# STENA AB (publ.)

# Interim Report for the six-month period 1 January – 30 June 2014

**Highlights:**

- Income before taxes amounts to MSEK 1,140 for the six month period ended 30 June 2014, compared to MSEK 645 for the six month period ended 30 June 2013.

- Consolidated EBITDA increased by MSEK 902 to MSEK 4,322 for the six month period ended 30 June 2014, from MSEK 3,420 for the six month period ended 30 June 2013.

  *Ferry Operation*
  - EBITDA increased compared to last year due to increased freight volumes and cost saving programs.

  *Drilling*
  - Significant increased EBITDA due to improved contracts and that *Stena DrillMAX & Stena Spey* were off hire due to SPS last year.

  *Crude Oil Tanker*
  - Increased EBITDA due to improved and stronger market for Suezmax and Aframax and continued profitable Stena Weco operation.

  *Property*
  - Increased EBITDA due to enlarged property portfolio, lower operational cost and received dividends from indirect investments.

- Continued strong liquidity position.

- Strong contract coverage and high utilization and operational performance in our Drilling and LNG fleet.

**Date:** 29 August 2014
**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. They appear in a number of places throughout this report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and industries in which we operate. The report includes references to assumptions that relate to the future prospects, developments and business strategies. Such statements reflect our current views and assumptions in respect to future events and are subject to risks and uncertainties.

Many factors could affect our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by forward-looking statements. Factors that could cause the actual results to differ materially from those expressed or implied in such forward-looking statements, include, but are not limited to:

- changes in general economic and business conditions and markets;
- changes in laws and regulations;
- changes in currency exchange rates and interest rates;
- risks incident to vessel and drilling rig operations, including discharge of pollutants;
- introduction of competing products and services by other companies;
- changes in trading or travel patterns;
- increases in costs of operations or the inability to meet efficiency or cost reduction objectives;
- changes in our business strategy; and
- other risk factors listed in the reports we make available on our website www.stena.com from time to time.

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 Income Statements (unaudited)

| (MSEK) | Three month period ended 30 June 2013 | Three month period ended 30 June 2014 | Six month period ended 30 June 2013 | Six month period ended 30 June 2014 |
|---|---|---|---|---|
| Revenues: | | | | |
| Ferry operations | 2,872 | 3,229 | 5,052 | 5,485 |
| Drilling | 1,644 | 2,080 | 3,308 | 3,912 |
| Shipping | 589 | 694 | 1,220 | 1,432 |
| Property | 656 | 637 | 1,268 | 1,290 |
| Investments, Adactum | 1,941 | 1,926 | 3,357 | 3,384 |
| Other | 5 | 0 | 11 | 0 |
| Total revenues | **7,707** | **8,566** | **14,216** | **15,503** |
| | | | | |
| Net valuation on investment properties | 23 | 77 | 51 | 152 |
| Net gain on sales of assets | 45 | - | 71 | - |
| Total other income | **68** | **77** | **122** | **152** |
| | | | | |
| Direct operating expenses: | | | | |
| Ferry operations | (2,161) | (2,303) | (4,020) | (4,254) |
| Drilling | (777) | (791) | (1,583) | (1,607) |
| Shipping | (357) | (379) | (670) | (722) |
| Property | (186) | (185) | (440) | (426) |
| Investments, Adactum | (1,286) | (1,318) | (2,278) | (2,316) |
| Other | (3) | (31) | (8) | (25) |
| Total direct operating expenses | **(4,770)** | **(5,007)** | **(8,999)** | **(9,350)** |
| | | | | |
| Selling and administrative expenses | (922) | (1,024) | (1,919) | (1,983) |
| Depreciation and amortization | (1,052) | (1,179) | (2,026) | (2,281) |
| | | | | |
| Total operating expenses | **(6,744)** | **(7,210)** | **(12,944)** | **(13,614)** |
| | | | | |
| Income from operations | **1,031** | **1,433** | **1,394** | **2,041** |
| | | | | |
| Financial income and expense: | | | | |
| Share of associated companies' results | 10 | 29 | 10 | 32 |
| Dividends received | 12 | 14 | 32 | 29 |
| Gain (loss) on securities, net | 19 | 168 | 269 | 122 |
| Interest income | 125 | 129 | 244 | 243 |
| Interest expense | (594) | (633) | (1,165) | (1,260) |
| Foreign exchange gains/(losses), net | (21) | (45) | (17) | 35 |
| Other financial income/(expense), net | (58) | (54) | (122) | (102) |
| | | | | |
| Total financial income and expense | **(507)** | **(392)** | **(749)** | **(901)** |
| | | | | |
| Income before taxes | **524** | **1,041** | **645** | **1,140** |
| | | | | |
| Income taxes | 75 | (219) | 115 | (220) |
| | | | | |
| Net income | **599** | **822** | **760** | **920** |
| | | | | |
| Earnings attributable to: | | | | |
| Equity holders of the Parent Company | 587 | 812 | 754 | 911 |
| Non-controlling interest | 12 | 10 | 6 | 9 |
| Net Income | **599** | **822** | **760** | **920** |

