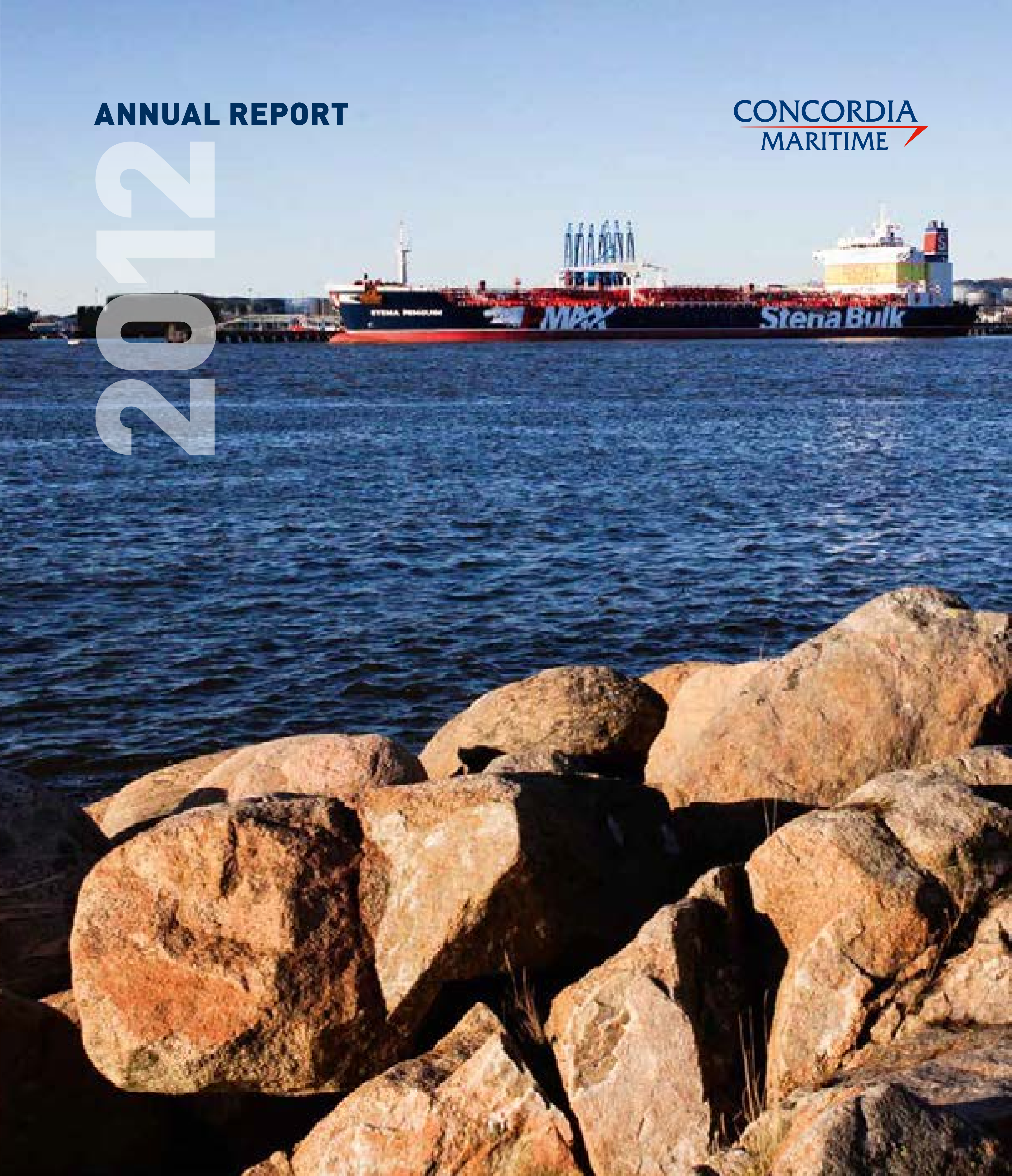
ANNUAL REPORT 2012

CONCORDIA MARITIME



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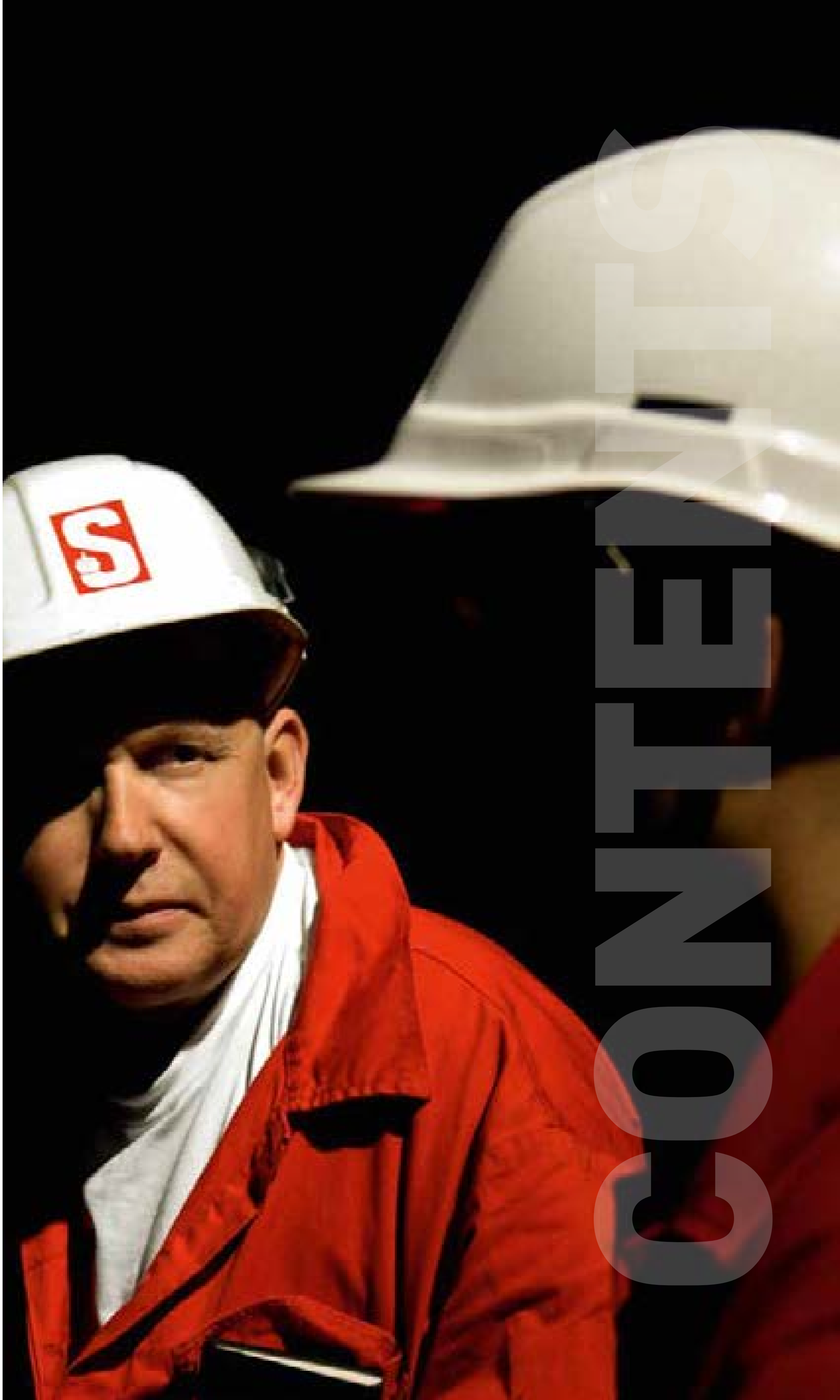
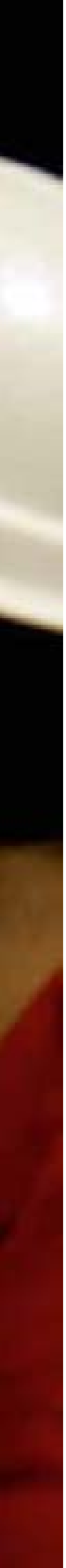
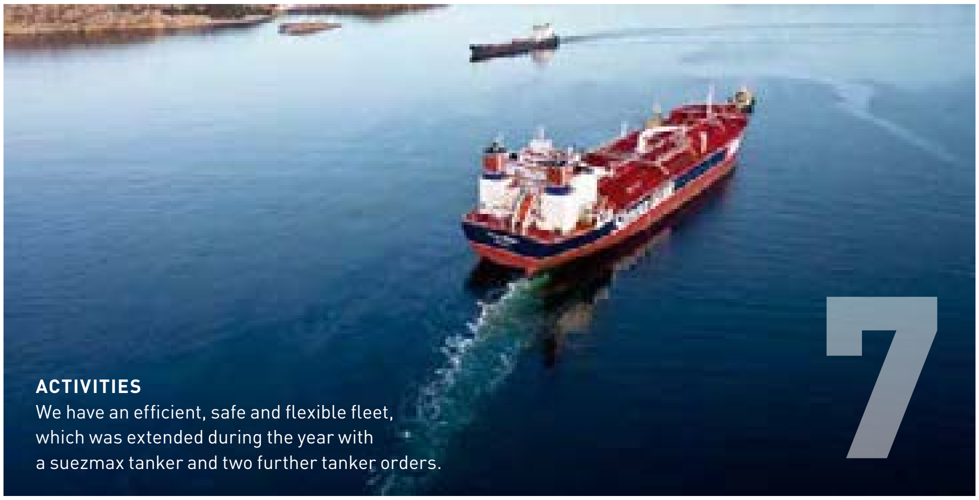
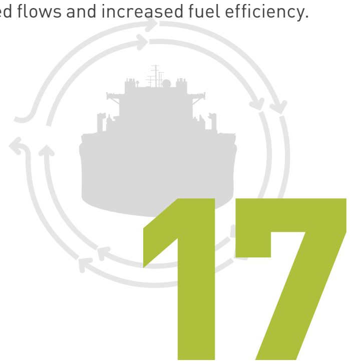




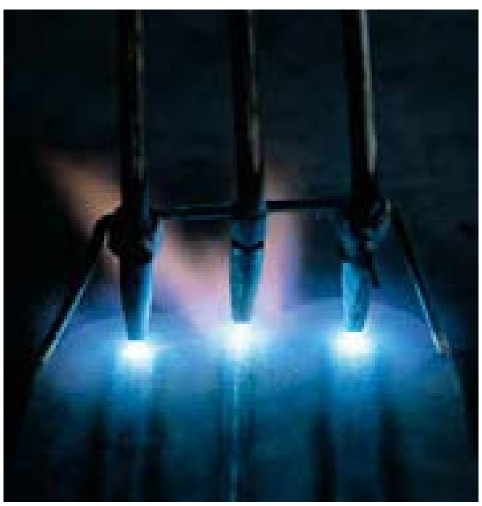


ACTIVITIES
We have an efficient, safe and flexible fleet, which was extended during the year with a suezmax tanker and two further tanker orders.

SUSTAINABILITY
Our customers and employees, and society at large, benefit from safe transportation, optimised flows and increased fuel efficiency.



MARKET
The market remained very weak during the year. However, the product tanker market is both dynamic and changing, and there is reason for optimism about future growth.



CORPORATE GOVERNANCE
There were no derogations from the Swedish Corporate Governance Code in the fiscal year 2012.

WELCOME

Innovation and performance. These are two key concepts we strive for in everything we do – from safe tanker transportation to shareholder information. We have high ambitions for our information-sharing, and we work constantly to refine and develop the information about us and our activities. We see the annual report as one of the most important documents in these efforts.

We operate in a complex industry that is perhaps not always easy to understand. This is why it is important to go behind the numbers and show what drives the market – today and tomorrow – and what we are doing to ensure our continuing success. We want to provide a picture of the dynamics that characterise our business and make it so exciting.

If you have any comments or questions, please feel free to contact us.

Hans Norén
President

Cover picture: *Stena Penguin* loading in the port of Gothenburg late October 2012. The picture was taken by Per-Anders E Hurtigh. In the foreground are the rocks at Röda Sten.

CONCORDIA MARITIME

IN TWO MINUTES

Concordia Maritime is an international tanker shipping company. We focus on cost-effective and safe transportation of refined petroleum products and vegetable oils. The company's B shares were admitted to trading on Nasdaq OMX Stockholm in 1984.

WHAT

OUR BUSINESS CONCEPT

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

OUR VISION

To be our customers' first choice for safe, innovative and efficient tanker transportation, which will result in good profitability, steady growth and financial stability.

OUR CUSTOMERS

Our customers include some of the world's largest oil and energy companies. Customer relations are characterised by partnership, cooperation and a long-term perspective.

WHAT WE TRANSPORT

Our main focus is on the transportation of refined petroleum products and vegetable oils. As a complement to this focus, we are also active in the transportation of crude oil.

HOW

BUSINESS MODEL

Our business and income model consists of providing vessels to customers in need of safe and cost-efficient transportation of oil and petroleum products. Income is generated mainly by chartering out vessels (spot market or time charters), profit-sharing clauses in charters and the sale of ships.

OUR STRATEGY

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

2012

THE YEAR IN FIGURES

- Net sales SEK 543.4 million
- Operating result before impairment SEK 77.5 million
- Fleet impairment SEK –411.0 million
- Operating result after impairment SEK –333.5 million
- Result after tax –356.0 SEK million
- EBITDA USD 33.7 million
- Proposed dividend per share SEK 0.50

THE FLEET

During the year, we took delivery of the suezmax crude oil tanker *Stena Supreme*. We ordered two 50,000 dwt product tankers for delivery in 2014–2015. At the end of 2012, our fleet comprised ten wholly-owned P-MAX tankers, one wholly-owned suezmax tanker and two partly-owned panamax tankers.

MARKET

The market remained very weak last year. The gap between vessel supply and demand for product tanker transportation reduced during the year, but the imbalance continues to affect the market and freight rates.

KEY FIGURES

	2012	2011
Net sales, SEK million	**543.4**	559.6
EBITDA, SEK million	**228.4**	242.6
Operating result before impairment	**77.5**	107.6
Impairment	**–411.0**	0.0
Operating result after impairment	**–333.5**	107.6
Result after financial net, SEK million	**–369.4**	76.3
Net result, SEK million	**–356.0**	84.8
Investments, SEK million	**428.3**	330.1
Equity ratio, %	**38**	47
Equity per share, SEK	**27.88**	37.24
Dividend as percentage of profit, %	**n/a**	56
Result per share, SEK	**–7.46**	1.78
Dividend per share, SEK	**0.50***	1.00
Share price on closing date, SEK	**10.15**	12.95

* Proposed dividend

GOALS AND DEVELOPMENT

	Goal	Development, % 2003–2012	Development, % 2012
Growth	At least 10% per year while maintaining profitability	5	–25
Profitability	Return on equity of at least 12%	6	–23
Equity ratio	At least 50% over a business cycle	64	38

For further information, see the 10-year summary on page 46.

HANS NORÉN, PRESIDENT

WELL PREPARED AND WITH HIGH EXPECTATIONS

As we put an eventful year behind us, we now look forward. For those of us who devote our time to this business, there is a tangible sense of change and anticipation as we enter 2013.

That sense of change is based partly on the fact that Concordia Maritime is now really moving from being a shipping company with its entire fleet on fixed contracts, and the predictability this brings, to having over half of its vessels employed on the open market.

But it is also about change in the market in which we operate. The tanker markets suffered heavy reverses in the summer of 2008 and the global financial crisis later in the autumn hardly helped matters. Since then, it has been gloomy for almost five years.

Fixed income bridged weak years

Our view is that the market is now changing and entering a stronger period. By market, I mean the main segment in which we operate – the transportation of refined petroleum products. For the other tanker segment – crude oil transportation – things remain relatively bleak.

We signed all our vessels to fixed contracts just before the downturn came in 2008. This meant that during these weak years Concordia Maritime was able to show relatively strong results and maintain its dividends, with a strong financial position throughout.

Well prepared to meet increased demand

We enter 2013 well prepared and with high expectations – and with ships on the open market. Employing vessels in this way means that the more or less daily changes in freight rates have a fairly immediate impact on earnings and cash flow. As you would expect, this increases the risk but it also most certainly increases the opportunities.

So what is it that is making the market look more interesting? First and foremost, we have growth in the global product tanker fleet that looks manageable, an increase of 2–3 per cent in the coming year.

HOW WAS 2012?

Looking at the year as a whole, the market showed a clear tendency towards strengthening. We saw some temporary "freight spikes" during the year, but we also saw a very weak market, particularly after the summer. At the end of the year, freight rates began to rise.

Our vessels employed on the open market generated an average of USD 13,500 per day. This level of income stands up well compared with competitors, but it is still not satisfactory. Although we expect the market to gradually strengthen in 2013, we do not believe that income from our open market vessels will reach the average levels of our remaining time charters.

But we have skilled market organisations that are working hard to optimise the earnings of our vessels. They have set high ambitions for 2013 and when I come to write the President's overview for 2013, I hope to be able to say that our earnings were at least 15–20 percent above the 2012 levels.

But will demand for transport increase more than 2–3 percent? Yes, we believe it will. There are a number of factors that we think will contribute to a significant increase in demand for product tanker transportation.

Will this result in dramatically higher freight rates? No, not in 2013. But we believe that, as last year, there will be "spikes" and that 2013 will be one or two notches stronger than 2012.

Well prepared? Yes, I would say that we are. We have a base fleet of ten P-MAX tankers, which are interesting vessels, not least because of their flexibility. At the time of writing, half of the ships have been converted to IMO 3 class, which means they also can transport vegetable oils. Three of our vessels are employed in what is referred to as the "dirty" segment, namely the transportation of crude oil and heating oil. As the market strengthens, we also believe we will see customers and charterers become even more interested in taking advantage of the vessels' ability to take more cargo than the corresponding standard tankers, and in doing so reducing their transport costs per ton.

In June 2012, we ordered two additional product tankers, which go under the name of IMO2MAX. These are two highly interesting vessels that have even greater cargo flexibility. With the order, we are taking another step towards an even more efficient and flexible fleet.

Overall, this means that we are well positioned to take advantage of the opportunities a dynamic and changing product tanker market will create in the future.

Impairment of the fleet's value

At the mid-year point, we wrote down the carrying amount of our fleet by USD 60 million. The impairment was based on an assessment of future cash flows.

We also considered the current price situation in the shipbuilding industry, which we believe reflects a long-term structural change. This is confirmed by factors such as the relatively attractive prices of the vessels we ordered in June.

As the impairment is accounting-related, there is no realised loss, of course. The Company's financial position is not affected by the impairment and our equity ratio after the write-down is good, at approx. 40 percent.

Fuel efficiency – drop by drop

We endeavour to conduct our operations with minimal environmental impacts within the limits permitted in a globally competitive business. We set short and long-term targets for reducing emissions from our vessels. It is obvious and it is easy enough. The difficulty arises in measurement of the outcome. We and Northern Marine Management, which manages the daily operation of the vessels, allocate considerable resources on refining and improving the monitoring of our environmental impacts.

The suezmax tanker which we took delivery of in June and the two product tankers we ordered in the same month are the latest generation of fuel-efficient vessels. This is popularly known as "eco-design" and could possibly be perceived as revolutionary new technology. It is not. But it is the improvement and refinement of existing technology, which includes machine "intelligence" and development of the propeller and hull design.

However, just because it is not revolutionary does not make it less important – quite the opposite. A saving of about 15 percent of the ship's total fuel consumption is of great importance both commercially and environmentally. At the same time, it should be said that this development work must be done without compromising safety. A modern vessel must be both fuel efficient and safe in operation. Our P-MAX tankers, which among other things have double systems for propulsion and manoeuvring, are a good example.

Safety is top priority

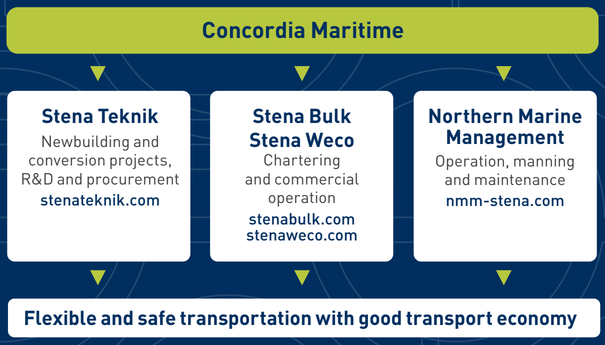
In December, an incident occurred in which one of our vessels had a minor grounding. There was no injury or damage to people or the environment, but the ship's outer hull suffered damage. The incident shows that work in the area of safety must always be a top priority. The possibility of accidents occurring can never be discounted. This means we must constantly apply our safety approach to our work, day in, day out. This has been top priority in our activities for many years now and I would go as far as to say that there is a profound safety culture throughout the organisation, both on shore and at sea. When something happens, you must have a well-functioning organisation, so that every man and woman knows what to do. That is why I am heartened to note that this all worked according to plan when the incident happened in December.

In the area of injuries on board our ships, our statistics are far better than the Swedish manufacturing industry, for example. After two completely injury-free years in 2010 and 2011, we had one claim event in 2012. A crew member slipped and knocked his shin, and had to be taken ashore for medical treatment. Unfortunately, we have had another slipping accident in early 2013, in which a crew member fell so awkwardly that he broke his arm. Ships can be dangerous workplaces and we should remember that employees on board our ships performed a total of almost 2.3 million man-hours last year.

I am humbled and proud of our crew members, who carry out daily safety procedures so that we can report these fine statistics. I would like to thank all our employees for that and for their excellent work in 2012.

Gothenburg, March 2013
Hans Norén, President

FIRST-CLASS ACTIVITIES AND FLEET



Our shore-based organisation consists of just six individuals. A large part of the day-to-day operational work in the form of chartering and manning is purchased instead from external suppliers, primarily Stena Bulk, Stena Weco, Northern Marine Management (NMM) and Stena Teknik. The close cooperation means that operations can be conducted cost-effectively while gaining access to world-leading expertise in all areas of shipping – from shipbuilding and manning to technical operation, chartering and commercial operation.

OUR PRINCIPAL INCOME AND COSTS

INCOME

Income from spot charters

The freight rate is a floating rate based on supply and demand at a particular time. This means that freight rates can fluctuate considerably over a short period.

Income from time charters

Income consists of a pre-agreed freight rate that applies throughout the charter period. The size of the freight rate depends on the length of the charter and the market situation when the contract is signed.

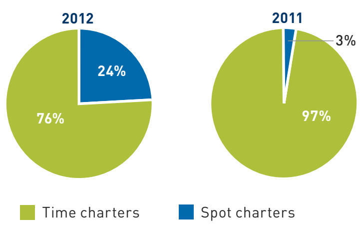
Profit sharing

Some charters include a profit-sharing clause in addition to the freight rate. In simple terms, this means that we and the customer share the income that exceeds a given level.

Sale of ships

Another potential source of income is the sale of ships. Here, prices vary depending on the market and the condition of the vessels. Timing is therefore crucial for a profitable sale.

Share of income



Read more about how our vessels are employed on page 14.

FOCUS AHEAD

- Close, long-term collaboration with customers
- Timing with respect to purchases and sales of ships
- Safety at every stage
- First-class ship operation

COSTS

Daily running costs
The principal costs include costs for crews, periodic (drydock) and day-to-day maintenance, repairs and insurance.

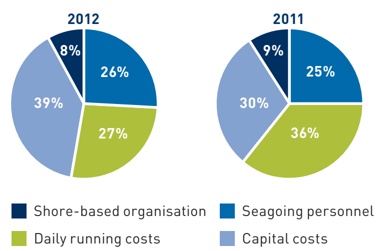
Voyage costs
Voyage costs consist mainly of fuel consumption and port dues. For vessels in the charter market, the contracting party pays all the voyage costs.

Freight rates for time-chartered vessels
These are the costs of chartering a vessel from another shipowner.

Capital costs
Depreciation and financial costs can vary greatly depending on the company's capital structure and debt-equity ratio. Timing is crucial when it comes to purchasing vessels. Ship prices have a major impact on a vessel's capital costs and therefore on the shipping company's profitability over a long period.

Non-recurring costs
As you would expect, a shipping company can have non-recurring costs. One such example is damage to a vessel. However, the cost can usually be minimised by insurance.

Cost allocation



FOCUS AHEAD

- Long-term maintenance
- Efficient manning
- Control over capital costs

AN EFFICIENT, SAFE AND FLEXIBLE FLEET

Our P-MAX tankers combine transport economy with the very highest safety. Several of them have been converted to enable them to carry vegetable oils in addition to refined petroleum products, resulting in greater cargo flexibility and potential for increased earnings. Together with our other vessels, they represent an efficient, safe and flexible fleet.

At the end of 2012, our fleet comprised ten wholly-owned P-MAX tankers, one suezmax tanker and two partly-owned panamax tankers. In March 2013, our newbuilding program consisted of two 50,000 dwt product tankers scheduled for delivery in 2014–2015.

The vessels are either signed to long-term charters or employed on the open market through our partners Stena Bulk and Stena Weco. Read more about how our vessels are employed on page 14.

Ships in the fleet

P-MAX

The ten P-MAX tankers in the fleet operate all over the world, transporting both light and heavy petroleum products and crude oil. In 2012, *Stena President* and *Stena Perros* became the fourth and fifth P-MAX tankers in the fleet to be converted to IMO 3, which means they can also carry vegetable oils. This means increased cargo flexibility and opportunities for more income days per year.

The P-MAX tankers combine transport economy and flexibility with safety of the highest class. In terms of length and draft, these tankers are comparable to a standard type medium range (MR) tanker. Because of their hull design, they are able to transport about 30 percent more cargo than a standard tanker on the same draft, with essentially the same fuel consumption.

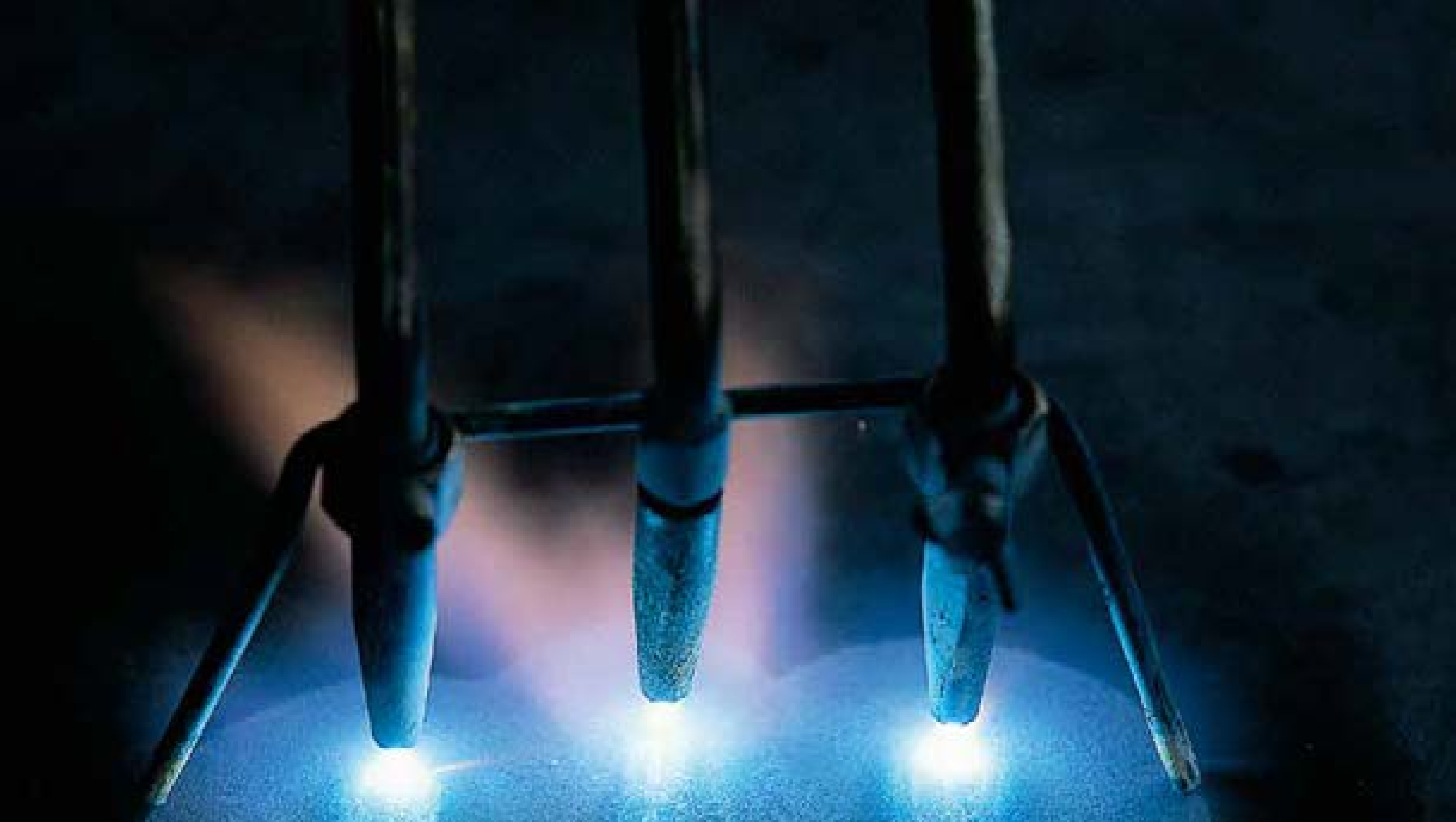
The P-MAX concept was developed in cooperation with customers, Stena Bulk and Stena Teknik. Behind the development is a need for vessels able to operate in waters and ports with draft limitations and load substantially more cargo. To make this possible, the P-MAX tankers are considerably wider. The unique design of the hull and the divided stern give both fuel economy and speed characteristics comparable with standard tonnage.

The first P-MAX tanker in the series, *Stena Paris*, was delivered at the end of 2005. Since then, a further nine P-MAX tankers have been delivered and deployed. The last unit in the series, *Stena Premium*, was delivered in summer 2011.

Suezmax

At the end of June, we took delivery of *Stena Supreme*, a third-generation fuel-efficient suezmax tanker. The ship's technical equipment and design means that fuel consumption can be reduced by up to 10–15 percent compared with standard tonnage.

She is employed on the open market via Stena Sonangol Suezmax Pool, a pool controlled by Stena Bulk and the Angolan state oil company Sonangol. The pool currently consists of 24 ships. The goal is to build a fleet of 30–35 new efficient suezmax tankers.



FLEXIBLE VESSELS FOR MORE
INCOME DAYS

In June 2012, Concordia Maritime started another newbuilding program. This concerns two sophisticated 50,000 dwt product tankers. The vessels are part of a series being designed with Stena Bulk and Stena Weco, and are being developed in collaboration between Stena Teknik and the Chinese GSI shipyard.

