

STENA AB (publ.)

Interim Report for the nine-month period 1 January – 30 September 2017

Highlights:

- Income before taxes amounts to SEK 1,112 million for the nine month period ended 30 September 2017, compared to SEK 2,236 million for the nine month period ended 30 September 2016.
- Consolidated EBITDA, excluding net gain on sale of assets and change in fair value of investment properties, for the nine month period ended 30 September 2017 amounted to SEK 5,835 million compared to SEK 7,483 million for the nine month period ended 30 September 2016.

Ferry Operation

- EBITDA continues on historical high levels across the regions and markets with continued increased volumes both on freight and travel segments, offset by increased bunker costs and a challenging North Sea Market.

Offshore Drilling

- EBITDA is reduced due to the weak market resulting in reduced rates and less operational days. The SPS of *Stena IceMAX* and *Stena DrillMAX* in 2017 have also reduced the amount of operational days. The weaker conditions have partly been mitigated by our successful Cost Race Program.

Shipping

- EBITDA decreased compared to last year mainly due to the weaker tanker market in general and crude oil / Suezmax segments in particular.
- Tanker MR segment now includes full consolidation of Stena Weco.

Property

- EBITDA continues to increase operationally which is driven by successful property management and increased portfolio due to acquisition of residential and commercial properties combined with construction of new residential properties.

Adactum

- EBITDA increases due to strong performance especially within Ballingslöv and Envac.

Other

- Stena acquired IL Recycling, a waste management supplier of recycling services, with operations in Sweden and Poland as of 30 June 2016. The Polish operations were sold to Stena Recycling AB in November 2016. On 1 March 2017, the remaining recycling operations, which were included in the IL Recycling AB acquisition, were sold to Stena Recycling AB. Other operations, mainly property, remain with the Stena AB Group.
- Improved financial net due to lower interests and successful asset management.
 - The liquidity position remains strong as of 30 September 2017. Available liquidity amounted to SEK 16.9 billion. Our EUR 300 million bond was repaid at maturity in February 2017.

Date: 29 November 2017

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.

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Condensed Consolidated Income Statements (unaudited)

(SEK in million)	Three month period ended 30 Sept		Nine month period ended 30 Sept	
	2016	2017	2016	2017
Revenue:				
Ferry Operations	4,132	4,055	9,769	9,858
Offshore Drilling	1,837	592	5,716	3,120
Shipping	635	1,291	2,041	4,334
Property	634	691	1,897	2,064
Adactum	1,457	1,450	4,962	5,014
Other	<u>437</u>	<u>4</u>	<u>442</u>	<u>252</u>
Total revenue	9,132	8,083	24,827	24,642
Change in fair value of investment properties	1,101	104	1,212	188
Net gain on sale of non-current assets	<u>77</u>	<u>342</u>	<u>376</u>	<u>506</u>
Total other income	1,178	446	1,588	694
Direct operating expenses:				
Ferry Operations	-2,494	-2,461	-6,521	-6,711
Offshore Drilling	-638	-523	-2,097	-1,362
Shipping	-386	-972	-1,126	-3,357
Property	-181	-188	-627	-660
Adactum	-1,097	-1,127	-3,706	-3,758
Other	<u>-289</u>	<u>-32</u>	<u>-234</u>	<u>-127</u>
Total direct operating expenses	-5,084	-5,304	-14,312	-15,975
Selling and administrative expenses	-1,096	-715	-3,032	-2,832
Depreciation, amortisation and impairment	<u>-2,736</u>	<u>-1,493</u>	<u>-5,525</u>	<u>-4,339</u>
Total operating expenses	-8,917	-7,513	-22,869	-23,146
Operating profit	<u>1,393</u>	<u>1,017</u>	<u>3,546</u>	<u>2,190</u>
Profit/loss from investments in strategic associates	15	10	36	44
Dividends received	19	21	93	80
Gains/losses on sale of securities	303	125	296	416
Interest income	33	65	248	172
Interest expenses	-611	-520	-1,829	-1,541
Exchange gains/losses	14	-70	36	-32
Other finance income/costs	<u>-8</u>	<u>-25</u>	<u>-190</u>	<u>-217</u>
Financial net	-236	-395	-1,310	-1,078
Profit before tax	<u>1,157</u>	<u>622</u>	<u>2,236</u>	<u>1,112</u>
Income taxes	<u>-257</u>	<u>-442</u>	<u>28</u>	<u>-629</u>
Profit for the period	<u>900</u>	<u>180</u>	<u>2,263</u>	<u>483</u>
Profit for the period attributable to:				
Shareholders of the Parent company	903	180	2,276	500
Non-controlling interests	<u>-3</u>	<u>-</u>	<u>-13</u>	<u>-17</u>
Profit for the period	<u>900</u>	<u>180</u>	<u>2,263</u>	<u>483</u>



