and expiring in 2021, in order to provide protection

against interest rate fluctuations. At the end of the quarter, the value of this contract was SEK 13.9 million and the amount is recognised in the hedging reserve through OCI. The accumulated translation differences, which are recognised in equity, amounted to SEK 414.3 (423.4) million. The changes are recognised in equity through OCI.

### Investments and deposits

Investments during the quarter amounted to SEK 30.0 (32.2) million and were mainly related to vessel investments. The Company purchased bonds for SEK 97.5 (0.0) million during the quarter.

### Valuation of the fleet

The Group's fleet is assessed on a six-monthly basis 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). Impairment testing of the asset values at 30 June 2017 did not indicate any impairment.

### Seasonal variations

Three vessels from our fleet of 14.5 (10 owned, 3 on bareboat contracts and 3 on 50% time charters) were out on time charters at the end of the quarter and two were employed on consecutive voyage charters. Income for the vessels that are not signed out to time charters is related to the freight level on the open market. The fleet deployment means that income is affected by the seasonal variations that occur in tanker shipping.



### Employees

The number of employees in the Group at 30/06/2017 was 6 (6). The Group employed 468 (488) temporary seagoing employees through Stena Sphere's manning company.

### Parent Company

The Parent Company's sales for the second quarter amounted to SEK 0.0 (2.2) million. Intragroup invoicing represented SEK 0.0 (0.0) million of this amount. The Parent Company's available liquid funds at 30/06/2017 amounted to SEK 1,333.8 (1,490.3), million, which includes receivables from Group companies in the cash pool and "unutilised credit facilities".

### Other

To generate returns on cash and cash equivalents, the Company has deposited USD 30 (253.0) million in a USD account with a maturity of more than three months. These funds are not classified as cash and cash equivalents but as short-term deposits. During the quarter, the Company purchased corporate bonds at a value of SEK 97.5 million. These are classified as short-term deposits.

Disclosures under IAS 34,16A, also appear in the financial statements and their associated notes in other parts of the interim report.

## Liquidity and financial position

SEK millions	30 June 2017	30 June 2016
Available liquid funds <sup>1)</sup>	281.0	385.9
Interest-bearing liabilities	1,808.6	2,292.9
Equity	1,827.4	1,900.9
Equity ratio, %	49	44

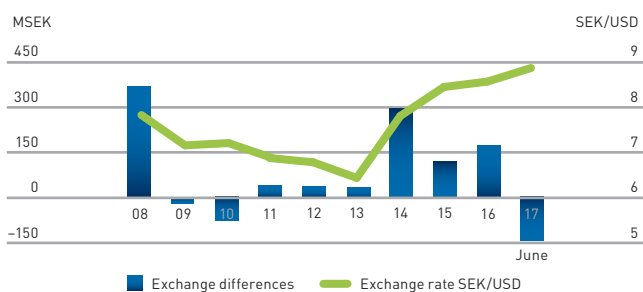
1) Includes unutilised available credit facilities.

## The Group's total income and earnings

SEK millions	Quarter 2		6 months	
	2017	2016	2017	2016
Total income <sup>1)</sup>	211.1	280.8	436.0	544.4
Operating result	-45.4	0.7	-69.9	45.1
Result after financial items	-43.9	12.4	-85.1	45.8
Result per share after tax, SEK	-0.92	0.26	-1.78	0.96

1) Accounting policies: see page 16.

## Translation differences (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.

Another quarter without any lost time injuries (LTI), which means that the vessels did not have any workplace accidents that resulted 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 was an incident that included damage to property (damaged wire) during the quarter.

Concordia Maritime's vessels were not involved in any piracy-related incidents, but had two incidents classified as high potential near misses. These concerned incidents that could have led to a collision in the busy port of Singapore.

### External controls

There were 9 vetting inspections on board Concordia Maritime's vessels during the quarter. There were 21 observations during these inspections, resulting in an average of 3.0 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.



## Framework and guidelines

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

### Global Compact

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.

### Energy management

Efforts to reduce bunker consumption continued during the quarter. Bunker consumption in tonnes per day at sea fell by 1.5 tonnes (12 months rolling). This is better than the target for the year, which is to reduce consumption by 0.3 tonnes per day. This is a positive result of focused control and monitoring, and effective maintenance and technical innovations.

Reduced bunker consumption means lower emissions. CO<sub>2</sub> emissions decreased by 2,700 tonnes during the quarter. SO<sub>x</sub> emissions decreased by 23 tonnes and NO<sub>x</sub> emissions by 76 tonnes.

