BUSINESSES IN
THE STENA GROUP

The Stena AB Group is one of Sweden's largest family-owned companies and operates in the following businesses: Stena Line, Stena Drilling, Stena Bulk, Stena RoRo, Northern Marine Group, Stena Teknik, Stena Property, Stena Adactum and Stena Finance.

Each business is based on a clear ownership philosophy. The businesses must adhere to Stena AB’s (publ) principles, convictions and basic values by translating them into their own operative terms. Stena has clear delegated business responsibility, driven by innovation – often together with the customer.

Each business has its own culture and its own values, which must be respected and understood. We firmly believe that by adhering to our values, we will be successful.
STENA LINE

Today, Stena Line owns five ports and operates 20 routes in northern Europe, with 38 vessels. The company’s focus on long-term, sustainable business operations creates value for customers and makes Stena Line an attractive place to work.

2018 was an eventful year for Stena Line, with continued growth. Much of the activity during the year concerned strengthening of the organisation and the fleet, achieving increased profitability and customer satisfaction. As a result, Stena Line is well-prepared for 2019, when the focus will be on continued efficiency improvements and growing the business through digital transformation.

DIGITALISATION TO INCREASE PROFITABILITY

To be a relevant company also in the future, sustainability and digitalisation is high on Stena Line’s agenda. The key priorities include using new technology to work on a more environmentally sound and effective basis. There is also great focus on engaging employees in order to create conditions for long-term growth. The work of digitalising activities to achieve processes that lead to a high service level and efficiency, both in port and onboard, is a key aspect of the company’s strategy. There is strong focus on AI and machine learning, in order to achieve the objective to be “The world’s first cognitive ferry company”. Besides the opportunity to work on a more cost-effective basis, digitalisation also gives Stena Line better opportunities for analysis and automation. This creates the right conditions for increased profitability through improved market predictions and a better understanding of our customers’ expectations.

INCREASED INTEREST IN BATTERY POWER

In 2018, Stena Line successfully took the first step towards electrical operation with Stena Jutlandica, which operates between Göteborg and Frederikshavn, as pilot project. The project will take place in stages and is currently in the initial phase, in which electrical operation is used for manoeuvring with bow thrusters while the vessel is in port. In stage two, the vessel is planned to operate a stretch of around ten Nm on battery, before the main engine is started up in the open sea. In stage three, the aim is to sail 50 Nm on battery power, equivalent to the full route between Göteborg and Frederikshavn.

In recent years, Stena Line has completed more than 320 different projects to reduce fuel consumption.

Since 2015, methanol, for example, has been part of the fuel mix for Stena Germanica, which operates between Göteborg and Kiel.

CAPACITY OPTIMISATION WILL BE KEY IN THE FUTURE

Despite certain challenges in the market as a consequence of a rising oil price, Stena Line achieved strong results for 2018. During the year, the company focused on strengthening the organisation, with changes, among other things, being made to achieve further transparency in port and terminal activities. The company also continued to work on strengthening the fleet, and a total of five vessels are in the order book for delivery from the AVIC Weihai shipyard in China between 2019 and 2022.

STENA LINE FACTS

| Employees | 5,700 |
| MSEK income | 13,800 |
| MSEK capital employed | 15,500 |
| 7 RoRo ferries |
| 31 Ropax ferries |

STENA AB ANNUAL REVIEW 2018
CONTINUED DEMAND FOR FREIGHT CAPACITY

In 2018, Stena ordered an additional two E-Flexer ferries from the Chinese AVIC Weihai shipyard. The two ferries are planned to be put into service in Stena Line’s network, with planned delivery during 2022. “We believe in sustained growth when it comes to demand for freight capacity in northern Europe. We wish to be the leaders when it comes to sustainable shipping, and with the new E-Flexer ferries we will set a new industry standard for operational performance, emissions and cost control,” says MD Niclas Mårtensson.

COOPERATION WITH MERCY SHIPS

Stena Line and Mercy Ships, which operates the world’s largest private hospital vessel, have joined forces in working to increase awareness of Mercy Ships and to highlight and encourage volunteering and donations to this activity. In the summer of 2018, the first two Stena Line employees served as volunteers onboard, contributing with their unique technical and nautical expertise.

HIGH AMBITIONS FOR SUSTAINABILITY ACTIVITIES

Stena Line has strong focus on streamlining fuel consumption and assessing the potential for more sustainable fuels. The safety of both personnel and passengers is always high on the agenda, and the focus of onboard activities includes tightening the requirements made of suppliers, reducing food waste and increasing recycling. Stena Line has identified those of the UN Sustainable Development Goals (SDG) that the company strives to achieve.

<table>
<thead>
<tr>
<th>SDG</th>
<th>Focus areas</th>
<th>Target</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Good health &amp; well-being</td>
<td>Safety among seagoing employees</td>
<td>LTIF&lt; 1</td>
<td>1.1</td>
<td>0.6</td>
</tr>
<tr>
<td>5</td>
<td>Equality &amp; inclusion</td>
<td>Improve ratio of female leaders</td>
<td>Min 30% share women among new leaders</td>
<td>19%</td>
<td>16.0%</td>
</tr>
<tr>
<td>7</td>
<td>Clean energy</td>
<td>Reduce the fleet’s CO₂ emissions</td>
<td>Decrease 2.5% tonnes/Nm and year</td>
<td>0.478</td>
<td>0.470</td>
</tr>
<tr>
<td>12</td>
<td>Responsible consumption</td>
<td>Increase material recycling</td>
<td>Plus 2.5% per year</td>
<td>33%</td>
<td>30.4%</td>
</tr>
<tr>
<td>14</td>
<td>Life below water</td>
<td>No oil spills from ships and ports</td>
<td>Zero cases of oil spills</td>
<td>2</td>
<td>5</td>
</tr>
</tbody>
</table>

1) Lost Time Injury Frequency (LTIF) is a way of measuring workplace safety for crew onboard. LTIF is measured as number of Lost Time Injuries (LTI) – injuries that leave the employee unable to work the following day/per million exposure hours worked.
STENA DRILLING

Stena Drilling is one of the world’s leading independent drilling contractors with four ultra-deepwater drillships and two semi-submersible drilling rigs operating in a global market. With several successful newbuildings and innovative rig upgrade projects, Stena Drilling is a pioneer in several areas of technological development and innovation within the offshore industry.

