ALWAYS THE CUSTOMER'S FIRST CHOICE

ANNUAL REPORT STENA AB

2020

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Read more about Stena AB's operations and sustainability work in the annual review.
Printed version can be ordered from info@stena.com

THIS IS STENA

Stena's maritime activities offer everything from world-leading tanker and ferry operations, to vessel charter and offshore drilling. Stena's onshore activities provide important functions for society, such as homes, premises, renewable energy and technical development. The activities are good supplements for each other, from a risk perspective, contributing stability and long-term strength.

45
Offices

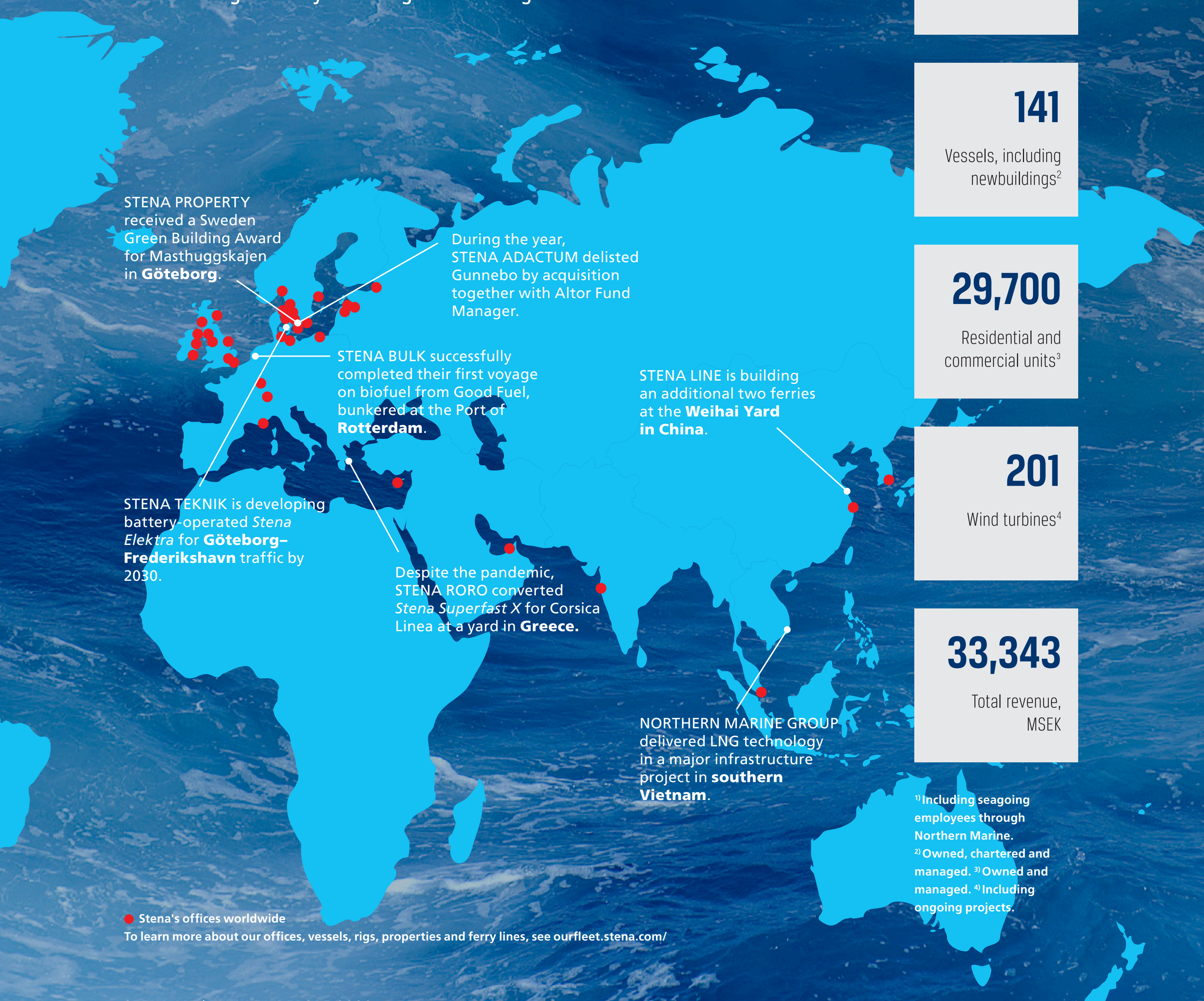
15,200
Employees[1]

141
Vessels, including newbuildings[2]

29,700
Residential and commercial units[3]

201
Wind turbines[4]

33,343
Total revenue, MSEK



To learn more about our offices, vessels, rigs, properties and ferry lines, see ourfleet.stena.com/

[1] Including seagoing employees through Northern Marine. [2] Owned, chartered and managed. [3] Owned and managed. [4] Including ongoing projects.

DIRECTORS' REPORT

GENERAL INFORMATION ABOUT THE BUSINESS

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

Ferry Operations, run by Stena Line in Scandinavia, the North Sea, the Irish Sea and the Baltic Sea, is one of the world's largest international passenger and freight service enterprises. As at 31 December 2020, operations comprised 18 strategically located ferry services, 37 vessels and five ports in Scandinavia, the United Kingdom and the Netherlands.

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

Offshore Drilling, using semi-submersible drilling rigs and drillships, is run by Stena Drilling from its head office in Aberdeen and through its global organisation with offices Houston, Bergen, Limassol and Luxembourg. Stena Drilling is one of the world's leading companies in the development, construction and operation of drilling units. The fleet comprises one third-generation and one fifth-generation drilling rigs and four sixth-generation drillships for ultra-deepwater operations, one of which is an ice-classed vessel.

The revenue comprises revenue from charter contracts for drilling rigs and drillships. The direct operating costs are mainly staff costs, fuel costs and costs for insurance, maintenance and catering.

Shipping operations are run by Stena RoRo in the RoRo and RoPax ferry market and by Stena Bulk in the tanker market and LNG (Liquefied Natural Gas) market. To support operations, the company is also involved in management and manning, as well as the design, purchase, sale and redevelopment of such vessels.

Stena RoRo has its head office in Göteborg and provides vessels, innovative solutions and project management. The company's customers are operators and ship owners throughout the world.

Stena Bulk has its head office in Göteborg as well as offices in Houston, Singapore, Copenhagen, Dubai and Limassol. Stena Bulk is one of the world's leading tanker companies. Stena Bulk develops pioneering tankers that satisfy customers' demand for safe transport and innovative logistics. Stena Bulk controls a fleet of 80 tankers and has operations in all segments of the tanker market.

Shipping operations also include the manning of ships via Northern Marine Group, which has its head office in Glasgow, as well as offices in Manila, Mumbai, Singapore, Shanghai, St Petersburg, Göteborg, Houston and Aberdeen. With an extensive customer portfolio and a large number of vessels under management, the company is a market leader in advanced ship management. The company operates a high-tech fleet of around 100 vessels from its worldwide network of offices in various cities around the world.

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

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

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

In total, Stena owns and manages, on behalf of associates, 2.5 million square metres, mainly in Sweden. The holdings comprise around 29,700 residential units as well as commercial properties. Of these holdings the Group owns 1.7 million square meters and around 19,850 residential units and commercial properties. Revenue comprises rents from tenants in the company's properties as well as management revenue from managed properties. The costs refer mainly to maintenance, heating and staff.

New Businesses is run by Stena Adactum, based in Göteborg. Stena Adactum invests in companies that fall outside Stena's traditional core operations. Stena Adactum is the Group's investment company that invests long-term in listed and unlisted companies. The aim is to build strong, profitable companies that can form a platform for new business areas within the Stena Sphere. The portfolio currently includes the wholly owned subsidiaries Ballingslöv International, Blomsterlandet (S-Invest), Envac and Captum as well as the associates Stena Renewable, Gunnebo, Midsona and Beijer Electronics. The subsidiaries operate in four different business segments:

Ballingslöv International is an international group operating in the kitchen, bathroom and storage sector with the ambition of becoming one of the leading players in the European market for these products. The company has manufacturing units in Sweden, the United Kingdom and Denmark. Blomsterlandet (S-Invest) is a retail chain with one of the largest ranges of indoor and outdoor plants in Sweden. Envac provides automated waste collection systems for households and municipal authorities and has offices in 20 countries. Captum was established in 2016 and its main business is the provision of payment solutions to the companies in the Stena Sphere.

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

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

THE YEAR IN BRIEF

- The consequences of the global outbreak of Covid-19 has affected the Stena AB Group as from mid-March 2020. Stena has taken steps to ensure the health and safety of its employees and in parallel focusing on minimising any negative impact on the business. The impact is related to the general situation and decisions made by local authorities affecting the demand for services and products provided by the Stena AB Group. The Covid-19 outbreak is affecting Stena's business areas in different ways and there has been a negative financial impact on the Stena AB Group . In summary, the businesses have gradually improved during the year, and the Stena AB Group has experienced recovery in terms of demand during the latter part of the reporting period. In order to mitigate the negative effects from Covid-19, measures were taken to adapt the cost structure. Disciplined cost efficiency activities were implemented to meet both short- and longer-term challenges. Short-term, furlough with governmental support related to Covid-19 were implemented, mainly in Sweden and the United Kingdom. Moreover, the Stena AB Group has taken further measures in order to reduce costs going forward, such as a reduction of approximately 1,400 employees, reduction of the number of consultants and other cost mitigation actions related to fixed costs. Considering the signs of recovery during the latter part of the reporting period, the measures taken lay a good foundation for a strong recovery going forward for the Stena AB Group.
- For the first time in Stena AB Group's eighty-year history, the Group reported a negative result.
- Despite a challenging year, several of the business areas have delivered good operational results.
- A healthy balance sheet with an equity ratio of 35% as at 31 December 2020, compared to 37% as at 31 December 2019.
- Strong liquidity position amounting to SEK 19.9 billion, compared to SEK 13.8 billion in 2019.
- The year was very volatile with a challenging first half year, followed by a significant recovery during the second part of the year.
  - Total income amounted to SEK 33.3 billion, compared with SEK 37.1 billion in 2019.
  - EBITDA (operating profit before results from investments in operating associates and before depreciation), excluding valuation of our investment properties and sales of non-current assets, amounted to SEK 4.9 billion, compared to SEK 7.3 billion in 2019.
  - EBITDA decreased compared to the previous year, mainly as a result of reduced EBITDA within the segments Ferry Operation and Drilling Offshore.
  - Profit before tax amounted to SEK –4.9 billion, compared to SEK 240 million in 2019, including sales of non-current assets amounted to SEK 137 million and SEK 499 million in 2019, respectively.
- Stena Line´s operational result was lower compared to 2019 mainly due to significant reduced volumes for both cars and passengers, as a direct consequence of the Covid-19 outbreak. Freight volumes improved significantly during the third and fourth quarter compared with previous quarters in 2020 and were at the same levels as last year's volumes.
- Stena Drilling's result decreased compared to 2019 due to less operating days, as a direct consequence of the Covid-19 outbreak together with the drop in oil prices. During the year Stena Drilling has secured several new contracts for the drilling units and also continued to focus on the cost reduction programme, that has been implemented to address the current market situation. The average commercial utilisation rate for drilling units under contract 2020 was 94%.
- The tanker markets were strong during large parts of 2020, both for suezmax and product tanker vessels. Stena Bulk reported higher earnings in the tanker segment during larger parts of 2020 compared to the earnings reported in 2019. However, the fourth quarter of 2020 was characterized by a significant drop in the market with rates at historically low levels. EBITDA increased mainly due to improved rates within both the Suezmax and the product tanker segments, as well as due to stronger charter rates for the LNG vessels.
- Stena RoRo reported a continued high utilisation rate and strong contract coverage during the year. Stena RoRo also worked on chartering in and out vessels for Stena Line, and selling vessels no longer needed in Stena Line's operation.
- Stena Property continued to be profitable with a slightly improved EBITDA, excluding change in fair value of investment properties and net result on sale of non-current assets, compared to last year. The average occupancy rate for the year was very high, around 96%, as compared to 97% in 2019.
- Stena Adactum reported a strong result for 2020 despite the Covid-19 outbreak, especially for Ballingslöv International, Blomsterlandet and Svedbergs. Stena Adactum continued to develop and expand its operations during the year.

SIGNIFICANT BUSINESS EVENTS 2020

Ferry Operations

On January 31, 2020 Stena Line closed the route operating Varberg–Grenaa and the day after a new route operating Halmstad–Grenaa was opened.

CONT. **DIRECTORS' REPORT**

In March 2020 *Stena Edda* arrived in Europe and entered traffic on the route Belfast-Liverpool.

Stena Superfast X has been transferred from Stena Line to Stena RoRo during beginning of March 2020.

The RoRo vessels *Hatche* and *Qezban* have been contracted. *Hatche* was delivered according to plan in January 2020 and now operates on the route Europoort–Killingholme. *Qezban*, now *Pol Maris*, started to traffic the same route in March 2020.

During March 2020 Stena Line closed the route operating Oslo–Fredrikshamn permanently and suspended the operation of the route between Trelleborg–Sassnitz until further notice. As of June 12 2020 it was announced that the route will be permanently closed.

Stena Embla has been delivered in November 2020 and will enter into traffic on the route Belfast–Birkenhead in February 2021.

Offshore Drilling

In early 2020, several of Stena Drilling's contracts were cancelled by clients due to the impact of Covid-19 and the fall in the oil price, which caused all exploration activities to be suspended in principle overnight.

Later in 2020, as the market recovered, Stena Drilling secured the following contracts for its fleet of drilling units.

Stena Don secured a contract with Petrofac Facilities Management Limited for a one well campaign plus options in the UK North Sea. Work is scheduled to commence in July 2021.

A contract for *Stena Spey* was secured with PSE Kinsale Energy Limited for a six month campaign in Ireland which is due to commence in April 2021.

Stena DrillMAX secured a contract with Esso Exploration and Production Guyana Limited for a minimum six month campaign in Guyana commencing in February 2021. In March 2021, an option was exercised to extend this work to January 2022.

Stena Carron secured an extension of its contract with Esso Exploration and Production Guyana Limited for work in Guyana through to July 2021, with an option to extend to January 2022. This option was subsequently exercised in March 2021.

Stena Forth secured a contract with Tullow Suriname B.V. for a one well campaign in Suriname which commenced in January 2021. In addition, *Stena Forth* secured a contract with CNOOC Petroleum North America ULC for a one well campaign in Canada commencing in April 2021, and also a contract with Noble Energy Mediterranean Ltd (now Chevron Corp.) for four firm wells plus options in Israel commencing in July 2021.

Stena IceMAX secured a contract with Bahamas Petroleum Company PLC for work in the Bahamas. This work commenced in December 2020 and was completed in February 2021. In addition, a contract for *Stena IceMAX* was secured with Repsol Exploracion Mexico S.A. de C.V. for a one well campaign plus options in Mexico commencing in May 2021.

Shipping – Stena Bulk

In March 2020, a contract was signed regarding the LNG vessel *Stena Crystal Sky* from July 2020 for 170 days with an undisclosed operator.

During the fourth quarter 2020 *Stena Conquest* was sold and delivered to its new owners.

Shipping – Stena RoRo

In March 2020 the vessel *Stena Nova,* which was purchased 2018, was delivered. In December 2020 it was decided to sell the vessel and it was reported under assets held for sale in the annual report.

During the year, from April and onwards, the Stena RoRo fleet has increased with three vessels, *Stena Saga*, *Stena Forecaster* and *Sassnitz*. The vessels have been transferred from Stena Line to Stena RoRo. These three vessels and *Stena Foreteller* have to a varying degree been laid-up during the year as a result of poor demand, caused by the Covid-19 outbreak.

In June 2020 *Stena Superfast X* was delivered to Corsica Linea under a long term bareboat contract. The vessel was renamed to *A. Nepita.*

In September 2020 the new built RoPax vessel *Galicia* was delivered from China Merchants Jinling Weihai Shipyard and chartered out to Brittany Ferries on a long term bareboat charter.

Other Shipping

In February 2020 Stena Rederi AB acquired an additional 50% of the shares in the logistics and transport company NTEX AB. The ownership in NTEX AB is thereby 75% and the company is consolidated as a subsidiary as from the date of the acquisition

Property

In 2020 Stena Fastigheter continued to invest in new construction as well as in existing property portfolio. Stena Fastigheter completed 296 newly built apartments. One building with condominiums associations was completed and sold during the year in Göteborg. Two properties were transformed from tenancies to condominiums associations and sold in Stockholm.

In 2020 Stena Fastigheter divested one property in Göteborg and Stena Realty divested one property in the Netherlands.

As at December 31, 2020, the economic occupancy rate was 96.2%. In Sweden, the economic occupancy rate was 98.0% for residential premises and 96.1% for commercial premises. Internationally, the economic occupancy rate was 90.6%

New businesses

In November 2020 the offer to the shareholders of Gunnebo by Altor and Stena Adactum at a price of SEK 25 in cash per share was completed. The value of Stena Adactum's stake in Gunnebo in the transaction was 620 MSEK and Stena Adactum's ownership is unchanged at 26% after the transaction. The share was de-listed from the stock-exchange in December.

Subsequent events

As per 1 January 2021 the United Kingdom left the EU, which has not had a significant impact on the Stena AB Group operation.

In February 2021 Stena Fastigheter acquired two commercial properties Göteborg.

On 2 March 2021, Stena Realty acquired one commercial property in Poland.

On 5 March 2021, a London Arbitration Tribunal determined certain issues in dispute between Stena Atlantic Limited ("Stena") and Samsung Heavy Industries Co, Ltd ("SHI") over the construction of a harsh environment semi-submersible drilling unit, formerly known as "*Stena MidMAX*". The Contract for the unit was signed on 26 June 2013 with delivery of the unit to be made by 20 March 2016. The Contract was terminated by Stena on 1 June 2017 due to excessive delay. SHI disputed the termination and referred the dispute to London Arbitration. The Tribunal determined that Stena's termination of the Contract was valid and in doing so dismissed all claims by SHI against Stena. The Tribunal also ordered payment by SHI to Stena of the minimum sum of USD 411 Million by way of refundment of Stena's pre-delivery payments plus further amounts in respect of interest and project costs. Based on the value of the receivable recognized in the Stena accounts, the award from the tribunal will not have any significant impact on the profit and loss statement of the Stena Group.