## Consolidated Statements of Comprehensive Income (unaudited)

| (MSEK) | Three month period ended 30 June | | Six month period ended 30 June | |
|---|---|---|---|---|
| | **2013** | **2014** | **2013** | **2014** |
| **Result for the period** | **599** | **822** | **760** | **920** |
| **Other comprehensive income** | | | | |
| ***Items that may subsequently be reclassified to profit and loss:*** | | | | |
| Change in fair value reserve, net of tax | 118 | (42) | 283 | 61 |
| Change in net investment hedge, net of tax | 352 | (203) | 577 | (479) |
| Change in currency translation differences | 900 | 1,023 | 486 | 1,136 |
| **Other comprehensive income for the period** | **1,370** | **778** | **1,346** | **718** |
| **Total comprehensive income for the period** | **1,969** | **1,600** | **2,106** | **1,638** |
| **Total comprehensive income attributable to:** | | | | |
| - Owners of the Parent company | 1,962 | 1,601 | 2,099 | 1,641 |
| - Non-controlling interest | 7 | (1) | 7 | (3) |
| **Total comprehensive income for the period** | **1,969** | **1,600** | **2,106** | **1,638** |

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

## Condensed Consolidated Balance Sheets (unaudited)

| (MSEK) | 31 December 2013 | 30 June 2014 |
|---|---|---|
| **ASSETS** | | |
| *Noncurrent assets:* | | |
| **Intangible assets** | **4,155** | **4,241** |
| Tangible fixed assets: | | |
| Vessels | 40,956 | 42,671 |
| Construction in progress | 2,450 | 3,292 |
| Equipment | 3,930 | 3,925 |
| Buildings and land | 962 | 1,014 |
| Ports | 3,261 | 3,400 |
| **Total tangible fixed assets** | **51,559** | **54,213** |
| **Investment properties** | **27,831** | **28,726** |
| Financial fixed assets: | | |
| Investment in associated companies | 934 | 957 |
| Investment in SPEs | 4,311 | 4,491 |
| Marketable securities | 4,243 | 4,561 |
| Other non-current assets | 3,904 | 4,535 |
| **Total financial fixed assets** | **13,392** | **14,544** |
| **Total noncurrent assets** | **96,937** | **101,813** |
| *Current assets:* | | |
| Inventories | 716 | 822 |
| Trade debtors | 2,849 | 3,081 |
| Other current receivables | 1,793 | 1,853 |
| Prepaid expenses and accrued income | 2,170 | 2,783 |
| Short-term investments | 1,694 | 1,356 |
| Cash and cash equivalents | 2,053 | 1,512 |
| **Total current assets** | **11,275** | **11,407** |
| **Total assets** | **108,212** | **113,220** |

**SHAREHOLDERS' EQUITY AND LIABILITIES**

| | 31 December 2013 | 30 June 2014 |
|---|---|---|
| **Total shareholders' equity** | **35,274** | **36,718** |
| *Noncurrent liabilities:* | | |
| Deferred income taxes | 3,940 | 3,960 |
| Pension liabilities | 649 | 569 |
| Other provisions | 707 | 733 |
| Long-term debt | 45,287 | 42,575 |
| Debt in SPEs | 3,944 | 4,088 |
| Senior notes | 5,324 | 11,867 |
| Capitalized lease obligations | 642 | 574 |
| Other noncurrent liabilities | 722 | 932 |
| **Total noncurrent liabilities** | **61,215** | **65,298** |
| *Current liabilities:* | | |
| Short-term debt | 4,616 | 2,372 |
| Capitalized lease obligations | 231 | 241 |
| Trade accounts payable | 1,722 | 1,884 |
| Income tax payable | 243 | 269 |
| Other current liabilities | 1,655 | 2,128 |
| Accrued costs and prepaid income | 3,256 | 4,310 |
| **Total current liabilities** | **11,723** | **11,204** |
| **Total shareholders' equity and liabilities** | **108,212** | **113,220** |

