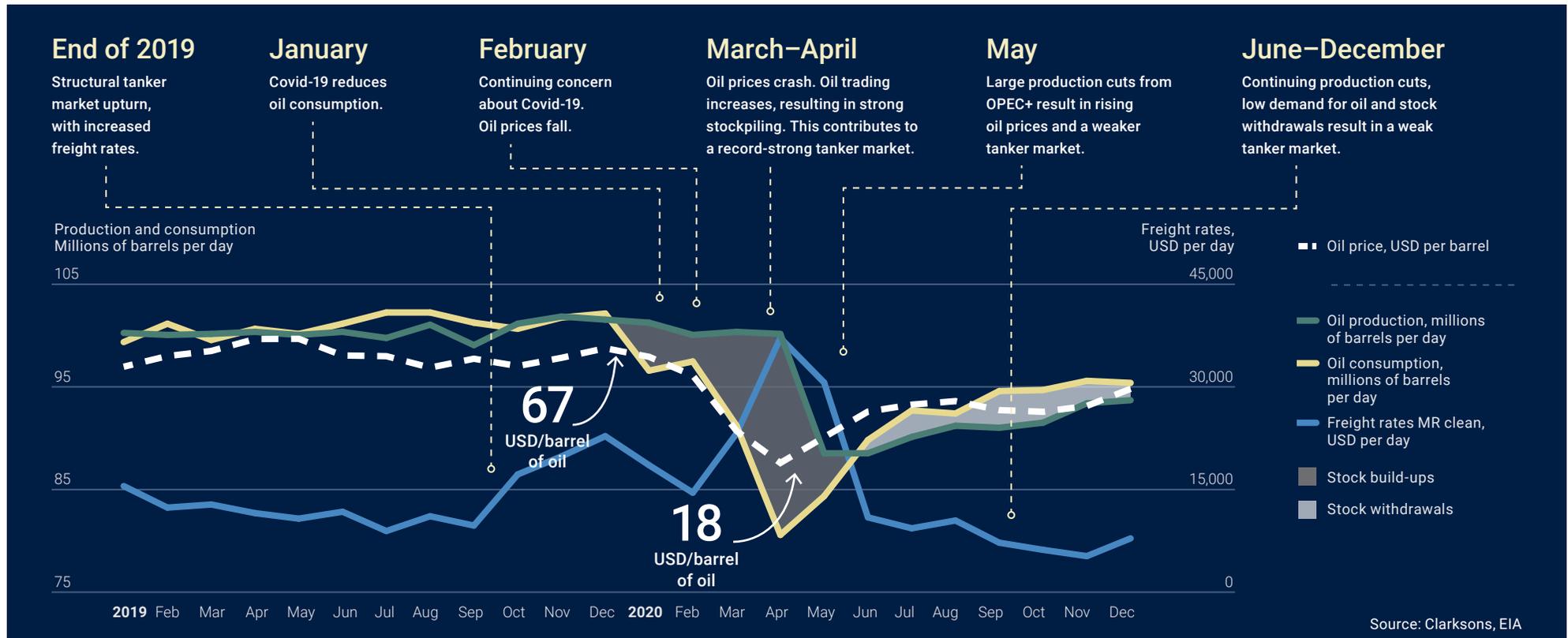


External trends & market



A volatile year dominated by Covid-19



The tanker market was particularly volatile in 2020. At the end of 2019, the entire tanker market was heading for a structural upturn. Demand for tanker transportation was good and freight rates were high. Then came the pandemic. Demand for oil decreased the most by about 20 percent compared with the end of 2019 and freight rates fell sharply.

However, the fall was short-lived, as a record-low oil price led to a sharp increase in oil trading – resulting in sky-high rates in the tanker market. This rise, also very short-lived, was not driven by a real increase in demand for oil, but was entirely a consequence of the low price of oil. This resulted in large stock build-ups. From summer onwards, the combination of

stock withdrawals, extremely subdued oil consumption in general terms and massive production cuts resulted in a record-weak market.

Concordia Maritime's earnings in 2020

For Concordia Maritime, the year was largely focused on the continuing process of positioning and deploying the fleet in line with the employment strategy and current market conditions. A central part of this work involved continuing to concentrate P-MAX vessel employment on trade routes and cargo systems where the vessels' unique properties are most beneficial – which in turn creates opportunities for premium rates.

FOR THE FULL YEAR, average earnings for the entire product tanker fleet, spot and TC, were USD 16,200 (14,500) per day. For vessels employed in the spot market, average earnings for the year were USD 16,100 (14,300) per day. In the suezmax segment, average earnings for the year were USD 27,100 (28,000) per day.

Product tankers

P-MAX

The ten vessels in the P-MAX fleet were employed on time charters or in the spot market during the year. Several vessels sailed on niche routes for customers with special requirements. For example, five of the vessels transporting lighter oil products were employed on niche routes in Brazil.

