

STENA AB (publ.)

Interim Report for the six-month period 1 January – 30 June 2018

Highlights:

- Income before taxes amounts to SEK 839 million for the six month period ended 30 June 2018, compared to SEK 490 million for the six month period ended 30 June 2017.
- 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 2018 amounted to SEK 2,019 million compared to SEK 3,771 million for the six month period ended 30 June 2017.
- Consolidated EBITDA, including net gain on sale of assets and change in fair value of investment properties, for the six month period ended 30 June 2018 amounted to SEK 4,450 million compared to SEK 4,018 million for the six month period ended 30 June 2017.

Ferry Operation

- EBITDA, excluding net gain on sale of assets, increased compared to last year due to continued increased volumes for cars (3%), passengers (2%) and freight (4%).

Offshore Drilling

- Decreased EBITDA compared to last year mainly due to the net impact of less operating days on contract, lower charter rates offset by positive effects from our ongoing Cost Race Program.
- Positive development of our fleet contract coverage.

Shipping

- EBITDA decreased compared to last year mainly due to the weaker tanker market in general and crude oil / Suezmax segments in particular.
- Lower charter income as a result of vessels sold in September 2017.

Property

- EBITDA, excluding net gain on sales, on the same level as last year despite a reduced property portfolio due to sale of properties during Q4 2017.
- Stena Properties has sold properties in Uppsala, Stockholm and Gothenburg for approximately SEK 6,8 billion net in June 2018. These transactions have improved liquidity by SEK 3 billion in 2018 and liquidity will be improved by another SEK 1 billion over the next two years. Net gain on sale of these properties amounts to SEK 1,040 million.
- The fair value of investment properties has been adjusted by SEK 1,318 million, i.e. 4% of the total property portfolio.

Adactum

- Ballingslöv had a continued strong development which does not fully compensate for the lower result in Stena Renewable due to lower production, partly compensated by higher electricity prices.
- The liquidity position remains strong as of 30 June 2018. Available liquidity amounted to SEK 19.2 billion compared to SEK 15.2 billion as of 31 March 2018.

Date: 29 August 2018

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.

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Condensed Consolidated Income Statements (unaudited)

(SEK in million)	Three month period ended 30 June		Six month period ended 30 June	
	2017	2018	2017	2018
Revenue:				
Ferry Operations.....	3,331	3,627	5,803	6,328
Offshore Drilling.....	1,121	350	2,528	678
Shipping.....	2,365	1,497	3,043	2,916
Property.....	686	736	1,373	1,442
Adactum.....	2,042	2,107	3,564	3,669
Other.....	<u>6</u>	<u>5</u>	<u>247</u>	<u>6</u>
Total revenue.....	9,551	8,322	16,558	15,039
Change in fair value of investment properties.....	70	1,091	84	1,391
Net gain on sale of non-current assets.....	<u>20</u>	<u>956</u>	<u>164</u>	<u>1,040</u>
Total other income.....	90	2,047	248	2,431
Direct operating expenses:				
Ferry Operations.....	-2,258	-2,443	-4,250	-4,594
Offshore Drilling.....	-392	-331	-839	-608
Shipping.....	-2,009	-1,305	-2,385	-2,460
Property.....	-212	-211	-473	-477
Adactum.....	-1,487	-1,536	-2,630	-2,773
Other.....	<u>-2</u>	<u>-12</u>	<u>-94</u>	<u>-13</u>
Total direct operating expenses.....	-6,360	-5,838	-10,671	-10,925
Selling and administrative expenses.....	-1,052	-1,111	-2,116	-2,096
Depreciation, amortisation and impairment.....	<u>-1,416</u>	<u>-1,607</u>	<u>-2,846</u>	<u>-3,055</u>
Total operating expenses.....	-8,828	-8,556	-15,633	-16,076
Operating profit.....	<u>813</u>	<u>1,814</u>	<u>1,173</u>	<u>1,394</u>
Profit/loss from investments in strategic associates.....	21	-3	34	23
Dividends received.....	38	26	59	56
Gains/losses on sale of securities.....	119	74	291	166
Interest income.....	59	85	107	170
Interest expenses.....	-551	-280	-1,021	-867
Exchange gains/losses.....	57	79	37	26
Other finance income/costs.....	<u>-69</u>	<u>-63</u>	<u>-190</u>	<u>-129</u>
Financial net.....	-326	-82	-683	-555
Profit before tax.....	<u>487</u>	<u>1,731</u>	<u>490</u>	<u>839</u>
Income taxes.....	<u>-88</u>	<u>20</u>	<u>-187</u>	<u>177</u>
Profit for the period.....	<u>399</u>	<u>1,751</u>	<u>303</u>	<u>1,016</u>
Profit for the period attributable to:				
Shareholders of the Parent company.....	413	1,752	320	1,018
Non-controlling interests.....	<u>-14</u>	<u>-1</u>	<u>-17</u>	<u>-2</u>
Profit for the period.....	<u>399</u>	<u>1,751</u>	<u>303</u>	<u>1,016</u>



Consolidated Statements of Comprehensive Income (unaudited)

