



Broström is one of the leading logistics companies for the oil and chemical industry, focusing on industrial product and chemical tanker shipping and marine services. Broström is based worldwide, with head offices in Göteborg, Sweden.

# Press Release

## INTERIM REPORT 1 JANUARY–30 JUNE 2007

Broström AB (publ) – Reg. no. 556005-1467

- **Volatile freight market during first half of the year**
  - European traffic showed a continued stable trend during the second quarter, but with a seasonal decline towards the end of the period.
  - Asian traffic was characterised by continued favourable development during the second quarter.
  - Atlantic traffic developed well during the second quarter.
- **Profit after net financial items for Q2 SEK 247 m (65). This includes SEK 107 m (9) of capital gains related to sales of vessels and operations and dissolution of negative goodwill.**
  - Net sales were SEK 915 m (769, of which 23 pertains to sold subsidiaries).
  - Profit after tax was SEK 236 m (61).
  - Earnings per share were SEK 3.60 (0.93).
- **Profit after net financial items for the first six months SEK 419 m (375). This includes SEK 109 m (99) of capital gains related to sales of vessels and operations and dissolution of negative goodwill.**
  - Net sales were SEK 1,841 m (1,734, of which 96 pertains to sold subsidiaries).
  - Profit after tax was SEK 386 m (317).
  - Earnings per share were SEK 5.86 (4.80).
  - Return on capital employed was 15.5% (13.4).
- **Cash flow and disposable liquidity for the first six months**
  - Cash flow per share was SEK 8.75 (5.94).
  - Disposable liquidity amounted to SEK 1,299 m (1,110 on 31 December 2006).
  - The dividend payout was SEK 258 m.
- **Strategic acquisition in Asia**
  - Acquisition of Petroships Group, which operates a fleet of nine small and intermediate product tankers in Southeast Asia.
- **Substantial surplus value of fleet, newbuilding contracts and call options on vessels**
  - Fleet valuations have continued to increase adding to the overvalue of approximately SEK 2.5 billion as per 31 December 2006.
- **Outlook**

The spot market during the start of the third quarter of 2007 in Broström's market segment was characterised by a downturn. However, structural changes in the market and widening regional imbalances are resulting in a continued greater need for transport in Broström's segment. Investments and acquisitions carried out in 2006 and 2007 are having an increasingly positive impact on earnings. The outlook for 2007 as a whole continues to be positive and Broström's strategic position has been further strengthened for 2008 and onwards.

SEK m	6 months		Second quarter		Full year
	2007	2006	2007	2006	2006
Net sales	1,841.2	1,733.9	915.1	769.3	3,386.1
Operating profit (EBIT)	520.0	463.7	301.9	112.7	771.7
Profit after net financial items	419.2	375.0	246.8	64.9	579.8
Profit for the period	386.3	316.6	235.7	60.6	503.0
Investments	656.2	898.2	518.7	215.1	1,687.5
Cash flow from operating activities	567.9	387.6	325.3	127.0	853.7
Disposable liquidity	1,298.9	1,113.4			1,109.7
Return on capital employed, %	15.5	13.4			11.3
Equity/assets ratio II, %	32.0	35.3			35.0
Profit before tax per share, SEK *	6.46	5.75	3.82	0.99	8.87
Net profit per share, SEK *	5.86	4.80	3.60	0.93	7.57
Net profit per share after dilution, SEK *	5.86	4.78	3.60	0.94	7.57
Cash flow from operating activities per share, SEK *	8.75	5.94	5.03	1.95	13.05
Average number of shares *	65,797,184	65,245,684	65,797,184	65,245,684	65,395,814

\* The number of shares are recalculated after split

## ACTIVITIES

### Market overview

#### *First quarter*

The mild winter and well-filled stocks of refined oil products contributed to a weaker freight market during the first quarter of the year. Colder temperatures in the USA and Europe brought a gradual improvement in the market in February and March. This trend was strengthened by shipments of gasoline from Europe to West Africa as a result of production disruptions at refineries in Nigeria.

In Southeast Asia, the year started out with a relatively strong freight market. This was followed by a period of lower demand for transport capacity, as a result of among other things, warm weather and numerous maintenance shutdowns of refineries in the region.

For small and intermediate tonnage in Europe, the first quarter was more stable.

Strong winds and port strikes caused delays during the start of the year. However, in pace with falling temperatures and the formation of ice in the Baltic, demand for tonnage increased, which contributed to improved earnings at the end of the first quarter.

Towards the end of the first quarter, stocks of primarily gasoline in the USA fell to a level that was considerably lower than the historical average. Greater consumption and lower domestic production were contributing factors.