IMO IIMAX

The IMO IIMAX vessels *Stena Image* and *Stena Important* continued to be employed under the cooperation with Stena Bulk. Through their pool employment during the year,

both vessels had earnings that exceeded the market, mainly due to a good combination of petroleum products, vegetable oils and chemicals.

Crude oil

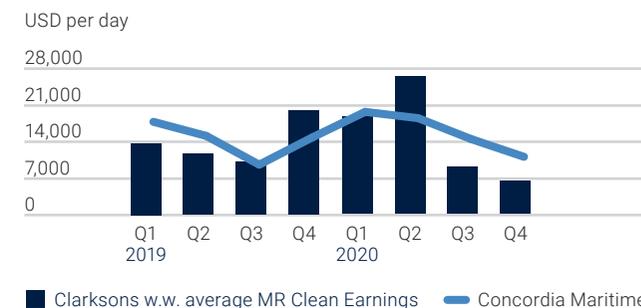
Suezmax

During the year, the suezmax tanker *Stena Supreme* was successfully employed in the spot market via Stena Sonangol Suezmax Pool, controlled by Stena and the Angolan state oil company Sonangol. The pool is a long-time market leader in terms of suezmax tanker earnings.

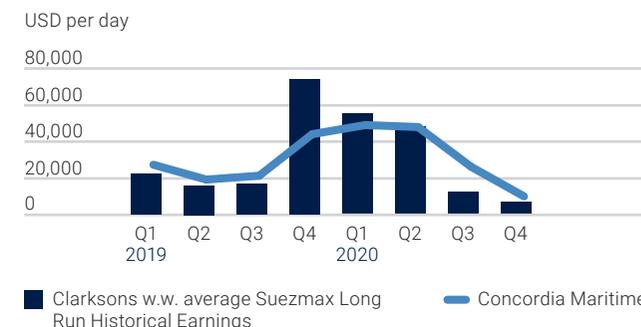
Suezmax vessels chartered in

At the end of the year, four more suezmax vessels were chartered in. These are joint charters with Stena Bulk, and Concordia Maritime's share is 33 percent for two of the vessels and 50 percent for the other two. All of the vessels were employed on the spot market via Stena Sonangol Suezmax Pool.

Product tanker fleet's average voyage result (spot)



Suezmax fleet's average voyage result (spot)



Drydocking and repairs

Drydock inspections of *Stena Image*, *Stena Important*, *Stena Penguin* and *Stena Polaris* were completed during 2020. *Stena Paris* also went into drydock during the year and the work was completed in 2021.

While in drydock, *Stena Penguin*, *Stena Polaris* and *Stena Paris* had ballast water treatment systems installed. *Stena Image* and *Stena Important* already had these systems installed.



Valuation of the fleet

Concordia Maritime's standard process is to conduct six-monthly assessments and valuations of the fleet to determine whether there is any indication of impairment. The process is based on an overall assessment of future earnings, new-building price development and average values from three independent ship brokers.

The fleet is defined as two cash-generating units, with product tankers representing one unit and the suezmax tanker the other unit. An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of fair value (external valuations) and value in use (future discounted cash flows). At the end of December 2020, the fleet's carrying amount did not exceed its recoverable amount, which meant that there was no impairment loss recognised.

EBITDA per quarter

USD millions	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Product tankers, time charter	4.6	4.5	4.2	4.6	1.5	1.9	4.3	4.3
Product tankers, spot, owned and leased tonnage	-2.0	0.3	5.2	5.5	3.1 ²⁾	3.1 ¹⁾	1.2	3.8
Product tankers, spot, short-term chartered tonnage	0.0	0.0	0.0	0.0	0.0	-0.2	-0.1	0.1
Sale of vessels	—	—	—	—	—	—	—	—
Product tankers, total	2.6	4.9	9.3	10.1	4.7	4.8	5.5	8.1
Suezmax, spot, owned and leased tonnage	0.1	1.4	3.4	3.6	3.1	1.0	0.9	1.6
Suezmax, spot, short-term chartered tonnage	-1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sale of vessels	—	—	—	—	—	—	—	—
Suezmax, total	-1.7	1.4	3.4	3.6	3.1	1.0	0.9	1.6
Admin. and other	-0.8	-0.7	-1.0	-0.9	-1.3	-0.4	-0.7	-0.8
Total	0.1	5.5	11.8	12.7	6.5	5.4	5.6	8.9

1) The total includes an IMO/IMAX bonus of USD 5 million received.

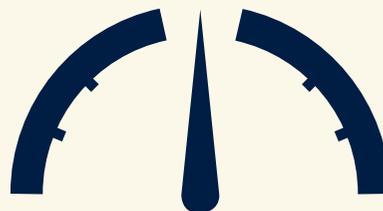
2) The total includes a negative bunker hedge of USD -0.5 million.

