



# ANNUAL REVIEW

## STENA AB 2017



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Read more about the financial performance and Stena AB's sustainability work in the Financial Report and the Sustainability Report.

#### CEO COMMENTS

# 6



*"With AI we improve our internal efficiency"*

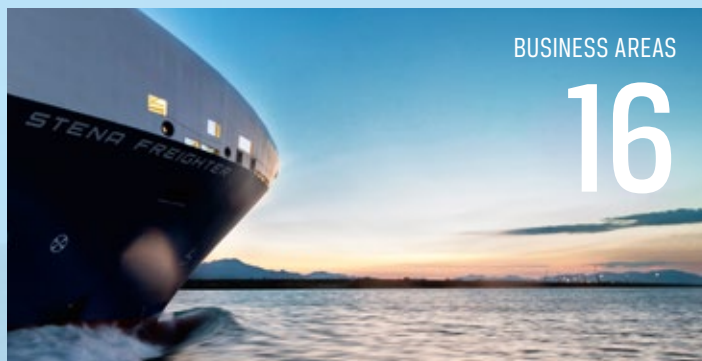
#### SUSTAINABILITY

# 12



#### BUSINESS AREAS

# 16



Cover pictures: *Stena Superfast VII* is the fastest, most luxurious ferry operating between Ireland and Scotland, and provides the best possible ferry experience on the Irish Sea. With a crossing time of 2 hours 15 minutes – and with 12 daily departures between Belfast and Cairnryan – there is a sailing to suit everyone!

[STENA.COM](http://STENA.COM)

*With care, innovation and efficient performance as their guiding principles, our 16,000 employees around the world work every day to create value for our customers.*





# THIS IS STENA AB



TOTAL REVENUE  
MSEK **33,723**



ACTIVITIES ALL OVER  
THE WORLD



**16,000**<sup>1)</sup>  
EMPLOYEES



**150**<sup>2)</sup> VESSELS  
INCLUDING NEWBUILDINGS



**28,300**<sup>3)</sup> RESIDENTIAL  
AND COMMERCIAL UNITS



**96** WIND  
TURBINES

1) Including seagoing 2) Owned, chartered and managed 3) Owned and managed



*We are 16,000  
employees and we  
make a difference  
worldwide.\**

\* The "We are" concept was developed by Stena in 2016  
to describe an exciting and complex business with a  
personal and inviting touch.



## BUSINESS CONCEPT

To make money in the business areas Ferry Operations, Offshore Drilling, Shipping, Property, New Businesses and Finance using our competence, particularly in service, trading and ships.

To create new companies for the future.

To take care of our most important asset in the long term, our customers, in such a way that we contribute to their positive development and that of society.

## CUSTOMER RELATIONSHIPS

- Always the customer's first choice
- Leader in quality and quality-assured partners
- Always efficient and effective with our own and others' resources
- A clearly delegated business responsibility

We have committed to comply with the standard formulated by the Logistics & Transportation Corporate Citizenship Initiative of the World Economic Forum.

## RESPONSIBILITY IN OUR BUSINESS RELATIONSHIPS

By building long-term relationships with our customers, suppliers and subcontractors, we are committed to delivering high quality and best-value services. We shall meet the highest safety standards. Trust is the basis of all our relationships in society.

Our responsibility is to meet our customers' expectations in respect of responsible business practices.

We have high standards of corporate social responsibility, which we share with our business partners. We may withdraw from a business relationship if we feel that the standards we uphold are not being met by a business partner.

*For a sustainable future. Your future.*



# 2017 AT A GLANCE



With care, innovation and efficient performance as their guiding principles, our 16,000 employees around the world work every day to create value for our customers in Ferry Operations, Offshore Drilling, Shipping, Property and New Businesses.

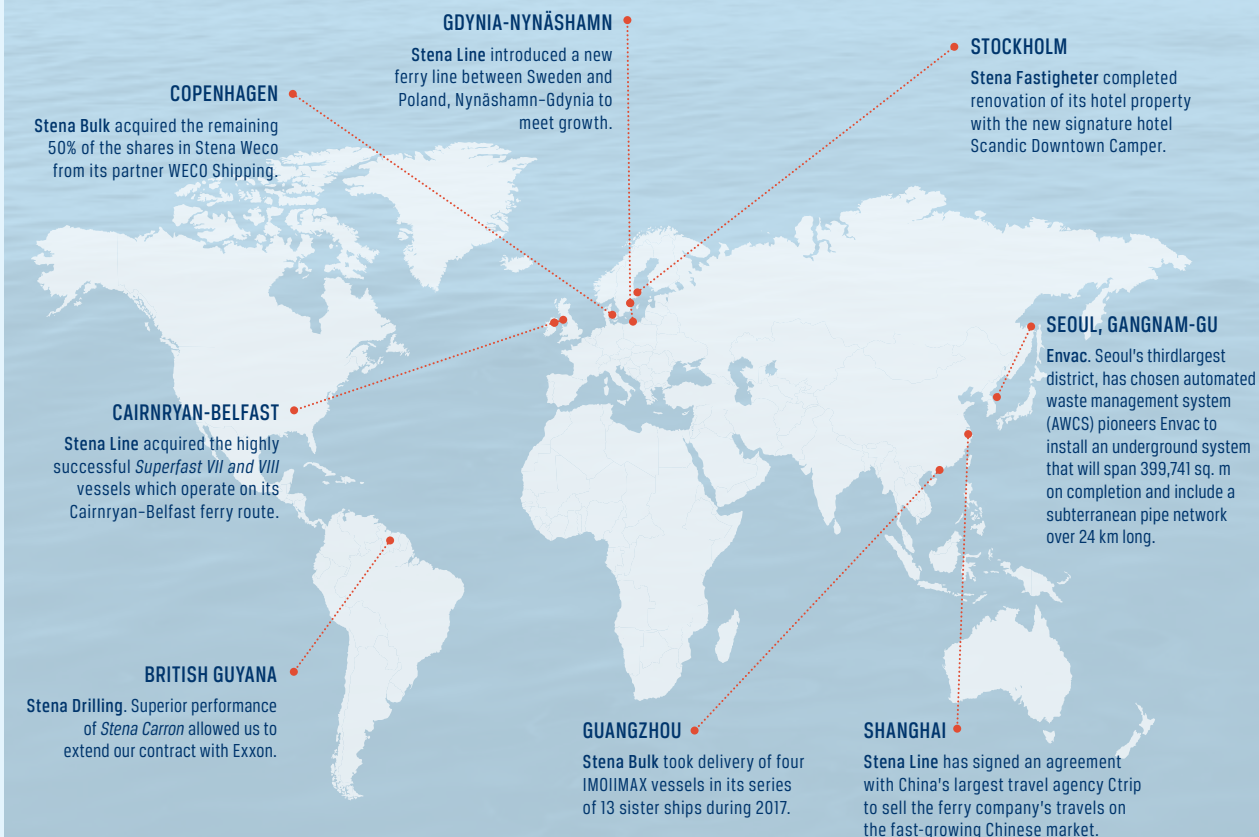


## GROUP SUMMARY

MSEK	2013	2014	2015	2016	2017
Total revenue	30,240	33,563	36,417	34,799	33,723
EBITDA, excluding sale of assets	7,947	9,646	10,118	10,550	7,538
Operating profit	3,887	4,865	6,801	4,013	2,809
Profit/loss from investments in associates	-51	-5	60	66	74
Profit before tax	2,148	2,799	4,504	2,262	1,343
Vessels	40,956	46,141	43,398	43,064	39,103
Investment property	27,831	29,367	30,617	35,466	31,539
Other non-current assets	28,150	37,070	31,077	33,214	31,953
Cash and cash equivalents and short-term investments	3,747	4,754	3,172	2,216	3,113
Other current assets	7,528	8,485	8,004	9,739	13,701
Equity including deferred tax liabilities	39,214	42,838	47,999	51,156	50,416
Other provisions	1,356	1,335	1,2206	1,281	1,187
Other non-current liabilities	55,919	68,422	58,043	56,755	52,825
Current liabilities	11,723	13,222	12,020	14,507	14,981
Total assets	108,212	125,817	119,268	123,699	119,409
Free operating cash flow including investments	-1,631	4,375	3,897	3,891	1,705
Number of employees, average	11,348	11,231	10,416	11,183	11,531
Number of vessels <sup>1)</sup>	137	151	151	142	118

1) Including owned and chartered vessels

## A SELECTION OF EVENTS FROM STENA'S WORLD



*We are 270  
trips around the  
world yearly.*



# DESIGNED TO LAST

In bad times only companies with positive cash-flows survive. Companies with no debt normally have positive cash-flows through complete business cycles. Indebted loss making companies must produce cash either by having spare liquidity, by letting profitable parts of the business support their less lucky partners or by selling assets that can generate cash. Stena is a conglomerate originally built on various shipping activities. The ferry lines are the most stable and offshore drilling the most volatile pieces of our marine business. Nevertheless, the cycles are normally contra-cyclical. Such is the case also at present. Our 21 ferry lines produce record results, whereas offshore drilling is going through the worst depression since 30 to 35 years ago. Tankers and LNG carriers are just now going through mini depressions and are recovering quite nicely. Our companies contained in our investment company are doing fine. Our property group is doing extremely well. By selling 17 percent of our property assets and being compensated with MSEK 8,000, we have safeguarded cash for the foreseeable future for the group.

Like long bridges our 21 ferry lines connect Scandinavia and Britain to their neighboring overseas countries. The traffic volumes consisting of cargo carried by lorry and trailer and passengers in cars and buses fluctuate roughly with 20 percent at most. With present outlook for the European economies save for possible consequences of Brexit the future for ferry lines look bright. Despite functioning like bridges ferry lines are complicated pieces of business. The ferries as ships must work with not less than 99.7 percent reliability. Frequent departures enabling a consistent flow of traffic are very important. On board services must offer exciting experiences, as the crossing for most people is a sort of mini cruise. Connectivity to and from ports to roads, cities, hotels and distribution centers must be flawless. The ferry passage is normally only a part of a longer sequence of travel. All our services on offer give us, as an operator, ample opportunities to add value.

Ferries as ships are complicated pieces of engineering. They must be designed to maximise the revenue intake for a given line. From the beginning Stena has considered the ferry-assets to be a business in its own right. Stena RoRo owns 7 Ro-Pax ferries and 9 RoRo ships for trailers. All these ships are chartered to operators similar to Stena Line. For Stena RoRo the ships as assets is the business idea. The vessels for Stena RoRo are therefore assets for trading. The business idea for Stena Line is the ferry lines as such.