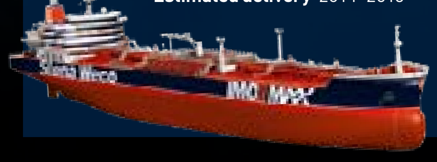
The concept is called IMO2MAX, which denotes that they are IMO 2 vessels. The vessels are self-designed and have a brand new hull line, specially designed propellers and a new fuel-efficient main engine. The cargo tanks are coated with phenolic epoxy to meet IMO 2 requirements, and the efficient pumping system enables a rapid shift from one type of cargo to another.

The result is a series of vessels which, when launched, will be among the most sophisticated in the market and be at the forefront in terms of both energy efficiency and cargo flexibility.

Energy efficiency means reduced operating costs and minimised environmental impacts, while cargo flexibility means more opportunities and scope for maximizing the number of income days.

FACTS IMO2MAX

Length 183.2 m
Width 32.3 m
Deadweight tons 50,000
Speed 14.5 knop
Estimated delivery 2014–2015



VESSEL TYPES

CRUDE OIL TANKERS

ULCC Ultra Large Crude Carrier
320,000+ dwt

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

Suezmax*
120,000–165,000 dwt

Aframax
80,000–120,000 dwt

Panamax*
55,000–75,000 dwt

PRODUCT TANKERS

Long Range Two (LRII)
75,000–100,000+ dwt

Long Range One (LRI)*
45,000–75,000 dwt

Medium Range (MR)*
35,000–50,000 dwt

Handysize
10,000–40,000 dwt

Small
10,000–19,000 dwt

Coastal
3,000–10,000 dwt

* Segments in which we are active.

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

The P-MAX tankers combine transport economy and flexibility with safety of the highest class. In terms of length and draft, these tankers are comparable to a standard type medium range (MR) tanker. Because of their hull design, they are able to transport about 30 percent more cargo on the same draft and with essentially the same fuel consumption as a standard tanker. This means that the P-MAX vessels compete for cargoes in both the MR and LR1 segment and the panamax segment.

Panamax

Our fleet also includes the two sisters, *Stena Poseidon* and *Palva*, which are owned in a joint venture with Neste Shipping and are chartered to Neste Oil. The two vessels are panamax tankers, which means that they are designed to pass through the locks in the Panama Canal. They have been built to ice class 1A specifications and are therefore well equipped to sail in ice-covered waters as well as being able to sail in a channel with 1.0 metre thick broken ice. The adjustable propeller increases manoeuvrability still further when sailing through ice.

Newbuilding program

In March 2013, the newbuilding program consisted of two 50,000 dwt product tankers, which were ordered in June 2012. The investment amounts to approx. SEK 550 million and was made in what we consider a very favourable market in terms of shipyard prices. The vessels are part of a series of units being designed with Stena Bulk and Stena Weco, and are being developed in collaboration between Stena Teknik and the Chinese GSI (Guangzhou Shipyard International) shipyard.

When the ships are delivered in the period 2014–2015, they will be at the forefront in terms of both energy efficiency and cargo flexibility. It is our intention to employ the vessels on the open market through Stena Weco.

THE MAX CONCEPT – DOUBLE EVERYTHING

Our P-MAX tankers are built according to the MAX concept, which was developed together with Stena Bulk and Stena Teknik. The concept is characterised by a high safety approach. The vessels are built with double systems for propulsion and manoeuvring, just like an aircraft. They have two separate engine rooms separated by fireproof and watertight bulkheads. All control systems are separated and each main engine has its own fuel system. Additionally, double rudders and propellers provide better manoeuvrability, which is also a major advantage in terms of efficiency and safety. The double hull goes without saying!

Cutting edge safety

The bridge is designed to provide a 360° view and is equipped with a co-pilot system, i.e. double control systems. This enhances safety and facilitates training. The vessels' design and the practice of holding regular drills have resulted in a very low number of accidents on board our vessels.

Outstanding transport efficiency

In addition to safety of the highest class, the P-MAX tankers are characterised by very good transport efficiency and flexibility. Because of their hull design, they are able to transport about 30 percent more cargo on the same draft and with essentially the same fuel consumption as a standard tanker.

Captain Roman Abramovic, Stena Performance:

"P-MAX LETS YOU FOCUS ON THE JOB"

What do you appreciate the most about your job?

I get to do what I like, and especially when the conditions are good, I really enjoy my job. Also, being on a first class tanker like a P-MAX, you know that you can focus on the job.

What skills does a captain need?

When we interact with terminal receptions, port officials and vetting inspectors, we have to maintain a high profile besides fulfilling all requirements. So besides necessary operational skills, it's important to possess good communication skills, and know how to handle people. The first impression is very important; we have to represent the company in the best possible way.

What are the most difficult conditions to navigate through?

Sailing fully loaded with drafts in different directions to consider. Certain terminals and shallow drafts can also be challenging. However, with a P-MAX tanker you are always capable to maneuver quickly which is essential in certain situations. It makes my life a lot easier!

HOW OUR VESSELS

HOW CHARTERING WORKS

The goal of all chartering is to maximise the number of income days. Finding employment for the vessels is an ongoing job, with the aim of getting a new cargo in the tanks as soon as possible after discharging a cargo.

Even before the vessel has reached the port of discharge, the process of finding the next cargo has already started. The vessel is marketed to brokers all over the world, and also directly to potential customers. Through our collaborative partners Stena Bulk and Stena Weco, which handle the chartering of our P-MAX tankers on the open market, we have worldwide coverage with a local presence in several parts of the world.

In addition to finding new customers and cargo, it is important to get the logistics around the voyage to function and to optimise the flow. It is important to think several steps ahead – what happens when we reach point B? Is there any cargo there or would it be better to go to point C with empty tanks and find a cargo there? And what is happening in the world around us – what are our competitors doing and how will bad weather, storms, war and unrest affect the flows?

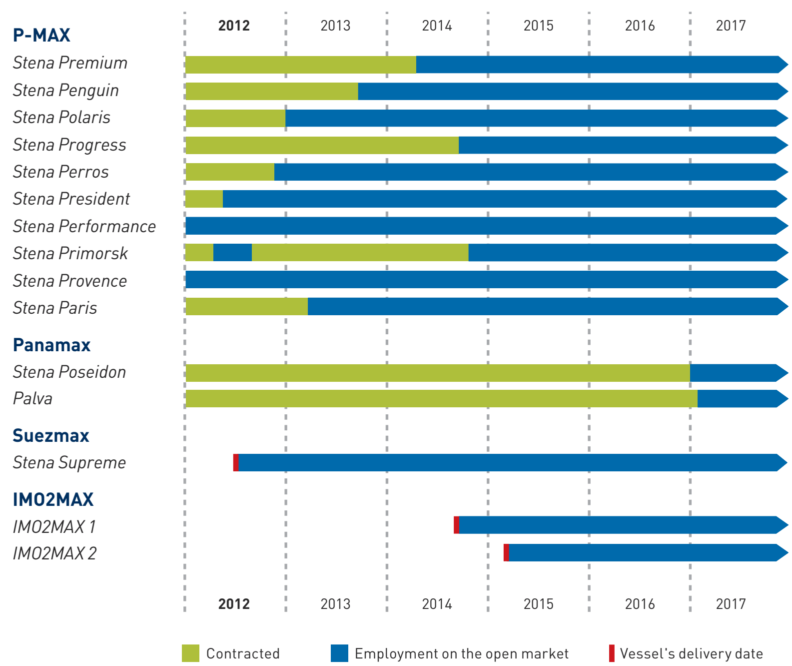
The two dominating contract types in tanker shipping are spot charters and time charters. On the spot market (open market), the price (freight rates) fluctuates and can vary considerably over a short period of time. On the time charter market, ships are contracted for a longer period, normally between two and three years, most often at a fixed price. The time charter market reflects the economic situation the parties anticipate in a somewhat longer perspective, while the spot market reflects the market situation here and now. The majority of the world's tanker fleet is employed on the open market.

In previous years, we chose to have the entire fleet signed to long-term contracts. This was because we needed to secure cash flows during the newbuilding program and because we expected weak market development. This strategy resulted in stable and relatively high income. Several of these contracts have now come to an end, and at the beginning of 2013, 7 out of 13 vessels were employed on the open market.

This presents both opportunities and challenges. We have a modern fleet consisting of flexible vessels, well suited for the transportation of a wide range of petroleum products, both fossil and vegetable. With the newly ordered product tankers, our offering has been broadened even more. The challenge lies in continuing to identify attractive business opportunities, whatever the market trend.

It is our view that the product tanker market provides major scope for good earnings in the period ahead. Read more on page 27 and onwards.

OUR VESSELS



ARE EMPLOYED

OUR CUSTOMERS

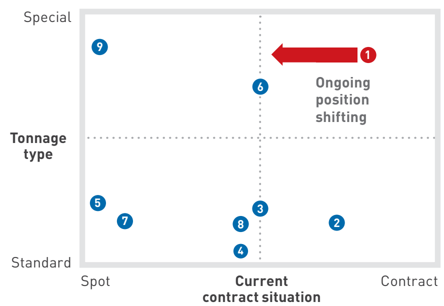
Our customers include some of the world's leading energy companies. Collaboration with our customers is based on long-term relations and high ambitions in terms of efficient and safe transportation. We combine a deep understanding of the market's drivers and the individual customer's business with world-leading expertise in naval architecture and first class manning and chartering.

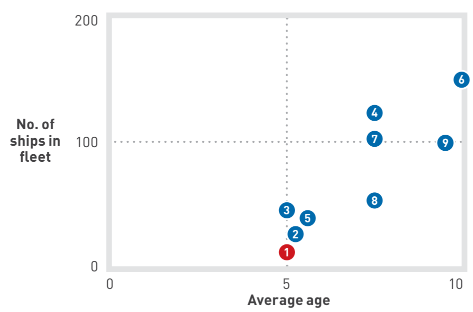
A NICHE PLAYER IN THE TANKER MARKET

The market for transportation of oil and petroleum products is highly fragmented with a large number of players. In our market segment, there are about 1,900 vessels with a deadweight of 35,000 to 85,000 tons. However, the number of tankers in the fleet, the focus and close collaboration with customers make Concordia Maritime something of a niche player in the tanker market. This list below only provides examples of players in the industry and does not claim to be complete.

					Market segment	
	Company	No. of ships	Ships on order	Average age of fleet	Crude oil	Refined products
1	Concordia Maritime concordiamaritime.com	13	2	5.0	●	●
2	Capital Product Partners capitalpplp.com	25	0	5.8	●	●
3	Dámico International Shipping damicointernationalshipping.com	40	4	6.2		●
4	Maersk Tankers maersktankers.com	124	0	7.8	●	●
5	Scorpio Tankers scorpiotankers.com	31	11	5.0	●	●
6	Teekay teekay.com	139	8	10.5	●	●
7	Torm torm.com	108	0	7.7	●	●
8	Tsakos Energy Navigation tenn.gr	47	4	7.6	●	●
9	Odfjell odfjell.com	98	10	9.2		●

There may be deviations in the figures and descriptions in relation to Concordia Maritime.





THIRD-GENERATION SUEZMAX

The latest addition to our fleet is *Stena Supreme,* a 158,700 dwt suezmax crude oil tanker. *Stena Supreme* is a third-generation fuel-efficient suezmax tanker; the vessel's technical equipment and design means that fuel consumption can be reduced by up to 10–15 percent compared with standard tonnage. She is employed on the open market via Stena Sonangol Suezmax Pool.

OUR CONTRIBUTION TO MORE SUSTAINABLE TANKER SHIPPING

For us, issues concerning safety, environmental concern, transport efficiency and employer responsibility in many ways go hand in hand. Both customers and employees, as well as society in general, benefit from safe transport, optimised flows and increased fuel efficiency. Systematic quality work contributes to higher safety, which in turn minimises the risk of accidents that affect the environment. With an efficient fleet, cutting edge safety and first-class performance, we are contributing to more sustainable tanker shipping.

SYSTEMATIC

SAFETY AND ENVIRONMENT WORK

We operate in an industry that is probably one of the most strictly regulated and scrutinised. Consequently, our sustainability work is, in many respects, based on the comprehensive regulatory framework that governs global tanker shipping. In addition, there are also internal regulations and policies – both our own and those of our largest service suppliers.

Our goal is to provide safe and efficient tanker transportation. A pronounced focus on safety and the environment has been an integral part of our activities for a number of years now and we work continuously to improve our sustainability performance.

Purchaser organisation with full responsibility

As our shore-based organisation consists of only six people, a large part of the day-to-day operational work is purchased from external suppliers, mainly Stena Bulk, Stena Weco, Northern Marine Management (NMM) and Stena Teknik. Our contribution to more sustainable tanker shipping is therefore largely reflected in the activities of our partners. Together, we create the conditions to be a player at the forefront in the development of sustainable work practices.

Comprehensive regulations and scrutiny

Tanker shipping is probably one of the most strictly regulated and scrutinised industries. The comprehensive regulations cover environmental and safety aspects, as well as technical and work environment areas. Together with our internal work, these regulations contribute to maintaining consistently high quality.

In addition to our own checks and controls, there are comprehensive inspections and follow-ups from authorities and customers. We are subjected to continuous quality inspections in the form of vetting by the oil industry, the flag states' annual inspections, the published port state controls and the classification societies' inspections.

These inspections include everything from lifesaving and fire-fighting equipment to systems and routines for navigation, cargo-handling and crisis management. The ship's design and general condition is also examined, as well as the crew's qualifications and terms of employment, the ship's logbooks and certificates. Shore-based activities are checked primarily by auditing processes and procedures. See also Operational control on page 92.

Certification and internal control

In addition to the mandatory regulations, we and/or our partners meet a large number of safety and environmental standards. In 2011, NMM became the first ship management company in the world to be awarded certification under the ISO 50001:2011 energy management system. The company is also certified to ISO 14001, see page 22. In addition to this, NMM is quality certified to 9001:2008.

The work on safety, environmental and work environment issues is regulated by a group-wide Safety, Environmental, Energy and Quality Policy which contains minimum levels and reporting requirements on a number of areas such as energy efficiency and incidents and accidents.

For more information about relevant regulations, see Corporate Governance on page 84.

OUR ENVIRONMENTAL POLICY

OIL SHOULD ALWAYS TRAVEL FIRST CLASS

Safety and protection of the maritime environment must be an integral part of our day-to-day business. Only with commitment from all employees, both on board and ashore, will it be possible to maintain a high standard of safety and effective protection of the marine environment.

- Protection of the marine environment is of the utmost importance, second only to the safety of humans.
- Through innovation and first-class performance, we shall act to gain better control over the risk factors that could result in damage to the environment.
- Through innovation and first-class performance, we shall strive to control and reduce the negative impact of our operations on the environment and increase the efficiency of both existing vessels and newbuilding with regard to fuel consumption and emissions.
- Through innovation and first-class performance, we shall strive to engage in safer and more effective shipping in environmentally sensitive areas.
- All personnel shall be given adequate training and information and shall be encouraged to participate actively in environmental matters.

THE SHIP'S LIFE CYCLE

From a life cycle perspective, a ship affects the environment from when it is built until it is scrapped. The greatest environmental impact results from ship operation. However, this can be limited and continuously improved by means of effective development work, ongoing maintenance and continuous improvements.

1 DESIGN & CONCEPT

The best opportunity for influencing the ship's environmental impact is when the actual ship concept is developed. Here, it is possible to determine size, dimensions and hull design. These are important factors which in turn have an impact on fuel consumption and transport efficiency throughout the life of the ship. When developing the concept, it is also possible to choose solutions that result in the most environmentally optimised recycling and/or scrapping possible.

2 CONSTRUCTION

The actual construction of the vessel also impacts on the environment, mainly as a result of:

- Discharges to the water as a result of grinding, anti-fouling treatment and different types of hull coatings.
- Emissions to the air, e.g. dust, particles, gases and aerosols.
- Different types of waste: pieces of metal, oil, contaminated waste, paint, cables etc.

However, stricter regulations, new work methods and higher demands from orderers have generally resulted in less environmental impact in recent years. In order to reduce the impact still further, all parties involved need to improve their knowledge about the environmental impact that takes place during construction.

3 SHIP OPERATION

In the area of ship operation, our impact and that of shipping is mainly in the form of emissions of harmful substances related to fuel consumption. One of the foremost challenges is to reduce emissions of sulphur and nitric oxides, greenhouse gases and other harmful particles produced in connection with the burning of bunker oil.

4 CONTINUOUS IMPROVEMENTS

The work on minimising the vessel's environmental impact continues throughout its life. With continuous improvements and day-to-day maintenance, it is possible to retain or even improve the vessel's environmental performance until it is scrapped. In addition to reduced environmental impact, day-to-day maintenance will most likely result in a higher market value when the vessel is sold.

5 SCRAPPING AND RECYCLING

Historically, shipbreaking has been a major environmental problem area. In recent years, however, measures have been taken to reduce the impact on both the environment and on people. For example, all material on board is now classified and the whole scrapping process is structured and certified – something we have implemented in our newbuildings ever since the first P-MAX tanker was delivered in 2005. *Stena Paris* was at that time the first vessel in the world to be certified in accordance with the Det Norske Veritas "Green Passport". A Green Passport means that all hazardous material on the vessel and in the vessel parts has been documented.

ENVIRONMENTAL RESPONSIBILITY

Our greatest contribution to the environment is our modern fleet, which, at the end of 2012, consisted of 13 tankers with an average age of five years. Our P-MAX tankers, which make up ten of the 13 vessels, are probably among the world's safest tankers. These vessels combine transport economy and flexibility with very high safety. Because of their hull design, they are able to transport about 30 percent more cargo on the same draft and with essentially the same fuel consumption as a standard tanker. This means not only cost savings, but also emissions savings.

Our environmental impacts

Our greatest actual and potential impact on the environment during ship operation can be divided into two overall categories: oil spills resulting from a collision or grounding and emissions of sulphur oxides and nitric oxides in connection with burning bunker oil. In both cases, we are working continuously to eliminate and reduce the environmental impact of our vessels.

Environmental impact of accidents

The largest risk associated with tanker shipping is the risk of an oil spill in conjunction with a grounding, collision or some other accident. However, as the global tanker fleet has become increasingly modern and safe in recent years, the number of oil spills has fallen sharply and they are now very rare. This trend is the result of not only the shipping industry's own improvement work, but also increasingly stringent demands from legislators, customers and other stakeholders. Among other things, it became mandatory in 2010 for all vessels transporting oil to have a double hull. The regulations for the placement and size of the tanks have also been tightened up in order to reduce the damage in the event of an accident.

Our safety work

For many years, we have positioned ourselves as a quality shipping company with high safety demands at every level. The possibility of accidents occurring can never be excluded. For this reason, substantial resources are invested in continuously developing and optimising vessels, procedures and crews. The goal is to prevent the risk of accidents arising and to minimise the damage if an accident should nevertheless occur. Safety work is carried out on several different levels – partly at the design stage of the vessel and its equipment and partly in the form of a continuous process to identify potential risks and dangerous operations.

Strict reporting routines mean that we have full control over each incident – whether in port or at sea. In 2012, none of our vessels was involved in any incident that resulted in bunker oil or cargo discharging into the water. In late December, an incident occurred in which *Stena Primorsk* had a minor grounding near New York, resulting in some damage to the outer hull. We were able to activate our Emergency Response Plan, which is a detailed action plan for events like this. The plan worked smoothly and all procedures and regulations were followed.

Environmental impact of emissions

In the area of ship operation, our impact and that of shipping is mainly in the form of emissions of hazardous substances related to fuel consumption. One of the foremost challenges is to reduce emissions of sulphur and nitric oxides, greenhouse gases and other harmful particles produced in connection with the burning of bunker oil.

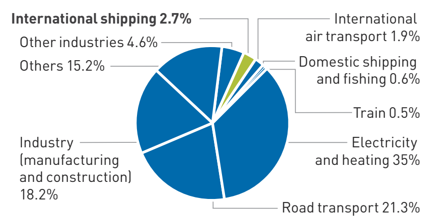
In international tanker shipping, improvement work is in progress and involves both technical developments and research on new types of more environmentally friendly fuels. The most effective way of protecting

THE BEST ALTERNATIVE

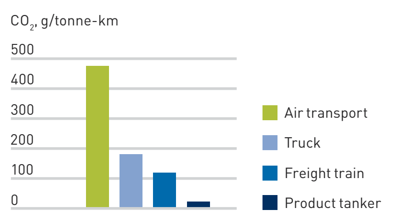
Shipping is by far the most energy-efficient mode of transport in terms of transported volume and distance. Compared with rail, road and air transport, tanker shipping is also the transport mode that generates least carbon dioxide and nitric oxide emissions measured in relation to cargo volume. Despite the fact that more than 90 percent of all freight in the world is transported by sea, shipping accounts for about only 2.7 percent of the total carbon dioxide emissions.

Also from an economic perspective, shipping has a large advantage compared with other transport modes, as external costs in the form of noise, intervention in the natural environment and accidents are very limited. However, this does not negate the need for constant and continuous improvement.

Share of global carbon dioxide emissions

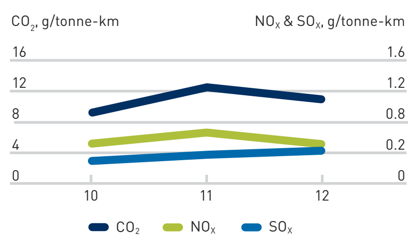


Carbon dioxide emissions by transport mode



Source: IMO

Emissions from Concordia Maritime's fleet



Chief engineer Denis Tomac, Stena Penguin:

"I KNOW THE ENGINES IN DETAIL"

Why did you choose a life at sea?
Ever since I was a young boy I have wanted to visit and experience other countries and cultures. And I really like the mechanical and technical part of the job, so that makes it the best of both worlds.

How did you end up chief engineer of *Stena Penguin?*
I have worked on almost all of the P-MAX ships and I have followed *Stena Penguin* from the beginning, working at the site office. This gives me a unique insight in the P-MAX machineries; I know the engines in detail. During construction, we took thousands of photos. So if we encounter problems with the machinery we can go back to those photos in order to locate the source of the problem, something that can be very difficult otherwise.

What key skills must a chief engineer have?
Good organization skills and a mindset where you always think safety first, to protect people and properties, and at the same time make sure that the daily business runs smoothly.

the environment would be to burn bunker oil with a low sulphur content. However, this oil is far more expensive and creating neutrality in competition requires agreements at global level. In addition, the volumes produced today are too small to meet the needs of the world fleet.

Minimising our environmental impact

We set both short and long-term targets for reducing emissions from our vessels and we work continuously to improve monitoring. Several projects aimed at helping us to reduce the emissions are in progress. VTA (variable turbine area) turbines have been installed on four vessels in the fleet. The main advantage of this is that by angling the blades in the turbine, the turbine's thermal efficiency can be adapted to the engine load, which reduces fuel consumption. In addition, the feasibility of using sulphur scrubbers and SCR (selective catalytic reduction) technology to reduce emissions of sulphur and nitric oxides is also being studied.

Fuel consumption can also be lowered by means of optimal route planning where factors such as weather and wind are weighed in. Other trials are being carried out, in consultation with our customers, to reduce ship speed when doing so does not cause any problems. Bunker oil consumption is directly related to speed, with a lower speed resulting in lower consumption.

For safety reasons, our P-MAX tankers are equipped with double systems for propulsion and manoeuvring. This enhances safety considerably but also results in somewhat higher fuel consumption than if only one system is used. Here, different properties are compared with each other and we try to balance advantages and disadvantages based on what is best in a given situation. However, our golden rule is that safety must always come first.

Organisms in ballast water

The discharge of ballast water close to the coast is another type of environmental hazard. Every year, large volumes of ballast water are transported across the oceans. Organisms that are transported from one ecosystem to another can cause great damage to the local environment. In some ports, the handling of ballast water is subject to special regulations, but so far there is no common international regulatory framework. Technology for killing organisms in ballast water is being developed, but much remains to be done to be able to satisfy the capacity requirements of ships with large volumes of ballast water. The solution we are using, until the technology is in place, is to replace ballast water far out at sea instead of close to the coast. Organisms from the coasts cannot normally survive out at sea and vice versa.

Energy efficiency

Our partner NMM works extensively in the area of energy efficiency and conservation of resources. In 2011, NMM became the first ship management company in the world to be awarded certification under the ISO 50001:2011 energy management system. The certification is a guarantee that there is systematic monitoring and control of energy, and it also helps to optimise efficiency. This reduces both fuel consumption and costs as well as our environmental impact.

NMM is also certified to ISO 14001, the aim being to continuously reduce its total environmental impact and obtain good control over both performance and costs in the area of environmental work. In addition, every ship in the fleet follows an energy efficiency plan to ensure effective management of our own and the world's resources.

Conflicting interests

Efforts to reduce the environmental impact are complicated by the fact that different measures for improving the environment sometimes conflict with each other. By reducing the thermal efficiency of a ship's engines, it would be possible to lower emissions of nitric oxides, for example. However, this would also result in higher carbon dioxide emissions. Consequently, many different factors need to be taken into account in order to achieve the optimum effect.

AN EFFICIENT COMMERCIAL OPERATION

One of the most important parameters of efficient commercial operation, for both income and environmental reasons, is to sail under full load as many days of the year as possible. Minimising the number of days in ballast means fewer emissions per ton of transported oil. With our P-MAX tankers, we can also carry up to 30 percent more cargo with essentially the same, or marginally, higher fuel consumption compared with the equivalent standard tonnage.

SOCIAL RESPONSIBILITY

**Chief Officer
Zahir Rohinton Jambusarwalla,
Stena Supreme**

"THE TRAINING TAKES OVER"

What is the best thing about working in shipping?
There is a very strong sense of achievement at the end of each job. It requires a certain mindset and comes with great responsibilities, and that is something I relish.

How do you notice the current state of the industry?
We see the effects of the last years, which have been hard on the industry. But we also see the effects of working for a strong, stable company. We see ships from other companies waiting for cargos while we are sailing by. You also have the flexibility and security to go out on other ships in the fleet. Personally, I wouldn't sail with Concordia Maritime if they weren't the best to sail with.

How important is the training?
The base of our extensive training is that we can take any challenge thrown at us. When you have had enough training you react instinctively, the training takes over. There can be moments of high stress, and in those moments it is assuring to know that you have your training to fall back on.

Organisationally Concordia Maritime consists of a a shore-based and seagoing organisation. In 2012, the shore-based organisation consisted of a total of six people, three of whom were employed in the parent company. The seagoing organisation is considerably larger. At the end of 2012, the number of seagoing employees was 421. All shipboard employees are employed under the terms of ITF (International Transport Workers' Federation) agreements.

Tough competition for experienced officers

World shipping is facing a situation of large numbers of retirements, which come at a time when there is limited access to experienced seafarers. Competition for skilled and well-trained seafarers will continue to be tough. Young people are making new demands with regard to working conditions and the environment and this is something we need to adapt to as employers.

We and our partner in manning, Northern Marine Management, want to be attractive employers. This means not just offering competitive terms, but also a stimulating and safe workplace for the seafarers who work on board our vessels. Respect for the individual, opportunities for skills development, social benefits that also cover family members and a strong safety culture are important components of this work.

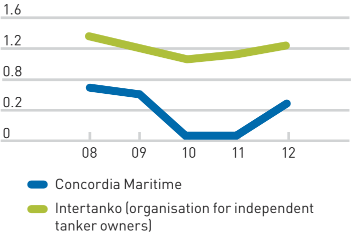
Continuous improvements

Working at sea places high demands on officers and ratings. In addition to comprehensive international regulations, there are also strict internal requirements and routines for ensuring safety on board. In order to ensure that our own and our customers' quality, environmental and safety demands are met, we provide continuous skills development. The training activities provided are both general and specially adapted for a specific ship.

Safe work environment – zero tolerance

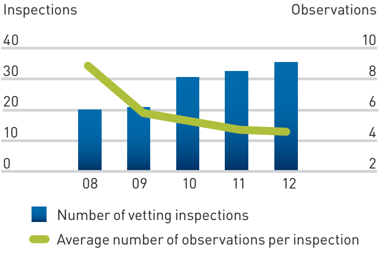
Compared with many other industries, shipping has relatively few occupational injuries. Measured in LTIF (Lost Time Injury Frequency, i.e. hours lost due to

LTIF* compared with industry



*Lost Time Injury Frequency

Vetting inspections of our fleet



10 MINUTES
FOR INCREASED SAFETY

Continuous risk identification is the most important part of the process of improving safety on board. Crew members on our vessels spend ten minutes every day studying how procedures and movement patterns are adhered to. Reporting is based on a standardised model (Behaviour Based Safety, BBS) and any risks identified are subsequently eliminated. Observations are compiled in reports distributed to all the ships in the fleet. In addition, dedicated safety meetings are held every month.

421
SEAGOING EMPLOYEES

2,259,029
MAN HOURS

1
LOST-TIME INJURY

Lost-time injury (LTI) An occupational injury that results in an employee being unable to work the following day.

HELPING THE YOUNG'S DREAMS TO COME TRUE

For Concordia Maritime one aspect of social responsibility is to try to contribute to the local community. One example is our support to El Sistema Gothenburg, a collaboration between the City of Gothenburg and the Gothenburg Symphony Orchestra. The co-operation aims to give children and young people the tools to achieve their full potential and to convey the message that it is possible to achieve their dreams. This is done through music education, according to the Venezuelan El Sistema model, which has a clear focus on inclusion and social development.

occupational injuries per total number of hours worked), there are about half as many occupational injuries in shipping as in Swedish manufacturing. We work continuously to improve the work environment and reduce the risk of occupational injury. Accidents and other safety-related factors are reported and analysed, while ongoing daily risk identification and reporting is conducted on board all our ships. Here, a zero tolerance policy is applied in order to create the safest possible work environment. This means that reporting is extremely detailed, with no incident too small or insignificant to be reported.

With our systematic safety work, we have been significantly below the rest of the industry in terms of LTIF in recent years (see previous page). In 2010–2011, the LTIF figure for our entire fleet was 0, while in 2012 it was one. The 2012 accident occurred on *Stena President* during cleaning of the keel. While a crew member was moving between two sections, he slipped and struck his shin on the partition. He was taken ashore for a medical examination and treatment.

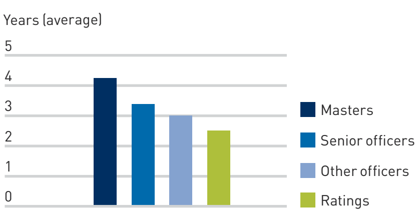
The total number of hours worked on our vessels during the year was 2,259,029, which gives an LTIF value of 0.44.

Regulations for ship protection

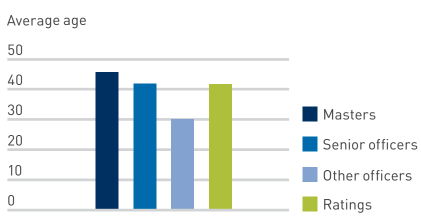
In recent years, ship hijackings have become an increasingly serious threat to international shipping. Although the threat has diminished in some areas at present, we continue our efforts to reduce the risk of one of our vessels being hijacked.