Consolidated Statements of Comprehensive Income (unaudited)

(SEK in million)	Three month period ended 30 Sept		Nine month period ended 30 Sept	
	2016	2017	2016	2017
Profit for the period	900	180	2,263	483
Other comprehensive income				
<i>Items that may subsequently be reclassified to profit or loss:</i>				
Change in fair value reserve, net of tax	36	22	194	-7
Change in net investment hedge, net of tax.....	3	168	-727	-364
Change in translation reserve	447	-374	480	-1,197
Share of other comprehensive income of associates	29	-12	81	-28
<i>Items that will not be reclassified to profit or loss:</i>				
Change in revaluation reserve	-6	-7	-117	-71
Share of other comprehensive income of associates	-25	15	-40	15
Other comprehensive income for the period....	<u>484</u>	<u>-189</u>	<u>-129</u>	<u>-1,652</u>
Total comprehensive income for the period.....	<u>1,384</u>	<u>-9</u>	<u>2,135</u>	<u>-1,170</u>
Total comprehensive income attributable to:				
Shareholders of the Parent company	1,386	-9	2,147	-1,152
Non-controlling interests.....	-2	-	-13	-17
Total comprehensive income for the period, net of tax	<u>1,384</u>	<u>-9</u>	<u>2,135</u>	<u>-1,170</u>

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



Condensed Consolidated Balance Sheet (unaudited)

(SEK in million)	31 December 2016	30 September 2017
ASSETS		
<i>Non-current assets:</i>		
Intangible assets	3,771	4,022
<i>Property, plant and equipment:</i>		
Vessels	43,064	37,683
Construction in progress	5,972	2,342
Windmills	2,380	2,318
Equipment	1,702	2,055
Land and buildings	1,244	1,206
Ports	<u>3,659</u>	<u>3,489</u>
Total property, plant and equipment	58,021	49,093
Investment properties	35,466	36,966
<i>Financial assets:</i>		
Investments reported according to the equity method ...	2,308	2,076
Marketable securities	7,253	5,990
Surplus in funded pension plans	264	326
Other non-current assets	<u>4,661</u>	<u>6,863</u>
Total financial assets	14,486	15,255
Total non-current assets	<u>111,744</u>	<u>105,336</u>
<i>Current assets:</i>		
Inventories	905	1,034
Trade receivables	2,847	2,554
Other current receivables	2,476	2,225
Prepayments and accrued income	2,095	1,862
Short-term investments	894	828
Cash and cash equivalents	1,322	1,375
Assets held for sale	<u>1,416</u>	-
Total current assets	<u>11,955</u>	<u>9,878</u>
Total assets	<u>123,699</u>	<u>115,214</u>
 EQUITY AND LIABILITIES		
Total equity	<u>46,533</u>	<u>45,204</u>
<i>Non-current liabilities:</i>		
Deferred tax liabilities	4,623	4,557
Pension liabilities	611	522
Other provisions	670	606
Long-term debt	43,318	41,388
Senior Notes	10,878	10,052
Capitalised lease obligations	70	65
Other non-current liabilities	<u>2,489</u>	<u>2,092</u>
Total non-current liabilities	<u>62,659</u>	<u>59,282</u>
<i>Current liabilities:</i>		
Short-term debt	2,100	1,978
Senior Notes	2,702	-
Capitalised lease obligations	11	18
Trade payables	1,647	1,760
Tax liabilities	74	295
Other liabilities	2,294	2,815
Accruals and deferred income	4,860	3,862
Assets held for sale	<u>819</u>	-
Total current liabilities	<u>14,507</u>	<u>10,727</u>
Total equity and liabilities	<u>123,699</u>	<u>115,214</u>