Stena Drilling operates marine units, which are even more complicated than ferries. Our technical department is quite large in order to handle the complexities of ferries and drilling units. Drilling services as such are quite complicated and require very skilled crews. Due to strict safety standards and rigorous procedures the productivity between different drilling units varies but is not immense. Despite being the most costly part off a field development and despite the huge building costs for drilling units offshore drilling has a tendency to be treated as a commodity business. The demand for drilling fluctuates enormously and employment of drilling units fluctuates with it. It is costly to have a drilling unit in lay-up and even more costly to mobilize it again before work. Despite drilling units vary a lot in value over the cycles comparatively little trade is done with these assets.

Tankers are normally commodity assets and their services are like taxi services mostly commoditized. Nevertheless the Stena tankers are by design and maintenance considered first class ships. By operating seventy midsize ships (50,000–60,000 tons dwt) and twenty Suezmax ships (150,000 tons dwt) we have the critical mass to reduce voyages in ballast and give our clients a good service. The fluctuation in value is the most profitable part in tanker shipping for those, who get it right. Trading with the ships therefore constitutes a big part of this business.

By an immaculate attention to running and maintaining our properties, we have been capable to buy build and collect such a sizable portfolio that it now constitutes our largest asset base. With low interest rates property values have increased and are now more compatible than before to its replacement costs. The economy in Sweden is doing well for the moment and we have used the time to sell most of our Swedish commercial properties, while retaining our commercial premises in the Netherlands, France and US. Residential houses entertain consistent cash flows guaranteeing stable asset values. Our intention is to expand our Swedish asset base in this field by new buildings to the tune of MSEK 1,000 per year and improvements to existing buildings to the tune of MSEK 500 per year. Luckily we have land to build on for the next ten years.

Stena AB would not be really diversified, if we did not have a portfolio of midsize conventional companies as well. With strong market positions in their niches the likelihood that they will gener-

# *"With AI we improve our internal efficiency"*

ate good results with moderate fluctuations is very high. This has also been the case so far.

With a liquidity or cash position always good enough to withstand three bad years we feel reasonably secure. We can develop our companies to take positive advantage of their market positions. On top, we have so far since 2005 managed to produce 8 percent p.a. in positive return from our liquid financial investments.

## DIGITAL BUSINESS DEVELOPMENT

Our digitalisation efforts are now being noticed both internally and externally. At the end of 2017 our efforts within artificial intelligence won CIO Sweden's award "the digital project of the year". More important however, is the engagement and commitment shown by our regional and functional leaders in Management Forums, when reviewing our digital focus areas and plans for the future. Digitalisation is not any more after all too complicated. We develop new services and communication to our clients with new apps. We often use AI boxes in this work. With AI we improve our internal efficiency.

Our productivity is increasing every year by a consistent strive to be efficient and effective with our own resources as well as resources belonging to our business partners. As a consequence we have reduced our operational expenses with Stena Drilling by 30 percent on a sustainable level and at the same time we have reduced our corporate selling and administration cost by some by 35 percent since 2015. To safeguard won efficiencies we are now introducing an account/control program to follow up and see to it that gained efficiencies are not lost.

## SUSTAINABILITY

Our work is centered on four focus areas linked to the UN Sustainable Development Goals. The Energy Savings Program (ESP) contributed to lowering CO<sub>2</sub> emissions by 2.1 percent per nm for the year.

In addition, the Stena Line fleet's sulfur emissions was reduced by 15 percent per nm due to the use of a lower sulfur grade fuel on our



## 2017 HIGHLIGHTS AND FOCUS AHEAD

### STABLE RESULTS IN A CHALLENGING MARKET

- Revenue SEK 33.7 (34.8) billion
- EBITDA SEK 8.6 (11.0) billion incl. valuation of our investment properties and sales of non-current assets
- EBT SEK 1.3 (2.3) billion

### STRONG LIQUIDITY AND CREDIT PROFILE

- Available cash, unused credit facilities and financial assets SEK 15.2 billion
- Cash conversion cycle 8 days

### STRATEGIC EXPANSION

- Total investments SEK 7 billion.
  - Acquisition Superfast VII & VIII
  - Newbuilding and upgrade to "PLUS" apartments for Stena Property, 1,300 apartments in production/decided on for production
  - Special Periodic Survey (SPS) Stena Drillmax & Stena IceMax
  - Equipment (MPD & BOP) for Stena Drilling
  - Digitalisation projects
- Newbuilding
  - 4 RoPax vessels for Stena Line and Stena RoRo
  - IMOIIIMAX vessels for Stena Bulk
  - 1,300 apartments Stena Property

### STRONG BALANCE SHEET

- Book value of vessel and rig fleet SEK 43 (43) billion
- Market value of property portfolio SEK 38.3 (35.5) billion
- Net debt excl. property loans SEK 30 (32) billion
- Net debt to EBITDA excl. property loans, 5.8x (3.5x)
- Equity incl. deferred tax SEK 50 billion

Irish Sea operations. With sulfur-cleaning scrubbers installed in many Stena Line ferries we are now evaluating introducing scrubbers in our tankers as well. New on-shore power supply (OPS) was inaugurated in Trelleborg. For 2018 Stena Line is planning its first battery project.

In order to ensure Responsible Consumption a new Stena Marine Supplier standard is under development.

For eight years we have supported World Ocean Health Index. It has now been adopted by 28 countries and is UN's preferred index to measure the health of each ocean. This year we have joined a new initiative called the Friends of the Ocean. This organisation is supported by UN and World Economic Forum (WEF). Norway and Sweden represented by their prime minister and deputy prime minister are the initiators and guardians in particular.

### FUTURE PROSPECTS

The rebalancing of the oil market has likely been achieved. The decline in excess inventories accelerated in late 2017 mainly by strong demand growth, high OPEC compliance and collapsing Venezuela production. Even though the Brent price have reached close to USD 70 per barrel OPEC and non-OPEC remain committed to their output cuts as they remain focused on reducing surplus stocks.

The US shale community will not grow enough to balance the short-term market due to the delay between rig activity and production. It's unclear whether the industry is about to substantially add more rigs given its hedged production at prices around USD 50 per barrel WTI, recent increase in service costs, limitation of fracking crews and infrastructure limitations.

Current depletion rate is 6–7 percent but underlying depletion rate is rather up to 8 percent as production efficiencies hide about 1–2 percent in decline. Looking at 2025 the oil supply gap is estimated to about 18 mb/d – potential contributors is estimated to;

- 5–7 mb/d from US Shale
- 3–4 mb/d from OPEC / other Onshore
- Remaining gap of 8-10 mb/d building up with aggregates of 1,5 mb/d yearly probably to come from Offshore.

Offshore oil can be sanctioned today at a break-even level of USD 40–60 per barrel. The 60 percent decrease in exploration activity since 2015 makes expanded offshore exploration drilling a must. The tendering activity for Stena Drilling has to our relief rendered positive results. All our units seem to be if not completely partly employed in 2018 and 2019.

It looks as if the world economy now enters a mature expansion period. There is healthy growth in all major economies and in most sectors with a global GDP growth rate of around 4 percent on a y-o-y basis. Despite political uncertainty it is anticipated that this healthy growth can last for another couple of years, without inflation necessary speeding up significantly, even though this is one of the biggest threats.

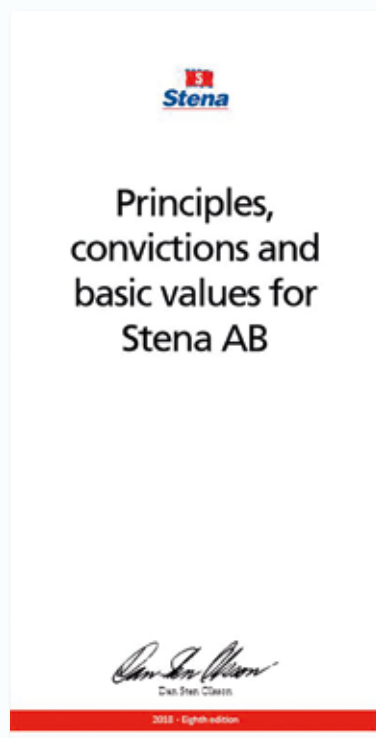
All our pieces of business will take advantage of this situation and we look positively forward to 2018.

Göteborg 18th of February



Dan Sten Olsson  
CEO Stena AB





### THE WHITE BOOK

Stena's success and survival is rooted in our business philosophy, which is set out in the white book. The book describes how we should act within Stena and how we should approach our business. Dan Sten Olsson has said: "By describing the values we want at Stena, we ensure that everyone acts in the right way and that we take proper care of our customers, resources, and each other."

**NO WHITE BOOK?  
YOU CAN DOWNLOAD A COPY HERE:**

[www.stena.com/core-values](http://www.stena.com/core-values)



# SHIPPING IS AN INDUSTRY OF THE FUTURE

Transport continues to play a major role in the ongoing globalisation. With the technology shifts taking place, maritime transport is a prerequisite for creating sustainable communities. This is evident from continuing growth in demand for intercontinental maritime transport, and particularly for regional maritime transport.

During the year, Stena has strengthened the product offering by acquiring new ferries for Stena Line, taking delivery of the majority of the IMOIMAX series ordered through Stena Bulk and acquiring the remaining 50 percent of Stena Weco. We have also invested in developing our logistics competence with measures such as the development of additional services in Northern Marine Group, particularly a result of the previous acquisition of Clyde Group. In addition, we have established new warehouses in Singapore, Shanghai and Rotterdam, and created customer value for basic manufacturers of goods around the world.



## OVERCAPACITY, A MAJOR CHALLENGE

These initiatives leave us better equipped to meet the new challenges and opportunities we face in terms of increased sustainability requirements for all types of transport, China's growing global dominance and new technology's potential to streamline and possibly restructure our global transport systems.

Our largest challenges still lie in the fact that global overcapacity in the shipbuilding industry has led to extensive new construction and with it a sharp increase in capacity. Supply of tonnage is increasing again and, in combination with the ongoing transformation in certain parts of the logistics chain, this is affecting market conditions.

We respond to these challenges by only investing counter-cyclically, and developing our own understanding of the transport value chain. We are now concentrating our efforts on strengthening logistics skills both in Europe and globally. At the same time, we are working to create and strengthen our co-operation network with different partners.

An example of this can be seen in technology, where we and other stakeholders employ 150 development engineers in Sweden and about 50 engineers based in Glasgow in a competence network to develop new technology. In many ways, this reflects the entrepreneurial culture and the fundamental values on which the company is based. It also enables us to act faster and more widely than we have previously been able to do. Our strategy is summarised in the phrase *Ready for anything* with a new requirement for curiosity to ensure we are fast, bold and so knowledgeable as to make things simple.

