

STENA AB (publ.)

Interim Report for the three-month period 1 January – 31 March 2017

Highlights:

- Income before taxes amounts to SEK 3 million for the three month period ended 31 March 2017, compared to SEK 239 million for the three month period ended 31 March 2016.
- 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 2017 amounted to SEK 1,633 million compared to SEK 1,897 million for the three month period ended 31 March 2016.

Ferry Operation

- EBITDA, excluding net gain on sale of assets, decreased compared to last year due to increased bunker costs, Easter effect as Easter was in March 2016 and a challenging North Sea Market.

Drilling

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

Shipping

- Decreased EBITDA mainly due to weaker crude and product tanker rates compared to last year offset by LNG that had more operational days for the vessels and strong contract coverage and utilization rate across the RoRo fleet.

Property

- Continued stable and strong EBITDA.

Adactum

- Overall continued healthy performance in the Adactum Group.

- The liquidity position remains strong as of 31st of March 2017. Available liquidity amounted to SEK 17,5 billion. Our 300 MEUR bond was repaid at maturity in February 2017.

Date: 29 May 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 millions)	Three month period ended 31 March	
	2016	2017
Revenue:		
Ferry Operations.....	2,445	2,472
Offshore Drilling.....	1,882	1,407
Shipping.....	721	678
Property.....	626	688
Adactum.....	1,534	1,522
Other.....	<u>1</u>	<u>241</u>
Total revenue.....	7,209	7,008
Change in fair value of investment properties.....	98	14
Net result on sale of non-current assets.....	<u>298</u>	<u>144</u>
Total other income.....	396	158
Direct operating expenses:		
Ferry Operations.....	(1,891)	(1,992)
Offshore Drilling.....	(751)	(448)
Shipping.....	(368)	(376)
Property.....	(245)	(260)
Adactum.....	(1,161)	(1,143)
Other.....	<u>41</u>	<u>(92)</u>
Total direct operating expenses.....	(4,375)	(4,311)
Selling and administrative expenses.....	(937)	(1,065)
Depreciation, amortisation and impairment.....	<u>(1,412)</u>	<u>(1,430)</u>
Total operating expenses.....	(6,724)	(6,806)
Operating result.....	<u>881</u>	<u>360</u>
Result from investments in strategic associates.....	8	13
Dividends received.....	32	21
Gains/losses on sale of securities.....	(57)	173
Interest income.....	99	48
Interest expenses.....	(630)	(470)
Exchange gains/losses.....	11	(20)
Other finance income/costs.....	<u>(105)</u>	<u>(122)</u>
Financial net.....	(642)	(357)
Result before tax.....	<u>239</u>	<u>3</u>
Income taxes.....	<u>178</u>	<u>(99)</u>
Result for the period.....	<u>417</u>	<u>(96)</u>
Result for the period attributable to:		
Shareholders of the Parent company.....	424	(93)
Non-controlling interests.....	<u>(7)</u>	<u>(3)</u>
Result for the period.....	<u>417</u>	<u>(96)</u>



Consolidated Statements of Comprehensive Income (unaudited)

(SEK in millions)	Three month period ended 31 March	
	2016	2017
Result for the period	417	(96)
Other comprehensive income		
<i>Items that may subsequently be reclassified to profit or loss:</i>		
Change in fair value reserve, net of tax	100	(60)
Change in net investment hedge, net of tax	(472)	(122)
Change in translation reserve	(622)	(197)
Share of other comprehensive income of associates	9	(10)
<i>Items that will not be reclassified to profit or loss:</i>		
Change in revaluation reserve	(76)	1
Other comprehensive income for the period	<u>(1,061)</u>	<u>(388)</u>
Total comprehensive income for the period	<u>(644)</u>	<u>(484)</u>
Total comprehensive income attributable to:		
- Shareholders of the Parent company	(637)	(481)
- Non-controlling interests	(7)	(3)
Total comprehensive income for the period, net of tax	<u>(644)</u>	<u>(484)</u>