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



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		
Closing balance, 31 December 2015	5	2,112	41,085	43,201	112	43,313
Change in fair value reserve		194		194		194
Change in net investment hedge		-727		-727		-727
Change in revaluation reserve		-160	43	-117		-117
Change in translation reserve		479		479	1	480
Change in associates			41	41		41
Other comprehensive income		-214	84	-130	1	-129
Profit for the year			2,276	2,276	-13	2,263
Total comprehensive income		-214	2,360	2,147	-12	2,135
Dividend			-425	-425		-425
Closing balance, 30 September 2016	5	1,898	43,020	44,923	100	45,023
Closing balance, 31 December 2016	5	3,627	42,801	46,433	100	46,533
Change in fair value reserve		-7		-7		-7
Change in net investment hedge		-364		-364		-364
Change in revaluation reserve		-119	47	-72		-72
Change in translation reserve		-1,196		-1,196	-1	-1,197
Change in associates			-13	-13		-13
Other comprehensive income		-1,686	34	-1,652	-1	-1,653
Profit for the year			500	500	-17	483
Total comprehensive income		-1,686	535	-1,152	-18	-1,170
Changes in non-controlling interest					45	45
Dividend			-205	-205		-205
Closing balance, 30 September 2017	5	1,941	43,131	45,077	127	45,204



Condensed Consolidated Statement of Cash Flows (unaudited)

(SEK in million)	Nine month period ended 30 September	
	2016	2017
<i>Cash flow from operating activities:</i>		
Profit for the year	2,263	483
Adjustments to reconcile profit for the year to net cash provided by operating activities:		
Depreciation, amortisation and impairment	5,525	4,339
Change in fair value of investment properties	-1,212	-188
Gain on sale of non-current assets	-376	-506
Gains/losses on sale of securities net	-296	-416
Share of strategic associates result	-36	-44
Deferred income taxes	-60	212
Exchange differences, unrealised	271	946
Other non-cash items	-322	-65
Pensions	-344	-163
Dividend from operational associates and joint ventures	101	31
Investments and disposals of associates and joint ventures	-154	293
Net cash flow from trading securities	23	-32
Trade and other receivables	-1,226	645
Prepayments and accrued income	21	178
Inventories	-223	-45
Trade payables	-26	-109
Accruals and deferred income	-365	-967
Income tax payable	-28	379
Other current liabilities	<u>236</u>	<u>-81</u>
Cash flow from operating activities	<u>3,772</u>	<u>4,890</u>
<i>Cash flow from investing activities:</i>		
Purchase of intangible assets	-71	-123
Sale of property, plant and equipment	2,317	1,678
Capital expenditure on property, plant and equipment	-4,088	-4,190
Purchase and sale of operations, net of cash	-622	73
Dividend from strategic associates and joint ventures	28	48
Investments and disposals in strategic associates and joint ventures	-6	-8
Sale of securities	1,979	3,687
Purchase of securities	-1,778	-2,834
Other investing activities	-274	15
Cash flow from investing activities	<u>-2,515</u>	<u>-1,654</u>
<i>Cash flow from financing activities:</i>		
Proceeds from issuance of short and long-term debt	1,003	1,582
Principal payments on short and long-term debt	-2,217	-5,123
Net change in borrowings on line-of-credit agreements	110	976
Principal payments on capitalised lease obligations	-32	-391
Net change in restricted cash accounts	0	55
Dividend paid	-425	-205
Other financing activities	-3	-38
Cash flow from financing activities	<u>-1,564</u>	<u>-3,144</u>
Effect of exchange rate changes on cash and cash equivalents	15	-39
Net change in cash and cash equivalents	-292	53
Cash and cash equivalents at beginning of period	<u>2,311</u>	<u>1,322</u>
Cash and cash equivalents at end of period	<u>2,019</u>	<u>1,375</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 2016, 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 nine months ended on 30 September 2017 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 2016, 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 2016 describes the content of the new accounting principles that are regarded as material for the Stena Group (see www.stena.com).

New IFRS regulations to be applied in 2018

As from January 1, 2018, IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers will become effective.

IFRS 9 Financial instruments

IFRS 9 encompasses the accounting standards for financial assets and liabilities, and replaces IAS 39 Financial Instruments: Recognition and Measurement. To date the only implication identified that could be significant on the Group’s consolidated financial statements is that some holdings within the Stena AB group will be reclassified.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces all existing revenue requirements in IFRS, and its requirement also provides a model for the recognition of revenue. To date no significant implications on the Group’s consolidated financial statements have been noted, but there will be an impact on disclosures.