#### *Second quarter*

In the USA, the build-up of stocks that were subsequently needed to meet demand for gasoline ahead of the seasonal rise in gasoline consumption during the summer months, led to a sharp rise in import needs and contributed to strong demand for shipments to the North American market during the second quarter. During the latter part of the second quarter, consumption of gasoline also rose in Europe, which decreased the available volume for export. This has been partly compensated by the export of greater volumes of gasoline from refineries in the Caribbean to the North American market.

The European market remained stable during the second quarter, but with the usual seasonal slowdown towards the end of the period.

The Southeast Asian market strengthened during the early part of the second quarter and remained at a relatively favourable level throughout the quarter.

Supply and demand in the oil energy sector are largely in balance, which means that small disruptions in the production and distribution

chain have a rapid impact on the freight market. As a result, spot market prices for shipments will fluctuate sharply in the coming years, and shipments will increasingly be made over longer distances. This is having a favourable effect on the transport sector and is leading to a greater need for vessels.

The shipyards' orderbooks remain very well-filled and newbuilding prices continue to be high – in some cases showing a continued rising trend. Against the background of rising demands on quality, regulations and continued high steel prices, scrapping of tankers has risen significantly thus far into 2007.

In the vessel segments in which Broström is active, single-hulled vessels still account for a third of the global fleet, meaning that the need to scrap vessels will be great for several years to come.

#### Development for Broström

The first quarter started out with a relatively weak freight market in Broström's segments, but was followed later in the quarter by a gradual improvement. Winter storms and strikes at some European ports caused delays in European traffic, which on the whole showed stable development, however. As a large part of Broström's European fleet is designed to operate under ice conditions, the market conditions were favourable during the latter part of the quarter for transportation of Russian oil products from the Gulf of Finland.

The trend for Broström's Atlantic traffic has been stable and was favourably influenced during the latter part of the period by the general market upswing.

Broström's Asian traffic is currently undergoing strong expansion, and an additional three newbuildings in the 47,000 dwt size class were delivered during the first half of the year. At the end of May, Broström was able to announce the acquisition of Petroships Group in Singapore. The company operates a fleet of nine small and intermediate size product tankers in Southeast Asia. With its concentration on these nine vessels ranging from 5,000 to 16,600 dwt, Petroships makes up a strategic complement to Broström's existing operations in this part of the world and a platform for continued expansion in this segment. Broström's acquisition of Petroships Group is expected to add approximately SEK 200 m in annual sales from the eight acquired wholly and partly owned vessels. The ninth vessel is operated under Commercial Agreement. Overall the ac-

quisition is expected to generate a positive contribution to consolidated earnings in 2007.

Broström's focus on contracts of affreightment, where such business volume accounts for approximately 50% of total capacity, enabled the company to maintain steady and high capacity utilisation during the period. The acquisitions made and new partnerships entered into in 2006 and 2007 are now steadily contributing to higher fleet employment and improved capacity utilisation of Broström's fleet, which is gradually having a greater impact on Broström's earnings.

Broström's commercial fleet currently consists of around 85 vessels. After the newbuildings currently on order have been delivered to Broström – within the next two years – the commercial fleet is expected to amount to approximately 105 vessels.

Broström intends also in the future to continue taking advantage of possible consolidation opportunities in the segments in which the company is active. This could take place through additional partnerships and company acquisitions.

Activity has been high at most ports at which the Broström Agency Network is represented. Business in the specialist field of project forwarding services was particularly successful during the period. Earnings for the business area remained favourable.

#### Changes in the fleet

The GAN-VOYAGER, the GAN-VALOUR and the GAN-VICTORY (all 47,000 dwt) were delivered during the period and are now operating in Broström's Asian traffic.

In February the BRO TRANSPORTER (14,400 dwt, built 1989) and the BRO TRADER (14,320 dwt, built 1988) were sold. The sale generated a capital gain of SEK 2.0 m and a liquidity contribution of SEK 86.6 m. Delivery took place at the end of the first quarter.

The BRO DEVELOPER (14,750 dwt) was delivered to Broström in February 2007 from the shipyard in China.

Also in February, Broström entered into a long-term partnership with the German shipowner Reederei Claus-Peter Offen, which will result in a doubling of Broström's commercial fleet in Europe in the 37,000 dwt size segment. The eight new vessels will be delivered in late 2008.

In May 2007, Broström and its partner Erik Thun entered into an agreement to acquire the two chemical and oil product tankers MARISP and MARELD (7,100 dwt, built in 2003 and 2004, respectively). Both vessels have been commercially operated by Broström for more than two years. Broström and Erik Thun will each own 50% of the respective vessels.

In May Broström also reached an agreement to acquire Petroships Group, a group of companies in Singapore and Malaysia that operates a fleet of nine small and intermediate-size product tankers in Southeast Asia ranging from 5,000 to 16,600 dwt. See the table below.

