

STENA AB (publ.)

Interim Report for the six-month period 1 January – 30 June 2017

Highlights:

- Income before taxes amounts to SEK 490 million for the six month period ended 30 June 2017, compared to SEK 1,079 million for the six month period ended 30 June 2016.
- Consolidated EBITDA, excluding net gain on sale of assets and change in fair value of investment properties, for the six month period ended 30 June 2017 amounted to SEK 3,771 million compared to SEK 4,532 million for the six month period ended 30 June 2016.

Ferry Operation

- EBITDA continues on historical high levels across the regions and markets but decreased compared to last year mainly due to increased bunker cost and a challenging North Sea Market.

Offshore Drilling

- EBITDA is reduced due to the weak market resulting in reduced rates and less operational days. The SPS of *Stena IceMAX* in 2017 has also reduced the amount of operational days. The weaker conditions have partly been mitigated by our successful Cost Race Program.

Shipping

- EBITDA decreased compared to last year mainly due to the weaker tanker market in general and crude oil / Suezmax segments in particular.

Property

- EBITDA continues to increase operationally which is driven by increased portfolio due to acquisition of residential and commercial properties combined with construction of new residential properties.

Adactum

- EBITDA increases due to strong performance especially within Ballingslöv and Envac.

Other

- Stena acquired IL Recycling, a waste management supplier of recycling services, with operations in Sweden and Poland as of 30 June 2016. The Polish operations were sold to Stena Recycling AB in November 2016. 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.
- The liquidity position remains strong as of 30 June 2017. Available liquidity amounted to SEK 17.6 billion. Our 300 MEUR bond was repaid at maturity in February 2017.

Date: 29 August 2017

By: Staffan Hultgren

Title: Vice President & Deputy CEO and Principal Financial Officer



Forward-looking Statements

This Interim Report includes statements that are, or may be deemed to be, forward-looking statements and can be identified as “forward-looking statements” by terms and phrases such as "anticipate," "should," "likely," "foresee," "believe," "estimate," "expect," "intend," "continue," "could," "may," "project," "plan," "predict," "will" and other similar expressions. These forward-looking statements include all matters that are not historical facts.

We do not intend, and undertake no obligation, to revise the forward-looking statements included in this report to reflect any future events or circumstances. Our actual results, performance or achievements could differ materially from the results expressed or implied by these forward-looking statements.

Table of Contents	Page
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)	
Condensed Consolidated Income Statements for the six month periods ended 30 June 2017 and 30 June 2016	3
Consolidated Statements of Comprehensive Income for the six month periods ended 30 June 2017 and 30 June 2016	4
Condensed Consolidated Balance Sheets as of 30 June 2017 and 31 December 2016	5
Consolidated Statements of Changes in Shareholders' Equity for the six month periods ended 30 June 2017 and 30 June 2016	6
Condensed Consolidated Statements of Cash Flow for the six month periods ended 30 June 2017 and 30 June 2016	7
Notes to Condensed Consolidated Financial Statements	8 - 10
OPERATING AND FINANCIAL REVIEW	11 - 15
OTHER FINANCIAL INFORMATION – RESTRICTED GROUP	16- 20



Condensed Consolidated Income Statements (unaudited)

(SEK in million)	Three month period ended 30 June		Six month period ended 30 June	
	2016	2017	2016	2017
Revenue:				
Ferry Operations.....	3,192	3,331	5,637	5,803
Offshore Drilling.....	1,997	1,121	3,879	2,528
Shipping.....	685	2,365	1,406	3,043
Property.....	637	686	1,263	1,373
Adactum.....	1,971	2,042	3,505	3,564
Other.....	4	6	5	247
Total revenue.....	8,486	9,551	15,695	16,558
Change in fair value of investment properties.....	13	70	111	84
Net gain on sale of non-current assets.....	1	20	299	164
Total other income.....	14	90	410	248
Direct operating expenses:				
Ferry Operations.....	-2,137	-2,258	-4,028	-4,250
Offshore Drilling.....	-708	-392	-1,459	-839
Shipping.....	-372	-2,009	-740	-2,385
Property.....	-201	-212	-446	-473
Adactum.....	-1,448	-1,487	-2,609	-2,630
Other.....	14	-2	55	-94
Total direct operating expenses.....	-4,853	-6,360	-9,228	-10,671
Selling and administrative expenses.....	-998	-1,052	-1,935	-2,116
Depreciation, amortisation and impairment.....	<u>-1,377</u>	<u>-1,416</u>	<u>-2,789</u>	<u>-2,846</u>
Total operating expenses.....	-7,228	-8,828	-13,952	-15,633
Operating profit.....	<u>1,272</u>	<u>813</u>	<u>2,153</u>	<u>1,173</u>
Profit/loss from investments in strategic associates.....	13	21	21	34
Dividends received.....	42	38	74	59
Gains/losses on sale of securities.....	49	119	-8	291
Interest income.....	116	59	215	107
Interest expenses.....	-587	-551	-1,218	-1,021
Exchange gains/losses.....	11	57	22	37
Other finance income/costs.....	<u>-77</u>	<u>-69</u>	<u>-182</u>	<u>-190</u>
Financial net.....	-432	-326	-1,074	-683
Profit before tax.....	<u>840</u>	<u>487</u>	<u>1,079</u>	<u>490</u>
Income taxes.....	106	-88	284	-187
Profit for the period.....	<u>946</u>	<u>399</u>	<u>1,363</u>	<u>303</u>
Profit for the period attributable to:				
Shareholders of the Parent company.....	943	413	1,373	320
Non-controlling interests.....	3	-14	-10	-17
Profit for the period.....	<u>946</u>	<u>399</u>	<u>1,363</u>	<u>303</u>