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

## Consolidated Statements of Changes in Shareholders' Equity (unaudited)

| (MSEK) | Equity attributable to the owners of the parent company | | | | | |
|---|---|---|---|---|---|---|
| | Share Capital | Reserves | Retained earnings incl. Net Income | Total | Non-controlling interest | Total Share-holders´ Equity |
| **Closing balance as of 31 December 2012** | **5** | **(2,972)** | **32,955** | **29,988** | **280** | **30,268** |
| Effect of changes in accounting principles[1)] | | 1,138 | | **1,138** | 29 | **1,167** |
| **Balance at 1 January 2013 (restated)** | **5** | **(1,834)** | **32,955** | **31,126** | **309** | **31,435** |
| Change in fair value reserves | | 283 | | **283** | | **283** |
| Change in net investment hedge | | 577 | | **577** | | **577** |
| Change in revaluation reserve | | (15) | 15 | | | |
| Change in translation reserve | | 485 | | **485** | 1 | **486** |
| **Other comprehensive income** | | **1,330** | **15** | **1,345** | **1** | **1,346** |
| Net income | | | **754** | **754** | **6** | **760** |
| **Total comprehensive income** | | **1,330** | **769** | **2,099** | **7** | **2,106** |
| Changes in non-controlling interest | | | | | **(12)** | **(12)** |
| Dividend | | | **(189)** | **(189)** | | **(189)** |
| **Closing balance as of 30 June 2013** | **5** | **(504)** | **33,535** | **33,036** | **304** | **33,340** |
| | | | | | | |
| **Closing balance as of 31 December 2013** | **5** | **(449)** | **35,457** | **35,013** | **262** | **35,274** |
| Change in fair value reserves | | 61 | | 61 | | **61** |
| Change in net investment hedge | | (479) | | **(479)** | | **(479)** |
| Change in revaluation reserve | | (15) | 15 | | | |
| Change in translation reserve | | 1,135 | | **1,135** | 1 | **1,136** |
| **Other comprehensive income** | | **701** | **15** | **717** | **1** | **718** |
| Net income | | | 924 | **924** | (4) | **920** |
| **Total comprehensive income** | | **701** | **939** | **1,641** | **(3)** | **1,638** |
| Changes in non-controlling interest | | | | | 15 | **15** |
| Dividend | | | (210) | **(210)** | | **(210)** |
| **Closing balance as of 30 June 2014** | **5** | **252** | **36,186** | **36,444** | **274** | **36,718** |

1) Effects of changes in valuation of ports, from cost method to revaluation method

## Condensed Consolidated Statements of Cash Flow (unaudited)

| (MSEK) | Six month period ended 30 June 2013 | 2014 |
|---|---|---|
| ***Net cash flows from operating activities:*** | | |
| Net income | 760 | 920 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 2,026 | 2,281 |
| Net valuation of investment properties | (51) | (152) |
| Gain on sale assets | (71) | - |
| (Gain)/loss on securities, net | (269) | (122) |
| Unrealized foreign exchange (gains) losses | (242) | (417) |
| Deferred income taxes | (304) | 94 |
| Pensions | (61) | (76) |
| Net cash flows from trading securities | (44) | 85 |
| Share of affiliated companies results | (10) | (32) |
| Dividend from associated companies | 23 | 25 |
| Other non-cash items | (68) | 41 |
| Receivables | (472) | 97 |
| Prepaid expenses and accrued income | (324) | (390) |
| Inventories | (36) | (98) |
| Trade accounts payable | 185 | 129 |
| Accrued costs and prepaid income | 902 | 834 |
| Income tax payable | 21 | (17) |
| Other current liabilities | (903) | (1) |
| Net cash provided by operating activities | **1,062** | **3,201** |
| ***Net cash flows from investing activities:*** | | |
| Purchase of intangible assets | (75) | (110) |
| Cash proceeds from sale of property, vessels and equipment | 472 | 9 |
| Capital expenditure on property, vessels and equipment | (3,409) | (3,467) |
| Purchase of subsidiaries, net of cash acquired | (79) | - |
| Proceeds from sale of securities | 4,719 | 2,969 |
| Purchase of securities | (3,375) | (3,025) |
| Other investing activities | (227) | (258) |
| Net cash used in investing activities | **(1,974)** | **(3,882)** |
| ***Net cash flows from financing activities:*** | | |
| Proceeds from issuance of debt | 3,153 | 11,554 |
| Principal payments on debt | (2,906) | (6,759) |
| Net change in borrowings on line-of-credit agreements | 1,215 | (4,370) |
| Principal payments on capital lease obligations | (97) | (116) |
| Net change in restricted cash accounts | (260) | 301 |
| Dividend paid | (189) | (210) |
| Other financing activities | (6) | (296) |
| Net cash provided by financing activities | **910** | **104** |
| Effect of exchange rate changes on cash and cash equivalents | 102 | 36 |
| Net change in cash and cash equivalents | **100** | (541) |
| Cash and cash equivalents at beginning of period | **1,581** | **2,053** |
| Cash and cash equivalents at end of period | **1,681** | **1,512** |

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 2013, 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 six months ended on 30 June 2014 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 2013, as described in the annual financial statements with the exceptions as mentioned below:

As from 1 January 2014 Stena applies the following new accounting standards:

– IFRS 10, "Consolidated financial statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group has no effects due to this standard.

