

# STENA AB (publ.)

## Interim Report for the three-month period 1 January – 31 March 2019

### Highlights:

- The result before taxes amounts to SEK -642 million for the three-month period ended 31 March 2019, compared to SEK -892 million for the three-month period ended 31 March 2018.
- Consolidated EBITDA for the three-month period ended 31 March 2019 amounted to SEK 1,476 million compared to SEK 1,060 million for the three-month period ended 31 March 2018.
- 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 2019 amounted to SEK 1,228 million compared to SEK 676 million for the three-month period ended 31 March 2018.

#### *Ferry Operation*

- EBITDA increased compared to last year mainly due to continued positive volumes for freight (5%).

#### *Drilling*

- Increased EBITDA compared to last year due to more operating days and positive effects from our ongoing Cost Race program.
- Positive development of our fleet contract coverage, where all our drilling units have contracts during 2019.

#### *Shipping*

- Increased EBITDA mainly due to stronger rates in all tanker segments compared to last year together with more operational days and higher rates for the LNG vessels.
- Strong contract coverage and utilization rate across the RoRo fleet offset by lower charter income as a result of vessels sold in 2018.

#### *Property*

- EBITDA, decreased slightly compared to last year due to sale of properties in the second quarter 2018. The fair value of investment properties has been adjusted positively by SEK 238 million, i.e. 0,6 % of the total property portfolio.

#### *Adactum*

- Strong performance in Ballingslöv does not fully compensate for the deconsolidation of Stena Renewable. Stena Renewable is recognized as an associated company from September 2018.

- The liquidity position remains strong as of 31st of March 2019. Available liquidity amounted to SEK 15.3 billion.

**Date:** 27 May 2019

**By:** Staffan Hultgren

**Title:** Vice President & Deputy CEO and Principal Financial Officer



## Stena AB and Consolidated Subsidiaries

### 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.

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Stena AB and Consolidated Subsidiaries

Condensed Consolidated Income Statements (unaudited)

(SEK in million)	Three month period ended 31 March	
	2018	2019
Revenue:		
Ferry Operations .....	2,701	2,883
Offshore Drilling.....	328	472
Shipping.....	1,419	2,023
Property .....	706	658
Adactum.....	1,562	1,548
Other .....	<u>1</u>	<u>2</u>
Total revenue .....	<b>6,717</b>	<b>7,586</b>
Change in fair value of investment properties.....	300	238
Net result on sale of non-current assets.....	<u>84</u>	<u>10</u>
Total other income .....	<b>384</b>	<b>248</b>
Direct operating expenses:		
Ferry Operations .....	-2,151	-2,129
Offshore Drilling.....	-276	-318
Shipping.....	-1,122	-1,448
Property .....	-269	-231
Adactum.....	-1,237	-1,210
Other .....	<u>-1</u>	<u>-2</u>
Total direct operating expenses.....	<b>-5,056</b>	<b>-5,338</b>
Selling and administrative expenses .....	-985	-1,020
Net result from investments in operating associates .....	-32	-10
Depreciation, amortisation and impairment .....	<u>-1,448</u>	<u>-1,743</u>
Total operating expenses.....	<b>-7,520</b>	<b>-8,111</b>
Operating result.....	<b><u>-419</u></b>	<b><u>-277</u></b>
Result from investments in strategic associates .....	26	26
Dividends received .....	30	28
Gains/losses on sale of securities .....	92	151
Interest income.....	85	102
Interest expenses .....	-587	-704
Exchange gains/losses.....	-53	116
Other finance income/costs.....	<u>-66</u>	<u>-84</u>
Financial net.....	<b>-473</b>	<b>-365</b>
Result before tax .....	<b><u>-892</u></b>	<b><u>-642</u></b>
Income taxes .....	<u>157</u>	<u>69</u>
Result for the period .....	<b><u>-735</u></b>	<b><u>-573</u></b>
Result for the period attributable to:		
Shareholders of the Parent company .....	-734	-571
Non-controlling interests .....	<u>-1</u>	<u>-2</u>
Result for the period .....	<b><u>-735</u></b>	<b><u>-573</u></b>



## Stena AB and Consolidated Subsidiaries

### Consolidated Statements of Comprehensive Income (unaudited)

(SEK in million)	Three month period ended 31 March	
	2018	2019
<b>Result for the period</b>	<b>-735</b>	<b>-573</b>
<b>Other comprehensive income</b>		
<i>Items that may subsequently be reclassified to profit or loss:</i>		
Change in fair value reserve, net of tax	1	121
Change in net investment hedge, net of tax	-274	25
Change in translation reserve	1,053	908
Share of other comprehensive income of associates	0	-9
<i>Items that will not be reclassified to profit or loss:</i>		
Change in fair value reserve, net of tax	37	-10
Change in revaluation reserve	87	101
Share of other comprehensive income of associates	0	-1
<b>Other comprehensive income for the period</b>	<b><u>904</u></b>	<b><u>1,135</u></b>
<b>Total comprehensive income for the period</b>	<b><u>169</u></b>	<b><u>562</u></b>
<b>Total comprehensive income attributable to:</b>		
- Shareholders of the Parent company	170	564
- Non-controlling interests	<u>-1</u>	<u>-2</u>
<b>Total comprehensive income for the period, net of tax</b>	<b><u>169</u></b>	<b><u>562</u></b>