Consolidated Statements of Comprehensive Income (unaudited)

(SEK in million)	Three month period ended 30 June		Six month period ended 30 June	
	2016	2017	2016	2017
Profit for the period	946	399	1,363	303
Other comprehensive income				
<i>Items that may subsequently be reclassified to profit or loss:</i>				
Change in fair value reserve, net of tax	58	31	158	-29
Change in net investment hedge, net of tax	-258	-410	-730	-532
Change in translation reserve	655	-626	33	-823
Share of other comprehensive income of associates.....	43	-6	52	-16
<i>Items that will not be reclassified to profit or loss:</i>				
Change in revaluation reserve	-35	-65	-111	-64
Share of other comprehensive income of associates.....	-15	0	-15	0
Other comprehensive income for the period	448	-1,076	-613	-1,464
Total comprehensive income for the period	<u>1,394</u>	<u>-677</u>	<u>750</u>	<u>-1,161</u>
Total comprehensive income attributable to:				
Shareholders of the Parent company	1,398	-663	761	-1,144
Non-controlling interests	-4	-14	-11	-17
Total comprehensive income for the period, net of tax.....	<u>1,394</u>	<u>-677</u>	<u>750</u>	<u>-1,161</u>

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements.



Condensed Consolidated Balance Sheet (unaudited)

(SEK in million)	31 December 2016	30 June 2017
ASSETS		
<i>Non-current assets:</i>		
Intangible assets	3,771	4,053
<i>Property, plant and equipment:</i>		
Vessels	43,064	39,522
Construction in progress	5,972	5,284
Windmills	2,380	2,334
Equipment	1,702	2,082
Land and buildings	1,244	1,217
Ports	3,659	3,534
Total property, plant and equipment	58,021	53,973
Investment properties	35,466	36,392
<i>Financial assets:</i>		
Investments reported according to the equity method....	2,308	2,068
Marketable securities	7,253	6,231
Surplus in funded pension plans	264	282
Other non-current assets	4,661	4,415
Total financial assets	14,486	12,996
Total non-current assets	111,744	107,414
<i>Current assets:</i>		
Inventories	905	1,048
Trade receivables	2,847	2,749
Other current receivables	2,476	2,458
Prepayments and accrued income	2,095	2,335
Short-term investments	894	840
Cash and cash equivalents	1,322	1,850
Assets held for sale	1,416	-
Total current assets	11,955	11,280
Total assets	123,699	118,694
EQUITY AND LIABILITIES		
Total equity	46,533	45,212
<i>Non-current liabilities:</i>		
Deferred tax liabilities	4,623	4,555
Pension liabilities	611	562
Other provisions	670	650
Long-term debt	43,318	42,497
Senior Notes	10,878	10,304
Capitalised lease obligations	70	65
Other non-current liabilities	2,489	2,221
Total non-current liabilities	62,659	60,854
<i>Current liabilities:</i>		
Short-term debt	2,100	2,029
Senior Notes	2,702	-
Capitalised lease obligations	11	18
Trade payables	1,647	1,971
Tax liabilities	74	261
Other liabilities	2,294	2,869
Accruals and deferred income	4,860	5,480
Assets held for sale	819	-
Total current liabilities	14,507	12,628
Total equity and liabilities	123,699	118,694

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements.



