FINANCIAL REPORT

STENA AB 2016

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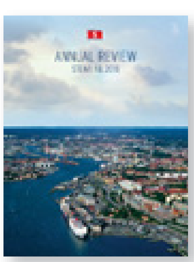

Read more about Stena AB's operations and sustainability work in the annual review and the sustainability report. Printed versions can be ordered from birgitta.sandh@stena.com.

STENA.COM

Cover: Stena's vessels sail the equivalent of approximately 270 circuits of the earth each year to deliver raw material, goods and passengers. The cover picture shows a vessel owned by Stena Bulk, one of the world´s leading tanker operators.


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DIRECTORS' REPORT

General information about the business

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

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

Offshore Drilling, using semi-submersible drilling rigs and drillships, is run by Stena Drilling from its head office in Aberdeen in Scotland and through its global organisation with offices in the USA, Norway, Cyprus, Luxembourg, Korea and Australia.

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. Stena RoRo has its head office in Gothenburg. Stena Bulk has its head office in Gothenburg as well as offices in Houston, Singapore and Limassol. 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, Gothenburg, Houston and Aberdeen. Stena Teknik in Gothenburg is responsible for technical development.

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

New Businesses is run by Stena Adactum, based in Gothenburg. Stena adactum invests in companies that fall outside Stena's traditional core operations. The portfolio currently includes Ballingslöv, S-Invest, Envac and Stena Renewable as well as the associates Gunnebo, Midsona and Svedbergs.

Stena Finance, which is the central finance department of the Group, has operations in Gothenburg, 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 Gothenburg, Sweden. The address of the head office is Masthuggskajen, SE-405 19 Gothenburg.

The year in brief

- Another year with good performance by all business areas.
- Continuing strong earnings.
  - Total income amounted to SEK 34.8 billion, compared with SEK 36.4 billion in 2015.
  - EEBITDA (operating profit before depreciation), excluding valuation of our investment properties and sales of non-current assets, amounted to SEK 9.0 billion, compared with SEK 9.4 billion in 2015.
  - EBITDA was in line with the previous year, mainly as a result of improvements in ferry operations during the year, while drilling and shipping operations have shown a decline due to the challenging market situation they face.
  - Profit before tax was SEK 2.3 billion, compared with SEK 4.5 billion in 2015, including sales of non-current assets amounting to MSEK 474 and SEK 2.3 billion, respectively.
- A healthy balance sheet with an equity ratio of 38% as at 31 December 2016.
- Stena Line improved its earnings compared with 2015. This was achieved by increasing volumes, cost reduction measures, tonnage changes, lower bunker costs and continuing improvements in existing operations.
- Stena Drilling was in line with the previous year. The average commercial utilisation rate was just over 94%. During the year, Stena Drilling has focused on the cost reduction programme that has been implemented to address the current market situation.
- Stena Bulk experienced a year of varying earnings, but maintained a good utilisation rate for both the tanker and the LNG segment during the year.
- Stena RoRo reported a continued high utilisation rate during the year and also worked on chartering in and out vessels for Stena Line, and selling vessels no longer needed in Stena Line's operations.
- Stena Property continued to be profitable, with a very high average occupancy rate of around 96%.
- Stena Adactum had another successful year in the portfolio companies and reported sales growth in all companies except Stena Renewable.

Significant business events 2016

Ferry Operations

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

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

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

Offshore Drilling

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

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

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

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

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

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

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

Shipping – Stena Bulk

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

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

Shipping – Stena RoRo

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

Shipping – Northern Marine Group

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

New businesses

In September, Stena Adactum signed a letter of intent regarding acquisition of 26% of the listed bathroom company Svedbergs i Dalstorp AB for approximately MSEK 200. At the same time, it was decided that Ballingslöv would sell the assets of its bathroom company Macro International AB to Svedbergs i Dalstorp AB for approximately MSEK 180. These transactions were conducted in December 2016.

Stena Adactum had another successful year and continued to develop and expand its operations.

Property

Stena Property acquired 1,225 apartments in Landskrona in Sweden during the year. The properties were taken over on 30 December 2016.

The property Krabban 1 in Mölndal was taken over on 15 December 2016 and is now the head office of SCA Hygiene Products. The property consists of 25,000 m^2 of offices and a laboratory.

In 2016, three properties were sold in Danderyd, one property was sold in Mölndal, while two properties were sold to housing associations in Lund.

The economic occupancy rate was 95.5% at the end of December 2016. In Sweden, the economic occupancy rate was 99.4% for residential premises and 96,2% for commercial premises. Internationally the economic occupancy rate was 83.3%.

Other

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

Subsequent events

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

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

In March 2017, a commercial property of 35,000 m^2 was sold in Haninge in Stockholm.

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

System for internal control and risk management regarding financial reporting

This description of Stena'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 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 Board of Directors have overall responsibility for internal control over financial reporting. 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 guidelines as well as routines.

It is of particular importance that management documents, such as internal policies and guidelines exist in significant areas and that these provide employees with solid guidance. Examples of important policies and guidelines within Stena are "Code of Conduct", "Power Reserved List", "Principles, convictions and basic values for Stena AB", "Finance Policy" and "Financial Manual" which define the accounting and reporting regulations.

These policies and guidelines 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.

During the year, the Group's overall risk assessment was continued updated in order to obtain a general idea of the main risks. To limit risks there are appropriate policies and guidelines 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 staff 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 account reconciliations, authorisations, and monthly accounts as well as analysis of these.

IT systems are scrutinised regularly during the year to ensure the validity of Stena's IT systems with respect to financial reporting.

Information and communication

Policies and guidelines are of particular importance for accurate accounting and reporting and also define the control activities to be carried out. Stena's policies and guidelines 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 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 unit communicates continuously with Stena's external auditors on matters concerning internal control.

Shareholders

All of the issued and outstanding voting shares of Stena AB were owned as following as at 31 December 2016:

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 Group's overall business is expected to continue in the same direction over the coming year and to the same extent as in 2016.

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. 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.

Since implementation of the Environmental Code, the port operation run by Stena Line Scandinavia AB has become subject to permit requirements, primarily relating to noise.

Financial risks

For financial risks, see Note 1 Summary of significant accounting policies and Note 31 Financial risk factors and financial risk management.

Employees

In 2016, the average number of employees was 11,183, compared with 10,416 on 31 December 2015. A vital factor for realising Stena 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-wide attitude survey is carried out regularly and the number of satisfied employees is rising steadily. Every employee must attend a career development meeting once a year. For more information about employees see Note 33.

Income and profit

Consolidated income for 2016 was MSEK 34,799 (36,417), including profit on the sale of vessels totalling MSEK 303 (502), property sales totalling MSEK 81 (102) and sale of operations totalling MSEK 90 (1,675). Profit before tax for the year was MSEK 2,262 (4,504) and net profit was MSEK 2,518 (3,988).

Financing and liquidity

At 31 December 2016, cash and cash equivalents and current investments totalled MSEK 2,216 (3,172), of which MSEK 1,591 (2,516) were available. Together with non-current investments and available credit facilities, the total payment capacity at 31 December 2016 was SEK 19.1 (25.9) billion.

Of the credit facility of MUSD 800, MUSD 58 (5) were utilised at 31 December 2016, of which MUSD 3 (5) were related to issued guarantees. Loan repayments during the year amounted to MSEK 3,044 (3,842). During the first quarter of 2016, the company terminated the credit facility of MSEK 6,660 secured by a guarantee issued by the Swedish Export Credits Guarantee Board (EKN) at its own request.

Consolidated total assets at 31 December 2016 amounted to MSEK 123,699, compared with MSEK 119,268 at 31 December 2015. Investments in property, plant and equipment and intangible assets during the year amounted to MSEK 7,200 (5,927).

The consolidated debt/equity ratio, defined as net interest-bearing debt in relation to net interest-bearing liabilities, equity and deferred tax liabilities, was 49% (50%) at 31 December 2016.

According to the consolidated balance sheet as at 31 December 2016, retained earnings amounted to MSEK 42,801, of which MSEK 2,531 comprised net profit for the year.

The Stena AB Group has during 2016 repurchased MUSD 73 of the MUSD 600 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.

Parent company

The Parent company's revenue totalled MSEK 134 (162), while profit before tax was MSEK 1,566 (4,023), of which dividends from subsidiaries totalled MSEK 2,395 (3,731).

The Board of Directors of Stena AB proposes that MSEK 205 (405) be paid as a dividend to the shareholders whereupon the remaining profit, of MSEK 18,269, will be 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.

GROUP CONSOLIDATED INCOME STATEMENT

	Note	1 January–31 December 2015 MSEK	2016 MSEK
Revenue			
Ferry Operations		12,491	12,592
Offshore Drilling		7,891	7,360
Shipping		3,623	2,750
Property		2,515	2,554
New Businesses		6,752	6,734
Other		117	832
Total revenue		**33,389**	**32,822**
Net result on sale of non-current assets	4	2,279	474
Total other income		**2,279**	**474**
Change in fair value of investment properties	12	749	1,503
Total income	3	**36,417**	**34,799**
Direct operating expenses			
Ferry Operations		–9,272	–8,737
Offshore Drilling		–3,209	–2,919
Shipping		–1,503	–1,545
Property		–820	–867
New Businesses		–4,940	–4,962
Other		–69	–420
Total direct operating expenses		**–19,813**	**–19,450**
Gross profit		**16,604**	**15,349**
Selling expenses		–1,414	–1,359
Administrative expenses	5	–2,793	–2,966
Depreciation, amortisation and impairment	3, 9, 10, 11	–5,596	–7,011
Operating profit	3	**6,801**	**4,013**
Result from investments in strategic associates	6	60	66
Dividends received		136	114
Result on sale of securities		–35	387
Interest income		213	277
Interest expenses		–2,431	–2,385
Exchange gains/losses		81	13
Other finance income/costs		–321	–223
Financial net	7	**–2,297**	**–1,751**
Profit before tax		**4,504**	**2,262**
Income taxes	8	–516	256
Profit for the year		**3,988**	**2,518**
Profit for the year attributable to:			
Shareholders of the Parent company		3,990	2,531
Non-controlling interests		–2	–13
Profit for the year		**3,988**	**2,518**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	1 January–31 December 2015 MSEK	 **2016** **MSEK**
Profit for the year		**3,988**	**2,518**
Other comprehensive income	19		
Items that may subsequently be reclassified to profit or loss:			
Change in fair value reserve for the year, net of tax		–72	344
Change in net investment hedge for the year, net of tax		179	336
Share of other comprehensive income of associates		–67	84
Change in translation reserve for the year		325	988
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations		73	–484
Change in revaluation reserve for the year		409	–110
Share of other comprehensive income of associates		16	–31
Other comprehensive income		**863**	**1,127**
Total comprehensive income		**4,851**	**3,645**
Total comprehensive income attributable to:			
Shareholders of the Parent company		4,858	3,657
Non-controlling interests		–7	–12
Total comprehensive income for the year, net of tax		**4,851**	**3,645**

GROUP CONSOLIDATED BALANCE SHEET

	Note	31 December 2015 MSEK	31 December 2016 MSEK
Assets			
Non-current assets			
Intangible assets	9		
Goodwill		1,942	2,032
Trademarks		702	706
Rights to routes		695	631
Other intangible assets		361	402
Total intangible assets		**3,700**	**3,771**
Property, plant and equipment			
Vessels	10	46,398	43,064
Construction in progress	10	4,331	5,972
Windmills	10	2,268	2,380
Equipment	10	1,902	1,702
Land and buildings	10	1,087	1,244
Ports	11	4,054	3,659
Total property, plant and equipment		**60,040**	**58,021**
Investment properties	12	**30,617**	**35,466**
Financial assets			
Investments reported according to the equity method	6	1,701	2,308
Marketable securities	13	6,332	7,253
Surplus in funded pension plans	21	395	264
Other non-current assets	14, 20	5,307	4,661
Total financial assets		**13,735**	**14,486**
Total non-current assets		**108,092**	**111,744**
Current assets			
Inventories	15	747	905
Trade receivables	16	2,288	2,847
Other current receivables	16	2,675	2,476
Prepayments and accrued income	16	2,294	2,095
Short-term investments	17	861	894
Cash and cash equivalents	18	2,311	1,322
Assets held for sale	27		1,416
Total current assets		**11,176**	**11,955**
Total assets	3	**119,268**	**123,699**

	Note	31 December 2015 MSEK	2016 MSEK
Equity and liabilities			
Equity			
Share capital		5	5
Reserves	19	2,112	3,627
Retained earnings		37,094	40,270
Profit for the year		3,990	2,531
Equity attributable to shareholders of the Parent company		**43,201**	**46,433**
Non-controlling interests		112	100
Total equity		**43,313**	**46,533**
Non-current liabilities			
Deferred tax liabilities	20	4,686	4,623
Pension liabilities	21	571	611
Other provisions		635	670
Long-term debt	22	40,937	43,318
Senior Notes	23	13,493	10,878
Capitalised lease obligations	24	420	70
Other non-current liabilities	25	3,193	2,489
Total non-current liabilities		**63,935**	**62,659**
Current liabilities			
Short-term debt	22	2,201	2,100
Senior Notes	23		2,702
Capitalised lease obligations	24	39	11
Trade payables		1,598	1,647
Tax liabilities		88	74
Other liabilities		3,225	2,294
Accruals and deferred income	26	4,869	4,860
Liabilities directly attributable to assets classified as held for sale	27		819
Total current liabilities		**12,020**	**14,507**
Total equity and liabilities		**119,268**	**123,699**

GROUP CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to shareholders of the Parent company					
MSEK	Share capital	Reserves[1]	Retained earnings including Profit for the year	Total	Non-controlling interests	Total equity
Closing balance, 1 January 2015	**5**	**1,187**	**37,396**	**38,588**	**234**	**38,821**
Change in fair value reserve for the year		–72		–72		–72
Change in net investment hedge for the year		179		179		179
Change in revaluation reserve for the year		488	–79	409		409
Change in translation reserve for the year		330		330	–5	325
Change in associates for the year			–51	–51		–51
Remeasurement of post-employment benefit obligation			73	73		73
Other comprehensive income		**925**	**–57**	**868**	**–5**	**863**
Profit for the year			3,990	3,990	–2	3,988
Total comprehensive income		**925**	**3,933**	**4,858**	**–7**	**4,851**
Dividend			–225	–225		–225
Dividend to foundation			–19	–19		–19
Acquisition/Disposal of non-controlling interests					–115	–115
Closing balance, 31 December 2015	**5**	**2,112**	**41,085**	**43,201**	**112**	**43,313**
Change in fair value reserve for the year		344		344		344
Change in net investment hedge for the year		336		336	1	337
Change in revaluation reserve for the year		–152	42	–110		–110
Change in translation reserve for the year		988		988		988
Change in associates for the year			52	52		52
Remeasurement of post-employment benefit obligation			–484	–484		–484
Other comprehensive income		**1,516**	**–390**	**1,126**	**1**	**1,127**
Profit for the year			2,531	2,531	–13	2,518
Total comprehensive income		**1,516**	**2,141**	**3,657**	**–12**	**3,645**
Dividend			–405	–405		–405
Dividend to foundation			–20	–20		–20
Acquisition/Disposal of non-controlling interests						
Closing balance, 31 December 2016	**5**	**3,627**	**42,801**	**46,433**	**100**	**46,533**

1) See also note 19

GROUP CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	1 January–31 December 2015 MSEK	2016 MSEK
Cash flow from operating activities			
Profit for the year		3,988	2,518
Adjustmets to reconcile profit for the year to net cash provided by operating activities:			
Depreciation, amortisation and impairment	3	5,596	7,011
Change in fair value of investment properties		–749	–1,503
Share of strategic associates result		–60	–66
Gain on sale of non-current assets	4	–2,279	–474
Gains/losses on sale of securities net		35	–387
Exchange differences, unrealised		–888	–175
Deferred income taxes		223	–230
Other non-cash items		718	–52
Pensions		–232	–395
Dividends from operational associates		229	131
Investments and disposals of operational associates		–62	–155
Net cash flow from trading securities		100	–36
Cash flow from operating activities before changes in working capital		**6,619**	**6,187**
Changes in working capital			
Trade and other receivables		393	–379
Prepayments and accrued income		118	27
Inventories		85	–152
Trade payables		–138	–13
Accruals and deferred income		–1,286	–772
Income tax payable		–168	–239
Other current liabilities		60	179
Cash flow from operating activities		**5,683**	**4,838**
Investing activities			
Capital expenditure on intangible assets		–109	–121
Sale of property, plant and equipment	4	3,031	2,710
Capital expenditure on property, plant and equipment		–5,755	–7,055
Purchase of operations, net of cash acquired	29	–1,332	–722
Sale of operations, net of cash sold companies	29	2,379	273
Dividends from strategic associates		26	28
Investments and disposals of strategic associates		–38	–310
Sale of securities		2,865	2,861
Purchase of securities		–3,533	–2,432
Increase in other non-current assets		–117	–336
Decrease in other non-current assets		51	83
Other investing activities	30	1,024	–3
Cash flow from investing activities		**–1,509**	**–5,024**
Financing activities			
Proceeds from issuance of short and long-term debt		4,762	2,453
Principal payments on short and long-term debt		–3,842	–3,044
Net change in borrowings on line-of-credit agreements		–5,824	410
Principal payments on capitalised lease obligations		–177	–55
Net change in restricted cash accounts		–37	–28
Dividends		–244	–425
Other financing activities	30	–43	–143
Cash flow from financing activities		**–5,405**	**–832**
Effect of exchange rate changes on cash and cash equivalents		35	29
Net change in cash and cash equivalents		**–1,195**	**–989**
Cash and cash equivalents at beginning of year	18	**3,506**	**2,311**
Cash and cash equivalents at end of year	18	**2,311**	**1,322**

NOTES

Amounts are shown in MSEK unless otherwise stated.

