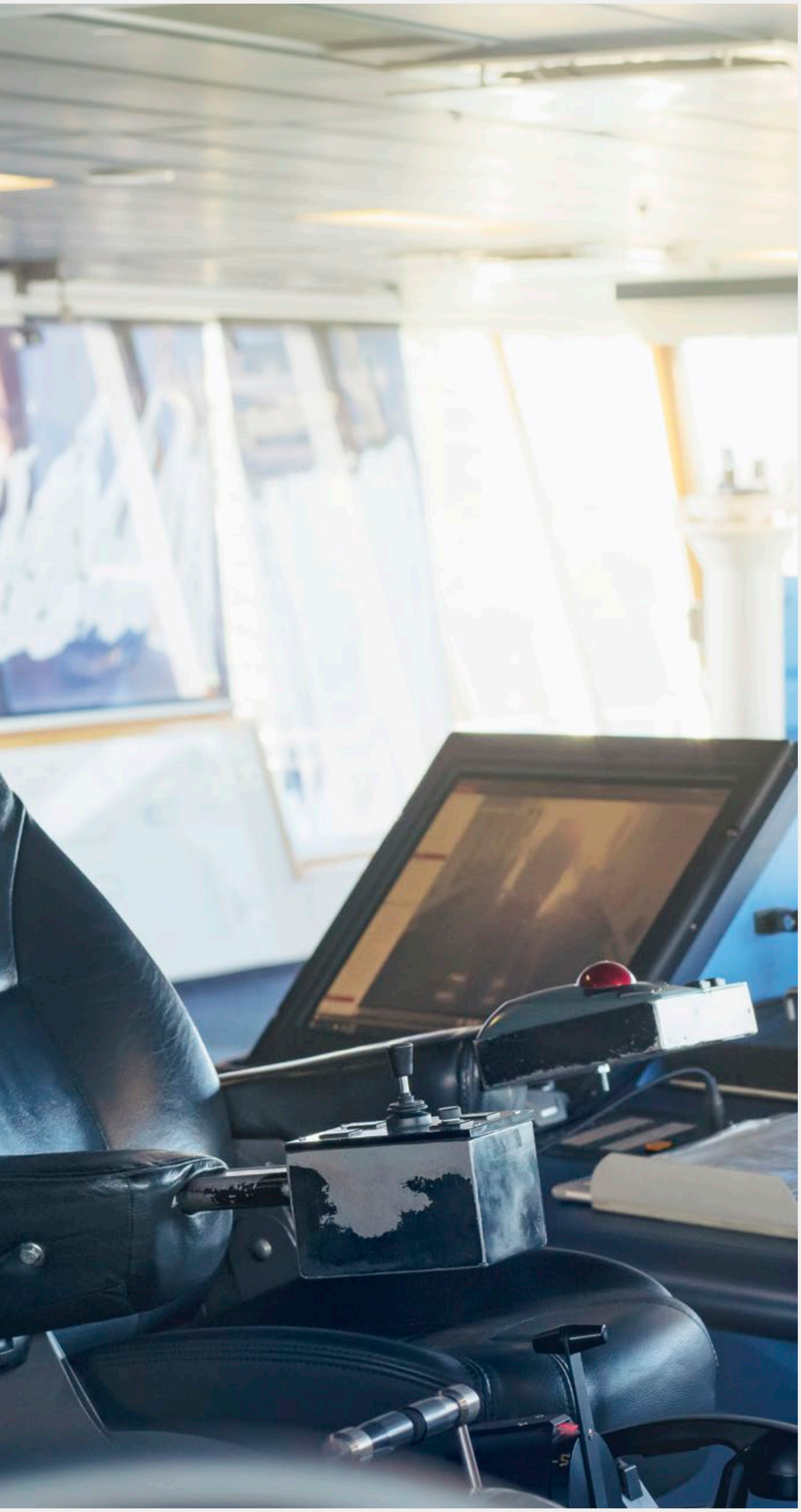
ANNUAL REPORT
2018 STENA AB



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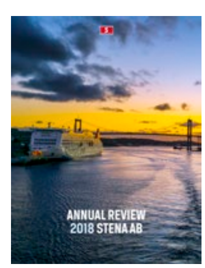

Read more about Stena AB's operations and sustainability work in the annual review.

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DIRECTORS' REPORT

General information about the business

The Stena AB Group is one of the largest family-owned groups in Sweden and has operations in five business areas: Ferry Operations, Offshore Drilling, Shipping, Property and New Businesses.

Ferry Operations, one of the world's largest international passenger and freight service enterprises, are run by Stena Line in Scandinavia, the North Sea, the Irish Sea and the Baltic Sea.

Offshore Drilling, using semi-submersible drilling rigs and drillships, is run by Stena Drilling from its head office in Aberdeen and through its global organisation with offices Houston, Bergen, Limassol and Luxembourg.

Shipping operations are run by Stena RoRo in the RoRo and RoPax ferry market and by Stena Bulk in the tanker market and LNG (Liquefied Natural Gas) market. Stena RoRo has its head office in Gothenburg. Stena Bulk has its head office in Gothenburg as well as offices in Houston, Singapore, Copenhagen, Dubai and Limassol. Shipping operations also include the manning of ships via Northern Marine Group, which has its head office in Glasgow, as well as offices in Manila, Mumbai, Singapore, Shanghai, St Petersburg, Gothenburg, Houston and Aberdeen. Stena Teknik in Gothenburg is responsible for technical development.

Stena Property, with its head office in Gothenburg, mainly owns properties in Gothenburg, Stockholm and Malmö, and is one of Sweden's largest privately owned property companies. The international property division, based in Amsterdam, has property holdings in the Netherlands, France, the USA and the United Kingdom.

New Businesses is run by Stena Adactum, based in Gothenburg. Stena Adactum invests in companies that fall outside Stena's traditional core operations. The portfolio currently includes Ballingslöv, S-Invest, Envac and Captum as well as the associates Stena Renewable, Gunnebo, Svedbergs and Midsona.

Stena Finance, which is the central finance department of the Group, has operations in Gothenburg, Luxembourg, Limassol, Zug, Amsterdam, London and Singapore.

The parent company of the Group is Stena AB (publ), company registration number 556001-0802. The parent company is a limited liability company and has its registered office in Gothenburg, Sweden. The address of the head office is Masthuggskajen, SE-405 19 Gothenburg.

The year in brief

- Another year with good operational performance by all business areas.
- Continuing strong earnings despite the challenging market situation in the tanker- and drilling operations.
  - Total income amounted to SEK 34.7 billion, compared with SEK 33.7 billion in 2017.
  - EBITDA (operating profit before results from investments in operating associates and before depreciation), excluding valuation of our investment properties and sales of non-current assets, amounted to SEK 5.0 billion, compared to SEK 6.5 billion in 2017.
  - EBITDA decreased compared to the previous year, mainly as a result of the decline in the drilling operations due to the challenging market situation they face.
  - Profit before tax was MSEK 105, compared with SEK 1.3 billion in 2017, including sales of non-current assets amounting to SEK 1.8 billion and SEK 1.1 billion, respectively.

- A healthy balance sheet with an equity ratio of 39% as at 31 December 2018, same as last year.
- Strong liquidity position amounting to SEK 16.6 billion, compared to SEK 15.2 billion in 2017.
- Stena Line´s result improved compared to 2017. This was achieved, despite increased net bunker costs, by increasing volumes, cost reduction measures, tonnage changes and continuing improvements in existing operations.
- Stena Drilling's result decreased compared to 2017 due to the challenging market situation. The average commercial utilisation rate for drilling units under contract 2018 was 97%. During the year, Stena Drilling has secured several new contracts for the its drilling units and also continued to focus on the cost reduction programme that has been implemented to address the current market situation.
- Stena Bulk experienced low earnings for the tanker segment during the majority of 2018. Stena Bulk started to see better earnings for Suezmax vessels at the end of the year. The earnings for the LNG vessels improved compared to last year and both the tanker and the LNG-segment maintained a good utilisation rate during the year.
- Stena RoRo reported a continued high utilisation rate during the year and also worked on chartering in and out vessels for Stena Line, and selling vessels no longer needed in Stena Line's operations.

- Stena Property continued to be profitable, with a very high average occupancy rate of around 96%, same as last year.
- Stena Adactum reported a strong result for 2018 and continued to develop and expand its operations.

Significant business events 2018

Ferry Operations

In December 2018 it was decided to close the route between Gdynia and Nynäshamn as from 1 January 2019. The route opened in October 2017.

As from September 2018 all technical and manning of all vessels within the Stena Line fleet is handled within Stena Line and the previous cooperation with Northern Marine has been resolved.

During 2018, a number of tonnage changes have been done throughout the whole fleet to prepare for the future and adapt to the customer needs.

Offshore Drilling

During 2018, Stena Drilling secured several new contracts for its fleet of drilling units.

A contract was signed with Nexen Petroleum UK Ltd for *Stena Spey* in the UK North Sea. This one well campaign was completed in August 2018.

Stena Don secured a contract with Total E&P UK Ltd for a one well campaign in the UK North Sea, which was completed in September 2018.

Stena DrillMAX secured a contract with FAR Gambia Ltd for a one well campaign in Gambia, which was completed in November 2018.

Stena IceMAX secured a contract with an undisclosed operator for a two well campaign offshore Cyprus which commenced in Q4 2018.

A contract was signed with Tullow Ghana Ltd for *Stena Forth* for operations in Ghana which commenced in early Q4 2018. The contract is for an initial three-well campaign with a series of options.

Stena Spey has secured a contract with Repsol Sinopec Resources UK Ltd for a one well campaign in the UK North Sea, which commenced in January 2019.

A contract was signed with Energean Israel Limited for *Stena DrillMAX* for operations offshore Israel. The contract, which commenced in February 2019, is for an initial three-well campaign with a series of options.

Stena Don secured a further contract with Total E&P UK Ltd for work in the UK North Sea during 2019. The contract is for one firm well with options. This work is expected to commence in April 2019.

Stena IceMAX has secured a contract with an undisclosed operator for an initial one well campaign offshore Ireland plus two option wells commencing in Q2 2019.

A contract was signed with an undisclosed operator for *Stena Spey* for an initial 12 well campaign in the UK North Sea with options. This work is expected to commence in Q3 2019.

In December 2018, the drilling rig *Stena Clyde* was sold. After this sale Stena Drilling retains a fleet of four drillships and two semi-submersible drilling rigs.

Shipping – Stena Bulk

In 2018 the joint venture, Golden Agri Stena, between Stena Bulk and Golden-Agri has continued to develop. It has led to the two companies, in partnership with the Japanese company Bay Crest Management, establishing a new joint venture, GSB Tankers.

The final IMOIIMAX vessel in a series of 13 vessels built at a shipyard in China was delivered in February 2018.

Shipping – Stena RoRo

In 2018, Stena RoRo sold the RoRo vessels *Stena Carrier* and *Stena Freighter.*

In 2018, Stena RoRo exercised four options at the chinese AVIC Weihai Shipyard. The company is now project-managing the construction of eight RoPax vessels ordered from the shipyard in China.

Property

In December 2017, Stena Fastigheter signed an agreement to divest properties in Uppsala, Stockholm and Gothenburg to the Stena Sessan Group for approximately SEK 6.8 billion net. The majority of the properties were taken over by the Stena Sessan Group in June 2018.

A further three investment properties were divested in 2018, one in Malmö and two in Uppsala.

Stena Realty divested one property in Hungary in 2018, thus marking the end of its involvement in the Hungarian market.

In 2018, Stena Fastigheter acquired three commercial properties in central Lund. Stena Realty acquired one property in London and two properties in the Netherlands.

As at December 31, 2018, the economic occupancy rate was 96%. In Sweden, the economic occupancy rate was 99% for residential premises and 95% for commercial premises. Internationally, the economic occupancy rate was 90%.

New businesses

In January 2018, it was decided that Stena Renewable AB would build three new wind turbines at Saxberget and 16 new wind turbines at Kronoberget.

On June 25 2018, Adactum signed an agreement to sell 65% of Stena Renewable to AMF Pensionsförsäkring AB ("AMF") and Kommunal Landspensjonskasse gjensidige forsikringsselskap ("KLP") in order to facilitate the realization of Stena Renewable's extensive project portfolio. The transaction was completed in September 2018.

In July 2018, S-invest signed an agreement to sell S-Blommor, which handled sales via food retail outlets. The transaction was completed in August 2018.

Subsequent events

Stena Line has acquired the stevedoring operation from the previous Stevedoring operator Sartori & Berger as from 1 January 2019.

In February 2019, Hyundai-Glovis and Stena have agreed to enter into a cooperation in Europe through a newly established joint venture. The purpose of this joint venture, with an equal ownership of 50% each, is to develop new products and services for the European market. The name of the new company will be Stena Glovis and the head office will be located in Hamburg. The joint venture will be launched in March 2019.

In March 2019, another RoPax vessel was ordered from the chinese Avic Weihai Shipyard, which will be chartered out to an external customer.

In March 2019, Stena signed an agreement to acquire 67% in the NMT Group. NMT is a Dutch company specialized in worldwide shipment of cars, trucks and all other rolling cargo.

System for internal control and risk management regarding financial reporting

This description of Stena's internal control and risk management regarding financial reporting has been prepared in accordance with the Swedish Annual Accounts Act.

The Board of Directors is responsible for the company's internal control, the overall aim of which is to safeguard the company's assets and thereby its shareholders' investment.

Stena uses the COSO framework as a basis for internal control over financial reporting. The COSO framework, which is issued by the Committee of Sponsoring Organisations of the Treadway Commission, is made up of five components; control environment, risk assessment, control activities, information and communication as well as monitoring. The COSO framework was implemented in 2007 when the Stena AB Group reported in accordance with the US "Sarbanes-Oxley Act 404" for the first time. When our American bond was repaid on 5 March 2013, the Stena AB Group was deregistered from SEC and is no longer required to report in accordance with the Sarbanes-Oxley Act 404. Stena has, however, kept the COSO framework as guidelines for work on internal control over financial reporting.

Control environment

The control environment forms the basis of internal control, as it includes the culture that the Board and management communicate and by which they work. The control environment is made up primarily of integrity, ethical values, expertise, management philosophy, organisational structure, responsibility and authority, policies and guidelines as well as routines.

It is of particular importance that management documents, such as internal policies and guidelines exist in significant areas and that these provide employees with solid guidance. Examples of important policies and guidelines within Stena are "Code of Conduct", "Code of Governance", "Power Reserved List", "Principles, convictions and basic values for Stena AB", "Finance Policy" and "Financial Manual" which define the accounting and reporting regulations.

These policies and guidelines have been made available to all relevant employees through established information and communication channels.

Furthermore, the Board has appointed an Audit Committee, whose primary task is to ensure that established principles for financial reporting and internal control are complied with and that appropriate relations are maintained with the company's auditors.

Risk Assessment

Stena carries out regular risk assessments in order to review the risks of errors within its financial reporting. The risk assessment of financial reporting aims to identify and evaluate the most significant risks that affect internal control over financial reporting in the Group's companies and processes.

During the year, the Group's overall risk assessment was continued updated in order to obtain a general idea of the main risks. To limit risks there are appropriate policies and guidelines as well as processes and control activities within the business. The risk assessment is updated on an annual basis under the direction of the Corporate Governance staff function and the results are reported to the Audit Committee.

Control activities

The most significant risks identified regarding financial reporting are managed through various control activities. There are a number of control activities built into every process to ensure that the business is run effectively and that financial reporting provides a true and fair view.

The control activities, which aim to prevent, find and correct potential inaccuracies, include account reconciliations, authorisations, and monthly accounts as well as analysis of these.

IT systems are scrutinised regularly during the year to ensure the validity of Stena's IT systems with respect to financial reporting.

Information and communication

Policies and guidelines are of particular importance for accurate accounting and reporting and also define the control activities to be carried out. Stena's policies and guidelines relating to financial reporting are updated on an ongoing basis and are available on Stena's intranet for all employees concerned. Information and communication relating to financial reporting is also provided through training. The Group holds internal seminars and conferences regularly, with a focus on quality assurance in financial reporting and governance models.

Monitoring

The Board of Directors and the Audit Committee continuously evaluate the information provided by the executive management team, including information on internal control.

The Audit Committee's task of monitoring the efficiency of internal control by the management team is of particular interest to the Board. This work includes checking that steps are taken with respect to any problems detected and suggestions made during the assessment by the external and internal auditors. The work on internal control during the year has further increased awareness of internal control within the Group and improvements are being made on continuous basis.

Internal audit

The Group's Corporate Governance staff function works as the Group's internal audit function and reports to the Audit Committee and the deputy CEO. The function focuses on proactively developing and enhancing internal control over financial reporting as well as examining the effectiveness of internal control. The Corporate Governance function plans the work in consultation with the Audit Committee and regularly reports the findings of its examinations to the Committee. The unit communicates continuously with Stena's external auditors on matters concerning internal control.

Shareholders

All of the issued and outstanding voting shares of Stena AB were owned as following as at 31 December 2018:

Name of beneficial owner	Number of shares	Percentage ownership, %
Dan Sten Olsson	25,500	51.0
Stefan Sten Olsson	12,250	24.5
Madeleine Olsson Eriksson	6,250	12.5
Gustav Eriksson	3,000	6.0
Marie Eriksson	3,000	6.0

The holders listed above have sole voting and investment power over the shares beneficially owned by them. Dan Sten Olsson, Stefan Sten Olsson and Madeleine Olsson Eriksson are siblings. Gustav Eriksson is the son of Madeleine Olsson Eriksson and Marie Eriksson is the daughter of Madeleine Olsson Eriksson. Dan Sten Olsson is the only officer or director of Stena AB who owns any voting shares of Stena AB. All shares of Stena AB have the same voting rights.

Future developments

The Group's overall business is expected to continue in the same direction over the coming year and to the same extent as in 2018.

Research and development

The Group executes vessel construction development via Stena Teknik. The Group also makes payments to universities and the Sten A. Olsson Foundation for Research and Culture, the aims of which include promoting scientific research and development.

Environment

The Group conducts several environment-related projects for the purpose of reducing our general environmental impact. Since shipping comprises a large part of Stena's activities, one of our major challenges is to develop more efficient vessels. The most important measure for Stena's shipping divisions is to reduce energy consumption in relation to work performed.

An environmental approach is also fundamental for Stena Fastigheter and encompasses consideration for the tenants and safeguarding of the world's limited resources. The initiative to reduce energy consumption continues and targets have been set for each building.

Since implementation of the Environmental Code, the port operation run by Stena Line Scandinavia AB has become subject to permit requirements, primarily relating to noise.

Sustainability work

The company's sustainability work is described in the Annual Review for the Stena AB Group, which is issued by Stena AB, organization registration number 556001-0802, residing in Gothenburg.

Financial risks

For financial risks, see Note 1 Summary of significant accounting policies and Note 31 Financial risk factors and financial risk management.

Employees

In 2018, the average number of employees was 11,370, compared with 11,531 on 31 December 2017. A vital factor for realising Stena AB Group's vision is its employees, their expertise, enthusiasm and skills.

Future development depends on the company retaining its position as an attractive employer. To support this goal, the company strives for a working climate where energy, passion and respect for the individual are the guiding principles. A Group overall attitude survey is carried out regularly and the number of satisfied employees is rising steadily. Every employee must attend a career development meeting once a year. For more information about employees see Note 33.

Income and profit

Consolidated income for 2018 was MSEK 34,730 (33,723), including profit on the sale of vessels totalling MSEK 369 (336), property sales totalling MSEK 1,259 (747) and sale of operations totalling MSEK 215 (–9). Profit before tax for the year was MSEK 105 (1,343) and net profit was MSEK 68 (488).

Financing and liquidity

At 31 December 2018, cash and cash equivalents and current investments totalled MSEK 2,786 (3,113), of which MSEK 2,085 (2,510) were available. Together with non-current investments and available credit facilities, the total payment capacity at 31 December 2018 was SEK 16.6 (15.2) billion.

Of the credit facility of MUSD 725, MUSD 87 (396) were utilised at 31 December 2018, of which MUSD 3 (3) were related to issued guarantees. Loan repayments during the year amounted to MSEK 6,960 (6,839).

Consolidated total assets at 31 December 2018 amounted to MSEK 118,049, compared to MSEK 119,409 at 31 December 2017. Investments in property, plant and equipment and intangible assets during the year amounted to MSEK 7,834 (7,236). The consolidated debt/equity ratio, defined as net interest-bearing debt in relation to net interest-bearing liabilities, equity and deferred tax liabilities, was 47% (46%) at 31 December 2018.

According to the consolidated balance sheet as at 31 December 2018, retained earnings amounted to MSEK 43,242, of which MSEK 68 comprised net profit for the year.

In autumn 2018, we refinanced our existing Revolving Credit Facility. The facility was extended until 2023 and the new credit amount was set to MUSD 725. Loans taken out within the credit framework are mainly secured against ship mortgages.

Stena AB and its subsidiaries may from time to time repurchase or otherwise trade in its own debt in open market transactions. In addition, from time to time, Stena AB and its subsidiaries discuss strategic alternatives and consider opportunities in respect of its debt capital structure with investors and lenders.

Parent company

The Parent company's revenue totalled MSEK 138 (124), while profit before tax was MSEK 468 (200), of which dividends from subsidiaries totalled MSEK 518 (956).

Proposed distribution of non-restricted equity

The Board of Directors proposes that a dividend amounting to MSEK 90 (50) is made to the shareholders. The remaining retained earnings amounting to MSEK 18,447 is carried forward.

The Board of Directors hereby makes the following statement in accordance with chapter 18, Section 4 of the Swedish Companies Act.

The Board of Directors concludes that the Company´s restricted equity is fully covered after the proposed dividend. The equity of the company will according to the Board of Directors be sufficient in relation to the nature, volume and the specific risks of the operations. The Board of Directors has in this matter taken into consideration the historical development of the Group, the budget for the coming periods and the current economic development.

The suggested dividend will not influence the company´s credit ability. The conclusion of the Board of Directors is that the company as well as the Group is well prepared to handle changes in its liquidity as well as having the ability to act upon unforeseen events.

The suggested dividend will not affect the Group's ability to make investments in accordance with the business plans drawn up by the Board of Directors.

Details of the financial performance, liquidity and financial position in general for the Group and the Parent company can be found in the following income statements, balance sheets, cash flow statements and accompanying notes.

GROUP CONSOLIDATED INCOME STATEMENT

	Note	1 January–31 December 2018 MSEK	2017 MSEK
Revenue			
Ferry Operations		13,849	12,737
Offshore Drilling		1,244	3,507
Shipping		6,401	5,610
Property		2,738	2,779
New Businesses		7,044	6,804
Other		30	273
Total revenue	**3**	**31,306**	**31,710**
Net result on sale of non-current assets	4	1,843	1,073
Total other income		**1,843**	**1,073**
Change in fair value of investment properties	12	1,581	940
Total income	**3**	**34,730**	**33,723**
Direct operating expenses			
Ferry Operations		–9,613	–8,856
Offshore Drilling		–1,375	–1,832
Shipping		–5,037	–4,436
Property		–893	–914
New Businesses		–5,310	–4,999
Other		–35	–126
Total direct operating expenses		**–22,263**	**–21,163**
Gross profit		**12,467**	**12,560**
Selling expenses		–1,251	–1,235
Administrative expenses	5	–2,778	–2,786
Net result from investments in operating associates	6	–105	72
Depreciation, amortisation and impairment	3, 9, 10, 11	–6,101	–5,802
Operating profit	**3**	**2,232**	**2,809**
Result from investments in strategic associates	6	–22	74
Dividends received		147	96
Result on sale of securities		–132	565
Interest income		326	273
Interest expenses		–2,147	–2,110
Exchange gains/losses		23	–61
Other finance income/costs		–322	–303
Financial net	**7**	**–2,127**	**–1,466**
Profit before tax		**105**	**1,343**
Income taxes	8	–37	–855
Profit for the year		**68**	**488**
Profit for the year attributable to:			
Shareholders of the Parent company		69	506
Non-controlling interests		–1	–18
Profit for the year		**68**	**488**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	1 January–31 December 2018 MSEK	2017 MSEK
Profit for the year		**68**	**488**
Other comprehensive income	19		
Items that may subsequently be reclassified to profit or loss:			
Change in fair value reserve for the year, net of tax		–124	50
Change in net investment hedge for the year, net of tax		–58	–338
Share of other comprehensive income of associates		–2	–23
Change in translation reserve for the year		1,147	–752
Items that will not be reclassified to profit or loss:			
Change in fair value reserve for the year, net of tax		79	
Remeasurements of post-employment benefit obligations		–556	186
Change in revaluation reserve for the year		38	200
Share of other comprehensive income of associates		–10	10
Other comprehensive income		**513**	**–667**
Total comprehensive income		**581**	**–179**
Total comprehensive income attributable to:			
Shareholders of the Parent company		580	–161
Non-controlling interests		1	–18
Total comprehensive income for the year, net of tax		**581**	**–179**

GROUP CONSOLIDATED BALANCE SHEET

	Note	31 December 2018 MSEK	2017 MSEK
Assets			
Non-current assets			
Intangible assets	9		
Goodwill		2,300	2,258
Trademarks		710	707
Rights to routes		566	593
Other intangible assets		645	495
Total intangible assets		**4,221**	**4,053**
Property, plant and equipment			
Vessels	10	39,656	39,103
Construction in progress	10	2,068	2,020
Windmills	10		2,294
Equipment	10	3,241	2,369
Land and buildings	10	1,196	1,208
Ports	11	3,724	3,751
Total property, plant and equipment		**49,885**	**50,745**
Investment properties	12	**35,398**	**31,539**
Financial assets			
Investments reported according to the equity method	6	2,937	2,183
Marketable securities	13	5,691	6,506
Surplus in funded pension plans	21	517	644
Other non-current assets	14, 20	8,473	6,925
Total financial assets		**17,618**	**16,258**
Total non-current assets		**107,122**	**102,595**
Current assets			
Inventories	15	989	951
Trade receivables	16	2,750	2,585
Other current receivables	16	2,322	2,280
Prepayments and accrued income	16	2,080	1,987
Short-term investments	17	903	865
Cash and cash equivalents	18	1,883	2,248
Assets held for sale	27		5,898
Total current assets		**10,927**	**16,814**
Total assets	**3**	**118,049**	**119,409**

	Note	31 December 2018 MSEK	2017 MSEK
Equity and liabilities			
Equity			
Share capital		5	5
Reserves	19	3,352	2,732
Retained earnings		43,173	42,826
Profit for the year		69	506
Equity attributable to shareholders of the Parent company		**46,599**	**46,069**
Non-controlling interests		127	126
Total equity		**46,726**	**46,195**
Non-current liabilities			
Deferred tax liabilities	20	4,813	4,221
Pension liabilities	21	647	542
Other provisions		422	645
Long-term debt	22	35,895	40,548
Senior Notes	23	9,794	10,143
Capitalised lease obligations	24	4,273	65
Other non-current liabilities	25	2,030	2,069
Total non-current liabilities		**57,874**	**58,233**
Current liabilities			
Short-term debt	22	2,019	2,508
Senior Notes	23	1,036	
Capitalised lease obligations	24	481	18
Trade payables		1,988	1,884
Tax liabilities		75	65
Other liabilities		2,977	2,753
Accruals and deferred income	26	4,873	4,521
Liabilities directly attributable to assets classified as held for sale	27		3,232
Total current liabilities		**13,449**	**14,981**
Total equity and liabilities		**118,049**	**119,409**

GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to shareholders of the Parent company					
MSEK	Share capital	Reserves[1]	Retained earnings including Profit for the year	Total	Non-controlling interests	Total equity
Opening balance, 1 January 2017	**5**	**3,627**	**42,801**	**46,433**	**100**	**46,533**
Change in fair value reserve for the year		50		50		50
Change in net investment hedge for the year		–338		–338		–338
Change in revaluation reserve for the year		145	55	200		200
Change in translation reserve for the year		–752		–752		–752
Change in associates for the year			–13	–13		–13
Remeasurement of post-employment benefit obligation			186	186		186
Other comprehensive income		**–895**	**228**	**–667**		**–667**
Profit for the year			506	506	–18	488
Total comprehensive income		**–895**	**734**	**–161**	**–18**	**–179**
Dividend			–205	–205		–205
Acquisition/Disposal of non-controlling interests					45	45
Closing balance, 31 December 2017	**5**	**2,732**	**43,331**	**46,069**	**126**	**46,195**
Change due to IFRS 9		**–321**	**321**			
Opening balance, 1 January 2018	**5**	**2,411**	**43,652**	**46,069**	**126**	**46,195**
Change in fair value reserve for the year		–124	79	–45		–45
Change in net investment hedge for the year		–58		–58		–58
Change in revaluation reserve for the year		–23	61	38		38
Change in translation reserve for the year		1,145		1,145	2	1,147
Change in associates for the year			–12	–12		–12
Remeasurement of post-employment benefit obligation			–556	–556		–556
Other comprehensive income		**940**	**–429**	**511**	**2**	**513**
Profit for the year			69	69	–1	68
Total comprehensive income		**940**	**–360**	**580**	**1**	**581**
Dividend			–50	–50		–50
Closing balance, 31 December 2018	**5**	**3,352**	**43,242**	**46,599**	**127**	**46,726**

1) See also Note 19.

