



ANNUAL REVIEW

STENA AB 2016



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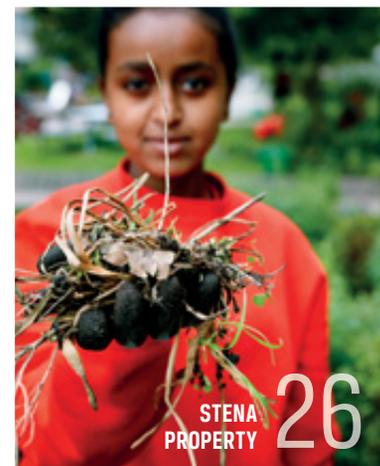
Read more about the financial performance and Stena AB's sustainability work in the Financial Report and the Sustainability Report.

 STENA.COM

The cover picture shows the entrance to the port of Gothenburg. Stena started its successful journey in 1939 on the island of Donsö, ten nautical miles west of Gothenburg. Today Stena has a worldwide presence.

"To run a company is to live with change."

2 CEO COMMENTS



THIS IS STENA AB



REVENUE
MSEK 34,799



ACTIVITIES ALL
OVER THE WORLD



16,000¹⁾
EMPLOYEES



168²⁾ VESSELS
INCLUDING NEWBUILDINGS



28,200³⁾
RESIDENTIAL AND
COMMERCIAL UNITS



96 WIND
TURBINES

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

GROUP SUMMARY

MSEK	2012	2013	2014	2015	2016
Total revenue	27,388	30,240	33,563	36,417	34,799
EBITDA, excluding sale of 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 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 and 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
Operating free cash flow including investments	-4,872	-1,631	4,375	3,897	4,203
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 tonnage

BUSINESS CONCEPT

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

To create new companies for the future.

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

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

*For a sustainable future.
Your future.*

CUSTOMER RELATIONSHIPS

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

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

RESPONSIBILITY IN OUR BUSINESS RELATIONSHIPS

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

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

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

*Read more about the financial
performance online or in
Stena AB's Financial Report.*



SEE STENA.COM FOR MORE INFORMATION

2016 AT A GLANCE

With care, innovation and efficient performance as their guiding principles, our 16,000 employees around the world work every day to create value for our customers in Ferry Operations, Offshore Drilling, Shipping, Property and New Businesses. Here is a selection of events from our operations during 2016.



BERGEN

New Businesses. The Envac project in Bergen, Norway's second largest city will house the world's largest automated vacuum system for waste collection, which will transport 30 tonnes of waste every day using vacuum technology.



GOTHENBURG

Stena Property has acquired a newly built property in Mölndal for the tenant SCA Hygiene. The lease is for 20 years.

GLASGOW

Northern Marine Group acquired Clyde Group to further expand its customer offering and presence in the marine training and marine travel segment.

NYNÄSHAMN/VENTSPILS

Stena Line continued to show strong volume growth in both the travel and freight segments.



BRITISH GUYANA

Stena Drilling. Our drillship *Stena Carron* began a one-year contract with Exxon and was part of Exxon's successful drilling on the Liza oil field.



WEIHAI KINA

Stena RoRo. Construction of four new RoPax vessels at the Chinese AVIC Weihai Shipyard. The first vessel will be delivered in 2019 and the others in 2020.



DUBAI

Stena Bulk opened a new office in Dubai via Stena Weco, in order to get closer to customers and continue to develop transportation of chemicals and petroleum products.

SINGAPORE

Northern Marine Group. Construction of new combined warehouse and office space to accommodate the growing business. The inauguration is scheduled for mid-2017.

*We are 270 trips around the world yearly.**

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

THE WORLD ECONOMY IS DOING OK AND EUROPE HAS STARTED TO GROW AGAIN

This has positively affected the volumes of passengers and freight for our ferry business, Stena Line. By digital marketing our yields are also up. Our vacancies of office-space in the Netherlands starts to be filled. Immigration into Sweden and the strong growth in Swedish economy has created a shortage of housing that will take years to fill and we have slots to continue to build on for the next eight years. Our reputation for understanding and reliably implementing care has also rendered us the possibility to acquire an office and laboratory building rented to a first class client and 1,250 apartments from the municipality of Landskrona. Our businesses in Stena Adactum are increasing their margins and are in total keeping their profits up.

Our tanker business is doing OK, but future deliveries of tonnage will saturate the market for the next two years. In April 2017 we acquired the other half of Stena Weco from Weco Shipping AS. Being the sole owner of this operation of 65 owned or chartered medium sized product tankers (47 000–58 000 tons), we can continue to develop the same into new trades with our light chemical tankers the IMOIMAXes. The acquisition makes us a true leader in this field. Our SuezMAX operation in partnership with Sonangol will benefit from flexible chartering of tonnage. Our skills to operate

"To run a company is to live with change"

LNG and LPG gas tankers have rendered us management of 45 ships. With zero lost time incidents 2016 for Stena Bulk we consider ourselves to be the leading operator. The LNG market went through its worst phase in 2016 and is now slowly recovering. Offshore drilling will be our biggest headache for years to come. Nevertheless we have entered into three new contracts for our Ultra Deep Water Drillships The DrillMAXes for drilling in 2017. EBITDA for 2016 was substantial. Our unit Stena Forth has worked for Hess for six years and has only exceeded its AFEs¹⁾ with 1,6% in total over these years. What the result of our negotiations with Samsung for the Stena MIDMAX will render is an open question, but somehow it will make us a stronger operator.

With 43% of our assets in non-marine activities we can both rely on other income as well as other assets in case of a drawn out negative period for offshore drilling. With SEK 19.1 billion in liquid assets we have a good cushion. It might also be used for strategic acqui-

sitions would the opportunity arise. Our strategic position is at present strong enough though to enable us to keep on operating the activities we have, without any other acquisitions then modernizing our fleet of ferries. In order to safeguard such a modernization, we have ordered four RoPax vessels in China with deliveries in 2019 and 2020.

MANUFACTURING IS INCREASING WORLD-WIDE BUT NOT AS MUCH AS NEW SERVICES

The biggest changes in the GDP composition take place in increasing share of services. Our ferry services benefit from people's wish for new experiences by travel.

Something that socially affects macro conditions are service jobs with low knowledge content and high content. As employment in many cases despite increasing production in the industrial sector goes down many of the unemployed, dependent on location and skills, cannot find jobs as well paid as the previous ones. Digitalisation and automation are amplifying these trends with social

1) budgeted times for drilling a well.

unrest as a consequence in most developed countries.

Manufacturing is nevertheless increasing worldwide with positive effects for trade of raw materials and energy as well as new services. Increasing needs for raw material and energy create opportunities for countries with natural resources. Oil and gas consumption in emerging markets is rising, which creates need for both transportation and drilling. Coal is in view of its negative climate effect still surprisingly popular as a resource of energy. Gas is taking market share. Oil is losing market share, but its consumption grows at present with close to two percent per year. Depletion of oil-wells will start to set in during 2017. It is already leading into increased offshore drilling enquiries and projects for new developments. The role of shale oil production is uncertain, but it will certainly bounce back.