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 has been applied.

In accordance with IAS 1, the companies of the Stena 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 2017. The balance sheets and income statements will be presented for adoption by the Annual General Meeting on 28 April 2017.

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, apart from certain financial assets and liabilities and investment properties which are measured at fair value and ports which are recognised according to the revaluation model. Financial assets and liabilities measured at fair value consist of derivative instruments, financial assets at fair value through profit or loss and available-for-sale financial assets.

New or amended reporting standards 2016

During the year 2016, no new or amended IFRS Standards have had any impact on the Group´s accounting.

Basis of consolidation

The consolidated financial statements have been prepared in accordance with the principles set out in IFRS 10 Consolidated Financial Statements and include Stena AB 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 in the consolidated income statement from the date on which control was obtained.
- Companies divested during the year are included in the consolidated income statement 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 as a separate category. Non-controlling interests' share of profit/loss for the year is specified after net 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 acquiring company at the acquisition date to determine their cost of acquisition on consolidation. The acquisition method requires use of estimates. 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. For acquisitions before 1 January 2010, transaction costs have been capitalised. 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 and other joint arrangements

IFRS 12 requires enhanced disclosures regarding subsidiaries, joint ventures, associates and unconsolidated structured entities in which the company is involved.

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 these specific assets, liabilities, revenues and costs.

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests arise when less than 100% is acquired. This type of acquisition is reported as a proportion of the acquired net assets. The acquisition is reported as a transaction within equity i.e., between the owner of the Parent company and the non-controlling interests. Consequently, no goodwill arises from this type of transaction. Changes to holdings of non-controlling interests are based on the proportionate share of net assets.

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

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

CONT. NOTE 1

Revenue recognition

Revenue includes the fair value of the consideration received or receivable for goods and services sold in the Group's operating activities. Revenue is recognised excluding VAT, returns and discounts and after elimination of internal Group sales.

The Group recognises revenue when the amount can be measured reliably, it is probable that future economic benefits will be generated to the Company and specific criteria have been fulfilled for each of the Group's operations. Revenue amounts are not considered to be reliably measurable until all sales commitments have been met or have expired. The Group bases its judgements on historical outcomes, taking into consideration the type of client, type of transaction and special circumstances in each individual case.

The Group's shipping and drilling revenues are derived from charter contracts. Revenue is recognised on a straight-line basis over the charter period. Provisions are made in advance for any ongoing loss contracts.

Revenue from the Group's ferry operations consists of ticket sales, onboard sales, and freight revenues and are recognised in the period in which the services are rendered.

Rental income from the investment property operations is derived from leases and is recognised on a straight line basis over the lease term.

Sales of goods are recognised at the date on which a Group company sells a product to a customer in accordance with the terms of sale. Sales are usually paid for in cash or by credit card.

Contract assignments in progress from operations within the Adactum Group are recognised according to the percentage of completion method for all contracts whose outcome can be calculated in a satisfactory manner. Revenue and costs are recognised in the income statement by reference to the stage of completion. The stage of completion is determined on the basis of accrued assignment costs in relation to the estimated costs for the entire assignment. Anticipated losses are expensed immediately.

Customer Loyalty Programmes relate to the accounting by Stena Line and Blomsterlandet, which operate customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The fair value of the total consideration received in the initial sales transaction is allocated between the award credits and the sale of the goods or services. The revenue related to the award credits granted is recognised in the income statement when the risk of a claim being made expires.

Sales of vessels and investment property are recognised in other income. Revenue is recognised when all significant risks and rewards have been transferred to the buyer.

Interest income is recognised over the relevant period using the effective interest method.

Dividend income is recognised when the right to receive payment has been established and reported in financial net.

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 are carried at revalued amounts according to the revaluation model in IAS 16, being their fair value at the revaluation date less subsequent depreciation and impairment. If a port'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.

Vessels, windmills, 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, 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, e.g. a ferry route, are defined as the smallest cash-generating unit. If impairment exists on the balance sheet date, 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 every balance sheet date 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
RoRo vessels	20 years
RoPax vessels	20 years
Superferries	20 years
LNG carriers	20 years
HSS vessels and other high speed vessels	10–20 years

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

Investment property

Investment property is reported at fair value in accordance with the fair value model in IAS 40. 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). These properties are initially measured at cost. 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 the risks and rewards of ownership are transferred to the buyer from the seller, 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 on the acquisition of subsidiaries is recognised as an intangible asset. Goodwill is tested annually for impairment and is recognised at cost less accumulated impairment losses.

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 judged to be 20 years, in accordance with the straight-line method. Useful life is reviewed on a yearly basis.

Maintenance of intangible assets

Expenses for maintenance of intangible assets are expensed as they arise.

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).

CONT. NOTE 1

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

Accounting for subsidies
Any subsidies (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 subsidy 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.

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, shares 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.

Reporting
Financial assets and liabilities are reported in the balance sheet when the Group becomes party to the instrument's contractual terms. Financial assets and liabilities are reported on the settlement date, with the exception of derivatives, which are reported on the trade date. Financial instruments are initially recognised at fair value, which normally corresponds to the cost of acquisition at the acquisition date. Transaction costs are included in the cost of all financial instruments not measured at fair value in the income statement. Netting of financial liabilities and assets only takes place when there is a contractual possibility and when the intention is to offset the gross amounts of the liabilities or assets.

Finance costs
Finance costs are reported in the period in which they arise. Finance costs regarding new construction projects of vessels and properties are capitalised as a portion of the cost of acquisition. Costs of financing long-term loans and credits are deferred and amortised over the expected term of the financing.

Derecognition
Financial assets are derecognised from the balance sheet when the contractual rights to cash flows have expired or been transferred and when essentially all the risks and rewards of ownership of the financial asset have been transferred. Financial liabilities are derecognised from the balance sheet when they have been extinguished. Realised result is defined as proceeds from sales less the net carrying amount as at the previous year end.

Classification of financial assets
Financial assets in the Group are divided into the following categories:
- Financial assets at fair value through profit or loss
  – held for trading
  – designated (assets classified on acquisition as financial assets at fair value through profit or loss)
- Financial assets held for hedging purposes
- Held-to-maturity financial assets
- Available-for-sale financial assets
- Loans and receivables

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

Financial assets at fair value through profit or loss
Financial assets belonging to this category are measured and continuously reported at fair value through profit or loss.

The category is divided into two subcategories:
1) held for trading and 2) designated (assets classified on acquisition as financial assets at fair value through profit or loss) held for trading consists of financial assets acquired with the primary intention of being sold in the short term and those derivative instruments to which hedge accounting is not applied. Trading shares are classified as short-term investments in the balance sheet and changes in fair value are reported in the income statement under gains/losses on sale of securities.

The fair value option is applied based on how the investments are managed and the fact that their performance is evaluated on a fair value basis in line with the Group's investment policy. These assets are classified as Marketable securities in the balance sheet and changes in fair value are reported in the income statement under gains/losses on sale of securities. Internally, the Group follows up and reports on these assets on the basis of their fair values and, consequently, considers that this valuation and recognition in the income statement and balance sheet provides readers of the Financial Report with the most relevant information.

Financial assets, classified as financial assets at fair value through profit or loss at the acquisition date, are classified as current assets if they are expected to be realised within 12 months of the balance sheet date.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell more than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity assets are measured at amortised cost. Held to maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date, which are classified as current assets.

Assets in this category are recognised as marketable securities.

Loans and receivables

Loans and receivables are financial assets that are not designated as derivatives, that have fixed or determinable payments and that are not quoted in an active market. Receivables are reported under current assets, with the exception of receivables with a maturity date later than 12 months after balance sheet date which are classified as non-current assets. Loans and receivables and are listed in the balance sheet under other receivables and trade receivables. Assets in this category are measured at amortised cost, with allowances for bad debt losses and loan losses, when applicable.

Available-for-sale financial assets

Investments in certain shares (with the exception of participations in subsidiaries and associates) and bonds are categorised as available-for-sale financial assets. Period changes in fair value, with the exception of impairment charges, are reported in other comprehensive income for these instruments. When these financial instruments are sold, the accumulated gains or losses are reclassified through other comprehensive income and are recognised in the income statement. These assets are classified as marketable securities in the balance sheet and changes in market value are reported in the fair value reserve in other comprehensive income.

Assets in this category are recognised as other long-term securities, other non-current assets and investments in securities.

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, such 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. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in the available-for-sale reserve in other comprehensive income.

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

	Average rates		
	2015	2016	Change in %
USD	8.4350	8.5613	1
GBP	12.8962	11.5664	–10
EUR	9.3562	9.4704	1

	Closing rates		
	2015	2016	Change in %
USD	8.4412	9.1061	8
GBP	12.4390	11.2369	–10
EUR	9.1688	9.5769	4

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.

The liabilities in the balance sheet, non-current and current liabilities and senior notes, are initially reported at fair value, net of transactions costs and, subsequently, at amortised cost. Transaction costs initially decrease the debt and is thereafter allocated over time using the effective interest method.

CONT. NOTE 1

Loan amounts are reported as liabilities in the balance sheet, with liabilities with a term of over 12 months being reported as non-current and all others as current.

The early redemption of liabilities reduces the outstanding liabilities by a nominal principal loan amount. Any premiums or discounts are taken up as income.

Derivative financial instruments and hedge accounting

The Group hedges oil price risk, cash flow interest rate risk and foreign exchange risk related to net assets in foreign operations as well as in highly probable forecast transactions in foreign currency. The Group uses options and swaps to hedge oil price risk and interest rate swaps to hedge interest rate risk and foreign currency forward contracts to hedge foreign exchange risk.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

a) hedges of a particular risk associated with a recognised asset or liability or.
b) a highly probable forecast transaction (cash flow hedge) or.
c) hedges of a net investment in a foreign operation (net investment hedge).

The 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. The effectiveness of a hedge has to be in the range of 80%–125%.

Currency swap agreements are valued at market rates, unrealised exchange gains are recognised in the balance sheet as current receivables, and unrealised exchange losses are presented as current liabilities.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 32. Changes in the hedging reserve in other comprehensive income are shown in the consolidated statement of changes in equity and in other comprehensive income. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months.

Cash flow hedging

The hedged item consists of a highly probable forecast consumption of bunker fuels, highly probable forecast cash flow in foreign currencies and the floating interest rate cash outflows of issued debt instruments. The Group is exposed to the price of bunker fuels for vessel operations and uses a fixed price contract, swaps and options to hedge its oil price risk. Hedging contracts are regularly entered into, so as to match the underlying cost of delivery of bunker fuel. Hedging instruments (oil options and futures in the case of bunker hedges and interest rate swaps in cash of interest rate hedges), which are an effective hedge, are measured at fair value with changes in fair value regarding the hedged risk reported through other comprehensive income and is cumulated in the hedge reserve until the hedged item affects the income statement, that is, when the purchase takes place or when the interest rate payment is made. For the Stena Group's hedges of oil price risk in bunker-oil (bunker hedges), the cash flow interest rate risk in floating rate debt and foreign currency risk in highly probable forecast purchase and/or sales transactions, cash flow hedge accounting is applied. In conjunction with the purchase, when the accumulated fair value of the hedging instruments is removed from the hedging reserve and is reclassified through other comprehensive income it is, reported in item direct operating expenses in the income statement as an adjustment of the cost of bunker fuel for the current period or as part of interest rate expense in cash of interest rate hedges.

Positive or negative fair values of the derivatives are accounted for as other non-current assets or other non-current liabilities. The current portion of the hedged item is accounted for as other current receivables or other current liabilities.

The accounting for cash flow hedges of interest rate risk and foreign currency risk in highly probable forecast transactions in foreign currency follows the same principles as the above described policy for the bunker hedges.

Changes in fair value of the hedging instruments are accounted for through other comprehensive income and are accumulated in the hedging reserve. The cumulative changes in fair value are reclassified through other comprehensive income into the income statement in the same period as the hedged items affect the income statement and are presented in the same line item as the hedged item.

It is Group's policy that duration and dates of maturity for financial instruments which are held and classified as hedge contracts for interest and FX exposure should correspond with the underlying exposure's dates of maturity.

Results of operations from all types of financial derivative instruments, with the exception of those contracts referring to financial trading, are reported as an adjustment of the revenue or costs for the period and for those transactions the contracts are designated to hedge.

When hedge accounting is terminated and the hedged item is expected to occur, the hedge item is recognised in the income statement. The change in fair value is then reclassified through other comprehensive income into the income statement.

If an underlying asset or liability is sold or redeemed, the pertaining financial instruments are market-valued and the result is reported as an adjustment of the market or redemption value of the underlying asset or liability.

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 in the balance sheet

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

For financial instruments quoted in 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.

Offsetting of financial instruments

Financial assets and liabilities are reported at gross amounts in the balance sheet. See Note 32 for information about financial instruments subject to offsetting, i.e., where there is a legal right to offset the recognised amount or there is an intention to simultaneously realise the asset and liability.

Impairment of financial assets

The Group assesses on each balance sheet date whether there exists any objective evidence that impairment existsfor a financial asset or a group of financial assets. For shares classified as available-for-sale assets, any significant or prolonged decline in the fair value of a share to a level below its cost of acquisition is regarded as an indication of impairment.

If such evidence is present for available-for-sale financial assets, the accumulated loss – calculated as the difference between cost and the current fair value, less any previous impairment charges reported in the income statement – is reclassified from equity to the income statement. Impairment of equity instruments, which is reported in the income statement, is not reversed through the income statement. Reversal of impairment of bonds is recorded in the income statement on the same line as the impairment. Bonds are impaired in the event of the counterparty's insolvency.

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 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.

CONT. NOTE 1

Leasing

Any leasing agreements in which the economic risks and rewards of ownership are essentially transferred to the lessee are defined as finance leases.

Assets held under finance leases are classified in the consolidated balance sheet as non-current assets. The commitment to pay future minimum lease payments is reported as non-current and current liabilities. The assets are depreciated according to plan, while lease payments are reported as interest and repayments of liabilities.