The work is regulated by best management practice recommendations from international shipping organisations, including Intertanko, and by the IMO's ISPS (International Ship and Port Facilities Security) Code. The code establishes requirements regarding ships' equipment and requires every ship to have security procedures and a trained person responsible for this area. All our vessels satisfy the requirements of the ISPS Code.

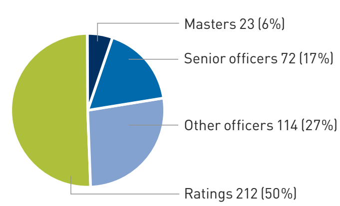
Period of service



Age structure



Seagoing employees by category



The diagrams above refer to Concordia Maritime's wholly owned vessels.

A DYNAMIC AND CHANGING MARKET

Shipping is going through the weakest economy in many years, although the outlook differs from segment to segment. The single most critical factor for the tanker market's development in the future is the balance between supply of vessels and demand for tanker transportation. The balance is expected to improve in the product tanker segment, while the large tanker segment is expected to show more of an imbalance. We believe that there is reason to be optimistic about the future development of the product tanker market, and in this section we describe the drivers that make the product tanker a dynamic and changing market.

THE PRODUCT TANKER MARKET'S

DYNAMICS AND DRIVERS

In addition to the balance between supply and demand, there are a number of factors of a more structural nature that make the product tanker market a dynamic and changing market. In the period ahead, these will benefit players who provide efficient and, in particular, flexible tanker transportation. It is also clear that the challenges the market faces only represent a supply problem – not a demand problem.

GROWTH IN THE FLEET'S SIZE

The strong fleet growth during the 2000s is the main reason for the present weak market. In many segments the picture remains gloomy, but product tankers are something of an exception, with fewer vessel deliveries and an order book at low levels. Read more on page 32.

A GROWING WORLD AND MIDDLE CLASS

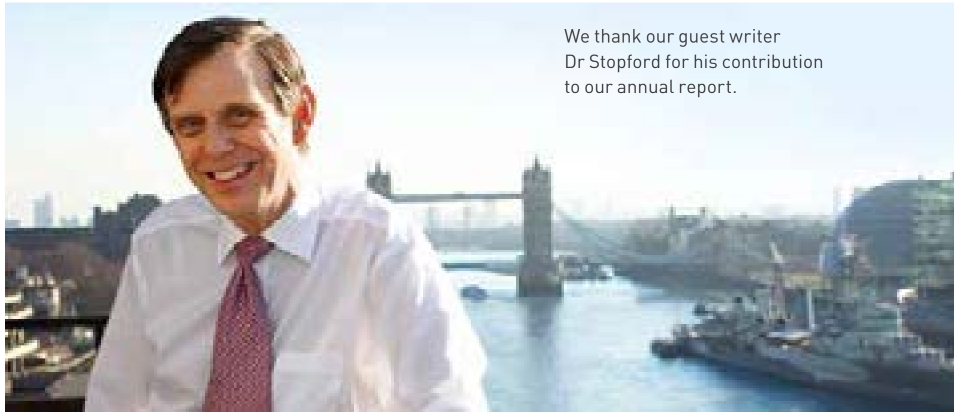
The world's population is growing. This means increased demand for energy, much of which is oil. Despite a turbulent world economy, the world is growing (even in economic terms) in many places. This is largely driven by an ever-growing middle class which in turn is increasing demand for oil products. Read more on page 34.

CHANGES IN REFINERY CAPACITY

Refinery capacity in the world is undergoing a change, with capacity decreasing or stagnating west of Suez and increasing east of Suez. At the same time, demand is still present in the West, and in many parts of the world insufficient capacity is being built to satisfy domestic need. This creates opportunities for the product tanker market. Read more on page 37.

INCREASED DEMAND FOR ALTERNATIVE CARGOES

Vegetable oils and shale oil are two examples of alternative cargoes for which demand is increasing. Flexible vessels that are able to easily switch between different cargoes offer opportunities for more income days. Read more on page 37.



We thank our guest writer Dr Stopford for his contribution to our annual report.

"A BETTER RUBBER BAND"

Dr Martin Stopford, Chairman of the prestigious Clarkson Research Services, discusses how companies can adapt their operations to the changing world.

The shipping industry is under siege. The recession is in its fourth year, with a raft of new regulations on emissions and carbon to deal with. But the challenge which cuts to the heart of every shipping company's business is the escalating cost of fuel. It's a real revolution. In 2005 the daily cost of the ship (based on 1 year timecharter rate) was three times the daily cost of fuel. Today it's reversed – the fuel costs 30–50 percent more than the ship.

As reality changed, so have our expectations. In 2005 the IEA's study of oil and gas technologies[1] stated "currently, most companies base their investment decisions on a long term price of USD 20–25 per barrel." Now the IEA's projection is USD 100–140 a barrel.

Nagging doubts

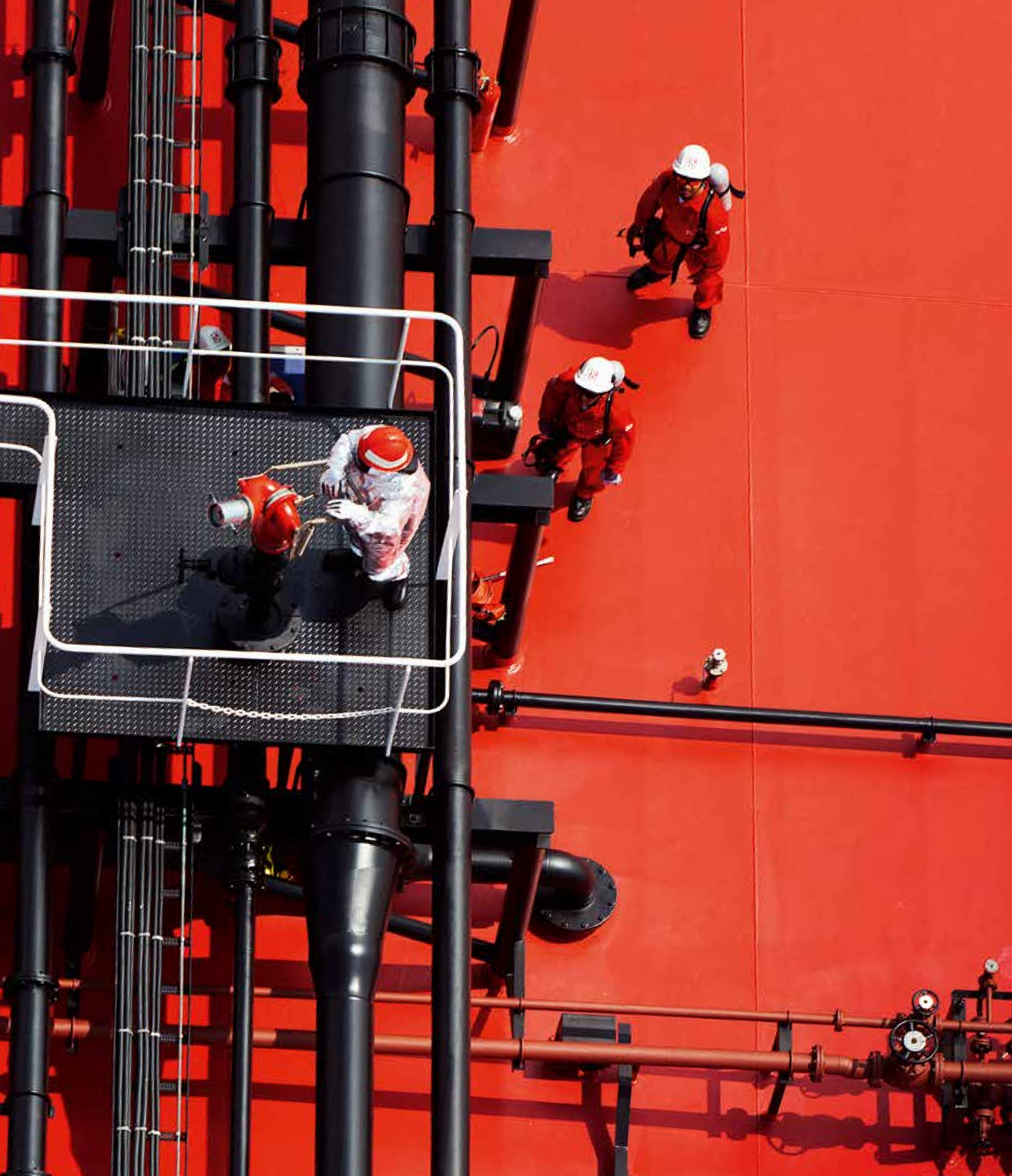
Most shipping investors agree that oil will get even more expensive, but they have nagging doubts. Many remember the 1980s when they ordered "eco-ships" with new engines, waste heat generators, shaft drives and other energy-efficient gizmos. But in 1985 the oil price collapsed, turning the "eco-ships" into white elephants. So much is similar today that setting off down the same road is daunting. Surely there's a better way.

My view is that our perspective on these energy efficiency decisions is too narrow. For 200 years the fundamental business of shipping has been converting fossil fuels into safe and efficient transport. The fuel pricing, the shippers' policies, geopolitical hegemony and technology all shaped the way the job was done, but the core goal has always been the same: better energy conversion. To meet this goal ships are designed to operate efficiently in normal circumstances – a "normal" sea, a "normal" market, a "normal" oil price. Speed and fuel consumption are optimized to the norm and in practice the design norm is almost always the maximum operating speed of the vessel.

"Normal" is not the norm

But in shipping "normal" is not the norm. Merchant ships navigate from boom to recession and back, to the accompaniment of ever changing energy prices. We must abandon "normal" in favour of designs which can cope with extremes. Design the ship holistically like a rubber band which stretches or contracts in response to the endless permutations of ship costs, fuel costs and revenues. In recessions this eco-ship must be supremely economical but when earnings hit USD 150,000 per day, the rubber band must stretch to pump out speed, regardless of cost. And don't forget the safety issues – underpowered ships are as dangerous as overpowered ships are expensive. This sounds tricky, but the goal is crystal clear. Don't build a strait jacket, build a better rubber band. You'll be surprised what a difference it makes.

1) Resources To Reserves - oil and gas technologies for the energy markets of the future OECD/IEA 2005 page 17.



MARKET TREND 2012

2012 was another difficult year for tanker shipping. The year started strongly, but freight rates decreased progressively, reaching their lowest level in several years in July. We and many others had confidence in the autumn market, but with the exception of some temporary increases in freight rates, our hopes never materialised. Only at the end of the year did the market receive a real boost, when an arbitrage between Europe and the United States occurred, and the year ended at about the same levels as it began.

This meant that average freight rates for MR product tankers on the open market were approx. USD 7,200 per day in 2012, which is 10 percent lower than in 2011. Time charter freight rates were largely the same as in 2011, averaging USD 14,400 per day.

Continuing high supply

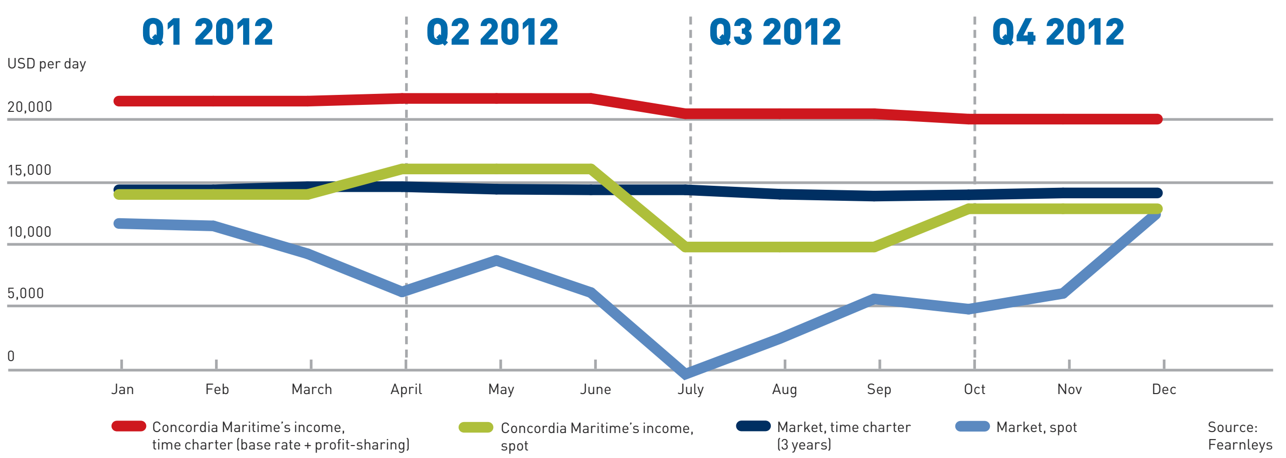
The main reason for the weak market was the continuing imbalance between supply and demand. Supply of vessels increased by approx. 3 percent during the year, while demand for product transportation rose by approx. 2 percent. However, this is a significant improvement compared with recent years, and also compared with other segments in 2012.

In addition to the supply and demand gap, another major contributor to the weak trend during the year was the turbulent world economy, including the problems in the Eurozone.

The fleet's income

Income for our vessels employed on the open market during the year reflected market conditions, as would be expected, and averaged just over USD 13,500 per day. Our vessels employed on fixed charters during the year generated average income of approx. USD 20,000 per day.

The market was also weak in the suezmax segment. *Stena Supreme,* which has been employed on the open market through Stena Sonangol Suezmax Pool since her delivery in early July, generated relatively good earnings during the second half of the year, averaging USD 15,500 per day. By comparison, average rates in the segment were just under USD 11,000 per day during the same period.



Average spot rates were approx. USD 11,000 per day. In the time-charter market, 3-year charter contracts at rates of approx. USD 14,750 per day were in place at the end of the period.

A decline in the spot market means average rates of approx. USD 7,100 per day. In the time-charter market, 3-year charter contracts at rates of approx. USD 14,600 per day were in place at the end of the period.

Spot rates fell sharply and averaged approx. USD 2,700 per day. In the time-charter market, 3-year charter contracts at rates of approx. USD 14,000 per day were in place at the end of the period.

Spot market rates rose sharply at the end of the year, averaging approx. USD 8,000 per day. In the time-charter market, 3-year charter contracts at rates of USD 14,250 per day were in place at the end of the period.

The chart shows the average value per month on a strictly round trip basis.

GROWTH IN THE SIZE OF THE FLEET

The single most critical factor for the tanker market's development in the future is the balance between supply of vessels and demand for tanker transportation. The balance is expected to improve in the product tanker segment, while the large tanker segment is expected to continue to show an imbalance.

Supply (or the number of available ships) is governed by a number of factors, such as deliveries, scrapping and laying up of ships, use of ships as floating storage and employment of vessels in the "wrong" segments.

There was strong growth in most of the tanker shipping segments during the 2000s. Over the last ten years, the product tanker fleet has grown by about 150 percent. As a result of the extensive orders made during the very strong tanker market in the period 2004–2008, growth in recent years has been extra large.

Order book at low level

This trend has levelled off and in 2012 the product tanker fleet grew by about 3 percent, which is relatively low. Despite the continuation of larger growth in supply than in demand, which was about 2 percent, this is a big improvement compared with recent years and represents a major step in the right direction. The main reason was that 100 vessels were delivered during the year, which is the lowest number for many years. This was confirmation of the trend of declining deliveries over the last three years.

Looking ahead, there is reason to be optimistic about the growth of the fleet. Although 89 new ships were ordered in 2012, which is a substantial increase over the previous year, the product tanker fleet's order book is at low levels. The order book contained 219 vessels at the end of 2012, or about 12 percent of the fleet's size. Apart from 2011, the order book has not been so small since the early 2000s.

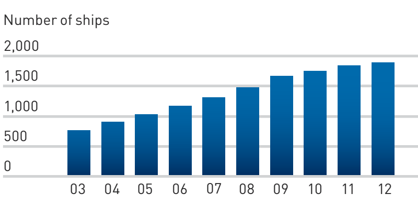
It is also worth pointing out the current uncertainty regarding when deliveries of the vessels in the order book will actually take place. Some of the orders were placed in an entirely different market conditions and there are not usually any cancellation clauses in contracts with shipyards. As a consequence of the sharp market downturn in recent years, there is reason to believe that some of the deliveries will be postponed.

The slippage factor, which is the difference between estimated and actual deliveries of ships every year, has been high in recent years. In 2012, approx. 50 percent of the estimated deliveries in the MR segment and approx. 25 percent in the LR1 segment were not realised.

The bottom of the cycle?

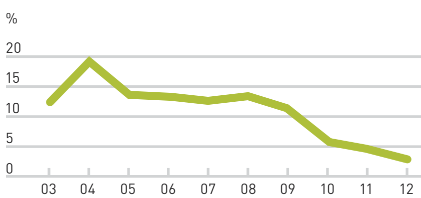
Overall, this indicates that the growth in the fleet in the future will be at more modest levels – at the level of or below the growth in demand. This may also mean that the market, in terms of the balance between supply and demand, may well be close to or even have passed the bottom of the cycle. At the same time, it is important to be humble before the prevailing market climate and the many factors that come into play and affect development.

Product tanker fleet trend



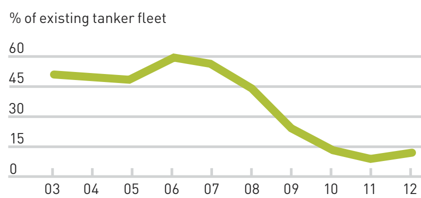
Source: Fearnleys

Growth in the fleet's size

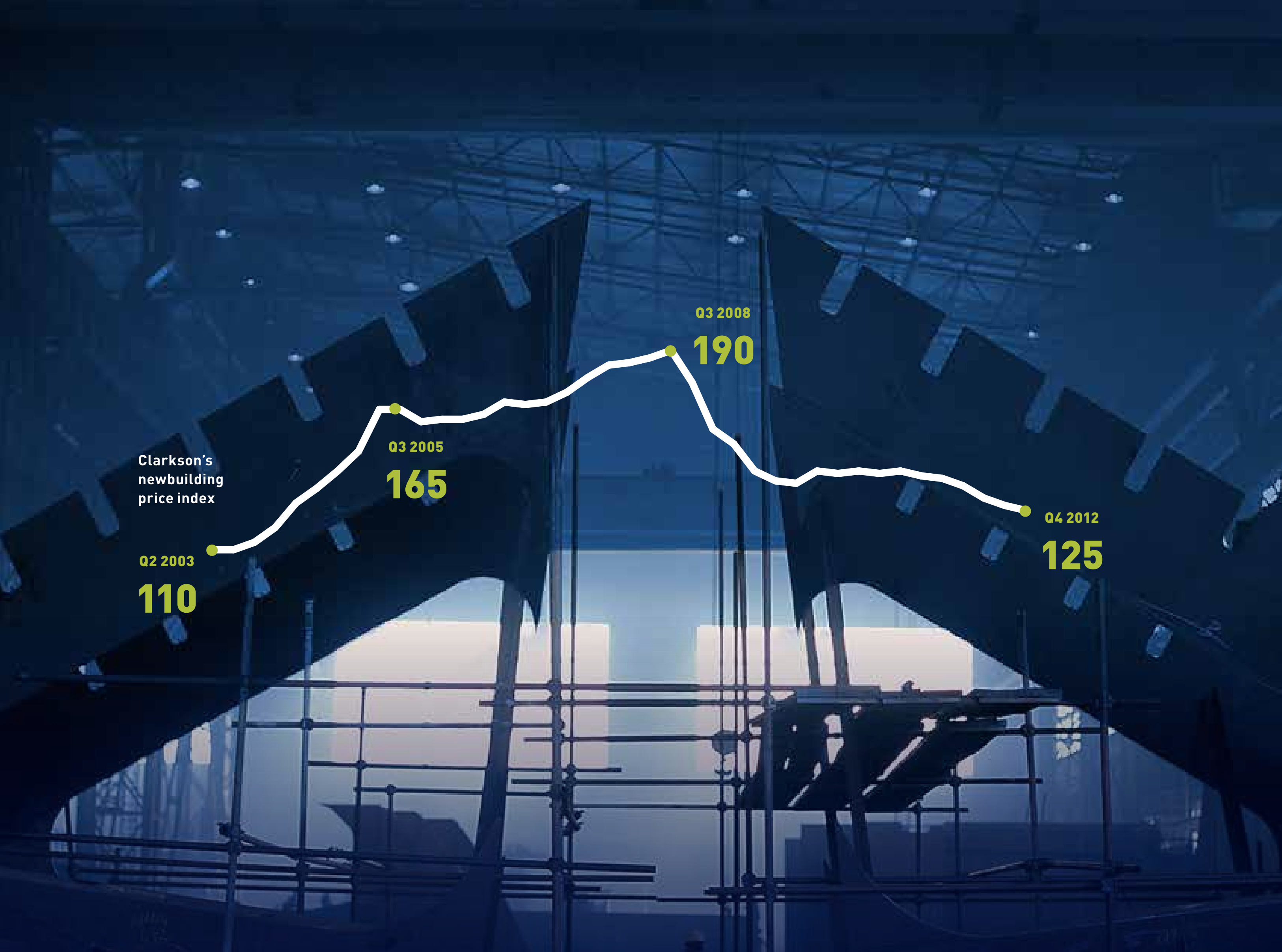


Source: Fearnleys

Order book



Source: Fearnleys



LOWEST

NEW BUILDING PRICES IN 10 YEARS

At the end of 2012, the price of a product tanker was approx. USD 32 million. Newbuilding prices for ships during the year were the lowest for almost ten years and there are no indications that prices over the next ten years will reach the high levels we saw between 2005 and 2009.

Depreciation and financial costs can vary greatly depending on the shipping company's capital structure and debt-equity ratio. Timing is crucial when it comes to purchasing vessels. Ship prices have a large impact on a vessel's capital costs and therefore the shipping company's profitability over a long period. The fact that it is now possible to buy modern, efficient ships at the same price level as a decade ago means that there are opportunities for good deals for shipping companies with a strong balance sheet.

This is a situation we took advantage of during the year when we placed an order for two new ships. We placed the order when the newbuilding price index was approx. 125, which is 30 percent below the peak level of 2008.

Today's newbuilding prices are also one of the reasons why we did an impairment of the fleet's carrying amount by approx. SEK 411 million during the year. It is our assessment that the current price levels reflect a long-term structural change in the shipbuilding industry's pricing. Read more in note 8.

A GROWING WORLD AND MIDDLE CLASS

The world is growing, both demographically and economically, and with it demand for energy, much of which will be met with oil and petroleum products. The largest increase in both population and GDP growth is taking place in the world's emerging economies, particularly in Asia and Africa. At the same time, an increasing population presents national and international challenges, with more and more people better off on these continents – a trend which has been confirmed by the UN Human Development Index. The global middle class is ever-growing and represents a crucial factor in the world economy's future growth.

Increased energy needs due to growing populations

According to estimates made by organisations such as the UN, the world's population will rise from today's figure of 7 billion to approx. 9.3 billion by 2050, an increase of over 30 percent. And demand for energy will rise in line with this increase. The US Department of Energy estimates that total world energy consumption will increase by 50 percent between 2005 and 2030. Oil is expected to account for 35 percent of this increase. At present, about half of all oil is transported by sea, so an increase in oil consumption would be expected to contribute to increased demand for tanker transportation.

Demand for sea-based transportation of oil correlates highly with demand for oil and petroleum products. According to OPEC, demand for refined petroleum products will increase by over 22 percent between 2011 and 2035.

Strong and steady growth

Oil demand is also governed largely by growth in the world economy. The IMF estimates that the world economy will grow by between 3.6 and 4.6 percent per year over the next five years. Growth in Europe and the United States is expected to remain weak, and instead it will be the emerging economies, particularly in Asia, driving development. China's economy grew by 7.8 percent in 2012 and over the next five years it is expected to grow steadily by about 8.5 percent per year, and for Asia in general by over 7 percent per year. After China, it is India which is contributing most to the strong growth.

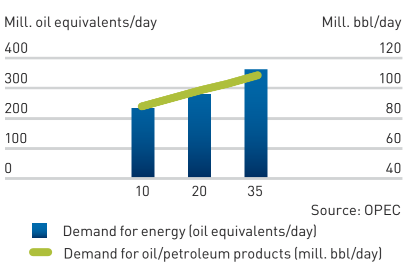
The economy is also growing strongly in Africa and at roughly the same pace as the Asian economies. Nine of the twenty fastest growing countries in the world in 2012 were African.

Growing middle class drives demand

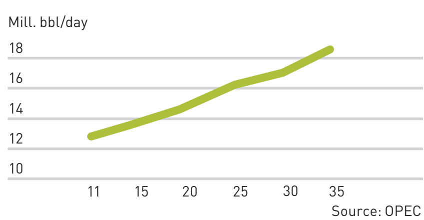
This trend is driven by a global middle class that is getting bigger every year. According to the OECD, the global middle class will grow from approx. 2 billion people in 2012 to almost 5 billion by 2030. Most of this increase will occur in Asia, and the Asian middle class will continue to dominate in terms of both size and consumption. During the same period, Africa's middle class will grow by over 200 percent, according to the OECD.

However, there are different ways to count the middle class, and so there is reason to treat these figures with caution. But whatever the definition, the trend is clear – the global middle class is growing, and increased prosperity also brings with it investments in infrastructure and increased consumption. This in turn drives demand for petroleum products in different ways, such as through increased vehicle sales. And as mentioned earlier, this demand will partly need to be satisfied with the transportation of petroleum products by sea.

Demand for energy and petroleum products



Global imports of petroleum products



According to the OECD, the global middle class currently represents approx. 28 percent of the total population. By 2030, the figure is expected to be more than twice as high, representing approx. 60 percent of the population.

35%

is the expected growth for trade in vegetable oils in the period 2010–2020 according to the OECD-FAO.

CHANGES IN REFINERY CAPACITY

Refinery capacity in the world is undergoing a change, with capacity decreasing or stagnating west of Suez and increasing east of Suez. The capacity being built up is largely in the Middle East and Asia, particularly India and China. Refineries are being built there primarily to meet increasing domestic demand, although in India, for example, capacity is also being built for the purpose of exporting. In other parts of the world, demand for petroleum products is either the same or growing, while the planned expansion of refinery capacity in many places is not commensurate with the demand. This creates dynamics in the product tanker market and presents a great opportunity for players like us.

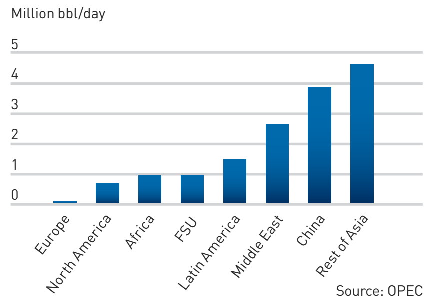
Imports to meet demand

Expanding or converting refineries according to changes in domestic demand involves large investments that require lead times of several years. In the short term, the only solution is imports and in many cases this solution has proved to be more cost effective in the long term too. The new refineries being built in the Middle East and Asia are more efficient in terms of both production and production costs and therefore represent tough competition in a market that is already under pressure. As refining becomes standardised internationally, it is increasingly easy to transport petroleum products between markets and exploit arbitrage opportunities in order to meet regional needs.

Longer transport distances

This probably means that increasingly large volumes will need to be transported longer distances to reach the end consumers, particularly in North America and Europe. However, there will also be a need in other regions, such as Africa and South America, where demand for petroleum products is growing faster than the increase in domestic refinery capacity.

Increased refinery capacity 2011–2035



Source: OPEC

INCREASED DEMAND FOR ALTERNATIVE CARGOES

Other structural changes affecting the tanker market include increased demand for alternative cargoes. Vegetable oils and shale oil are two examples of alternative cargoes for which demand is increasing. Flexible vessels that are able to switch between different cargoes offer opportunities for more income days.

Demand for vegetable oils, particularly palm oil, has increased sharply in recent years and the trend is expected to continue. The OECD-FAO estimates that global trade in vegetable oils will increase by 35 percent between 2010 and 2020.

The main drivers include increased use in the food, petrochemical and cosmetics industries. An increasing quantity is also used in the production of different types of biofuels. The raw material is exported from regions such as South America and Asia. Demand for authorised vessels has exceeded supply in recent years, which has resulted in rates that are higher than for the transport of traditional petroleum products.

Increased production of shale oil

Another source of energy that has grown in recent years is oil from oil shale. The extraction of shale oil has increased sharply, particularly in the United States. This is partly as a result of the U.S. goal to reduce its need to import oil from other countries. However, after refining, a relatively large proportion of this oil is exported, which may cause demand for product tankers to increase further as volumes rise.

RISK AND SENSITIVITY ANALYSIS

Like all commercial enterprises, our activities are associated with certain risks. We have chosen to divide them into four main categories – corporate risks, market-related risks, operational risks and financial risks.

1. Corporate risks

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

A Brand

The oil industry's demands for safety and environmental responsibility are comprehensive and an accident at sea or in port would not only have negative environmental consequences, but would also seriously damage the company's name. For many years, we have been a quality shipowner, with high standards in all aspects of safety. This position places particularly high demands on control and responsibility. It is difficult to protect against this type of risk and it can only be done through extensive preventive work and complete transparency should an accident nevertheless occur.

B Employees

We are very dependent on being able to attract and retain employees. This applies, for example, to technicians and employees responsible for customers and partners, as well as skilled seagoing personnel. Our shore-based organisation is small and this normally means that there is a great dependency on a number of key individuals. To some extent, this is counterbalanced by the close cooperation with several companies in the Stena Sphere. Nevertheless, we work actively to create a stimulating workplace that provides good development opportunities for employees.

C Liquidity

A prerequisite for the existence of our business in the short and long term is, of course, access to capital and funding. In times of financial turmoil and instability, it is particularly important for us to have vessels on order fully financed. One of our overall objectives is to always have a sound financial position that enables us to make long-term investments.

D Financing risk

Financing risk is the risk that the company will be unable to satisfy its need for loan capital. This risk increases in the event of financial turmoil in the world market. Stable cash flows, good disposable liquidity and good relationships with banks and other potential lenders are factors that can limit the risk.