GROUP CONSOLIDATED STATEMENT OF CASH FLOW

	Note	1 January–31 December 2018 MSEK	2017 MSEK
Cash flow from operating activities			
Profit for the year		68	488
Adjustmets to reconcile profit for the year to net cash provided by operating activities:			
Depreciation, amortisation and impairment	3	6,101	5,802
Change in fair value of investment properties		–1,581	–940
Share of strategic associates result		22	–74
Gain on sale of non-current assets	4	–1,843	–1,073
Gains/losses on sale of securities net		132	–565
Exchange differences, unrealised		–620	665
Deferred income taxes		–314	606
Other non-cash items		327	231
Pensions		–426	–269
Dividends from operational associates and joint ventures		74	60
Investments and disposals of operational associates and joint ventures		–72	288
Net cash flow from trading securities		111	17
Cash flow from operating activities before changes in working capital		**1,979**	**5,236**
Changes in working capital			
Trade and other receivables		63	833
Prepayments and accrued income		–120	184
Inventories		–26	40
Trade payables		74	9
Accruals and deferred income		–191	–809
Income tax payable		306	45
Other current liabilities		–165	–54
Cash flow from operating activities		**1,920**	**5,484**
Investing activities			
Capital expenditure on intangible assets		–256	–163
Sale of property, plant and equipment	4	8,116	3,340
Capital expenditure on property, plant and equipment		–7,571	–7,054
Purchase of operations, net of cash acquired			–471
Sale of operations, net of cash sold companies	29	1,145	547
Dividends from strategic associates		50	48
Investments and disposals of strategic associates		–749	–108
Sale of securities		4,071	5,333
Purchase of securities		–3,344	–4,814
Increase in other non-current assets		–271	–227
Decrease in other non-current assets		76	167
Other investing activities	30		3
Cash flow from investing activities		**1,267**	**–3,399**
Financing activities			
Proceeds from issuance of short and long-term debt		1,775	2,351
Principal payments on short and long-term debt		–6,960	–6,839
Net change in borrowings on line-of-credit agreements		–2,906	4,036
New lease obligations		4,936	
Principal payments on capitalised lease obligations		–209	–398
Net change in restricted cash accounts		–54	–33
Dividends		–50	–205
Other financing activities	30	–145	–47
Cash flow from financing activities		**–3,613**	**–1,135**
Effect of exchange rate changes on cash and cash equivalents		61	–24
Net change in cash and cash equivalents		**–365**	**926**
Cash and cash equivalents at beginning of year	18	**2,248**	**1,322**
Cash and cash equivalents at end of year	18	**1,883**	**2,248**

NOTES 1

Amounts are shown in MSEK unless otherwise stated. The figures in brackets refer to the corresponding value in previous year.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has been applied.

In accordance with IAS 1, the companies of the Stena AB Group apply uniform accounting policies, irrespective of local legislation. The policies below have been applied consistently for all the years covered by this Financial Report.

IAS 33 Earnings Per Share has not been applied, as Stena AB is not a listed company.

The Parent company's financial statements have been prepared according to the same accounting policies applied for the Group except for the exceptions described in the section "Parent Company's accounting policies".

The annual accounts and consolidated financial statements are approved for issue by the Board of Directors on 29 April 2019. The balance sheets and income statements will be presented for adoption by the Annual General Meeting on 29 April 2019.

In preparing these financial statements, senior management has made estimates and assumptions which affect the carrying amounts of assets, liabilities and contingent liabilities at the reporting date and recognised income and expense. The actual future outcome of specific transactions may differ from the outcome estimated at the date of preparation of these financial statements. Differences of this type will impact the outcome of financial statements in forthcoming accounting periods. Areas involving a high degree of assessment, which are complex or for which the assumptions and estimates are of material significance to the consolidated financial statements are stated in Note 2.

Assets and liabilities are measured at historical cost with exception of certain investment properties, which are measured at fair value, and ports, which are recognised according to the revaluation model, and certain financial assets and liabilities.

New or amended reporting standards 2018

Stena AB Group applies IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments as of 1 January 2018. The implementation of IFRS 9 has resulted in the following changes in classification and measurement, see table below:

IFRS 9 Financial instruments

1. A number of financial instruments, previously reported at fair value through other comprehensive income, have been recognised directly in profit and loss. No remeasurement effect has been performed, but the reclassification has resulted in an adjustment in equity between the fair value reserve and retained earnings, where the retained earnings has increased with MSEK 321.

2. IFRS 9 requires a credit risk reserve to be calculated and reported based on expected credit losses rather than on incurred credit losses. In Stena's case, the change has not involved any change in the size of the reserve.

IFRS 15 Recognition of revenues from customer contracts

The implementation of IFRS 15 has not had any effect on the opening balance sheet at 1 January 2018 and has had little effect on revenue recognition. The fundamental business of each business area includes a well-defined performance obligation, which is to deliver either a product or service. In summary, we conclude that:

- With minor exceptions, customer contracts within our business areas include a performance obligation.
- The main revenue flows are as follows:

• Ferry Operations	Goods and passenger traffic and sale of consumer products
• Offshore Drilling	Sale of services
• Shipping	
– Stena RoRo	Sale of services
– Stena Bulk	Sale of services
– Other	Sale of training-, crewing-, and marine services
• Property	Sale of construction work and other services
• New Businesses	Sale of goods, services and contract assignments

1. Revenues generated in the different business units is recognised when control over the good or service is passed to the customer and this could either be done over time or at one point in time. The implementation of IFRS 15 has affected revenue recognition in terms of so called ballast voyages within the business area Shipping and in terms

IFRS 9 Table of transition

Financial assets – 31 December 2017/1 January 2018	Fair value through profit of loss (FVPL)	Fair value through other comprehensive income (FVOCI) (Available for sale 2017)	Amortised Cost (AC) (Former Loans and receivables)	Derivatives used for hedge accounting (OCI) Used for hedge accounting in 2017
Closing balance 31 December 2017-IAS 39	**1,193**	**6,478**	**3,189**	**336**
Move from Available for sale to FVPL	4,119	–4,119		
Opening balance 1 January 2018 - IFRS 9	**5,312**	**2,359**	**3,189**	**336**

of mobilization and demobilization of drilling units within the business area Offshore drilling. The implementation of IFRS 15 has not given rise to any substantial differences compared to a recognition model based on the transfer of risk and rewards.

2. Several of the business areas within Stena act as lessors and these contracts are required to be reported in accordance with IFRS 16, with effect from 1 January 2019. In accordance with this standard, the components of a lease that constitute a customer contract, in accordance with IFRS 15, are to be reported in accordance with this standard. Revenue will, in all these cases, be recognised over time, in the same way as rental income under the lease. A separation of these revenues does not affect the opening balance but mainly affects additional disclosures provided.

Basis of consolidation

The consolidated financial statements include Stena AB (publ) and all subsidiaries, defined as companies in which Stena AB, directly or indirectly, owns shares representing more than 50% of the voting rights or has some other form of control. For companies acquired or divested during the year, the following applies:

- Companies acquired during the year are included from the date on which control was obtained
- Companies divested during the year until the date on which Stena's control ceases

The Group's consolidated financial statements include the financial statements for the Parent company and its directly or indirectly owned subsidiaries after:

- Elimination of intercompany transactions and
- Depreciation/amortisation of acquired surplus values

Consolidated equity includes equity in the Parent company and the portion of equity in the subsidiaries arising after the acquisition.

Acquisitions of non-controlling interests are recognised in equity. Non-controlling interests' share of profit/loss for the year is specified after net profit/loss for the year in the income statement.

Business combinations and goodwill

All business combinations are accounted for in accordance with the acquisition method. The method requires measurement of the assets, liabilities and contingent liabilities owned by the acquired company at the acquisition date to determine their cost of acquisition on consolidation. The valuation of acquired land, buildings and equipment is carried out either by an external party or by an internal party on the basis of available market information. The reporting of financial assets and liabilities, as well as inventories, is based on available market information. The fair value of significant intangible assets is determined either with the help of independent valuation experts or internally, through the use of generally accepted valuation methods, which are usually based on future cash flows.

Acquisitions of investment properties and vessels, in companies with only assets, are accounted for as an asset deal.

In the event that the cost of acquisition exceeds the market value of the identified assets, liabilities and contingent liabilities, the difference is accounted for as goodwill.

In the event that the fair value of the acquired net assets exceeds the cost of acquisition, the acquirer shall identify and measure the acquired assets again. Any remaining surplus in a revaluation shall be immediately recognised as income. The acquisition analysis (the method used to allocate cost of acquisition to acquired identified net assets and goodwill), shall, in accordance with IFRS, be completed within twelve months of the acquisition date.

Once the acquisition analysis has been reviewed and approved by management, goodwill is allocated to cash generating units and impairment testing is carried out at least annually from the date on which this allocation is completed. If the acquisition is achieved in stages, goodwill is determined on the date when control is obtained. Previous shares are measured at fair value and the change in value is accounted for in the Income statement. Goodwill is not amortised.

Transaction costs, apart from those attributable to equity or liability instruments, are recognised as an expense in the income statement. A contingent consideration is reported according to the acquisition date fair value. If the contingent consideration is classified as an equity instrument, no revaluation is carried out and the adjustment is reported in equity. Other contingent considerations are revalued each quarter and the difference is reported in the income statement.

Investments in associates, joint ventures

Associates are companies in which the Group has a significant influence but not control, which as a rule applies to shareholdings equivalent to between 20% and 50% of the votes, or over which the Group in some other way exercises significant influence.

Joint arrangements are companies over which the Group, through collaboration agreements with one or more parties, has joint control with external parties (the arrangement's relevant activities). Investments in joint arrangements are classified either as a joint operation or a joint venture depending on the contractual rights and obligations of each investor. Stena has assessed its joint arrangements and established that the majority are joint ventures. One joint operation has been identified but is not considered to be of a material nature. Joint operations are accounted for using proportionate consolidation.

Investments in associates and joint ventures are accounted for using the equity method. The method requires the investment to be initially recognised at cost. The carrying amount is subsequently increased or reduced to reflect the owner company's share of the profit or loss of the associate/joint venture following the acquisition. In the consolidated balance sheet, the holdings are reported as "Investments reported according to the equity method". In the consolidated income statement, associates and joint ventures are divided according to strategic holdings and other holdings, with strategic holdings reported as "Profit/loss from investments in associates" within financial net and

CONT. NOTE 1

other holdings reported within each business area under operating profit. Dividends received are set off against the carrying amount of each participation. At the end of each reporting period, the Group assesses whether there is any objective evidence of impairment of the investments. If this is the case, the Group calculates the impairment amount as the difference between the associate's recoverable amount and the carrying amount and reports the amount under "Result from investments in associates" or under operating profit depending on whether the holding is classified as a strategic holding or other holding.

For holdings in joint operations, the assets, liabilities, revenues and costs that are associated with these holdings in the business are reported according to the accounting principles applicable to the specific assets, liabilities, revenues and costs.

Translation of foreign operations

The functional currency and reporting currency of the Parent company and the reporting currency of the Group is the Swedish krona (SEK). All foreign subsidiaries report in their functional currency, which is the currency used in the companies' primary economic environment. On consolidation, all balance sheet items have been translated into SEK at the closing rate of exchange. Profit/loss items have been translated using average exchange rates.

Transactions in foreign currency

Foreign currency transactions are converted to the functional currency at the exchange rate prevailing on the transaction day. The functional currency is the currency of the primary economic environment in which the company generates and expends cash. Monetary assets and liabilities in foreign currencies are converted to the functional currency at the exchange rate prevailing on the closing date. Exchange differences which arise are reported in the income statement. Non-monetary assets and liabilities, which are reported at historical cost, are revaluated at the transaction date. Non-monetary assets and liabilities which are reported at fair value, are revalued to the functional currency at the exchange rate prevailing at the revaluation date.

Segment reporting

Operating profit is reported in a manner consistent with the internal reporting submitted to the chief operating decision-maker. The chief operating decision-maker is the function responsible for the allocation of resources and the assessment of the operating segments' results. In the Group, this function has been identified as Stena AB's Board of Directors, which make strategic decisions.

The Group's segments, which are its business areas, have implemented systems and procedures to support internal control and reporting. This forms the basis of the identification of primary risks and the varying returns that exist in the business, and is based on the various business models for the Group's end clients. The segments are responsible for operating profit/loss, EBITDA (operating profit before result from operating associates, depreciation, amortisation and impairment) and the assets used in their operations, while financial net, taxes and equity are not reported per segment. Operating profit/loss and assets for the segment are consolidated in accordance with the same principles as the Group as a whole. Sales between segments take place at market conditions and at market prices. The Stena AB Group's business areas and, thereby, its segments are:

- Ferry Operations
- Offshore Drilling
- Shipping
- Property
- New Businesses

Revenue recognition until December 31, 2017

Revenue includes the fair value of the consideration received or receivable for goods and services sold in the Group's operating activities. Revenue is recognised excluding VAT, returns and discounts and after elimination of internal Group sales.

The Group recognises revenue when the amount can be measured reliably, it is probable that future economic benefits will be generated to the Company and specific criteria have been fulfilled for each of the Group's operations. Revenue amounts are not considered to be reliably measurable until all sales commitments have been met or have expired. The Group bases its judgements on historical outcomes, taking into consideration the type of client, type of transaction and special circumstances in each individual case.

The Group's shipping and drilling revenues are derived from charter contracts. Revenue is recognised on a straight-line basis over the charter period. Provisions are made in advance for any ongoing loss contracts.

Revenue from the Group's ferry operations consists of ticket sales, onboard sales, and freight revenues and are recognised in the period in which the services are rendered.

Rental income from the investment property operations is derived from leases and is recognised on a straight line basis over the lease term.

Sales of goods are recognised at the date on which a Group company sells a product to a customer in accordance with the terms of sale. Sales are usually paid for in cash or by credit card.

Contract assignments in progress from operations within the Adactum Group are recognised according to the percentage of completion method for all contracts whose outcome can be calculated in a satisfactory manner. Revenue and costs are recognised in the income statement by reference to the stage of completion. The stage of completion is determined on the basis of accrued assignment costs in relation to the estimated costs for the entire assignment. Anticipated losses are expensed immediately.

Customer Loyalty Programmes relate to the accounting by Stena Line and Blomsterlandet, which operate customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services.

The fair value of the total consideration received in the initial sales transaction is allocated between the award credits and the sale of the goods or services. The revenue related to the award credits granted is recognised in the income statement when the risk of a claim being made expires.

Sales of vessels and investment property are recognised in other income. Revenue is recognised when all significant risks and rewards have been transferred to the buyer.

Interest income is recognised over the relevant period using the effective interest method.

Dividend income is recognised when the right to receive payment has been established and reported in financial net.

Revenue recognition as from January 1, 2018

IFRS 15 is based on the principle that an entity shall recognize revenue when the control over delivered goods or services have been transferred to the customer. Contracts whose collectability is uncertain should not be recognised as revenue.

The identification of the Groups customer contracts is seldom or never a problem. As a consequence the revenue recognition process is initiated by identifying performance obligations in various contracts (the identification of what is promised in terms of goods and services). This process is closely related to each operating segments applied business model. So, in general terms, the various business models are essential when identifying the performance obligations even though separate contracts could deviate from the general content of these models. In the case separate contracts are drawn up that differs from the normal and customary contracts it is important to capture these changes in order to record revenues correctly.

The identified performance obligations in the customer contracts within the Group have been categorized based on the group's revenue streams. The absolute majority of the Groups customer contracts consists of one performance obligation. Several of the Group companies is acting as a lessor and the principles of recognizing lease income is not included and described below as this income is presented in the section concerning leasing contracts. Stena has chosen to include lease income in the operating segment reporting in the annual report since the lease income and correlated sale of services are closely related. The operating segments within the Group except for Offshore Drilling account for the sale of both goods and services. Revenue from delivered goods are recognised at one point in time or over time.

For the sale of goods revenue are recognised when control is passed to the customer and that is when the good is actually delivered. Group companies sell consumer goods and more advanced constructions and in the latter case the revenue is recognised over time as the control is passed over time in accordance with the signed construction contract. The sale of property is recognised as revenue when control over the property is transferred to the customer.

Each customer contract could initiate recognition of contract assets and liabilities. Historically the Group has applied terms as accrued income and work in progress or in some cases other receivables in order to capture the information included in the term contract asset. The same is the case with deferred income and prepayments to capture the information included in the terms contract liabilities. All companies will capture information about contract assets and liabilities applying the terms accrued income, work in progress, other receivables, deferred income for instance payments in advance. Disclosures with regards to contract assets and liabilities are presented in note 16 and 26. The main contract asset accounted for by the Group is accrued income. This is the case of customer contracts where revenue is recognised over time if the delivery will take place over a longer period of time. This is the case for the construction contracts delivered by Envac and certain projects delivered by Ballingslöv (as part of New Businesses). The main contract liabilities are recognised by Ferry Operation and they include received advances on travels and customer loyalty programs. The revenue streams and principles of recognition are presented in note 3.

Property, plant and equipment

Property, plant and equipment is recognised in the balance sheet when, on the basis of available information, it is likely that future economic benefits associated with ownership will flow to the Group and the cost of the asset can be measured reliably.

Ports are carried at revalued amounts according to the revaluation model, being their fair value at the revaluation date less subsequent depreciation and impairment. If a port's carrying amount increases as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in equity under the translation reserve. A decrease arising as a result of a revaluation is recognised in the income statement.

Vessels, equipment and buildings used in business operations are recognised at cost less accumulated depreciation and any impairment losses. Acquisition expenditure is capitalised on acquisition. Repairs and maintenance costs for property, plant and equipment are charged to the income statement for the year.

Dry-docking costs for vessels are capitalised and amortised over a period of two to five years.

For vessels, the company uses appraisals carried out by independent vessel brokers for impairment assessment. If a review indicates that the net carrying amount of an asset exceeds its recoverable amount, discounted cash flows based on estimated capital expenses and estimated future returns are used. Assets having a direct joint income, e.g. a ferry route, are defined as the smallest cash-generating unit. If impairment exists on the date of closing, the recoverable amount of the asset is estimated and the asset is written down to this value. Impairment is reversed if any change is made to the calculations used to determine the recoverable amount.

Construction in progress includes advance payments, as well as other direct and indirect project costs, including financial cost, which are capitalised on the basis of the actual borrowing cost.

Buildings used in business operations are divided into land and buildings, and refer to properties used by the company in its own operations. Items of property, plant and equipment are depreciated according to plan on a straight-line basis. The residual values and useful lives of the assets are tested on date of closing and adjusted when needed. Depreciation is not applied to land.

The residual values are estimated at zero. All assets are divided into components.

CONT. NOTE 1

Depreciation takes place from the date on which the asset is ready for use and over the estimated useful lives as follows:

Vessels	
Drilling rigs	20 years
Drilling rig vessels	20 years
Crude oil tankers	20 years
RoRo vessels	20 years
RoPax vessels	20 years
Superferries	20 years
LNG carriers	20 years
HSS vessels and other high speed vessels	10–20 years

Other non-current assets	
Buildings	50 years
Port terminals	20–50 years
Equipment	3–10 years

Investment property

Investment property, that is properties held in order to generate rental income or increase in value or a combination of these, is valued continuously using the fair value model (estimated market value). Fair value is based on the estimated market value on the balance sheet date, which means the value at which a property could be transferred between knowledgeable parties that are independent of each other and have an interest in the transaction being carried out.

Changes in fair value are reported in the income statement, with an impact on changes in value of properties.

The term investment property, which mainly includes residential and office buildings, also includes land and buildings, land improvements and permanent equipment, service facilities etc. in the building or at the site.

Property sales and purchases are recognised when control has been transferred to the buyer, which normally takes place on the completion date as long as this does not conflict with the conditions of the sales contract.

Gains or losses on the sale or disposal of investment properties are composed of the difference between the net proceeds from sale and the most recently determined valuation (carrying amount based on the most recently determined revaluation to fair value). Income arising from sales or disposals is reported in the income statement as gains/losses on sale of non-current assets.

In the event that Stena utilises a portion of a property for its own administration, such a property will only be considered to be an investment property if an insignificant portion is used for administrative purposes. In any other case, the property will be classified as a building used in business operations, and be accounted for in accordance with IAS 16 Property, plant and equipment.

Subsequent costs are included in the carrying amount only when it is likely that future economic benefits associated with the asset will accrue to the company and the cost can be measured reliably. Other expenses are recognised as costs in the period in which they arise. One decisive factor in assessing when subsequent costs may be included in the carrying amount is whether the expense refers to the replacement of identified components, or parts of these, in which case the costs are capitalised. Costs relating to the construction of new components are also included in the carrying amount.

The valuation of investment properties at fair value (assessed market value) utilises an internal valuation model which has been quality assured by reconciling the assumptions with external property valuers, and through external valuation. The internal valuation is determined on an earnings basis, which means that each individual property's net rental income is divided by the required return by market yield for the property in question. Assumptions have been made in the calculation of net rental income regarding operating and maintenance expenses, as well as vacancies. These assumptions are based on market assumptions of those cash flows. However, historical outcome, budget and normalised costs have been a part of these assumptions. Different required returns have been utilised for different markets and types of properties.

Intangible assets

Goodwill

Goodwill is the amount by which the cost exceeds the acquisition date fair value of the Group's share of the acquired subsidiary's identifiable net assets. Goodwill is recognised as an intangible asset and valued at cost less accumulated depreciation and impairment.

Goodwill is tested at least annually for impairment. Goodwill impairment is not reversed. A gain or loss on the disposal of an entity includes the residual carrying amount of the goodwill that relates to the entity.

Goodwill is allocated to cash-generating units during impairment testing. This allocation refers to those cash-generating units, determined in accordance with the Group's operating segments, which are expected to benefit from the business combination in which the goodwill item arose.

Trademarks

Trademarks are assessed as having an indefinite useful life and are carried at cost less previous amortisation and any impairment losses. Trademarks are tested for impairment annually.

IT investments

Acquired software is capitalised on the basis of acquisition and implementation costs. These costs are amortised over the asset's useful life, which is judged to be between three and five years, in accordance with the straight-line method. Useful life is reviewed on a yearly basis.

Distribution agreements

Distribution agreements are reported at cost less accumulated amortisation. Amortisation takes place according to the straight-line method over the asset's estimated useful life of 5 years. Useful life is reviewed on a yearly basis.

Rights to routes

Rights to routes are capitalised on the basis of acquisition and amortised over the asset's useful life, which is assumed to be 20 years, in accordance with the straight-line method. Useful life is reviewed on a yearly basis.

