

STENA AB (publ.)

Interim Report for the three-month period 1 January – 31 March 2018

Highlights:

- The result before taxes amounts to SEK (892) million for the three month period ended 31 March 2018, compared to SEK 3 million for the three month period ended 31 March 2017.
- Consolidated EBITDA for the three month period ended 31 March 2018 amounted to SEK 1,028 million compared to SEK 1,790 million for the three month period ended 31 March 2017.
- Consolidated EBITDA, excluding net gain on sale of assets and change in fair value of investment properties, for the three month period ended 31 March 2018 amounted to SEK 644 million compared to SEK 1,633 million for the three month period ended 31 March 2017.

Ferry Operation

- EBITDA, excluding net gain on sale of assets, increased compared to last year due to continued positive volumes for cars (7%), passengers (6%) and freight (3%).

Drilling

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

Shipping

- Decreased EBITDA mainly due to weaker crude and product tanker rates compared to last year offset by positive development for our LNG business, i.e. LNG had more operational days for the vessels.
- Tanker MR segment now includes full consolidation of Stena Weco.
- Strong contract coverage and utilization rate across the RoRo fleet.

Property

- EBITDA, increased compared to last year despite a reduced property portfolio. The fair value of investment properties has been adjusted by SEK 300 million, i.e. 0,9% of the total property portfolio.

Adactum

- Ballingslöv had a strong start of 2018 which does not fully compensate for the lower result in Stena Renewable due to lower production. Envac had a strong order intake, +37% versus last year.
- The liquidity position remains strong as of 31st of March 2018. Available liquidity amounted to SEK 15.2 billion.

Date: 29 May 2018

By: Staffan Hultgren

Title: Vice President & Deputy CEO and Principal Financial Officer



Forward-looking Statements

This Interim Report includes statements that are, or may be deemed to be, forward-looking statements and can be identified as “forward-looking statements” by terms and phrases such as "anticipate," "should," "likely," "foresee," "believe," "estimate," "expect," "intend," "continue," "could," "may," "project," "plan," "predict," "will" and other similar expressions. These forward-looking statements include all matters that are not historical facts.

We do not intend, and undertake no obligation, to revise the forward-looking statements included in this report to reflect any future events or circumstances. Our actual results, performance or achievements could differ materially from the results expressed or implied by these forward-looking statements.

Table of Contents	Page
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)	
Condensed Consolidated Income Statements for the three month periods ended 31 March 2018 and 31 March 2017	3
Consolidated Statements of Comprehensive Income for the three month periods ended 31 March 2018 and 31 March 2017	4
Condensed Consolidated Balance Sheets as of 31 March 2018 and 31 December 2017	5
Consolidated Statements of Changes in Shareholders' Equity for the three month periods ended 31 March 2018 and 31 March 2017	6
Condensed Consolidated Statements of Cash Flow for the three month periods ended 31 March 2018 and 31 March 2017	7
Notes to Condensed Consolidated Financial Statements	8 - 12
OPERATING AND FINANCIAL REVIEW	13 - 17
OTHER FINANCIAL INFORMATION – RESTRICTED GROUP	18 - 22



Condensed Consolidated Income Statements (unaudited)

(SEK in millions)	Three month period ended 31 March	
	2017	2018
Revenue:		
Ferry Operations.....	2,472	2,701
Offshore Drilling.....	1,407	328
Shipping.....	678	1,419
Property.....	688	706
Adactum.....	1,522	1,562
Other.....	<u>241</u>	<u>1</u>
Total revenue.....	7,008	6,717
Change in fair value of investment properties.....	14	300
Net result on sale of non-current assets.....	<u>144</u>	<u>84</u>
Total other income.....	158	384
Direct operating expenses:		
Ferry Operations.....	(1,992)	(2,151)
Offshore Drilling.....	(448)	(277)
Shipping.....	(376)	(1,155)
Property.....	(260)	(266)
Adactum.....	(1,143)	(1,237)
Other.....	<u>(92)</u>	<u>(1)</u>
Total direct operating expenses.....	(4,311)	(5,087)
Selling and administrative expenses.....	(1,065)	(985)
Depreciation, amortisation and impairment.....	<u>(1,430)</u>	<u>(1,448)</u>
Total operating expenses.....	(6,806)	(7,520)
Operating result.....	<u>360</u>	<u>(419)</u>
Result from investments in strategic associates.....	13	26
Dividends received.....	21	30
Gains/losses on sale of securities.....	173	92
Interest income.....	48	85
Interest expenses.....	(470)	(587)
Exchange gains/losses.....	(20)	(53)
Other finance income/costs.....	<u>(122)</u>	<u>(66)</u>
Financial net.....	(357)	(473)
Result before tax.....	<u>3</u>	<u>(892)</u>
Income taxes.....	<u>(99)</u>	<u>157</u>
Result for the period.....	<u>(96)</u>	<u>(735)</u>
Result for the period attributable to:		
Shareholders of the Parent company.....	(93)	(734)
Non-controlling interests.....	<u>(3)</u>	<u>(1)</u>
Result for the period.....	<u>(96)</u>	<u>(735)</u>