2. Market-related risks

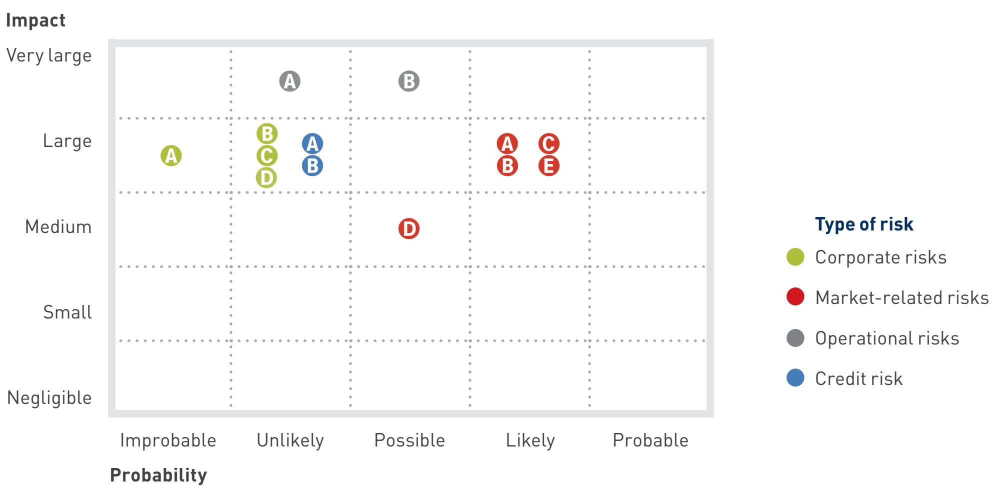
Market-related risks refer primarily to risks associated with changes in the outside world and market. The board and management will only have a limited opportunity for control over these risks in the short term, but must still deal with them in the longer-term planning of the business.

A Economic trends

Shipping is a highly cyclical business. Demand for transportation of oil and refined petroleum products is largely determined by the consumption of these products. This, in turn, is determined by the economic situation. In the short term, the effects of economic fluctuations are greatest in the spot market, although in the long term, they will also affect the time-charter market.

	Type of risk	Impact (1–5) Whole industry	Impact (1–5) CM	Probability (1–5) Whole industry	Probability (1–5) CM	Risk strategy
1. Corporate risks	A Brand	**3** (3)	**4** (4)	**1** (1)	**1** (1)	Quality at every stage. Far-reaching preventive work. Leader in safety.
	B Employees	**3** (3)	**4** (4)	**3** (3)	**2** (2)	Close cooperation with several companies in the Stena Sphere.
	C Liquidity	**4** (4)	**4** (4)	**4** (4)	**2** (2)	Stable cash flows and good banking relationships.
	D Financing risk	**4** (4)	**4** (4)	**4** (4)	**2** (2)	High disposable liquidity, profitability, good equity ratio and banking relationships.
2. Market-related risks	A Economic trends	**4** (4)	**4** (4)	**5** (5)	**4** (3)	Good relationships with customers, both in the time charter and spot market.
	B Freight rates	**5** (5)	**4** (4)	**5** (5)	**4** (3)	Operations are currently based in part on contracts with fixed income.
	C Oil price	**4** (4)	**4** (4)	**4** (4)	**4** (3)	Part of the fleet chartered out; the customer bears the bunker cost. Oil prices are followed carefully and hedged.
	D Political risks	**3** (3)	**3** (3)	**3** (3)	**3** (3)	At the forefront in safety and environmental work.
	E War/instability	**4** (4)	**4** (4)	**4** (4)	**4** (4)	Continuous business intelligence and internal security policy.
3. Operational risks	A Ship operation and insurance issues	**5** (5)	**5** (5)	**3** (3)	**2** (2)	Continuous maintenance work in combination with comprehensive insurance cover.
	B Environment	**5** (5)	**5** (5)	**3** (3)	**3** (3)	Continuous work on preventive measures.
4. Credit risk	A Counterparty risks – customers	**4** (4)	**4** (4)	**3** (3)	**2** (2)	Primarily financially stable customers.
	B Counterparty risks – shipyards and partners	**4** (4)	**4** (4)	**3** (3)	**2** (2)	Financially and operationally strong players. Bank guarantees and penalty clauses.

Previous year's figures in brackets.



B Freight rates
Freight rates in tanker shipping may fluctuate sharply from time to time. A decline in freight rates may be due to reduced demand for transport capacity or an increased supply of vessels. A change in rates can have a major impact on the profitability of the business. Freight rates on the spot market fluctuate significantly more than the rates on the time-charter market. 40 percent of our fleet is currently chartered out on fixed contracts for 2013.

C Oil price
Freight rates for seaborne oil transport are calculated based on the established World-scale freight rate system. Even though the mechanisms that control this system are supposed to reflect the fluctuations in oil prices, there is still a certain lag. Rapidly rising or falling oil prices could therefore have a major impact on earnings in the open market.

D Political risks
The company operates in a market that is subject to a large number of regulations that may change due to changing external factors and/or political decisions. These include decisions on regulations for international trade, safety and the environment.

As regards international trade, the trend in recent years has been towards increased global free trade, and fewer of a trade-policy related restrictions. The main risk of changes would appear to lie in the area of safety and the environment, where international and national laws, industry-related conventions, regulations and practice are continuously reviewed.

This trend is being driven from several directions – both political and by trade associations and industry. As we have a very safe and modern fleet, the increased focus on safety and environmental issues actually represents an opportunity for us.

E War/instability
A large part of global oil production takes place in politically unstable regions. War or other disturbances may limit access to oil and petroleum products, but also increase the need for transport. This risk affects both the industry as a whole and also us.

3. Operational risks
Operational risks are risks related to the management of the operational side of the business.

A Insurance issues
We have taken out insurance policies customary in the industry to cover risks associated with the actual operation of the vessels. The vessels are insured against damage and loss at amounts representing the vessels' value. Protection & Indemnity applies with no limitation of amount, except for responsibility for oil spills where the amount is limited to USD 1 billion. The vessels are also insured against Loss of Hire due to damage or shipwreck. In addition to the policies above, there is also the customary insurance for operating in specific waters.

B Environment
An accident at sea or in port (shipwreck, oil spill, collision etc.) could have extensive negative consequences for both the environment and property, and, at worst, result in loss of life. When it comes to safety, we are far ahead. Our P-MAX tankers are built with double systems for propulsion and manoeuvring. They have two separate engine rooms separated by fireproof and watertight bulkheads, and with their own fuel systems. However, the possibility of accidents occurring can never be discounted. We devote considerable resources to the continuous development of training and procedures.

C Ship operation
There is intense competition for competent seagoing personnel. In order to recruit the best crews, a good reputation in the market is needed. We strive to be an attractive employer that looks after its employees. Salaries and other forms of financial incentives are important parts of this work, and it is also crucial to provide a positive work environment and the opportunity for long-term employment.

4. Credit risks
Credit risks represent one of the financial risks to which we are exposed. These are mainly counterparty risks – customers, and also shipyards and other subcontractors and partners. Other financial risks are reported in note 18.

A Counterparty risks – customers
Counterparty risks relating to customers are primarily the risk that a customer will not be able to discharge its obligations. The risk is higher when business activities are based on a limited number of customers.

B Counterparty risks – subcontractors and partners
With counterparty risks related to subcontractors and partners, there is a substantial risk that contracted shipyards will fail to discharge their obligations – either due to financial problems or because they are unable to deliver in time. We protect ourselves in different ways against these and other counterparty risks. It is particularly important to maintain a long-term perspective in our collaborations, conduct ongoing evaluations and monitor counterparties' financial position.

Financial risks
Financial risks, which are mainly related to currency and interest rates, are described in note 18 and have therefore not been described in this section.

SHARE PRICE TREND
IN 2012

At the start of 2012, the price of Concordia Maritime's class B share was SEK 12.95 and at the end of the year it was SEK 10.15, which is a decline of 22 percent. In 2012, the share's total return including the proposed dividend of SEK 0.50 was –17.8 percent.

At the end of 2012, share capital amounted to SEK 484 million, divided into 47.73 million shares, of which 43.73 million were class B shares. The par value is SEK 10 per share. Class A shares carry ten votes per share and class B shares one vote per share.

Shareholders

The number of shareholders at 31 December 2012 was 5,112, which is a decline of 3 percent compared with the previous year. All class A shares with voting rights are owned by the Stena Sphere, which has been the principal owner since the company was first listed in 1984. Stena has declared that a holding in Concordia Maritime corresponding to approx. 50 percent of the capital is a long-term objective. At year-end, the Stena Sphere owned approx. 52 percent of the share capital and held 73 percent of the votes. The second largest owner is Fjärde AP-fonden, which owns shares corresponding to 5.6 percent of the capital and 3.2 percent of the votes.

At 31 December 2012, foreign ownership amounted to 16.2 per cent of the share capital and 9.3 percent of the votes. Total ownership by Swedish financial companies and funds amounted to 10.3 percent of the share capital and 5.9 percent of the votes.

The Board and CEO together own about 0.1 percent of the shares (Stena Sphere excluded).

Ticker code and trading unit

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

FINANCIAL COMMENT

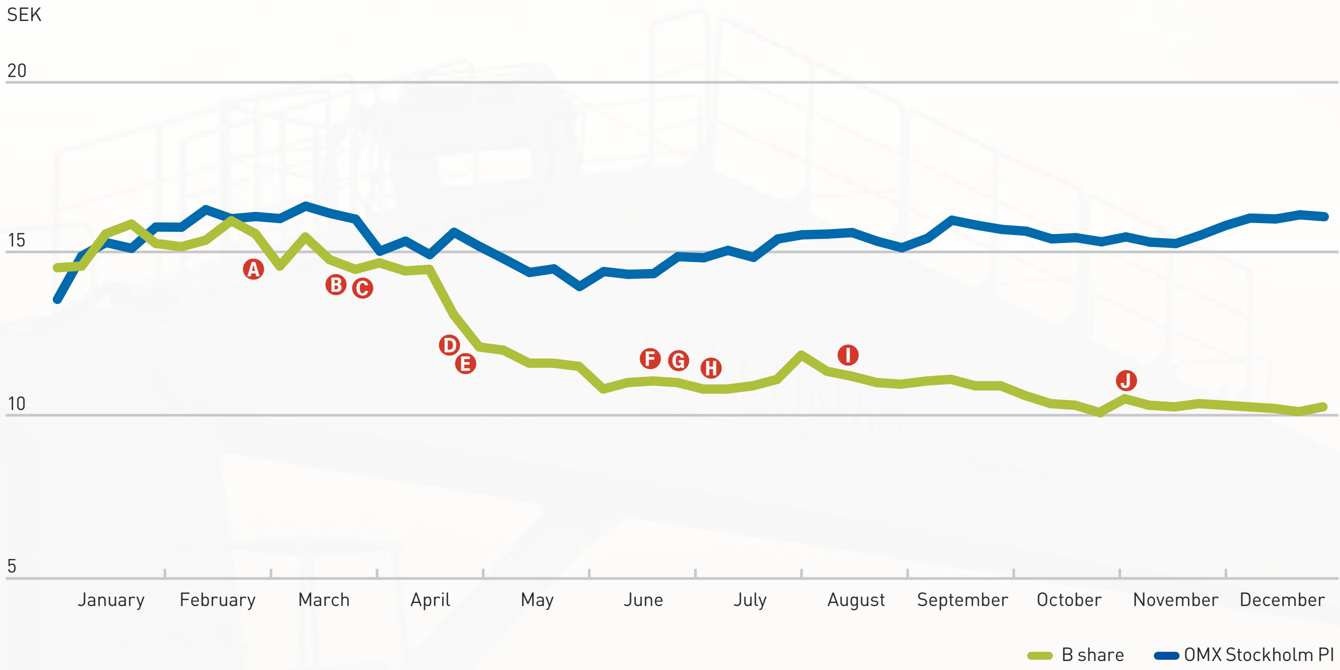
Shipping companies around the world experienced another stormy stock market year in 2012. For the fourth consecutive year, freight rates fell and the value of the global fleet reached new lows. In a market that was frozen stiff and characterised by few transactions, most shipping shares dropped in value, as did our own, which fell by about 20 percent.

As we put another year behind us, it should be said that, despite 2012 being a year which for Concordia Maritime meant greater exposure to the open market and impairment of the fleet, we still have a strong financial position.

Is the frozen product tanker market about to thaw? We believe so. Although it is difficult to say exactly when spring will come, it appears that the spring thaw has begun anyway. We confidently look forward to new challenges and opportunities in 2013.

Anna Forshamn, Chief Financial Officer

SHARE PRICE TREND



Press releases in 2012

A 22-02-2012
Final accounts,
1 January–31 December 2011

B 23-03-2012
Notice of Annual General Meeting

C 27-03-2012
Annual Report 2011 published online

D 26-04-2012
Interim Report 1 January–31 March 2012

E 27-04-2012
Press release from AGM

F 21-06-2012
Concordia Maritime orders two product tankers

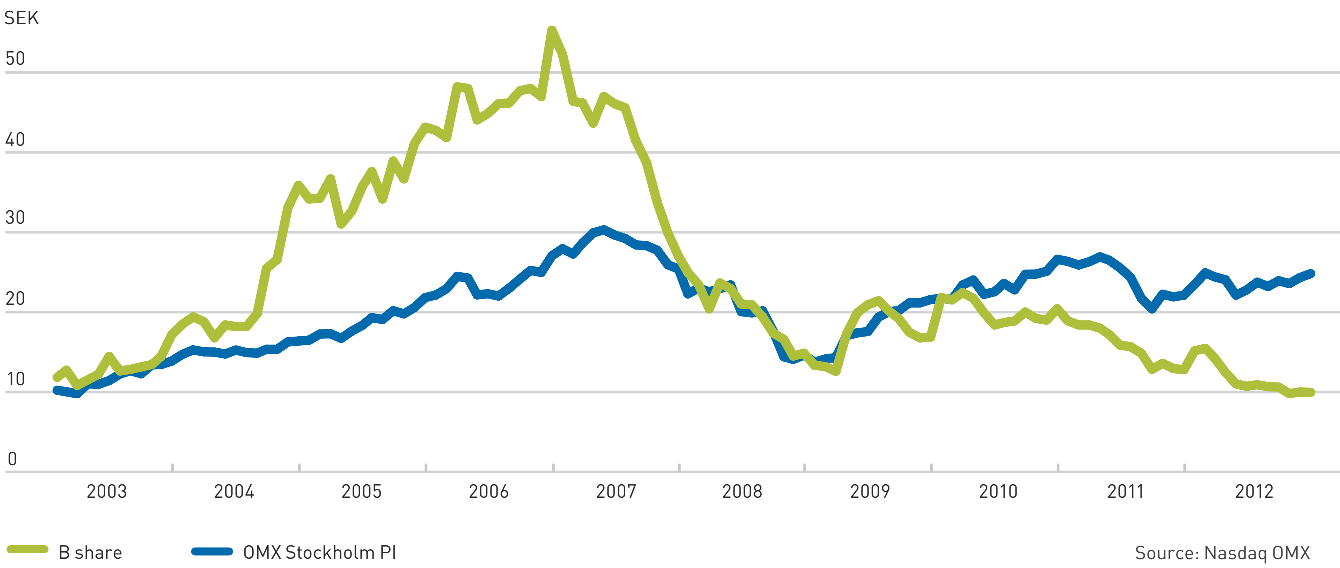
G 28-06-2012
Stena Supreme christened in Korea

H 02-07-2012
Delivery of *Stena Supreme*

I 16-08-2012
Interim Report 1 January–30 June 2012

J 07-11-2012
Interim Report 1 January–30 September 2012

Concordia Maritime's share price, 2003–2012



Dividend 2003–2012

Year	Dividend per share, SEK	Dividend yield, %
2003	0.50	2.9
2004	3.00	8.6
2005	1.00	2.3
2006	1.00	1.8
2007	1.00	3.7
2008	1.00	6.6
2009	1.00	5.9
2010	1.00	4.9
2011	1.00	7.7
2012	0.50 [1]	4.9

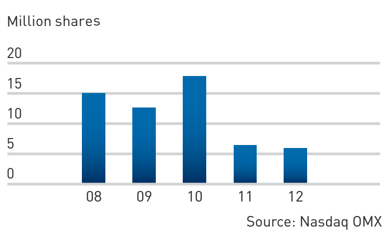
1) Proposed dividend

Dividend Policy

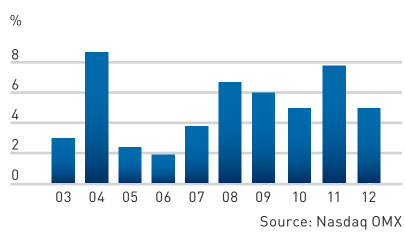
Concordia Maritime's long-term objective is to maximise the value of the shareholders' capital in the company through long-term growth in the value of the fleet and a good return on oil transport. This should provide the necessary conditions for a long-term, positive share price trend.

The shareholders should be able to expect a reasonable dividend in relation to both the company's result and investment requirements. The aim is for the dividend to amount to 20–30 percent of the consolidated profit after tax. However, a minimum of 10 percent of the profit shall be distributed to shareholders.

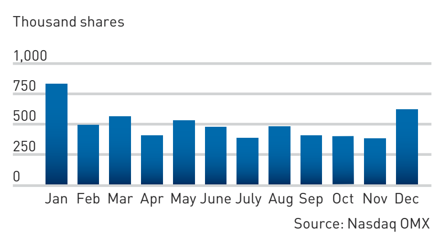
Share turnover, last five years



Dividend yield



Share turnover, 2012



Key figures for the share

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003[1]
Dividend, SEK	0.50[2]	1.00	1.00	1.00	1.00	1.00	1.00	1.00	3.00	0.50
Dividend as % of net result after tax	–7.0	56	60		50	76	92	83	19	31
Shares outstanding at year-end, millions	47.73	47.73	47.73	47.73	47.73	47.73	47.73	47.73	47.73	47.73
Average number of shares outstanding, millions	47.73	47.73	47.73	47.73	47.73	47.73	47.73	47.73	47.73	47.73
Share price at year-end, SEK	10.15	12.95	20.50	17.00	15.00	27.00	55.00	43.00	34.80	17.50
Dividend yield, %[4]	4.9[3]	7.7	4.9	5.9	6.6	3.7	1.8	2.3	8.6	2.9
Total return, Concordia share, %	–17.8[3]	–32.0	26.5	20.0	–40.7	–49.1	30.2	26.4	116.0	63.6
P/E ratio including ship sales	neg	7.3	12.2	neg	7.5	20.5	50.5	35.8	2.2	10.8
P/E ratio excluding ship sales	neg	7.3	12.2	neg	—	—	—	2 150.0	17.8	9
Turnover of shares per year, millions	5.7	6.2	17.6	12.4	14.7	16.8	32.4	18.6	24.3	8.4
Turnover rate, %	12	13	37	26	33	38	74	43	56	19
Market value at year-end, SEK million	484	618	978	811	716	1 288	2 625	2 052	1 661	835
Number of shareholders	5,112	5,266	5,470	5,006	4,834	4,963	5,942	6,209	6,081	5,431
Equity per share	27.88	37.24	35.94	37.47	41.21	34.08	34.09	37.10	33.87	21.51

1) Key figures for 2003 have not been restated according to IFRS.
2) The Board's proposal.
3) Calculated on the proposed dividend.
4) Dividend per share divided by the share price at year-end.

Shareholder categories

	Capital, %	Votes, %
Foreign owners	16.2	9.3
Swedish owners	83.8	90.7
of which		
Institutions	9.4	5.4
Unit trusts	0.9	0.5
Private individuals	21.2	12.0
Other	52.3	72.8

Ownership concentration

	Capital %	Votes %
The 10 largest shareholders	72.9	84.6
The 20 largest shareholders	78.0	87.4
The 100 largest shareholders	87.2	92.7

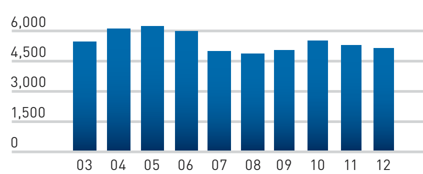
The 10 largest shareholders

	Capital, %	Votes, %
Stena Sfären	52.3	72.8
Fjärde AP-fonden	5.6	3.2
Odin Sverige Aksjefondet	4.7	2.7
J P Morgan Clearing Corp	3.4	1.9
Stig Andersson	2.3	1.3
Avanza Pension	1.8	1.0
Verdipapirfond Pareto Nordic Value	1.2	0.7
Odin Sverige II Aksjefondet	1.0	0.6
CBNY-DFA-INT SML CAP V	0.8	0.5
Locellus Invest AB	0.6	0.4

Shareholder structure

Shareholding	Owners	Shares	Capital, %	Votes, %
1–1,000	3,876	1,301,065	2.7	1.5
1,001–10,000	1,044	3,348,436	7.0	4.0
10,001–100,000	165	5,000,509	10.5	6.0
100,001–	27	34,079,788	79.8	88.5
Total	**5,112**	**43,729,798**	**100.0**	**100.0**

Shareholder trend, 2003–2012



Source: Nasdaq OMX

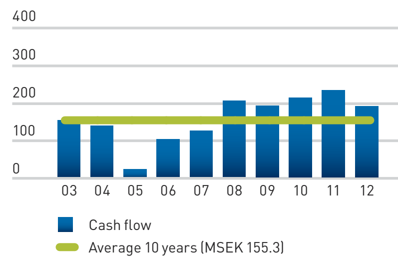
TEN-YEAR SUMMARY

	2012	2011	2010	2009	2008
Profit/loss items, SEK million					
Net sales	543.4	559.6	513.4	599.3	560.0
Operating costs excluding impairment	–465.9	–452.0	–413.2	–531.5	–473.6
Operating result	77.5	107.6	100.2	67.8	86.4
of which result from ship sales	—	—	—	—	—
EBITDA	228.4	242.6	219.5	160.8	162.6
Result after net financial items	–369.4	76.3	76.9	–91.0	78.1
Result after tax	–356.0	84.8	80.4	–81.1	95.8
Cash flow from operating activities[1]	190.5	231.1	210.7	189.6	203.2
Investments	428.3	330.1	638.6	654.2	301.3
Balance sheet items, SEK million					
Ships	3,063.4	3,289.5	2,919.6	2,265.0	2,059.6
(Number of ships)	12	11	10	8	7
Ships under construction	48.0	143.0	262.0	619.0	536.3
(Number of ships)	2	1	2	3	4
Cash and cash equivalents	144.4	128.2	68.3	82.5	31.3
Short-term investments	97.1	113.6	84.0	37.1	283.6
Other assets	127.8	83.9	127.4	367.8	575.7
Interest-bearing liabilities	1,993.3	1,815.4	1,596.1	1,458.5	1,369.2
Other liabilities and provisions	156.6	165.2	149.3	124.6	150.3
Equity	1,330.8	1,777.6	1,715.4	1,788.3	1,967.0
Total assets	3,480.7	3,758.2	3,460.8	3,371.4	3,486.5
Key ratios, %					
Equity ratio	38	47	50	53	56
Return on total capital	–9	3	2	3	3
Return on capital employed	–9	3	2	3	3
Return on equity	–23	5	5	–4	5
Per-share data, SEK					
Net result after tax	–7.46	1.78	1.68	–1.70	2.01
of which profit/loss from ship sales	—	—	—	—	—
Cash flow[1]	3.99	4.84	4.41	3.97	4.26
Equity	27.88	37.24	35.94	37.47	41.21
Equity/net asset value	2.75	2.88	1.75	2.20	2.75
Share price at year-end	10.15	12.95	20.50	17.00	15.00
Dividend[2]	0.50	1.00	1.00	1.00	1.00
Dividend as % of net result after tax	n/a	56	60	n/a	50
Other					
P/E ratio including ship sales	neg	7.3	12.2	neg	7.5
P/E ratio excluding ship sales	neg	7.3	12.2	neg	—
Number of shareholders	5,112	5,266	5,470	5,006	4,834

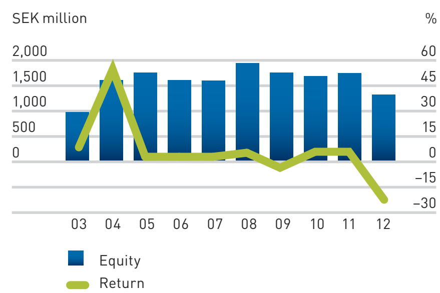
1) Ship sales not included.
2) For the year 2012, the dividend proposed to the 2013 AGM is stated.
3) Key figures for 2003 have not been restated according to IFRS.

2007	2006	2005	2004	2003[3)]
457.2	381.2	254.0	354.0	649.7
423.2	376.5	312.0	271.2	575.7
34.0	4.7	–1.8	729.4	58.9
—	—	56.2	646.6	–15.1
91.5	38.7	–1.3	795.5	177.5
48.0	52.5	42.7	740.2	35.1
62.9	51.9	57.2	740.2	77.1
121.1	100.0	20.4	136.2	150.5
838.6	767.2	492.8	86.3	61.6
1,769.6	1,048.7	304.2	32.5	1,223.9
7	4	1	1	4
158.3	222.3	384.7	128.0	55.4
4	7	6	7	6
55.6	30.2	280.4	1,123.4	40.3
397.1	517.6	559.1	130.7	—
429.6	413.7	368.9	313.4	87.8
1,073.0	506.2	0.0	0.0	300.7
110.7	99.3	126.4	111.2	80.2
1,626.5	1,627.0	1,770.9	1,616.8	1,026.5
2,810.2	2,232.5	1,897.3	1,728.0	1,407.4
58	73	93	94	73
4	4	5	47	3
4	5	6	49	3
3	3	3	56	7
1.32	1.09	1.20	15.51	1.62
—	—	1.18	13.55	–0.32
2.54	2.10	0.43	2.85	3.15
34.08	34.09	37.10	33.87	21.51
1.26	0.62	0.86	0.97	1.22
27.00	55.00	43.00	34.80	17.50
1.00	1.00	1.00	3.00	0.50
76	92	83	19	31
20.5	50.5	35.8	2.2	10.8
—	—	2,150.0	17.8	9
4,963	5,942	6,209	6,081	5,431

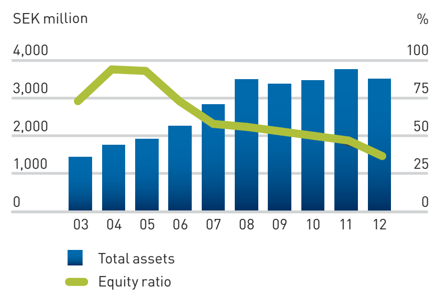
Cash flow from operating activities



Return on equity



Equity ratio



TON DEADWEIGHT

Dwt is the abbreviation of dead weight tonnage, which is a measure of a ship's maximum load capacity and represents the total weight of cargo, fuel, stores, crew and passengers that a vessel has the capacity to carry when loaded to the minimum freeboard.

FINANCIAL INFORMATION

2012

BOARD OF DIRECTORS' REPORT

The Board of Directors and the President of Concordia Maritime AB (publ), corp. ID 556068-5819, hereby submit the annual report for the financial year 1 January–31 December 2012. The Parent Company is Stena Sessan Rederi AB, which holds approximately 52% of the capital and 73% of the total voting rights. Its parent company is Stena Sessan AB.

Business summary

P-MAX

Ten wholly-owned P-MAX tankers were employed at the end of 2012, four of them on the open market. An agreement for the early redelivery of *Stena Primorsk* and *Stena President* was signed with Argo Shipping in the first quarter. The tankers were redelivered on 1 April 2012. *Stena President* was subsequently employed on the open market, while *Stena Primorsk* was chartered out on a two-year contract in November.

At the end of October, *Stena Perros* was redelivered after a five-year time charter with Total and was employed on the open market in November. During the year, two tankers were taken in for their first five-year drydock and were upgraded to IMO 3 tankers at the same time. The conversion means the vessels are now able to transport vegetable oils.

Panamax

During the year, the two Panamax tankers *Stena Poseidon* and *Palva*, owned in a joint venture with Neste Shipping, traversed the Northeast Passage, which lies between Murmansk in Russia and the Pacific Ocean.

Suezmax

At the end of June, the Company took delivery of the crude oil tanker *Stena Supreme*. The vessel has been employed since the beginning of July via Stena Sonangol Suezmax Pool.

Newbuilding program

In June 2012, two 50,000 dwt tankers were ordered from the Chinese Guangzhou Shipyard International Company Limited (GSI).

Other

A one-time payment of USD 2.3 was made in connection with the early redelivery of *Stena Primorsk* and *Stena President* on 1 April 2012.

Fleet value

The Group's assets are 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. An impairment loss of USD 60 million (SEK 411 million) was recognised for the fleet on 30 June 2012. This was based on the fleet's value in use, which included an assessment of future earnings, newbuilding prices and average values from three independent ship brokers. Impairment testing of the asset values at 31 December 2012 did not indicate any impairment.

Freight market trends

Product tanker market (MR)

Overall, the market for MR vessels remained weak in 2012. Average spot rates were approx. USD 7,200 per day during the year.

In the time charter market, three-year contracts were signed at average levels of around USD 14,400 per day, which is in line with the previous year.

Large tanker market (suezmax)

The trend in the suezmax segment was weak during the year, but more volatile than the MR segment. Freight rates as a whole averaged USD 16,000 per day, which is lower than the previous year. In the time charter market, three-year contracts were signed at average levels of around USD 19,700 per day, which is somewhat higher than the previous year.

Shipbuilding market trends

Growth for the product tanker fleet was approx. 3% in 2012. In December 2012, the price of a standard MR tanker was approx. USD 32 million, while the price of a suezmax tanker was approx. USD 57 million.

Financial summary

Results and financial position

Turnover in 2012 was SEK 543.4 (559.6) million. Result after financial items amounted to SEK –369.4 (76.3) million. Result after tax was SEK –356.0 (84.8) million, corresponding to a result per share of SEK –7.46 (1.78).

Financial investments

The bond portfolio is classified under available-for-sale financial assets and is recognised at market value in OCI. The bond portfolio was increased during the fourth quarter and its value at the end of the year was USD 14.9 (15.2) million. At the end of 2012, bonds were owned in Teekay Offshore, Teekay LNG, Rabobank, Golden Close Maritime, Kungsleden Fastigheter, Wind Acquisition, Bonheur and Svensk Exportkredit. The aim is to invest excess liquidity with a reasonable level of risk and return. Total short-term investments corresponded to SEK 97.1 (113.6) million.

Investments

Investments during 2012 amounted to SEK 428.3 (330.1) million and related to deliveries of ships, advance payments and project costs.

Liquidity and financial position

The Group's available liquidity, including unutilised credit facilities amounted to SEK 484.0 (625.4) million. Interest-bearing liabilities increased during the period from SEK 1,815.4 million to SEK 1,993.3 million. Equity totalled SEK 1,330.8 (1,777.6) at the reporting date and the equity ratio was 38% (47%).

Remuneration policy for senior executives

Remuneration of the Chairman of the Board, Deputy Chairman and Board members is in accordance with the decision of the 2012 annual general meeting, which also corresponds to the proposed guidelines for 2013. There is no special remuneration for committee work. The AGM adopted the following remuneration policy for senior executives.