Notes to Condensed Consolidated Financial Statements (unaudited)

Note 3 Segment information

(SEK in million)	Three month period ended 30 September		Nine month period ended 30 September	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
<i>Operating profit/loss</i>				
Ferry Operations	1,054	989	1,561	1,424
Offshore Drilling.....	-1,097	-738	-517	-831
Shipping: Roll-on/Roll-off vessels.....	50	246	343	342
Tanker.....	-126	-110	-130	-308
Other shipping	<u>1</u>	<u>-20</u>	<u>-19</u>	<u>-9</u>
Total Shipping	-75	116	195	25
Property:	385	438	1,090	1,221
Net gain on sale of properties	75	32	75	169
Change in fair value of investment properties.....	<u>1,101</u>	<u>104</u>	<u>1,212</u>	<u>188</u>
Total Property	1,561	574	2,377	1,578
Adactum.....	22	33	169	239
Other	<u>-72</u>	<u>43</u>	<u>-238</u>	<u>-245</u>
Total Operating profit/loss	<u>1,393</u>	<u>1,017</u>	<u>3,546</u>	<u>2,190</u>
<i>Depreciation, amortisation and impairment:</i>				
Ferry Operations	332	352	996	1,045
Offshore Drilling.....	2,114	869	3,643	2,411
Shipping: Roll-on/Roll-off vessels.....	74	64	221	191
Tanker.....	128	140	384	433
Other shipping	<u>6</u>	<u>8</u>	<u>19</u>	<u>22</u>
Total Shipping	209	212	624	646
Property.....	1	1	3	2
Adactum	71	51	235	201
Other	<u>9</u>	<u>8</u>	<u>24</u>	<u>34</u>
Total.....	<u>2,736</u>	<u>1,493</u>	<u>5,525</u>	<u>4,339</u>



Notes to Condensed Consolidated Financial Statements (unaudited)

(SEK in million)	Three month period ended 30 September		Nine month period ended 30 September	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
<i>EBITDA</i>				
Ferry Operations	1,386	1,342	2,557	2,469
Offshore Drilling.....	1,017	131	3,126	1,580
Shipping:				
Roll-on/Roll-off vessels	124	310	564	533
Tanker	3	30	254	125
Other shipping.....	<u>7</u>	<u>-12</u>	<u>0</u>	<u>13</u>
Total Shipping.....	134	328	818	671
Property.....	387	428	1,094	1,212
Net gain on sale of properties.....	75	43	75	180
Change in fair value of investment properties	<u>1,101</u>	<u>104</u>	<u>1,212</u>	<u>188</u>
Total Property	1,562	575	2,380	1,580
Adactum	93	84	404	440
Other	<u>-63</u>	<u>50</u>	<u>-214</u>	<u>-211</u>
Total EBITDA	<u>4,129</u>	<u>2,510</u>	<u>9,071</u>	<u>6,529</u>
<i>Capital expenditures:</i>				
Ferry Operations			688	527
Offshore Drilling.....			1,259	1,023
Shipping: Roll-on/Roll-off vessels.....			31	21
Tanker.....			463	696
Other shipping			<u>160</u>	<u>114</u>
Total Shipping.....			654	831
Property.....			1,299	1,632
Adactum.....			165	145
Other			<u>23</u>	<u>32</u>
Total.....			<u>4,088</u>	<u>4,190</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 Nine Months of 2017

In February our 300 MEUR bond was repaid at maturity.

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

In March 2017, Stena Line GmbH acquired the vessel *M/S Mecklenburg Vorpommern* and the vessel was sold on to Havgalleskären AB on the same day. The new owner, Havgalleskären AB, is chartering back the vessel to Stena Line GmbH on a five-year bareboat charter.

In March 2017, a commercial property of 35,000 m² was sold in Haninge in Stockholm. Also in March 2017, an office building was sold in Hoofddorp, Netherlands.

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

Stena and its joint venture partner SeaLine has agreed that Stena is leaving the cooperation in the Black Sea as of April 3. SeaLine will continue operating the route.