Consolidated Statement of Changes in Equity (unaudited)

(SEK in million)	Equity attributable to shareholders of the Parent company				Non-controlling interests	Total equity
	Share capital	Reserves	Retained earnings incl. Profit for the year	Total		
Closing balance, 31 December 2015	5	2,112	41,085	43,201	112	43,313
Change in fair value reserve		158		158		158
Change in net investment hedge		-730		-730		-730
Change in revaluation reserve		-140	29	-111		-111
Change in translation reserve		34		34	-1	33
Change in associates			37	37		37
Other comprehensive income		-678	66	-612	-1	-613
Profit for the year			1,373	1,373	-10	1,363
Total comprehensive income		-678	1,439	761	-11	750
Dividend			-425	-425		-425
Closing balance, 30 June 2016	5	1,434	42,099	43,538	101	43,639
Closing balance, 31 December 2016	5	3,627	42,801	46,433	100	46,533
Change in fair value reserve		-29		-29		-29
Change in net investment hedge		-532		-532		-532
Change in revaluation reserve		-96	32	-64		-64
Change in translation reserve		-822		-822	-1	-823
Change in associates			-16	-16		-16
Other comprehensive income		-1,479	16	-1,463	-1	-1,464
Profit for the year			320	320	-17	303
Total comprehensive income		-1,479	336	-1,143	-18	-1,161
Changes in non-controlling interest					45	45
Dividend			-205	-205		-205
Closing balance, 30 June 2017	5	2,148	42,932	45,085	127	45,212



Condensed Consolidated Statement of Cash Flows (unaudited)

(SEK in million)	Six month period ended 30 June	
	2016	2017
<i>Cash flow from operating activities:</i>		
Profit for the year	1,363	303
Adjustments to reconcile profit for the year to net cash provided by operating activities:		
Depreciation, amortisation and impairment	2,789	2,846
Change in fair value of investment properties	-111	-84
Gain on sale of non-current assets	-299	-164
Gains/losses on sale of securities net	8	-291
Share of strategic associates result	-21	-34
Deferred income taxes	-325	-5
Exchange differences, unrealised	250	584
Other non-cash items	-30	65
Pensions	-80	-62
Dividend from operational associates and joint ventures	42	2
Investments and disposals of associates and joint ventures	-148	-40
Net cash flow from trading securities	2	33
Trade and other receivables	-1,354	534
Prepayments and accrued income	-448	-213
Inventories	-188	-57
Trade payables	162	169
Accruals and deferred income	79	-18
Income tax payable	47	207
Other current liabilities	<u>213</u>	<u>63</u>
Cash flow from operating activities	<u>1,951</u>	<u>3,838</u>
<i>Cash flow from investing activities:</i>		
Purchase of intangible assets	-42	-98
Sale of property, plant and equipment	1,209	1,085
Capital expenditure on property, plant and equipment	-2,675	-2,977
Purchase and sale of operations, net of cash	-624	458
Dividend from strategic associates and joint ventures	28	48
Investments and disposals in strategic associates and joint ventures	-6	1
Sale of securities	1,628	2,762
Purchase of securities	-1,495	-1,833
Other investing activities	<u>-587</u>	<u>-27</u>
Cash flow from investing activities	<u>-2,564</u>	<u>-581</u>
<i>Cash flow from financing activities:</i>		
Proceeds from issuance of short and long-term debt	785	1,010
Principal payments on short and long-term debt	-1,281	-4,142
Net change in borrowings on line-of-credit agreements	1,591	1,087
Principal payments on capitalised lease obligations	-22	-388
Net change in restricted cash accounts	-141	-12
Dividend paid	-425	-205
Other financing activities	<u>8</u>	<u>-34</u>
Cash flow from financing activities	<u>515</u>	<u>-2,684</u>
Effect of exchange rate changes on cash and cash equivalents	<u>2</u>	<u>-45</u>
Net change in cash and cash equivalents	-96	528
Cash and cash equivalents at beginning of period	<u>2,311</u>	<u>1,322</u>
Cash and cash equivalents at end of period	<u>2,215</u>	<u>1,850</u>

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements.



Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1 Basis of Presentation

The accompanying condensed consolidated financial statements present the financial position and result of operations of Stena AB (publ) and its subsidiaries (Stena) and have been prepared in accordance with IAS 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended on 31 December 2016, which have been prepared in accordance with IFRS.

The interim financial information included in the condensed consolidated financial statements has not been audited, and reflects all adjustments (consisting only of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. Interim results for the six months ended on 30 June 2017 are not necessarily an indication of the results to be expected for the full year.

Note 2 Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in the annual financial statements.

Taxes on income during the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Stena’s Annual Report 2016 describes the content of the new accounting principles that are regarded as material for the Stena Group (see www.stena.com).