Other leased assets are reported as operating leases, which implies that the leasing charges are expensed over the term of the lease on the basis of utilisation.

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 and products in progress. 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.

Trade receivables

Trade receivables are reported at amortised cost reduced by any provision for uncollectibility. A provision for impairment of trade receivables is recognised when there exist objective evidence that the Group will be unable to receive all the amounts that are due in accordance with the original conditions of the receivable. The amount of the provision consists of the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The allocated amount is reported in the income statement.

Trade payables

Trade payables are initially reported at fair value and subsequently at amortised cost.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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 21. 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 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 IFRS standards not effective for the financial year 2016 and not applied in advance

A number of new standards and interpretations, effective for financial periods beginning after 1 January 2016, have not been applied in preparing these financial statements, but are being evaluated. The following new or revised standards have been issued and are applicable after 2016:

- IFRS 15 Revenue from Contracts with Customers establishes a new framework for how and when a company should recognise revenue. The standard introduces a five-step model to be applied to all customer contracts to determine revenue recognition. The standard is not expected to have any material impact on revenue recognition for the Stena AB Group's businesses. So far, the evaluation indicates possible changes in the timing of revenue recognition, but only for a small number of contracts. Our current assessment is that the new revenue standard will primarily affect the Group's financial reporting, with increased disclosure requirements. The evaluation of the full effects of IFRS 15 will be completed in 2017, but the current assessment is that it will not have a material impact on the Group as a whole. The mandatory effective date is 1 January 2018, with early application permitted.
- IFRS 9 Financial Instruments deals with the classification, measurement, recognition, impairment and derecognition of financial instruments. The standard also contains general rules on hedge accounting. IFRS 9 will affect the Stena AB Group in terms of categorisation but this is not expected to have any significant effect. The effects of IFRS 9 on financial reporting will be determined in 2017. The mandatory effective date for IFRS 9 is 1 January 2018, with early application permitted.
- IFRS 16 Leases requires lessees to report all contracts meeting the standard's definition of a lease as assets and liabilities in the balance sheet, with depreciation and interest charges recognised in the income statement. Contracts currently classified as operating leases will therefore be capitalised in the balance sheet, which will have a significant impact on the Stena AB Group. The information provided in note 24 on operating leases gives an indication of the nature and scope of the contracts that currently exist. An analysis of the effects on financial reporting in terms of amounts will continue in 2017 and beyond. A choice of transition method has not yet been made. The mandatory effective date is 1 January 2019, with early adoption permitted if IFRS 15 Revenue from Contracts with Customers is also applied.

No other IFRSs or IFRIC interpretations that have not yet entered into force are expected to have a material impact on the Group.

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.

The Parent company applies RFR 2, which includes the exception in the application of IAS 39 concerning accounting and valuation of financial contracts of guarantee in favour of subsidiaries and associates.

According to RFR 2, the principles for defined benefit plans in IAS 19 do not have to be applied for a legal entity. Available-for-sale shares are accounted for according to the Swedish Annual Accounts Act, 4:14d. Valuation changes in available-for-sale shares are accounted for in financial net in the income statement.

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.

NOTE 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are evaluated continuously and are based on historical experience and other factors, including expectations of future events that are considered reasonable under the prevailing circumstances.

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 annually for impairment. Goodwill, according to IFRS, has by definition an indefinite useful life and is therefore not amortised. From 2014, trademarks are also considered to have an indefinite useful life and are no longer 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 Note 9. At 31 December 2016, the carrying amount of goodwill is MSEK 2,032 (1,942) and the carrying amount of trademarks is MSEK 706 (702).

Assets with finite 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.

At 31 December 2016, the carrying amount of intangible assets with finite lives is MSEK 1,033 (1,056), whereof rights to routes amount to MSEK 631 (695).

b) Impairment testing of vessels

The Group conducts impairment testing for its vessels at least twice a year, see also the description in Note 1 under the heading Impairment of non-financial assets. In view of the negative developments in the drilling market, impairment testing is conducted regularly with regard to the carrying amounts of the Group's drillships and drilling rigs. 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, rates and expected volumes. Management continuously monitors changes in economic conditions that could affect the significant assumptions used to discount future cash flows.

During the third quarter of 2016, the drillship *Stena IceMAX* was written down by MSEK 1,370 to its recoverable amount, which corresponded to the projected value in use at the time. As of 31 December 2016 the recoverable amounts based on value in use was not found to be below the carrying amount. Hence no additional impairment was deemed necessary.

The Group's assumptions regarding the oil market are based on the belief in a recovery on medium term view. If such a recovery does not materialise, further impairment losses may have to be recognised for the Group's drillships and drilling rigs in the future. 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 21.

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 available-for-sale 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. In a normal market, the fair value of a property is within a range of +/–5% to 10% and in a less liquid market, the range can be larger. The range of +/–5% is equal to MSEK +/–1,773 for the Group.

NOTE 3. SEGMENT INFORMATION

Stena 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.

Ferry Operations are operated by Stena Line, in Scandinavia, the United Kingdom, France, Germany, Latvia, Poland, the Netherlands and Ireland. Stena Line is one of the world's leading ferry operators. As at 31 December 2016, operations comprised 20 strategically located ferry services, 38 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, gaming and, on the Norway–Denmark route, tax-free sales. 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 is conducted by Stena Drilling, with head office in Aberdeen in Scotland. Stena Drilling is one of the world's leading companies in the development, construction and operation of drilling rigs and drillships. The fleet comprises two third-generation and one fifth-generation semi-submersible drilling rigs and four sixth-generation drillships for ultra-deepwater operations, one of which is an ice-class 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 comprise ownership and leasing of oil tankers and RoRo vessels. 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 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 105 tankers and has operations in all segments of the tanker market.

Stena RoRo provides vessels, innovative solutions and project management. The company's customers are operators and ship owners throughout the world.

Northern Marine Group (NMG) is Stena's international company in the ship management sector with head office in Glasgow in Scotland and with a global customer base. 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, including Aberdeen, Glasgow, Gothenburg, Houston, Mumbai, Manila, Singapore, Shanghai and St Petersburg.

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 management. Direct operating costs mainly comprise costs for vessel charter, fuel, staff, insurance and other operationally related vessel costs.

Property comprise investments in residential properties and commercial properties, primarily in Sweden and the Netherlands. In total, Stena owns and manages on behalf of associates 2.4 million square metres mainly in Sweden. The holdings comprise around 24,300 residential units as well as commercial properties. Of these holdings the Group owns 2.1 million square meters and around 21,000 residential units. Stena Property is one of Sweden's largest privately owned property companies.

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 include long term financial involvement and investment in operations outside Stena's core operating areas and take place through the business unit Stena Adactum.

Stena Adactum is the Group's investment company that invests long-term in listed and unlisted companies. The aim is to build up strong, profitable companies that can form a platform for new business areas within the Stena sphere. Stena Adactum comprises four wholly owned subsidiaries and three associates that are listed. The subsidiaries carry on operations in four different operating sectors:

- Ballingslöv 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.
- 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 18 countries.
- Stena Renewable through which the company commenced successful operations of Sweden's largest land-based wind power generating farms. A total of 96 wind turbines have been constructed on these wind farms.

Other covers undistributed, central administration costs.

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.

Reconciliation between EBITDA and operating profit by segment

MSEK		1 January–31 December 2015	2016
Ferry Operations	EBITDA	2,148	2,827
	Depreciation, amortisation and impairment	–1,549	–1,341
	Net result on sale of vessels	131	38
	Net result on sale of operations	1,668	
	Operating result	2,398	1,524
Offshore Drilling	EBITDA	3,689	3,752
	Depreciation, amortisation and impairment	–2,865	–4,439
	Operating result	824	–687
Shipping			
– RoRo	EBITDA	409	400
	Depreciation, amortisation and impairment	–311	–297
	Net result on sale of vessels	347	262
	Operating result	445	365
– Tanker	EBITDA	1,330	288
	Depreciation, amortisation and impairment	–510	–535
	Net result on sale of vessels	24	3
	Operating result	844	–244
– Other shipping	EBITDA	85	13
	Depreciation, amortisation and impairment	–38	–27
	Net result on sale of operations	–33	
	Operating result	14	–14
Total Shipping	Operating result	1,303	107
Property	EBITDA	1,473	1,451
	Change in fair value of investment properties	749	1,503
	Depreciation, amortisation and impairment	–4	–4
	Net result on sale of investment properties	102	81
	Operating result	2,320	3,031
New Businesses	EBITDA	645	599
	Depreciation, amortisation and impairment	–289	–311
	Net result on sale of operations	40	96
	Operating result	396	384
Other	EBITDA	–409	–283
	Depreciation, amortisation and impairment	–31	–57
	Net result on sale of operations		–6
	Operating result	–440	–346
Total	**EBITDA**	**9,369**	**9,047**
	Change in fair value of investment properties	**749**	**1,503**
	Depreciation, amortisation and impairment	**–5,596**	**–7,011**
	Net result on sale of vessels	**502**	**303**
	Net result on sale of operations	**1,675**	**90**
	Net result on sale of investment properties	**102**	**81**
	Operating result	**6,801**	**4,013**

CONT. NOTE 3

Depreciation, amortisation and impairment by segment

MSEK		1 January–31 December 2015	2016
Ferry Operations		1,549	1,341
Offshore Drilling		2,865	4,439
Shipping	RoRo operations	311	297
	Tanker operations	510	535
	Other shipping	38	27
	Total	**859**	**859**
Property		4	4
New Businesses		289	311
Other		31	57
Total		**5,596**	**7,011**

Depreciation, amortisation and impairment expense consists of the following components

MSEK	1 January–31 December 2015	2016
Vessels	4,678	6,117
Windmills	122	167
Equipment	379	339
Land and buildings	53	56
Ports	194	164
Total property, plant and equipment	**5,426**	**6,843**
Intangible assets	170	168
Total	**5,596**	**7,011**

In 2016, depreciation, amortisation and impairment expenses include depreciation of vessels under finance leases amounting to MSEK 39 (39).

Investments in property, plant and equipment by segment

MSEK		1 January–31 December 2015	2016
Ferry Operations		480	768
Offshore Drilling		3,237	1,443
Shipping	RoRo operations	60	48
	Tanker operations	266	671
	Other shipping	27	184
	Total	**353**	**903**
Property		1,594	3,699
New Businesses		137	206
Other		17	60
Total		**5,818**	**7,079**

Total assets by segment

MSEK		31 December 2015	2016
Ferry Operations		17,207	16,205
Offshore Drilling		35,235	34,326
Shipping	RoRo operations	2,586	2,173
	Tanker operations	8,548	9,235
	Other shipping	727	1,038
	Total	**11,861**	**12,446**
Property		32,871	37,641
New Businesses		9,321	9,556
Other		12,773	13,525
Total		**119,268**	**123,699**

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 the North Sea (Scandinavia and Europe, respectively) but also in markets outside Europe.

Total revenue per geographic area

MSEK	1 January–31 December 2015	2016
Scandinavia	16,280	16,635
Rest of Europe	9,750	9,306
Other markets	7,508	6,667
Not allocated	2,879	2,191
Total	**36,417**	**34,799**

Total assets per geographic area

MSEK	31 December 2015	2016
Scandinavia	42,644	49,518
Rest of Europe	28,112	29,324
Other markets	38,611	34,221
Not allocated	9,901	10,635
Total	**119,268**	**123,699**

NOTE 4. SALE OF NON-CURRENT ASSETS

MSEK		1 January–31 December 2015	2016
Vessels	Sales price	1,982	1,013
	Carrying amount	–1,480	–710
	Result on sale of vessels	502	303
Investment properties	Sales price	1,201	599
	Carrying amount	–1,099	–518
	Result on sale of properties	102	81
Operations	Sales price	2,491	192
	Carrying amount	–816	–102
	Result on sale of operations	1,675	90
Total	Sales price	5,674	1,804
	Carrying amount	–3,395	–1,330
Total result from sale of non-current assets		**2,279**	**474**

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 MSEK 14 (63). 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 buildings and equipment being included in the cash flow, some sales having an additional purchase consideration to be paid at a later date or some sales being conducted under hire-purchase contracts with instalments over several years. In addition, 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 MSEK 35 (43). Fees and other renumeration to auditors and advisors are set forth below:

Fees to the auditors

MSEK	1 January–31 December 2015	2016
Audit fees	23	23
Audit-related fees	3	2
Tax advisory services	3	4
Other fees	2	5
Total	**31**	**34**
Audit fees to other auditing firms	1	1
Group Total	**32**	**35**

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 have 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 net financial net under the heading "Result from investments in strategic associates".

Joint ventures related to the operation are reported in operating profit.

The Group has four holdings that are regarded as strategic; Midsona AB (publ), Gunnebo AB (publ), Svedbergs i Dalstorp AB (publ.) and Wisent Oil & Gas Plc. Svedbergs i Dalstorp AB (publ) is a new holding in 2016.

At 31 December 2016, the investment in Midsona AB (publ) (reg. no. 556241-5322, headquartered in Malmö) represents 25% of the capital and 30% of the votes, 0 and 3 percentage points more than the previous year in consequence of a new share issue, and conversion and purchases of shares. The value of Stena's share of Midsona AB's market capitalisation was MSEK 485 (195). The share of profit/loss was MSEK 10 (16).

At 31 December 2016, the investment in Gunnebo AB (publ) (reg. no 556438-2629, headquartered in Gothenburg) represents 26% of the capital and votes, which is unchanged from the previous year. The value of Stena's share of Gunnebo AB's market capitalisation was MSEK 765 (739). The share of profit/loss was MSEK 54 (44).

Shares in Midsona and Gunnebo have been pledged as collateral for liabilities to credit institutions.

During the year, the Group also invested in Svedbergs i Dalstorp AB (publ). At 31 December 2016, the investment in Svedbergs in Dalstorp AB (publ) (reg. no. 556052-4984, headquartered in Tranemo municipality) represents 26% of the capital and votes. The value of Stena's share of Svedbergs i Dalstorp AB's market capitalisation was MSEK 234. The share of profit/loss was MSEK 3.

The Group also has an investment in Wisent Oil & Gas PLC, which is an oil exploration company. The shares were written down to zero in 2013 and the company will be liquidated in 2017. At 31 December 2016, the investment in the company represents 30% of the capital and votes, which is unchanged from the previous year.

Amounts recorded in the balance sheet are as follows:

	31 December	
MSEK	2015	**2016**
Strategic holdings	980	1,338
Other holdings	17	17
Joint ventures	704	953
Total	**1,701**	**2,308**

Amounts recorded in the income statement are as follows:

	1 January–31 December	
MSEK	2015	**2016**
Strategic holdings	46	76
Other holdings	4	1
Joint ventures	299	160
Total	**349**	**237**

CONT. NOTE 6

MSEK	Strategic holdings 2015	Strategic holdings 2016	Other holdings 2015	Other holdings 2016	Joint Venture 2015	Joint Venture 2016	Total 2015	Total 2016
Opening balance	**922**	**980**	**7**	**17**	**506**	**704**	**1,434**	**1 701**
Investments	38	311	17	15	46	154	101	480
Disposals		–1			–1		–1	–15
Repaid capital				–14				
Profit/loss from associates/joint ventures								
– Share of profit/loss	60	66	4	1	336	118	400	185
– Write down								
Other comprehensive income	–14	10			–37	43	–51	52
Dividend	–26	–28		–4	–228	–128	–254	–160
Reclassifications to subsidiary			–7			1	–7	1
Exchange differences			–4	1	41	62	37	63
Other changes					41		41	
Closing balance	**980**	**1,338**	**17**	**17**	**704**	**953**	**1,701**	**2,308**

The closing balance for investments reported according to the equity method includes for strategic holdings goodwill amounting to MSEK 342 (342).

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 policies between the Group and the associates.