On 1 June 2017, Stena Atlantic Ltd, an affiliate of Stena Drilling Ltd, has notified the Korean shipbuilder, Samsung Heavy Industries Co Ltd (SHI), that it has exercised its right to cancel their contract for the construction of “*Stena MidMAX*”, a dynamically positioned harsh environment semisubmersible drilling unit. The rig was ordered in June 2013 with a delivery date in March 2016. SHI has, however, been unable to complete and deliver the unit within the contractually agreed timeframe. As per 30 September, 2017, the capitalized expenses of SEK 2,815 million, previously accounted as assets under construction have been reclassified to a long-term receivable. Under the contract terms, if Stena Atlantic is held to have validly terminated the contract, Stena Atlantic is entitled to reimbursement of USD 215 million in pre-delivery instalments paid to SHI, plus accrued interest and reimbursement for the value of certain equipment it supplied during construction. Stena Atlantic is also intending to pursue claims for further compensation in respect of its costs incurred in relation to the project. SHI has disputed Stena Atlantic’s cancellation of the contract and the parties are now engaged in a London arbitration process to resolve the dispute.

In July Stena has signed a contract with AS Tallink Grupp to acquire the *Stena Superfast VII* and *Stena Superfast VIII* vessels which currently operate under charter contract on its Belfast - Cairnryan route.

In September 2017, Stena RoRo sold the ropax vessels *Napoles* and *Sicilia*.

In the third quarter 2017 the rig *Stena Clyde* was written down by SEK 107 million to its recoverable amount.



Subsequent Events

In October 2017, Stena Line has started a new route from Poland to Sweden, Gdynia-Nynäshamn.

In November, 2017 Stena RoRo acquired the vessel *Hammerodde* from Danske Faerger.

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 nine month period that ended on 30 September 2017, approximately 25% of our total revenues were generated in USD, approximately 22% were generated in EUR, approximately 13% were generated in GBP and approximately 25% were generated in SEK.

In the nine month period ended 30 September 2017, approximately 26% of our total expenses were incurred in USD, approximately 18% were incurred in EUR, approximately 16% were incurred in GBP and approximately 27% 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>	January - September 2016	January - September 2017	Change
US \$.....	8.3985	8.6126	3 %
British pound.....	11.6800	10.9738	-6 %
Euro.....	9.3731	9.5797	2 %
 <i>Closing rates:</i>	 As of 31 December 2016	 As of 30 September 2017	 Change
US \$.....	9.1061	8.1480	-11 %
British pound.....	11.2369	10.9167	-3 %
Euro.....	9.5769	9.6260	1 %

Revenues

Total revenues decreased by SEK 185 million to SEK 24,642 million in the nine months ended 30 September 2017 compared to SEK 24,827 million in the nine months ended 30 September 2016.

Direct Operating Expenses

Total direct operating expenses increased by SEK 1,663 million to SEK 15,975 million in the nine months that ended on 30 September 2017, compared to SEK 14,312 million in the nine months ended 30 September 2016.



Selling and Administrative Expenses

Selling and administrative expenses decreased by SEK 200 million to SEK 2,832 million in the nine months that ended 30 September 2017, compared to SEK 3,032 million in the nine month period that ended on 30 September 2016.

Depreciation, Amortisation and Impairment

Depreciation and amortisation charges decreased by SEK 1,186 million to SEK 4,339 million in the nine months ended 30 September 2017, compared to SEK 5,525 million in the nine months ended 30 September 2016 mainly due to the impairment of *Stena IceMAX* amounting to SEK 1,344 million in 2016.

EBITDA

The EBITDA for the consolidated Stena AB Group decreased by SEK 2,542 million to SEK 6,529 in the nine months that ended on 30 September 2017 compared to SEK 9,071 million last year mainly due to less operating days and reduced day rates for our drilling units as well as softer tanker markets and lower net valuation on investments properties.

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 decreased by SEK 88 million to SEK 2,469 million in the nine months ended 30 September 2017, from SEK 2,557 million in the corresponding period in 2016, mainly due to increased bunker costs and increased charter cost mainly due to prolonged dry dock of Mecklenburg Vorpommern and a challenging North Sea Market. Car volumes increased with 3% and freight volumes increased with 4% 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 1,546 million to SEK 1,580 million in the nine month period 2017 compared to SEK 3,126 million in the corresponding period in 2016. The decrease is mainly due to lower average charter rates and also the net impact of less operating days on contract mainly for *Stena Spey* and *Stena Don*, *Stena Forth* and *Stena IceMAX* offset by positive effects from our ongoing Cost Race Program. *Stena IceMAX* and *Stena DrillMAX* have been undertaking SPS during 2017.

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 125 million in the nine month period ended 30 September 2017 compared to SEK 254 million for the same period in 2016 due to lower rates in the crude and product tanker segments offset partly by more operational days for the LNG vessels.