#### *Petroships' fleet*

Name	Built	Dwt	Ownership
Petro Combo	2003	16,600	100%
Petro Vario	2003	16,600	100%
Petro Foremost	1999	12,600	44%
Petro Ranger	1993	12,300	C/M
Petro Concord	1995	12,200	100%
Petro Opti	1995	7,500	44%
Petro Venture	1995	7,500	44%
Petro Imtres	1998	5,000	100%
Petro Easkem	1998	5,000	100%

#### Tonnage tax

Starting in 2004, Broström's entire French operation is affiliated with the tonnage tax system, in accordance with the EU's shipping policy.

In Sweden a study of the introduction of a tonnage tax has been published. The proposal set forth by the study calls for Sweden to also adopt the EU's maritime policies and thereby achieve competitive neutrality with respect to other maritime nations within the EU.

Until a formal decision has been made on tonnage taxes for the Swedish shipping industry, which would result in competitive neutrality with respect to other EU countries, Broström does not intend to operate its future newbuildings or acquired vessels under the Swedish flag. These vessels will mainly operate under another EU flag.

Of the total deferred tax in the balance sheet as per 30 June 2007, amounting to SEK 507.2 m, SEK 478.1 m is attributable to the Swedish shipping operations.

## SIGNIFICANT RISKS AND UNCERTAINTY FACTORS

The risks that affect Broström in its operating environment are economic cycle dependency, freight rates, political factors, oil prices, and risks associated with war and terrorism. Operational risks include vessel operations, risks associated with expansion and investment, and risks related to employees.

In the course of its operations the Group is exposed to various financial risks: market risk, credit risk, liquidity risk, currency risk and interest rate risk. The Group's overall risk management policy focuses on predictability in the financial markets and strives to minimise potentially unfavourable effects on the Group's financial results.

In Broström's opinion, nothing of material significance has happened which affects the assessment of risks and uncertainty factors reported on in the 2006 Annual Report. Accordingly, for further information, please refer to the "Risk factors and sensitivity analysis" section of the 2006 Annual Report (page 44) and the "Financial risk management" discussion on page 62.

## GROUP FINANCIAL RESULTS

### Second quarter 2007

Consolidated net sales during the second quarter amounted to SEK 915.1 m (769.3, of which 23.2 pertains to sold subsidiaries). The net sales for Petroships Group for the period 1 May - 30 June amounted to SEK 33.2 m.

Operating profit for the Group was SEK 301.9 m (112.7). Operating profit for Petroships Group for the period 1 May - 30 June 2007 amounted to SEK 11.8 m.

### January - June 2007

Consolidated net sales during the first half of the year amounted to SEK 1,841.2 m (1,733.9, of which 95.5 pertains to sold subsidiaries). The net sales for Petroships Group for the period 1 May - 30 June amounted to SEK 33.2 m.

Operating profit was SEK 520.0 m (463.7). Operating profit for Petroships Group for the period 1 May - 30 June 2007 amounted to SEK 11.8 m.

The share in associated companies' profit was SEK 2.5 m (2.6).

Net interest expense amounted to SEK -101.2 m (-83.0). The USD Libor (6 months) interest rate was 5.4% at 30 June 2007, the same level as on 31 December 2006. Net financial items amounted to SEK -100.8 m (-88.7), which resulted in a profit of SEK 419.2 m (375.0) after net financial items.

The return on capital employed was 15.5% (13.4%).

Tax expenses during the period amounted to SEK -32.9 m (-58.4), corresponding to 7.8% (15.6%) of profit before tax. Paid tax amounted to SEK -2.0 m (-5.4).

The figures for the period include a capital gain of SEK 2.0 m (98.8) on sales of vessels and operations and dissolution of negative goodwill related to the acquisition of Petroships Group in the amount of SEK 106.7 m (0).

## MAJOR DEVELOPMENTS AFTER THE PERIOD

On 2 July 2007 Broström sold its 50% stake in the ship agency Percy Tham i Oxelösund AB, to Transatlantic European Services AB. The sale generated a pre-tax gain of approximately SEK 1.4 m.

In connection with Broström's acquisition in August 2006 of two vessels which are now named the BRO EDGAR and the BRO ERIK (both 37,000 dwt and built in 2004 and 2005, respectively), the company also signed an option agreement which gave Broström the right to acquire the HUNTESTERN (37,000 dwt, built in 2004) at a predetermined price. Broström has now declared its right to acquire the vessel, and takeover is expected to take place in December 2007. The growth in value that has taken place in vessel prices means that the option price that Broström will have to pay for the vessel is more than 20% lower than the current market price.

On 10 August 2007, Broström signed an agreement to sell its financial holding of 2.8% in Norrköpings Hamn & Stuveri AB. The sale is estimated to generate a profit before tax of about SEK 10 m and will be taken up as income in the third quarter 2007.