Notes to Condensed Consolidated Financial Statements (unaudited)

Note 3 Segment information

(SEK in million)	Three month period ended 30 June		Six month period ended 30 June	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
<i>Operating profit/loss</i>				
Ferry Operations	477	427	508	435
Offshore Drilling.....	376	-160	579	-92
Shipping: Roll-on/Roll-off vessels	22	57	293	95
Tanker	-20	-98	-4	-198
Other shipping.....	<u>-7</u>	<u>18</u>	<u>-20</u>	<u>11</u>
Total Shipping.....	-5	-23	269	-92
Property:.....	377	413	705	783
Net gain on sale of properties.....	-	-	-	137
Change in fair value of investment properties	<u>13</u>	<u>70</u>	<u>111</u>	<u>84</u>
Total Property	390	483	816	1,004
Adactum.....	142	182	147	207
Other	<u>-108</u>	<u>-96</u>	<u>-166</u>	<u>-289</u>
Total Operating profit/loss	<u>1,272</u>	<u>813</u>	<u>2,153</u>	<u>1,173</u>
<i>Depreciation, amortisation and impairment:</i>				
Ferry Operations	327	351	664	692
Offshore Drilling.....	755	761	1,529	1,542
Shipping: Roll-on/Roll-off vessels	72	65	147	128
Tanker	127	148	255	293
Other shipping.....	<u>7</u>	<u>7</u>	<u>13</u>	<u>14</u>
Total Shipping.....	206	220	415	435
Property.....	2	1	2	2
Adactum	80	76	164	149
Other	<u>7</u>	<u>7</u>	<u>15</u>	<u>26</u>
Total	<u>1,377</u>	<u>1,416</u>	<u>2,789</u>	<u>2,846</u>



Notes to Condensed Consolidated Financial Statements (unaudited)

(SEK in million)	Three month period ended 30 June		Six month period ended 30 June	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
<i>EBITDA</i>				
Ferry Operations	805	778	1,172	1,128
Offshore Drilling.....	1,130	601	2,108	1,449
Shipping:				
Roll-on/Roll-off vessels	94	121	440	223
Tanker	107	50	251	95
Other shipping.....	-	26	-7	25
Total Shipping.....	201	197	684	343
Property.....	378	414	707	784
Net gain on sale of properties	-	-	-	137
Change in fair value of investment properties	13	70	111	84
Total Property	391	484	818	1,005
Adactum	222	257	311	356
Other	-100	-89	-151	-263
Total EBITDA.....	<u>2,649</u>	<u>2,228</u>	<u>4,942</u>	<u>4,018</u>
<i>Capital expenditures:</i>				
Ferry Operations.....			633	365
Offshore Drilling			620	817
Shipping: Roll-on/Roll-off vessels			23	5
Tanker			406	470
Other shipping.....			110	89
Total Shipping			539	564
Property.....			785	1,097
Adactum.....			87	109
Other			11	25
Total			<u>2,675</u>	<u>2,977</u>



OPERATING AND FINANCIAL REVIEW

Stena generates revenue primarily from ferry operations, chartering out its owned, chartered-in and leased Roll-on/Roll-off vessels, tankers and drilling rigs, managing tankers, sales of vessels, income from Investments, Adactum and real estate rents. The period from June through September is the peak travel season for passengers of the ferry operations. Chartering activities are not generally significantly affected by seasonal fluctuations, but variations over the year may occur as a consequence of, among other things, vessel utilization rates, dry-docking and charter rates. Any sale or acquisition of vessels, drilling rigs and real estate may also have an impact on the results of each period.

Significant Events of the First Six Months of 2017

In February our 300 MEUR bond was repaid at maturity.

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 March 2017 Stena Line GmbH acquired the vessel *M/S Mecklenburg Vorpommern* 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 March 2017, a commercial property of 35,000 m² was sold in Haninge in Stockholm. Also in March 2017, an office building was sold in Hoofddorp, Netherlands.

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 Denmark ApS.

Stena and its joint venture partner SeaLine has agreed that Stena is leaving the cooperation in the Black Sea as of April 3. SeaLine will continue operating the route.

On 1 June 2017, Stena Atlantic Ltd, an affiliate of Stena Drilling Ltd, has notified the Korean shipbuilder, Samsung Heavy Industries Co Ltd (SHI), that it has exercised its right to cancel their contract for the construction of “*Stena MidMAX*”, a dynamically positioned harsh environment semisubmersible drilling unit. The rig was ordered in June 2013 with a delivery date in March 2016. SHI has, however, been unable to complete and deliver the unit within the contractually agreed timeframe. Under the contract terms, Stena Atlantic is entitled to reimbursement of USD 215 million in pre-delivery instalments paid to SHI, plus accrued interest and reimbursement for the value of certain equipment it supplied during construction. Stena Atlantic is also intending to pursue claims for compensation in respect of its costs incurred in relation to the project. SHI has disputed Stena Atlantic’s cancellation of the contract and the parties are now engaged in a London arbitration process to resolve the dispute. The drilling unit is accounted for as an asset at USD 339 million as per 30 June, 2017. The carrying value is considered recoverable.