– IFRS 11, "Joint arrangements" focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The Group has no effects due to this standard.

– IFRS 12, "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The Group will apply IFRS 12 for the accounting year commencing on 1 January 2014. The Group has no effects due to this standard.

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 2013 describes the content of the new accounting principles that are regarded as material for the Stena Group (see link http://www.stena.com/en/news-and-finance/Pages/investor-relations.aspx#!/en/news-and-finance/Pages/reports.aspx ).

## Notes to Condensed Consolidated Financial Statements (unaudited)

### Note 3 Segment information

| (MSEK) | Three month period ended 30 June | | Six month period ended 30 June | |
|---|---|---|---|---|
| | 2013 | 2014 | 2013 | 2014 |
| *Income from operations:* | | | | |
| Ferry operations | 87 | 269 | (181) | (13) |
| Drilling | 297 | 599 | 592 | 958 |
| Shipping: Roll-on/Roll-off vessels | (6) | 6 | (5) | 21 |
| Tankers | 79 | 63 | 151 | 214 |
| Other shipping | (23) | (23) | (52) | (54) |
| Total shipping | 50 | 46 | 94 | 181 |
| Property: | 421 | 402 | 729 | 766 |
| Net gain on sale of properties | 23 | - | 49 | - |
| Net valuations on investment properties | 23 | 77 | 51 | 152 |
| Total property | 467 | 479 | 829 | 918 |
| Investments, Adactum: | 228 | 173 | 246 | 205 |
| Other | (97) | (133) | (185) | (208) |
| Total | **1,031** | **1,433** | **1,394** | **2,041** |
| *Depreciation and amortization:* | | | | |
| Ferry operations | 319 | 379 | 623 | 713 |
| Drilling | 440 | 505 | 856 | 989 |
| Shipping: Roll-on/Roll-off vessels | 91 | 79 | 155 | 151 |
| Tankers | 99 | 102 | 194 | 201 |
| Other shipping | 4 | 7 | 8 | 14 |
| Total shipping | 194 | 188 | 357 | 366 |
| Property | 1 | 0 | 3 | 1 |
| Investments, Adactum | 93 | 100 | 176 | 198 |
| Other | 5 | 7 | 11 | 14 |
| Total | **1,052** | **1,179** | **2,026** | **2,281** |
| *EBITDA from operations:* | | | | |
| Ferry Operations | 406 | 648 | 442 | 700 |
| Drilling | 737 | 1,104 | 1,448 | 1,947 |
| Shipping: Roll-on/Roll-off vessels | 85 | 85 | 150 | 172 |
| Tankers | 178 | 165 | 345 | 415 |
| Other shipping | (19) | (16) | (44) | (40) |
| Total shipping | 244 | 234 | 451 | 547 |
| Property | 468 | 479 | 832 | 919 |
| Investments, Adactum | 321 | 273 | 422 | 403 |
| Other | (92) | (126) | (175) | (194) |
| Total | **2,084** | **2,612** | **3,420** | **4,322** |
| *Capital expenditures:* | | | | |
| Ferry operations | | | 216 | 511 |
| Drilling | | | 1,421 | 1,968 |
| Shipping: Roll-on/Roll-off vessels | | | 78 | 113 |
| Tankers | | | 382 | 68 |
| Other shipping | | | 9 | 37 |
| Total shipping | | | 469 | 218 |
| Property | | | 443 | 586 |
| Investments, Adactum | | | 853 | 171 |
| Other | | | 7 | 13 |
| Total | | | **3,409** | **3,467** |

## 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 Six Months of 2014

In January 2014, the Ropax vessel *Dieppe Seaways*, was acquired. The vessel is a sister vessel to *Stena Superfast VII* and *Stena Superfast VIII*. *Dieppe Seaways* is on a charter to DFDS Seaways until November 2014.

In January 2014, a ten year bond of MUSD 600 was issued. The purpose of this transaction was to extend existing profile of amortization and pay off outstanding amounts under our credit facility.

In February 2014 another ten year bond of MUSD 350 was issued. In connection with the MUSD 350 bond, a so called Term loan B, was entered into for an amount of MUSD 650, which is a seven year loan with low rate of amortization. The securities for both the bond and the loan consist of the drilling units *Stena DrillMAX* and *Stena Carron*. The purpose of this transaction was to refinance the outstanding loans secured by the two drilling vessels to existing profile of amortization and increase liquidity. In connection with this transaction the available facility amount under the in existing RCF (Revolving Credit Facility) of MUSD 1,000 was reduced to MUSD 600.

