STENA Rederi A/S

Tuborg Boulevard 12, DK-2900 Hellerup

Annual Report for 1 January - 31 December 2017

CVR No 33 26 00 59

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 5 /6 2018

Morten Rich
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of STENA Rederi A/S for the financial year 1 January - 31 December 2017.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and of the results of the Company operations for 2017.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hellerup, 5 June 2018

Executive Board

Johnny Schmølker
CEO

Board of Directors

Carl-Johan Wilhelm Bertil Hagman Chairman	Lars Erik Hånell Deputy Chairman	Per Erik Westling
Phillip William Boyd Fullerton	Johnny Schmølker	Helen Charlotte Lindström
Ulf Niklas Mårtensson		

Independent Auditor's Report

To the Shareholders of STENA Rederi A/S

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of STENA Rederi A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 5 June 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Mikkel Sthyr
statsautoriseret revisor
mne26693

René Otto Poulsen
statsautoriseret revisor
mne26718

Company Information

The Company	STENA Rederi A/S Tuborg Boulevard 12 DK-2900 Hellerup CVR No: 33 26 00 59 Financial period: 1 January - 31 December Municipality of reg. office: Hellerup
Board of Directors	Carl-Johan Wilhelm Bertil Hagman, Chairman Lars Erik Hånell Per Erik Westling Phillip William Boyd Fullerton Johnny Schmølker Helen Charlotte Lindström Ulf Niklas Mårtensson
Executive Board	Johnny Schmølker
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2017 TEUR	2016 TEUR	2015 TEUR	2014 TEUR	2013 TEUR
Key figures					
Profit/loss					
Revenue	93.063	70.967	47.105	38.287	31.389
Gross profit/loss	17.176	20.555	16.807	14.698	11.929
Profit/loss before financial income and expenses	9.931	13.795	11.785	10.004	8.657
Net financials	-267	0	133	-72	-214
Net profit/loss for the year	9.656	13.773	11.885	9.934	8.493
Balance sheet					
Balance sheet total	68.871	28.188	23.821	22.574	18.759
Equity	63.348	22.408	20.539	18.520	16.586
Investment in property, plant and equipment	2.939	3.738	1.631	1.966	4.485
Number of employees	218	218	78	32	32
Ratios					
Gross margin	18,5%	29,0%	35,7%	38,4%	38,0%
Profit margin	10,7%	19,4%	25,0%	26,1%	27,6%
Return on assets	14,4%	48,9%	49,5%	44,3%	46,1%
Solvency ratio	92,0%	79,5%	86,2%	82,0%	88,4%
Return on equity	22,5%	64,1%	60,9%	56,6%	68,8%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

In connection with merger under the pooling-of-interests method, the comparative figures from 2016 and back to 2013 have not been restated.

Management's Review

Key activities

The Company's main activity consists of operation of Ro-Pax vessels on the Baltic market, including the services Nynashamn (Sweden) - Ventspils (Latvia) and Travemünde (Germany) - Liepaja (Lativa), as well as operation of Roro vessels.

Development in the year

The income statement of the Company for 2017 shows a profit of EUR 9,656,471, and at 31 December 2017 the balance sheet of the Company shows equity of EUR 63,348,049.

During the summer, the Company was consolidated with the company Stena Roro A/S.

The past year and follow-up on development expectations from last year

The profit for the year of EUR 9,851k is in line with expectations, and Management considers it satisfactory.

The growth on the Nynashamn-Ventspils service has developed positively with considerably increased freight volumes compared to 2016.

The Travemünde-Liepaja traffic is in line with the expected volume.

Johnny Schmølker has been appointed CEO of the Company, and the Company has a new Board of Directors as a result of the new Danish shipping hub which Stena has established in Hellerup.

During summer 2017, the Company was merged with Stena Roro A/S and in that connection changed its name to Stena Rederi A/S. In September 2017, the Company contributed the equity investments in the companies Stena Marine Management ApS and Stena Bulk A/S.

Increasing oil prices have affected the Company's results, and profit for the financial year 2018 is expected to amount to approximately EUR 16,135k.

Capital resources

Cash flows from operating activities are still good.

The Company's cash and cash equivalents have decreased from EUR 12,446k to EUR 7,672k at the end of the year.