Impairment of non-financial assets

Assets with indefinite useful lives, goodwill and trademarks, are not amortised; instead, they are tested annually for impairment. Assets that are amortised are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value, less costs to sell, and its value in use.

In the assessment of impairment requirements, assets are grouped at the lowest level at which there exist separate identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill and trademarks for which impairment losses have previously been recognised are tested at each reporting date to determine whether there is any need for reversal of the previous impairment.

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 which necessarily takes a significant amount of time to prepare for its intended use. Borrowing costs incurred on loans that are specific to the qualifying asset are capitalised.

Accounting for government grants

Any government grants received in conjunction with new acquisitions of vessels, properties or port installations are recognised as a reduction of cost, while subsidies relating to operating activities reduce the corresponding costs. Recognition takes place when the grant can be estimated reliably. For Swedish-flagged vessels employed in international shipping activities, the company has received subsidies equal to all security costs and income taxes payable by the employers on behalf of employees who work on board such vessels. The amounts received have reduced personnel costs.

Non-current assets held for sale

Non-current assets are classified as available-for-sale when their carrying amounts will be recovered primarily through a sales transaction and a sale is considered highly probable. They are recognised at the lower of carrying amount and fair value less costs to sell if their carrying amount will be recovered primarily through a sales transaction and not through continuous usage.

Financial assets and liabilities

General

A financial instrument is any form of agreement giving rise to a financial asset in one company and a financial liability or equity instrument in another company. Financial assets in the consolidated balance sheet consist of cash and cash equivalents, trade receivables, other financial assets and derivative assets.

Financial liabilities arise from claims for repayment of cash or of other financial assets. In the consolidated balance sheet, financial liabilities consist of trade payables, loans, finance leasing liabilities, bonds and derivative liabilities. All financial assets and liabilities are initially valued at their respective fair values reduced with transactions costs with the exception of assets and liabilities classified as fair value through profit and loss. In this case transaction costs are recognised in profit and loss on recognition of the respective asset or liability.

Financial instruments that will be settled within twelve months will be recognised as a current asset or a current liability and instruments that will be settled after twelve months or more will be recognised as a non-current assets or a non-current liabilities.

Derecognition of financial instruments

When the Stena AB Group has transferred its rights to receive cash flows from an asset or has entered into a so called pass-through arrangement, the Group evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. Disclosures with regards to financial instruments where offsetting occurs is presented in footnote 32.

Financial derivatives and hedging activities

The Stena AB Group is exposed to different types of financial risks. The Group actively seeks to mitigate these identified financial risks in order to eliminate negative effects on the Group. The mitigation of these financial risks often include financial derivatives.

The Group hedges the oil price risk, interest rate risk and exchange rate risk (translation risk and transaction risk). In order to mitigate the oil price risk the Group uses swaps and options in order to mitigate interest rate risk interest rate swaps is used and finally forward contracts is used to mitigate the exchange rate risk.

A financial derivative is valued at fair value at the transaction date and it is continuously valued at its fair value through profit and loss if the instrument is not used in an effective hedge relationship and hedge accounting is applied. There are different forms of hedge accounting techniques:

- Fair value hedge
- Cash flow hedge (applied)
- Hedge of net investment in foreign operations (applied)

In order to apply hedge accounting certain criteria's need to be fulfilled. The Stena AB Group documents at the inception of the transaction the relationship between hedging instruments and hedged items,

CONT. NOTE 1

as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Until December 31 2017, there was a requirement that the effectiveness of a hedge has to be in the range of 80%-125%. Any ineffectiveness is recognised in profit and loss as a finance cost or income.

All financial derivatives are valued at their respective fair values and they are recognised as a financial asset if the value is positive and a financial liability if it is a negative value. The fair value of a financial derivative is classified and recognised as either a non-current asset or a non-current liability if the underlying hedge item will be settled or resolved after more than 12 months. Disclosures are presented in Note 32. All changes in the hedge reserve is presented in the Statement of changes in equity and in Statement of other comprehensive income.

Cash flow hedge

In the case of a cash flow hedge the hedged item is a highly probable future transaction, for instance purchase of bunker oil or the payment of fixed interest rate on outstanding borrowings. The Group is exposed to changes in the price of bunker oil used for the vessel operation. The Stena Group uses forwards and options in order to mitigate the bunker oil price risk and interest rate swaps in order to mitigate the interest rate risk. In both cases hedge accounting is applied. The fair value of the hedge instruments (options, forwards and swaps) is, in terms of effective hedge relationships, recognised in other comprehensive income and specified as part of the hedge reserve in equity until the underlying transaction is recognised in profit and loss, that is when bunker oil is purchased or when interest payments are made.

The accumulated fair values of the hedge instruments are transferred to profit and loss through other comprehensive income in the same period as the hedged item is recognised (that is when a gain or loss is recognised) and the recycled value is recognised on the same line item as the hedged item. When the actual purchase of bunker oil is performed the accumulated fair value of the bunker oil hedge instrument is recycled from the hedge reserve (as part of equity) to profit and loss through other comprehensive income, classified as an operation cost (meaning as an adjustment of the bunker oil expense, bunker oil as initially recognised as inventory) or as an adjustment of the interest cost of the period in terms of interest rate hedges. All fair value changes of financial derivatives, with the exception of those included in the Groups trading portfolios, will as a consequence of hedge accounting) be recognised as an adjustment of the asset bought or as an adjustment of the revenue or cost recognised in the profit and loss statement. The above technique is applied for all cash flow hedges.

If the hedged item (asset or liability) is sold or settled hedge accounting is discontinued and the accumulated fair value of the hedge instrument is recognised as an adjustment of the gain or loss. If the Group chooses to discontinue hedge accounting voluntarily the accumulated fair value in equity will remain as part of equity until the underlying is recognised.

Hedging of net investments

Hedging of net investments in foreign operations is reported in the same manner as cash flow hedges. The gains or losses attributable to the effective portion of the hedge are reported through other comprehensive income and accumulated in the translation reserve. Gains or losses attributable to the ineffective portion of the hedge are directly reported in the income statement as financial items. Accumulated gains or losses are reclassified through other comprehensive income and reported in the income statement when the foreign operations, or portions of these operations, are sold.

Fair value determination of financial instruments measured at fair value

(i) Financial instruments quoted in an active market (level 1 measurement)

For financial instruments quoted on an active market, fair value is determined on the basis of the asset's listed buying current bid-rate on balance sheet date, with no addition for any transaction costs (for example brokerage) on acquisition date. A financial instrument is considered to be quoted in an active market if the quoted prices are readily available on a stock exchange, with a trader, broker, industry organisation, company providing current price information or supervisory authority, and if these prices represent actual and regular market transactions carried out under arm's length conditions. Any future transaction costs from disposals are not considered. The fair value of financial liabilities is determined on the basis of the listed selling rate.

ii) Valuation techniques using observable market inputs (level 2 measurement)

If the market for a financial instrument is not active, the Group determines fair value by utilising a valuation technique. The valuation techniques employed are based, as far as possible, on market information, with company specific information being used to the least extent possible. The Group calibrates valuation techniques at regular intervals and tests their validity by comparing the outcome of these valuation techniques with prices from observable current market transactions in the same instruments. The valuation models applied are calibrated so that fair value on the initial recognition date amounts to the transaction price, with changes in fair value subsequently being continuously reported on the basis of changes in the underlying market risk parameters.

(iii) Valuation techniques using significant unobservable inputs (level 3 measurement)

If there are no similar financial instruments on a quoted market and no observable pricing information from the market, the valuation is based on estimated discounted cash flows. Fair value is determined by hypothesising what a market price would be if there was a market i.e. calculated fair value is a prediction instead of an observation.

Financial assets and liabilities in accordance with IAS 39 (until 31 December 2017)

Classification of financial assets

Financial assets in the Group are divided into the following categories:

- Financial assets at fair value through profit or loss
  – held for trading
  – designated (assets classified on acquisition as financial assets at fair value through profit or loss)
- Financial assets held for hedging purposes
- Held-to-maturity financial assets
- Available-for-sale financial assets
- Loans and receivables

Classification is based on the purpose of the acquisition of the financial instrument.

Financial assets at fair value through profit or loss

The category is divided into two subcategories:

- Held for trading and
- Designated (assets classified on acquisition as financial assets at fair value through profit or loss)

Financial assets held for trading consists of financial assets acquired with the primary intention of being sold in the short term and those derivative instruments to which hedge accounting is not applied. Equity instruments and other securities are classified as short-term investments in the balance sheet and changes in fair value are reported in the income statement under gains/losses on sale of securities.

The fair value option is applied based on how the investments are managed and the fact that their performance is evaluated on a fair value basis in line with the Group's investment policy. These assets are classified as Marketable securities in the balance sheet and changes in fair value are reported in the income statement under gains/losses on sale of securities. Internally, the Group follows up and reports on these assets on the basis of their fair values and, consequently, considers that this valuation and recognition in the income statement and balance sheet provides readers of the Financial Report with the most relevant information.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell more than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity assets are measured at amortised cost. Assets in this category are recognised as marketable securities.

Loans and receivables

Loans and receivables are financial assets that have fixed or determinable payments and that are not quoted in an active market. Receivables are reported under current assets. Loans and receivables are listed in the balance sheet under other receivables and trade receivables. Assets in this category are measured at amortised cost, with allowances for bad debt losses and loan losses, when applicable.

Available-for-sale financial assets

Investments in certain equity instruments (with the exception of participations in subsidiaries and associates) and bonds are categorised as available for sale financial assets. Period changes in fair value, with the exception of impairment charges, are reported in other comprehensive income for these instruments. When these financial instruments are sold, the accumulated gains or losses are reclassified through other comprehensive income and are recognised in the income statement. These assets are classified as marketable securities in the balance sheet and changes in market value are reported in the fair value reserve in equity through other comprehensive income. Assets in this category are recognised as other long-term securities, other non-current assets and investments in securities.

Impairment of financial assets

The Group assesses on each balance sheet date whether there exists any objective evidence that impairment exists for a financial asset or a group of financial assets. For shares classified as available-for-sale assets, any significant or prolonged decline in the fair value of a share to a level below its cost of acquisition is regarded as an indication of impairment.

If such evidence is present for available-for-sale financial assets, the accumulated loss – calculated as the difference between cost and the current fair value, less any previous impairment charges reported in the income statement – is reclassified from equity to the income statement. Impairment of equity instruments, which is reported in the income statement, is not reversed through the income statement. Reversal of impairment of bonds is recorded in the income statement on the same line as the impairment. Bonds are impaired in the event of the counterparty's insolvency.

Financial assets and liabilities in accordance with IFRS 9 as of 1 January 2018

Classification of financial instruments

Classification of financial instruments are based on the business model used while managing those instruments. The business model is based on the ultimate purpose of the holdings. AB Stena Finans manages substantial financial portfolios, for instance:

- Financial derivatives
- Equity instruments (shares and funds), listed and unlisted
- Interest bearing assets, current and non-current
- Interest bearing liabilities, current and non-current

Financial derivatives

Financial derivatives are valued at their respective fair values through profit and loss. A derivative either has a positive or negative fair value depending on the underlying asset or liability.

Derivatives are mainly used in order to mitigate different financial risks that the business is exposed to, for instance exchange rate risk,

CONT. NOTE 1

interest rate risk and bunker oil price risk (these risks are in detail described separately in disclosure note 31). If hedge accounting is applied, the recognition of the change of the value, is dependent on what type of hedge accounting that is applied, see section on hedge accounting.

Equity instruments

All equity instruments are valued at their respective fair values. There are listed as well as unlisted equity instruments in the Group. Fair value changes are either recognised through profit and loss or through comprehensive income. If the latter is applied future gains and losses will as well be recognised in other comprehensive income and not be reclassified through profit and loss. Received dividends is recognised as finance income in the income statement.

Equity instruments in the Group is classified as follows:

• Listed equity instruments	Fair value through profit or loss (FVTPL)
• Listed equity instruments	Fair value through other comprehensive income (FVTOCI)
• Unlisted equity instruments	Fair value through profit or loss (FVTPL)

Interest bearing financial assets

The Stena AB Group have interest bearing financial assets in the form of bonds, customer receivables, leasing receivables and other interest bearing instruments.

Interest bearing financial instruments are classified and valued based on the business model applied by Stena Group when managing the specific assets. Interest bearing financial assets can be valued at either:

- Amortized cost
- Fair value through other comprehensive income
- Fair value through profit and loss

In the case these financial assets are held for the primary purpose of receiving payments of principal and interest they are valued at amortized cost. Interest income is reported in the finance net in the income statement. Realization gains and losses are reported as other income or cost. This business model do however not mean that it is not possible under certain circumstances to sell these assets. It is important to state that the business model primarily is to hold to collect. The aim is not to recover its value through sale transactions. If so, the business model is rather a mixed one and then it is valued at fair value through other comprehensive income. Finally if the interest bearing financial assets are part of a business model focusing of trading they are valued at fair value through profit and loss.

In order for a financial assets to be valued at amortized cost the asset need to fulfil certain technical characteristics, and if these are not fulfilled they will as default be valued at fair value through profit and loss. There are the following financial assets in the Stena Group:

• Customer and leasing receivables	Amortized cost
• Non-current receivables	Amortized cost
• Financial investments	Amortized cost, Fair value through other comprehensive income, Fair value through profit and loss

Stena has in some instances chosen to value interest bearing financial assets at their respective fair values through profit and loss.

Impairment of financial assets

In the case of interest bearing instruments valued at amortized cost or fair value through other comprehensive income a credit risk reserve is recognised based on the expected credit losses. There is a credit risk reserve recognised for consumer receivables and lease receivables as well as for instruments valued at fair value through other comprehensive income. For customer receivables the reserve is based on the lifelong expected credit loss.

Financial liabilities

Financial liabilities in the Group are divided into the following categories:

- Financial liabilities at fair value through profit or loss, held for trading
- Other financial liabilities

Classification is based on the purpose of the acquisition of the financial instrument. The classification is carried out by senior management on the initial recognition date.

Other financial liabilities

Other financial liabilities in the balance sheet consist of senior notes, other non-current interest-bearing liabilities, other non-current liabilities, current interest-bearing liabilities, trade payables and other liabilities. Financial liabilities are recognised initially at fair value, net of transaction costs incurred.

Financial liabilities are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the liabilities using the effective interest method. Transaction costs initially decrease the debt and is thereafter allocated over time using the effective interest method.

Receivables and liabilities in foreign currency

Transactions in foreign currency are translated in accordance with current exchange rates at the transaction date.

Both in the individual Group companies and in the Group's annual accounts, receivables and liabilities in foreign currency are translated at the closing rate of exchange. Related exchange rate differences on current payments are included in operating profit, while differences in financial receivables and liabilities are reported under financial items. All exchange rate differences affect net profit/loss for the year.

An exception is the portion of the difference consisting of an effective hedge of the net investment, where recognition is directly in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in the income statement as part of the fair value gain or loss.

The following currency exchange rates have been applied in the Group's annual accounts:

	Average rates		
	2018	2017	Change in %
USD	8.9621	8.5380	5
GBP	11.5928	10.9896	5
EUR	10.2567	9.6326	6

	Closing rates		
	2018	2017	Change in %
USD	8.8533	8.1833	8
GBP	11.2915	11.0581	2
EUR	10.1508	9.8241	3

Income taxes

General

The Group's total tax consists of current tax calculated on taxable profit and deferred tax. Current tax and changes in deferred tax are reported in the income statement, with the exception of those deferred taxes reported directly in other comprehensive income. Deferred tax includes unutilised deficits from the translation of tax assessment to current tax rates, and other temporary differences between book residual value and fiscal residual value. The tax value of unutilised loss carry-forward is capitalised to the degree it is probable that this will entail lower tax payments in the near future.

Significant assessments are required from management in the calculation of income tax liabilities, income tax receivables and deferred tax for provisions and receivables. This process requires the assessment of the Group's tax exposure of current tax and the adoption of temporary differences created by various taxation and accounting regulations. In particular, management must assess the likelihood that deferred tax assets can be settled against surpluses in future tax assessment see also Note 2.

Current tax

All companies within the Stena AB Group calculate income tax in accordance with the tax regulations and ordinances in force in those countries where the profit is taxed.

Deferred taxes

The Group uses the balance sheet method to calculate deferred taxes. The balance sheet method implies that deferred tax assets and liabilities are valued according to the tax rates adopted or announced on balance sheet date and which are expected to apply to the period in which the acquisition is executed or the liability settled. The tax rates are applied to the existing differences between the accounting or fiscal value of an asset or liability, as well as to loss carry forwards. These loss carry forwards can be used to reduce future taxable income. Deferred tax assets are reported to the extent that it is probable that a sufficient taxable surplus will exist to allow for accounting of such receivables.

Leasing

Any leasing agreements in which the economic risks and rewards of ownership are essentially transferred to the lessee are defined as finance leases.

Assets held under finance leases are classified in the consolidated balance sheet as non-current assets. The commitment to pay future minimum lease payments is reported as non-current and current liabilities. The assets are depreciated according to plan, while lease payments are reported as interest and repayments of liabilities.

Other leased assets are reported as operating leases, which implies that the leasing charges are expensed over the term of the lease on the basis of utilisation.

Inventories

Inventories are measured at the lower of cost, according to the first-in, first-out method (FIFO), or net realisable value, less deductions for any obsolescence. The acquisition cost for finished goods, products in progress and work in progress consists of raw materials, direct salaries, other direct expenses, and related indirect manufacturing expenses (based on normal manufacturing capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the estimated variable costs necessary to make the sale. Inventories mainly include bunker fuel, spare parts, merchandise for onboard sale, products for bars and restaurants onboard the vessels and finished goods and products in progress. Costs for inventories include transfers from comprehensive income of any gains or losses from cash flow hedges that comply with the conditions for hedge accounting as regards purchases of raw material.

Cash and cash equivalents

Cash and cash equivalents include cash and bank balances with an original maturity of three months or less.

Employee benefits

Post-employment benefits, such as pensions and other benefits, are predominantly settled by the means of regular payments to independent authorities or bodies thereby assuming pension commitments towards the employees. These arrangements are referred to as defined contribution plans. The company thus pays set fees to a separate legal entity and has no commitment to pay any further fees. Expenses are charged to the Group's income statement, as administration costs, at the rate that the benefits are earned. The remaining portion of post-employment benefits consists of defined benefit plans, in which the commitments remain with the company. Remuneration of employees and former employees is paid on the basis of salary at retirement date and number of years of service. The Company bears the risk for ensuring that the remuneration undertaken is paid. For defined benefit plans, the Company's costs and the value of outstanding commitments on the balance sheet date are calculated on the basis of actuarial assumptions intended to determine the present value of issued commitments.

The amount recognised in the balance sheet is the net total of the estimated present value of the commitments and the fair value of the plan assets, either as a provision or as a non-current financial receivable. In cases where a surplus in a plan cannot be fully utilised, only that portion of the surplus that the company can recover through decreased future contributions or repayments is recognised. The setoff of a surplus in a plan against a deficit in another plan is allowed only if a company has the right to utilise a surplus in a plan to settle a deficit in another plan, or if the commitments are to be settled on a net basis.

The pension expense and the pension commitment for defined benefit pension plans are calculated annually by independent actuaries. The commitment consists of the present value of expected future payments. The most important actuarial assumptions are stated in Note 21. Actuarial gains and losses may result upon determination of the present value of the defined benefit commitment and the fair value of plan assets. These result either from differences between the actual return and expected returns, or changes in assumptions. Changes in the present value of the obligations due to revised actuarial assumptions and experience adjustments on the obligation are recorded in other comprehensive income as remeasurements. The actual return less calculated interest income on plan assets is also included in other comprehensive income as remeasurements. Past-service costs are recognised immediately in income for the period. The described accounting principle is only applicable for Group accounting. The Parent company and the subsidiaries apply local rules and accounting principles.

Provisions

Generally, provisions are reported when there is an obligation as a result of a historical event, in which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are recognised at the amount that represents the best estimate of the amount required to settle the existing obligation on the balance sheet date. Where there is doubt in the estimates regarding forthcoming events outside the Group's control, the actual outcome may differ significantly.

When an obligation does not meet the criteria for recognition in the balance sheet, it may be considered to comprise a contingent liability and be disclosed. These commitments derive from historical events and their existence will be confirmed only when one or several uncertain future events, which are not entirely within the Group's control, take place or fail to take place. Contingent liabilities also include existing commitments where an outflow of resources is not likely or a sufficiently reliable estimate of the amount cannot be made.

New or amended accounting standards applied after 2018

IFRS 16 Leases constitutes a major revision of leasing accounting. IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in accounting and reporting. IFRS 16 supersedes IAS 17 Leases and its accompanying interpretations. Stena has applied IFRS 16 as of January 1, 2019. Extensive preparatory work has been performed throughout the group in order to prepare for the implementation of IFRS 16. The application of IFRS 16 primarily affects lessee accounting of the leases that in accordance to IAS 17 were classified as operating lease contracts. IFRS 16 requires that most of the former operating leases, should be recognised on the balance sheet as a right of use asset and a corresponding liability to pay leasing fees. The lessor accounting remains basically unchanged.

Stena acts as a lessee with regards to a large number of assets such as vessels, buildings and land. In some cases, lease components are also included in signed operating contracts with port operators. The described changes in lessee accounting have had a significant impact on the group's financial statements as a substantial part of the group's former operating leases will be recognised on the balance sheet. Stena will apply the optional exemptions which allow for the exclusion of short-term leases and leases of low-value assets from recognition on the balance sheet.

Stena has adopted the modified retrospective approach as per the transition date of January 1, 2019. In accordance with the standard, comparative information will not be restated. The modified retrospective approach means the value of the assets will correspond to the value of the recognised liability in the balance sheet. The incremental borrowing rate at the date of transition is used for measuring both the right-of-use assets and the lease liability.

As an effect of implementation of IFRS 16, the total value of assets and liabilities will increase due to the recognition of the right-of-use assets and the lease liabilities. Lease fees, currently reported as an operating expense, will be replaced by a depreciation of the right-of-use assets and an interest expense related to the lease liabilities.

A preliminary assessment indicates an opening balance adjustment as per January 1, 2019, with the following approximate effects on the balance sheet, without taking into consideration any related adjustments of prepaid and/or accrued amounts at transition:

- Right-of-use assets: SEK 3.4 billion
- Financial asset: SEK 0.2 billion
- Lease liabilities: SEK 3.6 billion

The preliminary net assets effect is expected to affect the segments as follows: Vessels SEK 1.6 billion, buildings SEK 0.9 billion, investment properties SEK 0.6 billion, Ports SEK 0.3 billion and financial assets SEK 0.2 billion.

Parent company accounting policies

The Parent company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities.

The Parent company primarily applies the policies regarding consolidated financial statements described above. The discrepancies arising between the policies applied by the Parent company and the Group result from limitations in the possibilities of applying IFRS in the Parent company due to the Annual Accounts Act and, in some cases, due to taxation legislation. The most significant differences between the accounting policies applied by the Group and the Parent company are shown below.

According to RFR 2, the principles for defined benefit plans in IAS 19 do not have to be applied for a legal entity.

Shares in subsidiaries are recorded at cost less any impairment. Group contributions are accounted for in the income statement after financial net.

In the Parent company, in accordance with the Swedish Annual Accounts Act, equity is split between restricted and unrestricted equity.

Stena AB applies IFRS 9 when calculating a reserve for the expected credit loss on receivables on subsidiaries. Based on the value of the receivable, the probability that the subsidiary will be in default as well as the loss at default, a credit risk reserve is booked. As per 31 December 2018 long term receivables on subsidiaries amounted to MSEK 5 912 and the short term receivables amounted to MSEK 1 504.

NOTE 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Board of Directors and Company management make estimates and assumptions concerning future developments in conjunction with the preparation of the annual accounts. The resulting accounting estimates will, by definition, rarely be equal to the actual results. Those estimations and assumptions implying a significant risk of material adjustments in the carrying amounts of assets and liabilities during the next financial period are discussed below.

a) Impairment testing for intangible assets

According to IFRS, intangible assets are to be defined as having either finite or indefinite lives. Intangible assets with indefinite useful lives are not amortised but instead tested at least annually for impairment. Goodwill has by definition an indefinite useful life and is therefore not amortised.

Assets with indefinite useful lives

Goodwill and trademarks are subject to annual impairment testing according to the described accounting principle in Note 1. The recoverable amounts for cash-generating units have been determined by calculating value in use. These calculations require the use of estimates which affects future cash flows and the determination of a discount rate. See also note 9.

Assets with finite useful lives

Intangible assets which are amortised are tested annually for impairment when circumstances indicate impairment of the intangible asset. Important indicators are:

– Significant decline in the external economic environment.
– Decline in the operating profit compared with historic and budgeted operating profit.

See also Note 9.

b) Impairment testing of vessels

The Group conducts impairment testing for its vessels at least twice a year, see also the description in Note 1 under the heading Impairment of non-financial assets. In view of the negative developments in the drilling market, impairment testing is conducted regularly with regard to the carrying amounts of the Group's drillships and drilling rigs. If there is any indication of impairment, the recoverable amount is determined based on the calculated value in use. These calculations are based on estimated future cash flows with significant assumptions such as discount rate, inflation, dayrates and expected volumes. Management continuously monitors changes in economic conditions that could affect the significant assumptions used to discount future cash flows. During 2017, the drilling rig *Stena Clyde* was written down by MUSD 18.5.

As of 31 December 2018 the recoverable amounts based on value in use were not less than their carrying amount in any test and therefore the vessels were not impaired.