## OUTLOOK

The spot market during the start of the third quarter of 2007 in Broström's market segment was characterised by a downturn.

The oil energy market today is essentially in balance, and it appears that the expansion of refinery capacity will fall short of growing demand in the years ahead. Shipments are being made over ever-greater distances, and regional imbalances are expected to continue widening. The rapidly growing Chinese economy, US oil needs and Russian exports of oil through the Baltic are also contributing to high demand for transportation of oil and chemical products.

The increasingly stringent requirements being made by authorities and customers with respect to quality, safety and the environment are putting higher demands on the overall organisation that is involved in the logistics chain.

Together these factors point to a continued favourable development for Broström, and the outlook for 2007 as a whole remains positive. Completed acquisitions in 2006 and 2007 and established partnerships are expected to gradually contribute to improved earnings in pace with the addition of vessels to Broström's fleet. Broström's strategic position has been further strengthened for 2008 and onwards.

The shipyards' orderbooks are at historically high levels in Broström's vessel segments, and a large number of vessels will be delivered in the years immediately ahead. In Broström's view, however, this addition of tonnage will be offset to a large degree by the major need for replacement and structural changes in the market.

The value of the US dollar relative to the Swedish krona is an uncertainty factor to note. All else equal, a weakening of the US dollar would have a negative impact on Broström's sales, earnings and shareholders' equity, while a strengthening would have a positive effect.

## INVESTMENTS AND DIVESTMENTS

Total investments within the Group during the period amounted to SEK 656.2 m (898.2). Divestments totalled SEK 88.8 m (332.3).

Of total investments, SEK 204.1 m (895.6) pertained to vessels and newbuilding contracts.

At the end of the first quarter the BRO TRANSPORTER (14,400 dwt, built in 1989) and the BRO TRADER (14,320 dwt, built in 1988) were delivered to their buyers. The sale

generated a pre-tax gain of SEK 2.0 m and a cash contribution of SEK 86.6 m.

In May 2007, Broström and its partner Erik Thun entered into an agreement to acquire the two chemical and oil product tankers MARISP and MARELD (7,100 dwt, built in 2003 and 2004, respectively). Both vessels have been commercially operated by Broström for more than two years. Broström and Erik Thun will each own 50% of the respective vessels.

In May Broström also reached an agreement to acquire Petroships Group, a group of companies in Singapore and Malaysia that operates a fleet of nine small and intermediate-size product tankers in Southeast Asia ranging from 5,000 to 16,600 dwt. See the table on page 4. Under the terms of the acquisition agreement, five vessels will be wholly owned and three will be partly owned. Petroships Group is included in Broström's profit and loss account as from 1 May 2007.

Broström's acquisition of Petroships Group is expected to add approximately SEK 200 m in annual net sales to Broström from the five acquired wholly owned vessels. Earnings from the partly owned vessels in which Broström's stake is less than 50% will be reported as a share in profit of associated companies. The fair value of tangible fixed assets shown in the table below has been calculated as an average value of the vessels of external appraisals conducted at the time of acquisition. The acquisition gives rise in the accounts to dissolution of negative goodwill in the amount of SEK 107 m, which is reported under other income for the period.

The company grouping has 399 employees, of whom 352 are onboard crew. The previous largest shareholder will retain a small stake in the companies in Malaysia that are included in the group and will also continue to have a seat on Petroships' board together with representatives from Broström.

Specification of assets and liabilities in acquired company, SEK m	Fair value	Book value
Tangible assets	588.9	358.6
Current assets	336.9	336.9
Non-current liabilities, interest-bearing	- 246.2	- 246.2
Current liabilities, interest-bearing	- 9.0	- 9.0
Current liabilities, non-interest-bearing	- 246.5	- 233.8
<b>Total purchased net assets</b>	<b>424.1</b>	<b>206.5</b>

Broström is currently involved in investments in five newbuildings.

#### *Newbuildings on order*

Name	Delivery	Dwt	Ownership	Partner
NB 030	2007	17,000	100%	
NB 053	2007	17,000	100%	
NB 064	2007	17,000	100%	
NB 386	2009	7,500	50%	Thun
NB 387	2009	7,500	50%	Thun

In addition, a further 14 newbuildings will be added to the fleet under various partnerships.

Broström's updated fleet list can be found at [www.brostrom.se](http://www.brostrom.se).

## CASH FLOW

Cash flow from operating activities amounted to SEK 567.9 m (387.6), or SEK 8.75 (5.94) per share.

## FINANCIAL POSITION AND LIQUIDITY

The Group's disposable liquidity on the balance sheet date amounted to SEK 1,298.9 m (1,109.7 on 31 December 2006). This amount includes unutilised overdraft facilities totalling SEK 52.4 m (52.2).