Management's Review

Special risks - operating risks and financial risks

Operating risks

The Company has entered into long-term agreements concerning the chartering of vessels. Together with the Company's own vessels, these vessels are the most important resource of the Company in relation to ensuring stable operations. Moreover, the Company has entered into bareboat charter agreements for two vessels, which have both been hired out on a time charter basis.

Market risks

Due to the significant price fluctuations on the market, the Company's use of bunker oil for the operation of vessels involves a special risk as price increases may only to a relatively limited extent be recognised in the transportation price.

Due to spot market volatility, the Company's activity of entering into bareboat charter agreements for vessels and subsequently hiring out the vessels on a time charter basis involves a special risk and may therefore result in significant fluctuations in earnings.

Foreign exchange risks

The Company's results, both income and expenses, are largely denominated in EUR. Therefore, the foreign exchange risk relating to EUR is limited.

Purchases of bunker oil are transacted in USD. As regards decisions to hedge USD, the Company is advised by the finance department of AB Stena Finans.

Interest rate risks

The Company is not affected by any significant interest rate risks.

Management's Review

Strategy and objectives

Strategy

Stena Rederi A/S's strategy is to offer competitive transportation solutions in connection with transports by sea to customers in the Baltic Sea area. The Company's most important customer markets are the Baltics, Russia, Sweden and Germany.

It is part of the strategy to increase the market share in a growing market. This strategy requires Stena Rederi A/S to be able to adjust its tonnage to market needs in a flexible way.

Based on this strategy, it is Stena Rederi A/S's objective to generate a profit for the Company's shareholders which exceeds the shareholders' required return on their investment. Furthermore, it is the Company's strategy to distribute dividend on excess capital resources that are not going to be used for developing the business.

Targets and expectations for the year ahead

The market growth of the services run by Stena Rederi A/S is still positive. The freight market is expected to grow further in 2018.

In Q3, efforts will be made to increase the Company's freight capacity on the Travemünde-Liepaja service through the charter of one more vessel. Initially, this will have a negative impact on the Company's results until the increased freight capacity is fully utilised.

In 2018, the Company's operations are expected to generate positive liquidity in line with the liquidity generated this year.

Profit for the year 2018 is expected to amount to approximately EUR 16,135k.

Intellectual capital resources

The Company's primary activity is transport by ship. Thus, the Company's most important intellectual capital resource is naval officers who are able to operate the ships. Through contact with other companies in the Stena Group, including Northern Marine Management, there are good possibilities of ensuring access to these important resources.

Statement of corporate social responsibility

Reference is made to the Group's Corporate Social Responsibility Report, which is prepared by Stena AB, Sweden and may be found via the following link:

https://www.stena.com/uploads/2018/04/bed71246-5c04-4d27-8f74-3d42b06dff90.pdf

Management's Review

Statement on gender composition

The Stena Group has an overall policy of recruiting the best suited employees for any given position, irrespective of gender. In order to ensure the broadest possible recruitment basis, continuous efforts are made to create working conditions and a corporate culture that attract and retain qualified employees across gender, nationality and other criteria without importance to the performance. The Stena Group tries to optimise the use of its employee resources by giving everybody equal opportunities of developing professionally and career-wise at all levels.

Top management

It is the Company's objective that the underrepresented gender should constitute at least 25% of the Company's Board of Directors and other management levels by 2020 at the latest.

Following the replacement in the Company's top management, the Board of Directors and the Executive Board now consist of seven members, one of whom is a woman.

In view of the above objective, it is, however, at all times the Company's and the owners' policy to employ the most qualified people for the positions, which may mean that, in some years, there may be a significant overweight of one gender in Company Management. This is also the reason why the 25% objective has not been met in 2017.

Other management levels

Stena Rederi follows the Stena Group's overall gender equality objectives that recruitment, skills development and other forms of educational activities should be gender neutral, and discrimination must never occur.

All courses that are of a general or horizontal nature, such as introductory courses for new employees or continuing education courses, contain sections on Stena's gender equality work.

Employees in Stena have the opportunity of developing various skills such as different forms of education and individual development plans in relation to their individual goals.

Within Stena, the individual is expected to submit proposals for education and courses that he or she wishes to implement or want to participate in in order to further develop in his or her work and contribute to the continued development of the business.