The Group's assumptions regarding the oil market are based on the belief in a recovery on medium term view. If such a recovery does not materialise, or if any other macro-economic factors such as supply or demand of vessels in the market or an essential change of the inflation level, further impairment losses may have to be recognised for the Group's vessels or drilling units in the future. Information on the carrying amounts of vessels and significant assumptions are presented in Note 10.

c) Retirement benefits

The Group has defined benefit pension plans, mainly in the United Kingdom and Sweden. The pension calculations are based on assumptions about discount rate, mortality rate, inflation and future pension and salary increases. Changes in assumptions directly affect the present value of the defined benefit obligation and costs and revenues associated with pensions. An analysis of sensitivity of the most essential assumptions is presented in Note 21.

d) Deferred taxes

In the preparation of the financial statements, Stena prepares a calculation of income tax, including a calculation of every fiscal area in which the Group operates, as well as of deferred taxes attributable to temporary differences. Deferred tax assets that are primarily attributable to tax losses carried forward and temporary differences are reported if the tax assets can be expected to be recovered through future taxable income. Changes in the assumptions regarding forecasted future taxable income, as well as changes in tax rates, may result in significant differences in the valuation of deferred taxes.

e) Provisions

Generally, provisions are recognised when there is an obligation as a result of a historical event, where it is likely that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are recognised at the amount that represents the best estimate of the amount required to settle the existing obligation on the balance sheet date. Where there is doubt in the estimates referring to forthcoming events outside the Group's control, the actual outcome may differ significantly. When a commitment does not meet the criteria for reporting in the balance sheet, the amount can be considered a contingent liability and be disclosed.

These commitments arise from events that have taken place and their existence will be confirmed only when one or several uncertain future events, which do not lie entirely within the Group's control, take place or fail to take place. Contingent liabilities also include present commitments where an outflow of resources is not likely or a sufficiently reliable estimate of the amount cannot be made.

f) Fair value of financial instruments

The Group calculates discounted cash flows for different financial assets which are not traded in an active market.

g) Valuation of investment properties

The fair value of an investment property can only be determined with certainty at the date of sale. As the valuation of investment properties is based on accepted principles and assumptions, the fair value is not the exact value but an estimate.

h) Revenues

Identification of performance obligations

The main part of the business in terms of the Group companies performing construction contracts, that is Stena Property and Envac, the critical issue is whether the customer contracts include more than one performance obligation. If there are parts in the contract that is distinct from other parts in the contract they should be separated and recognised separately, this could be the case when Stena Property is selling land in the same transaction as when they are seller properties. Our view is that both Stena Property (with the exception of sale of land) and Envac are offering one performance obligation where there are no other distinct parts that could be separated from the whole. In Ferry Operation there are multiple performance obligations in terms sales including loyalty programs.

Over time or one point in time

One general rule is that revenue from the sale of consumer goods is recognised when control is passed to the customer and that is normally when the sale is done (over the counter) and services of all sorts are recognised over time that is when the service is consumed by the customer.

Production and sale of property is recognised when control has passed and our conclusion is that this is done when the key ready property is finalized and delivered, that is when the BRF is deconsolidated. During the production phase, the production vehicle is included in the consolidated accounts and a contract asset is recorded in the form of work in progress. The control is not passed to anybody before the production is finalized. If Stena property on the other hand is building for an external party revenue are recognised over time as the control is passed over time in accordance with the contract.

Relation between IFRS 15 and IFRS 16

Several Group company are acting as a lessor and the leasing contracts include performance obligations as defined in IFRS 15. These are service deliveries in connection with the lease of a drilling platform, a ship or similar. The service part of these contracts are disclosed as service deliveries and separated from the lease income. In order to be able to perform this accounting we are applying an allocation key for differentiating between the leasing income and the service revenue.

Variable consideration – types and content

Ferry Operation and Blomsterlandet are operating a customer loyalty program, meaning that customer are earning units on each buy, units that can be used in the future. As a consequence of this program a contract liability is recognised amounting to the fair value of the granted units. The customers can use these granted units under a one year period so the contract liability will be recognised as revenue during this period of time.

NOTE 3. SEGMENT INFORMATION

Stena AB Group is an international group that is involved mainly in Ferry Operations, Offshore Drilling, Shipping, Property and New Businesses. There are no material transactions between these operating segments.

Ferry Operations are operated by Stena Line, in Scandinavia, the United Kingdom, France, Germany, Latvia, Poland, the Netherlands and Ireland. Stena Line is one of the world's leading ferry operators. As at 31 December 2018, operations comprised 20 strategically located ferry services, 38 vessels and five ports in Scandinavia, the United Kingdom and the Netherlands.

Income is generated mainly through (i) freight – mainly comprising revenue from freight traffic and truck traffic, (ii) ticket sales, comprising revenue from tickets for private individuals and private cars, package/charter trips and hotel accommodation; and (iii) onboard sales, mainly comprising revenue from shops, restaurants, bars, gaming and, on the Norway–Denmark route, tax-free sales. The direct operating costs mainly comprise staff costs, the cost of purchasing goods sold on board, fuel costs, vessel charter costs, commissions, package trip costs and other related costs.

Offshore Drilling is conducted by Stena Drilling, with head office in Aberdeen in Scotland. Stena Drilling is one of the world's leading companies in the development, construction and operation of drilling rigs and drillships. The fleet comprises one third-generation and one fifth-generation semi-submersible drilling rigs and four sixth-generation drillships for ultra-deepwater operations, one of which is an ice-class vessel. The revenue comprises revenue from charter contracts for drilling rigs and drillships. The direct operating costs are mainly staff costs, fuel costs and costs for insurance, maintenance and catering.

Shipping comprise ownership and leasing of oil tankers and RoRo vessels. To support operations, the company is also involved in management and manning, as well as the design, purchase, sale and redevelopment of such vessels.

Stena Bulk is one of the world's leading tanker companies. Stena Bulk develops pioneering tankers that satisfy customers' demand for safe transport and innovative logistics. Stena Bulk controls a fleet of 103 tankers and has operations in all segments of the tanker market.

Stena RoRo provides vessels, innovative solutions and project management. The company's customers are operators and ship owners throughout the world.

Northern Marine Group (NMG) is Stena's international company in the ship management sector with head office in Glasgow in Scotland and with a global customer base. With an extensive customer portfolio and a large number of vessels under management, the company is a market leader in advanced ship management. The company operates a high-tech fleet of around 100 vessels from its worldwide network of offices in various cities around the world, including Aberdeen, Glasgow, Gothenburg, Houston, Mumbai, Manila, Singapore, Shanghai, St Petersburg and Rotterdam.

Stena Teknik is a joint resource for all maritime operations within Stena. The operation comprises newbuilding- and redevelopment projects, procurement and marine engineering consultancy services as well as research and development.

Revenue from Shipping comprises mainly charter revenue from owned or chartered vessels as well as ship management revenue from vessels under Stena management. Direct operating costs mainly comprise costs for vessel charter, fuel, staff, insurance and other operationally related vessel costs.

Property comprise investments in residential properties and commercial properties, primarily in Sweden and the Netherlands. In total, Stena owns and manages, on behalf of associates, 2.4 million square metres, mainly in Sweden. The holdings comprise around 28,300 residential units as well as commercial properties. Of these holdings the Group owns 1.7 million square meters and around 19,100 residential units and commercial properties. Stena Property is one of Sweden's largest privately owned property companies. Revenue comprises rents from tenants in the company's properties as well as management revenue from managed properties. The costs refer mainly to maintenance, heating and staff.

New Businesses include long term financial involvement and investment in operations outside Stena's core operating areas and take place through the business unit Stena Adactum. Stena Adactum is the Group's investment company that invests long-term in listed and unlisted companies. The aim is to build strong, profitable companies that can form a platform for new business areas within the Stena Sphere. Stena Adactum comprises four wholly owned subsidiaries and four associates, three of which are listed. The subsidiaries carry on operations in four different operating sectors:

- Ballingslöv is an international group operating in the kitchen, bathroom and storage sector with the ambition of becoming one of the leading players in the European market for these products. The company has manufacturing units in Sweden, the United Kingdom and Denmark.
- S-Invest is a retail chain with one of the largest ranges of indoor and outdoor plants in Sweden.
- Envac provides automated waste collection systems for households and municipal authorities and has offices in 20 countries.
- Captum was established in 2016 and its main business is the provision of payment solutions to the companies in the Stena Sphere.
- Stena Renewable, sold in September 2018, through which the company commenced successful operations of some of Sweden's largest land-based wind power generating farms. A total of 96 wind turbines have been constructed on these wind farms.

Other covers undistributed, central administration costs.

The primary measures of profitability for these segments are the "operating profit" and "EBITDA". These measures are also those that are reported to the company's chief operating decision-makers. In the Group, this function is held by the Stena AB Board of Directors, which makes all strategic decisions.

As per 1st of January 2018 the definition of "EBITDA" has been changed to not include Results from investments in operating associates. Comparison figures for 2017 have been adjusted.

Disaggregation of revenues

The Stena AB Group is a diversified business including several different revenue streams, therefore it is difficult to present this information in generic terms with regards to business model content. The revenue streams of the Group could be described in different ways.

The main disaggregation of the revenue streams is based on the operating segments of the Group. Each operating segment or business unit is operating their specific business model including delivery of goods or services and a third dimension is whether revenue is recognized in one point in time or over time. A simple description of the Group companies revenue streams is presented on the following side:

Group companies revenue streams

		Revenue stream	Revenue recognition	Performance obligation
Ferry Operations		Sale of goods	One point in time	Delivery of consumer products (onboard sale)
		Sale of services	Over time	Personal transportation services
		Sale of services	Over time	Freight services
Offshore Drilling		Sale of services	Over time	Operating services
Shipping	RoRo	Sale of services	Over time	Transportation/logistic services
	Tanker	Sale of services	Over time	Transportation/logistic services
	NM Group	Sale of services	Over time	Technical Management & Crew management
		Sale of services	Over time	Catering sales
		Sale of goods	One point in time	Marine sales
Property		Sale of services	Over time	Facility management services
New Businesses	Envac	Construction contracts	Over time	Delivery of construction contracts (automatic waste management)
	S-Invest	Sale of goods	One point in time	Sale of flowers
	Ballingslöv	Sale of goods	One point in time	Sale of kitchens
		Contruction contracts	Over time	Delivery of construction contracts (kitchen)
	Captum	Sale of services	One point in time	Provision of payment services

Revenue

MSEK		Lease income	Products	Service	Construction Contracts	Other	Total	One point in time	Over time	Total
Ferry Operations		17	947	12,879		6	13,849	947	12,902	13,849
Offshore Drilling		766		475		3	1,244		1,244	1,244
Shipping	RoRo	308		208		2	518		518	518
	Tanker	3,062		1,972		8	5,042		5,042	5,042
	Other		266	575			841	266	575	841
	Total	**3,370**	**266**	**2,755**		**10**	**6,401**	**266**	**6,135**	**6,401**
Property		2,646		92			2,738		2,738	2,738
New Businesses			5,459	15	1,561	17	7,044	5,466	1,578	7,044
Other		6		24			30		30	30
Total		**6,806**	**6,672**	**16,232**	**1,561**	**36**	**31,306**	**6,679**	**24,627**	**31,306**

The total amount of the transaction price for building contracts that are unsatisfied or partially unsatisfied amounts to MSEK 2,909 as of December 31 2018. Of this, 39% is expected to be reported as revenue during the next financial year (MSEK 1,129) The remaining 61% (MSEK 1,780) will be reported in 2020 and onwards. Construction contracts are held by Ballingslöv and Envac, which are part of New Businesses.

CONT. NOTE 3

Reconciliation between EBITDA and operating profit by segment

		1 January–31 December	
MSEK		**2018**	2017
Ferry Operations	EBITDA	3,007	2,784
	Depreciation, amortisation and impairment	–1,616	–1,418
	Net result on sale of vessels		134
	Operating result	1,391	1,499
Offshore Drilling	EBITDA	–572	1,249
	Depreciation, amortisation and impairment	–3,320	–3,197
	Net result on sale of vessels	39	
	Net result from investments in operating associates	–1	–2
	Operating result	–3,854	–1,950
Shipping			
– RoRo	EBITDA	321	427
	Depreciation, amortisation and impairment	–212	–250
	Net result on sale of vessels	330	202
	Operating result	439	379
– Tanker	EBITDA	461	99
	Depreciation, amortisation and impairment	–664	–588
	Net result from investments in operating associates	–119	66
	Operating result	–322	–423
– Other shipping	EBITDA	–13	–19
	Depreciation, amortisation and impairment	–35	–31
	Net result on sale of operations		19
	Net result from investments in operating associates	3	1
	Operating result	–45	–29
Total Shipping	Operating result	72	–73
Property	EBITDA	1,573	1,617
	Change in fair value of investment properties	1,509	940
	Depreciation, amortisation and impairment	–4	–3
	Net result on sale of investment properties	1,259	735
	Net result from investments in operating associates	12	7
	Operating result	4,349	3,296
New Businesses	EBITDA	600	696
	Depreciation, amortisation and impairment	–208	–264
	Net result on sale of operations	215	
	Operating result	607	432
Other	EBITDA	–364	–328
	Change in fair value of investment properties	72	
	Depreciation, amortisation and impairment	–42	–51
	Net result on sale of investment properties		12
	Net result on sale of operations		–29
	Operating result	–334	–396
Total	**EBITDA**	**5,013**	**6,526**
	Change in fair value of investment properties	**1,581**	**940**
	Depreciation, amortisation and impairment	**–6,101**	**–5,802**
	Net result on sale of vessels	**369**	**336**
	Net result on sale of operations	**215**	**–9**
	Net result on sale of investment properties	**1,259**	**747**
	Net result from investments in operating associates	**–105**	**72**
	Operating result	**2,232**	**2,809**

Depreciation, amortisation and impairment by segment

MSEK		1 January–31 December 2018	2017
Ferry Operations		1,616	1,418
Offshore Drilling		3,320	3,197
Shipping	RoRo	212	250
	Tanker	664	588
	Other	35	31
	Total	**911**	**868**
Property		4	3
New Businesses		208	264
Other		42	51
Total		**6,101**	**5,802**

Depreciation, amortisation and impairment expense consists of the following components

MSEK	1 January–31 December 2018	2017
Vessels	5,133	4,911
Windmills	63	125
Equipment	482	387
Land and buildings	59	55
Ports	175	159
Total property, plant and equipment	**5,912**	**5,638**
Intangible assets	189	164
Total	**6,101**	**5,802**

In 2018, depreciation, amortisation and impairment expenses include depreciation of vessels under finance leases amounting to MSEK 308. There were no vessels under finance leases during 2017.

Investments in property, plant and equipment by segment

MSEK		1 January–31 December 2018	2017
Ferry Operations		1,914	2,130
Offshore Drilling		1,836	1,236
Shipping	RoRo	374	59
	Tanker	320	959
	Other	17	122
	Total	**711**	**1,140**
Property		2,898	2,333
New Businesses		205	195
Other		14	40
Total		**7,578**	**7,074**

CONT. NOTE 3

Total assets by segment

MSEK		31 December 2018	2017
Ferry Operations		18,359	17,214
Offshore Drilling		29,933	28,271
Shipping	RoRo	1,632	1,719
	Tanker	10,017	9,420
	Other	1,329	1,240
	Total	**12,978**	**12,379**
Property		37,738	40,338
New Businesses		8,168	9,661
Other		10,873	11,546
Total		**118,049**	**119,409**

Geographic information

The Group's shipping operations within Stena RoRo and Stena Bulk are mainly conducted between ports all over the world under short and long-term contracts. These activities are not allocated to a geographic area. The Ferry Operations and the Property Operations are conducted mainly in Scandinavia and the rest of Europe. The company's drilling operations are conducted in markets all around the world.

Total revenue by geographic area

MSEK	1 January–31 December 2018	2017
Scandinavia	16,756	15,201
Rest of Europe	10,093	10,152
Other markets	1,785	3,627
Not allocated	6,096	4,743
Total	**34,730**	**33,723**

Total assets by geographic area

MSEK	31 December 2018	2017
Scandinavia	45,483	51,607
Rest of Europe	37,290	28,489
Other markets	23,488	28,646
Not allocated	11,788	10,667
Total	**118,049**	**119,409**

NOTE 4. SALE OF NON-CURRENT ASSETS

		1 January–31 December	
MSEK		**2018**	2017
Vessels	Sales price	622	1,106
	Carrying amount	–253	–770
	Result on sale of vessels	369	336
Investment properties	Sales price	7,335	2,096
	Carrying amount	–6,076	–1,349
	Result on sale of properties	1,259	747
Operations	Sales price	1,261	950
	Carrying amount	–1,046	–959
	Result on sale of operations	215	–9
Total	Sales price	9,218	4,151
	Carrying amount	–7,375	–3,078
Total result from sale of non-current assets		**1,843**	**1,073**

Result from the sale of buildings and equipment are reported under profit/loss for the year.

The total sales price paid included selling expenses of MSEK 48 (35). A comparison with the cash flow statement for the above asset classes shows differences. These are largely due to cash flow from the sale of buildings and equipment being included in the cash flow and deductions have been made in the cash flow for cash and cash equivalents in divested companies.

In 2017 sales of operations include sale of a joint venture.

NOTE 5. ADMINISTRATIVE EXPENSES

Administrative expenses include R&D costs amounting to MSEK 45 (42). Fees and other renumeration to auditors and advisors are set forth below:

Fees to the auditors

	1 January–31 December	
MSEK	**2018**	2017
Audit fees	26	25
Audit-related fees	1	1
Tax advisory services	5	2
Other fees	4	3
Total	**36**	**31**
Audit fees to other auditing firms	1	2
Group Total	**37**	**33**

Audit fees relate to examination of the annual report, financial accounting and the administration by the Board and the CEO as well as other tasks related to the duties of a company auditor. The audit-related fees include, except for the audit, other quality assurance services required by enactment, articles of association, regulations or agreement. Tax advisory services include both tax consultancy and tax compliance services. Other fees are related to other assignments.

NOTE 6. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD AND OTHER JOINT ARRANGEMENTS

All associates, joint ventures and other joint arrangements are reported under this heading. One joint operation has been identified under other joint arrangements but this is assessed to be of no material nature. Associates and joint ventures are reported according to the equity method, while joint operations are reported using proportionate consolidation. See also Note 1 under the heading "Investments in associates, joint ventures and other joint arrangements".

Associates are divided into strategic holdings and other holdings. The result from other holdings more directly attributable to operations is reported in operating profit, while strategic holdings are reported in the financial net under the heading "Result from investments in strategic associates".

All joint ventures within the Group are related to the operation and are reported in the operating profit.

The Group has five holdings that are regarded as strategic; Midsona AB (publ), Gunnebo AB (publ), Svedbergs i Dalstorp AB (publ.), NTEX AB and Stena Renewable AB. Stena Renewable AB is a new holding in 2018 and was previously a wholly owned subsidiary.

At 31 December 2018, the investment in Midsona AB (publ) (reg. no. 556241-5322, headquartered in Malmö) represents 24% of the capital and 28% of the votes. The value of Stena's share of Midsona AB's market capitalisation was MSEK 669 (642). A reversal of previous write-down was made during the year with MSEK 127. The share of profit/loss was MSEK 7 (21).

At 31 December 2018, the investment in Gunnebo AB (publ) (reg. no 556438-2629, headquartered in Gothenburg) represents 26% of the capital and votes, which is unchanged from the previous year.
The value of Stena's share of Gunnebo AB's market capitalisation was MSEK 444 (667). The shares were written down with MSEK –276.
The share of profit/loss was MSEK 109 (41).

Shares in Midsona and Gunnebo have been pledged as collateral for liabilities to credit institutions.

At 31 December 2018, the investment in Svedbergs in Dalstorp AB (publ) (reg. no. 556052-4984, headquartered in Tranemo municipality) represents 26% of the capital and votes, which is unchanged from the previous year. The value of Stena's share of Svedbergs i Dalstorp AB's market capitalisation was MSEK 120 (196). The share of profit/loss was MSEK 12 (12).

At 31 December 2018, the investment in NTEX AB (reg. no 556648-7285, headquartered in Gothenburg) represents 25% of the capital and votes. NTEX AB is not a listed company. The share of profit/loss was MSEK 0 (0).

During the year, the Group also invested in Stena Renewable AB (reg. no. 556711-9549, headquartered in Gothenburg) represent 35% of the capital and votes. Stena Renewable AB is not a listed company and was previous a wholly owned subsidiary. The share of profit/loss was MSEK –1.

Amounts recorded in the balance sheet are as follows:

	31 December	
MSEK	**2018**	2017
Strategic holdings	2,124	1,459
Other holdings	92	16
Joint ventures	721	708
Total	**2,937**	**2,183**

Amounts recorded in the income statement are as follows:

	1 January–31 December	
MSEK	**2018**	2017
Strategic holdings	–34	62
Other holdings	–11	9
Joint ventures	–94	155
Total	**–139**	**225**

	Strategic holdings		Other holdings		Joint Venture		Total	
MSEK	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Opening balance	**1,459**	**1,338**	**16**	**17**	**708**	**953**	**2,183**	**2,308**
Investments	753	109	72	–6		98	825	201
Disposals	–4	–1		–2			–4	–3
Repaid capital								
Profit/loss from associates/joint ventures								
– Share of profit/loss	127	74	–11	9	–94	58	22	141
– Write-down and reversed write-down	–149						–149	
– Other						97		97
Other comprehensive income	–12	–13					–12	–13
Dividend	–50	–48			–74	–57	–124	–105
Reclassifications to subsidiary						–380		–380
Exchange differences				–2	43	–73	43	–75
Other changes			15		138	11	153	11
Closing balance	**2,124**	**1,459**	**92**	**16**	**721**	**708**	**2,937**	**2,183**

The closing balance for investments reported according to the equity method includes for strategic holdings goodwill amounting to MSEK 718 (554).

Summary of information about the Group's share of profit/loss and comprehensive income

Below is the financial summary of the information related to the Group's associates and joint ventures that are reported using the equity method. The information refers to the Stena AB Group's share of the amounts reported in the companies year-end accounts, adjusted for differences in accounting policies between the Group and the associates.

	Strategic holdings		Other holdings		Joint Venture		Total	
MSEK	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Profit for the year	–22	74	–11	9	–94	155	–127	238
Other comprehensive income	–12	–13					–12	–13
Total	**–34**	**62**	**–11**	**9**	**–94**	**155**	**–139**	**225**

CONT. NOTE 6

Below find the assets (including goodwill), liabilities, equity, revenue and result for the significant associates and joint ventures in the Group. Furthermore, the result and the carrying amount in the Group is also shared.

Strategic holdings

MSEK	Country of incorporation	Assets	Liabilities	Equity	Revenues	Profit/ (loss)	Interest held	Group result	Carrying amount
2018									
Midsona AB (publ)	Sweden	3,699	2,069	1,630	2,852	129	24%	134	441
Gunnebo AB (publ)	Sweden	4,856	3,769	1,087	5,128	–683	26%	–167	629
Svedbergs i Dalstorp AB (publ)	Sweden	504	342	163	622	41	26%	12	202
NTEX AB	Sweden	306	240	66	1,336	7	25%		100
Stena Renewable AB	Sweden	2,918	925	1,993	190	–34	35%	–1	752
Total								**–22**	**2,124**

MSEK	Country of incorporation	Assets	Liabilities	Equity	Revenues	Profit/ (loss)	Interest held	Group result	Carrying amount
2017									
Midsona AB (publ)	Sweden	2,857	1,307	1,550	2,173	84	24%	32	331
Gunnebo AB (publ)	Sweden	5,701	3,835	1,866	5,991	160	26%	18	826
Svedbergs i Dalstorp AB (publ)	Sweden	505	337	168	639	47	26%	12	202
NTEX AB	Sweden	285	262	23	1,124	28	25%		100
Total								**62**	**1,459**

Other holdings

MSEK	Country of incorporation	Assets	Liabilities	Equity	Revenues	Profit/ (loss)	Interest held	Group result	Carrying amount
2018									
Örgryte Bostads AB	Sweden	116	274	–158	48	–5	20%	4	7
Collectius AG	Switzerland	317	181	136	103	12	28%		85
Golden Avenue (GSW) PTE Ltd [1]	Singapore	52	96	–44	30	–14	30%	–13	
Golden Adventure (GSW) PTE Ltd [1]	Singapore	52	76	–21	46	–6	30%	–6	
Total								**–15**	**92**

MSEK	Country of incorporation	Assets	Liabilities	Equity	Revenues	Profit/ (loss)	Interest held	Group result	Carrying amount
2017									
Örgryte Bostads AB	Sweden	53	207	–154	49	19	20%	4	2
Collectius AG	Switzerland	144	124	20	17	6	20%		14
Golden Avenue (GSW) PTE Ltd	Singapore	59	86	–28	30	–1	30%	3	
Other minor investments								2	
Total								**9**	**16**

1) Negative shares have reduced non-current assets for these holdings.

During 2018 all unaccounted result of shares in associates have been recognized and negative shares have reduced non-current assets amounting to MSEK 19. At 31 December 2017 there were unaccounted results of shares in two associates amounting to MSEK –5 and accumulated MSEK –12.

