CEO COMMENTS

WELL-BALANCED OPERATIONS

Global living standards continue to improve. One of the benefits of globalisation is the elimination of malnutrition and absolute poverty for an ever-increasing share of the world's population. Newly emerging trade conflicts and other political disputes and unrest have not yet reduced global growth. Sooner or later, however, an increasingly exclusionary mindset is likely to erode global growth potential. At Stena, we are pleased that digitalisation is opening up new opportunities for continuous contact with our customers, employees and suppliers. New products are being developed, such as digital applications and other technical solutions, that can improve our performance, reliability and administrative procedures. Cost reductions through energy savings lead to lower environmental impacts and maintenance costs.

NEW COOPERATION FOR EXPANSION

During the year, our wind power activities gained new joint owners. More effective power plants can generate electricity on an increasingly more environmentally-friendly basis. Renewable electricity seems to be our most environmentally-friendly energy system. The conversion from nuclear power to renewable fuels benefits wind turbines. In addition to our current more than 100 wind turbines, together with our partners we have plans for a further 300 turbines.

We are involved in the Swedish Northvolt battery project, and have introduced partial battery-based operation of our ferry, *Stena Jutlandica.*

FULLY EMPLOYED OIL DRILLING UNITS

Conversion to the energy system of the future takes a lot of time. The oil and gas consumption ratio is still expected to continue to increase up to and including 2035, at the expense of, first of all, coal. While transitioning to new energy systems, the world needs to develop new gas and oil reserves. Once again, our drilling units were all fully employed. During the economic downturn, we retained virtually all of our employees, proving the unique safety and effectiveness of our operations. I believe that in 2020, the employed ratio of floating offshore drilling units will once again exceed 80 per cent, and we will again enjoy a positive contribution to the operation's high capital costs.

LARGE SUPPLY OF VESSELS

The global shipyard industry continues to have excess capacity compared to the demand for vessels. The transition to reduced production of vessels takes time, and there is an excess supply of virtually all types of vessels. Nonetheless, it appears that the balance between supply and demand for tankers and gas carriers during 2019 will be more favourable than in 2018, which was a very disappointing year, except for the fourth quarter.

FLEET REDEPLOYMENT

Based on continuous improvement, and partly also increased economic activity, our ferry operations, with 20 ferry lines during 2018, generated positive results. Unless the supply of ferry capacity increases substantially, we believe that the favourable results will be maintained in the coming years. We are planning major redeployment of the fleet in 2020. Stena Line has five vessels on order, and these will be deployed where we currently have capacity constraints. Based on redeployment, we will only need to sell one vessel when the new vessels arrive. Our colleagues in the ferry industry also face a lack of capacity. Four of our new ferries on order will be employed by these colleagues for long-term periods. Two RoRo ferries were sold during the past year.

CONTINUED INVESTMENTS

Overall, our companies in the investment company Stena Adactum achieved record-high results. This is a diversified portfolio, yet all companies strengthened their market positions and competitiveness.

All of our oil and gas-related marine activities face significant market fluctuations. For some time, we have therefore built up our property activities, mainly comprising of rental housing. Due to a large realised gain on the sale of approximately 20 per cent of the portfolio, we can report a positive result for 2018.

Our operations are in better balance in 2019. Despite full employment in 2019, our oil drilling activities are not likely to contribute a positive cash flow before 2020. This operation is burdened by high capital costs, and besides managing our other activities, we have safeguarded our future with a high liquidity reserve, currently amounting to just over SEK 17 billion. This makes it possible to continue to invest in our activities, despite gradual reduction of our investments, in net terms.

Göteborg, 18 February

Dan Sten Olsson

Dan Sten Olsson
CEO, Stena AB