(SEK in million)	Three month period ended 30 June		Six month period ended 30 June	
	2017	2018	2017	2018
Profit for the period	399	1,751	303	1,016
Other comprehensive income				
<i>Items that may subsequently be reclassified to profit or loss:</i>				
Change in fair value reserve, net of tax	31	99	-29	100
Change in net investment hedge, net of tax	-410	370	-532	96
Change in translation reserve	-626	823	-823	1,877
Share of other comprehensive income of associates.....	-6	19	-16	19
<i>Items that will not be reclassified to profit or loss:</i>				
Change in fair value reserve, net of tax	-	-9	-	28
Change in revaluation reserve	-65	19	-64	106
Share of other comprehensive income of associates.....	0	-23	0	-23
Other comprehensive income for the period	<u>-1,076</u>	<u>1,298</u>	<u>-1,464</u>	<u>2,202</u>
Total comprehensive income for the period	<u>-677</u>	<u>3,050</u>	<u>-1,161</u>	<u>3,219</u>
Total comprehensive income attributable to:				
Shareholders of the Parent company	-663	3,051	-1,144	3,221
Non-controlling interests	-14	-1	-17	-2
Total comprehensive income for the period, net of tax.....	<u>-677</u>	<u>3,050</u>	<u>-1,161</u>	<u>3,219</u>

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



Condensed Consolidated Balance Sheet (unaudited)

(SEK in million)	31 December 2017	30 June 2018
ASSETS		
<i>Non-current assets:</i>		
Intangible assets	4,053	4,212
<i>Property, plant and equipment:</i>		
Vessels	39,103	40,504
Construction in progress	2,020	2,016
Windmills	2,294	-
Equipment	2,369	2,699
Land and buildings	1,208	1,239
Ports	<u>3,751</u>	<u>3,923</u>
Total property, plant and equipment	50,745	50,381
Investment properties	31,539	34,149
<i>Financial assets:</i>		
Investments reported according to the equity method....	2,183	2,178
Marketable securities	6,506	7,217
Surplus in funded pension plans	644	778
Other non-current assets	<u>6,925</u>	<u>9,007</u>
Total financial assets	16,258	19,180
Total non-current assets	<u>102,595</u>	<u>107,922</u>
<i>Current assets:</i>		
Inventories	951	1,166
Trade receivables	2,585	2,942
Other current receivables	2,280	2,841
Prepayments and accrued income	1,987	2,820
Short-term investments	865	977
Cash and cash equivalents	2,248	2,469
Assets held for sale	<u>5,898</u>	<u>2,377</u>
Total current assets	<u>16,814</u>	<u>15,592</u>
Total assets	<u>119,409</u>	<u>123,514</u>
EQUITY AND LIABILITIES		
Total equity	46,195	49,364
<i>Non-current liabilities:</i>		
Deferred tax liabilities	4,221	4,780
Pension liabilities	542	551
Other provisions	645	691
Long-term debt	40,548	38,451
Senior Notes	10,143	9,932
Capitalised lease obligations	65	1,308
Other non-current liabilities	<u>2,069</u>	<u>2,205</u>
Total non-current liabilities	<u>58,233</u>	<u>57,918</u>
<i>Current liabilities:</i>		
Short-term debt	2,508	2,051
Senior Notes	-	1,066
Capitalised lease obligations	18	124
Trade payables	1,884	2,018
Tax liabilities	65	123
Other liabilities	2,753	3,751
Accruals and deferred income	4,521	5,643
Assets held for sale	<u>3,232</u>	<u>1,456</u>
Total current liabilities	<u>14,981</u>	<u>16,232</u>
Total equity and liabilities	<u>119,409</u>	<u>123,514</u>

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 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
Closing balance, 31 December 2017	5	2,732	43,331	46,069	126	46,195
Adjustment, 1 January 2018		-321	321			
New opening balances	5	2,411	43,652	46,069	126	46,195
Change in fair value reserve		100	28	128		128
Change in net investment hedge		96		96		96
Change in revaluation reserve		71	35	106		106
Change in translation reserve		1,876		1,876	1	1,877
Change in associates			-4	-4		-4
Other comprehensive income		2,143	59	2,202	1	2,202
Profit for the year			1,018	1,018	-2	1,016
Total comprehensive income		2,143	1,077	3,221	-1	3,219
Dividend			-50	-50		-50
Closing balance, 30 June 2017	5	4,554	44,679	49,239	125	49,364



Condensed Consolidated Statement of Cash Flows (unaudited)