MSEK	Strategic holdings 2015	Strategic holdings 2016	Other holdings 2015	Other holdings 2016	Joint Venture 2015	Joint Venture 2016	Total 2015	Total 2016
Profit for the year	60	66	4	1	336	118	400	184
Other comprehensive income	–14	10			–37	42	–51	52
Total	**46**	**76**	**4**	**1**	**299**	**160**	**349**	**237**

Below find 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.

MSEK	Country of incorporation	Assets	Liabilities	Equity	Revenues	Profit/ (loss)	Interest held	Group result	Carrying amount
2015									
Midsona AB (publ)	Sweden	1,554	677	877	1,174	66	25%	6	178
Gunnebo AB (publ)	Sweden	5,085	3,338	1,747	6,052	168	26%	40	802
Wisent Oil & Gas Plc	Jersey	31	1	30	7		30%		
Total								**46**	**980**

MSEK	Country of incorporation	Assets	Liabilities	Equity	Revenues	Profit/ (loss)	Interest held	Group result	Carrying amount
2016									
Midsona AB (publ)	Sweden	2,620	1,271	1,349	1,744	45	25%	21	302
Gunnebo AB (publ)	Sweden	5,551	3,661	1,890	6,088	209	26%	52	833
Svedbergs i Dalstorp AB (publ)	Sweden	484	314	170	449	44	26%	3	202
Total								**76**	**1,338**

Other holdings

MSEK	Country of incorporation	Assets	Liabili-ties	Equity	Reve-nues	Profit/(loss)	Interest held	Group result	Carrying amount
2015									
GSW F Class Pte Ltd	Singapore	749	818	–69	302	1	35%	3	
Collectius Ltd	Hong Kong	24		24		–2	20%		17
Total								3	**17**

MSEK	Country of incorporation	Assets	Liabili-ties	Equity	Reve-nues	Profit/(loss)	Interest held	Group result	Carrying amount
2016									
GSW F Class Pte Ltd	Singapore	745	836	–91	256	16	35%		
Collectius Ltd	Hong Kong						20%	–3	
Örgryte Bostads AB	Sweden	47	204	–157	50	21	20%	4	1
Collectius AG	Switzerland	35	11	24		–2	20%	1	15
Other minor investments								–1	1
Total								**1**	**17**

In one associate and two other holdings there are unaccounted result of shares for 2016 amounting to MSEK –9 (–6) and accumulated MSEK –39 (–30).

During 2016 we have invested in two new associates, Collectius AG and PE Austen Maritime Indonesia.

Joint venture

MSEK	Country of incorporation	Assets	Liabili-ties	Equity	Reve-nues	Profit/(loss)	Interest held	Group result	Carrying amount
2015									
Nordic Rio LLC	Marshall Islands	346	299	47	66	37	50%	16	15
Naviation Gothenburg LLC	Marshall Islands	654	590	64	105	56	50%	15	2
Glacia Limited	Bermuda	541	185	356	92	33	50%	16	178
Northen Marine Australia Ltd	Australia	24	11	13	125	12	50%	6	6
Golden Stena Bulk IMOIIMAX I	Cyprus	316	300	16	65	17	50%	8	8
Golden Stena Bulk IMOIIMAX III	Cyprus	335	325	10	36	10	50%	5	5
Partrederiet SUST I DA	Norway	327	4	323	97	3	50%	–3	108
Partrederiet SUST III DA	Norway	316	14	302	82	2	50%	–2	119
Stena Weco AS	Denmark	973	524	449	4,885	549	50%	238	264
Total								**299**	**704**

MSEK	Country of incorporation	Assets	Liabili-ties	Equity	Reve-nues	Profit/(loss)	Interest held	Group result	Carrying amount
2016									
Nordic Rio LLC	Marshall Islands	358	267	91	67	38	50%	16	33
Naviation Gothenburg LLC	Marshall Islands	685	555	131	107	58	50%	14	17
Glacia Limited	Bermuda	442	15	428	103	41	50%	21	214
Northen Marine Australia Ltd	Australia	12	3	8	56	5	50%	3	5
Blå Tomten KB	Sweden	289	278	10	53	10	50%	5	152
Golden Stena Bulk IMOIIMAX I	Cyprus	317	292	25	58	7	50%	3	12
Golden Stena Bulk IMOIIMAX III	Cyprus	338	320	18	58	7	50%	4	9
Partrederiet SUST I DA	Norway	332	20	312	109	26	50%	4	88
Partrederiet SUST III DA	Norway	321	6	315	71	–6	50%	–8	117
Stena Weco AS	Denmark	1,197	678	518	3,552	108	50%	97	301
Other minor investments								1	5
Total								**160**	**953**

During 2016, 50% of the company Blå Tomten has been acquired.

NOTE 7. FINANCIAL NET

MSEK	1 January–31 December 2015	2016
Result from investments in strategic associates (see Note 6)	**60**	**66**
Dividends received from shareholdings	61	50
Dividends received from financial assets	75	64
Total dividends	**136**	**114**
Realised result from sale of trading shares	–19	9
Realised result from sale of available-for-sale shares	115	204
Impairment of shares available for sale	–181	–51
Realised result from sale of financial instruments at fair value through profit or loss	207	–29
Unrealised result from sale of trading shares	–50	–2
Unrealised result from sale of financial instruments at fair value through profit or loss	–107	256
Result on sale of securities	**–35**	**387**
Interest income	213	277
Total Interest income	**213**	**277**
Fair value revaluation of interest derivates not included in hedge accounting	53	
Interest expense	–2,484	–2 385
Total Interest expense	**–2,431**	**–2 385**
Exchange differences pertaining to trading operations	27	11
Translation difference	54	2
Total foreign exchange gain (loss)	**81**	**13**
Amortisation of deferred finance costs	–172	–143
Commitment fees	–79	–57
Bank charges	–21	–8
Other financial items	–49	–15
Total other finance income/costs	**–321**	**–223**
Financial net	**–2,297**	**–1,751**

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 31.

NOTE 8. INCOME TAXES

Profit before tax is distributed geographically as follows:

	1 January–31 December	
MSEK	2015	**2016**
Sweden	2,870	1,600
Rest of the world	1,634	662
Total profit before tax	**4,504**	**2,262**
Current tax		
For the period, Sweden	–15	–10
Adjustments previous years, Sweden	6	
For the period, rest of the world	–240	–69
Adjustments previous years, rest of the world	–44	106
Total current tax	**–293**	**26**
Deferred tax		
For the period, Sweden	–419	–282
Adjustments previous years, Sweden	–10	–1
For the period, rest of the world	159	412
Adjustments previous years, rest of the world	47	102
Total deferred tax	**–223**	**230**
Total income taxes	**–516**	**256**

During 2016 paid tax amounted to MSEK 444 and repaid tax amounted to MSEK 288, due to a win in a tax dispute, which gives a net amount of MSEK 156 (251).

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

	1 January–31 December	
Percentage	2015	**2016**
Statutory income tax rate Sweden	22	22
Differences in foreign tax rates		–3
Taxes related to previous years	2	–21
Increase in loss carried forward without recognition of deferred tax	–1	5
Expenses not deductible	1	2
Non-taxable income	–12	–13
Utilised tax losses carried forward		–2
Restructuring	3	–2
Change in tax rate, net	–1	–2
Other	–3	3
Effective income tax rate	**11**	**–11**

The main reason for the low income tax rate for 2015 and 2016 is that the international shipping activities and gains on sales of financial instruments are exempted from tax in many countries where the group subsidiaries reside. In addition, the Group won a taxation dispute during 2016 and has been able to reclaim tax from previous years. Thus the ‘taxes related to previous years’ includes a positive adjustment to the effective tax rate.

NOTE 9. INTANGIBLE ASSETS

MSEK	Goodwill	Trademarks	Rights to routes	Distribution agreements	IT investments	Other intangible assets	Total
Cost of acquisition							
Opening balance, 1 January 2015	2,605	837	955	298	894	81	5,670
Acquisitions and disposals of operations (Note 29)	–597	–7			–11	–5	–620
Additions					55	54	109
Disposals					–38		–38
Transfers				9	39	–26	22
Translation differences	–14	–1				4	–11
Closing balance, 31 December 2015	**1,994**	**829**	**955**	**307**	**939**	**108**	**5,132**
Acquisitions and disposals of operations (Note 29)	165	183			26	245	619
Additions					76	45	121
Disposals	–5				–86		–91
Transfers	–98	–183			48	–277	–510
Translation differences	30	5	–30	2	3	6	16
Closing balance, 31 December 2016	**2,086**	**834**	**925**	**309**	**1,006**	**127**	**5,287**
Accumulated amortisation and impairment							
Opening balance, 1 January 2015	–146	–129	–206	–234	–666	–11	–1,392
Acquisitions and disposals of operations (Note 29)	101	4			4		109
Translation differences	–7	–2	2		–2		–9
Disposals					38		38
Transfers				–8			–8
Amortisation and impairment for the year			–56	–46	–68		–170
Closing balance, 31 December 2015	**–52**	**–127**	**–260**	**–288**	**–694**	**–11**	**–1,432**
Acquisitions and disposals of operations (Note 29)	–1				–1		–2
Translation differences	–1	–1	9	–1	–1	–2	3
Disposals					86		86
Transfers					–3		–3
Amortisation and impairment for the year			–43	–18	–107		–168
Closing balance, 31 December 2016	**–54**	**–128**	**–294**	**–307**	**–720**	**–13**	**–1,516**
Carrying amount, 31 December 2015	1,942	702	695	19	245	97	3,700
Carrying amount, 31 December 2016	**2,032**	**706**	**631**	**2**	**286**	**114**	**3,771**

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	
MSEK	2015	2016
New Businesses	1,550	1,553
Ferry Operations	347	352
Other	45	127
Total	**1,942**	**2,032**

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 6–7%. The growth rate for revenue used in New Businesses has been individually assessed for each company and year until 2025. During this period, the growth rate fluctuates between 2–5% until 2019 and 2% after 2019 until 2024. For subsequent periods, revenue is estimated to have a growth corresponding to 1.5%, 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. Adactum AB 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 Adactum AB in the previous year.

The pre-tax discount rate used in the impairment testing of goodwill within Ferry Operations was 7%. The growth rate for revenue has been individually assessed for each company or route and fluctuates between 2–5% until 2020 and 0–2% thereafter. As at 31 December 2016, the recoverable amount based on value in use of the cash generating units was not less than their carrying amount in any test and therefore the related goodwill was not impaired. A number of sensitivity tests have been made in order to examine the possible need for impairment. For these sensitivity tests, the discount rate used was two percentage units higher than the discount rate described above. When applying these estimates, no goodwill impairment is indicated for material cash generating units.

Trademarks

Trademarks are mainly related to the segment New Businesses. During 2016, 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 6–7% and the growth rate for revenue used until 2019 was 2–5%. For subsequent periods, revenue is estimated to have a growth corresponding to 2%. None of the performed tests indicated any impairment for trademarks. As from 2014, trademarks within New Businesses are not subject to amortisation as they are considered to have an indefinite useful life.

NOTE 10. PROPERTY, PLANT AND EQUIPMENT

MSEK	Vessels	Construction in progress	Windmills	Other equipment	Land and buildings	Total
Cost of acquisition						
Opening balance, 1 January 2015	74,024	3,969	2,320	6,666	1,795	88,774
Acquisitions and disposals of operations (Note 29)	–17		495	–1,807	–58	–1,387
Additions	2,033	1,873	2	289	22	4,219
Disposals	–4,362	–58	–43	–143	–13	–4,619
Transfers	1,543	–1,702		29	–37	–167
Translation differences	3,729	284		188	12	4,213
Closing balance, 31 December 2015	**76,950**	**4,366**	**2,774**	**5,222**	**1,721**	**91,033**
Acquisitions and disposals of operations (Note 29)		222		378	150	750
Additions	979	1,936	10	288	170	3,383
Disposals	–1,438	–94		–984	–10	–2,526
Transfers	–177	–796	259	–78	–78	–870
Translation differences	4,374	382		188	26	4,970
Closing balance, 31 December 2016	**80,688**	**6,016**	**3,043**	**5,014**	**1,979**	**96,740**
Accumulated depreciation and impairment						
Opening balance, 1 January 2015	–27,883	–25	–314	–4,403	–684	–33,309
Acquisitions and disposals of operations (Note 29)	372		–79	1,330	57	1,680
Disposals	2,857		9	111	11	2,988
Translation differences	–1,220			–99	–1	–1,320
Transfers				110	36	146
Depreciation and impairment for the year	–4,678	–10	–122	–369	–53	–5,232
Closing balance, 31 December 2015	**–30,552**	**–35**	**–506**	**–3,320**	**–634**	**–35,047**
Acquisitions and disposals of operations (Note 29)				–212	–68	–280
Disposals	714			679	5	1,398
Translation differences	–1,820			–123	–21	–1,964
Transfers	151			3	39	193
Depreciation and impairment for the year	–6,117	–9	–156	–339	–56	–6,677
Closing balance, 31 December 2016	**–37,624**	**–44**	**–663**	**–3,312**	**–735**	**–42,378**
Closing balance, 31 December 2015	46,398	4,331	2,268	1,902	1,087	55,986
Closing balance, 31 December 2016	**43,064**	**5,972**	**2,380**	**1,702**	**1,244**	**54,362**

As at 31 December 2016, construction in progress includes new orders of five IMOIIMAX-vessels, four RoPax-vessels and one drilling rig. The drilling rig was ordered from Samsung in South Korea on the 26 June 2013 to be delivered in 2017. Two of the IMOIIMAX-vessels are expected to be ready in the first half-year of 2017, two in the second half-year of 2017 and one during the first half-year of 2018. One RoPax-vessel is expected to be ready during 2019 and the remaining three during 2020. Construction in progress also includes investments in offshore equipment.

Altogether the vessel orders amounts to MSEK 11,103. In the closing value for construction in progress an advance of MSEK 2,699 to the shipyard and MSEK 1,715 for offshore equipment are included. Capitalised interest of MSEK 501 and other capitalised costs of MSEK 1,057 are also included.

The amount of interest capitalised on vessel projects was MSEK 174 and MSEK 145 for the years ended 31 December 2016 and 2015, respectively.

Impairment testing of vessel is conducted annally and whenever conditions indicate that impairment may be necessary. 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. 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 .In the third quarter 2016 an impairment of MSEK 1,370 was recognized for the drillship *Stena IceMAX*, reflecting the perceived market value for the drillship. As of 31 December 2016, the recoverable amounts based on value in use were not less than their carrying amount in any other test and therefore the vessels were not impaired.

Valuation certificates issued on 31 December 2016 by independent valuation institutions indicate that the values in the vessel fleet exceed the carrying amount by MSEK 90 (746).

Part of the vessels' carrying amount in 2015 refers to vessels held under finance leases, see Note 24.

NOTE 11. PORTS

MSEK	
Revalued costs of acquisition	
Opening balance, 1 January 2015	3,853
Revaluation	375
Additions	25
Disposals	–50
Transfers	139
Translation differences	27
Closing balance, 31 December 2015	**4,369**
Additions	4
Disposals	–2
Transfers	27
Translation differences	–275
Closing balance, 31 December 2016	**4,123**
Accumulated depreciation	
Opening balance, 1 January 2015	–164
Revaluation	117
Disposals	32
Translation differences	5
Transfers	–129
Depreciation for the year	–176
Closing balance, 31 December 2015	**–315**
Disposals	2
Translation differences	13
Depreciation for the year	–164
Closing balance, 31 December 2016	**–464**
Carrying amount,31 December 2015	4,054
Carrying amount, 31 December 2016	**3,659**

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

The Group´s accounting principle for valuation of ports is based on the revaluation method. The latest revaluation of ports as of January 1, 2015.The revaluation resulted in an increased port value of MSEK 492, allocated to MSEK 375 at cost and MSEK 117 at depreciation.

Independent valuers were used to determine the fair value for all ports.