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



Stena AB and Consolidated Subsidiaries

Condensed Consolidated Balance Sheet (unaudited)

(SEK in million)	31 December 2018	31 March 2019
<b>ASSETS</b>		
<i>Non-current assets:</i>		
<b>Intangible assets</b> .....	<b>4,221</b>	<b>4,328</b>
<i>Property, plant and equipment:</i>		
Vessels .....	39,656	41,667
Construction in progress .....	2,068	2,959
Equipment .....	3,241	3,271
Land and buildings .....	1,196	2,152
Ports .....	<u>3,724</u>	<u>4,238</u>
<b>Total property, plant and equipment</b> .....	<b>49,885</b>	<b>54,287</b>
<b>Investment properties</b> .....	<b>35,398</b>	<b>36,763</b>
<i>Financial assets:</i>		
Investments reported according to the equity method .....	2,937	2,993
Marketable securities .....	5,691	4,248
Surplus in funded pension plans .....	517	585
Other non-current assets .....	<u>8,473</u>	<u>9,295</u>
<b>Total financial assets</b> .....	<b>17,618</b>	<b>17,121</b>
<b>Total non-current assets</b> .....	<b><u>107,122</u></b>	<b><u>112,499</u></b>
<i>Current assets:</i>		
Inventories .....	989	1,244
Trade receivables .....	2,750	3,404
Other current receivables .....	2,322	2,285
Prepayments and accrued income .....	2,080	2,379
Short-term investments .....	903	3,364
Cash and cash equivalents .....	1,883	1,973
<b>Total current assets</b> .....	<b><u>10,927</u></b>	<b><u>14,649</u></b>
<b>Total assets</b> .....	<b><u>118,049</u></b>	<b><u>127,148</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Total equity</b> .....	<b><u>46,726</u></b>	<b><u>47,288</u></b>
<i>Non-current liabilities:</i>		
Deferred tax liabilities .....	4,813	4,969
Pension liabilities .....	647	658
Other provisions .....	422	460
Long-term debt .....	35,895	38,715
Senior Notes .....	9,794	8,148
Capitalised lease obligations .....	4,273	9,128
Other non-current liabilities .....	<u>2,030</u>	<u>2,309</u>
<b>Total non-current liabilities</b> .....	<b><u>57,874</u></b>	<b><u>64,387</u></b>
<i>Current liabilities:</i>		
Short-term debt .....	2,019	1,748
Senior Notes .....	1,036	2,085
Capitalised lease obligations .....	481	1,643
Trade payables .....	1,988	2,121
Tax liabilities .....	75	138
Other liabilities .....	2,977	2,699
Accruals and deferred income .....	4,873	5,039
<b>Total current liabilities</b> .....	<b><u>13,449</u></b>	<b><u>15,473</u></b>
<b>Total equity and liabilities</b> .....	<b><u>118,049</u></b>	<b><u>127,148</u></b>

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



Stena AB and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity (unaudited)

(SEK in million)	Equity attributable to shareholders of the Parent company				Non-controlling interests	Total equity
	Share capital	Reserves	Retained earnings incl. Profit for the year	Total		
<b>Closing balance, 31 December 2017</b>	<b>5</b>	<b>2,732</b>	<b>43,331</b>	<b>46,069</b>	<b>126</b>	<b>46,195</b>
<b>Adjustment, 1 January 2018</b>		<b>-321</b>	<b>321</b>			
<b>New opening balances</b>	<b>5</b>	<b>2,411</b>	<b>43,652</b>	<b>46,069</b>	<b>126</b>	<b>46,195</b>
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
<b>Other comprehensive income</b>		<b>851</b>	<b>53</b>	<b>904</b>		<b>904</b>
Profit for the year			-734	-734	-1	-735
<b>Total comprehensive income</b>		<b>851</b>	<b>-682</b>	<b>170</b>	<b>-1</b>	<b>169</b>
<b>Closing balance, 31 March 2018</b>	<b>5</b>	<b>3,262</b>	<b>42,971</b>	<b>46,238</b>	<b>125</b>	<b>46,363</b>
<b>Closing balance, 31 December 2018</b>	<b>5</b>	<b>3,351</b>	<b>43,243</b>	<b>46,599</b>	<b>127</b>	<b>46,726</b>
Change in fair value reserve		121	-10	111		111
Change in net investment hedge		25		25		25
Change in revaluation reserve		84	18	101		101
Change in translation reserve		908		908		908
Change in associates			-10	-10		-10
<b>Other comprehensive income</b>		<b>1,137</b>	<b>-2</b>	<b>1,135</b>		<b>1,135</b>
Profit for the year			-571	-571	-2	-573
<b>Total comprehensive income</b>		<b>1,137</b>	<b>-572</b>	<b>564</b>	<b>-2</b>	<b>562</b>
<b>Closing balance, 31 March 2019</b>	<b>5</b>	<b>4,488</b>	<b>42,671</b>	<b>47,164</b>	<b>125</b>	<b>47,288</b>