In January 2021 Stena signed an agreement to sell major part of its international properties as part of a restructuring of the international real estate portfolio. On March 11, 2021 the transaction was completed, which generated a positive cash flow of SEK 2,3 billion.

During the first quarter 2021 *Stena Concert* was sold, but not yet delivered, to an non-disclosed party.

In March 2021 the vessel *Stena Nova* was sold and delivered to her new owners.

In April 2021, 15% of the total outstanding shares in Stena Renewable AB was sold to Alecta. After the transaction, Stena Adactum holds 20% of the shares in Stena Renewable.

SHAREHOLDERS

All of the issued and outstanding voting shares of Stena AB were owned as following as at 31 December 2020:

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

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

FUTURE DEVELOPMENTS

The pandemic is affecting the Stena AB Group. Given the uncertain situation, it is not currently possible to predict the full future impact on the Stena AB Group. There are still challenges, given the development during the first part of 2021, but the recovery in several of the business areas in the group still has a positive impact on the Stena AB Group.

Management evaluates the situation on an ongoing basis and has implemented cost savings and various measures to reduce the effects of declining demand on products and services within the Group. Management currently has no significant doubts about the Group´s continued operations and the overall business is therefore expected to continue in the same direction and to about the same extent as in 2020.

RESEARCH AND DEVELOPMENT

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

ENVIRONMENT

The Group conducts several environment-related projects for the purpose of reducing our general environmental impact. Since shipping comprises a large part of Stena's activities, one of our major challenges is to develop more efficient vessels.

CONT. **DIRECTORS' REPORT**

The most important measure for Stena's shipping divisions is to reduce energy consumption in relation to work performed.

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

SUSTAINABILITY WORK

The company's sustainability work is described in the Annual Review for the Stena AB Group, which is issued by Stena AB, organization registration number 556001-0802, residing in Göteborg. According to the Swedish accounting act chapter 6, §11, Stena AB´s statutory sustainability report is prepaired as a separate report. The scope of this Sustainability Report is presented on page 46 in the Annual Review.

FINANCIAL RISKS

For financial risks, see Note 1 Summary of significant accounting policies and Note 26 Financial risk factors and financial risk management.

EMPLOYEES

In 2020, the average number of employees was 11,483 compared with 11,813 on 31 December 2019. A vital factor for realising Stena AB Group's vision is its employees, their expertise, enthusiasm and skills.

Future development depends on the company retaining its position as an attractive employer. To support this goal, the company strives for a working climate where energy, passion and respect for the individual are the guiding principles. A Group overall attitude survey is carried out regularly and the number of satisfied employees remains high. Every employee must attend a career development meeting once a year. For more information about employees see Note 28.

INCOME AND PROFIT

Consolidated income for 2020 was SEK 33,343 (37,142) million, including profit on the sale of vessels totalling SEK 10 (171) million, property sales totalling SEK 175 (328) million and sale of operations totalling SEK –48 (0) million. Profit before tax for the year was SEK –4,835 (240) million and Profit for the year was SEK –4,835 (13) million.

FINANCING AND LIQUIDITY

At 31 December 2020, cash and cash equivalents and current investments totalled SEK 3,566 (6,297) million, of which SEK 3,074 (5,548) million were available. Together with non-current investments and available credit facilities, the total payment capacity at 31 December 2020 was SEK 19.9 (13.8) billion.

Of the credit facility of USD 725 million, USD 531 (579) million were utilised at 31 December 2020, of which USD 3 (3) million were related to issued guarantees. Loan repayments during the year amounted to SEK 12,052 (5,220) million.

Consolidated total assets at 31 December 2020 amounted to SEK 121,933 million, compared to SEK 129,777 million at 31 December 2019. Investments in property, plant and equipment and intangible assets during the year amounted to SEK 4,722 (4,550) million. The consolidated debt/equity ratio, defined as net interest-bearing debt in relation to net interest-bearing liabilities, equity and deferred tax liabilities, was 53 (50) % at 31 December 2020.

According to the consolidated balance sheet as at 31 December 2020, retained earnings attributed to shareholders of the Parent company amounted to SEK 35,766 (43,403) million, of which SEK –4,860 (24) million comprised net profit for the year.

In January 2020 two bonds were issued, one USD 350 million and one EUR 315 million. The purpose with the transactions was to extend the debt maturity profile and to amortise the outstanding term loan B, amounting to USD 613 million.

In March 2020 the EUR 200 million bond was repaid at maturity.

On May 25, 2020, a revolving credit facility agreement was signed regarding a credit facility amounting to SEK 10.7 billion, whereof 75% is guaranteed by Exportkreditnämnden, EKN. For Stena AB this is an unsecured credit facility.

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

PARENT COMPANY

The Parent company's revenue totalled SEK 168 (163) million, while profit before tax was SEK 635 (1,032) million, of which dividends from subsidiaries totalled SEK 3,200 (1,125) million.

PROPOSED DISTRIBUTION OF NON-RESTRICTED EQUITY

The Board of Directors proposes that a dividend amounting to SEK 0 (0) million is made to the shareholders. The remaining retained earnings amounting to SEK 20,120 million is carried forward.

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

SYSTEM FOR INTERNAL CONTROL AND RISK MANAGEMENT REGARDING FINANCIAL REPORTING

This description of Stena AB Group´s internal control and risk management regarding financial reporting has been prepared in accordance with the Swedish Annual Accounts Act. The Board of Directors is responsible for the company's internal control, the overall aim of which is to safeguard the company's assets and thereby its shareholders' investment. Stena uses the COSO framework as a basis for internal control over financial reporting. The COSO framework, which is issued by the Committee of Sponsoring Organisations of the Treadway Commission, is made up of five components; control environment, risk assessment, control activities, information and communication as well as monitoring. The COSO framework was implemented in 2007 when the Stena AB Group reported in accordance with the US "Sarbanes-Oxley Act 404" for the first time. When the American bond was repaid on 5 March 2013, the Stena AB Group was deregistered from SEC and is no longer required to report in accordance with the Sarbanes-Oxley Act 404. Stena has, however, kept the COSO framework as guidelines for work on internal control over financial reporting.

CONTROL ENVIRONMENT

The control environment forms the basis of internal control, as it includes the culture that the Board and management communicate and by which they work. The control environment is made up primarily of integrity, ethical values, expertise, management philosophy, organisational structure, responsibility and authority, policies and procedures as well as routines. It is of particular importance that management documents, such as internal policies and procedures exist in significant areas and that these provide employees with solid guidance. Examples of important policies and procedures within Stena are "Principles, convictions and basic values for Stena AB", "Code of Conduct", "Code of Governance", "Power Reserved List", "Finance Policy" and "Financial Manual" which define the accounting and reporting regulations. These policies and procedures have been made available to all relevant employees through established information and communication channels. Furthermore, the Board has appointed an Audit Committee, whose primary task is to ensure that established principles for financial reporting and internal control are complied with and that appropriate relations are maintained with the company's auditors.

RISK ASSESSMENT

Stena carries out regular risk assessments in order to review the risks of errors within its financial reporting. The risk assessment of financial reporting aims to identify and evaluate the most significant risks that affect internal control over financial reporting in the Group's companies and processes. The Group's overall risk assessment is continuously updated in order to obtain a general idea of the main risks. To limit risks there are appropriate policies and procedures as well as processes and control activities within the business. The risk assessment is updated on an annual basis under the direction of the Corporate Governance function and the results are reported to the Audit Committee.

CONTROL ACTIVITIES

The most significant risks identified regarding financial reporting are managed through various control activities. There are a number of control activities built into every process to ensure that the business is run effectively and that financial reporting provides a true and fair view. The control activities, which aim to prevent, find and correct potential inaccuracies, include authorisations, account reconciliations as well as analysis of financial figures. IT systems are audited regularly during the year to ensure the validity of Stena's IT systems with respect to financial reporting.

INFORMATION AND COMMUNICATION

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

MONITORING

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

INTERNAL AUDIT

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

GROUP CONSOLIDATED INCOME STATEMENT

SEK in million	Note	1 January–31 December 2020	2019
Revenue			
Ferry Operations		10,362	14,286
Offshore Drilling		1,332	2,440
Shipping		10,752	8,728
Property		2,742	2,706
New Businesses		7,229	7,255
Other		38	4
Total revenue		**32,455**	**35,419**
Net result on sale of non-current assets	4	137	499
Total other income		**137**	**499**
Change in fair value of investment properties	12	751	1,224
Total income	3	**33,343**	**37,142**
Direct operating expenses			
Ferry Operations		–7,766	–9,482
Offshore Drilling		–1,726	–1,755
Shipping		–7,552	–6,489
Property		–824	–806
New Businesses		–5,354	–5,369
Other		26	354
Total direct operating expenses		**–23,196**	**–23,547**
Gross profit		**10,147**	**13,595**
Selling expenses		–1,615	–1,506
Administrative expenses	5	–2,782	–3,062
Net result from investments in operating associates	6	–46	–119
Depreciation, amortisation and impairment	3, 9, 10, 11, 19	–7,495	–7,177
Operating profit	3	**–1,791**	**1,731**
Result from investments in strategic associates	6	–19	86
Dividends received		96	85
Result on sale of securities		–412	1,013
Interest income		226	439
Interest expenses		–2,659	–2,946
Exchange gains/losses		–42	56
Other finance income/costs		–257	–224
Financial net	7	**–3,067**	**–1,491**
Profit before tax		**–4,858**	**240**
Taxes	8	23	–227
Profit for the year		**–4,835**	**13**
Profit for the year attributable to:			
Shareholders of the Parent company		–4,860	24
Non-controlling interests		25	–11
Profit for the year		**–4,835**	**13**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK in million	Note	1 January–31 December 2020	2019
Profit for the year		**–4,835**	**13**
Other comprehensive income	14		
Items that may subsequently be reclassified to profit or loss:			
Change in fair value reserve for the year, net of tax		–43	40
Change in net investment hedge for the year, net of tax		–604	–255
Share of other comprehensive income of associates		–147	39
Change in translation reserve for the year		–767	1,200
Items that will not be reclassified to profit or loss:			
Change in fair value reserve for the year, net of tax		120	108
Remeasurements of post-employment benefit obligations		10	90
Change in revaluation reserve for the year		199	154
Share of other comprehensive income of associates		–2	–20
Other comprehensive income		**–1,234**	**1,356**
Total comprehensive income		**–6,069**	**1,369**
Total comprehensive income attributable to:			
Shareholders of the Parent company		–6,099	1,382
Non-controlling interests		30	–13
Total comprehensive income for the year, net of tax		**–6,069**	**1,369**

GROUP CONSOLIDATED BALANCE SHEET

		31 December	
SEK in million	Note	2020	2019
Assets			
Non-current assets			
Intangible assets	9		
Goodwill		2,785	2,753
Trademarks		813	733
Rights to routes		479	558
Other intangible assets		654	795
Total intangible assets		**4,731**	**4,839**
Property, plant and equipment			
Vessels	10	36,012	39,919
Construction in progress	10	1,869	3,103
Equipment	10	2,797	3,090
Land and buildings	10	2,414	2,129
Ports	11	4,497	4,188
Total property, plant and equipment		**47,589**	**52,429**
Investment properties	12	**40,902**	**38,684**
Financial assets			
Investments reported according to the equity method	6	3,556	3,979
Marketable securities	27	3,363	3,903
Surplus in funded pension plans	16	1,195	1,039
Other non-current assets	27	5,348	5,473
Total financial assets		**13,462**	**14,394**
Total non-current assets		**106,684**	**110,346**
Current assets			
Inventories		1,080	1,169
Trade receivables	13	2,867	3,178
Other current receivables	13	5,591	6,337
Prepayments and accrued income	13	1,487	2,450
Short-term investments	27	1,752	2,931
Cash and cash equivalents		1,814	3,366
Assets held for sale	22	658	
Total current assets		**15,249**	**19,431**
Total assets	3	**121,933**	**129,777**

SEK in million	Note	31 December 2020	2019
Equity and liabilities			
Equity			
Share capital		5	5
Reserves	14	6,935	4,483
Retained earnings		40,626	43,379
Profit for the year		–4,860	24
Equity attributable to shareholders of the Parent company		**42,706**	**47,891**
Non-controlling interests		219	159
Total equity		**42,925**	**48,050**
Non-current liabilities			
Deferred tax liabilities	15	4,820	5,120
Pension liabilities	16	748	752
Other provisions		64	25
Long-term debt	17	30,924	40,162
Senior Notes	18	13,260	8,212
Capitalised lease obligations	19	12,441	9,214
Other non-current liabilities	20	3,431	2,718
Total non-current liabilities		**65,688**	**66,203**
Current liabilities			
Short-term debt	17	2,576	1,911
Senior Notes	18		2,100
Capitalised lease obligations	19	1,735	1,601
Trade payables		1,944	2,158
Tax liabilities		109	63
Other liabilities		2,086	2,634
Accruals and deferred income	21	4,870	5,057
Total current liabilities		**13,320**	**15,524**
Total equity and liabilities		**121,933**	**129,777**

GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK in million	Share capital	Reserves[1]	Retained earnings including Profit for the year	Total	Non-controlling interests	Total equity
	Equity attributable to shareholders of the Parent company					
Opening balance, 1 January 2019	**5**	**3,352**	**43,242**	**46,599**	**127**	**46,726**
Change in fair value reserve for the year		94	54	148		148
Change in net investment hedge for the year		–255		–255		–255
Change in revaluation reserve for the year		90	64	154		154
Change in translation reserve for the year		1,202		1,202	–2	1,200
Change in associates for the year			19	19		19
Remeasurement of post-employment benefit obligation			90	90		90
Other comprehensive income		**1,131**	**227**	**1,358**	**–2**	**1,356**
Profit for the year			24	24	–11	13
Total comprehensive income		**1,131**	**251**	**1,382**	**–13**	**1,369**
Dividend			–90	–90		–90
Acquisition of non-controlling interest					45	45
Closing balance, 31 December 2019	**5**	**4,483**	**43,403**	**47,891**	**159**	**48,050**
Closing balance, 31 December 2019	**5**	**4,483**	**43,403**	**47,891**	**159**	**48,050**
Change in accounting policy (note 2)		3,717	–2,781	936		936
New opening balance, 1 January 2020	**5**	**8,200**	**40,622**	**48,827**	**159**	**48,986**
Change in fair value reserve for the year		56	21	77		77
Change in net investment hedge for the year		–604		–604		–604
Change in revaluation reserve for the year		55	144	199		199
Change in translation reserve for the year		–772		–772	5	–767
Change in associates for the year			–149	–149		–149
Remeasurement of post-employment benefit obligation			10	10		10
Other comprehensive income		**–1,265**	**26**	**–1,239**	**5**	**–1,234**
Profit for the year			–4,860	–4,860	25	–4,835
Total comprehensive income		**–1,265**	**–4,834**	**–6,099**	**30**	**–6,069**
Dividend						
Acquisition of non-controlling interests			–22	–22	30	8
Closing balance, 31 December 2020	**5**	**6,935**	**35,766**	**42,706**	**219**	**42,925**

1) See also Note 14.

GROUP CONSOLIDATED STATEMENT OF CASH FLOW

SEK in million	Note	1 January–31 December 2020	2019
Cash flow from operating activities			
Profit for the year		–4,835	13
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Depreciation, amortisation and impairment	3	7,494	7,177
Change in fair value of investment properties		–751	–1,224
Share of strategic associates result		19	–86
Gain on sale of non-current assets	4	–137	–499
Gains/losses on sale of securities net		412	–1,013
Exchange differences, unrealised		1,233	–548
Deferred income taxes		35	26
Other non-cash items		527	–324
Pensions		–216	–257
Dividends from operational associates and joint ventures		44	27
Investments and disposals of operational associates and joint ventures			–147
Net cash flow from trading securities		210	1,046
Cash flow from operating activities before changes in working capital		**4,035**	**4,191**
Changes in working capital			
Trade and other receivables		565	–171
Prepayments and accrued income		336	–9
Inventories		200	165
Trade payables		–335	–22
Accruals and deferred income		269	3
Income tax payable		–152	10
Other current liabilities		121	–107
Cash flow from operating activities	25	**5,039**	**4,060**
Investing activities			
Capital expenditure on intangible assets		–96	–284
Sale of property, plant and equipment	4	291	687
Capital expenditure on property, plant and equipment		–6,073	–5,318
Purchase of operations, net of cash acquired	24	–208	–293
Sale of operations, net of cash sold companies	24	0	
Dividends from strategic associates		19	35
Investments and disposals of strategic associates		–227	–759
Sale of securities		2,036	3,037
Purchase of securities		–2,117	–2,658
Increase in other non-current assets	25	–273	–310
Decrease in other non-current assets	25	825	37
Other investing activities		–35	–168
Cash flow from investing activities		**–5,858**	**–5,994**
Financing activities			
Proceeds from issuance of short and long-term debt		9,789	1,238
Principal payments on short and long-term debt		–12,052	–5,220
Net change in borrowings on line-of-credit agreements		–747	5,807
New lease obligations		4,684	3,413
Principal payments on capitalised lease obligations		–1,945	–1,676
Net change in restricted cash accounts		196	–11
Dividends			–90
Other financing activities	25	–528	–84
Cash flow from financing activities	25	**–603**	**3,377**
Effect of exchange rate changes on cash and cash equivalents		–130	40
Net change in cash and cash equivalents		**–1,552**	**1,483**
Cash and cash equivalents at beginning of year		**3,366**	**1,883**
Cash and cash equivalents at end of year		**1,814**	**3,366**

NOTES

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

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

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

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

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

The annual accounts and consolidated financial statements are approved for issue by the Board of Directors on 28 April 2021. The balance sheets and income statements will be presented for adoption by the Annual General Meeting on 28 April 2021.

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

Assets and liabilities are measured at historical cost with exception of certain investment properties and certain financial assets and liabilities which are measured at fair value. Ports and vessels in the Ferry operation segment, as well as Drilling units in the Offshore drilling segment are recognised according to the revaluation model.

NEW OR AMENDED REPORTING STANDARDS 2020

IAS 16 allows for a policy choice when measuring property, plant and equipment (PP&E) subsequently to their initial recognition – cost model or revaluation model. For the vessels in the Ferry operations and the units in the Drilling operations the Group has changed accounting policy from the cost model to the revaluation model. The change is applied retrospectively with a remeasurement done at January 1, 2020. The comparative figures for year 2019 are not restated. The change to the revaluation model is accounted for directly in equity as of January 1, 2020, as the remeasurement of the vessels and drilling units is done at this date. The accounting effects from the change is described below for each of the two segments separately.

