

STENA AB (publ.)

Interim Report for the six-month period 1 January – 30 June 2019

Highlights:

- The result before taxes amounts to SEK -220 million for the six-month period ended 30 June 2019, compared to SEK 839 million for the six-month period ended 30 June 2018.
- Consolidated EBITDA, excluding net gain on sale of assets and change in fair value of investment properties, for the six-month period ended 30 June 2019 amounted to SEK 3,550 million compared to SEK 2,085 million for the six-month period ended 30 June 2018.
- Consolidated EBITDA, including net gain on sale of assets and change in fair value of investment properties, for the six-month period ended 30 June 2019 amounted to SEK 4,265 million compared to SEK 4,516 million for the six-month period ended 30 June 2018.

Ferry Operation

- EBITDA increased compared to last year mainly due to continued positive volumes for cars (3%) and passengers (1%).

Offshore Drilling

- Stena Drilling achieved a positive EBITDA in the first six months 2019.
- The increased EBITDA compared to last year is due to more operating days, increased day rates and positive effects from our ongoing Cost Race Program.
- Positive development for our fleet, contract coverage where all of our drilling units have contracts during 2019.

Shipping

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

Property

- EBITDA decreased compared to last year due to sale of properties in the second quarter 2018. The fair value of investment properties has been adjusted positively by SEK 594 million, i.e. 2% of the total property portfolio.

Adactum

- EBITDA increased in all subsidiaries compared to last year offset by the deconsolidation of Stena Renewable in 2018. Stena Renewable is recognized as an associated company from September 2018.
- The liquidity position remains strong as of 30 June 2019. Available liquidity amounted to SEK 14.0 billion.

Date: 28 August 2019

By: Staffan Hultgren

Title: Vice President & Deputy CEO and Principal Financial Officer



Stena AB and Consolidated Subsidiaries

Forward-looking Statements

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

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

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Stena AB and Consolidated Subsidiaries

Condensed Consolidated Income Statements (unaudited)

(SEK in million)	Three month period ended 30 June		Six month period ended 30 June	
	2018	2019	2018	2019
Revenue:				
Ferry Operations	3,627	3,699	6,328	6,582
Offshore Drilling.....	350	757	678	1,229
Shipping.....	1,497	2,022	2,916	4,045
Property	736	682	1,442	1,340
Adactum.....	2,107	2,226	3,669	3,774
Other	<u>5</u>	<u>1</u>	<u>6</u>	<u>3</u>
Total revenue	8,322	9,387	15,039	16,973
Change in fair value of investment properties...	1,091	356	1,391	594
Net gain on sale of non-current assets.....	956	111	1,040	121
Total other income	2,047	467	2,431	715
Direct operating expenses:				
Ferry Operations	-2,442	-2,429	-4,593	-4,558
Offshore Drilling.....	-331	-494	-607	-812
Shipping.....	-1,267	-1,560	-2,389	-3,008
Property	-214	-188	-483	-419
Adactum.....	-1,537	-1,633	-2,774	-2,843
Other	<u>-11</u>	<u>355</u>	<u>-12</u>	<u>352</u>
Total direct operating expenses.....	-5,802	-5,949	-10,858	-11,287
Selling and administrative expenses	-1,111	-1,117	-2,096	-2,136
Net result from investments in operating associates	-34	-26	-66	-36
Depreciation, amortisation and impairment	<u>-1,607</u>	<u>-1,783</u>	<u>-3,055</u>	<u>-3,526</u>
Total operating expenses.....	-8,556	-8,875	-16,076	-16,985
Operating result.....	<u>1,814</u>	<u>979</u>	<u>1,394</u>	<u>703</u>
Profit/loss from investments in strategic associates	-3	10	23	36
Dividends received	26	38	56	66
Gains/losses on sale of securities	74	128	166	279
Interest income.....	85	98	170	200
Interest expenses	-280	-726	-867	-1,430
Exchange gains/losses.....	79	-44	26	72
Other finance income/costs	<u>-63</u>	<u>-62</u>	<u>-129</u>	<u>-146</u>
Financial net.....	-82	-558	-555	-923
Result before tax	<u>1,731</u>	<u>421</u>	<u>839</u>	<u>-220</u>
Income taxes	20	-138	177	-69
Result for the period	<u>1,751</u>	<u>283</u>	<u>1,016</u>	<u>-289</u>
Result for the period attributable to:				
Shareholders of the Parent company	1,752	286	1,018	-284
Non-controlling interests	<u>-1</u>	<u>-3</u>	<u>-2</u>	<u>-5</u>
Result for the period	<u>1,751</u>	<u>283</u>	<u>1,016</u>	<u>-289</u>



Stena AB and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income (unaudited)