Diversity and gender equality should be encouraged through external as well as internal recruitment, skills development, promotion and at workgroup assemblies within Stena. A priority objective is that the underrepresented gender should always be involved in the recruitment processes, when possible.

Each department will be associated with recruitment and promotion efforts to achieve and maintain as even distribution as possible between women and men in all types of work and in different categories of workers.

Management's Review

In 2017, we have continued to strengthen our focus on recruitment of the underrepresented gender. In recruiting where Stena hires external recruitment support in the form of crew, headhunters or equivalent for recruitment, we have in 2017 maintained focus on Stena's responsibility to take into account gender equality.

The gender distribution in Stena Rederi A/S is currently maintained at the same level for the offshore personnel and has with the merger and new setup in 2017 obtained equality on the shore based personnel management levels.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 December 2017 of the Company and the results of the activities of the Company for the financial year for 2017 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	2017	2016
		EUR	EUR
Revenue	1	**93.062.769**	**70.966.769**
Other operating income		312.799	90
Expenses for raw materials and consumables		-22.476.781	-20.418.011
Other external expenses		-53.722.571	-29.993.358
Gross profit/loss		**17.176.216**	**20.555.490**
Staff expenses	2	-3.845.216	-3.847.042
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-3.400.118	-2.913.444
Profit/loss before financial income and expenses		**9.930.882**	**13.795.004**
Income from investments in subsidiaries	8	-124.367	-2.289
Financial income	3	14.086	10.835
Financial expenses	4	-156.827	-8.403
Profit/loss before tax		**9.663.774**	**13.795.147**
Tax on profit/loss for the year	5	-7.303	-21.897
Net profit/loss for the year		**9.656.471**	**13.773.250**

Distribution of profit

Proposed distribution of profit

Proposed dividend for the year	0	13.450.985
Reserve for net revaluation under the equity method	-124.367	-2.293
Retained earnings	9.780.838	324.558
	9.656.471	**13.773.250**

Balance Sheet 31 December

Assets

	Note	2017	2016
		EUR	EUR
Acquired rights		1.380.000	1.846.513
Intangible assets	6	**1.380.000**	**1.846.513**
Other fixtures and fittings, tools and equipment		400.696	454.783
Ships		4.111.253	5.151.623
Property, plant and equipment in progress		53.905	76.619
Property, plant and equipment	7	**4.565.854**	**5.683.025**
Investments in subsidiaries	8	44.432.467	166.060
Fixed asset investments		**44.432.467**	**166.060**
Fixed assets		**50.378.321**	**7.695.598**
Inventories		**1.000.758**	**899.098**
Trade receivables		20.172	41.627
Receivables from group enterprises		8.073.915	6.202.893
Other receivables		550.727	71.016
Corporation tax		22.331	0
Prepayments	9	1.153.495	831.067
Receivables		**9.820.640**	**7.146.603**
Cash at bank and in hand		**7.671.520**	**12.446.420**
Currents assets		**18.492.918**	**20.492.121**
Assets		**68.871.239**	**28.187.719**

Balance Sheet 31 December

Liabilities and equity

	Note	2017	2016
		EUR	EUR
Share capital		941.703	941.569
Reserve for net revaluation under the equity method		720.543	15.529
Retained earnings		61.685.803	7.999.454
Proposed dividend for the year		0	13.450.985
Equity	10	**63.348.049**	**22.407.537**
Trade payables		1.582.695	1.934.537
Payables to group enterprises		741.336	1.839.021
Corporation tax		0	23.741
Other payables		2.614.241	1.982.883
Deferred income	11	584.918	0
Short-term debt		**5.523.190**	**5.780.182**
Debt		**5.523.190**	**5.780.182**
Liabilities and equity		**68.871.239**	**28.187.719**
Contingent assets, liabilities and other financial obligations	12		
Related parties	13		
Fee to auditors appointed at the general meeting	14		
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Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	EUR	EUR	EUR	EUR	EUR
Equity at 1 January	941.569	15.529	7.999.454	13.450.985	22.407.537
Net effect from merger and acquisition under the pooling-of-interests method	134	0	335.136	0	335.270
Adjusted equity at 1 January	941.703	15.529	8.334.590	13.450.985	22.742.807
Exchange adjustments	0	-581	22.382	0	21.801
Contribution from group	0	0	43.547.993	0	43.547.993
Ordinary dividend paid	0	0	0	-13.450.985	-13.450.985
Fair value adjustment of hedging instruments, beginning of year	0	829.962	0	0	829.962
Net profit/loss for the year	0	-124.367	9.780.838	0	9.656.471
Equity at 31 December	**941.703**	**720.543**	**61.685.803**	**0**	**63.348.049**

