

# STENA AB (publ.)

## Restricted Group Data as of December 31, 2016



**Please note that this report only consists of Restricted Group Data. All other customary information can be found in the Stena AB Group Annual Report.**



### Significant Events of 2016 – Restricted Group

On 14 January 2016, Stena Drilling Ltd., Aberdeen, received a ruling by the Oslo District Court regarding potential capital gains tax in Norway following the divestment of the *Stena Dee* drilling rig in 2006. The court ruled entirely in accordance with the claims presented by the company, and the Norwegian Tax Agency decided not to appeal the ruling, which has now taken legal effect.

In February 2016, the vessel *Highlanders* was delivered to Marine Atlantic Inc., which had exercised its purchase option in the previous year.

The vessel *M/S Trelleborg* was sold in February 2016.

In April, a contract was signed to build four new RoPax vessels, with an option for a further four vessels. Deliveries are scheduled for 2019 and 2020. The vessels will be built at the AVIC Shipyard in China.

In May 2016, Northern Marine Group acquired Clyde Group Ltd, further strengthening the company's product portfolio in offshore and marine training.

During the second quarter, Stena acquired IL Recycling AB, a supplier of recycling services, with operations in Sweden and Poland. IL Recycling AB has 700 employees and a turnover of approximately SEK 2 billion. The acquisition took effect on 30 June 2016. The Polish operations were sold to Stena Recycling AB in November 2016.

During the third quarter of 2016, the drillship *Stena IceMAX* was written down by MUSD 160 to its recoverable amount, which corresponded to the projected value in use at the time.

In October 2016, the Norwegian oil company Statoil gave notice of early termination of the contract for the drilling unit *Stena Don*. The original contract was due to expire in early February 2017. Statoil paid a termination penalty, and the outcome of this early termination will have a neutral effect on EBITDA.

In November, Stena Drilling signed an agreement with Cairn Energy on drilling for 130 days, plus options, off Senegal, with the drillship *Stena DrillMAX*.

In November, Stena Drilling signed a contract with Providence Resources PLC for the drillship *Stena IceMAX* to drill off Ireland for 60 to 90 days, plus options.

In December 2016, an agreement was reached on the acquisition of the chartered vessel *M/S Mecklenburg Vorpommern* from Postbank Leasing GmbH.

In December 2016, Stena Drilling signed a borehole contract with Repsol Sinopec for the drilling unit *Stena Spey*, starting in April 2017. The unit has been warm stacked since the EnQuest assignment ended in mid-November.

Four new IMOIMAX vessels were delivered from a shipyard in China in 2016. After the latest delivery in March 2017, Stena Weco is now operating a total of ten IMOIMAX vessels. A further three sister ships will be delivered.

During the year, Stena Weco established a new office in Dubai to meet increased demand in the region.

Delivery of the *Stena MidMAX*, a semi-submersible drilling rig for harsh environments, was scheduled for March 2016 but its construction has been substantially delayed. The rig is now expected to be completed mid-2018. The builder, Samsung Heavy Industries and Stena Drilling are in discussions regarding the implications of this delay.



### Subsequent Events – Restricted Group

On 1 March 2017, the remaining recycling operations, which were included in the IL Recycling AB acquisition, were sold to Stena Recycling AB. Other operations, mainly property, remain with the Stena AB Group.

In December 2016, an agreement was reached on the acquisition of the chartered vessel *M/S Mecklenburg Vorpommern* from Postbank Leasing GmbH. Stena Line GmbH acquired the vessel on 14 March 2017 and the vessel was sold on to Havgalleskären AB on the same day. The new owner, Havgalleskären AB, is chartering back the vessel to Stena Line GmbH on a five-year bareboat charter.

In April 2017, Stena Bulk acquired the remaining 50% of the shares in Stena Weco A/S from its partner WECO Shipping. This means that Stena Weco A/S is now a wholly-owned subsidiary of Stena Bulk Danmark ApS.