Ferry operations

In order to streamline the reporting in the segment and use the same valuation basis for major classes of assets, Stena has decided to change the measurement policy for vessels within the segment from the cost model to the revaluation model. The change is recorded as a one-time effect in revaluation reserves within equity as of January 1, 2020. The remeasurement has increased the value of vessels in the segment with SEK 4.3 billion before tax as of January 1, 2020. The remeasured value is the new basis for depreciation, resulting in depreciations for the twelve months in 2020 are different compared to the same period 2019.

Offshore Drilling

Stena has decided to change the measurement policy for units in the segment to the revaluation model as a fair value is deemed to be more value relevant. The change is recorded as a one-time effect in retained earnings as of January 1, 2020. The remeasurement has decreased the value of drilling units in the segment with SEK 3.1 billion before tax as of January 1, 2020. The remeasured value is the new basis for depreciation, resulting in depreciations for the twelve months in 2020 are different compared to the same period 2019.

Consolidated Group

Total effect for the group is a net effect in equity as of January 1, 2020 of SEK 936 million. As of December 31, 2020, no revaluation has been performed for vessels or drilling units. The revaluation model is already applied for ports within the Ferry operations segment. Applying the new accounting policy, a revaluation model, means that vessels and drilling units within Ferry operations and Offshore drilling will be carried at their fair values at the revaluation date less subsequent depreciation and impairment. Fair values are based on appraisals carried out by independent third parties.

BASIS OF CONSOLIDATION

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

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

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

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

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

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

Business combinations and goodwill

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

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

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

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

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

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

Investments in associates, joint ventures

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

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

Investments in associates and joint ventures are accounted for using the equity method. The method requires the investment to be initially recognised at cost. The carrying amount is subsequently increased or reduced to reflect the owner company's share of the profit or loss of the associate/joint venture following the acquisition. In the consolidated balance sheet, the holdings are reported as "Investments reported according to the equity method". In the consolidated income statement, associates and joint ventures are divided according to strategic holdings and other holdings, with strategic holdings reported as "Profit/loss from investments in associates" within financial net and other holdings reported within each business area under operating profit. Dividends received are set off against the carrying amount of each participation. At the end of each reporting period, the Group assesses whether there is any objective evidence of impairment of the investments. If this is the case, the Group calculates the impairment amount as the difference between the associate's recoverable amount and the carrying amount and reports the amount under "Result from investments in associates" or under operating profit depending on whether the holding is classified as a strategic holding or other holding.

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

Translation of foreign operations

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

Transactions in foreign currency

Foreign currency transactions are converted to the functional currency at the exchange rate prevailing on the transaction day. The functional currency is the currency of the primary economic environment in which the company generates and expends cash. Monetary assets and liabilities in foreign currencies are converted to the functional currency at the exchange rate prevailing on the closing date.

Exchange differences which arise are reported in the income statement. Non-monetary assets and liabilities, which are reported at historical cost, are revaluated at the transaction date. Non-monetary assets and liabilities which are reported at fair value, are revalued to the functional currency at the exchange rate prevailing at the revaluation date.

SEGMENT REPORTING

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

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

NOTES

CONT. **NOTE 1**

take place at market conditions and at market prices. The Stena AB Group's business areas and, thereby, its segments are:

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

REVENUE RECOGNITION

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

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

The identified performance obligations in the customer contracts within the Group have been categorized based on the group's revenue streams. The absolute majority of the Groups customer contracts consists of one performance obligation. Several of the Group companies are acting as a lessor and the principles of recognizing lease income is not included and described below as this income is presented in the section concerning leasing contracts. Stena has chosen to include lease income in the operating segment reporting in the annual report since the lease income and correlated sale of services are closely related.

The operating segments within the Group except for Offshore Drilling account for the sale of both goods and services. Revenue from delivered goods are recognised at one point in time or over time.

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

Each customer contract could initiate recognition of contract assets and liabilities. The Stena Group applies terms as accrued income and work in progress or in some cases other receivables in order to capture the information included in the term contract asset. The same is the case with deferred income and prepayments to capture the information included in the terms contract liabilities. Disclosures with regards to contract assets and liabilities are presented in Note 13 and 21. The main contract asset accounted for by the Group is accrued income. This is the case of customer contracts where revenue is recognised over time if the delivery will take place over a longer period of time. This is the case for the construction contracts delivered by Envac and certain projects delivered by Ballingslöv (as part of New Businesses). The main contract liabilities are recognised by Ferry Operation and they include received advances on travels and customer loyalty programs. The revenue streams and principles of recognition are presented in Note 3.

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

For vessels, not recognised according to the revaluation model, the company uses appraisals carried out by independent vessel brokers for impairment assessment. If a review indicates that the net carrying amount of an asset exceeds its recoverable amount, discounted cash flows based on estimated capital expenses and estimated future returns are used. Assets having a direct joint income, are defined as the smallest cash-generating unit. If impairment exists on the date of closing, the recoverable amount of the asset is estimated and the asset is written down to this value. Impairment is reversed if any change is made to the calculations used to determine the recoverable amount.

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

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

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

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

Vessels	
Drilling rigs	20 years
Drilling rig vessels	20 years
Crude oil tankers	20 years
LNG carriers	20 years
RoPax vessels	20–25 years
RoRo vessels	20–25 years

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

INVESTMENT PROPERTY

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

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

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

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

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

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

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

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

INTANGIBLE ASSETS

Goodwill

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

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

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

Trademarks

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

IT investments

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

Distribution agreements

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

Rights to routes

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

BORROWING COSTS

Borrowing costs that are attributable to the construction of qualifying assets are capitalised as part of the cost of the qualifying asset. A qualifying asset is an asset which necessarily takes a significant amount of time to prepare

CONT. NOTE 1

for its intended use. Borrowing costs incurred on loans that are specific to the qualifying asset are capitalised.

ACCOUNTING FOR GOVERNMENT GRANTS

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

During 2020, as an effect of the ongoing Covid-19 pandemic, governmental support has been received and realised in the income statement. The support has mainly been received from the Swedish Government, related to support for temporary lay-offs and for lost income.

NON-CURRENT ASSETS HELD FOR SALE

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

FINANCIAL ASSETS AND LIABILITIES

General

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

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

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

Derecognition of financial instruments

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

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. Disclosures with regards to financial instruments where offsetting occurs is presented in Note 27.

Financial derivatives and hedging activities

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

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

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

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

In order to apply hedge accounting certain criteria's need to be fulfilled. The Stena AB Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Any ineffectiveness is recognised in profit and loss as a finance cost or income.

All financial derivatives are valued at their respective fair values and they are recognised as a financial asset if the value is positive and a financial liability if it is a negative value. The fair value of a financial derivative is classified and recognised as either a non-current asset or a non-current liability if the underlying hedge item will be settled or resolved after more than 12 months. Disclosures are presented in Note 27. All changes in the hedge reserve is presented in the Statement of changes in equity and in Statement of other comprehensive income.

Cash flow hedge

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

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

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

Hedging of net investments

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

Fair value determination of financial instruments measured at fair value

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

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

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

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

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

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

Financial assets and liabilities

Classification of financial instruments

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

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

Financial derivatives

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

Derivatives are mainly used in order to mitigate different financial risks that the business is exposed to, for instance exchange rate risk, interest rate risk and bunker oil price risk (these risks are in detail described separately in disclosure Note 26). If hedge accounting is applied, the recognition of the change of the value, is dependent on what type of hedge accounting that is applied, see section on hedge accounting.

Equity instruments

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

Equity instruments in the Group are classified as follows:

• Listed equity instruments	Fair value through profit or loss (FVTPL)
• Listed equity instruments	Fair value through other comprehensive income (FVTOCI)
• Unlisted equity instruments	Fair value through profit or loss (FVTPL) or through other comprehensive income (FVTOCI) depending on the purpose of the instrument

CONT. **NOTE 1**

Interest bearing financial assets

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

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

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

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

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

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

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

Impairment of financial assets

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

Financial liabilities

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

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

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

Other financial liabilities

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

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

RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCY

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

Both in the individual Group companies and in the Group's annual accounts, receivables and liabilities in foreign currency are translated at the closing rate of exchange. Related exchange rate differences on current payments are included in operating profit, while differences in financial receivables and liabilities are reported under financial items. All exchange rate differences affect net profit/loss for the year.
An exception is the portion of the difference consisting of an effective hedge of the net investment, where recognition is directly in other comprehensive income.

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

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

	Average rates		
	2020	**2019**	Change in %
USD	9.2037	9.4604	–3
GBP	11.7981	12.0658	–2
EUR	10.4867	10.5892	–1

	Closing rates		
	2020	**2019**	Change in %
USD	8.2273	9.3650	–12
GBP	11.2467	12.4152	–9
EUR	10.0505	10.5010	–4

INCOME TAXES

General

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

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

Current tax

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

Deferred taxes

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

LEASING

The Stena AB Group applies IFRS 16 for accounting of leases, which means that most lease contracts are recognized in the balance sheet, at commencement date, as a right-of-use asset and a lease liability. A contract is or contains a lease if it conveys, to the Group, the right to control the use of an identified asset for a period of time in exchange for a consideration.

Stena acts as a lessee with regards to a large number of assets such as vessels, buildings and land. In some cases, lease components are also included in signed operating contracts with port operators. By appling IFRS 16, the total value of assets and liabilities increases due to the recognition of the right-of-use assets and the lease liabilities.

Stena applies the optional exemptions which allow for the exclusion of short-term leases and leases of low-value assets from recognition on the balance sheet.

See Note 19 for more information regarding the impact on the Stena AB Group's financial statements.

INVENTORIES

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

CASH AND CASH EQUIVALENTS

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

EMPLOYEE BENEFITS

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

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

The pension expense and the pension commitment for defined benefit pension plans are calculated annually by independent actuaries. The commitment consists of the present value of expected future payments. The most important actuarial assumptions are stated in Note 16. Actuarial gains and losses may result upon determination of the present value of the defined benefit commitment and the fair value of plan assets. These result either from differences between the actual return and expected returns, or changes in assumptions. Changes in the present value of the obligations due to revised actuarial assumptions and experience adjustments on the obligation are recorded in other comprehensive income as remeasurements. The actual return less calculated interest income on plan assets is also included in other comprehensive income as remeasurements. Past-service costs are recognised immediately in income for the period. The described accounting principle is only applicable for Group accounting. The Parent company and the subsidiaries apply local rules and accounting principles.

PROVISIONS

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

When an obligation does not meet the criteria for recognition in the balance sheet, it may be considered to comprise a contingent liability and be

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CONT. NOTE 1

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

NEW OR AMENDED ACCOUNTING STANDARDS APPLIED AFTER 2020

IASB issued a few amended accounting standards that were endorsed by EU, effective date 1 January 2021. None of these are expected to have a material effect on the Stena AB Group's financial statements.

PARENT COMPANY ACCOUNTING POLICIES

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

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

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

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

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

Stena AB applies IFRS 9 when calculating a reserve for the expected credit loss on receivables on subsidiaries. Based on the value of the receivable, the probability that the subsidiary will be in default as well as the loss at default, a credit risk reserve is booked. As per 31 December 2020 long term receivables on subsidiaries amounted to SEK 4,936 million and the short term receivables amounted to SEK 4,227 million.

NOTE 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

A) IMPAIRMENT TESTING FOR INTANGIBLE ASSETS

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

Assets with indefinite useful lives

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

Assets with finite useful lives

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

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

See also Note 9.

B) VALUATION OF VESSELS, DRILLING UNITS AND PORTS

The Stena AB Group´s accounting principle for valuation of ports, drilling units and vessels in the Ferry operations are based on the revaluation method. The valuation is determined by an estimate of the assets fair value (assessed market value) at each revaluation occasion. In order to ensure the valuation, independent valuation institutions are used to determine the fair value for the concerned assets at each revaluation occasion respectively.

The Group conducts impairment testing for its vessels, where the revaluation method is not applied, at least twice a year, see also the description in Note 1 under the heading Impairment of non-financial assets. If there is any indication of impairment, the recoverable amount is determined based on the calculated value in use. These calculations are based on estimated future cash flows with significant assumptions such as discount rate, inflation, dayrates and expected volumes. Management continuously monitors changes in economic conditions that could affect the significant assumptions used to discount future cash flows.

As of 31 December 2020 the recoverable amounts based on value in use were not less than their carrying amount in any test and therefore the vessels were not impaired.

Information on the carrying amounts of vessels and significant assumptions are presented in Note 10.

C) RETIREMENT BENEFITS

The Group has defined benefit pension plans, mainly in the United Kingdom and Sweden. The pension calculations are based on assumptions about discount rate, mortality rate, inflation and future pension and salary increases. Changes in assumptions directly affect the present value of the defined benefit obligation and costs and revenues associated with pensions. An analysis of sensitivity of the most essential assumptions is presented in Note 16.

D) DEFERRED TAXES

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

E) PROVISIONS

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

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

F) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

G) VALUATION OF INVESTMENT PROPERTIES

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

H) REVENUES

Identification of performance obligations

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

Over time or one point in time

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

Production and sale of property is recognised when control has passed and the Group's conclusion is that this is done when the turnkey property is finalised and delivered, that is when the condominium association is deconsolidated. During the production phase, the production vehicle is included in the consolidated accounts and a contract asset is recorded in the form of inventory. The control is not passed to anybody before the production is finalised. If Stena Property on the other hand is building for an external party revenue are recognised over time as the control is passed over time in accordance with the contract.

Relation between IFRS 15 and IFRS 16

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

Variable consideration – types and content

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

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NOTE 3. SEGMENT INFORMATION

The Stena AB Group is an international group that is involved mainly in Ferry Operations, Offshore Drilling, Shipping, Property and New Businesses. There are no material transactions between these operating segments. For a more detailed information about the different segments, see Directors' Report.

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

DISAGGREGATION OF REVENUES

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

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

Group companies revenue streams

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

Revenue 2020

SEK in million		Lease income	Products	Service	Construction Contracts	Other	Total	One point in time	Over time	**Total**
Ferry Operations			527	9,639		196	10,362	527	9,835	10,362
Offshore Drilling		744		582		5	1,332		1,332	1,332
Shipping	RoRo	350		115		3	468		468	468
	Tanker	3,308		2,173		33	5,514		5,514	5,514
	Other		308	4,444		19	4,770	308	4,462	4,770
	Total	**3,658**	**308**	**6,732**		**54**	**10,752**	**308**	**10,444**	**10,752**
Property		2,698		44			2,742		2,742	2,742
New Businesses			5,829	14	1,370	17	7,229	5,839	1,391	7,229
Other		1		31		6	38		38	38
Total		**7,102**	**6,663**	**17,041**	**1,370**	**279**	**32,455**	**6,673**	**25,782**	**32,455**

Revenue 2019

SEK in million		Lease income	Products	Service	Construction Contracts	Other	Total	One point in time	Over time	**Total**
Ferry Operations			1,011	13,269		6	14,286	1,011	13,275	14,286
Offshore Drilling		1,416		996		28	2,440	5	2,435	2,440
Shipping	RoRo	343		88		2	433		433	433
	Tanker	3,826		2,506		50	6,382	25	6,357	6,382
	Other		271	1,640		3	1,913	271	1,642	1,913
	Total	**4,169**	**271**	**4,234**		**55**	**8,728**	**296**	**8,432**	**8,728**
Property		2,620		86			2,706		2,706	2,706
New Businesses			5,638	12	1,589	16	7,255	5,638	1,617	7,255
Other		1		3			4		4	4
Total		**8,206**	**6,920**	**18,600**	**1,589**	**104**	**35,419**	**6,950**	**28,469**	**35,419**

The total amount of the transaction price for building contracts that are unsatisfied or partially unsatisfied amounts to SEK 2,871 (3,069) million as of December 31 2020. Of this, 34% is expected to be reported as revenue during the next financial year. The remaining 66% will be reported in 2022 and onwards. Construction contracts are held by Ballingslöv and Envac, which are part of New Businesses.