Joint venture

MSEK	Country of incorporation	Assets	Liabilities	Equity	Revenues	Profit/ (loss)	Interest held	Group result	Carrying amount
2018									
Nordic Rio LLC	Marshall Islands	326	265	61	49	–30	50%	–17	14
Navigation Gothenburg LLC	Marshall Islands	599	256	343	109	51	50%	20	115
Glacia Limited	Bermuda	465	2	463	86	25	50%	12	231
Northern Marine Australia Ltd	Australia	15	5	11	69	5	50%	3	7
Blå Tomten KB	Sweden	406	376	30	54	15	50%	7	163
Golden-Agri Sten Pte	Singapore	121	57	64	1,646	38	50%	18	32
GSW F Class Pte Ltd [1]	Singapore	466	624	–158	196	–70	50%	–76	
Stenwec 1 P/S	Denmark	301	186	115	46	2	50%	–1	58
Golden Stena Bulk IMOIIMAX I	Cyprus	273	261	11	48	–7	50%	–4	6
Golden Stena Bulk IMOIIMAX III	Cyprus	293	287	6	48	–7	50%	–4	3
Golden Stena Bulk IMOIIMAX VII [1]	Cyprus	295	307	–12	48	–8	50%	–4	
Golden Stena Bulk IMOIIMAX VIII [1]	Cyprus	303	315	–12	48	–8	50%	–3	
Partrederiet SUST I DA	Norway	6	3	3	52	–137	50%	12	2
Partrederiet SUST III DA	Norway	289	8	281	73	–4	50%	–7	90
Asahi Stena Tankers Pte Ltd [1]	Singapore	66	168	–102	55	–43	50%	–50	
Total								**–94**	**721**

MSEK	Country of incorporation	Assets	Liabilities	Equity	Revenues	Profit/ (loss)	Interest held	Group result	Carrying amount
2017									
Nordic Rio LLC	Marshall Islands	379	293	85	55	3	50%	–1	29
Naviation Gothenburg LLC	Marshall Islands	562	292	270	107	56	50%	23	87
Glacia Limited	Bermuda	414	9	405	85	22	50%	11	203
Northen Marine Australia Ltd	Australia	13	5	8	45	3	50%	1	5
Blå Tomten KB	Sweden	383	367	15	48	5	50%	3	156
Golden-Agri Stena Pte	Singapore	104	47	57	1,439	35	50%	18	29
GSW F Class Pte Ltd	Singapore	490	571	–80	203	2	50%	11	
Stenwec 1 P/S	Denmark	328	216	112	48	3	50%	1	55
Golden Stena Bulk IMOIIMAX I	Cyprus	269	252	17	48	–5	50%	–3	9
Golden Stena Bulk IMOIIMAX III	Cyprus	288	276	12	48	–4	50%	–2	6
Golden Stena Bulk IMOIIMAX VII	Cyprus	289	293	–4	47	–6	50%	–3	–2
Golden Stena Bulk IMOIIMAX VIII	Cyprus	305	309	–4	48	–4	50%	–2	–2
Partrederiet SUST I DA	Norway	242	3	239	125	33	50%		43
Partrederiet SUST III DA	Norway	277	14	263	93	13	50%	1	90
Total								**58**	**708**

1) Negative shares have reduced non-current assets for these joint ventures.

During 2018 all unaccounted result of shares in joint ventures have been recognized and negative shares have reduced non-current assets amounting to MSEK 138. At 31 December 2017 there were unaccounted results of shares in two joint ventures amounting to MSEK –27 and accumulated MSEK –67.

NOTE 7. FINANCIAL NET

MSEK	1 January–31 December 2018	2017
Result from investments in strategic associates (see Note 6)	**–22**	**74**
Dividends received from shareholdings	57	52
Dividends received from financial assets	90	44
Total dividends	**147**	**96**
Realised result from sale of trading shares	13	16
Fair value through other comprehensive income	6	437
Impairment of shares valued at fair value through other comprehensive income		–27
Realised result from sale of financial instruments at fair value through profit or loss	78	–47
Unrealised result from sale of trading shares	13	–7
Unrealised result from sale of financial instruments at fair value through profit or loss	–242	193
Result on sale of securities	**–132**	**565**
Interest income	326	273
Total Interest income	**326**	**273**
Interest expense	–2,147	–2,110
Total Interest expense	**–2,147**	**–2,110**
Exchange differences pertaining to trading operations	41	–4
Translation difference	–18	–57
Total foreign exchange gain/loss	**23**	**–61**
Amortisation of deferred finance costs	–163	–143
Commitment fees	–41	–48
Bank charges	–21	–12
Other financial items	–96	–100
Total other finance income/costs	**–322**	**–303**
Financial net	**–2,127**	**–1,466**

There has been no material ineffectiveness in our cash–flow hedges.

Amortisation of capitalised finance costs relates to the accrual of costs for certain long–term loans and lease obligations over the remaining term of such loans. See Note 31.

NOTE 8. INCOME TAXES

Profit before tax is distributed geographically as follows:

MSEK	1 January–31 December 2018	2017
Sweden	4,312	2,038
Rest of the world	–4,207	–695
Total profit before tax	**105**	**1,343**
Current and deferred taxes are distributed as follows:		
Current tax		
For the period, Sweden	–20	–12
For the period, rest of the world	–217	–146
Adjustments previous years, rest of the world	–114	–91
Total current tax	**–351**	**–249**
Deferred tax		
For the period, Sweden	–222	–231
Adjustments previous years, Sweden	–3	46
For the period, rest of the world	430	–206
Adjustments previous years, rest of the world	109	–215
Total deferred tax	**314**	**–605**
Total income taxes	**–37**	**–855**

During 2018 paid tax amounted to MSEK 151 and repaid tax amounted to MSEK 34, which gives a net amount of MSEK 117 (166).

Difference between the statutory tax rate in Sweden and the effective tax rate, percentage:

Percentage	1 January–31 December 2018	2017
Statutory income tax rate Sweden	22	22
Effect of other tax rates in foreign subsidiaries	–59	–3
Taxes related to previous years	61	15
Increase in tax losses carried forward without recognition of deferred tax	831	10
Expenses not deductible	86	6
Income not taxable	–536	–20
Utilised tax losses carried forward, previously not recognised	–256	–5
Restructuring		30
Impact of change in tax rate	–238	2
Other	124	7
Effective income tax rate	**35**	**64**

The main factors that affect the effective tax rate are the ability to recognize and/or utilize tax losses carried forward, the tonnage tax systems within shipping businesses, and the sales of qualifying business related holdings.

NOTE 9. INTANGIBLE ASSETS

MSEK	Goodwill	Trademarks	Rights to routes	Distribution agreements	IT investments	Other intangible assets	Total
Cost of acquisition							
Opening balance, 1 January 2017	2,086	834	925	309	1,006	127	5,287
Acquisitions and disposals of operations (Note 29)	217		–50		–3	66	230
Additions					75	88	163
Disposals	4		–17		–33		–46
Transfers					72	–76	–4
Translation differences	5	2	4	4	2	–9	8
Closing balance, 31 December 2017	**2,312**	**836**	**862**	**313**	**1,119**	**196**	**5,638**
Acquisitions and disposals of operations (Note 29)	–1					3	2
Additions					118	135	253
Disposals					–12		–12
Transfers				–21	125	–94	10
Translation differences	41	3	23	4	5	9	85
Closing balance, 31 December 2018	**2,352**	**839**	**885**	**296**	**1,355**	**249**	**5,976**
Accumulated amortisation and impairment							
Opening balance, 1 January 2017	–54	–128	–294	–307	–720	–13	–1,516
Acquisitions and disposals of operations (Note 29)			43		2		45
Translation differences		–1	–1	–2	–6		–9
Disposals			24		31		55
Transfers					4		4
Amortisation and impairment for the year			–41	–2	–111	–9	–164
Closing balance, 31 December 2017	**–54**	**–129**	**–269**	**–311**	**–800**	**–22**	**–1,585**
Acquisitions and disposals of operations (Note 29)	2						2
Translation differences			–6	–3	–3		–12
Disposals	1				10		11
Transfers				18			18
Amortisation and impairment for the year	–1		–44		–135	–9	–189
Closing balance, 31 December 2018	**–52**	**–129**	**–319**	**–296**	**–928**	**–31**	**–1,755**
Carrying amount, 31 December 2017	2,258	707	593	2	319	174	4,053
Carrying amount, 31 December 2018	**2,300**	**710**	**566**	**0**	**427**	**218**	**4,221**

Goodwill

Goodwill is allocated to the Group's cash generating units (CGUs) identified by segment. A segment-level summary of the goodwill allocation is presented below.

	31 December	
MSEK	**2018**	2017
New Businesses	1,592	1,564
Ferry Operations	360	355
Other	348	339
Total	**2,300**	**2,258**

Impairment testing of goodwill is conducted annually and whenever conditions indicate that impairment may be necessary. The recoverable amount of cash generating units is based on the calculated value in use. The key assumptions used for calculating the value in use are discount rate and growth rate in addition to expectations about the operational future development.

The pre-tax discount rate used in New Businesses was 6–7%. The growth rate for revenue used in New Businesses has been individually assessed for each company and until year 2023. During this period, the growth rate has been assumed to be on average 2–7% per year until year 2023. For subsequent periods, revenue is estimated to have a growth corresponding to 1.5% per year, based on reasonable prudence. An extended forecast period can be verified, as all companies have been in operation for a substantial time and have a well-established business model. New Businesses has a long-term ownership perspective and is working to further develop the companies through active ownership and financial strength without any disposals of companies. The same principles were applied within the segment New Businesses in the previous year.

The pre-tax discount rate used in the impairment testing of goodwill within Ferry Operations was 7%. The growth rate for revenue has been individually assessed for each company or route and fluctuates between 2–5% until year 2021 and 0–2% thereafter. As at 31 December 2018, the recoverable amount based on value in use of the cash generating units was not less than their carrying amount in any test and therefore the related goodwill was not impaired. A number of sensitivity tests have been made in order to examine the possible need for impairment. For these sensitivity tests, the discount rate used was two percentage higher than the discount rate described above. When applying these estimates, no goodwill impairment is indicated for material cash generating units.

Trademarks

Trademarks are mainly related to the segment New Businesses. During 2018, impairment testing has been performed for all trademarks within New Businesses. The tests have been performed according to the same procedure as for establishing the recoverable amount of goodwill, see description above. The pre-tax discount rate used for the individual trademarks was 6–7% and the growth rate for revenue used until year 2023 was average 2–7% per year. For subsequent periods, revenue is estimated to have a growth corresponding to 1.5% per year. None of the performed tests indicated any impairment for trademarks. As from 2014, trademarks are not subject to amortisation as they are considered to have an indefinite useful life.

NOTE 10. PROPERTY, PLANT AND EQUIPMENT

MSEK	Vessels	Construction in progress	Windmills	Other equipment	Land and buildings	Total
Cost of acquisition						
Opening balance, 1 January 2017	80,688	6,016	3,043	5,014	1,979	96,740
Acquisitions and disposals of operations (Note 29)				–187	1	–186
Additions	3,415	1,144	31	205	114	4,909
Disposals	–1,148	–30	–197	–87	–3	–1,465
Transfers	1,066	–4,698		983	–160	–2,809
Translation differences	–5,776	–373		–277	–24	–6,450
Closing balance, 31 December 2017	**78,245**	**2,059**	**2,877**	**5,651**	**1,907**	**90,739**
Acquisitions and disposals of operations (Note 29)		–1		–35		–36
Additions	2,703	1,826		140	19	4,688
Disposals	–4,052	–184	–2,877	–137	–56	–7,306
Transfers	–34	–1,736		1,101	39	–630
Translation differences	4,995	105		304	58	5,462
Closing balance, 31 December 2018	**81,857**	**2,069**	**0**	**7,024**	**1,967**	**92,917**
Accumulated depreciation and impairment						
Opening balance, 1 January 2017	–37,624	–44	–663	–3,312	–735	–42,378
Acquisitions and disposals of operations (Note 29)				192		192
Disposals	393	13	197	65	3	671
Translation differences	2,575			154	4	2,733
Transfers	425			6	84	515
Depreciation and impairment for the year	–4,911	–8	–117	–387	–55	–5,478
Closing balance, 31 December 2017	**–39,142**	**–39**	**–583**	**–3,282**	**–699**	**–43,745**
Acquisitions and disposals of operations (Note 29)				15		15
Disposals	3,811	42	642	126	6	4,627
Translation differences	–2,365			–142	–23	–2,530
Transfers	628			–18	4	614
Depreciation and impairment for the year	–5,133	–4	–59	–482	–59	–5,737
Closing balance, 31 December 2018	**–42,201**	**–1**	**0**	**–3,783**	**–771**	**–46,756**
Closing balance, 31 December 2017	39,103	2,020	2,294	2,369	1,208	46,994
Closing balance, 31 December 2018	**39,656**	**2,068**	**0**	**3,241**	**1,196**	**46,161**

As at 31 December 2018, construction in progress includes new orders of eight RoPax-vessels. One RoPax-vessel is expected to be ready during 2019, three during 2020, two during 2021 and the remaining two during 2022. Construction in progress also includes investments in offshore equipment and scrubbers on both IMOMAX- and RoPax-vessels in ongoing operation.

Altogether the vessel orders amount to MSEK 6,611. In the closing balance for construction in progress an advance of MSEK 1,191 to the shipyard and MSEK 258 for offshore equipment are included. Capitalised interest of MSEK 57 and other capitalised costs of MSEK 561 are also included.

The amount of interest capitalised on vessel projects was MSEK 34 and MSEK 153 for the years ended 31 December 2018 and 2017, respectively.

Impairment test of vessels is conducted annally and whenever conditions indicate that impairment may be necessary. The recoverable amount is determined based on the calculated value in use. The most material assumptions for determining the value in use are discount rate and growth rate in addition to expectations about the operational future development. The discount rate used in the calculation for value in use was 7–8% before tax. The growth rate is based on applicable contracts or assessed to 0–3% during the vessels estimated useful lives.

During 2017 an impairment of MUSD 18.5 was recognized for the drilling rig *Stena Clyde*. As of 31 December 2018, the recoverable amounts based on value in use were not less than their carrying amount in any test and therefore no vessels were impaired during current year.

Valuation certificates issued on 31 December 2018 by independent valuation institutions indicate that the values in the vessel fleet exceed the carrying amount by MSEK 2,690 (291).

NOTE 11. PORTS

MSEK	
Revalued costs of acquisition	
Opening balance, 1 January 2017	4,123
Revaluations	–7
Disposals	–2
Transfers	31
Translation differences	–23
Closing balance, 31 December 2017	**4,122**
Additions	7
Transfers	58
Translation differences	89
Closing balance, 31 December 2018	**4,276**
Accumulated depreciation	
Opening balance, 1 January 2017	–464
Revaluations	261
Disposals	2
Transfers	–11
Depreciation for the year	–159
Closing balance, 31 December 2017	**–371**
Translation differences	–6
Depreciation for the year	–175
Closing balance, 31 December 2018	**–552**
Carrying amount, 31 December 2017	3,751
Carrying amount, 31 December 2018	**3,724**

The Group owns ports in Sweden, the United Kingdom and the Netherlands. Ports are used in our own regime and includes ports, terminal buildings etc.

The Group´s accounting principle for valuation of ports is based on the revaluation method. All ports were revaluated as of 1 January, 2015. The latest revaluations of all ports in the United Kingdom were performed as of 31 October, 2017. These revaluations resulted in an increased port value of MSEK 254, allocated to MSEK –7 at cost and MSEK 261 at depreciation.

The effect in equity, resulting from the revaluation, in the revaluation reserve, net of tax was MSEK 211.

Independent valuation institutions are used to determine the fair value for concerned ports at each revaluation occasion respectiveley.

The closing balance at 31 December 2018 would have been MSEK 1,772 (1,766) if the ports had been valued at cost less accumulated depreciation.

NOTE 12. INVESTMENT PROPERTY

MSEK	31 December 2018	2017
Fair value, opening balance	30,413	34,548
Additions	1,964	1,497
Reclassification	245	–5,274
Disposals	–56	–1,241
Unrealised fair value adjustments	1,581	940
Translation differences	178	–57
Fair value, closing balance	**34,325**	**30,413**
Investment Property – Construction in progress		
Fair value, opening balance	1,126	918
Additions	927	834
Reclassification of construction in progress	–263	–523
Disposals	–720	–106
Translation differences	3	3
Fair value, closing balance	**1,073**	**1,126**
Total fair value of investment property, closing balance	**35,398**	**31,539**

Investment Property – effect on profit for the period

MSEK	1 January–31 December 2018	2017
Rental Income	2,661	2,710
Direct costs	–893	–917
Valuation of investment properties	1,581	940
Total	**3,349**	**2,734**

Investment properties are residential and commercial properties.

Valuation of the investment properties is performed at year-end and at each quarter by assessing each individual property's fair value. The valuation method is based on the direct yield method and the net operating income is based on market rental income with a deduction for rental vacancy level of 0–1% for residential properties and 0–15% for commercial properties. The assessment of the yield requirements is based on the market yield requirements in respect of the purchase and sale of comparable properties in similar locations. The assessment takes into consideration the type of property, technical standard and type of construction. The following rates of return were used for the valuation at 31 December 2018:

Location	Rate of return % Residential	Commercial
Sweden	1.85–5.00	4.25–7.5
Eurozone	n/a	3.80–10.4

The estimated market value of investment properties is MSEK 35,398, whereof MSEK 30,054 is attributable to Swedish properties. In the previous year, the estimated market value of investment properties was MSEK 31,539, whereof MSEK 27,016 was attributable to Swedish properties.

To guarantee the valuation, external valuations have been obtained for all properties that during 2018 were sold to Stena Sessan AB.

The valuation of investment properties at fair value (assessed market value) utilises an internal valuation model. The internal valuation is determined on an earnings basis, which means that each individual property's net rental income is divided by the required return by market yield for the property in question. Assumptions have been made in the calculation of net rental income regarding operating and maintenance expenses, as well as vacancies. These assumptions are based on market assumptions of those cash flows. However, historical outcome, budget and normalised costs have been a part of these assumptions. Different required returns have been utilised for different markets and types of properties.

To guarantee the valuation, external valuations have been obtained from Cushman & Wakefield for the Swedish properties. The external valuations cover 24% of the total property value in absolute terms, but these selected properties represent 80% of the properties in terms of property types, technical standard and building design.

External valuations have been performed on 52% of the investment properties outside Sweden.

A comparison between the internal and external valuations reveals that the internal valuations are within a normal +/– 10% range compared with the external valuation.

NOTE 13. MARKETABLE SECURITIES

MSEK	31 December 2018	2017
Opening balance	6,506	7,253
Additions	3,344	4,814
Disposals	–4,027	–4,936
Reclassifications		–351
Revaluation of financial assets through profit or loss	–317	–82
Revalutation of financial assets through other comprehensive income	–105	–62
Translation differences	290	–130
Closing balance	**5,691**	**6,506**

MSEK	2018	2017
Marketable securities are classified as:		
Financial assets at fair value through profit or loss	3,886	1,087
Financial assets at fair value through other comprehensive income	1,805	5,419
Total	**5,691**	**6,506**

Marketable securities held as non-current assets refer to the Stena AB Group´s listed shares, funds and bonds, these are recorded at fair value. Shares with a carrying amount of MSEK 1,185 (1,146) have been pledged as security for bank debt.

NOTE 14. OTHER NON-CURRENT ASSETS

MSEK	Deferred tax assets	Other non-current receivables	Available-for-sale shares	Deferred costs	Total
Opening balance, 1 January 2017	1,356	1,749	1,104	452	4,661
Additions	35	202	27	40	304
Disposals	–100	–51	–35	–129	–314
Revaluation through the income statement	–414	–2	52		–364
Revaluation through other comprehensive income	–15	–13			–28
Acquired and disposed companies	1				1
Reclassification	28	2,860		3	2,891
Translation differences	–39	–175	17	–30	–226
Closing balance, 31 December 2017	**853**	**4,570**	**1,165**	**336**	**6,925**

MSEK	Deferred tax assets	Other non-current receivables	Available-for-sale shares	Deferred costs	Total
Additions	127	425	19	143	714
Disposals	–242	–267	–50	–133	–692
Revaluation through the income statement	170	–3	192		359
Revaluation through other comprehensive income	176				176
Acquired and disposed companies	12				12
Reclassification	575	1		–1	575
Translation differences	64	279	41	20	404
Closing balance, 31 December 2018	**1,735**	**5,005**	**1,367**	**365**	**8,473**

Deferred tax assets mainly relate to unutilised tax losses carried forward. Reclassifications include netting against deferred tax liabilities. See Note 8 and Note 20. Other marketable securities held as non-current assets relate to holdings of non-listed shares, other associates and bonds. Available-for-sale shares include investments in non-listed shares. These shares are accounted for as Mandatory and are valued through income statement. Other non-current receivables as per 31 December 2018 includes a long-term receivable of MSEK 3,420, associated with the claim on Samsung Heavy Industries Co Ltd (SHI) for the cancellation of the contract for the construction of Stena Midmax, a semisubmersible drilling unit. The total claim on SHI amounts to MSEK 4,223 plus interst. SHI has disputed Stena's cancellation of the contract and the parties are now engaged in a London arbitration.

CONT. NOTE 14

Available-for-sale shares

MSEK		No. of shares or % held	Carrying amount
Held by subsidiaries			
CBRE Dutch Office Fund	The Netherlands	5.8%	882
Airport Real Estate Management BV.	The Netherlands	20.2%	388
Other			97
Total available-for-sale shares			**1,367**

NOTE 15. INVENTORIES

	As of 31 December	
MSEK	**2018**	2017
Bunker and lubricating oil	290	219
Inventories of goods for sale	271	232
Raw materials and consumables	199	209
Products in progress	76	139
Finished products	153	152
Total	**989**	**951**

NOTE 16. CURRENT RECEIVABLES

	31 December	
MSEK	**2018**	2017
Trade receivables		
Trade receivables are classified on the basis of their due date:		
Outstanding but not due	1,672	1,717
Past due, up to 30 days	737	559
Past due, more than 30 days	341	309
Total	**2,750**	**2,585**
Other current receivables		
Other current receivables, related parties	201	104
Income tax receivables	120	204
Other current receivables	2,001	1,972
Total	**2,322**	**2,280**
Prepayments and accrued income		
Prepayments	822	795
Accrued income - Contract assets	635	627
Accrued income - Other	623	565
Total	**2,080**	**1,987**
Total current receivables	**7,152**	**6,853**

Contract assets relates mostly to work in progress for construction contracts, but also service and products. Accrued income relates mostly to accrued interest income.

The carrying amount of the receivables corresponds to their fair value. The total allowance for doubtful trade receivables at 31 December 2018 was MSEK 45 (42). Selling expenses include costs for doubtful receivables of MSEK 12 (59).

Below table explains the changes in contract assets during 2018.

MSEK	2018
Opening balance	627
Contract assets in the beginning of the period transferred to receivables during the year	–399
New contract assets during the year included in the closing balance	395
Other changes	7
Exchange differences	5
Closing balance	**635**

NOTE 17. SHORT-TERM INVESTMENTS

	31 December	
MSEK	**2018**	2017
Marketable debt and equity securities, trading	202	262
Restricted cash	701	603
Total	**903**	**865**

The carrying amount of short-term investments corresponds to fair value. Marketable debt is classified as "Financial assets at fair value through profit or loss".

MSEK 162 (0) of the total value is restricted, having been pledged as security for bank debt. See Note 28.

NOTE 18. CASH AND CASH EQUIVALENTS

	31 December	
MSEK	**2018**	2017
Cash & bank	1,883	2,248
Total	**1,883**	**2,248**

NOTE 19. EQUITY

Dividends paid per share (SEK)	
2017	4,100
2018	1,000

Specification of reserves

MSEK	Fair value reserve	Hedging reserve	Revaluation reserve	Translation reserve	Total
Opening balance, 1 January 2017	**378**	**–1,265**	**1,408**	**3,106**	**3,627**
Change in fair value reserve, net of tax	50				50
Change in hedging reserve, net of tax					
– valuation of bunker hedges		185			185
– valuation of interest hedges		187			187
– valuation of currency hedges		–223			–223
– hedge of net investment in foreign subsidiaries		–487			–487
Change in revaluation reserve, net of tax			145		145
Change in translation reserve, net of tax				–752	–752
Closing balance, 31 December 2017	**428**	**–1,603**	**1,553**	**2,354**	**2,732**
Change due to IFRS 9	**–321**				**–321**
Opening balance, 1 January 2018	**107**	**–1,603**	**1,553**	**2,354**	**2,411**
Change in fair value reserve, net of tax	–124				–124
Change in hedging reserve, net of tax					
– valuation of bunker hedges		–194			–194
– valuation of interest hedges		3			3
– valuation of currency hedges		76			76
– hedge of net investment in foreign subsidiaries		57			57
Change in revaluation reserve, net of tax			–23		–23
Change in translation reserve, net of tax				1,145	1,145
Closing balance, 31 December 2018	**–17**	**–1,660**	**1,530**	**3,499**	**3,352**

Fair value reserve

Gains and losses on revaluations of financial assets valued at their respective fair values through other comprehensive income (FVOCI) are included in the fair value reserve. Accumulated unrealized gain and losses with regards to interest bearing assets are recycled to the income statement when sold. For equity instruments there is no recycling, and accumulated gains and losses are recognised in other comprehensive income when sold.

Hedging reserve

Hedge accounting is applied for purchases of bunker fuel, interest costs, transactions in other currency than functional currency and investments in subsidiaries.

The reserve includes gains and losses arising from the revaluation of hedging instruments that constitute effective hedges. The cumulative deferred gain or loss is recognised in the income statement when the hedged transaction affects the income statement.

Revaluation reserve

This reserve includes revaluation of ports. The revaluation amount consists of the fair value of the ports at the time of revaluation. Concurrently with the depreciation of ports, the revaluation reserve is reversed by the same amount as the depreciation of the surplus value from the revaluation.

If the carrying amount of the port is higher as a result of the revaluation, the increase is recognised in other comprehensive income.

If the carrying amount of the port is lower as a result of the revaluation, the decrease is recognised in the income statement. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Translation reserve

Exchange differences relating to the translation from the functional currencies of the Stena Group's foreign subsidiaries into SEK are accumulated in the translation reserve. Upon the sale of a foreign operation, the accumulated translation amounts are recycled to the income statement and included in the gain or loss on the disposal.