2018 was a turbulent year for the offshore market, and a challenging year for the Stena Drilling Group, with some of the rigs being temporarily taken out of service during the year. In preparation for an upswing in the market, significant investments were made to maintain the high standard of the fleet and crew, and their availability to resume operations at short notice, when market demand begins to return. A lot of work was tendered out in 2018 and Stena Drilling very successfully converted these tenders into contracts. The rigs’ safety and operational performance were sound, and this was a key factor in achieving new contracts. At the end of 2018, the Stena Clyde drilling rig was sold to a Chinese operator, leaving the fleet with four drillships and two semi-submersible drilling rigs.

FOCUS ON SAFETY AND TEAMWORK
The oil drilling industry can be hazardous, which makes safety extremely important. Before any work commences on a vessel or rig, it must be assessed to be absolutely safe; otherwise no work will take place. This requires a risk assessment to be performed, followed up as required by a work permit and safety meeting, to ensure that everyone involved understands the work to be performed. Personnel are encouraged to stop the work if they do not understand it, or if they believe there is a security risk, or environmental risk. Stop cards, part of Stena Drilling’s safety observation programme, must be submitted if personnel either witness risks or safe working methods need to be supplemented. Every month, the best stop card is nominated, and the person concerned receives a prize. This creates an importance basis for spreading knowledge within the fleet and to Stena Drilling’s clients, who are also encouraged to take part. Stena Drilling’s LTIF (lost time injury frequency) was held at zero in both 2017 and 2018, with Stena Carron in particular being LTI (lost time injury) free for eight years.

INNOVATION IS THE KEY TO SUCCESS
During the year, the Stena Drilling Group introduced a project to design a new drilling rig – now called the “rig of the future”. This led to the Stena HarshMAX concept, and a study took place together with several equipment suppliers and one yard. Stena also initiated cooperation with several oil and service companies in order to encourage closer ties and create strategic partnerships to improve the rigs’ safety, operative performance and cost effectiveness. This partnership is ongoing in Ghana, where third-party companies are working directly with Stena Drilling on the Stena Forth drillship, which is yielding positive results.

TO ALWAYS BE THE CUSTOMER’S FIRST CHOICE AND QUALITY-ASSURED PARTNER
During the year, drilling crews from the entire Stena fleet took part in a simulator course for well control at Westhill Aberdeen. Participants were trained in resolving normal and more complicated oil drilling situations by applying relevant technical knowledge and competence, with due observance of regulations, recommended industry instructions and Stena’s oil drilling handbook. Non-technical topics such as communication, decision-making, situational awareness, leadership, teamwork and performance-based factors were also considered. The course was a success, with an average rating of 95 per cent from all participants. “This was definitely the best training I’ve experienced during my drilling career,” said one of the course participants.

In 2018 Stena Drilling was very successful converting tenders into contracts. The rig’s safety and operational performance were sound, and this was a key factor in achieving new contracts.

**TRAINING FOR SAFER DRILLING**

**DRILLING CONTRACTS**

<table>
<thead>
<tr>
<th>Rigs</th>
<th>Customers</th>
<th>Contract term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stena Don</td>
<td>Total E&amp;P UK</td>
<td>Q2 2019 – Q4 2019</td>
</tr>
<tr>
<td>Stena Spey</td>
<td>Undisclosed</td>
<td>Q1 2019 – Q4 2020</td>
</tr>
<tr>
<td>Stena DrillMAX</td>
<td>Energean</td>
<td>Q2 2019 – Q4 2019</td>
</tr>
<tr>
<td>Stena Carron</td>
<td>ExxonMobil</td>
<td>Q1 2019 – Q1 2021</td>
</tr>
<tr>
<td>Stena Forth</td>
<td>Tullow Ghana</td>
<td>Q1 2019 – Q4 2020</td>
</tr>
<tr>
<td>Stena IceMAX</td>
<td>ExxonMobil</td>
<td>Q1 2019; CNOOC, Q2 2019 – Q4 2019</td>
</tr>
<tr>
<td>Stena Clyde</td>
<td></td>
<td>Sold in Q4 2018</td>
</tr>
</tbody>
</table>

1) As of March 2019. 2) Including options.

**REduced ENVIRONMENTAL IMPACTS AND A SAFER WORKPLACE**

The most important sustainability issues for Stena Drilling are health and safety, as well as environmental issues primarily related to energy use, greenhouse gas emissions, and spills. Stena Drilling holds environmental certification in accordance with ISO 14001 and is working continuously to improve procedures and compliance in order to minimise the risk of occupational accidents.

<table>
<thead>
<tr>
<th>Focus areas</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction of emissions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CO₂ tonnes</td>
<td>150,355</td>
<td>178,465</td>
<td>189,362</td>
</tr>
<tr>
<td>NOx tonnes</td>
<td>2,779</td>
<td>3,322</td>
<td>3,457</td>
</tr>
<tr>
<td>Discharge to sea (litres)</td>
<td>1,921</td>
<td>3,821</td>
<td>5,900</td>
</tr>
<tr>
<td>LTIF¹</td>
<td>0.00</td>
<td>0.00</td>
<td>0.15</td>
</tr>
</tbody>
</table>

1) Lost Time Injury Frequency (LTIF) is a way for measuring workplace safety for crew onboard. LTIF is measured as number of Lost Time Injuries (LTI) – injuries that leave the employee unable to work the following day per million exposure hours worked.