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



Condensed Consolidated Balance Sheet (unaudited)

(SEK in millions)	31 December 2016	31 March 2017
ASSETS		
<i>Non-current assets:</i>		
Intangible assets	3,771	3,791
Property, plant and equipment:		
Vessels	43,064	42,391
Construction in progress	5,972	5,885
Windmills	2,380	2,342
Equipment	1,702	1,663
Land and buildings	1,244	1,173
Ports	<u>3,659</u>	<u>3,632</u>
Total property, plant and equipment	58,021	57,086
Investment properties	35,466	35,756
Financial assets:		
Investments reported according to the equity method	2,308	2,300
Marketable securities	7,253	6,398
Surplus in funded pension plans	264	240
Other non-current assets	<u>4,661</u>	<u>4,546</u>
Total financial assets	14,486	13,484
Total non-current assets	<u>111,744</u>	<u>110,117</u>
<i>Current assets:</i>		
Inventories	905	938
Trade receivables	2,847	2,454
Other current receivables	2,476	2,137
Prepayments and accrued income	2,095	2,167
Short-term investments	894	630
Cash and cash equivalents	1,322	2,179
Assets held for sale	<u>1,416</u>	-
Total current assets	<u>11,955</u>	<u>10,505</u>
Total assets	<u>123,699</u>	<u>120,622</u>
EQUITY AND LIABILITIES		
Total equity	<u>46,533</u>	<u>46,049</u>
<i>Non-current liabilities:</i>		
Deferred tax liabilities	4,623	4,573
Pension liabilities	611	568
Other provisions	670	725
Long-term debt	43,318	44,454
Senior Notes	10,878	10,752
Capitalised lease obligations	70	66
Other non-current liabilities	<u>2,489</u>	<u>2,386</u>
Total non-current liabilities	<u>62,659</u>	<u>63,524</u>
<i>Current liabilities:</i>		
Short-term debt	2,100	2,110
Senior Notes	2,702	-
Capitalised lease obligations	11	19
Trade payables	1,647	1,688
Tax liabilities	74	261
Other liabilities	2,294	2,170
Accruals and deferred income	4,860	4,801
Liabilities directly attributable to assets classified as held for sale	<u>819</u>	-
Total current liabilities	<u>14,507</u>	<u>11,049</u>
Total equity and liabilities	<u>123,699</u>	<u>120,622</u>

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



Consolidated Statement of Changes in Equity (unaudited)

(SEK in millions)	Equity attributable to shareholders of the Parent company				Non-controlling interests	Total equity
	Share capital	Reserves	Retained earnings incl. Profit for the year	Total		
Closing balance, 31 December 2015	5	2,112	41,084	43,201	112	43,313
Change in fair value reserve		100		100		100
Change in net investment hedge		(472)		(472)		(472)
Change in revaluation reserve		(91)	15	(76)		(76)
Change in translation reserve		(622)		(622)		(622)
Change in associates			9	9		9
Other comprehensive income		(1,085)	24	(1,061)		(1,061)
Profit for the year			424	424	(7)	417
Total comprehensive income		(1,085)	448	(637)	(7)	(644)
Closing balance, 31 March 2016	5	1,027	41,532	42,564	105	42,669
Closing balance, 31 December 2016	5	3,627	42,801	46,433	100	46,533
Change in fair value reserve		(60)		(60)		(60)
Change in net investment hedge		(122)		(122)		(122)
Change in revaluation reserve		(15)	16	1		1
Change in translation reserve		(197)		(197)		(197)
Change in associates			(10)	(10)		(10)
Other comprehensive income		(394)	6	(388)		(388)
Profit for the year			(93)	(93)	(3)	(96)
Total comprehensive income		(394)	(87)	(481)	(3)	(484)
Closing balance, 31 March 2017	5	3,233	42,714	45,952	97	46,049