Reconciliation between EBITDA and operating profit by segment

SEK in million		1 January–31 December 2020	2019
Ferry Operations	EBITDA	1,586	3,482
	Depreciation, amortisation and impairment	–2,787	–2,163
	Net result from investments in operating associates	1	1
	Operating result	–1,200	1,320
Offshore Drilling	EBITDA	–956	–17
	Depreciation, amortisation and impairment	–2,802	–3,264
	Operating result	–3,758	–3,281
Shipping			
– RoRo	EBITDA	233	291
	Depreciation, amortisation and impairment	–187	–146
	Net result on sale of vessels		171
	Operating result	46	316
– Tanker	EBITDA	1,659	1,159
	Depreciation, amortisation and impairment	–1,268	–1,245
	Net result on sale of vessels	10	
	Net result from investments in operating associates	–47	–125
	Operating result	354	–211
– Other shipping	EBITDA	227	69
	Depreciation, amortisation and impairment	–112	–58
	Net result on sale of operations	20	
	Net result from investments in operating associates	–16	–4
	Operating result	119	7
Total Shipping	Operating result	519	112
Property	EBITDA	1,668	1,639
	Change in fair value of investment properties	751	1,224
	Depreciation, amortisation and impairment	–12	–11
	Net result on sale of investment properties	175	328
	Net result from investments in operating associates	16	9
	Operating result	2,598	3,189
New Businesses	EBITDA	775	721
	Depreciation, amortisation and impairment	–256	–244
	Operating result	519	477
Other	EBITDA	–330	–39
	Depreciation, amortisation and impairment	–71	–46
	Net result on sale of operations	–68	
	Operating result	469	–85
Total	**EBITDA**	**4,862**	**7,304**
	Change in fair value of investment properties	**751**	**1,224**
	Depreciation, amortisation and impairment	**–7,495**	**–7,177**
	Net result on sale of vessels	**10**	**171**
	Net result on sale of operations	**–48**	
	Net result on sale of investment properties	**175**	**328**
	Net result from investments in operating associates	**–46**	**–119**
	Operating result	**–1,791**	**1,731**

NOTES

CONT. NOTE 3

Depreciation, amortisation and impairment by segment

SEK in million		1 January–31 December 2020	2019
Ferry Operations		2,787	2,163
Offshore Drilling		2,802	3,264
Shipping	RoRo	187	146
	Tanker	1,268	1,245
	Other	112	58
	Total	**1,567**	**1,449**
Property		12	11
New Businesses		256	244
Other		71	46
Total		**7,495**	**7,177**

Depreciation, amortisation and impairment expense consists of the following components

SEK in million	1 January–31 December 2020	2019
Vessels	5,983	5,893
Equipment	590	592
Land and buildings	265	232
Ports	212	201
Total property, plant and equipment	**7,050**	**6,918**
Intangible assets	445	259
Total	**7,495**	**7,177**

Investments in property, plant and equipment by segment

SEK in million		1 January–31 December 2020	2019
Ferry Operations		2,011	1,601
Offshore Drilling		356	895
Shipping	RoRo	1,084	606
	Tanker	314	129
	Other	15	14
	Total	**1,414**	**749**
Property		1,958	1,645
New Businesses		258	150
Other		74	56
Total		**6,071**	**5,096**

Total assets by segment

SEK in million		31 December 2020	2019
Ferry Operations		24,110	21,047
Offshore Drilling		21,479	29,982
Shipping	RoRo	3,098	1,932
	Tanker	8,838	10,932
	Other	3,349	2,624
	Total	**15,285**	**15,488**
Property		43,241	41,947
New Businesses		9,267	9,543
Other		8,551	11,770
Total		**121,933**	**129,777**

Geographic information

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

Total revenue by geographic area

SEK in million	1 January–31 December 2020	2019
Scandinavia	12,624	14,941
Rest of Europe	12,399	11,366
Other markets	2,334	2,690
Not allocated	5,986	8,145
Total	**33,343**	**37,142**

Total assets by geographic area

SEK in million	31 December 2020	2019
Scandinavia	53,046	50,330
Rest of Europe	38,005	34,096
Other markets	18,946	31,303
Not allocated	11,936	14,048
Total	**121,933**	**129,777**

NOTES

NOTE 4. SALE OF NON-CURRENT ASSETS

SEK in million		1 January–31 December 2020	2019
Vessels	Sales price	84	203
	Carrying amount	–74	–32
	Result on sale of vessels	10	171
Properties	Sales price	604	1,010
	Carrying amount	–429	–682
	Result on sale of properties	175	328
Operations	Sales price	0	
	Carrying amount	–48	
	Result on sale of operations	–48	
Total	Sales price	688	1,213
	Carrying amount	–551	–714
Total result from sale of non-current assets		**137**	**499**

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

The total sales price paid included selling expenses of SEK 1 (6) million. A comparison with the cash flow statement for the above asset classes shows differences. These are largely due to cash flow from the sale of development properties, buildings and equipment being included in the cash flow and deductions have been made in the cash flow for cash and cash equivalents in divested companies.

NOTE 5. ADMINISTRATIVE EXPENSES

Administrative expenses include R&D costs amounting to SEK 54 (38) million. Fees and other renumeration to auditors and advisors are set forth below:

Fees to the auditors

SEK in million	1 January–31 December 2020	2019
Audit fees	27	27
Audit-related fees	4	1
Tax advisory services	3	5
Other fees	5	7
Total	**39**	**40**
Audit fees to other auditing firms	5	2
Group Total	**44**	**42**

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

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

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

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

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

The Group has five holdings that are regarded as strategic; Midsona AB (publ.), Svedbergs i Dalstorp AB (publ.), Beijer Electronics Group AB (publ.), GB TopCo AB and Stena Renewable AB.

At 31 December 2020, the investment in Midsona AB (publ.) (reg. no. 556241-5322, headquartered in Malmö) represents 23% of the capital and 28% of the votes, which is in line with previous year. The value of Stena's share of Midsona AB's market capitalisation was SEK 1,185 (752) million. The share of profit/loss was SEK 39 (25) million.

Shares in Midsona and Beijer Electronics Group have been pledged as collateral for liabilities to credit institutions.

At 31 December 2020, the investment in Svedbergs in Dalstorp AB (publ.) (reg. no. 556052-4984, headquartered in Tranemo municipality) represents 29% of the capital and votes, which is an increase of 3% compared to previous year. The value of Stena's share of Svedbergs i Dalstorp AB's market capitalisation was SEK 211 (125) million. The share of profit/loss was SEK 13 (10) million.

At 31 December 2020, the investment in Beijer Electronics Group AB (publ.) (reg. no 556025-1851, headquartered in Malmö) represents 29% of the capital and votes, which is unchanged to previous year. The value of Stena's share of Beijer Electronics Group AB (publ.) market capitalisation was SEK 339 (584) million. The share of profit/loss was SEK 0 (13) million.

At 31 December 2020, the investment in Stena Renewable AB (reg. no. 556711-9549, headquartered in Göteborg) represents 35% of the capital and votes, which is unchanged from the previous year. Stena Renewable AB is not a listed company. The share of profit/loss was SEK 2 (18) million.

In November 2020 the offer to the shareholders of Gunnebo by Altor and Stena Adactum was completed. In connection with the transaction, Stena Adactum transferred the ownership to GB TopCo AB. For the comparative year of 31 December 2019 the investment in Gunnebo AB (publ.) (reg. no 556438-2629, headquartered in Göteborg) represented 26% of the capital and votes. The value of Stena AB Group's share of Gunnebo AB's market capitalisation was SEK 660 million at year end 2019. The share of profit/loss for 2019 was SEK 20 million.

Acquisition has been made of GB TopCo AB during 2020, GB TopoCo AB has an underlying ownership in Gunnebo At 31 December 2020, the investment in GB TopCo AB (reg. no. 559268-3352, headquartered in Göteborg) represents 26% of the capital and votes. GB TopCo AB is not a listed company. The share of profit/loss was SEK 0 million.

Additional investments in NTEX have been made during the fiscal year of 2020 and NTEX is accounted for as a subsidiary at 31 December 2020.

Amounts recorded in the balance sheet are as follows:

	31 December	
SEK in million	**2020**	**2019**
Strategic holdings	2,683	2,849
Other holdings	182	301
Joint ventures	691	829
Total	**3,556**	**3,979**

Amounts recorded in the income statement are as follows:

	1 January–31 December	
SEK in million	**2020**	**2019**
Strategic holdings	–168	105
Other holdings	–30	–3
Joint ventures	–16	–117
Total	**–214**	**–15**

CONT. NOTE 6

SEK in million	Strategic holdings 2020	Strategic holdings 2019	Other holdings 2020	Other holdings 2019	Joint Venture 2020	Joint Venture 2019	Total 2020	Total 2019
Opening balance	**2,849**	**2,124**	**301**	**92**	**829**	**721**	**3,979**	**2,937**
Investments	640	759		100		143	640	1,002
Disposals	–585		–111				–696	
Profit/loss from associates/joint ventures								
– Share of profit/loss	–52	86	–30	–3	–16	–117	–98	–34
– Write-down								
Other comprehensive income	–149	19					–149	19
Dividend	–19	–35			–58	–27	–77	–62
Reclassifications	–1	–104		100			–1	–4
Exchange differences			–11	5	–75	32	–86	37
Other changes			33	7	11	77	44	84
Closing balance	**2,683**	**2,849**	**182**	**301**	**691**	**829**	**3,556**	**3,979**

The closing balance for investments reported according to the equity method includes for strategic holdings goodwill amounting to SEK 515 (848) million.

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

Below is the financial summary of the information related to the Group's associates and joint ventures that are reported using the equity method.

The information refers to the Stena AB Group's share of the amounts reported in the companies year-end accounts, adjusted for differences in accounting principles between the Group and the associates.

SEK in million	Strategic holdings 2020	Strategic holdings 2019	Other holdings 2020	Other holdings 2019	Joint Venture 2020	Joint Venture 2019	Total 2020	Total 2019
Profit for the year	–19	86	–30	–3	–16	–117	–65	–34
Other comprehensive income	–149	19					–149	19
Total	**–168**	**105**	**–30**	**–3**	**–16**	**–117**	**–214**	**–15**

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

Strategic holdings

SEK in million	Country of incorporation	Assets	Liabilities	Equity	Revenues	Profit/ (loss)	Interest held	Group result	Carrying amount
2020									
Midsona AB (publ.)	Sweden	5,127	2,814	2,313	3,709	176	23%	39	601
Svedbergs i Dalstorp AB (publ.)	Sweden	674	446	228	649	48	29%	13	226
Beijer Electronics Group AB (publ.)	Sweden	1,884	1,243	641	1,438	–6	29%	0	448
Stena Renewable AB	Sweden	4,190	1,710	2,480	293	2	35%	2	927
GB TopCo AB	Sweden	4,119	3,189	930	4,260	–125	26%	0	481
Gunnebo AB (publ.)	Sweden							–73	
Total								**–19**	**2,683**

SEK in million	Country of incorporation	Assets	Liabilities	Equity	Revenues	Profit/ (loss)	Interest held	Group result	Carrying amount
2019									
Midsona AB (publ.)	Sweden	4,780	2,458	2,322	3,081	97	23%	25	603
Gunnebo AB (publ.)	Sweden	5,514	4,050	1,464	5,459	45	26%	20	748
Svedbergs i Dalstorp AB (publ.)	Sweden	541	362	179	609	42	26%	10	195
Beijer Electronics Group AB (publ.)	Sweden	2,042	1,354	689	1,559	65	29%	13	460
Stena Renewable AB	Sweden	3,560	1,323	2,238	300	66	35%	18	843
Total								**86**	**2,849**

Other holdings

SEK in million	Country of incorporation	Assets	Liabilities	Equity	Revenues	Profit/ (loss)	Interest held	Group result	Carrying amount
2020									
Örgryte Bostads AB & Co KB	Sweden	283	410	–127	49	14	20%	7	16
Collectius AG	Switzerland	451	266	186	187	–48	25%	0	103
SIA Baltreiss	Latvia	49	27	22	175	7	25%	1	13
NMT Oceania PTY Ltd	Australia	35	27	8	182	2	50%	1	4
NMT Dubai International LLC	United Arab Emirates	14	10	4	77	2	49%	1	2
A1 Customs Clearance Ltd	Great Britain	2	0	2	2	0	36%	0	2
Orbit Inc.	USA	46	23	23	14	–20	54%	–11	42
Golden Avenue (GSW) PTE Ltd [1]	Singapore	4	0	4	28	–45	30%	–13	1
Golden Adventure (GSW) PTE Ltd [1]	Singapore	0	2	–2	16	–65	30%	–20	–1
Result from disposed holdings								4	
Total								**–30**	**182**

SEK in million	Country of incorporation	Assets	Liabilities	Equity	Revenues	Profit/ (loss)	Interest held	Group result	Carrying amount
2019									
Örgryte Bostads AB & Co KB	Sweden	217	359	–141	49	16	20%	1	8
Collectius AG	Switzerland	550	333	217	228	25	28%		116
SIA Baltreiss	Latvia	39	29	10	169	5	25%	1	12
NMT Oceania PTY Ltd	Australia	25	19	7	182	2	30%	1	2
NMT Logistics SAS	France	10	11		8		40%		1
NMT Oceania NZ Ltd	New Zealand	5	4	1	43		30%		1
NMT Dubai International LLC	United Arab Emirates	16	14	2	6	1	49%		1
A1 Customs Clearance Ltd	Great Britain	4	2	2	10	1	36%		1
Orbit Inc.	USA	55	8	47		–13	54%		51
NTEX AB	Sweden	423	334	89	1,610	23	25%	8	108
Golden Avenue (GSW) PTE Ltd [1]	Singapore	68	141	–74	46	–28	30%	–8	
Golden Adventure (GSW) PTE Ltd [1]	Singapore	72	114	–42	45	–20	30%	–6	
Total								**–3**	**301**

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

During 2020 all result of shares in associates have been recognised and negative shares have reduced non-current assets amounting to SEK 33 (14) million.

NOTES

CONT. NOTE 6

Joint venture

SEK in million	Country of incorporation	Assets	Liabilities	Equity	Revenues	Profit/ (loss)	Interest held	Group result	Carrying amount
2020									
Nordic Rio LLC	Marshall Islands	268	182	86	82	17	50%	–2	13
Navigation Gothenburg LLC	Marshall Islands	532	128	403	79	33	50%	7	133
Glacia Limited	Bermuda	425	8	417	56	–7	50%	–3	207
Blå Tomten KB	Sweden	433	370	63	48	16	50%	8	178
Golden-Agri Stena Pte	Singapore	67	19	45	646	9	50%	4	21
GSW F Class Pte Ltd	Singapore	260	450	–190	130	–43	50%	–21	0
Stenwec 1 P/S	Danmark	280	155	125	56	7	50%	1	53
Golden Stena Bulk IMOIIMAX I	Cyprus	249	249	–12	62	11	50%	5	5
Golden Stena Bulk IMOIIMAX III	Cyprus	264	264	3	50	–3	50%	–1	
Golden Stena Bulk IMOIIMAX VII	Cyprus	257	257	20	61	7	50%	3	
Golden Stena Bulk IMOIIMAX VIII	Cyprus	267	267	18	62	8	50%	4	
Partrederiet SUST I DA	Norway	2	0	2	0	0	50%	0	1
Partrederiet SUST II DA	Norway	20	1	19	–2	–155	50%	0	2
Partrederiet SUST III DA	Norway	222	9	213	104	10	50%	–5	43
Asahi Stena Tankers Pte Ltd	Singapore	325	450	–125	27	9	50%	5	
Stena Glovis	Germany	72	4	68	33	–16	50%	–8	34
NMT Jordan co Ltd	Jordan	5	3	2	38	1	50%	0	2
NMT Global Logistics	Norway	0	0	0	0	0	50%	0	0
Result from disposed holdings								–13	
Total								**–16**	**691**

SEK in million	Country of incorporation	Assets	Liabilities	Equity	Revenues	Profit/ (loss)	Interest held	Group result	Carrying amount
2019									
Nordic Rio LLC	Marshall Islands	342	264	78	59	–15	50%	–10	18
Navigation Gothenburg LLC	Marshall Islands	629	208	421	117	58	50%	24	145
Glacia Limited	Bermuda	499	17	482	60	–8	50%	–4	241
Northern Marine Australia Ltd	Australia						50%		
Blå Tomten KB	Sweden	423	377	47	51	16	50%	7	171
Golden-Agri Sten Pte	Singapore	129	67	62	639	7	50%		34
GSW F Class Pte Ltd [1]	Singapore	356	529	–173	168	–3	50%	–43	
Stenwec 1 P/S	Denmark	326	191	135	55	5	50%	–1	62
Golden Stena Bulk IMOIIMAX I	Cyprus	299	302	–3	51	–9	50%	–5	1
Golden Stena Bulk IMOIIMAX III [1]	Cyprus	295	294	1	54	–7	50%	–3	
Golden Stena Bulk IMOIIMAX VII [1]	Cyprus	315	285	30	49	–18	50%	–9	
Golden Stena Bulk IMOIIMAX VIII [1]	Cyprus	320	291	29	49	–16	50%	–8	
Partrederiet SUST I DA	Norway	2	1	2		–2	50%	–1	1
Partrederiet SUST II IDA	Norway	256	20	236	66	–19	50%	–33	39
Partrederiet SUST III DA	Norway	277	10	267	87	9	50%	–1	73
Asahi Stena Tankers Pte Ltd [1]	Singapore	446	598	–152	73	–44	50%	–17	
Stena Glovis	Germany	52	12	40	14	–25	50%	–13	42
NMT Jordan Co Ltd	Jordan	4	2	3	26		50%		1
NMT Global Logistics	Norway						50%		
Total								**–117**	**829**

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

During 2020 all results of shares in joint ventures have been recognised and negative shares have reduced non-current assets amounting to SEK 15 (76) million.

NOTE 7. FINANCIAL NET

SEK in million	1 January–31 December 2020	2019
Result from investments in strategic associates (see Note 6)	**–19**	**86**
Dividends received from shareholdings	31	42
Dividends received from financial assets	65	43
Total dividends	**96**	**85**
Realised result from sale of trading shares	–31	32
Realised result from sale of shares at fair value through other comprehensive income	–132	10
Realised result from sale of financial instruments at fair value through profit or loss	–89	407
Unrealised result from sale of trading shares	–22	141
Unrealised result from sale of financial instruments at fair value through profit or loss	–138	423
Result on sale of securities	**–412**	**1,013**
Interest income	226	439
Total Interest income	**226**	**439**
Interest expense	–2,659	–2,946
Total Interest expense	**–2,659**	**–2,946**
Exchange differences pertaining to trading operations	13	36
Translation difference	–55	20
Total foreign exchange gain/loss	**–42**	**56**
Amortisation of deferred finance costs	–105	–79
Commitment fees	–99	–33
Bank charges	–11	–11
Other financial items	–42	–101
Total other finance income/costs	**–257**	**–224**
Financial net	**–3,067**	**–1,491**

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

Amortisation of capitalised finance costs relates to the accrual of costs for certain long-term loans and lease obligations over the remaining term of such loans, see Note 26.

NOTE 8. INCOME TAXES

Result before tax is distributed geographically as follows:

	1 January–31 December	
SEK in million	**2020**	**2019**
Sweden	1,241	2,332
Rest of the world	–6,099	–2,093
Total result before tax	**–4,858**	**239**

Current and deferred taxes are distributed as follows:

Current tax		
For the period, Sweden	–32	–12
Adjustments previous years, Sweden	1	
For the period, rest of the world	–9	–188
Adjustments previous years, rest of the world	97	–1
Total current tax	**57**	**–201**
Deferred tax		
For the period, Sweden	–228	–455
Adjustments previous years, Sweden	–36	38
For the period, rest of the world	502	306
Adjustments previous years, rest of the world	–272	85
Total deferred tax	**–34**	**–26**
Total income taxes	**23**	**–227**

During 2020 paid tax amounted to SEK 155 (158) million and repaid tax amounted to SEK 15 (18) million, which gives a net amount of SEK 140 (140) million.