## Stena AB and Consolidated Subsidiaries

### Condensed Consolidated Statement of Cash Flows (unaudited)

(SEK in million)	Three-month period ended 31 March	
	2018	2019
<b><i>Cash flow from operating activities:</i></b>		
Result for the year .....	-735	-573
Adjustments to reconcile profit for the year to net cash provided by operating activities:		
Depreciation, amortisation and impairment .....	1,448	1,743
Change in fair value of investment properties .....	-300	-238
Gain on sale of non-current assets .....	-84	-10
Gains/losses on sale of securities net .....	-92	-151
Share of strategic associates result .....	-26	-26
Deferred income taxes .....	-87	-78
Exchange differences, unrealised .....	238	-477
Other non-cash items .....	-29	-153
Pensions .....	11	-26
Net cash flow from trading securities .....	-183	-110
Trade and other receivables .....	-165	-527
Prepayments and accrued income .....	-388	-316
Inventories .....	-56	-237
Trade payables .....	24	99
Accruals and deferred income .....	207	448
Income tax payable .....	-51	-5
Other current liabilities .....	<u>-115</u>	<u>133</u>
Cash flow from operating activities .....	<b><u>-383</u></b>	<b><u>-504</u></b>
<b><i>Cash flow from investing activities:</i></b>		
Purchase of intangible assets .....	-47	-60
Sale of property, plant and equipment .....	435	34
Capital expenditure on property, plant and equipment .....	-1,665	-1,442
Purchase and sale of operations, net of cash .....	-	-1
Sale of securities .....	953	1,100
Purchase of securities .....	-930	-1,620
Other investing activities .....	<u>-28</u>	<u>-132</u>
Cash flow from investing activities .....	<b><u>-1,282</u></b>	<b><u>-2,121</u></b>
<b><i>Cash flow from financing activities:</i></b>		
Proceeds from issuance of short and long-term debt .....	767	491
Principal payments on short and long-term debt .....	-858	-2,726
Net change in borrowings on line-of-credit agreements .....	22	2,699
Proceeds from issuance of short and long-term leases .....	1,310	2,588
Principal payments on capitalised lease obligations .....	-5	-456
Net change in restricted cash accounts .....	112	122
Other financing activities .....	<u>-30</u>	<u>-46</u>
Cash flow from financing activities .....	<b><u>1,318</u></b>	<b><u>2,672</u></b>
Effect of exchange rate changes on cash and cash equivalents .....	<u>41</u>	<u>43</u>
Net change in cash and cash equivalents .....	-306	90
Cash and cash equivalents at beginning of period .....	<b><u>2,248</u></b>	<b><u>1,883</u></b>
Cash and cash equivalents at end of period .....	<b><u>1,942</u></b>	<b><u>1,973</u></b>

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



## Stena AB and Consolidated Subsidiaries

### 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 2018, 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 2019 are not necessarily an indication of the results to be expected for the full year.

As per 1st of January 2018 the definition of EBITDA, Earnings Before Interest, Tax, Depreciation and Amortisation, has been changed to not include Results from investments in operating associates.

#### Note 2 Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, 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 2018 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 2019

As of January 1, 2019, Stena AB applies IFRS 16 Leases and IFRIC 23 Uncertainty over Income Tax Treatment.

#### IFRS 16 Leases

IFRS 16 is the new accounting standard for leases and the main impact relates to the lessee accounting, as lease contracts are recognized in the balance sheet. For the Stena AB Group this implies a change in accounting of lease contracts for Land, Buildings, Vessels and Ports. IFRS 16 Leases replaces IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard represents a new framework for recognizing leases with additional disclosure requirements.

Implementing the new lease accounting standard results in increased assets and interest-bearing liabilities in the balance sheet, thereby affecting the net financial position. It has also a positive impact on operating result in the income statement, as a part of the lease expenses is recognized as an interest expense within the finance net. In the cash flow statement, the lease payments are allocated between interests paid within the operating cash flow and repayment of lease liabilities within the financing activities. Thus, it has a positive effect on the operating cash flow.

IFRS 16 is applied retrospectively but prior period financial information has not been restated. Hence, the opening balance for 2019 was adjusted in accordance with the new standard. For leases previously classified as operating leases with the Stena AB Group as the lessee, a lease liability was recognized at the present value of future lease payments, amounting to SEK 3,6 billion as of January 1, 2019. The asset was recognized at an amount equal to the lease liability and therefore no transition effect was presented in equity. The asset is classified mainly to right-of-use-asset amounting to SEK 3,4 billion but also SEK 0,2 billion of the total asset is classified as lease receivable due to subleases within the business area Adactum. The right-of-use-assets have impact on the following fixed assets: vessels SEK 1.6 billion, buildings SEK 0.9 billion, investment properties SEK 0.6 billion and ports SEK 0.3 billion.