DEMAND FOR CLEAN ENERGY IS INCREASING

Investments in renewables start to equal investments in fossil fuels. In some developed countries the investments are already of such magnitude that electricity prices have started to go down. As nuclear energy in the developed world seems to be on its way out prices will no doubt start rising again. Our permits to build two hundred windmills on top of the one hundred, we currently operate in Sweden might then be highly valuable. As environmental concerns in cities are increasing, wishes for electric cars and means of electric transportation are increasing. Stena Teknik is already highly engaged in the conversion of the ferries running between Helsingborg and Helsingoer, a twenty minute journey. The vessels are to be driven by electricity stored in batteries. When stationed at port, most of our ferries are already powered by electricity from shore. A project for 2017/2018 will be to run one of our big ferries on electricity for a substantial part of its journey. It could well



HIGHLIGHTS 2016

STABLE RESULTS

- Revenue¹⁾, SEK 34.8 billion
- EBITDA¹⁾, SEK 11.0 billion
- Profit before tax, SEK 2.3 (4.5) billion

STRONG LIQUIDITY AND CREDIT PROFILE

- Available cash, unused credit facilities and financial assets, SEK 19.1 billion²⁾
- Cash conversion cycle 8 (5) days
- Operating free cash flow including investments, SEK 4.2 (3.9) billion

STRATEGIC EXPANSION

- Total investments in 2016, SEK 7.0 billion. Mainly new building of vessels for Stena Bulk and Stena Line, MPD³⁾ for Drilling, newbuilding, and acquisitions by Stena Fastigheter

● Newbuilding projects:

- 1 drilling unit
- 4 RoPax vessels
- 9 IMOIIIMAX
- 1,000 apartments

STRONG BALANCE SHEET ²⁾

- Book value of vessel and rig fleet, SEK 43 billion
- Market value of property portfolio, SEK 35.5 billion with LTV 50% (52%)
- Net debt excl. property loans, SEK 32 (33) billion
- Net debt to EBITDA excl. property loans 3.5x (3.2x)
- Equity incl. deferred tax, SEK 51 (48) billion

1) Including net income from the sale of assets and changes in the value of investment properties

2) As of 31 December 2016

3) Managed Pressure Drilling

be that for our shorter routes the next generation of ferry from 2030 will be totally run by electricity.

OUR INNOVATIONS ARE RUN BY CONTINUOUS IMPROVEMENTS AND TRANSFORMATIONAL ASPIRATIONS

Our first class operational success is built on care for collaboration as well as always repeating and adhering to our processes with ambitions for continuous innovations. It is performed by our operational people loyal to their tasks and ambitions to be the best or at least be second to none. By delegated authority and trust we have managed to achieve a culture, where we do not blame each other, but consistently help each other in individual decisions. Consistent measuring is a good help for communicating between each other as well as achieving important results.

Transformational innovation is not a complete new challenge for us. Over the years Stena has built more than one hundred ships, ferries, offshore vessels and drilling units. Some of these units have been revolutionary. Such as ferries with two cargo decks for lorries, extended accommodation decks to the stern enabled by twin-skeg Propellers. These propellers also reduced fuel-consumption and lead to shallow draft tankers such as the V-Maxes and P-Maxes with increased safety functions. The first purpose built sub-sea construction vessels the Stena Sea-Spreads and the first purpose built well

service vessels the Stena SeaWells were achievements in offshore subsea. The high speed ferries the HSSs were revolutionary by combining semisubmersible techniques with a catamaran hull feature. The *Stena Tay* and *Stena Don* were purpose built for Shell and Statoil. The Stena DrillMax concept has been the base on which Samsung has sold their drillship new-buildings. Our success has not only been due to our flexible technicians, but also to our habit to involve people from our operation in the development. Such new development is our new device developed by our team together with Cameron for low pressure drilling (the MPD) enabling faster drilling through porous layers. We are the first drilling contractor to both own and operate such a device.

Beside the technique to develop ships, digitalisation in combination with artificial intelligence is now on top of our list for developing new services and routines. The necessity is a consequence of new cheap easily accessible digital technologies. Developments will require flexible people capable to develop the techniques to our needs and will also require people to collaborate in handling the resulting installations. Our biggest steps of progress are in digital sales and yield of passenger bookings, where we now have achieved 80% digital share. Seamless digital communication with our freight customers is another area, where we make substantial progress. In all areas, such as ship equip-

ment monitoring, ship journey monitoring, commercial communication exchange and services to clients, partners and suppliers, we are carrying out projects, being helped by an established virtual unit of people called the Digital Lab. By supporting the top management with young mentors we see to it that we do not lose speed neither in visualization nor in application.

So far digitalisation is a helper for our business and not a disrupter. It will be interesting to follow what new products and services we can develop by this technique.

OUR BELIEF IN FUTURE SUCCESS IS STRONG DESPITE PRESENT SETBACKS IN OFFSHORE ACTIVITIES

2017 will be a tough year from a profit point of view. To run a business, though, is to live with change. With our strong base we feel secure in looking forward to our future with good confidence and long term optimism.

Thanks to consistent care and collaboration we keep on delivering innovation and performance. I want to thank everyone for their diligent work to achieve our objectives in 2016 and 2017.



Dan Sten Olsson
CEO Stena AB
Gothenburg March 2017



Principles, convictions and basic values for Stena AB

Dan Sten Olsson
Dan Sten Olsson

2014 • seventh edition

THE WHITE BOOK

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

NO WHITE BOOK? YOU CAN DOWNLOAD A COPY HERE:

www.stena.com/en/about-us/pages/our-values.aspx



SHORT-TERM FOCUS AND LONG-TERM PERSEVERANCE

Shipping is a cyclical industry and Stena AB is a company with a broad portfolio of activities. Stena Line is beginning to deliver acceptable results and is expected to do so in the years ahead, thus compensating for the weaker financial performance expected from Stena Drilling.

Between these two areas, we are exposed through the tanker products, crude oil and gas, which each have their own cycles.

Regardless of where each business area is in the cycle, we must ensure we have the best operation, both in terms of customer value and quality. It is therefore particularly pleasing that Stena Bulk was able to report zero LTI¹⁾ in 2016, as a result of a constant focus on safety and quality.

HIGH EFFICIENCY IN A STRONG ECONOMY

Stena Line has been successful during the year, due to its focus on increased utilisation of the cargo deck and improved pricing strategies. More customer segments are being served by more differentiated freight rates while the filling ratio is increasing. To achieve an average filling ratio of 70% is an absolute target for the next three years.

In 2017, we are seeing the full effect of Stena Line's 2016 reorganisation, which means that responsibility for results has been clarified. Full commercial ownership of the business is close to the customer and production. Efforts to reduce production costs through standardised processes are in progress and will be facilitated by the organisational changes that have been made.

Stena RoRo has also benefited from a stronger economy, with an excellent profit from the sale of vessels.

The tanker segment is still characterised by high volatility, partly due to global shipbuilding capacity and a high risk appetite among many investors. This affects shipping in general and is particularly intensified in the Suezmax segment. Stena's MR vessels, particularly the newly delivered IMOIMAX vessels, are performing strongly in the Stena Weco system. The short-term LNG market has been under pressure, but with the expected increase in demand over the next few years, the outlook is gradually improving.

An important development in 2016 was the expansion of maritime services in Northern Maritime Group. The Group's acquisition of Clyde Group has strengthened its product portfolio and it is now able to offer external and internal customers marine services within training, travel and recruitment.

SUSTAINABILITY STRENGTHENS THE OFFERING

The rapid technological development in sustainability and digitalisation affects all operations.

Stena Line's project on running *Stena Germanica* on methanol has been technically successful so far. The evaluation is continuing and the focus is on creating demand to ensure production of bio-methanol is relevant in terms of volume. Methanol dramatically reduces

emissions into the air compared with previous fuel. Emissions of sulphur oxides and particulate matter are reduced by 90% and emissions of nitrogen oxides by 60%.

In the long term, battery power is a feasible way of managing the carbon challenge. During 2017/2018, batteries will be installed on *Stena Jutlandica* to replace three of the four auxiliary engines. In the medium term, the aim is for the ferries to run on battery power in environments close to cities. In *Stena Jutlandica's* case, this would mean zero emissions between Vinga and Masthugget. With similar solutions on other lines, we are showing that shipping plays a vital role in creating sustainable cities and communities.

A number of other projects primarily designed to influence behaviour are being conducted within Stena Line. One project involves reducing the amount of plastic we handle onboard by half over the next three years and we are introducing complete onboard waste separation at source during 2017. We have also installed the world's first closed-loop scrubber on *Stena Britannica* with good results. This new way of ensuring that no residue is released back into the water has significant margin benefits and will be evaluated carefully.

In addition to seeking new fuels that will ensure long-term competitiveness,

1) LTI stands for Lost Time Injuries, and means the time that operations are at a standstill due to accidents.

we work continuously on everyday rationalisation. The internal target of a reduction of 2.5% per tonne-mile was achieved this year. A fully loaded Suez-max tanker doing 14 knots currently has less than half the fuel consumption it had 15 years ago. This is the result of intensive work by captains, masters, project groups, Stena Teknik and onshore operators.