### Currency Effects

Our revenues and expenses, reported in Swedish kronor, are significantly affected by fluctuations in currency exchange rates, primarily relative to the U.S. dollar, the British pound and the Euro. We seek to mitigate the impact of potential adverse foreign currency exchange fluctuations by matching, to a possible extent, revenues and expenses in the same currency. In addition, we enter into certain derivative financial instruments.

<i>Average rates:</i>	<b>January – December 2014</b>	<b>January – December 2015</b>	<b>Change</b>	<b>January – December 2016</b>	<b>Change</b>
US \$ .....	6.8577	8.4350	23%	8.5613	1%
British pound.....	11.2917	12.8962	14%	11.5664	-10%
Euro.....	9.0968	9.3562	3%	9.4704	1%
 <i>Closing rates:</i>	 <b>As of 31 Dec 2014</b>	 <b>As of 31 Dec 2015</b>	 <b>Change</b>	 <b>As of 31 Dec 2016</b>	 <b>Change</b>
US \$ .....	7.8011	8.4412	8%	9.1061	8%
British pound.....	12.1549	12.4390	2%	11.2369	-10%
Euro.....	9.4378	9.1688	-3%	9.5769	4%

### Other financial information – Restricted Group

For the twelve months ended 31 December 2016, Restricted Group Data represent the selected consolidated financial information excluding (i) the property business segment (other than two small properties), (ii) the business segment of Adactum, whose activities consist primarily of investing in companies outside our traditional lines of business, and (iii) our subsidiaries Stena Investment Luxembourg S.à.r.l., Stena Royal, Stena Investment Cyprus Ltd and Mondaldi Ltd. Our real estate operations and the business of Adactum are conducted through various subsidiaries. For purposes of the indentures under which our Senior Notes were issued, real estate business and Investments, Adactum, together with our subsidiaries Stena Investment Luxembourg S.à.r.l., Stena Royal, Stena Investment Cyprus Ltd and Mondaldi Ltd, are designated as unrestricted subsidiaries and, as a result, are not bound by the restrictive provisions of the bond indentures.

As of 31 December, 2016, we had outstanding MEUR 282 principal amounts of Senior Notes due 2017, MEUR 102 principal amounts of Senior Notes due 2019 and MEUR 200 principal amounts of Senior Notes due 2020. We also have outstanding MUSD 527 principal amounts of Senior Notes due 2024 and MUSD 350 principal amounts of Senior Secured Notes due 2024. Stena AB and its affiliates may from time to time repurchase or otherwise trade in its own bonds in open market transactions.

During the second quarter 2016 Stena AB received dividends from Stena Fastigheter AB amounting to MSEK 1,200.



## Condensed Consolidated Income Statements – Restricted Group

(MSEK) (unaudited)	Twelve month period ended 31 December		
	2014	2015	2016
Revenue:			
Ferry operations .....	12,196	12,491	12,592
Offshore Drilling .....	8,425	7,891	7,360
Shipping .....	3,041	3,623	2,750
Other .....	69	119	832
Total revenue.....	<b><u>23,731</u></b>	<b><u>24,124</u></b>	<b><u>23,533</u></b>
Net gain on sales of non-current assets .....	-	2,135	297
Total other income .....	-	<b><u>2,135</u></b>	<b><u>297</u></b>
Direct operating expenses:			
Ferry operations .....	-9,074	-9,272	-8,737
Offshore Drilling .....	-3,496	-3,209	-2,919
Shipping .....	-1,553	-1,503	-1,545
Other .....	-12	-73	-426
Total direct operating expenses .....	<b><u>-14,135</u></b>	<b><u>-14,057</u></b>	<b><u>-13,626</u></b>
Selling and administrative expenses .....	-2,623	-2,774	-2,869
Depreciation, amortisation and impairment .....	<u>-4,590</u>	<u>-5,307</u>	<u>-6,697</u>
Total operating expenses .....	<b>-21,348</b>	<b>-22,138</b>	<b>-23,192</b>
Operating profit .....	<b><u>2,383</u></b>	<b><u>4,121</u></b>	<b><u>639</u></b>
Net financial income and expenses:			
Dividends received .....	12	3,066	1,231
Gains/losses on sale of securities .....	-50	32	193
Interest income .....	485	381	370
Interest expense .....	-1,806	-1,909	-1,769
Exchange gains/losses .....	124	101	16
Other finance income/costs .....	<u>-233</u>	<u>-295</u>	<u>-194</u>
Financial net .....	<b><u>-1,468</u></b>	<b><u>1,376</u></b>	<b><u>-152</u></b>
Profit after financial net .....	<b>915</b>	<b>5,497</b>	<b>486</b>
Non-controlling interest .....	3	3	13
Group contribution .....	605	527	90
Profit before tax .....	<b><u>1,523</u></b>	<b><u>6,027</u></b>	<b><u>590</u></b>
Income taxes .....	<u>-210</u>	<u>-137</u>	<u>594</u>
Profit for the year .....	<b><u>1,313</u></b>	<b><u>5,890</u></b>	<b><u>1,184</u></b>