Notes to the Financial Statements

		2017	2016
		EUR	EUR
1	**Revenue**		
	Geographical segments		
	Revenue, exports	93.062.769	70.966.769
		93.062.769	**70.966.769**
	Business segments		
	Freight	75.291.679	65.380.846
	Charter	14.857.401	2.873.294
	Other	2.913.689	2.712.629
		93.062.769	**70.966.769**

2 Staff expenses

	2017	2016
Wages and salaries	3.303.618	3.411.785
Pensions	263.642	287.227
Other social security expenses	172.879	140.698
Other staff expenses	105.077	7.332
	3.845.216	**3.847.042**
Average number of employees	**218**	**218**

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

The company rents ship personnel from it's subsidiary and therfore the company indirectly has all obligations attached, as a result, the number of employees is stated including personnel rented from it's subsidiary, as these employees are not included in the number of employees in the subsidiary. The cost from rented staff is included in Other External Costs.

3 Financial income

	2017	2016
Other financial income	14.086	7.923
Exchange adjustments	0	2.912
	14.086	**10.835**

Notes to the Financial Statements

4 Financial expenses

	2017 EUR	2016 EUR
Other financial expenses	76.568	8.403
Exchange adjustments, expenses	80.259	0
	156.827	**8.403**

5 Tax on profit/loss for the year

	2017 EUR	2016 EUR
Current tax for the year	3.579	23.707
Deferred tax for the year	3.724	0
Adjustment of tax concerning previous years	0	-1.810
	7.303	**21.897**

6 Intangible assets

	Acquired rights EUR
Cost at 1 January	2.308.141
Exchange adjustment	-8.141
Cost at 31 December	2.300.000
Impairment losses and amortisation at 1 January	475.079
Exchange adjustment	-13.411
Amortisation for the year	458.332
Impairment losses and amortisation at 31 December	920.000
Carrying amount at 31 December	**1.380.000**
Amortised over	5 years

Notes to the Financial Statements

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Ships	Property, plant and equipment in progress	Total
	EUR	EUR	EUR	EUR
Cost at 1 January	545.651	24.891.236	73.188	25.510.075
Additions for the year	5.047	675.206	1.156.136	1.836.389
Transfers for the year	57.077	1.118.342	-1.175.419	0
Cost at 31 December	607.775	26.684.784	53.905	27.346.464
Impairment losses and depreciation at 1 January	91.426	19.744.807	0	19.836.233
Depreciation for the year	115.653	2.828.724	0	2.944.377
Impairment losses and depreciation at 31 December	207.079	22.573.531	0	22.780.610
Carrying amount at 31 December	**400.696**	**4.111.253**	**53.905**	**4.565.854**

Notes to the Financial Statements

	2017	2016
	EUR	EUR

8 Investments in subsidiaries

	2017 EUR	2016 EUR
Cost at 1 January	150.531	150.531
Additions for the year	43.561.393	0
Cost at 31 December	43.711.924	150.531
Value adjustments at 1 January	15.529	17.822
Exchange adjustment	-581	0
Net profit/loss for the year	-108.994	4.534
Fair value adjustment of hedging instruments for the year	829.962	0
Reversals for the year of revaluations in previous years	-15.373	-6.827
Value adjustments at 31 December	720.543	15.529
Carrying amount at 31 December	**44.432.467**	**166.060**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
SIA Stena Line	Riga, Latvia	EUR 100,000	100%	220.774	70.087
Stena Marine Management	Hellerup, Denmark	EUR 13,400	100%	-263.362	-265.236
Stena Bulk Denmark ApS	Hellerup, Denmark	EUR 79,449	100%	44.211.693	-1.877.748

Net profit/loss for the year recognized as value adjustment in the invenstments in subsidiaries consists of profit from SIA Stena Line (+ 70,087 EUR), remainging positive value of Stena Marine Management (- 13,400 EUR) and finaly loss from Stena Bulk Denmark ApS from 29 September to 31 December (- 165,681 EUR).