The closing balance at 31 December 2016 would have been MSEK 1,844 (2,027) if the ports had been valued at cost less accumulated depreciation.

NOTE 12. INVESTMENT PROPERTY

MSEK	31 December 2015	2016
Fair value, 1 January	28,945	30,189
Additions	1,061	3,052
Reclassification	585	114
Disposals	–1,099	–476
Unrealised fair value adjustments	749	1,503
Translation differences	–52	166
Fair value, 31 December	**30,189**	**34,548**
Investment Property – Construction in progress		
Fair value, 1 January	422	428
Additions	527	646
Reclassification of construction in progress	–543	–114
Disposals		–42
Translation differences	22	
Fair value, 31 December	**428**	**918**
Total fair value of investment property, 31 December	**30,617**	**35,466**

Investment Property – effect on profit for the period

MSEK	1 January–31 December 2015	2016
Rental Income	2,407	2,471
Direct costs	–820	–876
Valuation of investment properties	749	1,503
Total	**2,336**	**3,098**

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 considiration the type of property, technical standard and type of construction.

The following rates of return were used for the valuation at 31 December 2016:

Location	Rate of return % Residential	Commercial
Sweden	2.0–5.25	4.25–7.5
Eurozone	n/a	4.95–10.6

The estimated market value of investment properties is MSEK 35,466, whereof MSEK 30,624 is attributable to Swedish properties. In the previous year, the estimated market value of investment properties was MSEK 30,617, whereof MSEK 26,266 was attributable to Swedish properties.

To guarantee the valuation, external valuations have been obtained from Cushman & Wakefield for the Swedish properties. The external valuations cover 28% of the total property value in absolute terms, but these selected properties represent 68% of the properties in terms of property types, technical standard and building design.

External valuations have been performed on 52% 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 valuation.

NOTE 13. MARKETABLE SECURITIES

MSEK	31 December 2015	2016
Opening balance	4,847	6,332
Deconsolidating CLOs	761	
Additions	3,533	2,432
Disposals	–2,406	–2,823
Reclassifications		639
Revaluation of financial assets through profit or loss	–156	193
Revalutation of financial assets through other comprehensive income	–232	128
Translation differences	–15	353
Closing balance	**6,332**	**7,253**

MSEK	2015	2016
Marketable securities are classified as:		
Financial assets at fair value through profit or loss	1,282	1,299
Available-for-sale financial assets at fair value through other comprehensive income	5,050	5,954
Total	**6,332**	**7,253**

Marketable securities held as non-current assets refer to the Stena AB Group´s listed shares, funds and bonds, these are recorded at fair value. Shares with a carrying amount of MSEK 0 (321) have been pledged as security for bank debt.

NOTE 14. OTHER NON-CURRENT ASSETS

MSEK	Deferred tax assets	Other non-current receivables	Available-for-sale shares	Deferred costs	Total
Opening balance, 1 January 2015	852	2,473	1,216	681	5,222
Additions	114	727	24	24	889
Disposals		–494	–20	–196	–710
Aquisitions and disposals of operations		–36	–4		–40
Revaluation through the income statement		136	27		163
Revaluation through other comprehensive income		–75			–75
Reclassification	32	–233		–27	–228
Translation differences	13	61	–21	33	86
Closing balance, 31 December 2015	**1,011**	**2,559**	**1,222**	**515**	**5,307**

MSEK	Deferred tax assets	Other non-current receivables	Available-for-sale shares	Deferred costs	Total
Additions	3	534	580	36	1,153
Disposals		–670	–513	–143	–1,326
Revaluation through the income statement	63	–16	6		53
Revaluation through other comprehensive income	59	76	20		154
Reclassification	193	–842	–263	19	–892
Translation differences	27	108	52	25	212
Closing balance, 31 December 2016	**1,356**	**1,749**	**1,104**	**452**	**4,661**

Deferred tax assets mainly relate to unutilised tax losses carried forward. Reclassifications include netting against deferred tax liabilities. See Note 8 and Note 20. Other marketable securities held as non-current assets relate to holdings of non-listed shares, other associates and bonds. Available-for-sale shares include investments in non-listed shares. These shares are accounted for as Available-for-sale shares and are valued through other comprehensive income.

Available-for-sale shares

MSEK		No. of shares or % held	Carrying amount
Held by subsidiaries			
ING Dutch Office Funds C.V.	The Netherlands	5.8%	663
Airport Real Estate Management BV.	The Netherlands	20.2%	335
Other			106
Total available-for-sale shares			**1,104**

NOTE 15. INVENTORIES

	As of 31 December	
MSEK	2015	2016
Bunker and lubricating oil	84	123
Inventories of goods for sale	230	221
Raw materials and consumables	204	202
Products in progress	90	210
Finished products	139	150
Total	**747**	**905**

NOTE 16. CURRENT RECEIVABLES

	31 December	
MSEK	2015	2016
Trade receivables		
Trade receivables are classified on the basis of their due date:		
Outstanding but not due	1,768	2,002
Past due, up to 30 days	234	431
Past due, more than 30 days	286	415
Total	**2,288**	**2,847**
Other current receivables		
Other current receivables, related parties	239	201
Income tax receivables	122	288
Other current receivables	2,314	1,988
Total	**2,675**	**2,476**
Prepayments and accrued income		
Prepayments	553	675
Accrued income	1,742	1,420
Total	**2,294**	**2,095**
Total current receivables	**7,257**	**7,418**

The carrying amount of the receivables corresponds to their fair value. The total allowance for doubtful trade receivables at 31 December 2016 was MSEK 88 (132). Selling expenses include costs for doubtful receivables of MSEK 58 (30).

NOTE 17. SHORT-TERM INVESTMENTS

MSEK	31 December 2015	2016
Marketable debt and equity securities, trading	205	269
Restricted cash	656	625
Total	**861**	**894**

The carrying amount of short-term investments corresponds to fair value. Marketable debt and equity securities are classified as "Financial assets at fair value through profit or loss".

MSEK 1 (1) of the total value is restricted, having been pledged as security for bank debt. See Note 28.

NOTE 18. CASH AND CASH EQUIVALENTS

MSEK	31 December 2015	2016
Cash & bank	2,309	1,322
Short-term deposits	2	
Total	**2,311**	**1,322**

Short-term deposits are defined as bank deposits that have original maturities of up to three months.

NOTE 19. EQUITY

Dividends paid per share (SEK)	
2015	4,500
2016	8,500

Specification of reserves

MSEK	Fair value reserve	Hedging reserve	Revaluation reserve	Translation reserve	Total
Opening balance, 1 January 2015	**106**	**–1,780**	**1,072**	**1,789**	**1,187**
Change in fair value reserve, net of tax	–72				**–72**
Change in hedging reserve, net of tax					
– valuation of bunker hedges		–178			**–178**
– valuation of interest hedges		291			**291**
– valuation of currency hedges		–51			**–51**
– hedge of net investment in foreign subsidiaries		117			**117**
Change in revaluation reserve, net of tax			488		**488**
Change in translation reserve, net of tax				330	**330**
Closing balance, 31 December 2015	**34**	**–1,601**	**1,560**	**2,119**	**2,112**
Change in fair value reserve, net of tax	344				**344**
Change in hedging reserve, net of tax					
– valuation of bunker hedges		515			**515**
– valuation of interest hedges		–55			**–55**
– valuation of currency hedges		–10			**–10**
– hedge of net investment in foreign subsidiaries		–114			**–114**
Change in revaluation reserve, net of tax			–152		**–152**
Change in translation reserve, net of tax				988	**988**
Closing balance, 31 December 2016	**378**	**–1,265**	**1,408**	**3,106**	**3,627**

Fair value reserve

This reserve arises on the valuation of available-for-sale financial assets. When an available-for-sale asset is sold, the cumulative gain or loss attributable to the revaluation of the asset is recognised in the income statement. When a revalued asset is impaired, the cumulative gain or loss is recognised in the income statement.

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 revaluation amount consists of the fair value of the ports at the time of revaluation. Concurrently with the depreciation of ports, 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 port is higher as a result of the revaluation, the increase is recognised in other comprehensive income.

If the carrying amount of the port 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 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.

NOTE 20. DEFERRED TAXES

MSEK	31 December 2015	2016
Deferred tax liabilities		
Property, plant and equipment	4,970	5,786
Financial assets	304	134
Provisions	537	196
Other	60	135
Total deferred tax liabilities	**5,871**	**6,251**
Deferred tax assets		
Property, plant and equipment	211	523
Tax losses carried forward	2,728	4,530
Financial assets	244	323
Provisions	259	164
Other	28	4
Less deferred tax assets not recognised	–1,274	–2,561
Total deferred tax assets recognised	**2,196**	**2,983**
Net deferred tax liability	3,675	3,267
Whereof reported as:		
Deferred tax assets (Note 14)	1,011	1,356
Deferred tax liabilities	4,686	4,623

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.

	2015			2016		
MSEK	Taxes charged to income statement	Taxes charged to other comprehensive income	**Total taxes**	Taxes charged to income statement	Taxes charged to other comprehensive income	**Total taxes**
Current tax	–293		–293	26		26
Deferred tax	–223	–172	–395	230	45	275
	–516	**–172**	**–688**	**256**	**45**	**301**

Gross value of tax losses carried forward:

MSEK	31 December 2015	2016
Sweden	4,348	5,320
Rest of the world	6,777	15,355
Total	**11,125**	**20,676**

The majority of the tax losses are carried forward indefinitely. Tax losses of MSEK 4,766 expires between 2017 and 2025.

NOTE 21. 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 Company. 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 benefit plans relate mainly to subsidiaries in the UK operations. Other defined benefit plans apply for salaried employees in Sweden (mainly through the Swedish PRI pension plan) and employees in the Netherlands and Norway.

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

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

United Kingdom

The Group participates in defined benefit pensions schemes, funded by the companies within the Group (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 20% (20) and in MNOPF to 12% (12), based on information from the trustees. Stena Line Holding Group´s pensions schemes cover around 85% of the Group´s total defined benefit obligation.

In 2001, the trustee of the MNRPF adopted a deficit repair scheme and under this scheme the Group's share of the deficit contributions was around 32% with half of the contributions payable by other employers who were making voluntary contributions. However the agreement with the voluntary employers expired 2006, and as a result the Group's share of the deficit contributions increased to around 60%. The Group initiated court proceedings against the trustee of the MNRPF to establish how the deficit in the MNRPF should be allocated between the various employers. The Court of Appeal upheld in 2011, the decision made by High Court, that deficit contributions can be required from all employers who have ever participated in the MNRPF, including companies that no longer employ any members.

In 2015, the High Court in London announced its approval of the pension board's proposal for a new payment plan in MNPRF. This means that the Group's share is 20% and that previous deficit contributions from 2001 are deducted from future deficits.

The most recent three-year MNRPF valuation was made on 31 March 2014. Because of the protracted lawsuit, the pension board decided that employers should pay 150% of their deficit share to ensure funding in the pension plan. Depending on the solvency of all of the companies, this increased share may be changed during the next valuation, which is 31 March 2017. 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.

The funding position of each scheme is reassessed every three years and a schedule of contributions is put in place, following consultation with the employers, which sets out the regular contributions payable along with any deficit contributions required to meet any shortfall of the assets when compared with the liabilities. The trustee determines the investment strategy, which is subject to consultation with the employers. The assets of all schemes are managed on behalf of the trustee by independent fund managers.

The operation of each scheme 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 2016, 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 155%. If Alecta's collective consolidation level is below 125% or higher than 155% 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 amounts to 149% for 2016 and 153% for 2015.

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 is a variety of smaller plans in other countries and the most important of those are in Netherlands and Norway. The pension plans in Netherlands and Norway are salary benefit pension plans and are open for new entrants. The plans are fully funded.

Information per country as at 31 December 2015	Sweden	United Kingdom	Other countries	Total
Reporting in the balance sheet				
Present value of funded and unfunded obligations	538	9,861	320	10,719
Fair value of plan assets	–296	–9,914	–333	–10,543
Total (surplus)/deficit	**242**	**–53**	**–13**	**176**
Whereof reported as				
Surplus in pension plans	91	279	25	395
Pension liabilities	333	226	12	571
Total funding level for all pension plans, %	55%	101%	104%	98%
Amounts included in the income statement				
Current service cost	5	36	33	74
Net interest cost	8	11	1	20
Administration expenses		62		62
Remeasurements (gain)/loss	–18	–73	3	–88
Total expense (gain) for defined benefit plans	**–6**	**36**	**37**	**67**
Main assumptions for the valuation of the obligation				
Life expectancy, year:				
Male – currently aged 65	21.7	22.2		
Female – currently aged 65	24.0	23.8		
Inflation, %[1]	1.8	3.0		
Discount rate, %	3.5	4.0		

Average duration of the obligation is 15 years.

1) Inflation for UK concerns RPI. Used CPI is 1.2 lower than RPI

CONT. NOTE 21

Information per country as at 31 December 2016	Sweden	United Kingdom	Other countries	Total
Reporting in the balance sheet				
Present value of funded and unfunded obligations	537	10,472	356	11,365
Fair value of plan assets	–236	–10,408	–371	–11,015
Total (surplus)/deficit	**301**	**64**	**–15**	**350**
Whereof reported as				
Surplus in pension plans	86	153	25	264
Pension liabilities	384	217	10	611
Pension liabilities, short term	3			3
Total funding level for all pension plans, %	44%	99%	104%	97%
Amounts included in the income statement				
Current service cost	3	22	19	44
Net interest cost	8	–11		–3
Administration expenses		43		43
Remeasurements (gain)/loss	58	520		578
Total expense (gain) for defined benefit plans	**69**	**574**	**19**	**662**
Main assumptions for the valuation of the obligation				
Life expectancy, year:				
Male – currently aged 65	21.7	22.2		
Female – currently aged 65	24.0	23.8		
Inflation, %[1]	1.75	3.15		
Discount rate, %	3.0	2.85		

Average duration of the obligation is 17 years.

1) Inflation for UK concerns RPI. Used CPI is 1.2 lower than RPI

Reconciliation of change in present value of defined benefit obligation for funded and unfunded obligations	2015	2016
Opening balance, 1 January	**10,471**	**10,719**
Current service cost	74	44
Administrative expenses	62	43
Interest expenses	405	366
Remeasurement arising from changes in financial assumptions	–174	1,841
Remeasurement arising from changes in demographic assumptions	446	
Remeasurement from experience	–350	–183
Remeasurement from changed share in pension plan	129	8
Contributions by plan participants	6	2
Benefits paid	–576	–545
Settlements and other		35
Exchange differences	226	–965
Closing balance, 31 December	**10,719**	**11,365**

Reconciliation of change in the fair value of plan assets	2015	2016
Opening balance, 1 January	**9,989**	**10,543**
Interest income	385	369
Remeasurement arising from changes in assumptions	40	1,088
Remeasurement from changed share in pension plan	97	
Contributions by plan participants	6	2
Employer contributions	377	521
Benefits paid	–566	–532
Settlements and other		–26
Exchange differences	215	–950
Closing balance, 31 December	**10,543**	**11,015**

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. In practice, this is unlikely to occur, and changes to some of the assumptions may be correlated.

Sensitivity analysis of defined benefit obligation	Sweden	United Kingdom	Other countries	Total
Life expectancy +1 year	17	259	9	**285**
Inflation +0.5%	55	448	32	**535**
Discount rate +0.5%	–53	–780	–34	**–867**
Discount rate –0.5%	60	819	39	**918**

	2015			2016		
Market value of plan assets by category	Quoted	Non-quoted	Total	Quoted	Non-quoted	Total
Equity	3,201	298	3,499	2,186	216	2,402
Bonds	5,822		5,822	7,302		7,302
Property		676	676		265	265
Qualifying insurance	41		41	42		42
Cash and cash equivalents	505		505	1,004		1,004
Total	**9,569**	**974**	**10,543**	**10,534**	**481**	**11,015**

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.

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.