RoRo Operations

EBITDA from chartering out Roll-on/Roll-off vessels decreased by SEK 31 million to SEK 533 million in the nine month period ended 30 September 2017, from SEK 564 million in the same period in 2016. The decrease is due to increased operational costs for a few vessels, the sale of *Stena Highlander* in 2016, partly offset by strong contract coverage and utilization across the fleet and firm RoPax market rates.

**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 1,580 million for the nine month period ended 30 September 2017, compared to SEK 2,380 million for the same period in 2016. The decrease is mainly due to a higher change in fair value of investment properties amounting to SEK 1,212 million in 2016 compared to SEK 188 million in 2017, offset by higher revenues due to the acquisition of a commercial property including offices and a large research- and science center, and 1,225 apartments in Sweden in late 2016. The decrease is also offset by higher revenues from sales in year 2017 than in year 2016. Occupancy rates for Swedish properties were approximately 98%, and non-Swedish properties were approximately 87%.

Adactum

The EBITDA for Stena Adactum increased by SEK 36 million to SEK 440 million in the nine month period ended 30 September 2017, compared to SEK 404 million in 2016.

Ballingslöv: EBITDA for the nine months ended 30 September 2017 was SEK 306 million, compared to SEK 219 million for the nine months ended 30 September 2016. The deviation mainly relates from a sale of a property in UK with a net gain of SEK 40 million and continued growth for Ballingslöv International.

Stena Renewable: EBITDA for the nine months ended 30 September 2017 was SEK 78 million compared to SEK 119 million for the corresponding period in 2016. The lower EBITDA is due to lower prices on electricity and certificates.

Blomsterlandet: EBITDA for the nine months ended 30 September 2017 was SEK 102 million compared to SEK 96 million in the same corresponding period in 2016.

Envac: EBITDA for the nine months ended 30 September 2017 was SEK 49 million compared to SEK 29 million in the corresponding period in 2016 due to continued growth.

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 188 million for the nine month period ended 30 September 2017, as compared to SEK 1,212 million for the same period in 2016.

Net gain on sale of vessels. In the nine months ended 30 September 2017, net gain on sale of vessels amounted to SEK 334 million which mainly relates to the sale of the vessels *M/S Mecklenburg Vorpommern*, *Napoles* and *Sicilia*. In the nine months ended 30 September 2016 net gain on sale of vessels amounted to SEK 301 million.

Net gain on sale of properties. In the nine months ended 30 September 2017, net gain on sale of properties amounted to SEK 180 million. In the nine months period ended 30 September 2016 net gain on sales of properties amounted to SEK 75 million.

Net gain on sale of operations. In the nine months ended 30 September 2017 the net loss of operations amounted to SEK -8 million. In the corresponding period 2016, there were no sales of operations.

Financial Net

Total financial net for the nine months ended 30 September 2017 was SEK -1,078 million compared to SEK -1,310 million in the corresponding period in 2016.

**Income Taxes**

Income taxes for the nine months that ended on 30 September 2017 were SEK -629 million, consisting of current taxes of SEK -417 million and deferred taxes of SEK -212 million. Income taxes for the nine months ended 30 September 2016, were SEK 28 million, consisting of current taxes of SEK -32 million and deferred taxes of SEK 60 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 30 September 2017, total cash and marketable securities including short term investments amounted to SEK 8,193 million as compared to SEK 9,469 million as of 31 December 2016.

For the nine months ended 30 September 2017, cash flows provided by operating activities amounted to SEK 4,890 million, as compared to SEK 3,772 million in the first nine months ended 30 September 2016. For the nine months ended 30 September 2017, cash flows used in investing activities amounted to SEK -1,654 million, including SEK -4,190 million related to capital expenditures, as compared to SEK -2,515 million, including SEK -4,088 million related to capital expenditures, in the nine months ended 30 September 2016. Cash flows from financing activities for the nine months ended 30 September 2017 amounted to SEK -3,144 million as compared to SEK 1,564 million in the nine months ended 30 September 2016.

As of 30 September 2017, the total construction in progress was SEK 2,342 million, as compared to SEK 5,972 million as of 31 December 2016. The remaining capital expenditure commitment for new buildings on order as of 30 September 2017 was SEK 2,684 million, of which SEK 304 million is due during 2017, SEK 541 million is due in 2018, SEK 761 million is due in 2019 and SEK 1,077 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 30 September 2017, total interest bearing debt was SEK 53,501 million as compared to SEK 59,080 million as of 31 December 2016.