DIGITISATION BRINGS COMPETITIVENESS

Another cornerstone of our change work concerns quickly and effectively capitalising on the opportunities offered by technological development. This is essentially an issue of attitude and organisation, which is why initiatives such as Stena Challenge, Stena Turntable Mentoring and Stena Digital Transformation Lab are key to our continuation as a business-oriented and entrepreneurial company. We use databases and algorithms to optimise vessel operation for Stena Bulk, Stena RoRo and Stena Drilling and pricing for Stena Line. Many commercial decisions are driven by empirical data these days, and this will be increasingly the case in the future.

This requires employees who can match the company's production processes with new technology, good business acumen and transparency. Having the ability to communicate and interact



"We take advantage of developments in sustainability and digitalisation."

in a more unstructured organisation will become increasingly important.

Shipping is cyclical, as I have already said, but our fundamental belief is that the world continues to grow and integrate. This means that maritime transport will remain important and will grow in the foreseeable future. If we are our customers' first choice, we shall ensure that the cyclical market changes play to our advantage. Short-

term focus and long-term perseverance have built Stena historically and they are also the watchwords for our future.

A handwritten signature in black ink, appearing to read 'Carl-Johan Hagman'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Carl-Johan Hagman
Head of Stena Shipping and Ferries

RESPONSIBILITY FOR PEOPLE AND THE ENVIRONMENT

Stena's sustainability work is based on the Group's shared values. Stena's key sustainability issues have been identified as those related to the environment, safety, employees and community.

Stena's operations are involved in and contribute to value creation and community development in various ways. These include creating jobs for thousands of people around the world, offering safe homes in the Group's properties, generating electricity from wind power and providing maritime transportation of goods, vehicles and passengers. About 90% of world trade is conducted by sea and shipping is the most environmentally friendly mode of transport in relation to cargo volume.

Stena's corporate responsibility is a cornerstone of its entire operations. Working to ensure sustainability for future generations is part of Stena's business philosophy and has long been a policy that is reflected in the Group's core values. This has been given even clearer emphasis in recent years and sustainability issues have been highlighted in many contexts around the Group.

ACTIVE WORK ON ENVIRONMENT AND SAFETY

Stena works actively to contribute to reducing the climate impact of its various operations. These efforts include

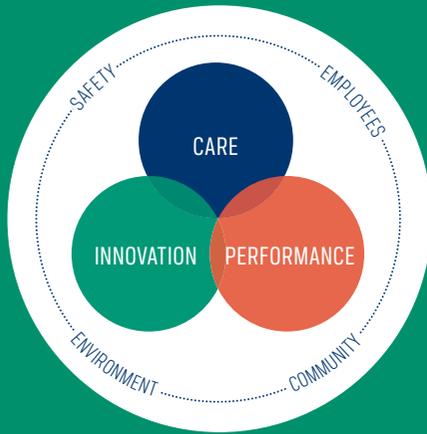
promoting more efficient use of energy on land and at sea, minimising greenhouse gas emissions, managing waste and training employees. Each individual company is responsible for formulating its own environmental goals, which are tailored to the areas in which the company has its main environmental impact. An example of the Group's environmental work is the trend towards use of new fuels, with Stena having produced the world's first methanol-powered passenger ferry.

Providing a safe and secure environment for employees, passengers and tenants is a top priority for Stena, and the Group has a vision of zero accidents. Safety work is in constant progress around the Group and involves both continuous improvements and to keeping safety awareness updated among employees. Regular safety drills are carried out in all parts of the business. All employees are also encouraged to constantly make risk assessments, and to abort an operation if there is a danger of accidents.

COMMITMENT TO EMPLOYEES AND LOCAL COMMUNITIES

The Stena Group employs a total of approximately 16,000 employees around the world. It is the employees who drive the business forward, and Stena shows care for their well-being and development by creating good working environments and providing opportunities for growth. Stena Voice is an employee survey which is conducted regularly, in which employees answer questions about the experience of their work situation.

The different Stena companies cater for a wide range of customer needs that exist in society. Stena also strives to be an active and engaged member of society, contributing to continuing development and sustainable business in the areas in which the companies operate. The goal is to be a responsible company that is part of the community and works in close dialogue with the authorities and societal functions, either directly or through interest organisations.



SUSTAINABILITY FOR STENA

Stena's sustainability work is based on the Group's shared values. Stena's key sustainability issues have been identified as those related to the environment, safety, employees and society.

HEALTH AND SAFETY, LTIF

	2014	2015	2016
Northern Marine Group (NMG)	0.58	0.41	0.65
Stena RoRo	0.39	0.41	0.00
Stena Drilling	0.00	0.29	0.15
Stena Bulk	0.18	0.00	0.00
Stena Line ¹⁾	1.82	1.80	1.58

1) Including service staff for passengers

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

STENA AB SUSTAINABILITY REPORT 2016

Stena's Sustainability Report is complementary to the Financial Report and Annual Review and describes Stena's work within the priority sustainability areas.



LEARN MORE ABOUT STENA'S SUSTAINABILITY WORK AT STENA.COM



MORE EFFICIENT USE OF FUEL



The graph shows an indexed average value of the fleet's fuel consumption per nautical mile. In 2016 the consumption decreased by 3.3% compared to the year before.



Stena RoRo is involved as project manager during the construction of the world's largest hospital ship.



LEARN MORE ABOUT MERCY SHIPS ON PAGE 10 AND AT STENA.COM/STENASTORIES

STENA STORIES ›

Every day, around the clock, Stena's 16,000 employees affect the everyday lives of people across the globe. Here are some stories that describe this work. All texts are available in their entirety on stena.com.



› THE FOUR MACRO TRENDS

Stena AB is active all over the world, and draws on previous experience when the company manages global trends: urbanisation, digitalisation, sustainability and globalisation.



› FULL-SCALE MODELS

This is the largest RoPax order placed in China for the international market. Employees from **Stena RoRo** have visited shipyards and subcontractors to assess which ones can deliver sufficiently high quality. Safety is tested at the shipyard by building full-scale models.



› ACTIVE AND CLOSE OWNERSHIP

In the early 2000s, there were well-founded concerns about peak oil. Forecasts showed that the turning-point would come in 2005. The founding of the investment company **Stena Adactum** in 2002 marked a new differentiated strategy. What makes Adactum's business acumen so successful?



› THE WORLD'S LARGEST HOSPITAL SHIP

Mercy Ships is an international aid organisation that provides medical care on board what is currently the world's largest hospital ship. The organisation's activities are now being doubled in an international project to construct an even larger ship with the working name Atlantic Mercy, with **Stena RoRo** taking the role of project manager. The ship is expected to be taken into service in 2018.

Stena Line is also cooperating with Mercy Ships and working to raise awareness of the organisation.



For the second year running, Stena Property **WINS FUTURE INDEX 2016** for its work on placing interns, trainees, apprentices and summer workers.

Stena Property offers summer jobs to young people living in Stena's residential areas. Every year, 300 young people gain an insight into the property sector – and for many, this will be their first job.

› SOCIAL RESPONSIBILITY CREATES ATTRACTIVE AREAS

Stena Property has been working on social sustainability under the trademark-protected Relationship Management concept (Relationsförvaltning®) for many years.

"It is our method of developing sustainable residential areas so that our tenants are happy and want to stay," says Sari Isberg, Relationship Manager at Stena Property in Gothenburg.

Working with tenants and other partners, Stena Property conducts a large number of social projects and activities to create safe, stable and comfortable living environments.

"We focus on children and young people, as their well-being is an important factor in creating safe and pleasant residential areas," says Sari Isberg.

Every year, after the summer holidays, Stena Property and the local tenants' association arrange a large family day in Tynnered. At the most recent family day, young people took on greater responsibility for the activities.

"The young people were in charge of all the performances on stage and did a sterling job! It's really great to see how they have developed from year to year," says Sari Isberg.

Stena Property works with contractors to create jobs for unemployed young people living in Stena Property's residential areas. This can happen, for example, during major renovations, projects and new construction.

"In the tender documentation, we ask suppliers to describe how they can help

with trainee and job placements. We then engage in dialogue with the supplier that won the tender to ensure the placements are created," says Sari Isberg.