(SEK in million)	Three month period ended 30 June		Six month period ended 30 June	
	2018	2019	2018	2019
Profit for the period	1,751	283	1,016	-289
Other comprehensive income				
<i>Items that may subsequently be reclassified to profit or loss:</i>				
Change in fair value reserve, net of tax	99	29	100	150
Change in net investment hedge, net of tax.....	370	-471	96	-446
Change in translation reserve	823	106	1,877	1,014
Share of other comprehensive income of associates	19	29	19	20
<i>Items that will not be reclassified to profit or loss:</i>				
Change in fair value reserve, net of tax	-9	1	28	-9
Change in revaluation reserve	19	-15	106	86
Share of other comprehensive income of associates	-23	-1	-23	-2
Other comprehensive income for the period	<u>1,298</u>	<u>-322</u>	<u>2,202</u>	<u>813</u>
Total comprehensive income for the period..	<u>3,050</u>	<u>-38</u>	<u>3,219</u>	<u>525</u>
Total comprehensive income attributable to:				
Shareholders of the Parent company	3,051	-36	3,221	529
Non-controlling interests	-1	-2	-2	-4
Total comprehensive income for the period, net of tax	<u>3,050</u>	<u>-38</u>	<u>3,219</u>	<u>525</u>

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



Stena AB and Consolidated Subsidiaries

Condensed Consolidated Balance Sheet (unaudited)

(SEK in million)	31 December 2018	30 June 2019
ASSETS		
<i>Non-current assets:</i>		
Intangible assets	4,221	4,605
<i>Property, plant and equipment:</i>		
Vessels.....	39,656	41,306
Construction in progress.....	2,068	2,689
Equipment	3,241	3,197
Land and buildings	1,196	2,106
Ports	<u>3,724</u>	<u>4,127</u>
Total property, plant and equipment	49,885	53,425
Investment properties	35,398	37,125
<i>Financial assets:</i>		
Investments reported according to the equity method .	2,937	3,562
Marketable securities.....	5,691	4,247
Surplus in funded pension plans	517	565
Other non-current assets	<u>8,473</u>	<u>7,232</u>
Total financial assets.....	17,618	15,606
Total non-current assets	<u>107,122</u>	<u>110,761</u>
<i>Current assets:</i>		
Inventories.....	989	1,331
Trade receivables.....	2,750	3,806
Other current receivables.....	2,322	4,420
Prepayments and accrued income.....	2,080	2,806
Short-term investments.....	903	3,621
Cash and cash equivalents	1,883	1,889
Total current assets.....	<u>10,927</u>	<u>17,873</u>
Total assets	<u>118,049</u>	<u>128,634</u>
EQUITY AND LIABILITIES		
Total equity.....	<u>46,726</u>	<u>47,239</u>
<i>Non-current liabilities:</i>		
Deferred tax liabilities	4,813	4,918
Pension liabilities	647	640
Other provisions	422	104
Long-term debt.....	35,895	39,681
Senior Notes	9,794	8,142
Capitalised lease obligations	4,273	8,964
Other non-current liabilities.....	<u>2,030</u>	<u>2,629</u>
Total non-current liabilities	<u>57,874</u>	<u>65,078</u>
<i>Current liabilities:</i>		
Short-term debt.....	2,019	1,800
Senior Notes	1,036	2,112
Capitalised lease obligations	481	1,691
Trade payables.....	1,988	2,318
Tax liabilities.....	75	187
Other liabilities	2,977	2,783
Accruals and deferred income	4,873	5,426
Total current liabilities	<u>13,449</u>	<u>16,317</u>
Total equity and liabilities	<u>118,049</u>	<u>128,634</u>

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



Stena AB and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity (unaudited)

(SEK in million)	Equity attributable to shareholders of the Parent company				Non-controlling interests	Total equity
	Share capital	Reserves	Retained earnings incl. Profit for the year	Total		
Closing balance, 31 December 2017	5	2,732	43,331	46,069	126	46,195
Adjustment, 1 January 2018		-321	321			
New opening balances	5	2,411	43,652	46,069	126	46,195
Change in fair value reserve		100	28	128		128
Change in net investment hedge		96		96		96
Change in revaluation reserve		71	35	106		106
Change in translation reserve		1,876		1,876	1	1,877
Change in associates			-4	-4		-4
Other comprehensive income		2,143	59	2,202	1	2,202
Profit for the year			1,018	1,018	-2	1,016
Total comprehensive income		2,143	1,077	3,221	-1	3,219
Dividend			-50	-50		-50
Closing balance, 30 June 2018	5	4,554	44,679	49,239	125	49,364
Closing balance, 31 December 2018	5	3,351	43,243	46,599	127	46,726
Change in fair value reserve		150	-9	141		141
Change in net investment hedge		-446		-446		-446
Change in revaluation reserve		50	36	86		86
Change in translation reserve		1,013		1,013	1	1,014
Change in associates			18	18		18
Other comprehensive income		767	45	812	1	813
Profit for the year			-284	-284	-5	-289
Total comprehensive income		767	-239	529	-4	525
Changes in non-controlling interest					79	79
Dividend			-90	-90		-90
Closing balance, 30 June 2019	5	4,117	42,915	47,037	202	47,239



Stena AB and Consolidated Subsidiaries

Condensed Consolidated Statement of Cash Flows (unaudited)