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 22. BANK DEBT

	2015			2016		
MSEK	Current	Non-current	Total	Current	Non-current	Total
Property loans	236	15,876	16,112	44	18,016	18,060
Other loans	1,963	24,359	26,322	2,056	24,233	26,289
Revolver credit facilities	2	702	704		1,069	1,069
Total	**2,201**	**40,937**	**43,138**	**2,100**	**43,318**	**45,418**

The schedule for repayment of bank debt is presented in Note 31.

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

	31 December	
MSEK	2015	**2016**
SEK	16,103	18,493
GBP	246	218
USD	19,774	20,193
EUR	6,520	6,010
Other currencies	495	504
Total	**43,138**	**45,418**

For information regarding assets pledged, see Note 28.

NOTE 23. SENIOR NOTES

In February 2007, a Eurobond totalling MEUR 300 was issued at a rate of interest of 6.125% and with a term extending through to 1 February 2017.

In February 2007, a further Eurobond totalling MEUR 102 was issued at a rate of interest of 5.875% and with a term running through to 1 February 2019.

In March 2010, a Eurobond totalling MEUR 200 was issued at a rate of interest of 7.875% and with a term running through to 15 March 2020.

In January 2014, a 10-year bond totalling MUSD 600 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 is to extend our amortisation profile and repay amounts under existing credit facilities.

In February 2014, a further 10-year bond totalling MUSD 350 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. As a result of the transactions in spring 2014, the scope in the existing RCF (Revolving Credit Facility) of MUSD 1,000 was reduced to MUSD 600. In February 2015, we renegotiated our existing MUSD 600 credit facility. As a result, the margin was reduced, the term was extended and the credit line was increased to MUSD 800.

The Stena AB Group has during 2016 repurchased MUSD 73 of our MUSD 600 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

Fair value of the senior notes were as per 31 december 2016 MSEK 12,977 (12,654).

For details of the current financial and operative covenants linked to the bond loans, see Note 31.

				Fair value, 31 December		Carrying amount (MSEK), 31 December	
Issued Maturity	Nominal	Outstanding	Interest	2015	**2016**	2015	**2016**
2007–2017	MEUR 300	MEUR 282	6.125%	MEUR 303	MEUR 282	2,705	2,702
2007–2019	MEUR 102	MEUR 102	5.875%	MEUR 106	MEUR 108	935	977
2010–2020	MEUR 200	MEUR 200	7.875%	MEUR 218	MEUR 223	1,834	1,915
2014–2024	MUSD 600	MUSD 527	7.000%	MUSD 510	MUSD 467	5,065	4,798
2014–2024	MUSD 350	MUSD 350	5.750%	MUSD 308	MUSD 313	2,954	3,188
Total						**13,493**	**13,580**
Whereof							
Non-current portion of Senior Notes						13,493	10,878
Current portion of Senior Notes							2,702

NOTE 24. LEASES

Company as lessee

The operating lease obligations include chartering of crude oil tankers on a timecharter basis, chartering of ferries principally on a bareboat basis, as well as obligations related to rentals of properties and ports. Furthermore premises, cars and office supplies are leased.

Rental expense for operating leases were as follows:

	1 January–31 December	
MSEK	2015	**2016**
Operating expenses	1,628	**1,821**

In 2015 the Group's finance leases comprise one RoPax-vessel. The cost for vessels under finance leases at 31 December 2016 was MSEK 0 (532) . The net carrying amount for 2016 was MSEK 0 (404).

Future minimum lease payments at the reporting date:

	2015	
MSEK	Operating leases	Finance leases
2016	1,365	39
2017	996	374
2018	747	6
2019	585	7
2020	428	8
2021 and thereafter	1,330	25
Total minimum lease payments	**5,451**	**459**

Future minimum lease payments at the reporting date:

	2016	
MSEK	Operating leases	Finance leases
2017	1,302	11
2018	948	12
2019	634	10
2020	483	10
2021	347	9
2022 and thereafter	992	29
Total minimum lease payments	**4,706**	**81**

Company 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:

	2015			**2016**		
MSEK	Cost	Accumulated depreciation	Net carrying amount	Cost	Accumulated depreciation	Net carrying amount
Vessels	56,836	–20,570	36,266	60,298	–25,165	35,133
Investment property	30,617		30,617	35,466		35,466
Total	**87,453**	**–20,570**	**66,883**	**95,764**	**–25,165**	**70,599**

Future minimum lease payments receivable at the reporting date:

	2015		
MSEK	Vessels	Investment property	Total
2016	7,321	660	7,981
2017	2,215	552	2,767
2018	127	415	542
2019	38	279	317
2020	19	178	197
2021 and thereafter		587	587
Total minimum lease payments receivable	**9,720**	**2,671**	**12,391**

CONT. NOTE 24

Future minimum lease payments receivable at the reporting date:

	2016		
MSEK	Vessels	Investment property	Total
2017	2,518	872	3,390
2018	138	775	913
2019	40	638	678
2020	20	510	530
2021		396	396
2022 and thereafter		1,734	1,734
Total minimum lease payments receivable	**2,716**	**4,925**	**7,641**

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 25. OTHER NON-CURRENT LIABILITIES

	31 December	
MSEK	2015	**2016**
Deferred income, non-current[1)]	459	49
Other liabilities	2,734	2,440
Total	**3,193**	**2,489**

Repayment of non-current liabilities:

MSEK	1–3 years	4–5 years	More than 5 years	Total
Deferred income, non-current	13	10	26	49
Other liabilities	533	603	1,304	2,440
Total	**546**	**613**	**1,330**	**2,489**

1) The compensation Stena received from *Stena Carron* in 2014 expired in 2015 and 2016, which explains the large decrease in deferred income.

NOTE 26. ACCRUALS AND DEFERRED INCOME

	31 December	
MSEK	2015	**2016**
Accruals		
Charter hire/running costs	284	117
Interest costs	1,013	767
Accrued personnel costs	373	385
Other accruals	1,606	1,918
	3,276	**3,187**
Deferred income		
Prepaid charter hire	936	745
Other deferred income	657	928
	1,593	**1,673**
Total accruals and deferred income	**4,869**	**4,860**

NOTE 27. ASSETS HELD FOR SALE

A decision was made to divest the operations of IL Recycling AB. Furthermore, there is also a decision to divest a property and a vessel. The sales are expected to take place in the first quarter of 2017. As per 31 december 2016 the disposal group included assets of MSEK 1,416, less liabilities totaling MSEK 819. As per 31 December 2015 there were no assets held for sale.

MSEK	2016
Assets classified as held for sale:	
Intagible assets	524
Property, plant and equipment	641
Financial assets	7
Current receivables	244
Total assets classified as held for sale	**1,416**
Liabilities directly attributable to assets classified as held for sale:	
Non-current liabilities	417
Deferred tax	94
Current liabilities	308
Total liabilities directly attributable to assets classified as held for sale	**819**

NOTE 28. PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets

Pledged assets represent assets securing various financing activities. These assets can only be used by the party benefitting 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

	31 December	
MSEK	2015	2016
Shares in subsidiaries	584	634
Mortgages on vessels	35,722	28,843
Mortgages on properties	22,096	19,909
Investments in associates	1,066	1,176
Marketable securities	321	
Trade receivables	28	33
Short-term investments	1	1
Assets pledged, other	1,801	1,709
Total assets pledged for normal bank debt	**61,619**	**52,305**
Liabilities to credit institutions, including lease obligations	43,597	45,499
Total debt and capitalised lease obligations	**43,597**	**45,499**

In addition, certain insurance agreements have been pledged. No pledge assets has 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 MSEK 1,302 in 2017 and MSEK 3,404 from 2018. See Note 24. As of December 2016 five IMOIIMAX vessels, four RoPax vessels and one drilling rig were ordered. The total contract amount is MSEK 11,103, whereof MSEK 2,699 has been paid in advance.

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

Contingent liabilities

	31 December	
MSEK	2015	2016
Guarantees	2,000	2,470
Other contingent liabilities	100	194
Total	**2,100**	**2,664**

NOTE 29. ACQUISITIONS AND DISPOSALS OF OPERATIONS

Four acquisitions and two disposals of operations took place in 2016. One of the disposals took the form of an asset transaction, while in other cases, shares were purchased or sold.

In addition to the acquisition and disposal of operations described below, the remaining shares in two previous joint ventures – Golden Stena Bulk IMOIIMAX IX Limited and Golden Stena Bulk IMOIIMAX X Limited – were acquired. The companies have now been renamed Stena Bulk IMOIIMAX IX Limited and Stena Bulk IMOIIMAX X Limited.

Acquisitions

Clyde Group Ltd

On 5 May 2016, the Northern Marine Group business area acquired the company Clyde Group Ltd. Clyde Group Ltd provides training, travel and other services in the marine sector. Clyde Group Ltd has seven subsidiaries and is headquartered in Glasgow in the UK. The Group has 144 employees. The purchase price was MSEK 56. The difference between the purchase price and the net assets was MSEK 13 and related to goodwill.

IL Recycling AB

IL Recycling AB was acquired on 30 June 2016. The company is headquartered in Stockholm in Sweden and conducts recycling operations. At the acquisition date, the Group had three subsidiaries, two in Sweden and one in Poland, with a total of about 700 employees. The purchase consideration was MSEK 718. The difference between the purchase consideration and net assets was MSEK 451, and was largely related to surplus values of customer relationships, brands and properties.

The Polish subsidiary was sold to Stena Recycling AB in October 2016 and the remaining part of the recycling business will be sold to Stena Recycling AB in 2017. The other operations, mainly property management, will be retained by the Stena AB Group.

The total value of the acquired assets and liabilities is shown in the table below, which also shows the cash impact of the acquisitions. All acquired assets and liabilities were reported according to IFRS, or with no deviation from IFRS, at the date of acquisition.

MSEK	2016
Acquired assets and liabilities acquired:	
Intangible assets	100
Property, plant and equipment	495
Financial assets	9
Current receivables	403
Cash and cash equivalents	51
Non-current liabilities	–226
Deferred tax	–128
Current liabilities	–397
Acquired net assets	**307**
Goodwill	112
Customer relations	244
Trademarks	183
Properties	25
Deferred tax	–99
Non-controlling interest	1
Total	**773**
Purchase price	–773
Cash and cash equivalents in aquired operations	51
Effect on the Group's cash and cash equivalents	**–722**

Acquisition-related expenses were MSEK 7 and were reported as direct operating expenses.

Disposals

Macro International AB

On 1 December 2016, the assets of Macro International AB were sold. Marco International AB is owned by Ballingslöv International AB, which is part of Stena AB's New Businesses segment. The business of the company was bathroom fittings and its headquarters was in Laholm, Sweden, with about 55 employees. The sale generated a gain of MSEK 96 for the Stena AB Group. The sales price was MSEK 173, of which MSEK 10 will be paid in 2017.

In addition to this sale, the Polish subsidiary of IL Recycling AB was sold, as previously mentioned.

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

MSEK	2016
Sold assets and liabilities	
Intangible assets	–1
Property, plant and equipment	–51
Current receivables	–96
Cash and cash equivalents	–10
Non-current liabilities	13
Current liabilities	62
Sold net assets	**–83**
Goodwill	–19
Total	**–102**
Purchase price	192
Deferred purchase price	–10
Cash and cash equivalent in disposal operations	–10
Effect on the Group's cash and cash equivalents	**172**

Costs related to the disposals amounting to MSEK 7 and are reported, in the table above, as an increase of the purchase price. A comparison with the cash flow shows a difference wich are due to a deferred purchase price for a disposal in 2015 paid in 2016.

NOTE 30. CASH FLOW STATEMENT

Interest

MSEK	31 December 2015	31 December 2016
Interest paid	2,578	2,565
Interest, received	279	277

Paid tax

During 2016 paid tax amounted to MSEK 444 and repaid tax amounted to MSEK 288, due to a win in a tax dispute, which gives a net amount of MSEK 156 (251).

Investing activities

Other investing activities 2016 mainly include payments of loan to joint ventures and associates. 2015 the amount was mainly related to a settlement of accrude income from one of the acquisition in 2015.

Financing activities

2016 other financing activities mainly relates to trading of bunkeroptions but also finance cost. 2015 the amount mainly related to finance cost. The finance costs are capitalised and amortised over the period of the contract.

NOTE 31. FINANCIAL RISK FACTORS AND FINANCIAL RISK MANAGEMENT

This note describes the financial risk management in the Stena Group. Accounting principles for financial instruments are described in note 1 and financial information for the year 2016 and 2015 are described in note 32. Other notes that include information used in note 31 and 32 is note 13 Marketable securities, note 14 Other noncurrent assets and note 17 Short-term investments.

Financial instruments in the Stena Group consist of bank loans, derivatives, finance leasing 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 financial policy.

Financial risk factors

The Group's activities expose it 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 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 financial policies and manuals, mainly by the treasury unit in Sweden.

Market risk – Interest rate risk

The Group holds fixed assets mainly in ships 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.

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) and
– 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 CAD, EUR, PLN, NOK and DKK and purchase to USD. In the Offshore drilling operation purchase mainly relates to 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 comprehensive income if the hedges are considered to be effective. If hedges are no longer considered to be effective the translation difference are recognised in the finance net.

The interest rate differential is reported 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 2016, was approximately SEK 32,5 billion. The net assets are expressed mainly in Swedish kronor, U.S. dollars, Euro and British pounds. 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 December 2016 by MSEK 325.

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 comprehensive income if an effective hedge. According to the Group's finance policy, 0–100% of such exposure should be hedged.

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 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 2.9 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.

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

CONT. NOTE 31

to reduce the credit risk when investing in corporate bonds, there are certain approved limits for credit rating of the issuer.

Our 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 2016, 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 +/–MSEK 157 in profit and loss and +/– 595 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. Such financial instruments that are not used in the Group's program of interest rate and foreign currency risk management are referred to as 'trading' for purposes of this disclosure. All trading positions are taken within the limits of the Company's financial trading policy. All positions are recorded at fair value and the unrealised gains and losses are part of the quarterly results.

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 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 tables below credit risk refers to net positive market values per counterparty. In the tables below 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 table below 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.

As of December 2004 the Group has a revolving credit facility of USD 1 billion. Obligations under the facility are secured mainly by mortgages on certain vessels and rigs. Borrowings under the facility bear interest at a rate based on LIBOR plus an applicable margin based on the utilisation of the facility. In 2014 the Group lowered the limit from MUSD 1 000 to MUSD 600. In February 2015 we amended and extended the revolving credit facility. This resulted in a lower margin, an increased line of credit and an extension the credit duration. The credit was increased to MUSD 800 from MUSD 600. At the end of 2016 this credit had been utilised by MUSD 58, of which MUSD 55 was actually drawn and MUSD 3 used for issuing of bank guarantees. As of

31 December 2015 the utilised portion of the facility was MUSD 5, of which MUSD 0 was actually drawn and MUSD 5 used for issuing of bank guarantees.

As of 2007, the Group has an additional revolving credit facility of MUSD 200 that is mainly used for share trading. This facility was negotiated during 2013 and the credit line increased from MUSD 200 to MUSD 300. The utilised portion of the facility as of 31 December 2016 was MUSD 0. As of 31 December 2015 the utilised portion of the facility was MUSD 38.

As of 2010, the Group has an additional Revolving credit facility of MSEK 6,660 with Svenska Handelsbanken and Nordea guaranteed by EKN. This facility was terminated during the first quarter of 2016.

As of 31 December 2016 the Group had a total of MSEK 8,618 in unutilsed overdraft facilities and RCFs, excluding the above mentioned MUSD 300 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 2017. 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. "Not specified" also includes the utilised portion of the Revolving Credit Facilities.