9 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

Notes to the Financial Statements

10 Equity

The share capital consists of 7,001 shares of a nominal value of EUR 1,000. No shares carry any special rights.

The share capital has developed as follows:

	2017	2016	2015	2014	2013
	EUR	EUR	EUR	EUR	EUR
Share capital at 1 January	941.569	941.569	941.569	941.569	941.569
Capital increase	134	0	0	0	0
Capital decrease	0	0	0	0	0
Share capital at 31 December	**941.703**	**941.569**	**941.569**	**941.569**	**941.569**

11 Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

12 Contingent assets, liabilities and other financial obligations

	2017	2016
	EUR	EUR
Contingent liabilities		
The company has entered a charter agreement on ships where the commitment for the remaining contract period amounts to TEUR 19,176. The amount is due in a linear manner over the period until 31 March 2020.	19.176.209	27.484.624
For employees under civil servants, the company has a liable for a termination of TEUR 964 upon dismissal.	963.599	994.417
The company has entered a lease agreement where the commitment for the remaining contract period amounts to TEUR 1,380. The amount is due in a linear manner over the period until 31 December 2022.	1.380.071	0

There are unrecognized tax liabilities for any subsequent withdrawal of the tonnage tax scheme or for the sale of ferries without reinvestments. The company does not intend to withdraw from the scheme.

The Company is subject to Danish joint taxation with group enterprises. According to the Danish Corporation Tax Act, the Company is therefore jointly and severally liable to the Danish tax authorities for corporation taxes as well as withholding taxes on dividend and interest of the jointly taxed enterprises.

Notes to the Financial Statements

13 Related parties

	Basis
Controlling interest	
Stena Line Scandinavia AB, Gothenburg, Sweden	Parent

Consolidated Financial Statements

The Company is included in the consolidated report for Stena AB.

Name	Place of registered office
Stena AB	(Gothenburg, Sweden)

Koncernrapporten kan rekvireres på følgende adresse:

www.stena.com

14 Fee to auditors appointed at the general meeting

	2017 EUR	2016 EUR
Audit fee to PricewaterhouseCoopers	14.331	9.612
Other services	7.657	4.506
	21.988	**14.118**

Notes to the Financial Statements

15 Accounting Policies

The Annual Report of STENA Rederi A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year except that the Financial Statement is presented in EUR where this previous year has been presented in DKK.

The Financial Statements for 2017 are presented in EUR.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Stena AB, Sverige, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Stena AB, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Business combinations

Pooling of interests

Intragroup business combinations are accounted for under the pooling-of-interests method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The pooling-of-interests method is applied at the date of acquisition, and comparative figures

Notes to the Financial Statements

15 Accounting Policies (continued)

have not been restated.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Revenue

Information on business segments and geographical segments based on the Companys risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Notes to the Financial Statements

15 Accounting Policies (continued)

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

Gross Profit comprises of the financial statement lines "Revenue" to "Other external expenses", which is specified in the Income Statment.

There has been a reclassification in the comparative numbers the company (EUR 1.356k), which has decreased the Gross profit - mainly due to a increase in the "Other external expenses" - and been reclassified from being presented as part of "Staff costs". Furthermore, without effect on the Gross Profit, in the comparative numbers a cost (EUR 6,399k) have been reclassified from "Expenses for raw materials and consumables" to now being presented as part of "Other external expenses".

The adjustment has no effect on the "Profit/loss before financial income and expenses", "Net profit/loss of the year" or the "Equity" of the Company.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Notes to the Financial Statements

15 Accounting Policies (continued)

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

15 Accounting Policies (continued)

Balance Sheet

Intangible assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 5 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Production buildings	11-25	years
Other buildings	2-5	years
Other fixtures and fittings, tools and equipment	2-3	years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item"Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

Notes to the Financial Statements

15 **Accounting Policies** (continued)

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at EUR 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Notes to the Financial Statements

15 Accounting Policies (continued)

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Notes to the Financial Statements

15 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$