## Targets and outcomes, sustainability

### Safety first

	Q2 2017	Q2 2016	6 months 2017	6 months 2016	Target 2017
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)	3.0	1.9	2.3	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	1	3	2	5	0
Medical treatment case	0	0	1	0	0
Restricted work case	0	1	0	1	0
High potential near miss	2	2	2	3	0
High risk observation	0	0	0	0	0

### Environmental responsibility

	Q2 2017	Q2 2016	6 months 2017	6 months 2016	Target 2017
Oil spills, litres	0	0	0	0	0
Reduced fuel consumption, mt/day (owned vessels) <sup>1)</sup>	1.5	0.6	1.3	0.5	0.3
Reduced CO <sub>2</sub> , mt	2,700	960	4,707	1,828	2,800
Reduced SO <sub>x</sub> , mt	23.0	12	40.5	22.8	36
Reduced NO <sub>x</sub> , mt	76.0	27	131.0	53.8	80
Reduction in emissions of particulates, mt	0.9	0.3	1.6	0.6	0.9

<sup>1)</sup> 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.

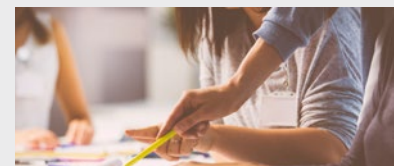
Definitions: see page 14.

## Community engagement

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.

### Mercy Ships Cargo Day

Concordia Maritime is one of the participants that supports 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](http://mercyshipscargoday.org)



### 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.





## Other information

### Related party transactions

Concordia Maritime has a small internal organisation, and purchases services from related-party companies in the Stena Sphere, which include Stena Bulk. Stena Bulk 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 Weco

At the beginning of April 2011, Stena Bulk and the Danish company Weco started a 50–50 joint venture which resulted in a newly established company, Stena Weco. In the first quarter of 2017, Stena acquired the remaining 50 percent share from Weco. Stena Weco specialises mainly in the transportation of vegetable oils. Under a new 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 Weco for a period of more than one year, should Concordia Maritime decide to participate in such charters. Other business generated by Stena Weco 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.
- **Operation and manning of the Group's vessels (ship management)**  
Payment is based on a fixed price per year and vessel.
- **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 construction 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.

All related party transactions take place on commercial terms and at market-related prices.

## GROUP

# Income statement, other comprehensive income and per-share data

SEK millions	Quarter 2 2017	Quarter 2 2016	6 months 2017	6 months 2016	Full year 2016
<b>Consolidated income statement</b>					
Average exchange rate SEK/USD	8.80	8.23	8.86	8.33	8.56
Time charter income	31.6	37.3	67.1	58.0	151.2
Spot charter income <sup>1)</sup>	179.5	201.8	368.9	444.7	789.4
Result from sale of ships	—	—	—	—	54.8
Other external income	0.0	41.7	0.0	41.7	42.8
<b>Total income</b>	<b>211.1</b>	<b>280.8</b>	<b>436.0</b>	<b>544.4</b>	<b>1,038.2</b>
Operating costs, ships <sup>1)</sup>	-137.3	-86.4	-265.1	-181.1	-384.0
Personnel costs, temporary seagoing	-50.3	-47.4	-102.9	-95.9	-195.6
Personnel costs, land-based	-5.2	-4.8	-9.5	-10.5	-21.2
Other external expenses	-8.3	-85.1	-19.1	-96.4	-117.5
Depreciation	-55.4	-56.5	-109.1	-115.5	-237.2
<b>Total operating costs<sup>1)</sup></b>	<b>-256.5</b>	<b>-280.2</b>	<b>-505.9</b>	<b>-499.4</b>	<b>-955.5</b>
<b>Operating result</b>	<b>-45.4</b>	<b>0.7</b>	<b>-69.9</b>	<b>45.1</b>	<b>82.7</b>
Interest and similar income	20.4	24.0	22.6	25.0	27.3
Interest and similar expense	-18.8	-12.3	-37.8	-24.3	-53.2
<b>Financial net</b>	<b>1.6</b>	<b>11.7</b>	<b>-15.2</b>	<b>0.7</b>	<b>-25.8</b>
<b>Result before tax</b>	<b>-43.9</b>	<b>12.4</b>	<b>-85.1</b>	<b>45.8</b>	<b>56.9</b>
Tax	0.0	0.0	0.0	0.0	12.7
<b>Result after tax</b>	<b>-43.9</b>	<b>12.4</b>	<b>-85.1</b>	<b>45.8</b>	<b>69.5</b>
<b>Other comprehensive income</b>					
Items that have been/can be transferred to result for the period					
Translation differences	-119.6	76.1	-145.2	27.8	166.7
Exchange differences transferred to income statement	0.0	-19.0	-2.8	-10.6	-10.6
Available-for-sale financial assets	0.0	0.0	0.0	0.0	0.0
Cash flow hedges, interest-related	-5.6	-6.9	-5.4	-6.9	19.3
Tax attributable to items that have been/can be transferred to result for the period	0.0	0.0	0.0	0.0	0.0
<b>Comprehensive income for the period</b>	<b>-169.0</b>	<b>62.6</b>	<b>-238.5</b>	<b>56.1</b>	<b>244.9</b>
<b>Per-share data, SEK</b>					
Number of shares	47,729,798	47,729,798	47,729,798	47,729,798	47,729,798
Result per share, before/after dilution	-0.92	0.26	-1.78	0.96	1.46
Equity per share, SEK	38.29	39.83	38.29	39.83	43.78