## EXTENSIVE OPERATIONAL IMPROVEMENTS

Our overall structure as a conglomerate continues to serve us well. Over the last ten years, as a result of Stena Drilling's strong results, Stena has been able to build new fleets in both Stena Line and Stena Bulk and develop marine services in Northern Marine Group. With

lower oil prices and the present management's extensive operational improvements, it is now natural for Stena Line to perform well and deliver the desired results. We are now in a phase where Stena Line and other operations will be able to lead us through a period of more challenging market conditions for off-shore drilling. Our ability to ensure that, operationally, our customers are offered the best solutions in terms of reliability and high safety, enables us to manage the cyclicity that has characterised our industry for many hundreds of years.

### WATERWAYS ARE SUSTAINABLE WAYS

Our primary focus is to ensure that our services respond to today's challenges. This means that we are continuing our technical work by experimenting with new fuels to move us closer to our long-term vision of environmentally neutral transport. We welcome stricter international environmental regulations that give us comparative benefits.

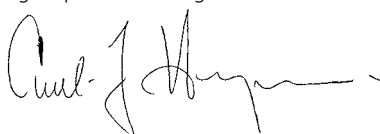
We believe that our waterways are the solution for sustainable communities, as this infrastructure has an almost unlimited capacity. The waterways give rise to minimal additional costs for infrastructure and, from an emissions perspective, are the most efficient way of transporting goods. As we build sustainable cities and communities, ferry traffic and other shipping are therefore of key importance.

Our challenge lies in leading technical development. We must also ensure that our customers are offered the most cost-effective way of transporting their goods. We therefore need to understand an increasingly large part of the total value chain in order to increase our efficiency and ensure that we are integrated into future transport solutions. New technology offers brand new opportunities to create transparency, reduce costs and shorten lead times.

### AN EXCITING TIME

In conclusion, I am particularly pleased that we have strengthened our position in Asia during the year by positive development of the cooperation on intermediate tankers through the company Golden Agri-Stena and the opening of a new office in Dubai. Furthermore, we have made extensive establishments in China, India and Singapore through Northern Marine Group and the steady development of local senior expertise in these important future markets for the Group.

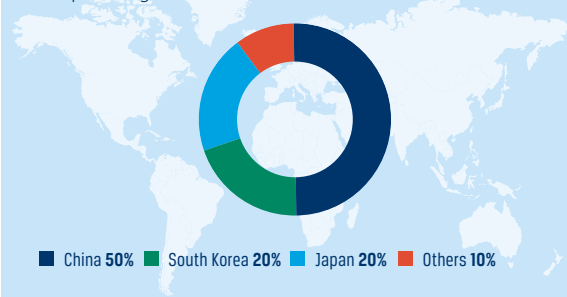
I find it hard to imagine a more exciting time in which to be active in the global transport and logistics industry. Shipping has never been in a better position than today to continue transporting 90 percent of the goods that are traded on our planet.



Carl-Johan Hagman  
Head of Stena Shipping and Ferries

## GLOBAL SHIPBUILDING CAPACITY

The global shipbuilding industry is being affected by overcapacity, due to reduced demand and massive expansion in China. China has been the world's largest shipbuilding nation since 2010.



## STRONGER LEADERSHIP

Stena's success is partly based on the ability to be fast, bold and simple. To grasp opportunities and deal with setbacks, managers and specialists must be ready and equipped. The Stena Leadership Programme and Grow Leadership Programme continued during the year, and in Stena Turntable, ten of the company's most senior managers were assigned a young mentor from the start-up community.

"Under the programmes, they exchange experiences and explore new business ideas. We run these and other programmes with a view to making people and opportunities more visible," says Eva Hansdotter, Director People & Organisational Excellence.

"Another initiative is about digital transformation and how we can benefit from new technology," says Eva. This work has been conducted in a network organisation with internal and external experts who have worked together on different concept projects in different parts of the organisation.



EVA HANSDOTTER  
DIRECTOR PEOPLE &  
ORGANISATIONAL EXCELLENCE



# GOOD RESULTS THROUGH SUCCESSFUL SUSTAINABILITY WORK

Stena's sustainability work must be business-oriented and systematic. The aim is to discover new business opportunities, reduce negative impact and developing the brand, while also identifying and managing risks. The sustainability issues identified as most important for Stena are related to the environment, safety, community involvement and employees.

Sustainability issues were given an even greater focus in all parts of Stena AB in 2017, and the work is supported and encouraged by the Group's executive management and Board.

Each business unit has a sustainability coordinator and twice a year, the central sustainability department reports to the Audit Committee, which is a committee of Stena AB's Board.

Stena is a large group with many different operations, but also with a great deal of interaction across company boundaries. Coordinated working methods in key areas contribute to a common structure for sustainability work.

As part of this work, a process called SuStenability was introduced during the year, in order to create increased commitment and a clearer structure for the sustainability work already being carried out within the Group.

Each business area is required to describe its value chain and identify the most important issues in its business in terms of environmental, social and economic conditions. The issues identified as most important at an aggregated level for Stena include energy consumption, emissions to air and water, health and safety and business ethics.

As part of the SuStenability process, all business areas also review the risks that may exist in their business in connection with the value chain, and more specifically the environment, personnel and social conditions, human rights and anti-corruption. More information about identified risks can be found in Stena's sustainability report.



The companies in the Group had different starting positions when the SuStenability work began and have therefore reached different stages in the process.

Not all parts are in place yet, but this is a process that will continue to be a major focus area in 2018.

## SUSTAINABILITY WORK IN 2017

Many different projects and initiatives have been implemented in Stena's priority sustainability areas during the year. The environmental work involves, among other things, various ways of reducing emissions to air, which in turn will reduce the Group's climate impact. An example of this is that all companies are working to reduce their energy consumption in different ways.

In 2017, Stena Property's reduction in heating and electricity consumption in its areas corresponded to consumption in a town with about 30,000 inhabitants. Ballingslöv works continuously to reduce environmental impacts, particularly in energy consumption, transport, solvents in colour processes and waste. The company's catalytic purification plant reduces solvent emissions from manufacturing by around 95 percent.

During the year, a shore-based power facility was installed in the port of Trelleborg, which means that 33% of the vessels in Stena Line's route network now have connection to shore-based power.

In order to maintain a high level of safety and minimise the number of accidents, continuous training is conducted throughout the Group. Stena Line Bridge Resource Management (BRM), a three-day training course in safety aimed at strengthening the shared safety culture, started during the year.

During the year, a new virtual training simulator for fire drills was launched at Northern Marine Group's training facility by Clyde Training Solutions in cooperation with Tritec Marine.

Stena's opportunities to influence sustainable development are enhanced through different types of collaborations and joint initiatives in the industry. In June 2017, Stena was one of 13 leading enterprises to sign an agreement at IMO's head office in London.

The participants have entered into a global alliance to move shipping towards a sustainable future, within the framework of a collaboration called the Global Industry Alliance, GIA.



## THE UN'S GLOBAL SUSTAINABILITY GOALS

Stena can contribute to fulfilling the UN's global sustainability goals in various ways and has identified eight goals as particularly relevant.

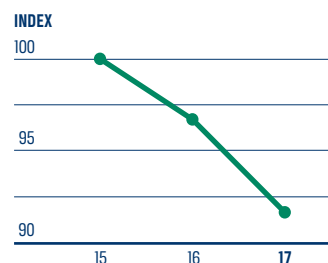


## STENA AB SUSTAINABILITY REPORT 2017

Stena's sustainability report describes Stena's work within the priority sustainability areas environment, safety, employees and community involvement.

> [LEARN MORE ABOUT STENA'S SUSTAINABILITY WORK AT STENA.COM](http://STENA.COM)

### MORE EFFECTIVE FUEL CONSUMPTION



The graph shows an indexed average value for fuel consumption per nautical mile. At an aggregate level, fuel consumption per nautical mile has fallen by 5.6% in 2017 compared with 2016.

### HEALTH AND SAFETY, LTIF

	2015	2016	2017
Northern Marine Group	0.41	0.65	0.33
Stena Roro	0.41	0.00	0.68
Stena Drilling	0.29	0.15	0.00
Stena Bulk	0.00	0.00	0.14
Stena Line <sup>1)</sup>	1.80	1.58	0.60

1) Including service staff.

Lost Time Injury Frequency is a measure of workplace safety used for the crew on board. The number of LTI (injuries that leave the employee unable to work the following day) are reported per million exposure hours worked.

# STENA STORIES

Every day, around the clock, Stena's 16,000 employees affect the everyday lives of people across the globe. Here are some stories describing the work that is going on in our operations. All texts are available in their entirety in the online version, Stena Annual Review 2017, at [stena.com](http://stena.com).



/ STENA LINE

## THE GOAL WITH AI IS TO MAKE STENA LINE THE MOST LEARNING SHIPPING COMPANY

During the year, Stena Line has received wide recognition for its work on digitalisation. In December, the company was awarded Digital Project of the Year.

Rune Kleiberg, Head of Digital Strategy at Stena Line, explains why Stena Line is focusing on digitalisation.

"The simple answer is that customers expect it from us. On the freight transport side, development is moving extremely fast, with ever-increasing requirements for us to be competitive. On the passenger side, technology and travel are changing rapidly, which means that we are competing with different destinations and ways of travelling than previously. Stena Line's goal for 2021 is to be leader in learning from customers and the market."

Another major area is automation in terminals and ports. Work on automated check-in terminals has begun, and will continue with automated check-in for trucks and cars.

A major focus area also involves digitalising many other services in ports and terminals. One example is mobile support for port staff handling claims. From a customer perspective, mobile solutions are important.

"In 2017, the Travelmate app was launched for passengers, enabling them to manage their booking and get answers to questions. For freight bookers, the Freight Planner app was launched, resulting in major simplifications for many customers," says Rune Kleiberg.

AI is an area that Stena Line firmly believes in. One example from the year is the Stina chatbot, developed to help customers communicate with Stena's customer service.

Turning to digitalisation on board, Stena Danica will be used as a test vessel for digital solutions. Successful experiences and solutions that work well will then be introduced on other vessels, such as the new RoPax vessels being built in China.



/ NORTHERN MARINE GROUP

## VIRTUAL REALITY IS ENABLING GROUND-BREAKING LNG SHIP DESIGN

Kids might use VR while exploring magic worlds. Now, the wearable tech is used to create ground-breaking engineering solutions. Tritec Marine, a subsidiary of Northern Marine Group, is levelling up ship designs with virtual reality.