## Condensed Consolidated Balance Sheets – Restricted Group

(MSEK) (unaudited)	31 December 2014	31 December 2015	31 December 2016
<b>ASSETS</b>			
<i>Non-current assets:</i>			
<b>Intangible assets .....</b>	<b><u>1,436</u></b>	<b><u>1,307</u></b>	<b><u>1,366</u></b>
Property, plant and equipment:			
Vessels .....	46,142	46,398	43,064
Construction in progress.....	3,631	3,999	5,871
Equipment .....	1,467	1,564	1,309
Ports .....	3,689	4,054	3,659
Land and buildings.....	<u>594</u>	<u>590</u>	<u>780</u>
<b>Total property, plant and equipment .....</b>	<b><u>55,523</u></b>	<b><u>56,605</u></b>	<b><u>54,684</u></b>
Financial assets:			
Marketable securities.....	886	1,472	2,218
Intercompany accounts, non-current .....	4,626	3,590	3,084
Other non-current assets .....	<u>12,236</u>	<u>13,093</u>	<u>13,239</u>
<b>Total non-current assets .....</b>	<b><u>74,707</u></b>	<b><u>76,067</u></b>	<b><u>74,590</u></b>
<i>Current assets:</i>			
Inventories.....	278	213	244
Trade receivables .....	1,958	1,488	2,161
Other current receivables.....	2,107	2,337	2,042
Prepayments and accrued income .....	1,757	1,618	1,333
Short-term investments .....	656	769	863
Intercompany accounts, current.....	926	3,272	3,620
Cash and cash equivalents.....	2,282	1,436	699
Assets held for sale.....	-	-	1,377
<b>Total current assets .....</b>	<b><u>9,964</u></b>	<b><u>11,133</u></b>	<b><u>12,339</u></b>
<b>Total assets.....</b>	<b><u>84,671</u></b>	<b><u>87,200</u></b>	<b><u>86,929</u></b>
<b>EQUITY AND LIABILITIES</b>			
<i>Equity:</i>			
Share Capital .....	5	5	5
Reserves .....	<u>29,446</u>	<u>35,218</u>	<u>37,373</u>
Equity attributable to shareholders of the company .....	29,451	35,223	37,378
Non-controlling interest .....	<u>105</u>	<u>100</u>	<u>86</u>
<b>Total equity .....</b>	<b><u>29,556</u></b>	<b><u>35,323</u></b>	<b><u>37,464</u></b>
<i>Non-current liabilities:</i>			
Deferred tax liabilities .....	479	962	1,031
Pension liabilities .....	529	437	407
Other provisions .....	630	612	638
Long-term debt.....	26,794	22,026	22,536
Senior notes.....	13,093	13,493	10,878
Capitalized lease obligations .....	412	416	53
Intercompany accounts, non-current .....	702	1,200	-
Other non-current liabilities .....	<u>2,773</u>	<u>2,246</u>	<u>1,305</u>
<b>Total non-current liabilities.....</b>	<b><u>45,413</u></b>	<b><u>41,392</u></b>	<b><u>36,848</u></b>
<i>Current liabilities:</i>			
Short-term debt.....	2,175	1,811	1,890
Senior notes.....	-	-	2,702
Capitalized lease obligations .....	153	33	-
Trade payables .....	859	697	685
Tax liabilities.....	144	77	109
Other liabilities.....	2,686	2,763	1,699
Intercompany liabilities, current.....	175	1,236	934
Accruals and deferred income .....	3,510	3,868	3,779
Liabilities directly attributed to assets held for sale.....	=	=	819
<b>Total current liabilities .....</b>	<b><u>9,702</u></b>	<b><u>10,485</u></b>	<b><u>12,617</u></b>
<b>Total equity and liabilities .....</b>	<b><u>84,671</u></b>	<b><u>87,200</u></b>	<b><u>86,929</u></b>