Remuneration comprises a fixed salary, variable compensation, pension and other benefits. In order to attract and retain skilled personnel, Concordia Maritime endeavours to offer employees an attractive and competitive fixed salary. The top level depends on the scope and complexity of the position held and the individual's annual performance. Performance is specifically reflected in the variable compensation. The variable compensation is based on factors such as the Company's development and achievement of commercial, operational and financial goals. These goals are determined by the Board. Agreements on other forms of remuneration may be reached wherever this is felt necessary in order to attract and retain key competence or to encourage personnel to move to new locations or accept new positions. This type of remuneration is for a limited period.

The Company's pension policy is to follow the practices of the local market in each country. In the case of the President, a premium corresponding to 35% of his pensionable salary and compensation at any given time is paid. Other senior executives in Sweden have a premium-based retirement benefit plan in addition to the standard Swedish labour market pension schemes.

The basic principle is that other benefits, e.g. a company car, should be competitively aligned with local market practices.

Senior executives in Sweden have a six to twelve month reciprocal period of notice depending on the position held. In the case of involuntary termination of employment, the maximum severance pay is 24 months' basic salary. See also note 4.

Information about risks and uncertainties

Concordia Maritime has taken out insurance policies customary to the industry to cover risks associated with the actual operation of the vessels. The vessels are insured against damage and loss at amounts representing the vessels' market value. Protection & Indemnity applies with no limitation of amount, except for responsibility for oil spills where the amount is limited to USD 1 billion. Vessels are also insured against Loss of Hire. In addition to the policies above, Concordia Maritime has also taken the customary insurance for operating in specific waters.

Even with insurance cover, an accident could have a very serious impact on Concordia Maritime. The oil industry's demands for safety and environmental responsibility are comprehensive and an accident at sea or in port would not only have negative environmental consequences, but could also seriously damage the Concordia Maritime name. It is difficult to protect against this type of risk and it can only be done through extensive preventive work and complete transparency should an accident occur.

Tanker shipping is a highly cyclical business. Demand for transportation of crude oil and petroleum products is largely determined by the consumption of these products. This, in turn, is largely determined by the economic situation. The effects of economic fluctuations are, in the short term, greatest in the spot market, although a long-term recession will also affect the futures market.

Freight rates in tanker shipping may fluctuate sharply from time to time. A decline in freight rates may be due to reduced demand for transport capacity or an increased supply of vessels. A change in rates can have a major impact on the profitability of the business.

Concordia Maritime collaborates closely with Stena Sphere, which supplies chartering, operations, manning and newbuilding. Senior management considers this collaboration to be one of Concordia Maritime's absolute strengths over competitors, even though the relationship is associated with a certain risk, as key services are purchased from only one supplier. Concordia Maritime and the Stena Sphere are also interconnected brands to some extent.

Safety and environment

Concordia Maritime places the highest priority on human safety and protection of the maritime environment, both as a principle in day-to-day operations and as part of the overall Company objectives. Safety and protection of the maritime environment must be an integral part of day-to-day business. The full commitment of all employees, both on board and ashore, is critical to maintaining a high standard of safety and effectively protecting the marine environment.

Financial instruments and risk management

See notes 18 and 19.

The share

There were no new issues, bonus issues or similar issues during the year. Consequently the number of shares outstanding is unchanged. There are 4,000,000 A shares, each representing ten votes, and 43,729,798 B shares, each representing one vote. The Company is not aware of any agreements between shareholders relating to transfers, or any agreements that would take effect in the case of a possible takeover process.

Outlook

Concordia Maritime's business is in the process of change. An increasing proportion of the fleet is employed on the open market. This means that as the contracts expire and the vessels start to be employed on the open market instead, the market's overall development has a greater impact on our earnings and cash flow. At the end of the year, we were operating four vessels on the open market and two more were redelivered to us in the first quarter of 2013. Although we expect the market to strengthen during the year, we do not believe that freight rates will reach our average time charter rates. We have refrained from making a forecast in absolute figures.

Corporate governance report

The corporate governance report has been drawn up as a document that is separate from the annual report. The report can be found on pages 84-96. Information about the key elements of the Group's system of internal control and risk management in connection with the preparation of the consolidated financial statements is contained in the corporate governance report.

Events after the reporting date

No significant events occurred after reporting date.

Parent Company

Concordia Maritime AB's activities consist of providing Group-wide services.

Proposed distribution of profit

The Board of Directors propose that the available profits of SEK 31.0 million be distributed as follows:

SEK millions	2010	2011	2012
Dividend (47,729,798 shares)	47.7	47.7	23.9[1]
Carried forward	105.6	32.6	7.1
Total	**153.3**	**80.3**	**31.0**

1) Proposed dividend 0.50 SEK

More detailed disclosures about the Company's financial results and position can be found in the income statements, balance sheets and accompanying notes.

The Board's opinion about the proposed distribution

After distribution of the proposed dividend, the Group's equity ratio and liquidity are adequate, which means that all Group companies are able to meet their obligations in the short and long term. Consequently, the proposed dividend is considered justified in accordance with Chapter 17, Section 3, paragraphs 2 and 3, of the Swedish Companies Act.


Stena

CONSOLIDATED INCOME STATEMENT AND COMPREHENSIVE INCOME

1 January–31 December, SEK millions	Note	2011	2012	2012 USD millions[1]
Time charter income		541.5	411.3	60.7
Spot charter income		18.1	132.1	19.5
Total income	2, 3, 9, 20	**559.6**	**543.4**	**80.2**
Operating costs, ships	20	–162.6	–139.7	–20.6
Personnel costs, seagoing	4	–114.5	–134.2	–19.8
Other external costs	5	–27.4	–26.0	–3.8
Personnel costs, land-based	4	–12.5	–15.1	–2.2
Depreciation	8	–135.0	–150.9	–22.3
Total operating costs	9, 23	**–452.0**	**–465.9**	**–68.7**
Operating result before impairment		**107.6**	**77.5**	**11.5**
Impairment	8	0.0	–411.0[2]	–60.0[2]
Operating result after impairment		**107.6**	**–333.5**	**–48.5**
Finance income		8.3	12.4	1.8
Finance costs		–39.6	–48.3	–7.1
Financial net	6	**–31.3**	**–35.9**	**–5.3**
Result before tax		**76.3**	**–369.4**	**–53.8**
Tax	7	8.5	13.4	2.0
Result for the year attributable to owners of the parent		**84.8**	**–356.0**	**–51.8**
Other comprehensive income	7, 14			
Translation differences for the year, foreign operations		41.3	–82.6	–12.2
Gain/loss on hedging of currency risk in foreign operations, net of tax		–6.8	29.6	4.4
Change in fair value of available-for-sale financial assets, net of tax		–0.6	0.5	0.0
Change in fair value of currency-related cash flow hedges, net of tax		1.4	0.7	0.1
Change in fair value of interest-related cash flow hedges, net of tax		–10.2	8.7	1.3
Total other comprehensive income for the year		**25.1**	**–43.1**	**–6.4**
Comprehensive income for the year attributable to owners of the parent		**109.9**	**–399.1**	**–58.2**
Result per share, before/after dilution	14	**1.78**	**–7.46**	**–1.1**

1) Unaudited, see note 1.
2) The impairment of USD 60 million was defined using the average rate at 30 June 2012, which was 6.85 SEK/USD, and corresponds to SEK 411.0 million.

CONSOLIDATED BALANCE SHEET

On 31 December, SEK millions	Note	2011	2012	2012 USD millions[1]
ASSETS				
Non-current assets	9, 21			
Ships	3, 8	3,289.5	3,063.4	470.5
Ships under construction	8	143.0	48.0	7.4
Equipment	8	1.6	1.1	0.2
Non-current receivables	11	1.8	0.0	0.0
Total non-current assets		**3,435.9**	**3,112.5**	**478.1**
Other current receivables	11	41.3	89.9	13.8
Prepayments and accrued income	12	39.2	36.8	5.6
Short-term investments	10, 18, 19	113.6	97.1	14.9
Cash and cash equivalents	13, 25	128.2	144.4	22.2
Total current assets		**322.3**	**368.2**	**56.5**
TOTAL ASSETS		**3,758.2**	**3,480.7**	**534.6**
Equity	14			
Share capital		381.8	381.8	58.6
Other paid-in capital		61.9	61.9	9.5
Reserves		41.2	–1.9	–0.3
Retained earnings, incl. result for the year		1,292.7	889.0	136.6
Total equity		**1,777.6**	**1,330.8**	**204.4**
LIABILITIES				
Non-current liabilities	9, 18, 19			
Liabilities to credit institutions	15	1,802.4	1,969.9	302.6
Other non-current liabilities	16	1.7	0.0	0.0
Deferred tax liabilities	7	16.1	9.7	1.5
Total non-current liabilities		**1,820.2**	**1,979.6**	**304.1**
Current liabilities	9, 18, 19			
Liabilities to credit institutions	15	13.0	23.4	3.6
Trade payables		0.6	1.2	0.1
Other liabilities	16	70.3	43.1	6.6
Accruals and deferred income	17	76.5	102.6	15.8
Total current liabilities		**160.4**	**170.3**	**26.1**
TOTAL EQUITY AND LIABILITIES		**3,758.2**	**3,480.7**	**534.6**

For information on the Group's pledged assets and contingent liabilities, see Note 22.

1) Unaudited, see note 1.

STATEMENT OF CHANGES IN EQUITY

SEK millions	Share capital	Other paid-in capital	Reserves[2] Translation reserve	Reserves[2] Fair value reserve	Reserves[2] Hedging reserve	Retained earnings[1]	Total equity
Opening equity, 1 Jan 2012	381.8	61.9	83.6	4.2	–46.6	1,292.7	1,777.6
Comprehensive income for the year							
Result for the year						–356.0	–356.0
Other comprehensive income for the year			–53.0	0.5	9.4		–43.1
Comprehensive income for the year			**–53.0**	**0.5**	**9.4**	**–356.0**	**–399.1**
Transactions with owners of the parent							
Dividend						–47.7	–47.7
Closing equity, 31 Dec 2012	**381.8**	**61.9**	**30.6**	**4.7**	**–37.2**	**889.0**	**1,330.8**

SEK millions	Share capital	Other paid-in capital	Reserves[2] Translation reserve	Reserves[2] Fair value reserve	Reserves[2] Hedging reserve	Retained earnings[1]	Total equity
Opening equity, 1 Jan 2011	381.8	61.9	49.1	4.8	–37.8	1,255.6	1,715.4
Comprehensive income for the year							
Result for the year						84.8	84.8
Other comprehensive income for the year			34.5	–0.6	–8.8		25.1
Comprehensive income for the year			**34.5**	**–0.6**	**–8.8**	**84.8**	**109.9**
Transactions with owners of the parent							
Dividend						–47.7	–47.7
Closing equity, 31 Dec 2011	**381.8**	**61.9**	**83.6**	**4.2**	**–46.6**	**1,292.7**	**1,777.6**

1) Retained earnings includes result for the year.
2) See also note 14.

CONSOLIDATED CASH FLOW STATEMENT

1 January–31 December, SEK millions	Note	2011	2012	2012 USD millions[1]
	25			
Operating activities				
Result before tax		76.2	–369.4	–53.8
Adjustment for non-cash items		154.9	559.9	82.9
Cash flow from operating activities before changes in working capital		**231.1**	**190.5**	**29.1**
Cash flow from changes in working capital				
Increase (–)/Decrease (+) in receivables		53.7	–68.9	–10.1
Increase (+)/Decrease (–) in liabilities		11.8	46.3	6.8
Cash flow from operating activities		**296.6**	**167.9**	**25.8**
Investing activities				
Acquisition of property, plant and equipment		–330.1	–428, 3	–63.2
Disposal of property, plant and equipment		5.4	–0.4	–0.1
Acquisition of financial assets		–57.0	–65.8	–9.7
Disposal of financial assets		27.0	75.8	11.2
Cash flow from investing activities		**–354.7**	**–418.7**	**–61.8**
Financing activities				
New loans		3,545.5	815.1	120.3
Amortisation of loans		–3,380.3	–500.0	–73.8
Dividends paid to equity-holders of the parent		–47.7	–47.7	–7.0
Cash flow from financing activities		**117.5**	**267.4**	**39.5**
Cash flow for the year		59.4	16.6	3.5
Cash and cash equivalents at beginning of year		68.3	128.2	18.6
Exchange differences		0.5	–0.4	0.1
Cash and cash equivalents at end of year		**128.2**	**144.4**	**22.2**

1) Unaudited, see note 1.

INCOME STATEMENT – PARENT COMPANY

1 January–31 December, SEK millions	Note	2011	2012
Net sales	3	38.9	0.0
Total income		**38.9**	**0.0**
Operating costs, ships	20	–38.6	0.0
Other external costs	5	–14.8	–13.6
Personnel expenses	4	–8.6	–11.1
Depreciation and amortisation	8		
Operating result	23	**–23.1**	**–24.7**
Result from financial items:			
Income from other securities and receivables held as non-current assets		2.1	0.0
Other interest and similar income		23.2	59.9
Interest and similar expense		–37.1	–30.8
Financial net	6	**–11.8**	**29.1**
Result after financial items		**–34.9**	**4.4**
Result before tax		**–34.9**	**4.4**
Tax	7	9.5	–5.7
Result for the year[1)]		**–25.4**	**–1.3**

1) Result for the year is the same as comprehensive income for the year.

BALANCE SHEET – PARENT COMPANY

On 31 December, SEK millions	Note	2011	2012
ASSETS			
Non-current assets			
Property, plant and equipment	8	0.1	0.0
Financial assets			
Investments in Group companies	24	745.8	745.8
Other non-current receivables	11	1.7	1.7
Deferred tax assets	7	33.3	27.7
Total financial assets		780.8	775.2
Total non-current assets		**780.9**	**775.2**
Current assets			
Current receivables			
Other receivables	11	0.7	3.2
Prepayments and accrued income	12	6.3	4.6
Total current receivables		7.0	7.8
Short-term investments			
Other short-term investments	18, 19	26.0	0.3
Total short-term investments		26.0	0.3
Cash and bank balances	25	1,454.1	1,384.2
Total current assets		**1,480.1**	**1,392.3**
TOTAL ASSETS		**2,268.0**	**2,167.5**
EQUITY AND LIABILITIES			
Equity	14		
Restricted equity			
Share capital		381.8	381.8
Statutory reserve		138.3	138.3
Unrestricted equity			
Retained earnings		105.7	32.3
Result for the year		–25.4	–1.3
Total equity		**600.4**	**551.1**
Non-current liabilities	18, 19		
Liabilities to credit institutions	15	1,608.7	1,575.5
Other liabilities	16	1.7	1.7
Total non-current liabilities		**1,610.4**	**1,577.2**
Current liabilities	18, 19		
Liabilities to credit institutions		22.4	0.0
Trade payables		0.5	1.2
Liabilities to Group companies	23	7.4	27.5
Other liabilities		19.6	3.6
Accruals and deferred income	17	7.3	6.9
Total current liabilities		**57.2**	**39.2**
TOTAL EQUITY AND LIABILITIES		**2,268.0**	**2,167.5**

PLEDGED ASSETS AND CONTINGENT LIABILITIES – PARENT COMPANY

On 31 December, SEK millions	Note	2011	2012
Pledged assets	22	68.7	65.1
Contingent liabilities	22	0.0	302.1

STATEMENT OF CHANGES IN EQUITY – PARENT COMPANY

	Restricted equity		Unrestricted equity		
SEK millions	Share capital	Statutory reserve	Retained earnings	Result for the year	Total equity
Opening equity, 1 Jan 2012	381.8	138.3	105.7	–25.4	600.4
Result for previous year			–25.4	25.4	0
Result for the year				–1.3	–1.3
Dividend			–47.7		–47.7
Closing equity, 31 Dec 2012	**381.8**	**138.3**	**32.3**	**–1.3**	**551.1**

	Restricted equity		Unrestricted equity		
SEK millions	Share capital	Statutory reserve	Retained earnings	Result for the year	Total equity
Opening equity, 1 Jan 2011	381.8	138.3	128.3	25.0	673.4
Result for previous year			25.0	–25.0	0.0
Result for the year				–25.4	–25.4
Dividend			–47.7		–47.7
Closing equity, 31 Dec 2011	**381.8**	**138.3**	**105.7**	**–25.4**	**600.4**

CASH FLOW STATEMENT – PARENT COMPANY

1 January–31 December, SEK millions	Note	2011	2012
	25		
Operating activities			
Result before tax		–34.9	4.4
Adjustment for non-cash items		118.4	–120.5
Cash flow from operating activities before changes in working capital		**83.5**	**–116.1**
Cash flow from changes in working capital			
Increase (–)/Decrease (+) in receivables		1.9	–18.1
Increase (+)/Decrease (–) in liabilities		1.8	33.1
Cash flow from operating activities		**87.2**	**–101.1**
Investing activities			
Disposal of financial assets		15.9	17.3
Cash flow from investing activities		**15.9**	**17.3**
Financing activities			
New loans		3,545.5	548.8
Amortisation of loans		–3,373.0	–487.2
Dividend paid		–47.7	–47.7
Cash flow from financing activities		**124.8**	**13.9**
Cash flow for the year		227.9	–69.9
Cash and cash equivalents at beginning of year		1,226.2	1,454.1
Cash and cash equivalents at end of year		**1,454.1**	**1,384.2**

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

Statement of compliance

The consolidated accounts for Concordia Maritime AB and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The Group applies the standards that have been adopted by the European Commission for application in the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has been applied.

The Parent Company applies the same accounting policies as the Group, except in the cases described below in the section entitled "The Parent Company's Accounting Policies". Any differences are due to limitations in the ability to apply IFRS in the Parent Company as a result of the provisions of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act, and in certain cases for tax reasons.

The Board has authorised the Parent Company's annual financial statements and the consolidated annual financial statements for issue on 15 March 2013. The consolidated income statement and statement of financial position and the parent company's income statement and balance sheet will be presented for adoption at the Annual General Meeting to be held on 23 April 2013.

Basis of preparation

The Parent Company's functional currency is Swedish kronor, which is also the presentation currency for the Parent Company and for the Group. Consequently, the financial statements are presented in Swedish kronor. However, for the reader's guidance, the 2012 financial statements have been converted from SEK into USD using the following exchange rates issued by the Swedish Central Bank: Average rate USD 1.00=6.7754 and closing rate USD 1.00=6.5104. From a Group perspective, however, most transactions are in US dollars. All amounts, unless otherwise stated, are reported in SEK millions. Assets and liabilities are measured at historical cost, apart from certain financial assets and liabilities which are measured at fair value. Financial assets and liabilities measured at fair value consist of derivative instruments and available-for-sale financial assets.

Preparation of financial statements in compliance with IFRS requires management to make critical judgements, accounting estimates and assumptions which affect the application of the accounting policies and the carrying amounts of assets, liabilities, income and expense. Estimates and assumptions are based on historical experience and a number of other factors which are considered reasonable under the prevailing conditions. Results of these estimates and assumptions are used to determine the carrying amounts of assets and liabilities that are not otherwise evident from other sources. The actual outcome may differ from these estimates. The accounting estimates and assumptions are reviewed regularly. Changes in accounting estimates are recognised in the period of the change if the change only affects that period. Changes are recognised in the period of the change and future periods if the change affects both.

Estimates made by management during the application of IFRS which have a significant effect on the financial statements, and assumptions which may result in material adjustments to the following year's financial statements largely relate to the valuation of vessels. See note 28.

The accounting policies described below have been applied consistently to all periods presented in the consolidated financial statements, unless otherwise stated. The Group's accounting policies have also been consistently applied by Group companies with regard to joint venture companies and by making any necessary adaptations to the Group's policies.

New accounting policies 2012

New IFRSs that came into force during the year did not have any significant effect on the consolidated financial statements. Hedge accounting is no longer applied for forward exchange contracts related to currency hedges of investments, see also the section Derivatives and hedge accounting below.

New accounting policies effective in or after 2013

A number of new and amended IFRSs are effective in the next annual financial period; these have not been applied early in preparing these financial statements. There are no plans for early application of new and amended standards which are effective in future annual periods. Listed below are the standards that may have an impact on the consolidated financial statements in the future. However, their effects have not yet been analysed.

IFRS 11 Joint Arrangements is a new standard dealing with accounting for joint ventures and joint operations. The new standard will result in changes compared with IAS 31 Investments in Joint Ventures. One change concerns whether an investment is considered to be a joint operation or a joint venture. There are different accounting rules according to the type of investment. The standard, as adopted by the EU, is effective for annual periods commencing on or after 1 January 2014.

IFRS 9 Financial Instruments is expected to supersede IAS 39 Financial Instruments: Recognition and Measurement and will be effective for annual periods commencing on or after 2015. IFRS 9 is being finalised in phases and the Group has not defined its position on whether IFRS 9 will be applied prior to 2015. However, before the standard can be applied, it has to be adopted by the EU, which has not yet occurred.

Other new and amended standards not listed here are not expected to affect the Group.

Basis of consolidation

Subsidiaries

Subsidiaries are entities in which Concordia Maritime AB (publ) owns more than 50% of the shares or has some other form of control. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Subsidiaries are accounted for using the acquisition method. The acquisition is treated as a transaction through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The results of operations of a subsidiary are included in the consolidated financial statements from the date of acquisition until the date on which control ceases.

The consolidated financial statements include the financial statements of the Parent Company and its directly or indirectly owned subsidiaries after:

- elimination of intragroup transactions; and
- amortization of acquired surplus values.

Consolidated equity includes equity in the Parent Company and the share of equity in subsidiaries arising after the acquisition. Transaction costs are recognised directly in result for the year. Transaction costs attributable to acquisitions made before 1 January 2010 have been included in the cost.

Joint ventures

Joint ventures are, for reporting purposes, companies where the Group, under agreements with one or more parties, has joint control over the operating and financial management. In the consolidated accounts, investments in joint ventures are accounted for using proportionate consolidation. This means that the Group's ownership share of the income, expense, assets and liabilities of the jointly controlled entity is recognised in the consolidated financial statements. This is done by combining the joint venturer's share of the income, expense, assets and liabilities of the jointly controlled entity, on a line-by-line basis, with the corresponding items in the venturer's financial statements. Only equity earned after the acquisition is recognised in equity. Proportional consolidation is applied from the date on which control is obtained until the date on which it ceases.

Transactions eliminated on consolidation

Intra-group receivables and liabilities, income and expense, and unrealised gains or losses arising from intra-group transactions are eliminated in full when preparing the consolidated financial statements. Unrealised gains on transactions with joint ventures are eliminated to the extent that corresponds to the Group's interest in the company. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no indication of impairment.

Foreign currency

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date. Foreign currency monetary assets and liabilities are translated into the functional currency using the exchange rates prevailing at the reporting date. Foreign exchange gains and losses arising on translation are recognised in profit or loss. Non-monetary assets and liabilities recognised at historical cost are translated using the exchange rate prevailing at the date of the transaction.

Financial statements of foreign entities

Assets and liabilities of foreign entities, including fair value adjustments, are translated into Swedish kronor using the exchange rate prevailing at the reporting date. Income and expenses in the income statements of foreign entities are translated into Swedish krona using average exchange rates. This average is an approximation of the cumulative effect of the rates at each transaction date. Exchange differences arising on translation of foreign operations are recognised in other comprehensive income and accumulated in the translation reserve in equity. On disposal of a foreign operation, the cumulative amount of the associated exchange, net of any hedging, are recognised in profit or loss when the gain or loss on disposal is recognised. On disposal of a foreign operation, the cumulative amount of the associated exchange, net of any hedging, are recognised in profit or loss when the gain or loss on disposal is recognised.

Operating segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, and for which discrete financial information is available.

An operating segment's performance is monitored by the Company's chief operating decision maker, which is Group Management, in order to assess its performance and allocate resources to it. Concordia Maritime's Group Management monitors the economic performance of the fleet as one unit. Consequently, operating segment reporting comprises one segment, Tankers. The Tankers segment information now coincides with the consolidated financial information.

Classification

Non-current assets and liabilities are essentially amounts that are expected to be recovered or paid more than twelve months after the reporting date. Current assets and liabilities are essentially amounts that are expected to be recovered or paid within twelve months of the reporting date.

Income

The Group's income consists primarily of spot charter and time charter income. Spot charter income is generated when the vessels are employed on the open market (the spot market) and chartered voyage by voyage. Spot charter income is received and recognised when the individual voyage is completed. Spot charter income for voyages in progress at the reporting date is distributed between the current reporting period and the next reporting period based on the number of days of the voyage. If the net result (freight income less direct voyage costs) of the voyage is negative, the entire amount is allocated to the current reporting period. Time charter income is received when the vessels are leased for a fixed period, normally one year or more. The income, which consists of a fixed daily hire of the vessel, is paid monthly in advance and recognised as income in the same way as spot charter income. Profit-sharing contracts are accounted for based on settlement with the charterer. If the settlement period and the financial reporting period differ, the profit-sharing contract is recognised using management's judgements and estimates, which are based on market conditions and the charterer's actual earnings in the financial reporting period. Usual settlement periods for profit-sharing contracts are monthly, 90 days or 180 days.

Operating expenses – operating leases

Timecharter agreements are classified as operating leases. With time charters the owner usually retains all the risks, such as accidents and idle time. The shipowner is normally responsible for operation and the crew. The lessee normally has no obligations when the time charter period is over. Costs associated with operating leases are recognised in the income statement in the same way as freight income above.

Finance income and costs

Finance income and costs comprise interest income on bank deposits, receivables and interest-bearing securities, interest expense on borrowings, dividend income, exchange differences, unrealised gains and losses on financial investments and derivatives used in financial activities.

Interest income on receivables and interest expense on liabilities are recognised using the effective interest method. The effective interest rate is the rate that discounts all future cash payments or receipts during the fixed-interest period to the initially recognised carrying amount of the financial asset or liability.

Interest income and interest expense includes accrued amounts of transaction costs and any discounts, premiums or other differences between the original value of the asset or liability and the amount received or paid at maturity.

Dividend income is recognised when the right to receive payment is established.

Financial instruments

Financial instruments recognised under assets in the balance sheet include cash and cash equivalents, trade receivables, shares and other equity instruments, loan receivables, bond receivables and derivatives. Liabilities include trade payables, loans and derivatives.

Financial instruments are initially recognised at cost, which corresponds to fair value plus transaction costs. However, financial assets in the category measured at fair value through profit or loss are recognised at fair value, net of transaction costs. Subsequent recognition is based on the classification below.

A financial asset or liability is recognised in the balance sheet when the Company becomes a party to the instrument's contractual terms. A receivable is recognised when the Company has performed and there is a contractual obligation for the counterparty to pay, even if an invoice has not yet been sent. Trade receivables are recognised in the balance sheet when an invoice has been sent. A liability is recognised when the counterparty has performed and there is a contractual obligation to pay, even if an invoice has not yet been received. Liabilities are recognised when invoices are received.

A financial asset is derecognised when the rights to receive benefits have been realised, expired or the Company loses control over them. The same applies to a component of a financial asset. Financial liabilities are derecognised in the balance sheet when the contractual obligation has been discharged or extinguished in some other way. The same applies to a component of a financial liability.

Purchases and sales of financial assets are recognised on the trade date (the commitment date), apart from regular way transactions, which are recognised on the settlement date. The fair value of listed financial assets corresponds to the asset's bid price on the balance sheet date, subject to a deep and liquid market.

The fair value of unlisted financial assets is determined using valuation techniques such as recent transactions, prices of similar instruments and discounted cash flows. For further information, see notes 18 and 19.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. For equity instruments classified as available-for-sale, a significant or prolonged decline in fair value below the instrument's cost is required before an impairment loss is recognised. If an available-for-sale financial asset is impaired, any previously accumulated impairment losses recognised in comprehensive income are transferred to the income statement. Factors taken into account include an assessment of the ability of the counterparty to discharge its obligations. Impairment of equity instruments which is recognised in the income statement may not subsequently be reversed through the income statement.

IAS 39 classifies financial instruments by category. The classification depends on the purpose of the acquisition of the financial instrument. Management determines the classification on the original purchase date. The categories (i-v) are as follows:

(I) Financial assets at fair value through profit or loss

This category consists of two sub-categories: financial assets held for trading and other financial assets the Company designated as financial assets at fair value (using the fair value option) on initial recognition. Financial instruments in this category are measured at fair value, and changes in fair value are recognised in the income statement. The first sub-category includes investment assets held for trading and derivatives with a positive fair value, apart from derivatives designated as effective hedging instruments.

(II) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables arise when companies provide money, goods and services directly to the beneficiary with no intention of trading the receivable. Receivables are recognised at original invoice amount less an allowance for uncollectible amounts. As the expected maturity is short, the value is recognised at a nominal amount without discounting.

Impairment losses on receivables are recognised in operating expenses. This category also includes acquired receivables. Assets in this category are carried at amortised cost. Amortised cost is calculated based on the effective interest method used at initial recognition.

(III) Available-for-sale financial assets

Available-for-sale financial assets are financial assets designated on initial recognition as available for sale, or any other instruments not classified in any of the other categories. Assets in this category are measured at fair value with the period's changes in value recognised in other comprehensive income and accumulated in the fair value reserve in equity. The Group's bond portfolio is classified in this category.

(IV) Financial liabilities at fair value through profit or loss

This category consists of two sub-categories: financial liabilities held for trading and other financial liabilities which the Company allocated to this category (using the fair value option) on initial recognition, see the description in 'Financial assets at fair value through profit or loss' above. The first sub-category includes derivatives with a negative fair value, apart from derivatives designated as effective hedging instruments. Changes in fair value are recognised in profit or loss.

(V) Other financial liabilities

Financial liabilities not classified as held for trading are measured at amortised cost. Amortised cost is calculated based on the effective interest method used at initial recognition. This means that premiums and discounts and direct issue costs are amortised over the term of the liability.

Derivatives designated as hedging instruments

All derivatives are carried at fair value in the balance sheet. For cash flow hedges and hedges of net investments in foreign currencies, value changes are recognised in other comprehensive income and the cumulative effect in equity in the hedging reserve and translation reserve, until the hedged item is recognised in the income statement. Cash flow hedging is described in more detail below.

Cash and cash equivalents
Cash and cash equivalents consist of cash, demand deposits with banks and similar institutions and short-term deposits with an original maturity of 3 months or less, which are subject to an insignificant risk of changes in value.

Financial investments
If the term or the expected holding period of financial investments is less than one year, they are classified as short-term investments.

Interest-bearing securities that will not be held to maturity are classified as available-for-sale financial assets.

Non-current and current receivables
Non-current and current receivables are receivables that arise when the Company provides money without the intention of trading the receivable.

Liabilities
Liabilities are classified as other financial liabilities, which means they are initially recognised at the amount received, net of transaction costs. Non-current liabilities have an expected maturity exceeding one year, while current liabilities have a maturity of less than one year.

Trade payables
Trade payables are classified as other financial liabilities. Trade payables have a short expected maturity and are measured at nominal amounts with no discounting. For more information, see notes 18 and 19.