By working actively on social responsibility, Stena Property gives young people an opportunity to enter the labour market. With a job and their own income, young people gain confidence in the future.

"For us, it is important to contribute to positive social development, and this is one way," concludes Sari Isberg.

300

SUMMER JOBS EVERY YEAR



LEARN MORE IN THE STENA AB ANNUAL REVIEW 2016 AT STENA.COM

BUSINESS AREAS IN THE STENA GROUP

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

MARITIME

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

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

Shipping operations are conducted by **Stena Bulk** in the tanker and LNG (Liquefied Natural Gas) market and **Stena RoRo** in the RoRo and RoPax ferry market. Stena Bulk has its head

office in Gothenburg, with offices in Houston, Singapore, Copenhagen and Limassol. Stena RoRo's head office is in Gothenburg. Shipping operations also include technical management of ships and marine services via **Northern Marine Group**, which has its head office in Glasgow, and offices in Manila, Mumbai, Singapore, Shanghai, St Petersburg, Gothenburg, Houston, Copenhagen and Aberdeen. **Stena Teknik** in Gothenburg is responsible for technical development.

ONSHORE

Stena Property, with its head office in Gothenburg, mainly owns properties in Gothenburg, Stockholm and Malmö,

and is one of Sweden's largest privately owned property companies. The international part of the business is based in Amsterdam, and owns property in the Netherlands, France, Luxembourg, Hungary, the United States and the UK.

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

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

*We are more than
76 years of experience.*

NINE BUSINESSES



STENA LINE > PAGE 14



STENA DRILLING > PAGE 16



STENA BULK > PAGE 18



STENA RORO > PAGE 20



NMG > PAGE 22



STENA TEKNIK > PAGE 24



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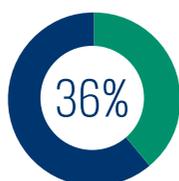
STENA ADACTUM > PAGE 28



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STENA LINE

At year-end 2016, Stena Line operated 20 routes in Northern Europe, with 38 ferries. Stena Line also owns five ports and is an important part of Europe's trade and infrastructure. Managing this business in a cost-effective, safe and environmental way is a daily challenge for our dedicated employees at sea and on land.



SHARE OF GROUP
REVENUE



5,100

EMPLOYEES

12,600

MSEK REVENUE

13,500

MSEK CAPITAL
EMPLOYED



ROPAX FERRIES

31



RORO FERRIES

7

ANOTHER YEAR OF INCREASED PROFIT FOR FERRY OPERATIONS

Stena Line has once again achieved an excellent year, both in terms of volume and results, with good growth. Much of the increase is attributable to strategic investment in marketing, and sales of network solutions enabling freight customers to use several routes in the network. One quarter of the freight is from customers with pan-European logistics systems. The vessels' utilisation rates have increased from 56% in 2012 to 64% in 2016.

The business has also benefited from a low bunker price and the company has continued to strengthen its customer offering to ensure good profitability even when oil prices and the economy are less favourable.

"CONNECTING EUROPE FOR A SUSTAINABLE FUTURE"

The vision "Connecting Europe for a Sustainable Future" summarises what Stena Line aims to accomplish: to enable

globalisation and urbanisation by meeting needs to transport people and goods and benefit from new sustainable technologies.

Stena Line's strategy is based on a strong belief in the RoPax concept – a combination of freight and passenger transport – in Northern Europe. The operations are characterised by customised solutions, quality and good service.

Sustainability and digitalisation are important parts of the strategy, together with a constant focus on increasing efficiency by improving quality and reducing costs. The sustainability work is aimed at continuing reductions in fuel consumption and development of fossil fuel alternatives. Cost-effective and eco-efficient transport is not only a solution, but also a prerequisite for sustainable communities.

In order to deliver in line with the digital strategy, the company's digital

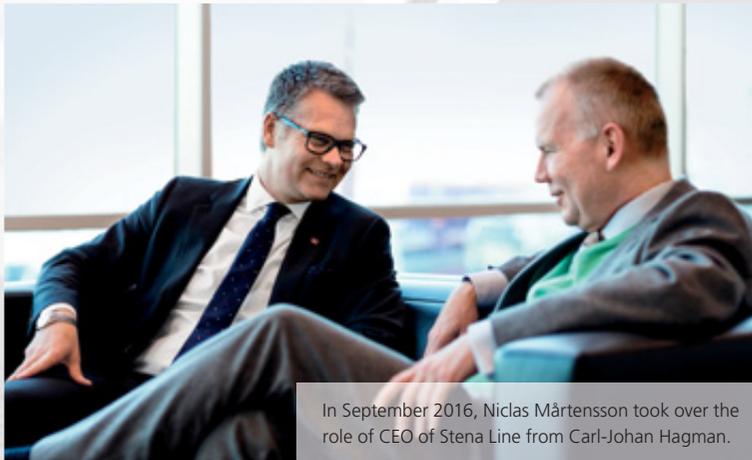
expertise is brought together and strengthened. Niclas Mårtensson took over as CEO at the end of September with the mission of ensuring implementation of the new strategy.

A CUSTOMER-ORIENTED ORGANISATION

To strengthen Stena Line's commercial focus, a number of new functions have been established, with the aim of optimising each sailing based on the customers' needs. Responsibility for income and expenses rests at local level, ensuring dynamic decision-making that is close to the market.

Stena has ordered four new RoPax vessels, with an option for an additional four, with a focus on flexibility and efficiency to meet future demand.

 STENALINE.COM

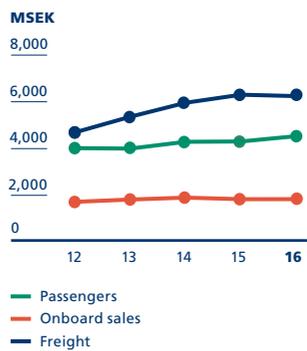


In September 2016, Niclas Mårtensson took over the role of CEO of Stena Line from Carl-Johan Hagman.

7.3

MILLION PASSENGERS
TRAVELLED WITH US
IN 2016.

REVENUE PER ACTIVITY



➔ READ MORE ABOUT DEVELOPMENTS IN 2016 IN THE WEB VERSION AT STENA.COM

We are 20 routes.



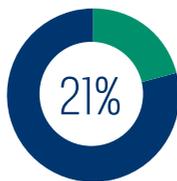
NICLAS MÅRTENSSON > CEO

We continue to see great potential in developing our freight customer and passenger offerings and the onboard experience, and being able to price our services more dynamically, which means that we can improve and increase the utilisation rate for our vessels. This requires close cooperation with our customers, a good understanding of their needs and continued streamlining of our processes.

During the last year, much focus has been placed on a new integrated booking system and the development of artificial intelligence to help the customer in the purchase process. We look forward to continued good relationships with our customers and thereby a continued growth of our business.

STENA DRILLING

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



SHARE OF GROUP
REVENUE



1,100
EMPLOYEES

7,400
MSEK REVENUE

32,400
MSEK CAPITAL
EMPLOYED



DRILLSHIPS

4



DRILLING RIGS

3

REDUCED COSTS BRING INCREASED COMPETITIVENESS

Since the peak of 2013–2014, activity in the oil sector has declined. High operating and development costs in combination with low oil prices have reduced oil companies' oil extraction budgets by up to 30%. There is an oversupply of deep-water rigs, which had a low utilisation rate in 2016.

In 2015, Stena Drilling initiated a programme to reduce costs to the levels in the early 2000s. The 2016 target was to reduce costs by MUSD 100, which was achieved and has had an immediate effect to the result.

EFFICIENT RIGS AND SHIPS

Stena Drilling owns four drillships and three semi-submersible drilling rigs. The utilisation rate has been high for

all units with exception of *Stena Clyde*, which has been laid up outside Australia during the year.

No new long-term contracts were signed in the sector during 2016, but Stena Drilling was successful in signing three shorter-term contracts for 2017. *Stena DrillMAX* will be working off Senegal, *Stena IceMAX* off Ireland and *Stena Spey* in the North Sea. In 2016, we invested in MPD¹⁾ equipment to further strengthen our customer offering. Delivery of *Stena MidMAX*, a semi-submersible drilling rig for harsh environments, was scheduled for March 2016, but has been seriously delayed. The rig is not expected to be ready until the middle of 2018. Samsung Heavy Industries and Stena Drilling are in discussions about the implications of this delay.