**BUILDING UP OFFSHORE DRILLING KNOW-HOW IN GUYANA**

Stena Carron has been active in Guyana since 2016, working for ExxonMobil. As part of an agreement with the Guyanan state, certain crew positions at Stena Carron are filled up by local crew. Since there is no local industry expertise in Guyana, and knowledge of the industry is thereby limited, these crews have been trained from scratch. So far, Stena Drilling has trained 80 local crew members in offshore drilling disciplines, contributing to building up local expertise within this area.

Erik Ronsberg
MD
STENA BULK

Stena Bulk is one of the world's leading tanker operators, offering safe, innovative and cost-effective marine transportation of crude oil, refined oil products, chemicals and LNG. This requires a holistic perspective – from development and construction to crewing and chartering of first-class tankers and LNG vessels.

The tanker market is cyclical and Stena Bulk can now see the turning point for which the company is positioned, with several new positions taken during the year, and thereby expects to stay ahead of its competitors. During the year, Stena Bulk also continued to work to meet the expected reversal in the tanker industry as a consequence of the new sulphur emission regulations that will enter into force in 2020. By adapting vessels to the new legislative requirements, Stena Bulk is ensuring a basis for the long-term sustainable operation of the fleet.

INCREASED AWARENESS REDUCES ENERGY USE
In conjunction with shipping companies' need to adapt their fleets to new legislative requirements, stronger market performance is expected in 2019–2021. This is primarily related to new logistics flows, increased demand on the back of global growth, and more rapid phasing-out of older tonnage in 2019 and 2020 than normal, due to the new requirements’ entry into force. Shipping currently has the objective to reduce greenhouse gas emissions by 50 per cent, up to 2050, compared with 2008 as the base year, according to the IMO’s environmental target. Achieving this goal requires that shipping takes a major step forward, and drives development towards sustainable transport on the world’s oceans. For Stena Bulk, the task is primarily to make use of new technology to operate vessels more efficiently. One example is Stena Orbit, the company’s digital platform, which allows for real-time control of energy use, and directly raises the alarm in the event of any deviations. Besides increasing efficiency, the platform also enhances the organisation’s awareness of energy use. Together with other measures, this has contributed to the company’s reduction of energy use by around 25 per cent since 2011. With the help of Stena Orbit, customers are also offered the information they need after each voyage, in order to compare Stena Bulk's transports with those of competitors.

NEW COOPERATION FOR EXPANSION IN ASIA
During the year, development continued of Golden-Agri Stena, the joint venture operated by Stena Bulk with Golden-Agri-Resources. As a consequence, together with Japanese Bay Crest Management, the company established a new joint venture, GSB Tankers. The aim of the collaboration is to take another step into the chemical transport market, where Stena Bulk sees good growth opportunities going forward.

The cooperation with the Angolan oil company, Sonangol, in Stena Sonangol Suezmax Pool, has performed well since its start 14 years ago. With a pool of 20–30 vessels, Stena and Sonangol work on triangulating and optimising trading. In 2018, Stena Bulk also took final delivery of the 13 IMOIIIMAX vessels in total ordered in 2011. The vessels can handle both chemical transport and other loads and have performed above expectations in the logistics system comprising around 60–70 vessels in the MR and IMOIIIMAX classes.

STENA BULK FACTS

15% Share of Group revenue
450 Employees
5,000 MSEK income
7,700 MSEK capital employed
96 Tankers
3 LNG tankers
4 Shuttle tankers
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STENA AB

ABOUT STENA

FOCUS

MANAGEMENT

BUSINESS ENVIRONMENT

OPERATIONS

WORKING TOGETHER FOR SUSTAINABLE SHIPPING

Blockchain is a technique to handle various types of transactions that increases opportunities for traceability concerning who handles various aspects of a deal. For some time, Stena Bulk has cooperated with MIT Sloan School of Management and customers on assessing the significance of Blockchain in terms of creating safer and more effective business processes for tanker shipping operations.

ABOUT STENA

FOCUS

MANAGEMENT

BUSINESS ENVIRONMENT

OPERATIONS

Achievement Award for Rescue Operation

During 2018, Stena Bulk received a Safety Achievement Award from the Chamber of Shipping of America for professional seamanship when a fisherman was rescued from a capsizing boat in the waters between North Korea and Japan.

To be Customers’ First Choice for Safety, Innovation and Performance in Tanker Transportation.

Safety Takes Highest Priority

Stena Bulk always puts the safety of its own personnel and partners first, among other things by providing continuous training and education. We also work actively to reduce carbon dioxide and sulphur emissions, and minimise the risk of oil spills.

Focus areas

<table>
<thead>
<tr>
<th>Focus areas</th>
<th>Target</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emissions reduction</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SOx</td>
<td>-200 tonnes/annually</td>
<td>-620</td>
<td>-450</td>
<td>-210</td>
</tr>
<tr>
<td>CO₂</td>
<td>-18,000 tonnes/annually</td>
<td>-33,000</td>
<td>-37,200</td>
<td>-18,750</td>
</tr>
<tr>
<td>Discharge to sea (number of)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Energy efficiency (decreased fuel consumption)</td>
<td>0.3 tonnes/day/vessel</td>
<td>0.8</td>
<td>1.1</td>
<td>0.4</td>
</tr>
<tr>
<td>Laden/ballast ratio minimum</td>
<td></td>
<td>75/25 MR vessels</td>
<td>75/25</td>
<td>78/22</td>
</tr>
<tr>
<td>Laden/ballast ratio minimum</td>
<td></td>
<td>65/35 Suezmax</td>
<td>66/34</td>
<td>65/35</td>
</tr>
</tbody>
</table>

Based on new technology and information tools, from 2011 up to today we have reduced our energy requirement per ton-mile by 25 per cent. Based on technical and digital solutions, transparency and cooperation, we can see that we can change business models, which will bring major changes in our industry.