Consolidated Statements of Comprehensive Income (unaudited)

(SEK in millions)	Three month period ended 31 March	
	2017	2018
Result for the period	(96)	(735)
Other comprehensive income		
<i>Items that may subsequently be reclassified to profit or loss:</i>		
Change in fair value reserve, net of tax	(60)	1
Change in net investment hedge, net of tax	(122)	(274)
Change in translation reserve	(197)	1,053
Share of other comprehensive income of associates	(10)	(0)
<i>Items that will not be reclassified to profit or loss:</i>		
Change in fair value reserve, net of tax	-	37
Change in revaluation reserve	1	87
Other comprehensive income for the period	<u>(388)</u>	<u>904</u>
Total comprehensive income for the period	<u>(484)</u>	<u>169</u>
Total comprehensive income attributable to:		
- Shareholders of the Parent company	(481)	170
- Non-controlling interests	<u>(3)</u>	<u>(1)</u>
Total comprehensive income for the period, net of tax	<u>(484)</u>	<u>169</u>

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



Condensed Consolidated Balance Sheet (unaudited)

(SEK in millions)	31 December 2017	31 March 2018
ASSETS		
<i>Non-current assets:</i>		
Intangible assets	4,053	4,181
Property, plant and equipment:		
Vessels	39,103	39,420
Construction in progress	2,020	1,973
Windmills	2,294	2,265
Equipment	2,369	2,632
Land and buildings	1,208	1,229
Ports	<u>3,751</u>	<u>3,899</u>
Total property, plant and equipment	50,745	51,418
Investment properties	31,539	32,520
Financial assets:		
Investments reported according to the equity method	2,183	2,187
Marketable securities	6,506	6,751
Surplus in funded pension plans	644	666
Other non-current assets	<u>6,925</u>	<u>7,824</u>
Total financial assets	16,258	17,428
Total non-current assets	<u>102,595</u>	<u>105,547</u>
<i>Current assets:</i>		
Inventories	951	1,018
Trade receivables	2,585	2,752
Other current receivables	2,280	2,671
Prepayments and accrued income	1,987	2,487
Short-term investments	865	941
Cash and cash equivalents	2,248	1,942
Assets held for sale	<u>5,898</u>	<u>5,898</u>
Total current assets	<u>16,814</u>	<u>17,709</u>
Total assets	<u>119,409</u>	<u>123,256</u>
 EQUITY AND LIABILITIES		
Total equity	<u>46,195</u>	<u>46,363</u>
<i>Non-current liabilities:</i>		
Deferred tax liabilities	4,221	4,534
Pension liabilities	542	548
Other provisions	645	701
Long-term debt	40,548	41,547
Senior Notes	10,143	9,371
Capitalised lease obligations	65	1,334
Other non-current liabilities	<u>2,069</u>	<u>2,266</u>
Total non-current liabilities	<u>58,233</u>	<u>60,301</u>
<i>Current liabilities:</i>		
Short-term debt	2,508	2,091
Senior Notes	-	1,049
Capitalised lease obligations	18	101
Trade payables	1,884	1,930
Tax liabilities	65	95
Other liabilities	2,753	3,345
Accruals and deferred income	4,521	4,749
Liabilities directly attributable to assets classified as held for sale	<u>3,232</u>	<u>3,232</u>
Total current liabilities	<u>14,981</u>	<u>16,592</u>
Total equity and liabilities	<u>119,409</u>	<u>123,256</u>

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



Consolidated Statement of Changes in Equity (unaudited)

(SEK in millions)	Equity attributable to shareholders of the Parent company				Non-controlling interests	Total equity
	Share capital	Reserves	Retained earnings incl. Profit for the year	Total		
Closing balance, 31 December 2016	5	3,627	42,801	46,433	100	46,533
Change in fair value reserve		(60)		(60)		(60)
Change in net investment hedge		(122)		(122)		(122)
Change in revaluation reserve		(15)	16	1		1
Change in translation reserve		(197)		(197)		(197)
Change in associates			(10)	(10)		(10)
Other comprehensive income		(394)	6	(388)		(388)
Profit for the year			(93)	(93)	(3)	(96)
Total comprehensive income		(394)	(87)	(481)	(3)	(484)
Closing balance, 31 March 2017	5	3,233	42,714	45,952	97	46,049
Closing balance, 31 December 2017	5	2,732	43,331	46,069	126	49,195
Adjustment, 1 January 2018		(321)	321			
New opening balances	5	2,411	43,652	46,069	126	49,195
Change in fair value reserve		1	37	38		38
Change in net investment hedge		(274)		(274)		(274)
Change in revaluation reserve		71	16	87		87
Change in translation reserve		1,053		1,053		1,053
Change in associates			0	0		0
Other comprehensive income		851	53	904		904
Profit for the year			(734)	(734)	(1)	(735)
Total comprehensive income		851	(682)	169		169
Closing balance, 31 March 2017	5	3,262	42,971	46,238	125	46,363