In February 2014, Stena Line acquired the operation on the route Rosslare (Ireland) – Cherbourg (France). The acquisition will benefit the network as well as improve Stena Line’s strategic position in the southern part of Ireland. The operation was taken over as from April 2014.

In June 2014, Stena Fastigheter agreed to acquire the SCA building for MSEK 868 currently under construction in the centre of Mölndal. The property contains 25,000 square meters of offices and an innovation centre for SCA, which has signed a long lease. Completion will take place in December 2016.

### Subsequent Events

In July 2014, we sold one property in London for MGBP 41.

In July 2014, we decided to stop the operation on the route between Sokcho in South Korea and Zarubino and Vladivostok in Russia.

In July 2014, the financing (MUSD 574) arrangement for one semi-submersible new-build rig has been completed.

The current option at Samsung for a second midwater drilling rig has been extended to November 2014.

**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 six month period that ended on 30 June 2014, approximately 29% of our total revenues were generated in USD, approximately 18% were generated in EUR, approximately 12% were generated in GBP and approximately 29% were generated in SEK.

In the six month period ended 30 June 2014, approximately 21% of our total expenses were incurred in USD, approximately 14% were incurred in EUR, approximately 17% were incurred in GBP and approximately 35% 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:

| *Average rates:* | **Jan - June 2013** | **Jan - June 2014** | **Change** |
|---|---|---|---|
| US $ ............................................................................ | 6.4958 | 6.5290 | 1% |
| British pound.................................................................. | 10.0298 | 10.8962 | 8% |
| Euro.............................................................................. | 8.5299 | 8.9506 | 5% |

| *Closing rates:* | **As of 31 Dec 2013** | **As of 30 June 2014** | **Change** |
|---|---|---|---|
| US $ ............................................................................ | 6.4279 | 6.6888 | 4% |
| British pound.................................................................. | 10.6529 | 11.4411 | 7% |
| Euro.............................................................................. | 8.8567 | 9.1572 | 3% |

***Revenues***

Total revenues increased by MSEK 1,287 to MSEK 15,503 in the six months ended 30 June 2014 compared to MSEK 14,216 in the six months ended 30 June 2013, as a result of increased revenues in all segments.

***Direct Operating Expenses***

Total direct operating expenses increased by MSEK 351 to MSEK 9,350 in the six months that ended on 30 June 2014, compared to MSEK 8,999 in the six months ended 30 June 2013, as a result of increased operating expenses in all segments except for the property segment.

***Selling and Administrative Expenses***

Selling and administrative expenses decreased by MSEK 64 to MSEK 1,983 in the six months that ended 30 June 2014, compared to MSEK 1,919 in the six month period that ended on 30 June 2013.

***Depreciation and Amortization***

Depreciation and amortization charges increased by MSEK 255 to MSEK 2,281 in the six months ended 30 June 2014, compared to MSEK 2,026 in the six months ended 30 June 2013, mainly as a result of new acquisitions.

***EBITDA***

The EBITDA for the total Group increased by MSEK 902 to MSEK 4,322 in the six months that ended on 30 June 2014 compared to MSEK 3,420 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 increased by MSEK 258 to MSEK 700 in the six months ended 30 June 2014, from MSEK 442 in the corresponding period in 2013 mainly due to increased freight volumes, cost saving programs, offset by a goodwill impairment of an acquisition of the new route Rosslare (Ireland)-Cherbourg (France). Car/freight volumes increased: +1% / +7% compared to the corresponding period last year.

In 2014, Stena Line is continuing restructuring some of its operations to improve profitability. Stena Line is focusing on improving cost efficiency, advantages of scale, freight and cargo operations.

***Drilling Operations***

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

EBITDA increased by MSEK 499 to MSEK 1,947 in the six month period 2014 compared to MSEK 1,448 in the corresponding period in 2013. The increase is due to improved charter rates and that *Stena DrillMax* & *Stena Spey* was on SPS (Special Periodic Survey) in 2013 offset by *Stena Carron* being offhire during a planned SPS for the corresponding period this year.

The majority of the drilling units have good contract coverage; six out of seven units are contracted through 2015.

***Shipping Operations***

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 MSEK 415 in the six month period ended 30 June 2014 compared to MSEK 345 for the same period in 2013. The increase is due to improved charter rates for *Stena Blue* Sky, high utilization for LNG and increased T/C-net for primarily Aframax and Suezmax segments.

Operationally and technically the fleet is performing well.

*RoRo Operations*

EBITDA from chartering out Roll-on/Roll-off vessels increased by MSEK 22 to MSEK 172 in the six month period ended 30 June 2014, from MSEK 150 in the same period in 2013. The increase is mainly due to acquisitions of new vessels and higher utilization.