(SEK in million)	Six month period ended 30 June	
	2018	2019
<i>Cash flow from operating activities:</i>		
Profit for the year	1,016	-289
Adjustments to reconcile profit for the year to net cash provided by operating activities:		
Depreciation, amortisation and impairment	3,055	3,526
Change in fair value of investment properties	-1,391	-594
Gain on sale of non-current assets	-1,040	-121
Gains/losses on sale of securities net	-166	-279
Share of strategic associates result	-23	-36
Deferred income taxes	-164	-23
Exchange differences, unrealised	-130	-672
Other non-cash items	-123	-427
Pensions	-83	-37
Dividend from operational associates and joint ventures	36	17
Investments and disposals of associates and joint ventures	-69	-102
Net cash flow from trading securities	113	-338
Trade and other receivables	-425	-900
Prepayments and accrued income	-522	-592
Inventories	-191	-325
Trade payables	85	171
Accruals and deferred income	716	668
Income tax payable	-68	91
Other current liabilities	<u>280</u>	<u>179</u>
Cash flow from operating activities	<u>906</u>	<u>-83</u>
<i>Cash flow from investing activities:</i>		
Purchase of intangible assets	-108	-154
Sale of property, plant and equipment	6,696	504
Capital expenditure on property, plant and equipment	-2,527	-2,543
Purchase and sale of operations, net of cash	-	-215
Dividend from strategic associates and joint ventures	32	28
Investments and disposals in strategic associates and joint ventures	-1	-450
Sale of securities	1,604	1,940
Purchase of securities	-1,658	-2,264
Other investing activities	<u>-43</u>	<u>-21</u>
Cash flow from investing activities	<u>3,995</u>	<u>-3,175</u>
<i>Cash flow from financing activities:</i>		
Proceeds from issuance of short and long-term debt	866	644
Principal payments on short and long-term debt	-3,913	-3,976
Net change in borrowings on line-of-credit agreements	-2,809	4,758
New leases	1,357	2,624
Principal payments on capitalised lease obligations	-56	-798
Net change in restricted cash accounts	-129	130
Dividend paid	-50	-90
Other financing activities	<u>-26</u>	<u>-70</u>
Cash flow from financing activities	<u>-4,760</u>	<u>3,222</u>
Effect of exchange rate changes on cash and cash equivalents	<u>80</u>	<u>42</u>
Net change in cash and cash equivalents	221	6
Cash and cash equivalents at beginning of period	<u>2,248</u>	<u>1,883</u>
Cash and cash equivalents at end of period	<u>2,469</u>	<u>1,889</u>

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



Stena AB and Consolidated Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1 Basis of Presentation

The accompanying condensed consolidated financial statements present the financial position and result of operations of Stena AB (publ) and its subsidiaries (Stena) and have been prepared in accordance with IAS 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended on 31 December 2018, which have been prepared in accordance with IFRS.

The interim financial information included in the condensed consolidated financial statements has not been audited and reflects all adjustments (consisting only of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. Interim results for the six months ended on 30 June 2019 are not necessarily an indication of the results to be expected for the full year.

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

Note 2 Accounting Policies

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

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

Stena's Annual Report 2018 describes the content of the new accounting principles that are regarded as material for the Stena Group (see link <https://www.stena.com/reviews-reports/>).

New or amended accounting standards applied after 2019

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

IFRS 16 Leases

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

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

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



Stena AB and Consolidated Subsidiaries

On transition to IFRS 16 there are some exceptions from the lessee accounting model that the Stena AB Group has applied. Previous assessments of the lease definition will remain on contracts entered into before January 1, 2019 and at the transition to IFRS 16 is therefore only applied to the contracts that were identified as leases in accordance with IAS 17 and IFRIC 4. The IFRS 16 definition of a lease will be applied on contracts entered on January 1, 2019 or after, to assess whether a contract contains a leased asset. If a contract includes a low value asset or has a short remaining lease term, i.e. ends during 2019, or is classified as a service contract, the lease payments are recognized as operating expenses in the income statement and are therefore not included in the lease liability and right-of-use asset.

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

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

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

IFRIC 23 Uncertainty over Income Tax Treatment

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



Stena AB and Consolidated Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

Note 3 Segment information

(SEK in million)	Three month period ended 30 June		Six month period ended 30 June	
	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
<i>Revenue</i>				
Ferry Operations:				
Lease income.....	7		13	
Products	253	281	396	440
Service	3,366	3,418	5,916	6,141
Other	<u>1</u>	<u>-</u>	<u>3</u>	<u>1</u>
Total Ferry Operations	3,627	3,699	6,328	6,582
Offshore Drilling:				
Lease income.....	221	454	427	736
Service	128	303	249	492
Other	<u>1</u>	<u>-</u>	<u>2</u>	<u>1</u>
Total Offshore Drilling	350	757	678	1,229
Shipping: Roll-on/Roll-off vessels:.....				
Lease income.....	80	88	151	168
Service	59	17	116	48
Other	<u>-</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total Roll-on/Roll-off vessels	139	106	268	217
Tanker:				
Lease income.....	732	914	1,441	1,937
Service	404	610	780	1,281
Other	<u>15</u>	<u>7</u>	<u>22</u>	<u>13</u>
Total Tanker.....	1,151	1,531	2,243	3,231
Other shipping:				
Lease income.....	-		2	-
Products	78	61	140	118
Service	<u>129</u>	<u>324</u>	<u>263</u>	<u>479</u>
Total Other shipping	207	385	405	597
Total Shipping	1,497	2,022	2,916	4,045
Property:				
Lease income.....	721	654	1,412	1,289
Service	<u>15</u>	<u>28</u>	<u>30</u>	<u>51</u>
Total Property	736	682	1,442	1,340
Adactum:				
Products	1,649	1,789	2,813	3,005
Service	7	4	13	7
Construction Contracts.....	449	429	831	755
Other	<u>2</u>	<u>4</u>	<u>12</u>	<u>7</u>
Total Adactum.....	2,107	2,226	3,669	3,774
Other:				
Lease income.....	5	-	5	-
Service	<u>-</u>	<u>1</u>	<u>1</u>	<u>3</u>
Total Other	5	1	6	3
Total Revenue	<u>8,322</u>	<u>9,387</u>	<u>15,039</u>	<u>16,973</u>