NOTE 20. DEFERRED TAXES

MSEK	31 December 2018	2017
Deferred tax liabilities		
Intangible assets	272	281
Property, plant and equipment	5,976	5,235
Financial assets	62	12
Provisions	25	28
Other	115	132
Total deferred tax liabilities	**6,450**	**5,689**
Deferred tax assets		
Intangible assets	6	4
Property, plant and equipment	1,008	426
Financial assets	352	352
Provisions	68	23
Tax losses carried forward	4,143	3,752
Other	96	–215
Less deferred tax assets not recognised	–2,301	–2,021
Total deferred tax assets recognised	**3,372**	**2,321**
Net deferred tax liability	3,078	3,368
Whereof reported as:		
Deferred tax assets (Note 14)	1,735	853
Deferred tax liabilities	4,813	4,221

Deferred taxes have been calculated net on a country basis. Net deferred tax assets are reported under other non-current assets. Calculation of deferred taxes is based on local nominal tax rates in each country respectively.

	2018			2017		
MSEK	Taxes charged to income statement	Taxes charged to other compre-hensive income	**Total taxes**	Taxes charged to income statement	Taxes charged to other compre-hensive income	**Total taxes**
Current tax	–351		–351	–249		–249
Deferred tax	314	176	490	–606	–15	–621
	–37	**176**	**139**	**–855**	**–15**	**–870**

Gross value of tax losses carried forward:

MSEK	31 December 2018	2017
Sweden	2,640	3,968
Rest of the world	16,656	12,210
Total	**19,296**	**16,178**

The majority of the tax losses are carried forward indefinitely. Tax losses carried forward of MSEK 5,554 expires between year 2019 and year 2027 and MSEK 3,591 expires later than 2027.

NOTE 21. EMPLOYEE BENEFITS

Post-employment benefits, such as pensions, healthcare and other benefits are mainly settled by means of regular payments to independent authorities or bodies that assume pension obligations and administer pensions through defined contribution plans. The remaining post-employment benefits are defined benefit plans; that is, the obligations remain within the Stena AB Group. Costs and obligations at the end of a period for defined benefit plans are calculated based on actuarial assumptions and measured on a discounted basis. The assumptions include discount rate, inflation, salary growth, long-term return on plan assets, mortality rates and other factors. Discount rate assumptions are based on long-term high-quality bonds, government bond yield and, for Sweden, mortgage bonds at year-end. The assets consist mainly of long-term high-quality corporate bonds, government bonds and equities and the asset allocation for each pension scheme is defined in an investment policy document. Defined benefits plans relate mainly to subsidiaries in the UK operations. Other large-scale defined benefit plans apply for salaried employees in Sweden (mainly through the Swedish PRI pension plan).

Expenses included in operating profit include current year service costs, past service costs, net interest expenses, administrative expenses and gains and losses on settlements. Expenses are recognised as other operating expenses or administrative expenses, depending on the function of the employee. Remeasurement effects are recognised in other comprehensive income.

Some features of the main defined benefit plans are described below.

United Kingdom

The Stena AB Group participates in defined benefit pensions schemes, funded by the companies within the Group (Company Schemes) and in two industry wide defined benefit schemes, Merchant Navy Ratings Pension Fund (MNRPF) and Merchant Navy Officers Pension Fund (MNOPF). The Group estimates its share in MNRPF to 24% (24%) and in MNOPF to 12% (12%), based on information from the trustees. The two multiemployer schemes are both closed to future accruals, and therefore no active members in these pension schemes. Stena Line Holding Group's pension schemes around 80% of the Group's total defined benefit obligation.

In 2001, the trustee of the MNRPF adopted a deficit repair scheme and under this scheme the Group's share of the deficit contributions was around 32% with half of the contributions payable by other employers who were making voluntary contributions. However, the agreement with the voluntary employers expired 2006, and as a result the Group's share of the deficit contributions increased to around 60%. The Group initiated court proceedings against the trustee of the MNRPF to establish how the deficit in the MNRPF should be allocated between the various employers. The Court of Appeal upheld in 2011, the decision made by High Court, that deficit contributions can be required from all employers who have ever participated in the MNRPF, including companies that no longer employ any members.

In 2015, the High Court in London announced its approval of the pension board's proposal for a new payment plan in MNPRF. This means that the Group's share was re-allocated to 20% and that previous deficit contributions from 2001 are deducted from future deficits.

Because of the protracted lawsuit, the Trustee decided that employers should pay 150% of their deficit share to ensure funding in the pension plan. At the most recent signed three-year MNRPF valuation, 31 March 2017, it has emerged that there are a number of participating employers which have limited affordability, therefore the other participating employers share of the scheme have increased, Stena's share increased from 20 to 24%.

The Trustee has also applied a retained orphan factor of 149% on the basis of expected recovery from the remaining employers, this should be compared to the factor of 150% in the previous valuation 2014. The increased payment requirement should not be seen as an increase in the share of the liability but as an accrual of total contributions into the pension plan.

The company schemes provides benefits which are linked to each member's final salary at the earlier of their date of leaving or retirement. The benefits provided by the two industry schemes are linked to each member's career average salary according to a career index system. All schemes are closed to new members. During 2017, Northern Marine Management Limited Retirement & Death Benefits Scheme and Stena Drilling Limited Final Salary Scheme were closed to future accruals.

From 1 April 2017 the Company schemes in the UK were merged into a sectionalized structure with a common trustee board and Chairman.

The assets in the individual pension schemes are ring fenced and sponsored by the same companies as before the merger. The Trustee consists of representation from all pension plans both employer nominated and member nominated trustees. The board is chaired by an independent trustee. The investments for all the different schemes are governed by the Investing committee where the company has two seats as company observer. During the autumn 2017, selection process regarding new administrator, actuaries, investment consultants have taken place and from 2018 there are a common set of advisors to all the schemes.

The funding position of each scheme is reassessed every three years and a schedule of contributions is put in place, following consultation with the employers, which sets out the regular contributions payable along with any deficit contributions required to meet any shortfall of the assets when compared with the liabilities. The trustee determines the investment strategy, which is subject to consultation with the employers. The assets of all schemes are managed on behalf of the trustee by independent fund managers.

The operation of each section is governed by a Trust Deed and Rules and the schemes are managed through a trustee company, the boards of which are composed of representatives of the employers and the members.

Sweden

The main defined benefit plan in Sweden is the collectively agreed pension plan for white collar employees, the ITP 2 plan, insured with Alecta. According to an interpretation from the Swedish Financial Reporting Board, this is a multi-employer defined benefit plan.
For fiscal year 2018, the Group did not have access to information from Alecta that would have enabled this plan to be recognised as a defined benefit plan. Accordingly, the plan has been recognised as a defined

contribution plan. The premium for the defined benefit plan is individually calculated and is mainly based on salary, accrued pension and expected remaining period of service.

According to Alecta's consolidation policy for defined benefit pension insurance, the collective consolidation level is normally allowed to vary between 125% and 175%. If Alecta's collective consolidation level is below 125% or higher than 175% measures must be taken to create opportunities for the consolidation level to return to an accepted level. If the consolidation level falls short of or exceeds the normal interval, one measure may be to increase the contract price for new subscription and expanding existing benefits or introduce premium reductions. Alecta's consolidation ratio amounts to 142% for 2018 and 154% for 2017.

Other defined benefit pension plans in Sweden are mainly funded by pension foundations. There is no lowest funding requirement. Benefits are paid directly by the Group and not from the foundation assets.

Other countries

After an agreement between the Norwegian Shipowner Association and the unions, all employees in the offshore industry had to change from defined benefit to defined contribution with affect August 1st 2016. The change was to be implemented as at 1 January 2017. For the employees of Stena Drilling A/S that means they all received a paid up policy equal to their vested pension rights. Storebrand Life Insurance guarantees their payments of the vested pension rights, and therefore releases Stena Drilling A/S of all defined benefit obligations. Employees of Stena Drilling A/S who will receive less pension payments on a defined contributions plan than defined benefit plan has been compensated, where payments have been made to a separate pension fund administrated by Storebrand.

There has been a general change in the pension scheme in Holland and most companies have replaced their defined benefit schemes with defined contributions. As of 1 January 2017 the defined benefit scheme was replaced by a defined contribution scheme. The Company should guarantee the total pension obligation.

Information by country as at 31 December 2017, MSEK	Sweden	United Kingdom	Other countries	Total
Reporting in the balance sheet				
Present value of funded and unfunded obligations	576	10,849	369	11,794
Fair value of plan assets	–245	–11,317	–331	–11,893
Total (surplus)/deficit	**331**	**–468**	**38**	**–99**
Whereof reported as				
Surplus in pension plans	92	552		644
Pension liabilities	420	84	38	542
Pension liabilities, short term	3			3
Total funding level for all pension plans, %	43	104	89	101
Amounts included in the income statement				
Current service cost	8	17		25
Past service cost			–30	–30
Net interest cost	9	–4		5
Administration expenses		39		39
Remeasurements (gain)/loss	23	–268	19	–226
Total expense (gain) for defined benefits	**40**	**–216**	**–11**	**–187**
Main assumptions for the valuation of the obligation				
Life expectancy, year				
Male – currently aged 65	21.7	22.0		
Female – currently aged 65	24.0	23.6		
Inflation, %1)	1.75	3.10		
Discount rate, %	2.75	2.60		

1) Inflation for UK concerns RPI. Used CPI is 1.2 lower than RPI.

Average duration of the obligation is 17 years.

CONT. NOTE 21

Information by country as at 31 December 2018, MSEK	Sweden	United Kingdom	Other countries	Total
Reporting in the balance sheet				
Present value of funded and unfunded obligations	669	10,617	379	11,665
Fair value of plan assets	–228	–10,959	–344	–11 531
Total (surplus)/deficit	**441**	**–342**	**35**	**134**
Whereof reported as				
Surplus in pension plans	61	456		517
Pension liabilities	498	114	35	647
Pension liabilities, short term	4			4
Total funding level for all pension plans, %	34%	103%	91%	99%
Amounts included in the income statement				
Current service cost	10	1		11
Past service cost		51		51
Net interest cost	9	–17	1	–7
Administration expenses		47		47
Remeasurements (gain)/loss	101	506		607
Total expense (gain) for defined benefits	**120**	**588**	**1**	**709**
Main assumptions for the valuation of the obligation				
Life expectancy, year				
Male – currently aged 65	21.7	21.2		
Female – currently aged 65	24.0	23.5		
Inflation, %[1]	2.00	3.30		
Discount rate, %	2.50	2.80		

1) Inflation for UK concerns RPI. Used CPI is 1.15 lower than RPI.

Average duration of the obligation is 15 years.

Reconciliation of change in present value of defined benefit obligation for funded and unfunded obligations, MSEK	2018	2017
Opening balance, 1 January	**11,794**	**11,365**
Current service cost	11	25
Past service cost	51	–30
Administrative expenses	47	39
Interest expenses	307	324
Remeasurement arising from changes in financial assumptions	14	504
Remeasurement arising from changes in demographic assumptions	–163	–92
Remeasurement from experience	134	–37
Remeasurement from changed share in pension plan	–76	554
Contributions by plan participants	2	2
Benefits paid	–669	–615
Settlement	–36	
Exchange differences	249	–245
Closing balance, 31 December	**11,665**	**11,794**

Reconciliation of change in the fair value of plan assets, MSEK	2018	2017
Opening balance, 1 January	**11,893**	**11,015**
Interest income	314	318
Remeasurement arising from changes in assumptions	–615	603
Remeasurement from changed share in pension plan	–83	552
Contributions by plan participants	–1	1
Employer contributions	496	252
Benefits paid	–663	–687
Settlement	–45	
Exchange differences	235	–161
Closing balance, 31 December	**11,531**	**11,893**

The sensitivity analysis below shows the effect of a change in actuarial assumptions on the defined benefit obligation. The sensitivity analysis is not meant to express any view by Stena of the probability of a change. The analyses are based on a change in an assumption while holding all other assumptions constant.

Sensitivity analysis of defined benefit obligation, MSEK	Sweden	United Kingdom	Other countries	Total
Life expectancy +1 year	35	329	15	**379**
Inflation +0.5%	77	614	23	**714**
Discount rate +0.5%	–50	–780	–29	**–859**
Discount rate –0.5%	77	820	34	**931**

	2018			2017		
Market value of plan assets by category, MSEK	Quoted	Non-quoted	Total	Quoted	Non-quoted	Total
Equity	2,964	290	3,254	2,706	337	3,042
Bonds	6,845		6,845	8,184		8,184
Property	426		426	418		418
Qualifying insurance	586		586	43		43
Cash and cash equivalents	420		420	206		206
Total	**11,241**	**290**	**11,531**	**11,556**	**337**	**11,893**

Investment strategy and risk management

Through the defined benefit pension plans, the Group is exposed to a number of risks.

The plan liabilities are calculated using a number of assumptions, for example inflation, mortality and discount rate. If plan assets underperform this yield, a deficit arises. The objective of the Group's investment strategy is to reduce the Group's total pension expenses over time. This means that certain risks are accepted in order to increase the return. The investment horizon is long-term and the allocation ensures that the investment portfolios are well diversified.

The Group management approves the limits for the investment strategy for plan assets. The final investment decisions are taken by the local trustees and boards in consultation with Stena.

Increased life expectancy for the beneficiaries and rising inflation are the main risks that affect future pension payments and hence the size of the obligation. The Group continuously monitors the discount rate, inflation and life expectancy assumptions to ensure that the plan assets match the obligations.

NOTE 22. BANK DEBT

	2018			2017		
MSEK	Current	Non-current	Total	Current	Non-current	Total
Property loans	34	15,226	15,261	41	15,107	15,148
Other loans	1,985	18,452	20,437	2,467	20,474	22,941
Revolver credit facilities		2,217	2,217		4,967	4,967
Total	**2,019**	**35,895**	**37,914**	**2,508**	**40,548**	**43,056**

The schedule for repayment of bank debt is presented in Note 31.

The carrying amounts of the Group's borrowings are denominated in the following currencies

	31 December	
MSEK	**2018**	2017
SEK	14,358	15,644
GBP	313	310
USD	18,991	20,851
EUR	3,885	5,890
Other currencies	367	361
Total	**37,914**	**43,056**

For information regarding pledged assets, see Note 28.

NOTE 23. SENIOR NOTES

In February 2007, a further Eurobond totalling MEUR 102 was issued at a rate of interest of 5.875% and with a term running through to 1 February 2019.

In March 2010, a Eurobond totalling MEUR 200 was issued at a rate of interest of 7.875% and with a term running through to 15 March 2020.

In January 2014, a 10-year bond totalling MUSD 600 was issued at a rate of interest of 7.000% and with a term running up to and including 1 February 2024. The purpose of the transaction was to extend our amortisation profile and repay amounts under existing credit facilities.

In February 2014, a further 10-year bond totalling MUSD 350 was issued at a rate of interest of 5.750%. The units *Stena DrillMAX* and *Stena Carron* have been furnished as collateral for this bond. The purpose of this transaction was to extend the existing amortisation profile and free up further liquidity.

The Stena AB Group has during 2016 repurchased MUSD 73 of our MUSD 600 unsecured bond maturing 2024. Stena AB and its affiliates may from time to time repurchase or otherwise trade in its own bonds in open market transactions.

Fair value of the senior notes were as per 31 December 2018 MSEK 10,386 (9,942).

For details of the current financial and operative covenants linked to the bond loans, see Note 31.

				Fair value, 31 December		Carrying amount, 31 December, MSEK	
Issued Maturity	Nominal	Outstanding	Interest	**2018**	2017	**2018**	2017
2007–2019	MEUR 102	MEUR 102	5.875%	MEUR 102	MEUR 107	1,036	1,002
2010–2020	MEUR 200	MEUR 200	7.875%	MEUR 210	MEUR 220	2,030	1,965
2014–2024	MUSD 600	MUSD 527	7.000%	MUSD 482	MUSD 496	4,665	4,312
2014–2024	MUSD 350	MUSD 350	5.750%	MUSD 332	MUSD 326	3,099	2,864
Total						**10,830**	**10,143**

Whereof		
Non-current portion of Senior Notes	9,794	10,143
Current portion of Senior Notes	1,036	

NOTE 24. LEASES

Company as lessee

The operating lease obligations include chartering of crude oil tankers on a timecharter basis, chartering of ferries on a bareboat basis, as well as obligations related to rentals of properties and ports. Furthermore premises, cars and office supplies are leased.

Rental expense for operating leases were as follows:

	1 January–31 December	
MSEK	2018	2017
Operating expenses	**2,584**	**3,430**

Future minimum lease payments at the reporting date:

	2018	
MSEK	Operating leases	Finance leases
2019	2,262	481
2020	966	520
2021	485	517
2022	247	515
2023	188	511
2024 and thereafter	2,718	2,209
Total minimum lease payments	**6,865**	**4,754**

Future minimum lease payments at the reporting date:

	2017	
MSEK	Operating leases	Finance leases
2018	2,537	18
2019	1,511	19
2020	1,095	15
2021	569	13
2022	358	12
2023 and thereafter	1,464	6
Total minimum lease payments	**7,534**	**83**

In 2018 there are new financial leases related to vessels. This is the reason to the increase compared to last year.

Company as lessor

The company leases vessels and properties to third parties under operating leases. The carrying amounts of vessels and properties for external leasing at the reporting date were as follows:

	2018			2017		
MSEK	Cost	Accumulated depreciation	Net carrying amount	Cost	Accumulated depreciation	Net carrying amount
Vessels	55,944	–28,962	26,982	20,082	–10,188	9,894
Investment property	35,398		35,398	31,539		31,539
Total	**91,342**	**–28,962**	**62,380**	**51,621**	**–10,188**	**41,433**

Future minimum lease payments receivable at the reporting date:

	2018		
MSEK	Vessels	Investment property	Total
2019	1,653	884	2,537
2020	249	775	1,024
2021		647	647
2022		495	495
2023		402	402
2024 and thereafter		2,715	2,715
Total minimum lease payments receivable	**1,902**	**5,918**	**7,820**

CONT. NOTE 24

Future minimum lease payments receivable at the reporting date:

	2017		
MSEK	Vessels	Investment property	Total
2018	610	771	1,381
2019	150	670	820
2020	21	536	557
2021		414	414
2022		301	301
2023 and thereafter		2,484	2,484
Total minimum lease payments receivable	**781**	**5,176**	**5,957**

The information for investment property relates to office buildings and excludes residential properties since most residential leases have at most a three-month period term of notice.

NOTE 25. OTHER NON-CURRENT LIABILITIES

Repayment of non-current liabilities

MSEK	1–3 years	4–5 years	More than 5 years	Total
Deferred income, non-current	12	10	14	36
Other liabilities	590	515	889	1,994
Total	**602**	**525**	**903**	**2,030**

NOTE 26. ACCRUALS AND DEFERRED INCOME

	31 December	
MSEK	**2018**	2017
Accruals		
Charter hire/running costs	486	476
Interest costs	914	714
Accrued personnel costs	482	489
Other accruals	1 795	1,715
Total	**3,677**	**3,394**
Deferred income – Contract liabilities	**770**	**747**
Deferred income - Other	**425**	**380**
Total accruals and deferred income	**4,873**	**4,521**

Contract liabilities mostly relates to deferred service income. Other deferred income mostly relates to deferred lease income related to rental of premises and vessels.

Below table explains the changes in contract liabilities during 2018

MSEK	2018
Opening balance	747
Contract liability at the beginning of the period recognised to revenue during the year	–677
New contract liabilities during the year not recognised to revenue in the end of the year	713
Contract liabilites related to customer loyality bonus recognised to revenue during the year	–59
New contract liabilities related to customer loyality bonus not recognised to revenue in the end of the year	34
Other changes	1
Translation differences	11
Closing balance	**770**

NOTE 27. ASSETS HELD FOR SALE

At December 31, 2018, there are no assets held for sale. During 2017 a decision was made to divest part of the property portfolio. The sale took place during 2018. At December 31, 2017, the disposed property portfolio comprised assets of MSEK 5,898 less liabilities of MSEK 3,232.

	31 December	
MSEK	2018	2017
Assets classified as held for sale:		
Property, plant and equipment		5,898
Total assets classified as held for sale	**0**	**5,898**
Liabilities directly attributable to assets classified as held for sale:		
Non-current liabilities		2,630
Deferred tax		602
Total liabilities directly attributable to assets classified as held for sale	**0**	**3,232**

NOTE 28. PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets

Pledged assets represent assets securing various financing activities. These assets can only be used by the party benefiting from the pledge if there is an event of default under the respective financing documents or the appropriate remedy period has elapsed.

The following assets have been pledged as securities for bank debt

	31 December	
MSEK	**2018**	2017
Shares in subsidiaries	855	732
Mortgages on vessels	34,059	26,484
Mortgages on properties	16,781	18,370
Investments in associates	1,032	1,184
Marketable securities	1,185	1,146
Trade receivables	41	37
Short-term investments	162	
Assets pledged, other	4	1,576
Total assets pledged for bank debt	**54,119**	**49,529**
Liabilities to credit institutions, including lease obligations	42,668	43,139
Total debt and capitalised lease obligations	**42,668**	**43,139**

In addition, certain insurance agreements have been pledged. No pledge assets has been provided for other liabilities.

Commitments

Guarantee obligations are mainly related to guarantees for property loans, vessel projects in associates and performance guarantees linked to certain subsidiaries´ operating activities.

Beyond what is stated in above table, a number of ships, port facilities and more are contracted, for which fees shall be paid amounting to MSEK 2,262 in 2019 and MSEK 4,596 from 2020. As of 31 December, 2018 eight RoPax vessels were ordered. The total contract amount is MSEK 6,611, whereof MSEK 1,191 has been paid in advance.

In addition to the information above, there are also ongoing tax issues with tax authorities.

Contingent liabilities

	31 December	
MSEK	**2018**	2017
Guarantees	1,946	2,225
Other contingent liabilities	193	170
Total	**2,139**	**2,395**

NOTE 29. ACQUISITIONS AND DISPOSALS OF OPERATIONS

Two large disposals took place during 2018 and are described below. No acquisitions have taken place.

Disposals

Stena Renewable AB

On 10 September 2018, Stena Renewable AB was sold, together with the company's 14 subsidiaries. The company is headquarted in Gothenburg in Sweden and operates in renewable energy within the business area New Businesses. The subsidiaries operate in Sweden and at the time of sale, the Group had a total of about 11 employees. The sale generated a profit of MSEK 159 for the Stena AB Group. The sales price was MSEK 1,080. The business area New Businesss then repurchased 35% of Stena Renewable. This share is reported as a strategic holding.

S-Invest Butiks AB

On 31 August 2018, S-Invest Butiks AB (S-Blommor) was sold. The company is headquarted in Gothenburg in Sweden and operates in flower trading within the business area New Businesses. The company operates in Sweden and at the time of sale the company had about 85 employees.

The sale generated a profit of MSEK 58 for the Stena AB Group. The sales price was MSEK 67.

The total value of the sold assets and liabilites is presented in the table below, which also shows the disposal's effect on the Group's cash flow. All sold assets and liabilities were reported according to IFRS at the time of the disposal.

MSEK	2018
Sold assets and liabilities	
Property, plant and equipment	–2,398
Financial assets	–11
Current receivables	–197
Non-current liabilities	1,377
Current liabilities	304
Sold net assets	**–925**
Goodwill	–4
Total	**–4**
Purchase price	1,147
Effect on the Group's cash and cash equivalents	**1,147**

There are no significant costs related to the disposals.

NOTE 30. CASH FLOW STATEMENT

Interest

	31 December	
MSEK	2018	2017
Interest paid	2,187	2,297
Interest, received	326	273

Paid tax

During 2018 paid tax amounted to MSEK 151 and repaid tax amounted to MSEK 34, which gives a net amount of MSEK 117 (166).

Investing activities

Other investing activities 2018 mainly include payments of loan to joint ventures and associates, same as in 2017.

Financing activities

2018 other financing activities mainly relates to finance cost. same as in 2017. The finance costs are capitalised and amortised over the period of the contract.

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2016	Cash flow	Exchange differences	Transfers	New leases	Revaluations	2017
Short-term debt	2,100	–579	–152	1,139			2,508
Long-term debt	43,318	2,784	–1,785	–3,769			40,548
Senior Notes, long-term	10,878		–735				10,143
Senior Notes, short-term	2,702	–2,656	–46				0
Capitalised lease obligations	81	–398	2	379	19		83
Cash and cash equivalents	–1,322	–950	24				–2,248
Marketable securities	–7,253	519	442	351		–565	–6,506
Short-term investments	–894	50	–19	1		–3	–865
Net debt	49,610	–1,230	–2,269	–1,899	19	–568	43,663

	2017	Cash flow	Exchange differences	Transfers	New leases	Revaluations	2018
Short-term debt	2,508	–1,765	157	1,119			2,019
Long-term debt	40,548	–6,325	1,617	55			35,895
Senior Notes, long-term	10,143		653	–1,002			9,794
Senior Notes, short-term	0		34	1,002			1,036
Capitalised lease obligations	83	–209	–47	–15	4,942		4,754
Cash and cash equivalents	–2,248	426	–61				–1,883
Marketable securities	–6,506	727	–399			487	–5,691
Short-term investments	–865	165	–158			–45	–903
Net debt	43,663	–6,981	1,796	1,159	4,942	442	45,021

NOTE 31. FINANCIAL RISK FACTORS AND FINANCIAL RISK MANAGEMENT

This note describes the financial risk management in the Stena Group. Accounting principles for financial instruments are described in Note 1 and financial information for the year 2018 and 2017 are described in Note 32. Other notes that include information used in Note 31 and 32 are Note 13 Marketable securities, Note 14 Other noncurrent assets, Note 17 Short-term investments, Note 22 Bank debt and Note 24 Leases.

Financial instruments in the Stena Group consist of bank loans, derivatives, finance leasing contracts, accounts payable, accounts receivable, bonds, shares and participations as well as cash and short-term investments.

The primary risks deriving from trading of financial instruments are market risks including interest-rate risk, currency risk, price risk, credit risk and liquidity risk. All of these risks are handled in accordance with the established financial policy.

Financial risk factors

The Group's activities are exposed to a variety of financial risks. The Group's overall risk management policy focuses on the unpredictability of the financial markets and aims to minimise potential adverse effects on the Group's financial results.