1) Accounting policies: see page 16.

## GROUP

# Condensed balance sheet

SEK millions	30 Jun 2017	30 Jun 2016	31 Dec 2016
Closing exchange rate SEK/USD	8.43	8.48	9.11
<b>Assets</b>			
Ships and equipment	2,892.1 <sup>1)</sup>	3,810.6	3,165.5
Ships under construction	0.0	0.0	0.0
Financial assets	0.1	0.2	20.5
<b>Total non-current assets</b>	<b>2,892.2</b>	<b>3,810.8</b>	<b>3,198.8</b>
Current receivables	261.4	242.1	276.7
Short-term deposits	402.4	0.0	273.3
Cash and bank balances	186.7	291.1	406.2
<b>Total current assets</b>	<b>850.5</b>	<b>533.2</b>	<b>956.2</b>
<b>Total assets</b>	<b>3,742.7</b>	<b>4,344.0</b>	<b>4,142.2</b>
<b>Equity and liabilities</b>			
Equity	1,827.4	1,900.9	2,089.8
Non-current liabilities	1,574.7 <sup>1)</sup>	2,027.5	1,699.7
Current liabilities	340.6 <sup>1)</sup>	415.6	352.7
<b>Total equity and liabilities</b>	<b>3,742.7</b>	<b>4,344.0</b>	<b>4,142.2</b>

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

1) The significant decline in ships 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
<b>Changes Jan–Jun 2017</b>							
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
<b>Closing balance 30/06/2017</b>	<b>381.8</b>	<b>61.9</b>	<b>414.3</b>	<b>13.9</b>	<b>0.0</b>	<b>955.5</b>	<b>1,827.4</b>
<b>Changes Jan–Jun 2016</b>							
Opening balance 01/01/2016	381.1	61.9	406.2	0.0	0.0	1,018.8	1,868.7
Comprehensive income for the period			17.2	-6.9	0.0	45.8	56.1
Dividend						-23.9	-23.9
<b>Closing balance 30/06/2016</b>	<b>381.8</b>	<b>61.9</b>	<b>423.4</b>	<b>-6.9</b>	<b>0.0</b>	<b>1,040.7</b>	<b>1,900.9</b>