Stena AB and Consolidated Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

(SEK in million)	Three month period ended 30 June		Six month period ended 30 June	
	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
<i>Operating profit/loss</i>				
Ferry Operations	418	380	271	304
Offshore Drilling	-997	-724	-1,806	-1,496
Shipping: Roll-on/Roll-off vessels.....	21	36	38	76
Tanker.....	-200	-118	-322	-82
Other shipping	-16	3	-16	-3
Total Shipping	-195	-79	-300	-9
Property:	460	432	836	796
Net gain on sale of properties	956	111	1,040	121
Change in fair value of investment properties...	<u>1,018</u>	<u>356</u>	<u>1,318</u>	<u>594</u>
Total Property	2,434	899	3,194	1,511
Adactum	196	243	171	241
Other	-116	260	-208	152
Change in fair value of investment properties...	<u>73</u>	<u>-</u>	<u>73</u>	<u>-</u>
Total Other.....	-43	260	-135	152
Total Operating profit/loss.....	<u>1,814</u>	<u>979</u>	<u>1,394</u>	<u>703</u>
<i>Depreciation, amortisation and impairment:</i>				
Ferry Operations	405	539	792	1,065
Offshore Drilling	888	814	1,653	1,621
Shipping: Roll-on/Roll-off vessels.....	55	38	108	75
Tanker.....	166	305	322	596
Other shipping	<u>8</u>	<u>11</u>	<u>18</u>	<u>21</u>
Total Shipping	229	354	448	692
Property	1	2	1	4
Adactum	70	62	138	121
Other	14	12	23	23
Total.....	<u>1,607</u>	<u>1,783</u>	<u>3,055</u>	<u>3,526</u>
<i>Profit/loss from investments in operating associates:</i>				
Offshore Drilling	-1	-	-1	-
Shipping: Tanker	-37	-30	-73	-43
Other shipping	<u>1</u>	<u>1</u>	<u>2</u>	<u>1</u>
Total Shipping	-36	-29	-71	-42
Property	3	3	6	6
Total.....	<u>-34</u>	<u>-26</u>	<u>-66</u>	<u>-36</u>



Stena AB and Consolidated Subsidiaries

Notes to Condensed Consolidated Financial Statements (unaudited)

(SEK in million)	Three month period ended 30 June		Six month period ended 30 June	
	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
<i>EBITDA</i>				
Ferry Operations	825	919	1,065	1,369
Offshore Drilling	-108	91	-152	125
Shipping:				
Roll-on/Roll-off vessels	76	74	146	151
Tanker	4	217	72	556
Other Shipping	<u>-7</u>	<u>13</u>	<u>1</u>	<u>17</u>
Total Shipping	72	304	219	724
Property	458	430	832	794
Net gain on sale of properties.....	956	111	1,040	121
Change in fair value of investment properties.....	<u>1,018</u>	<u>356</u>	<u>1,318</u>	<u>594</u>
Total Property	2,432	897	3,190	1,509
Adactum	266	305	309	362
Other	-104	272	-189	176
Change in fair value of investment properties.....	<u>73</u>	<u>-</u>	<u>73</u>	<u>-</u>
Total Other	-31	272	-116	176
Total EBITDA	<u>3,456</u>	<u>2,788</u>	<u>4,516</u>	<u>4,265</u>
<i>Capital expenditures:</i>				
Ferry Operations			504	699
Offshore Drilling.....			286	858
Shipping: Roll-on/Roll-off vessels.....			134	210
Tanker.....			273	26
Other shipping			<u>11</u>	<u>6</u>
Total Shipping.....			418	242
Property			1,178	657
Adactum.....			136	70
Other			<u>5</u>	<u>17</u>
Total.....			<u>2,527</u>	<u>2,543</u>



Stena AB and Consolidated Subsidiaries

OPERATING AND FINANCIAL REVIEW

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

Significant events of the first six-month period of 2019

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

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

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

In March 2019, another RoPax vessel was ordered from the Chinese Avic Weihai Shipyard, which will be chartered out to an external customer on a ten-year bare boat charter.

In March 2019, Stena signed an agreement to acquire 67% in the NMT Group. NMT is a Dutch company specialized in worldwide shipment of cars, trucks and all other rolling cargo. In May 2019 the purchase of the NMT Group was completed.

Stena Drilling has signed a contract with Cairn Energy for the drilling unit *Stena Don* regarding one firm well (35 days) plus one option well (35 days), commencing in October 2019. A contract was signed with Ping Petroleum for the drilling unit *Stena Spey* for estimated 120 to 150 days duration, commencing in May 2019. For the drilling unit *Stena Carron*, the extended Exxon contract commenced in January 2019, 12 months firm work plus one six-month option plus an additional one six-month option. In May 2019, a new contract was signed for the drillship *Stena IceMax* commencing Q2 2020, for 100 days duration plus option.

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

In April 2019 Stena Adactum acquired 29% of the shares in Beijer Group. The income from Beijer Group is accounted for as Profit/loss from strategic associates within the finance net.