ENGAGED EMPLOYEES

One reason that Stena Drilling has managed to sign contracts when few other companies have succeeded is the long relationships the company has with customers. Customers' experience from previous assignments gives them knowledge of Stena Drilling's motivated employees and their ability to offer high-quality service.

For Stena Drilling, digitalisation is part of the ongoing development work to increase productivity and safety. Digital processes are used for dynamic positioning systems, control systems for energy supply and monitoring systems for process safety.

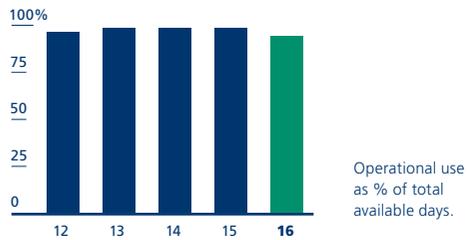
 STENA-DRILLING.COM

¹⁾ Managed Pressure Drilling – enables efficient drilling through porous layers.

DRILLING CONTRACTS¹⁾

Unit	Customer	Expiration ²⁾
<i>Stena Clyde</i>	Warm stacked	N/A
<i>Stena Don</i>	Warm stacked	N/A
<i>Stena Spey</i>	Repsol ³⁾	Q2 2017
<i>Stena DrillMAX</i>	Cairn Energy	Q4 2018
<i>Stena Carron</i>	Exxon	Q1 2018
<i>Stena Forth</i>	Hess	Q2 2017
<i>Stena IceMAX</i>	Providence Resources ⁴⁾	Q3 2017

1) As of March 2017 2) Including options
3) Commencing April 2017 4) Commencing June 2017



*We are
pioneers.*



0.15

LOST TIME INCIDENTS (LTI)
DURING THE YEAR



ERIK RONSBERG › CEO

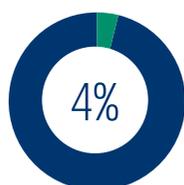
We are optimistic about 2017 as we anticipate higher oil prices. The supply of oil will fall, as both OPEC and Russia are expected to cut production, while demand is expected to increase at the same time.

Stena Drilling's strategy is to be the customers' preferred supplier, thus enabling extended and recurring contracts with customers. First-class performance and being a flexible supplier with effective decision-making means that we will continue to distinguish ourselves in the market.

With our high investments in quality maintenance, well-developed safety systems and motivated employees, customers have confidence in us.

STENA BULK

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



SHARE OF GROUP
REVENUE



300

EMPLOYEES INCLUDING
SEAFARERS

1,200
MSEK REVENUE

7,300

MSEK CAPITAL
EMPLOYED



TANKERS

96



LNG TANKERS

3



SHUTTLETANKERS

6

AN EFFICIENT OPERATION GIVES A HIGH LADEN RATIO

The tanker market turned downwards one quarter earlier than expected, which had an adverse effect on Stena Bulk. However, the combination of new contracts and customers, an efficient organisation and profound business acumen enabled the company to maintain its market position. The company's income per vessel per day was USD 2,000–3,000 higher than that of competitors in 2016.

WELL DEPLOYED FLEET

Stena Bulk took delivery of additional four IMOIIIMAX vessels during the year. Stena and Concordia have ordered a total of 13 ships from Guangzhou Shipyard in China, with the last in the series scheduled for delivery in early 2018. These flexible vessels are well suited for trading with chemicals, petroleum products and vegetable oils. During the lat-

ter part of 2016, an office was opened in Dubai, to focus on transportation of chemicals through Stena Weco and Golden Stena Weco. After six successful years together, the remaining 50% of Stena Weco was acquired from Weco Shipping A/S in April 2017. Stena Weco currently has a fleet of about 65 owned and chartered vessels.

Stena Bulk has positioned, arranged and handled the timing of its time charter portfolio well. By summer 2017, 90% of the positions taken in 2014 and 2015 will have been completed or renegotiated at lower rates, making profitability possible despite a weaker market. The goal is to manage and develop the business model within Stena Weco in order to optimise the laden ratio and growth. For Stena Sonangol Suezmax Pool, the aim is to take advantage of the market downturn in 2017 and use the opportu-

nities it offers to develop the existing business model.

Stena Bulk's three LNG tankers are all chartered out and had a high utilisation rate in 2016. The weak market is affected by the oil price, while many of the planned LNG production projects have been delayed. However, the LNG market appears to have bottomed out and the freight market seems to be on an upward trend.

FOCUS ON DIGITAL DECISION SUPPORT

Stena Bulk is developing a more sophisticated system for bringing together chartering, commercial operations and business control in a single platform. Both new and old data is collected, creating an intelligent system that gives the customer quick and easy access to customised information.

 STENABULK.COM



Stena Weco was named winner of the Lloyd's List Global Award in 2016, in recognition of first-class performance. The class that Stena Weco won was ClassNK Tanker Operator of the Year.



0.0

LOST TIME INCIDENTS (LTI)
DURING THE YEAR

We are explorers.



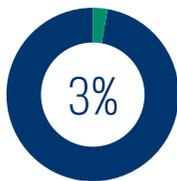
ERIK HÅNELL > CEO

2017 is expected to be a challenging new year in the traditional tanker market, with many vessel deliveries scheduled, particularly in the VLCC, Suezmax and Aframax categories.

We shall continue to establish ourselves in niche markets that deal mainly with petroleum products, chemicals and vegetable oils, while also developing our business model in the Suezmax segment, and we expect to continue to be well positioned for the future, both in the short and long term. The traditional tanker market is expected to bottom out in spring 2017, and then make a slow upward turn in the end of 2018. We are monitoring the LNG market, which is likely to be better next year.

STENA RORO

Stena RoRo provides vessels, innovative solutions and project management for RoRo and ferry operators like ourselves. Its customers are operators and shipping companies around the world. The company's expertise, dedication and financial resources create customer value, growth and profitability, and make it an attractive place to work.



SHARE OF GROUP
REVENUE



280

EMPLOYEES
INCLUDING SEAFARERS

1,000
MSEK REVENUE

1,900
MSEK CAPITAL
EMPLOYED



RORO FERRIES

10



ROPAX FERRIES

8

STRONG YEAR FOR RORO AND ROPAX

Both the RoRo and the RoPax market were relatively strong in 2016. The RoPax market is currently showing a balance between supply and demand, while the RoRo market is experiencing a large number of new orders. Already in 2017, the RoRo market will receive an addition of new large vessels.

ORDER FOR FOUR NEW VESSELS

Stena has ordered new RoPax vessels from the Chinese AVIC Weihai Shipyard. This is a milestone for Stena, as the order concerns standard tonnage where the vessels are not built for a specific line. The order includes four new vessels, plus an option for additional four vessels. The first vessel will be delivered

in 2019 and the others in 2020. The plan is to employ them on Stena Line's routes. The vessels will have 50% higher capacity and 25% lower fuel consumption than the vessels they will be replacing.

Marine Atlantic Inc., which had *Highlanders* on a five-year charter, decided to exercise its option to purchase the vessel. *Highlanders* was delivered in February and generated a good capital gain.

GOOD LESSONS FROM MERCY SHIPS

The Mercy Ships project continue according to plan at the Chinese Tianjin Xingang Shipyard and delivery is scheduled for 2018. Stena RoRo is responsible

on a consulting basis for overseeing the construction and the commercial negotiations with the shipyard. Stena's personnel have made numerous factory visits to obtain assurance on suppliers' product quality. The construction of the hospital ship, with interiors five times as extensive as Stena RoRo's RoPax vessels, has helped increase our knowledge about shipbuilding in China, creating a strong position prior to the above-mentioned order for new vessels.