## GROUP

# Condensed cash flow statement

SEK millions	Quarter 2 2017	Quarter 2 2016	6 months 2017	6 months 2016	Full year 2016
<b>Operating activities</b>					
Result before tax	-43.9	12.4	-85.1	45.8	56.9
Adjustments:					
Depreciation	55.4	56.5	109.1	115.5	237.2
Result from sale of securities	-0.7	0.0	-0.7	0.0	0.0
Other items	-4.2	-26.1	-4.0	-24.0	-12.2
<b>Cash flow from operating activities before changes in working capital</b>	<b>-8.5</b>	<b>42.8</b>	<b>4.2</b>	<b>137.3</b>	<b>227.0</b>
Changes in working capital	19.9	53.7	5.6	89.9	17.7
<b>Cash flow from operating activities</b>	<b>11.4</b>	<b>96.5</b>	<b>9.8</b>	<b>227.4</b>	<b>244.7</b>
<b>Investing activities</b>					
Sale of non-current assets	0.0	0.0	319.2	0.0	826.2
Investment in non-current assets	-45.2	-32.2	-49.8	-59.4	-144.3
Sale of financial assets	8.9	0.0	8.9	0.0	0.0
Investment in financial assets	-97.5	0.0	-162.8	0.0	0.0
Other financial items	-0.6	0.0	-0.6	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-119.2</b>	<b>-32.2</b>	<b>130.1</b>	<b>-59.4</b>	<b>736.7</b>
<b>Financing activities</b>					
New loans	0.0	0.0	0.0	0.0	29.7
Amortisation of loans	-43.5	-123.0	-305.5	-130.3	-647.6
Dividend to shareholders	-23.9	-23.9	-23.9	-23.9	-23.9
Other financing	259.6 <sup>1)</sup>	0.0	-8.1	0.0	-256.8
<b>Cash flow from financing activities</b>	<b>192.2</b>	<b>-146.9</b>	<b>-337.5</b>	<b>-154.2</b>	<b>-898.6</b>
Cash flow for the period	84.4	-82.6	-197.6	13.6	82.8
Balance at beginning of period (Note 1)	118.0	359.4	406.3	273.6	273.6
Exchange differences (Note 2)	-15.8	14.3	-22.1	3.9	50.0
<b>Balance at end of period (Note 1)</b>	<b>186.7</b>	<b>291.1</b>	<b>186.7</b>	<b>291.1</b>	<b>406.3</b>
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	-23.7	10.6	-29.6	4.1	24.1
Cash flow for the period	7.9	3.7	7.5	-0.2	25.9
	<b>-15.8</b>	<b>14.3</b>	<b>22.1</b>	<b>3.9</b>	<b>50.0</b>

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 2017	6 months 2016
Net sales	0.0	5.2
Other external expenses	-11.1	-7.0
Personnel expenses	-6.9	-8.0
<b>Operating result</b>	<b>-17.9</b>	<b>-9.8</b>
Other interest and similar income	32.8	22.4
Interest and similar expense	-30.9	-22.1
<b>Result before tax</b>	<b>-16.1</b>	<b>-9.5</b>
Tax	0.0	0.0
<b>Result after tax</b>	<b>-16.1</b>	<b>-9.5</b>

# Condensed balance sheet

SEK millions	30 Jun 2017	30 Jun 2016
<b>Assets</b>		
Ships and equipment	0.0	0.0
Financial assets	0.0	40.0
Investments in Group companies	745.8	745.8
<b>Total non-current assets</b>	<b>745.8</b>	<b>785.8</b>
Current receivables	16.1	14.1
Receivables from Group companies	1,307.0	1,379.5
Cash and bank balances	16.9	16.6
<b>Total current assets</b>	<b>1,339.9</b>	<b>1,410.2</b>
<b>Total assets</b>	<b>2,085.8</b>	<b>2,196.0</b>
<b>Equity and liabilities</b>		
Equity	544.5	578.7
Non-current liabilities	1,323.5	1,393.6
Current liabilities	217.8	223.7
<b>Total equity and liabilities</b>	<b>2,085.8</b>	<b>2,196.0</b>
Pledged assets <sup>1)</sup>	715.8	715.8
Contingent liabilities	0.0	0.0

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

# 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-related 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 have 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.
- The main *credit* and *financial* risks are 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 2016 annual report, which is available at [www.concordiamaritime.com](http://www.concordiamaritime.com).

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## Definitions

### Shipping

CO<sub>2</sub>  
Carbon dioxide.

### CVC

Consecutive Voyage Charter. Contract involving full employment to a contracted customer. Payment (freight) is based on the spot market.

### 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).

### 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<sub>x</sub>

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.

### 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).

### SO<sub>x</sub>

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 measures<sup>1)</sup>

## 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.

## 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.

## 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 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 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.