Subsequent Events

Stena has signed a contract with AS Tallink Group to acquire the *Stena Superfast VII* and *Superfast VIII* vessels which currently operate under charter contract on its Belfast - Cairnryan route.



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. In the six month period that ended on 30 June 2017, approximately 29% of our total revenues were generated in USD, approximately 20% were generated in EUR, approximately 12% were generated in GBP and approximately 25% were generated in SEK.

In the six month period ended 30 June 2017, approximately 26% of our total expenses were incurred in USD, approximately 17% were incurred in EUR, approximately 15% were incurred in GBP and approximately 27% were incurred in SEK. The reported gross revenues and expenses were affected by changes in the currency rates. The exchange rates used for consolidation purposes are as follows:

<i>Average rates:</i>	Jan - June 2016	Jan - June 2017	Change
US \$	8.3331	8.8639	6 %
British pound.....	11.9403	11.1482	-7 %
Euro.....	9.2992	9.5923	3 %
 <i>Closing rates:</i>	 As of 31 Dec 2016	 As of 30 June 2017	 Change
US \$	9,1061	8.4322	- 7%
British pound.....	11.2369	10,9829	-2 %
Euro.....	9.5769	9.6346	1 %

Revenues

Total revenues increased by SEK million 863 to SEK 16,558 million in the six months ended 30 June 2017 compared to SEK 15,695 million in the six months ended 30 June 2016.

Direct Operating Expenses

Total direct operating expenses increased by SEK 1,443 million to SEK 10,671 million in the six months that ended on 30 June 2017, compared to SEK 9,228 million in the six months ended 30 June 2016.

Selling and Administrative Expenses

Selling and administrative expenses increased by SEK 181 million to SEK 2,116 million in the six months that ended 30 June 2017, compared to SEK 1,935 million in the six month period that ended on 30 June 2016.

Depreciation, Amortisation and Impairment

Depreciation and amortisation charges increased by SEK 57 million to SEK 2,846 million in the six months ended 30 June 2017, compared to SEK 2,789 million in the six months ended 30 June 2016.



EBITDA

The EBITDA for the consolidated Stena AB Group decreased by SEK 924 million to SEK 4,018 million in the six months that ended on 30 June 2017 compared to SEK 4,942 million last year, mainly due to less operating days and reduced day rates for our Drilling units as well as softer Tanker markets.

Ferry Operations

Ferry revenues are generated from ticket sales, freight haulage and onboard sales. Direct operating expenses consist principally of personnel costs, costs of goods sold onboard the vessels, bunker fuel costs, vessel charter costs, commissions, package tour costs and other related costs. A significant portion of these costs do not vary on account of changes in our seasonal requirements.

EBITDA decreased by SEK 44 million to SEK 1,128 million in the six months ended 30 June 2017, from SEK million 1,172 in the corresponding period in 2016, mainly due to increased bunker costs and port dues, increased charter cost mainly due to prolonged dry dock of Mecklenburg Vorpommern and a challenging North Sea Market. Car volumes increased with 3% and freight volumes increased with 4% compared to the corresponding period last year.

Offshore Drilling

Drilling revenues consist of charter hires for our drilling rigs. The direct operating expenses for drilling consist primarily of personnel costs, insurance, maintenance and catering costs.

EBITDA decreased by SEK 659 million to SEK 1,449 million in the six month period 2017 compared to SEK million 2,108 in the corresponding period in 2016. The decrease is mainly due to the net impact of less operating days on contract mainly for *Stena Spey* and *Stena Don*, and *Stena IceMAX* undertaking SPS, offset by positive effects from our ongoing Cost Race Programme.

Shipping

Shipping revenues primarily represent charter hires for our owned and chartered in vessels and management fees for vessels managed by us. Direct operating expenses for shipping consist primarily of vessel charter costs, fuel costs, personnel costs, insurance and other related vessel costs.

Tankers

Our tanker operation generated EBITDA of SEK 95 million in the six month period ended 30 June 2017 compared to SEK 251 million for the same period in 2016 due to lower rates in the crude and product tanker segments offset partly by more operational days for the LNG vessels.

RoRo Operations

EBITDA from chartering out Roll-on/Roll-off vessels decreased by SEK 217 million to SEK 223 million in the six month period ended 30 June 2017, from SEK million 440 in the same period in 2016. The decrease is due to the sale of *Stena Highlanders* in 2016 partly offset by strong contract coverage and utilization across the fleet.

Property

Property revenues consist of rents for properties owned and management fees for properties managed by Stena. Property expenses consist primarily of maintenance, heating and personnel costs.