STENARORO.COM

3,100

LANEMETER GOODS
ON NEW E-FLEXER



*Training on full-scale models
provides security.*



LEARN MORE ABOUT THE NEW E-FLEXER ROPAX VESSEL CONCEPT
ON PAGE 10 AND AT STENA.COM/STENASTORIES



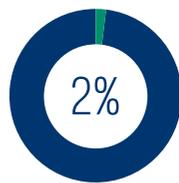
PER WESTLING › CEO

Our assessment is that the RoRo market will be somewhat weaker in the future, due to the influx of new tonnage, which will put pressure on rates. Many of our RoRo vessels are predominantly ice class, built with high quality and depreciated to a large extent. Together, these factors mean that we are well-equipped for the future.

The market for RoPax vessels will remain in balance in 2018 and into 2019. We have a good position with our current fleet and if we include new orders and options, we will be able to take advantage of our position in the market. The new vessels are built to a high standard and, with their flexible and fuel-efficient design, are well suited for employment in most RoPax markets worldwide.

NORTHERN MARINE GROUP

Based in Glasgow, Scotland, Northern Marine Group (NMG) provides ship management services to the Stena Sphere and selected external clients through our global network of offices in Aberdeen, Bombay, Glasgow, Gothenburg, Houston, Manila, St. Petersburg, Shanghai, Copenhagen and Singapore.



SHARE OF GROUP
REVENUE



7,600

EMPLOYEES
INCLUDING SEAFARERS¹⁾

670

MSEK REVENUE

500

MSEK CAPITAL EMPLOYED

¹⁾ Employees are distributed as follows: Stena vessels 2,800, external vessels 4,100, onshore 700.

ENGAGED EMPLOYEES CREATES INCREASED BUSINESS

In May 2016 the Clyde Group became part of the Northern Marine Group. The Clyde Group provides support services to the marine, offshore and commercial business sectors, and consists of three main trading divisions: training, travel and recruitment.

Clyde Training Solutions offers an extensive range of onsite accredited maritime safety courses at its newly constructed training centre in Glasgow. The centre offers multiple classrooms, dedicated deep-water pool, HUET (Helicopter Underwater Escape Training module), and full fire training ground, complete with training stack and helideck.

STENA MARINE FAR EAST EXPANSION

A new office and warehouse facility is being built in Singapore. In Shanghai, operations at Tang Li Marine and Offshore grow with the strategic relocation of office space alongside expanded warehouse and distribution facilities. Francois Marine Rotterdam opened its doors for business in early 2017, increasing the global logistical supply chain capability.

During 2016, 20 vessels were welcomed into full management, four of which were Stena's newbuildings, the IMOIMAX vessels. The managed fleet stands at 169 vessels of which 107 are under full management.

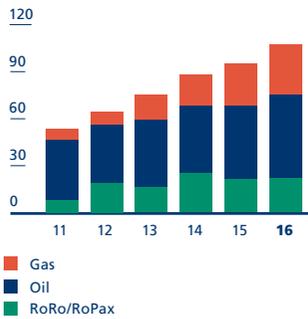
A NUMBER OF DIGITAL INITIATIVES IN 2016

A new electronic Safety Management System eSMS (Blueline) has been deployed aboard all Northern Marine managed vessels. Maintenance management has been revolutionised with the creation of an internally developed software system, Aurora. This software has been approved by DNV GL, the industry leading classification society. A cloud-based training management system has allowed for significant levels of automation to aid efficient running of training facilities.



NMM-STENA.COM

VESSELS UNDER TECHNICAL MANAGEMENT



*We are
24/7-365.*



0.65

LOST TIME INCIDENTS (LTI)
DURING THE YEAR



HUGH FERGUSON › CEO

The market for ship management continue to grow but the ability to provide stable, effective management becomes even more important in supporting our clients' success. Every vessel must always be able to perform safely and efficiently to ensure its position as 'the customer's first choice' is maintained.

The expansion of our operations in Shanghai, Singapore and Europe provides a solid global footprint to support our existing client base requirements, and the platform to further enhance our strategic growth plans.

STENA TEKNIK

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



19

EMPLOYEES



3

NEWBUILDINGS ON ORDER

QUALITY ASSURANCE DURING VESSEL CONSTRUCTION

Construction of the IMOIIIMAX vessel series is in progress and Stena Teknik has had personnel on site at the shipyard to ensure that the vessels are delivered according to contract and specification. The project manager is based in Gothenburg, while the inspection team and manager are stationed at the shipyard in China. The project has been successful so far, which is a result of the good relationship with the shipyard and its subcontractors.

Stena Teknik is also involved in inspection work during construction of the *Stena MidMAX* drilling rig in South Korea, with personnel based in Gothenburg and stationed at the shipyard.

ELECTRIC SHIPS ARE THE FUTURE

Stena Teknik conducted a study on possible future fuels together with an external consultant. Companies from

the entire Stena Sphere participated in the study, which resulted in unique consensus on the alternative fuel choices.

The study took into account availability, price and environmental impact at every stage "from well to propeller" for each fuel. Low-sulphur diesel fuel or high-sulphur fuel oil in combination with exhaust gas cleaners (scrubbers) are considered to be the main alternatives in a ten to fifteen year perspective. Methanol and LNG may also be options, but for specific routes.

Battery technology will also be developed in terms of capacity and price, so that vessels built for shorter routes could be fully operated using electricity. Stena Teknik is currently developing a fully electric future vessel concept for Stena Line. As part of this development and to acquire the necessary knowledge and experience, the initial phase involves

installing batteries to cover some of the energy requirements in and out of port on one of the ships in Stena Line's fleet. Stena Teknik is also investigating the feasibility of completely fossil-free operation within ports and groups of islands for existing vessels by installing electric motors and batteries.

BETTER DECISION SUPPORT FOR INCREASED SAFETY

Safety is high on Stena Teknik's agenda. Together with the Lighthouse Maritime Competence Centre, a study is being conducted on how technology for increased autonomy could be used to provide better and more user-friendly decision support onboard with the help of information from existing systems and complementary sensors.



STENATEKNIK.COM



THE YEAR'S MEASURES REDUCED
CO₂ EMISSIONS BY

8,000 TONNES

*We are lower
emissions.*



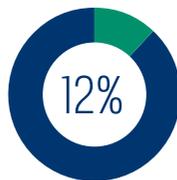
HARRY ROBERTSSON › TECHNICAL DIRECTOR

To further improve energy efficiency, the vessels displacement needs to be reduced by decreasing the lightweight of the vessel. The maritime regulations often hinder that we use lighter weight materials and equipment on our vessels. A framework for energy-efficient vessels (Energy Efficient Craft Code) should therefore be developed. Lighter vessels require lower installed engine power, which can lead to alternative and more efficient propulsion arrangements.

The IMO's Ballast Water Management Convention comes into force in 2017. The Convention, which is aimed at preventing micro-organisms in the ballast water being transferred from one marine area to another, will involve investment in new equipment to treat incoming ballast water. Stena's fleet will be reviewed and a priority list for the installations will be established.

STENA PROPERTY

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



SHARE OF GROUP
REVENUE



300
EMPLOYEES

4,100
MSEK REVENUE

36,500
MSEK CAPITAL
EMPLOYED



RESIDENTIAL

24,300



COMMERCIAL

3,900

CUSTOMER SERVICE AROUND THE CLOCK AND IN ANY LANGUAGE

Stena Property has building rights in its own residential areas, with the possibility to build 10,000 apartments. The company will double its rate of construction to 1,000 apartments a year between now and 2020.

Half of the 1,000 apartments now under construction will be condominiums. In Nöbbelöv in northern Lund, four tower blocks are being built on land that was previously parking or unused green space. Two of the properties will be housing associations and two will be rental properties – all offering the same standard.

HIGH DEMANDS ON MANAGEMENT

Stena has sold three small properties in Stockholm and one in Mölndal.

In Haninge, construction of student apartments and ordinary rental apartments is complete. In Landskrona, Stena Property acquired 1,225 apartments in great competition from the municipality-owned Landskronahem.

The SCA building in Mölndal was completed and taken over in December 2016. The building is environmentally certified according to BREEAM, level Excellent, and houses high-tech business, which places high demands on property management.

Stena has purchased land in Sophia Antipolis in France to double the 50,000 sqm that the company already owns. In the Netherlands, the company has let 36,000 sqm of office space and converted an office building into residential units.