Condensed Consolidated Statement of Cash Flows (unaudited)

(SEK in millions)	Three month period ended 31 March	
	2017	2018
<i>Cash flow from operating activities:</i>		
Result for the year	(96)	(735)
Adjustments to reconcile profit for the year to net cash provided by operating activities:		
Depreciation, amortisation and impairment	1,430	1,448
Change in fair value of investment properties	(14)	(300)
Gain on sale of non-current assets	(144)	(84)
Gains/losses on sale of securities net	(173)	(92)
Share of strategic associates result	(13)	(26)
Deferred income taxes	(6)	(87)
Exchange differences, unrealised	146	238
Other non-cash items	(36)	(29)
Pensions	(14)	11
Net cash flow from trading securities	73	(183)
Trade and other receivables	544	(165)
Prepayments and accrued income	(139)	(388)
Inventories	(30)	(56)
Trade payables	(81)	24
Accruals and deferred income	53	207
Income tax payable	81	(51)
Other current liabilities	<u>55</u>	<u>(115)</u>
Cash flow from operating activities	<u>1,636</u>	<u>(383)</u>
<i>Cash flow from investing activities:</i>		
Purchase of intangible assets	(59)	(47)
Sale of property, plant and equipment	1,065	435
Capital expenditure on property, plant and equipment	(2,048)	(1,665)
Purchase and sale of operations, net of cash	453	-
Sale of securities	1,843	953
Purchase of securities	(989)	(930)
Other investing activities	<u>11</u>	<u>(28)</u>
Cash flow from investing activities	<u>277</u>	<u>(1,282)</u>
<i>Cash flow from financing activities:</i>		
Proceeds from issuance of short and long-term debt	822	767
Principal payments on short and long-term debt	(3,454)	(858)
Net change in borrowings on line-of-credit agreements	1,421	22
Proceeds from issuance of short and long-term leases	-	1,310
Principal payments on capitalised lease obligations	(5)	(5)
Net change in restricted cash accounts	187	112
Other financing activities	<u>(32)</u>	<u>(30)</u>
Cash flow from financing activities	<u>(1,061)</u>	<u>1,318</u>
Effect of exchange rate changes on cash and cash equivalents	<u>5</u>	<u>41</u>
Net change in cash and cash equivalents	857	(306)
Cash and cash equivalents at beginning of period	<u>1,322</u>	<u>2,248</u>
Cash and cash equivalents at end of period	<u>2,179</u>	<u>1,942</u>

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



Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1 Basis of Presentation

The accompanying condensed consolidated financial statements present the financial position and result of operations of Stena AB (publ) and its subsidiaries (Stena) and have been prepared in accordance with IAS 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended on 31 December 2017, which have been prepared in accordance with IFRS.

The interim financial information included in the condensed consolidated financial statements has not been audited, and reflects all adjustments (consisting only of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. Interim results for the three months ended on 31 March 2018 are not necessarily an indication of the results to be expected for the full year.

Note 2 Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in the annual financial statements.

Taxes on income during the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Stena's Annual Report 2017 describes the content of the new accounting principles that are regarded as material for the Stena Group (see link <https://www.stena.com/reviews-reports/>).

New or amended accounting standards applied after 2018

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

IFRS 9 Financial instruments

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

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

IFRS 15 Revenue from customer contracts

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

- Ferry Operations Goods and passenger traffic and sale of consumer products
- Offshore Drilling Sale of services
- Shipping
 - Stena RoRo Sale of services
 - Stena Bulk Sale of services
 - Other Sale of training and crewing services and sale of goods
- Property Sale of construction work and other services
- New Businesses Sale of goods and services

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



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

IFRS 16 Leases

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



Notes to Condensed Consolidated Financial Statements (unaudited)

Note 3 Segment information

(SEK in millions)

Three month period ended 31 March

2018*Revenue*

Ferry Operations:	
Lease income	6
Products	143
Service	2,551
Other	<u>1</u>
Total Ferry Operations	2,701
Offshore Drilling:	
Lease income	205
Service	121
Other	<u>2</u>
Total Offshore Drilling	328
Shipping: Roll-on/Roll-off vessels:	
Lease income	71
Service	57
Other	<u>1</u>
Total Roll-on/Roll-off vessels	129
Tanker:	
Lease income	710
Service	377
Other	<u>7</u>
Total Tanker	1,094
Other shipping:	
Products	61
Other	<u>135</u>
Total Other shipping	196
Total Shipping	1,419
Property:	
Lease income	691
Service	<u>15</u>
Total Property	706
Adactum:	
Products	1,164
Service	6
Construction Contracts	382
Other	<u>10</u>
Total Adactum	1,562
Other:	
Lease income	<u>1</u>
Total Other	1
Total Revenue	<u>6,717</u>