Derivatives and hedge accounting
Derivative instruments include forward contracts and swaps that are used to cover the risk of currency fluctuations and exposure to interest rate risks. Derivatives are also contractual terms that are embedded in other contracts. Changes in the value of stand-alone derivatives are recognised in profit or loss based on the purpose of ownership. Hedge accounting is used for interest-related derivatives.

Foreign currency receivables and liabilities
Foreign exchange forward contracts are used to hedge assets or liabilities against currency risk. These transactions do not require hedge accounting as the hedged item and the hedging instrument are measured at fair value, with foreign exchange gains or losses recognised in the income statement. Changes in the fair value of non-financial assets and liabilities are recognised in operating profit or loss, while changes in the fair value of financial assets and liabilities are recognised in net finance income or expense.

Cash flow hedges
Foreign currency risk associated with future forecast transactions is hedged by foreign exchange forward contracts. These transactions do not require hedge accounting as the hedged item and the hedging instrument are measured at fair value, with foreign exchange gains or losses recognised in the income statement. Interest rate swaps are used to hedge interest rate risk. The instrument is recognised at fair value in the balance sheet. Value changes are recognised directly in equity in the hedging reserve until the hedged cash flow affects profit or loss. The hedging instrument's accumulated value changes are then recycled to profit or loss in order to meet and match the profit or loss effects from the hedged transaction. Hedged cash flows may relate to firm commitments or forecast transactions.

Net investments
Investments in foreign subsidiaries (net assets including goodwill) have been partially hedged by matching against USD loans. In the Parent Company, the recognised exchange differences are eliminated in the consolidated financial statements against the translated net assets of the subsidiary, which are recognised in other comprehensive income.

Property, plant and equipment
Owned assets
Items of property, plant and equipment are recognised at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Borrowing costs are not included in the cost of a self-constructed asset. Accounting policies for impairment are described below.

The cost of a self-constructed asset includes costs of materials, employee benefits expenses and, if applicable, other construction costs directly attributable to the asset.

Parts of property, plant and equipment that have different useful lives are treated as separate components of property, plant and equipment.

An item of property, plant and equipment is derecognised in the event of disposal. The gain or loss arising from the disposal of an asset is the difference between the selling price and the asset's carrying amount less direct costs to sell. Gains and losses are reported under other operating income/expense.

Leased assets
Leases are classified as finance leases or operating leases. A finance lease is a lease that transfers substantially all the financial risks and rewards incident to ownership. An operating lease is a lease other than a finance lease.

Assets held under a finance lease are reported as a non-current asset in the balance sheet and initially measured at the lower of the lease object's fair value and the present value of the minimum lease payments at the inception of the lease. The Group does not have any finance leases.

Assets held under operating leases are not reported as an asset in the balance sheet. In the same way, operating leases do not give rise to a liability.

Subsequent costs and periodic maintenance
The maintenance portion of the ship's cost of acquisition is separated on delivery and depreciated separately. Subsequent costs associated with periodic maintenance are included in the carrying amount only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the item can be measured reliably. The depreciation cost of periodic maintenance is recognised in the income statement under 'Operating costs, ships' and not as depreciation. This distinction is made to clarify the results of ship operation. In Note 8, the depreciation cost of periodic maintenance is reported on a separate line. All other subsequent costs are recognised as an expense in the period in which they are incurred. The depreciation period for periodic maintenance of owned tonnage is between thirty months and five years, while the depreciation period for time chartered tonnage extends to the next docking or redelivery of the vessel.

Note 1 contd.

In order for subsequent costs to qualify for inclusion in the carrying amount, they must relate to the replacement of identified components or parts thereof. If this is the case, these costs are capitalised. Costs relating to the construction of new components are also included in the carrying amount. The residual value of a replaced component or part thereof is derecognised at the time of replacement. Repairs are recognised as an expense as incurred.

Borrowing costs

Borrowing costs that are attributable to the construction of qualifying assets are capitalised as part of the cost of the qualifying asset. A qualifying asset is an asset that necessarily takes a significant length of time to prepare for its intended use. Firstly, borrowing costs incurred on loans that are specific to the qualifying asset are capitalised. Secondly, borrowing costs incurred on general loans that are not specific to any other qualifying asset are capitalised. Borrowing expenses are based on external borrowing.

Depreciation

Depreciation takes place over the estimated useful life down to the residual value of zero. The Group applies component depreciation, which means depreciation is based on the estimated useful lives of components. Estimated useful lives:

Ships	25 years
Periodic maintenance (docking) components of vessels	2.5–5 years
Equipment, tools and fixtures and fittings	2–5 years

Assessment of an asset's useful life is made quarterly.

Impairment

The Group's reported assets are assessed semi-annually to determine if there is any indication of impairment. IAS 36 is applied for impairment of non-financial assets. Financial assets are accounted for under IAS 39. If there is any indication of impairment, the asset's recoverable amount (i.e. the higher of net realisable value and value in use) is calculated. An impairment loss is recognised when the recoverable amount of an asset or a cash-generating unit is less than its carrying amount. An impairment loss is recognised as an expense in net income for the year. When impairment has been identified for a cash-generating unit, the impairment loss is proportionately allocated to the assets in the unit.

In measuring value in use, cash flows are discounted using a discount rate that reflects the risk-free rate of interest and the risks specific to the asset. The Group treats the entire fleet as a cash-generating unit. Testing is based on an average value from three ship brokers and on discounted cash flows. Any assumptions in the case of a cash flow calculation are described in note 8 for property, plant and equipment.

Impairment of assets accounted for under IAS 36 is reversed if there is an indication that the impairment no longer exists and there has been a change in the assumptions on which the calculation of recoverable amount was based. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation where applicable, had no impairment loss been recognised.

Share capital

Dividends

Dividends are recognised as a liability when the dividend has been adopted by the annual general meeting.

Employee benefits

Defined contribution plans

All pension plans in the Group are classified as defined contribution plans. The obligation for each period is the amount the Company is required to contribute for that period. This amount is charged to the income statement for the period.

Provisions

A provision is recognised in the balance sheet when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, provisions are estimated by discounting expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Taxes

Income tax consists of current tax and deferred tax. Income taxes are recognised in the income statement, unless the underlying transaction is recognised in other comprehensive income or in equity, in which case the associated tax effect is recognised in other comprehensive income or in equity.

Current tax is the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the current year, and is calculated using tax rates enacted or substantially enacted by the reporting date, and any adjustments relating to prior periods. Deferred tax is accounted for using the balance-sheet liability method. A deferred tax liability is recognised for temporary differences between the carrying amounts of assets and liabilities and their corresponding tax bases except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit or loss. A deferred tax liability is recognised for temporary differences associated with investments in subsidiaries except to the extent that it is probable that the temporary difference will not reverse in the foreseeable future. The measurement of deferred tax is based on the manner in which the Company expects to recover or settle the carrying amount of its assets and liabilities. Deferred tax liabilities and assets are measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets on temporary differences and deferred tax assets arising from the carryforward of unused tax losses are only recognised to the extent that it is probable that they can be utilised. The carrying amounts of deferred tax assets are reviewed and reduced to the extent that it is no longer probable that the deferred tax asset can be utilised.

Contingent liabilities

A contingent liability is recognised when a possible obligation arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, or when there is an obligation which is not recognised as a liability or provision because it is not probable that an outflow of resources will be required to settle the obligation.

Accounting policies – Parent Company

The Parent Company's annual financial statements have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. RFR 2 requires the Parent Company, as a legal entity, to prepare its annual financial statements in compliance with all the IFRS and IFRIC interpretations endorsed by the EU, to the extent possible within the framework of the Swedish Annual Accounts Act and taking into account the relationship between tax expense (income) and accounting profit. The recommendation also specifies exceptions and additions to IFRS reporting. Differences between the Group's and the Parent Company's accounting policies are described below.

The accounting policies described below have been applied consistently to all periods presented in the Parent Company's financial statements.

Subsidiaries

Investments in subsidiaries are recognised in the Parent Company using the cost model.

Income

Sales of goods and rendering of services

In the Parent Company, the rendering of services is recognised on completion. Until then, work in progress for third parties is recognised at the lower of cost and net realisable value at the reporting date.

Dividends

Dividend income is recognised when the right to receive payment is established.

Property, plant and equipment

Owned assets

Like the Group, the Parent Company recognises property, plant and equipment at cost less accumulated depreciation and impairment losses, although the Parent also reports appreciation in value.

Taxes

Untaxed reserves are recognised inclusive of deferred tax liability in the Parent Company, while in the consolidated financial statements, untaxed reserves are divided into deferred tax liability and equity.

Financial instruments

Derivative instruments are measured at fair value, with changes recognised in profit and loss. Hedge accounting is not applied. Investment assets are measured at fair value, with changes recognised in profit and loss. Foreign currency loans are translated at the closing rate, and hedge accounting is not applied.

The Parent Company's financial guarantees consist mainly of sureties in favour of subsidiaries. Financial guarantees mean that the Company has an obligation to reimburse the holder of a debt instrument for losses it incurs because a specified debtor fails to make payment when due under the contract terms. For the reporting of financial guarantee contracts, the Parent Company applies an exemption from the provisions of IAS 39 permitted by the Swedish Financial Accounting Standards Council. The exemption applies to financial guarantees provided for subsidiaries. The Parent Company reports financial guarantees as a provision in the balance sheet when the Company has an obligation, and an outflow of resources is likely to be required to settle the obligation.

In other respects, the Parent Company applies the same principles for financial instruments as the Group.

Group contributions

The Company recognises Group contributions as appropriations in the income statement.

2 EBITDA per vessel category

EBITDA per quarter

USD millions	Q4 2011	Q4 2012	Q3 2011	Q3 2012	Q2 2011	Q2 2012	Q1 2011	Q1 2012	Full year 2011	Full year 2012
P-MAX (time charter)	8.8	5.9	11.2	7.0	8.3	6.3	8.8	8.7	37.1	27.9
P-MAX (spot)	–0.8	1.8	–0.5	0.3	0.0	2.5	0.0	0.5	–1.3	5.1
Panamax	0.8	1.1	1.2	1.0	1.4	1.0	1.2	1.2	4.6	4.3
Suezmax	0.0	0.4	0.0	0.8	0.0	0.0	0.0	0.0	0.0	1.2
Admin. and other	0.2	–1.2	–1.0	–1.3	–1.2	–1.1	–1.1	–1.2	–3.1	–4.8
Total	**9.0**	**8.0**	**10.9**	**7.8**	**8.5**	**8.7**	**8.9**	**9.2**	**37.3**	**33.7**

0% of accumulated sales is attributable to profit sharing. The company reports depreciation of regular maintenance as an operating cost. This amounts to SEK 16.3 million for 2012 and SEK 18.8 million for 2011. One-time payment for the redelivery of *Stena Primorsk* and *Stena President* totalling USD 2.3 million (Q2 and Q3, USD 1,0 million each, and Q4 USD 0.3 million) in 2012. Q4 2012 also includes insurance payment of USD 0.2 million under P-MAX (time charter). One-time payment for *Stena Provence* totalling USD 2.3 million is included in P-MAX (time charter), Q3 2011. One-time payment of USD 1.9 million in insurance case relating to V-MAX tanker is included in Admin. and other for Q4 2011.

3 Geographical distribution

Geographical areas

Income is distributed based on customer location, while fixed assets (ships) are allocated based on the vessel's flag.

	Total	
Group, SEK millions	2011	2012
Income		
France	183.5	143.8
Switzerland	139.6	173.0
Panama	102.5	40.9
Finland	46.5	48.6
Other	87.5	137.1
Total income	**559.6**	**543.4**

The Parent Company did not have any sales in 2012, as all operations take place in the Group's subsidiaries. The Parent Company's 2012 income was attributable to spot charter income outside Sweden.

	Total	
Group, SEK millions	2011	2012
Non-current assets		
Bermuda	2,796.6	2,684.3
Finland	269.4	179.9
UK	223.5	199.2
Total non-current assets (ships)	**3,289.5**	**3,063.4**

4 Employees and personnel expenses

Employee benefits expenses

Group, SEK millions	2011	2012
Salaries and other benefits	117.4	146.5
Pension costs, defined contribution plans	1.9	2.1
Social security contributions	2.7	2.6
	122.0	**151.2**

Average number of employees

Parent	2011	Of which male	2012	Of which male
Sweden	3	100%	3	67%
Parent total	**3**	**100%**	**3**	**67%**
Subsidiaries				
Switzerland	2	0%	2	0%
Bermuda	1	0%	1	0%
Seagoing personnel	374	100%	421	100%
Subsidiaries total	**377**	**99%**	**424**	**100%**
Group total	**380**	**99%**	**427**	**99%**

Gender distribution in Company Management

Parent	2011 Proportion female	2012 Proportion female
Board	0%	0%
Other senior executives	0%	33%
Group		
Board	0%	0%
Other senior executives	40%	60%

Salaries, employee benefits and social security contributions

	2011		2012	
Parent, SEK millions	Salaries and other benefits	Social security contributions	Salaries and other benefits	Social security contributions
Parent	6.4	3.6	8.1	4.0
(of which pension costs)		1.2		1.8

SEK 1,755.6 (1,247) thousand of the Parent Company's pension costs relate to the Board, President and management. Senior executives in Sweden have a six to twelve month reciprocal period of notice depending on the position held. In the case of involuntary termination of employment, the maximum severance pay is 24 months' basic salary.

Salaries and other employee benefits (Board, President, Senior Executives and other employees) by country

	2011		2012	
Group, SEK millions	Board, President and Management	Other employees	Board, President and Management	Other employees
Parent: Sweden	6.7		7.8	0.3
Subsidiaries: Switzerland	2.0	0.6	2.0	0.6
Subsidiaries: Bermuda	0.9		0.9	0.0
Seagoing personnel		106.2		134.2
Group total	**9.6**	**106.8**	**10.7**	**135.1**
(of which Board fees)	(2.2)		(2.2)	

The Board, President and Management Group comprises 14 (12) individuals.

Defined contribution plans

The Group has defined contribution pension plans for its employees in Sweden. These are financed by the companies. Foreign subsidiaries have defined contribution pension plans which are financed partly by the subsidiaries and partly by employee contributions. Payment into these plans is on an ongoing basis in accordance with each plan's rules.

	Group		Parent	
SEK millions	31/12/2011	31/12/2012	31/12/2011	31/12/2012
Costs for defined contribution plans	1.9	2.1	1.2	1.8

Senior executives' remuneration and benefits (Parent)

	2011					2012				
Salary and other benefits during the year, SEK thousand	Basic salary/ directors' fees	Variable pay	Other benefits	Pension cost	Total	Basic salary/ directors' fees	Variable pay	Other benefits	Pension cost	Total
Chairman of the Board	400				400	400				400
Deputy Chairman	400				400	400				400
Board members	900				900	1,200				1,200
President	2,861	218	151	1,006	4,236	2,918	893	151	1,301	5,263
Other senior executives	1,221	140	107	241	1,709	1,603	158	136	455	2,352
Total	**5,782**	**358**	**258**	**1,247**	**7,645**	**6,521**	**1,051**	**287**	**1,756**	**9,615**

Other senior executives comprised two individuals in 2011 and 2012. See also the Corporate Governance section and Directors' Report for information about the Board, President and senior executives' compensation, benefits and contracts.

5 Auditors' fees and remuneration

SEK millions	Group 2011	Group 2012	Parent 2011	Parent 2012
KPMG				
Audit services	1.0	1.2	0.6	0.7
Tax advisory services	0.1	0.1	0.1	0.0
Other services	0.3	0.1	0.3	0.1
	1.4	**1.4**	**1.0**	**0.8**

Audit services comprise examination of the annual financial statements, accounting records and administration of the Board and President, other procedures required to be carried out by the Company's auditors and advice or other assistance arising from observations made during the performance of such services.

6 Financial net

Group, SEK millions	2011	2012
Interest income from available-for-sale financial assets	7.8	7.3
Dividend from available-for-sale financial assets	0.5	
Result from disposal of available-for-sale financial assets		4.0
Currency trading		1.1
Finance income	**8.3**	**12.4**
Interest expense on bank loans (including effect of swaps)	36.1	44.9
Other finance costs	1.9	3.4
Result from disposal of available-for-sale financial assets	1.6	
Finance costs	**39.6**	**48.3**
Financial net	**–31.3**	**–35.9**

Parent, SEK millions	Result from other securities and receivables 2011	Result from other securities and receivables 2012	Interest and similar income 2011	Interest and similar income 2012
Interest income, other			22.8	49.3
Dividends from financial assets at fair value			0.4	1.3
Result from disposal of available-for-sale financial assets	0.7			
Changes arising from remeasurement of financial assets at fair value	1.4	3.7		
Exchange differences				9.3
Currency trading				
Finance income	**2.1**	**3.7**	**23.2**	**59.9**

Parent, SEK millions	Interest and similar expense 2011	Interest and similar expense 2012
Interest expense on bank loans (including effect of swaps)	21.4	27.6
Changes in value arising from remeasurement of financial assets	0.3	0.0
Exchange differences	14.9	0.0
Other finance costs	0.5	3.2
Finance costs	**37.1**	**30.8**
Financial net	**–11.8**	**29.1**

7 Taxes

Recognised in the income statement

Group, SEK millions	2011	2012
Current tax expense(–)/tax income(+)		
Deferred tax from temporary differences	16.9	7.1
Deferred tax expense in tax loss carryforward capitalised during year	–8.4	6.0
Effect of changed tax rate		0.3
Total recognised tax expense for Group	**8.5**	**13.4**

Parent, SEK millions	2011	2012
Deferred tax from temporary differences	20.2	–4.2
Deferred tax income/expense in tax loss carryforward capitalised during year	–10.7	3.7
Effect of changed tax rate		–5.2
Total recognised tax expense for Parent	**9.5**	**–5.7**

Reconciliation of effective tax

Group, SEK millions	2011, %	2011	2012, %	2012
Result before tax		76.3		–369.4
Tax according to parent's enacted tax rate	–26	–20.1	26	97.2
Effect of different tax rates for foreign subsidiaries	37	28.0	–23	–86.4
Non-deductible expenses	1	0.6	0	–0.3
Change in deferred tax, other temporary differences			1	2.9
Recognised effective tax	**11**	**8.5**	**4**	**13.4**

Parent, SEK millions	2011, %	2011	2012, %	2012
Result before tax		–34.9		4.4
Tax according to parent's enacted tax rate	26	9.2	26	–1.2
Non-deductible expenses	1	0.3	7	–0.3
Change in deferred tax from temporary differences			96	–4.2
Recognised effective tax	**25**	**9.5**	**129**	**–5.7**

Tax items recognised in other comprehensive income

Group, SEK millions	2011	2012
Tax attributable to exchange differences in translation reserve	1.9	–8.2
Tax attributable to fair value reserve for available-for-sale financial assets	0.1	–0.1
Tax attributable to hedging reserve, cash flow hedges	–0.4	–0.7
Total tax recognised in other comprehensive income	**1.6**	**–9.0**

Note 7 contd.

Recognised in the balance sheet – Deferred tax assets and liabilities

Deferred tax assets and liabilities are as follows:

Group, SEK millions	Deferred tax assets 2011	Deferred tax assets 2012	Deferred tax liabilities 2011	Deferred tax liabilities 2012
Tax loss carryforwards	34.1	33.8		
Temporary differences, property, plant and equipment (excess depreciation)			44.0	34.1
Other temporary differences	3.7	0.0	9.9	9.4
Tax assets/liabilities	**37.8**	**33.8**	**53.9**	**43.5**
Offsetting	–37.8	–33.8	–37.8	–33.8
Total tax assets/liabilities, net	**0.0**	**0.0**	**16.1**	**9.7**

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are as follows:

Parent, SEK millions	Deferred tax asset/liability 2011	Deferred tax asset/liability 2012
Tax loss carryforwards	29.7	27.1
Other temporary differences	3.6	0.6
Tax assets/liabilities, net	**33.3**	**27.7**

The Parent Company's change from year to year is reported as deferred tax.

The Group's tax loss carryforwards are as follows:

SEK millions	2011	2012
Sweden	129.8	153.8
Total	**129.8**	**153.8**

All the loss carryforwards have no expiry date.

8 Property, plant and equipment

Group, SEK millions	Ships	Ships under construction	Equipment	Total
Cost of acquisition				
Opening balance, 1 January 2012	3,820.0	143.0	2.7	3,965.7
Purchases	66.1	362.2		428.3
Reclassification to Ships	453.1	–453.1		
Sale/Scrapping	–7.2			–7.2
Exchange differences	–222.4	–4.1	–0.1	–226.6
Closing balance, 31 December 2012	**4,109.6**	**48.0**	**2.6**	**4,160.2**
Opening balance, 1 January 2011	3,294.6	262.0	1.2	3,557.8
Purchases	68.4	268.5	1.5	338.4
Reclassification to Ships	386.5	–386.5		
Sale/Scrapping	–22.3			–22.3
Exchange differences	92.8	–1.0		91.8
Closing balance, 31 December 2011	**3,820.0**	**143.0**	**2.7**	**3,965.7**

Group, SEK millions	Ships	Ships under construction	Equipment	Total
Depreciation and impairment				
Opening balance, 1 January 2012	530.5		1.1	531.6
Depreciation for the year	150.5		0.4	150.9
Depreciation for the year, periodic maintenance	16.3			16.3
Impairment	411.0			411.0
Sale/Scrapping	7.2			7.2
Exchange differences	–69.3			–69.3
Closing balance, 31 December 2012	**1,046.2**		**1.5**	**1047.7**
Opening balance, 1 January 2011	375.5		0.7	376.2
Depreciation for the year	134.9		0.4	135.3
Depreciation for the year, periodic maintenance	18.8			18.8
Sale/Scrapping	–15.5			–15.5
Exchange differences	16.8			16.8
Closing balance, 31 December 2011	**530.5**		**1.1**	**531.6**
Carrying amounts				
1 January 2012	3,289.5	143.0	1.6	3,434.1
31 December 2012	**3,063.4**	**48.0**	**1.1**	**3,112.5**
1 January 2011	2,919.1	262.0	0.5	3,181.6
31 December 2011	**3,289.5**	**143.0**	**1.6**	**3,434.1**

Note 8 contd.

Borrowing costs

Group 2012, SEK millions	Ships under construction	Total
Borrowing costs included in the asset's cost during the reporting period	2.0	**2.0**
Average interest rate for determining the borrowing costs included in the cost of acquisition, %	1.1	

Group 2011, SEK millions	Ships under construction	Total
Borrowing costs included in the asset's cost during the reporting period	3.5	**3.5**
Average interest rate for determining the borrowing costs included in the cost of acquisition, %	1.2	

Parent, SEK millions	Equipment	Total
Cost of acquisition		
Opening balance, 1 January 2012	0.6	0.6
Purchases		
Closing balance, 31 December 2012	**0.6**	**0.6**
Opening balance, 1 January 2011	0.6	0.6
Purchases		
Closing balance, 31 December 2011	**0.6**	**0.6**
Depreciation		
Opening balance, 1 January 2012	0.5	0.5
Closing balance, 31 December 2012	**0.6**	**0.6**
Opening balance, 1 January 2011	0.5	0.5
Closing balance, 31 December 2011	**0.5**	**0.5**
Carrying amounts		
1 January 2012	0.1	0.1
31 December 2012	**0.0**	**0.0**
1 January 2011	0.1	0.1
31 December 2011	**0.1**	**0.1**

Collateral

At 31 December 2012, vessels with a carrying amount of SEK 3,063.4 (3,289.5) million had been pledged as collateral for the available bank facility.

Ship values, impairment testing and impairment

The Group's assets are 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. An impairment loss of USD 60 million (SEK 411 million) was recognised for the fleet on 30 June 2012. The impairment was based on the fleet's value in use at 30 June 2012 and was primarily due to lower freight rates and therefore lower expected future earnings. Average values from three independent ship brokers and newbuilding prices were used to calculate fair value less costs to sell, but the value in use was the basis for the impairment. To calculate the value in use at 30 June 2012, income for non-contracted days of USD 15,000 per day was used, with a gradual annual upward adjustment for both income and cost increases. An average pre-tax rate of 6% was used. On assessing the value of the assets at 31 December 2012, there was no indication of impairment, nor were there any grounds for reversing the previous impairment loss.

9 Investments in joint ventures

Group

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

The consolidated financial statements include the following items which constitute the Group's share of the joint-venture companies' assets, liabilities, income and expenses.

Group, SEK millions	2011	2012
Income	44.6	48.6
Expenses	–31.6	–34.0
Result	**13.0**	**14.6**
Non-current assets	269.4	179.9
Current assets	63.1	73.7
Total assets	**332.5**	**253.6**
Non-current liabilities	193.7	170.4
Current liabilities	21.2	21.7
Total liabilities	**214.9**	**192.1**
Net assets/net liabilities	**117.6**	**61.5**

10 Financial investments

Group, SEK millions	31/12/2011	31/12/2012
Short-term investments that are current assets		
Available-for-sale financial assets		
Bonds	104.8	96.8
Financial assets held for trading		
Other holdings	8.8	0.3
	113.6	**97.1**

11 Non-current and current receivables

Group, SEK millions	31/12/2011	31/12/2012
Non-current receivables that are non-current assets		
Endowment insurance for pension obligations	1.8	0.0
	1.8	**0.0**
Other receivables that are current assets		
Other current receivables	41.3	89.9
	41.3	**89.9**

Parent, SEK millions	31/12/2011	31/12/2012
Non-current receivables		
Endowment insurance for pension obligations	1.7	1.7
	1.7	**1.7**
Current receivables		
Other receivables	0.7	3.2
	0.7	**3.2**
Non-current receivables		
Accumulated cost at beginning of year	2.0	1.7
Payments	–0.3	0.0
Closing balance, 31 December	**1.7**	**1.7**

12 Prepayments and accrued income

	Group		Parent	
SEK millions	31/12/2011	31/12/2012	31/12/2011	31/12/2012
Other prepayments	29.6	36.8	5.2	3.0
Accrued finance income	9.6	0.0	1.1	1.6
	39.2	**36.8**	**6.3**	**4.6**

13 Cash and cash equivalents

Group, SEK millions	31/12/2011	31/12/2012
The following components are included in cash and cash equivalents:		
Cash and bank balances	128.2	144.4
Total reported in balance sheet	**128.2**	**144.4**
Total reported in cash flow statement	**128.2**	**144.4**

14 Equity and Result per share

The Company has not conducted any transactions that affect the number of shares issued. There are no instruments that could provide a future dilutive effect. Consequently, no dilution occurred. The calculation of result per share is based on the average number of shares outstanding.

Result per share

SEK	2011	2012
Result per share	1.78	–7.46

Summary of issued shares

Number	2011	2012
A shares	4,000,000	4,000,000
B shares	43,729,798	43,729,798
Total	**47,729,798**	**47,729,798**

Dividends

After the reporting date, the Board proposed the following dividend. The dividend is subject to approval by the AGM on 23 April 2013.

SEK millions	2011	2012
SEK 0.50 (1.00) per share	47.7	23.9

Equity – reconciliation of reserves for the Group

SEK millions	Translation reserve	Fair value reserve	Hedging reserve
Opening carrying amount	49.1	4.8	–37.8
Translation differences for the year	41.3		
Gain/loss on hedging of currency risk in foreign operations	–8.7		
Changes in fair value of available-for-sale financial assets		–0.6	
Changes in fair value of cash flow hedges			–8.9
Changes in fair value of cash flow hedges transferred to cost of hedged item			0.4
Tax attributable to components of OCI	1.9		–0.3
Closing carrying amount, 31 Dec 2011	**83.6**	**4.2**	**–46.6**
Translation differences for the year	–82.6		
Gain/loss on hedging of currency risk in foreign operations	29.6		
Changes in fair value of available-for-sale financial assets		1.1	
Changes in fair value of available-for-sale financial assets transferred to income statement on disposal		–0,6	
Changes in fair value of cash flow hedges			9.5
Changes in fair value of hedges of net investments in foreign currencies			1.7
Changes in fair value of cash flow hedges transferred to cost of hedged item			–1.0
Tax attributable to components of OCI			–0.8
Closing carrying amount, 31 Dec 2012	**30.6**	**4.7**	**–37.2**

Note 14 contd.

Translation reserve
Includes all exchange differences arising on the translation of foreign subsidiaries. The reserve also includes the hedging of currency risk in foreign operations.

Fair value reserve
Consists of the cumulative net change in available-for-sale financial assets until the asset is derecognised in the balance sheet.

Hedging reserve
Includes the effective portion of the accumulated net change in the fair value of a cash flow hedging instrument.

15 Interest-bearing liabilities

Group, SEK millions	31/12/2011	31/12/2012
Bank loans (revolving credit facility)	1,802.4	1,969.9
Total non-current liabilities	**1,802.4**	**1,969.9**

Group, SEK millions	31/12/2011	31/12/2012
Bank loans (revolving credit facility)	13.0	23.4
Total current liabilities	**13.0**	**23.4**

Parent, SEK millions	31/12/2011	31/12/2012
Bank loans (revolving credit facility)	1,608.7	1,575.5
Total non-current liabilities	**1,608.7**	**1,575.5**

The Group has a credit agreement totalling USD 326.9 (336.4) million. At the end of the year, USD 276.4 (264.0) million of the amount had been utilised. The agreement is subject to the fulfilment of certain covenants that are customary in this industry. More information about the Company's exposure to interest rate risk and currency risk can be found in notes 18 and 19.

16 Other liabilities

Group/Parent Company, SEK millions	31/12/2011	31/12/2012
Other non-current liabilities		
Pension obligations (covered by endowment insurance)	1.7	0.0
	1.7	**0.0**

Group, SEK millions	31/12/2011	31/12/2012
Other current liabilities		
Liabilities to other related parties	0.7	2.7
Other current liabilities	7.0	1.8
Derivatives	62.6	38.6
	70.3	**43.1**

17 Accruals and deferred income

	Group		Parent	
SEK millions	31/12/2011	31/12/2012	31/12/2011	31/12/2012
Accrued voyage costs, ships	39.0	78.8		
Accrued personnel expenses	4.7	3.3	0.9	1.3
Other accruals	14.2	10.3	6.4	5.4
Accrued interest expense	0.3	0.7		0.2
Deferred income	18.3	9.5		
	76.5	**102.6**	**7.3**	**6.9**

18 Financial risks

In the course of its operations, the Group is exposed to different types of financial risks. Financial risk is the risk of fluctuations in the Company's earnings and cash flows as a result of changes in exchange rates, interest rates and refinancing and credit risks. The Group's financial policy for financial risk management was formulated by the Board and provides a framework of guidelines and rules in the form of a risk mandate and limits for financial activities. Responsibility for the Group's financial transactions and risks are managed centrally by the Parent Company's finance department. The overall aim of the finance function is to provide cost-effective financing and minimise negative effects of market fluctuations on the Group's financial performance. The Group's financial targets are growth of 10%, return on total equity of 12% and an equity/assets ratio of 50% over a business cycle.