Stena AB and Consolidated Subsidiaries

Subsequent events

Stena Impero, an IMOIIIMax vessel in the Stena Bulk fleet, was captured by the Islamic Revolutionary Guards on July 19th in the Hormuz Strait. The vessel is still arrested and at anchor in Bandar Abbas in Iran. Stena Bulk and Northern Marine Management continue to work closely with the authorities to secure the release of the *Stena Impero* and its 23 crew members as soon as possible. There is no current evidence the ship has breached any maritime rules or regulations.

A new contract was signed with an undisclosed operator regarding the LNG vessel *Clear Sky* commencing in September 2019 for three-years duration.

In July Stena Rederi AB acquired Stena Sessan A/S.

The contract signed with Alpha Petroleum, regarding the drilling rig *Stena Spey*, in 2018 for an eight firm well (estimated at 480 days) + fifteen option well campaign in the UK North Sea has been terminated by Stena following Alpha's failure to secure finance for the project and a resultant delay in its commencement.



Stena AB and Consolidated Subsidiaries

Currency Effects

Our revenues and expenses, reported in Swedish kronor, are significantly affected by fluctuations in currency exchange rates, primarily relative to the U.S. dollar, the British pound and the Euro. We seek to mitigate the impact of potential adverse foreign currency exchange fluctuations by matching, to a possible extent, revenues and expenses in the same currency. In addition, we enter into certain derivative financial instruments.

In the six-month period that ended on 30 June 2019, approximately 25% of our total revenues were generated in USD, approximately 24% were generated in EUR, approximately 12% were generated in GBP and approximately 25% were generated in SEK.

In the six-month period ended 30 June 2019, approximately 33% of our total expenses were incurred in USD, approximately 18% were incurred in EUR, approximately 15% were incurred in GBP and approximately 20% 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 - June 2018	Jan - June 2019	Change
US \$	8.3802	9.3055	11 %
British pound.....	11.5293	12.0436	4 %
Euro.....	10.1448	10.5145	4 %
 <i>Closing rates:</i>	 As of 31 Dec 2018	 As of 30 June 2019	 Change
US \$	8.8533	9.2845	5 %
British pound.....	11.2915	11.7876	4 %
Euro.....	10.1521	10.5593	4 %

Revenues

Total revenues increased by SEK million 1,934 to SEK 16,973 million in the six months ended 30 June 2019 compared to SEK 15,039 million in the six months ended 30 June 2018.

Direct Operating Expenses

Total direct operating expenses increased by SEK 429 million to SEK 11,287 million in the six months that ended on 30 June 2019, compared to SEK 10,858 million in the six months ended 30 June 2018. Direct Operating Expenses is affected by a change of the assessment of provisions resulting in a positive cost of SEK 367 million in the second quarter 2019. The implementation of the new lease standard, IFRS 16, has affected operating expenses positively with SEK 487 million compared with the same period last year.

Selling and Administrative Expenses

Selling and administrative expenses increased by SEK 40 million to SEK 2,136 million in the six months that ended 30 June 2019, compared to SEK 2,096 million in the six-month period that ended on 30 June 2018. The implementation of the new lease standard, IFRS 16, has affected administrative expenses positively with SEK 17 million compared with the same period last year.

Depreciation, Amortisation and Impairment

Depreciation and amortisation charges increased by SEK 471 million to SEK 3,526 million in the six months ended 30 June 2019, compared to SEK 3,055 million in the six months ended 30 June 2018. The implementation of the new lease standard, IFRS 16, has increased the total depreciation charges with SEK 470 million compared with the same period last year.



Stena AB and Consolidated Subsidiaries

EBITDA

The EBITDA for the consolidated Stena AB Group decreased by SEK 251 million to SEK 4,265 million in the six months that ended on 30 June 2019 compared to SEK 4,516 million last year, mainly due to lower EBITDA from the Property segment due to a reduced property portfolio, offset by improved EBITDA within all other segments. The implementation of the new lease accounting standard, IFRS 16, results in a positive impact on EBITDA as a part of the prior operating lease expenses is now recognized as depreciation charges and interest expenses. In total the EBITDA for the Stena AB Group has increased by SEK 504 million for the six-month period ended 30 June 2019 by implementing this new lease standard compared to last year.

Ferry Operations

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

EBITDA increased by SEK 304 million to SEK 1,369 million in the six months ended 30 June 2019, from SEK million 1,065 in the corresponding period in 2018, mainly due to increased cars and passenger volumes together with the acquisition of *Stena Scandinavica* in December 2018 which had the effect of increased EBITDA by SEK 48 million by moving costs from charter costs to depreciations. Car volumes increased with 3%, passenger volumes increased with 1% and freight volumes are equal to the corresponding period last year. The implementation of the new lease standard, IFRS 16, has affected Ferry Operations EBITDA positively with SEK 182 million compared to the same period last year.

Offshore Drilling

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

EBITDA increased by SEK 277 million to SEK 125 million in the six-month period 2019 compared to SEK -152 million in the corresponding period in 2018. The increase is mainly due to more operational days, improved day rates and continued positive effects from our ongoing Cost Race Program. The implementation of the new lease standard, IFRS 16, has affected Offshore Drilling EBITDA positively with SEK 2 million compared to the same period last year.