Earnings per vessel category

SEK millions	Full year	
	2020	2019
Product tankers, time charter	262.2	334.7
Product tankers, spot	638.0	660.9
Product tankers, total earnings	900.2	995.5
Suezmax, spot	122.8	96.6
Suezmax, total earnings	122.8	96.6
Other	2.9	48.0
Total income	1,025.8	1,140.2

Market drivers

Tanker market development is governed by the balance between demand for transport and supply of available vessels. This balance is in turn governed by both structural and more temporary factors.



Affect demand for tanker transport

Can affect both supply and demand

Affect supply of vessels

- 1 Demand for oil**
follows economic development and is the basis of demand for seaborne transportation of crude oil and oil products.
- 2 Changes in OPEC's oil production**
have a direct impact on the need for transport as OPEC+ countries account for about 50 percent of total world oil production.
- 3 Changing trade patterns**
due to, e.g., new regulations and increased distances between refineries and end consumers have a major impact on the need for transport.
- 4 Actual and expected oil price development**
affects both demand for oil and stocks of crude oil and oil products in the consuming countries.

- !** **Stockpiling and stockwithdrawals**
- !** **War and unrest**
- !** **Bad weather**
- !** **Global events such as pandemics**

- 1 Deliveries of new vessels**
are a key factor in global fleet growth. New building generally increases when demand for tonnage is high – and vice versa when markets are weaker.
- 2 Phasing-out of older vessels**
– normally through scrapping or use as floating storage – also has a direct impact on vessel supply. Both the economy and new regulations can affect the phasing-out rate for existing tonnage.

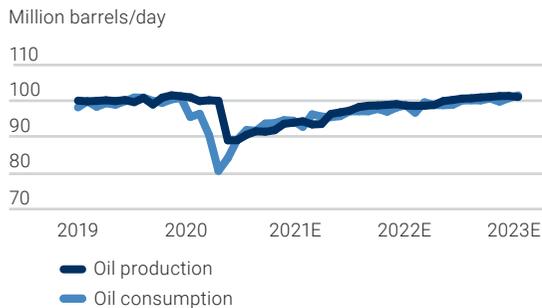
Outlook

Market remains weak – but gradual strengthening from Q3 2021

The external situation makes it difficult to assess future market developments. However, several factors point to the market strengthening again from summer 2021 onwards. The main pointers are gradually increasing demand for oil, balanced stock levels and record low net fleet growth.

Increasing demand for oil

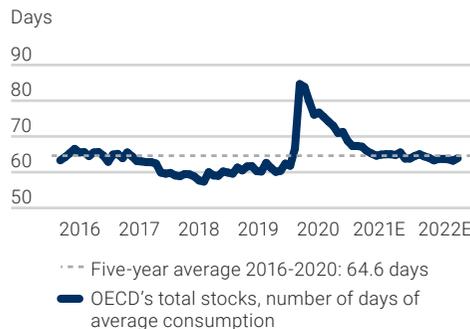
Despite the continuing spread of Covid-19 at the beginning of 2021, demand and consumption of oil continue to recover at a relatively good pace. At the time of writing, in the early months of 2021, consumption (according to the EIA) is about 94 million barrels per day. It is expected to continue to increase to about 96 million barrels per day during the first half of the year. The upward trend is then expected to continue, approaching 100 million barrels per day towards the end of the year.



Source: EIA Short-Term Energy Outlook, January 2021

Declining stocks

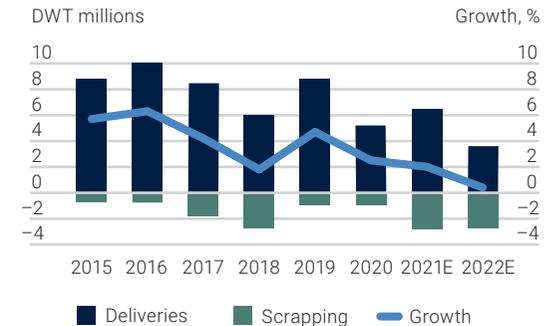
The combination of increased oil consumption and continuing production cuts means that stock levels are gradually declining. By summer 2021, stocks are expected to be down at levels corresponding to the average for the last five years. The effect of more balanced stock levels is expected to have a positive effect on the tanker market.



Source: EIA

Record low net fleet growth

At the beginning of March 2021, the order book for the product tanker segment was at a record low 6 percent of the total tanker fleet – the lowest in over 25 years. Including the expected phasing out of tonnage, growth in 2021 is expected to be only about 2 percent. In the current situation, very few new orders are being placed either, which means that the low growth rate will be gradually extended. This is obviously good for the tanker market as a whole.



Source: Clarkson