On transition to IFRS 16 there are some exceptions from the lessee accounting model that the Stena AB Group has applied. Previous assessments of the lease definition will remain on contracts entered into before January 1, 2019 and at the transition to IFRS 16 is therefore only applied to the contracts that were identified as leases in accordance with IAS 17 and IFRIC 4. The IFRS 16 definition of a lease will be applied on contracts entered on January 1, 2019 or after, to assess whether a contract contains a leased asset. If a contract includes a low value asset or has a short remaining lease term, i.e. ends during 2019, or is classified as a service contract, the lease payments are recognized





## Stena AB and Consolidated Subsidiaries

as operating expenses in the income statement and are therefore not included in the lease liability and right-of-use asset.

The effect of implementing IFRS 16 is summarized in the table below.

### Effect on the opening balance as of January 1, 2019 MSEK

	Previously reported Dec 31, 2018	Restatement IFRS 16	After restatement Jan 1, 2019
<b>Total assets</b>	<b>118,049</b>	<b>3,612</b>	<b>121,661</b>
Total equity	46,726		46,726
Total liabilities	71,323	3,612	74,935
<b>Total equity and liabilities</b>	<b>118,049</b>	<b>3,612</b>	<b>121,661</b>

### IFRIC 23 Uncertainty over Income Tax Treatment

IFRIC 23 is a new interpretation of uncertain income tax treatments within scope of IAS 12 Income Taxes. For the Stena AB Group this implies a changed classification for identified income tax-related risks that were previously recognized as a provision for tax charges that are probable to regulate the obligation. Uncertain income tax treatments are now reported as tax liabilities. There is no significant impact on the Stena AB Group due to IFRIC 23.



Stena AB and Consolidated Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

**Note 3 Segment information**

(SEK in million)

Three-month period ended 31 March

	<u>2018</u>	<u>2019</u>
<i>Revenue</i>		
Ferry Operations: .....		
Lease income.....	6	-
Products .....	143	159
Service .....	2,551	2,723
Other .....	<u>1</u>	<u>1</u>
Total Ferry Operations .....	2,701	2,883
Offshore Drilling: .....		
Lease income.....	205	283
Service .....	121	189
Other .....	<u>2</u>	-
Total Offshore Drilling .....	328	472
Shipping: Roll-on/Roll-off vessels:.....		
Lease income.....	71	80
Service .....	57	31
Other .....	<u>1</u>	-
Total Roll-on/Roll-off vessels .....	129	111
Tanker: .....		
Lease income.....	710	1,023
Service .....	377	671
Other .....	<u>7</u>	<u>6</u>
Total Tanker.....	1,094	1,700
Other shipping: .....		
Products .....	61	57
Other .....	<u>135</u>	<u>155</u>
Total Other shipping .....	196	212
Total Shipping .....	1,419	2,023
Property: .....		
Lease income.....	691	634
Service .....	<u>15</u>	<u>24</u>
Total Property .....	706	658
Adactum: .....		
Products .....	1,164	1,215
Service .....	6	4
Construction Contracts.....	382	326
Other .....	<u>10</u>	<u>3</u>
Total Adactum.....	1,562	1,548
Other: .....		
Lease income.....	<u>1</u>	<u>2</u>
Total Other .....	1	2
 Total Revenue.....	 <u>6,717</u>	 <u>7,586</u>



Stena AB and Consolidated Subsidiaries

(SEK in million)

Three-month period ended 31 March

	<u>2018</u>	<u>2019</u>
<i>Operating profit/loss</i>		
Ferry Operations .....	-147	-77
Offshore Drilling .....	-809	-772
Shipping: Roll-on/Roll-off vessels.....	17	40
Tanker.....	-122	36
Other shipping .....	-	-6
Total Shipping .....	-105	70
Property: .....	376	364
Net gain on sale of properties .....	84	10
Change in fair value of investment properties .....	<u>300</u>	<u>238</u>
Total Property .....	760	612
Total property .....		
Adactum .....	-24	-2
Other .....	<u>-94</u>	<u>-108</u>
Total Operating profit/loss.....	<b><u>-419</u></b>	<b><u>-277</u></b>
<i>Depreciation, amortisation and impairment:</i>		
Ferry Operations .....	387	526
Offshore Drilling .....	765	807
Shipping: Roll-on/Roll-off vessels.....	53	37
Tanker.....	156	291
Other shipping .....	<u>10</u>	<u>10</u>
Total Shipping .....	219	338
Property .....	-	2
Adactum .....	68	59
Other .....	<u>9</u>	<u>12</u>
Total.....	<b><u>1,448</u></b>	<b><u>1,743</u></b>
<i>Profit/loss from investments in operating associates:</i>		
Offshore Drilling .....	-1	-
Shipping: Tanker .....	-34	-12
Other shipping .....	<u>1</u>	-
Total Shipping .....	33	-12
Property .....	3	2
Total.....	<b><u>-32</u></b>	<b><u>-10</u></b>