Condensed Consolidated Statement of Cash Flows (unaudited)

(SEK in millions)	Three month period ended 31 March	
	2016	2017
<i>Cash flow from operating activities:</i>		
Result for the year	417	(96)
Adjustments to reconcile profit for the year to net cash provided by operating activities:		
Depreciation, amortisation and impairment	1,412	1,430
Change in fair value of investment properties	(98)	(14)
Gain on sale of non-current assets	(298)	(144)
Gains/losses on sale of securities net	57	(173)
Share of strategic associates result	(8)	(13)
Deferred income taxes	(146)	(6)
Exchange differences, unrealised	147	146
Other non-cash items	(51)	(36)
Pensions	(21)	(14)
Investments and disposals of operational associates	(148)	(-)
Net cash flow from trading securities	(49)	73
Trade and other receivables	(809)	544
Prepayments and accrued income	(313)	(139)
Inventories	(117)	(30)
Trade payables	65	(81)
Accruals and deferred income	(146)	53
Income tax payable	(76)	81
Other current liabilities	67	55
Cash flow from operating activities	<u>(115)</u>	<u>1,636</u>
<i>Cash flow from investing activities:</i>		
Purchase of intangible assets	(23)	(59)
Sale of property, plant and equipment	850	1,065
Capital expenditure on property, plant and equipment	(1,221)	(2,048)
Purchase and sale of operations, net of cash	-	453
Sale of securities	476	1,843
Purchase of securities	(149)	(989)
Other investing activities	(532)	11
Cash flow from investing activities	<u>(599)</u>	<u>277</u>
<i>Cash flow from financing activities:</i>		
Proceeds from issuance of short and long-term debt	470	822
Principal payments on short and long-term debt	(414)	(3,454)
Net change in borrowings on line-of-credit agreements	203	1,421
Principal payments on capitalised lease obligations	(10)	(5)
Net change in restricted cash accounts	(89)	187
Other financing activities	(3)	(32)
Cash flow from financing activities	<u>157</u>	<u>(1,061)</u>
Effect of exchange rate changes on cash and cash equivalents	(10)	5
Net change in cash and cash equivalents	(567)	857
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>1,744</u>	<u>2,179</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 three months ended on 31 March 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 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

(SEK in millions)

Three month period ended 31 March

	<u>2016</u>	<u>2017</u>
<i>Operating profit/loss</i>		
Ferry Operations	31	8
Net gain on sale of operations	-	-
Total Ferry Operations.....	31	8
Offshore Drilling.....	203	67
Shipping: Roll-on/Roll-off vessels	271	39
Tanker	16	(100)
Other shipping.....	(13)	(7)
Total Shipping.....	274	(68)
Property:.....	328	369
Net gain on sale of properties.....	-	137
Change in fair value of investment properties	98	14
Total Property	426	520
Adactum.....	5	25
Other	(58)	(192)
Total Operating profit/loss	<u>881</u>	<u>360</u>
<i>Depreciation, amortisation and impairment:</i>		
Ferry Operations	337	341
Offshore Drilling.....	774	781
Shipping: Roll-on/Roll-off vessels	75	63
Tanker	128	145
Other shipping.....	6	7
Total Shipping.....	209	215
Property.....	-	-
Adactum	84	74
Other	8	19
Total	<u>1,412</u>	<u>1,430</u>



Notes to Condensed Consolidated Financial Statements (unaudited)