A dividend of SEK 258.3 m was paid to the shareholders in May.

Net debt increased during the period from SEK 3,015.0 m to SEK 3,410.2 m, mainly due to investments in vessels and businesses.

Shareholders' equity on the balance sheet date amounted to SEK 2,659.7 m (2,606.4 on 31 December 2006), and the equity/assets ratio I was 30.1% (32.8%). The equity/assets ratio II was 32.0% (35.0%), which is above Broström's target of 30%.

As per 30 June 2007, Broström has repurchased 1,216,000 Class B treasury shares at an average price of SEK 69.75.

At Broström's Annual General Meeting on 3 May 2007, the Board's proposed amendment to the Articles of Association, which would allow a stock split, was approved. The split was effected by VPC on 4 June 2007, whereby each existing share was split into two new shares. Comparison values for previous years

regarding the number of shares have been recalculated in accordance with IFRS.

It should be noted that in connection with the adoption of IFRS, the company has decided not to restate the book value of its vessels to market values. Fleet valuations have continued to increase adding to the overvalue of approximately SEK 2.5 billion as per 31 December 2006.

During the first quarter, Broström launched and placed a three-year bond worth SEK 500 m. The bond has been issued with a fixed rate of interest with a coupon set to 5.25% p.a. The amount was paid out on 3 April.

Broström's financial position is strong and enables continued participation in possible structural changes in the industry.

## PLEGDED ASSETS AND CONTINGENT LIABILITIES

Pledged assets have increased since the start of the year by SEK 231.2 m and amount to SEK 6,013.4 m (5,782.2 on 31 December 2006). Contingent liabilities have decreased by SEK 6.3 m since the start of the year and amount to SEK 76.8 m (83.1 on 31 December 2006).

## WARRANT PROGRAMMES

As per 30 June 2007 Broström has two share warrant programmes in effect that were introduced in 2005 and 2007. The programmes were offered to all permanent employees of the Group as well as to employees of partly owned companies in which Broström's ownership is more than 50%.

The number of warrants in the warrant programmes has been recalculated in accordance with the rules that apply for a stock split. On 4 June 2007 Broström carried out a 2:1 split, which is why the number of warrants has doubled compared with the previously reported number of shares, and the price per share has been halved.

The warrant programme from 2005 consists of two warrant series with exercise dates in September 2007 and September 2008, respectively. Each employee was entitled to 2,500 warrants. If the programme was not fully subscribed, an additional maximum of 197,500 warrants could be subscribed. The price of each warrant was SEK 3.13 in series 2005:1

and SEK 4.25 in series 2005:2. Each warrant entitles its bearer to subscribe for one share at the exercise price of SEK 78.60. The warrants that were not granted in 2005 were offered to future new employees. One such offer was made in autumn 2006. The price was SEK 5.35 for each warrant in series 2005:1 and SEK 8.40 for each warrant in series 2005:2. The total number of subscribed warrants as per 30 June 2007 was 795,600. A total of 4,400 warrants remain outstanding.

Subscribed warrants in the warrant programme entail an increase in the total number of shares and votes by 1.2% and 0.8%, respectively.

There was no dilutive effect in terms of value on the balance sheet date.

The warrant programme from 2007 consists of two warrant series with exercise dates in September 2009 and September 2010, respectively. Each employee was entitled to 2,500 warrants. If the programme was not fully subscribed, an additional maximum of 197,500 warrants could be subscribed. The price of each warrant was SEK 3.80 in series 2007:1 and SEK 5.10 in series 2007:2. Each warrant entitles its bearer to subscribe for one share at the exercise price of SEK 98.10. The total number of subscribed warrants as per 30 June 2007 was 419,400. A total of 1,580,600 warrants remain outstanding.

Subscribed warrants in the warrant programme entail a 2.9% increase in the number of shares and 1.9% increase in the number of votes.

There was no dilutive effect in terms of value on the balance sheet date.

## STAFF

Through the acquisition of Petroships Group in May 2007, the number of Broström employees increased by 399, of whom 47 are in the shore-based operations and 352 are onboard employees. In total, the Broström Group has approximately 1,400 employees.

## PARENT COMPANY

The activities of the parent company, Broström AB, consist mainly of Group management and administration of joint activities for the Group. The assets consist mainly of shares in subsidiaries and short-term financial investments.