(SEK in millions)

Three month period ended 31 March

	<u>2017</u>	<u>2018</u>
<i>Operating profit/loss</i>		
Ferry Operations	8	(147)
Offshore Drilling	67	(809)
Shipping: Roll-on/Roll-off vessels	39	17
Tanker	(100)	(122)
Other shipping	<u>(7)</u>	=
Total Shipping	(68)	(105)
Property:	369	376
Net gain on sale of properties	137	84
Change in fair value of investment properties	<u>14</u>	<u>300</u>
Total Property	520	760
Adactum	25	(24)
Other	<u>(192)</u>	<u>(94)</u>
Total Operating profit/loss	<u>360</u>	<u>(419)</u>
<i>Depreciation, amortisation and impairment:</i>		
Ferry Operations	341	387
Offshore Drilling	781	765
Shipping: Roll-on/Roll-off vessels	63	53
Tanker	145	156
Other shipping	<u>7</u>	<u>10</u>
Total Shipping	215	219
Property	-	-
Adactum	74	68
Other	<u>19</u>	<u>9</u>
Total	<u>1,430</u>	<u>1,448</u>



Notes to Condensed Consolidated Financial Statements (unaudited)

(SEK in millions)	Three month period ended 31 March	
	<u>2017</u>	<u>2018</u>
<i>EBITDA</i>		
Ferry Operations	218	240
Net gain on sale of vessels.....	<u>132</u>	-
Total Ferry Operations	350	240
Offshore Drilling.....	848	(44)
Shipping:		
Roll-on/Roll-off vessels	102	70
Tanker	45	34
Other Shipping	<u>(1)</u>	<u>9</u>
Total Shipping.....	146	113
Property.....	370	377
Net gain on sale of properties.....	137	84
Change in fair value of investment properties	<u>14</u>	<u>300</u>
Total Property.....	521	761
Adactum	99	43
Other	(174)	(85)
Total EBITDA.....	<u>1,790</u>	<u>1,028</u>
<i>Capital expenditures, Tangible fixed assets:</i>		
Ferry Operations.....	644	290
Offshore Drilling.....	409	148
Shipping: Roll-on/Roll-off vessels	2	126
Tanker	427	228
Other shipping.....	<u>38</u>	<u>5</u>
Total Shipping	467	359
Property.....	483	773
Adactum.....	33	92
Other	<u>12</u>	<u>3</u>
Total	<u>2,048</u>	<u>1,665</u>



OPERATING AND FINANCIAL REVIEW

Stena generates revenue primarily from ferry operations, chartering out its owned, chartered-in and leased Roll-on/Roll-off vessels, tankers and drilling rigs, managing tankers, sales of vessels, income from Investments, Adactum and real estate rents. The period from June through September is the peak travel season for passengers of the ferry operations. Chartering activities are not generally significantly affected by seasonal fluctuations, but variations over the year may occur as a consequence of, among other things, vessel utilization rates, dry-docking and charter rates. Any sale or acquisition of vessels, drilling rigs and real estate may also have an impact on the results of each period.

Significant Events of the First Three Months of 2018

It has been agreed that Stena Properties will sell properties in Uppsala, Stockholm and Gothenburg for approximately SEK 6,8 billion net to the Stena Sessan Group during 2018.

In January it was decided that Stena Renewable AB will build three new wind turbines in Saxberget and sixteen new wind turbines in Kronoberget.

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

In February 2018, a property was sold in Malmö, Sweden.

Stena Drilling has signed a contract with Energean Oil & Gas for the drilling unit *Stena Forth* to drill three development wells in Q1 2019 (with provision made for further options).

A contract is signed with Nexen Petroleum UK Ltd for the drilling unit *Stena Spey* for around 110 days commencing Q2 2018.

Stena Drilling has signed a contract with Northern Oil & Gas Australia Pty Ltd, for 30 days, with the drilling unit *Stena Clyde* and is scheduled to commence in July 2018.

Stena DrillMAX has secured a contract with FAR Petroleum, the campaign consists of one firm well + two option wells (estimated at 35 to 45 days each) and is scheduled to commence in November 2018.

Stena IceMAX has secured a contract with an undisclosed operator for a campaign for one firm well + one option well (estimated combined duration of 80 days) commencing in Q4 2018.

Stena Don has secured a contract with Total for one firm well (estimated at 80 days) + one option well (estimated at 50 days) commencing in May 2018.

Subsequent Events

Stena RoRo secured a new long term charters for two RoPax newbuildings

- a ten year bareboat charter with DFDS with delivery 2021
- a ten year bareboat charter with Brittany Ferries with delivery 2021



Currency Effects

Our revenues and expenses, reported in Swedish kronor, are significantly affected by fluctuations in currency exchange rates, primarily relative to the U.S. dollar, the British pound and the Euro. We seek to mitigate the impact of potential adverse foreign currency exchange fluctuations by matching, to a possible extent, revenues and expenses in the same currency. In addition, we enter into certain derivative financial instruments. In the three month period that ended on 31 March 2018, approximately 20% of our total revenues were generated in USD, approximately 23% were generated in EUR, approximately 13% were generated in GBP and approximately 29% were generated in SEK.