Virtual Reality, VR, is used in several projects at Tritec, but most recently the company has used it to great effect in delivering a design for an innovative and ground-breaking LNG bunkering and feeder solution.

The vessel is at concept and Class approval stage, but because the design is so unique, VR has allowed Tritec Marine to communicate complex design and regulatory considerations both within the Stena Sphere and more importantly with potential clients and stakeholders around the world.

Tritec Marine has highlighted many areas where they would like to further develop their capabilities. Now, with the VR set-up available in the engineering and consultancy office, Tritec Marine's team of engineers can scrutinise design 3D geometry before completing designs and preparing final arrangements.



/ STENA TEKNIK

## MORE E-FERRIES TO COME

In many markets, particularly in the Nordic region, electricity is very affordable. In comparison with diesel, electricity costs about half as much per unit of energy. This makes the price of electricity a long-term advantage in terms of ship operation.

Battery prices are falling in line with advances in production technology and increased efficiency from battery manufacturers. Electricity may soon show itself to be a competitive and sustainable alternative.



/ STENA PROPERTY

## INITIATIVES GIVE YOUNG PEOPLE A BELIEF IN THE FUTURE

Stena Property has been involved in relationship management (Relationsforvaltning®) for many years. The concept encompasses the social investments and activities that the company carries out to create safe, stable and comfortable living environments and workplaces. The focus is on children and young people and initiatives in school, work and meaningful leisure. Relationship management is an approach that builds trust by focusing on participation and empowerment.

# BUSINESSES IN THE STENA GROUP

The Stena Group is one of Sweden's largest family-owned companies and operates in the following business areas:  
Ferry Operations, Offshore Drilling, Shipping, Property,  
New Businesses and Finance.



## MARITIME

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

The Drilling business, with semi-submersible rigs and drillships, is operated by **Stena Drilling** from its head office in Aberdeen in Scotland and through its global organisation, with offices in the US, UK, Norway, Cyprus, Luxembourg and Australia.

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



## ONSHORE

**Stena Property**, with its head office in Gothenburg, mainly owns properties in Gothenburg, Stockholm and Malmö, and is one of Sweden's largest privately owned property companies. The international part of the business is based in Amsterdam, and owns property in the Netherlands, France, Hungary, the United States and the UK.

**Stena Adactum**, based in Gothenburg, invests in companies not directly related to Stena's traditional core business. The portfolio currently includes Ballingslöv, S-Invest, Envac, Captum and Stena Renewable, and the associated companies Gunnebo, Midsona and Svedbergs.

**Stena Finance** is the Group's central finance department and operates from Gothenburg, Luxembourg, Limassol, Zug, Amsterdam, London and Singapore.

## NINE BUSINESSES



**STENA LINE** › PAGE 18



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**STENA BULK** › PAGE 22



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**NORTHERN MARINE GROUP** › PAGE 26



**STENA TEKNIK** › PAGE 28



**STENA PROPERTY** › PAGE 30



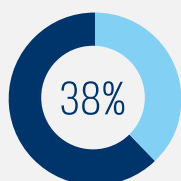
**STENA ADACTUM** › PAGE 32



**STENA FINANCE** › PAGE 34

# STENA LINE

At year-end 2017, Stena Line operated 21 routes in Northern Europe, with 39 ferries. Stena Line also owns five ports and is an important part of Europe's trade and infrastructure. Managing this business in a cost-effective, safe and environmental way is a daily challenge for our dedicated employees at sea and on land.



SHARE OF GROUP  
REVENUE



5,700  
EMPLOYEES

12,900  
MSEK REVENUE

14,500  
MSEK CAPITAL  
EMPLOYED

32  ROPAX FERRIES

7  RORO FERRIES

## AI will optimise car deck utilisation

It has been an exciting year for Stena Line, which continues to grow. In particular, the freight segment is growing faster than the market in general. We work systematically to find processes that bring high efficiency and service levels, both on board and in ports. Customers must be able to have the same experience with Stena Line in all ports and on board all ships.

### DIGITALISATION INCREASES CUSTOMER UNDERSTANDING

Digitalisation offers extensive scope to work in a simpler, more efficient way, but also to be more attractive to the customer. It does not always need to be about establishing new systems or platforms, but about tapping into existing knowledge and insights to obtain a better understanding of what customers expect.

Our offering was previously based on historical data, but we are now adjusting it using AI and predictable data in order to, for example, optimise car deck utilisation.

### NEW ROUTE MEETS INCREASED DEMAND

The vessels *Stena Superfast VII* and *Stena Superfast VIII* which operate in the Irish Sea were acquired during the year. Stena Line also decided to increase tonnage and capacity, mainly freight, in the North Sea and to increase the frequency of routes where there is demand, such as Gdynia–Karlskrona, Liepaja–Travemünde and Nynäshamn–Ventspils. In the autumn, the new Gdynia–Nynäshamn route was also opened.

The journey to becoming a more sustainable company continues. Work on fuel efficiency remains a high priority. It contributes to reduced emissions to the air and water, while reducing costs. Over the last few years, Stena Line has implemented more than 300 different measures to reduce fuel consumption. The development of new alternative fuels continues in the form of electrification of *Stena Jutlandica* in 2018.



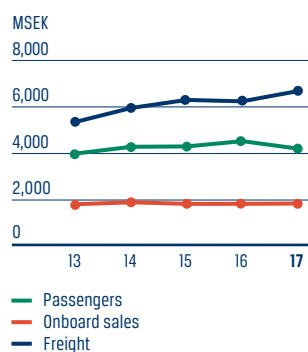


## STENA STORIES /

*The goal with AI is to make Stena Line the most learning shipping company*

READ MORE ON PAGE 14 AND AT  
[REPORTS.STENA.COM/STENA-STORIES](https://reports.stena.com/stena-stories)

## REVENUE PER ACTIVITY



Stena Line continues to grow. In particular, freight operations are growing faster than the market in general.

[STENALINE.COM](https://stenaline.com)

*We are 21 routes.*



## NICLAS MÅRTENSSON &gt; CEO

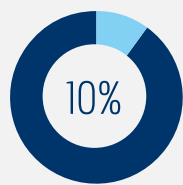
Next year, we will benefit fully from the structural changes that were made in 2017 and earlier. We continue in accordance with the strategy that the new executive management has established. If the good conditions in Europe continue, we will show good growth and a stable improvement in earnings in the coming years.

We see clear growth in both results and customer and employee satisfaction. We are maintaining the focus on digitalising the business and customer offering. By systematising, we strengthen the company.



# STENA DRILLING

Stena Drilling is one of the world's leading independent drilling operators, with four drillships for ultradeep water and three semi-submersible drilling rigs operating in a global market. With several successful new newbuildings and refurbishment projects, Stena Drilling has been a pioneer in several areas of technological development and innovation within the offshore industry.



SHARE OF GROUP  
REVENUE



1,000  
EMPLOYEES

3,500

MSEK REVENUE

24,800

MSEK CAPITAL EMPLOYED



4

DRILLSHIPS

3

DRILLING RIGS



## The number of tenders is increasing again

Despite a tough offshore market, Stena Drilling has managed to keep their units relatively well occupied during the year. In Africa, *Stena DrillMAX* was contracted by Cairn Energy. The contract, that was originally signed for two firm wells, grew to five wells due to the performance of the drillship and the close cooperation with the client. *Stena IceMAX* has also worked in Ireland for Providence Resources, drilling the deepest ever well in the country. The *Stena Carron* continues to work in Guyana for Exxon Mobil, and the *Stena Spey* in the North Sea for Repsol Sinopec. Although in receipt of Letters of Intent for work in 2018, at the end of 2017 only the drillship *Stena Carron* and the semi-submersible rig *Stena Spey* were on contract.

The performance the rigs have delivered has been to the highest standards. As an example, *Stena DrillMAX* had a 99,9 percent uptime during its recent campaign in Senegal.

### THE FLEET IS KEPT IN GOOD CONDITION

Due to the situation with the market, Stena Drilling has focused on cost management by reducing cost wherever possible, renegotiating agreements with suppliers, and decreasing operational expenditure significantly. Since 2015, Stena Drilling has reduced operational expenditure over 30 percent while ensuring that the company and its employees are trained and have the tools to do their work. At the same time, Stena Drilling has maintained its fleet in excellent condition, much to the appreciation of our clients and personnel working onboard.

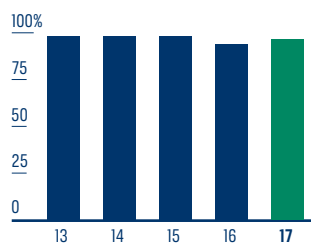
### INVESTING TO REACH NEW MARKETS

During the year, the number of tenders doubled compared to 2016. Unlike years past, most tenders have been campaign based rather than term based, meaning that a contract covers a specific well, which could take a month or two rather than many wells over a period of years. Therefore, the drilling units must be managed in such a way that they are ready to be employed in a short time, as well as be suitably flexible design-wise to cover many different types of work. The *Stena Don* was originally designed to operate in water depths of 250–500 metres off Norway. A project to upgrade the mooring capability of the rig is planned to commence in November 2018. This upgrade will enable the rig work in both shallower water depths (between 70 and 500 metres) and harsher environments, thereby enabling it to work in other locations, including the UK North Sea, Ireland and Canada, while still being able to operate in the Norwegian Sector.

DRILLING CONTRACTS<sup>1)</sup>

Unit	Customer	Expiration <sup>2)</sup>
<i>Stena Clyde</i>	NOGA	Q2 2018
<i>Stena Don</i>	Total	Q3 2018
<i>Stena Spey</i>	Nexen	Q3 2018
<i>Stena DrillMAX</i>	FAR Petroleum	Q1 2019
<i>Stena Carron</i>	Exxon	Q1 2019
<i>Stena Forth</i>	Energean	Q4 2019
<i>Stena IceMAX</i>	Undisclosed	Q1 2019

1) As of April 2018 2) Including options



Operational use as % of total available days.

STENA-DRILLING.COM

*We are pioneers.*

## ERIK RONSBERG &gt; CEO

Oil prices have stabilised in 2017, and we hope that price will remain over 60 USD per barrel. The EIA has forecast an increase in global demand growth of 1.6 million barrels of oil per day over 2018, and as we see a decline in supply, the signals are positive for our industry. We believe that the market for our rigs will improve, with positive utilisation development in 2018 followed by higher day rates in 2019.

As Stena Drilling is part of an innovative, forward-thinking group of companies, our rigs are in excellent condition and available to work at relatively short notice. One of our challenges is to make sure that we maintain the right, motivated people to take us through this challenging period.