(SEK in millions)	Three month period ended 31 March	
	<u>2016</u>	<u>2017</u>
<i>EBITDA</i>		
Ferry Operations	328	218
Net gain on sale of vessels.....	39	132
Total Ferry Operations	367	350
Offshore Drilling.....	978	848
Shipping:		
Roll-on/Roll-off vessels	87	102
Tanker	144	45
Other shipping.....	(7)	(1)
Net gain on sale of vessels.....	259	-
Total Shipping	483	146
Property.....	329	370
Net gain on sale of properties.....	-	137
Change in fair value of investment properties	98	14
Total Property.....	427	521
Adactum	89	99
Other	(51)	(174)
Total EBITDA.....	<u>2,293</u>	<u>1,790</u>
<i>Capital expenditures, Tangible fixed assets:</i>		
Ferry Operations.....	229	644
Offshore Drilling.....	249	409
Shipping: Roll-on/Roll-off vessels	17	2
Tanker	374	427
Other shipping.....	8	38
Total Shipping	399	467
Property.....	282	483
Adactum.....	53	33
Other	9	12
Total	<u>1,221</u>	<u>2,048</u>



OPERATING AND FINANCIAL REVIEW

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

Significant Events of the First Three Months of 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.

Delivery of the Stena MidMAX, a semi-submersible drilling rig for harsh environments, was scheduled for March 2016 but its construction has been substantially delayed. The rig is now expected to be completed mid-2018. The builder, Samsung Heavy Industries and Stena Drilling are in discussions regarding the implications of this delay.

Subsequent Events

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.



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 2017, approximately 24% of our total revenues were generated in USD, approximately 24% were generated in EUR, approximately 12% were generated in GBP and approximately 27% were generated in SEK.

In the three month period ended 31 March 2017, approximately 13% of our total expenses were incurred in USD, approximately 21% were incurred in EUR, approximately 18% were incurred in GBP and approximately 32% were incurred in SEK. The reported gross revenues and expenses were affected by changes in the currency rates. The exchange rates used for consolidation purposes are as follows:

<i>Average rates:</i>	Jan - March 2016	Jan - March 2017	Change
US \$	8.4567	8.9229	6 %
British pound.....	12.0981	11.0494	(9) %
Euro.....	9.3248	9.5065	2 %
 <i>Closing rates:</i>	 As of 31 Dec 2016	 As of 31 March 2017	 Change
US \$	9.1061	8.9707	(1) %
British pound.....	11.2369	11.2582	- %
Euro.....	9.5769	9.556	- %

Revenues

Total revenues decreased by SEK 201 million to SEK 7,008 million in the three months ended 31 March 2017 compared to SEK 7,209 million in the three months ended 31 March 2016.

Direct Operating Expenses

Total direct operating expenses decreased by SEK 64 million to SEK 4,311 million in the three months that ended on 31 March 2017, compared to SEK 4,375 million in the three months ended 31 March 2016.

Selling and Administrative Expenses

Selling and administrative expenses increased by SEK 127 million to SEK 1,065 million in the three months that ended 31 March 2017, compared to SEK 937 million in the three month period that ended on 31 March 2016.

Depreciation, Amortisation and Impairment

Depreciation and amortisation charges increased by SEK 18 million to SEK 1,430 million in the three months ended 31 March 2017, compared to SEK 1,412 million in the three months ended 31 March 2016.



EBITDA

The EBITDA for the consolidated Stena AB Group decreased by SEK 503 million to SEK 1,790 million in the three months that ended on 31 March 2017 compared to SEK 2,293 million last year, mainly due less operating days for the Drilling rigs and reduced day rates for both the Drilling and Bulk segment.

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 decreased by SEK 110 million to SEK 218 million in the three months ended 31 March 2017, from SEK 328 million in the corresponding period in 2016 mainly due to Easter effect as Easter was in March 2016, increased bunker costs and a weak North Sea Market. Car volumes decreased with 7% and freight volumes increased with 5% 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 130 million to SEK 848 million in the three month period 2017 compared to SEK 978 million in the corresponding period in 2016. The decrease is mainly due to the impact of less operating days on contract, lower average charter rates offset by our ongoing Cost Race program.

Shipping

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

Tankers

Our tanker operation generated EBITDA of SEK 45 million in the three month period ended 31 March 2017 compared to SEK 144 million for the same period in 2016 due to lower rates in the crude and product tanker segments offset by an improvement in the LNG segment due to more operational days for the LNG vessels.