(SEK in million)	Six month period ended 30 June	
	2017	2018
<i>Cash flow from operating activities:</i>		
Profit for the year	303	1,016
Adjustments to reconcile profit for the year to net cash provided by operating activities:		
Depreciation, amortisation and impairment	2,846	3,055
Change in fair value of investment properties	-84	-1,391
Gain on sale of non-current assets	-164	-1,040
Gains/losses on sale of securities net	-291	-166
Share of strategic associates result	-34	-23
Deferred income taxes	-5	-164
Exchange differences, unrealised	584	-130
Other non-cash items	65	-123
Pensions	-62	-83
Dividend from operational associates and joint ventures	2	36
Investments and disposals of associates and joint ventures	-40	-69
Net cash flow from trading securities	33	113
Trade and other receivables	534	-425
Prepayments and accrued income	-213	-522
Inventories	-57	-191
Trade payables	169	85
Accruals and deferred income	-18	716
Income tax payable	207	-68
Other current liabilities	<u>63</u>	<u>280</u>
Cash flow from operating activities	<u>3,838</u>	<u>906</u>
<i>Cash flow from investing activities:</i>		
Purchase of intangible assets	-98	-108
Sale of property, plant and equipment	1,085	6,696
Capital expenditure on property, plant and equipment	-2,977	-2,527
Purchase and sale of operations, net of cash	458	-
Dividend from strategic associates and joint ventures	48	32
Investments and disposals in strategic associates and joint ventures	1	-1
Sale of securities	2,762	1,604
Purchase of securities	-1,833	-1,658
Other investing activities	<u>-27</u>	<u>-43</u>
Cash flow from investing activities	<u>-581</u>	<u>3,995</u>
<i>Cash flow from financing activities:</i>		
Proceeds from issuance of short and long-term debt	1,010	866
Principal payments on short and long-term debt	-4,142	-3,913
Net change in borrowings on line-of-credit agreements	1,087	-2,809
New leases	-	1,357
Principal payments on capitalised lease obligations	-388	-56
Net change in restricted cash accounts	-12	-129
Dividend paid	-205	-50
Other financing activities	<u>-34</u>	<u>-26</u>
Cash flow from financing activities	<u>-2,684</u>	<u>-4,760</u>
Effect of exchange rate changes on cash and cash equivalents	<u>-45</u>	<u>80</u>
Net change in cash and cash equivalents	528	221
Cash and cash equivalents at beginning of period	<u>1,322</u>	<u>2,248</u>
Cash and cash equivalents at end of period	<u>1,850</u>	<u>2,469</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 2017, 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 three months ended on 31 June 2018 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 2017, 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 2017 describes the content of the new accounting principles that are regarded as material for the Stena Group (see link <https://www.stena.com/reviews-reports/>).

New or amended accounting standards applied after 2018

Stena AB applies IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments as of 1 January 2018.

IFRS 9 Financial instruments

Financial instruments previously recognized at their respective fair values through other comprehensive income (available for sale financial instruments in accordance with IAS 39) is now recognized at their respective fair values through profit or loss. A reclassification has been made between the fair value reserve and retained earnings, taken into account deferred tax.

IFRS 9 requires a credit risk reserve to be calculated and reported based on expected credit losses rather than on actual credit losses. The reserve size is as of 1 January 2018 unchanged.

IFRS 15 Revenue from customer contracts

With regards to the implementation of IFRS 15 we have concluded that a majority of the customer contracts within the different business areas include one single performance obligation. The main revenue streams are:

- 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 and crewing services and sale of goods
- Property Sale of construction work and other services
- New Businesses Sale of goods and services

In addition to the presented revenue streams, Offshore Drilling, Shipping and Property report significant leasing income. When leasing an asset to a client the respective company more than often sell services to the same client (the lessee). The service revenue and the leasing income are separated but at the same time they are deferred in accordance with the same pattern.



In terms of the different identified single performance obligation, revenue in the different business areas is recognised when control is transferred to the customer. IFRS 15 has not changed the recognition pattern for different revenue streams.

IFRS 16 Leases

IFRS 16 will be implemented as of 1 January 2019. The new standard introduces a substantial change with regards to lease reporting by requiring all leases fulfilling the definition of a lease to be reported in the balance sheet. Stena has a substantial number of operating leases relating to property, ports, office equipment and other items. Work is in progress to estimate the impact of IFRS 16, and to develop processes and evaluate system solutions to meet the reporting requirements.



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>2018</u>	<u>2018</u>
<i>Revenue</i>		
Ferry Operations:		
Lease income	7	13
Products	253	396
Service	3,366	5,916
Other	<u>1</u>	<u>3</u>
Total Ferry Operations	3,627	6,328
Offshore Drilling:		
Lease income	221	427
Service	128	249
Other	<u>1</u>	<u>2</u>
Total Offshore Drilling	350	678
Shipping: Roll-on/Roll-off vessels:		
Lease income	80	151
Service	59	116
Other	-	<u>1</u>
Total Roll-on/Roll-off vessels	139	268
Tanker:		
Lease income	732	1,441
Service	404	780
Other	<u>15</u>	<u>22</u>
Total Tanker	1,151	2,243
Other shipping:		
Lease income	-	2
Products	78	140
Service	<u>129</u>	<u>263</u>
Total Other shipping	207	405
Total Shipping	1,497	2,916
Property:		
Lease income	721	1,412
Service	<u>15</u>	<u>30</u>
Total Property	736	1,442
Adactum:		
Products	1,649	2,813
Service	7	13
Construction Contracts	449	831
Other	<u>2</u>	<u>12</u>
Total Adactum	2,107	3,669
Other:		
Lease income	<u>5</u>	<u>6</u>
Total Other	5	6
Total Revenue	<u>8,322</u>	<u>15,039</u>