Future-proofing Information

Stena Bulk works continuously with research and education, in order to make our contribution to safer and more sustainable shipping. Today, Stena Bulk cooperates with several leading universities and oil companies to increase digitalisation, reduce fuel consumption and improve transparency in the sector.

Via membership of the Marine Anti-Corruption Network (MACN), Stena Bulk is working actively to eliminate corruption in the industry.

Erik Hånell

MD

Erik Hånell MD

Erik Hånell, MD

Based on new technology and information tools, from 2011 up to today we have reduced our energy requirement per ton-mile by 25 per cent. Based on technical and digital solutions, transparency and cooperation, we can see that we can change business models, which will bring major changes in our industry.
STENA RORO

Stena RoRo provides vessels, innovative solutions and project management for operators and shipping companies all over the world. In its operation, management and further development of vessels, Stena RoRo aims to generate profitability through the sale and chartering of high-quality tonnage.

In 2018, the market was strong for both RoPax and RoRo vessels. As a consequence, Stena RoRo has taken the opportunity to divest two vessels. With the sale of Stena Freighter to the space-flight company Blue Origin, owned by Amazon founder Jeff Bezos, Stena RoRo has shown how its well-maintained and flexible vessels can be of interest to unexpected industries. Stena Freighter will be used as a landing platform for the reusable booster rockets in Blue Origin’s latest space venture, New Glenn. During the year, Stena RoRo also sold Stena Carrier to the Mexican shipping company, Baja Ferries.

FAVOURABLE SALES IN GOOD TIMES
Stena RoRo buys vessels at favourable prices and creates value by developing and refurbishing these vessels. As a consequence of the strong market, and in line with its contracyclical strategy, Stena RoRo has been able to achieve profit on vessels acquired during less favourable times. Thanks to profitable operation and successful sales, Stena RoRo can present the best result ever. Stena RoRo has also continued the work of designing, project managing and ensuring delivery of newbuildings.

During the year, Stena declared four options at the Chinese AVIC Weihai shipyard, so that Stena RoRo is now project managing the building of a total of eight RoPax vessels ordered from the AVIC Weihai shipyard. The design has been adapted in line with the requirements of both internal and external customers. Three vessels will be chartered out to well-reputed European shipping companies, while five will be used by Stena Line. A hospital vessel for Mercy Ships is being built at the Xingang yard in Tianjin, China, and Stena RoRo is responsible for design and project management at the yard.

The vessel is planned to be ready for delivery from the Chinese yard during the first quarter of 2020.

WELL-POSITIONED WITH A STABLE BUSINESS MODEL
Significant technical expertise, combined with good market know-how, enables Stena RoRo to make advantageous acquisitions even when the economic climate in the market is strong. Stena RoRo is currently working on a number of projects where doing profitable business relies on the company’s opportunities to technically adapt the vessels. In the coming years, there is much to indicate the increased addition of primarily new RoRo vessels in the market, which will exert pressure on margins in the industry. In the RoPax market, on the other hand, development is still assessed to be strong, since in principle no speculative newbuilding orders are placed. There is also political uncertainty in Europe, as well as unrest about the outlook for the transport fleet after a possible Brexit 2019. Stena RoRo is monitoring developments closely and, with a well-balanced fleet comprising of both RoPax and RoRo vessels, is ready for various scenarios.

FOLLOWING UP ON EMPLOYEES’ REQUESTS
Stena RoRo is continuing its sustainability journey. By developing digital information and operations reporting systems, Stena RoRo is creating a basis to optimise ferry operation and thereby reduce fuel consumption. A key element of sustainability work is also to offer a secure workplace, and ensure the welfare of all employees. During the year, Stena RoRo made several organisational adjustments to improve employees’ working conditions, in line with feedback made in the Stena Voice employee survey.
ENERGY EFFICIENCY IN FOCUS FOR NEW VESSELS

Stena RoRo is project managing the newbuilding of eight RoPax vessels at the AVIC Weihai shipyard in China. The ferries will be among the most energy efficient of their type, in terms of hull shape and propulsion. They will significantly reduce the relevant CO₂ emissions in the lines in which they operate. They will also be built for traditional fuels, while being prepared for scrubbers and selective catalytic reduction (SCR). The ferries will also have the “DnVGL Gas Ready” class notation.

FREE AND INCREASED MOBILITY FOR PEOPLE AND TRADE, CONTRIBUTING TO GREATER PROSPERITY AND A SUSTAINABLE ENVIRONMENT

Stena RoRo holds ISO 14001 certification and works systematically to ensure that the vessels that are built, rebuilt and chartered out have the lowest possible environmental impact. Employees’ health and safety is also a top priority. The continuing sustainability initiatives are focused, among other things, on achieving accurate KPIs for environmental activities.

A SAFER WORKPLACE

The most important sustainability issues for Stena RoRo are health and safety, technical reliability, and environmental issues primarily related to energy use, greenhouse gas emissions, and waste. Stena RoRo holds ISO 14001 environmental certification and is working continuously to minimise the risk of occupational injuries.