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

	1 January–31 December	
Percentage	**2020**	**2019**
Statutory income tax rate Sweden	–21	21
Effect of other tax rates in foreign subsidiaries	5	80
Taxes related to previous years	3	–26
Increase in tax losses carried forward without recognition of deferred tax	22	66
Expenses not deductible	5	112
Income not taxable	–2	–52
Utilised tax losses carried forward, previously not recognised	–3	–86
Effects from change to revaluation model according to IAS 16	–9	
Impact of change in tax rate		7
Other		–27
Effective income tax rate	**0**	**95**

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

NOTE 9. INTANGIBLE ASSETS

SEK in million	Goodwill	Trademarks	Rights to routes	Distribution agreements	IT investments	Other intangible assets	Total
Cost of acquisition							
Opening balance, 1 January 2019	**2,352**	**839**	**885**	**296**	**1,355**	**249**	**5,976**
Acquisitions and disposals of operations (Note 24)	370	43			2	72	487
Additions	2				108	175	285
Disposals					–118		–118
Transfers	23	–23			76	–51	25
Translation differences	72	3	59	3	11	12	160
Closing balance, 31 December 2019	**2,819**	**862**	**944**	**299**	**1,434**	**457**	**6,815**
Acquisitions and disposals of operations (Note 24)	287	85			2	68	442
Additions					57	40	97
Disposals					–25		–25
Transfers	1				90	–94	–3
Translation differences	–122	–5	–65	–4	–17	–27	–240
Closing balance, 31 December 2020	**2,985**	**942**	**879**	**295**	**1,541**	**444**	**7,086**
Accumulated amortisation and impairment							
Opening balance, 1 January 2019	**–52**	**–129**	**–319**	**–296**	**–928**	**–31**	**–1 755**
Acquisitions and disposals of operations (Note 24)	–14				–1		–15
Amortisation and impairment for the year			–45		–174	–39	–258
Disposals					85		85
Translation differences			–22	–3	–7	–1	–33
Closing balance, 31 December 2019	**–66**	**–129**	**–386**	**–299**	**–1,025**	**–71**	**–1,976**
Acquisitions and disposals of operations (Note 24)	–32				–2		–34
Amortisation and impairment for the year	–101		–44		–185	–115	–445
Disposals					23	23	46
Translation differences	–1		30	4	10	11	54
Closing balance, 31 December 2020	**–200**	**–129**	**–400**	**–295**	**–1,179**	**–152**	**–2,355**
Carrying amount, 31 December 2019	2,753	733	558	0	409	386	4,839
Carrying amount, 31 December 2020	**2,785**	**813**	**479**	**0**	**362**	**292**	**4,731**

GOODWILL

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

	31 December	
SEK in million	**2020**	**2019**
New Businesses	1,608	1,661
Shipping	834	632
Ferry Operations	260	366
Other	83	94
Total	**2,785**	**2,753**

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

The pre-tax discount rate used in New Businesses was 7–8%. The growth rate for revenue used in New Businesses has been individually assessed for each company until year 2024. During this period, the growth rate has been assumed to be on average 1–13% per year and the estimation has been 2–3% per year during 2025-2028. For subsequent periods, revenue is estimated to have a growth corresponding to 1.5% per year, based on reasonable prudence. An extended forecast period can be verified, as all companies have been in operation for a substantial time and have a well-established business model. New Businesses has a long-term ownership perspective and is working to further develop the companies through active ownership and financial strength without any disposals of companies. The same principles were applied within the segment New Businesses in the previous year.

CONT. NOTE 9

The pre-tax discount rate used in the impairment testing of goodwill within Shipping was 7%. The growth rate for revenue used in Shipping has been individually assessed for each company. During the period 2021–2025, the growth rate has been assumed to be on average 9% per year. For subsequent periods, revenue is estimated to have a growth corresponding to 0% per year, based on reasonable prudence.

The pre-tax discount rate used in the impairment testing of goodwill within Ferry Operations was 7%. With the reduction of revenue in 2020, due to restrictions in private travel, the risk in future growth rate has increased. Therefore, the discount rate used in the travel segment has been raised to 13%. The growth rate for revenue has been individually assessed for each company or route and has been assumed to be on average 12% during the period 2021–2024. As at 31 December 2020, the recoverable amount based on value in use of the cash generating units was less than their carrying amount and therefore the related goodwill was impaired. A goodwill impairment has been made with SEK 100 million.

TRADEMARKS

Trademarks are mainly related to the segment New Businesses. During 2020, impairment testing has been performed for all trademarks within New Businesses. The tests have been performed according to the same procedure as for establishing the recoverable amount of goodwill, see description above. The pre-tax discount rate used for the individual trademarks was 7–8% and the growth rate for revenue used until year 2024 was on average 2–6% per year. For subsequent periods, revenue is estimated to have a growth corresponding to 1.5–3% per year. None of the performed tests indicated any impairment need for trademarks. As from 2014, trademarks are not subject to amortisation as they are considered to have an indefinite useful life.

NOTE 10. PROPERTY, PLANT AND EQUIPMENT

SEK in million	Vessels	Construction in progress	Other equipment	Land and buildings	**Total**
Cost of acquisition					
Opening balance, 1 January 2019	**81,857**	**2,069**	**7,024**	**1,967**	**92,917**
Acquisitions and disposals of operations (Note 24)		11	33		44
Additions	907	1,748	200	23	2,878
Disposals	–420	–2	–73	–1	–496
Transfers	–679	–806	69	6	–1,410
Transfer to right of use assets	–8,664				–8,664
Translation differences	3,806	83	318	79	4,286
Closing balance, 31 December 2019	**76,807**	**3,103**	**7,571**	**2,074**	**89,555**
Acquisitions and disposals of operations (Note 24)			60	70	130
Revaluation	4,328				4,328
Additions	752	1,718	149	17	2,636
Disposals	–623		–65	–11	–699
Transfers	–1,414	–2,724	426	50	–3,662
Transfer to right of use assets	–2,587				–2,587
Translation differences	–7,667	–184	–700	–120	–8,671
Closing balance, 31 December 2020	**69,596**	**1,913**	**7,441**	**2,080**	**81,030**

SEK in million	Vessels	Construction in progress	Other equipment	Land and buildings	**Total**
Accumulated depreciation and impairment					
Opening balance, 1 January 2019	**–42,201**	**–1**	**–3,783**	**–771**	**–46,756**
Acquisitions and disposals of operations (Note 24)			–26		–26
Depreciation and impairment for the year	–4,565		–592	–63	–5,220
Disposals	308	1	43	1	353
Transfers	1,080		14		1,094
Transfer to right of use assets	3,632				3,632
Translation differences	–1,901		–137	–26	–2,064
Closing balance, 31 December 2019	**–43,647**	**0**	**–4,481**	**–859**	**–48,987**
Acquisitions and disposals of operations (Note 24)			–32	–4	–36
Revaluation	–3,075				–3,075
Depreciation and impairment for the year	–4,265	–46	–590	–56	–4,957
Disposals	547		50	6	603
Transfers	1,788		31		1,819
Transfer to right of use assets	1,254				1,254
Translation differences	4,509	2	378	47	4,936
Closing balance, 31 December 2020	**–42,889**	**–44**	**–4,644**	**–866**	**–48,443**
Closing balance, 31 December 2019	33,160	3,103	3,090	1,215	40,568
Closing balance, 31 December 2020	**26,707**	**1,869**	**2,797**	**1,214**	**32,587**
Right of use assets, 31 December 2019 (Note 19)	6,759			914	7,673
Right of use assets, 31 December 2020 (Note 19)	9,305			1,200	10,505
Carrying amount, 31 December 2019	39,919	3,103	3,090	2,129	48,241
Carrying amount, 31 December 2020	**36,012**	**1,869**	**2,797**	**2,414**	**43,092**

As at 31 December 2020, construction in progress includes new orders of five RoPax-vessels. Two RoPax-vessels are expected to be ready during 2021, two during 2022, and the last one during 2023. Construction in progress also includes investments in offshore equipment and scrubbers on both IMOMAX- and RoPax-vessels in ongoing operation.

Altogether the vessel orders amount to SEK 4,337 million. In the closing balance for construction in progress an advance of SEK 1,191 million to the shipyard and SEK 98 million for offshore equipment are included. Capitalised interest of SEK 76 million and other capitalised costs of SEK 504 million are also included.

The amount of interest capitalised on vessel projects was SEK 74 million and SEK 81 million for the years ended 31 December 2020 and 2019, respectively.

Impairment test of vessels is conducted semi-annually and whenever conditions indicate that impairment may be necessary for the vessels not recognized according to the revaluation model. The recoverable amount is determined based on the calculated value in use. The most material assumptions for determining the value in use are discount rate and growth rate in addition to expectations about the operational future development. The discount rate used in the calculation for value in use was 7–8% before tax. The growth rate is based on applicable contracts or assessed to 0–3% during the vessels estimated useful lives.

As of 31 December 2020, the recoverable amounts based on value in use were not less than their carrying amount in any test and therefore no vessels were impaired during current year.

Valuation certificates issued on 31 December 2020 by independent valuation institutions indicate that the values in the vessel fleet exceed the carrying amount by SEK 3,257 (4,630) million.

NOTE 11. PORTS

SEK in million	
Revalued costs of acquisition	
Opening balance, 1 January 2019	**4,276**
Additions	8
Transfers	17
Translation differences	330
Closing balance, 31 December 2019	**4,631**
Revaluation	179
Additions	3
Disposals	–9
Transfers	31
Translation differences	–361
Closing balance, 31 December 2020	**4,474**
Accumulated depreciation	
Opening balance, 1 January 2019	**–552**
Depreciation for the year	–184
Translation differences	–33
Closing balance, 31 December 2019	**–769**
Revaluation	438
Depreciation for the year	–189
Disposals	9
Translation differences	33
Closing balance, 31 December 2020	**–478**
Closing balance, 31 December 2019	3,862
Closing balance, 31 December 2020	**3,996**
Right of use assets, 31 December 2019 (Note 19)	326
Right of use assets, 31 December 2020 (Note 19)	501
Carrying amount, 31 December 2019	4,188
Carrying amount, 31 December 2020	**4,497**

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

The Group´s accounting principle for valuation of ports is based on the revaluation method. Independent valuation institutions are used to determine the fair value for concerned ports at each revaluation occasion respectively. Revaluation has been made during 2020.

The closing balance at 31 December 2020 would have been SEK 1,623 (1,827) million if the ports had been valued at cost less accumulated depreciation.

NOTE 12. INVESTMENT PROPERTY

SEK in million	31 December 2020	2019
Fair value, opening balance	**37,152**	**34,325**
Additions	1,502	1,200
Reclassification	347	508
Disposals	–123	–347
Unrealised fair value adjustments	751	1,224
Translation differences	–362	242
Fair value, closing balance	**39,267**	**37,152**
Investment Property – Construction in progress		
Fair value, opening balance	**934**	**1,073**
Additions	452	439
Reclassification of construction in progress	–347	–508
Disposals	0	–75
Translation differences	–6	5
Fair value, closing balance	**1,033**	**934**
Total fair value of investment property, closing balance	**40,300**	**38,086**
Right of use assets, 31 December (Note 19)	602	598
Total value of investment property, closing balance	**40,902**	**38,684**

Investment Property – effect on profit for the period

SEK in million	1 January–31 December 2020	2019
Rental income	2,670	2,610
Direct costs	–824	–806
Total	**1,846**	**1,804**

Investment properties are residential and commercial properties.

Valuation of the investment properties is performed at year-end and at each quarter by assessing each individual property's fair value. The valuation method is based on the direct yield method and the net operating income is based on market rental income with a deduction for rental vacancy level of 0–1% for residential properties and 0–15% for commercial properties. The assessment of the yield requirements is based on the market yield requirements in respect of the purchase and sale of comparable properties in similar locations. The assessment takes into consideration the type of property, technical standard and type of construction. The following rates of return were used for the valuation at 31 December 2020:

Location	Rate of return % Residential	Commercial
Sweden	1.75–4.75	3.30–8.50
Eurozone	n/a	3.25–8.00

The estimated market value of investment properties is SEK 40,902 million, whereof SEK 35,672 million is attributable to Swedish properties. In the previous year, the estimated market value of investment properties was SEK 38,684 million, whereof SEK 32,872 million was attributable to Swedish properties.

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

To guarantee the valuation, external valuations have been obtained from Cushman & Wakefield for the Swedish properties. The external valuations cover 20% of the total property value in absolute terms, but these selected properties represent 31% of the properties in terms of property types, technical standard and building design.

External valuations have been performed on 80% of the investment properties outside Sweden.

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

NOTE 13. CURRENT RECEIVABLES

	31 December	
SEK in million	2020	2019
Trade receivables		
Trade receivables are classified on the basis of their due date:		
Outstanding but not due	2,241	1,961
Past due, up to 30 days	344	753
Past due, more than 30 days	282	464
Total	**2,867**	**3,178**
Other current receivables		
Other current receivables, related parties	197	311
Income tax receivables	72	85
Other current receivables	5,322	5,941
Total	**5,591**	**6,337**
Prepayments and accrued income		
Prepayments	555	749
Accrued income – Contract assets	549	500
Accrued income – Other	383	1,201
Total	**1,487**	**2,450**
Total current receivables	**9,945**	**11,965**

Other current receivables include the receivable associated with the claim on Samsung Heavy Industries Co Ltd (SHI) for the cancellation of the contract for the construction of *Stena Midmax*, a semisubmersible drilling unit. Contract assets mostly relate to work in progress for construction contracts, but also service and products. Accrued income mostly relates to accrued interest income.

The carrying amount of the receivables corresponds to their fair value. The total allowance for doubtful trade receivables at 31 December 2020 was SEK –95 (–62) million. Selling expenses include costs for doubtful receivables of SEK –46 (42) million.

The table below explains the changes in contract assets during 2020.

SEK in million	2020
Opening balance	**500**
Contract assets in the beginning of the period transferred to receivables during the year	–160
New contract assets during the year included in the closing balance	207
Acqusitions	15
Other changes	8
Exchange differences	–21
Closing balance	**549**

NOTE 14. EQUITY

Dividends paid per share (SEK)	
2019	1,800
2020	**0**

Specification of reserves

SEK in million	Fair value reserve	Hedging reserve	Revaluation reserve	Translation reserve	Total
Opening balance, 1 January 2019	**–17**	**–1,660**	**1,530**	**3,499**	**3,352**
Change in fair value reserve, net of tax	94				94
Change in hedging reserve, net of tax					
– valuation of bunker hedges		169			169
– valuation of interest hedges		–557			–557
– valuation of currency hedges		71			71
– hedge of net investment in foreign subsidiaries		62			62
Change in revaluation reserve, net of tax			90		90
Change in translation reserve, net of tax				1,202	1,202
Closing balance, 31 December 2019	**77**	**–1,915**	**1,620**	**4,701**	**4,483**

SEK in million	Fair value reserve	Hedging reserve	Revaluation reserve	Translation reserve	Total
Closing balance, 31 December 2019	**77**	**–1,915**	**1,620**	**4,701**	**4,483**
Change in accounting policy (note 2)			3,717		3,717
Opening balance, 1 January 2020	**77**	**–1,915**	**5,337**	**4,701**	**8,200**
Change in fair value reserve, net of tax	56				56
Change in hedging reserve, net of tax					
– valuation of bunker hedges		–52			–52
– valuation of interest hedges		–459			–459
– valuation of currency hedges		–126			–126
– hedge of net investment in foreign subsidiaries		33			33
Change in revaluation reserve, net of tax			55		55
Change in translation reserve, net of tax				–772	–772
Closing balance, 31 December 2020	**133**	**–2,519**	**5,392**	**3,929**	**6,935**

FAIR VALUE RESERVE

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

HEDGING RESERVE

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

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

REVALUATION RESERVE

This reserve includes revaluation of ports, the vessels in the Ferry operations and the units in the Drilling operations. The revaluation amount consists of the fair value of the assets at the time of revaluation. Concurrently with the depreciation of the asset, the revaluation reserve is reversed by the same amount as the depreciation of the surplus value from the revaluation.

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

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

TRANSLATION RESERVE

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

NOTES

NOTE 15. DEFERRED TAXES

SEK in million	31 December 2020	2019
Deferred tax liabilities		
Intangible assets	326	315
Property, plant and equipment	6,456	6,213
Financial assets	116	168
Provisions	58	62
Other	274	224
Total deferred tax liabilities	**7,230**	**6,982**
Deferred tax assets		
Intangible assets	10	8
Property, plant and equipment	1,719	1,235
Financial assets	481	361
Provisions	2	18
Tax losses carried forward	4,246	5,119
Other	226	207
Less deferred tax assets, not recognised tax losses carried forward	–2,819	–3,074
Total deferred tax assets recognised	**3,864**	**3,874**
Net deferred tax liability	3,366	3,108
Whereof reported as:		
Deferred tax assets	1,454	2,012
Deferred tax liabilities	4,820	5,120

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

	2020			2019		
SEK in million	Taxes charged to income statement	Taxes charged to other comprehen-sive income	**Total taxes**	Taxes charged to income statement	Taxes charged to other comprehen-sive income	**Total taxes**
Current tax	57		57	–201		–201
Deferred tax	–34	–197	–231	–26	37	11
	23	**–197**	**–174**	**–227**	**37**	**–190**

Gross value of tax losses carried forward:

SEK in million	31 December 2020	2019
Sweden	1,491	1,461
Rest of the world	19,970	23,087
Total	**21,461**	**24,548**

About one third of the tax losses are carried forward indefinitely. Tax losses of SEK 4,801 million expires between 2021 and 2029 and SEK 8,295 million expires later than 2029.

NOTE 16. EMPLOYEE BENEFITS

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

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

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

UNITED KINGDOM

The Stena AB Group's subsidiaries in the UK, participates in defined benefit pensions schemes, (Company Schemes) and in two industry wide defined benefit schemes, Merchant Navy Ratings Pension Fund (MNRPF) and Merchant Navy Officers Pension Fund (MNOPF). The Group estimates its share in MNRPF to 24 (24)% and in MNOPF to 12 (12)%, based on information from the trustees. The two multi-employer schemes are both closed to future accruals and therefore no active members. The Stena Line Holding Group represents around 90% of the Group's total defined benefit obligation.

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

The company schemes provides benefits which are linked to each member's final salary at the earlier of their date of leaving or retirement. The benefits provided by the two industry schemes are linked to each member's career average salary according to a career index system. All schemes are closed to new members and during 2019, Stena Line (UK) Ltd was closed to future accruals. Previously, the Northern Marine Management Limited Retirement & Death Benefits Scheme and Stena Drilling Limited Final Salary Scheme were closed to future accruals.