***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 MSEK 919 for the six month period ended 30 June 2014, compared to MSEK 832 for the same period in 2013, mainly due to favorable winter season, lower maintenance and operational costs and dividends from property funds. Occupancy rates for Swedish properties were approximately 98%, and non-Swedish properties were approximately 83% which is mainly due to the weak Dutch market.

***Investments, Adactum***

The EBITDA for Stena Adactum decreased by MSEK 19 to MSEK 403 in the six month period ended 30 June 2014, compared to MSEK 422 in 2013.

*Ballingslöv:* EBITDA for the six months ended 30 June 2014 was MSEK 124, compared to MSEK 135 for the six months ended 30 June 2013.

*Envac:* EBITDA for the six months ended 30 June 2014 was MSEK 17 compared to MSEK 24 in the corresponding period in 2013. EBITDA is lower than the corresponding period last year due to a weaker construction market with delayed projects as a consequence.

*Stena Renewable:* EBITDA for the six months ended 30 June 2014 was MSEK 135 compared to MSEK 121 for the corresponding period in 2013. The higher EBITDA is due to an increased number of windmills.

*Mediatec:* EBITDA for the six months ended 30 June 2014 was MSEK 79 compared to MSEK 105 for the corresponding period in 2013. The decrease is due to lower volumes.

*Blomsterlandet:* EBITDA for the six months ended 30 June 2014 was MSEK 79 compared to MSEK 66 in the same corresponding period in 2013. The increase is due to a warmer spring in Sweden.

***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 MSEK 152 for the six month period ended 30 June 2014, as compared to MSEK 51 for the same period in 2013.

*Net gain on sale of vessels.* In the six months ended 30 June 2014 there were no sales of vessels. In 2013 net gains of MSEK 22 were recorded for sale of the vessel *Stena Baltica*.

*Net gain on sale of properties.* In the six month period ended 30 June 2014 there were no sales of properties. In 2013 net gains from sale of properties were MSEK 49.

***Financial Income/(Expense)***

Total financial expenses net increased by MSEK 152 to MSEK (901) in the six months ended 30 June 2014, from MSEK (749) in the six months ended 30 June 2013, mainly due to increased interest expenses and decreased unrealized gains of the financial portfolios compared to last year, offset by an increased FX net.

The share of affiliated companies’ results in the six months ended 30 June 2014 relates to Stena’s portion of the results in Midsona AB (publ), Gunnebo AB (publ) and Wisent Oil and Gas.

***Income Taxes***

Income taxes for the six months that ended on 30 June 2014, were MSEK (220), consisting of current taxes of MSEK (126) and deferred taxes of MSEK (94). Income taxes for the six months that ended on 30 June 2013, were MSEK 115, consisting of current taxes of MSEK (189) and deferred taxes of MSEK 304.

**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 30 June 2014, total cash and marketable securities amounted to MSEK 7,429 as compared to MSEK 7,990 as of 31 December 2013.

For the six months ended 30 June 2014, cash flows provided by operating activities amounted to MSEK 3,201, as compared to MSEK 1,062 in the first six months ended 30 June 2013. For the six months ended 30 June 2014 cash flows used in investing activities amounted to MSEK (3,882), including MSEK (3,467) related to capital expenditures, as compared to MSEK (1,974), including MSEK (3,409) related to capital expenditures, in the six months ended 30 June 2013. Cash flows provided by financing activities for the six months ended 30 June 2014 amounted to MSEK 104, as compared to MSEK 910 in the six months ended 30 June 2013.

As of 30 June 2014, the total construction in progress was MSEK 3,292, as compared to MSEK 2,450 as of 31 December 2013. The remaining capital expenditure commitment for new buildings on order as of 30 June 2014 was MSEK 4,460, of which MSEK 768 is due during 2014, MSEK 331 is due in 2015 and MSEK 3,362 is due in 2016. 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 30 June 2014, total interest bearing debt was MSEK 57,629, excluding debt in SPEs, as compared to MSEK 56,100 as of 31 December 2013.

During the first quarter 2014 our MUSD 1.000 revolving credit facility has been reduced to MUSD 600 in connection with issuing of USD 1.6 billion in new debt. As of 30 June 2014, MUSD 272 was utilized under our MUSD 600 revolving credit facility of which MUSD 6 was used for issuing bank guarantees and letters of credit. As of 31 December 2013, MUSD 625 was utilized under our USD 1 billion revolving credit facility, including MUSD 6 used for issuing bank guarantees and letters of credit.

As of 30 June 2014, MUSD 205 was utilized under the MUSD 300 revolving credit facility entered into by Stena International S.A. as compared to MUSD 146 as of 31 December 2013.