# STENA BULK

Stena Bulk is one of the world's leading tanker operators, offering safe and cost-effective transportation of crude oil and refined petroleum products by sea. This requires a holistic perspective – from development and construction to crewing and chartering of first-class tankers.



## Major transaction makes Stena Bulk's operation more long-term

During the year Stena Bulk bought out the remaining 50 percent of Stena Weco from Weco Shipping A/S. In connection with the transaction, Stena Bulk underwent a reorganisation, with the creation of the business areas Products & Chemicals, Crude & Fuel and LNG.

Now that Stena Bulk owns 100 percent of the former Stena Weco, it can operate these vessels in a more long-term perspective than before.

After obtaining full ownership Stena Bulk also decided to move its Danish office and now occupies a new office on the outskirts of Copenhagen with Stena Rederi AS, Stena Line, Stena RoRo and NMG. In total, there are about thirty employees at the office.

Within Products & Chemicals, the company is now able to offer customers more types of products, including methanol, ethanol and chemicals, thanks to the IMOIIIMAX vessels' increased flexibility, such as more tanks. In 2017, the IMOIIIMAX vessels' flexibility meant that Stena Bulk had a higher utilisation rate and higher earnings than the company would otherwise have had.

The suezmax segment in the Crude & Fuel business area started 2017 very strongly but ended the year weaker. The sector is affected by more vessels being delivered than are in demand and 2018 is expected to be as challenging as the end of 2017. Stena Bulk is well positioned as most of the time charter vessels were redelivered during the year.

The LNG segment developed well at the end of the year and the positive development is expected to continue in 2018.

### WELL FUNCTIONING PARTNERSHIPS

The cooperation with the Angolan oil company Sonangol in the Stena Sonangol Suezmax pool has developed well since it began thirteen years ago. Today's challenge is to increase the number of vessels in order to better triangulate and optimise the trading. The goal is for the pool to consist of 30 vessels. In 2017, four more vessels joined the pool – *Stena Surprise*, *Nordic Rio* and two newbuildings, *Sonangol Cazenga* and *Sonangol Maiombe*.

Golden Agri-Stena, the joint venture that Stena Bulk operates with Golden Agri-Resources, is developing positively. The relationship is very strong, due to the fact that the companies constantly identify new market opportunities together.

### DIGITAL SUPPORT THAT INCREASES EFFICIENCY

Stena Orbit is the company's new digital platform for tanker trading. The platform, which was developed during the year and launched on 1 July 2017, makes customer contacts and administration much more efficient. Efficiency will increase even more as additional features are implemented in the platform.

0.1

LOST TIME INCIDENTS (LTI)  
DURING THE YEAR**ERIK HÅNELL** › CEO

We are well positioned to renew our chartered tonnage, with a large part having been returned before the market fell, mainly during the second half of 2017. The positioning and timing of a resumption of more chartered tonnage is under evaluation, but we see ourselves slowly increasing our exposure in 2018 when we are able to charter in vessels at a low cost. There will be a significant focus on working with our partners to provide the entire tanker group with a structure that is stable for the future. LNG is developing positively, and 2018–2019 will be critical and probably a period in which we have good scope for finding long-term opportunities for a positive outcome. The purchase of Stena Weco has progressed well during the year, both within the business and in the merger with Stena Bulk. Work on Stena Orbit continues and means increased opportunities to create a unique customer offering that sets us apart from competitors.

*We are  
explorers.*

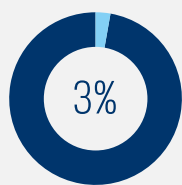
STENABULK.COM



# STENA RORO

Stena RoRo provides vessels, innovative solutions and project management for RoRo- and ferry operators like ourselves. Its customers are operators and shipping companies around the world.

The company's expertise, dedication and financial resources create customer value, growth, profitability and make it an attractive place to work.



SHARE OF GROUP  
REVENUE



240

EMPLOYEES  
INCLUDING SEAFARERS

1,000

MSEK REVENUE

1,400

MSEK CAPITAL EMPLOYED

7



RORO FERRIES

9



ROPAX FERRIES

## Strong economy for RoRo and RoPax continues

Stena RoRo is monitoring the production of the four RoPax vessels that Stena has ordered from AVIC Weihai Shipyard in China. Construction has started and delivery of the vessels begins in 2019. Three of the vessels will be used by Stena Line, while the fourth has been chartered to the French operator Brittany Ferries for five years. During the year, thanks to a very good relationship with the shipyard, Stena RoRo has successfully extended the option allowing Stena to order another four vessels.

Construction of Mercy Ships' hospital ship is in progress and Stena RoRo, which is responsible for design and quality, continues

to monitor production on site. The ship is expected to be placed in service in the first quarter of 2019.

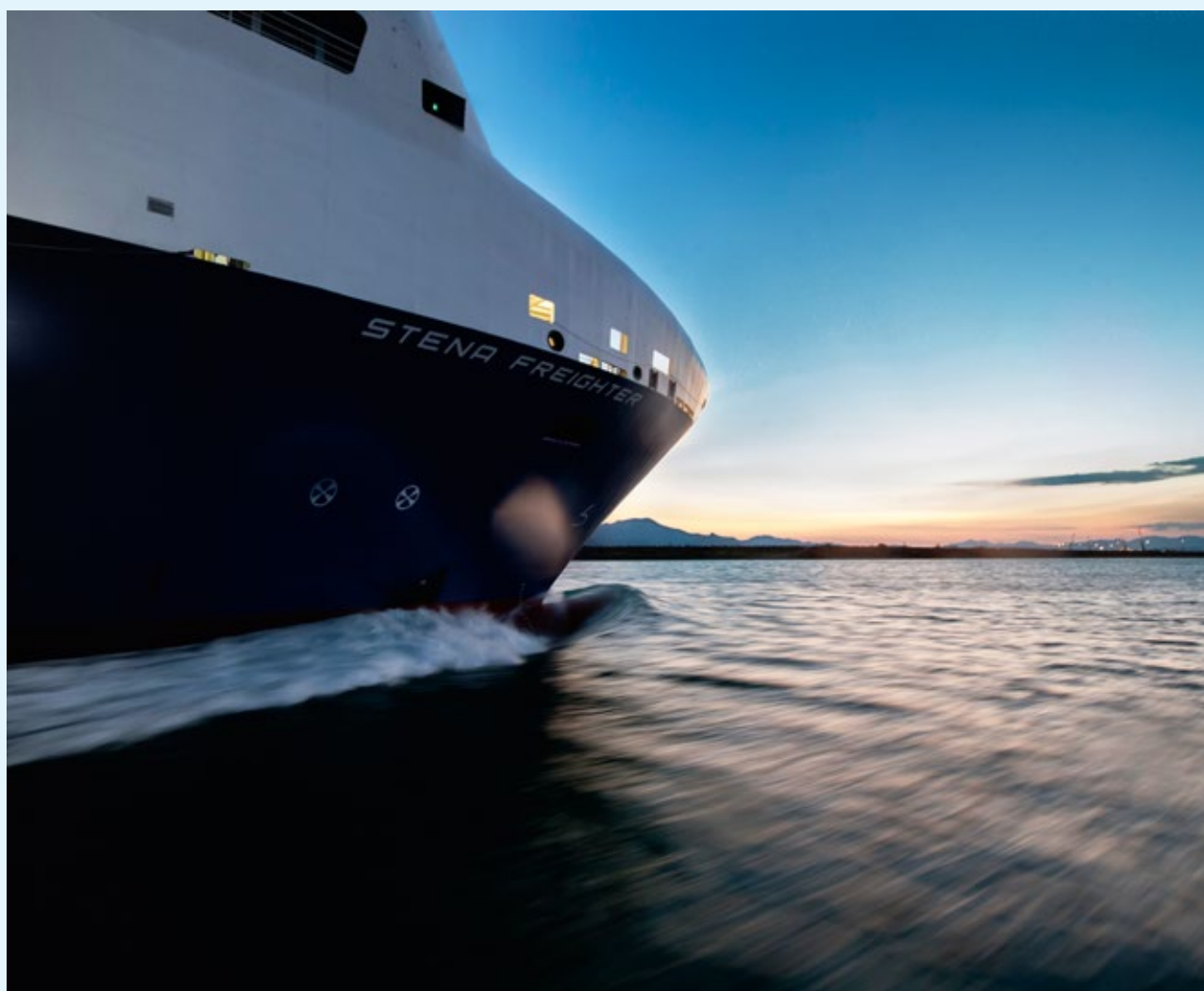
### SHIPS SALES WHEN TIMES ARE GOOD

Market rates continued at high levels in 2017, and Stena RoRo took advantage of the market situation by signing new long-term contracts. In view of the strong market, Stena RoRo also took the opportunity to sell the ferries *Napoles* and *Sicilia* to the Spanish ferry operator Balearia.

Stena RoRo also purchased the smaller RoPax ferry *M/S Hammerodde* from Danske Færger A/S. During the coming year, the ferry will be chartered back to the Danish ferry company, sailing to and from Bornholm.

### CAPACITY RELOCATED TO THE MEDITERRANEAN

*Stena Egeria* previously sailed between China and South Korea. Since then, the ship has been upgraded in Piraeus and is now operating in the Adriatic Sea.



*We are  
tailor-made  
solutions.*

STENARORO.COM

#### PER WESTLING > CEO

The market has been strong for both RoPax and RoRo vessels in recent years. The imbalance between supply and demand has kept charter levels high, particularly for RoPax. In the coming years, capacity in the industry will increase with the delivery of mainly new RoRo vessels. The new vessels will change the market as they are significantly larger than the present large vessels, which will push margins for other lines.

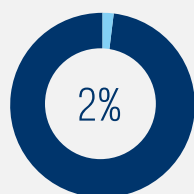
At the same time, there is uncertainty about what will happen to transport flows after Brexit in 2019. Fewer new start-ups in the UK and perhaps even production relocations to other countries may result in shifts in freight flows.

We are following developments and are ready to adapt to new conditions.



# NORTHERN MARINE GROUP

Based in Glasgow, Northern Marine Group (NMG) provides marine technical management services for both the Stena Group and external clients from the offices in Aberdeen, Mumbai, Glasgow, Gothenburg, Houston, Manila, St. Petersburg, Shanghai, Copenhagen and Singapore.



SHARE OF GROUP  
REVENUE



8,600  
EMPLOYEES  
INCLUDING SEAFARERS<sup>1)</sup>

750

MSEK REVENUE

600

MSEK CAPITAL  
EMPLOYED

<sup>1)</sup> Distributed as follows: Stena vessels 3,600, external vessels 4,200, onshore 800.