Notes to Condensed Consolidated Financial Statements (unaudited)

(SEK in million)	Three month period ended 30 June		Six month period ended 30 June	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
<i>Operating profit/loss</i>				
Ferry Operations	427	418	435	271
Offshore Drilling.....	-160	-997	-92	-1,806
Shipping: Roll-on/Roll-off vessels	57	21	95	38
Tanker.....	-98	-200	-198	-322
Other shipping.....	<u>18</u>	<u>-16</u>	<u>11</u>	<u>-16</u>
Total Shipping.....	-23	-195	-92	-300
Property:.....	413	460	783	836
Net gain on sale of properties.....	-	956	137	1,040
Change in fair value of investment properties	<u>70</u>	<u>1,018</u>	<u>84</u>	<u>1,318</u>
Total Property	483	2,434	1,004	3,194
Adactum.....	182	196	207	171
Other	-96	-116	-289	-208
Change in fair value of investment properties	-	<u>73</u>	-	<u>73</u>
Total Other	-96	-43	-289	-135
Total Operating profit/loss	<u>813</u>	<u>1,814</u>	<u>1,173</u>	<u>1,394</u>
<i>Depreciation, amortisation and impairment:</i>				
Ferry Operations	351	405	692	792
Offshore Drilling.....	761	888	1,542	1,653
Shipping: Roll-on/Roll-off vessels	65	55	128	108
Tanker.....	148	166	293	322
Other shipping.....	<u>7</u>	<u>8</u>	<u>14</u>	<u>18</u>
Total Shipping.....	220	229	435	448
Property.....	1	1	2	1
Adactum	76	70	149	138
Other	<u>7</u>	<u>14</u>	<u>26</u>	<u>23</u>
Total	<u>1,416</u>	<u>1,607</u>	<u>2,846</u>	<u>3,055</u>



Notes to Condensed Consolidated Financial Statements (unaudited)

(SEK in million)	Three month period ended 30 June		Six month period ended 30 June	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
<i>EBITDA</i>				
Ferry Operations	778	825	995	1,065
Net gain on sale of vessels.....	-	-	<u>133</u>	-
Total Ferry Operations	778	825	1,128	1,065
Offshore Drilling.....	601	-108	1,449	-152
Shipping:				
Roll-on/Roll-off vessels	121	76	223	146
Tanker	50	-35	95	-1
Other Shipping	<u>26</u>	<u>-6</u>	<u>25</u>	<u>3</u>
Total Shipping.....	197	35	343	148
Property.....	414	460	784	837
Net gain on sale of properties.....	-	956	137	1,040
Change in fair value of investment properties	<u>70</u>	<u>1,018</u>	<u>84</u>	<u>1,318</u>
Total Property.....	484	2,434	1,005	3,195
Adactum	257	267	356	310
Other	-89	-104	-263	-189
Change in fair value of investment properties.....	-	<u>73</u>	-	<u>73</u>
Total Other	-89	-31	-263	-116
Total EBITDA.....	<u>2,228</u>	<u>3,422</u>	<u>4,018</u>	<u>4,450</u>
<i>Capital expenditures:</i>				
Ferry Operations.....			365	504
Offshore Drilling			817	286
Shipping: Roll-on/Roll-off vessels			5	134
Tanker			470	273
Other shipping.....			<u>89</u>	<u>11</u>
Total Shipping			564	418
Property.....			1,097	1,178
Adactum.....			109	136
Other			<u>25</u>	<u>5</u>
Total			<u>2,977</u>	<u>2,527</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 2018

Offshore Drilling

- A contract is signed with Tullow Oil plc for the drilling unit *Stena Forth* for operations in Ghana in late Q3 2018 for an initial three-well campaign (estimated 90 days) with a series of options.
- A contract is signed with Nexen Petroleum UK Ltd for the drilling unit *Stena Spey* for around 90 days commenced Q2 2018.
- Stena Drilling has signed a contract with an undisclosed operator for the drilling unit *Stena Spey* for operations estimated to 480 days with 600+ 300 days in options commencing Q1 2019.
- *Stena DrillMAX* has secured a contract with FAR Petroleum, the campaign consists of one firm well + two option wells (estimated at 35 to 45 days each) and is scheduled to commence in November 2018.
- Stena Drilling has signed a contract with Energean Oil & Gas for the drilling unit *Stena DrillMAX* (previous *Stena Forth*) to drill three development wells in Q1 2019 (with provision made for further options).
- *Stena IceMAX* has secured a contract with an undisclosed operator for a campaign for one firm well + one option well (estimated combined duration of 80 days) commencing in Q4 2018.
- *Stena Don* has secured a contract with Total for one firm well (estimated at 80 days) + one option well (estimated at 50 days) that commenced in May 2018.

Roll-on/Roll-off vessels

- Stena RoRo secured new long term charters for three RoPax newbuildings
 - a five + five year bareboat charter with Brittany Ferries with delivery 2020
 - a ten year bareboat charter with Brittany Ferries with delivery 2021
 - a ten year bareboat charter with DFDS with delivery 2021

Tanker

- In February the last IMOIIIMAX vessel, in a serie of 13 vessels, was delivered from a shipyard in China.