The Group employs derivative instruments to hedge exposure to certain risks.

Risk management is handled by a central finance department, Stena Finance, in accordance with policies determined by the Board of Directors. Stena Finance identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board of Directors prepares written policies for both overall risk management and for risk management of specific areas such as currency risk, interest rate risk, credit risk, price risk, the utilisation of derivative and non-derivative financial instruments and the investment of excess liquidity.

The Group uses financial instruments to reduce the risk of major adverse effect on its results from price changes in currency, interest rates and oil markets.

As a basic principle fixed assets are financed with long-term funding in the form of issued bonds, bank debt and leasing liabilities. Each subsidiary's assets are financed in local currency and to the extent that assets and liabilities in foreign currency cannot be matched, the net exposure is hedged with financial derivative contracts.

To achieve a desired currency mix and interest fixing profile the Group uses various types of interest rate derivatives such as fixed rate swaps and cross currency interest rate swaps. Interest rate options are also used either to cap or to lock in a range of the interest rate level.

Currency risks also arise when converting Income Statement or Balance Sheet items to SEK from foreign currencies and when converting cash flows in foreign currency. These risks are reduced by hedging with forward foreign exchange contracts, loans in local currency or with currency options.

Fluctuations in the price of bunker fuel, which predominantly affect Ferry operations, are managed by fixed price agreements with the supplier for the various grades of bunker fuels or by using financial derivatives for crude oil.

As part of its tanker operations the Group also uses, to a limited extent, contracts for freight rates and forward freight agreements.

Financial risk management is carried out within the scope of the Group's financial policies and manuals, mainly by the treasury unit in Sweden.

Market risk – Interest rate risk

The Group holds fixed assets mainly in ships and real estate in USD, SEK, EUR and GBP and as a consequence the debt portfolio and the accompanying interest rate risks are distributed by the same currencies. In order to manage this risk and to achieve desired interest rate levels the Group's management makes regular assessments of the interest rate risks. This exposure is adjusted with interest rate derivatives which to the largest possible extent are matched against the maturity profiles of the underlying debt.

Financial instruments for interest rates, such as futures, swaps or different types of interest rate options, are used to hedge future interest rate payments. Interest income or interest expenses under these contracts are allocated to specific periods and reported as an adjustment of the interest expense on the underlying liability. The Group reports accrued interest at the end of the accounting period, calculated in accordance with the conditions in the contracts. Generally, the underlying liabilities have a longer duration than the financial hedging contracts and allocation of accrued interest over a period of time is carried out as long as the hedging contracts are considered to form an effective portion of the Group's overall risk management.

Effects of hedge accounting regarding hedging of interest rate:

Interest rate swaps	2018
Carrying amount	–1,071
Notinal amount	40,225
Maturity date	2019–2036
Hedge ratio	1:1
Change of value, outstanding hedging instruments since 1 January	30
Change in value of hedged item used to determine hedge effectiveness	–30

Market risk – Currency risk

The Group is exposed to the risk of fluctuations in foreign currency exchange rates due to the international nature and scope of its operations. A substantial portion of the Group's revenues and expenses are denominated in USD, but also in GBP and EUR. The Group's foreign currency risk arises from :

- the Group's investment in foreign subsidiaries' net assets (equity exposure)
- certain financial assets and liabilities (translation exposure when converting such balances to each company's functional currency) and
- fluctuations in exchange rates on the value of the Group's sales and purchases in foreign currencies (transaction exposure).

CONT. NOTE 31

The Group's policy is to hedge its translation exposure which mainly arises from USD and EUR borrowing in companies with SEK as their functional currency. The Group also hedges parts of its transaction exposure in USD, GBP, EUR, CAD, PLN, AUD, NOK and DKK from future cash flows from the Ferry operation and Offshore Drilling operation. In the Ferry operation sale mainly relates to GBP, EUR, PLN, NOK and DKK and purchase to USD. In the Offshore Drilling operation purchase mainly relates to USD, GBP and AUD.

Translation differences from net investments

Translation differences from the exposure of net assets in foreign subsidiaries are reported directly in the Group's equity. Derivative instruments attributable to this exposure, such as currency swaps, currency forward agreements or currency option contracts, are valued at fair value. These hedge contracts are valued and reported directly against Other comprehensive income if the hedges are considered to be effective. If hedges are no longer considered to be effective the translation difference are recognised in the finance net.

The interest rate differential is reported as interest income or interest expenses in the Group's net financial income.

The book value of our net assets of subsidiaries denominated in a foreign currency, as of 31 December 2018, was approximately SEK 24,0 billion. The net assets are expressed mainly in Swedish kronor, U.S. dollars, Euro and British pounds. A 1% change in the value of the SEK against each of the functional currencies of our subsidiaries would affect our shareholders' equity as of December 2018 by MSEK 194.

Translation differences from translation exposure

Monetary assets and liabilities in foreign currency are translated at the closing rate of exchange. Derivative instruments attributable to the financial hedging of the value of these balance sheet items, such as currency swaps, currency forward agreements or currency option contracts, are valued at fair value, which includes translation at the closing rate of exchange. Changes in fair value are reported gross as exchange rate differences in the Group's net financial income, where the translation of monetary assets and liabilities is also reported. Interest rate differential from currency swaps or forward agreements are reported as interest income or interest expense in the Group's net financial income. According to the Group's finance policy, 100% of such exposure should be hedged.

Translation differences from transaction exposure

Realised results from currency forward agreements or currency option contracts, including paid or received premiums from option contracts, which are intended to hedge expected or contracted future cash flows in foreign currency, are allocated to a particular period and reported as an adjustment of the underlying transaction when it takes place. Forward discounts or premiums from these contracts are recorded in the Group's finance net if they are not recorded as cash flow hedges. The hedge contracts are valued and reported directly against Other comprehensive income if an effective hedge. According to the Group's finance policy, 0–100% of such exposure should be hedged.

Effects of hedge accounting regarding hedging of currency forwards

Foreign currency forwards	**2018**
Carrying amount	–29
Notinal amount	5,242
Maturity date	Jan 2019–July 2021
Hedge ratio	1:1
Change of value, outstanding hedging instruments since 1 January	–53
Change in value of hedged item used to determine hedge effectiveness	53

Market risk – Price risk

Oil price risk

The Group is exposed to the price of bunker fuel used for the operation of its vessels and uses forward contracts, swaps and options to hedge its oil price risk. Hedge contracts are regularly entered into to match the underlying costs of deliveries of bunker fuel. The hedge contracts are valued and reported directly against Other comprehensive income if an effective hedge. The results of these contracts are allocated to specific periods and matched against underlying exposure. The contracts are settled on a monthly basis and reported as an adjustment of the cost for bunker fuel for the current period.

For the current routes, ferry operations have an annual consumption of marine bunker fuel and gas oil which combined converts to an annual volume of about 3,2 million barrels crude oil. A part of this is hedged on a consecutive basis. All contracts are settled monthly at a volume corresponding to the underlying consumption.

Effects of hedge accounting regarding hedging of bunker fuels swaps and options:

Bunker fuels swaps	**2018**
Carrying amount	–123
Notinal amount	4,273
Maturity date	2019–2022
Hedge ratio	1:1
Change of value, outstanding hedging instruments since 1 January	–142
Change in value of hedged item used to determine hedge effectiveness	142

Bunker fuels options	**2018**
Carrying amount	13
Notinal amount	2,381
Maturity date	2019–2022
Hedge ratio	1:1
Change of value, outstanding hedging instruments since 1 January	13
Change in value of hedged item used to determine hedge effectiveness	–13

Equity price risk

The majority of all equity holdings within Short-term investments and Marketable securities are traded at an active market at an exchange, hence no illiquidity, counterparty risk or other uncertainty discounts have been applied. A total risk limit for investment and trading in equities, equity indices and bonds has been approved by the Board of Directors and the utilisations of the limits are monitored on a daily basis. The risk mandate is allocated per trader/portfolio, reflecting a 10% overnight adverse price movement. As a complement to the price risk measurement, specific risk, sector risks and geographic risks are followed up and reported. A minimum share of the total financial investments should be made in liquid securities. The Finance policy also governs what type of financial instruments that are approved. In order to reduce the credit risk when investing in corporate bonds, there are certain approved limits for credit rating of the issuer.

Our portfolio of equities is well diversified, both in terms of markets and industries. Investments are made within the boundaries of our finance policy in terms of risk- and loss limits. As of 31 December 2018, a change of +/–10% in the unrealised value of all our equity and bond holdings within Short-term investments and Marketable securities, would have an effect before tax of +/–MSEK 406 in profit and loss and +/– 181 in Other comprehensive income.

Trading activities

The Group also buys and sells certain types of derivative financial instruments with the objective of generating profits on a short-term basis. Such financial instruments that are not used in the Group's program of interest rate and foreign currency risk management are referred to as 'trading' for purposes of this disclosure. All trading positions are taken within the limits of the Company's financial trading policy. All positions are recorded at fair value and the unrealised gains and losses are part of the quarterly results.

Credit risk

In our operating activities, credit risks occur in the form of receivables on customers. In our Ferry operations, credit checks are regularly made on our customers using well known credit-rating agencies. If the credit worthiness of the customer is not satisfactory according to the credit policy, payment in cash is required. In our Offshore Drilling operations, our customers usually have a good credit rating. Our RoRo vessels are typically chartered out on a time or bareboat charter. Although such charter hire is paid in advance we have the contractual right to withdraw the vessel and cancel the charter contract if payment is not received within a certain time. Before entering into a charter agreement the credit worthiness of the charterer is investigated using well known credit-rating agencies. If the credit worthiness is not satisfactory a guarantee is required from the charterer, e.g. in the form of a bank guarantee.

In our Tanker operations where a spot charter arrangement is made, the charterer is scrutinised before the contract is signed in accordance with our QA system rules. If the charterer is not considered "first class" or has certain remarks on his payment possibility, chartering of the vessel can either be denied, or the charterer can be offered to provide a bank guarantee, or to pay the freight before discharge of the cargo (called BBB). In a period charter arrangement the charter hire is paid in advance. If the charter hire is not paid within a certain time we have the right to withdraw the vessel and cancel the charter contract. Regarding buy and sell arrangements of vessels the procedures are dictated by the buy/sale contract (MOA) where a vessel is not released to a buyer until the full payment has been received into sellers' bank account.

In our Property operations, both residential and commercial tenants make rental payments in advance. Nevertheless, a credit check is always made on new tenants, residential as well as commercial, and commercial tenants are put on regular "credit-watch" throughout the rental period. If the potential tenant does not fulfill the criteria set out in our finance policy, the tenant can either be denied a rental contract or be asked to make additional pre-payment or provide a bank guarantee (commercial tenants).

All financial instruments are entered into with counterparties who are considered to be creditworthy institutions and terms and conditions are documented. In the normal course of business, none of the parties demand collateral for credit exposure from financial instruments. All financial derivatives are traded within the framework of established ISDA agreements, where positive and negative market values are netted. In the tables below credit risk refers to net positive market values per counterparty. In the tables below credit risk refers to net positive market values per counterparty.

Liquidity risk

Liquidity risk is managed by maintaining an adequate level of cash, cash equivalents and available financing through unutilised committed credit facilities and the possibility to sell short term marketable holdings in equities and bonds. Due to the dynamic character of the business, the need for financing flexibility is satisfied by arranging part of the company's funding in the form of committed Revolving Credit Facilities, under which short term requirements for liquidity can be met.

The management regularly monitors the company's liquidity reserves, based on anticipated cash flows. This is carried out on both operational company level and centrally at the treasury department in line with best practice and the limits set up for on a group wide basis. Furthermore, it is the policy of the group to calculate future cash flows in all major currencies and quantify the liquidity needed to meet those cash flows, to monitor balance sheet liquidity ratios in relation to both internal and external minimum levels and to maintain plans for debt financing.

The following table shows the group's financial debts, sorted by the remaining years until the agreed maturity date. The figures shown in the table are based on agreed confirmations and constitute undiscounted cash flows. Cash flows in foreign currency are converted to SEK by using the closing exchange rates.

Property loans consist principally of bank mortgage loans on real estate, buildings and land in the Group's real estate business segment. These loans are denominated in SEK and EUR respectively. Other loans consist of long term bank loans used to finance the acquisition of vessels and other assets. They are denominated in USD, GBP, EUR and SEK, respectively.

During the autumn of 2018, we refinanced our existing Revolving Credit Facility (RCF). The outcome was that the maturity was extended to 2023 and the new credit facility amount was set to MUSD 725. Loans under the credit are secured primaarily of ship mortgages. At the end of 2018 this credit had been utilised by MUSD 89, of which MUSD 86 was actually drawn and MUSD 3 used for issuing of bank

CONT. NOTE 31

guarantees. As of 31 December 2017 the utilised portion of the facility was MUSD 396, of which MUSD 393 was actually drawn and MUSD 3 used for issuing of bank guarantees.

As of 2007, the Group has an additional revolving credit facility of MUSD 300 that is mainly used for share trading. The utilised portion of the facility as of 31 December 2018 was MUSD 90. As of 31 December 2017 the utilised portion of the facility was MUSD 140.

As of 31 December 2018 the Group had a total of MSEK 7,815 in unutilsed overdraft facilities and RCFs, excluding the above mentioned MUSD 300 share trading facility. In the table below, "not specified" includes borrowings and utilised credit lines for properties and vessels that have formal repayment dates in 2019. These loans have been classified as long-term because it is the intention of the Group to refinance these loans on a long-term basis. "Not specified" also includes the utilised portion of the Revolving Credit Facilities.

The revolving credit facility imposes various financial and operating covenants upon the restricted group. The principal financial covenants (i) require us to maintain current assets and committed undrawn facilities in an amount greater than or equal to 125% of consolidated current liabilities, (ii) require us and our subsidiaries to maintain minimum cash and cash equivalents of not less than MUSD 100, (iii) require our net debt to be no greater than 65% of the capitalisation, and (iv) require us to maintain ownership of the security parties that, at the date of execution of the credit facility agreement, are members of the Stena AB group.

The following table summarises the notional volume and credit risks of financial derivative instruments:

	31 December 2018		31 December 2017	
MSEK	Nominal amount	Credit risk	Nominal amount	Credit risk
Currency forward contracts and swaps	77,901	4	37,305	79
Interest rate forward contracts and swaps	52,122	172	44,131	66
Commodity fixed price swaps and options – oil	5,595	17	1,766	124
Total	**135,618**	**193**	**83,202**	**269**

Maturity profile

31 December 2018, MSEK	Total	2019	2020	2021–2023	2024–	Not specified
Property loans	**15,261**	34	28	1,161	13,561	477
Other bank loans	**20,437**	1,985	1,569	13,964	2,911	8
Revolving Credit Facility	**1,417**					1,417
Other credit facilities	**801**					801
Senior Notes	**10,830**	1,036	2,030		7,764	
Derivatives	**2,524**	731	592	413	788	
Finance lease liabilities	**4,753**	481	520	1,543	2,209	
Operating lease liabilities	**6,865**	2,262	966	919	2,718	
Accounts payable	**1,988**	1,988				
Total	**64,876**	**8,517**	**5,705**	**18,000**	**29,951**	**2,703**

NOTE 32. FINANCIAL INSTRUMENTS

This note describes the financial outcome from financial instruments in the Stena Group.
Accounting policies for financial instruments are described in Note 1 and financial risk management is described in Note 31.

Financial instruments per category

MSEK **31 December 2017**	Financial instruments at fair value through profit or loss Fair value option	 Held for trading[1]	Financial instruments Used for hedge accounting	 Held to maturity	 Available for sale	Loans and receivables	Other financial liabilities	Total carrying amount	Total fair value
Assets									
Marketable securities	1,087				5,419			6,506	6,506
Other non-current assets	106	378	234		1,059			1,777	1,777
Trade receivables						2,585		2,585	2,585
Short-term investments		261				604		865	865
Investments in SPEs									
Other receivables		172	102					274	274
Total	**1,193**	**811**	**336**	**0**	**6,478**	**3,189**	**0**	**12,007**	**12,007**
Liabilities									
Senior Notes							10,143	10,143	9,942
Other non-current liabilities		17	1,802					1,819	1,819
Other non-current interest-bearing liabilities							40,548	40,548	40,548
Current interest-bearing liabilities							2,508	2,508	2,508
Trade payables							1,884	1,884	1,884
Other liabilities		90	103					193	193
Total	**0**	**107**	**1,905**	**0**	**0**	**0**	**55,083**	**57,095**	**56,894**

31 December 2018	Financial instruments measured at fair value through profit or loss Mandatory 1)	Derivatives used for hedge accounting (OCI)	Fair value through other comprehensive income (FVOCI)	Amortised Cost (AC)	Total carrying amount	Total fair value
Assets						
Cash and cash equivalents				1,883	1,883	1,883
Marketable securities	3,886		1,805		5,691	5,691
Other non-current assets (finacial part)	1,742	459			2,201	2,201
Trade receivables				2,750	2,750	2,750
Short-term investments	202			701	903	903
Other receivables (financial part)	324	245			569	569
Total	**6,154**	**704**	**1,805**	**5,334**	**13,997**	**13,997**
Liabilities						
Senior Notes				10,830	10,830	10,386
Other non-current liabilities (financial part)	24	1,768			1,792	1,792
Other non-current interest-bearing liabilities				35,895	35,895	35,895
Current interest-bearing liabilities				2,019	2,019	2,019
Trade payables				1,988	1,988	1,988
Other liabilities (financial part)	359	372			731	731
Total	**383**	**2,140**	**0**	**50,732**	**53,255**	**52,811**

1) The mandatory category inludes derivatives totalling MSEK 315 that are not included in hedge accounting. MSEK 374 is included in other non-current assets. MSEK 324 in other rereivables, MSEK 24 in other non-current liabilities and MSEK 359 in other liabilities.

CONT. NOTE 32

Determination of the fair value of items recognised at fair value in the balance sheet

The different levels indicate the observerability in the underlying input data used when calculating the fair value.

Investments in level 1 consists mainly of equity instruments. The financial instruments in this level consists of identically assets and liabilities and are traded on an active market and the fair value is determined on the basis of the asset's or liabilities listed prices on the balance sheet date.

Financial instruments in level 2 consist of foreign exchange contracts and interest rate swaps entered for trading or hedging purposes. The valuation of FX futures are based on quoted market prices. The valuation of interest rate swaps is conducted using discounted cash flows based on forward interest rates in observable yield curves. Level 2 also consists of financial assets and liabilities whose fair value is obtained from external parties and bonds where the valuation is based on observable market data that are not from active markets. Regarding unlisted receivables in level 2, the fair value is calculated basen on discounted future cash flows.

Level 3 for fair value includes the assets and liabilities for which fair value cannot be obtained directly from listed market prices or indirectly through valuation methods or valuation models based on observable market prices or input data.

31 December 2017	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
– Derivatives		551		551
– Securities	1,208	206	40	1,454
Derivatives used for hedging		336		336
Available-for-sale financial assets				
– Equities	1,446	663	1,136	3,245
– Debt investments	1,200	1,932	103	3,235
Total assets	**3,854**	**3,688**	**1,279**	**8,821**
Liabilities				
Financial liabilities at fair value through profit or loss				
– Trading derivatives		107		107
Derivatives used for hedging		1,905		1,905
Total liabilities	**0**	**2,012**	**0**	**2,012**

31 December 2018	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
– Derivatives		699		699
– Securities	847	3,167	1,419	5,433
– Debt investments			26	26
Derivatives used for hedging		704		704
Fair value through other comprehensive income				
– Equities	618		90	708
– Debt investments		1,093		1,119
Total assets	**1,465**	**5,663**	**1 535**	**8,663**
Liabilities				
Financial liabilities at fair value through profit or loss				
– Trading derivatives		383		383
Derivatives used for hedging		2,140		2,140
Total liabilities	**0**	**2,523**	**0**	**2,523**

During the year, MSEK 1,093 of bonds have been transferred from level 1 to level 2 after reassessment of market data. No other transfers have taken place during the year.

Specification of financial instruments in Level 3

MSEK **31 December 2017**	CBRE Dutch Office Fund	Airport Real Estate Management BV	Debt investments convertible loan	Equity private placement	Equities other	Total
Opening balance, 1 January 2017	663	335	110	401	88	1,597
Total unrealised gains/losses						
– recognised in profit or loss	47				–2	45
– recognised in other comprehensive income			7			7
Reclassification			27	–401	–3	–377
Impairment recognised in profit or loss			–27			–27
Proceeds from acquisitions and sales, net	–13				36	23
– of which realised gains/losses			–16			–16
Translation differences	18	9	3		–3	27
Closing balance, 31 December 2017	**715**	**344**	**104**	**0**	**116**	**1,279**

MSEK **31 December 2018**	CBRE Dutch Office Fund	Airport Real Estate Management BV	Debt investments convertible loan	Equity private placement	Equities other	Total
Opening balance, 1 January 2018	715	344	104	0	116	1,279
Total unrealised gains/losses						
– recognised in profit or loss	156	32				188
– recognised in other comprehensive income						
Reclassification						
Impairment recognised in profit or loss						
Proceeds from acquisitions and sales, net	–12				58	46
– of which realised gains/losses					–22	–22
Translation differences	23	12	8		1	44
Closing balance, 31 December 2018	**882**	**388**	**112**	**0**	**153**	**1,535**

No holdings in level 3 have been moved to another level.

CONT. NOTE 32

The table below shows information about the fair value measurements of Level 3

31 December 2018

Funds	Description	Fair value at 31 December 2018	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability weighted average)	Relationship of unobservable inputs to fair value	Sensitivity analyses
CBRE Dutch Office Fund	The fund invests in prime office real estate only in the Netherlands, and consist of 12 properties	MSEK 882	Estimated discounted cash flows	Future development of the occupancy rates	Weighted average of vacancy rate is 10,95%	Changes in the properties' occupancy rates lead to a lower/ higher fair value	If the vacancy rate and income changes by +/– 10%, the effect on the fair value will be MSEK +/– 147
Airport Real Estate Management BV	The fund consists of 16 properties (offices and warehouses) located on Schiphol Airport grounds in the Netherlands	MSEK 388	Estimated discounted cash flows	Future development of the occupancy rates	Weighted average of vacancy rate is 8%	Changes in the properties' occupancy rates lead to a lower/ higher fair value	If the vacancy rate and income changes by +/– 5%, the effect on the fair value will be MSEK +/– 15
Convertible loan	Long-term loan	MSEK 112	Estimated discounted cash flows	Interest level and credit risk	Market interest rate in average 5.0%	Changes in interest rate or credit risk lead to a lower/ higher fair value	If the interest rate including credit risk changes by +/– 100 points, the effect on the fair value will be MSEK +/– 1
Equities other	A portfolio of unlisted companies	MSEK 153	We use different techniques, depending of available observable inputs. Discounted cash flow models and valuation multiples are example of existing models	Interest level, future development in the oil and gas sector and in different pharmaceutical projects	N/A	N/A	N/A

As of 31 December 2018, a change of +/– 10% in the unrealised value of all our assets in the Level 3 category would have an effect of MSEK +/– 144 (4) on profit before tax and MSEK +/– 9 (123) recognised in other comprehensive income.

The table below shows the financial derivatives that are included in ISDA agreements and subject to netting

MSEK **31 December 2017**	Financial assets/ liabilities, gross	Netted balances	Amounts shown in the balance sheet	Financial instruments included in ISDA agreements but not netted	Financial instruments, net
Derivative financial assets	887		887	618	269
Derivative financial liabilities	–2,013		–2,013	–618	–1,395
Total	**–1,126**	**0**	**–1,126**	**0**	**–1,126**

MSEK **31 December 2018**	Financial assets/ liabilities, gross	Netted balances	Amounts shown in the balance sheet	Financial instruments included in ISDA agreements but not netted	Financial instruments, net
Derivative financial assets	1 403		1 403	1 210	193
Derivative financial liabilities	–2 523		–2 523	–1 210	–1 313
Total	**–1 120**	**0**	**–1 120**	**0**	**–1 120**

Interest rate hedge contracts

Outstanding interest rate contracts for hedging of the interest rate exposure

	2018		2017	
MSEK	Notional amount	Carrying amount	Notional amount	Carrying amount
Contracts excluding CDO/CLO				
Interest rate swaps floating to fixed				
– receivable position	27,354	422	16,761	448
– payable position	23,769	–1,158	27,369	–1,177
Swaption				
– receivable position				
– payable position	1,000	–48		
Total	**52,122**	**–784**	**44,130**	**–729**

Whereof the fair value of the instruments used in hedge accounting, amounts to SEK –1,071 as of December 2018 and –1,088 million as of December 2017 and is included in other current liabilites against the hedge reserve.

Stena has chosen to apply hedge accounting for parts of the loan issued in 2014. Fair value of the outstanding hedge instrument amounts to MSEK307. The carrying value of the loan related to hedge accounting amounts to MSEK –243. The changes in the fair value of the outstanding hedge instruments and the changes in the carrying value of the loan are reported in the income statement.

Currency hedge contracts

The following two tables summarise the contractual net amounts of the Group's forward exchange and option contracts to hedge the translation and transaction exposures. Notional amount is gross amount.

Outstanding currency hedge contracts for translation and equity exposure

	2018		2017	
MSEK	Notional amount	Carrying amount	Notional amount	Carrying amount
Currency forward contracts				
– receivable position	3,363	127	949	12
– payable position	3,425	–160	3,109	–175
Currency swap contracts				
– receivable position	42,270	594	14,311	192
– payable position	19,617	–769	14,328	–592
Total	**68,675**	**–208**	**32,697**	**–563**

The fair value of the instruments used in hedge accounting for equity exposure , amounts to MSEK –178 as of 31 December 2018 MSEK –467 as of 31 December 2017 and is included in other current liabilities (other current assets) against the hedge reserve.