According to the latest triennial valuations, the Company pays deficit contributions to MNRPF and to one section of the company 's UK scheme, in spite of an IAS 19 surplus being recognised in the Company's financial statements. The funding valuations for the pension schemes differ in some areas from the Company's accounting valuation as they are prepared triennially and based on different set of assumptions which do not necessarily correspond to IAS 19. In particular, The fair value of the schemes' assets, which are not generally intended to be realised until the members are retired, are probably subject to significant change.

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

SWEDEN

The main defined benefit plan in Sweden is the collectively agreed pension plan for white collar employees, the ITP 2 plan, insured with Alecta. According to an interpretation from the Swedish Financial Reporting Board, this is a multi-employer defined benefit plan. For fiscal year 2020, the Group did not have access to information from Alecta that would have enabled this plan to be recognised as a defined benefit plan. Accordingly, the plan has been recognised as a defined contribution plan. The premium for the defined benefit plan is individually calculated and is mainly based on salary, accrued pension and expected remaining period of service.

According to Alecta's consolidation policy for defined benefit pension insurance, the collective consolidation level is normally allowed to vary between 125 and 175%. If Alecta's collective consolidation level is below 125% or higher than 175% measures must be taken to create opportunities for the consolidation level to return to an accepted level. If the consolidation level falls short of or exceeds the normal interval, one measure may be to increase the contract price for new subscription and expanding existing benefits or introduce premium reductions. Alecta's consolidation ratio 2020 amounts to 148 (148)%.

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

OTHER COUNTRIES

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

CONT. NOTE 16

Information by country as at 31 December 2019, MSEK	Sweden	United Kingdom	Other countries	Total
Reporting in the balance sheet				
Present value of funded and unfunded obligations	834	12,380	390	13,604
Fair value of plan assets	–246	–13,287	–353	–13,886
Total (surplus)/deficit	**588**	**–907**	**37**	**–282**
Whereof reported as				
Surplus in pension plans	62	977		1,039
Pension liabilities	645	70	37	752
Pension liabilities, short term	5			5
Total funding level for all pension plans, %	29%	107%	91%	102%
Amounts included in the income statement				
Current service cost	12	–2		10
Past service cost		–20		–20
Net interest cost	11	–18	1	–6
Administration expenses		53		53
Remeasurements (gain)/loss	136	–235		–99
Total expense (gain) for defined benefits	**159**	**–222**	**1**	**–62**
Main assumptions for the valuation of the obligation				
Life expectancy, year				
Male – currently aged 65	21.7	21.3		
Female – currently aged 65	24.0	23.3		
Inflation, %[1]	1.80	2.95		
Discount rate, %	1.60	1.95		

1) Inflation for UK concerns RPI. Used CPI is 0.95 lower than RPI.

Average duration of the obligation is 15 years.

Information by country as at 31 December 2020, MSEK	Sweden	United Kingdom	Other countries	Total
Reporting in the balance sheet				
Present value of funded and unfunded obligations	857	11,847	464	13,168
Fair value of plan assets	–248	–12,932	–432	–13,612
Total (surplus)/deficit	**609**	**–1,085**	**32**	**–444**
Whereof reported as				
Surplus in pension plans	62	1,133		1,195
Pension liabilities	668	48	32	748
Pension liabilities, short term	3			3
Total funding level for all pension plans, %	29%	109%	93%	103%
Amounts included in the income statement				
Current service cost	16	1		17
Past service cost		5		5
Net interest cost	10	–19		–9
Administration expenses		49		49
Remeasurements (gain)/loss	7	–54		–47
Total expense (gain) for defined benefits	**33**	**–18**		**15**

	Sweden	United Kingdom
Main assumptions for the valuation of the obligation		
Life expectancy, year		
Male – currently aged 65	21.7	21.4
Female – currently aged 65	24.0	23.4
Inflation, %[1]	1.50	2.85
Discount rate, %	1.10	1.35

1) Inflation for UK concerns RPI. Used CPI is 0.70% lower than RPI.

Average duration of the obligation is 14 years.

Reconciliation of change in present value of defined benefit obligation for funded and unfunded obligations, MSEK	2020	2019
Opening balance, 1 January	**13,605**	**11,665**
Current service cost	17	10
Past service cost	5	–20
Administrative expenses	49	53
Interest expenses	238	329
Remeasurement arising from changes in financial assumptions	1,071	1,083
Remeasurement arising from changes in demographic assumptions	48	41
Remeasurement from experience	–54	12
Remeasurement from changed share in pension plan	11	11
Contributions by plan participants		1
Benefits paid	–615	–678
Settlement		
Exchange differences	–1,207	1,098
Closing balance, 31 December	**13,168**	**13,605**

Reconciliation of change in the fair value of plan assets, MSEK	2020	2019
Opening balance, 1 January	**13,886**	**11,531**
Interest income	247	335
Remeasurement arising from changes in assumptions	1,102	1,238
Remeasurement from changed share in pension plan	21	8
Contributions by plan participants	–2	–1
Employer contributions	263	310
Benefits paid	–601	–662
Settlement	1	1
Exchange differences	–1,305	1,126
Closing balance, 31 December	**13,612**	**13,886**

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

NOTES

CONT. NOTE 16

Sensitivity analysis of defined benefit obligation, SEK in million	Sweden	United Kingdom	Other countries	Total
Life expectancy +1 year	34	449	15	**498**
Inflation +0.5%	90	559	1)	**649**
Discount rate +0.5%	–85	–812	–31	**–928**
Discount rate –0.5%	97	847	40	**984**

1) Inflation rate does not have any impact on the DBO for this pension scheme, therefore sensitivity analysis is not relevant.

	2020			2019		
Market value of plan assets by category, SEK in million	Quoted	Non-quoted	Total	Quoted	Non-quoted	Total
Equity	3,233	491	3,724	2,311	524	2,835
Bonds	5,755		5,755	9,233		9,233
Property	230		230	391		391
Qualifying insurance	2,616		2,616	546		546
Cash and cash equivalents	1,287		1,287	881		881
Total	**13,121**	**491**	**13,612**	**13,362**	**524**	**13,886**

INVESTMENT STRATEGY AND RISK MANAGEMENT

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

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

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

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

NOTE 17. BANK DEBT

	2020			2019		
SEK in million	Current	Non-current	Total	Current	Non-current	Total
Property loans	13	16,957	16,988	140	15,552	15,692
Other loans	2,545	7,215	9,760	1,771	17,111	18,882
Revolving credit facilities		6,752	6,752		7,499	7,499
Total	**2,576**	**30,924**	**33,500**	**1,911**	**40,162**	**42,073**

The schedule for repayment of bank debt is presented in Note 26.

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

	31 December	
SEK in million	**2020**	**2019**
SEK	18,838	16,225
GBP	270	335
USD	12,684	22,108
EUR	1,705	3,399
Other currencies	3	6
Total	**33,500**	**42,073**

For information regarding pledged assets, see Note 23.

NOTE 18. SENIOR NOTES

In March 2020, a Eurobond issued 2010 totalling EUR 200 million at a rate of interest of 7.875% was repaid.

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

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

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

In January 2020, two further 5-year bonds was issued, one totalling USD 350 million issued at a rate of interest of 6.125% and one totalling EUR 315 million issued at a rate of interest of 3.750%.

Fair value of the senior notes were as per 31 December 2020 SEK 13,224 (10,423) million.

For details of the current financial and operative covenants linked to the bond loans, see Note 27.

				Fair value, 31 December		Carrying amount, 31 December, SEK in million	
Issued – Maturity	Nominal	Outstanding	Interest	**2020**	**2019**	**2020**	**2019**
2010–2020	MEUR 200	MEUR 200	7.875%		MEUR 203		2,100
2014–2024	MUSD 600	MUSD 527	7.000%	MUSD 528	MUSD 543	4,335	4,934
2014–2024	MUSD 350	MUSD 350	5.750%	MUSD 354	MUSD 348	2,880	3,278
2020–2025	MUSD 350	MUSD 350	6.125%	MUSD 348		2,880	
2020–2025	MEUR 315	MEUR 315	3.750%	MEUR 309		3,165	
Total						**13,260**	**10,312**
Whereof							
Non-current portion of Senior Notes						13,260	8,212
Current portion of Senior Notes							2,100

NOTE 19. LEASES

STENA AB GROUP AS LESSEE

As from 2019, the Stena AB Group applies the new accounting standard IFRS 16. The impact on the consolidated balance sheet and income statement due to the implementation are described below. The lease agreements include chartering of crude oil tankers on a timecharter basis, chartering of ferries on a bareboat basis, as well as contracts related to rentals of properties and ports.

Furthermore premises and land are leased. The right of use assets are depreciated on a straight line basis during the contract life time, which varies from 1 year to contracts with out end date. Payments for short-term leases are expensed as incurred in the income statement.

Amounts recognised in the consolidated balance sheet:

SEK in million	31 December 2020	31 December 2019
Right of use assets		
Vessels	9,305	6,759
Land and buildings	1,200	914
Ports	501	326
Investment properties	602	598
Total	**11,608**	**8,597**
Capitalised lease obligations		
Long-term	12,441	9,214
Short-term	1,735	1,601
Total	**14,176**	**10,815**

New right of use assets amounted to SEK 2,962 (1,297) million. Vessel sale and lease back contracts with repurchase agreement are included in right of use assets with SEK 8,421 million and in capitalised lease obligations with SEK 10,572 million.

CONT. NOTE 19

Amounts recognised in the consolidated income statement:

	1 January–31 December	
SEK in million	2020	2019
Depreciations of right of use assets		
Vessels	–1,674	–1,328
Land and buildings	–209	–162
Ports	–23	–15
Total	**–1,906**	**–1,505**
Interest expense	–148	–331
Expense for short-term leases	–1,714	–1,963

The cash flow related to leasing amounted to SEK –1,431 (–1,676) million.

The company has used the following practical assumptions by applying IFRS 16:

- The marginal borrowing rate has been used as discounting factor for lease agreements. The discount rate is individual for the separate business areas and varies between 3.25% and 4.25%.
- Lease agreements with a shorter remaining lease period than 12 months as per 1 January 2020 have been classified as short-term leases.

STENA AB GROUP AS LESSOR

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

	2020			2019		
SEK in million	Cost	Accumulated depreciation	Net carrying amount	Cost	Accumulated depreciation	Net carrying amount
Vessels	43,240	–27,669	15,571	58,008	–32,261	25,747
Investment property	40,901		40,901	38,684		38,684
Total	**84,141**	**–27,669**	**56,472**	**96,692**	**–32,261**	**64,431**

Future minimum lease payments receivable at the reporting date:

	2020		
SEK in million	Vessels	Investment property	Total
2020	1,768	561	2,329
2021	425	483	908
2022	480	388	868
2023	481	321	802
2024	478	265	743
2025 and thereafter	2,855	2,140	4,995
Total minimum lease payments receivable	**6,487**	**4,158**	**10,645**

Future minimum lease payments receivable at the reporting date:

	2019		
SEK in million	Vessels	Investment property	Total
2019	2,161	951	3,112
2020	289	843	1,132
2021	175	668	843
2022		524	524
2023		454	454
2024 and thereafter		3,107	3,107
Total minimum lease payments receivable	**2,625**	**6,547**	**9,172**

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

NOTE 20. OTHER NON-CURRENT LIABILITIES

Repayment of non-current liabilities

SEK in million	1–3 years	4–5 years	More than 5 years	Total
Deferred income, non-current	16	8	5	29
Other liabilities	553	1,042	1,807	3,402
Total	**569**	**1,050**	**1,812**	**3,431**

NOTE 21. ACCRUALS AND DEFERRED INCOME

	31 December	
SEK in million	**2020**	**2019**
Accruals		
Charter hire/running costs	278	302
Interest costs	657	1,052
Accrued personnel costs	817	589
Other accruals	2,027	1,885
Total	**3,779**	**3,829**
Deferred income – Contract liabilities	577	834
Deferred income – Other	514	394
Total accruals and deferred income	**4,870**	**5,057**

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

Below table explains the changes in contract liabilities during 2020.

SEK in million	**2020**
Opening balance	**834**
Contract liability at the beginning of the period recognised to revenue during the year	–561
New contract liabilities during the year not recognised to revenue in the end of the year	324
Contract liabilites related to customer loyality bonus recognised to revenue during the year	–26
New contract liabilities related to customer loyality programs not recognised to revenue in the end of the year	37
Sales	–6
Reclassification	0
Other changes	6
Translation differences	–31
Closing balance	**577**

NOTE 22. ASSETS HELD FOR SALE

At December 31, 2020 assets held for sale amount to SEK 658 (0) million. The assets relate to vessels and amount to SEK 658 (0) million.

SEK in million	2020	2019
Assets classified as held for sale:		
Property, plant and equipment	658	
Total assets classified as held for sale	**658**	

NOTE 23. PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets

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

The following assets have been pledged as securities for bank debt

	Book value 31 December	
SEK in million	2020	2019
Shares in subsidiaries and associated companies	1,610	2,203
Mortgages on vessels	35,153	38,653
Mortgages on properties	32,602	29,733
Marketable securities	1,727	1,559
Assets pledged, other	232	636
Total assets pledged for bank debt	**71,324**	**72,784**
Liabilities to credit institutions, including lease obligations	47,676	52,888
Total debt and capitalised lease obligations	**47,676**	**52,888**

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

Commitments

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

Beyond what is stated in the table above, a number of ships, port facilities and more are contracted, for which fees shall be paid amounting to SEK 1,439 million in 2021, SEK 1,118 million in 2022 and SEK 589 million from 2023. As of 31 December, 2020 five RoPax vessels were ordered. The total contract amount was SEK 4,337 million, whereof SEK 1,191 million has been paid in advance.

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

Contingent liabilities

	31 December	
SEK in million	2020	2019
Guarantees	1,400	1,765
Other contingent liabilities	379	405
Total	**1,779**	**2,170**

NOTE 24. ACQUISITIONS AND DISPOSALS OF OPERATIONS

Seven acquisitions and two disposals of businesses have been made during 2020, of which the most significant is described below.

ACQUSITION

NTEX

In February 2020 the Stena AB Group acquired an additional 50% of the shares in the logistics and transport company NTEX AB. NTEX AB was previously owned to 25% and accounted for as an associated company. The ownership in NTEX AB is 75% after the additional acquisition. NTEX is a Swedish carrier and logistics company with operations primarily within Europe as well as sea and air freight spanning the rest of the world. The group is headquartered in Göteborg, Sverige and consists of approximately 560 employees. The total purchase price amounted to SEK 355 million and the net of the purchase price and acquired net assets is attributable to goodwill, customer relations and trademark. NTEX is consolidated in the Stena AB Group as of February 2020.

The total value of the acquired assets and liabilities for all acquisition's during 2020 is presented in the table below, which also shows the acquisition's effect on the Group's cash flow. All acquired assets and liabilities were reported according to IFRS at the time of the acquisition.

SEK in million	**2020**
Acquired assets and liabilities	
Tangible assets	96
Financial assets	1
Inventory	2
Current assets	359
Cash and cash equivalents	57
Non-current liabilities	–128
Deferred tax	–8
Current liabilities	–332
Acquired net assets	**47**
Goodwill	255
Customer relations	111
Trademarks	85
Deferred tax	–43
Revaluation of shares in associated companies	–20
Non-controlling interests	–40
Total	**395**
Purchase price	–395
Deferred purchase price	30
Reclassification of shares in associated companies	100
Acquired cash and cash equivalents	57
Effect on the Group's cash and cash equivalents	**–208**

Acquisition-related costs amount to SEK 1 million and are accounted for as direct operating costs.

NOTES

CONT. NOTE 24.

DISPOSALS

Shaletech Energy SP Z.O.O

The sale of Shaletech Energy SP Z.O.O. was finalised in June 2020. The company is headquartered in Warsaw (Poland) and operates in exploration for oil and natural gas deposits. The company operates in Poland and at the time of the sale, had 2 employees. The sale generated a profit of SEK 50 million for the Stena AB Group. The sales price was PLN 1 thousand.

The total value of the disposed assets and liabilites for all sales during 2020 is presented in the table below, which also shows the sales effect on the Group's cash flow. All disposed assets and liabilities were reported according to IFRS at the time of the sale.

SEK in million	**2020**
Disposed assets and liabilities	
Intangible assets	–115
Tangible assets	–1
Current assets	–2
Non-current liabilities	94
Disposed net assets	**–24**
Intangible assets	72
Total	**72**
Purchase price	0
Effect on the Group's cash and cash equivalents	**0**

No expenses of significant amounts related to the disposals.

NOTE 25. CASH FLOW STATEMENT

Interest payments

SEK in million	1 January–31 December 2020	2019
Interest paid	2,737	2,592
Interest, received	819	132

Paid tax

During 2020 paid tax amounted to SEK 155 (158) million and repaid tax amounted to SEK 15 (18) million, which gives a net amount of SEK 140 (140) million.

Investing activities

Other non-current assets 2020 mainly include payments of loan to joint ventures and associates, same as in 2019.

Financing activities

In 2020, other financing activities mainly relates to finance cost, same as in 2019. The finance costs are capitalised and amortised over the period of the contracts.

Net debt reconciliation

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

SEK in million	2018	Cash flow	Exchange differences	Transfers	New leases	Revaluations	2019
Short-term debt	2,019	–1,262	107	1,047			1,911
Long-term debt	35,895	4,149	1,171	–1,053			40,162
Senior Notes, long-term	9,794		448	–2,030			8,212
Senior Notes, short-term	1,036	–1,058	92	2,030			2,100
Capitalised lease obligations	4,754	1,736	343	–7	3,990		10,816
Cash and cash equivalents	–1,883	–1,443	–40				–3,366
Marketable securities	–5,691	379	–276	2,367		–682	–3,903
Short-term investments	–903	1,057	–17	–2,911		–157	–2,931
Net debt	**45,021**	**3,558**	**1,828**	**–557**	**3,990**	**–839**	**53,001**

SEK in million	2019	Cash flow	Exchange differences	Transfers	New leases	Revaluations	2020
Short-term debt	1,911	–977	–304	1,946			2,576
Long-term debt	40,162	–6,456	–915	–1,867			30,924
Senior Notes, long-term	8,212	6,612	–1,564				13,260
Senior Notes, short-term	2,100	–2,186	86				0
Capitalised lease obligations	10,816	2,791	–900	6	1,463		14,176
Cash and cash equivalents	–3,366	1,422	130				–1,814
Marketable securities	–3,903	–82	313	57		252	–3,363
Short-term investments	–2,931	406	139	478		156	–1,752
Net debt	**53,001**	**1,530**	**–3,015**	**620**	**1,463**	**408**	**54,007**

NOTE 26. FINANCIAL RISK FACTORS AND FINANCIAL RISK MANAGEMENT

This note describes the financial risk management in the Stena AB Group. Accounting principles for financial instruments are described in Note 1 and financial information for the year 2020 are described in note 27. Other notes that include information used in Note 26 and 27 are Note 17 Bank debt and Note 19 Leases.