SEK m	6 months		Second quarter		Full year
	2007	2006	2007	2006	2006
<b>Income statements</b>					
Net sales	17.7	16.3	8.4	8.0	31.9
<b>Operating profit/loss (EBIT)</b>	<b>-20.0</b>	<b>1.4</b>	<b>-11.1</b>	<b>10.0</b>	<b>-18.7</b>
Net financial items	8.9	48.2	7.7	51.8	253.0
<b>Profit after net financial items *</b>	<b>-11.1</b>	<b>49.6</b>	<b>-3.4</b>	<b>61.8</b>	<b>234.3</b>
Appropriations	-	-	-	-	3.4
<b>Profit before tax</b>	<b>-11.1</b>	<b>49.6</b>	<b>-3.4</b>	<b>61.8</b>	<b>237.7</b>
Tax	7.9	8.3	5.7	4.9	12.8
<b>Profit for the period</b>	<b>-3.2</b>	<b>57.9</b>	<b>2.3</b>	<b>66.7</b>	<b>250.5</b>
<i>* Of which, dividends from subsidiaries and associated companies</i>	17.1	59.3	17.1	59.3	268.3
<b>Balance sheets</b>					
Non-current assets	2,312.5	1,980.3	-	-	1,981.2
Current assets	1,873.4	1,691.4	-	-	2,027.3
<b>Total assets</b>	<b>4,185.9</b>	<b>3,671.7</b>	-	-	<b>4,008.5</b>
Shareholders' equity	1,431.9	1,563.3	-	-	1,776.5
Untaxed reserves	-	3.4	-	-	-
Non-current liabilities	1,443.3	1,009.5	-	-	993.9
Current liabilities	1,310.7	1,095.5	-	-	1,238.1
<b>Total liabilities and shareholders' equity</b>	<b>4,185.9</b>	<b>3,671.7</b>	-	-	<b>4,008.5</b>
Investments	326.6	0.8	326.3	0.3	2.0
Divestments	0.1	16.9	0.1	16.9	16.9
Disposable liquidity	1,054.2	995.1	-	-	1,013.1
<i>Of which, unutilised overdraft facilities</i>	52.4	52.4	-	-	52.2

## ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with the Swedish Annual Accounts Act and IAS 34 Interim Financial Reporting.

Since 1 January 2005 the Broström Group has applied International Financial Reporting Standards (IFRS) as adopted by the EU, along with the additional rules stipulated by recommendation RR 31 of the Swedish Financial Accounting Standards Council. The Group has applied the same accounting principles and calculation methods in the interim report as in its most recent annual report.

The Group has also analysed the IFRSs and interpretations which went into effect in 2007. Only IFRS 7 Financial Instruments: Disclosures, is judged to affect the Group. This new standard pertains to the scope and content of the presentation of financial instruments and risks in the annual accounts and is not expected, upon adoption, to result in any material impact on the Group's earnings or financial position. A business area breakdown is therefore no longer relevant.

At Broström's Annual General Meeting on 3 May 2007, the Board's proposed amendment to the Articles of Association, which would allow a stock split, was approved. The split was effected by VPC on 4 June 2007, whereby each existing share was split into two new shares. Comparison values for previous years regarding the number of shares have been recalculated in accordance with IFRS.



## FUTURE REPORTS

Broström will release a financial report on the following dates in 2007 and 2008. The date for release of the nine-month interim report for 2007 has been moved up a day, and the new date for release is 6 November 2007.

6 November 2007	Interim report nine months 2007
21 February 2008	Preliminary report 2008
29 April 2008	Interim report three months 2008 and Annual General Meeting
27 August 2008	Interim report six months 2008
6 November 2008	Interim report nine months 2008

The Board of Directors and the Managing Director certify that the interim report gives a true and fair overview of the Parent Company's and Group's operations, their financial position and results of operations, and describes significant risks and uncertainties facing the Parent Company and other companies in the Group.

Göteborg, 24 August 2007

BROSTRÖM AB (publ)

Lars-Olof Gustavsson  
Chairman of the Board

Stig-Arne Blom  
Director

Peter Cowling  
Director

Carel van den Driest  
Director

Claes Lundblad  
Director

Leif Rogersson  
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Fredrik Svensson  
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Wilhelm Wilhelmsen  
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This report has not been reviewed by Broström's auditors.

More information about Broström and press releases can be found at [www.brostrom.se](http://www.brostrom.se).