EBITDA was SEK 1,005 million for the six month period ended 30 June 2017, compared to SEK million 818 for the same period in 2016. The increase is mainly driven by the acquisition of a commercial property including offices and a large research- and science center, and 1,225 apartments in Sweden in late 2016. Occupancy rates for Swedish properties were approximately 98%, and non-Swedish properties were approximately 87%.

**Adactum**

The EBITDA for Stena Adactum increased by SEK 45 million to SEK 356 million in the six month period ended 30 June 2017, compared to SEK 311 million in 2016.

Ballingslöv: EBITDA for the six months ended 30 June 2017 was SEK 222 million, compared to SEK 163 million for the six months ended 30 June 2016. The deviation mainly relates from a sale of a property in UK with a net gain of SEK 40 million and continued growth for Ballingslöv International.

Stena Renewable: EBITDA for the six months ended 30 June 2017 was SEK 67 million compared to SEK million 75 for the corresponding period in 2016. The lower EBITDA is due to lower electricity prices.

Blomsterlandet: EBITDA for the six months ended 30 June 2017 was SEK 104 million compared to SEK 101 million in the same corresponding period in 2016.

Envac: EBITDA for the six months ended 30 June 2017 was SEK 36 million compared to SEK 12 million in the corresponding period in 2016 mainly due to a continued growth.

Other Income

Net valuation on investment property. As a result of the revaluation to fair value according to IAS 40 “Investment properties”, Stena had net gains of SEK 84 million for the six month period ended 30 June 2017, as compared to SEK 111 million for the same period in 2016.

Net gain on sale of vessels. In the six months ended 30 June 2017, net gain on sale of vessels amounted to SEK 133 million which relates to the sale of the vessel Mecklenburg Vorpommern. In the six months ended 30 June 2016 net gain on sale of vessels amounted to SEK 299 million.

Net gain on sale of properties. In the six months ended 30 June 2017 the net gain on sales of properties amounted to SEK 137 million. In the six months period ended 30 June 2016 there were no result from sale of properties.

Net gain on sale of operations. In the six months ended 30 June 2017 the net loss on sale of operations amounted to SEK (107) million. In the corresponding period 2016 there were no sales of operations.

Financial Net

Total financial net for the six months ended 30 June 2017 was SEK -683 million compared to SEK -1,074 million in the corresponding period in 2016.

Income Taxes

Income taxes for the six months that ended on 30 June 2017 were SEK -187 million, consisting of current taxes of SEK -192 million and deferred taxes of SEK 5 million. Income taxes for the six months ended 30 June 2016, were SEK 284 million, consisting of current taxes of SEK -41 million and deferred taxes of SEK 325 million.



Liquidity and Capital Resources

Our liquidity requirements principally relate to servicing of debt, financing the purchase of vessels and other assets and funding of working capital. We meet our liquidity requirements by cash on hand, cash flows from operations, borrowings under various credit facilities and other financing and refinancing arrangements.

As of 30 June, 2017, total cash and marketable securities including short term investments amounted to SEK 8,921 million as compared to SEK 9,469 million as of December 31, 2016.

For the six months ended 30 June, 2017, cash flows provided by operating activities amounted to SEK 3,838 million, as compared to SEK 1,951 million in the first six months ended 30 June, 2016. For the six months ended 30 June, 2017, cash flows used in investing activities amounted to SEK -581 million, including SEK -2,977 million related to capital expenditures, as compared to SEK -2,564 million including SEK -2,675 million related to capital expenditures, in the six months ended 30 June, 2016. Cash flows from financing activities for the six months ended 30 June, 2017 amounted to SEK -2,684 million, as compared to SEK 515 million in the six months ended 30 June, 2016.

As of 30 June, 2017, the total construction in progress was MSEK 5,284, as compared to SEK 5,972 million as of 31 December, 2016. The remaining capital expenditure commitment for new buildings on order as of 30 June 2017 was SEK 3,113 million, of which SEK 553 million is due during 2017, SEK 693 million is due in 2018, SEK 1,867 million is due in 2019 and after. Stena intends to finance the remainder of this unpaid balance, together with additional expenses and financing costs, with cash from operations, existing revolving credit facilities, new capital lease agreements, new bank loans and other financing arrangements.

As of 30 June, 2017, total interest bearing debt was SEK 54,913 million as compared to SEK 59,080 million as of 31 December 2016.

As of 30 June 2017, USD 77 million was utilized under our USD 800 million revolving credit facility of which USD 3 million was used for issuing bank guarantees and letters of credit. As of 31 December 2016, USD 55 million was utilized, including USD 3 million used for issuing bank guarantees and letters of credit.