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

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

FINANCIAL RISK FACTORS

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

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

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

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

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

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

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

Fluctuations in the price of bunker fuel, which predominantly affect Ferry operations, are managed by fixed price agreements with the supplier for the various grades of bunker fuels or by using financial derivatives for crude oil. As part of its tanker operations the Group also uses, to a limited extent, contracts for freight rates and forward freight agreements.

Financial risk management is carried out within the scope of the Group's Finance Policy, mainly by the treasury unit in Sweden.

MARKET RISK – INTEREST RATE RISK

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

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

Effects of hedge accounting regarding hedging of interest rate:

Interest rate swaps	2020	2019
Fair value	–2,347	–1,768
Notional value[1]	45,118	44,191
Maturity date	2021–2036	2020–2036
Hedge ratio	1:1	1:1
Change of value, outstanding hedging instruments since 1 January	–546	–580
Change in value of hedged item used to determine hedge effectiveness	546	580

1) As described in Note 1 summary of significant accounting principles IASB published in September 2019 an amendment to the hedge accounting regulations in IFRS 9 and IAS 39 as well as the discourse requirements in IFRS 7. Stena AB has chosen to early adopt the amendment in the financial statements as of 31 December, 2020. Of the total nominal amount SEK 19,928 million refers to interest rate derivatives with maturity after 2021 with Libor as reference interest rate. We continuously evaluate the related risks and assess that this risk is not significant as of today.

MARKET RISK – CURRENCY RISK

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

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

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

Translation differences from net investments

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

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

The book value of our net assets of subsidiaries denominated in a foreign currency, as of 31 December 2020, was SEK 21.5 billion. The net assets are expressed mainly in SEK, USD, EUR and GBP. A 1% change in the value of the SEK against each of the functional currencies of our subsidiaries would affect our shareholders' equity as of 31 December 2020 by SEK –162 million.

Translation differences from translation exposure

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

Translation differences from transaction exposure

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

Effects of hedge accounting regarding hedging of currency risks:

Foreign currency forwards	**2020**	**2019**
Fair value	–75	–58
Notional amount	5,981	5,594
Maturity date	Jan 2021–May 2022	Jan 2020–Jul 2021
Hedge ratio	1:1	1:1
Change of value, outstanding hedging instruments since 1 January	53	–29
Change in value of hedged item used to determine hedge effectiveness	–53	29

MARKET RISK – PRICE RISK

Oil price risk

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

For the current routes, Ferry operations have an annual consumption of marine bunker fuel and gas oil which combined converts to an annual volume of about 2.8 million barrels crude oil. A part of this is hedged on a consecutive basis. All contracts are settled monthly at a volume corresponding to the underlying consumption.

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

Bunker fuels swaps	**2020**	**2019**
Fair value	6	281
Notional amount	5,120	4,067
Maturity date	2021–2023	2020–2022
Hedge ratio	1:1	1:1
Change of value, outstanding hedging instruments since 1 January	–76	404
Change in value of hedged item used to determine hedge effectiveness	76	–404

Bunker fuels options	**2020**	**2019**
Carrying amount	55	–1
Notional amount	1,330	1,749
Maturity date	2021–2022	2020–2021
Hedge ratio	1:1	1:1
Change of value, outstanding hedging instruments since 1 January	56	–1
Change in value of hedged item used to determine hedge effectiveness	–56	1

Equity price risk

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

CONT. **NOTE 26**

The portfolio of equities is well diversified, both in terms of markets and industries. Investments are made within the boundaries of our Finance Policy in terms of risk and loss limits. As of 31 December 2020, a change of +/–10% in the unrealised value of all our equity and bond holdings within Short-term investments and Marketable securities, would have an effect before tax of +/– SEK 320 million in profit and loss and +/– SEK 142 million in Other comprehensive income.

Trading activities

The Group also buys and sells certain types of derivative financial instruments with the objective of generating profits on a short-term basis. All trading positions are taken within the limits of the Company's Financial Policy. All positions are recorded at fair value and the unrealised gains and losses are part of the profit/loss for the period.

CREDIT RISK

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

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

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

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

LIQUIDITY RISK

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

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

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

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

During the autumn of 2018, we refinanced our existing Revolving Credit Facility (RCF). The outcome was that the maturity was extended to 2023 and the new credit facility amount was set to USD 725 million. Loans under the credit are secured primarily of ship mortgages. At the end of 2020 this credit had been utilised by USD 531 million, of which USD 528 million was actually drawn and USD 3 million used for issuing of bank guarantees. As of 31 December 2019 the utilised portion of the facility was USD 579 million, of which USD 576 million was actually drawn and USD 3 million used for issuing of bank guarantees.

As of 2007, the Group has an additional Revolving Credit Facility of USD 300 million that is mainly used for share trading. The utilised portion of the facility as of 31 December 2020 was USD 68 million. As of 31 December 2019 the utilised portion of the facility was USD 135 million.

In May 2020, Stena AB issued a non secured Revolving Credit Facility of SEK 10.7 billion of which 75% is guaranteed by Exportkreditnämnden (EKN). As of 31 December 2020 this utilised portion of the facility was SEK 1,500 million.

As of 31 December 2020 the Group had a total of SEK 13,518 million in unutilised overdraft facilities and RCFs, excluding the above mentioned USD 300 million share trading facility.

In the table below, "not specified" includes borrowings and utilised credit lines for properties and vessels that have formal repayment dates in 2021. These loans have been classified as long-term because it is the intention of the Group to refinance these loans on a long-term basis.

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

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

	31 December 2020		31 December 2019	
SEK in million	Nominal amount	Credit risk	Nominal amount	Credit risk
Currency forward contracts and swaps	85,794	1	95,788	20
Interest rate forward contracts and swaps	45,118	41	56,834	96
Commodity fixed price swaps and options – oil	7,042	247	6,352	112
Total	**137,954**	**289**	**158,974**	**228**

Maturity profile

SEK in million

31 December 2020	**Total**	2021	2022	2023–2025	2026–	Not specified
Property loans	17,805	1,756	162	861	15,026	0
Other bank loans	10,509	2,771	1,362	4,169	1,457	750
Revolving Credit Facility	6,160	3,138	71	2,951	0	0
Other credit facilities	859	0	0	0	0	859
Senior Notes	16,225	763	763	14,699	0	0
Derivatives	3,796	947	301	937	1,611	0
Capitalised lease liabilities	16,083	2,097	1,477	4,194	8,315	0
Accounts payable	1,944	1,944	0	0	0	0
Total	**73,381**	**13,416**	**4,136**	**27,811**	**26,409**	**1,609**

Future interest payments are included in the amounts above. Property loans include outstanding loans related to the real estate portfolio that got divested in March 2021, thereby the associated loans was settled.

NOTE 27. FINANCIAL INSTRUMENTS

This note describes the financial outcome from financial instruments in the Stena AB Group.
Accounting principles for financial instruments are described in Note 1 and financial risk management is described in Note 26.

Financial instruments per category

SEK in million 31 December 2019	Financial instruments measured at fair value through profit or loss Mandatory[1]	Derivatives used for hedge accounting (OCI)	Fair value through other comprehensive income (FVOCI)	Amortised Cost (AC)	Total carrying amount	Total fair value
Assets						
Cash and cash equivalents				3,366	3,366	3,366
Marketable securities	2,502		1,402		3,903	3,903
Other non-current assets (finacial part)	1,239	163			1,402	1,402
Trade receivables				3,178	3,178	3,178
Short-term investments	1,602		579	749	2,930	2,930
Other receivables (financial part)	330	1,291			1,622	1,622
Total	**5,673**	**1,454**	**1,981**	**7,293**	**16,401**	**16,401**
Liabilities						
Senior Notes				10,313	10,313	10,472
Other non-current liabilities (financial part)	17	880			897	897
Other non-current interest-bearing liabilities				40,162	40,162	40,162
Current interest-bearing liabilities				1,911	1,911	1,911
Trade payables				2,158	2,158	2,158
Other liabilities (financial part)	348	1,161			1,509	1,509
Total	**365**	**2,041**		**54,544**	**56,950**	**57,109**

SEK in million 31 December 2020	Financial instruments measured at fair value through profit or loss Mandatory[1]	Derivatives used for hedge accounting (OCI)	Fair value through other comprehensive income (FVOCI)	Amortised Cost (AC)	Total carrying amount	Total fair value
Assets						
Cash and cash equivalents				1,814	1,814	1,814
Marketable securities	1,941		1,423		3,364	3,364
Other non-current assets (finacial part)	1,577	202			1,779	1,779
Trade receivables				2,867	2,867	2,867
Short-term investments	661		600	492	1,753	1,753
Other receivables (financial part)	662	657			1,319	1,319
Total	**4,841**	**859**	**2,023**	**5,173**	**12,896**	**12,896**
Liabilities						
Senior Notes				13,260	13,260	13,224
Other non-current liabilities (financial part)	23	1,471			1,494	1,494
Other non-current interest-bearing liabilities				30,924	30,924	30,924
Current interest-bearing liabilities				2,576	2,576	2,576
Trade payables				1,944	1,944	1,944
Other liabilities (financial part)	249	697			946	946
Total	**272**	**2,168**		**48,704**	**51,144**	**51,108**

1) The mandatory category includes derivatives totalling SEK 760 million that are not included in hedge accounting. SEK 369 million is included in other non-current assets. SEK 662 million in other receivables, SEK 23 million in other non-current liabilities and SEK 249 million in other liabilities.

DETERMINATION OF THE FAIR VALUE OF ITEMS RECOGNISED AT FAIR VALUE IN THE BALANCE SHEET

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

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

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

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

SEK in million

31 December 2019	Level 1	Level 2	Level 3	**Total**
Assets				
Financial assets at fair value through profit or loss				
– Derivatives		732		732
– Securities	1,279	2,203	1,864	5,346
– Debt investments				
Derivatives used for hedging		1,454		1,454
Fair value through other comprehensive income				
– Equities	803		109	912
– Debt investments		1,041	28	1,069
Total assets	**2,082**	**5,430**	**2,001**	**9,513**
Liabilities				
Financial liabilities at fair value through profit or loss				
– Trading derivatives		366		366
Derivatives used for hedging		2,040		2,040
Total liabilities		**2,406**		**2,406**

SEK in million

31 December 2020	Level 1	Level 2	Level 3	**Total**
Assets				
Financial assets at fair value through profit or loss		1,032		1,032
– Derivatives	1,077	1,530	1,265	3,872
– Securities				
– Debt investments		859		859
Derivatives used for hedging				
Fair value through other comprehensive income				
– Equities	734		89	823
– Debt investments		1,199		1,199
Total assets	**1,811**	**4,620**	**1,354**	**7,785**
Liabilities				
Financial liabilities at fair value through profit or loss				
– Trading derivatives		271		271
Derivatives used for hedging		2,169		2,169
Total liabilities		**2,440**		**2,440**

During the year, no transfers between levels have taken place.

CONT. NOTE 27

Specification of financial instruments in Level 3

SEK in million 31 December 2019	CBRE Dutch Office Fund	Airport Real Estate Management BV	Debt investments convertible loan	Equities other	Total
Opening balance, 1 January 2019	**882**	**388**	**112**	**153**	**1,535**
Total unrealised gains/losses					
– recognised in profit or loss	152	143		9	304
– recognised in other comprehensive income				3	3
Reclassification					
Impairment recognised in profit or loss					
Proceeds from acquisitions and sales, net			73	–4	69
– of which realised gains/losses					
Translation differences	83	5		4	92
Closing balance, 31 December 2019	**1,117**	**536**	**185**	**165**	**2,003**

SEK in million 31 December 2020	CBRE Dutch Office Fund	Airport Real Estate Management BV	Debt investments convertible loan	Equities other	Total
Opening balance, 1 January 2020	**1,117**	**536**	**185**	**165**	**2,003**
Total unrealised gains/losses					
– recognised in profit or loss	62			8	70
– recognised in other comprehensive income				31	31
Reclassification			–28	28	0
Impairment recognised in profit or loss					
Proceeds from acquisitions and sales, net		–535	–157		–692
– of which realised gains/losses					
Translation differences	–51	–1		–7	–58
Closing balance, 31 December 2020	**1,128**	**0**	**0**	**225**	**1,354**

No holdings in Level 3 have been moved to another level and no holdings which previously were classified as Level 1 or Level 2 have been moved to Level 3.

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

31 December 2020

Holdings	Description	Fair value at 31 December 2020	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability weighted average)	Relationship of unobservable inputs to fair value	Sensitivity analyses
CBRE Dutch Office Fund	The fund invests in prime office real estate only in the Netherlands, and consists of 12 properties	SEK 1,128 million	Estimated discounted cash flows	Future development of the occupancy rates	Weighted average of vacancy rate is 10.95%	Changes in the properties' occupancy rates lead to a lower/ higher fair value	If the vacancy rate and income changes by +/– 10%, the effect on the fair value will be SEK +/– 113 million
Equities other	A portfolio of unlisted companies	SEK 225 million	Stena AB Group use different techniques, depending of available observable inputs. Discounted cash flow models and valuation multiples are examples of applied methods for valuation	Interest level, future development in the oil and gas sector and in different pharmaceutical projects	N/A	N/A	N/A

As of 31 December 2020, a change of +/– 10% in the unrealised value of all our assets in the Level 3 category would have an effect of SEK +/– 126 (189) million on profit before tax and SEK +/– 9 (11) million recognised in other comprehensive income.

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

SEK in million 31 December 2019	Financial assets/ liabilities, gross	Netted balances	Amounts shown in the balance sheet	Financial instruments included in ISDA agreements but not netted	Financial instruments, net
Derivative financial assets	2,186	0	2,186	1,958	228
Derivative financial liabilities	–2,406	0	–2,406	–1,958	–448
Total	**–220**	**0**	**–220**	**0**	**–220**

MSEK 31 December 2020	Financial assets/ liabilities, gross	Netted balances	Amounts shown in the balance sheet	Financial instruments included in ISDA agreements but not netted	Financial instruments, net
Derivative financial assets	1,890	0	1,890	1,602	289
Derivative financial liabilities	–2,440	0	–2,440	–1,602	–839
Total	**–550**	**0**	**–550**	**0**	**–550**

Trading contracts – Outstanding derivative contracts for trading activities

	2020		**2019**	
MSEK	Notional amount	Carrying amount	Notional amount	Carrying amount
Foreign exchange spot and forwards	64	0	1,174	–2
Currency options	49	0	990	6
Oil swaps and Oil options	1,330	109	1,749	–1
Total	**1,443**	**109**	**3,913**	**3**

NOTE 28. PERSONNEL

Average number of employees

	2020		2019	
	Total	No. of females	**Total**	No. of females
Parent company				
Executive management	3		3	
Other employees	34	19	34	20
Subsidiaries in Sweden	4,103	1,585	4,336	1,748
Total Sweden	**4,140**	**1,604**	**4,373**	**1,768**
Subsidiaries outside Sweden				
United Kingdom	2,747	658	2,940	764
Denmark	1,010	340	1,088	370
The Netherlands	652	114	649	120
Germany	301	94	340	96
Singapore	185	73	184	65
India	164	59	167	70
Spain	164	19	149	18
South Korea	157	15	160	15
Poland	123	65	80	50
Latvia	118	53	98	59
China	114	27	117	26
Norway	85	24	61	23
United States	54	14	26	6
United Arab Emirates	35	5	37	4
France	27	9	23	7
Qatar	27		34	
Ireland	21	13	22	12
Lithuania	14	9	7	6
Belgium	12	5	7	3
Russia	12	9	6	3
Portugal	10	1	10	1
Saudi Arabia	10	2	11	2
Luxembourg	9	2	6	2
Cyprus	7	3	8	3
Finland	7	1	8	3
Namibia	6	4	3	3
Estonia	5	3		
New Zeeland	5	2		
Switzerland	5	4	4	3
Malaysia	3	1	3	1
Other	11	2	15	
Seagoing employees	1,243	21	1,177	21
Total outside Sweden	**7,343**	**1,651**	**7,440**	**1,756**
Total Group	**11,483**	**3,255**	**11,813**	**3,524**

Seagoing employees refers to Offshore Drilling and Shipping activities, which are performed worldwide. For Ferry Operations (Stena Line), such persons have been allocated by country. The total number of seagoing employees in Stena Line was 3,412 (4,271). Total number of employees including external seagoing employees through Northern Marine amounts to 15,247 (15,671).

Total personnel costs

SEK in million	2020 Parent company	2020 Subsidiaries	2020 Total	2019 Parent company	2019 Subsidiaries	2019 Total
Wages, salaries and other remuneration	47	5,751	5,798	56	5,750	5,806
Pension costs	15	454	469	14	436	450
Other social security contributions	20	870	890	19	720	739
Total	**82**	**7,075**	**7,157**	**89**	**6,906**	**6,995**

For Swedish-flagged vessels employed in international shipping activities, the Group has received a subsidy equal to all social security costs and income taxes payable by the employers on behalf of employees who work on board such vessels. The amount of this subsidy in 2020 was SEK 337 (417) million. The amounts received have reduced personnel costs.

Remuneration of Chief Executives

In 2020, salaries of SEK 6 (10) million were paid to the Chief Executive Officer and the Executive Vice President. The corresponding pension charges in 2020 amounted to SEK 7 (13) million. The aggregate compensation paid by the Stena AB to its directors (a total of nine persons, CEO included) amounted to SEK 7 (12) million. Of the total salaries paid to other employees SEK 52 (51) million was paid to officers other than the Chief Executive Officer, the Executive Vice President and Board members (a total of nine persons).

Pension commitment applies from the age of 65 years according to the so called ITP plan with additions for salary above 30 base amounts. The Chief Executive Officer has additional retirement conditions allowing pension payments from 76 years of age. The obligation is provided for within pension liabilities. The period of notice from either parties is 12 months. Severance pay amounts to a maximum of 24 months salary.