DIGITALISATION PROVIDES BETTER SERVICE

Within two years, most of the tenants will have access to the fibre network. By using algorithms, customer service can be offered around the clock and in any language. Tenants can get answers to frequently asked questions and manage the service more easily themselves. Pilot projects are being performed during 2017.

Digitalisation is used in the sale of owner-occupied apartments. Advanced VR technology means that speculators can see a preview of what the apartments will look like.

 STENAFASTIGHETER.SE

RENTABLE SPACE BY CATEGORY



■ Residential 70%
■ Commercial 30%

RENTABLE SPACE BY SUB-MARKET



■ Gothenburg 29% ■ Malmö 29%
■ Stockholm 31% ■ Outside Sweden 11%



The SCA building, which is 24 000 sqm, provides connections by car, tram, bus and commuter train.



Jobs and income give young people confidence in the future.



LEARN MORE ABOUT RELATIONSHIP MANAGEMENT
ON PAGE 11 AND AT STENA.COM/STENASTORIES



CHRISTEL ARMSTRONG DARVIK › CEO

Over the next few years, we are building 1,000 apartments every year and continue to develop our condominium business. This provides an opportunity for people to climb the housing ladder without being forced to move from the area. We offer a mix of apartments in the residential areas. There will be apartments that are not renovated, but also apartments renovated to plus standard, brand new apartments and condominiums. Freedom of choice means development of the area.

Project Masthuggskajen is continuing in Gothenburg, where we and other construction companies are developing a dynamic, vibrant and contrasting quarter, with a mix of apartments, offices, shops, restaurants, parks and pedestrian zones.

In our hotel property in Brunkebergstorg in Stockholm, Scandic Hotel's new signature hotel Urban Escape will be inaugurated during the autumn 2017. The hotel is a quiet oasis in the midst of all the concrete, steel and city pulse.

STENA ADACTUM

Stena Adactum is Stena's wholly-owned investment company which invests in both listed and unlisted companies with a long-term ownership perspective. Through active ownership and financial strength, Stena Adactum builds strong and profitable companies.



SHARE OF GROUP
REVENUE



2,700
EMPLOYEES

6,800
MSEK REVENUE

7,100
MSEK CAPITAL
EMPLOYED

4

WHOLLY-OWNED
PORTFOLIO COMPANIES

3

PARTLY-OWNED
PORTFOLIO COMPANIES

SVEDBERGS – NEW PORTFOLIO COMPANY

In 2016, Stena Adactum acquired 26% of the shares in Svedbergs, making Stena the new principal owner. Svedbergs is the Nordic market leader in bathroom furniture and is listed on Nasdaq Stockholm. In connection with the acquisition, Ballingslöv International sold its bathroom business Macro to Svedbergs.

During the year, Midsona acquired Internatural, including the Kung Markatta and Helios brands, making it Nordic leader in organic food products. Sales have more than doubled, and the acquisitions during the year have contributed to the strong results.

STRONG NORDIC ECONOMY

The market has developed positively for most of Stena Adactum's portfolio and associated companies. Private con-

sumption in Sweden and Norway has remained high, while the Danish market has strengthened. The strong Scandinavian economy has benefited Ballingslöv International, Blomsterlandet, Midsona and Svedbergs.

Construction activity is also strong in the Nordic region, with a rapid increase in new construction, which has benefited the Nordic operations of Envac, Ballingslöv International and Svedbergs.

The Nordic electricity market has been affected by historically low electricity prices. Thanks to cost-effective wind farms, Stena Renewable was still able to generate a positive result.

IMPORTANT BUSINESS AS A REFERENCE

In Norway, the municipality of Bergen has decided to install Envac's waste

disposal system. Envac has shown that it can carry out installations in large existing residential areas in a cost-effective way.

Envac's first order in Australia is for the installation of a waste management system in Maroochydore, Queensland. The system will act as an important reference for future business.

Efforts to develop digital solutions are in constant progress in the Stena Adactum Group. Many initiatives are aimed at effective marketing and increased customer loyalty, while others are aimed for increasing productivity.

 STENAADACTUM.COM



During the year, Stena Adactum acquired Svedbergs, which is one of the leading bathroom companies.



We build companies we want to own forever.



LEARN MORE ABOUT HOW ADACTUM CREATES VALUE ON PAGE 10 AND AT STENA.COM/STENASTORIES



The purchase of the Kung Markatta and Helios brands makes Midsona leader in organic products in the Nordic region.

REVENUE BY PORTFOLIO COMPANY, %



- Ballingslöv 24%
- Envac 8%
- S-Invest 11%
- Stena Renewable 2%
- Gunnebo 41%
- Midsona 12%
- Svedbergs 3%

Total revenue in our subsidiaries and associates SEK 15 billion.
Total number of employees in our subsidiaries and associates 8,700.



MARTIN SVALSTEDT › CEO

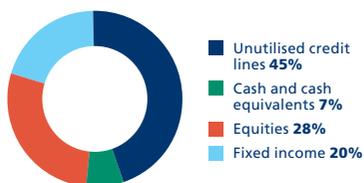
Stena Adactum seeks high organic growth while maintaining profitability. Our target is for the entire Stena Adactum Group to achieve annual growth of 5% per year, even in the face of weak growth in parts of Europe and a slowdown in key emerging economies. We create the growth through continuous product development and a stronger customer offering.

In addition to organic growth, our strategy is to enable the portfolio companies to grow through future acquisitions, creating synergies and strengthening the market position. Stena Adactum has continued to focus on acquisitions within existing operations.

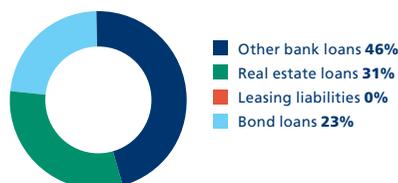
STENA FINANCE

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

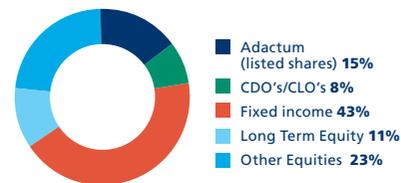
LIQUIDITY¹⁾



INTEREST-BEARING LIABILITIES¹⁾



INVESTMENT PORTFOLIOS¹⁾



1) Stena Group at 31 December 2016

IMPROVED GROWTH IN THE GLOBAL ECONOMY

The global economy was characterised by caution in 2016. The EU referendum in Great Britain as well as the presidential election in the United States were preceded by months of uncertainty, but neither political outcome had any significant effect on the global economy during 2016. Growth stabilised in China, and also in the United States and Europe, while oil prices increased. US interest rates were raised in December 2016 and there will be more increases in 2017. The purchasing managers' index (PMI) has recently improved which can be seen as an indicator of continuing stabilisation of the global economy.

STRONG LIQUIDITY FOR THE FUTURE

During 2016, Stena cancelled a credit facility amounting to SEK 6.7 billion,

which has substantially decreased cost for commitment fees. The cancellation of the credit facility affected Stena's liquidity, but a strong cash flow and additional measures, such as the disposition of *Blue Puttees* and *Highlanders* to Marine Atlantic, have secured a liquidity as strong as last year. Stena has focused on liquidity to ensure the Group is well equipped for the coming years, until the oil exploration market strengthens again.

PORTFOLIO INVESTMENTS

In recent years, Stena has reduced its shareholdings in companies active in oil and gas, and has instead invested in companies in the healthcare, pharmaceutical and retail sectors. In recent years, Stena has increased its exposure

to the bond and interest rate market. In 2016, Stena began to increase its exposure to the oil and gas sector again. The equity portfolio consists of around 60 companies listed on Nordic, European, US and Asian markets. The value of Stena's investment portfolio including fixed income investments but excluding Adactum has increased by 11% compared with the World Index (MXWD index). Stena's bond portfolio generated a good return during the year.



We are global.

60

COMPANIES IN THE PORTFOLIO



PETER CLAESSON › CEO

Stena as a Group has reduced its level of capital investment and will continue to be selective about new projects in the period ahead. Our flexibility has thus been increased by continuously strengthening our liquidity and that will be our focus for the forthcoming years. Our high level of liquidity, and backloaded maturity profile combined with future cash flow leave the company well-equipped to face future challenges. We are concerned that international uncertainty will diminish global trade, and hence affect the rate of investment.