## Expansion of services and managed vessels

During 2017, 14 vessels were welcomed into full management, four of which were Stena's new buildings from the IMOIMAX project. The managed fleet stands at 175 vessels of which 109 are under full management. Ship Management services have expanded into Denmark with the establishment of Stena Marine Management ApS. Digital initiatives, including the internally developed maintenance management software system Aurora, are being utilised by a growing number of vessels.

### NEW OPERATIONS IN ASIA AND EUROPE

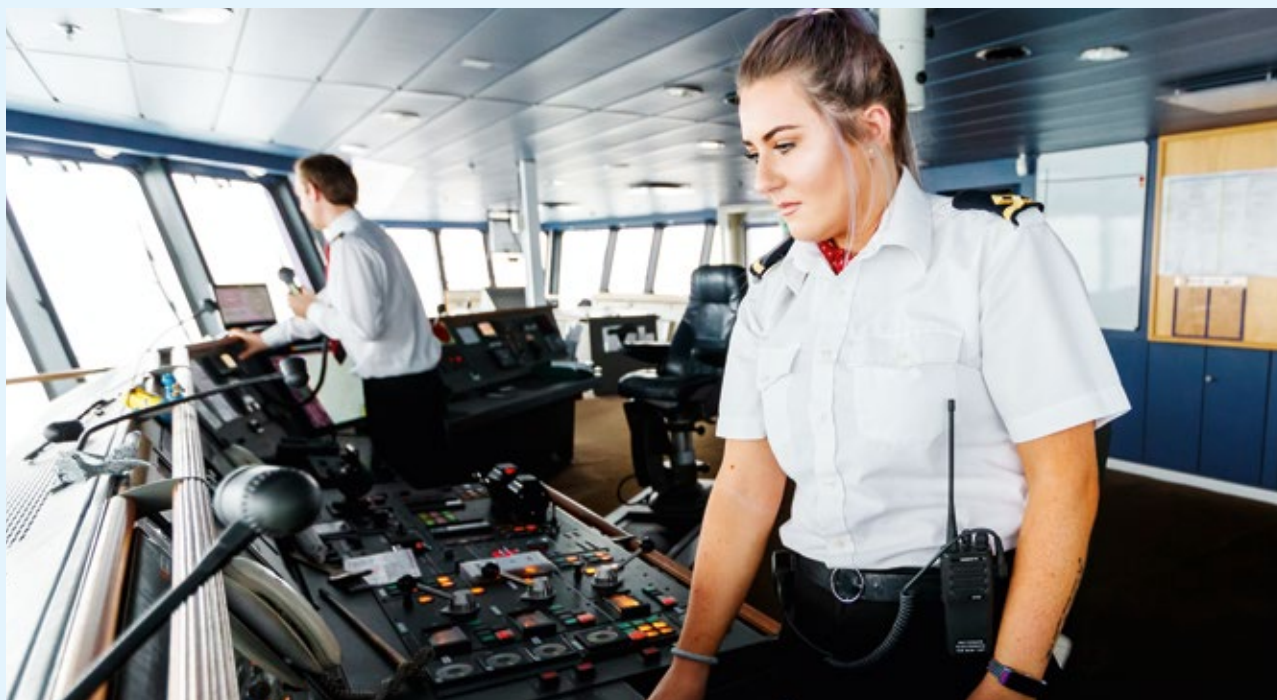
A new state of the art office and warehouse facility is now fully operational in Singapore and it is equipped to maximise greater

storage capacity. Marine supplies and services divisions have now expanded from the marine and offshore sectors into the Asian cruise market, with Stena Marine signing a cooperation agreement with prominent cruise industry companies in autumn 2017. Austen Maritime has continued its expansion of ship agency services with newly established operations in Indonesia, China, South Korea and Hong Kong.

To further support the growth of our marine services expansion, a warehouse facility has been established in Rotterdam, which will service clients within the Stena Sphere as well as third party business.

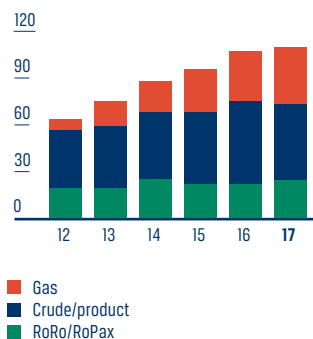
### AIDING CLIENTS MEET SULPHUR REGULATIONS

Northern Marine Group has entered an agreement with Shanghai Bluesoul Environmental Technology to act as exclusive sales agent of the Chinese company's exhaust gas cleaning systems in Europe and Singapore. The partnership marks an advancement in green shipping and will aid clients with the Global Sulphur CAP 2020 regulation.



*We are  
24/7-365.*

#### VESSELS UNDER TECHNICAL MANAGEMENT



NMM-STENA.COM



#### STENA STORIES /

*VR enables  
ground-breaking  
vessel design*

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#### PHILIP FULLERTON > CEO

Operating in a competitive ship management market in 2018, only continued reliable service will maintain the trust of our clients and attract new business. Our measured vessel fleet growth evidences the trust placed in us as quality ship managers. As our business grows, sustained effort is paramount in ensuring our core values of safety and quality are not only adhered to, but are instilled in every seafarer and every onshore employee.

The further expansion and development of our marine services divisions, particularly in Singapore, Shanghai and Europe, further enhances our capability as a fully integrated marine services provider to both shipping and offshore industries.



# STENA TEKNIK

Stena Teknik is a technical resource for Stena's marine-related business areas. The broad and extensive knowledge of its employees enables the company to develop solutions that increase the competitiveness of our business areas.



20

EMPLOYEES



2

NEWBUILDINGS ON ORDER

## Developing technology for efficiency and sustainability

During the year, Stena Teknik took the next step in the electrification of Stena Line's ships. *Stena Jutlandica* is first to have batteries installed, which will drive the power-intensive bow thrusters. This will reduce noise and environmental impacts in port. At sea, the ship's electricity will continue to be generated by diesel generators, with optimal operating mode. The investment has been possible thanks to support from the EU and the Swedish Transport Administration, and the project will be in operation from May 2018.

### CONSTRUCTION OF EFFICIENT NEW VESSELS

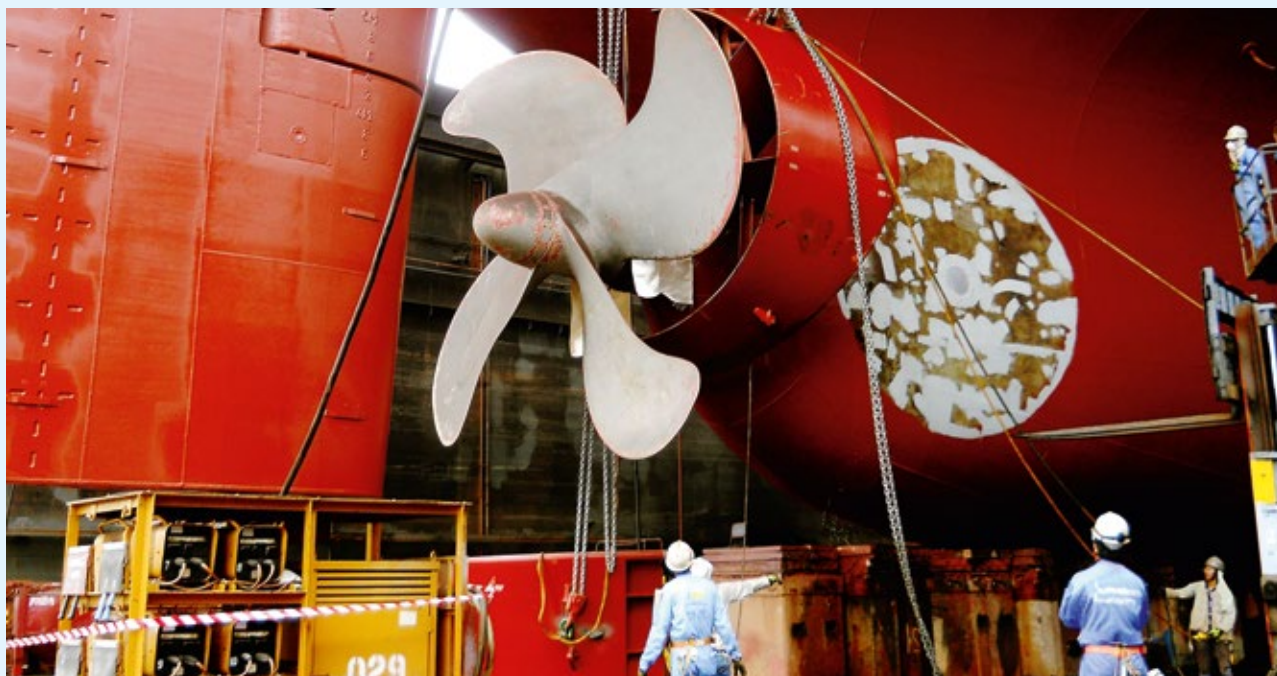
Construction of *E-Flexer*, Stena Line's new series of RoPax vessels, is in progress in China. Already in the basic design stage, this type of vessel is significantly more efficient than existing vessels. Using advanced and optimised design, we have managed to further reduce fuel consumption. We have also taken into account a larger

speed range and variation of load intake. At speeds under 18 knots, the ship can run on one propeller, with the other propeller feathered to reduce resistance. The hull has a unique shape with an optimal bulb, effectively designed openings for bow thrusters, a rudder that recovers losses from propellers and a stern that minimises wave making.

### THE INDUSTRY SHOWS INTEREST IN FIRE SAFETY

To increase safety on board, Stena Teknik has been running a fire safety project with Stena Line, Stena RoRo and Northern Marine during the year. Initially, the project was about eliminating the weak links that previously existed and establishing a new safety level that is higher than the level required under current legislation. On the operational side, the project aims to increase safety on board by producing an e-learning package for personnel. The emergency services have also been engaged in order to provide the crew with further training in fighting fires even more safely and effectively.

In its contacts with international organisations such as EMSA and IMO, Stena Teknik has noted keen interest in the safety project from them. In this way, Stena is contributing to a dissemination of knowledge and skills that leads to a cost-effective increase in safety. The project spreads operational best practice, not just within Stena but in the entire industry.



STENA STORIES /

## *Cheaper batteries, more e-ferries*

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### HARRY ROBERTSSON › TECHNICAL DIRECTOR

With its fellow Stena companies, Stena Teknik continues to develop technology for handling the Group's vessels in a safe, environmentally friendly and efficient way. Our continuing initiatives include developing technical solutions to adapt Stena Drilling's rigs and vessels and make them even more flexible and attractive.