Property

- In February 2018, a property was sold in Malmö, Sweden.
- Stena Properties has sold properties in Uppsala, Stockholm and Gothenburg for approximately SEK 6,8 billion net to the Stena Sessan Group in June 2018

Adactum

- In January it was decided that Stena Renewable AB will build three new wind turbines in Saxberget and sixteen new wind turbines in Kronoberget.
- On June 25, Stena Adactum signed an agreement to sell 65% of Stena Renewable to the Swedish and Norwegian pension giants AMF Pensionsförsäkring AB and Kommunal Landspensjonskasse gjensidige forsikringsselskap, who will contribute with capital making it possible to realise the large project portfolio. We are awaiting competition clearance and closing is expected in September. As per June 30 the assets and liabilities of Stena Renewable are accounted for as assets held for sale.



Subsequent Events

Offshore Drilling

- In August 2018 Stena Drilling signed a contract with Total E&P UK Ltd. for the drilling unit *Stena Don* in 2019 to drill one well west of the Shetland Islands. The duration of the contract is around 90 days, with two potential options which could take us up to 200 days in total, and will commence mid-March 2019.

Roll-on/Roll-off vessels

- Stena has decided to exercise its option to build a seventh and eighth E-Flexer vessel. The two vessels will be deployed within Stena Line's route network with a planned delivery in 2022. Additionally, Stena RoRo has secured an option on the construction of a further three E-Flexer vessels also to be built at Avic Weihai Shipyard, China. A total of eight vessels have now been ordered by Stena from Avic Weihai Shipyard in China. Three of the vessels will be chartered out to external ferry operators by Stena RoRo.
- *Stena Carrier* has been sold and delivered in August 2018.
- *Stena Freighter* will be sold and delivered in the fourth quarter 2018.

Adactum

- In July, Blomsterlandet sold S-Blommor. We are awaiting competition clearance and closing is expected in September.



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 2018, approximately 20% of our total revenues were generated in USD, approximately 24% were generated in EUR, approximately 14% were generated in GBP and approximately 27% were generated in SEK.

In the six month period ended 30 June 2018, approximately 29% of our total expenses were incurred in USD, approximately 19% were incurred in EUR, approximately 15% were incurred in GBP and approximately 25% 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 2017	Jan - June 2018	Change
US \$	8.8639	8.3802	-6 %
British pound.....	11.1482	11.5293	3 %
Euro.....	9.5923	10.1448	6 %
 <i>Closing rates:</i>	 As of 31 Dec 2017	 As of 30 June 2018	 Change
US \$	8.1833	8.9428	9 %
British pound.....	11.0581	11.8108	7 %
Euro.....	9.8241	10.4488	6 %

Revenues

Total revenues decreased by SEK million 1,519 to SEK 15,039 million in the six months ended 30 June 2018 compared to SEK 16,558 million in the six months ended 30 June 2017.

Direct Operating Expenses

Total direct operating expenses increased by SEK 254 million to SEK 10,925 million in the six months that ended on 30 June 2018, compared to SEK 10,671 million in the six months ended 30 June 2017.

Selling and Administrative Expenses

Selling and administrative expenses decreased by SEK 20 million to SEK 2,096 million in the six months that ended 30 June 2018, compared to SEK 2,116 million in the six month period that ended on 30 June 2017.

Depreciation, Amortisation and Impairment

Depreciation and amortisation charges increased by SEK 209 million to SEK 3,055 million in the six months ended 30 June 2018, compared to SEK 2,846 million in the six months ended 30 June 2017.



EBITDA

The EBITDA for the consolidated Stena AB Group increased by SEK 432 million to SEK 4,450 million in the six months that ended on 30 June 2018 compared to SEK 4,018 million last year, mainly due to sale of properties, offset by 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 63 million to SEK 1,065 million in the six months ended 30 June 2018, from SEK million 1,128 in the corresponding period in 2017, mainly due to the sale of Mecklenburg Vorpommern in 2017, increased bunker costs and the prolonged dry dock of Stena Scandinavica, offset by volume increase across all segments. Car volumes increased with 3%, passenger volumes increased with 2% 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 1,601 million to SEK -152 million in the six month period 2018 compared to SEK 1,449 million in the corresponding period in 2017. The decrease is mainly due to the net impact of less operating days on contract and lower average charter rates, partly offset by positive effects from our ongoing Cost Race Program.

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 -1 million in the six month period ended 30 June 2018 compared to SEK 95 million for the same period in 2017 due to lower rates in the crude and product tanker segments offset by more operational days and stronger charter rates for the LNG vessels. We see a continued improved LNG market with higher day rates.

RoRo Operations

EBITDA from chartering out Roll-on/Roll-off vessels decreased by SEK 77 million to SEK 146 million in the six month period ended 30 June 2018, from SEK million 223 in the same period in 2017. The decrease is a result of lower charter income due to vessels sold in September 2017, 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 3,195 million for the six month period ended 30 June 2018, compared to SEK million 1,005 for the same period in 2017. Completion of new buildings and the recent renovated hotel property in Stockholm compensated for the sold properties in late 2017. The change in fair value of investment properties amounting to SEK 1,318 million compared to SEK 84 million for the same period in 2017. The net gain of sale of properties in 2018 was SEK 1,040 million compared to SEK 137 million for the same period in 2017. Occupancy rates for Swedish properties were approximately 98%, and non-Swedish properties were approximately 86%.