In the three month period ended 31 March 2018, approximately 29% of our total expenses were incurred in USD, approximately 19% were incurred in EUR, approximately 15% were incurred in GBP and approximately 24% were incurred in SEK. The reported gross revenues and expenses were affected by changes in the currency rates. The exchange rates used for consolidation purposes are as follows:

<i>Average rates:</i>	Jan - March 2017	Jan - March 2018	Change
US \$	8.9229	8.1068	(9) %
British pound.....	11.0494	11.2794	2 %
Euro.....	9.5065	9.9641	5 %
 <i>Closing rates:</i>	 As of 31 Dec 2017	 As of 31 March 2018	 Change
US \$	8.1833	8.3418	2 %
British pound.....	11.0581	11.6910	6 %
Euro.....	9.8241	10.2804	5 %

Revenues

Total revenues decreased by SEK 291 million to SEK 6,717 million in the three months ended 31 March 2018 compared to SEK 7,008 million in the three months ended 31 March 2017.

Direct Operating Expenses

Total direct operating expenses increased by SEK 776 million to SEK 5,087 million in the three months that ended on 31 March 2018, compared to SEK 4,311 million in the three months ended 31 March 2017.

Selling and Administrative Expenses

Selling and administrative expenses decreased by SEK 79 million to SEK 985 million in the three months that ended 31 March 2018, compared to SEK 1,065 million in the three month period that ended on 31 March 2017.

Depreciation, Amortisation and Impairment

Depreciation and amortisation charges increased by SEK 18 million to SEK 1,448 million in the three months ended 31 March 2018, compared to SEK 1,430 million in the three months ended 31 March 2017.



EBITDA

The EBITDA for the consolidated Stena AB Group decreased by SEK 762 million to SEK 1,028 million in the three months that ended on 31 March 2018 compared to SEK 1,790 million last year, mainly due to less operating days for the Drilling rigs and reduced day rates for both the Drilling and Bulk segments.

Ferry Operations

Ferry revenues are generated from ticket sales, freight haulage and onboard sales. Direct operating expenses consist principally of personnel costs, costs of goods sold onboard the vessels, bunker fuel costs, vessel charter costs, commissions, package tour costs and other related costs. A significant portion of these costs do not vary on account of changes in our seasonal requirements.

EBITDA excluding sales increased by SEK 22 million to SEK 240 million in the three months ended 31 March 2018, from SEK 218 million in the corresponding period in 2017 mainly due to volume increase across all segments together with positive FX effects, offset by increased bunker costs and the prolonged docking of *Stena Scandinavica*. Car volumes increased with 7%, passenger volumes increased with 6% and freight volumes increased with 3% compared to the corresponding period last year.

Offshore Drilling

Drilling revenues consist of charter hires for our drilling rigs. The direct operating expenses for drilling consist primarily of personnel costs, insurance, maintenance and catering costs.

EBITDA decreased by SEK 892 million to SEK (44) million in the three month period 2018 compared to SEK 848 million in the corresponding period in 2017. The decrease is mainly due to the impact of less operating days on contract, lower average charter rates offset by our ongoing Cost Race program.

Shipping

Shipping revenues primarily represent charter hires for our owned and chartered in vessels and management fees for vessels managed by us. Direct operating expenses for shipping consist primarily of vessel charter costs, fuel costs, personnel costs, insurance and other related vessel costs.

Tankers

Our tanker operation generated EBITDA of SEK 34 million in the three month period ended 31 March 2018 compared to SEK 45 million for the same period in 2017 due to lower rates in the crude and product tanker segments offset by an improvement in the LNG segment due to more operational days for the LNG vessels.

Operationally and technically the fleet is performing well.

RoRo Operations

EBITDA from chartering out Roll-on/Roll-off vessels decreased by SEK 32 million to SEK 70 million in the three month period ended 31 March 2018, from SEK 102 million in the same period in 2017. The decrease is mainly due to lower charter income due to sale of *Napoles* and *Sicilia* in 2017 and a period of more than three weeks off hire for *Ark Forwarder* during first quarter 2018, offset by strong contract coverage and utilization across the fleet.

Property

Property revenues consist of rents for properties owned and management fees for properties managed by Stena. Property expenses consist primarily of maintenance, heating and personnel costs.

EBITDA was SEK 761 million for the three month period ended 31 March 2018, compared to SEK 521 million for the same period in 2017. Completion of new buildings and the recent renovated hotel property in Stockholm compensated for the sold properties in late 2017. The change in fair value of investment properties amounting to SEK 300 million for the three months ended 2018 compared to SEK 14 million for the same period 2017. Occupancy rates for Swedish properties were approximately 98%, and non-Swedish properties were approximately 86%.