Focus areas | Target | 2018 | 2017 | 2016
--- | --- | --- | --- | ---
FAR (Fatal Accident Rate) | 0 | 0 | 0 | 0
LTIF<sup>1</sup> | <1 | 0.00 | 0.68 | 0.54

<sup>1</sup> Lost Time Injury Frequency (LTIF) is a way to measure workplace safety for crew onboard. LTIF is measured as number of Lost Time Injuries (LTI) – injuries that leave the employee unable to work the following day/per million exposure hours worked.
In 2018, NMG’s strategically-diverse service offering ensured another profitable year, even though its financial performance was affected negatively by turbulent market conditions within both the shipping and offshore industries. Significant efforts were made in 2018, by implementing improvement measures, including the restructuring of business units, closure of non-core business units, and review of management teams to create a broader platform for performance in the continuing challenging industry environment. NMG has already seen a positive effect, as demonstrated by new business conversions both within the Ship Management and Services divisions.

From a ship management perspective, the fleet ended 2018 in an improved position with regard to operational objectives for safety, environmental protection and oil major vetting statistics than when the year began. An all-time lowest number of recordable accidents was detected across the tanker/gas carrier fleets and NMG continued to achieve zero environmental pollution incidents in 2018.

Strong leadership focus is always required to deliver the operational results and as such the various training and mentoring projects are evidencing results. The Visible Leadership Project has been implemented across the businesses to enhance employee engagement, both onboard and onshore.

A number of projects were completed in 2018 to reduce fuel consumption onboard technical managed vessels, including the introduction of bow thruster grids on passenger ferries and Hub Vortex Absorber (energy saving equipment) on gas tankers. Measurement of these specific initiatives evidences a reduced fuel consumption from between two per cent and five per cent, depending on application.

NMG’s commitment to energy efficiency is coupled with its activities in emission reduction. Delivering exhaust gas scrubber solutions, in collaboration with Shanghai Bluesoul Environmental Technology Co. Ltd, further demonstrates its capability as a value creating service provider to its clients. An exhaust gas scrubber is a piece of machinery inserted into the ship’s exhaust system. Passing sea water through the scrubber absorbs sulphur dioxide from the ship’s engine exhaust gases, which will ensure compliance with upcoming IMO industry regulations.

**PROACTIVE CULTURE OF SAFETY REPORTING**

Employee safety is the highest priority for Northern Marine Group. Building on an already proactive culture of safety reporting in 2018, seafarers in the fleet continued to build safety monitoring ethos, as the number of potential safety risks identified through the Behavioural Based Safety System (BBS) increased by 28 per cent. It is through committed vigilance, such as BBS, that ships in the fleet remain safe working environments.

The changing legislation on marine sulphur regulations being introduced by the IMO as of 1 January 2020 is a major external factor that will impact business. Careful dialogue and planning with clients are necessary to not only achieve technical acceptance, but also ensure that the most flexible commercial strategy is achieved.

NMG requires highly skilled and committed seafarers from all geographical locations to successfully operate the fleet. With signs of a weak emergence in the depressed offshore market, NMG must be focused on retention of its crew, to prevent skills being transferred from commercial shipping to the reawakening offshore oil and gas projects.
In 2018, Clyde Marine Training – a subsidiary of Northern Marine Group – was the UK’s largest cadet training provider, with over 800 cadets being trained, under 51 shipping companies. During the year, 280 new cadets were recruited by Clyde Marine Training – 40 per cent of all new cadets recruited for the British maritime sector in 2018.

In 2018, NMG’s strategically-diverse service offering ensured another profitable year.

**SAFETY AND ENVIRONMENTAL EXPERTISE**

Since sustainability ranks high on NMG’s agenda, our employees can contribute to reducing environmental impacts and increasing the safety of our customers. We hold both ISO 14001 and ISO 50001 certification and also focused on information security issues during the year.

<table>
<thead>
<tr>
<th>Focus areas</th>
<th>Target</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discharge to sea (number)</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Port state control detention</td>
<td>0</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Information security</td>
<td>0 data breaches</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>LTIF¹</td>
<td>Below 0.5</td>
<td>0.31</td>
<td>0.33</td>
<td>0.65</td>
</tr>
<tr>
<td>Full compliance with laws and regulations</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

¹) Lost Time Injury Frequency (LTIF) is a way of measuring workplace safety for crew onboard. LTIF is measured as number of Lost Time Injuries (LTI) – injuries that leave the employee unable to work the following day/per million exposure hours worked.
STENA TEKNIK

Stena Teknik is a technical resource for Stena's marine-related business areas, to increase their competitiveness and develop techniques to handle the Group's vessels on a safe, environmentally friendly and effective basis. Stena Teknik plays an important role in achieving the vision of environmentally-neutral transport. An intensive effort is being made to optimise existing and new ferries' design, in order to reduce fuel consumption and increase load capacity.

At the start of the year, the last of the 13 IMOIIMAX tanker vessels for Stena Bulk was delivered, and the work on a bunker vessel for Stena Oil continued. In addition, Stena Teknik also supported the newbuilding of eight RoPax vessels in China that will be among the most energy efficient of their type. The hull and engine system have been further developed, and the ferries are built to run on different fuels, and prepared for purification equipment such as scrubbers or selective catalytic reduction. Stena Drilling’s drilling rig, Stena Don, has been positioned solely using propeller force in drilling operations. New requirements have been introduced for the positioning system to be supplemented with an anchoring system, he new system will make the rig more flexible, with the capability of operating in several types of environment, at varying water depths.

FOCUS ON ELECTRIFICATION OF VESSELS
A project for the gradual introduction of battery operation of Stena Line’s vessels was commenced during the year. Batteries were installed onboard Stena Jutlandica, with the economic support of the EU and the Swedish Transport Administration. When the vessel is in port, the power-consuming bow thrusters run on batteries, which reduces both noise and environmental impact. In the next phase, planned to commence in 2019, battery operation will be connected to two out of four main engines, so that Stena Jutlandica can run solely on electricity in inshore waters. The final goal is for the ferry to run solely on electricity for the entire route between Göteborg and Frederikshavn, equivalent to around 50 Nm. Battery-based propulsion can completely eliminate emissions to air. Batteries will gradually be installed on additional ferries in Stena’s fleet, reducing the ferries’ environmental impact.