**Adactum**

The EBITDA for Stena Adactum decreased by SEK 46 million to SEK 310 million in the six month period ended 30 June 2018, compared to SEK 356 million in 2017.

Ballingslöv: EBITDA for the six months ended 30 June 2018 was SEK 211 million, compared to SEK 222 million for the six months ended 30 June 2017. The decrease mainly relates to a sale of a property in UK with a net gain of SEK 40 million in 2017, offset by continued growth organically for Ballingslöv International and increased sales versus last year.

Stena Renewable: EBITDA for the six months ended 30 June 2018 was SEK 33 million compared to SEK 67 million for the corresponding period in 2017. The production was -21% versus last year due to weak winds in five of six months.

Blomsterlandet: EBITDA for the six months ended 30 June 2018 was SEK 81 million compared to SEK 104 million in the corresponding period in 2017 due to lower sales than last year, offset by two opened Blomsterlandet stores in 2018.

Envac: EBITDA for the six months ended 30 June 2018 was SEK 12 million compared to SEK 36 million in the corresponding period in 2017. Envac had a strong order intake versus last year, however sales was lower than last year due to slower progress in some large projects.

Captum: EBITDA for the six months ended 30 June 2018 was SEK -10 million compared to SEK -3 million in the corresponding period in 2017. Captum Group was founded 2016 and their key business is to offer payment solutions primarily to companies within the Stena Sphere and to provide credits to their customers.

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 1,391 million for the six month period ended 30 June 2018, as compared to SEK 84 million for the same period in 2017.

Net gain on sale of vessels. In the six months ended 30 June 2018, there was no net gain/loss on sales of vessels. In the six months ended 30 June 2017 net gain on sale of vessels amounted to SEK 133 million.

Net gain on sale of properties. In the six months ended 30 June 2018 the net gain on sales of properties amounted to SEK 1,040 million. In the six months period ended 30 June 2017 the net gain on sales of properties were SEK 137 million.

Net gain on sale of operations. In the six months ended 30 June 2018 there were no net gain/loss on sales of operations. In the corresponding period 2017 the loss on sale of operation amounted to SEK -107 million.

Financial Net

Total financial net for the six months ended 30 June 2018 was SEK -555 million compared to SEK -683 million in the corresponding period in 2017.

Income Taxes

Income taxes for the six months that ended on 30 June 2018 were SEK 177 million, consisting of current taxes of SEK 13 million and deferred taxes of SEK 164 million. Income taxes for the six months ended 30 June 2017, were SEK -187 million, consisting of current taxes of SEK -192 million and deferred taxes of SEK 5 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, 2018, total cash and marketable securities including short term investments amounted to SEK 10,663 million as compared to SEK 9,619 million as of December 31, 2017.

For the six months ended 30 June, 2018, cash flows provided by operating activities amounted to SEK 906 million, as compared to SEK 3,838 million in the first six months ended 30 June, 2017. For the six months ended 30 June, 2018, cash flows used in investing activities amounted to SEK 3,995 million, including SEK -2,527 million related to capital expenditures, as compared to SEK -581 million including SEK -2,977 million related to capital expenditures, in the six months ended 30 June, 2017. Cash flows from financing activities for the six months ended 30 June, 2018 amounted to SEK -4,760 million, as compared to SEK -2,684 million in the six months ended 30 June, 2017.

As of 30 June, 2018, the total construction in progress was SEK 2,016 million, as compared to SEK 2,020 million as of 31 December, 2017. The remaining capital expenditure commitment for new buildings on order as of 30 June 2018 was SEK 4,158 million, of which SEK 326 million is due during 2018, SEK 1,117 million is due in 2019, SEK 2,715 million is due in 2020 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, 2018, total interest bearing debt was SEK 52,931 million as compared to SEK 53,283 million as of 31 December 2017.

As of 30 June 2018, USD 36 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 2017, USD 393 million was utilized, including USD 3 million used for issuing bank guarantees and letters of credit.

As of 30 June 2018, USD 170 million was utilized under the USD 300 million revolving credit facility entered into by Stena Investment Luxembourg S.à.r.l. compared to USD 100 million as of 31 December 2017.

As of 30 June 2018, SEK 125 million was utilized under the SEK 1,000 million revolving credit facility in Adactum as compared to SEK 75 million as of 31 December 2017.

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 2018, 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, 2018, 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.