**Adactum**

The EBITDA for Stena Adactum decreased by SEK 56 million to SEK 43 million in the three month period ended 31 March 2018, compared to SEK 99 million in 2017.

Ballingslöv: EBITDA for the three months ended 31 March 2018 was SEK 94 million, compared to SEK 118 million for the three months ended 31 March 2017. The decrease mainly relates from a sale of a property in UK with a net gain of SEK 40 million in 2017, offset by continued organic growth for Ballingslöv International and increased sales versus last year.

Stena Renewable: EBITDA for the three months ended 31 March 2018 was SEK 17 million compared to SEK 39 million for the corresponding period in 2017. The lower EBITDA is due to weak production, (26%) versus last year due weak winds, offset by the price on electricity certificate which has increased significantly from last year.

Blomsterlandet: EBITDA for the three months ended 31 March 2018 was SEK (44) million compared to SEK (18) million in the same corresponding period in 2017. The lower EBITDA is due to cold weather with lots of snow, in spite of Easter in March versus April last year and cancelled contract for S-Blommor with new contracts not yet fully compensating.

Envac: EBITDA for the three months ended 31 March 2018 was SEK 1 million compared to SEK 12 million in the corresponding period in 2017. Strong order intake compared to last year, however sales was lower than last year due to slower progress in some large projects.

Captum: EBITDA for the three months ended 31 March 2018 was SEK (5) million compared to SEK (1) million in the same corresponding period in 2017.

Other Income

Net valuation on investment property. As a result of the revaluation to fair value according to IAS 40 "Investment properties", Stena had net gains of SEK 300 million for the three month period ended 31 March 2018, as compared to SEK 14 million for the same period in 2017.

Net gain on sale of vessels. In the three months ended 31 March 2018, there were no sales of vessels. In the three months ended 31 March 2017 net gain on sale of vessels amounted to SEK 132 million.

Net gain on sale of properties. In the three months ended 31 March 2018 the net gain on sales of properties amounted to SEK 84 million. In the three months period ended 31 March 2017 the net gain on sale of properties amounted to SEK 137 million.

Net gain on sale of operations. There were no net gains/losses on sale of operations in the three months ended 31 March 2018. In the three months ended 31 March 2017 the net loss on sale of operations amounted to SEK (125) million.

Financial Income/(Expense)

Total finance net decreased by SEK 116 million to SEK (473) million in the three months ended 31 March 2018, from SEK (357) million in the three months ended 31 March 2017.

Income Taxes

Income taxes for the three months that ended on 31 March 2018, were SEK 157 million, consisting of current taxes of SEK 69 million and deferred taxes of SEK 87 million. Income taxes for the three months ended 31 March 2017, were SEK (99) million, consisting of current taxes of SEK (105) million and deferred taxes of SEK 6 million.



Liquidity and Capital Resources

Our liquidity requirements principally relate to servicing of debt, financing the purchase of vessels and other assets and funding of working capital. We meet our liquidity requirements by cash on hand, cash flows from operations, borrowings under various credit facilities and other financing and refinancing arrangements.

As of 31 March, 2018, total cash and marketable securities including short term investments amounted to SEK 9,633 million as compared to SEK 9,619 million as of December 31, 2017.

For the three months ended 31 March, 2018, cash flows provided by operating activities amounted to SEK (383) million, as compared to SEK 1,636 million in the first three months ended 31 March, 2017. For the three months ended 31 March, 2018, cash flows used in investing activities amounted to SEK (1,282) million, including SEK (1,665) million related to capital expenditures, as compared to SEK 277 million, including SEK (2,048) million related to capital expenditures, in the three months ended 31 March, 2017. Cash flows from financing activities for the three months ended 31 March, 2018 amounted to SEK 1,318 million, as compared to SEK (1,061) million in the three months ended 31 March, 2017.

As of 31 March, 2018, the total construction in progress was SEK 1,973 million, as compared to SEK 2,020 million as of 31 December, 2017. The remaining capital expenditure commitment for new buildings on order as of 31 March 2018 was SEK 2,808 million, of which SEK 343 million is due during 2018, SEK 839 million is due in 2019 and SEK 1,626 million is due in 2020 and after. Stena intends to finance the remainder of this unpaid balance, together with additional expenses and financing costs, with cash from operations, existing revolving credit facilities, new capital lease agreements, new bank loans and other financing arrangements.

As of 31 March, 2018, total interest bearing debt was SEK 55,492 million as compared to SEK 53,283 million as of 31 December 2017.

As of 31 March 2018, USD 414 million was utilized under our USD 800 million revolving credit facility of which USD 3 million was used for issuing bank guarantees and letters of credit. As of 31 December 2017, USD 393 million was utilized, including USD 3 million used for issuing bank guarantees and letters of credit.

As of 31 March 2018, USD 140 million was utilized under the USD 300 million revolving credit facility entered into by Stena Investment Luxembourg S.à.r.l. compared to USD 100 million as of 31 December 2017.