Liquidity risk
Liquidity risk (also called funding risk) is the risk that funding cannot be obtained at all, or only at a significantly higher cost. Under the financial policy, there must always be sufficient cash and guaranteed credit to cover the next six months. The Group has secured funding corresponding to approx. 80% of the total investment amount for the ten P-MAX tankers. Approx. 80% funding has also been secured for the two panamax tankers built in a joint venture. The Group has secured funding equivalent to approx. 70% of the total investment amount for the suezmax tanker delivered during the year. In February 2013, funding was also secured for the two IMO2MAX vessels ordered in June 2012.

Note 18 contd.

Interest rate risk
Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk may consist of changes in fair value (price risk) or changes in cash flow (cash flow risk). Fixed-rate periods have a significant effect on interest rate risk. Long fixed-interest periods normally mean an increased price risk, while shorter periods mean cash flow risk.

The Group's risk management is centralised, which means the central finance function is responsible for identifying and managing interest rate exposure. No hedging has been carried out for the Group's interest-bearing securities (corporate bonds). The finance department continuously monitors the interest rate market and provides recommendations to the Board on any necessary interest rate hedging. At 31 December 2012, the Group had entered into interest rate swaps corresponding to USD 140 million or approx. 45% of the available credit facilities. These contracts of SEK –38.9 (–47.6) million, including tax, have been recognised as a component of equity under the heading Hedging reserve. See also the section on Currency risk in operating activities.

Credit risk
Credit risk associated with financial activities
Financial risk management involves exposure to credit risks. These are mainly counterparty risks associated with receivables from banks and other counterparties arising from the purchase of derivative instruments. The financial policy contains a special counterparty regulation specifying that derivatives and similar instruments are only used against a selection of banks. For credit risk associated with other financial assets, such as corporate bonds, the Group invests primarily in its own sector and industry, i.e. the one it understands, which is considered to reduce the risk significantly.

Credit risk associated with trade receivables
Credit risk is the risk that customers will cause a financial loss for the Group by failing to discharge their obligations, i.e., the risk of non-payment of trade receivables. Most of the Group's clients have good or very good credit ratings. Bank guarantees or other forms of security are required for customers with a low credit rating or insufficient credit history. There was no significant concentration of credit risk exposure at the reporting date. The maximum exposure to credit risk can be seen in the carrying amount of each financial asset in the balance sheet.

Credit risk associated with investments
The Group's investments in ships mean that advances are paid regularly to the shipyard during construction. Bank guarantees are issued to secure repayment of the advances in the event that the counterparty is unable to discharge its commitments.

Currency risk
Translation and transaction exposure
The Group is exposed to various types of currency risk as described below. The currency risks are fully hedged as they relate to financial assets or liabilities in currencies other than SEK and USD. According to the policy, standardised derivatives may be used. Hedge accounting for financial instruments in order to reduce currency risk is not applied, see note 1.

Currency risk in equity (translation exposure)
Exchange differences arising on translation of subsidiaries are recognised in the translation reserve. A strong US dollar will increase Concordia Maritime's equity and net value and vice versa. Exchange rate difference arising on translation of foreign subsidiaries to Swedish kronor are recognised in other comprehensive income and accumulated in the translation reserve. The exchange rate was SEK 6.87 at 31/12/2011 and SEK 6.51 at 31/12/2012. In August 2012, the Board of Concordia Maritime decided to terminate the equity hedge that amounted to approx. 50% of equity in foreign subsidiaries (corresponding to USD 125 million).

It is estimated that a change in the dollar rate of SEK 0.10 will affect Concordia Maritime's equity by approx. SEK 25 million, or SEK 0.52 per share.

Currency risk in operating activities (transaction exposure)
The Group's entire income is in US dollars. The Group's costs are also dominated by the US dollar, apart for some administrative expenses in Swedish kronor and Swiss francs. Consequently, exchange rate variations do not affect either cash flow or earnings significantly. No hedging against exchange rate fluctuations in operating activities was conducted.

In the fourth quarter of 2011 and 2012, the Company hedged NOK financial investments into USD in order to make them currency-neutral. Forward exchange contracts are recognised directly in financial items in the income statement with effect from the fourth quarter of 2012 and these transactions are therefore not reported in the hedging reserve through other comprehensive income. At the end of the fourth quarter of 2012 and in 2011, these contracts were valued at MSEK 1.0 (1.0), which in 2012 was recognised directly in financial items in the income statement.

Financial exposure
The Group's borrowing is in the investment currency USD and is therefore not subject to currency exposure. However, the Parent Company is subject to currency exposure.

Sensitivity analysis
The Group aims to reduce short-term fluctuations in its results by means of interest rate and currency risk management. However, in a long-term perspective, lasting changes in exchange rates and interest rates may have an effect on consolidated results.

It is estimated that a general increase of 1% in the SEK-USD rate would reduce the Group's result before tax by approx. SEK 3.3 (0.8) million for the year ending 31 December 2012. Changes in the value of forward exchange contracts are included in this calculation.

Similarly, a general increase of 1% in the US LIBOR rate would reduce the Group's result before tax by SEK 19.9 (15.2) million at 31 December 2012, also taking into account the effect of swaps. The Company believes that impaired liquidity in financial investments would not materially affect its financial position.

Fair value measurement
The following description summarises the methods and assumptions used to determine the fair values of the financial instruments in note 19. In the fair value hierarchy, securities held for trading are measured in accordance with level 1 inputs, which are quoted prices in active markets. Derivatives used for hedging are measured in accordance with level 2 inputs, which are observable market data not included in level 1.

Securities
Assets in this group are carried at fair value. As a general rule, listed holdings are measured at the closing-date share price. When a financial asset is derecognised, in the balance sheet, the cumulative gain or loss previously recognised in equity is reclassified from equity to profit or loss.

The Company's bond portfolio consists of listed securities and is measured at the closing-date price. It is classified under available-for-sale financial assets and is recognised at market value in OCI.

Note 18 contd.

Derivative instruments

Forward contracts are measured either at the current market price using quoted market prices or by discounting the forward price and deducting the current spot rate. Outstanding foreign exchange forward contracts hedged into USD at 31/12/2012 are EUR 0.0 (0.0) million and NOK 47.7 (29.3), while for the Swedish krona they are USD 0 (125.0) million. Interest rate swaps are measured at market value based on the current yield curve.

Trade receivables and payables

For trade receivables and payables with a remaining life of less than one year, the carrying amount is considered to reflect the fair value.

Interest-bearing liabilities

The fair value of non-derivative financial liabilities is measured based on future cash flows of principal and interest discounted at the present market rate at the reporting date.

19 Financial instruments

Effective interest rate and maturity structure

Interest-bearing financial assets and liabilities. The following table shows the effective interest rate on the reporting date and the maturity structure for the financial assets and liabilities.

Group, SEK millions	31/12/2011	31/12/2012	Interest rate, %	Fixed-interest period	Effective interest, %	Currency	Nominal amount in original currency
Corporate bond portfolio	104.8	96.8	7.4	Fixed for the term	6.6		
Revolving credit facility	–1,608.7	–1,575.5		Variable 3 months	2.5	USD	242,000
Bank loans	–206.7	–417.8		Variable 3–6 months	1.8	USD	64,175

	2011						2012					
Group, SEK millions	Total	Within 1 year	2 years	3 years	4 years	5 or more years	Total	Within 1 year	2 years	3 years	4 years	5 or more years
Corporate bond portfolio	104.8	55.6	33.6			15.0	96.8			23.4	48.1	25.3
Revolving credit facility	–1,608.7					–1,608.7	–1,575.5				–1,575.5	
Bank loans	–206.7	–13.0	–13.0	–13.0	–13.0	–154.7	–417.8	–23.5	–33.9	–35.2	–35.9	–289.3
Overdraft facilities												

Financial assets and liabilities – categories and fair values

Group 2012, SEK millions	Financial assets held for trading	Derivatives used in hedge accounting	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Other liabilities	Total carrying amount	Total fair value
Financial investments								
Non-current receivables								
Other receivables								
Short-term investments	0.3			96.8			97.1	97.1
Cash and cash equivalents			144.4				144.4	144.4
Total	**0.3**		**144.4**	**96.8**			**241.5**	**241.5**
Non-current interest-bearing liabilities					1,969.9		1,969.9	1,969.9
Other non-current liabilities								
Current interest-bearing liabilities					23.4		23.4	23.4
Trade payables						1.2	1.2	1.2
Other liabilities		38.6					38.6	38.6
Total		**38.6**			**1993.3**	**1.2**	**2,033.1**	**2,033.1**
Unrecognised gains/losses							**0.0**	**0.0**

Note 19 contd.

Group 2011, SEK millions	Financial assets held for trading	Derivatives used in hedge accounting	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Other liabilities	Total carrying amount	Total fair value
Financial investments				104.8			104.8	104.8
Non-current receivables			1.8				1.8	1.8
Other receivables								
Short-term investments	8.8						8.8	8.8
Total	**8.8**		**1.8**	**104.8**			**115.4**	**115.4**
Non-current interest-bearing liabilities						1,802.4	1,802.4	1,802.4
Other non-current liabilities						1.7	1.7	1.7
Current interest-bearing liabilities						13.0	13.0	13.0
Trade and other payables		62.6				0.6	63.2	63.2
Total		**62.6**				**1,817.7**	**1,880.3**	**1,880.3**
Unrecognised gains/losses							**0.0**	**0.0**

Parent 2012, SEK millions	Financial assets held for trading	Derivatives measured at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Other liabilities	Total carrying amount	Total fair value
Non-current receivables			1.7				1.7	1.7
Financial investments								
Other receivables								
Short-term investments	0.3						0.3	0.3
Total	**0.3**		**1.7**	**0.0**			**2.0**	**2.0**
Non-current interest-bearing liabilities					1,575.5		1,575.5	1,575.5
Current interest-bearing liabilities								
Other non-current liabilities						1.7	1.7	1.7
Trade and other payables		2.7				1.2	3.9	3.9
Total		**2.7**			**1,575.5**	**2.9**	**1,581.1**	**1,581.1**
Unrecognised gains/losses							**0.0**	**0.0**

Parent 2011, SEK millions	Financial assets held for trading	Derivatives measured at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Other liabilities	Total carrying amount	Total fair value
Non-current receivables			1.7				1.7	1.7
Financial investments				17.2			17.2	17.2
Other receivables								
Short-term investments	8.8						8.8	8.8
Total	**8.8**		**1.7**	**17.2**			**27.7**	**27.7**
Non-current interest-bearing liabilities						1,608.7	1,608.7	1,608.7
Current interest-bearing liabilities						22.4	22.4	22.4
Other non-current liabilities						1.7	1.7	1.7
Trade and other payables		18.4				0.5	18.9	18.9
Total		**18.4**				**1,633.3**	**1,651.7**	**1,651.7**
Unrecognised gains/losses							**0.0**	**0.0**

20 Operating leases

The Group's agreements regarding time charters for inward and outward freight for vessels are classified as operating leases. Undeclared options are not included in the calculation of the note.

Leases where the Company is the lessee (chartering in)

Non-cancellable lease payments:

	Group	
SEK millions	2011	2012
Within one year	0.0	0.0

The Group had 50% participation in the time chartering of three vessels in 2011. All the contracts expired in 2011. The vessels are now employed on the open market. In 2012, the Group did not participate in any joint time chartering with Stena Bulk.

	Group	
SEK millions	2011	2012
Time charter costs	38.6	0.0
Freight income from leased vessels	38.3	0.0

Leases where the Company is the lessee (chartering out)

Non-cancellable lease payments:

	Group	
SEK millions	2011	2012
Within one year	479.5	226.4
One to five years (2014–2017)	893.2	246.2
After five years	49.0	0.0
	1,421.7	**472.6**

The above calculation was made using the fixed daily rate specified in the time charter contracts, which means that any profit-sharing clauses are not taken into account. The time charter agreements are in US dollars and are translated using the closing rate.

21 Investment commitments

Group

Commitments under contracts relating to investments in vessels amount to approx. SEK 48 (286.5) million for 2013. Commitments in 2014 and thereafter amount to SEK 383 (0.0) million. These are translated based on the average SEK/USD exchange rate for 2012, which was 6.7754.

22 Pledged assets and contingent liabilities

	Group		Parent	
Group, SEK millions	2011	2012	2011	2012
Pledged assets				
For own liabilities and provisions				
Ship mortgages	3,289.5	3,063.4		
Shares in subsidiaries (in consolidated equity)	2,978.9	2,712.2		
Total pledged assets	**6,268.4**	**5,775.6**	**68.7**	**65.1**
Contingent liabilities				
Parent Company guarantees for subsidiaries' overdraft facilities				302.1
Total contingent liabilities				**302.1**

The rights associated with certain insurance, construction and time charter contracts have been pledged in favour of the banks providing the lines of credit. It has not been possible to define the specific amounts of these rights. The Parent Company has also provided a guarantee for a subsidiary, which relates to vessel financing. The loan can only be drawn on delivery of the vessel, and was not available at the reporting date. Consequently, the value of the guarantee cannot be defined.

23 Related parties

Related party relationships

The Parent Company has a related party relationship with its subsidiaries, see note 24. Key management personnel are considered to be related parties, see Note 4.

Related party transactions

Related party relationship Group, SEK millions	Year	Purchase of services from related parties	Due to related parties on 31 December	Due from related parties on 31 December
Other related parties (see below)	2012	35.1	0.6	
Other related parties (see below)	2011	32.4	0.7	

Related party relationship Parent, SEK millions	Year	Purchase of services from related parties	Due to related parties on 31 December	Due from related parties on 31 December
Subsidiaries	2012		27.5	
Subsidiaries	2011		7.5	
Other related parties	2012	2.4	0.6	
Other related parties	2011	2.4	0.7	

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 which competes 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% participation in each new transaction.

At the beginning of April 2011, Stena Bulk started a 50–50 joint venture together with the Danish company Weco, resulting in a newly established company, Stena 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 the Stena Sphere in the following areas:

- Vessel charter. Payment is based on a commission of 1.25% on freight rates.
- Commission on the purchase and sale of vessels. Payment is based on a commission of 1%.
- Operation and manning of the Group's vessels, also referred to as ship management. Payment is based on a fixed price per year and vessel.
- Purchases of bunker oil. Payment is based on a fixed commission per ton purchased.
- Administration, marketing, insurance services, 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 new-build 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 are conducted on commercial terms and at market-related prices.

24 Group companies

Significant subsidiary holdings

	Registered office, country	Ownership share, % 2011	Ownership share, % 2012
Concordia Maritime Chartering AB	Sweden	100	100
Concordia Maritime AG	Switzerland	100	100
Concordia Maritime (Bermuda) Ltd	Bermuda	100	100
CM P-MAX I Ltd	Bermuda	100	100
CM P-MAX II Ltd	Bermuda	100	100
CM P-MAX III Ltd	Cyprus	100	100
CM P-MAX IV Ltd	Bermuda	100	100
CM P-MAX V Ltd	Bermuda	100	100
CM P-MAX VI Ltd	Bermuda	100	100

Note 24 contd.

	Registered office, country	Ownership share, % 2011	Ownership share, % 2012
CM P-MAX VII Ltd	Bermuda	100	100
CM P-MAX VIII Ltd	Bermuda	100	100
CM P-MAX IX Ltd	Bermuda	100	100
CM P-MAX X Ltd	Bermuda	100	100
CM Suez I Ltd	Bermuda	100	100
CM IMOMAX A Ltd	Bermuda		100
CM IMOMAX B Ltd	Bermuda		100

Parent, SEK millions	2011	2012
Accumulated cost	745.8	745.8
Closing balance, 31 December	**745.8**	**745.8**

Parent Company's direct holdings of shares in subsidiaries

Subsidiary/Corp. ID/Registered office	Number of shares	Holding, %	31/12/2011 Carrying amount	31/12/2012 Carrying amount
Concordia Maritime Chartering AB, 556260–8462, Gothenburg	250,000	100	29.6	29.6
Rederi AB Concordia, 556224–6636, Gothenburg	3,000	100	0.4	0.4
Concordia Maritime AG, Switzerland	119,500	100	715.8	715.8
			745.8	**745.8**

25 Cash flow statement

Cash and cash equivalents

Group, SEK millions	31/12/2011	31/12/2012
The following components are included in cash and cash equivalents:		
Cash and bank balances	128.2	144.4
Total reported in balance sheet	**128.2**	**144.4**
Total reported in cash flow statement	**128.2**	**144.4**

Parent, SEK millions	31/12/2011	31/12/2012
The following components are included in cash and cash equivalents:		
Cash and bank balances	1,454.1	1,384.2
Total reported in balance sheet	**1,454.1**	**1,384.2**
Total reported in cash flow statement	**1,454.1**	**1,384.2**

Interest paid and dividend received

	Group		Parent	
SEK millions	31/12/2011	31/12/2012	31/12/2011	31/12/2012
Dividend received	0.5	0.0	0.4	0.0
Interest received	7.8	12.4	22.7	50.6
Interest paid	–35.5	–44.2	–21.9	–27.4
	–27.2	**–31.8**	**1.2**	**23.2**

Non-cash items

	Group		Parent	
SEK millions	31/12/2011	31/12/2012	31/12/2011	31/12/2012
Depreciation and impairment	135.3	561.9	0.0	0.0
Depreciation, periodic maintenance	18.8	16.3	0.0	0.0
Unrealised exchange differences			49.6	–117.3
Changes in value of financial instruments		–2.7	69.5	–3.2
Capital gain/loss on sale of financial assets	1.6	–4.0	–0.7	0.0
Other	–0.8	–11.6		
	154.9	**559.9**	**118.4**	**–120.5**

26 The Parent Company

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

The 2012 consolidated financial statements comprise the Parent Company and its subsidiaries, which together form the Group. The Group also includes holdings in venture companies.

Stena Sessan Rederi AB owns approx. 52% of the equity and approx. 73% of the total voting power in Concordia Maritime AB. Stena Sessan Rederi AB in turn is owned by Stena Sessan AB, (Corp. ID 556112–6920, registered office Gothenburg).

27 Events after the reporting date

No significant events occurred after reporting date.

28 Significant accounting estimates

Accounting estimates and assessments are evaluated regularly. They are largely based on historical experience and other factors, including expectations about future events which are considered reasonable in the present circumstances. The Board and management make estimates and assumptions about the future when preparing the financial statements. These result in accounting estimates, which, by definition, rarely correspond with the actual outcome. Estimates and assumptions which involve considerable risk of material adjustments to the carrying amounts of assets and liabilities during the next financial period are described below.

Ships

It is Concordia Maritime's estimation that the vessels have a useful life of 25 years. In addition, any scrap value at the end of the period is considered erased due to charges associated with the scrapping. Consequently, the residual value is deemed to be zero.

Impairment testing of vessels is conducted twice a year, and more frequently if there is an indication that vessel values are impaired. See also Notes 1 and 8.

Deferred taxes

When preparing financial statements, Concordia Maritime calculates the income tax for each area of taxation in which the Group operates, as well as deferred taxes arising from temporary differences. Deferred tax assets primarily attributable to tax loss carryforwards and temporary differences are recognised if the tax assets are likely to be recovered from future taxable income. Changes in assumptions about projected future taxable income and changes in tax rates may result in significant differences in the measurement of deferred taxes.

Declaration by the Board of Directors and the President

The Board of Directors and the President herewith confirm that the Parent Company's annual financial statements have been prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated financial statements have been prepared in accordance with international financial reporting standards as defined in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The Parent Company and consolidated annual financial statements provide a true and fair view of the financial performance and position of the Parent Company and the Group. The Board of Directors' report for the Parent Company and Group provides a true and fair overview of the development 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.

Gothenburg, 15 March 2013

Carl-Johan Hagman Chairman	Carl Mikael von Mentzer Deputy Chairman	Stefan Brocker Board Member	Jens Ole Hansen Employee Representative	Mats Jansson Board Member
Jörgen Lorén Employee Representative	Mikael G:son Löw Board Member	Morten Chr. Mo Board Member	Dan Sten Olsson Board Member	Hans Norén President

My audit report was submitted on 15 March 2013

Johan Kratz
Authorised Public Accountant

AUDIT REPORT

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

Report on the Parent Company and consolidated annual financial statements

I have audited the annual accounts and consolidated accounts for Concordia Maritime AB (publ) for the year 2012. The annual accounts and consolidated accounts are included in the printed version of this document on pages 50–82.

Responsibility of Board of Directors and President

The Board of Directors and the President are responsible for preparing annual accounts which provide a true and fair view in accordance with the Swedish Annual Accounts Act, and consolidated accounts which give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and the Swedish Annual Accounts Act, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on these annual accounts and consolidated accounts based on my audit. I conducted my audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinions

In my opinion, the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company at 31 December 2012 and its financial performance and cash flows for the year then ended. In my opinion, the consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the Group at 31 December 2012 and its financial performance and cash flows in accordance with International Financial Reporting Standards as adopted by the EU. The Board of Directors' report is consistent with the other parts of the annual accounts and consolidated accounts.

I therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the income statement, statement of comprehensive income and balance sheet for the Group.

Report on other legal and regulatory requirements

In addition to my audit of the annual accounts and consolidated accounts, I have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and President of Concordia Maritime AB (publ) for the year 2012.

Responsibility of Board of Directors and President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss , and the Board of Directors and the President are responsible for administration under the Companies Act.

Auditor's responsibility

My responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on my audit. I conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for my opinion concerning the Board's proposed appropriations of the company's profit or loss, I examined the Board's reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for my opinion concerning discharge from liability, in addition to my audit of the annual accounts and consolidated accounts, I examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. I have also conducted examinations to establish whether any member of the Board or the President has in any other way acted in contravention of the Swedish Companies Act, the Annual Accounts Act, or the Company's Articles of Association.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinions

I recommend to the Annual General Meeting of shareholders that the profit be appropriated in accordance with the proposal in the Board of Directors' report and that the members of the Board and the President be discharged from liability for the financial year.

Gothenburg, 15 March 2013

Johan Kratz
Authorised Public Accountant

GOVERNANCE OF COMPANIES AND OPERATIONS

Concordia Maritime applies the Swedish Corporate Governance Code. This Corporate Governance Report has been prepared as part of the application of the Code. In addition to the description of corporate governance, there is also a summary description of how the operational control of day-to-day activities is carried out. The report has been reviewed by the company's auditors and there are no derogations from the code.

The Parent Company in the Concordia Maritime Group is the Swedish public limited company Concordia Maritime AB (publ), corp. ID 556068-5819. In addition to the Parent Company, the Group consists of 17 wholly or partly owned subsidiaries.

The registered office is in Gothenburg. The postal address of the Group's head office is Concordia Maritime AB, SE-405 19 Gothenburg, Sweden.

The governance of Concordia Maritime is based on the Swedish Companies Act and Nasdaq OMX Stockholm's regulations, including the Swedish Corporate Governance Code ("the Code") and other applicable Swedish and foreign laws and regulations.

We apply the Swedish Corporate Governance Code and the Annual Accounts Act. This Corporate Governance Report has been prepared as part of the application of the Code. The Code is available at www.corporategovernanceboard.se

Certain information required under section 6, Chapter 6, of the Swedish Annual Accounts Act can be found in the Board of Directors' Report.

Information provided at www.concordiamaritime.com includes:

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

AUDITOR'S STATEMENT ON THE CORPORATE GOVERNANCE REPORT

To the annual general meeting of Concordia Maritime AB (publ). Corp. ID 556068-5819

The Board of Directors is responsible for the 2012 Corporate Governance Report on pages 84–96, and for ensuring that it is prepared in accordance with the Annual Accounts Act.

I have read the corporate governance report and based on this reading and my knowledge of the Company and Group, I believe that I have sufficient grounds for my opinion expressed below. This means that my statutory review of the Corporate Governance Report has another focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing practices in Sweden.

In my view, a corporate governance report has been prepared and all the statutory information it contains is consistent with the annual accounts and consolidated accounts.

Gothenburg, 15 March 2013

Johan Kratz
Authorised Public Accountant

Dear shareholders!

It is Concordia Maritime's intention to always have a corporate governance that is at the forefront of companies listed on the Stockholm OMX in terms of transparency of decision-making, responsibility and accountability.

Concordia Maritime's business model is based on the Company taking advantage of the expertise and resources available in the wider system of Stena companies. Of particular importance is Stena Bulk's operational knowledge, Northern Marine Management's ship operation and the development of ship concepts through Stena Teknik.

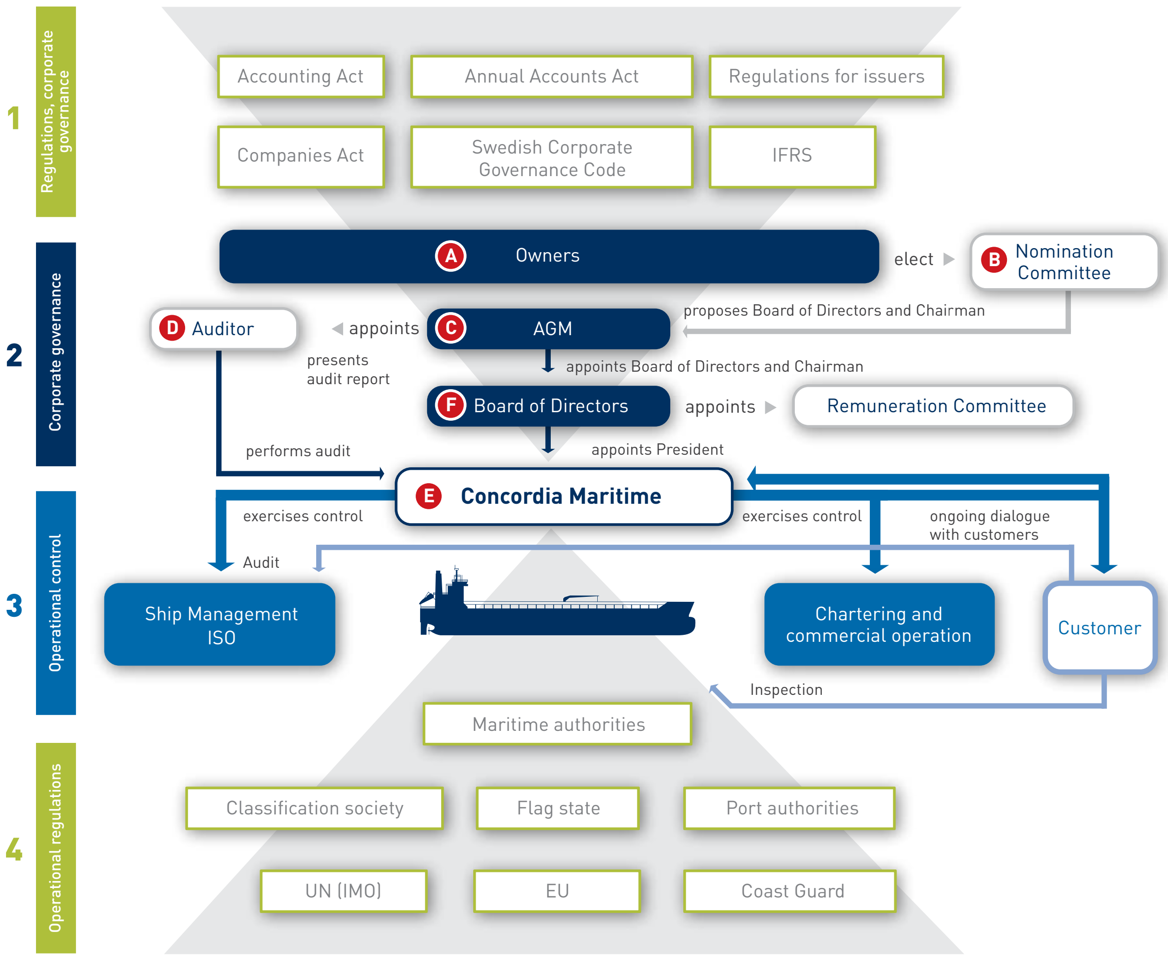
To ensure that all shareholders' interests are looked after and to guarantee that transactions between the companies are correct, all dealings between Concordia Maritime and Stena companies are regulated by contracts. The contracts are based on transparency and clarity, and are at market conditions. The Board of Directors and the President ensure that the contracts are updated and complied with. In addition, all tanker transactions developed by Stena Bulk are submitted to Concordia Maritime, with an option to participate on equal terms and with the same share as Stena Bulk.

Through good governance and transparency and openness in its agreements with Stena companies, Concordia Maritime has the opportunity to benefit from the resources and expertise that a company of comparable size would not otherwise have. The governance model also protects the integrity of the Company and shareholders and ensures that continuous efforts are in progress to establish the highest standard of corporate governance.

Gothenburg, March 2013

Carl-Johan Hagman
Chairman of the Board

PRINCIPLES OF CORPORATE GOVERNANCE



The corporate governance and control of our operations can be described from several perspectives.

1 As a public and listed Swedish company, Concordia Maritime is governed by a number of laws and regulations. Among the most important of these are the Swedish Companies Act, the Swedish Annual Accounts Act, International Financial Reporting Standards, Nasdaq OMX Stockholm's listing agreement, rules for issuers and the Swedish Corporate Governance Code.

2 From an ownership perspective, business operations are governed by a Board of Directors elected by the shareholders. The Board formulates the frameworks for the operations, appoints the President and exercises control over the Company's management. The Board has the services of a shareholder-elected auditor, whose job is to provide audit reports on the annual accounts and consolidated accounts for Concordia Maritime AB (publ) and administration of the Company by the Board and President.

3 The day-to-day operations are ultimately controlled by the customers' demands for efficiency and reliability. We have chosen a strategy that involves collaboration with a number of subcontractors in areas which include commercial operation and ship management. This collaboration is regulated by both binding agreements and mutual trust. There is an extensive exchange of information between the parties and here, too, the control and reporting systems are well developed.

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

A VOTING RIGHTS

The share capital consists of class A shares and class B shares. All shares carry equal entitlement to a share of the Company's assets, earnings and dividends. The par value is SEK 10 per share. Class A shares carry ten votes per share and class B shares one vote per share. At the end of the year, all class A shares were controlled by the Stena Sphere. At 31 December 2012, share capital amounted to SEK 1,330.8 million, divided between 47.73 million shares, of which 43.73 million were B shares. The total number of votes was 83.73 million.

C SHAREHOLDERS' MEETING

The general meeting of shareholders is the highest decision-making body at Concordia Maritime. Participation in decision-making, requires the shareholder's presence at the meeting, either in person or through a proxy. In addition, shareholders must be registered in their own name in the share register by a specified date prior to the meeting and must provide notice of participation in the manner prescribed.