In the coming years, much attention will be devoted to developing technology to reduce the impact of the Group's ships on their environment. The installation of scrubbers will continue, which will allow exhaust gases to be cleaned from sulphur oxides but also from soot and particles. Work on electrification is being intensified and a decision on the next step will be made by 2019 when the ships' diesel engines can be replaced by electric power in coastal areas.

*We are lower  
emissions.*

[STENATEKNIK.COM](https://stenateknik.com)

# STENA PROPERTY

Stena's property operations are managed by Stena Fastigheter in Sweden and by Stena Realty internationally. The total owned and managed portfolio comprises 2.4 million sqm, of which the majority is in Sweden. With tenancy as its form of tenure, Stena Property develops long-term, attractive residential environments and workplaces. Stena Property's goal is to be the first choice of tenants.



## Major focus on eliminating the housing shortage

Production of new properties is finally underway in Gothenburg, with construction having started in Kallebäck, Kvillered, Kobbegården and Sisjödalen. In the first three areas, where we already have a portfolio, the projects comprise both rental and owner-occupied apartments. The mix develops the area and provides the opportunity for moving up the housing ladder. Rental apartments are being built in Sijödalen, where Stena Property won a land allocation agreement.

In Uppsala, the development of Kvarngärdet continues, while in Stockholm, construction continues in Vegastaden. In Stockholm, construction has also begun in Jakobsberg.

Stena Property divested seven properties with a total value of approximately MSEK 1,500 during the year. In Gothenburg, three commercial properties and one residential property were sold. In Stockholm, sales included Handterminalen. In addition, an agreement was entered into with a related company to sell 4,900 apartments in Gothenburg, Stockholm and Uppsala with access in mid-2018. Also an agreement was entered into in December 2017 to sell a property in Malmö with access in February 2018.

### ONE OF STOCKHOLM'S LARGEST HOTELS

After two years of construction, the hotel Downtown Camper has been opened in Stockholm. The hotel is operated by Scandic Hotels and is one of their signature hotels, which are mainly aimed at younger private customers. In the lobby, guests encounter a bicycle workshop, while kayaks hang in reception and can be used in Stockholm's nearby waters. With 494 rooms, Downtown Camper is one of Stockholm's largest hotels.

### FALLING VACANCIES IN THE NETHERLANDS

The international property market is recovering, particularly in the Netherlands where Stena Realty has a significant portfolio. After a vacancy rate of up to 30 percent, Stena Realty has signed new contracts and managed to halve the vacancies. Stena Realty has also sold two properties in the Netherlands and one in Luxembourg for a total value of EUR 56 million. In France, the development of land bought last year in connection with the Sophia Antipolis portfolio continues, with construction due to begin in 2019. The properties in London are fully let, with renegotiated rents. Houston in the United States was affected by floods in 2017. Stena Realty's properties came out of the situation well, but the market is still strained. The two new buildings are fully let on long leases, while the two older properties have a number of vacancies and short leases.



## STENA STORIES /

*Initiatives that give  
young people  
confidence in the future*

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[REPORTS.STENA.COM/STENA-STORIES](https://reports.stena.com/stena-stories)



*We are 25,000 homes.*

## CECILIA FASTH &gt; CEO

We are in an exciting development phase in which we have evolved from a managing company into a key player in urban development. The focus is on the development of our unique relationship management (Relationsförvaltning®) approach and increased new production in our existing areas. From 2019, 1,000 apartments will be completed each year. With construction projects in Gothenburg and Stockholm, Stena Property helps to provide Sweden with housing. The major challenge is to find contractors who can build at the right cost in a hot economy. We will continue the process of digitalisation to offer tenants more attractive accommodation. At Pennygängen in Gothenburg we have built a digitalisation lab in an apartment to develop the housing of tomorrow.

RENTABLE SPACE  
BY CATEGORY

■ Residential **73%**  
■ Commercial **27%**

RENTABLE SPACE  
BY SUB-MARKET

■ Gothenburg **28%**  
■ Stockholm **31%**  
■ Malmö **30%**  
■ Outside Sweden **11%**

[STENAFASTIGHETER.SE](https://stenafastigheter.se)



# STENA ADACTUM

Stena Adactum is Stena AB's wholly-owned investment company which works in a long-term ownership perspective to develop and invest in listed and unlisted companies. Through active ownership and financial strength, Stena Adactum builds strong and profitable companies.



## Strong Nordic consumption and global growth

The earnings trend for Stena Adactum's companies has been very positive during the year. A large proportion of the earnings is attributable to the company's long-term structured work to generate good profitability and organic growth. The strong increase in consumption in the Nordic region and the favourable international economic recovery have made a strong contribution to the good development during the year.

In 2017, the Nordic countries showed strong growth driven by increased private consumption. In combination with a growing construction market, this has contributed to strong results for the largest subsidiary, Ballingslöv International, which accounts for a significant part of the Stena Adactum Group's strong earnings trend.

Midsona has also been positively affected, as demand for organic and healthy food continues to increase. Midsona's focus on organic and healthy food in combination with dietary supplements has been very successful. During the year, Midsona also acquired Bringwell, whose product portfolio strengthens Midsona's position as the Nordic leader in health and well-being.

Stena Renewable was affected by the sharp decline in the price of electricity certificates at the beginning of 2017, which was partly offset by rising electricity prices during the year. The higher electricity prices mean that Stena Renewable can now start building the company's highly competitive project portfolio.

### CONTINUED EXPANSION FOR BLOMSTERLANDET

During 2017, Blomsterlandet expanded its expansion rate and opened, or decided to establish, another six units. This means that Blomsterlandet will have 58 stores in Sweden in 2018, strengthening the company's market-leading position in the flowers and plants segment for home and garden.

### STRONGLY INCREASE IN ORDERS FOR ENVAC

Envac, which supplies automated waste management systems, has significantly improved its order intake during the year. Market development has been strong in several Asian countries and in the Nordic region, while the order intake has also increased in Europe.

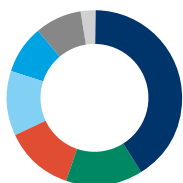
### CONTINUING PRODUCT DEVELOPMENT IN GUNNEBO AND NEW ESTABLISHMENT OF CAPTUM

During the year, Gunnebo continued to focus on the product areas access control, cash management and secure storage solutions, all of which are good growth areas. However, the company's French installation and service business performed weakly in 2017, which affected profitability.

Captum was launched during the year. This is a newly established company providing payment services for consumers.



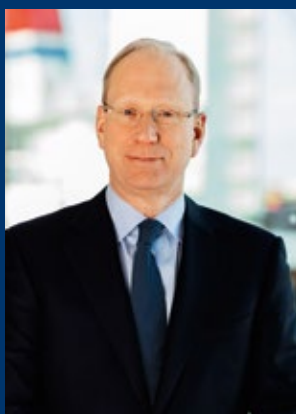
#### MARKET VALUE BY PORTFOLIO COMPANY, %



The total market value of our subsidiaries and associates is SEK 7.5 billion.

STENAADACTUM.COM

*We are long-term owners.*



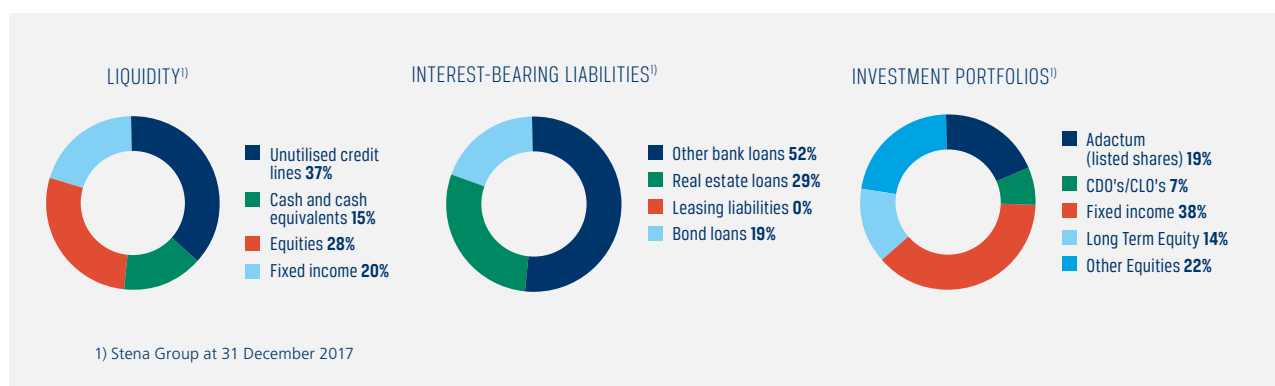
**MARTIN SVALSTEDT** › CEO

Stena Adactum strives for stable organic growth and continuous improvements in profitability. Our goal is for the Stena Adactum Group to achieve annual organic growth of 5 percent, even in the face of weak growth in parts of Europe and a slow-down in important emerging economies. We create growth through continuous product development and a stronger customer offering.

In addition to organic growth, our strategy is to enable portfolio companies to grow through additional acquisitions, create synergies and strengthen the market position. Stena Adactum has continued to focus on acquisitions and expansion within our existing investments.

# STENA FINANCE

Stena Finance's main task is to manage the funding requirements of the Stena Group, both short and long term. Stena Finance also manages the operational business units' financial risks in the interest rate, currency and oil markets. In addition, Stena Finance manages the Group's liquidity and financial investments. Another important role is to act as a resource for the operational units when identifying, analysing and conducting new business deals.



## Strong liquidity contributes to great flexibility

The global economy's positive development continued in 2017. Overall, stock markets are strong, growth is high and interest rates remain low. Oil prices rose in the second half of 2017, increasing from USD 40 per barrel to over USD 60 as we entered 2018.

For the first time since the 2008 financial crisis, we are now seeing synchronised global growth of almost four percent for 2018. In 2017, the UK was less affected by the Brexit process than expected. Most emerging economies are developing well.

### INCREASED HOLDING OF TECH SHARES

The balance between investments in the equity market and the bond and interest rate market has been relatively stable. The general price increase on the world's stock exchanges has contributed to the positive development of Stena's investments. Stena has

experienced a very good return on its equity holdings, but also in the bond market, with a return of 12 percent.

In 2017, Stena largely retained the same positions for the company's equity holdings, but with an increased holding of tech shares, such as e-commerce and gaming. Stena's holdings are distributed among about sixty companies on exchanges in the Nordic region, the rest of Europe, the US and Asia. The value of Stena's portfolio, which includes interest-bearing securities but excludes Adactum's holdings, has increased by 12 percent.

### RENEWED LOANS FOR LNG VESSELS

In February 2017, one of Stena's outstanding bonds expired and Stena repaid EUR 300 million. During the year, Stena refinanced the loan for Stena Bulk's three LNG vessels, with essentially the same syndicate as before and under the existing conditions.