## Stena AB and Consolidated Subsidiaries

### Notes to Condensed Consolidated Financial Statements (unaudited)

(SEK in million)	Three month period ended 31 March	
	<u>2018</u>	<u>2019</u>
<i>EBITDA</i>		
Ferry Operations .....	240	450
Offshore Drilling .....	-43	34
Shipping:		
Roll-on/Roll-off vessels .....	70	77
Tanker .....	69	339
Other Shipping .....	<u>8</u>	<u>3</u>
Total Shipping .....	147	419
Property .....	374	364
Net gain on sale of properties .....	84	10
Change in fair value of investment properties .....	<u>300</u>	<u>238</u>
Total Property .....	758	612
Adactum .....	43	57
Other .....	-85	-96
Total EBITDA .....	<b><u>1,060</u></b>	<b><u>1,476</u></b>
<i>Capital expenditures:</i>		
Ferry Operations .....	290	314
Offshore Drilling .....	148	628
Shipping: Roll-on/Roll-off vessels .....	126	99
Tanker .....	228	18
Other shipping .....	<u>5</u>	<u>1</u>
Total Shipping .....	359	118
Property .....	773	342
Adactum .....	92	37
Other .....	<u>3</u>	<u>3</u>
Total .....	<b><u>1,665</u></b>	<b><u>1,442</u></b>



## Stena AB and Consolidated Subsidiaries

### 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-month period of 2019

Stena Line has acquired the stevedoring operation from the previous stevedoring operator Sartori & Berger as from 1 January 2019.

In February 2019, Hyundai-Glovis and Stena have agreed to enter into a cooperation in Europe through a newly established joint venture. The purpose of this joint venture, with an equal ownership of 50%, is to develop new products and services for the European market. The name of the new company is Stena Glovis with head office located in Hamburg. The joint venture was launched in March 2019.

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The EUR 102 million bond was repaid at maturity in February 2019.

During the first quarter 2019, Stena also prepaid USD 105 million of *Stena Forth Junior/Mezzanine* tranche, with an original maturity date in 2021.

#### Subsequent events

In May 2019, a new contract was signed for the drillship *Stena IceMax* commencing Q1 2020, for 100 days duration plus option.

In May 2019 the purchase of the NMT Group was completed.



## Stena AB and Consolidated Subsidiaries

### 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 2019, approximately 28% of our total revenues were generated in USD, approximately 22% were generated in EUR, approximately 12% were generated in GBP and approximately 24% were generated in SEK.

In the three-month period ended 31 March 2019, approximately 35% of our total expenses were incurred in USD, approximately 17% were incurred in EUR, approximately 14% were incurred in GBP and approximately 19% 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>	<b>Jan - March 2018</b>	<b>Jan - March 2019</b>	<b>Change</b>
US \$ .....	8.1068	9.1706	13 %
British pound.....	11.2794	11.9423	6 %
Euro.....	9.9641	10.4173	5 %
 <i>Closing rates:</i>	 <b>As of 31 Dec 2018</b>	 <b>As of 31 March 2019</b>	 <b>Change</b>
US \$ .....	8.8533	9.2917	5 %
British pound.....	11.2915	12.1117	7 %
Euro.....	10.1508	10.4234	3 %

### Revenues

Total revenues increased by SEK 869 million to SEK 7,586 million in the three months ended 31 March 2019 compared to SEK 6,717 million in the three months ended 31 March 2018.

### Direct Operating Expenses

Total direct operating expenses increased by SEK 282 million to SEK 5,338 million in the three months that ended on 31 March 2019, compared to SEK 5,056 million in the three months ended 31 March 2018. The implementation of the new lease standard, IFRS 16, has affected operating expenses positively with SEK 237 million compared with the same period last year.

### Selling and Administrative Expenses

Selling and administrative expenses increased by SEK 35 million to SEK 1,020 million in the three months that ended 31 March 2019, compared to SEK 985 million in the three-month period that ended on 31 March 2018. The implementation of the new lease standard, IFRS 16, has affected administrative expenses positively with SEK 8 million compared with the same period last year.

### Depreciation, Amortisation and Impairment

Depreciation and amortisation charges increased by SEK 295 million to SEK 1,743 million in the three months ended 31 March 2019, compared to SEK 1,448 million in the three months ended 31 March 2018. The implementation of the new lease standard, IFRS 16, has increased the total depreciation charges with SEK 229 million compared with the same period last year.



## Stena AB and Consolidated Subsidiaries

### **EBITDA**

The EBITDA for the consolidated Stena AB Group increased by SEK 416 million to SEK 1,476 million in the three-month period that ended on 31 March 2019 compared to SEK 1,060 million last year, mainly due to improved EBITDA within Ferry- and Tanker Operations, offset by lower EBITDA from the Property segment due to a reduced property portfolio. The implementation of the new lease accounting standard, IFRS 16, results in a positive impact on EBITDA as a part of the prior operating lease expenses is now recognized as depreciation charges and interest expenses. In total the EBITDA for the Stena AB Group has increased by SEK 245 million for the three-month period ended 31 March 2019 by implementing this new lease standard compared to last year.