Operationally and technically the fleet is performing well.

RoRo Operations

EBITDA excluding sales from chartering out Roll-on/Roll-off vessels increased by SEK 15 million to SEK 102 million in the three month period ended 31 March 2017, from SEK 87 million in the same period in 2016. The increase is due to strong contract coverage and utilization across the fleet.

Property

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

EBITDA was SEK 521 million for the three month period ended 31 March 2017, compared to SEK 427 million for the same period in 2016. The increase is mainly driven by the acquisition of the commercial SCA-House including offices and a large research- and science center, and 1,225 apartments in Sweden in late 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 10 million to SEK 99 million in the three month period ended 31 March 2017, compared to SEK 89 million in 2016.

Ballingslöv: EBITDA for the three months ended 31 March 2017 was SEK 118 million, compared to SEK 69 million for the three months ended 31 March 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 three months ended 31 March 2017 was SEK 39 million compared to SEK 49 million for the corresponding period in 2016. The lower EBITDA is due to decreasing electricity prices.

Blomsterlandet: EBITDA for the three months ended 31 March 2017 was SEK (18) million compared to SEK (12) million in the same corresponding period in 2016.

Envac: EBITDA for the three months ended 31 March 2017 was SEK 12 million compared to SEK 3 million in the corresponding period in 2016 mainly due to a 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 14 million for the three month period ended 31 March 2017, as compared to SEK 98 million for the same period in 2016.

Net gain on sale of vessels. In the three months ended 31 March 2017, net gain on sale of vessels amounted to SEK 132 million which relates to the sale of the vessels *Mecklenburg Vorpommern*. In the three months ended 31 March 2016 net gain on sale of vessels amounted to SEK 298 million.

Net gain on sale of properties. In the three months ended 31 March 2017 the net gain on sales of properties amounted to SEK 137 million. In the three months period ended 31 March 2016 there were no sales of properties.

Net gain on sale of operations. In the three months ended 31 March 2017 the net loss on sale of operations amounted to SEK (125) million. In the corresponding period 2016 there were no sales of operations.

Financial Income/(Expense)

Total finance net increased by SEK 285 million to SEK (357) million in the three months ended 31 March 2017, from SEK (642) million in the three months ended 31 March 2016.

Income Taxes

Income taxes for the three months that ended on 31 March 2017, were SEK (99) million, consisting of current taxes of SEK (105) million and deferred taxes of SEK 6 million. Income taxes for the three months ended 31 March 2016, were SEK 178 million, consisting of current taxes of SEK 32 million and deferred taxes of SEK 146 million.



Liquidity and Capital Resources

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

As of 31 March, 2017, total cash and marketable securities including short term investments amounted to SEK 9,207 million as compared to SEK 9,469 million as of December 31, 2016.

For the three months ended 31 March, 2017, cash flows provided by operating activities amounted to SEK 1,636 million, as compared to SEK (115) million in the first three months ended 31 March, 2016. For the three months ended 31 March, 2017, cash flows used in investing activities amounted to SEK 277 million, including SEK (2,048) million related to capital expenditures, as compared to SEK (599) million, including SEK (1,221) million related to capital expenditures, in the three months ended 31 March, 2016. Cash flows from financing activities for the three months ended 31 March, 2017 amounted to SEK 1,061 million, as compared to SEK 157 million in the three months ended 31 March, 2016.

As of 31 March, 2017, the total construction in progress was SEK 5,885 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 31 March 2017 was SEK 7,853 million, of which SEK 623 million is due during 2017, SEK 2,992 million is due in 2018 and SEK 4,238 million is due in 2019 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, 2017, total interest bearing debt was SEK 57,401 million as compared to SEK 59,080 million as of 31 December 2016.