CONT. NOTE 32

Outstanding currency hedge contracts for transaction exposure

	2018		2017	
MSEK	Notional amount	Carrying amount	Notional amount	Carrying amount
Currency forward contracts				
– receivable position	2,288	72	1,078	35
– payable position	2,191	–100	199	–2
Currency swap contracts				
– receivable position	449	7	829	14
– payable position	314	–8	948	–12
Total	**5,242**	**–29**	**3,054**	**35**

Whereof the fair value of the instruments used in hedge accounting for transaction exposure, amounts to SEK –29 as of 31 December 2018 and to SEK 141 million as of 31 December 2017 and is included in other current liabilities (other current assets) against the hedge reserve.

Oil price contracts – Outstanding hedge contracts for transaction exposure

	2018		2017	
MSEK	Notional amount	Carrying amount	Notional amount	Carrying amount
Raw material swap contracts				
– receivable position	1,845	140	1,347	165
– payable position	2,427	–263	419	–39
Raw material option				
– receivable position	1,323	12		
– payable position				
Total	**5,595**	**–110**	**1,766**	**126**

The fair value of the instruments used in hedge accounting for bunker fuel exposure, amounts to SEK –110 as of 31 December 2018 and SEK 126 million as per 31 December 2017 and is included in other current liabilities (other current assets) against the hedge reserve.

Maturity profile for derivates used in hedge accounting

MSEK	Interest rate derivates	Foreign exchange derivates	Bunker fuel derivates	**Total**
2019	–6	13	–134	–127
2020	–38	–230	–4	–273
2021–2023	–339	10	28	–301
2024 and thereafter	–688			–688
Total	**–1,071**	**–207**	**–110**	**–1,388**

Trading contracts – Outstanding derivative contracts for trading activities

	2018		2017	
MSEK	Notional amount	Carrying amount	Notional amount	Carrying amount
Foreign exchange spot and forwards	2,314	11	1,555	3
Currency options	1,670	6		
Total	**3,984**	**17**	**1,555**	**3**

NOTE 33. PERSONNEL

Average number of employees

	2018		2017	
	Total	No. of females	Total	No. of females
Parent company				
Executive management	3		3	
Other employees	33	21	31	19
Subsidiaries in Sweden	4,108	1,659	4,211	1,657
Total Sweden	**4,144**	**1,680**	**4,245**	**1,676**
Subsidiaries outside Sweden				
United Kingdom	2,813	733	2,883	846
Denmark	1,013	365	933	309
The Netherlands	625	111	632	125
Germany	311	96	304	88
Singapore	164	61	157	57
India	155	70	158	66
South Korea	149	12	133	12
Spain	135	10	124	13
China	121	29	122	27
Latvia	93	54	47	37
Poland	68	48	64	44
Norway	56	22	54	19
United Arab Emirates	40	4	37	6
Qatar	35	1	35	1
France	19	5	19	5
Ireland	18	12	18	11
United States	18	6	21	6
Russia	13	9	17	12
Cyprus	12	3	12	4
Saudi Arabia	12	2	19	4
Portugal	10	1	10	1
Luxembourg	10	2	9	2
Finland	7	2	4	1
Switzerland	4	3	4	3
Lithuania	4	4	4	4
Malaysia	3	1	5	3
Other	13	1	12	
Seagoing employees	1,305	22	1,449	38
Total outside Sweden	**7,226**	**1,689**	**7,286**	**1,744**
Total Group	**11,370**	**3,369**	**11,531**	**3,420**

Seagoing employees refers to Offshore Drilling and Shipping activities, which are performed world-wide. For Ferry Operations (Stena Line), such persons have been allocated by country. The total number of seagoing employees in Stena Line was 3,946 (3,837). Total number of employees including external seagoing employees through Northern Marine amounts to 15,478 (16,189).

CONT. NOTE 33

Total personnel costs

	2018			2017		
MSEK	Parent company	Subsidiaries	Total	Parent company	Subsidiaries	Total
Wages, salaries and other remuneration	53	5,256	5,309	48	5,231	5,280
Pension costs	16	411	427	13	422	435
Other social security contributions	18	698	716	18	657	675
Total	**87**	**6,365**	**6,452**	**79**	**6,311**	**6,390**

For Swedish-flagged vessels employed in international shipping activities, the Group has received a subsidy equal to all social sequrity costs and income taxes payable by the employers on behalf of employees who work on board such vessels. The amount of this subsidy in 2018 was MSEK 416 (412). The amounts received have reduced personnel costs.

Remuneration of Chief Executives

In 2018, salaries of MSEK 10 (10) were paid to the Chief Executive Officer and the Executive Vice President. The corresponding pension charges in 2018 amounted to MSEK 13 (12). The aggregate compensation paid by the Stena AB to its directors (a total of eleven persons, CEO included) amounted to MSEK 12 (10). Of the total salaries paid to other employees MSEK 44 (49) was paid to officers other than the Chief Executive Officer, the Executive Vice President and Board members (a total of seven persons).

Pension commitment applies from the age of 65 years according to the so called ITP plan with additions for salary above 30 base amounts. The Chief Executive Officer has additional retirement conditions allowing pension payments from 74 years of age. The obligation is provided for within pension liabilities. The period of notice from either parties is 12 months. Severance pay amounts to a maximum of 24 months salary.

The Board members of Stena AB were paid KSEK 350 (350) in 2018, out of which KSEK 50 (50) was paid to the Chairman of the Board and KSEK 25 (25) was paid to the Chief Executive Officer. The Chairman of the Board has in addition invoiced KSEK 1,250 (913) for consultations.

Gender distribution on the Board of Directors is 73% (73%) men and 27% (27%) women. 78% (78%) of other senior executives are men and 22% (22%) are women.

NOTE 34. RELATED-PARTY TRANSACTIONS

The Stena Group has relationships with other companies in the Stena Sphere, which include the companies wholly owned by the Sten A Olsson family, Stena AB (publ), Stena Sessan AB ("Sessan") and Stena Metall AB and their respective subsidiaries. The partly-owned company Concordia Maritime AB ("Concordia") is listed on Nasdaq Stockholm and 52% owned by Stena Sessan AB.

Significant transactions between the Stena Group ("Stena") and its affiliates are described below.

Concordia

Concordia (publ) and Stena are parties to an agreement, pursuant to which they conduct joint charter and contract business through Stena Bulk AB. Under the terms of this agreement, Concordia Maritime may elect to participate in a transaction on a 100%, 50% or 0% basis. In 2018, Concordia had 50% participation in eight transactions, while in 2017 Concordia participated in two transactions. Concordia buys regularly from Stena, primarily Stena Bulk AB. All transactions are conducted on commercial terms and at market-related prices. These services relate to administration, marketing, insurance, technical support, development and commercial management of Concordia's fleet, chartering commission relating to Concordia's owned and chartered vessels, operation of any jointly chartered vessels as well as offices and office services for Concordia's personnel. Concordia's total payments for these services amounted to MSEK 54.2 (58.1).

During December 2018, Stena Bulk purchased Concordia's positions for MUSD 5.7 in four chartered Suezmax vessels. As a consequence of this transaction Stena Bulk, whose former participation in this transaction was on a 50% basis, now has full exposure to the Suez tanker market for the four vessels.

Sessan

Since June 1999, Stena has served as manager of Sessan's 50% participation in a Norwegian partnership that owns the shuttle tanker *Stena Sirita*, which is on a charter until 2019.

In 2003, the assignment was expanded to include Sessan's 50% participation in the shuttle tanker *Stena Spirit*, which was chartered pursuant to a 15-year contract to Petrobras in Brazil. During the autumn 2018, the vessel *Stena Spirit* was sold. Stena earned total fees for these services of MSEK 1.1 (1.3).

During 2018, Stena Sessan has paid a service fee to Stena Adactum amounting to MSEK 7.0 (3.5).

During December 2017 it was agreed that Stena Properties should sell properties in Uppsala, Stockholm och Gothenburg for approximately SEK 6.8 billion net to the Stena Sessan Group. The majority of the properties was taken over in June 2018. Stena conducts property management for Stena Sessan's properties. Stena received MSEK 10 (0) for the provision of these services.

Stena Metall

Stena purchases a substantial proportion of bunker fuel for vessels from Stena Metall. The purchases in 2018 amounted to MSEK 2,583 (1,560).

Stena performs certain services for Stena Metall, for which compensation of MSEK 8 (8) has been received in 2018.

During December 2018, Stena Metall sold the company Juteskären AB, where the vessel *Stena Scandinavia* is included, to Stena Rederi AB. The vessel *Stena Scandinavica* has, until the sale, been chartered out to Stena Line Scandinavica AB for MSEK 94 (98).

Havgalleskären AB, which is part of the Stena Metall Group,has chartered out the vessel *MIS Mecklenburg Vorpommern to Stena Line GmbH* on a five-year bareboat charter. During 2018 the charter hire amounted to MSEK 64 (51).

Stena Recycling AB has during 2018 paid MSEK 10 (0) to RFM Fastigheter AB for property management services and rent.

Olsson family

Stena rents office space from the Olsson family. The rental payments amounted to MSEK 45 (44).

Stena conducts property management for a number of the family's properties. Stena received MSEK 22 (22) for the provision of these services.

Stena has undertaken to pay Dan Sten Olsson an annual indexed retirement benefit for life.

Stena Switzerland AG has invested MEUR 8 in a company, Collectius AG, which is partly owned by Gustav Eriksson. Stena Switzerland has lended MEUR 14 to Collectius AG at market terms during the year.

NOTE 35. SUBSEQUENT EVENTS

Stena Line has acquired the stevedoring operation Sartori & Berger as from 1 January 2019.

During February 2019, Hyundai-Glovis and Stena have agreed to enter into a cooperation in Europe through a newly established joint venture. The purpose of this joint venture, with an equal ownership of 50% each, is to develop new products and services for the European market. The name of the new company will be Stena Glovis and the head office is located in Hamburg. The joint venture was launched in March 2019. During March 2019, another RoPax vessel was ordered from the chinese Avic Weihai Shipyard, which will be chartered out to an external customer.

During March 2019, Stena signed an agreement to acquire 67% in the NMT Group. NMT is a Dutch company specialized in worldwide shipment of cars, trucks and all other rolling cargo.

PARENT COMPANY INCOME STATEMENT

MSEK	Not	1 January–31 December 2018	2017
Revenue	1	138	124
Administrative expenses	2	–191	–208
Other operating income and expenses		–2	–13
Operating result		**–55**	**–97**
Result from investments in Group companies	3	518	956
Result from other securities and receivables held as non-current assets	4	797	–182
Other interest and similar income	5	81	658
Interest and similar expenses	6	–995	–1,240
Financial net		**401**	**192**
Appropriations			
Group contributions	7	122	105
Result before tax		**468**	**200**
Taxes	8	–288	–49
Result for the year		**180**	**151**

OTHER COMPREHENSIVE INCOME

MSEK	1 January–31 December 2018	2017
Result for the year	180	151
Other comprehensive income		
Change in fair value reserve for the year, net of tax	–2	–11
Other comprehensive income	**–2**	**–11**
Change in fair value reserve for the year, net of tax	**178**	**140**

PARENT COMPANY BALANCE SHEET

		31 December	
MSEK	Not	**2018**	2017
Assets			
Non-current assets			
Shares in Group companies	9	20,574	20,545
Non-current receivables, Group companies	9	5,912	5,510
Marketable securities	10	294	306
Other non-current assets	11	261	527
Total financial assets		**27,041**	**26,888**
Total non-current assets		**27,041**	**26,888**
Current assets			
Current receivables, Group companies		1,504	289
Other receivables		406	36
Prepayments and accrued income	12	146	67
Total current receivables		**2,056**	**392**
Cash and cash equivalents		0	0
Total current assets		**2,056**	**392**
Total assets		**29,097**	**27,280**
Equity and liabilities			
Equity			
Share capital, 50,000 shares, SEK 100 each		5	5
Statutory reserve		2	2
Total restricted equity		**7**	**7**
Retained earnings		18,357	18,258
Result for the year		180	151
Total unrestricted equity		**18,537**	**18,409**
Total equity		**18,544**	**18,416**
Non-current liabilities			
Senior Notes	13	6,695	7,279
Total non-current liabilities		**6,695**	**7,279**
Current liabilities			
Senior Notes	13	1,036	
Trade payables		6	9
Liabilities to Group companies		2,167	782
Other liabilities		397	575
Accruals and deferred income	14	252	219
Total current liabilities		**3,858**	**1,585**
Total equity and liabilities		**29,097**	**27,280**

PARENT COMPANY
STATEMENT OF CHANGES IN EQUITY

MSEK	Share capital	Restricted reserves	Unrestricted equity	Total
Equity, 31 December 2016	5	2	18,474	18,481
Change in fair value reserve for the year, net of tax			–11	–11
Other comprehensive income			**–11**	**–11**
Profit for the year			151	151
Total comprehensive income			**140**	**140**
Dividend			–205	–205
Equity, 31 December 2017	**5**	**2**	**18,409**	**18,416**
Change in fair value reserve for the year, net of tax			–2	–2
Other comprehensive income			**–2**	**–2**
Profit for the year			180	180
Total comprehensive income			**178**	**178**
Dividend			–50	–50
Equity, 31 December 2018	**5**	**2**	**18,537**	**18,544**

PARENT COMPANY STATEMENT OF CASH FLOWS

		1 January–31 December	
MSEK	Not	**2018**	2017
Cash flow from operating activities			
Profit for the year		180	151
Adjustments for non-cash items			
Unrealised gain on financial instruments		–251	632
Exchange differences		50	99
Deferred income taxes	8	288	49
Group contributions		122	105
Other non-cash items		523	210
Cash flow from operating activities before changes in working capital		**912**	**1,246**
Changes in working capital			
Increase (–)/decrease (+) in intra-group balances		–57	2,649
Increase (–)/decrease (+) in current receivables		–680	–69
Increase (+)/decrease (–) in current liabilities		–178	–281
Cash flow from operating activities		**–3**	**3,545**
Cash flow from investing activities			
Proceeds from sale of securities and long-term investments, net		–52	–80
Increase in non-current receivables, Group companies			–3
Cash flow from investing activities		**–52**	**–83**
Cash flow from financing activities			
Dividend		–50	–205
Group contributions received/paid, net		105	–420
Principal payments on debt	17		–2,826
Other financing activities			–11
Cash flow from financing activities		**55**	**–3,462**
Net change in cash and cash equivalents		0	**0**
Cash and cash equivalents at beginning of year		0	0
Cash and cash equivalents at end of year		**0**	**0**

NOTES

All amounts in MSEK. Accounting policies, see Note 1 in the Consolidated Notes.

NOTE 1. REVENUE

Revenue in the Parent company refers to services rendered for subsidiaries. Revenue was MSEK 138 (124), 98% (98%) of which was from Group companies.

NOTE 2. ADMINISTRATIVE EXPENSES

Fees to the auditors	1 January–31 December	
MSEK	**2018**	2017
Audit services	4	4
Tax advisory services	1	1
Other services	2	3
Total	**7**	**8**

Audit fees relate to examination of the annual report, financial accounting and the administration by the Board and the CEO as well as other tasks related to the duties of a company auditor. Other services refer to other assignments. Tax advisory services include both tax consultancy and tax compliance services.

NOTE 3. PROFIT/LOSS FROM INVESTMENTS IN GROUP COMPANIES

Dividend was recieved from Stena International S.A. amounting to MSEK 218 and from Stena Fastigheter AB amounting to MSEK 300.

NOTE 4. PROFIT/LOSS FROM OTHER SECURITIES AND RECEIVABLES HELD AS NON-CURRENT ASSETS

	1 January–31 December	
MSEK	**2018**	**2017**
Result from sale of shares		2
Unrealised result from financial instruments	–2	
Exchange differences	405	–556
Interest income	394	372
Total	**797**	**–182**

MSEK 394 (372) of total interest income came from Group companies.

NOTE 5. OTHER INTEREST AND SIMILAR INCOME

	1 January–31 December	
MSEK	**2018**	**2017**
Intra-group interest income	1	1
Interest income from derivates	55	61
Exchange differences		596
Unrealised change in value of short-term derivates	25	
Total	**81**	**658**

NOTE 6. INTEREST AND SIMILAR EXPENSES

MSEK	1 January–31 December 2018	2017
Interest expenses	–573	–540
Amortisation of capitalised finance costs	–11	–11
Unrealised change in value of short-term derivatives		–689
Exchange differences	–405	
Other finance expenses	–6	
Total	**–995**	**–1,240**

MSEK –32 (–23) of total interest expenses came from Group companies.

NOTE 7. GROUP CONTRIBUTION

MSEK	1 January–31 December 2018	2017
Paid Group contributions		
Stena Adactum AB	–116	–468
Stena RFM AB	–12	–500
Stena Asset Management AB	–5	
Stena Rederi AB	–1,050	
Received Group contributions		
Stena Adactum AB	149	468
Stena RFM AB		455
AB Stena Finans	350	150
Stena Asset Management AB	6	
Stena Rederi AB	800	
Total	**122**	**105**

NOTE 8. INCOME TAXES

MSEK	1 January–31 December 2018	2017
Result before tax	468	200
Deferred tax	–288	–49
Total taxes	**–288**	**–49**
Reconciliation of the difference between the statutory tax rate in Sweden and the effective tax rate		
Statutory income tax according to tax rate	–103	–46
Impact of change in tax rate	–8	
Expenses not deductible	–263	–217
Resolution of deferred tax on temporary differences	–28	
Non-taxable income, dividend received	114	210
Non-taxable income		4
Tax income/tax expense	**–288**	**–49**

In 2018, Tax paid amounted to MSEK - (-).

NOTE 9. SHARES IN GROUP COMPANIES

MSEK	Reg. no.	Reg. office	Ownership, %	Amount of shares in 000s	31 December **Carrying amount 2018**	Carrying amount 2017
Stena Rederi AB	556057-8360	Gothenburg	100	25	1,340	1,340
AB Stena Finans	556244-5766	Gothenburg	100	500	2,550	2,550
Stena RFM AB	556878-2980	Gothenburg	100	1	35	35
Stena Fastigheter AB	556057-3619	Gothenburg	100	119	3,282	3,282
Stena Adactum AB	556627-8155	Gothenburg	100	500	3,476	3,476
Örbacken Energi AB	556738-0851	Gothenburg	100	2	1	
Möckelsjö Energi AB	556756-0882	Gothenburg	100	50	6	
Stena Ventures AB	556878-3020	Gothenburg	100	1	22	
Stena International S.A.		Luxembourg	100	4,768	9,862	9,862
Total shares in Group companies					**20,574**	**20,545**

Stena AB has during the year acquired Örbacken Energi AB, Möckelsjö Energi AB and Stena Ventures AB from Stena Renewable AB.

Subsidiaries´ holdings in major Group companies

	Reg. office	Ownership, %
Stena Bulk AB	Gothenburg	100
Stena Line Scandinavia AB	Gothenburg	100
Stena Line Holding BV	The Netherlands	100
Stena Holland BV	The Netherlands	100
Stena Line Ltd	The United Kingdom	100
Stena Drilling (Holdings) Ltd	The United Kingdom	100
Stena North Sea Ltd	The United Kingdom	100
Stena Ropax Ltd	The United Kingdom	100
Stena Switzerland AG	Switzerland	100
Stena Maritime AG	Switzerland	100

The Parent company has the following long-term receivables on Group companies

MSEK	**31 December 2018 Carrying amount**
AB Stena Finans	5,312
Stena Adactum AB	600
Total non-current receivables Group companies	**5,912**
Opening balance	5,510
Exchange differences	402
Closing balance	**5,912**

A complete list of the companies in the Group has been submitted to the Swedish companies registration office. For information on associates and joint ventures see Note 6 in the Consolidated Notes.

NOTE 10. MARKETABLE SECURITIES

MSEK	
Opening balance, 1 January 2018	306
Disposals	–13
Revaluation	–2
Exchange differences	3
Closing balance, 31 December 2018	**294**

MSEK	2018	2017
Marketable securities are classified as:		
Financial assets at fair value through profit and loss	64	25
Financial assets at fair value through other comprehensive income	230	281
Total taxes	**294**	**306**

Marketable securities are long-term holdings of listed shares (see Note 13 in the Consolidated Notes).

NOTE 11. OTHER NON-CURRENT ASSETS

MSEK	Deferred tax receivables	Other securities held as non-current assets	Capitalised costs	Total
Opening balance, 1 January 2018	449	60	18	527
Revaluation through the income statement	–285			–285
Valuation to fair value		–5		–5
Additions		35		35
Disposals			–11	–11
Closing balance, 31 December 2018	**164**	**90**	**7**	**261**

Other securities held as non-current assets are holdings of non-listed shares, see Note 14 in the Consolidated Notes. Capitalised costs refer to cost for Senior Notes. These costs are distributed over the remaining loan period of the Senior Notes. See Note 6.

NOTE 12. PREPAYMENTS AND ACCRUED INCOME

	31 December	
MSEK	2018	2017
Accrued interest income	146	67
Total	**146**	**67**

NOTE 13. SENIOR NOTES

Issued – Maturity	Nominal	Outstanding	Interest	Fair value, 31 December 2018	Fair value, 31 December 2017	Carrying amount, 31 December, MSEK 2018	Carrying amount, 31 December, MSEK 2017
2007–2019	MEUR 102	MEUR 102	5.875%	MEUR 102	MEUR 107	1,036	1,002
2010–2020	MEUR 200	MEUR 200	7.875%	MEUR 210	MEUR 220	2,030	1,965
2014–2024	MUSD 600	MUSD 527	7.000%	MUSD 482	MUSD 496	4,665	4,312
Total						**7,731**	**7,279**

Whereof	2018	2017
Non-current portion of Senior Notes	6,695	7,279
Current portion of Senior Notes	1,036	

NOTE 14. ACCRUALS AND DEFERRED INCOME

MSEK	31 December 2018	31 December 2017
Accrued interest expense	212	199
Accrued holiday pay and social security contributions	14	14
Other accruals	26	6
Total	**252**	**219**

NOTE 15. PLEDGED ASSETS AND CONTINGENT LIABILITIES

MSEK	31 December 2018	31 December 2017
Guarantees, subsidiaries	28,796	26,720
Guarantees, other	632	748
Total	**29,428**	**27,468**

NOTE 16. PERSONNEL

For information about the average number of employees, salaries, other remuneration and social security contributions for employees, see Note 33 in the Consolidated Notes.

NOT 17. NET DEBT RECONCILIATION

This section sets out an analysis of net nebt and the movements in net debt for each of the periods presented.

	2017	Cash flows	Foreign exchange adjustment	Revaluations	Reclassification	2018
Senior Notes, long-term	7,279		418		–1,002	6,695
Senior Notes, short-term			34		1,002	1,036
Marketable securities	–306	13	–3	2		–294
Net debt	**6,973**	**13**	**449**	**2**	**0**	**7,437**

PROPOSED TREATMENT OF UNAPPROPRIATED EARNINGS

The following funds in the Parent company are available to the Annual General Meeting (SEK thousands)

Retained earnings	18,356,751
Profit for the year	179,877
Unrestricted equity	**18,536,628**
The Board of Directors propose the following:	
Dividend to the shareholders	90,000
To be carried forward	18,446,628
Total	**18,536,628**

Gothenburg, 29 April 2019

Gunnar Brock
Chairman of the Board

Dan Sten Olsson
Managing Director

Vivienne Cox
Board member

Karl-Christian Fredrikson
Board member

Christian Caspar
Board member

Maria Brunell Livfors
Board member

Lars Westerberg
Board member

William Olsson
Board member

Marie Eriksson
Board member

Alessandro Chiesi
Employee representative

Mahmoud Sifaf
Employee representative

Our Audit Report was released on 29 April 2019

Peter Clemedtson
Authorised Public Accountant

Johan Rippe
Authorised Public Accountant

AUDIT REPORT

To the general meeting of the shareholders of Stena AB (publ), corporate identity number 556001-0802

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Stena AB (publ) for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 2–82 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other Information than the annual accounts and consolidated accounts

The company also issues other information than the annual accounts and consolidated accounts and is found on page 80 and in the form of an annual review in connection with the annual accounts and consolidated accounts. The Board of Directors and the Managing Director are responsible for the other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Stena AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company.
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Gothenburg, 29 April 2018

Peter Clemedtson
Authorised Public Accountant

Johan Rippe
Authorised Public Accountant

FIVE-YEAR SUMMARY

MSEK	2018	2017	2016	2015	2014
Total revenues	34,730	33,723	34,799	36,417	33,563
EBITDA, excluding sale of non-current assets	6,595	7,465	10,429	9,800	9,667
Operating profit	2,232	2,809	4,013	6,801	4,865
Profit/loss from investments in strategic associates	–22	74	66	60	–5
Profit before tax	105	1,343	2,262	4,504	2,799
Vessels	39,656	39,103	43,064	46,398	46,141
Investment property	35,398	31,539	35,466	30,617	29,367
Other non-current assets	32,068	31,953	33,214	31,077	37,070
Cash and cash equivalents/short-term investments	2,786	3,113	2,216	3,172	4,754
Other current assets	8,141	13,701	9,739	8,004	8,485
Equity including deferred tax liabilities	51,539	50,416	51,156	47,999	42,838
Other provisions	1,069	1,187	1,281	1,206	1,335
Other non-current liabilities	51,992	52,825	56,755	58,043	68,422
Current liabilities	13,449	14,981	14,507	12,020	13,222
Total assets	118,049	119,409	123,699	119,268	125,817
Cash flow from operating activities	1,920	5,484	4,838	5,683	9,520
Cash flow from investing activities	1,267	–3,399	–5,024	–1,509	–8,235
Cash flow from financing activities	–3,613	–1,135	–832	–5,405	35
Net change in cash and cash equivalents	–365	926	–989	–1,195	1,453
Number of employees, average	11,370	11,531	11,183	10,416	11,231
Number of vessels[1]	138	118	142	151	151

1) Including owned and chartered in vessels.

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