### **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 210 million to SEK 450 million in the three months ended 31 March 2019, from SEK 240 million in the corresponding period in 2018 mainly due to increased freight volumes from business regions North Sea and Irish Sea, with extra contribution from the Brexit stock piling. Car volumes are equal to last year, passenger volumes decreased with 1% and freight volumes increased with 5% compared to the corresponding period last year. The implementation of the new lease standard, IFRS 16, has affected Ferry Operations EBITDA positively with SEK 90 million compared to the same 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 increased by SEK 77 million to SEK 34 million in the three-month period 2019 compared to SEK -43 million in the corresponding period in 2018. The increase is mainly due to more operating days on contract, improved day rates and positive effects from the ongoing Cost Race program. The implementation of the new lease standard, IFRS 16, has affected Offshore Drilling EBITDA positively with SEK 1 million compared to the same period last year.

### **Shipping**

Shipping revenues primarily represent charter hires for our owned and chartered in vessels and management fees for vessels managed by Stena. 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 339 million in the three-month period ended 31 March 2019 compared to SEK 69 million for the same period in 2018, mainly due to improved rates in the Suezmax segment and a recovery for the MR segment together with improvement within the LNG segment due to more operational days and higher rates for the vessels. The implementation of the new lease standard, IFRS 16, has affected Tanker EBITDA positively with SEK 118 million compared to the same period last year.

### **RoRo Operations**

EBITDA from chartering out Roll-on/Roll-off vessels increased by SEK 7 million to SEK 77 million in the three-month period ended 31 March 2019, from SEK 70 million in the same period in 2018. The increase is mainly due to strong contract coverage and utilization across the fleet with continued firm RoPax market rates, offset by lower charter income due the sale of *Stena Carrier* and *Stena Freighter* in 2018. The implementation of the new lease standard, IFRS 16, has not affected EBITDA within RoRo operations.



## Stena AB and Consolidated Subsidiaries

### **Property**

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

EBITDA was SEK 612 million for the three months ended 31 March 2019, compared to SEK 758 million for the same period in 2018, mainly due to sold properties in the second quarter 2018 offset by completion of new buildings. The change in fair value of investment properties amounts to SEK 238 million for the three months ended 2019 compared to SEK 300 million for the same period 2018. Occupancy rates for Swedish properties were approximately 98%, and non-Swedish properties were approximately 90%. The implementation of the new lease standard, IFRS 16, has affected Property EBITDA with SEK 8 million compared to the same period last year.

### **Adactum**

The EBITDA for Stena Adactum increased by SEK 14 million to SEK 57 million in the three-month period ended 31 March 2019, compared to SEK 43 million in 2018. The implementation of the new lease standard, IFRS 16, has affected Adactum EBITDA with SEK 25 million compared to the same period last year.

*Ballingslöv:* EBITDA for the three months ended 31 March 2019 was SEK 101 million, compared to SEK 94 million for the three months ended 31 March 2018. Sales were higher than last year offset by the weakened SEK. The implementation of the new IFRS 16 standard has affected EBITDA with SEK 2 million compared to the same period last year.

*Blomsterlandet:* EBITDA for the three months ended 31 March 2019 was SEK -22 million compared to SEK -44 million in the corresponding period in 2018. Gross margin was in line with last year. The improved EBITDA is due to the implementation of the new accounting standard IFRS 16 Leases.

*Envac:* EBITDA for the three months ended 31 March 2019 was SEK 5 million compared to SEK 1 million in the corresponding period in 2018. Sales was + 5% versus last year and order intake was in line with last year. The implementation of the new IFRS 16 standard has affected EBITDA with SEK 2 million compared to the same period last year.

*Captum:* EBITDA for the three months ended 31 March 2019 was SEK -3 million compared to SEK -5 million in the corresponding period in 2018. The implementation of the new lease standard, IFRS 16, has not affected EBITDA within Captum.

*Stena Renewable:* Stena Renewable has been divested by 65% from September 2018 and is from that date recognized as income from associated companies (35% share). EBITDA for the three months ended 31 March 2018 was SEK 17 million.

### **Other Income**

*Net valuation on investment property.* As a result of the revaluation to fair value according to IAS 40 "Investment properties", Stena recognized net gains of SEK 238 million for the three months ended 31 March 2019, as compared to SEK 300 million for the same period in 2018.

*Net gain on sale of vessels.* In the three months ended 31 March 2019, there were no sales of vessels, same as the corresponding period 2018.

*Net gain on sale of properties.* In the three months ended 31 March 2019 the net gain on sales of properties amounted to SEK 10 million. In the three months period ended 31 March 2018 the net gain on sale of properties amounted to SEK 84 million.

*Net gain on sale of operations.* There were no net gains/losses on sale of operations in the three months ended 31 March 2019, same as the corresponding period 2018.

### **Financial Net**

Total finance net decreased by SEK 108 million to SEK -365 million in the three months ended 31 March 2019, from SEK -473 million in the three months ended 31 March 2018. The implementation of the new lease standard, IFRS 16, has affected the financial net negatively with SEK -23 million compared with the same period last year.





## Stena AB and Consolidated Subsidiaries

### **Income Taxes**

Income taxes for the three months ended 31 March 2019 were SEK 69 million, consisting of current taxes of SEK -9 million and deferred taxes of SEK 78 million. Income taxes for the three months ended 31 March 2018, were SEK 157 million, consisting of current taxes of SEK 69 million and deferred taxes of SEK 87 million. The implementation of the new lease standard, IFRS 16, has affected deferred tax with SEK 3 million compared to the same period last year.