As of 30 June 2017, USD 110 million was utilized under the USD 300 million revolving credit facility entered into by Stena Investment Luxembourg S.à.r.l. compared to USD 0 million as of 31 December 2016.

As of 30 June 2017, SEK 150 million was utilized under the SEK 1,000 million revolving credit facility in Adactum as compared to SEK 250 million as of 31 December 2016.

We believe that, based on current levels of operating performance and anticipated market conditions, cash flow from operations, together with other available sources of funds, including refinancing, will be adequate to make required payments of principal and interest on outstanding debt, to make proposed capital expenditures, including new buildings and other vessel acquisitions, and to fund anticipated working capital requirements.

**OTHER FINANCIAL INFORMATION – RESTRICTED GROUP**

For the six months ended 30 June 2017, Restricted Group Data represents 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 30 June, 2017, we had outstanding EUR 102 million principal amounts of Senior Notes due 2019 and EUR 200 million principal amounts of Senior Notes due 2020. We also have outstanding USD 527 million principal amounts of Senior Notes due 2024 and USD 350 million principal amounts of Senior Secured Notes due 2024.

Stena International and Stena Holding Cyprus Ltd received dividends from Mondaldi Ltd amounting to SEK 31 million and SEK 281 million respectively.

Significant events specific for the restricted group

No significant subsequent events.



Condensed Consolidated Income Statements – Restricted Group

(SEK in million) (unaudited)	Six month period ended 30 June	
	2016	2017
Revenue:		
Ferry Operations.....	5,637	5,803
Offshore Drilling.....	3,879	2,528
Shipping.....	1,406	3,043
Other.....	<u>5</u>	<u>247</u>
Total revenue.....	10,927	11,621
Net gain on sale of non-current assets.....	<u>299</u>	<u>26</u>
Total other income.....	299	26
Direct operating expenses:		
Ferry Operations.....	-4,028	-4,250
Offshore Drilling.....	-1,459	-839
Shipping.....	-740	-2,385
Other.....	<u>55</u>	<u>-95</u>
Total direct operating expenses.....	-6,173	-7,569
Selling and administrative expenses.....	-1,224	-1,409
Depreciation, amortisation and impairment.....	<u>-2,624</u>	<u>-2,695</u>
Total operating expenses.....	-10,021	-11,673
Operating profit.....	<u>1,205</u>	<u>-26</u>
Dividends received.....	1,214	332
Gain (loss) on securities, net.....	-19	30
Interest income.....	265	161
Interest expense.....	-893	-755
Foreign exchange gains/(loss), net.....	24	44
Other financial income/(expense), net.....	<u>-163</u>	<u>-185</u>
Financial net.....	428	-373
Profit after financial net.....	1,633	-399
Non-controlling interest.....	<u>10</u>	<u>16</u>
Profit before taxes.....	<u>1,643</u>	<u>-383</u>
Income taxes.....	<u>329</u>	<u>-13</u>
Profit for the period.....	<u>1,972</u>	<u>-396</u>



Condensed Consolidated Balance Sheets – Restricted Group

(SEK in million) (unaudited)	31 December 2016	30 June 2017
ASSETS		
<i>Non-current assets:</i>		
Intangible assets	1,366	1,645
<i>Property, plant and equipment:</i>		
Vessels	43,064	39,522
Construction in progress	5,871	5,192
Equipment	1,309	1,706
Ports	3,659	3,534
Land and buildings	780	654
Total property, plant and equipment	54,684	50,608
Investment properties		169
<i>Financial assets:</i>		
Marketable securities	2,218	1,999
Intercompany accounts, non-current	3,084	2,614
Other non-current assets	<u>13,239</u>	<u>12,980</u>
Total financial assets	18,541	17,593
Total non-current assets	<u>74,590</u>	<u>70,015</u>
<i>Current assets:</i>		
Inventories	244	394
Trade receivables	2,161	1,932
Other current receivables	2,042	2,127
Prepayments and accrued income	1,333	1,522
Short-term investments	863	786
Intercompany accounts, current	3,620	2,346
Cash and cash equivalents	699	1,164
Assets held for sale	<u>1,377</u>	-
Total current assets	<u>12,339</u>	<u>10,271</u>
Total assets	<u>86,929</u>	<u>80,286</u>
EQUITY AND LIABILITIES		
<i>Equity:</i>		
Share Capital	5	5
Reserves	<u>37,373</u>	<u>35,323</u>
Equity attributable to shareholders of the company	37,378	35,328
Non-controlling interests	86	116
Total equity	<u>37,464</u>	<u>35,444</u>
<i>Non-current liabilities:</i>		
Deferred tax liabilities	1,031	980
Pension liabilities	407	366
Other provisions	638	567
Long-term debt	22,536	20,880
Senior Notes	10,878	10,304
Capitalised lease obligations	53	48
Intercompany accounts, non-current	-	843
Other non-current liabilities	<u>1,305</u>	<u>1,155</u>
Total non-current liabilities	<u>36,848</u>	<u>35,143</u>
<i>Current liabilities:</i>		
Short-term debt	1,890	1,819
Senior Notes	2,702	-
Capitalised lease obligations	-	8
Trade payables	685	925
Tax liabilities	109	209
Other liabilities	1,699	2,157
Intercompany liabilities, current	934	191
Accruals and deferred income	3,779	4,390
Assets held for sale - liabilities	<u>819</u>	-
Total current liabilities	<u>12,617</u>	<u>9,699</u>
Total equity and liabilities	<u>86,929</u>	<u>80,286</u>