As of 31 March 2017, USD 100 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 31 March 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 31 March 2017, SEK 200 million was utilized under the SEK 700 million revolving credit facility in Adactum as compared to SEK 250 million as of 31 December 2016.

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



OTHER FINANCIAL INFORMATION – RESTRICTED GROUP

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

As of 31 March, 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 SEK 31 million and SEK 281 million respectively.

Subsequent event specific for the restricted group

No significant subsequent events.



Condensed Consolidated Income Statements – Restricted Group

(SEK in millions) (unaudited)	Three month period ended 31 March	
	2016	2017
Revenue:		
Ferry Operations.....	2,445	2,472
Offshore Drilling.....	1,882	1,407
Shipping.....	721	678
Other.....	<u>2</u>	<u>241</u>
Total revenue.....	5,050	4,798
Net result on sale of non-current assets.....	<u>298</u>	<u>7</u>
Total other income.....	298	7
Direct operating expenses:		
Ferry Operations.....	(1,891)	(1,992)
Offshore Drilling.....	(751)	(448)
Shipping.....	(368)	(376)
Other.....	<u>41</u>	<u>(92)</u>
Total direct operating expenses.....	(2,969)	(2,908)
Selling and administrative expenses.....	(595)	(722)
Depreciation, amortisation and impairment.....	<u>(1,327)</u>	<u>(1,356)</u>
Total operating expenses.....	(4,891)	(4,986)
Operating result.....	<u>457</u>	<u>(181)</u>
Dividends received.....	7	321
Gain (loss) on securities, net.....	(35)	3
Interest income.....	129	77
Interest expense.....	(467)	(333)
Foreign exchange gains/(loss), net.....	20	(33)
Other financial income/(expense), net.....	<u>(75)</u>	<u>(116)</u>
Financial net.....	(421)	(81)
Result after financial net.....	36	(261)
Non-controlling interest.....	<u>7</u>	<u>3</u>
Result before taxes.....	43	(258)
Income taxes.....	<u>149</u>	<u>(14)</u>
Result for the period.....	<u>192</u>	<u>(272)</u>



Condensed Consolidated Balance Sheets – Restricted Group

(SEK in millions) (unaudited)	31 December 2016	31 March 2017
ASSETS		
<i>Non-current assets:</i>		
Intangible assets	1,366	1,383
Property, plant and equipment:		
Vessels	43,064	42,391
Construction in progress.....	5,871	5,777
Equipment	1,309	1,278
Ports	3,659	3,632
Land and buildings.....	780	654
Total property, plant and equipment	54,684	53,732
Investment properties	-	153
Financial assets:		
Marketable securities.....	2,218	2,310
Intercompany accounts, non-current	3,084	2,605
Other non-current assets.....	<u>13,239</u>	<u>13,142</u>
Total non-current assets	<u>74,590</u>	<u>73,325</u>
<i>Current assets:</i>		
Inventories.....	244	280
Trade receivables	2,161	1,661
Other current receivables.....	2,042	1,802
Prepayments and accrued income	1,333	1,406
Short-term investments	863	573
Intercompany accounts, current.....	3,620	3,602
Cash and cash equivalents.....	699	1,559
Assets held for sale.....	<u>1,377</u>	-
Total current assets	<u>12,339</u>	<u>10,883</u>
Total assets.....	<u>86,929</u>	<u>84,208</u>
EQUITY AND LIABILITIES		
<i>Equity:</i>		
Share Capital	5	5
Reserves	<u>37,373</u>	<u>36,782</u>
Equity attributable to shareholders of the company	37,378	36,787
Non-controlling interests.....	86	83
Total equity	<u>37,464</u>	<u>36,870</u>
<i>Non-current liabilities:</i>		
Deferred tax liabilities	1,031	1,016
Pension liabilities	407	366
Other provisions	638	651
Long-term debt.....	22,536	22,902
Senior Notes.....	10,878	10,752
Capitalised lease obligations	53	50
Intercompany accounts, non-current	-	897
Other non-current liabilities	<u>1,305</u>	<u>1,227</u>
Total non-current liabilities.....	<u>36,848</u>	<u>37,861</u>
<i>Current liabilities:</i>		
Short-term debt.....	1,890	1,900
Senior Notes.....	2,702	-
Capitalised lease obligations	-	8
Trade payables	685	685
Tax liabilities.....	109	238
Other liabilities.....	1,699	1,623
Intercompany liabilities, current.....	934	1,241
Accruals and deferred income	3,779	3,782
Liabilities directly attributable to assets classified as held for sale....	<u>819</u>	-
Total current liabilities	<u>12,617</u>	<u>9,477</u>
Total equity and liabilities	<u>86,929</u>	<u>84,208</u>