Shipping

Shipping revenues primarily represent charter hires for our owned and chartered in vessels and management fees for vessels managed by 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 556 million in the six-month period ended 30 June 2019 compared to SEK 72 million for the same period in 2018 due to improved rates within the Suezmax segment and a slow recovery for the product tanker segments, as well as more operational days and stronger charter rates for the LNG vessels. The implementation of the new lease standard, IFRS 16, has affected Tanker EBITDA positively with SEK 247 million compared to the same period last year.

RoRo Operations

EBITDA from chartering out Roll-on/Roll-off vessels increased by SEK 5 million to SEK 151 million in the six-month period ended 30 June 2019, from SEK million 146 in the same period in 2018. The increase is a result of strong contract coverage and utilization across the fleet with continued firm RoPax market rates, offset by lower charter income due to the sale of *Stena Carrier* and *Stena Freighter* in 2018. The implementation of the new lease standard, IFRS 16, has not affected EBITDA within RoRo operations.



Stena AB and Consolidated Subsidiaries

Property

Property revenues 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 1,509 million for the six-month period ended 30 June 2019, compared to SEK million 3,190 for the same period in 2018. The decrease is due to sold properties in the second quarter 2018 offset by completion of new buildings. The change in fair value of investment properties amounting to SEK 594 million compared to SEK 1,318 million for the same period in 2018. The net gain of sale of properties in 2019 was SEK 121 million compared to SEK 1,040 million for the same period in 2018. Occupancy rates for Swedish properties were approximately 98%, and non-Swedish properties were approximately 90%. The implementation of the new lease standard, IFRS 16, has affected Property EBITDA positively with SEK 16 million compared to the same period last year.

Adactum

The EBITDA for Stena Adactum increased by SEK 53 million to SEK 362 million in the six-month period ended 30 June 2019, compared to SEK 309 million in 2018. The implementation of the new lease standard, IFRS 16, has affected Adactum EBITDA positively with SEK 50 million compared to the same period last year.

Ballingslöv: EBITDA for the six months ended 30 June 2019 was SEK 242 million, compared to SEK 211 million for the six months ended 30 June 2018. The increase mainly relates to strong sales especially in Norway and Benelux. The implementation of the new IFRS 16 standard has affected EBITDA positively with SEK 3 million compared to the same period last year.

Blomsterlandet: EBITDA for the six months ended 30 June 2019 was SEK 140 million compared to SEK 81 million in the corresponding period in 2018 due to higher sales than last year that compensated for the loss of wholeselling to S-blommor that was sold in August 2018. The implementation of the new IFRS 16 standard has affected EBITDA positively with SEK 42 million compared to the same period last year.

Envac: EBITDA for the six months ended 30 June 2019 was SEK 32 million compared to SEK 12 million in the corresponding period in 2018. Envac had a strong order intake versus last year and revenue was +10% compared to the same period last year. The implementation of the new IFRS 16 standard has affected EBITDA positively with SEK 5 million compared to the same period last year.

Captum: EBITDA for the six months ended 30 June 2019 was SEK -4 million compared to SEK -10 million in the corresponding period in 2018. Captum Group was founded 2016 and their key business is to offer payment solutions primarily to companies within the Stena Sphere and to provide credits to their customers. The implementation of the new lease standard, IFRS 16, has not affected EBITDA within Captum.

Stena Renewable: Stena Renewable has been divested by 65% from September 2018 and is from that date recognized as income from associated companies (35% share). EBITDA for the six months ended 30 June 2018 was SEK 33 million.

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 594 million for the six month period ended 30 June 2019, as compared to SEK 1,391 million for the same period in 2018.

Net gain on sale of vessels. In the six months ended 30 June 2019, there was no net gain/loss on sales of vessels, same as for the corresponding period last year.

Net gain on sale of properties. In the six months ended 30 June 2019 the net gain on sales of properties amounted to SEK 121 million. In the six months period ended 30 June 2018 the net gain on sales of properties were SEK 1,040 million.

Financial Net

Total financial net for the six months ended 30 June 2019 was SEK -923 million compared to SEK -555 million in the corresponding period in 2018. The implementation of the new lease standard, IFRS 16, has affected the financial net negatively with SEK -58 million compared with the same period last year.



Stena AB and Consolidated Subsidiaries

Income Taxes

Income taxes for the six months that ended on 30 June 2019 were SEK -69 million, consisting of current taxes of SEK -92 million and deferred taxes of SEK 23 million. Income taxes for the six months ended 30 June 2018, were SEK 177 million, consisting of current taxes of SEK 13 million and deferred taxes of SEK 164 million. The implementation of the new lease standard, IFRS 16, has affected deferred tax with SEK 6 million compared to the same period last year.

Liquidity and Capital Resources

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

As of 30 June 2019, total cash and marketable securities including short term investments amounted to SEK 9,757 million as compared to SEK 8,477 million as of December 31, 2018.

For the six months ended 30 June 2019, cash flows provided by operating activities amounted to SEK -83 million, as compared to SEK 906 million in the first six months ended 30 June 2018. For the six months ended 30 June 2019, cash flows used in investing activities amounted to SEK -3,175 million, including SEK -2,543 million related to capital expenditures, as compared to SEK 3,995 million including SEK -2,527 million related to capital expenditures, in the six months ended 30 June 2018. Cash flows from financing activities for the six months ended 30 June 2019 amounted to SEK 3,222 million, as compared to SEK -4,760 million in the six months ended 30 June 2018.