As of 30 September 2017, USD 57 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 2016, USD 55 million was utilized, including USD 3 million used for issuing bank guarantees and letters of credit.

As of 30 September 2017, USD 120 million was utilized under the USD 300 million revolving credit facility entered into by Stena Investment Luxembourg S.à.r.l. compared to USD 0 million as of 31 December 2016.

As of 30 September 2017, SEK 150 million was utilized under the SEK 1,000 million revolving credit facility in Adactum as compared to SEK 250 million as of 31 December 2016.

Stena AB and its affiliates may from time to time repurchase or otherwise trade in its own debt in open market transactions. In addition, from time to time, Stena AB and its affiliates discuss strategic alternatives and consider opportunities in respect of its debt capital structure with investors and lenders.

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 nine months ended 30 September 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 30 September 2017, 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.

Stena International and Stena Holding Cyprus Ltd received dividends from Mondaldi Ltd amounting to USD 3.5 million and USD 31.5 million respectively.

Significant events specific for the restricted group

In October 2017, Stena Line has started a new route from Poland to Sweden, Gdynia-Nynäshamn.

In November, 2017 Stena RoRo acquired the vessel *Hammerodde* from Danske Faerger.



Condensed Consolidated Income Statements – Restricted Group

(SEK in million) (unaudited)	Nine month period ended 30 September	
	2016	2017
Revenue:		
Ferry Operations	9,769	9,858
Offshore Drilling	5,716	3,120
Shipping	2,041	4,334
Other	<u>442</u>	<u>251</u>
Total revenue	17,968	17,563
Net gain on sale of non-current assets	<u>301</u>	<u>337</u>
Total other income	301	337
Direct operating expenses:		
Ferry Operations	-6,521	-6,711
Offshore Drilling	-2,097	-1,362
Shipping	-1,126	-3,357
Other	<u>-235</u>	<u>-128</u>
Total direct operating expenses	-9,979	-11,559
Selling and administrative expenses	-1,979	-1,815
Depreciation, amortisation and impairment	<u>-5,288</u>	<u>-4,137</u>
Total operating expenses	-17,247	-17,510
Operating profit	<u>1,022</u>	<u>391</u>
Dividends received	1,221	331
Gains/loss on securities, net	172	17
Interest income	322	235
Interest expense	-1,350	-1,136
Foreign exchange gains/loss, net	39	-16
Other financial income/expense, net	<u>-187</u>	<u>-211</u>
Financial net	216	-780
Profit after financial net	1,238	-389
Non-controlling interest	<u>12</u>	<u>17</u>
Profit before taxes	<u>1,250</u>	<u>-372</u>
Income taxes	<u>396</u>	<u>-325</u>
Profit for the period	<u>1,646</u>	<u>-697</u>



Condensed Consolidated Balance Sheets – Restricted Group

(SEK in million) (unaudited)	31 December 2016	30 September 2017
ASSETS		
<i>Non-current assets:</i>		
Intangible assets	1,366	1,616
<i>Property, plant and equipment:</i>		
Vessels	43,064	37,683
Construction in progress	5,871	2,237
Equipment	1,309	1,676
Ports	3,659	3,489
Land and buildings	<u>780</u>	<u>663</u>
Total property, plant and equipment	54,684	45,748
Investment properties		152
<i>Financial assets:</i>		
Marketable securities	2,218	1,556
Intercompany accounts, non-current	3,084	2,560
Other non-current assets	<u>13,239</u>	<u>15,555</u>
Total financial assets	18,541	19,671
Total non-current assets	74,590	67,187
<i>Current assets:</i>		
Inventories	244	371
Trade receivables	2,161	1,766
Other current receivables	2,042	1,831
Prepayments and accrued income	1,333	1,056
Short-term investments	863	786
Intercompany accounts, current	3,620	2,428
Cash and cash equivalents	699	679
Assets held for sale	<u>1,377</u>	-
Total current assets	12,339	8,916
Total assets	86,929	76,104
EQUITY AND LIABILITIES		
<i>Equity:</i>		
Share Capital	5	5
Reserves	<u>37,373</u>	<u>34,871</u>
Equity attributable to shareholders of the company	37,378	34,876
Non-controlling interests	<u>86</u>	<u>115</u>
Total equity	37,464	34,991
<i>Non-current liabilities:</i>		
Deferred tax liabilities	1,031	979
Pension liabilities	407	328
Other provisions	638	511
Long-term debt	22,536	19,523
Senior Notes	10,878	10,052
Capitalised lease obligations	53	46
Intercompany accounts, non-current	-	815
Other non-current liabilities	<u>1,305</u>	<u>1,056</u>
Total non-current liabilities	36,848	33,309
<i>Current liabilities:</i>		
Short-term debt	1,890	1,768
Senior Notes	2,702	-
Capitalised lease obligations	-	8
Trade payables	685	821
Tax liabilities	109	244
Other liabilities	1,699	2,129
Intercompany liabilities, current	934	41
Accruals and deferred income	3,779	2,792
Assets held for sale - liabilities	<u>819</u>	-
Total current liabilities	12,617	7,803
Total equity and liabilities	86,929	76,104