Our MSEK 300 credit facility in Stena Adactum has been refinanced. The new MSEK 700 revolving credit facility with Svenska Handelsbanken matures 30 June 2017. As of 30 June 2014 MSEK 600 was outstanding.

During 2010, we entered into a MSEK 6,660 revolving credit facility with Svenska Handelsbanken and Nordea, guaranteed by EKN. This facility had utilization of MSEK 2,884 as of 30 June 2014 compared to MSEK 6,436 as of 31 December 2013.

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 six months ended 30 June 2014, Restricted Group Data represent 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.àr.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.àr.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 30 June 2014, we had outstanding MEUR 300 principal amount of Senior Notes due 2017, MEUR 102 principal amount of Senior Notes due 2019 and MEUR 200 principal amount of Senior Notes due 2020.

In January 2014, a ten year bond of MUSD 600 was issued. The purpose of this transaction was to extend existing profile of amortization and pay off outstanding amounts under our credit facility.

In February 2014 another ten year bond of MUSD 350. In connection with the MUSD 350 bond, a so called Term Loan B was entered in to for an amount of MUSD 650, which is a seven year loan with low rate of amortization. The securities for both bond and loan consist of the drilling units *Stena DrillMAX* and *Stena Carron*. The purpose of this transaction was to refinance the outstanding loans secured by the two drilling vessels to existing profile of amortization and increase liquidity. In connection with this transaction the available facility amount under the existing RCF (Revolving Credit Facility) of MUSD 1,000 was reduced to MUSD 600.

## Condensed Consolidated Income Statements – Restricted Group

| (MSEK) (unaudited) | Six month period ended 30 June 2013 | 2014 |
|---|---|---|
| Revenues: | | |
| Ferry operations | 5,052 | 5,485 |
| Drilling | 3,308 | 3,912 |
| Shipping | 1,220 | 1,433 |
| Other | 14 | 1 |
| **Total revenues** | **9,594** | **10,831** |
| | | |
| Net gain on sales of assets | 22 | - |
| Total other income | **22** | **0** |
| | | |
| Direct operating expenses: | | |
| Ferry operations | (4,020) | (4,254) |
| Drilling | (1,583) | (1,607) |
| Shipping | (670) | (722) |
| Other | (13) | (28) |
| Total direct operating expenses | **(6,286)** | **(6,611)** |
| | | |
| Selling and administrative expenses | (1,145) | (1,198) |
| Depreciation and amortization | (1,848) | (2,087) |
| | | |
| Total operating expenses | **(9,279)** | **(9,896)** |
| | | |
| Income/(loss) from operations | **337** | **935** |
| | | |
| Net financial income and expenses: | | |
| Dividends received | 1 | 1 |
| Net gain (loss) on securities | 0 | (45) |
| Interest income | 177 | 145 |
| Interest expense | (802) | (874) |
| Foreign exchange gains (losses), net | 4 | 106 |
| Other financial income (expenses), net | (76) | (80) |
| | | |
| Total financial income and expenses | **(696)** | **(747)** |
| | | |
| Income/(loss) after financial income and expenses | **(359)** | **188** |
| | | |
| Non-controlling interest | 14 | 1 |
| | | |
| Income/(loss) before tax | **(345)** | **189** |
| | | |
| Income taxes | 235 | (16) |
| | | |
| Net income/(loss) | **(110)** | **173** |

## Condensed Consolidated Balance Sheets – Restricted Group

| (MSEK) (unaudited) | 31 December 2013 | 30 June 2014 |
|---|---|---|
| **ASSETS** | | |
| *Noncurrent assets:* | | |
| Intangible assets | 1,387 | 1,450 |
| Tangible fixed assets: | | |
| Vessels | 40,956 | 42,671 |
| Construction in progress | 2,202 | 2,950 |
| Equipment | 1,203 | 1,229 |
| Ports | 3,261 | 3,400 |
| Property | 471 | 527 |
| Total tangible fixed assets | **48,093** | **50,777** |
| Financial fixed assets: | | |
| Marketable securities | 409 | 336 |
| Intercompany accounts, noncurrent | 5,997 | 5,539 |
| Other assets | 8,879 | 9,727 |
| Total noncurrent assets | **64,765** | **67,829** |
| *Current assets:* | | |
| Inventories | 266 | 303 |
| Trade debtors | 2,012 | 2,230 |
| Other receivables | 1,877 | 1,567 |
| Prepaid expenses and accrued income | 1,617 | 2,210 |
| Short-term investments | 1,223 | 969 |
| Cash and cash equivalents | 1,136 | 719 |
| Total current assets | **8,131** | **7,998** |
| Total assets | **72,896** | **75,827** |