Significant Events of the First Six Months of 2018 specific for the restricted group

Offshore Drilling

- A contract is signed with Tullow Oil plc for the drilling unit *Stena Forth* for operations in Ghana in late Q3 2018 for an initial three-well campaign (estimated 90 days) with a series of options.
- A contract is signed with Nexen Petroleum UK Ltd for the drilling unit *Stena Spey* for around 90 days commenced Q2 2018.
- Stena Drilling has signed a contract with an undisclosed operator for the drilling unit *Stena Spey* for operations estimated to 480 days with 600+ 300 days in options commencing Q1 2019.
- *Stena DrillMAX* has secured a contract with FAR Petroleum, the campaign consists of one firm well + two option wells (estimated at 35 to 45 days each) and is scheduled to commence in November 2018.
- Stena Drilling has signed a contract with Energean Oil & Gas for the drilling unit *Stena DrillMAX* (previous *Stena Forth*) to drill three development wells in Q1 2019 (with provision made for further options).
- *Stena IceMAX* has secured a contract with an undisclosed operator for a campaign for one firm well + one option well (estimated combined duration of 80 days) commencing in Q4 2018.
- *Stena Don* has secured a contract with Total for one firm well (estimated at 80 days) + one option well (estimated at 50 days) that commenced in May 2018.

Roll-on/Roll-off vessels

- Stena RoRo secured new long term charters for three RoPax newbuildings
 - a five + five year bareboat charter with Brittany Ferries with delivery 2020
 - a ten year bareboat charter with Brittany Ferries with delivery 2021
 - a ten year bareboat charter with DFDS with delivery 2021

Tanker

- In February the last IMOIMAX vessel, in a serie of 13 vessels, was delivered from a shipyard in China.

Property

- Stena Properties has sold properties in Uppsala, Stockholm and Gothenburg for approximately SEK 6,8 billion net to the Stena Sessan Group in June 2018. In June 2018, the properties which were included in the acquisition of IL Recycling AB in 2016, were sold to Stena Fastigheter AB. The result of the two transactions has affected the restricted group positively by SEK 373 million where of SEK 300 million is the Stena ABs share of the profit in the transaction between Stena Fastigheter AB and Stena Sessan AB and SEK 73 million is the profit related to the sale of IL properties sold to Stena Fastigheter AB by Stena AB.



Subsequent Events specific for the restricted group

Offshore Drilling

- In August 2018 Stena Drilling signed a contract with Total E&P UK Ltd. for the drilling unit *Stena Don* in 2019 to drill one well west of the Shetland Islands. The duration of the contract is around 90 days, with two potential options which could take us up to 200 days in total, and will commence mid-March 2019.

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- Stena has decided to exercise its option to build a seventh and eighth E-Flexer vessel. The two vessels will be deployed within Stena Line's route network with a planned delivery in 2022. Additionally, Stena RoRo has secured an option on the construction of a further three E-Flexer vessels also to be built at Avic Weihai Shipyard, China. A total of eight vessels have now been ordered by Stena from Avic Weihai Shipyard in China. Three of the vessels will be chartered out to external ferry operators by Stena RoRo.
- *Stena Carrier* has been sold and delivered in August 2018.
- *Stena Freighter* will be sold and delivered in the fourth quarter 2018.



Condensed Consolidated Income Statements – Restricted Group

(SEK in million) (unaudited)	Six month period ended 30 June	
	2017	2018
Revenue:		
Ferry Operations.....	5,803	6,328
Offshore Drilling.....	2,528	678
Shipping.....	3,043	2,916
Other.....	<u>247</u>	<u>306</u>
Total revenue.....	11,621	10,228
Net gain on sale of non-current assets.....	<u>26</u>	<u>73</u>
Total other income.....	26	73
Direct operating expenses:		
Ferry Operations.....	-4,250	-4,594
Offshore Drilling.....	-839	-608
Shipping.....	-2,385	-2,460
Other.....	<u>-95</u>	<u>-13</u>
Total direct operating expenses.....	-7,569	-7,675
Selling and administrative expenses.....	-1,409	-1,369
Depreciation, amortisation and impairment.....	<u>-2,695</u>	<u>-2,916</u>
Total operating expenses.....	-11,673	-11,960
Operating profit.....	<u>-26</u>	<u>-1,659</u>
Dividends received.....	332	20
Gain (loss) on securities, net.....	30	61
Interest income.....	161	173
Interest expense.....	-755	-580
Foreign exchange gains/(loss), net.....	44	-6
Other financial income/(expense), net.....	<u>-185</u>	<u>-135</u>
Financial net.....	-373	-467
Profit after financial net.....	-399	-2,126
Non-controlling interest.....	<u>16</u>	<u>2</u>
Profit before taxes.....	<u>-383</u>	<u>-2,124</u>
Income taxes.....	<u>-13</u>	<u>356</u>
Profit for the period.....	<u>-396</u>	<u>-1,768</u>