As of 30 June 2019, the total construction in progress was SEK 2,689 million, as compared to SEK 2,068 million as of 31 December 2018. The remaining capital expenditure commitment for new buildings on order as of 30 June 2019 was SEK 6,397 million, of which SEK 942 million is due during 2019, SEK 2,162 million is due in 2020, SEK 3,293 million is due in 2021 and after. Stena intends to finance the remainder of this unpaid balance, together with additional expenses and financing costs, with cash from operations, existing revolving credit facilities, new capital lease agreements, new bank loans and other financing arrangements.

As of 30 June 2019, total interest-bearing debt was SEK 62,390 million as compared to SEK 53,498 million as of 31 December 2018. The implementation of the new lease standard IFRS 16 standard has increased total interest-bearing debt with SEK 3,370 million compared with the same period last year.

As of 30 June 2019, USD 552 million was utilized under our USD 725 million revolving credit facility of which USD 3 million was used for issuing bank guarantees and letters of credit. As of 31 December 2018, USD 87 million was utilized, including USD 3 million used for issuing bank guarantees and letters of credit.

As of 30 June 2019, USD 140 million was utilized under the USD 300 million revolving credit facility entered into by Stena Investment Luxembourg S.à.r.l. compared to USD 90 million as of 31 December 2018.

As of 30 June 2019, nothing was utilized under the SEK 1,000 million revolving credit facility in Adactum, same as of 31 December 2018.

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

Other non-current and current assets

Other non-current receivables as per 30 June 2019 includes a long-term receivable of SEK 1,587 million, and Other current receivables as per 30 June 2019 includes a short-term receivable of SEK 2,000 million, both associated with the claim on Samsung Heavy Industries Co Ltd (SHI) for the cancellation of the contract for the construction of *Stena MidMax*, a semisubmersible drilling unit. The total claim on SHI amounts to SEK 4,429 million plus interest. SHI has disputed Stena's cancellation on the contract and the parties are now engaged in a London arbitration.



Stena AB and Consolidated Subsidiaries

OTHER FINANCIAL INFORMATION – RESTRICTED GROUP

For the six months ended 30 June 2019, Restricted Group Data represents the selected consolidated financial information excluding (i) the property business segment (other than two small properties), (ii) the business segment of Adactum, whose activities consist primarily of investing in companies outside our traditional lines of business, and (iii) our subsidiaries Stena Investment Luxembourg S.à.r.l., Stena Royal, Stena Investment Cyprus Ltd and Mondaldi Ltd. Our real estate operations and the business of Adactum are conducted through various subsidiaries. For purposes of the indentures under which our Senior Notes were issued, real estate business and Investments, Adactum, together with our subsidiaries Stena Investment Luxembourg S.à.r.l., Stena Royal, Stena Investment Cyprus Ltd and Mondaldi Ltd, are designated as unrestricted subsidiaries and, as a result, are not bound by the restrictive provisions of the bond indentures.

As of 30 June 2019, we had outstanding EUR 200 million principal amounts of Senior Notes due 2020. We also had outstanding USD 527 million principal amounts of Senior Notes due 2024 and USD 350 million principal amounts of Senior Secured Notes due 2024.

Significant Events of the First Six Months of 2019 specific for the restricted group

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

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

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



Stena AB and Consolidated Subsidiaries

Subsequent Events specific for the restricted group

Stena Impero, an IMOIIIMax vessel in the Stena Bulk fleet, was captured by the Islamic Revolutionary Guards on July 19th in the Hormuz Strait. The vessel is still arrested and at anchor in Bandar Abbas in Iran. Stena Bulk and Northern Marine Management continue to work closely with the authorities to secure the release of the *Stena Impero* and its 23 crew members as soon as possible. There is no current evidence the ship has breached any maritime rules or regulations.

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Stena AB and Consolidated Subsidiaries

Condensed Consolidated Income Statements – Restricted Group

(SEK in million) (unaudited)	Six month period ended 30 June	
	2018	2019
Revenue:		
Ferry Operations	6,328	6,582
Offshore Drilling.....	678	1,229
Shipping.....	2,916	4,045
Other	<u>306</u>	<u>3</u>
Total revenue	10,228	11,859
Net gain on sale of non-current assets.....	<u>73</u>	-
Total other income	73	-
Direct operating expenses:		
Ferry Operations	-4,594	-4,558
Offshore Drilling.....	-607	-812
Shipping.....	-2,389	-3,008
Other	<u>-13</u>	<u>352</u>
Total direct operating expenses.....	-7,602	-8,026
Selling and administrative expenses	-1,369	-1,424
Net result from investments in operating associates	-72	-42
Depreciation, amortisation and impairment	<u>-2,916</u>	<u>-3,400</u>
Total operating expenses.....	-11,960	-12,892
Operating result.....	<u>-1,659</u>	<u>-1,033</u>
Dividends received	20	37
Gain (loss) on securities, net.....	61	191
Interest income.....	173	206
Interest expense.....	-580	-1,160
Foreign exchange gains/(loss), net.....	-6	57
Other financial income/(expense), net	<u>-135</u>	<u>-138</u>
Financial net.....	-467	-807
Result after financial net	-2,126	-1,840
Non-controlling interest	<u>2</u>	<u>6</u>
Result before taxes.....	<u>-2,124</u>	<u>-1,834</u>
Income taxes	<u>356</u>	<u>309</u>
Result for the period	<u>-1,768</u>	<u>-1,525</u>