### SHAREHOLDERS' EQUITY AND LIABILITIES

| | | |
|---|---|---|
| *Shareholders' equity:* | | |
| Share Capital | 5 | 5 |
| Reserves | 26,355 | 27,324 |
| Equity attributable to shareholders of the company | 26,360 | 27,329 |
| Non-controlling interest | 107 | 109 |
| Total Equity | **26,467** | **27,438** |
| *Noncurrent liabilities:* | | |
| Deferred income taxes | 698 | 648 |
| Other provisions | 1,175 | 1,143 |
| Long-term debt | 29,388 | 25,387 |
| Senior notes | 5,303 | 11,867 |
| Capitalized lease obligations | 516 | 452 |
| Other noncurrent liabilities | 222 | 208 |
| Total noncurrent liabilities | **37,302** | **39,705** |
| *Current liabilities:* | | |
| Short-term debt | 3,604 | 1,917 |
| Capitalized lease obligations | 156 | 164 |
| Trade accounts payable | 757 | 961 |
| Income tax payable | 77 | 87 |
| Other liabilities | 1,472 | 1,536 |
| Intercompany liabilities | 710 | 632 |
| Accrued costs and prepaid income | 2,351 | 3,387 |
| Total current liabilities | **9,127** | **8,684** |
| Total shareholders' equity and liabilities | **72,896** | **75,827** |

## Condensed Consolidated Statements of Cash Flow – Restricted Group

| **(MSEK)** **(unaudited)** | **Six month period ended 30 June** **2013** | **2014** |
|---|---|---|
| ***Net cash flows from operating activities:*** | | |
| Net income/(loss) | (110) | 173 |
| Adjustments to reconcile net income/(loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,848 | 2,087 |
| Gain on sale assets | (22) | - |
| (Gain) loss on securities, net | 0 | 45 |
| Unrealized foreign exchange (gains) losses | (206) | (264) |
| Deferred income taxes | (389) | (76) |
| Other non-cash items | (99) | (44) |
| Pensions | (64) | (77) |
| Net cash flows from trading securities | (60) | 59 |
| Changes in working capital | 452 | 626 |
| Net cash provided by/used in operating activities | **1,350** | **2,529** |
| ***Net cash flows from investing activities:*** | | |
| Purchase of intangible assets | (62) | (94) |
| Cash proceeds from sale of property, vessels and equipment | 169 | 9 |
| Capital expenditure on property, vessels and equipment | (2,113) | (2,708) |
| Purchase of subsidiaries, net of cash acquired | 59 | - |
| Proceeds from sale of securities | 229 | 32 |
| Purchase of securities | (276) | (24) |
| Other investing activities | (75) | (158) |
| Net cash used in investing activities | **(2,069)** | **(2,943)** |
| ***Net cash flows from financing activities:*** | | |
| Proceeds from issuance of debt | 6 | 10,386 |
| Principal payments on debt | (1,805) | (4,999) |
| Net change in borrowings on line-of-credit agreements | 1,811 | (5,614) |
| Principal payments on capital lease obligations | (57) | (79) |
| Net change in restricted cash accounts | 80 | 229 |
| Intercompany accounts | 728 | 564 |
| Dividend paid | (189) | (210) |
| Other financing activities | 1 | (313) |
| Net cash provided by financing activities | **575** | **(36)** |
| Effect of exchange rate changes on cash and cash equivalents | 109 | 33 |
| Net change in cash and cash equivalents | (35) | (417) |
| Cash and cash equivalents at beginning of period | **836** | **1,136** |
| Cash and cash equivalents at end of period | **801** | **719** |

## Other data – Restricted Group

| **(MSEK)** | **Six month period ended 30 June** | |
|---|---|---|
| | **2013** | **2014** |
| OTHER DATA: | | |
| Adjusted EBITDA | 2,362 | 3,167 |

Adjusted EBITDA is defined as income from operations plus cash dividends received from affiliated companies, interest income, depreciation and amortization, non-controlling interest and non-cash charges 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:

| **(MSEK)** | **Six month period ended 30 June** | |
|---|---|---|
| | **2013** | **2014** |
| Income from operations | 337 | 935 |
| Adjustments: | | |
| Interest income | 177 | 145 |
| Depreciation and amortization | 1,848 | 2,087 |
| **Adjusted EBITDA** | **2,362** | **3,167** |
| Adjustments: | | |
| Gain on sale of vessels | (22) | - |
| Net cash flows from trading securities | (60) | 59 |
| Interest expenses | (802) | (874) |
| Unrealized foreign exchange (gains) losses | (206) | (264) |
| Pensions | (64) | (77) |
| Other non-cash items | (99) | (44) |
| Changes in working capital | 452 | 626 |
| Other items | (211) | (64) |
| **Net cash provided by operating activities** | **1,350** | **2,529** |