The revolving credit facility imposes various financial and operating covenants upon the restricted group. 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 MUSD 100, (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 2015		**31 December 2016**	
MSEK	Nominal amount	Credit risk	Nominal amount	Credit risk
Currency forward contracts and swaps	51,136	295	36,479	168
Currency options	207		98	
Interest rate forward contracts and swaps	48,376	416	48,787	236
Interest rate options	3,500		3,500	
Commodity fixed price swaps and options – oil	5,226		3,284	87
Total	**108,445**	**711**	**92,148**	**491**

Maturity profile

31 December 2016, MSEK	Total	2017	2018	2019–2021	2022–	Not specified
Property loans	**18,060**	44	68	1,824	16,068	56
Other bank loans	**26,289**	2,056	5,352	13,096	5,785	
Revolving Credit Facility	**500**					500
Other credit facilities	**569**					569
Senior Notes	**13,580**	2,702		2,892	7,986	
Finance lease liabilities	**81**	11	12	29	29	
Operating lease liabilities	**4,706**	1,302	948	1,464	992	
Trade payables	**1,647**	1,647				
Derivatives	**2,582**	1,019	88	880	595	
Total	**68,014**	**8,781**	**6,468**	**20,185**	**31,455**	**1,125**

NOTE 32. FINANCIAL INSTRUMENTS

This note describes the financial outcome from financial instruments in the Stena Group. Accounting policies for financial instruments are described in Note 1 and financial risk management is described in Note 31.

Financial instruments per category

MSEK	Financial instruments at fair value through profit or loss		Financial instruments						
31 December 2015	Fair value option	Held for trading[1]	Used for hedge accounting	Held to maturity	Available for sale	Loans and receivables	Other financial liabilities	Total carrying amount	Total fair value
Assets									
Marketable securities	1,282				5,050			6,332	6,332
Other non-current assets	201	51	984		1,021			2,257	2,257
Trade receivables						2,288		2,288	2,288
Short-term investments		205				656		861	861
Other receivables		343	1,071			424		1,838	1,838
Total	**1,483**	**599**	**2,055**		**6,071**	**3,368**		**13,576**	**13,576**
Liabilities									
Senior Notes							13,493	13,493	12,654
Other non-current liabilities		27	1,964					1,991	1,991
Other non-current interest-bearing liabilities							41,357	41,357	41,357
Current interest-bearing liabilities							2,241	2,241	2,241
Trade payables							1,598	1,598	1,598
Other liabilities		592	1 469					2,061	2,061
Total		**619**	**3,433**				**58,689**	**62,741**	**61,902**
31 December 2016									
Assets									
Marketable securities	1,299				5,954			7,253	7,253
Other non-current assets	106	579	335		998			2,018	2,018
Trade receivables						2,847		2,847	2,847
Short-term investments		269				625		894	894
Other receivables		212	634					847	847
Total	**1,405**	**1,060**	**969**		**6,952**	**3,472**		**13,859**	**13,859**
Liabilities									
Senior Notes							13,580	13,580	12,977
Other non-current liabilities		35	1,501					1,536	1,536
Other non-current interest-bearing liabilities							43,389	43,389	43,389
Current interest-bearing liabilities							2,112	2,112	2,112
Trade payables							1,647	1,647	1,647
Other liabilities		261	702					963	963
Total		**296**	**2,203**				**60,728**	**63,227**	**62,624**

1) Held for trading includes derivates that are not included in hedge accounting of MSEK 495. MSEK 579 are included in other non-current receivables, MSEK 212 are included in other receivables, MSEK –35 are included in other non-current liabilities and MSEK –261 are included in other liabilities.

Financial instruments at fair value

For current assets and liabilities in loans and receivables and other financial liabilities, we estimate the carrying amount to be equal to the fair value. For senior notes, the fair value is based on quoted prices and for other non-current liabilities, we estimate that the fair value does not materially differ from the carrying amount. For the rest of the Group's financial instruments, the table below shows the fair value in different levels as of 31 December 2015 and 2016, respectively.

The different levels indicate to what extent market values have been used when calculating the fair value.

Investments in level 1 consist of equities and fixed income classified as held for trading, fair value option or available-for-sale financial assets. The financial instruments are traded in an active market and the fair value is determined on the basis of the asset's listed current bid-rate 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 valuation 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 available-for-sale financial assets whose fair value is obtained from external parties. For debt investments in level 2, the fair value is determined by the nominal amount as long as the underlying value of the loan has not materially been changed.

Investments in level 3 consist of equity securities and debt investments. For equities we calculate the value based on estimated discounted cash-flows. Fair value is determined by a hypothetical assessment of what the market price would have been if there had been a market for these instruments. For debt investments, we estimate the value based on the nominal amount taking into consideration the credit risk of the loan.

	31 December 2015				**31 December 2016**			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Financial assets at fair value through profit or loss								
– Derivatives		394		394		791		791
– Securities	1,088	373	100	1,561	1,454	183	36	1,673
Derivatives used for hedging		2,055		2,055		969		969
Available-for-sale financial assets								
– Equities	1,187	436	1,000	2,623	1,356	749	1,050	3,155
– Debt investments	1,086	2,361	127	3,574	1,248	2,039	511	3,798
Total assets	**3,361**	**5,619**	**1,227**	**10,207**	**4,058**	**4,731**	**1,597**	**10,386**
Liabilities								
Financial liabilities at fair value through profit or loss								
– Trading derivatives		619		619		296		296
Derivatives used for hedging		3,433		3,433		2,203		2,203
Total liabilities		**4,052**		**4,052**		**2,499**		**2,499**

Specification of financial instruments in Level 3

MSEK

31 December 2015	Real Estate Fund 1	Real Estate Fund 2	Debt investments Convertible loan	Equities Other	Total
Opening balance, 1 January 2015	673	352	117	74	1,216
Total unrealised gains/losses					
– recognised in profit or loss	5	–2		24	27
– recognised in other comprehensive income					
Impairment recognised in profit or loss					
Proceeds from acquisitions and sales, net	–9			18	9
– of which realised gains/losses				–1	–1
Translation differences	–19	–11	–3	9	–24
Closing balance, 31 December 2015	**650**	**339**	**114**	**124**	**1,227**

CONT. NOTE 32

MSEK 31 December 2016	Real Estate Fund 1	Real Estate Fund 2	Debt investments convertible loan	Equity private placement	Equities other	Total
Opening balance, 1 January 2016	650	339	114		124	1 227
Total unrealised gains/losses						
– recognised in profit or loss	22	–19		–20	11	–6
– recognised in other comprehensive income			–22	–18		–40
Reclassification				415	–72	343
Impairment recognised in profit or loss						
Proceeds from acquisitions and sales, net	–38				24	–14
– of which realised gains/losses			1			1
Translation differences	29	15	17	24	1	86
Closing balance, 31 December 2016	**663**	**335**	**110**	**401**	**88**	**1,597**

One of our investments has started to trade on an active market during 2016. This investment has been moved from level 3 to level 1.

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

31 December 2016

Funds	Description	Fair value at 31 December 2016	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability weighted average)	Relationship of unobservable inputs to fair value	Sensitivity analyses
Real Estate Fund 1	The fund invests in prime office real estate only in the Netherlands, and consist of 21 properties	MSEK 663	Estimated discounted cash flows	Future development of the occupancy rates	The vacancy rate is set in the range of 4%–12,2% (Weighted average 7,2%)	Changes in the properties' occupancy rates lead to a lower/ higher fair value	If the vacancy rate changes by +/– 10%, the effect on the fair value will be MSEK +/– 10
Real Estate Fund 2	The fund consists of 16 properties (offices and warehouses) located on Schiphol Airport grounds in the Netherlands	MSEK 335	Estimated discounted cash flows	Future development of the occupancy rates	The vacancy rate is 4,4%–6,9% (weighted average 5,6%)	Changes in the properties' occupancy rates lead to a lower/ higher fair value	If the vacancy rate changes by +/– 10%, the effect on the fair value will be MSEK +/– 1
Convertible loan	Long-term loan	MSEK 110	Estimated discounted cash flows	Interest level and credit risk	Market interest rate in average 5,0%	Changes in interest rate or credit risk lead to a lower/ higher fair value	If the interest rate including credit risk changes by +/– 100 points, the effect on the fair value will be MSEK +/– 1
Equity private placement	Long-term loan	MSEK 401	Estimated market value of underlying asset and discounted cash flows	Market value and underlying spot crude tanker earnings	N/A	Changes in number of available vessels and demand for crude oil	N/A
Equities other	A portfolio of unlisted companies	MSEK 88	We use different techniques, depending of available observable inputs. Discounted cash flow models and valuation multiples are example of existing models	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 2016, a change of +/– 10% in the unrealised value of all our assets in the Level 3 category would have an effect of MSEK +/– 60 (24) on profit before tax and MSEK +/– 100 (99) recognised in other comprehensive income.

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

MSEK **31 December 2015**	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	2,449		2,449	1,928	521
Derivative financial liabilities	–4,052		–4,052	–1,928	–2,124
Total	**–1,603**		**–1,603**		**–1,603**

MSEK **31 December 2016**	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	1,761		1,761	1,269	491
Derivative financial liabilities	–2,499		–2,499	–1,269	–1,230
Total	**–739**		**–739**		**–739**

Interest rate hedge contracts

Outstanding interest rate contracts for hedging of the interest rate exposure

	2015		**2016**	
MSEK	Notional amount	Carrying amount	Notional amount	Carrying amount
Contracts excluding SPE				
Interest rate swaps floating to fixed				
– receivable position	14,896	608	19,621	607
– payable position	33,434	–1,340	29,051	–1,424
Interest rate caps				
– receivable position	500		500	
– payable position	1,000	–27	1,000	–42
Interest rate collar				
– payable position	2,000	–68	2,000	
Total	**51,830**	**–827**	**52,172**	**–859**

The fair value of instruments used in hedge accounting amounts to MSEK –1,328 (–1,257) and is included in other current receivables and other current liabilities and in the hedge reserve.

Stena has chosen to apply hedge accounting for parts of the Senior Notes issued in 2014 at a fixed interest rate. The fair value of the outstanding hedge instruments amounts to MSEK 473. The carrying amount of the loan related to hedge accounting amounts to MSEK –464. The changes in the fair value of the outstanding hedge instruments and the changes in the carrying amount of the loans are recognised in the income statement.

CONT. NOTE 32

Currency hedge contracts

The following two tables summarise the contractual net amounts of the company's forward exchange and option contracts to hedge the translation and transaction exposures. Notional amount is gross amount.

Outstanding currency hedge contracts for translation and equity exposure

	2015		2016	
MSEK	Notional amount	Carrying amount	Notional amount	Carrying amount
Currency forward contracts				
– receivable position	350	20	655	26
– payable position	18		682	–17
Currency swap contracts				
– receivable position	15,400	247	14,505	360
– payable position	18,745	–335	14,672	–274
Total	**34,513**	**–68**	**30,514**	**95**

The fair value of the instruments used in hedge accounting for equity exposure amounts to MSEK 91 (0) and is included in other current liabilities and other current receivables in the hedge reserve.

Outstanding currency hedge contracts for transaction exposure

	2015		2016	
MSEK	Notional amount	Carrying amount	Notional amount	Carrying amount
Currency forward contracts				
– receivable position	501	19	852	15
– payable position	1,528	–103	308	–17
Currency swap contracts				
– receivable position	6,642	712	2,599	394
– payable position	6,008	–471	1,387	–271
Total	**14,679**	**158**	**5,146**	**121**

The fair value of the instruments used in hedge accounting for transaction exposure amounts to MSEK 121 (158) and is included in other current liabilities and other current receivables in the hedge reserve.

The table below shows the hedging contracts divided by currency. Notional amount is net amount.

Hedge accounting contracts for transaction exposure

	2015		2016	
MSEK	Notional amount	Carrying amount	Notional amount	Carrying amount
SEK companies				
USD	453	67	–790	32
EUR	670	11	3,899	–4
NOK	–57	1	1	
DKK	–61			
GBP	352	2	–846	–4
PLN	–87	2	110	1
QUR	5			
USD companies				
GBP	672	–23	–229	–75
NOK	462	–84	60	–11
AUD				
CAD	–20	–3		
EUR				
EUR companies				
USD	–9	119	279	129
CAD				
DKK			–14	
GBP			–25	
GBP companies				
EUR	118	–3		53
USD	–64	69	72	
DKK companies				
USD	1		–27	
SEK			–2	
Total	**2,435**	**158**	**2,488**	**121**

CONT. NOTE 32

Oil price contracts – Outstanding hedge contracts for transaction exposure

	2015		2016	
MSEK	Notional amount	Carrying amount	Notional amount	Carrying amount
Raw material swap contracts				
– receivable position	1,223	609	1,726	338
– payable position	3,016	–1,389	1,558	–456
Raw material option				
– receivable position	394	205		
– payable position	593	–321		
Total	**5,226**	**–896**	**3,284**	**–118**

The fair value of the instruments used in hedge accounting for bunker fuel exposure amounts to MSEK –118 (–780) and is included in other current liabilities and other current receivables and in the hedge reserve.

Maturity profile for derivates used in hedge accounting

MSEK	Interest rate derivates	Foreign exchange derivates	Bunker fuel derivates	**Total**
2017	–4	140	–196	–60
2018	–26	1	–16	–41
2019–2021	–722	71	94	–557
2022 and thereafter	–576			–576
Total	**–1,328**	**212**	**–118**	**–1,234**

Trading contracts – Outstanding derivative contracts for trading activities

	2015		2016	
MSEK	Notional amount	Carrying amount	Notional amount	Carrying amount
Foreign exchange spot and forwards	2,117	29	818	22
Currency options[1)]	207		98	1
Interest rate instruments	46		115	2
Total	**2,370**	**29**	**1,031**	**25**

1) The notional amount is delta–adjusted

NOTE 33. PERSONNEL

Average number of employees

	2015		2016	
	Total	No. of females	Total	No. of females
Parent company				
Executive management	3		3	
Other employees	33	20	33	18
Subsidiaries in Sweden	3,957	1,573	4,322	1,676
Total Sweden	**3,993**	**1,593**	**4,358**	**1,694**
Subsidiaries outside Sweden				
United Kingdom	2,141	542	2,501	681
Denmark	805	274	870	311
The Netherlands	742	110	624	101
Germany	325	122	304	108
Singapore	138	31	147	52
South Korea	122	11	129	13
Spain	121	12	123	12
India	115	52	137	60
China	108	49	113	26
Poland	58	41	61	41
United Arab Emirates	58	5	34	5
Norway	46	16	58	18
Latvia	39	29	46	34
Qatar			29	
United States	30	7	21	6
Thailand	27	13	26	12
Ireland	20	13	15	10
Saudi Arabia	19	3	22	4
France	15	4	20	5
Portugal	10	1	10	1
Russia	9	8	10	5
Luxembourg	8	4	6	2
Canada	7		5	
Switzerland	6	4	4	3
Cyprus	6	3	6	3
Malaysia	6	3	6	3
Other	17	4	18	6
Seagoing employees	1,425	22	1,480	48
Total outside Sweden	**6,423**	**1,383**	**6,825**	**1,570**
Total Group	**10,416**	**2,976**	**11,183**	**3,264**

Seagoing employees refers to Offshore Drilling and Shipping activities, which are performed world-wide. For Ferry Operations (Stena Line), such persons have been allocated by country. The total number of seagoing employees in Stena Line was 3,435 (3,318).

CONT. NOTE 33

Total personnel costs

	2015			2016		
MSEK	Parent company	Subsidiaries	Total	Parent company	Subsidiaries	Total
Wages, salaries and other remuneration	55	5,365	5,420	57	5,361	5,418
Pension costs	13	496	509	14	588	602
Other social security contributions	19	647	666	20	687	707
Total	**87**	**6,508**	**6,595**	**91**	**6,636**	**6,727**

For Swedish-flagged vessels employed in international shipping activities, the Group has received a subsidy equal to all social sequrity costs and income taxes payable by the employers on behalf of employees who work on board such vessels. The amount of this subsidy in 2016 was MSEK 400 (372). The amounts received have reduced personnel costs.