### **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 2019, total cash and marketable securities including short term investments amounted to SEK 9,585 million as compared to SEK 8,477 million as of December 31, 2018.

For the three-month period ended 31 March 2019, cash flows provided by operating activities amounted to SEK -506 million, as compared to SEK -383 million in the first three-month ended 31 March 2018. For the three-month period ended 31 March 2019, cash flows used in investing activities amounted to SEK -2,119 million, including SEK -1,442 million related to capital expenditures, as compared to SEK -1,282 million, including SEK -1,665 million related to capital expenditures, in the three-month period ended 31 March 2018. Cash flows from financing activities for the three-month period ended 31 March 2019 amounted to SEK 2,672 million, as compared to SEK 1,318 million in the three-month period ended 31 March 2018.

As of 31 March 2019, the total construction in progress was SEK 2,959 million, as compared to SEK 2,068 million as of 31 December 2018. The remaining capital expenditure commitment for new buildings on order as of 31 March 2019 was SEK 6,631 million, of which SEK 1,062 million is due during 2019, SEK 2,054 million is due in 2020 and SEK 3,515 million is due in 2021 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 2019, total interest-bearing debt was SEK 61,467 million as compared to SEK 53,498 million as of 31 December 2018. The implementation of the new lease standard IFRS 16 standard has increased total interest-bearing debt with SEK 3,410 million compared with the same period last year.

As of 31 March 2019, USD 346 million was utilized under our USD 725 million revolving credit facility of which USD 3 million was used for issuing bank guarantees and letters of credit. As of 31 December 2018, USD 87 million was utilized, including USD 3 million used for issuing bank guarantees and letters of credit.

As of 31 March 2019, USD 110 million was utilized under the USD 300 million revolving credit facility entered into by Stena Investment Luxembourg S.à.r.l. compared to USD 90 million as of 31 December 2018.

As of 31 March 2019, nothing was utilized under the SEK 1,000 million revolving credit facility in Adactum, same as of 31 December 2018.

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 non-current assets**

Other non-current receivables as per 31 March 2019 includes a long-term receivable of SEK 3,589 million, associated with the claim on Samsung Heavy Industries Co Ltd (SHI) for the cancellation of the contract for the construction of *Stena MidMax*, a semisubmersible drilling unit. The total claim on SHI amounts to SEK 4,432 million plus interest. SHI has disputed Stena's cancellation on the contract and the parties are now engaged in a London arbitration.



## Stena AB and Consolidated Subsidiaries

### OTHER FINANCIAL INFORMATION – RESTRICTED GROUP

For the three-month period ended 31 March 2019, 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 2019, we had outstanding 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.

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## Stena AB and Consolidated Subsidiaries

### Condensed Consolidated Income Statements – Restricted Group

(SEK in million) (unaudited)	Three month period ended 31 March	
	2018	2019
Revenue:		
Ferry Operations .....	2,702	2,883
Offshore Drilling.....	328	472
Shipping.....	1,419	2,023
Other .....	<u>1</u>	<u>2</u>
Total revenue .....	<b>4,450</b>	<b>5,380</b>
Net result on sale of non-current assets.....	=	=
Total other income .....	-	-
Direct operating expenses:		
Ferry Operations .....	-2,151	-2,129
Offshore Drilling.....	-277	-318
Shipping.....	-1,122	-1,448
Other .....	<u>-2</u>	<u>-3</u>
Total direct operating expenses.....	<b>-3,552</b>	<b>-3,898</b>
Selling and administrative expenses .....	-635	-670
Net result from investments operating associates .....	-34	-12
Depreciation, amortisation and impairment .....	<u>-1,380</u>	<u>-1,682</u>
Total operating expenses.....	<b>-5,601</b>	<b>-6,262</b>
Operating result.....	<b><u>-1,151</u></b>	<b><u>-882</u></b>
Dividends received .....	6	7
Gain (loss) on securities, net.....	27	141
Interest income.....	96	106
Interest expense.....	-442	-563
Foreign exchange gains/(loss), net.....	-67	110
Other financial income/(expense), net .....	<u>-61</u>	<u>-78</u>
Financial net.....	<b>-441</b>	<b>-277</b>
Result after financial net .....	<b>-1,592</b>	<b>-1,159</b>
Non-controlling interest .....	<u>1</u>	<u>2</u>
Result before taxes.....	<b><u>-1,591</u></b>	<b><u>-1,157</u></b>
Income taxes .....	<u>259</u>	<u>210</u>
Result for the period .....	<b><u>-1,332</u></b>	<b><u>-947</u></b>