The Board members of Stena AB were paid SEK 308 (480) thousand in 2020, out of which SEK 45 (60) thousand was paid to the Chairman of the Board and SEK 26 (35) thousand was paid to the Chief Executive Officer. The Chairman of the Board has in addition invoiced SEK 1,031 (1,400) thousand for consultations.

Gender distribution on the Board of Directors is 73 (80)% men and 27 (20)% women. 80 (78)% of other senior executives are men and 20 (22)% are women.

NOTE 29. RELATED-PARTY TRANSACTIONS

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

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

CONCORDIA

Concordia and Stena are parties to an agreement, pursuant to which they conduct joint charter and contract business through Stena Bulk AB. Under the terms of this agreement, Concordia Maritime may elect to participate in a transaction on a 100%, 50% or 0% basis. During 2020, Concordia participated in four transactions, while in 2019 Concordia did not participate in any transactions.

Concordia buys regularly services from Stena, primarily Stena Bulk AB. All transactions are conducted on commercial terms and at market-related prices. These services relate to administration, marketing, insurance, technical support, development and commercial management of Concordia's fleet, chartering commission relating to Concordia's owned and chartered vessels, operation of any jointly chartered vessels as well as offices and office services for Concordia's personnel. Concordia's total payments for these services amounted to SEK 66 (58) million.

Concordia has through an agreement with AB Stena Finans received a credit facility. Concordia has through an agreement with Tritec Marine Ltd received financing for ballast water installations.

STENA SESSAN

During 2020, Stena Sessan has paid a service fee to Stena Adactum amounting to SEK 3 (12) million.

Stena conducts property management for Stena Sessan's properties. Stena received SEK 23 (22) million for the provision of these services.

Stena Asset Management manages a liquidity portfolio for bond trading on behalf of Stena Sessan and has during 2020 received a remuneration amounting to SEK 3 million.

STENA METALL

Stena purchases a substantial proportion of bunker fuel for vessels from Stena Metall. The purchases in 2020 amounted to SEK 1,430 (2,348) million.

Havgalleskären AB, which is part of the Stena Metall Group, has chartered out the vessel *M/S Mecklenburg Vorpommern* to Stena Line GmbH on a five-year bareboat charter. During 2020 the charter hire amounted to SEK 64 (64) million.

Stena Recycling AB has during 2020 paid SEK 10 (9) million to RFM Fastigheter AB for property management services and rent.

Stena performs certain services for Stena Metall, for which compensation of SEK 0 (5) million has been received in 2020.

NOTES

CONT. NOTE 29

OLSSON FAMILY

Stena rents office space from the Olsson family. The rental payments amounted to SEK 46 (46) million.

Stena conducts property management for a number of the family's properties. Stena received SEK 47 (44) million for the provision of these services.

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

Stena Switzerland AG has invested EUR 10 million in a company, Collectius AG, which is partly owned by Gustav Eriksson. Stena Switzerland has loaned EUR 10 million to Collectius AG at market terms during the year.

NOTE 30. SUBSEQUENT EVENTS

As per 1 January 2021 the United Kingdom left the EU, which has not had a significant impact on the Stena AB Group operation.

In February 2021 Stena Fastigheter acquired two commercial properties Göteborg.

On 2 March 2021, Stena Realty acquired one commercial property in Poland.

On 5 March 2021, a London Arbitration Tribunal determined certain issues in dispute between Stena Atlantic Limited ("Stena") and Samsung Heavy Industries Co, Ltd ("SHI") over the construction of a harsh environment semi-submersible drilling unit, formerly known as "Stena MidMAX". The Contract for the unit was signed on 26 June 2013 with delivery of the unit to be made by 20 March 2016. The Contract was terminated by Stena on 1 June 2017 due to excessive delay. SHI disputed the termination and referred the dispute to London Arbitration. The Tribunal determined that Stena's termination of the Contract was valid and in doing so dismissed all claims by SHI against Stena. The Tribunal also ordered payment by SHI to Stena of the minimum sum of USD 411 Million by way of refundment of Stena's pre-delivery payments plus further amounts in respect of interest and project costs. Based on the value of the receivable recognized in the Stena accounts, the award from the tribunal will not have any significant impact on the profit and loss statement of the Stena Group.

In January 2021 Stena signed an agreement to sell major part of its international properties as part of a restructuring of the international real estate portfolio. On March 11, 2021 the transaction was completed, which generated a positive cash flow of SEK 2,3 billion.

During the first quarter 2021 Stena Concert was sold, but not yet delivered, to an non-disclosed party.

In March 2021 the vessel Stena Nova was sold and delivered to her new owners.

In April 2021, 15% of the total outstanding shares in Stena Renewable AB was sold to Alecta. After the transaction, Stena Adactum holds 20% of the shares in Stena Renewable.

PARENT COMPANY INCOME STATEMENT

SEK in million	Note	1 January–31 December 2020	2019
Revenue	1	168	163
Administrative expenses	2	–173	–233
Other operating income and expenses			–6
Operating result		**–5**	**–76**
Result from investments in Group companies	3	803	751
Result from other securities and receivables held as non-current assets	4	–274	942
Other interest and similar income	5	770	127
Interest and similar expenses	6	–529	–967
Financial net		**770**	**853**
Appropriations			
Group contributions	7	–130	255
Profit before tax		**635**	**1,032**
Taxes	8	130	–146
Profit for the year		**765**	**886**

OTHER COMPREHENSIVE INCOME

SEK in million	1 January–31 December 2020	2019
Profit for the year	765	886
Other comprehensive income		
Change in fair value reserve for the year, net of tax	26	–4
Other comprehensive income	**26**	**–4**
Change in fair value reserve for the year, net of tax	**791**	**882**

PARENT COMPANY BALANCE SHEET

SEK in million	Note	31 December 2020	31 December 2019
Assets			
Non-current assets			
Shares in Group companies	9	20,793	20,800
Non-current receivables, Group companies	9	4 936	5,619
Marketable securities	10	71	44
Other non-current assets	11	436	103
Total financial assets		**26,236**	**26,566**
Total non-current assets		**26,236**	**26,566**
Current assets			
Current receivables, Group companies		4,227	1,229
Other receivables		2	5
Total current receivables		**4,229**	**1,234**
Cash and cash equivalents		0	0
Total current assets		**4,229**	**1,234**
Total assets		**30,465**	**27,800**
Equity and liabilities			
Equity			
Share capital, 50,000 shares, SEK 100 each		5	5
Statutory reserve		2	2
Total restricted equity		**7**	**7**
Retained earnings		19,355	18,443
Result for the year		765	886
Total unrestricted equity		**20,120**	**19,329**
Total equity		**20,127**	**19,336**
Non-current liabilities			
Bank debt		1,500	
Senior Notes	12	4,335	4,935
Total non-current liabilities		**5,835**	**4,935**
Current liabilities			
Senior Notes	12		2,100
Trade payables		3	6
Liabilities to Group companies		4,309	1,171
Other liabilities		3	7
Accruals and deferred income	13	188	245
Total current liabilities		**4,503**	**3,529**
Total equity and liabilities		**30,465**	**27,800**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK in million	Share capital	Restricted reserves	Unrestricted equity	Total
Equity, 31 December 2018	**5**	**2**	**18,537**	**18,544**
Change in fair value reserve for the year, net of tax			–4	–4
Other comprehensive income			**–4**	**–4**
Profit for the year			886	886
Total comprehensive income			**882**	**882**
Dividend			–90	–90
Equity, 31 December 2019	**5**	**2**	**19,329**	**19,336**
Change in fair value reserve for the year, net of tax			26	26
Other comprehensive income			**26**	**26**
Profit for the year			765	765
Total comprehensive income			**791**	**791**
Equity, 31 December 2020	**5**	**2**	**20,120**	**20,127**

PARENT COMPANY STATEMENT OF CASH FLOWS

		1 January–31 December	
SEK in million	Note	**2020**	**2019**
Cash flow from operating activities			
Profit for the year		765	886
Adjustments for non-cash items			
Result from financial instruments		–8	–346
Exchange differences		168	55
Deferred income taxes	8	–130	146
Group contributions		130	–255
Other non-cash items		2,555	573
Cash flow from operating activities before changes in working capital		**3,480**	**1,059**
Changes in working capital			
Increase (–)/decrease (+) in intra-group balances		–238	–427
Increase (–)/decrease (+) in current receivables		3	543
Increase (+)/decrease (–) in current liabilities		–194	–593
Cash flow from operating activities		**3,051**	**582**
Cash flow from investing activities			
Proceeds from sale of securities and long-term investments, net		–2,621	444
Cash flow from investing activities		**–2,621**	**444**
Cash flow from financing activities			
Dividend			–90
Group contributions received/paid, net		255	122
Net change in borrowings on line-of-credit agreements		1,500	
Principal payments on debt	16	–2,185	–1,058
Cash flow from financing activities		**–430**	**–1,026**
Net change in cash and cash equivalents		0	0
Cash and cash equivalents at beginning of year		0	0
Cash and cash equivalents at end of year		**0**	**0**

All amounts in SEK million. Accounting principles, see Note 1 in the Consolidated Notes.

NOTE 1. REVENUE

Revenue in the Parent company refers to services rendered for subsidiaries.
Revenue was SEK 168 (163) million, 98 (97)% of which was from Group companies.

NOTE 2. ADMINISTRATIVE EXPENSES

Fees to the auditors

SEK in million	1 January–31 December 2020	2019
Audit services	4	4
Tax advisory services	2	3
Other services	1	2
Total	**7**	**9**

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

NOTE 3. RESULT FROM INVESTMENTS IN GROUP COMPANIES

SEK in million	1 January–31 December 2020	2019
Dividends	3,200	1,125
Write-downs	–2,397	–374
Total	**803**	**751**

NOTE 4. RESULT FROM OTHER SECURITIES AND RECEIVABLES HELD AS NON-CURRENT ASSETS

SEK in million	1 January–31 December 2020	2019
Result from sale of shares		178
Unrealised result from financial instruments	8	7
Exchange differences	–681	309
Intra-group interest income	399	448
Total	**–274**	**942**

NOTE 5. OTHER INTEREST AND SIMILAR INCOME

SEK in million	1 January–31 December 2020	2019
Intra-group interest income	85	1
Interest income from derivates		126
Exchange differences	685	
Total	**770**	**127**

NOTE 6. INTEREST AND SIMILAR EXPENSES

	1 January–31 December	
SEK in million	2020	2019
Interest expenses	–419	–598
Amortisation of capitalised finance costs	–28	–3
Unrealised change in value of short-term derivatives	–4	–59
Exchange differences		–299
Other finance expenses	–78	–8
Total	**–529**	**–967**

SEK –32 (–74) million of total interest expenses are related to Group companies.

NOTE 7. GROUP CONTRIBUTION

	1 January–31 December	
SEK in million	2020	2019
Paid Group contributions	–2,608	–626
Received Group contributions	2,478	881
Total	**–130**	**255**

NOTE 8. INCOME TAXES

	1 January–31 December	
SEK in million	2020	2019
Result before tax	635	1,032
Deferred tax	130	–146
Total taxes	**130**	**–146**
Reconciliation of the difference between the statutory tax rate in Sweden and the effective tax rate		
Statutory income tax according to tax rate	–136	–221
Impact of change in tax rate	–6	4
Expenses not deductible	–705	–233
Non-taxable income, dividend received	685	241
Non-taxable income	292	63
Tax income/tax expense	**130**	**–146**

In 2020, Tax paid amounted to SEK – (–) million.

NOTES

NOTE 9. SHARES IN GROUP COMPANIES

SEK in million	Reg. no.	Reg. office	Ownership, %	Amount of shares in 000s	31 December Carrying amount 2020	Carrying amount 2019
Stena Rederi AB	556057-8360	Sweden	100	25	1,000	1,000
AB Stena Finans	556244-5766	Sweden	100	500	2,550	2,550
Stena RFM AB	556878-2980	Sweden	100	1	2	2
Stena Fastigheter AB	556057-3619	Sweden	100	119	3,282	3,282
Stena Adactum AB	556627-8155	Sweden	100	500	4,076	4,076
Örbacken Energi AB (liquidated)	556738-0851	Sweden	100	2		1
Möckelsjö Energi AB (liquidated)	556756-0882	Sweden	100	50		6
Stena Ventures AB	556878-3020	Sweden	100	1	21	21
Stena International S.A.		Luxembourg	100	4,768	9,862	9,862
Total shares in Group companies					**20,793**	**20,800**

Subsidiaries´ holdings in major Group companies

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

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

SEK in million	31 December 2020 Carrying amount
AB Stena Finans	4,936
Total non-current receivables Group companies	**4,936**
Opening balance	**5,619**
Amortisation	
Exchange differences	–683
Closing balance	**4,936**

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

NOTE 10. MARKETABLE SECURITIES

SEK in million	
Opening balance, 1 January 2020	**44**
Revaluation	26
Exchange differences	1
Closing balance, 31 December 2020	**71**

SEK in million	2020	2019
Marketable securities are classified as:		
Financial assets at fair value through other comprehensive income	71	44
Total taxes	**71**	**44**

Marketable securities are long-term holdings of listed shares (see Note 27 in the Consolidated Notes).

NOTE 11. OTHER NON-CURRENT ASSETS

SEK in million	Deferred tax receivables	Other securities held as non-current assets	Capitalised costs	Total
Opening balance, 1 January 2020	**18**	**81**	**4**	**103**
Revaluation		8		8
Additions	130		223	353
Disposals			–28	–28
Closing balance, 31 December 2020	**148**	**89**	**199**	**436**

Other securities held as non-current assets are holdings of non-listed shares, see Note 27 in the Consolidated Notes. Capitalised costs refer to cost for Senior Notes. These costs are distributed over the remaining loan period of the Senior Notes.

NOTE 12. SENIOR NOTES

				Fair value, 31 December		Carrying amount, 31 December, SEK in million	
Issued – Maturity	Nominal	Outstanding	Interest	2020	2019	2020	2019
2010–2020	MEUR 200	MEUR 200	7.875%		MEUR 204		2,100
2014–2024	MUSD 600	MUSD 527	7.000%	MUSD 528	MUSD 542	4,335	4,935
Total						**4,335**	**7,035**
Whereof							
Non-current portion of Senior Notes						4,335	4,935
Current portion of Senior Notes							2,100

NOTE 13. ACCRUALS AND DEFERRED INCOME

SEK in million	31 December 2020	31 December 2019
Accrued interest expense	130	196
Accrued holiday pay and social security contributions	13	13
Other accruals	45	36
Total	**188**	**245**

NOTE 14. PLEDGED ASSETS AND CONTINGENT LIABILITIES

SEK in million	31 December 2020	31 December 2019
Guarantees, subsidiaries	31,528	34,457
Guarantees, other	413	563
Total	**31,941**	**35,020**

NOTE 15. PERSONNEL

For information about the average number of employees, salaries, other remuneration and social security contributions for employees, see Note 28 in the Consolidated Notes.

NOT 16. NET DEBT RECONCILIATION

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

SEK in million	2019	Cash flows	Foreign exchange adjustment	Revaluation	2020
Debts, long-term	4,935	1,500	–600		5,835
Senior Notes, short-term	2,100	–2,185	85		
Marketable securities	–44		–1	–26	–71
Net debt	**6,991**	**–685**	**–516**	**–26**	**5,764**

PROPOSED TREATMENT OF UNAPPROPRIATED EARNINGS

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

Retained earnings	19,355
Profit for the year	765
Unrestricted equity	**20,120**
The Board of Directors propose the following:	
To be carried forward	20,120

Göteborg, 28 April 2021

Gunnar Brock
Chairman of the Board

Dan Sten Olsson
Managing Director

Vivienne Cox
Board member

Casper von Koskull
Board member

Christian Caspar
Board member

Maria Brunell Livfors
Board member

Lars Westerberg
Board member

William Olsson
Board member

Marie Eriksson
Board member

Alessandro Chiesi
Employee representative

Daniel Holmgren
Employee representative

Our Audit Report was released on 28 April 2021

Johan Rippe
Authorised Public Accountant

Johan Malmqvist
Authorised Public Accountant

AUDITOR'S REPORT

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Stena Aktiebolag (publ.) for the year 2020.

The company's annual report and consolidated accounts are included on pages 2–73 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Basis for Opinions

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

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

Other Information than the annual accounts and consolidated accounts

The company also provides information other than the annual accounts and consolidated accounts which can be found on page 1, 76 and in the form of an annual overview which is issued in connection with the annual accounts and consolidated accounts. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibility

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

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Stena Aktiebolag (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Director's and the Managing Director

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

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

Auditor's responsibility

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

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

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

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

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Göteborg, 28 April 2021

Johan Rippe
Authorized Public Accountant

Johan Malmqvist
Authorized Public Accountant

FIVE-YEAR SUMMARY

SEK in million	2020	2019	2018	2017	2016
Total revenues	33,343	37,142	34,730	33,723	34,799
EBITDA, excluding sale of non-current assets	5,613	8,527	6,595	7,465	10,429
Operating profit	–1,791	1,731	2,232	2,809	4,013
Profit/loss from investments in strategic associates	–19	86	–22	74	66
Profit before tax	–4,858	240	105	1,343	2,262
Vessels	36,012	39,919	39,656	39,103	43,064
Investment property	40,902	38,684	35,398	31,539	35,466
Other non-current assets	29,770	31,743	32,068	31,953	33,214
Cash and cash equivalents/short-term investments	3,566	6,297	2,786	3,113	2,216
Other current assets	11,683	13,134	8,141	13,701	9,739
Equity including deferred tax liabilities	47,745	53,170	51,539	50,416	51,156
Other provisions	812	777	1,069	1,187	1,281
Other non-current liabilities	60,056	60,306	51,992	52,825	56,755
Current liabilities	13,320	15,524	13,449	14,981	14,507
Total assets	121,933	129,777	118,049	119,409	123,699
Cash flow from operating activities	5,039	4,060	1,920	5,484	4,838
Cash flow from investing activities	–5,858	–5,994	1,267	–3,399	–5,024
Cash flow from financing activities	–603	3,377	–3,613	–1,135	–832
Net change in cash and cash equivalents	–1,552	1,483	–365	926	–989
Number of employees, average	11,483	11,813	11,370	11,531	11,183
Number of vessels[1]	134	137	138	118	142

1) Including owned and chartered in vessels.

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