## INCOME STATEMENTS

Group, SEK m	6 months		Second quarter		Full year
	2007	2006	2007	2006	2006
Net sales	1,841.2	1,733.9	915.1	769.3	3,386.1
Capitalised work for own account	0.5	7.4	-	3.0	10.5
Other income, including sales of vessels	119.4	105.5	112.2	15.8	122.8
Share in associated companies' profit after tax	2.5	2.6	2.3	2.0	15.0
External expenses	- 993.1	- 969.9	- 492.0	- 465.6	- 1,908.0
Personnel costs	- 269.6	-251.1	- 137.9	- 127.7	- 514.2
Depreciation	-180.9	-164.7	- 97.8	-84.1	- 340.5
<b>Operating profit (EBIT)</b>	<b>520.0</b>	<b>463.7</b>	<b>301.9</b>	<b>112.7</b>	<b>771.7</b>
Financial income	35.6	0.8	14.6	- 5.7	16.8
Financial expenses	-136.4	- 89.5	- 69.7	- 42.1	- 208.7
<i>Net financial items</i>	<i>- 100.8</i>	<i>- 88.7</i>	<i>- 55.1</i>	<i>- 47.8</i>	<i>- 191.9</i>
<b>Profit after net financial items</b>	<b>419.2</b>	<b>375.0</b>	<b>246.8</b>	<b>64.9</b>	<b>579.8</b>
Tax on profit for the period	- 32.9	- 58.4	- 11.1	- 4.3	- 76.8
<b>Profit for the period</b>	<b>386.3</b>	<b>316.6</b>	<b>235.7</b>	<b>60.6</b>	<b>503.0</b>
Profit for the period attributable to					
Equity holders of the parent	380.3	313.3	232.8	60.7	495.1
Minority interest	6.0	3.3	2.9	-0.1	7.9
Earnings per share, SEK *	5.86	4.80	3.60	0.93	7.57
Earnings per share after dilution, SEK *	5.86	4.78	3.60	0.93	7.57
Average exchange rate SEK/USD	6.94	7.59	6.87	7.40	7.38
Average exchange rate SEK/EUR	9.22	9.33	9.26	9.30	9.25

\* The number of shares are recalculated after split

## BALANCE SHEETS

Group, SEK m	30 June 2007	31 December 2006
<b>ASSETS</b>		
<i>Non-current assets</i>		
Goodwill	124.1	124.0
Other intangible assets	2.6	2.5
Tangible assets	6,453.1	5,907.4
Financial assets, interest-bearing	27.5	28.4
Financial assets, non-interest-bearing	76.4	49.1
<i>Total non-current assets</i>	<b>6,683.7</b>	<b>6,111.4</b>
<i>Current assets</i>		
Inventories	74.6	63.6
Current receivables	582.0	492.4
Short-term investments	237.2	226.0
Cash and cash equivalents	1,246.5	1,057.4
<i>Total current assets</i>	<b>2,140.3</b>	<b>1 839.4</b>
<b>Total assets</b>	<b>8,824.0</b>	<b>7 950.8</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
Shareholders' equity <sup>1)</sup>	2,659.7	2,606.4
<i>Non-current liabilities</i>		
Equalisation reserve	135.6	149.7
Deferred tax	507.2	481.0
Other non-current liabilities, non-interest-bearing	29.7	29.1
Non-current liabilities, interest-bearing <sup>2)</sup>	4,516.4	3,969.6
<i>Total non-current liabilities</i>	<b>5,188.9</b>	<b>4,629.4</b>
<i>Current liabilities</i>		
Current liabilities, interest-bearing <sup>2)</sup>	377.5	328.8
Current liabilities, non-interest-bearing	597.9	386.2
<i>Total current liabilities</i>	<b>975.4</b>	<b>715.0</b>
<b>Total liabilities and shareholders' equity</b>	<b>8,824.0</b>	<b>7,950.8</b>
Pledged assets	6,013.4	5,782.2
Contingent liabilities	76.8	83.1
Closing date exchange rate SEK/USD	6.88	6.87
Closing date exchange rate SEK/EUR	9.24	9.05
<sup>1)</sup> Of which, minority interest	39.4	32.7
<sup>2)</sup> Of which, financial leasing	617.3	633.0

## CHANGES IN SHAREHOLDERS' EQUITY

Group, SEK m	6 months		Full year
	2007	2006	2006
According to balance sheet, most recent year-end closing	2,606.4	2,709.5	2,709.5
Exchange rate differences	8.3	- 216.3	- 349.0
Derivative instruments, cash flow hedges after tax	-	- 2.3	- 4.5
Profit for the period	386.3	316.6	503.0
Repurchases of treasury shares	- 84.9	-	-
Dividend to shareholders and minority holders	- 258.3	- 261.0	- 269.1
New issue, warrant premiums	1.9	-	16.5
<b>Amount at the end of the period</b>	<b>2,659.7</b>	<b>2,546.5</b>	<b>2,606.4</b>

The exchange rate difference for the period is mainly due to changes in the USD exchange rate, which is the reporting currency for the subsidiaries and associated companies Broström Holding BV (incl. the subsidiary Broström Tankers SAS), Broström Tankers AB and Broström Tankers Ltd, respectively.