A strong cash flow and further measures, such as the sale of mainly commercial property in Stena Property's portfolio, mean that Stena maintains its strong liquidity. Over the next few years, Stena will also focus on ensuring a high level of liquidity, leaving the Group well equipped to face the challenges of the coming years.



**PETER CLAESSION** > CEO

For Stena, the rate of investment in recent years has been marked by caution and Stena will remain selective in terms of new projects over the coming years. Our flexibility has been maintained at a high level by continuing to focus on high liquidity. Our high level of liquidity and favourable maturity profile, combined with future cash flows, means that we are well-equipped for future challenges. One such challenge could be a decision by influential central banks to normalise their monetary policy, which would adversely affect growth and financial markets.

*We are  
global.*



# OUR FLEET AND PROPERTIES

Our total fleet consists of 150 ships and drilling rigs, including newbuildings. On land we own and manage a total of 28,300 residential units and premises. A full list of all our vessels and properties can be found in the Annual Review at [stena.com](http://stena.com).

## OWNED, CHARTERED AND MANAGED

38



ROPAX FERRIES

17



RORO FERRIES

3



LNG TANKERS

79



TANKERS

6



SHUTTLE TANKERS

3



DRILLING RIGS

4



DRILLSHIPS

24,700



RESIDENTIAL

3,600



COMMERCIAL

# STENA AB BOARD



Gunnar Brock  
*Chairman*



Dan Sten Olsson  
*CEO*



Mia Brunell Livfors



Christian Caspar



Vivienne Cox



Marie Eriksson



Christian Fredrikson



William Olsson



Lars Westerberg



Anne-Marie Pouteaux  
*Deputy*



Mahmoud Sifaf  
*Employee representative*



Alessandro Chiesi  
*Employee representative*



Pia Carlsson  
*Employee representative  
Deputy*

## AUDITORS

**Peter Clemedtson** Authorised Public Accountant  
**Johan Rippe** Authorised Public Accountant

# STENA SPHERE

The Stena Sphere consists of Sten A Olsson family's three wholly-owned parent companies Stena AB (publ), Stena Sessan AB and Stena Metall AB, and wholly and partly-owned subsidiaries of these companies. The partly-owned company Concordia Maritime AB (publ) is listed on Nasdaq Stockholm and 52 percent of the company is owned by Stena Sessan AB. A total of 19,000 persons are employed in the Stena Sphere. Total revenue for 2017 was MSEK 55,388. Profit before tax amounted to MSEK 2,369.

STENA SPHERE			
BUSINESS AREAS	STENA AB (PUBL)	STENA SESSAN AB	STENA METALL AB
<b>Ferry operations</b> Revenue MSEK 12,737 Profit MSEK 915	STENA LINE		
<b>Offshore Drilling</b> Revenue MSEK 3,507 Profit MSEK -2,352	STENA DRILLING, SHUTTLE TANKERS	SHUTTLE TANKERS	
<b>SHIPPING</b> Revenue MSEK 6,598 Profit MSEK -1,028	STENA BULK, STENA RORO, STENA TEKNIK, NMG	CONCORDIA MARITIME (52%)	
<b>Property</b> Revenue MSEK 4,590 Profit MSEK 2,736 <sup>1)</sup>	STENA PROPERTY, STENA REALTY		
<b>New Businesses</b> Revenue MSEK 6,804 Profit MSEK 1,210	STENA ADACUM	MYLAN (1.1%), SCANDIC (14.6%), BEIJER ELECTRONICS (29.8%)	
<b>Finance/Other</b> Revenue MSEK 315 Profit MSEK 200	STENA FINANCE		STENA METALL FINANCE
<b>Recycling, environmental services and trading</b> Revenue MSEK 22,354 Profit MSEK 596			STENA METALL

1) Of which net valuation of property was MSEK 940

## STENA SPHERE – REVENUE AND PROFIT

MSEK	Revenue		Profit before tax	
	2016	2017	2016	2017
Stena Group	34,799	33,723	2,262	1,343
Stena Metall Group	16,404	22,354	305	596
Concordia Maritime	1,038	827	30	-343
Stena Sessan	4	1	4,610	778
Sphere eliminations	-1,295	-1,517	-12	-5
<b>Total</b>	<b>50,950</b>	<b>55,388</b>	<b>7,195</b>	<b>2,369</b>

The Meda transaction generated a total gain of SEK 8.9 billion during our period of ownership, of which SEK 4.6 billion was in 2016.

## STENA METALL

The Stena Metall Group comprises eight business areas operating in recycling, aluminium alloys, steel products, industrial components, bunker oil and finance. The Group has 3,300 employees at more than 200 locations in ten countries. Stena Metall is the Nordic region's leading envi-

ronmental service and recycling company through its subsidiary Stena Recycling. At the Swedish Stena Nordic Recycling Centre, northern Europe's most modern recycling facility, investments in state-of-the-art technology have taken recycling to a whole new level.



3,300  
EMPLOYEES



5,000,000  
TONNES WASTE RECYCLED



200 LOCATIONS  
IN 10 COUNTRIES



ANDERS JANSSON > CEO

The financial year has been characterised by stable market conditions. With continuing financial discipline and the effects of continuous improvement initiatives, the Stena Metall Group has continued to strengthen its market position in all its business areas.

During the year, we opened northern Europe's most modern recycling facility, Stena Nordic Recycling Centre (SNRC), in Halmstad. The centre is the hub of the infrastructure for industrial recycling that we have established in the Group. With more advanced recycling processes, we extract increasingly cleaner raw materials that meet growing requirements from customers and legislation. Common to all the Group's operations is the focus on new digital solutions. We have an exciting pipeline of digital projects, many aimed at strengthening the availability of our products and services and creating a basis for improvements at customers' premises.

The general market picture is relatively stable at present, although we have recently seen some quite large price movements. If current market conditions persist, I expect improved results in the current financial year.



STENAMETALL.SE  
YOUTUBE.COM/STENAMETALL



## STENA SESSAN

Stena Sessan is one of the Stena Sphere's three parent companies. The company is an owner of four listed companies which are described below, and the principal shareholder in two of them.

The company also owns two shuttle tankers and engages in asset management.

Mylan is a global pharmaceutical company and one of the world's largest producers of active pharmaceutical ingredients, with sales in 165 countries. Mylan is listed on Nasdaq in the US. Shares in Mylan were received as part of the purchase consideration when Stena Sessan sold its holding in Meda in 2016.

Scandic Hotels is the largest hotel operator in the Nordic region, with a network of 280 hotels with about 55,000 hotel rooms in six countries, after the acquisition of the Restel's hotel operations Cumulus in 2017. Scandic is listed on Nasdaq Stockholm since December 2015.

Beijer Electronics Group is a global high-tech company operating in industrial automation and data communication. The company also operates under the Beijer Electronics, Westermo and Korenics brands. After the restructuring in 2016, the company is very well prepared to grasp growth opportunities.

Concordia Maritime is an international tanker shipping company focused on cost-effective and safe transportation of refined petroleum products and vegetable oils. The company's B shares were admitted to trading on Nasdaq Stockholm in 1984.

In December 2017, Stena Sessan signed an agreement to acquire residential properties consisting of approximately 4,900 apartments from Stena Fastigheter, including some newbuilding projects. The properties will be taken over during 2018.

STENASESSAN.SE



### SUBSIDIARIES

**CONCORDIA  
MARITIME**

**Sector:** Tanker shipping  
**Revenue:** MSEK 828  
**CEO:** Kim Ullman  
**Number of employees:** 6<sup>1)</sup>  
**Stena Sessan's holding:** 52.2% (capital), 72.7% (votes)  
[concordiamaritime.com](http://concordiamaritime.com)

More information and a copy of Concordia Maritime's annual report for 2017 can be found at: [concordiamaritime.com](http://concordiamaritime.com)

1) and 473 seagoing

### SHIPPING OPERATIONS

**Stena Spirit**  
 Shuttle tanker<sup>1)</sup>

**Stena Sirita**  
 Shuttle tanker<sup>1)</sup>

1) 50%-owned

### OTHER PORTFOLIO COMPANIES

**Beijer  
ELECTRONICS**

**Sector:** Industrial automation and data communication  
**Revenue:** MSEK 1,206  
**CEO:** Per Samuelsson  
**Number of employees:** 702  
**Stena Sessan's holding:** 29.8%  
[beijerelectronics.se](http://beijerelectronics.se)

**Mylan**

**Sector:** Pharmaceuticals  
**Revenue:** USD 11.9 billion  
**CEO:** Heather Bresch  
**Number of employees:** approx. 35,000  
**Stena Sessan's holding:** 1.1%  
[mylan.com](http://mylan.com)

**Scandic**

**Sector:** Hotels  
**Revenue:** MSEK 14,582  
**CEO:** Frank Fiskers  
**Number of employees:** 9,928  
**Stena Sessan's holding:** 14.6%  
[scandichotelsgroup.com](http://scandichotelsgroup.com)

## COORDINATION GROUP



Peter Claesson



Cecilia Fasth



Carl-Johan Hagman



Eva Hansdotter



Staffan Hultgren



Anders Jansson



Dan Sten Olsson



Erik Ronsberg



Martin Svalstedt

### THE STENA SPHERE COORDINATION GROUP REPRESENTS THE MANAGEMENT OF EACH BUSINESS AREA, AND

- is responsible for the Sphere's strategic development
- supports the appreciation of the Sphere's value
- evaluates major investment/divestment proposals from the business areas
- provides information on important events
- ensures the Sphere's development through cross-fertilisation
- maintains and develops the Sphere's shared values

## SPHERE ADVISORY BOARD



Samir Brikho



Michael F. Hassing



Roger Holtback



Staffan Hultgren



Dan Sten Olsson

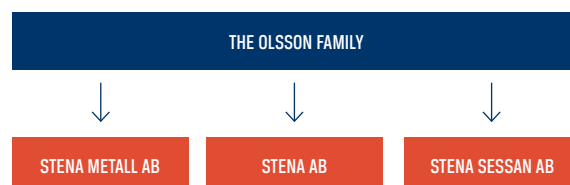


Eivind Reiten

### THE STENA SPHERE ADVISORY BOARD ADVISES ON

- keeping the Sphere together and ensuring value creation
- the consequences of change and its implementation
- management issues and support for the CEO
- evaluating established goals and performance
- balancing risks against opportunities in a short-, medium- and long-term perspective

### OWNERSHIP STRUCTURE, STENA SPHERE



# Care Innovation Performance



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Solberg

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