## Condensed Consolidated Statements of Cash Flow – Restricted Group

(MSEK) (unaudited)	Twelve month period ended 31 December		
	2014	2015	2016
<i>Cash flows from operating activities:</i>			
Profit for the year .....	1,313	5,890	1,184
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Depreciation, amortisation and impairment .....	4,590	5,307	6,697
Gain on sale of non-current assets .....	-	-2,135	-297
Gains/losses on securities, net .....	50	-32	-193
Exchange differences, unrealized .....	61	-706	49
Deferred income taxes .....	-159	-90	-495
Other non-cash items .....	654	657	-65
Pensions .....	-122	-230	-405
Dividend from Unrestricted group .....	-	-3,056	-1,200
Dividend from operational associates .....	37	229	128
Investment and disposals in operational associates .....	-90	-63	-7
Net cash flows from trading securities .....	39	103	-40
Changes in working capital .....	<u>2,348</u>	<u>-864</u>	<u>-1,448</u>
Cash flow from operating activities .....	<b><u>8,721</u></b>	<b><u>5,010</u></b>	<b><u>3,908</u></b>
<i>Cash flows from investing activities:</i>			
Capital expenditure of intangible assets .....	-122	-63	-78
Sale of property, plant and equipment .....	29	2,016	1,943
Capital expenditure on property, plant and equipment .....	-4,071	-4,026	-3,175
Purchase of operations, net of cash acquired .....	-	-1,241	-722
Sale of operations, net of cash sold companies .....	-	1,919	111
Sale of securities .....	42	89	250
Purchase of securities .....	-548	-705	-264
Increase in other non-current assets .....	-804	-98	-189
Decrease in other non-current assets .....	103	29	47
Other investing activities .....	<u>-848</u>	<u>1</u>	<u>-3</u>
Cash flow from investing activities .....	<b><u>-6,219</u></b>	<b><u>-2,079</u></b>	<b><u>-2,080</u></b>
<i>Net cash flows from financing activities:</i>			
Proceeds from issuance of debt .....	10,961	284	473
Principal payments on debt .....	-6,087	-2,505	-2,726
Net change in borrowings on line-of-credit agreements .....	-6,691	-4,436	525
Principal payments on capital lease obligations .....	-165	-172	-51
Net change in restricted cash accounts .....	617	8	-88
Intercompany accounts .....	601	251	-1,344
Dividend received from Unrestricted group .....	-	3,056	1,200
Dividend paid .....	-220	-244	-425
Other financing activities .....	<u>-448</u>	<u>-45</u>	<u>-144</u>
Cash flow from financing activities .....	<b><u>-1,432</u></b>	<b><u>-3,803</u></b>	<b><u>-2,580</u></b>
Effect of exchange rate changes on cash and cash equivalents .....	<u>76</u>	<u>26</u>	<u>15</u>
Net change in cash and cash equivalents .....	1,146	-846	-737
Cash and cash equivalents at beginning of period .....	<b><u>1,136</u></b>	<b><u>2,282</u></b>	<b><u>1,436</u></b>
Cash and cash equivalents at end of period .....	<b><u>2,282</u></b>	<b><u>1,436</u></b>	<b><u>699</u></b>