OPTIMISED FUEL CONSUMPTION WITH AI
Stena Teknik has joined forces with Stena Line on developing a system to collect and compare data for optimisation of vessels’ fuel consumption. This has now been taken a step further with Stena Line’s operation of an AI pilot project aimed to streamline shipping operations in different routes. A similar system has been developed by Stena Bulk. The company’s digital platform Stena Orbit provides real-time control of energy use, and directly raises the alarm in the event of any deviations. This has contributed to the company’s radical reduction of energy use.

IMPROVED FIRE SAFETY IN THE INDUSTRY
During the year, in cooperation with Stena Line, Stena RoRo and Northern Marine, Stena Teknik drew up a fire safety standard for implementation on all vessels in the Group. The safety level is now assumed to fulfil the requirements being considered within international organisations such as the IMO and European Maritime Safety Agency (EMSA) who are taking an interest in this work, which is now being disseminated as a new standard throughout the industry.

WE PROVIDE MARINE TECHNOLOGY EXPERTISE FOR INCREASED COMPETITIVENESS
As a key element of Stena’s vision of environmentally-neutral transport, Stena Teknik has developed the Stena Elektra concept, a hybrid vessel that is planned to run on electricity and serve the Göteborg-Frederikshavn route, or other services of up to 50 nautical miles. Battery-based operation can completely eliminate emissions to air. By removing the engines and all appurtenant systems, there is no need for bulky engine rooms, but solely space for electrical motors and batteries.

The vessel is still being developed and there are many challenges to overcome before this new technology is achieved in practice. In view of the pace of current development in terms of battery capacity and reduced battery prices, it is only a matter of time before Stena Elektra is achieved.

VISION OF ENVIRONMENTALLY-NEUTRAL TRANSPORT: STENA ELEKTRA

With our expertise, experience and, most of all, curiosity, we look forward to meeting future sustainability challenges.

Harry Robertsson
Technical Director
STENA PROPERTY

Stena Property is one of Sweden’s largest private property companies, with around 28,000 residential units and commercial premises in metropolitan regions. Stena Property focuses on the future by building thousands of new residential units and commercial premises, where activities outside the buildings are just as important as life inside. Sustainability issues are high on the agenda, and Relationship management is used to cooperate on creating attractive areas that people can enjoy and settle down in.

Stena Property achieved a record result, partly due to the sale of properties to Stena Sessan for the equivalent of SEK 6.6 billion. The occupancy rate for the commercial property portfolio was at a stable high level (95 per cent) during the year, and 1,500 flats are currently being built in Sweden. Abroad, the focus has been on filling vacancies in The Netherlands and this has begun to yield results, with an overall occupancy rate of 90 per cent during the year. Stena Realty acquired a property in London and two properties in The Netherlands, and has an ongoing construction project in France. With the sale of a property in Hungary during the year, Stena Realty has left the Hungarian market.

Acquisitions for more than SEK 1 billion were made during the year, including a major deal for three LEED-certified (Leadership in Energy and Environmental Design) commercial properties in central Lund.

FROM PROPERTY MANAGEMENT TO CITY DEVELOPMENT

Based on a new business plan, Stena Property is gearing up as a city developer and is focused on strengthening cities by creating secure and pleasant neighbourhoods. To a great extent, Stena Property has progressed from involvement in property management, to using new construction and strategic collaboration to develop entire city quarters, such as Masthuggskajen in Göteborg, where there are plans to build more than 300 new flats and 30,000 sq.m. of offices, commercial premises, service outlets and restaurants. The entire area will be sustainability-certified under the Citylab Action Certification System, developed by the Sweden Green Building Council and is the first sustainable city development fully adapted to Swedish conditions. Construction is planned to start in 2020, with occupation commencing in 2021.

Stena Property is also building residential units and commercial premises in Kvarngården, Uppsala, and Nybergsstorg in Stockholm, and in Kallebäck, Ekebäckshöjd and Tynnered in Göteborg, with the ambition of achieving Miljöbyggnad (Sweden Green Building Council) silver certification. In Tynnered, Stena Property is building 73 flats and a retirement home for 96 persons together with Attendo, for completion in 2021. This agreement also includes extra focus on social activities, to increase integration between the retirement home’s residents and the tenants in the residential area. This new establishment will create 100 jobs in this new part of the city.

During the year, a new geo-thermal heating system was installed at Bellevuegården in central Malmö, which means that the area now includes both heating and electricity from fossil-free sources.

Together with the Childhood Foundation, all employees in Stockholm have received training in learning how vulnerable children should be approached, and what property owners can do to support these children.

HELPING YOUNG PEOPLE INTO THE HOUSING MARKET

Long housing waiting lists and credit restrictions make it difficult for young people to join the housing market. Therefore, Stena Property is now focusing on offering inexpensive forms of housing, such as co-living, where residents can have their own bedroom and bathroom, but share other space with other tenants. Pilot projects have been launched in Göteborg and Stockholm.

STENA PROPERTY FACTS

| 16% | Share of Group revenue |
| 360 | Employees |
| 5,500 | MSEK income |
| 35,400 | MSEK capital employed |
| 24,600 | Residential |
| 2,4 M m² | Owned and managed stock |
| 3,700 | Number of premises |

1) Stena’s property operations are managed by Stena Fastigheter in Sweden and by Stena Realty internationally.
Every year, Stena Property doubles its workforce with summer workers. Jobs are offered to young people aged between 16 to 20 who live in Stena's properties. The young people work on such tasks as caring for the residential areas, by clearing up flower beds, painting and cleaning storerooms. Including the 2018 summer recruitment, this has contributed to 1,500 summer jobs in the course of five years.