Condensed Consolidated Balance Sheets – Restricted Group

(SEK in million) (unaudited)	31 December 2017	30 June 2018
ASSETS		
<i>Non-current assets:</i>		
Intangible assets	1,624	1,717
<i>Property, plant and equipment:</i>		
Vessels	39,103	40,504
Construction in progress	1,911	2,004
Equipment	1,985	2,293
Ports	3,751	3,923
Land and buildings	<u>660</u>	<u>662</u>
Total property, plant and equipment	47,410	49,386
Investment properties	153	55
<i>Financial assets:</i>		
Marketable securities	2,334	2,612
Intercompany accounts, non-current	2,214	2,560
Other non-current assets	<u>15,647</u>	<u>18,166</u>
Total financial assets	20,195	23,338
Total non-current assets	69,382	74,496
<i>Current assets:</i>		
Inventories	360	540
Trade receivables	1,747	2,031
Other current receivables	2,051	2,488
Prepayments and accrued income	1,176	2,264
Short-term investments	738	932
Intercompany accounts, current	2,881	2,577
Cash and cash equivalents	735	887
Total current assets	9,688	11,719
Total assets	<u>79,070</u>	<u>86,215</u>
EQUITY AND LIABILITIES		
<i>Equity:</i>		
Share Capital	5	5
Reserves	<u>34,057</u>	<u>34,160</u>
Equity attributable to shareholders of the company	<u>34,062</u>	<u>34,165</u>
Non-controlling interests	<u>114</u>	<u>112</u>
Total equity	<u>34,176</u>	<u>34,277</u>
<i>Non-current liabilities:</i>		
Deferred tax liabilities	725	1,546
Pension liabilities	366	374
Other provisions	569	616
Long-term debt	21,714	20,371
Senior Notes	10,143	9,932
Capitalised lease obligations	45	1,289
Intercompany accounts, non-current	1,023	4,842
Other non-current liabilities	<u>999</u>	<u>1,062</u>
Total non-current liabilities	<u>35,584</u>	<u>40,032</u>
<i>Current liabilities:</i>		
Short-term debt	2,296	1,993
Senior Notes	-	1,066
Capitalised lease obligations	9	112
Trade payables	818	1,023
Tax liabilities	67	100
Other liabilities	2,069	3,043
Intercompany liabilities, current	674	227
Accruals and deferred income	3,377	4,342
Total current liabilities	<u>9,310</u>	<u>11,906</u>
Total equity and liabilities	<u>79,070</u>	<u>86,215</u>



Condensed Consolidated Statements of Cash Flow – Restricted Group

(SEK in million) (unaudited)	Six month period ended 30 June	
	2017	2018
<i>Cash flow from operating activities:</i>		
Profit for the period	-396	-1,768
Adjustments to reconcile profit to net cash provided by operating activities:		
Depreciation, amortisation and impairment	2,695	2,916
Gain on sale of non-current assets	-26	-73
Gains/losses on securities, net	-30	-61
Deferred income taxes	-99	-273
Exchange differences, unrealised	477	57
Other non-cash items	27	-439
Pensions	-63	-89
Dividend from Unrestricted group	-311	-
Net cash flow from trading securities	32	123
Dividend from operational associates and joint ventures	-	36
Investments and disposals of associates and joint ventures	-40	-69
Changes in working capital	<u>528</u>	<u>-13</u>
Cash flow from operating activities	<u>2,794</u>	<u>347</u>
<i>Cash flow from investing activities:</i>		
Capital expenditure of intangible assets	-81	-64
Sale of property, plant and equipment	583	75
Capital expenditure on property, plant and equipment	-1,771	-1,213
Purchase and sale of operations, net of cash	458	95
Sale of securities	746	399
Purchase of securities	-656	-464
Other investing activities	<u>-128</u>	<u>-18</u>
Cash flow from investing activities	<u>-849</u>	<u>-1,190</u>
<i>Cash flow from financing activities:</i>		
Proceeds from issuance of short and long-term debt	458	865
Principal payments on short and long-term debt	-3,629	-1,507
Net change in borrowings on line-of-credit agreements	185	-2,806
New leases	-	1,357
Principal payments on capitalised lease obligations	-383	-53
Net change in restricted cash accounts	14	-225
Intercompany accounts	1,843	3,399
Dividend received from Unrestricted group	311	-
Dividend paid	-205	-50
Other financing activities	<u>-35</u>	<u>-25</u>
Cash flow from financing activities	<u>-1,441</u>	<u>955</u>
Effect of exchange rate changes on cash and cash equivalents	<u>-39</u>	<u>40</u>
Net change in cash and cash equivalents	465	152
Cash and cash equivalents at beginning of period	<u>699</u>	<u>735</u>
Cash and cash equivalents at end of period	<u>1,164</u>	<u>887</u>



Other data – Restricted Group

(SEK in million)	Six month period ended 30 June	
OTHER DATA:	2017	2018
Adjusted EBITDA.....	2,830	1,466

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	
	2017	2018
Operating profit.....	-26	-1,659
Adjustments:		
Cash dividends received from associates and joint ventures	-	36
Interest income	161	173
Depreciation, amortisation and impairment	<u>2,695</u>	<u>2,916</u>
Adjusted EBITDA	<u>2,830</u>	<u>1,466</u>
Adjustments:		
Gain on sale of non-current assets.....	-26	-73
Net cash flows from trading securities	32	123
Interest expenses	-755	-580
Exchange differences, unrealised	477	57
Pensions	-63	-89
Other non-cash items.....	27	-439
Changes in working capital	528	-13
Other items	<u>-256</u>	<u>-105</u>
Net cash from operating activities.....	<u>2,794</u>	<u>347</u>