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

We believe that, based on current levels of operating performance and anticipated market conditions, cash flow from operations, together with other available sources of funds, including refinancing, will be adequate to make required payments of principal and interest on outstanding debt, to make proposed capital expenditures, including new buildings and other vessel acquisitions, and to fund anticipated working capital requirements.



OTHER FINANCIAL INFORMATION – RESTRICTED GROUP

For the three months ended 31 March 2017, Restricted Group Data represents the selected consolidated financial information excluding (i) the property business segment (other than two small properties), (ii) the business segment of Adactum, whose activities consist primarily of investing in companies outside our traditional lines of business, and (iii) our subsidiaries Stena Investment Luxembourg S.à.r.l., Stena Royal, Stena Investment Cyprus Ltd and Mondaldi Ltd. Our real estate operations and the business of Adactum are conducted through various subsidiaries. For purposes of the indentures under which our Senior Notes were issued, real estate business and Investments, Adactum, together with our subsidiaries Stena Investment Luxembourg S.à.r.l., Stena Royal, Stena Investment Cyprus Ltd and Mondaldi Ltd, are designated as unrestricted subsidiaries and, as a result, are not bound by the restrictive provisions of the bond indentures.

As of 31 March, 2018, we had outstanding EUR 102 million principal amounts of Senior Notes due 2019 and EUR 200 million principal amounts of Senior Notes due 2020. We also have outstanding USD 527 million principal amounts of Senior Notes due 2024 and USD 350 million principal amounts of Senior Secured Notes due 2024.

Subsequent event specific for the restricted group

Stena RoRo secured a new long term charters for two RoPax newbuildings

- a ten year bareboat charter with DFDS with delivery 2021
- a ten year bareboat charter with Brittany Ferries with delivery 2021



Condensed Consolidated Income Statements – Restricted Group

(SEK in millions) (unaudited)	Three month period ended 31 March	
	2017	2018
Revenue:		
Ferry Operations.....	2,472	2,702
Offshore Drilling.....	1,407	328
Shipping.....	678	1,419
Other.....	<u>241</u>	<u>1</u>
Total revenue.....	4,798	4,450
Net result on sale of non-current assets.....	<u>7</u>	-
Total other income.....	7	-
Direct operating expenses:		
Ferry Operations.....	(1,992)	(2,151)
Offshore Drilling.....	(448)	(277)
Shipping.....	(376)	(1,156)
Other.....	<u>(92)</u>	<u>(2)</u>
Total direct operating expenses.....	(2,908)	(3,586)
Selling and administrative expenses.....	(722)	(635)
Depreciation, amortisation and impairment.....	<u>(1,356)</u>	<u>(1,380)</u>
Total operating expenses.....	(4,986)	(5,601)
Operating result.....	<u>(181)</u>	<u>(1,151)</u>
Dividends received.....	321	6
Gain (loss) on securities, net.....	3	27
Interest income.....	77	96
Interest expense.....	(333)	(442)
Foreign exchange gains/(loss), net.....	(33)	(67)
Other financial income/(expense), net.....	<u>(116)</u>	<u>(61)</u>
Financial net.....	(81)	(441)
Result after financial net.....	(261)	(1,592)
Non-controlling interest.....	<u>3</u>	<u>1</u>
Result before taxes.....	<u>(258)</u>	<u>(1,591)</u>
Income taxes.....	<u>(14)</u>	<u>259</u>
Result for the period.....	<u>(272)</u>	<u>(1,332)</u>



Condensed Consolidated Balance Sheets – Restricted Group

(SEK in millions) (unaudited)	31 December 2017	31 March 2018
ASSETS		
<i>Non-current assets:</i>		
Intangible assets	1,624	1,701
Property, plant and equipment:		
Vessels	39,103	39,420
Construction in progress.....	1,911	1,832
Equipment	1,985	2,232
Ports	3,751	3,899
Land and buildings.....	<u>660</u>	<u>653</u>
Total property, plant and equipment	47,410	48,036
Investment properties	153	155
Financial assets:		
Marketable securities.....	2,334	2,530
Intercompany accounts, non-current	2,214	2,482
Other non-current assets.....	<u>15,647</u>	<u>16,897</u>
Total non-current assets	69,382	71,800
<i>Current assets:</i>		
Inventories.....	360	437
Trade receivables	1,747	1,862
Other current receivables.....	2,051	2,411
Prepayments and accrued income	1,176	1,649
Short-term investments	738	868
Intercompany accounts, current.....	2,881	2,821
Cash and cash equivalents.....	735	653
Total current assets	9,688	10,701
Total assets.....	<u>79,070</u>	<u>82,502</u>
 EQUITY AND LIABILITIES		
<i>Equity:</i>		
Share Capital	5	5
Reserves	<u>34,057</u>	<u>33,462</u>
Equity attributable to shareholders of the company	<u>34,062</u>	<u>33,467</u>
Non-controlling interests	<u>114</u>	<u>113</u>
Total equity	<u>34,176</u>	<u>33,580</u>
<i>Non-current liabilities:</i>		
Deferred tax liabilities	725	1,319
Pension liabilities	366	371
Other provisions	569	613
Long-term debt.....	21,714	22,771
Senior Notes.....	10,143	9,371
Capitalised lease obligations	45	1,316
Intercompany accounts, non-current	1,023	1,043
Other non-current liabilities	<u>999</u>	<u>1,166</u>
Total non-current liabilities.....	<u>35,584</u>	<u>37,970</u>
<i>Current liabilities:</i>		
Short-term debt.....	2,296	1,890
Senior Notes.....	-	1,049
Capitalised lease obligations	9	90
Trade payables	818	892
Tax liabilities.....	67	103
Other liabilities.....	2,069	2,664
Intercompany liabilities, current.....	674	618
Accruals and deferred income	3,377	3,646
Total current liabilities	<u>9,310</u>	<u>10,952</u>
Total equity and liabilities	<u>79,070</u>	<u>82,502</u>