Resolutions at the meeting are normally adopted on the basis of a simple majority. However, for certain matters, the Swedish Companies Act stipulates that resolutions must be approved by a larger proportion of the votes cast and shares represented at the meeting.

The Annual General Meeting is held in the Gothenburg region in the second quarter of each year. The meeting decides on matters concerning adoption of the annual report, dividends, remuneration of the Board and auditors, election of Board members and, when necessary, auditors, guidelines on remuneration of Group management as well as other important business. Individual shareholders wishing to have business considered at the AGM can normally request this, in good time before the meeting, via arsstamma@concordiamaritime.com.

An extraordinary general meeting may be held if the Board considers this necessary or if the Company's auditors or shareholders owning at least 10 percent of the shares so request.

B NOMINATION PROCESS

The nomination process for the election of Board members includes appointing a nomination committee consisting of three members. The members shall comprise the Deputy Chairman and one representative from each of the two largest shareholders (in terms of voting power), should they wish to serve on the committee.

The composition of the nomination committee is based on shareholder statistics as on the last banking day of August in the year prior to the meeting. The names of representatives on the nomination committee and the shareholders they represent shall be announced on the website immediately after their appointment, but no later than six months before the Annual General Meeting.

If the structure of major shareholders should change during the nomination process, the composition of the nomination committee may be changed to reflect this.

Shareholders wishing to submit proposals to the nomination committee do so via arsstamma@concordiamaritime.com.

The guidelines issued to the largest owners regarding their choice of representatives state that the individual in question must have knowledge and experience relevant to Concordia Maritime. The rules on the independence of board members contained in the Swedish Corporate Governance Code are observed.

The nomination committee's tasks include submitting proposals to the next AGM concerning the following areas:

- Chairman of the meeting
- Board members
- Chairman of the Board
- Remuneration of each Board member
- Remuneration for committee work
- Nomination committee for the following year

The nomination committee's proposals and a report on its own work shall be published no later than the date of the notice convening the meeting. Shareholders are given the opportunity to submit nomination proposals to the nomination committee.

D AUDITOR

The auditor provides an audit report on the annual accounts and consolidated accounts for Concordia Maritime AB (publ), the administration of the Board and the President and the annual accounts for other subsidiaries.

The audit is conducted in accordance with the Swedish Companies Act and International Standards on Auditing (ISAs) issued by the International Federation of Accountants (IFAC). The auditing of annual financial statements for legal entities outside Sweden is conducted in accordance with laws and other regulations in each country and in accordance with IFAC's generally accepted auditing standards on providing audit reports for legal entities.

An auditor is proposed by the nomination committee and elected by the AGM for a period of one year. At the 2012 AGM Johan Kratz, KPMG, was elected as the Company's external auditor until the 2013 AGM.

The auditor's fees are charged on a current account basis. In 2012, KPMG received fees totalling SEK 1.4 million.

E GROUP

Management and corporate structure
The Group comprises the Parent Company Concordia Maritime AB (publ) and a number of Group companies, which ultimately report to the President. The Parent Company's own organisation consists solely of senior management. Other functions are purchased. At the end of 2012, the total number of employees in the Group was 427, 421 of whom were seagoing.

President and Group management
In addition to the President, Group management consists of the CFO, the technical manager and general managers of the subsidiaries. The President is appointed by and receives instructions from the Board.

The President is responsible for the day-to-day management of the Company in accordance with the Board's guidelines and instructions. The President also produces information and decision-support material prior to Board meetings and attends the meetings in a reporting capacity.

The President is also responsible for communication and quality assurance of contact with the Company's cooperation partners.

Remuneration of Group management
We endeavour to offer total remuneration that is both fair and competitive. All employees receive remuneration in the form of fixed salary and the opportunity to earn a bonus. Guidelines on remuneration of Group management are adopted by the annual general meeting.

Remuneration of the President is thereafter determined by the remuneration committee. Remuneration of other senior executives is prepared and decided on by the President. For further information on remuneration, long-term incentive programs and pension plans, see Note 4 in the financial report.

F BOARD OF DIRECTORS

Tasks of the Board
The Board's main task is to manage the Group's affairs in a manner that creates the optimum conditions for a good long-term return on capital. The Board's work is mainly regulated by the Swedish Companies Act, the Company's articles of association, the Code and the rules of procedure established by the Board for its work.

The Board makes decisions on matters concerning the Group's overall objectives, strategic direction and major policies, as well as important issues related to financing, investments, acquisitions and disposals. The Board monitors and deals with follow-up and control of the activities of the Group, the Group's communication and organisational matters, including evaluation of operational management. The Board's responsibility includes appointing and, where appropriate, dismissing the Company's President. The Board also has overall responsibility for establishing effective systems for internal control and risk management.

Rules of procedure and Board meetings

Every year, the Board adopts rules of procedure for its work. These rules of procedure are revised as needed. The rules of procedure contain a description of the Chairman's special role and tasks, and the areas of responsibility for the committees appointed by the Board. According to the rules of procedure, the Chairman shall ensure that the Board's work is carried out efficiently and that the Board performs its tasks. The Chairman shall also organise and distribute the Board's work, ensure that the Board's decisions are implemented effectively and that the Board makes an annual evaluation of its own work. The rules of procedure also contain detailed instructions to the President and other corporate functions about which matters require the Board's approval. In particular, the instructions specify the maximum amounts that different decision-making bodies within the Group are authorised to approve with regard to credit, investments and other expenditure.

The rules of procedure stipulate that the statutory Board meeting shall be held immediately after the AGM. Decisions at this meeting include the election of the Deputy Chairman and who shall have signatory power for Concordia Maritime. In addition to the statutory meeting, the Board normally holds six regular meetings during the year. Four of these meetings are held in conjunction with the publication of the Group's annual and interim reports. The meetings are usually held in Gothenburg. Additional meetings, including conference calls, are held as required.

Quality assurance in financial reporting

Concordia Maritime is a company with a limited number of customers and a limited number of employees. The Company does not have a specific function for internal controls as there are relatively few transactions on an annual basis. The small number of transactions also makes financial reporting in the Company relatively easy to verify.

The President is ultimately responsible for ensuring the satisfactory functioning of internal controls. However, day-to-day work is delegated to the business administration and finance function.

The rules of procedure established by the Board each year include detailed instructions on which financial reports and other financial information is to be submitted to the Board. In addition to interim and annual reports, other financial information relating to the Company and its activities is also examined and evaluated on an ongoing basis.

Control environment

The core of the internal control over financial reporting is based on the Group's directives, guidelines and instructions, and on the structure of responsibility and authority that has been adapted to the Group's organisation in order to create and maintain a satisfactory control environment.

The principles for internal controls and the directives and guidelines for financial reporting are collected in the Group's financial policy.

A fundamental component of our control environment is the corporate culture that is established in the Group and in which managers and employees operate. We work actively on communication and education with regard to the values described in an internal joint document which binds together all business areas and is an important part of the common culture.

Risk assessment

Risks associated with financial reporting are evaluated and monitored by the Board as a whole. There is no separate audit committee; instead, audit matters are dealt with by the entire Board. Prior to examining interim and annual reports, Board members have access to relevant documentation well in advance of publication and the Board meeting preceding publication. The reports are then discussed in detail at the Board meeting. The CFO acts as rapporteur of the Group's results and financial position at the Board meeting and is, of course, available for any questions in the days before the meeting.

The Board also reviews the most important accounting principles applied in the Group with respect to financial reporting, as well as significant changes to these principles. The external auditors report to the Board as necessary and at least once a year.

Financial reporting and disclosures

Concordia Maritime's procedures and systems for external communication are aimed at providing the market with relevant, reliable, accurate and timely information on the Group's development and financial position. We have an information policy that meets the requirements for a listed company. Financial information is provided regularly in the form of:

- Interim reports
- Annual reports
- Press releases on news that could affect the share price
- Quarterly presentations in the form of videos etc. on the Company website
- High availability to all stakeholders via telephone etc.
- Meetings with financial analysts and investors
- All reports and press releases are published on the Company website www.concordiamaritime.com

Evaluation of the Board's work

Under the leadership of the Deputy Chairman, the Board conducts an annual evaluation of its work. The evaluation covers working methods, the working climate, the direction of the Board's work and access to and the need for special competence on the Board. The evaluation is used as an aid in developing the work of the Board and also acts as support for the nomination committee's work.

Remuneration committee

The Board has a remuneration committee, the main task of which is to propose principles for remuneration of members of Group management. The committee makes proposals on remuneration guidelines relating to:

- Targets and rationale for calculating variable pay
- The relationship between fixed and variable pay
- Changes in fixed or variable pay
- Criteria for evaluation of variable pay, long-term incentives, pensions and other benefits

The Committee also decides on salary and other terms of employment for the President. The committee consists of the Chairman and Deputy Chairman of the Board. The Committee met on two occasions in 2012.

CORPORATE GOVERNANCE IN 2012

THE WORK OF THE BOARD DURING THE YEAR

The Board held six ordinary meetings and two extra meetings during the year. All meetings except one were held in the Gothenburg area. At ordinary Board meetings, the CFO acts as rapporteur and gives an account of the Group's results and financial position, including the prospects for the following quarters. The Board meetings also deal with investments, the establishment of new operations, and acquisitions and disposals. The company's auditor attended the meeting in February 2012, at which the year-end accounts for 2011 were approved. All the meetings during the year followed an approved agenda. The agenda and documentation for each agenda item were sent to Board members before the meetings. Karl-Magnus Sjölin, the CFO at Stena Sessan, was the secretary at all the Board meetings. Significant matters during the year included strategy, market assessments and financial risks.

Independence

The Board of Directors is considered to be in compliance with the Stock Exchange's regulations and the Code's requirements regarding independence. Prior to the 2012 Annual General Meeting, all meeting-elected Board members apart from the members Dan Sten Olsson and Stefan Brocker have been assessed by the nomination committee as independent of both the major owners of the Company and its executive management. Carl-Johan Hagman is not considered to be independent of Concordia Maritime's major owners, as he has a managerial function in Stena Sphere. Dan Sten Olsson is not considered to be independent of Concordia Maritime's major owners, as he is, among other things, the principal owner of Stena Sessan Rederi AB, which owns approx. 52 percent of the capital and 73 percent of the total voting power. Stefan Brocker is not considered to be independent as he is a partner and an employee of a company that conducts business with the company and its principal owner.

NOMINATION COMMITTEE

The nomination committee for the period up to the 2013 meeting consisted of Carl Mikael von Mentzer (Deputy Chairman, Concordia Maritime), Karl-Magnus Sjölin (Stena Sessan AB) and Arne Lööw (Fjärde AP-fonden). The committee represented 76 percent of the shareholders' votes. The composition of the nomination committee was announced on Concordia Maritime's website on 2 October 2012. In 2012, the nomination committee had one meeting and a number of contacts over the telephone.

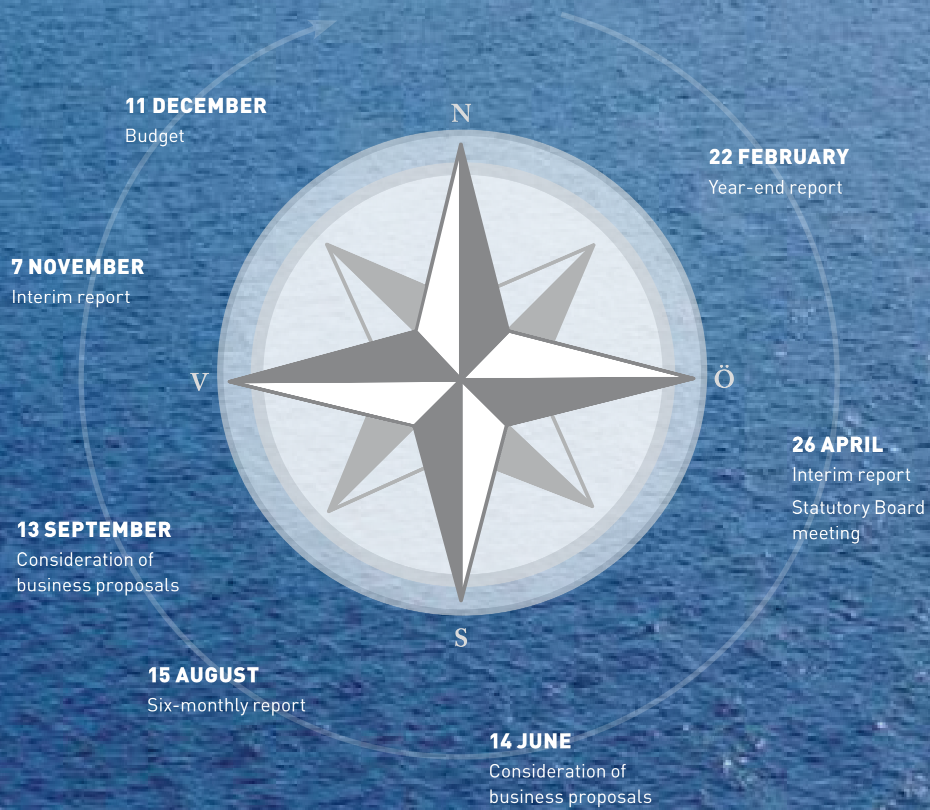
ANNUAL GENERAL MEETING

The Annual General Meeting was held on 26 April 2012. The meeting was attended by 95 shareholders, in person or through a proxy, representing 76 percent of the votes. All meeting-elected Board members were present. Also present were the Company's auditor and members of the nomination committee.

The meeting's main decisions were as follows:

- Adoption of the Board's proposal for payment of a dividend of SEK 1.00 per share for 2011.
- Board members Dan Sten Olsson, Carl Mikael von Mentzer, Mats Jansson, Morten Chr. Mo and Stefan Brocker were re-elected (with Jörgen Lorén, employee representative, Jens Ole Hansen, employee representative, and Göran Dahlman, deputy). Carl-Johan Hagman and Michael G:son Löw were elected new Board members.
- Carl-Johan Hagman was elected the new Chairman of the Board.
- Payment of annual fees to the Board of Directors (excluding travel expenses) were set at SEK 1,925,000, distributed as follows: SEK 400,000 each to the Chairman and Deputy Chairman and SEK 225,000 to each of the other Board members who are not employees of the Group. The meeting also adopted auditors' remuneration for reasonable costs, to be paid against invoice based on actual time spent on carrying out their assignments.
- Principles for remuneration and terms of employment for the President and other senior executives.
- Procedures for the appointment of the nomination committee and its work.

BOARD MEETINGS 2012



OPERATIONAL CONTROL IN 2012

A large part of the day-to-day operational work in the form of chartering and manning is purchased from external suppliers, primarily Stena Bulk, Stena Weco and Northern Marine Management (NMM). Stena Bulk and Stena Weco are responsible for chartering and operation of our ships, while NMM is responsible for manning, ship management and day-to-day maintenance.

From a control perspective, our main task is to monitor and evaluate whether the contracts entered into are performed as agreed.

There is close, virtually daily, contact with Stena Bulk, Stena Weco and NMM, and a formal report is made every quarter. At the end of each year, a larger-scale follow-up and evaluation of the collaboration is carried out.

Chartering and operations

The collaboration with Stena Bulk and Stena Weco with regard to chartering and operations is based on an agreement between the companies which is followed up and evaluated annually. Read more about the agreement in note 23.

Stena Bulk and Stena Weco are responsible for the day-to-day operation of the vessels, maintaining contact with customers, and acting as an intermediary in connection with different types of controls and inspections. Reporting is formalised and the most important elements are regular reports on income, the outcome of profit-sharing clauses and cost control.

Manning, management and regular maintenance

The collaboration with NMM encompasses services related to manning, management and regular maintenance. NMM is also responsible for contacts with the classification societies in the context of their inspections.

This collaboration is also followed up and evaluated on an annual basis. The evaluation includes monitoring of the budget and the fulfilment of defined goals.

Control and inspection of vessels

Shipping in general and tanker shipping in particular are associated with an extensive system of regulations. In addition to the owner's own inspections, several inspections are carried out annually by various stakeholders: customers, classification societies, port authorities and flag states. These inspections are largely similar to each other; the vessels undergo operational, technical, mechanical and checks. Some of the inspections are planned, while others are carried out without prior notice. Results are reported to the authorities concerned, the owner and, in some cases, also to the customer.

COMPREHENSIVE INSPECTIONS – EXTERNAL AND INTERNAL

Flag State Control

All ships must be registered in a specific nation. The owner of the ship undertakes thereby to comply with the laws and regulations laid down by the nation in question. Flag State Control ensures a ship complies with applicable laws and regulations.

Port State Control

Port State Control is the inspection of foreign ships calling at a nation's ports. The purpose is to check that the ships comply with requirements, that the crew has the right competence, and that international regulations (SOLAS, MARPOL and STCW) are adhered to.

Classification Society inspections

The Classification Society's inspections are conducted annually or following repairs/modifications. Additionally, a more comprehensive inspection is carried out every fifth year when the ship is dry-docked. Special emphasis is given to examining e.g. materials in the hull and machinery, maintenance procedures and quality level of the work done at the shipyard.

Vetting – the customer's own inspection

Vetting is carried out by the customer or inspectors designated by the customer. The owner invites the customer to carry out an inspection, which is always done in connection with discharging. The inspections are very comprehensive. They are based on a standardised form and the results are shared between the oil companies via databases. In the event of more serious deficiencies, the customer can choose to put the contract on hold until the deficiencies have been corrected and new vetting has been carried out. The system allows oil companies to continuously check whether the vessels satisfy their internal criteria, without having to inspect the vessels themselves.

The owner's own inspections

NMM conducts regular scheduled, comprehensive inspections to check the conditions on board and the state of the vessel. These are documented in quarterly reports and a monthly report of vetting inspections on board Concordia Maritime's vessels is also compiled.

Concordia Maritime holds meetings with NMM every quarter, at which all the vessels in the fleet are reviewed. The meetings deal with everything from freight rates, operation and dry-dock to work in the area of health, safety and environment.

A YEAR WITH STENA PROVENCE

22 JANUARY
Planned visit and inspection, NMM

23 JANUARY
Port State Control, Naples, Italy

7 FEBRUARY
Fleet and Commercial Manager, inspection voyage from Rotterdam, Netherlands, to Borgå, Finland

8 FEBRUARY
Vetting, BP, Rotterdam, Netherlands

17 MARCH
Port State Control, Corpus Christi, USA

19 APRIL
Quarterly meeting/ fleet review, Concordia Maritime and NMM

26 JULY
Vetting, Chevron, Guayanilla, Puerto Rico

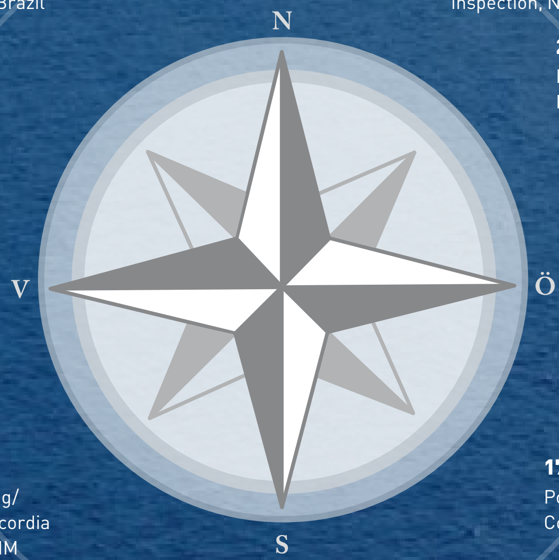
8 AUGUST
Quarterly meeting/ fleet review, Concordia Maritime and NMM

6 OCTOBER
Planned visit and inspection, NMM

13 NOVEMBER
Quarterly meeting/ fleet review, Concordia Maritime and NMM

20 NOVEMBER
Annual intern audit, Saint Croix, American Virgin Islands

22 DECEMBER
Vetting, Statoil, Sao Luiz, Brazil



BOARD OF DIRECTORS

Carl-Johan Hagman

Board member since 2012. Chairman. LL.M.

Background Former CEO of Walleniusrederierna, Stockholm, Eukor Car Carriers, Seoul, Rederi AB Transatlantic, Skärhamn and Höegh Autoliners AS, Oslo.

Other current assignments President & CEO Shipping, Drilling and Ferries, Stena AB. CEO Stena Line.

Special expertise Has extensive experience in shipping, maritime lawyer, naval officer and 20 years of Asia experience.

Shares held in Concordia Maritime 0

Carl Mikael von Mentzer

Board member since 1998. Deputy Chairman. M.Pol.Sc.

Background Former Managing Director Offshore Accommodation Group Ltd., Aberdeen, Safe Partners AB, Gothenburg and Götaverken Arendal AB, Gothenburg.

Other current assignments Board member of Teekay Offshore Partners L.P., Bermuda.

Special expertise Has worked in shipping and offshore for nearly 40 years in Scandinavia, the UK and the US. Has good knowledge of the oil industry.

Shares held in Concordia Maritime 50,000 B shares

Stefan Brocker

Board member since 2007. LLB.

Background Partner and former Managing Partner, Mannheimer Swartling Advokatbyrå AB.

Other current assignments Chairman of Mannheimer Swartling's Shipping Group, Board Member of the European Maritime Lawyers Organisation, Honorary Consul of Greece.

Special expertise Shipping law. Has worked as a lawyer in shipping and offshore for almost 20 years.

Shares held in Concordia Maritime 0

Michael G:son Löw

Board member since 2012. M.Sc. (Econ), Reserve Officer.

Background Former President and CEO of Preem AB, and a number of senior positions at Conoco Inc. in the Nordic region and internationally.

Other current assignments Board Member Preem AB, Boliden AB, Stena LNG Plc, Norstel AB, Sv. Näringsliv, Vice Chairman Ind/Chem and Swed/Russ Ch. of Commerce. Member of the Board the Royal Academy of Sciences, Chalmers Advisory Committee, Sv. EnergiEk. Förening and Network for Oil & Gas.

Special expertise Brings expertise in energy/refining/trading/shipping and financial issues.

Shares held in Concordia Maritime 0

Morten Chr. Mo

Board member since 2000. Certified economist BI (Oslo) and IMDE (PED), Lausanne.

Background Director/Chairman Quillfeldt Rönneberg & Co, Leif Höegh & Co AS, Hator Management AS, President Stemoco Shipping AS and Lorentzen & Stemoco AS.

Other current assignments Chairman Hadeland Rigerike Reiseliv. Board Member Cell-Vision AS, Bass Pte Ltd. and Hadeland Maskin AS.

Special expertise Background as shipbroker, owner and partner of different shipping companies and active/investors in start-up companies in Norway.

Shares held in Concordia Maritime 0

Dan Sten Olsson

Board Member since 1984, former Chairman. MBA.

Other current assignments Chairman of Stena Line Holding BV, Stena Metall AB, Stena Sessan AB. Deputy Chairman of the Swedish Shipowners' Association.

Special expertise Extensive knowledge in shipping.

Shares held in Concordia Maritime Via companies.

Mats Jansson

Board member since 2005. B.A.

Background Former CEO Argonaut and NYKCool AB.

Other current assignments Board member MGA Holding, Petrogrand AB and Chinsay AB.

Special expertise Has history in tankers and entire working life in shipping. Possess good knowledge and extensive experience in the financial aspects of shipping.

Shares held in Concordia Maritime 0

BOARD ATTENDANCE AND REMUNERATION

	Independent[3]	Total fees, SEK[4]	Attendance
Carl-Johan Hagman[1) 2)]	Not independent	400,000	6 of 8
Carl Mikael von Mentzer[1)]	Independent	400,000	8 of 8
Dan Sten Olsson	Not independent	225,000	7 of 8
Stefan Brocker	Not independent	225,000	8 of 8
Michael G:son Löw[2)]	Independent	225,000	6 of 8
Mats Jansson	Independent	225,000	8 of 8
Morten Chr Mo	Independent	225,000	8 of 8
Jörgen Lorén, Employee rep.	Independent	25,000	7 of 8
Jens Ole Hansen, Employee rep.	Independent	25,000	7 of 8
Göran Dahlman, Employee rep. deputy	Independent	25,000	6 of 8

1) Member of remuneration committee.
2) Elected at 2012 AGM.
3) Independent is defined as independent of the company, its management and major shareholders.
4) Remuneration of the Board is decided by the AGM and is paid to Board members who are not employees of Concordia Maritime.

AUDITOR

Johan Kratz Authorised Public Accountant KPMG Appointed in 2007.

EMPLOYEE REPRESENTATIVE

Jens Ole Hansen

Employee representative. Company management training, LO-skolan. Employed by Stena Group since 1973. Board member since 1995.

Other current assignments Club Chairman SEKO Sjöfolk. Board member SEKO Sjöfolk, Stena Marine Management AB. Employee representative on the Boards of Stena Rederi AB and Stena Line Scandinavia AB.

Shares held in Concordia Maritime 0

Jörgen Lorén

Employee representative. Master Mariner. Dipl CMO (Commercial Management and Organization in Nautical Science). Employed by Stena Group since 1985. Board member since 2003.

Other current assignments 1st Vice Chairman Swedish Maritime Officers' Association. Club chairman SFBF Stena Line. Vice Chairman Gothenburg Ship Masters Association. Employee representative on the Boards of Stena AB, Stena Line Scandinavia AB and Stena Rederi AB.

Shares held in Concordia Maritime 0

Göran Dahlman

Deputy, employee representative. Company management training, LO-skolan. Employed by Stena Group since 1989. Board member since 1996.

Other current assignments Club Chairman SEKO Sjöfolk. Board member SEKO Sjöfolk and Torslanda Kulturhus AB. Deputy Board Member Stena Marine Management AB and Stena Sessan AB. Employee Representative Stena Sessan Rederi AB and Deputy Gatubolaget AB styrelse. Partner, GDSS Konsult HB.

Shares held in Concordia Maritime 0

EXECUTIVE MANAGEMENT

Hans Norén

President. B.Sc. Economics.
Employed since 1994.

External assignments Board member Nordic Skibsrederforening

Shares held in Concordia Maritime 0

Anna Forshamn

Chief Financial Officer. M.Sc.
Employed since 2012 (at Stena since 1999).

External assignments Board Member MNOPF EG Ltd.

Shares held in Concordia Maritime 0

Torbjörn Rapp

Technical Manager until 31-03-2013.
Employed since 2004.

Shares held in Concordia Maritime 10,000

Barbara Oeuvray

General Manager, Concordia Maritime AG.
Swiss Certified Finance and Accounting Specialist.
Employed since 2005 (at Stena since 1989).

External assignments Board Member Arvak Ltd.

Shares held in Concordia Maritime 12,500

N. Angelique Burgess

General Manager, Concordia Maritime (Bermuda) Ltd.
B.Sc., Management Studies. Employed since 2010.

Shares held in Concordia Maritime 0

DEFINITIONS

Depreciation The accounting deductions, made in a company's financial statements in order to compensate for wear and ageing of its vessels and equipment.

Dividend yield Dividend per share divided by the share price at year-end.

EBITDA Earnings Before Interest, Taxes, Depreciation and Amortisation.

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).

Return on equity Result for the year as a percentage of average equity.

Return on total capital Result after financial net plus finance costs as a percentage of average total assets.

Return on capital employed Result after financial net plus finance costs as a percentage of average capital employed. Capital employed refers to total assets minus non-interest-bearing liabilities, including deferred tax liability.

P/E ratio Share price at year-end divided by earnings per share after tax.

Equity ratio Equity as a percentage of total assets.

Spot market (open market) Chartering of vessels on a voyage-by-voyage basis, with freight rates fluctuating virtually daily.

Time charter The shipowners charters out its ship complete and crewed for a long period at fixed rates. The charterer pays for the bunker oil and port charges.

ANNUAL GENERAL MEETING AND DATES FOR INFORMATION

Annual General Meeting

The Annual General Meeting will be held at Lorensbergsteatern, Gothenburg, Sweden, at 2.00 p.m. on 23 April 2013. The interim report for the first quarter will also be presented at the meeting.

Participation

Shareholders wishing to attend the AGM must be registered in Euroclear AB's share register as at 17 April 2013, and must notify the Company at the following address:

Concordia Maritime AB
405 19 Gothenburg, Sweden

or by telephone + 46 31-85 50 19
e-mail: arsstamma@concordiamaritime.com
or via the website: www.concordiamaritime.com
by 17 April 2013.

Dividends

The Board proposes a dividend of SEK 0.50 per share. The proposed record date for dividends is 26 April 2013. If the Annual General Meeting adopts the proposal, the dividend will be paid out by Euroclear AB on 2 May 2013.

Nominee-registered shares

To be eligible to participate in the Annual General Meeting, shareholders who have registered their shares in the name of a nominee through a bank's trust department or an individual broker must temporarily register the shares in their own name with Euroclear AB. Shareholders who wish to re-register shares must inform the nominee well in advance of 17 April 2013.

Reporting dates

The annual report for 2012 is sent to all registered shareholders. The interim report for the first three months will be published on 23 April 2013, the report for the first six months on 14 August 2013 and the report for the first nine months on 13 November 2013.

ADDRESSES

Concordia Maritime AB (publ)
405 19 Gothenburg, Sweden
Tel +46 31 85 50 00
Corp. ID 556068-5819
Reg'd office Gothenburg

Concordia Maritime AG
Bahnhofplatz
CH-6300 Zug
Switzerland

Concordia Maritime (Bermuda) Ltd
Belvedere Building
69 Pitts Bay Road
Pembroke HM08 Bermuda

Hans Norén
President
Tel +46 31 85 51 01
or +46 704 85 51 01
hans.noren@concordiamaritime.com

Anna Forshamn
CFO
Tel +46 31 85 51 72
or +46 704 85 51 72
anna.forshamn@concordiamaritime.com

www.concordiamaritime.com

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Solberg · Photo: Katja Andersson, Christian Badenfelt, Carlo Baudone, Michael Cooper, Per-Anders E Hurtigh, Thomas Kohnle, Dan Ljungsvik, Peter Mild, Linus Netshagen, Conny Wickberg m fl. · Printing: Falk Graphic

Several ways to follow our activities

Our ambition is to spread knowledge about us and our industry in a transparent and exciting way. Tanker shipping is a complex industry and so it is important for us to explain what we do and how we do it. It must be easy to follow us and be updated on what is happening in our world.

- **On our website** you will find comprehensive and detailed information on virtually everything you might want to know about our activities. Read about our fleet and our vessel concepts, share the market reports and subscribe for press releases and news.
- **Why not download our app**, which is full of information about our ships, the share, photos, videos and more. By reading the QR code on the right you can download the app free of charge via the Apple App Store or Google Play.
- **Of course you are also welcome to contact us** if you have any questions or want to know more about our activities. Contact information can be found on our website, in our app and on the last page of this annual report.

Apple App Store

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Concordia Maritime AB (publ)
405 19 Gothenburg, Sweden
Tel +46 31 85 50 00
www.concordiamaritime.com
Corp. ID: 556068–5819
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