Condensed Consolidated Statements of Cash Flow – Restricted Group

(SEK in millions) (unaudited)	Three month period ended 31 March	
	2016	2017
<i>Cash flow from operating activities:</i>		
Result for the period.....	192	(272)
Adjustments to reconcile profit to net cash provided by operating activities:		
Depreciation, amortisation and impairment	1,327	1,356
Gain on sale of non-current assets.....	(298)	(7)
Gains/losses on securities, net.....	35	(3)
Deferred income taxes.....	(104)	(60)
Exchange differences, unrealised	48	82
Other non-cash items.....	(70)	(48)
Pensions	(17)	(12)
Dividend from Unrestricted group	-	(312)
Net cash flow from trading securities.....	(50)	72
Changes in working capital	<u>(1,191)</u>	<u>552</u>
Cash flow from operating activities.....	<u>(128)</u>	<u>1,348</u>
<i>Cash flow from investing activities:</i>		
Capital expenditure of intangible assets	(16)	(47)
Sale of property, plant and equipment.....	693	567
Capital expenditure on property, plant and equipment.....	(886)	(1,533)
Purchase and sale of operations, net of cash.....	-	453
Sale of securities	69	263
Purchase of securities	(22)	(407)
Other investing activities.....	<u>(555)</u>	<u>4</u>
Cash flow from investing activities	<u>(717)</u>	<u>(700)</u>
<i>Cash flow from financing activities:</i>		
Proceeds from issuance of short and long-term debt	223	461
Principal payments on short and long-term debt	(372)	(3,022)
Net change in borrowings on line-of-credit agreements.....	393	575
Principal payments on capitalised lease obligations.....	(9)	(3)
Net change in restricted cash accounts	(7)	215
Intercompany accounts.....	242	1,701
Dividend received	-	312
Other financing activities	(3)	(33)
Cash flow from financing activities.....	<u>467</u>	<u>206</u>
Effect of exchange rate changes on cash and cash equivalents	(9)	6
Net change in cash and cash equivalents	(387)	860
Cash and cash equivalents at beginning of period.....	<u>1,436</u>	<u>699</u>
Cash and cash equivalents at end of period.....	<u>1,049</u>	<u>1,559</u>



Other data – Restricted Group

(SEK in millions)	Three month period ended 31 March	
OTHER DATA:	2016	2017
Adjusted EBITDA.....	1,913	1,252

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

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

(SEK in millions)	Three month period ended 31 March	
	2016	2017
Operating result.....	457	(181)
Adjustments:		
Interest income.....	129	77
Depreciation, amortisation and impairment	<u>1,327</u>	<u>1,356</u>
Adjusted EBITDA.....	1,913	1,252
Adjustments:		
Gain on sale of non-current assets.....	(298)	(7)
Net cash flows from trading securities	(50)	72
Interest expenses	(467)	(333)
Exchange differences, unrealised.....	48	82
Pensions	(17)	(12)
Other non-cash items.....	(70)	(48)
Changes in working capital	(1,191)	552
Other items	<u>4</u>	<u>(210)</u>
Net cash from operating activities.....	(128)	1,348