Stena AB and Consolidated Subsidiaries

Condensed Consolidated Balance Sheets – Restricted Group

(SEK in million) (unaudited)	31 December 2018	30 June 2019
ASSETS		
<i>Non-current assets:</i>		
Intangible assets	1,754	2,085
<i>Property, plant and equipment:</i>		
Vessels.....	39,656	41,306
Construction in progress.....	2,051	2,662
Equipment	2,851	2,811
Ports	3,724	4,127
Land and buildings	<u>632</u>	<u>1,026</u>
Total property, plant and equipment	48,914	51,932
<i>Financial assets:</i>		
Marketable securities.....	2,628	354
Intercompany accounts, non-current	2,623	2,701
Other non-current assets	<u>17,292</u>	<u>16,445</u>
Total financial assets	22,543	19,500
Total non-current assets	<u>73,211</u>	<u>73,517</u>
<i>Current assets:</i>		
Inventories.....	457	492
Trade receivables.....	1,909	2,747
Other current receivables.....	2,324	4,112
Prepayments and accrued income.....	1,287	2,055
Short-term investments.....	833	3,547
Intercompany accounts, current.....	2,082	1,974
Cash and cash equivalents	908	1,182
Total current assets	<u>9,800</u>	<u>16,109</u>
Total assets	<u>83,011</u>	<u>89,626</u>
EQUITY AND LIABILITIES		
<i>Equity:</i>		
Share Capital	5	5
Reserves	<u>31,342</u>	<u>30,491</u>
Equity attributable to shareholders of the company.....	31,347	30,496
Non-controlling interests	<u>114</u>	<u>188</u>
Total equity	<u>31,461</u>	<u>30,684</u>
<i>Non-current liabilities:</i>		
Deferred tax liabilities	1,281	1,387
Pension liabilities	441	451
Other provisions	348	1
Long-term debt	18,754	22,375
Senior Notes	9,794	8,142
Capitalised lease obligations	4,265	7,860
Intercompany accounts, non-current	4,297	4,500
Other non-current liabilities.....	<u>914</u>	<u>1,214</u>
Total non-current liabilities	<u>40,094</u>	<u>45,930</u>
<i>Current liabilities:</i>		
Short-term debt.....	1,967	1,642
Senior Notes	1,036	2,112
Capitalised lease obligations	474	1,489
Trade payables.....	971	1,217
Tax liabilities.....	69	137
Other liabilities	2,419	2,187
Intercompany liabilities, current.....	949	87
Accruals and deferred income	3,571	4,141
Total current liabilities	<u>11,456</u>	<u>13,012</u>
Total equity and liabilities	<u>83,011</u>	<u>89,626</u>



Stena AB and Consolidated Subsidiaries

Condensed Consolidated Statements of Cash Flow – Restricted Group

(SEK in million) (unaudited)	Six month period ended 30 June	
	2018	2019
<i>Cash flow from operating activities:</i>		
Profit for the period.....	-1,768	-1,525
Adjustments to reconcile profit to net cash provided by operating activities:		
Depreciation, amortisation and impairment	2,916	3,400
Gain on sale of non-current assets	-73	-
Gains/losses on securities, net.....	-61	-191
Deferred income taxes	-273	-315
Exchange differences, unrealised.....	57	-550
Other non-cash items	-439	-497
Pensions	-89	-20
Net cash flow from trading securities	123	-338
Dividend from operational associates and joint ventures.....	36	17
Investments and disposals of associates and joint ventures.....	-69	-102
Changes in working capital.....	<u>-13</u>	<u>-441</u>
Cash flow from operating activities	<u>347</u>	<u>-562</u>
<i>Cash flow from investing activities:</i>		
Capital expenditure of intangible assets.....	-64	-129
Sale of property, plant and equipment	75	32
Capital expenditure on property, plant and equipment.....	-1,213	-1,817
Purchase and sale of operations, net of cash	95	-215
Sale of securities	399	870
Purchase of securities.....	-464	-737
Other investing activities	<u>-18</u>	<u>-43</u>
Cash flow from investing activities.....	<u>-1,190</u>	<u>-2,039</u>
<i>Cash flow from financing activities:</i>		
Proceeds from issuance of short and long-term debt.....	865	424
Principal payments on short and long-term debt.....	-1,507	-3,587
Net change in borrowings on line-of-credit agreements	-2,806	4,472
New leases	1,357	2,624
Principal payments on capitalised lease obligations	-53	-726
Net change in restricted cash accounts.....	-225	132
Intercompany accounts	3,399	-329
Dividend paid.....	-50	-90
Other financing activities	<u>-25</u>	<u>-74</u>
Cash flow from financing activities	<u>955</u>	<u>2,846</u>
Effect of exchange rate changes on cash and cash equivalents	<u>40</u>	<u>29</u>
Net change in cash and cash equivalents	152	274
Cash and cash equivalents at beginning of period.....	<u>735</u>	<u>908</u>
Cash and cash equivalents at end of period.....	<u>887</u>	<u>1,182</u>