Remuneration of Chief Executives

In 2016, salaries of MSEK 12 (13) were paid to the Chief Executive Officer and the Executive Vice President. The corresponding pension charges in 2016 amounted to MSEK 9 (7). The aggregate compensation paid by the Stena AB to its directors (a total of eleven persons, CEO included) amounted to MSEK 10 (9). Of the total salaries paid to other employees MSEK 52 (52) was paid to officers other than the Chief Executive Officer, the Executive Vice President and Board members (a total of seven 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 72 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 KSEK 325 (325) in 2016, out of which KSEK 50 (50) was paid to the Chairman of the Board and KSEK 25 (25) was paid to the Chief Executive Officer. The Chairman of the Board has in addition invoiced KSEK 3,377 (3,178) for consultations.

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

NOTE 34. RELATED-PARTY TRANSACTIONS

Stena 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 ("Concordia") is listed on Nasdaq Stockholm and 52% owned by Stena Sessan AB. Significant transactions between the Stena 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. In 2016, there was no new joint business, while Concordia had 50% participation in two transactions in 2015. Concordia buys regularly 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 MSEK 19.3 (15.7).

Sessan

Since June 1999, Stena has served as manager of Sessan's 50% participation in a Norwegian partnership that owns the shuttle tanker *Stena Sirita*, which is on a charter until 2019.

In 2003, the assignment was expanded to include Sessan's 50% participation in the shuttle tanker *Stena Spirit*, which is chartered pursuant to a 15-year contract to Petrobras in Brazil.

Stena earned total fees for these services of MSEK 1.3 both in 2015 and 2016.

Stena Metall

Stena purchases a substantial proportion of bunker fuel for vessels from Stena Metall. The purchases amounted to MSEK 1,305 (1,618) . Stena performs certain services for Stena Metall, for which compensation of MSEK 11 (11) has been received.

Stena Metall owns the vessel *Stena Scandinavica*, which has been chartered out to Stena Line Scandinavica AB for MSEK 100 (51). During the second quarter, Stena acquired IL Recycling, a supplier of recycling services, with operations in Sweden and Poland. The acquisition took effect on 30 June 2016. The Polish operations were sold to Stena Recycling 1 November 2016.

Olsson family

Stena rents office space from the Olsson family. The rental payments amounted to MSEK 43 (41). Stena conducts property management for a number of the family's properties. Stena received MSEK 21 (20) for the provision of these services. Stena has undertaken to pay Dan Sten Olsson an annual indexed retirement benefit for life.

NOTE 35. SUBSEQUENT EVENTS

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

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

In March 2017, a commercial property of 35,000 m^2 was sold in Haninge in Stockholm.

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

PARENT COMPANY INCOME STATEMENT

MSEK	Note	1 January–31 December 2015	2016
Revenue	1	162	134
Administrative expenses	2	–230	–220
Other operating income and expenses		–165	–35
Operating result		**–233**	**–121**
Result from investments in Group companies	3	3,731	2,395
Result from other securities and receivables held as non-current assets	4	886	1,039
Other interest and similar income	5	180	73
Interest and similar expenses	6	–1,068	–1,400
Financial net		**3,729**	**2,107**
Appropriations			
Group contributions	7	527	–420
Result before tax		**4,023**	**1,566**
Taxes	8	–81	117
Result for the year		**3,942**	**1,683**

OTHER COMPREHENSIVE INCOME

MSEK	1 January–31 December 2015	2016
Result for the year	3,942	1,683
Other comprehensive income		
Change in fair value reserve for the year, net of tax		34
Other comprehensive income		**34**
Total comprehensive income for the year, net of tax	**3,942**	**1,717**

PARENT COMPANY BALANCE SHEET

MSEK	Note	31 December 2015	2016
Assets			
Non-current assets			
Shares in Group companies	9	19,670	20,455
Non-current receivables, Group companies	9	6,597	6,064
Marketable securities	10	297	363
Other non-current assets	10	498	540
Total financial assets		**27,062**	**27,422**
Total non-current assets		**27,062**	**27,422**
Current assets			
Current receivables, Group companies		2,771	2,454
Other receivables		111	95
Prepayments and accrued income	11	71	1
Total current receivables		**2,953**	**2,550**
Cash and cash equivalents		0	0
Total current assets		**2,953**	**2,550**
Total assets		**30,015**	**29,972**
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		13,240	16,791
Result for the year		3,942	1,683
Total unrestricted equity		**17,182**	**18,474**
Total equity		**17,189**	**18,481**
Non-current liabilities			
Senior Notes	12	10,584	7,690
Liabilities, Group Companies		1,200	
Pensions and similar obligations		2	
Total non-current liabilities		**11,786**	**7,690**
Current liabilities			
Senior Notes	12		2,873
Trade payables		7	7
Liabilities to Group companies		595	613
Other liabilities		114	6
Accruals and deferred income	13	324	302
Total current liabilities		**1,040**	**3,801**
Total equity and liabilities		**30,015**	**29,972**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

MSEK	Share capital	Restricted reserves	Unrestricted equity	Total
Equity, 31 December 2014	**5**	**2**	**13,484**	**13,491**
Dividend			–244	–244
Profit for the year			3,942	3,942
Equity, 31 December 2015	**5**	**2**	**17,182**	**17,189**
Change in fair value reserv for the year, net of tax			34	34
Other comprehensive income			**34**	**34**
Profit for the year			1,683	1,683
Total comprehensive income			**1,717**	**1,717**
Dividend			–425	–425
Equity, 31 December 2016			**18,474**	**18,481**

PARENT COMPANY STATEMENT OF CASH FLOWS

		1 January–31 December	
MSEK	Note	2015	**2016**
Cash flow from operating activities			
Profit for the year		3,942	1,683
Adjustments for non-cash items			
Unrealised gain on financial instruments		–258	–105
Exchange differences		222	139
Deferred income taxes	8	81	–117
Group contributions		–527	–420
Other non-cash items		299	297
Cash flow from operating activities before changes in working capital		**3,759**	**1,477**
Changes in working capital			
Increase (–)/decrease (+) in intra-group balances		–1,460	228
Increase (–)/decrease (+) in current receivables		–32	69
Increase (+)/decrease (–) in current liabilities		–271	–309
Cash flow from operating activities		**1,996**	**1,465**
Cash flow from investing activities			
Proceeds from sale of securities and long-term investments, net		–3,032	–730
Increase in non-current receivables, Group companies		2,130	1,040
Cash flow from investing activities		**–902**	**310**
Cash flow from financing activities			
Dividend		–244	–425
Group contributions received/paid, net		545	527
New borrowings, Group companies		1,200	–1,200
Principal payments on debt		–2,585	–667
Other financing activities		–10	–10
Cash flow from financing activities		**–1,094**	**–1,775**
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**

NOTES

All amounts in MSEK. Accounting policies, see Note 1 in the Consolidated Notes.

NOTE 1. REVENUE

Revenue in the Parent company refers to services rendered for Group companies. Revenue was MSEK 134 (162), 94% (89%) of which was from Group companies.

NOTE 2. ADMINISTRATIVE EXPENSES

Fees to the auditors	1 January–31 December	
MSEK	2015	**2016**
Audit services	4	4
Audit-related fees	1	0
Tax advisory services	3	3
Other services	1	4
Total	**9**	**11**

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.

NOTE 3. PROFIT/LOSS FROM INVESTMENTS IN GROUP COMPANIES

A dividend was recieved from Stena International S.A. amounting to MSEK 1,195 and from Stena Fastigheter AB amounting to MSEK 1,200.

NOTE 4. PROFIT/LOSS FROM OTHER SECURITIES AND RECEIVABLES HELD AS NON-CURRENT ASSETS

	1 January–31 December	
MSEK	2015	**2016**
Result from sale of shares		29
Unrealised result from financial instruments	26	14
Exchange differences	380	506
Interest income	480	490
Total	**886**	**1,039**

MSEK 490 (480) of total interest income came from Group companies.

NOTE 5. OTHER INTEREST AND SIMILAR INCOME

	1 January–31 December	
MSEK	2015	**2016**
Intra-group interest income	31	6
Unrealised change in value of short-term derivates	149	
Other finance income		67
Total	**180**	**73**

NOTE 6. INTEREST AND SIMILAR EXPENSES

MSEK	1 January–31 December 2015	2016
Interest expenses	–828	–790
Interest expenses from derivates	–4	–9
Unrealised change in value of short-term derivatives		–140
Exchange differences	–226	–451
Amortisation of capitalised finance costs	–10	–10
Total	**–1,068**	**–1,400**

MSEK –34 (–78) of total interest expenses came from Group companies.

NOTE 7. GROUP CONTRIBUTION

In 2016, the company recieved Group contributions amounting to MSEK 411 from Stena Adactum AB.
In 2016, the company paid Group contributions amounting to MSEK 321 to Stena Adactum AB, MSEK 500 to Stena Rederi AB and MSEK 10 to Stena RFM AB. In 2015, the company recieved Group contributions amounting to MSEK 277 from Stena Adactum AB and MSEK 300 from Stena Fastigheter AB.

NOTE 8. INCOME TAXES

MSEK	1 January–31 December 2015	2016
Result before tax	4,023	1,566
Deferred tax	–81	117
Total taxes	**–81**	**117**
Reconciliation of the difference between the statutory tax rate in Sweden and the effective tax rate:		
Statutory income tax rate	–885	–345
Expenses not deductible	–27	–83
Non-taxable income, dividend received	821	527
Non-taxable income	10	18
Tax income/tax expense	**–81**	**117**

In 2016, Tax paid amounted to MSEK – (–).

NOTE 9. SHARES IN GROUP COMPANIES

MSEK	Reg. no.	Reg. office	Ownership, %	Amount of shares in 000s	31 December Carrying amount 2015	Carrying amount 2016
Stena Rederi AB	556057-8360	Gothenburg	100	25	590	1,340
AB Stena Finans	556244-5766	Gothenburg	100	500	2,550	2,550
Stena RFM AB	556878-2980	Gothenburg	100	1		35
Stena Fastigheter AB	556057-3619	Gothenburg	100	119	3,282	3,282
Stena Adactum AB	556627-8155	Gothenburg	100	500	3,386	3,386
Stena International S.A.		Luxembourg	100	4 768	9,862	9,862
Total shares in Group companies					**19,670**	**20,455**

Stena AB has paid MSEK 750 to Stena Rederi AB and MSEK 35 to Stena RFM AB as share holders contribution. The Company has during 2016 acquired Stena RFM AB from AB Stena Finans.

Subsidiaries´ holdings in major Group companies

	Reg. office	Ownership, %
Stena Bulk AB	Gothenburg	100
Stena Line Scandinavia AB	Gothenburg	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

MSEK	31 December 2016 Carrying amount
AB Stena Finans	5,464
Stena Adactum AB	600
Total non-current receivables Group companies	**6,064**
Opening balance	6,597
Change in receivables	–1,040
Exchange differences	507
Closing balance	**6,064**

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. OTHER FINANCIAL ASSETS

Marketable securities

MSEK	
Opening balance, 1 January 2016	297
Additions	
Disposals	–48
Revaluation	51
Reclassifications	64
Exchange differences	–1
Closing balance, 31 December 2016	**363**

MSEK	2015	2016
Marketable securities are classified as:		
Financial assets at fair value through profit and loss	297	37
Available-for-sale financial assets at fair value through other comprehensive income		326
Total taxes	**297**	**363**

Marketable securities are long-term holdings of listed shares (see Note 13 in the Consolidated Notes).

CONT. NOTE 10

Other non-current assets

MSEK	Deferred tax receivables	Other non-current receivables	Other securities held as non-current assets	Capitalised costs	Total
Opening balance, 1 January 2016	388	2	75	33	498
Revaluation through the income statement	117				117
Revaluation through other comprehensive income	–10				–10
Valuation to fair value			11		11
Reclassification			–64		–64
Disposals		–2		–10	–12
Closing balance, 31 December 2016	**495**		**22**	**23**	**540**

Other securities held as non-current assets are holdings of non-listed shares (see Note 14 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. See Note 6.

NOTE 11. PREPAYMENTS AND ACCRUED INCOME

	31 December	
MSEK	2015	**2016**
Prepaid expenses	1	1
Accrued income	70	
Total	**71**	**1**

NOTE 12. SENIOR NOTES

For information about Senior Notes, see Note 23 in the Consolidated Notes.

NOTE 13. ACCRUALS AND DEFERRED INCOME

	31 December	
MSEK	2015	**2016**
Accrued interest expense	304	288
Accrued holiday pay and social security contributions	12	12
Other accruals	8	2
Total	**324**	**302**

NOTE 14. PLEDGED ASSETS AND CONTINGENT LIABILITIES

	31 December	
MSEK	2015	**2016**
Guarantees, subsidiaries	15,410	15,570
Guarantees, other	558	977
Total	**15,968**	**16,547**

NOTE 15. PERSONNEL

For information about the average number of employees, salaries, other remuneration and social security contributions for employees, see Note 33 in the Consolidated Notes.

PROPOSED TREATMENT OF UNAPPROPRIATED EARNINGS

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

Retained earnings	16,790,858
Profit for the year	1,682,988
Unrestricted equity	**18,473,846**
The Board of Directors propose the following:	
Dividend to the shareholders	205,000
To be carried forward	18,268,846
Total	**18,473,846**

Gothenburg, 28 April 2017

Lennart Jeansson
Chairman of the Board

Dan Sten Olsson
Managing Director

Gunnar Brock
Board member

Anne-Marie Pouteaux
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

Mahmoud Sifaf
Employee representative

Our Audit Report was released on 28 April 2017

Peter Clemedtson
Authorised Public Accountant

Johan Rippe
Authorised Public Accountant

AUDIT REPORT

To the general meeting of the shareholders of Stena AB (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 AB (publ) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 2-77 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 as of 31 December 2016 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 2016 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 issues other information than the annual accounts and consolidated accounts and is found on page 80 and in the form of an annual review in connection with the annual accounts and consolidated accounts. The Board of Directors and the Managing Director are responsible for the 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 Directors 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 intends 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 Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. 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 Directors and the Managing Director of Stena AB (publ) for the year 2016 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 Directors 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 Directors 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's 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 Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Gothenburg, 28 April 2017

Peter Clemedtson
Authorised Public Accountant

Johan Rippe
Authorised Public Accountant

FIVE-YEAR SUMMARY

MSEK	2012	2013	2014	2015	2016
Total revenues	27,388	30,240	33,563	36,417	34,799
EBITDA, excluding sale of non-current assets	7,060	7,947	9,646	10,118	10,550
Operating profit	3,401	3,887	4,865	6,801	4,013
Profit/loss from investments in strategic associates	18	–51	–5	60	66
Profit before tax	1,777	2,148	2,799	4,504	2,262
Vessels	40,708	40,956	46,141	46,398	43,064
Investment property	26,658	27,831	29,367	30,617	35,466
Other non-current assets	26,412	28,150	37,070	31,077	33,214
Cash and cash equivalents/short-term investments	3,676	3,747	4,754	3,172	2,216
Other current assets	7,446	7,528	8,485	8,004	9,739
Equity including deferred tax liabilities	34,479	39,214	42,838	47,999	51,156
Other provisions	1,994	1,356	1,335	1,206	1,281
Other non-current liabilities	56,939	55,919	68,422	58,043	56,755
Current liabilities	11,488	11,723	13,222	12,020	14,507
Total assets	104,900	108,212	125,817	119,268	123,699
Cash flow from operating activities	5,034	5,017	9,520	5,683	4,838
Cash flow from investing activities	–11,553	–4,583	–8,235	–1,509	–5,024
Cash flow from financing activities	6,489	–19	35	–5,405	–832
Net change in cash and cash equivalents	–6	472	1,453	–1,195	–989
Number of employees, average	10,565	11,348	11,231	10,416	11,183
Number of vessels[1]	117	137	151	151	142

1) Including owned and chartered in vessels


STENA IMPRESSION
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