Co-living develops the city and creates the residents of the future. We offer choices to our customers and give young people a chance to enter the housing market.

The basis for our Relationship management work is that when our tenants thrive, our areas will also develop favourably. Stena Property takes holistic responsibility for the areas where we have properties, and is also continuously engaged in efficient use of energy and reducing our properties’ environmental impacts.

<table>
<thead>
<tr>
<th>Focus areas</th>
<th>Target</th>
<th>Total reduction 2010-2018</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity consumption kWh/m²</td>
<td>-30% between 2010-2020</td>
<td>-31%</td>
<td>21</td>
<td>22</td>
<td>23</td>
</tr>
<tr>
<td>Heating consumption kWh/m²</td>
<td>-30% between 2010-2020</td>
<td>-19%</td>
<td>119</td>
<td>128</td>
<td>126</td>
</tr>
<tr>
<td>Water consumption m³/m²</td>
<td>-20% between 2010-2020</td>
<td>-12%</td>
<td>1.5</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>
Stena Adactum is Stena AB’s (publ) wholly-owned investment company that works in a long-term ownership perspective to develop and invest in listed and unlisted companies. Stena Adactum has a deep commitment, and works actively via the Boards of Directors to influence its portfolio companies, so that the activities create high value, based on sound business ethics, and a sustainability perspective.

Stena Adactum achieved a record result in 2018. The portfolio companies are well-positioned, and have strong management teams and sound finances, which has given good opportunities to leverage the sound cyclical position in recent years. Stena Adactum achieved strong underlying results, despite unfavourable weather conditions that mainly affected Stena Renewable and Blomsterlandet. Together with capital gains, the sound operating profit has contributed to a strong cash flow and result. However, Gunnebo’s major write-down on the sale of its French activity had a negative impact.

WHOLLY-OWNED PORTFOLIO COMPANIES

Ballingslöv International, a Group with a number of leading kitchen brands, saw continued strong growth, with sound development in the kitchen markets in Norway, Denmark and Finland, and stable progress in Sweden. The Netherlands and Belgium also achieved strong growth during the year.

During 2018, the Blomsterlandet chain expanded and opened five new Garden Centers, and now has 58 units in Sweden. There are also plans to open additional centres in the coming years. S-Blommor, which handled the Group’s sales via grocery outlets, was divested during the year. The full focus is on running the Blomsterlandet stores and further developing e-commerce.

Envac delivers infrastructure solutions in the form of automatic waste handling systems and has activities in over 20 countries. The company’s largest market is the new development of residential areas and hospitals, and saw strong market development in 2018 in several Asian and Nordic countries.

Captum was started in 2017 and offers consumer credit and payment solutions. They are now in an expansive stage. After the company’s geographical expansion in 2018, besides Sweden it now also has Norway and Denmark as its market.

PARTLY-OWNED PORTFOLIO COMPANIES

Electricity prices recovered in 2018, giving opportunities for investment in Stena Renewable’s project portfolio. At the beginning of the year, construction of 19 wind turbines commenced, for a value of SEK 750 million.

Stena Adactum sold 65 per cent of its holdings in Stena Renewable, in order to support the investment in 300 new wind power projects, realising a net gain of MSEK 160.

During the year, Gunnebo divested its large French operation and is now focusing on the core activities of entry control, cash handling and secure storage solutions, for which the company has a leading position, with sound growth.

Svedbergs continued to perform well in the consumer segment in 2018, while the project market was weaker. The company launched several new products and is now establishing a stronger market and sales organisation.

Midsona is a leader in the Nordic region for healthy and organic foods and personal care. The company performed well during the year, with continued expansion and growth. In 2018, the company acquired the German company, Davert, which is a leading operator within organic foods in the German market.

STENA ADACTUM FACTS

| 21% | Share of Group revenue |
| 2,700 | Employees |
| 7,300 | MSEK income |
| 5,400 | MSEK capital employed |

| Ballingslöv International | 100% |
| Envac | 100% |
| Captum | 100% |
| Gunnebo | 26% |
| Svedbergs | 26% |
| Midsona | 24% |
| Stena Renewable | 35% |

% = Share of ownership
Blomsterlandet will take responsibility for our impact on society through our own activities, as well as our products. Our plants and accessories must always be of good quality and we work actively to create environmentally sound products that are manufactured in good conditions. In 2018, Blomsterlandet has identified those of the UN Sustainable Development Goals (SDG) that the company strives to achieve.

<table>
<thead>
<tr>
<th>SDG</th>
<th>Focus areas</th>
<th>Target 2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>13.3</td>
<td>Climate impacts by changing transport modes (tonnes CO₂)</td>
<td>Reduction by 500 tonnes. The aim is to use rail transport to cover a larger proportion of goods deliveries</td>
<td>3,500 tonnes</td>
<td>NA</td>
</tr>
<tr>
<td>12.5</td>
<td>Recycling (%)</td>
<td>Increase the recycling ratio by 7 percentage from the preceding year</td>
<td>17%</td>
<td>18%</td>
</tr>
<tr>
<td>12.2</td>
<td>Reduce the content of plastic in waste (tonnes)</td>
<td>Reduction by 2 tonnes/store</td>
<td>30 tonnes/store</td>
<td>31 tonnes/store</td>
</tr>
<tr>
<td>7.3</td>
<td>Green Property (GWh)</td>
<td>Reduction by 150 GWh</td>
<td>3,750 GWh</td>
<td>3,700 GWh</td>
</tr>
</tbody>
</table>

Ballingslöv works to reduce environmental impacts at every stage of the value chain, from procurement of more sustainable materials to reduced emissions of chemicals and carbon dioxide. Ballingslöv also has the vision of zero occupational accidents and for several years has worked with a code of conduct for suppliers. In 2018, Ballingslöv has identified those of the UN Sustainable Development Goals (SDG) that the company strives to achieve.