Stena AB and Consolidated Subsidiaries

Condensed Consolidated Balance Sheets – Restricted Group

(SEK in million) (unaudited)	31 December 2018	31 March 2019
<b>ASSETS</b>		
<i>Non-current assets:</i>		
<b>Intangible assets</b> .....	<b>1,754</b>	<b>1,820</b>
Property, plant and equipment:		
Vessels .....	39,656	41,667
Construction in progress .....	2,051	2,925
Equipment .....	2,851	2,886
Ports .....	3,724	4,238
Land and buildings .....	<u>632</u>	<u>1,057</u>
<b>Total property, plant and equipment</b> .....	<b>48,914</b>	<b>52,773</b>
Financial assets:		
Marketable securities .....	2,628	491
Intercompany accounts, non-current .....	2,623	2,669
Other non-current assets .....	<u>17,292</u>	<u>18,309</u>
<b>Total non-current assets</b> .....	<b><u>73,211</u></b>	<b><u>76,062</u></b>
<i>Current assets:</i>		
Inventories .....	457	522
Trade receivables .....	1,909	2,410
Other current receivables .....	2,324	2,390
Prepayments and accrued income .....	1,287	1,651
Short-term investments .....	833	3,306
Intercompany accounts, current .....	2,082	2,001
Cash and cash equivalents .....	908	964
<b>Total current assets</b> .....	<b><u>9,800</u></b>	<b><u>13,244</u></b>
<b>Total assets</b> .....	<b><u>83,011</u></b>	<b><u>89,306</u></b>
<b>EQUITY AND LIABILITIES</b>		
<i>Equity:</i>		
Share Capital .....	5	5
Reserves .....	<u>31,342</u>	<u>31,472</u>
Equity attributable to shareholders of the company .....	31,347	31,476
Non-controlling interests .....	<u>114</u>	<u>111</u>
<b>Total equity</b> .....	<b><u>31,461</u></b>	<b><u>31,588</u></b>
<i>Non-current liabilities:</i>		
Deferred tax liabilities .....	1,281	1,451
Pension liabilities .....	441	447
Other provisions .....	348	371
Long-term debt .....	18,754	21,064
Senior Notes .....	9,794	8,148
Capitalised lease obligations .....	4,265	8,013
Intercompany accounts, non-current .....	4,297	4,522
Other non-current liabilities .....	<u>914</u>	<u>993</u>
<b>Total non-current liabilities</b> .....	<b><u>40,094</u></b>	<b><u>45,009</u></b>
<i>Current liabilities:</i>		
Short-term debt .....	1,967	1,696
Senior Notes .....	1,036	2,085
Capitalised lease obligations .....	474	1,446
Trade payables .....	971	1,025
Tax liabilities .....	69	131
Other liabilities .....	2,419	2,079
Intercompany liabilities, current .....	949	457
Accruals and deferred income .....	3,571	3,790
<b>Total current liabilities</b> .....	<b><u>11,456</u></b>	<b><u>12,709</u></b>
<b>Total equity and liabilities</b> .....	<b><u>83,011</u></b>	<b><u>89,306</u></b>



## Stena AB and Consolidated Subsidiaries

### Condensed Consolidated Statements of Cash Flow – Restricted Group

(SEK in million) (unaudited)	Three month period ended 31 March	
	2018	2019
<b><i>Cash flow from operating activities:</i></b>		
Result for the period .....	-1,332	-947
Adjustments to reconcile profit to net cash provided by operating activities:		
Depreciation, amortisation and impairment .....	1,380	1,682
Gains/losses on securities, net .....	-27	-141
Deferred income taxes .....	-167	-204
Exchange differences, unrealised .....	283	-386
Other non-cash items .....	-10	-186
Pensions .....	10	-31
Net cash flow from trading securities .....	-183	-110
Changes in working capital .....	<u>-378</u>	<u>-396</u>
Cash flow from operating activities .....	<b><u>-424</u></b>	<b><u>-719</u></b>
<b><i>Cash flow from investing activities:</i></b>		
Capital expenditure of intangible assets .....	-41	-51
Sale of property, plant and equipment .....	57	12
Capital expenditure on property, plant and equipment .....	-800	-1,064
Sale of securities .....	141	584
Purchase of securities .....	-237	-711
Other investing activities .....	<u>-35</u>	<u>-136</u>
Cash flow from investing activities .....	<b><u>-915</u></b>	<b><u>-1,366</u></b>
<b><i>Cash flow from financing activities:</i></b>		
Proceeds from issuance of short and long-term debt .....	767	271
Principal payments on short and long-term debt .....	-838	-2,713
Net change in borrowings on line-of-credit agreements .....	214	2,540
Proceeds from issuance of short and long-term leases .....	1,310	2,588
Principal payments on capitalised lease obligations .....	-2	-391
Net change in restricted cash accounts .....	55	108
Intercompany accounts .....	-244	-232
Other financing activities .....	<u>-24</u>	<u>-64</u>
Cash flow from financing activities .....	<b><u>1,239</u></b>	<b><u>2,107</u></b>
Effect of exchange rate changes on cash and cash equivalents .....	<u>18</u>	<u>34</u>
Net change in cash and cash equivalents .....	-82	56
Cash and cash equivalents at beginning of period .....	<b><u>735</u></b>	<b><u>908</u></b>
Cash and cash equivalents at end of period .....	<b><u>653</u></b>	<b><u>964</u></b>