Condensed Consolidated Statements of Cash Flow – Restricted Group

(SEK in million) (unaudited)	Six month period ended 30 June	
	2016	2017
<i>Cash flow from operating activities:</i>		
Profit for the period	1,972	-396
Adjustments to reconcile profit to net cash provided by operating activities:		
Depreciation, amortisation and impairment	2,624	2,695
Gain on sale of non-current assets	-299	-26
Gains/losses on securities, net	19	-30
Deferred income taxes	-317	-99
Exchange differences, unrealised	282	477
Other non-cash items	-75	27
Pensions	-73	-63
Dividend from Unrestricted group	-1,200	-311
Net cash flow from trading securities	-2	32
Dividend from operational associates and joint ventures	42	-
Investments and disposals of associates and joint ventures	-	-40
Changes in working capital	<u>-1,447</u>	<u>528</u>
Cash flow from operating activities	<u>1,526</u>	<u>2,794</u>
<i>Cash flow from investing activities:</i>		
Capital expenditure of intangible assets	-26	-81
Sale of property, plant and equipment	1,010	583
Capital expenditure on property, plant and equipment	-1,803	-1,771
Purchase and sale of operations, net of cash	-624	458
Sale of securities	202	746
Purchase of securities	-46	-656
Other investing activities	<u>-609</u>	<u>-128</u>
Cash flow from investing activities	<u>-1,896</u>	<u>-849</u>
<i>Cash flow from financing activities:</i>		
Proceeds from issuance of short and long-term debt	437	458
Principal payments on short and long-term debt	-1,160	-3,629
Net change in borrowings on line-of-credit agreements	1,164	185
Principal payments on capitalised lease obligations	-20	-383
Net change in restricted cash accounts	-148	14
Intercompany accounts	-598	1,843
Dividend received from Unrestricted group	1,200	311
Dividend paid	-425	-205
Other financing activities	<u>6</u>	<u>-35</u>
Cash flow from financing activities	<u>456</u>	<u>-1,441</u>
Effect of exchange rate changes on cash and cash equivalents	<u>0</u>	<u>-39</u>
Net change in cash and cash equivalents	86	465
Cash and cash equivalents at beginning of period	<u>1,436</u>	<u>699</u>
Cash and cash equivalents at end of period	<u>1,522</u>	<u>1,164</u>



Other data – Restricted Group

(SEK in million)	Six month period ended 30 June	
OTHER DATA:	2016	2017
Adjusted EBITDA.....	4,136	2,830

Adjusted EBITDA is defined as income from operations plus cash dividends received from associates, interest income, depreciation, amortisation and impairment minus aggregate gains on vessel dispositions to the extent such gains exceed 25% of Adjusted EBITDA net of all such gains. Information concerning Adjusted EBITDA is included since it conforms to the definition of Consolidated Cash Flow in the indentures governing our Senior Notes.

Adjusted EBITDA is not a measure in accordance with IFRS and should not be used as an alternative to cash flows or as a measure of liquidity and should be read in conjunction with the condensed consolidated statements of cash flows contained in our condensed consolidated financial statements included elsewhere herein.

The computation of Adjusted EBITDA and reconciliation to net cash provided by operating activities is presented below:

(SEK in million)	Six month period ended 30 June	
	2016	2017
Operating profit.....	1,205	-26
Adjustments:		
Cash dividends received from associates and joint ventures	42	-
Interest income	265	161
Depreciation, amortisation and impairment	<u>2,624</u>	<u>2,695</u>
Adjusted EBITDA	4,136	2,830
Adjustments:		
Gain on sale of non-current assets.....	-299	-26
Net cash flows from trading securities	-2	32
Interest expenses	-893	-755
Exchange differences, unrealised	282	477
Pensions	-73	-63
Other non-cash items.....	-75	27
Changes in working capital	-1,447	528
Other items	<u>-103</u>	<u>-256</u>
Net cash from operating activities.....	1,526	2,794