## Equity ratio

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

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

## Reconciliation of alternative performance measures

### EBITDA

SEK millions	Quarter 2 2017	Quarter 2 2016	6 months 2017	6 months 2016	Full year 2016
Operating result	-45.4	0.7	-69.9	45.1	82.7
Depreciation	55.4	56.5	109.1	115.5	237.2
<b>EBITDA</b>	<b>10.0</b>	<b>57.2</b>	<b>39.3</b>	<b>160.6</b>	<b>319.9</b>

### Return on equity

SEK millions	6 months 2017	6 months 2016	Full year 2016
Result after tax	-61.4	147.6	69.5
Equity	1,963.0	1,864.7	1,941.8
<b>Return on equity</b>	<b>-3%</b>	<b>8%</b>	<b>4%</b>

### Return on capital employed

SEK millions	6 months 2017	6 months 2016	Full year 2016
Result after financial net	-74.0	148.0	56.9
Finance costs	62.2	14.8	25.3
<b>Result after financial net plus finance costs</b>	<b>-11.8</b>	<b>162.8</b>	<b>82.1</b>
Total assets	4,079.6	4,313.9	4,283.4
Non-interest-bearing liabilities	-106.4	-124.6	-123.2
<b>Capital employed</b>	<b>3,973.2</b>	<b>4,189.3</b>	<b>4,160.3</b>
<b>Return on capital employed</b>	<b>-0.3%</b>	<b>3.9%</b>	<b>2.0%</b>

### Return on total capital

SEK millions	6 months 2017	6 months 2016	Full year 2016
Result after financial net	-74.0	148.0	56.9
Finance costs	62.2	14.8	25.3
<b>Result after financial net plus finance costs</b>	<b>-11.8</b>	<b>162.8</b>	<b>82.1</b>
Total assets	4,079.6	4,313.9	4,283.4
<b>Return on total capital</b>	<b>-0.3%</b>	<b>3.8%</b>	<b>1.9%</b>

### Equity ratio

SEK millions	6 months 2017	6 months 2016	Full year 2016
Equity	1,827.4	1,900.9	2,089.8
Total assets	3,742.7	4,344.0	4,142.2
<b>Equity ratio</b>	<b>48.8%</b>	<b>43.8%</b>	<b>50.5%</b>

# 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 principles 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 are affected, but the change will not have any net effect on the Group's operating result. The change has not had any effect on the Parent Company's income statement. All comparative periods have been restated to reflect the change. No new or revised IFRS recommendations or IFRIC interpretations have had any material effect on the Group's or Parent Company's financial position, results or disclosures.

The Group's derivative instruments have been acquired to hedge the risk of interest rate exposure to which the Group is exposed.

Derivatives are initially recognised at fair value, with transaction costs recognised in the income statement. Subsequent to initial recognition, derivative instruments are measured at fair value, and fair value changes are recognised as follows. To meet the requirements for hedge accounting under IAS 39, there must be a clear link to the hedged item. In addition, the hedge must effectively protect the hedged item, hedging documentation must be prepared and the effectiveness must be measurable. Gains and losses attributable to hedges are recognised in profit or loss at the same time as gains or losses attributable to the hedged items. To hedge the uncertainty associated with highly probable forecast interest flows relating to borrowing at variable interest rates, interest rate swaps are used, with the Company receiving a variable interest rate and paying a fixed interest rate. The interest rate swaps are measured at fair value in the statement of financial position. The interest coupon portion is recognised in the income statement under interest expenses. Unrealised changes in the fair value of interest rate swaps are recognised in OCI and included as part of the hedging reserve until the hedged item affects profit or loss and for as long as the criteria for hedge accounting and effectiveness are met. Gains or losses relating to the ineffective portion of unrealised changes in the fair value of interest rate swaps are recognised in profit or loss.

The Concordia Maritime Group applies International Financial Reporting Standards (IFRS) as adopted by the EU. The Group prepares its interim reports in accordance with the accounting policies and calculation methods used in the 2016 annual report, unless otherwise indicated 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, 15 August 2017