Condensed Consolidated Statements of Cash Flow – Restricted Group

(SEK in millions) (unaudited)	Three month period ended 31 March	
	2017	2018
<i>Cash flow from operating activities:</i>		
Result for the period.....	(272)	(1,332)
Adjustments to reconcile profit to net cash provided by operating activities:		
Depreciation, amortisation and impairment	1,356	1,380
Gain on sale of non-current assets.....	(7)	-
Gains/losses on securities, net.....	(3)	(27)
Deferred income taxes.....	(60)	(167)
Exchange differences, unrealised	82	283
Other non-cash items.....	(48)	(10)
Pensions	(12)	10
Dividend from Unrestricted group	(312)	-
Net cash flow from trading securities.....	72	(183)
Changes in working capital	<u>552</u>	<u>(378)</u>
Cash flow from operating activities.....	<u>1,348</u>	<u>(424)</u>
<i>Cash flow from investing activities:</i>		
Capital expenditure of intangible assets	(47)	(41)
Sale of property, plant and equipment.....	567	57
Capital expenditure on property, plant and equipment	(1,533)	(800)
Purchase and sale of operations, net of cash.....	453	-
Sale of securities	263	141
Purchase of securities	(407)	(237)
Other investing activities.....	<u>4</u>	<u>(35)</u>
Cash flow from investing activities	<u>(700)</u>	<u>(915)</u>
<i>Cash flow from financing activities:</i>		
Proceeds from issuance of short and long-term debt	461	767
Principal payments on short and long-term debt	(3,022)	(838)
Net change in borrowings on line-of-credit agreements.....	575	214
Proceeds from issuance of short and long-term leases	-	1,310
Principal payments on capitalised lease obligations	(3)	(2)
Net change in restricted cash accounts	215	55
Intercompany accounts.....	1,701	(244)
Dividend received	312	-
Other financing activities	<u>(33)</u>	<u>(24)</u>
Cash flow from financing activities.....	<u>206</u>	<u>1,239</u>
Effect of exchange rate changes on cash and cash equivalents	<u>6</u>	<u>18</u>
Net change in cash and cash equivalents	860	(82)
Cash and cash equivalents at beginning of period.....	<u>699</u>	<u>735</u>
Cash and cash equivalents at end of period.....	<u>1,559</u>	<u>653</u>



Other data – Restricted Group

(SEK in millions)	Three month period ended 31 March	
OTHER DATA:	2017	2018
Adjusted EBITDA.....	1,252	325

Adjusted EBITDA is defined as income from operations plus cash dividends received from affiliated companies, interest income, depreciation, amortisation and impairment minus aggregate gains on vessel dispositions to the extent such gains exceed 25% of Adjusted EBITDA net of all such gains. Information concerning Adjusted EBITDA is included since it conforms to the definition of Consolidated Cash Flow in the indentures governing our Senior Notes. Adjusted EBITDA is not a measure in accordance with IFRS and should not be used as an alternative to cash flows or as a measure of liquidity and should be read in conjunction with the condensed consolidated statements of cash flows contained in our condensed consolidated financial statements included elsewhere herein.

The computation of Adjusted EBITDA and reconciliation to net cash provided by operating activities is presented below:

(SEK in millions)	Three month period ended 31 March	
	2017	2018
Operating result.....	(181)	(1,151)
Adjustments:		
Interest income.....	77	96
Depreciation, amortisation and impairment.....	<u>1,356</u>	<u>1,380</u>
Adjusted EBITDA.....	1,252	325
Adjustments:		
Gain on sale of non-current assets.....	(7)	-
Net cash flows from trading securities.....	72	(183)
Interest expenses.....	(333)	(442)
Exchange differences, unrealised.....	82	283
Pensions.....	(12)	10
Other non-cash items.....	(48)	(10)
Changes in working capital.....	552	(378)
Other items.....	<u>(210)</u>	<u>(29)</u>
Net cash from operating activities.....	1,348	(424)