## CASH FLOW STATEMENTS

Group, SEK m	6 months		Full year
	2007	2006	2006
<b>OPERATING ACTIVITIES</b>			
Operating profit	520.0	463.7	771.7
Adjustments for items not included in cash flow, etc.	16.7	- 17.5	94.3
Financial items	- 80.8	- 57.1	- 106.2
Paid tax	- 2.0	- 5.4	- 4.4
Change in working capital	114.0	3.9	98.3
<b>Cash flow from operating activities</b>	<b>567.9</b>	<b>387.6</b>	<b>853.7</b>
<b>INVESTING ACTIVITIES</b>			
Investments in non-current assets	- 210.1	- 998.4	- 1,983.3
Sale of non-current assets	88.8	315.4	373.8
Investment in subsidiaries/associated companies	-311.0	-	- 0.1
Sale of subsidiaries	-	15.2	15.2
Change in other financial non-current assets	0.1	- 1.5	- 0.4
<b>Cash flow from investing activities</b>	<b>- 432.2</b>	<b>- 669.3</b>	<b>- 1,594.8</b>
<b>FINANCING ACTIVITIES</b>			
Dividend to shareholders	- 258.3	- 261.0	- 261.0
Dividend to minority holders	-	-	- 8.1
Repurchases of treasury shares	- 84.9	-	-
New share issue, warrant premiums	1.9	-	16.5
New loans	576.2	665.8	1,276.5
Repayment of loans	- 173.5	- 230.5	- 331.2
<b>Cash flow from financing activities</b>	<b>61.4</b>	<b>174.3</b>	<b>692.7</b>
<b>Cash flow for the period</b>	<b>197.1</b>	<b>- 107.4</b>	<b>- 48.4</b>
<b>Cash and cash equivalents and short-term investments</b>			
Opening balance	1,283.4	1,480.5	1,480.5
Cash flow for the period	197.1	- 107.4	- 48.4
Exchange rate differences	3.1	- 84.3	- 148.7
<b>Cash and cash equivalents and short-term investments, closing balance</b>	<b>1,483.6</b>	<b>1,288.8</b>	<b>1,283.4</b>

## SHARE DATA

Per-share data (recalculated after split)	6 months		Full year	Full year
	2007	2006	2006	2005
Earnings, SEK	5.86	4.80	7.57	9.45
Earnings after dilution, SEK	5.86	4.78	7.57	9.38
Shareholders' equity, SEK	40.35	38.46	39.36	41.35
Shareholders' equity after dilution, SEK	40.35	38.29	39.36	41.07
Cash flow from operating activities, SEK	8.75	5.94	13.05	9.58
Cash flow for the period, SEK	3.03	- 1.65	- 0.74	6.38
Share price on balance sheet date	72.75	71.00	75.00	80.00

### Number of shares (recalculated after split)

Number of shares, closing date	65,797,184	65,245,684	65,797,184	65,245,684
of which, number of treasury shares	1,216,000	-	-	-
Average number of shares outstanding	65,797,184	65,245,684	65,395,814	64,693,840
of which, average number of treasury shares	856,522	-	-	-
Number of outstanding warrants	2,800,000	1,351,500	800,000	1,351,500
Number of dilution shares	-	300,918	2,264	437,542
Number of shares after dilution at end of period	65,797,184	65,546,602	65,799,448	65,683,226
Average number of shares after dilution	65,797,184	65,546,602	65,398,078	65,131,382

## KEY RATIOS

	6 months		Full year	Full year
	2007	2006	2006	2005
Return on capital employed, %	15.5	13.4	11.3	15.9
Return on shareholders' equity, %	28.9	23.4	18.6	27.1
Debt/equity ratio, multiple	1.3	1.1	1.2	1.0
Interest cover ratio, multiple	4.1	5.2	3.8	5.7
Equity/assets ratio I, %	30.1	32.7	32.8	34.2
Equity/assets ratio II, %	32.0	35.3	35.0	37.2
Share of risk-bearing capital, %	37.8	41.5	41.1	43.2

## LARGEST SHAREHOLDERS

Owner (direct ownership)	Number of		Percentage of	
29 June 2007 (recalculated after split)	A-shares	B-shares	capital	votes
Arvid Svensson Invest AB	2,075,968	7,242,782	14.2	26.9
The Dreijer families	1,469,908	3,104,210	7.0	17.1
Odin Fonder, Oslo		5,522,000	8.4	5.3
The Björnram families	343,680	515,157	1.3	3.8
Lennart Simonsson	192,084	410,540	0.9	2.2
Kenneth Nilsson	169,816	534,144	1.1	2.2
Handelsbanken Fonder		1,442,315	2.2	1.4
Case		1,428,100	2.2	1.4
Broström AB		1,216,000	1.9	1.2
SEB Fonder		1,103,400	1.7	1.1
Other**		39,027,080	59.1	37.4
<b>Total</b>	<b>4,251,456</b>	<b>61,545,728</b>	<b>100.0</b>	<b>100.0</b>

\*\* Including non-Swedish nominee shareholders where individual holdings are not officially registered.

For definitions, please see 2006 Annual Report.