Carl-Johan Hagman  
*Chairman*

Stefan Brocker  
*Deputy Chairman*

Daniel Holmgren

Mats Jansson

Helena Levander

Mahmoud Sifaf

Alessandro Chiesi

Michael G:son Löw

Morten Chr. Mo

Dan Sten Olsson

Kim Ullman  
*CEO*

# Quarterly overview

SEK millions	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
<b>Profit/loss items</b>								
Total income <sup>1)</sup>	211.1	224.9	278.5	215.3	280.8	263.6	274.2	286.9
Operating costs excluding impairment <sup>1)</sup>	-256.5	-249.3	-231.0	-225.1	-280.2	-219.2	-216.6	-226.2
Operating result (EBIT)	-45.4	-24.4	47.5	-9.8	0.7	44.4	57.6	60.7
of which result from sale of investments in jointly-controlled entities (vessels)	—	—	—	—	—	—	—	—
Financial net	1.6	-16.8	-14.0	-12.6	11.7	-11.0	-7.8	-8.3
Result after financial net	-43.9	-41.2	33.5	-22.4	12.4	33.4	49.8	52.4
Result after tax	-43.9	-41.2	34.3	-10.6	12.4	33.4	49.4	52.4
Cash flow from operating activities	11.4	-1.6	-20.0	37.5	96.7	130.7	80.0	145.9
EBITDA	10.0	29.3	108.4	50.8	57.2	103.4	117.3	114.0
<b>Balance-sheet items</b>								
Ships (number)	2,892.1 (10)	3,104.7 (10)	3,165.5 (11)	3,810.4 (13)	3,810.6 (13)	3,681.9 (13)	3,809.0 (13)	3,559.6 (12)
Ships under construction (number)	0	0	0	0	0	0	0	133.1 (1)
Liquid funds incl. investments	589.1	722.7	679.5	305.3	291.1	359.4	273.5	268.6
Other assets	261.4	267.0	276.7	223.2	242.1	267.2	271.4	286.5
Interest-bearing liabilities	1,808.6	1,975.3	1,946.5	2,310.5	2,292.9	2,321.5	2,387.2	2,298.1
Other liabilities and provisions	106.7	98.8	105.9	114.0	150.2	124.8	102.2	123.3
Equity	1,827.4	2,020.4	2,089.8	1,914.5	1,900.9	1,862.2	1,868.7	1,826.5
Total assets	3,742.7	4,094.6	4,142.2	4,339.0	4,344.0	4,308.5	4,354.5	4,248.0
<b>Key ratios, %</b>								
Equity ratio	49	49	50	44	44	43	43	43
Return on total capital	0	0	2	2	4	5	5	4
Return on capital employed	0	0	2	2	4	5	5	3
Return on equity	-3	-3	4	5	8	10	10	6
Operating margin	-21	-11	17	-5	0	17	21	21
<b>Share data</b>								
Total income <sup>1)</sup>	4.42	4.71	5.83	4.51	5.88	5.52	5.74	6.01
Operating costs excluding impairment	-5.37	-5.22	-4.84	-4.72	-5.87	-4.59	-4.54	-4.74
Operating result before impairment	-0.95	-0.51	0.99	-0.21	0.01	0.93	1.21	1.27
Financial net	0.03	-0.35	-0.29	-0.26	0.25	-0.23	-0.14	-0.18
Result after tax	-0.92	-0.86	0.72	-0.22	0.26	0.70	1.03	1.10
Cash flow from operating activities	0.24	-0.03	-0.42	0.79	2.03	2.74	1.68	3.06
EBITDA	0.21	0.61	2.27	1.06	1.2	2.17	2.46	2.26
Equity	38.29	42.33	43.78	40.11	39.83	39.02	39.15	38.27

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

Definitions: see page 14.

1) Accounting policies: see page 16.



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## Calendar

Q3 2017	9 November 2017
2017 Year-end	30 January 2018
Q1 2018, AGM	24 April 2018
Q2 2018	14 August 2018
Q3 2018	8 November 2018

**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](http://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 15 August 2017, at approx. 2.30 p.m.

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## Fleet at 30/06/2017



Vessel name	Employment	Partner
<b>Product tankers</b>		
<b>P-MAX</b>		
Stena Premium	Spot	Stena Weco
Stena Polaris	CVC <sup>1)</sup>	Stena Weco
Stena Performance	Spot	Stena Weco
Stena Provence	CVC <sup>1)</sup>	Stena Weco
Stena Progress	Time charter to May 2019	Stena Weco
Stena Paris	Time charter to July 2018	Stena Weco
Stena Primorsk	Time charter to June 2018	Stena Bulk
Stena Penguin	Spot	Stena Bulk
Stena Perros	Spot	Stena Bulk
Stena President	Spot	Stena Bulk
<b>IMOIMAX</b>		
Stena Image	Spot	Stena Weco
Stena Important	Spot	Stena Weco
<b>MR ECO</b>		
3 unnamed vessels <sup>2)</sup>	Spot	Stena Weco
<b>Crude oil tankers</b>		
<b>Suezmax</b>		
Stena Supreme	Spot	Stena Sonangol Suezmax Pool

1) Consecutive Voyage Charter

2) One vessel 50% charter November 2015–November 2017 (with an option for a further 1–6 months) and 50% charter of two vessels June/July 2017–June/July 2018.