Condensed Consolidated Statements of Cash Flow – Restricted Group

(SEK in million) (unaudited)	Nine month period ended 30 September	
	2016	2017
<i>Cash flow from operating activities:</i>		
Profit for the period.....	1,646	-697
Adjustments to reconcile profit to net cash provided by operating activities:		
Depreciation, amortisation and impairment	5,288	4,137
Gain on sale of non-current assets.....	-301	-337
Gains/losses on securities, net.....	-172	-17
Deferred income taxes	-365	15
Exchange differences, unrealised	362	822
Other non-cash items	-337	-106
Pensions	-332	-163
Dividend from Unrestricted group	-1,200	-303
Net cash flow from trading securities.....	26	-33
Dividend from operational associates and joint ventures	101	30
Investment and disposals in operational associates and joint ventures	-7	294
Changes in working capital	<u>-1,579</u>	<u>23</u>
Cash flow from operating activities	<u>3,130</u>	<u>3,665</u>
<i>Cash flow from investing activities:</i>		
Capital expenditure of intangible assets	-48	-97
Sale of property, plant and equipment.....	1,864	1,142
Capital expenditure on property, plant and equipment.....	-2,625	-2,413
Purchase and sale of operations, net of cash	-622	73
Sale of securities	232	831
Purchase of securities.....	-125	-661
Other investing activities.....	<u>-168</u>	<u>-91</u>
Cash flow from investing activities.....	<u>-1,492</u>	<u>-1,216</u>
<i>Cash flow from financing activities:</i>		
Proceeds from issuance of short and long-term debt.....	440	771
Principal payments on short and long-term debt	-2,080	-4,598
Net change in borrowings on line-of-credit agreements.....	232	9
Principal payments on capitalised lease obligations.....	-31	-384
Net change in restricted cash accounts	-8	68
Intercompany accounts	-1,465	1,637
Dividend received from Unrestricted group.....	1,200	303
Dividend paid.....	-425	-205
Other financing activities	<u>-2</u>	<u>-40</u>
Cash flow from financing activities	<u>-2,139</u>	<u>-2,439</u>
Effect of exchange rate changes on cash and cash equivalents	7	-30
Net change in cash and cash equivalents.....	-494	-20
Cash and cash equivalents at beginning of period.....	<u>1,436</u>	<u>699</u>
Cash and cash equivalents at end of period.....	<u>942</u>	<u>679</u>



Other data – Restricted Group

(SEK in million)	Nine month period ended 30 September	
	2016	2017
OTHER DATA:		
Adjusted EBITDA	6,733	4,793

Adjusted EBITDA is defined as income from operations plus cash dividends received from associates, 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 million)	Nine month period ended 30 September	
	2016	2017
Operating profit.....	1,022	391
Adjustments:		
Cash dividends received from associates and joint ventures	101	30
Interest income.....	322	235
Depreciation, amortisation and impairment	5,288	4,137
Excess gain on assets disposition	=	=
Adjusted EBITDA.....	6,733	4,793
Adjustments:		
Gain on sale of non-current assets.....	-301	-337
Net cash flows from trading securities	26	-33
Interest expenses	-1,350	-1,136
Exchange differences, unrealised.....	362	822
Pensions	-332	-163
Other non-cash items	-337	-106
Excess gain on assets disposition	-	-
Changes in working capital.....	-1,579	23
Other items.....	-92	-198
Net cash from operating activities	3,130	3,665