OUR VESSELS AND PROPERTIES

Our total fleet consists of 168 ships and drilling rigs, including newbuildings. On land, we own and manage a total of 28,200 residential units and premises. A full list of all our vessels and properties can be found in the online Annual Review at stena.com.

OWNED, CHARTERED AND MANAGED

39



ROPAX FERRIES

17



RORO FERRIES

3



LNG TANKERS

96



TANKERS

6



SHUTTLE TANKERS

3



DRILLING RIGS

4



DRILLSHIPS

24,300



RESIDENTIAL

3,900



COMMERCIAL



A FULL LIST IS AVAILABLE
AT STENA.COM

STENA AB BOARD



Lennart Jeansson
Chairman



Dan Sten Olsson
CEO



Gunnar Brock



Mia Brunell Livfors



Christian Caspar



Marie Eriksson



William Olsson



Anne-Marie Pouteaux



Lars Westerberg



Mahmoud Sifaf
Employee representative



Alessandro Chiesi
Employee representative



Pia Carlsson
*Employee representative,
Deputy*

AUDITORS

Peter Clemetson Authorised Public Accountant

Johan Rippe Authorised Public Accountant

STENA SPHERE

The Stena Sphere consists of Sten A Olsson family's three wholly-owned parent companies Stena AB (publ), Stena Sessan AB and Stena Metall AB, and wholly and partly-owned subsidiaries of these companies.

The partly-owned company Concordia Maritime AB (publ) is listed on Nasdaq Stockholm and 52% of the company is owned by Stena Sessan AB. A total of 19,000 persons are employed in the Stena Sphere.

Total revenue for 2016 was MSEK 50,950. Profit before tax amounted to MSEK 7,195.

STENA SPHERE			
BUSINESS AREAS	STENA AB (PUBL)	STENA SESSAN AB	STENA METALL AB
Ferry operations Revenue MSEK 12,630 Profit MSEK 730	STENA LINE		
Offshore Drilling Revenue MSEK 7,360 Profit MSEK -937	STENA DRILLING, SHUTTLE TANKERS	SHUTTLE TANKERS	
SHIPPING Revenue MSEK 4,053 Profit MSEK -379	STENA BULK, STENA RORO, STENA TEKNIK, NMG	CONCORDIA MARITIME (52%)	
Property Revenue MSEK 4,136 Profit MSEK ¹⁾ 2,220	STENA PROPERTY, STENA REALTY		
New Businesses Revenue MSEK 6,834 Profit MSEK 8,917	STENA ADACTUM	MYLAN (1.1%), SCANDIC (14.6%), BEIJER ELECTRONICS (29.8%)	
Finance/other Revenue MSEK 826 Profit MSEK 371	STENA FINANCE		STENA METALL FINANS
Recycling, environmental services and trading Revenue MSEK 16,404 Profit MSEK 305			STENA METALL

1) Of which net valuation of property was MSEK 1,503

STENA SPHERE - REVENUE AND PROFIT

MSEK	Revenue		Profit before tax	
	2015	2016	2015	2016
Stena Group	36,417	34,799	4,504	2,262
Stena Metall Group	19,732	16,404	481	305
Concordia Maritime	810	1,038	90	30
Stena Sessan	347	4	520	4,610
Sphere eliminations	-2,369	-1,295	-469	-12
Total	54,937	50,950	5,126	7,195

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

STENA METALL

Stena Metall is a Group that is active in recycling and trading. The company has operations at more than 200 locations in ten countries where its resource-efficient activities create sustainable value for society and industry. Every day, Stena Metall's recycling companies contribute towards saving large

amounts of finite resources such as oil, wood, water and clean air by processing society's waste into new raw materials. The Group's other business areas include processing and trading in steel and aluminium, trading in oil and metals on the international market and financial operations.



3,200
EMPLOYEES



5,000,000
TONNES WASTE RECYCLED



MORE THAN 200 LOCATIONS
IN 10 COUNTRIES



STENAMETALL.COM
YOUTUBE.COM/STENAMETALL



ANDERS JANSSON > CEO

In light of a tougher market situation during the financial year 2015/2016, I am relatively satisfied with the performance, despite lower earnings than in the previous financial year. Our overall business acumen rests on a stable foundation and by maintaining financial discipline and continuous improvement work in all areas of the Group, we have continued to advance our positions. The establishment of Stena Nordic Recycling Center, one of Europe's most modern recycling plants, is progressing according to plan. We can now, for example, recycle the problematic residual materials from cars, thus meeting the EU's 95% recycling requirement for the automotive industry. Meanwhile, integration of the acquired company IL Recycling, is in progress, which means we are building a stronger base from which we will grow further.

STENA SESSAN

Stena Sessan is one of the Stena Sphere's three parent companies. The company is an owner of four listed companies and the principal shareholder in two of them. The company also engages in shipping operations and asset management. In 2016, the shareholding in Meda was sold to Mylan. The acquisition price was SEK 12.3 billion and the transaction generated a capital gain of SEK 8.9 billion during the time of our ownership, of which SEK 4.6 billion was in 2016. Shares in Mylan were received as part of the purchase consideration.

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

Beijer Electronics is a global high technology company operating in industrial automation and data communication.

The company also operates under the Westermo and Korenics brands. Operations were restructured in 2016, as a long-term partnership with Mitsubishi Electric came to an end. This affected the financial results, which are expected to improve significantly in the coming years.

Mylan is one of the world's largest companies in the area of generic and specialised pharmaceuticals, and a manufacturer of medicines, with sales in 165 countries. The company is listed on Nasdaq in the USA.

Scandic is the largest hotel operator in the Nordic region, with a network of 230 hotels with about 44,000 hotel rooms in seven countries and revenue of SEK 13.1 billion in 2016. Scandic was listed on Nasdaq Stockholm in December 2015.

 STENASESSAN.SE



SUBSIDIARIES

CONCORDIA MARITIME

Sector: Tanker shipping

Revenue: MSEK 1,038

CEO: Kim Ullman

Number of employees: 6¹⁾

Stena Sessan's holding: 52.2% (capital), 72.7% (votes)
concordiamaritime.com

More information and a copy of Concordia Maritime's annual report for 2016 can be found at: concordiamaritime.com

1) and 480 seagoing

SHIPPING OPERATIONS

Stena Spirit
Shuttletanker¹⁾

Stena Sirita
Shuttletanker¹⁾

1) 50%-owned

OTHER PORTFOLIO COMPANIES

Beijer ELECTRONICS

Sector: Industrial automation and data communication

Revenue: MSEK 1,122

CEO: Per Samuelsson

Number of employees: 714

Stena Sessan's holding: 29.8%
beijerelectronics.se

Mylan

Sector: Pharmaceuticals

Revenue: USD 12 billion

CEO: Heather Bresch

Number of employees:

approx. 35,000

Stena Sessan's holding: 1.1%
mylan.com

Scandic

Sector: Hotels

Revenue: MSEK 13,082

CEO: Frank Fiskers

Number of employees: 9,359

Stena Sessan's holding: 14.6%
scandichotelsgroup.com

COORDINATION GROUP



Christel Armstrong
Darvik



Peter Claesson



Carl-Johan Hagman



Eva Hansdotter



Staffan Hultgren



Anders Jansson



Dan Sten Olsson



Erik Ronsberg



Martin Svalstedt

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

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

SPHERE ADVISORY BOARD



Samir Brikho



Michael F. Hassing



Roger Holtback



Staffan Hultgren



Lennart Jeansson



Dan Sten Olsson

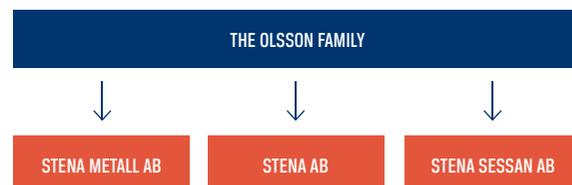


Eivind Reiten

THE STENA SPHERE ADVISORY BOARD ADVISES ON

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

OWNERSHIP STRUCTURE, STENA SPHERE



Care
Innovation
Performance



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Solberg

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