<table>
<thead>
<tr>
<th>SDG</th>
<th>Focus areas</th>
<th>Target 2022</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>13.2</td>
<td>CO₂ emissions (kg/cabinet)¹</td>
<td>2.8</td>
<td>3.1</td>
<td>3.4</td>
<td>3.4</td>
</tr>
<tr>
<td>13.2</td>
<td>Chemicals - VOC emissions</td>
<td>&gt;95%</td>
<td>96.1</td>
<td>96.0</td>
<td>95.8</td>
</tr>
<tr>
<td></td>
<td>- efficiency, cleaning (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- total VOC emissions (tonnes)</td>
<td>&lt;20 tonnes</td>
<td>14.5</td>
<td>17.0</td>
<td>18.8</td>
</tr>
<tr>
<td></td>
<td>- VOC emissions (kg/cabinet)</td>
<td>0.04</td>
<td>0.043</td>
<td>0.049</td>
<td>0.055</td>
</tr>
<tr>
<td>8.8</td>
<td>Safety and personnel: number of accidents²</td>
<td>0</td>
<td>9</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>12.5</td>
<td>Products’ recyclability (%)</td>
<td>&gt;90%</td>
<td>90</td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td>16.5 &amp; 16.B</td>
<td>Human rights: Suppliers with a procurement volume &gt;300 TEUR must sign the BI Code of Conduct (%)</td>
<td>100%</td>
<td>98</td>
<td>80</td>
<td>50</td>
</tr>
</tbody>
</table>

¹ Blomsterlandet and Ballingslöv are subject to statutory requirements concerning sustainability reporting, and more detailed sustainability information is therefore reported for these two holdings.
² kg per produced cabinet unit from production
³ Volatile organic compounds.
⁴ Accident involving absence, 1 day absence or more.

Since 2006, Stena Renewable has developed into one of Sweden’s largest and most successful land-based wind power companies, with 94 wind turbines and installed capacity of 244 MW. To ensure the company’s continued expansion, during the year Stena Adactum sold 65 per cent of its holdings in Stena Renewable, in order to support the investment in 300 new wind power projects, realising a net gain of MSEK 160. Together with these strong owners, Stena Renewable will now be able to achieve the major project portfolio and continue to develop and acquire new projects. This lays the foundation for building the next generation’s power companies based solely on renewable electricity production.

### RESPONSIBLE INVESTMENTS

![Market Value Per Portfolio Companies, %](chart.png)
The end of 2018 was dominated by a weak economic cycle and a strongly diminished risk appetite in the wake of increased fears of a recession. At the beginning of 2019, the oil price was around USD 55-60/barrel (Brent) after declining from USD 86/barrel at the beginning of October 2018. These market fluctuations give rise to unrest, but may also lead to new business opportunities. A number of political factors have contributed to exacerbating the financial unrest – trade tensions between the USA and China, the federal government shutdown in the USA, and the outcome of the Brexit negotiations are just a few examples.

REDUCED SHAREHOLDINGS DURING THE YEAR

The general downturn on global equities exchanges contributed to Stena’s reduction of its shareholdings during the year. As a consequence, Stena’s holdings in the bond and fixed income markets have increased, compared to equities holdings. The total return on equities was 0.6 per cent for the full year, reflecting better performance than the overall market. Stena’s equities holdings comprise around 80 companies on exchanges in the Nordic region, the rest of Europe, and the USA and Asia.

GOOD LIQUIDITY AND INCREASED FLEXIBILITY

Stena is a capital-intensive company with most of its activities in volatile markets subject to a risk of sudden fluctuation. This means that Stena requires significant liquidity in the company, to be able to handle these variations. The company therefore has the policy of being able to handle such pressures for a period of at least three years. During the year, Stena further strengthened its liquidity by, among other things, refinancing certain assets. A lot of effort was also devoted to extending Stena’s Revolving Credit Facility (RCF), which will now expire in 2023, with a total credit line of MUSD 725. A number of divestments in 2018 concerning properties and parts of the wind power activity also strengthened the liquidity. Stena Property sold properties for net proceeds of SEK 4 billion during the year. Going forward, Stena will continue to focus on ensuring high liquidity, so that the Group continues to be well-prepared for potential future challenges.

Stena Finance's main task is to manage the Stena AB Group’s financing and liquidity planning in both the short and long term. Stena Finance also manages the operational business units’ financial risks in the interest rate, currency and oil markets. In addition, Stena Finance manages the Group’s financial investments. Another important role is to serve as a resource for the operational units on the identification, analysis and execution of new business deals.

The diagrams refer to Stena AB Group as of December 31, 2018

LIQUIDITY

- Unutilised credit lines 47%
- Cash and cash equivalents 11%
- Equities 23%
- Fixed income 18%

INTEREST-BEARING LIABILITIES

- Other bank loans 42%
- Real estate loans 29%
- Leasing liabilities 9%
- Bond loans 20%

INVESTMENT PORTFOLIOS

- Adactum (listed shares) 18%
- CDOs/CLOs 9%
- Fixed income 44%
- Long-term equity 8%
- Other equities 21%
2018 was a year of re-financing. We deliberately extended our amortisation profile, to create greater financial flexibility for our activities. The focus areas for 2019 are, as always, high liquidity, cash flow and continued optimisation of returns on our financial assets.